

Company Note

Irce

2Q/1H21 Results

The improvement in sales and profitability was confirmed in 2Q21 (revenues were approx. 2x those of 2Q20 and +46% vs. 2Q19; the EBITDA margin stood at 7.4% in 1H21), thanks to higher volumes and favourable copper prices. Management also flagged solid demand in 2H21. We raise our FY21E-22E estimates by approx. 20.2% for FY21E and by 19% in FY22E in terms of the top line and we now see the EBITDA margin at 6.2%-6.3% (vs. 4.1%-4.3% previously).

2Q/1H21A results

In 1H21, Irce continued its production activity without any disruption, promptly responding to the sharp growth in orders that began in the last few months of 2020 and strengthened further in the semester. As a result, sales improved sharply vs. 1H20, when sales were materially impacted by the pandemic (particularly in 2Q). Key results were: i) 1H21 revenues up by around 66.8% yoy to EUR 228M; ii) EBITDA at EUR 17M vs. EUR 2.6M in 1H21, with a margin of 7.4%; iii) net profit at EUR 6.7M vs. a EUR 0.4M loss in 1H20; and iv) net debt at EUR 72.8M vs. EUR 39.7M in FY20A.

Outlook and estimates revision

The company's forecasts for FY21 remain bullish, with demand expected to stay high also in 2H21. We therefore raised our revenue assumptions by approx. 20.2% for FY21E and by 19% in FY22E, with a negative impact on net working capital (approx. 41% of sales). Our FY21E top line forecast now points to EUR 405M, implying EUR 177M revenues in 2H21E (+11.6% yoy in 2H). We also expect a better profitability, thanks to the efficiency gains achieved in 2020 and the operating leverage. We highlight that we do not assume any potential impact related to raw material procurement issues (plastics or insulation materials and electrical energy) at reasonable prices given management's response so far, although we acknowledge this as a potential risk to our model. Lastly, we point out that while the company's medium-term strategy is to implement a geographical diversification towards non-European countries, the group is currently strongly concentrated on the European market (around 70% of turnover) which could weigh on results in the short term in the case of a contraction in demand or a worsening of the competitive scenario.

Valuation

We value Irce with a DCF model using a 1% risk-free rate (0.75% previously), and a 6.50% equity risk premium, which points to a 5.6% WACC (5.4% previously). We obtain a **target price of EUR 3.2/sh** (EUR 2.2/sh previously) and we confirm our **ADD rating** on the stock.

4 October 2021: 12:53 CET
Date and time of production

ADD

Target Price: EUR 3.2
(from EUR 2.2)

Italy/Capital Goods
Update

MTA-STAR

Price Performance
(RIC: IRC.MI, BB: IRC IM)



Irce - Key Data

| Price date (market close) | 01/10/2021 |
|---------------------------|------------|
| Target price (EUR) | 3.2 |
| Target upside (%) | 13.48 |
| Market price (EUR) | 2.82 |
| Market cap (EUR M) | 79.33 |
| 52Wk range (EUR) | 3.44/1.40 |

| Price performance % | 1M | 3M | 12M |
|------------------------|------|------|------|
| Absolute | -8.4 | -4.4 | 95.8 |
| Rel. to FTSE IT All Sh | -6.3 | -5.8 | 45.5 |

| Y/E Dec (EUR M) | FY20A | FY21E | FY22E |
|-------------------|-------|-------|-------|
| Revenues | 295.3 | 405.0 | 421.2 |
| EBITDA | 10.75 | 24.91 | 26.61 |
| EBIT | 3.20 | 15.61 | 16.81 |
| Net income | 2.73 | 10.23 | 11.07 |
| EPS (EUR) | 0.10 | 0.36 | 0.39 |
| Net debt/-cash | 39.74 | 64.90 | 58.69 |
| Adj P/E (x) | 16.1 | 7.8 | 7.2 |
| EV/EBITDA (x) | 7.8 | 5.8 | 5.2 |
| EV/EBIT (x) | 26.1 | 9.2 | 8.2 |
| Div ord yield (%) | 0 | 0.7 | 2.6 |

Source: Company data, FactSet and Intesa Sanpaolo Research estimates

Intesa Sanpaolo Research Dept.

Arianna Terazzi - Research Analyst
+39 02 7235 1816
arianna.terazzi@intesasanpaolo.com

Corporate Broking Research
A. Francese, G. Berti, M. Cristofori
Y. Alaoui, A. Terazzi

2Q/1H21A Results

Irce continued production without any disruption, promptly responding to the sharp growth in orders that began in the last few months of 2020 and strengthened further in 1H21. The key points of results were:

- **1H21 revenues were up by around 66.8% yoy to EUR 228M**, thanks to the combined effect of the increased sales volumes and the copper price (average price in 1H21 was EUR 7.54/kg; LME quotation in EUR in 1H21 was 51.4% higher than in 1H20). Both winding wires and energy cables confirmed a recovery in demand, with an acceleration in 2Q21. We recall that in 2Q20 sales were highly impacted by the pandemic (EUR 59.4M);
- **EBITDA of EUR 17M** vs. EUR 2.6M in 1H20, with a margin of 7.4% vs. 1.9% in 1H20; the increase in service costs reflects the sharp increase in production (variable costs such as outsourcing, utilities and transport costs) and electricity, as a result of the significant increase in the unit cost per MWh;

Irce - 1H21 Costs breakdown

| EUR M | 1H20A | 1H21A | chg % |
|--------------------------|-------|-------|-------|
| Raw materials | 108.7 | 179.1 | 64.8 |
| Services | 11.3 | 15.8 | 39.8 |
| Labour | 14.3 | 15.8 | 10.3 |
| Weighting on revenue (%) | | | |
| Raw materials | 79.5 | 78.5 | |
| Services | 8.2 | 6.9 | |
| Labour | 10.5 | 6.9 | |

A: actual; Source: Company data

- **Net profit of EUR 6.7M** vs. a EUR 0.4M loss in 1H20;
- **Net debt was EUR 72.8M** vs. EUR 39.7M in FY20A, due to the growth in sales volumes and the copper price.

