SAFE BAG

Company report

Hold (from Buy)

14 June 2017 – 5:30 PM

MARKET PRICE: ***EUR4.61*** *TARGET PRICE:* ***EUR4.73 (from EUR1.44)***

Airport services

Data

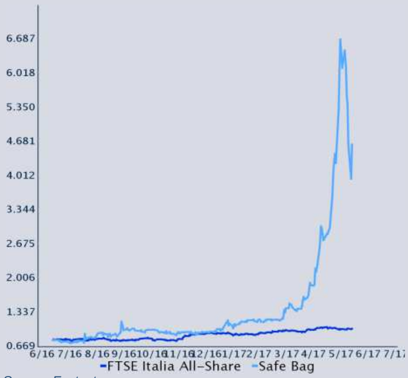
Shares Outstanding (m):	13.4	
Market Cap. (EURm):	61.8	
Enterprise Value (EURm):	67.9	
Free Float (%):	14.8%	
Av. Daily Trad. Vol. (m):	0.2	
Main Shareholder:	RG Holding 68.8%	
Reuters/Bloomberg:	SB.MI	SB IM
52-Week Range (EUR)	0.7	6.7

Source: Factset, UbiBanca estimates

Performance

	1m	3m	12m
Absolute	68.2%	290.7%	324.9%
Rel. to FTSE IT	71.7%	262.2%	233.3%

Graph area Absolute/Relative 12 M



Source: Factset

Marco Cristofori
Senior analyst
marco.cristofori@ubibanca.it
Tel. +39 02 62753015

Website: www.ubibanca.com/equity-research

Magic moment, upcoming spin-off, fair share price

Safe Bag reported 2016 results well above our expectations and the company's guidance (the EBITDA margin reached 17.4% and net attributable result topped EUR2.4 million vs. a persistent net loss in 2012-15) It also presented an ambitious business plan anticipating sales of EUR50 million in 2020 with an EBITDA margin of 22%. This should be achievable due to new concessions (the company conservatively plans two new concessions in 2017-18 and four in 2019-20, leveraging on the weakness of its main competitor) and the launch of a newco (SOSTRAVEL.COM), which should be listed separately, specialized in luggage tracking which should extend the current offer of Safe Bag while penetrating new clients, adding >EUR7 million of new sales with a potential EBITDA margin of 35% in 2020. We believe the new business plan reflects the commencement of a new growth phase for Safe Bag, following the successful completion of its restructuring and could lead to a listing on the MTA and/or NASDAQ in the mid-term. We have revised our estimates, increasing our EBITDA and EBIT expectations for 2017-18 (and adding 2019) by >40%. However, we believe the stellar share performance since the beginning of the year (+397%) has decreased the upside potential for the coming months while the spin-off of SOSTRAVEL.COM could undermine short term share price performance. Consequently, we adopt a Hold rating on the share (from Buy) with a new target price of EUR4.73 (from EUR1.44).

> Having completed its turnaround which produced results for 2016 that exceeded expectations, Safe Bag is now entering a new growth phase driven by continuing expansion of its traditional wrapping activity (3 new concessions since the beginning of the year) and the launch of an innovative tracking service (under a newco called SOS Travel) which could significantly broaden its potential customer base.

> Management forecasts a top line CAGR of almost 17% through to 2020 with further profitability gains which could lift EBITDA to EUR11 million and net profit (before minorities) to EUR6.3 million in 2020. We believe these targets could be reached and even surpassed, although we fear that the spin-off of SOSTRAVEL.COM could be challenging, particularly in terms of raising fresh financial resources.

> Our target price has grown to EUR4.73 per share (from EUR1.44 before) due to our new estimates and because we no longer apply a liquidity discount (20% previously).

Financials priced on 13 June 2017

	2016	2017E	2018E	2019E
Revenues (EURm)	26.5	29.9	34.1	39.5
EBITDA (EURm)	4.6	5.0	5.1	7.5
EBITDA margin (%)	17.4%	16.6%	15.0%	18.9%
EBIT (EURm)	3.9	4.0	3.9	6.0
EPS (EUR)	0.19	0.12	0.12	0.20
CFPS (EUR)	0.08	0.23	0.19	0.31
DPS (EUR)	0.075	0.050	0.040	0.085

Source: Company Data, UBI Banca Estimates

Ratios priced on 13 June 2017

	2016 *	2017E	2018E	2019E
P/E(x)	4.3	38.7	39.5	23.5
P/CF(x)	3.2	26.4	26.1	17.7
P/BV(x)	0.9	4.4	4.3	3.8
Dividend Yield	9.2%	1.1%	0.9%	1.8%
EV/EBITDA(x)	2.6	13.7	13.5	9.0
Debt/Equity (x)	0.0	-0.3	-0.3	-0.4
Debt/EBITDA (x)	0.1	-1.0	-1.0	-1.2

*Source: UBI Banca Estimates * Basend on average 2016 price*

Key Financials

(EURm)	2016	2017E	2018E	2019E
Revenues	26.5	29.9	34.1	39.5
EBITDA	4.6	5.0	5.1	7.5
EBIT	3.9	4.0	3.9	6.0
NOPAT	3.9	4.0	3.9	6.0
Free Cash Flow	-0.9	2.7	1.6	3.6
Net Capital Employed	12.5	11.6	11.7	11.0
Shareholders' Equity	11.5	15.4	15.8	18.0
Net Financial Position	0.5	-4.7	-5.3	-8.6

