Soges Group SpA

Hotels, Restaurants & Leisure

KT&PARTNERS

Capitalizing on IPO Success with Quick Strategic Moves

ADD | Fair Value: €4.5 | Current Price: €1.9 | Upside: +134.3%

Initiation of Coverage

July 29, 2024 – 7.00 h

€ Million	FY20A	FY21A	FY22A	FY23A	FY24E	FY25E	FY26E	FY27E
Total Revenues	2.4	5.9	11.5	15.9	17.2	21.1	25.4	29.8
EBITDA	(1.0)	(0.1)	0.9	1.5	2.0	2.3	3.0	4.1
margin	*-41.6%*	*-1.8%*	*7.9%*	*9.1%*	*11.7%*	*10.8%*	*11.8%*	*13.7%*
Net Profit	(0.4)	(0.5)	0.3	0.4	0.5	0.5	0.9	1.6
margin	*-14.7%*	*-8.6%*	*2.5%*	*2.6%*	*2.9%*	*2.5%*	*3.7%*	*5.4%*
EPS	n.a.	n.a.	n.a.	n.a.	0.10	0.10	0.18	0.31
NFP	**1.4**	**1.9**	**2.7**	**3.4**	**2.1**	**0.8**	**(1.4)**	**(4.6)**

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

Overview and Historical Financials. Founded in 2000 as a student housing management company, Soges has evolved into a hotel management company operating in the medium-to-high-end hospitality sector. The company offers accommodation services in hotels situated in Florence and the countryside region of Chianti under its commercial brand "Place of Charme". In FY23, Soges broke its sales record achieving €15.8mn, marking a 15.5% CAGR2019-2023 for its sales after navigating through the hardships of the Covid-19 epidemic emergency and after having successfully refocused the business divesting its student housing business unit in FY19. At the EBITDA level, the Company registered a significant improvement moving from €0.1mn in FY19 to €1.5mn in FY23. FY23 NFP amounted to €3.4mn, up from €2.7mn in FY22 due to higher long-term debt to fund investments for the acquisition of new hotels.

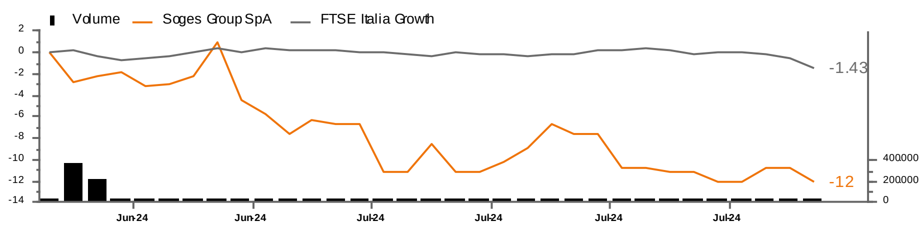
IPO structure. Soges Group went public on June 12, 2024, with an IPO price of €2.25 per share, implying a post-money market capitalization of €11.6mn, and 8.0x EV valuation on its FY23 EBITDA. The Group issued 1.08mn shares (21.2% of its outstanding equity) collecting €2.4mn of capital raised, whereas the IPO costs stood at €0.88mn. The IPO included a greenshoe option with over 121k additional shares, but this option was not exercised.

Soges Speeds Up with IPO Funds. After securing IPO proc eeds, the Group continued its expansion project by purchasing the hotel operations for two venues it already managed (Park Hotel Chianti and Borgo di Cortefreda). It also expanded the Art Atelier Hotel's capacity by adding the Dependence with 14 additional rooms and added Hotel Malaspina, equipped with ca. 30 rooms, to its portfolio, reaching 9 venues under management for a total of ~368 rooms.

Future Estimates. We forecast FY24E sales revenues to reach €16.9mn, growing at a CAGR2023-2027E of 16.9% afterwards reaching €29.4mn by FY27E; we accounted for the acquisition of the Art Atelier Dependence and Hotel Malaspina in the summer of 2024 and the addition of two new venues each year in the 2025-2027 period, each contributing approximately €1.5mn annually to the sales, for a total of 14 venues managed by 2027. EBITDAR is expected to grow from €3.5mn (20.4% margin) in FY24E to €7.8mn (26.1% margin) in FY27E, driven by economies of scale and optimized management. The EBITDA is forecasted to increase from €2.0mn in FY24E to €4.1mn in FY27E. Net income is projected to grow at a CAGR of 39.8%, reaching €1.6mn by 2027. As for the balance sheet, we project Soges to maintain a negative Trade Working Capital, estimated to be -€0.3mn in FY24, thanks to the nature of its business model: the Group can maintain low DSO by receiving payments almost immediately from its customers, resulting in low trade receivables, while it can manage more favorable payment terms with suppliers keeping trade payables higher than receivables. The NFP is anticipated to be €2.1mn in 2024, factoring in the €1.6mn cash inflow from the IPO net of costs. The NFP is forecasted to turn cash positive from FY26E, reaching -€4.6mn in FY27.

Valuation. Our valuation - based on DCF and market multiples method (EV/Sales and EV/EBITDA) - returns an equity fair value of €23.0mn, or €4.5ps, implying an upside of +134.3% on the current market price.

Soges Group Relative Stock Performance Chart since IPO (June '24)



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Market Data

Main Shareholders	
Gala Holding Srl	77.88%
Andrea Galardi	0.31%
Treasury Shares	0.62%
Mkt Cap (€ mn)	9.8
EV (€ mn)	11.9
Shares out. (mn)	5.1
Free Float	21.2%

Market multiples	2023	2024	2025
EV/EBITDA			
Soges Group S.p.A.	6.7x	4.9x	4.3x
Comps Median	12.9x	8.0x	7.4x
Soges Group S.p.A. vs Median	*-48%*	*-39%*	*-42%*
P/E			
Soges Group S.p.A.	23.4x	19.5x	18.7x
Comps Median	16.2x	14.0x	14.3x
Soges Group S.p.A. vs Median	*44%*	*39%*	*31%*

Stock Data

52 Wk High (€)	2.27
52 Wk Low (€)	1.80
Avg. Daily Trading 90d	23,591
Price Change 1w (%)	-4.50
Price Change 1m (%)	-8.17
Price Change YTD (%)	n.a.

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Key Figures - Soges Group SpA

Current price (€)	Fair Value (€)	Sector	Free Float (%)
1.9	4.5	Hotels, Restaurant & Leisure	21.18%

Per Share Data	2020A	2021A	2022A	2023A	2024E	2025E	2026E	2027E
Total shares outstanding (mn)	n.m.	n.m.	n.m.	n.m.	5.14	5.14	5.14	5.14
EPS	n.m.	n.m.	n.m.	n.m.	0.10	0.10	0.18	0.31
Dividend per share (ord)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Dividend pay out ratio (%)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Profit and Loss (EUR million)	**2020A**	**2021A**	**2022A**	**2023A**	**2024E**	**2025E**	**2026E**	**2027E**
Total Revenues	2.4	5.9	11.5	15.9	17.2	21.1	25.4	29.8
EBITDA	(1.0)	(0.1)	0.9	1.5	2.0	2.3	3.0	4.1
EBIT	(1.3)	(0.5)	0.3	0.6	1.0	0.9	1.4	2.3
EBT	(0.4)	(0.5)	0.2	0.2	0.7	0.7	1.3	2.3
Taxes	-	0.0	0.1	0.2	(0.2)	(0.2)	(0.4)	(0.7)
Tax rate	0%	2%	-34%	-86%	29%	29%	29%	29%
Net Income	(0.4)	(0.5)	0.3	0.4	0.5	0.5	0.9	1.6
Balance Sheet (EUR million)	**2020A**	**2021A**	**2022A**	**2023A**	**2024E**	**2025E**	**2026E**	**2027E**
Total fixed assets	3.0	4.2	5.7	6.6	8.2	8.0	7.5	6.8
Net Working Capital (NWC)	(0.4)	(0.9)	(1.1)	(0.7)	(0.2)	(0.2)	(0.2)	(0.2)
Provisions	(0.3)	(0.4)	(0.6)	(1.0)	(1.5)	(2.1)	(2.8)	(3.6)
Total Net capital employed	2.3	2.8	4.0	4.9	6.5	5.7	4.5	2.9
Net financial position/(Cash)	1.4	1.9	2.7	3.4	2.1	0.8	(1.4)	(4.6)
Group Shareholder's Equity	1.0	0.9	1.2	1.5	4.4	5.0	5.9	7.5
Minorities	-	-	-	-	-	-	-	-
Total Shareholder's Equity	1.0	0.9	1.2	1.5	4.4	5.0	5.9	7.5
Cash Flow (EUR million)	**2020A**	**2021A**	**2022A**	**2023A**	**2024E**	**2025E**	**2026E**	**2027E**
Net operating cash flow	(1.0)	(0.1)	1.0	1.9	1.7	2.0	2.6	3.4
Change in NWC	(0.1)	0.5	0.1	(0.4)	(0.5)	0.1	0.0	(0.0)
Capital expenditure	(0.9)	(1.5)	(1.9)	(1.6)	(2.6)	(1.2)	(1.0)	(1.0)
Other cash items/Uses of funds	0.1	0.1	(0.0)	0.2	0.5	0.6	0.7	0.8
Free cash flow	(1.9)	(0.9)	(0.8)	0.1	(0.9)	1.5	2.3	3.2
Enterprise Value (EUR million)	**2020A**	**2021A**	**2022A**	**2023A**	**2024E**	**2025E**	**2026E**	**2027E**
Market Cap	n.m.	n.m.	n.m.	n.m.	9.8	9.8	9.8	9.8
Minorities	-	-	-	-	-	-	-	-
Net financial position/(Cash)	1.4	1.9	2.7	3.4	2.1	0.8	(1.4)	(4.6)
Enterprise value	n.m.	n.m.	n.m.	n.m.	11.9	10.6	8.4	5.3
Ratios (%)	**2020A**	**2021A**	**2022A**	**2023A**	**2024E**	**2025E**	**2026E**	**2027E**
EBITDA margin	-41.6%	-1.8%	7.9%	9.1%	11.7%	10.8%	11.8%	13.7%
EBIT margin	-54.9%	-8.5%	3.0%	3.6%	5.9%	4.5%	5.7%	7.9%
Gearing - Debt/equity	139.6%	202.9%	226.2%	233.2%	47.3%	15.8%	-24.1%	-60.8%
Interest cover on EBIT	73.3%	-3.9%	36.7%	60.5%	29.5%	21.9%	8.9%	3.8%
NFP/EBITDA	-1.37x	-17.50x	3.01x	2.37x	1.05x	0.34x	-0.48x	-1.12x
ROCE	-56.1%	-18.0%	8.7%	11.6%	15.4%	16.5%	32.4%	79.8%
ROE	-35.9%	-55.4%	24.1%	28.4%	11.4%	10.6%	15.9%	21.4%
EV/Sales	4.10x	1.66x	0.85x	0.62x	0.57x	0.46x	0.39x	0.33x
EV/EBITDA	-9.86x	-91.93x	10.74x	6.74x	4.89x	4.30x	3.28x	2.40x
P/E	-28.01x	-19.24x	33.49x	23.40x	19.47x	18.70x	10.50x	6.12x
Free cash flow yield	-19.5%	-9.6%	-7.7%	1.0%	-9.1%	14.9%	23.4%	32.5%
Growth Rates (%)	**2020A**	**2021A**	**2022A**	**2023A**	**2024E**	**2025E**	**2026E**	**2027E**
Sales	-74.1%	148.0%	94.0%	38.7%	7.8%	22.9%	20.3%	17.4%
EBITDA	n.m.	-89.3%	n.m.	59.4%	37.7%	13.7%	31.1%	36.6%
EBIT	293.5%	-61.8%	-168.7%	66.1%	75.9%	-6.0%	52.7%	62.5%
Net Income	-105.4%	45.6%	-157.5%	43.1%	20.1%	4.2%	78.0%	71.5%

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

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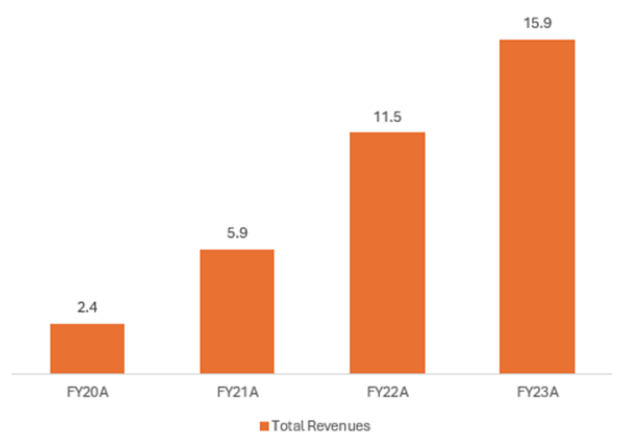
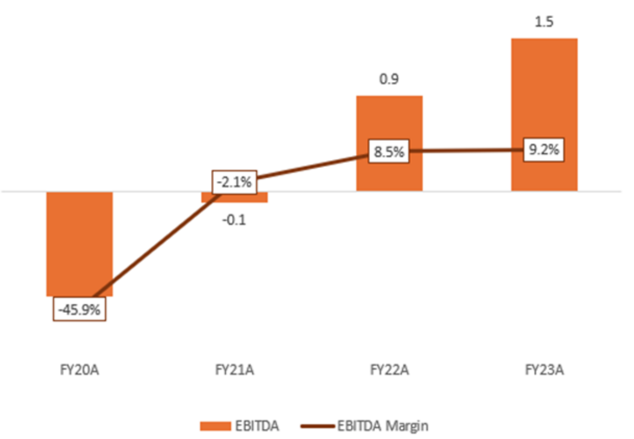
Key Charts

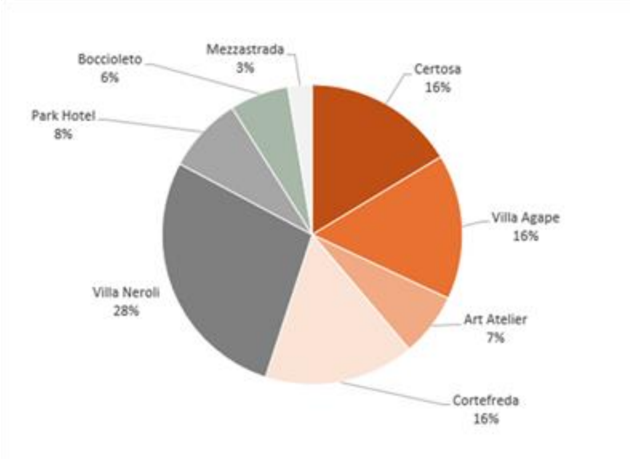
Total Revenues (€mn)



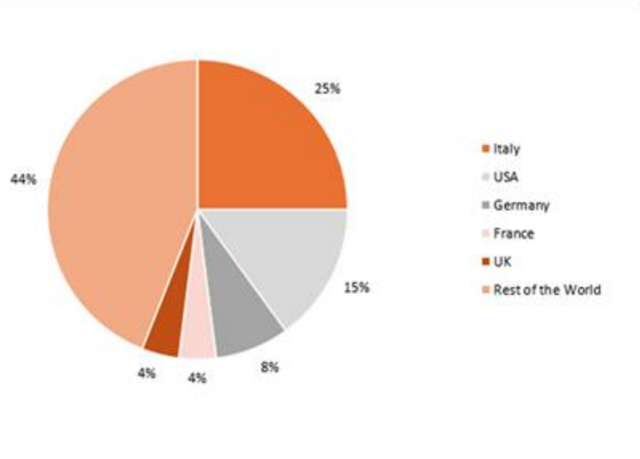
EBITDA ed EBITDA Margin (€mn, %)



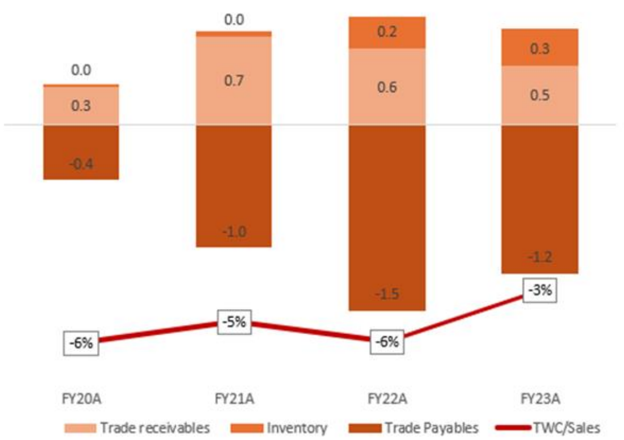
Sales Revenues Breakdown by Managed Hotel in 2023 (€mn)



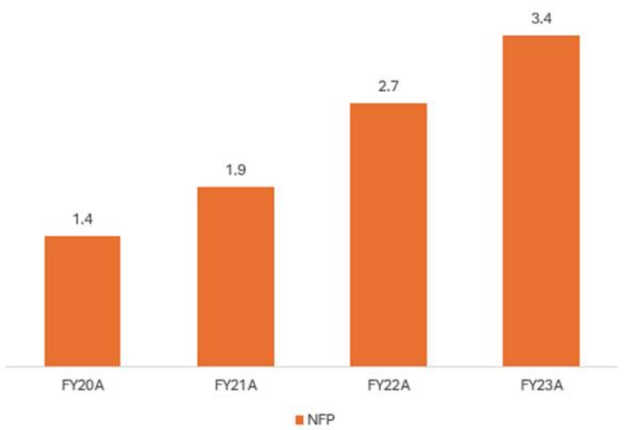
Soges 2022-23 Clients' Breakdown by Nationality (%)



Trade Working Capital and TWC/Total Revenues (€mn, %)



Net Financial Position (€mn)



Investment Case

High-quality brand proposition leveraging historical, artistical and cultural resources. Soges offers accommodation services in hotels situated in the captivating Tuscany region, specifically in the city of Florence and the picturesque Chianti countryside. Soges approach is defined by the cultural and historical context of these locations, emphasizing authenticity and immersion in the rich heritage of Tuscany. Soges' offering seamlessly integrates high-quality lodging services within buildings of historical and cultural significance. These carefully selected venues provide guests with a unique and memorable experience, steeped in the charm and character of their surroundings. Moreover, Soges enhances the guest experience by curating a diverse array of activities and experiences that showcase the art, literature, history, and natural beauty of Florence and its surrounding countryside. By blending exceptional lodging services with immersive cultural experiences, Soges creates a truly unforgettable stay for guests, allowing them to discover the heart and soul of Florence and the enchanting landscapes of the Chianti countryside.

Elevated level of customer satisfaction and positive experience reviews. Soges' services have garnered high praise and appreciation from its customers, as evidenced by excellent reviews and ratings on various online travel portals. The company's commitment to providing exceptional hospitality is reflected in its ability to consistently improve its average Booking.com ratings across all facilities. From 2019 to 2023, Soges successfully elevated its average Booking.com ratings by an impressive 0.4/10. Notably, this improvement extends even further when considering only the hotels acquired after 2019, with an increase of 0.6/10. These positive ratings underscore the consistent delivery of high-quality services and the company's dedication to enhancing the guest experience. Furthermore, the quality of Soges' services is further underscored by its high average occupancy rates. In 2023, the company achieved an impressive average occupancy rate of 82% across its hotels. This high level of occupancy demonstrates the strong demand for Soges' offerings and the satisfaction of guests who choose to stay at its properties.

Successful track record of hotel takeovers elevating their performance to new heights. The Company can boast a track record of successful portfolio additions, managing not only to correctly detect its targets, but also to integrate the acquired hotels in its portfolio and to improve their operational and financial performance. As of today, the group manages 8 facilities for a total of 324 rooms, with the aim of expanding their operations in Tuscany and possibly in the rest of Italy, thanks to the plethora of cultural touristic destinations and historical buildings that align with the standards of Soges' brand proposition.

Harnessing the power of centralized management for amplified efficiency and remarkable economies of scale. Soges' business model is founded on the centralization of business and administrative functions of its hotels and facilities, taking charge of all the duties that can directly perform by itself; this approach helps to make governance more efficient and to create synergies between its venues. It also creates economies of scales, as costs rise less than revenues for each hotel it is acquired, empowering further business expansion with wider margins and higher profitability.

The resurgence of tourism and travel markets is fueling a dynamic revival in the hotel sector. While the pre-pandemic situation has not yet fully returned, Italy's lodging and travel sectors are making significant strides towards recovery. The domestic component of hotel demand has completely rebounded since 2019, whereas international stays are still below pre-pandemic levels, despite experiencing a notable surge of 108% in 2022 compared to the previous year. Taking a closer look at the tourism sector in Tuscany, visitor volumes in the first 8 months of 2023 nearly matched pre-pandemic levels, largely due to a substantial influx of foreign travelers, particularly those from outside Europe, although their volumes are still 10.5% below pre-pandemic levels. With the relaxation of pandemic-era travel restrictions, particularly in Asia, and the rebound of the travel market driven by pent-up demand following years of lockdowns, hotel demand in Italy is expected to achieve full recovery, buoyed by increasing international demand.

