

SCM SIM

1H21 a return to growth: fee income +54%

Sharp increase in fee income and brokerage margin. SCM SIM, a Milan based independent player in private banking and wealth management, closed 1H21 with a strong increase in fee income and profitability. More in detail, at the end of June 2021, Asset Under Control stood at Euro 900 m, down slightly from Euro 924 m in FY20. This was the net result of the collection of Euro 15 m of new asset management and insurance contracts and the dismissal of c. Euro 42 non-active advisory contracts. Fee income came in at Euro 3.1 m, +54% vs. 2.0 m in 1H20. The strong growth was driven by performance fees which came in at Euro 1.0 m (Euro 13 k in 1H20) following the favourable market trends, and good performances from the insurance (+32%) and asset management (+4%) lines whereas a 23% contraction was reported for the advisory line. Regarding the performance fees, Management highlighted the Company's ability to historically generate performance fees with an average of Euro 0.9 m recorded over the FY14-20 period (not counting FY18 which significantly differed from the historical trend). Brokerage margin came in at Euro 1.9 m (Euro 1.3 m in 1H20) with an increase in Brokerage Margin on Fee Income by 600 bps vs. 1H20 to 62.4% (56.4% in 1H20 and 57.5% in FY20) thanks to a favourable sales mix (higher weight of performance fees) and the implementation of a new pay-out policy for the commercial network. Despite an increase by +16% in operating expenses following the strengthening of the corporate structure and commercial network the cost/income ratio improved significantly now standing at 96% vs. 133% in 1H20 and 104% in FY20. Net Result was negative for Euro -0.1 m, compared to a Net Loss of Euro -0.5 m in 1H20 and Euro -0.1 m in FY20. Total Equity stood at Euro 3.1 m whereas Net Capital Employed decreased slightly to Euro 2.3 m (Euro 3.1 in FY20) mainly due to a seasonal decrease in Working Capital. At the end of June 2021, the sales network counted n. 40 consultants (37 in FY20).

Continuous strategic focus on sales network and digitalization to boost future growth. Management confirmed strategic guidelines to continue to focus on actions aimed at increasing AuC and consolidate profitability and more specifically the expansion and training of the sales network, the digitalization of all activities with low added value (the Company is already completely paperless) and the launch of new products and services. After the launch in December of the PIR compliant management line, which with a return of c. +19% in 1H21 showed to be a top performer in the Italian market, the Company introduced two new unit linked insurance lines in May and hired 4 new consultants. The Company also announced a new partnership for the distribution of its insurance products with an important agent with over 50 sales offices in Italy.

Positive outlook confirmed. The positive results in 1H21 marked a return to growth after a FY20 which was heavily affected by the pandemic, but during which the Company managed to make structural changes to the service offering and internal processes. We believe that this, coupled with the Company's distinctive business model based on independency, transparency, and highly customized services to a portfolio of HNWI should lay good ground for continuous growth also in the mid-term.

Estimate revision. Given the above and considering 1H21 results we revised our estimates for AuC and fee income in FY21 now expected at Euro 951 m and Euro 6.3 m respectively (Euro 1.144 and Euro 7.3 m previously). On the other hand, we increased profitability thus ending up with a FY21 Net profit largely in line with our earlier estimates (Euro 0.1 m). We left our growth expectations and brokerage margin for FY22 unchanged and added FY23 to our explicit forecast period. Overall, we made an average adjustment of net fees and EPS of -13% and -14% respectively.

Valuation update: Based on our new estimates, we set a target price of Euro 6.66 p.s., largely in line with our previous one (Euro 6.61 p.s), providing for a +67% upside on current stock price and obtained by the application of DCF model.

Sector: Finance

Target Price (Euro)	6.66 (6.61 pr)
Market Price (Euro)	4.00 p.s.
Market Cap (Euro m)	8
EV (Euro m)	7
as of Oct 12 th , 2021	

Share Data

Market	AIM Italia
Reuters/Bloomberg	SCM IM/SCM.MI
ISIN	IT0005200248
N. of Shares	2,006,240
Free Float	18.25%
CEO	Antonello Sanna

