



FY23: fee income above expectations, driven by Generic Advisory
Sector: Finance

FY23: higher than expected fee income but a delay in margins due to sales mix. SCM Sim released its 2023 management accounts, reporting growth across all key financial metrics. Fee income stood at Euro 7.8 m, up 25% YoY, mainly driven by Generic Advisory (Euro 3.0 m vs. Euro 1.6 m in FY22, +97%), followed by Recurring Advisory at Euro 1.0 m, up 24% YoY. Asset management recorded fees of Euro 2.1 m, up +14% YoY, while performance fees stood at Euro 331k. The insurance line saw a contraction of -39% YoY due to the crisis of life insurer Eurovita, as we reported in the 1H23 update. Brokerage margin reached Euro 4.0 m, +10% YoY and 51% on Fee Income vs. 58% as of our previous estimates due mainly to a shift in revenue mix with higher weight of Generic Advisory. Despite the increase in business volume, operating costs decreased by -3%, amounting to Euro 3.9 m compared to Euro 4.0 m in FY22. This was driven by internal reorganization, which led to a reduction in personnel costs (-2%) and internal optimizations and continuous monitoring, which reduced administrative costs (-4%). Following the write-down of old positions and the reconstruction of the credit depreciation fund, SCM Sim closed 2023 with a Net Result of Euro -0.3 m, marking a significant improvement vs Euro -0.80 m in FY22. Assets under Control stood at Euro 928 m, slightly below our estimates (Euro 949 m) after an increase of Euro 80 m from Euro 848 m in FY22 of which Asset management reached Euro 262 m, up from Euro 211 m in FY22; Advisory totaled Euro 248 m, slightly down from Euro 252 m in FY22; Insurance portfolio increased to Euro 370 m, up from Euro 357 m in 2022; SICAV grew from Euro 29 m to Euro 48 m.

Management Outlook Management did not provide guidance for FY23 but confirmed commitment to the strategic plan based on process optimization, and information system consolidation. We note that, in the pursuit of new masses, recruiting activity has continued, resulting in the total commercial network growing to 92 consultants by FY23 (compared to 35 in FY22) of which 28 financial consultants and 64 insurance consultants. Management also confirmed its focus on ESG choosing to operate exclusively ETFs/ETCs in SFDR 8 and 9 portfolios and establishing algorithms for specific financial instruments. In the IT field, a new database has been developed to automate asset management and personal financial planning activities. In the commercial sector, a reorganization with new professionals is underway. Partnerships with Sara Assicurazioni have been established to distribute products and manage an internal equity fund. New agreements with various insurance companies expanded the company's product range. Advisory activities for clients interested in tax credit transfers also continue. In our view, following the new hires, particularly in the insurance consultants with potential for internal growth, the company is well-positioned to continue growing in line with expectations in the short to mid-term. We confirm our positive outlook on the stock.

Estimates slightly revised, new TP set at Eu 6.48 per share, upside of 72%. We have made some fine-tunings to our estimates, confirming the expected net results for the coming years, and extending our explicit forecast to include FY26. Given the increase in fee income during FY23 and our strong confidence in the company's ability to generate fee income, we have established new estimates that confirm the expected growth rate for the coming years. On the other hand, our estimates consider the greater impact of fee expenses on fee income, primarily due to the significant influence of the generic advisory on the sales mix, which could be relevant in the coming years. We updated our DCF and multiple based target price to Euro 6.48 p.s., (Euro 6.51 p.s.) providing for an upside of 72%. At our target price the stock would be trading at 2024-2025E Equity Value/AuM multiples of 1.45x and 1.38x respectively, vs. peers' average 2.7x and 2.6x and current stock price at 0.8x and 0.7x.

Target Price (€) 6.48 (6.51 pr.)

Market Cap (€ m) **8**

EV (€ m) **8**

Market Price (€) **3.76**

As of May 1st, 2024

Share Data

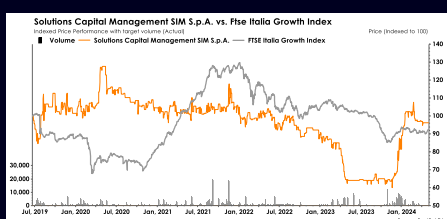
Market	Euronext Growth Milan
Reuters/Bloomberg	SCM IM/SCM.MI
ISIN	IT0005200248
N. of Shares	2,234,264
Free Float	19.94%
CEO	Antonello Sanna

