

# MeglioQuesto

Sector: Customer Experience Management (CXM)



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## Double digit growth at both top and bottom line

MeglioQuesto (MQ) is a leading domestic player in outsourced omnichannel customer interaction / experience (CX) business, across several industries ranging from telco to financial services, from retail & e-Commerce to healthcare sector.

### 1H21: €28.4mn Revenues and 16.1% EBITDA Margin

1H21 interim figures are in line with our 1H21 and full-year expectations, with high-double digit increase at both top- and bottom-line. We underline: (i) Revenues at €28.4mn, +71.4% y/y, mostly driven by the organic growth of both Customer Acquisition and Customer Management business lines, together with the full integration of AQR (acquired back in May'20), (ii) EBITDA margin at 16.1%, higher by +242 bps y/y thanks to the revenue shift towards digitally enabled solutions, the increasing focus on value-added verticals (finance and insurance), and further costs optimizations, and lastly (iii) post-Money Net Debt at €1.4mn, up from €17.4mn as of 2020-year end, entirely due to €16.1mn IPO proceeds.

### 2021E-23E estimates broadly unchanged

We expect management to keep pushing on acceleration and diversification, with the aim of increasing the digitalization of CX activities and address new market shares in more profitable verticals. Positive cash position and good FCF generation should support external growth, too.

For the time being we are not revising our 2021E onwards P&L estimates, fully supported by interim results, also considering the historical seasonality of MQ business, with 1H accounting for ~40% of full year turnover and 2H accounting for the remaining 60%. At the same time, we are fine-tuning our 2021E-23E estimates at Cash Flow Statement to include in our model (i) €1.3mn IPO fees paid to banks (ii) €2mn non-monetary items for retained losses almost offset by (iii) a better than expected WC management. That said we expect MQ to keep growing at double-digit pace and maintain its outstanding financial profile: 1) Top line and EBITDA up at 19% and 35% 2020PF-23E CAGR; 2) EBITDA margin in excess of 19% by 2023E; 3) €18mn FCF leading Net Cash Position at ca. €17mn by 2023E.

### Fair value confirmed at €4.60 per share

We confirm our **€4.60 fair Equity Value per share**, implying 14.6x EV/EBITDA, 18.3x EV/EBIT and 30.9x P/E 2022E. Our fair value does not take into account (i) any dilution from outstanding warrants and bonus shares, and (ii) any value creation deriving from possible M&A deals.

<b>Fair Value (€)</b>	<b>4.60</b>
<b>Market Price (€)</b>	<b>4.06</b>
<b>Market Cap. (€m)</b>	<b>212.4</b>

KEY FINANCIALS (€mn)	2020PF	2021E	2022E
TOTAL REVENUES (VoP)	55.8	68.7	85.6
EBITDA ADJ.	8.5	11.8	15.9
EBIT	5.4	9.5	12.7
NET PROFIT	2.2	5.4	7.8
ADJ. NET PROFIT	3.6	5.4	7.8
OpFCF a.t.	-5.2	6.8	7.4
EQUITY	6.8	26.3	34.1
NET FIN. POSITION	-17.4	1.9	8.2

Source: MeglioQuesto (historical figures), Value Track (2021E-22E estimates)

KEY RATIOS	2020PF	2021E	2022E
EBITDA MARGIN (%)	15.3	17.2	18.6
EBIT MARGIN (%)	11.6	13.7	14.8
NET DEBT / EBITDA (x)	2.4	nm	nm
NET DEBT / EQUITY (%)	2.5	nm	nm
EV/SALES (x)	4.2	3.1	2.4
EV/EBITDA (x)	nm	18.1	13.0
EV/EBITDA (x)	nm	22.6	16.3
P/E (x)	nm	40.1	27.7

Source: MeglioQuesto (historical figures), Value Track (2021E-22E estimates)

### STOCK DATA

FAIR VALUE (€)	4.60
MARKET PRICE (€)	4.06
SHS. OUT. (m)	52.3
MARKET CAP. (€m)	212.4
FREE FLOAT (%)	23.5
AVG. -20D VOL. (#)	91,697
RIC / BBG	1CALL.MI / 1CALL.IM
52 WK RANGE	2.13-4.13

Source: Stock Market Data

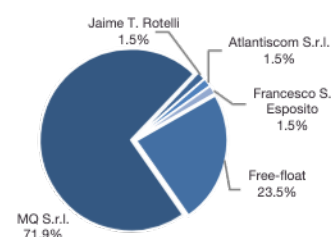
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## Business Description

MeglioQuesto ("MQ") is a leading domestic player in outsourced omnichannel customer experience (CX) business, across several industries ranging from telco to financial services, from retail & e-Commerce to healthcare sector. MQ provides two types of outsourced CX services: 1) Customer Acquisition (CA), i.e. convert leads into contracts; 2) Customer Management (CM), i.e. retain as long as possible acquired customers. MQ engages consumers at every touch point in the consumer lifecycle, deployed on three integrated channels: voice, digital and human.

