EDISON

AIM Italia Conference 2018, London

Company profiles

22 October 2018

etc. venues, 155 Bishopsgate
London, EC2M 3YD

Published by Edison Investment Research

AIM Italia Conference 2018, London

Monday, 22 October 2018

AIM Italia

Regulated by Borsa Italiana, AIM Italia is dedicated to dynamic and competitive small and medium-sized enterprises (SMEs) that are looking for capital to finance their growth plans. AIM Italia offers companies visibility and a better standing, encourages best practice, supports internationalisation and attracts new talent.

AIM Italia has a balanced regulatory approach suitable for the needs of ambitious companies. The IPO process is tailored to the structure of SMEs and is built around the figure of the Nomad. Nomads supervise the due diligence process for issuers and support companies during the IPO process and throughout their stay on the market.

In January 2018, AIM Italia obtained the qualification of SME Growth Market, a new designation under MiFID II within the integration plan for EU capital markets. This contributes to increase visibility and standing of AIM Italia and its listed companies, allowing them to benefit from regulatory initiatives dedicated to these markets.

- At the end of August, 114 companies were listed on AIM Italia, representing 13 sectors with an aggregate market capitalisation of €7.6bn.
- Since January 2018, 26 companies have been admitted to AIM Italia.
- Since AIM Italia was launched, €3.7bn has been raised by companies, 94% from capital increases.

Edison Investment Research

Edison Investment Research is an investment research and advisory company, with offices in North America, Europe, the Middle East and AsiaPac. The heart of Edison is our world-renowned equity research platform and deep multi-sector expertise. Our research is widely read by international investors, advisers and stakeholders. Edison Advisors leverages our core research platform to provide differentiated services including investor relations and strategic consulting.

We help companies from the pre-IPO stage through the listing process and beyond. As a sponsor of exclusive events such as the Borsa Italiana AIM Italia Conference, or by providing research for issuers listed on markets such as AIM Italia, we are proud to contribute to a strong and efficient capital market for growth companies. Our research and investor roadshows are fully compliant with MiFID II and ideally positioned to support this.

This book highlights 26 of the companies presenting at the Borsa Italiana AIM Italia Conference in London on 22 October 2018.

The profiles in this book are priced at 14 September 2018. With the exception of Expert System, all estimates are Bloomberg consensus.

For further information about the conference and registration please email Borsa Italiana.

EDISON

Contents

Prices, information and consensus estimates as at 14 September 2018

Edison research clients*

Note: Edison client PBT and EPS are normalised

Published 21 September 2018

Alkemy....3
BioDue....4
Bomi Italia....5
CFT....6
Clabo....7
Costamp Group....8
DBA Group....9
Digital360....10
DigiTouch....11
Energica....12
Expert System*....13
Health Italia....14
ICF Group....15
Intred....16
Italian Wine Brands....17
Longino & Cardenal....18
MailUp Group....19
Monnalisa....20
Neodecortech....21
Notorious Pictures....22
Orsero....23
Safe Bag....24
Somec Group....25
TPS Group....26
Vimi Fasteners....27
Wiit....28

EDISON

QuickView

Alkemy

Media

21 September 2018

Digital transformation facilitator

Founded in 2012 and listed in December 2017 at €11.75, Alkemy is building an impressive record of revenue growth and improving margins through organic growth supplemented by acquisition. The group is now a market leader in Italy and is expanding geographically to become a leading innovation partner across Southern Europe. It has an attractive cash generation profile and the IPO proceeds mean it should continue to add to its commercial offering, building its client base and share of client spend.

Broad, high-quality client base

Alkemy works with over 160 clients (December 2017) across a wide range of industry verticals, with the largest proportions in TMT, services and retail. As its service offering has broadened, Alkemy has grown its ARPC at a CAGR of 21% over the last three years to €280k in FY17. It has assembled the capabilities to work end to end on projects, from the first consultancy stages through implementation and on to a continuing service, enabling it to become embedded within the client on a partnership basis. A typical project might involve maximising the client's channel performance (on- and offline) and activities (driving traffic, customer acquisition, etc) by leveraging all relevant digital media and technologies.

Consolidating market

Alkemy has five offices across Italy and others in Spain and Serbia. Markets are generally highly fragmented, with local specialists across constituent disciplines. As smaller and less developed markets, Southern and Eastern Europe has not been the first port of call for major global consultancies such as Accenture and Deloitte. This gives Alkemy an excellent opportunity to build by acquisition. Four key transactions have been completed since IPO (which raised €32.7m): a JV with Nelt Group in Serbia; purchase of 70% of Nunatac, an Italian company specialising in data analysis, big data and predictive business modelling; purchase of 51% of Kreativa New Formula, one of the largest independent marketing and advertising digital agencies in Serbia, for 5.8x adj. FY17 EBITDA; and the purchase of 51% of Ontwice Interactive Services (Spain), adding to its Spanish offering and adding interests in Mexico and LatAm.

Valuation: Under the radar

The share price is a little under the IPO price of €11.75 and an FY18e P/E of 20.0x is around a 17% discount to similar, quoted stocks. Although there is an argument for pricing in execution risk for any buy-and-build strategy, Alkemy is profitable and cash generative and our view is that this level of discount is not justified.

Consensus estimates

Year end	Revenue (€m)	PBT (€m)	EPS (c)	DPS (c)	P/E (x)	Yield (%)
12/16	34.8	2.3	35.4	0.0	32.5	N/A
12/17	44.9	2.7	36.8	0.0	31.3	N/A
12/18e	55.5	4.4	57.5	0.0	20.0	N/A
12/19e	64.9	5.6	71.5	0.0	16.1	N/A

Source: Company accounts, Bloomberg

Price	€11.50
Market cap	€62.9m

Share price graph

Share details

Code	ALK
Listing	AIM Italia
Shares in issue	5.47m

Business description

Alkemy helps companies improve their market position and competitiveness, innovating and transforming their businesses through technology. It integrates skills and expertise in strategy, eCommerce, communication, performance and technology, and manages wide-ranging digital transformation projects that cover the entire value chain, from strategy to implementation.

Bull

- Strong revenue growth and improving margins.
- Cash-rich balance sheet post IPO.
- Good client list and market positioning.

Bear

- Competition from global consultancies.
- Rising market prices for suitable acquisitions.
- Integration risks in roll-up business model.

Analysts

Fiona Orford-Williams	+44 (0)20 3077 5739
Neil Shah	+44 (0)20 3077 5700

media@edisongroup.com

EDISON QUICKVIEWS ARE NORMALLY ONE OFF PUBLICATIONS WITH NO COMMITMENT TO WRITING ANY FOLLOW UP. QUICKVIEW NOTES USE CONSENSUS EARNINGS ESTIMATES.

EDISON

QuickView

BioDue

Healthcare

21 September 2018

Built locally, growing internationally

BioDue's business is divided into two divisions: its proprietary brands division in the growing nutraceuticals and cosmeceuticals markets and a contract manufacturing business for industrial partners. In H118, 85% of the company's revenues of €21m (up 13% y-o-y) came from its domestic market. International sales grew 33% y-o-y, reflecting management's expansion strategy. BioDue grew revenue at a CAGR of 6.5% in the period 2014-17. The group plans to uplist to the main market, which will require its free float to increase from its current 21% to the required minimum of 35%.

Lucrative, fast-paced, global markets

The company's own products division formulates, manufactures and distributes nutritional supplements and cosmetics for its own brands: Pharcos (dermatology), biOfta (ophthalmology) and Selerbe (herbal products), in a business-to-consumer model. This division comprised 41% of H118 revenues. The global cosmeceutical market was worth US$43.6bn in 2016 and is expected to grow at a CAGR of 7.6% to US$78.3bn in 2024. The global nutraceuticals market is predicted to reach US$578bn in 2025 with CAGR of c 9% in 2017-25, driven by emerging markets and the botanical dietary supplements sector. The Italian nutraceuticals market was worth €3bn in 2016. The industrial division focuses on contract manufacturing of liquid and solid food supplements, herbal products, cosmetics and medical devices for pharma companies. The division generated 52% of group revenues in H118.

National and international strategy

In H118, 86% of sales came from Italy (vs 88% in H117), while international sales represented 14% (vs 12% in H117). BioDue's international expansion strategy involves the creation of joint ventures (JV). In particular, Pharcomed was set up in January 2017 in a 50/50 JV with Gruppo Suco for the US and LatAm. BioDue also set up a JV for Albania in March 2017. At home, the company recently acquired 43.4% of Farcoderma for €1.35m. Farcodema specialises in food, cosmetic and medical devices and in FY17 its turnover was €6m. The deal highlights the strategic opportunity that inorganic growth represents in a highly fragmented local market.

Valuation driven by business execution

We believe that BioDue's valuation is predicated on its ability to continue growing sales. We note that, based on consensus, BioDue trades at a discount vs competitor PharmaNutra (c 18x vs c 22x FY18e P/E), despite its solid (and broadly comparable) forecast growth.

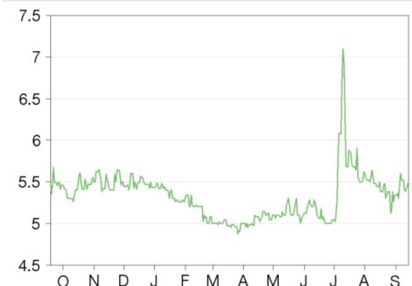
Consensus estimates

Year end	Revenue (€m)	PBT (€m)	EPS (€)	DPS (€)	P/E (x)	Yield (%)
12/16	34.5	3.3	0.18	0.07	30.8	1.3
12/17	36.3	5.2	0.37	0.06	14.9	1.1
12/18e	41.1	5.3	0.31	0.08	17.7	1.5
12/19e	44.6	6.6	0.39	0.10	14.1	1.8

Source: Bloomberg

Price	€5.50
Market cap	€61m

Share price graph



Share details

Code	BIO2
Listing	AIM Italia
Shares in issue	11.15m

Business description

BioDue manufactures and markets medical devices, dermocosmetic products and food supplements. The company has two divisions: industrial, which is dedicated to the production of third-party branded liquid and solid food supplements, cosmetics, medical devices and herbal products; and its own brand division dedicated to the production and marketing of dermatological, ophthalmic products and food supplements.

Bull

- Nutraceuticals and cosmeceuticals are growing sectors.
- Upside from international markets.
- External growth by M&A.

Bear

- Increasing competition.
- Financing of acquisition deals.
- Growth expectations may be priced in.

Analyst

Juan Pedro Serrate +44 (0)20 3681 2534

healthcare@edisongroup.com

EDISON QUICKVIEWS ARE NORMALLY ONE OFF PUBLICATIONS WITH NO COMMITMENT TO WRITING ANY FOLLOW UP. QUICKVIEW NOTES USE CONSENSUS EARNINGS ESTIMATES.

EDISON

QuickView

Bomi Italia

Distribution

21 September 2018

Recent good trading and M&A upside

Bomi Italia's (Bomi) July acquisition of Farma Logistica (Farma) is a good example of Bomi acting as a consolidator in its markets. The acquisition price looks attractive and we would expect good synergies. Recent trading has been above management's guidance. We think Bomi should continue to benefit from structural growth in its markets, especially through growing demand for medical devices and the outsourcing of distribution.

Farma Logistica acquisition

In July, Bomi completed the acquisition of Farma Logistica, a company operating in the healthcare logistics and transport sector in Central-South Italy. We see this acquisition as a good example of Bomi continuing to act as a consolidator in its core European market. Farma is a good sized acquisition for Bomi, with FY17 revenues of c €5.3m (equivalent to 4% of Bomi's) and adjusted EBITDA of c €0.8m (equivalent to 7% of Bomi's). Bomi paid €2.9m for Farma, in cash, plus an earnout component of up to €1.1m, which represents 3.6-5.0x Farma's FY17 EV/EBITDA which we think is an attractive valuation, especially as we would expect considerable cost synergies from combining distribution networks.

Q118 revenues showed a good performance

Bomi's Q118 statement, which only covers revenues, was released in April and showed 14.7% constant currency growth, comprised of 4.2% organic growth and 10.5% from acquisitions. The Q1 revenues were more than 2.8% higher than forecast in the group's Business Plan 2018-20.

Business Plan 2018-20

Bomi's Business Plan 2018-20 was issued in January 2018 and set out an upbeat outlook. The standalone plan sets out what Bomi can do with the actual structure and with its resources, without any further M&A. The company expects revenue to show an organic 6.6% CAGR, or 8.94% at fixed 2017 exchange rate. EBITDA is expected to show an organic 10.1% CAGR, or 13.4% at fixed 2017 exchange rate. Two of the main structural growth factors identified in the plan were: the 'outsourcing trend', especially as customers look to save money in distribution; and 'medical device macro trends', due to an ageing population, population growth, the modernisation of the healthcare system and a rise in home care.

Valuation: Good growth leads to an attractive P/E

Consensus forecasts underscore the positive outlook in the Business Plan. EPS is forecast to show a 23% CAGR (2017 to 2020). Good growth in EPS results in a near halving of the P/E from 15.2x in 2017 to 8.2x in 2020.

