



1H22 results reflect difficult market conditions

Sector: Finance

Healthy growth in core business (+24% YoY) not enough to offset the lack of performance fees caused by a negative trend in financial markets. The recent turmoil in financial markets caused by an inflationary scenario and the increase in interest rates by central banks as a response, negatively affected SCM's 1H22. Fee income came in at Euro 2.6 m, down from Euro 3.1 m in 1H21 (-17% YoY) with the difference being explained by the lack of performance fees which in 1H21 contributed with c. Euro 1.0 m. All other revenue lines showed positive results and recorded a +24% YoY growth on an aggregated basis (insurance +44%, asset management +12%, +5% recurring advisory and +62% generic advisory). Brokerage Margin stood at Euro 1.5 m, -24% compared to the first half of 2021 (Euro 1.9 m). The Brokerage Margin on Fee income ratio was of 57.1%, down vs. 1H21 (62.5%) which benefitted from a favorable sales mix (higher weight of performance fees) but still good compared to previous years with similar sales mix as evidence of the effectiveness of the new pay-out policy implemented over the last 18 months. Opex of Euro 1.9 m remained in line with prior year. Net result was negative of Euro 0.6 m (Euro -0.1 m in 1H21). Finally, Equity stood at Euro 2.4 m (Euro 3.1 m in 1H21). Assets under control stood at Euro 835 m, down vs. Euro 958 at year-end 2021 following the expiry of some low-margin contracts, and a market related devaluation of the assets. The total number of consultants reported was 36. (41 at the end 2021).

Uncertain 2H due to international turmoil, soundness of strategic guidelines to confirm positive outlook in the mid-term. Management did not provide guidance for FY22 but expressed confidence about the second half of 2022 given the positive performance of fees from the core business and the pipeline of "one shot" advisory services, including the agreement with Banca Ubae for the purchase of tax credits for total value of Euro 20 m which saw SCM acting as arranger. Management further confirmed its commitment to a growth strategy based on actions aimed at increasing AuC and consolidate profitability, expansion and training of commercial network and digitalization across all corporate functions. In the first six months of 2022 the Company has announced 3 new partnerships (i) Value-Holdings Capital for advisory service dedicated to the new DAX benchmarked "In Germany" asset management line, (ii) PreviOn for a check-up service of social security position and (iii) Alkeon Capital Management LLC (American management company) for the exclusive distribution rights of the Alkeon Ucits Fund. Considering management's continuous efforts to grow the business and the Company's increased visibility from the dual listing on the "Open Market" segment of Frankfurt stock exchange at the beginning of June we confirm our positive stance on the stock in the mid-term. However, given the uncertain market conditions we adopted a prudential approach for 2H.

Estimate revision and new target price at Euro 6.52 p.s., providing for a potential upside of 81%. Given the above, we reviewed our expectations on FY22 Fee income to factor in the lower performance fees, now assuming Euro 6.5 m (Euro 7.7 m pr.) while leaving our growth rate for FY23 unchanged. We also adjusted profitability in FY22 to better reflect the new sales mix. Finally, we added FY22 to our explicit forecast. Overall, this translates in an average cut in Net Fees and Brokerage Margin by -16% and -19% respectively. We updated our DCF and multiple based target price to Euro 6.52 p.s. down from Euro 7.63 p.s. as of our previous report due to new estimates and a worsening interest rate scenario (WACC +50 bps), however still providing for an upside of 81%. At our target price the stock would be trading at 2022-2023 Equity Value/AuM multiples of 1.5% and 1.3% respectively, vs. peers' 2.2% and 2.3% and current stock price at 0.8% and 0.7%.

Target Price 6.52 (7.63 pr.)

