

Italy – Marketing Technology

Growing sales supported by top management reinforcement

11th November 2021

9M-21 RESULTS RELEASE

RIC: GROWE.MI
BBG: GROW IM

In the first nine months of 2021 Growens posted growing organic sales coupled with strengthening of top management in MailUp, BEE and Datatrics. Furthermore, management is still engaged in assessing some M&A opportunities with the aim of integrating a significantly large sized SaaS company.

Rating:

Buy

Price Target:

€ 5.90

Upside/(Downside): 31.4%

Last Price: € 4.49

Market Cap.: € 67.9m

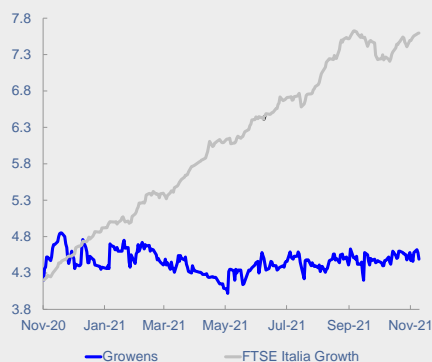
1Y High/Low: € 4.90 / € 3.81

Avg. Daily Turn. (3M, 6M): € 49k, € 34k

Free Float: 36.9%

Major shareholders:

Alberto Miscia	10.7%
Matteo Monfredini	10.6%
Nazzareno Gorni	10.6%
Luca Azzali	10.2%
Matteo Bettoni	10.1%



Stock price performance

	1M	3M	12M
Absolute	1.6%	3.0%	-0.2%
Rel.to FTSE IT Growth	-6.0%	-6.0%	-63.2%
Rel.to Peers median	1.2%	0.4%	-57.0%

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Estimates, rating and PT confirmed

Growens reported 9M-21 results characterised by mid-/high-single-digit sales growth and a more-than-proportional progression in gross profit. It is worth mentioning that historically Q3 has an unfavourable seasonality in terms of sales and EBITDA due to a certain business slowdown usually recorded in the summer period. Growens's reported revenues and EBITDA in 9M-21 accounted for 73% and 66% of our FY-21 top line and EBITDA estimates respectively, thus corroborating our 2021 projections. Just by way of comparison, in 9M-20 revenues and EBITDA accounted for 73% and 69% of FY figures respectively. In order to reach our top line estimate of € 70.0m for FY-21, Growens will have to post a fairly sustainable 8.9% growth in Q4-21. Therefore, we confirm our estimates, rating and PT.

Revenues at € 51.1m, up by 6.8% YoY. SaaS recurring sales rose by 8.0% YoY

In 9M-21, total revenues were € 51.1m, up by 6.8% YoY, driven by increasing sales recorded by both the SaaS and the CPaaS divisions. The SaaS division (including the MailUp, BEE, Acumbamail and Datatrics business units) totalled € 18.8m, up by 8.0% YoY. The CPaaS division (comprising the Agile Telecom business unit) achieved € 31.7m, up by 7.7% YoY. Other revenues decreased because of the reduction of non-refundable government grants and windfall profits vs the same period of 2020. Foreign revenues were € 25.2m, up by 4.5% YoY.

Top line growth was mainly driven by BEE and Agile Telecom

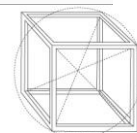
In 9M-21, MailUp grew by 4.2% YoY, totalling € 12.4m, mainly as a consequence of its big exposure to the Italian market, deeply affected by the pandemic-related crisis. Agile Telecom totalled € 33.7m, up by 7.1% YoY, driven by the continuing recovery in SMS traffic started in Q2 thanks to the reopening of economic activity, mainly in Italy. BEE rose by 37.4% YoY to € 3.9m. Annual Recurring Revenues – ARR (showing the average annual recurring value of existing contracts) exceeded \$ 7.4m as of Sep-21. Acumbamail generated € 1.5m in revenues, up by 26.9% YoY, continuing on its excellent growth path. Datatrics's sales decreased by 7.9% YoY even if the reorganisation initiatives launched in 2020 produced an increase in lead generation and client pipeline.

