



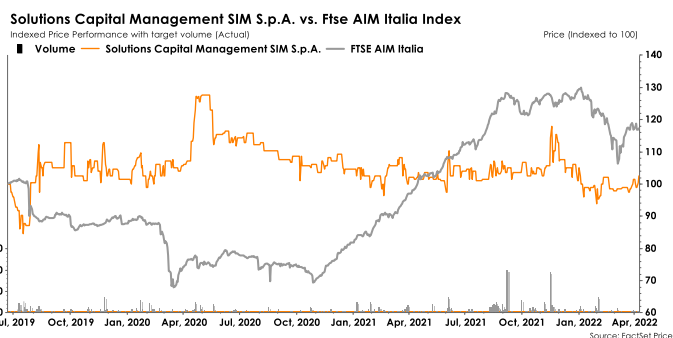
A very strong set of FY21 results

Sector: Finance

Double digit growth in fee income (+15%) and sharp increase in brokerage margin. SCM SIM delivered a strong set of FY21 results generally in line with our estimates. Assets under control stood at Euro 959, up from Euro 924 m, FY 20 as the net result of the collection of c. Euro 75 m new contracts and the dismissal of c. 52 m non-active advisory contracts. Fee income came in at Euro 6.3 m, +15% YoY and slightly above our forecast of Euro 6.0 m and driven by strong performance fees (Euro 2.0 m vs. 0.6 m in FY2020) following favorable market trends and the positive performance of the asset management line (+15% YoY). Brokerage Margin stood at Euro 3.9 m, +21% vs. FY20 and vs. Euro 3.8 m as of our estimates, and above pre-Covid FY19 results (Euro 3.8 m). The Brokerage Margin on Fee income ratio increased to 60.8% from 57.5% as of FY20 thanks to a favorable sales mix (higher weight of performance fees) and the implementation of a new pay-out policy to the commercial network (payout of 39% vs. 42% in FY20). The Cost/Income ratio improved significantly to 97.6% from 103.6% of prior year, despite an increase by 14% in operating expenses following the consolidation of the commercial network and resumed operations post the pandemic emergency. Net result was negative of Euro 0.3 m (Euro 0.1 m in FY20 and a Net Profit of Euro 0.1 as of our estimates). Equity stood at Euro 3.0 m. The total number of consultants reported was 41 at year-end 2021 (37 year-end 2022).

FY21 achievements confirm positive outlook. In FY21, Management continued to pursue its growth strategy based on actions aimed at increasing AuC and consolidate profitability, expansion and training of commercial network and digitalization across all corporate functions. The achievements in FY21, confirmed our expectations for the year and hence the medium-term prospects for the Company. Management however stressed that the uncertainties regarding the impact of the Russia – Ukraine conflict on financial markets could potentially affect FY22 results in terms of a contraction in performance fees. In our view, the Company has shown strong resilience and ability to adapt to difficult market conditions over the last 24 months of Covid-emergency with continuous launch of new products and signing of new partnerships while working on internal efficiency. Therefore, we believe that the Company is well positioned to continue its growth path, also in difficult market conditions.

Estimate revision and target price. Given the above, we leave our FY22-23 estimates for Fee income and brokerage margin largely unchanged for now, however factoring in the increased efficiency of the corporate structure by slightly reducing weight of operating costs. Overall, this translates in an av. Increase in EPS of +13%. Based on new estimate and updated risk-free rate and ERP our DCF model yields a target price of Euro 7.63 p.s.. At our target price the stock would be trading at 2022-2023 Equity Value/AuM multiples of 1.3% and 1.1% respectively, vs. peers' 2.7% and 2.6% and current stock price at 0.7% and 0.6%.



Target Price 7.63 (6.66 pr.)

