

SCM SIM

A unique business model based on transparency and flat fees

Finance

IR TOP RESEARCH
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COMPANY DESCRIPTION

SCM SIM is a Private Banking and Wealth Management company authorized to manage portfolios, provide investment advice and placement services.

Since foundation in 2009, SCM SIM has experienced a rapid growth, both in terms of AuM (2010-2017 CAGR +55%), private bankers (+19%) and net fees (+52%). Thanks to a team of **35 private bankers**, the Company currently manages **more than 500 customers for a total of 1,083 Eu million of AuM**, of which 79% in advisory, 15% in asset management and 6% in insurance services.

FY 2017 RESULTS

In FY 2017 **fee income reached 7.9 Eu m, +14% yoy** driven principally by recurring investment advisory fees that reached 3.1 Eu m (+25% yoy) and performance fees (+197%). AuM and net fees, grew by +3.4% and +3.0% yoy respectively. Fee expenses were 3.9 Eu m, +29.2% yoy mainly due to higher pay-out for private bankers with high AuM. Cost/income ratio was of 109.6% (98.5% in FY 2016) but included certain one-off costs. The result of the year was a net loss of 0.3 Eu m vs. a break-even in 2016. Net cash was of 1.4 Eu m.

UNIQUE BUSINESS MODEL

SCM operates with a business model that complies with the most modern market and regulatory logics. **Flat fee, Independence, High Watermark** without reset, **consultancy and non-placement**, make SCM an innovative, avant-garde and unique company in the financial services market

REFERENCE MARKET AND DRIVERS

Assets managed by private bankers in Italy have seen a steady growth over the last years and reached 792 Eu billion in September 2017 according to AIPB, the Italian Association for Private Bankers (+3.9% vs. 763 Eu billion at the end of 2016), for a total of more than one third of Italian GDP. The **market share of private banking structures**, compared to the total financial assets of household, **reached about 23%**.

2018-2020 ESTIMATES

Key growth drivers for our estimates are expansion of private bankers network and operational leverage. Main assumptions are:

- **growth in AuM** at a **2017-2020 CAGR of 21%** to reach 1.9 Eu m in 2020.
- **Net fees** are expected to grow at a **2017-2020 CAGR of 19%** up to 6.8 Eu m at the end of 2020, with a Net fees/AuM ratio stable of about 0.4%.
- Cost/Income ratio in 2020 should reach 88% (vs. 109% in FY 2017), thanks to operational leverage.
- Break-even in 2018 with a **net profit** of 0.6 Eu m in 2020 with an EPS of 0.33 Eu (2016-2020 CAGR of 209%).
- SCM SIM is expected to remain cash positive with 1.8 Eu m in 2020.

VALUATION

We set a **target price of 10.24 Eu p.s.** obtained by applying a DCF model with $K_E=10.13\%$ and $g=2\%$.

Target Price (Eu)	10.24
Market Price (Eu)	9.20
Capitalisation (Eu m)	18
Enterprise Value (Eu m)	16
<i>(as of June 6th, 2018)</i>	

AIM Positioning

Market Data (Eu m)	Company	AIM Italia
Capitalisation	18	70
Perf. from IPO	-13%	-1%
Free Float	11%	42%
ADTT YTD (Eu)	3,403	87,160

Source: Osservatorio AIM Italia and FactSet data as of June 6th, 2018

Results & Estimates

Key Figures (Eu m)	16A	17A	18E	19E	20E
AuM	1,047	1,083	1,260	1,523	1,924
Net fees	3.9	4.1	4.6	5.5	6.8
Net fees/AuM	0.4%	0.4%	0.4%	0.4%	0.4%
Brokerage margin	3.9	4.1	4.6	5.5	6.8
Cost/Income ratio	-98%	-109%	-103%	-97%	-88%
Pre-tax Profit (Loss)	0.1	(0.3)	0.01	0.3	1.0
EBT/Brokerage margin	2%	-7%	0.2%	6%	14%
Net Profit (Loss)	0.01	(0.3)	0.01	0.2	0.6
Net Debt (Cash)	(2.3)	(1.4)	(1.3)	(1.3)	(1.8)
EPS (Eu)	0.004	(0.17)	0.03	0.10	0.33

Source: Company data (IAS/IFRS) for FY 2016-2017 and IR Top Research estimates for FY 2018-2020

Peers Comparison

Market Cap/AuM (x)	18E	19E	20E
SCM SIM	1.4%	1.2%	0.9%
Asset management peers	3.1%	2.9%	2.8%
Discount/Premium to peers	-55%	-60%	-67%

P/E (x)	18E	19E	20E
SCM SIM	n.m.	n.m.	27.5
Asset management peers	13.5	11.7	10.8
Discount/Premium to peers	n.m.	n.m.	+154%

Source: IR Top Research estimates for SCM SIM and FactSet data as of June 6th, 2018 for peers
 n.m. = not meaningful

Performance

	1M	3M	1Y
Absolute	-4.2%	-8.9%	-16.3%
Relative (FTSE AIM Italia)	-4.0%	-8.4%	-13.9%
52-week High / Low (Eu)*	11.40 / 6.40		

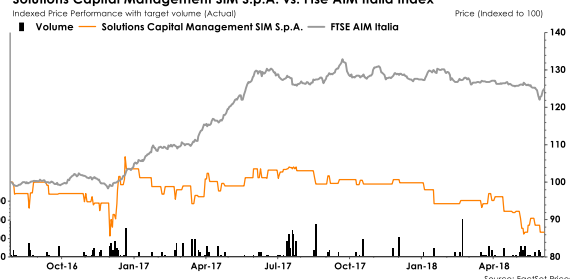
Source: FactSet data as of June 6th, 2018
 * Intraday

Please, read important disclaimer on the last page of this report.

SHARE DATA

Market	AIM Italia
Ticker Bloomberg / Reuters	SCM IM / SCM.MI
ISIN ordinary shares	IT0005200248
N. of shares	1,909,880
Free Float	11.4%
Main Shareholder	HPS Holding Partecipazioni Societarie Srl (88.6%)
CEO and General Manager	Antonello Luigi Sanna

Solutions Capital Management SIM S.p.A. vs. Ftse AIM Italia Index



AIM ITALIA

Dimension

103 companies
7.0 Eu b of capitalisation

Growth

67 IPOs in 2015-18
3.9 Eu b of capital raised since 2009

Performance

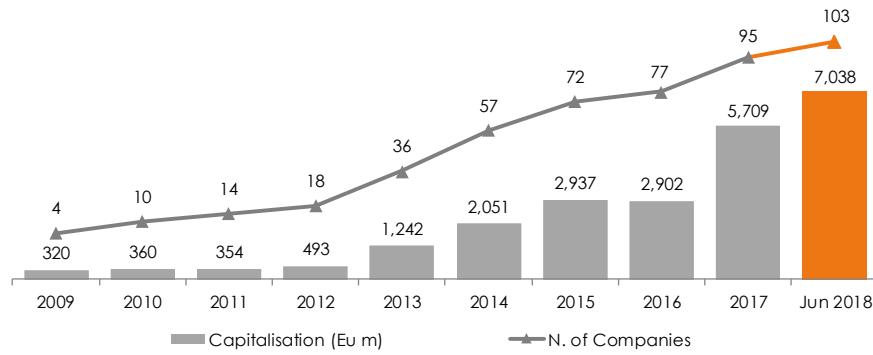
FTSE AIM Italia +20% since 2017

Liquidity

ADTT in 2017 was 120 Eu k vs. 24 Eu k in 2016

AIM Italia, the equity capital market for small growing companies, has grown significantly since 2013: as of June 4th, 2018 the listed companies were 103 for a total capitalisation of 7.0 Eu billion.

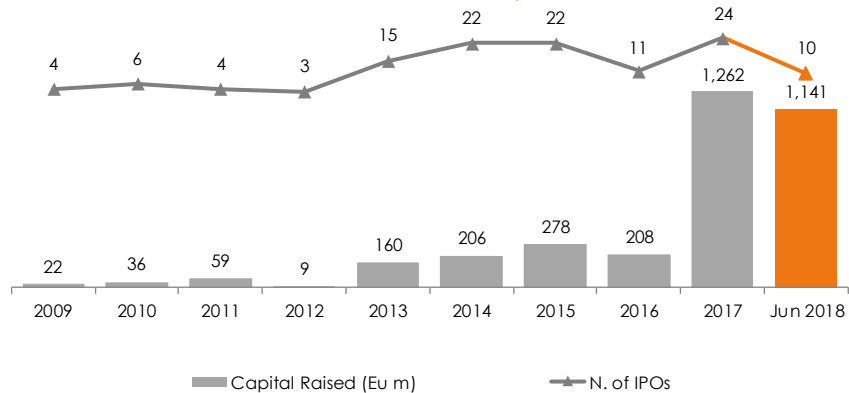
AIM Italia: 2009-2018 market dimension trend



Since 2013 the number of IPO's and the amount raised increased considerably: in 2017 a peak was registered thanks to the listing of 24 new companies and in 2018 there have been 10 IPOs. AIM Italia is more dynamic than the main market (MTA): in 2015-2018, 67 companies listed on AIM Italia, 20 on MTA.

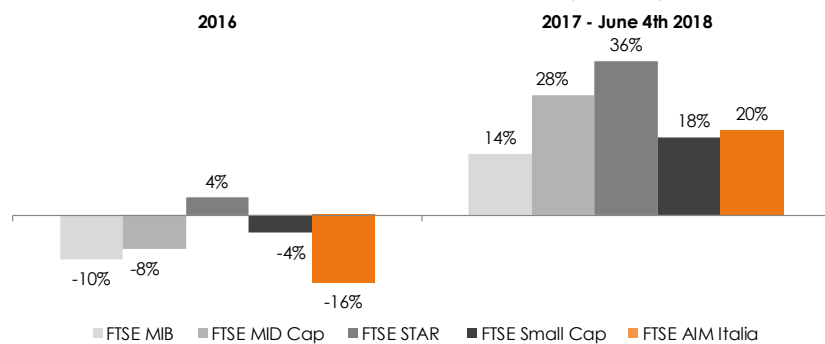
Since 2009, the total equity amount raised in IPO is 3.4 Eu b; including capital increases, warrant exercise and bond subscription, the capital raised is 3.9 Eu b.

AIM Italia: 2009-2018 market growth trend



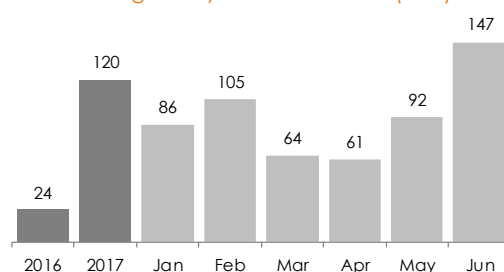
Thanks to the introduction of PIR (Piani Individuali di Risparmio, the Italian equivalent of UK Individual Savings Accounts), all the indices highlight positive trends: FTSE AIM Italia has grown by +20% since 2017 vs. -16% in 2016.

