

Robust Profitability, Powerflex Fuelling Growth Outlook

ADD | Fair Value: €6.42 (€5.6) | Current Price: €4.42 | Upside: +45.3%

€ Million	FY21A	FY22A	FY23A	FY24E	FY25E	FY26E	FY27E
Total Revenues	24.3	35.2	39.4	45.5	56.8	66.0	76.0
EBITDA	6.8	9.3	10.0	13.8	15.8	19.7	24.1
margin	27.9%	26.5%	25.4%	30.5%	27.8%	29.8%	31.7%
Net Profit	2.5	3.7	2.4	3.5	4.7	7.2	11.8
margin	10.4%	10.5%	6.0%	7.7%	8.3%	11.0%	15.5%
EPS	n.a.	n.a.	n.a.	0.29	0.39	0.60	0.98
NFP	11.8	20.8	25.6	12.7	4.6	(7.5)	(24.1)

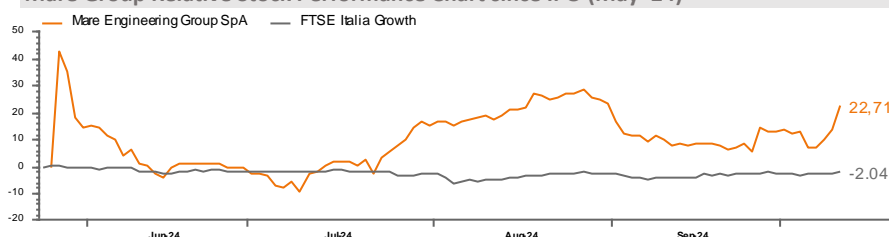
Source: Company Data (2021-2023), KT&Partners' Elaboration (2024-2027)

1H24 Financial Results. Total revenues of €18.8mn, below the projected €20.6mn but up 7% YoY. This growth was driven by expanded activities, recent acquisitions, and improved market penetration. EBITDA rose 44% YoY to €4.1mn, close to the forecast of €4.3mn, with an improved EBITDA margin of 21.8%, largely due to cost reductions in personnel, services, and other operating expenses. Net profit increased from €0.1mn in 1H23 to €0.6mn in 1H24, though it missed expectations due to higher interest expenses and taxes. The Net Financial Position improved significantly, reducing from €25.6mn in December 2023 to €19.1mn in June 2024, driven by €7.2mn from the IPO and a €2.4mn cash outflow related to Innoida spin-off.

Change in Estimates. The 1H24 results showed stronger-than-expected profitability at the EBITDA level, though revenue was slightly below forecasts. Mare Group's guidance for robust FY24 growth remains, with total revenue still estimated at €45.5mn (15% increase from €39.4mn in FY23). The Powerflex acquisition, consolidated at the beginning of FY25 on the P&L, is expected to boost revenues, leading to a revised 2023-27 CAGR of 17.8%, up from 15% previously, and we estimate it will contribute c.€4.6mn to FY25E Group revenues. EBITDA for FY24 is now projected at €13.8mn (30.5% margin), up from €12.0mn, with further growth to €15.8mn (27.8% margin) in FY25, driven by cost efficiencies despite lower margins from Powerflex integration. Net profit for FY24 is expected at €3.5mn, with steady growth projected to €11.8mn by FY27. On the balance sheet, Mare Group's net debt is revised to €12.7mn in FY24 and €4.6mn in FY25 due to the Powerflex acquisition. Strong free cash flow is expected to push the company to a net cash position of €24.1mn by FY27.

Valuation Update. Valuation based on: (i) DCF with a 10.9% WACC and 1.0% perpetual growth, returning a value of €98.5mn or €8.18ps; (ii) market multiples: EV/EBITDA and P/E multiples, which returns a value of €56.2mn or €4.66ps. The average between the two yields a fair value of €6.42ps or an equity value of €77.4mn, 45.3% upside versus the current share price at €4.42.

Mare Group Relative Stock Performance Chart since IPO (May '24)



Source: Factset

Research Update

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Market Data

Main Shareholders			
Antonio Maria Zinno			25.20%
Marco Bellucci			18.40%
Valerio Griffa			14.79%
Other			24.60%
Invalitalia SpA			5.10%
Mkt Cap (€ mn)			53.3
EV (€ mn)			79.1
Shares out.			12.1
Free Float			11.9%
Market multiples			
	2023	2024	2025
EV/EBITDA			
Mare Group S.p.A.	7.4x	5.3x	4.7x
Comps Median	7.4x	7.4x	6.9x
Mare Group S.p.A. vs Median	0.2%	-28.0%	-31.7%
P/E			
Mare Group S.p.A.	24.2x	15.2x	11.3x
Comps Median	13.5x	12.3x	11.2x
Mare Group S.p.A. vs Median	79.5%	23.6%	0.9%

