



## 1H22: sound revenue growth and strong commitment to M&A

### Sector: Technology

**Top-line more than doubled and margin improvement.** SG Company Società Benefit released a sound set of 1H22 results with sales of Euro 8.1 m, more than doubling vs. Euro 4.0 m in 1H21 as the physical events market finally started to go back to normal in Q2. Indeed, Management highlighted that the positive results, must be considered realized essentially only in Q2 as Covid-19 related restrictions were still in place in first three months of the year. Although still negative EBITDA showed a strong improvement and landed at Euro -52k, Euro compared to Euro -79k in 1H21. We recall however that the latter was positively affected by a Euro 0.9 m Covid related state-aid ("Ristori" law) compared to only Euro 0.2 m in 1H22. The recovery in profitability was mainly to be attributed to a good business margin and operational leverage. In particular, personnel expense remained in line with 1H21 despite the significant increase in sales volumes. Net loss was of Euro 0.1 m vs. Euro 0.6 m in 1H21. On the balance sheet, Net Debt stood at Euro 1.4 m, up slightly from Euro 0.8 m at year-end 2021 following M&A activity (2 acquisitions with a total effect on Net Debt of c. Euro 700k in 1H22) and buybacks (c. 300k). Net Equity at the end of the period considered was of Euro 2.9 m (Euro 2.9 m in FY21).

### Strong commitment to external growth: two new acquisitions in 1H and more to come.

In line with the industrial plan presented at the end of March, Management reaffirmed commitment to external growth by approving an investment plan providing for a total budget of Euro 7 m to be spent on external growth within FY23. Investments aimed at acquiring minority and/or absolute majority stakes in the share capital in complementary business and new geographical markets. Approx. 50% of the resources earmarked for M&A should be used for international expansion with initial focus on EU countries. The investment plan will be financed by the Groups cash at hand (which at 1H22 stood at Euro 4.6 m) and financial debt at and equity/debt ratio of 50/50-60/40; In line with this the first six months of FY22 saw two new acquisitions: (i) minority stake (25%) in Louder (expected FY22 revenues of c. Euro 5 m) active in integrated communication with focus on B2C (ii) majority stake (51%) in Mission to Heart (expected FY22 revenues of Euro 0.8-1 m) specialized in brand strategy, social media and unconventional marketing. Both acquisitions contribute to further integrate the Group's offering with strategic services and expand geographically in the domestic market now with offices also in Rome and Turin.

**Positive outlook and estimates confirmed TP Euro 0.67 p.s..** In the note released, Management stressed that it remains confident of the business environment in 2H highlighting that at the end of September already booked revenue and orders to be evaded within FY22 totaled Euro 15 m. In light of this, and given the results achieved in 1H in spite a slow start of the year, and the recent acquisitions we expect trends to remain positive in 2H. This coupled with the structural changes the Group has made, and continues to make, in terms of innovation, diversification and internal efficiencies, leads us to believe that the Group is well underway to achieve the targets set out for FY22 and beyond. We hence renew our positive outlook on the stock and substantially confirm our estimates, already aligned with the Group's current guidance. We trimmed our DCF based target price to Euro 0.67 p.s. from Euro 0.64 providing for an important potential vs. current stock price of Euro 0.28 p.s.. Further upside may come from M&A which remains a key strategic pillar for the Group.

**Target Price 0.67 (0.64 pr.)**

Market Cap (€ m) **8.9**

EV (€ m) **10.3**

Market Price (€) **0.28**

*As of 4<sup>th</sup> October, 2022*

#### Share Data

Market	Euronext Growth Milan
Bloomberg	SGC.IM
ISIN	IT0005337172
N. of Shares	31,862,070
Market	54.87%
Warrants Outstanding	17,968,265
Strike price war. (Eu)	0.66
Exerc. Period war.	Nov 22-27
CEO	Davide Verdesca

#### Financials

	2021A	2022E	2023E	2024E
Sales	11.4	20.8	25.2	29.0
YoY %	+14%	83%	21%	15%
EBITDA	1.5	0.5	1.1	2.9
EBITDA %	13%	2%	4%	10%
EBIT	(0.1)	0.3	0.7	2.5
EBIT %	n.m.	1%	3%	9%
Net Income	(0.1)	0.2	0.5	1.9
Net D/(C)	0.8	0.3	(0.2)	(1.4)
Net Equity	2.9	3.1	3.6	5.6

