Soges Group

Sector: Hospitality

VALUETRACK

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1H24 on track, despite seasonal effects

Soges Group is a rapidly expanding company specialized in the high-end hotel facilities management. Its portfolio currently includes 8 properties (with one additional property announced), all located in Tuscany and operated under the "Place of Charme" brand.

1H growth on track, margins naturally hit by seasonality

Key highlights from Soges's 1H24 financial results are as follows: 1) VoP at €7.5mn (+6.2% y/y), with strong performance in the Florence cluster, while Chianti was impacted by lower domestic tourist spending; 2) EBITDA at €131k, down from €180k in 1H23, mainly due to scheduled rent increases, as well as higher personnel costs following the pre/post-IPO structuring efforts; 3) Net Debt at €2.1mn, down from €3.4mn in Dec 2023, mainly due to IPO proceeds, positive working capital dynamics, and despite ca.€700k net investments, primarily related to Hotel Malaspina (2024) and operational setup of the 2023 acquisitions (Park Hotel and Mezzastrada).

Our take on the results and future outlooks

Given the seasonal nature of the business, 1H24 results are not indicative of annual performance. Lower margins were due to fixed costs evenly spread throughout the year, such as rent, while the majority of revenue is expected to be generated in the 2H, leading to improved profitability. We deem results are well-positioned to meet full year targets for several reasons: 1) EBITDAR margins were preserved, indicating resilience in core operations and suggesting that, as revenues pick-up in the 2H, the company can better absorb fixed cost; 2) management has provided encouraging indications on the summer season, where the bulk of Soges revenues is made; 3) the Company notes favourable momentum in contract acquisition.

2024E-2028E Estimates Confirmed

We fully reaffirm our estimates, which imply a contract acquisition pace of a couple of new hotels each year, equivalent to additional €2.0mn-€2.5mn revenues per year. We see: 1) VoP growing at 14.8% CAGR2023-2028E to €31.8mn in 2028E; 2) EBITDA margin converging to 13.0% in 2028E; 3) FCF progressively increasing and leading to €2.0mn Net Cash By 2028E, when FCF Yield should stand in the 17-18% range.

Fair Equity Value unchanged at €4.05 per share

We maintain Soges Fair Equity Value at €4.05 p.s. (€3.90 fully diluted), resulting from Peers' analysis and DCF model. Even assuming EV/EBITDA FY2 remains stable at 5.3x, there is a > 100% rerating potential in the next 3 years due to the business scalability and operating leverage.

Fair Value (€)	**4.05**
Market Price (€)	**2.04**
Market Cap. (€m)	**10.5**

KEY FINANCIALS (€m)	2023	2024E	2025E
VALUE OF PRODUCTION	15.9	16.9	22.0
EBITDAR ADJ.	2.9	3.5	5.1
EBITDA	1.5	1.7	2.4
EBIT	0.5	0.8	1.3
NET PROFIT ADJ.	0.3	0.3	0.8
EQUITY	1.5	4.4	5.2
NET FIN. POS.	-3.4	-2.9	-2.5
EPS ADJ. (€)	0.06	0.07	0.15

Source: Soges Group (historical figures), Value Track (2024-25E estimates)

KEY RATIOS	2023	2024E	2025E
EBITDA MARGIN (%)	9.1	10.0	11.1
EBIT MARGIN (%)	3.4	4.6	6.0
NET DEBT / EBITDA (x)	2.4	1.7	1.0
NET DEBT / EQUITY (x)	2.3	0.7	0.5
EV/SALES (x)	0.8	0.8	0.6
EV/EBITDA (x)	9.2	7.9	5.3
EV/EBIT (x)	25.1	17.3	9.8
P/E ADJ. (x)	nm	nm	13.3

Source: Soges Group (historical figures), Value Track (2024-25E estimates)

STOCK DATA	
FAIR VALUE (€)	4.05
MARKET PRICE (€)	2.04
SHS. OUT. (m)	5.1
MARKET CAP. (€m)	10.5
FREE FLOAT (%)	21.2
AVG. -20D VOL. ('000)	5,625
RIC	SOGES.MI
52 WK RANGE	1.78-2.27

Source: Stock Market Data

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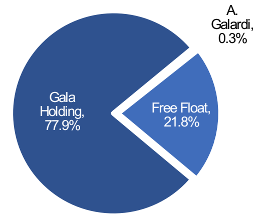
Business Description

Soges Group is a rapidly expanding hotel management company operating in the medium-to-high-end segment. Initially established in 2000 as a student housing company, Soges has pivoted its business model back in 2019 divesting its student housing division and focusing entirely in the Ho.Re.Ca. sector. Since then, the company has grown significantly, achieving a 37.6% CAGR2019-2023, driven by a robust management contracts' acquisition strategy. As a result, the company currently manages a portfolio of eight hotels (for a total of 338 rooms), all located in Tuscany, under the commercial brand "*Place of Charme*".

Shareholders Structure



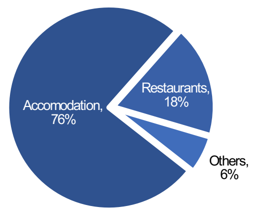
Source: Soges Group

Key Financials

€mn	2023A	2024E	2025E	2026E
Value of Production	**15.9**	**16.9**	**22.0**	**25.3**
Chg. % y/y	47.8%	6.0%	29.9%	15.1%
EBITDA	**1.5**	**1.7**	**2.4**	**3.1**
EBITDA Margin (%)	9.1%	10.0%	11.1%	12.1%
EBIT	**0.5**	**0.8**	**1.3**	**1.7**
EBIT Margin (%)	3.4%	4.6%	6.0%	6.7%
Net Profit	**0.4**	**0.3**	**0.8**	**1.2**
Chg. % y/y	43.0%	-17.9%	nm	52.4%
Adjusted Net Profit	**0.3**	**0.3**	**0.8**	**1.2**
Chg. % y/y	4.8%	9.3%	nm	53.3%
Net Fin. Position	**-3.4**	**-2.9**	**-2.5**	**-1.7**
Net Fin. Pos. / EBITDA (x)	2.4	1.7	1.0	0.6
Capex	-1.6	-2.5	-1.7	-2.2
OpFCF b.t.	**-0.1**	**-1.4**	**1.0**	**1.2**
OpFCF b.t. as % of EBITDA	nm	nm	39.3%	39.9%

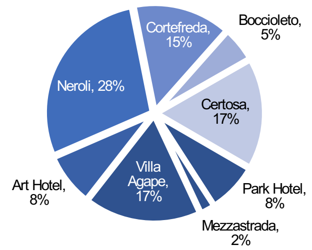
Source: Soges Group (historical figures), Value Track (estimates)

1H24 Revenues by segment



Source: Soges Group

1H24 Revenues by structure



Source: Soges Group

Investment case

Strengths / Opportunities

- Scalability of the business model, relying on a systematic process for properties selection & management, leading to rapid economies of scale;
- Financial strength, thanks to fast growth, positive operating leverage, asset-light business model and negative working capital;
- Attractive market potential in Tuscany (and Italian) market, with ample acquisition opportunities.

Weaknesses / Risks

- Exposure to inherent volatility of the tourism sector;
- Small size in a market crowded by large international operators;
- Contracts acquisition remain a key lever for stock upside potential.

Stock multiples @ €4.05 Fair Value

	2024E	2025E
EV / SALES (x)	1.4	1.1
EV / EBITDA (x)	14.0	9.6
EV / EBIT (x)	30.6	17.7
EV / CAP.EMP. (x)	3.3	3.0
OpFCF Yield (%)	nm	7.0
P / E Adj. (x)	nm	25.9
P / BV (x)	4.8	4.0
Div. Yield. (%)	0.0	0.0

Source: Value Track

1H24 Financial Performance

Introduction

Given the seasonal nature of the business, 1H24 results are not fully indicative of the year's performance. The lower margins in 1H24 were largely influenced by fixed costs evenly spread throughout the year, such as rent, while the majority of revenue is expected to be generated in the 2H, allowing for a significant improvement in profitability.

As such, and considering the management's encouraging indications for the summer season, we believe the results are well-positioned to meet our FY24E targets.

Key messages

Key highlights from Soges's **1H24** financial results are as follows:

- **Value of Production** at **€7.5mn** (+6.2% y/y), primarily driven by an increase in the ADR in the accommodation sector, rising to €117.3 from €108.6, while occupancy rates remained stable at around 82%. In terms of revenue split, the accommodation/restaurants/other services segments contributed 76%/18%/6%, respectively;
- **EBITDA** at **€131k**, down from €180k in 1H23, mainly due to scheduled rent increases, particularly at Villa Neroli, Boccioleto, and Art Atelier, as well as higher personnel costs following the pre/post-IPO structuring efforts;
- **Net Debt** at **€2.1mn**, down from €3.4mn in Dec 2023, mainly due to €1.6mn capital increase (net of costs), positive working capital dynamics, and despite ca.€700k net investments, primarily related to the newly acquired Hotel Malaspina (2024) and operational setup of the 2023 acquisitions, i.e Park Hotel Chianti and Podere Mezzastrada.

Soges Group: Key Financials 1H23-1H24

(€, mn)	1H23	1H24	y/y
Value of Production	**7.0**	**7.5**	**6.2%**
Gross Profit	6.1	6.6	7.6%
Gross Margin (%)	*86.6%*	*87.8%*	*115bps*
EBITDAR	**0.9**	**1.0**	**5.6%**
EBITDAR Margin (%)	*13.1%*	*13.1%*	*-7bps*
EBITDA	**0.2**	**0.1**	**-27.3%**
EBITDA Margin (%)	*2.6%*	*1.8%*	*-81bps*
Net Profit	**-0.4**	**-0.4**	**nm**
Net Margin (%)	*<0*	*<0*	*nm*
EBITDAR Adj.	**0.9**	**0.9**	**-5.4%**
EBITDAR Adj. Margin (%)	*13.1%*	*13.1%*	*-7bps*
EBITDA Adj.	**0.1**	**0.1**	**-33.4%**
EBITDA Adj. Margin (%)	*2.1%*	*1.3%*	*-79bps*
Net Debt (-) Cash (+)	**-3.4***	**-2.1**	**1.3mn**

Source: Soges Group, Value Track analysis, (*) Net Debt December 2023

Organic VoP growth at 6%, Florence cluster leads the way

1H24 Revenues from Sales stood at €7.4mn (+6.8% y/y), entirely organic.

Looking at the revenues' breakdown by single venue, we note that:

- In the **Florence Cluster**, hotels performed well across the board, with notable growth y/y. Villa Agape led the way with a +17% y/y increase, followed by Art Atelier at +9.7% y/y and Villa Neroli, +7.5% y/y, with the latter remaining the top revenue contributor (28% of Sales in 1H24);
- In the **Chianti Cluster**, lower domestic tourist spending impacted revenue growth, with some hotels even experiencing declines. Park Hotel Chianti, Borgo di Cortefreda, and Boccioleto saw drops of -1.4%, -3.5%, and -6.1% y/y, respectively.