Stock Data

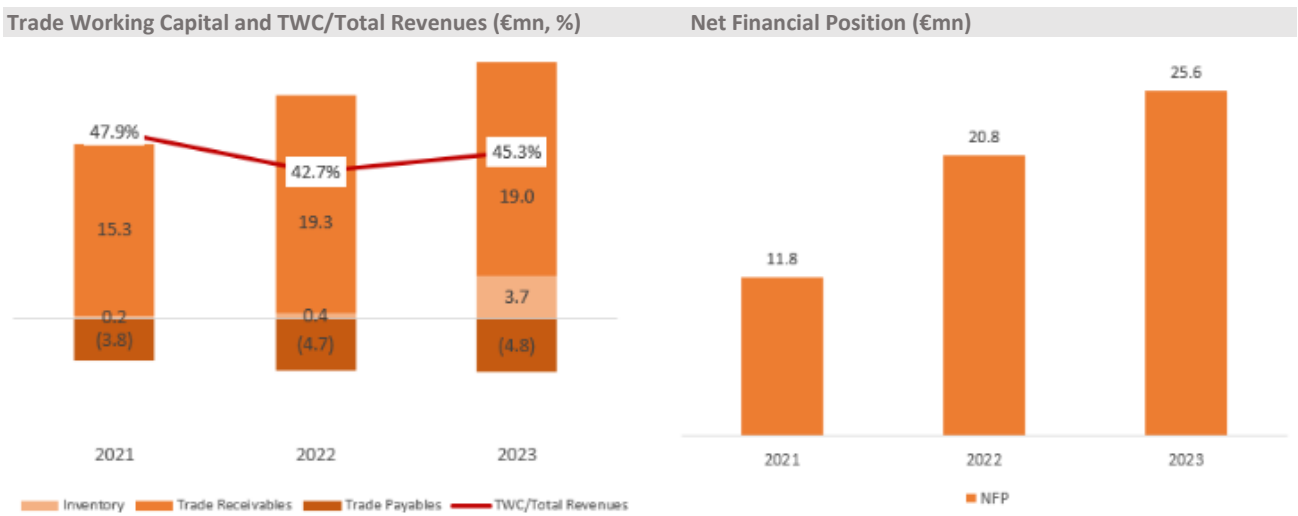
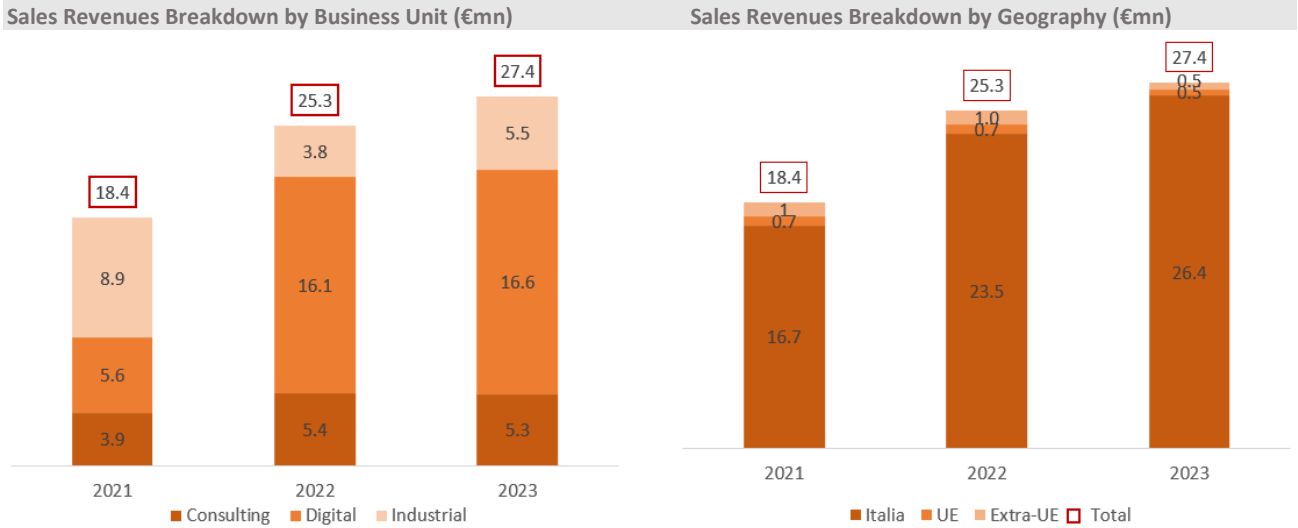
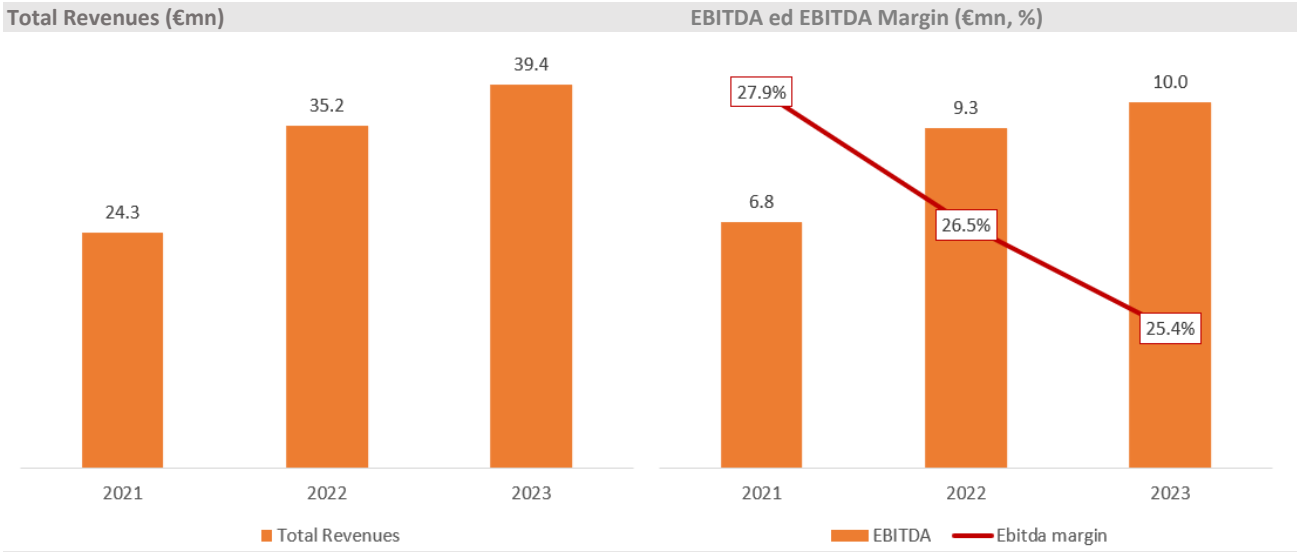
52 Wk High (€)	5.90
52 Wk Low (€)	3.08
Avg. Daily Trading 90d	20,939
Price Change 1w (%)	26.29
Price Change 1m (%)	n.a.
Price Change YTD (%)	n.a.

