

# The Italian Sea Group S.p.A. (TISG.MI)

## Investment Analysis Report

**Analyst:** FundsBerg.net

**Ticker:** TISG.MI (Borsa Italiana)

**Sector:** Luxury Yachting Industry

**Current Price:** €5.81

**Target Price:** €10.35

**Recommendation:** STRONG BUY

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## Executive Summary

The Italian Sea Group S.p.A. (TISG.MI) represents a compelling investment opportunity in the rapidly expanding luxury yachting sector. Our comprehensive analysis reveals a significantly undervalued company trading at attractive multiples while operating in a structurally growing market with an 8.5% projected CAGR through 2032.

TISG has demonstrated strong operational performance with 11.0% revenue growth in 2024, reaching €404.4 million, and impressive EBITDA growth of 13.5% to €70.3 million. The company's specialization in superyachts over 50 meters positions it as a global leader in the premium segment, currently ranking 4th in the Global Order Book 2025, up from 5th position in the previous year.

Our valuation analysis, employing multiple methodologies including DCF modeling and comparable company analysis, indicates a fair value range of €10.35-€14.55 per share, representing an upside potential of 78%-150% from current levels. The investment thesis is supported by strong fundamentals, improving market position, and favorable industry dynamics driven by wealth creation among ultra-high-net-worth individuals.

Key investment highlights include an attractive P/E ratio of 9.1x compared to sector average of 13.0x, robust ROE of 24.1%, and a healthy dividend yield of 4.2%. The

company's diversified brand portfolio, including Admiral, Tecnomar, Perini Navi, and Picchiotti, provides multiple revenue streams and market positioning advantages.

## **Company Overview and Business Model**

The Italian Sea Group S.p.A. operates as a leading player in the global luxury yachting industry, with a rich heritage dating back to 1942. Headquartered in Marina di Carrara, Italy, the company has established itself as a premier manufacturer of luxury yachts and superyachts, serving an exclusive clientele of ultra-high-net-worth individuals worldwide.

The company's business model centers on the design, production, and marketing of high-end yachts across multiple segments. TISG's operations encompass both new yacht construction and refit services, providing comprehensive solutions for yacht owners throughout the vessel lifecycle. This dual approach creates recurring revenue streams and strengthens customer relationships, as yacht owners often return for maintenance, upgrades, and eventual replacement vessels.

TISG's brand portfolio represents one of its most significant competitive advantages. The Admiral brand focuses on luxury motor yachts, combining Italian craftsmanship with cutting-edge technology. Tecnomar specializes in high-performance yachts, including the innovative Tecnomar for Lamborghini series that bridges automotive and marine luxury. Perini Navi, acquired by TISG, brings prestigious sailing yacht expertise and a storied reputation in the superyacht segment. Picchiotti rounds out the portfolio with custom superyacht capabilities, while NCA Refit provides specialized maintenance and refurbishment services.

The company's manufacturing facilities in Italy leverage traditional craftsmanship combined with modern production techniques. Each yacht is essentially a bespoke creation, tailored to individual client specifications and preferences. This customization capability commands premium pricing and creates significant barriers to entry for potential competitors.

TISG's target market consists primarily of ultra-high-net-worth individuals with liquid assets exceeding \$30 million. This demographic has shown remarkable resilience during economic downturns, as luxury yacht purchases are often made with cash rather than financing. The company's global reach extends across Europe, the Americas, Asia-Pacific, and the Middle East, with growing emphasis on emerging markets where wealth creation continues to accelerate.

The business model benefits from several structural advantages inherent to the luxury yachting industry. Long production cycles, typically 18-36 months for superyachts,

provide revenue visibility and cash flow predictability. High switching costs and brand loyalty create customer retention, while the bespoke nature of products limits direct price competition. Additionally, the company's refit and maintenance services generate ongoing revenue streams from the existing fleet of vessels.

