

SCM SIM	Italy	Euronext Growth Milan	Wealth Management
Rating: BUY (unch.)	Target Price: € 6,05 (prev € 8,74)	Update	Risk: Medium

Stock performance	1M	3M	6M	1Y
absolute	-5,8%	-3,7%	-7,7%	-10,4%
to FTSE Italia Growth	-2,6%	-1,4%	-14,4%	-19,4%
to Euronext STAR Milan	-2,4%	-5,7%	-21,1%	-30,8%
to FTSE All-Share	0,6%	0,9%	-14,1%	-18,5%
to EUROSTOXX	-0,2%	0,9%	-11,8%	-16,4%
to MSCI World Index	-6,4%	-5,4%	-21,1%	-22,5%

Stock Data

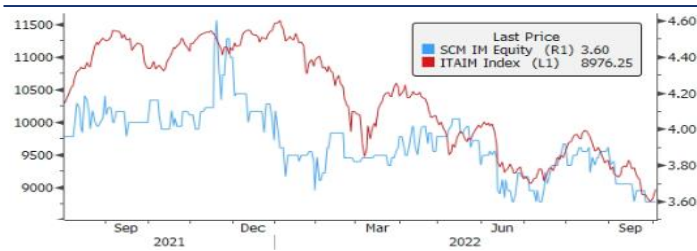
Price	€ 3,60
Target price	€ 6,05
Upside/(Downside) potential	68,1%
Bloomberg Code	SCM IM EQUITY
Market Cap (€m)	€ 7,22
EV (€m)	€ 6,62
Free Float	18,63%
Share Outstanding	2.006.240
52-week high	€ 4,70
52-week low	€ 3,52
Average daily volumes (3m)	350

Key Financials (€m)	FY21A	FY22E	FY23E	FY24E
Fees Income	6,3	6,2	6,9	7,8
Brokerage Margin	3,9	3,5	4,0	4,9
EBITDA	0,1	-0,3	0,2	0,9
EBIT	-0,3	-0,6	-0,1	0,6
Net Profit	-0,3	-0,5	0,0	0,5
EBITDA margin	1,5%	N.A.	2,9%	10,9%
EBIT margin	N.A.	N.A.	N.A.	7,7%
Net Profit margin	N.A.	N.A.	0,7%	6,4%

Main Ratios	FY21A	FY22E	FY23E	FY24E
EV/EBITDA (x)	71,9	N.A.	33,1	7,8
EV/EBIT (x)	N.A.	N.A.	N.A.	11,0
P/E (x)	N.A.	N.A.	144,4	14,4

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Stocks performance vs FTSE Italia Growth



1H22A results

The Brokerage Margin as of 30 June 2022 amounted to € 1.45 million, marking a negative variation of 24.5% compared to the first half of 2021, in which a value of € 1.93 million was observed. The EBITDA, equal to € -0.43 million, decreased compared to the value of 1H21A, which stood at € 0.06 million. As a result, the EBITDA margin decreased from 2.1% in 1H21A to -17.1% in 1H22A. EBIT, after amortization and depreciation of € 0.17 million, amounted to € -0.61 million, down from the figure for the first half of the previous fiscal year (€ -0.11 million), corresponding to an EBIT margin of -23.8% compared to -3.6% in 1H21A. Net Income amounted to € -0.58 million (compared to € -0.12 million on 30 June 2021).

Estimates Update

In the light of the results published in the half-yearly report for 1H22A, we modify our previous estimates both for the current year and for the coming years. In particular, we estimate Brokerage Margin for FY22A at € 3.50 million and EBITDA at € -0.30 million, corresponding to a marginality of -4.9%. For the following years, we expect the Brokerage Margin to increase to € 5.55 million (CAGR 21A-25E: 9.5%) in FY25E, with EBITDA of € 1.35 million (corresponding to an EBITDA margin of 15.3%), up from € 0.09 million in FY21A (corresponding to an EBITDA margin of 1.5%). We estimate an NFP for FY25E cash positive and equal to € 2.57 million.

