

Initiation of Coverage

# EdiliziAcrobatica

## Scaling Up Europe's Building Maintenance Services Segment

The introduction of fiscal incentives on works aimed at improving building façades (the so-called 'Bonus Facciate 90%') is boosting the demand for outdoor maintenance and renovation of real estate assets, despite the pandemic. We think that EdiliziAcrobatica is well positioned to capture this opportunity thanks to its innovative commercial value proposition.

### An Italian champion, eyeing up expansion in Europe

EdiliziAcrobatica (EdAc) is the Italian leader in the outdoor maintenance and renovation of real estate assets, through an innovative technique based on double safety ropes with no use of traditional mainstream scaffolding structures. We think EdAc can leverage on a number of strengths: 1) the innovative rope access technique; 2) a scalable industrialised business model; 3) a capillary presence in Italy, a growing presence in France and expansion plans in Europe; 4) a focus on digital with a new in-house developed app for virtual condominium meetings, that could help boost and retain the current client base; and 5) investments in brand awareness.

### Outlook and estimate

EdAc has reported a solid growth rate in recent years (+42.2% 2013-2020 revenue CAGR) and shown resilience to the pandemic, supported by its increasing commercial penetration and the introduction of fiscal incentives on works aimed at improving building façades (Bonus Facciate 90%). We think EdAc is well positioned to capture the latter opportunity thanks to its niche positioning in the building maintenance sector. We see a strong organic growth profile over our forecast period (+40% 2020-23E revenue CAGR) with an improving profitability (we see the EBITDA margin at 15% in 2023E). As in the past, further upside could come from acquisitions, especially abroad, not yet incorporated into our estimates.

### Valuation

Given its sustainable organic growth and the absence of listed companies of a similar size, background and/or geographical presence, we base our valuation on a DCF model which returns a **TP of EUR 10.0/sh.**, about 60% above the current share price. **We initiate coverage on the stock with a BUY rating.** The stock is trading at a sharp discount to its 'enlarged' peers panel (including Facility Management Service players) in terms of both EV/EBITDA and P/E mainly, in our view, for the group's limited size vs. peers. However, we view this high discount as not fully justified in view of EdAc's higher growth profile vs. peers, its unique and scalable business model and standardised processes for the planned network rollout, and its solid track record.

20 April 2021: 7:46 CET  
Date and time of production

**BUY**

**Target Price: EUR 10.0**

Italy/Building Maintenance Services

AIM

Price Performance  
(RIC: EDAC.MI, BB: )



### EdiliziAcrobatica - Key Data

Price date (market close)	16/04/2021
Target price (EUR)	10.0
Target upside (%)	58.73
Market price (EUR)	6.30
Market cap (EUR M)	50.60
52Wk range (EUR)	6.54/3.99

Price performance %	1M	3M	12M
Absolute	3.3	18.9	53.3
Rel. to FTSE IT All Sh	0.9	7.3	4.2

Y/E Dec (EUR M)	FY20A	FY21E	FY22E
Revenues	44.66	63.17	75.74
EBITDA	5.00	7.02	10.23
EBIT	3.15	5.16	8.28
Net income	1.76	3.07	5.19
EPS (EUR)	0.22	0.38	0.65
Net debt/-cash	7.69	7.30	8.26
Adj P/E (x)	25.3	16.5	9.8
EV/EBITDA (x)	10.4	8.3	5.8
EV/EBIT (x)	16.6	11.2	7.1
Div ord yield (%)	2.9	4.2	7.2

Source: Company data, FactSet and Intesa Sanpaolo Research estimates

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## Investment Case

### Positives

**Cheaper, safer and quicker.** The company has a 'disruptive' commercial offer with an innovative approach through its 'double safety rope' technique, which is an alternative method to the traditional mainstream scaffolding approach with a number of advantages for clients, such as: 1) cost effectiveness, as the non-use of expensive scaffoldings means lower costs and reduced installation time; 2) flexible accessibility to building parts; 3) condominium safety, as the absence of scaffolding removes the related theft risk; 4) no aesthetical impact during the works period, as there is no permanent bulky structure in place; 5) employees safety, as in more than 20 years of activity, the company has never recorded any injuries related to the rope access technique used. Although the rope technique appears dangerous, it carries far better safety statistics than any other high-access tool. Acrobats are attached to two separate ropes, one of which acts as a fail-safe.

**A strong and non-cyclical reference market.** Thanks to the need by real estate asset owners to restore buildings to preserve or add commercial value, the reference market shows strong resilience to crises. Investments in restructuring services have shown steady growth, despite the volatility of real estate investments, with building maintenance services in Italy in 2020 generating more than EUR 70Bn compared to EUR 58.7Bn in 2009. Approximately 70% of EdAc's revenues are related to residential buildings and it also has a solid presence in historical real estate assets. Management is seeing a growing trend in maintenance routines and extraordinary maintenance programs.

**Scalable business model.** EdAc is the only European player in the niche segment of "rope based" services with revenues of more than EUR 10M, largely reflecting the fact that the field is characterised by a high number of self-employed workers and small companies that do not have the ability/interest to scale up their business. EdAc's management plans to implement its effective business model (operating through direct branches and franchises) both in Italy and abroad.

**Fiscal incentives.** The Italian tax agency ('Agenzia delle Entrate') is supporting building renovation interventions, enabling households/building owners to request a deduction from income tax (IRPEF) of 50% of the expenses incurred, up to a total amount of the same but not exceeding EUR 96,000 per property unit. This legislation (art. 16-bis del Dpr 917/86) was introduced in July 2012 and has since been renewed every year. The government has also introduced the "Bonus Facciate" which is granted when carrying out interventions aimed at the recovery or restoration of the external façade of existing buildings, allowing clients to obtain a deduction of up to 90% from gross income tax (no amount limit). Thanks to those fiscal incentives, we believe that the company could increase its volumes of activity and improve its working capital.

**Strong CAGR and focus on network expansion.** EdiliziAcrobatica has grown at a +42.2% revenue CAGR between 2013 and 2020, which makes it currently the largest company in the building maintenance services using the rope access technique in Europe with more than 10,000 contracts executed and invoiced in 2020. The growth reflects the steady branches' openings, both directly and through franchisees. We highlight that the company entered the French market in 2019 by acquiring an established company with 5 branches, adding a further 3 branches in 2020. Management intends to extend its Italian coverage and to pursue its external growth strategy at the European level.

**Cheaper, safer and quicker**

**A strong and non-cyclical reference market**

**Scalable business model**

**Fiscal incentives**

**Solid growth to date and focus on expansion**

## Key risks

**Low barriers to entry.** The 'rope access' technique is not patentable and entering the reference sector does not require significant investments. However, the company has filed for patents regarding some processes and structure components used by the acrobats. Furthermore, the company is also exposed, without any specific legal protection, to the dissemination and/or use of information and business and commercial know-how acquired over its numerous years of activity by former employees to competitors.

**Regulatory framework.** In the case that the national regulator decides to remove fiscal incentives relating to façades bonus for example, condominium administrators may delay or cut the quantity of works assigned or more aggressively negotiate on prices. Credit collection may also take longer although we highlight that the company has a dedicated unit to credit collection.

**Potential hiring difficulties.** While the company has a significant HR & training structure, it may find it difficult to find and insert qualified candidates to support its expansion plans.

## Valuation

We believe that the most appropriate methodology to value EdAc is a DCF valuation, due to the absence of listed companies of a similar size, background and/or geographical presence. Furthermore, we highlight that our valuation does not include any potential opportunities arising from external growth which, according to management, should be a key strategic pillar for the group in the next few years.

Our DCF model points to a fair value of EUR 10.0/share. Given the potential upside vs. the current market price of around 60%, **we initiate coverage of the stock with a BUY recommendation.**

**Target price of EUR 10.0/share; initiating coverage with a BUY rating**

### DCF model

Our key DCF assumptions are: 1) our WACC calculations on a risk-free rate of 0.75%, a risk premium of 6.5%, a Beta of 1.2x (our elaborations on Refinitiv data), and a target gearing ratio of 30%; 2) explicit forecasts through 2023E; 3) to calculate the terminal value, we used FY23E estimates, while we cautiously assume a 0% perpetuity growth rate (g) as 2023 envisages the termination of various fiscal bonuses (see the 'Incentives' section of the report). As usual, in the long term, capex equals depreciation; and 4) we adopted a fully-diluted approach, converting the remaining warrants at the level of the implied fair value/share (for details please refer to the 'Shareholders' Structure' section of this report). We calculate a fair value of EUR 10.0/sh.

#### EdiliziAcrobatica – WACC calculation (%)

Risk-free rate	0.75
Equity risk premium	6.50
Beta (x)*	1.2
Cost of equity	8.75
Gross Cost of Debt	4.5
Tax rate	37
Net Cost of Debt	2.8
Gearing	30.0
<b>WACC</b>	<b>7.0</b>

Source: \*Refinitiv and Intesa Sanpaolo Research estimates

**EdiliziAcrobatica – DCF calculation**

EUR M	FY21E	FY22E	FY23E	LT
Revenues	63.2	75.7	88.0	88.0
Change yoy (%)		19.9	16.2	0.0
EBIT	5.2	8.3	11.2	11.2
EBIT margin (%)	8.2	10.9	12.7	12.7
Taxes	-1.8	-2.8	-3.6	-3.6
NOPAT	3.4	5.5	7.6	7.6
No Cash Items	1.9	2.0	2.1	
Capex	-3.0	-3.0	-3.0	
NWC changes	-0.2	-2.8	-2.8	
FCF	2.1	1.6	3.8	7.6
Discounted FCF	1.9	1.4	3.1	5.8
WACC (%)	7.0			
Perpetuity growth rate (%)	0.0			
NPV of cash flows	6.4			
NPV of terminal value	83.1			
EV	89.5			
NFP @FY20A	7.7			
<b>Equity value</b>	<b>81.9</b>			
N. of shares fully diluted (M)	8.2			
<b>Value per share (EUR)</b>	<b>10.0</b>			

Source: Intesa Sanpaolo Research estimates

Below, we show a sensitivity analysis to WACC and perpetual growth rate changes.

