LUISS

Degree Program in Business Administration

Course of Financial Statement Analysis

The Gap Between Market Price and Fundamental Value: An Analysis of Distortions and Determining Factors in Equity Pricing in the EGM Market. The Case of Novamarine S.p.A.

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Academic Year 2024/2025

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Introduction

“I’d be a bum in the street with a tin cup if the markets were efficient” Warren Buffet famously remarked (Buffett, as cited in Thompson, 2016), directly challenging one of the most influential ideas in financial economics: that market prices fully and instantaneously reflect all available information. Long before him, Benjamin Graham,father of value investing, reminded readers that “a stock is not just a ticker symbol or an electric blip; it is an ownership interest in an actual business, with an underlying value that does not depend on its share price” (Graham, 1949/2006). These observations are at the heart of the enduring paradox between market price and fundamental value.

The Efficient Market Hypothesis has provided a normative benchmark, suggesting that securities’ prices converge to intrinsic value and that mispricing is merely temporary (Fama, 1970). However, a vast body of empirical evidence shows that inefficiencies are not anomalies but rather recurring features of modern markets (Malkiel, 2003; Shiller, 1981). Behavioural biases, noise trading, liquidity shortage and structural features are all elements that contribute to the creation of a persistent market-to-fundamental value gap, challenging the premise that prices can be taken as transparent signals of worth (De Long, Shleifer, Summers, & Waldmann, 1990; Black, 1986).

This tension is particularly acute in secondary growth markets, venues specifically designed to facilitate access to capital for high growth oriented SMEs by lowering regulatory and admission barriers, namely the Euronext Growth Milan. While this structure fulfills an essential economic mission, its very structural features such as thin liquidity, concentrated ownership, and low free float requirements eventually result in amplifying inefficiencies, thereby impacting price discovery and magnifying valuation distortions. This paradox is exemplified by the EGM, established to support Italian SMEs, it operates at the intersection of opportunity and fragility. On one hand enabling entrepreneurial expansion, while on the other exposing issuers and investors to amplified mispricing risks, overall making it an ideal setting to study the gap between market price and fundamental value.

To bring these dynamics into focus, this thesis examines the case of Novamarine S.p.A., a Sardinian shipyard specialized in the production and commercialization of high performance

rigid inflatable boats (RIBs), which entered the EGM in 2024. Novamarine's trajectory of growth and strengthened fundamentals following its IPO provides an illustrative ground on which to test how structural characteristics of the EGM potentially shape equity valuation.

The objectives of this research are threefold. Firstly, to define and contextualize the market-to-fundamental value gap through theory and literature. Secondly, to analyse how and which structural features of EGM foster such a gap. Thirdly, to empirically test the incidence of this gap through Novamarine's IPO and subsequent performance, evaluating how intrinsic valuation methods such as the Discounted Cash Flow model and multiples approach compare with observed market price.

Against this background, the central research question emerges:
"The Gap Between Market Price and Fundamental Value: An Analysis of Distortions and Determining Factors in Equity Pricing in the EGM Market. The Case of Novamarine S.p.A."

Chapter 2: Literature Review

2.1 Historical Overview

Markets, in their initial and most essential form, came to exist from the human instinct to exchange, gradually evolving from rudimentary barter to intricate transactions that are the base of current modern economies. This succession highlights not only economic development but also the importance of social and institutional forces that shape how value is created, perceived, and transferred.

The earliest versions of the stock markets trace back to medieval financial practices as early as the 11th century in France with the *courretiers de change* (Rjumohan, 2019). The latter were figures who took care of managing and trading agricultural debt on behalf of banks, making them identifiable as an early version of nowadays brokers; helping in slowly forging an institutionalized system.

In the 13th century, the flourishing of trade was a considerable inhibitor for the creation and consolidation of markets. The crucial juxtaposition of Venetians and Germans as trading giants fostered a dynamic flow of goods through the Low Countries, and managed to transform cities like Bruges and Antwerp into thriving commercial hubs. Innkeepers in such hubs not only had the responsibility of facilitating the trade, but they also gathered information upon arrival of international merchants regarding exchange rates of various major European banking centers, including Paris, Venice, and London. One of the most relevant innkeeping families were the Van der Beurse who ran the “Huis ter Beurze” inn in Bruges, where they hosted assemblies of commodity traders and brokered early economic trades, a role so pivotal that it led to the creation of the word “beurs”, or “bourse” in french, meaning stock market. Thereafter, with the institutionalization of these gatherings in 1409, the first exchange system was created, the Bruges Bourse (The Brussels Times, 2019).

From a contemporary perspective, financial markets have become an omnipresent and indispensable component of modern economies, going beyond just influencing investments and corporate finance but also household wealth and broader macroeconomic stability. Their scope and evolution has expanded from being just informal gatherings of merchants into highly institutionalized global infrastructures. Nonetheless markets have changed and have evolved historically they are still subject to a fundamental paradox of fairness. While on one hand, prices are expected to serve as transparent and accurate reflections of economic value;

on the other hand, they tend to be subject to influences such as volatility, speculation and sentiment, which can ultimately lead to episodic disconnections from fundamentals. These tensions have motivated economics to find systematic explanations of how and to what extent markets actually incorporate information into prices. The following section turns to the Efficient Market Hypothesis, the dominant theoretical approach for evaluating where prices can be considered accurate reflections of firms' fundamental value.

2.2 Efficient Market Hypothesis & Valuation Theory

Having considered the evolution of stock markets as structures for capital allocation and price discovery, we will now examine the theoretical framework that tests to what extent these markets actually reflect all available information, namely, the Efficient Market Hypothesis.

The notion of efficiency in capital markets stands as one of the fundamental cornerstones of modern financial theory. This concept has its roots in the 1960s, with Eugene F. Fama (1970) asserting that “a market in which prices always fully reflect available information is called efficient”. Such markets are characterised by prices that adjust both instantly and unbiasedly to new information, meaning that prices constantly provide accurate signals for resource allocation. This posits stock markets as optimal mechanisms for resource allocations, where, under ideal conditions, prices are expected to equal fundamental values.

Although the theory of Efficient Market Hypothesis dates back to the 1960s, subsequent researchers have continued to refine and expand the concept. Namely, Burton G. Malkiel (2003) in his paper “The efficient market hypothesis and its critics”, defined efficient capital markets as structures in which investors cannot “earn above-average returns without accepting above-average risks”.

Starting with the extent and type of information reflected in asset prices, Fama (1970) identified three forms of market efficiency. A classification which is crucial to assess the effectiveness of how markets process information and the extent to which prices align with intrinsic value.

Firstly, *weak form efficiency* occurs as prices fully reflect all information contained in the history of past prices and trading volume data, leaving only new information to lead future price changes. Accordingly, technical (chartist) analysis, which relies on identifying patterns in historical data to predict future price movements, will likely not yield any significant returns as prices already reflect past patterns and volumes (Nasdaq, 2024). Early empirical tests conducted by Fama supported this form, demonstrating that stock returns follow a random walk process. However, this was challenged by later research that identified

anomalies such as momentum effects, directly targeting the assumption of complete unpredictability of price movements (Jegadeesh & Titman, 2011).

Secondly, *semi-strong form* builds on the same implications as the previous one; however, it assumes that all new public information, such as earning reports, will be priced instantly into the market. In such conditions both technical and fundamental analysis cannot be used to generate excess returns (Nasdaq, 2022). While Fama's research provided evidence for prices reacting promptly to public information, subsequent works by economists such as Ball and Brown (1968) questioned this hypothesis, arguing for the gradual adjustment of stock prices, resulting in delayed price reactions.

Lastly, the *strong form efficiency* involves monopolistic access to all types of information relevant for price formation. Implying that even with insider, non-public information it would not be possible to achieve excess returns (Fama, 1970).

While chartist and fundamental analysis approaches both rely on the assumption of predictability of price movements, the *Theory of Random Walks* in stock market prices takes the opposite point of view; arguing that stock price changes are inherently unpredictable and follow a stochastic process, limiting the possibility for systematic forecasting (Malkiel, 1989). Fama (1965) formalized this theory building on the concept of efficient market, defining it as a market where a large number of "rational profit-maximizers actively compete [...] trying to predict future market values of individual securities, and where important current information is almost freely available to all participants". Within this framework, the actual price of a security will closely reflect its intrinsic value, as all available information is assumed to be instantly and fully incorporated into the price.

As Malkiel (2003) further elaborates, "tomorrow's price change will reflect only tomorrow's news and will be independent of the price changes today". Considering that news is by definition unpredictable, consequent price changes have therefore a statistically random pattern: *a random walk*. Moreover, according to this theory neither technical analysis, nor fundamental analysis would enable an investor to achieve systematically greater returns. Malkiel also distinguishes stock market pricing as being a "voting mechanism" in the short run and a "weighting mechanism" in the long run, concluding that "true value will win out in the end" (Malkiel, 2003). Therefore, while short term prices may be influenced by sentiment and not aligned with intrinsic value, in the long run they will ultimately match the actual fundamentals of the firm.

2.3 Market to Fundamental Value Gap: Definition and Measurement

While in efficient markets, prices are assumed to match intrinsic value, research has demonstrated persistent gaps between market prices and derived fundamental values. This challenges one of the main principles of the Efficient Market Hypothesis regarding market prices as being unbiased estimators of all available information. However, systematic deviations have indeed been found between observed market prices and model-based estimates of intrinsic value. Economists Powell and Shestakova (2017) define the phenomenon of mispricing as outlining "the extent to which prices in a market might deviate from underlying fundamental value". These discrepancies brought to the attention the concept of *market-to-fundamental value gap*, which acts as a practical tool to examine and quantify the extent to which markets effectively and truly reflect economic fundamentals.

Taking into consideration the theoretical assumptions of the Efficient Market Hypothesis, discrepancies between market prices and fundamental values should be temporary and eventually self-correct, as perfect arbitrage mechanisms are expected to restore equilibrium. The latter occurs as informed and rational investors, arbitrageurs, buy and sell assets in different markets taking advantage of price differences to generate a profit (Harvard Business School Online, 2021). Overall this creates a theoretical mechanism that restores prices to fundamentals, ultimately enforcing the EMH's underlying foundation that market prices reflect all available information (Fung, Su, & Zhu, 2010).

However, studies have shown that this mechanism does not always hold in practice. As argued by Fung, Su and Zhu (2010), "the extent to which stock prices reflect fundamental values depends on speed and accuracy of price adjustment (arbitrage) process". These, in turn, depend on factors such as transaction costs and information asymmetries which may act as constraints to speed and accuracy of the arbitrage. This implies that in the presence of these frictions, such as in markets with low trading volumes, mispricing may persist for more extended periods. Furthermore, Fung et al. emphasize how this arbitrage mechanism also depends on both the ability of informed base traders and the presence of non-informed-base traders, namely noise traders; whose actions may "cause prices to deviate away from firm's fundamental values (divergence-promoting factors)".