Valuation

We conducted the valuation of SCM's equity value based on the DCF methodology and the complex equity method. The value resulting from the application of the DCF method (which in the calculation of the WACC includes for prudential purposes a specific risk of 2.5%) is equal to € 9.6 million, while that resulting from the complex equity method is equal to € 14.7 million. The result is an average equity value of € 12.1 million. The target price is € 6.05 (prev. € 8.74), BUY rating and MEDIUM risk.

1. Economics & Financials

Table 1 – Economics & Financials

INCOME STATEMENT (€/mIn)	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
Interest Margin	(0,03)	(0,04)	(0,05)	0,05	0,05	0,05
Fees Income	5,53	6,34	6,15	6,85	7,80	8,80
Fees Expenses	2,32	2,45	2,60	2,90	3,00	3,30
Brokerage Margin	3,18	3,85	3,50	4,00	4,85	5,55
Employees	1,68	1,91	1,80	1,80	1,90	2,00
Other Operating costs	1,61	1,85	2,00	2,00	2,10	2,20
EBITDA	(0,11)	0,09	(0,30)	0,20	0,85	1,35
<i>EBITDA Margin</i>	<i>-2,0%</i>	<i>1,5%</i>	<i>-4,9%</i>	<i>2,9%</i>	<i>10,9%</i>	<i>15,3%</i>
Financial assets valued at amortized cost	0,03	0,08	0,05	0,05	0,05	0,05
D&A	0,28	0,32	0,30	0,20	0,20	0,20
EBIT	(0,43)	(0,31)	(0,65)	(0,05)	0,60	1,10
<i>EBIT Margin</i>	<i>-7,7%</i>	<i>-4,9%</i>	<i>-10,6%</i>	<i>-0,7%</i>	<i>7,7%</i>	<i>12,5%</i>
Financial Management	0,27	0,04	0,10	0,10	0,10	0,10
EBT	(0,16)	(0,27)	(0,55)	0,05	0,70	1,20
Taxes	(0,02)	0,00	0,00	0,00	0,20	0,25
Net Income	(0,14)	(0,27)	(0,55)	0,05	0,50	0,95

BALANCE SHEET (€/mIn)	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
Fixed Assets	0,65	1,24	1,00	0,90	0,70	0,70
Financial assets valued at amortized cost	2,44	1,84	1,65	1,70	1,80	1,85
Financial liabilities valued at amortized cost	1,04	1,44	1,55	1,65	1,75	1,85
Operating Working Capital	1,40	0,41	0,10	0,05	0,05	0,00
Other receivable	1,30	1,51	1,40	1,40	1,60	1,80
Other payable	0,68	0,59	0,75	0,80	0,80	0,90
Net Working Capital	2,03	1,33	0,75	0,65	0,85	0,90
Severance Indemnities & Other Provisions	0,16	0,20	0,25	0,25	0,25	0,25
NET INVESTED CAPITAL	2,52	2,37	1,50	1,30	1,30	1,35
Share Capital	2,01	2,01	2,01	2,01	2,01	2,01
Reserves	1,39	1,23	0,96	0,41	0,46	0,96
Net Income	(0,14)	(0,27)	(0,55)	0,05	0,50	0,95
Equity	3,25	2,97	2,42	2,47	2,97	3,92
Cash & Cash Equivalent	0,73	0,60	0,92	1,17	1,67	2,57
Short Term Debt to Bank	0,00	0,00	0,00	0,00	0,00	0,00
M/L Term Debt to Bank	0,00	0,00	0,00	0,00	0,00	0,00
Net Financial Position	(0,73)	(0,60)	(0,92)	(1,17)	(1,67)	(2,57)
SOURCES	2,52	2,37	1,50	1,30	1,30	1,35

