

TraWell

Recovery in Air Traffic Couples with Improving Profitability

TraWell is present in high-traffic airports and has fully benefitted from the lasting air traffic recovery. Higher volumes and better management of service led to profitability improvements. With a strengthened balance, we see now TraWell as well positioned in the competition arena and with a potential to gain further space in additional airports or to play a role in the sector's consolidation.

1H23 results supported by airport traffic

1H23 revenues increased by 29.2% yoy, to EUR 14.1M, better than our estimate. Sales benefitted from the strong recovery in global air traffic. Moreover, TraWell benefitted from the contribution of Malpensa, Linate airports (new concessions agreements signed in December 2022), and Zagreb airport concession (signed in January 2023). EBITDA reached EUR 4.7M (+83.5% yoy), not comparable to our estimates since it includes the IFRS 16 impact. The net debt excluding EUR 14.2M IFRS 16 impact and including EUR 2.1M positive adjustments was EUR 7.3M, in line with YE22.

2022-27 BP update and estimates' fine-tuning

Our FY23/25E estimates are broadly aligned with the company's plan, which we deem reliable in light of the passenger traffic recovery and coherent with the profitable growth path the company has undertaken. The plan update includes the new accounting principles (IFRS 16) and foresees sales in line with the update published in April, with a FY22/27 7.8% CAGR, and 9.2% CAGR in EBITDA, better than in the April update.

Potential business expansion

TraWell is one of the leading global players, with a 7.2% market share in a highly fragmented sector; according to the company, 3 big players hold 20% of the whole market. The largest portion of the market is in the hands of small local players, often operating in a single airport. We believe that TraWell has what it takes to play a major role in the sector's consolidation, now that it has reached a good level of profitability and is deleveraging. Clearly, TraWell is always looking for new opportunities to bid for new concession areas or to expand through franchising partners or joint ventures.

Valuation

We confirm our **BUY** rating, with a new target price of **EUR 13.8** (from EUR 12.5) based on a DCF (an 80% weighting) and a relative valuation (20% weighting) plus the market value of the SOStravel.com stake, with a potential upside of over 70%. The stock is trading at an average 40% EV/EBIT discount to its peers.

TraWell – Key data

Y/E Dec (EUR M)	2022A*	2023E	2024E	2025E
Revenues	26.31	30.97	33.09	34.85
EBITDA	8.96	10.60	11.69	12.37
EBIT	3.10	5.89	6.75	7.19
Net income	-2.66	0.49	1.22	1.91
EPS (EUR)	-1.07	0.19	0.48	0.76
Net debt/-cash	21.44	18.50	10.54	5.96
Adj P/E (x)	Neg.	41.4	16.5	10.5
EV/EBITDA (x)	5.0	5.0	3.9	3.2
EV/EBIT (x)	14.4	9.0	6.7	5.5
Div ord yield (%)	0	0	0	0
FCF Yield (%)	23.9	24.4	48.5	47.6

Note: net debt includes IFRS 16 impact; * restated values; Source: Company data, FactSet and Intesa Sanpaolo Research estimates. Priced at 19/10/2023

23 October 2023: 12:00 CET
Date and time of production

BUY

Target Price: EUR 13.8
(from EUR 12.5)

Italy/Airport Services
Company Update

EGM

TraWell - Key Data

Price date (market close)	19/10/2023
Target price (€)	13.8
Target upside (%)	72.50
Market price (€)	8.00
Market cap (EUR M)	19.84
52Wk range (€)	9.48/4.90

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



Source: Company data, FactSet and Intesa Sanpaolo Research estimates

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Solid 1H23 with a Strong Growth in Profitability

Global air traffic: still improving

According to IATA, in 1H23 all regions achieved strong passenger traffic growth and made a significant progress towards restoring pre-pandemic traffic levels. Although recovery trends varied across regions, industry-wide revenue passenger-kilometers (RPKs) grew 47.2% yoy and were only 9.7% below 2019 levels. According to Assaeroporti, 89.5M passengers passed through Italian airports in 1H23 (+30% yoy, -2.7% vs. 1H19). TraWell is present in 9 airports in Italy: Rome Fiumicino, Milan Malpensa, Milan Linate, Bologna, Cagliari, Olbia, Verona and Treviso (with Verona and Treviso airports from August 2023). Roma Fiumicino is the biggest Italian airport by number of passengers (17.9M passengers in 1H23, -12.8% vs. 1H19); Milan Malpensa is the second (11.8M passengers, -5.5% vs. 1H19); Venice ranks at the fifth place (5.2M, -0.3% vs. 1H19), Bologna seventh (4.6M, +3.1% vs. 1H19), Linate eighth (4.5M, +3.8% vs. 1H19). (source Assaeroporti).