In order to better understand the way this gap is conceptualized and measured, it is first necessary to define both *market value* and *fundamental value*, and how these two elements differ theoretically and empirically. On one hand, market price is determined by supply and demand dynamics, and it can be verified as the most recent price at which a specific financial

asset was traded (Corporate Finance Institute, n.d.). It is the result of the interaction of various participants in capital markets and therefore depends on factors such as noise and speculation, in addition to fundamental information about a firm. On the other hand, fundamental value refers to the intrinsic and inherent worth of a business based on its fundamentals and future cash flows. While market value reflects what sellers are willing to pay at a specific point in time, fundamental value seeks to estimate the worth of an asset based on its fundamentals, through financial models (Corporate Finance Institute, n.d.).

Brainard, Shapiro and Shoven (1990) proposed an empirical approach to assess the extent to which financial markets reflect a firm's intrinsic value. This is done by investigating the relationship between fundamental rate of return, measured as “the ratio of cash flow to replacement cost” of a firm’s assets, and contrasting it with the observed market return on financial claims representing those assets. Here the fundamental rate of return is used as a tool to reflect the real productivity and profitability of a firm’s assets, independent of stock market speculation or volatility. Additionally, to capture the divergence between the two values Tobin’s q-ratio is used, measuring "the ratio of market value of assets to their replacement cost”. Their findings are a further confirmation of the persistence of this gap as they conclude that “the market rates of return are much more volatile than fundamentals” (Brainard, Shapiro, & Shoven, 1990).

Unlike market prices, fundamental value is not directly observable, and must therefore be estimated through model based approaches. Moreover, most approaches for measuring the market to fundamental value gap involve first deriving the firm’s intrinsic value by using valuation models, to then calculate the difference between observed market price. This difference will then serve as a proxy to finally quantify the gap. Among the most widely used methods to calculate fundamental value is the Discounted Cash flow model (DCF), which values a company by projecting firm’s future cash flows and discounting them to present value by using a specific discount rate that reflects the time value of money and risk (Harvard Business School, 2025). Alternative methods include valuation multiples that evaluate one financial metric as a ratio of another, to facilitate comparison across different firms (Morgan Stanley, 2024). A related approach is valuation by comparables which leverages ratios of similar public companies, listed peers, and uses them to derive the fundamental value of another firm (Damodaran, 2006).

The asymmetry between observable market value and inherently unobservable fundamental value lies at the core of efforts to quantify mispricing. On one hand, market prices are immediate and transparent, on the other hand, estimating fundamental values involves assumptions about the future which introduces a level of uncertainty. Furthermore, analysts can obtain divergent values for the same firm depending on inputs that are being used and how optimistic or conservative the forecasts of different variables are (CFA Institute, 2025). Ultimately, using valuation models will result in a value that is subjective by nature.

2.4 Determinants of Mispricing

While the previous section was aimed at establishing the existence of a market to fundamental value gap, it is now necessary to assess the causes that make this divergence emerge and potentially persist. Moreover, this phenomenon is guided and supported by identifiable and recurring factors that affect both the limits of market efficiency and the mechanism that sustains the market to fundamental value gap. In financial economics and behavioural finance a wide array of determinants have been identified which range from structural frictions, shocks driven by uncertainty, to behavioural distortions.

2.4.1 Noise Trading

Noise can come in many forms. It can be found in shifting tendencies of human expectations, in daily life and even in the structure of economies. Fischer Black (1986) highlights the omnipresence of noise, which can arise both from a small number of large disturbances and, more importantly, from a large number of small disturbances accumulating. It affects business cycles, complicates exchange rates and “makes it very difficult to test either practical or academic theories about the way that financial or economic markets work”.

In financial markets specifically, noise exists as traders act on signals they perceive to be meaningful but that are not. Black defines this as trading “on noise as if it were information” (Black, 1986). On one hand, noise creates liquidity and therefore enables trading in financial markets, but on the other hand it “causes markets to be somewhat inefficient, but often prevents us from taking advantage of inefficiencies" (Black, 1986). This parallelism sustains that without noise there would not be a market, but at the same time, because of noise markets can never be perfectly efficient, ultimately leading to mispricing.

The way in which noise eventually produces mispricing has been investigated by De Long, Shleifer, Summers and Waldmann (1990). They argue that noise traders not only drive market prices away from fundamentals, but they also create noise trader risk. The latter is a

concept introduced by the authors which outlines the risk that mispricing will worsen before it can correct itself. The unpredictable character of noise traders creates additional risk in asset prices, which discourages rational arbitrageurs from betting against them. This will cause prices to "diverge significantly from fundamental values even in the absence of fundamental risk" (De Long et al., 1990). Moreover, this demonstrates that mispricing can persist not only as a result of uninformed traders' activities distorting markets, but also as their very unpredictability will discourage informed investors from correcting the distortion, thereby allowing mispricing to become significant and persistent. De Long et al. further observe that noise traders may earn higher expected return compared to rational investors, thanks to the extensive amount of risk created by their own unpredictability. This counterintuitive result shows how noise destabilises markets even to the extent of weakening the forces that should bring prices back to fundamentals (De Long et al., 1990).

2.4.2 Investor sentiment and behavioural biases

Investor sentiment is the comprehensive spectrum that includes systematic behavioural biases causing investors to deviate from rational considerations. Contrary to the efficient market hypothesis, which assumes the exclusivity of fully rational information processing, empirical evidence reveals the common reliance of investors on institutions, consequently resulting in valuation errors. Given that human behaviour is inherently unpredictable, it nonetheless produces systematic deviations that will ultimately contribute to persistent market inefficiencies. This paradox encloses the foundation of the academic branch of behavioural finance.

Humans and the decision making processes are characterised by innate biases that can be divided into two broad categories (Morgan Stanley, 2023). First is cognitive bias, which stems from the automatic mental shortcuts used to simplify complex information in order to facilitate faster decision making, potentially causing systematic errors in judgement. A very common manifestation of this occurs with confirmation bias which leads investors to seek out information in order to validate their beliefs while ignoring evidence that supports the contrary, thereby supporting misplaced optimism or pessimism about a specific asset. Additionally, anchoring bias causes investors to attach to some specific reference points, namely past stock prices and familiar narratives, even when new information invalidates them, making them obsolete.

By contrast, emotional biases arise as a result of influences the likes of fear, greed or loss aversion, which can manipulate investors into acting instinctively rather than rationally and in accordance with objective information. A strong example of this occurs with loss aversion which is the tendency of individuals to prefer avoiding losses than acquiring an equivalent gain. This can be manifested as an extreme: either with the investor holding onto a declining stock for an extended period of time, or by selling stocks too early. Furthermore, a similar phenomenon occurs with the overconfidence bias which reflects the tendency to overestimate one's own predictive abilities and knowledge, leading to excessive trading and the belief that markets can be accurately timed, even though markets are unpredictable. Lastly, herd mentality bias results as individuals imitate the behaviour of others rather than relying on individuals instinct and independent analysis, often facilitating bubbles when collective enthusiasm drives price beyond actual value (Morgan Stanley, 2023).

Recent research has been conducted with the goal of measuring the effects of these biases on stock markets. Pham, Pham, Pham and Tiwari (2025), do so by constructing a novel index that distinguishes these behaviours and takes into consideration only the irrational tendencies of an individual's behaviour biases as they are the ones that lead to the gap. They define investor sentiment as the "behaviour bias of humans that leads to either noise trading or misvaluation in the stock market" (Pham et al., 2025). Their findings demonstrate that sentiment induced mispricing rather than being idiosyncratic is more systematic, influencing various stocks for prolonged periods of time. Furthermore they show that sentiment driven misvaluations have a time varying character, with short term overpricing often followed by long term reversals. Both of the consequences can be further amplified by market conditions such as investor type and weaker information environment. The fact that sentiment not only can create bubbles but it can also delay corrections demonstrates its contribution to a more substantial mispricing (Pham et al., 2025).

2.4.3 Liquidity and trading frictions

Economic theory offers two main distinct concepts of liquidity. The first one, monetary liquidity has to do with the quantity of liquid assets in the economy and the level of interest rates; while market liquidity refers to the ability of investors to buy and sell securities without triggering large price changes (European Central Bank, 2007). Although there might be relationships between these two types they are usually complex and not direct. Market

liquidity relates to the direct functioning of exchanges and the fluidity of market activities which can therefore alter the valuation of an asset from its fundamentals.

The extent to which a market is liquid depends on three separate dimensions, including: tightness which concerns the width of bid to ask spread, depth which considers the volume of orders available at different price levels, and resiliency which is a measure for the speed with which prices can return to equilibrium after trades. On one hand, abundant liquidity is characterised by narrow spreads, high turnover, rapid price recovery and allows markets to incorporate information in a quick and efficient manner. On the other hand, market illiquidity occurs with limited trading, wide spreads and high transaction costs. Under such conditions, even relatively small trades can have a disproportionate influence on prices, further causing temporary but significant deviations from fundamental values. (European Central Bank, 2007)

This mechanism is further reinforced by recent empirical research aimed at recording the extent to which liquidity affects stock prices. Huber (2023) challenges the benefits of short selling attributing it to "overpricing among illiquid stocks and to a lesser extent underpricing among liquid ones". Furthermore, he argues that the driving force behind overpricing among illiquid stocks is arbitrage asymmetry. Particularly, with high trading costs and short selling frictions, arbitrageurs may be unable to correct mispricing effectively and, as a result "inflated market prices may be prevented from reverting to their fundamental values" (Huber, 2023). This implies that mispricing might persist for longer periods of times in illiquid stocks, contrarily to liquid ones where arbitrage is facilitated.

Ultimately, liquidity acts both as a background condition of trading but also as a fundamental determinant of price formation which further establishes the magnitude of deviations from fundamental values.

2.4.4 Short-sale constraints

A very important feature that enables the correct functioning of market mechanisms is short selling. The theoretical role of this element is to enable arbitrageurs to correct overpricing or react to news flows by targeting inflated valuations, making it a crucial element for achieving market efficiency. It can be thought of as allowing the investor to "bet on a fall in stock prices" (Anufriev et al., 2013). However, in practice, the process of short selling is often

subject to a number of legal restrictions and additional trading costs, which limit the ability of arbitrageurs to restore the equilibrium condition.

Anufriev and Tunistra (2013) analyzed the consequences of restrictions on short selling in a heterogeneous agents model of financial markets, where investors are assumed to follow a fundamentalist or chartist strategy. They do so through the introduction of short selling constraints by imposing trading costs in the case in which the asset is short sold.
Their results show that, while on one hand such costs do not affect the existence and local stability of the fundamental equilibrium, on the other hand they do significantly affect the price dynamics. Consequently, this suggests that when assets are overvalued, restrictions on short selling destabilise financial markets leading to increased volatility and higher degree of mispricing for the asset. Constraints on this determinant therefore inhibit the ability of markets to eliminate overpricing, prolonging deviations from fundamental values and further supporting bubbles and crashes (Anufriev et al., 2013).

This demonstrates that, although limitations on short selling are often introduced with the aim of promoting stability, they can actually weaken the corrective arbitrage mechanism, indirectly encouraging mispricing.