Market Cap (€ m) **7.9**

EV (€ m) **8.4**

Market Price (€) **3.96**

As of 14th April 2022

Share Data

Market	Euronext Growth Milan
Reuters/Bloomberg	SCM IM/SCM.MI
ISIN	IT0005200248
N. of Shares	2,006,240
Free Float	17.94%
CEO	Antonello Sanna

Financials

	2020A	2021A	2022E	2023E
Fee Income	5.5	6.3	7.7	8.9
YoY %	-20%	+15%	+22%	+15%
Net Fees	3.2	3.9	4.6	5.3
Brokerage M.	3.2	3.9	4.6	5.3
Brok. Mgn/Fee	58%	61%	60%	60%
Income %				
Cost/Income ratio %	104%	98%	84%	78%
Net Result	(0.1)	(0.3)	0.4	0.7
Equity	3.3	3.0	3.4	4.1

Performance

	1M	3M	1Y
Absolute %	+3%	+3%	-1%
Relative (FTSE Italia Growth)	+1%	+11%	-14%
52-week High/Low (Eu)	5.00	/	3.32

Luisa Primi
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KEY FINANCIALS

Euro m	2018A	2019A	2020A	2021A	2022E	2023E
Assets under Control (AuC)	846	772	924	959	1.151	1.351
Profit & Loss Statement						
Fee income	6,4	6,9	5,5	6,3	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	3,9	4,6	5,3
Brokerage margin	3,0	3,8	3,2	3,9	4,6	5,3
Operating costs	(4,5)	(3,7)	(3,3)	(3,8)	(3,9)	(4,2)
Pre-tax Profit (Loss)	(1,3)	0,1	(0,2)	(0,3)	0,6	1,0
Taxes	0,3	(0,1)	0,0	(0,0)	(0,1)	(0,2)
Net Profit (Loss)	(1,1)	0,0	(0,1)	(0,3)	0,4	0,7
Balance Sheet						
NWC	2,4	1,8	2,6	2,4	3,1	3,5
Fixed assets	0,2	0,7	0,7	1,2	1,0	0,7
M/L Funds	0,2	0,1	0,2	0,2	0,2	0,2
Net Capital Employed	2,4	2,4	3,1	3,4	3,9	3,9
Net financial Debt (Cash)	(0,4)	(1,0)	(0,2)	0,5	(0,8)	(1,7)
Total Equity	2,9	3,4	3,3	3,0	3,4	4,1
Cash Flow						
Net Profit (Loss)	(1,1)	0,0	(0,1)	(0,3)	0,4	0,7
D&A	0,1	0,3	0,3	0,3	0,3	0,4
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	0,1	0,8	1,1
Change in NWC	(0,1)	0,7	(0,8)	0,2	(0,7)	(0,3)
Operating Cash Flow	(1,0)	1,0	(0,6)	0,2	0,0	0,8
Capex	(0,1)	(0,9)	(0,2)	(0,9)	(0,1)	(0,1)
Free Cash Flow	(1,1)	0,1	(0,8)	(0,7)	(0,1)	0,7
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)	(0,1)	1,7
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)	(0,13)	0,21	0,37
DPS	0,00	0,00	0,00	0,00	0,00	1,00
FCF	(0,56)	0,04	(0,42)	(0,33)	(0,03)	0,36
Pay-out ratio	0,0%	0,0%	0,0%	0,0%	0,0%	270,8%
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%	-38,6%	-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%	60,8%	60,0%	60,0%
Cost/Income ratio	-149,3%	-96,5%	-103,6%	-97,6%	-84,0%	-78,0%
EBT/Brokerage margin	-43,2%	2,1%	-5,0%	-6,9%	11,9%	18,5%
Net Debt/Equity (Gearing)	-15,2%	-30,8%	-6,2%	16,2%	-24,1%	-42,0%
Total Equity/Total Assets	70,2%	68,4%	63,5%	57,2%	60,9%	63,0%
ROE	-36,8%	0,4%	-4,3%	-9,1%	12,2%	18,0%
Free Cash Flow Yield	-13,9%	1,1%	-10,5%	-8,3%	-0,7%	8,9%
Growth Rates						
Assets under Control (AuC)	-21,9%	-8,8%	19,7%	3,8%	20,0%	17,4%
Fee income	-19,9%	8,9%	-20,2%	14,7%	22,0%	15,0%
Fees expenses	-14,1%	-8,5%	-24,0%	5,4%	26,5%	15,0%
Net fees	-25,4%	28,1%	-17,2%	21,3%	19,2%	15,0%
Brokerage margin	-26,5%	27,5%	-17,3%	21,2%	20,4%	15,0%
Pre-tax Profit (Loss)	-377,6%	106,2%	-296,6%	-67,2%	306,7%	79,2%
Net Profit (Loss)	-233,6%	101,4%	-1021,6%	-94,1%	252,7%	79,2%