Financials

	23A	24E	25E	26E
Fee Income	7.8	9.3	11.2	13.4
YoY %	25%	20%	20%	20%
Net Fees	4.0	5.0	6.3	7.5
Brokerage M.	4.0	5.0	6.3	7.5
Brok. Mgn/Fee Income %	51%	54%	56%	56%
Cost/Income ratio %	-98%	-82%	-72%	-72%
Net Result	(0.3)	0.4	1.1	1.4
Equity	2.8	3.2	4.3	5.7

Performance

	1M	3M	1Y
Absolute %	-0.5	-6.0	49.2
Relative (FTSE Italia Growth)	-1.9	-5.1	68.0
52-week High/Low (Eu)	4.24		2.02



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KEY FINANCIALS

Euro m	2018A	2019A	2020A	2021A	2022A	2023A	2024E	2025E	2026E
Assets under Control (AuC)	846	772	924	959	849	928	999	1.049	1.099
Profit & Loss Statement									
Fee income	6.4	6.9	5.5	6.3	6.2	7.8	9.3	11.2	13.4
Fees expenses	(3.3)	(3.1)	(2.3)	(2.4)	(2.6)	(3.7)	(4.3)	(4.9)	(5.9)
Net fees	3.0	3.9	3.2	3.9	3.7	4.0	5.0	6.3	7.5
Brokerage margin	3.0	3.8	3.2	3.9	3.6	4.0	5.0	6.3	7.5
Operating costs	(4.5)	(3.7)	(3.3)	(3.8)	(4.0)	(3.9)	(4.1)	(4.5)	(5.4)
Pre-tax Profit (Loss)	(1.3)	0.1	(0.2)	(0.3)	(0.8)	(0.3)	0.5	1.5	1.8
Taxes	0.3	(0.1)	0.0	(0.0)	0.0	0.0	(0.1)	(0.4)	(0.5)
Net Profit (Loss)	(1.1)	0.0	(0.1)	(0.3)	(0.8)	(0.3)	0.4	1.1	1.4
Balance Sheet									
NWC	2.4	1.8	2.6	2.4	1.9	2.4	2.6	3.1	3.5
Fixed assets	0.2	0.7	0.7	1.2	1.0	0.7	1.0	1.0	0.8
M/L Funds	0.2	0.1	0.2	0.2	0.2	0.2	0.2	0.2	0.3
Net Capital Employed	2.4	2.4	3.1	3.4	2.7	3.0	3.5	3.9	4.1
Net financial Debt (Cash)	(0.4)	(1.0)	(0.2)	0.5	0.5	0.2	0.3	(0.4)	(1.6)
Total Equity	2.9	3.4	3.3	3.0	2.2	2.8	3.2	4.3	5.7
Cash Flow									
Net Profit (Loss)	(1.1)	0.0	(0.1)	(0.3)	(0.8)	(0.3)	0.4	1.1	1.4
D&A	0.1	0.3	0.3	0.3	0.3	0.3	0.3	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	0.0
Gross Cash Flow	(1.0)	0.3	0.2	0.1	(0.5)	0.0	0.8	1.4	1.7
Change in NWC	(0.1)	0.7	(0.8)	0.2	0.5	(0.5)	(0.2)	(0.5)	(0.4)
Operating Cash Flow	(1.0)	1.0	(0.6)	0.2	(0.0)	(0.5)	0.6	0.9	1.3
Capex	(0.1)	(0.9)	(0.2)	(0.9)	(0.1)	(0.1)	(0.6)	(0.3)	(0.1)
Free Cash Flow	(1.1)	0.1	(0.8)	(0.7)	(0.1)	(0.5)	(0.0)	0.7	1.2
Dividends	0.0	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	0.8	0.0	0.0	0.0
Change in Net financial Debt (Cash)	(1.0)	0.6	(0.8)	(0.7)	(0.1)	0.3	(0.0)	0.7	1.2
Per Share Data									
Current Price	€ 3.76								
Total outstanding shares (m)	2.01	2.01	2.01	2.01	2.01	2.23	2.23	2.23	2.23
EPS	(0.52)	0.01	(0.07)	(0.13)	(0.40)	(0.12)	0.19	0.49	0.61
DPS	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1.00
FCF	(0.56)	0.04	(0.42)	(0.33)	(0.04)	(0.24)	(0.02)	0.29	0.54
Pay-out ratio	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	164.9%
Ratios									
Fee income/AuM	0.8%	0.9%	0.6%	0.7%	0.7%	0.8%	0.9%	1.1%	1.2%
Fees expenses/Fee income	-52.4%	-44.0%	-42.0%	-38.6%	-41.0%	-48.2%	-46.0%	-44.0%	-44.0%
Net fees/AuM	0.4%	0.5%	0.3%	0.4%	0.4%	0.4%	0.5%	0.6%	0.7%
Brokerage Margin/Fee Income	47.4%	55.5%	57.5%	60.8%	58.3%	51.3%	54.0%	56.0%	56.0%
Cost/Income ratio	-149.3%	-96.5%	-103.6%	-97.5%	-110.5%	-98%	-82%	-72%	-72%
EBT/Brokerage margin	-43.2%	2.1%	-5.0%	-6.9%	-22.1%	-6.6%	10.1%	23.2%	24.0%
Net Debt/Equity (Gearing)	-15.2%	-30.8%	-6.2%	16.2%	23.9%	8.2%	8.6%	-8.8%	-27.9%
Total Equity/Total Assets	70.2%	68.4%	63.4%	57.2%	42.6%	47.8%	50.4%	56.7%	60.2%
ROE	-36.8%	0.4%	-4.3%	-9.1%	-35.9%	-9.4%	13.4%	25.4%	24.0%
Free Cash Flow Yield	-22.0%	1.7%	-16.5%	-13.0%	-1.7%	-9.3%	-0.8%	11.5%	21.1%
Growth Rates									
Assets under Control (AuC)	-22%	-9%	20%	4%	-11%	9%	8%	5%	5%
Fee income	-20%	9%	-20%	15%	-2%	25%	20%	20%	20%
Fees expenses	-14%	-8%	-24%	5%	4%	47%	15%	15%	20%
Net fees	-25%	28%	-17%	21%	-6%	9%	25%	24%	20%
Brokerage margin	-27%	27%	-17%	21%	-6%	10%	26%	24%	20%
Pre-tax Profit (Loss)	-378%	106%	-297%	-66%	-202%	67%	293%	187%	24%
Net Profit (Loss)	-234%	101%	-1027%	-92%	-195%	67%	265%	153%	24%