#### Performance

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

#### Sustainability

ESG profile available

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

## KEY FINANCIALS

<b>Profit&amp;Loss Statement</b>	<b>2020A</b>	<b>2021A</b>	<b>2022E</b>	<b>2023E</b>	<b>2024E</b>
Revenues	10,0	11,4	20,8	25,2	29,0
EBITDA	(3,4)	1,5	0,5	1,1	2,9
EBIT	-4,1	-0,1	0,3	0,7	2,5
Financial Income (charges)	(0,1)	(0,0)	(0,0)	(0,0)	(0,0)
Extraordinary items	0,0	0,0	0,0	0,0	0,0
Pre-tax profit (loss)	(4,1)	(0,1)	0,2	0,6	2,4
Taxes	1,0	(0,0)	(0,0)	(0,1)	(0,5)
Net profit (loss)	(3,1)	(0,1)	0,2	0,5	1,9

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

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

<b>Per Share Data</b>						
<b>Current Price</b>		0,28				
Total shares out mn		31,87				
EPS		(0,1)	(0,0)	0,0	0,0	0,1
FCF		(0,0)	0,1	0,0	0,0	0,0
Pay out ratio		0%	0%	0%	0%	100%

<b>Ratios</b>					
EBITDA margin	n.s.	13,1%	2,4%	4,4%	10,0%
EBIT margin	n.s.	n.s.	1,2%	2,7%	8,5%
Net Debt/Equity	-268,2%	25,8%	9,6%	-5,0%	-25,4%
Net Debt/(Net Debt + Equity)	159,5%	20,5%	8,8%	-5,3%	-34,1%
Net Debt/EBITDA	n.s.	0,50	0,59	-0,16	-0,49
Interest cover EBIT	n.s.	n.s.	6,25	17,00	61,70
ROE	278,5%	-4,1%	5,4%	14,2%	34,9%
ROCE	-268,3%	-1,8%	8,6%	23,6%	71,3%
Free Cash Flow Yield	n.m.	24,9%	5,2%	5,4%	13,9%

<b>Growth Rates</b>					
Revenues	-73%	14%	83%	21%	15%
EBITDA	-60%	144%	-67%	120%	163%
EBIT	-37%	98%	445%	172%	263%
Net Profit	16%	96%	242%	205%	279%

## 1H22 Key Financials

Euro m	1H22	1H21	1H20	1H19	FY21	20A	19A
<b>Gross Revenues</b>	<b>8.1</b>	<b>4.0</b>	<b>5.6</b>	<b>17.5</b>	<b>11.4</b>	<b>10,0</b>	<b>37,4</b>
yoy	+102%	-18%	-68%	+10%	+14%	-73%	12%
<b>EBITDA adj</b>	<b>(0.1)</b>	<b>(0.1)</b>	<b>(2.0)</b>	<b>(1.7)</b>	<b>1.5</b>	<b>(3,4)</b>	<b>(2,1)</b>
Margin (on net Revenues)	n.m.	n.m.	n.m.	n.m.	13%	n.m.	n.m.
<b>EBIT adj</b>	<b>(0.1)</b>	<b>(0.4)</b>	<b>(2.1)</b>	<b>(1.8)</b>	<b>(0.1)</b>	<b>(3,8)</b>	<b>(2,5)</b>
Margin (on net Revenues)	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.
<b>Pre tax profit</b>	<b>(0.1)</b>	<b>(0.6)</b>	<b>(2.2)</b>	<b>(2.2)</b>	<b>(0.1)</b>	<b>(4,1)</b>	<b>(4,3)</b>
<b>Net Profit/ (Loss)</b>	<b>(0.1)</b>	<b>(0.6)</b>	<b>(1.7)</b>	<b>(1.8)</b>	<b>(0.1)</b>	<b>(3,1)</b>	<b>(3,7)</b>
<b>Net Working Capital (NWC)</b>	<b>2.1</b>	<b>1.8</b>	<b>1.2</b>	<b>2.5</b>	1.8	<b>1.2</b>	<b>1.9</b>
<b>Fixed net assets</b>	<b>3.2</b>	<b>2.4</b>	<b>2.2</b>	<b>1.5</b>	2.9	<b>2.2</b>	<b>2.2</b>
<b>Funds</b>	<b>(1.0)</b>	<b>(1.0)</b>	<b>(1.1)</b>	<b>(0.9)</b>	(1.7)	<b>(1.1)</b>	<b>(0.9)</b>
<b>Net Capital Employed</b>	<b>4.3</b>	<b>3.2</b>	<b>2.3</b>	<b>3.1</b>	<b>3.7</b>	<b>2.3</b>	<b>3.2</b>
<b>Net Financial Position (Cash)</b>	<b>1.4</b>	<b>2.2</b>	<b>3.4</b>	<b>0.5</b>	0.8	<b>3.4</b>	<b>1.1</b>
<b>Total Equity</b>	<b>2.9</b>	<b>1.0</b>	<b>(1.1)</b>	<b>2.6</b>	2.9	<b>(1.1)</b>	<b>2.0</b>
<b>Sources</b>	<b>4.3</b>	<b>3.2</b>	<b>2.3</b>	<b>3.1</b>	<b>3.7</b>	<b>2.3</b>	<b>3.2</b>