Breakdown Assets Under Control

Asset Under Control	FY 2019	FY 2020	FY21
Asset management	186	160	207
Advisory	504	389	365
Insurance portfolio	62	356	363
SICAV	20	18	24
Total	772	924	959
YoY	-9%	+20%	+4%

Breakdown Fee Income

Fee Income	FY21	FY20	FY19
Asset management recurring	1,756	1,525	1,670
Advisory recurring	929	1,011	1,548
Performance	1,992	641	1,152
Advisory generic	471	767	2,076
Insurance	1,194	1,584	450
Total	6,340	5,529	6,927
YoY	+15%	-20%	+9%

Key Financials FY21

Income Statement – Euro m	FY21A	FY20A	FY19A
AuC	959	924	772
Fee income	6.3	5.5	6.9
<i>Fee income /AuC</i>	0.66%	0.60%	0.90%
Fee expenses	2.4	2.3	3.1
<i>Fee expenses / Fee income</i>	38.6%	42.0%	44.0%
Net Fees	3.9	3.2	3.9
<i>Net Fees/AuC</i>	0.41%	0.35%	0.50%
Brokerage margin	3.9	3.2	3.8
<i>Brokerage margin / Fee income</i>	60.8%	57.5%	55.5%
Operating Costs	(3.8)	(3.2)	(3.7)
<i>Operating Cost/Income ratio</i>	97.6%	103.6%	96.5%
Pre-tax Profit / (Loss)	(0.3)	(0.2)	0.1
<i>EBT/Brokerage margin</i>	-6.9%	-5.0%	2.1%
Net Profit / (Loss)	(0.3)	(0.1)	0.0
Balance Sheet – Euro m	FY21A	FY20A	FY19A
Net Working Capital (NWC)	2.4	2.6	1.8
Fixed net assets	1.2	0.7	0.7
Funds	(0.2)	(0.2)	(0.1)
Net Capital Employed	3.5	3.1	2.4
Net Financial Position (Cash)	0.5	(0.2)	(1.0)
Total Equity	3.0	3.3	3.4
Sources	3.5	3.1	2.4

Source: Company data (IAS/IFRS)

Estimate Revision

Income Statement Euro m	2021E Old	2021E Act.	2022E Old	2022E New	2023E Old	2023E New
Fee income	6,2	6,3	7,7	7,7	8,9	8,9
YoY	12,0%	14,7%	25,0%	22,0%	15,0%	15,0%
Fee expenses	2,4	2,4	3,1	3,1	3,6	3,6
Net Fees	3,8	3,9	4,6	4,6	5,3	5,3
YoY	20%	21%	21%	19%	15%	15%
Brokerage margin	3,8	3,9	4,6	4,6	5,3	5,3
Brokerage margin / Fee income	62,0%	60,8%	60,0%	60,0%	60,0%	60,0%
Operating costs	(3,8)	(3,8)	(4,3)	(3,9)	(4,7)	(4,2)
Cost/Income ratio	-98,0%	-97,6%	-92,0%	-84,0%	-88,0%	-78,0%
Pre-tax Profit / (Loss)	0,1	(0,3)	0,5	0,6	0,8	1,0
EBT/Brokerage margin	3,2%	-6,9%	11,2%	11,9%	15,3%	18,5%
Net Profit / (Loss)	0,1	(0,3)	0,4	0,4	0,6	0,7
EPS (Euro)	0,05	(0,13)	0,19	0,21	0,31	0,37

Balance Sheet Euro m	2021E New	2021E Act.	2022E Old	2022E New	2023E Old	2023E New
Net Working Capital (NWC)	2,3	2,4	2,6	3,1	2,8	3,5
Fixed net assets	0,4	1,2	0,2	1,0	0,1	0,7
Funds	(0,2)	(0,2)	(0,2)	(0,2)	(0,2)	(0,2)
Net Capital Employed	2,5	3,4	2,5	3,9	2,7	3,9
Net Financial Position (Cash)	(0,9)	0,5	(1,2)	(0,8)	(1,6)	(1,7)
Total Equity	3,3	3,0	3,7	3,4	4,3	4,1
Sources	2,5	3,5	2,5	2,6	2,7	2,4

Source: Company data (IAS/IFRS) for FY 2021 Act. PMI Capital Research estimates for FY 2022-2023

Valuation

We set a target price of 7.63 Eu per share (6.66 pr.) based on a Discounted Cash Flow (DCF) model, implying an upside of 91% on current share price. At our target price the stock would be trading at 2022-2023 Equity Value/AuM multiples of 1.3% and 1.1% respectively, vs. peers' 2.7% and 2.6% and current stock price at 0.7% and 0.6%.

