

UPDATE

EQUITY RESEARCH

Simone

SIM
INTEGRÆ

Euronext Growth Milan | Publishing | Italy

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Rating

BUY

unchanged

Target Price

€ 3,10

prev. € 3,10



Risk

Medium

Upside potential

88,5%

Key Financials (€/mIn)	FY23A	FY24E	FY25E	FY26E
Revenues	16,9	18,7	20,2	21,9
VoP	18,9	20,5	21,8	23,5
EBITDA	3,0	3,4	3,8	4,5
EBIT	2,0	2,3	2,8	3,5
Net Income	1,2	1,6	2,0	2,5
EBITDA margin	16,0%	16,4%	17,5%	19,2%
EBIT margin	10,5%	11,2%	12,9%	14,9%
Net Income margin	6,4%	7,6%	9,0%	10,4%

Stocks performance relative to FTSE Italia Growth



Stock Data

Price	€ 1,65
Target price	€ 3,10
Upside/(Downside) potential	88,5%
Ticker	SMN IM
Market Cap (€/mIn)	€ 12,34
EV (€/mIn)	€ 9,93
Free Float (% on Ordinary Shares)	27,63%
Share Outstanding	7.500.000
52-week high	€ 2,28
52-week low	€ 1,48
Average Daily Volumes (3 months)	3.889

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Stock performance	1M	3M	6M	1Y
Absolute	8,2%	-18,6%	n/a	n/a
to FTSE Italia Growth	5,3%	-20,0%	n/a	n/a
to Euronext STAR Milan	2,7%	-22,8%	n/a	n/a
to FTSE All-Share	3,0%	-29,6%	n/a	n/a
to EUROSTOXX	5,0%	-25,0%	n/a	n/a
to MSCI World Index	2,9%	-24,4%	n/a	n/a

Main Ratios	FY23A	FY24E	FY25E	FY26E
EV/EBITDA	3,3x	3,0x	2,6x	2,2x
EV/EBIT	5,0x	4,3x	3,5x	2,8x
P/E	10,2x	8,0x	6,3x	5,0x

FY23A Results

The value of production came in at € 18.87 million, compared to € 16.46 million recorded at the end of 2022, and to our previous report's estimated of € 18.95 million. EBITDA, at the end of the 2023 financial year, amounted to € 3.02 million, up from € 1.74 million in 2022 (+73.5%), and essentially consistent with our estimate. The EBITDA margin for the period was therefore 16.0%, clearly growing from the 10.6% of the previous year and our estimate of 15.6%. Net income, at the end of 2023, amounted to € 1.21 million, higher than the figure for the previous period, equal to € 0.74 million.

Estimates Update

In light of the results published in the Annual Report for FY23A, we substantially confirm our estimates for both the current year and the following years. In particular, we estimate an FY24E value of production of € 20.45 million, and an EBITDA of € 3.35 million, corresponding to a margin of 16.4%. In the following years, we expect the value of production to reach € 23.45 million (CAGR 23A-26E: 7.5%) in FY26E, with EBITDA equal to € 4.50 million (corresponding to a margin of 19.2%), up from € 3.02 million in FY23A (corresponding to an EBITDA margin of 16.0%).

Valuation Update

We conducted our valuation of the equity value of Simone based on the DCF method and multiples of a sample of comparable companies. The DCF method (including, for prudential purposes, a specific risk of 2.5% in the calculation of the WACC) returned an equity value of € 24.4 million. Using market multiples, the equity value of Simone was calculated as € 22.1 million (including a 25.0% discount). The result is an average equity value of approximately € 23.3 million. The target price is € 3.10, with a BUY rating and MEDIUM risk.

