

TXT E-SOLUTIONS OUTPERFORM

Price (Eu): 7.60
Target Price (Eu): 11.30

SECTOR: Industrials

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

Positive Management Outlook Supports Our View on the Stock

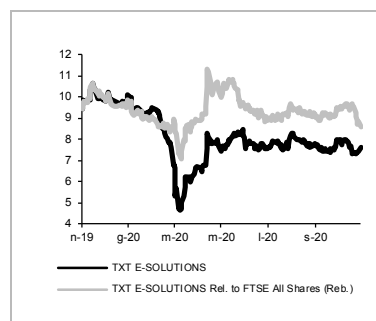
- 3Q20 results: margins beat forecasts.** On 5th November TXT reported 3Q20 results. Revenues came to Eu15.7mn, up +1.2% YoY and in line with our estimates, with a +3.2% contribution from acquisitions. **Aerospace & Aviation** revenues came to Eu9.8mn, up +1.6% YoY (entirely organic), while **FinTech** revenues came to Eu5.9mn, up +0.5% YoY and down 8% on a like-for-like basis. EBITDA came to Eu2.1mn (of which Eu1.5mn from A&A and Eu0.6mn from FinTech), up +3.3% YoY with a 13.2% margin vs 11.6% in our estimates and 12.6% in 1H20. Net profit was Eu0.9mn, down 9.8% YoY but Eu0.3mn above our expectations, burdened by a higher tax rate (43.4% in 3Q20 vs. 26.7% in 3Q19). The net financial position was positive at Eu31.9mn, slightly better than our estimate (Eu30mn) and down Eu9.5mn on the FY19 figure due to: 1) the acquisition of **Mac Solutions SA** in June 2020 (Eu5.1mn); 2) recognition of the debt put/call linked to the **TXT Working Capital Solutions** stake (Eu2.7mn); 3) liquidation of the severance package for the outgoing Chairman, for which provisions were made in previous years (Eu1.2mn); 4) temporary working capital absorption.
- Encouraging outlook despite the Covid-19 crisis.** Turnover and margin growth trends confirmed the **resilience** of the business even during the Covid-19 crisis. 4Q20 prospects are positive and management is confident of generating growth and profitability, while the search for M&A continues even after the recent acquisition of **HSPI**, reflecting the company's efforts to pursue external growth. The Airlines market (civil aviation, 6% of FY19 revenues) has been heavily impacted by Covid-19, but TXT reported mid-single digit growth (9M20 +4% YoY): its revenues are generally not related to traffic and were boosted by the **strong backlog** acquired in FY19 (plus new contracts with a major European airline and new **trial with leading US cargo airlines** in FY20). Defence segment revenues should continue to be solid thanks to: i) multi-year contracts signed at the beginning of the 2Q20; and ii) consolidated and strong relationship with domestic and European players. At the FinTech division, the group will continue to pursue its strategy based on strategic M&A and organic growth, and in this domain we note that the TXT Risk Solutions start-up has announced the signing of its first subscription-based contract with a leading Italian bank for the supply of the **FARADAY platform**, an innovative solution for the management of money laundering problems and fraud risk.
- Leaving our estimates unchanged.** We confirm our estimates that we recently raised to include the positive contribution from the HSPI acquisition. As for 2020, we assume strong double-digit growth for the top line (+15.1% YoY) and an 11.9% EBITDA margin.
- Outperform reiterated, target Eu11.3 unchanged.** While we consider our FY20 estimate to have good visibility, we expect the group to be well positioned to continue the growth trajectory in 2021 and to seize new M&A opportunities thanks to a cash position that remains solid even after recent deals.

Key Figures	2018A	2019A	2020E	2021E	2022E
Sales (Eu mn)	40	59	68	85	91
Ebitda (Eu mn)	4	7	8	11	12
Net profit (Eu mn)	1	0	3	5	6
EPS - New Adj.(Eu)	0.049	0.038	0.296	0.427	0.514
EPS - Old Adj.(Eu)		0.038	0.296	0.427	0.514
DPS (Eu)	0.500	0.000	0.096	0.150	0.180

Ratios & Multiples	2018A	2019A	2020E	2021E	2022E
P/E Adj.	nm	nm	25.6	17.8	14.8
Div. Yield	6.6%	0.0%	1.3%	2.0%	2.4%
EV/Ebitda Adj.	10.1	8.2	9.2	6.6	5.5
ROCE	9.6%	10.7%	9.8%	15.6%	18.7%

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.