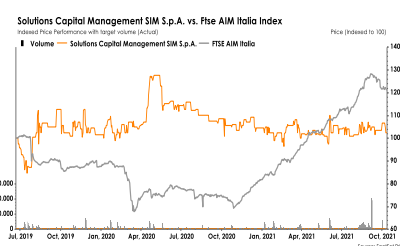
Financials

	20A	21E	22E	23E
Fees Income	5.5	6.2	7.7	8.9
YoY %	-20%	+12%	+25%	+15%
Net Fees	3.2	3.8	4.6	5.3
Brokerage margin	3.2	3.8	4.6	5.3
EBT	(0.2)	0.1	0.5	0.8
EBT/Brokerage margin	-5.0%	3.2%	11.2%	15.0%
Net Profit	(0.1)	0.1	0.4	0.6
Net (Cash)	(0.2)	(0.9)	(1.2)	(1.6)

Performance

	1M	3M	1Y
Absolute	-2%	-2%	-3%
Relative (FTSE AIM Italia)	+3%	-9%	-4%
52-week High/Low (Eu)	5.0 / 3.60		

IR TOP RESEARCH
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KEY FIGURES

Euro m	2018A	2019A	2020A	2021E	2022E	2023E
Assets under Control (AuC)	846	772	924	951	1.151	1.351
Profit & Loss Statement						
Fee income	6,4	6,9	5,5	6,2	7,7	8,9
Fees expenses	(3,3)	(3,1)	(2,3)	(2,4)	(3,1)	(3,6)
Net fees	3,0	3,9	3,2	3,8	4,6	5,3
Brokerage margin	3,0	3,8	3,2	3,8	4,6	5,3
Operating costs	(4,5)	(3,7)	(3,3)	(3,8)	(4,3)	(4,7)
Pre-tax Profit (Loss)	(1,3)	0,1	(0,2)	0,1	0,5	0,8
Taxes	0,3	(0,1)	0,0	(0,0)	(0,1)	(0,2)
Net Profit (Loss)	(1,1)	0,0	(0,1)	0,1	0,4	0,6
Balance Sheet						
NWC	2,4	1,8	2,6	2,3	2,6	2,8
Fixed assets	0,2	0,7	0,7	0,4	0,2	0,1
M/L Funds	0,2	0,1	0,2	0,2	0,2	0,2
Net Capital Employed	2,4	2,4	3,1	2,5	2,5	2,7
Net financial Debt (Cash)	(0,4)	(1,0)	(0,2)	(0,9)	(1,2)	(1,6)
Total Equity	2,9	3,4	3,3	3,3	3,7	4,3
Cash Flow						
Net Profit (Loss)	(1,1)	0,0	(0,1)	0,1	0,4	0,6
D&A	0,1	0,3	0,3	0,2	0,1	0,1
Change in M/L Funds	0,0	(0,0)	0,0	0,0	0,0	0,0
Gross Cash Flow	(1,0)	0,3	0,2	0,3	0,5	0,7
Change in NWC	(0,1)	0,7	(0,8)	0,3	(0,3)	(0,3)
Operating Cash Flow	(1,0)	1,0	(0,6)	0,6	0,2	0,5
Capex	(0,1)	(0,9)	(0,2)	0,1	0,2	(0,0)
Free Cash Flow	(1,1)	0,1	(0,8)	0,7	0,3	0,4
Dividends	0,0	0,0	0,0	0,0	0,0	1,0
Change in Equity	0,2	0,5	(0,0)	0,0	0,0	0,0
Change in Net financial Debt (Cash)	(1,0)	0,6	(0,8)	0,7	0,3	1,4
Per Share Data						
Current Price	€ 4,00					
Total outstanding shares (m)	2,01	2,01	2,01	2,01	2,01	2,01
EPS	(0,52)	0,01	(0,07)	0,05	0,19	0,31
DPS	0,00	0,00	0,00	0,00	0,00	1,00
FCF	(0,56)	0,04	(0,42)	0,33	0,16	0,22
Pay-out ratio	0,0%	0,0%	0,0%	0,0%	0,0%	327,9%
Ratios						
Fee income/AuM	0,8%	0,9%	0,6%	0,7%	0,7%	0,7%
Fees expenses/Fee income	-52,4%	-44,0%	-42,0%	-38,0%	-40,0%	-40,0%
Net fees/AuM	0,4%	0,5%	0,3%	0,4%	0,4%	0,4%
Brokerage Margin/Fee Income	47,4%	55,5%	57,5%	62,0%	60,0%	60,0%
Cost/Income ratio	-149,3%	-96,5%	-103,6%	-98,0%	-92,0%	-88,0%
EBT/Brokerage margin	-43,2%	2,1%	-5,0%	3,2%	11,2%	15,3%
Net Debt/Equity (Gearing)	-15,2%	-30,8%	-6,2%	-25,9%	-31,9%	-37,6%
Total Equity/Total Assets	70,2%	68,4%	63,5%	66,9%	67,6%	69,9%
ROE	-36,8%	0,4%	-4,3%	2,7%	10,5%	14,1%
Free Cash Flow Yield	-13,9%	1,1%	-10,5%	8,3%	4,1%	5,5%
Growth Rates						
Assets under Control (AuC)	-21,9%	-8,8%	19,7%	2,9%	21,0%	17,4%
Fee income	-19,9%	8,9%	-20,2%	12,0%	25,0%	15,0%
Fees expenses	-14,1%	-8,5%	-24,0%	1,4%	31,6%	15,0%
Net fees	-25,4%	28,1%	-17,2%	19,6%	21,0%	15,0%
Brokerage margin	-26,5%	27,5%	-17,3%	20,7%	21,0%	15,0%
Pre-tax Profit (Loss)	-377,6%	106,2%	-296,6%	176,4%	328,2%	56,4%
Net Profit (Loss)	-233,6%	101,4%	-1021,6%	165,5%	328,2%	56,4%