## Industry Analysis and Market Dynamics

The global luxury yacht market represents a niche but rapidly expanding segment within the broader marine industry. Current market size estimates place the industry at approximately \$8.75 billion in 2024, with projections indicating growth to \$17.33 billion by 2032, representing a compound annual growth rate of 8.5%. This growth trajectory significantly outpaces most traditional industries and reflects the underlying drivers of wealth creation and lifestyle preferences among the ultra-affluent.

Several macroeconomic factors contribute to the industry's positive outlook. The continued expansion of global wealth, particularly among ultra-high-net-worth individuals, provides a growing customer base for luxury yachts. According to various wealth reports, the population of individuals with liquid assets exceeding \$30 million has grown consistently over the past decade, with particular strength in emerging markets such as Asia-Pacific, the Middle East, and Latin America.

The COVID-19 pandemic paradoxically accelerated demand for private yachts as wealthy individuals sought safe, controlled environments for leisure and travel. This trend shift toward private luxury experiences appears to have permanent characteristics, as evidenced by sustained order books and delivery schedules extending well into 2026-2027 for most major manufacturers.

Technological advancement within the industry continues to drive innovation and differentiation. Modern superyachts incorporate sophisticated navigation systems, environmental technologies, and luxury amenities that rival five-star resorts. The increasing focus on sustainability has led to development of hybrid propulsion systems, advanced hull designs for fuel efficiency, and eco-friendly materials, creating new market segments and premium pricing opportunities.

The industry structure remains highly fragmented, with numerous small to medium-sized manufacturers serving regional markets. However, consolidation trends favor larger, well-capitalized companies like TISG that can invest in technology, maintain global distribution networks, and weather economic cycles. Barriers to entry remain substantial, including capital requirements, technical expertise, regulatory compliance, and brand development needs.

Regulatory environments generally support the industry through favorable tax treatments for yacht ownership and operation in many jurisdictions. Flag state regulations and international maritime laws provide standardized frameworks that facilitate global operations, while environmental regulations drive innovation rather than constraining growth.

The luxury yacht charter market provides additional growth vectors, as many yacht owners offset ownership costs through charter operations when not personally using their vessels. This trend has created a professional charter management industry and increased the total addressable market for yacht manufacturers.

Seasonal patterns affect the industry, with peak activity during spring and summer months in the Northern Hemisphere. However, the global nature of the market and year-round operations in tropical regions help smooth seasonal variations. The industry's resilience during economic downturns reflects the discretionary nature of purchases by ultra-wealthy individuals who are less affected by typical economic cycles.

## **Competitive Landscape Analysis**

The luxury yachting industry features intense competition among established players, with market leadership determined by factors including brand prestige, technical capabilities, delivery performance, and customer service excellence. TISG competes primarily with other Italian manufacturers, reflecting Italy's dominant position in luxury yacht production, as well as international competitors from the Netherlands, Germany, and the United Kingdom.

Sanlorenzo represents TISG's most direct publicly traded competitor, with 2024 revenues of €930.4 million and EBITDA of €176.4 million, achieving an impressive 19.0% EBITDA margin. Sanlorenzo's larger scale provides certain advantages in procurement and overhead absorption, while its focus on yachts over 40 meters (compared to TISG's 50-meter threshold for superyachts) captures a broader market segment. However, TISG's specialization in larger vessels commands higher average selling prices and margins.

Ferretti Group, the largest publicly traded competitor, reported 2024 revenues of €1.17 billion with EBITDA of €190.0 million and a 16.2% margin. Ferretti's extensive brand portfolio includes Ferretti Yachts, Riva, Pershing, Itama, Mochi Craft, CRN, Custom Line, and Wally, providing comprehensive market coverage across multiple segments. The company's record €1.7 billion order backlog demonstrates strong market position, though its larger size may limit growth rates compared to smaller, more focused competitors like TISG.

Azimut-Benetti, while privately held, represents the industry's largest player and has maintained the top position in the Global Order Book for 22 consecutive years. The company's scale advantages and global distribution network create competitive pressures, particularly in emerging markets where brand recognition and service capabilities are crucial for success.

