

TXT E-SOLUTIONS OUTPERFORM

Price (Eu): **8.15**

Target Price (Eu): **10.50**

SECTOR: Industrials

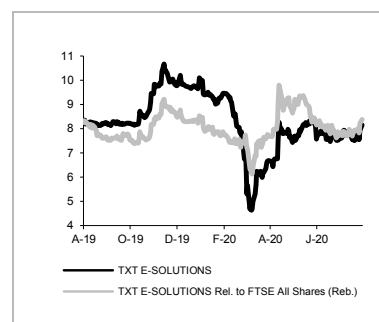
Andrea Randone +39-02-77115.364
e-mail: andrea.randone@intermonte.it

Positive Growth Confirmed Also In the Troubled 2Q20

- 2Q Results: positive as expected.** On 6th August at market close TXT reported 2Q20 results. Numbers were positive and broadly in line with our expectations, confirming the growth and resilience of the business despite the Covid-19 crisis. 2Q revenues came to Eu15.9mn, up 4.9% YoY (vs. our estimate of Eu16mn), with organic growth of +0.2% YoY in addition to a 4.7% YoY contribution from acquisitions. Aerospace & Aviation revenues came to Eu10.3mn, better than expected and up +5.6% (entirely organic), while FinTech revenues came to Eu5.5mn, up +3.5% YoY, but down 9.7% on a like-for-like basis. EBITDA came to Eu2.1mn, up 38.8% YoY with a 13.1% margin vs. 12.4% in our estimates and 9.9% in 2Q19. Net profit came in at Eu2.5mn, up 232.2% YoY. This is partly attributable to Eu1.6mn in financial income (vs. Eu0.5mn in financial charges in 2Q19) and a lower tax rate (0.6% in 2Q20 vs. 27.6% in 2Q19). The net financial position was positive at Eu38.3mn, broadly in line with our expectation (Eu38mn).
- Mitigation Plan and M&A fuel positive expectations for 2H20.** The company has managed the current crisis by quickly enabling its employees to work from home and implementing cost-efficiency measures. The outlook for the Aerospace and Aviation business remains mixed: some weakness is foreseeable for civil aviation (ca. 40% of 2019 revenues of the business unit, including 9% coming from Airlines), but TXT revenues are generally not directly related to traffic, while revenues in the Defence segment should continue to be solid, also thanks to multi-year contracts signed at the beginning of 2Q20. Some projects are likely to be delayed at the FinTech division, but the overall mid-term outlook remains positive, with visibility improving thanks to a couple of new contracts. On a positive note, M&A activity has continued with two recent deals: i) on 14 April, the acquisition of 60% of a FinTech startup, TXT Working Capital Solution; ii) on 13 July, the acquisition of MAC Solutions SA (a Swiss company specialising in the provision of ICT professional services for banks) with annual revenues of about Eu5mn and a 20% EBITDA margin.
- Updating our estimates in light of 1H20 and recent acquisitions.** In light of 1H20 results, we broadly confirm our estimates: we have slightly raised Aerospace & Aviation forecasts (still assuming revenues up just 1.5% YoY in 2H20 vs. +5.6% in 2Q20) but trimmed the Fintech contribution before adding the positive impact from MAC Solutions, which entered the consolidation base on 14th July, 2020. As regards 2021, we confirm double-digit top-line growth (including a 4% contribution from M&A) and an 80bp EBITDA margin expansion (from 11.9% in FY20E to 12.7%). The overall change at EPS level is negligible.
- Outperform confirmed, target to Eu10.5 from Eu10.0.** We consider TXT to be well positioned to continue growth trajectory and to seize further opportunities from M&A thanks to a very strong cash position. We are moving our target to Eu10.5, mainly after lowering the equity premium from 6.0% to 5.5% (DCF, WACC 8.0%, t.g. 3.0%).