Consensus estimates

Year end	Revenue (€m)	PBT (€m)	EPS (€)	DPS (€)	P/E (x)	Yield (%)
12/17	117.8	4.0	18.3	N/A	15.2	N/A
12/18e	133.0	5.1	18.0	0.05	15.4	1.8
12/19e	141.0	7.4	27.0	0.07	10.3	2.5
12/20e	149.0	9.3	34.0	0.09	8.2	3.2

Source: Bloomberg

Price	€2.78
Market cap	€47m

Share price graph

Share details

Code	BOMI IM
Listing	AIM Italia
Shares in issue	16.9m

Business description

Founded in 1985, Bomi is an Italian-based international medical device distribution company. It focusses on the distribution of medical equipment, pharmaceuticals, in-vitro diagnostic equipment, reagents and implant products. Bomi operates directly in Europe, South America, China and the US.

Bull

- Outsourcing of distribution by customers.
- Rise in the use of medical devices.
- Acquisitions to further consolidate the market.

Bear

- Some emerging market exposure.
- Large healthcare customers may have pricing power.
- Integrating acquisitions could carry risk.

Analyst

Robert Plant +44 (0)20 3077 5749

industrials@edisongroup.com

EDISON QUICKVIEWS ARE NORMALLY ONE OFF PUBLICATIONS WITH NO COMMITMENT TO WRITING ANY FOLLOW UP. QUICKVIEW NOTES USE CONSENSUS EARNINGS ESTIMATES.

EDISON

QuickView

CFT

Food processing & packaging

21 September 2018

Food for thought

The recently completed merger between Glenalta and CFT creates a business with significant funding to support the group's ambition to be a leading consolidator of processing, packaging and sorting technologies in the food and beverage sector. Benefiting from the global population megatrends or urbanisation and growing middle classes demanding higher-quality food and drink products, CFT should also augment growth by entering new product segments with high growth dynamics.

Creation of a new platform for growth

CFT was formed on 30 July 2018, through the merger of special acquisition company Glenalta with CFT, a company with more than 70 years of experience in the food packaging and processing market. The merger provided a substantial €88m capital injection for CFT and the opportunity for its shareholders to cash out for €10m. Glenalta shareholders represented 8.9% of its capital and opted to withdraw before the merger, receiving almost €9m. The pro forma net cash of the merged entity on 30 October 2017 thus stood at c €40m. Sales are split between processing machinery and systems (62% of sales), packaging and bottling equipment (28%) and higher-margin optical selection and inspection equipment for quality control (10%). The company has a broad and varied geographic customer base and 86% of sales going to markets outside Italy.

Consolidating from strong segment positions

The strong balance sheet will be used to promote the group's growth strategy, primarily through M&A. The focus will be on expanding the product offering by acquiring new technologies through organic investment and M&A. In addition the company, with a revised and relatively youthful management team, will seek to consolidate some parts of the value chain to increase competitiveness. The organic growth strategy is to be supported by investment in robotics and automation. The recent purchase of a majority stake in Co.Mac, a producer of kegging, bottling and canning plants, is an example of the intention to consolidate CFT's strong presence in core activities, in this case the beer segment.

Valuation: Reflects lack of track record

Assuming pro-forma net cash €40m, the current enterprise value (EV) for the group stands at €100m. The historic pro-forma FY17e EV/EBITDA of 5.1x appears undemanding relative to food processing machinery peers in Europe. The rating could offer potential if the deal-driven strategy is executed successfully.

Historical financials

Year end	Revenue (€m)	EBITDA (€m)	EPS (€)	DPS (€)	P/E (x)	Yield (%)
12/15	167.2	11.4	-	-	N/A	N/A
12/16	183.5	17.3	-	-	N/A	N/A
12/17PFe*	200.7	19.7	0.39	-	18.9	N/A

Source: Company reports. Note: *Pro forma as if merger structure had been in place.

Price	€7.36
Market cap	€140m

Share price graph

Share details

Code	CFT
Listing	AIM Italia
Shares in issue	19.0m

Business description

CFT designs and manufactures processing, packaging and sorting machinery for the food industry. It offers complete turnkey solutions along the whole manufacturing cycle from requests for proposal through to design and machine production, assembly and testing, and after-sales support.

Bull

- Strong market positions in some segments provide a foundation for growth.
- Relatively fragmented machinery market by product lines provides opportunities for niche consolidation.
- A global presence and customer base is supported by consistent engineering investment and innovation to meet customer needs.

Bear

- Food machinery market is mature and competitive.
- Refreshed management team needs to establish track record following merger.
- As with all M&A-driven strategies, acquisitions carry an execution risk that must be overcome.

Analyst

Andy Chambers +44 (0)20 3077 5700

industrials@edisongroup.com

EDISON QUICKVIEWS ARE NORMALLY ONE OFF PUBLICATIONS WITH NO COMMITMENT TO WRITING ANY FOLLOW UP. QUICKVIEW NOTES USE CONSENSUS EARNINGS ESTIMATES.

EDISON

QuickView

Clabo

Industrials

21 September 2018

Growth driven by internationalisation

With more than 30% global market share in its core business and recent acquisitions in the US and China, Clabo is well positioned to capture growth opportunities in strong-growth geographies. We see Clabo as on track to achieve its 2018 revenue growth target (c 30% y-o-y). After recent relatively large investments, deleveraging could start from 2019. A valuation of 6.8x 2018e EV/EBITDA, based on management guidance, is broadly in line with peers.

Strategic focus is on international expansion

Over the last 18 months Clabo has achieved large international expansion through the acquisition of Easy Best in China in March 2017 (for €3.8m, implying 6.3x 2017 EV/EBITDA) and of Howard McCray (HMC) in the US in March 2018 (€2.6m for 51% stake + net debt, implying 7.6x 2017 EV/EBITDA before expected cost synergies of €0.6m), repositioning the group on stronger growth markets.

Deleveraging driven by EBITDA growth

As a result of the recent M&A, leverage is relatively high (€23.3m net debt at H118, implying 3.2x net debt/EBITDA based on 2018 EBITDA target). The deleveraging from 2019 is driven mainly by EBITDA growth, as targeted 2018–22 cash flow generation of €25m (c 100% of market cap) is mostly absorbed by €12m planned capex and €9m WC increase. The 7.4m outstanding warrants (for the issue of max 3.7m new shares) are currently out of the money (03/2019 exercise price of €3.80).

H118 sales equal to over 50% of 2018 target

H118 sales were >€30m, growing at 20%+ y-o-y, both organic and external driven, and consistent with the trend in FY17 (sales +20%, EBITDA +22%). With H118 sales over 50% of the €58m FY18 revenue target (pro-forma), we believe Clabo is on track to achieve its annual objective. At the EBITDA level, the targeted €7.2m for FY18 implies much stronger growth of 44% (vs €5.0m FY17), which appears ambitious even taking into account HMC (2017 EBITDA of €0.8m). The group target EBITDA implies margins expanding 1.3pp to 12.4%, despite the likely margin dilution from MC (2017 EBITDA margin of 8.6% vs 11.2% for Clabo). Beyond 2018, company targets imply 13% 2018–22e sales CAGR (above 2014–17 CAGR of 8%) and 18% EBITDA CAGR driven by new products, synergies and efficiencies.

Valuation: 6.8x 2018e EV/EBITDA

The current EV of €49m implies 6.8x 2018e EV/EBITDA (based on company targets), which is broadly in line with small Italian industrial players.

Historical financials

Year end	Revenue (€m)	EBITDA (€m)	EPS (€)	DPS (€)	P/E (x)	Yield (%)
12/14	35.8	5.7	0.22	0.00	14.3	N/A
12/15	34.9	4.9	0.29	0.00	10.8	N/A
12/16	37.3	4.1	0.09	0.00	34.9	N/A
12/17	44.8	5.0	0.06	0.00	52.3	N/A

Source: Company data

Price	€3.14
Market cap	€26m

Share price graph

Share details

Code	CLA
Listing	AIM Italia
Shares in issue	8.2m

Business description

Listed in 2014, Clabo is a global leader in the production of refrigerated showcases and furniture for the food retail market, distributing its products to more than 100 countries. The US is expected to represent the largest market in 2019 while Italy already represents less than a third of sales.

Bull

- Strong international focus and exposure to high-growth areas (China and the US).
- Market leader with strong commercial relationships.
- Recent acquisitions offer efficiencies and synergies opportunities.

Bear

- Limited balance sheet headroom due to current relatively high leverage.
- Sensitive to a potential slowdown in consumer confidence and to an economic downturn.
- Limited liquidity and free float.

Analyst

Dario Carradori +44 (0)20 3077 5700

industrials@edisongroup.com

EDISON QUICKVIEWS ARE NORMALLY ONE OFF PUBLICATIONS WITH NO COMMITMENT TO WRITING ANY FOLLOW UP. QUICKVIEW NOTES USE CONSENSUS EARNINGS ESTIMATES.

EDISON

QuickView

Costamp Group

Automobiles & parts

21 September 2018

The die is cast

Price	€3.56
Market cap	€151m

Created through the reverse takeover by Co.Stamp of the AIM Italia-listed Modelleria Brambilla in 2018, Costamp Group is a leading player in the global die casting industry and the European leader. Mainly supplying the automotive industry (95% of sales), the company is seeking to drive growth by leveraging its integrated capabilities, developing stronger partnerships with OEM and Tier 1 customers and expanding internationally to provide a direct presence in major manufacturing regions.

Share price graph

Share details

Code	MOLD IM
Listing	AIM Italia
Shares in issue	42.49m

Business description

Costamp Group is the global leader in the engineering, production and trade of dies for die casting. It has three business units: HPDC, LPDC & Gravity, and Plastic dies for product materials including aluminium, cast iron, thermoplastic, magnesium and other alloys.

Bull

- Leading position in the provision of dies for the global die casting industry for automotive.
- Complete offer covering all main processes and product materials.
- High growth potential through cross-selling, aluminium exposure and extension of global footprint.

Bear

- Italian manufacturing base to be augmented by international investment.
- The recent disposal of 4.35% of the share capital by Costamp increased the free float to 6.30% in line with the intention to improve liquidity.
- High relative valuation multiples discounting execution of growth strategy

Analyst

Andy Chambers +44 (0)20 3077 5700

industrials@edisongroup.com

The leading European die casting

The integration of Brambilla's LPDC (low pressure die casting) and gravity fed products and processes makes Costamp Group a leading global player, and European number one, in the engineering and supply of dies for the die casting industry. It now offers and develops a complete range of dies for HPDC (high pressure die casting), LPDC, and gravity casting processes. It supplies casting processes for products in aluminium cast iron thermoplastic, magnesium and other related alloys. It customers include foundries owned by automotive majors and suppliers, as well as third-party foundries. Cross-selling opportunities exist for Brambilla's range, as well as the opportunity to expand internationally and the trend towards lighter materials together with new, more efficient processes. It has a strong engineering presence (17% of 331 employees) to support its future strategy, for example through the development of new technology dies (Puzzle Die) for aluminium die casting processes. The primary aims are to extend tool lifetime and improve product quality.

Targeting auto industry megatrends

Costamp identifies more stringent emissions control as a major driving force for its growth strategy. It targets the increasing production of electric and hybrid vehicles together with increased use of lighter materials as a focus for vehicle makers. It expects increased usage of aluminium castings, where average content per vehicle is expected to grow at c 2.5% per annum through 2025. Positioned to span Tier 2 and Tier 3 supply in the value chain, Costamp also expects strategic partnerships with other suppliers to provide integrated solutions to OEM and Tier 1 suppliers. As it increases its penetration it will seek to extend its manufacturing presence to support the consolidating footprint of OEMs in Eastern Europe, NAFTA and China.

Valuation: Rated for high growth

The recent disposal of 4.35% of the share capital by Costamp's majority holder increased the free float to 6.30% in line with the intention to improve liquidity and reduce pro-forma net debt from €26.9m at 31 December 2017. The EV metrics stand at a valuation premium to international auto peers, reflecting growth potential.

Historical financials (pro forma*)

Year end	Revenue (€m)	EBITDA (€m)	EPS (€)	DPS (€)	P/E (x)	Yield (%)
12/16	58.7	8.1	0.08	N/A	44.5	N/A
12/17	59.0	4.6	0.01	N/A	356.0	N/A

Source: Company reports Note: *As if company had been integrated since 2016.

EDISON QUICKVIEWS ARE NORMALLY ONE OFF PUBLICATIONS WITH NO COMMITMENT TO WRITING ANY FOLLOW UP. QUICKVIEW NOTES USE CONSENSUS EARNINGS ESTIMATES.

EDISON

QuickView

DBA Group

Technology

21 September 2018

Tech solutions for infrastructure growth

DBA Group is a technology consulting company focused on providing integrated engineering, network connectivity, architecture and project management solutions for infrastructure projects over their entire lifecycle. While two-thirds of sales were from Italy in 2017, the strongest growth is targeted in the Balkans, Caucasus and Central Asia, supported by large infrastructure investments linked to the >€500bn capex 'One Belt, One Road' Chinese initiative. Trading on c 6.0x/4.0x 2018/19e EV/EBITDA, at a large discount to other engineering companies and considering the growth potential, the valuation appears undemanding.

Internal and external growth targeted

DBA Group's strategic priorities include sustained growth in its core Italian market, strong growth for engineering and ICT software divisions in the Balkans and Central Asia and external growth through acquisitions of small strategic players. The growth in transport, telco, energy, building infrastructure along the 'New Silk Road' driven by economic and population growth, urbanisation, increasing environmental awareness, investments in digitalisation and communication networks is the key growth engine for DBA Group. Over the last few months, the company has announced significant progress on its expansion strategy with new contracts (including a €13m fibre optic contract by Italtel), the purchase of SJS Engineering for €3m (51% stake), and the 26% minorities buy-out of Actual IT for €2.8m.

