

SICIT Group

Bio-stimulating Growth Around the World

SICIT Group - Key estimates and data

Y/E December		2018A	2019E	2020E	2021E
Revenues	EUR M	55.12	57.41	63.11	72.87
EBITDA	EUR M	22.66	22.97	26.80	31.86
Adj. EBIT	EUR M	18.00	18.11	20.83	24.24
Adj. Net Income	EUR M	13.36	13.31	15.31	17.81
Dividend ord.	EUR	0.34	0.90	0.39	0.45
Adj. EPS	EUR	0.68	0.68	0.78	0.91
EV/EBITDA	x	8.2	6.5	5.6	4.5
Adj. P/E	x	15.0	13.6	11.9	10.2

A: actual; E: estimates; Source: Company data and Intesa Sanpaolo Research

▪ **SICIT at a glance.** Founded in Chiampo (Vicenza, Italy), the group, through a hydrolysis process of waste from the tanning industry, manufactures and sells value-added products for agriculture (biostimulants) and the industrial market (plaster retardants). The group was the first company to introduce special fertilisers based on amino acids & peptides in the global market in the 1960s and nowadays is a leader in the segment, operating in more than 90 countries. In the collection of raw materials, we highlight that SICIT carries out a paid service for the collection of waste from the tanneries of the Vicenza district. In FY18A, SICIT posted EUR 55.1M revenues, an EBITDA of EUR 22.7M, with a 41.1% margin, a net profit of EUR 13.4M and a positive net cash position. The high flexibility of SICIT's manufacturing process allows it to obtain a wide range of products, both liquid and in powder form, which can be customised in terms of total and free amino acid content, molecular weight distribution, added microelements, etc. With two production units and a global production capacity of 120 MT/day of liquid products and 40 MT/day of powder products, SICIT is among the largest worldwide producers of animal-based amino acid fertilisers.

▪ **Positives.** We believe that SICIT can leverage on some company-specific positives, including: i) privileged access to the raw materials, thanks to the proximity and strong connection with the tannery district of Vicenza; ii) a leading position in high-growth markets also supported by favourable trends related to the circular economy; iii) strong product and process innovation ability, capturing customers' needs and trends; iv) an experienced management team; v) high margins and solid cash flow generation; and vi) a clearly-identified growth path, thanks to its investment plan.

▪ **Estimates and valuation.** We expect SICIT to grow total revenues from EUR 55.1M in 2018A to EUR 84.4M in 2022E (2018-22E CAGR of 11.2%). Looking at profitability, we expect SICIT to increase EBITDA from EUR 22.7M in 2018 to EUR 37.1M in 2022E, which implies a margin on revenues at 44% in 2022E (vs. 41.1% in 2018A). We valued SICIT using a DCF approach, and for the WACC calculation, we used a risk-free rate at 2.75%, a risk premium at 6.75%. **We initiate our coverage of SICIT with a target price of EUR 11.8/share and given the 27.6% upside have a BUY rating on the stock.** With this report we simultaneously terminate coverage of SprintItaly.

▪ **Key risks.** In our view, the key risks are: 1) customer concentration: the five largest customers represent 38% of revenues (15% the first client). Thus, while unlikely given the strong relations with its main clients, the loss of an important customer would have a significant impact on P&L; 2) an increase in competition from main competitors; and 3) a potential dilution and overhang risk due to the conversion of special shares and warrants.

31 July 2019: 7:25 CET
Date and time of production

BUY

Target Price: EUR 11.8

Italy/Agrochemicals
Initiation of Coverage

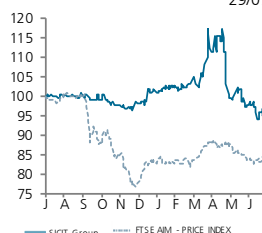
Intesa Sanpaolo
Research Department

Sebastiano Grisetti
Research Analyst
+39 02 8794 3187
sebastiano.grisetti@intesaspaolo.com

Gabriele Berti
Research Analyst
+39 02 8794 9821
gabriele.berti@intesaspaolo.com

Corporate Broking Research
Alberto Francese
Gabriele Berti
Sebastiano Grisetti

Price performance, -1Y
29/07/2019



Source: FactSet

Date and time of first circulation:
31 July 2019: 8:00 CET

AIM

Priced at market close on 29/07/2019*	
Target price (€)	11.8
Target upside (%)	27.57
Market price (€)	9.25
52Wk range (€)	12.0/9.3
Market cap (€ M)	181.58
No. of shares	19.63
Free float (%)	35.1
Major shr	Intesa Holding SpA
(%)	45.8
Reuters	SICT.MI
Bloomberg	SICT IM
FTSE AIM	930

Performance %			
Absolute	Rel. to FTSE AIM		
-1M	-7.5	-1M	-8.6
-3M	-18.7	-3M	-15.1
-12M	-9.4	-12M	7.3

*unless otherwise indicated within report. Source: FactSet and Intesa Sanpaolo Research estimates

See page 25 for full disclosures and analyst certification
Banca IMI is Specialist to SICIT Group

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The Share Capital

The withdrawal right was exercised for 2,018,842 shares, representing 13.46% of SprintItaly's ordinary capital. Therefore, SICIT Groups' capital is made up of the following categories of shares and warrants:

- 19.6M ordinary shares, including the conversion of 35% of the special shares held by SprintItaly sponsors, as better explained below;
- 195k special shares are held by SprintItaly sponsors. Special shares will not be entitled to ordinary dividends until the 60th month after the business combination, while there is a 6-to-1 conversion into ordinary shares. The first tranche (35% of the special shares) was converted at business combination, while the remaining 195k special shares will be converted if the official SICIT price, for at least 15 days out of 30 consecutive days of open stock exchange, is higher or equal to EUR 13.5. After 60 months from the business combination, each residual special share, not already automatically converted, will be converted into n. 1 ordinary share, without any change to the amount of the share capital;
- 7.1M market warrants, with a EUR 9.5 strike price and which must mandatorily be converted at a SICIT share price of EUR 13.

In the following table, we show the dilutive effect of special shares and warrants conversion, based on the SICIT Group share price.

SICIT - EPS dilution vs. special shares and warrants conversion						
M	SICIT share price (EUR)					
	9	10	11	12	13	13.5
Ordinary	19.00	19.00	19.00	19.00	19.00	19.00
% of special shares converted	0.35	0.35	0.35	0.35	0.35	1.00
New ordinary shares from special sh.	0.63	0.63	0.63	0.63	0.63	1.80
Remaining special shares	0.20	0.20	0.20	0.20	0.20	0.00
Conversion Rate Market Warrant	0.00	0.05	0.14	0.21	0.27	0.30
Shares from Market Warrant	0.00	0.36	0.98	1.50	1.93	1.93
Total shares	19.83	20.18	20.81	21.32	21.76	22.73
EPS dilution (%)	0.0	-1.8	-4.8	-7.1	-9.0	-13.7

A: actual; Source: Intesa Sanpaolo Research elaboration on Company data

Valuation

We believe that the most appropriate methodology to value SICIT is a DCF valuation due to the absence of listed companies with a similar size, background and/or geographical presence in the group's reference industry. We derived a **target price of EUR 11.8/share**, and given the 27.6% upside **we have a BUY rating on the stock**.

Discounted Cash Flow

We used the following key assumptions in our valuation:

- An 8.1% WACC, incorporating a risk-free rate of 2.75%, an equity risk premium of 6.75%, a beta of 0.8x (Source: Intesa Sanpaolo Research elaboration on Factset data), and a gearing ratio of 0%, in line with current debt structure;
- Terminal value growth is set at 2% while to calculate the LT, we applied the revenues and EBIT margin we forecast for FY22E. As usual, LT depreciation equals capex.

SICIT - WACC calculation (%)	
Risk-free rate	2.75
Equity risk premium	6.75
Beta (x)*	0.8
Cost of equity	8.1
Net cost of debt	2.6
Gross cost of debt	3.5
Tax rate	26.5
Gearing	0
WACC	8.1

*Factset; Source: Company data and Intesa Sanpaolo Research

SICIT - DCF calculation (2019E-22E)					
EUR M	2019E	2020E	2021E	2022E	LT
Adj. EBIT	18.1	20.8	24.2	27.9	27.9
Tax	-4.8	-5.5	-6.4	-7.4	-7.1
Depreciation	4.9	6.0	7.6	9.3	
NOPAT	13.3	15.3	17.8	20.5	20.8
WC	-0.6	-1.6	-2.1	-2.5	
Capex	-12.0	-12.0	-10.0	-7.0	
FCF	5.6	7.7	13.3	20.3	20.8
Discounted FCF	5.6	7.1	11.4	16.0	15.2
WACC (%)	8.1				
TV growth (%)	2.0				
Sum	40.2				
TV	181.8				
EV	222.0				
Debt 2019E	-32.5				
Equity	254.5				
Shares	21.6				
Fair value/sh (EUR)	11.8				

Source: Intesa Sanpaolo Research estimates

Below, we show a sensitivity analysis to WACC and perpetual growth rate changes.

