Sicit Group

MEDIOBANCA SECURITIES

18 November 2020 | **Industrials** | **Initiating Coverage**

Price: € 11.05 **Target price: € 14.00** **Outperform**

Circularity wave driving EPS growth

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An unique circular player transforming wastes into high-value-added products

Sicit is a leading player in the circular economy, which transforms residues from the leather tanning industry into high-value-added products such as biostimulants for the AG industry (c.55% of sales), retarders for the plaster sector (c.27% of sales), while animal fat, which is obtained as a residue of the process, is sold as raw material for the production of biofuel (c.12% of sales). While the company sources its key raw materials almost entirely from the Vicenza leather district, where it is the reference player in collecting residues, Sicit is a global player selling its products in >70 countries through a B2B approach.

Strategy to focus on organic development…

We expect Sicit's strategy to focus mainly on organic growth by leveraging the following pillars: 1) expansion of production capacity, which should include a new processing line for animal hairs, a new plant for "special products", an additional line for leather trimming, as well as a new plant for enhancing the quality of animal fat produced; 2) new product development, including the production of hydrolysed proteins in granule and tablet formulation; 3) international expansion, with a special focus on the Americas and China. At the same time, Sicit may also explore M&A opportunities focused on the biostimulants business.

…fuelling a 10% sales CAGR while preserving B/S solidity

We estimate Sicit's revenues to increase at a 10% 3Y CAGR to reach €76m in FY22E, showing a resilient trend despite Covid-19 pandemic and powered by the expansionary capex. We expect SICIT to outperform the global biostimulants market which should grow at a double-digit pace over the coming years, driven by structural trends, including growing food demand and the need for "green" solutions in the AG treatment industry. In our view, the solid trends in biostimulants segment should more than offset the short-term weakness in the plaster market affected by the pandemic. Growing selling volumes coupled with cost efficiencies should drive margin expansion, as we project adj. net profit to grow at a 16.4% 3Y CAGR to reach €19m. While we forecast >€36m of extra-capex in the period, we assume cash generation to remain healthy, preserving balance sheet solidity and granting sound shareholders' remuneration.

An attractive name in the green economy: Outperform, €14.0/sh. TP

We initiate our coverage on Sicit with an Outperform rating and a €14.0/share target price, which we obtained from a DCF-based valuation (8.3% WACC and 1.0% g). The stock trades at <8x EV/EBITDA and 13x PE based on FY21E numbers, a level that looks undemanding and leaves compelling upside compared to our target price. In this challenging macro context, we believe that Sicit may be an outperformer in the Italian Mid-Small Caps space on the back of its 1) completely circular and sustainable business model, which transforms waste into high-value-added products and grants outstanding margins 2) resilient business model, able to deliver sustained organic growth even in a subdued macro context challenged by the pandemic, and 3) unlevered balance sheet, which may provide ample flexibility to finance both organic growth projects and M&A.

This research report was previously notified to company Sicit Group with the exclusive purpose of verifying factual accuracy

	2019	2020E	2021E	2022E
EPS Adj (€)	0.61	0.73	0.84	0.96
DPS (€)	0.45	0.50	0.54	0.60
BVPS (€)	4.48	4.44	4.79	5.22
EV/Ebitda(x)	18.6	8.9	7.2	6.4
P/E adj (x)	16.7	15.1	13.1	11.5
Div.Yield(%)	4.4%	4.5%	4.9%	5.4%
OpFCF Yield(%)	1.9%	0.3%	3.7%	4.9%

Market Data	
Market Cap (€m)	219
Shares Out (m)	20
Intesa Holding (%)	46%
Free Float (%)	49%
52 week range (€)	11.45-6.78
Rel Perf vs DJGL Italy DJ Total Market Italy (%)	
-1m	-7.9%
-3m	-5.0%
-12m	21.9%
21dd Avg. Vol.	8,561
Reuters/Bloomberg	I:SPRI / SICT IM

Source: Mediobanca Securities

Sicit Group

Price: € 11.05 **Target price: € 14.00** **Outperform**

Valuation Matrix

Profit & Loss account (€ m)	2019	2020E	2021E	2022E
Turnover	57	63	69	76
Turnover growth %	2.7%	11.1%	10.4%	9.8%
EBITDA	9	22	28	32
EBITDA margin (%)	16.4%	35.5%	40.2%	41.6%
EBITDA growth (%)	-54.7%	nm	25.0%	13.7%
Depreciation & Amortization	-5	-5	-6	-6
EBIT	5	17	22	25
EBIT margin (%)	8.5%	27.5%	31.9%	33.1%
EBIT growth (%)	-70.3%	nm	28.0%	14.0%
Net Fin.Income (charges)	0	0	0	0
Non-Operating Items				
Extraordinary Items	4	-6	0	0
Pre-tax Profit	9	12	22	25
Tax	-4	-3	-5	-6
Tax rate (%)	51.4%	23.0%	24.5%	24.8%
Minorities	0	0	0	0
Net Profit	4	9	17	19
Net Profit growth (%)	-65.2%	nm	84.2%	13.5%
Adjusted Net Profit	12	15	17	19
Adj. Net Profit growth (%)	6.4%	20.5%	15.3%	13.5%

Multiples	2019	2020E	2021E	2022E
P/E Adj.	16.7	15.1	13.1	11.5
P/CEPS	13.3	11.2	9.7	8.6
P/BV	2.3	2.5	2.3	2.1
EV/ Sales	3.0	3.2	2.9	2.7
EV/EBITDA	18.6	8.9	7.2	6.4
EV/EBIT	36.0	11.5	9.1	8.0
EV/Cap. Employed	2.6	2.5	2.3	2.1
Yield (%)	4.4%	4.5%	4.9%	5.4%
OpFCF Yield(%)	1.9%	0.3%	3.7%	4.9%
FCF Yield (%)	-3.5%	0.3%	3.4%	4.5%

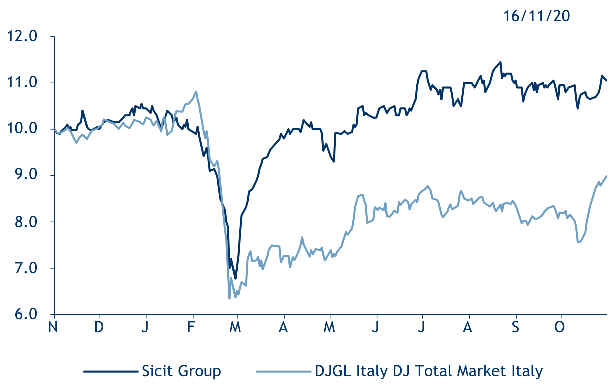
Per Share Data (€)	2019	2020E	2021E	2022E
EPS	0.21	0.46	0.84	0.96
EPS growth (%)	-85.3%	nm	84.2%	13.5%
EPS Adj.	0.61	0.73	0.84	0.96
EPS Adj. growth (%)	-55.1%	20.5%	15.3%	13.5%
CEPS	0.49	-0.75	-0.11	-0.04
BVPS	4.48	4.44	4.79	5.22
DPS Ord	0.45	0.50	0.54	0.60

Balance Sheet (€ m)	2019	2020E	2021E	2022E
Working Capital	16	22	23	25
Net Fixed Assets	49	58	66	73
Total Capital Employed	66	80	89	98
Shareholders' Funds	89	88	95	104
Minorities	0	0	0	0
Provisions	0	0	0	0
Net Debt (-) Cash (+)	23	8	6	5

Key Figures & Ratios	2019	2020E	2021E	2022E
Avg. N° of Shares (m)	20	20	20	20
EoP N° of Shares (m)	20	20	20	20
Avg. Market Cap. (m)	202	219	219	219
Enterprise Value (m)	173	200	202	203
Adjustments (m)	-6	-11	-11	-11
Labour Costs/Turnover	3%	3%	3%	3%
Depr.&Amort./Turnover	8%	8%	8%	9%
Turnover / Op.Costs	1.2	1.6	1.7	1.7
Gearing (Debt / Equity)	-26%	-10%	-6%	-5%
EBITDA / Fin. Charges	>10	>10	>10	>10
Net Debt / EBITDA	-2.5	-0.4	-0.2	-0.2
Cap.Employed/Turnover	116%	127%	128%	129%
Capex / Turnover	17%	21%	19%	18%
Pay out	212%	108%	64%	62%
ROE	5%	10%	18%	18%
ROCE (pre tax)	7%	22%	25%	26%
ROCE (after tax)	4%	17%	19%	19%

Cash Flow (€ m)	2019	2020E	2021E	2022E
Cash Earnings	15	20	23	26
Working Capital Needs	-2	-6	-2	-2
Capex (-)	-9	-14	-14	-14
Financial Investments (-)	1	0	0	0
Dividends (-)	-18	-9	-10	-11
Other Sources / Uses	24	-7	0	0
Ch. in Net Debt (-) Cash (+)	-10	15	2	1

Source: Mediobanca Securities



Source: Mediobanca Securities

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EXECUTIVE SUMMARY

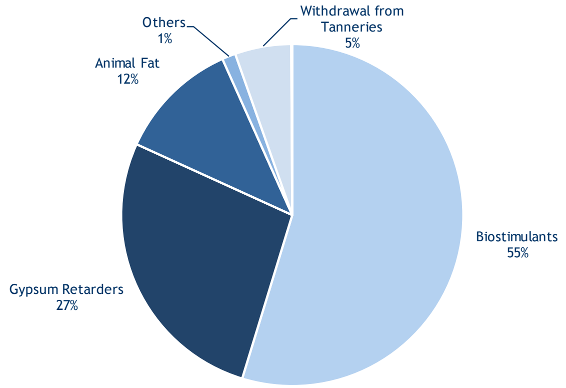
Leading player in the circular economy, transforming wastes into high-value-added products

Sicit is a leading player in the circular economy, which transforms residues from the leather tanning industry into high-value-added products such as biostimulants for the AG industry (c.55% of sales), retarders for the plaster sector (c.27% of sales), while animal fat, which is obtained as a residue of the process, is sold as raw material for the production of bio-fuel for energy production (c.12% of sales).

The company operates through a B2B business model strongly focused on R&D, which granted a state-of-the-art technology for the extraction of amino acids and peptides through hydrolysis of input raw materials. Sicit sells its products in over 70 countries, while it sources its key raw materials almost entirely from the Vicenza leather district, where the company is the reference player for the collection and treatment of processing residues.

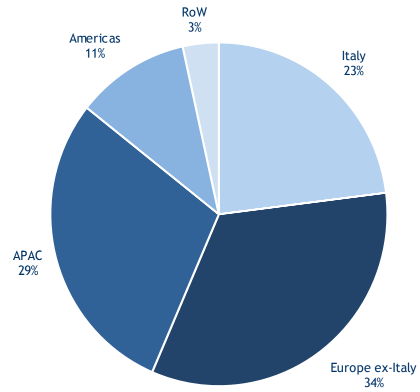
Collection services provided are also a source of revenues for Sicit (5% of FY19 sales), as it charges tariffs based on the cost of disposal and provides a sustainable (and more affordable) option for valorising production waste of tanneries.

FY19 revenues breakdown by product/service



Source: Company Data

FY19 revenues breakdown by geography



Source: Company Data

Structural trends in biostimulants business to lead growth despite plaster's short-term weakness

The global biostimulants market is worth USD2.5bn and is expected to grow at a 12% CAGR over the next five years, in line with its historical growth pace. Sector growth should be underpinned by i) growing global population and food demand, which should imply a more than 50% increase in AG production through 2050, ii) need for crop yield improvements to boost AG production, given the scarcity of arable lands, iii) need for "green" solutions in the agrochemical industry, as biostimulants help reduce environmental impact of fertilisers, and iv) advent of precision farming, which should support the utilisation of biostimulants to enhance AG productivity.

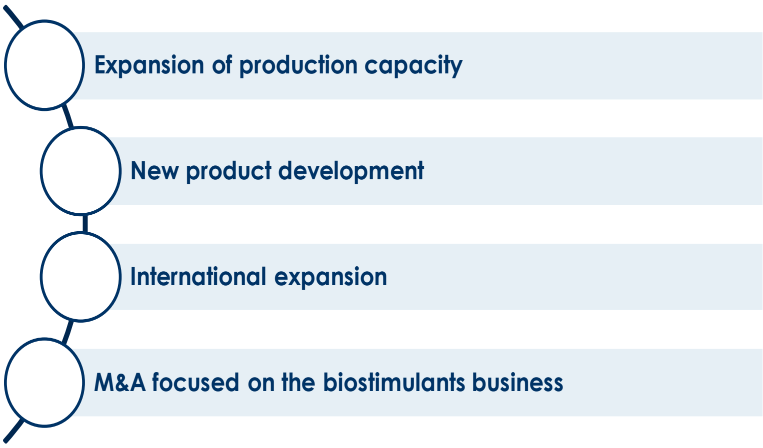
At the same time, the global plasterboard market is worth USD24.2bn and grew at a 9% CAGR over the past five years. While in the short-term, the outbreak of Covid-19 is likely to weigh on the growth prospects of the construction sector, the market is seen growing at a mid-single-digit pace over the medium/long term, driven by i) the growth of the construction sector, which should be underpinned by the urbanisation trend, and ii) rising penetration of plasterboards vs other building materials thanks to their versatility, affordability and lower environmental impact.

Finally, as regards animal fat, the rising penetration of renewable energy and, in particular, bio-fuel, should sustain the evolution of its commodity price.

Strategy to focus on organic development

In future, we expect Sicit's strategy to focus mainly on organic growth by leveraging the following three pillars: 1) expansion of production capacity, which should include a new processing line for animal hairs, a new plant for "special products", an additional line for leather trimming, as well as a new plant for enhancing the quality of animal fat produced; 2) new product development, including the production of hydrolysed proteins in granule and tablet formulation; 3) international expansion, with a special focus on the Americas and China. At the same time, Sicit may also explore M&A opportunities focused on the biostimulants business.

Sicit's main strategic pillars



Source: Mediobanca Securities

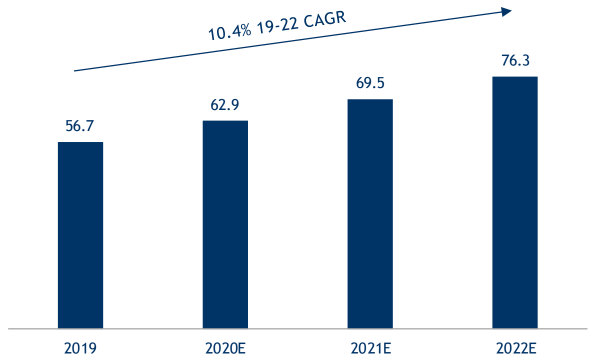
Expansionary capex to fuel a 10% 3Y sales CAGR…

We expect Sicit's revenues to increase at a 10% CAGR over the next 3 years to reach €76m, showing a resilient trend despite Covid-19 pandemic. We expect growth to be powered by organic development, including the expansion of production capacity and new product development. In terms of revenues composition, growth should be driven by the biostimulants and the animal fat segments. The former is seen growing at a 16% CAGR over FY20-22E, outperforming the reference markets thanks to market share gains and launch of new products, including the granule formulation.

We forecast the animal fat business to grow at an 11% CAGR over the same period, mainly driven by the new re-esterification plant, which will enable Sicit to improve the quality of fat produced, and, thus, increase the selling price. As regards the plaster retardants business, we project an 11% drop in FY20E, reflecting the weakness of global construction market due to Covid-19 pandemic, which should be followed by a 5% YoY average recovery over FY21-22E.

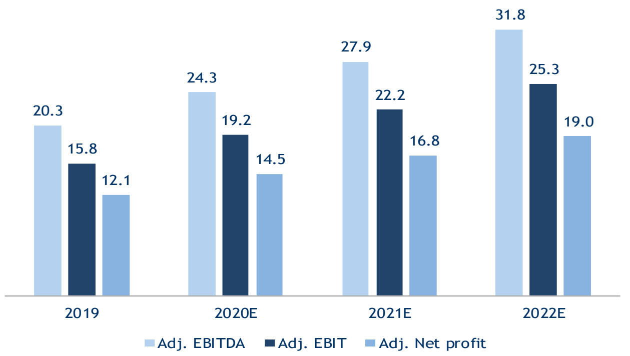
Growing selling volumes coupled with cost efficiencies should drive margin expansion, as we project Sicit's Adj. EBITDA to grow at a 16.1% CAGR over the same period to reach €32m, with margin expanding by 150bps on average per annum to reach 41.6% in FY22E. At the bottom line, we project adj. net profit to grow at a 16.4% CAGR over the next 3 years to reach €19.0m in FY22E.

