



1H23: strong growth in Fee Income (+30%), results broadly in line with expectations

Sector: Finance

Sound growth driven by asset management and advisory. SCM Sim just released a healthy set of 1H23 results which were largely in line with our expectations. Fee income stood at Euro 3.6, +42% YoY mainly driven by advisory services (Euro 2.7 m vs Euro 0.7 m in 1H22) and asset management (+16%) whereas the insurance line saw a contraction (-60%) following the crisis of life insurer Eurovita which affected the entire Italian industry in the first six month of the year. Performance fees remained very limited (Euro 77 k in 1H22) in line with last year (Euro 0.0 m). Brokerage Margin stood at Euro 1.9 m, vs. Euro 1.5 m recoded in 1H2, +31% following the increase in fee income and partially offset by lower Brokerage Margin/Fee income which stood at 53%, down vs. 1H2 (58%). The decrease was mainly due to a shift in sales mix with higher weight of generic advisory. Opex increased slightly (+4%) to Euro 2.0 m (Euro 1.9 m in 1H22) as a result of an increase nondeductible VAT, and G&As (+8%) from higher spending on consultancy and training of commercial network. Net result was negative of Euro 0.2 m (Euro 0.6 m in FY21). On the balance sheet we note an increase in Net Equity to Euro 2.8 m (Euro 2.2 m in FY22) following the capital increase concluded in in Q123 with total cash in of Euro 0.8 m, (76% of total amount approved) and partially offset by the net loss of the period considered (Euro 0.2 m vs Euro 0.6 in 1H22). Assets under control came in at Euro 913 m, +8% or Euro 65 m vs. YE22 (Euro 848 m) with total capital collected in 1H23 of Euro 38 m. However, not considering the clousuer of some of inactive contracts, the Company collected just over Euro 133 m, mainly related to the consultancy line (Euro +103 m). Management highlighted that the cleanup of non-active contracts in the portfolio has largely been concluded.

Strengthening of commercial network and new partnerships to support mid-term growth. Management did not provide guidance for FY23 but confirmed commitment to the strategic plan approved in February. In line with the plan, the Company has in the first six months of the year continued to focus on the strengthening of commercial network and new partnerships to further enhance the product portfolio. This has resulted in a partnership with Sara Vita for the development of new products, a partnership with AATech for the development of an innovative technological tool able to map clients' preferences, and more recently, an agreement with an insurance broker for the recruiting of new consultants thanks to which the Company has already been able to add 65 new consultants to its distribution network, bringing the total number to over 100 (35 at year end 2022). This could, in our view, potentially boost insurance revenues already in 2H23. Given all the above and considering 1H23 results we believe that Management has given the grounds for healthy growth in the mid-term, and we hence confirm our positive stance on the stock.

Estimates slightly revised, new target price at Euro 6.51 p.s., potential upside of 156%. With 1H23 largely confirming our expectations for the year, we only made some fine-tuning to our estimates while adding FY25 to our explicit forecast. Prudentially, we did not raise our Fee Income forecast to factor in the stronger sales network, as we wait to see the return of the newly hired consultants in in 2H23. This could however represent an upside to our estimates. We updated our DCF and multiple based target price to Euro 6.51 p.s., (Euro 6.42 p.s.) providing for an upside of 156%. At our target price the stock would be trading at 2023-2024E Equity Value/AuM multiples of 1.53x and 1.46x respectively, vs. peers' average 2.75x and 2.59x and current stock price at 0.68x and 0.65x.

Target Price 6.51 (6.42 pr.)

Market Cap (€ m) **6**

EV (€ m) **6**

Market Price (€) **2.54**

As of September 29th, 2023

Share Data

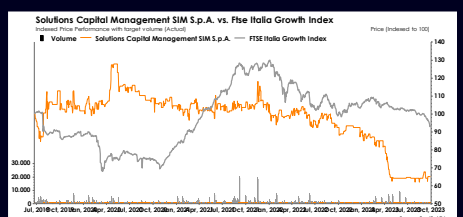
Market	Euronext Growth Milan
Reuters/Bloomberg	SCM IM/SCM.MI
ISIN	IT0005200248
N. of Shares	2,234,264
Free Float	20.39%
CEO	Antonello Sanna

