



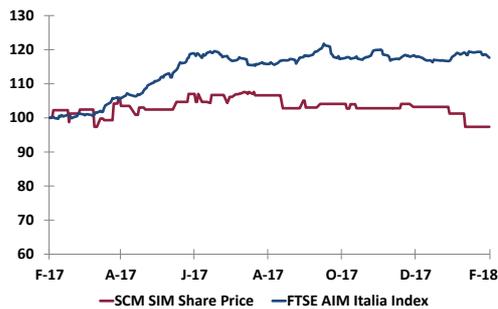
Quiet dealing, actions expected

NEUTRAL

Current Share Price (€): 10.00

Target Price (€): 11.12

SCM SIM - 1Y Performance



Source: S&P Capital IQ - Note: 06/02/2017=100

Company data

ISIN code	IT0005200248
Bloomberg code	SCM IM
Reuters code	SCM.MI
Share Price (€)	10.00
Date of Price	16/01/2018
Shares Outstanding (m)	1.9
Market Cap (€m)	19.1
Market Float (%)	11.0%
Daily Volume (16/01/2018)	480
Daily Volume (05/02/2018)	0
Avg Daily Volume YTD	29
Target Price (€)	11.12
Upside (%)	11%
Recommendation	NEUTRAL

Share price performance

	1M	3M	1Y
SCM SIM - Absolute (%)	-3.8%	-5.3%	-2.6%
FTSE AIM Italia (%)	-0.2%	-2.0%	17.6%
1Y Range H/L (€)		11.05	10.00
YTD Change (€)/%		-0.60	-5.7%

Source: S&P Capital IQ

Analysts

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Strategy ongoing, waiting for deals

AUM growth, slower than expected, keeps being a major mid-term goal. An in-house training program for junior private bankers, called “Young Talent Hub”, started in September 2017 with the first ten young professionals. In the meantime, the recruiting of senior bankers is continuing. Growth through acquisitions, the logical solution, suggests proactive screening of potential target companies.

H1 2017: higher fee income and brokerage margin, operating income up, despite low net inflows

Assets Under Management as of June 30th, 2017 were €1,105m (vs. €1,047m as of year-end 2016), with €34m net inflows (vs. €47.5m in H1 2016). Fee income in H1 2017 was €3.7m, +31% vs. H1 2016, driven by advisory recurring fees. Fee expense was €1.7m, +37% vs. H1 2016 due to the higher payout on new bankers. Brokerage margin was €2m, up nearly 30% compared to H1 2016.

Cost/income still too high, operational leverage remains a key issue

Cost/Income ratio was 113% in H1 2017, lower than 121% in H1 2016, but still far too high to be sustainable. In H1 2017, G&A increased by 33% vs. H1 2016 and non-deductible VAT cost increased by 93%. Some G&A expenses which were a one-off costs, together with non-deductible VAT, are deemed non-recurring costs, as such, we maintain in our projections the target of a more sustainable cost/income ratio.

SCM at trading discount

SCM’s stock traded at a 2017 Market Cap/AUM of 2%, at discount vs. the 5% mean of the Italian asset managers. On the P/E side, the 2018E and 2019E P/E estimated for SCM at 15x and 9x are compared to the means of the Italian asset managers at 14x and 13x.

Trading report

Last 12 months trading shows limited share price fluctuations (min €10-max €11). The velocity turnover is low, with some 20k shares traded in the whole year.

No change in estimates, Target Price €11.12 per share (from €12.35), NEUTRAL rating

Considering the actions undertaken on the bankers’ recruiting and given the non-recurring higher operating costs in H1 2017, our analysis suggests to confirm our previous projections, while waiting for FY17 year-end figures. The H1 AUM inflow slow trend suggests however a target price correction, from €12.35 to €11.12 per share, leading to a NEUTRAL recommendation on the stock.

Key financials and estimates

	2016A	2017E	2018E	2019E	2020E	2021E
Assets Under Management (AUM)	1,047	1,350	1,650	2,000	2,400	2,900
Private bankers (units)	30	35	40	45	48	58
Brokerage Margin	3.9	5.1	6.4	8.3	8.3	10.0
EBT	0.1	1.5	2.5	4.2	4.0	5.5
Net Income	0.0	0.7	1.3	2.1	2.0	2.7
Net (Debt) / Cash	2.3	3.7	5.0	6.9	8.8	11.3
Equity	4.1	4.8	6.1	8.2	10.1	12.9
Cost/Income	98%	72%	61%	50%	52%	45%
Net fees/AUM (bps)	38	38	39	41	35	35
ROE	0%	15%	21%	25%	20%	21%

Source: Company data and EnVent Research

Business update: strategy on track

Junior bankers recruiting, acquisitions a permanent goal

- An in-house training program of junior private bankers started in September 2017 with the first ten young professionals, called “Young Talent Hub”: 3-month preparation to the financial advisor exam, classroom training, meetings with SCM’s employees and in-house training
- The recruiting of experienced senior bankers from banking groups or other networks with a consolidated portfolio of clients is continuing
- The screening of potential target wealth advisory companies and networks of bankers is continuing
- Launch of the sub-fund “Stable Return” of the Maltese open-ended investment company (SICAV), expected to contribute to the increase in net inflows collection, as innovative product addition to existing services

Business model MiFID II-ready

On January 3rd, 2018, the MiFID II directive has come into effect and has introduced mandatory disclosure to clients of costs charged in their service offering.

