

EdiliziAcrobatica

Growing Business Despite Fading Fiscal Bonuses

EdAc is showing resiliency in its traditional business and benefitting from new opportunities from acquisitions and new business fields. We expect EdAc to recover profitability and to generate substantial cash flow in FY24E and FY25E when business should be back to normal dynamics: we see FY24E EBITDA margin at 16.4% (+110bps yoy) and FY25E EBITDA margin at 18.1% (+170bps yoy), with a positive net financial position at YE25E (ex-IFRS 16 impact).

1H23 revenues up 8.5%, a good result considering fiscal bonus phase-out

1H23 revenues were EUR 73.7M up 8.5% yoy, a good result if we consider that in 1H22 revenues had increased by 85% vs. 1H21; EBITDA margin was in the range of 15% vs. 33.9% in 1H22, when EBITDA had tripled vs. 1H21 boosted by fiscal incentives in Italy. The net financial position (EUR 58M net debt, including around EUR 20M lease debts) was burdened by temporarily adverse dynamics of net working capital, due to normalise starting from 2H23E. We point out that beyond the traditional business, which slowed down in Italy and abroad, EdAc posted good results in its controlled company Acrobatica Energy (20% EBITDA margin), now at full steam, and benefitted from 3 months of revenues from the newly acquired Enigma.

Normal business dynamics should lead to increasing profitability and cash generation

According to the company, the number of contracts subscribed in the first 9 months of the year grew by 53% yoy. This trend follows increases of 43% and 50% respectively in 1Q23 and 2Q23. The number of customers grew by 78%. All in all, in our view, the traditional business reflects better planning from customers, who tend to request a greater number of smaller interventions over a longer time span, therefore supporting EdAc's growth in the coming years and also a net working capital normalisation due to the absence of extra benefits related to fiscal incentives. Through Acrobatica Energy, EdAc is evaluating new opportunities in the field of energy efficiency of buildings, in light of the new rules adopted by the European Council to reduce final energy consumption at EU level by 2030.

Valuation

We value EdAc with a DCF valuation, due to the absence of listed companies of a similar size and background. After estimates revision, our DCF model points to **a fair value of EUR 20.1** (from EUR 26.7 previously) and, given the around 59% potential upside, we confirm our BUY rating.

EdiliziAcrobatica- Key data

Y/E Dec (EUR M)	*2022A	2023E	2024E	2025E
Revenues	133.7	155.2	178.0	194.0
EBITDA	34.03	23.77	29.28	35.05
EBIT	28.45	16.77	22.28	28.05
Net income	14.55	8.23	11.07	14.10
EPS (EUR)	1.77	1.10	1.54	1.97
Net debt/-cash	5.00	49.39	38.81	31.29
Adj P/E (x)	8.7	11.3	8.1	6.3
EV/EBITDA (x)	3.8	7.2	7.1	7.2
EV/EBIT (x)	4.6	10.2	9.3	9.0
Div ord yield (%)	8.6	3.5	5.0	0
FCF Yield (%)	10.4	0.1	13.9	12.3

Note: net debt includes IFR 16 impact; *restated values; Source: Company data, FactSet and Intesa Sanpaolo Research estimates. Priced at 24/10/2023

26 October 2023: 11:21 CET
Date and time of production

BUY

Target Price: EUR 20.1
(from EUR 26.7)

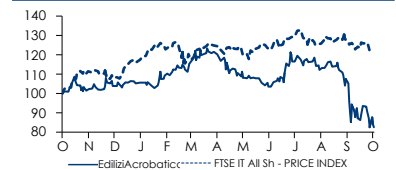
Italy/Building Maintenance Services
Company Update

EGM

EdiliziAcrobatica - Key Data

Price date (market close)	24/10/2023
Target price (€)	20.1
Target upside (%)	59.52
Market price (€)	12.60
Market cap (EUR M)	104.25
52Wk range (€)	18.5/12.4

Price Perf. (RIC: EdAc.MI BB: EdAc IM)



Source: Company data, FactSet and Intesa Sanpaolo Research estimates

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Good 1H23 Results Despite the Tough 1H22 Comps

The company has published for the first time its financial results under IFRS. Here follow the main points:

- 1H23 revenues were EUR 73.7M up 8.5% yoy, a good result if we consider that in 1H22 revenues had increased by 85% vs. 1H21, making the comparison base quite tough. FY22 was an exceptional year for the overall building and renovation sector in Italy, boosted by fiscal incentives. Overall sales trend for EdAc in 1H23 was rather in line with 2H22. In detail:
 - Acrobatica Energy (the 100%-controlled company, active in energy efficiency) posted revenues at EUR 15.3M (in line with our FY23 projected trend and not comparable with 1H22 when it had just been launched);
 - Sales in Italy were EUR 53.2M, down 17% yoy, a good achievement in our view considering the tough comparison base of 1H22. Moreover, bad weather conditions characterised the months of April and May, making it difficult to carry out some works to completion. We point out that the number of points of sale in Italy grew from 80 (in 1H22) to 93 and the headcount stood at 2,294 (considering all the controlled companies);
 - Sales in France, where EdAc operates with 8 points of sale, were EUR 2.2M (vs. EUR 2.4M in 1H22); sales in Spain were EUR 0.52M (vs. EUR 0.42M in 1H22);
 - The contribution from the newly-acquired Enigma was EUR 2.1M (April-June), and the performance for the semester was EUR 4M (even better than the trend implied in our FY23E estimates) with positive EBITDA contribution;
- EBITDA margin was in the range of 15% vs. 34% in 1H22, when EBITDA had tripled vs. 1H21 boosted by fiscal incentives in Italy. We point out that Acrobatica Energy contributed to the group's EBITDA with around EUR 3M (near 20% EBITDA margin), while France posted EUR -0.7M EBITDA and Spain EUR -0.35M;
- The net income was EUR 3.6M vs. EUR 10.1M in 1H22;
- 1H22 net financial position was reclassified and became EUR 5M net debt from positive EUR 6.8M (net cash). In 1H23 the net financial position was negative for EUR 58M, reflecting the return to normalised business, no longer linked to tax credits. It includes EUR 11M dividend payment, EUR 20M lease debts, EUR 5M capex to acquire 51% of Enigma Capital and EUR 13M in options to buy the remaining 49% of the company, the increased debt of Acrobatica Energy (related to growing working capital, linked to volumes' increase). According to our estimates, net debt excluding the impact of new accounting principles and acquisition would be in the range of EUR 20M (EUR 9M ex-dividends). The return to normalised business (started when both the credit assignment and invoice deduction of tax credits were put to an end – February 2023) led to different dynamics in the net working capital: an increase in receivables (EUR +16.5M vs. YE22) and an increase in other current debts, an item which includes the advances from customers (around EUR -20M vs. YE22). This led to a worsening net working capital vs. YE22, due to normalise in the coming months;
- The BoD conferred the power for the company's management and business continuity to the Board Member Anna Marras (who became company's CEO).

EdiliziAcrobatica – 1H23 results

EUR M	1H22A*	1H23A	yoy%
Revenues	67.9	73.7	8.5
EBITDA	23.0	11.0	-52.2
EBITDA margin (%)	33.9	15.0	
EBIT	20.6	7.5	-63.6
Net Income	10.2	3.6	-64.4
Net debt/-cash	5.0	58.0	NM

NM: not meaningful; A: actual; Source: Company data and Intesa Sanpaolo Research * **1H22 results were restated based on International Financial Reporting Standards (IFRS)**

Outlook and Estimates Revision

According to the company, the number of contracts subscribed in the first 9 months of the year grew by 53% yoy, going from 12,149 contracts in 3Q22 to the current 18,590. This trend follows increases of 43% and 50% respectively in 1Q23 and 2Q23. The number of customers grew by 78%.

Considering the growing number of contracts, the company expects to close FY23 in a positive trend. Moreover, EdAc is evaluating new opportunities in the field of energy efficiency of buildings. In this regard, we underline that on July 25, the European Council adopted new rules to reduce final energy consumption at the EU level by 11.7% in 2030. Member states will set indicative national contributions and trajectories towards reaching the target in their integrated national energy and climate plans (NECPs), which will be due in 2024.

The company is also still working on its brand recognition with a number of marketing and communication activities, which we deem very important also in light of the new points-of-sale openings in Italy (from 80 in June 2022 to 93 in June 2023); new rebranding actions are also underway (in 2024 the new "Acrobatica" brand will be launched). EdAc has also invested in a new ERP.