FY20-22E profitability evolution (€m)



Source: Mediobanca Securities

FY20-22E profitability evolution (€m)



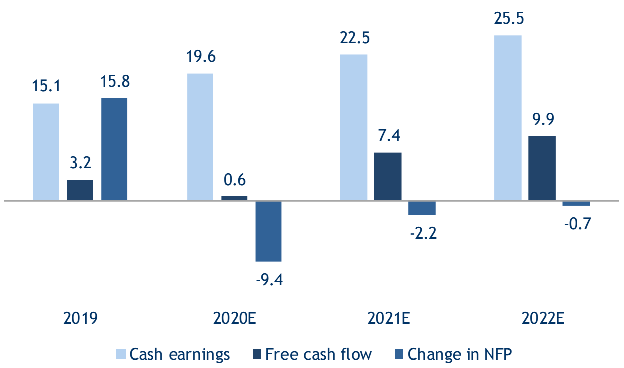
Source: Mediobanca Securities

…without affecting balance sheet solidity and shareholders' remuneration

We forecast the expansionary capex cycle to continue over FY20-22E, assuming investments in capacity expansion to pick-up compared to the previous three years. We estimate their incidence on sales to remain close to 20%, assuming c.€12m of extraordinary capex per annum in addition to €1.5m/year of ordinary capex. We expect the extra-capex cycle to not affect Sicit's balance sheet solidity, as we assume cash generation to remain strong over the forecast period.

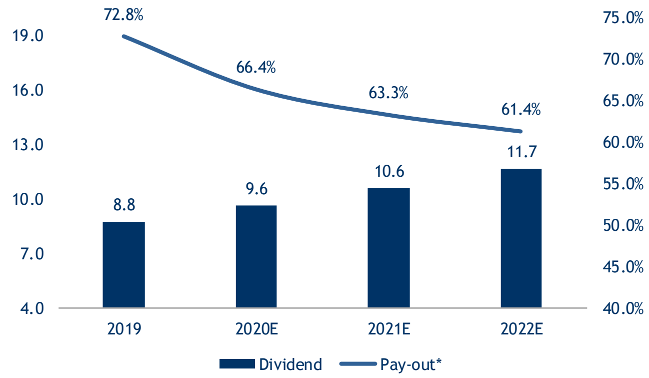
While we estimate FY20E FCF to be at break-even, we see cash generation to gradually increase over FY21-22E to reach €10m in FY22E, in line with the EBITDA increase. The rising cash generation should also grant a solid shareholder's remuneration over the period. On this regard, we project a growing trend in dividend distribution, as envisaged by the latest shareholders' pact signed by the controlling shareholders. In particular, we assume a 10% growth rate in DPS, with total dividend distribution seeing growing from €8.8m in FY19 to €11.7m in FY22E, implying a >60% pay-out ratio during the period.

FY20-22E cash generation forecasts (€m)



Source: Mediobanca Securities

FY20-22E dividend assumptions (€m)



*Source: Mediobanca Securities, *based on adj. net profit*

An attractive name in the green economy: Outperform, €14/share TP

We initiate our coverage on Sicit with an Outperform rating and a €14.0/share target price, which we obtained from a DCF-based valuation (8.3% WACC and 1.0% g). Although we have identified a panel of listed companies active in the AG business, we did not take it into account for our valuation, given the peculiarity of Sicit's business model. The stock trades at <8x EV/EBITDA and 13x P/E based on FY21E numbers, a level that looks undemanding and leaves compelling upside compared to our target price.

As a cross-check to our valuation, we found that Sicit is currently trading at c.30% discount vs the average P/E trading multiples of a panel of industrials Mid-Small Caps under MB's coverage showing above-average growth prospects and margins.

In this challenging macro context, we believe that Sicit may be an outperformer in the Italian Mid-Small Caps space on the back of its 1) completely circular and sustainable business model, which transforms waste into high-value-added products and grants outstanding margins 2) resilient business model, able to deliver sustained organic growth even in a subdued macro context challenged by the pandemic, and 3) unlevered balance sheet, which may provide ample flexibility to finance both organic growth projects and M&A.

Sicit vs selected panel of Industrial Mid-Small Caps showing above-average growth prospects and margins

Company	Sales 3Y CAGR	EBITDA 3Y CAGR	EV/EBITDA 2021E	EV/EBITDA 2022E	P/E 2021E	P/E 2022E
Antares Vision	9.8%	8.3%	17.6	13.9	25.5	20.8
CAREL	7.0%	9.1%	24.1	21.5	41.0	35.4
Guala Closures	3.0%	4.5%	7.7	7.1	20.4	16.8
GVS	17.3%	25.6%	17.2	17.6	28.1	29.6
Prima Industrie	0.7%	3.2%	6.7	5.6	17.6	12.0
Piovan	4.2%	7.5%	7.7	6.5	13.4	11.6
Salcef Group	5.9%	5.4%	5.5	4.9	11.9	11.4
Median	**5.9%**	**7.5%**	**7.7**	**7.1**	**20.4**	**16.8**
Sicit	10.4%	16.1%	7.2	6.3	13.1	11.5
Premium (discount) vs average			*-7.0%*	*-11.4%*	*-35.7%*	*-31.5%*

Source: Mediobanca Securities, prices as of 17 November 2020

SWOT ANALYSIS

Strengths

- Completely circular business model, which allows Sicit to transform waste into high-value-added products while granting outstanding margins
- Focus on R&D, which guarantees own the state-of-the-art technology for the production of hydrolysed proteins from tanning residues
- Well-established relationships with key customers active in both biostimulants and plaster businesses, also supported by the ability to provide tailor-made solutions
- Dominant position in Vicenza leather district, which ensures privileged access to tanning residues

Weaknesses

- High dependence on Vicenza leather district for raw material sourcing
- Exposure of part of the business (c.12% of revenues) to commodity price fluctuations
- Limited end-market diversification

Opportunities

- Expansion of production capacity to meet rising product demand and support sales growth
- New product development, including new product formulations for the existing business lines as well as applications for new segments
- International expansion, especially in the Americas and China, which represent large markets where Sicit is under-exposed
- Improvement in the quality of animal fat produced, which may allow Sicit to charge a higher price

Threats

- Raw material availability, which may be at risk in case further restrictions are imposed to curb the impact of Covid-19 crisis
- Larger than expected impact of the Covid-19 pandemic on the construction sector, which may weigh on the growth prospects of the plaster industry
- Rising competition within biostimulants market, which may put pressure on margins

A LEADING PLAYER IN THE CIRCULAR ECONOMY

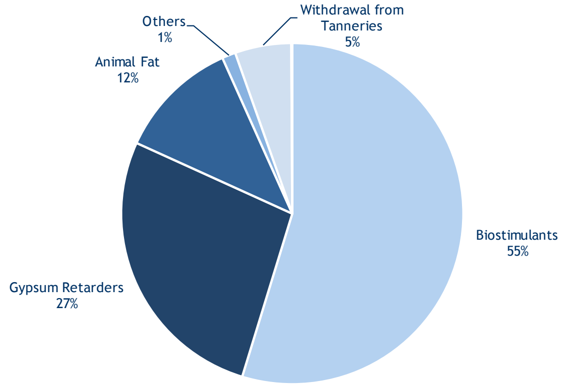
Sicit is a leading player in the circular economy, transforming residues from the leather tanning industry into high-value-added products such as biostimulants for the AG industry (c.55% of sales), retarders for the plaster sector (c.27% of sales) and products for use in other applications. Founded in 1960, the company operates through a B2B business model strongly focused on R&D. While the company sources its key raw materials almost entirely from the Vicenza leather district, Sicit sells its products in over 70 countries. The controlling shareholders are a group of local entrepreneurs active in the leather processing industry. Following the recent business combination with SprintItaly SPAC, Sicit's shares are listed on the STAR segment of Italian Stock Exchange.

Sicit is a leading player in the circular economy. The company transforms processing residues from the leather tanning industry into protein hydrolysates, which are employed as biostimulants for agriculture, retarders for the plaster industry as well as other applications. Founded in 1960, Sicit is located at the heart of Vicenza leather district, from which makes c.98% of its raw material sourcing. The company operates through a B2B business model, strongly focusing on R&D. Its business activities are carried out in its two plants and three R&D centres, all located in the Vicenza district.

Sicit is a global player, as it sells its products in more than 70 countries. Europe represents its main market, accounting for c.57% of its turnover. APAC is its second largest market (c.29% of its revenues), followed by the Americas (11%) and RoW. In terms of product, biostimulants account for the largest share of revenues (55% based on FY19 data), followed by retarders for the plaster industry (c.27% of sales) and animal fat (12% of sales), which is mainly employed in the production of bio-fuel for energy production. Besides manufacturing products, the company also provides withdrawal services, collecting processing waste and animal by-products from tanneries, which accounted for c.5% of its revenues in FY19.

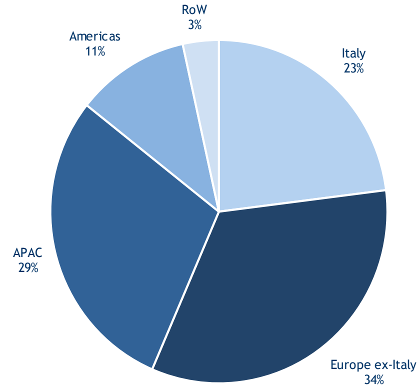
Intesa Holding, which is controlled by a group of local entrepreneurs active in the leather processing industry, retains a controlling stake in Sicit. The company was recently involved in a business combination with SprintItaly SPAC in a transaction worth €100m. Sicit's shares are currently listed on the STAR segment of the Italian Stock Exchange.

FY19 revenues breakdown by product/service



Source: Mediobanca Securities on Company Data

FY19 revenues breakdown by geography

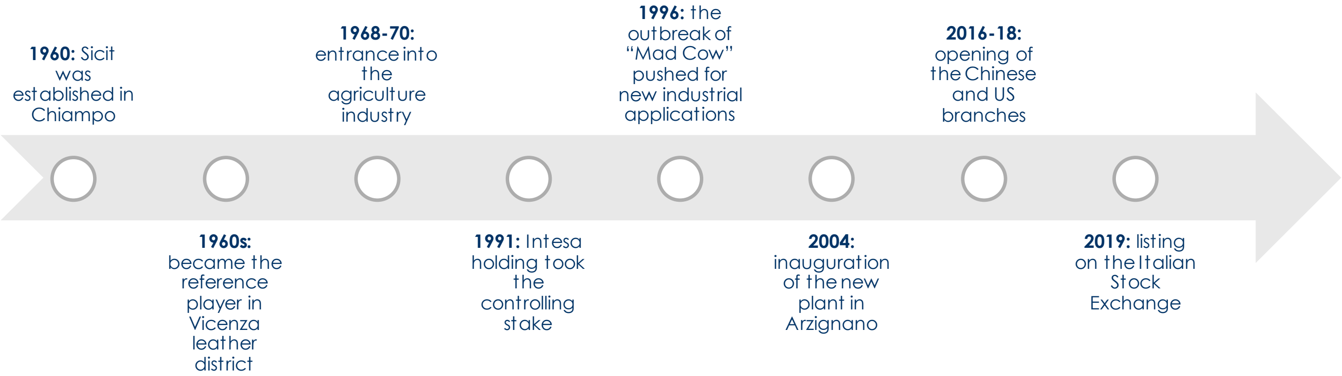


Source: Mediobanca Securities on Company Data

Historical milestones

- **1960:** Sicit (Società Industrie Chimiche Italiane) was founded in Chiampo (Vicenza), as a chemical player engaged in the processing of leather tanning residues;
- **1960s:** Sicit became the reference players for treating processing residues in Vicenza leather district, which, at that time, were employed for the industrial farming of calves;
- **1968-70:** The company entered the agriculture industry, following the start of its first experimental plant devoted to the production of protein hydrolysates for use in agriculture;
- **Mid-70s:** Sicit entered the fat production business for feeding mills;
- **1989-91:** The company passed under the management of Mr. Filippi, prompting a new rich capex cycle;
- **1991-96:** Following a change in the shareholding structure, Intesa Holding (a vehicle controlled by local entrepreneurs active in the leather industry) acquired a controlling stake in Sicit and started a restructuring process;
- **1996:** The outbreak of the "mad cow" disease prompted a restructuring process, with R&D focusing on the development of new products for other industrial applications, as well as enriching the offer in the agricultural business. In this context, Sicit entered into a partnership with the University of Edinburgh and developed a state-of-the-art process for the hydrolysis of animal proteins obtained from the tanning industry;
- **2000:** Under the restructuring process, business activities were split into two separated companies, namely Sicit 2000 and Chemitech. The former focused on the production and sale of amino acids and peptides for the agriculture business, while the latter was responsible for quality control, R&D and engineering activities;
- **2004:** The new plant in Arzignano (Vicenza) was inaugurated;
- **2006-11:** This period saw the renovation and automation of the Chiampo plant;
- **2016-18:** Sicit opened its subsidiaries in China and the US;
- **2019-20:** Sicit went public, following its business combination with SprintItaly SPAC. Shares are currently listed on the STAR segment of the Italian Stock Exchange.

Summary of Sicit's historical milestones

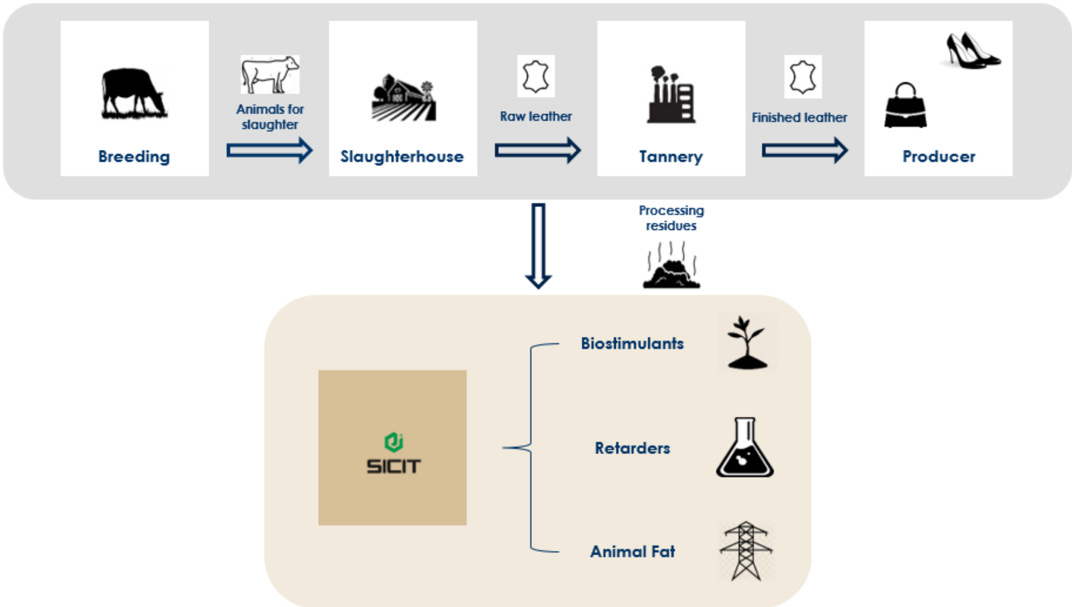


Source: Mediobanca Securities on Company Data

Business model: transforming tanneries' processing residues into high-value-added products

Sicit's activities consist in collecting processing residues from the leather tanning industry and transforming them into high-value-added products. The company operates through a B2B business model. It sources 98% of its key raw materials from Vicenza leather district, where the company is the reference player for the collection and treatment of processing residues. Collection services provided are also a source of revenues for Sicit (5% of FY19 sales), as it charges tariffs based on the cost of disposal and provides a sustainable (and more affordable) option for valorising production waste. In its 60-year history, the company has developed a state-of-the-art technology for the extraction of amino acids and peptides through hydrolysis of input raw materials. These are then employed for the production of biostimulants for agricultural applications (55% of sales) and retarders for the plaster industry (27% of sales), while animal fat, which is obtained as a residue of the process, is sold as raw material for the production of biofuel (12% of sales).