FTSE Indices: 2016 vs. 2017-2018 trend (post PIR)

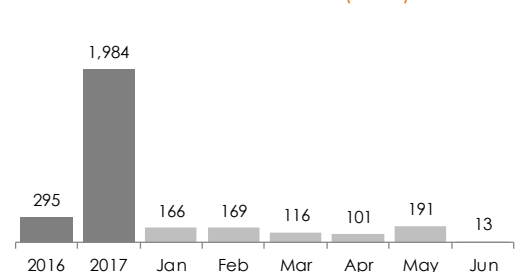


Improving market liquidity after the introduction of PIR: Average Daily Traded Turnover (ADTT) strongly increased in 2017, with an average value of 120 Eu k (5.1x 24 Eu k in 2016). Total Traded Turnover (TTT) in 2017 amounted to 2.0 Eu b, 6.7x 295 Eu m in 2016.

Average Daily Traded Turnover (Eu k)



Total Traded Turnover (Eu m)



AIM ITALIA BY SECTOR

Finance is the main sector in terms of n. of companies (25%) and capitalisation (37%)

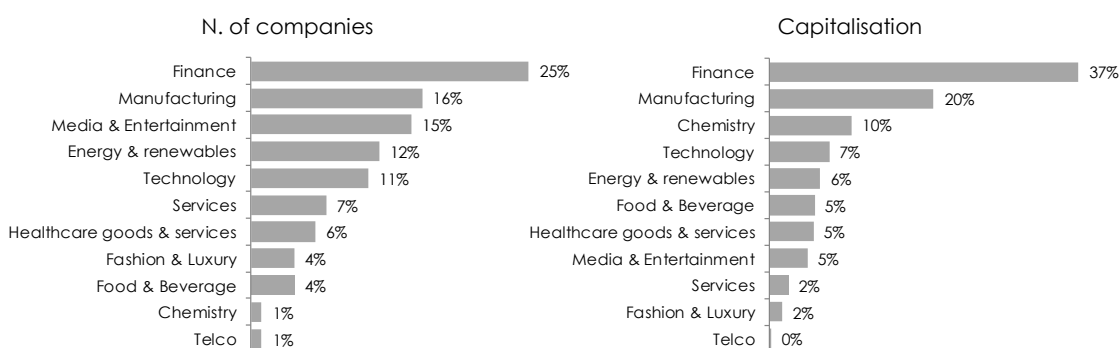
Best share performance since 2017: Chemistry (+150%)

Best yoy 2017 revenues growth: Healthcare (+25%)

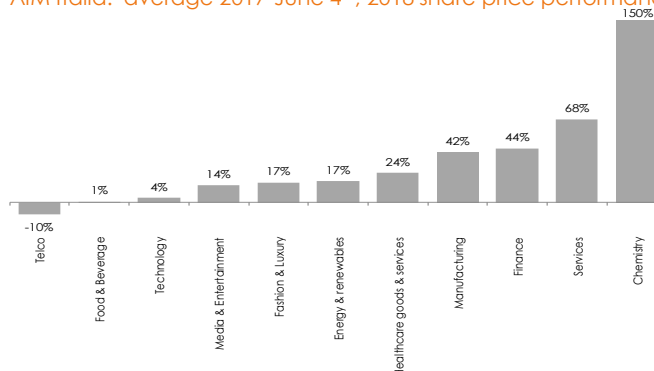
Average 2017 EV/EBITDA multiple: 13.6x

The most important sectors in terms of number of companies are: Finance including SPACs (25%), Manufacturing (16%) and Media & Entertainment (15%); main sectors in terms of capitalisation are Finance (37%), Manufacturing (20%) and Chemistry (10%).

AIM Italia: breakdown by Sector



Chemistry is the sector with the best share performance since 2017 (+150%), followed by Services (+68%) and Finance (+44%).

AIM Italia: average 2017-June 4th, 2018 share price performance

In 2017 Food & Beverage had the highest level of average revenues (100 Eu m), followed by Manufacturing (80 Eu m). Excluding Chemistry (represented by 1 company), the best growth yoy was realised by Healthcare goods & services (+25%). The sector that registered the highest level of indebtedness (37.2 Eu m) was Energy & renewables.

AIM Italia: average 2017 financial data

Sector	Revenues (Eu m)	Revenues YoY growth (%)	EBITDA margin (%)	NFP (Cash) (Eu m)	NFP/EBITDA (x)
Chemistry	11	+114%	62%	(24.2)	(3.6)
Energy & renewables	37	+14%	21%	37.2	16.7
Fashion & Luxury	36	+4%	9%	5.9	0.6
Food & Beverage	100	+3%	5%	19.0	0.4
Healthcare goods & services	66	+25%	18%	16.2	1.8
Manufacturing	80	+7%	11%	14.3	1.2
Media & Entertainment	25	-1%	2.5%	7.3	1.3
Services	17	+21%	15%	(0.1)	(0.5)
Technology	24	+17%	14%	0.2	1.5
Telco	7	+4%	42%	4.5	1.6
AIM Italia	41	+11%	13%	11.5	1.0

Excluding Chemistry (represented by 1 company), the first sector in terms of average capitalisation is Finance (101 Eu m), followed by Food & Beverage (96 Eu m). In terms of 2017 EV/EBITDA multiples, Energy & renewables shows the highest value (18.6x), followed by Technology (17.0x).

AIM Italia: average market data

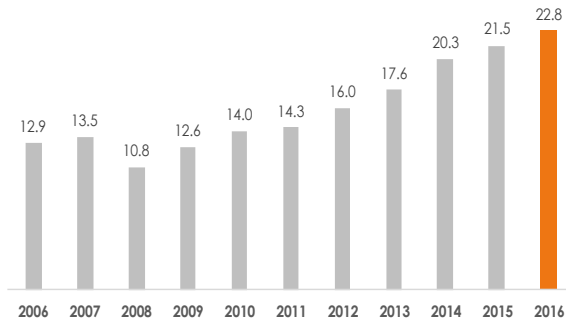
Sector	N. of companies	Market Cap (Eu m)	Free Float (%)	ADTT YTD (Eu)	2017 EV/EBITDA (x)
Chemistry	1	695	37%	1,478,942	n.m.
Energy & renewables	12	36	26%	36,994	18.6
Fashion & Luxury	4	28	21%	23,558	8.6
Finance	26	101	71%	104,505	n.m.
Food & Beverage	4	96	46%	106,048	4.7
Healthcare goods & services	6	63	30%	57,581	11.9
Manufacturing	16	87	33%	94,496	15.7
Media & Entertainment	15	22	31%	32,285	9.5
Services	7	23	26%	47,451	11.6
Technology	11	46	39%	76,762	17.0
Telco	1	18	43%	49,377	8.2
AIM Italia	103	68	42%	84,387	13.6

Source: Osservatorio AIM and FactSet data as of June 4th, 2018
* 32% as median value
n.m. = not meaningful

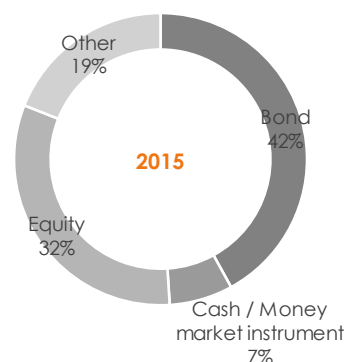
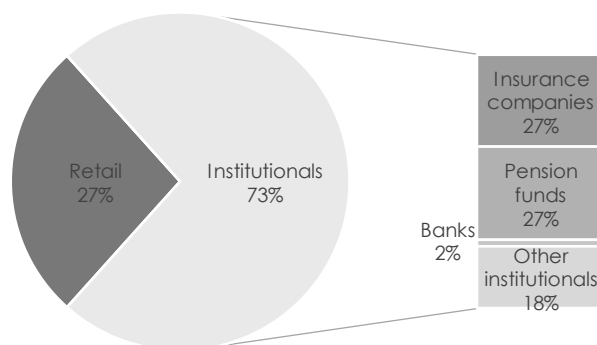
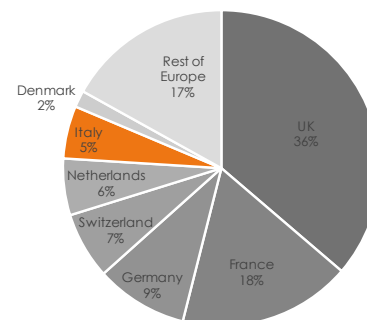
REFERENCE MARKET

In Europe total Assets under Management (AuM) have not ceased growing since 2008 and reached a record high of 22.8 Eu trillion in 2016 (138% of European GDP).

European AuM trend (2006-2016, Eu trillion)



European AuM by countries (2015)



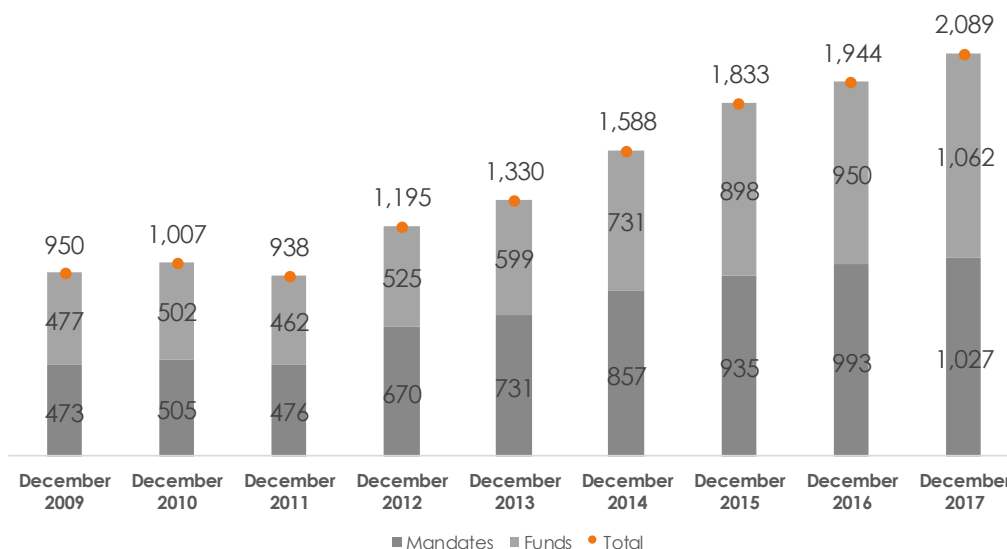
Source: EFAMA, Asset Management in Europe, 8th Annual Review Facts and figures, April 2015

The Italian asset management industry is experiencing a long period of growth and is now one of the largest and most dynamic across Europe

Also the Italian asset management industry has experienced a long period of growth and is now one of the largest and most dynamic across Europe. In 2016 total AuM accounted for 111% of GDP, breaching for the first time the GDP threshold, up from the far lower 57% of 2011.