**Sensitivity analysis****EdiliziAcrobatica – Sensitivity analysis (EUR/share)**

WACC / growth (%)	-1.0	-0.5	0.0	0.5	1.0
6.0	10.4	11.3	12.2	13.3	14.7
6.5	9.5	10.2	11.0	12.0	13.1
7.0	8.8	9.4	<b>10.0</b>	10.8	11.7
7.5	8.1	8.6	9.2	9.8	10.6
8.0	7.5	7.9	8.4	9.0	9.6

Source: Intesa Sanpaolo Research estimates

**Peers comparison**

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.

**EdAc vs. peers – 2021-22E growth comparison**

%	Revenues growth (yoy)		2020A-22E	EBITDA growth (yoy)		2020A-22E
	2021E	2022E	CAGR	2021E	2022E	CAGR
ABM Industries	2.7	3.3	3.0	20.3	-5.8	6.5
Mears Group	-1.6	2.5	0.4	46.7	6.1	24.7
Rentokil Initial	4.8	5.0	4.9	6.4	8.8	7.6
HomeServe	6.1	7.6	6.8	9.4	9.8	9.6
GDI Integrated Facility Services	18.9	6.1	12.3	19.9	2.5	10.8
Overall mean	6.2	4.9	5.5	20.5	4.3	11.8
Overall median	4.8	5.0	4.9	19.9	6.1	9.6
EdAc*	41.4	19.9	30.2	40.3	45.9	43.1

Data as at 16/04/21; Source: FactSet and (\*) Intesa Sanpaolo Research estimates

## EdAc vs. peers – 2020A-22E margin comparison

%	EBITDA margin			EBIT margin			Net Debt/EBITDA (x)		
	2020A	2021E	2022E	2020A	2021E	2022E	2020A	2021E	2022E
ABM Industries	5.9	7.0	6.4	4.4	5.4	5.0	0.9	0.5	0.4
Mears Group	6.5	9.7	10.0	0.4	3.8	4.4	-0.8	-0.2	-0.3
Rentokil Initial	21.6	21.9	22.7	13.7	14.2	15.0	1.8	1.7	1.4
HomeServe	23.1	23.8	24.3	15.6	16.7	17.7	1.8	1.4	1.1
GDI Integrated Facility Services	7.4	7.5	7.2	10.7	4.1	4.1	1.6	1.4	0.8
Overall mean	12.9	14.0	14.1	8.9	8.8	9.2	1.0	1.0	0.7
Overall median	7.4	9.7	10.0	10.7	5.4	5.0	1.6	1.4	0.8
EdAc*	11.2	11.1	13.5	7.0	8.2	10.9	1.5	1.0	0.8

Data as at 16/4/21; Source: FactSet and (\*) Intesa Sanpaolo Research estimates

## Multiples comparison – 2021-22E

x	Country	Price	Market Cap	EV/Sales		EV/EBITDA		EV/EBIT		P/E	
		EUR	EUR M	2021E	2022E	2021E	2022E	2021E	2022E	2021E	2022E
ABM Industries	USA	44.6	2,993	0.6	0.6	9.0	9.5	11.6	12.1	16.9	16.8
Mears Group	UK	2.3	258	0.3	0.2	2.7	2.4	7.0	5.5	11.7	10.2
Rentokil Initial	UK	6.0	11,163	3.6	3.4	16.6	15.0	25.6	22.7	32.0	28.6
HomeServe	UK	13.7	4,594	3.3	3.0	13.9	12.5	19.9	17.1	24.3	21.2
GDI Integrated Facility Services	CAD	38.6	895	0.9	0.8	12.2	11.4	22.6	20.2	29.7	27.0
<b>Overall mean</b>				<b>1.8</b>	<b>1.6</b>	<b>10.9</b>	<b>10.2</b>	<b>17.3</b>	<b>15.5</b>	<b>22.9</b>	<b>20.8</b>
<b>Overall median</b>				<b>0.9</b>	<b>0.8</b>	<b>12.2</b>	<b>11.4</b>	<b>19.9</b>	<b>17.1</b>	<b>24.3</b>	<b>21.2</b>
EdAc*	ITA	6.1	48.7	0.9	0.7	7.9	5.5	10.7	6.8	15.8	9.3
Vs Overall mean				-49.8	-54.4	-27.5	-45.9	-38.2	-56.2	-31.0	-55.2
<b>EdAc @ target price *</b>	<b>ITA</b>	<b>6.1</b>	<b>48.7</b>	<b>1.4</b>	<b>1.2</b>	<b>12.6</b>	<b>8.7</b>	<b>17.1</b>	<b>10.8</b>	<b>26.6</b>	<b>15.7</b>
Vs. Overall mean				-20.1	-26.1	15.6	-14.5	-1.2	-30.5	16.1	-24.4

Priced at market close on 16/4/21; Source: FactSet and (\*) Intesa Sanpaolo Research estimates

EdAc's share price trades at a significant discount to its comparable peers (see Appendix 1) in terms of both EV/EBITDA and P/E, mainly due to the group's limited size vs. its peers, in our view. However, we believe that such a high discount is not fully justified in view of the group's higher growth profile vs. peers, the group's unique and scalable business model, a solid track record and the standardised processes for network rollout.

## EdiliziAcrobatica in a Nutshell

EdiliziAcrobatica is the Italian leader in building maintenance services. The company offers renovation, installation, securing and prompt intervention, building cleaning, proofing, maintenance and rebuilding services.

**Italian leader in building maintenance services**

The company has a 'disruptive' presence in the real estate maintenance business as it uses an innovative technique of double safety rope access rather than operating with expensive and bulky scaffolds. The idea came from the company's founder Riccardo Iovino, a Genoese skipper who used to sail around the world, carrying out maintenance works on sailboat masts with ropes. Convinced that he could transfer and apply the same technique to the construction industry, he founded EdiliziAcrobatica in 1994.

**Double safety rope access technique**

EdiliziAcrobatica - Acrobat operator



Source: Company data

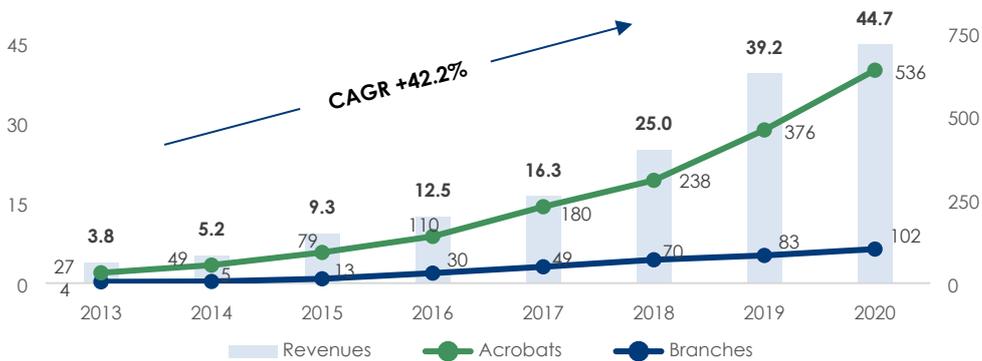
EdiliziAcrobatica - Acrobat operator



Source: Company data

EdiliziAcrobatica operates in a highly fragmented market made up of self-employed and very small companies that use scaffolding techniques. From the start, management's objective was to expand its standardised and industrialised model in both Italy and at a European level.

