

SICIT

New Coverage



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EQUITY RESEARCH

ITALY | Chemical

STOCK DATA

Price €	9.73
Bloomberg code	SICT IM
Market Cap. (€ mn)	193
Free Float	51%
Shares Out. (mn)	19.8
52-week range	9.21 - 12.5
Daily Volumes ('000)	14.0

PERFORMANCE

	1M	3M	12M
Absolute	-2.2%	-18.2%	-6.5%
Rel. to FTSE all shares	-6.5%	-19.3%	-16.8%

MAIN METRICS ^[1] € M N

	2018	2019E	2020E
Revenues	55.1	57.1	62.7
Adjusted EBITDA	22.7	23.7	26.5
Adj. net income*	13.4	13.8	14.7
Adj. EPS - € cents	67.4	69.5	74.1
DPS ord - € cents	34.0	35.7	37.1

MULTIPLES

	2018	2019E	2020E
P/E adj*	14.4 x	14.0 x	13.1 x
P/E EX CASH Adj*	13.3 x	12.0 x	11.6 x
Adj. EV/EBITDA	7.9 x	7.0 x	6.4 x
EV/EBITDA	7.6 x	7.0 x	6.4 x

REMUNERATION

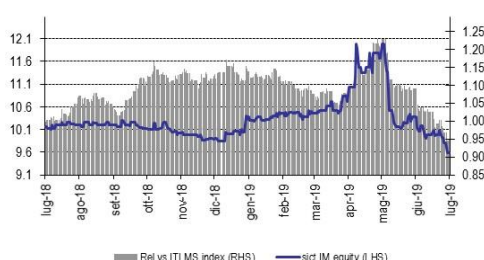
	2018	2019E	2020E
Div. Yield ord	3.5%	3.7%	3.8%
FCF yield	3.2%	0.6%	1.1%

INDEBTEDNESS

	2018	2019E	2020E
Net Cash (Debt)	14.5	27.6	22.6
Debt/EBITDA	n.m.	n.m.	n.m.
Interests cov	n.m.	n.m.	n.m.

^[1] Italian GAAP

*adj. for PPA (excluded in IFRS)

PRICE ORD LAST 365 DAYS

HOLD (n.a.)
Target: €11.60 (n.a.) | Risk: High
SICIT: AN EXCELLENCE IN THE GREEN ECONOMY

SICIT is a leading company in the fast growth market of biostimulants for agriculture and retardant for gypsum materials through the recycling of waste from the tanning industry in the region of Veneto. Its ambitious growth plan aims to almost double revenues by 2022-23 through the debottleneck of its existing two plants, the opening of new capacity in Latam, and a new granular fertilizer plant. Despite the compelling investment case, we initiate coverage with a Hold recommendation and €11.60 target price as we believe FY19 will show limited earnings growth due to the unfavourable trading environment in agrochem and construction markets. The stock already trades at 25% discount vs agrochem cluster, therefore we see also relatively limited downside. We would be more positive on the stock once the effects on earnings from its capex plan start to be visible.

■ Circular economy from the beginning

SICIT (acronym of Società Industrie Chimiche Italiane) is a chemical company which treats the waste material from the tanning industry and transforms it into valuable raw materials (protein hydrolysates) for agricultural and / or industrial use (biostimulants, plaster retardants and fats).

■ Strong growth trend for biostimulants and retarders

SICIT enjoys strong demand driven by underlying macro-trends.

- The market for **biostimulants** (55% revenues) is expected to increase at low double digit CAGR driven by the farmers' needs of: 1. Higher yield; 2. Lower input cost; 3. Sustainable farming; 4 Organic Farming;
- The market for **plaster retardant** (30% revenues) is expected to expand at high single-digit CAGR trailing the increasing penetration of gypsum as a building material;
- **Fat** (15% of revenues) mainly for biofuel, is a commoditized market. The plan will allow to improve the value of the product.

■ Growth largely visible from 2020

We assume a 4% EBITDA growth in FY19. The weak trading environment in agrochem and construction markets will somewhat cap the EBITDA expansion in FY19. Most of the earnings growth will be visible from FY20 when the investment plan starts to have sizeable effects – we assume a 13% CAGR over 2019-22.

■ A key player in the organic recycling economy

SICIT is a strong player of the circular economy at the beginning of an exciting investment plan:

- **The compelling growth opportunities are driven by the exposure to fast growing products and its organic expansion;** we assume top line and EBITDA growth by respectively 12% and 13%;
- **The sound profitability (EBITDA margins >40%) is the result of the recycling activity and the superior production process;**
- **The stock trades at compelling multiples: EV/EBITDA 6.9x FY19, some 25% discount to relevant agrochem peers.**

Our vision on the stock would be positive in the absence of clouds surrounding the SICIT trading environment in FY19 in key end markets of agrochem and construction industries. We believe FY20 will improve materially thanks to product launches and a more benign commodity price environment.

MAIN FIGURES ^[1] €M	2017	2018	2019E	2020E	2021E	2022E
Revenues	53.9	55.1	57.1	62.7	75.0	86.5
Growth	19%	2%	4%	10%	20%	15%
EBITDA	22.2	23.6	23.7	26.5	32.0	37.4
Growth	26%	6%	0%	12%	21%	17%
Adjusted EBITDA	22.2	22.7	23.7	26.5	32.0	37.4
Growth	26%	2%	4%	12%	21%	17%
Adj. EBIT	17.9	18.0	18.6	19.9	24.0	28.0
Growth	30%	0%	3%	7%	21%	17%
Profit before tax	17.7	18.2	14.5	15.8	19.9	23.9
Growth	28%	3%	-20%	9%	26%	20%
Adj. net income*	12.9	13.4	13.8	14.7	17.8	20.7
Growth	32%	3%	3%	7%	21%	17%
Net income	12.9	13.4	9.7	10.6	13.7	16.6
Growth	32%	3%	-28%	10%	29%	22%
MARGIN	2017	2018	2019E	2020E	2021E	2022E
Ebitda Margin	41.1%	42.7%	41.4%	42.2%	42.7%	43.2%
Ebitda adj Margin	41.1%	41.1%	41.4%	42.2%	42.7%	43.2%
Ebit adj Margin	33.3%	32.6%	32.6%	31.7%	32.0%	32.4%
Pbt adj Margin	32.9%	33.1%	25.4%	25.2%	26.6%	27.7%
Ni adj margin	24.0%	24.2%	24.1%	23.5%	23.7%	24.0%
Ni rep margin	24.0%	24.2%	16.9%	16.9%	18.2%	19.3%
SHARE DATA [1]	2017	2018	2019E	2020E	2021E	2022E
EPS - € cents	65.2	67.4	48.8	53.5	69.0	84.0
Growth	-	3%	-28%	10%	29%	22%
Adj. EPS - € cents*	65.2	67.4	69.5	74.1	89.7	104.7
Growth	-	3%	3%	7%	21%	17%
DPS ord - € cents	0.0	34.0	35.7	37.1	44.8	52.3
BVPS - €	3.1	3.5	6.8	7.0	7.3	7.7
VARIOUS - € MN	2017	2018	2019E	2020E	2021E	2022E
Capital employed	45.9	55.4	107.4	115.9	125.4	124.5
FCF	9.3	6.2	1.1	2.1	4.2	17.6
Capex	7.4	8.4	17.0	18.0	19.0	10.0
Working capital	11.5	11.6	12.2	13.4	16.1	18.5
INDEBTNESS - € MN	2017	2018	2019E	2020E	2021E	2022E
Net Cash (Debt)	15.4	14.5	27.6	22.6	19.4	28.1
D/E	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.
Debt/EBITDA	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.
Interests cov	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.
MARKET RATIOS	2017	2018	2019E	2020E	2021E	2022E
P/E ord	n.a.	14.4 x	19.9 x	18.2 x	14.1 x	11.6 x
P/E adj*	n.a.	14.4 x	14.0 x	13.1 x	10.9 x	9.3 x
P/E EX CASH Adj*	n.a.	13.3 x	12.0 x	11.6 x	9.8 x	7.9 x
PBV	n.a.	2.8 x	1.4 x	1.4 x	1.3 x	1.3 x
EV FIGURES	2017	2018	2019E	2020E	2021E	2022E
EV/EBITDA	n.a.	7.6 x	7.0 x	6.4 x	5.4 x	4.4 x
Adj. EV/EBITDA	n.a.	7.9 x	7.0 x	6.4 x	5.4 x	4.4 x
Adj. EV/EBIT	n.a.	9.9 x	8.9 x	8.6 x	7.2 x	5.9 x
EV/CE	n.a.	3.2 x	1.5 x	1.5 x	1.4 x	1.3 x
REMUNERATION	2017	2018	2019E	2020E	2021E	2022E
Div. Yield ord	0.0%	3.5%	3.7%	3.8%	4.6%	5.4%
FCF yield	4.8%	3.2%	0.6%	1.1%	2.2%	9.1%
ROE	21.1%	19.1%	10.2%	10.6%	12.3%	13.6%
ROCE	39.1%	32.5%	13.5%	13.6%	15.9%	19.2%

[1] Italian GAAP

*adj. for PPA (excluded in IFRS)

Source: Equita SIM estimates & company data

INDEX



SICIT - INVESTMENT SUMMARY	4
SICIT BRIEF INTRODUCTION.....	6
SWOT ANALYSIS	9
STRATEGIC POSITIONING - SUMMARY	10
A HISTORY OF GROWTH	10
SOURCING OF RAW MATERIALS – TRANSFORMING WASTE INTO VALUABLE MATERIALS.....	12
ITALIAN TANNING INDUSTRY.....	14
THE ARZIGNANO DISTRICT.....	14
BIOSTIMULANTS - GROWTH TREND IS MUCH STRONGER THAN AGROCHEMICALS....	16
#1 GROWTH DRIVER: YIELD AND COST BENEFITS FOR GROWERS	18
QUANTIFYING THE VALUE FOR FARMERS FROM BIOSTIMULANTS.....	19
#2 GROWTH DRIVER: HIGHER ROCE FOR CROP PROTECTION COMPANIES	21
#3 GROWTH DRIVER: THE AGRICULTURAL CHALLENGE OF GROWING MORE FROM LESS.....	22
#4 GROWTH DRIVER: SUSTAINABILITY IN AGRICULTURE	24
#5 GROWTH DRIVER: BIOSTIMULANTS ARE SUITABLE FOR ORGANIC FARMING	24
#6 GROWTH DRIVER: PRECISION FARMING	25
SICIT BIOSTIMULANTS PRODUCTS PORTFOLIO	26
CUSTOMERS: THE MAIN PLAYERS IN THE SECTOR	26
A FRAGMENTED COMPETITIVE ENVIRONMENT	28
RETARDERS ADDITIVES DRIVEN BY THE HIGHER GYPSUM PENETRATION.....	29
RETARDANTS COMPETITIVE ENVIRONMENT.....	30
CLIENTS AND DISTRIBUTION CHANNEL	30
FAT – A BYPRODUCT OF HYDROLYSIS PROCESS	31
EXPANSION PROJECTS – REVENUES TARGETED TO DOUBLE BY 2022	32
EXPANDING EXISTING CAPACITY (€38 MN CAPEX).....	33
GREENFIELD EXPANSION – A NEW HYDROLIZED PROTEIN PLANT (€20 MN CAPEX)	33
GRANULATED FERTILIZER PLANT (€6 MN CAPEX)	35
ESTIMATES / ASSUMPTIONS	36
FY2019 OPPORTUNITIES AND CHALLENGES.....	39
BENCHMARKING AND VALUATION REMARKS	40
TARGET PRICE €11.60	42
A SUSTAINED PACE OF M&A	44
SICIT MANAGEMENT	45
SPRINT-ITALY SPAC.....	45
PRE-BUSINESS COMBINATION SHAREHOLDER STRUCTURE	48
NUMBER OF SHARES FOLLOWING THE BUSINESS COMBINATION	48
MULTIPLES SENSITIVITY	50
APPENDIX.....	51
AGROCHEMICAL INDUSTRY - INTRODUCTION.....	51
FERTILIZERS –WHY THEY ARE SO IMPORTANT	51
MINERAL FERTILIZER INDUSTRY – A MATURE MARKET	53
CROP PROTECTION AGROCHEMICALS	56
STATEMENT OF RISK.....	57

SICIT - INVESTMENT SUMMARY

Sustainability, eco-efficiency and waste valorisation are the core values of the company since its foundation. SICIT is a perfect example of the circular economy coupled with the capacity to generate sound returns from its business.

We believe SICIT has the following appealing features:

1. **SICIT is one of the leading company in protein hydrolysates of animal origin for the agriculture and building materials market.** Through a process of hydrolysis of residues and waste of the nearby tanning industry, SICIT realizes a high value added product intended for use in agriculture (biostimulants) and in the industry of gypsum (retarding).
2. **SICIT enjoys strong demand growth driven by underlying macro-trends.**
 - **Biostimulants (55% revenues)** is expected to increase at low double-digit CAGR driven by the farmers' needs of: 1. Higher yield to feed a growing world's population; 2. Lower input cost; 3. Sustainable and Organic Farming; 5 Precision Farming.
 - **Plaster retardants (30% revenues)** are expected to expand at high-single-digit CAGR trailing the increasing penetration of gypsum as a building materials
 - **Fat (15% of revenues)** mainly sold for biofuel.
3. **The sound margins and ROCE are the result of superior production yield driven by: 1. state-of-the art industrial footprint; 2. Strong chemical and process know how.**
4. **The business has a high CF conversion, thanks to the recycling economy and the B2B distribution model.** The raw materials are part of the revenue stream (about €16/t in 2018E) since the finished product is derived directly by the waste material generated by the tanning industry.
5. **Its main clients are the top tier player in the agrochemical and building materials industries.**
6. **Its proximity to the leather district in Arzignano results in natural monopoly for the access and collection of key raw materials** due to the high cost of transportation. Furthermore the disposal of waste is strategically important for the tanning districts due to the high treatment cost. **SICIT has a very efficient process and receives waste from the Arzignano district at very convenient price for tanneries.** The environmental footprint of its two plants is well above standard.
7. **The business combination with SprintItaly will help to support its ambitious growth plan which aims to more than double the EBITDA through the following investments:**
 - debottleneck its existing two plants (~€38 mn Capex);
 - open new capacity in Latam (~€20 mn Capex);
 - improvement of its product offering for the agriculture industry through a granular biofertilizer plant - B2B and B2C – (~€6 mn Capex).
8. **There is a limited number of listed companies - across Italy and Europe - which have a strong exposure to the sustainability investment feature such as SICIT.**
9. **The stock trades at ~ 25% discount to EV/EBITDA to focused agrochem players, a compelling valuation for a company exposed to circular economy. Going forward, the spread should narrow – if not reverse to premium - thanks to the stronger growth and profitability as well as M&A potential, .**

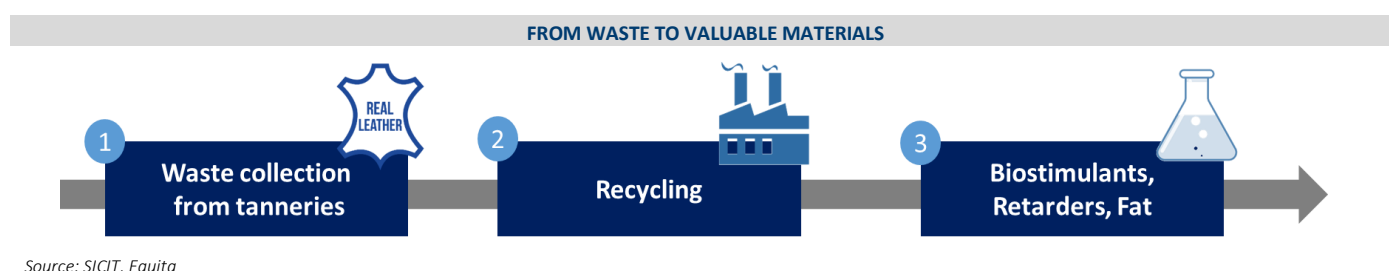
We would also highlight the following risk/threat factors:

1. Agrochemical demand may suffer from unfavourable weather conditions in key crop regions. This is the case for US region in 1H19. The bad weather may reduce farmer income over the season and have a negative effects on volume demand;
2. Crop prices affects the growers' economics and change the demand for key inputs like fertilizers, crop protection chemicals and biostimulants;
3. The increase in recycled volumes may need some time (a few quarters) to be shipped to customers due to the different timing of demand. Agrochem companies may need time to launch biostimulant products in new markets due to the R&D and commercial investments needed. Hydrolized proteins have a long lasting conservation period so, there is quite a limited risk of product degradation;
4. The outlook for building materials is largely dependent on economic conditions in key regions (Europe, Asia, Americas). We believe the risk of a slowdown in construction activity has increased;
5. **SICIT has no track record in the expansion of its capacity abroad. Therefore a risk of delay or higher than expected costs may be taken into consideration;**
6. Fat prices are quite volatile and limited FY18 EBITDA growth. We believe the current low level will likely not affect anymore its underlying trend but it is a commodity price with a cyclical trend pattern.

SICIT BRIEF INTRODUCTION

SICIT (acronym of Società Industrie Chimiche Italiane) is a chemical company located in **Arzignano (Vicenza), North-Eastern Italy**. It carries out a recycling activity to recover a particular waste of the tanning industry, aimed at the production of raw materials (protein hydrolysates) for agricultural and / or industrial use (**biostimulants, plaster retardants and fats**).

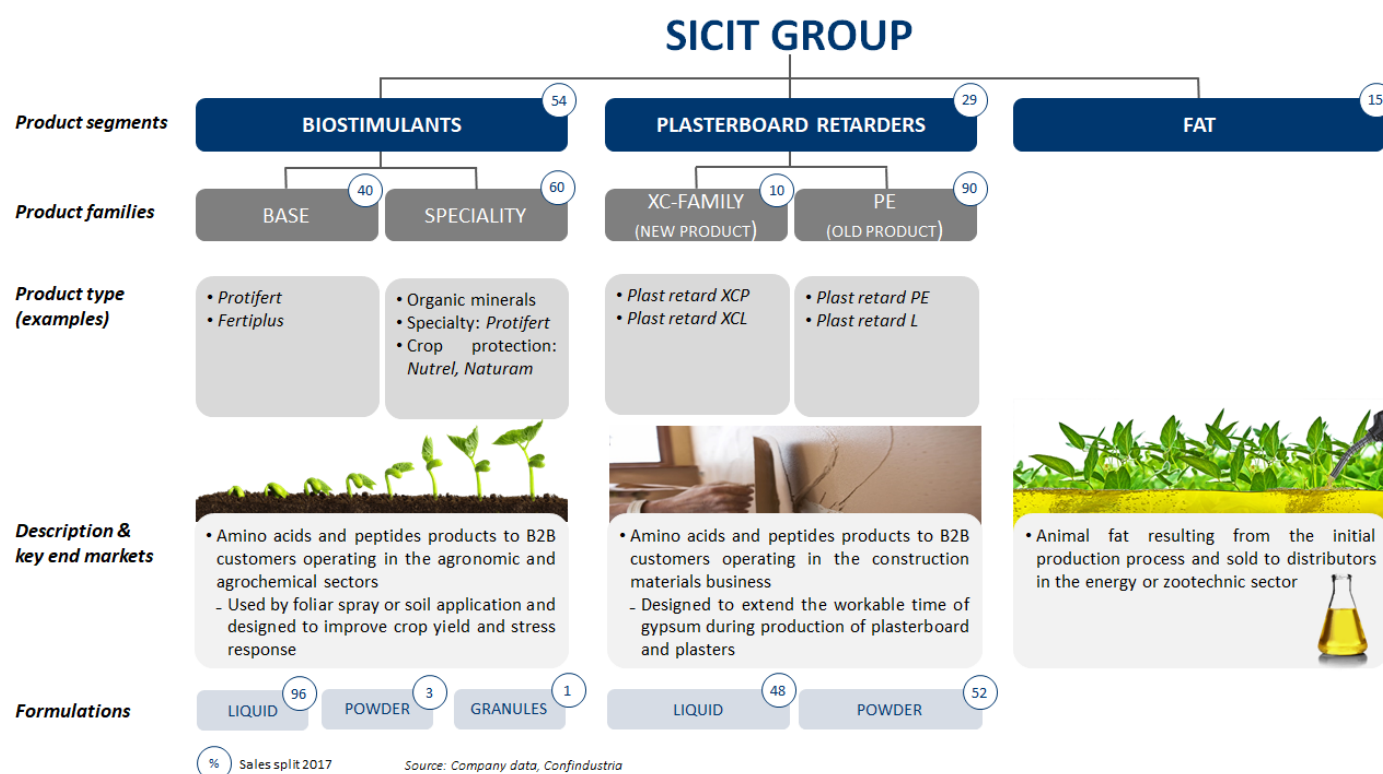
The company was founded in 1960 and is controlled by Intesa Holding S.p.A. (100%) whose shareholders are the leather tanning companies of the district of Arzignano (Vicenza). Since its foundation, the company aimed to address the solid waste recycling materials of the local tanning industry. **The waste – an organic material from the animal skin (raw hides) - is treated by a chemical recovery process whose main and most significant characterizing step is hydrolysis**, with which “melts” the protein substance (collagen) contained in the waste is transformed into a "protein hydrolyzate" (secondary raw material) intended for use in the industrial and agricultural sectors.



SICIT provides hydrolyzed proteins for the agrochemicals and construction industries:

- **Biostimulants** (54% of revenues): biological additives used in agriculture to improve crop yield thanks to the enhancement of plant growth, health and productivity.
- **Plaster retardants**: (29% of revenues) additives used in the production of plasterboard and plasters to extend the workable time of gypsum.

PRODUCT PORTFOLIO AND KEY END MARKETS



Source: SICIT

Furthermore SICIT sells **fat** (15% of revenues) as a byproduct of its waste treatment of fleshing. The fat is mainly sold as a biofuel additive.

Production is carried through two plants in the middle of the tanning industry district:

- **Arzignano (Vicenza) site** (theoretical 128 ktpa waste input capacity) mainly from **fleshing** (carniccio) and **hair** (pelo) waste material (animal by-products or ABP). It has started operations in 2004 and is one of the biggest in the world as amino acids production facilities. The Arzignano plant opened in 2004.

ARZIGNANO SITE



Source: SICIT

- **Chiampo (Vicenza) site** (theoretical 42 ktpa waste input capacity) from shavings (rasature) and trimming (rifili). It started its activity in 1960 and was the first plant to produce special fertilizers based on aminoacids & peptides worldwide. In 2011 it has been completely renewed and automated.

It also operates two **R&D site: Trissino for agronomic research and Chiampo for chemical research**. 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 may ensure the production of small quantities of experimental products, even for testing at customer sites.

The number of employees at the end of 9M18 were 112 units.

