

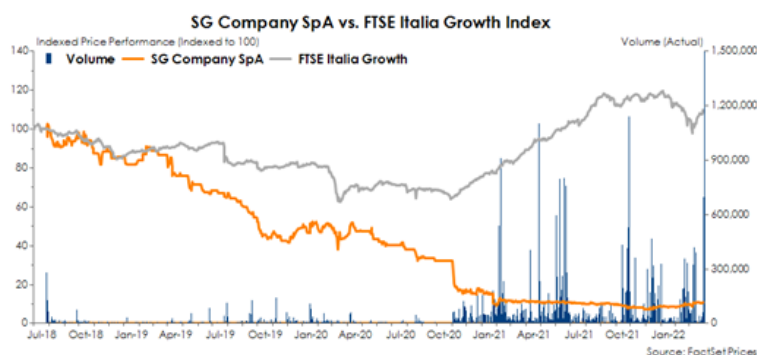
FY21 results better than our expectations

Sector: Technology

Top-line growth above expectations (+14% YoY). SG Company Società Benefit just released FY21 results with sales of Euro 11.4 m, +14% vs. prior year and above our estimates (both Euro 10.0 m). Growth was driven by a strong 2H with sales of Euro 7.4 m vs. 4.4 m in 2H20 as Covid related restrictions slowly started to ease. EBITDA came in at Euro 1.5 m recovering from the negative result in FY20 (Euro -3.4 m) thanks to an important cost containment plan resulting in total savings of > Euro 1.0 m (personnel and G&A) and Euro 2.4 m in Covid-19 related state-aid ("Ristori" law). Net result was negative of Euro 0.1 m, above our estimates (Euro -0.7 m) and prior year (Euro -4.1 m). On the balance sheet side, Net Debt improved significantly to Euro 0.8 m from Euro 3.4 m at the end of FY20 following the two capital increases successfully closed for a total of Euro 3.6 m. (Euro 2.4 m 1Q and 1.2 in 4Q at Euro 0.2 p.s.). Net Equity at year-end 2021 stood at Euro 2.9 m.

New FY22-23 industrial Plan and continuous ESG path. Management highlighted that the first quarter of FY22 was still strongly affected by the uncertainties regarding the pandemic but with a timid recovery in the requests from clients over the last few weeks. Given however the longer than expected duration of the pandemic Management updated the FY22-23 industrial plan now providing for i) FY22-23 sales of Euro 20.8 m and Euro 25.2 m respectively, ii) FY22-23 EBITDA of Euro 0.5 and Euro 1.1 m respectively and iii) Net Det of Euro 2.0 and 1.0 m in FY22 and 23 respectively. In addition, Net Equity is expected at Euro 7.0 m at the end of FY23. The new targets are based on a strategy including: i) development of media services, ii) implementation of metaverse related services, iii) development and management of third-party concept events, iv) international expansion and v) M&A. Regarding the latter, we highlight that the Group has c. Euro 5.0 m of available cash at hand which could serve as firepower for external growth. We also highlight that the Company has continued its outlined ESG path with the approval of its first Impact report.

Estimates revision and TP update. We updated our estimates to largely align with Management's forecast. Overall, we made a change in sales, EBITDA and EPS of -29%, -59% and -54% respectively. On the back of the FY21 results and changes to our future estimates, our updated DCF model yields a TP of Euro 0.64 p.s., in line with our previous one (Euro 0.63 p.s.) and with a potential upside on current share price of 130%. Over the last 24 months, and in light of the drastic impact of the pandemic on the digital&live events market, the Group was forced to accelerate an important process of innovation and diversification already lined out before the crisis. Thanks to the investments made over this period we believe that the Group is well positioned to continue to adapt to new market trends and the digital evolution of the industry, while at the same confirm its position as a leader in the live events business, once the market goes back to normal.



Target Price 0.64 (0.63 pr.)