Next event: 3Q Results
Results out 5 November

TXT E-SOLUTIONS - 12m Performance



RATING: Unchanged

TARGET PRICE (Eu): from 10.00 to 10.50

Ch. in Adj.EPS est:	2020E	2021E
	0.7%	-0.3%

STOCK DATA

Reuters code: TXTS.MI
Bloomberg code: TXT IM

Performance	1m	3m	12m
Absolute	8.2%	6.1%	-1.2%
Relative	8.5%	-6.6%	1.9%
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):	106
Total Mkt Cap (Eu mn):	106
Mkt Float - ord (Eu mn):	49
Mkt Float (in %):	46.3%
Main shareholder:	
Enrico Magni (Lasertine)	26.5%

BALANCE SHEET DATA

	2020
Book value (Eu mn):	85
BVPS (Eu):	7.29
P/BV:	1.1
Net Financial Position (Eu mn):	37
Enterprise value (Eu mn):	69

Please see important disclaimer
on the last page of this report

Key Figures	2018A	2019A	2020E	2021E	2022E
Sales (Eu mn)	40	59	66	73	79
Ebitda (Eu mn)	4	7	8	9	11
Net profit (Eu mn)	1	0	3	5	5
EPS - New Adj.(Eu)	0.049	0.038	0.284	0.389	0.458
EPS - Old Adj.(Eu)	0.049	0.038	0.282	0.390	0.456
DPS (Eu)	0.500	0.000	0.092	0.136	0.160
Ratios & Multiples	2018A	2019A	2020E	2021E	2022E
P/E Adj.	nm	nm	28.7	20.9	17.8
Div. Yield	6.1%	0.0%	1.1%	1.7%	2.0%
EV/Ebitda Adj.	12.0	9.2	8.7	6.7	5.6
ROCE	9.6%	10.7%	9.4%	14.3%	17.6%

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 - 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	66	73	79
	EBITDA	4	7	8	9	11
	EBIT	2	4	4	6	7
	Financial income (charges)	(1)	(1)	0	0	0
	Associates & Others	0	0	0	0	0
	Pre-tax profit (Loss)	1	2	4	6	7
	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	5
	Total extraordinary items	0	0	0	0	0
	Ebitda excl. extraordinary items	4	7	8	9	11
	Ebit excl. extraordinary items	2	5	5	7	8
Net profit restated	1	0	3	5	5	
PER SHARE DATA (Eu)	Total shares out (mn) - average fd	12	12	12	12	12
	EPS stated fd	0.049	0.038	0.284	0.389	0.458
	EPS restated fd	0.049	0.038	0.284	0.389	0.458
	BVPS fd	7.414	7.028	7.290	7.587	7.909
	Dividend per share (ord)	0.500	0.000	0.092	0.136	0.160
	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%	29.7%
CASH FLOW (Eu mn)	Gross cash flow	2	4	7	8	9
	Change in NWC	(0)	(7)	(6)	1	(2)
	Capital expenditure	(1)	(1)	(1)	(1)	(1)
	Other cash items	(4)	(1)	0	0	0
	Free cash flow (FCF)	1	(5)	0	7	6
	Acquisitions, divestments & others	(7)	(6)	(5)	0	0
	Dividend	(12)	(6)	0	(1)	(2)
	Equity financing/Buy-back	0	0	0	0	0
Change in Net Financial Position	(27)	(19)	(4)	6	4	
BALANCE SHEET (Eu mn)	Total fixed assets	23	35	32	30	27
	Net working capital	7	10	16	16	18
	Long term liabilities	(4)	(5)	(5)	(5)	(5)
	Net capital employed	26	41	43	41	40
	Net financial position	60	41	37	43	47
	Group equity	86	82	85	88	92
	Minorities	0	0	0	0	0
Net equity	86	82	85	88	92	
ENTERPRISE VALUE (Eu mn)	Average mkt cap - current	106	106	106	106	106
	Adjustments (associate & minorities)	0	0	0	0	0
	Net financial position	60	41	37	43	47
	Enterprise value	46	65	69	63	59
RATIOS(%)	EBITDA margin*	9.5%	11.9%	11.9%	12.7%	13.4%
	EBIT margin*	4.6%	8.4%	8.2%	9.6%	10.5%
	Gearing - Debt/equity	-69.9%	-50.6%	-43.8%	-49.2%	-51.5%
	Interest cover on EBIT	1.4	2.9	nm	nm	nm
	Debt/Ebitda	nm	nm	nm	nm	nm
	ROCE*	9.6%	10.7%	9.4%	14.3%	17.6%
	ROE*	0.6%	0.5%	3.7%	5.2%	5.9%
	EV/CE	2.4	1.9	1.6	1.5	1.4
	EV/Sales	1.1	1.1	1.0	0.9	0.7
	EV/Ebit	24.7	13.0	12.6	8.9	7.1
Free Cash Flow Yield	0.8%	-4.2%	0.2%	6.9%	5.3%	
GROWTH RATES (%)	Sales	11.4%	47.9%	12.2%	10.3%	7.4%
	EBITDA*	7.4%	84.4%	12.3%	18.1%	13.1%
	EBIT*	-31.0%	170.3%	9.7%	27.9%	17.4%
	Net profit	-99.2%	-20.7%	581.1%	48.5%	17.8%
	EPS restated	-67.5%	-20.7%	637.3%	37.2%	17.8%