## Shareholders Structure



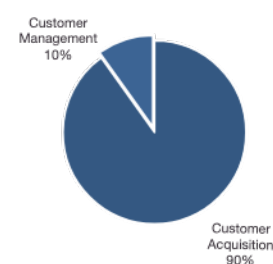
Source: MeglioQuesto SpA

## Key Financials

€mn	2020A	2021E	2022E	2023E
<b>Total Revenues</b>	<b>55.8</b>	<b>68.7</b>	<b>85.6</b>	<b>94.6</b>
Chg. % YoY	5.0%	23.3%	24.6%	10.5%
<b>EBITDA</b>	<b>7.4</b>	<b>11.8</b>	<b>15.9</b>	<b>18.3</b>
EBITDA Margin (%)	13.2%	17.2%	18.6%	19.3%
<b>EBIT</b>	<b>4.9</b>	<b>9.5</b>	<b>12.7</b>	<b>14.1</b>
EBIT Margin (%)	8.7%	13.7%	14.8%	14.9%
<b>Net Profit</b>	<b>2.2</b>	<b>5.4</b>	<b>7.8</b>	<b>8.8</b>
Chg. % YoY	45.6%	nm	44.8%	13.3%
<b>Adjusted Net Profit</b>	<b>3.3</b>	<b>5.4</b>	<b>7.8</b>	<b>8.8</b>
Chg. % YoY	35.3%	61.8%	44.8%	13.3%
<b>Net Fin. Position</b>	<b>-17.4</b>	<b>1.9</b>	<b>8.2</b>	<b>17.1</b>
Net Fin. Pos. / EBITDA (x)	2.4	nm	nm	nm
Capex	-2.7	-2.7	-3.5	-3.4
<b>OpFCF b.t.</b>	<b>-3.8</b>	<b>9.3</b>	<b>11.2</b>	<b>14.2</b>
OpFCF b.t. as % of EBITDA	<0	79.0%	70.2%	77.6%

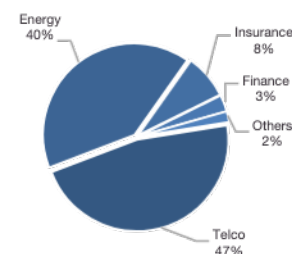
Source: MeglioQuesto SpA (historical figures), Value Track (estimates)

## 1H21 Revenues by business line



Source: MeglioQuesto SpA

## 1H21 Revenues by sector



Source: MeglioQuesto SpA

## Investment case

### Strengths / Opportunities

- ◆ Increasing trend towards digitalization of CXM activities (virtual assistants / chatbot / NLP / remote-cloud contact center)
- ◆ Higher outsource penetration rate across several industries;
- ◆ Important M&A skills and strong partnerships with Tier 1 clients.

### Weaknesses / Risks

- ◆ Regulatory scenario about the authorization and transfer of third parties' data (Do Not Call Registry);
- ◆ Competition in low-end segments of Italian outsourced CXM market;
- ◆ Dependency on few very important clients.

## Stock multiples @ €x.xx Fair Value

	2021E	2022E
EV / SALES (x)	3.5	2.7
EV / EBITDA (x)	20.2	14.6
EV / EBIT (x)	25.3	18.3
EV / CAP.EMP. (x)	9.8	9.0
OpFCF Yield (%)	3.9	4.8
P / E (x)	44.8	30.9
P / BV (x)	9.2	7.1
Div. Yield. (%)	0.0	0.0

Source: Value Track

## 1H21 Interim results in line with expectations

MeglioQuesto 1H21 results are in line with our 1H21 preview and full-years expectations – released back in our Initiation of Coverage – with all financial figures growing at high double-digit pace, however y/y comparison should be managed carefully, as 1H20 financials include the consolidation of AQR (acquired back in May'20) for less than one month.