Market Cap (€ m) **7.2**

EV (€ m) **7.7**

Market Price (€) **3.6**

As of October 3rd, 2022

Share Data

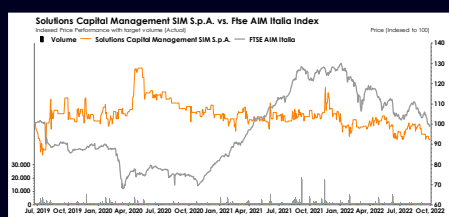
Market	Euronext Growth Milan
Reuters/Bloomberg	SCM IM/SCM.MI
ISIN	IT0005200248
N. of Shares	2,006,240
Free Float	18.90%
CEO	Antonello Sanna

Financials

	21A	22E	23E	24E
Fee Income	6.3	6.5	7.5	8.6
YoY %	+15%	3%	15%	15%
Net Fees	3.9	3.7	4.4	5.1
Brokerage M.	3.9	3.7	4.4	5.1
Brok. Mgn/Fee Income %	61%	57.0%	59.0%	59.0%
Cost/Income ratio %	98%	101%	93%	87%
Net Result	(0.3)	(0.6)	0.2	0.5
Equity	3.0	2.4	2.6	3.1

Performance

	1M	3M	1Y
Absolute %	-6%	-4%	-14%
Relative (FTSE Italia Growth)	-1%	-1%	+6%
52-week High/Low (Eu)	4.82	/	3.30



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KEY FINANCIALS

Euro m	2018A	2019A	2020A	2021A	2022E	2023E	2024E
Assets under Control (AuC)	846	772	924	959	872	972	1.072
Profit & Loss Statement							
Fee income	6,4	6,9	5,5	6,3	6,5	7,5	8,6
Fees expenses	(3,3)	(3,1)	(2,3)	(2,4)	(2,8)	(3,1)	(3,5)
Net fees	3,0	3,9	3,2	3,9	3,7	4,4	5,1
Brokerage margin	3,0	3,8	3,2	3,9	3,7	4,4	5,1
Operating costs	(4,5)	(3,7)	(3,3)	(3,8)	(3,8)	(4,1)	(4,4)
Pre-tax Profit (Loss)	(1,3)	0,1	(0,2)	(0,3)	(0,5)	0,3	0,7
Taxes	0,3	(0,1)	0,0	(0,0)	(0,1)	(0,1)	(0,2)
Net Profit (Loss)	(1,1)	0,0	(0,1)	(0,3)	(0,6)	0,2	0,5
Balance Sheet							
NWC	2,4	1,8	2,6	2,4	2,8	3,1	3,4
Fixed assets	0,2	0,7	0,7	1,2	1,0	1,0	1,0
M/L Funds	0,2	0,1	0,2	0,2	0,2	0,2	0,2
Net Capital Employed	2,4	2,4	3,1	3,4	3,6	3,9	4,2
Net financial Debt (Cash)	(0,4)	(1,0)	(0,2)	0,5	0,0	(0,0)	(0,4)
Total Equity	2,9	3,4	3,3	3,0	2,4	2,6	3,1
Cash Flow							
Net Profit (Loss)	(1,1)	0,0	(0,1)	(0,3)	(0,6)	0,2	0,5
D&A	0,1	0,3	0,3	0,3	0,4	0,0	0,0
Change in M/L Funds	0,0	(0,0)	0,0	0,0	(0,0)	0,0	0,0
Gross Cash Flow	(1,0)	0,3	0,2	0,1	(0,3)	0,3	0,5