Source: Company data, UBI Banca estimates

Key Profitability Drivers

	2016	2017E	2018E	2019E
Net Debt/Ebitda (x)	0.1	-1.0	-1.0	-1.2
Net Debt/Equity (x)	0.0	-0.3	-0.3	-0.4
Interest Coverage (%)	18.3	13.5	14.5	12.1
Free Cash Flow Yield (%)	-8.2%	3.9%	2.3%	5.3%
ROE (%)	21.8%	11.4%	10.9%	16.1%
ROI (%)	19.7%	20.6%	20.1%	31.5%
ROCE (%)	20.8%	22.2%	22.3%	35.5%

Source: Company data, UBI Banca estimates

Key Valuation Ratios

	2016 *	2017E	2018E	2019E
P/E (x)	4.3	38.7	39.5	23.5
P/BV (x)	0.9	4.4	4.3	3.8
P/CF (x)	3.2	26.4	26.1	17.7
Dividend Yield (%)	9.2%	1.1%	0.9%	1.8%
EV/Sales (x)	0.5	2.3	2.0	1.7
EV/EBITDA (x)	2.6	13.7	13.5	9.0
EV/EBIT (x)	3.1	17.0	17.8	11.1
EV/CE (x)	1.0	5.9	5.9	6.1

Source: Company data, UBI Banca estimates ** Based on average 2016 price*

Key Value Drivers

(%)	2016	2017E	2018E	2019E
Payout	39.2%	42.0%	34.3%	43.3%
Cost of Equity	5.1%	5.1%	5.1%	5.1%
NWC/Sales	-14.4%	-15.5%	-14.1%	-14.1%
Capex/Sales	2.3%	2.5%	3.5%	2.5%

Source: Company data, UBI Banca estimates

Recent Developments

> Last week Safe Bag presented its 2017-20 business plan which anticipates revenues rising to almost EUR50 million (17% CAGR in 2016-20), EBITDA reaching EUR11 million in 2020 (more than double the 2016 result), operating profit of EUR9.5 million and a net result (before minorities) of more than EUR6 million. The net financial position is likely to turn positive this year and rise to more thanEUR10 million in 2020 (assuming a prudential warrant conversion and a dividend pay-out of 35% for the coming years).

> The main pillar of the plan is the creation of a new company (called SOSTRAVEL.COM) specialising in the provision of several innovative services (luggage tracking, refund, lost & found concierge, travel info) to airport passengers all over the world which do not require a physical presence inside the airport (and therefore no royalties or concession fees). In this way, management expects to significantly increase its client base, augmenting its penetration from 2-3% for traditional wrapping services to about 20% of total airport passengers, starting from 2 million passengers currently served by Safe Bag, with an attractive EBITDA margin, of an estimated 35% by 2020 (after losses in 2017-18). SOSTRAVEL.COM intends to launch an aggressive advertising campaign to support this start-up and could issue a new bond (details undisclosed). In May the company signed a three-year agreement with Aviation Services, the leading handler in the Italian market, in support of all the lost & found operations in all the airports where Aviation Services is present. Although we believe the impact of this agreement on Safe Bag's P&L will be limited, it could be the first of a series worldwide to boost the luggage tracking assistance services of SOSTRAVEL.COM.

> SOSTRAVEL.COM is expected to be spun off from Safe Bag by the end of this year, with the issue of SOSTRAVEL.COM shares to existing Safe Bag shareholders (details pending) and a subsequent listing as an innovative PMI (allowing it to benefit from fiscal incentives under Italian law). Although SOSTRAVEL.COM's business model differs from Safe Bag (different sales channels, no need for airport concessions, lower human resources) and has stronger revenue growth potential, we believe that the spin-off is risky for the following reasons: 1) it could be difficult to raise new financial resources for a start-up expected to report operating losses in the next two years, 2) revenues are expected to rise above EUR7 million only in 2020 with an EBITDA of EUR2.5 million: consequently we see only a remote possibility of SOSTRAVEL.COM being listed in the next two years, 3) Safe Bag will be deprived of all the sales channels outside the airports decreasing in this way the its growth prospects while it could be difficult to increase the operating margin from its current optimal level (the business plan indicates a range of 17% to 20% compared with 35% anticipated for SOSTRAVEL.COM).

> We believe the company's targets could be reached, and even surpassed (for example leveraging on new concessions on top of the five included in the plan) but we fear that the spin-off could penalize Safe Bag in the coming months (the share price has fallen by 28% since the day before the announcement).

> Safe Bag reported positive results in 2H16, with sales broadly in line with our estimates but with a much higher EBITDA margin (21.6% vs. a loss in 2H15) and a net result of EUR1.61 million vs. a loss of EUR0.71 million in 2H15. Sales fell 1.3% to EUR14.54 million in 2H16, due to the closure of five concessions in Italy (-24.9%) and lower revenues in the US (-8.6%) partially offset by stronger revenues in France (+5.3%) and Portugal (+3.4%) and by the new concession in Montreal (active since June-16). EBITDA reached EUR3.14 million compared

with a loss of EUR0.35 million in 2H15, due to the radical initiatives to cut costs, the improved performance of Miami airport (new contract from Jan-16) and a positive performance in France and Portugal. The average duration of Safe Bag's concessions was 3.8 years at Dec-16.

> In the full year Safe Bag successfully completed its turnaround reaching an EBITDA of EUR4.61 million vs. a loss of EUR0.82 million in 2015, due to two key factors: 1) restructuring actions (reduction in labour costs, closure of loss-making subsidiaries, and lower fixed costs tied to the relocation of the company headquarter) which generated savings for about EUR1.3 million, and 2) the renegotiation of the terms for the concession in Miami with a reduction in royalties from 52% of sales to 35% for the next five years and a cut in the minimum guaranteed payment to USD3.5 million p.a. (from USD9.6 million) starting from the beginning of 2016. Both revenues and EBITDA were above the company's targets for 2016 with sales down 5.5% (vs. -8% expected by the management) and EBITDA margin reaching 17.4% vs. 11.6% targeted by Safe Bag. Net profit reached EUR3.1 million, after 14% tax rate, but was hit by EUR0.7 million minorities (25.5% of Miami concession) resulting in EUR2.43 million of attributable net result.

