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# ITALMOBILIARE

## INVESTMENT HOLDING

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### 1. Executive summary:

Italmobiliare (IM) is an Italian Holding company with a market cap of ~1 bn EUR that underwent 2 pivots in its 40 year history as a listed company. The first pivot, in the 1990s from conglomerate to cement (Italcementi) and then once again in 2017 after a 2 bn sale to Heidelberger into a Italian focused, "Quality-growth small/mid cap PE" style investment company.

What makes the company very attractive to me is a very interesting portfolio (including at least two potential "Super Star" holdings), decent value creation, good strategy/transparency and especially a **50% Discount to NAV**.

In my opinion, the main reason for the discount is that the story and the quality of the portfolio is not well known and Italian Holdco's are maybe not the most popular investments right now.

On the other hand, this potentially represents an attractive return/risk profile for the patient investor even without the presence of a "hard" near term catalyst.

### 2. Background/Introduction:

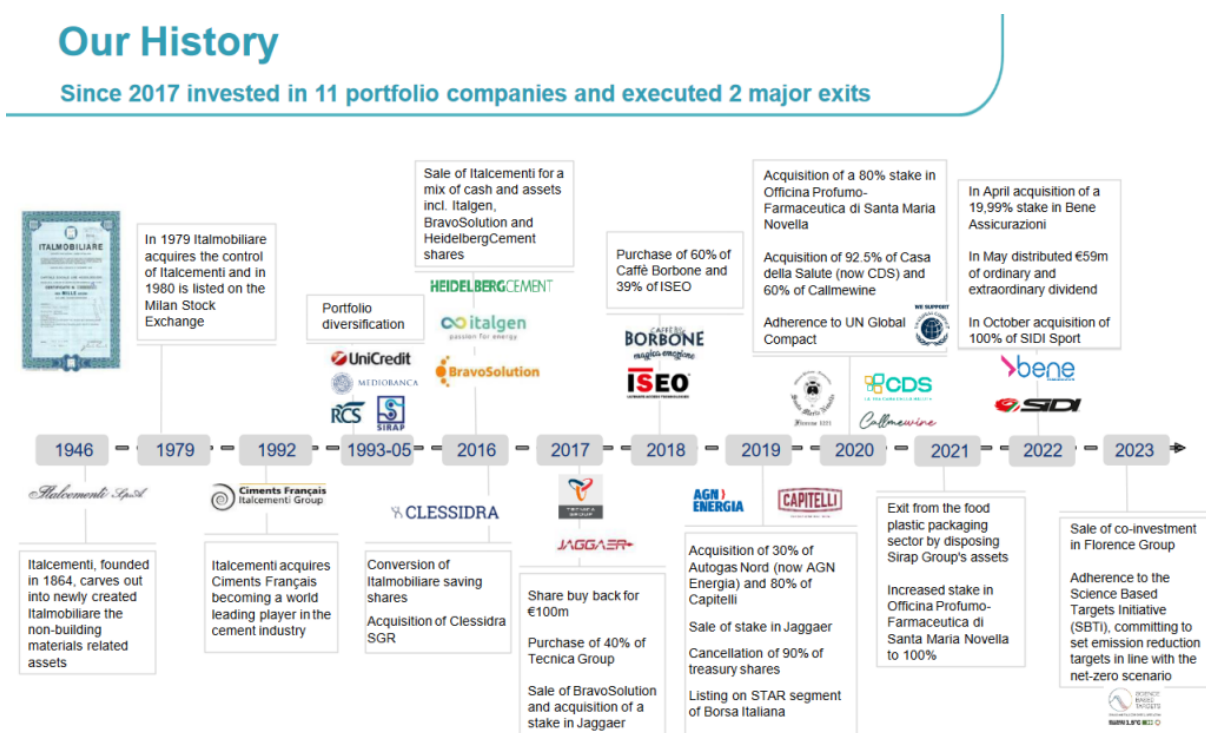
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A long time ago, [when I was hunting for "PIIGS" bargains after the Euro crisis](#) I did come across Italcementi, which used to be the main business of Italmobiliare (IM), an Italian Holding company that was also involved in a lot of other Italian "old School" businesses. For some reasons, we decided to add Buzzi as our Italian Value play which I then sold 2 years later in 2013.

Since then IM underwent a more or less full transformation that I haven't had on my radar screen. This started with selling Italcementi to Heidelberg Materials in 2016 and then was followed by reinvesting the proceeds over the last few years into a collection of Private Italian businesses, many of them with really good brands and great stories.

IM has actually a busy, but very nice chart in [its \(excellent\) investor presentation](#) that condenses the last 77 years:

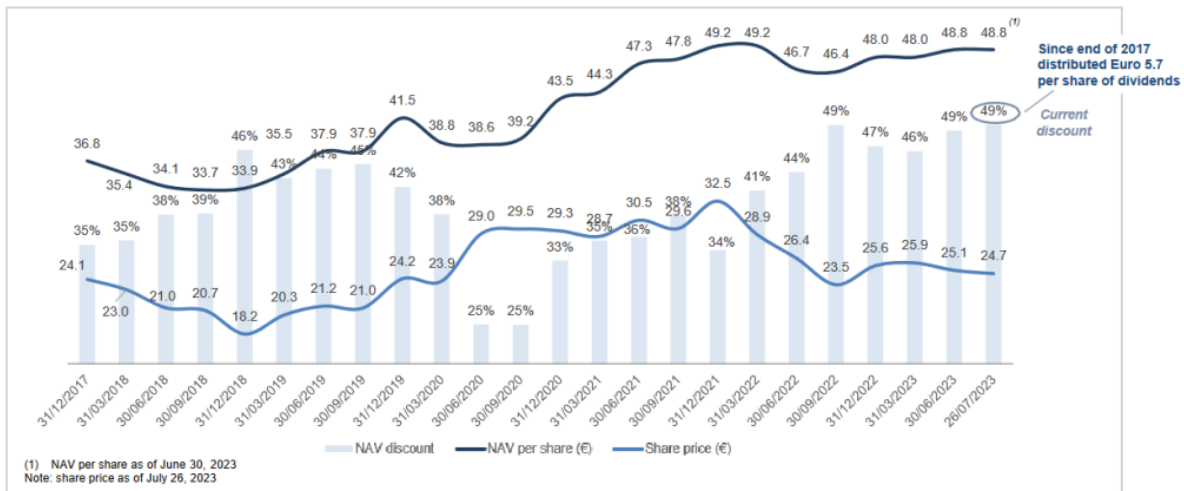


### 3. Starting point: The stock trades literally at 50 cents on the Euro

What motivated me to look into IM is the simple fact, that based on the stated NAV, the "discount" of the current market price is around 50% which triggered my inner "deep value" investing urge to dig deeper.