Market Cap (€ m) **9**

EV (€ m) **10**

Market Price (€) **0.28**

As of 4th April, 2022

Share Data

Market	Euronext Growth Milan
Bloomberg	SGC.IM
ISIN	IT0005337172
N. of Shares	31,862,070
Market	61.71%
Warrants Outstanding	17,968,265
Strike price war. (Eu)	0.66
Exerc. Period war.	Nov 22-25
CEO	Davide Verdesca

Financials

	2020A	2021A	2022E	2023E
Sales	10.0	11.4	20.8	25.2
YoY %	-73%	+14%	83%	21%
EBITDA	(3.4)	1.5	0.5	1.1
EBITDA %	n.m.	13%	2%	4%
EBIT	(4.1)	(0.1)	0.3	0.8
EBIT %	n.m.	n.m.	1%	3%
Net Income	(3.1)	(0.1)	0.2	0.5
Net D/(C)	3.0	0.8	0.3	(0.2)
Net Equity	(1.1)	2.9	3.1	3.6

Performance

	1M	3M	6M
Absolute %	+17%	+24%	+10%
Relative (FTSE Italia Growth)	+8%	+36%	+14%
52-week High/Low (Eu)	0.19	/	0.32

Luisa Primi

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This Note is issued by arrangement with MIT SIM SpA, the Specialist engaged by the Company.

KEY FINANCIALS

Profit&Loss Statement	2020A	2021A	2022E	2023E
Revenues	10,0	11,4	20,8	25,2
EBITDA	(3,4)	1,5	0,5	1,1
EBIT	-4,1	-0,1	0,3	0,7
Financial Income (charges)	(0,1)	(0,0)	(0,0)	(0,0)
Pre-tax profit (loss)	(4,1)	(0,1)	0,2	0,6
Taxes	1,0	(0,0)	(0,0)	(0,1)
Net profit (loss)	(3,1)	(0,1)	0,2	0,5

Balance Sheet				
Net working capital (NWC)	0,8	2,5	2,1	2,3
Net fixed assets	2,2	2,9	3,0	2,9
M/L Funds	(1,1)	(1,7)	(1,7)	(1,7)
Net Capital Employed	1,9	3,7	3,4	3,4
Net Debt	3,0	0,8	0,3	(0,2)
Equity	(1,1)	2,9	3,1	3,6

Cash Flow				
Net Profit	(3,1)	(0,1)	0,2	0,5
D&A	0,0	0,0	0,1	0,2
Other non cash items	(0,2)	0,6	0,0	0,0
Change in Working Capital	1,0	(1,6)	0,3	(0,2)
Cash Flow from Operations	(2,3)	(1,1)	0,6	0,6
Capex	1,1	(0,8)	(0,1)	(0,1)
Operating Free Cash Flow	(1,1)	(1,9)	0,5	0,5
Change in Net Equity	(0,1)	4,1	0,0	0,0
Free Cash Flow	(1,2)	2,2	0,5	0,5

Per Share Data				
Current Price	0,28			
Total shares out mn	31,86			
EPS	(0,1)	(0,0)	0,0	0,0
FCF	(0,0)	0,1	0,0	0,0
Pay out ratio	0%	0%	0%	0%

Ratios				
EBITDA margin	n.s.	13,1%	2,4%	4,4%
EBIT margin	n.s.	n.s.	1,2%	2,7%
Net Debt/Equity	-268,2%	25,8%	9,6%	-5,0%
Net Debt/(Net Debt + Equity)	159,5%	20,5%	8,8%	-5,3%
Net Debt/EBITDA	n.s.	0,50	0,59	-0,16
Interest cover EBIT	n.s.	n.s.	6,25	17,00
ROE	278,5%	-4,1%	5,4%	14,2%
ROCE	-268,3%	-1,8%	8,6%	23,6%
Free Cash Flow Yield	n.m.	24,9%	5,2%	5,4%

Growth Rates				
Revenues	-73%	14%	83%	21%
EBITDA	-60%	144%	-67%	120%
EBIT	-37%	98%	445%	172%
Net Profit	16%	96%	242%	205%