SICIT - Sensitivity analysis					
EUR/share	WACC (%)				
Growth (%)	7.6	7.8	8.1	8.3	8.6
1.50	12.1	11.6	11.2	10.7	10.3
1.75	11.9	12.0	11.5	11.0	10.6
2.00	12.3	11.7	11.8	11.3	10.9
2.25	12.7	12.1	12.2	11.6	11.2
2.50	13.1	12.5	11.9	12.0	11.5

Source: Intesa Sanpaolo Research estimates

Group Profile

Founded in 1960 at Chiampo (Vicenza, Italy), SICIT (Società Industrie Chimiche Italiane), through a hydrolysis process of waste from the tanning industry, manufactures and sells value-added products for agriculture (biostimulant) and the industrial market (plaster retardants). The group was the first company to introduce special fertilisers based on amino acids & peptides of animal origin in the global market in the 1960s and nowadays is a leader in the segment, operating in more than 90 countries.

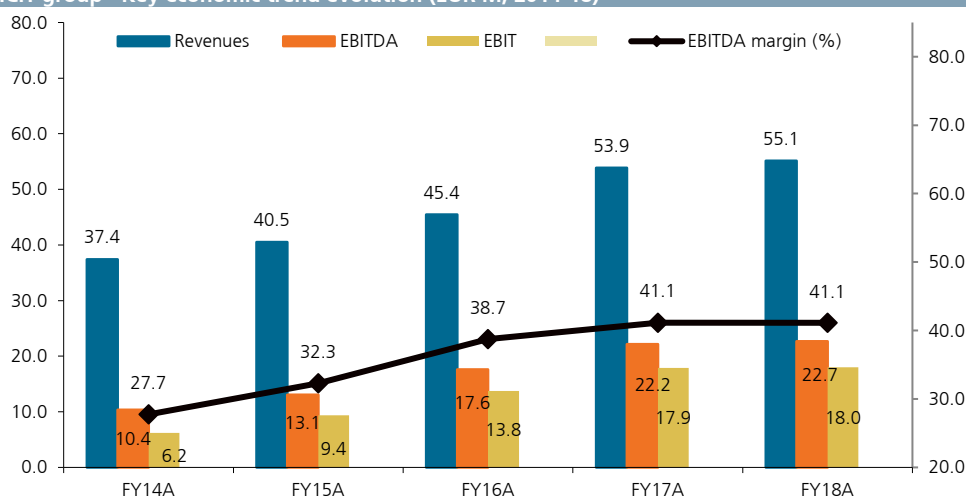
We highlight that SICIT carries out a paid service for the collection of raw materials waste mainly (but not solely) from tanneries in the Vicenza district.

SICIT supplies the most important agro-chemical national and multinational companies worldwide, which currently distribute the most well-known and sold amino acid-based fertilisers. These special products are used at low rates, both by foliar spray and fertigation, and are able to stimulate plant biological activities, improving their quality and yield, without any residues on the crop nor environmental impact problems, because of their natural origin and their complete biodegradability.

Thanks to two production units and a global production capacity of 120 MT/day of liquid products and 40 MT/day of powder products, SICIT can claim to be the biggest worldwide producer of animal based amino acid fertilisers.

SICIT posted revenues of EUR 55.1M in FY18A, an EBITDA of EUR 22.7M, with a 41.1% margin, a net profit of EUR 13.4M and had a positive net cash position. In 2014-18, the company reported a strong historical sales growth rate (+10.2% CAGR).

SICIT group - Key economic trend evolution (EUR M, 2014-18)



A: actual; Source: Company data

In the same period, EBITDA recorded a +21.6% CAGR, with the EBITDA margin increasing from 27.7% to 41.1% while EBIT grew more than proportionally at a CAGR of 30.5%.

As part of the strategy to consolidate its presence on the global market, SICIT has recently established two companies based in Shanghai, China (Sicit Commercial Consulting Shanghai Ltd), and New York State (Sicit USA Inc.).

The high flexibility of SICIT's manufacturing process allows it to obtain a wide range of products, both liquid and in powder form, which can be customised in terms of total and free amino acids content, molecular weight distribution, added microelements, etc. The group's main products are:

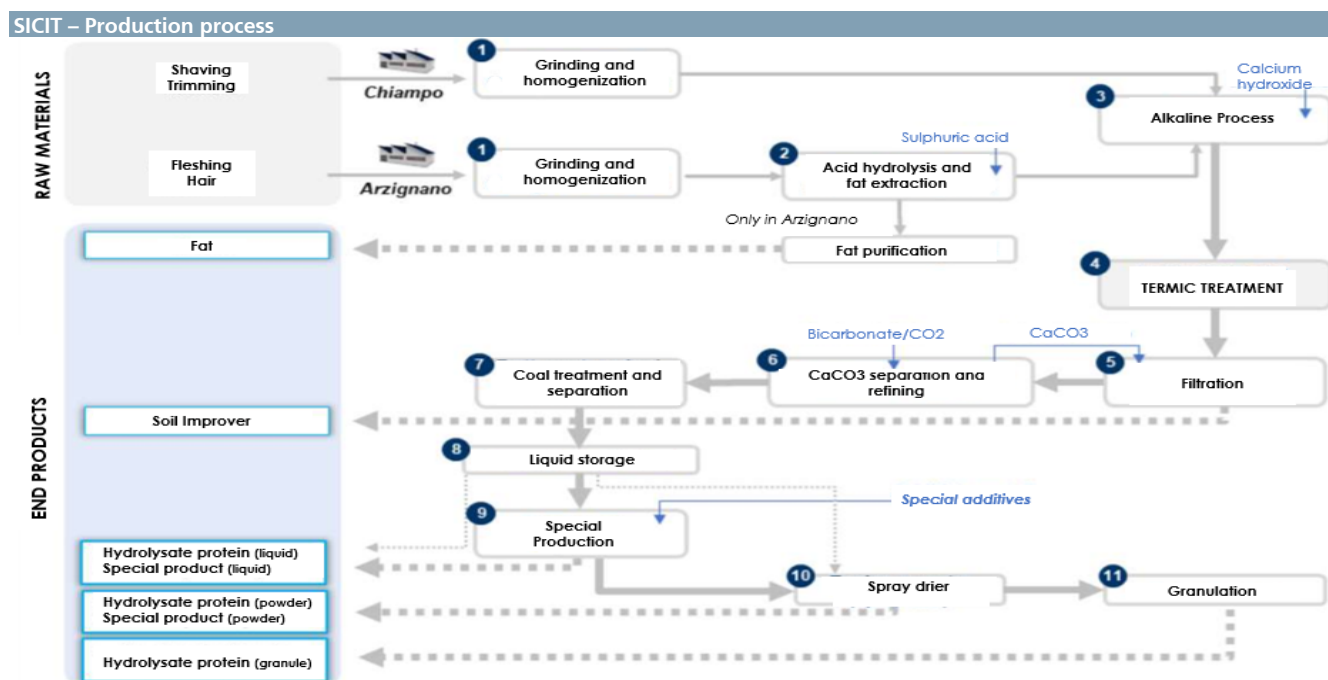
- **Biostimulants.** SICIT is a B2B operator specialised in the production of biostimulants of animal origin, able to stimulate the metabolic activities of plants to combat abiotic stress (such as droughts, heavy rains, hail, frost, high-temperature excursions, soil salinity, etc.), significantly improving the quality and yield of crops, also favouring the soil microflora. The main clients are represented by agrochemical companies (Multinational and National) in over 90 countries. Approximately 54.8% of SICIT's revenues as at 31 December 2018 were related to the biostimulants sector;
- **Plaster retardants.** This segment accounts for about 28% of SICIT's revenues. The group distributes this kind of product both directly to the main international construction sector/building materials groups and through distributors specialised in products and materials for the building industry;
- **Animal fat.** This segment accounted for about 12.1% of FY18 revenues. SICIT produces a "semi-worked animal fat" obtained from the processing of fleshings. Animal fat is mainly sold as a raw material to produce biofuels. The main customers are companies that process animal fat and/or traders. The sale of this product takes place almost exclusively in Italy.

The development plan is aimed at strengthening SICIT's leadership in the market through an increase in production capacity in Italy and the extension of its international geographical presence, for example in Asia and the American continent. In particular, the plan includes the start of a new manufacturing plant in South America.

