

UPDATE

EQUITY RESEARCH

# SCM SIM

ISIM  
INTEGRÆ

Euronext Growth Milan | Wealth Management | Italy

Production 23/03/2023, h. 6:30 pm

Publication 24/03/2023, h. 07:00 am



Rating

**BUY**

unchanged

Target Price

**€ 5.70**

prev. €6.05

Risk



Medium

Upside potential

**71.8%**

Key Financials (€/mIn)	FY22A	FY23E	FY24E	FY25E
Fees Income	6.2	7.1	8.2	9.5
Brokerage Margin	3.6	4.3	5.2	6.2
EBITDA	-0.4	0.4	1.2	2.0
EBIT	-0.8	0.0	0.8	1.6
Net Income	-0.8	0.1	0.6	1.2
EBITDA margin	N.A.	5.6%	14.0%	20.5%
EBIT margin	N.A.	N.A.	9.1%	16.3%
Net Income margin	N.A.	0.7%	6.7%	12.6%

## Stocks performance relative to FTSE Italia Growth



### Stock Data

Price	€ 3.32
Target price	€ 5.70
Upside/(Downside) potential	71.8%
Ticker	SCM IM
Market Cap (€/million)	€ 6.66
EV (€/million)	€ 6.31
Free Float	18.90%
Share Outstanding	2,006,240
52-week high	€ 4.16
52-week low	€ 3.08
Average daily volumes (3 months)	390

Mattia Petracca | mattia.petracca@integraesim.it

Alessandro Colombo | alessandro.colombo@integraesim.it

Stock performance	1M	3M	6M	1Y
Absolute	1.2%	-7.8%	-9.3%	-12.6%
to FTSE Italia Growth	-2.0%	1.8%	5.1%	-10.5%
to Euronext STAR Milan	-2.3%	6.0%	19.0%	-10.9%
to FTSE All-Share	-2.9%	10.7%	25.3%	7.9%
to EUROSTOXX	-1.2%	10.2%	25.6%	8.7%
to MSCI World Index	-1.9%	3.1%	10.2%	-10.8%

Main Ratios	FY22A	FY23E	FY24E	FY25E
EV/EBITDA	N.A.	15.8 x	5.5 x	3.2 x
EV/EBIT	N.A.	N.A.	8.4 x	4.1 x
P/E	N.A.	133.2 x	12.1 x	5.6 x

## FY22A Results

The Brokerage Margin stands at € 3.63 million, compared to a value of € 3.86 million recorded at the end of 2021 and € 3.50 million estimated in our previous report. EBITDA, equal to € -0.38 million, recorded a decrease compared to the FY21A value, amounting to € 0.09 million, and to our estimates equal to € -0.30 million. Consequently, the EBITDA margin went from 1.5% in FY21A to -6.1% in FY22A. EBIT, after depreciation, amortization and write-downs of € 0.34 million, stands at € -0.84 million (€ -0.31 million in 2021), compared to our estimates of € -0.65 million. Net Income stands at € -0.80 million (€ -0.27 million in 2021), showing a decrease from the € -0.55 million of our previous estimates.

## Estimates Update

In light of the results published in the annual report for FY22A, we have adjusted our estimates for both the current year and the coming years. In particular, we estimate a Brokerage Margin for FY23E equal to € 4.25 million and an EBITDA equal to € 0.40 million, corresponding to a margin of 5.6%. For the following years, we expect the Brokerage Margin to rise to € 6.15 million (CAGR 22Y-25E: 14.1%) in FY25E, with EBITDA equal to € 1.95 million (corresponding to a margin of 20.5%), up from € -0.38 million in FY22A (corresponding to an EBITDA margin of -6.1%).

## Valuation Update

We conducted the valuation of the equity value of SCM based on the DCF method and the complex equity method. The value resulting from the application of the DCF method (which for prudential purposes includes a specific risk of 2.5% in the calculation of the WACC) is equal to € 11.7 million, while that resulting from the complex equity method is equal to € 11.2 million. The result is an average equity value of € 11.4 million. The target price is € 5.70 (prev. €6.05), BUY rating and MEDIUM risk.