They also have a great chart that shows how the discount widened over time to its current ~50%:

NAV per share and NAV discount evolution



- NAV is calculated according to the following methodologies for each of the main asset class:
  - Private participations (portfolio companies): at financial year-end valuation by an independent expert based on market multiples or other methodologies; valuation is also updated on the basis of June interim report
  - Private equity investments: valued at NAV of each fund updated every quarter
  - Listed participations: value at market price at each reference date

#### 4. The big question: Why is the discount so high and has even increased ?

A couple of years ago [I wrote about Holding discounts](#). I still think, even if one assumes that IM would not be a "value add" holding, a discount of maybe 20-30% should be applied. A higher discount only makes sense if something is really wrong here. So before going into depth, let's walk through the most common topics that would justify a discount which are:

- the NAV might be overstated
- There are issues with the structure/Governance/leverage
- The Holding doesn't create value i.e. is investing badly

##### 4.1. Maybe the NAV is too optimistic ?

Given that IM has a lot of unlisted exposure, there might be the risk that the stated NAV is simply too high and/or unrealistic. As IM publishes detailed results for its core participations (67% of the portfolio) on a regular basis, I made a quick back of the envelope "gut feeling valuation" and came out pretty much where they see the value (~1,4 bn EUR).

Of course you can challenge any assumption I made, but for me there doesn't seem to be an obvious mispricing.

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	Sales	EBITDA norm	EBIT	Debt	EBITDA Multipl	EV	Equity value	% IM	Value	
Cafe Borbonne	307	82		-19	12		984	965	60%	579
Santa Marie	50	12		-4,1	17		204	199,9	95%	190
AGN Energia	700	65		-75	8		520	445	32%	142
Italgas	50	15		-42	10		150	108	100%	108
Tecnica	500	50		-180	8		400	220	40%	88
Iseo	165	20		-53,5	10		200	146,5	39%	57
Sidi	30	6		-20,6	12		72	51,4	100%	53
Clessidra								50	100%	50
Bene	400							100	19,90%	40
Capitelli	20	4		-1,2	10		40	38,8	80%	31
Salute	40	7		-56	12		84	28	85%	24
Callmewine								21	80%	17
Sum										1379

Of the remaining assets, they do have roughly 200 mn liquidity and 400mn in other equity investments where the valuation comes mostly from external fund managers, plus some listed shares. So at a first glance, **I see nothing big hiding here and the NAV seems to be realistic.** More details later.

## 4.2. Potential Structural issues (high holding costs, potential Governance issues, leverage)

The structure of IM is surprisingly clean. There are no holdings "above" it or Sister companies with which they do business. There are minorities in the strategic participations but this is transparent. **The HoldCo has no debt but net liquidity, only the Opcos have (non recourse) debt.**

I also see no governance issues, however one needs to be aware that in Italy many unexpected things can happen, especially at Government level. The related party disclosure only shows transactions between Italmobiliare and its subsidiaries, not any other Pesenti family holdings. They explicitly state that no relationships or contracts exist along the "investment chain" in the annual report:

### j) Management control and coordination

Based on the information and communications received by the Company under art. 120 CLF, **Efiparind B.V.** participates indirectly in Italmobiliare with approximately 49% of the share capital through its subsidiary Cemital Privital Aureliana S.p.A. and through fiduciary registration with CFN Generale Fiduciaria S.p.A.

On February 15, 2023 the Board of Directors again confirmed that, in their opinion, neither Efiparind B.V. nor any other entity or company exercised management control and coordination over Italmobiliare pursuant to arts. 2497-2497-septies of the Italian Civil Code. In fact:

- Italmobiliare does not receive from companies or entities in the investment chain that leads to Efiparind B.V. any instructions, directives or constraints regarding the preparation or approval of business, financial or strategic plans, nor regarding the approval of budgets or the definition of investment or divestment plans, nor regarding the choice of counterparties with whom to do business;
- Italmobiliare is not a party to any industrial or financial policy or practice performed under the direction or through the coordination of companies or entities of the said investment chain, such as cash pooling, tax consolidation or similar sharing of functions;
- there is no trace of any contractual relationship currently or previously in place between the Company and other companies or entities in its investment chain, nor with other companies or entities subject to control by, or connected to, companies or entities in its investment chain;

In addition, IM is paying a dividend and has in the past repurchased some shares, although not on a regular basis. Holding cost is not super low with 20 mn but OK for a 2 bn portfolio

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and a staff of ~45 people. Management is incentivised mostly on NAV growth plus extra bonuses for realizing investments.

In comparison to Exor for instance, IM is still located in Italy which gives them some smaller tax disadvantage with regards to dividends that they receive. On the other hand, that might give them some political goodwill.

Overall, I see no structural topics that would explain a large discount

## 4.3. No value creation / bad assets

A Holding company that doesn't create value should trade at a discount. With regard to value creation, things look pretty OK as well. Since the end of 2017, when the new strategy really started, NAV has been increasing by ~8% or 50% in total, of which 1/4 has been paid out in dividends. This is clearly not stellar, but quite good for an Italy focused fund (after Holding cost etc.).

The 8% p.a. also needs to be looked at in the context of a roughly 20% (on average) allocation to cash and bonds over this period.

So summarizing 1.-3. I would say that there are no obvious reasons why Italmobiliare trades at such a discount. Therefore it might be worth digging deeper.

## 4.4. Maybe Italy is out of fashion ?

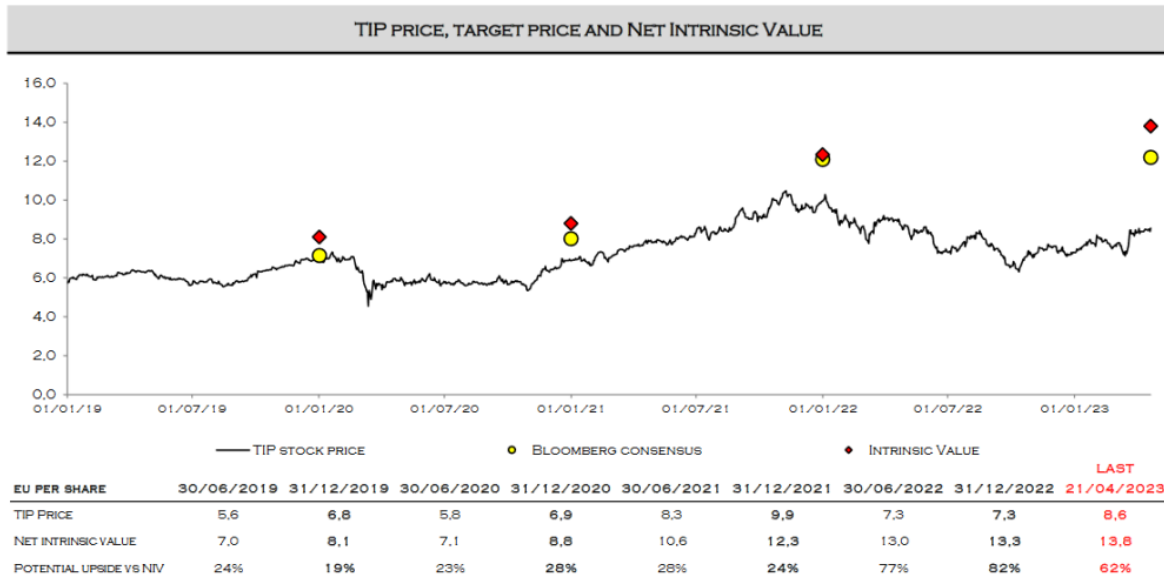
One possible explanation would be that Italy (again) is very out of fashion. However, this is not supported by index performance. Especially in 2023, Italy has outperformed on a relative basis, for instance against the German DAX:



However, looking at Tamburi, another Italian investment holding, we can see that also in the case of Tamburi, the discount seems to have widened in 2023 compared to previous years:

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So one explanation could clearly be that for some reason, the discount of Italian Holding companies has increased in 2023 as investors seem to prefer direct exposure. Unfortunately, Exor doesn't publish NAVs during the year.