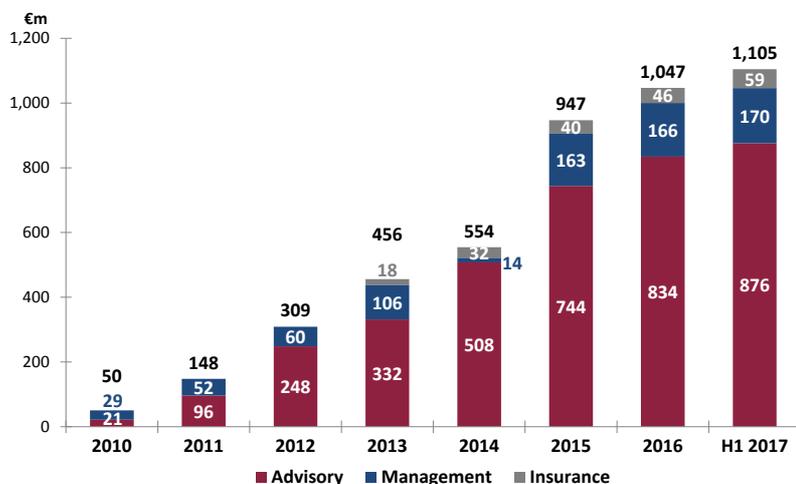
We recall that, for its part, SCM is not expected to experience dramatic changes, since its business model is designed to be MiFID II-ready since the very start: flat fee asset management service where clients know exactly how much advisory services and asset management cost, no rebates and transparency.

H1 2017 results: higher fee income and brokerage margin, cost/income still too high to be sustainable

Lower net inflows, AUM stands still

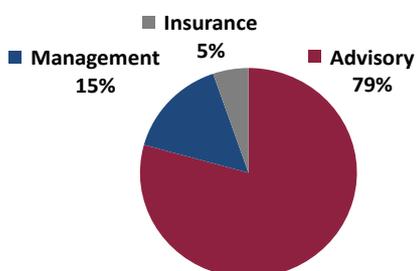
Assets Under Management as of June 30th, 2017 were €1,105m (vs. €1,047m as of year-end 2016), as a result of €34m net inflows (vs. €47.5m in H1 2016) and financial markets’ performance of €15m in the six months of 2017.

SCM SIM - Total AUM (€m) 2010-H1 2017



Source: Company data

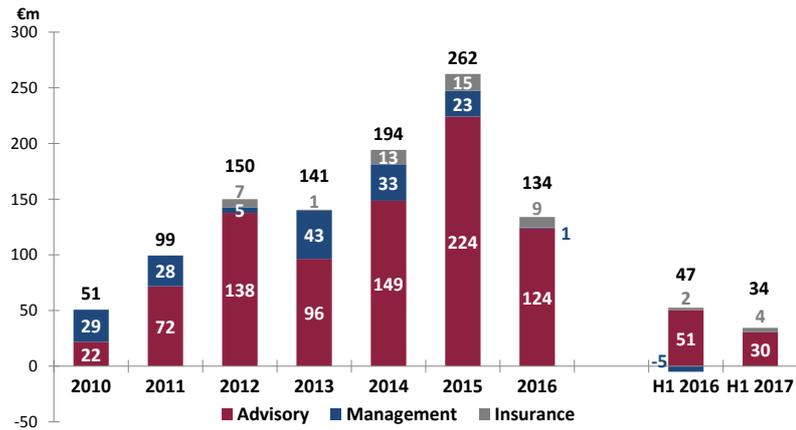
AUM by service, H1 2017



Source: Company data

SCM SIM - Net inflows (€m) 2010-H1 2017

**Net inflows from Advisory 90%
of total inflows in H1 2017**



Source: Company data

Fee income in H1 2017 was €3.7m, +31% vs. H1 2016, driven by advisory recurring fees (€1.5m), which grew by 35% compared to H1 2016, and by performance fees, which were €0.5m vs. €30k in H1 2016. As a whole, recurring fees from advisory and management grew from €1.9m in H1 2016 to €2.3m in H1 2017 (+24%).

