

FRANCHI UMBERTO MARMI

BUY

Sector: Industrials

Price: Eu5.70 - Target: Eu9.00

Sharp Acceleration in 2Q after Challenging Start to Year

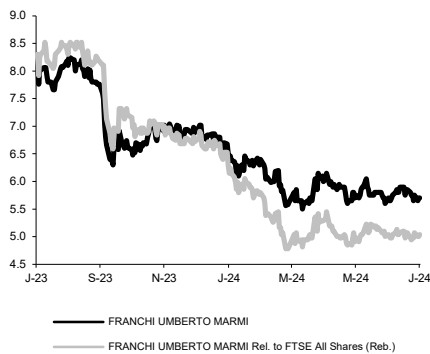
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| Stock Rating | | | |
|--------------------|-----------|-------|-------|
| Rating: | Unchanged | | |
| Target Price (Eu): | Unchanged | | |
| | 2024E | 2025E | 2026E |
| Chg in Adj EPS | 0.0% | 0.0% | 0.0% |

Next Events:

26 Sep: 2Q24 Final Results

FRANCHI UMBERTO MARMI - 12M Performance



| Stock Data | | | |
|-------------------------|-----------|-------|--------|
| Reuters code: | FUMA.MI | | |
| Bloomberg code: | FUM IM | | |
| Performance | 1M | 3M | 12M |
| Absolute | 1.8% | -5.0% | -31.3% |
| Relative | 0.0% | -5.1% | -44.8% |
| 12M (H/L) | 8.24/5.50 | | |
| 3M Average Volume (th): | 2.89 | | |

| Shareholder Data | |
|---------------------------|-------|
| No. of Ord shares (mn): | 33 |
| Total no. of shares (mn): | 33 |
| Mkt Cap Ord (Eu mn): | 186 |
| Total Mkt Cap (Eu mn): | 186 |
| Mkt Float - Ord (Eu mn): | 25 |
| Mkt Float (in %): | 13.6% |
| Main Shareholder: | |
| Holding Franchi SpA | 62.7% |

| Balance Sheet Data | |
|---------------------------------|------|
| Book Value (Eu mn): | 125 |
| BVPS (Eu): | 3.82 |
| P/BV: | 1.5 |
| Net Financial Position (Eu mn): | -19 |
| Enterprise Value (Eu mn): | 205 |

■ **Strong growth in 2Q24 brings 1H24 sales up +14% YoY.** Franchi Umberto Marmi released sales figures for 1H24 that show strong growth in 2Q24 (+53% YoY) to Eu23.1m, which brought 1H24 sales to Eu42.8m, up 14% on last year. This is a particularly positive signal as the start of the year had been challenging for the company with 1Q24 revenues at Eu19.7, down 19.7% YoY. EMEA led sales with Eu24.9m, a 5.1% rise from Eu23.7m in 2023. Asia contributed Eu9.0m, down from Eu9.7m. North America saw substantial growth, with sales nearly doubling to Eu7.1m, accounting for 17% of total sales. Australia also showed a significant improvement, with sales reaching Eu1.4m. Italy sales declined 4%, totalling Eu16.7m, consolidating 39% of total sales. South America and Africa had notable contributions of Eu0.2m, respectively. The geographical diversification highlights the company's strategy of leveraging market opportunities and balancing seasonal variations across regions, emphasizing its strength in multiple key markets.

■ **Prospects remains intact.** It is worth recalling that management provided positive (albeit qualitative) outlook, which remains valid. Macro-economic conditions and a potential rise in transport costs due to problems in the Suez Canal must be considered but for the moment no direct impact has been seen. Despite this, management said that expectations for 2024 are for further top-line growth; the recent acquisition of Marmoles Man together with product and geographical synergies are having important effects from the first months of this year, while the commercial development of the Group is expected to continue, in particular through 3 main lines: i) further penetration of the most important markets such as China, the US and Australia; ii) expansion into new geographical areas considered particularly interesting and growing such as Vietnam and the Gulf countries; and iii) development of new strategic partnerships based on what has already been done with Corsi & Nicolai in Australia and with Ciot NY in the US.