FY21 Results

	21A	20A	19A
Revenues	11.4	10,0	37,4
yoy	+14%	-73%	12%
EBITDA adj	1.5	(3,4)	(2,1)
margin	13.3%	n.m.	n.m.
EBIT	(0.1)	(4,1)	(3,0)
margin	n.m.	n.m.	n.m.
Pre tax Profit/ (Loss)	(0.1)	(4,1)	(4,3)
Net Profit/ (Loss)	(0.1)	(3,1)	(3,7)

Company data

Euro m	21A	20A	19A
Net Working Capital (NWC)	1.8	0.8	2.5
Fixed net assets	2.9	2.2	3.3
Funds	(1.7)	(1.1)	(1.3)
Net Capital Employed	3.7	1.9	3.8
Net Financial Position (Cash)	0.8	3.0	1.7
Total Equity	2.9	(1.1)	2.0
Sources	3.7	1.9	3.8

Company data

Estimate Revision

Euro m	21E Old	21 Act.	22E Old	22E New	23E Old	23E New
Revenues	10,0	11,4	29,0	20,8	36,1	25,2
yoy	-10%	14%	190%	83%	25%	21%
EBITDA adj	0,1	1,5	1,1	0,5	3,1	1,1
margin	1%	13%	4%	2%	10%	4%
EBIT	(0,5)	(0,1)	0,5	0,3	2,4	0,7
margin	n.s.	n.s.	0,0	0,0	0,1	0,0
Pre tax profit	(0,7)	(0,1)	0,4	0,2	2,4	0,6
Net Profit	(0,7)	(0,1)	0,3	0,2	1,8	0,5

Euro m	21E Old	21 Act.	22E Old	22E New	23E Old	23E New
Net Working Capital	1,6	2,5	2,0	2,1	2,1	2,3
Fixed net assets	2,3	2,9	2,0	3,0	1,6	2,9
Funds	(1,1)	(1,7)	(1,1)	(1,7)	(1,1)	(1,7)
Net Capital Employed	2,8	3,7	2,8	3,4	2,6	3,4
			0	0	0	0
Net Debt/ (Cash)	2,1	0,8	1,9	0,3	(0,2)	(0,2)
Total Equity	0,6	2,9	0,9	3,1	2,7	3,6
Sources	2,7	3,7	2,8	3,4	2,6	3,4

VALUATION

We updated our valuation model to factor in our new estimates and up to date risk free rate and ERP we obtained a target price of Euro 0.64 p.s., in line with our previous one (Euro 0.63). Our TP provides for an upside vs. current share price of c. 130%.

DCF Valuation

Our DCF model returns an Equity value of Euro 20.3 m for SG, or Euro 0.64 p.s.

DCF Valuation		
WACC		7.10%
<i>Euro m</i>		
Sum of PV 2022-25 FCFs	3.9	19%
Discounted terminal value	17.2	81%
Enterprise Value	21.0	100%
Net Debt (FY21)	0.8	
Equity Value	20.3	
Shares Outstanding (millions)	31.9	
Price per share (Euro)	0.64	

SG COMPANY SOCIETA' BENEFIT SNAPSHOT

GROUP PROFILE

Founded in 2000, SG Company Società Benefit S.p.a. is a registered innovative SME, and a key player in the Italian Entertainment & Communication industry. The Company acts as holding company for a group specialized in M.I.C.E. (i.e. Meetings, Incentives, Conferencing, Exhibitions), Events and Communication, and with the mission to assist large corporations as strategic consultant in events creations and live communication. In a highly fragmented reference market populated by players with an artisan footprint, the Group distinguishes itself for its industrial consultancy driven approach, aimed at creating tailor made solutions for clients. The Group also operates in the concept event business and has successfully managed concept events such as Milano Food Week, Obecity, Sneakerness, DigitaDesignDays. The Group, headquartered in Milan, focuses on the Enterprise segment and has a well-diversified client portfolio of c. 75 multinational high-standing loyal clients.