History at a glance

- **1960.** Founded in 1960 in Chiampo by Mr Guardini, SICIT was initially created to extract the chrome from leather tanning waste, and resell it to the same tanneries;
- **1960.** SICIT was nominated as the only subject suitable for treating tanning residues. All tanneries in the Vicenza district started delivering waste to SICIT;
- **1968-70.** Start of a pilot plant for the processing of fleshings and to obtain a protein hydrolysate for agriculture;
- **Mid-70s.** The production of animal fat begins;
- **1989-91.** Strong investment activity, among which the beginning of the project that involved the separation of the treatment of fleshings from that of shavings (which until that time had been worked together);
- **1991-96.** In 1991, SICIT passed under the ownership of Intesa, a company founded in 1987 by a group of Arzignano tanners with the aim of building and managing landfills for sludge disposal and other problems related to the tannery industry;
- **1996.** The diffusion of the 'Mad Cow disease' led to a period of great restructuring for the group, characterised by strong R&D activity dedicated to new products for the agricultural and industrial sectors. The group developed a more effective hydrolysis process, which rapidly became the only process allowed to produce protein hydrolytes from-animal origin also allowed for zootechnical use, and considered state-of-the-art in terms of processing of ABP;
- **1996-2016.** Construction of the new Arzignano plant was started and completed. Furthermore, the group structure was reorganised: SICIT 2000 was the company for the production and commercial development of protein hydrolysates, while SICIT Chemitech oversaw research, development, quality control and engineering dedicated to the implementation of new products and processes. In 2006, the renovation project of the historic Chiampo plant was also started;
- **2016.** Establishment of the SICIT China branch in China. Acquisition of new land for the future expansion of the Arzignano plant;
- **2017-18.** Investment to increase the production capacity and establishment of the SICIT USA commercial branch (July 2018).

Business Model: An Example of the Circular Economy



Source: Intesa Sanpaolo Research elaboration on Company data

Collection of raw materials

SICIT carries out a paid service for the collection of waste mainly (but not solely) from tanneries in the Vicenza district and through a hydrolysis process developed by the group, utilising the material collected to produce hydrolysed protein, which is then sold in the agricultural sector as a Biostimulant and in the industrial sector/construction as a Plaster retarder. We underline that this service is strategic for the management of the waste produced by the tannery industry. Indeed, for every 1,000kg of raw hides, the service produces:

- About 250kg of tanned skins;
- Up to approx. 600kg of animal by-products (ABP - e.g. fleshings), recoverable tanned waste (e.g. shavings and trimmings) and other waste considered as non-recoverable to produce hydrolysed protein.

Out of the total produced by the Vicenza District, SICIT collects about 100% of the fleshings (about 100k tonnes/year), 40% of shavings (about 20k tonnes/year), and 10% of the trimmings (about 3k tonnes/year).

Production

SICIT's manufacturing process is highly standardised and ensures the production of high-quality end-products:

- A high concentration of amino acids & peptides;
- Constant composition;
- Long shelf life (mainly over 5 years);
- NO microbial contamination and NO sedimentation or decomposition;
- Controlled equilibrium between free amino acids and peptides;
- High concentration in amino acids important for plant metabolism (glycine, proline).

The manufacturing process is carried out in line with European Community Regulations (Reg. 1069/2009/CE and Reg. 142/2011/CE) to ensure the maximum level of hygiene and safety for humans, animals and the environment. As previously mentioned, the group has two production units and a global production capacity of 120 MT/day of liquid products and 40 MT/day of powder products. SICIT can claim to be the biggest worldwide producer of animal-based amino acid fertilisers.

Production Unit # 1 is located in Chiampo (VI) and started operating in 1960. It was the first plant to produce special fertilisers based on amino acids & peptides of animal origin worldwide and in 2011 it was completely renewed and automated.

Production Unit # 2 is located in Arzignano (VI) and was inaugurated in 2004 and was entirely designed by the group's engineering department. With a covered area of 20,000 square meters, it is one of the biggest units in the world and can be considered, according to management, as one of most state-of-the-art amino acid production facilities. In fact, the plant is fully automated and is equipped with the most advanced technologies. All production phases of the entire manufacturing process are controlled by a distributed control system (DCS), consisting of more than 3,000 I/O signals, and controlled through a HACCP (Hazard Analysis Critical Control Points) system.

Final product

The hydrolysed protein produced by the two plants is collected and stored in Arzignano, where the different types of finished products are obtained for the various sectors and the various customers (liquid products). The products destined to become powder and/or flakes pass to the subsequent drying phase.

SICIT Chemitech is the group's subsidiary dedicated to product engineering, quality control and traceability and to the research & development of new formulations and processes.

The quality control laboratory controls daily both the manufacturing process phases and all final product batches, performing a complete chemical-physical and bacteriological characterisation of animal-based amino acids and peptides. The R&D Centre and Laboratory develop and test the effectiveness of new processes and new products in special pilot installations. At the same time, they ensure the production of small quantities of experimental products, also for testing at customer sites.

The traceability procedure allows the company to identify every single product batch. In fact, each final product batch is identified by a specific lot number, allowing the company to identify the corresponding raw material through specific books managed by the Production Department. As such, a full traceability of the raw materials and the process is guaranteed. The engineering department promotes technological research projects in all fields of industrial engineering and manages the revamping of existing plants, development of new plants and design processes.

SICIT – A 'green' production process



Source: Company data

Group Production

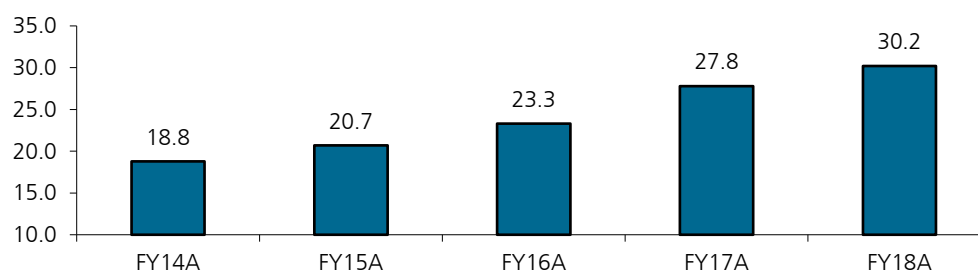
Biostimulants: 54.8% of total revenues in FY18A

Biostimulants are a category of special products for agriculture, totally harmless and biodegradable, which have only recently appeared on the world market but are expanding strongly, given the growing need to: i) improve the plant's absorption of nutrients; ii) avoid/reduce the use of agro-drugs and fertilisers; and iii) increase crop production and quality.

SICIT produces biostimulants based on amino acids and peptides of animal origin, both liquid and solid, generally suitable for foliar application (the protein hydrolysate product is mixed with water and applied to the leaves, to enable the amino acids and peptides to be absorbed more quickly by the plant). SICIT's biostimulants can stimulate the biological activities of plants, so as to combat abiotic stress (such as drought, heavy rain, frost etc.), improving its quality and yield, without any residues on crops, and with no environmental issues (they are of natural origin and completely biodegradable).

In FY18A, the agricultural sector accounted for around 54.8% of SICIT's total revenues (54% in FY17A). This sector suffers from strong seasonality effects: sales are concentrated in the February to June period; however, the increased global scale of the business in recent years has seen a further concentration of sales in the first two quarters of the year.

SICIT - Biostimulant historical sales trend (EUR M)



Source: Company data

In this segment, SICIT is a B2B operator specialised in the production of biostimulants for the major companies in the sector. Indeed, the main customers are the leading multinational companies in the agronomic and agrochemical sectors (such as Basf, Bayer, Isagro, Nufarm, Sipcam, Syngenta), which purchase SICIT products and then sell them to the end-customer.

Most relationships with customers are based on periodic purchases. However, SICIT has entered into contracts with some clients, to regulate supplies. These are requested by the customers in order to ensure the availability of the product and to guarantee a specific formulation of biostimulant. On a geographical basis, Biosolutions sales are broken-down as follows:

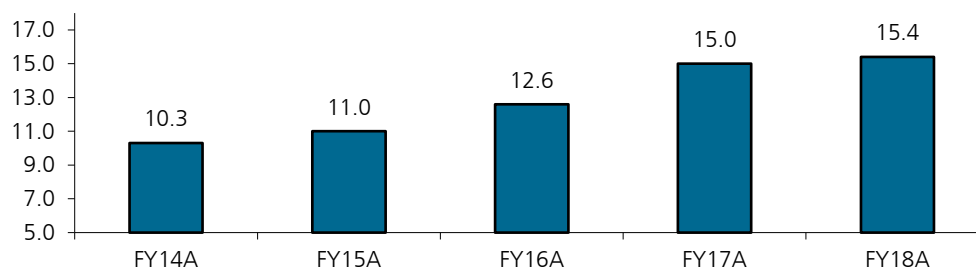
- **Europe** accounted for 53.4% in FY18A (52.7% in FY17A). It is the main market for Biostimulants. The key countries are Italy and Spain;
- **Asia and Oceania** represent 33.8% of the total sector as at 31 December 2018 (34.3% in FY17A). China and India are the main markets, while the other key countries are Pakistan, Russia, Turkey, Australia. We underline that this is the area that has recorded the highest growth rate in recent years;
- **Americas** accounted for 10.9% of total biosolutions sales in FY18A (12.4% in FY17A). The key markets are Brazil and other Latin American countries.

