

Company report

Buy (maintained)

28 November 2017 – 5:30 PM

 MARKET PRICE: **EUR9.79**

 TARGET PRICE: **EUR12.86** (from EUR10.39)

Energy Services
Data

Shares Outstanding (m):	3.8
Market Cap. (EURm):	37.6
Enterprise Value (EURm):	41.6
Free Float (%):	23.6%
Av. Daily Trad. Vol. (m):	0.05
Main Shareholder:	Bombacci family 71.2%
Reuters/Bloomberg:	ELIN.MI ELIN IM
52-Week Range (EUR)	4.1 9.8

Source: Factset, UbiBanca estimates

Performance

	1m	3m	12m
Absolute	5.3%	11.5%	138.8%
Rel. to FTSE IT	7.7%	9.1%	76.4%

Source: Factset

Graph area Absolute/Relative 12 M


Marco Cristofori
 Senior Analyst
marco.cristofori@ubibanca.it
 Tel. +39 02 62753015

Website: www.ubibanca.com/equity-research

Second upgrade on 2017 outlook

Yesterday, Eletttra Investimenti announced an upgrade to its 2017 outlook: sales are now expected to be EUR48.9 million (largely in line with previous guidance), EBITDA EUR11.2 million (23% above previous guidance), implying a 22.9% margin (18.7% expected previously), EBIT of EUR6.4 million and net debt of EUR3.9 million at year-end (vs. a previous projection of EUR0.2) due to the recent acquisition of a district heating plant in Umbria. The main reason for the upgrade is the rising TEE price, now more than EUR350 compared with EUR191 at the beginning of the year. Given that the company is expected to sell about 25k certificates annually (generated by Tholos), we estimate that an increase of EUR100 per certificate augments EBITDA by about EUR2.5 million. We have revised our estimates with 2017 now aligned with the company's guidance and raised forecasts for 2018-19 to factor in higher TEE prices and the new acquisition in Umbria. We have also increased our dividend expectations which imply an attractive average dividend yield of >4% at the current market price. Consequently, our target price has risen 24% to EUR12.86 per share (from EUR10.39). Despite a share price increase of >85% since the beginning of the year and a much higher liquidity on the share, Eletttra Investimenti is still trading at a discount of >60% to the average 2017-19 EV/EBITDA of its peers and over 50% to the average P/E. Buy.

- > After just three months Eletttra Investimenti has sharply increased its guidance for the full year, driven by a strong improvement in TEE prices and by the first results of new initiatives. The company is clearly enjoying a highly favourable operating environment and management is successfully taking advantage of this to enter new promising businesses and to structurally enhance its profitability. Even assuming a stable TEE price in 2018-19, the company should be able to maintain its EBITDA margin above 20%.
- > We have increased our target price by 24% to EUR12.86 per share (from EUR10.39) implying >30% upside. At the target price, the company would trade at 4.3x 2018 EV/EBITDA, well below the average multiple for the industry (9.8x). The outstanding warrants are particularly attractive given the 30% tax credit at conversion: as the strike price stands at EUR8.10, the tax benefit corresponds to EUR2.43 for each warrant converted into shares, giving a theoretical warrant value of EUR3.83 compared with the current price of EUR1.78. Buy strongly reiterated.

Financials

	2016	2017E	2018E	2019E
Revenues (EURm)	31.8	48.9	52.0	53.5
EBITDA (EURm)	4.0	11.5	11.4	11.9
EBITDA margin (%)	12.7%	23.5%	21.9%	22.2%
EBIT (EURm)	2.0	6.7	7.7	8.0
EPS (EUR)	0.25	0.95	1.14	1.21
CFPS (EUR)	0.31	1.46	2.53	2.32
DPS (EUR)	0.25	0.35	0.40	0.45

Source: Company Data, UBI Banca Estimates

Ratios

	priced on 27 November 2017			
	2016 *	2017E	2018E	2019E
P/E(x)	16.4	10.3	8.6	8.1
P/CF(x)	5.3	4.4	4.6	4.4
P/BV(x)	1.2	2.3	1.9	1.6
Dividend Yield	6.0%	3.6%	4.1%	4.6%
EV/EBITDA(x)	4.4	3.6	3.2	2.8
Debt/Equity (x)	0.2	0.2	-0.1	-0.2
Debt/EBITDA (x)	0.5	0.3	-0.1	-0.4

