



Healthy growth in core business (+43%) not sufficient to offset lack of Performance fees. Fee income in line with FY21

Sector: Finance

FY22 results largely in line with expectations. In line with the first half of the year, H222 was heavily influenced by the macroeconomic situation with inflation and restrictive monetary policies by central banks penalizing equity and bond markets. In this challenging context the Company recorded fee income of Euro 6.2 m, -2% YoY and -4% vs. our estimates, driven by strong performance of from core business (+43% on an aggregate basis) almost entirely offsetting the lack of performance fees which in FY21 amounted to Euro 2.0 m. Particular good performance of the advisory and insurance lines growing by +64% and 70% respectively. Brokerage Margin came in at Euro 3.6 m, vs. Euro 3.9 m in FY21 and Euro 3.7 as of our estimates. Brokerage Margin on Fee income stood at 58%, down vs. FY21 (61%) as the latter benefitted from a favorable sales mix with higher weight of performance fees. The result was however above our expectations (57%) and FY20 (56%) which presented similar sales mix thanks mainly to the implementation of a new pay-out policy. On the cost side we saw an increase in Opex by 7% to Euro 4.0 m (Euro 3.8 m in FY21). This was the net result of a decrease in personnel cost (-6%) due to internal reshuffling and increased efficiency of commercial network and an increase (+19%) of G&As as the business went back to normal after the Covid years, and some costs related to the upgrade of IT infrastructure. Net result was negative of Euro 0.8 m (Euro 0.3 m in FY21). On the balance sheet we note a reduction of working capital which at the end of FY22 stood at Euro 1.9 m (Euro 2.4 in FY21) which was mainly related to the increase in payables to the commercial network partially offset by an increase in client's receivables (+36%) reflecting the billing of some "one shot advisory" services in the last quarter. Net Equity at the end of FY22 was of Euro 2.2m, down vs. FY21 after the net loss. Assets under control stood at Euro 848 m, down vs. Euro 959 at year-end 2021 mainly following the devaluation of assets and the closing of some inactive Mifid consultancy contracts, net of which net collection was of Euro +5m. The total number of consultants reported was 35 (41 at the end 2021).

New strategic plan focusing on growth and sustainability. Management did not provide guidance for FY23 but stressed that, even though the first months of FY23 have seen some recovery in financial markets, the continuous uncertain geopolitical situation makes it very difficult to make forecasts. However, despite the challenging environment Management confirmed its commitment to a strategy based on sustainability and growth and approved a new 2023-2025 industrial plan which outlines six strategic areas on which Management intends to focus: i) strengthening of the commercial network with the entry of new resources, ii) develop partnerships with insurance broker, iii) development of the corporate finance division, iv) sustainable growth of AuC, v) increase customer base, and vi) expand commercial offer. Regarding sustainability initiatives, we highlight the integration of sustainability criteria in investment processes, launch of green insurance and investment lines and the creation of a proprietary sustainable performance index.

Estimates slightly revised, new target price at Euro 6.42 p.s., potential upside of 93%. Given the above and considering the commercial initiatives with new partners concluded in FY22 (Value-Holdings Capital Partners, PreviOn, Alkeon Capital Management, Banca UBAE) we confirm our positive stance on the stock in the mid-term and only slightly revised our previous estimates. Whereas we maintain FY23 revenue expectations (Euro 7.4 m) we slightly increased expectations for FY24 (now Euro 8.9 m vs. Euro 8.6 m previously) whereas as we left our other assumptions largely unchanged, making only minor adjustments to reflect FY22 results. We updated our DCF and multiple based target price to Euro 6.42 p.s., (Euro 6.52 p.s.) providing for an upside of 93%. At our target price the stock would be trading at 2023-2024 Equity Value/AuM multiples of 1.5% and 1.5% respectively, vs. peers' average 2.7% and 2.5% and current stock price at 0.9% and 0.8%.

Target Price 6.42 (6.52 pr.)

