

TESMEC

Sector: *Industrials*
BUY

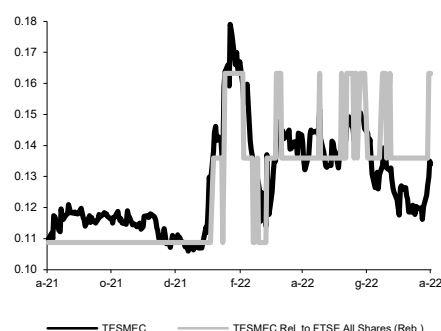
Price: Eu0.13 - Target: Eu0.22

Buy reiterated after strong 2Q22 results

Enrico Coco +39-02-77115.230
enrico.coco@intermonte.it

Stock Rating		
Rating:	Unchanged	
Target Price (Eu):	Unchanged	
	2022E	2023E
Chg in Adj EPS	0.0%	0.0%

TESMEC - 12M Performance



Stock Data			
Reuters code:	TES.MI		
Bloomberg code:	TES IM		
Performance	1M	3M	12M
Absolute	12.0%	-3.3%	23.2%
Relative	9.3%	6.9%	40.5%
12M (H/L)	0.18/0.11		
3M Average Volume (th):	2,071.19		

Shareholder Data	
No. of Ord shares (mn):	606
Total no. of shares (mn):	606
Mkt Cap Ord (Eu mn):	81
Total Mkt Cap (Eu mn):	81
Mkt Float - Ord (Eu mn):	42
Mkt Float (in %):	51.4%
Main Shareholder:	
TTC	47.8%

Balance Sheet Data	
Book Value (Eu mn):	80
BVPS (Eu):	0.13
P/BV:	1.0
Net Financial Position (Eu mn):	-106
Enterprise Value (Eu mn):	188

■ **Strong 2Q22 results driven by Rail.** After a solid 1Q, showing an improvement in operating performance vs FY21, 2Q22 results came above our estimates and highlighted an acceleration of the growth trend and rising margins despite higher energy and freight costs. Revenues were up +19% YoY vs. +14% in 1Q to Eu57mn (1% better than expected), driven by 57% YoY growth at Rail (backlog covers >3 years of revenues and conversion is accelerating), 18% YoY growth at Trenchers vs. +6% in 1Q, and a flattish quarter at Energy (reflecting market trend after 17% growth in 1Q). EBITDA at Eu10.4mn in 2Q increased 42% YoY and came 11% above our estimate, with the EBITDA margin reaching 18.2% vs. 13.8% in 2Q21 (+440 bps YoY) and 14.8% in 1Q22 (+30bps YoY). Consolidated margins were driven by the Rail business (EBITDA Eu6.1mn in 2Q22 vs. Eu2.5mn in 2Q21, or a 42% incremental margin on Eu8.5mn higher sales). EBIT of Eu5.1mn vs. Eu4.0mn expected increased over 170% YoY, with net profit of Eu5.9mn vs. Eu2.1mn expected and breakeven in 2Q21 benefitting from Eu4mn of ForEx gains below the EBIT line. Net debt was Eu133mn vs. Eu128mn expected and Eu119mn as at end-March after Eu16mn higher working capital (equally split between build-up of inventories and increase in payables). Backlog as at end-June stood at Eu285mn (Energy Eu109mn, up Eu10mn vs. end-March; Trenchers Eu75mn, down Eu3mn; Rail Eu101mn, down Eu12mn) vs. Eu290mn as at end-March.

■ **The quality of earnings is improving.** Demand at Trenchers, which is the business segment most exposed to global macro, is supported by fibre optic/5G deployment (Corning and Prysmian indicated a growth outlook for 2023), stimulus plans in Europe and US, growth in mining, and higher investments in Middle East. Outlook at Energy (transition to renewables and investments in power grids) and Rail (high speed lines require higher maintenance, development of the rail diagnostic business also internationally) remains solid and is covered by the backlog. The increasing contribution of Energy and Rail (2Q22 Rail EBITDA is >50% of the group) improves the visibility and quality of earnings. We note 55% of 1H22 revenues refer to recurring business (rental, spare parts, services and maintenance, Automation and Rail backlog).