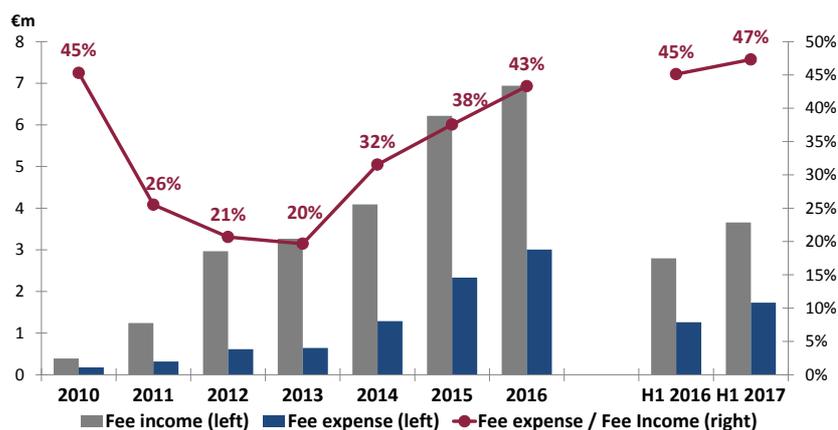
SCM SIM - Breakdown of fee income (€m) H1 2016-H1 2017

Fee income	H1 2016	H1 2017
Advisory	1.1	1.5
Management	0.7	0.8
Performance	0.0	0.5
Insurance	0.6	0.5
Other	0.3	0.4
Total	2.8	3.7

Source: Company data

Fee expense was €1.7m, +37% vs. H1 2016 due to the higher payout on new hired bankers, 47% of fee income (vs. 45% in H1 2016). Net fees were €1.9m, higher compared to the six months of 2016 (€1.5m). Trading fees, dividends and interest income/expense were €0.1m, thus brokerage margin was €2m (an increase by 29% on the six months of 2016).

SCM SIM - Fee income and expense (€m) 2010-H1 2017



Source: Company data

G&A increased by 33% vs. H1 2016; operating costs increased by 23%, while non-deductible VAT cost increased by 93% compared to H1 2016. G&A include non-recurring costs for back-office and IT update, a new management software, the implementation of an automatic invoicing system and of the placement and underwriting IT system, the consultancy fees for SCM's SICAV ready to be launched. Personnel also increased by 7% on the same period of the prior year. Cost/Income ratio was 113%, lower than the H1 2016 121%. The result of the period was a net loss of €0.2m, vs. €0.3m in H1 2016.

Profit and Loss

€m	H1 2016	H1 2017
Assets Under Management (AUM)	988	1,105
Fee income	2.8	3.7
Fee expense	(1.3)	(1.7)
Net fees	1.5	1.9
Interest income (expense)	0.0	(0.0)
Net Income (loss) from trading & dividends	0.0	0.1
Brokerage Margin	1.5	2.0
Personnel	(0.8)	(0.9)
G&A	(1.0)	(1.4)
EBT	(0.3)	(0.2)
<i>EBT/Brokerage margin</i>	-20%	-12%
Income taxes	0.0	0.0
Net Income (Loss)	(0.3)	(0.2)

Source: Company data

Balance Sheet

€m	2016	H1 2017
Net Working Capital	1.7	1.8
Non-current assets	0.1	0.1
Provisions	(0.1)	(0.1)
Net Invested Capital	1.7	1.8
Net Debt (Cash)	(2.3)	(2.1)
Equity	4.1	3.9
Sources	1.7	1.8

Source: Company data

Cash Flow

€m	H1 2016	H1 2017
EBT	(0.3)	(0.2)
Current taxes	0.0	0.0
Net Working Capital	(0.1)	(0.1)
Provisions	(0.03)	0.1
Cash flow from operations	(0.4)	(0.2)
Capex	(0.01)	(0.02)
Cash flow from investing	(0.0)	(0.0)
Net cash flow	(0.4)	(0.2)
Net (Debt) Cash - Beginning	1.3	2.3
Net (Debt) Cash - End	0.8	2.1
Change in Net (Debt) Cash	(0.4)	(0.2)

Source: Company data

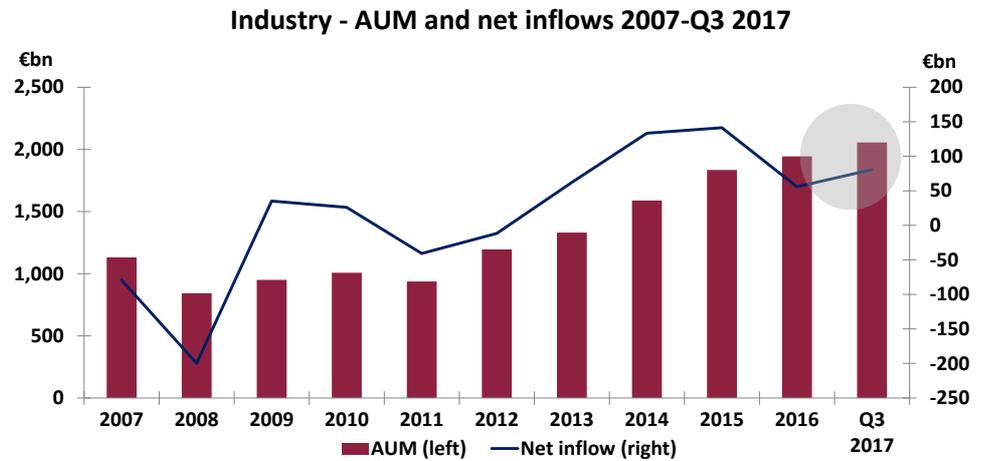
Ratio analysis

KPIs	H1 2016	H1 2017
Assets Under Management (€m)	988	1,105
Net inflows (€m)	47	34
Fee income (€m)	2.8	3.7
<i>Fee income/AUM</i>	<i>0.6%</i>	<i>0.7%</i>
Net fees (€m)	1.5	1.9
Net fees/AUM (bps)	31.1	34.9
<i>Cost/Income</i>	<i>120.6%</i>	<i>113.1%</i>
Private bankers (units)	26	26
Avg. Portfolio per Banker (€m)	38	42
<i>ROE</i>	<i>neg.</i>	<i>neg.</i>