Industry-level shift toward medium-to-high and higher rated services driven by a change in customer preferences. The Italian lodging market is undergoing a notable transformation characterized by a "luxurization" trend, where 4 and 5-star rated hotels are gaining prominence at the expense of lower-rated establishments. This shift is evident not only in the increasing number of high-end facilities but also in the growing share of guests accommodated in these premium properties. Hotels across Italy are evolving into medium-to-high-end and luxury service providers, distancing themselves from the fiercely competitive lower market segments. This strategic realignment aims to cater to customers with higher spending capacity, reflecting changing preferences towards quality accommodation and travel experiences. This evolving landscape presents significant opportunities for companies like Soges, which possess a wealth of experience in the medium-to-high-end segment of the market. Positioned to capitalize on these shifts, Soges is well-equipped to meet the rising demand for its services and to emerge as a leader in providing exceptional hospitality experiences tailored to discerning travelers.

Asset-light business model. Soges operates as a distinguished hotel management company, orchestrating its operations without direct ownership of the properties it oversees. Rather than acquiring real estate assets, the company secures management contracts, empowering it to meticulously manage and enhance hotels without the encumbrance of property ownership. Purchases of the building properties are made occasionally, when the acquisition of a hotel management is deemed strategically important for the Company and the building purchase is necessary to acquire the management of the hotel. This prudent approach enables to focus on maximizing operational efficiency and profitability while mitigating the risks associated with property ownership.

Statement of risks. Soges, given the inherent nature of its operations within the market, contends with different categories of risks:

i) adverse outcome of hotels acquisitions, deriving from failure to achieve the planned economic and financial results, excessive costs for rents and leasing, delay in planned acquisitions or lack of takeover opportunities, leading to a failure to achieve the intended growth. Additionally, increased competition from rivals entering Soges' market niche hotel acquisitions poses a potential risk. However, it is worth noting that the company boasts a successful track record of acquisitions, consistently improving sales performance following each takeover;

ii) Soges faces the risk of demand decline stemming from negative macroeconomic conditions in both Italy and abroad, such as reduced spending capacity due to inflationary pressures, higher travel fares leading to decreased travel inflows, or disruptions caused by adverse geopolitical events. However, Soges primarily targets clients with higher-than-average spending capacity, making them less susceptible to economic downturns;

iii) Soges faces the risk of unattended disruptive events such as natural disasters, heavy rains, or floods, which could cause damage to its facilities. These events may result in unforeseen costs for repairs and maintenance, or in severe cases, the discontinuation of activities at the affected facilities;

iv) Soges faces the risk of losing market visibility or failing to achieve desired brand recognition, along with other reputational risks arising from negative reviews, ratings, or instances of client dissatisfaction. To address these risks, the company has implemented a comprehensive marketing and commercial upgrade strategy. This includes reinforcing their Place of Charme brand, actively participating in major sector trade fairs, and conducting marketing campaigns on web search engines and social media platforms. Furthermore, Soges' hotels prioritize high customer satisfaction, as evidenced by notable improvements in online ratings over the past years;

v) Soges faces risks associated with its reliance on booking platforms and Online Travel Agencies (OTAs), including potentially higher intermediation fees and the unlikely event of a termination of the commercial relationship, which could lead to the loss of potential customers. To mitigate these risks, the company has initiated a process of disintermediation of its sales channels, favoring direct sales channels over OTAs. This strategic shift allows Soges to reduce reliance on third-party platforms and maintain greater control over its sales processes, enhancing profitability and customer relationships;

vi) supply chain issues such as higher supply costs or disruptions due to supply concentration pose potential risks to Soges. However, the Company carefully selects trusted and reliable partners and establishes long-term relationships with them. This strategic approach ensures that the company obtains the desired high-quality standards for all its hotels while mitigating the risks associated with supply chain disruptions.

Company Overview

Soges Group SpA

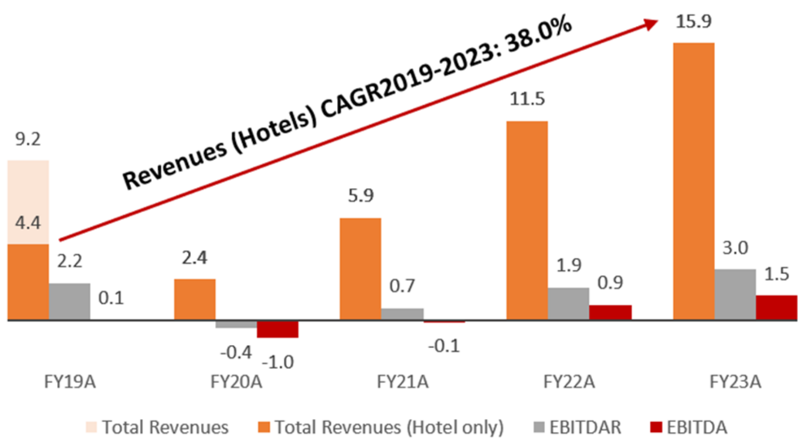
Born in 2000 as a student housing management company, Soges Group SpA (“Soges”, or “Company”, or “Group”) is an Italian company today operating in the medium-to-high-end hospitality and lodging market, after a business reconversion culminated in the sale of the student housing business unit in 2019. The company offers accommodation services in hotels located in Tuscany region, divided between the city of Florence and the countryside region of Chianti. The service’s purpose is to blend high-quality lodging services with a set of experiences and activities that allows its customers to live the Tuscanian historical-cultural context artistic and natural vibes to the fullest. To help with its goal, the group chooses to carry its hotel activities in buildings with historical and cultural relevance, such as historical villas, former monasteries, farmsteads, etc. As of today, the Company operates through its commercial brand “Place of Charme”, which encompasses all but one of the managed hotels.

The Company business model is based on the centralized management of the facilities and on the growth and strengthening of its brand through further acquisitions. Indeed, the Group takes charge of all the administrative functions that can directly perform by itself, cutting overhead costs, making governance more efficient and creating synergies between its venues. The Group’s goal is to further expand its model to other hotels and grow its business by taking over the management of new hotel facilities that align with Soges’ quality standards and with its brand proposition. The expansion of the Group’s operations (and therefore, of its revenues) would allow it to enhance profitability and widen margins, since its costs would grow less than its revenues thanks to its business model.

As of today, the Company manages 8 hotels, for a total of 338 rooms (42.25 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.

After divesting its student housing business unit in FY19, the Company has been able to navigate through the hardships of the Covid-19 epidemic emergency managing to grow the hotel unit revenues at a CAGR2019-2023 of +37.3%, increasing from €4.4mn of revenues from the hotel business in FY19 to €15.8mn in FY23, successfully completing the business refocus after acquiring 5 more facilities between 2021 and 2023. At the EBITDA level, the Company also registered a significant improvement over the 2019-2023 period, moving from €0.1mn in FY19 to €1.5mn in FY23, fully recovering from the drop experienced in 2020 after the Covid-19 epidemic outbreak when the EBITDA fell to -€1.0mn. To fully appreciate the profitability growth accounting for the rental costs’ incidence (which may vary depending on the single contracts for the management of the facilities), it can be noted that the Company’s EBITDAR (EBITDA before Rental Costs) has exceeded 2019 levels, moving from €2.2mn in 2019 to €3.0mn with an average growth of 8.1% CAGR19-23, further proving to having full recovered from the pandemic period.

2019-2023 Soges' Total Revenues, EBITDAR and EBITDA (€, mn)



Source: KT&Partners' Elaborations on Company Data

Soges' Hotel Portfolio

Soges embarked on its journey into the hotel management business in 2014, starting with the management takeover of the Certosa of Pontignano from the University of Siena. Since then, the company has expanded its portfolio, particularly accelerating its growth in the hotel sector after selling its student housing unit in 2019. Over the last three years alone, Soges has added 5 more hotels, bringing the total to 8 managed facilities, offering a combined total of 338 rooms; in 2024, the Group also added a new hotel to its portfolio, which will bring the total managed facilities to 9 when it opens in 2025, with a total of ca. 368 hotel rooms' capacity. All the hotels are rated 4 stars, with the exception of the Certosa di Pontignano, which is categorized as an historical residence, and Podere Mezzastrada, which is a set of holiday homes and apartments. Hotel Malaspina, which is currently a 3-star hotel, will be upgraded to a 4-stars venue by the time it's inaugurated, aligning it with the Company's medium-to-high end market target.

The capacity of these facilities varies, with Podere Mezzastrada being the smallest, featuring 20 rooms, and Villa Neroli as the largest, housing 76 rooms. Each hotel boasts a distinct style of furniture and décor, crafted to reflect the unique character of its location, and create a memorable travel experience for guests. Despite this diversity, Soges ensures that all hotels adhere to a set of standards for a consistent and high-quality guest experience, facilitated by centralized management.

The range of services offered by these hotels can differ. While each hotel has a bar, with the exception of Podere Mezzastrada which is a collection of holiday apartments, restaurant services are available in 5 of the 9 hotels (Certosa di Pontignano, Villa Agape, Boccioleto Resort, Borgo di Cortefreda, Villa Neroli), depending on the venue's size and the feasibility of offering such services. These restaurants pride themselves on serving dishes made from high-quality, locally sourced ingredients, with each restaurant featuring its unique culinary style shaped by its managers and chefs. Additionally, 4 of the facilities are equipped to host business and corporate meetings, events, and celebrations, offering versatile spaces for a variety of functions, while the others do not provide such amenities.

Soges' Hotels key characteristics

	Certosa	Villa Agape	Boccioleto	Art Atelier	Cortefreda	Villa Neroli	Park Hotel	Mezzastrada	Malaspina*
Year of acquisition	2014	2015	2018	2021	2021	2022	2023	2023	2024
n° of rooms/apartments	52	31	28	33	55	76	43	20	~30
n° of stars	-	★★★★	★★★★	★★★★	★★★★	★★★★	★★★★	-	★★★
Services									
Restaurant	✓	✓	✓		✓	✓			
Bar	✓	✓	✓	✓	✓	✓	✓		✓
Meetings & Events	✓	✓			✓	✓			
Performance									
Average Daily Rate (2023)	98 €	203 €	118 €	170 €	106 €	153 €	101 €	115 €	-
Occupancy rate (2023)	79%	93%	86%	91%	82%	85%	79%	59%	-
Hotel Rating									
Booking.com rating (2019)	8.7	9.1	8.9	8.4	8.2	8.4			-
	+0.2	+0.1	+0.1	+0.4	+0.7	+0.7	-	-	-
Booking.com rating (2023)	8.9	9.2	9	8.8	8.9	9.1	8.9	8.7	-

Average rating increase: **+0.4**
(+0.6 for the three hotels acquired after 2019)

*Source: KT&Partners' Company data; *Hotel Malaspina is set to become a 4-stars venue after the renovations are completed*

Between 2019 and 2023, Soges demonstrated its proficiency in enhancing hotel performance and boosting customer satisfaction by significantly improving the Booking.com ratings for all its hotels. On average, the ratings increased by 0.4 points. For the facilities that were acquired after 2019, the improvement in ratings was even more remarkable, with an average increase of 0.6 points. This achievement underscores Soges' capability to elevate the standards of its hotels, thereby augmenting guest experiences and satisfaction.

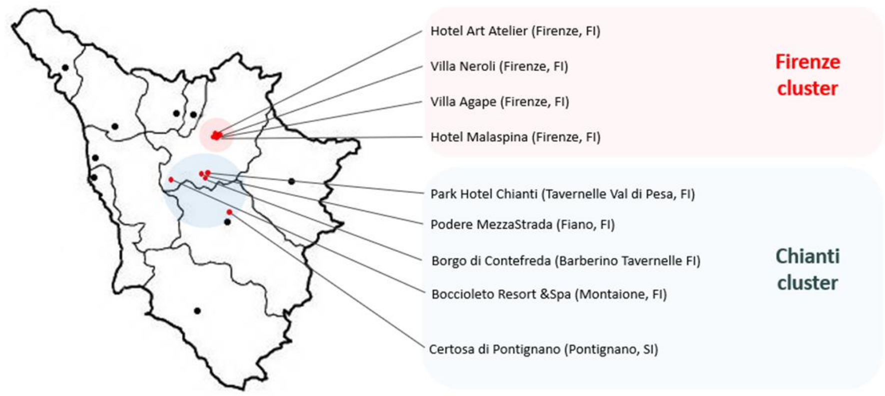
Soges' portfolio of hotels is geographically divided into two distinct clusters:

1. Urban Venues: This cluster includes three hotels located within the city limits of Florence - Art Atelier, Villa Neroli, and Villa Agape - plus the newly acquired Hotel Malaspina, which will be opened in 2025 bringing the hotels managed in the city to four. These urban hotels cater to guests who are interested in exploring the rich history, art, and culture of Florence, providing easy access to the city's numerous attractions.

2. Chianti Region: Comprising five hotels nestled in the picturesque hills of the Chianti countryside, this cluster offers a quintessential Tuscan experience. Three of these hotels—Park Hotel Chianti, Podere Mezzastrada, and Borgo di Cortefreda—are situated in close proximity to each other near Tavarnelle Val di Pesa, enhancing the opportunity for operational synergies.

The strategic proximity of hotels within each cluster allows Soges to create operational efficiencies and synergies by sharing resources, supplies, and personnel as needed. This approach not only optimizes costs but also enables the provision of consistent and high-quality service across the company's hotel portfolio, further reinforcing Soges' commitment to excellence in hospitality.

Soges' Hotels locations



Source: Company data

Certosa of Pontignano

The Certosa of Pontignano stands as a testament to historical grandeur and architectural significance, nestled in the picturesque Tuscan countryside near the city of Siena. Owned by the University of Siena, this facility, which became the first hotel acquired by Soges in 2014, boasts a rich history dating back to 1343. Originally established as a monastery for the Order of Carthusians, the property underwent a transformation in 1959 when the University of Siena repurposed it as a college for students, a role it maintained until Soges' takeover.

Today, the Certosa of Pontignano offers 43 rooms and 9 apartments, blending historical charm with modern hospitality services. The facility houses the "Chiostro di Pontignano" restaurant, which welcomes both staying guests and external visitors, alongside a bar, meeting and conference rooms, and various ancillary services. The versatility of the venue makes it an ideal location for hosting a wide range of events and activities, including weddings, congresses, and conventions. In addition to its lodging services, the Certosa continues to serve the academic community as a congress center for the University of Siena, regularly facilitating events and conferences within its historic walls.

Certosa of Pontignano

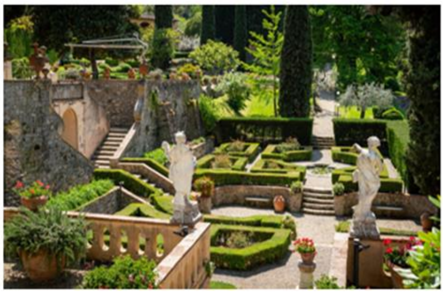

Source: Company and Hotel websites

Hotel Villa Agape

Art Hotel Villa Agape is a renaissance villa, located uphill on the edge of Florence. This venue, acquired by Soges in 2015, boasts 31 rooms alongside a range of amenities including a restaurant, a bar, meeting and conference rooms, and services such as bus shuttles, car rentals, and tour reservations. Tracing its origins back to the 15th century, the villa passed through the hands of various noble families until the Duchess of Aosta took ownership in 1948. She enhanced the villa, adorning its gardens in the Renaissance style, contributing to the property's current grandeur. Subsequently, the villa was entrusted to a community of nuns before Soges took over its management.

The hotel is renowned for the stunning panoramic views it offers, particularly its proximity to the iconic Piazzale Michelangelo. The property's private park, featuring an Italian-style garden adorned with rare plants, flowers, statues, fountains, fruit trees, and an olive grove, stands as the highlight of the villa. Villa Agape distinguishes itself through its comprehensive service offerings, food specialties including locally produced honey, olive oil, and regional wines, as well as through hosting popular events like the Sunday brunches, which draw in numerous external guests. This unique combination of historical charm, scenic beauty, and quality services positions Art Hotel Villa Agape as a distinguished destination within Soges' portfolio, appealing to guests seeking an immersive Florentine experience.

Hotel Villa Agape

Source: Company and Hotel websites

Boccioleto Resort & SPA

The Boccioleto Resort, nestled in the scenic heart of the Chianti countryside in Montaione, embodies the quintessential Tuscan retreat. Situated within three beautifully renovated farmhouses, the resort boasts 22 rooms and 6 apartments, totaling 28 keys, designed to offer guests a serene and intimate experience of rural Tuscany.

The resort is well-appointed with a range of amenities designed to cater to the needs and desires of its guests. Among these, the on-site restaurant provides a culinary journey through local flavors, while the lounge bar offers a relaxed setting for enjoying drinks and light meals.

The outdoor pool and dedicated relax area invite guests to unwind in the tranquil surroundings, and the SPA stands as a central feature of the resort, promising rejuvenation, and relaxation.

A highlight of the Boccioleto Resort is its location in a region famed for its truffles. Guests have the unique opportunity to immerse themselves in the local truffle culture, especially between October and November, during the truffle harvesting season. During this time, visitors can attend a local exhibition dedicated to truffles, offering an authentic glimpse into the culinary heritage of the area.

Boccioleto Resort & SPA

Source: Company and Hotel websites

Hotel Art Atelier

The Art Atelier Hotel offers a high-quality bed and breakfast experience situated in the heart of Florence. Its prime location places guests just minutes away from the city's major tourist attractions and a short walk from the central train station, making it an ideal base for exploring Florence and participating in the city's events. With the acquisition of the Art Atelier Dependance, located nearby the main facility, the hotel now features 33 rooms (of which 19 in the main building and 14 in the Dependance), each furnished in a nineteenth-century style, creating an atmosphere of elegance and historical charm. In addition to comfortable accommodations, the Art Atelier Hotel provides a range of accessory services, including a bar, breakfast, museum and event ticket sales, and car rental options, ensuring a convenient and enjoyable stay for guests seeking to immerse themselves in the rich cultural heritage of Florence.

Hotel Art Atelier

Source: Company and Hotel websites

Borgo di Cortefreda

Borgo di Cortefreda stands as a picturesque hotel nestled within a countryside villa in the heart of the Chianti region. The facility, equipped with 55 rooms, offers a blend of traditional charm and modern amenities. Guests can enjoy dining at the hotel's restaurant, savoring drinks at the bar, and utilizing meeting and conference rooms for business or personal events. A notable feature of Borgo di Cortefreda is its wine cellar, complemented by a pool and SPA, catering to guests' relaxation and leisure needs.

The hotel is surrounded by a 15,000 sqm park adorned with olive groves, aromatic plants, flowers, and trees, creating a serene and inviting outdoor space. Borgo di Cortefreda excels in providing a diverse range of services, including e-bike and scooter rentals, to enhance the guest experience. The hotel also organizes a variety of activities to entertain its visitors, such as cooking classes, local food and wine tastings, picnics, painting courses, and reservations for horse rides and hot-air balloon adventures.

A significant advantage of Borgo di Cortefreda lies in its versatile event-hosting capabilities. The hotel boasts several halls, spaces, and outdoor spots perfect for organizing events of all types, including parties, celebrations, and weddings. Additionally, the facility is well-equipped to accommodate business events and corporate meetings, regardless of scale. The inclusion of side activities, such as cooking classes, wine and food tastings, yoga courses, and more, further enriches the event and meeting offerings, making Borgo di Cortefreda a prime destination for guests seeking a comprehensive and immersive Tuscan experience.

Borgo di Cortefreda

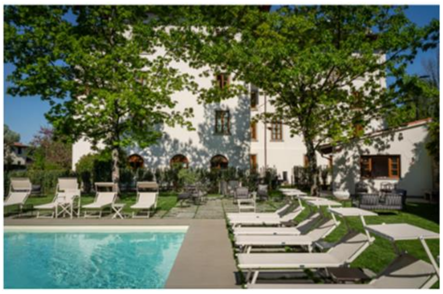
Source: Company and Hotel websites

Villa Neroli

Hotel Villa Neroli, situated in the Coverciano neighborhood of Florence, stands as Soges' largest facility in terms of capacity, featuring 76 rooms. This hotel encapsulates luxury and convenience with its comprehensive array of amenities, including a restaurant, a bar, and a variety of leisure facilities such as a SPA, a pool, and a gym. Catering to both leisure and business travelers, Villa Neroli offers spaces specifically designed for corporate events and business meetings, making it an attractive option for professional engagements.

A significant advantage of Villa Neroli is its proximity to several key event locations in Florence, such as the Stadium, the Forum, and the Italian Football Federation’s Federal Center in Coverciano. This strategic location enables the hotel to frequently accommodate event organizers, artists’ crews, and visiting football teams. Additionally, it is well-positioned to attract visitors to Florence for these events, further enhancing its appeal as a prime lodging option. The combination of high-quality amenities, extensive accommodation capacity, and a strategic location near significant event sites solidifies Hotel Villa Neroli's status as a key asset within Soges’ portfolio, offering a versatile and enriching experience to its guests.

Villa Neroli




Source: Company and Hotel websites

Park Hotel Chianti

Park Hotel Chianti is in Tavarnelle Val di Pesa, in the Chianti region. Equipped with 43 rooms, a bar, and a pool, the hotel caters to a variety of guests, offering restaurant services on demand. This feature is particularly appealing to the business clientele in the area, given the hotel's proximity to a dynamic industrial zone. Soges assumed management of the hotel in 2023, rejuvenating its commercial operations.