PRODUCTION SITE

REACTORS

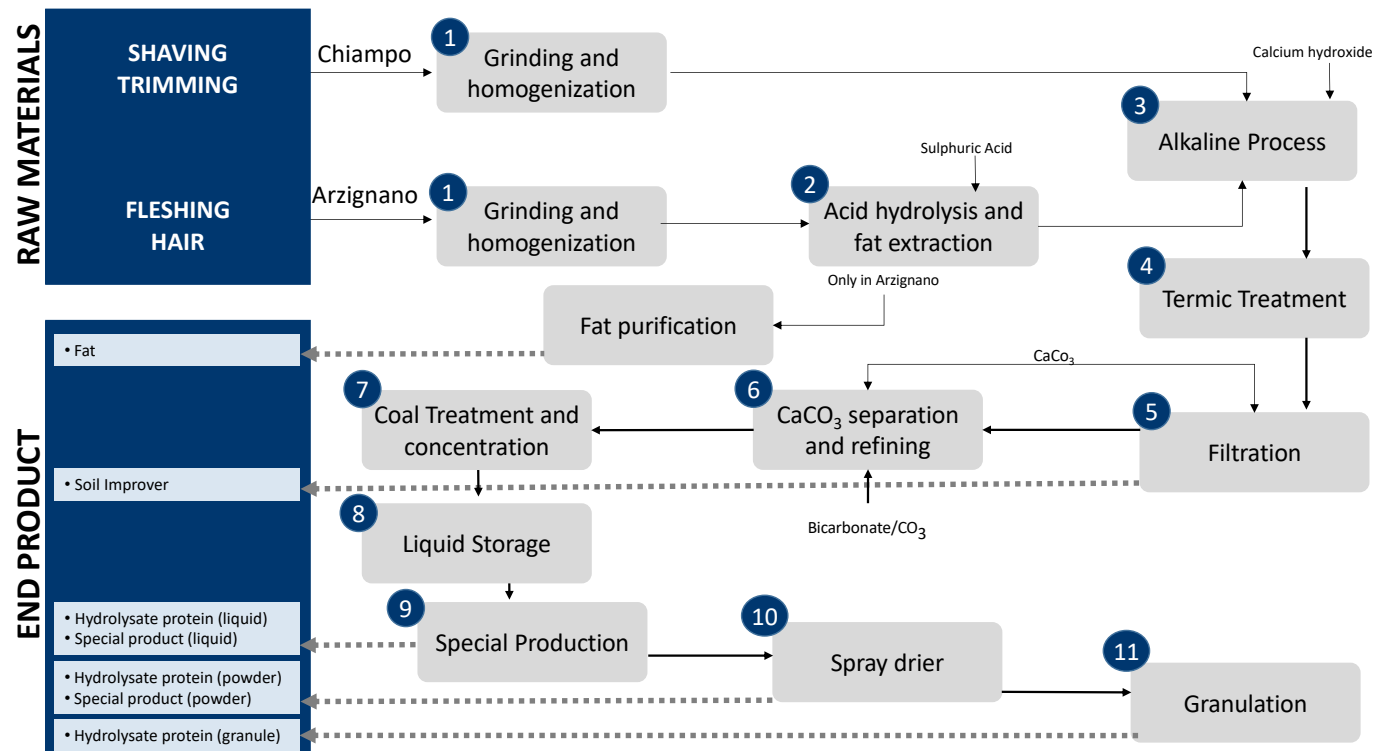


CONCENTRATORS



Source: SICIT

SICIT PRODUCTION PROCESS



Source: SICIT

R&D AND QUALITY CONTROL LABORATORY



Source: SICIT

SWOT ANALYSIS

Strenghts:

- State-of-the art industrial footprint and strong chemical and process know how resulting in superior production yield and economics (high profitability);
- Excellent production process management resulting in high standardisation of production output;
- Proximity to the leather district in Arzignano resulting in natural monopoly for the access and collection of key raw materials;
- Long-term client relationship with top-class customers both in biostimulants and gypsum industries;
- Formulation and innovation abilities allow SICIT to be a reliable partner for its clients;
- Management track record in production process management and product quality/innovation;
- Additional installed capacity in Chiampo for the treatment of trimming (which has high output yield).

Opportunities:

- Highly growing underlying markets: biostimulants and plasterboard;
- Entry in other leather districts abroad that today suffer from not optimal management of animal waste;
- Low unit price of waste collection vs other tanning districts

Weaknesses:

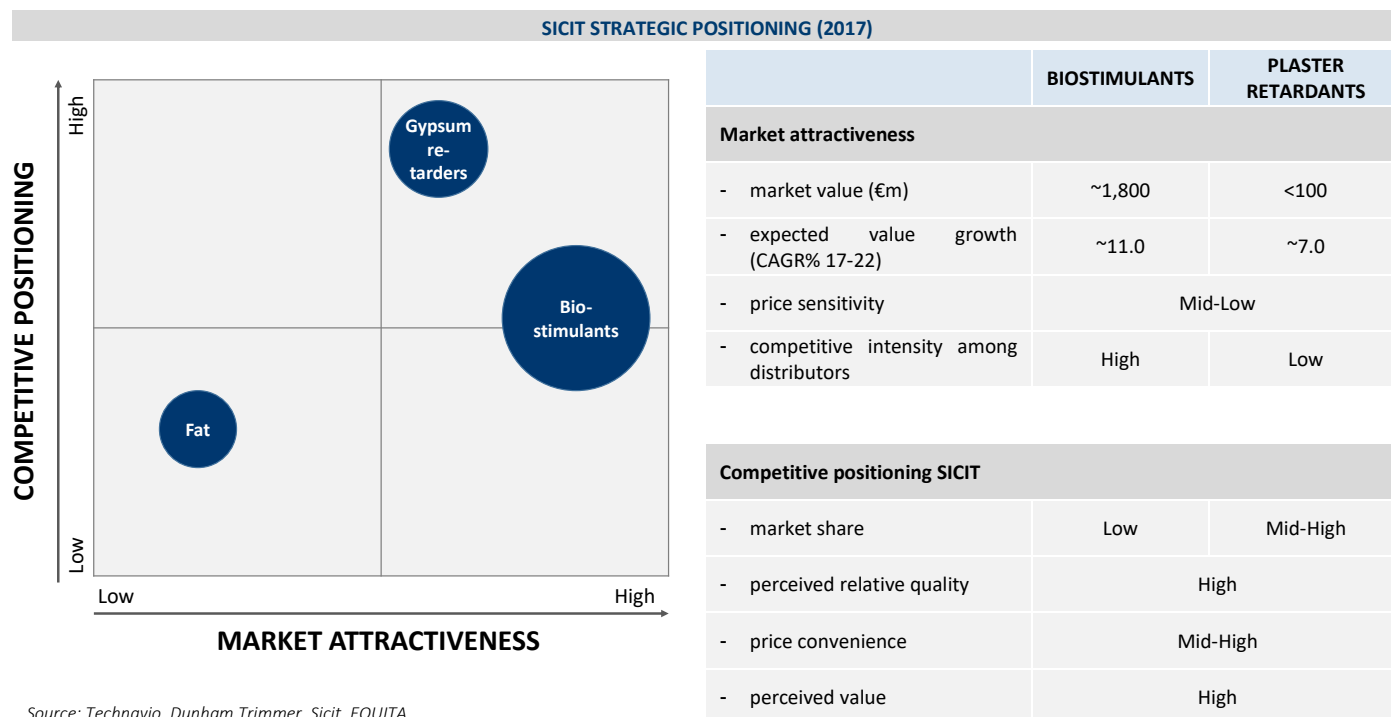
- High dependence to raw material availability could impact production levels, the respect of delivery times and final product quality; dependence is mitigated by the available supply of shaving and trimming from outside the Arzignano district;
- Production has a limited diversification and it is concentrated in the hydrolysis of animal proteins.

Threats:

- Regulatory changes regarding final products use and production waste; given the higher quality standard of SICIT's products, more stringent regulation could also be an opportunity;
- Potential more aggressive competition from Asian players offering poor quality product (biostimulants) at low price;
- Animal diseases (such as BSE "Mad Cow" in early '90s) which may affect operations or demand of biostimulants from animal proteins. Today BSE would not be an issue since SICIT treats only animal by products (ABP) cat. 3.

STRATEGIC POSITIONING - SUMMARY

SICIT is active in the highly attractive markets of biostimulants and gypsum, where the company shows a high competitive positioning

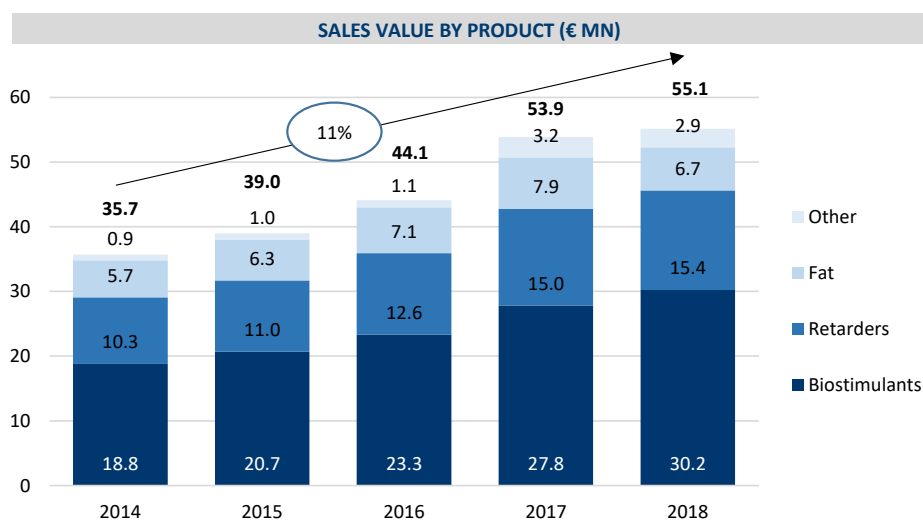


A HISTORY OF GROWTH

SICIT has been the first company to introduce special fertilizers based on aminoacids & peptides in the world market in the '60s and it's nowadays the one of the leader being in its niche markets present in more than 90 Countries.

Over the past five available FY (2014-18 period), revenue increased at 11% CAGR driven by:

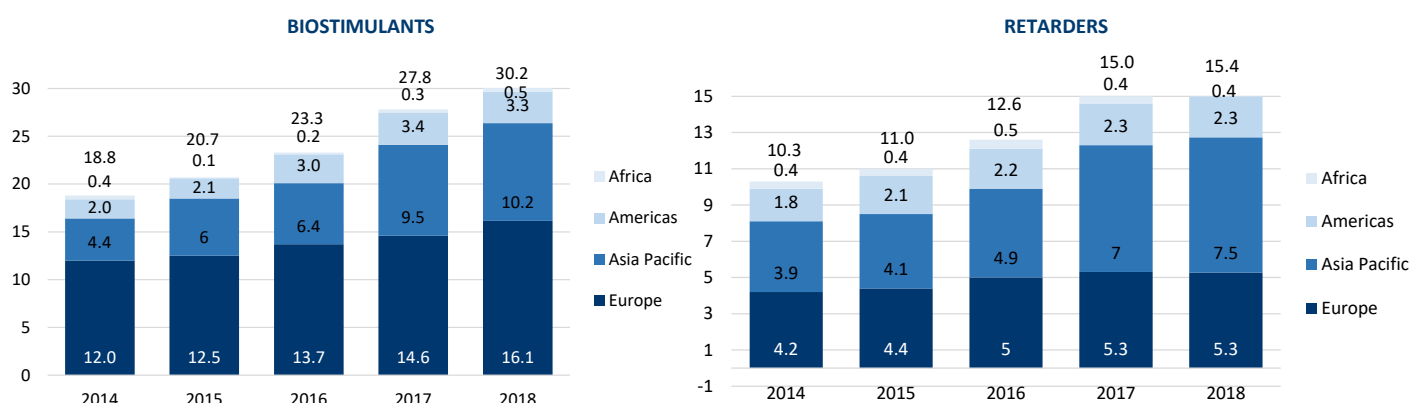
- the **increased intake of waste materials (+5% CAGR)**;
- **higher selling volumes of biostimulants (+6% CAGR), plaster retardants (+13% CAGR) and fat (+8% CAGR)**;
- **higher selling price of biostimulants (+6% CAGR) and fat (+4% CAGR)** coupled with slightly lower price of plaster retardants (-1% CAGR).



Source: SICIT

Europe represents the largest market for biostimulants whereas it is only second in the retarders' product cluster. APAC region has been the highest growing market for both product categories

SALES VALUE BY GEOGRAPHY (€ MN)



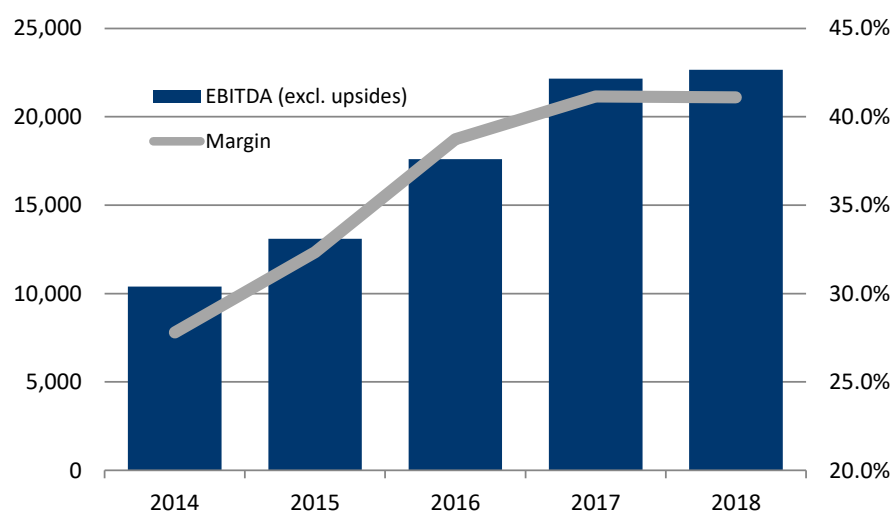
Source: SICIT

SICIT enjoyed strong profitability on its product portfolio driven by the superior process know-how which result in:

- high production yields;
- optimized incidence of chemical products;

The profitability in 2017 had a strong leap forward, driven by the sound growth of biostimulants and retarders as well as by the strong price of fat commodity. Fat price "normalized" over 2018.

EBITDA AND EBITDA MARGIN (€ THOUSAND)



Source: SICIT

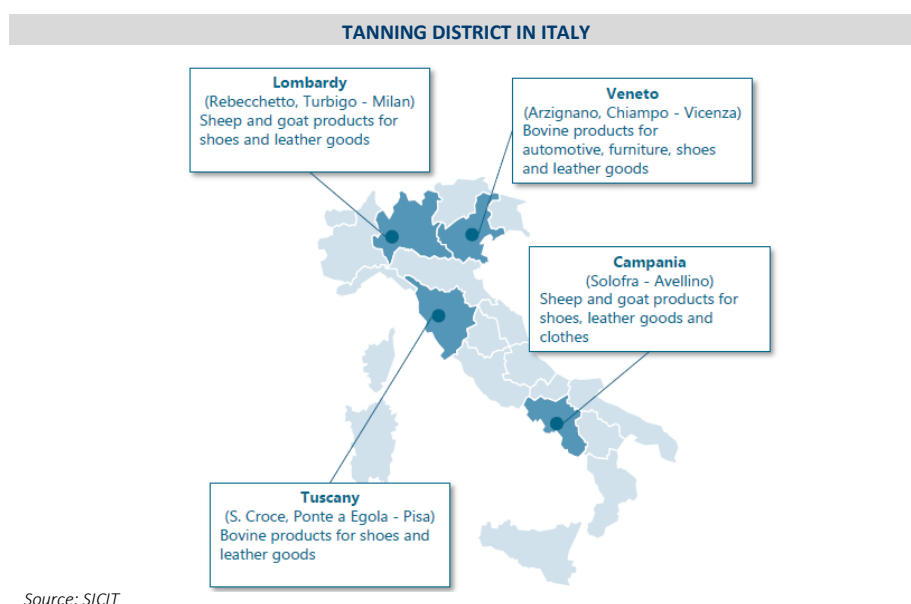
The main cost items comes from chemicals needed for the hydrolysis process (mainly base products such as sulphuric acid, ammonium bicarbonate, lime), **transport, sludge treatment, energy and personnel costs.**

Revenues from waste collection are less than €2 mn and today do not play a strategic role of the sound profitability of SICIT. Tanneries pay a toll to SICIT gross of transport cost in order to dispose the waste material coming from the leather manufacturing process. **Currently the toll is quite low or about €16/t (on average in FY2018E),** driven by the efficiency of SICIT in recycling the waste material. Other districts such as Tuscany, have been paying a much higher toll (from €50/t to €180/t), due to the lower efficiency in treating waste materials from their regional recycling company.

SOURCING OF RAW MATERIALS – TRANSFORMING WASTE INTO VALUABLE MATERIALS

SICIT sources its input materials from the waste produced in the Chrome tanning process of the Arzignano district.

The tanning district of Arzignano (Vicenza) is the most important national center and one of the main European poles in the tanning sector, directly and indirectly employing ~12,000 employees and €3 bn a year in combined revenues. The district specializes in the processing of bovine leather, destined for the furniture, footwear, automotive (car interiors), leather goods and clothing sectors. The district production is of high quality and mainly involves the treatment and finishing of semi-worked and already tanned (wet-blue) leathers, although there are companies that still perform the full-cycle activity.



The production process of the tanning industry consists in different treatments and processes that **can be merged into two macro-processes**:

1. **the raw hides treatment**, designed to make the skin not putrescible (rot-proof);
2. **post-tanning treatments**, necessary to finish tanned leather and obtain a high quality product.

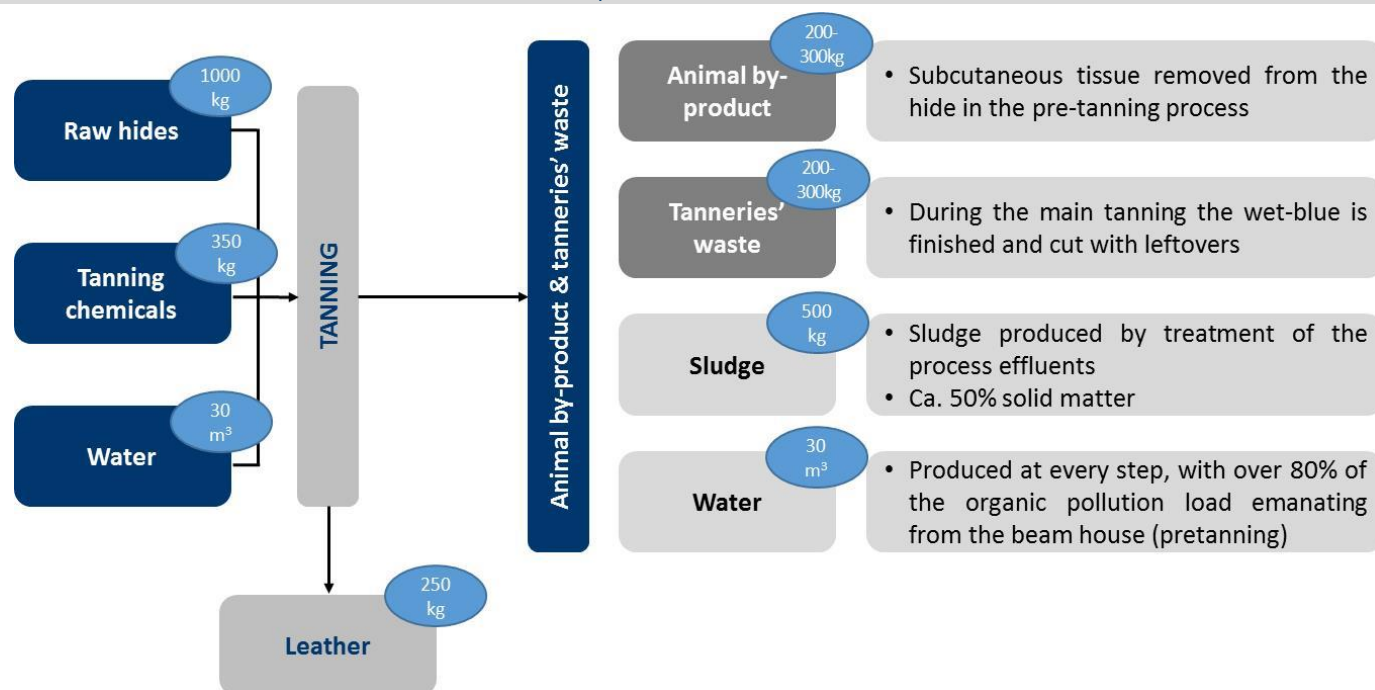
Animal skin (raw hides) is a protein organic material, therefore in its natural state it is vulnerable to biological decomposition by microorganisms. Tanning is the chemical process that transforms the putrescible skin into a workable rot-proof material, i.e. leather.

The leather tanning process generates many types of waste, some of which can be recovered in various ways, with consequent benefits both from an environmental and economic point of view. In particular, the residues of tanned leather can be:

- **regenerated in leather fibers**. This is a poor quality material compared to real leather, due to reduced flexibility and low mechanical strength.
- **recycled through the hydrolization process** to obtain amino acids for the production of biostimulants or retardants.
- disposed for incineration (e.g. in France) or landfill (e.g. in South America)
- used for compost or biogas.

For every ton of raw hides in the tanning process, ~250 kg of leather and ~600 kg of animal by-products (such as fleshing) and waste (not recoverable) are produced.

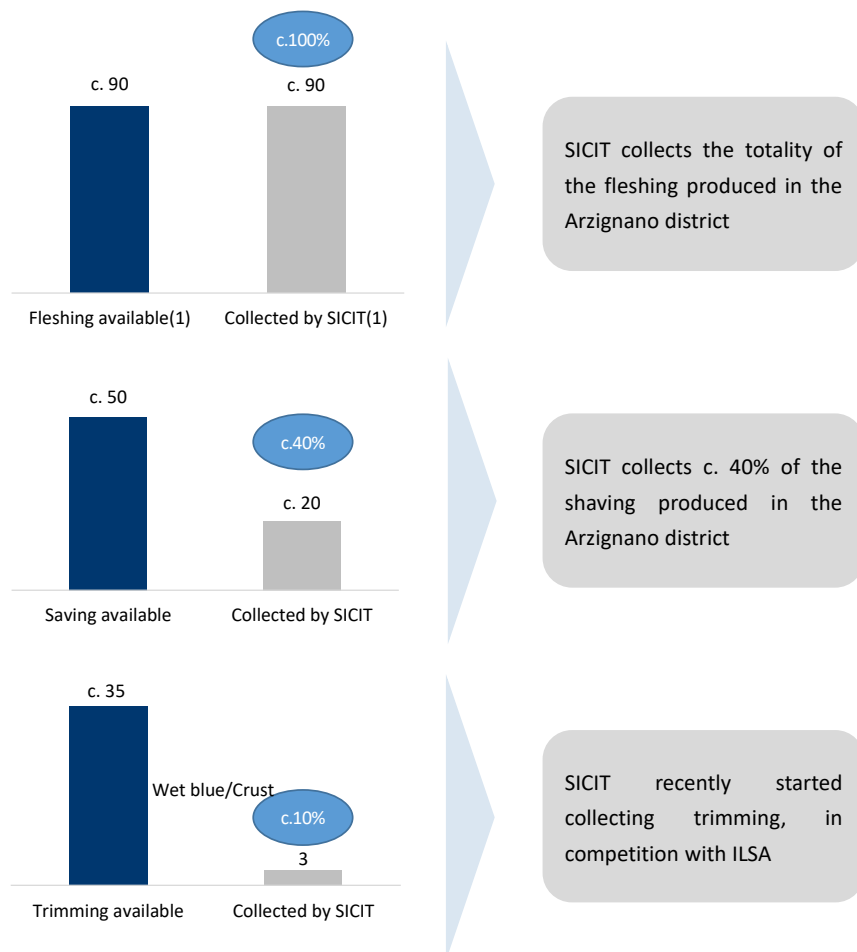
TANNERIES INPUTS, OUTPUTS AND WASTE MANAGEMENT



Source: SICIT

Through the plant of Arzignano, SICIT transforms the totality of the fleshing from the surrounding tanning plants (90-100 ktpa) while the plant in Chiampo recycles only part of the trimming (40% or 20 ktpa) and shaving available (10% or 3 ktpa)

SICIT - RAW MATERIAL COLLECTION FROM ARZIGNANO DISTRICT - 2017



Source: SICIT

ITALIAN TANNING INDUSTRY

Italy is one of the main leather producer (c7% of total volumes in the world). The industry employs 18k employees in over 1200 companies, generating an annual turnover around €5 bn, 75% of which is exported around the world. Italian tanning industry is well-known all over the world thanks to its high quality, developed technology and environmental care which make this industry unique in the world. The main end market of the tanning industry are mainly leather goods (for the automotive and furniture industry) and clothing.