Source: Company data

Industry performance: recovery in 2017 for the Italian market for managed products

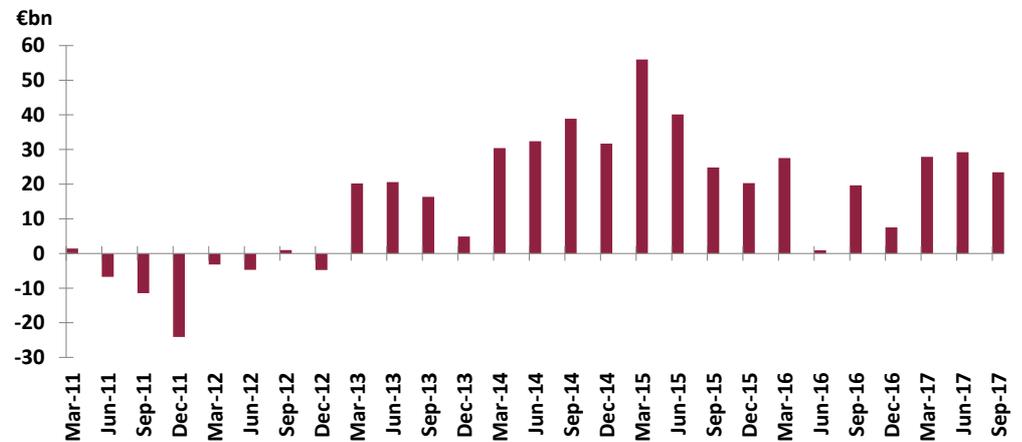
Recovery in 2017 with almost €100bn net inflows as of December 2017: AUM hitting €2,000bn



Source: Italian Fund Hub - Assogestioni, Cubodata, data extracted in December 2017

After the recent drop in Q2 2016, 2017 shows recovery, with total net inflows of €97.5bn in 2017. As a result of continuous inflows and market effect, the stock of assets managed on the Italian market more than doubled between 2011 and 2017, reaching €2,085bn at the end of 2017.

Managed assets in Italy - Net inflows Q1 2011-Q3 2017



Source: Italian Fund Hub - Assogestioni, Cubodata, data extracted in December 2017

Managed assets in Italy - AUM 2011-Q3 2017 (€bn)

	2011	2012	2013	2014	2015	2016	Q3 2017
Funds	461	525	599	731	899	950	1,038
Individual portfolios	100	93	98	114	128	129	134
Retirement schemes	38	49	63	75	81	83	97
Insurance products	268	466	499	591	640	685	710
Other	70	62	71	78	87	96	76
Total	938	1,195	1,330	1,588	1,835	1,943	2,056

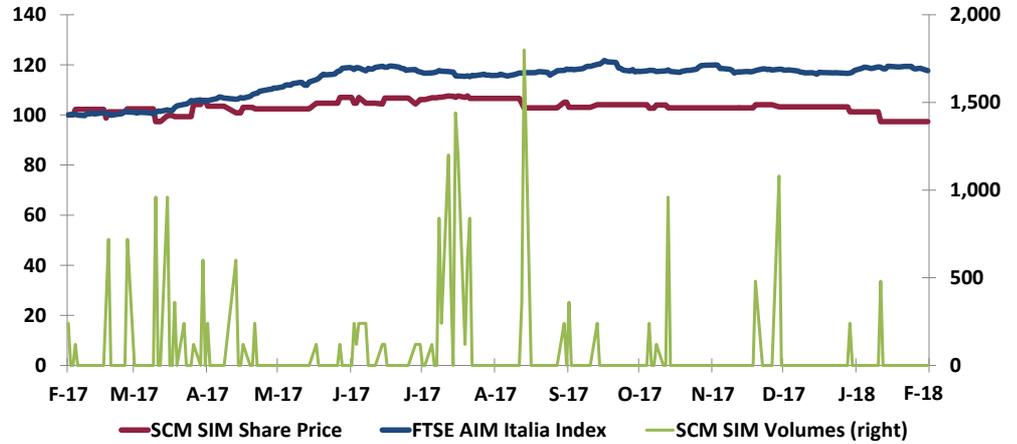
Source: Italian Fund Hub - Assogestioni, Cubodata, data extracted in December 2017

Market update

SCM SIM shares in the last 12 months traded in the range €10-11, with beginning price at €10.27 and ending at €10.00, a 3% decrease