IATA published the total traffic data for July and August (measured in revenue passenger kilometers or RPKs) which show an increase of 26.2% in July yoy and of 28.4% in August yoy. Globally, traffic is now at 95.7% of pre-Covid levels. IATA also said that for the year to date, international traffic has increased by 50% versus last year and ticket sales data show international bookings strengthening for travel in the last part of the year. Assaeroporti published the figures of passenger data for August 2023, showing an increase vs. August 2019 to 21M (+3.8%).

TraWell 1H23 results

We point out that the company has published for the first time its financial results including IFRS 16 accounting principles. As such, only top-line results are comparable with our estimates.

- 1H23 revenues increased by 29.2% yoy, to EUR 14.1M, better than our estimate, which pointed to EUR 12.3M (for an increase of 12.3% yoy). Sales benefitted from the strong recovery in global air traffic: in the airports where TraWell is present, the number of passengers was down, on average, only 3% vs. 2019. Moreover, TraWell benefitted from the contribution of Malpensa, Linate (new concessions agreements signed in December 2022) and Zagreb airport concessions (signed in January 2023), which were not included in 1H22 sales;
- EBITDA reached EUR 4.7M (+83.5% yoy), not comparable to our estimates since it includes the IFRS 16 impact. EBITDA margin moved to 33.4% from 23.5% in 1H22. EBIT was EUR 2.5M (+40.1% yoy);
- In our view, the profitability improvement was due to better operating leverage and the efficiencies undertaken by the company, such as optimising personnel shifts and wrapping machine positioning (and numbers per airport), as well as the services offered; only a few airports benefitted from end-price increases;
- Net profit was EUR 1.53M (vs. EUR 1.29M in 1H22), while net profit attributable was EUR 0.26M vs. -EUR 0.2M, dragged down by minority impact of the Miami subsidiary (51% ownership);
- The net debt including the IFRS 16 impact was EUR 19.4M (in line with YE22). Excluding EUR 14.2M IFRS 16 impact and EUR 2.1M positive adjustments related to time deposit accounts and deposits to airports, it would be EUR 7.3M, in line with YE22;

- The average duration of concessions is 2.9 years, but the company stated that (as of October 2023) 57% of revenues come from airports with concessions longer than 3.4 years.

Trawell – 1H23 results

EURM	1H22A	1H22A restated*	1H23A	yoy % chg.
Revenues	10.9	10.9	14.1	29.2
EBITDA	2.0	2.6	4.7	83.5
Margin (%)	18.2	23.5	33.4	
EBIT	2.1	1.8	2.5	40.1
Margin (%)	19.2	16.5	17.9	
Net Result attr.	0.5	-0.2	0.3	NM
Net debt/-cash	9.5	NA	19.4	
Net debt/-cash (ex IFRS 16 impact) **			7.3	

NA: not available; A: actual; Source: Company data and Intesa Sanpaolo Research *1H22 results were reclassified based on International Accounting Standards (IAS); **includes also positive contribution from EUR 2.1M from deposits to airports and time deposits

Europe grew strongly in 1H23, more than doubling revenues; growth in the Americas was also strong (as a reminder, in 2Q22 the concession in Miami airport was renewed until 2027); Asia was still down.

Trawell – 1H22/23 geographical mix

EUR M	1H22A	1H23A	Chg. %
Europe	2.8	6.6	132.4
% on sales	28.4	48.6	
America	4.9	5.8	16.3
% on sales	49.7	42.5	
Asia	2.2	1.2	-45.0
% on sales	21.9	8.8	
Sales	9.9	13.5	35.9

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

2022-27 Business Plan Update

The plan's numbers include the new accounting principles (IFRS 16). We note that, compared with the April update, targeted sales are in line (which we deem realistic), while profitability targets are not comparable, given the different accounting; the expected net financial position (which excludes the IFRS 16 impact and is therefore comparable with April update) is also in line.