Change in NWC	(0,1)	0,7	(0,8)	0,2	(0,4)	(0,3)	(0,3)
Operating Cash Flow	(1,0)	1,0	(0,6)	0,2	(0,6)	(0,0)	0,2
Capex	(0,1)	(0,9)	(0,2)	(0,9)	(0,1)	(0,0)	0,0
Free Cash Flow	(1,1)	0,1	(0,8)	(0,7)	(0,8)	(0,0)	0,2
Dividends	0,0	0,0	0,0	0,0	0,0	1,0	2,0
Change in Equity	0,2	0,5	(0,0)	(0,0)	0,0	0,0	(0,0)
Change in Net financial Debt (Cash)	(1,0)	0,6	(0,8)	(0,7)	(0,8)	1,0	2,2
Per Share Data							
Current Price	€ 4,00						
Total outstanding shares (m)	2,01	2,01	2,01	2,01	2,01	2,01	2,01
EPS	(0,52)	0,01	(0,07)	(0,13)	(0,30)	0,12	0,25
DPS	0,00	0,00	0,00	0,00	0,00	1,00	2,00
FCF	(0,56)	0,04	(0,42)	(0,33)	(0,38)	(0,02)	0,10
Pay-out ratio	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
Ratios							
Fee income/AuM	0,8%	0,9%	0,6%	0,7%	0,7%	0,8%	0,8%
Fees expenses/Fee income	-52,4%	-44,0%	-42,0%	-38,6%	-43,0%	-41,0%	-41,0%
Net fees/AuM	0,4%	0,5%	0,3%	0,4%	0,4%	0,5%	0,5%
Brokerage Margin/Fee Income	47,4%	55,5%	57,5%	60,8%	57,0%	59,0%	59,0%
Cost/Income ratio	-149,3%	-96,5%	-103,6%	-97,5%	-101,3%	-93,0%	-87,0%
EBT/Brokerage margin	-43,2%	2,1%	-5,0%	-6,9%	-13,0%	7,0%	13,0%
Net Debt/Equity (Gearing)	-15,2%	-30,8%	-6,2%	16,2%	1,3%	-1,7%	-14,4%
Total Equity/Total Assets	70,2%	68,4%	63,4%	57,2%	54,2%	54,2%	55,6%
ROE	-36,8%	0,4%	-4,3%	-9,1%	-25,4%	8,9%	16,0%
Free Cash Flow Yield	-13,9%	1,1%	-10,5%	-8,3%	-9,6%	-0,6%	2,5%
Growth Rates							
Assets under Control (AuC)	-21,9%	-8,8%	19,7%	3,8%	-9,1%	11,5%	10,3%
Fee income	-19,9%	8,9%	-20,2%	14,7%	2,5%	15,0%	15,0%
Fees expenses	-14,1%	-8,5%	-24,0%	5,4%	14,3%	9,7%	15,0%
Net fees	-25,4%	28,1%	-17,2%	21,4%	-4,9%	19,0%	15,0%
Brokerage margin	-26,5%	27,5%	-17,3%	21,2%	-3,9%	19,0%	15,0%
Pre-tax Profit (Loss)	-377,6%	106,2%	-297,5%	-65,8%	-81,3%	164,1%	113,6%
Net Profit (Loss)	-233,6%	101,4%	1026,6%	-92,3%	-123,2%	138,5%	113,6%