## 4.5. Private Equity discount

One potential issue could also be that after 2022, where public markets were down -20% or more, investors are skeptical about PE valuations in general, as the PE firms didn't mark down their positions much. Also, the observed discount of secondary transactions (i.e. the transfer of LP investments) [has increased to something like 15% according to some studies](#).

So these, sometimes liquidity driven, observed discounts could explain some of the widening discount, especially as IM has exposure to P/E funds. However, with the recovery in 2023 in public markets, this does not explain the ever increasing discount.

## 4.6. Other explanations

To my knowledge, the owning family (more on this later) has not acted strange. Other than that, I have no real explanation, other than that the Italmobiliare story is not widely known.

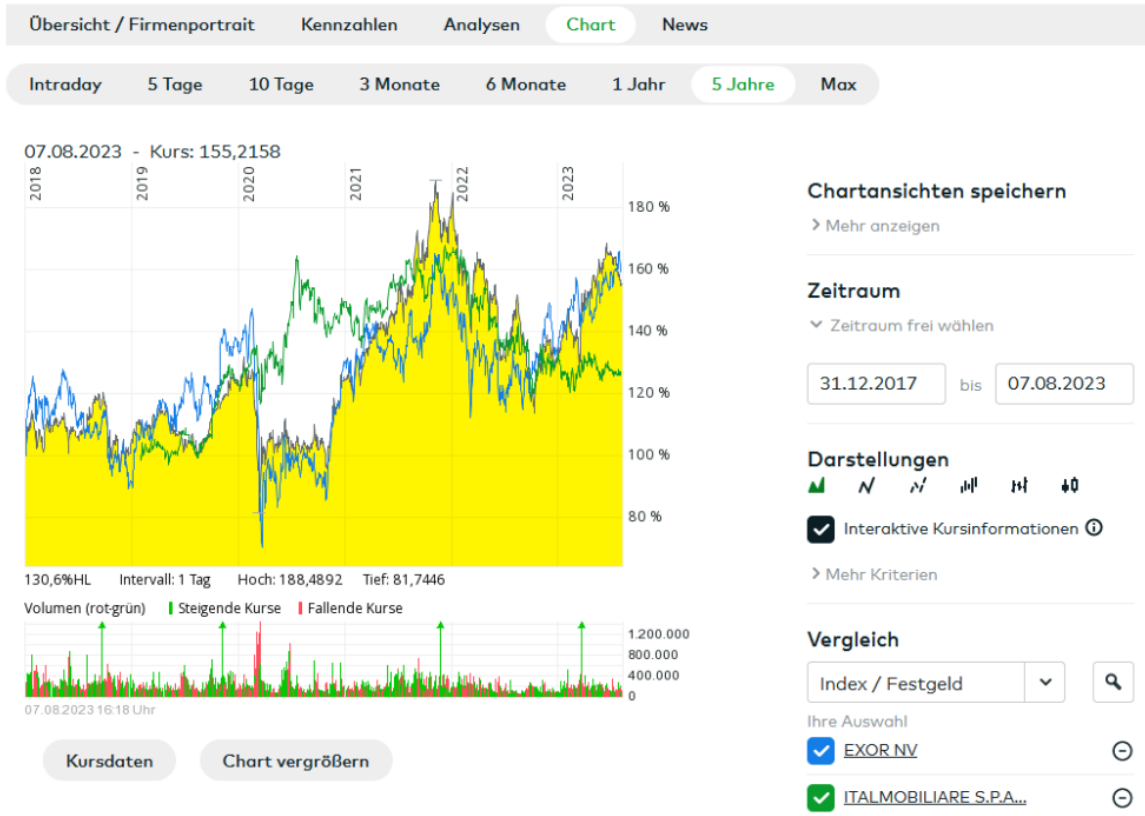
## 5. A quick look at Exor and Tamburi:

EXOR (Agnelli family and Stellantis/Ferrari) and Tamburi are better known Italian investment holdings. In contrast to IM, both Tamburi and Exor use debt on Holding level, EXOR historically between 10-20% of Gross NAV, Tamburi slightly more than 20%. Interestingly, in the 5 years from Dec 17 to Dec 22, Exor performed more or less in line with Italmobiliare with regard to NAV development, only Tamburi stood out with a doubling in NAV.

Despite quite significant volatility, EXOR and Tamburi (solid yellow) performed in line since the end of 2017, only IM is lagging behind after outperforming like crazy in 2020:

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One thing that I find interesting is that, at least in my opinion, **IM's reporting are much better and clearer than EXOR's and Tamburi's**. IM regularly reports look through earnings for all larger holdings which makes it quite easy to calculate a value.

Tamburi and Exor have a higher percentage of listed stocks, but in Tamburi's case they calculate some kind of "intrinsic value" which in some cases seems to be higher than the observed share price for listed companies.

Exor reports only twice a year with a few months delay. Due to its size, Exor has the lowest Holding cost by far, with something like 10 bps compared to 20 mn or 100 bps for IM and even almost double that for Tamburi. But clearly, Tamburi has performed very well in the last years. At a later point in time I will look at Tamburi in more detail.

## 6. Deep Dive- General investment strategy

IM distinguishes between 5 major categories. I will go through them before than diving even deeper into the largest Portfolio companies.

### 6.1. Portfolio companies

With 67%, this is the bulk of the portfolio and comprises currently 13 investments with stakes between 20-100% ownership. I would describe the style of investing as "mid market quality growth". They don't do turnarounds or distressed investments and the companies all headquartered in Italy.. In a couple of cases they are a minority investor with other Italian families. More on the biggest 6 holdings later in an even deeper dive later. Overall it looks

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like this category is based on a well thought through, focused investment strategy with already some very encouraging success within these first 5 years.

## 6.2. Private Equity

In this category, with around 11% or 220 mn, they summarize PE fund investments which are spread over a couple of fund managers. The interesting part here is that they have invested ~1/3 into their own 100% owned PE manager Clessidra. I would assume that they pay lower fees here as owners.

(in millions of euro)	Notes	30.06.2023	31.12.2022	Change
<b>Private equity funds as per NAV</b>	<b>D</b>	<b>224</b>	<b>213</b>	<b>11</b>
<b>Bonds and mutual funds</b>				
Clessidra (Funds)		88	85	3
BDT2		61	58	3
BDT3		11	8	3
Isomer		12	13	(1)
Isomer II		1	1	(0)
Isomer Opportunities		1	1	0
ICONIQ IV		17	20	(3)
ICONIQ V		11	13	(2)
LINDSAY		2	2	0
Lauxera		1	1	0
Expedition		2	2	0
Connect Ventures		12	2	10
Jab Consumer		2	7	(5)
Other		1	0	1
<b>Total</b>	<b>M</b>	<b>224</b>	<b>213</b>	<b>11</b>
<b>Difference</b>	<b>M-D</b>	<b>(0)</b>	<b>0</b>	<b>(0)</b>

The second largest manager, BDT capital is according to Crunchbase a "a private equity arm of BDT and Company that focuses on investments in family-owned and entrepreneurial businesses" based in the US. So strategywise this fits well to IM's approach. Connect Ventures is a London based, European Software VC, Iconiq is a SFC based, established Growth PE Manager. Overall it seems that they seek some international exposure via this strategy (apart from Clessidra) but stay within their area of investment style. The category has slowly expanded from 6% in 2017 to 11% today.