Key Figures - Mare Engineering Group SpA

	Current price (€)	Fair Value (€)	Sector						Free Float (%)
	4.42	6.42	Technology						11.9%
Per Share Data	2020A	2021A	2022A	2023A	2024E	2025E	2026E	2027E	
Total shares outstanding (mn)	n.a.	n.a.	n.a.	12.05	12.05	12.05	12.05	12.05	
EPS	n.a.	n.a.	n.a.	n.a.	0.29	0.39	0.60	0.98	
Dividend per share (ord)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	
Dividend pay out ratio (%)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	
Profit and Loss (EUR million)	2020A	2021A	2022A	2023A	2024E	2025E	2026E	2027E	
Total Revenues	17.5	24.3	35.2	39.4	45.5	56.8	66.0	76.0	
Sales	16.8	18.4	25.3	27.4	38.4	50.5	59.8	69.1	
EBITDA	6.8	6.8	9.3	10.0	13.8	15.8	19.7	24.1	
EBIT	3.2	3.2	3.8	4.8	6.4	7.5	10.9	17.0	
EBT	3.0	2.6	3.4	3.7	5.0	6.6	10.1	16.4	
Taxes	(0.9)	(0.1)	0.3	(1.3)	(1.4)	(1.8)	(2.8)	(4.6)	
Tax rate	31%	3%	-10%	35%	29%	28%	28%	28%	
Net Income	2.1	2.5	3.7	2.4	3.5	4.7	7.2	11.8	
Net Income attributable to the Group	1.7	2.1	3.7	2.2	3.5	4.7	7.2	11.8	
Balance Sheet (EUR million)	2020A	2021A	2022A	2023A	2024E	2025E	2026E	2027E	
Total fixed assets	11.1	18.5	24.6	29.1	27.0	24.0	18.0	13.8	
Net Working Capital (NWC)	9.5	9.8	17.0	18.4	20.1	22.3	25.8	27.7	
Provisions	(2.0)	(2.8)	(2.8)	(3.1)	(4.9)	(7.5)	(9.8)	(12.4)	
Total Net capital employed	18.7	25.5	38.8	44.4	42.2	38.8	34.0	29.1	
Net financial position/(Cash)	8.0	11.8	20.8	25.6	12.7	4.6	(7.5)	(24.1)	
Group Shareholder's Equity	10.3	10.7	18.0	18.6	29.3	34.0	41.3	53.0	
Minorities	0.3	3.1	0.0	0.2	0.2	0.2	0.2	0.2	
Total Shareholder's Equity	10.7	13.8	18.0	18.8	29.5	34.2	41.4	53.2	
Cash Flow (EUR million)	2020A	2021A	2022A	2023A	2024E	2025E	2026E	2027E	
Net operating cash flow	5.8	6.8	9.7	8.4	12.0	13.7	16.6	19.3	
Change in NWC	(9.5)	(0.3)	(6.8)	(1.8)	(1.7)	(2.2)	(3.5)	(1.9)	
Capital expenditure	(14.1)	(7.5)	(9.9)	(9.1)	(4.8)	(4.5)	(2.1)	(2.2)	
Other cash items/Uses of funds	1.5	(2.6)	(1.8)	(0.3)	5.0	1.8	1.7	1.9	
Free cash flow	(16.3)	(3.6)	(8.8)	(2.8)	10.5	8.8	12.7	17.1	
Enterprise Value (EUR million)	2020A	2021A	2022A	2023A	2024E	2025E	2026E	2027E	
Market Cap	n.a.	n.a.	n.a.	53.3	53.3	53.3	53.3	53.3	
Minorities	0.3	3.1	0.0	0.2	0.2	0.2	0.2	0.2	
Net financial position/(Cash)	8.0	11.8	20.8	25.6	12.7	4.6	(7.5)	(24.1)	
Enterprise value	n.m.	n.m.	n.m.	79.1	66.1	58.1	46.0	29.3	
Ratios (%)	2020A	2021A	2022A	2023A	2024E	2025E	2026E	2027E	
EBITDA margin	38.6%	27.9%	26.5%	25.4%	30.5%	27.8%	29.8%	31.7%	
EBIT margin	18.5%	13.3%	10.7%	12.1%	14.2%	13.3%	16.5%	22.4%	
Gearing - Debt/equity	n.m.	n.m.	n.m.	n.m.	43.4%	13.5%	-18.1%	-45.5%	
Interest cover on EBIT	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	
NFP/EBITDA	1.18x	1.74x	2.23x	2.55x	0.92x	0.29x	-0.38x	-1.00x	
ROCE	17.3%	12.7%	9.7%	10.8%	15.3%	19.4%	32.1%	58.6%	
ROE	16.8%	20.0%	20.6%	11.8%	12.0%	13.9%	17.6%	22.2%	
EV/Sales	n.a.	n.a.	n.a.	2.7x	1.9x	1.5x	1.2x	1.1x	
EV/EBITDA	n.a.	n.a.	n.a.	7.4x	5.3x	4.7x	3.8x	3.1x	
P/E	n.a.	n.a.	n.a.	24.2x	15.2x	11.3x	7.4x	4.5x	
Free cash flow yield	n.a.	n.a.	n.a.	-3.8%	14.1%	11.9%	17.2%	23.1%	
Growth Rates (%)	2020A	2021A	2022A	2023A	2024E	2025E	2026E	2027E	
Sales	n.a.	38.8%	45.2%	11.9%	15.3%	24.9%	16.1%	15.2%	
EBITDA	n.a.	0.2%	38.0%	7.4%	38.1%	14.1%	24.5%	22.5%	
EBIT	n.a.	0.0%	16.4%	27.2%	34.8%	16.9%	44.7%	56.3%	
Net Income	n.a.	23.1%	46.6%	-35.8%	47.6%	34.3%	53.4%	62.5%	

Source: Company Data (2020-2023), KT&Partners' Forecasts (2024-2027)

Key Charts



Company Overview

Mare Engineering Group SpA

Born in 2001 in the context of University Federico II in Naples, Mare Engineering Group SpA (“Mare Group”) is a digital engineering company that develops and transfers innovation from large to small enterprises with a strong focus on digital and sustainability transition.

Thanks to an intensive R&D activity focused on Rail, Aerospace & Defense, and AI segments, the Company developed different proprietary products and solutions, tailored to customer requests with different sizes and business sectors (i.e. SYPLA Rail). Leveraging on Delfi.ai, a “hyperautomated” proprietary platform, Mare Group offers covers consulting, digital solution development, industrial process, and product design through 3 commercial brands:



- **Mare Digital** excels in incorporating digital technologies into diverse processes and crafting tailored products and services. It offers software solutions from Mare Group and its partners, all accessible via the Delfi.ai platform, enabling businesses to leverage cutting-edge tools and applications designed to drive digital transformation and operational efficiency.



- **Mare Consulting** provides specialized assistance in accessing and managing funds and incentives designed to foster innovation within processes and enhance competitiveness. This service focuses on leveraging financial opportunities to support companies in their growth and development strategies, ensuring they can maximize their potential through innovation;



- **Mare Industrial** caters to businesses seeking innovation in products and processes, along with cost optimization. Their services span Plant and Green Engineering, prototyping, optimization, training, quality control, and IoT solutions, offering a comprehensive approach to enhance operational efficiency and sustainability.

Boasting more than 1000 clients, 300+ employees (in 2024), and 13 operational and sales offices, Mare Group holds a distinctive positioning within Italy’s innovation ecosystem. Its broad and synergistic product portfolio, enriched by substantial R&D investments and strategic mergers and acquisitions (12 deals since 2019), underscores its commitment to making digital transformation and sustainability accessible, scalable, and economically viable for Italian SMEs.

Key Highlights Mare Engineering Group SpA

			
R&D Activity	Strong M&A Track Record	Wide Product Portfolio	Full Stack Value Chain + Proprietary Platform

Source: Company Presentation

Since FY20, driven by the ability to diversify and innovate the business, the Company has been able to grow at a CAGR2020-2023 of +31.1%, increasing from €17.5mn of total revenues in FY20 to €39.4mn in FY23 driven in part by organic growth, but largely by robust M&A activity resulting in the integration of 12 new entities since 2019. Looking at the EBITDA level, the Company also registered a significant improvement over the 2020-2023 period, moving from €6.8mn in FY20 to €10.0mn in FY23, growing at a CAGR2020-2023 of 14.1%.

Mare Group Acquires a 100% stake in Powerflex S.r.l.

On July 23, 2024, Mare Group S.p.A. announced a binding agreement to acquire 100% of Powerflex S.r.l., a company specialized in the strategic Aerospace & Defence sector and the production and testing of mechatronic systems. This acquisition marks a bold strategic expansion for Mare Group, significantly enhancing its technological capabilities and market presence. The closing of the acquisition is expected to be by the end of the year.