Source: UBI Banca Estimates * based on average 2016 price

Key Financials

(EURm)	2016	2017E	2018E	2019E
Revenues	31.8	48.9	52.0	53.5
EBITDA	4.0	11.5	11.4	11.9
EBIT	2.0	6.7	7.7	8.0
NOPAT	1.3	4.2	4.8	5.0
Free Cash Flow	-7.9	-1.5	6.1	4.8
Net Capital Employed	15.3	20.4	18.7	18.5
Shareholders' Equity	13.2	16.7	19.7	22.8
Net Financial Position	2.1	3.8	-1.0	-4.3

Source: Company data, UBI Banca estimates

Key Profitability Drivers

	2016	2017E	2018E	2019E
Net Debt/Ebitda (x)	0.5	0.3	-0.1	-0.4
Net Debt/Equity (x)	0.2	0.2	-0.1	-0.2
Interest Coverage (%)	37.1	67.0	0.0	0.0
Free Cash Flow Yield (%)	nm	nm	16.2%	12.8%
ROE (%)	7.2%	21.9%	22.2%	20.3%
ROI (%)	10.8%	22.5%	23.8%	26.3%
ROCE (%)	11.2%	23.3%	24.3%	26.7%

Source: Company data, UBI Banca estimates

Key Valuation Ratios

	2016 *	2017E	2018E	2019E
P/E (x)	16.4	10.3	8.6	8.1
P/BV (x)	1.2	2.3	1.9	1.6
P/CF (x)	5.3	4.4	4.6	4.4
Dividend Yield (%)	6.0%	3.6%	4.1%	4.6%
EV/Sales (x)	0.6	0.9	0.7	0.6
EV/EBITDA (x)	4.4	3.6	3.2	2.8
EV/EBIT (x)	8.8	6.2	4.8	4.2
EV/CE (x)	1.2	2.0	2.0	1.8

Source: Company data, UBI Banca estimates

* Based on average 2016 price

Key Value Drivers

(%)	2016	2017E	2018E	2019E
Payout	98.8%	36.7%	35.1%	37.3%
NWC/Sales	-2.2%	4.4%	1.1%	0.3%
Capex/Sales	28.5%	14.3%	6.9%	7.6%

Source: Company data, UBI Banca estimates

Recent Developments

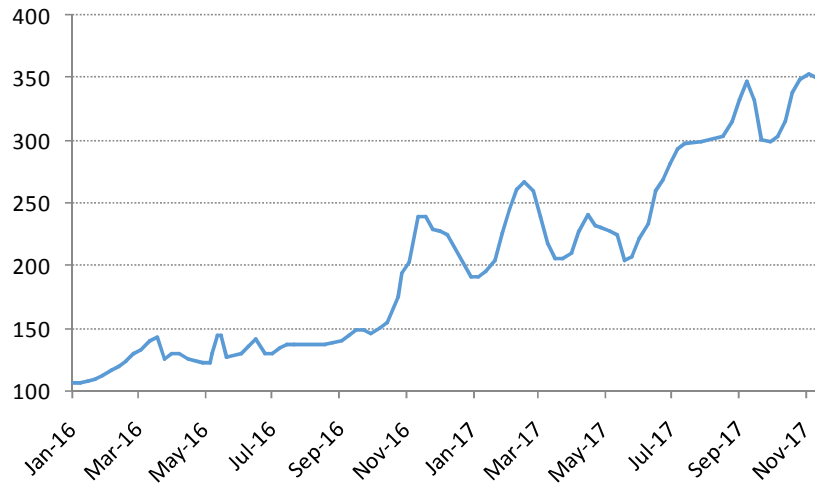
- > In a surprise move, Elettra Investimenti upgraded its 2017 outlook for the second time: sales are now expected to be EUR48.9 million (substantially in line with our estimates and with previous guidance), EBITDA is expected to be EUR11.2 million (23% above our estimates and previous guidance), which implies a margin of 22.9% vs. 18.7% expected previously. The main reason for the margin improvement is the TEE price (we estimate a positive impact of around EUR1.5 million), which is well above the company's forecast, but also the good performance of other businesses. EBIT is expected to rise to EUR6.4 million (15% above the previous guidance): the EBIT upgrade is lower than that for EBITDA as the company will record higher D&A related to the companies acquired and to the earn-out (EUR1.5 million) for the acquisition of Tholos (finalized at the end of 2016). Per tax profit is now expected to be EUR6 million (16% above the previous guidance).
- > Net debt is projected to be EUR3.9 million, well above the previous guidance of EUR0.2 million, as in September the company completed the acquisition of a district heating plant in Assisi with power capacity of 4MW and thermal capacity of 18MW (already managed by Elettra Investimenti). The total consideration was EUR5.5 million financed through a lease contract (19 years duration with a redemption value of EUR2.9 million) and the impact on net debt in FY17 is expected to be EUR2.5 million. At this point of the year, with TEE certificates already sold, the guidance should be fully achieved.
- > The average TEE price since the start of the year is EUR262, compared to EUR137 in the same period 2016. In particular, there was a strong acceleration since September, with an average price of EUR327 in the past three months, nearly double the average of the same period in 2016 and it exceeded EUR350 in November (source: GME). This performance clearly favours Elettra Investimenti, which sells its TEE on the market (around 25,000 certificates per annum).
- > In the third conversion period (2 - 13 October 2017) just 1,088 warrants were converted resulting in the issue of 1,088 new shares. The board approved a stock option plan for up to 235,000 shares (6.1% of the current share capital) to be exercised at EUR10.0 per share (2.1% above the current price) through a dedicated right issue.