■ **Estimates unchanged.** After the 1Q24 sales release, we incorporated actuals and some adjustments to profitability for 2024 onward, which were mainly driven by a revised sales mix that now recognises the fast-growing Marmoles Man and Australian companies. We therefore leave estimates unchanged as 1H24 sales figures seem coherent with our previous assumptions and on track to meet FY24 estimates.

■ **Buy, target Eu9 confirmed.** Thanks to its positioning at the very top end of the marble sector, its comprehensive business model, advanced technological facilities and, most importantly, its privileged access to the highest quality marble, FUM looks very well placed to exploit the full potential of a steadily-growing industry. The clear opportunity to further expand its presence globally, coupled to the constantly increasing demand for high-end natural materials, provide a compelling investment case with material upside potential. As the only listed player in the marble sector and with characteristics that are closer to pure luxury rather than construction material players, we value the company through a DCF model, which gives a target price of Eu9, material upside compared to the current market price.

| Key Figures & Ratios | 2022A | 2023A | 2024E | 2025E | 2026E |
|------------------------|-------|-------|-------|-------|-------|
| Sales (Eu mn) | 76 | 75 | 78 | 83 | 89 |
| EBITDA Adj (Eu mn) | 31 | 25 | 25 | 27 | 29 |
| Net Profit Adj (Eu mn) | 17 | 13 | 13 | 15 | 16 |
| EPS New Adj (Eu) | 0.528 | 0.397 | 0.393 | 0.447 | 0.493 |
| EPS Old Adj (Eu) | 0.528 | 0.397 | 0.393 | 0.447 | 0.493 |
| DPS (Eu) | 0.290 | 0.160 | 0.196 | 0.224 | 0.000 |
| EV/EBITDA Adj | 10.5 | 11.7 | 8.2 | 7.1 | 6.1 |
| EV/EBIT Adj | 13.1 | 17.6 | 11.5 | 9.7 | 8.1 |
| P/E Adj | 10.8 | 14.4 | 14.5 | 12.7 | 11.6 |
| Div. Yield | 5.1% | 2.8% | 3.4% | 3.9% | 0.0% |
| Net Debt/EBITDA Adj | 0.4 | 1.2 | 0.7 | 0.2 | -0.2 |

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- Comparison with market peers, using the most appropriate methods for the individual company analysed: among the main ratios used for industrial sectors are price/ earnings (P/E), EV/EBITDA, EV/EBIT, price /sales.
- Return on capital and multiples of adjusted net book value are the main methods used for banking sector stocks, while for insurance sector stocks return on allocated capital and multiples on net book value and embedded portfolio value are used
- For the utilities sector comparisons are made between expected returns and the return on the regulatory asset base (RAB)

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Frequency of research: quarterly.

Reports on all companies listed on the S&P500 Index, most of those on the MIDEX Index and the main small caps (regular coverage) are published at least once per quarter to comment on results and important newsflow.

A draft copy of each report may be sent to the subject company for its information (without target price and/or recommendations), but unless expressly stated in the text of the report, no changes are made before it is published.

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OUTPERFORM: stock expected to outperform the market by between 10% and 25% over a 12 month period;

NEUTRAL: stock performance expected at between +10% and -10% compared to the market over a 12 month period;

UNDERPERFORM: stock expected to underperform the market by between -10% and -25% over a 12 month period;

SELL: stock expected to underperform the market by over 25% over a 12 month period.

Prices: The prices reported in the research refer to the price at the close of the previous day of trading

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| | |
|--------------|---------|
| BUY: | 23.97 % |
| OUTPERFORM: | 49.59 % |
| NEUTRAL: | 25.61 % |
| UNDERPERFORM | 00.83 % |
| SELL: | 00.00 % |

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| | |
|--------------|---------|
| BUY: | 38.78 % |
| OUTPERFORM: | 51.02 % |
| NEUTRAL: | 10.20 % |
| UNDERPERFORM | 00.00 % |
| SELL: | 00.00 % |

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| Emittente | % | Long/Short |
|-----------|---|------------|
| | | |

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