

FOS

BUY

Price (Eu):

3.29

Target Price (Eu):

4.60

SECTOR: Industrials

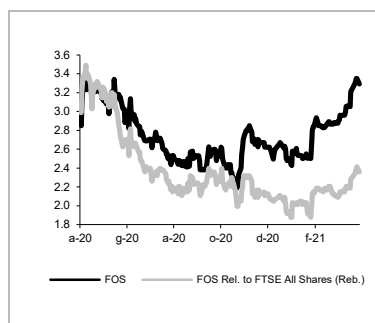
Carlo Maritano +39-02-77115.358
e-mail: carlo.maritano@intermonte.it

Andrea Randone +39-02-77115.364
e-mail: andrea.randone@intermonte.it

Solid End to 2020, Off on the Right Foot in M&A

- **Turnover in line, EBITDA and cash generation better.** Revenues from pro-forma group sales, i.e. considering the full effect of the InRebus Technologies acquisition that was formally completed on 22nd December 2020, came to c.Eu12.9mn, up 33% vs. the Eu9.7mn posted in 2019. At constant scope, revenues would have come to Eu10.6mn, up 10% YoY and in line with the estimates that we published in our recent initiation of coverage. EBITDA came to Eu2.67mn, higher than our Eu2.39mn estimate thanks to a 19.7% margin, well above our 17.9% assumption, thanks to general cost efficiencies. Following higher than-estimated D&A, EBIT came to Eu1.360mn, still 0.3% above our estimate. Finally, net profit came to Eu0.944mn, above our Eu0.836mn estimate thanks to a lower tax rate. The consolidated NFP as at 31st December 2020 showed a cash position of Eu1.6mn, an improvement on the Eu0.6mn recorded at the end of the previous year, already net of the Eu0.6mn outlay for the InRebus Technologies purchase. The figure was better than expected, as it would have come to Eu2.2mn without the outlay for the acquisition, higher than our Eu1.3mn forecast.
- **Acquisition of 100% of InRebus Technologies.** FOS signed a binding agreement for the purchase of the entire share capital of InRebus Technologies, a Turin-based ICT sector company active in projects and digital learning, with a particularly strong presence in the automotive and finance sectors. In 2019 the company generated Eu2mn in turnover with an adjusted EBITDA margin of c.12% and a positive NFP of Eu42k. The price for 100% was set at Eu1mn, and closing took place on 22nd December. With this deal FOS aims to: 1) give momentum to the growth of InRebus Technologies, integrating its services with those of the Information Technology business; 2) expand the FOS digital offer with a new line dedicated to Digital Learning; 3) establish a new territorial presence for the company's other business lines. We believe this is an attractive deal, not just for the industrial rationale but also for the financial terms, which involve the payment of multiples of c.0.5x EV/sales and 4.2x EV/EBITDA, both of which are below the multiples at which the company is currently trading.
- **Change in estimates.** We are substantially confirming our estimates at constant scope, except for higher D&A, thus just for a non-cash item. In addition, we are adding the contribution of InRebus to our figures, assuming that thanks to cross-selling opportunities with the company's other businesses the growth rate could be next to the Group's average (we assume 10% turnover growth in the next 3 years). As for profitability, we assume that a larger scale will gradually bring margins up from the current 12%. Overall, we are substantially confirming our EPS on average for the next 3 years.
- **BUY confirmed; target from Eu4.1 to Eu4.6.** We consider an investment in FOS to be attractive as the company's unique offering in the rapidly-growing digital sector sets it apart from other operators. The company boasts solid and lasting relationships with its main customers and a deep-rooted presence in the territories in which it operates, key factors that set its competitive positioning apart even from larger global rivals. From a financial point of view, we appreciate the group's high profitability and balance sheet solidity, which will allow FOS to continue to invest in R&D and pursue any external growth opportunities that may arise. We confirm our BUY rating on the stock, raising our target price to Eu4.6, thanks to the increase in operating estimates carried out in this report.

FOS - 12m Performance



RATING: Unchanged

TARGET PRICE (Eu): from 4.10 to 4.60

Ch. in Adj. EPS est:	2021E	2022E
	-1.3%	-0.5%

STOCK DATA

Reuters code: FOS.MI
Bloomberg code: FOS IM

Performance	1m	3m	12m
Absolute	14.4%	31.6%	9.7%
Relative	12.7%	23.4%	-29.3%
12 months H/L:	3.35/2.19		

SHAREHOLDER DATA

No. of Ord. shares (mn):	6
Total No. of shares (mn):	6
Mkt Cap Ord (Eu mn):	20
Total Mkt Cap (Eu mn):	20
Mkt Float - ord (Eu mn):	7
Mkt Float (in %):	35.7%
Main shareholder:	
BP Holding Srl	64.3%

