

SCM SIM

FY20 in line with expectations and positive outlook confirmed

FY20 Results in line with expectations: SCM SIM, private banking and wealth management company authorized to managed portfolio, provide investment advice and placement services, closed FY20 basically in line with our estimates and with Asset Under Control of Euro 924 m, + 20% vs. year-end 2019 (Euro 772 m). Fee income came in at Euro 5.5 m (Euro 5.7 m our forecast), after an inevitable drop during the lockdown months, and after a strong recovery in 2H20 with revenues +8% vs. prior year (-40% in 1H20). Performance fees counted approximately for Euro 0.6 m (Euro 1.2 m FY19) while insurance fees grew by +270% vs. prior year thanks to the strengthening of the commercial network with 20 Eurovita consultants. Brokerage margin came in at Euro 3.2 m, in line with our forecast (Euro 3.8 in FY19) and with an increase in Brokerage Margin on Fee Income by 200 bps to 57.5% (55.5% in FY19), following the implementation of a new pay-out policy for the commercial network. Operating expenses decreased by 11.3% to Euro 3.3 m thanks to Mangerton's efforts to control costs: personnel and administrative costs were down by -8% and -18% respectively. Net Result was negative for Euro -0.1 m, compared to Net Profit of Euro 15 k in FY19 and our Net Loss of Euro -0.1 m. Total Equity stood at Euro 3.3 m. At the end of FY20, the sales network counted n. 37 consultants (23 in FY19).

Continuous focus on sales network to boost future growth. Covid apart, FY20 for the Company was characterized by the expansion and training of the commercial network, which represent a key growth driver. In particular, Management implemented a training program for the newly acquired resources specialized in insurance, in order to qualify also as financial consultant, and thereby widen the range of services that they are qualified to offer. Management stated that over the next months, the Company will continue to focus on strategic actions aimed at increase AuC, consolidate profitability and strengthen the commercial network with main value drivers being:

- Recruitment of new financial advisors from other banking networks / institutions
- Development of the commercial network through the consolidation of the skills acquired by financial and insurance consultants
- Efficiency of operations and greater management capacity
- Release of new periodic services (on a quarterly basis)
- Digitization process of all activities with low added value
- Implementation and release of a software, called "Wealth Plan", which allows to give the client an overall view of his assets.

Positive outlook and estimates: Management highlighted that in the last quarter of the year, the Company saw a strong acceleration with an increase in fee income by +50% vs Q419, and in brokerage margin by +67%. However, Management also underlined that it still difficult to make any assumptions on the performance of financial markets in 2021, considering the uncertainties regarding the duration and general economic effects of the Covid-19 pandemic. We however stress that the performance of insurance business line (28% of total fees) does not depend on the performance of financial markets. Given the above, we remain confident that the recent reinforcement of the operating structure (new consultants and the new deputy general manager) will allow for healthy growth over the next months. Based on the above and on FY20 results we trimmed our estimates, now assuming fee income of Euro 7.3 m and Euro 9.1 m respectively in 2021 and 2022 vs. previous estimates of Euro 7.1 m and Euro 8.2 m. We also finetuned our brokerage fee to align with the positive results obtained in FY20, whereas we slightly increased operating costs following the strengthening the commercial network. Overall we made an average adjustment of net fees and EPS of +12% and -52% respectively.

Valuation update: Following our estimates, we set a target price of Euro 6.61 per share, providing for a +64% upside on current stock price and obtained by the application of DCF model.