Estimates revision - Increasing profitability and cash flow generation in 24E/25E as business goes back to normal dynamics

We have incorporated a slowdown in sales in Italy in FY23E yoy to EUR 114.3M (vs. our previous estimates of EUR 125M) and a gradual recovery (mid-single digit increase) in the following years; the increasing number of points of sale should support growing numbers of contracts/customers. We expect Acrobatica Energy to contribute substantially to EdAc's revenues in light of the opening of 26 new worksites in 1H23 (EUR 30M slightly up vs. our previous expectations). We also expect an important contribution to revenues from the newly acquired Enigma (EUR 6M, unchanged vs. our previous estimates), while France and Spain should hold up (though to a lesser extent vs. our previous estimates, when we expected revenues from France at EUR 8M and revenues from Spain at EUR 2.8M), while keeping quite a modest size.

Our FY23E estimates imply a 23% increase in 2H23E sales yoy and a 16% increase in 2H23E yoy EBITDA.

EdiliziAcrobatica – Top line assumptions (2023E/25E)

EUR M	2021A	2022A	2023E	2024E	2025E
Revenues	86.9	133.7	155.2	178.0	194.0
o/w Italy	82.9	121.3	114.3	125.4	131.0
PoS (direct) no.	77	83	103	118	128
Franchisee points of sale no.	30	30	30	33	35
o/w Acrobatica Energy	0.7	7.8	30.0	32.0	34.0
o/w France	3.4	4.7	4.0	6.6	8.0
PoS (direct) no.	8	8	8	8	8
o/w Spain	0.5	0.8	1.0	2.0	4.0
o/w Enigma			6.0	12.0	17.0

A: actual; E: estimates; Source: Company data and Intesa Sanpaolo Research estimates

We have assumed a better trend in EBITDA in 2H23E yoy vs. 1H23 yoy: we expect an around 30% decrease yoy, followed by a solid recovery in FY24E/25E. We point out that we have incorporated into our FY23E EBITDA estimates the still slightly negative contribution from France and Spain. Our estimated net financial charges no longer include the charges related to tax credits transferred to banks (around EUR 4.6M in FY22).

We expect an improvement in terms of net debt at YE23E basically thanks to around EUR 10M (conservative estimate) cash-in of tax credits. For the following years, we expect normalised cash generation, which should lead to a cash-positive net financial position at YE25E (ex-IFRS 16 impact).

EdiliziAcrobatica – New estimates (2023E/25E)

EUR M	FY22A restated	FY23E	yoy %	FY24E	yoy %	FY25E	yoy %
Net revenues	133.7	155.2	16.1	178.0	14.7	194.0	9.0
EBITDA	34.0	23.8	-30.1	29.3	23.2	35.1	19.7
EBITDA margin (%)	25.5	15.3		16.4		18.1	
EBIT	28.4	16.8	-41.1	22.3	32.9	28.1	25.9
EBIT margin (%)	21.3	10.8		12.5		14.5	
Net profit (pre-minorities)	14.5	9.1	-37.6	12.7	40.2	16.3	27.9
Net margin	10.9	5.9		7.2		8.4	
Net debt (-cash)	5.0	49.4		38.8		31.3	
Net debt (-cash) ex IFRS 16 impact	-11.9	15.9		5.3		-2.2	

A: actual; E: estimates; Source: Company data and Intesa Sanpaolo Research estimates

Valuation

We value EdAc with a DCF valuation, due to the absence of listed companies of a similar size and background. After our estimates' revision, our DCF model points to a **fair value of EUR 20.1/share** (from EUR 26.7/share previously) and, given the around 59% potential upside, **we confirm our BUY rating**.

DCF Model

- A 4.5 % risk-free rate (vs. 4% in our previous update);
- A 6.50% equity risk premium (unchanged);
- A target gearing ratio of 0% (unchanged).
- A slight beta fine-tuning (now at 0.95x vs. 1x in our previous update).
- Our WACC becomes 10.7% (vs. 10.6% previously).

EdiliziAcrobatica – WACC calculation (%)

Risk-free rate	4.5
Equity risk premium	6.5
Beta (x)	0.95
Cost of equity	10.7
Gross Cost of Debt	2.1
Tax rate	3.3
Gearing	35
WACC	10.7

Source: Intesa Sanpaolo Research

To calculate LT, we use a 0% terminal value growth to incorporate a growth path, which should go beyond FY25E, but also the termination of fiscal incentives in Italy. As usual, in the long term, capex equals depreciation.