Irce – 2Q/1H21 results

| EUR M | 1Q20A | 1Q21A | yoy % | 2Q20A | 2Q21A | yoy % | 1H20A | 1H21A | yoy % |
|-----------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Revenues | 77.3 | 103.5 | 34.0 | 59.4 | 124.5 | 109.5 | 136.7 | 228.0 | 66.8 |
| - Winding wires | 13.9 | 16.2 | 16.3 | 10.7 | 18.4 | 72.9 | 24.6 | 34.6 | 40.8 |
| - Cables | 3.6 | 6.1 | 71.3 | 2.8 | 6.1 | 121.7 | 6.3 | 12.2 | 93.4 |
| EBITDA | 2.9 | 7.2 | NM | -0.3 | 9.8 | NM | 2.6 | 17.0 | NM |
| EBITDA mg % | 3.8 | 6.9 | | NM | 7.9 | | 1.9 | 7.4 | |
| EBIT | 1.1 | 4.6 | NM | -2.1 | 6.8 | NM | -1.0 | 11.4 | NM |
| Net income | -0.9 | 3.3 | NM | 0.4 | 3.3 | NM | -0.4 | 6.7 | NM |
| Net debt | 45.9 | 60.7 | 32.4 | 38.6 | 72.8 | 88.7 | 38.6 | 72.8 | 88.7 |

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

Earnings Outlook

Management stated that the forecasts for FY21 remain optimistic, with demand expected to remain high also in 2H21. We thus raised our revenue assumptions by approx. 20.2% for FY21E and by 19% in FY22E, with a negative impact on net working capital (approx. 41% of sales):

High demand expected in 2H21

- **Our FY21E** top line now points to EUR 405M, implying a EUR 177M top line in 2H21E (+11.6% yoy), considering also that Irce's 2H is historically the weaker semester. We also expect a better profitability, thanks to the efficiency gains achieved in 2020 and the operating leverage. We see net debt at EUR 64.9M;
- **In FY22E**, we see: i) EUR 421.2M revenues driven by an expected positive trend in copper prices; ii) EUR 26.6M EBITDA (6.3% margin vs. 4.4% previously); iii) EUR 16.8M EBIT; iv) EUR 11.1M net income; and v) EUR 58.7M net debt.

Irce - Estimates revision (FY21E-22E)

| EUR M | 2H20A | 2H21E New | yoy Chg. % | FY21E Old | FY21E New | vs. Old % | FY22E Old | FY22E New | vs. Old % |
|-----------------|-------|-----------|------------|-----------|-----------|-----------|-----------|-----------|-----------|
| Revenues | 158.6 | 177.0 | 11.6 | 337.0 | 405 | 20.2 | 353.9 | 421.2 | 19.0 |
| EBITDA | 8.2 | 7.9 | -2.8 | 14.0 | 24.9 | 78.3 | 15.5 | 26.6 | 71.7 |
| EBITDA margin % | 5.2 | 4.5 | | 4.1 | 6.2 | | 4.4 | 6.3 | |
| EBIT | 4.2 | 4.2 | 0.3 | 6.7 | 15.6 | 133.9 | 8.2 | 16.8 | 105.0 |
| EBIT margin % | 2.6 | 2.4 | | 2.0 | 3.9 | | 2.3 | 4.0 | |
| Net income | 3.2 | 3.6 | 13.3 | 4.3 | 10.2 | 136.7 | 5.4 | 11.1 | 105.0 |
| Net debt/-cash | 38.6 | 64.9 | 68.3 | 44.7 | 64.9 | 45.3 | 48.1 | 58.7 | 22.0 |

E: estimates; Source: Intesa Sanpaolo Research

To date in 2021, the group has not shown any significant impact from the pandemic. As regards raw materials, we believe that the procurement of some materials (e.g. plastics or insulation materials and electrical energy) at reasonable prices continues to represent a risk although we are not incorporating this into our estimates, given management's ability so far to deal with various suppliers from different countries, with no material negative effect on production.

Irce is strongly concentrated on the European market (around 70% of consolidated turnover); the risk of a contraction in demand or a worsening of the competitive scenario may significantly impact results. In order to deal with these risks, the company's medium-term strategy is to implement a geographical diversification towards non-European countries with higher-growth potential for its products.

Valuation

We value Irce with a DCF model using a 1% risk-free rate (0.75% previously) and a 6.50% equity risk premium, which points to a 5.6% WACC (5.4% previously). In our model, we used:

- Our explicit 2021E-22E estimates;
- For the long term, we assume FY17A-22E average data, with a normalised capex/depreciation.