2018 growth target ambitious but achievable

DBA Group targets €6.0m EBITDA in 2018 (organic ex acquisition), implying €1.2m or >20% y-o-y growth and representing a large step-up vs growth rates in previous years (12% 2013–17 CAGR). In our view, this target is ambitious but realistic considering the contribution from recent new contracts (including Italtel). Acquisitions (SJS Engineering with €0.8m 2017 EBITDA acquired in April 2018) should add to this target. The 2018 Bloomberg consensus EBITDA of €6.9m appears broadly in line with the group's target (once the contribution from acquisitions is added). H1 results on 28 September will be the key checkpoint to assess the 2018 growth trend.

Valuation: At a discount to peers

DBA Group's relative valuation appears undemanding, trading on c 6.0x/4.0x 2018/19e EV/EBITDA and c 17x/c 12x P/E (Bloomberg consensus), a significant discount to international engineering and technology groups (currently trading on 9–10x EV/EBITDA). While a discount is justified by the smaller size and limited liquidity, growth delivery may contribute to closing the valuation gap vs peers.

Consensus estimates

Year end	Revenue (€m)	EBITDA (€m)	EPS (€)	DPS (€)	P/E (x)	Yield (%)
12/16	41.4	4.8	0.04	0.00	87.5	N/A
12/17	45.2	4.9	(0.05)	0.00	N/A	N/A
12/18e	49.3	6.9	0.21	0.00	16.7	N/A
12/19e	52.9	8.6	0.30	0.00	11.7	N/A

Source: Company data, Bloomberg

Price	€3.5
Market cap	€40m

Share price graph

Share details

Code	DBA
Listing	AIM Italia
Shares in issue	11.5m

Business description

Founded in 1991 and listed in 2017, DBA Group is a technology consulting and engineering company specialising in providing network connectivity and infrastructure lifecycle solutions. The company focuses on Italy (c 70% of 2017 sales), the Balkans, Caucasus and Russia. It employs almost 500 people and has clients in telecoms and media (42% of 2017 sales), transport and logistics, energy, building and industrial sectors.

Bull

- Integrated offering including architecture, engineering, project management, software development and network connectivity across entire lifecycles.
- Exposed to growth markets and 'One Belt, One Road' infrastructure projects.
- Proven track record of growth.

Bear

- Exposure to higher-risk geographies.
- Sensitive to macroeconomic scenarios affecting infrastructure development.
- Limited geographical diversification: two-thirds of business concentrated in Italy in 2017.

Analyst

Dario Carradori +44 (0)20 3077 5700

industrials@edisongroup.com

EDISON QUICKVIEWS ARE NORMALLY ONE OFF PUBLICATIONS WITH NO COMMITMENT TO WRITING ANY FOLLOW UP. QUICKVIEW NOTES USE CONSENSUS EARNINGS ESTIMATES.

EDISON

QuickView

Digital360

Business services

21 September 2018

Guiding digital transformation

Digital360 listed in June 2017, raising €4m in equity and €2m in listed convertible bonds. It is a leading player in Italy, assisting both private and public bodies with their digital journeys, including offering a multi-channel, platform-based matching service. The group is achieving impressive growth, with indicative results showing H118 revenues and EBITDA 70% ahead of the prior year, up 20% on an organic basis. The complexity and continuous fast pace of evolution of the markets being addressed underlies clients' needs for this type of service.

Demand driven by market complexity

Digital360 has two business strands: demand generation and advisory services. Its demand generation activities include; communications and marketing services; events and webinars; and lead generation initiatives. The deep knowledge base in the organisation is leveraged through both custom and engineered advisory services, which provide a degree of scalability in the business model. The IPO provided additional funding to add on further specialties (three acquisitions in Q118: a digital agency, a consulting business and a marketing agency). Digital360 generally purchases an initial 51% stake, with the option to purchase the balance over time. The group has recently added portals for AI, blockchain, big data and agricultural tech. Its advisory and consultancy services have been extended to cover data-driven innovation, compliance/GDPR and cybersecurity. Digital360 has built a strong market position in its domestic market. It has ample scope to build through extending its offering to smaller potential customers.

Road to improving margins

The published FY17 results show €14.3m revenue, but this rises to €19.2m on a pro forma basis adjusting for the acquisitions. Published EBITDA of €1.64m rises to €2.53m pro forma, giving a margin of 13.1% against the published figure of 11.5%. As the proportion of productised revenue increases and the business scales up relative to its fixed costs, there should be good scope for further margin expansion.

Valuation: Substantial discount

The shares were listed in June 2017 at a price of €1.15, spiking up to €1.65 shortly after, before drifting to a low of €1.05 in July 2018. At the current level, they are valued at c 1.0x FY18e on EV/sales and on c 8.4x EV/EBITDA. This is around half the level of comparable stocks, albeit they are international, and considerably larger and more liquid. Continued delivery against plan should help narrow this discount.

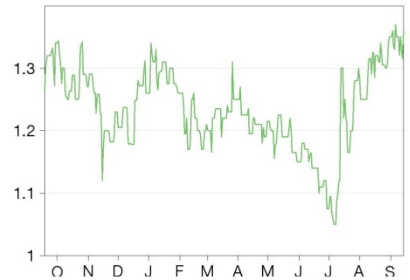
Consensus estimates

Year end	Revenue (€m)	PBT (€m)	EPS (c)	DPS (€)	P/E (x)	Yield (%)
12/16	12.8	0.51	3.48	0.0	39.1	N/A
12/17	14.3	0.06	3.15	0.0	43.2	N/A
12/18e	22.2	0.60	4.24	0.0	32.1	N/A
12/19e	25.0	1.03	5.21	0.0	26.1	N/A

Source: Company accounts, Bloomberg

Price	€1.36
Market cap	€22m

Share price graph



Share details

Code	DIG
Listing	AIM Italia
Shares in issue	16.1m

Business description

Digital360 partners with the private and public sector to assist in the understanding and implementation of digital transformation solutions, relying on the best technology providers on the market. It does this using a multi-channel 'MatchMaking' platform and integrating a multidisciplinary and multicultural approach.

Bull

- Fragmented market provides opportunities.
- Attractive cash flow profile.
- Capacity to add further practices.

Bear

- Currently limited to Italian market.
- Key individuals' risk.
- Execution risk.

Analysts

Fiona Orford-Williams +44 (0)20 3077 5739

Neil Shah +44 (0)20 3077 5700

media@edisongroup.com

EDISON QUICKVIEWS ARE NORMALLY ONE OFF PUBLICATIONS WITH NO COMMITMENT TO WRITING ANY FOLLOW UP. QUICKVIEW NOTES USE CONSENSUS EARNINGS ESTIMATES.

EDISON

QuickView

DigiTouch

Media

21 September 2018

Moving into the next phase

DigiTouch has set out a clear vision for its development across FY18–20e, growing its client numbers and driving the average revenue derived from them. M&A remains on the agenda, given the consolidating market. FY17 was a tough year with some client churn and pressure on pricing, in common with some other European market operators, but the group nevertheless finished the year in a net cash position. The data capabilities the group has built give it differentiation and should enable it to scale and build operating margins. DigiTouch is trading at a discount to the overall sector but broadly in line with other smaller European quoted stocks.

Acquisitions and start-ups

Established 10 years ago and listed in March 2015, DigiTouch has grown through five acquisitions across the advertising services and performance marketing services disciplines, increasing its competencies in social media and SEO, amongst others. It has also established a data services division that is targeted to grow from 3% of group revenue in FY17 to 12.5% by FY20e. The group had a difficult year in FY16, much of which stemmed from rapid expansion and delays in integrating acquisitions. These issues were largely resolved by H217 and the financial performance turned a corner. DigiTouch has a strong and broad client roster across a wide range of verticals.

FY18–20e growth strategy

The strategy hinges on growing the client base and expanding the number of services sold to them, thereby increasing the ARPC. With its data and technical capabilities, the data service division is key to achieving this goal. DigiTouch's client base is mainly medium and larger organisations, adding credibility to this element of the strategy. By emphasising the data-centric elements, DigiTouch should be able to automate an increasing proportion of its service, making it more scalable and facilitating improving margins.

Valuation: Discount opening up

The depressed results in FY17 naturally inflate the rating, but the consensus forecast recovery in earnings brings the valuation to a discount to market for FY18e and a marked discount for FY19e. This reflects some element of caution over the deliverability of the plan. The discount could narrow as results prove management's vision.

Consensus estimates

Year end	Revenue (€m)	PBT (€m)	EPS (c)	DPS (c)	P/E (x)	Yield (%)
12/16	27.0	2.20	0.08	0.04	15.9	3.2
12/17	28.9	0.79	0.03	0.04	42.3	3.2
12/18e	33.2	2.23	0.11	0.04	11.5	3.2
12/19e	39.8	3.47	0.17	0.04	7.5	3.2

Source: Company accounts, Bloomberg

Price	€1.27
Market cap	€18m

Share price graph

Share details

Code	DGT
Listing	AIM Italia
Shares in issue	13.9m

Business description

DigiTouch, a MarTech group, is a one-stop-shop for digital marketing solutions and is an enabling partner for brands' digital communications and transformation. It has an integrated offer of strategy, technology, operational and marketing tools.

Bull

- Technical and data capabilities.
- Opportunities to cross- and upsell.
- Strong client roster.

Bear

- Competitive markets.
- High prices in M&A markets.
- Margin pressure.

Analysts

Fiona Orford-Williams +44 (0)20 3077 5739

Neil Shah +44 (0)20 3077 5700

media@edisongroup.com

EDISON QUICKVIEWS ARE NORMALLY ONE OFF PUBLICATIONS WITH NO COMMITMENT TO WRITING ANY FOLLOW UP. QUICKVIEW NOTES USE CONSENSUS EARNINGS ESTIMATES.

EDISON

QuickView

Energica

Industrials

21 September 2018

Price	€4.08
Market cap	€60m

Pioneer in premium electric motorcycles

Focusing on the premium segment of the high-growth electric motorcycle industry, Energica achieved an important milestone by being selected as the sole supplier to the first electric motorcycle championship and announced strong revenue growth inH118, albeit from low levels. While funding is secured for 2018, we believe more financial resources are needed before the targeted positive EBITDA in 2020 is reached.

Two-wheeled electric vehicles growing strongly

The European electric two-wheeled market has experienced strong growth rates (motorbikes and mopeds +23% 2011–17 CAGR; source ACEM) and is expected to continue to grow strongly (+30% 2015–25e according to Frost & Sullivan). Energica has established a commercial network in the EU and US. The recent contract win to be the sole supplier to the FIM Enel MotoE World Cup, the first electric motorcycle championship (starting in 2019), is a key milestone for its growth plan. Key challenges to sales growth remain the limited mileage range (up to 200km) for one charge and the lack of charging infrastructure.

Target is to be EBITDA positive by 2020

After closing 2017 with sales below company targets, Energica experienced strong growth rates in H118, albeit from a low base. We estimate H118 sales of c €1m (Energica stated that sales were 5x larger than H117 and 2x FY17 sales). Company targets include €4m revenues in 2018 (hence a significant sales acceleration is needed in the H218); to be EBITDA positive by 2020; and to break even at net income in a subsequent period, when sales will reach 2,000 units per year (assuming an average price/unit of c €20,000 we calculate €40m revenues). The medium-term target is to produce 5,000 vehicles (c €100m sales, we estimate).

More funding needed before break-even is reached

Energica is at an early stage of development and requires additional funding in this growth phase. It has secured funding for 2018 (capital increases, convertible bonds and shareholder loans). The company generated negative cash flow of €7.0m and €5.8m in 2016 and 2017.

Valuation: Company target implies c 15x 2018e EV/sales

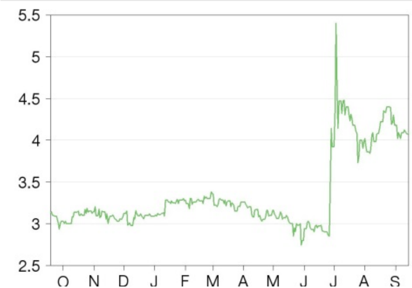
Energica's market cap is €60m and net cash was €1m at the end of 2017 (c 15x 2018e EV/sales, based on management target). Electric mobility players SMRE, Voltabox and Aumann (at a more advanced stage of development and operating in the auto sector) trade on c 2–3x 2018e EV/sales.

Historical financials

Year end	Revenue (€m)	EBITDA (€m)	EBIT (€m)	PBT (€m)	Net debt/ (cash) (€m)	EV/Sales (x)
12/15	0.2	(0.9)	(1.5)	(1.5)	0.1	233
12/16	0.8	(3.4)	(4.9)	(4.9)	0.7	80
12/17	0.5	(3.7)	(5.5)	(5.8)	(1.0)	112

Source: Company data

Share price graph



Share details

Code	EMC
Listing	AIM Italia
Shares in issue	14.7m

Business description

Founded in 2014 as a spin-off of CRP Group (c 50-year knowhow in producing components for various motorsports) and listed in 2016, Energica Motor Company is a producer of premium high-performing electric motorcycles, offering three motorbike models at a starting price of €21,600 that charge to 85% in 30 minutes.

Bull

- Strong market growth for electric motorcycles and established trend towards vehicle electrification.
- Significant technical knowhow from the parent company.
- First mover in an evolving industry.

Bear

- Volume growth requires large investment in fast-charging station networks.
- Motorbikes have a limited range (up to 200km) for one charge and this is still a constraint for many users.
- The potential entry into the electric market of conventional motorbike manufacturers with a strong brand identity is the key competitive threat.