Sicit's role in the supply chain of the leather industry



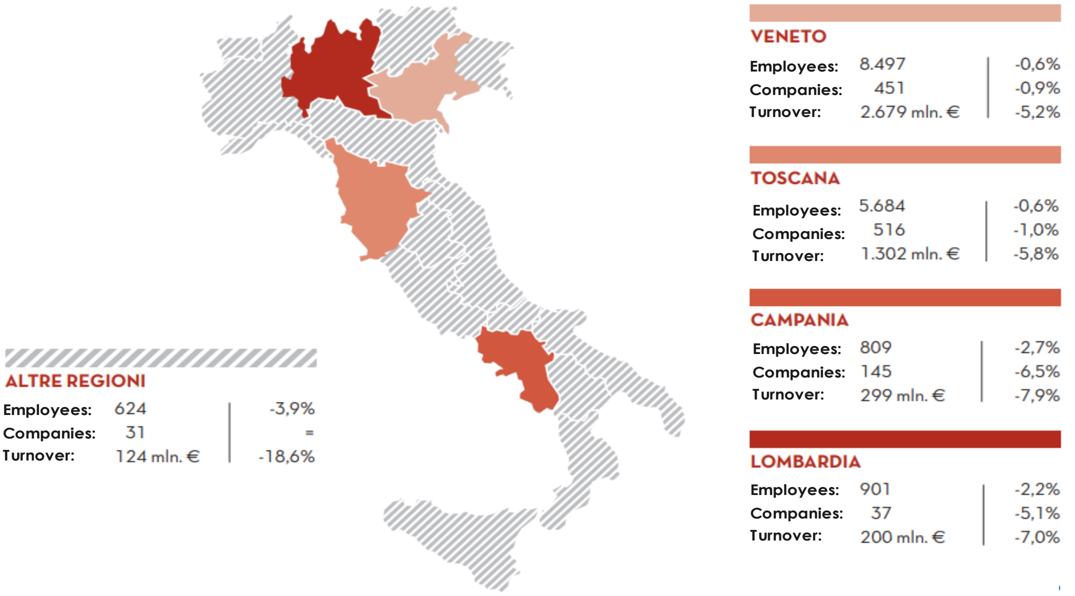
Source: Mediobanca Securities

Residue collection: sustainable services for Vicenza leather district

Sicit's main input raw materials are processing residues from the tanning industry, which includes fleshing, hair, shaving and trimming. For tanneries this represents an economic advantage as well as a sustainable option for valorising production waste, which, otherwise, would have been disposed through a heavy-polluting processes at a cost >10x the one charged by Sicit (~€250/ton vs ~€20/ton). Collection services provide a source of revenues for Sicit, as it charges tariffs based on the cost of disposal.

Sourcing is almost entirely based in Vicenza leather district, where the company is the only one allowed to process animal residues in accordance with environmental and health safety requirements and is, thus, the reference player in terms of volume collected. This is also due to its strategic proximity to the Vicenza district, as some residues need to be processed within 48 hours of collection, imposing logistics constraints. Vicenza leather district represents an Italian excellence. With c.450 operating companies, it accounts for c.60% of Italy's tanned leather production, employing more than 8,000 workers and generating c.€2.7bn revenues annually.

Italian tanning industry at a glance (2019 data and '19/'18 changes)



Source: UNIC

The district produces c.100k ton/year of animal by-products (c.65% of the total produced by the Italian industry) and c. 150k ton/year of processing residues (55% of the total produced by the Italian industry). Of this, Sicit collects 100% of the former and c.15% of the latter.

Residue produced in Vicenza leather district

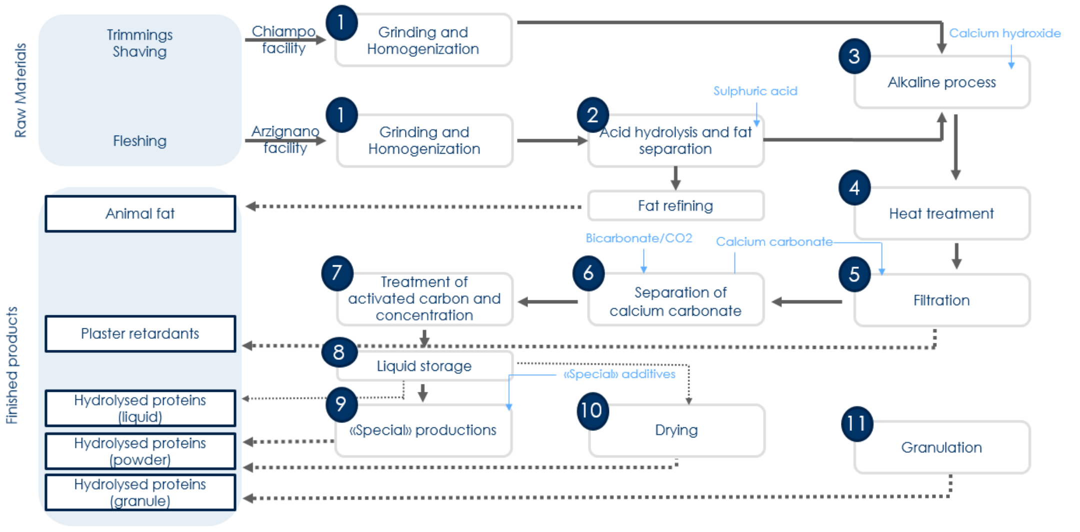
	Volume produced (k ton/year)	% of the Italian tanning industry	% collected by Sicit
Animal by-products (fleshing and hair)	100	65%	100%
Processing residues (shaving and trimming)	150	55%	~15%

Source: Mediobanca Securities on Company Data

Processing: highly innovative treatments for minimising wastes

Once collected by Sicit, input raw materials undergo several treatments including an alkaline process, hydrolysis and heating, that are needed to extract amino acids and peptides. These activities are carried out in the two plants located in Chiampo and Arzignano. The former focuses on the processing of animal by-products (fleshing and hair), while the latter is devoted to the treatment of other processing residues collected (shaving and trimming). Sourcing continuity is guaranteed by inventories, which are managed as a function of i) the demand of final products and ii) perishability of input raw material (fleshing and hair residues need to be processed within 2 days of collection). Treatment complexity may vary, depending on the level of sophistication of the finished product. All these activities are constantly monitored by R&D and quality control department, which is responsible for both product development and quality control of finished products.

Sicit's production process at a glance



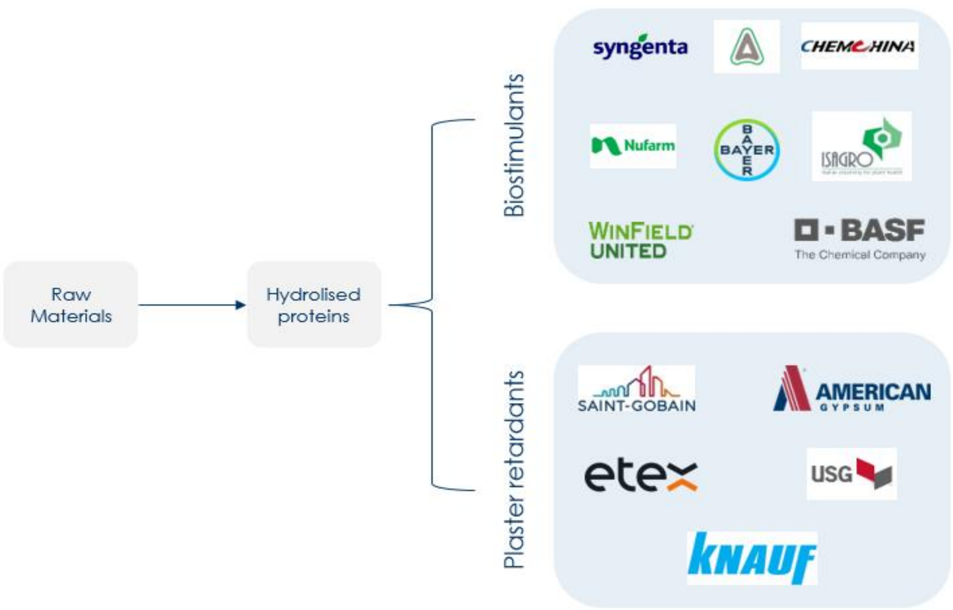
Source: Mediobanca Securities on Company Data

B2B business model with a global footprint

Sicit follows a B2B business model. Output produced is sold either as finished products to distributors or as ingredients, which are used by other players for other formulations. As a consequence, the company does not engage in marketing campaigns addressed to final users. Relationships with the main customers are managed by sales representatives, which operate globally. In FY19, sales were generated from more than 300 different customers spread throughout 73 countries.

In the biostimulants business, the main customers are companies operating in the crop protection and nutrition business, including both global conglomerates (e.g. Syngenta, Bayer, Isagro, BASF and Nufarm, Adama and smaller players. With reference to the retarders business, the main clients include players involved in the production of plaster and other construction materials, such as Knauf, Saint Gobainm China Gypsum and USG Boral.

Sicit's main customers for each products



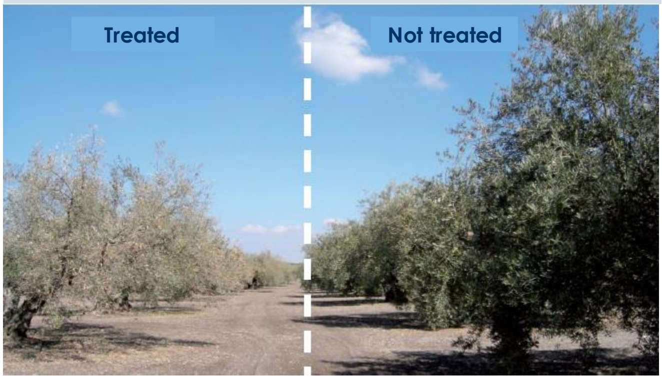
Source: Mediobanca Securities

Biostimulants: sustainable enhancers for agriculture

Biostimulants are special products employed in agriculture, that are complementary to fertilisers and other chemical treatments. They improve crop performance in a totally sustainable way, as they are fully biodegradable and do not pollute the environment. Although they are one of the earliest agricultural inputs in history, their utilisation and development picked up only recently, underpinned by favourable findings obtained in several researches on the matter. In particular, the utilisation of biostimulants provides the following advantages:

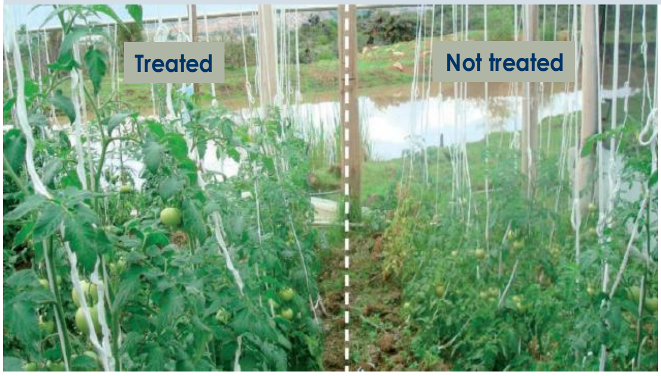
- They improve the assimilation of nutrients included in fertilisers;
- They reduce the utilisation of agro-pharmaceutical products and fertilisers, which can sometimes be detrimental to the soil;
- They improve crop yields;
- They help protect soil health and recovery from abiotic stress, such as extreme temperature or irregular rainfall.

Comparison between treated and non-treated soil (I)



Source: Company presentation

Comparison between treated and non-treated soil (II)



Source: Company presentation

It has been proved that the use of biostimulants increases crop yields by 5%-10% on average, while it improves the efficacy of fertilisers by 5%-25%. At the same time, it reduces the utilisation of pesticides by 10%-15% on average.

Sicit's offer for this market focuses on the high-end segment, with the company selling high-quality products featuring high concentration of amino acids and peptides. These are sold in both liquid and powder forms. Furthermore, Sicit's production flexibility allows for a high degree of product customisation. The product offer is divided into four categories:

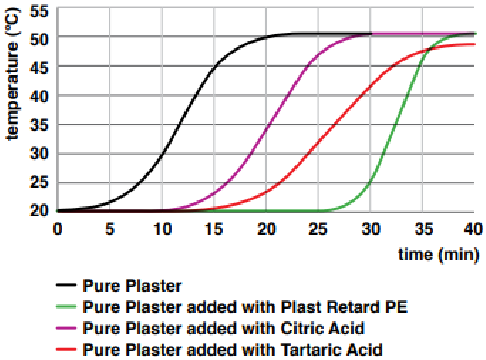
- **Standard products -** This category includes products containing only amino acids and peptides and are recommended for use on all crops, both in foliar application and on the ground;
- **Special products** - They include specific products that prevent and treat nutritional deficiencies and activate internal mechanisms of plants to resist parasites. They also encompass **organo-mineral products,** a more sophisticated solution obtained from a combination of different sources of nitrogen, both inorganic and organic, including amino acids and peptides, which is employed for foliar and fertigation applications, and **products for crop protection,** which are endowed with fungicide and bactericide, which protect from insects and surfactants.

Plaster retardants: a key additive for enhancing processing capabilities

Amino acids recovered from tanning residues are also employed for the production of retardants for the plaster industry. These are additives used in the gypsum industry to delay the time of setting and enhance the processing capabilities. They are employed in both plasterboard production and other applications in the construction industry. Sicit's main product for this industry is PlastRetard, which is a multifunctional additive available in both liquid and powder forms. Currently, it is the most widely used additive of its kind in the plaster industry worldwide. Compared to its alternatives, it has the following advantages:

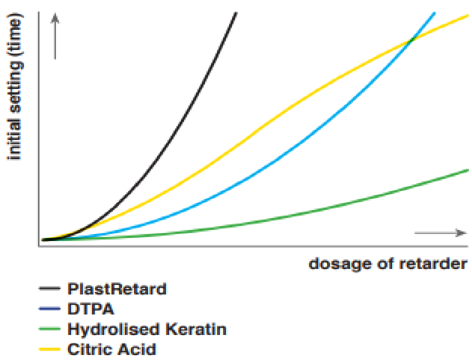
- It works even at low dosages
- It provides a cleaner mixture
- It Increases the fluidity of plaster

PlastRetard performance compared to other additives (I)



Source: Company Data

PlastRetard performance compared to other additives (II)



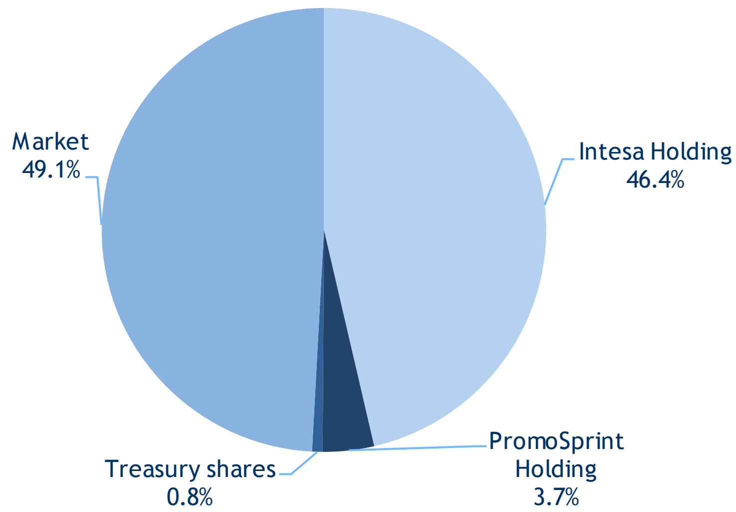
Source: Company Data

Business combination and shareholding structure

Sicit's shares are listed on the Star segment of the Italian Stock Exchange, following the recent trans-listing from the AIM stock segment. The company went public through a reverse merger with SprintItaly SPAC, which took place in May 2019. The transaction envisaged a total consideration of €100m, including a €30m capital increase and a €70m of secondary shares sale (43.8% stake pre-money) by the controlling shareholder, Intesa Holding, which valued 100% of Sicit's share capital at €160m. This corresponded to 7x EV/EBITDA and 12x PE transaction multiples based on FY17 figures. According to the latest public data, Intesa Holding holds a controlling stake (46.4%). The holding, which reduced its stake following the business combination, is owned by a consortium of local entrepreneurs active in the tanning market. Promo Sprint Holding, which is the vehicle controlled by SPAC promoters, has retained a 3.7% share, while market free-float accounts for the remaining share.