TXT E-SOLUTIONS - 12m Performance



RATING: Unchanged

TARGET PRICE (Eu): Unchanged

Ch. in Adj.EPS est: 2020E 2021E
 0.0% 0.0%

STOCK DATA

Reuters code: TXTS.MI
 Bloomberg code: TXT IM

Performance	1m	3m	12m
Absolute	-3.2%	-4.3%	-19.6%
Relative	-8.2%	-9.8%	-7.7%
12 months H/L:	10.66/4.63		

SHAREHOLDER DATA

No. of Ord. shares (mn):	13
Total No. of shares (mn):	12
Mkt Cap Ord (Eu mn):	99
Total Mkt Cap (Eu mn):	99
Mkt Float - ord (Eu mn):	46
Mkt Float (in %):	46.3%
Main shareholder:	
Enrico Magni (Laserline)	26.5%

BALANCE SHEET DATA

	2020
Book value (Eu mn):	85
BVPS (Eu):	7.30
P/BV:	1.0
Net Financial Position (Eu mn):	25
Enterprise value (Eu mn):	74

Please see important disclaimer
 on the last page of this report

TXT E-SOLUTIONS - KEY FIGURES

		2018A	2019A	2020E	2021E	2022E
	Fiscal year end	31/12/2018	31/12/2019	31/12/2020	31/12/2021	31/12/2022
PROFIT & LOSS (Eu mn)	Sales	40	59	68	85	91
	EBITDA	4	7	8	11	12
	EBIT	2	4	4	7	8
	Financial income (charges)	(1)	(1)	0	0	0
	Associates & Others	0	0	0	0	0
	Pre-tax profit (Loss)	1	2	4	7	8
	Taxes	0	(2)	(1)	(2)	(2)
	Tax rate (%)	-0.7%	80.6%	25.0%	28.0%	28.0%
	Minorities & discontinue activities	0	(0)	(0)	(0)	(0)
	Net profit	1	0	3	5	6
	Total extraordinary items	0	0	0	0	0
Ebitda excl. extraordinary items	4	7	8	11	12	
Ebit excl. extraordinary items	2	5	6	8	10	
Net profit restated	1	0	3	5	6	
PER SHARE DATA (Eu)	Total shares out (mn) - average fd	12	12	12	12	12
	EPS stated fd	0.049	0.038	0.296	0.427	0.514
	EPS restated fd	0.049	0.038	0.296	0.427	0.514
	BVPS fd	7.414	7.028	7.303	7.634	7.998
	Dividend per share (ord)	0.500	0.000	0.096	0.150	0.180
	Dividend per share (sav)	0.000	0.000	0.000	0.000	0.000
Dividend pay out ratio (%)	1023.2%	0.0%	35.0%	35.0%	29.1%	
CASH FLOW (Eu mn)	Gross cash flow	2	4	7	9	10
	Change in NWC	(0)	(7)	(6)	(3)	(2)
	Capital expenditure	(1)	(1)	(1)	(1)	(1)
	Other cash items	(4)	(1)	0	0	0
	Free cash flow (FCF)	1	(5)	(0)	5	6
	Acquisitions, divestments & others	(7)	(2)	(17)	0	0
	Dividend	(12)	(6)	0	(1)	(2)
	Equity financing/Buy-back	0	0	0	0	0
Change in Net Financial Position	(27)	(19)	(17)	3	4	
BALANCE SHEET (Eu mn)	Total fixed assets	23	35	32	29	27
	Net working capital	7	10	17	20	22
	Long term liabilities	(4)	(5)	(5)	(5)	(5)
	Net capital employed	26	41	44	45	44
	Net financial position	60	41	25	28	32
	Group equity	86	82	85	89	93
	Minorities	0	0	0	0	0
Net equity	86	82	85	89	93	
ENTERPRISE VALUE (Eu mn)	Average mkt cap - current	99	99	99	99	99
	Adjustments (associate & minorities)	0	0	0	0	0
	Net financial position	60	41	25	28	32
	Enterprise value	38	57	74	71	66
RATIOS(%)	EBITDA margin*	9.5%	11.9%	11.9%	12.6%	13.3%
	EBIT margin*	4.6%	8.4%	8.3%	9.7%	10.5%
	Gearing - Debt/equity	-69.9%	-50.6%	-28.9%	-31.5%	-34.8%
	Interest cover on EBIT	1.4	2.9	nm	nm	nm
	Debt/Ebitda	nm	nm	nm	nm	nm
	ROCE*	9.6%	10.7%	9.8%	15.6%	18.7%
	ROE*	0.6%	0.5%	3.8%	5.7%	6.6%
	EV/CE	2.0	1.7	1.8	1.6	1.5
	EV/Sales	1.0	1.0	1.1	0.8	0.7
	EV/Ebit	20.9	11.5	13.1	8.6	6.9
Free Cash Flow Yield	0.9%	-4.6%	-0.3%	4.6%	6.2%	
GROWTH RATES (%)	Sales	11.4%	47.9%	15.1%	24.9%	7.5%
	EBITDA*	7.4%	84.4%	15.2%	32.8%	13.0%
	EBIT*	-31.0%	170.3%	13.6%	44.9%	17.0%
	Net profit	-99.2%	-20.7%	614.3%	55.6%	20.2%
	EPS restated	-67.5%	-20.7%	670.5%	44.2%	20.2%