Market Cap (€ m) **6.7**

EV (€ m) **7.2**

Market Price (€) **3.32**

As of March 24th, 2023

Share Data

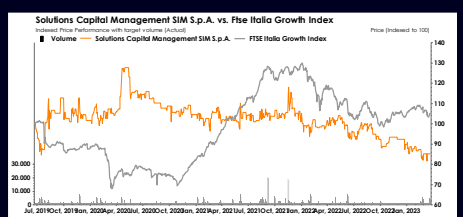
Market	Euronext Growth Milan
Reuters/Bloomberg	SCM IM/SCM.MI
ISIN	IT0005200248
N. of Shares	2,006,240
Free Float	18.90%
CEO	Antonello Sanna

Financials

	21A	22A	23E	24E
Fee Income	6.3	6.2	7.4	8.9
YoY %	+15%	-2%	+19%	+20%
Net Fees	3.9	3.7	4.3	5.2
Brokerage M.	3.9	3.6	4.3	5.2
Brok. Mgn/Fee Income %	61%	58%	58%	58%
Cost/Income ratio %	98%	111%	92%	82%
Net Result	(0.3)	(0.8)	0.1	0.5
Equity	3.0	2.2	2.3	2.8

Performance

	1M	3M	1Y
Absolute %	1,2	-7,8	-12,6
Relative (FTSE Italia Growth)	3,8	-8,9	-2,4
52-week High/Low (Eu)	4,38	/	2,98



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KEY FINANCIALS

Euro m	2018A	2019A	2020A	2021A	2022E	2023E	2024E
Assets under Control (AuC)	846	772	924	959	849	869	919
Profit & Loss Statement							
Fee income	6,4	6,9	5,5	6,3	6,2	7,4	8,9
Fees expenses	(3,3)	(3,1)	(2,3)	(2,4)	(2,6)	(3,1)	(3,7)
Net fees	3,0	3,9	3,2	3,9	3,7	4,3	5,2
Brokerage margin	3,0	3,8	3,2	3,9	3,6	4,3	5,2
Operating costs	(4,5)	(3,7)	(3,3)	(3,8)	(4,0)	(4,0)	(4,2)
Pre-tax Profit (Loss)	(1,3)	0,1	(0,2)	(0,3)	(0,8)	0,1	0,5
Taxes	0,3	(0,1)	0,0	(0,0)	0,0	(0,0)	(0,1)
Net Profit (Loss)	(1,1)	0,0	(0,1)	(0,3)	(0,8)	0,1	0,4
Balance Sheet							
NWC	2,4	1,8	2,6	2,4	1,9	2,2	2,4
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	2,7	3,1	3,3
Net financial Debt (Cash)	(0,4)	(1,0)	(0,2)	0,5	0,5	0,8	0,5
Total Equity	2,9	3,4	3,3	3,0	2,2	2,3	2,8
Cash Flow							
Net Profit (Loss)	(1,1)	0,0	(0,1)	(0,3)	(0,8)	0,1	0,4
D&A	0,1	0,3	0,3	0,3	0,3	0,2	0,3
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	(0,5)	0,3	0,8
Change in NWC	(0,1)	0,7	(0,8)	0,2	0,5	(0,3)	(0,2)
Operating Cash Flow	(1,0)	1,0	(0,6)	0,2	(0,0)	0,0	0,6
Capex	(0,1)	(0,9)	(0,2)	(0,9)	(0,1)	(0,3)	(0,3)
Free Cash Flow	(1,1)	0,1	(0,8)	(0,7)	(0,1)	(0,2)	0,3
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)	(0,1)	0,8	2,3
Per Share Data							
Current Price	€ 3,32						
Total outstanding shares (m)	2,01						
EPS	(0,52)	0,01	(0,07)	(0,13)	(0,40)	0,06	0,22
DPS	0,00	0,00	0,00	0,00	0,00	0,00	0,00
FCF	(0,56)	0,04	(0,42)	(0,33)	(0,04)	(0,12)	0,14
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%	0,9%	1,0%
Fees expenses/Fee income	-52,4%	-44,0%	-42,0%	-38,6%	-41,0%	-42,0%	-42,0%
Net fees/AuM	0,4%	0,5%	0,3%	0,4%	0,4%	0,5%	0,6%
Brokerage Margin/FI	47,4%	55,5%	57,5%	60,8%	58,3%	58,0%	58,0%
Cost/Income ratio	-149,3%	-96,5%	-103,6%	-97,5%	-110,5%	-92,0%	-82,0%
EBT/Brokerage margin	-43,2%	2,1%	-5,0%	-6,9%	-22,1%	3,3%	10,2%
Net Debt/Equity (Gearing)	-15,2%	-30,8%	-6,2%	16,2%	23,9%	32,9%	17,6%
Total Equity/Total Assets	70,2%	68,4%	63,4%	57,2%	42,6%	48,9%	51,9%
ROE	-36,8%	0,4%	-4,3%	-9,1%	-35,9%	5,2%	16,1%
Free Cash Flow Yield	-16,8%	1,3%	-12,7%	-10,0%	-1,3%	-3,6%	4,2%
Growth Rates							
Assets under Control (AuC)	-21,9%	-8,8%	19,7%	3,8%	-11,5%	2,4%	5,8%
Fee income	-19,9%	8,9%	-20,2%	14,7%	-1,8%	19,0%	20,0%
Fees expenses	-14,1%	-8,5%	-24,0%	5,4%	4,3%	22,0%	20,0%
Net fees	-25,4%	28,1%	-17,2%	21,4%	-5,6%	16,9%	20,0%
Brokerage margin	-26,5%	27,5%	-17,3%	21,2%	-5,9%	18,5%	20,0%
Pre-tax Profit (Loss)	-377,6%	106,2%	-297,5%	-65,8%	-201,9%	117,9%	267,3%
Net Profit (Loss)	-233,6%	101,4%	-1027%	-92,3%	-194,8%	115,4%	267,3%