Gross margin up by 220 bps YoY. EBITDA flat YoY mainly due to higher R&D costs

Gross Profit rose by 14.1% YoY to € 17.6m (34.4% margin, +220 bps YoY) thanks to the ongoing effect of optimisation measures and cost savings. Furthermore, gross profit benefited from 1) the Agile Telecom EBITDA almost doubling and 2) Datatrics's reduced operating loss. It is worth mentioning that the group has not suspended or deferred strategic investments in R&D. EBITDA totalled € 3.6m, 7.0% margin, broadly in line YoY. In Q3-21, EBITDA declined 14.5% YoY, totalling € 1.1m, 6.6% margin, mainly as a result of the investments made in order to develop the BEE business unit and MailUp's indirect channel as well as to perform Datatrics's reorganisation. Net Financial Position was € 2.2m net cash, vs € 2.5m net cash at end-20. Cash and cash equivalents amounted to € 10.2m.

Growens, key financials and ratios

€ m	2019	2020	2021e	2022e	2023e
Total Revenues	60.8	65.2	70.0	78.1	87.4
EBITDA	4.8	5.1	5.4	7.0	8.8
EBIT	1.8	1.4	1.8	3.5	5.3
Net profit	1.2	0.6	1.1	2.1	3.3
NFP (cash)/debt	(2.4)	(2.5)	(3.6)	(6.8)	(10.8)
EBITDA margin	7.9%	7.8%	7.7%	9.0%	10.0%
EBIT margin	3.0%	2.1%	2.5%	4.4%	6.1%
EPS €	0.08	0.04	0.07	0.14	0.22
EPS growth	-8.4%	-50.9%	89.6%	99.7%	53.9%
Free Cash Flow Yield	4.3%	3.0%	1.7%	4.7%	6.0%
PER x	47.4	127.2	63.4	31.7	20.6
PCF x	13.3	16.8	14.5	11.9	10.0
EV/Sales x	0.86	1.06	0.92	0.78	0.65
EV/EBITDA x	10.9	13.6	11.9	8.7	6.5
EV/EBIT x	28.2	50.2	36.2	17.6	10.8



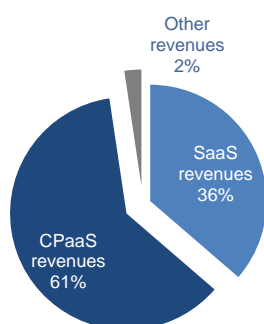
The Company at a Glance

Founded in Cremona (Italy) in 2002 as an email service provider, Growens (formerly MailUp) is now a leading international scale-up company in the European Cloud Marketing Technologies market, one of the fastest growing industries worldwide. The group is a vertically integrated player focusing on messaging and data-driven/multi-channel marketing automation, providing over 23,000 clients in 115 countries with a wide range of solutions. Growens develops and sells 1) technologies for the mass sending of emails and mobile messages, 2) sophisticated email and newsletter editing tools, 3) innovative technological solutions for predictive marketing and 4) professional consulting services.

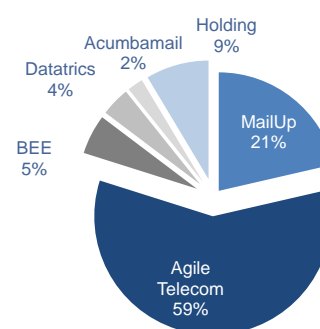
The group operates five synergic business units, corresponding to five different companies: MailUp, Agile Telecom, BEE, Datatrics and Acumbamail. The group has been on a significant growth path since its establishment: set up as a start-up in 2002, Growens closed FY-20 with revenues of € 65.2m, EBITDA of € 5.1m and over 240 employees. Since the IPO in 2014 the group's revenues increased by a CAGR₁₃₋₂₀ of 37.0%, thanks to organic growth boosted by a few acquisitions.

In 2020, revenues were € 65.2m, EBITDA reached € 5.1m, 7.8% margin. EBIT stood at € 1.4m and Net Income totalled € 0.6m. Net Financial Position was € 2.5m cash, thanks to huge cash-flow generation.

2020 breakdown by business line...



... and by business unit



Shareholder structure

Shareholders	%	# m
Alberto Miscia	10.7%	1.602
Matteo Monfredini	10.6%	1.587
Nazzareno Gorni	10.6%	1.587
Luca Azzali	10.2%	1.527
Matteo Bettoni	10.1%	1.512
Pronti Gianluca	6.1%	0.913
BMC Holding B.V. *	3.9%	0.584
Treasury shares	0.9%	0.128
Free Float	36.9%	5.531
Total	100.0%	14.971

Source: Company data

* subject to lock-up (does not enter the free float)