* Excluding extraordinary items

Source: Intermonte SIM estimates

3Q20 Results

3Q20 results: margins beat forecasts. On 5th November TXT reported 3Q20 results. Revenues came to Eu15.7mn, up +1.2% YoY and in line with our estimates, with a +3.2% contribution from acquisitions. **Aerospace & Aviation** revenues came to Eu9.8mn, up +1.6% YoY (entirely organic), while **FinTech** revenues came to Eu5.9mn, up +0.5% YoY and down 8% on a like-for-like basis. EBITDA came to Eu2.1mn (of which Eu1.5mn from A&A and Eu0.6mn from FinTech), up +3.3% YoY with a 13.2% margin vs 11.6% in our estimates and 12.6% in 1H20. Net profit was Eu0.9mn, down 9.8% YoY but Eu0.3mn above our expectations, burdened by a higher tax rate (43.4% in 3Q20 vs. 26.7% in 3Q19). The net financial position was positive at Eu31.9mn, slightly better than our estimate (Eu30mn) and down Eu9.5mn on the FY19 figure due to: 1) the acquisition of **Mac Solutions SA** in June 2020 (Eu5.1mn); 2) recognition of the debt put/call linked to the **TXT Working Capital Solutions** stake (Eu2.7mn); 3) liquidation of the severance package for the outgoing Chairman, for which provisions were made in previous years (Eu1.2mn); 4) temporary working capital absorption.

Quarterly Results

	3Q19A	3Q20A	3Q20E	A/E %	2019A	2020E
Revenue	15.5	15.7	15.7	-0.1%	59.1	68.0
YoY growth	61.5%	1.2%	1.2%		47.9%	15.1%
Organic	11.6%	-2.0%	-1.9%		23.7%	2.4%
Scope	49.9%	3.2%	3.2%		24.2%	12.7%
EBITDA IFRS	2.0	2.1	1.8	14.2%	7.0	8.1
YoY growth	164.6%	3.3%	-9.5%		84.4%	16.0%
EBITDA IFRS margin %	12.9%	13.2%	11.6%		11.9%	11.9%
- D&A	(0.4)	(0.5)	(0.5)		(2.0)	(2.4)
EBITA	1.6	1.6	1.3	19.9%	5.0	5.7
YoY growth	495.1%	-0.4%	-16.9%		170.3%	14.8%
- Financial income/(charges)	0.3	0.3	(0.2)		(1.2)	0.1
Pre-tax profit	1.3	1.6	0.8	97.0%	2.3	4.3
- Income tax	(0.4)	(0.7)	(0.2)		(1.9)	(1.1)
Tax rate %	26.7%	43.4%	25.0%		80.6%	25.0%
Net income from cont. op.	1.0	0.9	0.6	48.6%	0.4	3.2
YoY growth	656.6%	-9.8%	-39.3%		-20.7%	623.9%
Net profit margin %	6.3%	5.6%	3.8%		0.8%	4.8%
Net debt/(cash)	(43.2)	(31.9)	(30.0)		(41.4)	(24.6)

