

## Gefran (GE.MI)

Sector: Industrial

Technological innovation and Asia exposure: drivers for the growth.

January 31, 2012

### Investment view

- Gefran is active in the design and production of systems for the automation of industrial machines. The Group is active in four business areas: automation components, sensors, system integration and motion control.
- Gefran is historically based in the Italian market nevertheless it is present directly in 11 countries with 6 production plants and a global commercial network with more than 70 distributors.

### Last news

- FY'11 Pre Actual financial data reports Group's revenues equal to 139 M€, +7% yoy, thanks to sales growth in Germany, India and China. The Group EBIT margin equals to 8.5% of revenues.
- In 2011 Gefran launches the IMPACT series of pressure sensors designed to increase the safety levels of machines in conformity to the new international regulations.

### Valuation

- In order to evaluate the Company we run a 7-year DCF model assuming a 1% terminal growth rate and an 8.0% WACC. Our model returns a fair value equals to €4.63.
- We believe that Gefran business model, characterized by a strong technological innovation of the products, will be the driver for the following years expansion and consolidation in the new markets.

### Risks

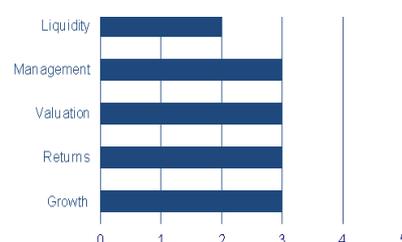
- Business operations and cash held in foreign currency represent 44% of the total, at December 31<sup>st</sup>, 2010, so there is an high risk of changes in exchange rates.

Forecast	11 Pre Act	12E	13E	14E
Sales (€M)	139.0	141.2	147.3	151.5
EBITDA (€M)	18.3	18.6	19.2	20.2
EPS (€)	0.48	0.47	0.50	0.56
Valuation	11 Pre Act	12E	13E	14E
EV/EBITDA	3.5	4.5	4.2	3.9
P/E	4.7	7.8	7.3	6.6
Dividend yield	6.4%	3.9%	4.1%	4.6%
ROCE after tax	6.7%	6.6%	6.8%	7.1%
EV/CE	0.61	0.76	0.72	0.68

### Key Data

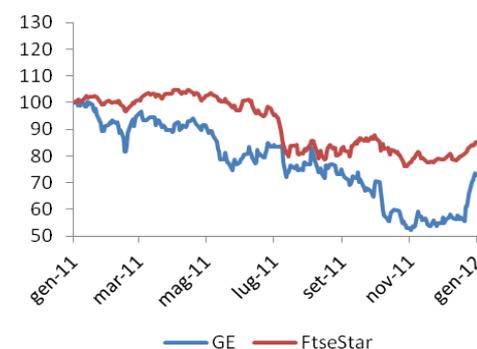
Price (€)	3.65
Market cap (€M)	52.6
Equity Value (€M)	66.7
<b>Fair Value (€)</b>	<b>4.63</b>

### Investment Profile from 1 worst to 5 best



### Stock data

Ticker Bloomberg	GE:IM
N° of shares (M)	14.4
Free float	37.0%
Main shareholder	Ennio Franceschetti (57.6%)
Daily trading volume	10,386 shares



Share Price perf (%)	3M	6M	1Y
Absolute	2.9%	-13.0%	-27.4%
Rel. to FtseStars	5.2%	-1.8%	-12.2%

Private Broker SpA  
Tel: +39 02 89658604

## Investment case

**Gefran designs and produces sensors, electronic components, servo drives and control systems for automation of industrial machines in a focus variety of industries.**

Over the year Gefran has developed a strong direct international presence in western markets and in fast growing markets, such as China, Brazil and India. It is directly present in 11 countries and has a global commercial network.

Gefran primarily operates as supplier of automation components and systems to manufactures of industrial machinery. It is 100% in the capital goods B2B segment.

**Gefran has identified the strategic guidelines for the Group future growth:**

- Development of new products;
- Opening of new geographic markets;
- Development of new applications for Company products;
- Strengthen of the Commercial Area for the business lines.

**A clear strategic plan is forecasted for each business:**

- *Automation components and system integration:* in 2009 was launched a reorganization plan with the aim of merging the two business areas in order to realize an enlarged platform exploiting the common technological resources.
- *Sensors:* with regards to traditional technologies Gefran intends enhancing the presence in the Asian market and with regards to innovative technologies the Company aim to launch new products typology and to identify new application areas in order to acquire new clients.
- *Motion control:* Gefran intends to consolidate its position in the photovoltaic Italian market and extend its presence in Europe, EMEA and USA. Moreover the Company will approach the other renewable energies (wind, biomasses and mini-hydroelectric).