* Excluding extraordinary items

Source: Intermonte SIM estimates

2Q20 Results

2Q Results: positive as expected. On 6th August at market close TXT reported 2Q20 results. Numbers were positive and broadly in line with our expectations, confirming the growth and resilience of the business despite the Covid-19 crisis. 2Q revenues came to Eu15.9mn, up 4.9% YoY (vs. our estimate of Eu16mn), with organic growth of +0.2% YoY in addition to a 4.7% YoY contribution from acquisitions. Aerospace & Defence revenues came to Eu10.3mn, better than expected and up +5.6% (entirely organic), while Banking & Finance revenues came to Eu5.5mn, up +3.5% YoY, but down 9.7% on a like-for-like basis. EBITDA came to Eu2.1mn, up 38.8% YoY with a 13.1% margin vs. 12.4% in our estimates and 9.9% in 2Q19. Net profit came in at Eu2.5mn, up 232.2% YoY. This is partly attributable to Eu1.6mn in financial income (vs. Eu0.5mn in financial charges in 2Q19) and a lower tax rate (0.6% in 2Q20 vs. 27.6% in 2Q19). The net financial position was positive at Eu38.3mn, broadly in line with our expectation (Eu38mn).

TXT – Quarterly Income Statement

	2Q19A	2Q20A	2Q20E	A/E %	2019A	2020E
Revenue	15.1	15.9	16.0	-1.1%	59.1	66.3
YoY growth	57.3%	4.9%	6.1%		47.9%	12.2%
EBITDA IFRS	1.5	2.1	2.0	4.6%	7.0	7.9
YoY growth	68.8%	38.8%	32.7%		84.4%	12.3%
EBITDA IFRS margin %	9.9%	13.1%	12.4%		11.9%	11.9%
- D&A	(0.4)	(0.5)	(0.6)		(2.0)	(2.4)
EBITA	1.1	1.6	1.4	14.6%	5.0	5.5
YoY growth	150.9%	43.8%	25.5%		170.3%	9.7%
- Financial income/(charges)	0.5	1.6	0.3		(1.2)	0.1
Pre-tax profit	1.0	2.5	1.2	110.2%	2.3	4.1
- Income tax	(0.3)	(0.0)	(0.3)		(1.9)	(1.0)
Tax rate %	27.6%	0.6%	25.0%		80.6%	25.0%
Net income from cont. op.	0.7	2.5	0.9	178.6%	0.4	3.1
YoY growth	127.4%	232.0%	19.2%		-20.7%	581.1%
Net profit margin %	4.9%	15.6%	5.5%		0.8%	4.6%
Net debt/(cash)	(44.2)	(38.3)	(38.0)		(41.4)	(41.7)