Source: Group data

## Estimate Revision

Euro m	21 A	22E Old	22E New	23E Old	23E New	24E New
<b>Revenues</b>	<b>11,4</b>	<b>20,8</b>	<b>20,8</b>	<b>25,2</b>	<b>25,2</b>	<b>29,0</b>
yoy	14%	83%	83%	21%	21%	15%
<b>EBITDA adj</b>	<b>1,5</b>	<b>0,5</b>	<b>0,5</b>	<b>1,1</b>	<b>1,1</b>	<b>2,9</b>
margin	13%	2%	2%	4%	4%	10%
<b>EBIT</b>	<b>(0,1)</b>	<b>0,3</b>	<b>0,3</b>	<b>0,7</b>	<b>0,7</b>	<b>2,5</b>
margin	n.s.	0,0	0,0	0,0	0,0	0,1
<b>Pre tax profit</b>	<b>(0,1)</b>	<b>0,2</b>	<b>0,2</b>	<b>0,6</b>	<b>0,6</b>	<b>2,4</b>
<b>Net Profit</b>	<b>(0,1)</b>	<b>0,2</b>	<b>0,2</b>	<b>0,5</b>	<b>0,5</b>	<b>1,9</b>

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

Source: Group data for FY21, PMI Capital research estimates for FY 22-24

### **VALUATION**

We updated our DCF based valuation model to factor in our new estimates and up to date risk free rate and ERP we obtained a target price of Euro 0.67 p.s., in line with our previous one (Euro 0.64). Our TP provides for an upside vs. current share price of c. 143%.

Our DCF model returns an Equity value of Euro 21 m for SG, or Euro 0.67 p.s.

<b>DCF Valuation</b>		
WACC		7.90%
Perpetual growth rate (g)		1%
Sum of PV 2022-25 FCFs	4.0	18%
Discounted terminal value	18.4	82%
<b>Enterprise Value</b>	<b>22.3</b>	<b>100%</b>
Net Debt (1H22)	1.4	
<b>Equity Value</b>	<b>21.0</b>	
Shares Outstanding (net of own shares) m	31.1	
<b>Price per share (Euro)</b>	<b>0.67</b>	

**SG COMPANY SOCIETA' BENEFIT SPA – ESG PROFILE in partnership with ESG Observatory by IR Top**

**ESG Approach**

- Awareness of Company relevant social and environmental issues
- Contribution to local growth and development
- Valuing people and creating a positive work environment

SG Company SB (Benefit Corporation) aims to promote and disseminate the culture of sustainability in the area in which the Company operates through a collaborative dialogue with stakeholders

Implementation of activities in support of the most vulnerable groups of people and participation in cultural and social activities to support the local community and low-income categories.

Promotion of smart and flexible ways of working in order to create a positive work environment aimed at the enhancement, growth and well-being of people, to develop everyone's skills and potential.