**In our opinion Gefran will be able to consolidate its leadership position thanks to:**

- Business model strongly oriented to the product innovation.
- Management's ability to identify the most profitable market niches.
- Strong exposure to foreign markets, particularly Asia, will offer to the Company new and growing opportunities for the growth of sales.

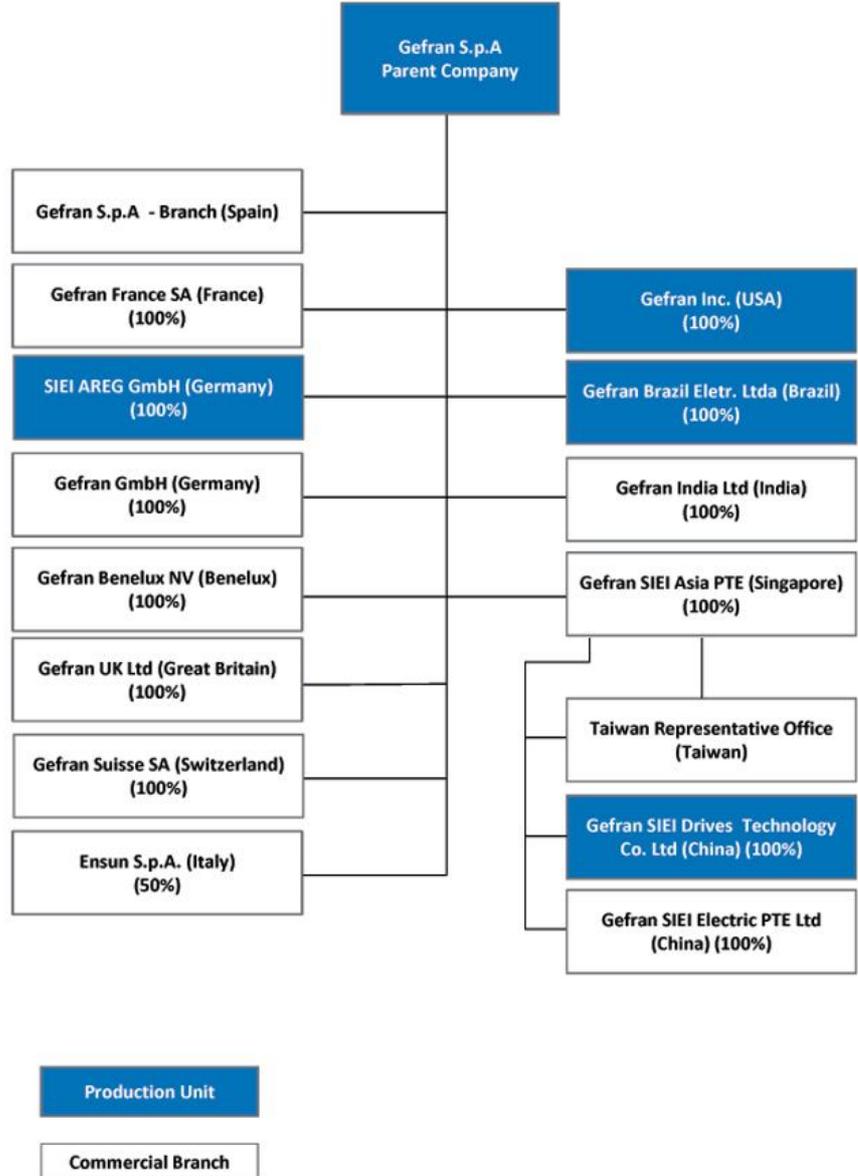
**Table: SWOT analysis**

Strengths	Weaknesses
- Technology and commercial worldwide leadership  - Strong customer orientation - Technological ownership of the principal steps of design and manufacturing	- Bigger competitors have more financial resources and cost advantages with suppliers - High level of working capital
Opportunities	Threats
- Innovation technology thanks to the collaboration with qualified European Universities and Research Centers	- Risk of changes in currency exchange rates

Sources: Private Broker.

## Company description

The group:



Sources: Gefran.