Peer group absolute performance

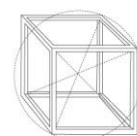
%	1D	1W	1M	3M	6M	YTD
dotDigital Group PLC	(2.0)	(1.8)	(1.8)	(5.1)	21.9	51.6
Kaleyra Inc	2.9	8.3	19.7	10.2	(1.0)	31.2
Sinch AB (publ)	(3.2)	(2.9)	(29.9)	(31.5)	(6.6)	(12.3)
Vonage Holdings Corp	(0.9)	6.5	8.2	24.1	35.7	32.0
Mobile Messaging median	(0.9)	6.5	8.2	10.2	(1.0)	31.2
HubSpot Inc	(5.1)	3.9	2.6	23.2	65.3	103.6
Neosperience SpA	(1.0)	(2.7)	(6.4)	(8.7)	0.7	11.0
Predictive Marketing median	(3.1)	0.6	(1.9)	7.2	33.0	57.3
Growens SpA	(2.0)	(1.1)	1.6	3.0	3.2	2.5

Source: Thomson Reuters Eikon

Peer group multiples table

Price & EV multiples x	SALES FY1	SALES FY2	EBITDA FY1	EBITDA FY2	EBIT FY1	EBIT FY2	PER FY1	PER FY2
dotDigital Group PLC (Email Marketing)	12.07	10.61	36.1	33.2	51.7	48.0	62.3	60.5
Kaleyra Inc	2.47	1.59	40.8	17.7	n.m.	981.7	n.m.	n.m.
Sinch AB (publ)	6.23	3.81	100.7	28.1	167.6	38.8	151.1	43.5
Vonage Holdings Corp	3.38	3.00	24.2	22.2	54.8	61.9	93.4	76.2
Mobile Messaging median	3.38	3.00	40.8	22.2	111.2	61.9	122.2	59.9
HubSpot Inc	29.06	22.67	236.1	181.8	331.1	243.5	426.7	310.1
Neosperience SpA	2.52	1.89	9.1	6.7	46.5	18.0	126.9	32.9
Predictive Marketing median	15.79	12.28	122.6	94.2	188.8	130.8	276.8	171.5
Growens SpA	0.92	0.78	11.9	8.7	36.2	17.6	63.4	31.7