**Sustainable Development Goals – SDGs**

- Provide quality, inclusive and equal education and promote lifelong learning opportunities for everybody
- Reinforce implementation and revitalization of global collaborations for sustainable development
- Promote a long lasting, inclusive and sustainable economic growth, full and productive employment and decent work for all



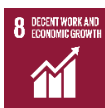
During 2021, SG Company organized awareness campaigns on environmental and social issues.

The Company is committed to support the most vulnerable categories in the area, through the devolution of



59 tools aimed at promoting distance learning (monitors, desktop computers and portals).

In 2021, SG Company set itself the goal of creating a positive work environment and making its employees feel an integral and fundamental part of the company, by adopting Work for Equity tools. In particular, the Company has stipulated 22 welfare agreements to offer employees incentives to participate in cultural activities.



**Governance**

- Transparency and responsibility in the practices adopted by the Company.

SG Company SB has developed a Code of Ethics with the aim of identifying, describing and disseminating the ethical principles that guide and inspire the activities of the Company and all its subsidiaries.

The values in the Code of Ethics are: sustainability, equality, honesty and transparency, skills and quality, team spirit, innovation, respect for the environment and ethical action. The members of the Board of Directors, managers, employees and collaborators adopt a behavior inspired by autonomy, independence and fairness.

**People**

- Human resources, skills development and training
- Health and safety

As of December 31, 2021, SG Company SB had 82 employees of which 48 women (53%) and 34 men. 52 new resources were hired. There are 12.4 hours of average training for employees.

The company has drawn up a specific risk assessment document and has adopted a Safety Management System, in accordance with d.lgs 81/08. During 2021, there were no cases of accidents at work.

**Supply Chain**

- Identification of suppliers

The selection of suppliers takes place in compliance with the Code of Ethics and is based on the evaluation of parameters, such as the quality, the price of the good or service, the guarantees of assistance, timeliness, and efficiency.

**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**

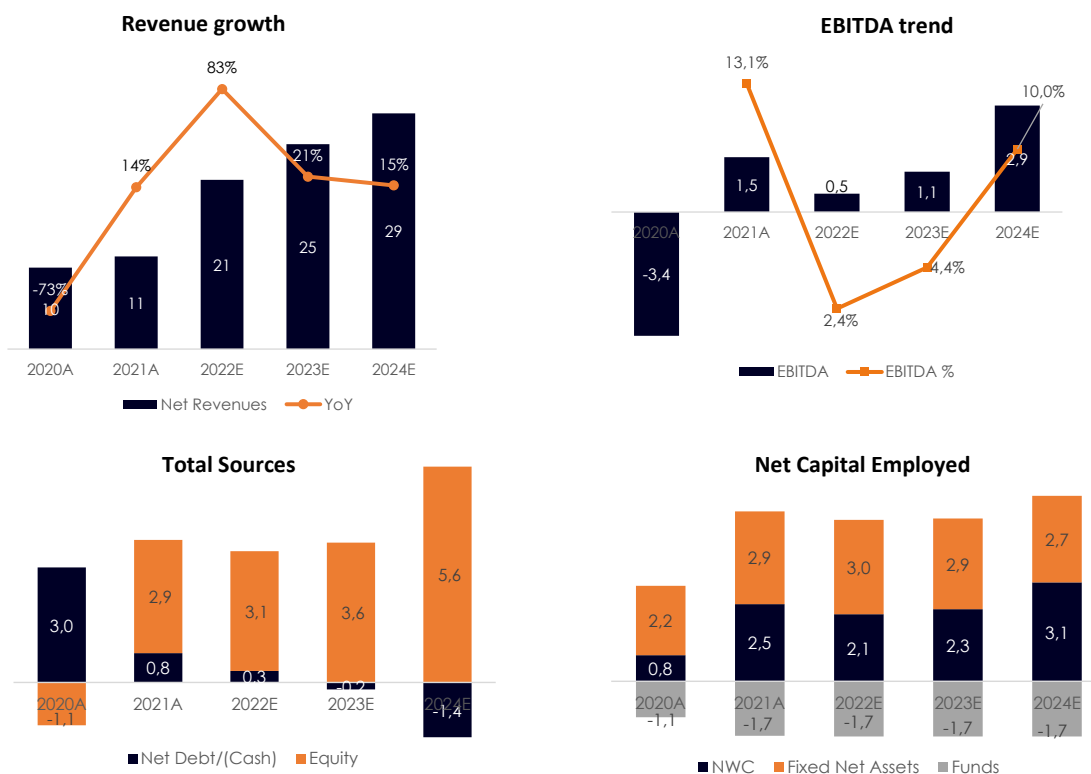
Davide Verdesca – Chairman and CEO  
 Francesco Merone – CFO  
 Luigi Spinolo – Non executive Board Member  
 Davide Mantegazza - Non executive Board Member  
 Silvia Pugi - Non executive Board Member  
 Carlo Altomonte – Independent Board Member