# Economics & Financials

TABLE 1 – ECONOMICS & FINANCIALS

INCOME STATEMENT (€/million)	FY21A	FY22A	FY23E	FY24E	FY25E
<b>Interest Margin</b>	<b>(0.04)</b>	<b>(0.05)</b>	<b>0.05</b>	<b>0.05</b>	<b>0.05</b>
Fees Income	6.34	6.23	7.10	8.20	9.50
Fees Expenses	2.45	2.55	2.90	3.10	3.40
<b>Brokerage Margin</b>	<b>3.86</b>	<b>3.63</b>	<b>4.25</b>	<b>5.15</b>	<b>6.15</b>
Employees	1.91	1.81	1.85	1.90	2.00
Other Operating costs	1.85	2.21	2.00	2.10	2.20
<b>EBITDA</b>	<b>0.09</b>	<b>(0.38)</b>	<b>0.40</b>	<b>1.15</b>	<b>1.95</b>
<i>EBITDA Margin</i>	<i>1.5%</i>	<i>-6.1%</i>	<i>5.6%</i>	<i>14.0%</i>	<i>20.5%</i>
Financial assets valued at amortized cost	0.08	0.12	0.10	0.10	0.10
D&A	0.32	0.34	0.30	0.30	0.30
<b>EBIT</b>	<b>(0.31)</b>	<b>(0.84)</b>	<b>0.00</b>	<b>0.75</b>	<b>1.55</b>
<i>EBIT Margin</i>	<i>-4.9%</i>	<i>-13.5%</i>	<i>0.0%</i>	<i>9.1%</i>	<i>16.3%</i>
Financial Management	0.04	0.04	0.05	0.05	0.05
<b>EBT</b>	<b>(0.27)</b>	<b>(0.80)</b>	<b>0.05</b>	<b>0.80</b>	<b>1.60</b>
Taxes	0.00	(0.01)	0.00	0.25	0.40
<b>Net Income</b>	<b>(0.27)</b>	<b>(0.80)</b>	<b>0.05</b>	<b>0.55</b>	<b>1.20</b>
<b>BALANCE SHEET (€/million)</b>	<b>FY21A</b>	<b>FY22A</b>	<b>FY23E</b>	<b>FY24E</b>	<b>FY25E</b>
<b>Fixed Assets</b>	<b>1.24</b>	<b>0.98</b>	<b>0.90</b>	<b>0.70</b>	<b>0.60</b>
Financial assets valued at amortized cost	1.84	2.38	1.70	2.00	2.50
Financial liabilities valued at amortized cost	1.44	1.51	1.65	1.95	2.40
<b>Operating Working Capital</b>	<b>0.41</b>	<b>0.87</b>	<b>0.05</b>	<b>0.05</b>	<b>0.10</b>
Other receivable	1.51	1.51	1.40	1.60	1.80
Other payable	0.59	1.33	0.80	0.80	0.90
<b>Net Working Capital</b>	<b>1.33</b>	<b>1.05</b>	<b>0.65</b>	<b>0.85</b>	<b>1.00</b>
Severance Indemnities & Other Provisions	0.20	0.17	0.20	0.20	0.20
<b>NET INVESTED CAPITAL</b>	<b>2.37</b>	<b>1.86</b>	<b>1.35</b>	<b>1.35</b>	<b>1.40</b>
Share Capital	2.01	2.01	2.21	2.21	2.21
Reserves	1.23	1.00	0.81	0.86	1.41
Net Income	(0.27)	(0.80)	0.05	0.55	1.20
<b>Equity</b>	<b>2.97</b>	<b>2.21</b>	<b>3.06</b>	<b>3.61</b>	<b>4.81</b>
Cash & Cash Equivalent	0.60	0.35	1.71	2.26	3.41
Short Term Debt to Bank	0.00	0.00	0.00	0.00	0.00
M/L Term Debt to Bank	0.00	0.00	0.00	0.00	0.00
<b>Net Financial Position</b>	<b>(0.60)</b>	<b>(0.35)</b>	<b>(1.71)</b>	<b>(2.26)</b>	<b>(3.41)</b>
<b>SOURCES</b>	<b>2.37</b>	<b>1.86</b>	<b>1.35</b>	<b>1.35</b>	<b>1.40</b>