BALANCE SHEET DATA

	2021
Book value (Eu mn):	10
BVPS (Eu):	1.56
P/BV:	2.1
Net Financial Position (Eu mn):	2
Enterprise value (Eu mn):	18

Please see important disclaimer
on the last page of this report

Key Figures	2019A	2020A	2021E	2022E	2023E
Sales (Eu mn)	12	14	17	20	22
Ebitda (Eu mn)	2	3	3	4	4
Net profit (Eu mn)	1	1	1	2	2
EPS - New Adj.(Eu)	0.138	0.190	0.208	0.249	0.311
EPS - Old Adj.(Eu)	0.138	0.167	0.211	0.251	0.307
DPS (Eu)	0.000	0.000	0.000	0.000	0.000
Ratios & Multiples	2019A	2020A	2021E	2022E	2023E
P/E Adj.	23.8	17.3	15.8	13.2	10.6
Div. Yield	0.0%	0.0%	0.0%	0.0%	0.0%
EV/Ebitda Adj.	8.2	6.4	5.5	4.4	3.4
ROCE	20.5%	19.8%	27.0%	31.3%	37.3%

The reproduction of the information, recommendations and research produced by Intermonte SIM contained herein, and of any of its parts, is strictly prohibited. None of the contents of this document may be shared with third parties without Company authorization.

FOS - KEY FIGURES

		2019A	2020A	2021E	2022E	2023E
	Fiscal year end	12/12/2019	12/12/2020	12/12/2021	12/12/2022	12/12/2023
PROFIT & LOSS (Eu mn)	Sales	12	14	17	20	22
	EBITDA	2	3	3	4	4
	EBIT	1	1	2	2	3
	Financial income (charges)	(0)	(0)	(0)	(0)	(0)
	Associates & Others	0	0	0	0	0
	Pre-tax profit (Loss)	1	1	2	2	3
	Taxes	(0)	(0)	(1)	(1)	(1)
	Tax rate (%)	32.0%	20.7%	31.0%	34.0%	34.0%
	Minorities & discontinue activities	0	0	0	0	0
	Net profit	1	1	1	2	2
	Total extraordinary items	(0)	(0)	0	0	0
	Ebitda excl. extraordinary items	2	3	3	4	4
PER SHARE DATA (Eu)	Ebit excl. extraordinary items	1	2	2	2	3
	Net profit restated	1	1	1	2	2
	Total shares out (mn) - average fd	6	6	6	6	6
	EPS stated fd	0.114	0.152	0.208	0.249	0.311
	EPS restated fd	0.138	0.190	0.208	0.249	0.311
	BVPS fd	1.206	1.350	1.558	1.808	2.118
	Dividend per share (ord)	0.000	0.000	0.000	0.000	0.000
CASH FLOW (Eu mn)	Dividend per share (sav)	0.000	0.000	0.000	0.000	0.000
	Dividend pay out ratio (%)	0.0%	0.0%	0.0%	0.0%	0.0%
	Gross cash flow	1	5	3	3	3
	Change in NWC	(0)	(2)	(1)	(0)	(0)
	Capital expenditure	(2)	(1)	(1)	(1)	(1)
	Other cash items	0	0	0	0	0
	Free cash flow (FCF)	(1)	2	1	1	2
	Acquisitions, divestments & others	0	(1)	0	0	(0)
BALANCE SHEET (Eu mn)	Dividend	0	0	0	0	0
	Equity financing/Buy-back	5	0	0	0	0
	Change in Net Financial Position	4	1	1	1	2
	Total fixed assets	5	6	6	6	5
	Net working capital	2	4	5	5	5
	Long term liabilities	(1)	(3)	(3)	(3)	(3)
	Net capital employed	7	7	8	8	8
	Net financial position	1	2	2	3	5
ENTERPRISE VALUE (Eu mn)	Group equity	8	8	10	11	13
	Minorities	0	0	0	0	0
	Net equity	8	8	10	11	13
	Average mkt cap - current	20	20	20	20	20
RATIOS(%)	Adjustments (associate & minorities)	0	0	0	0	0
	Net financial position	1	2	2	3	5
	Enterprise value	20	19	18	17	15
	EBITDA margin*	19.7%	21.9%	19.2%	19.7%	20.4%
GROWTH RATES (%)	EBIT margin*	11.7%	12.2%	11.2%	12.3%	13.5%
	Gearing - Debt/equity	-8.5%	-18.5%	-21.6%	-30.5%	-38.7%
	Interest cover on EBIT	7.6	8.0	14.8	21.3	36.7
	Debt/Ebitda	nm	nm	nm	nm	nm
	ROCE*	20.5%	19.8%	27.0%	31.3%	37.3%
	ROE*	15.3%	11.9%	14.3%	14.8%	15.8%
	EV/CE	3.4	2.8	2.5	2.2	1.9
	EV/Sales	1.6	1.4	1.1	0.9	0.7
	EV/Ebit	14.0	11.4	9.4	7.1	5.2
	Free Cash Flow Yield	-6.6%	9.8%	2.7%	6.6%	9.6%
	Sales	25.5%	11.3%	28.9%	12.2%	11.5%
GROWTH RATES (%)	EBITDA*	29.5%	23.5%	13.1%	15.1%	15.5%
	EBIT*	22.2%	16.8%	17.7%	23.4%	22.7%
	Net profit	60.2%	32.8%	36.9%	20.0%	24.7%
	EPS restated	59.7%	37.5%	9.4%	20.0%	24.7%