■ **FY22 guidance more visible now. 2020-23 plan targets also confirmed.** Management reiterated FY22 guidance for sales exceeding Eu240mn, an EBITDA margin >16%, and a reduction of net debt vs. 2021. Our estimates are consistent with targets, with sales seen at Eu235mn, the EBITDA margin at 16.0%, and net debt at Eu115mn (from Eu106mn). Management also confirmed targets for 2023 of sales of Eu275mn-290mn vs. our Eu265mn, and EBITDA of Eu53-58mn vs. our Eu48mn.

■ **BUY; target Eu0.22**, implying a fair 2022 EV/EBITDA of 6.7x and P/E of 15.0x. The company is exposed to growth opportunities associated with rising infrastructure investments supported by stimulus plans in Europe and the US, underpinned by sustainability and digitalisation. If 2023 targets were to be achieved, the stock would trade slightly above 3x EV/EBITDA.

Key Figures & Ratios	2019A	2020A	2021A	2022E	2023E
Sales (Eu mn)	201	171	194	235	265
EBITDA Adj (Eu mn)	27	21	28	38	48
Net Profit Adj (Eu mn)	3	-7	1	9	16
EPS New Adj (Eu)	0.028	-0.011	0.002	0.014	0.027
EPS Old Adj (Eu)	0.028	-0.011	0.002	0.014	0.027
DPS (Eu)	0.000	0.000	0.000	0.000	0.000
EV/EBITDA Adj	5.9	11.9	6.8	5.0	3.5
EV/EBIT Adj	19.5	nm	33.4	11.7	6.3
P/E Adj	4.8	nm	66.7	9.3	4.9
Div. Yield	0.0%	0.0%	0.0%	0.0%	0.0%
Net Debt/EBITDA Adj	4.3	5.0	4.3	2.8	1.8