Ultimately, from the earliest versions of the “bourse”, markets have always been conceived as mechanisms through which prices act as the most direct reflection of underlying value. This was further reinforced as theories of financial economics evolved, most notably through the work of Fama and subsequent economists, who reinforced this view and argued for markets being the means for efficient allocation of capital with prices converging to intrinsic worth. However, while this theoretical framing under the Efficient Market Hypothesis provides the normative and ideal benchmark of efficiency, both the definition of the market to fundamental value gap and the evidence of its determinants highlight the persistence of mispricing as a structural feature of financial markets. As previously established, these dynamics are not uniform across all trading venues, nevertheless they tend to intensify in markets where liquidity is rather thin, information asymmetries are more pronounced and ownership is concentrated. Against this background, the Euronext Growth Milan stands out as an especially significant context for analysis, being a market specifically designed for growth-oriented SMEs, yet these characteristics that facilitate access to capital may simultaneously amplify valuation distortions. In the following chapter there will be an in-depth examination of the EGM, positioning it as the empirical ground on which the theoretical mechanisms discussed thus far manifests in practice.

Chapter 3: The Euronext Growth Milan (EGM)

Building on the theoretical foundations outlined in the previous chapter, this section turns to the empirical setting of the Euronext Growth Milan. Being Italy's dedicated market for growing SMEs, it provides a fertile ground on how its structural features could influence valuation outcomes. The chapter first frames the origins, role and development of the market, to then move on to the analysis of its distinctive characteristics and their implications for the market to fundamental value gap.

3.1 Role, Origins and Market Size

3.1.1 Origins

The Euronext Growth Milan (EGM) is the Italian Multilateral Trading Facility (MTF) dedicated to Small and Medium-sized Enterprises (SMEs) characterised by high growth potential. It was originally launched in 2009 as "AIM Italia", which in 2012 merged with the Alternative Capital Market (MAC), with the aim of rationalising Italy's fragmented alternative trading platforms into a single market designed for dynamic SMEs in growth (Dipartimento di Economia Aziendale & Banca Finnat, 2025). Subsequently in 2021, following the acquisition of Borsa Italiana by the Euronext Group, AIM Italia was rebranded as Euronext Growth Milan.

3.1.2 Role as an Alternative Growth Market

The EGM was designed as an alternative growth market, functioning as a bridge between private capital and the regulated segments of Borsa Italiana. Its characteristics reflect the focus on SMEs by imposing lighter admission and compliance requirements, thereby limiting significantly barriers to listing. For instance, the minimum free float requirement for the EGM is fixed at 10%, while for the STAR segment of Euronext Milan it is 35% (KT&Partners, 2025). Similarly, it is also characterised by simplified disclosure obligations granting issuers a greater level of flexibility. Overall these features contribute in establishing an environment particularly suited for entrepreneurial firms seeking visibility and access to capital that at the same time can retain more control over their organisational and financial structure.

Although on one hand, the EGM offers a simplified framework for SMEs, at the same time it is a market largely exposed to structural limitations including reduced levels of liquidity, greater volatility and higher sensitivity to investor sentiment. The combination of all the latter characteristics can overall contribute to potential valuation distortions as previously discussed.

3.1.3 Market Size and Development

Since its inception, EGM has gradually consolidated its role. While its size is still limited compared to regulated markets, its expansion has been significant, both in terms of number of listed companies and aggregate capitalisation. This is reflected to a great extent by the trend in initial public offerings (IPOs), a measure of the market's ability to attract new issuers, as shown in Figure 1. In the period between January 2018 until June 2024, there have been registered 178 IPOs, with annual flows ranging from 19 in 2018 to a peak of 42 reached in 2021. There is a significant contrast between the IPOs during the Pandemic, which amounted to 21 and the subsequent peak the following year, which demonstrates renewed investor sentiment. However, in recent years it is possible to see a moderation in IPO activity, with only 8 IPOs for the first half of 2024.

A slight contraction also occurred with capitalisation which amounted to €7.9 billion in April 2024, later decreasing to €7.8 billion in April 2025. Nonetheless, market concentration of the top ten companies reached a combined market capitalization of €2.4 billion, a significant increase from the €1.8 billion of the previous year (KT&Partners, 2025).
Ultimately, by combining lighter regulatory requirements with the visibility of a public listing, this market proves itself as a significant tool for firms wanting to expand in their operations and also gain an international outlook.

3.2 From Access to Asymmetry: How EGM's Design Shapes Price Formation

The distinctive features of the Euronext Growth Milan reveal a dual nature, where on one hand they underscore its role as a growth-oriented market, whilst on the other they simultaneously introduce structural conditions that increase the occurrence of valuation distortions. These characteristics interact in a causal succession starting from the specific design features of admission shaping firm traits, which in turn influence the investor base and information environment, ultimately constraining liquidity and anchoring market prices less to fundamentals and more to speculative or transitory dynamics.

3.2.1 Illiquidity and Thin Trading Volumes

Firstly, illiquidity can be defined as the core structural challenge across the Euronext Growth Milan market, shaping its pricing dynamics and amplifying valuation distortions. Recently, there has been a broader recovery in trading volumes across European exchanges, with Euronext Milan reaching a 37% year on year increase in total turnover only in the first four months of 2025. However, despite an increase in the number of listed firms, in that same period the EGM recorded the only negative performance among Italian equity segments, with trade value approaching a decrease of 27% from one year to the other (KT&Partners, 2025). This further affected also the most actively traded stocks on the market resulting in average daily countervalue among the top five listings falling by 20%.

In addition, average daily turnover per company dropped to €36,000, with a median of just €18,000, much lower values compared to those observed in STAR or Euronext Milan peers of similar size. As demonstrated in Figure 2, between 2018 and 2024 the turnover of EGM securities remained consistently marginal compared to Small Cap and Mid Cap indices. This further confirms the liquidity gap that resulted in a cumulative traded value of only €17.97 billion for the EGM, against €64.24 billion for the FTSE Italia Small Cap and €272.76 billion for the Mid Cap (Dipartimento di Economia Aziendale & Banca Finnat, 2025).

Such thin trading implies that even with smaller buying or selling orders, they can trigger disproportionate price movements, implying that observed market values often reflect short-term liquidity dynamics rather than fundamental performance.

3.2.2 Free Float and Ownership Concentration

Furthermore, underlying this liquidity fragility is the low free float of listed companies. Being tailored for small to medium size enterprises, Euronext Growth Milan's admission rules permit an entry with a lower free float of only 10% of share capital. Between 2018 and 2024, the average free float at IPO was 23.7%, with many issuers opting for the minimum 10% required for admission (Dipartimento di Economia Aziendale & Banca Finnat, 2025). In 2023, following a modification of EGM Regulation specifying that at least 7.5% of free float must be subscribed by five institutional investors, with the aim of increasing the number of potential investors and facilitating larger fundraising (KT&Partners, 2025). However, these adjustments did not alter the overall picture of concentrated ownership. With such a limited proportion of shares available for trading, the structural constraints to price formation and valuations are as a result more affected by shifts in minority investor demand.

3.2.3 Small Capitalization and Visibility

These dynamics are enhanced by the nature of issuers, having a small capitalization. As we previously established, the majority of firms listing on EGM have very low capitalizations, specifically 82% of IPOs between 2018 and 2024 involved companies valued at €50 million or less, with very few that exceeded €100 million. This is highlighted by Figure 3, which shows that more than half of issuers (52.3%) entered the market with a capitalization below €25 million, while an additional 29.8% corresponds to the €20-25 million range (Dipartimento di Economia Aziendale & Banca Finnat, 2025). Smaller sized firms overall have a lower visibility and are generally more sensitive to speculative flows, contributing to frequent divergence between market valuations and intrinsic value.

3.2.4 IPO Structures and Financial Engineering

In addition to the small capitalization of firms, another relevant element is the specific design of IPO structures. More than half of IPOs in the period from 2018 to 2024 were characterised by free warrants and several included Bonus Shares to early investors (KT&Partners, 2025). The latter granted investors the right to receive additional shares free of charge upon meeting certain holding requirements. Recently, this tool was applied on to a limited number of companies and its use has been progressively reduced. Nonetheless, such incentives, while broadening initial demand, they dilute risks, leading to pricing outcomes that depend more on financial engineering than on the companies' fundamentals.

3.2.5 Information Asymmetries and Research Coverage

Another structural barrier is created by the presence of information asymmetries. The information environment of European financial markets is regulated by the European Union Markets in Financial Instruments Direct II (MiFID II), it lays down fundamental organizational and market transparency requirements, aiming at promoting robust and efficient financial markets (Eurosif, n.d.). Furthermore, introduced in 2018, this Directive also establishes interactions between financial advisers and asset managers with clients, to ensure their preferences are taken into consideration during the investment process. Specifically, the MiFID II established the principle of Research Unbundling, which separates research costs from trading commissions, therefore, it requires investors to pay analysts to research, rather than receiving it bundled in brokerage services (Amzallag et al., 2020). While this measure was aimed at enhancing transparency and investor protections, it raised concerns on the potential detrimental effects for the availability and quality of company research in the

EU. Furthermore, coverage of less economically viable SMEs declined sharply, leaving many EGM firms with limited analyst visibility. Moreover, EGM rules require each issuer to appoint a specialist that produces at least two research reports per year, including target-price estimates; because these reports are issuer-commissioned, they may involve a bias towards the company's interest, thereby deepening structural information asymmetries (KT&Partners, 2025). Ultimately, the scarcity of independent research unintentionally reduces visibility of SMEs companies and increases information asymmetry as market prices become more easily influenced by sentiment and reports sponsored by issuers, thereby amplifying the gap.

3.2.6 High Delistings Rates and Market Transience

Finally, the EGM can be considered as a transitory market and therefore characterised by high delistings rates. Between 2018 and 2024 a total of 55 delistings occurred, and only in the first five months of 2025 there were 10 delistings, overcoming the number of IPOs. As it is possible to see in Figure 4, delistings remained relatively low from 2014 until 2021 and subsequently increased, reaching a peak in 2023 with 16 delistings. The reasons for delisting are various, such as takeovers but can also occur through voluntary exits. The last case is typically motivated by perceived undervaluation, with companies showing a -49% average stock performance in the three years preceding their delisting (KT&Partners, 2025).

Ultimately, it is due to the interplay, not just coexistence, of factors such as persistent liquidity, low free float, low capitalization, information asymmetries and elevated delistings that drive persistent diverges between market price and firm's fundamental values on EGM. Even though it is primarily designed to lower entry barriers for SMEs, the structural characteristics of the market simultaneously weakens price discovery. Thin free floats and small firm size amplify the impact of shocks, issuer-commissioned research acts as a constraint to independent price signals, and frequent delistings shift expectations towards short term rather than long term for investors.

3.3 Mispricing Mechanisms in Practice: Linking Market and Firm

As we have analyzed throughout the chapter, Euronext Growth Milan embodies a paradox central to modern capital markets. Being ideated as a platform to facilitate access to capital and as a result foster the growth of SMEs, its very design simultaneously introduces structural characteristics that make it particularly prone to misalignments in valuation. While

on one hand, by lowering regulatory requirements and facilitating entry, the market fulfills its mission of supporting entrepreneurial expansion; on the other hand, its exchanges are characterized by thin liquidity, concentrated ownership, and reduced information flow all contributing to an environment more prone to distortions between market prices and fundamental values. This juxtaposition between its role and the consequences that arise from it, situates EGM as a unique environment for observing how mispricing occurs in practice.