* Excluding extraordinary items

Source: Intermonte SIM estimates

Turnover in line, EBITDA and cash generation better. Revenues from pro-forma group sales, i.e. considering the full effect of the InRebus Technologies acquisition that was formally completed on 22nd December 2020, came to c.Eu12.9mn, up 33% vs. the Eu9.7mn posted in 2019. At constant scope, revenues would have come to Eu10.6mn, up 10% YoY and in line with the estimates that we published in our recent initiation of coverage. EBITDA came to Eu2.67mn, higher than our Eu2.39mn estimate thanks to a 19.7% margin, well above our 17.9% assumption, thanks to general cost efficiencies. Following higher than-estimated D&A, EBIT came to Eu1.360mn, still 0.3% above our estimate. Finally, net profit came to Eu0.944mn, above our Eu0.836mn estimate thanks to a lower tax rate. The consolidated NFP as at 31st December 2020 showed a cash position of Eu1.6mn, an improvement on the Eu0.6mn recorded at the end of the previous year, already net of the Eu0.6mn outlay for the InRebus Technologies purchase. The figure was better than expected, as it would have come to Eu2.2mn without the outlay for the acquisition, higher than our Eu1.3mn forecast.

FOS – FY20 results

(Eu mn)	1H19A	2H19A	2019A	1H20A	2H20A	2H20E	A vs E	2020A	2020E	A vs E
Value of production	5.158	7.013	12.194	5.768	7.830	7.666	2.1%	13.574	13.434	1.0%
YoY growth	17.7%	31.5%	25.5%	11.8%	11.6%	9.3%		11.3%	10.2%	
EBITDA reported	0.861	1.325	2.186	1.071	1.599	1.335	19.8%	2.670	2.406	11.0%
YoY growth	19.3%	36.4%	29.1%	24.4%	20.6%	0.8%		22.1%	10.1%	
EBITDA margin	16.7%	18.9%	17.9%	18.6%	20.4%	17.4%		19.7%	17.9%	
D&A	(0.297)	(0.725)	(1.022)	(0.487)	(0.799)	(0.563)		(1.285)	(1.050)	
EBIT reported	0.594	0.608	1.202	0.584	0.776	0.772	0.5%	1.360	1.356	0.3%
EBIT margin	11.5%	8.7%	9.9%	10.1%	9.9%	10.0%		10.0%	10.1%	
Financial Charges	(0.073)	(0.085)	(0.158)	(0.082)	(0.089)	(0.064)		(0.171)	(0.147)	
Financial Income	0.001	0.000	0.001	0.079	(0.078)	(0.059)		0.001	0.020	
Pretax	0.521	0.524	1.045	0.581	0.609	0.648		1.190	1.229	
Taxes	(0.265)	(0.070)	(0.334)	(0.131)	(0.115)	(0.265)		(0.246)	(0.393)	
tax rate	-50.8%	-13.3%	-32.0%	-22.5%	-18.9%	-40.9%		-20.7%	-32.0%	
Net income	0.257	0.454	0.711	0.450	0.494	0.383	29.0%	0.944	0.836	13.0%
YoY growth	-17.3%	240.1%	60.2%	75.4%	8.8%	-15.7%		32.8%	17.6%	

Source: Company data (A) and Intermonte SIM estimates (E)

Acquisition of the entire capital of InRebus Technologies. FOS signed a binding agreement to purchase the entire share capital of InRebus Technologies, a Turin-based ICT sector company active in projects and digital learning, with a particularly strong presence in the automotive and finance sectors. The company can count on 30 collaborators, and in 2019 it generated Eu2mn in turnover with an adjusted EBITDA margin of c.12% and a positive NFP of Eu42k. The price for 100% was set at Eu1mn, and closing took place on 22nd December 2020. The framework agreement stipulates that the price will be paid mostly in cash (90%) with the remainder coming from the transfer of treasury shares (10%) coming from the buyback launched ahead of the deal; the transferred shares will be subject to an 18-month lock-up. Finally, the agreement stipulates that the selling shareholders, as well as the current CEO of InRebus Technologies, continue to carry out strategic functions after the deal, and in this respect both sellers have committed themselves to the company for three years after the closing date, as well as specific non-competition agreements.

With this deal FOS aims to: 1) give momentum to the growth of InRebus Technologies, integrating its services with those of the Information Technology business; 2) expand the FOS digital offer with a new line dedicated to Digital Learning; 3) establish a new territorial presence for the company's other business lines (Communication Technology, Automation & Solution, Engineering & Technology Transfer). We believe this is an attractive deal, not just for the industrial rationale but also for the financial terms, which involve the payment of multiples of c.0.5x EV/sales and 4.2x EV/EBITDA, both of which are below the multiples at which the company is currently trading.

Change in estimates. We are confirming our estimates at constant scope except for the cash profile, which we are raising to take into account the stronger cash generation recorded in 2H20. In addition, we are adding the contribution of InRebus to our figures, assuming that thanks to cross-selling opportunities with the company's other businesses the growth rate could be higher than the Group's average (we assume 15% turnover growth in the next 3 years). As for profitability, we assume that a larger scale will gradually bring margins up from the current 12%. Overall, we are increasing our EPS estimates for the next 3 years by 11% on average.