Although Park Hotel Chianti does not fall under the Place of Charme brand due to its distinct characteristics, it remains a vital asset for Soges, especially considering the potential for operational synergies with Borgo di Cortefreda, located just 6 km away. The hotel's strategic location not only facilitates connections with nearby businesses but also offers guests convenient access to explore the surrounding towns and landmarks of the Chianti countryside. This makes Park Hotel Chianti an attractive option for both leisure and business travelers seeking the beauty and tranquility of the Tuscan landscape while remaining close to commercial hubs.

Park Hotel Chianti


Source: Company and Hotel websites

Podere Mezzastrada

Podere Mezzastrada is a complex of 20 apartments spread across 4 traditional buildings, formerly attached to a nearby castle and its surrounding land. These structures, with their rich historical connections to a nearby castle and its lands, maintain the characteristic Tuscan architectural style, seamlessly blending with the natural beauty of the surrounding area.

This venue is distinguished by its spacious apartments, capable of accommodating up to 7 guests, making it an ideal choice for larger groups, friends, and families seeking a memorable holiday in Tuscany. Beyond its comfortable lodging options, Podere Mezzastrada is equipped with an array of amenities designed to enhance the stay of its guests. These include a swimming pool for relaxation and leisure, a laundry area for convenience, and a barbecue area, offering guests the opportunity to enjoy outdoor cookouts amidst the serene backdrop of Chianti's countryside.

Podere Mezzastrada


Source: Company and Hotel websites

Hotel Malaspina

Hotel Malaspina is a hotel located in Florence, near to the city center. The hotel has been added to the Company's portfolio following its IPO in July 2024, as part of the Company's expansion project. Hotel operations have been suspended since the Covid pandemic: Soges Group has stepped in to restore it and manage of its operations, aiming to bring out the hotel's full potential. The Group plans to upgrade the facility, transforming it from a 3-stars venue to a 4-stars establishment, consistent with the quality standards of the other venues in its portfolio. While the establishment is currently equipped with 31 rooms (comprising 9 single bedrooms and 22 double bedrooms), the total number and structure of rooms will change after renovations, leading the hotel to having around 30 rooms. The renovated hotel's opening is scheduled for April 2025.

Hotel Malaspina


Source: Company's social media channels

Group's History

2000 – Soges' foundation

Soges was founded in 2000 by Paolo Galardi (the current Chairman of the Board and father of Andrea Galardi, the present CEO) and another partner, as an innovative start-up operating in the management of student housing facilities with the first facility under management located in Bologna (Emilia Romagna), which was outfitted with 210 beds.

In 2007 Paolo Galardi became the sole shareholder of the Company. Shortly after, the global financial crisis of 2008-2009 struck, causing significant disruptions in the Italian economy, and heavily affecting the hospitality industry and real estate market. Despite these challenges, Soges managed to weather the storm more effectively than many of its competitors and the sector at large, which saw numerous hospitality entities crumble under the weight of economic difficulties and a liquidity crisis. This resilience positioned Soges in a landscape ripe with opportunities, as the crisis forced many competitors out of business and left a plethora of facilities available for management. Seizing this chance, the company embarked on a decade of sustained growth, culminating in the management of 11 facilities by the end of 2018.

2014 – Acquisition of Certosa of Pontignano and start of hotel business

In 2014, as Soges explored the possibility of managing a student housing facility in Siena, an unexpected opportunity arose to take over the management of the Certosa of Pontignano—a former monastery (charterhouse) transformed into a hotel facility, located in the small town of Pontignano near Siena, within the famous Chianti region. This opportunity presented itself during an auction by the property's owner, the University of Siena. Seizing the moment to diversify into the hotel industry, the company acquired the management rights to the Certosa of Pontignano, which remains under the group's management to this day.

2015 – Acquisition of Villa Agape

In 2015, Soges expanded its portfolio of managed facilities by taking on the management of Villa Agape in Florence. This property, originally a convent of nuns, was transformed into a hotel following renovations undertaken by the company, marking Soges' second venture into the hotel management sector.

2017 – Coverciano's Federal Technical Center

In 2017, the company expanded its management portfolio by taking over the Federal Technical Center of Coverciano, operated by the FIGC, the Italian Football Federation. This prestigious facility serves as the primary training ground for all national football teams across various age categories for both men and women. It also functions as a training center for coaches, trainers, and directors, and houses a football museum and offices for other national football authorities, further diversifying Soges' operational scope.

2018 – Acquisition of Boccioleto Resort & SPA

In 2018, the company further expanded its hotel management portfolio by acquiring the Boccioleto Resort & SPA, a 22-bedroom and 6-apartments hotel located in the Chianti region. This addition marked another step in Soges' growth in the hospitality sector.

2019 – Divestment from student housing sector

2019 marked a significant milestone in the company's history: Soges simultaneously developed its student housing and lodging businesses, transforming into a group with two core businesses. At that time, the company managed 11 facilities: 7 were student housing facilities located in five major Italian cities, while 4, including the Coverciano technical center, were dedicated to hospitality/lodging. As the student housing sector became increasingly saturated with real estate players of various sizes entering the market, and Soges' student housing portfolio attracted interest from specialized businesses, Soges opted to divest its student housing business. The company sold its student dormitory portfolio to focus more intently on managing luxury hotels.

The decision to divest and refocus the business proved to be fortuitously timed. Just months later, the Covid-19 pandemic erupted in 2020, severely impacting economic activities and bringing the lodging and tourism sectors to a standstill. Although the pandemic posed challenges for the Group, it also unveiled new opportunities. Many competitors were hit harder by the crisis, leaving a number of hotel facilities primed for acquisition by those ready to capitalize on the changing landscape.

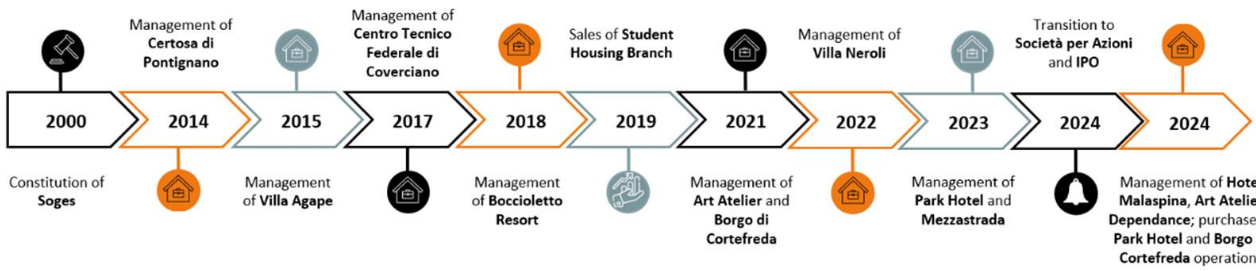
2021-23 – Acquisition of 5 more facilities

Following the strategic shift, Soges expanded its hotel portfolio by adding five more facilities. In 2021, the Art Atelier Hotel in Florence and Borgo di Cortefreda in the Chianti region joined its lineup. In 2022, the company ended its partnership with the FIGC for the management of the Coverciano Federal Technical Center, a decision influenced by the Italian National Football team's failure to qualify for the 2022 World Cup. However, Soges continued to grow by adding Villa Neroli in Florence (near Coverciano) to its portfolio. Later in 2023, the company further expanded by acquiring two additional properties: Park Hotel and Podere Mezzastrada, both situated in the Chianti countryside. With these acquisitions, the Company reached a total of 8 managed facilities at the end of 2023, employing 171 staff members in the same year.

2024 - Listing on EGM

On June 2024, Soges listed on the Euronext Growth Milan (EGM) market, with an IPO price of €2.25 per share, resulting in a market capitalization of €11.6mn after raising €2.45mn of capital. This strategic move was designed to enhance the Company's future growth prospects by acquiring management contracts for new facilities and expanding beyond its traditional stronghold in the Toscana region. In line with this strategy, on June 18, Soges acquired the management of the Art Atelier Dependence, increasing the capacity of the Art Atelier Hotel from 19 to 33 rooms. Subsequently, on July 9, Soges acquired the management of Hotel Malaspina, a hotel equipped with ca. 30 rooms, located near the city center of Florence. The Group also purchased the hotel operations and licenses of Park Hotel Chianti and Borgo di Cortefreda, taking full control of their business activities, and entered into a leasing agreement with a primary financial institution to take control of the building of the Borgo di Cortefreda hotel, with an option to purchase the building at the end of the contract.

Key Milestones



Source: KT&Partners' Elaboration on Company Data

IPO Structure

Soges Group listed on June 12, 2024 with an IPO price of €2.25ps, implying a post-money market capitalization of €11.6mn, around 8.0x times its FY23 EBITDA. The Group placed 1.08mn shares on the market over the 5.14mn outstanding shares, collecting €2.4mn (to be netted by €0.88mn of IPO costs): therefore, 21.2% of the shareholder equity has become free float. The listing operation envisaged also the potential exercise of the greenshoe option given to the operation's Global Coordinator, which would have required the issuing of 121k additional shares to be assigned to the Global Coordinator. At the end of the strike period, the greenshoe option was not exercised.

The IPO included the issuing of 1.08mn warrants, denominated "Warrant SOGES GROUP S.p.A. 2024-2027", to be freely allocated to the investors participating to the IPO, with a warrant granted for each share purchased (therefore, a 1:1 warrant-to-share ratio). The warrants plan will give the right to purchase newly issued shares at the defined strike price with a new share granted in exchange for 3 warrants. Warrants can be exercised during the three strike periods in 2025, 2026 and 2027, for a period of two weeks in May of each year (for example, in 2025, the strike period will span from May 12, 2025 and May 23, 2025).

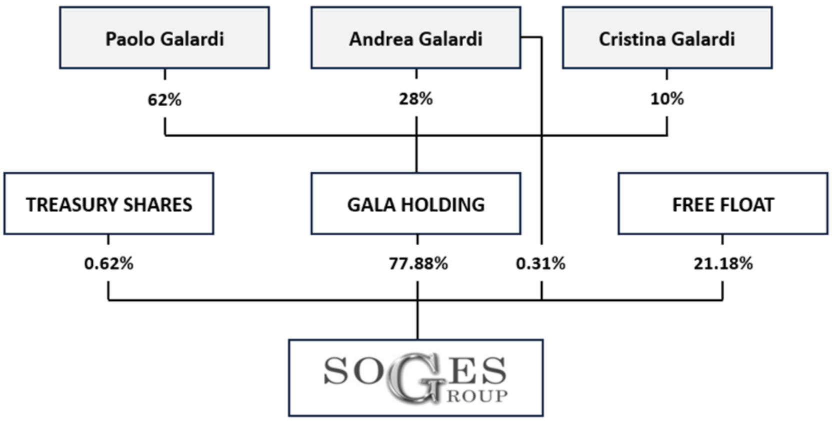
The warrant's strike price will depend on the strike period: in the first strike period in 2025, the exercise of warrants to purchase a single share will come at a price of €2.48ps, which is equal to the IPO price for a share increased by 10%. For the following strike periods, the strike price will be equal to the previous strike period's price increased by 10%: therefore, in 2026 would equal €2.73ps, whereas in 2027 would equal €3.00ps.

Ownership and Group Structure

Soges Group is controlled by Gala Holding, the Galardi Family holding, which owns 77.88% of the Group shares and in turn is detained by Paolo Galardi owning 62% of the holding, Andrea Galardi with a 28% stake and Cristina Galardi with a 10% stake; Andrea Galardi also detains personally a small direct 0.31% stake in the Company. The rest of Soges Group's shares are split among investors in the market free float (21.18%).

Soges is headquartered in Florence, where the administrative offices and most of the managed locations are situated.

Group Structure

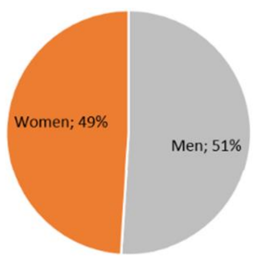


Source: KT&Partners' Elaboration on Company Presentation

Currently, the Group employs 171 resources, with 18 dedicated to the administrative office, while the rest are responsible for managing the hotel facilities. This figure swells to over 210 employees in August, factoring in seasonal workers, to accommodate the increased demand during peak season.

Employee retention is a pivotal aspect of human resource management for Soges, reflecting its dedication to fostering a highly motivated and engaged workforce. By instituting a Gender

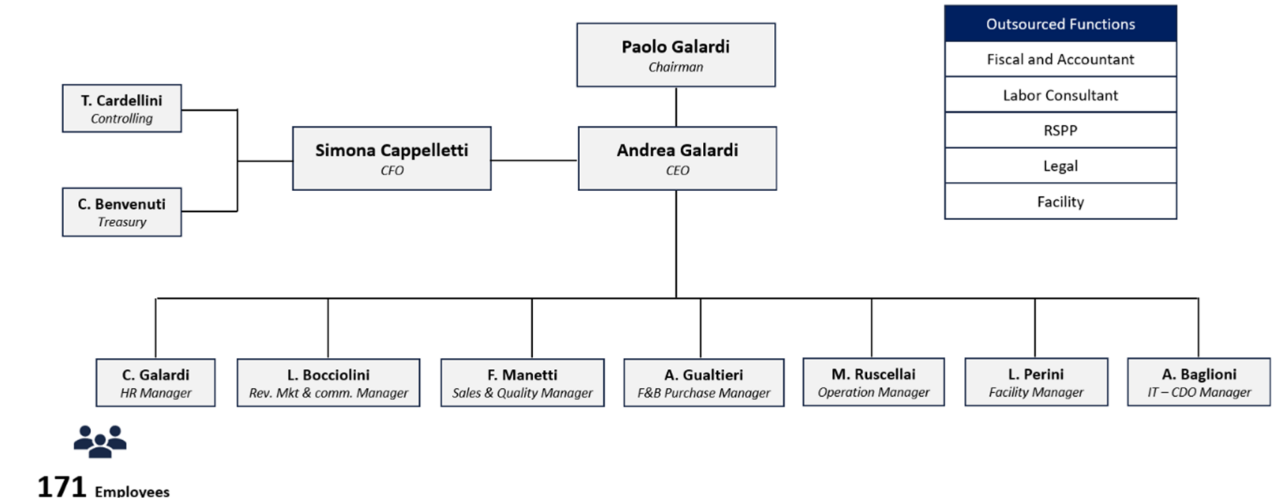
Employees breakdown



Source: KT&Partners' elaboration on Company data

Equality Policy, Soges underscores its commitment to establishing an equitable and inclusive workplace. This environment is designed to empower every employee to unlock their potential and contribute to the group's collective achievements. Notably, Soges takes pride in the fact that 49% of its workforce are women, and half of its employees are below the age of 40, highlighting its progressive and forward-thinking approach to diversity and inclusion.

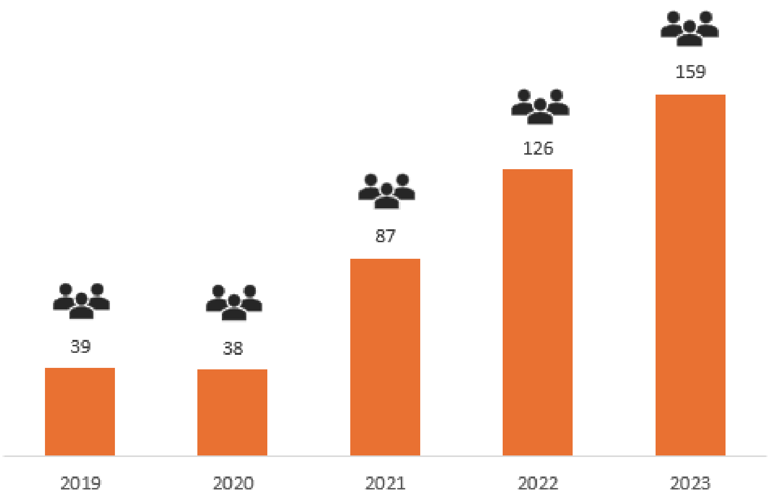
Organizational Structure



Source: KT&Partners' Elaboration on Company Presentation

Further showcasing its commitment to employee growth, Soges has invested significantly in the professional development of its team. In 2023 alone, the company dedicated 850 hours to comprehensive training programs. With plans already in place for 2024, Soges intends to allocate over 600 hours to specialized training initiatives, reaffirming its commitment to enhancing the skills and competencies of its employees. This strategic focus on training and development underscores Soges' ongoing effort to support and develop its workforce.

Number of Employees 2019-2023



Source: Company data

Management team

Paolo Galardi - Soges Chairman

Paolo Galardi is the Founder and Chairman of Soges. He is deeply involved in investment strategies, maintaining relationships with institutional and non-institutional entities, and crafting the strategic direction for the future by analyzing market opportunities. With an in-depth understanding of both macro and micro-economic dynamics of the region, he also holds the position of Vice President at FederAlberghi Florence, underscoring his expertise and influence within the hospitality industry.

Andrea Galardi – Soges Chief Executive Officer

Andrea Galardi is the Co-Founder and CEO of the company since 2000. Andrea has played a pivotal role in its growth and development. He was directly involved in the strategic divestiture of a business unit in 2019. Andrea is both the creator and driving force behind the vision and strategy of the Soges project.

Cristina Galardi - Soges HR Manager

Cristina Galardi is the HR Manager of Soges. Since joining Soges in 2007, she has leveraged her prior experience in administration to oversee the reporting and management of projects funded by the European Social Fund, Ministerial Funds, and interprofessional funds. With the company's growth, her focus has shifted increasingly towards managing the company's workforce of approximately 220 employees. Working in tandem with General Management, she sets compensation policies, oversees contract negotiations, coordinates employee training programs, and assesses staff performance, ensuring the smooth operation and development of the company's human resources.

Simona Cappelletti – Soges CFO

Simona Cappelletti is Soges CFO. Boasting extensive experience in accounting and having held leadership positions in administration and finance across various industry sectors, she now holds the position of CFO at Soges. In her current role, Simona plays a crucial role in supporting both the CEO and the President, applying her vast expertise to guide the Company's financial strategies and operations.

Alessandro Gualtieri - Soges F&B Purchase Manager

Alessandro Gualtieri is Soges F&B Purchase Manager. With over 20 years of distinguished leadership experience in the hospitality industry, Alessandro has been with Soges since 2022, initially stepping in as the General Manager of the Certosa di Pontignano. Transitioning into a broader role at the start of the year, he now oversees Food & Beverage, cost management, and purchasing within the general management team, alongside supervising a number of the group's facilities.

Leonardo Bocciolini – Soges Revenue, Marketing and Communication Manager

Leonardo Bocciolini is Soges' Revenue, Marketing and Communication Manager. Joining Soges in 2015 as a revenue manager, he has played a pivotal role in the company's early development and ongoing growth. Leonardo expertise extends deeply into online sales channels, with a particular emphasis on the innovation of revenue systems, property management systems (PMS), and channel management. His contributions have since evolved, and he now also serves as the Strategic Sales Director and leads the Marketing and Communications department, significantly influencing the company's strategic initiatives and market presence.

Francesca Manetti - Soges Sales & Quality Manager

Francesca Manetti is Soges Sales & Quality Manager ensuring high standards are consistently met. Joining Soges in 2022, her background includes more than 15 years of valuable experience, transitioning from a Sales Director to a General Manager within various hotel groups. Francesca is well-versed in the intricacies of the tourism market, holding comprehensive knowledge of both national and international operators in the offline sector, complemented by her proven expertise in negotiating sector-specific contracts.

Luca Perini - Soges Facility Manager

Luca Perini is Soges Facility Manager. Since his start with Soges in 2017, he oversees the entire Maintenance department, guiding a team of specialists. Luca's responsibilities include coordinating and supervising the operational efficiency of the facilities, spanning both infrastructure and landscaping. Furthermore, he plays a pivotal role in analyzing the systems for new acquisitions, ensuring they meet the company's high standards for integration and functionality.

Alessio Baglioni - Soges CDO Manager

Alessio Baglioni is Soges CDO Manager. His role involves overseeing all digital initiatives within the company, placing a strong emphasis on innovation and drawing from his vast experience in the IT field. Acting as a pivotal support to the CEO, Alessio is the go-to expert for critical strategic decisions related to digitalization, innovation, and the integration of Artificial Intelligence in the industry.

Matteo Ruscellai - Soges Operation Manager

Matteo Ruscellai is Soges Operation Manager. Joining Soges in 2015, he initially took on the role of Resident Manager at Villa Agape before advancing to Operations Manager for the group. In this capacity, Matteo meticulously oversees, coordinates, and ensures the precision and timeliness of all operational processes across the properties. His goal is to maintain consistency in procedures and excellence in service delivery. With a solid decade of experience in various international chains, his expertise significantly contributes to refining and sustaining operational excellence within Soges.

Business Model

Soges is a leading Italian company operating in the high-end hospitality and congress hosting sectors. The company specializes in identifying and assuming management of hotel facilities characterized by their unique locations, landscapes, cultural, and historical significance. This strategy aims to enhance the service quality of these venues and optimize their operations through centralized management and the implementation of synergies. Soges' Hotel venues are collected under its proprietary brand, "Place of Charme" (or "PoC"), through which it operates. The brand's value proposition centers on delivering a travel and vacation experience that is seamlessly integrated with the cultural and historical essence of its locations. The sole exception within the group's portfolio, operating outside the PoC brand, is the Park Hotel Chianti, which was incorporated into the group's holdings in 2023.