Financials

	22A	23A	24E	25E
Fee Income	6.2	7.4	8.9	10.7
YoY %	-2%	19%	20%	20%
Net Fees	3.7	4.3	5.2	6.2
Brokerage M.	3.6	4.3	5.2	6.2
Brok. Mgn/Fee Income %	58%	58%	58%	58%
Cost/Income ratio %	-111%	-92%	-82%	-72%
Net Result	(0.8)	0.1	0.4	1.1
Equity	2.2	2.3	2.8	3.9

Performance

	1M	3M	1Y
Absolute %	+2%	+1%	-29%
Relative (FTSE Italia Growth)	+9%	10%	-26%
52-week High/Low (€)	4.14	/	2.02



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KEY FINANCIALS

Euro m	2018A	2019A	2020A	2021A	2022A	2023E	2024E	2025E
Assets under Control (AuC)	846	772	924	959	849	949	999	1.049
Profit & Loss Statement								
Fee income	6,4	6,9	5,5	6,3	6,2	7,4	8,9	10,7
Fees expenses	(3,3)	(3,1)	(2,3)	(2,4)	(2,6)	(3,1)	(3,7)	(4,5)
Net fees	3,0	3,9	3,2	3,9	3,7	4,3	5,2	6,2
Brokerage margin	3,0	3,8	3,2	3,9	3,6	4,3	5,2	6,2
Operating costs	(4,5)	(3,7)	(3,3)	(3,8)	(4,0)	(4,0)	(4,2)	(4,5)
Pre-tax Profit (Loss)	(1,3)	0,1	(0,2)	(0,3)	(0,8)	0,1	0,5	1,4
Taxes	0,3	(0,1)	0,0	(0,0)	0,0	(0,0)	(0,1)	(0,4)
Net Profit (Loss)	(1,1)	0,0	(0,1)	(0,3)	(0,8)	0,1	0,4	1,1
Balance Sheet								
NWC	2,4	1,8	2,6	2,4	1,9	2,2	2,4	2,8
Fixed assets	0,2	0,7	0,7	1,2	1,0	1,0	1,0	1,0
M/L Funds	0,2	0,1	0,2	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	3,6
Net financial Debt (Cash)	(0,4)	(1,0)	(0,2)	0,5	0,5	0,8	0,5	(0,3)
Total Equity	2,9	3,4	3,3	3,0	2,2	2,3	2,8	3,9
Cash Flow								
Net Profit (Loss)	(1,1)	0,0	(0,1)	(0,3)	(0,8)	0,1	0,4	1,1
D&A	0,1	0,3	0,3	0,3	0,3	0,2	0,3	0,3
Change in M/L Funds	0,0	(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	1,4
Change in NWC	(0,1)	0,7	(0,8)	0,2	0,5	(0,3)	(0,2)	(0,4)
Operating Cash Flow	(1,0)	1,0	(0,6)	0,2	(0,0)	0,0	0,6	1,0
Capex	(0,1)	(0,9)	(0,2)	(0,9)	(0,1)	(0,3)	(0,3)	(0,3)
Free Cash Flow	(1,1)	0,1	(0,8)	(0,7)	(0,1)	(0,2)	0,3	0,7
Dividends	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Change in Equity	0,2	0,5	(0,0)	(0,0)	0,0	0,0	0,0	0,0
Change in Net Debt (Cash)	(1,0)	0,6	(0,8)	(0,7)	(0,1)	(0,2)	0,3	0,7
Per Share Data								
Current Price	€ 2,54							
Total outstanding shares (m)	2,23	2,01	2,01	2,01	2,01	2,23	2,23	2,23
EPS	(0,52)	0,01	(0,07)	(0,13)	(0,40)	0,05	0,20	0,48
DPS	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00
FCF	(0,50)	0,04	(0,42)	(0,33)	(0,04)	(0,11)	0,13	0,33
Pay-out ratio	0,0%	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%	0,9%	1,0%
Fees expenses/Fee income	-52,4%	-44,0%	-42,0%	-38,6%	-41,0%	-42,0%	-42,0%	-42,0%
Net fees/AuM	0,4%	0,5%	0,3%	0,4%	0,4%	0,5%	0,5%	0,6%
Brokerage Margin/Fee Inc.	47,4%	55,5%	57,5%	60,8%	58,3%	58,0%	58,0%	58,0%
Cost/Income ratio	-149,3%	-96,5%	-103,6%	-97,5%	-110,5%	-92,0%	-82,0%	-72,0%
EBT/Brokerage margin	-43,2%	2,1%	-5,0%	-6,9%	-22,1%	3,3%	10,2%	23,2%
Net Debt/Equity	-15,2%	-30,8%	-6,2%	16,2%	23,9%	32,9%	17,6%	-6,5%
Total Equity/Total Assets	70,2%	68,4%	63,4%	57,2%	42,6%	48,9%	51,9%	59,5%
ROE	-36,8%	0,4%	-4,3%	-9,1%	-35,9%	5,2%	16,1%	27,8%
Free Cash Flow Yield	-15,1%	1,3%	-12,7%	-10,0%	-1,3%	-3,3%	3,8%	10,0%
Growth Rates								
Assets under Control (AuC)	-22%	-9%	20%	4%	-11%	12%	5%	5%
Fee income	-20%	9%	-20%	15%	-2%	19%	20%	20%
Fees expenses	-14%	-8%	-24%	5%	4%	22%	20%	20%
Net fees	-25%	28%	-17%	21%	-6%	17%	20%	20%
Brokerage margin	-27%	27%	-17%	21%	-6%	18%	20%	20%
Pre-tax Profit (Loss)	-378%	106%	-297%	-66%	-202%	118%	267%	171%
Net Profit (Loss)	-234%	101%	-1027%	-92%	-195%	115%	267%	139%