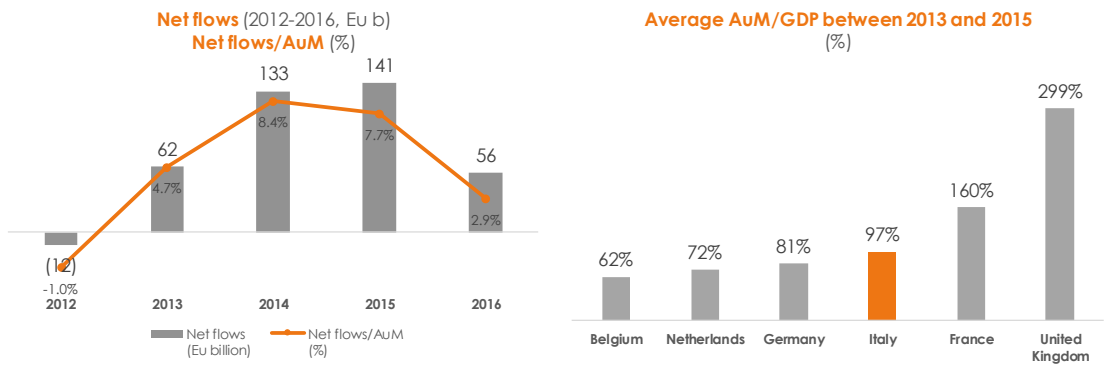
With an exceptional CAGR of 11.8% over the past five years, AuM in Italy reached 2,089 Eu billion at the end of 2017. This amount is almost equally divided in funds (mostly open-ended funds) and discretionary mandates, which are targeted either to HNWLs or to institutional clients, such as pension funds and insurance companies. According to Assogestioni, total AuM within funds was 1,027 Eu billion at the end of 2017, most of which invested in open-ended funds.

The Italian asset management market (2009-2017, Eu b)



Source: Assogestioni – «Il mercato italiano del risparmio gestito» (update as of March 2018)

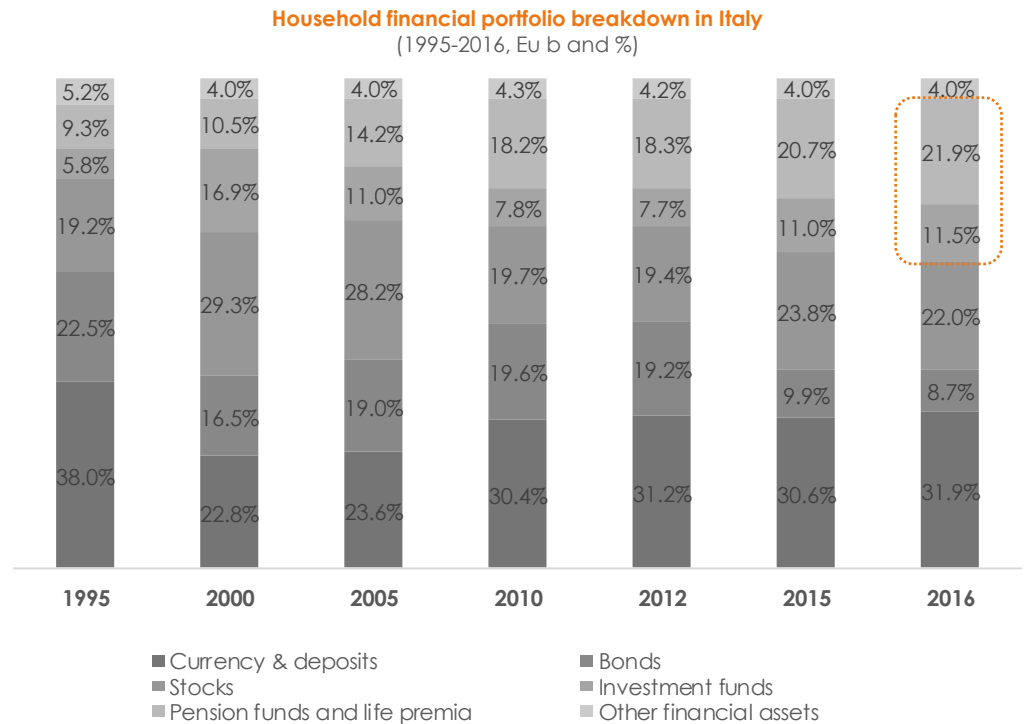
Compared to other main European countries, the Italian market is quite active. Considering AuM/GDP as a proxy for the activity of the industry and excluding the United Kingdom, which has historically been the most advanced place with regards to assets and wealth management, Italy is positioned behind only France.



Source: Deloitte – Asset Management in Italy: a snapshot in an evolutive context (May 2017)

Italian savers are well-known for their risk-aversion and their preference for safer financial instruments, such as deposits, government bonds and real estate. Yet, the macroeconomic environment, characterized by low or negative interest rates on traditional securities, has proven to be the major catalyst for the asset management industry in the last few years. It is of crucial importance to dig deep into their specific investment needs: low risk seekers and poorly financially educated, **Italians need to have a personal relationship with their advisor.**

Baby boomers, who owns the largest share of the Italian financial wealth, are the foremost target of the industry. **One third of Italians' wealth is still parked in deposits and cash, representing an untapped potential for the asset management industry,** that in the future will need to move these resources within its boundaries.



Although in continuous growth, managed assets (mutual and pension funds and life insurance products) in Italy still fall behind other developed countries.

2016 data	Total Assets (Eu b)	Currency & deposits	Bonds	Stocks	Investment funds	Pension funds and life premia	Other financial assets
Italy	4,168	31.9%	8.7%	22.0%	11.5%	21.9%	4.0%
France	5,102	28.1%	1.3%	20.7%	5.7%	37.6%	6.6%
Germany	5,757	39.3%	2.8%	10.5%	10.1%	30.8%	6.5%
United Kingdom	7,646	24.0%	1.7%	8.3%	2.2%	60.0%	3.8%
United States	71,604	13.7%	5.6%	35.9%	10.4%	32.1%	2.3%

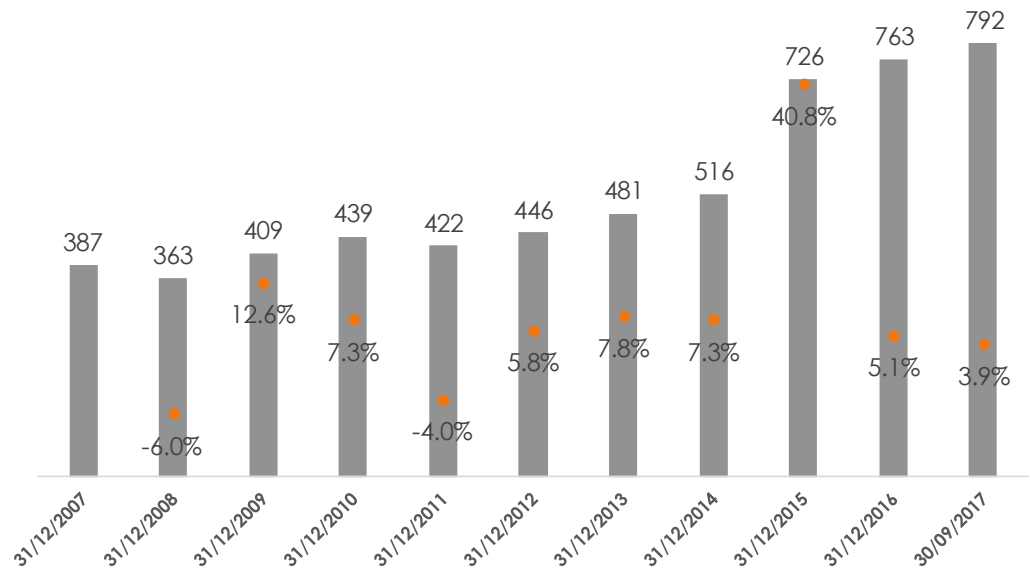
Assogestioni – Il mercato italiano del risparmio gestito (update as of March 2018)

FOCUS ON PRIVATE BANKING IN ITALY

Private Banking is a type of banking service offered to a specific target of customers with complex needs and that requires an advanced service of financial consultancy for a personalized, efficient and performance management of their wealth.

Assets managed by private bankers in Italy have seen a steady growth over the last years and reached 792 Eu billion in September 2017 according to AIPB, the Italian Association for Private Bankers (+3.9% vs. 763 Eu billion at the end of 2016), for a total of more than one third of Italian GDP. The **market share of private banking structures**, compared to the total financial assets of household, **reached about 23%**.

Evolution of AuM in private banking in Italy
(2007-September 2017*, Eu b and yoy growth)



Source: AIPB – «Analisi del mercato servito dal Private Banking in Italia» (data as of September 30th, 2017)
* Change of perimeter between 2014 and 2015

With half of all Italian private wealth managed by retail banks, there is huge potential for private banks to expand domestically

According to a study created by AIPB and the Boston Consulting Group («Il private banking nel mondo», November 2017) the Italian private banking industry has reached a good degree of maturity with constant growth and high penetration of this service among the most affluent Italian families. **Italy is the European country with the highest penetration rate, equal to 86% on the Italian HNWI wealth, equal to 1,029 Eu billion in 2016 (2009-2016 CAGR: +2.6%). However, only 12% of AuM are managed with an advanced consultancy model**, characterised by a wide range of products and services offered, portfolio advisory and continuous monitoring, compared to 19% globally and is expected to increase up to 27%, with the growth of customer awareness on real added value.