Sources: CFO SIM, Thomson Reuters Eikon



Income statement (€ m)	2019	2020	2021e	2022e	2023e
Total revenues	60.8	65.2	70.0	78.1	87.4
Purchases	(38.3)	(39.2)	(41.7)	(46.1)	(51.6)
Services	(7.2)	(9.0)	(9.0)	(9.2)	(10.8)
Personnel expenses	(10.0)	(11.4)	(13.4)	(15.2)	(15.6)
Other opex	(0.6)	(0.5)	(0.6)	(0.6)	(0.7)
EBITDA	4.8	5.1	5.4	7.0	8.8
D&A	(2.9)	(3.7)	(3.6)	(3.5)	(3.5)
EBIT	1.8	1.4	1.8	3.5	5.3
Financials	(0.0)	(0.2)	(0.1)	(0.1)	(0.1)
Re/(Devaluation) of financial assets	0.0	0.0	0.0	0.0	0.0
Extraordinary	0.0	0.0	0.0	0.0	0.0
Pre-Tax profit	1.8	1.2	1.7	3.4	5.2
Income taxes	(0.7)	(0.6)	(0.6)	(1.3)	(1.9)
Minorities	0.0	0.0	0.0	0.0	0.0
Net Profit	1.2	0.6	1.1	2.1	3.3
Net Profit adj.	1.2	0.6	1.1	2.1	3.3
Balance sheet (€ m)	2019	2020	2021e	2022e	2023e
Net Working Capital	(1.7)	(1.5)	(0.5)	(0.4)	(0.2)
Net Fixed Assets	27.4	27.1	26.4	25.9	25.4
Equity Investments	0.1	0.2	0.2	0.2	0.2
Other M/L Term A/L	(11.3)	(11.0)	(11.4)	(12.1)	(12.5)
Net Invested Capital	14.6	14.8	14.7	13.7	12.9
Net Financial Position	(2.4)	(2.5)	(3.6)	(6.8)	(10.8)
Minorities	0.0	0.0	0.0	0.0	0.0
Group's Shareholders Equity	17.0	17.3	18.4	20.5	23.8
Financial Liabilities & Equity	14.6	14.8	14.7	13.7	12.9
Cash Flow statement (€ m)	2019	2020	2021e	2022e	2023e
Total net income	1.2	0.6	1.1	2.1	3.3
Depreciation	2.9	3.7	3.6	3.5	3.5
Other non-cash charges	(0.1)	1.0	0.4	0.6	0.4
Cash Flow from Oper. (CFO)	4.0	5.3	5.1	6.3	7.2
Change in NWC	2.0	(0.2)	(1.0)	(0.1)	(0.1)
FCF from Operations (FCFO)	6.0	5.1	4.1	6.2	7.0
Net Investments (CFI)	(9.9)	(4.2)	(3.0)	(3.0)	(3.0)
Free CF to the Firm (FCFF)	(3.9)	0.9	1.1	3.2	4.0
CF from financials (CFF)	5.2	0.0	0.0	0.0	0.0
Free Cash Flow to Equity (FCFE)	1.2	0.9	1.1	3.2	4.0
Financial ratios	2019	2020	2021e	2022e	2023e
EBITDA margin	7.9%	7.8%	7.7%	9.0%	10.0%
EBIT margin	3.0%	2.1%	2.5%	4.4%	6.1%
Net profit margin	1.9%	0.9%	1.5%	2.7%	3.8%
Tax rate	36.9%	53.0%	37.0%	37.0%	37.0%
Op NWC/Sales	-2.8%	-2.3%	-0.7%	-0.5%	-0.3%
Interest coverage x	0.01	0.13	0.04	0.02	0.01
Net Debt/EBITDA x	(0.49)	(0.49)	(0.67)	(0.97)	(1.23)
Debt-to-Equity x	(0.14)	(0.15)	(0.20)	(0.33)	(0.46)
ROIC	7.9%	3.8%	7.3%	15.6%	25.4%
ROCE	7.0%	5.0%	6.1%	10.9%	15.0%
ROACE	8.1%	5.1%	6.2%	11.4%	15.8%
ROE	6.8%	3.3%	5.8%	10.4%	13.8%
Payout ratio	0.0%	0.0%	0.0%	0.0%	0.0%
Per share figures	2019	2020	2021e	2022e	2023e
Number of shares # m	14.97	14.97	14.97	14.97	14.97
Number of shares Fully Diluted # m	17.37	17.37	17.37	17.37	17.37
Average Number of shares Fully Diluted # m	16.15	17.37	17.37	17.37	17.37
EPS stated FD €	0.07	0.03	0.06	0.12	0.19
EPS adjusted FD €	0.07	0.03	0.06	0.12	0.19
EBITDA €	0.30	0.29	0.31	0.40	0.51
EBIT €	0.11	0.08	0.10	0.20	0.31
BV €	0.98	0.99	1.06	1.18	1.37
FCFO €	0.37	0.29	0.24	0.35	0.41
FCFF €	(0.24)	0.05	0.06	0.18	0.23
FCFE €	0.08	0.05	0.06	0.18	0.23
Dividend €	0.00	0.00	0.00	0.00	0.00



Q3-21 and 9M-21 Results

Growens reported 9M-21 results characterised by revenues growing at a mid-high single digit rate and a more-than-proportional progression in gross profit. It is worth mentioning that historically Q3 has an unfavourable seasonality in terms of sales and EBITDA due to a certain business slowdown usually recorded in the summer period. In order to reach our top line estimate of € 70.0m for FY-21, Growens will have to post a 9% growth in Q4-21. Management is currently engaged in assessing some M&A opportunities with the aim of integrating a significantly large-sized SaaS company.

Table 1 – Growens, Q3-21 and 9M-21 results

€ m	Q3-21	Q3-20	% YoY	9M-21	9M-20	% YoY
SaaS Revenues	6.3	5.8	7.8	18.8	17.4	8.0
CPaaS Revenues	10.9	10.1	8.6	31.7	29.4	7.7
Other revenues	0.2	0.2	(33.7)	0.6	1.0	(40.5)
Total revenues	17.4	16.2	7.7	51.1	47.9	6.8
Gross Profit	6.0	5.1	17.9	17.6	15.4	14.1
% margin	34.3	31.3		34.4	32.2	
EBITDA	1.1	1.3	(14.5)	3.6	3.5	1.0
% margin	6.6	8.3		7.0	7.4	
Pre-Tax profit	0.2	0.4	(60.9)	0.6	0.9	(32.9)
% margin	0.9	2.6		1.2	1.9	

Sources: Company data, CFO SIM analysis

In 9M-21, total revenues were € 51.1m, up by 6.8% YoY, driven by increasing sales recorded by both the SaaS and the CPaaS divisions. The **SaaS division** (including the MailUp, BEE, Acumbamail and Datatrics business units) totalled **€ 18.8m, up by 8.0% YoY**. The **CPaaS division** (comprising the Agile Telecom business unit) reached **€ 31.7m, up by 7.7% YoY**.