The total consideration is €1.15mn, made of: €1mn (c. 90% of the total consideration) will be paid, either i) through the transfer of up to 250,000 Mare Group shares, valued at €4.00 per share: these could be either new shares issued, or existing treasury shares; or alternatively ii) in cash. The remaining €150k will be paid in cash to Immobili S.r.l.

Regarding the payment through treasury shares, it should be noted that the company has initiated a buyback program for up to 1mn shares, purchasable at a maximum premium of 20% over the share price. As of September 26th, 2024, the company holds 133k shares, equivalent to 1.10% of the shares in circulation, with an estimated value of approximately €550-600k. We forecast that Mare will pay the acquisition entirely in cash, considering the c.€2mn Cash & Equivalents available as of 30th June 2024. However, we may change this assumption later, depending on the share price dynamics and buy-back activity.

Powerflex reported FY23 revenues of approximately €4.0mn, with an EBITDA of €0.4mn (9.6% margin). Considering the FY23 NFP of €1.3mn, the EV of Powerflex is calculated at €2.45mn, resulting in a 6.8x EV/EBITDA multiple based on the 2023 EBITDA, aligned with the multiple of Mare Group at the time of the announcement. Given the acquisition structure and the valuation of Powerflex, the goodwill generated is expected to be minimal. The financial results of Powerflex will be consolidated into Mare Group's accounts starting from FY2025 in the P&L, following the expected closing by December 31, 2024, but will be visible in the FY24 Balance Sheet. The acquisition has strategic rationale and synergy due to the following reasons:

Enhancing Technical Capabilities: Powerflex, established in 1996, is recognized for delivering high-quality mechanical and electronic engineering solutions across Defence, Avionics, Aerospace, Naval, and Railway sectors. This acquisition enables Mare Group to integrate advanced mechatronic system production and testing capabilities, thus broadening its service offerings.

Strengthening Client Relationships: Powerflex has established significant relationships with technologically advanced clients, including Leonardo, a key player in the aerospace and defence industries. Mare Group aims to leverage these relationships, to enhance its presence and strengthen its value proposition to both existing and new clients.

Operational and Financial Efficiency: Integrating Powerflex, Mare Group is expected to eliminate duplicate costs and create cost synergies. This integration is projected to elevate Powerflex's EBITDA margins to close the gap with Mare Group's >25% levels.

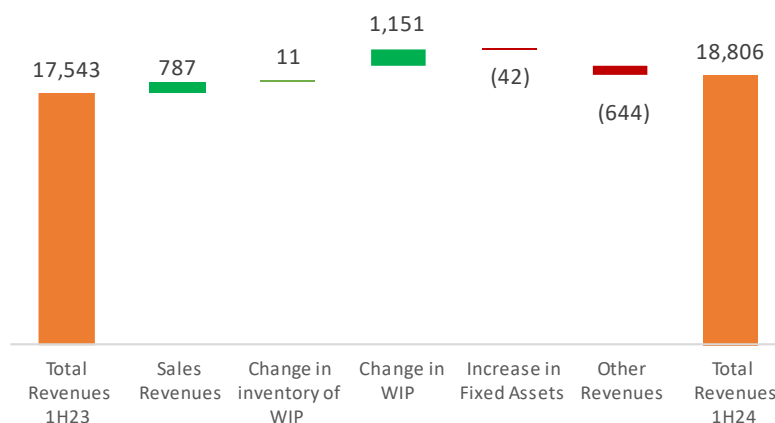
Revenue Growth through Cross-Selling: The acquisition facilitates cross-selling opportunities, leveraging Powerflex's expertise and Mare Group's established market presence. This synergy is anticipated to drive significant revenue growth, with Powerflex expected to grow its revenues by 15%, aided by Mare Group's planned CAPEX investments of c. €1mn in 2025.

Utilization of Strategic Incentives: Powerflex's operations in the Zona Economica Speciale (ZES) provide access to substantial tax incentives. These incentives, expected to generate tax credits equating to 50% of incremental revenues (€1mn expected for Mare), will enhance profitability and support further growth.

1H24 Financial Results

The company closed the semester with a total revenue of €18.8mn, below our previous estimates of €20.6mn, but marking a +7% YoY increase, compared to €17.5mn recorded as of 1H23. This growth reflects the expansion of the Group's activities, the consolidation of recent acquisitions, and an improvement in market penetration across key sectors.

1H23 vs 1H24 Total Revenues Bridge



Source: Company Data, KT&P's elaboration

The largest contributor to the increase in Total Revenues has been the increase in value for WIP on Orders, mostly referring to the development of the PRISMAT Platform and the FFAS (Forest Fire Area Simulator) application, both based on simulation models. In terms of revenue breakdown by business units, in 1H24, the Industrial BU experienced the strongest growth, with revenues rising by 144% YoY to €3.9mn, compared to €1.6mn in 1H23 (we projected €3.2mn). Digital BU experienced a +10% YoY increase, from €7.9mn in 1H23 to €8.7mn in 1H24, falling short of our €10.5mn target. Conversely, the Consulting BU was the only segment to record a revenue decline, decreasing from €2.8mn in 1H23 to €1.7mn in 1H24.

EBITDA for 1H24 increased to €4.1mn, reflecting substantial growth of +44% compared to €2.8mn in 1H23. This result was nearly aligned with our previous estimate of €4.3mn and was primarily driven by improved operational management. Notably the major cost reductions were i) personnel expenses, going from €8.4mn in 1H23 (68% incidence on sales revenues) to €7.9mn in 1H24 (55% sales revenues), which was also below our initial forecast of €8.6mn; ii) cost of services, going from 26% on sales revenues (€3.2mn) in 1H23, to 24% (€3.4mn) in 1H24; and iii) other operating expenses from -€0.6mn in 1H23 to -€0.5mn in 1H24. As a result, EBITDA margin increased by 5.6pp YoY to 21.8%, above our expectations of 21.1%.

Net Profit experienced substantial growth, rising from €0.10mn in 1H23 to €0.57mn in 1H24, but below our estimates of €0.9mn, mainly due to i) higher net interest expenses of €0.46mn vs €0.31mn expected (€0.56mn in 1H23); and ii) higher taxes of €0.28mn vs €0.12mn expected.

On the balance sheet, the movements within Fixed Assets refer to accounting changes, where the Participations in subsidiaries are now accounted for within Intangible Assets, while before they were included within Other LT Assets. The Net Financial Position (NFP) showed significant improvement, decreasing from €25.6mn as of 31 December 2023 to €19.1mn as of 30 June 2024. The €6.5mn reduction is mainly driven by €6.0mn net proceeds from the IPO, more than offsetting the €2.4mn cash outflow related to the spin-off of Innoida.