CASH FLOW (€/million)	FY22A	FY23E	FY24E	FY25E
EBIT	(0.84)	0.00	0.75	1.55
Taxes	(0.01)	0.00	0.25	0.40
<b>NOPAT</b>	<b>(0.84)</b>	<b>0.00</b>	<b>0.50</b>	<b>1.15</b>
D&A	0.34	0.30	0.30	0.30
Change in Financial assets	(0.54)	0.68	(0.30)	(0.50)
Change in Financial liabilities	0.08	0.14	0.30	0.45
Change in others	0.74	(0.42)	(0.20)	(0.10)
Change in NWC	0.27	0.40	(0.20)	(0.15)
Change in provisions	(0.03)	0.03	0.00	0.00
<b>OPERATING CASH FLOW</b>	<b>(0.25)</b>	<b>0.73</b>	<b>0.60</b>	<b>1.30</b>
Capex	(0.08)	(0.22)	(0.10)	(0.20)
<b>FREE CASH FLOW</b>	<b>(0.33)</b>	<b>0.51</b>	<b>0.50</b>	<b>1.10</b>
Financial Management	0.04	0.05	0.05	0.05
Change in Debt to Bank	0.00	0.00	0.00	0.00
Change in Equity	0.04	0.80	0.00	0.00
<b>FREE CASH FLOW TO EQUITY</b>	<b>(0.25)</b>	<b>1.36</b>	<b>0.55</b>	<b>1.15</b>

Source: SCM SIM and Integrae SIM estimates

## Company Overview

Solutions Capital Management (SCM) is a company founded in 2009 and operating in the Private Banking and Wealth Management sector according to a Multi-Family Office logic and a business model, unique in Italy, of independence, transparency and attractive pricing. The Company is based in Milan and has offices in Rome, Bergamo, Piacenza, Latina, and Vicenza. SCM provides tailor-made portfolio management and investment advisory services on the entirety of the client's equity and assets, without having custody of the equity. It does not produce or distribute financial products. The Wealth Management division is the flagship service provided by the Company and organized according to the model of a Family Office service company: the main clients are high net worth families, entrepreneurs and institutional entities.

The asset management activity carried out by the Company is guided by the objectives and complexity of the family. The services provided are aimed at providing tools and knowledge to allow the investor to make the best use of their resources. Financial aspects are only the final part of the process, which starts from the definition of the path to be constructed to arrive at a well-defined goal.

## FY22A Results

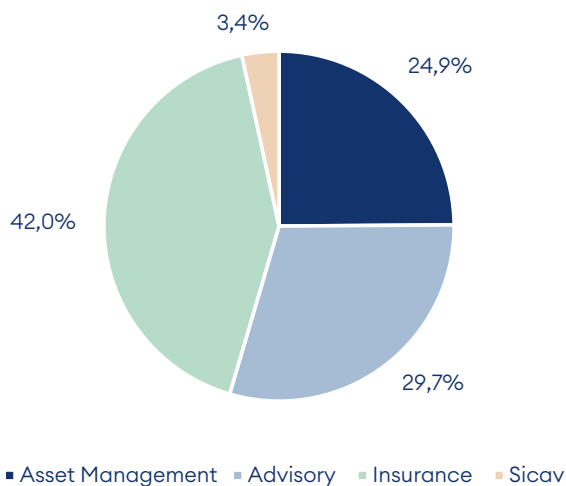
TABLE 2 – ACTUAL VS ESTIMATES FY22A

€/million	Brokerage Margin	EBITDA	EBITDA %	EBIT	Net Income	NFP
FY22A	3.63	(0.38)	-6.1%	(0.84)	(0.80)	(0.35)
FY22E	3.50	(0.30)	-4.9%	(0.65)	(0.55)	(0.92)
<i>Change</i>	3.7%	N.A.	-1.3%	N.A.	N.A.	N.A.

Source: Integrae SIM

The Brokerage Margin stands at € 3.63 million, compared to a value of € 3.86 million recorded at the end of 2021 and € 3.50 million estimated in our previous report. The contraction in the margin was mainly caused by the performance of the financial markets and by the lack of contribution from performance fees, which, in FY21A, amounted to approximately € 2.00 million.