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

TESMEC – Key Figures						
Profit & Loss (Eu mn)	2018A	2019A	2020A	2021A	2022E	2023E
Sales	195	201	171	194	235	265
EBITDA	19	27	21	28	38	48
EBIT	4	8	-1	6	16	26
Financial Income (charges)	-3	-4	-8	-3	-5	-4
Associates & Others	0	0	0	0	0	0
Pre-tax Profit	0	4	-9	3	12	22
Taxes	-0	-1	2	-1	-3	-5
Tax rate	85.6%	29.3%	24.3%	55.3%	25.0%	25.0%
Minorities & Discontinued Operations	-0	0	0	0	0	0
Net Profit	0	3	-7	1	9	16
EBITDA Adj	19	27	21	28	38	48
EBIT Adj	4	8	-1	6	16	26
Net Profit Adj	0	3	-7	1	9	16
Per Share Data (Eu)	2018A	2019A	2020A	2021A	2022E	2023E
Total Shares Outstanding (mn) - Average	107	107	606	606	606	606
Total Shares Outstanding (mn) - Year End	107	107	607	607	607	607
EPS f.d	0.000	0.028	-0.011	0.002	0.014	0.027
EPS Adj f.d	0.000	0.028	-0.011	0.002	0.014	0.027
BVPS f.d	0.388	0.415	0.112	0.117	0.131	0.158
Dividend per Share ORD	0.000	0.000	0.000	0.000	0.000	0.000
Dividend per Share SAV	0.000	0.000	0.000	0.000	0.000	0.000
Dividend Payout Ratio (%)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Cash Flow (Eu mn)	2018A	2019A	2020A	2021A	2022E	2023E
Gross Cash Flow	22	-6	21	9	32	43
Change in NWC	-0	-1	2	-1	-2	-3
Capital Expenditure	-14	-14	-13	-25	-15	-17
Other Cash Items	0	0	0	0	0	0
Free Cash Flow (FCF)	8	-22	10	-17	15	22
Acquisitions, Divestments & Other Items	0	-18	-21	0	0	0
Dividends	0	0	0	0	0	0
Equity Financing/Buy-back	0	0	25	0	0	0
Change in Net Financial Position	8	-40	13	-17	15	22
Balance Sheet (Eu mn)	2018A	2019A	2020A	2021A	2022E	2023E
Total Fixed Assets	67	87	100	103	97	93
Net Working Capital	49	73	64	78	79	80
Long term Liabilities	5	4	10	13	12	9
Net Capital Employed	121	164	174	194	188	182
Net Cash (Debt)	-78	-118	-104	-121	-106	-84
Group Equity	43	46	69	73	81	98
Minorities	2	2	2	2	2	2
Net Equity	42	44	68	71	80	96
Enterprise Value (Eu mn)	2018A	2019A	2020A	2021A	2022E	2023E
Average Mkt Cap	53	45	145	69	81	81
Adjustments (Associate & Minorities)	0	0	0	0	0	0
Net Cash (Debt)	-78	-118	-104	-121	-106	-84
Enterprise Value	130	163	249	190	188	165
Ratios (%)	2018A	2019A	2020A	2021A	2022E	2023E
EBITDA Adj Margin	9.7%	13.7%	12.3%	13.2%	15.5%	17.3%
EBIT Adj Margin	1.9%	4.2%	nm	2.7%	6.6%	9.5%
Gearing - Debt/Equity	179.6%	nm	150.3%	166.6%	130.7%	85.8%
Interest Cover on EBIT	1.1	2.0	nm	1.9	3.6	6.3
Net Debt/EBITDA Adj	4.1	4.3	5.0	4.3	2.8	1.8
ROACE*	2.9%	5.9%	-0.5%	3.1%	8.4%	14.1%
ROE*	0.1%	6.9%	-12.2%	1.7%	11.5%	18.7%
EV/CE	1.0	1.1	1.5	1.0	1.0	0.9
EV/Sales	0.7	0.8	1.5	0.9	0.8	0.6
EV/EBITDA Adj	6.9	5.9	11.9	6.8	5.0	3.5
EV/EBIT Adj	35.4	19.5	nm	33.4	11.7	6.3
Free Cash Flow Yield	9.3%	-27.0%	12.2%	-20.5%	18.1%	27.7%
Growth Rates (%)	2018A	2019A	2020A	2021A	2022E	2023E
Sales	10.9%	3.1%	-15.0%	13.8%	21.0%	12.7%
EBITDA Adj	-8.6%	45.1%	-23.6%	34.1%	33.6%	26.5%
EBIT Adj	-39.7%	127.7%	nm	nm	182.6%	61.9%
Net Profit Adj	nm	10496.4%	nm	nm	617.9%	89.4%
EPS Adj	nm	10515.7%	nm	nm	618.0%	89.4%
DPS						

*Excluding extraordinary items

Source: Intermonte SIM estimates

2Q/1H22 Results

Tesmec 2Q/1H22 Results

(Eu mn)	2Q21A	2Q22A	YoY	2Q22E	Act./Est.	1H21A	1H22A	YoY	1H22E	FY21A	FY22E	YoY	Guidance 2022
Energy	12.7	11.0	2%	13.0		23.5	23.7	1%	25.7	51.1	67.1	31%	
Trencher	27.9	33.8	18%	33.0		58.9	66.6	13%	65.8	110.3	124.6	13%	
Railways	7.3	12.6	57%	11.5		14.5	23.0	59%	21.9	32.9	43.4	32%	
Revenues	47.9	57.4	19%	56.9	1.0%	96.9	113.3	17%	112.7	194.3	235.1	21%	>Eu240mn
Energy	2.0	2.0	8%	2.2		3.7	3.6	-3%	3.8	7.8	13.1	68%	
Trencher	3.1	4.4	58%	4.9		7.5	9.0	20%	9.5	13.4	15.2	13%	
Railways	1.5	4.0	52%	2.3		2.5	6.1	144%	4.4	6.9	9.3	35%	
EBITDA	6.6	10.4	42%	9.4	11.0%	13.7	18.7	36%	17.7	28.1	37.6	34%	
Margin	13.8%	18.2%		16.5%		14.1%	16.5%		15.7%	14.5%	16.0%		>16%
EBIT	1.5	5.1	172%	4.0	26.5%	2.9	8.0	176%	6.9	5.7	16.1	183%	
Margin	3.1%	8.8%		7.0%		3.0%	7.1%		6.2%	2.9%	6.8%		
Net Profit	-0.1	5.9	nm	2.1	181.0%	1.0	7.9	nm	4.1	1.2	8.7	nm	
Net Debt	118.5	133.1	8%	128.0	4.0%	118.5	133.1	12%	128.0	121.0	114.8	-5%	improvement vs 2021