Plaster Retardant: 28% of total sales

The retardants are a necessary product in the plaster industry (in every plaster formulation there is at least one retardant) which is a growing market sector, also thanks to the development of new building practices that are gradually moving towards light, elastic and eco-sustainable constructions.

SICIT produces plaster retardants, both in liquid form (Plast Retard L and Plast Retard XCL), and in powder form (Plast Retard PE and Plast Retard XCP). Plast Retard acts as a retardant in the water/plaster mixture, slowing down the setting time of plaster and increasing its workability. The plaster formulations contain at least one retarder; generally Plast Retard is used as the only retardant but it can also be combined with other retardants. This business segment generated EUR 15.4M in FY18A, around 28% of SICIT's revenues in FY17A (29% in FY17A).

SICIT - Plaster Retardant historical sales trend (EUR M)



Source: Company data

In this sector, business seasonality is not particularly accentuated: high season from March to September and low season from October to February (concentration of sales in 2Q and 3Q).

Distribution in this business segment takes place either directly (about 34.2%) or through specialised distributors (for the remaining 65.8%). Customers are the main global groups in the construction/building materials sector or distributors of construction products and materials, such as BNB, Etex, Knauf, Saint-Gobain, Usg.

On average, relationships with customers are based on annual price review agreements.

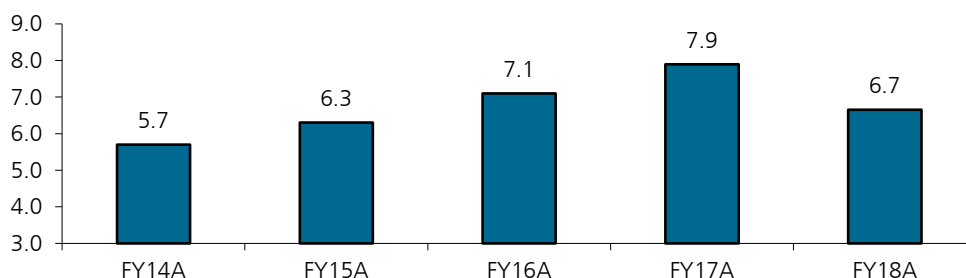
The group's sales in this sector are distributed on an international scale as follows:

- **Europe.** 34.2% of total sector in FY18A (35.1% in FY17A). The key countries are Germany and Poland, while sales in the Italian market are not significant;
- **Asia and Oceania** represent 48.4% of the business segment (46.8% at 30 December 2017). It is the main reference market for the sector, particularly thanks to China;
- **Americas** accounted for 14.7% (15% in FY17A). The US and Canada are the largest markets.

Animal fat: 12.1% of FY18 revenues

SICIT produces a "semi-worked animal fat" obtained from the processing of fleshings. The animal fat is mainly sold as a raw material to produce biofuels. The main customers are companies that process animal fat and/or traders. The sale of this product takes place almost exclusively in Italy. The selling price is regulated by the market price of the 'Borsa Granaria di Milano' applying a discount of around 10-15%.

SICIT - Animal fat historical sales trend (EUR M)



Source: Company data

Group Strategy: A Clearly-Identified Growth Path

The group has approved a significant investment plan for 2018-22 (over EUR 60M capex according to management) to pursue its strategy based on the following key pillars.

Management intends to proceed with the upgrading of the existing plants in Arzignano and Chiampo to offer a wider range of value added products in line with the increasing qualitative and quantitative demands of customers and markets. The planned investments for the Arzignano factory will regard:

- A new plant for the production of 'Special' products and an expansion of the number of cisterns;
- A new plant for the processing of 'hair' to obtain protein hydrolysates also from another ABP;
- An Animal fat re-esterification plant that should allow the company to obtain a finished product of higher quality (thus with a higher selling price).

In the Chiampo plant the group will invest in:

- A new processing line for trimmings that will increase the production of protein hydrolysates;
- An enhancement of the Research and Development laboratory.

Both in Chiampo and Arzignano, SICIT is installing two cogeneration plants that should translate into significant energy cost savings.

SICIT intends to build a new factory abroad (in Latin America) to produce Biostimulants and Industrial products from protein hydrolysates, approaching further sources of supply, while riding the environmental theme related to the waste of the tannery industry, which is currently very strong throughout South America.

Management is targeting the development of a new plant for the production of protein hydrolysate in granules with a smart release effect at the Arzignano factory to meet a specific demand from the market.

Strengthening of existing plants with expansion of production capacity

Expansion abroad

Entering new business segments

Market Analysis

Competitive Positioning

SICIT was one of the first companies globally to introduce animal-based amino acids in the market of special fertilisers and is now a leading producer of biostimulants from ABP offering high-end products, known for their high quality.

Biostimulants

Overall, the biostimulant market is highly fragmented with the presence of many operators, both large and small, operating in different sectors (in the agronomic, agrochemical, fertiliser production and in specialised and floricultural agriculture);

In this sector, SICIT has a considerable number of competitors i.e.: large players operating in the various sectors of agropharma, the production of fertilisers, in specialised agriculture and in nursery gardening, and small players with a predominantly local character focused on the production of biostimulants. Among the main competitors, we highlight:

- Large and medium-sized companies operating in different sectors, whose main activity is focused on sectors other than agriculture (pharmaceutical, cosmetics, food, supplements, etc.);
- Medium-small sized companies: located mainly in India and China, which usually have low-tech production facilities and medium-low or medium quality products, but are highly competitive in terms of price.

We note that in the biostimulant sector, SICIT is also competing with producers of biostimulants of non-animal origin, with products of plant origin, such as seaweed extracts, micro-organisms etc.

The retardant market has a small number of competitors, mainly comprising large-sized operators.

Plaster retardant

By product category, the most used retardants in the plaster world are: Tartaric Acid, Citric Acid, Animal Keratins, Synthetic Retardants (DTPA), Retardan (SIKA range), Trilon C (BASF range), Versenex (DOW Chemical).

According to management, the group's products are able to replace all other retardants, with the sole exception of Tartaric Acid which has a different grip curve to that obtained with SICIT's products.

Management calculates that the group's main product in this business segment, the Plast Retard, is currently among the most widely used and globally well-known product for working with plaster.

In this sector the main competitors are:

- SIKA is the main direct competitor of SICIT and has launched products very similar to SICIT's retardants on the market, marketed with slightly higher average prices;
- BASF, Akzo Nobel and Dow-Dupont are smaller operators in this business which, although with smaller market shares, are SICIT's historical competitors.

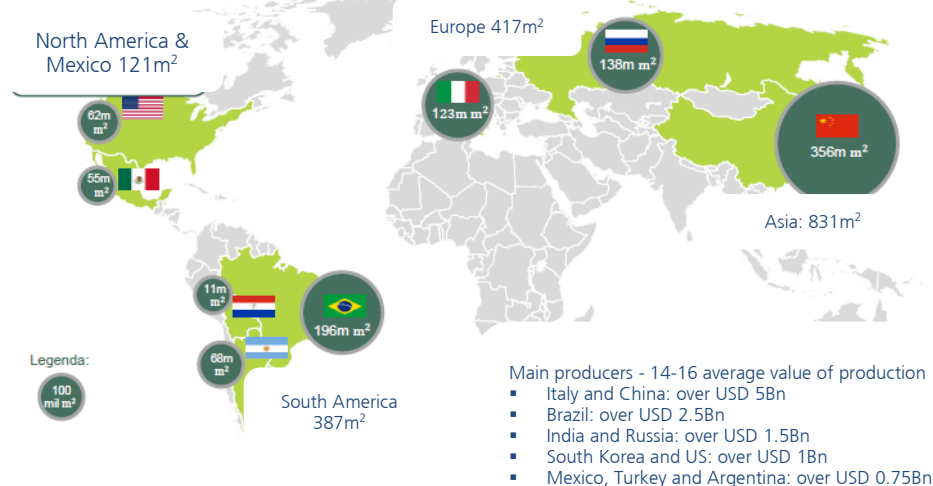
As regards animal fat, the competitors are represented by various companies and groups operating both in the transformation of animal fat and in the production/sale of energy. It should be noted that the sector is also affected by the performance of the commodity market, since the selling price of animal fat is based on the price of the reference index.

Animal fat

Market trend

The tannery industry market is now of a global nature, with several important tannery hubs. Among these China, Brazil, Russia and Italy are the most important areas.