Soges aims to establish itself as a frontrunner in providing medium-to-high-end lodging services, distinguished by a unique offering that sets its brand apart from regional and national competitors. The company's business model is driven by three fundamental levers:

- **Value Proposition**: Soges offers an exclusive travel and vacation experience that is seamlessly integrated with the cultural and historical essence of its locations. This approach not only enhances the guest experience but also positions Soges as a curator of unique and enriching stays.
- **Centralized Management**: By centralizing the management of its hotel venues, Soges is able to implement operational efficiencies and synergies across its portfolio. This centralized approach ensures consistency in service quality and operational standards, contributing to the brand's reputation for excellence.
- **Acquisitions**: A strategic focus on identifying and acquiring hotel facilities with distinctive characteristics—such as location, landscaping, cultural, and historic significance—allows Soges to expand its portfolio while maintaining the unique appeal of its offerings. Each acquisition is carefully selected to align with the company's brand ethos and value proposition, ensuring that new additions contribute to Soges' overarching goal of offering unparalleled lodging experiences.

Soges Group Business Model Key Pillars

Source: KT&Partners' Elaboration on Company Presentation

Value Proposition

Soges distinguishes itself in the upper-scale hotel market, with its venues boasting 4-star ratings. Strategically situated between the urban charm of Florence and the picturesque countryside of Chianti, south of Tuscany's principal city, the company leverages the allure of these locations as a cornerstone of its offerings. Florence's rich historical heritage, dating back to Roman times and flourishing during the late Medieval and Renaissance periods, presents a city steeped in cultural and political significance. The consequential historical and political events have molded the city into what it is today, leaving behind a profound literary, artistic, and architectural legacy that attracts a vast number of tourists worldwide each year. Meanwhile, the Chianti region, a unique countryside area of Tuscany, is celebrated for its wineries, rolling hills, and captivating landscapes, adding another layer to Soges' appealing hospitality experience.

Within this context, Soges skillfully merges the high quality of its hospitality services with the distinctive attractions of Florence and its environs. The company provides its guests with accommodation in medium-to-high-quality venues situated in buildings of historical and cultural significance. These include luxury villas and manors, farmsteads, and historical buildings, offering guests the opportunity to immerse themselves in the surrounding location. Customers can experience the region's rich art, indulge in its culinary dishes, and partake in activities typical of the area, creating a deeply integrated and authentic experience that highlights the best of what Florence and the Chianti region have to offer.

The Group's hotels enhance the guest experience through a variety of main side services, including:

- Culinary Offerings in the Restaurant: Emphasizing local and regional foods and ingredients, the culinary experience extends to wine, olive oil, cold cuts, honey, and more, showcasing the rich flavors of the region.
- Leisure Activities: These are either independently organized by the hotels or in collaboration with external agencies, offering guests unique opportunities to explore and enjoy the local culture and landscape.
- Additional Services: For example, a bus shuttle service is available to transport guests to and from hotel venues, adding convenience and accessibility to their stay.

These services are designed to complement the luxurious and culturally rich accommodations, ensuring guests have a memorable and immersive experience during their stay.

Centralized management

The Company adopts a centralized management strategy for its hotels, streamlining all business operations including commercial and sales, marketing, communication, purchasing and procurement, finance and administration, human resources, IT, and, for some venues, maintenance. This approach allows individual hotels to focus on day-to-day operations independently.

The objectives of centralizing business functions include:

- Higher Efficiency: Centralized management leads to reductions in personnel and administrative expenses, as well as a decrease in fixed costs. This, in turn, results in larger profit margins by pooling resources and optimizing operations across the entire hotel portfolio;
- Homogeneity: By investing in facility and service upgrades, the Company ensures that the quality and aesthetic appearance of all managed facilities align with the brand's standards. This includes training hotel staff to meet the expectations and standards required by the Group's hotels, ensuring a consistent guest experience across all locations;
- Creation of Synergies: Centralized management not only reduces administration costs but also fosters additional synergies. By leveraging the proximity of facilities to each other, the Company can deploy supplies and personnel more efficiently, further reducing costs. The Group's strategic facility locations have led to the formation of two hotel clusters—one in Florence (Villa Agape, Villa Neroli, Art Hotel Atelier) and the other in the Chianti region (CorteFreda, Park Hotel, and Podere Mezzastrada)—enhancing operational synergy and efficiency.

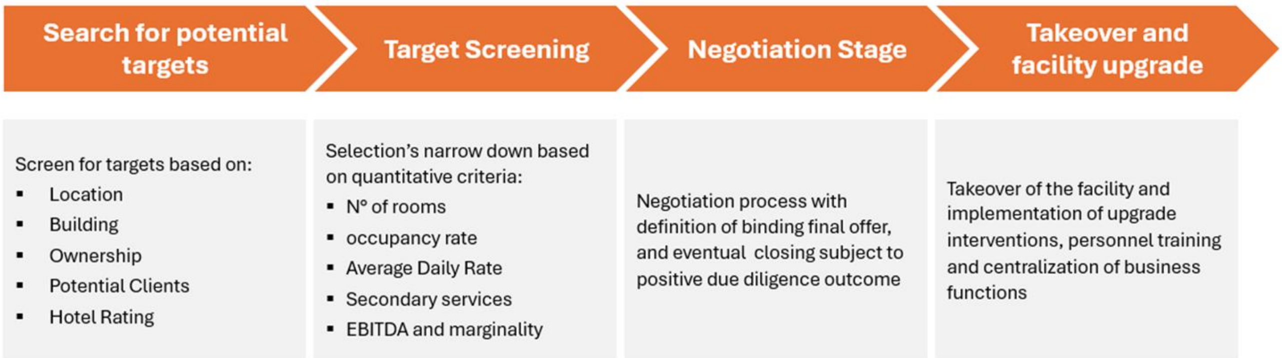
Acquisitions

The acquisition and expansion of its managed hotel portfolio are crucial components of the Group's business model and strategic growth. Leveraging its management expertise and industry know-how, the Group is adept at enhancing the economic performance of each acquired target. This is achieved by improving commercial and marketing strategies and refining its brand proposition, thereby boosting revenues. Importantly, the Group significantly reduces the operational costs of acquired hotels through the internalization and centralization of all administrative functions, leading to economies of scale. As a result, after assuming management of a facility, the increase in general costs is outpaced by revenue growth, improving the operating margin of the hotel. Hence, the Group enhances its margins through acquisitions, benefiting from a higher increase in revenues relative to fixed costs.

The acquisition process typically unfolds in four consecutive steps:

1. Search for Potential Targets: The Group identifies potential hotels that align with its strategic objectives and brand ethos;
2. Target Screening: A thorough evaluation is conducted to assess the financial health, market position, and potential synergies of the identified targets.
3. Negotiation Stage: Engaging in negotiations with the target's owners to reach agreeable terms for acquisition;
4. Takeover and Upgrade of the Facility: Once acquired, the Group initiates the process of upgrading the facility to meet its standards for quality and service, implementing its centralized management approach to optimize operations and financial performance.

Soges Group Acquisition Process



Source: Company data

Search for Potential Target

The initial phase of the acquisition process involves the meticulous search for potential targets to enrich the Group's portfolio. The Company meticulously seeks hotels that align with specific criteria across various factors:

- **Location**: Hotels must be situated in regions known for their rich historical, artistic, or cultural heritage, possessing strong potential to attract tourists, or nestled in areas noted for their stunning scenery and natural landscapes;
- **Building**: The facility should be housed in a building of significant value and in harmony with its surroundings. Ideal candidates include luxury manors, villas, historical buildings, former convents, nunneries, monasteries, and farmsteads located in rural areas with a high visitor attraction potential;
- **Ownership**: Family-owned hotels or single-asset hotels, where owners ideally manage only one venue, are preferred targets. These hotels are more likely to

benefit from the Company's centralized management approach in terms of efficiency and cost reduction. The current owner/management should be inclined to transfer hotel management, possibly due to a lack of generational continuity, a desire to enhance the property through Soges' management, or other reasons;

- **Potential Clients**: The target hotel should have the capability to attract the "Place of Charme" brand's target market, predominantly foreign tourists with medium-to-high spending capacities;
- **Hotel Rating**: Soges focuses on hotels within the 4-star category or those with 3 stars that can be upgraded to 4.

Research activities for potential targets are conducted throughout the year by a dedicated team of three staff members who report directly to the CEO. These efforts intensify during the off-season when additional personnel become available to engage in the process. Owing to Soges' esteemed reputation in the industry, it is not uncommon for hotel owners to proactively approach the Company to propose the management takeover of their facilities, thereby potentially expediting the process to the quantitative due diligence stage.

The ultimate aim is to identify at least 10 potential targets that fulfill the criteria for inclusion in the "Place of Charme" brand portfolio. This strategy ensures a sufficiently large pool from which management can select targets post-screening and proceed to the negotiation phase.

Target Screening

Hotels that successfully pass the qualitative assessment move on to the quantitative screening phase. Soges carefully selects its targets based on key performance indicators (KPIs) that highlight the ideal characteristics for a hotel to align with the Group's business model:

- **Room Count**: The optimal target has between 30 and 100 rooms. In urban settings, hotels with fewer than 30 rooms are considered if they can generate at least €1 million in revenues;
- **Occupancy Rate**: The facility should have a historical occupancy rate averaging between 60% and 80%;
- **Average Daily Rate (ADR)**: This rate, reflecting the average price for booking a room, should range between €100 and €180;
- **Secondary Services and Revenue**: The Group evaluates the presence of secondary services based on the hotel's sales revenues. For venues generating less than €1 million in revenues, the preference is for lodging-only services. Facilities with revenues exceeding €1.5 million should ideally offer a restaurant or other accessory services;
- **EBITDA**: The EBITDA margin produced by the facility should be between 7% and 15%.

Following the evaluation of the facility's status and license checks, the Group conducts an economic and financial analysis of the business. This includes calculating potential synergies with the Group and budgeting the investments and expenses required to align the hotel's quality standards with those of the Group. Subsequently, a business plan for the hotel is developed, leading to an indicative valuation for the takeover price and the rent/leasing charge.

Negotiation process

Following the initial non-binding offer, the negotiation phase can commence. This phase includes a formal due diligence process that meticulously examines the financial and economic figures, fiscal position, labor relations, and administrative requirements of the potential acquisition. Based on the findings, the terms for the final offer are refined.

The duration of the negotiation phase can vary, largely depending on how satisfactorily the economic terms of the deal meet the expectations of both parties. Typically, the formulation of a final binding offer, contingent upon a successful due diligence process, takes between one to three months. The due diligence itself may require a couple of months to complete. Once due diligence is positively concluded, the closing of the deal usually occurs within two to three weeks.

Negotiations are conducted by a dedicated team led by the CEO and the Chairman of the Board of Directors, with the support of external advisors specializing in tax, legal, and labor matters, ensuring a thorough and professional approach to finalizing the acquisition.

Takeover and upgrade implementation

Following the acquisition of a facility, the Company undertakes necessary renovations and upgrades to elevate the property to the Group's quality standards. These initial investments typically range from €200k to €500k, varying with the facility's condition. A critical step post-acquisition involves training the personnel to ensure they are in line with the new management's practices and standards. Concurrently, the Group rebrands the facility, incorporating it into the Place of Charme portfolio, and bolsters its commercial and marketing strategies. This includes upgrading the facility's website and social media presence.

Subsequently, the Group centralizes all administrative functions, aiming to streamline the cost structure and enhance operational efficiency. After completing these interventions, the management begins implementing the business plan, focusing on improving the economic and financial performance of the facility. Typically, it can take up to 18 months post-takeover for the newly acquired facility to achieve the economic and financial objectives outlined in the business plan, marking a significant milestone in the integration and enhancement process.

Hotel Acquisition Contracts

The company utilizes three principal contractual frameworks to manage new hotels:

1) **leasing**;

2) **business branch rental**;

3) **purchase of business branch** (including the license).

When acquiring hotels, the Company typically avoids purchasing the property outright. Real estate values are influenced by market dynamics such as demand and supply fluctuations or interest rate movements, which can significantly affect prices, potentially making them unfavorable for the Company. Additionally, buying the entire building demands considerable capital and results in a significant cash outflow, impacting the Group's finances more heavily. However, when the acquisition of a hotel management is deemed strategically important for the Company and for its business model, the Company might consider also purchasing the entire business operations, or even acquiring the building along with the management of the hotel when it is necessary, taking full ownership of the venue. This is the case for the acquisition of Borgo di Cortefreda: in 2024, the Group purchased its business operations and license and entered into a leasing agreement with a primary financial institution to take over the building with the option to permanently purchase it at the end of the lease contract. In 2024 the Group proceeded also to purchase the business operations of Park Hotel Chianti, taking ownership of its business license.

For all the other cases, Soges capitalizes on its strong reputation and proven track record to convince hotel owners to entrust the management of their properties without selling the building immediately. The Group emphasizes the success of previous acquisitions, the financial improvement of venues post-acquisition, the potential upgrades it can provide, and the increase in online ratings scores as persuasive factors.

This strategy allows the Company to spread its financial commitments over a more extended period, aligning its expenditures more closely with its income streams. Leasing or rental agreements typically last for 9 years, with an option to renew for another 9 years, especially when substantial investments are made. Rental prices are negotiated with the owners and are often based on a percentage of revenues generated under previous management. As revenues increase, the proportion of rental costs to revenues decreases, leading to broader operating margins.

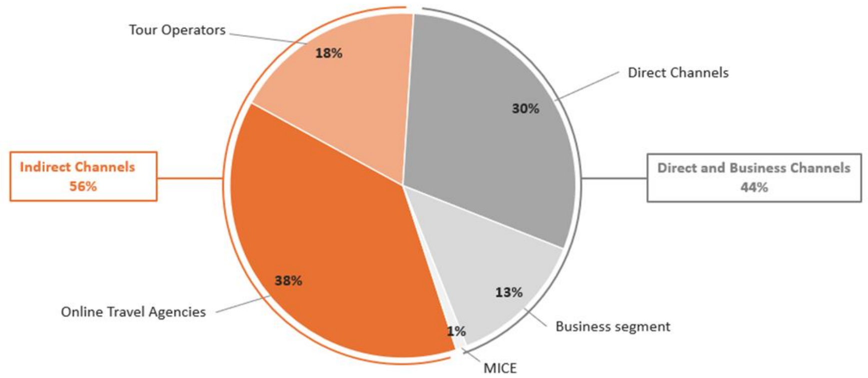
Rental fees may be adjusted periodically to reflect inflation or vary according to performance achievements. The inclusion of accessory services and restaurants also influences rental rates, with a lower rate applied when a restaurant is part of the facility due to generally lower profitability and significant costs associated with restaurant operations.

Sales Channel

Soges employs a varied mix of sales channels to reach a broad potential customer base and diversify its revenue streams:

- **Online Travel Agencies (OTAs)**: In 2023, OTAs were the primary sales channel for the Group, contributing to 38% of its sales revenue. While OTAs offer extensive reach through their digital platforms, they also incur significant costs, with fees ranging from 15% to 25% of the booking sales, depending on the provider and contract terms. Soges primarily utilizes two OTAs: Booking.com and Expedia;
- **Tour Operator Wholesaler**: This channel, which accounted for 18% of the Group's 2023 revenues, includes sales achieved through agreements with specialized tour operators. These operators cater to leisure visitors with a high spending capacity, predominantly from the USA, Latin America, and Nordic European countries.
- **Direct Channels**: Direct sales, which constituted 30% of the Group’s 2023 revenues, are achieved without third-party intermediation, directly engaging with customers.
- **Business Segment**: Targeting guests seeking accommodation for business and work-related reasons, this segment contributed to 13% of the Group's revenues in 2023. It plays a crucial role in stabilizing revenue seasonality, given its less seasonal nature compared to leisure travel.
- **Meeting, Incentive, Congress, Events (MICE)**: As a specific category within business travel, the MICE segment includes accommodations related to business events, congresses, and corporate gatherings. In the previous year, this segment generated 1% of the Group’s revenues, highlighting its role in the business-oriented travel market.

Soges 2023 Sales Channels Breakdown (%)



Source: Company data

The Company is strategically focused on modifying its sales channel mix to diminish its dependence on intermediaries, thereby reducing the burden of commission costs. This initiative involves bolstering its direct sales channels through enhanced marketing and promotional efforts for its brand and hotels. Reflecting the effectiveness of this strategy, the proportion of commissions paid for intermediation services decreased by 2 percentage points year-over-year, from 9% in 2022 to 7% in 2023. This shift not only signifies a move towards more profitable sales avenues but also underscores the Company's commitment to fostering direct relationships with its customers.

Clients

Soges caters to both vacationers engaged in leisure travel and business or corporate customers, with many of its hotels equipped to host fairs, conferences, and corporate events. The Group targets vacationers and travelers who typically have a medium-to-high spending capacity and are aged 35 years and older. These ideal clients show a keen interest in exploring the rich cultural and historical sites of Florence and the Chianti region, where Soges hotels are strategically located. Furthermore, these clients are curious about the region's food, wine, and traditional recipes, with a particular focus on the quality of the culinary offerings.

Although a significant portion of Soges Hotels' guests are Italians, the majority are international visitors. The proportion of domestic guests decreased from 33% in 2022 to 25% in 2023, indicating a shift towards a more international clientele as global travel patterns evolve. Among the international guests, U.S. citizens are the most represented nationality, accounting for 15% of all visitors in 2022, highlighting the global appeal of Soges' hospitality offerings and the diverse nature of its guest profile.

Soges 2022-23 Clients' Breakdown by Nationality (%)

Source: Company data

Suppliers

Soges adopts a moderately concentrated supply chain approach, underpinned by a centralized procurement strategy that emphasizes establishing stable and enduring partnerships with suppliers. This approach ensures the procurement of materials, products, and services required by all the hotels within its portfolio, facilitating the maintenance of uniform high standards across all its venues. Consequently, suppliers of specific items can account for a significant portion of the Company's total costs. In 2022, the top-10 suppliers constituted as much as 48% of the total procurement costs; in 2023, this figure was slightly reduced, with the top-10 suppliers representing 46% of total costs, thereby reducing concentration risks.

Specifically, in 2023, among the top-10 suppliers by total costs were Online Travel Agencies (accounting for 14% of total costs), HR and staffing service companies (7%), food and beverage suppliers (14%), laundry services (6%), utilities (3%), and advertising (2%). This strategic diversification and management of supplier relationships not only optimize operational efficiencies but also mitigate risks associated with supplier concentration, demonstrating Soges' commitment to ensuring the sustainability and resilience of its supply chain.

Soges Top 10 Suppliers in 2022-23

#	2022 Top-10 Suppliers	Sector	% On Total procurement Costs
1	Supplier 1	HR & staffing services	13%
2	Supplier 2	Online Travel Agency	11%
3	Supplier 3	Food & Beverage	6%
4	Supplier 4	Energy & Utilities	4%
5	Supplier 5	Energy & Utilities	3%
6	Supplier 6	Food & Beverage	3%
7	Supplier 7	Energy & Utilities	2%
8	Supplier 8	Laundry services	2%
9	Supplier 9	Laundry services	2%
10	Supplier 10	Laundry services	2%

#	2023 Top-10 Suppliers	Sector	% On Total procurement Costs
1	Supplier 1	Online Travel Agency	14%
2	Supplier 2	HR & staffing services	7%
3	Supplier 3	Food & Beverage	7%
4	Supplier 4	Laundry services	4%
5	Supplier 5	Food & Beverage	3%
6	Supplier 6	Energy & Utilities	3%
7	Supplier 7	Food & Beverage	2%
8	Supplier 8	Laundry services	2%
9	Supplier 9	Food & Beverage	2%
10	Supplier 10	Advertising	2%

Source: Company data

Market Overview

Soges Group SpA operates within the lodging and hospitality industry, focusing on the management of hotel facilities situated in both urban and rural areas renowned for their tourism, culture, and natural beauty, such as Florence and the Tuscan countryside. The company strives to merge the high quality of its hospitality services with the rich touristic attractions, scenic landscapes, agricultural and food products, and historical landmarks that characterize their hotel locations. Catering to a diverse clientele that includes tourists, vacationers, leisure travelers, business travelers, and corporate events, Soges' operations are influenced by the dynamics of the hotel market. The Company pays special attention to the trends of the tourism economy and its determinants, especially within the Tuscan tourism market, to ensure its offerings meet the evolving needs and expectations of its guests.