FOS – Change to estimates

(Eu mn)	2021E	2022E	2023E
Value of production new	17.499	19.630	21.885
Revenues old	15.353	17.276	19.403
% change	14.0%	13.6%	12.8%
EBITDA	3.360	3.867	4.465
EBITDA	3.109	3.611	4.172
% change	8.1%	7.1%	7.0%
Net profit adj new	1.293	1.551	1.934
Net profit adj old	1.310	1.559	1.911
% change	-1.3%	-0.5%	1.2%
Net Cash new	2.093	3.434	5.106
Net Cash old	2.136	3.389	4.924
% change	-2.0%	1.3%	3.7%

Source: Intermonte SIM estimates

APPENDIX

The company at a glance

Founded in 1999, the Group deals primarily with the design, development and commercialisation of digital solutions for the management and protection of data. These solutions integrate software, hardware devices, and network infrastructure.

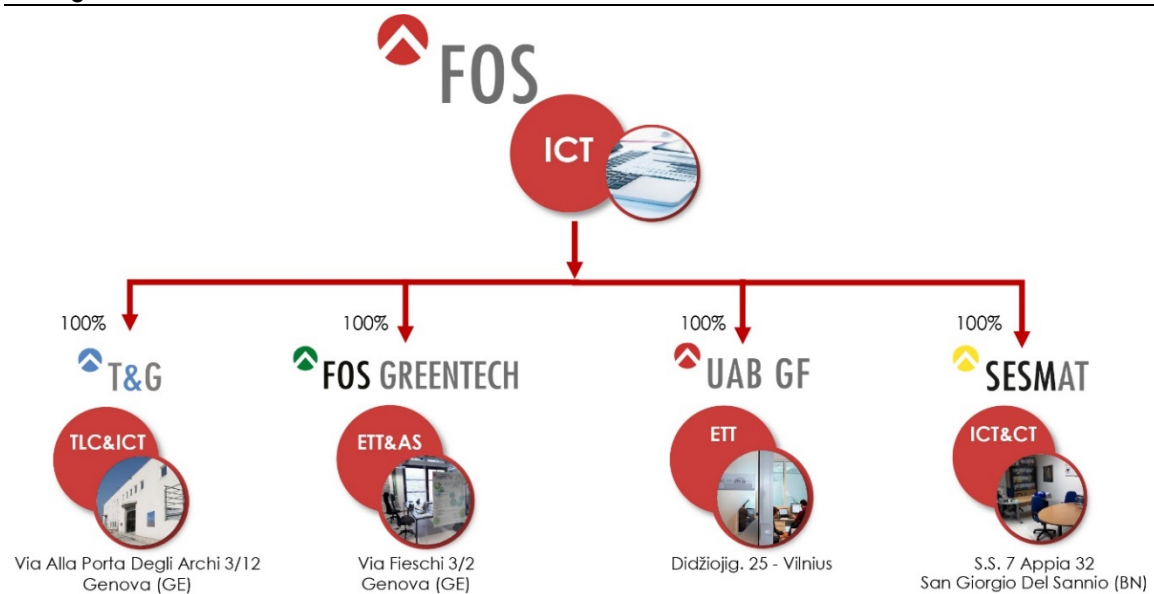
The Group also builds complete IT systems, automation systems and related supporting technological plant, as well as managing these systems or outsourcing their management. The Group's activities also encompass call centres, or centres for marketing, sales, or customer support and / or technical and system support.

The Group stands out from the field thanks to the scientific know-how of its technical personnel, who can draw on solid experience gained in the design and realisation of software in order to offer clients innovative solutions: these combine technologies from the best players on the market in order to build a portfolio of solutions, exploiting the complete service lifecycle (network integration and applications development). Bearing in mind the nature of the work, the skills built up by Group technical personnel are its most important asset. The company boasts a motivated and highly qualified team of IT engineers, developers and technicians, as well as the multi-year experience of its founders.

The Group operates in five areas:

1. **Information Technology:** the Group is specialised in the design and development of IT solutions and offers a range of services focused on: i) development and maintenance of IT applications; ii) technological skills; iii) cybersecurity; iv) cloud computing; v) systems services and support.
2. **Communication Technology:** the Group offers a highly specialised circuit board repair and replacement service for the main national and international telecoms operators. The Group boasts engineering skills in the automated design and maintenance of circuit board hardware, and of firmware writing for micro-controllers.
3. **Engineering and Technology Transfer:** this activity is split into 3 sub-categories: engineering, technological transfer, and networked laboratories (Internet of Things - IoT). The main focus is on the development, prototyping, testing and scaling for industrial production of innovative and highly technologically advanced solutions in various application fields such as agriculture, the environment, health, energy and manufacturing, with the aim of providing innovative solutions to client firms in their core markets.
4. **Automation and Solutions:** a recent addition that focuses on supervision/remote monitoring and process automation services in order to provide, through close collaboration with the current technological leaders on the market, innovative solutions for running and managing plants.
5. **Digital Learning:** The company entered the business through the acquisition of InRebus Technologies, company born in Turin in 2003 as a software house and consulting company, following a development path in the IT sector started in the 90s. A few years ago raised as a challenge the idea of starting a business line devoted to e-learning training alongside the activity of software development.