Gefran group is based in Italy, it employs more than 800 employees and it's present directly in 11 countries (Spain, France, Germany, Benelux, UK, Switzerland, Italy, India, Singapore, Taiwan, China) with a total of 6 production plants based in Italia, Germany, USA, Brazil and China.

The group's activity is divided into four main areas of business:

- Sensors (for measuring such variables as temperature, pressure, position, force and humidity).
- Components (automation for displaying and regulating process variables includes electronic microprocessor based controllers, indicators and power relays).
- Systems & Solution for Automation (design and develop turnkey solutions and supply machine manufacturers).
- Drive and Motion control (regulation CC and AC motors speeds).

Gefran revenues at December 31<sup>st</sup>, 2010 are represented for about 50% by drives and the remaining 50% is equally shared between sensors and automation components.

With regards to revenues, the most important market, at December 31<sup>st</sup>, 2010, was Italy (38%), followed by Asia (30%) and EU (17%); other countries represent only the 15% with the USA stopped at 6%.

The Group offers a full range of turn-key products and solutions in multiple sectors of industrial automation; 62% of turnover is realized abroad.

According to the Company guidelines, Gefran is going to put more emphasis on developing renewable energy business drives.

**Short history:**

- Gefran was founded in 60's and originally the activity was the assembly of electrical panels for extruders.
- During the 70's Gefran launched sensors with the aim of developing sensors for pressure, melt pressure, temperature and force.
- Starting from 80's Gefran Group is present in Germany, France, Switzerland, Benelux, Brazil, UK, Spain, China, India, Singapore, Taiwan, USA and other 47 countries through authorized distributors.
- In 1998, due to the resources obtained from the listing on Milan Stock Exchange, the Group acquired:
  - Industrial Sensors Inc., Boston (ISI): active in the field of instrumentation to measure the melt pressure in the extrusion;
  - Co.Re.Ci, Lyon (renamed Gefran France): active in the production of sensors and transmitters for measuring relative humidity.
- Since 2001 the Company is listed on the STAR segment.
- In 2003, following the acquisition of Siei, the Company integrated its range of products for industrial automation entering in the motion control business.
- In 2010 Gefran launched radius inverter in the PV market.

## GEFRAN business model and strategic positioning

Gefran is vertically integrated. The Company attends to the whole production process, from the R&D to the commercialization of its products.

The Company invests every year approximately 5% of its revenues in the R&D function. As a result, Gefran has always been able to introduce new products into the market.

The Company is technological leader in its market but it suffers from the bigger size of some competitors with more bankroll availability and competitive advantages resulting from greater economies of scale.

Gefran business and cultural model is based on the following characteristics:

**Innovation:** for Gefran, innovation is one of the essential components of its business model and one of its main strategic drivers. Through constant innovation, the Company has succeeded in achieving excellent results.

**Establishment in international market:** Gefran is directly present in 11 countries with 6 production plants and with more than 70 authorized distributors it has a global commercial network.

**Customer needs oriented approach:** the whole corporate structure, with over forty years of experience, is strongly oriented to customer needs.

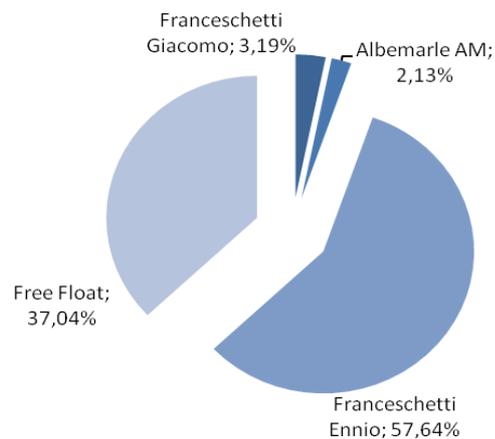
**Uniquely complete product line for industrial control:** the completeness of its product line allows customers to have Gefran as sole supplier for products to control production lines.

## Corporate profile

### Shareholders: concentrated.

The majority stake of the Company is held by Ennio Franceschetti (57.6%). The Company's free float represents 37% of the total outstanding shares.

### Chart: shareholders structure



Source: Consob

### Management: made mainly of family members.

Ennio Franceschetti is the founder of the Company and he is chairman since the foundation. His three sons, Maria Chiara, Giovanna and Andrea, are members of the BoD and have operating responsibilities. Alfredo Sala is Gefran's Chief Executive Officer.

### Disclosure: good.

The financial results and the STAR segment reporting are communicated in an effective way.