## 6.3. Cash Liquidity

This comprises cash deposits but also money market funds and some mid term FI investments. As of year end, this will be 70 mn higher due to the Florence Group Exit.



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(in millions of euro)	Notes	30.06.2023	31.12.2022	Change
<b>Financial assets, trading, cash and cash equivalents as per NAV</b>	<b>F</b>	<b>165</b>	<b>188</b>	<b>(23)</b>
Cash and cash equivalents		23	22	1
FV of derivatives receivable		0	0	0
Other current assets <sup>(1)</sup>		126	135	(9)
Non-current financial assets <sup>(2)</sup>		18	15	3
<b>Total cash and cash equivalents</b>		<b>167</b>	<b>172</b>	<b>(5)</b>
Current loans and borrowings		0	0	0
Current financial liabilities		(4)	(21)	17
Current options on securities		(0)	(1)	1
Non-current lease payables <sup>(3)</sup>		(0)	0	(0)
<b>Total financial position</b>		<b>(5)</b>	<b>(22)</b>	<b>17</b>
<b>Total net financial position Italmobiliare S.p.A.</b>		<b>162</b>	<b>150</b>	<b>12</b>
Other current activities Sirap S.r.l. *		9	21	(12)
Total net financial position FT2 S.r.l. *		0	16	(16)
<b>Total financial assets, trading, cash and cash equivalents as per NAV *</b>	<b>S</b>	<b>170</b>	<b>188</b>	<b>(18)</b>
<b>Difference</b>	<b>S-F</b>	<b>(6)</b>	<b>0</b>	<b>(6)</b>

The difference at 30.06.2023 relates to the medium/long-term loan granted to the associate company Archimede for 6 million euro, classified for NAV purposes in "Other equity investments".







(1) This item also includes mutual investment funds, bonds, intercompany current accounts, accrued interest and commission income on loans and mutual funds.

(2) This item includes medium/long-term loans and cashes.

## 6.4. Other participations (non strategic)

This category comprises the remaining traded equity investments and a couple of so-called Private Equity co-investments where they invest alongside PE funds. The category amounted to ~220 mn EUR as of 30.06.

The Co-Investments look as follows:

	Sector	Investment partner	Profile
	Fashion	Private equity funds	<ul style="list-style-type: none"> <li>N°1 Italian producer of luxury clothing</li> <li>In May 2023 reached agreement for the sale to Permira Private Equity (pending closing)</li> </ul>
	Wine	Clessidra Private Equity	<ul style="list-style-type: none"> <li>One of the leading Italian wine players with €230m of revenues (99% abroad)</li> <li>Asset-light business model focused on brand and distribution</li> <li>In April 2021 add-on of Mondodelvino with €120m of revenues</li> </ul>
	IT services & software	Clessidra Private Equity	<ul style="list-style-type: none"> <li>Provider of IT &amp; software services and digital solutions to SMEs</li> </ul>
	Pharmacy	Management team	<ul style="list-style-type: none"> <li>Aggregator in the retail pharmacy industry</li> </ul>
	Telecom infrastructure	Private equity fund	<ul style="list-style-type: none"> <li>Incumbent fiber and copper fixed line telecom network</li> </ul>
	Food	Private equity fund	<ul style="list-style-type: none"> <li>Leading Italian producer of piadine and tigelle</li> </ul>

Gruppo Florence seems to have been sold for a consideration of 70 mn EUR, the deal is expected to close in Q4 according to page 6 in the IR presentation.

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ARGEA is an interesting project, combining 5 Italian wineries in a new Group. If that company would be public, this would be something for my “collection”.

In the half year report we can see the details for this category:

(in millions of euro)	Notes	30.06.2023	31.12.2022	Change
<b>Other equity investments as per NAV</b>	<b>A/C</b>	<b>226</b>	<b>216</b>	<b>10</b>
HeidelbergCement		15	35	(20)
<b>Total amounts as per statement of financial position</b>	<b>G</b>	<b>15</b>	<b>35</b>	<b>(20)</b>
Archimede (*)		15	9	6
Vontobel		7	7	(0)
UBI		0	0	0
Unicredit		0	3	(3)
Cairo Communication		0	0	0
Coima Res		0	0	0
Piaggio		1	0	1
Sesaab		1	1	(0)
Fin.Priv. Mediobanca shares		23	19	4
035 Investimenti		1	1	(0)
KKR Teemo CO-INVEST L.P.		14	12	2
Ariston		9	9	0
Atmos Venture		0	0	0
New Flour		7	6	1
CCC Holdings Europe (**)		8	8	(8)
Compagnia Fiduciaria		1	1	(0)
<b>Total</b>	<b>I</b>	<b>100</b>	<b>76</b>	<b>24</b>
<b>Investments in subsidiaries and associates</b>				
Credit Mobilier de Monaco		6	6	(0)
SES		7	7	0
Franco Tosi Ventures		1	1	(0)
Farmagorà		16	14	2
ITM Bacco		12	12	(0)
Dokimè		0	2	(2)
Florence InvestCo		31	31	(0)
<b>Total</b>	<b>L</b>	<b>72</b>	<b>73</b>	<b>(1)</b>
<b>Total amounts as per statement of financial position</b>	<b>I+L</b>	<b>172</b>	<b>149</b>	<b>23</b>
<b>Difference</b>	<b>(I+L+G)-(A/C)</b>	<b>(54)</b>	<b>(32)</b>	<b>(22)</b>

The difference between book value and NAV can mostly be explained by Florence which as mentioned, they sold for 70 mn. So I don't see any reason for adjustments here.

One quirky part here is a small bank in Monaco that they own fully. [According to their website](#), their main business seem to be to extend loans against collateral in the form of valuable objects.

## 6.5. Real Estate, other

This category which remained constant in value over the past 5 years and contains a few objects, mostly in Milan and Rome. NAV is 2X book value, but as these objects are booked at cost and most likely historic.

As with “other participation”, this section has a little “Family office” feeling but it is small and not growing.

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## 7. Deeper Dive Portfolio Holdings

One of my personal mental models for looking at Holdcos is the following: No matter how large the discount is, **one should be comfortable with owning the underlying assets**, especially if they are part of a longer term strategy. In IM's case, the focus is clearly on the strategic Holdings. Here is again my valuation from above:

	Sales	EBITDA norm	EBIT	Debt	EBITDA Multipl EV	Equity value	% IM	Value	
Cafè Borbonne	307	82		-19	12	984	965	60%	579
Santa Marie	50	12		-4,1	17	204	199,9	95%	190
AGN Energia	700	65		-75	8	520	445	32%	142
Italgen	50	15		-42	10	150	108	100%	108
Tecnica	500	50		-180	8	400	220	40%	88
Iseo	165	20		-53,5	10	200	146,5	39%	57
Sidi	30	6		-20,6	12	72	51,4	100%	53
Clessidra							50	100%	50
Bene	400						200	19,90%	40
Capitelli	20	4		-1,2	10	40	38,8	80%	31
Salute	40	7		-56	12	84	28	85%	24
Callmewine							21	80%	17
Sum									1379

1.