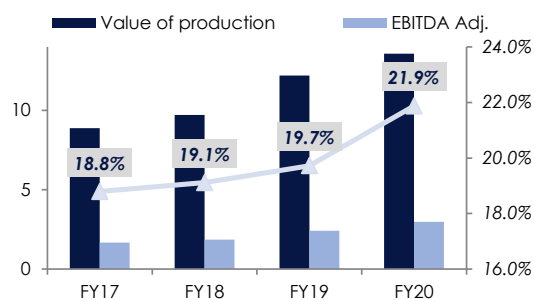
FOS organisational model



Source: Company website

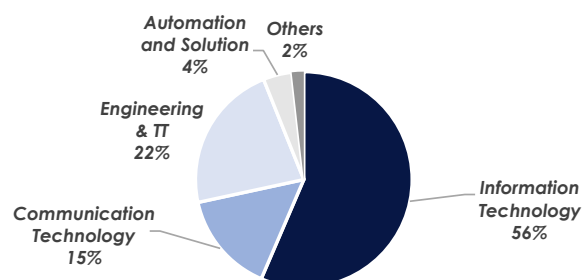
In 2020, the company recorded production value of Eu13.6mn, a 11.3% increase on the previous year that also enabled it to increase its EBITDA margin from 19.7% to 21.9% in one year.

Value of production trends (2017A-20A)



Source: company data

Value of production breakdown by business (2020)

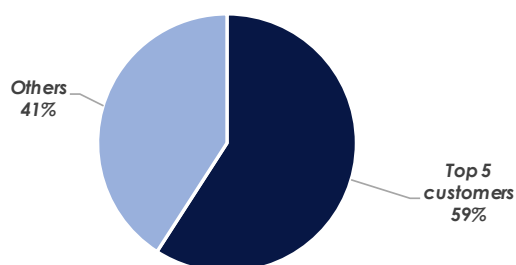


Source: company data

A concentrated but very loyal client base

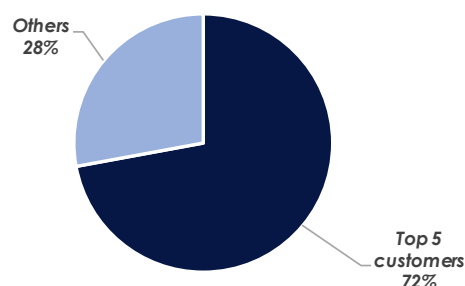
While FOS Group's clientele is still quite concentrated (the top 5 clients in 2019 accounted for 59.1% of turnover), the company has successfully reduced the weight of the top 5 clients in just 12 months, given that only a year ago the top 5 accounted for 72.1% of turnover. While high concentration of the client base is clearly a risk, we highlight the solid, long-standing relationships with the main clients (e.g. the relationship with Leonardo, the first significant client, dates back to 2000), and the fact that 75% of ICT services are supplied on a recurring basis, a percentage that rises to 93% in TLC.

Top 5 clients accounting for 59.1% of turnover in 2019...



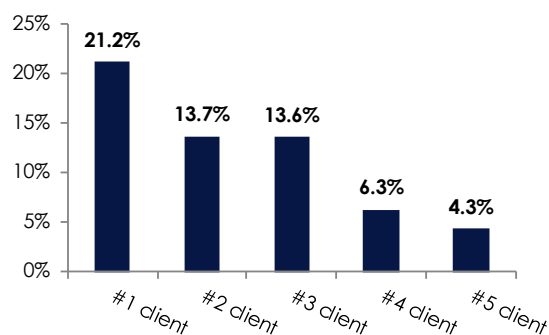
Source: company data

...a strong reduction vs 2018



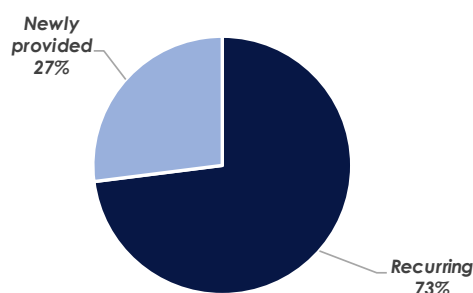
Source: company data

Top 5 clients on Value of Production (2019)



Source: company data

Services breakdown (2019)



Source: company data

FOS is headquartered at Genoa, and has offices at Caserta, Benevento, and Bolzano. The Group also has a subsidiary with labs and commercial offices in Lithuania as well as commercial representation in Belgium, Romania and Bulgaria as shown below.

FOS – Headquarter and geographical presence



Source: Company data

SWOT Analysis

Strengths

- Twenty years of experience and consolidated relationship with major customers
- Most services are offered on a recurring basis (75% in ICT, 93% in TLC)
- Highly specialised workforce with deep knowledge of the sector
- Scalability of the business model
- Profitability higher than the sector
- Wide network of laboratories and joint research centres for technology transfer in Italy and other European countries (Lithuania, Belgium, Romania and Bulgaria)
- Solid financial structure

Opportunities

- Marketing of products developed in the Engineering business, which has not yet taken place
- Chances to consolidate the Italian market by means of acquisitions, thus gaining market share
- Greater acceleration of digital services among Italian companies, which could undergo a period of acceleration following the Covid-19 lockdown

Weaknesses

- Highly concentrated client base, with the top 5 customers accounting for 59% of total production
- Very limited geographical diversification
- Limited size compared to large competitors

Threats

- TLC market in secular decline
- Execution risk following the intended M&A operations