Breakdown Assets Under Control

Asset Under Control	FY 19	FY 20	FY21	FY22
Asset management	186	160	207	211
Advisory	504	389	365	252
Insurance portfolio	62	356	363	357
SICAV	20	18	24	29
Total	772	924	959	848
YoY	-9%	+20%	+4%	-12%

PMI Capital Research elaboration on Company data

Breakdown Fee Income

Fee Income	FY19	FY20	FY21	FY22	Var 22/21
Asset management recurring	1,670	1,525	1,756	1,879	+7%
Advisory	3,624	1,778	1,400	2,380	+70%
Performance	1,152	641	1,992	12	n.m.
Insurance	450	1,584	1,194	1,953	+64%
Total	6,927	5,529	6,340	6,228	-2%

PMI Capital Research elaboration on Company data

Key Financials

Income Statement – Euro m	FY22A	FY21A	FY20A	FY19A
AuC	848	959	924	772
Fee income	6.2	6.3	5.5	6.9
Fee income /AuC	0.71%	0.66%	0.60%	0.90%
Fee expenses	2.6	2.4	2.3	3.1
Fee expenses / Fee income	41.0%	38.6%	42.0%	44.0%
Net Fees	3.7	3.9	3.2	3.9
Net Fees/AuC	0.42%	0.41%	0.35%	0.50%
Brokerage margin	3.6	3.9	3.2	3.8
Brokerage mgn. / Fee Inc	58.3%	60.8%	57.5%	55.5%
Operating Costs	(4.0)	(3.8)	(3.2)	(3.7)
Opex/Income ratio	110.5%	97.6%	103.6%	96.5%
Pre-tax Profit / (Loss)	(0.8)	(0.3)	(0.2)	0.1
EBT/Brokerage margin	-22.1%	-6.9%	-5.0%	2.1%
Net Profit / (Loss)	(0.8)	(0.3)	(0.1)	0.0
EBITDA	(0.4)	0.1	(0.1)	(0.1)
Balance Sheet – Euro m	FY22A	FY21A	FY20A	FY19A
Net Working Capital	1.9	2.4	2.6	1.8
Fixed net assets	1.0	1.2	0.7	0.7
Funds	(0.2)	(0.2)	(0.2)	(0.1)
Net Capital Employed	2.7	3.5	3.1	2.4
Net Debt/(Cash)	0.5	0.5	(0.2)	(1.0)
Total Equity	2.2	3.0	3.3	3.4
Sources	2.7	3.5	3.1	2.4

Source: Company data (IAS/IFRS)