Breakdown Assets Under Control

Asset Under Control	FY 2017	FY 2018	FY 2019	FY 2020	1H21
Asset management	168,969	168,371	186,063	160,052	173,975
Advisory	852,259	577,857	503,839	389,430	347,183
Insurance portfolio	61,562	83,382	61,939	356,186	358,242
SICAV	-	16,156	19,748	17,980	20,468
Total	1,082,791	845,766	771,589	923,648	899,868

Breakdown Fee Income

Fee Income	1H21	1H20	1H19	FY20	FY19
Asset management recurring	841	806	822	1,525	1,670
Advisory recurring	433	558	784	1,011	1,548
Performance	1,036	13	424	641	1,152
Advisory generic	140	142	1,450	767	2,076
Insurance	634	479	187	662	428
Other				922	22
Total	3,083	1,998	3,668	5,529	6,927

Company data – Euro '000

Key Financials 1H21

Income Statement – Euro m	1H21A	1H20A	1H19A	FY20A	FY19A
AuC	900	964	892	924	772
Fee income	3.1	2.0	3.7	5.5	6.9
<i>Fee income /AuC</i>	0.34%	0.21%	0.41%	0.60%	0.90%
Fee expenses	1.1	0.9	1.6	2.3	3.1
<i>Fee expenses / Fee income</i>	37.1	42.8%	44.3%	42.0%	44.0%
Net Fees	1.9	1.1	2.0	3.2	3.9
<i>Net Fees/AuC</i>	0.22%	0.12%	0.23%	0.35%	0.50%
Brokerage margin	1.9	1.1	2.0	3.2	3.8
<i>Brokerage margin / Fee income</i>	62.4%	56.4%	55.7%	57.5%	55.5%
Operating Costs	1.9	1.5	1.9	(3.2)	(3.7)
<i>Operating Cost/Income ratio</i>	96.7%	132.6%	95.2%	103.6%	96.5%
Pre-tax Profit / (Loss)	(0.1)	(0.5)	0.0	(0.2)	0.1
<i>EBT/Brokerage margin</i>	-5.8%	-44.8%	3.1%	-5.0%	2.1%
Net Profit / (Loss)	(0.1)	(0.5)	0.0	(0.1)	0.0

Balance Sheet – Euro m	1H21A	1H20A	1H19A	FY 2020A	FY 2019A
Net Working Capital (NWC)	1.9	1.5	1.8	2.6	1.8
Fixed net assets	0.6	0.7	0.7	0.7	0.7
Funds	(0.2)	(0.2)	(0.1)	(0.2)	(0.1)
Net Capital Employed	2.3	2.0	2.4	3.1	2.4
Net Financial Position (Cash)	(0.9)	(0.9)	(1.0)	(0.2)	(1.0)
Total Equity	3.1	2.9	3.4	3.3	3.4
Sources	2.3	2.0	2.4	3.1	2.4

Source: Company data (IAS/IFRS)