Source: company data, Intermonte estimates

Valuation

Our DCF model yields a fair equity value of Eu134mn, or Eu0.22 per share. At target, we value Tesmec at 6.7x EV/EBITDA and 15x P/E FY22e.

We think Tesmec has no direct peers, as competitors are either private companies or divisions of industrial conglomerates. In the table below, we show the multiples of some Italian industrial small cap companies that may offer suitable comparisons to Tesmec.

Peer group valuation vs. Tesmec

	Last Price	Market Cap	EV/SALES			EV/EBITDA			P/E		
	Eu	Eu mn	2021	2022E	2023E	2021	2022E	2023E	2021	2022E	2023E
Biesse S.p.A.	13.01	357	0.7 x	0.3 x	0.3 x	6.8 x	3.3 x	3.2 x	13.6 x	11.9 x	11.9 x
Gefran S.p.A.	9.73	140	1.0 x	0.8 x	0.7 x	6.1 x	4.8 x	4.3 x	10.2 x	10.8 x	9.9 x
Prima Industrie S.p.A.	22.25	233	0.6 x	0.6 x	0.5 x	7.8 x	6.3 x	4.4 x	24.5 x	13.7 x	8.6 x
Sabaf S.p.A.	22.40	258	1.3 x	1.2 x	1.1 x	6.4 x	6.7 x	5.8 x	10.5 x	11.3 x	10.0 x
Salcef Group S.p.A	18.20	1136	3.0 x	2.1 x	1.8 x	13.6 x	10.3 x	8.6 x	21.7 x	22.2 x	18.0 x
Peers Median			1.3 x	1.0 x	0.9 x	8.2 x	6.3 x	5.3 x	16.1 x	14.0 x	11.7 x
Tesmec current price	0.13	81	1.1 x	0.8 x	0.7 x	7.3 x	5.3 x	3.7 x	n.m.	9.4 x	4.9 x
Tesmec target price	0,22	133	1.3 x	1.1 x	0.9 x	8.7 x	6.7 x	4.9 x	n.m.	15.4 x	8.1 x

Source: Factset, Intermonte estimates

Share performance

Company	Last Price	Mkt. Cap.	Performance								
	Eu	(Eur mn)	1M	3M	YTD	1Y	2Y	1Y Low	1Y High	% from low	% from high
Biesse S.p.A.	13.01	357	8%	-10%	-47%	-57%	-6%	12.04	31.08	8%	-58%
Gefran S.p.A.	9.73	140	12%	6%	-14%	-6%	101%	8.46	11.85	15%	-18%
Prima Industrie S.p.A.	22.25	233	57%	44%	21%	5%	64%	12.48	23.80	78%	-7%
Sabaf S.p.A.	22.40	258	-4%	-5%	-7%	-15%	90%	17.80	28.90	26%	-22%
Salcef Group S.p.A	18.20	1,136	14%	8%	-26%	21%	58%	15.35	25.30	19%	-28%
Tesmec S.p.A.	0.13	81	12%	-3%	25%	23%	11%	0.11	0.18	26%	-25%
FTSE Italia All-Share			9%	-5%	-17%	-12%	15%			10%	-20%
FTSE Italia Star			8%	-2%	-24%	-17%	29%			11%	-26%