Soges Group: Revenues Breakdown by Property 1H23-1H24

(€, mn)	1H23	1H24	y/y
Art Hotel Villa Agape	1.1	1.3	17.0%
Art Hotel Atelier	0.5	0.6	9.7%
Villa Neroli	2.0	2.1	7.5%
Borgo di Cortefreda	1.1	1.1	-3.5%
Boccioleto Resort & Spa	0.4	0.4	-6.1%
Certosa di Pontignano	1.1	1.2	10.0%
Park Hotel Chianti	0.6	0.6	-1.4%
Podere Mezzastrada	0.1	0.2	41.6%
Total Revenues	**7.0**	**7.4**	**6.8%**
Other Revenues	0.1	0.0	nm
Value of Production	**7.0**	**7.5**	**6.2%**

Source: Soges Group, Value Track analysis

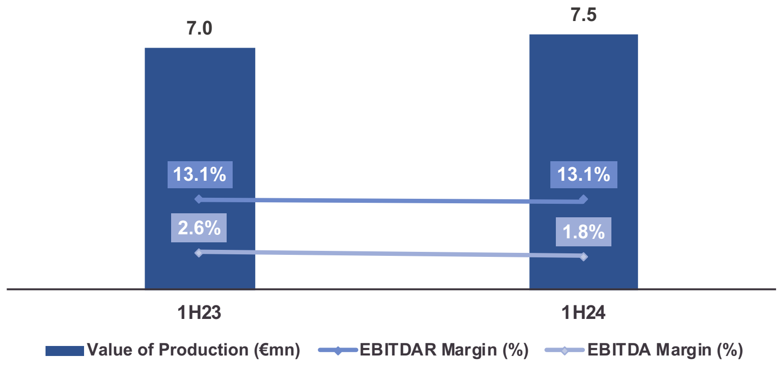
Margins preserved at EBITDAR level, negative below due to seasonal effect

Given the seasonal nature of the business, 1H margins are not particularly indicative, as they are significantly impacted by fixed costs (e.g., rent) spread evenly throughout the year, while most revenue is expected in 2H, leading to a significant improvement in profitability. That said, margins were substantially preserved up to the EBITDAR level, below which the structure of rent costs, along with higher D&A and financial charges, weighed on the bottom line.

More in detail, in 1H24:

- **EBITDAR amounted to €1.0mn** (+5.6% y/y), with **EBITDAR margin** in line with previous year at 13.1% due to a lower incidence of Raw Materials (12.1% of VoP vs. 12.6% in 1H23), and despite higher Personnel expenses (43.3% of VoP vs. 42.7% in FY23) and Costs of Services related to the June 2024 IPO (29.6% of VoP vs. 29.1% in FY23);
- **EBITDA declined to €0.1mn** (-27.3% y/y), with an **EBITDA margin of 1.8%** (-81bps), due to the stepped-up rental costs, which reflect higher contractual amounts (+€101k y/y);
- **EBIT stood at €0.3mn**, declining more than proportionally due to higher incidence of D&A;
- **Reported Net Loss stood at €0.4mn**, as a results of the above, together with higher D&A (+€68k y/y), Net Financial Charges (+€65k y/y) and nil taxes.

Soges Group: VoP, EBITDAR Adj. & Net Margins Adj. evolution 1H23-1H24



Source: Soges Group, Value Track analysis

Soges Group: P&L 1H23-1H24

(€, mn)	1H23	1H24	y/y
Value of Production	**7.0**	**7.5**	**6.2%**
Raw Materials, Δ Inventory	-0.9	-0.9	-2.9%
Gross Profit	**6.1**	**6.6**	**7.6%**
Gross Margin (%)	***86.6%***	***87.8%***	***115bps***
Costs of Services	-2.0	-2.2	7.7%
Costs of Rent	-0.7	-0.8	13.6%
G&A	-0.1	-0.1	15.7%
Labour Costs	-3.0	-3.2	7.8%
EBITDA	**0.2**	**0.1**	**-27.3%**
EBITDA Margin (%)	***2.6%***	***1.8%***	***-81bps***
D&A	-0.4	-0.4	nm
Provision	0.0	0.0	nm
EBIT	**-0.2**	**-0.3**	nm
Interest Expenses	-0.1	-0.2	nm
Other Non-Op. Inc./Exp.	0.0	0.0	nm
Pre-Tax Profit	**-0.3**	**-0.5**	nm
Taxes	-0.1	0.0	nm
Net Profit	**-0.4**	**-0.4**	nm

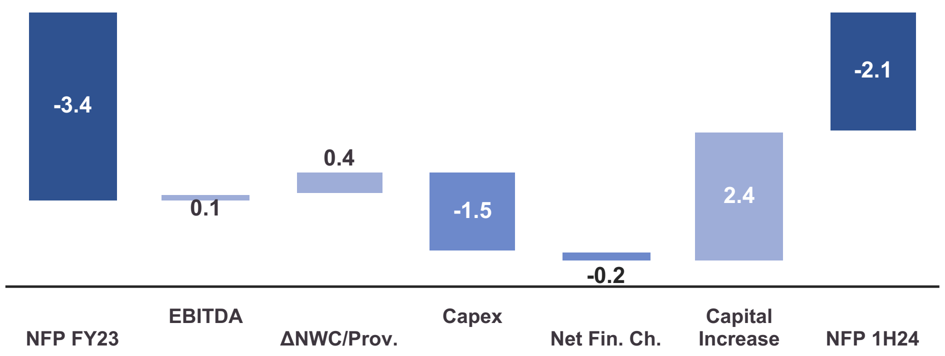
Source: Soges Group, Value Track analysis

Balance Sheet & Cash Flow Statement

At Balance Sheet and Cash Flow level we note, at the end of 1H24:

- **Net Fixed Assets amounted to €7.8mn** (vs. €6.6mn in FY23), with the increase mainly attributable to €855k in IPO-related setup and expansion costs, and a €300k deposit for the purchase of the "Borgo di Cortefreda" property.
- **Net Working Capital stood at -€1.0mn** (vs. -€0.7mn in FY23), releasing approximately €300k. This remains well under control, primarily due to a favourable receivables/payable dynamic, supported by customer advances received ahead of the summer season and higher employee payables for the 14th-month salary, which were settled in July 2024;
- **Net Debt at €2.1mn** (vs. €3.4mn as of FY23), with the improvement primarily due to the €1.6mn capital injection from the IPO in June, net of €0.8mn IPO costs.

Soges Group: Net Debt Bridge FY23-1H24



Source: Soges Group, Value Track analysis

Soges Group: Balance Sheet FY23-1H24

(€, mn)	FY23	1H24	y/y
Net Fixed Assets	6.6	7.8	18.2%
Net Working Capital	-0.7	-1.0	50.2%
Provisions	1.0	1.0	5.8%
Total Capital Employed	**4.9**	**5.7**	**16.1%**
Group Net Equity	**1.5**	**3.6**	**nm**
Net Financial Position	**-3.4**	**-2.1**	**1.3mn**

Source: Soges Group, Value Track analysis

Forecasts 2024E-2028E

Key Forecasts

We fully reaffirm our estimates, with only minor adjustments to margin levels, resulting in no significant impact on the cash position. We remind, our forecast implies a contract portfolio expansion of at least a couple of new hotels each year throughout the forecasting horizon (equivalent to additional €2.0mn-€2.5mn revenues per year).

As a result, we estimate:

- **Value of Production** up at ca. **14.8% CAGR2023-2028E** to ca. €32mn in 2028E, with growth driven by the acquisition of new management contracts and in the short term also by Art Atelier capacity expansion (July '24) and the opening of Hotel Malaspina (expected in March '25);
- **EBITDAR Adj.** (for non-recurring revenues) at **€8.0mn** (**+22.7% CAGR2023-2028E**), with EBITDAR margin Adj. reaching the 25.0% threshold;
- **EBITDA margin converging to 13%** (EBITDA28E at €4.1mn) benefitting from operating leverage and further economies of scale;
- **Net Profit Adj.** expected at **€1.9mn by 2028E**, with Financial Charges peaking in 2025 before declining according to current amortization plans. Tax Rate should become significant only in 2027-28, when the company should have utilized its current tax capacity (previous losses).
- Free Cash Flow generation, progressively increasing due to margins improvement, structurally negative NWC, and disciplined Capex and leading **Net Cash to €2.0mn in 2028**.

Soges Group: Old vs. New Estimates 24E-26E

	2024E			2025E			2026E		
€mn	Old	New	Δ (%)	Old	New	Δ (%)	Old	New	Δ (%)
Total Revenues	**16.9**	**16.9**	**0.0%**	**22.0**	**22.0**	**0.0%**	**25.3**	**25.3**	**0.0%**
EBITDA	**1.7**	**1.7**	**-2.3%**	**2.5**	**2.4**	**-2.1%**	**3.1**	**3.1**	**0.0%**
EBITDA Margin (%)	*10.3%*	*10.0%*	*-23 bps*	*11.3%*	*11.1%*	*-23 bps*	*12.1%*	*12.1%*	*0 bps*
EBIT	**0.8**	**0.8**	**-1.4%**	**1.3**	**1.3**	**-1.4%**	**1.7**	**1.7**	**-0.7%**
EBIT Margin (%)	*4.6%*	*4.6%*	*-6 bps*	*6.1%*	*6.0%*	*-9 bps*	*6.7%*	*6.7%*	*-5 bps*
Net Profit Adj.	**0.3**	**0.3**	**-1.3%**	**0.8**	**0.8**	**-1.5%**	**1.2**	**1.2**	**-0.9%**
Net Fin. Position	**-2.9**	**-2.9**	**0.0**	**-2.5**	**-2.5**	**0.0**	**-1.8**	**-1.7**	**0.0**

Source: Value Track Analysis

Soges Group: Key Financials FY23-FY28E

(€, mn)	2023	2024E	2025E	2026E	2027E	2028E	23-28E
Value of Production	**15.9**	**16.9**	**22.0**	**25.3**	**28.5**	**31.8**	**14.8%**
EBITDAR Adj.	**2.9**	**3.5**	**5.1**	**6.2**	**7.0**	**8.0**	**22.7%**
EBITDAR Adj. Margin (%)	*18.0%*	*20.9%*	*23.4%*	*24.4%*	*24.7%*	*25.0%*	*705bps*
EBITDA	**1.5**	**1.7**	**2.4**	**3.1**	**3.5**	**4.1**	**23.3%**
EBITDA Margin (%)	*9.1%*	*10.0%*	*11.1%*	*12.1%*	*12.4%*	*13.0%*	*389bps*
Net Profit Adj.	**0.3**	**0.3**	**0.8**	**1.2**	**1.3**	**1.9**	**44.2%**
Net Adj. Margin (%)	*1.9%*	*2.0%*	*3.6%*	*4.8%*	*4.4%*	*6.0%*	*409bps*
Net Debt (-) Cash (+)	**-3.4**	**-2.9**	**-2.5**	**-1.7**	**0.0**	**2.0**	**5.4mn**