We recall that the company had released FY22 results that exceeded the targets presented in October 2022 (the first business plan), i.e. EUR 26M revenues vs. EUR 21M in the plan; since then, the company has won important concessions (see Linate and Malpensa, until 2026) and the passenger traffic has increased; moreover, it gained efficiency in the operating costs.

TraWell – FY23/27 plan update compared with old plans

October 2023 Business plan update*

EUR M	2022A restated	2023T	2024T	2025T	2026T	2027T
Revenues	26.3	31.1	33.4	34.9	36.8	38.2
EBITDA	9	10.6	11.8	12.4	13.5	14
Margin (%)	34	34	35	35	37	37
EBIT	3.1	5.9	6.9	7.6	8.7	9.3
Net result before minorities	1.3	3.7	4.5	5.1	5.8	6.3
Net debt/-cash**	7.5	4.9	1.2	-1.9	-5.4	-8.9

April 2023 Business plan update

EUR M	2022A preliminary	2023T	2024T	2025T	2026T	2027T
Revenues	26.6	31.1	33.6	34.8	35.9	37.8
EBITDA	6.8	6.5	7.9	8.2	8.5	9.1
Margin (%)	25	20.9	23.5	23.0	23.7	24.1
EBIT	1.8	5.5	7	7.4	7.7	8.4
Net result before minorities	0.7	4.0	5.0	5.2	5.5	6.1
Net debt/-cash	7.4	4.4	0.5	-2.2	-5.4	-8.1

October 2022 Business plan

EUR M	2022T	2023T	2024T	2025T	2026T	2027T
Revenues	21.0	23.6	25.8	27.2	28.8	31.2
EBITDA	4.1	4.6	5.4	6.0	6.4	7.0
Margin (%)	19.0	20.0	21.0	22	22	22
EBIT	3.8	4.0	4.9	5.5	6.1	6.7
Net result before minorities	3.1	2.7	3.6	4.1	4.6	5.0
Net debt/-cash	7.6	5.7	3.1	0.4	-2.8	-6.8

A: actual; T: target; Source: Company data and Intesa Sanpaolo Research *Includes new accounting principles (IAS); **Ex-IFRS 16 impact

The plan update is built at constant perimeter (assuming that all concessions are renewed in the plan's timeframe); it includes EUR 1.1M total capex to refurbish wrapping machines and end-price increases in North America airports (Miami) in FY26. In the FY22/27 timeframe, sales CAGR is expected at 7.8% (in line with April update), EBITDA at 9.2% (better than April update); the net financial position should be positive in FY25.

The plan update is based on passengers' traffic volume growth weighted between ACI (Airport Council International) estimates and actual data of managed airports, which incorporate a more conservative scenario than before: airports are expected to reach 2019 passenger traffic in 2025 (vs. 2024 previously) and to surpass the 2019 level by 5% (previously +9%) in 2026.

TraWell is present in 42 airports in 12 countries, with 127 points of sale: the number of airports has increased vs. April 2023 (when they were 38) but the number of points of sale has decreased (from 133 in April), in the wake of the efficiency programme the company has undertaken.

TraWell – number of airports (October 2023)

Country	Number of airports
Italy	9
France	4
Switzerland	1
Portugal	5
Greece	1
Estonia	1
Czech Republic	1
Croatia	1
Total Europe	23
Canada	2
USA	1
Peru	1
Total Americas	4
Russia	15
Total Asia	15
Total airports	42

Source: Company data and Intesa Sanpaolo Research

We outline the company's engagement in ESG themes. TraWell has set some goals in every domain, i.e. use of 100% recycled plastic, definition of a policy for the group in terms of energy savings, choice of providers based on ESG criteria, increasing personnel training, incentive wage systems for personnel working at airports, adoption of an Ethical Code, and the appointment of women in the BoD.

Estimates' revision

Our FY23/25E estimates are broadly aligned with the company's plan, which we deem reliable in light of the passenger traffic recovery and coherent with the profitable growth path the company has started. TraWell has grown strongly in Europe, also helped by new concessions; as outlined in the company's presentation, it should continue with this strategy, along with the targeted expansion in new areas through franchising partners or joint-ventures. The operating leverage, driven by strong volumes, should amplify efficiency in managing the offer. For FY23E, our estimates are fully aligned with the company's plan, incorporating a comparison base of 2H22 which included the first weeks of service in Linate and Malpensa airports, and a conservative EBITDA for 2H23E.