Figure 1 – New outlook compared with the previous outlook and our estimates

(EURm)	2017 new outlook	2017 previous outlook	% Chg.	2017 UBI	% Chg.
Sales total	48.86	48.54	0.7%	47.96	1.9%
EBITDA	11.21	9.10	23.1%	9.11	23.0%
% margin	22.9%	18.7%		19.0%	
EBIT	6.44	5.58	15.4%	5.60	14.9%
% margin	13.2%	11.5%		11.7%	
Pre tax profit	5.96	5.15	15.7%	5.20	14.4%
Net Debt	3.90	0.20	nm	0.64	nm

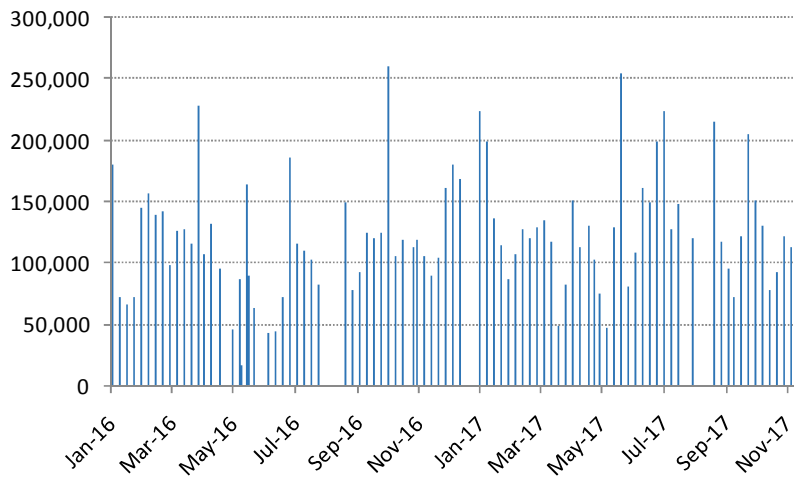
Source: Company data, UBI Banca estimates

Figure 2 - Average TEE price (EUR)



Source: GME

Figure 3 - TEE Volumes



Source: GME

Financial Projections

- > We have aligned our estimates with the company's new forecasts for 2017, resulting in a 26% increase in our EBITDA forecast and a revised net profit forecast that is 19% above our previous estimates.
- > For 2018-19 we have incorporated the impact of higher TEE prices and the acquisition of the district heating plant in Umbria. Our new estimates indicate an EBITDA margin of over 22% in 2018-19, an increase of 15% compared to our previous estimates. Our EBIT estimates have been upgraded by almost 23% in 2018-19. After a tax rate of 40%, net attributable profit could be EUR4.4 million in 2018 rising to EUR4.6 million in 2019.
- > We should stress that the market price of TEE can be erratic. We estimate that an increase of EUR100 per TEE could translate into an additional EBITDA of about EUR2.5 million for Elettra Investimenti.
- > We have also increased our dividend forecast to EUR0.35 per share in 2017 (EUR0.25 previously), EUR0.40 per share in 2018 (EUR0.28 previously) and EUR0.45 per share in 2019 (vs. EUR0.30). These estimates imply an average pay-out ratio of 36% and an average dividend yield of >4% at the current market price.

