

# ILPRA

## Frenetic M&A activity in 1H 2019

**1H 2019 results:** In 1H 2019 ILPRA showed strong sales growth (+14%) boosted by recent M&A activity and a +7% organic growth rate in line with expectations and despite a decline in the packaging market in the first half of 2019 (-2.4% UCIMA). The first half of 2019 was also characterized by intense M&A activity, in line with strategies guidelines announced in the IPO. More in detail the Company realized four acquisitions aimed at expanding the product offering and targeting new international market with high expected growth rates (India, Russia).

1H 2019 EBITDA was of Euro 1.5 m, with an EBITDA margin of 9.5%, somewhat below prior year's and our expectations following a shift in sales mix and extraordinary expenses related to an upgrade of production systems and the IPO. Net profit was for Euro 0.4 m (vs. Euro 0.6 m 1H 2018) and Net Debt stood at Euro 5.5 m, down from Euro 9.5 m in FY 2018.

**Estimate review:** We revised our forecasts to factor in the recent M&A activity, which we prudentially estimate will contribute with total revenues of Euro 1.7 m in FY 2019. In addition, following 1H 2019 results we slightly lowered EBITDA margin for FY 2019 (18.3% vs. 20.1% previously), although we expect that part of the EBITDA loss should be recovered in 2H 2019 as non-recurring expenses of 1H 2019 should not be repeated. Going forward we confirmed organic sales growth but slightly improved the margin expansion as we expect the Company to be able to exploit synergies from the recent acquisitions.

We adjusted our forecasts with an average increase in revenues and EBITDA of +6.8%, and -1.5% respectively.

**Company Description:** ILPRA, listed on AIM Italia since February 15<sup>th</sup>, 2019, is specialized in the design and production of packaging machines, and is a primary player in the of food, cosmetics and medical packaging markets. With over 16,000 machines sold worldwide, and 219 employees (average number at June 30<sup>th</sup>, 2019), the Company offers technological solutions manufactured in-house, ensuring high Italian quality.

**Valuation:** We confirm a positive outlook for ILPRA and set a new target rice of Euro 3.53 p.s. (previous Euro 3.30), providing for an upside to the current share price of +77%.

## Sector: Manufacturing

Target Price (Euro)	<b>3.53</b> (3.30 pr)
Market Price (Euro)	2.00
Market Cap (Euro m)	24
EV (Euro m)	30

(as of October 30<sup>th</sup>, 2019)

### Share Data

Market	AIM Italia
Bloomberg/Reuters	ILP.M / ILP.MI
ISIN	IT0005359101
N. of Shares	12,038,600
Free Float	18.34%
Main Shareholder	Maurizio Bertocco (39.46%)
Chairman and CEO	Maurizio Bertocco

### AIM Positioning

FY 2018	Company	AIM Sector	AIM Italia
Revenues (Eu m)	31	87	43
Revenues YoY	14%	39%	29%
EBITDA Margin	19%	11%	14%
NFP (cash) (Eu m)	9.5	19.2	7.3
NFP/EBITDA (x)	1.7	2.9	4.0

Market Data (Eu m)	Company	AIM Sector	AIM Italia
Capitalisation	25	55	51
Perf. IPO	-3%	-18%	-10%
Free Float	18%	27%	35%
ADTT YTD (Eu)	19,447	55,602	147,606

### Performance

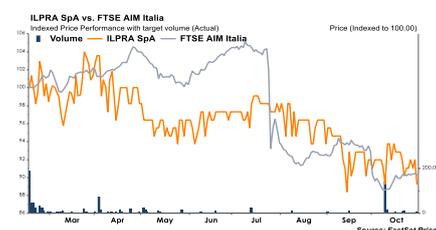
	1M	3M	6M
Absolute	-2.9%	-9.1%	-9.1%
Relative (TSE AIM Italia)	0.0%	-3.9%	4.7%
52-week High/Low (Eu)	2.40 / 1.69		

### IR TOP RESEARCH

Luisa Primi – l.primi@irtop.com

Andrea Praga – a.praga@irtop.com

T +39 02 89056957



### Key Figures (Eu m)

	Revenue	Yoy %	EBITDA	EBITDA %	EBIT	EBIT %	Net Profit	Net Debt
<b>2018A</b>	31.5	+16%	5.5	19%	4.2	15%	2.9	9.5
<b>2019E</b>	33.9	+8%	5.9	18%	4.5	14%	3.0	5.1
<b>2020E</b>	37.1	+9%	7.1	20%	5.5	15%	4.4	0.6
<b>2021E</b>	40.7	+10%	8.3	21%	6.6	17%	4.7	(3.8)

**AIM POSITIONING**

ILPRA positions itself in the AIM "Manufacturing" Sector.

Compared to the average AIM Italia "Manufacturing" Sector, ILPRA shows:

- Lower revenue growth rates (+16% vs +39%);
- Higher EBITDA margin (19% vs 11%);
- Lower level of indebtedness (NPF/EBITDA 1.7x vs 2.9x)

