

Costamp	Italy	Euronext Growth Milan	Machinery
Rating: BUY	Target Price: € 1,00	Initiation of Coverage	Risk: Medium

Stock performance	1M	3M	6M	1Y
absolute	-12,16%	-13,91%	-18,75%	-12,63%
to FTSE Italia Growth	-7,90%	-5,93%	-8,96%	-22,51%
to Euronext STAR Milan	-5,69%	-2,73%	0,73%	-11,72%
to FTSE All-Share	-8,74%	-2,88%	-7,30%	-9,93%
to EUROSTOXX	-8,24%	-3,15%	-7,23%	-5,72%
to MSCI World Index	-3,98%	-9,02%	-7,93%	-7,86%

Stock Data	
Price	€ 0,65
Target price	€ 1,00
Upside/(Downside) potential	54,2%
Bloomberg Code	MOLD IM Equity
Market Cap (€m)	€ 27,69
EV (€m)	€ 46,01
Free Float	10,40%
Share Outstanding	42.605.447
52-week high	€ 0,95
52-week low	€ 0,54
Average daily volumes (3m)	25.500

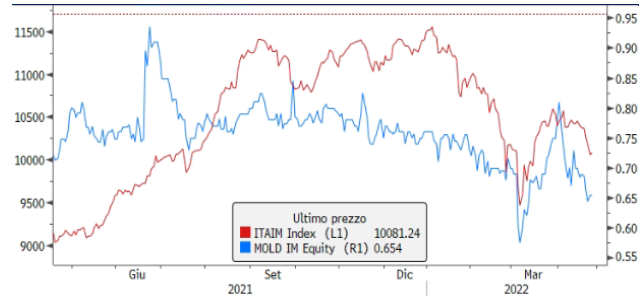
Key Financials (€m)	FY21A	FY22E	FY23E	FY24E
Revenues	50,2	54,0	56,0	60,0
VoP	54,5	55,5	57,5	61,5
EBITDA	8,4	8,7	9,0	9,7
EBIT	4,9	5,2	5,5	6,2
Net Profit	3,8	4,0	4,3	3,5
EBITDA margin	15,4%	15,6%	15,7%	15,8%
EBIT margin	9,0%	9,4%	9,6%	10,0%
Net Profit margin	7,0%	7,2%	7,4%	5,7%

Main Ratios	FY21A	FY22E	FY23E	FY24E
EV/EBITDA (x)	5,5	5,3	5,1	4,7
EV/EBIT (x)	9,3	8,8	8,4	7,5
P/E (x)	7,2	6,9	6,5	7,9

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Stocks performance relative to FTSE Italia Growth



Company Overview

Costamp Group is the result of the transfer to Modelleria Brambilla SpA of the total shareholding in Costamp Tools Srl by Co.Stamp Srl, rendered official on 24 May 2018 and which took place via a reverse takeover transaction. Costamp Group is a leader in the design, production and sale of molds for components in the automotive sector and is the only international player able to offer a complete range of processes and products. Costamp Group generates about 95% of its turnover on the automotive market and the remaining 5% on the industrial applications market.

Market

The Costamp Group operates primarily in the automotive market. The global vehicle sales share between 2017 and 2030 will change dramatically in favor of electric vehicles at the expense of fossil fuel vehicles, with electric vehicles reaching nearly 50% of the market share by 2030. Die-cast structural components will increase to nearly 9 million units by 2025, for a total increase of 3 million between 2018 and 2025, driven mainly by regulation, fuel efficiency, and the competitive landscape. The die casting market is expected to witness a CAGR, during 2020 - 2025, of 6.5%.

Valuation Update

We have conducted the valuation of Costamp equity value based on the DCF methodology and market multiples of a comparable companies sample. The DCF method (which in the calculation of the WACC includes for prudential purposes also a specific risk of 2.0%) provides an equity value of € 60.7 million. The equity value of Costamp using market multiples is € 24.7 million (including a discount of 25%). The result is an average equity value of approx. € 42.7 million. The target price is € 1.00, rating BUY and MEDIUM risk.