Irce - WACC calculation

| % | |
|---------------------|------------|
| Gross Debt Rate | 4.0 |
| Tax rate | 24 |
| Net Debt Rate | 3.0 |
| Beta Levered (x) | 0.8 |
| Gearing | 24.2 |
| Beta Re-Levered (x) | 0.8 |
| Risk-free rate | 1.0 |
| Equity risk premium | 6.5 |
| Cost of equity | 6.4 |
| WACC | 5.6 |

Source: Intesa Sanpaolo Research estimates

Irce – DCF model

| EUR M | 2021E | 2022E | LT |
|---------------------------------|------------|-------|------|
| EBIT | 15.6 | 16.8 | 11.7 |
| Tax | -4.4 | -4.7 | -3.1 |
| Depreciation | 9.3 | 9.8 | |
| NOPAT | 20.5 | 21.9 | 8.6 |
| WC | -39.1 | -4.6 | |
| Capex | -5.0 | -8.0 | |
| FCF | -23.6 | 9.3 | 8.6 |
| Discounted FCF | -23.6 | 8.8 | 7.7 |
| WACC (%) | 5.6 | | |
| TV growth (%) | 0.0 | | |
| Sum | -14.8 | | |
| TV | 138.9 | | |
| EV | 124.0 | | |
| Debt 2020A | 39.7 | | |
| Equity | 84.3 | | |
| Shares (M)* | 26.7 | | |
| Target price (EUR/share) | 3.2 | | |

* net of treasury; E: estimates; Source: Intesa Sanpaolo Research

We obtain a **target price of EUR 3.2/share (from EUR 2.2/sh previously) and we confirm our ADD rating on the stock.**

Ircel – Key Data

| Rating ADD | Target price (EUR/sh) Ord 3.2 | Mkt price (EUR/sh) Ord 2.82 | Sector Capital Goods | |
|---|----------------------------------|--------------------------------|-------------------------|--------------|
| Values per share (EUR) | 2019A | 2020A | 2021E | 2022E |
| No. ordinary shares (M) | 28.13 | 28.13 | 28.13 | 28.13 |
| Total no. of shares (M) | 28.13 | 28.13 | 28.13 | 28.13 |
| Market cap (EUR M) | 54.02 | 43.79 | 79.33 | 79.33 |
| Adj. EPS | 0.07 | 0.10 | 0.36 | 0.39 |
| CFPS | 0.33 | 0.37 | 0.69 | 0.74 |
| BVPS | 4.7 | 4.4 | 4.7 | 5.0 |
| Dividend ord | 0.05 | 0 | 0.02 | 0.07 |
| Income statement (EUR M) | 2019A | 2020A | 2021E | 2022E |
| Revenues | 311.9 | 295.3 | 405.0 | 421.2 |
| EBITDA | 7.82 | 10.75 | 24.91 | 26.61 |
| EBIT | 0.42 | 3.20 | 15.61 | 16.81 |
| Pre-tax income | 2.72 | 4.29 | 14.61 | 15.81 |
| Net income | 1.94 | 2.73 | 10.23 | 11.07 |
| Adj. net income | 1.94 | 2.73 | 10.23 | 11.07 |
| Cash flow (EUR M) | 2019A | 2020A | 2021E | 2022E |
| Net income before minorities | 2.0 | 2.7 | 10.2 | 11.1 |
| Depreciation and provisions | 7.4 | 7.6 | 9.3 | 9.8 |
| Others/Uses of funds | 0 | 0 | 0 | 0 |
| Change in working capital | 17.3 | -5.4 | -39.1 | -4.6 |
| Operating cash flow | 26.7 | 4.8 | -19.6 | 16.3 |
| Capital expenditure | -6.1 | -2.1 | -5.0 | -8.0 |
| Financial investments | 0 | 0 | 0 | 0 |
| Acquisitions and disposals | 0 | 0 | 0 | 0 |
| Free cash flow | 20.6 | 2.7 | -24.6 | 8.3 |
| Dividends | -1.3 | 0 | -0.5 | -2.0 |
| Equity changes & Other non-operating items | -1.6 | -0.5 | 0 | 0 |
| Net cash flow | 17.7 | 2.3 | -25.2 | 6.2 |
| Balance sheet (EUR M) | 2019A | 2020A | 2021E | 2022E |
| Net capital employed | 173.5 | 162.4 | 197.2 | 200.0 |
| of which associates | 0 | 0 | 0 | 0 |
| Net debt/-cash | 42.0 | 39.7 | 64.9 | 58.7 |
| Minorities | 0 | 0 | 0 | 0 |
| Net equity | 131.5 | 122.6 | 132.3 | 141.3 |
| Minorities value | 0 | 0 | 0 | 0 |
| Enterprise value | 96.0 | 83.5 | 144.2 | 138.0 |
| Stock market ratios (x) | 2019A | 2020A | 2021E | 2022E |
| Adj. P/E | 27.8 | 16.1 | 7.8 | 7.2 |
| P/CFPS | 5.8 | 4.3 | 4.1 | 3.8 |
| P/BVPS | 0.41 | 0.36 | 0.60 | 0.56 |
| Payout (%) | 69 | 0 | 5 | 18 |
| Dividend yield (% ord) | 2.5 | 0 | 0.7 | 2.6 |
| FCF yield (%) | 38.2 | 6.2 | -31.0 | 10.4 |
| EV/sales | 0.31 | 0.28 | 0.36 | 0.33 |
| EV/EBITDA | 12.3 | 7.8 | 5.8 | 5.2 |
| EV/EBIT | NM | 26.1 | 9.2 | 8.2 |
| EV/CE | 0.55 | 0.51 | 0.73 | 0.69 |
| D/EBITDA | 5.4 | 3.7 | 2.6 | 2.2 |
| D/EBIT | 99.4 | 12.4 | 4.2 | 3.5 |
| Profitability & financial ratios (%) | 2019A | 2020A | 2021E | 2022E |
| EBITDA margin | 2.5 | 3.6 | 6.2 | 6.3 |
| EBIT margin | 0.1 | 1.1 | 3.9 | 4.0 |
| Tax rate | 27.5 | 35.7 | 30.0 | 30.0 |
| Net income margin | 0.6 | 0.9 | 2.5 | 2.6 |
| ROCE | 0.2 | 2.0 | 7.9 | 8.4 |
| ROE | 1.5 | 2.1 | 8.0 | 8.1 |
| Interest cover | -0.2 | -2.9 | 15.6 | 16.8 |
| Debt/equity ratio | 32.0 | 32.4 | 49.1 | 41.5 |
| Growth (%) | | 2020A | 2021E | 2022E |
| Sales | | -5.3 | 37.2 | 4.0 |
| EBITDA | | 37.5 | NM | 6.8 |
| EBIT | | NM | NM | 7.7 |
| Pre-tax income | | 57.6 | NM | 8.2 |
| Net income | | 40.4 | NM | 8.2 |
| Adj. net income | | 40.4 | NM | 8.2 |