Source: Soges Group, Value Track analysis

Soges Group: P&L FY23-FY28E

(€, mn)	2023	2024E	2025E	2026E	2027E	2028E
Value of Production	**15.9**	**16.9**	**22.0**	**25.3**	**28.5**	**31.8**
Raw Materials, Δ Inventory	-1.8	-2.0	-2.5	-2.9	-3.3	-3.7
Gross Profit	**14.1**	**14.9**	**19.4**	**22.4**	**25.2**	**28.2**
Gross Margin (%)	***88.5%***	***88.2%***	***88.5%***	***88.5%***	***88.5%***	***88.5%***
Costs of Services	-4.5	-4.5	-6.3	-7.2	-8.1	-9.1
Costs of Rent	-1.5	-1.9	-2.9	-3.3	-3.7	-4.0
G&A	-0.3	-0.3	-0.4	-0.4	-0.4	-0.5
Labour Costs	-6.4	-6.6	-7.5	-8.4	-9.4	-10.4
EBITDA	**1.5**	**1.7**	**2.4**	**3.1**	**3.5**	**4.1**
EBITDA Margin (%)	***9.1%***	***10.0%***	***11.1%***	***12.1%***	***12.4%***	***13.0%***
D&A	-0.8	-0.9	-1.1	-1.4	-1.5	-1.2
Provision	-0.1	0.0	0.0	0.0	0.0	0.0
EBIT	**0.5**	**0.7**	**1.3**	**1.7**	**2.0**	**3.0**
Interest Expenses	-0.3	-0.4	-0.4	-0.3	-0.3	-0.2
Other Non-Op. Income/Expenses	0.0	0.0	0.0	0.0	0.0	0.0
Pre-Tax Profit	**0.2**	**0.4**	**0.9**	**1.4**	**1.8**	**2.8**
Taxes	0.2	0.0	-0.1	-0.1	-0.5	-0.8
Net Profit	**0.4**	**0.3**	**0.8**	**1.2**	**1.3**	**2.0**
Net Profit Adj.	**0.3**	**0.3**	**0.8**	**1.2**	**1.3**	**1.9**
Net Profit Adj. Margin (%)	***1.9%***	***2.0%***	***3.6%***	***4.8%***	***4.4%***	***6.0%***

Source: Soges Group, Value Track analysis

Soges Group: Cash Flow FY23-FY28E

(€, mn)	2023	2024E	2025E	2026E	2027E	2028E
EBITDA	1.5	1.7	2.4	3.1	3.5	4.1
Δ NWC	-0.4	-0.8	0.1	0.2	0.2	0.3
Capex	-1.6	-2.5	-1.7	-2.2	-1.5	-1.6
Δ Provisions	0.3	0.2	0.2	0.2	0.2	0.2
OpFCF b.t.	**-0.1**	**-1.5**	**1.0**	**1.2**	**2.4**	**3.0**
As a % of EBITDA	*nm*	*nm*	*39.3%*	*39.9%*	*69.2%*	*72.2%*
Cash Taxes	0.2	0.0	-0.1	-0.1	-0.5	-0.8
OpFCF a.t.	**0.0**	**-1.5**	**0.9**	**1.1**	**2.0**	**2.2**
Capital Injections	0.0	2.6	0.0	0.0	0.0	0.0
Others (incl. Financial Inv.)	-0.4	-0.2	0.0	0.0	0.0	0.0
Net Financial Charges	-0.3	-0.4	-0.4	-0.3	-0.3	-0.2
Dividends Paid	0.0	0.0	0.0	0.0	0.0	0.0
Δ Net Financial Position	**-0.7**	**0.5**	**0.4**	**0.8**	**1.7**	**2.0**

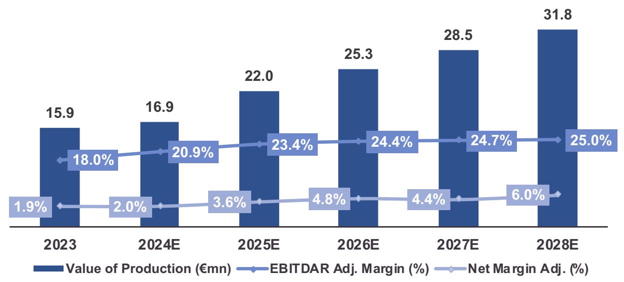
Source: Soges Group, Value Track analysis

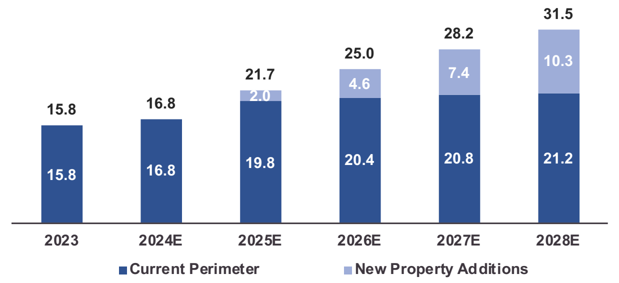
Soges Group: Balance Sheet FY23-FY28E

(€, mn)	2023	2024E	2025E	2026E	2027E	2028E
Net Fixed Assets	6.6	8.4	9.0	9.9	9.9	10.3
Net Working Capital	-0.7	0.1	0.0	-0.2	-0.4	-0.7
Provisions	1.0	1.1	1.3	1.5	1.7	1.9
Total Capital Employed	**4.9**	**7.3**	**7.7**	**8.1**	**7.7**	**7.7**
Group Net Equity	**1.5**	**4.4**	**5.2**	**6.4**	**7.7**	**9.7**
Net Financial Position	**-3.4**	**-2.9**	**-2.5**	**-1.7**	**0.0**	**2.0**

Source: Soges Group, Value Track analysis

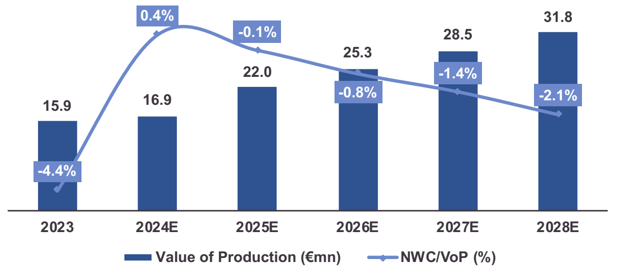
Soges Group: VoP, EBITDAR Adj. & Net Margin Adj. evolution FY23-28E (left) and New Property Contribution (right)

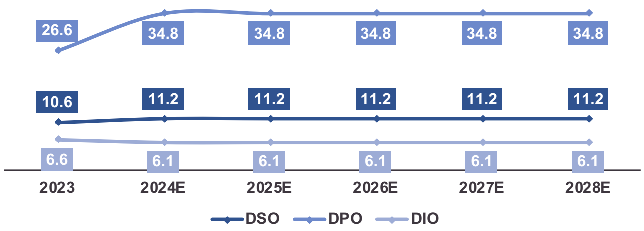




Source: Soges Group, Value Track analysis

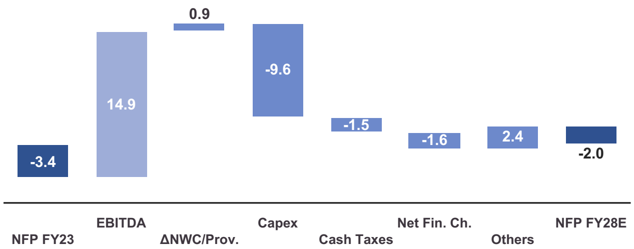
Soges Group: FY23-28E NWC on VoP (%, left) and Cash Conversion Cycle (days, right)

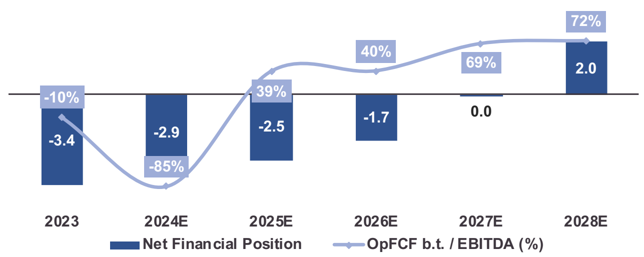




Source: Soges Group, Value Track analysis

Soges Group: Net Debt bridge (left) and Net Debt & OpFCF/EBITDA Evolution (right)





Source: Soges Group, Value Track analysis

Fair Value Confirmed

Valuation Summary

We confirm **Fair Equity Value p.s.** at **€4.05 (€3.90 Fully Diluted)**, obtained as average of:

- **DCF model**, leading at ca. €4.60 per share (€4.43 fully diluted), of which €2.1 per share related to the current business perimeter (headquarter + currently managed hotel facilities) and €2.5 per share related to the new management contracts that we are including in our forecasts;
- **Peers Analysis**, aimed at assessing Soges valuation based on its 2025E expected performance compared to peers and leading to €3.51 per share (€3.38 fully diluted).

Soges Group: Valuation Summary

Methodologies	Fair Equity Value (€, mn)	Fair Equity Value p.s. (€)	F.D. Fair Equity Value p.s. (€)
DCF Model	23.6	4.60	4.43
Peers' Multiples	18.1	3.51	3.38
Fair Equity Value	**20.9**	**4.05**	**3.90**

Source: Value Track analysis

At fair value, the stock would trade at **1.4x - 1.1x EV/Sales** and **14.0x – 9.6x EV/EBITDA** for 2024E and 2025E, respectively. Given the company's small size, multiples below the EBITDA level will become more meaningful in 1-2 years.

Soges Group: Sensitivity of implicit stock trading multiples at fair value levels

Equity Value per share	EV / Sales (x)			EV / EBITDA (x)			EV / EBIT (x)			P/E Adj. (x)		
	24E	25E	26E	24E	25E	26E	24E	25E	26E	24E	25E	26E
€ 3.55	1.3	1.0	0.8	12.4	8.5	6.5	27.3	15.7	11.8	54.3	23.1	15.1
€ 3.80	1.3	1.0	0.8	13.2	9.1	6.9	29.0	16.7	12.6	58.2	24.8	16.2
€ 4.05	**1.4**	**1.1**	**0.9**	**14.0**	**9.6**	**7.4**	**30.6**	**17.7**	**13.3**	**62.0**	**26.4**	**17.2**
€ 4.30	1.5	1.1	1.0	14.7	10.1	7.8	32.3	18.6	14.1	65.8	28.0	18.3
€ 4.55	1.6	1.2	1.0	15.5	10.6	8.2	34.0	19.6	14.8	69.7	29.7	19.3

Source: Value Track analysis

Discounted Cash Flow Model

DCF model leads to **€4.60 Fair Equity Value p.s.** (€4.40 fully diluted). Further analyses that allow us to split Soges' €4.60 DCF equity value p.s. in €2.1 per share attributable to the current business perimeter and €2.5 per share attributable to the new management contracts that we are assuming will be acquired in the next years. As such, the DCF analysis hints that purchasing Soges at its current stock market price offers access to an asset whose current perimeter is worth already more than its market value, with significant upside potential that could potentially double its equity value, while carrying relatively low execution risk.