Economics & Financials

TABLE 1 – ECONOMICS & FINANCIALS

CONSOLIDATED INCOME STATEMENT (€/mln)	FY22A*	FY23A	FY24E	FY25E	FY26E
Revenues	14,76	16,93	18,70	20,20	21,90
Other revenues	1,70	1,94	1,75	1,55	1,55
Value of Production	16,46	18,87	20,45	21,75	23,45
COGS	2,54	1,93	2,30	2,65	2,80
Services	7,00	9,09	9,55	10,10	10,80
Use pf assets owned by others	0,46	0,55	0,60	0,50	0,50
Employees	3,58	3,86	4,05	4,00	4,10
Other operating costs	1,14	0,42	0,60	0,70	0,75
EBITDA	1,74	3,02	3,35	3,80	4,50
<i>EBITDA Margin</i>	<i>10,6%</i>	<i>16,0%</i>	<i>16,4%</i>	<i>17,5%</i>	<i>19,2%</i>
D&A	0,73	1,04	1,05	1,00	1,00
EBIT	1,01	1,98	2,30	2,80	3,50
<i>EBIT Margin</i>	<i>6,2%</i>	<i>10,5%</i>	<i>11,2%</i>	<i>12,9%</i>	<i>14,9%</i>
Financial management	(0,06)	(0,18)	(0,05)	(0,05)	(0,05)
EBT	0,95	1,80	2,25	2,75	3,45
Taxes	0,21	0,59	0,70	0,80	1,00
Net Income	0,74	1,21	1,55	1,95	2,45

CONSOLIDATED BALANCE SHEET (€/mln)	FY22A*	FY23A	FY24E	FY25E	FY26E
Fixed Assets	7,07	7,59	6,90	6,40	5,50
Account receivable	3,71	3,48	5,00	5,70	6,25
Inventory	4,08	5,10	5,95	6,70	7,70
Account payable	2,70	3,22	3,40	3,80	4,10
Operating Working Capital	5,09	5,35	7,55	8,60	9,85
Other receivable	1,92	2,41	1,75	1,45	1,05
Other payable	2,26	2,54	2,60	2,50	2,45
Net Working Capital	4,75	5,22	6,70	7,55	8,45
Severance & other provisions	1,25	1,24	1,30	1,30	1,35
NET INVESTED CAPITAL	10,57	11,57	12,30	12,65	12,60
Share capital	3,70	4,63	4,63	4,63	4,63
Reserves	5,12	8,14	9,27	10,73	12,56
Net Income	0,74	1,21	1,55	1,95	2,45
Equity	9,55	13,98	15,45	17,31	19,64
Cash & cash equivalents	6,59	8,61	7,85	8,21	9,49
Financial debt	7,62	6,21	4,70	3,55	2,45
Net Financial Position	1,02	(2,41)	(3,15)	(4,66)	(7,04)
SOURCES	10,57	11,57	12,30	12,65	12,60

CONSOLIDATED CASH FLOW (€/mln)	FY23A	FY24E	FY25E	FY26E
EBIT	1,98	2,30	2,80	3,50
Taxes	0,59	0,70	0,80	1,00
NOPAT	1,40	1,60	2,00	2,50
D&A	1,04	1,05	1,00	1,00
Change in NWC	(0,47)	(1,48)	(0,85)	(0,90)
Change in receivable	0,23	(1,52)	(0,70)	(0,55)
Change in inventory	(1,02)	(0,85)	(0,75)	(1,00)
Change in payable	0,52	0,18	0,40	0,30
Change in others	(0,21)	0,72	0,20	0,35
Change in provisions	(0,01)	0,06	0,00	0,05
OPERATING CASH FLOW	1,96	1,23	2,15	2,65
Capex	(1,56)	(0,36)	(0,50)	(0,10)
FREE CASH FLOW	0,40	0,87	1,65	2,55
Financial management	(0,18)	(0,05)	(0,05)	(0,05)
Change in Financial debt	(1,41)	(1,51)	(1,15)	(1,10)
Change in equity	3,21	(0,07)	(0,10)	(0,12)
FREE CASH FLOW TO EQUITY	2,02	(0,76)	0,35	1,28

Source: Simone and Integrae SIM estimates

*Proforma data

Company Overview

Established in Naples in 2011, Simone SpA is a company active in the publishing sector. It heads the Group of the same name, bringing together six companies, Simone SpA, Editrice Ardea Srl, Dike Giuridica Srl, Il Gatto Verde Edizioni Srl, Font Cafè Srl, and Libri e Professioni Srl, and a brand, Edizione Simone, which boast over fifty years of history.

Today, the company is a leading reference for the entire Italian publishing sector, standing out for the large quantity of highly specialized contents that it develops, prints, publishes, promotes and sells. Through its brands, it offers study manuals for the legal field, public competitions, professional qualifications, university entrance exams and schools, as well as children's books.