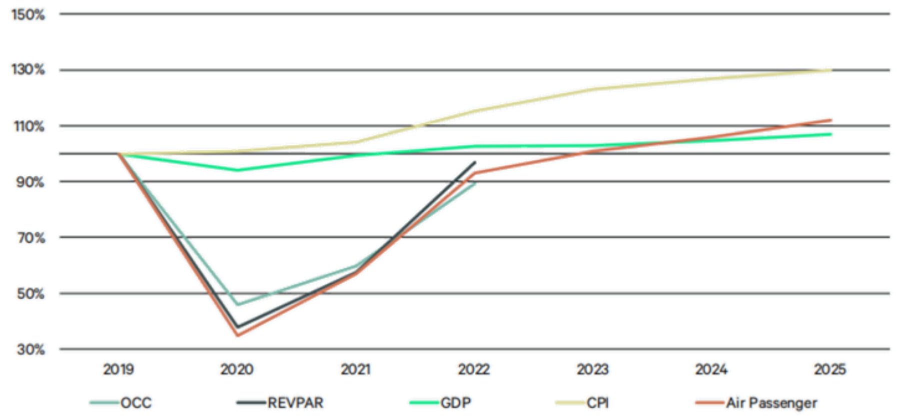
Global Hotel and travel market

2023 has proven to be a challenging year for the real estate and lodging industries, with rising interest rates impacting capital markets and reducing global real estate investment volumes. Moreover, geopolitical tensions, such as the U.S.-China relations, the Ukraine-Russia conflict, and the outbreak of war between Israel and Hamas, introduced further uncertainties. Despite these challenges, the global lodging industry demonstrated resilience, achieving a full recovery in Revenue per Available Room (RevPAR) by November 2023. Global RevPAR surpassed 2019 levels by 12%, with variations across regions from 94% to 121% relative to 2019. The Middle East led the recovery, followed by Europe and the Americas, while the Asia-Pacific region lagged but is expected to surpass 2019 levels by Q1-2024.

This recovery builds on the positive performance seen in 2022, where hotel RevPAR improved globally, reaching 108% of 2019 levels in the Americas and Europe nearly matching its 2019 levels at 97%. However, the Asia-Pacific area remained behind, achieving only 68% of pre-Covid levels in RevPAR recovery.

In Europe, nearly all national markets reported higher Average Daily Rates (ADR) and RevPAR in 2023, particularly in the luxury and upscale hotel segments. France, Italy, Ireland, and Greece were among the top-performing markets, experiencing a 30% increase in ADR over their 2019 levels. While hotel occupancy rates in key European markets are still below 2019 levels, they continue to rise gradually. The sector's recovery has been driven by pent-up demand post-pandemic, a revival of intra-regional tourism, and an increase in US tourist arrivals, forecasting solid growth and a full return to pre-pandemic levels of foreign arrivals by mid-2024. Despite the initial lag in air traffic volume recovery, data indicates a strong resurgence in flight capacity to Europe, especially during the summer vacation season, reinforcing Europe's position as a preferred destination for international travelers, accounting for more than half of total global international travel over the past decade.

European Hotel Performance and Key Macroeconomic Indicators Forecast as a % of 2019



Source: CBRE Research, 2023 Global Hotels Outlook; Smith Travel Research, Oxford Economics, International Air Transport Association.

2024 Outlook. The hotel industry has potential for further growth in 2024, particularly with the expected acceleration of outbound Chinese travel. The easing of China's travel restrictions in early 2023 has seen a slower-than-anticipated recovery, with travel levels reaching only 50% of the 2019 benchmark, hampered by visa delays and airlift challenges. However, Chinese travel is poised to pick up pace in 2024, promising significant benefits especially for broader Asia and key U.S. gateway cities, though a full recovery might not be realized until 2025.

Resort and leisure-heavy markets, having led the post-Covid-19 recovery, are beginning to experience a normalization in demand. Conversely, the urban lodging market is witnessing accelerated growth, fueled by the resurgence of business, group, and international travel, with expectations for this positive trajectory to persist into 2024. International travel, in particular, is anticipated to significantly impact urban hotel demand, given the historically strong correlation (90%) between inbound foreign arrivals and urban hotel occupancy, especially in gateway markets. The reopening of borders is likely to boost urban hotel performance substantially.

Despite the challenges posed by economic uncertainty, geopolitical tensions, and rising conflicts, the international travel sector is poised for further growth in 2024. Europe, in particular, is expected to reap significant benefits, continuing to be a preferred destination for both foreign and domestic travelers. The region's appeal will be bolstered by several key events, including the 2024 Paris Summer Olympics which are anticipated to sustain travel demand. Other factors contributing to the rebound of the European lodging sector include strong intra-regional travel and robust inbound demand from the U.S.

The Americas are set to gain from an increase in Asian visitors as visa wait times decrease, while the Asia-Pacific (APAC) region should witness a rise in tourist arrivals from both China and Europe. Other markets to keep an eye on include India, which is expected to see significant growth in 2024 thanks to wealth creation and the emergence of a burgeoning middle class, as well as Turkey, Saudi Arabia, and Spain, which are also poised for growth.

The Global Business Travel Association (GBTA) suggests that business travel could fully recover by 2024. Nevertheless, leisure tourism is likely to remain the dominant force driving global hotel performance, underscoring the sustained importance of the leisure market in the travel and hospitality industry.

Hotel Brands. In 2024, consumers are anticipated to continue prioritizing travel expenditures, especially those that resonate with their personal values. In this landscape, the valorization of brand identity will become crucial for capturing the interest of brand-conscious travelers. The hotel industry will need to emphasize the communication and fulfillment of brand promises, particularly in areas like sustainability, wellness, and authenticity, which are increasingly important to modern travelers.

The evolution of hotel brands is transforming from merely segmenting customers to representing the values of travelers, operators, and investors alike. Brands are now a key tool in fostering lasting customer loyalty by creating self-contained ecosystems. This includes integrating with various consumer facets through co-branded credit cards, point-sharing partnerships, brand extensions, and more, positioning hotels not just as places to stay but as reflections of customers' personal values and lifestyles.

To advance their brand-building strategies, traditional hotel brands are venturing into non-traditional verticals such as residences, private member clubs, and yachts. This strategy aims to offer a comprehensive and integrated travel experience, fostering deep, lasting loyalty among customers. This shift presents new opportunities for investment and innovation in 2024 and beyond, signaling a vibrant future for the hospitality industry.

Furthermore, the potential for horizontal integration is significant. Large hotel parent companies, driven by the desire to enhance shareholder value and diversify their customer base, may become key players in brand acquisitions and consolidation. Since the pandemic's onset, global M&A transactions within the hotel brand sector have surpassed $10.0bn, nearly doubling the long-term average since 2012. This underscores the increasing value proposition of hotel brands and the ripe opportunities for further investments in the sector.

Global Hotel Investment Market

In 2023, global hotel investment plummeted to its lowest level since 2012 (excluding the anomaly of 2020), with a transaction volume of $50.5bn. This downturn was largely attributed to interest rate hikes by central banks worldwide, resulting in historically low portfolio transactions and a decrease in the average deal size to a record low of $36.0mn. Despite these challenges, the year witnessed high activity levels, with 1,404 trades occurring, making it the second highest in history for the number of transactions.

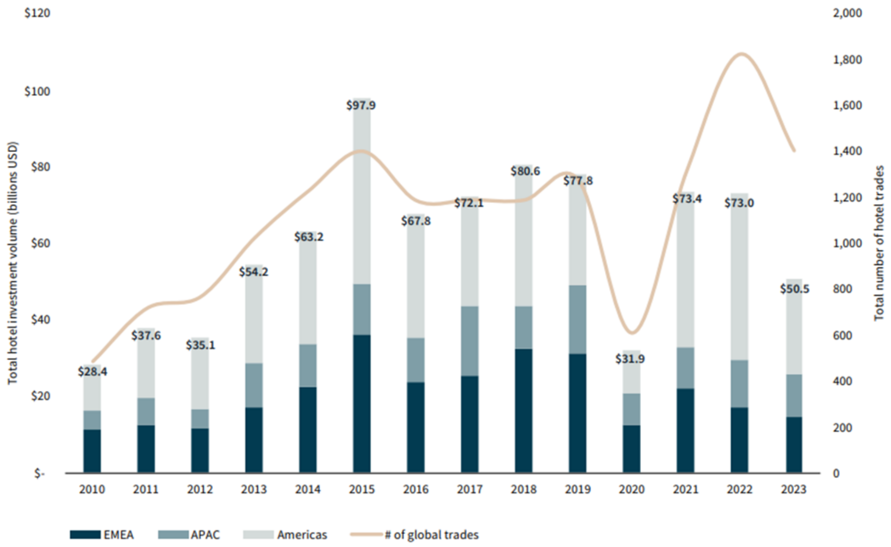
Both the Americas and EMEA (Europe, the Middle East, and Africa) regions saw significant declines in investment volume relative to their historical averages, down 29% and 43% respectively. Whereas the Asia-Pacific (APAC) region experienced a less pronounced decline in hotel liquidity, with transaction volume falling by 13% compared to its historical average.

In Europe, the French market stood out, defying the general slowdown with a 40% YoY increase in hotel transaction volume. This surge was driven by strong tourism demand and expectations of increased travel generated by the upcoming 2024 Paris Olympics.

Financing larger deals became particularly challenging amidst rising interest rates and volatile debt markets. As a result, single-asset trades dominated, accounting for 79% of the global hotel investment volume, marking the highest proportion in history. In contrast, portfolio transactions of facilities plummeted to $10.7 billion, falling 59% below their historical averages. Investors showed a preference for select-service and luxury assets, seeking small and affordable deals on one end, and “irreplaceable” hotels offering stable and consistent cash flows on the other.

Hotels have emerged as an attractive asset class for a diverse range of investors, buoyed by robust operating performance and the industry's potential as an inflation hedge. Private equity remains the most active acquirer of global hotel assets, leveraging the significant dry powder available. Notably, 2023 saw a surge in new investors entering the sector, with first-time hotel buyers contributing to 19% of the year's global investment volume, the highest portion ever recorded.

Global hotel investment volume and number of trades (2010 – 2023)



Source: JLL Research; Includes all transactions $5M+ excluding casinos. Entity-level deals are included only if underlying real estate was traded.

2024 Outlook. The outlook for hotel investments in 2024 is optimistic, as investors are looking to execute potential acquisitions in the hotel market. This readiness is spurred by the anticipation of falling interest rates, with core inflation declining across most world regions, and expectations that Central Banks, including the U.S. Federal Reserve, the European Central Bank (ECB), and the Bank of England (BOE), will ease their monetary policies after more than a year of interest rate hikes. The consensus among investors is that these institutions will begin to cut rates at some point in 2024, setting the stage for an acceleration of global hotel investment volume. Projected to increase by 15% to 25% over 2023, the Americas are expected to witness the largest growth in activity, followed by EMEA and APAC. This surge in hotel investments will be driven by several key factors:

- **Robust Fundamentals Improvement**: The lodging sector's strong performance fundamentals present a compelling case for investment, with increasing demand and revenue metrics.
- **Impending Loan Maturities**: A significant amount of hotel-related debt is approaching maturity, prompting refinancing activities and potential property sales.
- **Deferred Capex and Reinstated Property Improvement Plans (PIPs)**: Many hotels have postponed capital expenditures (Capex) during uncertain times. With the economic outlook improving, these improvement plans are being reinstated, increasing the attractiveness of properties.
- **High Volume of Private Equity Funds Reaching Exit-Stage**: A considerable amount of private equity capital invested in the hotel sector is nearing the typical investment horizon's end, leading to an increase in transaction activities as these funds seek exits.

Together, these factors contribute to a favorable investment climate for the hotel industry in 2024, promising a dynamic year for acquisitions, renovations, and expansions in the global hotel market.

Urban hotel markets. Hotels located in major urban markets globally are regarded as highly attractive to investors, especially as these markets rebound from the impacts of Covid-19. Initially, urban hotels were among the most severely affected segments due to travel restrictions, the closure of tourist attractions, and a drop in both business and group travel.

In many of the world's largest cities, Revenue per Available Room (RevPAR) declined by up to 80%, with some hotels reporting occupancy rates in the single digits.

Four years post-pandemic, the performance of urban hotels has dramatically improved, fueled by the reopening of international borders and the resurgence of group and business travel demand. This recovery has reignited investor optimism in these markets. During the 2010-2019 period, urban hotel markets dominated single-asset global hotel transactions, contributing to an annual average of 61% of the total. However, this share declined sharply in 2021 and 2022, only to begin a resurgence in 2023, accounting for 49% of single-asset transactions.

Looking ahead to 2024, gateway urban markets are anticipated to attract the bulk of hotel investments. These investments are expected to primarily come from foreign investors, private equity, and high-net-worth individuals (HNWIs), signaling a continued recovery and renewed confidence in the urban hotel sector's potential for growth and profitability.

Luxury and single-service segments. In 2024, investors are expected to show a marked preference for irreplaceable luxury assets as well as select-service and extended-stay sectors. This interest is spurred by the ongoing increase in global wealth, which fuels demand for high-end luxury experiences.

These properties are seen as "irreplaceable" due to their location, history, brand, or a combination of these and other unique features, making them highly sought after by investors looking for prestigious assets with potentially high returns.

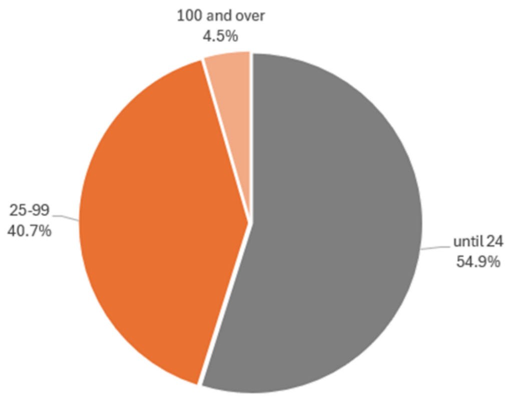
Investor categories. In 2024, institutional capital players are poised to make a significant return to the hotel investment scene after a relatively quiet 2023, with a keen focus on acquiring must-have assets in markets considered to be safe havens. Additionally, the resurgence of foreign investments and cross-border activity is highly anticipated, following a notable absence in the wake of the pandemic. Between 2010 and 2019, foreign hotel investment represented an annual average of 22% of the total global hotel investment volume. However, this figure dropped to just 12% in the three years following the Covid-19 outbreak, a decrease further fueled by geopolitical instability and concerns over a global recession.

Despite ongoing volatility, 2024 is expected to witness a strong resurgence in cross-border investment activity, driven by cash-rich and low-leverage investors. Sovereign wealth funds, high-net-worth individuals (HNWIs), and family offices are predicted to lead the charge. Middle Eastern and Asian investors, in particular, are anticipated to be the most acquisitive, seeking high-quality assets across Europe and in selected urban markets in the U.S. Additionally, investments in Africa and India may attract attention from European and Asian investors as major hotel brands look to expand their presence in these emerging markets, signifying a dynamic and diversified investment landscape in the hotel sector for the year ahead.

Italian Hotel Market Outlook

The Italian hotel market is comprised of approximately 32,400 facilities, all vying to accommodate tourists, travelers, and vacationers throughout Italy. Over the past decade, the hospitality sector has experienced a slight contraction in the number of venues, decreasing from 33,300 in 2014. By 2022, the majority of hotel establishments in Italy were smaller in scale, with 54.9% of the total venues having less than 25 rooms. Facilities boasting 25 to 99 rooms accounted for just over 40% of the market, while larger establishments, with 100 rooms or more, represented a smaller fraction at 4.5% of the total market. This distribution highlights the dominance of smaller, more intimate hotel experiences within the Italian hospitality landscape.

Breakdown of Italian hotel establishments by n° of rooms (2022)



Source: ISTAT

The current landscape of the Italian hotel market is predominantly characterized by 3-star and 4-star facilities. Over the last decade, there has been a notable shift in the hotel sector towards upgrading the hotel supply to higher categories. This trend is particularly evident in large cities and popular tourist destinations, where the aim is to align with international standards and provide a superior travel experience. This strategic repositioning reflects an effort to cater to the evolving expectations of both domestic and international travelers, emphasizing quality, comfort, and enhanced services.

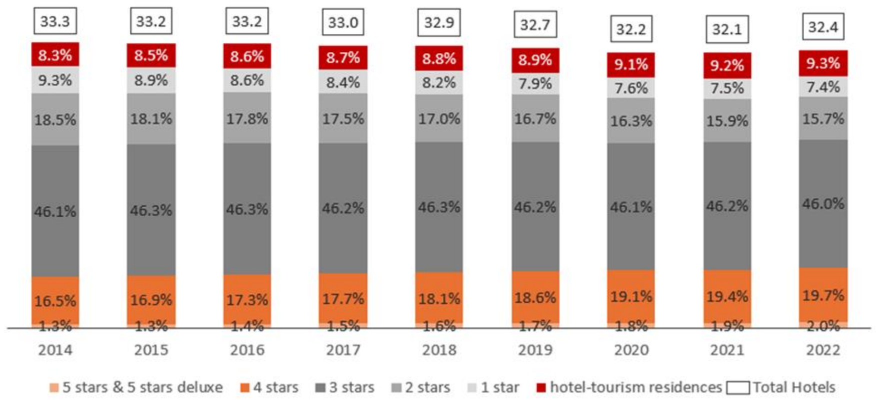
Italian Hotel Supply breakdown by category and 2012-2022 change (%)

n° of Stars	n° of Hotels	Change 2012-2022 (%)
5-star	645	64.1%
4-star	6,376	19.1%
3-star	17,928	-0.6%
2-star	5,091	-21.8%
1-star	2,385	-30.6%
Total	32,425	-3.9%

Source: Company Site

The Italian hospitality sector is undergoing significant transformation, with local and national establishments vying for market share against large international hotel chains. These global entities differentiate themselves by providing increasingly personalized services that mid-scale hotels struggle to match. This competitive landscape has led to a notable shift in market dynamics over the past decade. While the overall number of hotel facilities has seen a downward trend, specific segments have experienced varying fortunes: the market share of 4-star and 5-star hotels has expanded since 2014, now accounting for 19.7% and 2% of all hotel facilities, respectively. Conversely, 1-star and 2-star hotels have seen a decline in their market presence, currently representing 7.4% and 15.7% of the total market, respectively. This trend highlights a growing consumer preference for higher quality and more luxurious accommodation options, reflecting the changing demands and expectations of travelers in Italy.

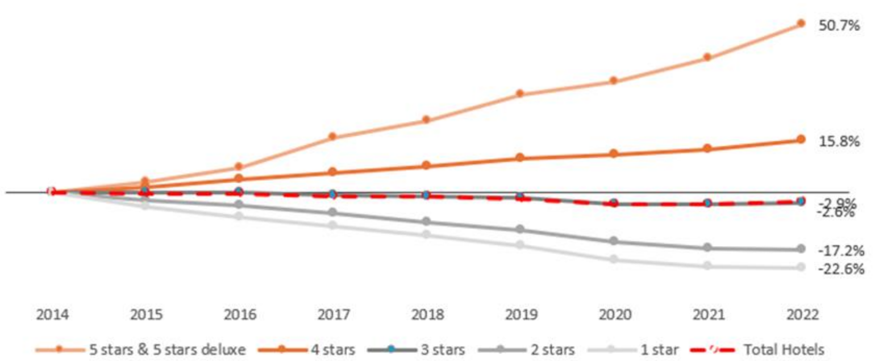
N° of hotel establishments by category (% on total) and in total (k) in Italy (2014-2022)



Source: ISTAT

The shift in percentage values within the Italian hotel market underscores a clear trend towards higher-end accommodations, indicating a move away from budget options in favor of more luxurious services. This transformation points to an evolving landscape where the emphasis on quality and luxury is paramount, catering to a clientele with more sophisticated preferences and greater spending power. This trend suggests that the Italian hotel industry is actively upgrading its offerings to meet the expectations of these more demanding customers, aiming not just to compete but to excel in a globally competitive market. The consolidation of the market, marked by the growth in market share of 4-star and 5-star hotels at the expense of their 1-star and 2-star counterparts, further reflects this strategic pivot towards luxury and quality, positioning Italy's hospitality sector to attract a lucrative segment of the travel market.

% variation of hotels by category in Italy (2014-2022)

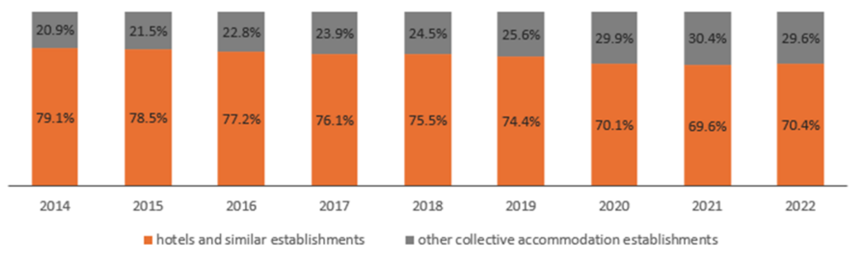


Source: ISTAT

The shift in consumer preferences regarding accommodations over the past decade offers another lens through which to view the changing landscape of the Italian hotel market. Travelers are increasingly gravitating away from traditional hotels and similar establishments towards a broader spectrum of collective accommodation options. This includes tourist campsites, holiday villages, rented holiday dwellings, farmhouses, bed and breakfasts (B&Bs), and others. The growing market for short-term rentals and accommodations is becoming saturated with smaller or micro-players. These entities often convert properties into lodging facilities, benefiting significantly from digital platforms dedicated to short-term rentals, such as Airbnb.

This trend towards diverse accommodation types has introduced a competitive challenge for traditional hotels, which are losing ground to these more economically priced alternatives. In response, many hotels are reconsidering their service offerings. By shifting their focus, these establishments aim to secure a more easily defensible market niche that aligns with the evolving consumer demand. This strategic pivot is designed to help hotels achieve desired performance levels without engaging in price wars or compromising on profit margins. Instead, they focus on differentiating themselves through quality, unique experiences, and services that resonate with today's travelers, emphasizing value over cost.