Source: Intermonte SIM

FOS Peer Group - Absolute Performances

Stock	Price	Ccy	Mkt cap	1M	3M	6M	YTD	1Y	2Y
FOS	3.29	EUR	20	14.4%	31.6%	27.5%	23.2%	9.7%	1.2%
ALKEMY	10.60	EUR	57	10.4%	51.4%	83.4%	49.7%	147.7%	-11.7%
BE	1.55	EUR	209	4.6%	3.6%	41.1%	6.3%	55.2%	38.6%
CYBEROO	5.92	EUR	57	2.1%	-1.7%	46.2%	-0.7%	63.1%	36.6%
REPLY	110.30	EUR	4,126	16.7%	14.1%	9.4%	15.7%	78.0%	91.7%
RETELIT	2.32	EUR	380	4.8%	1.3%	-4.7%	5.0%	51.1%	50.3%
SESA	111.00	EUR	1,720	0.2%	12.7%	30.0%	7.8%	170.7%	302.9%
TINEXTA	23.94	EUR	1,108	10.1%	18.8%	37.6%	14.0%	142.6%	115.7%
TXT E-SOLUTIONS	7.29	EUR	95	4.1%	-5.2%	-8.3%	-7.5%	9.1%	-21.1%
WIIT	156.60	EUR	415	4.4%	-1.2%	-7.3%	-3.9%	57.9%	233.2%
Mean performance				7.2%	12.5%	25.5%	11.0%	78.5%	83.7%
Italy FTSE Mib	24,457.2	EUR	0	1.4%	8.0%	24.0%	10.0%	38.8%	11.9%

Source: FactSet

FOS Peer Group - Multiple Comparison

Stock	Price	Ccy	Mkt cap	EV/Sales 2021	EV/Sales 2022	EV/Ebitda 2021	EV/Ebitda 2022	EV/Ebit 2021	EV/Ebit 2022	P/E 2021	P/E 2022	Div Yield 2021	Div Yield 2022
FOS	3.29	EUR	20	1.1	0.9	5.5	4.4	9.4	7.1	15.8	13.2	0.0%	0.0%
ALKEMY	10.60	EUR	57	0.8	0.7	9.0	7.2	12.8	9.6	18.8	12.8	0.0%	0.0%
BE	1.55	EUR	209	1.2	1.1	6.6	5.9	10.7	9.3	17.6	15.7	2.3%	2.5%
CYBEROO	5.92	EUR	57	4.0	2.3	12.5	4.8	24.7	6.1	40.6	11.3	0.0%	0.0%
REPLY	110.30	EUR	4,126	2.7	2.4	16.5	14.6	20.6	18.0	30.9	27.7	0.5%	0.6%
RETELIT	2.32	EUR	380	2.7	2.5	8.0	7.3	19.4	16.2	22.5	18.2	1.4%	1.4%
SESA	111.00	EUR	1,720	0.8	0.7	13.5	11.1	18.3	15.0	29.8	24.8	0.9%	1.0%
TINEXTA	23.94	EUR	1,108	3.3	2.9	12.6	10.6	18.0	14.6	21.7	18.5	1.4%	1.6%
TXT E-SOLUTIONS	7.29	EUR	95	0.9	0.8	7.2	5.9	10.7	8.5	17.6	14.8	0.9%	1.1%
WIIT	156.60	EUR	415	7.2	6.3	18.7	15.8	35.6	27.0	43.2	31.9	0.7%	0.9%
Median				2.7	2.3	12.5	7.3	18.3	14.6	22.5	18.2	0.9%	1.0%

Source: Intermonte SIM estimates for covered companies, FactSet consensus estimates for peer group

DETAILS ON STOCKS RECOMMENDATION

Stock NAME	FOS		
Current Recomm:	BUY	Previous Recomm:	BUY
Current Target (Eu):	4.60	Previous Target (Eu):	4.10
Current Price (Eu):	3.29	Previous Price (Eu):	2.62
Date of report:	13/04/2021	Date of last report:	15/10/2020

DISCLAIMER (for more details go to [DISCLAIMER](#))**IMPORTANT DISCLOSURES**

The reproduction of the information, recommendations and research produced by IntermonTE SIM contained herein and of any its parts is strictly prohibited. None of the contents of this document may be shared with third parties without authorisation from IntermonTE.

This report is directed exclusively at market professional and other institutional investors (Institutions) and is not for distribution to person other than "Institution" ("Non-Institution"), who should not rely on this material. Moreover, any investment or service to which this report may relate will not be made available to Non-Institution.

The information and data in this report have been obtained from sources which we believe to be reliable, although the accuracy of these cannot be guaranteed by IntermonTE. In the event that there be any doubt as to their reliability, this will be clearly indicated. The main purpose of the report is to offer up-to-date and accurate information in accordance with regulations in force covering "recommendations" and is not intended nor should it be construed as a solicitation to buy or sell securities.

This disclaimer is constantly updated on IntermonTE's website www.intermonTE.it under LEGAL INFORMATION. Valuations and recommendations can be found in the text of the most recent research and/or reports on the companies in question. For a list of all recommendations made by IntermonTE on any financial instrument or issuer in the last twelve months consult the [PERFORMANCE](#) web page.