Nevertheless, while it is possible to individuate these factors at the aggregate level, to be able to fully understand them, it is necessary to examine them through the lens of individual issuers. Market-level indicators reveal patterns of volatility, information asymmetries and short-termism, but it is at the individual firm level that the interplay of these structural constraints and company fundamentals becomes most visible. A single firm's trajectory not only reflects the opportunities provided by EGM but also exposes the pressures and distortions inherent to its trading environment.

Consequently, the following chapter turns to the case of Novamarine S.p.A., a recently listed company whose positioning in the luxury and professional nautical sector offers a good spectrum for analysis. By studying this case, the broader theoretical determinant of mispricing discussed in Chapter 2 and the structural conditions of EGM outlined in Chapter 3 converge, enabling a more in depth exploration of the mechanisms that shape equity pricing in secondary growth markets.

Chapter 4: Novamarine S.p.A.

4.1 Company Overview

Novamarine S.p.A. is a Sardinian based shipyard specialized in the design, production and commercialization of high performance vessels under both the pleasure and professional segments with lengths within 30 metres. Moreover, the company adopts a fully integrated business model by providing customer support over their product's entire life cycle, through its wholly owned subsidiary Novamarine Service.

4.1.1 The Origins

The origin of Novamarine's brand dates back to 1983 in Olbia, during the strong development of the leisure nautical market, with the launch of the first boats featuring flexible hulls and inflatable tubulars. The company quickly adapted to the market and moved beyond traditional rubber fabric structures by adopting fiberglass hulls in the mid-1980s, thereby redefining performance standards in small boats (Novamarine Website, n.d.). By the late 1980s and early 1990s thanks to its rapid innovative approach, hundreds of units were produced annually, positioning Novamarine as a pioneer in the industry. During this period, Novamarine's vessels also gained recognition as chase boats, establishing their reputation as tenders for prominent yachts.

The second half of the 1990s was characterised by the introduction of a solid foam-filled tubular, a major innovation that continues nowadays to be a hallmark of the brand and a distinguishing element for both pleasure and professional vessels. In the early 2000s, Novamarine continued to refine its design philosophy which brought to the launch of larger and more sophisticated models combining speed, safety and innovation.

4.1.2 Corporate Evolution and Recent Developments

In 2013 the brand was acquired by SNO Group, an Italian shipyard offering comprehensive yacht services including dry docking, sales of new and pre-owned yachts, maintenance, repair services and refitting. Novamarine was incorporated to the company B-Shiver S.r.l established in 2008, thanks to which it combined expertise and professionalism, injecting momentum that paved the way to even more ambitious projects beyond 20 metres. Furthermore, in the following years the product portfolio expanded together with the target

clientele towards the professional vessels segment with important commissions to public authorities such as the Qatari Coast Guard.

August 1st 2024 represents a key milestone as Novamarine S.p.A. was admitted to trading on Euronext Growth Milan stock exchange. This IPO enabled the brand to enhance both its visibility and its access to capital, providing resources to sustain its growth trajectory and strategy. Furthermore, in 2025 the company announced the acquisition of Tornado Yachts, an iconic Italian rigid-hull luxury vessels brand, overall allowing the group to expand its market reach and customer base (Il Sole 24 Ore, 2025).

Today, Novamarine operates from two main sites in Olbia, including the Su Arrasolu shipyard, which serves as main production hub, and Cala Saccaia, which is dedicated to maintenance and storage. By combining artisanal know-how with advanced technologies, the company is able to deliver completely customizable vessels that demonstrate its longstanding identity of excellence, innovation and performance.

4.2 Products and Business Segments

4.2.1 Business Model Overview

Novamarine operates through a vertically integrated business model, ensuring direct control over the entire value chain of the product (Novamarine S.p.A, 2024). This grants continuous monitoring from the design to the after sales maintenance and repairing services. This aspect is particularly important for the type of product, ensuring uniformly high quality, safety standards, and most importantly high levels of customization across all vessels.

The business model is articulated in different phases which mainly differ according to line and type of vessel that is being produced. For what concerns the Pleasure Line, Novamarine employs a semi-custom production model. In this case, production scenarios are determined annually based on demand forecasts, market feedback and emerging trends. On the other hand, the Professional Line is operated on a contract based system, where vessels are produced customized to technical requirements set by institutional clients. While the two product lines are operated in distinct ways, the business model is complemented in both cases by Novamarine Service, which takes care of maintenance, refitting, resale and after sale services as it is possible to see in Figure 5.

4.2.2 Pleasure Segment

As previously mentioned, the production is divided into two main segments that satisfy the need of different customer categories. The first one is the Pleasure Segment which represents Novamarine's main revenue driver, accounting on average for 80% of revenue in recent years (Novamarine S.p.A., 2024). The first and most produced line of vessels in this segment is the BS (Black Shiver) Line, representing the flagship series, it aims at combining comfort with high performance engines, overall ranging from 8 to 22 metres in length. Secondly, the RH (Rigid Hull) Line is distinguishable for its simplicity and therefore maneuvrability thanks to its hull-tubular design which is versatile and suitable for both leisure and professional use. Lastly the HD (Heavy Duty) Line is designed for being more sporty and dynamic, to support extreme conditions, with a maximum length of 12 metres.

Considering that Novamarine vessels from the Professional segment can serve both as primary boats and as chase boats for larger yachts, the target clientele is composed of ultra-high-net-worth individuals (UHNWI) and very-high-net-worth individuals (VHNWI), (Novamarine S.p.A., 2024). This positions Novamarine in the spectrum of luxury goods, where purchasing decisions are usually guided by lifestyle aspirations and broader luxury consumption trends.

4.2.3 Professional Segment

The Professional segment, while it contributes to a smaller part of revenues compared to the Pleasure segment, it serves a strategically significant niche within Novamarine's portfolio. It is focused on the design of vessels for military and civil use, including uses such as patrol, rescue, and surveillance operations. The high level of customization is crucial as the boats are managed every step of the way in collaboration with the institutional buyers to make sure that they satisfy and meet every requirement and specific operational need. Furthermore, the Novamarine defense model of 12 metres, is to date the only project of such size to have been recognised by the Italian Naval Registry as a *fast patrol vessel* due to its compliance with the safety and performance standards required for carrying out military tasks (Novamarine S.p.A., 2024).

Recent contracts include vessels for the Qatari Coast Guard as well as the Italian Ministry of the Interior. Moreover, the intended clientele for this segment mainly consists of institutional buyers such as armed forces, coast guards and civil protection services. Differently from

luxury clients, institutional demand tends to be less sensitive to short term sentiment however it does depend on public budgets and geopolitical conditions.

4.3 Strategic positioning and industry context

Having examined Novamarine's internal profile, it is now necessary to analyze its positioning within the broader competitive and nautical industrial environment.

4.3.1 Market of Reference

As previously seen, the company's main sources of revenue derive from two main markets of reference; establishing a duality which views on one hand luxury consumption by ultra wealthy individuals, and on the other hand, institutional demand by governments and public authorities as independent drivers of the company's revenue.

In reference to the luxury market, common trends have shown how global wealth is set to increase at a steady rate, with 680,000 new millionaires formed in 2024, and an additional 5.3 million forecasted by 2029 (UBS, 2025). Furthermore, the exponential luxury segment growth between 2019 and 2023, was propelled by high spenders, which although only accounted for 2-4% of consumers, drove over 40% of this growth in the luxury market. Thus meaning, a rise in wealth rate will indirectly lead to a consequent increase in Novamarine's target clientele. Moreover, the shifting trend of high-spending consumers demonstrates a clear move from luxury as a simple good toward personalized experiences and emotional value. The modern luxury consumer increasingly seeks personalization, as well as emotional and cultural connection, which places high-end products such as those under the Black Shiver Line in a favorable position, particularly when accompanied by the brand's attention to delivering a tailored and distinctive ownership experience (Bain & Company, 2025).

In reference to the professional market, recent Global trends highlight the increasingly high and unprecedented levels of military expenditure, surpassing USD 2.7 trillion in 2024, marking an increase of 9.4% over the previous year and the highest annual rise since the end of the Cold War (Liang et al., 2024). This increase can be considered an opportunity for the prioritisation of the security markets, particularly for maritime security, as a result of geopolitical tensions which shift Global focus on renewed greater power competition. Consequently, defense budgets rose by 17% and 15% for Europe and the Middle Eastern

respectively, underscoring the widespread emphasis on strengthening coastal and naval tactical defense assets.

Overall these trends and increase in defence investments generate a favorable environment for Novamarine's HD line, specifically designed to meet the operational requirements of institutional individuals. Unlike the cyclical nature of luxury consumption, defense procurement follows multi-annual budget allocations that provide greater visibility and stability, although on the other hand, it has a more competitive and regulated environment. Moreover, this increasing demand can be considered a substantial opportunity for Novamarine to leverage its specialized vessels from the Heavy Duty line, engineered for adaptability to extreme conditions, speed and maneuverability.

4.3.2 Sector of Reference

In order to contextualize the company's industry positioning, it is necessary to distinguish between the broader luxury nautical sector and the specific niche in which the company operates. Even though Novamarine shares its target clientele with major shipyards whose main products are luxury yachts, these players cannot be considered direct competitors. The main differentiating factor is the core business: which on one hand consists in the production of superyachts, whereas in the company's case it lies in high performance rigid inflatable boats (RIBs). Additionally, it is important to consider that Novamarine vessels are frequently used as chase boats, thus serving as complements to yachts rather than substitutes. Ultimately, the company's sector of reference is best identified within the pleasure boating industry, a specialised segment which is connected but does not directly overlap with the luxury yacht market.

Over the past decade, the superyacht sector has experienced significant growth in global revenues, reaching €10.5 billion in 2023, which corresponds to a 6.1% increase compared to the previous year (SuperYacht Times, 2024). As illustrated in Figure 6, Italy has consistently maintained a dominant share of Global superyacht orders, accounting for close to half of the total production between 2016 and 2025, having supplied 572 yachts out of a total of 1138 worldwide. One of the most important elements that carried this performance is the substantial strength of Italian exports, amounting to a total value of €4.5 billion in September 2024, consolidating Italy's position as the world's leading exporter of yachts and vessels (Confindustria Nautica, 2025).

However, recent studies have shown that following this exceptional performance the sector has entered a phase of gradual normalisation. This can be also seen with the increase of exogenous pressures such as interest rates, which still pose a threat even subsequent to reductions from the European Central Bank. Other concerns emerged because of tariffs, and the potential consequences that they could bring in terms of costs and supply for the yachting industry, which is particularly relevant as the United States constitutes the most important market for this type of goods. Consequently, exports from the United States to Italy have doubled over the course of the current year, compared to the previous one. (Confindustria Nautica, 2025)

Despite these risks, the overall vision for the Italian boating industry remains positive, supported by continued resilience in the luxury segments, where demand is tied to HWNI and it therefore tends to be less sensitive to macroeconomic downturns.

4.3.3 Competitive Landscape

As previously established, Novamarine operates within a highly specialised competitive segment defined by producers of Maxi-RIBS and luxury tenders, vessels characterised by a rigid hull and of considerable dimensions. Unlike the broader superyacht segment, this niche attracts a limited number of operators whose main focus is to differentiate themselves through technical innovations, design distinctiveness, and the ability to serve an exclusive customer base.