N° of arrivals in lodging facilities in Italy divided by macro-category (%, 2014-2022)



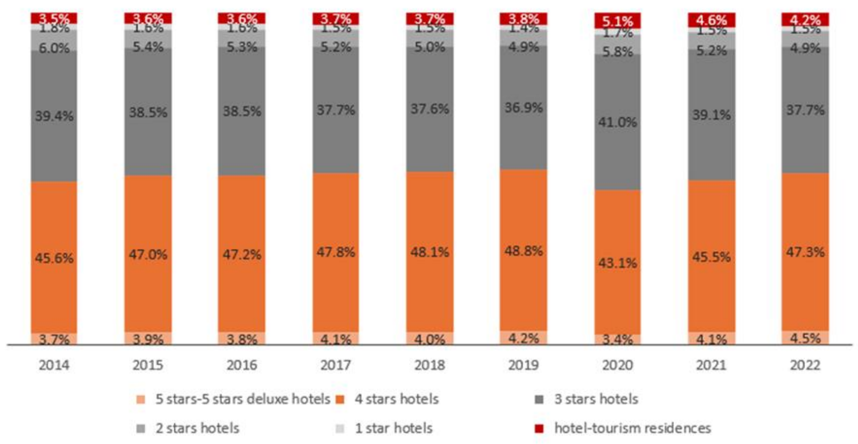
Source: ISTAT

Breakdown of arrivals in lodging facilities by macro-category in Italy (% variation 2014-22)

Source: ISTAT

Indeed, since 2014, there has been a noticeable trend towards higher-end accommodations within the Italian hotel market, with 4-star and 5-star hotels capturing an increasing share of the guest market. In 2022, 4-star hotels accommodated the largest portion of hotel guests, holding 47.3% of the market share compared to 45.6% in 2014, despite constituting only 19.7% of all hotel facilities. Similarly, the proportion of guests staying in 5-star hotels increased from 3.7% in 2014 to 4.5% in 2022. In contrast, facilities with 3 stars or less have all seen a decline in their market share over the past decade, indicating a clear shift in consumer preference towards more luxurious accommodations. This trend underscores a growing demand for quality and premium experiences among hotel guests in Italy, highlighting the competitive advantage of higher-rated establishments in attracting travelers.

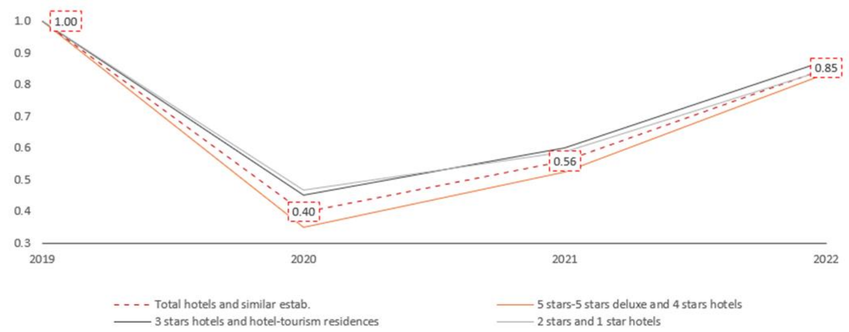
Breakdown of arrivals in hotels by category in Italy (% share, 2014-22)



Source: ISTAT

Looking at the variation of arrivals in hotel establishments since 2019, it can be observed that until 2022 the Italian marked hadn't fully recovered yet, reaching only 85% of 2019 levels. In 2020, arrivals fell so low as 40% of 2019 levels, with a bottom for hotels falling in the 4 and 5-stars categories at 35%. These categories have been also the slowest to recover after the end of the pandemic, while hotels with 3 stars or less facing a softer impact during the Covid outbreak and recovering faster afterwards.

Change of arrivals in lodging facilities by category in Italy (% variation 2014-22)



Source: ISTAT

Although hotel demand in Italy hasn't fully returned to its 2019 levels, the recovery trajectory post-pandemic has been notably strong. Domestic demand within Italy has bounced back entirely, aligning with 2019 figures, showcasing the resilience and recovery of the local tourism sector. However, international stays have not yet fully rebounded, remaining 16% below pre-pandemic levels. Despite this lag, international stays saw a significant surge in 2022, growing by 108% compared to the year prior, indicating a robust return of interest in Italian destinations from abroad.

Preliminary data on occupancy rates for 2023 suggests an optimistic outlook, pointing towards a complete recovery of hotel demand as international demand continues its upward trend. This recovery is a positive sign for the Italian hotel industry, indicating that it is well on its way to overcoming the setbacks caused by the pandemic and attracting international visitors at levels seen before the pandemic. The ongoing recovery underscores the enduring appeal of Italy as a premier travel destination and the potential for further growth in the hospitality sector as global travel norms continue to stabilize.

Tuscanian Tourism and Hotel Market

In the first eight months of 2023, tourism volumes in Tuscany nearly returned to pre-pandemic levels, falling just 2% short of 2019 figures. This resurgence in tourism was predominantly driven by a significant increase in foreign visitors, which soared by almost +15% YoY. Particularly notable was the surge in visitors from outside Europe, which grew by +50% YoY, though it remains -10.5% below 2019 volumes.

European visits to Tuscany saw a more modest increase in 2023, rising just +2.7% YoY. However, European visitors represent the most recovered category post-pandemic, with a +8.2% growth over 2019 levels. This growth has been a key factor in propelling the region's tourism market forward.

Conversely, touristic flows from within Italy and Tuscany itself have shown signs of weakening compared to the volumes seen in 2022. Inbound flows from Italy have decreased by -3.7% from the same period in 2022, and visits within the region are down by 4.2%. Domestic visits in Tuscany remain 7.7% below the levels observed in 2019, indicating that while international tourism is rebounding strongly, domestic tourism is still recovering.

Annual Variation of Tourists Flows by Nationality from January to August (2019-2023)

	2019-2020	2020-2021	2021-2022	2022-2023	2019-2023
Tuscanians	-17.0%	20.3%	5.1%	-4.2%	0.6%
Non-tuscanians Italians	-28.6%	22.2%	9.9%	-3.7%	-7.7%
Italians	**-25.5%**	**21.7%**	**8.5%**	**-3.8%**	**-5.5%**
Europeans	-73.7%	117.1%	84.5%	2.7%	8.2%
Non-Europeans	-85.9%	-21.7%	438.8%	50.5%	-10.5%
Foreigners	**-78.2%**	**83.8%**	**120.8%**	**14.7%**	**1.2%**
Total	**-58.9%**	**36.6%**	**44.7%**	**5.3%**	**-2.0%**

Source: IRPET (Regional Institutions for Economic Planning of Tuscany)

Competitive Arena

Soges operates within the upscale hospitality market, offering high-end lodging services in historical buildings and top-quality premises. It distinguishes itself by seamlessly integrating accommodation services with the leisure activities characteristic of locations with historical, cultural, and artistic significance. This niche market segment in Italy is notably fragmented, comprising numerous small and family-run businesses, typically managing a single facility each. Soges stands out as a unique entity in this landscape, blending a scalable business model with the organizational prowess and coordination capabilities of a large hotel chain, while maintaining the quality and distinctiveness of a small, family-run hotel.

By managing multiple facilities simultaneously and with plans for further acquisitions, Soges capitalizes on its ability to offer a comprehensive and cohesive hospitality experience across its properties. The company's centralized management approach is instrumental in achieving significant cost synergies while simultaneously enhancing sales performance. This strategy allows Soges to deliver a competitive and high-quality service that meets the discerning expectations of upscale clientele, positioning the company as a leader in its market segment.

In defining Soges' competitive landscape, we've examined key players within the hospitality and lodging domain, particularly those with 4-star rated facilities. Our review identified 12 companies, including Hilton and Marriott, listed on the New York Stock Exchange, as well as NH Hotels, listed on the Madrid Stock Exchange. This analysis provides valuable insights into Soges' positioning and strategy within the broader lodging market.

In this fiercely competitive market environment, characterized by a mix of small and large players vying to attract high-end travelers and tourists, Soges sets itself apart by offering an immersive sojourn experience that extends beyond traditional hotel accommodation. By integrating a variety of activities, services, and local traditional products, Soges enables guests to fully immerse themselves in the local history, culture, and natural beauty, distinguishing itself as a provider of comprehensive and unforgettable experiences.

Soges Group Competitive Arena

Source: KT&Partners' Elaborations

Historical Financials

Soges Group SpA’s key financials for FY23 are:

- Total revenues at €15.9mn vs €11.5mn in FY22 (+39% YoY);
- EBITDAR at €3.0mn vs €1.9mn in FY23 (+55% YoY), with FY23 EBITDAR margin at 18.7%;
- EBITDA at €1.5mn vs €0.9mn in FY23 (+59% YoY), with FY23 EBITDA margin at 9.1%;
- EBIT at €0.6mn vs €0.3mn in FY22 (+66% YoY);
- Net income at €0.4mn vs €0.3mn in FY22 (+43% YoY);
- NFP at €3.4mn from €2.7mn in FY22.

When examining the sales and profitability figures for Soges, it's important to acknowledge the significant transformation the company has undergone, particularly following the divestiture of its student housing business in 2019. The advent of the COVID-19 pandemic in 2020 further complicated the situation, severely impacting the company's turnover and the broader operations, effectively freezing the lodging economy for an extended period. The travel and lodging sectors faced unprecedented challenges as travel restrictions were implemented worldwide, with a gradual easing only occurring after the most critical phases of the pandemic had passed.

Given the industry's complexity and the general economic landscape from 2020 onwards, comparing financial results across the last few years may not fully reflect the progress Soges has made. The pandemic has created a unique set of circumstances that affected not just Soges but the entire hospitality industry, making year-on-year comparisons less indicative of the company's underlying performance and potential for recovery.

Despite these challenges, key financial and economic indicators highlight significant improvements in Soges' financial performance, suggesting that the company is effectively enhancing its business operations across all fronts. This improvement is a testament to Soges' resilience and adaptability in the face of industry-wide disruptions and its commitment to recovering and growing in the post-pandemic landscape.

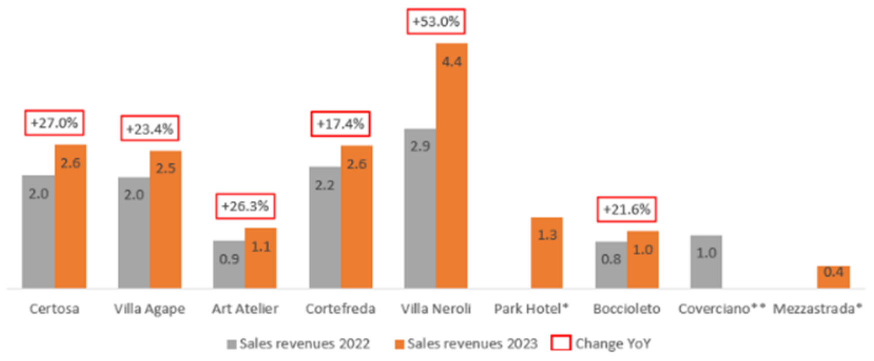
Sales Revenues and Profitability Analysis

In FY23, Soges set a new record for its sales revenues, reaching €15.8mn and confirming its growth path with a CAGR2019-2023 of 37.3% (when considering only revenues from the hotel unit in 2019) despite the considerable challenges posed by the Covid-19 pandemic starting in 2020.

Considering 2020 as a base year, when sales dropped to €2.2 million following the divestiture of the student housing unit and the outbreak of Covid-19, the recovery appears even more remarkable, showing a CAGR of 64% from 2020 to 2023. This surge in sales revenue reflects not only the recovery of the hospitality sector in the post-pandemic era but also the strategic acquisitions made by Soges with the management takeover of 5 new facilities since 2021.

For FY23, revenue performance across all managed facilities saw improvements from FY22, with increases ranging from +17.4% YoY for Borgo di Cortefreda to an impressive +53.0% YoY for Villa Neroli. Additionally, the newly acquired Park Hotel and Podere Mezzastrada contributed approximately €1.7mn in sales revenues during the year. However, no revenues were generated from the management of Coverciano’s Federal Technical Center, as its contract concluded in 2022.

Soges Sales Revenues Breakdown by Managed Facility 2022-2023 (€mn)

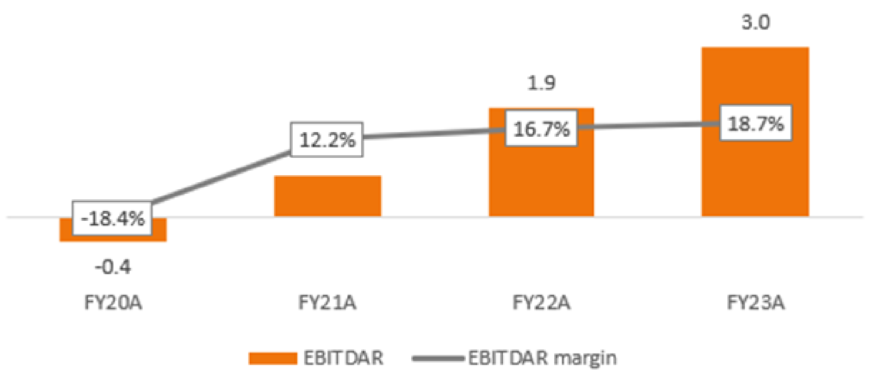


Source: KT&Partners' Elaboration on Company Data
**Park Hotel Chianti and Podere Mezzastrada have been acquired in 2023*
***the contract for the Federal Technical Center in Coverciano expired in 2022*

In order to have a better grasp of the Company profitability, EBITDAR (EBITDA before Rental Costs) serves as a more fitting metric, especially considering the company's operational model, which typically involves not purchasing the properties of the hotels it manages.

Since 2020, EBITDAR grew by €3.4mn, reaching €3.0mn in 2023 and fully recovering from the -€0.4mn recorded in 2020. In 2023 EBITDAR improved by 55% YoY, and the relative margin increased by 2.0pp YoY from 16.7% to 18.7%, surely because of the larger turnover, but also because of a substantial reduction in the incidence of Cost of Services, which dropped from 35% in 2022 to 28% in 2023, also contributed significantly. Other cost items maintained a similar impact on finances as the previous year, with the exception of Personnel costs, which rose from 39% to 41% in 2023. This increase in personnel costs is linked to the expansion in headcount following the acquisition of three new hotels, reflecting the company's ongoing growth and expansion efforts within the hospitality sector.

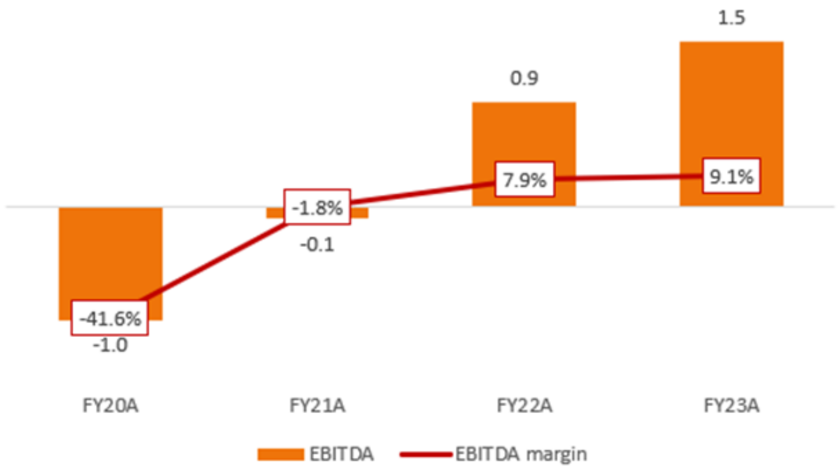
Soges EBITDAR and EBITDAR Margin 2020-2023 (€mn, %)



Source: KT&Partners' Elaboration on Company Data

The Group has shown impressive growth at the EBITDA (Earnings Before Interest, Taxes, Depreciation, and Amortization) level, turning a negative EBITDA of -€1.0 million in 2020 into a positive figure of €1.5mn in FY23, marking a 59% YoY increase from the previous year's result of €0.9mn. The EBITDA margin has seen a substantial improvement, increasing by 1.2pp YoY to reach a five-year peak of 9.1%. This marks a significant recovery from the -41.6% EBITDA margin experienced in 2020, amidst the challenges posed by the Covid pandemic.

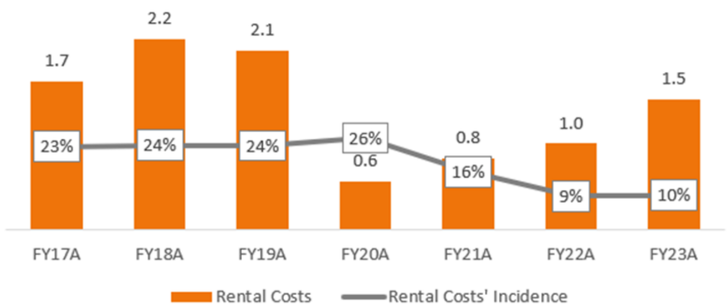
Soges EBITDA and EBITDA Margin 2020-2023 (€mn, %)



Source: KT&Partners' Elaboration on Company Data

Regarding rental costs' impact on profitability, their incidence on sales remained stable at around 10% in 2023, comparable to the 9% recorded in the previous year. This stability is noteworthy, especially when considering the evolution of the Group's business model post-divestiture of its student housing operations. Before this strategic shift, from 2017 to 2019, rental costs accounted for 24% of sales revenues on average—a significantly higher rate than the 10% observed in 2023. This comparison underscores the effectiveness of the Group's new business model, which not only has successfully adapted to the challenges posed by the pandemic but also has optimized its cost structure, particularly in terms of rental expenses, contributing to the overall improvement in profitability and operational efficiency.

Soges Rental Costs and Rental Costs incidence on Sales Revenues 2017-2023 (€mn, %)



Source: KT&Partners' Elaboration on Company Data

Following revenues and EBITDA increase, the EBIT reported in FY23A stood at €0.6mn, showing an improvement from the €0.3mn registered in FY22 and with an improved EBIT margin (3.6% in 2023 vs 3.0% in 2022) despite higher financial expenses both in absolute (€0.3mn in FY23 vs. €0.1mn in FY22) and in relative terms (net financial expenses incidence on sale up from 1% in FY22 to 2% in FY23). Finally, FY23A net income reached €0.4mn vs €0.3mn in FY22 (+43% YoY), on a net margin of 2.6%, nearly equal to the year prior (2.5% in FY22);

2020-2023 Income Statement

€ Millions	FY20A	FY21A	FY22A	FY23A
Sales Revenues	**2.2**	**5.2**	**10.8**	**15.8**
Other Revenues	0.2	0.8	0.7	0.2
Total Revenues	**2.4**	**5.9**	**11.5**	**15.9**
Products and Raw materials	(0.4)	(1.0)	(1.3)	(1.8)
Gross Profit	**2.0**	**5.0**	**10.2**	**14.1**
Gross Margin	*82.2%*	*83.7%*	*88.7%*	*88.5%*
Cost of Services	(1.0)	(1.7)	(3.8)	(4.5)
Personnel Expenses	(1.1)	(2.4)	(4.2)	(6.4)
Other Operating Expenses	(0.3)	(0.1)	(0.2)	(0.3)
EBITDAR	**(0.4)**	**0.7**	**1.9**	**3.0**
EBITDAR margin	*-18.4%*	*12.2%*	*16.7%*	*18.7%*
Rental Costs	(0.6)	(0.8)	(1.0)	(1.5)
EBITDA	**(1.0)**	**(0.1)**	**0.9**	**1.5**
EBITDA margin	*-41.6%*	*-1.8%*	*7.9%*	*9.1%*
D&A and Provisions	(0.3)	(0.4)	(0.6)	(0.9)
EBIT	**(1.3)**	**(0.5)**	**0.3**	**0.6**
EBIT margin	*-54.9%*	*-8.5%*	*3.0%*	*3.6%*
Financial Income and Expenses	1.0	(0.0)	(0.1)	(0.3)
Extraordinary items	-	-	-	-
EBT	**(0.4)**	**(0.5)**	**0.2**	**0.2**
Taxes	-	0.0	0.1	0.2
Tax Rate	*0.0%*	*2.2%*	*-34.3%*	*-85.5%*
Net Income	**(0.4)**	**(0.5)**	**0.3**	**0.4**
Net margin	*-14.7%*	*-8.6%*	*2.5%*	*2.6%*

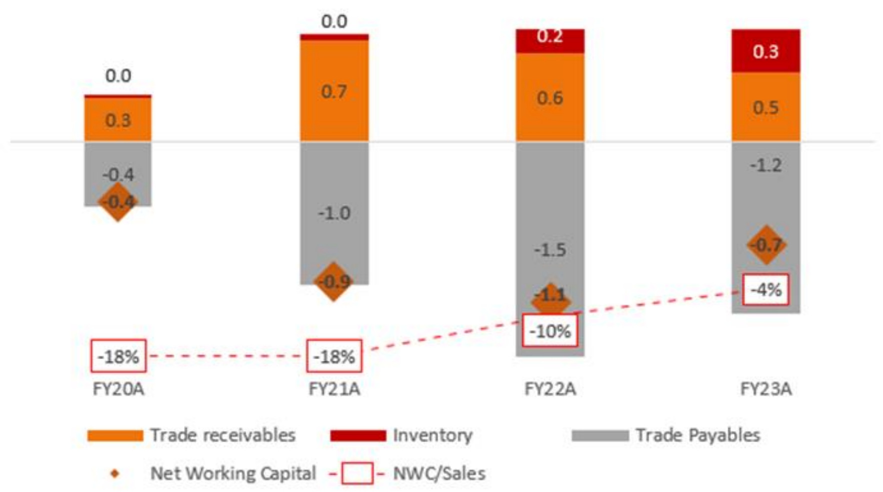
Source: KT&Partners' Elaboration on Company Data

Capital Structure Analysis

Looking at the balance sheet, Soges' FY23 fixed assets amounted to €6.6mn, increased by around €0.9mn from FY22, and trending up from €3.0mn held in FY20, reflecting the company's ongoing investments in enhancing its hotel facilities, including upgrades with new furniture, plants, IT systems, and capitalizing on the investments made for restructuring newly acquired hotels, such as installation and expansion costs.