FY23A Results

TABLE 2 – ACTUAL VS ESTIMATES FY23A

€/mln	VoP	EBITDA	EBITDA %	EBIT	Net Income	NFP
FY23A	18,87	3,02	16,0%	1,98	1,21	(2,41)
FY23E	18,95	2,95	15,6%	2,15	1,45	(2,20)
<i>Change</i>	-0.4%	2,5%	0.5%	-7,8%	-16,3%	n/a

Source: *Integrae SIM*

In the annual results press release, Simone SpA CEO, Luca Misso, commented: *“We are happy to close our first balance sheet as a listed company with excellent results, which are even better than those estimated at the time of IPO. This not only proves the seriousness with which we have presented ourselves to investors, but also the potential of a company that is able to make the most of market opportunities. The resources raised by the IPO have boosted liquidity, guaranteeing an ideal basis for the future investments planned and already underway. It is important to remember that the company should not be considered a common publishing house, as it is first of all a producer of highly specialized content, that is, proprietary content which is developed and updated internally, whereas publishing houses tend to publish books written by authors who receive royalties. The broad company strategy is aimed at exploiting this characteristic, making the most not only of the container, or the book, but its contents, which can, for example, be used in other various types of training activities”.*

At the end of the 2023 financial year, revenues from sales and services amounted to € 16.93 million, up 14.7% from the € 14.76 million recorded as of December 31, 2022. These results are mainly attributable to the significant expansion of the professional legal segment. In particular, the integration of Dike into the Group in 2022 allowed, in 2023, access to a market segment in which Simone had previously been almost completely absent. Legislative reforms and the resumption of public competitions hiring for public administrations have certainly favored the production of large quantities of publications, although investments in communications, IT infrastructures and commercial strategies to optimize sales channels have also been and will continue to be crucial.

The value of production came in at € 18.87 million, compared to € 16.46 million recorded at the end of 2022, and to our previous report’s estimated of € 18.95 million.

EBITDA, at the end of the 2023 financial year, amounted to € 3.02 million, up from € 1.74 million in 2022 (+73.5%), and essentially consistent with our estimate. The EBITDA margin for the period was therefore 16.0%, clearly growing from the 10.6% of the previous year and our estimate of 15.6%. This result derives from activities previously exposed, not falling within the organization of the group, with related economies of scale, the entry into new markets, and also internal processes.

EBIT, after depreciation and amortization of € 1.04 million (mainly related to investments in preparation for the IPO), came in at € 1.98 million, showing an increase from the FY22A* figure of € 1.01 million. The EBIT margin, equal to 10.5% in FY23A, grew compared to the equivalent figure recorded as of December 31, 2022, equal to 6.2%.

Net income, at the end of 2023, amounted to € 1.21 million, higher than the figure for the previous period, equal to € 0.74 million.

The NFP as of December 31, 2023 was a cash positive figure of € 2.41 million, a clear improvement compared to the € 1.02 million of debt recorded in FY22A, and in line with our previous estimate, projecting a positive cash value of € 2.20 million. This improvement is mainly attributable to the resources garnered from the capital increase for the IPO, raising € 3.00 million gross of the costs of the operation, and from the huge investments for the acquisition of the shareholdings, largely paid off in 2023.

FY24E – FY26E Estimates

TABLE 3 – ESTIMATES UPDATES FY24E-26E

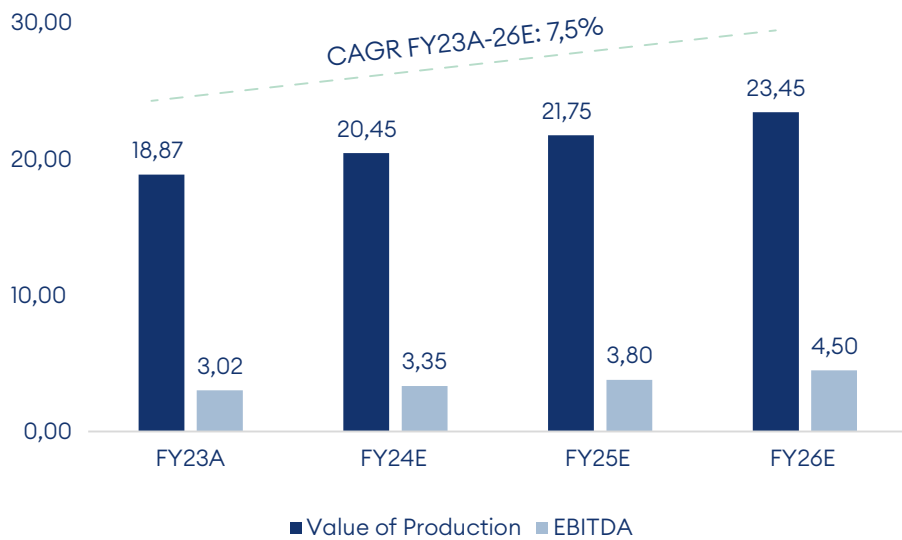
€/mln	FY24E	FY25E	FY26E
Value of Production			
New	20,5	21,8	23,5
Old	20,5	21,8	23,5
Change	-0.2%	-0.2%	0.0%
EBITDA			
New	3,4	3,8	4,5
Old	3,2	3,8	4,5
Change	6,3%	0.0%	0.0%
EBITDA %			
New	16,4%	17,5%	19,2%
Old	15,4%	17,4%	19,2%
Change	1,0%	0.0%	0.0%
EBIT			
New	2,3	2,8	3,5
Old	2,3	2,9	3,6
Change	2,2%	-1,8%	-1.4%
Net Income			
New	1,6	2,0	2,5
Old	1,6	2,0	2,5
Change	0.0%	-2.5%	-2,0%
NFP			
New	(3,2)	(4,7)	(7,0)
Old	(3,2)	(4,9)	(7,4)
Change	n/a	n/a	n/a