Other revenues decreased because of the reduction of non-refundable government grants and windfall profits vs the same period of 2020. Foreign revenues were € 25.2m (49% of total revenues), up by 4.5% YoY.

Gross Profit rose by 14.1% YoY to € 17.6m (34.4% margin, +220 bps YoY) thanks to the ongoing effect of optimisation measures and cost savings. Furthermore, gross profit benefited from 1) the Agile Telecom business unit EBITDA almost doubling (up by 83.8% YoY) thanks to its strategic decision to focus more on profitability than on volumes and 2) Datatrics's reduced operating loss. It is worth mentioning that the group has not suspended or deferred any strategic investments in research and development (in 9M-21 R&D costs increased by 31.4% YoY).

EBITDA totalled € 3.6m, 7.0% margin, broadly in line YoY. In Q3-21, EBITDA declined 14.5% YoY, totalling € 1.1m, 6.6% margin (vs € 1.3m, 8.3% margin in Q3-20), mainly as a result of the investments made in order to develop the BEE business unit and MailUp's indirect channel as well as to perform Datatrics's reorganisation.

Net Financial Position was € 2.2m net cash, vs € 2.5m net cash at end-20. Cash and cash equivalents amounted to € 10.2m.

Table 2 – Growens, 9M-21 revenues breakdown by business unit

€ m	9M-21	9M-20	% YoY
MailUp	12.4	11.9	4.2
Agile Telecom	33.7	31.4	7.1
BEE	3.9	2.8	37.4
Datatrics	1.9	2.1	(7.9)
Acumbamail	1.5	1.1	26.9
Holding	4.7	3.6	30.8
Consol. Adj.	(6.9)	(5.2)	
Total revenues	51.1	47.9	6.8

Sources: Company data, CFO SIM analysis

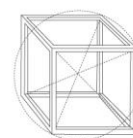


Table 3 – Growens, 9M-21 EBITDA breakdown by business unit

€ m	9M-21	9M-20	% YoY
EBITDA MailUp	2.2	2.8	(22.5)
EBITDA Agile Telecom	1.7	0.9	83.8
EBITDA BEE	0.1	0.3	(53.5)
EBITDA Datatrics	(0.7)	(1.1)	36.8
EBITDA Acumbamail	0.3	0.3	24.0
EBITDA Holding	(0.3)	(0.2)	(39.7)
Consol. Adj.	0.3	0.6	(56.1)
Total EBITDA	3.6	3.5	1.0
EBITDA % MailUp	17.6	23.7	
EBITDA % Agile Telecom	5.0	2.9	
EBITDA % BEE	3.6	10.6	
EBITDA % Datatrics	(36.7)	(53.5)	
EBITDA % Acumbamail	22.3	22.9	
EBITDA % Holding	(6.9)	(6.5)	
Total EBITDA %	7.0	7.4	

Sources: Company data, CFO SIM analysis

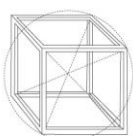
Looking at 9M-21 revenues in terms of business units:

- **MailUp grew by 4.2% YoY, totalling € 12.4m**, mainly as a consequence of its big exposure to the Italian market, deeply affected by the pandemic-related crisis.
- **Agile Telecom totalled € 33.7m, up by 7.1% YoY**, driven by the continuing recovery of the SMS traffic started in Q2 thanks to the reopening of economic activity, mainly in Italy.
- **BEE rose by 37.4% YoY** (46.2% at a constant EUR/USD exchange rate) **to € 3.9m**. Annual Recurring Revenues – ARR (showing the average annual recurring value of existing contracts) exceeded \$ 7.4m as of Sep-21.
- **Acumbamail generated € 1.5m in revenues, up by 26.9% YoY**, continuing on its excellent growth path.
- **Datatrics's sales decreased by 7.9% YoY** even if the reorganisation initiatives launched in 2020 produced an increase in lead generation and client pipeline.