FY 2018 Data	Revenues (Eu m)	Revenues YoY growth (%)	EBITDA margin (%)	Net Debt (Cash) (Eu m)	EV/EBITDA (x)	NPF/EBITDA (x)
Askoll EVA	15	+250%	-28%	(5.2)	n.m.	n.m.
CFT	224	+9%	8%	14.2	4.0	0.8
Clabo	53	+18%	11%	23.9	5.9	3.9
Comer Industries	379	+11%	10%	36.7	7.4	1.0
Costamp Group	58	n.s.	3%	21.8	70.1	14.0
Energica Motor Company	2	+325%	n.m.	1.4	n.m.	n.m.
Fervi	24	+8%	19%	(2.3)	6.5	(0.5)
Gel	17	+7%	16%	3.3	4.0	1.2
Gibus	34	+4%	14%	3.0	7.4	0.7
Grifal	17	+10%	13%	5.4	18.8	2.4
Icf Group	80	+1%	11%	9.7	6.1	1.1
Illa	33	-21%	4%	10.1	11.1	7.0
<b>ILPRA</b>	<b>31</b>	<b>+16%</b>	<b>19%</b>	<b>9.5</b>	<b>6.2</b>	<b>1.7</b>
Marzocchi Pompe	43	+11%	21%	19.2	5.6	2.1
Neodecortech	131	+6%	14%	44.3	5.1	2.5
Officina Stellare	5	+81%	22%	2.0	29.6	1.8
Radici Pietro Industries&Brands	60	+6%	8%	29.7	11.3	6.4
Rosetti Marino	261	+26%	11%	128.0	10.2	4.5
Sciuker Frames	11	-5%	18%	5.3	10.5	2.9
SITI B&T Group	206	+1%	9%	42.9	4.4	2.4
Somec	169	+50%	11%	5.5	10.1	0.3
Vimi Fasteners	52	+4%	11%	14.2	7.2	2.4
<b>Manufacturing</b>	<b>87</b>	<b>+39%</b>	<b>11%</b>	<b>19.2</b>	<b>12.1</b>	<b>2.9</b>
<b>AIM Italia</b>	<b>43</b>	<b>+29%</b>	<b>14%</b>	<b>7.3</b>	<b>17.9</b>	<b>4.0</b>

 Source: Osservatorio AIM Italia and FactSet data as of October 28<sup>th</sup>, 2019

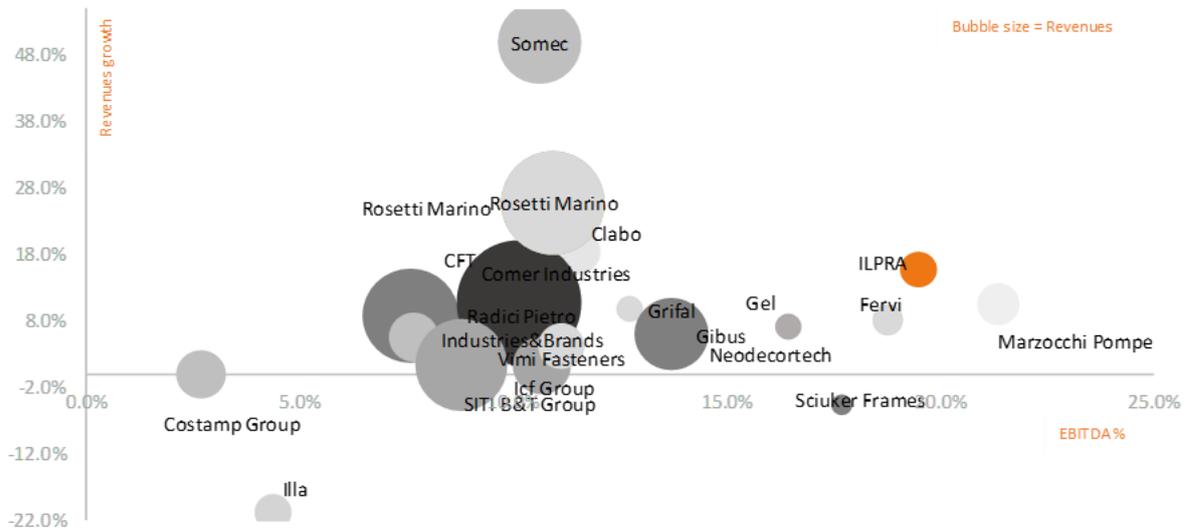
Compared to the average AIM Italia "Manufacturing" Sector, ILPRA shows:

- Lower capitalisation (Euro 25 m vs. Euro 55 m);
- Lower free float (18% vs. 27%);
- Lower average daily traded turnover year-to-date (Euro 19 k vs. Euro 56 k).

Market Data	Market Cap (Eu m)	Free Float (%)	Perf. from IPO (%)	ADTT YTD (Eu)
Askoll EVA	24	22%	-57%	32,198
CFT	53	47%	-67%	48,086
Clabo	12	30%	-47%	21,009
Comer Industries	247	17%	+4%	95,215
Costamp Group	88	7%	-18%	7,103
Energica Motor Company	37	41%	-32%	105,198
Fervi	32	21%	-19%	17,549
Gel	8	30%	-57%	12,089
Gibus	31	17%	+4%	33,665
Grifal	36	32%	+32%	90,565
Icf Group	43	100%	-44%	64,849
Illa	6	20%	-74%	17,671
<b>ILPRA</b>	<b>25</b>	<b>18%</b>	<b>-3%</b>	<b>19,447</b>
Marzocchi Pompe	32	24%	-7%	36,529
Neodecortech	47	27%	-11%	42,117
Officina Stellare	46	16%	+40%	171,625
Radici Pietro Industries&Brands	23	23%	-15%	50,583
Rosetti Marino	162	0%	+35%	2,518
Sciuker Frames	14	29%	-7%	256,068
SITI B&T Group	37	25%	-63%	13,838
Somec	175	25%	+41%	72,263
Vimi Fasteners	28	23%	-39%	13,066
<b>Manufacturing</b>	<b>55</b>	<b>27%</b>	<b>-18%</b>	<b>55,602</b>
<b>AIM Italia</b>	<b>51</b>	<b>35%</b>	<b>-10%</b>	<b>147,606</b>

 Source: Osservatorio AIM Italia and FactSet data as of October 28<sup>th</sup>, 2019