Source: Factset, Intermonte estimates

Financials

Profit & Loss

(Eu mn)	2017	2018	2019	2020	2021	2022E	2023E
Energy	52	42	44	44	51	67	73
Trencher	106	125	125	94	110	125	143
Railway	17	27	31	26	33	43	48
Revenues	175.6	194.6	200.7	168.6	194.3	235.1	265.0
YoY change %	37%	11%	3%	-15%	14%	21%	13%
YoY change Eu mn	47	19	6	-30	24	41	30
Raw material	-78.3	-87.5	-88.0	-77.4	-81.6	-98.7	-111.3
Cost of services	-30.9	-32.6	-35.4	-30.2	-29.1	-35.3	-39.8
Personnel	-46.3	-50.1	-52.6	-48.5	-50.3	-60.9	-68.6
Other income/costs	0.6	-5.6	2.8	6.4	-5.1	-2.6	2.2
Operating costs	-155	-176	-173	-150	-166	-198	-217
YoY change %	29%	13%	-1%	-14%	11%	19%	10%
Energy	8.0	4.8	5.6	5.3	7.8	13.1	14.7
Trencher	10.3	10.0	16.6	11.2*	13.4	15.2	22.2
Railway	2.4	4.1	5.2	4.1	6.9	9.3	10.6
EBITDA	20.7	18.9	27.4	20.9	28.1	37.6	47.5
margin %	11.8%	9.7%	13.7%	12.3%	14.5%	16.0%	17.9%
YoY change %	143.5%	-8.6%	45.1%	-23.6%	34.1%	33.6%	26.5%
D&A	-14.6	-15.245	-19.075	-21.8	-22.4	-21.5	-21.5
EBIT	6.1	3.7	8.4	-0.9	5.7	16.1	26.0
margin %	3.5%	1.9%	4.2%	-0.5%	2.9%	9.2%	9.8%
YoY change %	-241.9%	-39.7%	127.7%	-110.3%	-759.0%	182.6%	61.9%
Financial expenses	-7.6	-3.371	-4.18	-8.175	-2.985	-4.5	-4.1
Pretax profit	-1.5	0.3	4.2	-9.0	2.7	11.6	21.9
YoY change %	-78.6%	-120.4%	1270.6%	-315.5%	-129.9%	328.3%	89.4%
Taxes	0.1	-0.3	-1.2	2.2	-1.5	-2.9	-5.5
Tax rate %	6.7%	85.6%	29.3%	24.3%	55.3%	25.0%	25.0%
Net Profit before minorities	-1.4	0.0	3.0	-6.8	1.2	8.7	16.4
YoY change %	-64.9%	-103.1%	6643.2%	-330.5%	-117.7%	617.9%	89.4%
Minorities	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net Profit	-1.4	0.0	3.0	-6.8	1.2	8.7	16.4
YoY change %	-63.5%	-102.0%	10496.4%	-330.5%	-117.7%	617.9%	89.4%
Per share data	2017	2018	2019	2020	2021	2022E	2023E
Number of shares m	107.1	107.1	107.1	606.5	606.5	606.5	606.5
of which treasury shares	4.7	4.7	4.7	4.7	4.7	4.7	4.7
Shares net of treasury shares	102.4	102.4	102.4	601.7	601.7	601.7	601.7
EPS Adj.	-0.013	0.000	0.028	-0.011	0.002	0.014	0.027
growth %	-63.5%	-102.0%	10496.4%	-140.7%	-117.8%	617.9%	89.4%
EPS reported	-0.013	0.000	0.028	-0.011	0.002	0.014	0.027
growth %	-63.5%	-102.0%	10496.4%	-140.7%	-117.8%	617.9%	89.4%
DPS	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Payout on reported EPS	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
FCF per share	0.107	0.071	-0.375	0.022	-0.027	0.024	0.037
BVPS	0.403	0.388	0.415	0.112	0.117	0.131	0.158