EdiliziAcrobatica - A history of growth (2013-20)



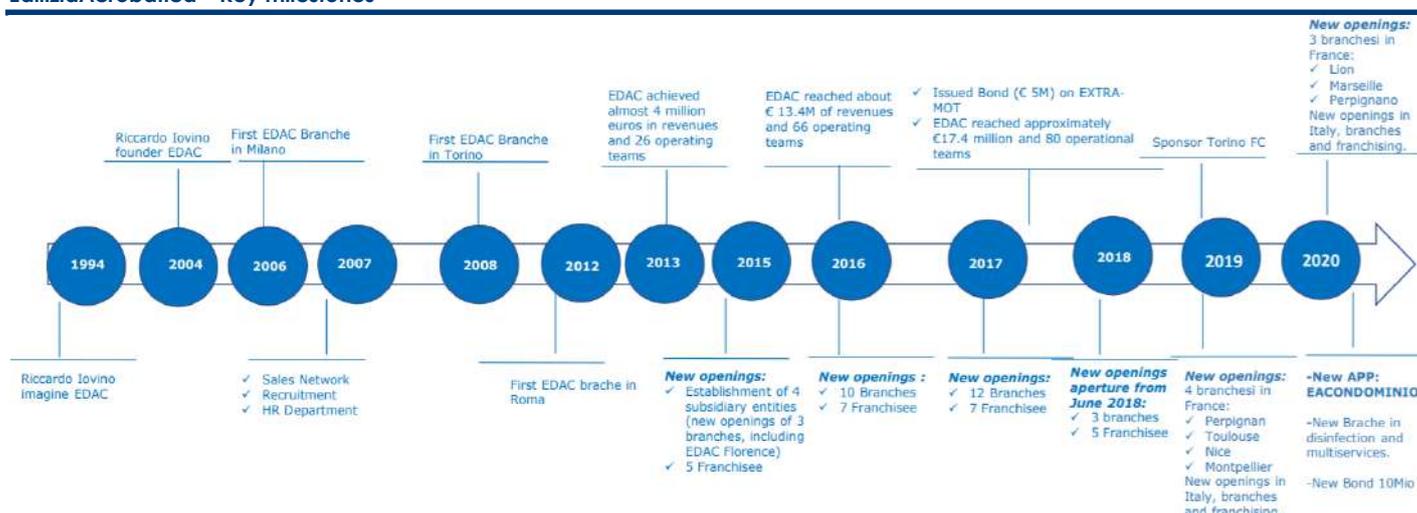
Source: Company data

EdiliziAcrobatica is headquartered in Genoa and has a capillary presence with 85 offices in Italy. In 2019, it entered the French market through the acquisition of ETAIR Méditerranée; as of 1 January 2021, the company can count on 8 offices in France. Between Italy and France, the company can now count on:

- 67 branches, representing 94.8% of total revenues 2020;
- 35 franchisees (only in Italy), representing approximately 5.2% of the company revenues 2020.

The company posted revenues of EUR 44.7M (of which EUR 3.1M in France) in 2020, or 13.9% yoy, despite the Covid-19 crisis. The company has recorded solid growth rates in the last decade, going from 4 offices and 27 acrobat employees in 2013 to 102 offices and 536 acrobat operators in 2020. In the last year, between Italy and France more than 10,000 contracts were executed and invoiced for an average contact price of EUR 3,960. EdAc now employs over 1,000 people (more than 250 were recruited in 2020). In the chart below, we show the expansion through new branches and franchises.

**EdiliziaAcrobatica – Key milestones**



Source: Company data

## Shareholders' structure

EdiliziAcrobatica's share capital is made up of 8,032,498 shares. The main shareholder with 75.21% is Arim Holding, a vehicle controlled by the founder and CEO Riccardo Iovino with 80% and Managing Director Anna Marras with 20%. Managers and employees hold 0.94% and the remaining 23.85% is free float.

### EdiliziAcrobatica – Ownership summary

Shareholders	No. of shares	Share capital (%)
Arim holding	6,041,100	75.21
Azimut Investments	132,500	1.65
Employees	75,600	0.94
Market	1,783,298	22.20
<b>Total</b>	<b>8,032,498</b>	<b>100.00</b>

Source: Company data

At the time of the IPO (November 2018), the company issued 431,332 warrants (1 warrant for every 4 ordinary shares) to early investors at EUR 3.33 (IPO price). All warrants should be converted into ordinary shares (1:1) in 3 exercise periods:

- 1 - 30 September 2019 at EUR 3.66;
- 1 - 30 September 2020 at EUR 4.02;
- 1 - 30 September 2021 at EUR 4.43.

In the first exercise period, 198,937 warrants were exercised at the price of EUR 3.66 for a total value of EUR 728,109. During the second exercise period 108,261 warrants were exercised at the price of EUR 4.02 for a total value of EUR 435,209. The remaining 124,134 warrants should be converted next September, and EUR 549,914 should be added to the company's liquidity.

## The Business Model

EdiliziAcrobatica has been a disruptive presence in the real estate maintenance industry by introducing a new service with a highly competitive performance the 'double rope access technique', operating on work places or buildings with more than three floors.

**Work places are buildings of more than three floors**

### The technique

The rope access technique derives from alpinism and allows operators to easily access roofs and move in suspension in front of the façades of any building and with no height limits, to accomplish all types of refurbishment, maintenance and cleaning (from the simplest works on gutters, flues and windows to the more complex ones, such as roofs, balconies and façade makeovers).

**The rope access technique**

This technique has a wide variety of benefits and advantages over other means of access. From its noteworthy safety record to its speed and efficiency, rope access now offers one of the best methods for height solutions in the industry. In detail:

**Benefits for clients**

- **Cost effectiveness:** The absence of expensive scaffolding means lower costs and reduced time for installation;
- **Flexibility:** No building is inaccessible for rope access. Technicians can adapt to a variety of different environments, terrains, conditions and structures due to the flexibility of the rope access equipment. This makes it easier to access places that are typically hard to reach via more traditional means of access, namely architectural designs that do not permit easy access for maintenance purposes and confined spaces (such as chimneys and drains);
- **Safety:** Although the rope technique appears dangerous at first glance, it shows far better safety statistics than any other high-access tool. Acrobats are attached to two separate ropes, one of which acts as a fail-safe. EdiliziAcrobatica has had no major incidents in its history;
- **Tenants safety,** as the absence of scaffolding removes the risk of intrusion from thieves;
- **No aesthetic impact on the building during the works,** as there is no permanent bulky structure in place. Hotels, in particular, opt for this technique to carry out their maintenance without disturbing clients' stay.

### Services

EdiliziAcrobatica, through its branches and franchises, offers the following services:

- **Renovation and maintenance** (62% of 2020 revenues): the most important segment for the company, it includes a number of activities ranging from simple ones to more complex operations (façade painting, wastewater evacuation, roofing, reconstruction of balconies and cornices, etc);
- **Securing and prompt intervention** (12% of 2020 revenues): emergency works intervention;

- **Rebuilding** (12% of 2020 revenues): the company carries out total or partial restorations on building roofs eroded by atmospheric agents, such as the removal or encapsulation of slate and asbestos;
- **Building cleaning** (6% of 2020 revenues): acrobats intervene on all types of surfaces (windows, roofs, solar panels, gutters...) to remove dirt, smog, vegetation, varnish coatings and bird droppings;
- **Proofing** (5% of 2020 revenues): the company is also specialised in complete overhauls of roofs with thermal insulation and waterproofing;
- **Installation** (3% of 2020 revenues): the company offers modification and installation services for hydraulic works on façades, on roofs or in cavities and in the installation, rehabilitation and removal of chimneys, fireplaces and stoves as well as anti-bird bollards, lighting systems and video surveillance;
- To seize the opportunity and enlarge its commercial offer, **Energy Acrobatica 110 Srl** was established in April 2021, with the goal of carrying out projects and construction sites that operate under the 110% tax relief regime. The new entity is a joint venture between EdiliziAcrobatica (80%) and Buildings S.r.l (20%), a construction engineering consultancy firm. Located in Turin, operations should start shortly.

### Scalable business model

EdiliziAcrobatica's corporate structure consists of 55 employees based in Genoa, working in the following departments: HR, finance, sales, customer care, logistics, marketing and IT. The objective was to set and maintain high quality standards and control of all aspects of the value chain from the headquarters. A key figure for the company is Anna Maras, a managing director and shareholder, who supervises the training and HR departments and is responsible for the intense acrobats training (up to 6 months of both theoretical lessons and learning on the job), a necessary activity before starting any projects. The company mainly recruits high qualified carpenter/plumbers who are then taught the double safety rope technique.

The group's economic model envisages standardised procedures, making it easily replicated in both owned and franchised branches. To ensure close proximity to its clients, the company has opened more than 100 branches, each branch has an area manager, responsible for the economic, financial, commercial and technical aspects, and coordinates the activities with the headquarters. As shown in the chart below, personnel is divided into 2 categories: Technical sales (from 1 to 3 employees), who generally manage the relationships with condominium administrators, making calls for service proposals, negotiating prices and signing contracts on behalf of the company. The second team is made up of acrobats and technicians (from 1 to 6 employees) who carry out the different projects.

In 2019, EdiliziAcrobatica entered the French market by acquiring ETAIR Méditerranée (revenues at EUR 6.3M and net income at EUR 0.26M in 2018), which was at the time in liquidation. The operation's cost was EUR 110,001 and enabled EdAc to start its activities in France with 47 employees from the previous structure. The French entity (EdiliziAcrobatica France) now adopts the same business model as the parent company.

### Corporate structure

### Economic model

**EdiliziAcrobatica - Operational structure**

Source: Company data

**EdiliziAcrobatica - Operational structure**

	Operation teams	Points of sale	Acrobats
2013	26	4	27
2014	37	5	49
2015	48	13	79
2016	66	30	110
2017	80	49	180
2018	145	70	238
2019	188	83	376
2020	268	102	536

Source: Company data

A well-established branch generates approximately EUR 1.3M per year. When a branch reaches this level of top line, the company evaluates creating another branch (i.e.: Milan 1, Milan 2, Milan 3, etc.). Despite Covid-19 and a 2-month halt during the first lockdown, approximately 9,000 contracts were executed and invoiced in 2020 in Italy, with an average revenue of EUR 4,380 per contract. For many reasons, mostly related to payments from clients, management prefers to focus on small-sized contracts (under EUR 20,000). The company issues through direct branches around 1,800 quotes (RFQ) per month, while franchises can issue up to 700 quotes per month. According to management, combining all the offices, EdiliziAcrobatica issues up to 30,000 RFQ per year.