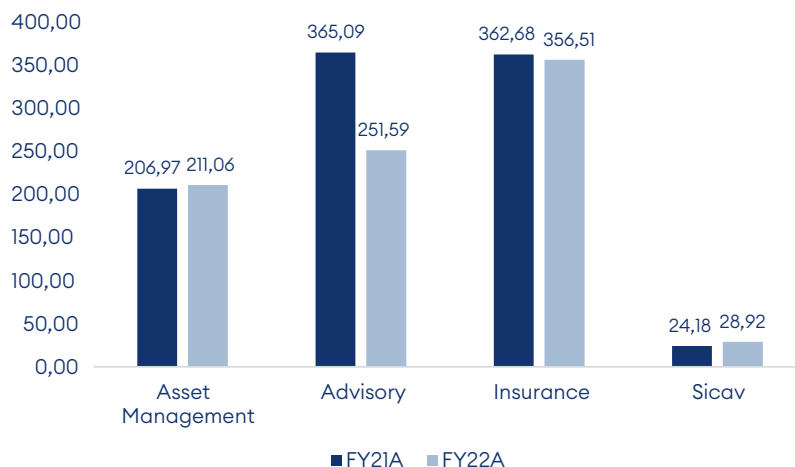
CHART 1 – BREAKDOWN OF ASSETS UNDER CONTROL



Source: SCM SIM

In FY22A, the Company's Assets Under Control amounted to € 848.07 million, compared to € 958.92 million in the previous year, made up by 24.9% assets under management (€ 211.06 million), 29.7% by assets under consultancy (€ 251.59 million), 42.0% by assets in policies (€ 356.51 million), and the remaining 3.4% by assets managed via SICAVs, equal to € 0.03 million.

CHART 2 – BREAKDOWN OF ASSETS UNDER CONTROL FY22A VS FY21A



Source: SCM SIM

EBITDA, equal to € -0.38 million, recorded a decrease compared to the FY21A value, amounting to € 0.09 million, and to our estimates equal to € -0.30 million, essentially attributable to the reduction in the Brokerage Margin, as well as to the increase in administrative expenses deriving from the restart of activities previously suspended by the pandemic emergency, to the costs incurred for the development of the management platform and to the fees due for consultancy, reports and company events. Consequently, the EBITDA *margin* went from 1.5% in FY21A to -6.1% in FY22A.

EBIT, after depreciation, amortization and write-downs of € 0.34 million, stands at € -0.84 million (€ -0.31 million in 2021), compared to our estimates of € -0.65 million. EBIT *Margin* was -13.5%, compared to a FY21A figure of -4.9% and to our estimates of -10.6%.

Net Income stands at € -0.80 million (€ -0.27 million in 2021), showing a decrease compared to the € -0.55 million of our previous estimates.

## FY23E – FY25E Estimates

TABLE 3 – ESTIMATES UPDATES FY23E-25E

€/million	FY23E	FY24E	FY25E
<b>Brokerage Margin</b>			
New	4.3	5.2	6.2
Old	4.0	4.9	5.6
<i>Change</i>	6.3%	6.2%	10.8%
<b>EBITDA</b>			
New	0.4	1.2	2.0
Old	0.2	0.9	1.4
<i>Change</i>	100.0%	35.3%	44.4%
<b>EBITDA %</b>			
New	5.6%	14.0%	20.5%
Old	2.9%	10.9%	15.3%
<i>Change</i>	2.7%	3.1%	5.2%
<b>EBIT</b>			
New	0.0	0.8	1.6
Old	(0.1)	0.6	1.1
<i>Change</i>	N.A.	25.0%	40.9%
<b>Net Income</b>			
New	0.1	0.6	1.2
Old	0.0	0.5	1.0
<i>Change</i>	0.0%	10.0%	26.3%
<b>NFP</b>			
New	(1.7)	(2.3)	(3.4)
Old	(1.2)	(1.7)	(2.6)
<i>Change</i>	N.A.	N.A.	N.A.