Key messages of 1H21 financial results are as follows:

- ◆ Total Revenues at €28.4mn, +71% y/y with a positive contribution from both customer acquisition and management business lines;
- ◆ Increasing EBITDA margin thanks to the introduction of the digital communication channel, higher diversification and some cost efficiencies at corporate level;
- ◆ Net Debt substantially at breakeven (€1.4mn), clearly benefitting from IPO proceeds.

### MeglioQuesto: 1H21 Key Financial Items

(€mn)	1H20	1H21	Δ y/y (%)	1H21E
<b>Total Revenues (i.e. VoP)</b>	<b>16.6</b>	<b>28.4</b>	<b>71.4%</b>	<b>28.7</b>
<b>EBITDA</b>	<b>2.3</b>	<b>4.6</b>	<b>101.8%</b>	<b>4.9</b>
<b>EBITDA Margin (%)</b>	<b>13.7%</b>	<b>16.1%</b>	<b>242bps</b>	<b>17.0%</b>
EBIT	1.7	3.3	97.0%	n.a.
Net Fin. Position [Cash (+)]	-17.4	-1.4	--	>0

Source: MeglioQuesto, Value Track analysis

### Total Revenues at €28.4mn (€16.6mn in 1H20)

Total Revenues 1H21 stood at €28.4mn, +71.4% y/y if compared to €16.6mn achieved in the first half of 2020, mostly driven by:

- ◆ Organic growth of both Customer Acquisition and Customer Management components;
- ◆ Increasing market penetration in new verticals, such as Finance and Insurance;
- ◆ The rising trend towards digitally-enabled solutions for the inbound and outbound contact center activities;
- ◆ Full integration of AQR (acquired and consolidated in May 20), a customer interaction company, operating in the digital channel. In FY20, AQR reported a €22.5mn total turnover, and €2.1mn EBITDA.

Focusing on the various business lines, we note that Customer Acquisition (CA) is lowering its share on total Sales at ca. 90% (94% in 2020PF), while Customer Management (CM) activities are now at 10% of total (6% in 2020PF). In details:

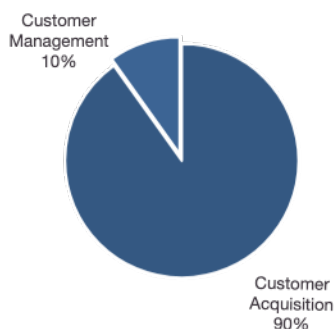
- ◆ (CA) achieved €24.6mn (+56% y/y when compared to €15.8mn in 1H20), likely due to a further increase in revenue from Tiers 1 clients;
- ◆ (CM) recorded revenues for roughly €2.7mn, better than €0.5mn recorded in 1H20, likely due to the acquisition of new important clients, and to increasing revenue from Iliad.

From a client sector point of view, Telco proved to be the main reference industry, with a 46.7% weight on total sales – almost flat if compared to 2020 PF (45.9% share) – followed by Energy and Utilities at

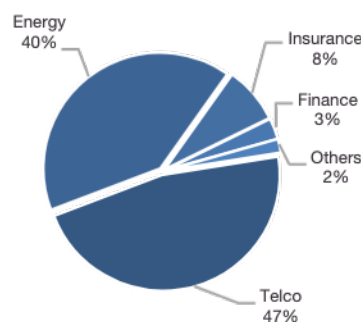
40.6% of sales (lower than 45.9% share in 2020PF), clearly offset by a sizeable increase from Insurance and Finance, at 7.9% and 2.9% respectively (5.3% and 1.7% in 2020PF).

### MeglioQuesto: 1H21 Revenue from Sales by Business line and Sector

1H21 – Sales by Business line (%)



1H21 – Sales by Sector (%)



Source: Market Consensus, Value Track Analysis

### Profitability margins up thanks to costs optimization and digital customer experience

The company experienced a significant increase in profitability for the second semester in a row, with EBITDA at €4.6mn (doubled y/y) corresponding to 16.1% EBITDA Margin (i.e. +242 bps y/y). as an effect of:

- ◆ Revenues shift towards digitally-enabled solutions for both inbound and outbound contact center activities, by nature featured by higher margins than voice and human alternatives;
- ◆ Increasing focus on value-added verticals such as Finance and Insurance;
- ◆ Some cost optimizations, arising from the full integration of AQR, and a parallel reduction of other variable costs.