Estimate Review

Income Statement	2021A	2022E	2022A	2023E	2023E	2024A	2024E
Euro m		Old	New	Old	New	Old	New
Fee income	6,3	6,5	6,2	7,5	7,4	8,6	8,9
YoY	14,7%	2,5%	-1,8%	15,0%	19,0%	15,0%	20,0%
Fee expenses	2,4	2,8	2,6	3,1	3,1	3,5	3,7
Net Fees	3,9	3,7	3,7	4,4	4,3	5,1	5,2
YoY	21,4%	-4,9%	-5,6%	19,0%	16,9%	15,0%	20,0%
Brokerage margin	3,9	3,7	3,6	4,4	4,3	5,1	5,2
Brokerage margin / Fee income	60,8%	57,0%	58,3%	59,0%	58,0%	59,0%	58,0%
Operating costs	(3,8)	(3,8)	(4,0)	(4,1)	(4,0)	(4,4)	(4,2)
Cost/Income ratio	-97,5%	-101,3%	-110,5%	-93,0%	-92,0%	-87,0%	-82,0%
Pre-tax Profit / (Loss)	(0,3)	(0,5)	(0,8)	0,3	0,1	0,7	0,5
EBT/Brokerage margin	-6,9%	-13,0%	-22,1%	7,0%	3,3%	13,0%	10,2%
Net Profit / (Loss)	(0,3)	(0,6)	(0,8)	0,2	0,1	0,5	0,4
EPS (Euro)	0,13	0,30	0,40	0,12	0,06	0,25	0,22

Balance Sheet	2021E	2022E	2022E	2023E	2023E	2024E	2024E
Euro m	Act.	Old	New	Old	New	Old	New
Net Working Capital (NWC)	2,4	2,3	1,9	2,6	2,2	3,1	2,4
Fixed net assets	1,2	1,0	1,0	1,1	1,0	1,0	1,0
Funds	(0,2)	(0,2)	(0,2)	(0,2)	(0,2)	(0,3)	(0,2)
Net Capital Employed	3,4	3,1	2,7	3,4	3,1	3,9	3,3
Net Financial Position (Cash)	0,5	0,7	0,5	0,7	0,8	(0,7)	0,5
Total Equity	3,0	2,4	2,2	2,7	2,3	4,6	2,8
Sources	3,5	3,1	2,7	2,6	3,1	3,9	3,3

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

Valuation

We set a target price of 6.42 Eu per share (Euro 6.52 pr.) obtained by weighting equally a Discounted Cash Flow (DCF) model and market multiples and providing for an upside of 93% on current stock price. At our target price the stock would be trading at 2022-2023 Equity Value/AuM multiples of 1.5% and 1.5% respectively, vs. peers' 2.7% and 2.5% and current stock price at 0.9% and 0.8%.

Valuation Summary

Method	Weight	Price (Eu p.s.)	Equity Value (Eu m)
DCF (Ke 8.42% and g 1.0%)	50%	5.32	10.7
Multiple analysis Market Cap/AuM 23/24 (@ 30% discount)	50%	7.51	15.1
Target Price	100%	6.42	12.9

DCF Model

DCF Valuation	
Sum of PV 2023-29 FCFs Eu m	3.4 32%
Discounted terminal value Eu m	7.3 78%
Equity Value Eu m	10.7 100%
N. of outstanding shares (m)	2.006
Equity Value (Eu p.s.)	5.32

Market Multiples

	Country	Market Cap (Euro m)	AuM 22E (Euro m)	Market Cap AuM23E	Market Cap AuM23E
ANIMA Holding SpA	Italy	1.269	189.452	0,7%	0,7%
Azimut Holding SpA	Italy	2.738	75.741	3,9%	3,6%
Banca Generali SpA	Italy	3.355	65.034	5,5%	5,2%
Banca Mediolanum SpA	Italy	5.990	105.054	6,4%	5,7%
Ashmore Group Plc	UK	1.903	56.892	3,5%	3,3%
GAM Holding AG	Switzerland	81	76.725	0,1%	0,1%
Janus Henderson Group PLC	UK	3.936	287.937	1,4%	1,4%
Julius Baer Gruppe AG	Switzerland	13.374	475.241	3,0%	2,8%
Jupiter Fund Management Plc	UK	815	63.029	1,4%	1,3%
Liontrust Asset Management PLC	UK	770	45.724	1,9%	1,7%
Man Group Plc	UK	3.291	157.987	2,3%	2,1%
Schroders Plc	UK	8.002	873.980	1,0%	0,9%
St. James's Place Plc	UK	7.256	210.952	3,8%	3,4%
Average		4.060	206.442	2,7%	2,5%
SCM SIM	Italy	7.6	849	0,9%	0,8%