Estimate Review

Income Statement	2020A	2021E	2021E	2022E	2022E	2023E
Euro m		Old	New	Old	New	New
Fee income	5.5	7.3	6.2	9.1	7.7	8.9
YoY	-20.7%	+32.0%	12.0%	+25.0%	25.0%	15.0%
Fee expenses	2.3	3.1	2.4	3.6	3.1	3.6
Net Fees	3.2	4.2	3.8	5.5	4.6	5.3
YoY	-17.2%	+33.9%	+19.6%	+29.3%	+21.0%	+15.0%
Brokerage margin	3.2	4.2	3.8	5.5	4.6	5.3
<i>Brokerage margin / Fee income</i>	57.5%	58.0%	62.0%	60.0%	60.0%	60.0%
Operating costs	(3.7)	(3.9)	(3.8)	(4.9)	(4.3)	(4.7)
<i>Cost/Income ratio</i>	103.6%	-93.0%	-98.0%	-89.0%	-92.0%	-88.0%
Pre-tax Profit / (Loss)	(0.2)	0.2	0.1	0.6	0.5	0.8
<i>EBT/Brokerage margin</i>	-5.0%	4.8%	3.2%	10.0%	11.2%	15.3%
Net Profit / (Loss)	(0.1)	0.1	0.1	0.4	0.4	0.6
<i>EPS (Euro)</i>	n.a.	0.07	0.05	0.19	0.19	0.31
Balance Sheet	2020A	2021E	2021E	2022E	2022E	2023E

Euro m		New	New	Old	New	New
Net Working Capital (NWC)	2.6	2.5	2,3	2.9	2,6	2,8
Fixed net assets	0.7	0.4	0,4	0.2	0,2	0,1
Funds	(0.2)	(0.2)	(0,2)	(0.2)	(0,2)	(0,2)
Net Capital Employed	3.1	2.7	2,5	2.8	2,5	2,7
Net Financial Position (Cash)	(0.2)	(0.7)	(0,9)	(0.9)	(1,2)	(1,6)
Total Equity	3.3	3.4	3,3	3.8	3,7	4,3
Sources	3.1	2.7	2,5	2.8	2,5	2,7

Source: Company data (IAS/IFRS) for FY 2020, IR Top Research estimates for FY 2021-2022

Valuation

Cost of Equity	
Perpetual growth rate	1%
Risk free rate (BTP 10Y 12 months average)	0.70%
β unlevered	1.0
Equity risk premium	6.23%
D/E target	0.0%
Tax rate	24.0%
Cost of equity (Ke)	6.88%

DCF Valuation	
Sum of PV 2021-25 FCFs Eu m	2.5 19%
Discounted terminal value Eu m	10.9 81%
Enterprise Value Eu m	13.6 100%
N. of outstanding shares (m)	2,006
Equity Value (Eu p.s.)	6.66

DETAILS PEER GROUP

	Country	Market Cap (Euro m)	AuM 21E (Euro m)	Net Margin/AuM 20A bps	Net Margin/AuM 21E bps
ANIMA Holding SpA	Italy	1.507	198.363	8,3	10,5
Azimut Holding SpA	Italy	3.377	67.195	70,0	65,1
Banca Generali SpA	Italy	4.390	82.092	36,9	37,1
Banca Mediolanum SpA	Italy	7.065	86.893	54,3	61,9
Ashmore Group Plc	UK	2.773	97.376	23,2	28,8
GAM Holding AG	Switzerland	246	101.419	-1,2	0,5
Janus Henderson Group PLC	UK	6.152	367.300	13,5	15,7
Julius Baer Gruppe AG	Switzerland	12.543	465.489	16,1	22,9
Jupiter Fund Management Plc	UK	1.565	71.174	24,7	26,6
Liontrust Asset Management PLC	UK	1.434	44.607	8,9	26,1
Man Group Plc	UK	3.312	121.930	11,2	35,3
Schroders Plc	UK	10.855	721.892	9,9	10,5
St. James's Place Plc	UK	9.310	172.521	20,3	21,8
Standard Life Aberdeen PLC	UK	6.342	633.815	7,7	5,7
Average		5.062	230.862	21,7	26,3
SCM SIM	Italy		900	n.s.	1.0

Source: FactSet data as of October 12th, 2021 for peers and IR Top Research estimates for SCM SIM