EdiliziAcrobatica has a clear pricing policy. All sales managers working in branches and in franchising use a unique software, which is controlled and monitored on a daily basis by the company's management. The sales employees have a list of price ranges, and can grant discounts to retain clients, in order to secure new works in the coming months/years. To motivate its salespeople, the company offers a monthly performance bonus. We view this policy positively as it keeps employees focused on their targets and promotes meritocracy.

EdiliziAcrobatica also regularly carries out surveys among its clients, to understand what clients think about the quality of the service offered and to obtain feedback on the level of satisfaction from a commercial point of view.

**Average contract: EUR 4,380****Clear pricing policy and performance bonuses**

## EdiliziAcrobatica's network - Italy



Source: Company data

For each order of less than EUR 20,000, an order confirmation is issued by the company and countersigned by the customer. The company incurs no penalty for any delay in the execution of the project. By contrast, for each order over EUR 20,000, a contract is signed and there are penalties in the event of a delay in the execution of the works. The penalty is a lump sum payable to the customer for each day of delay, which may vary from a minimum of around EUR 40 per day to a maximum of around EUR 150 per day. We highlight nonetheless that only 5% of total contacts are greater than EUR 20,000.

**2 types of contact: under EUR 20,000 and superior to EUR 20,000**

In 2020, in response to the changes to daily life triggered by the Covid-19 crisis, management came up with two ideas for the 'new normal':

- The launch of a new service, to provide sanitising services in common areas of condominiums, offices and worship places;
- The development of an application for online condominium assemblies given the difficulties in organising traditional assemblies (see the Strategy section of this report for more details).

## Franchising

To execute its growth strategy, EdAc's management leverages on its industrialised business model strength and brand success through franchising, first launching the franchising idea at the 30<sup>th</sup> edition of Salone Franchising in Milan in 2012. In fact, EdiliziAcrobatica became the first building services company in the world to start a franchising network. Two years later, the company had already registered 19 offices' openings, reaching 35 franchises as of 1 January 2021. For its franchises, EdiliziAcrobatica offers:

- Initial managerial training plan, covering both technical and commercial aspects (up to 6 months);
- A project able to grant a revenue within 3 months for the franchisee;
- +25 years of experience and a full 360° assistance;
- Personalised training (2 days per month).

EdiliziAcrobatica in return receives an initial fee of EUR 86,000 and 13% of revenues as royalties. In addition, the entrepreneur must buy all the needed equipment and furniture from the company to be compliant with the aesthetic aspect. Franchises are generally conceded in less populated areas, where management does not intend to open a direct branch.

We highlight that in October 2018, EdiliziAcrobatica won the first Italian franchising award among 70 companies participating at the annual event held by Assofranchising in Milan.

## Supply

To operate efficiently and safely, the company must acquire ropes, harnesses, helmets, systems fall arresters, descenders, lanyards, carabiners, blockers and mooring supports. EdiliziAcrobatica has consistently used a large number of suppliers allowing it full independence and can easily find new suppliers to replace the current ones and are not subject to long delivery delays. The main equipment used by rope access technicians is shown in the chart below:

### Acrobats material



Source: Matière formation

**35 franchises and still expanding**

**EUR 86,000 fee and 13% of revenues as royalties**

**Large number of suppliers**

## Brand awareness

Together with expanding its network, management is fully committed to enhancing EdAc's brand awareness through marketing campaigns and events. In 2020, the company was mentioned by the press more than 700 times, according to management. Furthermore, the company offers initiatives to various pediatric hospitals consisting of a dozen of the company's acrobats wearing superhero costumes (Spider-Man, Batman, Iron Man, etc.) and climbing down from the roof, greeting and encouraging children and health workers.

## Building brand awareness

### Acrobatic superheroes at pediatric hospital "Bambino Gesù"



Source: Company data

In July 2019, the company signed a sponsorship agreement with the Torino Football Club, a team that plays in the Serie A (Top Italian football league). EdiliziAcrobatica's name was added to the back of the players' shirts for season 2019/2020. In September 2020, the contract was extended to 2020/2021 and 2021/2022 seasons.

### EdiliziAcrobatica back sponsor of Torino F.C.



Source: Company data

## Certifications

EdiliziAcrobatica takes very seriously the safety of its work environments and the quality of its management system which allowed it to obtain two important certifications, the UNI EN ISO 9001 and ISO 2008 from the Bureau Veritas.

## Strategy

Over the last decade, EdiliziAcrobatica recorded strong growth through the opening of direct branches in Italy and France, but also via franchising. The company's strategy is to continue to expand, seeking to become the leader in the rope-access building maintenance segment in single European markets. In detail, expansion is to be pursued via:

- The opening of direct offices to enhance its **capillary presence** in Italy;
- **Franchising** in less populated areas;
- **M&A** in European countries. Management is steadily monitoring a list of suitable targets;
- Leveraging on **technology** to offer digital services. In 2020, EdiliziAcrobatica created a free-of-charge app (EAcondominio), which has already been distributed to 1,000 condominium administrators. This app helps administrators to ask for quotes, manage and monitor the activities in their own condominiums (weekly tasks, assemblies' calendar and more), email all tenants and organise assemblies via videoconference (agenda definition, attaching documents, management of proxies and counting votes in real time). Currently it is the only app in Italy that offers the services described above. Furthermore, the company is looking for new ways to improve its app, with the goal to offer the best application from a building services company in Europe and to distribute it to a large number of clients, which should consequently better position EdiliziAcrobatica to be awarded a contract for its services;
- Developing a targeted retail policy to improve its **customisable offer** to its customers;
- **R&D**. The company analyses and tests procedures/methods to reduce costs and to lower risks, allowing them to be more competitive;
- **Marketing**. As stated, EdiliziAcrobatica was mentioned in articles more than 700 times in 2020. The company's Facebook page currently has approximately 140,000 followers and is updated daily with posts. In September 2020, the company extended the sponsorship (EdiliziAcrobatica's name is on the back of the players' shirts) of Torino Football Club to the 2020/2021 and 2021/2022 seasons. In 2021, management hired a PR and communication agency for its institutional communications. The end-objective is to make the company's name well-known and easily recognisable also in Europe in the coming years.

**Point of reference for  
condominium's administrators**

## SWOT Analysis

### Strengths

- Rapidly scalable and 'industrialised' business model;
- Resilient reference market with room for strong growth ahead;
- Leading player in Italy in the niche segment of 'rope based' services;
- A capillary presence in Italy;
- Strong growth profile and a low level of capital expenditure required.

### Weaknesses

- Labour-intensive business model, requiring highly-skilled workers;
- Still high exposure to the Italian market;
- Long credit collection times. The company is currently using tax credits related to façade and renovation bonuses acquired from clients and transferred to banks as a solution to improve its NWC

### Opportunities

- Government tax incentives for building renovation related to the Covid-19 emergency;
- Enlarging its commercial offer to digital services (i.e.: EAcondominio app);
- Sanitising and cleaning services to seize the opportunity created by the 'new normal';
- M&A to drive European expansion;
- Consolidation of a portion of the market with competition mainly limited to SMEs/artisans.

### Threats

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

Source: Intesa Sanpaolo Research estimates

## Market Analysis

The building maintenance services market is highly fragmented. In the table below, we show the investments made in the Italian market in the reference segment of renovation works.

### Investments in renovation work in Italy (in EUR M)

Year	Total buildings	of which residential buildings
1998	39,961	26,222
1999	42,998	28,801
2000	47,415	31,940
2001	48,847	32,669
2002	49,084	32,819
2003	49,506	33,415
2004	51,164	34,691
2005	52,943	36,091
2006	55,696	38,179
2007	58,480	40,066
2008	59,474	40,700
2009	58,759	41,201
2010	60,955	43,372
2011	64,033	45,466
2012	61,838	43,896
2013	64,150	45,801
2014	66,109	47,242
2015	67,402	47,925
2016	69,734	49,879
2017	71,062	50,444
2018	72,639	51,356
<b>Total</b>	<b>1,212,250</b>	<b>842,175</b>

Source: Cresme report

In Italy, the building maintenance services market has shown steady growth during the last two decades, driven by a sharp decline in new constructions but also due to an increasing attention on the renovation of buildings located in historical centers and urban areas. The façades bonus also helped to convince real estate asset owners to renovate their building façades, boosting demand for EdiliziAcrobatica's and peers' services. We recall that the façades bonus allows all citizens to request a tax deduction of up to 90% from the Italian tax agency of the incurred costs without any limit.

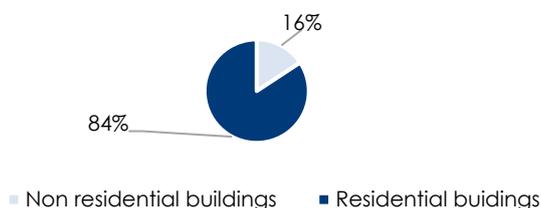
Investments in the redevelopment of real estate assets constitutes 37% of total construction investments. According to a Cresme report, the building maintenance market is valued at more than EUR 70Bn per year, of which 70% related to residential buildings. Previously this market was made up of traditional services, self-employed persons and very small companies. In recent years, there has been an increase in the quality of services offered and a growing number of structured operators, mainly active in daily property management activities who oversee large condominiums and consequently require higher standards for maintenance services intervention, benefitting EdiliziAcrobatica's business. An important driver for the company is the routine and extraordinary maintenance planning, as condominium administrators are rethinking how/when maintenance of their buildings should be carried out. There is an increasing market trend to carry out building renovation through a series of small and medium-sized interventions scheduled in different periods of time, allowing them to spread-out payments.