Our new estimates imply 17.7% top line growth yoy in FY23E, with EBITDA growing at a faster pace (+18.4% yoy). In FY24E we still assume strong growth in profitability (EBITDA up by double digits), with 110bps improvement in margin. Cash generation year by year should lead to almost zero debt in FY25E, excluding IFRS 16 impact.

We point out that a worsening geopolitical scenario, with impacts on airport traffic, could put at risk our estimates.

TraWell – New estimates (FY23/25E)

EUR M	FY22A restated	FY23E	yoy %	FY24E	yoy %	FY25E	yoy %
Revenues	26.3	31.0	17.7	33.1	6.9	34.9	5.3
EBITDA	9.0	10.6	18.4	11.7	10.3	12.4	5.8
Margin (%)	34.0	34.2		35.3		35.5	
EBIT	3.1	5.9	89.7	6.8	14.7	7.2	6.6
Net result	0.7	3.3	NM	4.3	27.4	4.8	12.6
Net result attributable	-2.7	0.49	NM	1.2	NM	1.9	NM
Net debt/-cash	21.4	18.5		10.5		6.0	
Net debt/-cash (ex IFRS 16 impact)	7.5	4.5		1.5		0.5	

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

TraWell – 2H23E estimates

EUR M	2H22A restated	2H23E	yoy %
Revenues	15.4	17.4	13
EBITDA	6.4	5.9	-8
Margin (%)	41.5	33.8	
EBIT	1.3	3.4	NM
Net result	-0.6	1.9	NM
Net debt/-cash (ex IFRS 16 impact)	7.5	4.5	

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

TraWell – Business plan vs. our estimates

EUR M	Business plan			Our estimates			% Change		
	2023T	2024T	2025T	2023E	2024E	2025E	2023	2024	2025
Revenues	31.1	33.4	34.9	31.0	33.1	34.9	-0.4	-0.9	-0.1
EBITDA	10.6	11.8	12.4	10.6	11.7	12.4	0.0	-0.9	-0.2
Margin (%)	34.1	35.3	35.5	34.2	35.3	35.5			
EBIT	5.9	6.9	7.6	5.9	6.8	7.2	-0.2	-2.2	-5.3
Net result	3.7	4.5	5.1	3.3	4.3	4.8	-9.6	-5.3	-5.9
Net debt/-cash	4.9	1.2	-1.9	4.5	1.5	0.5			

Note: net debt ex-IFRS 16 impact; T: targets; E: estimates; Source: Company data and Intesa Sanpaolo Research

Valuation

We confirm our BUY rating, with a new target price of EUR 13.8 (from EUR 12.5) based on a DCF (an 80% weighting) and a relative valuation (20% weighting) plus the market value of the SOStravel.com stake (EUR 0.87M or around EUR 0.4/share), with a potential upside of over 70%.

We confirm our BUY rating

Our DCF model returns a fair value of EUR 9.7 and reflects our estimates' fine-tuning. The WACC is unchanged at 10%. We assume an EBIT margin at 8% at terminal value (well below our 2023-25E estimates) and a 1.5% terminal growth rate.

TraWell – Valuation summary (EUR/sh)

DCF Valuation (80% weighting)	9.7
Relative Valuation (20% weighting)	28.2
Average	13.4
SOStravel.com	0.4
Target price	13.8
Current price	8.0
Potential upside (%)	72.5

Source: Intesa Sanpaolo Research

DCF Model

TraWell – WACC assumptions

Wacc assumptions	(%)
Risk Free rate (10Y BTP bench.)	4.0
Debt spread	4.0
Cost of debt [net]	5.6
Market risk premium	6.5
Beta (x)	1.40
Cost of equity	13.1
Weight of Debt	40.9
Weight of Equity	59.1
WACC	10.0

Source: Intesa Sanpaolo Research

TraWell – DCF valuation

	EUR M	% weight	EUR/sh
Sum of PV 2023-31 FCF	36.6	74	14.5
Terminal value	12.8	26	5.1
Total Enterprise value	49.4	100	19.6
- Minorities	-3.4		-1.3
- Pension Provision	-0.2		-0.1
- Net debt 2022A (+cash)	-21.4		-8.5
Total Equity value	24.5		9.7
Fully diluted number of shares (M)	2.5		
Fair value per share (EUR)	9.7		

Source: Intesa Sanpaolo Research

Multiples' analysis

TraWell has no comparable peers that are listed, although there are some listed companies active in the airport services business or in the service industry, all with a market capitalisation of over EUR 0.4Bn. Our sample is composed of: 1) Dufry, a global travel retailer; 2) Compass Group, a world leading food and support service company; 3) Sodexo, an international service company; 4) Elior Group, a leading operator in the contracted food and support service industry; and 5) SSP Group, an operator of branded food and beverage outlets in travel locations.