Figure 4 – Old vs. new estimates

(EURm)	2016A		2017E		2018E		2019E	
		Pro-forma	Old	New	Old	New	Old	New
VoP	31.84	48.63	47.96	48.86	50.57	51.98	52.24	53.54
% change				1.9%		2.8%		2.5%
EBITDA	4.04	7.12	9.11	11.50	9.95	11.40	10.25	11.87
% change				26.3%		14.5%		15.8%
EBIT	2.04	4.26	5.60	6.70	6.28	7.67	6.46	8.03
% change				19.5%		22.3%		24.3%
Net Profit	0.94	2.44	3.07	3.66	3.54	4.38	3.69	4.63
% change				19.2%		23.8%		25.5%
EPS	0.24	0.25	0.80	0.95	0.92	1.14	0.96	1.21
% change				19.2%		23.8%		25.5%
Net debt (cash)	2.09	2.09	0.64	3.76	-6.86	-1.00	-10.90	-4.29
EBIT margin	6.4%	8.8%	11.7%	13.7%	12.4%	14.8%	12.4%	15.0%
EBITDA margin	12.7%	14.6%	19.0%	23.5%	19.7%	21.9%	19.6%	22.2%

Source: Company data, UBI Banca estimates

Valuation

- > Following the upgrades to our estimates, our new target price is EUR12.86 per share (up from EUR10.39), an increase of 24%. Our target price is based on the average of a DCF (fair value of EUR11.85 per share), which benefitted from a higher EBIT margin at terminal value (12% vs. 10% previously estimated and 13.7% expected for this year) and a relative valuation (applying a 20% discount to factor in the limited size and modest liquidity of Elettra Investimenti) based on both the median of the multiples of small companies and the median of larger international companies. This gives a fair value of EUR11.87 per share using small-scale peers and EUR14.85 per share using large companies.
- > At its current market price, Elettra Investimenti is trading at a significant discount to its peers: 63% on 2017-19 EV/EBITDA and 51% in P/E terms, while it trades at a premium in terms of P/BV (82%). This reflects Elettra Investimenti's low invested capital compared to other companies that manage large power plants.
- > It should be noted that the volume of trading in Elettra Investimenti has risen significantly over the past few months (in August-October 17 volumes rose to 0.45 million shares, ten times the volume of the same period of 2016) with a capital turnover of 5.2% in October (vs. 0.4%) and a free float turnover of 23.1% (vs. 1.7%).
- > Given the current estimated upside potential of >30%, we strongly reiterate our Buy rating. At the target price, the company would trade at 4.3x 2018 EV/EBITDA, which is still well below the average multiple for the industry (9.8x), at 11.3x P/E (the average of the industry stands at 20.0x) and at 2.5x P/BV (vs. 1.08x).
- > The outstanding warrants are currently in the money with a strike price of EUR8.10. The warrants can be exercised from 2 - 15 October 2018 and 3 - 14 October 2019. Assuming full warrant conversion, the number of shares in circulation would almost double and the company would receive about EUR30 million. We believe that the outstanding warrants are currently undervalued and that the price does not reflect the 30% tax benefit stemming from the "PMI Innovativa" qualification (up to EUR1.8 million investment for legal entities, up to EUR1.0 million investment for private investors if the investment is kept for three years). As the strike price stands at EUR8.10, the tax benefit corresponds to EUR2.43 for each warrant converted into shares, giving a theoretical warrant value of EUR3.83 compared with the current price of EUR1.78.