We flag that Intesa Holding and Promo Sprint Holding have signed a shareholding pact expiring in 2023, which includes, the promotion of the adoption of a growing dividend policy over 2021-23. Furthermore, the controlling shareholder Intesa Holding has signed a lock up agreement expiring in 2023.

Current shareholding structure



Source: Mediobanca Securities on Company Data

Warrants and special shares

The share capital of Sicit is based on 19.8m shares, which are split into 19.6m ordinary shares and 195k special shares, with the latter being entirely owned by SPAC promoters' vehicle. Besides, there are c.6.75m outstanding warrants (€9.5 strike price), which were issued as part of the deal for the business combination.

Warrants and special shares are a common feature for SPACs, providing additional incentives to initial subscribers of SPAC shares and sponsors to increase their profit in case the business combination becomes successful. However, such shares might lead to additional dilution for holders of ordinary shares, to a higher or lower degree depending on share price performance.

We recap below the main characteristics of these securities and conditions subject to which these securities may be converted into ordinary shares in the future:

- **Special shares (conversion ratio of 1:6) -** all the special shares currently outstanding may be converted into ordinary shares with a 6x multiplier (1.17m new ordinary shares issued) if the share price durably exceeds €13.5 within May 2024. Otherwise, the set of special shares will be converted into ordinary ones without any multiplier (1:1 ratio);

- **Warrants (strike price of €9.5)** – The exercise ratio of this security is not fixed, as it depends on the average share price recorded during the previous month (the higher the average share price, the higher the exercise ratio), with a maximum value of 0.2713 corresponding to a monthly average share price exceeding €13.0, which may lead to a maximum of 1.8m new shares.

We recap below potential dilution in the current shareholding (based on different stock prices) due to the conversion of these shares. We note that the maximum number of new shares issued would be 2.8m.

Ordinary shares evolution and dilution effect based on stock price

	€9.5	€10.0	€11.0	€12.0	€13.0	€13.5
Ordinary shares	19.6	19.6	19.6	19.6	19.6	20.8
Special shares	0.2	0.2	0.2	0.2	0.2	0.0
Warrant conversion*	0.0	0.3	0.9	1.4	1.8	1.8
Total outstanding shares	**19.8**	**20.2**	**20.8**	**21.3**	**21.7**	**22.7**

*Source: Mediobanca Securities on Company Data, *Hp: assuming maximum exercise for each price level*

REFERENCE MARKET: BIOSTIMULANTS' STRUCTURAL TRENDS TO SUSTAIN GROWTH DESPITE PLASTER SHORT-TERM WEAKNESS

Sicit supplies hydrolysed proteins employed as biostimulants, which generate c.55% of its turnover. The global biostimulants market is worth USD2.5bn and is expected to grow at a 12% CAGR over the next five years, in line with its historical growth pace. EMEA represents the largest market, accounting for 39% of total value, followed by APAC (24%), North America (20%) and Latam (17%). Sector growth should be underpinned by i) growing global population and food demand, which should imply a more than 50% increase in AG production through 2050, ii) need for crop yield improvements to boost AG production, given the scarcity of arable lands, iii) need for "green" solutions in the agrochemical industry, as biostimulants help reduce environmental impact of fertilisers, and iv) advent of precision farming, which should support the utilisation of biostimulants to enhance AG productivity.

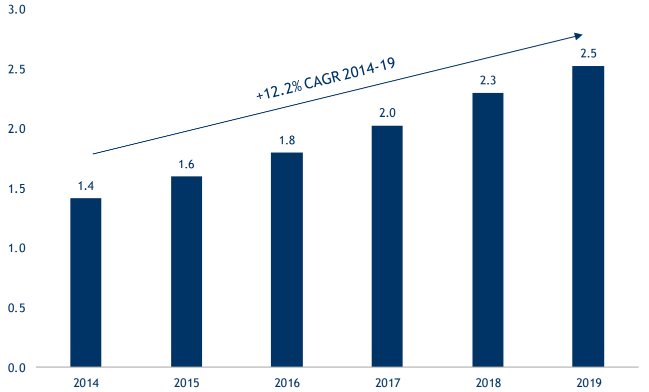
At the same time, the company supplies retardants for plaster, with c. 27% of its turnover generated from this segment. The global plasterboard market is worth USD24.2bn and grew at a 9% CAGR over the past five years. In terms of geography, China is the largest market, accounting for 33% of total value, followed by North America (26%), Europe (21%), Japan (7%) and RoW (13%).While in the short-term, the outbreak of Covid-19 is likely to weigh on the growth prospects of the construction sector, the market is seen growing at a mid-single-digit pace over the medium/long term, driven by i) the growth of the construction sector, which should be underpinned by the urbanisation trend, and ii) rising penetration of plasterboards vs other building materials thanks to their versatility, affordability and lower environmental impact.

Finally, c.12% of revenues are generated from the sale of animal fat, which is employed for renewable energy production, especially for bio-fuel. The latter should see a rising penetration in energy consumption, underpinned by targets set by the Italian government.

I) Biostimulants growth is underpinned by structural trends

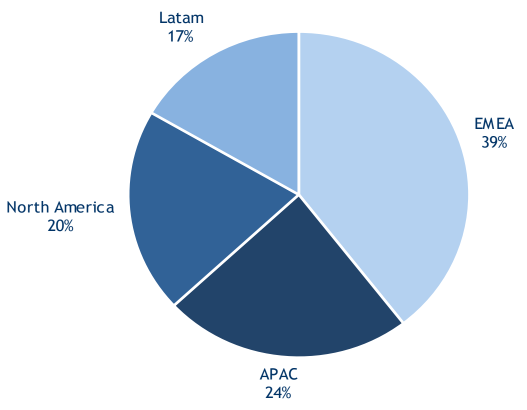
Sicit is active in the biostimulants market, which generates c. 55% of its turnover. Although this product category has been one of the earliest crop enhancers employed in history, its utilisation has picked up only recently, experiencing significant growth. The global biostimulants market is worth USD2.5bn, after having recorded a double-digit CAGR over the past five years. In terms of geographical composition, EMEA is the largest market, accounting for 39% of total value, followed by Apac (24%), North America (20%) and Latam (17%).

Global biostimulants market (USDbn)



Source: Global Biostimulants Markets (2020-24), Technavio

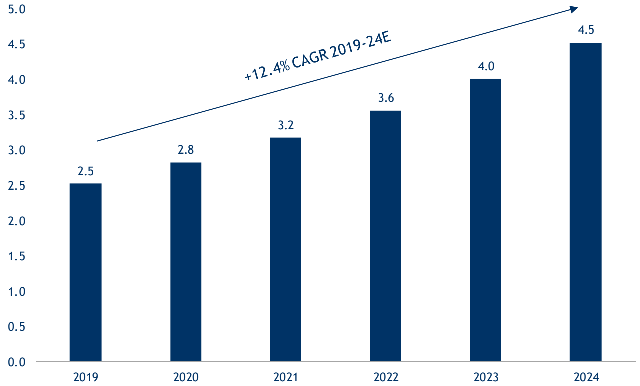
Global biostimulants market by geography



Source: Global Biostimulants Markets (2020-24), Technavio

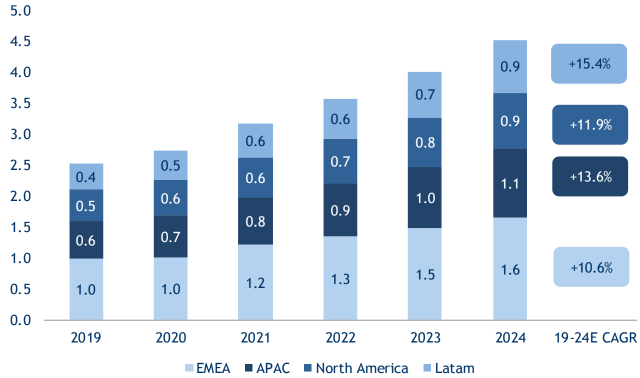
In the future, the market's growth is expected to be in line with previous years. The market is seen growing at a 12% CAGR over 2019-24, when it is expected to reach USD4.5bn in value. All the geographic areas should grow at a double-digit pace. Latam should be the fastest growing region, with an estimated CAGR of 15% over the next five years, followed by APAC (14%), North America (12%) and EMEA (11%).

Global biostimulants market growth forecasts (USDbn)



Source: Global Biostimulants Markets (2020-24), Technavio

Market growth forecasts by geography

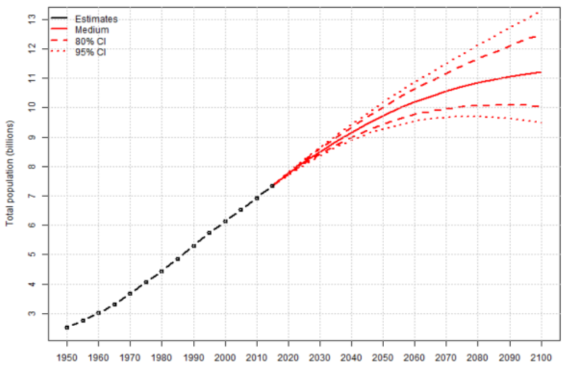


Source: Global Biostimulants Markets (2020-24), Technavio

Among the key growth driver of this industry we flag:

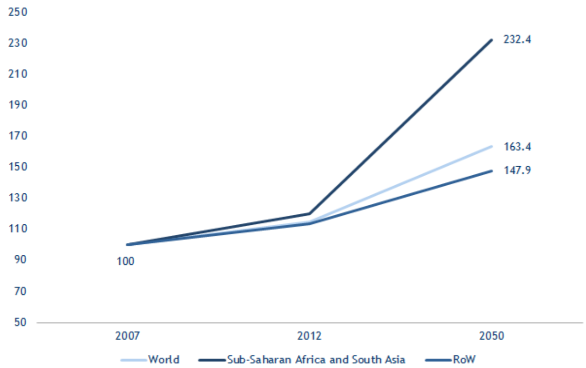
- **Growing global population and food demand** - According to UN publications, Global population is estimated to grow from the current 7.5bn to 9.7bn in 2050 and 11.2bn in 2100. In order to match the projected food demand, the FAO estimates the production of almost 50% more food, feed and biofuel compared to the 2012 level.

Estimated growth in global population through 2100



Source: United Nations - World Population Prospects: The 2015 Revision

Growth in AG output needed to meet demand (2007=100)



Source: FAO - Global Perspectives Studies (2017)

- **Crop yield improvement needed to sustain growing AG output**- According to the FAO, only 12% of the world's land can be used for farming and the trends of urbanisation and deforestation should limit the expansion of arable lands in the future. As a consequence, the FAO estimates that the bulk of projected growth in crop production in developing countries should be the outcome of crop yield improvements (73%) and higher crop intensity (6%), while only 20% should be attributable to an expansion in arable lands.

Estimated source of growth in crop production over 2005-2050 (% points)

% points	Arable land expansion 1961-2007	Arable land expansion 2005-2050	Increases in cropping intensity 1961-2007	Increases in cropping intensity 2005-2050	Yield increases 1961-2007	Yield increases 2005-2050
All developing countries	23	21	8	6	70	73
Sub-Saharan Africa	31	20	31	6	38	74
Near East/North Africa	17	0	22	20	62	80
Latin America and the Caribbean	40	40	7	7	53	53
South Asia	6	6	12	2	82	92
East Asia	28	0	-6	15	77	85
World	14	10	9	10	77	80

Source: FAO - World Agriculture towards 2030/2050: the 2012 revision

- **Need for "green" solutions –** The agrochemical industry has been recording a growing need for sustainable solutions in agriculture. Biostimulants represent a valid solution to address this issue, as their utilisation i) stimulate natural processes that enhance nutrient uptake and crop quality, ii) reduces the chemical footprint of AG treatments, and iii) optimises the use of fertilisers, reducing their impact on the environment.

Benefits of biostimulants in crop production

Source: European Biostimulants Industry Council

- **Advent of precision farming -** Biostimulants may be considered a key ingredient in agricultural treatments in the context of rising adoption of an approach based on precision farming. Precision farming will involve the employment of IT innovation to determine the best-suited processes to enhance AG productivity.

Precision farming

Source: EIP-AGRI

Sicit is a niche product supplier to the AG treatment market

Biostimulants market is characterised by a large number of players of different sizes. On one hand, the market includes large global players with a highly diversified end-market exposure, including chemical, pharmaceutical and cosmetics (such as Bayer, Syngenta, BASF and China National Chemical). On the other hand, the market is populated by mid-size players with a product offer focused on agricultural treatments, which include Nufarm, Biolchim, BioGro, ILSA and Isagro). Finally, the market includes small players, whose offerings focus on mainly biostimulants and fertilisers, such as AgriTecno, Italpollina, Bioiberica and Valagro.

In this context, Sicit acts as a supplier to the above-mentioned large and mid-size players, rather than competing with them. In particular, the company is the largest provider of biostimulants derived from hydrolysed animal proteins, which are employed by customers as input for their product formulations.

As there are no direct competitors active in the market, we are not able to carry out an analysis on market share of Sicit in this sector. However, for the sake of completeness, we provide below a detailed panel of companies identified by management that have an exposure to the biostimulants market.

Overview of main players active in production of biostimulants

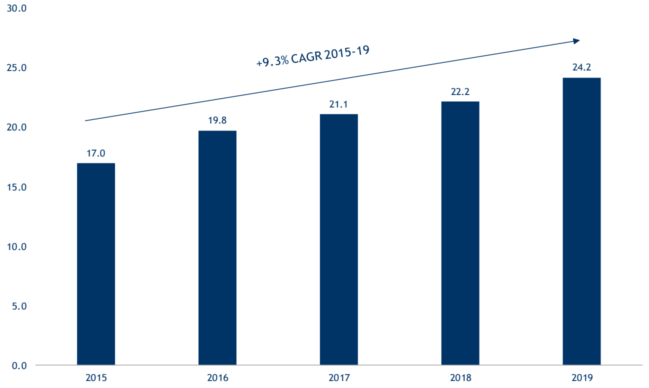
Company	Country	FY18 Sales (€m)	EBITDA margin (%)	FY16-18A Sales CAGR	Products	Geographical exposure
Bioberica Sau (SARIA Group)	SPA	269.6	18%	14%	75% hydrolised proteins, 25% fulvic acids	Global
Sicit Group	ITA	55.1	37%	10%	100% hydrolised proteins	Global
Italpollina	ITA	29.9	5%	-2%	50% hydrolised proteins, 25% fulvic acids, 25% micro-organisms	Regional/Europe
Atlantica Agricola	ITA	25.5	30%	5%	25% hydrolised proteins, 75% fulvic acids	Regional/Europe
ILSA (Biolchim-Cifo Group)	ITA	23.1	14%	4%	75% hydrolised proteins, 25% fulvic acids	Regional/Europe
Agritecno*	SPA	16.2	10%	22%	75% hydrolised proteins, 25% fulvic acids	Regional/Europe
Consorzio SGS	ITA	14.8	3%	21%	100% hydrolised proteins	Regional/Europe

*Source: Capital IQ, Aida BvD, SICIT Group.*financial figures refer to 15-month period (from 31/12/17 to 31/03/19)*

ii) Plaster market: Covid-19 to weigh in the short term, but medium/long term growth prospects remain solid

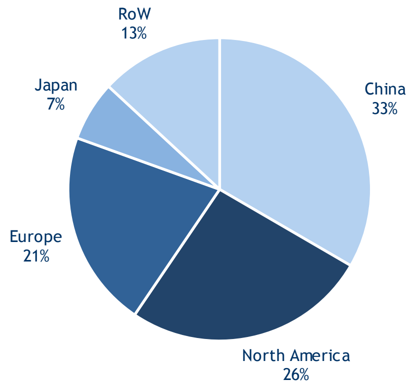
Sicit also provides retarders for the plaster market, with c. 27% of its turnover generated from this segment. In particular, Sicit supplies hydrolysed proteins employed as an additive in plasterboard formulation, which is used to delay the time of setting and enhance the processing capabilities. The global plasterboard market is worth USD24.2bn and grew at a 9% CAGR over the past five years. In terms of geography, China is the largest market, accounting for 33% of total value, followed by North America (26%), Europe (21%), Japan (7%) and RoW (13%).