The last study on building investments in Italy was conducted by ISTAT in 2011. The report counted on 14,515,795 real estate assets, of which 14,452,680 buildings and 63,115 complexes. The total number increased by 13.1% compared to 2001.

**Steady growth during the last 2 decades**

**EUR +70Bn market per year**

### Buildings in Italy – Breakdown by type



Source: ISTAT

Residential buildings accounted for 84.3% of the total buildings surveyed by ISTAT, equal to 12.2M, of which 6M are situated in north Italy, 3.6M in the south, 2.4M in the centre and 2.3M on the islands. If we look more specifically at buildings with at least 3 floors (EdiliziAcrobatica's target market) we count 4.3M units, distributed as follows:

- Lombardy: 12.7%;
- Sicily: 11.5%;
- Piedmont: 7.7%;
- Emilia-Romagna: 7.5%;
- Veneto: 7.0%;
- Other regions: 53.6%.

The residential construction sector (EUR 51Bn in 2019) represents the bulk of EdAc's sales (87% of 2020 turnover), while the corporate segment amounts to approximately 10%, and public buildings and religious structures account for a small portion (3%). At this date, new buildings are not considered as a source of revenue.

In 2020, investments in construction declined by 10.1% yoy. We note that investments in extraordinary maintenance also registered a sharp fall (-9.8% yoy), according to ANCE (Associazione Nazionale Costruttori Edili or National Association of General Contractors). However, the ANCE report presented in February 2021 points to a rebound in activities in 2021: +8.6% yoy in investments in construction and specifically an increase of 14% yoy in extraordinary maintenance in the residential segment. The non-residential segment is also expected to grow by 6% yoy.

**For 2021, ANCE expects a +14% yoy in extraordinary maintenance in the residential segment**

### Investments in the construction sector

EUR M	2020A	2019A%	2020A%	2021E%
<b>Construction</b>	<b>118,354</b>	<b>2.2</b>	<b>-10.1</b>	<b>8.6</b>
<b>Residential</b>	<b>58,510</b>	<b>2.8</b>	<b>-10.5</b>	<b>11.3</b>
-new houses	15,220	5.4	-12.5	3.5
-Extraordinary maintenance	43,290	0.8	-9.8	14.0
<b>Non-residential</b>	<b>59,844</b>	<b>1.7</b>	<b>-9.6</b>	<b>6.0</b>
-Private	37,170	1.1	-13.5	5.0
-Public	22,674	2.9	-2.5	7.7

Source: ANCE elaboration on ISTAT data

In France, the building maintenance services market represents EUR 75Bn per year with solid growth potential in the coming years, according to the Batiactu report. In fact, 20M houses are expected to carry out renovation work by 2050 thanks also to the energy transition objectives according to the FBB (Fédération Française du Bâtiment or the French federation of builders). In a survey conducted by Batiactu in 2018, 38% of the population had already completed works related to eco renovation, 20% said they would in the future; this number reaches 31% among the population below 30 years.

**The French market of building maintenance services represents EUR 75Bn per year**

Isolation projects to contain energy losses topped the priority list for 52% of the responders. According to SFETH (Syndicat français des entreprises de travail en hauteur), the French rope access market was worth EUR 700M in 2016, and remains a promising growth segment.

In France, a decree was introduced to regulate the profession in 2005 and 2 professional qualification certificates for the rope access profession (CQP Cordiste and CATC) were also established. There is also a championship that brings acrobats from all over the country to demonstrate their know-how and agility in several tests intended to evaluate their speed, precision, technical mastery and knowledge of their equipment during painting, window cleaning, laying of electric cables or drilling. This championship is intended to enhance and promote the skills of companies specialising in rope work. Public administrations are the first users of rope access techniques. The share of public contracts ordered by the State, regional councils, municipalities, HLM offices (social houses), among others, represents the majority of turnover for the profession.

## Incentives

Fiscal incentives in Italy are a tailwind for EdiliziAcrobatica's activities, with volumes boosted by three measures:

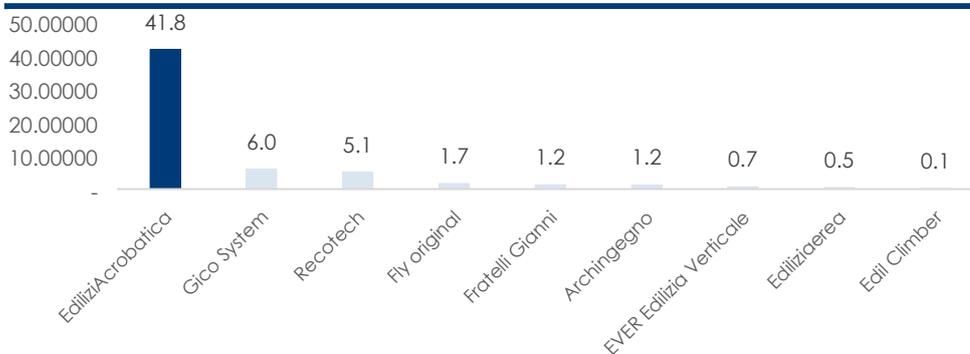
- **Bonus Ristrutturazioni:** This is a tax relief on building renovations, governed by art. 16-bis of 917/86 decree, and consists of a deduction from the income tax of 36% of the expenses incurred, up to a total amount of the same not exceeding EUR 48,000 per property unit. However, for expenses incurred from 26 June 2012 to 31 December 2020 a higher deduction (50%) is envisaged and the maximum spending limit is EUR 96,000. The deduction must be divided into 10 equal annual instalments. This tax relief has been renewed every year since 2012;
- **Bonus Facciate:** This tax relief consists of a deduction from the gross tax (IRPEF or IRES) and is granted when carrying out interventions aimed at the recovery or restoration of the external façade of existing buildings. Cleaning or external painting interventions are also included. Buildings must be located in zones A and B, as identified by the ministerial decree no. 1444/1968, or in those similar to these on the basis of regional legislation and municipal building regulations. The deduction is recognised for up to 90% of the documented expenses. The deduction must be divided into 10 annual instalments of the same amount, starting from the year in which the expenses were made. Unlike other concessions for interventions carried out on buildings, there are no maximum spending limits or a maximum deduction limit for the "façade bonus". The law was introduced in 2020 for one year and was extended until December 2021. Further renewals are possible;
- **Superbonus** is a subsidy provided for by the Relaunch Decree (Decreto Rilancio), which raises the deduction rate of expenses incurred from 1 July 2020 to 31 December 2021 to 110%, for specific interventions in the field of energy efficiency, anti-seismic interventions, installation of photovoltaic systems and infrastructure for charging electric vehicles in buildings. The deduction is divided into 5 annual instalments. The new measure is added to the deductions envisaged for the "Ecobonus", which was introduced in 2009 to improve energy efficiency in buildings by offering tax credits of between 50% and 65% (depending on the type of work) of project costs.

## Competitive Positioning

**In Italy**, EdiliziAcrobatica is the leader in the real estate maintenance services based on the rope access technique. In fact, it is the only company in this industry with revenues above EUR 15M in Europe. The market is made up of a high number of very small companies. In Italy, in 2020, 62% of the construction sector was made up of self-employed entrepreneurs, according to ANCE. We also note that its competitors typically cover only one area (i.e.: a province or a city) and offer a reduced number of services. As shown in the table below, all the other players in the segment in Italy reported revenues below EUR 6M, which represent less than 15% of the sales booked by EdiliziAcrobatica in 2019.

**EdiliziAcrobatica is a leader in building maintenance services in a highly fragmented sector**

### Main competitors in "rope technique" in Italy - 2019 revenues (EUR M)



Source: Company data and Cerved

**In France**, there are nearly 730 companies employing a total of more than 8,500 rope access technicians. Thanks to the proliferation of small construction sites in towns and the strengthening of works to ensure user safety on sensitive sites, the market doubled between 2009 and 2019, according to Syndicat Français des Entreprises de Travaux en Hauteur. An advantage for EdiliziAcrobatica is that it can benefit from France's large and structured condominium administration companies, which manage a multitude of buildings and require high quality standards. Moreover, French condominiums have a tendency to pay bills with regularity (which could improve DSO), according to the company.

### Main competitors in "rope technique" in France - 2019 revenues (EUR M)



Note: EdiliziAcrobatica in France. Source: Company data and Societe.com.

Overall, in all European countries, management notes similar characteristics to those seen in Italy and France, i.e. high market fragmentation, reduced coverage and commercial offer. We think that EdiliziAcrobatica has an edge in this industry for further expansion, leveraging on its broad range of services, size, brand awareness, technology-oriented business model, capillary presence and its appetite and ability to enter new countries.

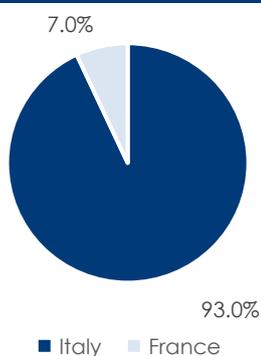
## FY20 Results and Historical Financials

In the 2017-20 period, EdiliziAcrobatica's revenues grew at a +40% CAGR, a significant increase thanks to the company's expansion across Italy and its entry into France.