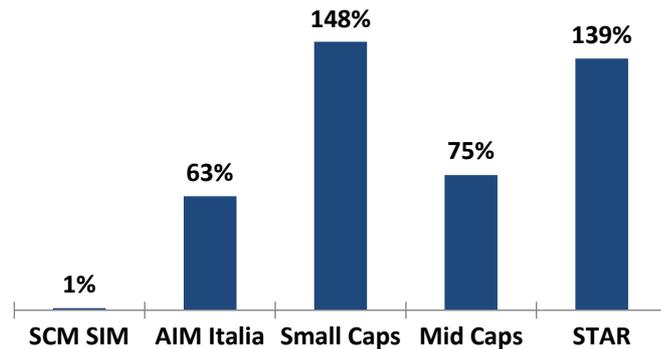
In the same period, the FTSE AIM Italia Index increased by over 15%

SCM SIM - 1Y share price performance and trading volumes



Source: S&P Capital IQ - Note: 06/02/2017=100

SCM SIM - Liquidity analysis and velocity turnover



Source: EnVent Research on Bloomberg - Note: The velocity turnover is the ratio of total traded shares to total ordinary shares in a given period

Low trading volume in 2017 for SCM, with around 20k traded shares out of total 2m shares

Projections

No changes in our previous estimates for SCM, given that we believe the Company will build over the recent initiatives, with positive effects on net inflows and AUM. Based on this, we deem net inflows, AUM and other targets at the Company's reach. In addition, we believe that the higher costs in which the Company incurred in the first half of the year are non-recurring, as such, we maintain our target of a sustainable cost/income ratio.

Profit and Loss

€m	2016A	2017E	2018E	2019E	2020E	2021E
Assets Under Management (AUM)	1,047	1,350	1,650	2,000	2,400	2,900
Fee income	6.9	8.9	10.9	13.2	13.2	16.0
Fee expense	(3.0)	(3.8)	(4.5)	(4.9)	(4.9)	(5.9)
Net fees	3.9	5.1	6.4	8.3	8.3	10.0
<i>Net fees/AUM (bps)</i>	38	38	39	41	35	35
Brokerage Margin	3.9	5.1	6.4	8.3	8.3	10.0
Personnel	(1.5)	(1.5)	(1.7)	(1.8)	(1.9)	(2.0)
G&A	(2.3)	(2.1)	(2.2)	(2.3)	(2.4)	(2.6)
Other income/expense	0.1	0.1	0.1	0.0	0.0	0.0
EBT	0.1	1.5	2.5	4.2	4.0	5.5
<i>EBT/Brokerage margin</i>	2%	29%	39%	50%	48%	55%
Income taxes	(0.1)	(0.7)	(1.3)	(2.1)	(2.0)	(2.7)
Net Income (Loss)	0.0	0.7	1.3	2.1	2.0	2.7

Source: Company data and EnVent Research

Balance Sheet

€m	2016A	2017E	2018E	2019E	2020E	2021E
Net Working Capital	1.7	1.0	0.9	1.1	1.1	1.4
Non-current assets	0.1	0.1	0.2	0.2	0.2	0.2
Provisions	(0.1)	(0.04)	(0.01)	(0.01)	(0.01)	(0.01)
Net Invested Capital	1.7	1.1	1.1	1.3	1.3	1.5
Net Debt (Cash)	(2.3)	(3.7)	(5.0)	(6.9)	(8.8)	(11.4)
Equity	4.1	4.8	6.1	8.2	10.1	12.9
Sources	1.7	1.1	1.1	1.3	1.3	1.5

Source: Company data and EnVent Research

Cash Flow

€m	2016A	2017E	2018E	2019E	2020E	2021E
EBT	0.1	1.5	2.5	4.2	4.0	5.5
Current taxes	(0.1)	(0.7)	(1.3)	(2.1)	(2.0)	(2.7)
Net Working Capital	(0.9)	0.7	0.1	(0.2)	(0.0)	(0.2)
Provisions	(0.02)	(0.02)	(0.03)	0.0	0.0	0.0
Cash flow from operations	(0.8)	1.4	1.3	1.9	2.0	2.5
Capex	(0.09)	(0.04)	(0.06)	(0.03)	(0.03)	(0.0)
Cash flow investing	(0.1)	(0.0)	(0.1)	(0.0)	(0.0)	(0.0)
IPO proceeds	2.0	0.0	0.0	0.0	0.0	0.0
Net cash flow	1.1	1.4	1.3	1.9	2.0	2.5
Net (Debt) Cash - Beginning	1.3	2.3	3.7	5.0	6.9	8.8
Net (Debt) Cash - End	2.3	3.7	5.0	6.9	8.8	11.4
Change in Net (Debt) Cash	1.1	1.4	1.3	1.9	2.0	2.5

Source: Company data and EnVent Research

Ratio analysis

KPIs	2016A	2017E	2018E	2019E	2020E	2021E
Assets Under Management (€m)	1,047	1,350	1,650	2,000	2,400	2,900
Net inflows (€m)	134	303	300	350	400	500
Fee income (€m)	6.9	8.9	10.9	13.2	13.2	16.0
<i>Fee income/AUM</i>	0.7%	0.7%	0.7%	0.7%	0.6%	0.6%
Net fees (€m)	3.9	5.1	6.4	8.3	8.3	10.0
Net fees/AUM (bps)	37.6	37.6	38.5	41.5	34.7	34.7
<i>Cost/Income</i>	98.5%	71.8%	61.4%	49.5%	51.9%	45.1%
Private bankers (units)	30	35	40	45	48	58
Avg. Portfolio per Banker (€m)	40	39	41	44	50	50
<i>ROE</i>	0%	15%	21%	25%	20%	21%

Source: Company data and EnVent Research

Valuation

As anticipated, we do not restate our previous estimates for SCM, waiting for FY17 financial statements to provide more comprehensive information to evaluate an update of our projections and valuation.