Italian private banking customers have peculiar characteristics such as high financial availability (measurable through income and ability to save income, for example owning properties of property without mortgage), the ability to understand the contents of the service, inferable through schooling and/or profession and a wealth exceeding 500,000 Eu. **In Italy**, where wealth is generally distributed across the central and northern regions, the **total wealth of households that have financial assets in excess of 500,000 Eu was about 1 Eu trillion in 2016, after an increase compared to 1.09 trillion at year-end 2015.**

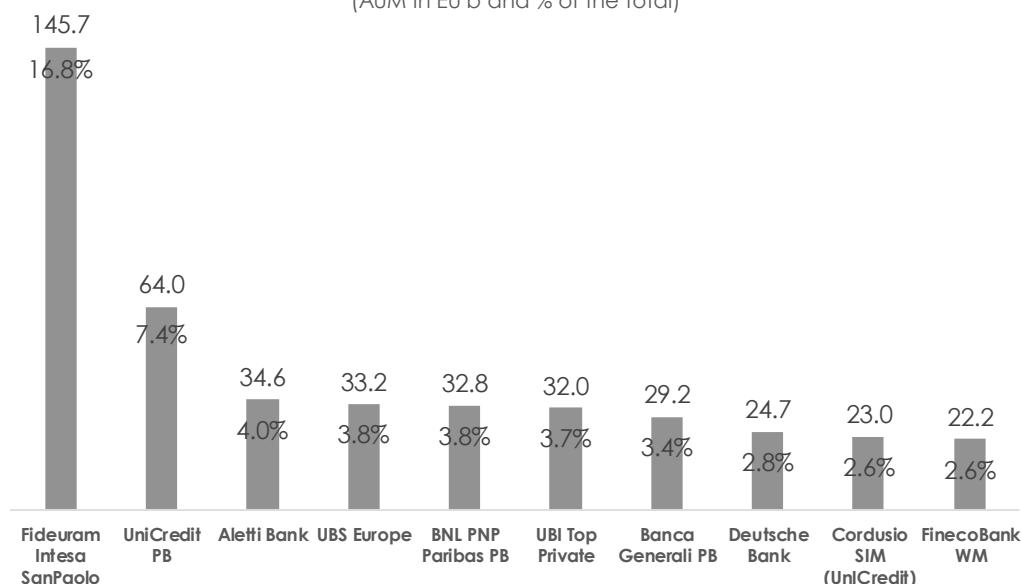
The most important feature of the Italian market is the significant number of entrepreneurs, who mainly control small and medium-sized enterprises (SMEs). Entrepreneurs express a variety of attitudes when choosing wealth managers. On the one hand, they prefer institutions that have a local presence. On the other, they recognise that solidity, expertise and greater confidentiality can make major international players more desirable.

Most notably, many family-based enterprises consider family offices to be the best at managing the needs of a large client group with extensive financial, real estate and business assets. In such cases, wealth management must be dedicated and highly personalised, yet this can be difficult for some private banks given the limitations of their existing operating models.

COMPETITIVE LANDSCAPE

The private banking battlefield in Italy is dominated by **few big fighters** part of commercial Italian banks or foreign investment banks, who share part of the arena with **smaller independent players**. According to Magstat, **91.8% of AuM are in the hands of 121 private banking operators thanks to the consultancy of 13,928 private bankers distributed in 2,509 subsidiaries for 1,140,000 of customers**, while 8.2% belong to 134 family offices.

Top 10 players of private banking in Italy
(AuM in Eu b and % of the total)



Source: Magstat

With total AuM of 145.7 Eu billion, Fideuram Intesa Sanpaolo PB is market leader, followed by UniCredit PB with 64 Eu billion (to be added, at group level, the 23 Eu billion of Cordusio SIM and the 22.2 Eu billion of FinecoBank for a total of about 110 Eu billion). Third is Aletti Bank (group counter Banco BPM) with 34.6 Eu billion.

The industry appears rather concentrated as the share controlled by these first three operators is 28.1% and in absolute terms exceeds 244 Eu billion. In the fourth place there is UBS Europe with 33.2 Eu billion, followed by BNL BNP Paribas P.B. with 32.8 Eu billion. **The first 5 operators have over 310 Eu billion, equal to 35.7% of the total market**, the first 10 players cover 50.8% of the market with 441.3 Eu billion and the first 20 hold a share of 69.7% with 609.7 Eu billion.

When analysed according to size it can be highlighted that **there are 12 big players, i.e. those with assets over 20 billion**, which hold a share of 55.5% equal to 482.4 Eu billion, 17.7% of the market is in the hands of players (11) with assets between 10 and 20 billion (total AuM of about 154 Eu billion; 10.1% (88 Eu billion) is instead controlled by about 15 private banks with AuM between 5 and 10 Eu billion. The boutiques with assets from 1 to 5 Eu billion are about 45 and hold together 108 Eu billion (12.4%), whereas the just under 100 smaller operators (assets up to 1 Eu billion) have total aggregated AuM of just over 37 Eu billion, 4.3% of the total.

SCM SIM's main competitors are in our view specialised players, that together cover about 12% of the total market. The most important in terms of AuM are represented in the table below:

SCM SIM's main competitors	AuM (Eu m)
Banca Esperia (MedioBanca Group)*	18,079
Ersel**	15,700
Banca Patrimoni Sella & C.	12,709
Kairos	12,000
Banca Euromobiliare (Credem Group)*	10,262
Banca Leonardo (Crédit Agricole Group)*	7,809
Banca Intermobiliare di investimenti e gestioni SpA	7,424
Banca Profilo	6,324
Cassa Lombarda	5,008
Banca Cesare Ponti SpA (Carige Group)	2,245
Banca Federico Del Vecchio SpA (UBI Banca Group)*	585

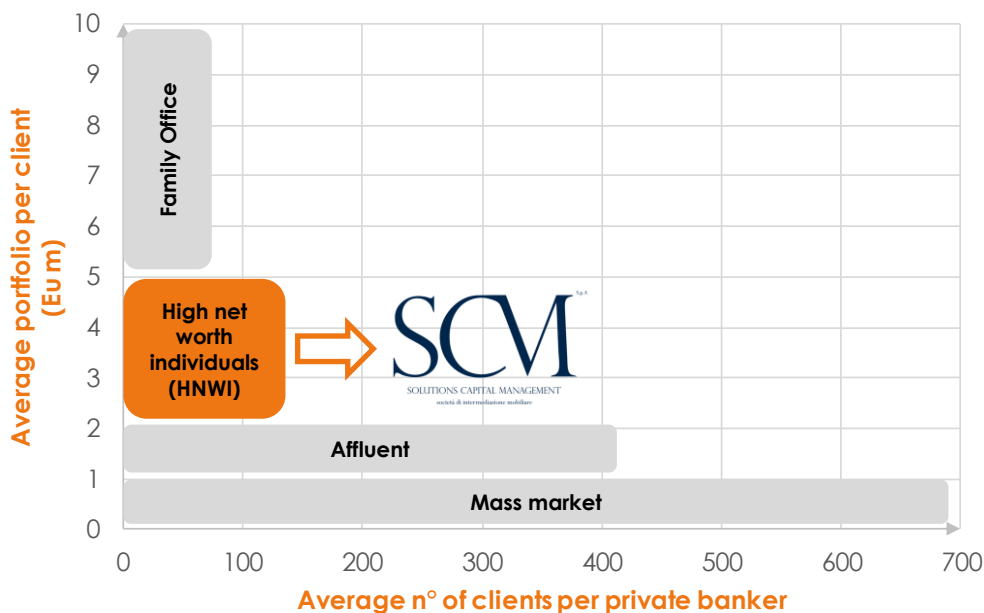
* 2016 data

** data as of March 31st, 2018

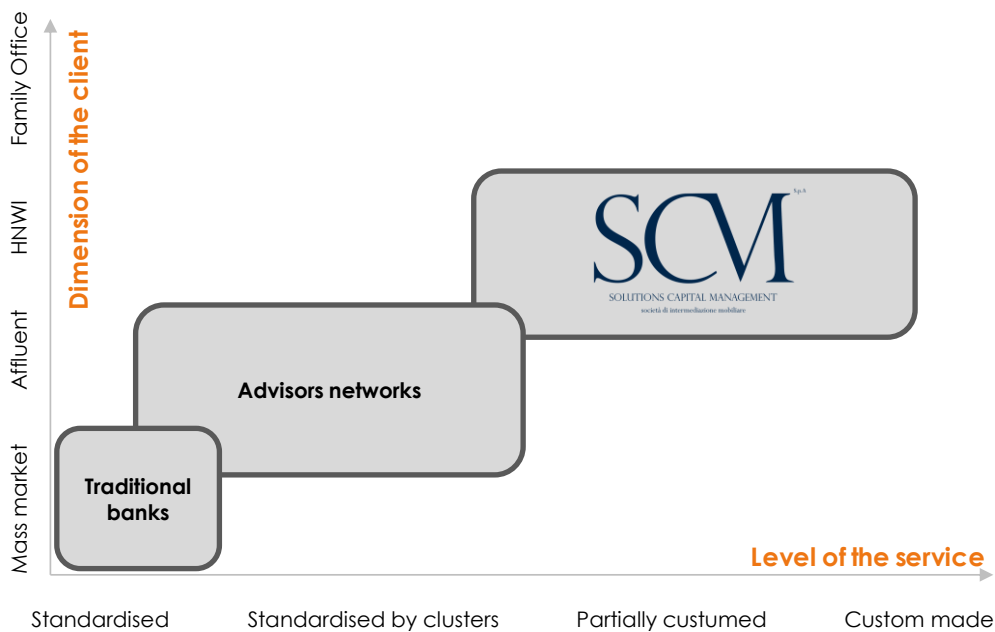
Source: IR Top elaboration on companies' data

SCM SIM'S POSITIONING

SCM focuses on the higher-end of the market (high net worth individuals, HNWI) with average AuM per client of about 2 Eu m and a partially customised service level.



Source: Company's Investor presentation



Source: Company's Investor presentation

MIFID II COMPLIANT

SCM SIM is MiFid II compliant since 2010

In Italy the **Markets in Financial Instruments Directive (MiFID) II** (2004/39/EC) came into force on January 3rd, 2018 with the aim of increasing transparency in the industry. Market players have to disclose detail on fees, costs, services offered and conflicts of interests.

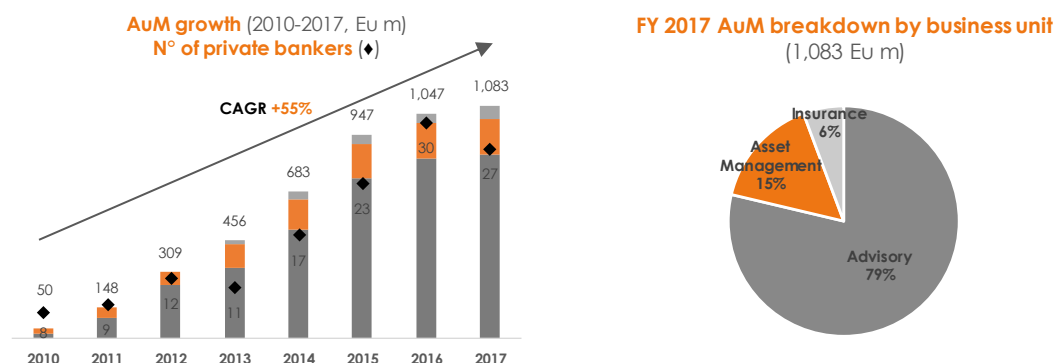
As SCM SIM is by own choice MiFID II compliant since 2010, in order to guarantee a high level of safety as well as maximum transparency the new regulatory environment has not had an impact on SCM SIM's business model, and the Company has hence found itself with a **competitive advantage compared to other market players**.