Source: Integrae SIM

In light of the results published in the Annual Report for FY23A, we substantially confirm our estimates for both the current year and the following years. In particular, we estimate an FY24E value of production of € 20.45 million, and an EBITDA of € 3.35 million, corresponding to a margin of 16.4%. In the following years, we expect the value of production to reach € 23.45 million (CAGR 23A-26E: 7.5%) in FY26E, with EBITDA equal to € 4.50 million (corresponding to a margin of 19.2%), up from € 3.02 million in FY23A (corresponding to an EBITDA margin of 16.0%).

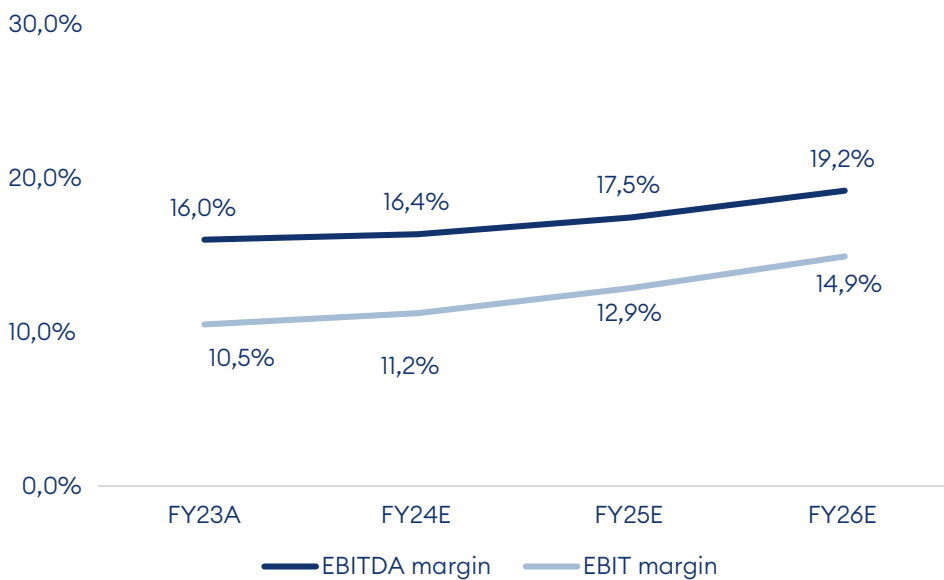
On the balance sheet, however, we have adjusted our previous estimate of NFP, due to the distribution of dividends proposed by the Board of Directors, for a value of approximately € 0.08 million (with a consolidated payout ratio equal to approximately 6.2%). Indeed, our previous estimates did not envisage the distribution of dividends to shareholders. We believe that the same dividend policies may be pursued by the company in subsequent years of the business plan, considering a constant consolidated payout ratio coinciding with that announced.