	3Q19A	3Q20A	3Q20E	A/E %	2019A	2020E
Revenue	9.7	9.8	9.9	-0.4%	38.7	41.2
YoY growth	29.3%	1.6%	2.0%		24.4%	6.5%
Organic	29.3%	1.6%	2.0%		24.4%	6.5%
Scope	0.0%	0.0%	0.0%		0.0%	0.0%
FinTech	5.8	5.9	5.8	0.5%	20.4	26.8
YoY growth	174.8%	0.5%	0.1%		130.3%	31.4%
Organic	63.1%	-8.0%	-8.5%		21.2%	-5.5%
Scope	112%	9%	9%		109%	37%
Revenue	15.5	15.7	15.7	-0.1%	59.1	68.0
YoY growth	61.5%	1.2%	1.2%		47.9%	15.1%
Organic	36.8%	-2.0%	-1.9%		23.7%	2.4%
Scope	24.7%	3.2%	3.2%		24.2%	12.7%

	3Q19A	3Q20A	3Q20E	A/E %	2019A	2020E
EBITDA	1.0	1.5	1.2	21.9%	5.7	5.8
YoY growth	34.9%	45.8%	19.7%		56.4%	1.3%
EBITDA margin %	10.4%	14.9%	12.2%		14.7%	14.0%
FinTech	1.0	0.6	0.6	-0.9%	1.3	2.4
YoY growth	1845.3%	0.0%	0.0%		179.5%	79.7%
EBITDA margin %	17.2%	10.4%	10.5%		6.4%	8.8%
EBITDA	2.0	2.1	1.8	14.2%	7.0	8.1
YoY growth	164.6%	3.3%	-9.5%		84.4%	16.0%
EBITDA margin %	12.9%	13.2%	11.6%		11.9%	11.9%

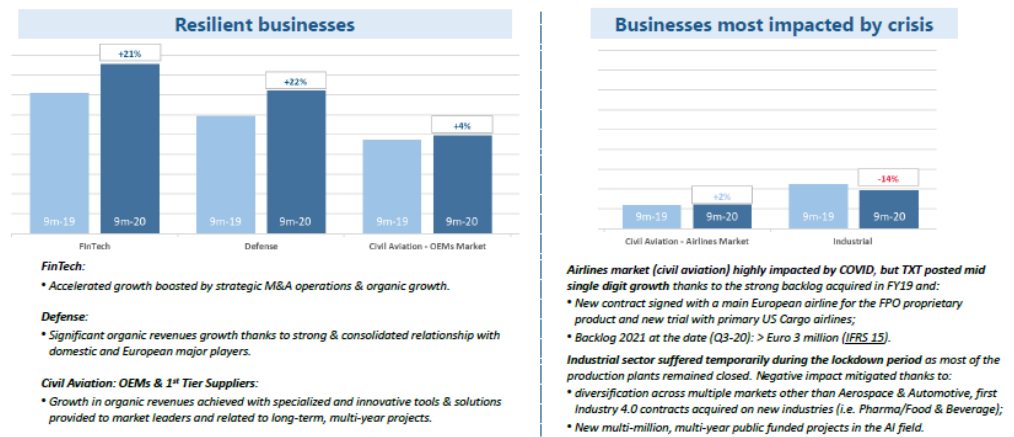
Source: Company data and Intermonte SIM (E)

4Q20 Outlook and estimates

Encouraging outlook despite the Covid-19 crisis. Turnover and margin growth trends confirmed the **resilience** of the business even during the Covid-19 crisis. 4Q20 prospects are positive and management is confident of generating growth and profitability, while the search for M&A continues even after the recent acquisition of HSPI, reflecting the company's efforts to pursue external growth. The Airlines market (civil aviation, 6% of FY19 revenues) has been heavily impacted by Covid-19, but TXT reported mid-single digit growth (9M20 +4% YoY): its revenues are generally not related to traffic and were boosted by the **strong backlog** acquired in FY19 (plus new contracts with a major European airline and **new trial with leading US cargo airlines** in FY20). Defence segment revenues should continue to be solid thanks to: i) multi-year contracts signed at the beginning of the 2Q20; and ii) consolidated and strong relationship with domestic and European players. At the FinTech division, the group will continue to pursue its strategy based on strategic M&A and organic growth, and in this domain we note that the TXT Risk Solutions start-up has announced the signing of its first subscription-based contract with a leading Italian bank for the supply of the FARADAY platform, an innovative solution for the management of money laundering problems and fraud risk.

