

THE ITALIAN SEA GROUP

BUY

Sector: Consumers

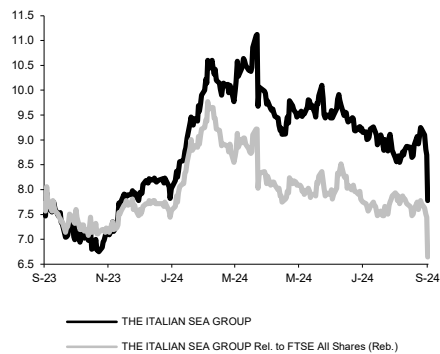
Price: Eu7.78 - Target: Eu12.50

A Visible Opportunity Ahead of Positive 1H24 Results

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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%

THE ITALIAN SEA GROUP - 12M Performance



Stock Data			
Reuters code:	TISGR.MI		
Bloomberg code:	TISG IM		
Performance	1M	3M	12M
Absolute	-10.0%	-18.9%	0.8%
Relative	-17.2%	-16.4%	-16.0%
12M (H/L)	11.12/6.75		
3M Average Volume (th):	65.77		

Shareholder Data	
No. of Ord shares (mn):	53
Total no. of shares (mn):	53
Mkt Cap Ord (Eu mn):	412
Total Mkt Cap (Eu mn):	412
Mkt Float - Ord (Eu mn):	124
Mkt Float (in %):	30.0%
Main Shareholder:	
GC Holding S.p.A.	53.6%

Balance Sheet Data	
Book Value (Eu mn):	154
BVPS (Eu):	2.91
P/BV:	2.7
Net Financial Position (Eu mn):	30
Enterprise Value (Eu mn):	383

- The Italian Sea Group will release 1H24 results on Tuesday (10 September) in the early afternoon with a conference call at 4pm (TBC). We expect positive business developments on the top line, margins and bottom line, well on track with FY guidance and therefore confirming the continuing momentum of the Group.**
- 1H24 expectations well in line with FY guidance.** We expect sales at Eu187.8m, +13.2% YoY (2Q24 +14% YoY) with the split by business line almost unchanged on 1Q24. As for profitability, we expect EBITDA at Eu32.1m, corresponding to a margin on sales of 17.1% or a c.70bp accretion vs. last year. On the bottom line, we expect net income at Eu28m including the positive contribution from the sale of the Viareggio Shipyard previously announced, which should have accounted for approx. Eu15m. As for the net financial position, we expect it slightly higher vs. 1Q24 at Eu36m as a consequence of payment instalment phasing not being booked in 1H24 and resulting in a higher work in progress amount. This should revert in 2H24, with a FY24 projection of NFP cash positive by c.Eu30m (NFP should already be much better as of today compared to 30 June).
- Demand appears resilient, particularly for >30mt segment.** We expect net backlog as at 30 June at Eu610m, below 1Q24 mainly due to deliveries and the latest stages of progress on shipbuilding work. This is expected and natural for the company which, **due its core business focused on super and giga yachts, deals with a small number of contracts per year for large amounts.** Ahead of the Montecarlo Boat Show (late September) which last year was particularly positive in terms of the consequent intake and negotiations that are ongoing (according to public comments by the company and including a 100mt yacht which could be worth Eu150m+, among others), we see no reasons for a slowdown of order intake going forward or something that could put estimates at risk. We note that the timescale for the signing of a big contract can be quite long: this has a big impact on backlog swings, which cannot be looked at quarterly for a giga and megayacht manufacturer. On top of this, recent results and comments provided by listed peers hint at much more resilient demand for superyachts and giga-yachts while lower lengths are the segments which might see higher pressure.
- 1H24E on track, FY24 and onwards estimates unchanged.** If confirmed, this set of results would add material visibility to FY24 guidance as 2H24 would represent very normal phasing of the top line and margins, in line with the past. **Current backlog covers almost the entire P&L of 2024, we estimate c.75% of 2025 and already a good portion of 2026. In light of this, we leave our assumptions unchanged.**
- BUY; target Eu12.5 confirmed.** Thanks to its positioning among the leading players at the very top end of the yachting industry, its unique, all-round business and facilities, as well as the high visibility on prospects and cash generation confirmed in company targets, TISG looks very well placed to exploit the full potential of a steadily growing industry. The clear opportunity of exploiting further opportunities through the Perini Navi and Picchiotti brands, as well as new semi-custom projects, add further upside to the story. The recent (and in our view completely unjustified) weakness ahead of continuing solid results as well as future prospects amount to a very good opportunity pricewise.

Key Figures & Ratios	2022A	2023A	2024E	2025E	2026E
Sales (Eu mn)	295	364	425	453	468
EBITDA Adj (Eu mn)	47	62	74	85	89
Net Profit Adj (Eu mn)	24	37	48	58	62
EPS New Adj (Eu)	0.454	0.696	0.898	1.093	1.169
EPS Old Adj (Eu)	0.454	0.696	0.898	1.093	1.169
DPS (Eu)	0.154	0.272	0.370	0.449	0.547
EV/EBITDA Adj	6.4	6.4	5.1	4.0	3.4
EV/EBIT Adj	8.1	7.9	6.1	4.5	3.8
P/E Adj	17.1	11.2	8.7	7.1	6.7
Div. Yield	2.0%	3.5%	4.8%	5.8%	7.0%
Net Debt/EBITDA Adj	0.2	0.0	-0.4	-0.9	-1.2

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The main methods used to evaluate financial instruments and set a target price for 12 months after the investment recommendation are as follows:

- Discounted cash flow (DCF) model or similar methods such as a dividend discount model (DDM)
- 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)

Some of the parameters used in evaluations, such as the risk-free rate and risk premium, are the same for all companies covered, and are updated to reflect market conditions. Currently a risk-free rate of 4.0% and a risk premium of 5.5% are being used.

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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BUY: stock expected to outperform the market by over 25% over a 12 month period;

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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As at 30 June 2024 Intermonte's Research Department covered 116 companies. Intermonte's distribution of stock ratings is as follows:

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

The distribution of stock ratings for companies which have received corporate finance services from Intermonte in the last 12 months (49 in total) is as follows:

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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