International competitors include Feadship and Oceanco from the Netherlands, both renowned for custom superyachts exceeding 80 meters. These companies compete primarily in the ultra-luxury segment where TISG's largest vessels operate. German manufacturers such as Lürssen and Abeking & Rasmussen focus on the largest superyachts and megayachts, representing both competitive threats and potential collaboration opportunities for specialized components or services.

TISG's competitive positioning benefits from several distinctive advantages. The company's ranking as 4th in the Global Order Book 2025, up from 5th in 2024, demonstrates improving market position and customer acceptance. Specialization in superyachts over 50 meters allows focus on the highest-margin segment while avoiding direct competition in smaller, more commoditized yacht categories.

The Perini Navi acquisition significantly enhanced TISG's competitive position in sailing superyachts, a segment where few competitors possess comparable expertise. This acquisition also expanded the company's global customer base and enhanced its reputation in the ultra-luxury segment.

Brand diversification across Admiral, Tecnomar, Perini Navi, and Picchiotti provides multiple market entry points and customer touchpoints. The Tecnomar for Lamborghini collaboration demonstrates innovative marketing approaches that differentiate TISG from traditional yacht manufacturers.

Manufacturing capabilities in Italy provide access to skilled craftsmen and suppliers while benefiting from the "Made in Italy" brand premium that resonates strongly with luxury consumers. The company's integrated approach, including in-house carpentry, upholstery, steelworks, and design capabilities, provides quality control and cost advantages compared to competitors relying on external suppliers.

However, competitive challenges include scale disadvantages compared to larger rivals, particularly in procurement costs and global service network development. The company's smaller size may also limit access to the largest superyacht projects where established relationships and proven track records are essential.

# Financial Analysis and Performance Metrics

TISG's financial performance demonstrates strong operational execution and improving profitability metrics across multiple dimensions. The company's 2024 results show total revenues of €404.4 million, representing 11.0% growth compared to the previous year's €364.4 million. This growth rate exceeds both Sanlorenzo's 10.7% and Ferretti's 5.6%, indicating TISG's ability to gain market share despite its smaller scale.

EBITDA performance has been particularly impressive, reaching €70.3 million in 2024 compared to €61.9 million in 2023, representing 13.5% growth that outpaced revenue expansion. The resulting EBITDA margin of 17.4% positions TISG between Sanlorenzo's industry-leading 19.0% and Ferretti's 16.2%, demonstrating competitive operational efficiency while suggesting room for further margin improvement.

Profitability metrics reveal strong bottom-line performance with net income of €34.1 million, yielding an 8.43% net margin that compares favorably to industry standards. The company's return on equity of 24.1% significantly exceeds typical corporate benchmarks and reflects efficient capital utilization. This ROE level indicates management's ability to generate substantial returns for shareholders while maintaining growth investments.

Working capital management appears well-controlled, with the company maintaining €37.3 million in cash while managing debt levels prudently. The debt-to-equity ratio of 46.58% provides financial flexibility while leveraging the business appropriately for growth. This capital structure supports expansion plans while maintaining financial stability during potential industry downturns.

Revenue composition analysis reveals the importance of new yacht sales as the primary driver, supplemented by refit and maintenance services that provide recurring revenue streams. The company's focus on superyachts over 50 meters commands premium pricing, with average selling prices significantly exceeding industry norms for smaller vessels.

Quarterly performance trends show consistent execution with Q3 2024 revenues of €292 million representing 11.4% year-over-year growth. This consistency across reporting periods indicates sustainable business momentum rather than one-time factors driving annual results.

Cash flow generation has been robust, supporting both operational needs and capital investments in facility expansion and technology development. The company's ability to generate positive free cash flow while growing rapidly demonstrates the quality of the underlying business model and management execution.

Balance sheet strength provides strategic flexibility for potential acquisitions, capacity expansion, or market downturns. The company's asset base includes valuable manufacturing facilities, intellectual property, and brand assets that may not be fully reflected in book value calculations.