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1. Company Overview

1.1 The business

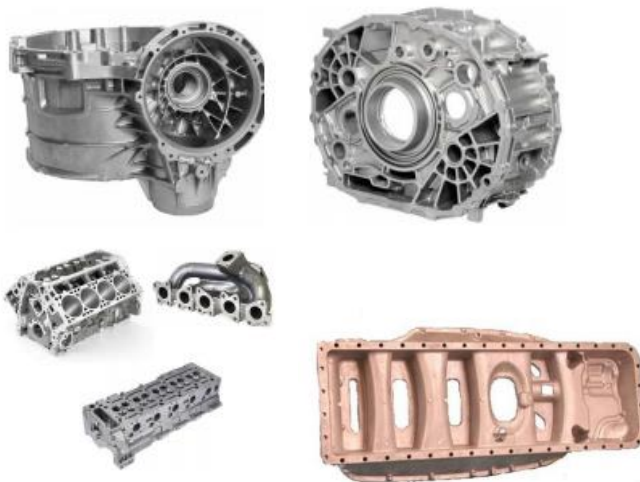
Costamp Group SpA ("Costamp" or "the Group") is a group consisting of: the parent company Costamp Group SpA and the subsidiaries Costamp HPDC, Costamp LPDC and Gravity, Costamp Plastic, Modelleria ARA, Pama and PiQ² (a company whose business is completely different from that of the parent company, focusing on software development). Costamp began with the founding of Co.Stamp in 1968 by the two brothers Tarcisio-Giulio and Mario Corti and its headquarters is in Sirone (Lecco), where it moved to in 1999.

Costamp Group is the result of the transfer to Modelleria Brambilla SpA (at the time of the transaction, the company was listed on the AIM Italia exchange) of the total shareholding in Costamp Tools Srl by Co.Stamp Srl, rendered official on 24 May 2018 and which took place via a *reverse takeover* transaction (which led to Costamp Group being listed on Euronext Growth Milan, formerly AIM Italia).

Costamp Group is a leader in the design, production and sale of molds for components in the *automotive* sector and is the only international player able to offer a complete range of processes (HPDC, LPDC & Gravity, Plastic) and products (aluminum, magnesium, cast iron, plastic). More specifically, the business of Costamp and its subsidiaries focuses on the design and production of high-pressure molds for aluminum and magnesium, the production of large thermoplastic molds and the production of low-pressure molds. The technologies listed are not in competition with each other and involve significant synergies.

In its relationships with its customers, the Group deals with counterparts from all over the world: USA, Mexico, Brazil, China, India and Japan, as well as Italy, of course. Costamp Group generates about 95% of its turnover on the automotive market and the remaining 5% on the industrial applications market.