If adjusted for non-recurring items (i.e. roughly €0.2mn extraordinary costs, net of non-recurring income), Adj. EBITDA came in at €4.7mn, with Margin at 16.6%.

Below the EBITDA line, we note:

- ◆ higher D&A charges (incl. provisions) at €1.3mn (€0.4mn IFRS16 related);
- ◆ higher financial expenses, inflated by River Rock bridge financing at €0.8mn;
- ◆ €1mn tax charge;

thus leading to €1.5mn Net Profit, almost double y/y (€0.7mn in 1H20).

### Post-Money Net Debt at €1.4mn (€17.7mn as of March'21)

The consolidated Net Debt Position as of 30 June 2021 amounts to €1.4mn, lower than €17.4mn as of 2020-year end, entirely due to €16.1mn IPO proceeds, translating in a close to zero FCF to equity, burdened from some non-monetary items linked to retained losses.

On the Capital Employed side, Net Fixed Assets and Net Working Capital were basically unchanged if compared to Dec'20 and March'21, highlighting a Total Capital Employed close to €23mn.



**MeglioQuesto: Profit & Loss Statement (1H20-1H21)**

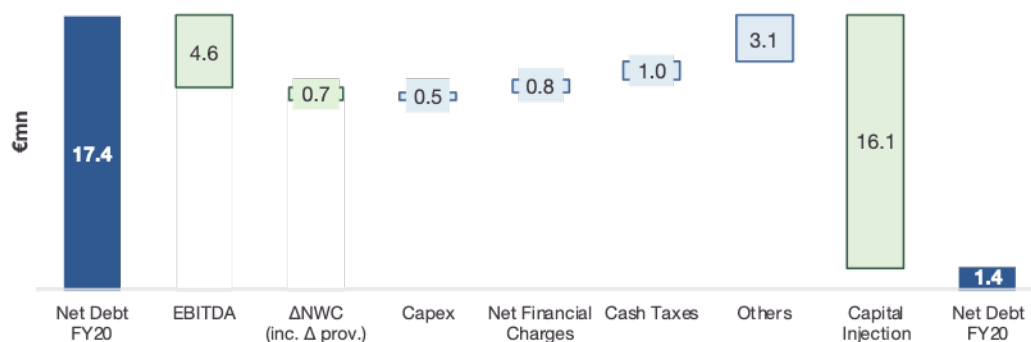
(€mn)	1H20	1H21	Δ YoY (%)
<b>Revenue from Sales</b>	<b>16.3</b>	<b>27.4</b>	<b>68.3%</b>
Other Revenues	0.3	1.0	
<b>Total Revenues</b>	<b>16.6</b>	<b>28.4</b>	<b>71.4%</b>
Raw Materials	-1.4	-1.6	
Services	-9.9	-16.6	
Labour	-2.0	-3.9	
Other Op. Costs	-0.9	-1.7	
<b>EBITDA</b>	<b>2.3</b>	<b>4.6</b>	<b>101.8%</b>
D&A	-0.6	-1.3	
<b>EBIT</b>	<b>1.7</b>	<b>3.3</b>	<b>97.0%</b>
Interest expenses / income	-0.4	-0.8	
Taxes	-0.5	-1.0	
<b>Net Profit</b>	<b>0.7</b>	<b>1.5</b>	<b>99.4%</b>

Source: MeglioQuesto, Value Track analysis

**MeglioQuesto: Balance Sheet (FY20-1Q21-1H21)**

€ mn	FY20	1Q21	1H21
Op. Working Capital	6.8	6.9	8.6
Other Current Assets (Liabilities)	3.0	2.1	0.7
Net Working Capital	9.7	9.0	9.3
Net Fixed assets	15.4	15.2	14.9
Severance pay and other funds	1.0	1.0	1.3
<b>Net Invested Capital</b>	<b>24.2</b>	<b>23.2</b>	<b>23.0</b>
<b>Group Net Equity</b>	<b>6.8</b>	<b>5.5</b>	<b>21.5</b>
<b>Net Fin. Position [Net debt (-) / Cash (+)]</b>	<b>-17.4</b>	<b>-17.7</b>	<b>-1.4</b>

Source: MeglioQuesto, Value Track Analysis

**MeglioQuesto: Bridge Cash Flow (2H20-1H21)**


Source: MeglioQuesto, Value Track Analysis

## Estimates Update

We are fine-tuning our 2021E estimates at Balance Sheet / Cash Flow Statement to include in our model:

- ◆ €1.3mn IPO fees, still not embedded in our previous estimate, resulting in a lower net capital injection at €16.1mn;
- ◆ €2mn non monetary item linked to the consolidation perimeter and related to past losses of AQR (adjusted with respect to 2020PF figure);
- ◆ A slightly better NWC management, clearly under management control during 1H.