**AIM Italia “Manufacturing” Sector**



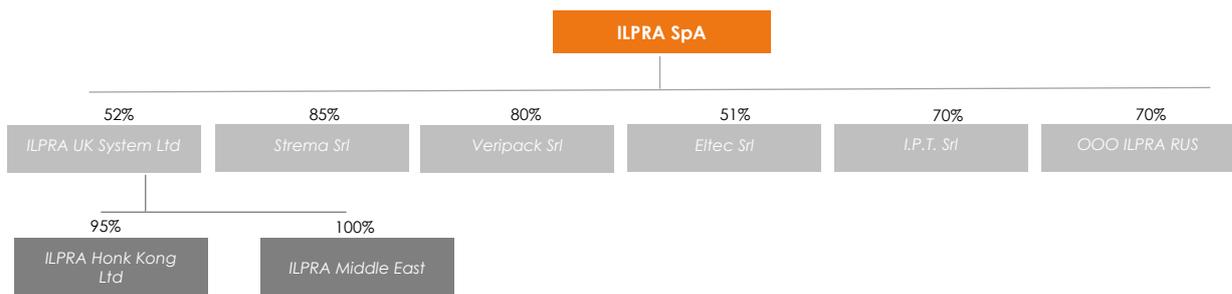
**BUSINESS UPDATE**

In 1H 2019 ILPRA showed strong sales growth (+14%) boosted by recent M&A activity and a +7% organic growth rate in line with expectations and despite a decline in the packaging market in the first half of 2019 (-2.4% UCIMA).

After listing on AIM Italia in February 2019, ILPRA has spent the last eight months pursuing an intense M&A campaign, in line with strategic guidelines announced in the IPO. More in detail the Company, realized four acquisitions aimed at expanding the product offering and targeting new international market with high expected growth rates (India, Russia):

- In April ILPRA acquired 80% of **Veripack Srl**, a company active in the production of thermoforming machines for the food and medical sector in order to increase its presence in the Indian market (where Veripack has a strong market position) and expand the product range. In the last three months of 2018, Veripack registered FY 2018 revenues of Euro 0.3 m, EBITDA of Euro 25 k and Net Debt of Euro 0.1 m.
- On August 30<sup>th</sup>, 2019 ILPRA completed the acquisition of 70% of **OOO ILPRA RUS**, a Moscow based commercial company for a symbolic value of Euro 135. The company sells industrial machines and provides post-sales assistance and spare parts services, with a high portion of recurring revenues. ILPRA RUSS registered FY 2018 revenues of Euro 0.1 m, EBITDA of Euro 15 k and Cash positive for Euro 0.1 m.
- On May 9<sup>th</sup>, 2019 ILPRA acquired 51% of **Eltec Srl** a company active in the sector of automated end of line systems, in a transaction aimed at expanding the product portfolio with automated systems that complete the packaging phases, providing a complete product line. The total value of the deal was of for a value of Euro 0.1 m. In FY 2018, the company recorded revenues of Euro 0.3 m, EBITDA of Euro 12 k and Cash positive for Euro 5 k.
- On June 26<sup>th</sup>, 2019 ILPRA concluded the acquisition of 70% of **I.P.T. Srl**, for a value of Euro 350 k. IPT is active in the intermediation of industrial machinery for packaging. The operation allows to expand the range of customers for the sale of packaging machines.

The below chart illustrates the new group structure:



Source: IR Top Research on Company data

The Company, through Veripack, recently announced a 3-year agreement in Bangladesh for the exclusive supply of thermoforming machines for the food sector to Bombay Sweets & Co. Ltd, leader in the snack food industry in the country. The first order has already been signed for a total value of Euro 0.4 m.

In 2019 (from July to October) ILPRA acquired n. 1,800 treasury shares. ILPRA Spa currently holds n. 1,800 shares, corresponding to 0.015% of total share capital.

Management confirmed that the Company will continue to focus on international expansion in a strategic market characterized by strong expected growth, also in the second half of the year.

## 1H 2019 RESULTS

In 1H 2019 ILPRA confirmed the growth trend registered already last year. The key points of the results were:

- Sales showed good organic growth (+7%) in the first half of 2019, further boosted by sales from the acquired companies (Euro 0.8 m) for a total yoy growth rate of +14%.
- In contrast, profitability suffered from (i) less beneficial sales mix with lower weight of export markets in part related to insecurities retarding Brexit (71% vs. 75% in 1H 2018), (ii) costs related to the implementation of a new production system (from batch to continuous process), and (iii) expenses related to the IPO and "life as a listed company" (Euro 0.2 m). Overall, EBITDA came in at Euro 1.5 m (Euro 1.8 m in 1H 2018) with a margin of 9.5% (13.4% in 1H 2018).
- After D&As of Euro 0.8 m, EBIT was Euro 0.7 m (Euro 1.2 m in 1H 2018). Group net profit was Euro 0.2 m (Euro 0.4 m in 1H 2018).
- Fixed Asset were of Euro 11.4 m up from Euro 9.5 m at year end 2018 mainly following the acquisitions made in the period and IPO costs capitalized.
- Net Debt stood at Euro 5.5 m vs. Euro 9.5 m at FY 2018, following the IPO related capital increase (Euro 5.3 m), investments of Euro 3.2 m, and a dividend paid to shareholders in May 2019 (Euro 0.6 m). Net Debt is included of Euro 2.4 m of overdue tax payables, that decreased in the period by Euro 2.1 m (from Euro 4.5 m at year-end 2018).