Comparative analysis against industry peers reveals TISG's financial efficiency despite smaller scale. Revenue per employee and asset turnover metrics suggest effective operational management, while margin progression indicates successful premium positioning and cost control initiatives.

The company's dividend policy, yielding 4.22% at current prices, demonstrates confidence in cash flow generation while providing attractive income returns for investors. The €0.25 per share dividend appears sustainable based on current earnings and cash flow levels.

## **Valuation Analysis and Price Target Determination**

Our comprehensive valuation analysis employs multiple methodologies to establish fair value estimates for TISG shares, recognizing that no single approach captures all relevant factors for a specialized luxury goods manufacturer. The convergence of different valuation techniques provides confidence in our price target determination and investment recommendation.

Comparable company analysis forms the foundation of our valuation framework, utilizing multiples from publicly traded peers in the luxury yachting sector. Based on Sanlorenzo's and Ferretti's trading multiples, adjusted for size and growth differentials, we derive sector-appropriate valuation benchmarks. The average P/E ratio for luxury yacht manufacturers approximates 13.0x, compared to TISG's current 9.1x multiple, suggesting significant undervaluation.

Applying sector-average multiples to TISG's financial metrics yields the following valuations: P/E-based valuation of €8.37 per share assumes normalization to 13.0x earnings multiple. EV/Revenue methodology, using 1.2x sector multiple, indicates €9.63 per share value. EV/EBITDA analysis, employing 7.5x sector multiple, suggests €10.42 per share. Price-to-book valuation, using 2.5x sector multiple, indicates €7.15 per share.

The weighted average of comparable company valuations yields €8.89 per share, representing 53% upside from current levels. This approach assumes TISG eventually trades at sector-appropriate multiples as the company's scale and market recognition increase.

Discounted cash flow analysis provides intrinsic value estimates based on fundamental business drivers and long-term growth prospects. Our DCF model incorporates 10-year projections with revenue growth rates declining from 10% initially to 3% in the terminal period, reflecting market maturation and competitive dynamics.

EBITDA margin assumptions incorporate gradual improvement from current 17.4% to 18.0% over the projection period, driven by scale efficiencies and premium positioning. This target margin remains conservative compared to Sanlorenzo's current 19.0% achievement, providing upside potential if TISG achieves superior operational efficiency.

Working capital and capital expenditure assumptions reflect industry norms and TISG's growth requirements. CapEx of 3% of revenues supports facility expansion and technology investments, while working capital changes of 2% of revenues account for inventory and receivables growth accompanying business expansion.

Terminal value calculation employs 2.5% perpetual growth rate and 9.5% weighted average cost of capital, reflecting long-term economic growth expectations and TISG's risk profile. The resulting DCF valuation of €14.55 per share represents 150% upside potential and establishes the upper bound of our valuation range.

Sensitivity analysis examines valuation changes across different WACC and terminal growth assumptions. Using WACC ranges of 8.0%-11.0% and terminal growth of 1.5%-3.5%, our analysis yields valuation ranges from €11.40 to €21.01 per share, providing confidence in the robustness of our base case assumptions.

Scenario analysis incorporates different business performance outcomes to assess valuation under varying conditions. Our pessimistic scenario assumes 5% revenue growth, 15% EBITDA margins, and higher discount rates, yielding €10.37 per share. The optimistic scenario incorporates 12% revenue growth, 20% EBITDA margins, and lower discount rates, resulting in €22.99 per share valuation.

Asset-based valuation provides a floor value estimate, considering TISG's manufacturing facilities, brand assets, and intellectual property. While difficult to quantify precisely, the company's specialized facilities and established brand portfolio likely exceed book value significantly, supporting higher valuation multiples.

Sum-of-the-parts analysis examines individual business segments, including new yacht construction, refit services, and brand licensing opportunities. The new yacht business represents the primary value driver, while refit services provide stable, recurring revenues that merit premium valuations due to their defensive characteristics.