Breakdown Assets Under Control

Asset Under Control m	FY2023	FY 2022	FY 2021	FY 2020
Asset management	262	211	207	160
Advisory	248	252	365	389
Insurance portfolio	370	357	363	356
SICAV	48	29	24	18
Total	928	848	954	924

PMI Capital Research elaboration on Company data

Breakdown Fee Income

Fee Income	FY23	FY22	FY21	FY20
Asset mgmt. rec.	2.138	1.879	1.756	1.525
Advisory recurring	1.021	826	929	1.548
Performance	331	12	1.992	641
Advisory generic	3.077	1.559	767	2.076
Insurance	1.203	1.953	1.194	662
Other	-	-	-	922
Total	7.770	6.228	6.340	5.529

PMI Capital Research elaboration on Company data

Key Financials

Income Statement – Euro m	FY23A	FY22A	FY21A	FY20A
AuC	928	848	959	924
Fee income	7.8	6.2	6.3	5.5
<i>Fee income / AuC</i>	0.8%	0.71%	0.66%	0.60%
Fee expenses	3.7	2.6	2.4	
<i>Fee expenses / Fee income</i>	-48.2%	41.0%	38.6%	42.0%
Net Fees	4.0	3.7	3.9	3.2
<i>Net Fees/AuC</i>	0.43%	0.42%	0.41%	0.35%
Brokerage margin	4.0	3.6	3.9	3.2
<i>Brokerage mgn. / Fee Inc</i>	51.3%	58.3%	60.8%	57.5%
Operating Costs	(3.9)	(4.0)	(3.8)	(3.2)
<i>Opex/Income ratio</i>	97.6%	110.5%	97.6%	103.6%
Pre-tax Profit / (Loss)	(0.3)	(0.8)	(0.3)	(0.2)
<i>EBT/Brokerage margin</i>	-6.6%	-22.1%	-6.9%	-5.0%
Net Profit / (Loss)	0.3	(0.8)	(0.3)	(0.1)

Balance Sheet – Euro m	FY23A	FY22A	FY21A	FY20A
Net Working Capital	2.4	1.9	2.4	2.6
Fixed net assets	0.7	1.0	1.2	0.7
Funds	(0.2)	(0.2)	(0.2)	(0.2)
Net Capital Employed	3.0	2.7	3.5	3.1
Net Debt/(Cash)	(0.2)	0.5	0.5	(0.2)
Total Equity	2.8	2.2	3.0	3.3
Sources	3.0	2.7	3.5	3.1