FY23A Soges' NWC increased from a negative -€1.1mn in FY22 to -€0.7mn in FY23, due to lower trade payables and a higher amount of other assets and liabilities. However, Company NWC remains negative thanks to its business model and operational characteristics. Indeed, the Company has very low DSO, receiving payments from customers and guests briefly after sales are registered, keeping trade receivables low. Conversely, the company manages its cash flow by regulating payments to suppliers over longer periods. This strategy contributes to maintaining a negative NWC, as the company effectively leverages its operating cycle to minimize the amount of cash tied up in working capital, optimizing liquidity and financial flexibility.

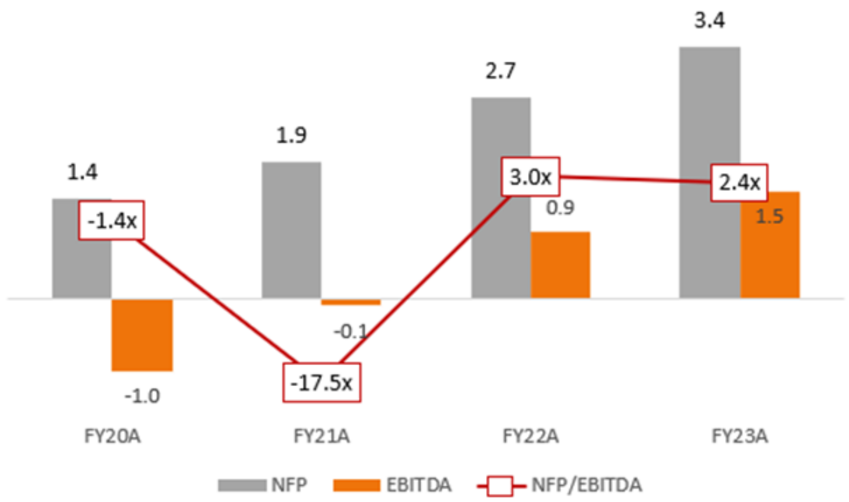
Soges Trade Payables, Receivables, Inventory and NWC (€, mn) and NWC/Sales ratio (%)



Source: KT&Partners' Elaboration on Company Data

In FY23, the NFP reached €3.4mn up from €2.7mn in FY22 and from €1.4mn held back in 2020, after having sold its student housing business unit. The gradual increase in NFP during the last years is mainly due to the borrowing of new bank debt to finance investments for new acquisitions. Furthermore, the Company distributed a €6.4mn dividend in 2020, after selling its student housing business unit. Compared to its EBITDA, Soges' NFP improved during the course of 2023, going from an NFP/EBITDA ratio of 3.0x to 2.5x, signaling a more sustainable debt position.

Soges Net Financial Position and EBITDA (€, mn) and NFP/EBITDA ratio



Source: KT&Partners' Elaboration on Company Data

2020-2023 Balance Sheet				
€ Millions	FY20A	FY21A	FY22A	FY23E
Fixed Assets	**3.0**	**4.2**	**5.7**	**6.6**
Trade receivables	0.3	0.7	0.6	0.5
Inventory	0.0	0.0	0.2	0.3
Trade Payables	(0.4)	(1.0)	(1.5)	(1.2)
Trade Working Capital	**(0.1)**	**(0.2)**	**(0.6)**	**(0.4)**
Other assets and liabilities	(0.3)	(0.7)	(0.5)	(0.3)
Net Working Capital	**(0.4)**	**(0.9)**	**(1.1)**	**(0.7)**
Other Provisions	**(0.3)**	**(0.4)**	**(0.6)**	**(1.0)**
Net Capital Employed	**2.3**	**2.8**	**4.0**	**4.9**
Group shareholders' equity	1.0	0.9	1.2	1.5
Minority shareholders' equity	-	-	-	-
Total shareholders' equity	**1.0**	**0.9**	**1.2**	**1.5**
Short-term debt / Cash (-)	(1.6)	(1.4)	(1.0)	(1.6)
Long-term liabilities	3.0	3.2	3.8	5.1
Net Financial Position	**1.4**	**1.9**	**2.7**	**3.4**
Sources	**2.3**	**2.8**	**4.0**	**4.9**

Source: KT&Partners' Elaboration on Company Data

Group's Strategy

The aim of Soges is to grow up to become a leader in the Italian high-end lodging and hospitality sector, thanks to its peculiar value proposition which offers a blended travel experience combining the quality of accommodation services with the charming landscape, history, and culture their locations can offer, together with the local food and wine selection and a variety of activities and leisure experiences organized by the Group's hotel.

Internal growth levers

Brand Consolidation

Soges is committed to enhancing and consolidating its main brand, Place of Charme, as a strategic initiative to broaden its market reach, improve hotel performances, and bolster its overall reputation. To achieve these objectives, the Company has actively participated in leading industry trade fairs, which are pivotal for networking and showcasing its brand. Notable among these events are the ITB Convention in Berlin, recognized as the premier trade fair for the travel industry, Fitur Madrid, World Travel Market in London, TTG Italy, and many others. These platforms offer significant opportunities for the Company to highlight its unique value proposition and connect with potential partners and clients.

In addition to these efforts, Soges has ramped up its marketing activities, notably increasing its marketing budget and engaging specialized communication agencies to elevate its marketing campaigns. The Group has expanded its presence on social media platforms and is investing more in Google AdWords to enhance its visibility on the renowned search engine. Additionally, Soges is directing investments towards travel advertisements, including directly engaging with OTA platforms such as Expedia. Furthermore, the Company has established a dedicated press office aimed at producing commercial and financial publications, supported by external media advisors.

These concerted efforts in brand consolidation and marketing are designed to not only enhance the visibility and appeal of Place of Charme but also to cultivate a strong and recognizable brand that resonates with both existing and potential customers.

Service enhancement

Soges is focusing on service enhancement to boost its revenue, particularly through its restaurants, by attracting more external clients. The Group is planning to host a variety of dedicated events to promote its dining services, including themed events, aperitifs, and brunches. These initiatives aim to enhance the visibility and appeal of its restaurants, drawing both staying guests and local visitors.

The Company can draw inspiration from successful precedents within its own portfolio. For instance, the introduction of Sunday brunches at Villa Agape has been a notable success. Similarly, the Certosa of Pontignano's restaurant saw a significant increase in its revenue, growing from €543k in 2022 to over €1.0 million in 2023. These examples underscore the potential for revenue growth through strategic service enhancements and the effective promotion of the Group's culinary offerings.

Addition of new Hotels to own portfolio

There are three different ways for a Hotel chain Company in order to boost its revenues: the first one is to improve its occupancy rate, achieving to increase rooms' reservation with the rooms already at its disposal; the second revenue growth lever is price hikes, raising the Average Daily Rates to earn more for each reservation; finally, the third growth lever is to acquire the management of new hotel, expanding supply of rooms and therefore, the maximum turnover achievable.

Occupancy rate is hard to increase for facilities that already achieve high rates of reservations, and there is a physiological limit posed by the number of rooms available, which cannot grow without new acquisitions. Price hikes too have a limit, as excessive price raises may stifle the demand for accommodations. Viable price hikes depend on the dynamics of supply and demand, and while an adjustment due to inflation is natural, and it's easier for high-end service providers to increase prices thanks to the high spending capacity of their target customer base, it is not possible to excessively increase prices, as it may also damage the Company reputation.

Therefore, for a Company like Soges, the best route to take in order to grow its revenues is to take over the management of new Hotels, in order to further expand the offer of its brand. Besides increasing revenues, another reason why expanding through acquisitions is convenient is the fixed costs streamlining and operative efficiency that the centralization of hotels' business functions can achieve. Thanks to the synergies that Soges can bring with its centralized management approach, each of the newly acquired hotels improves their operative margins, generating additional value for the Company.

The Company has already put its acquisition strategy at the center of its business model implementation, significantly expanding its hotel portfolio since the business refocus in 2019, when it sold its student housing business unit. From 2021, 6 new hotels have been acquired, including the yet to be opened Hotel Malaspina acquired in July 2024, which will bring the number of hotels under management to 9.

For the next years, Soges' goal is to further expand its offering by acquiring new hotels in Tuscany, targeting also facilities located in maritime destinations beside the traditional targets located within art cities (like Florence) or in the Chianti countryside.

The Company also aims to scale its model up in the remainder of Italy, expanding into new regions outside Tuscany: Italy exhibits countless opportunities to implement Soges' business model, thanks to the high number of cities and towns with high historical, cultural and artistical appeal, which can attract high flows of tourists, especially of the kind that Soges targets with its brand. Italy is also rich of peculiar countryside landscapes, regional culinary specialties, food products and artisanal crafts that may contribute to create the kind of blended travel experience Soges offers to its customers.

Deconstructing Forecasts

Our financial projections over the 2024E–27E period are based on Soges' business model and strategy and include the €2.4mn of IPO capital raised, netted by €0.9mn of IPO costs. No impact from future M&As has been taken into account.[1]

Starting from the top line, we anticipate sales revenues growing at a CAGR2023-2027E of 16.9%, reaching €29.4mn in FY27E. In our revenue forecasts for 2024E, we have factored in the expansion of Art Atelier through the acquisition of the Dependence, which adds 14 extra rooms starting from July. As a result, we anticipate a contribution of approximately €400k to sales for the remainder of 2024, and around €800k annually for the subsequent years.

Looking ahead, we anticipate the introduction of two new venues starting from 2025 until 2027. In particular, for 2025 we accounted for the addition of Hotel Malaspina and one other venue. For each new facility managed, we anticipate an average sale contribution of €1.5mn per year. As for Hotel Malaspina, we accounted for €1.6mn in 2025, then about €1.9mn for the following two years.

Upon reviewing the eight properties currently under management, we have estimated an average revenue increase of 5%. This growth is primarily attributed to the rise in room prices and the expansion of services offered. By enhancing these key aspects, we anticipate a steady increase in revenue across the existing portfolio, reflecting Soges' commitment to delivering value and enhancing customer experience.

By the conclusion of fiscal year 2027, we project the management of a total of 14 establishments. This count includes the expansion of the Art Atelier, which is scheduled for completion in 2024.

In our projections for 2024E we estimate total revenues at €17.2mn (+7.8% YoY), increasing at a CAGR2023A-2027E at 16.9% reaching €29.8mn at the end of the forecasted period.

Given Soges' use of OIC accounting principles, it is valuable to focus on EBITDAR analysis, which excludes rental costs that would be capitalized under IFRS accounting principles. In fiscal year 2024, we project Soges to achieve €3.5mn in EBITDAR, with a margin on total revenues of 20.4%. By fiscal year 2027, we anticipate EBITDAR to reach €7.8mn, with a margin of 26.1%. This substantial increase is primarily attributed to economies of scale resulting from Soges' strategy to centralize and optimize the management of venue service costs. Indeed, we estimate that venue service costs will account for 24.2% of revenues by the end of FY27E, down from 28.2% in 2023.

Furthermore, recognizing the significance of human resources in driving the company's growth, we anticipate an increase in personnel costs in absolute terms, rising from €6.8mn in fiscal year 2024 to €10.9mn in fiscal year 2027 mainly related to the increasing number of facilities under management. However, despite this absolute increase, we project a decrease in the impact of these costs on revenues. This decrease is attributed to a more favorable distribution of headquarters' personnel fixed costs across a larger revenue base (total personnel expenses at 40% in FY24E vs 37% in FY27E).

In terms of rental costs, we anticipate an increase over the forecasted period correlated with the number of new facilities managed. As new facilities are acquired, we expect rental costs to initially represent around 17%-20% of the facility revenues at the beginning of the contract. However, as venue sales increase over time, rental costs are projected to have lower incidence on the hotel sales. For Soges Group, we expect overall rental costs to be impacted by the leasing costs for the acquisition of the Borgo di Cortefreda hotel facility, which should increase the rental costs incidence on revenues incidence in the next years, bringing the incidence on total revenues up from 9.6% in FY23A to 12.6% in FY27E. This is expected to

[1] *Financial projections have been prepared by KT&Partners independently of Soges Group SpA. Projections and forecasts involve risks and uncertainties and are subject to change. Therefore, actual results may differ materially from those contained in the projections and forecasts.*

reduce the EBITDA margin from 11.7% in FY24E to 10.8% in FY25E, when the impact of the leasing costs would come in full effect, only to grow afterwards reaching 13.7% in FY27E thanks to the economies of scale achieved by the central management approach taken by the Group and to the increase in revenues. In absolute terms, this translates to an EBITDA forecast of €4.1mn in FY27 from €2.0mn in FY24E.

We are taking into account an average of €1.4mn of D&As which are primarily related to investments aimed at enhancing hotel facilities.

Finally, we expect FY24E net income of €0.5mn, with a net margin of 3.0%. In the next years, we anticipate a net income growth of at a CAGR2023-2027E of +39.8% reaching €1.6mn by the end of FY27E.

2022A-2027E Consolidated Income Statement

€ Millions	FY22A	FY23A	FY24E	FY25E	FY26E	FY27E
Sales Revenues	**10.8**	**15.8**	**16.9**	**20.8**	**25.1**	**29.4**
Growth %	*109.4%*	*46.3%*	*7.3%*	*23.0%*	*20.4%*	*17.4%*
Other Revenues	0.7	0.2	0.3	0.3	0.3	0.4
Total Revenues	**11.5**	**15.9**	**17.2**	**21.1**	**25.4**	**29.8**
Growth %	*94.0%*	*38.7%*	*7.8%*	*22.9%*	*20.3%*	*17.4%*
Products and Raw materials	(1.3)	(1.8)	(2.0)	(2.4)	(2.9)	(3.4)
Gross Profit	**10.2**	**14.1**	**15.2**	**18.7**	**22.5**	**26.4**
Gross Margin	*88.7%*	*88.5%*	*88.6%*	*88.6%*	*88.6%*	*88.5%*
Cost of Services	(3.8)	(4.5)	(4.6)	(5.5)	(6.3)	(7.1)
Personnel Expenses	(4.2)	(6.4)	(6.8)	(8.1)	(9.5)	(10.9)
Other Operating Expenses	(0.2)	(0.3)	(0.3)	(0.4)	(0.5)	(0.6)
EBITDAR	**1.9**	**3.0**	**3.5**	**4.7**	**6.1**	**7.8**
EBITDAR margin	*16.7%*	*18.7%*	*20.4%*	*22.3%*	*24.2%*	*26.1%*
Rental Costs	(1.0)	(1.5)	(1.5)	(2.4)	(3.2)	(3.7)
EBITDA	**0.9**	**1.5**	**2.0**	**2.3**	**3.0**	**4.1**
EBITDA margin	*7.9%*	*9.1%*	*11.7%*	*10.8%*	*11.8%*	*13.7%*
D&A and Provisions	(0.6)	(0.9)	(1.0)	(1.3)	(1.5)	(1.7)
EBIT	**0.3**	**0.6**	**1.0**	**0.9**	**1.4**	**2.3**
EBIT margin	*3.2%*	*3.6%*	*5.9%*	*4.5%*	*5.8%*	*8.0%*
Financial Income and Expenses	(0.1)	(0.3)	(0.3)	(0.2)	(0.1)	(0.1)
Extraordinary items	-	-	-	-	-	-
EBT	**0.2**	**0.2**	**0.7**	**0.7**	**1.3**	**2.3**
Taxes	0.1	0.2	(0.2)	(0.2)	(0.4)	(0.7)
Tax Rate	*-34.3%*	*-85.5%*	*29.0%*	*29.0%*	*29.0%*	*29.0%*
Net Income	**0.3**	**0.4**	**0.5**	**0.5**	**0.9**	**1.6**
Net margin	*2.7%*	*2.7%*	*3.0%*	*2.5%*	*3.7%*	*5.4%*

Source: Company Data (2022–23), KT&Partners' Estimates (2024–27)

As for Soges' balance sheet we forecast Trade Working Capital to remain negative from -€0.3mn in FY24 to -€0.7mn in FY27E given its business model and operational characteristic. Specifically, we expect Soges maintains a very low DSO which we estimate to remain constant at 10 days throughout the 2024-2027 period. This means that the company typically receives payments from customers and guests shortly after sales transactions occur, resulting in minimal trade receivables. Conversely, Soges manages its cash flow by extending payment terms to suppliers over longer periods. We estimate DPO to be constant at 45 days over the forecast period. This strategy allows Soges to effectively regulate its cash outflows while maximizing the utilization of its operating cycle.

We expect the Net working capital to rise to a negative amount of -€0.2mn from -€0.7mn mainly as an effect of the prepaid expense for the initial leasing instalment of €1.4mn, which has to be attributed to the years of the leasing contract's duration. The Net other assets and liabilities account also of the deferral of €0.4mn of payments for the purchase of Park Hotel Chianti's license.

Over the 2024E-2027E period we forecast €4.9mn of CAPEX (without considering €0.9mn of capitalized IPO costs), considering ca. €400k per new venue and €100k of maintenance CAPEX related to the properties already under management. These investments are directed towards enhancing hotel facilities, encompassing various initiatives such as upgrades in furniture, improvements in landscaping and plants, enhancements to IT systems, and capitalization of investments made for the restructuring of newly acquired hotels. This includes costs associated with installation and expansion efforts to optimize the functionality and attractiveness of the properties. In addition to that, in 2024 the Company has planned to complete the acquisition of "Borgo di Cortefreda" and "Park Hotel Chianti" licenses, for a total price of €1.5mn, for which the Company had previously paid advances of €0.4mn.

In fiscal year 2024, we anticipate the NFP to reach €2.1mn, considering also the cash inflow deriving from the IPO of €1.6mn net of costs. We then expect a notable shift in subsequent years, with the NFP turning cash positive starting from FY26, reaching -€4.6mn in FY27. Soges' asset-light approach minimizes the need for significant capital investments in physical assets, allowing the company to maintain a lean and efficient operational structure. Furthermore, the negative net working capital characteristic enables Soges to effectively leverage its operating cycle to optimize cash flow management.

2022A-2027E Consolidated Balance Sheet

€ Millions	FY22A	FY23A	FY24E	FY25E	FY26E	FY27E
Fixed Assets	**5.7**	**6.6**	**8.2**	**8.0**	**7.5**	**6.8**
Trade receivables	0.6	0.5	0.6	0.7	0.8	1.0
Inventory	0.2	0.3	0.3	0.4	0.4	0.5
Trade Payables	(1.5)	(1.2)	(1.2)	(1.5)	(1.9)	(2.1)
Trade Working Capital	**(0.6)**	**(0.4)**	**(0.3)**	**(0.5)**	**(0.6)**	**(0.7)**
Other assets and liabilities	(0.5)	(0.3)	0.2	0.3	0.3	0.4
Net Working Capital	**(1.1)**	**(0.7)**	**(0.2)**	**(0.2)**	**(0.2)**	**(0.2)**
Other Provisions	**(0.6)**	**(1.0)**	**(1.5)**	**(2.1)**	**(2.8)**	**(3.6)**
Net Capital Employed	**4.0**	**4.9**	**6.5**	**5.7**	**4.5**	**2.9**
Group shareholders' equity	1.2	1.5	4.4	5.0	5.9	7.5
Minority shareholders' equity	-	-	-	-	-	-
Total shareholders' equity	**1.2**	**1.5**	**4.4**	**5.0**	**5.9**	**7.5**
Short-term debt / Cash (-)	(1.0)	(1.6)	(2.9)	(2.7)	(3.6)	(6.1)
Long-term liabilities	3.8	5.1	5.0	3.5	2.2	1.5
Net Financial Position	**2.7**	**3.4**	**2.1**	**0.8**	**(1.4)**	**(4.6)**
Sources	**4.0**	**4.9**	**6.5**	**5.7**	**4.5**	**2.9**

Source: Company Data (2022–23), KT&Partners' Estimates (2024–27)

Valuation

Following our projections of Soges' pre-money future financials, we carried out the valuation by applying market multiples methods. Our fair value is the result of:

1. EV/Sales and EV/EBITDA multiples, which return on average a value of €4.1 per share;
2. DCF analysis based on WACC of 11.1% and a 1% of perpetual growth, which returns an equity value of €4.8 per share.

The average of the two methods yields a fair value of €4.5ps or an equity value of €23.0mn.