Breakdown Assets Under Control

Asset Under Control m	1H23	1H22	1H21	1H20	FY 2022	FY 2021	FY 2020
Asset management	246	196	174	172	211	207	160
Advisory	263	246	347	475	252	365	389
Insurance portfolio	371	364	358	298	357	363	356
SICAV	33	28	20	18	29	24	18
Total	913	835	900	964	848	954	924

PMI Capital Research elaboration on Company data

Breakdown Fee Income

Fee Income	1H23	1H22	1H21	1H20	FY22	FY21	FY20
Asset mgmt. rec.	1,089	941	841	806	1,879	1,756	1,525
Advisory recurring	488	456	433	58	1,080	929	1,548
Performance	77	-	1,036	13	12	1,992	641
Advisory generic	1,583	227	140	142	1,304	767	2,076
Insurance	372	910	634	479	1,953	1,194	662
Other	-	12	-	-	-	-	922
Total	3,608	2,546	3,083	1,998	6,228	6,340	5,529

PMI Capital Research elaboration on Company data

Key Financials

Income Statement – Euro m	1H23A	1H22A	1H21A	1H20A	FY22A	FY21A	FY20A
AuC	913	835	900	964	848	959	924
Fee income	3.6	2.5	3.1	2.0	6.2	6.3	5.5
Fee income /AuC	0.40%	0.30%	0.34%	0.21%	0.71%	0.66%	0.60%
Fee expenses	1.7	1.1	1.1	0.9	2.6	2.4	2.3
Fee expenses / Fee income	46.6%	41.9%	37.1%	42.8%	41.0%	38.6%	42.0%
Net Fees	1.9	1.5	1.9	1.1	3.7	3.9	3.2
Net Fees/AuC	0.21%	0.18%	0.22%	0.12%	0.42%	0.41%	0.35%
Brokerage margin	1.9	1.5	1.9	1.1	3.6	3.9	3.2
Brokerage mgn. / Fee Inc	52.8%	57.1%	62.4%	56.4%	58.3%	60.8%	57.5%
Operating Costs	2.0	1.9	1.9	1.5	(4.0)	(3.8)	(3.2)
Opex/Income ratio	104.7%	125.8%	96.7%	132.6%	110.5%	97.6%	103.6%
Pre-tax Profit / (Loss)	(0.2)	(0.6)	(0.1)	(0.5)	(0.8)	(0.3)	(0.2)
EBT/Brokerage margin	-12.7%	-39.7%	-5.8%	-44.8%	-22.1%	-6.9%	-5.0%
Net Profit / (Loss)	(0.2)	(0.6)	(0.1)	(0.5)	(0.8)	(0.3)	(0.1)

