

Daily Note

MID CORPORATE

Calls from Italy: Specialist/Corporate Broking

On Our Radar: Today's Newsflow

Positive	Negative
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Date and time of production

Italy/Equity Market

MTA – STAR – EGM (ex-AIM)

Stock Markets: Performance

Chg (%)	1D	3M	6M	12M
FTSE All Share	0.2	-12.3	-21.0	-14.5
FTSE MIB	0.1	-12.6	-21.6	-14.5
FTSE IT Star	1.1	-8.5	-18.5	-15.1
Euro Stoxx 50	0.3	-4.1	-5.7	1.5
Stoxx Small 200	1.0	-10.3	-15.8	-18.2
NASDAQ	-1.9	-7.8	-14.1	-19.4
S&P 500	-0.9	-7.3	-9.9	-9.3

FTSE MIB Best & Worst: 1D% chg

Terna	2.4	Unicredit	-2.4
INWIT	2.4	Telecom Italia	-2.0
B. Generali	2.2	Finecobank	-1.7

Euro Stoxx Best&Worst Sectors -1D %

Real Estate	4.3	Banks	-1.2
Travel/Leisure	2.3	Telecom	-0.9
Utilities	1.4	Ind Goods&Ser	0.0

FTSE MIB-STAR Performance (-12M)



Source: FactSet;

Upcoming Intesa Sanpaolo Events

What?	Where?	When?
Sustainability Week*	Virtual	6-8 Sep.

*Borsa Italiana

Report priced at market close on day prior to issue; Ratings and Target Prices as assigned in the latest company reports (unless otherwise indicated).

This is an extract of our Equity Daily report published today, incorporating our comments on those companies for which Intesa Sanpaolo is Sponsor, Specialist or Corporate Broker.

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Results

Sogefi (HOLD)

2Q22 Results

Vs. our estimates	Above	In Line	Below
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Results. While in line with our expectations overall at the operating level, Sogefi's 2Q result implied a stronger than expected execution at the pricing level, thus confirming the company's ability to pass through the raw material price increases in 2H21 and in 1Q22. In detail:

- **Revenues:** In 2Q22, the group's top line rose by 16.9% to EUR 375M, exceeding our expectations by 5.4% and leading to a 1H22 top line at EUR 756M, up by 12.3% yoy. Over the semester, Sogefi's organic growth stood at 9.1% mainly driven by a strong pricing. Despite a global car production down by 2.8%, at the volumes' level the group delivered a single-digit positive performance outperforming across almost all its reference markets in 1H22, with the exception of China, where it was penalised both by a challenging comparison base and by the lockdowns in the Shanghai area, where the group is based;
- **Operating trend:** At the operating level, Sogefi's 2Q figures enhanced our confidence on the group's strong execution in passing through the cost inflation. In this context we view as particularly significant that, through the prices increases, the group was able to pass through EUR 60M of cost inflation, thus bringing the contribution margin to 28.1% (or 30.5% without dilution effect due to selling price increases) from 31.3% in 1H21, to an EBITDA result ex non-recurring almost flat yoy at around EUR 96M and an EBIT at EUR 40.4M, i.e. EUR 36.5M net of positive non-recurring, implying a flat trend vs. 1H21 EBIT net of positive non-recurring in 1H21;
- **FCF & net debt:** Finally, from a financial standpoint, despite a higher use of factoring (EUR 112.2M in 1H22 vs. EUR 98.8M in 1H21) we positively view the group's progress in FCF generation that, thanks to its actions on WC to contain higher inventories and some capex containment, came in at EUR 40.6M (i.e. EUR 27.2M at constant factoring) leading to a 1H22 net debt at EUR 285.2M (i.e. EUR 216.4M from EUR 261.4M ex IFRS 16 in 1H21).

What we think: Although according to IHS global car production should overall improve by 4.8% (thanks to a 21.2% rebound in 3Q and an expected 3.8% growth in 4Q) by year-end and by 8% in 2023, management adopted, as usual, a cautious approach on the market volumes' outlook, assuming a second part of the year similar to 1H22, i.e. down by around 2%. From the cost side scenario, despite expecting in 2H22 a level of pass-through in line with 1H21 (i.e. around EUR 60M), according to management, the second part of the year is set to be particularly challenging in terms of energy prices and availability (especially in Germany, Italy and UK), which could penalise the Suspension division in particular. In this context, all other things being equal and assuming a stable contribution margin at 28.1% also in 2H, Sogefi confirmed its previous guidance pointing to a FY EBIT ex non-recurring (having been indicated in the range of EUR 10M) in line with FY21 (EUR 51.7M).