Source: FactSet data as of March 24th, 2023 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 2023-2025, as outlined in the Business Plan, focuses on the following goals:

- strengthening of the commercial network with the entry of new resources,
- develop partnerships with insurance brokers
- development of the corporate division
- sustainable growth of AuC
- increase customer base
- expand commercial offer

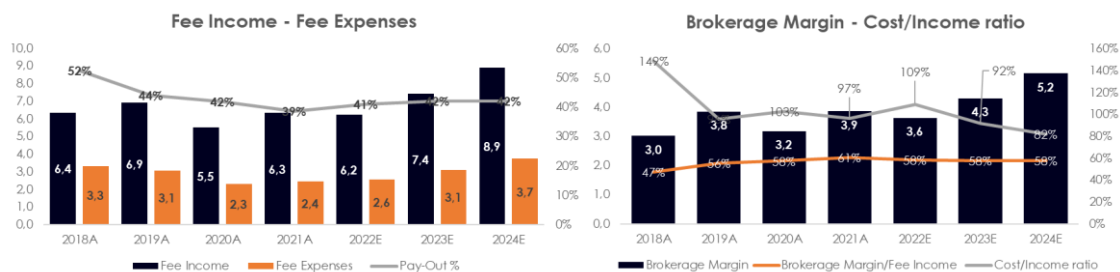
MANAGEMENT

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 3.3 p.s.

Performance from IPO: - 69 %

Capitalisation: Euro 6.7 m

Free Float: 18.9 %

NomAd: Integrae SIM

Specialist: Banca Finnant 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	1.632.560	81,10%
Market	373.680	18,90%
Total	2.006.240	100,00%

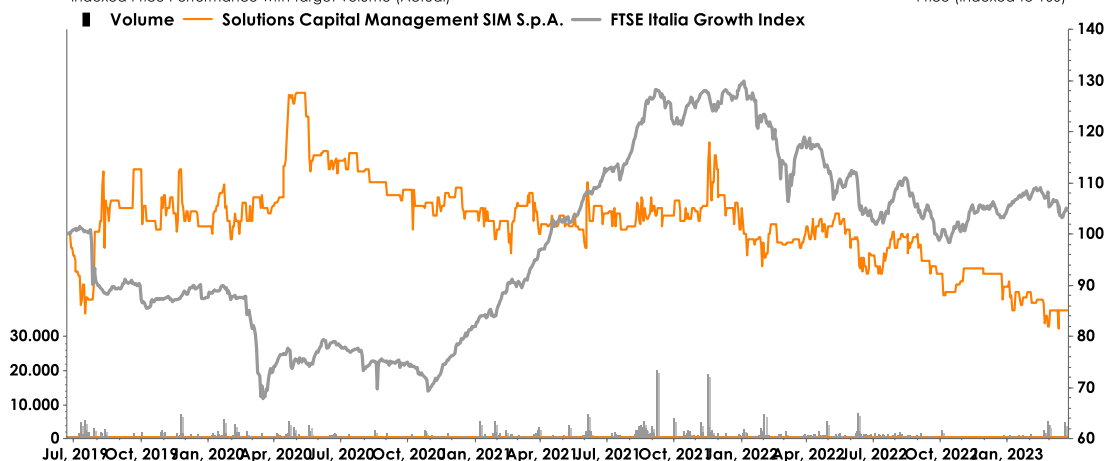
Source: Company website and press releases as of March 24 2023

STOCK PERFORMANCE

Solutions Capital Management SIM S.p.A. vs. Ftse Italia Growth 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 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 4th 2023. 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
March 27 th	6.42	3.32	12 months
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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