World markets of Tannery industry



Source: FAO – Food and Agriculture Organisation of the United Nations, UNIC (www.unic.it, Rapporto Economico Annuale 2016; World Leather Congress)

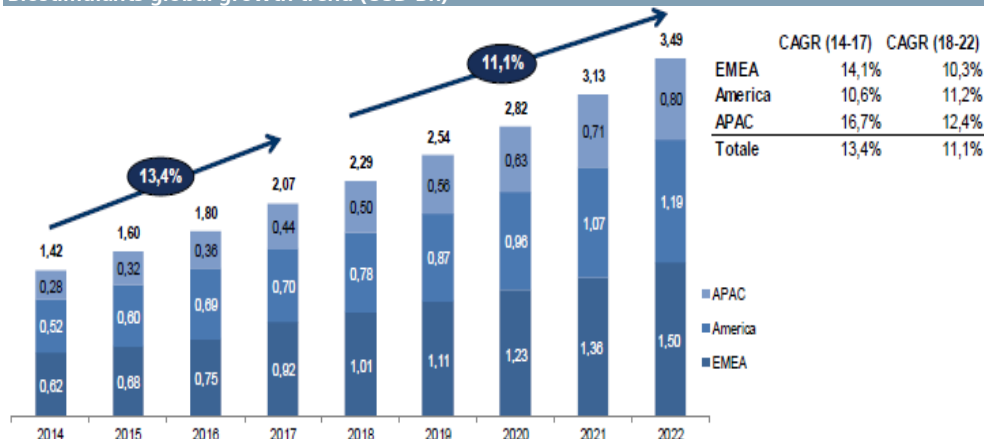
According to the Italian National Tanneries Union (“UNIC”), the main processed animal type is the adult cow, which accounts for 71% of total production, followed by sheep (11%), goats (10%) and calves (8%). Less than 1% belongs to other animal breeds (reptiles, pigs, etc.).

Despite the aggressive competition from non-EU countries such as Brazil, India, Argentina, and Russia, which have benefited greatly from insufficient environmental and social standards, the Italian tanning industry still holds an international leadership. In fact, the value of production accounts for 19% worldwide, a percentage that rises to 65% if we consider the European Union alone, while at a commercial level, UNIC estimated that one out of four finished leather products traded between international operators is of Italian origin.

The global biostimulants market was estimated to be worth around USD 2Bn in 2017, recording a double-digit growth in the recent past with a similar trend expected in 2019, according to management.

Biostimulants

Biostimulants global growth trend (USD Bn)



Source: Technavio

The EMEA region is the most receptive geographic market to date in the use of biostimulants and accounts for about 45% of the total market (2018-22 CAGR forecast at 10.3%; source: Technavio), while Latin America has proved to be a fast-growing region. Lastly the high growth forecast in APAC (2018-22 CAGR expected at 12.4%, source: Technavio) is underpinned by the intensive cultivation activities combined with a high population density.

This sector is strongly influenced by global trends, capable of substantially affecting its growth prospects. The world population stands at around 7.55Bn and is expected to grow at a CAGR (2017-50) of 0.8%, with a consequent expected expansion of food demand (between +60% and +90% at 2050. Source: FAO).

The biostimulant market is driven by agricultural production and the propensity of agricultural operators to use biostimulants in addition or as a partial replacement for chemical products. The growing use of biostimulants reflects the greater attention of operators towards natural products able to improve the yields of cultivatable areas, the quality of the agricultural product and to counter the abiotic stresses, which are increasingly frequent in a context of variable climatic conditions.

For the above-mentioned reasons, the consumption of biostimulants is growing at a higher rate than that recorded by chemical products for agriculture, such as fertilisers and crop protection products.

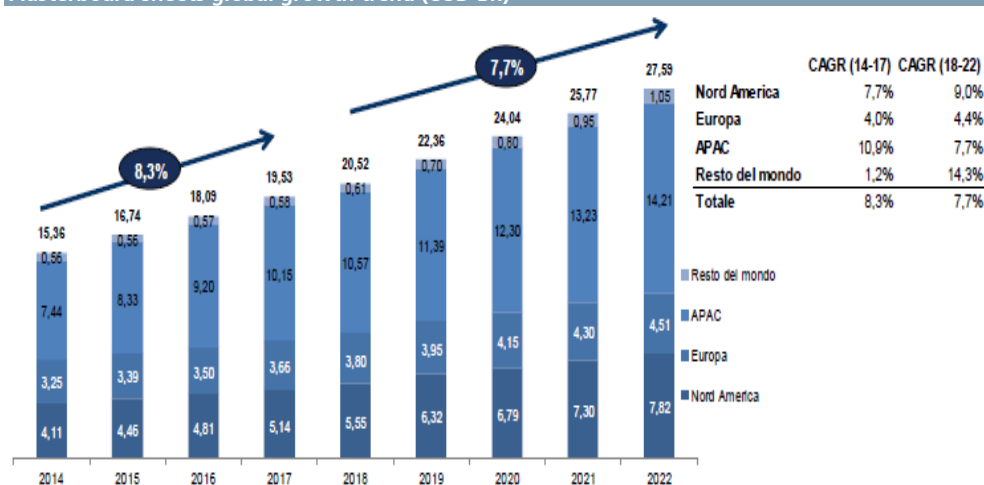
Overall, the growing interest of multinationals in the biostimulants sector, based on the development of organic farming and consumer adversity to chemical additives, along with the legislative measures underway in Europe, the US, China and India, has led to an increase in R&D and encouraged the agroindustry to contain the use of chemical products in favour of natural products.

Plaster retardants are used in the production of plasterboard sheets and as a minor application in gypsum-based plasters. The global market for plasterboard slabs was estimated to be worth around USD 20Bn in 2017, growing by around 8% annually in the recent past and a similar trend expected in the medium term (source: company data).

The Asia-Pacific region is the main geographic market for plasterboard slabs, whose demand is favoured by the growing construction sector. North America is the second-largest geographic market.

Plaster retardants

Plasterboard sheets global growth trend (USD Bn)



Source: Smithers Apex

The global market for plasterboard slabs is driven by the construction sector and the growing use of this product in construction. Plasterboard walls are preferred by builders to traditional masonry walls for lightness, speed of construction and their more effective fireproof and insulating properties compared to brick.

Overall, the intrinsic properties of plaster, the economic efficiency (low cost of production), the ease of installation, resistance to fire, thermal insulation, and the light and versatile nature (as it is combined with numerous other materials) have stimulated the expansion of this segment globally.

The legislative framework¹

In the Italian legislation, biostimulants are mentioned in Annex 6 of Legislative Decree 75/2010, which in many respects anticipated the EU regulation recently approved in Brussels (March 2019), within which biostimulant properties will be declarable only for some listed products. The biostimulant activity must not derive from the addition of substances with a phytohormonal action to the product. Unless approved by the national technical-consultative work group for fertilisers established by the Ministry of Agricultural Policies, it is not allowed to declare biostimulant properties to mixtures of the products reported in this provision with other fertilisers.

Italian legislation for biostimulants states that it is mandatory to describe doses and methods of use on the label. The list of products in Legislative Decree 75/2010 can be extended, if some natural substances, currently being tested, are registered by companies interested in placing them on the market.

An incentive to the biostimulants market arose from the EU regulation on fertilisers, which was approved at the end of March 2019, within the framework of which, these products have completed reference legislation. The regulation defines a plant biostimulant, as any product that stimulates the nutritional processes of plants regardless of its nutrient content, with the sole purpose of improving one or more of the following characteristics of the plant or rhizosphere of the plant:

- Efficiency of nutrient use;
- Abiotic stress tolerance;
- Qualitative characteristics;
- Availability of nutrients confined to the soil or in the rhizosphere.

From a practical standpoint, end users should, through dissemination and technical assistance activities, become aware of the great growth potentials that exist for products such as microorganisms, algae, plant and animal extracts and the many niche products that could soon be present on the market.

Farmers will have new types of substances at their disposal, whose methods of use, doses, and production criteria are very different from the fertilisers used so far. The biostimulants will be able to favour the expansion of agricultural activity in not currently used marginal areas, and thanks to them, could recover hectares of land, actually destined to be abandoned.

¹ Source: Coldiretti and AgriCommercio

SWOT Analysis

Strengths

- Privileged access to raw materials thanks to the proximity and strong connection with the tannery district of Vicenza;
- A leading position in high-growth markets also supported by favourable trends related to the circular economy;
- Positive growth track record, high margins and solid cash flow generation;
- Strong product and process innovation ability, capturing customers' needs and trends;
- Experienced management team, with proven technical skills;
- A clearly-identified growth path, thanks to the group's investment plan.

Opportunities

- International expansion. SICIT intends to build a new factory abroad (in Latin America) to produce biostimulants and Industrial products from protein hydrolysates;
- Management targeted the development of a new plant to produce protein hydrolysate in granules with a smart release to enter new market niches;
- Fast growing underlying market;
- The growing regulatory awareness towards biostimulants could penalise players offering poor quality product (especially from Asia) and, on the other hand, uphold established players offering high quality products such as SICIT.

Weaknesses

- Customer concentration. The five-largest customers represent 38% of revenues (15% the first client). Thus, while unlikely given the strong relations with the main clients, the loss of an important customer could have a significant impact on P&L;
- A capital-intensive business;
- High dependence on raw material availability.