About the 90% of the production is concentrated into three main areas:

- Arzignano District (Veneto);
- Santa Croce sull'Arno (Tuscany);
- Solofra (Campania);

TANNING DISTRICTS IN ITALY						
	Production 2016 (€mn)	2011-16 CAGR (%)	Export Shares	# of Companies	Employees	Avg. Company size (€mn)
Veneto	2.735	2,1%	78,0%	459	8.324	6,0
Tuscany	1.417	0,9%	66,0%	527	5.765	2,7
Campania	379	-4,5%	41,0%	158	1.901	2,4
Rest of Italy	442	-4,8%	n.a.	41	1.622	6,0
Total	4.973	0,5%	76,0%	33	17.612	4,1

Source: UNIC

THE ARZIGNANO DISTRICT



The Arzignano district is located in the Chiampo valley (Vicenza), with its 130k sqm of land is one of the largest districts in the world, as well as the most important in Italy. Born in 1300 the Arzignano district became what is today also thanks to relevant natural factors, such as the availability of water resources and the initial abundance of livestock, as well as plants rich in tannin and quality dyeing. This area has been always characterized by the presence of small-medium companies and large industrial groups, making the productive model flexible, with strong orientation and ability to adapt to customer needs.

On the total amount produced by the Italian tanning industry, Arzignano District accounts for:

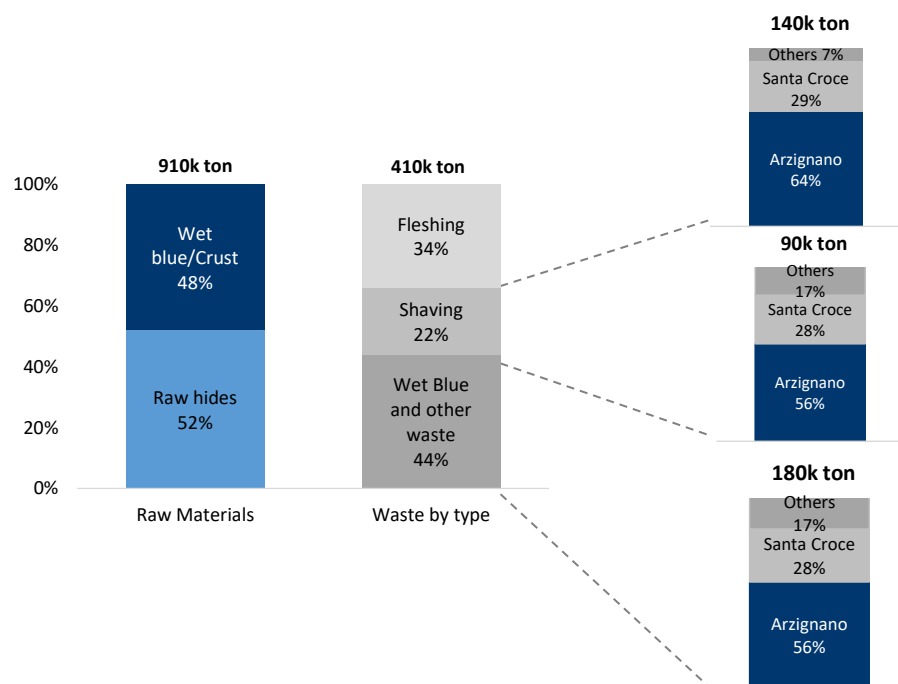
- 65% for ABP (Animal by product);
- 55% for tanned waste, like shaving and trimming.

The district of Arzignano has outperformed the other Italian tanning districts in terms of sales thanks to the specialization of products for the leather goods and the automotive industry. Due to the increasing “premiumization” of the products coming from the Arzignano district, local tanneries are relying more and more on raw hides instead of wet blue/pre tanned raw materials. As a consequence, the availability of fleshing in the Arzignano district is increasing, as wet blue / pre-treated hides are already fleshed.

All the raw materials used by SICIT for its productive process come from the Arzignano District. All the tanneries in fact, have to dispose, as established by the law, the tanned waste they produce and SICIT collects these materials from the companies getting a remuneration. In 2017 the total revenues from collection was about €1 mn, but we estimate it will be greater in the next years due to an increase in average price. On the total amount produced by the Arzignano District SICIT collects:

- 100% of fleshing
- 40% of shaving
- 10% of trimming

ITALIAN TANNERIES – RAW MATERIALS



Source: SICIT

BIOSTIMULANT BY PRODUCT CATEGORY

In general the literature proposes various categories for biostimulants, categorized by the active ingredient which is composing the substance. Here follows a classification of biostimulants by product category.

Seaweed extracts and botanicals (37% of total biostimulant market): Liquid or solid brown algae extracts containing organic and inorganic composts. They stimulate roots and chlorophyll development and act on hormonal activity and defence mechanism, improving response to abiotic stress.

Humic and fulvic acids (19%): Humic substances (HS) are natural constituents of the soil organic matter, resulting from the decomposition of plant, animal and microbial residues, but also from the metabolic activity of soil microbes using these substrates.

Hydrolysed proteins (32%):

Animal: Mix of peptides and amino acids produced via chemical hydrolysis, they contain high level of organic nitrogen, free amino acids and salinity. This kind of additive augments absorption and assimilation of nutrients and nitrogen and stimulate response to stress. On this category of natural additive SICIT 2000 S.p.A is focusing its attention;

Vegetal: Mix of peptides and amino acids obtained by enzymatic and chemical hydrolysis, they have a lower level of organic nitrogen and they are considered safer for the environment;

Micro-organism (10%): Micro-organism such as bacteria and fungus present in the rhizosphere. According to the Dunham Trimmer estimates this is the type of natural additive product line with the fastest growth;

Other (2%)

BIOSTIMULANTS - GROWTH TREND IS MUCH STRONGER THAN AGROCHEMICALS

Biostimulants are products derived from natural or biological sources that when applied to a plant, seed or soil provide benefits to the plant development or stress response. Biostimulants are used in conjunction with other products such as fertilizers and crop protection chemicals (such as fungicides, insecticides and herbicides).

As previously described, Biostimulants are designed to help farmers meet growing agricultural demand sustainably improving crop yield and quality, which has a positive impact on farm profitability. In particular the main effects are:

- Improvement of the absorption and the efficiency nutrients;
- Reinforcement of plant's tolerance and recovery to abiotic stress
- Improvement of crop quantity and quality.

BIOSTIMULANTS BENEFITS

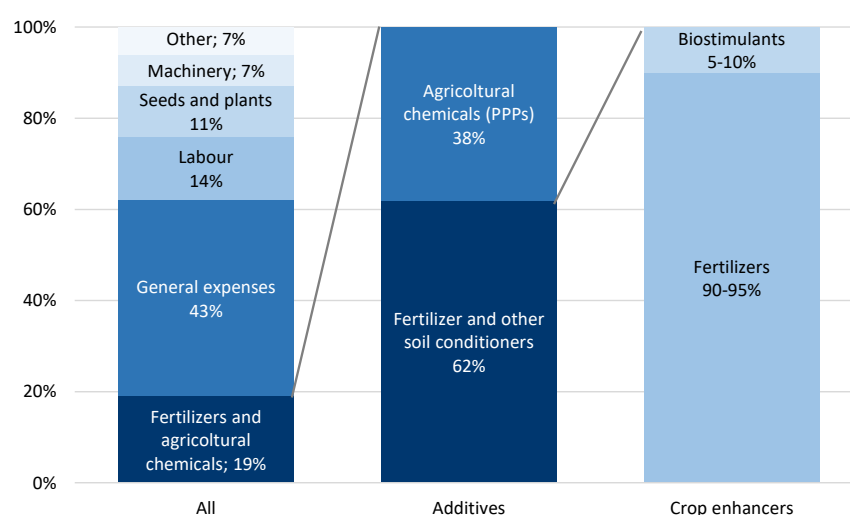


Source: EBIC, EQUITA

Biostimulants are a relative new product and in fact they are still not regulated and categorized as fertilizers.

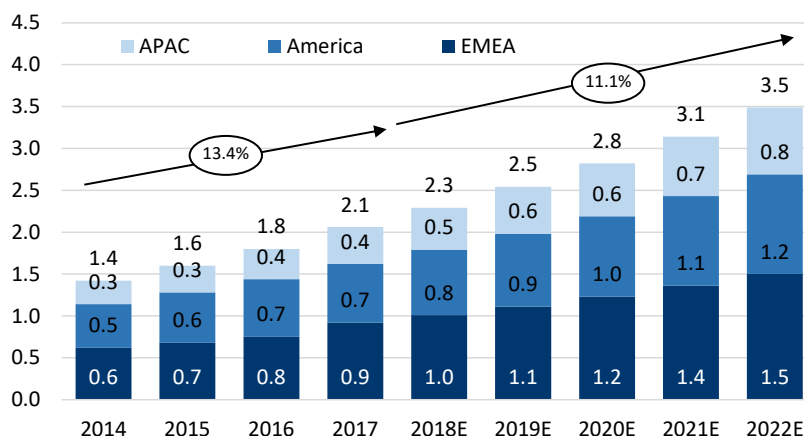
According to USDA analysis currently Biostimulants represent c5-10% of farmer's expenditure for fertilizers or 0.6%-1.2% of total expenses.

BIOSTIMULANTS ARE A SMALL SHARE OF TOTAL COST FOR GROWERS



Source: USDA

The global biostimulant market was valued at about \$2 bn (DunhamTrimmer and Technavio estimate) in 2017 and is expected to be increase at a double digit CAGR, hitting the >\$3 bn in the 2025. Over the past ten year the market has been growing at low teens rates driven by the EMEA region, which accounts for the largest share (40%), and by Latin America, which despite being the smallest market is the fastest growing one.

BIOSTIMULANT MARKET (\$ MN) +13% CAGR OVER THE 2014-17 PERIOD


Source: Technavio

Various factors are contributing to the growth of this market. We identify the main drivers as follow:

- **Yield improvement and cost saving** are the two clear benefits of the application of biostimulants in both cash and commodity crops;
- **Global agricultural production is estimated to grow** at low-single-digit rate over the next 10 years, due to the population growth, and driving the needs of agricultural additives;
- **Declining availability of cultivable land** is a serious concern, and, to better exploit the available land, biostimulants should increase their market penetration;
- **Climate changes** are expected to reduce crop yields in many countries. To contrast this negative effect an increasing number of agricultural additives, such as biostimulants, are expected to be use by the farmer;
- **Organic food consumption:** the customers' focus is shifting towards organic food products. The growing attention to the environment is leading to the use of biostimulants and natural additive instead of chemical products;
- **Sustainable farming:** Growers are facing increasing demand to incorporate more sustainable practices. There is an economical and environmental need for efficient nutrient use, in the form of enhanced efficiency fertilizers and crop protection that allow growers to increase yields while reducing inputs.
- **Precision farming:** Smart technologies applied to agriculture will likely be one of the drivers for the crop yield improvement and/or resource savings;
- **Higher product margin for crop protection companies:** last but not least the dominant distributors have strong incentives in including biostimulants in their product portfolio.

Summing up, because of its clear benefits, the biostimulants market is growing at low-double-digit rates: faster than any other agricultural input market.

AGROCHEMICAL MARKET SIZE AND GROWTH

\$ bn	Market size (\$ bn)	CAGR Past 10 yrs	CAGR next 5 yrs
Fertilizers	184	2%	2%
Crop Protection	57	4%	1.5-2.5%
GM Seeds	20	11%	2-4%
Conventional Seeds	17	2%	2%
Yield Enhancers	5.2	16-25%	10-11%
Biocontrol	2.4	16%	15%
Biostimulants	2	12%	11%
Bioyield/biofertilizers	0.8	n.a.	n.a.

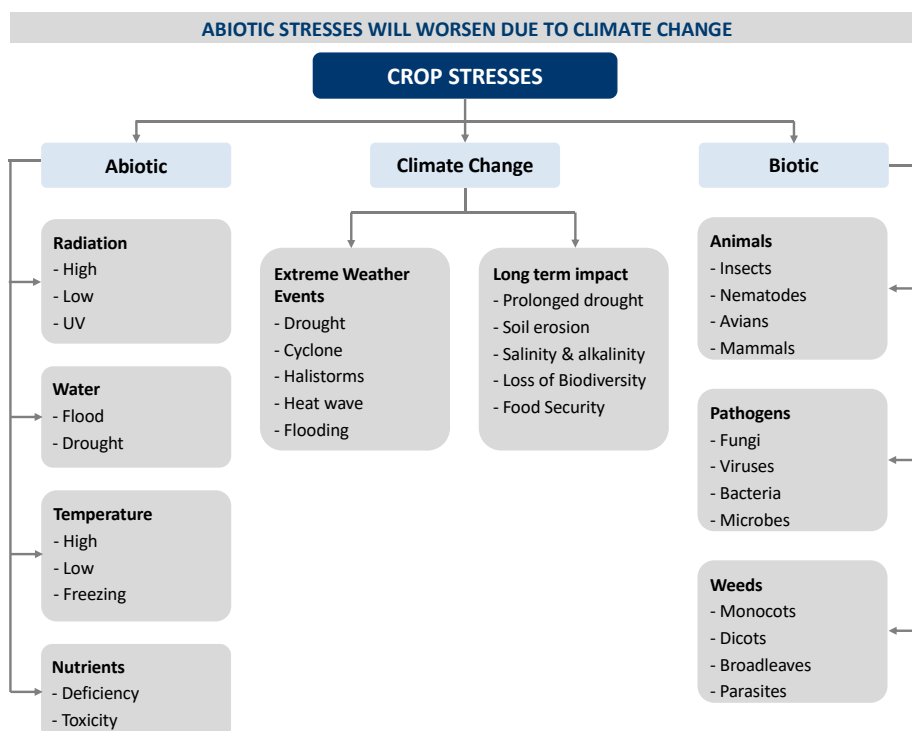
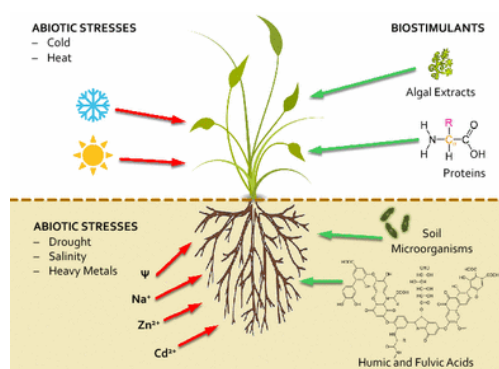
Source: DunhamTrimmer, Philips Mc Dougall, AgbioCrop, Agriservice, Syngnta, Corteva, Sumitomo, Novozymes, Variant Market Research, Technavio, Equita

#1 GROWTH DRIVER: YIELD AND COST BENEFITS FOR GROWERS

Agricultural biostimulants are biological or biologically derived fertilizer additives and similar products that are used in crop production **to enhance plant growth, health and productivity**. They might achieve this by:

- Helping to **improve nutrient-use efficiency (reduce fertilizers applications)**
- Helping plants **tolerate abiotic stresses** like heat, cold, drought, and too much water
- Helping to **improve quality** attributes like nutritional content, appearance, and shelf-life

These special products are used at low rates (a few liters or kilograms per hectare), both by foliar spray and fertigation, and they are able to stimulate plant biological activities, improving their quality and their yield, without any residues on the crop nor environmental impact problems, because of their natural origin and their complete biodegradability.



Source: Syngenta, USDA, Equita

Therefore biostimulants can help **farmers to receive a better return on their investment in fertilizers**. This also reduces nutrient losses and the related environmental impacts (and thus the cost of clean-up). Biostimulants boost general plant vigour so that **plants require fewer treatments of plant protection products** and respond better to their use.

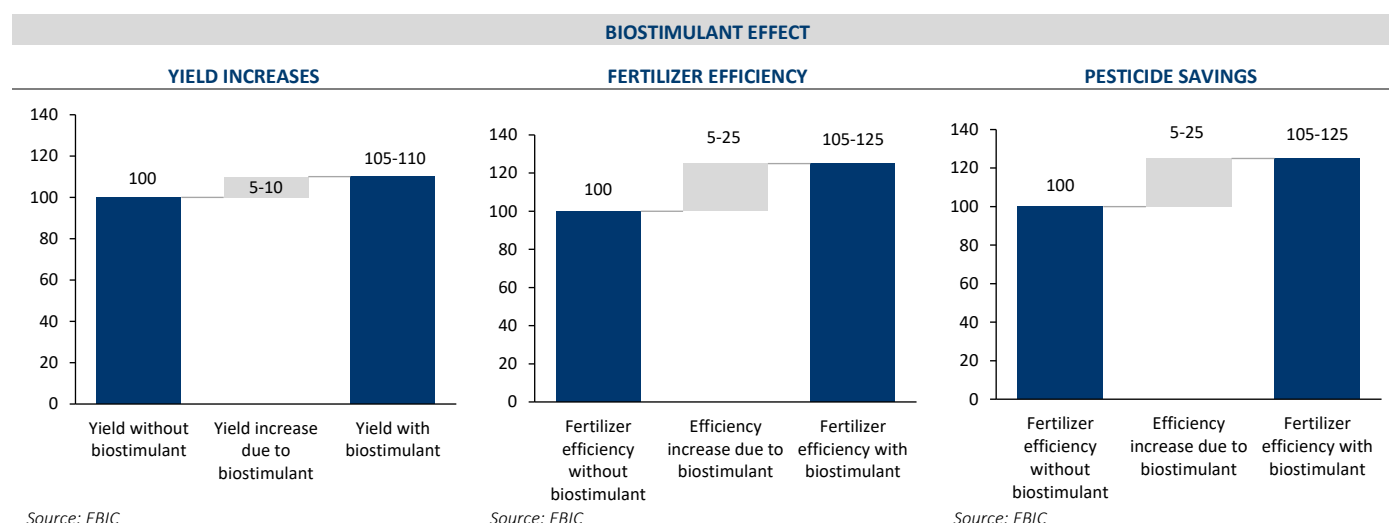
BIOSTIMULANT APPLICATION – SYNGENTA'S ISABION ON VEGETABLES



Source: Syngenta,

It is difficult to generalise because the exact level of the impacts depends on the crop in question, the original state of the soil, how well managed crops already are and a number of other factors. However, there is a broad documentation of the effects below:

- **Minimum yield increases** related to biostimulant use are being reported at 5-10%;
- **Fertiliser use efficiency** is being documented to increase by 5% at a minimum (and may go as high as 25% or more) when biostimulants are applied. Higher efficiency rates generally occur where fertilizers and biostimulants are delivered through precision irrigation (a practice often called fertigation);
- **Pesticides savings** related to biostimulant use have been reported to range between 10% and 15%;
- **Quality characteristics** such as fruit setting, homogenous colour and increased size are enhanced in some cases by as much as 15% when biostimulants are used. Increased quality has downstream benefits as well: farmers may be able to garner higher prices for their produce, and produce is likely to be more tolerant of storage and handling.



QUANTIFYING THE VALUE FOR FARMERS FROM BIOSTIMULANTS

We calculate that the value for farmers for consuming biostimulants instead of fertilizer/crop protection products is sizeable. As previously described, biostimulants can reduce the cost of fertilizer and crop protection application and result in higher yield. Therefore biostimulants increase revenues and/or reduce cost for growers at the same time.

For **commodity crops**, the mark-to-market of the potential increase in revenues from yield improvement driven by biostimulants is in the range of \$102-205/hectare. The revenue increase does not factor in any improvement in quality of the plant which has higher importance for cash crops (fruits and vegetables).

BIOSTIMULANTS APPLICATION IMPROVES FARMERS' REVENUES BY ~\$100-200/HECTAR					
Commodity Crops	Yield T/ha	Price Tons	Revenues x hectare	Revenues from yield increase	
				5%	10%
Corn - US	11	\$ 150	\$ 1,646	\$ 82	\$ 165
Wheat - France	5.3	€ 204	€ 1,081	\$ 62	\$ 124
Rice - China	6.9	\$ 390	\$ 2,689	\$ 134	\$ 269
Soybean - Brazil	2.9	\$ 900	\$ 2,610	\$ 131	\$ 261
Avg. increase in revenues/ha	n.m.	n.m.	\$ 2,007	\$ 102	\$ 205

Source: Yara, Bloomberg, Equita

It is fair to notice that the eventual yield improvement could be reached – only in the short run - through more intense fertilizer and crop protection application. Therefore we could rather measure the cost savings of agrochemicals from the biostimulants application.

At m-t-m fertilizer prices, the average savings on Fertilizers costs from the application of biostimulants is in the range of \$7-36/ha.

FERTILIZER APPLICATION FOR DIFFERENT COMMODITY CROPS PER HECTARE								
Commodity Crops	kg/ha				t/ha			
	N	P2O5	K2O	S	Urea	DAP	MOP	other
Corn - US	132	69.3	49.5	15.4	0.26	0.15	0.06	0.03
Wheat - France	111.3	50.3	29.1	9	0.22	0.11	0.04	0.02
Rice - China	89.7	46.2	24.8		0.18	0.10	0.04	0.00
Soybean - Brazil	159.5	34.8	58	8.7	0.33	0.08	0.09	0.02
AVERAGE	123.1	50.2	40.4	11.0	0.25	0.11	0.06	0.02

Source: IPNI, Mosaic, Yara, Equita

FERTILIZERS - PRICE AND AND NUTRIENT CONTENT PER PRODUCT				
Price \$/t				
	Urea	DAP	MOP	SOP
	285	420	355	500
Content				
	N	P2O5	K2O	S
Urea	46%	0%	0%	0%
DAP	18%	46%	0%	0%
MOP	0%	0%	60%	0%
SOP	0%	0%	53%	45%

Source: IPNI, Mosaic, Yara, Equita

AGROCHEMICAL SAVINGS FROM BIOSTIMULANT (FERTILIZERS AND CROP PROTECTION)						
Commodity Crops	Fert. Cost \$/ha	Savings range		Crop Protection Cost \$/ha	Savings range	
		5%	25%		10%	15%
Corn - US	177	8.9	44.3	44.3	4.4	6.6
Wheat - France	133	6.6	33.2	33.2	3.3	5.0
Rice - China	107	5.4	26.8	26.8	2.7	4.0
Soybean - Brazil	167	8.4	41.8	41.8	4.2	6.3
AVERAGE	146.1	7.3	36.5	36.5	3.7	5.5

Source: IPNI, Mosaic, Yara, Equita

Including crop protection chemicals, we calculate the savings increases to \$11-42/ha range (assuming a ratio of 4:1 for fertilizer and crop protection chemicals – Source: USDA). The average application of biostimulants is in the range of 1-4L per hectare or a retail cost for farmers of \$10-40/ha, as a function of the crop quality. Therefore the application of biostimulants should yield a value for the average farmer in the range of \$103-207/ha (A+B+C-D).