Analyst

Dario Carradori +44 (0)20 3077 5700

industrials@edisongroup.com

EDISON QUICKVIEWS ARE NORMALLY ONE OFF PUBLICATIONS WITH NO COMMITMENT TO WRITING ANY FOLLOW UP. QUICKVIEW NOTES USE CONSENSUS EARNINGS ESTIMATES.

EDISON

QuickView

Expert System

Software & comp services

21 September 2018

Anticipating faster expansion

After muted H117 performance, Expert System saw significantly improved momentum in H2, leading to FY17 performance ahead of market expectations. The €10m equity raise earlier this year, along with increasing demand for the company's AI solutions, should underpin management's guidance of mid-teens revenue growth over FY18-19. Expert trades at a discount to its wider peer group on a multiples basis. H118 results are due on 28 September.

H217 improvement; upwardly revised guidance

FY17 sales of €26m were ahead of market expectations, growing 12% y-o-y, driven by acceleration in growth in H2 (+20% y-o-y and +110% h-o-h). This growth, combined with greater contributions from higher-margin licences and lower than expected opex underpinned a positive €3.9m swing in EBITDA to €1.7m. D&A (€4.9m), restructuring charges (€0.7m) and amortisation of acquired intangibles (€2.6m) led to a reported operating loss of €6.5m, a €2m improvement on FY16. Management provided revised guidance for FY18 and FY19, implying a CAGR of 13.5–16% in revenues, and EBITDA margins increasing to more than 20% by FY19. The company continues to expect net losses over the same period and we estimate it will turn cash positive in FY19. A recent trading update confirmed H118 sales growth of 53% y-o-y to €12.9m, in line with management's growth targets and underpinning our forecasts.

Maturing market for AI solutions to drive growth

The company sees the market for its solutions starting to mature, with companies now actively looking for ways to use artificial intelligence (AI) to improve their business processes, particularly within the financials vertical. Furthermore, Expert's profile has recently been boosted by good reviews from market researchers such as Forrester and Gartner, which highlight the depth of functionality of Expert's software in a market that includes large competitors such as IBM, Micro Focus and SAS, as well as its ability to provide professional services to customers.

Valuation: Discount to peers

The shares have fallen steadily over the past year, reflecting the downgrades seen after H117 results and the €10m equity raise earlier this year. Nevertheless, at 1.7x FY18e sales and 13.0x EBITDA, the shares remain at a steep discount to the wider peer group of natural language understanding and big data analytics companies, while they are more in line with other Italian software and services businesses.

Edison estimates

Year end	Revenue (€m)	EBITDA* (€m)	EPS* (€)	DPS (€)	P/E (x)	EV/EBITDA (x)
12/16	25.1	(2.2)	(0.22)	0.0	N/A	N/A
12/17	27.8	1.7	(0.18)	0.0	N/A	29.6
12/18e	30.5	4.0	(0.05)	0.0	N/A	12.8
12/19e	34.8	7.0	0.02	0.0	60.0	7.4

Source: Expert System, Edison Investment Research. Note: *Normalised – excludes share-based payments, exceptional items and amortisation of acquired intangibles.

Price	€1.20
Market cap	€43m

Share price graph

Share details

Code	EXSY
Listing	AIM Italia
Shares in issue	35.7m

Business description

Expert System has developed and patented technology that extracts useful information from unstructured text using semantic-based techniques. It applies this technology to a number of verticals including enterprise search, customer experience management and big data analytics.

Bull

- Software available in 14 languages.
- Software highly accurate in understanding unstructured text.
- Vertical solutions developed.

Bear

- Not yet cash flow positive.
- High level of perpetual licensing reduces visibility.
- Long sales cycle.

Analysts

Katherine Thompson +44 (0)20 3077 5730

Alasdair Young +44 (0)20 3077 5758

tech@edisongroup.com

Expert System is a research client of Edison Investment Research Limited

EDISON

QuickView

Health Italia

Healthcare providers

21 September 2018

Price	**€5.30**
Market cap	**€76m**

Play on growing private healthcare in Italy

Health Italia listed in February 2017 and has outperformed the AIM Italia market over the last year (c 20% share price appreciation). The investment appeal lies in 1) the attraction of the broad theme of growing private healthcare in Italy, a market where public sector provision of healthcare is swamped and private sector provision is significantly lower compared with France and the UK; and 2) a vertically integrated business model with sufficient scale that allows Health Italia to capitalise and respond quickly to the growth in private healthcare.

Overview of healthcare provision in Italy

Similar to the NHS in the UK, the primary pillar of healthcare provision in Italy is through the Servizio Sanitario Nazionale (SSN) provided by the state. The quality of care provided through the SSN is good, but like many state-run systems, is under pressure. The public system is supported by private healthcare which is provided by non-profit mutual societies that represent groups of workers, profit making insurance-led schemes, and through individuals paying directly for care. 2016 OECD statistics indicate that private healthcare represents c 25% of total spend in Italy with c 90% of this paid out of pocket by individuals. By comparison, supplementary healthcare makes up 71% of healthcare spend in France and 43% in the UK and Germany. With ageing population drivers, we would anticipate the Italian share of spend on private healthcare to continue growing.

Health Italia's key strategic objectives

In December 2017 Health Italia set out a number of key objectives for the next three years (2018 to 2020). Those key objectives are: 1) to achieve revenues in excess of €60m, 2) EBITA in excess of €20m, 3) PBT margin in excess of 30%, and 4) admission to the STAR segment of Borsa Italia. A key driver of these targets is the expansion of the company's network of Health Points, a new concept where transportable modules with devices allow Health Italia to provide patients with a range of services such as blood pressure monitoring and DNA tests. In addition, the group is looking to expand into natural medicines and also focus on expanding its promotion network.

Valuation: Growth reflected in P/E

Health Italia does not have any directly comparable peers, but analysts tend to use health insurance brokers as a sense check. Health Italia is growing the top line quicker than these peers, and this is reflected in the higher valuation multiples.

Consensus estimates

Year end	Revenue (€m)	Net profit (€m)	EPS (€)	DPS (€)	P/E (x)	Yield (%)
12/16	17.9	1.75	0.18	0.08	29.4	1.5
12/17	21.4	2.86	0.22	0.08	24.0	1.5
12/18e	32.3	3.80	0.15	0.09	35.3	1.7
12/19e	41.5	5.70	0.29	0.09	18.3	1.7

Source: Company accounts, Eikon, company IR page

Share price graph

Share details

Code	HI
Listing	AIM Italia
Shares in issue	14.3m

Business description

Health Italia provides healthcare services that supplement those provided by the state. The business promotes plans (c 79% of revenues); provides services to clients such as claims management and education; and delivers medical services through its own facilities.

Bull

- Market has attractive growth dynamics.
- Vertically integrated model.
- Innovative approach eg launch of Health Point.

Bear

- Single country risk exposure.
- High single customer exposure with MBA.
- Exposure to changes in government policy.

Analyst

Neil Shah +44 (0)20 3077 57 15

financials@edisongroup.com

EDISON QUICKVIEWS ARE NORMALLY ONE OFF PUBLICATIONS WITH NO COMMITMENT TO WRITING ANY FOLLOW UP. QUICKVIEW NOTES USE CONSENSUS EARNINGS ESTIMATES.

EDISON

QuickView

ICF Group

Industrials

21 September 2018

Invisible but everywhere

ICF Group is a leading designer and producer of adhesive and technical fabrics mainly for the automotive and footwear markets. Sector growth of 3–3.5% per year, expanding market share and acquisitions (consolidation of a fragmented industry) are the key top-line drivers.

Growing market, growing market share

According to market leader Arkema (Bostik), the adhesive and sealant market is expected to grow 3–3.5% annually (1.5–2% in Europe, 3% in the US and 4–5% in Asia). Historically, ICF Group has gained market share and outperformed the market growth rates, achieving 6.4% revenue CAGR in 2014–17, driven by sales to the automotive (13.1%) and the packaging (5.9%) industries (with slower growth in the footwear and leather goods segments). We believe the company has the potential to grow its revenue organically at mid-single digit rates throughout the economic cycle. Its ability to sustain market share expansion may support top-line growth in case of a macroeconomic slowdown.

External growth could add to organic development

Leveraging on the recent listing and the expected positive cash flow generation (on average, the company generated €5m per year FCF in 2012–16), ICF Group aims at playing an active role in the consolidation of the €50bn adhesives and sealants markets. The sector remains very fragmented as, in addition to a few large players, about 100 companies with <€100m revenues are still present. Acquisitions are likely to drive earnings accretion and, in the medium term, economies of scale (the adhesives divisions of large market leaders Henkel and Arkema achieved 2017 EBIT margins of 18.5% and 12.4% respectively, compared to 9.7% on average for ICF Group in 2014–17, adjusted for goodwill).

Organic growth and margin normalisation from H218

In addition to top-line organic growth, future earnings should be driven by margin normalisation. In 2017 ICF experienced margin compression (gross profit margin down 9.8pp to 31.6%) driven by an exceptional shortage of key raw materials. Average gross profit and EBITDA margins in 2014–17 were 36.8% and 14.3%.

Valuation: Growth to reduce EV/EBITDA multiple

We calculate a 2017 EV/EBITDA of 8.4x. A likely gradual normalisation in margins (which we expect to start from H218) would reduce this multiple. As a sensitivity, we calculate that a margin normalisation (potentially by 2019) associated with mid-single digit top-line growth would push EV/EBITDA below 7x.

Historical financials

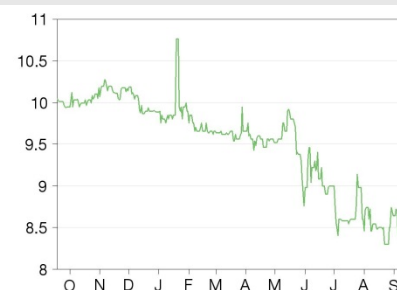
Year end	Revenue (€m)	PBT (€m)	Adj. EPS (€)	DPS (€)	P/E (x)	Yield (%)
12/14	65.5	4.4	0.35	0.0	24.0	N/A
12/15	69.4	8.2	0.71	0.0	11.8	N/A
12/16	70.3	5.6	1.00	0.0	8.4	N/A
12/17	80.3	2.9	0.56	0.0	15.0	N/A

Source: Company data

Price €8.40

Market cap €63m

Share price graph



Share details

Code	ICF
Listing	AIM Italia
Shares in issue	7.5m

Business description

Founded in 1918, ICF Group is a manufacturer of adhesives and technical fabrics for the automotive (38% of 2017 sales), footwear (37%), leather goods, packaging and upholstery markets. In total, 68% of its 2017 sales were generated outside Italy. The company has 125 employees and it was listed through a business combination with the special purpose acquisition company EPS Equita PEP SPAC in May 2018. Free float is 100%.

Bull

- Export oriented with c 70% of revenues generated outside Italy.
- Potential to participate in the consolidation of the fragmented adhesive and sealant markets (and potential M&A target).
- Proven track record of growing market share.

Bear

- Exposed to the economic cycle. High exposure to the automotive industry (38% of 2017 sales), which may be approaching the peak of the cycle.
- Competitive sector with limited barriers to entry.
- Limited potential to differentiate product offering.

Analyst

Dario Carradori +44 (0)20 3077 5700

industrials@edisongroup.com

EDISON QUICKVIEWS ARE NORMALLY ONE OFF PUBLICATIONS WITH NO COMMITMENT TO WRITING ANY FOLLOW UP. QUICKVIEW NOTES USE CONSENSUS EARNINGS ESTIMATES.

Intred

Telecommunications

21 September 2018

Telecom with a strong focus on ROI

Intred is a fast-growing challenger broadband and telecoms operator in the Brescia area of Lombardy. With the majority of the company owned by a married couple who are both on the board, management is highly focused on ROI and the bottom line, as reflected in its impressive 2017 EBITDA and PBT margins of 38.5% and 23.5%, respectively. A recent €11m equity issue, including a €1m green shoe, means the group is well funded to expand its fibre-based ultra-high-speed broadband offering to businesses and its Eir-branded residential customers. For funds able to invest in less liquid names, Intred looks good value at present. On a 2017 EV/EBITDA of 9.0x, it trades at a 14% discount to its small-cap peers Go Internet, Retelit and Tiscali. Moreover its P/E multiple of 18.6x implies a c 15% discount to Retalit, its only peer also profitable at the net profit line.

Strategic focus on margins and ROI

As part of its strategic focus on optimal return on capital, Intred uses proprietary software to determine whether to use third-party infrastructure or invest in its own, principally fibre-optic, networks. In 2017 the group generated 30.1% of revenues from ultra-high-speed broadband and 27.1% from its Eir-branded residential service. With average contract lengths of three years and high (93%) recurring revenues, Intred has significant revenue security.

Net cash balance sheet and strong cash flow support

Intred generated a 24.4% increase in revenue in 2017 and EBITDA growth of 41.5% to €5.7m. This enabled it to fund 86% of capex from its €4.8m pre-working capital operating cash flow and resulted in a modest €1.6m increase in net debt to €4.1m. A recent €11.0m equity issue, including a €1m green shoe, at €2.27 per share leaves the group well funded for substantial further investment in its network.