Threats

- Increasing competition from large multi-sector groups, which could jeopardise the company's market share;
- Execution risks of the group's investment plan;
- Animal illnesses may affect operations and cause a slowdown in demand of biostimulants from animals.

Source: Intesa Sanpaolo Research elaborations

Historical Financials

We underline that the group's financials are accounted using ITA GAAP (not IFRS). However, the group plans to adopt IFRS from FY20 onwards, given management's intention to move the listing to the MTA (STAR segment). The main implication from this reclassification is that pursuant to ITA GAAP SICIT will amortise the goodwill arisen from the merger with the SPAC (around EUR 41M).

P&L

In 2014-18A, SICIT's revenues at a 10.2% CAGR were EUR 55.1M in 2018A vs. EUR 37.4M in 2014A.

SICIT - Historical key P&L data (2014A-18A)					
EUR M	2014A	2015A	2016A	2017A	2018A
Revenue	37.4	40.5	45.4	53.9	55.1
YoY change (%)		8.3	12.2	18.5	2.3
Other Revenue	0.4	0.7	1.4	0.7	3.0
Value of Production	37.8	41.2	46.8	54.6	58.1
Raw materials	-7.3	-8.0	-8.2	-10.5	-11.6
Services	-14.3	-14.9	-14.8	-16.0	-15.9
Cost of Labour	-4.9	-5.2	-5.5	-6.0	-7.7
Other costs	-0.9	0.0	-0.7	0.2	-0.3
EBITDA	10.4	13.1	17.6	22.2	22.7
YoY change (%)		26.0	34.7	25.9	2.3
EBITDA margin (%)	27.7	32.3	38.7	41.1	41.1
Depreciation & Amortisation	4.2	3.7	3.8	4.2	4.7
Provision and write off	0.0	0.0	0.0	0.0	0.0
EBIT	6.2	9.4	13.8	17.9	18.0
YoY change (%)		50.8	46.9	30.2	0.5
EBIT margin (%)	16.6	23.1	30.3	33.3	32.6
Net financials	0.3	0.0	0.0	-0.2	0.2
Pre-tax profit	6.5	9.4	13.8	17.7	18.2
YoY change (%)		45.5	46.8	28.4	2.9
Tax	-2.2	-2.5	-4.0	-4.8	-4.9
Net income	4.2	6.9	9.8	12.9	13.4

A: actual; Source: Company data

FY18A revenues were impacted by an increase in biostimulants and plaster retardant revenues, which more than offset the contraction in fuel fat sales, following a reduction in prices during the year.

SICIT – Revenue breakdown by business segment (2014A-18A)						
EUR M	FY14A	FY15A	FY16A	FY17A	FY18A	2014-18 CAGR %
Biostimulant	18.8	20.7	23.3	27.8	30.2	12.6
Plaster retardant	10.3	11	12.6	15	15.4	10.6
Animal fat	5.7	6.3	7.1	7.9	6.7	3.9
Others	2.6	2.5	2.4	3.2	2.9	2.3

A: actual; Source: Company data

We highlight that as regards raw materials, SICIT carries out a paid service for the collection of waste from the tanneries in the Vicenza district (in FY18A the group collected about 124.4k tons of material corresponding to EUR 1.9M revenues). This allows it to significantly reduce the impact of this cost line. Services are the main cost item in the P&L and mainly include energy costs, maintenance and costs related to the disposal of waste materials from production. Personnel costs rose at a 2014-18A CAGR of 11.6%, reflecting the hiring of some experienced figures.

Overall, costs in 2014-18A grew at a 6.6% CAGR, at a slower growth pace vs. the top line. Thus, the EBITDA margin increased in 2014-18A (41.1% in FY18A from 27.7% in FY14A).

D&A expenses stood at EUR 3.7M-4.7M over the period. Pre-tax income is generally in line with EBIT as net financial indebtedness is not significant.

Looking at the bottom line, we highlight that the group has a tax rate of around 26.5%.

Balance sheet

SICIT - Balance sheet (2014A-18A)					
EUR M	2014A	2015A	2016A	2017A	2018A
Tangible Assets	29.5	32.0	35.1	38.2	43.4
Intangible Assets	0.4	0.2	0.1	0.1	0.3
Financial Assets	0.0	0.0	0.1	0.1	1.7
Fixed Assets	29.9	32.3	35.3	38.4	45.4
Inventory	6.4	7.0	7.3	8.3	10.0
Trade Receivables	7.0	7.5	8.5	9.4	9.6
Trade Payables	-6.0	-5.8	-4.9	-6.6	-8.1
Working Capital (operating)	7.5	8.8	10.9	11.0	11.6
Others	-0.8	-0.5	-1.3	-1.1	0.5
NWC	6.7	8.3	9.6	10.0	12.1
Funds	-3.0	-2.6	-2.6	-2.5	-2.1
Invested Capital	33.6	38.0	42.3	45.9	55.4
Equity	42.9	47.8	55.1	61.3	69.9
Net debt	-9.3	-9.8	-12.8	-15.4	-14.5
Source of financing	33.6	38.0	42.3	45.9	55.4

A: actual; Source: Intesa Sanpaolo Research elaboration on Company data

The group's net financial position is cash positive. Furthermore, the significant cash generation in the period contributed to an increase in the cash positive position to EUR 14.5M in 2018A vs. EUR 9.3M in 2014A, despite the strong investment activity and the solid dividend distribution.

The company has a significant amount of tangible assets, which represented the main fixed assets category. Tangible assets mainly comprise the two plants in Arzignano and Chiampo.

Overall, operating WC grew at a slower pace than revenues and currently stands at around 21.1% of revenues.

Cash Flow Statement

SICIT - Cash flow statement (2015A-18A)				
EUR M	2015A	2016A	2017A	2018A
NFP at the beginning of the Year	-9.3	-9.8	-12.8	-15.4
Net profit	6.9	9.8	12.9	13.4
WCR adjustment	-1.3	-2.1	-0.1	-0.5
Depreciation	3.7	3.8	4.2	4.7
Operating Cash Flow	9.3	11.5	17.0	17.5
Capex	-7.7	-6.8	-7.4	-11.7
Disposal	0.0	0.0	0.0	0.0
Investing Cash Flows	-7.7	-6.8	-7.4	-11.7
Cash Dividend paid	-2.0	-2.5	-6.7	-6.7
Other movements	0.9	0.8	-0.3	-0.1
Financing Cash Flows	-1.1	-1.7	-7.0	-6.7
Net increase/(decrease) in cash	0.5	3.0	2.6	-0.9
NFP at the end of the Year	-9.8	-12.8	-15.4	-14.5

A: actual; Source: Intesa Sanpaolo Research elaboration on Company data

Earnings Outlook

In this section, we outline our estimates factoring in the cash injection from SprintItaly (around EUR 30M). The goodwill which has arisen from the business combination is around EUR 41M. Following Italian GAAP, this amount will be amortised on a ten year basis resulting in a EUR 4.1M negative effect on reported results. This mechanism is booked only on an Italian GAAP basis (not under IFRS), and therefore we made our assumptions on an adjusted basis, by excluding the goodwill amortisation, given management's intention to move the listing to the MTA (STAR segment), thus adopting IFRS in FY20.

Furthermore, we did not factor in any potential opportunities arising from the investments related to the expansion abroad (we recall that SICIT intends to build a new factory abroad in Latin America to produce Biostimulants and Industrial products from protein hydrolysates) and to enter new business segments (i.e. management targets the development of a new plant for the production of protein hydrolysate in granules with a smart release effect in the Arzignano factory to meet a specific demand from the market and enter new market niches and/or direct sales). Therefore, our Capex assumption is for around EUR 41M vs. EUR 60-65M expected by management including the abovementioned investments.

P&L: drivers and main assumptions

Overall, we expect SICIT's revenues to reach EUR 84.4M by end-2022E from EUR 55.1M in FY18A, corresponding to a 11.2% CAGR. In particular, we project a consolidation of the sales in strategic foreign markets, such as Asia and the US. We did not assume in our projections a significant increase in average prices over our forecast period. By product, we expect a solid growth of Biostimulants and Retardants, which should benefit from the investments made in 2015-17 (e.g. construction of the third line for the increase of production capacity) and the investments planned (described in the 'Strategy' section) except for the factory in Latin America and the plant to produce protein hydrolysate in granules. We underline that these two investments should further increase the 2022E top line by around EUR 11M each.

Revenues at a 11.2% CAGR over estimates period

As for the Animal Fat segment, we recall that the selling price is regulated by the market price of the 'Borsa Granaria di Milano', on which Sicit apply's a discount of around 10-15%. Given the planned investment in an animal fat re-esterification plant that should allow the company to obtain a finished product of higher quality, we expect a growth in Fat revenues from FY20E due to the progressive reduction in the discount applied (i.e. higher selling price).