> Higher cash generation and lower capex combined to reduce net debt to EUR0.5 million (vs. EUR2.8 million at Dec-14), of which EUR2.8 million was long-term debt. Operating NWC remained negative for EUR4.1 million (or 14.6% of sales), due to very low inventories and the immediate cash-inflow characteristic of the baggage protection industry. Fixed assets increased slightly to EUR17 million, of which EUR12.5 million was goodwill, and total invested capital was EUR13.2 million, in line with 2015.

> At Dec-16 Safe Bag reported EUR12.47 million of goodwill in its balance sheet (unchanged), representing 94% of its invested capital. The goodwill is from the consolidation of subsidiaries in France, Portugal and Spain (for a total of EUR12 million) and the concession in Switzerland (EUR0.5 million). The total net equity of these subsidiaries was EUR1.2 million at Dec-16 while the concessions of these subsidiaries will expire in 2020-21 implying a high risk that this goodwill could be written down in the future. Although there was no impairment at Dec-16 (using a WACC ranging from 6.7% to 9.1%), we cannot rule out future write-downs that could jeopardize our estimates for 2017-2019 net profit.

> In February, Safe Bag announced a reduction of EUR3.2 million of the capital of its parent company, to allow the distribution of a dividend on 2016 results, and it recently announced that the company would distribute EUR1 million of dividends, or EUR0.0746 per share, following the conversion of 0.202 million warrants. This implies a pay-out ratio of 41% on consolidated net result and a 1.6% dividend yield on current market price.

> In 1Q17, the company reported revenues of EUR6.4 million, an increase of 4% compared with 1Q16, with an EBITDA of EUR0.7 million or +8%, therefore implying >11% EBITDA margin.

> Safe Bag has obtained three new concessions for wrapping services since the start of the current year: in April the company obtained a five year concession for Vancouver airport in Canada. Vancouver is the second largest airport in Canada (after Toronto) with >17 million passengers and we believe it could add revenues of >EUR0.8 million sales. In May, Safe BAG obtained the concession for Warsaw airport in Poland without any stated expiration. Warsaw is a growing airport with about 13 million passengers and we believe that it could generate additional revenues of about EUR0.7 million. In June, Safe BAG acquired the concession for Ottawa airport in Canada which has about 5 million passengers which could add revenues of about EUR0.2 million. Finally, the concession for

Olbia airport (Sardinia) has been renewed for three years.

> Safe Bag extended by one year the conversion period of the outstanding warrants (1.55 million warrants issued at the time of IPO). These warrants, now expiring on 15 December 2017, may be exchanged for shares on a 1:1 basis and have a strike price of EUR2.25 per share; they are currently in the money and therefore we expect a large warrant conversion (currently suspended until dividends have been paid). Conversion of 100% of the outstanding warrants could provide Safe Bag with EUR3.5 million of new financial resources to be potentially used for M&A deals or to finance SOSTRAVEL.COM while enlarging the free float (now at 14.75%). We estimate an EPS dilution of around 11% with a 100% conversion with the free float increasing to 18.1% (assuming that the main shareholder, RG Holding, would convert all its 0.66 million warrants without selling any share on the market).

> 2016 was a positive year for the airport traffic: Passenger numbers in Italy rose to 164 million, an increase of 4.6% while in 1Q17 passengers were up 6.6%. New investments of EUR4.2 billion expected in the next five years could lead to an increase in passenger numbers in Italy to 289-311 million passengers in 2035 (*source: Sole24 Ore*). At worldwide level passengers are expected to grow by 6.8% this year, by 5.7% in 2018 and by 5.5% in 2019 (*source: Air4casts 1/4/17*)

Figure 1 – 2017-20 business plan

(EURm)	**2017E**	**2018E**	**2019E**	**2020E**	**CAGR 16-20**
Sales Safe Bag	29.9	32.4	37.0	42.5	12.5%
Sales SOSTRAVEL.COM	0.4	1.7	4.3	7.1	nm
Consolidated Sales	**30.3**	**34.1**	**41.3**	**49.6**	**16.9%**
EBITDA Safe Bag	5.0	5.8	7.0	8.5	
EBITDA SOSTRAVEL.COM	0.0	(0.7)	0.6	2.5	
Consolidated EBITDA	**5.0**	**5.1**	**7.6**	**11.0**	**24.3%**
% margin Safe Bag	16.7%	17.9%	18.9%	20.0%	
% margin SOSTRAVEL.COM	-7.0%	-42.4%	13.0%	35.2%	
% margin consolidated	**16.4%**	**14.9%**	**18.3%**	**22.2%**	
D&A	-1.0	-1.3	-1.6	-1.5	
Operating profit	**4.00**	**3.80**	**6.00**	**9.50**	**25.0%**
% margin	**13.2%**	**11.1%**	**14.5%**	**19.2%**	
Net Profit (before minorities)	**2.5**	**2.1**	**4.1**	**6.3**	**19.4%**
Net debt (cash)	(2.3)	(2.1)	(5.2)	(10.8)	