Source: Company data and Intermonte SIM

TXT – Quarterly Revenues and EBITDA

Revenue	2Q19A	2Q20A	2Q20E	A/E %	2019A	2020E
Aerospace & Aviation	9.8	10.3	9.9	4.6%	38.7	41.2
YoY growth	24.9%	5.6%	1.0%		24.4%	6.5%
Organic	24.9%	5.6%	1.0%		24.4%	6.5%
Scope	0.0%	0.0%	0.0%		0.0%	0.0%
FinTech	5.3	5.5	6.2	-10.2%	20.4	25.1
YoY growth	200.6%	3.5%	15.2%		130.3%	23.1%
Organic	41.9%	-9.7%	4.0%		21.2%	-4.0%
Scope	159%	13%	11%		109%	27%
Revenue	15.1	15.9	16.0	-1.1%	59.1	66.3
YoY growth	57.3%	4.9%	6.1%		47.9%	12.2%
Organic	28.0%	0.2%	2.1%		23.7%	2.9%
Scope	29.3%	4.7%	4.0%		24.2%	9.3%

EBITDA	2Q19A	2Q20A	2Q20E	A/E %	2019A	2020E
Aerospace & Aviation	1.2	1.3	1.4	-6.9%	5.7	5.4
YoY growth	43.4%	6.8%	14.7%		56.4%	-5.9%
EBITDA margin %	12.8%	12.9%	14.5%		14.7%	13.0%
FinTech	0.2	0.7	0.6	34.3%	1.3	2.5
YoY growth	0.0%	0.0%	0.0%		179.5%	91.3%
EBITDA margin %	4.6%	13.5%	9.0%		6.4%	10.0%
EBITDA	1.5	2.1	2.0	4.6%	7.0	7.9
YoY growth	68.8%	38.8%	32.7%		84.4%	12.3%
EBITDA margin %	9.9%	13.1%	12.4%		11.9%	11.9%

Source: Company data and Intermonte SIM

TXT – Revenues and EBITDA breakdown

Revenue	2019A	2020E	2021E	2022E
Aerospace & Aviation	38.7	41.2	43.3	46.3
YoY growth	24.4%	6.5%	5.0%	7.0%
Organic	24.4%	6.5%	5.0%	7.0%
Scope	0.0%	0.0%	0.0%	0.0%
FinTech	20.4	25.1	29.8	32.2
YoY growth	130.3%	23.1%	18.9%	8.0%
Organic	21.2%	-4.0%	8.0%	8.0%
Scope	109.1%	27.1%	10.9%	0.0%
Revenue	59.1	66.3	73.1	78.5
YoY growth	47.9%	12.2%	10.3%	7.4%
Organic	23.7%	2.9%	6.1%	7.4%
Scope	24.2%	9.3%	4.1%	0.0%
Forex	0.0%	0.0%	0.0%	0.0%

EBITDA	2019A	2020E	2021E	2022E
Aerospace & Aviation	5.7	5.4	5.7	6.5
YoY growth	56.4%	-5.9%	6.6%	13.5%
EBITDA margin %	14.7%	13.0%	13.2%	14.0%
FinTech	1.3	2.5	3.6	4.0
YoY growth	179.5%	91.3%	42.7%	12.5%
EBITDA margin %	6.4%	10.0%	12.0%	12.5%
EBITDA	7.0	7.9	9.3	10.5
YoY growth	84.4%	12.3%	18.1%	13.1%
EBITDA margin %	11.9%	11.9%	12.7%	13.4%

Source: Company data and Intermonte SIM

FY20 Guidance and change in estimates

Mitigation Plan and M&A fuel positive expectations for 2H20. The company has managed the current crisis by quickly enabling its employees to work from home and implementing cost-efficiency measures. The outlook for the Aerospace and Aviation business remains mixed: some weakness is foreseeable for civil aviation (ca. 40% of 2019 revenues of the business unit, including 6% coming from Airlines), but TXT revenues are generally not directly related to traffic, while revenues in the Defence segment should continue to be solid, also thanks to multi-year contracts signed at the beginning of 2Q20. Some projects are likely to be delayed at the FinTech division, but the overall mid-term outlook remains positive, with visibility improving thanks to a couple of new contracts. On a positive note, M&A activity has continued with two recent deals: i) on 14 April, the acquisition of 60% of a FinTech startup, TXT Working Capital Solution; ii) on 13 July, the acquisition of MAC Solutions SA (a Swiss company specialising in the provision of ICT professional services for banks) with annual revenues of about Eu5mn and a 20% EBITDA margin.