EdiliziAcrobatica – DCF calculation

EUR M	2023E	2024E	2025E	LT
Revenues	155.2	178.0	194.0	194.0
Change yoy (%)	16.1	14.7	9.0	0.0
EBIT	16.8	22.3	28.1	28.1
EBIT margin (%)	10.8	12.5	14.5	14.5
Taxes	-4.9	-6.9	-8.8	-8.8
NOPAT	11.9	15.4	19.3	19.3
D&A	7.0	7.0	7.0	0.0
Capex	-6.0	-1.5	-1.5	0.0
NWC changes	-6.0	-0.1	-5.2	0.0
FCF	6.9	20.9	19.6	19.3
Discounted FCF	6.2	17.0	14.4	14.2
WACC (%)	10.7			
Perpetuity growth rate (%)	0.0			
NPV of cash flows	37.7			
NPV of terminal value	133.3			
EV	170.9			
NFP @FY22A	5.0			
Employee benefits	0.0			
Minorities	0.0			
Equity value	165.9			
N. of shares fully diluted (M)	8.3			
Value per share (EUR)	20.1			
Vs. current price (%)	59			

Source: Intesa Sanpaolo Research estimates

Multiples' analysis as a cross-check

There are no listed peers that perfectly match EdAc's business model, size and geographical presence. Therefore, in our peers' analysis, we selected companies active in a business similar to EdAc's one, but also in the larger industry of Facility Management services. We compared EV/EBITDA, EV/EBIT and P/E for FY23E, FY24E and FY25E multiples.

EdiliziAcrobatica – Multiples comparison

x	Mkt cap (EUR M)	EV/EBITDA			EV/EBIT			P/E		
		2023E	2024E	2025E	2023E	2024E	2025E	2023E	2024E	2025E
ABM Industries	2,476.2	7.3	7.3	7.0	9.5	9.5	9.0	11.8	12.1	11.1
Mears Group	305.0				3.4			9.4		
Rentokil Initial	13,356.1	11.9	10.7	9.5	17.9	15.6	13.2	20.4	18.3	16.0
GDI Integrated Facility Services	381.0	8.8	7.7		21.7	17.3		43.3	27.1	25.1
Average		9.3	8.5	8.2	13.1	14.1	11.1	21.2	19.2	17.4
EdAc EBITDA (EUR M)		23.8	29.3	35.1						
EdAc EBIT (EUR M)					16.8	22.3	28.1			
EdAc net income (EUR M)								8.2	11.1	14.1
EdAc net debt/-cash (EUR M)		49.4	38.8	31.3	49.4	38.8	31.3			
EV (EUR M)		221.5	250.2	288.4	220.2	315.2	311.7			
Fair value (EUR M)		172.1	211.4	257.1	170.8	276.4	280.5	174.7	212.4	245.5
Fair value per share (EUR)		20.8	25.6	31.1	20.6	33.4	33.9	21.1	25.7	29.7

Price at market close of 24/10/2023; Source: FactSet and Intesa Sanpaolo Research estimates for EdAc

Valuation and Key Risks

Valuation basis

Our valuation is DCF model based and points to a fair value of EUR 20.1/share. WACC is 10.7% (4.5% risk-free, 6.5% equity risk premium; target gearing=0%, beta=0.95x).

Key Risks

Company specific risks:

- Labour intensive business model, requiring highly-skilled workers;
- Still high exposure to the Italian market;
- Credit collection takes long time.

Sector generic risks:

- Possible rising competition from either the traditional business of construction works with scaffolds or from new competitors given low entry barriers;
- Difficulties to replicate the model outside Italy, also in light of different regulatory landscapes;
- A significant change in the Regulatory framework.

Company Snapshot

Company Description

Conceived in 1994 and officially founded in 2004, EdAc is the leading company in Italy and Europe in the field of double-rope safety operational construction. It has over 130 operational areas active in the renovation sector but also in the business of sanitation, energy efficiency and conservative maintenance. In 2109, with the acquisition of Etail Mediterranee, it entered the French market; in 2021 it entered the Spanish market and in 2022 it acquired 51% of Enigma Capital Investments, an Emirates holding company based in Dubai and Nepal, active in the same field as EdAc. EdiliziAcrobatica is headquartered in Genova and can count on around 2,300 employees.