While putting our estimates Under Review on the back of the stronger than expected top line, we believe that the company has room to exceed its FY prudent guidance. On the other hand, **while putting our TP Under Review, we confirm our HOLD rating** on the back mainly of the uncertain demand scenario for all automotive players in 2023.

Sogefi - Key data

25/07/2022	Auto & Components		
Target Price (EUR)	Under Review		
Rating	HOLD		
Mkt price (EUR)	0.83		
Mkt cap (EUR M)	98		
Performance (%)	1M	3M	12M
Absolute	-8.2	-11.9	-32.1
Rel. to FTSE IT All Sh	-6.1	0.4	-20.6

Source: FactSet, Company data, Intesa Sanpaolo Research estimates

Intesa Sanpaolo is Specialist to Sogefi

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Sogefi – 2Q22A results

EUR M	2Q21A	1H21A	FY21A	2Q22A	2Q22E	2Q22C	A/E %	A/C %	yoy %	1H22A	FY22C
Sales	320.6	673.4	1320.6	374.9	355.6	-	5.4	-	16.9	756.0	1424.0
EBITDA rep.	54.2	108.3	192.5	49.8	48.4	-	3.0	-	-8.1	99.8	174.0
EBITDA % rep.	16.9	16.1	14.6	13.3	14	-	NM	-	NM	13.2	12.2
EBIT rep.	22.0	47.4	58.4	19.2	19.5	-	-1.5	-	-12.6	40.4	56.3
EBIT %	6.8	7.0	4.4	5.1	5	-	NM	-	NM	5.3	4.0
Net income	9.6	21.4	2.0	10.1	9.3	-	8.4	-	5.2	20.8	22.0
Net debt (including IFRS16)	327.5	327.5	327.6	285.2	282.0	-	1.1	-	-12.9	285.2	287.3

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

Company News

Esprinet (BUY)

Lettera al Risparmiatore

Market Mover (PRT-IT) Positive Neutral Negative

What's up? Yesterday, Il Sole 24 Ore dedicated its weekly 'Lettera al Risparmiatore' to Esprinet. The article recaps the company's strategy of increasing the weighting of Value-Added Distribution (VAD) sales, with a mid-term target of reaching 50% of consolidated revenues (vs. around 25% in FY21A). The key pillars of the group's strategy to reach this target are:

- Enhancing the identity of the brand V-Valley, which since 2011 is the group's subsidiary dedicated to the distribution of products, services and complex technological solutions with Added Value;
- Entering in new segments, such as the distribution of charging infrastructure (we recall the agreement with Enel X signed last year) and solar panels;
- M&A. While the focus is currently on the recently-announced launch of a voluntary public tender offer concerning all the ordinary shares of Cellularline (the rationale is to increase the focus on higher margin areas and to create together with the Celly brand the conditions for developing a multi-brand approach, useful for reaching a wider and more differentiated consumer audience), management also looks at other targets active in the segments of Software, Cloud and Cyber Security.

Overall, management confirmed its targets of its 2022-24 strategic plan. We highlight that management sees sales exceeding EUR 5.6Bn in 2024 and adj. EBITDA of more than EUR 125M (excluding the potential integration of Cellularline). We recall that with the 2020-24 Strategic Plan, the group had launched a structural change of the business model with the aim in the next decade to add to the distribution business a new 'full service provider' model, with significantly higher added value than the traditional one. The strategic evolution towards a future role of 'full service provider' for the distribution ecosystem will initially be focused on the entry into the operating rental sector. On this front, management stated that the 'Renting' organisation in Italy is fully set-up and reseller recruitment is ongoing with very promising acceptance rates. As regards market demand, management stated that the market is currently characterised by a decline in the consumption of households and private customers, especially in the Italian market. On the other hand, the rising Corporate demand is expected to be a structural growth trend, also supported by the public and corporate investments in infrastructure linked to the considerable multi-year government investment plan connected to the NextGenEU programme. As a result, Corporate demand should be more resilient to GDP dynamics.

What we think: The article does not bring any major news. We continue to appreciate the strong focus on increasing the weighting of added-value sales. We highlight that our estimates are aligned with management's FY22 guidance (adj. EBITDA over EUR 93M) and with the abovementioned targets envisaged in the group's 2022-24 strategic plan. We reiterate our positive stance on the stock.