Breakdown Assets Under Control

Asset Under Control m	1H22	1H21	1H20	FY 2021	FY 2020	FY 2019
Asset management	196	174	172	207	160	186
Advisory	246	347	475	365	389	504
Insurance portfolio	364	358	298	363	356	62
SICAV	28	20	18	24	18	20
Total	835	900	964	954	924	772

PMI Capital Research elaboration on Company data

Breakdown Fee Income

Fee Income	1H22	1H21	1H20	FY21	FY20	FY19
Asset mgmt. recurring	941	841	806	1,756	1,525	1,670
Advisory recurring	456	433	558	929	1,011	1,548
Performance	-	1,036	13	1,992	641	1,152
Advisory generic	227	140	142	471	767	2,076
Insurance	910	634	479	1,194	662	428
Other	12				922	22
Total	2,546	3,083	1,998	6,340	5,529	6,927

PMI Capital Research elaboration on Company data

Key Financials

Income Statement – Euro m	1H22A	1H21A	1H20A	1H19A	FY21A	FY20A	FY19A
AuC	835	900	964	892	959	924	772
Fee income	2.5	3.1	2.0	3.7	6.3	5.5	6.9
<i>Fee income /AuC</i>	<i>0.30%</i>	<i>0.34%</i>	<i>0.21%</i>	<i>0.41%</i>	<i>0.66%</i>	<i>0.60%</i>	<i>0.90%</i>
Fee expenses	1.1	1.1	0.9	1.6	2.4	2.3	3.1
<i>Fee expenses / Fee income</i>	<i>41.9%</i>	<i>37.1%</i>	<i>42.8%</i>	<i>44.3%</i>	<i>38.6%</i>	<i>42.0%</i>	<i>44.0%</i>
Net Fees	1.5	1.9	1.1	2.0	3.9	3.2	3.9
<i>Net Fees/AuC</i>	<i>0.18%</i>	<i>0.22%</i>	<i>0.12%</i>	<i>0.23%</i>	<i>0.41%</i>	<i>0.35%</i>	<i>0.50%</i>
Brokerage margin	1.5	1.9	1.1	2.0	3.9	3.2	3.8
<i>Brokerage mgn. / Fee Inc</i>	<i>57.1%</i>	<i>62.4%</i>	<i>56.4%</i>	<i>55.7%</i>	<i>60.8%</i>	<i>57.5%</i>	<i>55.5%</i>
Operating Costs	1.9	1.9	1.5	1.9	(3.8)	(3.2)	(3.7)
<i>Opex/Income ratio</i>	<i>125.8%</i>	<i>96.7%</i>	<i>132.6%</i>	<i>95.2%</i>	<i>97.6%</i>	<i>103.6%</i>	<i>96.5%</i>
Pre-tax Profit / (Loss)	(0.6)	(0.1)	(0.5)	0.0	(0.3)	(0.2)	0.1
<i>EBT/Brokerage margin</i>	<i>-39.7%</i>	<i>-5.8%</i>	<i>-44.8%</i>	<i>3.1%</i>	<i>-6.9%</i>	<i>-5.0%</i>	<i>2.1%</i>
Net Profit / (Loss)	(0.6)	(0.1)	(0.5)	0.0	(0.3)	(0.1)	0.0
Balance Sheet – Euro m	1H22A	1H21A	1H20A	1H19A	FY21A	FY20A	FY19A
Net Working Capital	2.0	1.9	1.5	1.8	2.4	2.6	1.8
Fixed net assets	1.1	0.6	0.7	0.7	1.2	0.7	0.7
Funds	(0.2)	(0.2)	(0.2)	(0.1)	(0.2)	(0.2)	(0.1)
Net Capital Employed	2.9	2.3	2.0	2.4	3.5	3.1	2.4
Net Debt/(Cash)	0.5	(0.9)	(0.9)	(1.0)	0.5	(0.2)	(1.0)
Total Equity	2.4	3.1	2.9	3.4	3.0	3.3	3.4
Sources	2.9	2.3	2.0	2.4	3.5	3.1	2.4

Source: Company data (IAS/IFRS)

Estimate Review

Income Statement	2021A	2022E	2022E	2023E	2023E	2024E
Euro m		Old	New	Old	New	New
Fee income	6,3	7,7	6,5	8,9	7,5	8,6
	YoY	14,7%	22,0%	2,5%	15,0%	15,0%
Fee expenses	2,4	3,1	2,8	3,6	3,1	3,5
Net Fees	3,9	4,6	3,7	5,3	4,4	5,1
	YoY	21,4%	19,2%	-4,9%	15,0%	19,0%
Brokerage margin	3,9	4,6	3,7	5,3	4,4	5,1
Brokerage margin / Fee income	60,8%	60,0%	57,0%	60,0%	59,0%	59,0%
Operating costs	(3,8)	(3,9)	(3,8)	(4,2)	(4,1)	(4,4)
Cost/Income ratio	-97,5%	-84,0%	-101,3%	-78,0%	-93,0%	-87,0%
Pre-tax Profit / (Loss)	-0,3	0,6	-0,5	1,0	0,3	0,7
EBT/Brokerage margin	-6,9%	11,9%	-13,0%	18,5%	7,0%	13,0%
Net Profit / (Loss)	- 0,3	0,4	- 0,6	0,7	0,2	0,5
EPS (Euro)	0,13	0,21	0,30	0,37	0,12	0,25
Balance Sheet	2021A	2022E	2022E	2023E	2023E	2024E
Euro m		Old	New	Old	New	New
Net Working Capital (NWC)	2,4	3,1	2,8	3,5	3,1	3,4
Fixed net assets	1,2	1,0	1,0	0,7	1,0	1,0
Funds	(0,2)	(0,2)	(0,2)	(0,2)	(0,2)	(0,2)
Net Capital Employed	3,4	3,9	3,6	3,9	3,9	4,2
Net Financial Position (Cash)	0,5	(0,8)	0,0	(1,7)	(0,0)	(0,4)
Total Equity	3,0	3,4	2,4	4,1	2,6	3,1
Sources	3,5	2,6	2,4	2,4	2,6	2,7