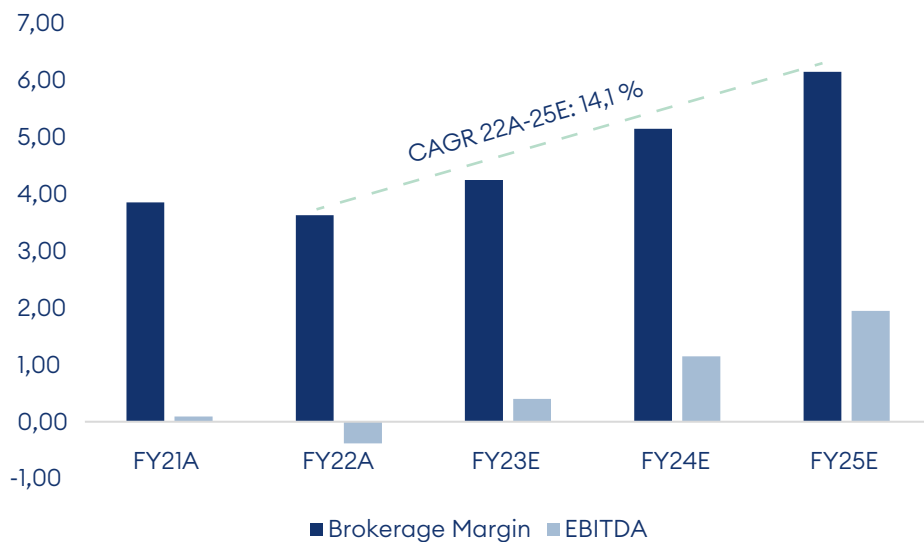
Source: Integrae SIM

In light of the results published in the annual report for FY22A, we have adjusted our estimates for both the current year and the coming years.

In particular, we estimate a Brokerage Margin for FY23E equal to € 4.25 million and an EBITDA equal to € 0.40 million, corresponding to a margin of 5.6%. For the following years, we expect the Brokerage Margin to rise to € 6.15 million (CAGR 22Y-25E: 14.1%) in FY25E, with EBITDA equal to € 1.95 million (corresponding to a margin of 20.5%), up from € -0.38 million in FY22A (corresponding to an EBITDA margin of -6.1%).

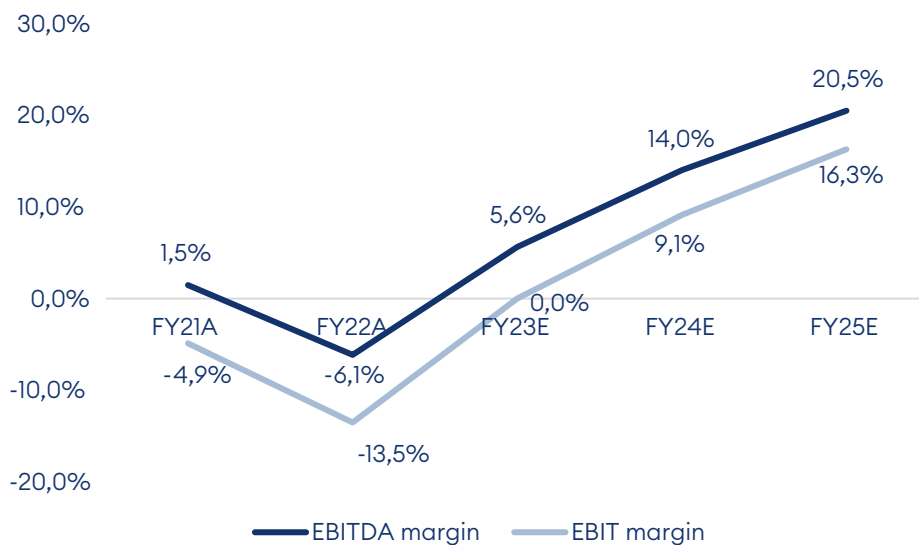
At the balance sheet level, however, we estimate a cash positive NFP for FY25E of € 3.41 million.