Valuation: Attractive multiples versus peers

At present there are no consensus forecasts available for Intred, so we use 2017 figures for valuation purposes. The group's closest peers are the Italian broadband operators Retelit, Go Internet and Tiscali. On a 2017 EV/EBITDA of 9.0x, the stock trades at a c 14% discount to the peer average of 10.4x. Versus Retelit, its only peer generating a net profit in 2017, Intred trades at a 15% P/E discount, on a multiple of 18.6x vs Retelit's 21.9x. On an EV/sales multiple of 3.5x, Intred stock trades at a 15% premium to peers but still a discount to Retelit's 4.0x. While the group has a relatively high free float of 21.4%, the absolute value of free float at c €10.1m presents something of a challenge to investment by larger funds.

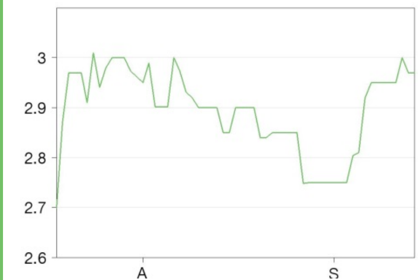
Historical financials

Year end	Revenue (€m)	EBITDA (€m)	EPS (c)	DPS (c)	EV/sales (x)	EV/EBITDA (x)	P/E (x)
12/15	9.4	2.46	0.05	0.0	5.4	21.3	59.4
12/16	11.9	4.02	0.10	0.0	4.3	12.3	29.7
12/17	14.8	5.70	0.16	0.0	3.5	9.0	18.6

Source: Intred, Edison Investment Research

Price	€2.97
Market cap	€47m

Share price graph



Share details

Code	ITD
Listing	AIM Italia
Shares in issue	15.85m

Business description

Intred provides high-speed broadband connections, voice and cloud network services in the Italian area of Eastern Lombardy (principally in Brescia). Using a mix of third-party infrastructure and own-fibre and radio networks, at the end of 2017 it served 21,605 subscribers: 82% residential and 17% professional.

Bull

- Fast growing, yet profitable at EBITDA and net profit levels.
- Debt-free balance sheet after €11m share issue.
- High level of board share ownership.

Bear

- Potential competitive threat to fixed broadband demand from launch of 5G wireless.
- Partial reliance on third-party infrastructure.
- Low share liquidity a challenge to larger investors.

Analyst

Anna Bossong +44 (0)20 3077 5737

tmt@edisongroup.com

EDISON QUICKVIEWS ARE NORMALLY ONE OFF PUBLICATIONS WITH NO COMMITMENT TO WRITING ANY FOLLOW UP. QUICKVIEW NOTES USE CONSENSUS EARNINGS ESTIMATES.

Italian Wine Brands

Food & drink

21 September 2018

Price €12.40
Market cap €92m

Domestic and export opportunities

Italian Wine Brands (IWB) has been working hard to develop and grow its premium brand portfolio, while controlling its costs through outsourcing logistics and reorganising its distance selling. This is showing through in improving margins. The group's wholesale operations have been focused on export markets, but there are new opportunities opening up domestically from export customers moving into the Italian market. IWB has a strong balance sheet and facilities in place for targeted acquisitions.

Share price graph

Share details

Code	IWB
Listing	AIM Italia
Shares in issue	7.4m

Business description

Italian Wine Brands is one of the leading Italian private wine-making groups. It produces quality wines from the most renowned Italian wine areas and distributes them worldwide in different sales channels. With proprietary brands, it supplies retail customers, the on-trade and sells direct to consumers.

Bull

- Opportunities for wholesale in Italian market.
- Growing online direct sales.
- Strong band portfolio.

Bear

- Need to increase scale.
- Limited profitability in some markets.
- Raw material cost volatility.

Analysts

Fiona Orford-Williams +44 (0)20 3077 5739
Paul Hickman +44 (0)20 3681 2501
consumer@edisongroup.com

Good spread of channels and markets

IWB owns 16 key wine brands. It has no agricultural exposure but operates two wineries, one in the Northern Italian region of Barolo, the other in Puglia in the South for Primativo di Manduria, with two bottling lines and 200k HL of storage. FY17 revenues are split 53% direct sales, 46% to the wholesale market (1% other), with exports 75% of the total. The domestic market represents just under half of direct sales, with Germany an important market for the group. Online sales are a growing proportion of the direct channel, taking share from the traditional mail order and telesales channels. Wholesale revenues were strong in FY17, up 14%. Here, Switzerland was the largest destination, with Austria and Germany also notable. The group has a good wholesale client list in the retail sector and the on-trade, including Tesco, Costco, Aldi, Netto and Mövenpick.

Building margin

Management is focused on two levers: investing in the higher value-add brands to build recognition and driving the efficiency of the cost base. As well as improving the ecommerce customer experience, the direct mail and telesales marketing operations have been restructured to increase conversion. Functions such as logistics have been outsourced for efficiency gains, with an admin headcount of 131 by end FY17 (175 at end FY16). IWB is also looking to build selected export markets where the company can be profitable, with good opportunities in Scandinavia. An existing large German retail customer has recently expanded into the Italian market, giving IWB an opportunity to build a meaningful domestic wholesale revenue stream. A refinancing in July 2017 has given the group resource for targeted acquisitions.

Valuation: Discount to global quoted wine stocks

Larger groups trade at higher ratings, with the median multiples for (global) quoted wine stocks at 2.4x FY18e EV/sales and 16.1x EV/EBITDA. IWB trades on 0.7x and 6.7x respectively; a considerable discount given strong earnings progression.

Consensus estimates

Year end	Revenue (€m)	PBT (€m)	EPS (€)	DPS (€)	P/E (x)	Yield (%)
12/16	145.9	4.4	0.81	0.20	15.3	1.6
12/17	149.7	9.2	1.19	0.40	10.4	3.2
12/18e	150.1	10.2	1.28	0.50	9.7	4.0
12/19e	154.6	15.9	1.46	0.66	8.5	5.3

Source: Company accounts, Bloomberg

EDISON QUICKVIEWS ARE NORMALLY ONE OFF PUBLICATIONS WITH NO COMMITMENT TO WRITING ANY FOLLOW UP. QUICKVIEW NOTES USE CONSENSUS EARNINGS ESTIMATES.

EDISON

QuickView

Longino & Cardenal

Food & beverages

21 September 2018

Rich pickings

Price	€4.80
Market cap	€30m

Following its recent €5m IPO, Longino & Cardenal appears well placed to build on its impressive financial record (EBITDA up by two-thirds since 2015). In addition to accelerating development in Italy, still its predominant business, management is confident it can transfer its proven model successfully to selected overseas markets of high potential (already established in Hong Kong and Dubai), while also looking for further vertical integration. Guidance is for a positive trend of sales growth in 2018 (initial half year results are due on 28 September).

Enhancing the model

Over the past 25 years current management, namely CEO and majority shareholder Riccardo Uleri, has developed a reputation for excellence with an innovative, diverse portfolio of over 1,800 fine food products and a base of prestigious hotel and restaurant clients (4,500 in Italy alone, including 80% of those who are Michelin starred). Intensive scouting to satisfy new consumer tastes, fostering close relationships between suppliers and clients (epitomised by the recent initial 'Quality First' event) and efficient procurement and logistics are hallmarks of Longino's success. Now its IPO proceeds and listed status should facilitate its goal of business model transition, eg expansion overseas (only c 5% of revenues) and vertical integration (to date limited to a high-end Sicilian fish supplier, acquired in 2015).

Strong growth

Full year 2017 saw initial group figures, so there are no available comparatives for the previous period. However, the dominance of the parent company in the group allows its performance to be taken as a good proxy. A 21% increase in 2017 revenues reflected continued investment in marketing and brand management as well as new premium products for key clients. Improvement at the bottom line was even sharper (EBITDA up 41% and net profit almost trebled) thanks to efficiencies across the board. At the group level net debt at December 2017 was €3m (2.0x EBITDA) but this of course precedes the IPO.

Valuation: Long-term appeal

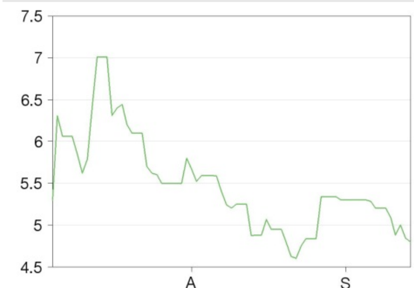
Given the c 50% price rise on the first day of trading in July, current consolidation is understandable, pending further evidence of buoyant prospects. FY17 group EV/EBITDA is c 24x (indicative only as not yet listed) but positive management guidance suggests we are likely to see a visible reduction in the valuation in 2018.

Historical financials (parent company)

Year end	Revenue (€m)	EBITDA (€m)	Net profit (€m)	EPS (€)	DPS (€)	EV/EBITDA (x)
12/15	17.4	0.9	0.2	N/A	N/A	N/A
12/16	21.3	1.1	0.3	N/A	N/A	N/A
12/17	25.7	1.6	0.9	N/A	N/A	N/A
12/17 (consolidated)	28.5	1.5	0.6	N/A	N/A	N/A

Source: Longino & Cardenal accounts

Share price graph



Share details

Code	LON
Listing	AIM Italia
Shares in issue	6.25m

Business description

Longino & Cardenal is a B2B distributor of high-quality fresh food and culinary products to restaurants, hotels and other operators, predominantly in Italy. It also has a small but increasing presence abroad (Hong Kong and Dubai) and as a supplier.

Bull

- Developing global demand for quality raw materials.
- Strong company brand with reputation for excellence and innovation; large client base.
- Scope for internationalisation and vertical integration.

Bear

- Sensitivity of secondary spending to consumer confidence.
- Reliance on key figure (CEO/majority shareholder).
- Low free float.

Analyst

Richard Finch +44 (0)20 3077 5700

consumer@edisongroup.com

EDISON QUICKVIEWS ARE NORMALLY ONE OFF PUBLICATIONS WITH NO COMMITMENT TO WRITING ANY FOLLOW UP. QUICKVIEW NOTES USE CONSENSUS EARNINGS ESTIMATES.

EDISON

QuickView

MailUp Group

Technology, media and telecoms

21 September 2018

On message

MailUp has built a broad-based marketing technology group, based around email and mobile messaging delivery, mostly sold on a SaaS basis. Through acquisition and internal development it has assembled a range of complementary offers for both marketers and developers and broadened its geographic reach to 115 countries, with revenues ex-Italy representing over one-third of FY17 total. Margins are set to increase as start-ups move into profit and cost synergies come through. The valuation of 0.8x FY18e EV/sales is well below comparatives listed in other markets.

Broadened product and service suite

Founded in 2002, MailUp listed on AIM Italia in 2014, raising €3m. The following year it made three acquisitions, adding capabilities in email marketing, data integration and application-to-person marketing (A2P SMS). It also expanded the geographic base of the group into Spain and Denmark. The group span out its Silicon Valley-based newsletter design tool, BEE, and has since reinforced it with the purchase of US competitor, Mailcult. The core MailUp business is a marketing automation suite with approaching 11,000 customers, and it derives a steady growth from monthly subscriptions with the attendant attractive working capital characteristics. A €5.9m net fund raise in 2017 has given the group a solid resource for further M&A (end FY17 net cash was €7.3m), which is likely to be directed into higher value-add service areas, diluting the commoditised element of the business.

Moving the margin ahead

Broker forecasts indicate that Agile Telecom (A2P), Acumbamail (based in Spain) and BEE are all producing double-digit revenue growth. Globase, MailUp's data integration specialist with over 50 corporate clients, has been restructured and should return a profit in FY18e, while BEE is expected to breakeven, with both improving returns in FY19e. Moves to drive the service element of revenue and hence ARPC, along with cost synergies, should boost EBITDA margins. These are forecast to improve from 10.6% in FY17 to 12.1% in FY18e and 13.8% in FY19e.

Valuation: Discount to global peers

On an EV/sales multiple of 0.8x FY18e (0.7x FY19e) and EV/EVBITDA multiples of 6.7x and 5.4x respectively, the stock is trading at a considerable discount to better-known US and UK-based peers. These are trading at 7.7x current year and 6.2x FY19e sales; 24.9x and 18.5x EBITDA. A degree of discount is appropriate, given the relative scale, but this level appears overdone.

Consensus estimates

Year end	Revenue (€m)	PBT (€m)	EPS (€)	DPS (€)	P/E (x)	Yield (%)
12/16	21.1	1.1	0.07	0.0	32.5	N/A
12/17	26.4	1.2	0.05	0.0	45.6	N/A
12/18e	30.2	1.7	0.08	0.0	28.5	N/A
12/19e	33.6	2.7	0.12	0.0	19.0	N/A

Source: Company accounts, Bloomberg

Price	€2.28
Market cap	€32m

Share price graph

Share details

Code	MAIL
Listing	AIM Italia
Shares in issue	14.2m

Business description

MailUp Group is a leading player in the fast-growing online marketing technology industry, offering a wide spectrum of solutions to its several thousand customers, with a focus on data-driven omnichannel marketing automation. It ranks among the top 10 European players and top three Italian ones.

Bull

- Growing product/service portfolio.
- Restructuring and cost synergies.
- Cash resource.

Bear

- Competitive markets.
- Asset prices high for M&A.
- Speed of market changes.

Analysts

Fiona Orford-Williams +44 (0)20 3077 5739

Neil Shah +44 (0)20 3077 5700

media@edisongroup.com

EDISON QUICKVIEWS ARE NORMALLY ONE OFF PUBLICATIONS WITH NO COMMITMENT TO WRITING ANY FOLLOW UP. QUICKVIEW NOTES USE CONSENSUS EARNINGS ESTIMATES.