DCF assumptions are overall unchanged:

- Reference date Dec 2024, with 2025E-30E as explicit forecasts time horizon;
- 2.0% Risk Free Rate in line with medium term inflation target;
- Unlevered Beta at 1.03, weighted average between *Hotel Europe* and *Restaurants Europe (Damodaran);*
- 5.2% implied Italian equity risk premium (*Damodaran*);
- 3.0% Soges specific small-size risk premium;
- 5.0% pre-tax and 3.8% after-tax cost of debt.
- 1% Perpetuity Growth Rate ("g").

The result is a WACC that starts from 9.2% in 2025E (32% Net Debt/Total Capital Employed) and lands at 9.8% in 2030E (Net Cash).

Terminal Value is calculated with perpetual growth model, and implies 6.3x EV/EBITDA exit multiple, well below current FY24E sector multiples even factoring a 25% small-size discount.

Soges Group: DCF Model with Rolling Capital Structure

€mn	Base Case	Fully Diluted
PV of Future Cash-Flows 2025E-2030E	7.5	7.5
PV of Terminal Value 2030E	19.1	19.1
Fair Enterprise Value (€mn)	**26.6**	**26.6**
Net Cash Position 2024E	-2.9	-2.9
Cash-in from Warrants	0.0	1.0
Fair Equity Value (€mn)	**23.6**	**24.6**
NoSh (mn)	5.14	5.54
Fair Equity Value p.s.	**4.60**	**4.43**
o/w attributable to facilities already under contract	7.54	6.98
Contracts to be acquired for new facilities	2.54	2.54
Headquarter	-5.47	-5.08-

Source: Value Track analysis

Peers Analysis

We maintain the valuation method highlighted in the IoC, by setting the "fair" FY25E multiples at the median of the cluster, taken with a 25% discount which we deem appropriate to factor the difference size /markets, i.e. **1.5x EV/Sales** and **7.0x EV/EBITDA**.

Applying these multiples to Soges FY25E Revenues and EBITDAR (coherently with IFRS comps), and factoring in an EV adjusted for the worsened Net Financial Position (due to the inclusion of leasing debt per IFRS16), we derive a **€3.51 Fair Equity Value per share** (€3.38 fully diluted).

Soges Group: Peers Trading Multiples

Peers	EV/Sales (x)			EV/EBITDA (x)			EV/EBIT (x)			P/E Adj. (x)		
	2024E	2025E	2026E	2024E	2025E	2026E	2024E	2025E	2026E	2024E	2025E	2026E
Hilton Worldwide	5.7	5.4	5.0	18.9	17.7	16.6	23.3	20.2	18.5	35.3	29.2	26.6
InterContinental Hotels Group	8.9	8.4	8.0	17.3	15.9	15.0	18.4	17.0	16.0	24.9	22.7	20.9
Hyatt Hotels Corporation	2.6	2.5	2.4	15.3	14.5	13.4	nm	26.2	22.9	10.6	38.1	31.6
Accor	2.1	2.0	1.9	10.2	9.4	8.6	13.8	12.5	11.3	16.4	14.4	12.8
Wyndam Hotels & Resorts	6.2	5.9	5.6	12.9	12.2	11.5	16.5	14.8	13.9	23.4	18.9	18.1
Marriott Vacations Worldwide	1.3	1.2	1.2	8.7	7.9	7.9	12.2	10.5	11.2	13.3	9.8	9.8
Minor Hotels Europe & Americas	1.8	1.7	1.6	6.5	6.3	5.9	12.3	12.0	11.3	2.3	2.2	2.1
Melia Hotels International	1.9	1.7	1.6	7.2	6.7	6.2	13.8	12.8	11.6	2.7	2.6	2.5
Emma Villas	0.3	0.2	0.1	2.9	1.9	1.1	3.5	2.3	1.2	3.3	2.9	2.6
Total Average	**3.4**	**3.2**	**3.0**	**11.1**	**10.3**	**9.6**	**14.2**	**14.3**	**13.1**	**14.7**	**15.7**	**14.1**
Total Median	**2.1**	**2.0**	**1.9**	**10.2**	**9.4**	**8.6**	**13.8**	**12.8**	**11.6**	**13.3**	**14.4**	**12.8**
Soges Group @ Mkt Price	**0.8**	**0.6**	**0.5**	**7.6**	**5.1**	**3.8**	**16.7**	**9.5**	**6.9**	**29.9**	**12.7**	**8.3**
Discount vs. Total Median (%)	*-63%*	*-71%*	*-75%*	*-25%*	*-45%*	*-56%*	*21%*	*-26%*	*-40%*	*124%*	*-12%*	*-35%*
Fair Multiples @25% discount	**1.5**	**1.5**	**1.4**	**7.6**	**7.0**	**6.5**	**10.4**	**9.6**	**8.7**	**10.0**	**10.8**	**9.6**

Source: Market Consensus, Value Track analysis

Soges Group: Valuation based on Relative Peer Multiples

	Base Case		Fully Diluted	
	EV /Sales (IFRS)	EV/EBITDA (IFRS)	EV /Sales (IFRS)	EV/EBITDA (IFRS)
Median FY25E (x)	1.5x	7.0x	1.5x	7.0x
Equity Value (€mn)	16.0	20.1	16.9	21.0
NoSh (#)	5.1		5.5	
Equity Value p.s. (€)	**3.11**	**3.92**	**3.02**	**3.75**
Equity Value p.s. Avg. (€)	**3.51**		**3.38**	

Source: Value Track analysis

Cross check #1: valuation at maturity

To cross-check our valuation, we estimate Soges' value in FY28E by applying the current 2024E sector multiple (7.6x EV/EBITDA) to Soges' 2028E KPIs. We then discount this back at a 15% IRR, reflecting a moderate risk profile. Such analysis confirms a valuation which aligns closely with peers analysis.

Soges Group: Valuation at maturity

€mn	Base Case	Fully Diluted
Target FY1 EV/EBITDA (x)	7.6	7.6
EV Soges at 2028E	31.3	31.3
Net Debt (+) / Cash (-)	-2.0	-3.0
Equity Value 2028E	33.3	34.3
Equity Value @15% IRR	18.3	18.9
Fair Equity Value p.s. (€)	**3.57**	**3.41**

Source: Value Track analysis

Cross Check #2: Rolling valuation

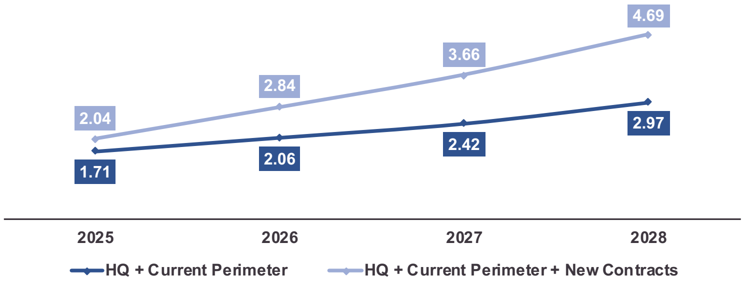
Soges is trading at ca. 5.3x EV/EBITDA multiple'25E (i.e. FY2). Assuming FY2 EV/EBITDA stable at ca. 5.3x in the future allows us to highlight the huge stock price rerating potential (>100% in 3 years) driven by the combined effect of business scalability and positive operating leverage.

Soges Group: Rolling valuation

	2025E	2026E	2027E	2028E
HQ + Current Perimeter				
EBITDA	2.1	2.2	2.2	2.3
EV @ 5.3x EV/EBITDA	11.1	11.8	11.7	12.2
Net Financial Position	-2.3	-1.3	0.7	3.0
Fair Equity Value	8.8	10.6	12.4	15.2
Fair Equity Value P.S.	**1.71**	**2.06**	**2.42**	**2.97**
New Perimeter				
EBITDA	0.4	0.8	1.3	1.9
EV @ 5.3x EV/EBITDA	1.9	4.5	7.1	9.9
Net Financial Position (~ Capex)	-0.2	-0.5	-0.7	-1.0
Fair Equity Value	1.7	4.0	6.4	8.9
Fair Equity Value P.S.	**0.33**	**0.78**	**1.24**	**1.72**
HQ + Current + New Perimeter				
Fair Equity Value P.S.	**2.04**	**2.84**	**3.66**	**4.69**

Source: Value Track analysis

Soges Group: Equity Value at Stable 5.3x EV/EBITDA multiple



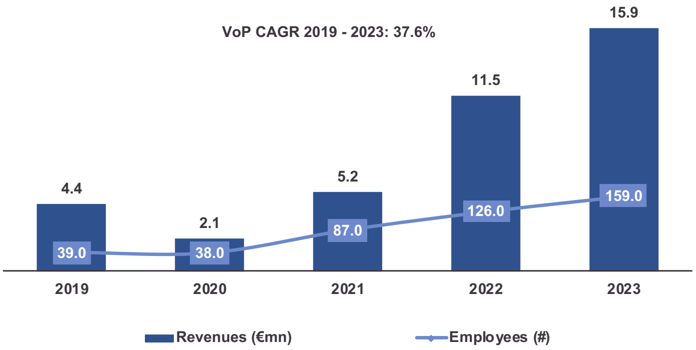
Source: Value Track analysis

Appendix #1 - Corporate Profile

Founded in 2000 as a student housing management company, Soges has expanded its operations in 2014 to include the management of non-proprietary hotels. By 2019, it had divested its student housing operations to focus exclusively on its core business of hotel and luxury facility management. The Group specializes in the management of premium properties and related restaurants/bars, also providing various ancillary services. As of September, its portfolio includes 8 properties (with one additional property announced), all located in Tuscany and operated under the "Place of Charme" brand. The portfolio also comprises 5 restaurants and 7 bars. The company's offering is particularly appealing to international tourists, who account for 75% of its revenues.

With **2023 VoP and EBITDA at €15.9mn and €1.5mn respectively**, Soges Group is a fast-growing hotel management company operating in the medium-to- high-end segment. The company offers accommodation services in hotels situated in Florence and the countryside region of Chianti under its commercial brand "Place of Charme". Its steady growth trajectory (37.6% CAGR2019-2023), fuelled by a solid M&A strategy, has resulted in a portfolio of 8, properties, 5 restaurants and 7 bars.