Source: Company data

Figure 2 – 2016 consolidated results

(EURm)	2015A	2016A	% Chg.	2016E UBI	% Chg.
Sales Italy	4.02	2.91	-27.6%	2.83	3.0%
Sales France	7.47	8.05	7.7%	8.95	-10.1%
Sales USA	12.41	10.81	-12.8%	9.90	9.2%
Sales Other	4.19	4.77	14.0%	4.57	4.4%
Sales total	**28.09**	**26.54**	**-5.5%**	**26.25**	**1.1%**
EBITDA	**-0.82**	**4.61**	**nm**	**2.92**	**57.8%**
% margin	**-2.9%**	**17.4%**		**11.1%**	
D&A	-0.82	-0.72		-1.65	
EBIT	-1.63	3.89	nm	1.27	206.8%
% margin	-5.8%	14.7%		4.8%	
Pre tax profit	-1.85	3.60	nm	1.10	227.5%
Net profit attr.	**-1.49**	**2.43**	**nm**	**1.03**	**135.6%**
Net debt (cash)	2.79	0.49	-82.5%	1.42	-65.7%

Source: Company data, UBI Banca estimates

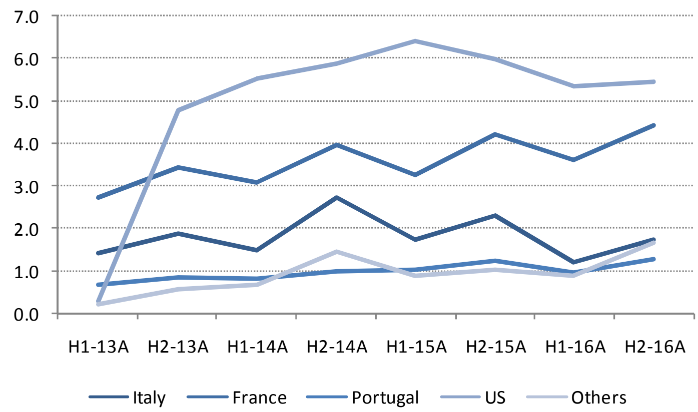
Figure 3 – 2H16 consolidated results

(EURm)	2H15A	2H16A	% Chg.	2H16E UBI	% Chg.
Sales total	**14.73**	**14.54**	**-1.3%**	**14.25**	**2.1%**
EBITDA	**-0.35**	**3.14**	**nm**	**1.45**	**116.2%**
% margin	**-2.3%**	**21.6%**		**10.2%**	
D&A	-0.59	-0.35		-1.28	
EBIT	-0.93	2.79	nm	0.17	nm
% margin	-6.3%	19.2%		1.2%	
Pre tax profit	-1.12	2.71	nm	0.21	nm
Net profit attr.	**-0.71**	**1.61**	**nm**	**0.21**	**nm**
Net debt (cash)	2.79	0.49	-82.5%	1.42	-65.7%

Source: Company data, UBI Banca estimates

Figure 4 – Revenues by geographical area (EURm)

There was a sound sales recovery in all regions, particularly the EU, with a sharp acceleration in 4Q16 (when South America rose by 85% and EU increased by 13%)



Source: Company data

Financial Projections

- We have radically revised our estimates following better-than-expected 2016 results and the presentation of the 2017-20 business plan. We have included in 2017 the full conversion of the outstanding warrants (EUR3.5 million cash in) and increased the number of shares in circulation (14.8 million vs. 13.2 million in 2016). Our forecasts do not include the potential spin-off of SOSTRAVEL.COM and assume tracking activities continue to remain within the Safe Bag structure.
- We expect a positive 2017, with revenues increasing by 12.6% augmented by the new concessions in Canada (Montreal, Vancouver and Ottawa) and Poland and some recovery in Miami and Portugal following the slowdown in 2016. We have also included the first impact of SOSTRAVEL.COM, in line with the company's business plan (EUR0.4 million sales). We expect the EBITDA margin to decline slightly compared with 2016 due to the start-up costs of SOSTRAVEL.COM but to increase in absolute terms. Net profit could be adversely impacted by a much higher tax rate (33% compared with 14% in 2016) and the net attributable result is likely to be negatively affected by minorities (25.5% of Miami).
- For 2018-19 we anticipate revenue growth of 15% on average with a lower EBITDA margin in 2018 related to the launch of SOSTRAVEL.COM, followed by a strong improvement in 2019 (15.0% expected for 2018 and 18.9% for 2019). Our EBITDA estimates for 2017-18 have been increased by >40% on average and EBIT by 47% on average. However, net attributable profit estimates have been reduced (by 20% on average) to reflect higher taxes and minorities. Overall, we estimate a net profit CAGR of 17% in 2016-19 which declines to 9% after minorities.
- Our new estimates are broadly in line with the company's business plan except for the net financial position, as we assume full conversion of the warrants.

Figure 5 – Old vs. new estimates

(EURm)	2016A	2017E		2018E		2019E
		Old	New	Old	New	New
Total sales	26.54	27.74	29.88	29.23	34.11	39.46
% change			7.7%		16.7%	
EBITDA	**4.61**	**3.40**	**4.95**	**3.75**	**5.12**	**7.46**
% change			**45.7%**		**36.5%**	
EBIT	3.89	2.52	3.98	2.84	3.87	6.03
% change			58.0%		36.4%	
Net Profit	3.10	2.01	2.49	2.33	2.23	3.94
% change			23.9%		-4.4%	
Net Profit attributable	**2.43**	**1.93**	**1.79**	**2.25**	**1.49**	**3.16**
% change			**-7.6%**		**-33.8%**	
Net debt (cash)	0.49	(0.99)	(4.68)	(3.70)	(5.30)	(8.57)
EBIT margin	**14.7%**	**9.1%**	**13.3%**	**9.7%**	**11.4%**	**15.3%**
EBITDA margin	**17.4%**	**12.3%**	**16.6%**	**12.8%**	**15.0%**	**18.9%**