	Market Cap / AuM		P/E	
	21E	22E	21E	22E
ANIMA Holding SpA	0,8%	0,7%	6,8	8,2
Azimut Holding SpA	5,0%	4,7%	9,0	9,6
Banca Generali SpA	5,3%	5,8%	13,9	15,8
Banca Mediolanum SpA	8,1%	7,6%	13,6	14,1
Ashmore Group Plc	2,8%	2,7%	9,7	14,7

GAM Holding AG	0,2%	0,2%	n.a.	n.a.
Janus Henderson Group PLC	1,7%	1,6%	10,3	10,3
Julius Baer Gruppe AG	2,7%	2,5%	11,0	11,0
Jupiter Fund Management Plc	2,2%	2,1%	8,3	9,3
Liontrust Asset Management PLC	3,2%	2,8%	18,8	16,0
Man Group Plc	2,7%	2,5%	8,0	10,2
Schroders Plc	1,5%	1,4%	15,2	14,4
St. James's Place Plc	5,4%	4,8%	22,8	19,0
Standard Life Aberdeen PLC	1,0%	1,0%	18,6	17,1
Asset management peers' median	3,1%	2,9%	12,8	13,0
SCM SIM	0,8%	0,7%	87,0	20,3
<i>Discount/Premium to peers</i>	<i>-73%</i>	<i>-76%</i>	<i>n.m.</i>	<i>56%</i>

Source: FactSet data as of October 12th, 2021 for peers and PMI Capital for P/E multiple for SCM Sim

COMPANY PORIFILE

Solutions Capital Management SIM is a Private Banking and Wealth Management company authorized to manage portfolios, provide investment advice and placement services. SCM SIM, founded in 2009 by Antonello Sanna (current CEO), was the first **SIM to be listed on the Italian stock market**. 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**.

STRATEGY

- Recruitment of new financial advisors from other banking networks / institutions;
- Development of the commercial network through the consolidation of the skills acquired by financial and insurance consultants;
- Efficiency of operations and greater management capacity, also achieved after obtaining the authorization to hold the assets;
- Release of new periodic services (on a quarterly basis);
- Digitization process of all activities with low added value (e.g. non-periodic reporting to customers);
- Implementation and release of a software, called “Wealth Plan”, which allows to give the customer an overall view of his assets.

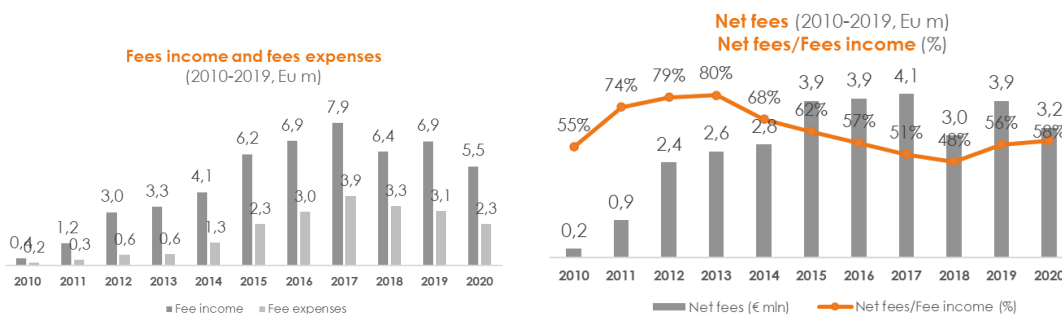
OPPORTUNITIES

- Unique business model based 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 team of financial and insurance consultants.

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.
- Reputational risk by customers, shareholders, investors or Supervisory Authorities (e.g. privacy violation).
- Low free float and stock liquidity.

Historical performance charts



IPO

Trading Market: AIM Italia – Borsa Italiana SpA

Date: July 28th, 2016

Price: Euro 10.59

Capital raised: Euro 2.2 m

Capitalisation: Euro 20.2 m

SHARES (as of October 12th, 2021)

Code: SCM

Bloomberg: SCM IM

Reuters: SCM.MI

ISIN: IT0005200248

Shares: 2,006,240

Share capital: Euro 2,006,240

Price: Euro 4.00 p.s.

Performance from IPO: -62%

Capitalisation: Euro 7.9 m

Free Float: 17.94%

NomAd: Integrae SIM

Specialist: Banca Finnant Euramerica SpA

Auditing firm: Crowe AS SpA

STOCK OPTION PLAN.