<b>Euro m – OIC</b>		<b>1H 2018</b>	<b>1H 2019</b>	<b>Var % 18-19</b>
<b>Sales</b>		<b>13.5</b>	<b>15.3</b>	<b>+13.8%</b>
<b>Revenues (VoP)</b>		<b>15.3</b>	<b>16.4</b>	<b>+7.2%</b>
	YoY	n.a.	+7.2%	
<b>EBITDA</b>		<b>1.8</b>	<b>1.5</b>	<b>-19.6%</b>
	Margin	13.4%	9.5%	
<b>EBIT</b>		<b>1.2</b>	<b>0.7</b>	<b>-45.9%</b>
	Margin	9.1%	4.3%	
<b>EBT</b>		<b>1.0</b>	<b>0.6</b>	<b>-46.0%</b>
<b>Net Profit</b>		<b>0.6</b>	<b>0.4</b>	<b>-30.1%</b>
<b>Group's Net Profit</b>		<b>0.4</b>	<b>0.2</b>	<b>-35.9%</b>
		<b>FY 2018</b>	<b>1H 2019</b>	<b>Var % 18-19</b>
Net Working Capital (NWC)		13.0	12.3	-5.4%
Fixed net assets		9.5	11.4	+19.9%
Funds		(2.5)	(2.5)	-1.4%
<b>Net Capital Employed</b>		<b>20.0</b>	<b>21.2</b>	<b>+5.8%</b>
Net Debt (Cash)		9.5	5.5	-41.7%
Equity		10.5	15.7	+48.6%
<b>Sources</b>		<b>20.0</b>	<b>21.2</b>	<b>+5.8%</b>

Source: Company Data

### ESTIMATES 2019-2021

We revised our forecasts to factor in the recent M&A activity, which we prudentially estimate will contribute with total revenues of Euro 1.7 m in FY 2019. In addition, following 1H 2019 results we slightly lowered EBITDA margin for FY 2019 (18.3% vs. 20.1% previously), although we expect that part of the EBITDA loss should be recovered in 2H 2019 as non-recurring expenses of 1H 2019 should not be repeated.

Going forward we confirmed organic sales growth but slightly improved the margin expansion as we expect the Company to be able to exploit synergies from the recent acquisitions. The EBITDA margin will reach 20.9% in 2021E compared to 19.5% in FY 2018. After significant investments made in the first part of 2019, we also revised our capex for the three-year period (2019-2021) from Euro 3.1 m to Euro 3.7 m. Overall, we adjusted our forecasts with an average increase in revenues and EBITDA of +6.8%, and -1.5% respectively.

Our estimates do not include any additional M&A operations.

### KEY FINANCIALS

<b>Euro m – OIC</b>		<b>18A</b>	<b>19E old</b>	<b>19E new</b>	<b>20E old</b>	<b>20E new</b>	<b>21E old</b>	<b>21E new</b>
<b>Sales</b>		<b>28.4</b>	<b>30.7</b>	<b>32.3</b>	<b>33.4</b>	<b>36.0</b>	<b>36.8</b>	<b>39.5</b>
yoy		+11.0%	+8.0%	+13.9%	+9.0%	+11.3%	+10.0%	+9.8%
<b>Revenues (VoP)</b>		<b>31.5</b>	<b>32.2</b>	<b>33.9</b>	<b>34.5</b>	<b>37.1</b>	<b>37.9</b>	<b>40.7</b>
yoy		+15.8%	+2.5%	+7.9%	+7.0%	+9.4%	+9.9%	+9.7%
<b>EBITDA</b>		<b>5.5</b>	<b>6.2</b>	<b>5.9</b>	<b>7.2</b>	<b>7.1</b>	<b>8.3</b>	<b>8.3</b>
margin		19.5%	20.1%	18.3%	21.4%	19.8%	22.5%	20.9%
<b>EBIT</b>		<b>4.2</b>	<b>4.9</b>	<b>4.5</b>	<b>5.7</b>	<b>5.5</b>	<b>6.7</b>	<b>6.6</b>
margin		14.8%	15.9%	14.0%	17.0%	15.4%	18.0%	16.6%
<b>Pre tax profit</b>		<b>3.8</b>	<b>4.5</b>	<b>4.2</b>	<b>5.7</b>	<b>5.4</b>	<b>6.7</b>	<b>6.6</b>
<b>Net Profit</b>		<b>2.9</b>	<b>3.1</b>	<b>3.0</b>	<b>4.4</b>	<b>4.4</b>	<b>4.6</b>	<b>4.7</b>
<b>Group's Net Profit</b>		<b>2.4</b>	<b>2.7</b>	<b>2.6</b>	<b>3.8</b>	<b>3.7</b>	<b>3.9</b>	<b>4.0</b>

<b>Euro m – OIC</b>	<b>18A</b>	<b>19E old</b>	<b>19E new</b>	<b>20E old</b>	<b>20E new</b>	<b>21E old</b>	<b>21E new</b>
Net Working Capital (NWC)	13.0	14.7	15.9	15.1	17.1	16.1	18.7
Fixed net assets	9.5	9.4	10.7	9.3	9.7	8.4	8.7
Funds	(2.5)	(2.5)	(2.6)	(2.5)	(2.7)	(2.6)	(2.8)
<b>Net Capital Employed</b>	<b>20.0</b>	<b>21.6</b>	<b>24.0</b>	<b>21.8</b>	<b>24.1</b>	<b>21.8</b>	<b>24.5</b>
Net Financial Position (Cash)	9.5	2.7	5.1	(1.6)	0.6	(6.1)	(3.8)
Equity	10.5	19.0	18.9	23.4	23.5	28.0	28.3
Group's Equity	8.6	16.6	16.5	20.4	20.4	24.3	24.5
<b>Sources</b>	<b>20.0</b>	<b>21.6</b>	<b>24.0</b>	<b>21.8</b>	<b>24.1</b>	<b>21.8</b>	<b>24.5</b>

Source: Company data (Italian accounting principles) for FY 2018, IR Top Research estimates for FY 2019-2021

## VALUATION

We have updated our valuation for ILPRA and in particular:

- The DCF to include new estimates and up-to-date risk-free rate and ERP;
- The relative valuation to reflect current market multiples for two separate peer groups (i) AIM Italia listed peers active in Manufacturing sectors, and (ii) International peers active in the manufacturing of packaging machines. We have, in addition, updated our AIM Positioning Discount to reflect FY 2018 results for the AIM Italia market. The new discount applied is of 28%.