FY22-1H24 vs 1H24E Income Statement

€ Millions	FY22A	1H23A	FY23A	1H24A	YoY %	1H24E	A vs E %
Consulting	5.4	2.8	5.3	1.7	-39%	2.0	-14%
Digital	16.1	7.9	16.6	8.7	10%	10.5	-18%
Industrial	3.8	1.6	5.5	3.9	144%	3.2	22%
Sales Revenues	25.3	12.4	27.4	14.3	16%	15.7	-9%
<i>Growth %</i>	<i>37.2%</i>	<i>35.1%</i>	<i>8.5%</i>	<i>15.7%</i>			
<i>Increase in Fixed Assets for Internal Work</i>	5.1	3.0	7.6	3.0		3.1	
<i>Other Revenues</i>	4.9	2.2	4.4	1.5		1.8	
Total Revenues	35.2	17.5	39.4	18.8	7%	20.6	-9%
<i>Growth %</i>	<i>67.3%</i>	<i>25.8%</i>	<i>11.9%</i>	<i>7.2%</i>			
<i>Products and Raw materials</i>	(3.4)	(1.9)	(4.4)	(2.2)		(2.6)	
Gross Profit	31.8	15.7	35.0	16.6	6%	17.9	-7%
<i>Gross Margin</i>	<i>90.4%</i>	<i>89.3%</i>	<i>88.9%</i>	<i>88.4%</i>		<i>87.2%</i>	
<i>Cost of Services</i>	(6.8)	(3.2)	(6.6)	(3.4)	-7%	(3.6)	
<i>Rental Costs</i>	(1.5)	(0.7)	(1.4)	(0.7)	0%	(0.7)	
<i>Personnel Expenses</i>	(13.8)	(8.4)	(15.9)	(7.9)	6%	(8.6)	
<i>Other Operating Expenses</i>	(0.5)	(0.6)	(1.1)	(0.5)	5%	(0.7)	
EBITDA	9.3	2.8	10.0	4.1	44%	4.3	-5%
<i>EBITDA margin</i>	<i>26.5%</i>	<i>16.2%</i>	<i>25.4%</i>	<i>21.8%</i>		<i>21.1%</i>	
<i>Growth %</i>	<i>57.1%</i>	<i>20.6%</i>	<i>-4.0%</i>	<i>34.4%</i>			
<i>D&A and Provisions</i>	(5.6)	(2.1)	(5.2)	(2.6)		(3.0)	
EBIT	3.8	0.7	4.8	1.5	99%	1.4	7%
<i>EBIT margin</i>	<i>10.7%</i>		<i>12.1%</i>			<i>6.6%</i>	
<i>Growth %</i>	<i>n.m.</i>	<i>100.0%</i>	<i>13.7%</i>	<i>n.a.</i>			
<i>Financial Income and Expenses</i>	(0.4)	(0.6)	(1.1)	(0.5)		(0.3)	
<i>Extraordinary items</i>	0.0	(0.0)	(0.0)	(0.1)		-	
EBT	3.4	0.1	3.7	0.8	n.m.	1.1	-19%
<i>Taxes</i>	0.3	(0.0)	(1.3)	(0.3)		(0.1)	
<i>Tax Rate</i>	<i>-10.2%</i>	<i>28.1%</i>	<i>34.9%</i>	<i>32.6%</i>		<i>11.2%</i>	
Net Income	3.7	0.1	2.4	0.6	n.m.	0.9	-39%
<i>Net margin</i>	<i>10.5%</i>	<i>0.6%</i>	<i>6.0%</i>	<i>3.0%</i>		<i>4.5%</i>	
<i>Growth %</i>	<i>n.m.</i>	<i>n.m.</i>	<i>-42.6%</i>	<i>n.m.</i>			
<i>Minorities</i>	0.0	0.0	0.2	0.0		-	
Net Income attributable to the Group	3.7	0.1	2.2	0.6	n.m.	0.9	-40%
<i>Net margin</i>	<i>10.5%</i>	<i>0.6%</i>	<i>5.6%</i>	<i>3.0%</i>		<i>4.5%</i>	

Source: Company Data, KT&P's estimates

FY22-1H24 Balance Sheet					
€ Millions	FY22A	1H23A	FY23A	1H24A	Delta
Goodwill	2.8	2.9	2.8	2.8	-
Intangible	15.5	18.4	20.0	26.6	6.5
Tangible	1.9	1.8	1.7	1.6	(0.1)
Other LT Assets	4.4	6.5	4.6	0.2	(4.4)
Fixed Assets	24.6	29.6	29.1	31.1	2.0
Trade receivables	19.3	17.2	19.0	19.0	0.0
Inventory	0.4	0.6	3.7	4.1	0.4
Trade Payables	(4.7)	(3.9)	(4.8)	(5.0)	(0.2)
Trade Working Capital	15.0	13.9	17.8	18.1	0.2
Other assets and liabilities	2.0	(0.2)	0.6	(2.5)	(3.1)
Net Working Capital	17.0	13.7	18.4	15.6	(2.8)
Other Provisions	(2.8)	(2.8)	(3.1)	(3.3)	(0.2)
Net Capital Employed	38.8	40.5	44.4	43.3	(1.0)
Group shareholders' equity	18.0	16.5	18.6	24.3	5.7
Minority shareholders' equity	0.0	0.2	0.2	-	(0.2)
Total shareholders' equity	18.0	16.7	18.8	24.3	5.5
Short-term debt / Cash (-)	5.2	7.9	10.2	6.4	(3.8)
Long-term liabilities	15.6	15.9	15.4	12.6	(2.7)
Net Financial Position	20.8	23.8	25.6	19.1	(6.5)
Sources	38.8	40.5	44.4	43.3	(1.0)

Source: Company Data

Change in Estimates

1H24 results positively surprised us in terms of profitability at the EBITDA level, while the top line was slightly below expectations. Our revised estimates reflect this outcome and include the impact of the Powerflex acquisition, which will be consolidated by the end of December 2024, meaning the impact on the Balance Sheet will be visible with FY24 results, while on the P&L from FY25.

We are maintaining our FY24E total revenue estimate at €45.5mn. The company has reaffirmed its guidance for YoY topline “robust growth” (FY23 Total Revenues was €39.4mn). However, we update projections for FY25-26-27E, primarily due to the Powerflex acquisition, which we estimate it will contribute c.€4.6mn revenues in FY25E. Overall, we now model a 2023-27E CAGR of 17.8%, up from 15.0% in our previous estimates. We expect the industrial BU to be the primary growth driver, largely fuelled by the new Powerflex business, which expands the company’s offerings, especially in the Aerospace & Defence (A&D) sector, thereby increasing client demand for Mare's widened solutions.