We can see that according to the values that I calculated, the 6 biggest holdings have a value of around 1,1 bn EUR, which represents > 80% of the strategic holdings and over 50% of the total NAV.

### 7.1. Caffè Borbone



IM bought 60% of Borbone in 2018 for 140 mn EUR (second largest deal since 2017), the remaining 40% remain with the founder. Borbone is an Italian Coffee Brand which managed to become the biggest player in the Italian coffee capsule market and since buying the company, Caffè Borbone has done very well. Here is the table from the investor presentation:

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## KEY FINANCIALS

(€ m)	2017	2018	2019	2020	2021	2022	1H23
<b>Revenues</b>	<b>93.6</b>	<b>135.2</b>	<b>172.6</b>	<b>219.3</b>	<b>252.9</b>	<b>262.7</b>	<b>153.7</b>
YoY % var.	+30%	+44%	+28%	+27%	+15%	+4%	+15%
<b>EBITDA</b>	<b>20.3</b>	<b>33.7</b>	<b>52.0</b>	<b>75.1</b>	<b>83.1</b>	<b>68.5<sup>(1)</sup></b>	<b>41.1</b>
% margin	22%	25%	30%	34%	33%	26%	27%
<b>Net income</b>	<b>13.7</b>	<b>16.5</b>	<b>34.2</b>	<b>90.5</b>	<b>63.5</b>	<b>38.8</b>	<b>24.7</b>
<b>Capex</b>	<b>4.4</b>	<b>5.4</b>	<b>2.8</b>	<b>13.4</b>	<b>11.7</b>	<b>11.8</b>	<b>4.6</b>
<b>Dividends</b>			<b>8</b>	<b>20</b>	<b>30</b>	<b>50</b>	<b>30</b>
<b>Net debt (cash)</b>	<b>(27.3)</b>	<b>51.2</b>	<b>31.6</b>	<b>11.8</b>	<b>(8.0)</b>	<b>20.6</b>	<b>19.0</b>

Note: FY 2017 drawn up in accordance with Italian accounting standards and from 2018 in accordance with IFRS

(1) Adjusted for non recurring costs for €2.7m

Increase due to inclusion of acquisition financing

Reduction due to raw materials inflation

Revenue has more than doubled since 2018 as did EBITDA despite a decline in Margins from the 2019 peak, according to management mainly due to cost increases from raw coffee. And they seem to have paid back a significant part of purchase price already via dividends. The business is still incredibly profitable. Success is based on a good value proposition. The capsules are significantly cheaper than for instance from Nespresso and more in line with Lavazza, the big traditional brand. In addition they used from the beginning **sustainable packaging** and smart advertisement which seems to work well with the younger generation. What I also find interesting is that you can order really big packs like 200 capsules which then reduces to a price of 20 cent per capsule compared to 50 cent or so for Nespresso.

So far, Borbone sells 95% of its products in Italy and it is really astonishing that in a country with hundreds of local coffee brands and a few bigger ones (Lavazza, Segafredo, Illy) they have been so successful. They now seem to plan to take this international route and even want to try their luck in the US.

In any case, despite being a relatively young brand (1997) I think they managed to develop a genuine Italian brand which as such has good chances to be successful also outside Italy.

So this has been clearly a home run for Italmobiliare, the question is: What is something like this worth ?

I used a 12x EV/EBITDA multiple based on my estimate of 82 mn EBITDA for this year. This sounds a little bit aggressive at first but it's closed Peer, JDE Peets trades at 16x trailing EV/EBITDA despite being less profitable and growing less.

The fact that the founder is still on board is in my opinion very positive. If I could invest into Borbone directly at 6xEV/EBITDA, which I do through the discount, I would happily do so.

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Based on my valuation, Borbone is around 28% of the total value of IM, so one should be comfortable with this position.

Depending on the success of the international expansion, Borbone could be a big driver for the future NAV growth of IM.

As I am a frequent espresso drinker, I actually ordered a selection of their full bean coffee and some accessories which you can see in the following picture:



I have to say that their blends really taste very smooth and are almost unbeatable by value. Especially the “Rossa” blend, which (of course) competes with Lavazza’s Rossa blend, is really good.

### 7.2. Officina Profumo-Farmaceutica di Santa Maria Novella

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"Santa Maria" which I will call them, was bought in 2020 when Covid was already raging through Italy. Back then they bought based on a valuation of 200 mn for the total company for something that looks like a small business and a crazy price at almost 10x sales and 40 times EV/EBITDA (2020):

## KEY FINANCIALS

(€ m)	2018	2019	2020	2021	2022	1H23
<b>Revenues</b>	<b>30</b>	<b>31.1</b>	<b>22.6</b>	<b>30.0</b>	<b>46.6</b>	<b>23.7</b>
YoY % var.	+0%	+4%	-27%	+33%	+55%	+22%
<b>EBITDA</b>	<b>11</b>	<b>12.4</b>	<b>5.2<sup>(1)</sup></b>	<b>8.2</b>	<b>11.3</b>	<b>5.1<sup>(2)</sup></b>
% margin	37%	40%	23%	27%	24%	22%
<b>Net income</b>		<b>10.3</b>	<b>(0.1)</b>	<b>2.5</b>	<b>4.7</b>	<b>0.9</b>
<b>Dividends</b>					<b>8.0</b>	
<b>Net debt (cash)</b>		<b>(19.2)</b>	<b>(10.1)</b>	<b>(14.8)</b>	<b>(5.8)</b>	<b>4.1</b>

Note: 2018 consolidated management accounts including San Carlo S.r.l.; 2019 accounts drawn up in accordance with Italian accounting standards and reclassified according to ITM policies; from 2020 accounts in accordance with IFRS

(1) Adjusted for non recurring items for €2.2m

(2) Adjusted for non recurring items for €0.7m

Variation due to application of IFRS16

Variation also due to stores' leasing liabilities

But as we can see in the table, that Covid driven slump has been now left behind and Santa Maria is on track to do ~ 3x 2020 (and 2x 2019) sales at pretty nice margins.

Santa Maria is a perfume and cosmetics brand that traces its roots to some friars in Florence more than 800 years ago. The flagship store in Florence is also a Museum. They positioned themselves as a luxury brand. Prices start at 85 EUR for a small 50 ml bottle and they sell globally.

My impression is that this is an extremely valuable, unique heritage brand which has significant growth potential. I retained the 200 mn valuation which represents a 17x EV/EBITDA multiple. That sounds like a lot [but if one considers that Kering bought Fragrance maker Creed at a 14x sales and 23x EV/EBITDA multiple](#), this doesn't seem to be

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aggressive. If Santa Maria reaches a certain scale, I am extremely sure that there would be multiple buyers with deep pockets.

Since IM took over, [they brought in a new CEO \(with the nickname "The Nose"\) and according to this really nice NYT article](#) are expanding their product line continuously. According to this article, [they also follow the "sustainable packaging" pathway](#).

It will be interesting to see if and how they manage to grow the brand, but I do think that at some point in time, this company could become a "unicorn" and could maybe contribute to a significant increase in IM's NAV alongside Caffè Borbone. And again, a company I would happily invest into if I could get it for 8,5x EV/EBITDA.