### Corporate governance: fair.

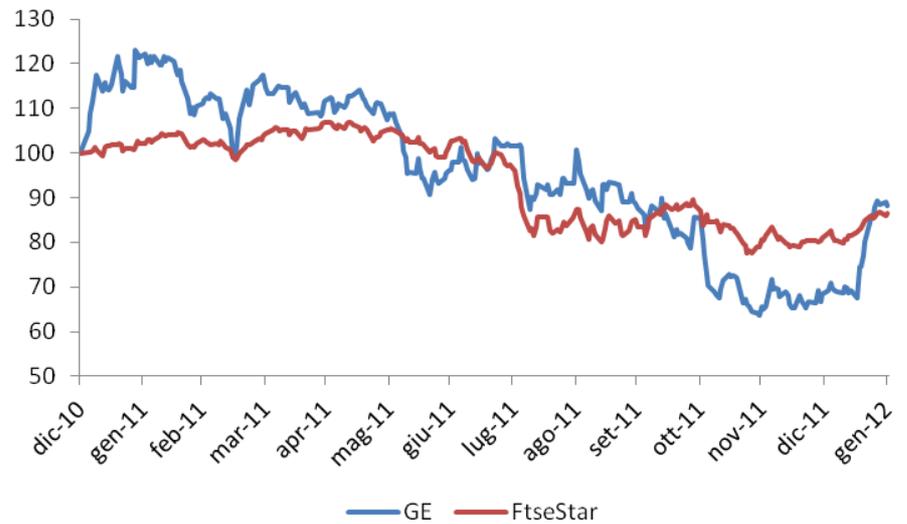
The Board of Directors is composed of 9 members. The chairman is Ennio Franceschetti, the CEO is Alfredo Sala, the Vice President is Romano Gallus (Independent Director). The overall compensation received by the members equaled 1.1 M€ for the fiscal year 2010.

### Auditors

BDO S.p.A. is the audit Company of GEFran's financial statements.

## Share Price

Chart: Gefran share price since 30<sup>th</sup>, December 2010



Source: Private Broker.

### Liquidity: sufficient but it can be improved.

Since 1998 the Company has been listed on the Milan Stock Exchange and in 2001 it was admitted into the STAR segment.

The average daily trading volume over the last 3 months is equal to 10.4k shares; as a result in a year 18% of the capitalization will be exchanged.

## Last results (3Q10/11)

M€	3Q'11	3Q'10	% var	9M'11	9M'10	% var
<b>Revenues</b>	36.3	33.6	8.1%	101.7	88.7	14.6%
EBITDA	5.8	5.8	0.6%	14.0	13.0	7.9%
<i>EBITDA margin</i>	16.1%	17.3%		13.7%	14.6%	
<b>EBIT</b>	4.3	4.4	-1.7%	9.4	8.3	13.7%
<i>EBIT margin</i>	11.9%	13.1%		9.3%	9.3%	
<b>EBT</b>	4.2	4.3	-3.8%	8.2	9.0	-9.1%
<i>EBT margin</i>	11.5%	12.9%		8.1%	10.2%	
<b>RN</b>	3.1	3.1	0.2%	5.7	5.6	2.4%
<i>EBIT margin</i>	8.6%	9.3%		5.6%	6.3%	

M€	30/09/2011	30/09/2010	% var
Tangible Fixed Assets	44.4	40.5	9.8%
Intangible Fixed Assets	11.3	11.0	2.9%
Other Non-current Assets	9.0	10.2	-12.3%
<b>Total Fixed Assets</b>	<b>64.7</b>	<b>61.7</b>	4.9%
Stock	34.0	29.1	16.8%
Receivables	45.7	36.5	25.1%
Payables	-18.9	-20.0	-5.5%
Other current receivables/(payables)	-11.2	-11.6	-3.7%
<b>Net Working Capital</b>	<b>49.6</b>	<b>34.0</b>	<b>45.8%</b>
<b>Total Capital Employed</b>	<b>114.3</b>	<b>95.7</b>	<b>19.4%</b>
Shareholder Equity	72.5	65.4	10.8%
Other debts	8.3	8.4	-1.1%
Net Financial Position	33.5	21.8	53.4%
<b>Total Capital Invested</b>	<b>114.3</b>	<b>95.7</b>	<b>19.4%</b>

During the last 12 months Piana Engineering S.r.l. went out from the consolidation perimeter due to the ending of liquidation procedures on December 30<sup>th</sup>, 2010.