## AIM Italia listed peers

	<b>Country</b>	<b>Market Cap</b> (Eu m)	<b>2018 Revenues</b> (Eu m)	<b>yoy</b>	<b>2018A</b> <b>EBITDA %</b>	<b>2019E</b> <b>EBITDA %</b>
Askoll EVA	Italy	24	15	+250%	-28%	-27%
CFT	Italy	53	224	+9%	8%	8%
Clabo	Italy	12	53	+18%	11%	13%
Comer Industries	Italy	247	379	+11%	10%	11%
Costamp Group	Italy	88	58	n.s.	3%	9%
Fervi	Italy	32	24	+8%	19%	17%
Gel	Italy	8	17	+7%	16%	15%
Gibus	Italy	31	34	+4%	14%	14%
Grifal	Italy	36	17	+10%	13%	15%
Icf Group	Italy	43	80	+1%	11%	11%
Illa	Italy	6	33	-21%	4%	6%
Marzocchi Pompe	Italy	32	43	+11%	21%	17%
Neodecortech	Italy	47	131	+6%	14%	13%
Officina Stellare	Italy	46	5	+81%	22%	32%
Rosetti Marino	Italy	162	261	+26%	11%	4%
Sciuker Frames	Italy	14	11	-5%	18%	17%
SITI B&T Group	Italy	37	206	+1%	9%	8%
Somec	Italy	175	169	+50%	11%	10%
Vimi Fasteners	Italy	28	52	+4%	11%	16%
<b>Median AIM Peers</b>		<b>36</b>	<b>52</b>	<b>+9%</b>	<b>11%</b>	<b>13%</b>
<b>ILPRA</b>	<b>Italy</b>	<b>25</b>	<b>31</b>	<b>+16%</b>	<b>19%</b>	<b>19%</b>

		<b>EV/EBITDA</b>		
		(x)		
		<b>19 E</b>	<b>20E</b>	<b>21E</b>
Askoll EVA	n.s.		n.s.	14.6
CFT	3.9		3.5	3.5
Clabo	4.8		4.0	3.2
Comer Industries	6.2		5.1	4.4
Costamp Group	21.3		17.3	12.6
Fervi	5.8		4.7	3.6
Gel	6.0		5.1	4.3
Gibus	5.4		4.4	3.6
Grifal	14.6		12.1	7.6
Icf Group	6.2		5.2	4.8
Illa	4.4		3.1	n.d.
Marzocchi Pompe	5.5		4.8	4.0
Neodecortech	4.6		4.0	n.d.
Officina Stellare	16.5		10.1	7.1
Rosetti Marino	4.2		3.7	n.d.
Sciuker Frames	9.0		7.5	6.3
SITI B&T Group	5.4		4.7	4.1
Somec	7.5		5.3	6.5
Vimi Fasteners	4.1		3.5	n.d.
<b>Median AIM Peers</b>	<b>5.7</b>		<b>4.7</b>	<b>4.4</b>
<b>ILPRA</b>	<b>4.8</b>		<b>3.6</b>	<b>2.6</b>
Premium/(Discount) to Peers	-16%		-25%	-42%

Source: PMI Capital as of October 28<sup>th</sup>, 2019

### International peers

	<b>Country</b>	<b>Market Cap</b>	<b>2018 Revenues</b>		<b>2018A</b>	<b>2019E</b>
		(Eu m)	(Eu m)	<b>yoy</b>	<b>EBITDA %</b>	<b>EBITDA %</b>
Alfa Laval	Sweden	8,852	3,962	+8%	19%	19%
GEA Group	Germany	5,142	4,828	+5%	10%	11%
GIMA TT	Italy	632	183	+21%	35%	36%
I.M.A.	Italy	2,469	1,500	+14%	18%	18%
John Bean Technologies	USA	3,106	1,631	+13%	15%	15%
Krones	Germany	1,812	3,854	+4%	6%	7%
SPX Flow	USA	1,657	1,772	+2%	12%	14%
<b>Median International Peers</b>		<b>2,469</b>	<b>1,772</b>	<b>+8%</b>	<b>15%</b>	<b>15%</b>
<b>ILPRA</b>	<b>Italy</b>	<b>25</b>	<b>31</b>	<b>+16%</b>	<b>19%</b>	<b>19%</b>

	<b>EV/EBITDA</b>		
	<b>19E</b>	<b>20E</b>	<b>21E</b>
Alfa Laval	11.9	11.8	11.7
GEA Group	11.8	10.9	9.7
GIMA TT	16.4	11.3	9.7
I.M.A.	10.0	8.8	8.2
John Bean Technologies	14.2	12.8	12.1
Krones	8.5	7.0	6.1
SPX Flow	14.1	12.7	11.8
<b>Median International Peers</b>	<b>11.9</b>	<b>11.3</b>	<b>9.7</b>
<b>ILPRA</b>	<b>4.8</b>	<b>3.6</b>	<b>2.6</b>
Premium/(Discount) to Peers	-60%	-68%	-74%

Source: PMI Capital for ILPRA and FactSet data for peers as of October 30<sup>th</sup>, 2019

**DISCOUNTED CASH FLOW**

Main assumptions:

- Risk-free interest rate: 1.75%
- Perpetual growth: 1.0%
- Market risk premium: 7.00%
- Beta: 0.98
- WACC: 8.2% = Cost of equity (K<sub>E</sub>)

 Our DCF valuation yields a fair value of **Euro 3.82 per share**.