The Shareholder’s Meeting approved the share capital increase by December 31st, 2024 by issuing a maximum of no. 400,000 new ordinary shares. The beneficiaries (employees with strategic roles, members of the Board of Directors and financial advisors), upon the satisfaction of certain conditions, will be able to exercise the option right and subscribe for the shares at a price of Euro 4.15.

OWNERSHIP

Shareholder	N° of shares	%
HPS Holding Partecipazioni Societarie Srl	1.640.101	81.75%
Market	366.139	18.25%
Total	2,006,240	100.00%

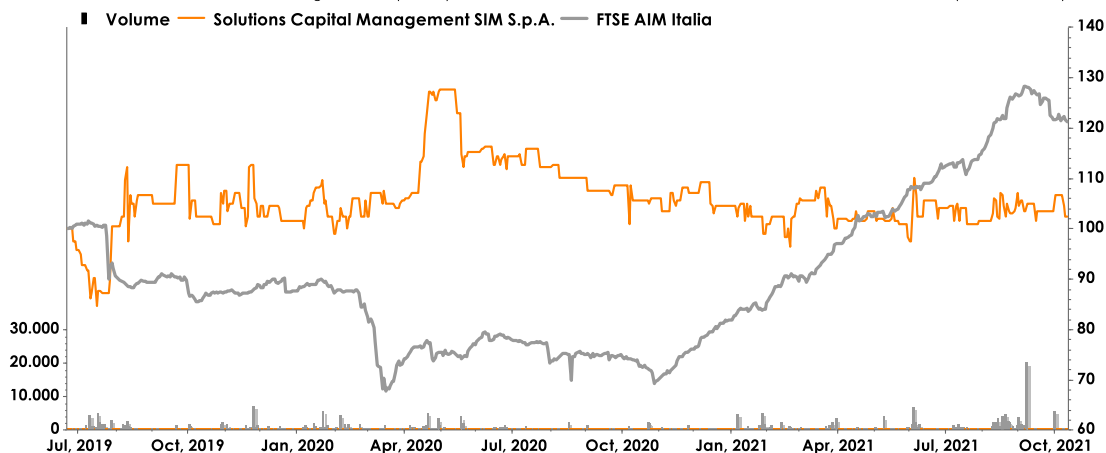
Source: Company data as of October 12th, 2021

STOCK PERFORMANCE

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

Indexed Price Performance with target volume (Actual)

Price (Indexed to 100)



Source: FactSet Prices

DISCLAIMER

UPDATES: This Research is an update coverage made by IR Top Consulting S.r.l. (IR Top) on SCM SIM (the "Company"). Update frequency might depend on circumstances considered to be important (corporate events and changes of recommendation, etc.) or on further advisory commitment. Last Research on the same Company was released on May 4th 2021. Opinions and estimates of this Research are as the date of this material and are subject to change. Information and opinions have been obtained from sources public and believed to be reliable, but no warranty is made as to their accuracy or correctness. Past performances of the Company are not guarantee of future results. During the last 12 months, the following indications have been disseminated:

Date	Target Price	Market Price	Validity Time
October 13 th , 2021	6.66	4.00	12 months
May 4 th , 2021	6.61	4.04	12 months
October 20 th , 2020	6.96	4.12	12 months
May 13 th , 2020	7.32	4.98	12 months
November 7 th , 2019	7.24	4.10	12 months
May 15 th , 2019	7.15	4.74	12 months
October 25 th , 2018	9.25	8.50	12 months
June 7 th , 2018	10.24	9.20	12 months

VALUATION METHODOLOGY (HORIZON: 12M): IR Top obtained a fair value using different valuation methodologies including Discounted Cash Flow method and Multiple-based models. Moreover, IR Top used a proprietary model, "AIM Positioning rating", which incorporates a number of variables selected by IR Top based on research of "Osservatorio AIM Italia", managed by IR Top and focused on research about performance of Companies listed on AIM Italia.

Detailed information about the valuation or methodology and the underlying assumptions and information about the proprietary model used is accessible at IR Top premises.

RESEARCH TEAM:

Luisa Primi, (Senior Analyst, AIAF Associated)

No other people or companies participated or anyhow contributed to the Research. Neither the members of the research team, nor any person closely associated with them have any relationships or are involved in circumstances that may reasonably be expected to impair the objectivity of the Research, including interests or conflicts of interest, on their part or on the part of any natural or legal person working for them, who was involved in producing the Research.

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