Figure 5 – Valuation summary

(EUR)	New valuation	1/08/2017	Delta
DCF	11.85	9.05	31.0%
Multiples (large caps, 30% discount)	14.85	11.75	26.5%
Multiples (small caps, 20% discount)	11.87	10.38	14.4%
Target price	12.86	10.39	23.7%
Current price	9.79	8.60	13.8%
Potential upside	31.4%	20.8%	

Source: UBI Banca estimates

Figure 6 – DCF Valuation

Our DCF valuation implies an EV/EBITDA of 4.7x at terminal value			
	Valuation (EUR m)	% Weight	Per share (EUR)
Sum of PV 2017-25 FCF	20.14	42%	5.25
Terminal value	27.80	58%	7.25
Total Enterprise value	47.94	100%	12.49
- Pension Provision	(0.38)		(0.10)
- Net cash (debt)	(2.09)		(0.54)
Total Equity value	45.48		11.85
Number of shares outstanding (m)	3.84		
Fair value per share (EUR)	11.85		

Source: UBI Banca estimates

Figure 7 – Relative valuation based on large cap companies (priced on 27 November 2017)

Company	Market Cap (EURm)	P/E			EV/EBITDA			P/BV		
		2017	2018	2019	2017	2018	2019	2017	2018	2019
EDP Renovaveis	5,958	28.2 x	23.7 x	6.8 x	7.6 x	7.4 x	6.9 x	0.94 x	0.92 x	0.90 x
Iberdrola	41,310	15.7 x	14.1 x	13.0 x	9.5 x	8.4 x	8.0 x	1.09 x	1.06 x	1.04 x
Acciona	3,901	15.4 x	14.5 x	13.0 x	7.5 x	7.1 x	6.7 x	1.00 x	0.97 x	0.94 x
Fortum	15,422	23.9 x	21.6 x	21.0 x	13.1 x	13.3 x	12.8 x	1.17 x	1.18 x	1.17 x
Verbund	6,888	22.8 x	25.9 x	19.7 x	11.3 x	11.9 x	10.0 x	1.32 x	1.29 x	1.24 x
Average		21.2 x	20.0 x	14.7 x	9.8 x	9.6 x	8.9 x	1.10 x	1.08 x	1.06 x
Median		22.8 x	21.6 x	13.0 x	9.5 x	8.4 x	8.0 x	1.09 x	1.06 x	1.04 x
Elettra Investimenti	38	10.3 x	8.6 x	8.1 x	3.6 x	3.2 x	2.8 x	2.25 x	1.91 x	1.65 x
Premium (discount)		-55.0%	-60.2%	-37.8%	-61.9%	-61.8%	-64.8%	107.3%	79.4%	59.0%
Based on simple average	(EUR)	20.21	22.77	17.79	37.97	29.26	28.55	4.79	5.57	6.29
Based on median	(EUR)	21.76	24.58	15.75	37.17	25.71	25.81	4.72	5.46	6.16

Source: Factset, UBI Banca estimates

Figure 8 – Implicit multiples based on our EUR12.86 target price

(x)	2017E	2018E	2019E
P/E	13.5 x	11.3 x	10.7 x
EV/EBITDA	4.6 x	4.3 x	3.8 x
EV/EBIT	8.0 x	6.3 x	5.6 x
EV/Sales	1.09 x	0.93 x	0.84 x
P/BV	3.0 x	2.5 x	2.2 x
EV/ Capital employed	8.82	5.09	5.54

Source: UBI Banca estimates

Income Statement

(EURm)	2016	2017E	2018E	2019E
Net Revenues	31.8	48.9	52.0	53.5
EBITDA	4.0	11.5	11.4	11.9
EBITDA margin	12.7%	23.5%	21.9%	22.2%
EBIT	2.0	6.7	7.7	8.0
EBIT margin	6.4%	13.7%	14.8%	15.0%
Net financial income /expense	-0.4	-0.6	-0.4	-0.4
Associates & Others	0.0	0.0	0.0	0.0
Profit before taxes	1.6	6.1	7.3	7.7
Taxes	-0.7	-2.4	-2.9	-3.0
Minorities & discontinuing ops	-0.0	-0.0	-0.0	-0.0
Net Income	0.9	3.7	4.4	4.6