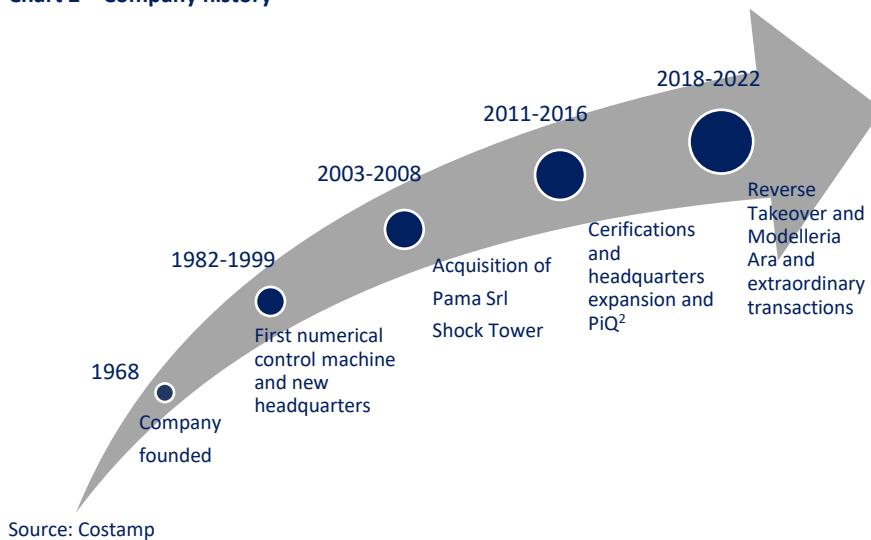
Chart 1 – Costamp Products



Source: Costamp

1.2 Company history

Chart 2 – Company history



- In 1982, the two brothers Tarcisio-Giulio and Mario Corti founded the Co.Stamp company, which at the time consisted of a small laboratory with a few collaborators, specialized in the production of molds for die-casting;
- In 1982, Costamp bought its first numerically controlled machine for production. Industrial development began in the '90s by entering the automotive market with its first mold for automobiles. In fact, the first automotive mold - *Steering housing* - was produced in 1994. In 1999, Costamp moved to its current site in Sirone, in the province of Lecco;
- In 2003, 49% of the company Pama S.r.l., operating in the sector of mold holders for die-casting, was acquired. Furthermore, in the early 2000s, the first press used by Costamp for sampling was installed in order to increase the quality of its products. In particular, 2004 saw the acquisition and installation of the first HPDC machine for the mold sampling department. Lastly, 2008 saw the first structural mold (*shock tower BDW*);
- In 2011, Costamp achieved ISO/TS 16949 certification and 2013 saw the inauguration of a new factory in Rivalta (Turin), dedicated to plastic injection molds. In 2014, Costamp invested in the expansion of the Sirone plant, expanding the rough-machining and drilling department; in 2015, the finished products warehouse was inaugurated, also in Sirone. In order to make its development processes more efficient, in 2016 Costamp acquired PiQ² S.r.l., a company specialized in the development of software that simulates the use of molds. Furthermore, in 2017, Costamp obtained funding by the European Commission Horizon 2020 program, as well as environmental certification 14001 and OHSAS 18001;
- In 2018, Costamp was listed on the stock exchange via a *reverse takeover* transaction. In fact, Costamp Group is the result of the transfer to Modelleria Brambilla SpA of the total shareholding in Costamp Tools Srl by Co.Stamp Srl. In 2019, the remaining 41% of Modelleria ARA was acquired. Lastly, two extraordinary transactions were completed in the 2020 – 2021 period. At the end of 2020, the company Alunext S.r.l. was incorporated via the contribution by Costamp Group S.p.A. of its Foundry Business Unit, 51% of which was subsequently sold to Streparava S.p.A, thereby completing an industrial alliance with the latter. In order to make logistics and costs more efficient, Costamp Real Estate S.p.A.

was incorporated in mid-2021 via the proportional partial demerger of the Costamp Group S.p.A. company.

1.3 Shareholders

Table 1 – Shareholders and Group Structure

Shareholders	% Shares
Co.Stamp Srl	89,47%
Treasury Stocks	0,13%
Floating	10,40%

Source: Costamp

89.47% of the Costamp Group is currently controlled by Co.Stamp S.r.l. and 0.13% is controlled by treasury shares. The remainder of the Group, amounting to a share of 10.40%, is held by the market.

Chart 3 – Group Structure



Source: Costamp

1.4 Corporate Governance

The organizational structure of the Group currently consists of 291 *full time equivalent* (FTE) resources to carry out its activities.

The Board of Directors consists of 7 members:

- Marco Corti holds the positions of Chairman and Chief Executive Officer;
- Aldo Alessandro Corti, director;
- Carlo Corti, director;
- Davide Corti, director;
- Cesare Carbonchi, director;
- Mario Pagani, independent director of the Board;
- Giacomo Maria Molteni, councilor.

The board of statutory auditors consists of 5 members:

- Paolo Comuzzi holds the position of Chairman;
- Lucilla Dodesini, regular auditor;
- Umberto Callegari, regular auditor;
- Marzia Galli, alternate auditor;
- Cristiano Fracassi, alternate auditor.

1.5 Key People

Marco Corti – Chairman of the Board and CEO

Following his university studies to become an electronic engineer, he was hired by his father in 1988 in the family company Co.stamp Snc, which at the time consisted of 8 people and had a turnover of 400 million lire (just over € 200,000). In 1996, he was appointed Chief Executive Officer of Costamp Srl and, in 2004, he became the majority shareholder of the company through a *management buy-out*. In 2018, as CEO, he listed Costamp Group Spa, a Group consisting of five companies and with a turnover of € 59 million, on the AIM Italia exchange via a reverse takeover transaction involving Modelleria Brambilla Spa.