SICIT - Breakdown by product (2018A-22E)						
EUR M	2018A	2019E	2020E	2021E	2022E	CAGR 18-22E %
Biostimulants	30.2	31.9	35.6	41.6	48.5	12.6
Volumes (t)	19.6	20.4	22.4	25.8	29.7	
Price (EUR/t)	1.5	1.6	1.6	1.6	1.6	
Plaster Retardants	15.4	15.6	17.0	19.0	21.2	8.3
Volumes (t)	5.9	5.9	6.3	6.9	7.6	
Price (EUR/t)	2.6	2.7	2.7	2.7	2.8	
Animal fat	6.7	7.0	7.5	9.2	11.2	13.9
Volumes (t)	14.8	14.9	15.2	15.5	15.8	
Price (EUR/t)	0.5	0.5	0.5	0.6	0.7	

A: actual; E: estimates; Source: Company data and Intesa Sanpaolo Research

Profitability

Looking at profitability, we project a slightly declining EBITDA margin in 2019E due to non-recurring expenses related to the business combination with SprintItaly. However, we expect profitability to return to a growth trend from 2020E, thanks to production efficiencies and scale effects. Overall, we expect the EBITDA margin to reach 44% in 2022E.

On the other hand, EBIT should increase less than proportionally vs. EBITDA, given the expected higher impact in absolute value from D&A (we assume around EUR 41M capex in 2019E-22E). We also see pre-tax income in line with EBIT, given the low weighting of net financials.

At the bottom-line level, we see a tax rate during the period stable at 26.5%, however, we underline that, given the strong investment activity, potentially positive effects on the group's tax rate could come from the 'Iperammortamento' related to Industry 4.0, which could offer some upside potential to the tax rate and the group's cash flow generation. We estimate a 2018A-22E CAGR of around 11.3% in group earnings, rising from EUR 13.4M in 2018A to EUR 20.5M by the end of 2022E.

SICIT - P&L key figures (2018A-22E)					
EUR M	2018A	2019E	2020E	2021E	2022E
Revenue	55.1	57.4	63.1	72.9	84.4
YoY change (%)		4.2	9.9	15.5	15.8
Other Revenue	3.0	1.0	1.0	1.0	1.0
Value of production	58.1	58.4	64.1	73.9	85.4
Raw materials	-11.6	-11.5	-12.3	-14.2	-16.1
Services	-15.9	-15.6	-16.7	-19.0	-22.1
Cost of Labour	-7.7	-7.8	-8.0	-8.5	-9.8
Other costs	-0.3	-0.6	-0.3	-0.3	-0.3
EBITDA	22.7	23.0	26.8	31.9	37.1
YoY change (%)		1.4	16.7	18.9	16.5
EBITDA margin (%)	41.1	40.0	42.5	43.7	44.0
D&A	4.7	4.9	6.0	7.6	9.3
Provision and write off	0.0	4.1	4.1	4.1	4.1
EBIT	18.0	14.0	16.7	20.1	23.8
Adj. EBIT*	18.0	18.1	20.8	24.2	27.9
YoY change (%)		0.7	15.0	16.4	15.0
Adj. EBIT margin (%)	32.6	31.6	33.0	33.3	33.0
Net financials	0.2	0.0	0.0	0.0	0.0
Adj. Pre-tax profit*	18.2	18.1	20.8	24.2	27.9
YoY change (%)		-0.7	15.0	16.4	15.0
Tax	-4.9	-4.8	-5.5	-6.4	-7.4
Adj. Net income*	13.4	13.3	15.3	17.8	20.5

(*) adj. for goodwill amortisation; A: actual; E: estimates; Source: Company data and Intesa Sanpaolo Research

Balance sheet and cash flow generation

The cash injection from SprintItaly (around EUR 30M) should allow the company to finance the group's investment plan according to management's strategy. We recall that neither the investments abroad nor the plant to produce 'Granules' cash are included in the financial model. Our key assumptions are:

- A significant investment activity over the period (EUR 41M in our estimates);
- An OWC-to-revenues ratio which should be broadly stable at around 21.6%;
- We incorporated the extraordinary dividend of EUR 11M to be paid in 2019E, while we assumed a stable payout ratio at 50% for the dividends to be paid in 2020E-22E;
- We do not expect any impairment losses over our forecast horizon.

Our forecasts imply that the group's NFP will improve to around EUR 47M cash by the end of 2022E.

SICIT - Balance sheet key figures (2018A-22E)					
EUR M	2018A	2019E	2020E	2021E	2022E
Tangible Assets	43.4	50.5	56.6	58.9	56.7
Intangible Assets	0.3	41.0	36.9	32.8	28.7
Financial Assets	1.7	1.7	1.7	1.7	1.7
Fixed Assets	45.4	93.2	95.2	93.4	87.1
Inventory	10.0	8.7	9.7	11.1	12.7
Trade Receivables	9.6	10.4	11.4	13.2	15.3
Trade Payables	-8.1	-6.9	-7.4	-8.5	-9.8
Operating Working Capital	11.6	12.1	13.7	15.8	18.2
other WC	0.5	0.9	0.9	0.9	0.9
NWC	12.1	13.0	14.5	16.6	19.1
Funds	-2.1	-2.1	-2.1	-2.1	-2.1
Invested Capital	55.4	104.1	107.6	107.9	104.0
Equity	69.9	136.5	140.1	144.9	151.0
Net Debt	-14.5	-32.5	-32.5	-37.0	-47.0
Capital Employed	55.4	104.1	107.6	107.9	104.0

A: actual; E: estimates; Source: Company data and Intesa Sanpaolo Research

SICIT – Cash Flow Statement key figures (2018A-22E)					
EUR M	2018A	2019E	2020E	2021E	2022E
NFP at the beg. of year	-15.4	-14.5	-32.5	-32.5	-37.0
Net profit	13.4	13.3	15.3	17.8	20.5
WCR adjustment	-0.5	-0.6	-1.6	-2.1	-2.5
Depreciation	4.7	4.9	6.0	7.6	9.3
Operating Cash Flow	17.5	17.6	19.7	23.3	27.3
Capex	-11.7	-12.0	-12.0	-10.0	-7.0
Investment	0.0	0.0	0.0	0.0	0.0
Disposal	0.0	0.0	0.0	0.0	0.0
Investing Cash Flows	-11.7	-12.0	-12.0	-10.0	-7.0
Cash dividend paid	-6.7	-17.7	-7.7	-8.9	-10.2
Other movements	-0.1	30.0	0.0	0.0	0.0
Financing Cash Flows	-6.7	12.3	-7.7	-8.9	-10.2
Net incr./ (decr.) in cash	-0.9	18.0	0.1	4.4	10.0
NFP at the end of year	-14.5	-32.5	-32.5	-37.0	-47.0

Source: Intesa Sanpaolo Research estimates

SICIT Group - Key data						
Rating	Target price (EUR/sh)	Mkt price (EUR/sh)	Sector	Free float (%)		Reuters Code
BUY	Ord 11.8	Ord 9.25	Agrochemicals	35.1		SICT.MI
Values per share (EUR)			2017A	2018A	2019E	2020E
No. ordinary shares (M)			19.63	19.63	19.63	19.63
No. NC saving/preferred shares (M)			0.00	0.00	0.00	0.00
Total no. of shares (M)			19.63	19.63	19.63	19.63
Market cap (EUR M)			210.86	201.01	181.58	181.58
Adj. EPS			0.66	0.68	0.68	0.78
CFPS			0.87	0.92	0.77	0.93
BVPS			3.1	3.6	7.0	7.4
Dividend ord			0.34	0.34	0.90	0.39
Income statement (EUR M)			2017A	2018A	2019E	2020E
Revenues			53.87	55.12	57.41	63.11
EBITDA			22.16	22.66	22.97	26.80
EBIT			17.91	18.00	14.01	16.73
Pre-tax income			17.73	18.23	14.01	16.73
Net income			12.92	13.36	10.30	12.29
Adj. net income			12.92	13.36	13.31	15.31
Cash flow (EUR M)			2017A	2018A	2019E	2020E
Net income before minorities			12.9	13.4	10.3	12.3
Depreciation and provisions			4.2	4.7	9.0	10.1
Others/Uses of funds			0	0	0	0
Change in working capital			-0.1	-0.5	-0.6	-1.6
Operating cash flow			17.0	17.5	18.7	20.8
Capital expenditure			7.4	11.7	12.0	12.0
Financial investments			0	0	0	0
Acquisitions and disposals			0	0	0	0
Free cash flow			9.6	5.9	6.7	8.8
Dividends			-6.7	-6.7	-17.7	-7.7
Equity changes & Other non-operating items			-0.3	-0.1	30.0	0
Net cash flow			2.6	-0.9	19.0	1.2
Balance sheet (EUR M)			2017A	2018A	2019E	2020E
Net capital employed			45.9	55.4	104.1	107.6
of which associates			0	0	0	0
Net debt/-cash			-15.4	-14.5	-32.5	-32.5
Minorities			0	0	0	0
Net equity			61.3	69.9	136.5	140.1
Minorities value			0	0	0	0
Enterprise value			195.5	186.5	149.1	149.0
Stock market ratios (x)			2017A	2018A	2019E	2020E
Adj. P/E			16.3	15.0	13.6	11.9
P/CFPS			12.3	11.1	12.0	9.9
P/BVPS			3.4	2.9	1.3	1.3
Payout (%)			52	50	133	50
Dividend yield (% ord)			3.2	3.3	9.7	4.2
FCF yield (%)			4.5	2.9	1.4	2.6
EV/sales			3.6	3.4	2.6	2.4
EV/EBITDA			8.8	8.2	6.5	5.6
EV/EBIT			10.9	10.4	10.6	8.9
EV/CE			4.3	3.4	1.4	1.4
D/EBITDA			Neg.	Neg.	Neg.	Neg.
D/EBIT			Neg.	Neg.	Neg.	Neg.
Profitability & financial ratios (%)			2017A	2018A	2019E	2020E
EBITDA margin			41.1	41.1	40.0	42.5
EBIT margin			33.3	32.6	24.4	26.5
Tax rate			27.1	26.7	26.5	26.5
Net income margin			24.0	24.2	17.9	19.5
ROCE			39.0	32.5	13.5	15.6
ROE			22.2	20.4	10.0	8.9
Interest cover			96.6	-75.6	NM	NM
Debt/equity ratio			-25.1	-20.8	-23.8	-23.2
Growth (%)				2018A	2019E	2020E
Sales				2.3	4.2	9.9
EBITDA				2.3	1.4	16.7
EBIT				0.5	-22.1	19.4
Pre-tax income				2.9	-23.1	19.4
Net income				3.4	-22.9	19.4
Adj. net income				3.4	-0.4	15.0