Source: Company data, UBI Banca estimates

Balance Sheet

(EURm)	2016	2017E	2018E	2019E
Net working capital	-0.7	2.2	0.6	0.2
Net Fixed assets	16.6	18.7	18.5	18.7
M/L term funds	-0.6	-0.4	-0.3	-0.3
Capital employed	15.3	20.4	18.7	18.5
Shareholders' equity	13.2	16.7	19.7	22.8
Minorities	0.0	0.0	0.0	0.0
Shareholders' funds	13.2	16.7	19.7	22.8
Net financial debt/(cash)	2.1	3.8	-1.0	-4.3

Source: Company data, UBI Banca estimates

Cash Flow Statement

(EURm)	2016	2017E	2018E	2019E
NFP Beginning of Period	-4.8	2.1	3.8	-1.0
Group Net Profit	0.9	3.7	4.4	4.6
Minorities	0.0	0.0	0.0	0.0
D&A	2.0	4.8	3.7	3.8
Change in Funds & TFR	0.0	0.0	0.0	0.0
Gross Cash Flow	2.9	8.5	8.1	8.5
Change In Working Capital	-1.8	-2.9	1.6	0.4
Other	0.0	0.0	0.0	0.0
Operating Cash Flow	1.1	5.6	9.7	8.9
Net Capex	-9.1	-7.0	-3.6	-4.1
Other Investments	0.0	-0.1	0.0	0.0
Free Cash Flow	-7.9	-1.5	6.1	4.8
Dividends Paid	-0.5	-0.9	-1.3	-1.5
Other & Chg in Consolid. Area	1.5	0.0	0.0	0.0
Chg in Net Worth & Capital Incr.	0.0	0.8	0.0	0.0
Change in NFP	-6.9	-1.7	4.8	3.3
NFP End of Period	2.1	3.8	-1.0	-4.3

Source: Company data, UBI Banca estimates

Financial Ratios

(%)	2016	2017E	2018E	2019E
ROE	7.2%	21.9%	22.2%	20.3%
ROI (pre-tax)	17.4%	36.4%	38.4%	42.4%
Net Fin. Debt/Equity (x)	0.2	0.2	-0.1	-0.2
Net Fin. Debt/EBITDA (x)	0.5	0.3	-0.1	-0.4
Interest Coverage	37.1	67.0	0.0	0.0
NWC/Sales	-2.2%	4.4%	1.1%	0.3%
Capex/Sales	28.5%	14.3%	6.9%	7.6%
Pay Out Ratio	98.8%	36.7%	35.1%	37.3%

Source: Company data, UBI Banca estimates

Per Share Data

(EUR)	2016	2017E	2018E	2019E
EPS	0.25	0.66	0.79	0.84
DPS	0.25	0.25	0.28	0.30
Op. CFPS	0.31	0.95	2.70	2.04
Free CFPS	-2.25	0.23	1.88	1.09
BVPS	3.53	4.05	4.57	5.12

Source: Company data, UBI Banca estimates

Stock Market Ratios

(x)	2016 *	2017E	2018E	2019E
P/E	16.4	10.3	8.6	8.1
P/OpCFPS	13.5	6.7	3.9	4.2
P/BV	1.2	2.3	1.9	1.6
Dividend Yield (%)	6.0%	3.6%	4.1%	4.6%
Free Cash Flow Yield (%)	nm	nm	16.2%	12.8%
EV (EURm)	18.0	41.6	36.7	33.4
EV/Sales	0.6	0.9	0.7	0.6
EV/EBITDA	4.4	3.6	3.2	2.8
EV/EBIT	8.8	6.2	4.8	4.2
EV/Capital Employed	1.2	2.0	2.0	1.8

Source: Company data, UBI Banca estimates

* Based on average 2016 share price

Growth Rates

(%)	2016	2017E	2018E	2019E
Growth Group Net Sales	5.2%	53.4%	6.4%	3.0%
Growth EBITDA	18.3%	184.3%	-0.8%	4.1%
Growth EBIT	17.2%	228.0%	14.6%	4.7%
Growth Net Profit	4.4%	286.9%	19.7%	5.8%

Source: Company data, UBI Banca estimates

Disclaimer

Analyst Declaration

This research report (the "Report") has been prepared by Marco Cristofori on behalf of UBI Banca S.p.A. ("UBI Banca"). UBI Banca is an Italian bank supervised by the European Central Bank and is duly authorised to provide investment services pursuant to Article 1, Paragraph 5, letter a), b), c), c-bis), e) and f) of the Legislative Decree 24 February 1998, n° 58 under the supervision of Consob. UBI Banca has its head office at Piazza Vittorio Veneto 8, 24122 Bergamo.

