



Back on track: FY22 sales +48%, strong recovery in profitability in 2H

Sector: Technology

2H22: double-digit top line growth (+19%) and EBITDA margin of 8%. SG Company Società Benefit released FY22 results posting healthy growth and recovery in profitability. Sales came in at Euro 16.8 m, +48% YoY (Euro 11.4 m in FY21) driven by a healthy order portfolio as the physical events market finally went back to normal in Q2. The result was however below our estimates and Management's guidance (both Euro 20.8 m) mainly due to lack of venues as demand boomed in 2H, with many clients deciding to move events to 1H23. EBITDA came in at Euro 0.7 m (4% on sales) below last year's of Euro 1.5 m, which however benefitted from Euro 2.0 m Covid related state-aid (Euro 0.2 m in FY22), but +39% above our estimates (Euro 0.5 m). The improvement was driven by a strong second half of the year with an EBITDA of Euro 0.8 m or 8% on sales thanks mainly to operational leverage (fixed costs spread on higher sales volumes). We highlight that for the full year, personnel expense remained largely in line with FY22 despite the significant increase in revenues (Euro 3.1 vs Euro 2.9 in FY21). The bottom line showed a Net Profit of Euro 0.2 m vs. a Net loss of Euro 0.1 m in FY21. We recall that the Group is still benefitting from a Covid-related suspension of D&As. Looking at the balance sheet, Net Debt stood at Euro 3.4 m, up from Euro 0.8 at the end of last year and above our estimates of Euro 0.3 m, after some NWC absorption following increased sales volumes, extraordinary layoff related expenses (Euro 0.3 m), M&A (total cash out Euro 0.7 m in FY22), and buyback of shares (Euro 0.4 m). Net Equity at the end of the period considered was of Euro 3.1 m (Euro 2.9 m in FY21).

Strong order backlog and M&A in support of short-term growth. Management did not update guidance but expressed confidence about the positive market trend and the possibility to reach the targets set up for FY23 in the Industrial Plan (FY23 sales of Euro 25.2 m and EBITDA of 1.1 m, Cash positive of Euro 1.9 m) on the back of a strong order backlog (Euro 10 m at the end of March) and recent commercial activity, further pinned by the full consideration of Louder as of Q223 after the increase of the Group's share to 51% (26% previously) at the end of March. Management confirmed a growth strategy focused on internationalization and widening of product portfolio in order to be able to provide a complete offering in terms of communication products and value-added services. Management also confirmed its commitment to continue its external growth path according to the investment plan announced in July 2022, and recently announced the agreement to invest up to Euro 3.0 m for a minority stake (12-13%) in Kampaay, a digital events platform with international presence and a complementary product portfolio. In our view, the strong market demand, coupled with the structural changes made over the last 24 months in terms of innovation, diversification and internal efficiencies should allow the Company to continue to grow revenues and margins also in the mid-term and we therefore confirm our positive stance of the stock.

Estimate upgrade and new TP. Based on FY22 results we updated our estimates to factor in the better-than-expected FY22 profitability and the consolidation of Louder which we expect to record revenues of c. Euro 7 m in FY23 with an EBITDA margin of 6%. Overall, this translates in an average increase in EPS of +62%. Based on our updated estimates we set a new TP of 0.82 p.s. (Euro 0.67 p.s. p.v) an increase by 22% vs. our last report despite a worsening interest rate scenario (WACC +87 bps). Our valuation, based on a DCF model provides for a potential upside of c. 163%.

Target Price 0.82 (0.67 pr.)

Market Cap (€ m) **9.9**

EV (€ m) **13**

Market Price (€) **0.31**

As of 4th April, 2023

Share Data

Market	Euronext Growth Milan
Bloomberg	SGC.IM
ISIN	IT0005337172
N. of Shares	31,862,070
Market	54.48%
Warrants Outstanding	17,968,265
Strike price war. (Eu)	0.66
Exerc. Period war.	Nov 23-27
CEO	Davide Verdesca