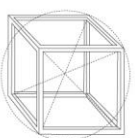
Table 4 – Growens, quarterly results – breakdown by business unit

€ m	Q1-21	Q1-20	% YoY	Q2-21	Q2-20	% YoY	Q3-21	Q3-20	% YoY
MailUp	3.9	4.0	(1.5)	4.3	4.1	4.7	4.2	3.8	9.6
Agile Telecom	11.0	10.5	4.5	11.3	10.2	10.8	11.4	10.7	6.0
BEE	1.1	0.9	27.2	1.2	0.9	32.6	1.5	1.0	51.3
Datatrics	0.7	0.8	(17.5)	0.7	0.7	2.1	0.6	0.6	(6.0)
Acumbamail	0.5	0.4	34.1	0.5	0.4	28.4	0.5	0.4	19.1
Holding	1.3	1.1	17.0	2.1	1.5	46.4	1.3	1.0	23.9
Consol. Adj.	(1.9)	(1.8)		(3.0)	(1.9)		(2.0)	(1.5)	
Total revenues	16.6	15.8	4.8	17.1	15.9	7.8	17.4	16.2	7.7
EBITDA MailUp	1.0	0.6		0.5	1.3		0.8	0.9	
EBITDA Agile Telecom	0.5	0.1		0.6	0.5		0.6	0.3	
EBITDA BEE	0.2	0.1		(0.1)	0.0		(0.0)	0.2	
EBITDA Datatrics	(0.1)	(0.3)		(0.3)	(0.4)		(0.3)	(0.4)	
EBITDA Acumbamail	0.1	0.1		0.1	0.1		0.1	0.1	
EBITDA Holding	(0.4)	(0.1)		0.2	0.0		(0.1)	(0.2)	
Consol. Adj.	0.1	0.1		0.1	0.1		0.1	0.4	
Total EBITDA	1.4	0.5	153.8	1.0	1.6	(37.3)	1.1	1.3	(14.5)
EBITDA % MailUp	25.1	15.6		10.5	32.4		18.0	22.8	
EBITDA % Agile Telecom	4.7	1.1		5.1	4.9		5.4	2.8	
EBITDA % BEE	17.9	6.5		(5.1)	3.8		(0.1)	20.6	
EBITDA % Datatrics	(11.9)	(39.3)		(50.8)	(63.6)		(48.9)	(61.3)	
EBITDA % Acumbamail	25.2	19.5		17.3	14.9		24.9	33.5	
EBITDA % Holding	(31.3)	(6.5)		10.9	1.8		(11.2)	(18.2)	
Total EBITDA %	8.3	3.4		6.0	10.3		6.6	8.3	

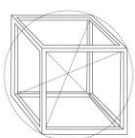
Sources: Company data, CFO SIM analysis



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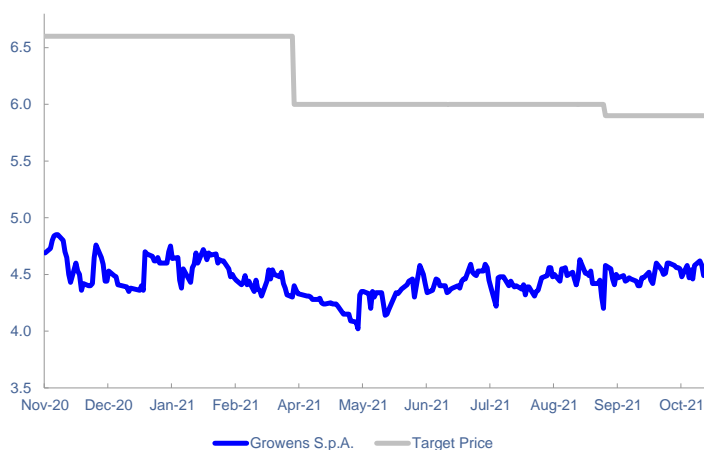
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DATE	TARGET PRICE	RATING
11/11/2021	€5.90	BUY
17/09/2021	€5.90	BUY
20/05/2021	€6.00	BUY
13/05/2021	€6.00	BUY
30/03/2021	€6.00	BUY
11/01/2021	€6.60	BUY
10/12/2020	€6.60	BUY
13/11/2020	€6.60	BUY

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- a **SELL** rating is assigned if the target price is at least 15% lower than the market price;
- a **NEUTRAL** rating is assigned if the difference between the current price and target price lies within the +/-15% range identified using the preceding criteria.

The rating is determined on the basis of the **expected absolute return over a 12-month period** and not on the basis of the estimated outperformance or underperformance relative to a market index. Thus, the rating can be directly linked to the estimated percentage difference between current and target prices. The prices of the financial securities mentioned in the report (also used for the calculation of market capitalisation and market multiples) are the reference prices of the stock market trading day preceding the publication date of the report, otherwise stated.