Source: Company data (IAS/IFRS)

Estimate Review

Income Statement		2024E	2024E	2025E	2025E	2026E
Euro m		Old	New	Old	New	New
Fee income		8.9	9.3	10.7	11.2	13.4
	YoY	20.0%	20.0%	20.0%	20.0%	20.0%
Fee expenses		3.7	4.3	4.5	4.9	5.9
Net Fees		5.2	5.0	6.2	6.3	7.5
	YoY	20.0%	25.1%	20.0%	24.4%	20.0%
Brokerage margin		5.2	5.0	6.2	6.3	7.5
	Brokerage margin / Fee income	58.0%	54.0%	58.0%	56.0%	56.0%
Operating costs		(4.2)	(4.1)	(4.5)	(4.5)	(5.4)
	Cost/Income ratio	-82.0%	-82.0%	-72.0%	-72.0%	-72.0%
Pre-tax Profit / (Loss)		0.5	0.5	1.4	1.5	1.8
	EBT/Brokerage margin	10.2%	10.1%	23.2%	23.2%	24.0%
Net Profit / (Loss)		0.4	0.4	1.1	1.1	1.4
	EPS (Euro)	0.20	0.19	0.48	0.49	0.61

Balance Sheet		2024E	2024E	2025E	2025E	2026E
Euro m		Old	New	New	New	New
Net Working Capital (NWC)		2.4	2.6	2.8	3.1	3.5
Fixed net assets		1.0	1.0	1.0	1.0	0.8
Funds		(0.2)	(0.2)	(0.2)	(0.2)	(0.3)
Net Capital Employed		3.3	3.5	3.6	3.9	4.1
Net Financial Position (Cash)		0.5	0.3	(0.3)	(0.4)	(1.6)
Total Equity		2.8	3.2	3.9	4.3	5.7
Sources		3.3	3.5	3.6	3.9	4.1

Source: PMI Capital Research estimates

Valuation

We set a target price of 6.48 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 72% on current stock price. At our target price the stock would be trading at 2024-2025E Equity Value/AuM multiples of 1.45% and 1.38% respectively, vs. peers' average 2.7% and 2.6% and current stock price at 0.8% and 0.7%.

Valuation Summary

Method	Weight	Price (Eu p.s.)	Equity Value (Eu m)
DCF (Ke 8.86% and g 1.0%)	50%	5.30	11.8
Multiple analysis Market Cap/AuM 24/25 (@ 35% discount)	50%	7.66	17.1
Target Price	100%	6.48	14.5

DCF Model

DCF Valuation			
Sum of PV 2024-30 FCFs Eu m		4.7	40%
Discounted terminal value Eu m		7.1	60%
Equity Value Eu m		11.8	100%
N. of outstanding shares (m)		2.234	
Equity Value (Eu p.s.)		5.30	

Market Multiples

Euro m	Country	Market Cap	AuM 24E	Market Cap / AuM	
				23E	24E
Abrdn plc	United Kingdom	3,148	593,087	2.7%	0.5%
ANIMA Holding S.p.A.	Italy	1,449	194,917	0.7%	0.7%
Azimut Holding Spa	Italy	3,548	77,753	4.6%	4.3%
Banca Generali S.p.A.	Italy	4,302	62,346	6.9%	6.5%
Banca Mediolanum SpA	Italy	7,585	101,344	7.5%	7.0%
Ashmore Group plc	United Kingdom	1,590	52,890	3.0%	2.8%
Janus Henderson Group PLC	United Kingdom	4,717	330,542	1.4%	1.3%
Julius Baer Gruppe AG	Switzerland	10,405	475,861	2.2%	2.3%
Jupiter Fund Management plc	United Kingdom	496	58,956	0.8%	0.8%
Liontrust Asset Management PLC	United Kingdom	512	33,571	1.5%	1.4%
Man Group PLC	United Kingdom	3,631	173,134	2.1%	1.9%
Schroders PLC	United Kingdom	6,572	882,368	0.7%	0.7%
St. James's Place Plc	United Kingdom	2,779	214,831	1.3%	1.2%
Average		3,966	221,543	2.7%	2.6%
SCM SIM	Italy	8	999	0.8%	0.7%

Source: FactSet data as of May 1st, 2024 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 2024-2026, 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