Within this landscape, key players include G-Tender, Magazzù, Pirelli Tecnorib, Sacs Marine, and Technohull. Such firms have all developed a strong reputation in the high-performance tender category, often competing on elements such as speed and aesthetic appeal. Novamarine, however, stands out from its competitors primarily for the use of foam-filled tubulars, a significantly innovative feature that enhances stability and robustness, ensuring reliable performance, even in more adverse maritime conditions, and which remains hard to replicate by competitors. Moreover, Wally Tender, produced under Ferretti Group's Wally brand, can be considered Novamarine's closest competitor, given that they fulfill the same functional use as boats for larger yachts. Therefore, unlike other players that tend to be lifestyle-driven, Wally tenders positioning makes it the most direct substitute in this specific niche.

The competitive map (Figure 7) shows operators' positioning according to their average EBITDA margin and absolute EBITDA over the last three years, with relative scale being

indicated by size of the bubble. From this illustration it is clear to see that there are two main strategic approaches in this niche. The first one can be considered focused on scale, with players such as Axopar and Bluegame, who achieve a high absolute EBITDA through larger production volumes. On the other hand, are players that tend to be more specialists, such as Novamarine, which has one of the highest EBITDA margins in this category. This characteristic shows how its technological distinctiveness can bring pricing power and superior cost per unit.

4.3.4 SWOT Analysis

Having considered Novamarine's internal and external environment it is now possible to complete a comprehensive assessment on its strategic positioning within its sector. The company's most significant strength can be considered its technological differentiation and its fully integrated production model, enabling it to control the quality of the product at every stage. Furthermore, thanks to its business model it is also possible to achieve an extensive level of customization, which constitutes another important strength particularly in satisfying the needs of ultra-high-net-worth clients.

Nevertheless, there are certain weaknesses that are tied to the industry and the business model. In particular, demand for leisure vessels is highly seasonal which inevitably brings fluctuations in sales volumes throughout the year. Furthermore, although its technologically advanced materials are one of the company's main strengths, the reliance on a limited pool of suppliers for such materials can reduce its bargaining power and can potentially disrupt the supply chain.

Current external environment trends can be considered opportunities if approached strategically by the company. As previously seen the number of UHNWI is expected to continue growing, indirectly sustaining the demand for high-performance chase boats, reinforcing Novamarine's strategic link to the superyacht sector. On the other hand, there are opportunities also for the professional sector, given by geopolitical tensions which can translate into increased spending on surveillance and defence vessels, enabling the company to further consolidate on that segment.

Finally, Novamarine's main threats are posed by its competitors in the two segments. The professional market is monopolistically governed by Zodiac Milpro and therefore is difficult to penetrate. Similarly, in the luxury niche Wally Tender can pose a threat as it can be considered the closest direct competitor.

4.4 Financial Overview

In order to proceed with the company's valuation it is important to first take a glimpse into the company's financial position's evolution over the past couple of years. By analysing Novamarine’s recent financial performance it is possible to see that it is in a phase of strong expansion, supported by growing demand in both the pleasure and professional segments. As shown in Figure 8, revenues have grown consistently, rising from €20.9 million in 2022 to €24.8 million in 2023 and further €26.6 million, amounting to a 12% increase from one year to the next. The latter growth can be primarily attributed to the sale of a greater number of larger boats, which rose from 30 to 36 units in 2023, thereby contributing more significantly to revenues given their larger profit margins. Improvements can also be seen for EBITDA as it stands at €5.7 million in 2024, corresponding to an increase of 16% compared to the previous year’s value of €4.9 million. This is overall further supported by an improvement of EBITDA margin from 10.6% in 2022, reaching 21.3% in 2024. Moreover, net profit is equal to €2.4 million in 2024 totaling a 65% increase compared to €1.5 million in 2023. Additionally, the net financial position has substantially decreased by €6.7 million, given the resources raised during the IPO phase, which amounted to €9 million.

Chapter 5: Valuation Methodology and Analysis

While the financial overview presented in the previous chapter gives a solid foundation to evaluate Novamarine's operational success, it however does not fully capture how the market translates these fundamentals into equity valuation. Consequently, building on the recorded strong growth trajectory and improved profitability, the following turns to valuation methodologies, aiming to bridge the analysis of financial statements which dynamics of market pricing.

5.1 Methodological Framework

In order to assess the extent to which Novamarine's market price accurately reflects its fundamental value, two complementary valuation methodologies are adopted: the Discounted Cash Flow (DCF) model and the market multiples approach. A combination of both successfully provides a comprehensive understanding of the potential gap, as each contributes with a distinct analytical lens through which to evaluate the company.

The DCF model is aimed at estimating a company's intrinsic equity value, by discounting its projected future free cash flows to equity (FCF) and taking into consideration the time value of money principle (Harvard Business School Online, 2025). This methodology involves further financial models that are used in determining the appropriate discount rate, such as the cost of equity and the weighted average cost of capital (WACC). The estimation of such discount rate is critical, as the DCF relies on future performance estimates and is therefore highly sensitive to even small assumption changes (CFA Institute, 2025). Nonetheless, this method is particularly relevant for Novamarine which is undergoing an expansionary phase, as the DCF captures growth trajectories that may not yet be fully incorporated in the market price.

By contrast, an alternative but complementary approach is pricing companies through valuation multiples. The latter are measurement tools aimed at evaluating one specific financial metric as the ratio of another, ultimately making it easier to compare different companies. The numerator of most commonly used multiples include the current price of equity or the net price value of the firm, while the denominator usually represents earnings or cash flow that the company has recently earned or is expected to earn in the near future.

Overall, the comparison of these determinants takes into consideration both the long term prospect of the company through the numerator, as well as the short term with the denominator (Morgan Stanley, 2025). Therefore, by benchmarking Novamarine against comparable listed peers in the nautical and luxury segments, it is possible to assess how the market currently values similar companies, providing insights into sector-level specific pricing dynamics and investor sentiment.

Ultimately, the combination of these two methodologies is essential for this analysis. On one hand, with the discounted cash flow it is possible to isolate Novamarine's intrinsic drivers of value and long-term growth potential, while multiples are useful to frame the company within its competitive context, to highlight how the market perceives and prices comparable businesses. Employing both methodologies is crucial also to mitigate the limitations that characterise each approach singularly and at the same time improve the quality of the analysis.

5.2 Financial Statement Diagnostics

Before moving on to the valuations, it is necessary to assess in greater depth Novamarine's recent financial performance and analyst projection, in order to establish a robust foundation on which to base the DCF and multiples approach. This section is therefore aimed at examining the company's revenues dynamics, profitability and balance sheet development, to then analyse how these outcomes frame assumptions for the subsequent valuation models.

5.2.1 Revenue Mix and Growth Drivers

According to Banca Finnat (January 24, 2025), Novamarine's revenues have continued to expand at a double-digit pace, reaching a total of €27.6 million in 2024, which corresponds to a 11.2% increase compared to the previous year, as it is possible to see in Table 1. However, this growth is not attributed to a higher number of deliveries, which indeed declined from 34 units in 2023 to 30 in 2024, but rather by a positive shift in the product mix (TP ICAP Midcap; January 27, 2025). Consequently, a higher proportion of larger and therefore more profitable vessels were sold, accounting for over 90% of sales in 2024, carrying significantly higher margins and offsetting the decline in unit volumes. By focusing more on high value vessels the company manages on one hand to enhance its profitability in the short term, and it

also simultaneously increases reliance on a more niche segment of demand, thereby decreasing exposure to cyclical fluctuation in the sector (Banca Finnat, January 24, 2025).

5.2.2 Profitability and Margins

By analysing Novamarine's financial performance from 2022 to 2024 it is possible to detect a trajectory of strong growth and increasing profitability. Furthermore, the revenue shift towards larger vessels is directly reflected in profitability dynamics. As Figure 9 shows, EBITDA saw a substantial year over year increase of €2 million in 2024, reaching a total value of €6.039 million, further surpassing analysts expectations of €5.8 million. A positive trend can also be seen for the EBITDA margin, which further improved by 570 basis points to reach a value of 21.9% (Banca Finnat; January 24, 2025). Net income similarly saw a significant expansion, precisely growing by 90.4% to €2.789 million, compared to €1.465 million in 2023 and surpassing the expected €2.5 million. These improvements overall demonstrate an enhanced operational leverage, supported by scale efficiencies and careful cost management together with a premium sales mix (Banca Finnat, January 24, 2025; TP ICAP Midcap, January 27, 2025).

5.2.3 Balance Sheet and Strength of Cash Flow Dynamics

Novamarine's balance sheet experienced a considerable structural strengthening following its IPO, which significantly reinforced the company's overall financial profile. Furthermore, the company moved from a net debt position of €7.6 million at the end of 2023 into a net cash position of €3.1 million at the end of 2024. This improvement can be primarily attributed to the proceeds from the August 2024 IPO listing, totaling to a value of €9 million proceeds, which successfully de-risked the company's financial profile. In addition, net equity increased over the same period from €10.458 million to €24.514 million, more than double the initial amount, further supported by a €13.491 million share premium reserve from the capital increase given by the IPO.

Nonetheless, despite the improved capital structure, TP ICAP Midcap (January 27, 2025) reported that free cash flow was negative in 2024, amounting to -€6.9 million. Such value can be attributed to an outflow in working capital of €5.8 million, related to the timing of payments for larger vessel deliveries, together with €5.7 million in capital expenditures (CapEx) for production expansion. The nature of these figures reflect the company's growth

cycle and investment-driven strategy, rather than signalling financial weaknesses (Banca Finnat, January 24, 2025).

Ultimately, Novamarine's financial statements depict a company in an expansionary phase, marked both by substantial investments but also by negative cash flows, illustrating a degree of tension between long term growth ambitions and short-term liquidity absorptions. Building on these dynamics, the subsequent valuation will apply two complementary approaches as previously mentioned. Firstly the DCF model, which assesses the extent to which growth assumptions can be sustained against cash flow projections, and secondly, the multiples approach, which will benchmark Novamarine's performance against that of comparable peers in the natural sector.

5.3 Estimating Novamarine's Equity Value

5.3.1 Discounted Cash Flow (DCF) Valuation

The application of the DCF model in Novamarine's valuation, highlights how assumptions regarding the model's components, such as discount rates and growth trajectories, can substantially alter the estimations, and consequently the final intrinsic value. This valuation methodology is adopted by both Banca Finnat and TP ICAP Midcap, where, as foreseeable, their results diverge considerably, offering insights into the way in which valuations are shaped by both expectations and fundamentals.

In October 2024, Banca Finnat published a report assuming a weighted average cost of capital (WACC) of 10.5%, and a relatively conservative terminal growth of 0.5%. Subsequently, with the publication of the April 2025 report, Finnat revised its assumptions and increased the WACC to 11.68% together with adopting a higher terminal growth rate of 1.0%. TP ICAP Midcap (October 1, 2024), by contrast, applies a perpetual growth rate of 2.0%. While a lower terminal growth rate usually reduces valuations, stronger short term cash flows, as seen in Finnat's analysis, counterbalance the effect of this more conservative long term assumptions.