CHART 3 - BROKERAGE MARGIN AND EBITDA FY21A-25E



Source: Integrae SIM

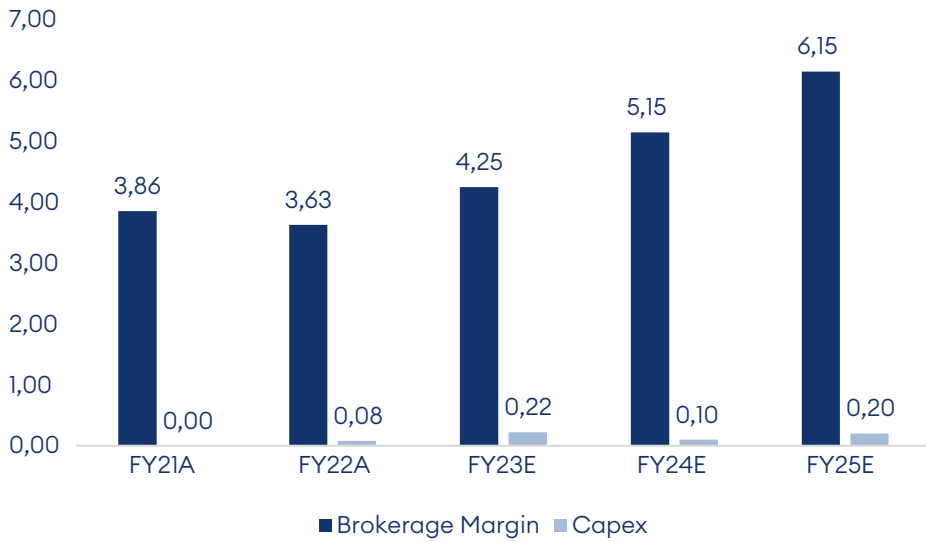
CHART 4 - MARGIN FY21A-25E



Source: Integrae SIM

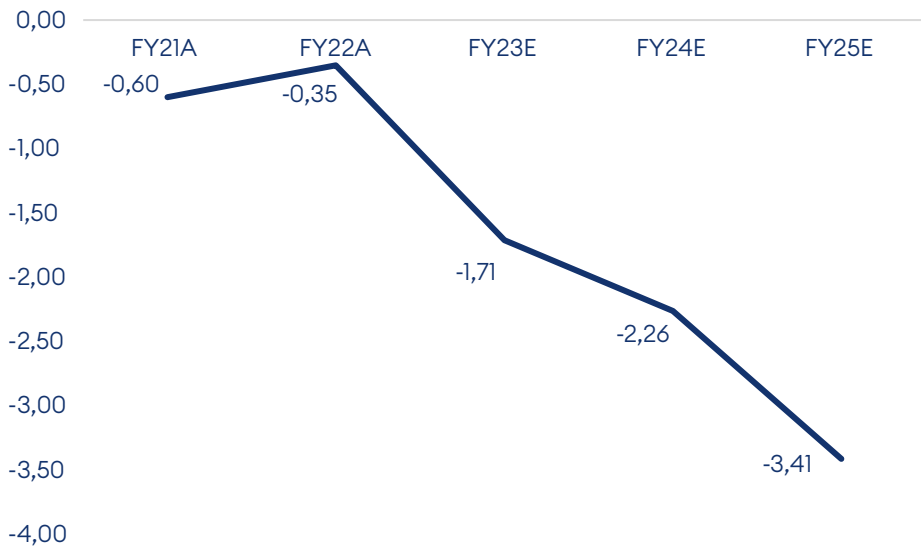


CHART 5 - CAPEX FY21A-25E



Source: Integrae SIM

CHART 6 - NFP FY21A-25E



Source: Integrae SIM

# Valuation

We conducted the valuation of the *equity value* of SCM SIM based on the DCF method and the complex equity method.

## DCF Method

TABLE 4 – WACC

WACC			10,88%
D/E 0.00%	Risk Free Rate 3.51%	$\beta$ Adjusted 0.50	$\alpha$ (specific risk) 2.50%
$K_d$ 1.00%	Market Premium 9.73%	$\beta$ Relevered 0.50	$K_e$ 10.88%

Source: Integrae SIM

For prudential purposes, we included a specific risk of 2.5%. The result is therefore a WACC of 10.88%.

TABLE 5 – DCF VALUATION

DCF		% of EV
FCFO actualized	2.6	23%
TV actualized DCF	8.7	77%
<b>Enterprise Value</b>	<b>11.4</b>	<b>100%</b>
NFP (FY22A)	(0.4)	
<b>Equity Value</b>	<b>11.7</b>	

Source: Integrae SIM

With the above data and taking our estimates and *assumptions* as a reference, the result is an **equity value of € 11.7 million**.