COMPANY PROFILE

Founded in 2009 on the initiative of Antonello Luigi Sanna, the current Chief Executive Officer, and listed on AIM Italia since July 2016, Solutions Capital Management SIM SpA (SCM SIM) was the first **SIM to be listed on the Italian stock market**.

SCM SIM is a Private Banking and Wealth Management company authorized to manage portfolios, provide investment advice and placement services. The Company offers customised advisory solutions, applying a unique, innovative and sustainable business model in Italy, which is based on **independence, transparency and the absence of conflicts of interest**, in line with the **“fee only” advice model**.

Thanks to a team of **26 employees and 35 financial advisors (private bankers)**, SCM SIM manages more than **500 customers** for a total of **1.1 Eu billion of assets under management (AuM)**, of which **79% in advisory, 15% in asset management and 6% in insurance services**.



In addition to its headquarters in Milan, the Company has offices in Bergamo (Lombardy), Piacenza (Emilia Romagna), Rome, Latina (Lazio); furthermore, **SCM SIM is authorised to operate in the United Kingdom**. The Company is supervised by CONSOB Bank of Italy and Borsa Italiana (the Italian Stock Exchange).

BUSINESS MODEL

Since foundation SCM SIM's is operates with a business model which is unique for the Italian market and based on the Anglo-Saxon Wealth Management model, characterized by:

- 1) **Independence**
 - **No relationships** with issuers of financial products: SCM SIM chooses the financial instruments autonomously, without constraints, exclusively taking into account customer's needs and risk profile;
 - **No rebates**: The Company does not receive rebates (i.e. commissions paid by the issuer to the intermediary), but only fees from clients, thus guaranteeing the maximum transparency on the fees' size without changes during assets management;
- 2) **Transparency**: all customers know exactly how much they pay and what products they have in their portfolio.
 - **“High watermark no reset”**: **SCM SIM applies performance fees only when there are positive returns**, as a sort of incentive for the Company to do well. Unlike many competitors, SCM SIM does not take commissions if the assets have not actually increased compared to the previous level. In jargon, this is called “high watermark”, which is the sign left by the water indicating the maximum point reached by the tide. In the same way, **SCM SIM does not apply performance fees for levels already achieved**;
 - **safety**: the Company, separating money from those who manage it. **SCM SIM doesn't hold, even temporarily, customer assets, that are deposited at a depositary bank** (as of today, UBS Italia SpA).
- 3) **No conflict of interests**
 - SCM adopt a “flat fee” policy and fees paid to SCM SIM are hence independent of portfolio choices and selected products. In fact, **since its foundation Company's customers haven't paid a fee on the financial instruments they buy, but rather the advisory service**, that is an activity on the whole assets and not on the single asset class. This is a choice aimed at eliminating the conflicts of interests, since the intermediary normally earns in proportion to the fees, that are usually related to the product or service you are buying. Recall that **MIFID II established that the advice is real only if you do not receive compensation from the recommended services**.
- 4) **Customised approach**: SCM SIM is highly focused on clients and it customises every relationship.

SERVICES

1) FINANCIAL ADVISORY (79% of total AuM and 57% of total recurring fee income)

Consulting services on all or part of the client's savings. The portfolio can be managed by other advisors, leaving SCM SIM to merely provide recommendations, with no access to the client's liquidity.

MiFID Investment Consulting

The MiFID Investment Consulting is a **customised advisory** provided after a careful analysis of the client's risk profile and his/her objectives. The choice of securities is carried out by SCM SIM's Investment Department, that transmits the portfolio to the customer, who has the freedom to transmit the order to the bank in full or to execute only a part of it.

Wealth management and Life Planning

Wealth Management area was set up in December 2010 and is destined for private bankers with high-standards clientele, according to the Family Office business model.

"Wealth Management" identifies a broader approach to money management: it analyses and observes the family dynamics and their evolution over time, in order to identify the most efficient behaviours for the preservation and the development of the lifestyle of those concerned. It's a highly developed attitude in the Anglo-Saxon world, but relatively new in Italy.

Family Business & Dynasty Planning

The concept of heritage is by its nature linked to a single individual or to more families connected to each other by different interests. Organising the heritage with the maximum safety and legal flexibility over time and orienting it appropriately to the needs of the individual/families are prior over its financial allocation, which represents a second phase. The awareness of being covered by many or all the risks and the tranquillity of having thought almost everything that relates to heritage and its growth over time indirectly increase the life quality and lifestyle of a person.

General Advice

Risk management, value at risk calculation and asset allocation assessment.

2) ASSET MANAGEMENT (15% of total AuM and 20% of total recurring fee income)

SCM SIM is authorized for the negotiation of financial assets on behalf of its clients. The Company does not hold any cash from clients, who use independent depositary bank accounts and it does not have the right to transfer/withdraw any amount. SCM SIM is only allowed, if previously authorized, to negotiate securities and other financial instruments.

SCM SIM has **11 management lines** for different needs and for different risk profiles. The management lines differ in terms of risk, measured through volatility, and target return; obviously, a higher expected yield corresponds to greater risk.

SCM SIM doesn't use derivatives and uses a 1:1 leverage, which means the Company does not short sale nor gets into debt to do asset management.

In line with strategic guidelines to widen product offering, in January 2018 SCM launched "Stable return" , a SICAV of the Company's Maltese open-ended investment company, that has started to collect investments in the last months.

SCM SIM's current Management lines			
#	Wealth management line	Description	Performance in 2017 (vs. benchmark)
1	Euro short-term	Slow but regular growth of AuM in the very short term. It's a line suitable for customers with a low risk profile. Benchmark: 95% MTS BOT; EONIA 5%.	n.a.
2	Euro coupon	Gradual growth of AuM in the short term. The Line is suitable for customers with a medium-low risk profile. Benchmark: JPMorgan EMU Bond Index 1 to 3 years 95%; EONIA 5%.	+2.44% (vs. -0.29%)
3	Moderate	Gradual growth of assets over the medium term. The Line is suitable for customers with a medium risk profile. Benchmark: MSCI World Local Currency 20%; JPMorgan EMU Bond Index 1 to 3 years 75%; EONIA 5%.	+5.10% (vs. +4.35%)
4	Revaluation	Increase of AuM in the medium to long term. The Line is suitable for customers with a medium-high risk profile. Benchmark: MSCI World Local Currency 45%; JPMorgan EMU Bond Index 1 to 3 years 35%; IBOXX Corporate BBB TR1-3 15%; EONIA 5%.	+6.72% (vs. +9.13%)
5	Dynamic	Increase of AuM over the long term. The Line is suitable for customers with a high risk profile. Benchmark: MSCI World Local 70%; JPMorgan EMU Bond Index 1 to 3 years 15%; IBOXX Corporate BBB TR1-3 10%; EONIA 5%.	+7.96% (vs. +12.94%)
6	Aggressive	Increase of AuM in the very long term. The Line is suitable for customers with a very high risk profile. Benchmark: MSCI World Local 90%; JPMorgan EMU Bond Index 1 to 3 years 5%; EONIA 5%.	+10.22% (vs. 15.55%)
7	Ladder	Increase of AuM over the medium term through the use of bonds with different maturities, through the reinvestment of the same and the related coupon flow. The Line is suitable for customers with a medium risk profile. Benchmark: 100% LIBOR + 0.5%.	+3.00% (vs. +0.13%)
8	Flexible	Increase of AuM in the medium term. The Line is suitable for customers with a medium to high risk profile. Benchmark: The Line has no asset allocation restrictions and is not conditioned by any specific risk factor, therefore it is not possible to identify a benchmark representative of the Line's investment policy. Target return: 100% EONIA TR (BBG ticker: DBCONIA Index) + 200 bps.	+6.17% (n.a.)
9	High yield	Exclusively bond based Line. This line seeks an appreciation of the assets in the medium term. The Line is suitable for investors with a medium-high risk profile.	+3.78% (vs. 3.70%)
10	I.T.A.	It mainly invests in small / mid caps listed on the Italian market, with a bottom-up value approach.	n.a.
11	MDOTM	New management line recently released. The strategy gives full market exposure, while being active and delivering superior risk-adjusted and total return. It focuses on forecasting the variance-covariance matrix, to constantly improve the portfolio efficiency. Real Sigma operates on the components of the SXXE Index.	n.a.

Source: data provided by Company's management
n.a. = not available

INVESTMENT APPROACH

The investment strategy is determined by a top down approach:

Board of Directors

Defines the strategic and tactical asset allocation, the related risk profiles of the management lines and the investable universe in management and in consulting

Investment Committee

Made up of 7 members, analyses the performance of the management lines and in consultancy and proposes to the BoD the financial instruments for each line

Investment Area

Responsible for the construction of portfolios and the choice of financial instruments and guarantees the correct execution of investments

Risk Manager

Monitors and controls the investment and risk limits approved by the BoD for each of the investment lines

3) INSURANCE (6% of total AuM and 14% of total recurring fee income)

In the perimeter of this area is included, in particular, the business of placing Class 1 insurance policies: SCM SIM has currently brokerage contracts for the distribution of standard insurance products with the following partners: UNIQA, Zurich, Metlife, Pramerica and Reale Mutua. Thus, the Company is a mere holder of insurance policies / proposals to be submitted to the underwriting of clients, as well as collector of the related premiums.

FEES APPLIED

SCM's **services are charged to clients with a basic flat fee**, complemented by performance fees. **Flat fees do not depend on asset allocation or product selection**, while performance fees are linked to the effective value creation in the client's portfolio as follows:

- Recurring fees on advisory: on average 0.6% on monthly average net assets value (NAV);
- recurring fees on asset management: 0.95% on average of AuM cashed by SCM SIM;
- recurring and performance fees on insurance: the products already take into account the commissions for the private banker;
- performance fees (9.3% of total fee income in FY 2017): on average 10% for asset management and advisory.

PRIVATE BANKER NETWORK

SCM SIM currently operates with **35 private bankers** with direct relationship with the client. Each private banker has a portfolio of 20-30 clients for an average AuM/PB of about 30 Eu m.

Fees paid to the Private Banker Network are agreed individually but generally represented by the following:

- recurring fees on investment advice and asset management paid to private bankers calculated as a percentage (from 40% up to 65%) of fees paid by clients on the basis of the return achieved according to the "high watermark no reset" logic;
- performance fees paid to the network calculated as a percentage (20%) of the performance fees paid by clients;
- one-off fees: 40% of the revenues generated from the advisory service (such as portfolio analysis, search of potential investors, financial/strategic advisory to corporates);
- entry bonus: additional payments during the first 24 months in order to incentivise private bankers.