Balance Sheet – Euro m	1H23A	1H22A	1H21A	1H20A	FY22A	FY21A	FY20A
Net Working Capital	2.1	2.0	1.9	1.5	1.9	2.4	2.6
Fixed net assets	0.8	1.1	0.6	0.7	1.0	1.2	0.7
Funds	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)
Net Capital Employed	2.7	2.9	2.3	2.0	2.7	3.5	3.1
Net Debt/(Cash)	(0.1)	0.5	(0.9)	(0.9)	0.5	0.5	(0.2)
Total Equity	2.8	2.4	3.1	2.9	2.2	3.0	3.3
Sources	2.7	2.9	2.3	2.0	2.7	3.5	3.1

Source: Company data (IAS/IFRS)

Estimate Review

Income Statement Euro m	2023E	2023E	2024A	2024E	2025E
	Old	New	Old	New	New
Fee income	7,4	7,4	8,9	8,9	10,7
YoY	19,0%	19,0%	20,0%	20,0%	20,0%
Fee expenses	3,1	3,1	3,7	3,7	4,5
Net Fees	4,3	4,3	5,2	5,2	6,2
YoY	16,9%	16,9%	20,0%	20,0%	20,0%
Brokerage margin	4,3	4,3	5,2	5,2	6,2
Brokerage margin / Fee income	58,0%	58,0%	58,0%	58,0%	58,0%
Operating costs	(4,0)	(4,0)	(4,2)	(4,2)	(4,5)
Cost/Income ratio	-92,0%	-92,0%	-82,0%	-82,0%	-72,0%
Pre-tax Profit / (Loss)	0,1	0,1	0,5	0,5	1,4
EBT/Brokerage margin	3,3%	3,3%	10,2%	10,2%	23,2%
Net Profit / (Loss)	0,1	0,1	0,4	0,4	1,1
EPS (Euro)	0,06	0,05	0,22	0,20	0,48

Balance Sheet Euro m	2023E	2023E	2024E	2024E	2025E
	Old	New	Old	New	New
Net Working Capital (NWC)	2,2	2,2	2,4	2,4	2,8
Fixed net assets	1,0	1,0	1,0	1,0	1,0
Funds	(0,2)	(0,2)	(0,2)	(0,2)	(0,2)
Net Capital Employed	3,1	3,1	3,3	3,3	3,6
Net Financial Position (Cash)	0,8	0,8	0,5	0,5	(0,3)
Total Equity	2,3	2,3	2,8	2,8	3,9
Sources	3,1	3,1	3,3	3,3	3,6

Source: PMI Capital Research estimates

Valuation

We set a target price of 6.51 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 156% on current stock price. At our target price the stock would be trading at 2023-2024E Equity Value/AuM multiples of 1.53% and 1.46% respectively, vs. peers' average 2.75% and 2.59% and current stock price at 0.68% and 0.65%.

Valuation Summary

Method	Weight	Price (Eu p.s.)	Equity Value (Eu m)
DCF (Ke 8.42% and g 1.0%)	50%	5.48	12.2
Multiple analysis Market Cap/AuM 23/24 (@ 30% discount)	50%	7.55	16.9
Target Price	100%	6.51	14.6

DCF Model

DCF Valuation	
Sum of PV 2023-29 FCFs Eu m	3.7 30%
Discounted terminal value Eu m	8.6 70%
Equity Value Eu m	12.2 100%
N. of outstanding shares (m)	2.234
Equity Value (Eu p.s.)	5.48

Market Multiples

	Country	Market Cap (Euro m)	AuM 22E (Euro m)	Market Cap AuM23E	Market Cap AuM24E
ANIMA Holding SpA	Italy	1.269	189.452	0,7%	0,7%
Azimut Holding SpA	Italy	2.738	75.741	4,1%	3,8%
Banca Generali SpA	Italy	3.355	65.034	6,6%	6,1%
Banca Mediolanum SpA	Italy	5.990	105.054	6,5%	6,1%
Ashmore Group Plc	UK	1.903	56.892	3,0%	2,9%
Janus Henderson Group PLC	UK	3.936	287.937	1,3%	1,3%
Julius Baer Gruppe AG	Switzerland	13.374	475.241	2,8%	2,6%
Jupiter Fund Management Plc	UK	815	63.029	1,0%	1,0%
Liontrust Asset Management PLC	UK	770	45.724	1,4%	1,3%
Man Group Plc	UK	3.291	157.987	2,0%	1,8%
Schroders Plc	UK	8.002	873.980	1,0%	0,9%
St. James's Place Plc	UK	7.256	210.952	2,8%	2,6%
Average		4.060	206.442	2,75%	2,59%
SCM SIM	Italy	7.6	849	0,68%	0,65%