Aldo Alessandro Corti – Director

Aldo Alessandro Corti joined the Costamp family business in 1990, holding various positions and carrying out various responsibilities until 1998. He held the position of mold quality control manager from 1998 to 2007 and die-casting quality control manager from 2007 to 2011. In 2003, he made a significant contribution to obtaining ISO 9001 certification and, subsequently, ISO / TS (2011) with the related IATF update. From 2004 to 2014, he participated in the development and management of the foundry project and, later on, in the development and management of the die-cast parts machining and finishing project.

Davide Corti – Director and CFO

After a significant training period (from 1997 to 2008) at a service company, where he held the position of accountant, assistant chief accountant, chief accountant and administrative manager, he was hired by Co.stamp Srl in September 2008 as Administrative Manager, with the task of reorganizing that same office. Over the years, thanks to the experience and knowledge gained, he was given the position of CFO.

Cesare Carbonchi – Director

As a corporate Financial Advisor for M&A transactions, corporate valuations, extraordinary finance and capital transactions, strategic planning, corporate crisis recovery plans and international industrial partnerships, he has carried out over 70 operations and collaborated on over 200 projects. He was an entrepreneur and venture capital investor on a personal level in innovative service companies: in the media and internet sectors with Crosscom in Milan, in management software with Lynx Automotive in Rome and in clinical engineering with Hospital Consulting in Florence, now part of the Austrian group Vamed. Previously, he worked for 12 years as an Investment Banker in Italy, London and New York at Citibank and JP Morgan and as an equity director in the merchant bank of the BPM group. Graduated from Bocconi in Monetary Theory and Policy with Mario Monti, he was a corporate trainer at various banking groups and a tutor for the Banking & Financial Diploma of Abiformazione. He is a Chartered Accountant and Statutory Auditor, Board Member in SMEs and collaborates with university Master's degree courses. He promotes the financial culture of integrity through Assoetica. He has been a Costamp consultant since 2012 and is the head of the Group's Corporate Development.

Mario Pagani – Director

He has been involved in consulting since 1987, initially at Andersen Consulting, as a manager in the ERP projects area until 1992 and then at Roland Berger & Partners Milano, as a manager until 1996. In 1996, he began working in the Media sector, initially at IBM Global Services in the role of Principal in the Media sector for the Southern Europe region and subsequently, from 1999, at Ernst & Young, where he held the position of Vice President of the Media Southern Europe sector. From 2006 to 2014, he held the position of Junior Vice President at EDS-AT Kearney in Milan. His industrial sectors of expertise are Utility, Media (Publishing, Internet and New Media, TV), mechanical industry (automotive and components), process industry (steel, glass) and Aerospace and Defense.

Giacomo Maria Molteni – Director

Following significant training experiences (from 1986 to 1997) as a designer of die-casting molds at the Formenti and Giovenzana companies, as well as at Arturo Salice Spa, he was hired in 1997 by Effeci2 as Head of the technical office, a position he held until 2002. In the same year, he was hired by Costamp Srl, which initially gave him responsibility for the control system in order to obtain ISO 9001 certification and the development of the company management system. Subsequently, he was made *project manager* for the management of strategic contracts and, lastly, he was made head of the entire technical department. Over the years, thanks to the experience and know-how gained, he was promoted to the position of COO, focused on the coordination and definition of priorities and operating methods relating to existing contracts.

2. Business Model

As for operations, the Costamp Group's *core business* involves the design, production and sale of molds for the automotive industry. To date, the Group is one of the very few global players to boast a complete offering in terms of processes (high-pressure die-casting (HPDC), low-pressure die-casting (LPDC) and gravity) and casting products (molds and dies for the production of structural and propulsion components of automobiles in aluminum, magnesium, cast iron and plastic).

Costamp's business is based on a very specific objective: to offer a high-quality service that is better than that of its competitors. Not surprisingly, Costamp does not operate to create warehouse stock, but works to order. That's why the service provided to customers is divided into various steps, in particular:

1. **Project management:** providing clients with a comprehensive service, not solely the production of a product;
2. **Design:** creation of a product in collaboration with the end user in order to fully satisfy the client's quality and production needs. This procedure makes the future management and use by the end user much easier;
3. **Mold construction:** production of the molds takes place through a coding phase, in which each phase of the process is codified, and a maintenance and restructuring phase, in which the needs of client are met in the event of changes during the course of work;
4. **Sampling, customization, after-sales support:** essential phase that guarantees the utmost level of efficiency. Costamp has an internal foundry department in which samples are first subjected to testing in order to pass quality control.