«Young Talent Hub» project for the recruiting of private bankers

Recruiting new professionals is a key growth driver on which the increase in AuM and the quality of the customer's is highly dependent. In and in order to attract junior talents SCM SIM launched, in September 2017, an in-house training program, **"The Young Talent Hub" project**, which consists in the recruiting of young talents from the best Italian universities, in order to make them become recognized professionals on the market. The Company plans to select 30 new private bankers per year for the next three years.

In these first months of 2018, 8 of the first 14 participants of the training program became certified private bankers.

CLIENT BASE

SCM SIM currently manages assets of more than **500 customers for a total of 1.1 Eu billion of assets under management (AuM)** for an average of about 2 Eu m per client.

The average customer are High Net Worth Individuals with large and diversified portfolios.

Top 10 clients/families represent 23% of total fee income. With regard to customer segmentation, the breakdown is the following:

- < 0.5 Eu m = 60% of clients;
- < 0.5 Eu m < 2 Eu m = 24% of clients;
- > 2 Eu m = 16% of clients.

STRATEGY

Internal growth

- **Consolidation of competitive position**, in order to establish itself as a market leader.
- **Development of Life Planning services**, in order to become a reference point for clients and professionals with a 360 degree approach to wealth management and thereby becoming clients main interlocutor in all life choices.
- **Expansion of private banker network** through recruitment of senior professionals and **junior talents** from the internal "The Young Talent Hub" program.
- **Widening of product offer**: SCM recently launched "Stable Return", the first SICAV branded SCM SIM.
- Reinforcement of the Investment Area, with **focus on asset management business unit**.

External growth

- **M&A transaction of small targets with a complementary business model.**

OPPORTUNITIES

- **Stable expected growth of the industry.**
- **Unique business model base on Independence, Transparency and No conflict of interests in line with UK best practice.**
- **MiFID II compliant**: since its authorization in 2010, SCM SIM has adopted a business model that "No rebates" (**the Company does not receive fees from issuers**, but only from customers).
- Management team with long experience in the financial industry.
- **Skilled private bankers' team** with financial university degree and highly trained.
- Internal recruitment program.

MAIN RISKS

- **Dependence on financial market performance**
- **Regulatory environment**. The Company operates in a highly regulated market, where its products are strongly impacted by changes in the current legislation.
- **Concentration risk** due to small number of clients and private bankers: **top 10 clients/families represent 23% of total fee income** and **top 5 private bankers count for 74% of total AuM and 62% of total fee income** and **dependence on few key figures**.
- **Reputational risk** by customers, shareholders, investors or Supervisory Authorities (e.g. privacy violation).
- **Low free float and stock liquidity.**

OWNERSHIP

SCM SIM is owned by HPS Holding (Mr. Sanna)

Free float is 11.4%

SCM SIM is owned by HPS Holding Partecipazioni Societarie Srl (Antonello Sanna), which currently holds overall 88.6% of outstanding shares. The share capital subscribed and paid up is 1,909,880 Eu, made up by n. 1,909,880 ordinary shares without nominal value.

There are no shareholders' agreement between SCM SIM shareholders. According to Borsa Italiana definition, **free float is 11.429%**.

Shareholder	N° of shares	%
HPS Holding Partecipazioni Societarie Srl	1,691,600	88.571%
Other investors (< 5%)	218,280	11.429%
Total	1,909,880	100.000%

Source: Company data as of April 18th, 2018

GOVERNANCE AND KEY PEOPLE

7 Board members

List vote: 10% of share capital.

The Board of Directors has 7 members, none of them is Independent. **Total gross annual remuneration of the BoD has been set at 210,000 Eu.**

Antonello Luigi Sanna – Co-founder, Chief Executive Officer (CEO) and General Manager

He worked for 19 years in the Generali Group, first in the sales division and later in the training area.

In 1998 he moved to Prime Consult SIM SpA, acquired by the Generali Group.

In 2000 he became Commercial Director of Altinia, SIM of Alleanza Assicurazioni and in 2003, following the merger of Altinia in Banca Generali, he assumed the role of North East Territorial Director, which had about 500 financial advisors and 4 Eu billion AuM.

In 2005 he took over the Sales Department of Banca della Rete SpA, which had 450 promoters and around 1.4 Eu billion AuM (2.5 Eu in 2008). In 2007-2008 he was Board Member of Sara Life SpA.

In October 2008 he founded HPS Holding Partecipazioni Societarie Srl, of which he is CEO and in March 2009 he founded SCM SIM, of which is CEO and General Manager.

Roberto Santoro – Co-founder and Wealth Manager

He is Chairman of the BoD of HPS Holding. He currently holds the role of Wealth Manager with particular attention to asset protection and generational change. In the past he was Area Manager of Milan and Bergamo on behalf of Banca Sara Private SpA and began his career in finance in 2001 at Banca Mediolanum. Since 2016 he has also been Chairman of Awe Sport Srl, a sports marketing company, and Director of Sport Invest Management Ltd, a holding company based in London.

Francesco Barbato – Co-founder, Board member, Partner and Head of Sales

He is financial consultant since 1994, beginning his career in the SanPaolo-IMI Group. In 2006 he moved to Rome's Telecom-Bank project, which after the acquisition by the ACI Group took the name of Banca Sara. In 2009 he started SCM SIM as a co-founder with Antonello Sanna. Today he holds the position of Head of Sales and he's a member of SCM SIM's Board of Directors.

Lorenzo Guidotti – Board member, Partner and Head of Wealth Management

From 1995 for two years he worked in the London and New York offices of Merrill Lynch International. In 1999 he was Asset Manager for Schroder Italia SIM SpA and in 2000 he worked at the European Government Bond Desk of Cantor Fitzgerald Ltd in London. Since March 2000 he held the position of Relationship Manager for Institutional Clients in Banca Intesa. From 2002 until 2005 he was Head of Sales Institutional Clients at the Milan office of ABN AMRO Asset Management, while from 2005 to 2008 he was Vice President of the Global Wealth Management Team of Merrill Lynch in Milan. From 2008 to 2010 he served as Director, Senior Advisor and member of the Key Client Top End Group at UBS. Since December 2010 he has been a partner, Board Director and Head of the Wealth Management and Family Office of SCM SIM.

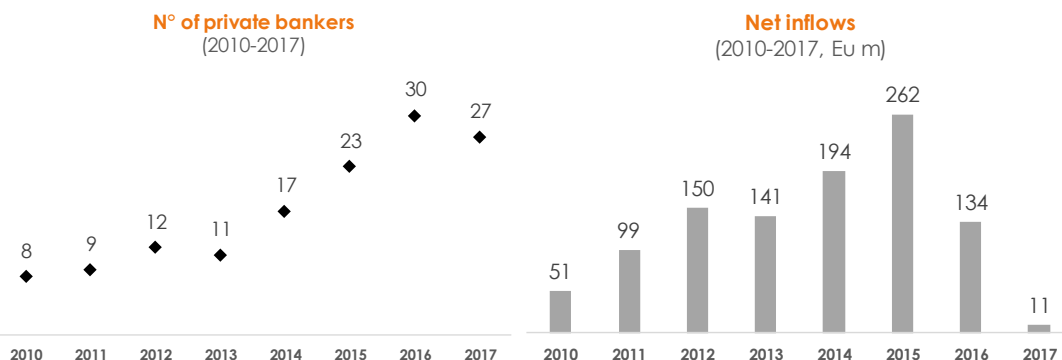
Riccardo Farisi – Co-founder

From 1993 to 1997 he worked in the treasury of Chemical Bank and National Westminster Bank of Milan. In the following 9 years he worked in Capital Market in Milan and in Morgan Stanley as a manager of private clients' portfolios for Italy. He later moved to London and worked as a European manager for private clients' bond portfolios, managing approximately 10 Eu billion and joining the Executive Investment Committee. In 2005 he joined Merrill Lynch as Vice President and together with Lorenzo Guidotti he created a desk in JV with the Capital Market and Investment Banking of Merrill Lynch to follow Bank Foundations and Pension Funds. In 2008 he took on the role of Director in UBS in the Key Client team and then moved to SCM in December 2010.

FINANCIAL PERFORMANCE

Since foundation SCM SIM has been experiencing a rapid growth, both in terms of assets under management (2010-2017 CAGR +55%), private bankers (2010-2017 CAGR 19%) and net inflows (2010-2016 CAGR +18%).

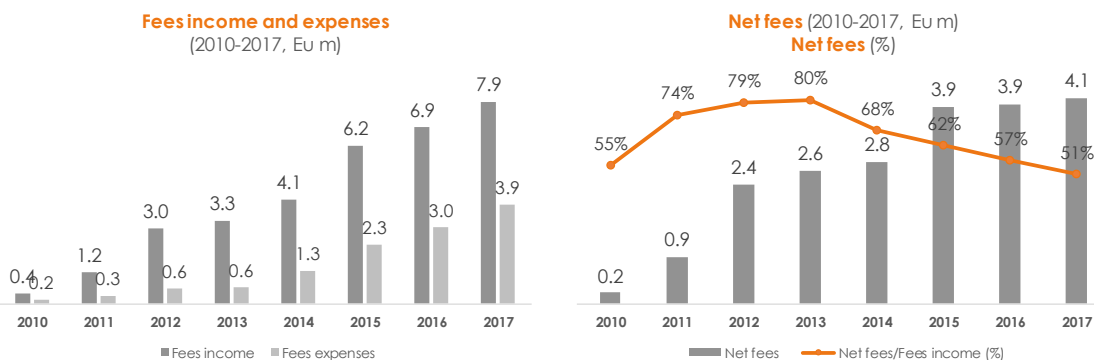
As of December 31st, 2017 SIM SIM had 27 private bankers (35 to date) and 1,083 Eu m of assets under management, of which 852 Eu m in consulting, 169 Eu m in asset management and 62 Eu m in insurance. At year end 2017 AuM/Private banker was of 40.1 Eu m, up from 34.9 Eu m in 2016.



Fee income has been growing at 2010-2017 CAGR of 54%, driven principally by investment advisory (4.5 Eu) and assets management (1.6 Eu m) in 2017.

Eu k – IAS/IFRS	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	Var. % 2017 vs. 2016
Investment advisory	764	1,031	1,715	2,465	3,082	25.0%
General advisory	462	347	947	865	1,460	68.8%
Asset management	804	1,255	1,618	1,491	1,588	6.5%
Insurance	641	442	452	1,873	1,072	-42.8%
Performance fees	596	1,014	1,484	248	735	196.8%
Fee income	3,267	4,089	6,216	6,942	7,937	14.3%
Fee income /AuM	0.72%	0.60%	0.66%	0.66%	0.73%	

Net fees, after deducting fees expenses represented by fees paid to private bankers from fee income, has grown at a 2010-2017 CAGR of 52%, representing 51.1% on fee income at the end of 2017.