During the nine months ended September 30<sup>th</sup>, 2011, revenues increased by 14.6% yoy over the previous period and amounted to 101.7 M€.

The breakdown of revenues by business segments shows a high increase in sales of drives, a rise of 22.8%, especially due to increased sales of the Radius photovoltaic product amounting to 11.5 M€ compared with 5.7 M€. Sensors increased by 10.2% and automation components by 0.5%, compared with the first nine months of 2010.

Gefran revenues increased in all geographic areas. Compared with 2010 data, the markets with the highest growth rate are Europe (24.9%), Italy (18.5%) and North America (19.6%). There were smaller increases in South America (3.2%) and Asia (2.0%). The latter was limited by the lack of power semiconductors, which restricted output at Shanghai facilities.

The net result at September 30<sup>th</sup>, 2011 was positive (5,7 M€), it increased by 2.4% yoy.

The net financial position was negative (debt) for 33.5 M€ (21.8 M€ at September 30<sup>th</sup>, 2010). The rise in debt compared to the end of 2010 is mainly due to funding provided to raise net working capital as well as investments made in the period.

In the first nine months of 2011 Gefran realized investments for 9.1 M€ (4.2 M€ during the same period of 2010). Most of these investments were assigned to improve Italian Group production plants and equipment facilities. In particular, investments were made for new production machinery and to renovate industrial buildings in Provaglio (about 2.5 M€, including relocation of technological units for sensor production and a photovoltaic plant for energy generation) and in Gerenzano (about 1.8 M€ including a new building). The research costs capitalized amount to 1.8 M€.

M€	3Q11	3Q10	% Var	9M11	9M10	% Var
Automation components	7.8	9.1	-13.7%	24.3	24.2	0.5%
Sensors	8.2	9.2	-11.1%	27.9	25.3	10.2%
Drives	21.4	17.3	23.8%	52.4	42.7	22.8%
<i>Inter-segment revenues</i>	-1.2	-2.0	42.1%	-2.9	-3.5	15.9%
Total	36.3	33.6		101.7	88.7	

M€	3Q11	3Q10	% Var	9M11	9M10	% Var
Italy	14.4	12.8	12.9%	36.5	30.8	18.5%
EU	6.5	5.8	13.0%	20.3	16.3	24.9%
Extra EU	1.3	1.2	5.7%	4.2	3.5	22.3%
North America	2.4	2.5	-3.8%	7.2	6.0	19.6%
South America	1.4	1.5	-6.6%	4.4	4.3	3.2%
Asia	9.8	9.7	1.5%	28.0	27.5	2.0%
Rest of the world	0.4	0.1	238.3%	0.9	0.4	151.8%
Total	36.3	33.6		101.7	88.7	

## Valuation

The model we use to value Gefran, a 7-year DCF with detailed estimates for the period 2012-2014, returns a equity value per share of 4.63 €.

We considered the fiscal year 2011 pre-actual and we estimated it on the basis of the 3Q11 results and the press release published by the Company: the turnover has increased 7% yoy to 139 M€ thanks to the excellent performance of the German and Indian subsidiaries and the Chinese market. The pre-actual EBIT margin is equal to 8.5% of revenues 2011.

We made the following assumptions:

- Sales for sensors and automations components will growth by 1% in FY'12. During the FY'13 we foresee a growth of 3% for sensors and 3.5% for the automations components. For the drives business we foresee a moderate revenues growth in the 2012 and an acceleration in the 2013.
- The net operating margin will be positive and equal to 8.6% of revenues in the FY'12. It will increase up during the subsequent years and in the long term we set it equal to 8% of revenues.
- The capex will be equal to 12 M€ in the current year and it will decrease during the 2012 and 2013. In the long term we foresee a capex level equal to 6.5% of revenues.
- The economic conditions will impact on FY'11 and FY'12 working capital, we expect it equal to 35%of sales; during the next years the ratio will decrease and in the long period we will set it equal to 30% of revenues.
- The net financial position will get worse in FY'11 because of the capex increase and the consequent negative value of the free cash flow but starting from 2012 the free cash flow will become positive and we will foresee an improvement in the net financial position level.