Furthermore, another major differing assumption is the time horizon of the forecast and timing of expected cash flows. On one hand, TP ICAP Midcap (September 11, 2024) adopts a longer explicit forecast horizon, extending its projections through 10 years, with gradual improvements in margins and cash generation, overall resulting with a projected

EBITDA margin of 26.2% at maturity. On the other hand, Finnat (April 7, 2025) restricts the explicit forest period from 2025 to 2028, but within this shorter horizon it instead anticipates a strong concentration of cash generation. In this case free operating cash flows are expected to increase to €13.8 million in 2025, and subsequently stabilise between €7-10 million in the following years. As a result the direct higher value of free cash flow justifies how despite the higher WACC, Finnat's DCF calculation is reflected with a higher enterprise value.

Moreover, balance sheet adjustments also play a decisive role in the transition from enterprise value to equity value. TP ICAP Midcap (October 1, 2024) starts with an enterprise value of €71 million, which, after considering net debt of €7.6 million together with the €9 million that were raised in the IPO, results in a final equity value of €71.3 million, which corresponds to a target price of €5.70 per share. Finnat in its April 2025 update incorporates the values from the balance sheet following the IPO, and therefore operates with a net cash positioning of €3.1 million, resulting in an equity value of €89.4 million, which amounts to €7.15 per share (Banca Finnat, April 7, 2025).

As summarized in Table 2, these results demonstrate how assumption choices such as time horizons, discount rates and balance sheet adjustments, all contribute in generating diverging results. TP ICAP Midcap's approach reflects a more gradual and conservative long term outlook, while Finnat's analysis emphasizes strong and more short term cash flow following the IPO, resulting in a higher target price. Moreover, depending on the analyst's methodological approach, the same company can be valued within a significant range, that in this case goes from €5.70-€7.15 per share.

5.3.2 Multiples Valuation

While the discounted cash flow model provides an estimate of Novamarine's intrinsic value focusing on its projected cash flows, the multiples approach offers a complementary perspective by analyzing the company's positioning against its comparable listed peers in the luxury marine sector. As previously outlined in section 4.3.2, Novamarine's industry positioning is not within the broader luxury sector but in the more specialized niche of high-performance rigid inflatable boats (RIBs). This distinction is highly important for valuation purposes as while Novamarine shares part of its clientele with luxury shipyards such as Sanlorenzo and Ferretti, its products actually serve a complementary rather than substitutive function, often acting as chase boats. Moreover, given that most of its direct

competitors are private companies, Novamarine lacks competitors that reflect its precise business model which constitutes a structural limitation for the multiples model.

In respect to this background, TP ICAP Midcap (October 1, 2024) took into consideration a broader spectrum of international listed companies, ranging from Italian players such as Sanlorenzo and The Italian Sea Group, to larger and more diversified firms like Brunswick and MarineMax. In this way, the group created situates Novamarine within an environment of firms whose size, margins, and growth vary substantially, thereby enhancing robustness but at the same time potentially risking diluting the comparability with the company's niche positioning. On the other hand, Banca Finnat adopted a more restricted approach, by focusing primarily on Italian listed peers, specifically, Sanlorenzo and The Italian Sea Group. This choice was addressed assuming that investors would naturally benchmark Novamarine against other Italian luxury nautical firms given the common geography, investor base and visibility, despite the significant differences in scale and product mix.

According to TP ICAP Midcap's broader list of peers, by applying multiples it was possible to achieve sector averages that point to EV/EBITDA multiples around 6.6x in 2024 and 5.7x in 2025, with P/E ratios converging at 7.7x in 2025. Applying these benchmarks to Novamarine's projections results in an equity valuation of €5.70 per share, which is consistent with their DCF results. By contrast, Finnat's more restricted peer group indeed ended up yielding a significantly lower outcome, with an average equity value of €4.21 per share for 2025 (Banca Finnat; April 7, 2025). This outcome can be attributed to the fact that Sanlorenzo and The Italian Sea Group, even though geographically and institutionally close, still do not fully capture Novamarines' growth profile and niche positioning.

The divergence between the two sets of results highlights the structural challenge of applying multiples valuations for companies listed on the EGM. In the absence of a directly comparable listed peer group, the outcome will be highly dependent on the breadth or narrowness of the peer sample. In TP ICAP Midcap's approach it was possible to see how, by including larger international peers, Novamarine was perceived in a more favourable position, while Finnat's restricted peer list resulted in a lower valuation. This divergence further showcases how peer selection is not a neutral determinant for valuation outcomes, and how it can amplify the scope of mispricing. Ultimately, the multiples approach confirms the variability of Novamarine's valuation, situating its equity value between €4.21 and €5.70 per

share, with a range characterised more by methodological and technical choices than by the actual company's fundamentals.

5.3.3 Reconciling the Two Approaches

The previous section showcases both the complementarities and limitations of each approach in Novamarine's valuation. Moreover, the divergent results of the two methodologies, summarized in Table 3, reflect the further differing assumptions and peer selection. TP ICAP Midcap (October 1, 2024 - July 29, 2025) adopted a more conservative but long-term oriented outlook, and valued Novamarine consistently at €5.70 per share under both the DCF and multiples valuation approach. On the other hand, Finnat obtained a lower, more conservative value of €4.21 per share through its multiple valuation, whereas the DCF reaches €7.15 per share, reflecting stronger short term cash flows as well as the favourable balance sheet dynamics. In order to address this discrepancy Finnat (April 7, 2025) employs a hybrid approach by calculating an average of the two methods, which ultimately resulted in a value of €5.70 per share. The need for this reconciliation further reflects the broader difficulties in valuing firms on alternative markets such as the EGM. The latter's specific structural features ranging from thin liquidity and concentrated ownership to the absence of perfectly comparable listed peers, ultimately amplify sensitivity of valuations to methodological choices. This finally results in estimations of intrinsic value reflecting more assumptions rather than precise calculations, demonstrating divergences between prices on EGM and fundamental value.

5.4 Market Performance Post-IPO

While the DCF and multiples approaches provide important estimates of Novamarine's intrinsic value, an additional perspective is necessary to consider the actual stock performance following the IPO. At the time of its listing on the Euronext Growth Milan in August 2024, the company's shares were priced at €3.60, corresponding to approximately 37% below the analyst target range of €5.70 to €5.74 per share from the reports published shortly thereafter (TP ICAP Midcap's Initiation of Coverage (September 11, 2024) and Banca Finnat's Equity Company Note (October 7, 2024)). This immediate discrepancy between IPO price and analyst estimated intrinsic value, provides a quantitative measure of the initial undervaluation, a phenomenon further amplified by the EGM's structural characteristics

where thin liquidity, limited free float and informational asymmetries tend to foster cautious investor behaviour.

Subsequently, over the months following the listing, the company's stock gradually corrected upwards reaching a value of €5.50 by June 2025. This appreciation of nearly 53% demonstrates the market's progressive recognition of Novamarine's strong fundamentals and strategic positioning, overall leading to a market correction, as shown in Figure 10. A key event that made this adjustment possible was the announcement of the acquisition of the brand Tornado Yachts, which reinforced growth prospects and prompted TP ICAP Midcap (July 29, 2025) to revise its target price increasing it to €7.00 per share. However, even though the stock price recovered, this did not solve the misalignments as a residual gap persisted with the market price stabilising at €5.50 per share, therefore, trading at approximately 21% below the revised intrinsic valuation (TP ICAP Midcap, July 29, 2025). Furthermore, this highlights how even with the favourable strategic developments that led to the adjustments was not enough to settle the misalignment between fundamentals and market pricing.

This divergence becomes even more apparent when compared against peers, as Figure 11 illustrates. In the last year, Novamarine significantly outperformed other Italian listed players in the sector, such as Sanlorenzo and The Italian Sea Group, whose price per shares declined by -12.4% and -42% respectively over the same period. Furthermore, the positive performance also surpassed some big players in the market such as Ferretti Group, which registered marginal gains of +2.86%, against Novamarine's of +58.96%. This relative outperformance highlights how Novamarine's market corrections are more pronounced, however the persistence of a valuation discount indicates that the company's fundamental value is still not fully reflected in its price.

Overall, Novamarine's post-IPO trajectory illustrates both sides of pricing dynamics in the Euronext Growth Milan; as even though the market gradually adjusted to acknowledge events that increase the company's value, structural frictions inherent to the market play a role in preventing a full convergence of this gap.

Conclusion

This thesis set out to investigate the relationship between market price and fundamental value in the specific context of secondary growth markets, with a focus on Euronext Growth Milan (EGM) and the case of Novamarine S.p.A.. Furthermore, the core analysis explores one of the central tensions in financial economics: whether and to what extent prices in financial markets actually and accurately reflect intrinsic worth.

From a theoretical point of view, the Efficient Market Hypothesis claiming that prices should fully and instantly incorporate information, offers a benchmark against which deviations can be measured. However, as demonstrated in the literature review, empirical evidence points to the persistence of market inefficiencies, which are further enhanced by mechanisms such as noise trading, behavioural biases, illiquidity and regulatory frictions.

Within this wider framework, the Euronext Growth Milan emerges as a particular research environment, tailored to raise capital toward high growth potential SMEs by lowering regulatory and entry barriers. However, its very structural characteristics that on one hand facilitate access such as thin liquidity, concentrated ownership, and lower free float requirements, simultaneously contribute to impairing price discovery. Moreover, this results in a market which is structurally predisposed to valuation distortions, where short term sentiment and structural frictions have a more divisive defect on price formation rather than long term fundamentals.

The case of Novamarine S.p.A. brought this paradox into relief. As an innovative and expanding company in the nautical sector, its fundamentals reveal strong revenue growth, improved margins and strengthening of financial position following its IPO. Furthermore, exposing the company to intrinsic valuation, both the discounted cash flow model and the market multiples approach suggested that its long term growth prospects are not fully incorporated into its traded market price. This misalignment connects back to the claims described both in the theoretical and institutional sections.

Moreover, these findings underscore three key insights. First, persistence of market to fundamental value hap stem less from weaknesses at the firm level than from structural market conditions. Second, growth-oriented platforms such as the EGM are characterised from a paradox where they facilitate access to capital and simultaneously magnify inefficiencies which can ultimately impair investor decision. Third, company level valuations are essential to disentangle fundamentals from noise.

Ultimately, this thesis demonstrates that while the ideal of an efficient market continues to guide theory, in real world situations, particularly in markets like the EGM, it remains imperfect. The broader implications is that valuation in secondary growth markets should not be approached as a purely mechanism process and should instead include a recognition of the institutional environment and a deep awareness of behavioural and structural distortions. Finally, market prices cannot and should not be accepted as a unique indicator of value. While the valuation gap can be perceived as a challenge as it complicates efficient capital allocation, it is also an opportunity for investors, policymakers and issuers to bridge gas through rigorous analysis, transparency and strategic execution. In this tension between mispricing and potential lies the essence of valuation in growth markets.