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

Company Snapshot

Company Description

Irce s.p.a. is an industrial group which operates in two sectors: wires for winding of electric machines, known as enamelled wires, in copper and aluminium, and insulating wires for energy conduction. The enamelled wires are used to convert electric into mechanic energy or vice versa, and also into other types of energy, mainly used in engines, electric generators and transformers. The wires are used in the installation of electrical systems in private and industrial buildings.

Key data

| | | | |
|------------------------|-----------------|----------------|----------------------------|
| Mkt price (EUR) | 2.82 | Free float (%) | 30.7 |
| No. of shares | 28.13 | Major shr | Aequafin |
| 52Wk range (EUR) | 3.44/1.40 | (%) | 50.0 |
| Reuters | IRC.MI | Bloomberg | IRC IM |
| Performance (%) | Absolute | | Rel. FTSE IT All Sh |
| -1M | -8.4 | -1M | -6.3 |
| -3M | -4.4 | -3M | -5.8 |
| -12M | 95.8 | -12M | 45.5 |

Key Risks

Company specific risks:

- The copper price may influence profitability and working capital
- Exchange rate risk (sales are mainly in EUR and copper costs in USD)
- Translation risk derives from operations in Brazil, the UK and India

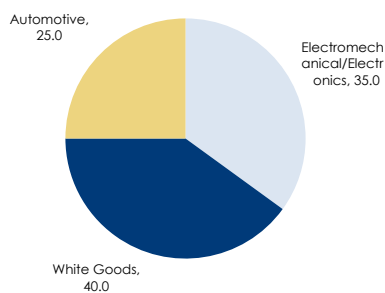
Sector generic risks:

- Slowdown in key reference markets (Automotive, Electronics and White Goods)
- Shortage of raw materials

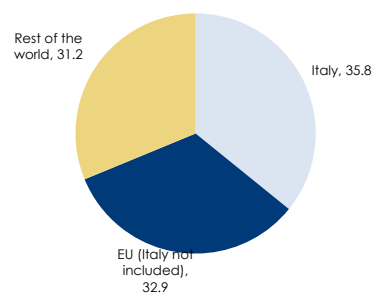
Estimates vs. consensus

| EUR M (Y/E Dec) | 2020A | 2021E | 2021C | 2022E | 2022C |
|-----------------|-------|-------|-------|-------|-------|
| Sales | 295.3 | 405.0 | NA | 421.2 | NA |
| EBITDA | 10.75 | 24.91 | NA | 26.61 | NA |
| EBIT | 3.20 | 15.61 | NA | 16.81 | NA |
| Pre-tax income | 4.29 | 14.61 | NA | 15.81 | NA |
| Net income | 2.73 | 10.23 | NA | 11.07 | NA |
| EPS (EUR) | 0.10 | 0.36 | NA | 0.39 | NA |

Sales Breakdown by Industry (% , latest available)



Sales breakdown by geography (% , FY20)



Source: Company data, Intesa Sanpaolo Research estimates and FactSet consensus data (priced at market close of 01/10/2021)

Our Mid Corporate Definition

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

Disclaimer

Analyst certification

The financial analyst who prepared this report, and whose name and role appear on the first page, certifies that:

1. The views expressed on the company mentioned herein accurately reflect independent, fair and balanced personal views; 2. No direct or indirect compensation has been or will be received in exchange for any views expressed.

Specific disclosures

- Neither the analyst nor any person closely associated with the analyst has a financial interest in the securities of the company.
- Neither the analyst nor any person closely associated with the analyst serves as an officer, director or advisory board member of the company.
- The analyst named in this document is not registered with or qualified by FINRA, the U.S. regulatory body with oversight over Intesa Sanpaolo IMI Securities Corp. Accordingly, the analyst may not be subject to FINRA Rule 2241 and NYSE Rule 472 with respect to communications with a subject company, public appearances and trading securities in a personal account. For additional information, please contact the Compliance Department of Intesa Sanpaolo IMI Securities Corp. at 212-326-1133.
- The analyst of this report does not receive bonuses, salaries, or any other form of compensation that is based upon specific investment banking transactions.
- The research department supervisors do not have a financial interest in the securities of the company.