Esprinet - Key Data

25/07/2022		IT Distributors	
Target Price (EUR)			14.6
Rating			BUY
Mkt price (EUR)			7.07
Mkt cap (EUR M)			360
Main Metrics (€ M)	2022E	2023E	2024E
Revenues	4,800.0	5,200.0	5,600.0
Gross Profit	248.6	272.0	295.1
EPS (EUR)	1.02	1.28	1.49
Net debt/-cash	-247.9	-280.8	-317.7
Ratios (x)	2022E	2023E	2024E
Adj. P/E	7.0	5.5	4.7
EV/EBITDA	4.0	3.1	2.4
EV/EBIT	4.9	3.6	2.8
Debt/EBITDA	Neg.	Neg.	Neg.
Div yield (%)	7.6	9.0	10.5
Performance (%)	1M	3M	12M
Absolute	-3.7	-28.0	-52.9
Rel. to FTSE IT All Sh	-1.5	-18.0	-45.0

Source: FactSet, Company data, Intesa Sanpaolo Research estimates

Intesa Sanpaolo is Specialist to Esprinet

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Medica (HOLD)**Acquisition of Spindial**

Market Mover (MDC-IT) **Positive** **Neutral** **Negative**

What's up? The company has announced the acquisition of 51% of the share capital of Spindial S.p.A., specialised in the distribution and technical assistance of medical devices for hospitals and home dialysis and in the management of dialysis centres in Italy. The revenues of Spindial S.p.A as of 31 December 2021 amounted to approximately EUR 15.5M and the adjusted EBITDA (non-recurrent costs not included) was approximately EUR 2M. Management also said that it expects these figures to grow in the short-to-medium term both in terms of revenues and in terms of EBITDA and EBITDA margin. Medica also said that, with the acquisition of Spindial S.p.A., Medica's consolidation perimeter will also include Dialpoint Srl (60% owned by Spindial S.p.A) whose revenues as of 31 December 2021 amounted to approximately EUR 0.8M with an EBITDA of approximately EUR 0.1M. Medica acquired 40% of the shares of Spindial S.p.A. for a consideration of EUR 4.8M and subscribed to a share capital increase in Spindial S.p.A. with the waiver of the option rights by Spindial Europe SA, in order to reach 51% of the ordinary shares of Spindial S.p.A, for EUR 2.7M. The total consideration of EUR 7.5M (equal to a multiple EV/adj. EBITDA 2021 of 9x) is subject to adjustments based on the net financial position and net debt exposure at the closing date. The company said that it financed the acquisition partly using own cash and partly through a bank loan.

What we think: We believe that the announced deal is consistent with the company's strategy announced during the IPO aimed at enhancing the group's commercial capabilities in its main markets. We positively see the company starting to use the cash gathered with the IPO to support its external growth. In our preliminary calculation, we would estimate that the consolidation of Spindial could have a counter-dilutive impact on Medica's EPS in the 7-10% range.

Medica - Key Data

25/07/2022	Medical Equipment		
Target Price (EUR)	37.7		
Rating	HOLD		
Mkt price (EUR)	33.00		
Mkt cap (EUR M)	139		
Main Metrics (€ M)	2022E	2023E	2024E
Revenues	49.49	56.06	66.76
EBITDA	11.07	12.71	16.02
EPS (EUR)	1.17	1.40	2.10
Net debt/-cash	-18.20	-25.16	-32.38
Ratios (x)	2022E	2023E	2024E
Adj. P/E	28.1	23.5	15.7
EV/EBITDA	11.0	9.0	6.7
EV/EBIT	18.7	14.6	9.3
Debt/EBITDA	Neg.	Neg.	Neg.
Div yield (%)	0	0	0
Performance (%)	1M	3M	12M
Absolute	-0.6	-8.1	NA
Rel. to FTSE IT All Sh	1.6	4.8	NA

Source: FactSet, Company data, Intesa Sanpaolo Research estimates

Intesa Sanpaolo is Specialist to Medica

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OSAI (BUY)**New Plant**

Market Mover (OSA-IT) Positive **Neutral** Negative

What's up? On Friday, OSAI announced that it has obtained a EUR 5M loan from a leading Italian bank to finance a new plant in Samone (not far from OSAI's headquarters).

What we think: We appreciate the news. The loan should also support OSAI's supply chain (about 50 small producers) since, according to the press release, the related suppliers will be able to benefit from the same rating of the leading firm of the chain.