Global plasterboard market (USDbn)



Source: The future of gypsum: market forecasts to 2030, Smithers (2019)

Global plasterboard market by geography



Source: The future of gypsum: market forecasts to 2030, Smithers (2019)

While in the short-term, the outbreak of Covid-19 is likely to weigh on the growth prospects of the construction sector, the market is seen growing at a mid-single-digit pace over the medium/long term. All the geographies are seen growing in line with this trend, with developing counties expected to outpace the more mature markets. Among the key growth driver of this industry, we flag:

- **Growth in construction sector** - Plaster demand is strictly tied to the evolution of both residential and non-residential construction sectors, whose medium-long term growth prospects should be mainly underpinned by the urbanisation trend;
- **Rising penetration of plasterboard vs other building materials** - The utilisation of plaster and plasterboard in the construction segment should continue to outpace the use of other building materials as it has the following advantages: i) it is the most versatile material as it is light-weight and simple to install, ii) it is cheaper than its alternatives, iii) it has a low environmental impact, and iv) it is fire resistant.

Sicit has well-established relationships with major plaster producers

The plaster market is similar to an oligopoly, with few large producers accounting for the majority of market share. In this context, Sicit is the only supplier to produce retardants from hydrolysed animal proteins instead of synthetic processes. The company has developed well-established relationships with the major plasterboard producers, leveraging product quality and after-sales assistance. Direct competitors include large global chemical players, with a highly diversified product portfolio and end-market exposure. We recap below the main competitors active in the retardant for plaster space.

Sicit's main competitors in plaster retardant market

Company	Country	FY18 Sales (€m)	EBITDA margin (%)	FY16-18A Revenue CAGR	Sectors
Sika	CH	6,288	16.2%	11.0%	Construction, Automotive
Basf	GER	62,675	14.6%	4.4%	Construction, Agriculture, Automotive, Energy
Dow Inc	USA	75,089	21.3%	33.6%	Construction, Automotive, Energy, Safety
Akzo Nobel	NL	9,256	9.1%	-0.9%	Construction, Automotive, Aerospace, Others

Source: Companies' data, Aida BvD, SICIT Group.

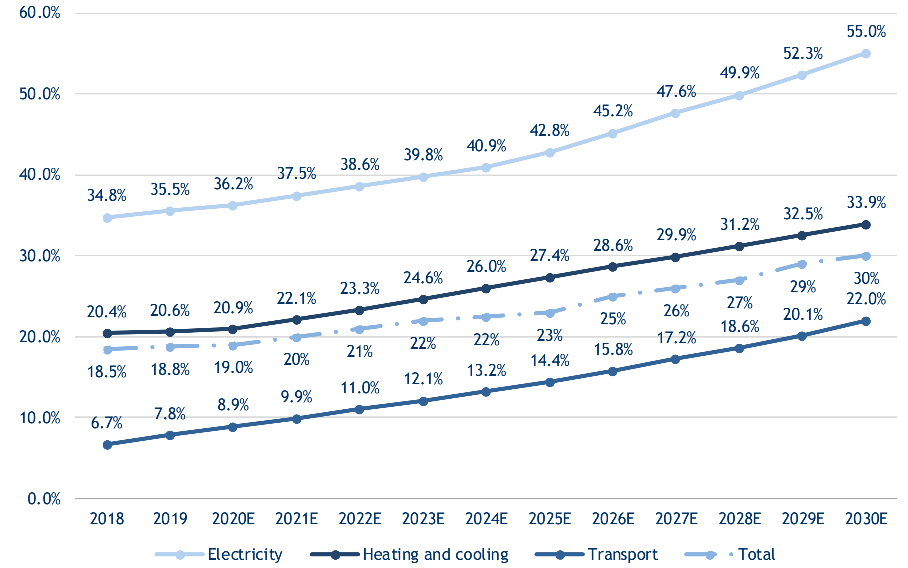
iii) Animal fat set to benefit from renewable energy targets

Finally, c.12% of Sicit's revenues are generated from the commercialisation of animal fat. Animal fat is a by-product, which originates from the hydrolysis process carried out by Sicit. It is traded like a commodity and employed in the production of bio-fuel for energy production.

As of 2018, in Italy, the share of energy obtained from renewable resources in the total consumption was 19%, split as follows: 35% for electricity, 20% for heating and cooling and 7% for transportation. As regards electricity, energy produced from bio-fuel accounts for a marginal share (<2%), but the employment of animal fat has seen a growing trend, with its share moving from 6% in 2015 to 15% in 2018 within this category. For heating and cooling, the use of bio-fuel is negligible. On the contrary, for transportation, the share of renewable resources is almost entirely represented by bio-fuel, with animal fat accounting for c.31% of its production.

Going forward, the rising utilisation of renewable resources, in particular, bio-fuel, should be driven by the ambitious targets set by the Italian government. In particular, it has set a target of a 30% share of energy obtained from renewable resources in total consumption, with the following targeted share of renewable resources penetration: 55% for electricity, 34% for heating and cooling and 22% for transportation.

Penetration targets for energy consumption from renewable resources (%)

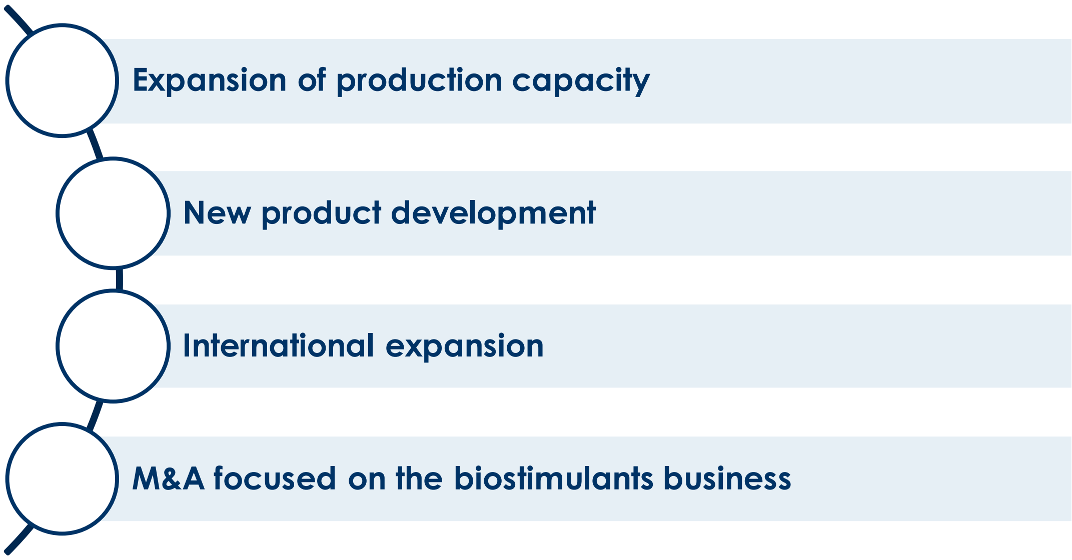


Source: Italian Ministry of Economic Development

STRATEGY TO FOCUS ON ORGANIC DEVELOPMENT

In future, we expect Sicit's strategy to focus mainly on organic growth by leveraging the following three pillars: 1) expansion of production capacity, which should include a new processing line for animal hairs, a new plant for "special products", an additional line for leather trimming, as well as a new plant for enhancing the quality of animal fat produced; 2) new product development, including the production of hydrolysed proteins in granule formulation; 3) international expansion, with a special focus on the Americas and China. At the same time, Sicit may also explore M&A opportunities focused on the biostimulants business.

Sicit's main strategic pillars



Source: Mediobanca Securities

In future, we expect Sicit's strategy to focus on organic development by expanding its production capacity, which will be needed to power further international expansion and new product development. In details, we expect Sicit strategy to focus on the following pillars:

- **Expansion of production capacity** – Sicit is undertaking massive investments to boost the production capacity of hydrolysed proteins from tanning residues, which will be needed to meet the expected rise in product demand. The current capex cycle focuses on the following areas of intervention:
  - Installation of a new processing line for the extraction of hydrolysed proteins from animal hairs in the Arzignano facility. This project will enable the company to process a new animal by-product in addition to fleshing;
  - Construction of a new plant for the production of "special products", i.e. tailor-made products for the biostimulants business, which employs peculiar additives and processing techniques;
  - Construction of a new plant for re-esterification of animal fat, which will enable Sicit to produce a higher quality fat, sold at a higher price;
  - An additional processing line for the extraction of hydrolysed proteins from trimmings, expected to be installed in the facility located in Chiampo;
  - Strengthening of R&D activities, all of which will be performed in a new facility;

- **New product development -** Sicit is constantly involved in R&D, investing c.3% of its revenues annually. These activities are aimed at optimising processing technologies as well as developing new products. Among potential innovations, Sicit is working on the production of hydrolysed proteins in granules. This new formulation is endowed with “smart release” technology, i.e. it allows a gradual release of the product over time, maximising its efficacy;
- **International expansion -** Although Sicit already commercialises its products in 70 countries, the management sees sizeable growth opportunities from international expansions. On this purpose, Sicit plans to strengthen its international presence, especially in North America and Latam. Furthermore, in China, the company plans to open a new production facility, which should focus on the final formulation of finished products, while the production of hydrolysed proteins would continue only in the Italian facilities.
- **M&A focused on the biostimulants business -** Aside from organic development, Sicit may also consider external growth projects, exploiting its unlevered balance-sheet. Among the potential targets, Sicit may be looking at players active in the biostimulants business in order to enlarge its product offer for this segment, leveraging its already well-established customer base.

FINANCIALS: 10% SALES 3Y CAGR POWERED BY EXPANSIONARY CAPEX

Key FY 2017-19 financials:

- Revenues grew at a 3% CAGR, increasing from €53.9m in FY17 to €56.7 in FY19, mainly driven by the growth of the biostimulants business and partially offset by the drop in animal fat price;
- Adj. EBITDA declined from €22.1m in FY17 to €20.3m in FY19, with the margin decreasing from 41.0% to 35.8%, reflecting a less favourable mix and higher G&A costs, due to the listing on the STAR segment;
- Adj. EBIT reflected the EBITDA trend, declining from €17.9m in FY17 to €15.8m in FY19, with margin decreasing from 33.2% to 27.9%;
- Similarly, adj. net profit declined slightly from €12.9m in FY17 to €12.1m in FY19, with the margin decreasing from 24.0% to 21.3%

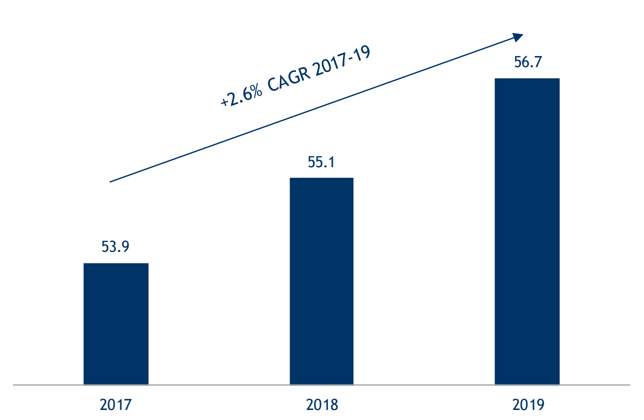
Our FY 2020-22E forecasts:

- We estimate revenues to grow at a 10% CAGR to reach €76m in FY22E, driven organic development, including the expansion of production capacity and launch of new products;
- Adj. EBITDA should grow at 16% CAGR to reach €32m. Operating leverage coupled with cost efficiencies should drive margin expansion, as we assume Adj. EBITDA margin to increase from 35.8% in FY19 to 41.6% in FY22E;
- Adj. EBIT should grow at a 17% CAGR to reach €25.3m, mirroring EBITDA trend;
- Adj. net profit is seen growing at a 16% CAGR to reach €19m
- Cash generation should sustain expansionary capex while granting solid shareholders' remuneration. We estimate a net cash position (excluding liabilities for warrants) of €17.0m in FY22E from €29.3 in FY22E

Historical financials: 3% sales CAGR achieved in FY17-19

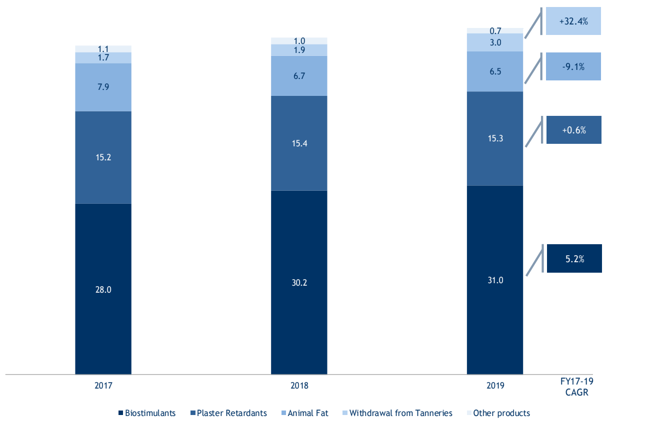
Sicit's revenues increased at a 2.6% sales CAGR over the past three years to €56.7m in FY19, reflecting different underlying trends across business segments. In particular, the sales growth was underpinned by the biostimulants segment, whose revenues increased at a 5.2% CAGR, inching up from €28m in FY17 to €31m in FY19. Also revenues recorded by the withdrawal from tanneries segment grew at a notable rate (+32.4% CAGR), reaching €3m in FY19. On the contrary, the plaster retardants segment was flat over FY17-19, recording revenues of €15.3m in FY19. Finally, the animal fat business posted a declining trend over the same period (-9.1% CAGR), mainly driven by a drop in the commodity's price.

FY17-19 revenues (€m)



Source: Mediobanca Securities on Company Data

FY17-19 revenues by segment (€m)

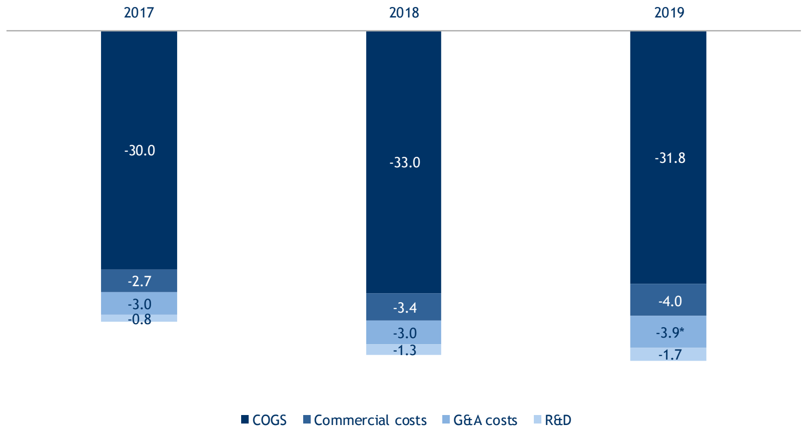


Source: Mediobanca Securities on Company Data

Sicit has a moderately rigid cost structure, as we calculate that fixed items account for around 60% of its total costs. Concerning its cost structure, we flag that:

- **COGS** makes up the largest share of Sicit's cost structure. In FY19, it amounted to €32m (56% of sales). We estimate that c.40% of this cost item includes fixed costs;
- **Commercial costs** account for the second largest share in the cost structure. In FY19, this item reached €4m (7% of sales). It mainly includes advertising and marketing costs, as well as travelling expenses;
- **G&A** represents a minor part of the total cost. In FY19, it amounted to €4m (excluding c.€11m of one-off costs related to the listing process);
- **R&D costs** stand at c.3% of sales, as the result of Sicit's recurring efforts in developing technologies and solutions.