Following 1H24's EBITDA margin above our expectations, we are increasingly confident in the structural profitability improvements Mare Group is implementing, and for this reason we have revised the FY24E EBITDA from €12.0mn (26.3% margin) to €13.8mn (30.5% margin). The company has reaffirmed its guidance for YoY EBITDA growth (FY23 EBITDA was €10.0mn). Moreover, we now forecast FY25E EBITDA at €15.8mn with an 27.8% margin, compared to the previous forecast of €14.0mn (26.9% margin). We see the upsides from better cost management offsetting the margin dilution from integrating the lower profitability Powerflex operations.

On the bottom line, we slightly increase FY24E net profit from €3.4mn to €3.5mn. We still expect constantly growing profitability, with forecasted profit in FY25E of €4.7mn, and reaching a net income of €11.8mn by FY27E.

Regarding the balance sheet, we have slightly revised the Net Financial Position (NFP) to €12.7mn net debt (vs €13.6mn in our old estimates). Furthermore, the NFP forecast has been adjusted to include the impact of the Powerflex acquisition (€1.15mn), resulting in an expected NFP of €4.6mn in FY25. We currently assume the acquisition will be entirely financed in cash, even if the company is considering an equity raise as alternative option, deciding by the end of the year. We expect the company will return to a net cash position of €24.1mn by FY27E, aided by strong Free Cash Flow generation (>70% EBITDA on average).

Change in Estimates															
€ Millions	2023E	2024E	2024E	Change	2025E	2025E	Change	2026E	2026E	Change	2027E	2027E	Change	CAGR23-27	CAGR23-27
	Actual	Old	New		Old	New		Old	New		Old	New		Old	New
Revenues	39.4	45.5	45.5	0.0%	51.8	56.8	9.6%	60.0	66.0	10.0%	68.9	76.0	10.3%	15.0%	17.8%
YoY Change (%)	11.9%	15.3%	15.3%		14.0%	24.9%		15.8%	16.1%		14.8%	15.2%			
EBITDA	10.0	12.0	13.8	15.7%	14.0	15.8	13.2%	17.6	19.7	11.7%	21.6	24.1	11.4%	21.2%	24.5%
YoY Change (%)	7.4%	19.3%	38.1%		16.6%	14.1%		26.3%	24.5%		22.8%	22.5%			
EBITDA Margin	25.4%	26.3%	30.5%	4.1%	26.9%	27.8%	0.9%	29.4%	29.8%	0.5%	31.4%	31.7%	0.3%		
EBIT	4.8	5.5	6.4	17.4%	6.8	7.5	10.1%	10.0	10.9	9.1%	15.7	17.0	8.3%	34.7%	37.4%
YoY Change (%)	27.2%	14.8%	34.8%		24.7%	16.9%		46.1%	44.7%		57.3%	56.3%			
EBIT Margin	12.1%	12.1%	14.2%		13.2%	13.3%		16.7%	16.5%		22.8%	22.4%			
Net Income	2.4	3.4	3.5	4.4%	4.4	4.7	7.5%	6.7	7.2	7.6%	10.9	11.8	8.0%	46.3%	49.1%
YoY Change (%)	-35.8%	41.3%	47.6%		30.5%	34.3%		53.2%	53.4%		62.0%	62.5%			
Net Margin	6.0%	7.4%	7.7%		8.5%	8.3%		11.2%	11.0%		15.8%	15.5%			
NFP	25.6	13.6	12.7	-6.8%	2.8	4.6	65.1%	(9.9)	(7.5)	-24.2%	(25.9)	(24.1)	-6.8%		

Source: KT&Partners' Estimates, Company data

Valuation

Following the projections of Mare's future financials, we carried out the valuations of the company by applying the DCF and market multiples methods:

1. EV/EBITDA and P/E multiples, which return a value of €56.2mn or €4.66ps;
2. DCF analysis, based on WACC of 10.9% and 1% perpetual growth, returns a value of €98.5mn or €8.18ps.

The average of the two methods yields a fair value of €6.42ps or an equity value of €77.4mn.

For the calculation of the Equity Value we adjust the FY23 PFN, to take into account the net proceeds from the IPO (€6.0mn) and the €1.15mn spent on the Powerflex acquisition, which we currently assume will be paid entirely in cash (instead of transferring Mare's shares)

Valuation Recap

	Equity Value €mn	Value per share €
EV/EBITDA	68.7	5.70
P/E	43.7	3.63
Average - multiples	56.2	4.66
DCF	98.5	8.18
Average	77.4	6.42

Source: FactSet, KT&Partners' Elaboration

Market Multiples Valuation

Following the comparables analysis, we proceeded with the definition of market multiples for each peer group, focusing on 2023-26 data.

Peer Comparison – Market Multiples 2023-2026

Company Name	Exchange	Market Cap	EV/SALES 2023	EV/SALES 2024	EV/SALES 2025	EV/SALES 2026	EV/EBITDA 2023	EV/EBITDA 2024	EV/EBITDA 2025	EV/EBITDA 2026	P/E 2023	P/E 2024	P/E 2025	P/E 2026
Alten SA	Euronext Paris	3,218	0.8x	0.8x	0.8x	0.7x	7.4x	7.4x	6.9x	6.3x	12.1x	12.3x	11.2x	10.1x
Sopra Steria Group SA	Euronext Paris	3,787	0.9x	0.9x	0.9x	0.8x	7.4x	7.1x	6.9x	6.6x	11.9x	10.4x	9.5x	8.7x
TXT e-solutions S.p.A.	Milan	358	1.6x	1.3x	1.2x	1.1x	11.5x	9.5x	8.0x	7.2x	17.8x	15.4x	12.9x	11.3x
Dun & Bradstreet Holdings Inc	NYSE	4,582	3.6x	3.5x	3.4x	3.2x	9.4x	9.1x	8.5x	8.0x	11.2x	11.1x	10.1x	9.1x
Tinexta SpA	Milan	540	1.9x	1.6x	1.4x	1.3x	7.3x	6.3x	5.3x	4.7x	19.1x	9.6x	8.0x	6.8x
SECO S.p.A.	Milan	236	1.6x	1.7x	1.5x	1.3x	6.8x	9.0x	6.5x	5.4x	13.5x	32.0x	14.3x	10.3x
Almawave S.p.A.	Milan	118	1.9x	1.7x	1.4x	1.4x	9.5x	6.1x	5.2x	5.2x	14.7x	16.1x	12.6x	9.4x
Average peer group		1,834	1.8x	1.6x	1.5x	1.4x	8.5x	7.8x	6.8x	6.2x	14.3x	15.3x	11.2x	9.4x
Median peer group		540	1.6x	1.6x	1.4x	1.3x	7.4x	7.4x	6.9x	6.3x	13.5x	12.3x	11.2x	9.4x
Mare Group S.p.A.	Milan	53	2.7x	1.9x	1.5x	1.2x	7.4x	5.3x	4.7x	3.8x	n.a.	15.2x	11.3x	7.4x

Source: FactSet, KT&Partners' Elaboration

We based our evaluation upon our estimates of Mare Group's EBITDA and Net Income for 2024, 2025 and 2026. Our valuation also included a 20% liquidity/size discount.