As already seen in our Initiation of Coverage (released back as of September 7<sup>th</sup>), historically there is some seasonality in the business of MeglioQuesto with 1H accounting for roughly 40% of full year turnover and 2H accounting for the remaining 60%. That said, our estimates can be summarized as follows:

- ◆ **Revenues** expected to grow at ca. **19.2% CAGR<sub>20PF-23E</sub>**, up to €94.6mn in 2023E, with a higher-than-average growth of the digital channel and of the most promising verticals of the CXM market (Finance and Insurance). In terms of business line, we expect Customer Management business, to grow fourfold its share on total revenues from sales thanks to the new large clients (Iliad, Unipol, Verti) in higher margins niches with respect to the whole CM universe.

### MeglioQuesto: 2020PF-23E Revenue from Sales Breakdown

€mn	2020PF	2021E	2022E	2023E	2020PF-23E CAGR (%)
Customer Acquisition	50.8	57.0	68.3	72.8	12.7%
Customer Management	3.2	11.4	17.0	21.3	88.3%
<b>Revenue from Sales</b>	<b>54.0</b>	<b>68.4</b>	<b>85.2</b>	<b>94.1</b>	<b>19.2%</b>
Voice	43.7	55.9	68.5	71.0	17.5%
Digital	3.8	5.6	9.4	15.6	60.1%
Human	6.4	6.9	7.3	7.5	5.2%
<b>Revenue from Sales</b>	<b>54.0</b>	<b>68.4</b>	<b>85.2</b>	<b>94.1</b>	<b>19.2%</b>
Telco	24.8	30.1	36.0	40.6	17.9%
Energy	24.0	24.8	26.7	25.2	1.6%
Insurance	2.9	9.2	12.3	14.4	71.5%
Finance	0.9	2.6	8.2	11.6	132.7%
Others	1.4	1.8	1.9	2.3	17.1%
<b>Revenue from Sales</b>	<b>54.0</b>	<b>68.4</b>	<b>85.2</b>	<b>94.1</b>	<b>19.2%</b>

Source: MeglioQuesto (historical figures), Value Track Analysis (forecasts)

- ◆ **EBITDA margin at 19.3% in 2023E**, progressively growing y/y as the higher profitability of the digital channel should be only partially offset by the growing incidence of Customer Management business line;
- ◆ **EBIT at €14.1mn**, growing at a proportional 38% CAGR<sub>20PF-23E</sub> as a consequence of flat incidence of D&A expenses on sales, despite a significant cumulated investment plan involving ca. €9.5mn over the next 3 years, out of which the bulk devoted to fostering the online lead generation platform;
- ◆ **Net Cash Position to €17mn as of 2023E**, as result of roughly €18mn cumulated FCF in the projection period.

**MeglioQuesto: P&L 2020A-23E**

€mn	2020A	2021E	2022E	2023E
<b>Total Revenues</b>	<b>55.8</b>	<b>68.7</b>	<b>85.6</b>	<b>94.6</b>
COGS	-46.1	-54.2	-66.7	-73.2
Other Opex	-2.3	-2.7	-3.0	-3.1
<b>EBITDA</b>	<b>7.4</b>	<b>11.8</b>	<b>15.9</b>	<b>18.3</b>
EBITDA Margin (%)	13.2%	17.2%	18.6%	19.3%
Depreciation & Amortization	-2.0	-2.4	-3.2	-4.2
<b>EBIT</b>	<b>5.4</b>	<b>9.5</b>	<b>12.7</b>	<b>14.1</b>
EBIT Margin (%)	9.60%	13.7%	14.8%	14.9%
Net Fin. Charges	-1.2	-1.5	-1.2	-1.0
Non-Operating Items	-0.6	0.0	0.0	0.0
<b>Pre-tax Profit</b>	<b>3.6</b>	<b>8.0</b>	<b>11.5</b>	<b>13.1</b>
Taxes	-1.5	-2.6	-3.7	-4.2
<b>Reported Net Profit</b>	<b>2.2</b>	<b>5.4</b>	<b>7.8</b>	<b>8.8</b>

Source: MeglioQuesto (historical figures), Value Track (forecasts)