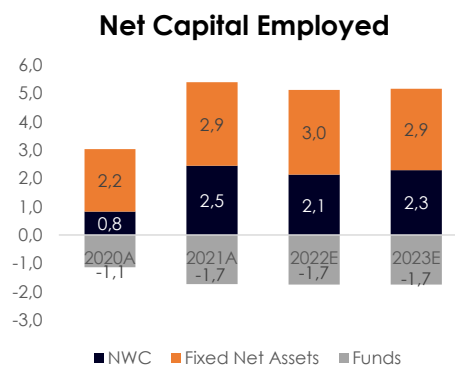
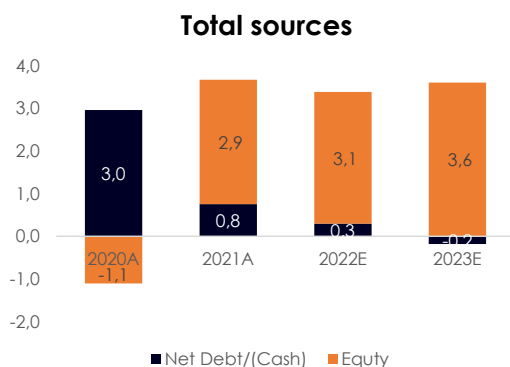
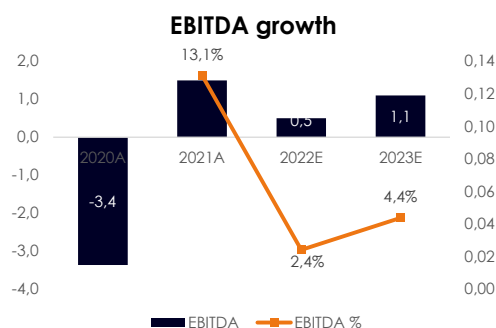
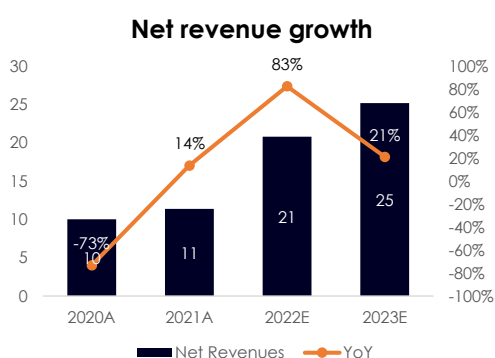
Management

Davide Verdesca – Chairman and CEO
 Francesco Merone – CFO
 Luigi Spinolo – Non executive Board Member
 Davide Mantegazza - Non executive Board Member
 Silvia Pugi - Non executive Board Member
 Carlo Altomonte – Independent Board Member

Shareholders

DL Srl	31.39%
Zeus Capital Alternative Sif	6.90%
Market	61.71%

SG Company Società Benefit in charts



Investment Thesis

- Good reputation and track record based on over 20 years of experience in the market and a highly qualified team of professionals capable of innovating in terms of format and content.
- Growth driven by markets with high expected growth rates over the next years (MarTech, Live Events and Video).
- Scale internationally thanks to the partnership with Nexthing and new platform offering. With the launch of Phygital in March 2020, the Group has shown great ability to respond quickly to new market demands thanks to its internal know-how and flexible structure.
- Leverage on current client base for the development of new business areas. The Group can rely on a portfolio of loyal high profile clients such as A2A, ABI Eventi, Allianz, BlackRock, Medtronic, Vodafone, Eolo, Wind3, PWC, Bayer, Basf, Ferrari, Mediolanum, Sisley, LVMH, Daikin, BMW, Dainese, Enel, Eolo, CheBanca!, Youtube, Generali, Lavazza, Vorwerk, Google, L'Oréal, Luxottica, Pandora e Sky, TIM, Siemens, DAZN.
- Well diversified client base in terms of industry. Over the years since listing the Group has been able to significantly diversify the industry risk by targeting new markets.
- Innovative SME and Benefit Corporation with an outlined ESG path.