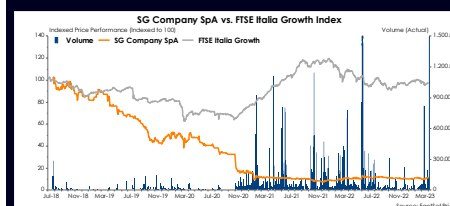
Financials

	2021A	2022A	2023E	2024E
Sales	11.4	16.9	32.2	37.0
YoY %	+14%	48%	91%	15%
EBITDA	1.5	0.7	1.9	3.7
EBITDA %	13%	4%	6%	10%
EBIT	(0.1)	0.4	1.6	2.9
EBIT %	n.m.	3%	5%	8%
Net Income	(0.1)	0.2	1.1	2.1
Net D/(C)	0.8	3.4	3.5	1.5
Net Equity	2.9	3.1	4.2	6.3

Performance

	1M	3M	6M
Absolute %	+19%	+15%	+8%
Relative (FTSE Italia Growth)	+20%	+15%	+3%

52-week High/Low (Eu)



PSustainability

Sustainability and impact reports available

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KEY FINANCIALS

Profit&Loss Statement	2020A	2021A	2022A	2023E	2024E
Revenues	10,0	11,4	16,9	32,2	37,0
EBITDA	(3,4)	1,5	0,7	1,9	3,7
EBIT	(4,1)	(0,1)	0,4	1,6	2,9
Financial Income (charges)	(0,1)	(0,0)	(0,1)	(0,2)	(0,2)
Extraordinary items	0,0	0,0	0,0	0,0	0,0
Pre-tax profit (loss)	(4,1)	(0,1)	0,4	1,5	2,8
Taxes	1,0	(0,0)	(0,1)	(0,3)	(0,7)
Net profit (loss)	(3,1)	(0,1)	0,2	1,1	2,1

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

Cash Flow					
Net Profit	(3,1)	(0,1)	0,2	1,1	2,1
D&A	0,0	0,0	0,0	0,0	0,5
Other non cash items	(0,2)	0,6	(0,9)	0,0	0,0
Change in Working Capital	1,0	(1,6)	(0,5)	(0,7)	(0,5)
Cash Flow from Operations	(2,3)	(1,1)	(1,2)	0,4	2,1
Capex	1,1	(0,8)	(1,5)	(0,5)	(0,1)
Operating Free Cash Flow	(1,1)	(1,9)	(2,7)	(0,0)	2,0
Change in Net Equity	(0,1)	4,1	(0,0)	(0,0)	0,0
Free Cash Flow	(1,2)	2,2	(2,7)	(0,1)	2,0

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

Ratios					
EBITDA margin	n.s.	13,1%	4,1%	5,9%	10,0%
EBIT margin	n.s.	n.s.	2,6%	5,0%	7,9%
Net Debt/Equity	-268,2%	25,8%	110,9%	82,9%	23,7%
Net Debt/(Net Debt + Equity)	159,5%	20,5%	52,6%	45,3%	19,2%
Net Debt/EBITDA	n.s.	0,50	4,91	1,82	0,41
Interest cover EBIT	n.s.	n.s.	4,73	10,67	19,59
ROE	278,5%	-4,1%	7,1%	26,3%	33,5%
ROCE	-268,3%	-1,8%	8,8%	25,4%	46,0%
Free Cash Flow Yield	n.m.	22,4%	n.m.	n.m.	20,0%

Growth Rates					
Revenues	-73%	14%	48%	91%	15%
EBITDA	-60%	144%	-53%	174%	94%
EBIT	-37%	98%	714%	260%	84%
Net Profit	16%	96%	286%	401%	92%

FY22 Key Financials

Euro m	FY22	FY21	20A	19A
Gross Revenues	16.9	11.4	10,0	37,4
yoy	+48%	+14%	-73%	12%
EBITDA adj	0.7	1.5	(3,4)	(2,1)
Ebitda Margin	4%	13%	n.m.	n.m.
EBIT adj	0.4	(0.1)	(3,8)	(2,5)
EBIT Margin	3%	n.m.	n.m.	n.m.
Pre tax profit	0.4	(0.1)	(4,1)	(4,3)
Net Profit/ (Loss)	0.2	(0.1)	(3,1)	(3,7)
Net Working Capital (NWC)	2.9	2.5	0.8	1.9
Fixed net assets	4.4	2.9	2.2	2.2
Funds	(0.8)	(1.7)	(1.1)	(0.9)
Net Capital Employed	6.5	3.7	1.9	3.2
Net Financial Position (Cash)	3.4	0.8	3.0	1.1
Total Equity	3.1	2.9	(1.1)	2.0
Sources	6.6	3.7	1.9	3.2