CASH FLOW (€/mIn)	FY21A	FY22E	FY23E	FY24E	FY25E
EBIT	(0,31)	(0,65)	(0,05)	0,60	1,10
Taxes	0,00	0,00	0,00	0,20	0,25
NOPAT	(0,32)	(0,65)	(0,05)	0,40	0,85
D&A	0,32	0,30	0,20	0,20	0,20
Change in Financial assets	0,60	0,19	(0,05)	(0,10)	(0,05)
Change in Financial liabilities	0,40	0,11	0,10	0,10	0,10
Change in others	(0,29)	0,27	0,05	(0,20)	(0,10)
<i>Change in NWC</i>	<i>0,70</i>	<i>0,58</i>	<i>0,10</i>	<i>(0,20)</i>	<i>(0,05)</i>
Change in provisions	0,04	0,05	0,00	0,00	0,00
OPERATING CASH FLOW	0,74	0,28	0,25	0,40	1,00
Capex	(0,91)	(0,06)	(0,10)	0,00	(0,20)
FREE CASH FLOW	(0,16)	0,22	0,15	0,40	0,80
Financial Management	0,04	0,10	0,10	0,10	0,10
Change in Debt to Bank	0,00	0,00	0,00	0,00	0,00
Change in Equity	(0,01)	0,00	0,00	0,00	0,00
FREE CASH FLOW TO EQUITY	(0,13)	0,32	0,25	0,50	0,90

Source: SCM and Integrae SIM estimates

1.1 1H22A Results

Table 2 – 1H22A vs 1H21A

€/mln	Brokerage Margin	EBITDA	EBITDA %	EBIT	Net Income	NFP
1H22A	1,45	-0,43	-17,1%	-0,61	-0,58	(0,5)
1H21A	1,93	0,06	2,1%	-0,11	-0,12	(0,6)*
Change	-24,5%	N.A.	-19,1%	N.A.	N.A.	N.A.

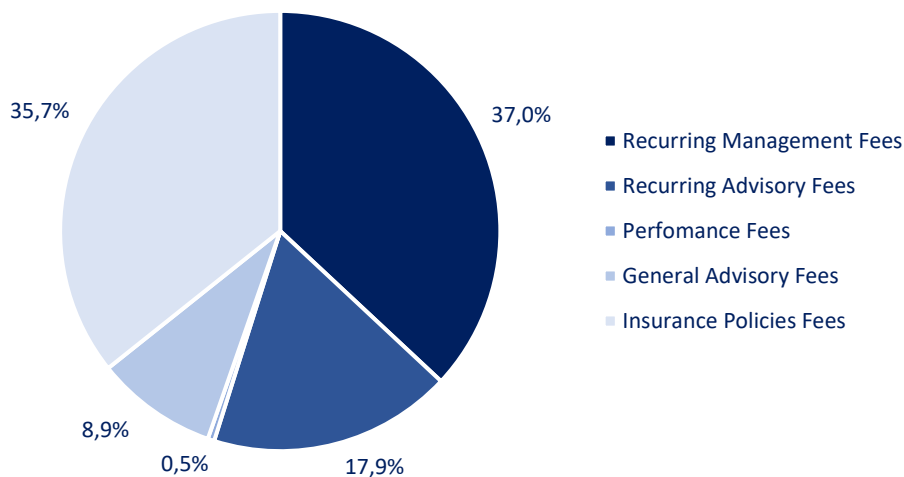
Source: Integrae SIM

*NFP as of 31/12/2021

Through a press release, the Company, commenting on the half-yearly results, stated: "2022 is a very complex year due to the combination of post-pandemic inflation, the war, and "zero covid" policy in China. Central banks are trying to curb inflation with a series of maneuvers on "data-driven" rates, therefore in the absence of a clear strategy, i.e. the so-called "forward guidance". This uncertainty scenario inhibits customers' propensity to invest. Despite having significantly improved the profitability of each business segment, the absence of performance commissions, historically structural in our financial statements, has penalized us. The second half of the year, thanks to transactions related to tax credits and "one-shot" consultancy, as well as the maintenance of a positive trend on core commissions, presents itself with certainly better assumptions."