Discounted Cash Flow	FY12	FY13	FY14	FY15	FY16	FY17	FY18-TV
<b>Sales</b>	<b>141.2</b>	<b>147.3</b>	<b>151.5</b>	<b>153.0</b>	<b>154.5</b>	<b>156.1</b>	<b>157.6</b>
<i>Sales growth</i>	1.6%	4.3%	2.9%	1.0%	1.0%	1.0%	1.0%
<b>EBIT</b>	<b>12.1</b>	<b>12.7</b>	<b>13.7</b>	<b>11.5</b>	<b>11.6</b>	<b>12.5</b>	<b>12.6</b>
<i>Margin</i>	8.6%	8.6%	9.0%	7.5%	7.5%	8.0%	8.0%
<b>Taxes</b>	<b>-4.0</b>	<b>-4.2</b>	<b>-4.5</b>	<b>-3.8</b>	<b>-3.8</b>	<b>-4.1</b>	<b>-4.2</b>
<i>Tax rate</i>	-33.0%	-33.0%	-33.0%	-33.0%	-33.0%	-33.0%	-33.0%
<b>NOPAT</b>	<b>8.1</b>	<b>8.5</b>	<b>9.2</b>	<b>7.7</b>	<b>7.8</b>	<b>8.4</b>	<b>8.4</b>
<b>Depreciation</b>	<b>6.5</b>	<b>6.5</b>	<b>6.5</b>	<b>9.9</b>	<b>10.0</b>	<b>10.1</b>	<b>10.2</b>
<i>% of sales</i>	4.6%	4.4%	6.5%	6.5%	6.5%	6.5%	6.5%
<b>Capex</b>	<b>-9.5</b>	<b>-9.5</b>	<b>-9.5</b>	<b>-9.9</b>	<b>-10.0</b>	<b>-10.1</b>	<b>-10.2</b>
<i>% of sales</i>	-6.7%	-6.5%	-6.3%	-6.5%	-6.5%	-6.5%	-6.5%
Var. Working Capital	-0.8	0.8	0.1	1.0	1.1	-0.5	-0.5
<b>Free Cash Flow</b>	<b>4.4</b>	<b>6.3</b>	<b>6.3</b>	<b>8.7</b>	<b>8.8</b>	<b>7.9</b>	<b>8.0</b>
PV of FCF	4.0	5.4	5.0	6.4	6.0	5.0	4.7

<b>Enterprise Value (€M)</b>	<b>99.0</b>
<b>of which TV actualized (€M)</b>	<b>67.1</b>
Net Debt (FY2011) (€M)	27.0
Minorities (€M)	0
Pensions (i.e. TFR; €M)	5.3
Equity value (€M)	66.7
Number of Shares (M)	14.4
<b>Equity value per share (€)</b>	<b>4.63</b>
<b>Upside</b>	<b>27%</b>

Risk free rate	4.0%
Market premium	5.0%
<b>Unlevered Beta</b>	<b>1.1</b>
Ke : cost of equity	9.5%
Kd : cost of debt	6.5%
Tax rate	33.0%
Cost of debt after tax	4.4%
Market cap	52.6
Net debt with pension	32.3
Debt / EV	30.0%
<b>WACC</b>	<b>8.0%</b>
<b>g</b>	<b>1%</b>

Sensitivity analysis		Long-term growth rate						
		-0.5%	0.0%	0.5%	1.0%	1.5%	2.0%	2.5%
WACC	6.5%	5.2	5.6	6.1	6.6	7.3	8.1	9.1
	7.0%	4.7	5.0	5.4	5.9	6.4	7.0	7.8
	7.5%	4.2	4.5	4.8	5.2	5.6	6.1	6.8
	<b>8.0%</b>	3.8	4.0	4.3	<b>4.63</b>	5.0	5.4	5.9
	8.5%	3.4	3.6	3.9	4.1	4.4	4.8	5.2
	9.0%	3.1	3.3	3.5	3.7	4.0	4.3	4.6
	9.5%	2.8	3.0	3.2	3.3	3.6	3.8	4.1

## Questions and Answers

### **Q: Does the business have high capital intensity?**

A: Yes, it is. Net tangible fixed assets in FY10 amounted to 40.4 M€, they represent 71% of total fixed assets. They are composed of industrial plant, machineries and equipments.

### **Q: Does the future growth require high capital expenditures?**

A: No, it doesn't. This year the capital expenditures were significant because the Company has improved the Italian Group production plants and equipment facilities. In particular, investments were made for new production machinery and to renovate industrial buildings in Provaglio and in Gerenzano. During the FY12 the capex should be reduced to 9.5 M€ and the maintenance level on the long period will be around 6.5%.