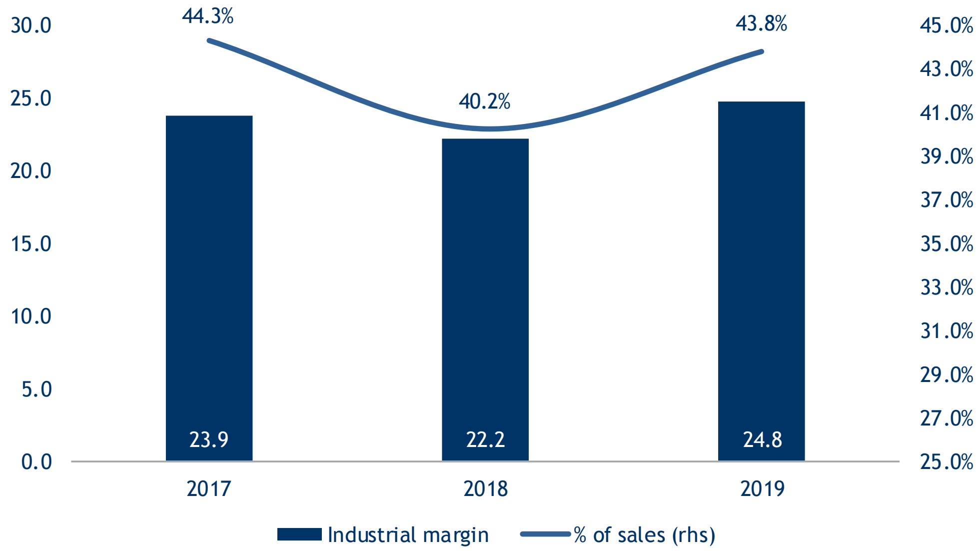
Sicit's cost structure (€m)



*Source: Mediobanca Securities on Company Data, *the figure does not include €11m one-off costs related to the listing process*

The evolution of industrial margin was mainly driven by revenues mix dynamic. In FY18, the margin contraction was chiefly due to the lower price of animal fat, with its average annual price recording a >20% YoY drop. Margin recovered to 43.8% in FY19, driven by higher selling volumes, as well as higher revenues from services related to the withdrawal of residues from tanneries.

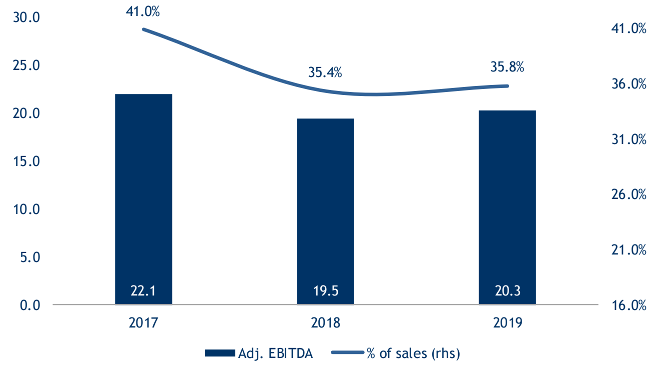
Industrial margin trend (€m)



Source: Mediobanca Securities on Company Data

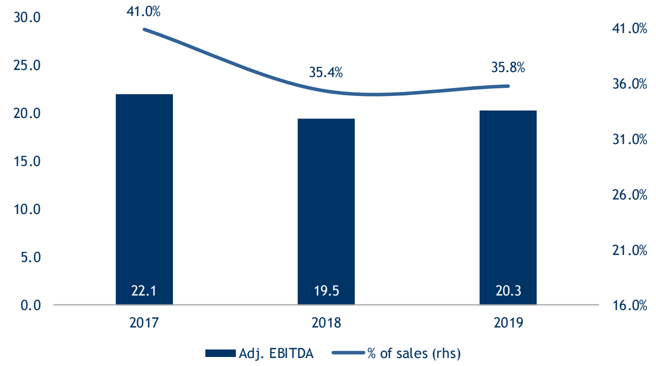
A similar trend was reflected at both EBITDA and EBIT levels. Adj. EBITDA declined from €22.1m in FY17 to €20.3m in FY19, with the margin narrowing from 41.0% to 35.8%. This was mainly driven by lower industrial margin, coupled with higher G&A costs related to the listing on the STAR segment of MTA. Similarly, as D&A stood overall stable over the same period, EBIT declined to €15.8m in FY19 from €17.9m in FY17, with the margin decreasing to 27.9% from 33.2%.

Adj. EBITDA trend (€m)



Source: Mediobanca Securities on Company Data

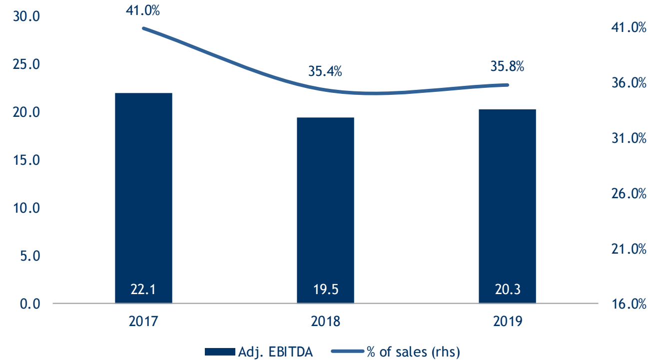
Adj. EBIT trend (€m)



Source: Mediobanca Securities on Company Data

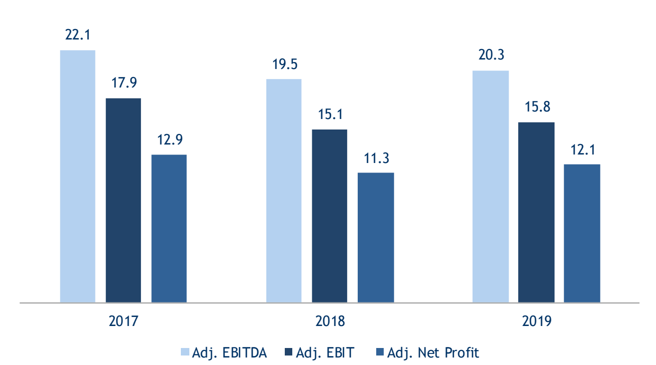
At the bottom line, interest expenses represent a marginal part of Sicit's cost structure, given its unlevered balance sheet. Besides, Sicit recorded a normalised tax rate of c.27%. Adj. net profit declined slightly to €12.1m in FY19 from €12.9m in FY17, with the margin decreasing to 21.3% from 24.0%.

Adj. net profit trend (€m)



Source: Mediobanca Securities on Company Data

FY17-19 P&L highlights (€m)



Source: Mediobanca Securities on Company Data

Key balance sheet themes: cash-generating business model

On Sicit's balance sheet, we flag the following points:

- **Limited NWC absorption** - Over 2017-19, Sicit's NWC increased slightly to cope with business expansion, ramping up from €7.8m to €16.7m. The incidence of TWC on sales rose slightly from 20.3% to 23.6%, mainly reflecting higher inventory days. In particular, the dynamics of the items included in TWC were as follows:
    - **Trade receivables** reflected an increase in turnover, while maintaining their incidence on sales at c.19%;
    - **Inventories** grew in line with an increase in revenues, while their incidence on sales moved from 15.3% to 18.8%;
    - **Payables** were little changed, edging up from €6.9m to 7.9m, with their weight on sales stable at 14.0%

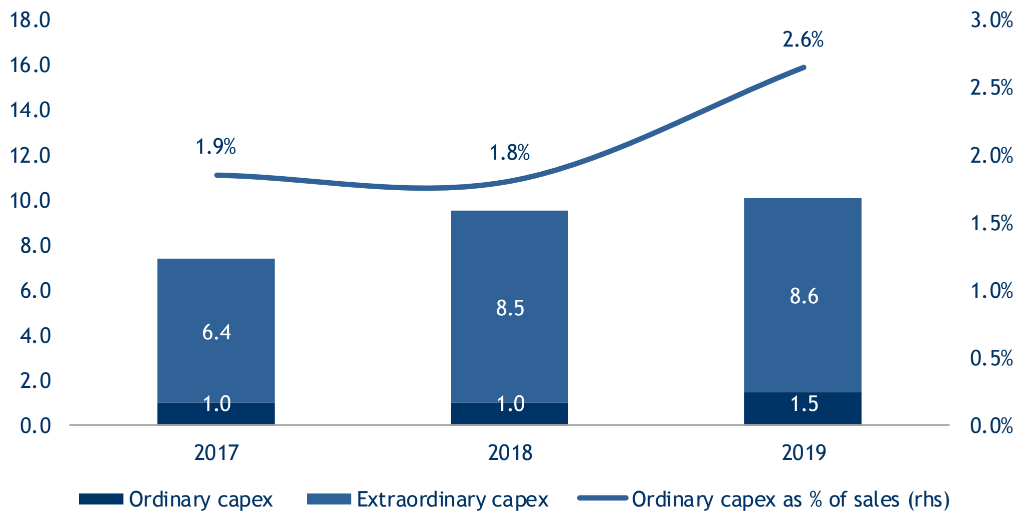
FY2017-19 NWC trend (€m)

	2017	2018	2019
Receivables	9.5	9.8	10.9
Inventories	8.3	10.0	10.4
Payables	-6.9	-9.1	-7.9
Trade WC	**10.9**	**10.7**	**13.4**
as % of sales	***20.3%***	***19.3%***	***23.6%***
Other assets	1.8	3.6	8.3
Other liabilities	-4.9	-4.4	-5.0
NWC	**7.8**	**9.9**	**16.7**
as % of sales	***14.4%***	***17.9%***	***29.5%***

Source: Mediobanca Securities on Company Data

- **Accelerating capex to boost production capacity** - Sicit's ordinary capex historically accounted for c.2% of sales. However, in FY17-19 the company incurred c.€24m of extra-capex to boost its production capacity.

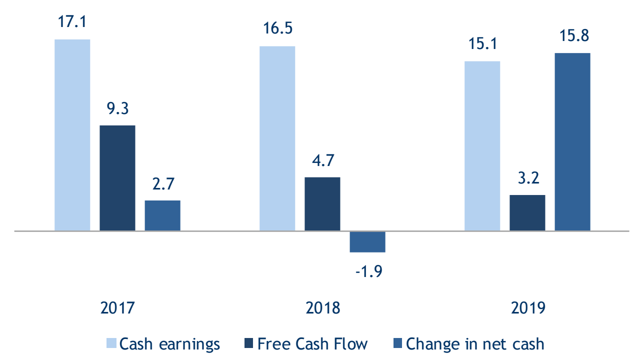
FY17-19 capex trend (€m)



Source: Mediobanca Securities on Company Data

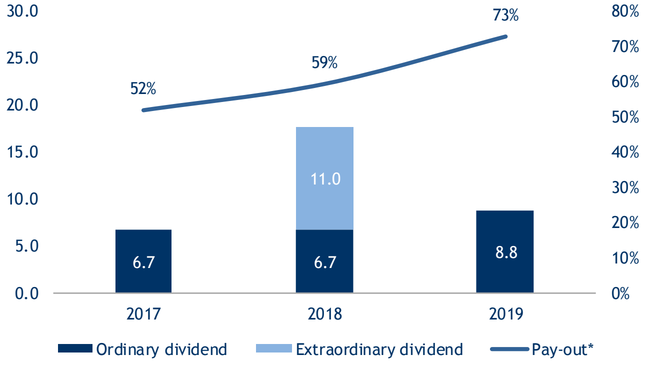
- **Cash-generative business model -** Sicit has a cash-generative business model, with normalised cash generation exceeding 40% of EBITDA. FCF peaked at €9.3m in 2017 before decreasing to €4.7m in 2018 and €3.2m in 2019, due to the extraordinary capex incurred over this period. The unlevered balance sheet has allowed the company to pay a solid dividend remuneration through the years, with a pay-out ratio exceeding 50%. Importantly, in FY18 shareholders' remuneration included an extraordinary dividend of €11m, which was agreed amid the business combination with SprintItaly SPAC.

FY2017-19 cash generation (€m)



Source: Mediobanca Securities on Company Data

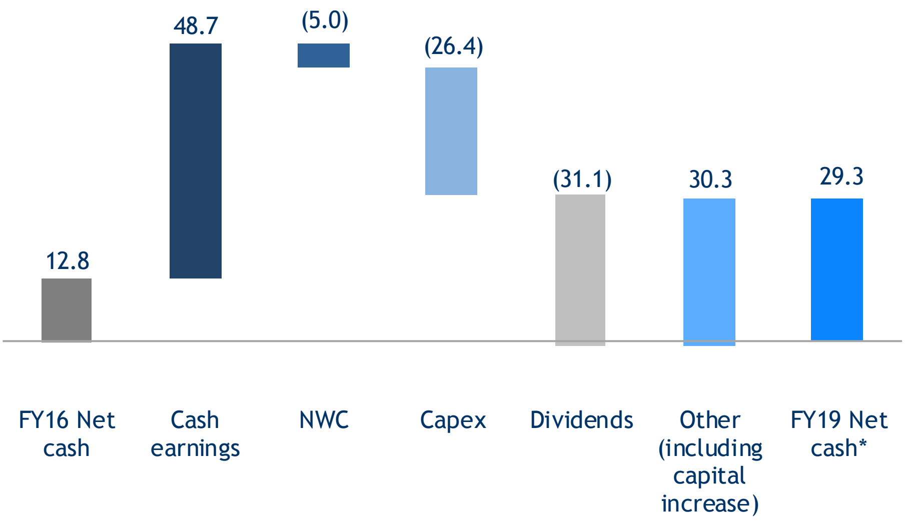
FY2017-19 dividend (€m)



*Source: Mediobanca Securities on Company Data, *it refers only to the ordinary component and computed on adj. net profit*

- **Unlevered balance sheet -** Over FY17-19 Sicit generated c.€17m, despite the significant capex incurred over the period (€26m). This allowed the company to distribute c.€20 of ordinary dividends. The business combination with SprintItaly led to a €30m capital increase and net cash position of €23m as at the end of 2019.

FY17-19 cumulative cash generation (€m)



*Source: Mediobanca Securities on Company Data, *excluding €6.1m of liabilities for warrants*

Latest interim results confirmed the resiliency of Sicit's business

On November 13, Sicit released its 9M20 results, which highlighted a 11.5% top-line growth with improving margins, despite the outbreak of Covid-19. In greater details, in 9M20 Sicit recorded:

- **Sales at €48.2m,** up 11.5% YoY despite the outbreak of Covid-19. Growth was driven by Biostimulants segment, which was up +25% YoY and animal fat (up 8% YoY), while plater retardants were down 9% YoY;
- **Adj. EBITDA €18.7m,** up 16% YoY and with margin expanding by 160bps to 38.7%, driven by the higher selling volumes and partially offset by higher G&A costs related to the listing on the STAR segment of MTA;
- **Adj. Net profit at €11.4m,** up +23% YoY;
- **Net cash (ex-warrants) at €21.2m,** down vs €29.3m reported in FY19, as it factors in extraordinary capex for €11.1m, as well as the dividend payment of €8.8m in May.

Sicit 9M20A results

€m	9M20A	9M19A	YoY chg.
Sales	48.2	43.2	*11.5%*
Adj. EBITDA	**18.7**	**16.1***	***16.1%***
Margin	*38.7%*	*37.1%*	
Adj. net profit	11.4	9.3	*22.6%*
Net Cash**	21.2	n.a.	

*Source: Mediobanca Securities on Company Data, * including €0.8m contribution from Sicit Chemitech during Jan-Apr '19; **excluding liabilities for warrants*

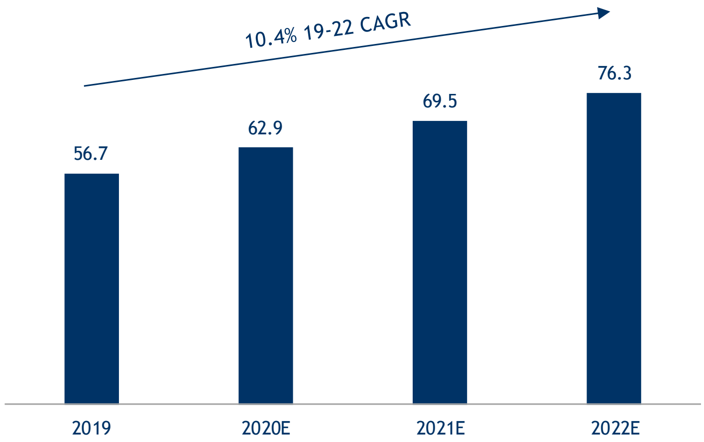
As regards the outlook, Sicit activities were never halted during the first wave of Covid-19, while raw materials procurement was affected by the forced closures of tanneries. However, the management was well-capable of managing this issue by adopting new procurement strategies. At the same time, demand for biostimulants remained solid, while the one for plaster retardants suffered the impact of restrictions in place.