### FY20 results

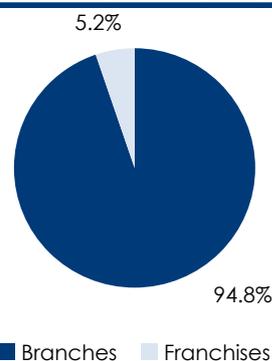
In 2020, EUR 41.6M of revenues were booked in Italy and EUR 3.1M from the French branches. Direct offices accounted for 94.8% of revenues, while franchising was 5.2%.

EdiliziAcrobatica – Revenues by geography (2020)



Source: Company data

EdiliziAcrobatica – Revenues by source (2020)



Source: Company data

Despite a 40 days halt to activities due to the lockdown measures, which significantly impacted revenues in 1H20 (EUR 18.7M in 1H20 vs. EUR 19.5M in 1H19), the company still managed to post a double-digit growth (13.9% yoy) in FY20 and reach 102 points of sale. We highlight the sharp increase in projects, with more than 10,000 projects executed, 53% more than the 6,500 performed in 2019. Excluding the lockdown in March and April and considering the double-digit growth realised in the past years, management flagged a potential increase of more than 40%.

EdiliziAcrobatica – 2020 revenues breakdown (value of production)

EUR	Projects	Average contract	N. of branches	Revenues (M)
Italy branches	9,638*	4,380	59	39.1
France branches	1,220	3,200	8	3.1
	<b>Initial fee</b>	<b>Royalties</b>		
Italy franchises	86,000	13% on revenues	35	2.3
Others				1.5
<b>Total revenues 2020</b>				<b>46.2</b>

\*including franchising based on Intesa Sanpaolo elaborations; Source: Company data

The EBITDA margin improvement (+4.3% yoy) to 11.2% is a result of revenues exceeding the increase in costs vs. 2019, to support the company's development, both for the hiring of acrobats and technical sales representatives as well as the strengthening of

the headquarters' structure. 'Other' costs relate to expansion projects that were maintained during the year.

D&A declined by 33% to EUR 1.1M in 2020 vs. EUR 1.6M in 2019, thanks to a suspension of their accounting in the 40 day stop period, while write-downs rose to EUR 0.7M vs. EUR 0.2M in 2019 due to an increase in UTP credits bringing the EBIT margin to 7%.

#### EdiliziAcrobatica – P&L key items (2017A – 20A)

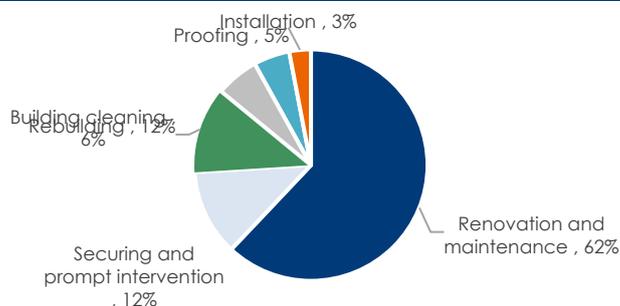
EUR M	2017A	2018A	2019A	2020A
<b>Revenues</b>	<b>16.3</b>	<b>25.0</b>	<b>39.2</b>	<b>44.7</b>
YoY change (%)		53.5	57.0	13.9
<b>EBITDA</b>	<b>2.5</b>	<b>4.4</b>	<b>4.2</b>	<b>5.0</b>
EBITDA margin (%)	15.1	17.4	10.7	11.2
<b>EBIT</b>	<b>2.0</b>	<b>3.7</b>	<b>2.3</b>	<b>3.1</b>
EBIT margin (%)	12.0	14.6	5.9	7.0
<b>Net profit</b>	<b>1.0</b>	<b>2.2</b>	<b>1.1</b>	<b>1.8</b>
Net margin	6.4	8.9	2.8	3.9

A:actual; Source: Company data

EBITDA, EBIT and net profit margins shrank in 2019 and 2020 vs. 2018, reflecting the company's material expansion investments, with offices opened in Toulouse, Nice, Montpellier and Perpignan (France's headquarters). In Italy, 14 direct branches were opened in addition to 2 franchisees.

In more detail, the costs related to: 1) a significant increase in labour costs, up +84% yoy to EUR 19.9M in 2019 vs. EUR 10.8M in 2018, mainly due to the hiring of acrobats and technical sales representatives. New acrobats and sales have to pass through a training period of a few months during which they are respectively taught how to efficiently operate with the double safety rope tool and the commercialisation of EdiliziAcrobatica's services. In this initial training period new employees are obviously not fully operational, consequently diluting the group's operating profitability; 2) a surge of 57.4% in costs of services, raw materials and others to EUR 18.5M vs. EUR 10.8M in 2018 to support its future growth plans. Overall, the opening of new branches incurs start-up costs and fixed ones and it usually takes from 9 to 12 months from the date of opening before achieving revenues and profitability in line with the group's standards.

#### EdiliziAcrobatica – Revenues breakdown by service 2020



Source: Company data

**EdiliziAcrobatica – Balance sheet (2018A – 20A)**

EUR M	2018A	2019A	2020A
Fixed assets	2.5	5.1	5.8
Net working capital managerial	6.3	10.3	16.6
Other working capital	-0.8	-1.2	-1.8
<b>Net invested capital</b>	<b>8.0</b>	<b>14.2</b>	<b>20.6</b>
Group shareholders' equity	10.1	11.5	12.9
Net financial debt	-2.1	2.7	7.7
<b>Total cover</b>	<b>8.0</b>	<b>14.2</b>	<b>20.6</b>

A: actual; Source: Company data

**EdiliziAcrobatica – Cashflow statement (2018A – 20A)**

EUR M	2018A	2019A	2020A
Net fin debt beg of year	2.3	-2.1	2.7
Net income	2.2	1.1	1.8
Depreciation	0.7	1.9	1.9
Change in working capital	-2.2	-3.6	-5.7
<b>Operating cash flow</b>	<b>0.8</b>	<b>-0.6</b>	<b>-2.1</b>
Capex	-1.8	-4.0	-3.0
<b>Free cash flow</b>	<b>-1.1</b>	<b>-4.6</b>	<b>-5.1</b>
Dividends			-0.8
Other movements	5.5	-0.2	0.9
Cash flow	4.4	-4.8	-5.0
<b>Net fin debt end of year</b>	<b>-2.1</b>	<b>2.7</b>	<b>7.7</b>

A: actual; Source: Company data

As of 31 December 2020, EdAc posted an NFP of EUR 7.7M, broken down into EUR 25.2M in debt and EUR 17.5M in available cash. Thanks to the attractive interest rates in 2020, EdAc improved its financial flexibility in July 2020 by reimbursing 2 bonds for a total amount of EUR 5M (coupons at 4% and 5%) and obtaining a financing of EUR 10M in the form of a bond of 10 years, maturity 2027 and bearing a coupon of 3.3%. We view this financing as a support to management's expansion strategy at a lower cost.

Looking at trade working capital, in 2020 the company reported an increase of 74% to EUR 16.8M vs. EUR 9.6M in FY19, due to an increase in receivables of EUR 7M attributable to both a stable level of sales and to tax credits (see the Incentives paragraph in the Market Analysis section of the report) transferred to EdiliziAcrobatica from customers. In turn, the company signed an important agreement with a bank to transfer these tax credits (EUR 8M at 31 December 2020), which we believe will improve the NWC. In 1Q21, the receivables sold to the financial institution amounted to approximately EUR 2M.

In terms of payables, Days Payable Outstanding declined to 151 days in 2020 vs. 166 in FY19, showing a strong negotiating power. Average Days of Inventory diminished to just 22 days, pointing to a well-managed warehouse.

The company proposed a EUR 0.16 dividend/share, to be paid on 5 May 2021.

**EdiliziAcrobatica – NTWC dynamics (1H19 – FY20)**

Source: Intesa Sanpaolo Research elaborations on Company data

**EdiliziAcrobatica – Trade working capital indices (1H19 – FY20)**

	1H19	FY19	1H20	FY20
Days Sales Outstanding	127	127	152	169
Days Payables Outstanding	151	166	144	151
Days Inventory	26	25	28	22

Source: Intesa Sanpaolo Research elaborations on Company data

## Earnings Outlook

Taking into account the company's revenues growth +40% CAGR between 2017 and 2020 and the expansion in France in 2019 via the acquisition of ETAIR Méditerranée, the assumptions behind our 2021-23E forecasts as follows:

### Our assumptions behind our 2021-23E forecasts

- The opening of 13 offices in Italy in 2021. The high number reflects the delays in the openings plan in 2020 (5), 8 new offices in 2022 and 6 in 2023. Taking into account senior branches that generate revenues up to EUR 1.4M per year and start-up ones that need a few years to reach the set target, we estimate an average revenue of EUR 854,000 per direct branch in Italy;
- The opening of 1 office in France in 2021, 3 in 2022 and 5 in 2023, with an average revenue of EUR 374,000 per office;
- 3 new franchisees per year in Italy to reach 44 units by 2023, with an average revenue of EUR 70,000 per franchisee;
- A credit assignment agreement to banks, which should improve the company's cash conversion cycle. Basically, EdiliziAcrobatica transfers the rights of a credit that will be paid by the state to banks, spread over 10 years; in return the company immediately receives approximately 90% of the total amount;
- A greater absorption of costs due to the automation of design, opening, training and development of new branches;
- Investments should amount to around EUR 12.0M for the 2021-2023E period, in line with the strategy to become the European company of reference in the building maintenance services;
- EUR 549,914 should be added to the company's liquidity in 2021, thanks to the conversion of the remaining warrants next September;
- M&A should be a major catalyst. Expansion in Europe is a sine qua non for the company's management. As stated, EdiliziAcrobatica has a strong and scalable business model that can be replicated in other European markets which have similar characteristics to Italy. We highlight, however, that our top line assumptions do not include any M&A operations;
- We assume a 70% dividend payout ratio in FY21E-23E, in line with the historical situation and management's guidance;
- The top line is net of tax credits related to renovation and façade bonuses acquired from clients and transferred to banks;
- At this moment, we prefer not to include the recently-created subsidiary Energy Acrobatica 110 in our estimates, given the limited information available to date; however, we appreciate the management's decision to create a division dedicated to this area to better capture the growth related to the energy transition.