Source: Company data, UBI Banca estimates

Figure 6 – Sales estimates by division

(EURm)	2015A	2016A	2017E	2018E	2019E	CAGR 16-19E
Italy	4.02	2.91	3.00	3.12	3.31	4.3%
France	7.47	8.05	8.41	8.73	9.03	3.9%
Portugal	2.30	2.26	2.59	2.85	3.05	10.6%
Switzerland	1.37	1.54	1.70	1.83	1.94	8.0%
Canada, Poland	0.08	0.67	1.25	1.36	1.42	28.4%
USA	12.41	10.81	11.63	12.40	13.07	6.5%
New concessions			0.60	1.79	2.98	
SOSTRAVEL.COM			0.40	1.70	4.30	
Consolidated sales	**28.09**	**26.54**	**29.88**	**34.11**	**39.46**	**14.1%**
% Change	**5.3%**	**-5.5%**	**12.6%**	**14.2%**	**15.7%**	

Source: Company data, UBI Banca estimates

Figure 7 – Our estimates compared with Safe Bag business plan

	Our estimates			Safe Bag business plan		
(EURm)	**2017E**	**2018E**	**2019E**	**2017E**	**2018E**	**2019E**
Sales	29.9	34.1	39.5	30.3	34.1	41.3
EBITDA	**5.0**	**5.1**	**7.5**	**5.0**	**5.1**	**7.6**
% margin	**16.6%**	**15.0%**	**18.9%**	**16.4%**	**14.9%**	**18.3%**
EBIT	4.0	3.9	6.0	4.0	3.8	6.0
% margin	13.3%	11.4%	15.3%	13.2%	11.1%	14.5%
Net result	**2.5**	**2.2**	**3.9**	**2.5**	**2.1**	**4.1**
Net debt (cash)	(4.7)	(5.3)	(8.6)	(2.3)	(2.1)	(5.2)

Source: Company data, UBI Banca estimates

Valuation

- The share price has risen by >300% since our latest report (*"Well on track", 29 September 2016*), by nearly 400% year to date and by >68% last month making Safe Bag one of the best performers of the Italian stock market. We believe that the stellar share performance is only partly justified by improving fundamentals and the share price has fallen following the presentation of the 2017-20 business plan (-28% since June 5). Given that the business plan is unlikely to generate benefits in the short to medium term and that SOSTRAVEL.COM is still in a start-up phase we see no new specific trigger to drive the share price higher in the near future. For this reason, we have downgraded our rating on Safe Bag to Hold (from Buy).
- Following the upgrades to our estimates we have set a new target price of EUR4.73 per share (from EUR1.44), based on the average of DCF and a relative valuation, which indicates 2.5% upside potential. We have decided to not apply the 20% liquidity discount previously utilized as the liquidity of the shares has improved significantly over the past few months: the daily average trading volume in Safe Bag shares has risen from 14k in 4Q16 to >30k shares in 1Q17 and was 325k shares in May 2017, which was more than ten times the level of last year.
- Our DCF valuation reflects our new estimates and the different financial structure, while our relative valuation has been impacted by the upgrades to our estimates and by the growth in peer valuation multiples (+34.6% on average in the past twelve months). We should also stress that, at its current market price, Safe Bag is trading at a significant premium to peers on 2017-18 (27% on EV/EBITDA and 79% on P/E).
- Our DCF model delivers a fair value of EUR5.50 per share (vs. EUR1.90 before, or +189%) and incorporates the following assumptions: 1) a risk-free rate of 2.5%, which is broadly in line with the interest rate on 10y Italian bonds (currently 2.01%); 2) a market risk premium of 4.5%; 3) a leveraged beta of 1.03 (1.0 unleveraged); 4) a debt spread of 3%; 5) a terminal growth rate of 1% and an operating margin at 15% at terminal value, which is mostly in line with the 14.7% EBIT margin reported in 2016. We calculated a WACC of 6.98%.
- At the target price, Safe Bag would trade at 9.2x 2019 EV/EBITDA, which is in line with the average multiple for our peer sample.

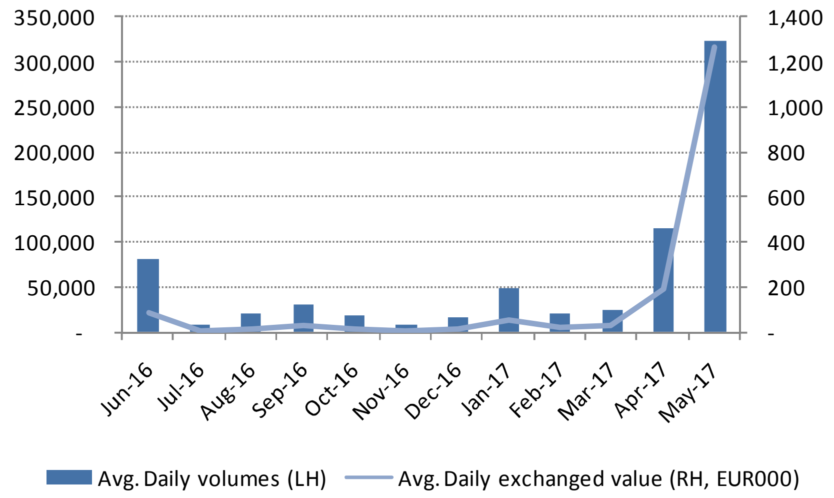
Figure 8 – Valuation summary

(EUR)		**Weight**	**29/09/2016**	**% Chg.**
DCF Valuation	5.50	50.0%	1.90	189.6%
Relative Valuation	3.96	50.0%	1.96	102.5%
Fair value	**4.73**		**1.93**	**145.4%**
20% discount	-		(0.48)	
Target price	**4.73**		**1.44**	**227.2%**
Current price	4.61		1.16	304.4%
Potential upside (downside)	2.5%		26.7%	

Source: UBI Banca estimates

Figure 9 – Average daily volumes and average daily traded value in the past 12 months

Volumes have skyrocketed in the past two months with an average daily traded value of more than EUR1.2 million in May 2017. The monthly capital turnover has risen to >60% in May 2017 compared with 3% in the second half of 2016.