Business Resilience during the Covid-19 crisis

Thanks to the diversification strategy and core processes expertise in different markets and segments, the TXT Group recorded positive trends during the Covid-19 outbreak



Source: Company Presentation

Leaving our estimates unchanged. We confirm our estimates, which we recently raised to include the positive contribution from the HSPI acquisition. As for 2020, we assume strong, double-digit growth for the top line (+15.1% YoY) and an 11.9% EBITDA margin.

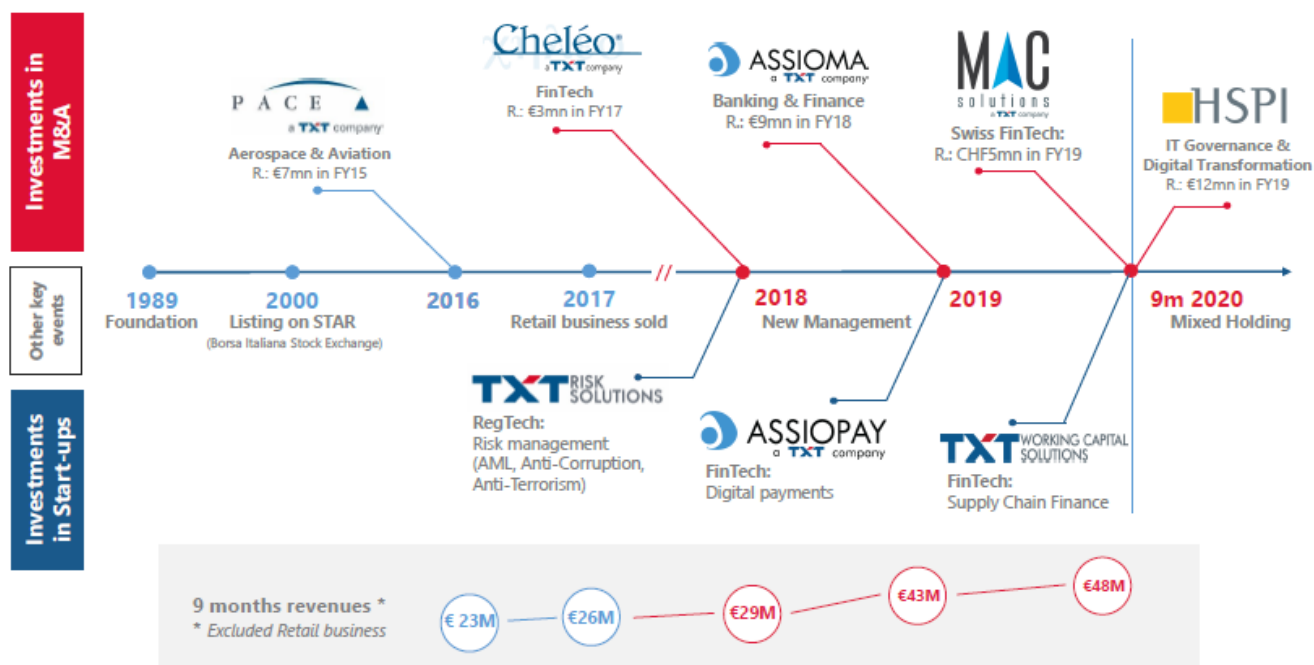
Appendix I – Present and Past M&A

TXT – Present 2020 M&A

Company	Closing	Stake	Sector	Description	Revenues '19	EBITDA '19	% Margin	EV/EBITDA '20
TXT Working Capital Solution	15/04/2020	60%	FinTech	Innovative Fintech start-up, rebranded to TXT Working Capital Solutions, founded by Francesco Sacchi, Italian entrepreneur and expert in finance and IT. By means of this acquisition TXT increased its solutions portfolio for the supply chain finance market	*N.R.	*N.R.	*N.R.	*N.R.
MAC Solutions SA	13/07/2020	100%	FinTech	Swiss company operating for over 20 years on the market as specialist in the provision of ICT professional services for the banking banking markets, in the supply and integration of financial software and in the development of innovative software and web App designed through the software factory serving local customers	CHF 4.8mn	CHF 1.08mn	23%	3.9.x
HSPI	19/10/2020	100% of the ordinary shares providing voting rights in the shareholders' meeting	IT Governance and Digital	Company specialised in the digital transformation of large public and private Italian companies and a leader in the field of IT governance. This acquisition provide access to new markets (Public Administration, Energy & Utilities)	Eu12mn	Eu1.8mn	15%	7.2.x

Source: Intermonte SIM on Company Data. * NR: Not relevant since TXT Working Capital Solution is a start-up

TXT – M&A Track Record



Source: Company Presentation

Appendix II – HSPI’s acquisition at a glance