Updating our estimates in light of 1H20 and recent acquisitions. In light of 1H20 results, we broadly confirm our estimates: we have slightly raised Aerospace and Defence forecasts (still assuming revenues up just 1.5% YoY in 2H20 vs. +5.6% in 2Q20) but trimmed the Fintech contribution before adding the positive impact from MAC Solutions, which entered the consolidation base on 14th July, 2020. As regards 2021, we confirm double-digit top-line growth (including a 4% contribution from M&A) and an 80bp EBITDA margin expansion (from 11.9% in FY20E to 12.7%). The overall change at EPS level is negligible.

TXT – Changes to estimates

	New			Old			Change %		
	2020E	2021E	2022E	2020E	2021E	2022E	2020E	2021E	2022E
Revenue	66.3	73.1	78.5	64.8	69.2	74.3	2.3%	5.7%	5.7%
YoY growth	12.2%	10.3%	7.4%	9.6%	6.8%	7.4%			
Organic	2.9%	6.1%	7.4%	4.3%	6.8%	7.4%			
Scope	9.3%	4.1%	0.0%	5.3%	0.0%	0.0%			
EBITDA pre-stock grant	7.9	9.3	10.5	7.5	8.9	10.1	5.1%	3.9%	3.9%
YoY growth	12.3%	18.1%	13.1%	6.9%	19.5%	13.1%			
EBITDA margin %	11.9%	12.7%	13.4%	11.6%	12.9%	13.6%			
EBIT	4.0	6.0	7.1	4.5	6.2	7.3	-10.9%	-3.5%	-2.3%
YoY growth	11.7%	51.0%	18.7%	25.4%	39.5%	17.2%			
EBIT margin %	6.0%	8.2%	9.1%	6.9%	9.0%	9.8%			
Pre-tax profit	4.1	6.3	7.4	4.6	6.3	7.4	-10.7%	-0.3%	0.4%
- Income tax	(1.0)	(1.8)	(2.1)	(1.3)	(1.8)	(2.1)			
Tax rate %	25.0%	28.0%	28.0%	28.0%	28.0%	28.0%			
Net income from cont. op.	3.1	4.5	5.3	3.3	4.5	5.3	-7.0%	-0.3%	0.4%
YoY growth	581.1%	48.5%	17.8%	631.9%	38.6%	16.9%			
Net profit margin %	4.6%	6.2%	6.8%	5.1%	6.6%	7.2%			
EPS adj.	0.28	0.39	0.46	0.28	0.39	0.46	0.7%	-0.3%	0.4%
YoY growth	637.3%	37.2%	17.8%	631.9%	38.6%	16.9%			
Net cash/(debt)	41.7	48.0	52.0	41.7	48.2	51.8	0.0%	-0.5%	0.4%
FCF (ex. acq)	0.2	7.4	5.6	0.3	7.7	5.2	-1.1%	-4.1%	8.0%