**Shareholders**

DL Srl	31.38%
Zeus Capital Alternative Sif	11.30%
Own shares	2.45%
Market	54.87%

Management (CEO and CFO) together hold 5.62% of the share capital included in Market

**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 a an outlined ESG path. As of March 2022, SG Company BC has adopted an Organization Model pursuant to the 231/2001 law.

**SG COMPANY SOCIETÀ BENEFIT S.P.A. ON Euronext GROWTH MILAN**

**SHARES** (as of October 4<sup>th</sup>, 2022)

Code: SGC  
Bloomberg: SGC IM  
Reuters: SGC.MI  
ISIN: IT0005337172  
Shares: 31.862.070  
Price: Euro 0.278  
Performance from IPO: -86%  
Capitalisation: Euro 8.9 m  
Market: 54.87%  
NomAd: Banca Profilo

**IPO**

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

**WARRANT 2018-2027** (as October 4<sup>th</sup>, 2022)

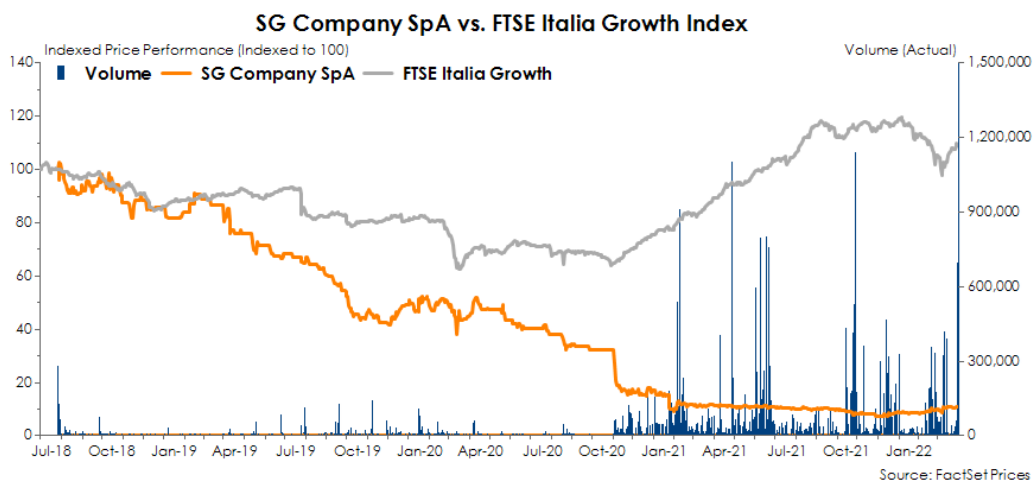
Alphanumeric Code: WSGC25  
ISIN: IT0005347593  
Issued warrants: 24.140.159  
Exercise ratio: 1 new share every 1 warrants held  
Outstanding warrants: n. 17.968.265

**OWNERSHIP**

Shareholder	Number of Shares	%
DL Srl	10.000.000	31,38%
Zeus Capital Alternative Sif	3.600.000	11,30%
Mercato	17.489.570	54,87%
Own Shares	782.250	2,45%
<b>Total</b>	<b>31.871.820</b>	<b>100,00%</b>

\* of which 1.100.187 shares (3.45%) owned by Davide Verdesca (CEO), and 692.935 shares (2.17%) by Francesco Merone (CFO)  
Source: Corporate website

**STOCK PERFORMANCE**



**DISCLAIMER  
UPDATES**

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Date	Target Price	Market Price	Validity Time
5 October 2022	0.67	0.28	12 months
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)

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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