On 19 October, TXT e-solutions announced the purchase of 92% (corresponding to 100% of ordinary shares) of the capital of **HSPI, a digital transformation specialist working with major public and private sector Italian operators and a leader in the field of IT governance (2019 revenues Eu11.9mn, EBITDA margin 15.3%)**. The deal is a transaction with associated parties, as the acquired company is 53.36% controlled by Laserline S.p.A., which in turn is entirely controlled by Enrico Magni, Chairman of the TXT BoD. The HSPI enterprise value is Eu11.6mn, paid partly in cash (Eu9.1mn, of which Eu6.7mn to Laserline) and partly in TXT shares (Eu2.5mn) with a 3-year lock-up. The TXT shares will represent 50% of the cash-in for three top managers at HSPI, who will join the TXT group; the selling managers have the right to a top-up adjustment of a further Eu0.5mn. For 2020, HSPI senior management estimates revenues in line with 2019 and only slightly narrower margins (i.e. ca. -1pp). The multiple paid on 2020E EBITDA is therefore 7.2x (excluding shares without voting rights and considering the potential price adjustment) and appears fair in light of expectations for solid growth in the coming years. If we consider 2019A EBITDA, the multiple paid is 6.6x. This deal is the second between associated parties, and we can rule out any others as Laserline does not control any other companies in the sector. The first deal, for **Cheleo**, went through in August 2018, and the acquired company has delivered positive results since joining the group (we estimate that Cheleo will close 2020 with higher EBITDA than in 2018).

The acquisition of HSPI means TXT Group inherits a new, broad and diversified customer portfolio, which **strengthens its presence in the Fintech and Industrial markets and guarantees access to new sectors (Public Administration, Energy & Utilities)**. Thanks to HSPI, TXT Group will obtain a leadership position in Italy, with the addition of new operating offices, such as in Bologna and, in particular, Rome.

The transaction will further reinforce TXT Group know-how in key areas such as:

- information risk management
- process mining
- blockchain
- data science and advanced analytics.

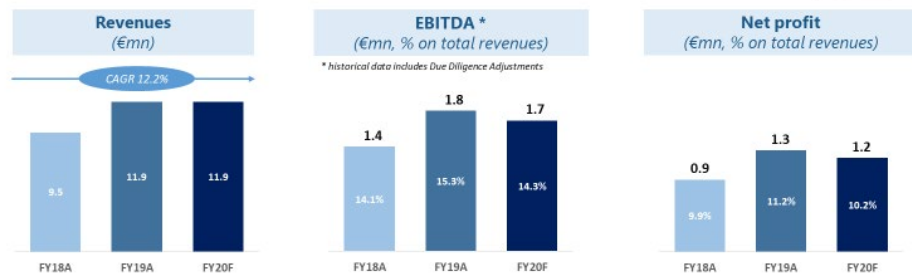
It will expand the offering to the field of cyber security, expected to grow substantially over the coming years, and the public administration sector.