OSAI - Key Data

25/07/2022	Engineering		
Target Price (EUR)	5.9		
Rating	BUY		
Mkt price (EUR)	3.16		
Mkt cap (EUR M)	50		
Main Metrics (€ M)	2022E	2023E	2024E
Revenues	43.60	48.28	54.14
EBITDA	6.78	7.59	8.80
EPS (EUR)	0.15	0.18	0.23
Net debt/-cash	12.58	10.63	6.87
Ratios (x)	2022E	2023E	2024E
Adj. P/E	20.5	18.0	13.7
EV/EBITDA	9.3	8.0	6.5
EV/EBIT	15.4	13.3	9.9
Debt/EBITDA	1.9	1.4	0.78
Div yield (%)	0	0	0

Performance (%)	1M	3M	12M
Absolute	-10.6	-15.0	-37.4
Rel. to FTSE Italia GI	-11.7	-1.4	-15.1

Source: FactSet, Company data, Intesa Sanpaolo Research estimates

Intesa Sanpaolo is Corporate Broker to OSAI Automation System

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Sanlorenzo (ADD)**Interview with MF**

Market Mover (SL-IT) Positive **Neutral** Negative

What's up? In an interview with Saturday's MF, Massimo Perotti confirmed the FY22 guidance and stated that there have been no cancellations since the beginning of the war and that they are working overtime, i.e. also on Saturdays, Sundays and a few nights, to complete all deliveries within the first week of August despite having some delays on the supply chain due to the delivery of materials. As for APAC, the opening of a direct distribution presence in HK or Singapore (Sanlorenzo APAC) could be postponed for 6 months as a result of the delays due to the recent Covid restrictions and could be scheduled for the end of next year. As for sustainability, it will release the SD 90/s yacht at Cannes 2022: it will be a hybrid boat, with 20% of the recycled materials on board, low-consumption appliances and double-chamber glass to prevent the entry of heat in order to reduce the use of air conditioning; the entry price is EUR 8M. The second sustainable model in the pipeline is the BGM75, the BlueGame multihull that will be launched at a price of around EUR 5.5M.

What we think: The message is once again one of trust for good momentum and the ability to be forerunners in the development and commercial launch of sustainable products.

Sanlorenzo - Key Data

23/07/2022	Branded Goods		
Target Price (EUR)	38.0		
Rating	ADD		
Mkt price (EUR)	34.30		
Mkt cap (EUR M)	1188		
Main Metrics (€ M)	2022E	2023E	2024E
Revenues	736.0	810.0	864.4
EBITDA	128.7	148.7	162.0
EPS (EUR)	2.06	2.41	2.67
Net debt/-cash	-63.68	-83.64	-114.1
Ratios (x)	2022E	2023E	2024E
Adj. P/E	16.7	14.2	12.8
EV/EBITDA	8.7	7.4	6.6
EV/EBIT	10.8	9.1	8.0
Debt/EBITDA	Neg.	Neg.	Neg.
Div yield (%)	2.4	2.8	3.1

Performance (%)	1M	3M	12M
Absolute	7.2	-3.7	45.6
Rel. to FTSE IT. STAR	1.1	5.2	71.5

Source: FactSet, Company data, Intesa Sanpaolo Research estimates

Intesa Sanpaolo is Specialist to Sanlorenzo

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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 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 below EUR 1Bn.

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

Historical recommendations and target price trends (12M)

This report is a compendium report or may include excerpts from previously published reports: in this report, we confirm the ratings and target prices assigned in the latest company reports (or alternatively such ratings and target prices may be placed Under Review). The 12M rating and target price history chart(s) for the companies included in this report can be found at Intesa Sanpaolo's website/Research/Regulatory disclosures: <https://group.intesaspa.com/en/research/RegulatoryDisclosures/tp-and-rating-history--12-months->. Note: please also refer to <https://group.intesaspa.com/it/research/equity---credit-research/equity> in applicable cases for the ISP-UBI Equity Ratings Reconciliation Table, the archive of ex-UBI's previously published research reports and 12M historical recommendations.

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

Intesa Sanpaolo Research Rating Distribution (at July 2022)

Number of companies considered: 127	BUY	ADD	HOLD	REDUCE	SELL
Total Equity Research Coverage relating to last rating (%)*	58	25	17	0	0
of which Intesa Sanpaolo's Clients (%)**	84	44	57	0	0

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

Valuation methodology (short-term horizon: 3M)

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

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

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

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

Company-specific disclosures

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

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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, in accordance with the aforesaid regulations, the disclosures of the Intesa Sanpaolo Banking Group's conflicts of interest are available through the above-mentioned webpage. The conflicts of interest published on the internet site are updated to at least the day before the publishing date of this report.

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