Source: Intermonte SIM estimates

Peer Group - Absolute Performances

Stock	Price	Ccy	Mkt cap	1M	3M	6M	YTD	1Y	2Y
TXT E-SOLUTIONS	8.15	EUR	106	8.2%	6.1%	-13.8%	-15.6%	-1.2%	-14.2%
AMERICAN SOFTWARE	17.17	USD	557	9.4%	3.4%	16.8%	15.4%	27.3%	7.6%
ATOSS SOFTWARE	106.50	EUR	1,694	-0.9%	20.7%	28.7%	48.4%	57.8%	151.8%
CAPGEMINI	110.55	EUR	18,698	6.0%	24.3%	-4.6%	1.5%	1.2%	0.5%
COMPUTACENTER	20.14	GBP	2,263	23.6%	34.7%	6.4%	13.6%	41.3%	29.1%
DESCARTES SYSTEMS	75.47	CAD	6,351	1.9%	19.6%	21.0%	36.0%	63.5%	71.6%
DEVOTEAM	98.10	EUR	804	0.3%	37.6%	15.1%	3.8%	-3.3%	-9.3%
MANHATTAN ASSOCIATE	91.97	USD	5,842	1.4%	19.8%	17.2%	15.3%	8.1%	80.5%
ORACLE	54.94	USD	168,593	-4.3%	2.6%	-0.1%	3.7%	1.9%	13.7%
REPLY	86.20	EUR	3,225	18.2%	28.5%	13.6%	24.1%	62.0%	55.0%
SAP	134.94	EUR	159,175	-0.1%	25.2%	9.1%	12.2%	27.2%	36.8%
SOPRA GROUP	132.00	EUR	2,673	12.5%	28.0%	-12.1%	-8.0%	14.3%	-11.9%
SQS SOFTWARE	---	EUR	---	---	---	---	---	---	---
Mean performance				6.4%	20.9%	8.1%	12.5%	25.0%	34.3%
Italy FTSE Mib	19,651.6	EUR		-0.6%	12.7%	-19.8%	-16.4%	-3.3%	-6.8%

Source: FactSet

Peer Group - Multiple Comparison

Stock	Price	Ccy	Mkt cap	EV/Sales		EV/Ebitda		EV/Ebit		P/E		Div Yield	
				2020	2021	2020	2021	2020	2021	2020	2021	2020	2021
TXT E-SOLUTIONS	8.15	EUR	106	1.0	0.9	8.7	6.7	12.6	8.9	28.7	20.9	1.1%	1.7%
AMERICAN SOFTWARE	17.17	USD	557	3.9	3.6	32.3	25.5	74.3	45.1	67.3	49.1		
ATOSS SOFTWARE	106.50	EUR	1,694	9.8	8.4	31.5	25.5	36.7	29.5	54.9	44.7	1.4%	1.7%
CAPGEMINI	110.55	EUR	18,698	1.5	1.3	10.2	8.8	13.8	11.8	17.3	14.9	1.5%	1.8%
COMPUTACENTER	20.14	GBP	2,263	0.4	0.4	10.6	10.0	13.7	12.8	20.9	20.3	1.9%	2.1%
DESCARTES SYSTEMS	75.47	CAD	6,351	13.3	11.8	33.4	29.0	65.0	50.8	101.2	77.7		
DEVOTEAM	98.10	EUR	804	1.0	0.9	8.4	7.2	10.6	8.8	23.7	18.9	0.9%	1.1%
MANHATTAN ASSOCIATE	91.97	USD	5,842	10.0	8.9	41.0	37.2	43.2	38.6	59.0	55.0		
ORACLE	54.94	USD	168,593	5.0	4.8	10.3	10.0	11.2	10.8	13.6	12.5	1.7%	1.7%
REPLY	86.20	EUR	3,225	2.5	2.2	15.9	13.3	19.8	16.5	29.9	25.9	0.6%	0.7%
SAP	134.94	EUR	159,175	6.2	5.7	18.6	16.4	20.7	18.0	26.6	23.3	1.2%	1.4%
SOPRA GROUP	132.00	EUR	2,673	0.7	0.7	7.6	6.3	12.9	9.8	16.7	13.1	1.1%	1.6%
SQS SOFTWARE		EUR											
Median				3.9	3.6	15.9	13.3	19.8	16.5	26.6	23.3	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	66.3	64.7	2.5%	73.1	68.5	6.7%
Ebitda	7.9	6.7	17.0%	9.3	8.5	9.5%
Net Profit	3.1	2.7	11.1%	4.5	4.4	3.4%
EPS	0.284	0.272	4.3%	0.389	0.381	2.3%
Net Debt	37.2	42.2	-12.0%	43.5	47.0	-7.6%