Multiple Valuation - EV/EBITDA and P/E

Multiple Valuation (€mn)	2024E	2025E	2026E	Multiple Valuation (€mn)	2024E	2025E	2026E
EV/EBITDA Comps	7.4x	6.9x	6.3x	P/E Comps	12.3x	11.2x	9.4x
Mare EBITDA	13.8	15.8	19.7	Mare Net Income	3.5	4.7	7.2
Enterprise value	102.8	108.4	124.3	Equity Value	43.1	52.8	68.0
Average Enterprise value		111.8		Average Equity Value		54.6	
Liquidity/Size Discount		20%		Liquidity/Size Discount		20%	
Enterprise Value Post-Discount		89.5		Equity Value Post-Discount		43.7	
Mare Net Debt FY23 Adjusted		20.8		Number of shares (mn)		12.1	
Equity Value		68.7		Value per Share €		3.6	
Number of shares (mn)		12.1					
Value per Share €		5.7					

Source: FactSet, KT&Partners' elaboration

DCF Valuation

We have conducted our valuation using a four-year DCF model, based on 14.1% cost of equity, 6.0% cost of debt and a D/E ratio of 50.0%. The cost of equity is a function of the risk-free rate of 3.66% (Italian 10y BTP), 5.2% equity risk premium (Damodaran country risk premium for Italy) and a premium for size and liquidity of 3.2% (source: Duff&Phelps). We, therefore, obtained 10.9% WACC.

We discounted 2024E-27E annual cash flows and considered a terminal growth rate of 1.0%; then we carried out a sensitivity analysis on the terminal growth rate (+/- 0.25%) and on WACC (+/- 0.25%).

DCF Valuation				
€ Millions	2024E	2025E	2026E	2027E
EBIT	6.4	7.5	10.9	17.0
Taxes	(1.9)	(2.1)	(3.1)	(4.8)
D&A	6.9	7.6	8.1	6.4
Change in Net Working Capital	(1.7)	(2.2)	(3.5)	(1.9)
Change in Funds	1.8	2.6	2.4	2.6
Net Operating Cash Flow	11.6	13.4	14.8	19.3
Capex	(4.8)	(4.5)	(2.1)	(2.2)
FCFO	6.8	8.9	12.7	17.1
g	1.0%			
Wacc	10.9%			
FCFO (discounted)	6.6	7.8	10.1	12.3
Discounted Cumulated FCFO	36.8			
TV	115.5			
TV (discounted)	82.7			
Enterprise Value	119.5			
NFP 2023 Adjusted	20.8			
Minorities FY2023A	0.2			
Equity Value	98.5			
Current number of shares (mn)	12.1			
Value per share (€)	8.2			

Source: Company Data, KT&Partners' Elaboration

Sensitivity Analysis						
€ Millions	Terminal growth Rate	WACC				
		11.4%	11.2%	10.9%	10.7%	10.4%
	0.5%	89.2	91.6	94.2	96.8	99.6
	0.8%	91.1	93.6	96.3	99.1	102.0
	1.0%	93.1	95.7	98.5	101.4	104.5
	1.3%	95.2	98.0	100.9	103.9	107.1
	1.5%	97.4	100.3	103.3	106.5	109.9

Source: KT&Partners' Elaboration

Appendix

Peer Comparison

To define Mare Group's peer sample, we carried out an in-depth analysis of Italian and internationally listed companies active in the Digital Engineering Industry. In selecting potential peers, we consider Mare Group's offering and revenue mix, business model, growth, and profitability profile.

For peer analysis, we built a sample of 11 companies, which includes:

- **Alten SA:** listed on the Euronext Paris Stock Exchange with a market capitalization of €4.2bn, Alten SA engages in the provision of engineering and technology consulting services. It operates through the France and International geographical segments. In FY23, Alten reached €4.1bn in sales revenues.
- **Sopra Steria Group SA:** listed on the Euronext Paris Stock Exchange with a market capitalization of €4.5bn, Sopra Steria Group SA engages in the business of digital transformation. It provides consulting, systems integration, software development, infrastructure management, and business process services. The firm also offers social business, mobility, big data, cloud, cybersecurity, enterprise architecture, enterprise resource planning, banking solutions, human resources solutions, real estate software, and collaborative and information management. It serves the aerospace, insurance, social, banking, defense, homeland security, public sector and healthcare, telecommunications, media and entertainment, transport, retail, and energy utilities sectors. In FY23, Sopra Steria reached €5.8bn in sales revenues.
- **TXT e-solutions SpA:** listed on the Borsa Italiana Stock Exchange with a market capitalization of €308.9mn, TXT e-solutions SpA engages in the provision of software products and solutions. It operates through the following divisions: TXT Retail and TXT Next. The TXT Retail division offers end-to-end merchandise lifecycle management, planning and collection lifecycle management, and supply chain management solutions for the retail, fashion, and luxury sectors. TXT Next division deals with advanced software engineering services. In FY23, TXT reached €224.0mn in sales revenues.
- **Dun & Bradstreet Holdings Inc:** listed on the NYSE Stock Exchange with a market capitalization of €3.9bn, Dun & Bradstreet Holdings Inc engages in providing business decision data and analytics solutions. The firm is involved in providing information with its solutions to support its clients with critical business operations. It offers end-to-end solutions to clients in the small business, finance, sales & marketing, third-party risk & compliance, and public sectors. In FY23, Dun & Bradstreet reached €2.6bn in sales revenues.
- **Tinexta SpA:** listed on the Borsa Italiana Stock Exchange with a market capitalization of €874.3mn, Tinexta SpA is an industrial group that offers innovative solutions for the digital transformation and growth of companies, professionals, and institutions, such as advanced services for digital identity and certification, cybersecurity, digital marketing, access to financing for innovation, and internationalization. The company operates through three business Units: Digital Trust, Cybersecurity, and Business Innovation. The Digital Trust provides citizens, professionals, institutions, and businesses from large industrial and financial groups to small and medium-sized enterprises products and services for sustainable digitization aligned with the best market standards. Cybersecurity is focused on the offer, services, and consultancy for the secure digitization of processes and the protection of data and information for client companies. The Business Innovation supports companies in their innovation projects, including digital and green transition, business development, production efficiency, supporting commercial expansion through internationalization and digital marketing services. In FY23, Tinexta reached €395.8mn in sales revenues.