Operating costs are mainly represented by Personnel and G&As costs. The Cost/Income ratio has historically been too high to be sustainable in the long run, as operating costs have exceeded or offset net revenues as the Company has a short history and has recently made significant investments aiming at strengthening the organizational structure. In the last two years the P/L also included one-offs relating to the 2016 IPO and the investments in IT and management systems in 2017. Net of these, the Cost/Income ratio would have been of 90.9% and 101.4% respectively in 2016 and 2017.

	FY 2015	FY 2016	FY 2016 adj.	FY 2017	FY 2017 adj.
Fees expenses	(2.3)	(3.0)	(3.0)	(3.9)	(3.9)
Personnel costs	(1.6)	(1.5)	(1.5)	(1.7)	(1.7)
G&A costs	(1.7)	(1.9)	(1.7)	(2.2)	(2.0)
Non-deductible VAT	(0.2)	(0.4)	(0.4)	(0.5)	(0.5)
Total operating costs	(3.5)	(3.9)	(3.6)	(4.5)	(4.2)
Cost/Income ratio	-90.4%	-98.5%	90.9%	-108.6%	-101.4%

FY 2017 RESULTS

In FY 2017 fee income reached 7.9 Eu m, up from 6.9 Eu m in 2016 (+14% yoy) this growth was mainly driven by recurring investment advisory fees that reached 3.1 Eu m (+25%) and by performance fees (+197%). Management fees grew by 7% and reached 1.6 Eu m. However in terms of AuM and net fees, the growth trend slowed a bit with a +3.4% and +3.0% yoy growth respectively.

Fees expenses were 3.9 Eu m, up by +29.2% vs. FY 2016 due to higher pay-out for private bankers with high AuM. As a consequence, net fees reached 4.1 Eu m (+3.0% yoy), equivalent to 37 bps on AuM (38 bps in FY 2016) and 51.1% on fee income.

After small amount of interest income, in FY 2017 brokerage margin grew to 4.1 Eu m vs. 3.9 Eu m in 2016 (+4.4% yoy).

Operating costs totalled 4.5 Eu m, up by 15.2% vs. FY 2016 after an increase in personnel costs from 1.5 to 1.7 Eu m (+12.2%) due to higher variable remunerations in 1H 2017 and non-deductible VAT that went from 0.4 to 0.5 Eu m (+22.4%). The result also included one-off expenses from the upgrade of back-office and IT update, a new management and invoicing software.

At the beginning of 2018, the industry (MiFid II independent financial advisors) saw change in tax policy following a communication by the Italian Tax Authorities ruling that that services are subject to VAT fees, representing a discontinuity vs. previous years. Therefore, from January 3rd, 2018 SCM SIM started to apply VAT on the MiFID advisory with some difficulty in communicating with customers, quickly filed.

After write-backs, especially on tangible assets (40 Eu k), and other operating income of 125 Eu k, operating result was -273 Eu k, vs. +66 Eu k in FY 2016.

Net result negative of -315 Eu k vs. the break-even reached in FY 2016 (+7 Eu k).

In FY 2017 net working capital increased by 0.7 Eu m to 2.4 Eu m. NWC is mainly composed by receivables from customers for commissions to be collected (1.7 Eu m vs. 1.4 Eu m in FY 2016), receivables (0.5 Eu m vs. 0.3 Eu m in 2016) and payables (stables at -0.5 Eu m) to private bankers for advance commissions paid and net fiscal assets (0.7 Eu m).

At year-end 2017, the Company was cash positive for 1.4 Eu m, down from 2.3 at year end 2016. Total Equity/Total Assets ratio remained above 70%.

In FY 2017 Capex were mostly dedicated to brand awareness, new clients engagement and recruiting of new private bankers.

Eu k – IAS/IFRS	FY 2014	FY 2015	FY 2016	FY 2017
AuM	683	947	1,047	1,083
Fee income	4,089	6,216	6,942	7,937
<i>Fee income/AuM</i>	<i>0.60%</i>	<i>0.66%</i>	<i>0.66%</i>	<i>0.73%</i>
Fees expenses	(1,289)	(2,334)	(3,006)	(3,884)
Net fees	2,800	3,882	3,935	4,054
<i>Net fees/AuM</i>	<i>0.41%</i>	<i>0.41%</i>	<i>0.38%</i>	<i>0.37%</i>
Brokerage margin	2,810	3,886	3,932	4,107
<i>Cost/Income ratio</i>	<i>-97.5%</i>	<i>-90.4%</i>	<i>-98.5%</i>	<i>-108.6%</i>
Pre-tax Profit (Loss)	65	358	66	(273)
<i>EBT/Brokerage margin</i>	<i>2.3%</i>	<i>9.2%</i>	<i>1.7%</i>	<i>-6.6%</i>
Net Profit (Loss)	(43)	182	7	(315)
<i>EPS (Eu)</i>	<i>(0.025)</i>	<i>(0.107)</i>	<i>0.004</i>	<i>(0.165)</i>

Eu k – IAS/IFRS	FY 2014	FY 2015	FY 2016	FY 2017
Net working capital (NWC)	1,483	819	1,687	2,387
Fixed net assets	88	81	121	124
Funds	58	86	62	157
Net Capital Employed	1,513	814	1,746	2,354
Net financial Debt (Cash)	(382)	(1,266)	(2,344)	(1,399)
Total Equity	1,895	2,079	4,090	3,754
Sources	1,513	814	1,746	2,354
<i>ROE</i>	<i>-2.3%</i>	<i>8.8%</i>	<i>0.2%</i>	<i>-8.4%</i>
<i>Total Equity/Total Assets</i>	<i>70.3%</i>	<i>60.3%</i>	<i>75.3%</i>	<i>71.2%</i>

Source: Company data (IAS/IFRS)

2018-2020 ESTIMATES

The key growth driver in support of our estimates is the ability to extend the private bankers network. We estimate that SCM will be able to increase its network to about 70 private bankers at year-end 2020. Other assumptions are the following:

- **AuM** growth at a **2017-2020 CAGR of 21%** to 1.9 Eu billion at the end of 2020, thanks to the **increase in number of private bankers from 29 to 34 (seniors) and from 6 to 36 (juniors)**.
- We assume **fee income** in line with current percentages, as well as a constant breakdown in AuM (80% advisory, 15% asset management and 5% insurance). Performance fees are assumed at 0.07% of AuM, in line with 2017.
- **Fees expenses** are assumed at 48% of fee income, somewhat lower than in FY 2017 (48.9%), as the Company adopted a new policy regarding junior private bankers that will be employed and hence not paid with commissions.
- **Cost/Income ratio** in 2020 should reach 88.1% (vs. 108.6% in FY 2017) thanks to operational leverage, benefitting from the Company's lean overhead structure, savings and reduced non-deductible VAT.
- **Significantly lower non-deductible VAT**, following the new tax resolution of the Italian Tax office (Agenzia delle Entrate) in November 2017.
- Break-even in 2018 and **net profit** of 0.6 Eu m in 2020 with an **EPS** of 0.33 Eu (2016-2020 CAGR of 209%).
- SCM SIM is expected to remain **cash positive** during the next three years up to 1.8 Eu m in 2020.
- Our estimates do not include M&A activities.

Eu k – IAS/IFRS	2015A	2016A	2017A	2018E	2019E	2020E
AuM	947,074	1,046,802	1,082,790	1,260,000	1,523,000	1,924,000
Fee income	6,216	6,942	7,937	8,934	10,486	13,152
Fee income/AuM	0.66%	0.66%	0.73%	0.71%	0.69%	0.68%
Fees expenses	(2,334)	(3,006)	(3,884)	(4,288)	(5,033)	(6,313)
Net fees	3,882	3,935	4,054	4,646	5,453	6,839
Net fees/AuM	0.41%	0.38%	0.37%	0.37%	0.36%	0.36%
Brokerage margin	3,886	3,932	4,107	4,646	5,453	6,839
Cost/Income ratio	-90.4%	-98.5%	-108.6%	-102.8%	-97.1%	-88.1%
Pre-tax Profit (Loss)	358	66	(273)	9	308	981
EBT/Brokerage margin	9.2%	1.7%	-6.6%	0.2%	5.6%	14.3%
Net Profit (Loss)	182	7	(315)	6	200	638
EPS (Eu)	(0.107)	0.004	(0.165)	0.003	0.105	0.334

Eu k – IAS/IFRS	2015A	2016A	2017A	2018E	2019E	2020E
Net working capital (NWC)	819	1,687	2,387	2,614	2,830	3,041
Fixed net assets	81	121	124	124	124	124
Funds	86	62	157	270	315	381
Net Capital Employed	814	1,746	2,354	2,468	2,639	2,784
Net financial Debt (Cash)	(1,266)	(2,344)	(1,399)	(1,312)	(1,341)	(1,834)
Total Equity	2,079	4,090	3,754	3,780	3,980	4,618
Sources	814	1,746	2,354	2,468	2,639	2,784
ROE	8.8%	0.2%	-8.4%	0.2%	5.0%	13.8%
Total Equity/Total Assets	60.3%	75.3%	71.2%	68.3%	66.5%	66.0%

Source: Company data (IAS/IFRS) for FY 2016-2017 and IR Top Research estimates for FY 2018-2020

VALUATION

We set a target price of **10.24 Eu per share** based on a Discounted Cash Flow (DCF) model, implying an upside of 11% and an implicit 2017-2018 Market/AuM multiples of 1.8% and 1.6% respectively. We do not consider appropriate a valuation based on a P/E ratio, as the Company has currently made important investments to boost growth in AuM which in the short term are not reflected in the P&L.

DCF

Main assumptions are:

- Risk-free interest rate: 2.5%
- Cost of equity (K_E): 10.13%
- Perpetual growth: 2%

Eu k – IAS/IFRS	2018E	2019E	2020E	2021E	2022E	2023E	Terminal Value
Net Profit (Loss)	6	200	638	1,309	2,052	3,148	
+ D&A	0	0	0	0	0	0	
- Δ NWC	(227)	(216)	(211)	(343)	(582)	(717)	
- Net Capex	0	0	0	0	0	0	
+ Δ funds	113	45	67	23	23	1	
= Free cash flows to equity (FCFE)	(108)	29	494	988	1,493	2,431	
Terminal Value (TV)							2,480
Sum of PV 2018-2023 FCFE (Eu m)							3.39
Discounted TV (Eu m)							16.17
Equity Value (Eu m)							19.56
Number of outstanding shares (m)							1.91
Fair Value per share (Eu)							10.24

Source: Company data and IR Top Research estimates as of June 6th, 2018

Since the main value driver is AuM, we run a sensitivity analysis on the target price when changing our AuM estimates. We estimate that any 1% higher/lower growth rate vs. our base estimates, may have a 1.4% impact on DCF valuation.