+ Sum of PV 2019-2021 FCFs (Eu m)	6.9	13%
+ Discounted Terminal Value (Eu m)	46.4	87%
<b>= Enterprise Value (Eu m)</b>	<b>53.3</b>	<b>100%</b>
- Net Debt 1H 2019	5.5	
- Minorities (Eu m)	1.9	
<b>= Equity Value (Eu m)</b>	<b>45.9</b>	
÷ Number of outstanding shares fully diluted (m)	12.0	
<b>= Fair Value per share (Eu)</b>	<b>3.82</b>	

**Sensitivity analysis**

Eu		WACC				
		7.2%	7.7%	8.2%	8.7%	9.2%
g	0.5%	4.2	3.9	3.5	3.3	3.0
	1.0%	4.6	<b>4.2</b>	<b>3.8</b>	<b>3.5</b>	3.2
	1.5%	5.0	4.5	4.1	3.8	3.5

**VALUATION SUMMARY**

We confirm a positive outlook for ILPRA and set a new target price of Euro 3.53 p.s. (previous Euro 3.30), providing for an upside to the current share price of +77% and obtained by weighting equally a DCF and a multiple comparison analysis. At our target price ILPRA would be trading at 8.1x and 6.7x EV/EBITDA 2019 and 2020 respectively. At current price (Euro 2.00) the stock is trading at a significant discount to International peers; -64% 19-20 EV/EBITDA.

Method	Weight	Price (Eu)
Multiple analysis	50%	3.25
DCF	50%	3.82
<b>Target Price</b>	<b>100%</b>	<b>3.53</b>

**ILPRA ON AIM ITALIA**

**IPO**

Trading Market: AIM Italia – Borsa Italiana SpA  
Date: February 15<sup>th</sup>, 2019  
Price: Euro 2.10  
Capital raised: Euro 5.3 m  
Capitalisation: Euro 25.3 m

**SHARES** (as of October 30<sup>th</sup>, 2019)

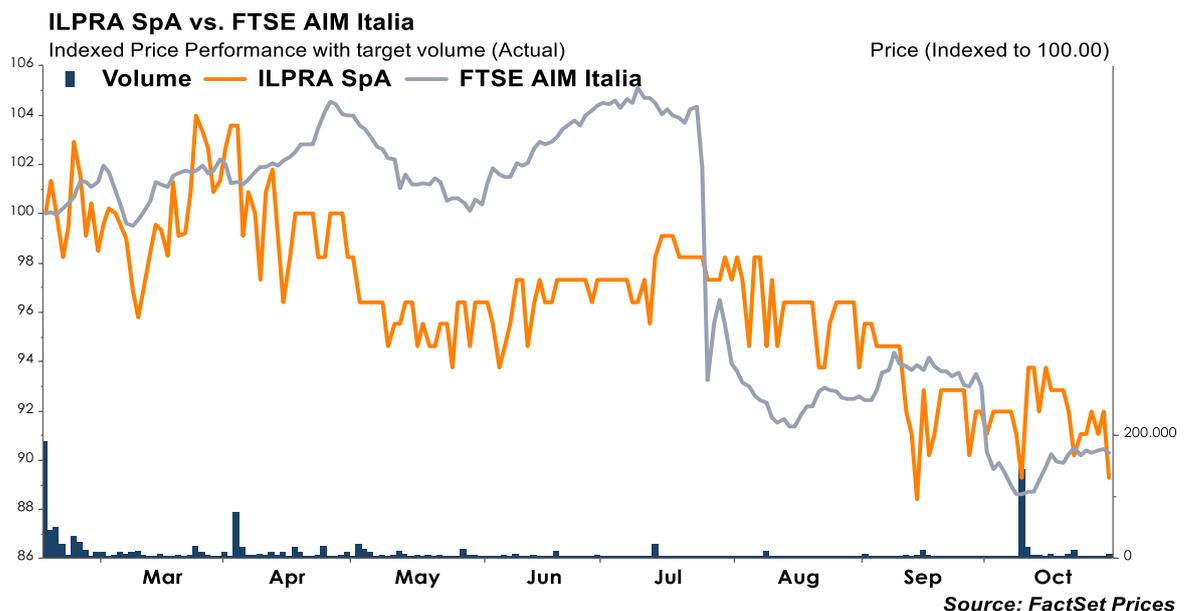
Code: ILP  
Bloomberg: ILP IM  
Reuters: ILP.MI  
ISIN: IT0005359101  
Shares: 12,038,600  
Share capital: Euro 2,407,720  
Price: Euro 2.00  
Performance from IPO: -5%  
Capitalisation: Euro 24 m  
Free Float: 18.34%  
NomAd: Integrae SIM SpA  
Auditing firm: BDO Italia SpA

The share capital subscribed and paid up is Euro 2,407,720, made up by 12,038,600 ordinary shares.  
The Company currently has the following shareholders' structure:

Shareholder	N° of shares	%
Maurizio Bertocco	4,750,000	39.46%
Cristina Maldifassi	4,750,000	39.46%
Market	2,538,600	21.09%
-of which Free Float*	2,208,000	18.34%
-of which other shareholders <5%	330,600	2.75%
<b>Total</b>	<b>12,038,600</b>	<b>100.00%</b>