HSPI Acquisition - New Market Access and Expansion of Offering

Strengthen the offering, diversify the markets

- 10 year growing presence in Italian Market
- Committed management (2.3% stake in TXT)
- Strong in Cybersecurity, AI, Data Analytics, XR, Blockchain, IT Governance & Service management
- Provide new market access → Public Sector

HSPI



Source: Company Presentation

Peer Group - Absolute Performances

Stock	Price	Ccy	Mkt cap	1M	3M	6M	YTD	1Y	2Y
TXT E-SOLUTIONS	7.60	EUR	99	-3.2%	-4.3%	-1.0%	-21.3%	-19.6%	-8.2%
AMERICAN SOFTWARE	16.22	USD	527	4.8%	-5.5%	-2.3%	9.0%	-2.2%	35.5%
ATOSS SOFTWARE	128.50	EUR	2,044	-2.7%	15.2%	45.6%	79.1%	96.2%	227.0%
CAPGEMINI	116.70	EUR	19,738	3.4%	4.9%	31.2%	7.2%	10.6%	6.5%
COMPUTACENTER	23.30	GBP	2,618	-5.7%	14.3%	55.9%	31.4%	69.3%	96.5%
DESCARTES SYSTEMS	72.77	CAD	6,147	-3.0%	-5.9%	15.4%	31.1%	36.1%	80.8%
DEVOTEAM	97.80	EUR	801	0.1%	-0.3%	37.2%	3.5%	24.6%	6.0%
MANHATTAN ASSOCIATE	95.53	USD	6,069	-6.3%	1.1%	24.4%	19.8%	26.5%	91.8%
ORACLE	56.84	USD	171,139	-7.0%	2.9%	6.1%	7.3%	0.6%	12.3%
REPLY	95.85	EUR	3,586	-3.0%	8.3%	42.8%	38.0%	57.9%	95.9%
SAP	98.97	EUR	116,745	-25.6%	-27.9%	-8.1%	-17.7%	-19.7%	4.0%
SOPRA GROUP	114.50	EUR	2,320	-18.0%	-14.2%	11.1%	-20.2%	-10.2%	18.5%
SQS SOFTWARE	---	EUR	---	---	---	---	---	---	---
Mean performance				-5.5%	-0.9%	21.5%	13.9%	22.5%	55.5%
Italy FTSE Mib	20,750.2	EUR		5.9%	6.3%	19.0%	-11.7%	-11.8%	7.7%

Source: FactSet

Peer Group - Multiple Comparison

Stock	Price	Ccy	Mkt cap	EV/Sales	EV/Sales	EV/Ebitda	EV/Ebitda	EV/Ebit	EV/Ebit	P/E	P/E	Div Yield	Div Yield
				2020	2021	2020	2021	2020	2021	2020	2021	2020	2021
TXT E-SOLUTIONS	7.60	EUR	99	1.1	0.8	9.2	6.6	13.1	8.6	25.6	17.8	1.3%	2.0%
AMERICAN SOFTWARE	16.22	USD	527	3.8	3.5	32.7	24.6	80.0	44.0	66.2	49.9		
ATOSS SOFTWARE	128.50	EUR	2,044	11.9	10.1	36.8	32.1	42.6	37.3	63.3	56.1	1.2%	1.3%
CAPGEMINI	116.70	EUR	19,738	1.6	1.4	10.5	9.2	14.2	12.3	17.9	15.7	1.4%	1.7%
COMPUTACENTER	23.30	GBP	2,618	0.5	0.4	10.3	9.8	13.4	12.7	20.6	20.4	1.9%	1.9%
DESCARTES SYSTEMS	72.77	CAD	6,147	13.2	11.6	32.8	28.7	67.6	52.3	102.9	80.1		
DEVOTEAM	97.80	EUR	801	1.0	0.9	7.9	6.9	10.5	8.7	22.2	17.8	0.7%	1.1%
MANHATTAN ASSOCIATE	95.53	USD	6,069	10.2	9.5	42.5	46.7	42.6	45.6	58.3	65.0		
ORACLE	56.84	USD	171,139	5.1	5.0	10.4	10.1	11.2	10.8	13.5	12.4	1.7%	1.7%
REPLY	95.85	EUR	3,586	2.8	2.4	17.6	14.7	21.8	18.2	32.5	28.1	0.5%	0.6%
SAP	98.97	EUR	116,745	4.8	4.6	14.0	13.6	15.8	15.5	18.8	19.8	1.7%	1.8%
SOPRA GROUP	114.50	EUR	2,320	0.7	0.6	7.0	5.8	11.6	8.8	15.4	11.8	1.3%	1.8%
SQS SOFTWARE		EUR											
Median				3.8	3.5	14.0	13.6	15.8	15.5	22.2	20.4	1.3%	1.7%