Our weighted target price of €10.35 per share incorporates 20% weight each for P/E and EV/Revenue comparables, 30% for EV/EBITDA analysis, 10% for Price/Book



methodology, and 20% for DCF intrinsic value. This weighting reflects our confidence in different methodologies while emphasizing cash flow-based approaches for long-term value creation.

The resulting 78% upside potential from current €5.81 trading levels supports our Strong Buy recommendation, with price targets extending to €14.55 under our DCF analysis. We establish €10.35 as our 12-month price target, representing conservative assumptions about multiple expansion and operational performance.

## **Investment Risks and Risk Mitigation Strategies**

Investment in TISG involves several risk factors that potential investors must carefully consider alongside the compelling growth opportunities and attractive valuation metrics. Understanding these risks enables informed investment decisions and appropriate position sizing within diversified portfolios.

Cyclical market exposure represents the primary risk factor, as luxury yacht demand correlates with global wealth creation and economic confidence among ultra-high-net-worth individuals. Economic recessions, financial market volatility, or geopolitical instability can reduce discretionary spending on luxury goods, potentially impacting order intake and delivery schedules. However, TISG's customer base of ultra-wealthy individuals demonstrates greater resilience during economic downturns compared to broader consumer segments.

Customer concentration risk emerges from the company's dependence on a relatively small number of high-value customers. Individual order cancellations or delays can significantly impact quarterly results, creating earnings volatility that may not reflect underlying business trends. The bespoke nature of superyacht construction means that each customer relationship carries substantial revenue implications.

Competitive intensity within the luxury yachting sector continues to increase as established players expand capacity and new entrants seek market share. Larger competitors like Ferretti and Sanlorenzo possess scale advantages in procurement, marketing, and global service networks that could pressure TISG's market position. Additionally, private competitors with substantial financial backing may pursue aggressive pricing strategies to gain market share.

Operational risks include production delays, quality issues, or supply chain disruptions that could damage customer relationships and brand reputation. The complex nature of superyacht construction involves numerous specialized suppliers and craftsmen, creating multiple points of potential failure. Cost overruns on fixed-price contracts could erode profitability if not managed effectively.

Regulatory and environmental risks are increasing as governments implement stricter emissions standards and environmental regulations for marine vessels. Compliance costs may increase, while changing regulations could require significant investments in new technologies or production processes. Additionally, tax policy changes affecting luxury goods or yacht ownership could impact demand patterns.

Currency exposure affects TISG through both revenue and cost components, as the company operates globally while maintaining Euro-denominated cost structure. Fluctuations in major currencies, particularly the US Dollar, British Pound, and emerging market currencies, can impact competitiveness and profitability.

Key personnel risk reflects the importance of skilled craftsmen, designers, and management in maintaining TISG's competitive position. The loss of critical personnel could disrupt operations or customer relationships, while the specialized nature of the industry limits replacement options.

Liquidity risk considerations include the company's relatively small market capitalization and trading volumes, which may limit institutional investor participation and create price volatility during market stress periods. Additionally, the specialized nature of the business may limit strategic alternatives during adverse conditions.

Risk mitigation strategies include diversification across multiple yacht segments and geographic markets, reducing dependence on any single customer or region. The company's brand portfolio provides multiple market entry points and customer touchpoints, spreading risk across different luxury yacht categories.

Long-term contracts and substantial deposit requirements provide revenue visibility and cash flow protection, while the bespoke nature of products creates switching costs that enhance customer retention. The company's focus on the ultra-luxury segment serves customers who are less price-sensitive and more focused on quality and service.

Operational risk management includes quality control systems, supplier diversification, and contingency planning for production disruptions. The company's integrated manufacturing approach reduces dependence on external suppliers for critical components.

Financial risk management involves maintaining appropriate cash reserves, managing working capital efficiently, and avoiding excessive leverage that could constrain flexibility during market downturns. The company's current capital structure provides adequate financial flexibility while supporting growth investments.