Multiple valuation

	Equity Value €mn	Value per share €
EV/Sales	**29.8**	**5.8**
EV/EBITDA	**12.7**	**2.5**
Multiple Average	**21.2**	**4.1**
DCF	**24.7**	**4.8**
Average	**23.0**	**4.5**

Source: FactSet, KT&Partners' Elaboration

Peer Comparison

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

For peer analysis, we built a sample of 8 companies, which includes:

- **Accor SA**: listed on the Euronext Paris Stock Exchange with a market capitalization of €9.0bn, Accor SA engages in the operation and investment in hotel properties. It operates through the following business segments: Hotel Services, Hotel Assets, and New Businesses. The Hotel Services segment corresponds to AccorHotels business as a hotel manager and franchisor. The Hotel Assets segment comprises the group's owned and leased hotels. The New Businesses segment corresponds digital services for independent hotels, private luxury home rentals, digital sales, and concierge services. In FY23, Accor reached €5.1bn in sales revenues.
- **MHP Hotel AG:** listed on the XETRA with a market capitalization of €51mn, MHP Hotel AG is a German hotel investment and management platform. The group designs and implements hotel and gastronomy concepts for hotels in the premium and luxury segments and operates them as a connecting partner between real estate investors and franchisors. In addition, the operation of its own hotel brand MOOONS as well as co investments in hotel properties, alongside real estate investors, are part of MHP's business model. In FY23, MHP reached €136mn in sales revenues.
- **Hilton Worldwide Holdings Inc:** listed on the NY Stock Exchange with a market capitalization of €49.1bn, Hilton Worldwide Holdings, Inc. engages in the provision of hospitality businesses. It operates through the Management and Franchise, and Ownership segments. The Management and Franchise segment operates hotels of third-party owners. The Ownership segment includes owned, leased, and joint venture hotels. In FY23, Hilton Worldwide Holdings reached €9.5mn in sales revenues.
- **Hyatt Hotels Corporation:** listed on the NY Stock Exchange with a market capitalization of €14.0bn, Hyatt Hotels Corp. engages in the development and management of resort and hotel chains. It operates through the following segments: Owned and Leased Hotels, Americas Management and Franchising, ASPAC Management and Franchising, EAME/SW Asia Management and Franchising, and Apple Leisure Group. The Owned and

Leased Hotels segment offers hospitality services and hotels. The Americas Management and Franchising segment consists of properties located in the United States, Latin America, Canada, and the Caribbean. The ASPAC Management and Franchising segment consists of the management and franchising of properties located in Southeast Asia, Greater China, Australia, South Korea, Japan, and Micronesia. The EAME/SW Asia Management segment consists of its management and franchising of properties located primarily in Europe, Africa, the Middle East, India, Central Asia, and Nepal. The Apple Leisure Group segment consists of management and marketing of primarily all-inclusive resorts within the AMR Collection in Latin America. In FY23, Hyatt Hotels Corporation reached €6.2bn in sales revenues.

- **Melia Hotels International, S.A.:** listed on the Spain Stock Exchange with a market capitalization of €1.5bn, Meliá Hotels International SA engages in the operation and management of hotels. It operates through the following segments: Hotel Management, Hotel Business, Real Estate, Vacation Club, Corporate, and Others. The Hotel Management segment operates hotels under management and franchise agreements. The Hotel Business segment operates hotel units owned or leased by the group. The Real Estate segment includes the capital gains on asset rotation, and real estate development and operation. The Vacation Club segment includes the results deriving from the sale of shared rights of use of specific vacation complex units. The Corporate segment includes structural costs, results linked to the intermediation and marketing of room and tourist service reservations. The Other segment includes additional income from the hotel business, such as casinos or tour-operator activities. In FY23, Melia Hotels International reached €1.9bn in sales revenues.
- **NH Hotel Group SA:** listed on the Spain Stock Exchange with a market capitalization of €1.8bn, NH Hotel Group SA engages in the management of hotels. It operates hotel chains across Europe, America, Africa and Asia, which includes in Amsterdam, Barcelona, Berlin, Bogota, Brussels, Buenos Aires, Düsseldorf, Frankfurt, London, Madrid, Mexico City, Milan, Munich, New York, Rome and Vienna. Its brands include NH Collections, NH Hotels, NHOW, and Hesperia Resorts. The firm operates through the following segments: Real Estate and Hotel. In FY23, NH Hotel Group SA reached €2.2bn in sales revenues.
- **Emma Villas S.p.A.:** listed on the Euronext Growth Milan with a market capitalization of €19mn, Emma Villas S.p.A. Emma Villas is an Italian Incoming Tour Operator. You operate in the sector of weekly tourist rentals of luxury villas and farmhouses with private swimming pools. It currently manages, exclusively, over 600 properties throughout Italy, welcoming more than 55,000 international guests every year. Property management, Smart Hospitality, dedicated Concierge 7/7, Guest & Property Protection are among the elements characterizing the Emma Villas model. In FY23, Emma Villas reached €33mn in sales revenues.
- **Marriott Vacations Worldwide Corporation:** listed on the Euronext Growth Milan with a market capitalization of €2.8bn, Marriot Vacations Worldwide Corporation encompasses a portfolio of nearly 8,800 properties across more than 30 leading brands in 139 countries and territories. Marriott operates and franchises hotels and licenses v acation ownership resorts all around the world. In FY23, Marriott reached €4.4bn in sales revenues.

We conducted an analysis of peer companies, considering their average revenue and EBITDA growth, and compared them to Soges' historical revenues and EBITDA. It should be noted that Soges adheres to OIC principles in drawing its financial statements, and not to IFRS standards, contrary to the peer companies included in our panel (apart from Emma Villas), which all adhere to IFRS accounting principles. Leasing costs are therefore categorized as rental costs and weight on the EBITDA and its margin, whereas peer companies categorize leasing costs as financial expenses, bringing the EBITDA up and giving the illusion of a higher profitability compared to Soges.

By looking at 2022-23 revenue growth, peer companies grew on average by 16.3% YoY while Soges showed revenues increase at 46.3% YoY. Over the 2023-26E period, Soges' sales are expected to grow at a 16.7% CAGR23-26E vs 7.8% of the average growth of the peers.

Looking at FY23A EBITDA, Soges increased by 59.4% YoY, well above its peers which showed an EBITDA growth of +25.3% YoY. According to our financial pre-money projections, Soges' EBITDA is expected to grow at a CAGR2023-2026E well above the one shown by its peers (27.1% vs. +17.8%).

Peer comparison – Sales growth 2020-2026

Company Name	Sales				YoY	Sales			CAGR
	2020	*2021*	*2022*	*2023*	22- 23	*2024*	*2025*	*2026*	2023-'26
Accor SA	1,621	2,204	4,224	5,056	*19.7%*	5,434	5,733	6,050	*6.2%*
MHP Hotel AG	0	n.a.	105	136	*30.0%*	164	183	199	*13.5%*
Hilton Worldwide Holdings Inc.	3,778	4,897	8,347	9,467	*13.4%*	10,383	11,208	12,192	*8.8%*
Hyatt Hotels Corporation Class A	1,846	2,598	5,534	6,218	*12.4%*	6,278	6,583	7,029	*4.2%*
Melia Hotels International, S.A.	528	827	1,680	1,929	*14.8%*	2,030	2,090	2,163	*3.9%*
Minor Hotels Europe & Americas, S.A	536	746	1,722	2,159	*25.4%*	2,325	2,407	2,488	*4.8%*
Emma Villas S.P.A.	5	9	14	33	*n.m.*	38	43	47	*13.4%*
Marriott Vacations Worldwide Corporation	2,532	3,291	4,430	4,372	*-1.3%*	4,583	4,780	n.a.	*n.a.*
Peers Average	**1,356**	**2,082**	**3,257**	**3,671**	**16.3%**	**3,904**	**4,128**	**4,310**	**7.8%**
Soges Group S.p.A.	2	5	11	16	**46.3%**	17	21	25	**16.7%**

Source: FactSet, KT&P's Elaboration

Peer comparison – EBITDA growth 2020-2026

Company Name	EBITDA				YoY	EBITDA			CAGR
	2020	*2021*	*2022*	*2023*	22- 23	*2024*	*2025*	*2026*	2023-'26
Accor SA	-391	22	675	1,003	*48.6%*	1,112	1,209	1,315	*9.5%*
MHP Hotel AG	0	0	-6	-3	*43.1%*	5	9	11	*n.a.*
Hilton Worldwide Holdings Inc.	186	1,019	2,147	2,229	*3.8%*	3,145	3,385	3,656	*17.9%*
Hyatt Hotels Corporation Class A	-260	103	677	739	*9.1%*	1,077	1,170	1,271	*19.8%*
Melia Hotels International, S.A.	-159	62	439	496	*12.9%*	526	546	569	*4.7%*
Minor Hotels Europe & Americas, S.A	-53	82	491	621	*26.5%*	566	570	593	*-1.5%*
Emma Villas S.P.A.	n.a.	n.a.	1	2	*83.1%*	5	5	6	*56.5%*
Marriott Vacations Worldwide Corporation	137	515	884	668	*-24.4%*	718	766	n.a.	*n.a.*
Peers Average	**-77**	**258**	**664**	**719**	**25.3%**	**894**	**958**	**1,060**	**17.8%**
Soges Group S.p.A.	-1	0	1	1	**59.4%**	2	2	3	**27.1%**

Source: FactSet, KT&P's Elaboration

We then compared peers' profitability with Soges' historical and expected margins. Soges showed a FY23 EBITDA margin at 9.2%, below its peers' average EBITDA margin of 18.1% due to the different accounting of leasing costs, because of the adherence to the OIC accounting standards by Soges, as opposed to its peers who adhere to the IFRS standards. By 2024, our projections result in an EBITDA margin of 11.8%, to settle at 10.9% at the end of FY25E vs an expected average peers' profitability almost of 18.7% in FY24E to 19.1% in FY25E.

Peer comparison – EBITDA margin, EBIT margin, and Net margin 2021-25

Company Name	EBITDA Margin					EBIT Margin					Net Margin				
	2021	*2022*	*2023*	*2024*	*2025*	*2021*	*2022*	*2023*	*2024*	*2025*	*2021*	*2022*	*2023*	*2024*	*2025*
Accor SA	*1.0%*	*16.0%*	*19.8%*	*20.5%*	*21.1%*	*neg*	*10.6%*	*14.3%*	*15.2%*	*16.0%*	*neg*	*7.7%*	*11.4%*	*10.8%*	*11.1%*
MHP Hotel AG	*n.m.*	*neg*	*neg*	*3.3%*	*5.0%*	*n.m.*	*neg*	*neg*	*neg*	*1.2%*	*n.m.*	*neg*	*neg*	*neg*	*0.4%*
Hilton Worldwide Holdings Inc.	*20.8%*	*25.7%*	*23.5%*	*30.3%*	*30.2%*	*17.6%*	*23.9%*	*22.1%*	*25.8%*	*26.9%*	*7.1%*	*14.3%*	*11.1%*	*14.3%*	*15.4%*
Hyatt Hotels Corporation Class A	*4.0%*	*12.2%*	*11.9%*	*17.2%*	*17.8%*	*neg*	*4.9%*	*6.0%*	*8.7%*	*10.3%*	*neg*	*7.8%*	*3.3%*	*14.8%*	*6.2%*
Melia Hotels International, S.A.	*7.5%*	*26.1%*	*25.7%*	*25.9%*	*26.1%*	*neg*	*9.2%*	*12.7%*	*13.2%*	*13.6%*	*neg*	*6.6%*	*6.1%*	*6.3%*	*6.8%*
Minor Hotels Europe & Americas, S.A	*11.0%*	*28.5%*	*28.8%*	*24.4%*	*23.7%*	*neg*	*12.4%*	*15.2%*	*14.3%*	*14.3%*	*neg*	*5.8%*	*5.9%*	*6.5%*	*6.4%*
Emma Villas S.P.A.	*n.m.*	*6.3%*	*5.1%*	*12.2%*	*12.8%*	*n.m.*	*1.9%*	*3.2%*	*10.3%*	*10.9%*	*n.m.*	*1.2%*	*2.9%*	*6.9%*	*7.5%*
Marriott Vacations Worldwide Corporation	*15.7%*	*20.0%*	*15.3%*	*15.7%*	*16.0%*	*11.9%*	*17.1%*	*12.4%*	*12.5%*	*13.1%*	*1.3%*	*8.4%*	*5.4%*	*5.7%*	*6.4%*
Peers Average	**10.0%**	**19.3%**	**18.6%**	**18.7%**	**19.1%**	**14.7%**	**11.4%**	**12.3%**	**14.3%**	**13.3%**	**4.2%**	**7.4%**	**6.6%**	**9.3%**	**7.5%**
Soges Group S.p.A.	**neg**	**8.5%**	**9.2%**	**11.8%**	**10.9%**	**neg**	**3.2%**	**3.6%**	**5.9%**	**4.5%**	**neg**	**2.7%**	**2.7%**	**3.0%**	**2.5%**

Source: FactSet, KT&P's Elaboration

Market Multiples Valuation

Following our comparable' analysis, we evaluated the company by using the 2024–26 EV/Sales and EV/EBITDA multiples of the peer sample. Our valuation takes our estimates of Soges' EBITDA in 2024, 2025, and 2026 into account. We also considered FY23A NFP at €3.4mn. Moreover, we included a 20% liquidity/size discount in our valuation with the EV/Sales multiple and EV/EBITDA valuation.

Peer Comparison – Market Multiples 2022-2026

Company Name	Exchange	Market Cap	EV/SALES 2022	EV/SALES 2023	EV/SALES 2024	EV/SALES 2025	EV/SALES 2026	EV/EBITDA 2022	EV/EBITDA 2023	EV/EBITDA 2024	EV/EBITDA 2025	EV/EBITDA 2026
Accor SA	Euronext Paris	9,004	3.1x	2.6x	2.4x	2.3x	2.1x	19.2x	12.9x	11.7x	10.7x	9.9x
MHP Hotel AG	XETRA	51	0.4x	0.3x	0.3x	0.2x	0.2x	n.m	n.m	8.0x	4.8x	3.9x
Hilton Worldwide Holdings Inc.	NYSE	49,104	6.9x	6.1x	5.6x	5.2x	4.8x	27.0x	26.0x	18.4x	17.1x	15.8x
Hyatt Hotels Corporation Class A	NYSE	14,006	3.0x	2.6x	2.6x	2.5x	2.3x	24.1x	22.1x	15.2x	14.0x	12.9x
Melia Hotels International, S.A.	Spain	1,533	2.5x	2.2x	2.1x	2.0x	1.9x	9.5x	8.4x	7.9x	7.6x	7.3x
Minor Hotels Europe & Americas, S.A	Spain	1,791	2.4x	1.9x	1.8x	1.7x	1.6x	8.3x	6.5x	7.2x	7.1x	6.9x
Emma Villas S.P.A.	Milan	19	2.0x	0.9x	0.8x	0.7x	0.6x	32.1x	17.5x	6.3x	5.3x	4.6x
Marriott Vacations Worldwide Corporation	NYSE	2,765	0.6x	0.6x	0.6x	0.6x	n.a.	3.1x	4.1x	3.9x	3.6x	n.a.
Average peer group		9,784	2.6x	2.2x	2.0x	1.9x	1.9x	17.6x	14.0x	9.8x	8.8x	8.8x
Median peer group		2,278	2.4x	2.0x	1.9x	1.8x	1.9x	19.2x	12.9x	8.0x	7.4x	7.3x
Soges Group S.p.A.	Milan	10	1.1x	0.7x	0.7x	0.6x	0.5x	12.8x	8.0x	5.8x	5.1x	3.9x

Company Name	EV/EBIT 2022	EV/EBIT 2023	EV/EBIT 2024	EV/EBIT 2025	EV/EBIT 2026	P/E 2022	P/E 2023	P/E 2024	P/E 2025	P/E 2026
Accor SA	29.0x	17.9x	15.7x	14.1x	12.9x	25.9x	16.2x	16.0x	14.3x	12.7x
MHP Hotel AG	n.m	n.m	n.m	19.9x	11.4x	n.m	n.m	n.a.	17.0x	29.8x
Hilton Worldwide Holdings Inc.	29.1x	27.7x	21.6x	19.2x	17.5x	46.1x	49.8x	30.3x	26.3x	22.8x
Hyatt Hotels Corporation Class A	n.m	n.m	30.0x	24.1x	21.2x	35.6x	n.m	39.8x	34.5x	28.4x
Melia Hotels International, S.A.	27.0x	16.9x	15.6x	14.6x	13.7x	13.8x	13.0x	12.1x	10.7x	11.9x
Minor Hotels Europe & Americas, S.A	19.0x	12.4x	12.3x	11.8x	11.3x	17.9x	14.0x	11.6x	11.3x	10.6x
Emma Villas S.P.A.	n.m	27.5x	7.4x	6.2x	5.2x	112.0x	20.1x	7.2x	5.8x	0.0x
Marriott Vacations Worldwide Corporation	3.6x	5.1x	4.8x	4.4x	n.a.	n.a.	n.a.	n.a.	n.a.	0.0x
Average peer group	21.6x	17.9x	15.3x	14.3x	13.3x	41.9x	22.6x	19.5x	17.1x	14.5x
Median peer group	27.0x	17.4x	15.6x	14.4x	12.9x	30.7x	16.2x	14.0x	14.3x	12.3x
Soges Group S.p.A.	33.9x	20.4x	11.6x	12.4x	8.1x	n.a.	n.a.	19.5x	18.7x	10.5x

Source: FactSet, KT&P's Elaboration

We end up with our Soges' equity value of €29.8mn or €5.8 per share obtained with the EV/Sales method, and of €14.7mn or €2.5 per share though the EV/EBITDA method.

EV/Sales Multiple Valuation

Multiple Valuation (€mn)	2024E	2025E	2026E
EV/Sales Comps	1.9x	1.8x	1.9x
Soges Group S.p.A. Sales	16.9	20.8	25.1
Enterprise value	**32.2**	**38.3**	**48.2**
Average Enterprise value		**39.6**	
Liquidity/Size Discount		*20%*	
Enterprise Value Post-Discount		**31.7**	
Soges Group S.p.A. FY23 Net Debt		1.9	
Soges Group S.p.A. FY23 Minorities		-	
Equity Value		**29.8**	
Number of shares (mn)		*5.1*	
Value per Share €		**5.8**	

EV/EBITDA Multiple Valuation

Multiple Valuation (€mn)	2024E	2025E	2026E
EV/EBITDA Comps	8.0x	7.4x	7.3x
Soges Group S.p.A. EBITDA	2.0	2.3	3.0
Enterprise value	**16.0**	**16.8**	**21.9**
Average Enterprise value		**18.2**	
Liquidity/Size Discount		20%	
Enterprise Value Post-Discount		**14.6**	
Soges Group S.p.A. FY23 Net Debt		1.9	
Soges Group S.p.A. FY23 Minorities		-	
Equity Value		**12.7**	
Number of shares (mn)		*5.1*	
Value per Share €		**2.5**	

Source: FactSet, KT&P's Elaboration

DCF Valuation

We have also conducted our valuation using a four-year DCF model, based on 14.6% cost of equity, 6% cost of debt, and a D/E ratio of 52.3% (in line with the D/E average of Soges selected comparable). The cost of equity is a function of the risk-free rate of 3.86% (Italian 10y BTP yield, last 3 months average) and the equity risk premium of 5.0% (Damodaran for a mature market). We, therefore, obtained 11.1% WACC.

We discounted 2024E-27E annual cash flow and considered a terminal growth rate of 1%; then we carried out a sensitivity analysis on the terminal growth rate (+/- 0.25%) and on WACC (+/- 0.25%).

DCF Valuation

€ Millions	2024E	2025E	2026E	2027E
EBIT	**1.0**	**0.9**	**1.4**	**2.3**
Taxes	(0.3)	(0.3)	(0.4)	(0.7)
D&A	1.0	1.3	1.5	1.7
Change in Net Working Capital	(0.5)	0.1	0.0	(0.0)
Change in Funds	0.5	0.6	0.7	0.8
Net Operating Cash Flow	**1.7**	**2.7**	**3.3**	**4.2**
Capex	(2.6)	(1.2)	(1.0)	(1.0)
FCFO	**(0.9)**	**1.5**	**2.3**	**3.2**
g	***1.0%***			
Wacc	***11.1%***			
FCFO (discounted)	(0.8)	1.3	1.8	2.2
Discounted Cumulated FCFO	4.4			
TV	31.9			
TV (discounted)	22.2			
Enterprise Value	**26.6**			
NFP FY2023 Adjusted	1.9			
Equity Value	**24.7**			
Current number of shares (mn)	5.1			
Value per share (€)	**4.8**			

Source: FactSet, KT&P's Elaboration

Sensitivity Analysis

€ Millions		WACC				
		11.6%	11.4%	11.1%	10.9%	10.6%
Terminal growth Rate	0.5%	22.2	22.9	23.6	24.3	25.0
	0.8%	22.8	23.4	24.1	24.9	25.6
	1.0%	23.3	24.0	24.7	25.5	26.3
	1.3%	23.8	24.6	25.3	26.1	27.0
	1.5%	24.4	25.2	26.0	26.8	27.7

Source: KT&P's Elaboration

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- ADD – FOR A FAIR VALUE > 15% ON CURRENT PRICE

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

- REDUCE – FOR A FAIR VALUE < – 15% ON CURRENT PRICE

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