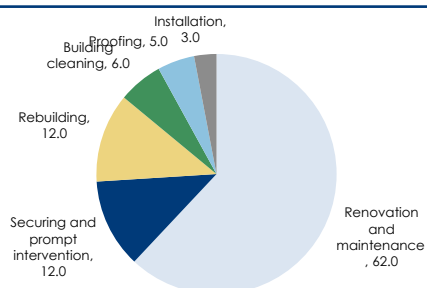
Key data

Mkt price (€)	12.60	Free float (%)	23.9
No. of shares	8.27	Major shr	Arim holding
52Wk range (€)	18.5/12.4	(%)	73.3
Reuters	EDAC.MI	Bloomberg	EDAC IM
Performance (%)	Absolute		Rel. FTSE IT All Sh
-1M	-22.0	-1M	-19.0
-3M	-28.0	-3M	-24.1
-12M	-16.1	-12M	-31.7

Estimates vs. consensus

EUR M (Y/E Dec)	2022A	2023E	2023C	2024E	2024C	2025E	2025C
Sales	133.7	155.2	161.8	178.0	160.2	194.0	179.8
EBITDA	34.03	23.77	26.30	29.28	28.50	35.05	34.20
EBIT	28.45	16.77	23.50	22.28	25.70	28.05	31.40
Pre-tax income	22.42	13.97	NA	19.58	NA	25.05	NA
Net income	14.55	8.23	14.80	11.07	15.90	14.10	19.50
Adj. EPS (€)	1.77	1.10	NA	1.54	NA	1.97	NA

Sales breakdown by service



Areas where the group is active as of 31/12/22



Source: Company data, Intesa Sanpaolo Research estimates and FactSet consensus data (priced at market close of 24/10/2023)

EdiliziAcrobatica – Key Data

Rating BUY	Target price (€/sh) Ord 20.1	Mkt price (€/sh) Ord 12.60	Sector Building Maintenance Services	
Values per share (EUR)	2022A	2023E	2024E	2025E
No. ordinary shares (M)	8.27	8.27	8.27	8.27
Total no. of shares (M)	8.27	8.27	8.27	8.27
Market cap (EUR M)	128.06	102.60	102.60	102.60
Adj. EPS	1.77	1.10	1.54	1.97
BVPS	4.1	4.0	3.9	4.2
Dividend ord	1.33	0.44	0.62	0
Income statement (EUR M)	2022A	2023E	2024E	2025E
Revenues	133.7	155.2	178.0	194.0
EBITDA	34.03	23.77	29.28	35.05
EBIT	28.45	16.77	22.28	28.05
Pre-tax income	22.42	13.97	19.58	25.05
Net income	14.55	8.23	11.07	14.10
Adj. net income	14.67	8.23	11.07	14.10
Cash flow (EUR M)	2022A	2023E	2024E	2025E
Net income before minorities	14.5	9.1	12.7	16.3
Depreciation and provisions	5.6	7.0	7.0	7.0
Others/Uses of funds	0	-4.0	-4.0	-4.0
Change in working capital	-4.4	-6.0	-0.1	-5.2
Operating cash flow	15.8	6.1	15.7	14.1
Capital expenditure	-2.5	-6.0	-1.5	-1.5
Financial investments	0	0	0	0
Acquisitions and disposals	0	0	0	0
Free cash flow	13.3	0.1	14.2	12.6
Dividends	-4.1	-11.0	-3.6	-5.1
Equity changes & Non-op items	13.5	-33.5	0	0
Net change in cash	22.7	-44.4	10.6	7.5
Balance sheet (EUR M)	2022A	2023E	2024E	2025E
Net capital employed	42.0	68.6	63.1	62.9
of which associates	0	0	0	0
Net debt/-cash	5.0	49.4	38.8	31.3
Minorities	-0.1	0.7	2.4	4.6
Net equity	33.8	32.7	30.0	29.8
Minorities value	-3.2	19.6	66.3	119.5
Enterprise value	129.9	171.6	207.7	253.4
Stock market ratios (x)	2022A	2023E	2024E	2025E
Adj. P/E	8.7	11.3	8.1	6.3
P/CFPS	6.4	6.7	5.7	4.9
P/BVPS	3.8	3.1	3.2	3.0
Payout (%)	75	40	40	0
Dividend yield (% ord)	8.6	3.5	5.0	0
FCF yield (%)	10.4	0.1	13.9	12.3
EV/sales	0.97	1.1	1.2	1.3
EV/EBITDA	3.8	7.2	7.1	7.2
EV/EBIT	4.6	10.2	9.3	9.0
EV/CE	3.1	2.5	3.3	4.0
D/EBITDA	0.15	2.1	1.3	0.89
D/EBIT	0.18	2.9	1.7	1.1
Profitability & financial ratios (%)	2022A	2023E	2024E	2025E
EBITDA margin	25.5	15.3	16.4	18.1
EBIT margin	21.3	10.8	12.5	14.5
Tax rate	NM	NM	NM	NM
Net income margin	10.9	5.3	6.2	7.3
ROCE	67.7	24.5	35.3	44.6
ROE	52.0	24.7	35.3	47.2
Interest cover	-4.7	-6.0	-8.3	-9.4
Debt/equity ratio	14.8	147.6	120.0	91.0
Growth (%)	2022A	2023E	2024E	2025E
Sales	53.7	16.1	14.7	9.0
EBITDA	59.9	-30.1	23.2	19.7
EBIT	55.2	-41.1	32.9	25.9
Pre-tax income	31.2	-37.7	40.2	27.9
Net income	31.2	-43.4	34.5	27.3
Adj. net income	32.3	-43.9	34.5	27.3