TABLE 6 – EQUITY VALUE – SENSITIVITY ANALYSIS

€/million		WACC						
		9.4%	9.9%	10.4%	10.9%	11.4%	11.9%	12.4%
Growth Rate (g)	2.5%	16.3	15.1	14.1	13.3	12.5	11.8	11.2
	2.0%	15.4	14.4	13.5	12.7	12.0	11.4	10.8
	1.5%	14.6	13.7	12.9	12.2	11.5	11.0	10.4
	1.0%	13.9	13.1	12.4	11.7	11.1	10.6	10.1
	0.5%	13.3	12.5	11.9	11.3	10.7	10.3	9.8
	0.0%	12.7	12.1	11.5	10.9	10.4	9.9	9.5
	-0.5%	12.2	11.6	11.1	10.6	10.1	9.7	9.3

Source: Integrae SIM

## Complex Equity Method

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

TABLE 7 – COMPLEX EQUITY METHOD

Equity Value	€/million
Shareholder's Equity	2.2
Fee Value	3.9
Employees	3.6
Authorizations	1.5
<b>Total</b>	<b>11.2</b>

*Source: Infinancials*

The equity value of SCM, using the complex equity method, is equal to € 11.2 million.

# Equity Value

TABLE 9 – EQUITY VALUE

Average Equity Value (€/million)	11.4
Equity Value DCF (€/million)	11.7
Equity Value Equity Method (€/million)	11.2
<b>Target Price (€)</b>	<b>5.70</b>

Source: Integrae SIM

The result is an average *equity value* of approximately € 11.4 million. **The target price is therefore € 5.70 (prev. € 6.05). We confirm the BUY rating and MEDIUM risk.**

TABLE 10 – TARGET PRICE IMPLIED VALUATION MULTIPLES

Multiples	FY22A	FY23E	FY24E	FY25E
EV/EBITDA	N.A.	27.7x	9.6x	5.7x
EV/EBIT	N.A.	N.A.	14.8x	7.2x
P/E	N.A.	228.8x	20.8x	9.5x

Source: Integrae SIM

TABLE 11 – CURRENT PRICE IMPLIED VALUATION MULTIPLES

Main Ratios	FY22A	FY23E	FY24E	FY25E
EV/EBITDA	N.A.	15.8 x	5.5 x	3.2 x
EV/EBIT	N.A.	N.A.	8.4 x	4.1 x
P/E	N.A.	133.2 x	12.1 x	5.6 x

Source: Integrae SIM

# Disclosure Pursuant to Delegated Regulation UE n. 2016/958

## Analyst/s certification

The analyst(s) which has/have produced the following analyses hereby certifies/certify that the opinions expressed herein reflect their own opinions, and that no direct and/or indirect remuneration has been, nor shall be received by the analyst(s) as a result of the above opinions or shall be correlated to the success of investment banking operations. Neither the analysts nor any of their relatives hold administration, management or advising roles for the Issuer. Mattia Petracca is Integrae SIM's current Head of Research. Giuseppe Rivello, Alessandro Colombo, Edoardo Luigi Pezzella and Alessandro Elia Stringa are the current financial analysts.

## Disclaimer

This publication was produced by INTEGRAE SIM SpA. INTEGRAE SIM SpA is licensed to provide investment services pursuant to Italian Legislative Decree n. 58/1998, released by Consob, with Resolution n. 17725 of March 29th 2011.

INTEGRAE SIM SpA performs the role of corporate broker for the financial instruments issued by the company covered in this report.

INTEGRAE SIM SpA is distributing this report in Italian and in English, starting from the date indicated on the document, to approximately 300 qualified institutional investors by post and/or via electronic media, and to non-qualified investors through the Borsa Italiana website and through the leading press agencies.

Unless otherwise indicated, the prices of the financial instruments shown in this report are the prices referring to the day prior to publication of the report. INTEGRAE SIM SpA will continue to cover this share on a continuing basis, according to a schedule which depends on the circumstances considered important (corporate events, changes in recommendations, etc.), or useful to its role as specialist.