VALUE OF BIOSTIMULANTS FOR GROWERS					
	A	B	C	D	TOTAL
	Revenues	Fertilizer	Crop Protection	Biostimulants	Value for Growers
Low Range	\$ 102	\$ 7	\$ 4	\$ 10	\$ 103
High Range	\$ 205	\$ 37	\$ 5	\$ 40	\$ 207
Average	\$ 154	\$ 22	\$ 5	\$ 25	\$ 155

Source: Equita

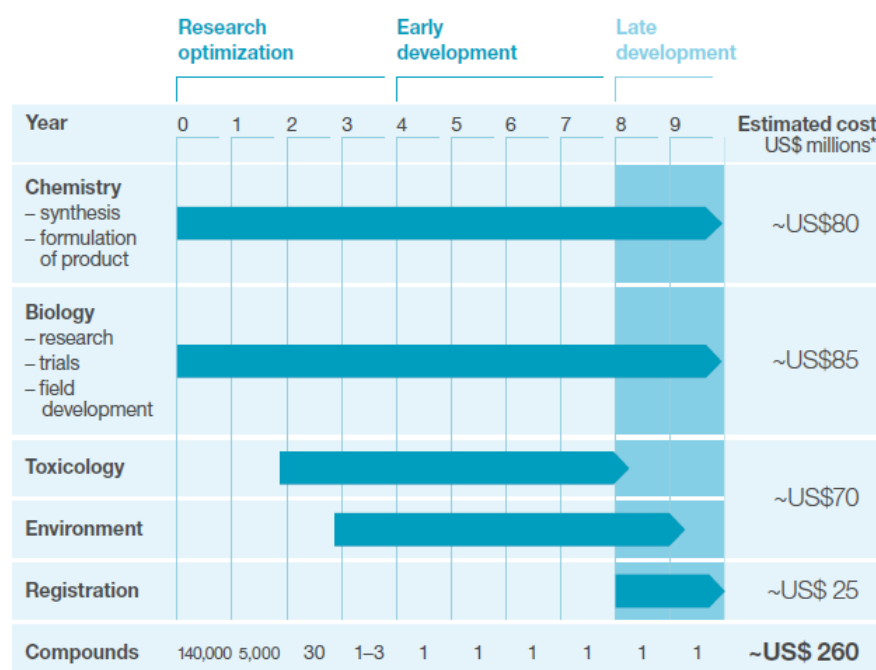
The value for cash crops (i.e. fruits and vegetables) should be even higher since the improvement in the product quality has a direct effect on its value. The biostimulants application is therefore more common in cash crops rather than commodity crops which have much higher revenues per hectare and higher growth potential.

#2 GROWTH DRIVER: HIGHER ROCE FOR CROP PROTECTION COMPANIES

Crop protection chemicals has a high incentive to market biostimulant products, driven by the higher profitability vs its core portfolio.

Biostimulant products are currently reviewed and approved under fertilizer regulations in most countries. This means product registration costs are low and timelines are a few weeks to months for approval. This reduced cost of investment to develop a biostimulant is quite important when Return on Investment (ROI) is considered and compared to that of synthetic crop protection products. The challenge for conventional pesticides/herbicides/fungicides is not only the much higher registration cost, but also the long period (about 10 years) of investment prior to sales.

DISCOVERY AND DEVELOPMENT OF A CROP PROTECTION PRODUCT



* Estimate excludes cost of failures

Source: Syngenta, CropLife

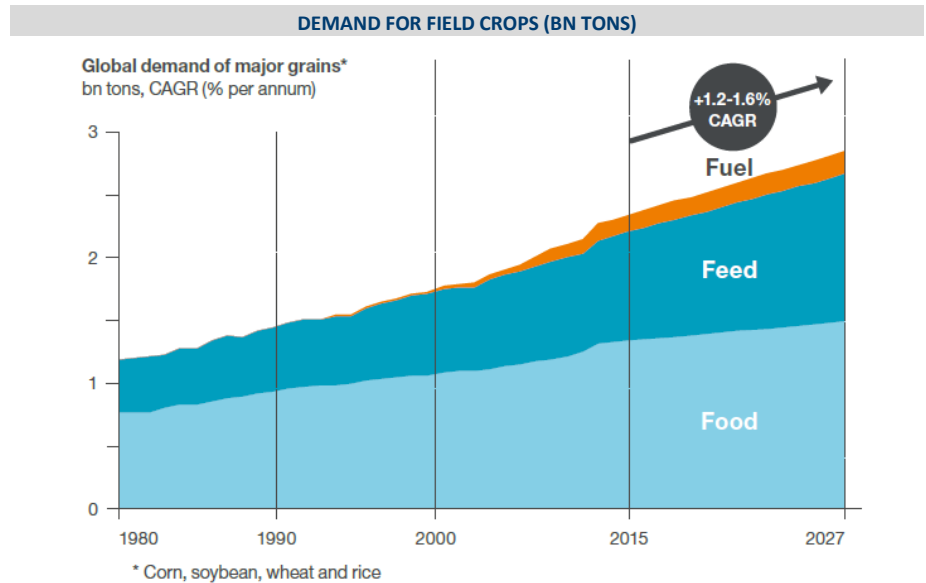
Including commercial costs, the launch of a new molecule in the crop protection industry has an upfront cost of about \$300 mn or more. For biostimulants (and also biopesticides) the upfront cost is clearly much lower and the development timelines much shorter. This provides a much more positive NPV to crop protection companies even if the projected sales are substantially lower compared with synthetic pesticides/herbicides/fungicides.

Crop protection companies offers products which represents a defense for crop yields to biotic stress. With biostimulants products, they can diversify and extend their product portfolio on abiotic stress and fertilizer functions.

The sales price of a biostimulant product (i.e. Syngenta's Isabion) can be 6x to 8x the price of its key suppliers such as SICIT. **The gross and EBITDA margin of large agrochemicals from the sale of biostimulants are much higher than their average product portfolio – we estimate about 40-45% for biostimulants vs 20-25% average at the EBITDA level.** Therefore the incentives of crop protection companies to include biostimulants in their distribution channel is quite evident.

#3 GROWTH DRIVER: THE AGRICULTURAL CHALLENGE OF GROWING MORE FROM LESS

One of the long term growth drivers for the biostimulants industry comes from the **increasing demand for food and feed**. This requires world agriculture to produce higher yields from broadly stable cultivated land areas. To ensure food security for everyone (food in adequate quantity, of good quality and safe in health terms), global production will have to increase by 70% by 2050. Since 1980, demand for field crops has increased almost 90%, from 1.2 bn to almost 2.7 bn tons, with the increased demand for food and feed the key driver. Demand is expected to continue to increase at an average rate of around 1.4% per year.



Source: USDA, FAPRI, Syngenta

The Food and Agriculture Organization (FAO) projects that, globally, **90% of the required growth in food production will need to be achieved by increasing crop yields and cropping intensity**. Accounting for much of this percentage, crop yields will need to rise substantially to meet growing global needs. Policymakers, growers, non-profits and industry today devote an enormous amount of time planning and innovating new ways to improve crop yields so that we will be able to meet those future food needs.

LONG TERM GROWTH DRIVERS

+2.2bn
people¹



Population Growth

Growing world population. It is estimated that by 2050 the Earth will probably have 9.8 bn inhabitants, or 2.2 bn more than today

¹ Source: FAO

+50%

more food and feed
required to meet
growing demand²

Less arable land but more protein/meat consumption per capita (KG/CAPITA)

Changing diets toward higher meat/protein consumption (e.g. 1 kg beef = 8 kg animal feed). Global income growth, with non OECD countries as a key driver, will result in greater consumption of high-quality products, including meat. As a result, the amount of feed needed to produce the meat will increase by a multiple factor



Per kg of meat, production requires this much grain:



2kg



4kg

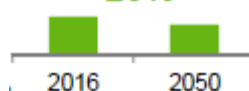


7kg

² Source: International Food Policy Research Institute and FAO

CHALLENGES

-20%



Significant loss in
arable land per capita⁴

Arable land per capita is sinking – sqm per person

Shrinking arable land per person: Global population growth, infrastructure and urban development mean there is less land per person available for agriculture. A decade from now, in 2030, there will be approximately 0.2 hectares per person for animal and crop production, less than half the level in 1950. This trend is not expected to improve, which will put continued pressure on farmers to grow more grain on fewer acres.

⁴ Source: FAOSTAT



Harvest losses from
climate change³

Increasing periods of extreme weather. Heavy rain, drought and other extreme weather are becoming more frequent. This can lead to floods and decreasing water quality, but also decreasing availability of water resources in some regions. Changes in climate will further stress the availability of water, land, and biodiversity necessary for productive agriculture.

³ Source: FAO

This requires world agriculture to produce higher yields from broadly stable cultivated land areas. Feeding future populations with today's crop yields is not viable as it would require a drastic expansion of planted acreage. However, in many part of the world additional land is unavailable or the expansion of the planted area would be environmentally and socially unacceptable. Increasing yields from existing land requires continuous improvement of agricultural technologies including better agriculture techniques.

In summary, crop protection, fertilizers, biostimulants and seeds share the following common growth drivers: population growth, economic growth, dietary shift due to increase in income of population in emerging markets, land availability, increased volatility in weather conditions, sustainability and technology.

#4 GROWTH DRIVER: SUSTAINABILITY IN AGRICULTURE

Growers are facing increasing demands to incorporate more sustainable practices.

These demands are coming from wide-ranging interests, from consumers and advocacy groups to regulators and large companies that are increasingly evaluating sustainability practices among their produce suppliers. Within the field of agriculture, too, growers are becoming increasingly more likely to incorporate sustainability practices into their current operations, motivated by data from agronomic studies showing that ideas like efficient nitrogen use initiatives can pay both environmentally and financially. Industry is also calling for efficient nutrient use, in the form of enhanced efficiency fertilizers that allow growers to increase yields while reducing inputs.

Simply intensifying current agricultural practices whether by farming more land, using more irrigation or using more fertilizer—won't be enough to sufficiently increase crop yields.

Instead, **the next wave of agricultural productivity will have to incorporate new technologies.** It will also have to do so in a sustainable way; that is, by using growing practices that meet human needs while reducing environmental impacts. This means using practices that make both environmental sense as well as economic sense for growers. Agricultural sustainability does not need to come at the cost of economic sustainability.

Biostimulants are a vital and sustainable solution to address key agriculture challenges. Industry focus is to develop and commercialize biostimulants that are compatible with advanced farming techniques used in Integrated Crop Management (ICM), the cornerstone of sustainable agriculture

SUSTAINABLE AG OUTCOMES



Water Quality: increased uptake of applied or existing nutrients reduces potential for runoff

Water Use: greater yield from same or less water applied extends available supply for all uses

Soil quality: enhanced microbiome improves composition, organic content, and carbon sequestration

Carbon Emissions: increased plant uptake of applied or existing nutrients reduces N₂O emissions

Food loss: improved quality increases harvest of marketable produce and grower profitability

Land Use: greater yield per acre reduces need to cultivate additional acres

#5 GROWTH DRIVER: BIOSTIMULANTS ARE SUITABLE FOR ORGANIC FARMING

A key factor driving the growth of the market is the growth in the organic food industry which represents only 1.2% of the world's farmland (source: FiBL). Over the next five years, the global organic food industry is expected to post a increase of **over 14% CAGR**. The growing focus on health and environment is increasing the consumption of organic varieties of fruits, vegetables, and grains. Several governments across the world encourage the adoption of organic foods, and the organic food market will register remarkable growth in the coming years. The use of natural fertilizers for enhancing yield, quality, and immunity will drive the growth of the global biostimulants market. Biostimulants help in reducing the use of chemicals in crops and soil and are extensively used in seed treatment.

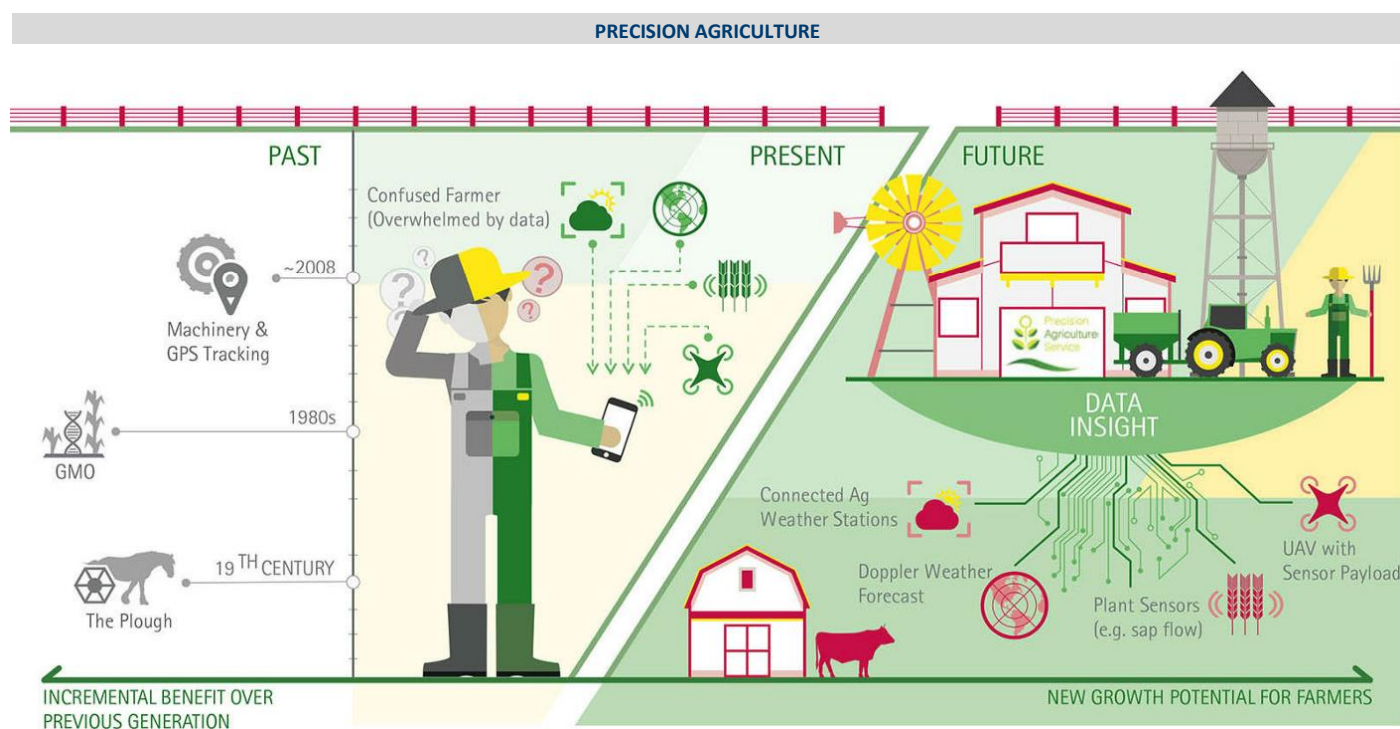
SICIT hydrolyzed protein (amino acids & peptides) are products of natural origin, totally biodegradable and without risk for public health and the environment. In Italy they are **authorized for use in organic farming** according to the Annex 13 to the Law Decree 29 April 2010, No. 75. Bioagricert a certifying body affiliated to IFOAM (International Federation of Organic Farming Movements) releases regular statements for SICIT products, which certify their compliance with the criteria set by the organic standards movements according to the IFOAM international standards.

#6 GROWTH DRIVER: PRECISION FARMING

The adoption of digital technologies in agriculture has been increasing at a rapid pace. The reason why this is such a prevalent trend is that digital technologies bring tremendous value for businesses and individuals. In the agricultural industry, there are many digital technologies that fall under the category of “precision agriculture”. Precision agriculture technologies are changing the way that farmers manage their crops and is being adopted at a growing rate.

Precision Agriculture (PA) is a whole-farm management approach using information technology, satellite positioning (GNSS) data, remote sensing and proximal data gathering. These technologies have the goal of optimising returns on inputs whilst potentially reducing environmental impacts.

Precision farming is growing in popularity owing to the limited availability of land and enhanced farming practices. In 2016, the global precision farming market is valued at more than \$ 3.5 bn (Source: Technavio) and will register double digit growth over the next few years. **This method of farming uses biostimulants for increasing yield and productivity.** In developed countries such as the US, Germany, the UK, and France, the increasing demand for precision farming will contribute significantly to the global biostimulants market.



Source: Accenture

SICIT BIOSTIMULANTS PRODUCTS PORTFOLIO

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

- **Standard products:** solely based on aminoacids & peptides. Useful on all crops, both by foliar spray or fertigation.
- **Special products:** based on meso- (secondary fertilizers) and micro- nutrients complexed to aminoacids & peptides. Specific products to prevent and treat nutritional deficiencies and to activate plant internal mechanism of resistance to parasites.
- **Organic-mineral products:** a combination of different sources of nitrogen, both organic (from aminoacids & peptides) and inorganic. Useful for foliar spray and fertigation.
- **Crop protection products:** this group includes different products, all based on aminoacids & peptides, with fungicide and bactericide action, insect attractants and surfactants.

CUSTOMERS: THE MAIN PLAYERS IN THE SECTOR

Sicit is a B2B operator supplying *the most important Agro-Chemical multinational and local companies worldwide, which are currently the main distributors of aminoacid-based fertilizers. Four out of the five main players in the industry distributes biostimulants manufactured by SICIT.*

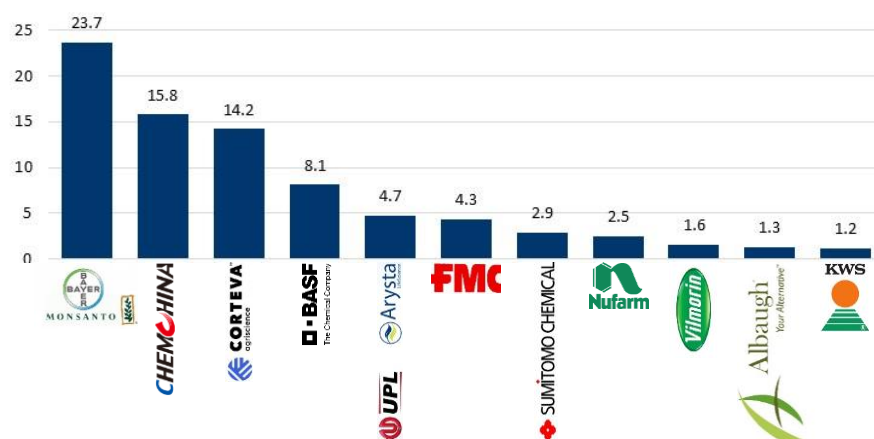
The client base is likely quite concentrated – we estimate the top 10 clients represent about half of biostimulants sales. Customers are also demanding in terms of product specifications and manufacturing certifications.

This is the result of the concentrated nature of the agrochem industry in the crop protection (please see the crop protection industry in the appendix). **Biostimulants are mainly distributed by crop protection companies since they can extend their product portfolio on abiotic stress and fertilizer functions from biotic stress.** Specialized yield enhancer companies are also part of the distribution network as a niche in the market. Fertilizer companies are much less represented in the distribution of biostimulants due to the different nature of the products, and the cannibalization potential of their existing portfolio.

The past few years have seen a strong consolidation process within the major multinational producers with announced mega-mergers between the following agricultural chemical input companies:

- Monsanto and Bayer
- Dow and DuPont (Corteva)
- Syngenta and ChemChina

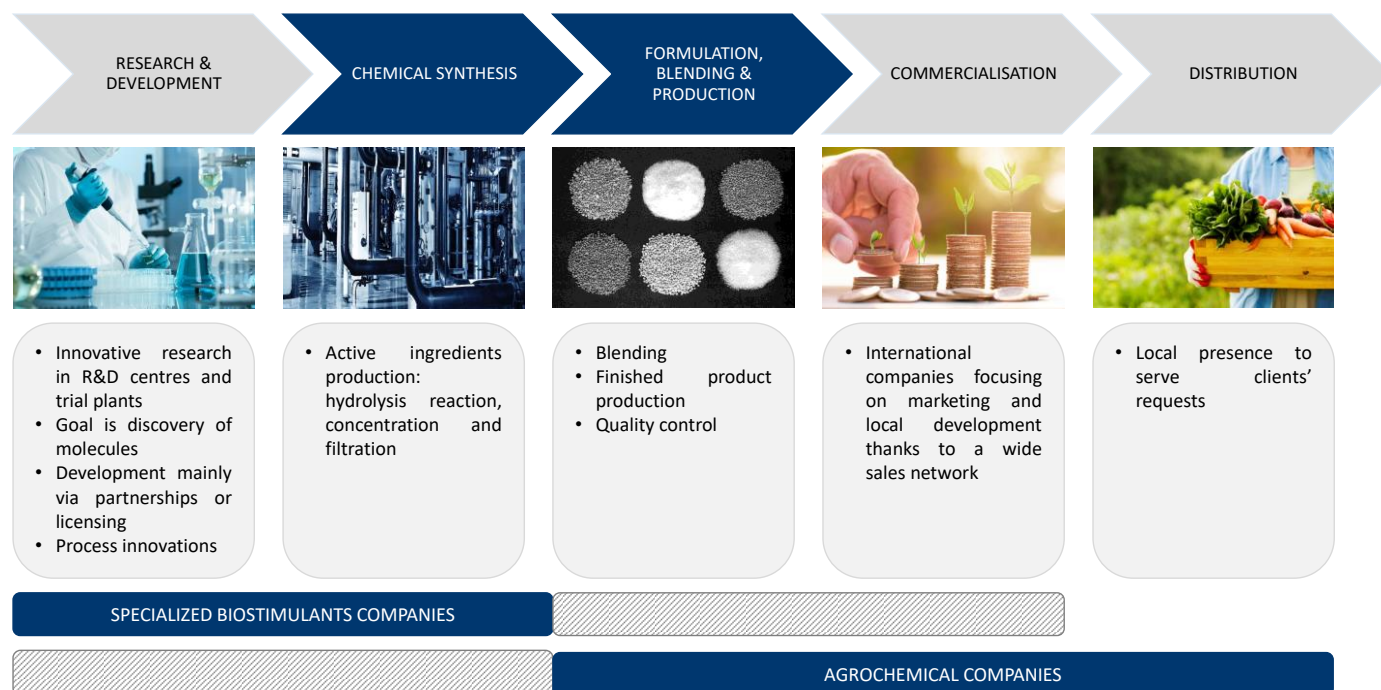
MAIN AGROCHEMICAL COMPANIES - 2018 REVENUES (\$ bn)



Source: Equita, Bloomberg

SICIT is not only active in the manufacturing process but also in the formulation and blending for its final customers.