Soges Group: Revenues Historical Evolution 2019-2023 (€mn)



Source: Soges Group, Value Track analysis

In 2023, the Company's primary revenue source was accommodation services, contributing 76% to the total revenue. Restaurant services followed, accounting for 18%, while other services, including bars and events such as corporate meetings and celebrations, made up the remaining 6%.

Soges Group: Revenues from Sales by Product Segment - FY22 and FY23

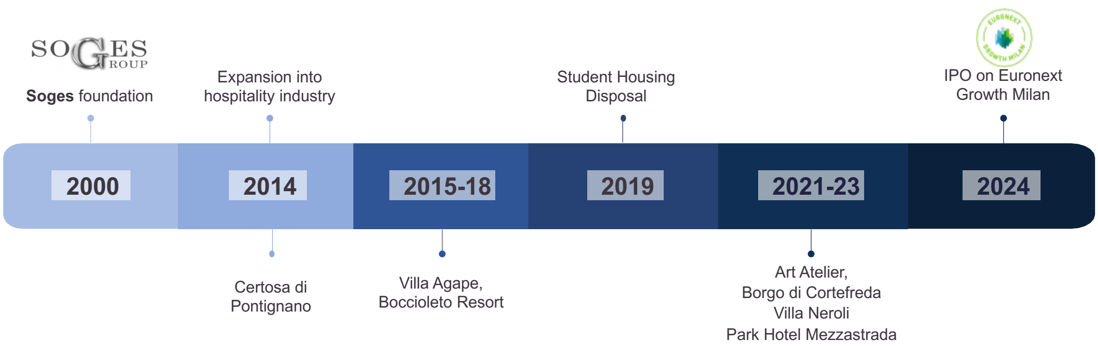
Source: Soges Group, Value Track analysis

Historical Milestones

Here we highlight the main historical milestones that contributed to shape Soges' evolution.

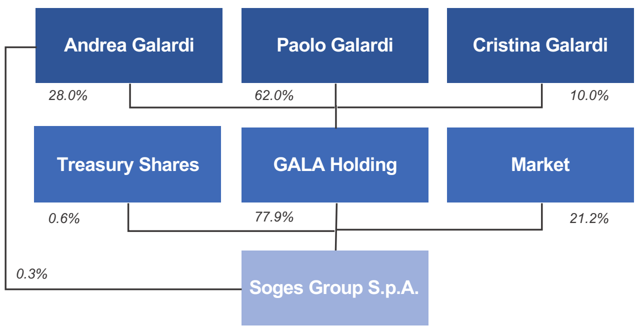
- **Founded in 2000** by Paolo and Andrea Galardi, as a student housing company;
- In **2014**, Soges expanded into the hospitality industry by acquiring Certosa di Pontignano;
- By **2018**, the Company managed 7 student housing properties (ca. 1,000 apartments) in northern and central Italy, and 4 hospitality properties, including "Certosa di Pontignano" (2014), "Art Hotel Villa Agape" (2015), Coverciano Technical Center (2017), and "Boccioleto Resort" (2018);
- Since **2019**, following the divestment of its Student Housing division, SOGES focused solely on the Ho.Re.Ca. sector, acquiring 5 additional hospitality properties: Art Hotel Atelier and "Borgo di Cortefreda (2021), Villa Neroli (2022), Park Hotel Chianti and Podere Mezzastrada (2023). Currently, SOGES manages eight properties, five of which feature in-house restaurants;
- In **2024**, Soges went public at €2.25 per share (€11.6 post-money market capitalization), implying an 8.0x EV/EBITDA 2023. Issuing 1.08mn shares (21.2% of equity), it raised €2.4mn (no greenshoe option was exercised), incurring IPO costs of €0.88mn. Post-IPO, Soges acquired the operations of Park Hotel Chianti, Borgo di Cortefreda and Hotel Malaspina, while Art Atelier Hotel's capacity was increased by 14 rooms;
- **As of today**, the Company manages 8 hotels, for a total of 338 rooms (ca.42 rooms per facility on average); in 2023, the Company achieved an 82% occupancy rate on average in its hotels. With the acquisition of Hotel Malaspina in July 2024 and its opening scheduled in 2025, the Group will bring its managed facilities to 9 adding ca. 30 additional rooms to its portfolio.

Soges Group: Corporate Structure



Source: Soges Group

Soges Group: Shareholders Structure



Source: Soges Group

Corporate Governance

Shareholders and Group structure

Soges' Share Capital amounts to €770,374.50 and is composed of a total of **5,135,830 ordinary shares** with no nominal value, divided as shown in the table below. Soges Group is under the control of the **Galardi Family** through Gala Holding, which holds 77.9% of the Group's shares. Gala Holding itself is owned by Paolo Galardi, who holds 62%, Andrea Galardi with a 28% share, and Cristina Galardi, who owns 10%. Additionally, Andrea Galardi personally holds a minor 0.31% direct stake. The remaining 21.18% share is free float.

Soges Group: Shareholding Structure

Shareholder	Share Capital (#)	As % of Total
Gala Holding	4.000.000	77.9%
Andrea Galardi	16.003	0.3%
Treasury Shares	31.997	0.6%
Free Float	1.087.830	21.2%
Total	**5.135.830**	**100.0%**

Source: Soges Group

Top Management: Structure & Powers

As of June 2024, the Group has a workforce of **218 employees**, approximately 18 of whom are dedicated to administrative functions, while the remainder are responsible for managing the hotel facilities. It should be noted that around 40 of these employees are seasonal workers, hired to meet the increased demand during peak season. Consequently, the Group's **workforce in a steady state would consist of approximately 170 employees**.

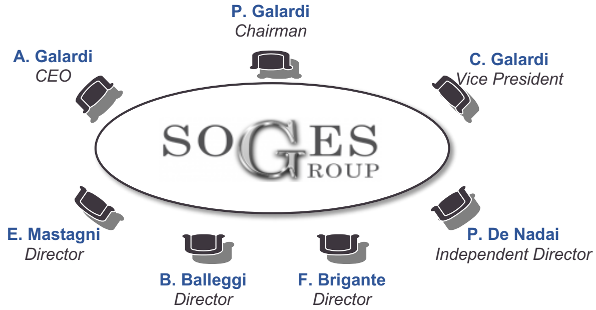
Its top management includes Paolo Galardi (Chairman), Andrea Galardi (CEO), Simona Cappelletti (CFO) together with other 4 Directors, 1 indipendent Director and the Vice President Cristina Galardi.

Soges Group: Key People (left) and Board of Directors (right)

Paolo Galardi
Chairman
Founder of the company, with over 30 years of experience in commercial relations with public and private entities. He oversees investments, liaises with institutional organizations, and shapes the strategic vision. He is also the deputy vice president of FederAlberghi Florence and a knowledgeable expert on regional economic dynamics.

Andrea Galardi
CEO
Co-Founder and CEO since 2000, playing a key role in the company's growth and development. He directly managed the 2019 business unit sale and is responsible for the vision and strategy of the Soges project.

Simona Cappelletti
CFO
Chief Financial Officer of Soges, with extensive experience in accounting, administration, and finance roles in the sector. Currently, she supports the CEO and President in her capacity as CFO.



Source: Soges Group

Appendix #2 - What we like about Soges

We have identified the following positive features that should drive Soges successful growth:

1) Solid operational framework. Soges excels in acquiring and managing hotel properties, focusing on a specific market niche of wealthy international tourists, and employing a systematic process for properties selection and management, allowing for immediate economies of scale;

2) Attractive market opportunity. The Group has the advantage of operating in the Tuscan market, a safe haven for tourism filled by independents properties facing generational exchange issues and inefficiencies. Owners might prefer the financial simplicity of earning rent over active management, thus providing a substantial pool of targets for Soges to scale its business;

3) Scalability and Financial Strength. Soges can grow rapidly through acquisition of new management contracts, relying on positive operating leverage and asset-light business model.

#1 Solid Framework for Hotel Scouting & Management

Well-defined Market positioning

Soges targets a very specific market niche, by focusing on regions and hotels properties with unique features and significant potential for high-value enhancements. The company's clientele typically comprises international visitors with medium to high spending power, who are looking for authentic experiences in Tuscany and Italy. In 2023, the primary clients originated from the USA (15%), Germany (8%), France (4%), and the UK (4%).

With that profile in mind, Soges Group prioritizes properties that exhibit the following characteristics:

1) **High Tourist Attractiveness**: areas of significant artistic, cultural, and scenic value, such as Florence, the Chianti region, coastlines, and mountains;
2) **Premium Properties**: farmhouses, and historical buildings, that are well-integrated into their local contexts, each maintaining a distinct charm that reflects the brand's identity. The focus is on 4-star hotels or 3-star hotels with the potential to be upgraded to 4;
3) **Brand Compatibility**: properties are chosen for their potential to meet the tastes of Soges' typical clientele and to align with the quality standards of the "Place of Charme" brand. This strategic alignment helps maintain a consistent brand image and customer experience;
4) **Cost and Development Opportunities**: The Company strategically ensures that investments are poised to generate favourable returns. Common scenarios include financially stable hotels where current ownership seeks exit strategies due to fatigue or generational shifts, as well as properties with substantial potential for requalification.

Clients Breakdown by Nationality 2022-2023

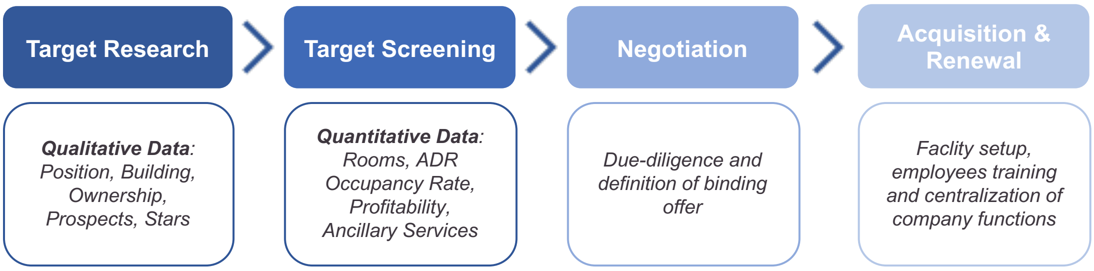
Source: Soges Group, Value Track analysis

Systematic Process for acquisition and management of Properties

To support its expansion strategy, Soges engages in a continuous scouting process for new properties to manage. This systematic acquisition process generally spans **1 year from initial screening to formal acquisition**, followed by an **additional 6 months dedicated to optimizing profitability** and achieving full operational capacity.

The main steps of this process are: 1) Target Research, 2) Target Screening, 3) Due Diligence and Negotiation, 4) Acquisition and Renovation.