CHART 1 - VOP AND EBITDA FY23A-26E



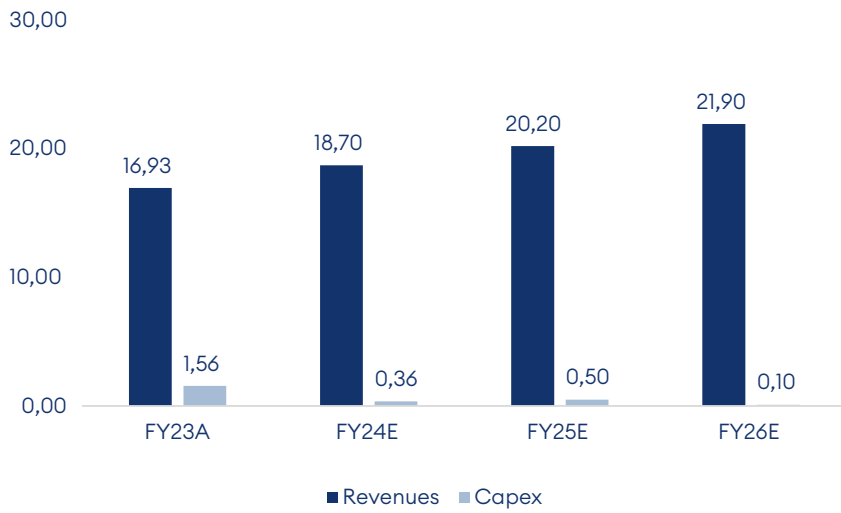
Source: Integrae SIM

CHART 2 - MARGIN FY23A-26E



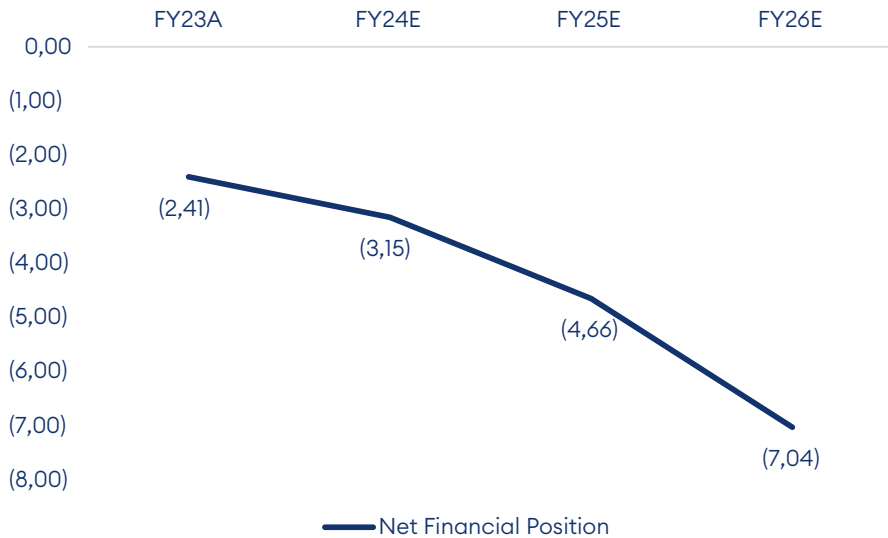
Source: Integrae SIM

CHART 3 – CAPEX FY23A-26E



Source: Integrae SIM

CHART 4 – NFP FY23A-26E



Source: Integrae SIM

Valuation

We conducted our valuation of the equity value of Simone based on the DCF method and multiples of a sample of comparable companies.

DCF Method

TABLE 4 - WACC

WACC				9,26%
D/E 33,33%	Risk Free Rate 3,29%	β Adjusted 0,8	α (specific risk) 2,50%	
K_d 2,00%	Market Premium 7,81%	β Relevered 0,7	K_e 11,87%	

Source: Integrae SIM

For prudential purposes, we included a specific risk of 2.5%. The result is therefore a WACC of 9.26%.

TABLE 5 – DCF VALUATION

DCF		% of EV
FCFO actualized	4,4	20%
TV actualized DCF	17,7	80%
Enterprise Value	22,0	100%
NFP (FY23A)	(2,4)	
Equity Value	24,4	

Source: Integrae SIM

With the above data and taking our estimates and assumptions as a reference, the result is an **equity value of € 24.4 million**.

TABLE 6 - EQUITY VALUE - SENSITIVITY ANALYSIS

€/mln	Growth Rate (g)	WACC						
		7,8%	8,3%	8,8%	9,3%	9,8%	10,3%	10,8%
	3,0%	36,7	33,5	30,9	28,7	26,8	25,1	23,7
	2,5%	33,9	31,2	29,0	27,1	25,4	24,0	22,7
	2,0%	31,6	29,3	27,3	25,7	24,2	22,9	21,8
	1,5%	29,6	27,6	25,9	24,4	23,1	22,0	21,0
	1,0%	27,9	26,2	24,7	23,4	22,2	21,2	20,2
	0,5%	26,5	24,9	23,6	22,4	21,4	20,4	19,6
	0,0%	25,2	23,9	22,7	21,6	20,6	19,8	19,0