BIOSTIMULANTS CUSTOMER CONCENTRATION – SICIT IS ACTIVE IN SYNTHESIS, FORMULATION AND BLENDING PHASES



Source: SICIT

Most relationships are based on spot periodic purchases. A few major customers stipulated contracts to regulate supplies. These are requested by the customers in order to ensure the product availability and to guarantee a specific exclusive formulation of biostimulant. This sector has a seasonal pattern and sales are concentrated in the first 2 quarters (approx. 63% of revenues, based on 2017).

Divisional revenues are well diversified on a geographical basis:

- Europe (53%) – Italy and Spain are the main markets.
- Asia (34%) – China and India are the main markets.
- America (12%) Brasil is the main market.

A FRAGMENTED COMPETITIVE ENVIRONMENT

The diversified and natural source of raw materials does not allow for large economies of scale. Furthermore the market is quite young and client awareness is on the rise. Therefore the market is fragmented, with most players integrated into development, production and commercialization of the product.

BIOSTIMULANT KEY PLAYERS									
	COUNTRY	Sales 2016 € mn	Sales CAGR 2012-16	EBITDA 2016 (%)	EBITDA chg %. 2012-16	PRODUCT PORTFOLIO			
						Humic & Fulvic	Hydrolised Proteins	Seaweed	Micro- organism
Groupe Roullier	FRANCE	c. 1,700	n/a	n/a	n/a	✓		✓	✓
Krishi Rasayan Exports	INDIA	c.120	n/a	n/a	n/a			✓	
Tradecorp	SPAIN	118.6	8.6[1]	12.4	2.8[1]		✓	✓	
Isagro	ITALY	105.6	-2.2	10.5	2.8		✓		✓
Biolchim[2]	ITALY	44.4	6.1	23.5	11.9	✓	✓	✓	✓
CIFO (Biolchim)	ITALY	31.9	1.7	17.4	4.5		✓	✓	
Italpollina	ITALY	31.4	5.6	6.3	-0.5	✓	✓		✓
Atlantica Agricola	SPAIN	23.4	9	26	4.5	✓	✓		
Green Has Italia	ITALY	16.2	9.8	8	2.8	✓	✓	✓	
Arysta Lifescience	US	n/a	n/a	n/a	n/a			✓	✓
Bioiberica	SPAIN	209.3	-3.1	4.4	-4.3		✓	✓	
Valagro (B2B/B2C)	ITALY	117.7	6.9	22.7	4.1	✓	✓	✓	✓
Agronutrition	FRANCE	49.7[1]	11.6[2]	5.5	(3.0) [2]			✓	✓
SICIT (B2B)	ITALY	46.8	12.1	37.6	12		✓		
ILSA	ITALY	22	-4.3	9.4	2.2		✓		
Daymsa	SPAIN	18.6	16.2	20	8	✓	✓	✓	
Consorzio SGS (B2B)	ITALY	12.2[1]	7.8	6.1	-1		✓		
Grabi Chemical (Valagro)	ITALY	11.9[1]	5.6	8.8	4.3	✓	✓	✓	✓
WCM (Biolchim)	CANADA	n/a	n/a	n/a	n/a			✓	

1. 2015-16 CAGR AND CHANGE

2. Unconsolidated data

Source: SICIT, Company data, Equita

The market is characterized by a large number of players of different size and from different sources (animal, vegetable):

- large players not focused on agriculture chemicals;
- small player focused in agricultural niches such as biostimulants mostly located in India and China, with a more aggressive pricing approach.

Thanks to its leadership in the manufacturing process, **SICIT positioned its biostimulants products in the higher end of the quality range**. Its main customers – the large international agrochem companies - are an evidence of the product positioning and the specification capability of SICIT.

Contrary to fertilizers, competition is much less based on pricing both for biostimulants and plaster retardants. Considering the low volume of supply other criteria drive the purchasing behavior of the clients. In order of importance the three main factors are:

1. **Technical performance.** Usually defined as a products' stability over time or shelf life.
2. **Supplier safety and reliability.** In biostimulants in particular, the use in agriculture for human food needs certifications on supplier's production process and products and are strictly regulated. Sourcing continuity – the production process is not derived from chemical synthesis – and standardized quality is another factor of concern, given the brand image implications for its multinational customers.
3. **Pre-sale service.** Customization and formulation capabilities are relevant factors for customers.

RETARDERS ADDITIVES DRIVEN BY THE HIGHER GYPSUM PENETRATION

Gypsum retarder is used during the production of plasterboard and plasters in order to extend the workable time of gypsum.

By slowing the chemical crystal formation that causes gypsum plaster to set or harden, Gypsum Plaster Retarders allow more time to complete each job.

GLOBAL | GYPSUM DEMAND BY CONSTRUCTION MATERIAL IN VOLUMES (2013-27F)

KEY APPLICATIONS	GYPSUM	
	75% PLASTERBOARD	25% GYPSUM PLASTER
DESCRIPTION	<ul style="list-style-type: none"> ■ Dry-production of a panel made of gypsum core, paper-glass fibre, retarder and other additives ■ More cost-effective than bricks ■ Allows flexibility, aesthetics and other benefits 	<ul style="list-style-type: none"> ■ Gypsum in dry powder form mixed with water to a viscous state ■ Highly workable
APPLICATIONS	<ul style="list-style-type: none"> ■ Construction of interior walls and ceilings ■ Covering of cables, ducts and similar items 	<ul style="list-style-type: none"> ■ Finishing material to cover interior joints and walls ■ Floor screed
KEY PRODUCERS	<ul style="list-style-type: none"> ■ Etex Group (Siniat) ■ Knauf ■ Saint Gobain (Rigips) 	<ul style="list-style-type: none"> ■ Local producers mainly ■ Etex Group (Siniat) ■ Knauf ■ Saint Gobain (Rigips)
GYPSUM RETARDER FORMULATION	<ul style="list-style-type: none"> ■ Liquid mainly – to extend the setting time of the gypsum mix 	<ul style="list-style-type: none"> ■ Powder mainly – to extend the setting time

(%) Share of total gypsum utilisation in Western Europe and the US (2017)

Source: Equita, SICIT,

Plaster retardants growth is strictly related to the world gypsum demand, which mainly depends on two main factors:

- **Construction sector output** which is defined as gross fixed investments, including construction and renovation of residential and non-residential buildings. This market is expected to growth worldwide in the long term with a 4.2% CAGR 17-23E;
- **Gypsum penetration:** among building materials Gypsum has **superior characteristics** coupled with a **lower cost**. Gypsum has better features than other building materials, since it easy to install, fire resistant, sound isolating, light-weight and easy to combine with other materials. Production cost is lower, driven by the energy-efficiency (180°C gypsum vs. 2000°C of bricks). Therefore gypsum plasterboard is less expensive than most of the other construction materials, (€5/m2). Gypsum is also particular useful for renovations;
- **Regulation** is centring on sustainability (e.g. thermal insulation) targeting emissions and energy reduction as well as minimising construction waste.

GYPSUM RETARDERS BY PRODUCT CATEGORY

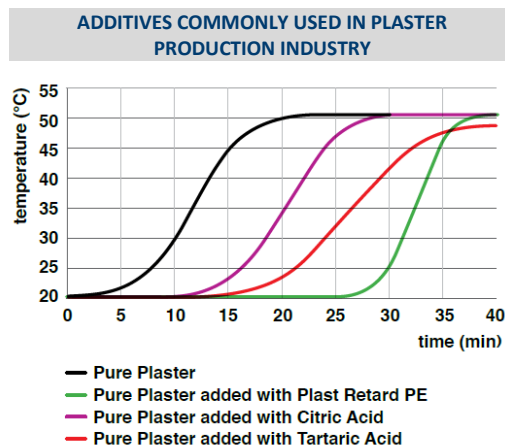
There are three different types of gypsum retarders on the market:

Protein Hydrolysates: Natural additive derived mainly from animal-based protein hydrolysate. This is an high quality retarder because does not modify gypsum's adherence power and provides high performance at low dosage. They have good retard time but still a mid-low market penetration, also due to the higher price with respect to the other retarders types;

Fruit Acids & Phosphates: This additive, derived from fruit acids and phosphates, is on the market for c.30 years and it is widely used for calcium, sulphate based and dry-mortar. This additive is the best in class with regard to the retard time and a good market penetration, otherwise has some negative effects as the quality variations and strength loss;

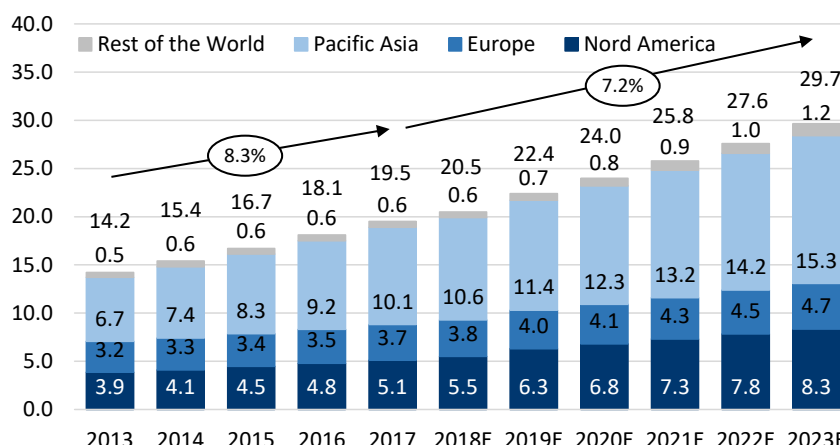
Pure Synthetic: Derived from polycondensated amino acids, they are able to form water-soluble complexes over polyvalent ions. They have a medium retard time performance and a good market penetration.

SICIT focus its attention on the first type: Protein hydrolysates. SICIT is currently one of the key producer in the world for this type of retarders, and from our point of view there is room to further penetrate in this market



Source: SICIT

GLOBAL | GYPSUM DEMAND BY CONSTRUCTION MATERIAL IN VOLUMES (2013-27F)



Source: Equita, SICIT, Smithers Apex

The global market for plasterboard is estimated to be worth about \$20 bn in 2017. It has showed an annual growth of about 8% over the past five years (2013-17) and is expected to grow at High Single Digit (HSD) rates CAGR also over the medium term.

The Asia-Pacific region is the main geographic market for plasterboard, where the demand is driven by the growing construction sector. North America represents the second geographical area by value.

In our view this positive growth in world gypsum demand will help the retardants market to increase its penetration in new sectors and emerging market.

RETARDANTS COMPETITIVE ENVIRONMENT

In the Retardant market Sicit competes with the large chemical multinationals in the building sector, which offer a wide range of products. The most used retarders in the plastering world are: Tartaric Acid, Citric Acid, Animal keratins, Synthetic retardants, Retardan (SIKA), Trilon C (BASF), Versenex (DOWDupont).

The management of Sicit believes that the products supplied by it to its customers are able to replace all the other retardants, with the sole exception of Tartaric Acid which has a different grip curve.

Sicit estimates that currently its **Plast Retard** is among the most used and known worldwide product for the plaster processing. In this sector the main competitors are:

- **SIKA:** is the main direct competitor and has launched on the market products very similar to Sicit retarders, marketed with slightly higher average prices.
- **BASF, Akzo Nobel and DowDupont:** these are smaller operators that, although with shares of smaller market, they represent Sicit's historical competitors.

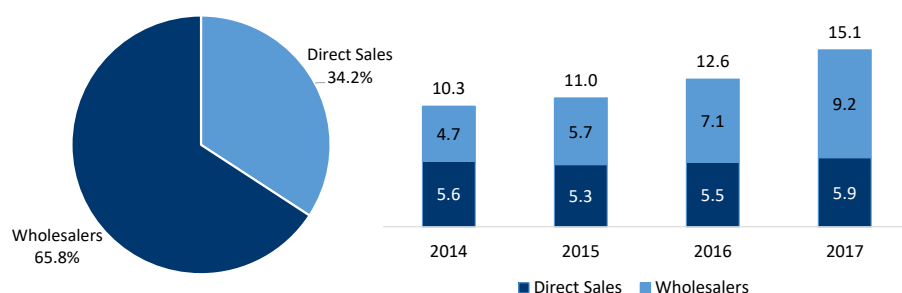
Like biostimulants, competition on quality is more relevant than price. Western gypsum retarder manufacturers offer high performance products and are highly customer oriented. Sicit is perceived a safe supplier by its customers – the dependency on tanneries is not considered an issue – with strong pre and after sales services.

CLIENTS AND DISTRIBUTION CHANNEL

In the retardant sector, shipments have a regular pattern, with sales / orders of its customers relatively predictable and regular, with a limited seasonality. The peak season develops from March to September (sales concentration in the 2Q and 3Q equal to approx. 57% of revenues, based on 2017). Most contracts have a 12 months length with fixed prices.

Retardant customers are the main companies in the construction sector. Therefore customer concentration is supposed to be quite significant – we believe the top ten clients represents >2/3 of Retarders' revenues. Distribution of retardants takes place both directly and through specialized dealers.

DISTRIBUTION BY CHANNEL



Asia is the largest market for the retardants of SICIT accounting for about 47% of divisional revenues. China is clearly the most important country. Europe makes 35% of the revenues mainly in Germany and Poland. America is c. 15% with North America as the main market.

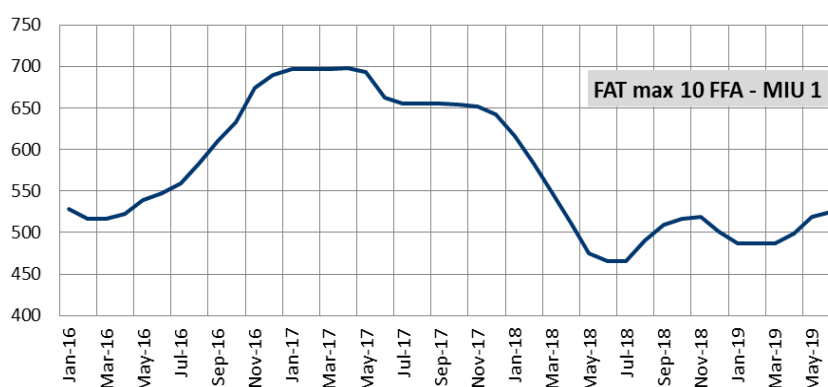
FAT – A BYPRODUCT OF HYDROLYSIS PROCESS

Fat is a byproduct of the treatment of fleshing (made in Arzignano plant). It is mainly sold as raw material **for the production of biofuels**; customers are companies that process fat and / or traders. The sale of this product takes place almost exclusively in Italy.

About 15% of revenues in FY2017 was generated by fat. It has declined over FY2018 due to the commodity nature of fat prices. Prices are based on the fat price development at the Granaria di Milano Market – Grasso uso zootecnico max acidità 10% FF-MIU 3% - minus a 10-15% discount

Fat price declined on average by 23% from €0.67/kg in 2017 to c. €0.52/kg in 2018. Nowadays the fat price is slightly about €0.5/kg.

FAT PRICE (€/T)



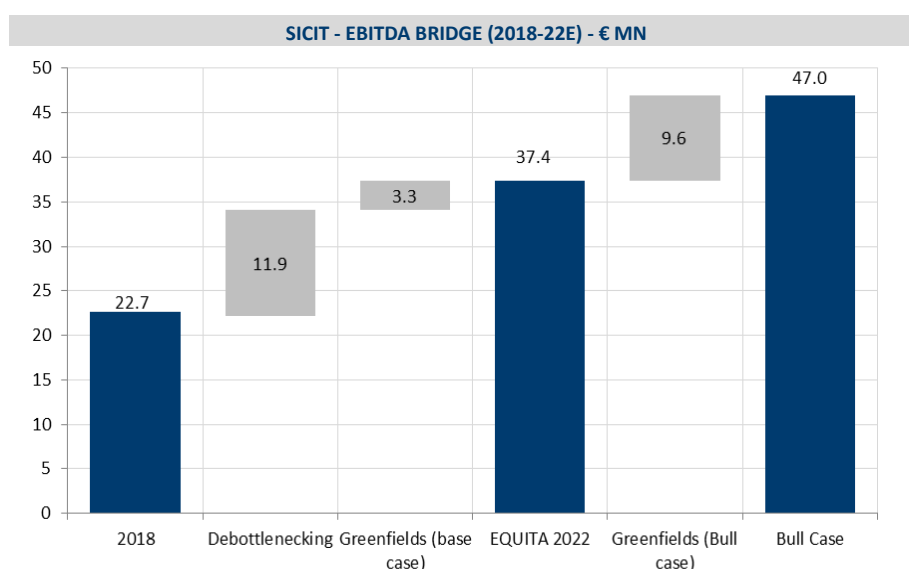
Source: Associazione Granaria di Milano

The new re-esterification plant for €2.5 mn capex will allow SICIT to sell an improved quality product for a higher price (estimated €0.85-0.90/kg or €0.3-0.4/kg more than commodity price) directly as a biofuel additive. The plant will add circa €100-110/t in unit costs. Therefore the new plant could add about €3.2 mn in EBITDA once on-stream.

EXPANSION PROJECTS – REVENUES TARGETED TO DOUBLE BY 2022

The business combination injected €30 mn in SICIT as equity and will support the growth strategy. The business plans aim to expand its production base through debottlenecking and two greenfield investments which will account for about €63-64 mn of capex.

Through its expansion program SICIT aims to almost double its revenues and slightly increase EBITDA margin by 2022. The debottlenecking measures will increase EBITDA by ~€12 mn or +8% increase CAGR over the 2017-22 period.



*Greenfields: new plant in South America and granules plant in Italy
Source: Equita - SICIT*

The EBITDA increase from debottlenecking is quite visible, considering the track record of the company, the type of installations and the expansion in its well-known markets. The success of the greenfield projects has somewhat a lower degree of visibility:

- The granulated fertilizer plant will improve the value of its existing products and it is a sizeable opportunity for SICIT – at full capacity we estimate it can generate more than €6 mn in EBITDA. The plant will be on-stream by 2021/22 but it might take longer for profits to be fully realized, driven by the slightly diverse product/clients vs its existing portfolio. Granular and tablet biostimulants could be more suitable to fertilizer companies (rather than crop protection industry) since they can be easily integrated in granulated NPK or Urea.
- The plant in LATAM will maintain the successful manufacturing process of Arzignano and Chiampo, but the management somewhat lacks track record in setting up capacity abroad.

Therefore our estimates includes just ~€3.3 mn contribution from the greenfield projects out of the ~€12-13 mn potential which could require a longer time to be realized.

EXPANDING EXISTING CAPACITY (€38 MN CAPEX)

Debottleneck investments will allow SICIT to expand the capacity of the existing plants of Arzignano and Chiampo.

1. Arzignano plant.

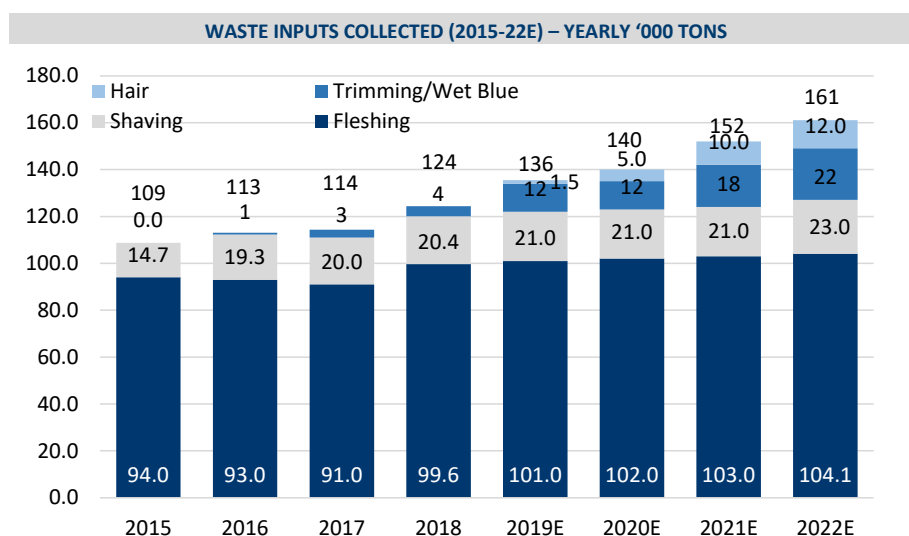
The plant will increase/improve its capacity through:

- A new installation for the production of **special agro** biostimulants in order to include secondary and micronutrients to fulfil the increasing requests from clients of more sophisticated products (FY2019);
- A new installation for the **treatment of waste from hair** (c. 12kt production expected by 2022);
- a **re-esterification plant** to improve the quality of its fat production; the realized price would increase by €300-400/t for an additional estimated opex cost of ~€100/t (FY2020).
- the expansion of the warehouse (FY2021);
- two cogeneration plant for energy supply for €600 k cost savings (each).

2. Chiampo plant.

The plant will increase/improve its capacity through:

- The increase of **treatment of waste from trimming wet-blue** (c. 10ktpa production additional expected by 2022) and shaving (c. 2ktpa production additional expected by 2022). Average selling price of €1.5/kg;
- the expansion of the warehouse (FY2019-20);
- expansion of capacity of sludge treatment to reduce the cost for the disposal of waste materials (€1 mn per annum of lower opex from FY2020-21).
- a cogeneration plant for energy supply (FY2020) for €600 k cost savings;



Source: SICIT, Equita




GREENFIELD EXPANSION – A NEW HYDROLIZED PROTEIN PLANT (€20 MN CAPEX)

Sicit has identified few opportunities to setup a new plant in Latin America to **expand its manufacturing base close to other tanning industry districts**. It aims to leverage its know-how on its process on hydrolysed proteins. Latam (Brazil, Mexico or Paraguay) has been identified as potential internationalization routes, due to:

- favourable availability of raw materials;
- waste management practices;
- low cost manufacturing.

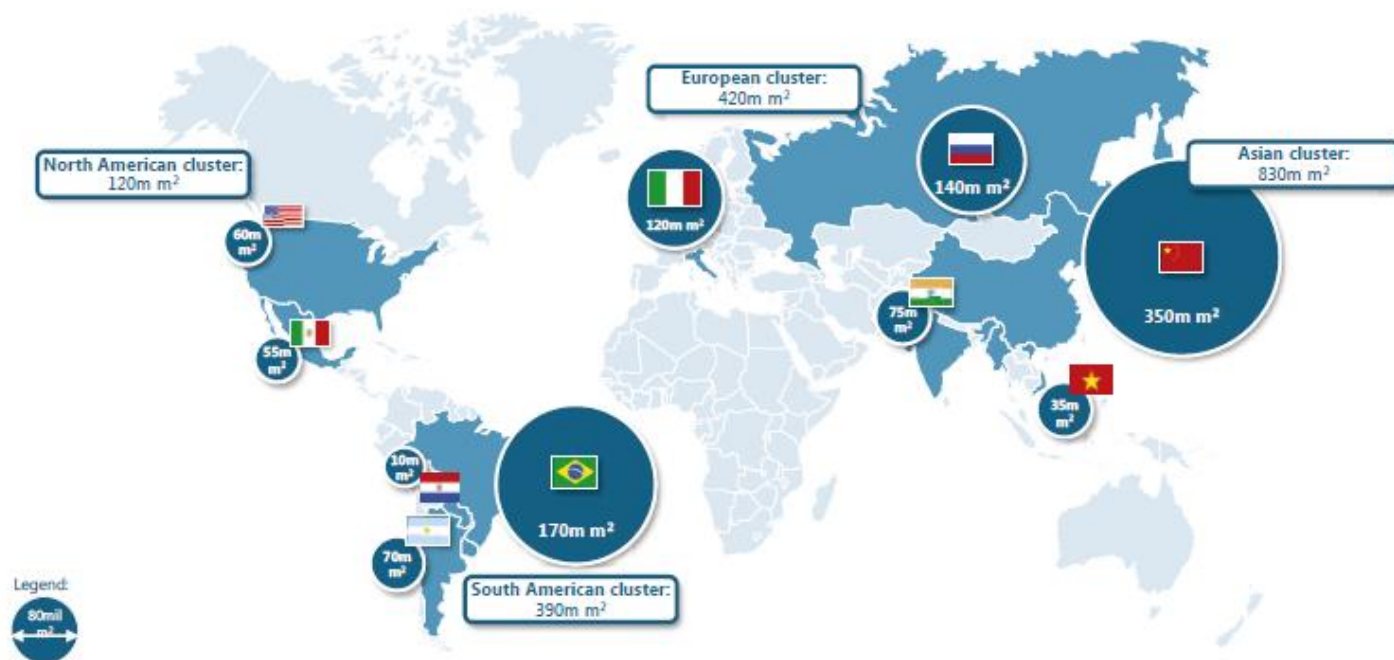
The Brazilian and Mexican tanning industries already dispose of tanneries waste via recycling whereas Paraguay may be targeted despite the relatively scarce availability of raw material – it benefits from low cost of operations and favourable regulations.