Steps of the Property Acquisition Process



Source: Soges Group

1) **Target Research (continuous)**: qualitative research and analysis throughout the year, with increased resource allocation during the off-season to minimize impact on current operations;
2) **Target Screening (1-5 months)**: quantitative analysis based on critical KPIs, which are listed in the table below, and related to size, appeal, visitor frequency, profitability and services offered.

Qualifying KPIs for Property Acquisition

KPI	Selective Criteria
Number of rooms	30-100 rooms (*)
Occupancy Rate (OR)	Between 60% - 80%
Average Daily Rate (ADR)	Between €100 - €180
EBITDA Margin	Between 7 - 15%
Secondary Services	Properties with < €1mn revenues should focus on lodging only; those with over €1.5mn should offer restaurants or other ancillary services

Source: Soges Group, (*) urban hotels under 30 rooms must generate at least €1mn revenues.

3) **Due Diligence and Negotiation (2-4 months)**: After identifying a property, Soges initiates a due diligence phase with the assistance of external consultants. This process encompasses economic, financial, tax, labor, administrative, legal, and urban planning evaluations to identify any issues or discrepancies. Concurrently, Soges negotiates the economic and contractual terms with the counterparties. If the due diligence results are favourable, the process moves forward to the signing of a lease or rental agreement;
4) **Acquisition and Renovation (2-3 months)**: Upon acquisition, the new property is renovated, focusing on energy efficiency, modernization, amenities, and technological upgrades. Soges collaborates with experienced hotel construction professionals to ensure high-quality work and strict timeline control. Simultaneously, Soges optimizes staff performance, markets the property, and centralizes administration to streamline operations and maintain service excellence.

Upon this stage, the property is fully operational, with profitability stabilizing within 6 months.

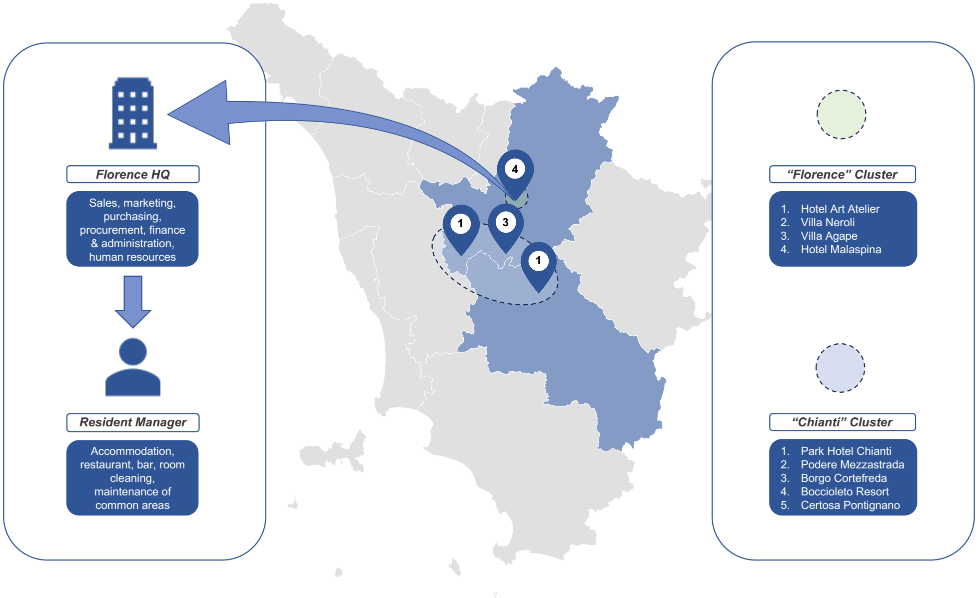
Centralized management approach

A key point in Soges business model is that it employs a centralized management strategy for its properties, bringing under one roof all of the activities that can be systematically applied across the property portfolio to achieve immediate economies of scale, while direct operational management is delegated to resident and restaurant managers. As a consequence:

- **The Headquarter** centralizes functions related to sales, marketing, procurement, finance, human resources, and IT, collaborating closely with resident managers;
- **Resident managers** are responsible for overseeing on-site guest services and related operations, including the bar, accommodation, cleaning, and maintenance of common areas.

This strategy is especially advantageous for family-owned and single-asset hotels, where owners typically manage only one property. By joining Soges' network, these properties can immediately achieve significant enhancements in operational efficiency, occupancy rates and profit margins.

Distribution of Soges Group Properties in Tuscany



Source: Soges Group, Value Track analysis

#2 Attractive Market Opportunity

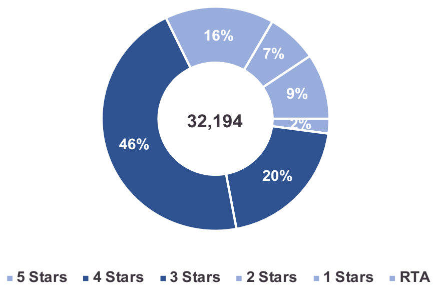
Italian Hotel Market Features

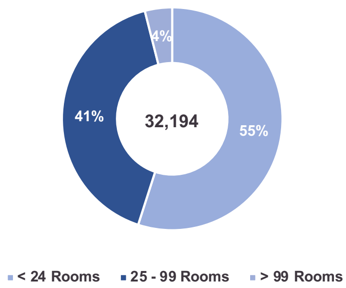
With approximately **32,194 properties**, the Italian Hotel Market is the largest in Europe, surpassing Germany's 30.6k hotels, Spain's 19.7k, and France's 17.1k, according to the latest 2022 Eurostat data.

As illustrated by the most recent market data, the market shows the following features.

- **Dominance of mid-range hotels**: the market is primarily characterized by mid-range establishments, with hotels rated 3 to 4 stars constituting 60% of the total market (*ISTAT*);
- **Mostly medium-sized properties**: 41% of Italian hotels consist of 25 to 99 rooms, partly due to the country's unique geographical layout, characterized by compact city centers, quaint seaside towns, and traditional villages. These areas often cannot accommodate large hotel infrastructures due to space constraints and the desire to preserve local charm and authenticity (*ISTAT*);
- **Prevalence of direct management**: Italy's hotel industry primarily features direct management, with a high prevalence of family-run hotels, reflecting the sector's traditional and family-oriented operations (*Horwath HTL Italy Hotels & Chains Report 2023*);
- **Low penetration of international chains**: international hotel chains made up just 20% of Italy's market, strongly below the European average of over 45% (*Thrends Chains Monitor 2023*);
- **Concentration in central and north Italy**: Emilia-Romagna leads with 13% of the country's hotels, followed by Veneto at 10%, Lombardy at 9%, and Tuscany at 8%. Note the exclusion of Trentino Alto Adige these general market analyses, as its uniquely high numbers are largely motivated by cross-border travel dynamics.

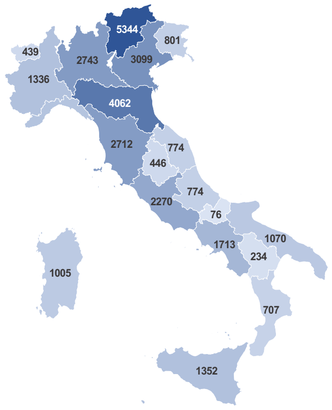
Italian Hotels in 2023: Breakdown by Number of Stars (left) and Rooms (right)

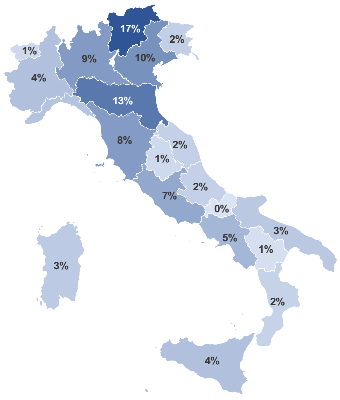




Source: ISTAT, Value Track analysis

Distribution of Hotels by Region in 2023: Absolute Numbers (left) and Percentage of Total (right)



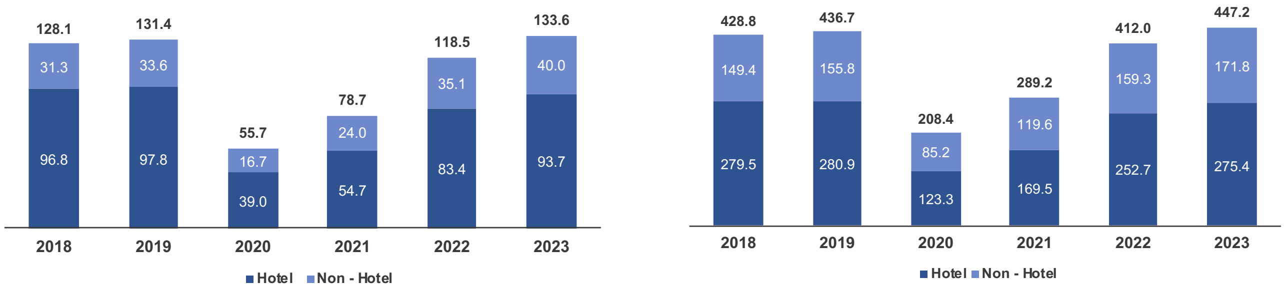


Source: ISTAT, Value Track analysis

Recent Performance: Hotels Behind in Broad Post-Pandemic Rebound

In 2023, tourism in Italy reached unprecedented levels, with over **134mn arrivals** (up 12% y/y and 2% vs. 2019) and **447mn stays** (up 8% y/y and 2% vs. 2019) across various hospitality facilities. This growth was **primarily driven by non-hotel accommodation**, while focusing solely on the hotel sector, both arrivals and stays still lag behind pre-pandemic figures by 4% and 2% respectively.

Italian Hospitality Traffic: Arrivals (left) and Overnight Stays (right) from 2019 to 2023



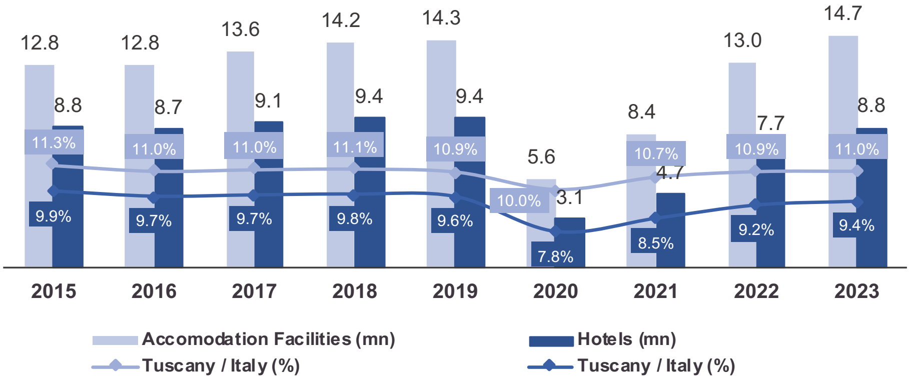
Source: ISTAT, Value Track analysis

Still, Tuscany is an "Evergreen" for Tourism

Soges enjoys the advantage of operating in the highly resilient and prosperous tourism market of Tuscany. Analyzing the data from the Tuscan hospitality sector, we highlight the following key points.