IntermonTE distributes research and engages in other approved activities with respect to Major U.S. Institutional Investors ("Majors") and other Qualified Institutional Buyers ("QIBs"), in the United States, via Brasil Plural Securities LLC under SEC 15a-6 guidelines. IntermonTE is not registered as a broker dealer in the United States under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and is not a member of the Securities Investor Protection Corporation ("SIPC"). Brasil Plural Securities LLC is registered as a broker-dealer under the Exchange Act and is a member of SIPC.

ANALYST CERTIFICATION

For each company mentioned in this report the respective research analyst hereby certifies that all of the views expressed in this research report accurately reflect the analyst's personal views about any or all of the subject issuer (s) or securities. The analyst (s) also certify that no part of their compensation was, is or will be directly or indirectly related to the specific recommendation or view in this report.

The analyst (s) responsible for preparing this research report receive(s) compensation that is based upon various factors, including IntermonTE's total profits, a portion of which is generated by IntermonTE's corporate finance activities, although this is minimal in comparison to that generated by brokerage activities.

IntermonTE's internal procedures and codes of conduct are aimed to ensure the impartiality of its financial analysts. The exchange of information between the Corporate Finance sector and the Research Department is prohibited, as is the exchange of information between the latter and the proprietary equity desk in order to prevent conflicts of interest when recommendations are made.

The analyst responsible for the report is not a) a resident of US; b) an associated person of a U.S. broker-dealer; c) supervised by a supervisory principal of a U.S. broker-dealer. This Research Report is distributed in the U.S. through Brasil Plural Securities LLC, 545 Madison Avenue, New York 10022.

GUIDE TO FUNDAMENTAL RESEARCH

The main methods used to evaluate financial instruments and set a target price for 12 months after the investment recommendation are as follows:

- Discounted cash flow (DCF) model or similar methods such as a dividend discount model (DDM)
- Comparison with market peers, using the most appropriate methods for the individual company analysed: among the main ratios used for industrial sectors are price/ earnings (P/E), EV/EBITDA, EV/EBIT, price /sales.
- Return on capital and multiples of adjusted net book value are the main methods used for banking sector stocks, while for insurance sector stocks return on allocated capital and multiples on net book value and embedded portfolio value are used
- For the utilities sector comparisons are made between expected returns and the return on the regulatory asset base (RAB)

Some of the parameters used in evaluations, such as the risk-free rate and risk premium, are the same for all companies covered, and are updated to reflect market conditions. Currently a risk-free rate of 2.5% and a risk premium of 5.0% are being used.

Frequency of research: quarterly.

Reports on all companies listed on the S&P/IB40 Index, most of those on the MIBEX Index and the main small caps (regular coverage) are published at least once per quarter to comment on results and important newswell.

A draft copy of each report may be sent to the subject company for its information (without target price and/or recommendations), but unless expressly stated in the text of the report, no changes are made before it is published.

Explanation of our ratings system:

BUY: stock expected to outperform the market by over 25% over a 12 month period;

OUTPERFORM: stock expected to outperform the market by between 10% and 25% over a 12 month period;

NEUTRAL: stock performance expected at between +10% and -10% compared to the market over a 12 month period;

UNDERPERFORM: stock expected to underperform the market by between -10% and -25% over a 12 month period;

SELL: stock expected to underperform the market by over 25% over a 12 month period.

Prices: The prices reported in the research refer to the price at the close of the previous day of trading

CURRENT INVESTMENT RESEARCH RATING DISTRIBUTIONS

IntermonTE SIM is authorised by CONSOB to provide investment services and is listed at n° 246 in the register of brokerage firms.

As at 31 March 2021 IntermonTE's Research Department covered 124 companies. IntermonTE's distribution of stock ratings is as follows:

BUY:	16,26 %
OUTPERFORM:	51,22 %
NEUTRAL:	28,45 %
UNDERPERFORM	04,07 %
SELL:	00,00 %

The distribution of stock ratings for companies which have received corporate finance services from IntermonTE in the last 12 months (52 in total) is as follows:

BUY:	25,00 %
OUTPERFORM:	57,69 %
NEUTRAL:	17,31 %
UNDERPERFORM	00,00 %
SELL:	00,00 %

CONFLICT OF INTEREST

In order to disclose its possible conflicts of interest IntermonTE SIM states that:

IntermonTE SIM SpA provides investment banking services to Creval in connection with the public tender offer promoted by Crédit Agricole Italia (IntermonTE is financial advisor to Creval's Board of Directors in connection with the public tender offer promoted by Crédit Agricole Italia).

IntermonTE SIM S.p.A. is acting as placement agent in Aedes' capital increase with an agreement with the company for the publication of an equity research regarding the company and the transaction. IntermonTE will receive fees from the company for its activity as placement agent.

Within the last year, IntermonTE SIM managed or co-managed/is managing or is co-managing an Institutional Offering and/or managed or co-managed/is managing or is co-managing an offering with firm commitment underwriting of the securities of the following Companies: BPER, IEG and Iervolino Entertainment.

IntermonTE SIM has provided in the last 12 months / provides / may provide investment banking services to the following companies: Abitare In, Aedes, Aeroporto di Bologna, Alkemy, Azimut, Banca Ifis, Cellularelle, Creval, ePrice, Falck Renewables, Guala Closures, H-Farm, IEG, Iervolino Entertainment, Mittel, Nova Re, OVS, Retelit, Saes Getters, Somec, SP5I (on Guala Closures shares), Tesmec, TXT, UBI Banca, and WIIT.