Despite the recent deterioration of the operating scenario due to the new wave of the pandemic, the feedback received from customers supports SICIT on the possibility of essentially achieving the 2020 economic and financial targets, as the management believes that the level of interest in SICIT's products has shown a positive trend during the period, especially with regard to biostimulants for agriculture

FY20-22E estimates: 10% sales CAGR powered by organic development

We expect Sicit's revenues to increase at a 10% CAGR over the next 3 years, showing a resilient trend despite Covid-19 pandemic. We expect growth to be powered by organic development, including the expansion of production capacity and new product development. For this year, we forecast revenues to increase by 11% YoY, in line with 9M20 already reported. Going forward, we project growth to remain at a similar level, assuming a 10% YoY growth trend over FY21-22 to lead to €76m in FY22E.

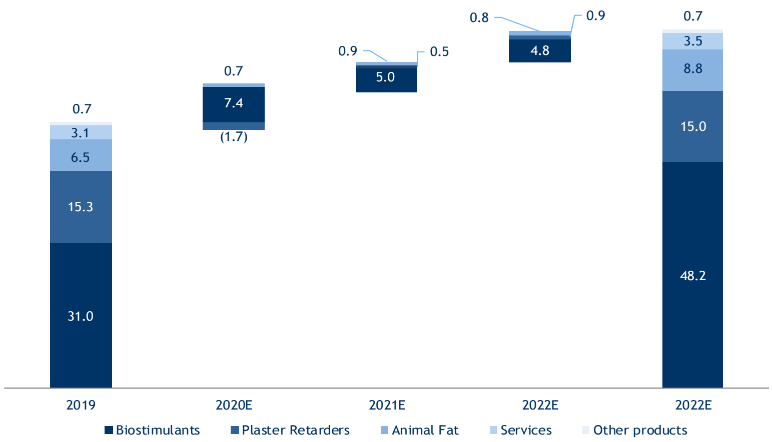
FY20-22E revenues trend (€m)



Source: Mediobanca Securities

In terms of revenues composition, growth should be driven by the biostimulants and the animal fat segments. The former is seen growing at a 16% CAGR over FY20-22E, with revenues increasing from €31m to 48m, outperforming the reference markets thanks to market share gains and launch of new products, including the granule formulation. We forecast the animal fat business to grow at an 11% CAGR over the same period, with revenues growing from €6.5m to €8.8m, mainly driven by the new re-esterification plant, which will enable Sicit to improve the quality of fat produced, and, thus, increasing the selling price. As regards the plaster retardants business, we project an 11% drop in FY20E, reflecting the weakness of global construction market due to Covid-19 pandemic, which should be followed by a 5% YoY average recovery over FY21-22E.

FY20-22E revenues trend by segment (€m)

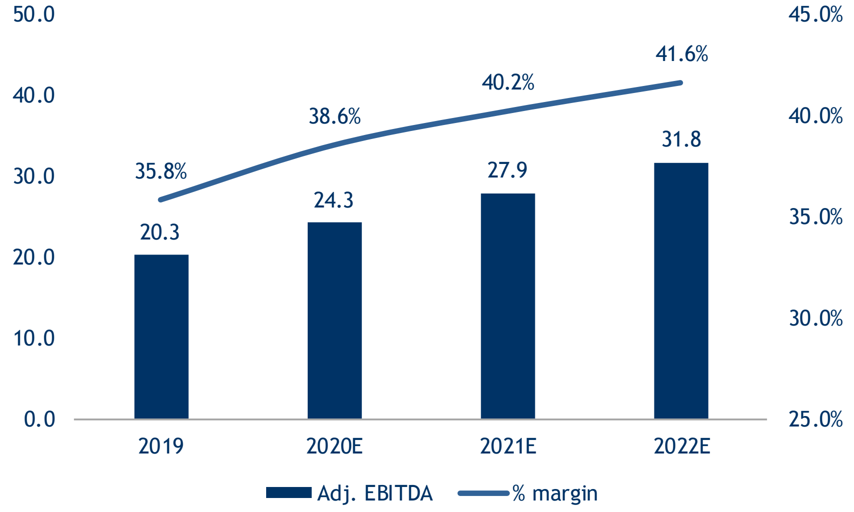


Source: Mediobanca Securities

Operating leverage driving margin expansion

We estimate Sicit's Adj. EBITDA to grow at a 16.1% CAGR over the next 3 years to reach €31.8m, reflecting our top-line recovery assumptions. We expect growing selling volumes coupled with cost efficiencies to drive margin expansion. We assume an average 150bps per annum improvement to reach 41.6% in FY22E from 35.8% in FY19.

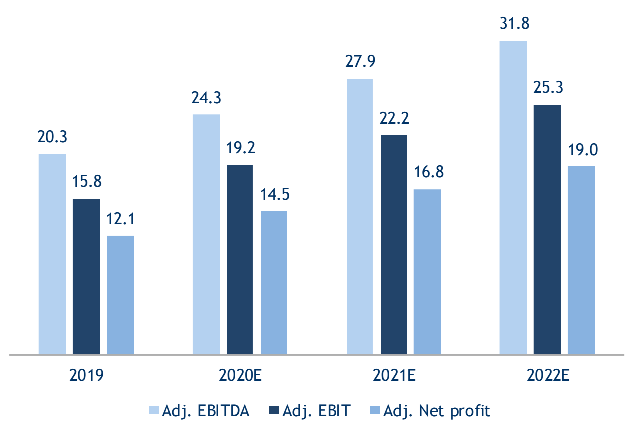
FY20-22E Adj. EBITDA trend (€m)



Source: Mediobanca Securities

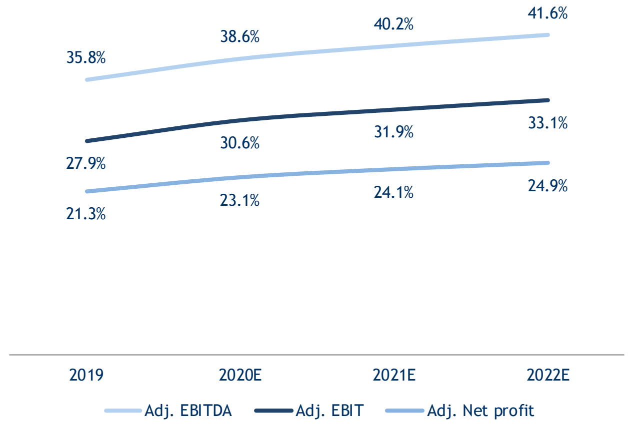
We estimate D&A to grow slightly, following the extra-capex cycle carried out, but still keeping their incidence on sales close to 8%. Given its asset-light unlevered balance sheet, we assumed financial costs to marginally affect Sicit's P&L. We flag a €5.5m one-off financial (non-cash) costs in FY20E due to the change in fair value of Sicit's listed warrants. With reference to taxes, we project a 24% average tax rate over FY20-22E, which reflects the 5-year tax benefit originated from SPAC's business combination. Overall, we project adj. net profit to grow at a 16.4% CAGR over the next 3 years to reach €19.0m in FY22E.

FY20-22E profitability evolution (€m)



Source: Mediobanca Securities

FY20-22E margins evolution (%)



Source: Mediobanca Securities

FY20-22E P&L estimates

P&L	2019	2020E	2021E	2022E	3Y CAGR
Sales	**56.7**	**62.9**	**69.5**	**76.3**	**10.4%**
YoY %	**2.7%**	**11.1%**	**10.4%**	**9.8%**	
COGS	-31.8	-34.5	-37.0	-39.8	
% of sales	*-56.2%*	*-54.9%*	*-53.2%*	*-52.2%*	
Gross margin	**24.8**	**28.4**	**32.5**	**36.5**	
% of sales	*43.8%*	*45.1%*	*46.8%*	*47.8%*	
Commercial costs	-4.0	-3.5	-4.6	-5.4	
R&D	-1.7	-1.8	-1.9	-2.1	
G&A costs	-14.9	-6.3	-4.5	-4.6	
Other incomes (costs)	0.5	0.6	0.7	0.8	
EBITDA	**9.3**	**22.4**	**27.9**	**31.8**	
% margin	***16.4%***	***35.5%***	***40.2%***	***41.6%***	
One-offs	-11.0	-1.9	0.0	0.0	
Adj. EBITDA	**20.3**	**24.3**	**27.9**	**31.8**	**16.1%**
% margin	***35.8%***	***38.6%***	***40.2%***	***41.6%***	
D&A	-4.5	-5.0	-5.8	-6.5	
% of sales	*-8.0%*	*-8.0%*	*-8.3%*	*-8.5%*	
EBIT	**4.8**	**17.3**	**22.2**	**25.3**	
% margin	***8.5%***	***27.5%***	***31.9%***	***33.1%***	
Adj. EBIT	**15.8**	**19.2**	**22.2**	**25.3**	**17.0%**
% margin	***27.9%***	***30.6%***	***31.9%***	***33.1%***	
Net financial incomes (costs)	0.0	0.0	0.0	0.0	
Change in fair value of warrants	3.9	-5.5	0.0	0.0	
EBT	**8.6**	**11.8**	**22.2**	**25.3**	
Taxes	-4.4	-2.7	-5.4	-6.3	
Tax rate	51.4%	23.0%	24.5%	24.8%	
Minorities	0.0	0.0	0.0	0.0	
Net Profit	**4.2**	**9.1**	**16.8**	**19.0**	
Adj. Net profit	**12.1**	**14.5**	**16.8**	**19.0**	**16.4%**
% margin	21.3%	23.1%	24.1%	24.9%	

Source: Mediobanca Securities

Cash generation to sustain expansionary capex cycle

Limited NWC cash absorption despite Covid-19 disruption

In FY20-22E we project networking capital absorption to remain strictly under control, in line with Sicit's historical financials. We assume its weight on sales to marginally increase to 35% in FY20E, reflecting the tax credit associated with goodwill taxation following the business combination with SprintItaly SPAC, but, nonetheless its cash absorption should still be limited. Going forward, we expect NWC trend to remain overall stable, despite the significant business expansion.

FY20-22E NWC trend (€m)

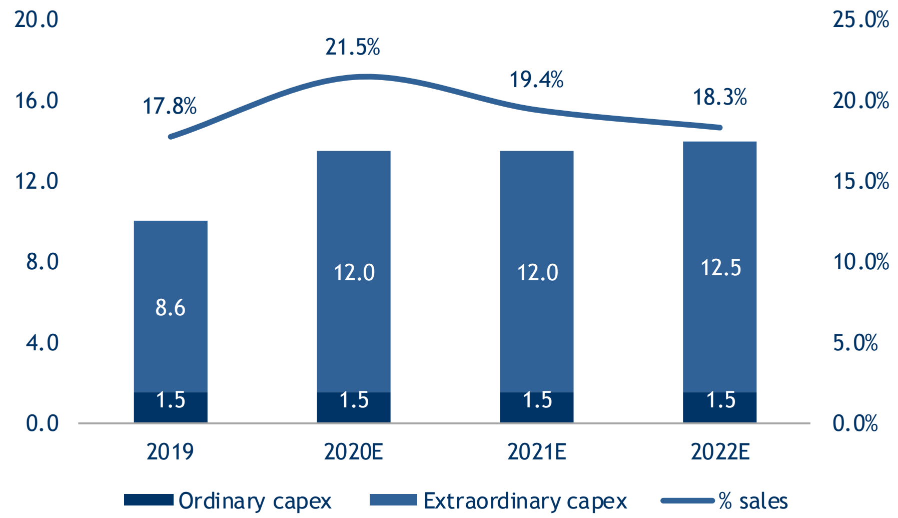
€m	2019	2020E	2021E	2022E
Trade WC	13.4	14.8	16.4	18.0
as % of sales	*23.6%*	*23.6%*	*23.6%*	*23.6%*
NWC	16.7	22.3	23.8	25.4
NWC % on sales	*29.5%*	*35.4%*	*34.3%*	*33.3%*

Source: Mediobanca Securities

Extra-capex cycle to power business expansion…

We forecast the expansionary capex cycle to continue over FY20-22E, assuming investments in capacity expansion to pick-up compared to the previous three years. We estimate their incidence on sales to remain close to 20%, assuming c.€12m of extraordinary capex per annum in addition to €1.5m/year of ordinary capex.

FY20-22E capex trend (€m)



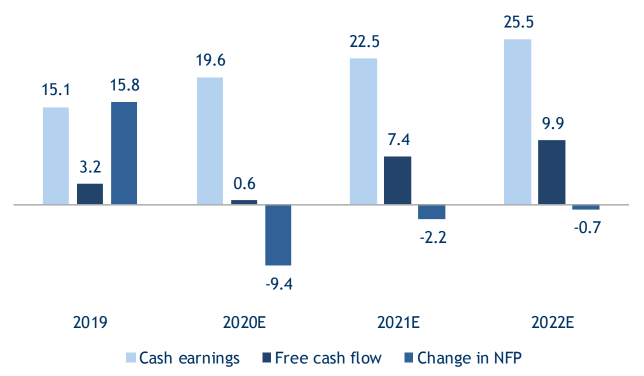
Source: Mediobanca Securities

…without affecting balance sheet solidity and shareholders' remuneration

We expect the extra-capex cycle to not affect Sicit's balance sheet solidity, as we assume cash generation to remain strong over the forecast period. While we estimate FY20E FCF to be at break-even, we see cash generation to gradually increase over FY21-22E to reach €10m in FY22E, in line with top-line increase.

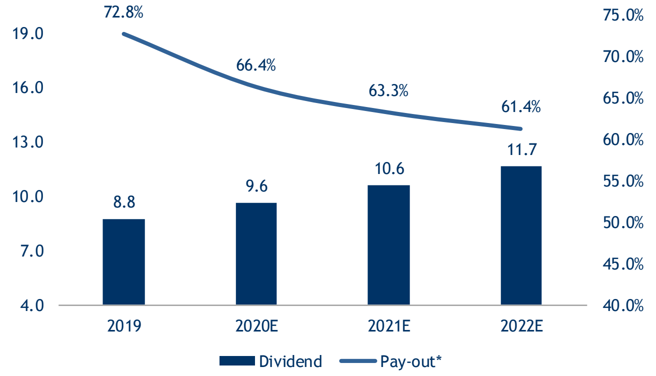
The rising cash generation should also grant a solid shareholder's remuneration over the period. On this regard, we project a growing trend in dividend distribution, as envisaged by the latest shareholders' pact signed by the controlling shareholders. In particular, we assume a 10% growth rate in DPS, with total dividend distribution seeing growing from €8.8m in FY19 to €11.7m in FY22E, implying a >60% pay-out ratio during the period.

FY20-22E cash generation forecasts (€m)



Source: Mediobanca Securities

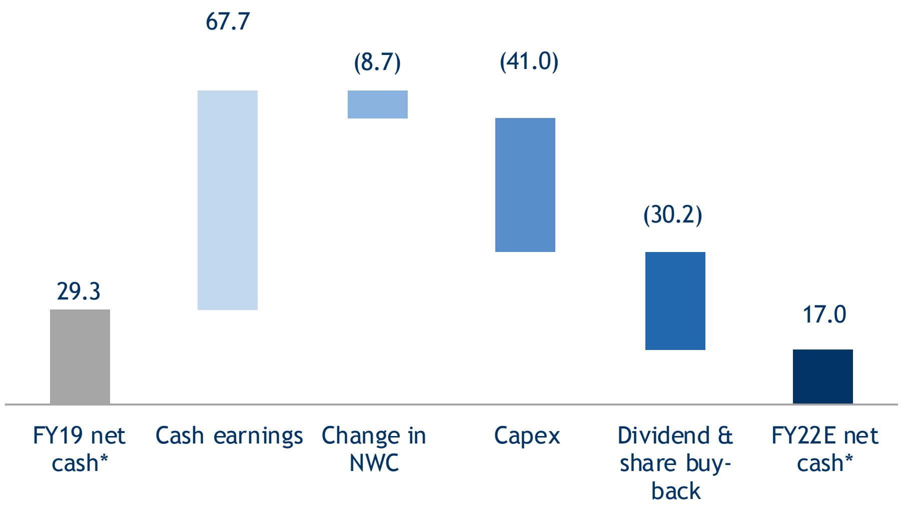
FY20-22E dividend assumptions (€m)



*Source: Mediobanca Securities, *based on adj. net profit*

Overall, we expect Sicit to generate around €16m of cumulated FCFs over FY20-22E, which should lead to a net cash position (excluding liabilities for warrants) of €17m in FY22E.