Sector: Finance

Target Price (Euro)	6.61 (6.96 pr)
Market Price (Euro)	4.04
Market Cap (Euro m)	8.1
EV (Euro m)	7.9
As of May 3 rd , 2021	

Share Data

Market	AIM Italia
Reuters/Bloomberg	SCM IM/SCM.MI
ISIN	IT0005200248
N. of Shares	2,006,240
Free Float	17.94%
CEO	Antonello Sanna

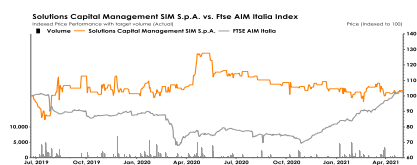
Financials

	2019A	2020A	2021E	2022E
Fees Income	6.9	5.5	7.3	9.1
YoY %	+9%	-20%	+32%	+25%
Net Fees	3.9	3.2	4.2	5.5
Brokerage margin	3.8	3.2	4.2	5.5
EBT	0.1	(0.2)	0.2	0.6
EBT/Brokerage margin	2.1%	-5.0%	5.8%	10.0%
Net Profit	0.0	(0.1)	0.1	0.4
Net Debt (Cash)	(1.0)	(0.2)	(0.7)	(0.9)

Performance

	1M	3M	1Y
Absolute	1.5	2.5	-18.9
Relative (FTSE AIM Italia)	-4.3	-14.0	-40.5
52-week High/Low (Eu)	6.00 / 3.60		

IR TOP RESEARCH
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KEY FIGURES

Euro m	2018A	2019A	2020E	2021E	2022E
Profit & Loss Statement					
Fee income	6,4	6,9	5,5	7,3	9,1
Fees expenses	(3,3)	(3,1)	(2,3)	(3,1)	(3,6)
Net fees	3,0	3,9	3,2	4,2	5,5
Brokerage margin	3,0	3,8	3,2	4,2	5,5
Operating costs	(4,5)	(3,7)	(3,3)	(3,9)	(4,9)
Pre-tax Profit (Loss)	(1,3)	0,1	(0,2)	0,2	0,6
Taxes	0,3	(0,1)	0,0	(0,1)	(0,2)
Net Profit (Loss)	(1,1)	0,0	(0,1)	0,1	0,4
Balance Sheet					
NWC	2,4	1,8	2,6	2,5	2,9
Fixed assets	0,2	0,7	0,7	0,4	0,2
M/L Funds	0,2	0,1	0,2	0,2	0,2
Net Capital Employed	2,4	2,4	3,1	2,7	2,8
Net financial Debt (Cash)	(0,4)	(1,0)	(0,2)	(0,7)	(0,9)
Total Equity	2,9	3,4	3,3	3,4	3,8
Cash Flow					
Net Profit (Loss)	(1,1)	0,0	(0,1)	0,1	0,4
D&A	0,1	0,3	0,3	0,3	0,3
Change in M/L Funds	0,0	(0,0)	0,0	0,0	0,0
Gross Cash Flow	(1,0)	0,3	0,2	0,4	0,7
Change in NWC	(0,1)	0,7	(0,8)	0,1	(0,4)
Operating Cash Flow	(1,0)	1,0	(0,6)	0,5	0,3
Capex	(0,1)	(0,9)	(0,2)	(0,1)	(0,1)
Free Cash Flow	(1,1)	0,1	(0,8)	0,5	0,3
Dividends	0,0	0,0	0,0	0,0	0,0
Change in Equity	0,2	0,5	(0,0)	0,0	0,0
Change in Net financial Debt (Cash)	(1,0)	0,6	(0,8)	0,5	0,3
Per Share Data					
Current Price	€ 4,04				
Total outstanding shares (m)	1,91	2,01	2,01	2,01	2,01
EPS	(0,55)	0,01	(0,07)	0,07	0,19
DPS	0,00	0,00	0,00	0,00	0,00
FCF	(0,59)	0,04	(0,42)	0,23	0,14
Pay-out ratio	0,0%	0,0%	0,0%	0,0%	0,0%
Ratios					
Fee income/AuM	0,8%	0,9%	0,6%	0,6%	0,6%
Fee expenses/Fee income (%)	-52,4%	-44,0%	-42,0%	-42,0%	-40,0%
Net fees/AuM	0,4%	0,5%	0,3%	0,4%	0,4%
Cost/Income ratio	-149,3%	-96,5%	-103,6%	-93,0%	-89,0%
EBT/Brokerage margin	-43,2%	2,1%	-5,0%	4,8%	10,0%
Net Debt/Equity (Gearing)	-15,2%	-30,8%	-6,2%	-19,4%	-24,7%
Total Equity/Total Assets	70,2%	68,4%	63,5%	66,6%	66,6%
ROE	-36,8%	0,4%	-4,3%	4,2%	10,2%
Free Cash Flow Yield	-14,5%	1,1%	-10,4%	5,7%	3,4%
Growth Rates					
Assets under Control (AuC)	-21,9%	-8,8%	19,7%	23,8%	24,5%
Fee income	-19,9%	8,9%	-20,2%	32,0%	25,0%
Fees expenses	-14,1%	-8,5%	-24,0%	32,1%	19,0%
Net fees	-25,4%	28,1%	-17,2%	31,9%	29,3%
Brokerage margin	-26,5%	27,5%	-17,3%	33,1%	29,3%
Pre-tax Profit (Loss)	-377,6%	106,2%	-296,6%	228,0%	169,3%
Net Profit (Loss)	-233,6%	101,4%	-1021,6%	202,5%	169,3%