2022A data are restated; net debt includes IFRS 16 impact; NM: not meaningful; NA: not available; Neg.: negative; A: actual; E: estimates; Source: Company data and Intesa Sanpaolo Research

ESG Matrix

EdiliziAcrobatica - ESG Matrix

Main KPIs		2020	2021	2022	Target	Trend
E	Intensity of GHG emissions (tCO2eq/EURM revenues)					
	Scope 1	26.3	18.0	12.1	//	-
	Scope 2 Market-based	1.2	0.9	0.7	//	-
	% of direct to recovery waste on total waste produced in Italy	NA	98.0	95.0	//	=
	Renewable energy consumption (GJ) - electricity	0.0	0.0	33.6	//	+
	Energy intensity (GJ/EURM revenues)	382.4	261.6	172.7	//	-
Notes (Environmental):						
S	Women in leadership roles* (%)	20.0	16.0	21.0	//	+
	Training hrs per capita (No.)	74.5	103.9	106.0	//	=
	Turnover ratio (%)	20.0	24.0	27.0	//	=
	Injury with serious consequences	0.0	1.0	0.0	//	-
	Ethical code	Yes	Yes	Yes	//	
G	Independent directors' rate (%)	20.0	20.0	20.0	//	=
	Women in BoD (%)	40.0	33.0	40.0	//	+
	Anti-corruption	Yes	Yes	Yes	//	
	Management Remuneration Policy linked to ESG goals	No	No	No	//	
	ESG Report	No	Yes	Yes	//	
	Remuneration BOD	NA	NA	NA	//	
	Shareholders'/Consulting Agreement	No	No	No	//	
Loyalty Shares	No	No	No	//		

Note: the indicators +/- refer to how the company, in ISP view, is progressing towards its targets and/or vs. its historic trend; //: no explicit targets; Source: Company data and Intesa Sanpaolo Research elaboration

Disclaimer

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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 eligible for listing have revenues below 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 of around EUR 1Bn.

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.intesasanpaolo.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)

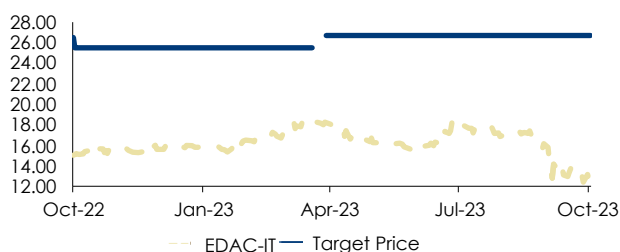
In its recommendations, Intesa Sanpaolo SpA uses an "absolute" rating system, whose key is reported below:

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

Long-term rating	Definition
BUY	If the target price is 10% higher than the market price.
HOLD	If the target price is in a range 10% below or 10% above the market price.
SELL	If the target price is 10% 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 to determine an investment rating or target price. 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 12M 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.
Note	Intesa Sanpaolo assigns ratings to stocks on a 12M horizon based on a number of fundamental drivers including, among others, updates to earnings and/or valuation models; short-term price movements alone do not imply a reassessment of the rating by the analyst.

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->. Intesa Sanpaolo changed its long-term 12M horizon rating key on 3 April 2023; please refer to the ISP Equity Rating Reconciliation Table for further details at the following link: <https://group.intesasanpaolo.com/it/research/equity-credit-research>.

Target price and market price trend (-1Y)**Historical recommendations and target price trend (-1Y)**

Date	Rating	TP (EUR)	Mkt Price (EUR)
21-Apr-23	BUY	26.7	18.1
12-Apr-23	Under Review	Under Review	18.5

Equity rating allocations (long-term horizon: 12M)**Intesa Sanpaolo Research Rating Distribution (at October 2023)**

Number of companies considered: 132	BUY	HOLD	SELL
Total Equity Research Coverage relating to last rating (%)*	76	24	0
of which Intesa Sanpaolo's Clients (%)**	70	53	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

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