## P&amp;L

## EdiliziAcrobatica – Top-line assumptions (2019A-23E)

EUR M	2019A	2020A	2021E	2022E	2023EE
<b>Italy</b>	<b>33.4</b>	<b>39.3</b>	<b>57.5</b>	<b>68.1</b>	<b>78.3</b>
PoS	45	59	72	80	86
Revenue per PoS	0.74	0.67	0.80	0.85	0.91
Growth			20.0	6.5	7.0
<b>Franchising (Italy)</b>	<b>2.6</b>	<b>2.3</b>	<b>2.5</b>	<b>3.2</b>	<b>3.2</b>
Offices	33	35	38	41	44
Revenues per franchisee	0.08	0.06	0.07	0.07	0.07
<b>Total Italy</b>	<b>35.9</b>	<b>41.5</b>	<b>60.1</b>	<b>71.3</b>	<b>81.5</b>
<b>France</b>	<b>3.3</b>	<b>3.1</b>	<b>3.1</b>	<b>4.4</b>	<b>6.5</b>
PoS	5	8	9	12	16
Revenue per PoS	0.66	0.39	0.34	0.37	0.41
Growth			-12.0	8.0	10.0
<b>Revenues</b>	<b>39.2</b>	<b>44.7</b>	<b>63.2</b>	<b>75.7</b>	<b>88.0</b>
Others	2.6	1.5	1.4	1.1	1.0
<b>Value of production</b>	<b>41.8</b>	<b>46.2</b>	<b>64.6</b>	<b>76.8</b>	<b>89.0</b>

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

## EdiliziAcrobatica – P&amp;L projections (2017A-23E)

EUR M	2017A	2018A	2019A	2020A	2021E	2022E	2023E
<b>Revenues</b>	<b>16.3</b>	<b>25.0</b>	<b>39.2</b>	<b>44.7</b>	<b>63.2</b>	<b>75.7</b>	<b>88.0</b>
YoY change (%)		53.5	57.0	13.9	41.4	19.9	16.2
EBITDA	2.5	4.4	4.2	5.0	7.0	10.2	13.2
EBITDA margin (%)	15.1	17.4	10.7	11.2	11.1	13.5	15.0
EBIT	2.0	3.7	2.3	3.1	5.2	8.3	11.2
EBIT margin (%)	12.0	14.6	5.9	7.0	8.2	10.9	12.7
<b>Net profit</b>	<b>1.0</b>	<b>2.2</b>	<b>1.1</b>	<b>1.8</b>	<b>3.1</b>	<b>5.2</b>	<b>7.3</b>
Net margin	6.4	8.9	2.8	3.9	4.9	6.9	8.3

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

In detail:

- **For 2021E**, as outlined in the Market Analysis section, the building maintenance industry should rebound, and the newly-opened branches should contribute more to the top line, allowing EdiliziAcrobatica to reach EUR 63.2M in revenues (please note that our top line estimates are net of credit assignments to banks), or up 41.4% yoy. The EBITDA margin should come at low double digit level (11.1%);
- **For 2022E**, the company should reach 80 direct branches and 41 franchisees in Italy and 12 points of sale in France, enabling EdAc to post a top line of EUR 75.7M. We see the EBITDA margin improving by 240bps to 13.5%. Net income should come in at EUR 5.2M;
- **For 2023E**, we forecast a 16.2% yoy increase in revenues to EUR 88.0M. We see net income at EUR 7.3M (net margin at 8.3%).

## Balance sheet

### EdiliziAcrobatica – Balance sheet (2018A-23E)

EUR M	2018A	2019A	2020A	2021E	2022E	2023E
Fixed assets	2.5	5.1	5.8	6.9	8.0	8.9
Net working capital managerial	6.3	10.3	16.6	18.1	21.5	24.9
Other working capital	-0.8	-1.2	-1.8	-2.5	-3.0	-3.4
<b>Net invested capital</b>	<b>8.0</b>	<b>14.2</b>	<b>20.6</b>	<b>22.5</b>	<b>26.5</b>	<b>30.4</b>
Group shareholders' equity	10.1	11.5	12.9	15.2	18.2	21.9
Net financial debt	-2.1	2.7	7.7	7.3	8.3	8.5
<b>Total cover</b>	<b>8.0</b>	<b>14.2</b>	<b>20.6</b>	<b>22.5</b>	<b>26.5</b>	<b>30.4</b>

A: actual; Source: Intesa Sanpaolo Research elaboration on Company data

To support the investment plans for EdiliziAcrobatica's expansion and taking into account a portion of tax credits acquired from clients and transferred to banks, we see the **net financial position** declining to EUR 7.3M in 2021E, before increasing to EUR 8.3M in 2022E and to a high of EUR 8.5M in 2023E. However, the debt/EBITDA ratio should stay below a sustainable 1.5x, which is sustainable.

### EdiliziAcrobatica – Cash flow statement (2018A-23E)

EUR M	2018A	2019A	2020A	2021E	2022E	2023E
Net fin debt beg of year	2.3	-2.1	2.7	7.7	7.3	8.3
Net income	2.2	1.1	1.8	3.1	5.2	7.3
Depreciation	0.7	1.9	1.9	1.9	2.0	2.1
Change in working capital	-2.2	-3.6	-5.7	-0.8	-3.0	-2.9
<b>Operating cash flow</b>	<b>0.8</b>	<b>-0.6</b>	<b>-2.1</b>	<b>4.1</b>	<b>4.2</b>	<b>6.4</b>
Capex	-1.8	-4.0	-3.0	-3.0	-3.0	-3.0
<b>Free cash flow</b>	<b>-1.1</b>	<b>-4.6</b>	<b>-5.1</b>	<b>1.1</b>	<b>1.2</b>	<b>3.4</b>
Dividends			-0.8	-1.3	-2.2	-3.6
Other movements	5.5	-0.2	0.9	0.5		
Cash flow	4.4	-4.8	-5.0	0.4	-1.0	-0.2
<b>Net fin debt end of year</b>	<b>-2.1</b>	<b>2.7</b>	<b>7.7</b>	<b>7.3</b>	<b>8.3</b>	<b>8.5</b>