The Brokerage Margin as of 30 June 2022 amounted to € 1.45 million, marking a negative variation of 24.5% compared to the first half of 2021, in which a value of € 1.93 million was observed. The substantial difference is attributable to the lack of contribution of performance commissions that in the same period of the previous fiscal year contributed approximately € 1.00 million.

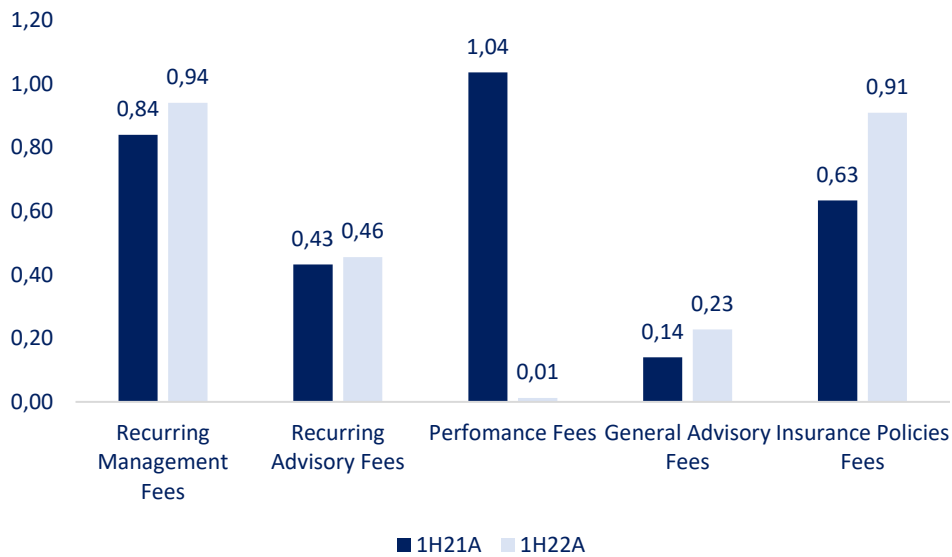
Chart 1 – Fees Income Breakdown by Segment



Source: SCM

The main source of revenue, during the first half of 2022, was that related to the recurring management, which generated a share of fees income equal to 37.0% of the total. The remaining revenues are divided as follows: 35.7% from insurance policies, 17.9% from recurring advisory, 8.9% from general advisory, and 0.5% from performance fees.

Chart 2 –Fees Income by Segment 1H21A vs 1H22A



Source: SCM

Net of performance fees, the Company posted a very positive result in all the other segments of the fees income, with a variation of +43.5% on the distribution of insurance products, +12.0% in recurring management, +5.4% in recurring advisory, and +62.1% in general advisory.

EBITDA, equal to € -0.43 million, recorded a decrease compared to the value of 1H21A, which amounted to € 0.06 million, essentially attributable to the reduction in the Brokerage Margin, as well as to the slight increase in operating costs compared to 30 June 2021. As a result, the EBITDA margin decreased from 2.1% in 1H21A to -17.1% in 1H22A.

EBIT, after amortization and depreciation of € 0.17 million, amounted to € -0.61 million, down from the figure for the first half of the previous fiscal year (€ -0.11 million), corresponding to an EBIT margin of -23.8% compared to -3.6% in 1H21A. Net Income amounted to € - 0.58 million (compared to € -0.12 million on 30 June 2021).