REGIONS WHERE SICIT IS EVALUATING THE SET UP OF A NEW PLANT

Country	Raw materials availability	Ease of implement operations		
		Waste disposal landscape	Cost of operations (1)	WB – Ease of doing business
Brazil 	<ul style="list-style-type: none"> • Very largest production of leather (170m m2yearly), therefore presenting high availability in input • White wet is rarely used 	<ul style="list-style-type: none"> • Consolidated waste treatment chain: <ul style="list-style-type: none"> - fleshing sold to zootechnic industry - trimming and shaving to recovered leather producers 	<ul style="list-style-type: none"> • Energy costs: 70 • Labour costs: 60 • Corporate Tax: 40% 	<ul style="list-style-type: none"> • Overall ranking: 125 - Dealing with construction: 170 - Trading across border: 139 - Starting a Business: 176
Mexico 	<ul style="list-style-type: none"> • Average to large production of leather (55m m2yearly), mainly for footwear and automotive • White wet is used especially in the automotive sector 	<ul style="list-style-type: none"> • Consolidated waste treatment chain: <ul style="list-style-type: none"> - fleshing sold to zootechnic industry - trimming and shaving to recovered leather producers 	<ul style="list-style-type: none"> • Energy costs: 50 • Labour costs: 40 • Corporate Tax: 30% 	<ul style="list-style-type: none"> • Overall ranking: 50 - Dealing with construction: 87 - Trading across border: 63 - Starting a Business: 90
Paraguay 	<ul style="list-style-type: none"> • Small production of leather (10m2yearly) • White wet is rarely used • Raw hides can be easily imported from surrounding countries 	<ul style="list-style-type: none"> • All waste is disposed of via landfill. No alternative method is 	<ul style="list-style-type: none"> • Energy costs: 50 • Labour costs: 20 • Corporate Tax: 10% 	<ul style="list-style-type: none"> • Overall ranking: 108 - Dealing with construction: 72 - Trading across border: 120 - Starting a Business: 146

Source: SICIT

The tanning industry market has assumed a global character, with several important tanning districts. Asia is the world's largest tanning cluster, with China producing annually c. 350 mn m2 of leather.

GLOBAL LEATHER PRODUCTION CLUSTERS (2016)^[1]

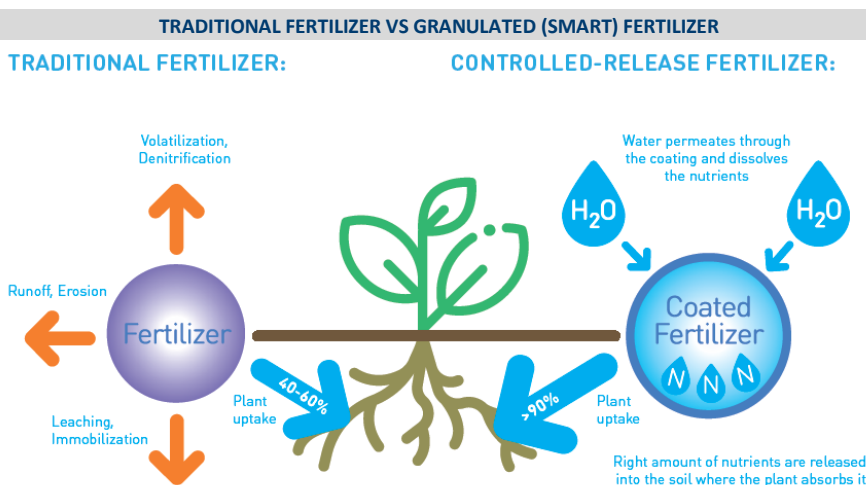
Notes: [1] Production of light leather from bovine and ovine animals 2016

Source: FAO; SICIT, Equita

GRANULATED FERTILIZER PLANT (€6 MN CAPEX)

Sicit plans to build a new plant to transform hydrolized proteins into granulated fertilizers suitable for organic farming; it is not excluded that SICIT will sell directly (B2C) its own products which will not compete with existing business and its current customer base.

The granulated fertilizer has a polymer coating that contains the nutrients inside the membrane. It prevents valuable nutrients from leaching into the soil and volatilizing into the air. The coating provides a semi-permeable membrane around the fertilizer. Due to the fertilizer's hygroscopic nature, water will permeate through the membrane, allowing the nutrients to dissolve. The low nutrient concentration outside the membrane, will act as a driving force to permeate dissolved nutrients through the membrane into the soil. This process is mainly controlled by temperature and thus synchronized with the growing process of the plant, leading to an extremely effective nutrient uptake.



Source: Maire Tecnimont

Whereas traditional fertilizers need to be applied several times during the growing season of the plant, the use of granular/smart fertilizers requires only a single application. This makes the application on the field a lot easier, while saving on labour and fuel costs. A smart fertilizer provides the required nutrients at the right time and the right rate, resulting in a more efficient use of valuable nutrients.

Granulated fertilizers command a premium vs standard fertilizers driven by the higher efficiency. The premium is even more evident for consumer products. The expansion into a higher value-added product could be considered a natural evolution of the small players with a valuable product portfolio.

The plant will be on-stream by 2021/22 but it might take longer for profits to be fully realized, driven by the slightly diverse product/clients vs its existing portfolio. Granular and tablet biostimulants could be more suitable to fertilizer companies (rather than crop protection industry) since they can be easily integrated in granulated NPK or Urea.

We also believe the eventual entrance in a new market (B2C) may prove challenging for SICIT - at least at the beginning - and it could require more time for the investment to yield the targeted profits. In the consumer segment SICIT will target products for home and garden not in competition with its existing clients.

ESTIMATES / ASSUMPTIONS

The following are the main assumptions over the period of 2018-22:

- **Revenue increase of 12% CAGR;**
- **EBITDA increase of 13% CAGR;**
- **EBITDA margin +211bps;**
- **EPS increase of 12% CAGR.**

The growth assumptions of the relevant KPIs over the 2018-22 period are driven by:

- **Biostimulants division Revenues of +7.7% CAGR** as a result of higher volumes (+5% CAGR) driven by the higher intake of waste material and slightly higher prices (+2.4% CAGR);
- **Retarders division Revenues of +3.7% CAGR** as a result of higher volumes and flattish prices;
- **Fat division Revenues of +13% CAGR**, mainly as a result of higher prices - driven by the improved quality from the new re-esterification plant – and the very low price base of 2018.;
- **Waste material Revenues** are assumed to increase by €3.3 mn over the 4 year period.

DIVISIONAL FORECAST - ANNUAL							
in € '000	2016	2017	2018	2019E	2020E	2021E	2022E
BIOSTIMULANTS							
Volumes (t)	16,800	18,600	19,605	19,997	21,197	22,469	23,817
€/ton	1,387	1,495	1,551	1,582	1,621	1,662	1,703
Revenues	23,300	27,800	30,206	31,628	34,364	37,336	40,566
y/y	13%	19%	8.7%	5%	9%	9%	9%
RETARDERS							
Volumes (t)	4,700	5,800	5,892	6,090	6,334	6,587	6,850
€/ton	2,681	2,586	2,648	2,560	2,573	2,586	2,599
Revenues	12,600	15,000	15,412	15,593	16,297	17,034	17,804
y/y	15%	19%	2.7%	1%	5%	5%	5%
FAT							
Volumes (t)	14,200	13,000	14,752	14,645	14,281	14,424	14,568
€/ton	500	608	447	416	525	656	744
Revenues	7,100	7,900	6,651	6,087	7,498	9,466	10,835
y/y	13%	11%	-16%	-8%	23%	26%	14%
INDUSTRIAL							
Revenues	800	1,500	998	1,023	1,049	1,075	1,102
y/y	0%	88%	-33%	2%	2%	2%	2%
WASTE TREATMENT / OTHER							
Revenues	1,638	1,666	1,869	2,808	3,477	4,449	4,972
y/y	-4%	2%	12%	50%	24%	28%	12%

Source: Equita Estimates and company data

Production of **Hydrolyzed proteins** is assumed to increase by **+13% CAGR** over the period as a result of higher waste material intake and a better yield:

- Fleshing from 100ktpa to 104ktpa;
- Shaving from 20ktpa to 23ktpa;
- Trimming from 4.3ktpa to 22ktpa;
- Hair from zero to 12 ktpa;
- The **output yield is forecast to increase from 12% to 15% at Arzignano plant**, driven by the introduction of Hair in the process. It is assumed to stay **stable at Chiampo at 55% yield**.

REFERENCE VOLUMES							
In tons per year	2016	2017	2018	2019E	2020E	2021E	2022E
INPUT							
Fleshing (t) ABD (Arzignano)	93,000	91,000	99,612	101,000	102,010	103,030	104,060
Shaving (t) (Chiampo)	19,300	20,000	20,428	21,000	21,000	21,000	23,000
Trimming (t) (Chiampo)	700	3,300	4,362	12,000	12,000	18,000	22,000
Hair (t) ABD (Arzignano)				1,500	5,000	10,000	12,000
Raw Materials (t)	113,000	114,300	124,402	135,500	140,010	152,030	161,060
y/y	4%	1%	9%	9%	3%	9%	6%
Fleshing (€/t)	12.0	11.1	10.9	12.5	15.0	16.6	16.6
Shaving (€/t)	31.7	29.3	27.4	30.0	33.0	33.0	33.0
Trimming (€/t)			51	70	77	77	77
Hair (€/t)				50	66	66	66
Raw Materials (€/t)	15	14	15	21	25	29	31
Revenues from RM collection	1,728	1,596	1,869	2,808	3,477	4,449	4,972
OUTPUT							
Arzignano (t)	11,000	10,000	11,845	12,215	13,731	15,333	17,447
yield	11.8%	10.9%	11.8%	11.8%	12.7%	13.4%	14.9%
Chiampo (t)	11,000	12,800	13,757	18,150	18,150	21,450	24,750
yield	55.0%	54.9%	55.5%	55.0%	55.0%	55.0%	55.0%
Hydrolised proteins (t)	22,000	22,800	25,602	30,365	31,881	36,783	42,197
Fat (t)	14,200	13,000	14,752	14,645	14,281	14,424	14,568
yield	15.3%	14.3%	14.8%	14.5%	14.0%	14.0%	14.0%

Source: Equita Estimates and company data

We assume COGS to increase in line with revenues and we include the cost savings from

- the two cogeneration plants (€1.2 mn);
- the sludge treatment plant (€1 mn)

Excluding transportation costs, other opex costs have lower correlation to revenues. We include in our assumption the increase in personnel driven by the expansion program.

The business combination resulted in a sizeable figure for the Purchase Price Allocation (PPA) for about €41 mn which is booked only on Italian GAAP basis. The PPA will be amortized on a ten year basis (without any effect on taxable income), which will have a €4.1 mn negative effect on reported numbers in IT GAAP. SICIT will adopt IFRS likely from 2020. **The management is targeting the listing on the main market and STAR which also requires the adoption of IFRS standards. Therefore the PPA will then disappear.** To better reflect underlying or cash earnings, we present our **Net Income estimates on adjusted basis, which excludes the PPA amortization.**

The **tax rate** is assumed to slightly decline to 26% by 2021 driven by the faster depreciation rate of the heavy capex program over the next three years.

Capex are particularly intense over the 2019-21 period as SICIT is in the middle of its capacity expansion program. Most of its €63-64 mn investment plan is assumed to be spent over the next three years.

NWC is assumed constant at 21% of sales

Dividend payout is assumed at 50%, in line with company policy.

SICIT: 2016-22 FIGURES (€ MN) – IT GAAP							
in € '000	2016	2017	2018	2019E	2020E	2021E	2022E
INCOME STATEMENT							
Revenues	45,438	53,866	55,136	57,138	62,685	74,960	86,479
y/y	12%	19%	2%	4%	10%	20%	15%
Utilities	4,297	4,064	4,160	4,011	3,800	4,244	4,897
Water Treatment	1,071	1,060	1,085	1,124	1,234	1,475	1,702
Sludge Treatment	2,787	3,133	3,207	3,323	3,646	3,860	3,953
Purchases	8,158	10,547	11,590	12,011	13,177	15,757	18,179
COGS	16,313	18,804	20,042	20,469	21,856	25,337	28,730
Gross Profit	29,125	35,062	35,094	36,669	40,828	49,624	57,749
Gross margin	64%	65%	64%	64%	65%	66%	67%
Services	7,879	7,777	7,960	8,249	9,050	10,823	12,486
Personnel	5,530	6,041	7,655	7,961	8,359	9,655	10,645
Other	-1,880	-916	-3,181	-3,200	-3,040	-2,888	-2,744
Other Opex	11,529	12,902	12,434	13,011	14,369	17,589	20,387
EBITDA	17,596	22,160	22,660	23,658	26,459	32,034	37,363
Margin	38.7%	41.1%	41.1%	41.4%	42.2%	42.7%	43.2%
Depreciation	3,837	4,249	4,664	5,048	6,593	8,011	9,323
% sales	8%	8%	8%	9%	11%	11%	11%
EBIT			17,996	18,610	19,866	24,024	28,040
Amortization (PPA)				4,100	4,100	4,100	4,100
D&A Total	3,837	4,249	4,664	9,148	10,693	12,111	13,423
EBIT	13,759	17,911	17,996	14,509	15,765	19,922	23,938
Margin	30%	33%	33%	25%	25%	27%	28%
Financial Expenses	-43	185	-238	0	0	0	0
EBT	13,802	17,726	18,233	14,509	15,765	19,922	23,938
taxes	4,022	4,805	4,870	4,838	5,165	6,246	7,290
tax rate	29.1%	27.1%	26.7%	26.0%	26.0%	26.0%	26.0%
Net Income (rep.)	9,780	12,921	13,363	9,671	10,600	13,677	16,648
Net Income (adj.)*	9,780	12,921	13,363	13,771	14,700	17,777	20,748
# shares outstanding (mn)		19.83	19.83	19.83	19.83	19.83	19.83
EPS (€c) - rep.		65.18	67.40	48.78	53.47	68.99	83.98
EPS (€c) - adj.*		65.18	67.40	69.47	74.15	89.67	104.66
yoy			3%	3%	7%	21%	17%
DPS (€c)			34	36	37	45	52
* Amortization of PPA is excluded from Net Profit. The IFRS adoption will exclude it from the income statement							
BALANCE SHEET							
NFP	12,788	15,439	14,515	27,600	22,627	19,434	28,150
NWC	9,800	11,500	11,551	12,245	13,434	16,064	18,533
%sales	22%	21%	21%	21%	21%	21%	21%
Equity	55,074	61,301	69,886	135,000	137,779	143,363	150,379
Capital Employed	42,286	45,862	55,371	107,400	115,152	123,928	122,230
Roce	33%	39%	33%	13%	13%	15%	19%
CF STATEMENT							
EBITDA (excl. upsides)	17,596	22,160	22,660	23,658	26,459	32,034	37,363
Interest cost	43	-185	238	0	0	0	0
Taxes	-4,022	-4,805	-4,870	-4,839	-5,165	-6,246	-7,290
Other	139	1,254	-3,400	0	0	0	0
NWC change	-1,500	-1,700	-51	-694	-1,189	-2,631	-2,469
OpCF	12,256	16,724	14,577	18,125	20,105	23,157	27,604
Capex	6,768	7,380	8,400	17,000	18,000	19,000	10,000
%sales	15%	14%	16%	29%	28%	26%	13%
FCF	5,488	9,344	6,177	1,125	2,105	4,157	17,604
Dividend	-2,500	-6,693	-17,982	-18,041	-7,078	-7,350	-8,889
Increase in Equity				30,000			
Net FCF	2,988	2,651	-11,805	13,085	-4,973	-3,193	8,715
*adj. for PPA (excluded in IFRS)							
Source: Equita Estimates and company data							

FY2019 OPPORTUNITIES AND CHALLENGES

POSITIVES

In FY19, we expect EBITDA will grow at a more moderate pace (+4% yoy) than its mid-term potential due by the following drivers:

- **First cogeneration plant** which will save about €600.000 on a yearly basis (commissioning on June 2019);
- **Higher prices for waste material intake** (from an average of €15/t in 2018 to about €21/t in 2019);
- **Slightly higher volume intake of waste material** thanks to new capacity treatment of hair; Sicit announced on 18 July to have anticipated the production of protein hydrosalate from animal hair. When fully operational, it will result in a production of additional 4,000 tpa of protein hydrolysates, bringing the total volumes from the Arzignano plant to 16,000 tpa. The plant yield will improve about 200bps and production costs will be lowered by about 10-15%.

On total the three drivers may add up to €2 mn to EBITDA. On top of that SICIT may collect some **additional waste material outside the Arzignano leather district** due to operational and economic issues at its main Italian competitor – mainly SGS based in Tuscany. There is a huge gap between the price applied by the two recyclers and a few tanners in Tuscany may decide to shift its waste material toward Veneto. We estimate SICIT may collect up to 20 ktpa of fleshing from the tanners in Tuscany to reach full theoretical capacity.

NEGATIVES

There are other drivers that may instead affect negatively the EBITDA this year:

- **Agrochemical volumes have been weak in 1H19** due to unfavourable weather conditions in US. BASF just issued a profit warning on 8 July due to, among other factors, the weak development of the agricultural sector in North America following unfavourable weather conditions. The planting of key field crops in the region was down from the previous year and far below the historical average. The decrease in earnings prospects for farmers and the trade disputes led to lower demand for agrochemical products;
- **The launch of new biostimulants products have been postponed to 2020** due to the unfavourable market environment. Despite the new capacity of hydrolized proteins at SICIT, its clients may need some time (12-24 months) to allocate additional volumes in new markets, requiring some commercial, R&D and testing activities and investments;
- **The outlook for building materials has somewhat weakened** despite a positive momentum for 1Q19.

Therefore the usual growth pattern of its end markets may be suspended in total or in part this year and it could result in a lower EBITDA expansion than its average trend. **This is the main cause of our conservative rating recommendation.**

On FY2020 we are more constructive and we believe SICIT will start to show the first sizeable benefits of its expansion plan.

BENCHMARKING AND VALUATION REMARKS

When analysing a company that is part of a market niche, it is difficult to find highly comparable companies or very reliable panel in order to make a reasonable comparison.

SICIT does not have any listed comparable with the same business characteristics and/or that competes in the same market. Having said that, we think it is also reasonable to understand the market dynamics of the agrochemical industry. We briefly describe four clusters for the valuation comparison, but we believe only the Crop Protection/Seeds is suitable for our purpose.

PURE CROP PROTECTION/SEEDS

This industry used to represent the main clients in the Biostimulation business and we believe it is the most relevant cluster. Following the consolidation in the industry over the past three years, the number of listed competitors in this cluster has reduced over time. Corteva was recently listed as a spin-off of the Dow/Dupont merger of the agro business. As previously discussed the growth has been moderating due to the increasing resistance of pests, herbs and fungi to chemical formulations. To improve yields, the industry developed more sophisticated GMO seeds, in combination to chemicals. The revenue/earnings volatility is limited, and the earnings growth was pretty much steady over time. Despite the difference in size, competitive environment and value chain, this cluster of agrochemicals is the most comparable to SICIT in terms of market dynamics. (Please read the crop protection/agrochemicals industry in the Appendix).

CROP PROTECTION / SEEDS												
COMPANY	Market Cap (€ bn)	EV/SALES			EV/EBITDA			P/E			EBITDA	EPS CAGR
		2019	2022	2021	2019	2022	2021	2019	2022	2021	MG 2019	2019-21
Corteva	18.0	1.4x	1.4x	1.3x	9.4x	8.3x	7.5x	24.0x	18.8x	16.4x	15%	21%
FMC Corp	9.6	3.0x	2.8x	2.7x	11.3x	10.3x	9.8x	14.3x	12.4x	11.2x	26%	13%
Nufarm	1.0	0.8x	0.8x	0.7x	6.5x	5.4x	5.1x	16.0x	10.2x	8.7x	12%	36%
KWS Saat	2.1	2.0x	1.9x	1.8x	12.2x	11.5x	11.0x	21.0x	19.8x	18.7x	17%	6%
Vilmorin	1.1	1.5x	1.4x	1.4x	6.6x	6.2x	6.0x	14.5x	12.6x	11.4x	23%	13%
AVERAGE		1.7x	1.7x	1.6x	9.2x	8.4x	7.9x	18.0x	14.7x	13.3x	19%	18%

Source: Equita, Bloomberg data

The discount to the cluster is sizeable: SICIT trades at about 25% discount on EV/EBITDA on current year. To us, the EV/EBITDA trading multiple is more meaningful as the different financial leverage of the companies will distort considerations on P/E ratios. At the beginning of its stock listing period, we believe 10-20% discount is more reasonable due to stock liquidity and market cap size. Once the plan contribution will show its effects in 2020-21 the fair discount should narrow to zero considering the higher growth potential and the M&A premium.

We believe the biostimulant sector is still fragmented and the company may be part of the consolidation process in which the big agrochemicals may be active buyers in this business. The M&A process will likely be driven by: 1. the lack of growth of its core seeds/crop protection business; 2. The need to increase the exposure to products which helps growers to be more sustainable.

On top of that, we believe its business model deserves higher trading multiples, due to the lack of stocks exposed to the circular economy/sustainability trend.

FERTILIZERS

Despite the similar product function, the industry dynamic of fertilizers does not share much with Biostimulants. Earnings pattern is highly volatile driven by the commodity nature of its business. Therefore trading multiples follow the earnings trend cycle from peak to trough. On average this industry trades at lower trading multiples vs chemical average (Please read the fertilizer industry in the Appendix).