A: actual; Source: Intesa Sanpaolo Research elaboration on Company data

### EdiliziAcrobatica – Debt/EBITDA trend (2018-23E)



A: actual; Source: Intesa Sanpaolo Research elaboration on Company data

## EdiliziAcrobatica – Key Data

Rating BUY	Target price (EUR/sh) Ord 10.0	Mkt price (EUR/sh) Ord 6.30			Sector Building Maintenance Services
<b>Values per share (EUR)</b>	<b>2019A</b>	<b>2020A</b>	<b>2021E</b>	<b>2022E</b>	<b>2023E</b>
No. ordinary shares (M)	7.92	8.03	8.03	8.03	8.03
Total no. of shares (M)	7.92	8.03	8.03	8.03	8.03
Market cap (EUR M)	47.09	44.53	50.60	50.60	50.60
Adj. EPS	0.14	0.22	0.38	0.65	0.91
CFPS	0.35	0.36	0.61	0.89	1.2
BVPS	1.5	1.6	1.9	2.3	2.7
Dividend ord	0.10	0.16	0.27	0.45	0.63
<b>Income statement (EUR M)</b>	<b>2019A</b>	<b>2020A</b>	<b>2021E</b>	<b>2022E</b>	<b>2023E</b>
Revenues	39.22	44.66	63.17	75.74	88.03
EBITDA	4.21	5.00	7.02	10.23	13.24
EBIT	2.32	3.15	5.16	8.28	11.18
Pre-tax income	2.04	2.84	4.88	7.98	10.87
Net income	1.09	1.76	3.07	5.19	7.28
Adj. net income	1.09	1.76	3.07	5.19	7.28
<b>Cash flow (EUR M)</b>	<b>2019A</b>	<b>2020A</b>	<b>2021E</b>	<b>2022E</b>	<b>2023E</b>
Net income before minorities	1.1	1.8	3.1	5.2	7.3
Depreciation and provisions	1.9	1.9	1.9	2.0	2.1
Others/Uses of funds	0	0	0	0	0
Change in working capital	-3.6	-5.7	-0.8	-3.0	-2.9
Operating cash flow	-0.6	-2.1	4.1	4.2	6.4
Capital expenditure	-4.0	-3.0	-3.0	-3.0	-3.0
Financial investments	0	0	0	0	0
Acquisitions and disposals	0	0	0	0	0
Free cash flow	-4.6	-5.1	1.1	1.2	3.4
Dividends	0	-0.8	-1.3	-2.2	-3.6
Equity changes & Other non-operating items	-0.2	0.9	0.5	0	0
Net cash flow	-4.8	-5.0	0.4	-1.0	-0.2
<b>Balance sheet (EUR M)</b>	<b>2019A</b>	<b>2020A</b>	<b>2021E</b>	<b>2022E</b>	<b>2023E</b>
Net capital employed	14.2	20.6	22.5	26.5	30.4
of which associates	0	0	0	0	0
Net debt/-cash	2.7	7.7	7.3	8.3	8.5
Minorities	0	0	0	0	0
Net equity	11.5	12.9	15.2	18.2	21.9
Minorities value	0	0	0	0	0
Enterprise value	49.8	52.2	57.9	58.9	59.1
<b>Stock market ratios (x)</b>	<b>2019A</b>	<b>2020A</b>	<b>2021E</b>	<b>2022E</b>	<b>2023E</b>
Adj. P/E	43.1	25.3	16.5	9.8	7.0
P/CFPS	17.0	15.5	10.3	7.1	5.4
P/BVPS	4.1	3.5	3.3	2.8	2.3
Payout (%)	71	73	70	70	70
Dividend yield (% ord)	1.6	2.9	4.2	7.2	10.1
FCF yield (%)	-9.8	-11.5	2.2	2.3	6.7
EV/sales	1.3	1.2	0.92	0.78	0.67
EV/EBITDA	11.8	10.4	8.3	5.8	4.5
EV/EBIT	21.4	16.6	11.2	7.1	5.3
EV/CE	3.5	2.5	2.6	2.2	1.9
D/EBITDA	0.63	1.5	1.0	0.81	0.64
D/EBIT	1.1	2.4	1.4	1.00	0.76
<b>Profitability &amp; financial ratios (%)</b>	<b>2019A</b>	<b>2020A</b>	<b>2021E</b>	<b>2022E</b>	<b>2023E</b>
EBITDA margin	10.7	11.2	11.1	13.5	15.0
EBIT margin	5.9	7.0	8.2	10.9	12.7
Tax rate	NM	NM	NM	NM	NM
Net income margin	2.8	3.9	4.9	6.9	8.3
ROCE	16.3	15.3	22.9	31.2	36.8
ROE	10.1	14.4	21.9	31.0	36.3
Interest cover	-8.4	-10.5	-18.1	-28.0	-35.1
Debt/equity ratio	23.1	59.8	48.0	45.3	38.9
<b>Growth (%)</b>		<b>2020A</b>	<b>2021E</b>	<b>2022E</b>	<b>2023E</b>
Sales		13.9	41.4	19.9	16.2
EBITDA		18.7	40.3	45.9	29.4
EBIT		35.6	64.1	60.4	35.1
Pre-tax income		39.1	71.4	63.7	36.1
Net income		60.7	74.8	68.9	40.3
Adj. net income		60.7	74.8	68.9	40.3

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

## Company Snapshot

### Company Description

EdiliziAcrobatica S.p.A. is the Italian leader in building maintenance services. The company offers renovation, securing and prompt intervention, installation, building cleaning, proofing, maintenance and rebuilding services. EdiliziAcrobatica is headquartered in Genova and has a capillary presence with 85 offices in Italy. In 2019, it entered the French market through the acquisition of ETAIR méditerranée, as of 1 January 2021, the company can count on 8 offices in France.

### Key data

Mkt price (EUR)	6.30	Free float (%)	23.9
No. of shares	8.03	Major shr	Arim holding
52Wk range (EUR)	6.54/3.99	(%)	75.2
Reuters	EDAC.MI	Bloomberg	NA
<b>Performance (%)</b>	<b>Absolute</b>		<b>Rel. FTSE IT All Sh</b>
-1M	3.3	-1M	0.9
-3M	18.9	-3M	7.3
-12M	53.3	-12M	4.2

### 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.

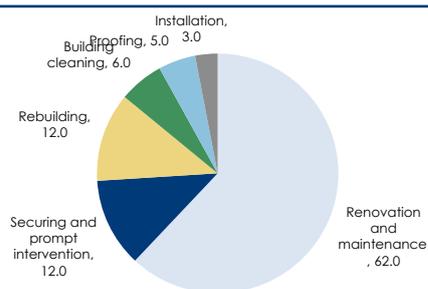
#### Sector generic risks:

- 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.

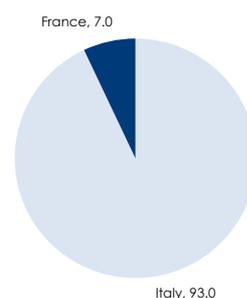
### Estimates vs. consensus

EUR M (Y/E Dec)	2020A	2021E	2021C	2022E	2022C	2023E	2023C
Sales	44.66	63.17	58.60	75.74	71.30	88.03	82.40
EBITDA	5.00	7.02	6.45	10.23	9.15	13.24	11.60
EBIT	3.15	5.16	5.25	8.28	7.80	11.18	11.20
Pre-tax income	2.84	4.88	5.20	7.98	7.20	10.87	NA
Net income	1.76	3.07	3.00	5.19	4.75	7.28	7.20
EPS (€)	0.22	0.38	0.39	0.65	0.63	0.91	0.94

### Sales breakdown by service - FY20 (%) breakdown by product



### Sales breakdown by geography - FY20 (%)



Source: Company data, Intesa Sanpaolo Research estimates and FactSet consensus data (priced at market close of 16/04/2021)

## 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.

## Appendix 1: Peers Description

**ABM Industries (US)** engages in the provision of facility services for commercial, industrial, and institutional buildings. It operates through the following segments: Business & Industry, Aviation, Technology & Manufacturing, Education, and Technical Solutions. The Business & Industry segment encompasses janitorial, facilities engineering, and parking services for commercial real estate properties and sports and entertainment venues. It also provides vehicle maintenance services to rental car providers. The Aviation segment supports airlines and airports with parking and janitorial to passenger assistance, catering logistics, air cabin maintenance, and transportation. The Technology & Manufacturing segment provides janitorial, facilities engineering, and parking services. The Education segment delivers janitorial, custodial, landscaping & grounds, facilities engineering and parking services for public school districts, private schools, colleges and universities. The Technical Solutions segment engages in mechanical and electrical services. The company was founded by Morris Rosenberg in 1909 and is headquartered in New York, NY.

**Mears Group (UK)** is active in the provision of a range of outsourced services to the public and private sectors. The firm operates through two segments: Housing and Care. The Housing segment comprises a range of housing management services provided to local authorities and landlords. The Care segment provides personal care services to people in their own homes. The company was founded by Michael Turl in 1988 and is headquartered in Gloucester, the United Kingdom.

**Rentokil Initial (UK)** operates in the provision of business support services. The firm through its products and services protects people from the dangers of pest-borne disease and the risks of poor hygiene. It operates in following geographical areas: France, Benelux, Germany, Southern Europe, and Latin America. The firm focuses on route-based services, predominately in pest control and hygiene as well as other smaller specialist services including plants, medical services, property care and specialist hygiene. The company was founded by Harold Maxwell-Lefroy on September 29, 1924 and is headquartered in Camberley, the United Kingdom.

**HomeServe (UK)** engages in the provision of home emergency and repair services. It operates through the following segments: UK, North America, France, Spain, New Markets, and Home Experts. The company was founded by Richard David Harpin and Jeremy Peter Middleton in 1993 and is headquartered in Walsall, the United Kingdom.

**GDI Integrated Facility Services (CAD)** engages in the provision of commercial facility services. It operates through the following segments: Janitorial Canada, Janitorial USA, Technical Services, and Complementary Services. The Janitorial Canada and Janitorial USA segments provides commercial cleaning services which also includes cleaning and dusting desks and tables, vacuuming carpets, cleaning floors, sanitising kitchens and washrooms, watering plants, exterior facility cleaning, interior parking cleaning, and garbage removal. The Technical Services segment offers building system repair and servicing. The Complementary Services segment manufactures and distributes janitorial supplies and equipment and janitorial services franchise businesses. The company was founded on December 15, 1998 and is headquartered in Lasalle, Canada.

## Notes

## Notes

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### 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.
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->

**Target price and market price trend (-1Y)****Historical recommendations and target price trend (-1Y)****Initiation of coverage****Initiation of coverage****Equity rating allocations (long-term horizon: 12M)****Intesa Sanpaolo Research Rating Distribution (at 12 April 2021)**

Number of companies considered: 127	BUY	ADD	HOLD	REDUCE	SELL
Total Equity Research Coverage relating to last rating (%) (*)	46	27	26	1	0
of which Intesa Sanpaolo's Clients (%) (**)	82	71	64	100	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 EdiliziAcrobatica in the next three months
- One or more of the companies of the Intesa Sanpaolo Banking Group are one of the main financial lenders to EdiliziAcrobatica and its parent and group companies
- Intesa Sanpaolo acts as Specialist relative to securities issued by EdiliziAcrobatica
- One or more of the companies of the Intesa Sanpaolo Banking Group have been lead manager or co-lead manager over the previous 12 months of any publicly disclosed offer of financial instruments of EdiliziAcrobatica

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