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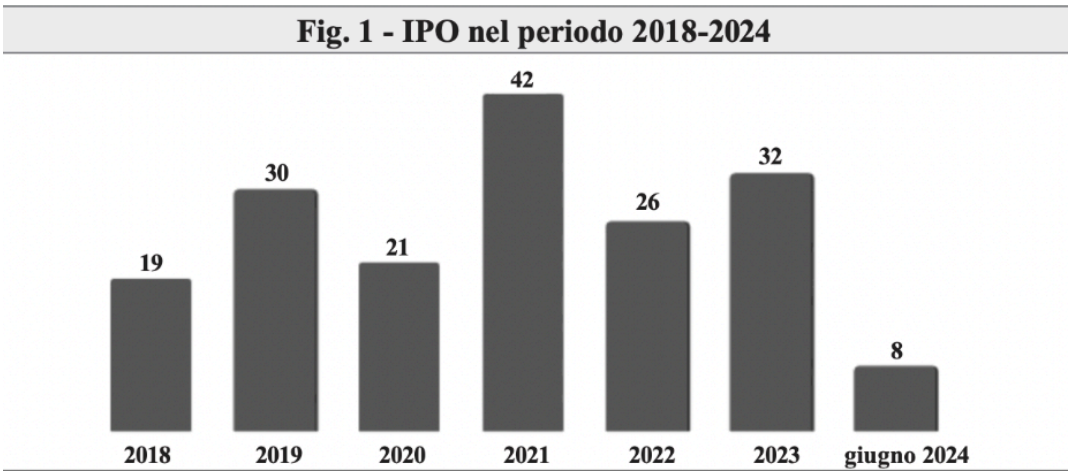
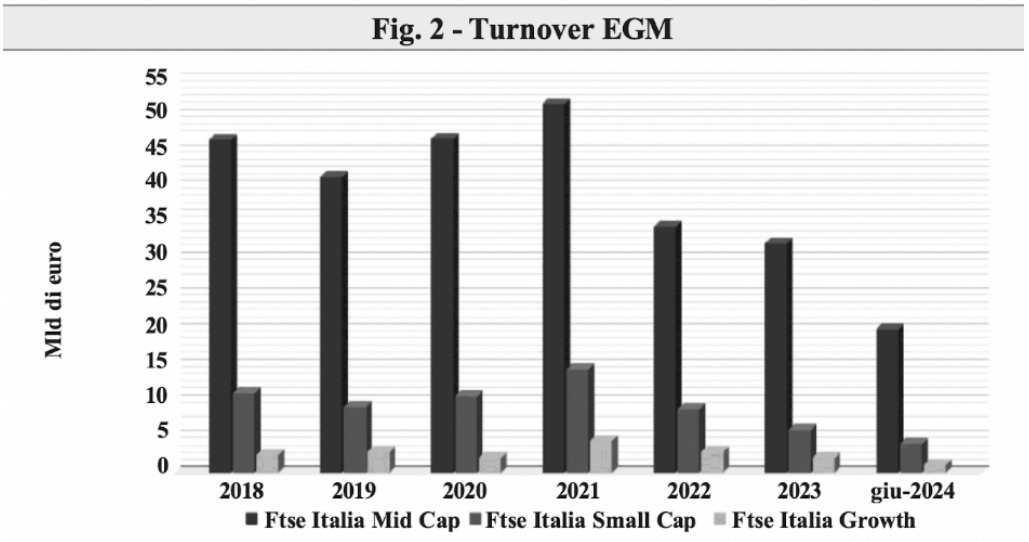
Appendix A: Figures

Figure 1: *Initial public offerings (IPOs) on Euronext Growth Milan, 2018–2024.*



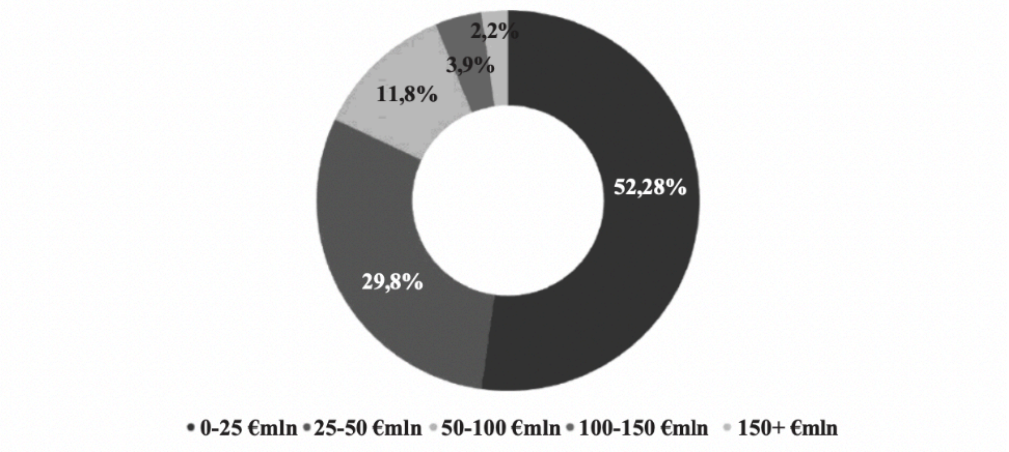
Note. Adapted from *EGM – Analisi delle operazioni di IPO nel periodo 2018–2024 e performance delle PMI quotate* (Caratelli, Ferrazzi, Soffiantino, & Ottavianelli, 2025).

Figure 2: *Trading turnover on Euronext Growth Milan compared to FTSE Italia segments, 2018–2024.*



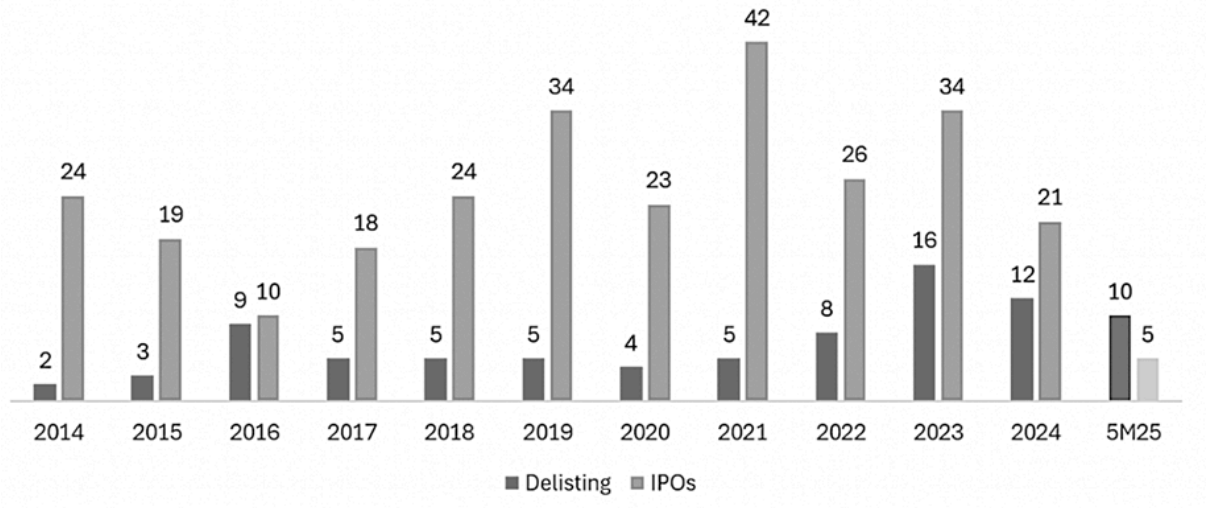
Note. Adapted from *EGM – Analisi delle operazioni di IPO nel periodo 2018–2024 e performance delle PMI quotate* (Caratelli, Ferrazzi, Soffiantino, & Ottavianelli, 2025).

Figure 3: *Distribution of market capitalization of listed firms at the date of admission to Euronext Growth Milan.*



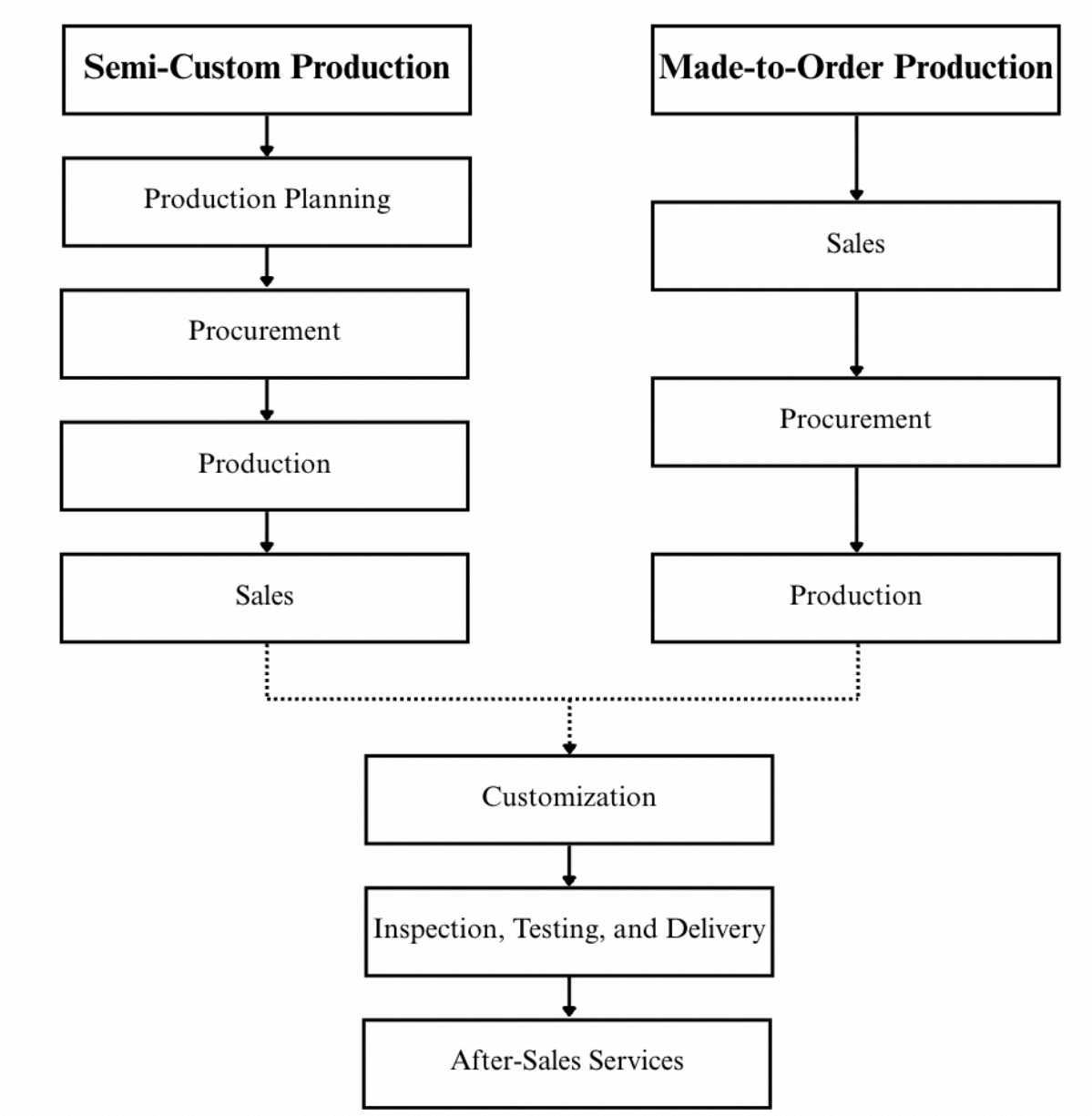
Note. Adapted from *EGM – Analisi delle operazioni di IPO nel periodo 2018–2024 e performance delle PMI quotate* (Caratelli, Ferrazzi, Soffiantino, & Ottavianelli, 2025).