Source: UBI Banca on Factset data

Figure 10 – WACC and embedded DCF assumptions

WACC assumptions		Embedded DCF assumptions	
Risk Free rate (10Y BTP bench.)	2.5%	Revenue CAGR 2017-2025 (%)	7.2%
Debt spread (%)	3.0%	EBIT CAGR 2017-2025 (%)	8.5%
Cost of debt [net] (%)	3.6%	EBIT margin 2017 (%)	13.3%
Market risk premium (%)	4.5%	Target EBIT margin 2025 (%)	15.0%
Beta (x)	1.03	Depr. on sales (avg 2017-2025) (%)	3.7%
Cost of equity (%)	7.1%	Capex on sales (avg 2017-2025) (%)	3.1%
Weight of Debt	4.1%		
Weight of Equity	95.9%		
WACC	**6.98%**		

Source: UBI Banca estimates

Figure 11 – DCF valuation

Our DCF valuation implies an EV/EBITDA of 6.5x at terminal value

	(EUR m)	(% weight)
Sum of PV 2017-25 FCF	28.9	38%
Terminal value	46.2	62%
Total Enterprise value	**75.2**	**100%**
- minorities	(0.50)	
- Pension Provision	(0.46)	
- Net debt (+ cash)	(0.49)	
Total Equity value	**73.7**	
Fully diluted number of shares (m)	13.4	
Fair value per share (EUR)	**5.50**	

Source: UBI Banca estimates

Figure 12 – Peer comparison and valuation based on multiples priced on 13 June 2017

Company	Market Cap (EURm)	EV/EBITDA 2017	EV/EBITDA 2018	EV/EBITDA 2019	Share performance One Month	Share performance Three months	Share performance YTD
Dufry	8,003	11.5 x	10.3 x	9.2 x	-5.1%	6.8%	25.4%
Compass Group	31,088	14.3 x	13.6 x	12.7 x	0.0%	9.0%	7.5%
Sodexo	18,364	11.4 x	10.6 x	9.8 x	0.1%	13.6%	9.4%
Elior Group	4,368	11.0 x	10.0 x	9.1 x	6.9%	20.6%	16.6%
SSP Group	2,605	10.8 x	9.8 x	8.9 x	1.4%	14.1%	20.8%
Autogrill	2,819	7.7 x	7.0 x	6.3 x	2.0%	24.5%	29.1%
Average		**11.1 x**	**10.2 x**	**9.3 x**	**0.9%**	**14.8%**	**18.1%**
Median		**11.2 x**	**10.1 x**	**9.2 x**	**0.8%**	**13.8%**	**18.7%**
Safe Bag	**62**	**13.7 x**	**13.5 x**	**9.0 x**	**68.2%**	**290.7%**	**397.3%**
Premium (discount)		**23.3%**	**32.4%**	**-3.6%**			
Safe Bag valuation	**(EURm)**	**3.70**	**3.50**	**4.68**			

Source: Factset, UBI Banca estimates

Figure 13 – Implicit multiples in our EUR4.73 target price

FAIR VALUE MULTIPLES	2017E	2018E	2019E
P/E	39.7 x	40.5 x	24.1 x
EV/EBITDA	14.1 x	13.9 x	9.2 x
EV/EBIT	17.5 x	18.3 x	11.4 x
EV/Sales	2.33 x	2.08 x	1.75 x
P/BV	4.5 x	4.4 x	3.9 x
EV/ Capital employed	6.0 x	6.1 x	6.3 x

Source: UBI Banca estimates

Income Statement

(EURm)	2016	2017E	2018E	2019E
Net Revenues	26.5	29.9	34.1	39.5
EBITDA	4.6	5.0	5.1	7.5
EBITDA margin	17.4%	16.6%	15.0%	18.9%
EBIT	3.9	4.0	3.9	6.0
EBIT margin	14.7%	13.3%	11.4%	15.3%
Net financial income /expense	-0.2	-0.3	-0.3	-0.5
Associates & Others	0.0	0.0	0.0	0.0
Profit before taxes	3.7	3.7	3.6	5.5
Taxes	-0.5	-1.2	-1.1	-1.9
Minorities & discontinuing ops	-0.7	-0.7	-0.7	-0.8
Net Income	2.5	1.8	1.7	2.9

Source: Company data, UBI Banca estimates

Balance Sheet

(EURm)	2016	2017E	2018E	2019E
Net working capital	-3.8	-4.6	-4.8	-5.6
Net Fixed assets	17.0	17.3	17.9	18.4
M/L term funds	-0.7	-1.1	-1.4	-1.8
Capital employed	12.5	11.6	11.7	11.0
Shareholders' equity	11.5	15.4	15.8	18.0
Minorities	0.5	0.9	1.2	1.6
Shareholders' funds	12.0	16.3	17.0	19.6
Net financial debt/(cash)	0.5	-4.7	-5.3	-8.6