This research has been prepared by Intesa Sanpaolo SpA, and is distributed by Intesa Sanpaolo SpA, Intesa Sanpaolo-London Branch (a member of the London Stock Exchange) and Intesa Sanpaolo IMI Securities Corp. (a member of the NYSE and FINRA). Intesa Sanpaolo SpA accepts full responsibility for the contents of this report and also reserves the right to issue this document to its own clients. Intesa Sanpaolo SpA, is authorised by the Banca d'Italia and is regulated by the Financial Services Authority in the conduct of designated investment business in the UK and by the SEC for the conduct of US business.

Opinions and estimates in this research are as at the date of this material and are subject to change without notice to the recipient. Information and opinions have been obtained from sources believed to be reliable, but no representation or warranty is made as to their accuracy or correctness. Past performance is not a guarantee of future results. The investments and strategies discussed in this research may not be suitable for all investors. If you are in any doubt you should consult your investment advisor.

This report has been prepared solely for information purposes and is not intended as an offer or solicitation with respect to the purchase or sale of any financial products. It should not be regarded as a substitute for the exercise of the recipient's own judgment. No Intesa Sanpaolo SpA entity accepts any liability whatsoever for any direct, consequential or indirect loss arising from any use of material contained in this report. This document may only be reproduced or published with the name of Intesa Sanpaolo SpA.

Intesa Sanpaolo SpA has in place the Conflicts of Interest Management Rules for managing effectively the conflicts of interest which might affect the impartiality of all investment research which is held out, or where it is reasonable for the user to rely on the research, as being an impartial assessment of the value or prospects of its subject matter. A copy of these Rules is available to the recipient of this research upon making a written request to the Compliance Officer, Intesa Sanpaolo SpA, C.so Matteotti n° 1, 20121 Milan (MI) Italy. Intesa Sanpaolo SpA has formalised a set of principles and procedures for dealing with conflicts of interest ("Rules for Research"). The Rules for Research is clearly explained in the relevant section of Intesa Sanpaolo's website (www.intesasnpaolo.com).

Member companies of the Intesa Sanpaolo Group, or their directors and/or representatives and/or employees and/or persons closely associated with them, may have a long or short position in any securities mentioned at any time, and may make a purchase and/or sale, or offer to make a purchase and/or sale, of any of the securities from time to time in the open market or otherwise.

This document has been prepared and issued for, and thereof is intended for use by, MiFID II eligible counterparties/professional clients (other than elective professional clients) or otherwise by market professionals or institutional investors only, who are financially sophisticated and capable of evaluating investment risks independently, both in general and with regard to particular transactions and investment strategies.

Therefore, such materials may not be suitable for all investors and recipients are urged to seek the advice of their independent financial advisor for any necessary explanation of the contents thereof.

Persons and residents in the UK: this document is not for distribution in the United Kingdom to persons who would be defined as private customers under rules of the Financial Conduct Authority.

US persons: This document is intended for distribution in the United States only to Major US Institutional Investors as defined in SEC Rule 15a-6. US Customers wishing to effect a transaction should do so only by contacting a representative at Intesa Sanpaolo IMI Securities Corp. in the US (see contact details below).

Intesa Sanpaolo SpA issues and circulates research to Major Institutional Investors in the USA only through Intesa Sanpaolo IMI Securities Corp., 1 William Street, New York, NY 10004, USA, Tel: (1) 212 326 1150.

Inducements in relation to research

This document has been prepared and issued for, and thereof is intended for use by, MiFID 2 eligible counterparties/professional clients (other than elective professional clients) or otherwise by market professionals or institutional investors only, who are financially sophisticated and capable of evaluating investment risks independently, both in general and with regard to specific transactions and investment strategies.

Therefore, such materials may not be suitable for all investors and recipients are urged to seek the advice of their independent financial advisor for any necessary explanation of the contents thereof.

Pursuant to the provisions of Delegated Directive (EU) 2017/593, this document can be qualified as an acceptable minor non-monetary benefit as it is:

- Written material from a third party that is commissioned and paid for by a corporate issuer or potential issuer to promote a new issuance by the company, or where the third party firm is contractually engaged and paid by the issuer to produce such material on an ongoing basis (Specialist/Corporate Broker/Sponsor contract), provided that the relationship is clearly disclosed in the material and that the material is made available at the same time to any investment firms wishing to receive it or to the general public - Delegated Directive (EU) 2017/593 - art. 12 paragraph 3.

Distribution Method

This document is for the exclusive use of the person to whom it is delivered by Intesa Sanpaolo and may not be reproduced, redistributed, directly or indirectly, to third parties or published, in whole or in part, for any reason, without prior consent expressed by Intesa Sanpaolo. The copyright and all other intellectual property rights on the data, information, opinions and assessments referred to in this information document are the exclusive domain of the Intesa Sanpaolo banking group, unless otherwise indicated. Such data, information, opinions and assessments cannot be the subject of further distribution or reproduction in any form and using any technique, even partially, except with express written consent by Intesa Sanpaolo.

Persons who receive this document are obliged to comply with the above indications.