FY20-22E cumulative cash generation (€m)



*Source: Mediobanca Securities, *excluding liabilities for warrants*

AN ATTRACTIVE NAME IN THE GREEN ECONOMY: OUTPERFORM, €14.0/SHARE TP

We initiate our coverage on Sicit with an Outperform rating and a €14.0/share target price, which we obtained from a DCF-based valuation (8.3% WACC and 1.0% g). Although we have identified a panel of listed companies active in the AG business, we did not take it into account for our valuation, given the peculiarity of Sicit's business model. The stock trades at <8x EV/EBITDA and 13 x PE based on FY21E numbers, a level that looks undemanding and leaves compelling upside compared to our target price. As a cross-check to our valuation, we found that Sicit is currently trading at c.30% discount vs the average trading multiples of a panel of industrials Mid-Small Caps under MB's coverage showing above-average growth prospects and margins. In this challenging macro context, we believe that Sicit may be an outperformer in the Italian Mid-Small Caps space on the back of its 1) completely circular and sustainable business model, which transforms waste into high-value-added products and grants outstanding margins 2) resilient business model, able to deliver sustained organic growth even in a subdued macro context challenge by the pandemic, and 3) unlevered balance sheet, which may provide ample flexibility to finance both organic growth projects and M&A.

DCF analysis points to €14.0/share target price

In our view, a valuation of Sicit should be based on a discounted cash flow model, as we believe that it might allow to better factor in group's good visibility on future revenue streams, as well as growth prospects in the mid-term. Although we have identified a panel of listed companies active in the AG business, we did not take it into account for our valuation, given the peculiarity of Sicit's business model.

Our DCF analysis is based on the following assumptions:

- A WACC of 8.3%, which is the result of: 1) a risk free rate of 3.2%; 2) an equity risk premium of 4.0%; 3) a beta of 1.45 in line with our base assumptions for Italian Mid-Small caps; 4) a net cost of debt of 2.3%; and 5) a target leverage ratio of 10%;
- A terminal growth rate of 1.0%;
- A one-year deceleration in T+5 in which we factored in a 5% drop in the top line, coupled with 270bps of EBITDA margin contraction;
- We considered T+8 as the reference year for computing the terminal value of our model. We assumed an exit level of EBITDA margin close to 42%: while we acknowledge that the group might overstep this target, we still await more evidence of execution of the group's growth strategy before assuming an exit margin above current levels.

Sicit – DCF-based valuation (€m)

DFC	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	TV
NOPLAT	16.8	19.0	20.8	22.4	19.7	20.4	20.9	21.0	
D&A	5.8	6.5	6.9	7.2	6.9	7.1	7.3	7.4	
Operating Cash Flow	22.5	25.5	27.7	29.7	26.6	27.5	28.2	28.4	
Capex/Acquisitions	-13.5	-14.0	-8.2	-5.1	-5.6	-6.7	-7.7	-7.4	
Change in NWC	-1.6	-1.6	-0.8	-0.6	-1.6	-2.0	-1.5	-1.2	
Cash flow to firm	**7.4**	**9.9**	**18.7**	**24.0**	**19.4**	**18.8**	**19.0**	**19.9**	**273.6**
Time adjustment	-	1	2	3	4	5	6	7	7
Discount factor	1.00	0.92	0.85	0.79	0.73	0.67	0.62	0.57	0.57
Discounted cash flow to firm	**7.4**	**9.1**	**15.9**	**18.9**	**14.1**	**12.6**	**11.8**	**11.3**	**156.3**

Source: Mediobanca Securities

Sicit - summary DCF

(€m)	
Perpetual growth rate	1.0%
WACC	8.3%
Terminal value end of projection period	273.6
Discounting factor of terminal value	0.57
Discounted terminal value	**156.3**
Cumulated DFOCF	**101.2**
Enterprise Value	**257.5**
Treasury shares	1.7
Net financial cash ex-warrants as of 31/12/20	19.9
Minorities	0.0
Pensions liabilities	(0.5)
Equity Value	**278.7**
Value per share (€)	**14.0**

Source: Mediobanca Securities

The sensitivity of our DCF analysis to different long term growth rates and different WACC levels is provided below.

DCF sensitivity to WACC and g

		Terminal growth rate						
		-0.50%	0.00%	0.50%	1.00%	1.50%	2.00%	2.50%
WACC	6.8%	13.9	14.5	15.2	16.1	17.1	18.2	19.7
	7.3%	13.4	14.0	14.6	15.3	16.1	17.1	18.3
	7.8%	13.0	13.5	14.0	14.6	15.3	16.2	17.2
	8.3%	12.6	13.0	13.5	14.0	14.7	15.4	16.2
	8.8%	12.3	12.6	13.1	13.5	14.1	14.7	15.4
	9.3%	12.0	12.3	12.7	13.1	13.6	14.1	14.7
	9.8%	11.7	12.0	12.3	12.7	13.1	13.6	14.2

Source: Mediobanca Securities

Circularity and higher growth prospects deserve a premium over players active in Sicit's reference market

Although the peculiarity of Sicit's business model prevent us from identifying a panel of peers to use for a relative valuation, for the sake of completeness, we report below a selected panel of players active in the AG sector which may be used as a cross-check for Sicit's valuation. We note that at our target, Sicit would trade at a c.20% premium compared to the selected cluster on EV/EBITDA, which we see as deserved on the back of its 1) completely circular business model, 2) higher growth prospects, and 3) higher profitability.

The selected panel for the AG business includes a set of players with a focus on seeding and crop nutrition (i.e. FMC Corp, KWC, Nufarm and Vilmorin), while it excludes companies active in the fertilizing segment (e.g. K+S, Nutrien, CF Industries, OCI, Yara and others). Indeed, we believe that the former shows similarities with the biostimulants business, including low volatility and solid growth prospects. On the contrary, we see the latter less comparable, as it is characterised by i) a higher level of volatility due to the higher dependence from chemical raw material prices and 2) a lower degree of sustainability given its more harmful environmental impact. We also excluded from the panel the large agro-chemical conglomerate (e.g. Bayer, BASF) on the back of their higher end-market diversification and lower exposure to the AG business.

Overall, the selected panel is seen growing, on average, at a low-single-digit pace, with double-digit profitability (21% average EBITDA margin). Looking at trading multiples, the panel trades at an average 8.0x EV/EBITDA and 15.3x PE (based on 21E numbers), with multiples ranging from 5x to 12x in terms of EV/EBITDA and 11x to 19x in terms of PE.

Main multiples of seeding/crop nutrition players

			EV/EBITDA			EV/EBIT			P/E			Sales	EBITDA mgn
Company	CCY	Market Cap (m)	FY1	FY2	FY3	FY1	FY2	FY3	FY1	FY2	FY3	3Y CAGR	FY1
Fmc	USD	14,532	13.3	12.1	11.3	15.1	13.7	12.9	17.0	15.2	13.9	4.8%	28.2%
Kws Saat	EUR	2,129	11.1	10.0	9.6	15.8	13.9	13.3	18.3	16.2	14.8	2.6%	19.2%
Nufarm	AUD	1,545	5.6	4.8	4.6	15.5	11.3	10.3	33.9	18.8	18.7	-3.6%	12.8%
Vilmorin	EUR	1,083	5.4	5.0	4.8	15.5	13.8	13.8	12.4	10.9	10.5	3.1%	24.3%
Mean			**8.9**	**8.0**	**7.6**	**15.5**	**13.2**	**12.6**	**20.4**	**15.3**	**14.5**	**1.7%**	**21.1%**
Median			**8.3**	**7.5**	**7.2**	**15.5**	**13.8**	**13.1**	**17.6**	**15.7**	**14.4**	**2.9%**	**21.8%**

Source: Mediobanca Securities, prices as of 17 November 2020

Trading 35% below industrial Mid-Caps showing above-average growth prospects and margins

As an additional cross-check we drew a comparison between Sicit and a selected panel of industrial Mid-Small Caps included in our coverage showing above-average growth prospects and margins. The panel is made of companies of different sizes operating in different sectors, including equity stories with an established track record (such as Carel, Guala Closures and GVS), as well as companies at an earlier stage of their development process (such as Antares Vision, Piovan and Salcef). We note that stocks included in the panel trade between 12x and 41x 2021E P/E, and that Sicit currently trades at c.35% discount vs the median of the panel.

While we acknowledge that this cluster also includes stocks showing unique company specific dynamics that justify their premium valuations, we believe that the consistent delivery of sustained growth may support Sicit's re-rating towards the average multiples of the selected cluster.

Sicit vs selected panel of Industrial Mid-Small Caps showing above-average growth prospects and margins

Company	Sales 3Y CAGR	EBITDA 3Y CAGR	EV/EBITDA 2021E	EV/EBITDA 2022E	P/E 2021E	P/E 2022E
Antares Vision	9.8%	8.3%	17.6	13.9	25.5	20.8
CAREL	7.0%	9.1%	24.1	21.5	41.0	35.4
Guala Closures	3.0%	4.5%	7.7	7.1	20.4	16.8
GVS	17.3%	25.6%	17.2	17.6	28.1	29.6
Prima Industrie	0.7%	3.2%	6.7	5.6	17.6	12.0
Piovan	4.2%	7.5%	7.7	6.5	13.4	11.6
Salcef Group	5.9%	5.4%	5.5	4.9	11.9	11.4
Median	**5.9%**	**7.5%**	**7.7**	**7.1**	**20.4**	**16.8**
Sicit	10.4%	16.1%	7.2	6.3	13.1	11.5
Premium (discount) vs average			***-7.0%***	***-11.4%***	***-35.7%***	***-31.5%***

Source: Mediobanca Securities, prices as of 17 November 2020

An attractive name in the green economy: O/P, €14/share TP

We initiate our coverage on Sicit with an Outperform rating and €14.0/share TP, which we obtained from a DCF-based valuation (8.3% WACC and 1.0% g). The stock trades at <8x EV/EBITDA and 13x PE based on FY21E numbers, a level that looks undemanding and leaves compelling upside compared to our target price.

In this challenging macro context, we believe that Sicit may be an outperformer in the Italian Mid-Small Caps space on the back of its 1) completely circular and sustainable business model, which transforms waste into high-value-added products and grants outstanding margins 2) resilient business model, able to deliver sustained organic growth even in a subdued macro context challenge by the pandemic, and 3) unlevered balance sheet, which may provide ample flexibility to finance both organic growth projects and M&A.

SUMMARY OF FINANCIALS

P&L (€m)	2019	2020E	2021E	2022E
Sales	**56.7**	**62.9**	**69.5**	**76.3**
YoY %	**2.7%**	**11.1%**	**10.4%**	**9.8%**
COGS	-31.8	-34.5	-37.0	-39.8
% of sales	*-56.2%*	*-54.9%*	*-53.2%*	*-52.2%*
Gross margin	**24.8**	**28.4**	**32.5**	**36.5**
% of sales	*43.8%*	*45.1%*	*46.8%*	*47.8%*
Commercial costs	-4.0	-3.5	-4.6	-5.4
R&D	-1.7	-1.8	-1.9	-2.1
G&A costs	-14.9	-6.3	-4.5	-4.6
Other incomes (costs)	0.5	0.6	0.7	0.8
EBITDA	**9.3**	**22.4**	**27.9**	**31.8**
% margin	***16.4%***	***35.5%***	***40.2%***	***41.6%***
One-offs	-11.0	-1.9	0.0	0.0
Adj. EBITDA	**20.3**	**24.3**	**27.9**	**31.8**
% margin	***35.8%***	***38.6%***	***40.2%***	***41.6%***
D&A	-4.5	-5.0	-5.8	-6.5
% of sales	*-8.0%*	*-8.0%*	*-8.3%*	*-8.5%*
EBIT	**4.8**	**17.3**	**22.2**	**25.3**
% margin	***8.5%***	***27.5%***	***31.9%***	***33.1%***
Adj. EBIT	**15.8**	**19.2**	**22.2**	**25.3**
% margin	***27.9%***	***30.6%***	***31.9%***	***33.1%***
Net financial incomes (costs)	0.0	0.0	0.0	0.0
Change in fair value of warrants	3.9	-5.5	0.0	0.0
EBT	**8.6**	**11.8**	**22.2**	**25.3**
Taxes	-4.4	-2.7	-5.4	-6.3
Tax rate	*51.4%*	*23.0%*	*24.5%*	*24.8%*
Minorities	0.0	0.0	0.0	0.0
Net Profit	**4.2**	**9.1**	**16.8**	**19.0**
Adj. Net profit	**12.1**	**14.5**	**16.8**	**19.0**
% margin	***21.3%***	***23.1%***	***24.1%***	***24.9%***

Source: Mediobanca Securities

B/S (€m)	2019	2020E	2021E	2022E
Net Tangible Assets	48.8	57.3	65.0	72.6
Net Intangible Assets (ex-Goodwill)	0.5	0.5	0.5	0.5
Goodwill	0.0	0.0	0.0	0.0
Net Financial Assets	0.0	0.0	0.0	0.0
Total fixed assets	**49.4**	**57.8**	**65.6**	**73.1**
Trade Working Capital	13.4	14.8	16.4	18.0
Other assets	8.3	12.9	13.5	14.1
TOTAL NET ASSETS	**71.0**	**85.6**	**95.5**	**105.2**
Shareholders' Equity	**88.9**	**88.0**	**95.1**	**103.5**
Minorities equity	0.0	0.0	0.0	0.0
Net Debt (cash) ex warrants	**-29.3**	**-19.9**	**-17.7**	**-17.0**
Liabilities for warrants	**6.1**	**11.6**	**11.6**	**11.6**
Provisions (pension&others related to cost)	0.5	0.5	0.5	0.5
Other Liabilities	5.0	5.5	6.1	6.7
Total LIABILITIES AND EQUITY	**71.0**	**85.6**	**95.5**	**105.2**

Source: Mediobanca Securities

Cash flow (€m)	2019	2020E	2021E	2022E
Net income	4.2	9.1	16.8	19.0
D&A	4.5	5.0	5.8	6.5
Other non-cash items	6.4	5.5	0.0	0.0
Cash earnings	**15.1**	**19.6**	**22.5**	**25.5**
Change in working capital	-2.7	-5.5	-1.6	-1.6
Net change in reserve for empl.term.indemn.	0.2	0.0	0.0	0.0
Capex	-9.4	-13.5	-13.5	-14.0
FREE CASH FLOW	**3.2**	**0.6**	**7.4**	**9.9**
Dividends	-17.7	-8.8	-9.6	-10.6
Share buy-back	-1.0	-1.2	0.0	0.0
Change in equity	31.3	0.0	0.0	0.0
Change in NFP ex-warrants	**15.8**	**-9.4**	**-2.2**	**-0.7**
Change in warrants' fair value	-6.1	-5.5	0.0	0.0
Change in NFP	**9.8**	**-14.9**	**-2.2**	**-0.7**

Source: Mediobanca Securities

APPENDIX

MANAGEMENT TEAM

Sicit's management team

Members	Role
Massimo Neresini	CEO
Giampaolo Simionati	CFO
Alessandro Paterniani	CCO
Matteo Carlotti	Investor relator

Source: Mediobanca Securities on Company Data

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Outperform	Neutral	Underperform	Not Rated	Restricted	Coverage suspended
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Outperform	Neutral	Underperform	Not Rated	Restricted	Coverage suspended
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