Source: Consolidated financial statements

Estimate Revision

Euro m	22E Old	22Act.	23E Old	23E New	24E Old	24E New
Revenues	20,8	16,9	25,2	32,2	29,0	37,0
yoy	83%	48%	21%	91%	15%	15%
EBITDA adj	0,5	0,7	1,1	1,9	2,9	3,7
margin	2%	4%	4%	6%	10%	10%
EBIT	0,3	0,4	0,7	1,6	2,5	2,9
margin	1%	3%	3%	5%	9%	8%
Pre tax profit	0,2	0,4	0,6	1,5	2,4	2,8
Net Profit	0,2	0,2	0,5	1,1	1,9	2,1

Euro m	22E Old	22Act.	23E Old	23E New	24E Old	24E New
Net Working Capital	2,1	3,0	2,3	3,7	3,1	4,2
Fixed net assets	3,0	4,4	2,9	4,9	2,7	4,5
Funds	(1,7)	(0,9)	(1,7)	(0,9)	(1,7)	(0,9)
Net Capital Employed	3,4	6,5	3,4	7,7	4,1	7,8
					0	
Net Debt/ (Cash)	0,3	3,4	(0,2)	3,5	(1,4)	1,5
Total Equity	3,1	3,1	3,6	4,2	5,6	6,3
Sources	3,4	6,5	3,4	7,7	4,1	7,8

Source: Group data for FY21, PMI Capital research estimates for FY 23-24

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 Fair Value of SG Company SB of Euro 26 m, or Euro 0.82 p.s., an increase by 22% vs. our last report despite a worsening interest rate scenario (WACC +87 bps). Our TP provides for an upside vs. current share price of c. 163%. Our valuation is based on the Discounted Cash Flow (DCF) analysis as we for now have excluded a multiple based analysis as a longer timeframe is needed to reflect the fair value of the Company as the industry is still recovering from the devastating effects of the Covid pandemic.

DCF Valuation		
WACC	8.77%	
Perpetual growth rate (g)	1%	
Sum of PV 2023-28 FCFs	10.4	36%
Discounted terminal value	18.3	64%
Enterprise Value	28.7	100%
Net Debt (FY22)	3.4	
Equity Value	25.3	
Shares Outstanding (net of own shares) m	30,9	
Price per share (Euro)	0.82	

G 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

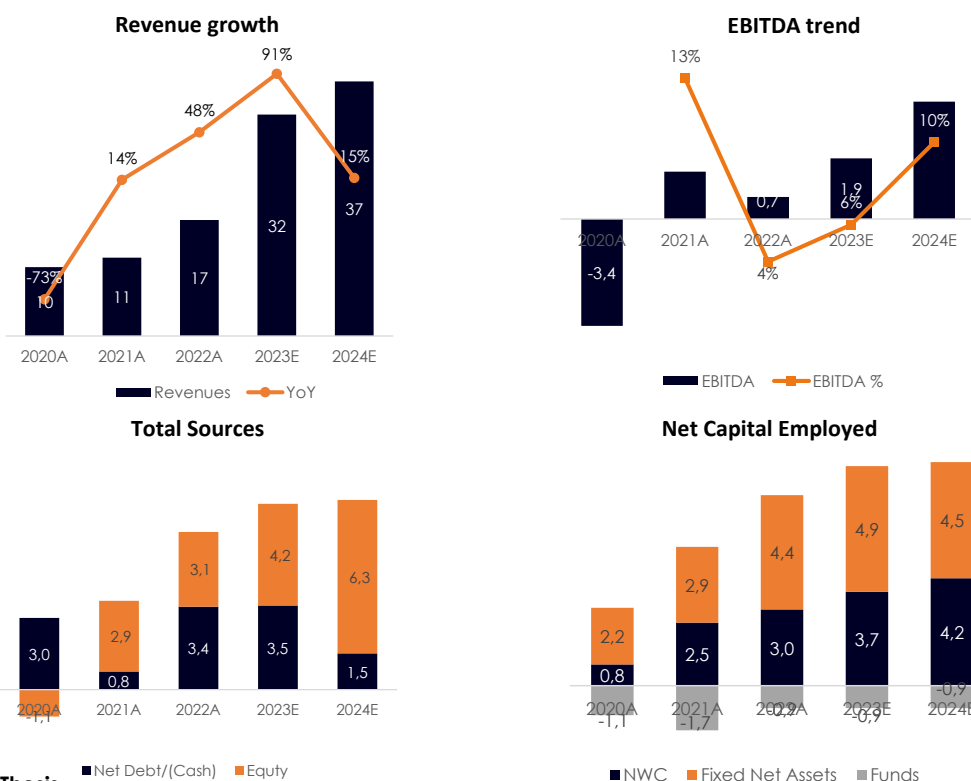
Davide Verdesca – Chairman and CEO
 Francesco Merone – CFO
 Luigi Spinolo – Non executive Board Member
 Davide Mantegazza - Non executive Board Member
 Silvia Pugi - Non executive Board Member
 Carlo Altomonte – Independent Board Member