- **Tuscany is clearly a top choice**: the region consistently ranks as a top tourist location, accounting for approximately 10-11% of all tourists visiting the country;
- **Pre-Pandemic levels unmet**: in sync with nationwide data, hotel occupancy has not yet returned to 2019 levels (8.8mn in FY23 vs. 9.4mn peak in 2019, reflecting a 6.6% decline);

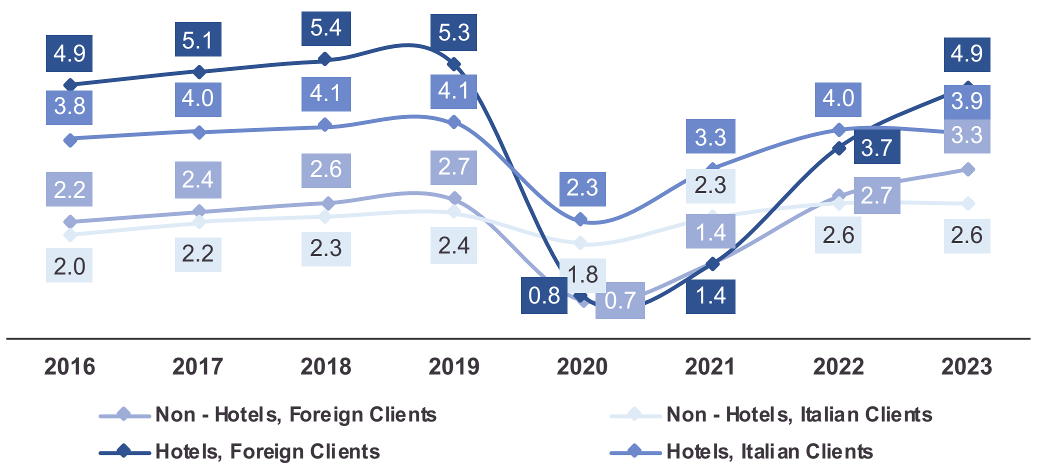
Tourist Presence in Italy (2015-2023) and Tuscany's Share in Hotel Facilities and Other Accomodations



Source: ISTAT, Value Track analysis

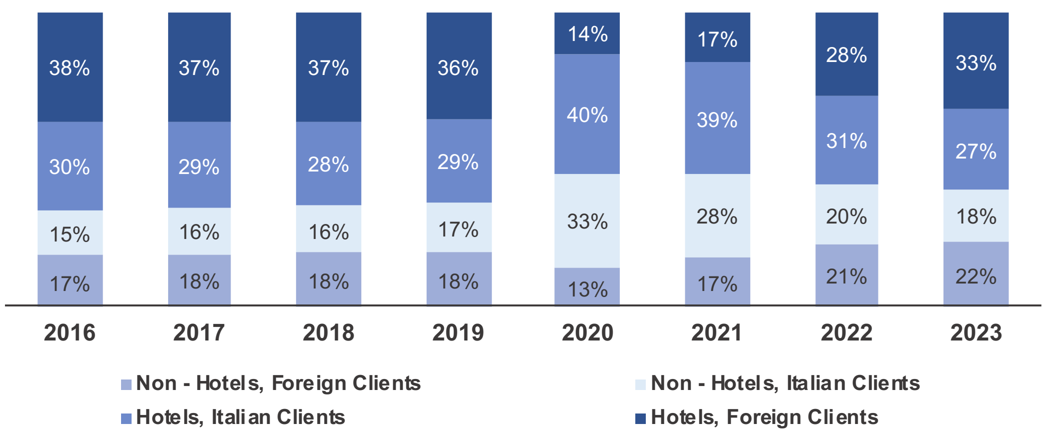
- **Tourists still prefer hotels**: hotels remain the preferred choice for 60% of tourists, although there is a gradual shift towards alternative types of accommodations such as vacation rentals, hostels, serviced apartments (e.g., Airbnb), and boutique guesthouses;
- **Hotels favoured by internationals**: hotels are mainly chosen by international tourists, with 55% of hotel guests being international in 2023, essentially returning to the pre-pandemic distribution (ca. 56%) after a period in which data was altered by the pandemic aftermath.

Historical Trend of Guests in Tuscany by Origin and Accommodation Type (mn)



Source: ISTAT, Value Track analysis

Annual Distribution of Customer Types in Hotel and Non-Hotel Accommodations in Tuscany



Source: ISTAT, Value Track analysis

The Market Opportunity of Independent Hotels

Management screenings indicate that approximately 68% of hotels in Tuscany are independently / family-operated. This statistic highlights a substantial market opportunity for Soges, which can target a broad spectrum of mid-range and premium independent hotels that:

- **Face generational change issues**, such as situations where successors are either unwilling or unavailable to manage hotel, or current owners prefer the financial simplicity of earning rent over active management;
- **Currently underperform**, due to inefficient family-management practices, presenting a prime opportunity for professional intervention and turnaround strategies;
- **Could immediately gain from joining Soges' Network**, by implementing its best practices, centralized management functions, and leveraging established industry relationships.

Competition Is Active, but Manageable

Tuscany's diverse and geographically dispersed tourist attractions contribute to a highly fragmented hospitality market characterized by intense competition. However, several strategic factors manage to mitigate these challenges effectively.

1) **Plenty of opportunities**: with many small and independent hotels, the market is far from saturation, allowing new entrants like Soges substantial room for growth without facing the immediate risk of an overcrowded market;
2) **Non-priority for large chains**: unlike other Italian hotspots, Tuscany is not the primary focus for big hotel chains, which tend to concentrate on larger urban centres and top-luxury segments. This relative lack of interest from big chains reduces direct competition, providing smaller players more operational breathing space;
3) **Positive Spillover Effects**: the dense clustering of hotels in Tuscany and Florence creates a district-like competitive environment that enhances overall demand and drives more traffic for all of the market participants.

To delineate Soges' competitive landscape, we have conducted a detailed analysis of major entities within the hospitality sector, focusing on operators managing 4-star establishments. The findings from this analysis are summarized in the table below, listing the key competitors.

Competitive Market: Key Financials from Last Available Year

Property	VoP	EBIT	EBIT Margin (%)	Net Profit
International				
Starhotels (2021)	86.8	-13.5	<0	-18.1
Minor Hotels (2023)*	2,163.0	303.2	14.0%	128.1
Best Western (2023)	960.2	na	na	na
25hours Hotels (2022)	141.3	9.2	6.5%	6.3
Hilton Worldwide (2023)	10,235.0	2,225.0	21.7%	1,141.0
Marriott International (2023)	23,713.0	3,935.0	16.6%	3,083.0
National				
Adler Resort & Lodges (2022)	2.6	0.1	3.3%	0.1
Uappala Hotels (2022)	6.6	0.5	7.4%	0.3
Regional (Tuscany)				
Siena Inns (2023)	0.2	0.0	5.7%	0.0
To Florence Hotels (2023)	2.0	-0.1	<0	-0.1
Ross Hotels Group (2023)	8.6	0.7	8.4%	0.5
Aggregate	**37,319.2**	**6,460.1**	**17.3%**	**4,341.2**
Average	**3,392.7**	**646.0**	**10.5%**	**434.1**
Median	**86.8**	**0.6**	**7.9%**	**0.4**

Source: Soges Group (*) former NH Hotel Group

The "Wild-West Era" of short-term rentals may be over

The recent regulatory reforms in Italy, effective from September 2024, might imply a significant shift in the competitive landscape for short-term rentals, particularly affecting platforms like **Airbnb**. These changes aim to level the playing field by **imposing stricter rules on short-term rental properties**, which have historically operated with fewer restrictions compared to traditional hotels.

We draw attention to these recent regulatory updates:

1) **National Identification Code (CIN):** From September 2024, all short-term rental properties must register with the National Database of Accommodation Structures (BDSR) and obtain a CIN. This code must be visibly displayed on the property and in all marketing materials;
2) **Taxation Shift**: As of 2024, the flat tax rate for short-term rentals will increase from 21% to 26% for landlords renting out more than one property in a given year. This aims to discourage the widespread use of multiple properties for short-term rentals;
3) **Entrepreneurial Classification**: Property owners renting more than 4 units will now be classified as operating a business and will be required to register for VAT;
4) **Safety and Compliance Standards**: Short-term rental properties must now meet stringent safety and health regulations, including fire prevention measures and the installation of carbon monoxide detectors. These measures align short-term rentals with long-standing hotel compliance standards.

While the exact outcome remains to be seen, we see potential for cautious optimism based on precedent from similar regulations in other locations. As an example, very similar measures in New York (*Local Law 18*) led to a sharp decline in rental listings, adding an estimated 2mn hotel room nights in 2024 and $380mn in additional revenue. This shift restored pricing power to hotels, with **room rates rising by up to 8%** *(Source: Commercial Observer, The Real Deal)*.

#3 Scalability and Financial Strength

Strong growth fuelled by expanding properties portfolio

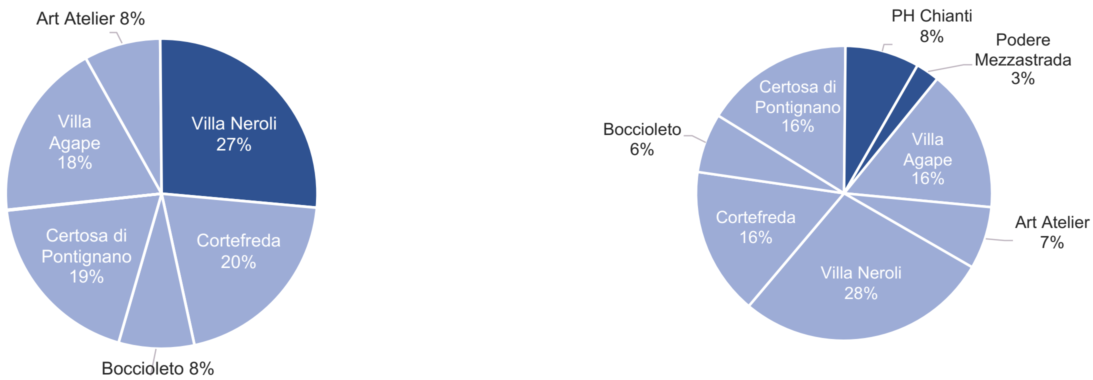
Soges Group has been able to grow at a **37.6% CAGR2019-2023**, with external growth, coming from the expansion of the property portfolio, playing a significant role.

Specifically, we highlight that:

1) Acquired entities contribution to Revenues was 27%/11% in 2022/2023, respectively;
2) In 2023, 61% of Revenues were generated from properties acquired between 2019 and 2023;
3) *Booking.com* ratings were improved by +0.4 points on average, with post-2019 acquisitions seeing an even greater increase of +0.6 points.