Trawell – Multiples analysis

Company	Market Cap EUR M	EV/EBIT (x)		
		2023E	2024E	2025E
Dufry	5,123	13.4	12.0	10.4
Compass Group	40,595	18.5	16.5	15.0
Sodexo	14,672	13.3	12.0	11.0
Elior Group	417	31.5	10.1	7.4
SSP Group	1,757	15.7	11.8	10.0
Average		18.5	12.5	10.8
Median		15.7	12.0	10.4
TraWell*	20	9.4	7.2	6.2
Premium (discount) to median %		-40.3	-39.9	-40.3

Priced at market close on 18/10/2023; Source: Company data and *Intesa Sanpaolo Research

Valuation and Key Risks

Valuation basis

Our EUR 13.8/sh target price is derived from a DCF (an 80% weighting, WACC 10%, $g=1.5\%$) and a relative valuation (20% weighting) plus the market value of the SOstravel.com stake (EUR 0.87M or around EUR 0.4/share).

Key Risks

Company specific risks:

- Potential further write down of existing goodwill
- Average duration of concessions is relatively low
- Currency fluctuations

Sector generic risks:

- Lower than expected recovery of air traffic up to date
- Geopolitical risk (e.g. terror attacks)

Company Snapshot

Company Description

Trawell is a leading service company specialising in luggage wrapping and tracing for airline passengers. It operates in 42 airports, in Italy, Europe, Canada, the US (Miami) and in Asia with 127 selling points. The average duration of its concessions is 2.9 years. TraWell was listed on the Euronext Growth market in September 2013 and on Nasdaq in July 2019.

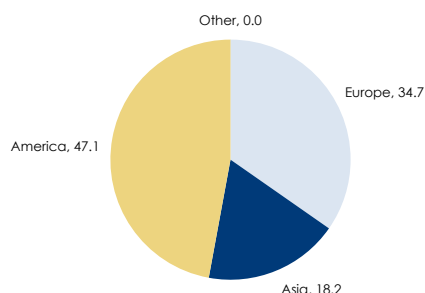
Key data

Mkt price (€)	8.00	Free float (%)	42.1
No. of shares	2.48	Major shr	RG Hold.
52Wk range (€)	9.48/4.90	(%)	51.2
Reuters	TWL.MI	Bloomberg	TWL IM
Performance (%)	Absolute		Rel. FTSE IT All Sh
-1M	-7.2	-1M	-3.7
-3M	4.7	-3M	8.9
-12M	51.5	-12M	19.6

Estimates vs. consensus

EUR M (Y/E Dec)	2022A	2023E	2023C	2024E	2024C	2025E	2025C
Sales	26.31	30.97	NM	33.09	NM	34.85	NM
EBITDA	8.96	10.60	NM	11.69	NM	12.37	NM
EBIT	3.10	5.89	NM	6.75	NM	7.19	NM
Pre-tax income	1.54	4.31	NM	5.49	NM	6.19	NM
Net income	-2.66	0.49	NM	1.22	NM	1.91	NM
Adj. EPS (EUR)	-1.07	0.19	NM	0.48	NM	0.76	NM

Sales breakdown by area (%)



Global air passenger volumes (RPKs)

Chart 1 – Global air passengers, revenue-passenger kilometers (RPKs), billions



Source: Company data, Intesa Sanpaolo Research estimates and FactSet consensus data (priced at market close of 19/10/2023)