2.1 Product and Services Portfolio

Costamp's production is based on the manufacture of metal objects using the so-called melting and casting processes in which initially liquefied material is subsequently solidified into a predetermined form, called a cast.

To date, Costamp's offering includes five main lines of products and services:

- **High-pressure die-casting (HPDC):** specific production for large batches of products, since using this technique the molten metal is injected into the cast at high pressure, requiring the machine to have a high cost. The process is highly automated and innovative, differentiating itself from all other processes, guaranteeing that the finished product has a qualitatively superior surface compared to other techniques. The high-pressure die-casting technique can be subdivided into two categories, namely cold-chamber die-casting (if the molten metal is poured into a cavity that is not at a controlled temperature) or hot-chamber die-casting (if the molten metal is placed in a furnace). More specifically, Costamp's HPDC offering includes: aluminum and magnesium die-casting molds for presses up to 4500 T, Samples and special batches (medium/small), *program management services* and *process development services*;

As for the industrial applications of Costamp's high-pressure die-casting offering, they include:

- Power generating motors;
 - Solar Inverters;
 - Street lamps;
 - Led lamp panels;
 - Lawn mower covers.
-
- **Low-pressure and gravity.** The gravity die-casting technique requires the liquid to be poured into a mold prepared ex-ante that has been specifically designed for the piece needing to be made. The molten metal fills the form thanks to the force of gravity, causing all of the air inside to be expelled. This technique is probably the most widely used in the world, since low-pressure machining is more efficient and sophisticated despite the production of fewer pieces. The low-pressure gravity die-casting technique is more expensive, but makes the forms produced more robust, as well as resulting in more precise casting. The offering includes: low-pressure and gravity molds, especially for cylinder heads and engine blocks, core boxes for inorganic process and testing and sampling services;
 - **Plastic.** The offering includes: thermoplastic injection molds, thermoplastic co-injected molds, injection-compression molds and *program management* services;
 - **Mold holders.** The offering includes the construction of mold holders using PAMA;
 - **Simulation.** Thanks to PiQ2, the offering includes the use of the Castle software. This is a tool that combines the theory of die-casting, governed by the laws of fluid dynamics, with the empirical expertise of the foundry. The numerical results of the simulations are compared to practical experience and presented in an easily understandable manner.

2.2 Clients and Suppliers

Chart 4 – Costamp’s clients around the world



Source: Costamp

As far as clients are concerned, the high quality of the service provided and extensive experience mean that Costamp’s client base currently contains more than 80 clients, both nationally and internationally, in the independent car component manufacturer, foundry, luxury and non-luxury car manufacturer sectors.

The foundries and independent car component manufacturers include Nemak and George Fisher, for example. Examples of car manufacturers include mass producers such as FCA, BMW, GM, Renault and luxury manufacturers such as Ferrari, Lamborghini and Maserati.

Management states that there are no particular exposures or impacts on given customers or suppliers.

2.3 Research and Development

Costamp has always considered investments in research and development to be of major importance and examples of this can be found in the results obtained in the field:

- Advanced tests on die-casting materials with Milan Polytechnic in Lecco;
- Mold design to reduce thermal fatigue (the main reason for mold wear), allowing much more effective thermoregulations compared to standard molds. This approach, called “*puzzle tooling*”, has a positive influence on the quality of the pieces and the cycle time;
- Improvement of the “vacuum technology” molding technique;
- Use of all 3D printing methods suitable for die-casting and consequent acquisition of *know-how*.

As proof of its interest in R&D, the company has successfully participated in two important projects: Horizon 2020 Program and Made4Lo.

Horizon 2020 program

Horizon2020 is a European framework program for Research and Innovation. Costamp applied to participate in this program in October 2016 and in January 2017 the project submitted was selected as one of the best three in Italy and received funds from the European Union. At this time, the project can undoubtedly be considered more one of development rather than research, being positioned in a very high range of the TRL (*Technology Readiness Level*) table, having already demonstrated that it can work.