Coverage policy and frequency of research reports

The list of companies covered by the Research Department is available upon request. Intesa Sanpaolo SpA aims to provide continuous coverage of the companies on the list in conjunction with the timing of periodical accounting reports and any exceptional event that affects the issuer's operations. The companies for which Intesa Sanpaolo SpA acts as sponsor or specialist or other regulated roles are covered in compliance with regulations issued by regulatory bodies with jurisdiction. In the case of a short note, we advise investors to refer to the most recent company report published by Intesa Sanpaolo SpA's Research Department for a full analysis of valuation methodology, earnings assumptions, risks and the historical of recommendation and target price. In the Equity Daily note and Weekly Preview report the Research Department reconfirms the previously published ratings and target prices on the covered companies (or alternatively such ratings and target prices may be placed Under Review). Research qualified as a minor non-monetary benefit pursuant to provisions of Delegated Directive (EU) 2017/593 is freely available on the IMI Corporate & Investment Banking Division web site (www.imi.intesasnpaolo.com); all other research is available by contacting your sales representative.

Equity Research Publications in Last 12M

The list of all recommendations on any financial instrument or issuer produced by Intesa Sanpaolo Research Department and distributed during the preceding 12-month period is available on the Intesa Sanpaolo website at the following address:

<https://group.intesasnpaolo.com/en/research/RegulatoryDisclosures/archive-of-intesa-sanpaolo-group-s-conflicts-of-interest0>

Valuation methodology (long-term horizon: 12M)

The Intesa Sanpaolo SpA Equity Research Department values the companies for which it assigns recommendations as follows:

We obtain a fair value using a number of valuation methodologies including: discounted cash flow method (DCF), dividend discount model (DDM), embedded value methodology, return on allocated capital, break-up value, asset-based valuation method, sum-of-the-parts, and multiples-based models (for example PE, P/BV, PCF, EV/Sales, EV/EBITDA, EV/EBIT, etc.). The financial analysts use the above valuation methods alternatively and/or jointly at their discretion. The assigned target price may differ from the fair value, as it also takes into account overall market/sector conditions, corporate/market events, and corporate specifics (ie, holding discounts) reasonably considered to be possible drivers of the company's share price performance. These factors may also be assessed using the methodologies indicated above.

Equity rating key: (long-term horizon: 12M)

In its recommendations, Intesa Sanpaolo SpA uses an "absolute" rating system, which is not related to market performance and whose key is reported below:

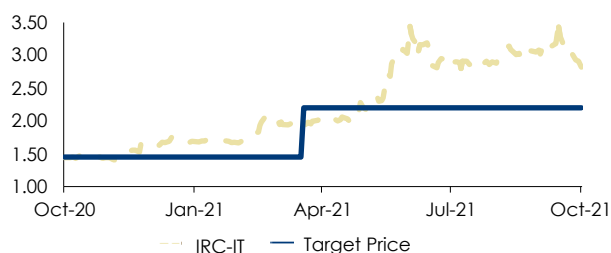
Equity Rating Key (long-term horizon: 12M)

| Long-term rating | Definition |
|------------------|---|
| BUY | If the target price is 20% higher than the market price |
| ADD | If the target price is 10%-20% higher than the market price |
| HOLD | If the target price is 10% below or 10% above the market price |
| REDUCE | If the target price is 10%-20% lower than the market price |
| SELL | If the target price is 20% lower than the market price |
| RATING SUSPENDED | The investment rating and target price for this stock have been suspended as there is not a sufficient fundamental basis for determining an investment rating or target. The previous investment rating and target price, if any, are no longer in effect for this stock. |
| NO RATING | The company is or may be covered by the Research Department but no rating or target price is assigned either voluntarily or to comply with applicable regulations and/or firm policies in certain circumstances. |
| TENDER SHARES | We advise investors to tender the shares to the offer. |
| TARGET PRICE | The market price that the analyst believes the share may reach within a one-year time horizon |
| MARKET PRICE | Closing price on the day before the issue date of the report, as indicated on the first page, except where otherwise indicated |

Historical recommendations and target price trends (long-term horizon: 12M)

The 12M rating and target price history chart(s) for the companies currently under our coverage can also be found at Intesa Sanpaolo's website/Research/Regulatory disclosures: <https://group.intesasanpaolo.com/en/research/RegulatoryDisclosures/tp-and-rating-history-12-months->. Note: please also refer to <https://group.intesasanpaolo.com/it/research/equity-credit-research/equity> in applicable cases for the ISP-UBI Equity Ratings Reconciliation Table, the archive of ex-UBI's previously published research reports and 12M historical recommendations.

Target price and market price trend (-1Y)



Historical recommendations and target price trend (-1Y)

| Date | Rating | TP (EUR) | Mkt Price (EUR) |
|-----------|--------|----------|-----------------|
| 19-Mar-21 | ADD | 2.2 | 1.93 |

Equity rating allocations (long-term horizon: 12M)

Intesa Sanpaolo Research Rating Distribution (at July 2021)

| Number of companies considered: 126 | BUY | ADD | HOLD | REDUCE | SELL |
|---|-----|-----|------|--------|------|
| Total Equity Research Coverage relating to last rating (%)* | 44 | 35 | 21 | 0 | 0 |
| of which Intesa Sanpaolo's Clients (%)** | 82 | 73 | 39 | 0 | 0 |

* Last rating refers to rating as at end of the previous quarter; ** Companies on behalf of whom Intesa Sanpaolo and the other companies of the Intesa Sanpaolo Group have provided corporate and investment banking services in the last 12 months; percentage of clients in each rating category

Valuation methodology (short-term horizon: 3M)

Our short-term investment ideas are based on ongoing special market situations, including among others: spreads between share categories; holding companies vs. subsidiaries; stub; control chain reshuffling; stressed capital situations; potential extraordinary deals (including capital increase/delisting/extraordinary dividends); and preys and predators. Investment ideas are presented either in relative terms (e.g. spread ordinary vs. savings; holding vs. subsidiaries) or in absolute terms (e.g. preys).