We also highlight that transactions occurred at favourable terms and were thoughtfully planned as a part of a broader industrial project with the goal of integrating the targets into a network of premium hotels throughout Tuscany, each configured to capitalize on unique district-specific advantages and points of interest. All this applies also to the last acquisition, recently announced (July 2024) and that will generate Revenues starting as of 2025.

Soges Group: Properties Impact on Revenues FY22-FY23



Source: Soges Group, Value Track analysis

Soges Group: Acquisition Milestones

Property	Acq. Year	Rooms	Restaurant	Avg. Daily Rate	Occup. Rate
Certosa di Pontignano	2014	52	✔	€ 98	79%
Art Hotel Villa Agape	2015	31	✔	€ 203	93%
Boccioleto Resort & SPA	2018	28	✔	€ 118	86%
Art Hotel Atelier	2021	33		€ 170	91%
Borgo di Cortefreda	2021	55	✔	€106	82%
Villa Neroli	2022	76	✔	€ 153	85%
Park Hotel Chianti	2023	43		€ 101	79%
Podere Mezzastrada	2023	20		€ 115	59%
Hotel Malaspina	2024	31		TBD	TBD

Source: Soges Group, Value Track analysis

Improving margins, one hotel at a time

Soges operates from the central headquarters in Florence, which, despite not directly generating any revenue, is pivotal for managing and monitoring operations. This structure, with fixed costs of ca. €1.7mn in 2023 and a staff of 18, plays a crucial role in the company's **positive operational leverage capability**.

Indeed, each new property included into the portfolio contributes significantly to EBITDA with minimal incremental overhead costs (e.g., hiring 1/2 more staff members at headquarters).

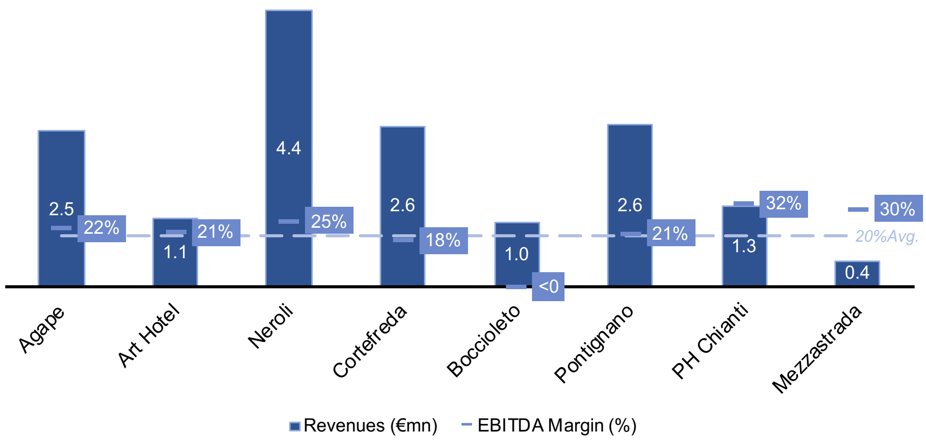
As an example, let's assume the acquisition of a facility generating €5mn in Revenue, with EBITDAR and EBITDA margins of 30% and 20% respectively, in line with the average of Soges' portfolio for the same year. Assuming that operating expenses (Opex) do not increase, or increase minimally (though they are neglected in this example), the improvement in EBITDA margin ranges between 2% to 3% for the first €1mn EBITDA. Of course, additional €1mn increase in EBITDA are expected to yield diminishing marginal returns, yet this simplified simulation suggests there is **potential for EBITDA margin increases up to a theoretical ceiling of 20%.** This can be even higher if the target boasts an higher margin, which is not so uncommon considering that 5 out of 8 Soges properties boast margins exceeding 20%.

Soges Group: Operating Leverage potential

P&L (€mn)	2023	Hotel 1	2023 + H1	Hotel 2	2023+H1+H2
Revenues	**15.9**	**5.0**	**20.9**	**5.0**	**25.9**
Cogs + Opex	-13.0	-3.5	-16.5	-3.5	-20.0
EBITDAR	**3.0**	**1.5**	**4.5**	**1.5**	**6.0**
EBITDAR Margin (%)	*18.6%*	*30.0%*	*21.4%*	*30.0%*	*23.0%*
EBITDA	**1.5**	**1.0**	**2.5**	**1.0**	**3.5**
EBITDA Margin (%)	*9.1%*	*20.0%*	***11.7%***	*20.0%*	***13.3%***

Source: Soges Group, Value Track analysis

Revenues and EBITDA Margin per Managed Property in 2023



Source: Soges Group, Value Track analysis

Asset light business model

Soges oversees hotels operations **without holding direct ownership** of the real estate assets. Indeed, rather than acquiring the building itself, the company opts for management contracts, and avoids the risks associated with property ownership.

As a consequence, the Group runs a relatively lean and asset light business model, which is labour intensive but not that capital intensive.

The Group's only real estate transaction is the **acquisition of Borgo di Cortefreda**, initiated in 2021 and completed in July 2024.

However, we do not anticipate significant disruptions to the balance sheet or the company's business model, as the acquisition should occur through a finance lease and accounted with the Capital Method ("Patrimoniale") under Italian Gaap, with which it should be treated similarly to a traditional lease contract. As such, the effects on P&L and BS should be as follow:

1) Soges records only the monthly lease payments as rental expense on the income statement;
2) The leased asset is not recognized on Soges balance sheet, until the purchase option is exercised, and the ownership transfers to the lessee;
3) The €1.4mn initial cash-out occurred in July will be matched by a prepaid expense of the same amount, which and amortized over the lease term.

Efficient Working Capital Management

A key strength of Soges lies in its working capital structure, a key point in the hospitality industry where upfront payments is standard practice. This allows Soges to maintain **exceptionally low DSO**, typically within the **10-20 day range**, significantly enhancing its cash flow efficiency.

Furthermore, Soges successfully negotiates favourable terms with its suppliers, ensuring that trade payables remain higher than receivables.

This careful balancing act maximizes operational cycle efficiency (NWC was negative in FY22-23), and ultimately secures more regulated cash inflows/outflows.

Soges Group: VoP vs. Net Working Capital (left) and Operating Cycle metrics FY22-FY23 (right)

Source: Soges Group, Value Track analysis

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IL PRESENTE DOCUMENTO PUÒ ESSERE DISTRIBUITO IN ITALIA SOLTANTO AGLI INVESTITORI QUALIFICATI, AI SENSI DELL'ARTICOLO 2 DEL REGOLAMENTO PROSPETTI. PERTANTO IL PRESENTE DOCUMENTO NON PUÒ IN ALCUN MODO ESSERE DISTRIBUITO: (I) AL PUBBLICO INDISTINTO; (II) ATTRAVERSO CANALI DI DIVULGAZIONE, ATTRAVERSO I QUALI LE INFORMAZIONI SIANO O E' PROBABILE CHE SIANO RESE PUBBLICHE, OSSIA CHE DIVENGANO ACCESSIBILI A UN GRAN NUMERO DI PERSONE; (III) A SOGGETTI NON RIENTRANTI NELLA SUDDETTA DEFINIZIONE DI INVESTITORI QUALIFICATI. RICEVENDO IL PRESENTE DOCUMENTO, VI IMPEGNATE A RISPETTARE LE RESTRIZIONI IVI PREVISTE. IL PRESENTE DOCUMENTO E' STATO PREDISPOSTO IN MODO AUTONOMO RISPETTO A SOGES S.PA. (LA "SOCIETÀ"), AI SUOI AZIONISTI E ALLE SUE CONTROLLATE E LE PREVISIONI E VALUTAZIONI IVI CONTENUTE SONO ESPRESSE ESCLUSIVAMENTE DA VALUE TRACK S.R.L. NELL'AMBITO DELLA SUA NORMALE ATTIVITÀ DI RICERCA E NON SONO STATE AUTORIZZATE O APPROVATE DA TERZI SOGGETTI. VALUE TRACK S.R.L. NON È AUTORIZZATO A FORNIRE INFORMAZIONI O RILASCIARE DICHIARAZIONI O GARANZIE PER CONTO DELLA SOCIETÀ, DEI SUOI AZIONISTI O DELLE SUE CONTROLLATE, I LORO RISPETTIVI CONSULENTI O QUALSIASI ALTRO SOGGETTO A QUESTI CONNESSO. NONOSTANTE OPPORTUNE PRECAUZIONI SIANO STATE PRESE AFFINCHÉ' TUTTI I FATTI RAPPRESENTATI NEL DOCUMENTO SIANO CORRETTI E LE PREVISIONI, OPINIONI E VALUTAZIONI IVI CONTENUTE SIANO RAGIONEVOLI, TUTTAVIA VALUE TRACK S.R.L. NON HA EFFETTUATO ALCUNA VERIFICA INDIPENDENTE RISPETTO ALLE INFORMAZIONI CONTENUTE NEL PRESENTE DOCUMENTO E PERTANTO NE' VALUE TRACK S.R.L. NE' LA SOCIETA' NE' I SUOI AZIONISTI O E SUE CONTROLLATE, I LORO RISPETTIVI CONSULENTI O QUALSIASI ALTRO SOGGETTO A QUESTI CONNESSO, NE' I LORO RISPETTIVI AMMINISTRATORI, DIRIGENTI O IMPIEGATI SARANNO IN ALCUN MODO CONSIDERATI RESPONSABILI DEL CONTENUTO DEL PRESENTE DOCUMENTO E NESSUN AFFIDAMENTO DOVRA' ESSERE FATTO IN MERITO ALLA PRECISIONE, COMPLETEZZA O CORRETTEZZA DELLE INFORMAZIONI CONTENUTE NEL PRESENTE DOCUMENTO. NESSUN SOGGETTO POTRÀ PERTANTO ESSERE RITENUTO RESPONSABILE DEI DANNI DERIVANTI DALL'UTILIZZO DEL PRESENTE DOCUMENTO O DAL SUO CONTENUTO OVVERO DEI DANNI COMUNQUE CONNESSI AL PRESENTE DOCUMENTO. VALUE TRACK S.R.L. (O I SUOI DIRIGENTI, AMMINISTRATORI O IMPIEGATI) POTREBBE, NEI LIMITI CONSENTITI DALLA LEGGE, TROVARSI A DETENERE STRUMENTI FINANZIARI DELLA (OVVERO OPZIONI, WARRANT O ALTRI DIRITTI RELATIVI ALLA, OVVERO UN INTERESSE NELLE AZIONI O ALTRI STRUMENTI FINANZIARI DELLA) SOCIETA' E POTREBBE AGIRE SUL MERCATO O COME CONTROPARTE IN TRANSAZIONI RELATIVE A TALI STRUMENTI FINANZIARI.