# Investment Recommendation and Strategic Outlook

Based on our comprehensive analysis of The Italian Sea Group's financial performance, competitive position, and market dynamics, we issue a Strong Buy recommendation with a 12-month price target of €10.35 per share. This recommendation reflects the convergence of multiple positive factors including attractive valuation metrics, strong operational performance, favorable industry dynamics, and significant upside potential across various valuation methodologies.

The investment thesis centers on TISG's position as a specialized leader in the rapidly growing luxury superyacht segment, where the company has demonstrated consistent market share gains and operational improvements. The company's ranking advancement to 4th position in the Global Order Book 2025 validates management's strategic execution and market positioning efforts.

Financial performance metrics support the investment case through multiple dimensions. Revenue growth of 11.0% in 2024 exceeded both major competitors while EBITDA growth of 13.5% demonstrated operational leverage and margin expansion capabilities. The company's ROE of 24.1% significantly exceeds corporate benchmarks and indicates efficient capital allocation.

Valuation analysis reveals substantial undervaluation across multiple methodologies. The current P/E ratio of 9.1x compares favorably to sector average of 13.0x, while DCF analysis indicates intrinsic value of €14.55 per share. Even conservative comparable company analysis suggests fair value of €8.89 per share, representing 53% upside from current levels.

Market dynamics provide strong tailwinds for sustained growth. The global luxury yacht market's projected 8.5% CAGR through 2032 reflects underlying drivers of wealth creation and lifestyle preferences among ultra-high-net-worth individuals. The COVID-19 pandemic accelerated trends toward private luxury experiences that appear to have permanent characteristics.

Strategic positioning advantages include brand diversification across Admiral, Tecnomar, Perini Navi, and Picchiotti, providing multiple customer touchpoints and market segments. The company's specialization in superyachts over 50 meters focuses resources on the highest-margin segment while avoiding commoditized competition in smaller yacht categories.

Operational improvements continue to drive margin expansion and efficiency gains. Management's focus on premium positioning, cost control, and capacity optimization has delivered consistent results while maintaining quality standards essential for luxury brand positioning.

Capital allocation priorities appear well-aligned with shareholder value creation. The company's dividend policy provides attractive income returns while retaining sufficient capital for growth investments and strategic opportunities. The balance sheet provides flexibility for potential acquisitions or capacity expansion as market conditions warrant.

Risk factors remain manageable within the context of the luxury goods sector. While cyclical exposure and customer concentration create volatility potential, the company's customer base of ultra-wealthy individuals demonstrates resilience during economic downturns. Operational risks are mitigated through quality control systems and integrated manufacturing capabilities.

Competitive positioning continues to strengthen through market share gains and brand development initiatives. The company's smaller scale compared to Ferretti and Sanlorenzo may actually provide advantages in terms of growth potential and operational flexibility.

Investment implementation should consider position sizing appropriate for individual risk tolerance and portfolio diversification objectives. The company's specialized nature and smaller market capitalization suggest treating TISG as a growth-oriented position within broader luxury goods or European equity allocations.

Monitoring factors include quarterly revenue and margin trends, order book development, competitive dynamics, and broader luxury market conditions. Key performance indicators include market share evolution, brand development progress, and operational efficiency improvements.

The investment horizon should extend beyond 12 months to capture the full value creation potential as the company scales operations and achieves sector-appropriate valuation multiples. However, near-term catalysts including quarterly results and industry developments may provide earlier value recognition opportunities.

Alternative scenarios could accelerate value realization through strategic transactions, given the company's attractive assets and market position. Private equity interest in luxury brands or consolidation within the yachting industry could create premium valuation opportunities.

Our Strong Buy recommendation reflects high conviction in TISG's ability to deliver superior returns through a combination of operational performance, market share gains, and valuation multiple expansion. The 78% upside potential to our €10.35 price target provides attractive risk-adjusted returns within the luxury goods sector.

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