The companies to which we assign short-term ratings are under regular coverage by our research analysts and, as such, are subject to fundamental analysis and long-term recommendations. The main differences attain to the time horizon considered (monthly vs. yearly) and definitions (short-term 'long/short' vs. long-term 'buy/sell'). Note that the short-term relative recommendations of these investment ideas may differ from our long-term recommendations. We monitor the monthly performance of our short-term investment ideas and follow them until their closure.

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

| Short-term rating | Definition |
|--------------------------|--|
| LONG | Stock price expected to rise or outperform within three months from the time the rating was assigned due to a specific catalyst or event |
| SHORT | Stock price expected to fall or underperform within three months from the time the rating was assigned due to a specific catalyst or event |

Company-specific disclosures

Intesa Sanpaolo S.p.A. and the other companies belonging to the Intesa Sanpaolo Banking Group (hereafter the "Intesa Sanpaolo Banking Group") have adopted written guidelines "Organisational, Management and Control Model" pursuant to Legislative Decree 8 June 2001 no. 231 (available at the Intesa Sanpaolo website, <https://group.intesasanpaolo.com/en/governance/leg-decree-231-2001>) setting forth practices and procedures, in accordance with applicable regulations by the competent Italian authorities and best international practice, including those known as Information Barriers, to restrict the flow of information, namely inside and/or confidential information, to prevent the misuse of such information and to prevent any conflicts of interest arising from the many activities of the Intesa Sanpaolo Banking Group, which may adversely affect the interests of the customer in accordance with current regulations.

In particular, the description of the measures taken to manage interest and conflicts of interest – related to Articles 5 and 6 of the Commission Delegated Regulation (EU) 2016/958 of 9 March 2016 supplementing Regulation (EU) No. 596/2014 of the European Parliament and of the Council with regard to regulatory technical standards for the technical arrangements for objective presentation of investment recommendations or other information recommending or suggesting an investment strategy and for disclosure of particular interests or indications of conflicts of interest as subsequently amended and supplemented, the FINRA Rule 2241, as well as the Financial Conduct Authority Conduct of Business Sourcebook rules COBS 12.4 - between the Intesa Sanpaolo Banking Group and issuers of financial instruments, and their group companies, and referred to in research products produced by analysts at Intesa Sanpaolo S.p.A. is available in the "Rules for Research" and in the extract of the "Corporate model on the management of inside information and conflicts of interest" published on the website of Intesa Sanpaolo S.p.A.

At the Intesa Sanpaolo website, webpage <https://group.intesasanpaolo.com/en/research/RegulatoryDisclosures/archive-of-intesa-sanpaolo-group-s-conflicts-of-interest> you can find the archive of disclosure of interests or conflicts of interest of the Intesa Sanpaolo Banking Group in compliance with the applicable laws and regulations.

Furthermore, we disclose the following information on the Intesa Sanpaolo Banking Group's conflicts of interest.

- One or more of the companies of the Intesa Sanpaolo Banking Group plan to solicit investment banking business or intends to seek compensation from Irce in the next three months
- Intesa Sanpaolo acts as Specialist relative to securities issued by Irce

Intesa Sanpaolo Research Dept.

| | | |
|--|------------------|-------------------------------------|
| Gregorio De Felice - Head of Research | +39 02 8796 2012 | gregorio.defelice@intesasnpaolo.com |
|--|------------------|-------------------------------------|

Equity&Credit Research

| | | |
|------------------------|------------------|-----------------------------------|
| Giampaolo Trasi | +39 02 7235 1807 | giampaolo.trasi@intesasnpaolo.com |
|------------------------|------------------|-----------------------------------|

Equity Research

| | | |
|---------------------|------------------|---------------------------------------|
| Monica Bosio | +39 02 7235 1801 | monica.bosio@intesasnpaolo.com |
| Luca Bacoccoli | +39 02 7235 1810 | luca.bacoccoli@intesasnpaolo.com |
| Davide Candela | +39 02 7235 1817 | davide.candela@intesasnpaolo.com |
| Oriana Cardani | +39 02 7235 1819 | oriana.cardani@intesasnpaolo.com |
| Antonella Frongillo | +39 02 72351799 | antonella.frongillo@intesasnpaolo.com |
| Manuela Meroni | +39 02 7235 1798 | manuela.meroni@intesasnpaolo.com |
| Elena Perini | +39 02 7235 1811 | elena.perini@intesasnpaolo.com |
| Bruno Permutti | +39 02 7235 1805 | bruno.permutti@intesasnpaolo.com |
| Roberto Ranieri | +39 02 7235 1812 | roberto.ranieri@intesasnpaolo.com |