EDISON

QuickView

Monnalisa

Retail

21 September 2018

Strategic internationalisation

Monnalisa's FY17 results confirmed a successful business model in the process of changing geographical and channel mix. While home and EU markets remain sluggish, with low year-on-year sales growth, management's strategy to penetrate international markets has clear logic. We expect profitability to increase as the company shifts towards higher-margin markets while increasing average product prices.

FY17 results: Retail strategy drives profit growth

Results showcase the strength of Monnalisa's business model with 17% sales growth and PBT growth of 25%. Overseas revenue grew its percentage of the total by 4%, attributable to favourable FX rates and ongoing brand development. Low sales growth in Italy and the EU suggest this market is challenged; however, the continued internationalisation reflects the result of significant investments in retail during the year, which continue a strategy initiated in the previous year. Gross margin increased by 400bp to 58% as a result of the growth in retail, now 16% of total revenue, with wholesale at 80% and the balance in e-commerce. Operating costs were well controlled, contributing to an increase of 33% in EBITDA margin.

Plan to 2020: Internationalisation, brand awareness

Monnalisa's three-year plan encompasses both its retail and wholesale channel. The plan through to 2020 focuses on entering new geographies such as South America, increased penetration of existing markets (such as Russia), and expansion of the travel channel, with an overall strategic emphasis on China and Japan. Management sees an international presence as key to realising growth in brand awareness and thus margins. Through focusing on the Monnalisa line, management believes communication is enhanced by consolidating its portfolio. Monnalisa aims to develop its e-commerce platform by focusing on boutiques in target countries and utilising an enterprise solution to better manage merchandising and new collections. Above all, we believe the promise to increase the average price will have the greatest strategic impact, subject to sustaining volumes.

Valuation: Discount to peers

We review Monnalisa's market valuation against a peer group consisting of Aeffe, QUIZ, Van de Velde and IC Group. That group trades on a one-year forward EV/EBITDA multiple of 10.5x, which is higher than the historical 9.3x FY17 multiple (consensus is not available) on which Monnalisa is trading. Continued growth through penetration into new markets and expanding channels could be supportive of the valuation and see the discount closing.

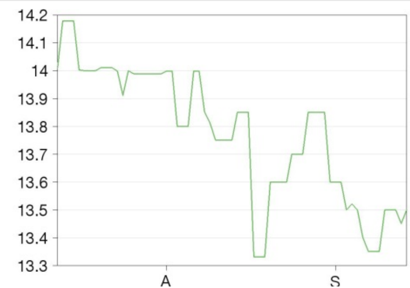
Historical performance

Year end	Revenue (€m)	PBT (€m)	EBITDA (€m)	EPS (€)	DPS (€)	Yield (%)
12/14	38.7	4.7	6.9	0.0	0.0	N/A
12/15	39.5	3.9	5.6	0.0	0.0	N/A
12/16	40.1	2.5	4.2	0.0	0.0	N/A
12/17	47.0	3.1	6.3	0.0	0.0	N/A

Source: MNL, Bloomberg

Price	€13.5
Market cap	€70m

Share price graph



Share details

Code	MNL
Listing	AIM Italia
Shares in issue	5.2m

Business description

Monnalisa is the third largest Italian player servicing the international childrenswear market through its proprietary brand. The company operates in over 60 countries through 98 mono-brand and 767 multi-brand stores. Domestic markets contribute to 63% of group sales, with the remaining 37% from overseas.

Bull

- Asset-light business model created by operating in multibrand stores.
- Clear plan to increase margins and brand awareness through international retail expansion.
- Global brand with an experienced management team.

Bear

- Primary retail market exposure through department stores, which may be challenged.
- Internationalisation increases FX risks.
- Competitive high-end fashion market.

Analyst

Paul Hickman +44 (0)20 3681 2501

consumer@edisongroup.com

EDISON QUICKVIEWS ARE NORMALLY ONE OFF PUBLICATIONS WITH NO COMMITMENT TO WRITING ANY FOLLOW UP. QUICKVIEW NOTES USE CONSENSUS EARNINGS ESTIMATES.

EDISON

QuickView

Neodecortech

Industrials

21 September 2018

Investing for growth

Neodecortech recently listed on AIM (first day of dealings 26 September 2017). Its strategy is to leverage its integrated business model and first-class capability in interior design decorative materials – through investment in markets, machinery and technologies – to pursue high-growth, high-margin potential. Maiden full year results included revenue growth, profitability affected by higher input costs, a declared dividend and net debt reduction. The company has subsequently announced the acquisition of Corbetta FIA to complement its existing technical capabilities.

Price	€3.75
Market cap	€49m

Share price graph

Share details

Code	NDT
Listing	AIM Italia
Shares in issue	13.1m

Business description

Neodecortech is the leader in Italy in the production of decorative paper for laminated panels and flooring used in the interior design sector. The group offers products in the following categories: decorative papers, decorative printings, finish foil, melamine film and printed plastic film for LVT.

Bull

- Leading positions in niche market sectors.
- International sales profile (75% export).
- 2018 acquisition adds complementary laminating capability.

Bear

- Higher input costs have affected financial performance in FY17 and half of FY18.
- Relatively high debt levels for the current level of profitability.
- Share price currently below the level at IPO.

Analyst

Toby Thorrington +44 (0)20 3077 5721

Industrials@edisongroup.com

Revenue progress, but input cost pressures in 2017

Following a formal pre-IPO merger between three companies, Neodecortech comprises an integrated biomass cogeneration energy plant and paper mill in Guarcino, and a specialist decorative printing facility in Bergamo. When reporting its maiden set of results (for the year to December 2017), Neodecortech noted pro forma revenue growth of 10% and a 13% reduction in pre-tax profit. New markets and new products helped drive the sales increase; the domestic Italian market accounted for around one-quarter of 2017 revenue and Western Europe (outside Italy) just over half. The remainder includes sales to the Americas, Asia Pacific and Africa. 2017 was also characterised by higher than anticipated input costs, which provided some drag on EBIT margin development. Group net debt reduced by c €10m to €47m at the end of 2017. This was the net result of c €11m new money raised at the IPO and a modest underlying cash outflow following significant investment activity during the year.

Management focus for 2018 is on further market share gains, productivity improvements and the recovery of input price increases. In August 2018, Neodecortech completed the acquisition of Corbetta FIA (a specialist laminating business with complementary capabilities) for approximately €2.5m enterprise value, bringing in c €8m annual revenue.

Valuation: Increased profitability anticipated

Neodecortech's share price has traded below its €4.00 per share IPO price since mid-November 2017, but has recovered from the €3.40 low point seen in February. Consensus estimates appear to show a good increase in profitability over the next two years to well above pre-IPO levels of profitability. On this basis, it would be reasonable to expect further share price improvement. We note that H118 results are scheduled to be reported on 28 September.

Consensus estimates

Year end	Revenue (€m)	PBT (€m)	EPS (c)	DPS (c)	P/E (x)	Yield (%)
12/16	115.6	6.0	N/A	N/A	N/A	N/A
12/17	127.1	5.2	N/A	0.153	N/A	4.1
12/18e	105.0	8.9	N/A	N/A	N/A	N/A
12/19e	108.0	10.9	N/A	N/A	N/A	N/A

Source: Bloomberg. Note: Historic numbers = pro forma.

EDISON QUICKVIEWS ARE NORMALLY ONE OFF PUBLICATIONS WITH NO COMMITMENT TO WRITING ANY FOLLOW UP. QUICKVIEW NOTES USE CONSENSUS EARNINGS ESTIMATES.

EDISON

QuickView

Notorious Pictures

Media & technology

21 September 2018

Price	€2.78
Market cap	€63m

Shrewdly adapting to the times

Notorious Pictures is a relatively new digital entertainment company. Its core business consists of production, acquisition and distribution of movie rights, which are monetised across multiple channels spanning cinemas to free-to-air TV to web channels. More recently, the company added two new areas: commercialisation of its movie library, including direct-to-video movies, and executive production services for the international market. The company has also been investing in the launch of a new TV series business.

Adapting the strategy to a shifting environment

In 2013, Notorious Pictures started as a business that acquired movie rights. The media sector is undergoing fundamental change and consumers are increasingly abandoning traditional distribution channels. The theatrical segment, however, remains critically important in the cinematographic world, as the acquisition of cinema rights allows them to be subsequently monetised across other channels. While the trend in cinema attendance in recent years has been flat, Notorious Pictures entered the production segment to take advantage of government and other public-sector grants, credits and subsidies. In particular, the company can benefit from tax credits for foreign productions by acting as executive producer.

Underpinned by strong relationships

CEO Guglielmo Marchetti is a cinematographic industry veteran and has grown Notorious Pictures at an impressive rate. The company has strong relationships across all its distribution channels thanks to its experienced staff members. H118 results witnessed an impressive 133% revenue growth, driven primarily by box office results during the period, but also associated growth in TV revenues. Executive production revenues were €6.9m. EBITDA of €8.0m was above the FY17 level (€6.0m), and net profit doubled to €3.0m. The results reflect the consolidation of the newer business areas (production, executive production, direct-to-video), in which the company has been investing over the past year.

Valuation: Substantial discount to peers

Notorious Pictures trades on 9.9x FY19 P/E, which is a discount to the media sector. It has no directly comparable peers as its competitors have different business models. In our view, a re-rating is conditional on successful diversification into the production business. H118 results demonstrate that the newer businesses are starting to bear fruit. The balance sheet is solid, with a net cash position of €5.1m at end-H118.

Consensus estimates

Year end	Revenue (€m)	PBT (€m)	EPS (c)	DPS (c)	P/E (x)	Yield (%)
12/16	22.9	3.2	0.1	0.1	27.8	3.6
12/17	18.1	1.8	0.1	0.1	27.8	3.6
12/18e	37.2	6.6	0.3	0.1	10.4	3.6
12/19e	39.7	7.1	0.3	0.1	9.9	3.6

Source: Historic figures from company reports, estimates are broker forecasts from Intermonte as of 19 September 2018.

Share price graph

Share details

Code	NPI
Listing	AIM Italia
Shares in issue	22.49m

Business description

The company produces and distributes media and entertainment content aimed at all channels, spanning traditional distribution to cinemas through to the digital channels including video on demand and electronic rental. It also acquires and commercialises rights for direct-to-video films.

Bull

- Notorious Pictures has established long-term relationships with the principal operators in the relevant distribution channels.
- Its library of over 950 movies encompasses rights for 15–20 years.
- It has a solid balance sheet and is in a good position to benefit from Italian tax incentive schemes (the Franceschini law).

Bear

- Disappointing FY17 results were a reminder that the Italian consumer environment remains a driver of revenue.
- The company is small and new, versus many of its much larger and well-established customers, suppliers, and competitors.
- Film distribution business still represents the majority of revenue and profits.

Analyst

Sara Welford +44 (0)20 3077 5700

media@edisongroup.com

EDISON QUICKVIEWS ARE NORMALLY ONE OFF PUBLICATIONS WITH NO COMMITMENT TO WRITING ANY FOLLOW UP. QUICKVIEW NOTES USE CONSENSUS EARNINGS ESTIMATES.

EDISON

QuickView

Orsero

Distribution

21 September 2018

Opportunities from M&A

Orsero's buyout in 2017 of its partners in two of its JVs in Spain and Italy continues its strategy of making acquisitions as it looks to consolidate its markets. Orsero's recently announced mid- to long-term strategy review should also yield results as it rebalances its product portfolio priorities.

Value-adding acquisitions

Orsero is acquisitive and, in 2017, it bought out two 50% JV partners. The first was Hermanos Fernandez Lopez, based in Barcelona, which is Spain's second-largest distributor of fresh fruit and vegetables. The second was Fruttital Firenze and Galandi, based in Florence, comprising two businesses that distribute fresh fruit and vegetables throughout Italy. In our experience, consolidation in distribution generally has a high level of cost synergies as duplicate warehousing and transport routes can be eliminated and purchasing power with suppliers is increased.

FY17 results showed varied divisional performance

FY17 results, reported in March 2018, showed a good performance by the Distribution division (80% of 2017 revenue, up 6%) being partly offset by a weaker result from Import & Shipping (20% of revenue, down 6.7%). Total revenue increased 3.2% like-for-like. Adjusted EBITDA declined by 11%; Distribution (85% growth) vs Import & Shipping (71% decline). Distribution benefited from a significant revenue increase, better prices and gross margin in several products traded, coupled with an incremental operational leverage. Import & Shipping was affected by a downturn in the banana import market (excess of supply and a weaker €/US$ rate) and reduced shipping activities (a slight decline in freight rates, increased bunker fuel costs and a lower loading factor).

Mid- to long-term strategy initiatives

In March 2018, Orsero set out its mid- to long-term strategy. Key highlights include: 1) to create commercial synergies on the purchases and sales side of its distribution network by increasing operational leverage and cost effectiveness; 2) to increase the share of distribution sales originating from new and added-value products, eg fresh cut fruit from ~1% to ~10% within five years; and 3) to reduce its dependence on bananas (30% of 2017 gross sales), increasing the weight of other products.

Valuation

Consensus points to a decline in EPS this year but then a recovery, leading to an attractive valuation of 7.9x P/E in 2019, compared to the FTSE MIB Index, which, based on Bloomberg estimates, trades on a 12-month forward P/E of 11.9x.

Consensus estimates

Year end	Revenue (€m)	PBT (€m)	EPS (c)	DPS (c)	P/E (x)	Yield (%)
12/17	937.8	19.6	92.7	12.0	7.6	1.7
12/18e	969.3	16.1	74.7	11.7	9.4	1.7
12/19e	1,006.0	19.6	89.3	13.3	7.9	1.9
12/20e	1,042.0	21.7	93.5	14.0	7.5	2.0

Source: Orsero (pro-forma), Bloomberg estimates.