Source: Intermonte SIM

Balance Sheet

(Eu mn)	2017	2018	2019	2020	2021	2022E	2023E
Intangible assets	18.3	18.0	40.6	45.3	45.3	45.3	45.3
Tangible assets	46.1	45.3	42.5	49.8	53.3	47.1	42.8
Financial assets	3.9	4.0	3.9	4.4	4.4	4.4	4.4
Net fixed assets	68.4	67.3	87.0	99.5	103.0	96.8	92.5
Inventories	63.1	73.6	69.9	74.4	81.3	90.3	89.6
Receivables	39.9	52.6	67.9	60.4	54.4	75.2	92.8
Payables	-39.5	-54.4	-57.5	-61.4	-56.0	-84.6	-100.7
Other assets/liabilities	-2.7	-22.9	-7.3	-9.1	-1.9	-1.9	-1.9
Net working capital	60.8	48.9	73.0	64.3	77.8	79.0	79.7
Other long term assets/liabilities	0.9	4.7	4.2	10.0	12.9	11.9	9.4
Net Invested Capital	130.1	120.9	164.2	173.8	193.7	187.6	181.6
Net Debt /(Cash)	85.3	77.7	118.0	104.4	121.0	106.3	83.8
Minorities	1.7	1.7	1.7	1.7	1.7	1.7	1.7
Shareholders funds	43.1	41.5	44.5	67.7	70.9	79.6	96.0
Total Shareholders Funds	44.8	43.2	46.2	69.4	72.6	81.3	97.8
Total Sources	130.1	120.9	164.2	173.8	193.7	187.6	181.6

Source: Intermonte SIM

Cash Flow

(Eu mn)	2017	2018	2019	2020	2021	2022E	2023E
EBITDA	20.7	18.9	27.4	21.0	28.1	37.6	47.5
Capex	-14.8	-14.1	-14.3	-13.3	-25.0	-15.3	-17.2
Taxes	0.1	-0.3	-1.2	2.2	-0.5	-1.9	-3.0
Change in working capital	15.2	11.9	-24.1	8.7	-13.5	-1.2	-0.7
Other operating items	10.6	-3.9	-4.1	-0.5	0.4	0.0	0.0
Free Cash Flow	31.8	12.6	-16.3	18.1	-10.5	19.2	26.6
Financial charges	-4.9	-5.0	-5.7	-8.2	-6.2	-4.5	-4.1
Acquisitions/Disposals	-3.7	0.0	0.0	-21.1	0.0	0.0	0.0
Change in Equity	0.0	0.0	0.0	24.7	0.0	0.0	0.0
Dividends	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Others	-11.7	0.0	-18.2	0.0	0.0	0.0	0.0
Decrease/(Increase) in Net Debt	11.4	7.6	-40.2	13.5	-16.7	14.7	22.5
Net Debt end of period	85.3	77.7	117.9	104.4	121.0	106.3	83.8
Capex/Sales	8.4%	7.2%	7.1%	7.8%	12.9%	6.5%	6.5%
Working Capital/Sales	34.7%	25.1%	36.4%	37.7%	40.0%	33.6%	30.1%
Net Debt/EBITDA	4.1 x	4.1 x	4.3 x	5.0 x	4.3 x	2.8 x	1.8 x

Source: Intermonte SIM

DETAILS ON STOCKS RECOMMENDATION			
Stock NAME	TESMEC		
Current Recomm:	BUY	Previous Recomm:	BUY
Current Target (Eu):	0.22	Previous Target (Eu):	0.22
Current Price (Eu):	0.13	Previous Price (Eu):	0.14
Date of report:	08/08/2022	Date of last report:	11/05/2022

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 MIDE 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 2022 Intermonte's Research Department covered 120 companies. Intermonte's distribution of stock ratings is as follows:

BUY:	%
OUTPERFORM:	%
NEUTRAL:	%
UNDERPERFORM:	%
SELL:	%

The distribution of stock ratings for companies which have received corporate finance services from Intermonte in the last 12 months (53 in total) is as follows:

BUY:	33.96 %
OUTPERFORM:	49.06 %
NEUTRAL:	16.98 %
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 is acting as ECM Advisor in GPI'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 ECM Advisor.

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, Cybero, Luve, Seri Industrial, The Italian Sea Group, Tinexta, WIIT.