Corporate Broking Research

| | | |
|-------------------------|------------------|------------------------------------|
| Alberto Francese | +39 02 7235 1800 | alberto.francese@intesasnpaolo.com |
| Gabriele Berti | +39 02 7235 1806 | gabriele.berti@intesasnpaolo.com |
| Marco Cristofori | +39 02 7235 1818 | marco.cristofori@intesasnpaolo.com |
| Youness Nour El Alaoui | +39 02 7235 1815 | youness.alaoui@intesasnpaolo.com |
| Arianna Terazzi | +39 02 7235 1816 | arianna.terazzi@intesasnpaolo.com |

Credit Research

| | | |
|---------------------------------------|------------------|---------------------------------------|
| Maria Grazia Antola | +39 02 7235 1809 | maria.antola@intesasnpaolo.com |
| Alessandro Chiodini | +39 02 7235 1808 | alessandro.chiodini@intesasnpaolo.com |
| Dario Fasani | +39 02 72351820 | dario.fasani@intesasnpaolo.com |
| Melanie Gavin | +39 02 7235 1804 | melanie.gavin@intesasnpaolo.com |
| Maria Gabriella Tronconi | +39 02 7235 1814 | maria.tronconi@intesasnpaolo.com |
| Barbara Pizzarelli (Research Support) | +39 02 7235 1803 | barbara.pizzarelli@intesasnpaolo.com |

Technical Analysis

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

Clearing & Data Processing

| | | |
|----------------------------------|------------------|---------------------------------------|
| Anna Whatley | +39 02 7235 1813 | anna.whatley@intesasnpaolo.com |
| Stefano Breviglieri | +39 02 7265 4635 | stefano.breviglieri@intesasnpaolo.com |
| Annita Ricci | +39 02 7235 1797 | annita.ricci@intesasnpaolo.com |
| Wendy Ruggeri | +39 02 7235 1802 | wendy.ruggeri@intesasnpaolo.com |
| Elisabetta Bugliesi (IT support) | +39 02 7235 1796 | elisabetta.bugliesi@intesasnpaolo.com |

Intesa Sanpaolo – IMI Corporate & Investment Banking Division

| | | |
|--|------------------|----------------------------------|
| Bernardo Bailo - Head of Global Markets Sales | +39 02 7261 2308 | bernardo.bailo@intesasnpaolo.com |
|--|------------------|----------------------------------|

Equity Sales

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

Institutional Sales

| | | |
|--|------------------|---------------------------------------|
| Catherine d'Aragon | +39 02 7261 5929 | catherine.daragon@intesasnpaolo.com |
| Carlo Cavalieri | +39 02 7261 2722 | carlo.cavalieri@intesasnpaolo.com |
| Francesca Guadagni | +39 02 7261 5817 | francesca.guadagni@intesasnpaolo.com |
| Paolo Maria Lenzi | +39 02 7261 5114 | paolo.lenzi@intesasnpaolo.com |
| Stefano Ottavi | +39 02 7261 2095 | stefano.ottavi@intesasnpaolo.com |
| Federica Repetto | +39 02 7261 5517 | federica.repetto@intesasnpaolo.com |
| Daniela Stucchi | +39 02 7261 5708 | daniela.stucchi@intesasnpaolo.com |
| Mark Wilson | +39 02 7261 2758 | mark.wilson@intesasnpaolo.com |
| Carlo Castellari (Corporate Broking) | +39 02 7261 2122 | carlo.castellari@intesasnpaolo.com |
| Roberta Papeschi (Corporate Broking) | +39 02 7261 6363 | roberta.papeschi@intesasnpaolo.com |
| Francesco Riccardi (Corporate Broking) | +39 02 7261 5966 | francesco.riccardi@intesasnpaolo.com |
| Laura Spinella (Corporate Broking) | +39 02 7261 5782 | laura.spinella@intesasnpaolo.com |
| Alessandro Bevacqua | +39 02 7261 5114 | alessandro.bevacqua@intesasnpaolo.com |
| Lorenzo Pennati (Sales Trading) | +39 02 7261 5647 | lorenzo.pennati@intesasnpaolo.com |

Equity Derivatives Institutional Sales

| | | |
|------------------------|------------------|---------------------------------------|
| Emanuele Manini | +39 02 7261 5936 | emanuele.manini@intesasnpaolo.com |
| Enrico Ferrari | +39 02 7261 2806 | enrico.ferrari@intesasnpaolo.com |
| Stefan Gess | +39 02 7261 5927 | stefan.gess@intesasnpaolo.com |
| Edward Lythe | +44 207 894 2456 | edward.lythe@intesasnpaolo.com |
| Ferdinando Zamprota | +39 02 7261 5577 | ferdinando.zamprota@intesasnpaolo.com |

| | | |
|---|------------------|--|
| Gherardo Lenti Capoduri – Head of Market Hub | +39 02 7261 2051 | gherardo.lenticapoduri@intesasnpaolo.com |
|---|------------------|--|

E-commerce Distribution

| | | |
|----------------------|------------------|--|
| Massimiliano Raposio | +39 02 7261 5388 | massimiliano.raposio@intesasnpaolo.com |
|----------------------|------------------|--|

Intesa Sanpaolo IMI Securities Corp.

| | | |
|---|-----------------|------------------------------------|
| Barbara Leonardi (Equity Institutional Sales) | +1 212 326 1232 | barbara.leonardi@intesasnpaolo.com |
| Greg Principe (Equity Institutional Sales) | +1 212 326 1233 | greg.principe@intesasnpaolo.com |