Price €7.03

Market cap €124m

Share price graph

Share details

Code	ORSI IM
Listing	AIM Italia
Shares in issue	17.7m

Business description

Founded in the 1940s, Orsero is an importer and distributor of fruit and vegetables. It is the market leader in Italy (42% of 2017 revenue) and Portugal (6%), number two in Spain (23%) and number three in France (23%). Orsero also distributes in Greece (3%) and Mexico (3%).

Bull

- Acquisitions, which offer considerable profit upside in distribution.
- Revenue initiatives, eg boosting added-value sales.
- Operating initiatives, eg increasing synergies on purchases and sales.

Bear

- The Import & Shipping division saw weaker trading in 2017.
- Fuel prices and exchange rates can affect the Import & Shipping division.
- There could be integration risk with acquisitions.

Analyst

Robert Plant +44 (0)20 3077 5749

industrials@edisongroup.com

EDISON QUICKVIEWS ARE NORMALLY ONE-OFF PUBLICATIONS WITH NO COMMITMENT TO WRITING ANY FOLLOW UP. QUICKVIEW NOTES USE CONSENSUS EARNINGS ESTIMATES.

EDISON

QuickView

Safe Bag

Retail

21 September 2018

All wrapped up

The recent acquisition of Pack&Fly should be a major step towards consolidation of Safe Bag's success as a leading player in global baggage wrapping. It brings scale (a doubling of airport footprint) and greater exposure to faster-growing passenger markets. An undemanding price (c 6x 2017 adjusted EBITDA), likely synergies and buoyant outlook suggest a rapid boost to earnings. Further internationalisation is expected, as are added-value passenger assistance services through the recently listed spin-off Sostravel.com. Medium-term financial guidance about these potentially transformative deals is imminent.

Pack&Fly: A breakthrough deal

Despite optimism on organic growth, the acquisition in June of 51% of Pack&Fly should allow a step-change in returns given its size (€14m revenue at 17% EBITDA margin in 2017) and Safe Bag's success in integrating and extending airport contracts. Active at 24 airports with c 60 points of sale, Pack&Fly not only doubles the company's customer base (combined around five million a year) but as main operator in Russia brings a base for entry into neighbouring markets of potential (to date only in Thailand). Russia, Pack&Fly's major profit centre, is delivering strong growth (domestic RPKs up 8% YTD) thanks to the benefits of higher oil prices to the economy. There should also be significant synergies, notably lower concession fees, Safe Bag's largest cost, and scope to sell Sostravel.com services on Pack&Fly's network.

Trading well

Ahead of H118 results on 25 September and an update of medium-term forecasts, Safe Bag achieved 'excellent growth' in Q1, maintaining the momentum of 2017 with double-digit percentage increases in revenue (€7.3m) and EBITDA (€0.8m). Management confirmed this was in line with its June 2017 Industrial Plan targeting c €50m revenue and c €11m EBITDA in 2020, ie 22% margin vs 17% last year. This does not account for an expansion on the scale of Pack&Fly. Apart from new airports, expansion of the offer at sales points and M&A, growth is expected via Sostravel.com's broad offering of passenger assistance services through digital platforms and mobile devices and thus no concession fees.

Valuation: Long-term appeal

Safe Bag appears fairly rated against airport services companies (c 9x FY18e EV/EBITDA). Growing recognition of the Pack&Fly deal, potential replication in a fragmented market and growth of Sostravel.com are likely share price catalysts.

Consensus estimates

Year end	Revenue (€m)	EBITDA (€m)	EPS (€)	DPS (€)	Yield (%)	EV/EBITDA (x)
12/16	26.5	4.6	0.18	0.070	1.6	15.1
12/17	30.5	5.2*	0.12	0.078	1.8	12.9
12/18e**	50.8	8.0	0.20	0.085	1.9	8.4
12/19e	58.3	10.1	0.29	0.110	2.5	6.3

Source: Safe Bag accounts. Note: *Adjusted for exceptional €0.4m impact of Hurricane Irma in Florida; **including July acquisition of Pack&Fly for full year.

Price	€4.46
Market cap	€69m

Share price graph

Share details

Code	SB
Listing	AIM Italia
Shares in issue	15.5m

Business description

Safe Bag is a global leader in luggage protection and tracing services for airport passengers. Following its recent acquisition of Pack&Fly, it has concessions in over 60 airports in Europe, the Americas and Asia, serving five million customers a year. Founded in 1997 by its current chairman, it listed on AIM Italia in 2013.

Bull

- Exposure to long-term growth market (IATA expects global air travel to double by 2036).
- Strong brand with reputation for innovation through proprietary software and hardware.
- Scope for internationalisation and expansion of services at airport points of sale and online.

Bear

- Geo-political events and natural disasters can have a significant impact on profitability.
- Very competitive, eg sharp reduction in average duration of concession portfolio during 2017.
- Low liquidity of the stock.

Analyst

Richard Finch +44 (0)20 3077 5700

consumer@edisongroup.com

EDISON QUICKVIEWS ARE NORMALLY ONE OFF PUBLICATIONS WITH NO COMMITMENT TO WRITING ANY FOLLOW UP. QUICKVIEW NOTES USE CONSENSUS EARNINGS ESTIMATES.

EDISON

QuickView

Somec Group

Industrials

21 September 2018

Global leader in cruise ship glazing

Somec offers exposure to the growing cruise industry as the global leader in the glazing of cruise ships (62% market share 2018–20). It recently expanded its land-based operations by diversifying into the building facade market with the acquisition of US-based Fabbrica. Ambitious growth targets stated with the H118 results for 2018 revenues to rise 56% and EBITDA to double are supported by a large order backlog (€339m at year-end 2017). Valuation multiples (7.7x/5.1x 2018e/19e EV/EBITDA) appear undemanding considering the strong growth of the industry (global cruise passenger numbers to grow 4%+ CAGR over the next 10 years).

Exposure to growing cruise business

In total, 74% of Somec's 2017 revenues were from the high-growth cruise ship-building industry. Global cruise passenger numbers grew by 31% to 28m between 2013 and 2018 (source CLIA) and are expected to rise by a further 36% to 38.1m in 2027 (source Sea Europe), with 109 new ships already ordered (equal to around a third of the ships operating globally in 2017). Somec has a good track record in delivering complex glazing projects and has strong commercial relationships with most global cruise ship builders. It received orders (or contract options) for its marine glazing business from 62% of all cruise ships under construction globally in 2018–20 and from 21% of them for its marine cooking equipment business. In March 2018 Somec diversified into the glass building facades market with the purchase of Fabbrica, a company that operates mainly in the north-east US.

Order backlog covers 3.0x 2017 pro forma sales

Somec targets strong growth in 2018, pointing to revenues of €175.4m (up 56% y-o-y) and EBITDA doubling to €20m. Growth is expected to be driven by both the Seascape (EBITDA +55% to €14.3m) and the Landscape division (+587% to €5.8m). While ambitious, the revenue growth looks realistic as it is backed by a large order backlog of €339m at YE17 (€436m incl. contracts with options not yet exercised by clients). Bloomberg consensus is aligned with the revenue target, but 10% lower for EBITDA (€18m). While the target implies a 2.5pp EBITDA margin expansion to 11.4% (despite stronger growth in lower-margin Landscape), consensus is more conservative with a 1.4pp expansion to 10.3%, which appears more realistic in our view. The next catalyst is H1 results on 28 September.

Valuation undemanding considering growth potential

With a market cap of €124m and 2018e net debt of €14.6m, the stock trades on 7.7x/5.1x 2018e/19e EV/EBITDA, 10.9x/6.6x EV/EBIT and 12.2x/9.4x P/E, which appear undemanding considering the growth potential of the cruise industry.

Consensus estimates

Year end	Revenue (€m)	PBT (€m)	EPS (€)	DPS (€)	P/E (x)	Yield (%)
12/17 pro forma	112.8	4.3	0.97	0.40	18.6	2.2
12/18e	175.0	12.0	1.47	0.74	12.2	4.1
12/19e	212.0	20.0	1.92	0.96	9.4	5.3

Source: Company data, Bloomberg. Note: 2017 pro forma reflects the new group structure and includes contribution from Fabbrica.

Price	€18.0
Market cap	€124m

Share price graph

Share details

Code	SOM
Listing	AIM Italia
Shares in issue	6.9m

Business description

Founded in 1978 and listed in 2018, Somec is a global leader in the engineering, design and manufacturing of turnkey projects, both marine (Seascape division, 74% of 2017 sales) and land based (Landscape, 26%) for glass envelopes/facades, special architectural projects and public areas interiors, and for professional cooking equipment.

Bull

- Global leader with strong knowhow and track record, having installed its products on more than 200 cruise ships.
- Well-established commercial presence with almost all cruise-ship building companies.
- Exposure to high-growth cruise industry (4% global passengers CAGR 2018–27).

Bear

- 59.5% of 2017 revenues generated from three clients.
- Exposed to potential worsening consumer confidence and a slowdown of the economic cycle.
- Expansion in the glass building facades business likely to have dilutive impact on margins.

Analyst

Dario Carradori +44 (0)20 3077 5700

industrials@edisongroup.com

EDISON QUICKVIEWS ARE NORMALLY ONE OFF PUBLICATIONS WITH NO COMMITMENT TO WRITING ANY FOLLOW UP. QUICKVIEW NOTES USE CONSENSUS EARNINGS ESTIMATES.

EDISON

QuickView

TPS Group

Aerospace & defence services

21 September 2018

A track record of solid growth

TPS Group operates in the high-growth aerospace technical services industry and has a track record of solid revenue and earnings expansion both organically and through M&A. Since listing on AIM in March 2017, it has announced two acquisitions at attractive multiples, which contributed to driving c 30% revenue and EBITDA growth in 2017. TPS has announced further plans to grow organically and through new acquisitions. In our view the current valuation, with multiples at a very large discount to bigger peers, does not imply any ability to continue to grow.

Several initiatives aimed at boosting growth

TPS Group provides technical services to the civil aerospace industry, which is characterised by strong growth rates. Historically, world passenger traffic has doubled every 15 years; over the next 20 years, Airbus expects similar growth, with traffic growing at a 4.4% CAGR. TPS Group aims to take advantage of global market development by launching a series of initiatives to boost its organic growth, including establishing its presence in the US, Turkey and the Middle East, and signing new partnerships for producing aerospace parts and components. TPS also targets external growth through acquisitions. Beyond the 2017 acquisitions of ICB (software provider) and Stemar Consulting (cost engineering) for €2.3m (implying only 2.8x 2017 EV/EBITDA) and the minority buyout of two subsidiaries (TPS Aerospace Engineering and NEOS), TPS is evaluating further M&A opportunities. Finally, the company plans to launch services for the automotive industry (cost benchmarking and engineering, leveraging on the expertise of Stemar Consulting).

Financials: Strong growth in recent years

Over the last few years, TPS Group has experienced strong growth, thanks to organic and external expansion, and achieved 53% revenue and 79% EBITDA CAGR in 2015–17. Growth has been profitable with EBITDA margins gradually increasing to 21.7% in 2017. We expect growth to continue in 2018, also because of the full impact of the acquisitions completed in 2017 (FY impact of the Stemar Consulting consolidation should add €0.2m EBITDA).

Valuation: Low multiples

TPS Group had a small net debt position (€0.14m as of 31 December 2017), so the current EV is c €24m, implying 5.8x trailing EV/EBITDA, 7.2x EV/EBIT and 11.9x P/E, at a large discount to larger international aerospace equipment and services companies. While some discount is justified by the small size and limited liquidity, confirmation of the company's ability to grow profitably may drive a compression of the discount in our view.

Historical financials

Year end	Revenue (€m)	PBT (€m)	EPS (€)	DPS (€)	P/E (x)	Yield (%)
12/15	8.12	0.94	0.07	0.00	57.4	N/A
12/16	14.60	2.64	0.28	0.00	14.4	N/A
12/17	19.08	3.07	0.34	0.00	11.9	N/A

Source: Company data

Price	€4.02
Market cap	€24m

Share price graph

Share details

Code	TPS
Listing	AIM Italia
Shares in issue	5.9m

Business description

TPS Group is a provider of technical and engineering services for the aerospace industry, including technical documentation, engineering, design, software development and the production of parts and components. Listed on the AIM market in March 2017, the free float is c 15%.

Bull

- Exposure to growing civil aerospace industry.
- Track record of delivering earnings growth and margin expansion.
- Strong M&A track record.

Bear

- Small size may limit ability to compete for larger contracts.
- Strategy to grow with M&A implies execution risks.
- Limited free float and liquidity.

Analyst

Dario Carradori +44 (0)20 3077 5700

industrials@edisongroup.com

EDISON QUICKVIEWS ARE NORMALLY ONE OFF PUBLICATIONS WITH NO COMMITMENT TO WRITING ANY FOLLOW UP. QUICKVIEW NOTES USE CONSENSUS EARNINGS ESTIMATES.

Vimi Fasteners

Industrials

21 September 2018

Recent IPO to boost international growth

Following the IPO in August 2018 and the acquisition of competitor MF Inox, Vimi Fasteners aims at boosting its international presence (particularly in China and the US) and diversifying its business (reduction of automotive exposure). The group is experiencing strong organic growth (Q1 sales +22% ex MF Inox) and trades on c 7x trailing EV/EBITDA.