Source: Company data (IAS/IFRS) for FY 2021, PMI Capital Research estimates for FY 2022-2024

Valuation

We set a target price of 6.52 Eu per share (7.63 pr.) obtained by weighting equally a Discounted Cash Flow (DCF) model and market multiples and providing for an upside of 81% on current stock price. At our target price the stock would be trading at 2022-2023 Equity Value/AuM multiples of 1.5% and 1.3% respectively, vs. peers' 2.2% and 2.3% and current stock price at 0.8% and 0.7%.

Valuation Summary

Method	Weight	Price (Eu p.s.)	Equity Value (Eu m)
DCF (WACC 7.72% and g 1.0%)	50%	5.76	11.6
Multiple analysis Market Cap/AuM 22/23 (@ 30% discount)	50%	7.27	14.6
Target Price		6.51	13.1

DCF Model

DCF Valuation	
Sum of PV 2022-29 FCFs Eu m	3.3 29%
Discounted terminal value Eu m	8.2 71%
Equity Value Eu m	11.5 100%
N. of outstanding shares (m)	2.006
Equity Value (Eu p.s.)	5.76

Market Multiples

	Country	Market Cap (Euro m)	AuM 22E (Euro m)	Market Cap AuM22E	Market Cap AuM23E
ANIMA Holding SpA	Italy	1.061	189.135	0,5%	0,6%
Azimut Holding SpA	Italy	2.141	64.724	3,3%	3,3%
Banca Generali SpA	Italy	3.209	58.735	5,3%	5,5%
Banca Mediolanum SpA	Italy	4.885	87.544	5,3%	5,6%
Ashmore Group Plc	UK	1.651	63.824	1,7%	2,6%
GAM Holding AG	Switzerland	148	101.376	0,2%	0,1%
Janus Henderson Group PLC	UK	3.535	296.163	0,9%	1,2%
Julius Baer Gruppe AG	Switzerland	9.650	448.927	2,1%	2,1%
Jupiter Fund Management Plc	UK	590	54.328	0,8%	1,1%
Liontrust Asset Management PLC	UK	556	38.862	1,4%	1,4%
Man Group Plc	UK	3.335	146.720	2,5%	2,3%
Schroders Plc	UK	7.348	835.420	0,9%	0,9%
St. James's Place Plc	UK	6.396	173.796	3,5%	3,7%
Average		3.424	196.889	2,2%	2,3%
SCM SIM	Italy	7.2	872	0,8%	0,7%

Source: FactSet data as of October 3rd, 2022 for peers and PMI Capital Research estimates 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 (2016)**. 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**. The company offers highly customised investment solutions with several lines depending on the customer’s risk profile as well as wealth planning and wealth management services.

STRATEGY

The strategy of SCM Sim for 2022-2024, as outlined in the Business Plan, focuses on the following goals:

- Sustainable growth of assets over the three-year period
- Consolidation of the sales network with the entry of new resources
- Current development of the network of insurance advisors with consequent habilitation to the profession of financial advisor
- Segmentation and development of customers in insurance portfolios