Source: Company data, UBI Banca estimates

Cash Flow Statement

(EURm)	2016	2017E	2018E	2019E
NFP Beginning of Period	2.8	0.5	-4.7	-5.3
Group Net Profit	2.5	1.8	1.7	2.9
Minorities	0.7	0.7	0.7	0.8
D&A	0.1	0.1	0.1	0.2
Change in Funds & TFR	0.0	0.0	0.0	0.0
Gross Cash Flow	3.3	2.6	2.6	3.8
Change In Working Capital	-2.2	0.8	0.2	0.8
Other	0.0	0.0	0.0	0.0
Operating Cash Flow	1.1	3.4	2.8	4.6
Net Capex	-0.6	-0.7	-1.2	-1.0
Other Investments	-1.3	0.0	0.0	0.0
Free Cash Flow	-0.9	2.7	1.6	3.6
Dividends Paid	0.0	-1.0	-0.7	-0.6
Other & Chg in Consolid. Area	3.3	0.0	0.0	0.0
Chg in Net Worth & Capital Incr.	0.0	3.5	0.0	0.0
Change in NFP	2.4	5.1	0.9	3.0
NFP End of Period	0.4	-4.6	-5.5	-8.3

Source: Company data, UBI Banca estimates

Financial Ratios

(%)	2016	2017E	2018E	2019E
ROE	21.8%	11.4%	10.9%	16.1%
ROI (pre-tax)	29.4%	30.8%	30.1%	46.5%
Net Fin. Debt/Equity (x)	0.0	-0.3	-0.3	-0.4
Net Fin. Debt/EBITDA (x)	0.1	-1.0	-1.0	-1.2
Interest Coverage	18.3	13.5	14.5	12.1
NWC/Sales	-14.4%	-15.5%	-14.1%	-14.1%
Capex/Sales	2.3%	2.5%	3.5%	2.5%
Pay Out Ratio	39.2%	42.0%	34.3%	43.3%

Source: Company data, UBI Banca estimates

Per Share Data

(EUR)	2016	2017E	2018E	2019E
EPS	0.19	0.12	0.12	0.20
DPS	0.07	0.05	0.04	0.09
Op. CFPS	0.08	0.23	0.19	0.31
Free CFPS	-0.07	0.18	0.11	0.24
BVPS	0.87	1.05	1.07	1.22

Source: Company data, UBI Banca estimates

Stock Market Ratios

(x)	2016 *	2017E	2018E	2019E
P/E	4.3	38.7	39.5	23.5
P/OpCFPS	9.9	20.0	24.4	14.8
P/BV	0.9	4.4	4.3	3.8
Dividend Yield (%)	9.2%	1.1%	0.9%	1.8%
Free Cash Flow Yield (%)	-8.2%	3.9%	2.3%	5.3%
EV (EURm)	12.1	67.9	69.1	67.0
EV/Sales	0.5	2.3	2.0	1.7
EV/EBITDA	2.6	13.7	13.5	9.0
EV/EBIT	3.1	17.0	17.8	11.1
EV/Capital Employed	1.0	5.9	5.9	6.1

Source: Company data, UBI Banca estimates — ** Based on average 2016 price*

Growth Rates

(%)	2016	2017E	2018E	2019E
Growth Group Net Sales	-5.5%	12.6%	14.2%	15.7%
Growth EBITDA	nm	7.4%	3.4%	45.5%
Growth EBIT	nm	2.3%	-2.7%	55.6%
Growth Net Profit	nm	-30.0%	-2.0%	68.4%

Source: Company data, UBI Banca estimates

Disclaimer

Analyst Declaration

*This research report (the "**Report**") has been prepared by Marco Cristofori on behalf of UBI Banca S.p.A. ("**UBI Banca**"). UBI Banca is an Italian bank supervised by the European Central Bank and is duly authorised to provide investment services pursuant to Article 1, Paragraph 5, letter a), b), c), c-bis), e) and f) of the Legislative Decree 24 February 1998, n° 58 under the supervision of Consob. UBI Banca has its head office at Piazza Vittorio Veneto 8, 24122 Bergamo.*

The analyst who prepared the Report, and whose name and role appear on the front page, certifies that:

a. *the views expressed on the company mentioned herein (the "**Company**") accurately reflects his personal views. It does not represent the views or opinions of UBI Banca, its management or any other company which is part of or affiliated to the UBI Banca group (the "**UBI Banca Group**"). It may possible that some UBI Banca Group's employees may disagree with the views expressed in this Report;*

b. *he has not received and will not receive any direct or indirect compensation in exchange for any views expressed in this Report;*

c. *the analyst does not own any securities and/or any other financial instrument issued by the Company or any financial instrument whose price depends on or is linked to any securities and/or any financial instrument issued by the Company;*

d. *neither the analyst nor any member of the analyst's household serves as an officer, director or advisory board member of the Company;*

e. *the remuneration of the analyst is not directly tied to transactions in services of investment firms or other type of transactions it or any legal person part of the same group performs, or to trading fees it or any legal person that is part of the same group receives;*

f. *the analyst named in the document is member of AIAF.*

General disclosure

This Report is for information purposes only. This Report (i) is not, nor may it be construed, to constitute, an offer for sale or subscription of or a solicitation of any offer to buy or subscribe for any securities issued or to be issued by the Company, (ii) should not be regarded as a substitute for the exercise of the recipient's own judgement. In addition, the information included in this Report may not be suitable for all recipients. Therefore the recipient should conduct his own investigations and analysis of the Company and securities referred to in this document and make his own investment decisions without undue reliance on its contents. Neither UBI Banca, nor any other company of the UBI Banca Group, nor any of its directors, managers, officers or employees, accepts any direct or indirect liability whatsoever (in negligence or otherwise), and accordingly no direct or indirect liability whatsoever shall be assumed by, or shall be placed on, UBI Banca, or any other company of the UBI Banca Group, or any of its directors, managers, officers or employees, for any loss, damage, cost, expense, lower earnings howsoever arising from any use of this Report or its contents or otherwise arising in connection with this Report.