Targets include external growth, internationalisation

Vimi Fasteners operates in the €85bn global fastening market, which is expected to grow at a 5.4% CAGR (2016–22e; source: Zion Market Research), driven by strong development in the Asia Pacific region. The company strategy is focused on internationalisation with the establishment of production sites in the US and China, also through M&A activity. Hence, the proportion of sales generated in European countries (81% in 2017) is likely to reduce significantly. The global fastening sector is highly fragmented and Vimi Fasteners aims at playing a key role in the consolidation process, focusing on targets with exposure to the aerospace, oil & gas, supercars and superbikes sectors to reduce its high exposure to the pure automotive sector (40% of 2017 pro-forma sales).

€15m MF Inox acquisition, €11m IPO proceeds

Vimi Fasteners acquired MF Inox on 7 June 2018 for €15m (including a maximum earn-out clause of €5m, to be paid at the end of the third year according to the results achieved). The acquisition allows Vimi to increase exposure to oil and gas, energy and infrastructure. The transaction also implies attractive valuation multiples (4.6x 2017 EV/EBITDA and 9.6x P/E) and had a significant positive impact on Vimi Fasteners' margins (2017 EBITDA margin +4.5pp to 15.9% and EBIT margin +4.8pp to 9.8%). As a result of the IPO process in August 2018, Vimi Fasteners has raised €11m of new capital, which roughly halves net debt of €22.4m at the end of Q118 (on a pro-forma basis, including the acquisition of MF Inox comprising earn-out).

7.0x trailing EV/EBITDA; 30% EBITDA growth in Q118

The current market cap of €45m implies a trailing P/E multiple of 17x (based on 2017 pro-forma net income, which includes 100% of the recently acquired MF Inox). Assuming c €11m net debt (net debt at the end of Q1 minus IPO proceeds), an EV of €56m implies 7.0x trailing EV/EBITDA. These multiples are likely to reduce significantly in FY18. Vimi experienced strong organic growth in Q118, with sales and EBITDA up 22% and 30% y-o-y, respectively (ex MF Inox), driven by all geographical areas, with particularly strong growth rates in North America and Asia.

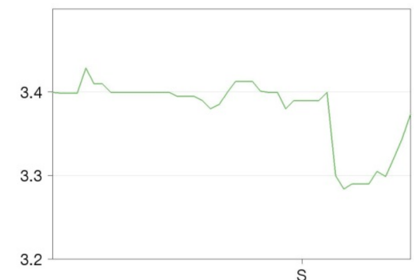
Historical financials

Year end	Revenue (€m)	EBITDA (€m)	Net income (€m)	DPS (€)	P/E (x)	Yield (%)
12/16	35.2	3.5	0.7	0.0	65.7	N/A
12/17	50.2	8.0	2.7	0.0	17.0	N/A

Source: Vimi Fasteners. Note: 2017 includes the full impact of the MF Inox acquisition.

Price	€3.37
Market cap	€45m

Share price graph



Share details

Code	VIM
Listing	AIM Italia
Shares in issue	13.3m

Business description

Founded in 1967 and listed in August 2018, Vimi Fasteners engineers mechanical fastening systems for several industrial applications in automotive markets (45% of 2017 pro-forma sales), industrial engines and vehicles (34%), infrastructure (7%), oil and gas, and aerospace and motorsports. The free float is 26.1%.

Bull

- Recent MF Inox acquisition enhanced profit margins and was completed at attractive multiples.
- Sales from countries outside the EU likely to experience very strong growth rates, albeit from a low base.
- Sector fragmentation offers external growth opportunities.

Bear

- High exposure to the automotive sector, which may have approached the peak of the cycle.
- Highly competitive sector with limited opportunities for differentiation.
- Exposure to a potential slowdown in the economic cycle.

Analyst

Dario Carradori +44 (0)20 3077 57 00

Industrials@edisongroup.com

EDISON QUICKVIEWS ARE NORMALLY ONE OFF PUBLICATIONS WITH NO COMMITMENT TO WRITING ANY FOLLOW UP. QUICKVIEW NOTES USE CONSENSUS EARNINGS ESTIMATES.

EDISON

QuickView

Wiit

Software & comp services

21 September 2018

Price	€45.70
Market cap	€118m

Clouding out the market

Wiit's presence in the structural growth market of cloud computing, along with the recent complementary acquisition of Adelante, looks set to underpin the continued expansion of the business. While the H1 numbers were somewhat softer than market expectations (€0.4m EBIT miss), the shares trade at a substantial discount to the wider peer group.

H118 results: Higher capex halts margin expansion

Against a strong comparative period in 2017, Wiit reported a 16% increase in H118 revenues to €10.7m, with EBITDA up 36% to €4.5m and margins expanding to 42% (H117: 36%). Despite capex in data centre equipment last year to support new customer contracts driving higher depreciation charges, EBIT of €2.1m was up 11% y-o-y (margins of 19% vs c 20% in H117). We understand that this investment is now substantially complete, meaning that incremental customer wins will incur lower on-boarding costs, underpinning higher margins going forward.

Accretive Adelante acquisition expands market share

In July 2018, Wiit completed the €6.4m (plus earn-out) acquisition of Adelante Group, a digital solutions provider with expertise in cloud computing and managed services. At 0.9x FY17 sales and 7.1x FY17 EBITDA, the deal is substantially below Wiit's own equivalent price multiples (6.2x and 13.9 respectively). Along with the anticipated cost and cross-selling synergies associated with the acquisition of a highly complementary business, the outlook for Adelante is strong, with c 30% EBITDA growth expected in 2018. However, we note that margins are somewhat below Wiit's own profitability levels. Management will remain with the business.

Consensus estimates: Yet to account for H1

The market is yet to factor in the H1 results. Regardless, consensus is looking for FY18 revenues and operating profit of €23.8m and €6.7m, of which the H1 numbers represent 45% and 31% respectively. While we recognise the seasonally stronger Q4 should boost growth, we believe there may be downside risk to the current FY18 consensus estimates. Management has not provided any guidance.

Valuation: Discount to IaaS and PaaS peer group

The shares have retreated 21% year to date and now trade at trailing multiples of 6.2x EV/sales and 13.9x EV/EBITDA, against the wider cloud-based services peer group of 6.5x and 26.1x. Evidence of continued top-line growth, the cessation of margin erosion and a sustained reduction in gearing could prompt a rerating closer to the peer group. The shares are supported by a trailing yield of 1.7%.

Historical financials

Year end	Revenue (€m)	PBT (€m)	EPS (c)	DPS (c)	P/E (x)	Yield (%)
12/16	15.3	1.4	51.1	42.9	89.4	0.9
12/17	19.6	3.9	131.6	83.0	34.7	1.7

Source: Bloomberg

Share price graph

Share details

Code	WIIT
Listing	AIM Italia
Shares in issue	2.59m

Business description

Wiit provides cloud computing services to the mid-market. The majority of the business's customers are ERP customers of SAP, Oracle and Microsoft. The company has grown its revenues at a 2014-17 CAGR of 13.3% and has achieved impressively high operating margins of over 20%. Wiit is predominantly present in the Italian market, though the company is currently diversifying its revenue and operations exposure across Europe.

Bull

- Structural growth in cloud computing market.
- Accretive acquisition.
- Strong cash conversion, with high visibility.

Bear

- Low free float.
- Recent margin erosion.
- High exposure to Italian clients.

Analyst

Alasdair Young +44 (0)20 3077 5758

tech@edisongroup.com

EDISON QUICKVIEWS ARE NORMALLY ONE OFF PUBLICATIONS WITH NO COMMITMENT TO WRITING ANY FOLLOW UP. QUICKVIEW NOTES USE CONSENSUS EARNINGS ESTIMATES.

EDISON

Edison is an investment research and advisory company, with offices in North America, Europe, the Middle East and AsiaPac. The heart of Edison is our world-renowned equity research platform and deep multi-sector expertise. At Edison Investment Research, our research is widely read by international investors, advisers and stakeholders. Edison Advisors leverages our core research platform to provide differentiated services including investor relations and strategic consulting. Edison is authorised and regulated by the Financial Conduct Authority. Edison Investment Research (NZ) Limited (Edison NZ) is the New Zealand subsidiary of Edison. Edison NZ is registered on the New Zealand Financial Service Providers Register (FSP number 247505) and is registered to provide wholesale and/or generic financial adviser services only. Edison Investment Research Inc (Edison US) is the US subsidiary of Edison and is regulated by the Securities and Exchange Commission. Edison Investment Research Pty Limited (Edison Aus) [46085869] is the Australian subsidiary of Edison. Edison Germany is a branch entity of Edison Investment Research Limited [4794244]. www.edisongroup.com

DISCLAIMER

Copyright 2018 Edison Investment Research Limited. All rights reserved. This report has been prepared and issued by Edison for publication globally. All information used in the publication of this report has been compiled from publicly available sources that are believed to be reliable, however we do not guarantee the accuracy or completeness of this report. Opinions contained in this report represent those of the research department of Edison at the time of publication. The securities described in the Investment Research may not be eligible for sale in all jurisdictions or to certain categories of investors. This research is issued in Australia by Edison Investment Research Pty Ltd (Corporate Authorised Representative (1252501) of Myonlineadvisers Pty Ltd (AFSL: 427484)) and any access to it, is intended only for "wholesale clients" within the meaning of the Corporations Act 2001 of Australia. The Investment Research is distributed in the United States by Edison US to major US institutional investors only. Edison US is registered as an investment adviser with the Securities and Exchange Commission. Edison US relies upon the "publishers' exclusion" from the definition of investment adviser under Section 202(a)(11) of the Investment Advisers Act of 1940 and corresponding state securities laws. As such, Edison does not offer or provide personalised advice. We publish information about companies in which we believe our readers may be interested and this information reflects our sincere opinions. The information that we provide or that is derived from our website is not intended to be, and should not be construed in any manner whatsoever as, personalised advice. Also, our website and the information provided by us should not be construed by any subscriber or prospective subscriber as Edison's solicitation to effect, or attempt to effect, any transaction in a security. The research in this document is intended for New Zealand resident professional financial advisers or brokers (for use in their roles as financial advisers or brokers) and habitual investors who are "wholesale clients" for the purpose of the Financial Advisers Act 2008 (FAA) (as described in sections 5(c) (1)(a), (b) and (c) of the FAA). This is not a solicitation or inducement to buy, sell, subscribe, or underwrite any securities mentioned or in the topic of this document. This document is provided for information purposes only and should not be construed as an offer or solicitation for investment in any securities mentioned or in the topic of this document. A marketing communication under FCA rules, this document has not been prepared in accordance with the legal requirements designed to promote the independence of investment research and is not subject to any prohibition on dealing ahead of the dissemination of investment research. Edison has a restrictive policy relating to personal dealing. Edison Group does not conduct any investment business and, accordingly, does not itself hold any positions in the securities mentioned in this report. However, the respective directors, officers, employees and contractors of Edison may have a position in any or related securities mentioned in this report. Edison or its affiliates may perform services or solicit business from any of the companies mentioned in this report. The value of securities mentioned in this report can fall as well as rise and are subject to large and sudden swings. In addition it may be difficult or not possible to buy, sell or obtain accurate information about the value of securities mentioned in this report. Past performance is not necessarily a guide to future performance. Forward-looking information or statements in this report contain information that is based on assumptions, forecasts of future results, estimates of amounts not yet determinable, and therefore involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of their subject matter to be materially different from current expectations. For the purpose of the FAA, the content of this report is of a general nature, is intended as a source of general information only and is not intended to constitute a recommendation or opinion in relation to acquiring or disposing (including refraining from acquiring or disposing) of securities. The distribution of this document is not a "personalised service" and, to the extent that it contains any financial advice, is intended only as a "class service" provided by Edison within the meaning of the FAA (ie without taking into account the particular financial situation or goals of any person). As such, it should not be relied upon in making an investment decision. To the maximum extent permitted by law, Edison, its affiliates and contractors, and their respective directors, officers and employees will not be liable for any loss or damage arising as a result of reliance being placed on any of the information contained in this report and do not guarantee the returns on investments in the products discussed in this publication. FTSE International Limited ("FTSE") (c) FTSE [2014]. "FTSE(r)" is a trade mark of the London Stock Exchange Group companies and is used by FTSE International Limited under license. All rights in the FTSE indices and/or FTSE ratings vest in FTSE and/or its licensors. Neither FTSE nor its licensors accept any liability for any errors or omissions in the FTSE indices and/or FTSE ratings or underlying data. No further distribution of FTSE Data is permitted without FTSE's express written consent.

Frankfurt +49 (0)69 78 8076 960
Schumannstrasse 34b
60325 Frankfurt
Germany

London +44 (0)20 3077 5700
280 High Holborn
London, WC1V 7EE
United Kingdom

New York +1 646 653 7026
295 Madison Avenue, 18th Floor
10017, New York
US

Sydney +61 (0)2 8249 8342
Level 12, Office 1205
95 Pitt Street, Sydney
NSW 2000, Australia

Frankfurt +49 (0)69 78 8076960
Schumannstrasse 34b
60325 Frankfurt
Germany

London +44 (0)20 3077 5700
280 High Holborn
London, WC1V 7EE
United Kingdom

New York +1 646 653 7026
295 Madison Avenue, 18th Floor
10017, New York
United States

Sydney +61 (0)2 8249 8342
Level 12, Office 1205, 95 Pitt St,
Sydney NSW 2000
Australia

Edison Investment Research Limited is registered in England. Registered office: 280 High Holborn, London, WC1V 7EE. Company number 4794244. www.edisongroup.com