We also maintain our target of a sustainable cost/income ratio, given our belief that the higher costs in which the Company incurred in the first half of the year are non-recurring. However, we note that trading volumes have been low and stock price can be easily influenced by small trades. On the operations side, we note that AUM inflows are under target.

For the above reasons, while our valuation metrics stay unchanged, we deem appropriate in the circumstance a conservative target price 10% correction, from €12.35 to a €11.12 revised target price. Consistently, considering the current share price of €10.00, we confirm our NEUTRAL rating on the stock.

Please refer to important disclosures at the end of this report.

Peer Group - Performances

Stock	Price (€)	Mkt Cap (€m)	1M	3M	6M	YTD	1Y
SCM SIM	10.00	19.1	-5.7%	-5.3%	-8.7%	-5.7%	-4.8%
Italian asset managers							
Anima	6.75	2,078.4	12.4%	4.1%	-1.8%	13.2%	17.7%
Azimut	18.89	2,478.2	18.6%	10.3%	0.7%	18.3%	8.9%
Banca Generali	30.62	3,575.9	9.4%	7.4%	3.9%	10.4%	19.7%
Banca Mediolanum	7.85	5,778.8	5.7%	7.4%	5.9%	8.7%	5.7%
Mean			11.5%	7.3%	2.2%	12.6%	13.0%
Weighted average			10.0%	7.4%	3.3%	11.5%	11.6%

Source: S&P Capital IQ - Update 24/01/2018 - Note: Weighted average on market cap

Peer Group - Market Multiples

Company	Market Cap / AUM				P / E				
	2014	2015	2016	2017	2016	2017E	2018E	2019E	2020E
SCM SIM	n.a.	n.a.	2%	2%	n.m.	27.5X	15.2X	9.2X	9.6X
Italian asset managers									
Anima	2%	4%	2%	2%	15.3X	14.0X	11.5X	10.8X	9.5X
Azimut	9%	9%	6%	6%	12.2X	11.5X	13.2X	12.5X	n.a.
Banca Generali	7%	8%	6%	6%	16.9X	15.7X	16.4X	13.7X	n.a.
Banca Mediolanum	n.a.	8%	6%	7%	12.8X	14.7X	15.7X	14.2X	n.a.
Mean	6%	7%	5%	5%	14.3X	14.0X	14.2X	12.8X	n.m.
European asset managers									
Ashmore	4%	4%	5%	6%	14.4X	17.3X	20.9X	18.4X	16.1X
GAM	2%	2%	2%	2%	13.6X	20.4X	16.9X	14.5X	n.a.
Julius Baer	3%	4%	3%	3%	16.0X	16.3X	15.3X	13.8X	11.6X
Jupiter Fund Mgmt	5%	6%	5%	6%	14.6X	17.4X	15.5X	14.2X	12.8X
Man	6%	6%	3%	4%	neg.	17.0X	13.9X	12.2X	10.1X
Schroders	2%	2%	2%	2%	15.9X	15.5X	15.3X	14.4X	13.4X
St. James's Place	8%	9%	7%	8%	47.7X	30.8X	25.4X	20.5X	15.7X
Mean	5%	5%	4%	5%	20.4X	19.2X	17.6X	15.4X	13.3X
Mean w/out extremes	4%	4%	4%	4%	15.2X	17.7X	16.8X	15.1X	13.4X
Median	4%	4%	3%	4%	15.3X	17.3X	15.5X	14.4X	13.1X
Combined Mean	5%	6%	4%	5%	17.3X	16.6X	15.9X	14.1X	n.m.

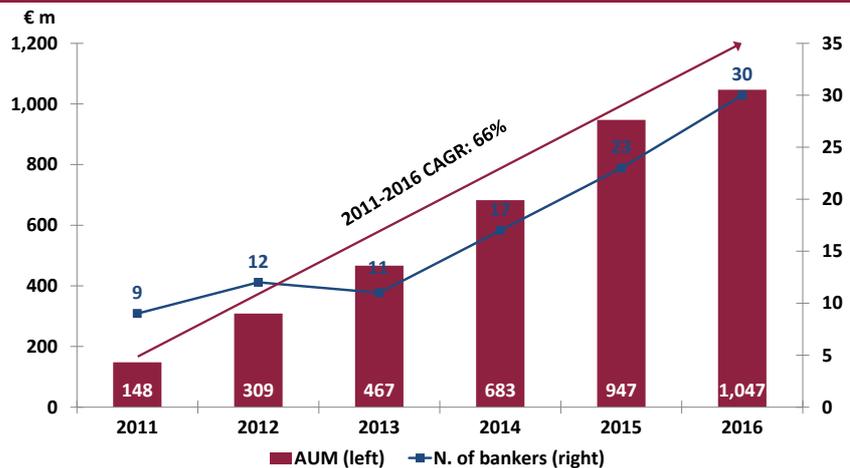
Source: S&P Capital IQ - Update 24/01/2018 - Note: for SCM and Italian asset managers 2017 AUM as of September 30th