## 7.3. Italgel

Now Italgel is a completely different animal than the first two companies, because it is a reminder of the old Italmobiliare as they carved it out of Italcementi before they sold it to "the Germans". Italgel consists of 28 Hydropower stations in Northern Italy, a small Bulgarian windpark and some smaller Italian solar parks.

The numbers look a little bit messy due to low rainfall and regulatory interventions.

KEY FINANCIALS						measures
(€ m)	2018	2019	2020	2021	2022	1H23
<b>Revenues</b>	<b>36.0</b>	<b>34.4</b>	<b>30.2</b>	<b>45.3</b>	<b>50.0</b>	<b>24.4</b>
<i>YoY % var.</i>		-5%	-12%	+50%	+10%	+10%
<b>EBITDA</b>	<b>8.4</b>	<b>14.6<sup>(1)</sup></b>	<b>13.9<sup>(2)</sup></b>	<b>24.3<sup>(3)</sup></b>	<b>9.8</b>	<b>(0.3)</b>
<i>% margin</i>	24%	42%	46%	54%	20%	<i>n.m.</i>
<b>Net income</b>	<b>0.4</b>	<b>7.4</b>	<b>11.1</b>	<b>12.6</b>	<b>4.9</b>	<b>(3.6)</b>
<b>Dividends</b>	<b>6.0</b>	<b>6.0</b>	<b>7.2</b>	<b>4.8</b>	<b>8.0</b>	<b>4.0</b>
<b>Net debt (cash)</b>	<b>21.0</b>	<b>20.1</b>	<b>10.2</b>	<b>18.7</b>	<b>29.6</b>	<b>42.3</b>

(1) Adjusted for non recurring costs (€0.4m)  
(2) Adjusted for non recurring revenues and costs (-€9,7m)

In  
of

My assumption is that on a normalized basis, Italgel can generate 15 mn EBITDA to which I would apply a 10x multiplier. This is roughly where Swiss/German peer Hydro pure play Energiedienst trades.

Italgel is clearly not a growth driver for the NAV but a very solid and valuable real asset. Again, I would buy this any time at 5xEV/EBITDA.

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## 7.4. AGN Energia

AGN Energia is a 2018 investment and is a LPG distribution business. LPG distribution is a business I am familiar with because it is also one of the core businesses of DCC. AGN Energia seems to be rolling up other Italian players and has managed to almost double EBITDA since 2018 (based on 6M 2023):

### KEY FINANCIALS

(€ m)	2018	2019	2020	2021	2022	1H23
Autogas Nord	289					
Lampogas	237					
<b>Revenues</b>	<b>526.2</b>	<b>495.2</b>	<b>438.1</b>	<b>571.5</b>	<b>704.5</b>	<b>331.0</b>
YoY % var.		-6%	-12%	+30%	+23%	-3%
<b>EBITDA</b>	<b>35.7</b>	<b>38.6</b>	<b>50.7</b>	<b>56.2</b>	<b>51.8<sup>(1)</sup></b>	<b>32.0<sup>(2)</sup></b>
% margin	7%	8%	12%	10%	7%	10%
<b>Net income</b>	<b>7.8</b>	<b>7.4</b>	<b>20.3</b>	<b>24.4</b>	<b>19.1</b>	<b>18.1</b>
<b>Capex</b>	<b>15.5</b>	<b>20.3</b>	<b>19.0</b>	<b>25.1</b>	<b>21.8</b>	
<b>Dividends</b>		<b>4.2</b>	<b>4.6</b>	<b>4.6</b>	<b>8.0</b>	<b>4.0</b>
<b>Net debt (cash)</b>	<b>137.2</b>	<b>138.6</b>	<b>124.7</b>	<b>106.5</b>	<b>119.6</b>	<b>74.9</b>

(1) Adjusted for non recurring costs for €1.4m

(2) Adjusted for non recurring income for €4.3m

Decrease mainly due to NWC reduction effect of lower LPG

As they mention that there is further potential for consolidation in Italy, there could be more upside. I have used a 8x EV/EBITDA multiple which reflects that it is a minority stake (32%). Similar to DCC's LPG business, there is also additional potential with the transition to green energy in this business. For instance, [they seem to also offer E-Charging solutions and PV for apartment blocks](#) and more.

Again a business I would buy directly at the current, implicit valuation any day.

## 7.5. Iseo Serrature

Iseo Serrature is a security access/locking specialist that they acquired in 2018. In contrast to the other mentioned acquisitions, the company has done OK but not great since then:

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## KEY FINANCIALS

(€ m)	2018	2019	2020	2021	2022	1H23
<b>Revenues</b>	<b>136.7</b>	<b>142.7</b>	<b>128.4</b>	<b>152.5</b>	<b>163.3</b>	<b>81.8</b>
<i>YoY % var.</i>	-4%	+4%	-10%	+19%	+7%	-2%
<b>EBITDA</b>	<b>15.0</b>	<b>18.7<sup>(1)</sup></b>	<b>16.7<sup>(2)</sup></b>	<b>22.4</b>	<b>21.8<sup>(3)</sup></b>	<b>8.3<sup>(4)</sup></b>
<i>% margin</i>	11%	13%	13%	15%	13%	10%
<b>Net income</b>	<b>5.3</b>	<b>6.1</b>	<b>4.1</b>	<b>12.0</b>	<b>10.1</b>	<b>1.8</b>
<b>Capex</b>	<b>7.1</b>	<b>4.8</b>	<b>5.0</b>	<b>8.7</b>	<b>12.0</b>	<b>7.5</b>
<b>Dividends</b>		<b>1.2</b>	<b>1.2</b>	<b>3.5</b>	<b>10.0</b>	<b>5.0</b>
<b>Net debt (cash)</b>	<b>43.7</b>	<b>34.6</b>	<b>19.7</b>	<b>16.9</b>	<b>38.8</b>	<b>53.5</b>

In general I think there are buyers for such an asset like the big players Assa Abloy and Dorma Kaba. These businesses are often characterized by a high percentage of recurring revenues and a certain "local moat". Iseo doesn't grow that much, but those businesses are often consistent growers and they seem to have developed some interesting new technologies.

I valued them at 10xEV/EBITDA (normalized to 20mn) compared to ~15x for Assa Abloy. I think this is a good company and again, if I could buy it at 5x EV/EBITDA I probably would do so. As some readers might remember, I used to own French based competitor DOM Security which was bought out by parent SFPI.

### 7.6. Tecnica

Tecnica was one of the earliest acquisitions in 2017. It is an outdoor equipment company, producing branded footwear (Lowa, Moonboot, Rollerblades) and Skiing Equipment (Blizzard, Tecnica Ski boots). I do actually have Lowa Winter boots which are very good quality.