ASSET UNDER CONTROL

Asset Under Control	FY 2017	FY 2018	FY 2019	FY 2020
Asset management	168,969	168,371	186,063	160,052
Advisory	852,259	577,857	503,839	389,430
Insurance portfolio	61,562	83,382	61,939	356,186
SICAV	-	16,156	19,748	17,980
Total	1,082,791	845,766	771,589	923,648

Source: Company data – Euro'000

FINANCIALS

Income Statement – Euro m	FY 2020A	FY 2019A	Var. % 19-20
AuC	923,648	771,589	+19.7%
Fee income	5.5	6.9	-20.2%
Fee income / AuC	0.60%	0.90%	
Fee expenses	2.3	3.1	-24.0%
Fee expenses / Fee income	42.0%	44.0%	
Net Fees	3.2	3.9	-17.2%
Net Fees/AuC	0.35%	0.50%	
Brokerage margin	3.2	3.8	-17.3%
Brokerage margin / Fee income	57.5%	55.5%	
Operating Costs	(3.2)	(3.7)	-11.3%
Operating Cost/Income ratio	103.6%	96.5%	
Pre-tax Profit / (Loss)	(0.2)	0.1	n.m.
EBT/Brokerage margin	-5.0%	2.1%	
Net Profit / (Loss)	(0.1)	0.0	n.m.

Balance Sheet – Euro m	FY 2020A	FY 2019A	Var. % 19-20
Net Working Capital (NWC)	2.6	1.8	+46.3%
Fixed net assets	0.7	0.7	-11.7%
Funds	(0.2)	(0.1)	+15.0%
Net Capital Employed	3.1	2.4	+29.9%
Net Financial Position (Cash)	(0.2)	(1.0)	-80.8%
Total Equity	3.3	3.4	-4.2%
Sources	3.1	2.4	+29.9%

Source: Company data (IAS/IFRS)

ESTIMATES OVERVIEW

Income Statement	2020A	2021E	2021E	2022E	2022E
Euro m		Old	New	Old	New
Fee income	5.5	7.1	7.3	8.2	9.1
YoY	-20.7%	+25.0%	+32.0%	+15.0%	+25.0%
Fee expenses	2.3	(3.1)	3.1	(3.6)	3.6
Net Fees	3.2	4.0	4.2	4.6	5.5
YoY	-17.2%	+25.0%	+33.9%	+15.0%	+29.3%
Brokerage margin	3.2	4.0	4.2	4.6	5.5
Brokerage margin / Fee income	57.5%	56.0%	58.0%	56.0%	60.0%
Operating costs	(3.7)	(3.6)	(3.9)	(3.7)	(4.9)
Cost/Income ratio	103.6%	-88.9%	-93.0%	-81.2%	-89.0%
Pre-tax Profit / (Loss)	(0.2)	0.4	0.2	1.1	0.6
EBT/Brokerage margin	-5.0%	11.1%	4.8%	24.2%	10.0%
Net Profit / (Loss)	(0.1)	0.3	0.1	0.8	0.4
EPS (Euro)	n.a.	0.16	0.07	0.39	0.19