IntermonTE SIM is Specialist and/or Corporate Broker and/or Sponsor and/or Broker in charge of the share buy back activity of the following Companies: Abitare In, Aedes, Alkemy, Ambientes, Aquafil, Avio, Banca Ifis, Banca Sistema, Cattolica, CFT, Cellularelle, Credito Valtellinese, Cybero, Cy4gate, DeA Capital, ELi, Elic, Elic, Emak, Espritnet, Falck Renewables, Fimit - Fondo Alpha, Fine Foods, Gefran, Go Internet, Gpi, Gruppo Fos, Guala, IEG, Iervolino Entertainment, IndelB, Industrial Stars Of Italy 3, Luve, Notorious, Relatech, Reply, Retelit, Saes Getters, Servizi Italia, Sesa, Seri Industrial, Somec, Tinexta, Tesmec, Tamburi, Txt, and WIIT.

IntermonTE SIM has a contractual commitment to act as liquidity provider on behalf of third parties for the following companies: Banca Sistema and Restart.

IntermonTE SIM performs as a market maker for the following companies: A2A, Anima, Atlantia, Autogrill, Azimut Holding, BAMI, Banca Generali, Banca Mediolanum, Brembo, Buzzi, CNHI, Enel, ENI, Exor, Fineco, FCA, FTMBI, Generali, Italgas, Iren, Intesa Sanpaolo, Leonardo, Mediobanca, Moncler, Mediaset, Pirelli&C, Prisma, Poste, Ferrari, Saipem, Snam, STM, Tenaris, Telecom Italia, Telecom Italia sav, Terna, UBI, Unicredit, Unipol, UnipolSai.

IntermonTE SIM is a member of the CBOE Europe Equities Liquidity Provider Program for the following financial instruments: A2A, Atlantia, ATSM, Autogrill, Azimut Holding, Banca Generali, Banca Mediolanum, Banco BPM, Bca Monte dei Paschi di Siena, Bca Pop Emilia Romagna, Banca Pop Sondrio, Buzzi Unicem, Buzzi Unicem rsc, Campari, CIR- Compagnie Industriali Riunite, Credito Emiliano, Danieli & C., Danieli & C. Risp NC, Diasorin, Enel, Eni, Generali, Hera, Intesa Sanpaolo, Iren, Italgas, Italmobiliare, Leonardo, Maire Tecnimont, Mediaset, Mediobanca, Pirelli & C., Poste Italiane, Prisma, Recordati, S.I.A.S., Saipem, Salini Impregio, Salvatore Ferragamo, Snam, Telecom Italia, Telecom Italia rsc, Terna, Tod's, UBI Banca, Unicredit, Unipol, UnipolSai.

Through its Websim Division, **IntermonTE SIM** acts as a Retail Investor Research Provider on behalf in regard to the following companies: Aedes, Banca Ifis, Banca Sistema, Cattolica Assicurazioni, Cellularelle, CFT Group, Circle, Coima RES, Comer Industries, Crowdfundme, Digital Bros, Digital Magics, Elettra Investimenti, Falck Renewables, Fiera Milano, Finlogic, First Capital, FOPE, Gefran, Generali Assicurazioni, Giglio, Go Internet, H-Farm, Ilpra, Indel B, ISI/Salcef, Italoanline, La Doria, L'Entente, MailUp, Maps, Masi Agricola, Molmed, Neodecorch, Piaggio, Portale Sardegna, Primi sui Motori, Retelit, Safe Bag, Somec, SOS Travel, Tinexta, TPS, WIIT.

Through its Websim Division, **IntermonTE SIM** carries out marketing / communication activities on behalf of the following equity crowdfunding 200Crowd, BacktoWork24, Crowdfundme, Opstart and the following issuers: Banca IMI, BNP Paribas, Credit Suisse, Eane, Leonteq, Unicredit, Vontobel, Wisdomee.

IntermonTE SIM SpA holds net long or short positions in excess of 0.5% of the overall share capital in the following issuers:

Emittente	%	Long/Short
AEDES NEW	3,7	LONG
COGEME SET SPA	1,6	SHORT
IKF	0,57	SHORT
OLIDATA	0,74	SHORT

© Copyright 2020 by IntermonTE SIM - All rights reserved

It is a violation of national and international copyright laws to reproduce all or part of this publication by email, xerography, facsimile or any other means. The Copyright laws impose heavy liability for such infringement. The Reports of IntermonTE SIM are provided to its clients only. If you are not a client of IntermonTE SIM and receive emailed, faxed or copied versions of the reports from a source other than IntermonTE SIM you are violating the Copyright Laws. This document is not for attribution in any publication, and you should not disseminate, distribute or copy this e-mail without the explicit written consent of IntermonTE SIM.

INTERMONTE will take legal action against anybody transmitting/publishing its Research products without its express authorization.

INTERMONTE SIM strongly believes its research product on Italian equities is a value added product and deserves to be adequately paid.

IntermonTE SIM sales representatives can be contacted to discuss terms and conditions to be supplied the INTERMONTE research product.

INTERMONTE SIM is MIFID compliant - for our Best Execution Policy please check our Website [MIFID](#)

Further information is available