The analyst who prepared the Report, and whose name and role appear on the front page, certifies that:

- a. the views expressed on the company mentioned herein (the "Company") accurately reflects his personal views. It does not represent the views or opinions of UBI Banca, its management or any other company which is part of or affiliated to the UBI Banca group (the "UBI Banca Group"). It may possible that some UBI Banca Group's employees may disagree with the views expressed in this Report;*
- b. he has not received and will not receive any direct or indirect compensation in exchange for any views expressed in this Report;*
- c. the analyst does not own any securities and/or any other financial instrument issued by the Company or any financial instrument whose price depends on or is linked to any securities and/or any financial instrument issued by the Company;*
- d. neither the analyst nor any member of the analyst's household serves as an officer, director or advisory board member of the Company;*
- e. the remuneration of the analyst is not directly tied to transactions in services of investment firms or other type of transactions it or any legal person part of the same group performs, or to trading fees it or any legal person that is part of the same group receives;*
- f. the analyst named in the document is member of AIAF.*

General disclosure

This Report is for information purposes only. This Report (i) is not, nor may it be construed, to constitute, an offer for sale or subscription of or a solicitation of any offer to buy or subscribe for any securities issued or to be issued by the Company, (ii) should not be regarded as a substitute for the exercise of the recipient's own judgement. In addition, the information included in this Report may not be suitable for all recipients. Therefore the recipient should conduct his own investigations and analysis of the Company and securities referred to in this document and make his own investment decisions without undue reliance on its contents. Neither UBI Banca, nor any other company of the UBI Banca Group, nor any of its directors, managers, officers or employees, accepts any direct or indirect liability whatsoever (in negligence or otherwise), and accordingly no direct or indirect liability whatsoever shall be assumed by, or shall be placed on, UBI Banca, or any other company of the UBI Banca Group, or any of its directors, managers, officers or employees, for any loss, damage, cost, expense, lower earnings howsoever arising from any use of this Report or its contents or otherwise arising in connection with this Report.

The information provided and the opinions expressed in this Report are based upon information and data provided to the public by the Company or news otherwise public and refers to the date of publication of the Report. The sources (press publications, financial statements, current and periodic releases, as well as meetings and telephone conversations with the Company's representatives) are believed to be reliable and in good faith, but no representation or warranty, express or implied, is made by UBI Banca as to

their accuracy, completeness or correctness. Past performance is not a guarantee of future results. Any opinions, forecasts or estimates contained herein constitute a judgement as at the date of this Report, and there can be no assurance that the future results of the Company and/or any future events involving directly or indirectly the Company will be consistent with any such opinions, forecasts or estimates. Any information herein is subject to change, update or amendment without notice by UBI Banca subsequent to the date of this Report, with no undertaking by UBI Banca to notify the recipient of this Report of such change, update or amendment.

Organizational and administrative arrangements to prevent conflicts of interests

UBI Banca maintains procedures and organizational mechanism (physical and non physical barriers designed to restrict the flow of information between the unit which performs investment research activity and other units of UBI Banca) to prevent and professionally manage conflicts of interest in relation to investment research.

For further information please see UBI Banca's website (www.ubibanca.com/equity-research) "Informativa sintetica sull'attività di ricerca".

Disclosure of potential conflicts of interest

In relation to the Company the following potential conflict of interest have been found:

- > UBI Banca acts as Nomad and Specialist for Elettra Investimenti*
- > UBI Banca may have long or short positions with the issuer*

On the basis of the checks carried out no other conflict of interest arose.

Frequency of updates

UBI Banca aims to provide continuous coverage of the companies in conjunction with the timing of periodical accounting reports and any exceptional event that occurs affecting the issuer's sphere of operations and in any case at least twice per year. The companies for which UBI Banca acts as Sponsor or Specialist are covered in compliance with regulations of the market authorities.