The information provided and the opinions expressed in this Report are based upon information and data provided to the public by the Company or news otherwise public and refers to the date of publication of the Report. The sources (press publications, financial statements, current and periodic releases, as well as meetings and telephone conversations with the Company's representatives) are believed to be reliable and in good *faith, but no representation or warranty, express or implied, is made by UBI Banca as to their accuracy, completeness or correctness. Past performance is not a guarantee of future results. Any opinions, forecasts or estimates contained herein constitute a judgement as at the date of this Report, and there can be no assurance that the future results of the Company and/or any future events involving directly or indirectly the Company will be consistent with any such opinions, forecasts or estimates. Any information herein is subject to change, update or amendment without notice by UBI Banca subsequent to the date of this Report, with no undertaking by UBI Banca to notify the recipient of this Report of such change, update or amendment.*

Organizational and administrative arrangements to prevent conflicts of interests

UBI Banca maintains procedures and organizational mechanism (physical and non physical barriers designed to restrict the flow of information between the unit which performs investment research activity and other units of UBI Banca) to prevent and professionally manage conflicts of interest in relation to investment research.

For further information please see UBI Banca's website (www.ubibanca.com/equity-research) "Informativa sintetica sull'attività di ricerca".

Disclosure of potential conflicts of interest

In relation to the Company the following potential conflict of interest have been found:

- *UBI Banca acts as Specialist for Safe Bag*
- *UBI Banca may have long or short positions with the issuer*

On the basis of the checks carried out no other conflict of interest arose.

Frequency of updates

UBI Banca aims to provide continuous coverage of the companies in conjunction with the timing of periodical accounting reports and any exceptional event that occurs affecting the issuer's sphere of operations and in any case at least twice per year. The companies for which UBI Banca acts as Sponsor or Specialist are covered in compliance with regulations of the market authorities.

For further information please refer to www.ubibanca.com/equity-research

Valuation methodology

UBI Banca's analysts value the Company subject to their recommendations using several methods among which the most prevalent are: the Discounted Cash Flow method (DCF), the Economic Value Added method (EVA), the Multiple comparison method, the SOP method and the NAV method.

The 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 (i.e. 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.

For further information please refer to www.ubibanca.com/equity-research.

Ranking system

UBI Banca's analysts use an "absolute" rating system, not related to market performance. The explanation of the rating system is listed below:

Buy: if the target price is 10% higher than the market price, over the next 12 months.

Hold: if the target price is 10% below or 10% above the market price, over the next 12 months.

Sell: if the target price is 10% lower than the market price, over the next 12 months.

No Rating: the investment rating and target price have been suspended as there is not sufficient fundamental basis for determining an investment rating or target. The previous investment rating and target price, if any, are no longer in effect. Alternatively, No Rating is assigned in certain circumstances when UBI Banca is acting in any advisory capacity in a strategic transaction involving the Company.

Target price: the market price that the analyst believes that the share may reach within a one-year time horizon.

Market price: closing price on the day before the issue date of the report, appearing on the first page.

Distribution

Italy: This document is intended for distribution in electronic form to "Professional Clients" and "Qualified Counterparties" as defined by Legislative Decree 24 February 1998, n. 58 and by Consob Regulation n. 16190 dated 29.10.2007, as further amended and supplemented.

This Report has been released within 30 minutes from the timing reported on the front page.

*IN THE UNITED KINGDOM, THIS DOCUMENT IS BEING DISTRIBUTED ONLY TO, AND IS DIRECTED ONLY AT PERSONS WHO (A) ARE (I) PERSONS FALLING WITHIN ARTICLE 19 OR ARTICLE 49 OF THE FINANCIAL SERVICES AND MARKETS ACT 2000 (FINANCIAL PROMOTION) ORDER 2005 (AND ONLY WHERE THE CONDITIONS CONTAINED IN THOSE ARTICLES HAVE BEEN, OR WILL AT THE RELEVANT TIME BE, SATISFIED) OR (II) ANY OTHER PERSONS TO WHOM IT MAY BE LAWFULLY COMMUNICATED; AND (B) ARE QUALIFIED INVESTORS WITHIN THE MEANING OF ARTICLE 2(1)(E) OF THE PROSPECTUS DIRECTIVE (DIRECTIVE 2003/71/EC), (ALL SUCH PERSONS BEING REFERRED TO AS "**RELEVANT PERSONS**"). THIS DOCUMENT MUST NOT BE ACTED ON OR RELIED ON BY PERSONS WHO ARE NOT RELEVANT PERSONS.*

Copyright

Distribution of ratings

Equity rating dispersion in the past 12 months			
Buy	***Hold***	***Sell***	***No Rating***
85.7%	*10.7%*	*0.0%*	*3.6%*
Proportion on issuers to which UBI Banca has supplied investment banking services relating to the last 12 months			
Buy	***Hold***	***Sell***	***No Rating***
100%	*100%*	*-*	*100%*

For further information regarding yearly and quarterly rating statistics and descriptions, please refer to www.ubibanca.com/equity-research.

Historical ratings and target prices

Date	*Rating*	*Target Price (EUR)*	*Market Price (EUR)*
7 July 2016	BUY	1.30	0.73
29 September 2016	BUY	1.44	1.14