Shareholders

DL Srl	31.39%
Zeus Capital Alternative Sif	11.29%
Own shares	2.84%
Market	54.48%

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).
- 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. As of March 2022, SG Company BC has adopted and Organization Model pursuant to the 231/2001 law.

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

SHARES (as of April 4th, 2023)

Code: SGC
 Bloomberg: SGC IM
 Reuters: SGC.MI
 ISIN: IT0005337172
 Shares: 31.862.070
 Price: Euro 0.31
 Performance from IPO: -85%
 Capitalisation: Euro 9.9 m
 Market: 54.48%
 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

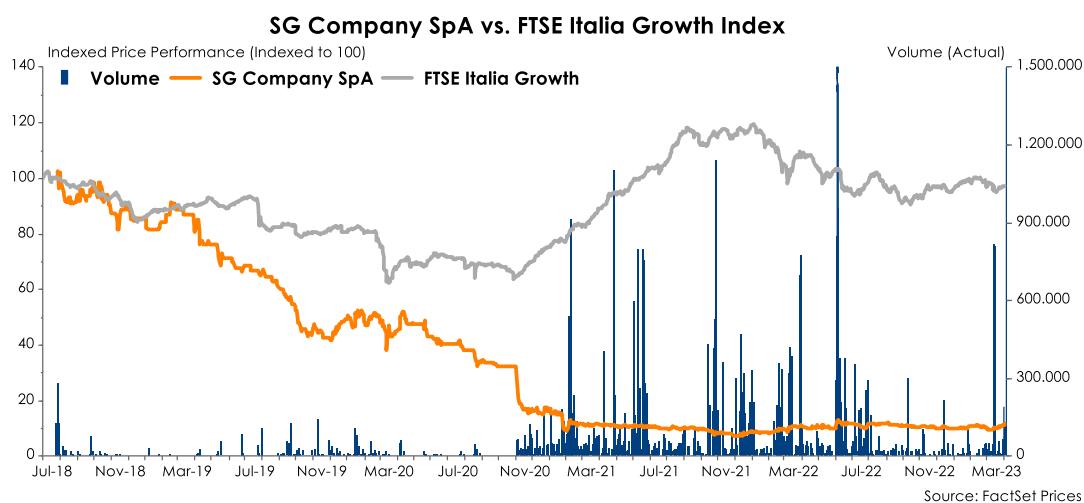
WARRANT 2018-2027 (as April 4th, 2022)

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	31,39%
Zeus Capital Alternative Sif	3.600.000	11,29%
Mercato	17.357.820	54,48%
Own Shares	905.250	2,84%
Total	31.871.820	100,00%

STOCK PERFORMANCE



DISCLAIMER

UPDATES

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Date	Target Price	Market Price	Validity Time
5 April, 2023	0.82	0.31	12 months
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)

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