Chart 5 – Puzzle Die



Source: Costamp

Thanks to on-going collaborations with suppliers of FEM/CFD simulations, Costamp has studied and implemented a new mold design and construction technique in order to extend their life-span as never before. Complex FEM simulations were required in order to apply the new approach. The need to obtain FEM results more quickly led Costamp to studying completely new software, based on a "user-friendly" configuration and with the aim of having a revolutionary impact on the die-casting mold market (Costamp had already accumulated know-how on the subject thanks to PiQ²). The key points of this software were an intuitive interface and calculations based on an *open-source kernel*, with the aim of also allowing it to be used by foundry people, not necessarily experts in simulations. With these objectives in mind, Costamp collaborated with: Brescia University, Milan Polytechnic (both the Lecco and Milan divisions), software developers, FEM analysis experts and *die-casting* measurement specialists. For the success of the project, experimentation campaigns were performed to create a new algorithm to calculate the thermo-mechanical fatigue factor, a key element in determining the weakest areas of the mold during a simulation. Official applications were submitted to the competent authorities for patents (still *pending* to date) for both the puzzle die configuration and the related logo.

Made4Lo

Metal ADditivE for LOmbardy is a project based on digital transformation and shared innovation and is aimed at the 4.0 revolution in order to make the metallurgical industry in Lombardy more competitive. The ultimate goal of the project is the creation of a "widespread" factory for the development of 3D printing technologies for metals completely made in Lombardy. The project began thanks to a network of excellences in Lombardy that have decided to share their skills, *know-how* and resources to manage the entire production cycle of metals using *additive manufacturing*, one of the enabling technologies of Industry 4.0. Thanks to this pilot project, the goal is to build a new "network" factory model, based on the widespread and applied knowledge of new 3D printing processes, on processes and infrastructure shared by various subjects in the supply chain and on the intense training of technical personnel. The partnership involves 11 entities, more specifically two universities (Milan Polytechnic and Pavia University) and companies such as Tenova, BLM, GF Machining Solutions, TTM Laser, 3D-NT, GFM, Fubri, Costamp Group and Officine Meccaniche G. Lafranconi. The project was launched in August 2017 with a total duration of 30 months and estimated an investment of € 6.6 million, with a non-repayable contribution from the Lombardy Region, as part of the Research and Innovation Agreements, and € 3.5 million allocated by the European Regional Development Fund.

3. The market

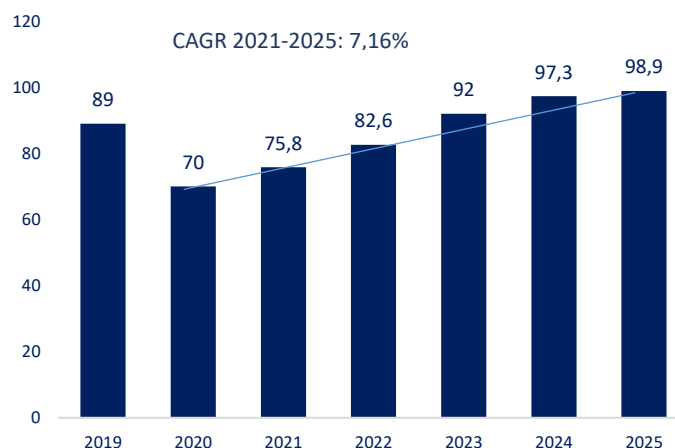
The Costamp Group produces dies and molds that are used in the automotive industry both nationally and internationally.

That’s why the main target sector in which Costamp operates is the *automotive* market. Thanks to its specialization in the production of molds for precision components of structural parts and *powertrains* of vehicles, the Group mainly produces: "*drive-end shields*", structural components, cylinder blocks, cylinder heads, gearboxes, clutch housings, steering gear, sumps, flywheel seats and sub-bases. The products in question are either used by foundries or sold directly to automobile manufacturing companies.

The sector in question plays an important role in Western economies. The growth prospects in this regard represent a point of reference for understanding Costamp's current and future fundamental *drivers*.

Costamp’s market is highly correlated to the production volumes of cars since molds and dies, having a limited life, need to be replaced cyclically in order to produce car components. In this regard, as the graph below shows, the outlook for global light vehicle production up to 2025 is constantly increasing.