Source: Integrae SIM

Market multiples

Our panel is made up of companies in the same industry as Simone, but many with larger capitalizations. These companies are the same used to calculate Beta for the DCF method. The panel is made up of:

TABLE 7 – MARKET MULTIPLES

Company Name	EV/EBITDA			P/E		
	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
Arnoldo Mondadori Editore S.p.A.	4,8 x	4,7 x	4,6 x	9,0 x	8,7 x	8,2 x
Bloomsbury Publishing PLC	10,2 x	9,8 x	n/a	17,8 x	17,0 x	n/a
John Wiley & Sons, Inc.	7,9 x	7,4 x	n/a	12,3 x	11,2 x	n/a
Bastei Luebbe AG	5,1 x	4,9 x	n/a	10,4 x	10,1 x	n/a
Pearson PLC	9,6 x	9,1 x	8,7 x	15,6 x	14,0 x	12,9 x
Lagardere SA	8,2 x	7,8 x	9,6 x	11,6 x	10,5 x	9,0 x
Peer median	8,0 x	7,6 x	8,7 x	12,0 x	10,9 x	9,0 x

Source: FactSet

TABLE 8 – MARKET MULTIPLES VALUATION

€/mln	FY24E	FY25E	FY26E
Enterprise Value (EV)			
EV/EBITDA	26,9	28,9	39,1
P/E	18,6	21,2	22,1
Enterprise Value post 25% discount			
EV/EBITDA	20,2	21,7	29,3
P/E	13,9	15,9	16,6
Equity Value			
EV/EBITDA	23,3	26,3	36,3
P/E	13,9	15,9	16,6
Average	18,6	21,1	26,5

Source: Integrae SIM

The equity value of Simone was calculated using EV/EBITDA and P/E market multiples. After applying a 25.0% discount, the result is an equity value of € 22.1 million.

Equity Value

TABLE 9 – EQUITY VALUE

Average Equity Value (€/mln)	23,3
Equity Value DCF (€/mln)	24,4
Equity Value multiples (€/mln)	22,1
Target Price (€)	3,10

Source: Integrae SIM

The results give an average equity value of approximately € 23.3 million. **The target price is therefore € 3.10 (prev. € 3.10). We confirm a BUY rating and MEDIUM risk.**

TABLE 10 – TARGET PRICE IMPLIED VALUATION MULTIPLES

Multiples	FY23A	FY24E	FY25E	FY26E
EV/EBITDA	6,9 x	6,2 x	5,5 x	4,6 x
EV/EBIT	10,5 x	9,1 x	7,4 x	6,0 x
P/E	19,2 x	15,0 x	11,9 x	9,5 x

Source: Integrae SIM

TABLE 11 – CURRENT PRICE IMPLIED VALUATION MULTIPLES

Main Ratios	FY23A	FY24E	FY25E	FY26E
EV/EBITDA	3,3x	3,0x	2,6x	2,2x
EV/EBIT	5,0x	4,3x	3,5x	2,8x
P/E	10,2x	8,0x	6,3x	5,0x

Source: Integrae SIM

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Date	Price	Recommendation	Target Price	Risk	Comment
08/01/2024	2,10	Buy	3,10	Medium	Initiation of Coverage

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Equity Total Return (ETR) for different risk categories

Rating	Low Risk	Medium Risk	High Risk
BUY	ETR \geq 7.5%	ETR \geq 10%	ETR \geq 15%
HOLD	-5% < ETR < 7.5%	-5% < ETR < 10%	0% < ETR < 15%
SELL	ETR \leq -5%	ETR \leq -5%	ETR \leq 0%
U.R.	Rating e/o target price Under Review		
N.R.	Stock Not Rated		

Valuation methodologies (long term horizon: 12 months)

The methods that INTEGRAE SIM SpA prefers to use for value the company under analysis are those which are generally used, such as the market multiples method which compares average multiples (P/E, EV/EBITDA, and other) of similar shares and/or sectors, and the traditional financial methods (RIM, DCF, DDM, EVA etc). For financial securities (banks and insurance companies) Integrae SIM SpA tends to use methods based on comparison of the ROE and the cost of capital (embedded value for insurance companies).

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- It plays, or has played in the last 12 months, role of specialist financial instruments issued by Simone SpA;
- In the IPO phase, Integrae SIM played the role of global coordinator.