The company has grown 50% since the initial acquisition but most likely benefited from the Covid driven outdoor and "revenge travel" boom:

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## KEY FINANCIALS

(€ m)	2016	2017	2018	2019	2020	2021	2022	1H23
<b>Revenues</b>	<b>341.2</b>	<b>368.0</b>	<b>398.5</b>	<b>424.0</b>	<b>382.5</b>	<b>463.8</b>	<b>561.0</b>	<b>184.9</b>
YoY % var.	+2%	+8%	+8%	+6%	-10%	+21%	+21%	-4%
<b>EBITDA</b>	<b>28</b>	<b>31.4</b>	<b>37.7</b>	<b>59.6</b>	<b>59.4</b>	<b>82.9</b>	<b>94.5</b>	<b>5.7</b>
% margin	8%	9%	10%	14%	16%	18%	17%	3%
<b>Net income<sup>(1)</sup></b>	<b>(0.8)</b>	<b>0.9</b>	<b>5.4</b>	<b>11.3</b>	<b>8.4</b>	<b>41.2</b>	<b>44.8</b>	<b>(10.4)</b>
<b>Capex</b>	<b>8.7</b>	<b>10.0</b>	<b>11.7</b>	<b>14.4</b>	<b>15.7</b>	<b>21.9</b>	<b>27.7</b>	
<b>Dividends</b>							<b>8.0</b>	<b>10.0</b>
<b>Net debt (cash)</b>	<b>170.7</b>	<b>125.6</b>	<b>113.4</b>	<b>221.1</b>	<b>171.1</b>	<b>127.5</b>	<b>139.3</b>	<b>187.7</b>

It also carries the most debt of all portfolio companies. In this case I have normalized EBITDA down to 50 mn and apply a 8x EV/EBITDA multiple. Maybe that's too conservative but I think the skiing equipment segment is maybe not a long term winner. This valuation would be roughly in line [with what they paid in 2017](#).

### 7.7. Other strategic holdings

The rest of the portfolio contains a couple smaller investments which I run through quickly:

- **Capitelli**, a high margin specialty cooked ham producer that sells mostly B2B. I tried to order a sample but the minimum order is a 6 kilogram full ham, a little much for me as almost Vegetarian.
- **Sidi**, a 2022 acquisition, is a leader in specialist cycling ("Click pedal") and motorbike footwear. The acquisition price looks rich based on 2023 &M results but there seems to be a general post-covid slump in cycling. The brand as such is super well known internationally, shoes can easily cost 400 EUR or more and most likely a very valuable brand long term.
- **Casa del Salute**, a fast growing Health Center operator in Northern Italy.
- **Clessidra**, an Italian PE Investment manager that was bought in 2016 after the death of its founder. Seems to have recovered and started additional activities. My valuation represents around 1,5% of AuM (3,6 bn EUR).
- **Bene**, a recent, 20% stake in a fast growing Italian digital insurer. Investment was a capital increase. Bene looks like a fantastic success story, growing to around 200 mn premium since 2017 and achieving break even with the founder on board als majority holder.
- **Callmewine**, a hardly break-even online Wine retailer. The only Portfolio company that looks troubled.

In a nutshell, even the smaller portfolio companies look very interesting with the exception of Callmewine.

### 8. Management / Incentives / Shareholders

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Now after this deep dive, it's time to look at who runs this company and how aligned interests are between shareholders and Management.

## 8.1. Management / Incentives

Carlo Pesenti, the 60 year old CEO and head of the family, seems to be the third generation in IM's life as a listed company. His Grandfather initially seems to have invested in everything, from carmaker Lancia to Banks and Insurance companies, whereas his father Giampaolo made the first Pivot to mostly cement and industrials.



Carlo Pesenti oversaw the sale of Italcementi and headed the current transformation into what he calls "Italmobiliare 3.0".

He is currently the sole Managing Director and executive Board member. According [to the last Compensation report](#), his bonus depends mostly on NAV development, adjusted EBITDA of the operating companies, some ESG criteria and new, from 2023, also realized investments. Other key management has similar incentive plans.

Pesenti has a fixed salary of 1mn EUR and ~0,5 mn in annual incentives (which were roughly at 66% of target due to the decrease in NAV). He also received a payout of 7,5 mn as long term bonus for the years 2020-2022. So annualized compensation is around 4 mn EUR from 2020-2022.

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As the bonuses come as phantom shares, there is also some alignment with the share price development.

Interestingly, **he received in total slightly more than the rest of the Senior Management.** Such a ratio is not uncommon for a PE company but for a Holdco, the salary is clearly on the higher side, but at least linked to success.

This does not mean [that the rest of the management team](#) consists solely of Rookies. The CV of these people look quite impressive, Leonardi Senni, Head of portfolio for instance, used to be the CEO of Ariston SPA, the now listed Heater/Heat Pump company.

Another interesting aspect here is that there are 2 more Pesentis in the broader Management Group. This is not a coincidence as these seem to be the oldest 2 of his 6 children, who already work at portfolio companies within the Group.

I found [a nice little family story in an Italian newspaper](#).



Overall my impression is quite good. It seems that Carlo is a "family man", really thinking long term and wants to create a structure where his kids can take over at some point in time. He also seems to lead a relatively understated life, without any scandals, race cars or super Yachts.

### 8.2. Shareholders

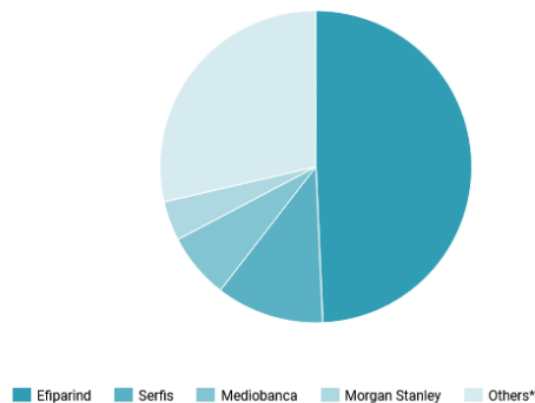
This is from IM's website:

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Shareholding structure



Company	Shareholding structure %
Efi-parind	49.3
Serfis	11.2
Mediobanca	6.8
Morgan Stanley	4.1
Others*	28.6

Efi-parind is the Holdco of the Pesenti family. Serfis is a holding for the Strazzer family of which one member seems to be in the supervisory board.

Interestingly, while researching the Serfis vehicle, I found [an interesting article on an activist attack on Italmobiliare from 2008](#). [To my understanding Efi-parind is owned 52% by Carlo](#), 48% belong to other branches of the family. My understanding is also that following the sale of Italcementi [a fallout occurred between Carlo and the other branch of the family](#). It seems that this has been somehow resolved but maybe this explains partially the rather rich remuneration of Carlo as CEO.

This is maybe the only part where the alignment between the CEO and the shareholders is not 100% but it doesn't seem to be a huge issue either.

## 9. Capital allocation, Dividends, Share buybacks

As mentioned above, over the past 5 years more and more of the capital has been allocated into "Portfolio companies" and especially the listed equity part has been reduced.

They mention asset sales of 700 mn EUR since 2017, whereof the majority is clearly the disposal of the HeidelbergCement shares. However, they have also realized exits in the non-listed space. With the pending close of the Florence Group, these exits amount to around 350 mn which shows that they are not "Buy and forget" investors.