Balance Sheet	2020A	2021E	2021E	2022E	2022E
Euro m		Old	New	Old	New
Net Working Capital (NWC)	2.6	1.9	2.5	2.1	2.9
Fixed net assets	0.7	0.3	0.4	0.3	0.2
Funds	(0.2)	(0.1)	(0.2)	(0.1)	(0.2)
Net Capital Employed	3.1	2.2	2.7	2.3	2.8
Net Financial Position (Cash)	(0.2)	(1.5)	(0.7)	(2.1)	(0.9)
Total Equity	3.3	3.6	3.4	4.4	3.8
Sources	3.1	2.2	2.7	2.3	2.8
ROE	-4.3%	8.6%	4.2%	17.8%	10.2%
Total Equity / Total Assets	63.5%	76.1%	66.6%	78.5%	66.6%

Source: Company data (IAS/IFRS) for FY 2020, IR Top Research estimates for FY 2021-2022

Cost of Equity	
Perpetual growth rate	1.0%
Risk free rate (BTP 10Y 24 months average)	1.2%
β unlevered	0.92
Equity risk premium	6.85%
D/E target	0.0%
Tax rate	24.0%
Cost of equity (Ke)	7.44%

DCF Valuation		
<i>Euro'000</i>		
Sum of PV 2021-25 FCFs	2.4	18%
Discounted terminal value	10.9	82%
Enterprise Value	13.3	
N. of outstanding shares (m)	2.0	
Fair Value p.s.	6.61	

DCF Sensitivity analysis

Euro m		Ke				
		6.4%	6.9%	7.4%	7.9%	8.4%
g	0.5%	7.4	6.7	6.2	5.7	5.3
	1.0%	8.0	7.2	6.6	6.1	5.6
	1.5%	8.7	7.8	7.1	6.5	6.0

DETAILS PEER GROUP

	Country	Market Cap (Euro m)	AuM 2020E (Euro m)	Net profit 2019A (Euro m)	Net profit 2020E (Euro m)
ANIMA Holding SpA	Italy	1,589	194,334	146	160
Azimut Holding SpA	Italy	2,942	53,613	372	368
Banca Generali SpA	Italy	3,775	74,488	272	275
Banca Mediolanum SpA	Italy	5,885	72,799	565	434
Ashmore Group Plc	UK	3,279	84,724	203	197
GAM Holding AG	Switzerland	343	113,033	(3)	(14)
Janus Henderson Group PLC	UK	4,973	333,957	372	450
Julius Baer Gruppe AG	Switzerland	11,735	400,724	418	645
Jupiter Fund Management Plc	UK	1,644	67,613	140	167
Liontrust Asset Management PLC	UK	1,136	35,573	15	106
Man Group Plc	UK	2,803	102,466	255	114
Schroders Plc	UK	11,092	667,190	563	661
Skarbiec Holding S.A.	Poland	60	975	7	7
St. James's Place Plc	UK	8,435	149,487	167	303
Standard Life Aberdeen PLC	UK	6,960	624,978	239	480
Asset management peers' median		3,279	102,466	239	275
SCM SIM	Italy	8	924	0.0	(0.1)

Source: FactSet data as of May 3rd, 2021 for peers and IR Top Research estimates for SCM SIM

	Market Cap / AuM		P/E	
	21E	22E	21E	22E
ANIMA Holding SpA	0.8%	0.8%	8.3	8.8
Azimut Holding SpA	4.7%	4.4%	10.4	10.0
Banca Generali SpA	4.7%	5.1%	13.7	14.1
Banca Mediolanum SpA	7.5%	7.1%	13.2	12.4
Ashmore Group Plc	3.5%	3.2%	14.3	16.0
GAM Holding AG	0.3%	0.3%	n.a.	52.5
Janus Henderson Group PLC	1.5%	1.4%	9.8	9.6
Julius Baer Gruppe AG	2.7%	2.6%	12.8	11.7
Jupiter Fund Management Plc	2.3%	2.2%	10.2	9.6
Liontrust Asset Management PLC	2.7%	2.3%	16.8	14.5
Man Group Plc	2.5%	2.3%	11.6	10.5
Schroders Plc	1.6%	1.5%	17.2	16.0
Skarbiec Holding S.A.	n.a.	n.a.	10.2	10.2
St. James's Place Plc	5.0%	4.5%	23.0	19.3
Standard Life Aberdeen PLC	1.1%	1.1%	22.4	19.5
Asset management peers' median	2.6%	2.3%	13.0	12.4
SCM SIM	0.7%	0.6%	56.7	21.1
Discount/Premium to peers	-73%	-75%	n.m.	+69%