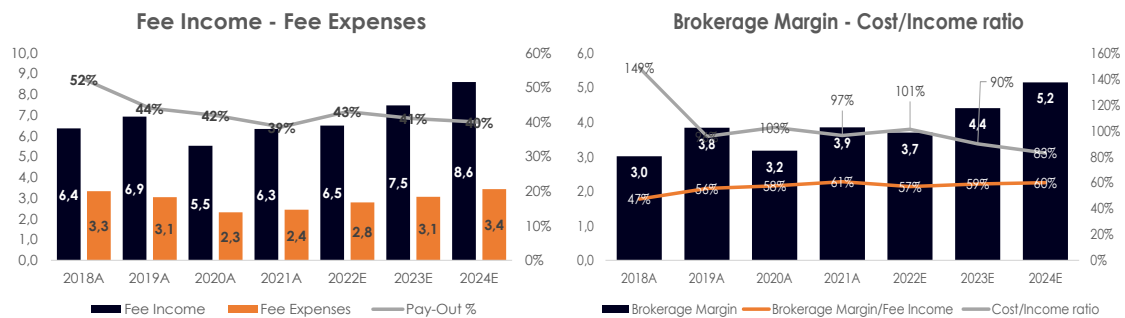
MANAGEMENT

Antonello Sanna – CEO
 Maria Leddi - Chairman
 Roberto Santoro – Board Member
 Francesco Barbato – Board Member
 Antonio Somma – Independent Board Member
 Massimo Nicolazzi – Board Member
 Eugenio Tornaghi – Independent Board Member

KEY SHAREHOLDERS

HPS Holding	81.10%
Market	18.90%

SCM SIM IN CHARTS



MAIN 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.

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 October 3rd, 2022)

Code: SCM

Bloomberg: SCM IM

Reuters: SCM.MI

ISIN: IT0005200248

Shares: 2,006,240

Share capital: Euro 2,006,240

Price: Euro 3.6 p.s.

Performance from IPO: - 66 %

Capitalisation: Euro 7.2 m

Free Float: 18.9 %

NomAd: Integrae SIM

Specialist: Banca Fissant Euramerica SpA

STOCK OPTION PLAN

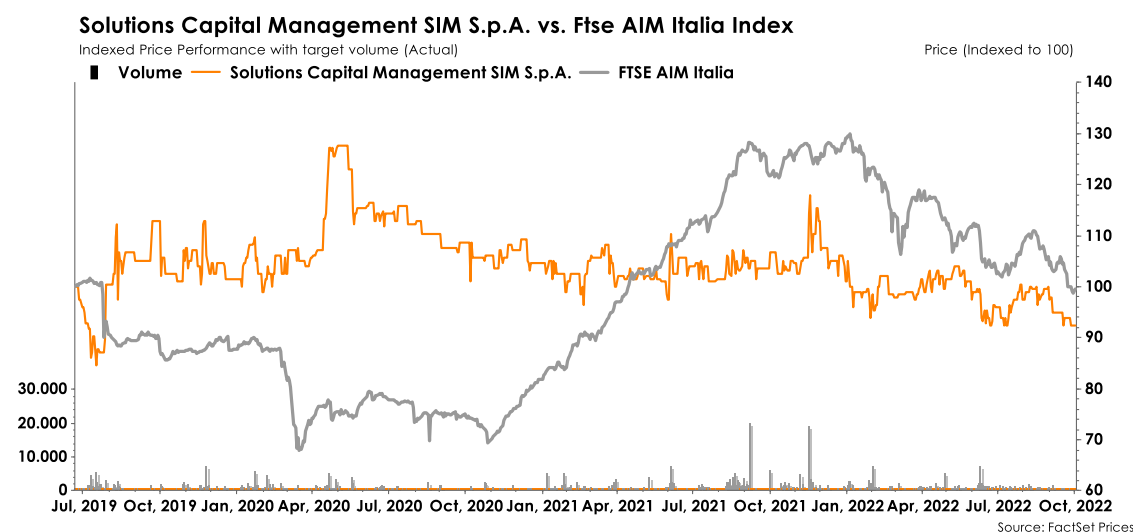
The Shareholders have approved a share capital increase of a maximum of no. 400,000 new ordinary shares for the stock option plan in place. Subject to certain conditions the beneficiaries (employees with strategic roles, members of the Board of Directors and financial advisors) will be able to exercise 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	1.627.040	81,099%
Market	379.200	18,901%
Total	2.006.240	100,000%

Source: Company website and press releases as of October 3, 2022

STOCK PERFORMANCE



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 April 19th 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
October 4 th , 2022	6.52	3.60	12 months
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. 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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