PEERS ANALYSIS

SCM SIM currently trades at large discount (on average 61% for 2018-2020 Market Cap/AuM) compared to a peer group made of both Italian and international players operating in the asset management industry.

	Country	Market Cap (Eu m)	AuM 2018E (Eu m)	AuM 2019E (Eu m)	Net profit 2018E (Eu m)	Net profit 2019E (Eu m)
ANIMA Holding SpA	Italy	1,923	185,224	192,000	162	178
Azimut Holding SpA	Italy	2,106	47,329	50,907	187	210
Banca Generali SpA	Italy	2,536	57,287	62,233	219	244
Banca Mediolanum SpA	Italy	4,408	79,486	84,476	352	385
Ashmore Group Plc	UK	3,148	78,157	87,378	174	197
GAM Holding AG	Switzerland	2,047	147,171	155,269	151	173
Janus Henderson Group PLC	UK	5,455	327,519	340,166	495	515
Julius Baer Gruppe AG	Switzerland	11,345	363,544	388,685	784	863
Jupiter Fund Management Plc	UK	2,392	57,492	63,467	177	185
Liontrust Asset Management PLC	UK	349	13,829	15,571	26	30
Man Group Plc	UK	3,461	102,657	113,369	230	273
Schroders Plc	UK	10,098	517,778	558,007	702	742
Skarbiec Holding S.A.	Poland	45	4,424	4,806	9	11
St. James's Place Plc	UK	7,233	115,743	134,463	237	295
Standard Life Aberdeen PLC	UK	12,242	705,625	641,038	895	888
Peers median		3,148	102,657	113,369	219	244
SCM SIM	Italy	18	1,260	1,523	0.01	0.2

	Market Cap/AuM			P/E		
	18E	19E	20E	18E	19E	20E
ANIMA Holding SpA	1.0%	1.0%	1.0%	10.4	9.7	9.1
Azimut Holding SpA	4.5%	4.1%	3.7%	12.1	10.8	9.6
Banca Generali SpA	4.4%	4.1%	3.8%	11.5	10.5	9.7
Banca Mediolanum SpA	5.5%	5.2%	4.9%	12.7	11.5	10.3
Ashmore Group Plc	4.0%	3.6%	3.2%	18.2	16.1	14.2
GAM Holding AG	1.4%	1.3%	1.3%	13.5	11.7	11.0
Janus Henderson Group PLC	1.7%	1.6%	1.5%	10.9	10.4	9.8
Julius Baer Gruppe AG	3.1%	2.9%	2.7%	13.6	12.4	11.2
Jupiter Fund Management Plc	4.2%	3.8%	3.4%	13.7	13.1	11.5
Liontrust Asset Management PLC	2.5%	2.2%	1.8%	14.0	12.5	10.2
Man Group Plc	3.4%	3.1%	2.8%	13.8	11.7	10.7
Schroders Plc	2.0%	1.8%	1.7%	14.8	14.1	13.1
Skarbiec Holding S.A.	1.0%	0.9%		6.7	5.7	
St. James's Place Plc	6.2%	5.4%	4.6%	24.2	20.6	16.8
Standard Life Aberdeen PLC	1.7%	1.9%	1.8%	12.7	12.5	11.2
Peers median	3.1%	2.9%	2.8%	13.5	11.7	10.8
SCM SIM	1.4%	1.2%	0.9%			
Discount/Premium to peers	-55%	-60%	-67%			

Source: IR Top Research estimates for SCM SIM and FactSet data as of June 6th, 2018 for peers
n.a. = not available

Our valuation yields a Target Price of 10.24 Eu

SCM SIM ON AIM

-13% from IPO

IPO

Trading Market: AIM Italia – Borsa Italiana SpA

Date: July 28th, 2016

Price: 10.59 Eu

Capital raised: 2.22 Eu m

Capitalisation: 20.2 Eu m

SHARE DATA (as of June 6th, 2018)

Alphanumeric Code: SCM

Ticker Bloomberg: SCM IM

Ticker Reuters: SCM.MI

ISIN: IT0005200248

Outstanding shares: 1,909,880

Share capital: 1,909,880 Eu

Price: 9.20 Eu

Performance from IPO: -13.1%

Capitalisation: 17.6 Eu m

Free Float: 11.429%

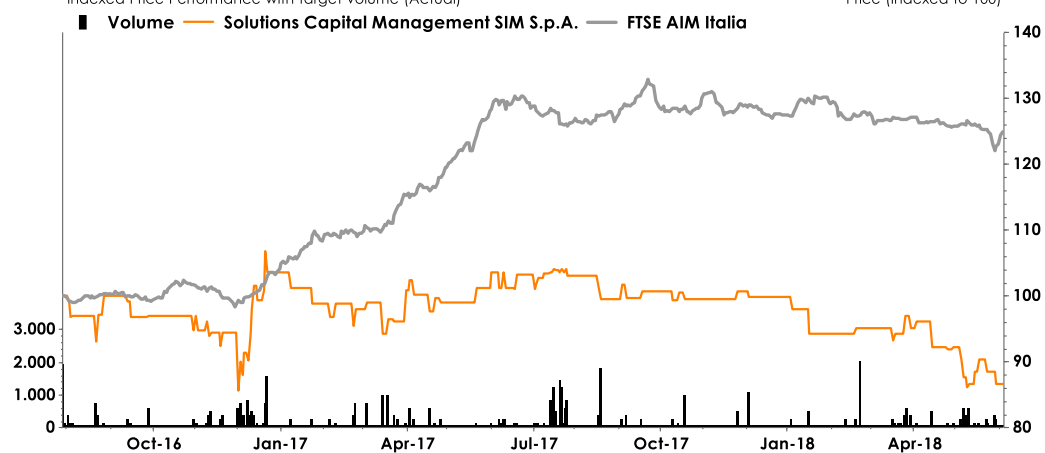
NomAd: EnVent Capital Markets Ltd

Specialist: Banca Aletti & C. SpA

Solutions Capital Management SIM S.p.A. vs. Ftse AIM Italia Index

Indexed Price Performance with target volume (Actual)

Price (Indexed to 100)



KEY FIGURES

Eu m	2015A	2016A	2017A	2018E	2019E	2020E
Assets under Management (AuM)	947	1,047	1,083	1,260	1,523	1,924
Profit & Loss Statement						
Fee income	6.2	6.9	7.9	8.9	10.5	13.2
Fees expenses	(2.3)	(3.0)	(3.9)	(4.3)	(5.0)	(6.3)
Net fees	3.9	3.9	4.1	4.6	5.5	6.8
Brokerage margin	3.9	3.9	4.1	4.6	5.5	6.8
Operating costs	(3.5)	(3.9)	(4.5)	(4.8)	(5.3)	(6.0)
Pre-tax Profit (Loss)	0.4	0.1	(0.3)	0.01	0.3	1.0
Taxes	(0.2)	(0.1)	(0.04)	(0.003)	(0.1)	(0.3)
Net Profit (Loss)	0.2	0.01	(0.3)	0.01	0.2	0.6
Balance Sheet						
NWC	0.8	1.7	2.4	2.6	2.8	3.0
Fixed assets	0.1	0.1	0.1	0.1	0.1	0.1
M/L Funds	0.1	0.1	0.2	0.3	0.3	0.4
Net Capital Employed	0.8	1.7	2.4	2.5	2.6	2.8
Net financial Debt (Cash)	(1.3)	(2.3)	(1.4)	(1.3)	(1.3)	(1.8)
Total Equity	2.1	4.1	3.8	3.8	4.0	4.6
Cash Flow						
Net Profit (Loss)	0.2	0.01	(0.3)	0.01	0.2	0.6
D&A	0.1	0.1	0.04	0.0	0.0	0.0
Change in M/L Funds	0.03	(0.02)	0.09	0.11	0.04	0.07
Gross Cash Flow	0.3	0.0	(0.2)	0.1	0.2	0.7
Change in NWC	0.7	(0.9)	(0.7)	(0.2)	(0.2)	(0.2)
Operating Cash Flow	1.0	(0.8)	(0.9)	(0.1)	0.03	0.5
Capex	(0.1)	(0.1)	(0.05)	0.0	0.0	0.0
Free Cash Flow	0.9	(0.9)	(0.9)	(0.1)	0.03	0.5
Dividends	0.0	0.0	0.0	0.0	0.0	0.0
Change in Equity	0.002	2.0	(0.02)	0.02	0.0	(0.0)
Change in Net financial Debt (Cash)	0.9	1.1	(0.9)	(0.1)	0.03	0.5
Per Share Data						
Current Price				€ 9.20		
Total shares outstanding (m)	1.70	1.91	1.91	1.91	1.91	1.91
EPS	0.107	0.004	(0.165)	0.003	0.105	0.334
DPS	0.00	0.00	0.00	0.00	0.00	0.00
FCF	0.52	(0.48)	(0.48)	(0.06)	0.02	0.26
Pay-out ratio	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Ratios						
Fee income/AuM	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%
Fees expenses/Fee income (%)	-37.6%	-43.3%	-48.9%	-48.0%	-48.0%	-48.0%
Net fees/AuM	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%
Cost/Income ratio	-90.4%	-98.5%	-108.6%	-102.8%	-97.1%	-88.1%
EBT/Brokerage margin	9.2%	1.7%	-6.6%	0.2%	5.6%	14.3%
Net Debt/Equity (Gearing)	-60.9%	-57.3%	-37.3%	-34.7%	-33.7%	-39.7%
Total Equity/Total Assets	60.3%	75.3%	71.2%	68.3%	66.5%	66.0%
ROE	8.8%	0.2%	-8.4%	0.2%	5.0%	13.8%
Free Cash Flow Yield	5.6%	-5.3%	-5.3%	-0.6%	0.2%	2.8%
Growth Rates						
Assets under Management (AuM)	38.7%	10.5%	3.4%	16.4%	20.9%	26.3%
Fee income	52.0%	11.7%	14.3%	12.6%	17.4%	25.4%
Fees expenses	81.1%	28.8%	29.2%	10.4%	17.4%	25.4%
Net fees	38.6%	1.4%	3.0%	14.6%	17.4%	25.4%
Brokerage margin	38.3%	1.2%	4.4%	13.1%	17.4%	25.4%
Pre-tax Profit (Loss)	n.m.	-81.6%	n.m.	n.m.	n.m.	218.7%
Net Profit (Loss)	n.m.	-96.2%	n.m.	n.m.	n.m.	218.7%

Source: Company data (IAS/IFRS) for FY 2015-2017 and IR Top Research estimates for FY 2018-2020
n.m. = not meaningful

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