### **Q: What is the working capital composition?**

A: The incidence of the working capital on sales is on average around 32%. The FY10 was signed by a strong improvement of the inventories from 16.9 M€ to 31.0 M€; the trade receivables improvement from 25.1 M€ to 43.2 M€ (equal to 33.3% of revenues) was originated by the strong growth of the sales between 2009 and 2010 (48%). For the same reason the trade payables growth from 14.9 M€ to 25.4 M€ equal to 19.6% of revenues.

### **Q: Is the financial structure healthy?**

A: Yes, it is. At the end of 2010 the Net Debt/EBITDA ratio was 1.1x and during this year the ratio got worse but we expect an improvement starting from 2012 thanks to the cash flow generation and the reduction of capital expenditures.

### **Q: The profitability of the business is adequate?**

A: Yes, it is. The level of Ebitda margin (16.4% for the FY10) is good for the business. During the previous years, in the period 2004-2008, that margin was around 10% and in the FY09 Ebitda was negative. For the following years we foresee a little decrease in the Ebitda margin (13.2% FY11 and FY12). The same considerations are also applicable for the Ebit margin and about it we forecast on the long period a value equal to 8%.

### **Q: Are there any off-balance risks?**

A: No, there aren't.

### **Q: Are there any write off risks?**

A: No, there aren't.

## FINANCIALS

Income statement (€M)	11 Pre Act	12E	13E	14E
<b>Sales</b>	<b>139.0</b>	<b>141.2</b>	<b>147.3</b>	<b>151.5</b>
COGS	-69.5	-70.6	-73.6	-75.7
Gross Profit	69.5	70.6	73.6	75.7
<b>EBITDA</b>	<b>18.3</b>	<b>18.6</b>	<b>19.2</b>	<b>20.2</b>
Depreciation, Amortization	-6.5	-6.5	-6.5	-6.5
<b>EBIT</b>	<b>11.8</b>	<b>12.1</b>	<b>12.7</b>	<b>13.7</b>
Net Financial Results	-0.9	-1.3	-1.3	-1.2
Income tax	-3.9	-4.0	-4.2	-4.5
<b>Net result</b>	<b>7.0</b>	<b>6.8</b>	<b>7.2</b>	<b>8.0</b>
<b>EPS (€)</b>	<b>0.48</b>	<b>0.47</b>	<b>0.50</b>	<b>0.56</b>
<b>DPS (€)</b>	<b>0.15</b>	<b>0.14</b>	<b>0.15</b>	<b>0.17</b>

Margin (%)	11 Pre Act	12E	13E	14E
Gross Margin	50.0%	50.0%	50.0%	50.0%
EBITDA Margin	13.2%	13.2%	13.0%	13.3%
EBIT Margin	8.5%	8.6%	8.6%	9.0%
Net Margin	5.0%	4.8%	4.9%	5.3%

Growth (%)	11 Pre Act	12E	13E	14E
Sales growth	7.1%	1.6%	4.3%	2.9%
EBITDA growth	-14.2%	1.8%	3.2%	5.0%
EBIT growth	-21.4%	2.7%	5.0%	7.6%
Net growth	-25.2%	-2.8%	6.7%	10.9%

Cash Flow statement (€M)	11 Pre Act	12E	13E	14E
Cash Flow	13.5	13.3	13.7	14.5
+/- Var. Working Capital	-7.6	-0.8	0.8	0.1
<b>Operating Cash Flow</b>	<b>5.8</b>	<b>12.5</b>	<b>14.5</b>	<b>14.6</b>
Op. Cash Flow / Sales	4.2%	8.9%	9.9%	9.7%
Capex	-12.0	-9.5	-9.5	-9.5
<b>FCF</b>	<b>-6.2</b>	<b>3.0</b>	<b>5.0</b>	<b>5.1</b>
FCF / Sales	-4.4%	2.1%	3.4%	3.4%

Stock data	11 Pre Act	12E	13E	14E
Number of Shares (M)	14.4	14.4	14.4	14.4
Avg share price over LTM (€)	2.25	3.65	3.65	3.65
<b>Market cap (€M)</b>	<b>32.4</b>	<b>52.6</b>	<b>52.6</b>	<b>52.6</b>