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

TXT E-SOLUTIONS - Estimates Comparison with Consensus

(Eu mn)	2020			2021		
	Intermonte	Consensus	%diff	Intermonte	Consensus	%diff
Revenues	68.0	67.4	0.9%	85.0	79.0	7.5%
Ebitda	8.1	7.9	2.1%	10.7	9.8	9.9%
Net Profit	3.2	3.3	-3.1%	5.0	4.5	11.7%
EPS	0.296	0.318	-6.8%	0.427	0.409	4.6%
Net Debt	24.6	31.1	-21.0%	28.0	34.6	-19.1%

Source: Intermonte SIM estimates and Factset consensus estimates

DETAILS ON STOCKS RECOMMENDATION

Stock NAME	TXT E-SOLUTIONS			
Current Recomm:	OUTPERFORM		Previous Recomm:	OUTPERFORM
Current Target (Eu):	11.30		Previous Target (Eu):	11.30
Current Price (Eu):	7.60		Previous Price (Eu):	7.85
Date of report:	10/11/2020		Date of last report:	26/10/2020

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 certifies 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&P500 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 newsflow.

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 30 September 2020 Intermonte's Research Department covered 124 companies. Intermonte's distribution of stock ratings is as follows:

BUY:	07,44 %
OUTPERFORM:	52,07 %
NEUTRAL:	33,88 %
UNDERPERFORM	06,61 %
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:	11,54 %
OUTPERFORM:	59,62 %
NEUTRAL:	28,84 %
UNDERPERFORM	00,00 %
SELL:	00,00 %

CONFLICT OF INTEREST

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

Intermonte SIM S.p.A. is acting as placement agent in Tesmec's 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, Cellularline, ePrice, Falck Renewables, Guala Closures, H-Farm, IEG, Iervolino Entertainment, Mittel, Nova Re, Retelit, Saes Getters, Somec, 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, Ambienthesis, Aquafil, Avio, Banca Ifis, Banca Sistema, Be, Cattolica, CFT, Cellularline, Credito Valtellinese, Cyberoo, DeA Capital, Elen, Eles, Elica, Emak, Falck Renewables, Finit - Fondo Alpha, Fine Foods, Gefran, Go Internet, Gpi, Gruppo Fos, Guala, H-Farm, IEG, Iervolino Entertainment, IndelB, Industrial Stars Of Italy 3, Luve, Notorious, Openjobmetis, Reno de Medici, 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, Restart, and Unieuro

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, Prismsian, 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, Banca Monte dei Paschi di Siena, Bca Pop Emilia Romagna, Banca Pop Sondrio, Buzzi Unicem, Buzzi Unicem rsp, Campari, CIR - Compagnie Industriali Riunite, Credito Emiliano, Danieli & C., Danieli & C. Risparmio, Diasorin, Enel, Eni, Generali, Hera, Intesa Sanpaolo, Iren, Italgas, Italmobiliare, Leonardo, Maire Tecnimont, Mediaset, Mediobanca, Pirelli & C., Poste Italiane, Prismsian, Recordati, S.I.A.S., Saipem, Salini Impregio, Salvatore Ferragamo, Snam, Telecom Italia, Telecom Italia rsp, 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, Cellularline, CFT Group, Circle, Coima RES, Comer Industries, Crowdfundme, Digital Bros, Digital Magics, Elettra Investimenti, Falck Renewables, Fiera Milano, Finlogica, First Capital, FOPE, Gefran, Generali Assicurazioni, Giglio, Go Internet, H-Farm, Ilpra, Indel B, ISI/Salcef, Italoonline, La Doria, L'Ente, MailUp, Maps, Masi Agricola, Molmed, Neodecortech, 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, Exane, Leonteq, Unicredit, Vontobel, Wisdmtree.

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
COGEME SET SPA	1,6	SHORT
IKF	0,57	SHORT
LIFE CARE CAPITAL	0,59	LONG
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