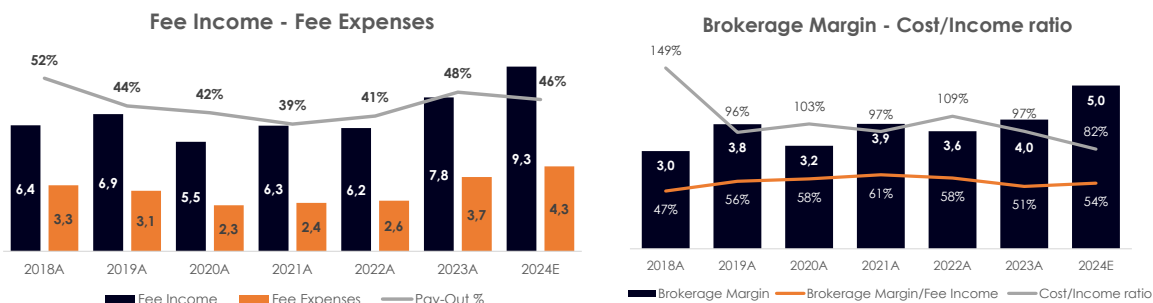
MANAGEMENT

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	80.06%
Market	19.94%

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 May 1st, 2024)

Code: SCM

Bloomberg: SCM IM

Reuters: SCM.MI

ISIN: IT0005200248

Shares: 2.234.264

Price: Euro 3.76 p.s.

Performance from IPO: - 64%

Capitalisation: Euro 8 m

Free Float: 19.94%

Euronext Growth Advisor: MIT Sim

NEW OWNERSHIP PLAN

The shareholders have approved a new Share Ownership Plan that will conclude on December 31, 2030. This plan replaces the previous Stock Option Plan approved on April 27, 2021. The new plan allows the allocation of up to 700,000 options to beneficiaries, enabling them to purchase up to 700,000 new ordinary shares of the company at a 1-to-1 ratio of shares to options. Beneficiaries will pay €2.91 per share, which is based on the average stock exchange reference price of the company's shares in the month prior to the plan's approval.

OWNERSHIP

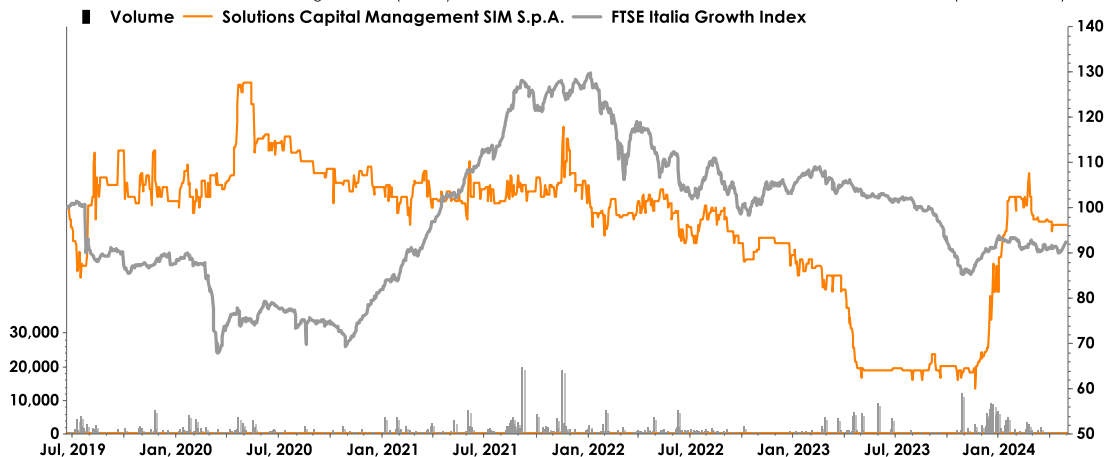
Shareholder	N° of shares	%
HPS Holding Partecipazioni Societarie Srl	1,788.752	80.06%
Market	445,512	19.94%
Total	2,234,264	100%

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 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 November 23rd, 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
May 2 nd , 2024	6.48	3.76	12 months
November 23 rd , 2023	6.51	2.54	12 months
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:

Federico Zangaro (Analyst)

No other people or companies participated or anyhow contributed to the Research. Neither the members of the research team, nor any person closely associated with them have any relationships or are involved in circumstances that may reasonably be expected to impair the objectivity of the Research, including interests or conflicts of interest, on their part or on the part of any natural or legal person working for them, who was involved in producing the Research.

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