- **SECO SpA:** listed on the Borsa Italiana Stock Exchange with a market capitalization of €426.9mn, SECO SpA designs and manufactures proprietary technological solutions for microcomputers and other integrated systems for personal computer miniaturization. It operates through the following product and service areas: Custom Edge Systems, Edge Platforms, and IoT Solutions. The Custom Edge Systems area consists of embedded computer systems including control panels, hardware components, software, and mechatronic parts designed for the needs of customers. The Edge Platforms area or personal computer modules or computer-on-modules focuses on miniature computers with low consumption. The IoT or Internet-of-Things Solutions area develops the combination of sensors with data collection, aggregation, and processing. In FY23, SECO reached €210.3mn in sales revenues.
- **Almawave S.p.A.:** listed on the Euronext Growth Milan with a market capitalization of €133.0mn, Almawave S.p.A. is engaged in the field of Data & Artificial Intelligence. The Group offers proprietary technologies, solutions, and services that realize AI and data's potential in the digital evolution of companies and public administrations. It boasts more than 300 domestic and international clients, in sectors including Government, Finance, Energy & Utilities, Tourism, and Healthcare, operating directly and through partners. The Almawave team consists of more than 400 professionals. The Group uses AI technology labs dedicated to developing products, platforms, and vertical solutions targeting various market segments. Almawave's technological asset base, conceived and built as a model of natural experience in the interaction between man and machine, can interpret text and voice in over 40 languages, interacting in multi-channel mode, analyzing data and information with a view to knowledge development and automation to support decisions. Its skill centers also allow the potential of data to be achieved in complex contexts, combining expertise on key market frameworks in areas such as Data Management, Machine Learning, Location Intelligence, and the knowledge of business processes in related vertical sectors. The Almawave scope, part of the Almagroup, includes the companies SisTer, The Data Appeal Company, Mabrian Technologies, Obda Systems, Almawave do Brasil, and Almawave USA. In FY23, Almawave reached €59.0mn in sales revenues.

We analyzed the peer companies by considering their average revenue and EBITDA growth and compared them to Mare Group's historical and expected financials. By looking at 2022-23 revenue growth, peer companies grew on average by 15.7% YoY while Mare Group showed revenues increase at 8.5% YoY. Over the 2023-26E period, Mare Group's sales are expected to grow at 29.7% vs 8.1% of the average growth of the Digital Engineering peers. Looking at FY23A EBITDA, Mare Group increased by 7.4% YoY, compared to its peers which showed a growth of +24.2% YoY. According to our projections, Mare Group's EBITDA is expected to grow at a CAGR2023-2026E of 25.2%, well above the one shown by its peers (+11.0%).

Peer comparison – Sales and EBITDA growth 2022-2026

Company Name	2022	2023	YoY 22-23	2024	2025	2026	CAGR 2023-'26
Alten SA	3,783	4,069	7.6%	4,168	4,306	4,530	3.6%
Sopra Steria Group SA	5,101	5,805	13.8%	5,823	6,017	6,331	2.9%
TXT e-solutions S.p.A.	151	224	48.6%	283	321	347	15.7%
Dun & Bradstreet Holdings Inc	2,117	2,150	1.6%	2,204	2,313	2,431	4.2%
Tinexta SpA	357	396	10.8%	470	518	566	12.7%
SECO S.p.A.	201	210	4.7%	192	223	255	6.7%
Almawave S.p.A.	48	59	23.0%	69	81	81	10.9%
Peers Average	1,680	1,614	15.7%	1,651	1,722	1,818	8.1%
Mare Group S.p.A.	25	27	8.5%	38	51	60	29.7%

Company Name			YoY 22-23				CAGR 2023-'26
	2022	2023		2024	2025	2026	
Alten SA	471	439	-6.8%	436	471	512	5.3%
Sopra Steria Group SA	551	719	30.4%	740	766	797	3.5%
TXT e-solutions S.p.A.	22	32	47.7%	39	46	51	16.8%
Dun & Bradstreet Holdings Inc	770	829	7.7%	861	916	979	5.7%
Tinexta SpA	87	103	18.4%	120	141	159	15.5%
SECO S.p.A.	37	48	31.7%	36	51	61	8.0%
Almawave S.p.A.	9	12	40.6%	19	22	22	22.1%
Peers Average	278	273	24.2%	281	302	323	11.0%
Mare Group S.p.A.	9.3	10	7.4%	14	16	20	25.2%

Source: FactSet, KT&P's Elaboration

We then compared peers' profitability with Mare Group's historical and expected margins. Mare Group showed an FY23 EBITDA margin of 25.4%, +4.6pp above the average peers' EBITDA margin at 20.8%. By FY24E, our projections result in an EBITDA margin of 30.5%, reaching 29.8% at the end of FY26E vs an expected average peers' profitability almost of 21.1% in FY24E to 22.6% in FY26E.

Peer comparison - EBITDA margin, EBIT margin, and Net margin 2022-26

Company Name	EBITDA Margin					EBIT Margin					Net Margin				
	2022	2023	2024	2025	2026	2022	2023	2024	2025	2026	2022	2023	2024	2025	2026
Alten SA	12.5%	10.8%	10.5%	10.9%	11.3%	10.3%	8.8%	8.5%	8.9%	9.3%	12.1%	5.7%	5.9%	6.3%	6.6%
Sopra Steria Group SA	10.8%	12.4%	12.7%	12.7%	12.6%	7.4%	9.4%	9.9%	10.2%	9.9%	4.9%	3.3%	5.2%	5.8%	6.1%
TXT e-solutions S.p.A.	14.4%	14.3%	13.8%	14.3%	14.7%	9.7%	9.4%	8.6%	9.2%	9.5%	8.0%	7.1%	5.3%	5.9%	6.6%
Dun & Bradstreet Holdings Inc	36.4%	38.6%	39.1%	39.6%	40.3%	10.0%	7.1%	29.3%	30.1%	34.6%	neg	18.7%	18.5%	19.4%	20.7%
Tinexta SpA	24.4%	26.0%	25.4%	27.2%	28.0%	15.2%	17.5%	17.2%	19.8%	21.0%	8.5%	15.9%	6.9%	8.4%	9.8%
SECO S.p.A.	18.3%	23.0%	18.9%	22.8%	23.8%	9.0%	13.2%	8.5%	14.0%	15.8%	5.5%	6.0%	1.5%	6.4%	8.1%
Almawave S.p.A.	17.9%	20.5%	27.2%	27.3%	27.3%	10.0%	12.7%	19.5%	19.6%	19.6%	10.0%	8.8%	13.2%	13.0%	13.0%
Peers Average	19.2%	20.8%	21.1%	22.1%	22.6%	10.2%	11.2%	14.5%	16.0%	17.1%	8.1%	9.4%	8.1%	9.3%	10.1%
Mare Group S.p.A.	26.5%	25.4%	30.5%	27.8%	29.8%	10.7%	12.1%	14.2%	13.3%	16.5%	10.5%	6.0%	7.7%	8.3%	11.0%

Source: FactSet, KT&P's Elaboration

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- ADD – FOR A FAIR VALUE > 15% ON CURRENT PRICE
- HOLD – FOR A FAIR VALUE < 15% AND > – 15% ON CURRENT PRICE
- REDUCE – FOR A FAIR VALUE < – 15% ON CURRENT PRICE