Source: Company data as of October 30<sup>th</sup>, 2019

\*Including 36,600 shares holds by Maurizio Bertocco without lock-up agreement (Mr Bertocco holds a total of n. 4,786,600 shares equal to 39.76%)



**KEY FIGURES**

<b>Profit&amp;Loss Statement</b>	<b>2018A</b>	<b>2019E</b>	<b>2020E</b>	<b>2021E</b>
Revenues (VoP)	31.5	33.9	37.1	40.7
EBITDA	5.5	5.9	7.1	8.3
EBIT	4.2	4.5	5.5	6.6
Financial Income (charges)	(0.4)	(0.3)	(0.1)	0.0
Pre-tax profit (loss)	3.8	4.2	5.4	6.6
Taxes	(0.9)	(1.2)	(1.0)	(1.8)
Net profit (loss) Group	2.9	3.0	4.4	4.7

<b>Balance Sheet</b>				
Fixed assets	9.5	10.7	9.7	8.7
NWC	13.0	15.9	17.1	18.7
M/L Funds	(2.5)	(2.6)	(2.7)	(2.8)
Net Capital Employed	20.0	24.0	24.1	24.5
Net Debt	9.5	5.1	0.6	(3.8)
Equity	8.6	16.5	20.4	24.5

<b>Cash Flow</b>				
EBIT	4.2	4.5	5.5	6.6
D&A	1.3	1.4	1.6	1.7
Tax	(0.9)	(1.2)	(1.0)	(1.8)
Other	0.0	0.0	0.0	0.0
Change in M/L Funds	0.3	0.1	0.1	0.1
Gross Cash Flow	4.9	4.8	6.2	6.5
Change in NWC	(2.5)	(2.9)	(1.2)	(1.6)
Operating Cash Flow	2.4	1.9	5.0	4.9
Capex	(2.2)	(2.5)	(0.6)	(0.6)
Change in Financial Assets	(0.3)	0.0	0.0	0.0
Financial Income (charges)	(0.4)	(0.3)	(0.1)	0.0
Free Cash Flow	(0.5)	(0.9)	4.3	4.3
Dividend	0.0	0.0	0.0	0.0
Change in Equity	(0.6)	4.9	(0.5)	(0.6)
Change in Net debt	(1.2)	4.0	3.8	3.7

<b>Per Share Data</b>				
<b>Price</b>	<b>Euro 2.00</b>			
<b>Total shares out (mn) average</b>	<b>12.0</b>			
EPS	0.2	0.3	0.4	0.4
DPS	0.0	0.0	0.0	0.0
FCF	(0.0)	(0.1)	0.4	0.4
Pay out ratio	0%	0%	0%	0%

<b>Ratios</b>				
EBITDA margin	17.6%	17.4%	19.2%	20.3%
EBIT margin	13.4%	13.3%	14.9%	16.1%
Net Debt/Equity (Gearing)	109.8%	30.7%	3.0%	-15.3%
Net Debt/EBITDA	1.71	0.86	0.09	-0.46
Interest cover EBIT	10.08	13.81	43.08	n.s.
ROCE	25.7%	23.8%	27.1%	34.3%
ROE	33.1%	18.3%	21.5%	19.3%

<b>Growth Rates</b>				
Revenues (VoP)	16%	8%	9%	10%
EBITDA	5%	7%	21%	16%
EBIT	4%	7%	22%	19%
Net Profit	13%	6%	45%	8%

Source: Company data (Italian accounting principles) for FY 2018 and IRTop Research estimates for FY 2019-2021

**DISCLAIMER**

UPDATES: This Research is an update coverage made by IR Top Consulting S.r.l. (IR Top) on Ilpra (the "Company"). Update frequency might depend on circumstances considered to be important (corporate events and changes of recommendation, etc.) or on further advisory commitment. Last Research on the same Company was released on April 11<sup>th</sup> 2019. Opinions and estimates of this Research are as of the date of this material and are subject to change. Information and opinions have been obtained from sources public and believed to be reliable, but no warranty is made as to their accuracy or correctness. Past performances of the Company are not guarantee of future results. During the last 12 months, the following indications have been disseminated:

	Target Price	Market Price	Validity Time
October 31 <sup>st</sup> , 2019	3.53	2.00	12 months
April 11 <sup>th</sup> , 2019	3.30	2.26	12 months

VALUATION METHODOLOGY (HORIZON: 12M): IR Top obtained a fair value using different valuation methodologies including Discounted Cash Flow method and Multiple-based models. Detailed information about the valuation or methodology and the underlying assumptions and information about the proprietary model used is accessible at IR Top premises.

**RESEARCH TEAM**

Luisa Primi, (Senior Analyst, AIAF Associated)  
Andrea Praga, (Analyst)  
Chiara Cardelli, (Researcher)

No other people or companies participated or anyhow contributed to the Research. Neither the members of the research team, nor any person closely associated with them have any relationships or are involved in circumstances that may reasonably be expected to impair the objectivity of the Research, including interests or conflicts of interest, on their part or on the part of any natural or legal person working for them, who was involved in producing the Research.

INTERESTS INVOLVED AND CONFLICTS: This document has been prepared by IR Top, *Partner Equity Markets* of Italian Stock Exchange, part of LSE Group, on behalf of the Company according to a contract, under which IR Top undertook to prepare this report expressing only independent, fair and balanced views on the Company. The fees agreed for this Research do not depend on the results of the Research. This Research has been disclosed to the issuer to which the Research, directly or indirectly, relates before its release. It is incumbent on the Company to provide timely and constructive feedback on draft Research prior to publication. It is IR Top's sole discretion as to whether comment and feedback from the Company is incorporated into the Research prior to publication and where it is, a further iteration to the draft will be sent to the Company for comment.