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):	10.50		Previous Target (Eu):	10.00
Current Price (Eu):	8.15		Previous Price (Eu):	7.52
Date of report:	11/08/2020		Date of last report:	14/05/2020

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 June 2020 IntermonTE's Research Department covered 123 companies. IntermonTE's distribution of stock ratings is as follows:

BUY:	08,00 %
OUTPERFORM:	46,40 %
NEUTRAL:	36,80 %
UNDERPERFORM	08,80 %
SELL:	00,00 %

The distribution of stock ratings for companies which have received corporate finance services from IntermonTE in the last 12 months (48 in total) is as follows:

BUY:	14,58 %
OUTPERFORM:	64,58 %
NEUTRAL:	20,84 %
UNDERPERFORM	00,00 %
SELL:	00,00 %

CONFLICT OF INTEREST

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

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: Capital For Progress 2, IEG, Techedge.

IntermonTE SIM SpA is acting as placement agent in ePrice'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.

IntermonTE SIM has provided in the last 12 months / provides / may provide investment banking services to the following companies: Aedes, Aeroporto di Bologna, Alkemy, Banca Ifis, Cellularline, ePrice, Falck Renewables, Gamenet, H-Farm, Iervolino, Mittel, Nova Re, Retelit, Saes Getters, Saras, UBI Banca, Wilit.

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, ASTM, Avio, Azimut, B&C Speakers, Banca Ifis, Banca Sistema, Be, Brioschi Sviluppo Immobiliare, Cattolica Assicurazioni, CFT, Cellularline, Credito Valtellinese, Cyberoo, DeA Capital, Digitouch, ELn, Eles, Elica, Emak, Falck Renewables, Fine Foods, Fimit Fondo Alpha, First Capital, Gamenet, Gefran, GO Internet, GPI, Gruppo FOS, Guala Closure, H-Farm, Iervolino Entertainment, IEG, Indel B, Industrial Star of Italy 3, Italiaonline, LU-VE, Notorious Picture, Nova RE, Openjobmetis, QF Alpha Immobiliare, Rena de Medici, Reply, Retelit, Saes Getters, Seri Industrial, Servizi Italia, Sesa, Somec, Tamburi Investment Partners, Tesmec, Tinexta, TXT e-solutions, Vetrya, Wilit.

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

IntermonTE SIM performs as a market maker for the following companies: A2A, Anima, Atlantia, Autogrill, Azimut Holding, B&M, Banca Generali, Banca Mediolanum, Brembo, Buzzi, CNHI, Enel, ENI, Exor, Fineco, FCA, FTMB, Generali, Italgas, Iren, Intesa Sanpaolo, Leonardo, Mediobanca, Moncler, Mediaset, Pirelli&C, Prisma, Poste, Ferrari, Saipem, Snam, STM, Tenaris, Telecom Italia, Telecom Italia sav, Tema, 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 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, Prisma, Recordati, S.I.A.S., Saipem, Salini Impregilo, Salvatore Ferragamo, Snam, Telecom Italia, Telecom Italia rsp, Tema, Tod's, UBI Banca, Unicredit, Unipol, Unipolsai.

IntermonTE SIM SpA provides investment banking services to UBI Banca in connection with the public exchange offer promoted by Intesa Sanpaolo.

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, Finlogic, First Capital, FOPE, Gefran, Generali Assicurazioni, Giglio, Go Internet, H-Farm, Ilpra, Indel B, ISI/Salcef, Italiaonline, La Doria, L'venture, MailUp, Maps, Masi Agricola, Molmed, Neodecortech, Piaggio, Portale Sardegna, Primi sui Motori, Retelit, Safe Bag, Somec, SOS Travel, Tinexta, TPS, Wilit.

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, Wisdomtree.

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
GABELL VALUE FOR ITALY AZ. ORD	0,72	LONG
IKF	0,57	SHORT
LIFE CARE CAPITAL	0,84	LONG
OLIDATA	0,74	SHORT
SPACTIV	1,08	LONG
THESPAC	0,89	LONG
VEI 1	0,87	LONG
WIIIT	2,6	LONG

© 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