For further information please refer to www.ubibanca.com/equity-research

Valuation methodology

UBI Banca's analysts value the Company subject to their recommendations using several methods among which the most prevalent are: the Discounted Cash Flow method (DCF), the Economic Value Added method (EVA), the Multiple comparison method, the SOP method and the NAV method.

The analysts use the above valuation methods alternatively and/or jointly at their discretion. The assigned target price may differ from the fair value, as it also takes into account overall market/sector conditions, corporate/market events, and corporate specifics (i.e. holding discounts) reasonably considered to be possible drivers of the company's share price performance. These factors may also be assessed using the methodologies indicated above.

For further information please refer to www.ubibanca.com/equity-research.

Ranking system

UBI Banca's analysts use an "absolute" rating system, not related to market performance. The explanation of the rating system is listed below:

Buy: if the target price is 10% higher than the market price, over the next 12 months.

Hold: if the target price is 10% below or 10% above the market price, over the next 12 months.

Sell: if the target price is 10% lower than the market price, over the next 12 months.

No Rating: the investment rating and target price have been suspended as there is not sufficient fundamental basis for determining an investment rating or target. The previous investment rating and target price, if any, are no longer in effect. Alternatively, No Rating is assigned in certain circumstances when UBI Banca is acting in any advisory capacity in a strategic transaction involving the Company.

Target price: the market price that the analyst believes that the share may reach within a one-year time horizon.

Market price: closing price on the day before the issue date of the report, appearing on the first page.

Distribution

Italy: This document is intended for distribution in electronic form to "Professional Clients" and "Qualified Counterparties" as defined by Legislative Decree 24 February 1998, n. 58 and by Consob Regulation n. 16190 dated 29.10.2007, as further amended and supplemented.

This Report has been released within 30 minutes from the timing reported on the front page.

IN THE UNITED KINGDOM, THIS DOCUMENT IS BEING DISTRIBUTED ONLY TO, AND IS DIRECTED ONLY AT PERSONS WHO (A) ARE (I) PERSONS FALLING WITHIN ARTICLE 19 OR ARTICLE 49 OF THE FINANCIAL SERVICES AND MARKETS ACT 2000 (FINANCIAL PROMOTION) ORDER 2005 (AND ONLY WHERE THE CONDITIONS CONTAINED IN THOSE ARTICLES HAVE BEEN, OR WILL AT THE RELEVANT TIME BE, SATISFIED) OR (II) ANY OTHER PERSONS TO WHOM IT MAY BE LAWFULLY COMMUNICATED; AND (B) ARE QUALIFIED INVESTORS WITHIN THE MEANING OF ARTICLE 2(1)(E) OF THE PROSPECTUS DIRECTIVE (DIRECTIVE 2003/71/EC), (ALL SUCH PERSONS BEING REFERRED TO AS "RELEVANT PERSONS"). THIS DOCUMENT MUST NOT BE ACTED ON OR RELIED ON BY PERSONS WHO ARE NOT RELEVANT PERSONS.

Copyright

This Report is being supplied solely for the recipient's information and may not be reproduced, redistributed or passed on, directly or indirectly to any other person or published, in whole or in part, for any purpose without prior written consent of UBI Banca.

The copyright and intellectual property rights on the data are owned by UBI Banca Group, unless otherwise indicated. The data, information, opinions and valuations contained in this Report may not be subject to further distribution or reproduction, in any form or via any means, even in part, unless expressly consented by UBI Banca.

By accepting this Report the recipient agrees to be bound by all of the forgoing provisions.

Distribution of ratings
Equity rating dispersion in the past 12 months

Buy	Hold	Sell	No Rating
81.1%	13.5%	0.0%	5.4%

Proportion on issuers to which UBI Banca has supplied investment banking services relating to the last 12 months

Buy	Hold	Sell	No Rating
100%	100%	-	100%

For further information regarding yearly and quarterly rating statistics and descriptions, please refer to www.ubibanca.com/equity-research.

Historical ratings and target prices

Date	Rating	Target Price (EUR)	Market Price (EUR)
12 October 2015	BUY	6.93	5.10
12 May 2016	BUY	5.39	4.35
28 November 2016	BUY	5.50	4.10
12 January 2017	BUY	7.30	5.50
31 March 2017	BUY	8.31	5.80
1 August 2017	BUY	10.39	8.60