**MeglioQuesto: Balance Sheet 2020A-23E**

€mn	2020A	2021E	2022E	2023E
Op. Working Capital	8.1	8.8	10.4	11.6
Other Current Assets (Liabilities)	1.6	1.4	1.3	0.9
<b>Net Working Capital</b>	<b>9.7</b>	<b>10.1</b>	<b>11.7</b>	<b>12.6</b>
Net Fixed Assets	15.5	15.8	16.0	15.3
Provisions	1.0	1.6	1.9	2.1
<b>Total Capital Employed</b>	<b>24.2</b>	<b>24.3</b>	<b>25.9</b>	<b>25.8</b>
<b>Group Net Equity</b>	<b>6.8</b>	<b>26.3</b>	<b>34.1</b>	<b>42.9</b>
<b>Net Fin. Position [i.e. Net Debt (-) Cash (+)]</b>	<b>-17.4</b>	<b>1.9</b>	<b>8.2</b>	<b>17.1</b>

Source: MeglioQuesto (historical figures), Value Track (forecasts)

**MeglioQuesto: Cash Flow 2020A-23E**

€mn	2020A	2021E	2022E	2023E
<b>EBITDA</b>	<b>7.4</b>	<b>11.8</b>	<b>15.9</b>	<b>18.3</b>
Change in NWC	-8.7	-0.4	-1.6	-0.8
Capex	-2.7	-2.7	-3.5	-3.4
Change in Provisions	0.2	0.6	0.3	0.2
Cash Taxes	-1.5	-2.6	-3.7	-4.2
<b>OpFCF a.t.</b>	<b>-5.2</b>	<b>6.8</b>	<b>7.4</b>	<b>9.9</b>
Net Financial Charges	-1.2	-1.5	-1.2	-1.0
Others Sources/Uses (Equity Injection)	0.9	14.0	0.0	0.0
<b>Net Cash generated</b>	<b>-5.5</b>	<b>19.3</b>	<b>6.2</b>	<b>8.9</b>

Source: MeglioQuesto (historical figures), Value Track (forecasts)

## Unchanged Valuation at €4.60 per share

We confirm our **€4.60 fair Equity Value per share**, obtained by averaging market multiples of ITA selected players (EV/Sales and EV/EBIT 2022E-23E), and the current number of ordinary shares – i.e. net of potential dilutive effects coming from conversion of deep in-the money warrants, GeToCollect warrants and bonus shares. Our fair value would imply a 14.6x EV/EBITDA, 18.3x EV/EBIT and 30.9x P/E fair multiples 2022E.

Our calculation doesn't consider any potential dilutive effects coming from conversion of deep in-the money warrants, GeToCollect warrants and bonus shares. Such conversion is due to take place not before the end of 1H22, and in a theoretical fully dilution case would impact our fair-value by ca. 20%.

At the same time, our valuation does not include any upside from possible M&A, even though we do not rule out potential M&A transactions, to accelerate the consolidation process in the CMX market, also considering management track-record in finalize value enhancing deals.

*Please refer to our Initiation of Coverage released back a few weeks ago for further details on valuation.*

### MeglioQuesto: Valuation at fair multiples

(EV/Sales)	2022E	2023E	(EV/EBIT)	2022E	2023E
<b>Fair Multiple (x)</b>	<b>2.8x</b>	<b>2.4x</b>	<b>Fair Multiple (x)</b>	<b>18.5x</b>	<b>14.9x</b>
MQ Sales (€mn)	85.6	94.6	MQ EBIT (€mn)	12.7	14.1
Fair EV (€mn)	240.1	230.2	Fair EV (€mn)	235.1	210.0
Net Cash Pos (€mn)	8.2	17.1	Net Cash Pos (€mn)	8.2	17.1
Adj. To EV (€mn)	0.0	0.0	Adj. To EV (€mn)	0.0	0.0
<b>Fair Eq. Value (€mn)</b>	<b>248.3</b>	<b>247.3</b>	<b>Fair Eq. Value (€mn)</b>	<b>243.3</b>	<b>227.1</b>
Outstanding NOSH (mn)	52.3	52.3	Outstanding NOSH (mn)	52.3	52.3
<b>Fair Eq. Value (p/s) (€)</b>	<b>4.74</b>	<b>4.73</b>	<b>Fair Eq. Value (p/s) (€)</b>	<b>4.65</b>	<b>4.34</b>

Source: Value Track Analysis



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