FERTILIZERS

COMPANY	Market Cap (€ bn)	EV/SALES			EV/EBITDA			P/E			EBITDA	EPS CAGR
		2019	2022	2021	2019	2022	2021	2019	2022	2021	MG 2019	2019-21
CF Industries	8.7	2.3x	2.2x	2.2x	6.6x	5.8x	5.5x	23.2x	16.7x	14.2x	35%	28%
Incitec Pivot	3.2	1.8x	1.7x	1.7x	10.1x	7.4x	7.4x	25.9x	12.9x	12.6x	18%	43%
ICL	5.8	1.6x	1.5x	1.4x	7.3x	6.9x	6.8x	13.0x	11.9x	11.4x	21%	7%
K+S	3.1	1.5x	1.4x	1.4x	7.8x	6.8x	6.4x	13.4x	10.3x	8.9x	19%	23%
Mosaic	7.9	1.4x	1.4x	1.3x	7.0x	6.1x	5.7x	13.9x	10.0x	8.5x	20%	27%
Nutrien	26.5	1.5x	1.5x	1.4x	6.7x	6.3x	6.1x	17.6x	15.2x	14.0x	23%	12%
OCI	5.0	2.7x	2.4x	2.3x	8.0x	6.4x	5.9x	17.8x	11.1x	9.3x	34%	39%
Tessenderlo	1.2	0.8x	0.7x	0.7x	5.7x	5.4x	4.9x	12.4x	10.8x	9.8x	14%	13%
Yara	11.2	1.2x	1.1x	1.1x	7.7x	6.6x	6.2x	14.7x	11.4x	10.5x	16%	18%
AVERAGE		1.6x	1.5x	1.5x	7.4x	6.4x	6.1x	16.9x	12.2x	11.0x	22%	23%

Source: Equita, Bloomberg data

LARGE AGROCHEMICAL CONGLOMERATES

Before the M&A season, these companies used to trade at expensive trading multiples (18-22x P/E and >10x EV/EBITDA), driven by the steady growth of its portfolio and the high barriers of entry. By then, the trading multiples derated substantially due to the lower growth potential and the higher financial leverage following the M&A process. We also believe this cluster is less suitable for our valuation considerations.

AGROCHEMICAL CONGLOMERATES

COMPANY	Market Cap (€ bn)	EV/SALES			EV/EBITDA			P/E			EBITDA	EPS CAGR
		2019	2022	2021	2019	2022	2021	2019	2022	2021	MG 2019	2019-21
Bayer	55.5	2.0x	1.9x	1.9x	7.5x	6.9x	6.4x	8.7x	7.6x	7.0x	26%	11%
Basf	55.2	1.2x	1.1x	1.1x	8.7x	7.6x	7.2x	14.2x	12.4x	11.3x	14%	12%
Sumitomo Chem	6.6	0.7x	0.6x	0.6x	4.9x	4.7x	4.4x	8.0x	7.6x	7.2x	13%	6%
AVERAGE		1.3x	1.2x	1.2x	7.0x	6.4x	6.0x	10.3x	9.2x	8.5x	18%	10%

Source: Equita, Bloomberg data

DIVERSIFIED AGROCHEMICAL INTERMEDIATES

Though the companies in this cluster are the suppliers of crop protection chemical companies, it shares limited characteristics with Sicit. The share of revenues for the agrochemical industries is low (on average <10%). The diversification of its end markets, lower growth potential and lower profit margins make this cluster less suitable for a value comparison. (Please read the crop protection/agrochemicals industry in the Appendix).

INTERMEDIATES DIVERSIFIED

COMPANY	Market Cap (€ bn)	EV/SALES			EV/EBITDA			P/E			EBITDA	EPS CAGR
		2019	2022	2021	2019	2022	2021	2019	2022	2021	MG 2019	2019-21
AlzChem	0.2	0.7x	0.7x	0.6x	5.6x	4.6x	4.2x	11.2x	8.5x	7.3x	13%	23%
Clariant	5.7	1.1x	1.1x	1.0x	7.4x	6.5x	6.0x	12.8x	11.7x	10.5x	15%	10%
Evonik	11.8	1.0x	0.9x	0.9x	5.9x	5.6x	5.3x	12.7x	12.3x	11.2x	16%	7%
LANXESS	4.6	0.9x	0.9x	0.9x	6.6x	6.3x	6.0x	13.2x	11.9x	10.9x	14%	10%
Solvay	9.2	1.0x	1.0x	1.0x	4.7x	4.4x	4.3x	10.3x	9.7x	8.7x	22%	9%
AVERAGE		1.0x	0.9x	0.9x	6.0x	5.5x	5.1x	12.0x	10.8x	9.7x	16%	12%

Source: Equita, Bloomberg data

TARGET PRICE €11.60

Our target price is based on a rounded average of our models: DCF, and Target multiples. Our 12 months target price factors in only a portion of the increase in EBITDA from the ambitious strategic plan. At current stage, we believe investors will not be willing to pay a full premium for its ambitious growth plan. Going forward, when SICIT starts to deliver its earnings growth, we believe the higher visibility on the plan will allow to be more constructive on its valuation and reduce the current discount/risk premium applied to our target price.

In our DCF model, we currently assume quite a high beta on the stock despite the relatively modest earnings volatility over the past few years due to the lack of reliable comps listed on the market which would help to track its business performance. Our WACC rate assumption may be lowered following a few quarters of delivery of its business plan – de facto derisking its earnings growth path.

The assumed number of shares for target price calculation is coherent with the warrant exercise at the relevant price scenario.

TARGET PRICE CALCULATION		
DCF target	50%	€11.6
Target multiples	50%	€11.6
Average target (rounded)	100%	€11.6

Source: EQUITA SIM estimates

ASSUMPTIONS		DCF		
			2020E	TV
Terminal growth rate	2.0%			
WACC	9.30%	Sales	62.7	88.2
EV	204.1	Change %	9.7%	2.0%
Net Cash (Debt) – end 2019	27.6	EBIT	19.9	28.6
Pension	-0.5	Margin	32%	32%
Total Equity	231.2	Taxes	-5.2	-7.4
Share outstanding	21.1	NOPAT	14.7	21.2
x share	11.0	Capex	-18.0	-11.5
7 months compound	0.6	Depreciation	6.6	10.0
		Change in Work. Cap	-1.2	-0.4
Target price	11.6	Free Cash Flow	2.1	19.3

Source: Company data and EQUITASIM estimates

SENSITIVITY				
		WACC		
		8.30%	9.30%	10.30%
LT GROWTH	+1.0%	11.3	10.0	8.9
	+2.0%	13.5	11.6	10.1
	+3.0%	14.4	12.2	10.6

Source: EQUITA SIM estimates

In our target multiples model we apply a 20% discount to relevant peers average. We believe some discount would be fair at the beginning of the investment plan due to the lower market cap and stock liquidity. The stronger growth potential, higher profitability and M&A appeal should act as mitigants to the sector discount going forward. We also believe the exposure to the circular economy/sustainability trend will likely command a premium.

TARGET MULTIPLES

TARGET EV/EBITDA

EBITDA (€ mn) FY21	32
PEERS TRADING MULTIPLE	9.2x
DISCOUNT	20%
TARGET EV/EBITDA	7.4x
# SHARES (MN)	21.3
TARGET PRICE	12.0

TARGET P/E

NET INCOME (€ mn) FY21	17.8
PEERS TRADING MULTIPLE	18.0x
DISCOUNT	20%
TARGET P/E (ex cash)	14.4x
# SHARES (MN)	20.3
TARGET PRICE	12.0

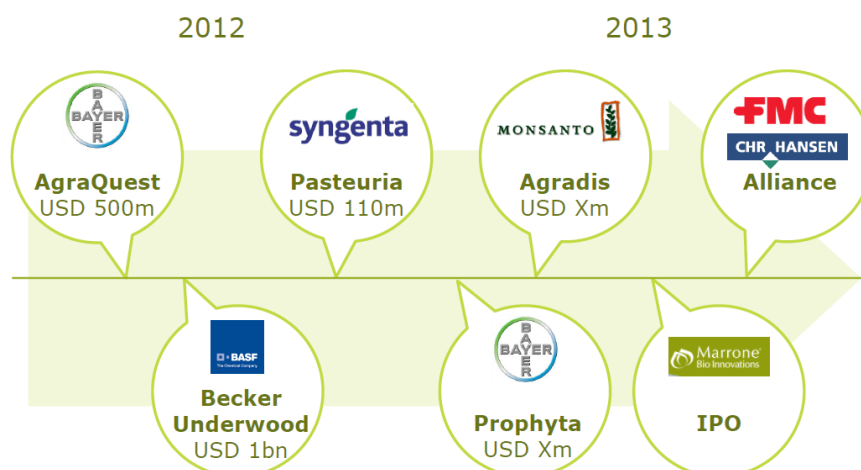
AVERAGE PER SHARE	12.0
DISCOUNT FOR 5 MONTHS AT C.O.E.	-0.4
TARGET PRICE	11.6

Source: EQUITA SIM estimates

A SUSTAINED PACE OF M&A

Merger and acquisition activity in the biostimulant and biocontrol sector over the last five years has been very active and shows no signs of slowing down. The big crop protection companies (Syngenta, Bayer/Monsanto, BASF, Dupont/Dow) were **particularly active in biocontrol** starting from the acquisition of Circle One Global by Syngenta back in 2009. The process has slowed down following the mega-mergers process.

THE OLD BIG 6 WERE ACTIVE IN THE BIOCONTROL BUSINESS CLUSTER



Source: Novozymes

In contrast to biocontrol, consolidation in the biostimulant industry has come mainly from within the sector by companies expanding their presences in other countries and building broader product portfolios.

Major announcements included:

- Biolchim acquisition of CIFO (2014);
- Multiple acquisition by Verdesian Life Sciences of INTX Microbials, (2013), Specialty Fertilizer Products (2014), QC corporation (2014);
- Valagro acquisition of Sri Biotech Laboratories (2015).

Multinational companies have not been totally absent in biostimulants with Novozymes (bbg ticker: NZYMB DC) and Monsanto (now part of Bayer) announcing in December 2013 the formation of a long term strategic alliance focused on discovery and development of microbials called the BioAg Alliance as well as the acquisition of seaweed producer Goemar by Arysta in April 2014.

Biostimulant market is dominated mostly by privately owned companies in a high fragmented market. This suggests there is an opportunity for much more consolidation in the industry whose primary driver is the rapid growth trend.

SICIT MANAGEMENT

Chairman - Giuseppe Valter Peretti

Owner and Head of Gruppo Peretti, a company active in the leather tanning and in the capital goods industry. Vice chairman of UNIC (Unione Nazionale Industria Conciaria)



CEO – Massimo Neresini

CEO of SICIT since 2003. He before joining SICIT in 1988 as a Technical Director, he worked for Ciba Geigy, FIS SpA, Rimar Engineering, SnamProgetti and Snia Viscosa. Chemical engineer from the University of Padova.



CFO – Gianpaolo Simionati

Joined SICIT since May 2019, has 15 years of experience in finance and administration area at KPMG, P&G and Illinois Tool Work. He graduated in Economics in 2006 from University of Padova.

SPRINT-ITALY SPAC

Listed on the AIM Italia in the July 2017, SPRINT-ITALY was a SPAC (Special Purpose Acquisition Company), a vehicle that has been created specifically to raise the financial resources required for a Business Combination (BC). The sole purpose of a SPAC is to invest in a target company operating in Italy with appealing value creation potential, a solid market positioning and established international reputation with a pre-money valuation within a range of €150 mn to €500 mn.

Promoters

SPRINT-ITALY a mixture of private and institutional promoters, with a great professional experience and deep knowledge of the Italian market.

FINEUROP, Institutional Promoter: Financial and independent group founded in 1966, Fineurop is a partner able to help and follow companies in different growth paths: from geographic expansion to the exploration of new markets and structural consolidation. Today Fineurop has a wide network with SMEs in many sector on the Italian market.

Gerardo Braggiotti, Chairman:

- Banca Leonardo Chairman and G.B.H SpA board member
- Previously, Lazard Europe Idt Chairman
- 18 years in Mediobanca
- Started his professional career at General Electric after a graduation in Finance at Institut d'Etudes Politiques in Paris.

Matteo Carlotti, Board Member:

- Since 2009 has worked as independent specialist in Private Equity sector
- In 2011 founded and managed MadeInItaly 1, the first SPAC of Italian law that, in 2013, successfully achieved the BC
- Graduated in management at Ca' Foscari University

Raymond Totah, Board Member:

- Fineurop Ceo
- Entered in Fineurop in 1986, covering different professional roles
- Graduated at Bocconi University

Enrico Ricotta, Board Member:

- Mandarin Advisory Srl Chairman
- 1998-2007 Dresdner Kleinwort Capital Advisory S.p.A Chairman
- 1996-1999 Manager in Imi-Abn Amro Investments S.p.A
- Graduated in Rome

Francesco Pintucci, Board Member:

- Isem Group CEO
- Previous experience in others SPAC and Private Equity
- Graduated in management engineering at Politecnico of Milan

Laura Cioli, Independent Board Member:

- RCS Mediagroup SpA CEO until 2016
- Previously CartaSi CEO
- Experience in companies such as Sky, ENI, Vodafone and Bain&Company
- Graduated in electronic engineering at Bologna University got a master in Business Administration at Bocconi University

Eugenio Morpurgo, Board Member:

- Fineurop Soditic SpA, company of Fineurop Group, CEO and founding partner
- Deutsche Bank in London, Milan and Frankfurt
- Investment Banking professor at Bocconi University
- Graduated at Bocconi University

Before the BC, the Promoters have subscribed €3.0 mn (300k Special Shares at €10 each).

Special Shares are not listed, not voting for the BC and subordinated in case of liquidation.

The promoters invested a total amount of €12.7mn in ordinary shares too.

The financial resources provided by the Promoters (via Special Shares) have been used to pay SPAC's constitution fees and expenses, operating expenses, due diligence and acquisition costs (legal costs, auditors, advisors, IPO costs etc.).

Investment features

Sprint has raised €150 mn through the issue of 15 mn of ordinary shares.

Investors received 3mn warrants at the IPO and they are entitled, at the BC, to additional warrants according to the same ratio: 3 free warrants each 10 Ordinary Shares, which not exercised the withdrawal right.

Each warrant entitles investors to receive a formula-based number of new Ordinary Shares in the combined entity:

$$\text{Number of new shares per warrant} = \frac{(\text{avg. monthly share price} - \text{strike price})}{(\text{avg. monthly share price} - \text{share subscription price})};$$

- Quasi cashless (subscription price equal to €0.1 per share);
- Strike Price of €9.50;
- Mandatory conversion when Ordinary Share price equals or exceeds €13;
- Exercise period: 5 years from the BC.

Merger

On January 11th 2019, SICIT announced a merger agreement regarding the business combination between the company and SPRINT. **The Merger took effect on Monday 20 May 2019** and the accounting and tax effects will be charged to the financial statements of the Company as from 1 January 2019. **The 20 May 2019 was also the first day of listing on AIM** of the company resulting from the Merger, which was named "SICIT Group S.p.A.". An ordinary dividend of Euro 0.34 per share was approved by the Merged Company in favour of the ordinary shareholders of the company resulting from the Merger and therefore also in favour of the ordinary shareholders of Spl (who have not exercised their right of withdrawal). It was paid in June 2019.

SICIT's implied valuation of the SPAC deal:

- **Equity (100%, pre-money) is equal to € 160mn or 2017 Adj. PE=~12x;**
- **EV is equal to € 156.6 mn, assuming a €3.4 positive NFP after the payment of €11.3 mn dividend, and 2017 EV/EBITDA=7x.**

Deal structure and use of proceeds:

- **Reverse merger;**
- **Sprint total investment: €100 mn**, out of € 150mn collected, split as follows: **€30 mn for capital increase and €70 mn for the purchase of 7 mn shares from Intesa Holding** (from minority and non-strategic shareholders);
- **Following the withdrawal of 1,250,000 shares for €12.5 mn reimbursement, the excess cash of €37.5 mn was distributed to the remaining pre Business Combination shareholders.**

PRE-BUSINESS COMBINATION SHAREHOLDER STRUCTURE

The role of Intesa Holding SpA

From 1991 SICIT was controlled by Intesa Holding SpA (100%), a company made by 33 business partners mainly operating in the leather tanning district in the north of Vicenza.

Intesa Holding is a company founded in 1987 by a group of tanners operating in the Arzignano with the aim of building landfills for the tanner waste disposal and managing problems related to the tanning industry. Intesa acquired SICIT in 1991, restructuring the company, proceeding to the separation of the two production lines through the installation of a new plant in Arzignano.

The Holding played an important role not only in SICIT management but also in providing to the company its key raw materials recycled by the company during its production process. The fleshing used by SICIT during its productive process comes as follow:

- 80% provided by the tanners members of Intesa Holding SpA;
- 20% provided by external tanners.

The main provider of fleshing is Dani SpA, a small family tannery which provides c. 15%, of the above mentioned 80%.

SICIT is paid to collect fleshing from the Arzignano district's tanneries. The price is directly negotiated between the company and the tanneries. Currently there are no long term supplying contracts between tanneries and SICIT. **SICIT has a very efficient process** and receives waste from the Arzignano district at very convenient price for tanneries (incoming waste material is a low revenue stream for SICIT). The environmental footprint of its two plants is well above standard. **Its proximity to the leather district in Arzignano results in natural monopoly** for the access and collection of key raw materials due to the high cost of transportation and disposal.

NUMBER OF SHARES FOLLOWING THE BUSINESS COMBINATION

Following the BC with Sprint Italy, the shareholder structure is:

SICIT GROUP - SHAREHOLDING STRUCTURE @ BC		
Shareholders	# Shares (mn)	%
-Intesa Holding	9.0	45.8%
- UNIC	0.4	2.0%
-Free Float	9.6	48.9%
-Sprint promoters	0.63	3.2%
Total ordinary shares	19.630	100%
Sprint promoters Special Shares	0.195	
Total shares	19.825	

Source: Equita and SPRINT ITALY

Not all the Intesa Holding shareholders subscribed the agreement, so the new Intesa Holding SpA structure will be as follow:

- Rino Mastrotto Group (RMG) S.p.A. (21.1%);
- Valter Peretti (14.7%);
- Grotto Riccardo (12.3%);
- Mario Peretti, Conceria Peretti Srl (1,9%);
- Conceria Montebello (2.7%);

The following lock-up periods will start from the BC approval:

- **Shares owned by Intesa Holding:** 4 years from the BC;
- **Stake owned by the majority shareholder (51.5%) in Intesa Holding:** 4 years from the BC ;

Due to SPRINT's characteristics, we would like to highlight the post-BC potential dilutive impact.

In fact, new ordinary shares may be issued due to:

- **Conversion of the remaining Special Shares: 0.195 mn shares** if the official price of the Ordinary Shares is greater than or equal to the price threshold per Ordinary Share (€13.5). **If this threshold is not surpassed within 5 years Special shares are converted into ordinary shares automatically (conversion swap = 1:1);**
- **Exercise of Investors' warrants:**
 - Up to 7.125 mn;
 - Strike Price = €9.5ps;
 - Life = 5 years;
 - Cap = €13ps (mandatory conversion).

The following sensitivity analysis presents the total and potential number of shares, considering the relevant scenarios of market price and when investors exercise their warrants.

Sensitivity's assumptions:

- % of exercised warrants = 100%;
- **All warrants on the market exercised at the following alternatives:**

mkt price = €10, mkt price = €11, mkt price = €12 and mkt price = €13.

On top of this, conversion of Special Shares and Performance shares are considered.

SICIT GROUP – NUMBER OF SHARES (MN)

€ps	Market Price						
	10.0	11.0	12.0	13.0	13.5	14.0	14.5
Ordinary shares @ BC	19.0	19.0	19.0	19.0	19.0	19.0	19.0
from market warrant conversion	0.4	1.0	1.5	1.9	1.9	1.9	1.9
from Special share conversion	0.6	0.6	0.6	0.6	1.8	1.8	1.8
Total Ordinary shares (mn)	20.0	20.6	21.1	21.6	22.7	22.7	22.7
special shares non-converted	0.2	0.2	0.2	0.2	0.0	0.0	0.0
Total shares (mn)	20.2	20.8	21.3	21.8	22.7	22.7	22.7

Source: Equita and SPRINT ITALY

MULTIPLES SENSITIVITY

Below are some sensitivities regarding the implied multiples at different stock price.

SICIT GROUP - MKT MULTIPLES SENSITIVITY							
€ps	Market Price						
	10.0	11.0	12.0	13.0	13.5	14.0	14.5
Ordinary shares @ BC	19.0	19.0	19.0	19.0	19.0	19.0	19.0
from mkt warrant conversion	0.4	1.0	1.5	1.9	1.9	1.9	1.9
from Special share conversion	0.6	0.6	0.6	0.6	1.8	1.8	1.8
Total Ordinary shares (mn)	20.0	20.6	21.1	21.6	22.7	22.7	22.7
special shares non-converted	0.2	0.2	0.2	0.2	0.0	0.0	0.0
Total shares (mn)	20.2	20.8	21.3	21.8	22.7	22.7	22.7
Adj. PE (2019)	14.7	16.6	18.6	20.5	22.3	23.1	23.9
Adj. PE (2020)	13.7	15.6	17.4	19.2	20.9	21.6	22.4
Adj. PE (2021)	11.4	12.9	14.4	15.9	17.3	17.9	18.5
Adj. PE ex cash (2019)	12.6	14.6	16.6	18.5	20.3	21.1	21.9
Adj. PE ex cash (2020)	12.2	14.0	15.9	17.7	19.3	20.1	20.9
Adj. PE ex cash (2021)	10.3	11.8	13.3	14.8	16.2	16.8	17.4
Adj.EV/EBITDA (2019)	7.4	8.5	9.6	10.8	11.8	12.3	12.8
Adj.EV/EBITDA (2020)	6.8	7.8	8.8	9.8	10.7	11.2	11.6
Adj.EV/EBITDA (2021)	5.7	6.5	7.4	8.2	9.0	9.3	9.7
Mkt Cap FD (€,mn)	201.8	228.9	255.9	282.9	306.9	318.3	329.6
NFP (2019)	27.7	27.7	27.7	27.7	27.7	27.7	27.7
NFP (2020)	22.8	22.8	22.8	22.8	22.8	22.8	22.8
NFP (2021)	19.6	19.6	19.6	19.6	19.6	19.6	19.6
Adj. NII (2019)	13.8	13.8	13.8	13.8	13.8	13.8	13.8
Adj. NII (2020)	14.7	14.7	14.7	14.7	14.7	14.7	14.7
Adj. NII (2021)	17.8	17.8	17.8	17.8	17.8	17.8	17.8
Adj. EBITDA (2019)	23.7	23.7	23.7	23.7	23.7	23.7	23.7
Adj. EBITDA (2020)	26.5	26.5	26.5	26.5	26.5	26.5	26.5
Adj. EBITDA (2021)	32.0	32.0	32.0	32.0	32.0	32.0	32.0
Mkt Cap ex cash (2019)	174.2	201.2	228.2	255.2	279.2	290.6	302.0
Mkt Cap ex-cash (2020)	179.1	206.1	233.1	260.1	284.1	295.5	306.9
Mkt Cap ex-cash (2021)	182.3	209.3	236.3	263.3	287.3	298.7	310.1

Source: Equita and SPRINT ITALY

APPENDIX

AGROCHEMICAL INDUSTRY - INTRODUCTION

The global agricultural landscape is rapidly changing as farmers continue to face a variety of challenges, including the need to feed a growing population with limited land and stricter rules and regulations surrounding biotechnology and chemical compounds. These rules and regulations, which may be enacted to protect farmers, consumers or the environment, often vary across geographies and can quickly change. Consumers are also re-shaping the industry by demanding healthier, more affordable and safer food, with an increased focus on sustainability and greater transparency in order to facilitate their understanding of the agricultural products they purchase and consume.