Source: FactSet data as of September 29th, 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

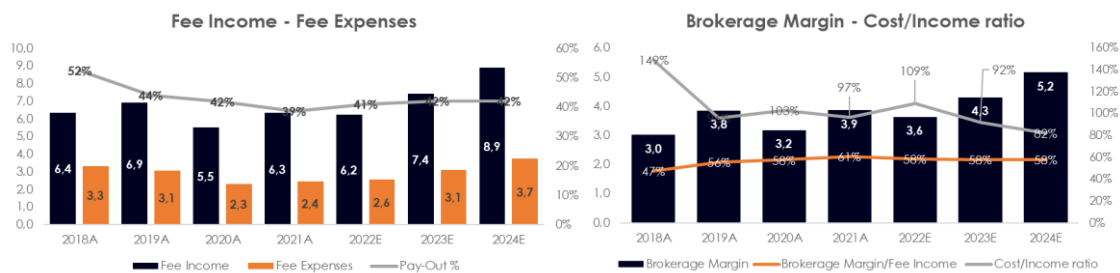
MANAGEMENT

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	79.44%
Market	20.56%

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. New partnership for recruitment.

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 September 29th, 2023)

Code: SCM
Bloomberg: SCM IM
Reuters: SCM.MI
ISIN: IT0005200248
Shares: 2,006,240
Share capital: Euro 2,234,264
Price: Euro 3.3 p.s.
Performance from IPO: - 76%
Capitalisation: Euro 6 m
Free Float: 20.39%
NomAd: MIT Sim

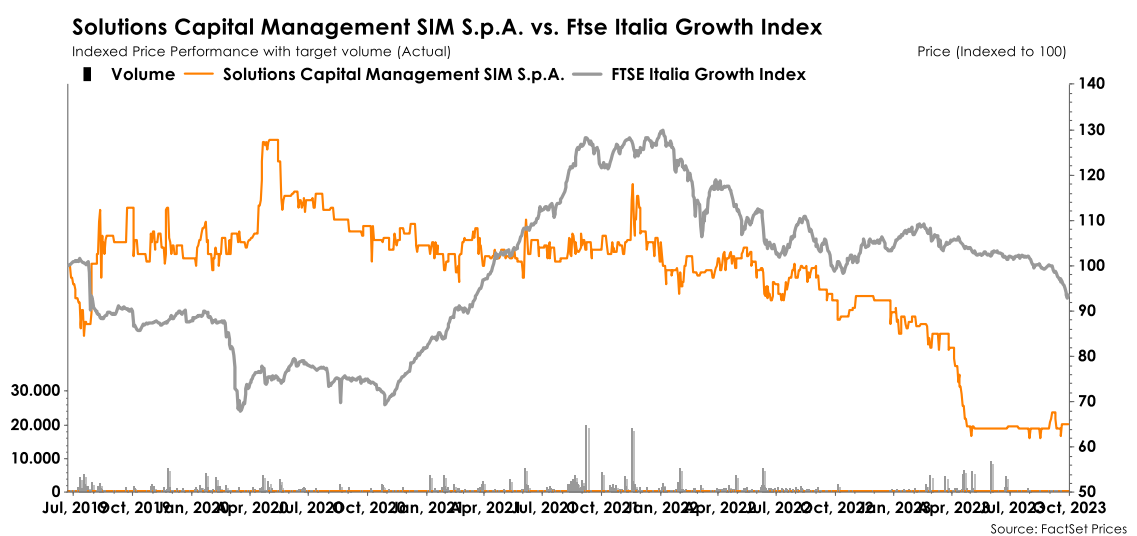
STOCK OPTION PLAN

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	1.778.800	79.61%
Market	455.464	20.39%
Total	2.234.264	100,000%

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 March 27th, 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
October 2 nd , 2023	6.51	2.54	12 months
March 27 th , 2023	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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