

THE ITALIAN SEA GROUP

BUY

Sector: Consumers

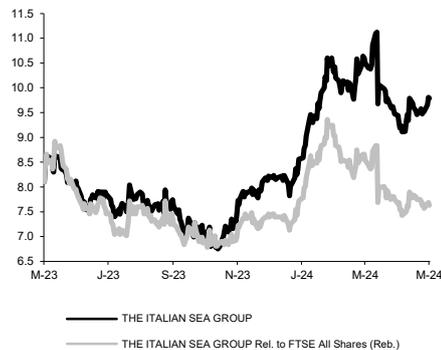
Price: Eu9.79 - Target: Eu12.50

Robust Start to the Year. Order Backlog above Beat

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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	3.7%	-6.0%	20.9%
Relative	-0.4%	-17.3%	-7.1%
12M (H/L)	11.12/6.75		
3M Average Volume (th):	96.09		

Shareholder Data	
No. of Ord shares (mn):	53
Total no. of shares (mn):	53
Mkt Cap Ord (Eu mn):	519
Total Mkt Cap (Eu mn):	519
Mkt Float - Ord (Eu mn):	156
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:	3.4
Net Financial Position (Eu mn):	30
Enterprise Value (Eu mn):	489

- 1Q24 key figures in line with estimates.** Yesterday afternoon TISG released key figures for the first three months of the year which came in bang in line with our estimates both on the top line and EBITDA, showing solid progress in 1Q24, well on track to meet FY24 targets. Revenues came in at Eu95.6m, up by +12.2% YoY (operating revenues before other revenues, income and commissions +18.6% YoY) mainly thanks to Shipbuilding at Eu86.7m, up +26.2% YoY, while Refit at Eu9.1m was down -24.8% YoY, temporarily impacted by the expansion of shipbuilding activities at the Marina di Carrara shipyard, which caused the postponement of certain contracts to 2Q. In its comments, management was confident on recovering 1Q24 volumes as early as 2Q24.
- Efficiencies and pricing drove profitability expansion.** EBITDA came in at Eu16.1m (in line with our estimates at Eu16m), up by 16.6% YoY, with the margin on sales at 16.8% or an expansion of 60bps YoY. The increase is attributable to pricing, which, during the confcall, was indicated at around 30% of EBITDA evolution on new contracts as well as to improved efficiency in production processes, production capacity expansion optimizing the mix between Shipbuilding and refit, to and economies of scale.
- Strong order book and new order intake.** The unexpected positive surprise from the release was the order book at Eu1.344.4 as at the end of March, up by 22.6% YoY with net backlog at Eu667.4, up by 11.8% YoY and 58m higher than at FY23 year-end (Eu609). This is positive news as the company visibility on targets for the year (previously indicated at c.Eu100m of new orders in 1H24, followed by Eu180m in 2H24) is now strong: overall targets were confirmed in the confcall with some contracts signed ahead of the expected timescale.
- Constructive indications from the conf call.** Management confirmed the resilience of underlying demand both for medium-size yachts (40-55mt) and super and giga yachts. The new semi-custom strategy is lifting pressure on the design team to focus more on full custom projects. At the moment there are 10 negotiations ongoing, 5 for semi-custom contracts, and 5 for yachts above 70mt of which 2 close to being signed. Upfront payments for 1Q24 new orders will be mainly due during 2Q24, which should result in a fast improvement of the NFP. 1Q24 Refit trends were not deemed a cause for concern, as they were simply the result of a tactical decision to temporarily favour shipbuilding activities. The situation will quickly revert from 2Q.
- Estimates unchanged.** Results are well on track for FY guidance and coherent with our assumptions so we leave our estimates 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.

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	6.6	5.3	4.6
EV/EBIT Adj	8.1	7.9	7.8	5.9	5.1
P/E Adj	21.6	14.1	10.9	9.0	8.4
Div. Yield	1.6%	2.8%	3.8%	4.6%	5.6%
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.

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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 31 March 2024 Intermonte's Research Department covered 116 companies. Intermonte's distribution of stock ratings is as follows:

BUY:	25.21 %
OUTPERFORM:	46.22 %
NEUTRAL:	27.73 %
UNDERPERFORM	00.84 %
SELL:	00.00 %

The distribution of stock ratings for companies which have received corporate finance services from Intermonte in the last 12 months (50 in total) is as follows:

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

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Emitente	%	Long/Short

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