Balance sheet (€M)	11 Pre Act	12E	13E	14E
LONG LIVED ASSETS	62.7	65.7	68.7	71.7
WC	48.6	49.4	48.6	48.5
<b>CAPITAL EMPLOYED</b>	<b>111.4</b>	<b>115.2</b>	<b>117.3</b>	<b>120.2</b>
EQUITY	74.2	78.9	84.0	89.6
MINORITY INTEREST	0.0	0.0	0.0	0.0
PROVISIONS	4.9	4.9	4.9	4.9
PENSIONS (e.g. TFR)	5.3	5.3	5.3	5.3
NET DEBT	27.0	26.0	23.2	20.4
<b>CAPITAL INVESTED</b>	<b>111.4</b>	<b>115.2</b>	<b>117.3</b>	<b>120.2</b>

Ratios	11 Pre Act	12E	13E	14E
<b>ROCE after tax</b>	<b>6.7%</b>	<b>6.6%</b>	<b>6.8%</b>	<b>7.1%</b>
ROE	9.4%	8.6%	8.6%	8.9%
<b>Capital Turnover</b>	<b>1.3</b>	<b>1.3</b>	<b>1.3</b>	<b>1.3</b>
<b>Net Debt / EBITDA</b>	<b>1.8</b>	<b>1.7</b>	<b>1.5</b>	<b>1.3</b>
Gearing	43.6%	39.7%	33.9%	28.8%
<b>WC / Sales</b>	<b>35.0%</b>	<b>35.0%</b>	<b>33.0%</b>	<b>32.0%</b>
Amortization / Sales	4.7%	4.6%	4.4%	4.3%
<b>Capex / Sales</b>	<b>8.6%</b>	<b>6.7%</b>	<b>6.5%</b>	<b>6.3%</b>

Valuation	11 Pre Act	12E	13E	14E
<b>EV/Sales</b>	<b>0.47</b>	<b>0.47</b>	<b>0.59</b>	<b>0.55</b>
<b>EV/EBITDA</b>	<b>3.5</b>	<b>4.5</b>	<b>4.2</b>	<b>3.9</b>
EV/EBIT	5.5	6.9	6.4	5.7
<b>P/E</b>	<b>4.7</b>	<b>7.8</b>	<b>7.3</b>	<b>6.6</b>
P/B	0.44	0.67	0.63	0.59
<b>EV/CE</b>	<b>0.61</b>	<b>0.76</b>	<b>0.72</b>	<b>0.68</b>
P/FCF	n.m.	17.5	10.5	10.3
<b>FCF Yield</b>	<b>-19.0%</b>	<b>5.7%</b>	<b>9.6%</b>	<b>9.7%</b>
<b>Dividend yield</b>	<b>6.4%</b>	<b>3.9%</b>	<b>4.1%</b>	<b>4.6%</b>

See Legend for all definitions  
Sources: Company data, Private Broker estimates

## LEGEND

EV or Enterprise Value = Market capitalization + Net Debt + Pension (i.e. TFR)

CE or Capital Employed = Fixed Assets + Working Capital

Fixed Assets = Tangible + Intangible + Financial assets

WC or Working Capital = Stocks + Trade Accounts Receivables + Other current assets + Deferred and prepayment – Trade Accounts Payables - Other current liabilities - Deferred and prepayment

Net Debt = Interest Bearing Liabilities – Cash – Securities

IC or Invested Capital = Shareholders' Equity + Minorities + Net Debt + Pension (i.e. TFR)

DA = depreciation and amortization

CF or cash flow = net result + depreciation and amortization

FCF = free cash flow

NOPAT = net operating profit after tax

COGS = cost of goods sold

Gross Profit Margin = net sales – cost of goods sold

EBITDA = Earning before interests, taxes, depreciation and amortization

EBIT = Earning before interests, taxes

ROCE = return on capital employed after tax

ROE = return on equity

ROA = return on assets

Capital Turnover = Sales / Capital Employed

Gearing = Net Debt / Shareholders' equity

PE = price to earnings

PB = price to book

FCF yield = FCF / market capitalization

EPS = Earnings per share (fully diluted)

DPS = dividend per share (fully diluted)

Risk free rate = 10 years Italian Government Bond (e.g. BTP)

Unlevered Beta = Beta / [ 1 + ( 1 – t ) ( D / E ) ]

WACC =  $K_e * E / EV + K_d ( 1 - t ) * D / EV$

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### Valuation methodology

Company valuations are based on the following valuation methods: discounted cash flow method (DCF), asset-based evaluation method and multiples-based models (for examples PE, P/BV, PCF, EV/Sales, EV/EBITDA, EV/EBIT etc.). The financial analyst chooses the valuation method that prefers.