Source: FactSet data as of May 3rd, 2021 for peers and PMI Capital for P/E multiple for SCM Sim

COMPANY PROFILE

Solutions Capital Management SIM is a Private Banking and Wealth Management company authorized to manage portfolios, provide investment advice and placement services. SCM SIM, founded in 2009 by Antonello Sanna (current CEO), was the first **SIM to be listed on the Italian stock market**. The Company offers customised advisory solutions, applying a unique, innovative and sustainable business model in Italy, which is based on **independence, transparency** and the **absence of conflicts of interest**, in line with the **"fee only" advice model**.

STRATEGY

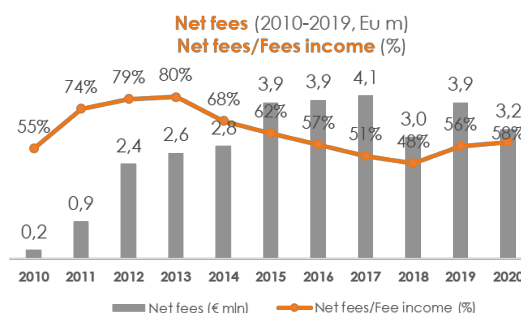
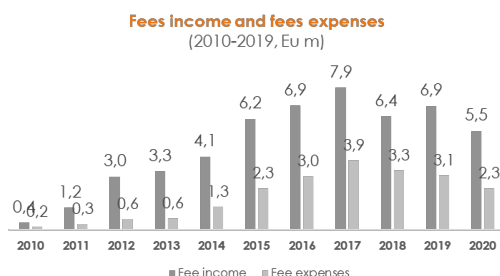
- Recruitment of new financial advisors from other banking networks / institutions;
- Development of the commercial network through the consolidation of the skills acquired by financial and insurance consultants;
- Efficiency of operations and greater management capacity, also achieved after obtaining the authorization to hold the assets;
- Release of new periodic services (on a quarterly basis);
- Digitization process of all activities with low added value (e.g. non-periodic reporting to customers);
- Implementation and release of a software, called "Wealth Plan", which allows to give the customer an overall view of his assets.

OPPORTUNITIES

- Unique business model based on Independence, Transparency and No conflict of interests in line with UK best practice.
- MiFID II compliant: since its authorization in 2010, SCM SIM has adopted a business model that "No rebates" (the Company does not receive fees from issuers, but only from customers).
- Management team with long experience in the financial industry.
- Skilled team of financial and insurance consultants.

MAIN RISKS

- Dependence on financial market performance.
- Regulatory environment. The Company operates in a highly regulated market, where its products are strongly impacted by changes in the current legislation.
- Reputational risk by customers, shareholders, investors or Supervisory Authorities (e.g. privacy violation).
- Low free float and stock liquidity.