TraWell – Key Data

Rating BUY	Target price (€/sh) Ord 13.8	Mkt price (€/sh) Ord 8.00	Sector Airport Services	
Values per share (EUR)	2022A	2023E	2024E	2025E
No. ordinary shares (M)	2.48	2.52	2.52	2.52
Total no. of shares (M)	2.48	2.52	2.52	2.52
Market cap (EUR M)	14.08	20.13	20.13	20.13
Adj. EPS	-1.07	0.19	0.48	0.76
BVPS	2.5	2.6	3.1	3.9
Dividend ord	0	0	0	0
Income statement (EUR M)	2022A	2023E	2024E	2025E
Revenues	26.31	30.97	33.09	34.85
EBITDA	8.96	10.60	11.69	12.37
EBIT	3.10	5.89	6.75	7.19
Pre-tax income	1.54	4.31	5.49	6.19
Net income	-2.66	0.49	1.22	1.91
Adj. net income	-2.66	0.49	1.22	1.91
Cash flow (EUR M)	2022A	2023E	2024E	2025E
Net income before minorities	0.7	3.3	4.3	4.8
Depreciation and provisions	5.9	4.7	4.9	5.2
Others/Uses of funds	5.8	4.7	5.4	3.1
Change in working capital	-0.0	-0.6	0.9	-0.0
Operating cash flow	5.6	6.4	9.5	7.3
Capital expenditure	-2.2	-0.8	-0.3	0.7
Financial investments	0	0	0	1.0
Acquisitions and disposals	-2.0	0	0	0
Free cash flow	1.3	5.6	9.1	8.9
Dividends	0	0	0	0
Equity changes & Non-op items	-13.5	-6.0	-1.8	-4.0
Net change in cash	-12.1	-0.4	7.3	4.9
Balance sheet (EUR M)	2022A	2023E	2024E	2025E
Net capital employed	31.4	29.5	24.0	22.2
of which associates	0	0	0	0
Net debt/-cash	21.4	18.5	10.5	6.0
Minorities	3.9	4.8	5.7	6.5
Net equity	6.1	6.6	7.8	9.7
Minorities value	0	0	0	0
Enterprise value	44.6	53.2	45.4	39.7
Stock market ratios (x)	2022A	2023E	2024E	2025E
Adj. P/E	Neg.	41.4	16.5	10.5
P/CFPS	1.8	3.5	2.0	2.0
P/BVPS	2.3	3.1	2.6	2.1
Payout (%)	0	0	0	0
Dividend yield (% ord)	0	0	0	0
FCF yield (%)	23.9	24.4	48.5	47.6
EV/sales	1.7	1.7	1.4	1.1
EV/EBITDA	5.0	5.0	3.9	3.2
EV/EBIT	14.4	9.0	6.7	5.5
EV/CE	1.4	1.8	1.9	1.8
D/EBITDA	2.4	1.7	0.90	0.48
D/EBIT	6.9	3.1	1.6	0.83
Profitability & financial ratios (%)	2022A	2023E	2024E	2025E
EBITDA margin	34.0	34.2	35.3	35.5
EBIT margin	11.8	19.0	20.4	20.6
Tax rate	54.5	22.4	22.4	22.4
Net income margin	-10.1	1.6	3.7	5.5
ROCE	9.9	19.9	28.1	32.4
ROE	-38.0	7.7	17.0	21.9
Interest cover	2.0	3.7	5.4	7.1
Debt/equity ratio	214.5	163.2	78.3	36.7
Growth (%)	2022A	2023E	2024E	2025E
Sales	31.4	17.7	6.9	5.3
EBITDA	NM	18.4	10.3	5.8
EBIT	NM	89.7	14.7	6.6
Pre-tax income	61.4	NM	27.4	12.6
Net income	NM	NM	NM	56.8
Adj. net income	NM	NM	NM	56.8

2022A data are restated; net debt includes IFR16 impact; NM: not meaningful; NA: not available; Neg.: negative; A: actual; E: estimates; Source: Company data and Intesa Sanpaolo Research

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.

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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

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<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)

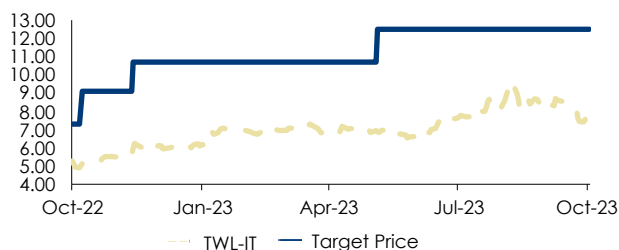
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Equity Rating Key (long-term horizon: 12M)

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.
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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)
23-May-23	BUY	12.5	7.0
01-Dec-22	BUY	10.7	6.0
26-Oct-22	BUY	9.1	5.1

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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