These challenges, along with available data analysis allowing farmers to better understand the precise needs of a specific crop in a specific region, create strong incentives for farmers to invest in high technology inputs (such as seed, crop protection and digital solutions) to maximize yields, optimize resources and protect harvests in an environmentally sustainable manner. These **technological advances** in the agriculture industry challenge agriculture companies to develop customized technology-based and solution-based product offerings for farmers that address their specific needs.

The global agricultural economy also continues to adjust to declines from the peak commodity prices related to the biofuels demand growth between 2007 and 2010 and the poor weather that reduced global commodity supply into 2013. The declines in prices and profit margins have led participants at all levels of the agricultural supply chain to adopt fundamental changes in their respective business models to maintain competitiveness, improve efficiency and enhance prospects for long-term growth. These factors, along with the high costs and lengthy time periods required to gain approvals and launch new products, have contributed to strategic realignments and consolidation across the agricultural sector. In recent years, the agrochem industry has undergone significant consolidation, resulting in an increase in market position by a smaller number of players and changing competitive dynamics.

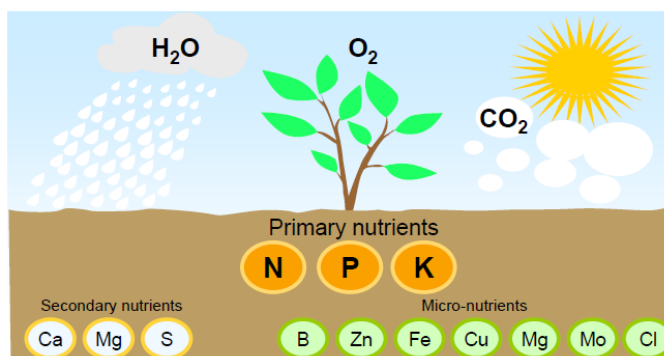
FERTILIZERS –WHY THEY ARE SO IMPORTANT

Modern plant nutrient products play a vital role in food production. In fact, agronomists estimate that plant nutrients account for 40% to 60% of crop yields. Plant nutrients simply are plant food. Just like feed provides the carbohydrates, protein, fat, vitamins and trace minerals required to nourish animals, plant nutrient products deliver the essential nutrients needed to nourish plants.

Plants require **seventeen nutrients for optimum growth** and development. Each of these nutrients is a chemical element found on the periodic table. Three of the seventeen elements – carbon, hydrogen and oxygen – are non-mineral elements that are available from the atmosphere or water. The other fourteen are classified as primary nutrients, secondary nutrients and micronutrients.

The **three primary nutrients are nitrogen (N), phosphorus (P) and potassium (K).** Plants remove large amounts of the primary nutrients during the growing season and soils become depleted if these nutrients are not replenished after each harvest.

THREE PRIMARY NUTRIENTS



Source: Yara

Nitrogen is by far the largest nutrient, accounting for c. 60% of total consumption and must be applied every year to maintain yield and biomass. Annual application is not always needed for **Phosphate** and **Potassium** fertilizers - which are primarily applied to improve crop quality - as the soil absorbs and stores these two nutrients for a longer period compared with nitrogen.

FERTILIZER NUTRIENTS

Primary (macro) nutrients

Nitrogen (N)	The main constituent of proteins, is essential for growth and development in plants. Supply of nitrogen determines a plant's growth, vigour, colour and yield
Phosphorus (P)	Vital for adequate root development and helps the plant resist drought. Phosphorus is also important for plant growth and development, such as the ripening of seed and fruit
Potassium (K)	Central to the photosynthesis of crops. Potassium helps improve crop quality and crop resistance to lodging, disease and drought

Secondary (meso) nutrients

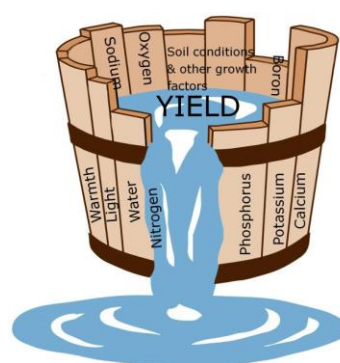
Calcium	Particularly important for the yield, quality and shelf life of fruit and vegetables
Magnesium	Needed for photosynthesis, converting light into chemical energy for nutritional purposes
Sulphur	Especially important in the initial growth stages, to produce essential amino acids, proteins, and oils

Each plant nutrient has unique physiological functions which cannot be replaced by any other nutrient

The 'law of minimum' is often illustrated with a water barrel, with staves of different lengths. The barrel's capacity to hold water is determined by the shortest stave. Similarly, crop yields are frequently limited by shortages of nutrients or water. Once the limiting factor (constraint) has been corrected, yield will increase until the next limiting factor is encountered.

Yield responses to nitrogen are frequently observed, as nitrogen is often the most limiting factor to crop production, but not the only factor. Balanced nutrition of all plant nutrients is required to obtain maximum yield and avoid shortages of nutrients.

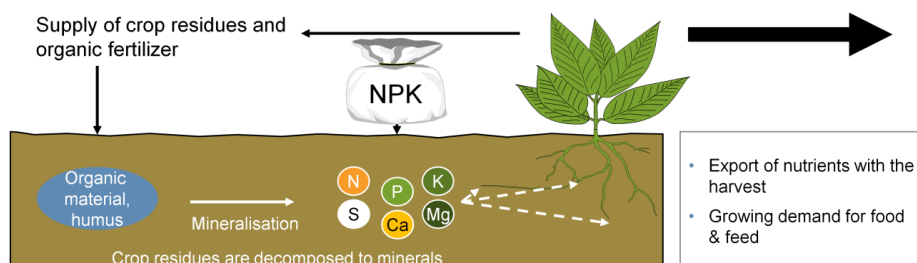
THE LAW OF MINIMUM – CROP GROWTH IS LIMITED BY THE MOST DEFICIENT NUTRIENT



Source: Yara

As crops take up nutrients from the soil, a substantial proportion of these nutrients are removed from the field when the crops are harvested. While some nutrients can be returned to the field through crop residues and other organic matter, this alone cannot provide optimum fertilization and crop yields over time. Mineral fertilizers can provide an optimal nutrient balance, tailored to the demands of the specific crop, soil and climate conditions, maximising crop yield and quality whilst also minimizing environmental impacts.

MINERAL FERTILIZERS REPLACE NUTRIENTS REMOVED WITH THE HARVEST



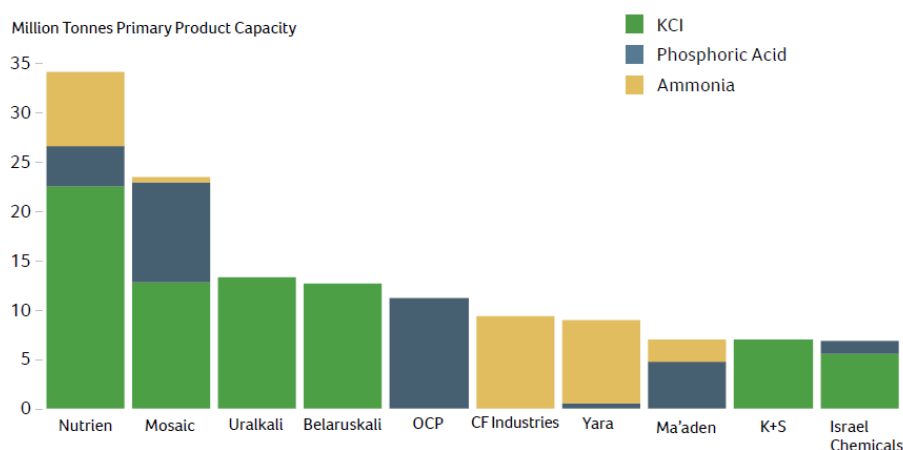
Source: Yara

MINERAL FERTILIZER INDUSTRY – A MATURE MARKET

Nitrogen fertilizers are produced in many countries, reflecting the wide availability of key raw materials (natural gas and air) needed for production. The global nitrogen market is therefore **less consolidated**, but some regions such as Europe and the US have seen significant restructuring and consolidation in the last decade. Therefore Nitrogen industry is quite fragmented and the main competitive advantage of the industry players is driven by the low natural gas cost.

There are fewer large suppliers of phosphate and potash fertilizers, as phosphate rock and potash mineral deposits are only available in certain regions of the world. The potash industry is even more consolidated than the phosphate industry.

WORLD'S TEN LARGEST FERTILIZER COMPANIES



Note:

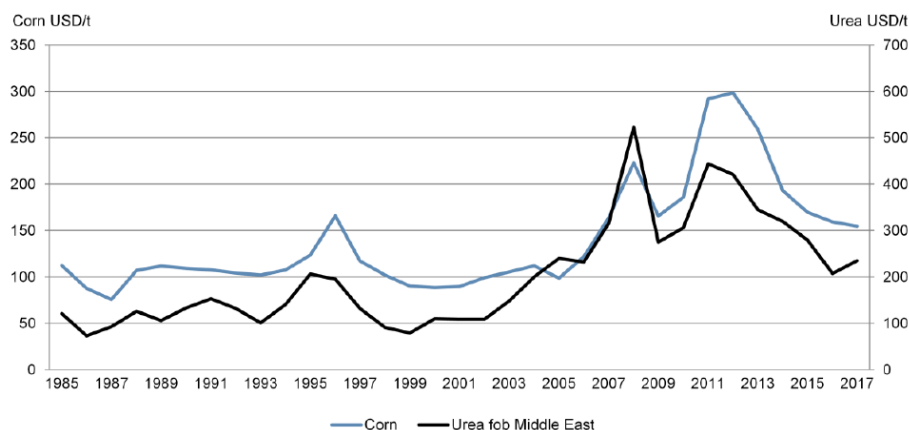
- All capacities shown are nameplate capacities as of December 31, 2017.
- Nameplate capacities may exceed operational capacity.
- Includes proportional share of equity stakes where control or marketing rights exist.
- Phosphoric acid capacity is adjusted to a merchant grade acid (MGA) basis of 56% P_2O_5 .
- Excluding Chinese companies/capacity.

Source: Nutrien Fact Book

Crop nutrients, including nitrogen, potash and phosphate, are global commodities with little or no product differentiation, and customers make their purchasing decisions principally on the basis of delivered price and, to a lesser extent, on customer service and product quality.

Historically, selling prices for fertilizers have fluctuated in response to periodic changes in supply and demand conditions. Variations in grain prices (corn or wheat) explain approximately 50% of the variations in the urea price (the main fertilizer for nitrogen nutrient), making grain prices one of the most important factors driving fertilizer prices.

GRAIN PRICES EXPLAINS ~50% OF THE VARIATIONS IN FERTILIZER PRICES – CORN VS UREA (\$/T)

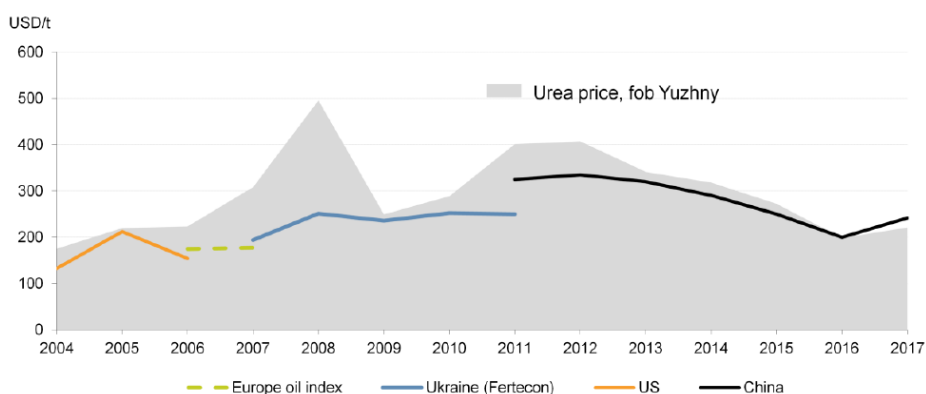


Source: Yara

Periods of high demand, high capacity utilization and increasing operating margins tend to result in investment in production capacity, which, in the following periods, may cause supply to exceed demand and selling prices and capacity utilization to decline.

In general – for nitrogen fertilizers - when demand is low, there tends to be a “supply-driven” fertilizer market in which the established “price floor” indirectly determines fertilizer prices. This price floor is set by the producing region with the highest natural gas prices. Historically the highest gas prices were in the US and in Western Europe but since 2009 the Ukrainian and other Eastern European producers have had the highest production costs together with coal-based producers in China. When fertilizer demand is high, there is typically a “demand-driven” market with fertilizer prices above floor prices for swing (highest cost) regions.

HIGH COST PRODUCERS DRIVES UREA PRICE OVER THE SUPPLY DRIVEN PERIODS



Source: Yara

FERTILIZER INDUSTRY			
	Nitrogen (Urea)	Phosphate (DAP/MAP/TSP)	Potash (KCI)
How Produced	Synthesized from hydrogen source, steam and air	Mined from sea fossils	Mined from evaporated sea deposits
Number of Major Producing Countries	~65	~40	15
Percent of Global Production Traded	29%	49%	77%
Largest Importers	US, India, Brazil	India, Brazil	Brazil, US, China, India
Time for Greenfield (including ramp-up)	Minimum 3 years ²	Minimum 3-4 years ³	Minimum 7 years ¹
Cost for Greenfield (including infrastructure)	US \$1.8-\$2.0 bn 1 mn tonnes NH ₃	US \$5.1 bn 1 mn tonnes P ₂ O ₅	CND \$5.1-\$6.7 bn 2 mn tonnes KCI

Source: Nutrien Fact Book

The International Fertilizer Association (IFA) forecasts nitrogen fertilizer demand growth at 1.1% per year through 2021. A growth rate of 1.6% a year is estimated for phosphate and 2.2% for potassium. Nutrients cannot be substituted and a balanced fertilization of all nutrients is necessary to achieve optimal yields. Emerging countries, in particular, should significantly increase the potash proportion of their total fertilizer application. The average last 10-years' (2007-2017) consumption growth rates were 1.2% for nitrogen, 2.1% for phosphate and 2.4% for potash.

FERTILIZER CONSUMPTION - '000 METRIC NUTRIENT TONNES PER YEAR											
	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18(f)	10 yrs CAGR
N	89,956	95,711	96,978	100,526	101,194	104,083	102,496	103,820	106,234	106,785	
Growth	-5.1%	6.4%	1.3%	3.7%	0.7%	2.9%	-1.5%	1.3%	2.3%	0.5%	1.2%
P	34,710	39,902	42,420	42,917	43,690	44,998	45,933	46,454	47,894	48,337	
Growth	-12.0%	15.0%	6.3%	1.2%	1.8%	3.0%	2.1%	1.1%	3.1%	0.9%	2.1%
K	23,499	22,592	28,191	29,039	29,588	31,553	33,520	33,471	34,958	35,571	
Growth	-16.4%	-3.9%	24.8%	3.0%	1.9%	6.6%	6.2%	-0.1%	4.4%	1.8%	2.4%
Total NPK	148,165	158,205	167,589	172,482	174,472	180,634	181,949	183,745	189,086	190,693	
Total Growth	-8.7%	17.5%	32.4%	7.8%	4.4%	12.5%	6.8%	2.3%	9.9%	3.2%	1.6%

Source: IFA Medium-Term Outlook for World Agriculture and Fertilizer Demand 2016/17-2021/22, June 2017

CROP PROTECTION CHEMICALS

Fungicides prevent and cure diseases which can have severe adverse effects on crop yields and quality. The main markets are fruit and vegetables, cereals and rice. Plant diseases are caused by a great variety of pathogens. Accordingly, this requires many products used singularly or in combination to control the full range of diseases in ways that minimize the chance of resistance building up.

Herbicides. Weeds are undesirable plants growing within a crop and they compete for resources such as nutrients, water and light. Without weed control, crop yields can be significantly reduced. Weeds can also cause further problems by harboring pests and diseases, interfering with harvest operations, and increasing costs of cleaning and drying the crop produce. Herbicides are designed to prevent the development of such weeds or delay their growth in order to allow the designated crop to develop optimally. Herbicides are used on different stages of the crop growing process, but mainly prior to planting, before germination and over the crops early stages of development.

- **Selective herbicides** are crop-specific and control weeds without harming the crop. They have enabled yield improvement in key crops such as corn, rice, soybeans and wheat. The development of genetically modified organisms (GMOs) encouraged the development of selective herbicides designed to destroy weeds of a certain kind (and no other), which therefore do not damage the very crop they are designed to protect.

- **Non-Selective herbicides** reduce or halt the growth of all vegetation which they come in contact (if absorbed by green tissue) and are used primarily in plantation crops such as rubber, oil palm, orchards and vines. They are applied on weeds growing between the trees to facilitate passage in tropical crops, save moisture in vines and orchards, and to reduce erosion.

Insecticides/Pesticides. Insects like caterpillars and aphids can significantly reduce crop yields and quality. Insecticides help minimize this damage by controlling insect pests. The largest insecticide markets are in fruit and vegetables, cotton, rice and corn.

Seed Care products are insecticides and fungicides used to protect growth during the early stages. Seeds carry the genetic potential of crops. They also carry substantial amounts of energy, which makes them highly attractive for pests and diseases. Seed treatments are chemical or biological substances or physical processes applied to seeds or seedlings. They help to protect the seeds and assure optimum emergence of the crop. Application of a chemical to seeds is a very well-targeted method of reducing attacks on the growing plant by insects and diseases.

CROP PROTECTION AGROCHEMICALS

The **crop protection market value** in 2016 was approximately **\$57 bn** (Source: Phillips McDougall) an increase of circa 4% CAGR over the past ten years.

The industry generally divides product lines into Herbicides (44% market), Insecticides (22%), Fungicides (26%) and Seed Care (6%) non crop uses (2%). Less than one-third of the market is based on patented products.

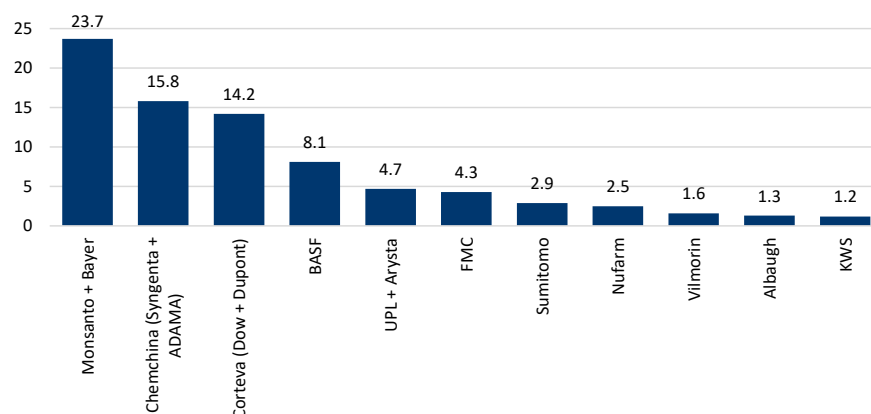
Companies in the industry continuously aim to improve existing product offerings to counteract regularly occurring natural resistance. For example, over the years, weeds and pests can evolve to become resistant to current modes of treatment. This resistance to existing products in turn creates both challenges as well as market opportunities for development of new forms of genetically engineered seed and improved complementary crop protection products and applications.

The growth has been moderating due to the increasing resistance of pests, herbs and fungi to chemical formulations. To improve yields, the industry developed more sophisticated GMO seeds, in combination to chemicals.

The past few years have seen a strong consolidation process within the major multinational producers with announced mega-mergers between the following agricultural chemical input companies:

- Monsanto and Bayer
- Dow and DuPont (Corteva)
- Syngenta and ChemChina

2018 REVENUES (\$ bn)



Source: Equita, Bloomberg

These drastic consolidations over the past fifteen years can largely be attributed but not limited to more profitable opportunities in the seed market and increases in biotechnology development; more stringent environmental regulatory management allowing for fewer market opportunities for agricultural chemicals; intellectual property rights (IPR) protection that made vertical integration in downstream industries more necessary.

The growing concentration of both crop seeds and biotechnology and crop protection chemicals highlights the costly and time consuming nature in developing new products. For example, **to bring crop-protection chemicals to market in the United States, registrations average around \$300 mn. To develop a new genetically modified (GM) seed trait, it takes an average of 13 years and costs about \$136 mn.**

While the first GM seeds were not sold in the United States until 1997, GM seeds have become a highly profitable multimillion dollar industry, and such seeds can be tailored for use with specific pesticides. Consolidation within the industry not only reflects the cost and subsequent profitability associated with biotechnology advances within the field, but demonstrates the overall trend of companies' re-focusing product development towards biotechnology. This re-focusing is partially driven by cost, but also can be attributed to a number of factors, including population growth driving increases in consumer demand for agricultural products.

The increase in demand coincides with difficulties in crop production associated with climate change and the development of pesticide resistance.

STATEMENT OF RISK

Factors that could negatively impact the stock performance include:

1. Lower crop prices reducing margins for growers;
2. Unfavourable weather conditions in relevant agriculture markets ;
3. Lower availability of waste material due to weaker economic environment for leather tanning industry in Northern Italy;
4. Significant deterioration in macroeconomic reference scenario for retardants and fat sales;
5. Execution risk in the expansion program outside Italy

INFORMATION PURSUANT TO EU REGULATION 2016/958 supplementing Regulation EU 596/2014 (c.d. MAR)

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In the past EQUITA SIM has not published studies on SICIT.

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EXPECTED TOTAL RETURN FOR THE VARIOUS CATEGORIES OF RECOMMENDATION AND RISK PROFILE

RECOMMENDATION/RATING	Low Risk	Medium Risk	High Risk
BUY	ETR >= 10%	ETR >= 15%	ETR >= 20%
HOLD	-5% <ETR< 10%	-5% <ETR< 15%	0% <ETR< 20%
REDUCE	ETR <= -5%	ETR <= -5%	ETR <= 0%

The methods preferred by EQUITA SIM to evaluate and set a value on the stocks forming the subject of the publication, and therefore the Expected Total Return in 12 months, are those most commonly used in market practice, i.e. multiples comparison (comparison with market ratios, e.g. P/E, EV/EBITDA, and others, expressed by stocks belonging to the same or similar sectors), or classical financial methods such as discounted cash flow (DCF) models, or others based on similar concepts. For financial stocks, EQUITA SIM also uses valuation methods based on comparison of ROE (ROEV – return on embedded value – in the case of insurance companies), cost of capital and P/BV (P/EV – ratio of price to embedded value – in the case of insurance companies).

MOST RECENT CHANGES IN RECOMMENDATION AND/OR IN TARGET PRICE (OLD ONES IN BRACKETS):

Date	Rec.	Target Price (€)	Risk	Comment
Nil				

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EQUITY RATING DISPERSION AS OF JUNE 30, 2019

(art. 6, par. 3 Delegated Regulation (EU) 2016/958 of 09 March 2016)

COMPANIES COVERED		COMPANIES COVERED WITH BANKING RELATIONSHIP
BUY	38.7%	53.9%
HOLD	57.8%	44.7%
REDUCE	2.9%	0.0%
NOT RATED	0.6%	1.3%

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