Cost of Equity	
Perpetual growth rate	1.00%
Risk free rate (BTP 10Y 12 months average)	1.01%
β unlevered	0.99
Equity risk premium	6.23%
Tax rate	24%
Cost of equity (Ke)	7.19%

DCF Valuation	
Sum of PV 2022-25 FCFs Eu m	2.6 17%
Discounted terminal value Eu m	12.7 83%
Equity Value Eu m	15.3 100%
N. of outstanding shares (m)	2,006
Equity Value (Eu p.s.)	7.63

DETAILS PEER GROUP

	Country	Market Cap (Euro m)	AuM 22E (Euro m)	Net Margin/AuM 21A bps	Net Margin/AuM 22E bps
ANIMA Holding SpA	Italy	1.618	203.961	12,7	7,9
Azimut Holding SpA	Italy	2.881	68.102	110,9	56,9
Banca Generali SpA	Italy	3.768	70.944	43,4	33,0
Banca Mediolanum SpA	Italy	5.670	98.265	89,2	54,2
Ashmore Group Plc	UK	1.971	90.728	33,1	18,4
GAM Holding AG	Switzerland	172	106.003	0,6	0,9
Janus Henderson Group PLC	UK	5.133	358.841	18,9	14,9
Julius Baer Gruppe AG	Switzerland	10.658	497.269	26,0	22,8
Jupiter Fund Management Plc	UK	1.405	68.824	31,0	16,8
Liontrust Asset Management PLC	UK	976	49.309	45,2	33,6
Man Group Plc	UK	3.883	147.240	42,7	27,6
Schroders Plc	UK	9.931	860.181	12,5	10,2
St. James's Place Plc	UK	9.012	199.404	23,0	26,9
Average		4.391	216.852	37,5	24,8
SCM SIM	Italy	7,9	1.151	n.a.	3,6

Source: FactSet data as of April 14th, 2022 for peers and IR Top Research estimates for SCM SIM

	Market Cap / AuM		P/E	
	22E	23E	22E	23E
ANIMA Holding SpA	0,8%	0,8%	8,4	7,9
Azimut Holding SpA	4,4%	4,2%	8,4	7,6
Banca Generali SpA	4,4%	5,3%	13,6	12,1
Banca Mediolanum SpA	6,2%	5,8%	11,5	10,3
Ashmore Group Plc	2,0%	2,2%	10,8	11,6
GAM Holding AG	0,2%	0,2%	n.a.	n.a.
Janus Henderson Group PLC	1,4%	1,4%	9,0	8,8
Julius Baer Gruppe AG	2,3%	2,1%	9,2	8,3
Jupiter Fund Management Plc	1,9%	2,0%	11,2	10,8
Liontrust Asset Management PLC	2,4%	2,0%	10,6	9,8
Man Group Plc	2,9%	2,6%	10,7	9,8
Schroders Plc	1,3%	1,2%	13,4	12,4
St. James's Place Plc	4,9%	4,5%	17,2	15,2
Average	2,7%	2,6%	11,2	10,4
SCM SIM	0,7%	0,6%	18,3	10,2
<i>Discount/Premium to peers</i>	<i>-76%</i>	<i>-79%</i>	<i>64%</i>	<i>-2%</i>

Source: FactSet data as of April 14th, 2022 for peers and PMI Capital for P/E multiple for SCM Sim

SCM SIM IN BRIEF

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.