IR Top is also engaged in investor relations services in the interest of the Company and might occasionally be involved in other consulting activities intended to increase the value of the Company. In any case, Chinese Walls and other information barriers are in place to avoid the exchange of confidential information between the Equity Research Department and other services areas; employees and advisors involved in such services have restrictions preventing them from the access to confidential information that can not be published. IR Top restricts research analysts from performing roles, which could prejudice the independence of their research. In particular:

- they are permitted to attend and speak at widely attended conferences or other widely attended events at which IR Top colleagues and clients, among others, may also be present, provided that their independence may not be affected. These widely-attended conferences/events may include some investor presentations by clients of investor relations services.

- Analysts are also permitted to attend and speak at conference calls or meetings between analysts and bankers, investors or customers in which are discussed Research reports already published or general view on specific sectors. In such cases, at the start of that meeting, bankers, investors or customers need to be clarified that the discussion cannot involve the communication of privileged information to the analyst as the analyst would be prohibited from producing new research report on the companies whose privileged information has been disclosed.

Members of the Research Team do not receive salaries, commissions, bonuses or any other form of compensation based upon specific investment banking transactions or securities' performances. IR Top and the members of the Research Team do not have any further interest or conflict of interest directly or indirectly related with the Research, the Company or the securities, that may reasonably be expected to impair the objectivity of the Research. There are no other interests or conflicts of interest of any person belonging to the same group of IR Top that are: (a) known, or reasonably expected to be known, to the persons involved in the production of the recommendation; or (b) known to persons who, although not involved in the production of the recommendation, have or could reasonably be expected to have, access to the recommendation prior to its completion.

In any case, as a general Policy, nobody of the Research Team nor IR Top is allowed to have a financial interest in the securities of the client company or serve as an officer, director or advisory board member of the client company. Analysts must not undertake personal transactions on financial instruments that are object of the investment research or that relate to the same industry. Exceptions may be made with the prior approval of IR Top's CEO in special circumstances such as for disposal of (a) positions already held before the employment or before the implementation of the company policy, or when initiating coverage and (b) positions obtained as a result of the issuer extraordinary activities. By the way, when analysts hold instruments to which Equity Research relates, they are required to disclose their interests in Research reports. Any trades that analysts make must be in line with their recommendation(s), contained in the last published Research. An analyst is prohibited from producing a Research on an issuer if the analyst carries out activities for which he receives compensation from the issuer. If an analyst's household member / relative / relative in-law (within the second degree) serves in such a high capacity for the issuer (i.e. manager or director), the analyst has to inform IR Top's CEO and the analyst will cease covering the issuer.

POLICY: IR Top has in place a "Joint conflict management policy" in order to effectively manage any conflicts of interest, and an "Equity Research Policy", in order to rule research services in compliance with Parliament Regulation (EU) no.596/2014 and Commission Delegated Regulation (EU) no. 958/2016 on Market Abuse. IR Top has adopted the "Joint conflict management policy" in accordance with best practice regarding "information barriers" to restrict the flow of information to prevent the misuse of information and/or prevent any conflicts of interest arising from other activities of IR Top. A copy of these policies is available to the recipient of this Research upon making a request to IR Top by e-mail.

DISCLAIMER: This report has been prepared solely for information purpose and is not intended as an offer or solicitation with respect to the purchase or sale of any financial products. It should not be regarded as a substitute for the exercise of the recipient's own judgment. IR Top does not accept any liability for any direct, consequential or indirect loss arising from any use of material contained in this report. This document may only be reproduced or published together with the name of IR Top. Opinions and estimates in this Research are as at the date of release and are subject to change without notice to the recipient. Information and opinions have been obtained from sources believed to be reliable, but no representation or warranty is made as to their accuracy or correctness. Past performance is not a guarantee of future results. The investments and strategies discussed in this Research may not be suitable for all investors. In any case, you should consult your investment advisor. This document is intended for distribution only to E.U. "qualified investors" and to "qualified counterparties" resident in Italy, within the meaning of article 2(1)(e) of the prospectus directive (directive 2003/71/EC) and Consob Reg. 16190, as subsequently amended and supplemented; its distribution in USA, Canada, Australia, Japan is not allowed. In Italy, this document is being distributed only to, and is directed at qualified investors within the meaning of article 100 of legislative decree no. 58 of 24 February 1998, as amended, and article 34-ter, paragraph 1, letter b), of Consob regulation on issuers no. 11971 of May 14, 1999, provided that such qualified investors will act in their capacity and not as depositaries or nominees for other shareholders, such as persons authorized and regulated to operate in financial markets, both Italian and foreign.

DISTRIBUTION: In the United Kingdom, this document is not for distribution to persons that would be defined as private customers under rules of the FSA; it is for distribution only to persons who: (i) have professional experience in matters relating to investments falling within article 19(5) of the financial services and markets act 2000 (financial promotion) order 2005 (as amended, the "financial promotion order"), (ii) are persons falling within article 49(2)(a) to (d) ("high net worth companies, unincorporated associations etc.") of the financial promotion order, (iii) are outside the United Kingdom, or (iv) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the FINANCIAL SERVICES AND MARKETS ACT 2000) in connection with the issue or sale of any securities may otherwise lawfully be communicated or caused to be communicated (all such persons together being referred to as "relevant persons").

This document is not addressed to any member of the general public and under no circumstances should this document circulate among, or be distributed to (i) a member of the general public, (ii) individuals or entities falling outside the definition of "qualified investors" as specified above or (iii) distribution channels through which information is or is likely to become available to a large number of persons.

IR TOP CONSULTING SPECIFIC DISCLOSURES: We disclose that IR Top acts as Investor Relations and Financial Communication advisor for the Company.