1.2 FY22A – FY25E Estimates

Table 3 – Estimates Updates FY22A-25E

€/mln	FY22E	FY23E	FY24E	FY25E
Brokerage Margin				
New	3,5	4,0	4,9	5,6
Old	4,5	5,0	5,6	N.A.
Change	-22,2%	-20,0%	-12,8%	N.A.
EBITDA				
New	(0,3)	0,2	0,9	1,4
Old	0,4	0,6	0,9	N.A.
Change	N.A.	-65,5%	-6,6%	N.A.
EBITDA %				
New	-4,9%	2,9%	10,9%	15,3%
Old	5,0%	7,7%	11,1%	N.A.
Change	-9,9%	-4,8%	-0,2%	N.A.
EBIT				
New	(0,6)	(0,1)	0,6	1,1
Old	0,0	0,2	0,6	N.A.
Change	N.A.	N.A.	3,4%	N.A.
Net Income				
New	(0,5)	0,0	0,5	1,0
Old	0,1	0,3	0,7	N.A.
Change	N.A.	-84,8%	-25,4%	N.A.
NFP				
New	(0,9)	(1,2)	(1,7)	(2,6)
Old	(0,2)	(0,5)	(0,8)	N.A.
Change	N.A	N.A	N.A	N.A

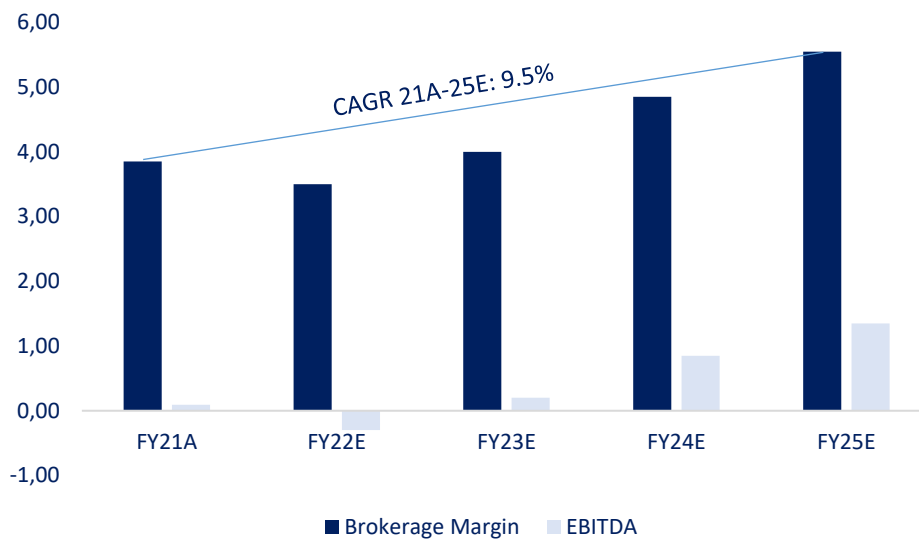
Source: Integrae SIM

In light of the results published in the half-yearly report for 1H22A, we modify our previous estimates both for the current year and for the coming years.

In particular, we estimate Brokerage Margin for FY22A at € 3.50 million and EBITDA at € - 0.30 million, corresponding to a marginality of -4.9%. For the following years, we expect the Brokerage Margin to increase to € 5.55 million (CAGR 21A-25E: 9.5%) in FY25E, with EBITDA of € 1.35 million (corresponding to an EBITDA margin of 15.3%), up from € 0.09 million in FY21A (corresponding to an EBITDA margin of 1.5%).