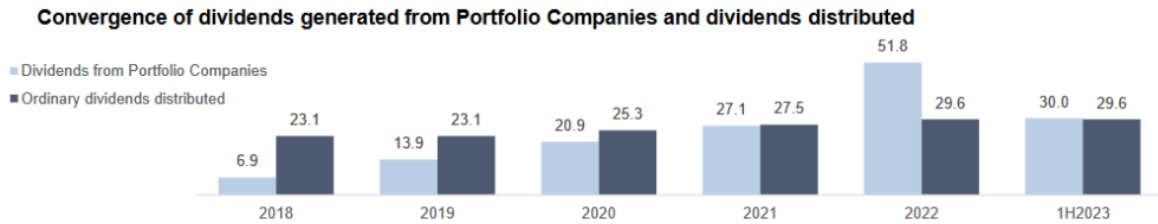
After the sale of the Italcementi stake, [they made one 100 mn EUR share buyback in the form of a tender offer](#) in 2017, since then they only paid dividends. In their investor

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presentation they indicate that the dividend of Italmobiliare somehow corresponds to dividends received from portfolio companies:

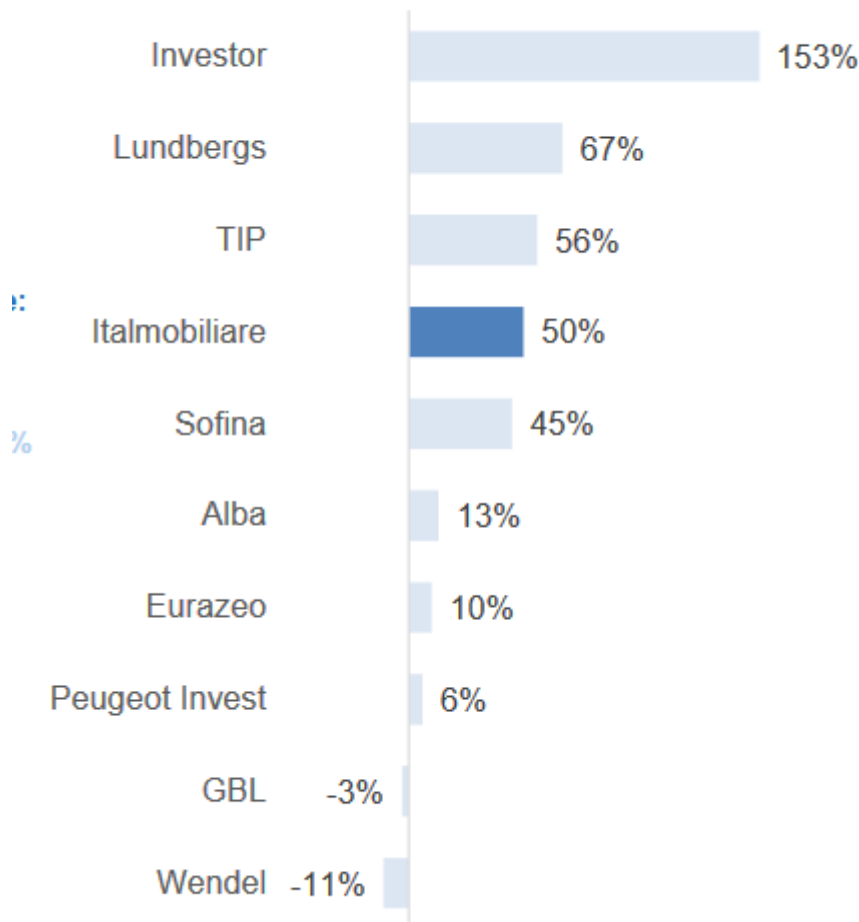


I interpret this as a very rough guideline and not a 1:1 policy.

Further share repurchases at the current discount would be clearly value enhancing, but I am not sure if and when this will happen.

What I do find interesting is that in the investor presentation they show a “peer Group” which includes some very professionally managed peers such as Investor Ab or Lundbergs which might indicate that they will “evolve” over time. Interestingly, EXOR is missing.

## Total shareholders return last 5 years



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## 10. Potential Catalysts

Overall, there is clearly no hard catalyst. "Soft" catalysts would be a continuous good or even great performance of the flagship companies and maybe a larger exit in the next 2-3 years. An IPO or even a sale of Caffè Borbone for instance could make a big difference. Or if Santa Maria grows 30-50% p.a., some people might notice as well.

If, and this is a big IF, a share buy back happens, even a smaller one could compress the discount, but I would not bet on it. The biggest hope would be that the other employees, who also are incentivized based on NAV, keep pressuring their boss who maybe has a much longer time horizon.

Another possibility could be of course once again an activist investor, but I would have no idea who this could be. The absence of such a catalyst might be part of the explanation for the high discount and why Italmobiliare is not very well known.

## 11. Valuation/Return expectations

Italmobiliare is not a Serial Acquirer but a "buy and sell" Investor. Therefore, in my opinion, **the NAV is the best valuation metric**. A consolidated "look through" EV/EBIT valuation or similar does not make a lot of sense due to the heterogeneity of the portfolio. This is also one of the reasons why the stock doesn't screen well. Screeners only show book values, not NAV.

Based on this, the return expectation has two main parameters: NAV growth and assumed discount to NAV. If the discount remains 50% and they manage to increase the NAV with 8% p.a. (incl. dividends) then the return will be 8%. If however the discount narrows, then returns could be Turbocharged.

The following table shows the IRRs based on an 8% NAV growth, a share price of 60-80% of NAV along the time axis.

Jahr	0	1	2	3	4	5	6	7
Nav 8% p.a.	48,8	52,70	56,92	61,47	66,39	71,70	77,44	83,63
Shareprice								
NAV Multiple 0,5	24,9	26,35	28,46	30,74	33,20	35,85	38,72	41,82
NAV Multiple 0,6		31,62	34,15	36,88	39,84	43,02	46,46	50,18
NAV Multiple 0,70		36,89	39,84	43,03	46,47	50,19	54,21	58,54
NAV Multiple 0,8		42,16	45,54	49,18	53,11	57,36	61,95	66,91
IRR 0,6xNAV		27,0%	17,1%	14,0%	12,5%	11,6%	11,0%	10,5%
IRR 0,7xNAV		48,2%	26,5%	20,0%	16,9%	15,1%	13,8%	13,0%
IRR 0,8xNAV		69,3%	35,2%	25,5%	20,9%	18,2%	16,4%	15,2%

The orange box is the area that I think is realistic. In the low case, it takes 5 years to reach 60% of NAV which will return 11,6% p.a. (incl. dividends). In the best case, I will double my money after 3 years if the share price reaches 80% of NAV in this time. Of course, returns could be better or worse, but I think that the "expected" return is something like **15-17% p.a. over 3-5 years**. Which I think is attractive.

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## 12. Pros/Cons

As always, even after a quite excessive deep dive, time for a Pro/Con list:

- + Significant discount to NAV
- + No holding debt (only at participation level) or other structural issues
- + good reporting
- + interesting portfolio with some potential "star companies"
- + does not screen well
- + story is not well known
- + Family owned, owner operated, aligned incentives

+/- pretty OK NAV track record (8% p.a.)

- partial "Family office" character
- Holding cost + taxes
- No "hard" catalyst

## 13. Summary

Overall, I do think that Italmobiliare is a very interesting case. The current transformation doesn't seem to be well known, but in my opinion, Italmobiliare is a very interesting "family investment" vehicle run by a very smart owner operator.

Their portfolio looks interesting and has good growth potential. The only disadvantage is the absence of a "hard catalyst". This however is compensated by a more than comfortable discount of 50% to the NAV.

For the patient investor, this creates a great opportunity over a time horizon of at least 3-5 years. Therefore **I allocated 3,3% of the Portfolio into Italmobiliare at 24,20 EUR per share.**