SG COMPANY SOCIETÀ BENEFIT S.P.A. ON EURONEXT GROWTH MILAN

SHARES (as of April 4th, 2022)

Code: SGC
Bloomberg: SGC IM
Reuters: SGC.MI
ISIN: IT0005337172
Shares: 33.202.320
Price: Euro 0.278
Performance from IPO: -86%
Capitalisation: Euro 8.9 m
Market: 61.71%
NomAd: Banca Profilo

IPO

Trading Market: Euronext Growth Milan
Date: July 26th, 2018
Price: 2.00
Capital raised: Euro 3.0 m
Capitalisation: Euro 23.0 m

WARRANT 2018-2025 (as April 4th, 2022)

Alphanumeric Code: WSGC25
ISIN: IT0005347593
Issued warrants: 24.140.159
Exercise ratio: 1 new instrument every 1 warrants held
Outstanding warrants: n. 17.968.265

WARRANT EXERCISE PERIOD AND STRIKE PRICE

Period	from	To	Strike Price (Euro)	Converted (n. of Warrant)
First	1/11/19	30/11/19	3.00	-
Second	1/11/20	30/11/20	1.50	-
Third	1/11/21	30/11/21	0.66	6.171.894
Fourth	1/11/22	30/11/22	0.66	-
Fifth	1/11/23	30/11/23	0.66	-
Sixth	1/11/24	29/11/24	0.66	-
Seventh	1/11/25	28/11/25	0.66	-

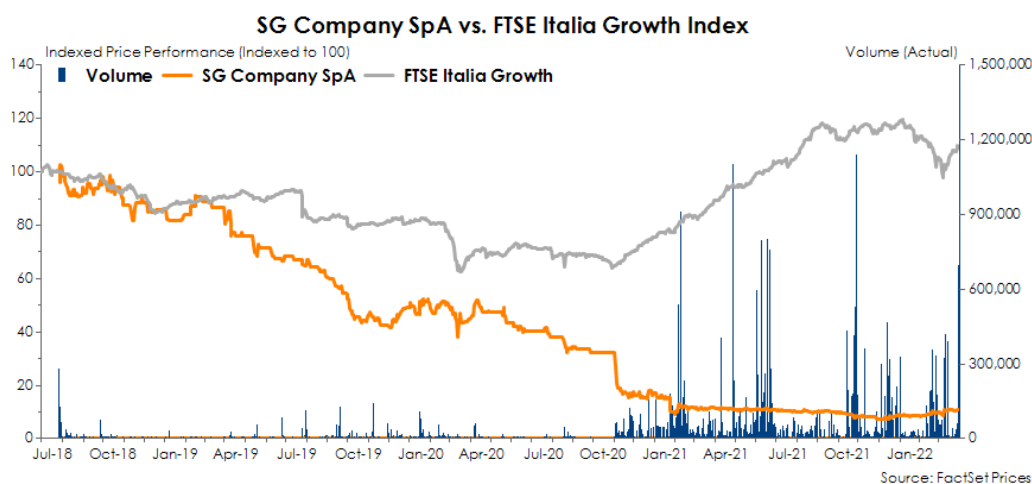
OWNERSHIP

Shareholder	Number of Shares	%
DL Srl	10.000.000	31,39%
Zeus Capital Alternative Sif	2.200.000	6,90%
Mercato*	19.662.070	61,71%
Total	31.862.070	100,00%

Source: Corporate website

* of which 1.100.187 shares (3.45%) owned by Davide Verdesca (CEO) and 692.935 shares (2.17%) by Francesco Merone (CFO)

STOCK PERFORMANCE



**DISCLAIMER
UPDATES**

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Date	Target Price	Market Price	Validity Time
5 April 2022	0.64	0.28	12 months
8 November 2021	0.63	0.22	12 months
23 June 2021	0.62	0.28	12 months

VALUATION METHODOLOGY (HORIZON: 12M)

IRTop obtained a fair value using a Discounted Cash Flow model.

Detailed information about the valuation or methodology and the underlying assumptions and information about the proprietary model used is accessible at IRTop premises.

RESEARCH TEAM:

Luisa Primi, (Senior Analyst. AIAF Associated)

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