Investment case

Independent private banking

S.C.M. SIM - Società di Intermediazione Mobiliare - (SCM) is a Private Banking and Wealth Management firm that operates with a Multi-Family Office logic and a business model, unique in Italy, based on independence, transparency and attractive pricing. SCM provides bespoke portfolio management and investment advice services on the client's all-embracing wealth and assets, without having custody of clients' assets. It does not produce or distributes financial products. The Wealth Management division is the flagship service provided by the Company and is organized according to the model of a Family Office services firm: main clients are high net worth families, entrepreneurs and institutional entities. Operations started in 2010. Assets Under Management (AUM), that in 2011 were €150m, were over €1bn at 2016 year-end (66% 2011-2016 CAGR), with 30 private bankers and over 500 clients.

SCM SIM - AUM and Bankers 2011-2016



Source: Company data

Industry drivers

Italian private worth is significant and financial assets continue to gain ground.

Italian household net worth is significant: financial assets accounted for €3.8tn in 2013, according to Bank of Italy (2.5x the amount of GDP at €1.5tn). To compare Italy with the main European economies (2011 - Eurostat latest available data), Italian households financial assets were 2.3x GDP, 1.8x GDP for Germany, 2.0x GDP for France, 2.8x GDP for the UK. Financial assets represented 43% of total net worth in 2013. Real assets (67%), including residential properties (85% of total real assets), and financial liabilities (-10%) made up the rest of the wealth. Real assets have been decreasing since 2012, while financial assets are experiencing growth again, after a decline in the financial crisis years. Italian investors look to be embracing the shift from real assets to financial investments.

Yields on Italian treasuries are low and not expected to increase. The historical

lowest yield on Italian government bonds (currently 1.9% on 10-year treasury bonds – Source: Bloomberg, December 2016) further addresses investors towards alternative investment solutions. As a result, the amount of debt securities held by Italian investors has halved over the past five years (Source: Assogestioni).

Room to improve the mix. Italian financial assets, traditionally government bonds for the most part, show a lower portion of assets professionally managed in comparison to other countries: 29% in 2014 (31% in 2015), versus 40% to 60% of France, UK, Germany and USA. However, financial assets (and, within this category, managed assets) have been experiencing stable growth since 2011, with 3.5% 2011-2014 CAGR (Source: Bank of Italy). After years of super low interest rates and a similar outlook for the mid-term, a continuing shift of funds from low income bonds to professionally managed assets is expected. Total net inflow into managed products was €141bn in 2015, +6% vs 2014 (Source: Assogestioni). As a consequence, advisory services are increasing their stake within Italian households' investment portfolios, aligning them with those of other developed economies.

Stable growth for Private Banking since 2011. Private Banking potentially managed assets in Italy had a size of nearly €1tn in 2014 and have been continuously growing since 2012, when the size was €900bn. However, the assets actually managed are roughly just a half of such amount. Nonetheless, good news comes from the recognition of an increasing trend in AUM for the Private Banking sector: +7% 2012-2014 CAGR and an increase, as a percentage of total potential private banking market, from 49% in 2012 to 51% in 2014 (Source: AIPB).

The Private Banking sector confirms the rise of portfolio advisory. Following the trend registered by the reference market, Private Banking portfolios are experiencing a significant growth of alternative managed financial products and services versus other categories of investments. Concurrently, stocks and bonds are losing ground.

Company drivers

Unique private banking and personal advisory services. After only five years of operation, SCM has an extraordinary track record in attracting High Net Worth and Affluent clients. These have appreciated the close-to-client service and highly personalized advisory approach, uncontaminated by other disguised conflicting interests. A key pillar of SCM's service is its proactivity in advising and coaching clients, with a dedicated team whose mission is to care and preserve the clients' wealth and help them plan for future events.

Independent, transparent, conflict-free. Regardless of market conditions, SCM is positioned to outperform competitors in attracting and retaining HNW clients, thanks to its differentiating strengths that meet key needs: independence from

financial institutions or services firms; genuine alignment of interest with clients thanks to a flat fee structure and a MiFID II-ready transparency on clients' costs; no direct holding of assets; sourcing of fees exclusively from clients, without rebates coming from asset managers or from fund sales and distribution activity. In Italy, a unique business model.

No asset custody, no fund production, nor distribution, means no conflicts of interest. Independence is guaranteed: all fees charged are earned from client advisory and are not sourced from rebates coming from asset managers or from fund sales and distribution activity; aside from its compliance to the MiFID II regulation already in place, clients are secure as their holdings are held on separate, ring-fenced, depository accounts which are outside of the scope of the property of the Company. In addition, SCM's shareholding composition unarguably lacks financial institutions, wealth managers or financial services firms.