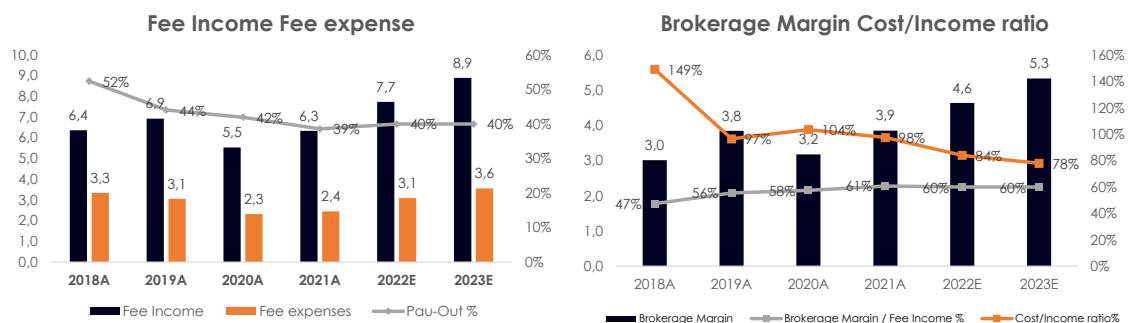
OPPORTUNITIES

- 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.

Key Financial in charts FY18A – FY23E



SCM SIM ON EURONEXT GROWHT MILAN

IPO

Trading Market: Euronext Growth Milan

Date: July 28th, 2016

Price: Euro 10.59

Capital raised: Euro 2.2 m

Capitalisation: Euro 20.2 m

SHARES (as of April 14th, 2022)

Code: SCM

Bloomberg: SCM IM

Reuters: SCM.MI

ISIN: IT0005200248

Shares: 2,006,240

Share capital: Euro 2,006,240

Price: Euro 4.96 p.s.

Performance from IPO: -63%

Capitalisation: Euro 7.9 m

Free Float: 17.94%

NomAd: Integrae SIM

Specialist: Banca Fissant Euramerica SpA

STOCK OPTION PLAN.

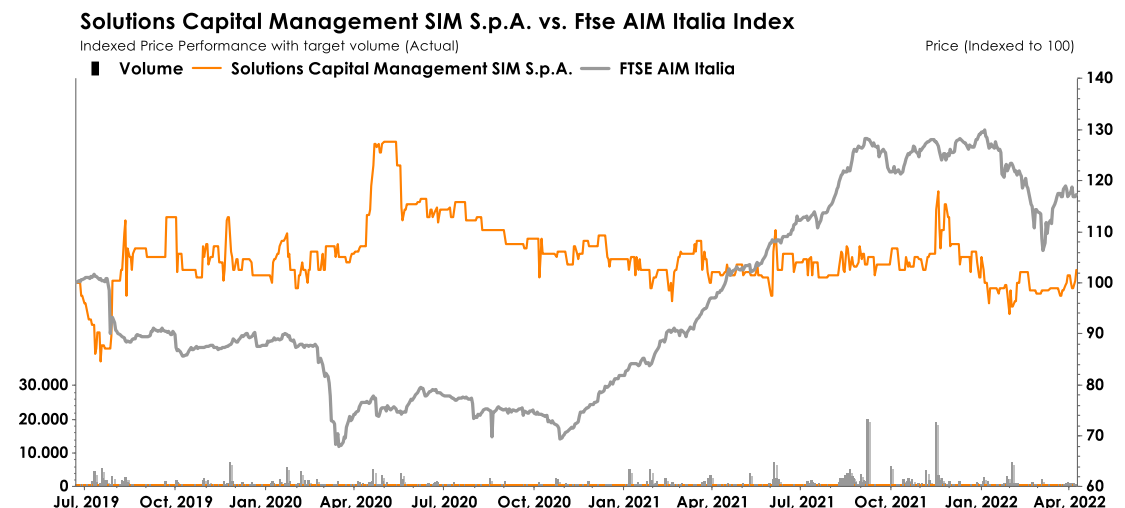
The Shareholder's Meeting approved the share capital increase by December 31st, 2024 by issuing a maximum of no. 400,000 new ordinary shares. The beneficiaries (employees with strategic roles, members of the Board of Directors and financial advisors), upon the satisfaction of certain conditions, will 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	1.646.360	82.06%
Market	359.880	17.94%
Total	2,006,240	100.00%

Source: Company data as of April 5th, 2022

STOCK PERFORMANCE



DISCLAIMER

UPDATES: This Research is an update coverage made by IR Top Consulting S.r.l. (IR Top) on SCMSIM (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 October 13th 2022. 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
April, 19 th , 2022	7.63	3.96	12 months
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)

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