SCM SIM ON AIM ITALIA

IPO

Trading Market: AIM Italia – Borsa Italiana SpA

Date: July 28th, 2016

Price: Euro 10.59

Capital raised: Euro 2.2 m

Capitalisation: Euro 20.2 m

SHARES (as of May 3rd, 2021)

Code: SCM

Bloomberg: SCM IM

Reuters: SCM.MI

ISIN: IT0005200248

Shares: 2,006,240

Share capital: Euro 2,006,240

Price: Euro 4.04

Performance from IPO: -62%

Capitalisation: Euro 8 m

Free Float: 17.94%

NomAd: EnVent Capital Markets

Specialist: Banca Finnant Euramerica SpA

Auditing firm: Crowe AS SpA

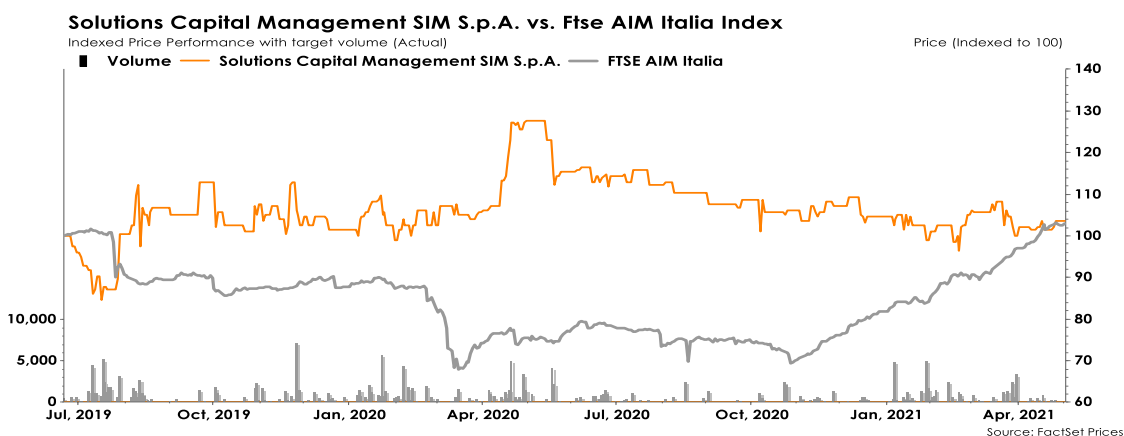
Stock option plan. The Shareholder's Meeting approved the share capital increase by December 31st, 2024 by issuing a maximum of no. 400,000 new ordinary shares. The beneficiaries (employees with strategic roles, members of the Board of Directors and financial advisors), upon the satisfaction of certain conditions, will be able to exercise the option right and subscribe for the shares at a price of Euro 4.15.

OWNERSHIP

Shareholder	N° of shares	%
HPS Holding Partecipazioni Societarie Srl	1,646,360	82.06%
Market	359,880	17.94%
Total	2,006,240	100.00%

Source: Company data as of May 3rd, 2021

STOCK PERFORMANCE



DISCLAIMER

UPDATES: This Research is an update coverage made by IR Top Consulting S.r.l. (IR Top) on SCM SIM (the "Company"). Update frequency might depend on circumstances considered to be important (corporate events and changes of recommendation, etc.) or on further advisory commitment. Last Research on the same Company was released on October 20th 2020. Opinions and estimates of this Research are as the date of this material and are subject to change. Information and opinions have been obtained from sources public and believed to be reliable, but no warranty is made as to their accuracy or correctness. Past performances of the Company are not guarantee of future results. During the last 12 months, the following indications have been disseminated:

Date	Target Price	Market Price	Validity Time
May 4 th , 2021	6.61	4.04	12 months
October 20 th , 2020	6.96	4.12	12 months
May 13 th , 2020	7.32	4.98	12 months
November 7 th , 2019	7.24	4.10	12 months
May 15 th , 2019	7.15	4.74	12 months
October 25 th , 2018	9.25	8.50	12 months
June 7 th , 2018	10.24	9.20	12 months

VALUATION METHODOLOGY (HORIZON: 12M): IR Top obtained a fair value using different valuation methodologies including Discounted Cash Flow method and Multiple-based models. Moreover, IR Top used a proprietary model, "AIM Positioning rating", which incorporates a number of variables selected by IR Top based on research of "Osservatorio AIM Italia", managed by IR Top and focused on research about performance of Companies listed on AIM Italia.

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

RESEARCH TEAM:

Luisa Primi, (Senior Analyst, AIAF Associated)
Chiara Cardelli, (Researcher)

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