Intermonte SIM has provided in the last 12 months / provides / may provide investment banking services to the following companies: Abitare In, Aedes, Amalfi Holding (on La Doria shares), Cellularline, Creval, Cy4Gate, Esprinet, G4 and Finami (on Lu-Ve shares), GPI, Greenthesis (formerly Ambientthesis), Growens, Gruppo Caltagirone (in connection with roadshow activities ahead of 2022 Generali AGM), Illimity Bank, Link Mobility Group (on AMM shares), Maire Tecnimont, Neuberger Berman (on Seri Industrial shares), OVS, Sedoc (on Cybero shares), SP5I (on Guala Closures shares), Tesmec, Tinexta and WIIT.

Intermonte SIM provides investment banking services to Esprinet in connection with the non binding offer on Cellularline announced on the 7th of May 2022

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, Anima, Aquafil, Avio, Banca Ifis, Banca Sistema, Cattolica, Cellularline, Civitanavi Systems, Cybero, Cy4gate, DeA Capital, El.En, Eles, Elica, Emak, Esprinet, Expert AI, Falck Renewables, Fimit - Fondo Alpha, Fine Foods, Gefran, Go Internet, GPI, Greenthesis (formerly Ambientthesis), Gruppo Fos, GVS, IEG, Iervolino Entertainment, IndelB, Luve, Matica Fintec, Notorious Pictures, Nova Re SIIQ, Omer, Pharamnutra, Reevo Spa, Relatech, Reply, Retelit, Sababa Security, Saes Getters, Salcef, Sciuker Frames, Seco, Servizi Italia, Sesa, Seri Industrial, Somec, Tamburi, Tinexta, Tesmec, The Italian Sea Group, Txi and WIIT.

Intermonte SIM has a contractual commitment to act as liquidity provider on behalf of third parties for the following company: Banca Sistema.

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, Prysmian, 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 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, Prysmian, Recordati, S.I.A.S., Saipem, Salini Impregio, Salvatore Ferragamo, Snam, Telecom Italia, Telecom Italia rsp, Terna, Tod's, UBI Banca, Unicredit, Unipol, UnipolSai.

Intermonte SIM, through Websim and TIE, which constitute the digital division of Intermonte, acts as a Retail Investor Research Provider on the following companies: Abitare In, Aedes, Aleph Finance, Alkemy, Banca Sistema, Borgosesia 1873, B&C Speakers, Casta Diva Group, Cattolica Assicurazioni, Cellularline, Circle, Cleanbnc, Comer Industries, Convergence Spa, Crowdfundme, Cy4Gate, Cybero, Dhh, Digital Bros, Digital Magics, Doxee, Ediliziaacrobatica Spa, Eles, Elica, Emak, Esi, Esprinet, Fabilla, Fenix Entertainment, Fiera Milano, Finlogica, First Capital, Fope, Fos, Franche Umberto Marmi, Generali Assicurazioni, Giglio, Gismondi 1754, Go Internet, GPI, H-Farm, ID-Entity, Iervolino & Lady Bacardi Entertainment, Indel B, International Care Company, Intred, Kolinfarma, Lindbergh, LVenture, Maps, Masi Agricola, Matica Fintec, Neodecortech, Nice Footwear Spa, Notorious Pictures, Nusco SPA, Nvp, Omer Spa, Orsero Group, Osai Automation System, Piaggio, Pierrel, Promotica, Reevo Spa, Relatech, Reti, Salcef Group, Sciuker Frames, Sebino, Sit Group, Sos Travel, Sourcesense, Spindox Digital Soul, Supplyncapital, Take Off, Tamburi, Tenax International, Tesmec, The Italian Sea Group, Tinexta, Tps, Trenddevice, Tribuo, Ulisse Biomed, Unidata, Vantea Smart, Websolite, WIIT.

Intermonte SIM, through Websim and TIE, which constitute the digital division of Intermonte, carries out marketing/communications on behalf of equity crowdfunding portals, Crowdfundme and the following issuers: Barlays, BNP Paribas, Cirdan, Exane, Goldman Sachs, Franklin Templeton, Leonteq, Marex, Mediobanca, SPDR, 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
AEDES NEW	3.7	LONG
COGEME SET SPA	1.6	SHORT
IKF	0.57	SHORT
OLIDATA	0.74	SHORT

© Copyright 2022 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