The table below, shows INTEGRAE SIM's recommendation, target price and risk issued during the last 12 months:

Date	Price	Recommendation	Target Price	Risk	Comment
13/04/2022	3.86	Buy	8.74	Medium	Update
20/04/2022	4.00	Buy	8.74	Medium	Breaking News
05/10/2022	3.60	Buy	6.05	Medium	Update

The list of all recommendations on any financial instrument or issuer produced by Integrae SIM Research Department and distributed during the preceding 12-month period is available on the Integrae SIM website.

The information and opinions contained herein are based on sources considered reliable. INTEGRAE SIM SpA also declares that it takes all reasonable steps to ensure the correctness of the sources considered reliable; however, INTEGRAE SIM SpA shall not be directly and/or indirectly held liable for the correctness or completeness of said sources.

The most commonly used sources are the periodic publications of the company (financial statements and consolidated financial statements, interim and quarterly reports, press releases and periodic presentations). INTEGRAE SIM SpA also makes use of instruments provided by several service companies (Bloomberg, Reuters, JCF), daily newspapers and press in general, both national and international. INTEGRAE SIM SpA generally submits a draft of the analysis to the Investor Relator Department of the company being analyzed, exclusively for the purpose of verifying the correctness of the information contained therein, not the correctness of the assessment. INTEGRAE SIM SpA has adopted internal procedures able to assure the independence of its financial analysts and that establish appropriate rules of conduct for them. Integrae SIM S.p.A. has formalised a set of principles and procedures for dealing with conflicts of interest. The Conflicts Management Policy is clearly explained in the relevant section of Integrae SIM's web site ([www.integraesim.it](http://www.integraesim.it)). This document is provided for information purposes only. Therefore, it does not constitute a contractual proposal, offer and/or solicitation to purchase and/or sell financial instruments or, in general, solicitation of investment, nor does it constitute advice regarding financial instruments. INTEGRAE SIM SpA does not provide any guarantee that any of the forecasts and/or estimates contained herein will be reached. The information and/or opinions contained herein may change without any consequent obligation of INTEGRAE SIM SpA to communicate such changes. Therefore, neither INTEGRAE

SIM SpA, nor its directors, employees or contractors, may be held liable (due to negligence or other causes) for damages deriving from the use of this document or the contents thereof. Thus, Integrae SIM does not guarantee any specific result as regards the information contained in the present publication, and accepts no responsibility or liability for the outcome of the transactions recommended therein or for the results produced by such transactions. Each and every investment/divestiture decision is the sole responsibility of the party receiving the advice and recommendations, who is free to decide whether or not to implement them. Therefore, Integrae SIM and/or the author of the present publication cannot in any way be held liable for any losses, damage or lower earnings that the party using the publication might suffer following execution of transactions on the basis of the information and/or recommendations contained therein.

This document is intended for distribution only to professional clients and qualified counterparties as defined in Consob Regulation no. 20307/2018, as subsequently amended and supplemented, either as a printed document and/or in electronic form.

### Rating system (long term horizon: 12 months)

The BUY, HOLD and SELL ratings are based on the expected total return (ETR – absolute performance in the 12 months following the publication of the analysis, including the ordinary dividend paid by the company), and the risk associated to the share analyzed. The degree of risk is based on the liquidity and volatility of the share, and on the rating provided by the analyst and contained in the report. Due to daily fluctuations in share prices, the expected total return may temporarily fall outside the proposed range

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

### Valuation methodologies (long term horizon: 12 months)

The methods that INTEGRAE SIM SpA prefers to use for value the company under analysis are those which are generally used, such as the market multiples method which compares average multiples (P/E, EV/EBITDA, and other) of similar shares and/or sectors, and the traditional financial methods (RIM, DCF, DDM, EVA etc). For financial securities (banks and insurance companies) Integrae SIM SpA tends to use methods based on comparison of the ROE and the cost of capital (embedded value for insurance companies).

The estimates and opinions expressed in the publication may be subject to change without notice. Any copying and/or redistribution, in full or in part, directly or indirectly, of this document are prohibited, unless expressly authorized.

### Conflict of interest

In order to disclose its possible interest conflict Integrae SIM states that:

- It operates or has operated in the past 12 months as the entity responsible for carrying out the activities of Euronext Growth Advisor of the SCM SIM SpA;
- It carries out media marketing activities on behalf of SCM SIM SpA;
- In the IPO phase, Integrae SIM played the role of global coordinator.