Attractive flat fee structure. SCM offers its services characterized by an alignment of interest with its clients thanks to flat fees, no direct holding of assets on its own accounts, and sourcing of its fees exclusively from its clients. The flat fee structure, together with modest performance fees, leave nearly all performance to the client, with no hidden fees.

Business model MiFID II-ready. SCM's business model is MiFID II-compliant from day 1 of its commencement, as the Company implemented a transparent, flat fee asset management service where clients know exactly how much advisory services and asset management cost. The major amendments which will be introduced by MiFID II concern the level of transparency brokers need to respect: they will have to explicitly distinguish between distribution costs and commissions, since referring to an all-embracing fee will not be allowed anymore. This means that a pricing and transparency competitive advantage is soon to emerge in SCM's business model and selling proposition, when compared to its major competitors whose clients will realize how much they have been historically charged through hidden fees.

Strong client growth outlook. The entry of new bankers in 2016, the competitive business model based on independence, service reputation and transparency of flat fees are an excellent base to position SCM to increase its market share, amidst the market need to shift from mere financial product placement to customized advice.

Historical, and forecasted, double-digit earnings growth. Over the past five years SCM posted double-digit growth in net inflows (27% CAGR 2011-2015) and consequently AUM (59% CAGR 2011-2015) nearly reached €1bn at 2015 year-end. Accordingly, fee income grew from €1.2m in 2011 to €6.2m in 2015 (50% CAGR 2011-2015).

Visibility of future revenues. The strong client loyalty, given the high client retention rate, implies a recurring revenue stream and high quality of operating earnings.

Operational gearing to push up profitability soon. The significant AUM growth registered across the last three years and expected to last until 2021 is expected to drive a sound net fee YoY increase. As a consequence, as AUM increases, SCM will benefit of its lean overhead structure and reach a Cost/Income ratio among the best in the industry. Our model assumes that a 3 times growth in net fees would generate growth in earnings of over 15 times, directly linked to an expected Cost/Income ratio of 46%.

High cash flow generation means room to create value. SCM had a net cash position of €0.8m at H1 2016 and, according to our projection model, could generate net cash flow of at least €1m a year on a normalized basis. IPO proceeds and cash flow from operations are foreseen to accelerate growth through its banker network expansion and possible acquisitions.

Management and Shareholders - partnership attitude. Key managers are also shareholders, Board members and operating partners. As a consequence, the main investment decisions are made by Partners who invested in the Company's equity and this should discourage opportunistic behaviors. In addition, each banker is also a shareholder, thus reinforcing a widespread partnership culture.

Highly skilled and experienced team. SCM excels in securing its key service offering: financial wealth advisory services provided by a fully operating team of seasoned experts having served in high standing responsibilities in other domestic and international industry operators. Knowledge empowerment aimed at meticulously trained and technologically supported private advisors allows the field force to be continuously updated and enriched.

Challenges

Market dependence. Cyclical market phases might have several consequences, such as a slowdown in net inflows, although not necessarily accompanied by capital outflows, especially in case of an economic downturn. In a financial market slowdown phase, like that of 2016, AUM are likely to decrease in value, with lower management fees and performance fees, given the predictable drop in asset performance.

Increasing bankers' effectiveness without carrying excessive risk. Bankers' activity should be observed in two dimensions: number of clients and AUM in portfolio. A diversification of portfolios spread out on more clients would reduce the risk of being dependent on a small number of individual large clients.

Concentration on private bankers. The situation where large portfolios are managed by individual advisors increases the Company's risk, as their bargaining power would be much stronger in case of dispute (four bankers produce approximately 50% of total revenues).

Reputation of the network. To drive profitability, SCM largely relies on its network of private bankers. Therefore, poor performance or reputational damage can strongly impact the Company's revenues. Conversely, a good reputation of SCM's network might increase competitors' willingness to attract its best bankers with generous offers. SCM's bankers are not restricted by any covenant with regard to the possibility of carrying out a similar competitive activity once their contract with the Company expires.

Exposure to Italy. SCM is only active in Italy and its bankers all operate on the domestic territory. As a consequence, any event affecting the Italian economic scenario would likely impact the Company and, of course, its net income. Main concerns are the instable Italian market and the fear of a return of a sovereign-debt crisis. Unstable political outlook is also a matter of potential concern. Furthermore, the Italian tax system has historically experienced frequent changes and could get more stringent over time on families' wealth, thus penalizing asset managers and private banking revenues and profitability.

Regulatory environment. The Company operates in a highly regulated market, where its products are strongly impacted by changes in the current legislation. Risk of non-compliance with the existing regulations is potential, with the related possibility to incur inspections and penalties should the Company not comply with rules concerning transparency, conflict of interest, anti-money laundering, market abuse and consumer protection.

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UNDERPERFORM: stocks are among the least attractive in a peer group;

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The stock price indicated is the reference price on the day indicated as “Date of Price” in the table on the front page of this publication.

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Date	Recommendation	Target Price (€)	Share Price (€)
09/01/2017	NEUTRAL	12.32	10.74
23/05/2017	NEUTRAL	12.35	10.75
05/02/2018	NEUTRAL	11.12	10.00

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