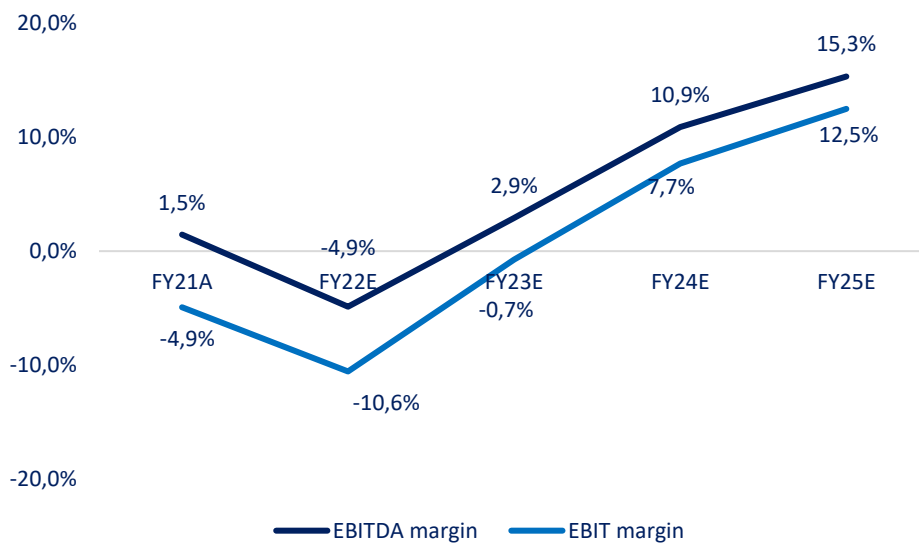
We estimate an NFP for FY25E cash positive and equal to € 2.57 million.