Figure 4: *Number of delistings and IPOs by year on Euronext Growth Milan (excluding SPACs and SICAFs), 2014–May 2025.*



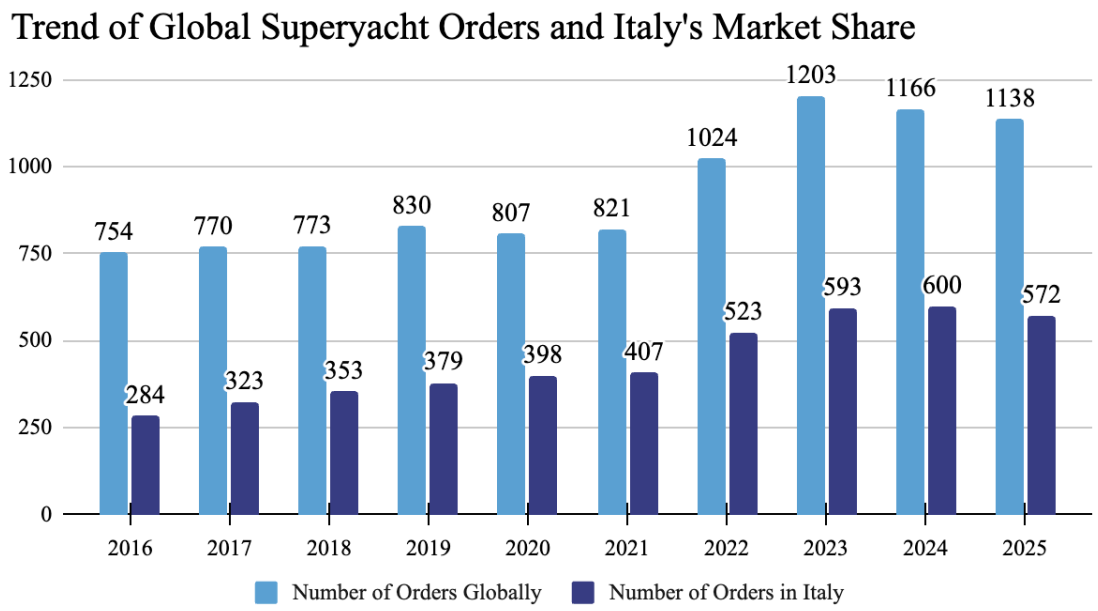
Note. Adapted from *EGM report update: Beyond the liquidity gap – June 2025 edition* (KT&Partners, 2025).

Figure 5: *Novamarine business model: Semi-custom production versus made-to-order production.*



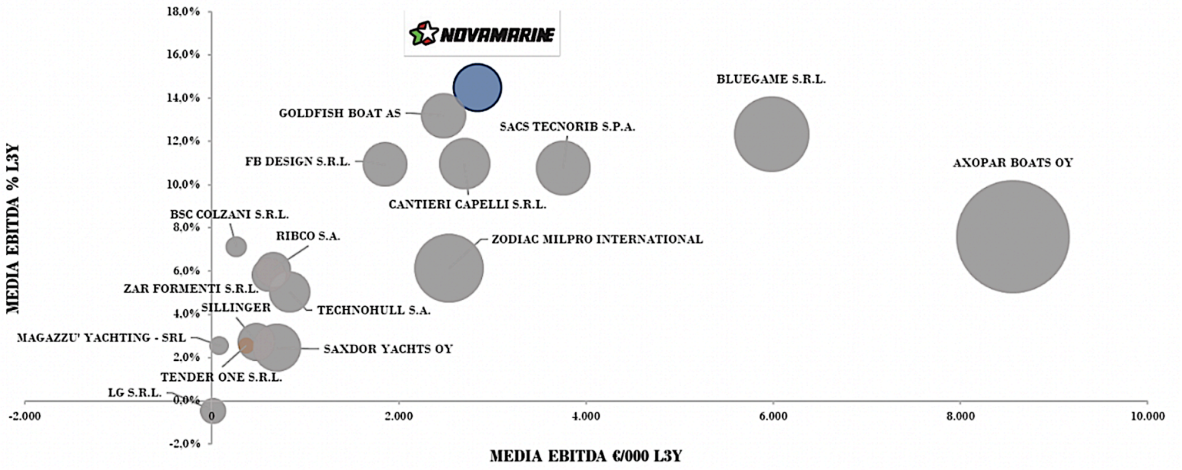
Note. Adapted from *Equity company note – Novamarine S.p.A.: Initiation of coverage* (Banca Finnat, 2024, August 1).

Figure 6: *Trend of global superyacht orders and Italy's market share, 2016–2025.*



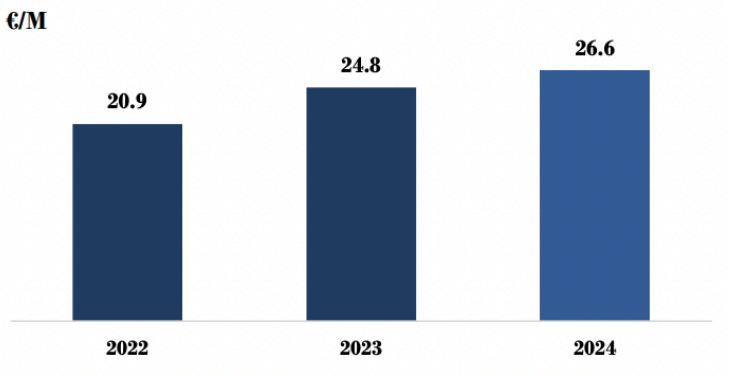
Note. Adapted from *La nautica in cifre – Monitor: Trend di mercato 2024/2025* (Confindustria Nautica & Fondazione Edison, 2025).

Figure 7: *Competitive positioning of Novamarine S.p.A. versus peers in terms of average EBITDA margin (L3Y) and absolute EBITDA.*



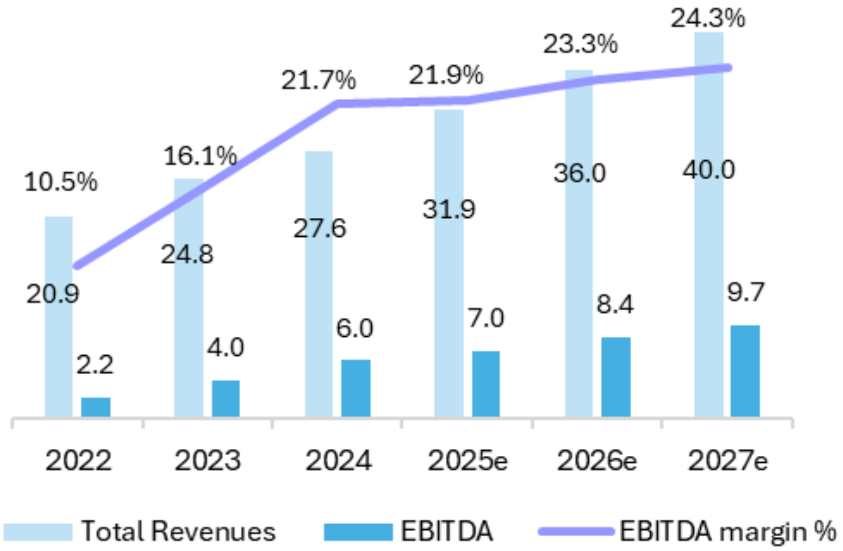
Note. Adapted from *Equity company note – Novamarine S.p.A.: Initiation of coverage* (Banca Finnat, 2024, August 1).

Figure 8: *Novamarine S.p.A. revenues, 2022–2024 (€/M).*



Note. Adapted from *Novamarine Investor Presentation FY2024 Results* (Novamarine S.p.A., 2025, March 31).

Figure 9: *Revenues and EBITDA Estimates, 2022–2027e (€/M).*



Note. Adapted from *Novamarine Investor Presentation FY2024 Results* (Novamarine S.p.A., 2025, March 31).

Figure 10: *Novamarine stock price performance, August 2024–July 2025*

Note. Adapted from Google Finance (2025), *"Novamarine SpA stock price."*

Figure 11: *Novamarine stock price performance versus Peers, August 2024–July 2025*

Note. Adapted from Google Finance (2025), "Novamarine SpA, Ferretti Group, Sanlorenzo, and The Italian Sea Group stock prices."

Appendix B: Tables

Table 1: *Novamarine Revenues and Net Profit, 2022–2027e*

	2022	2023	2024	2025e	2026e	2027e
Sales (m€)	20.9	24.8	27.6	31.9	36.0	40.0
Net Profit (m€)	0.7	1.5	2.8	3.3	4.2	5.2

Note. Adapted from *Novamarine S.p.A. Flash Company Note* (Banca Finnat, 2025, January 24); *Novamarine S.p.A. Results Review* (TP ICAP Midcap, 2024, October 1).

Table 2: *Comparison of Key DCF Assumptions and Valuation Outcomes for Novamarine, 2024-2025.*

Assumptions	TP ICAP (Sept 2024)	Banca Finnat (Oct 2024)	Banca Finnat (Apr 2025)
Explicit Time Horizon	10 years to 2033	2024-2028	2025-2028
WACC	10.60%	10.51%	11.68%
Risk-free/MRP	4.0%/8.5%	3.6%/9.75%	3.8%/10.5%
Beta	0.7x (re-levered)	0.71x (unlevered)	0.75x (unlevered)
Tax Rate	27.90%	33-35%	35%
Terminal Growth (g)	2.00%	0.50%	1.00%
EV(€, m)	71.00	90.3	92.5
Equity Value (€, m)	71.3	91.7	89.4
€/Share	5.7	7.33	7.15

Note. Adapted from *Novamarine S.p.A. Initiation of Coverage* (TP ICAP Midcap, 2024, September 11); *Novamarine S.p.A. Equity Research Update* (Banca Finnat, 2025, April 7)

Table 3: *Comparative Valuation Outcomes: TP ICAP Midcap vs. Banca Finnat, 2024–2025.*

	TP ICAP Midcap (September 2024 - July 2025)	**Banca Finnat (April 2025)**
Initial Target Price (€)	5.70	5.70
DCF Implied Price (€)	5.70	7.15
Valuation Multiples	EV/EBITDA: 4.7x	EV/EBITDA: 6.01x
	EV/Sales: 1.0x	EV/Sales: 1.95x
	P/E: 11.7x	P/E: 14.59x
Multiples Implied Price (€)	n.a.	4.21
Latest Target Price (€)	7.00	5.70

Note. Adapted from *Novamarine S.p.A. Initiation of Coverage* (TP ICAP Midcap, 2024, September 11); *Novamarine S.p.A. Equity Research Update* (Banca Finnat, 2025, April 7).