NM: not meaningful; Neg.: negative; A: actual; E: estimates; Source: Company data and Intesa Sanpaolo Research

Our Mid Corporate Definition

Italy is characterised by a large number of non-listed and listed micro, small and medium-sized companies. Looking at the revenues of these Italian companies, around 5,000 companies have revenues ranging from EUR 50M-EUR 1,500M based on Intesa Sanpaolo elaborations. We define these companies as 'Mid Corporate'. Looking more specifically at Italian listed companies, we include in our Mid Corporate segment all STAR companies and those with a market capitalisation below EUR 1Bn.

Notes

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TARGET PRICE	The market price that the analyst believes the share may reach within a one-year time horizon
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Target price and market price trend (-1Y)	Historical recommendations and target price trend (-1Y)
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Initiation of Coverage

Initiation of Coverage

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Intesa Sanpaolo Research Rating Distribution (at May 2019)					
Number of companies considered: 108	BUY	ADD	HOLD	REDUCE	SELL
Total Equity Research Coverage relating to last rating (%)	45	21	32	1	0
of which Intesa Sanpaolo's Clients (%) (*)	80	43	40	0	0

(*) Companies on behalf of whom Intesa Sanpaolo and the other companies of the Intesa Sanpaolo Group have provided corporate and Investment banking services in the last 12 months; percentage of clients in each rating category

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Equity rating key (short-term horizon: 3M)

Equity rating key (short-term horizon: 3M)	
Short-term rating	Definition
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Intesa Sanpaolo Research Department – Head of Research Department: Gregorio De Felice

Head of Equity & Credit Research

Giampaolo Trasi	+39 02 8794 9803	giampaolo.trasi@intesasnpaolo.com
-----------------	------------------	-----------------------------------

Equity Research

Monica Bosio	+39 02 8794 9809	monica.bosio@intesasnpaolo.com
Luca Bacoccoli	+39 02 8794 9810	luca.bacoccoli@intesasnpaolo.com
Davide Candela	+39 02 8794 9813	davide.candela@intesasnpaolo.com
Antonella Frongillo	+39 02 8794 9688	antonella.frongillo@intesasnpaolo.com
Manuela Meroni	+39 02 8794 9817	manuela.meroni@intesasnpaolo.com
Gian Luca Pacini	+39 02 8794 9818	gianluca.pacini@intesasnpaolo.com
Elena Perini	+39 02 8794 9814	elena.perini@intesasnpaolo.com
Bruno Permutti	+39 02 8794 9819	bruno.permutti@intesasnpaolo.com
Roberto Ranieri	+39 02 8794 9822	roberto.ranieri@intesasnpaolo.com

Corporate Broking Research

Alberto Francese	+39 02 8794 9815	alberto.francese@intesasnpaolo.com
Gabriele Berti	+39 02 8794 9821	gabriele.berti@intesasnpaolo.com
Sebastiano Grisetti	+39 02 8794 3187	sebastiano.grisetti@intesasnpaolo.com

Technical Analysis

Corrado Binda	+39 02 8021 5763	corrado.binda@intesasnpaolo.com
Sergio Mingolla	+39 02 8021 5843	antonio.mingolla@intesasnpaolo.com

Research Clearing & Production

Anna Whatley	+39 02 8794 9824	anna.whatley@intesasnpaolo.com
Bruce Marshall	+39 02 8794 9816	robert.marshall@intesasnpaolo.com
Annita Ricci	+39 02 8794 9823	annita.ricci@intesasnpaolo.com
Wendy Ruggeri	+39 02 8794 9811	wendy.ruggeri@intesasnpaolo.com
Elisabetta Bugliesi (IT support)	+39 02 8794 9877	elisabetta.bugliesi@intesasnpaolo.com

Banca IMI SpA – Head of Global Markets Sales: Bernardo Bailo

Head of Equity Sales

Giorgio Pozzobon	+39 02 7261 5616	giorgio.pozzobon@bancaimi.com
------------------	------------------	-------------------------------

Institutional Sales

Catherine d'Aragon	+39 02 7261 5929	catherine.daragon@bancaimi.com
Carlo Cavalieri	+39 02 7261 2722	carlo.cavalieri@bancaimi.com
Stefan Gess	+39 02 7261 5927	stefan.gess@bancaimi.com
Francesca Guadagni	+39 02 7261 5817	francesca.guadagni@bancaimi.com
Federica Repetto	+39 02 7261 5517	federica.repetto@bancaimi.com
Daniela Stucchi	+39 02 7261 5708	daniela.stucchi@bancaimi.com
Marco Tinessa	+39 02 7261 2158	marco.tinessa@bancaimi.com
Mark Wilson	+39 02 7261 2758	mark.wilson@bancaimi.com

Corporate Broking

Carlo Castellari	+39 02 7261 2122	carlo.castellari@bancaimi.com
Francesco Riccardi	+39 02 7261 5966	francesco.riccardi@bancaimi.com
Laura Spinella	+39 02 7261 5782	laura.spinella@bancaimi.com

Sales Trading

Lorenzo Pennati	+39 02 7261 5647	lorenzo.pennati@bancaimi.com
-----------------	------------------	------------------------------

Equity Derivatives Institutional Sales

Emanuele Manini	+39 02 7261 5936	emanuele.manini@bancaimi.com
Matteo Buratti	+39 02 7261 5335	matteo.buratti@bancaimi.com
Francesca Dizione	+39 02 7261 2759	francesca.dizione@bancaimi.com
Enrico Ferrari	+39 02 7261 2806	enrico.ferrari@bancaimi.com
Alessandro Monti	+44 207 894 2412	alessandro.monti@bancaimi.com
Umberto De Paoli	+44 207 894 2456	umberto.depaoli@bancaimi.com

Banca IMI SpA – Head of Market Hub: Gherardo Lenti Capoduri

E-commerce Distribution

Alessandra Minghetti	+39 02 7261 2973	alessandra.minghetti@bancaimi.com
Alessia Galluccio	+39 02 7261 2339	alessia.galluccio@bancaimi.com
Umberto Menconi	+39 02 7261 5492	umberto.menconi@bancaimi.com
Filippo Besozzi	+39 02 7261 5922	filippo.besozzi@bancaimi.com
Lawrence Peirson (London Office)	+44 207 894 2476	lawrence.peirson@bancaimi.com

Brokerage & Execution

Carmine Calamello	+39 02 7261 2194	carmine.calamello@bancaimi.com
-------------------	------------------	--------------------------------

Banca IMI Securities Corp.

US Institutional Sales

Barbara Leonardi	+1 212 326 1232	barbara.leonardi@bancaimi.com
Greg Principe	+1 212 326 1233	greg.principe@bancaimi.com

Banca IMI SpA

Largo Mattioli, 3
20121 Milan, Italy
Tel: +39 02 7261 1

**Banca IMI
Securities Corp.**

1 William Street
10004 New York, NY, USA
Tel: (1) 212 326 1100

**Banca IMI
London Branch**

90 Queen Street
London EC4N 1SA, UK
Tel +44 207 894 2600