Chart 3 – Brokerage Margin and EBITDA FY21A-25E



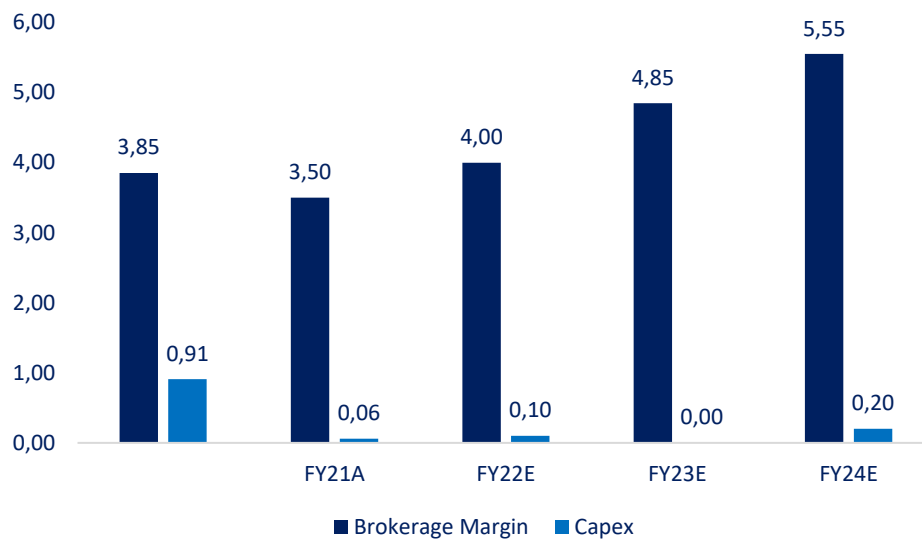
Source: Integrae SIM

Chart 4 – Margin FY21A-25E



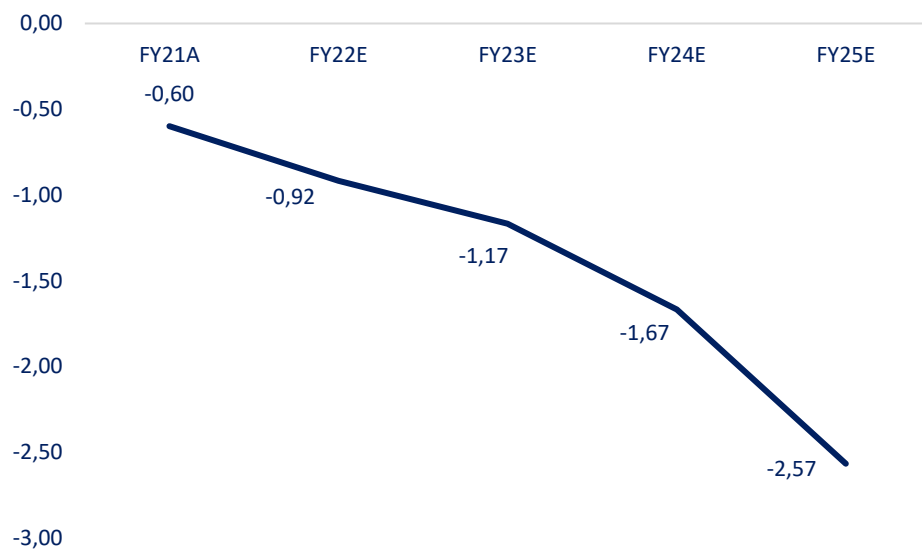
Source: Integrae SIM

Chart 5 – Capex FY21A-25E



Source: Integrae SIM

Chart 6 – NFP FY21A-25E



Source: Integrae SIM

2. Valuation

We conducted the valuation of SCM's equity value based on the DCF methodology and the complex equity method.

2.1 DCF Method

Table 4 – WACC

WACC		9,47%
Risk Free Rate	2,18% α (specific risk)	2,50%
Market Premium	9,08% Beta Adjusted	0,5
D/E (average)	0,00% Beta Relevered	0,5
Ke	9,47% Kd	1,00%

Source: Integrae SIM

For prudential purposes, we have included a specific risk of 2.5%. This results in a WACC of 9.47%.

Table 5 – DCF Valuation

DCF Equity Value		9,6
FCFO actualized	2,1	24%
TV actualized DCF	6,6	76%
Enterprise Value	8,7	100%
NFP (FY22E)	(0,9)	

Source: Integrae SIM

With the above data and taking as a reference our estimates and assumptions, the result is an **equity value of € 9.6 million**.

Table 6 – Equity Value – Sensitivity Analysis

	WACC						
	8,0%	8,5%	9,0%	9,5%	10,0%	10,5%	11,0%
2,5%	13,7	12,6	11,7	11,0	10,4	9,8	9,3
2,0%	12,8	11,9	11,1	10,5	9,9	9,4	8,9
1,5%	12,0	11,2	10,6	10,0	9,5	9,0	8,6
1,0%	11,4	10,7	10,1	9,6	9,1	8,7	8,4
0,5%	10,8	10,2	9,7	9,2	8,8	8,4	8,1
0,0%	10,3	9,8	9,3	8,9	8,5	8,2	7,9
-0,5%	9,9	9,4	9,0	8,6	8,2	7,9	7,6

Source: Integrae SIM

2.2 Complex Equity Method

For the calculation of the equity value with the complex equity method, we took as a reference the value of net commissions, human capital, and authorizations. The results are as follows:

Table 7 – Complex Equity Method

Equity Value	€/mln
Shareholders' Equity	2,42
Fee Value	6,96
Employees	3,82
Authorizations	1,50
Total	14,70

Source: Integrae SIM

The equity value of SCM, using the complex equity method, is **equal to € 14.7 million.**

2.3 Equity Value

Table 8 – Equity Value

Average Equity Value (€/mln)	12,1
Equity Value DCF (€/mln)	9,6
Equity Value Equity Method (€/mln)	14,7
Target Price (€)	6,05

Source: Integrae SIM

The result is an average equity value of € 12.1 million. **The target price is, therefore, € 6.05 (prev. €8.74). We confirm BUY rating and MEDIUM risk.**

Disclosure Pursuant to Delegated Regulation UE n. 2016/958

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01/12/2021	4,18	Buy	9,25	Medium	Update
13/04/2022	3,86	Buy	8,74	Medium	Update
20/04/2022	4,00	Buy	8,74	Medium	Flash Note

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Equity Total Return (ETR) for different risk categories			
Rating	Low Risk	Medium Risk	High Risk
BUY	ETR >= 7.5%	ETR >= 10%	ETR >= 15%
HOLD	-5% < ETR < 7.5%	-5% < ETR < 10%	0% < ETR < 15%
SELL	ETR <= -5%	ETR <= -5%	ETR <= 0%
U.R.	Rating e/o target price Under Review		
N.R.	Stock Not Rated		

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