Chart 6 – Light vehicle production worldwide forecast 2025



Source: Statista “Automotive industry worldwide”

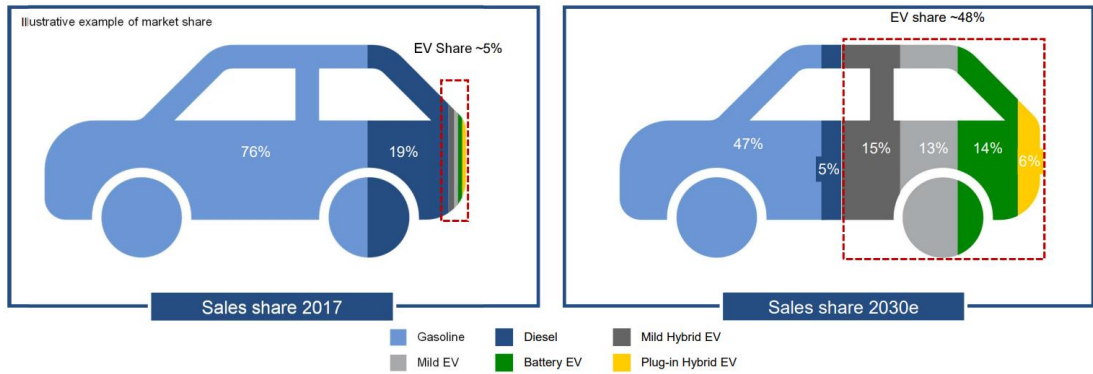
In the midst of the Covid-19 pandemic, global production of light vehicles dropped to around 70 million units in 2020. The automotive market is expected to recover, reaching pre-pandemic production volumes by around 2023. In addition, in 2025 approximately 99 million light vehicles are expected to be produced worldwide with a compound annual rate (CAGR) of 7.16% in the period 2020-2025.

Worldwide, China appears to be leading the production of passenger cars. In 2020, China was not only the largest passenger car manufacturer in the Asia-Pacific region, but also the largest global manufacturer.

Also regards the *automotive* sector, recent national and foreign regulations, aimed at reducing emissions, are attracting attention to alternative fuel vehicles with increasingly lower emissions, such as electric and autonomous cars.

Not surprisingly, it is estimated that the share of world vehicle sales between 2017 and 2030 will change dramatically in favor of electric vehicles at the expense of fossil fuel vehicles. Electric vehicles are estimated to account for nearly 50% of market share by 2030.

Chart 7 – Light vehicle production worldwide forecast 2025



Source: Statista “Electric Vehicle Outlook 2018”; Costamp Virtual AIM Italia Conference 2020

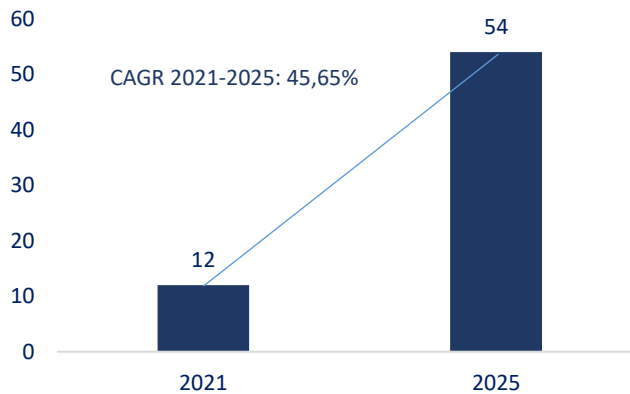
The "traditional" automotive sector has reacted rather timidly to the rise of electric vehicles. In recent years, led by Tesla, battery storage efficiency and the shift in market sentiment towards greener options, there has been a significant increase in investment by automotive companies towards the development of different types of electric vehicles.

In 2020, the European Union's share of new electric passenger vehicles accounted for around 10.5%. In the near future, there may be even higher numbers due to continued investment in charging infrastructure and the creation of new government subsidy programs for the purchase of electric vehicles.

Cars with electric engines will represent just under a quarter of the global market by 2025. It is estimated that “pure” battery electric vehicles will account for approximately 7.4% of global car sales.

Internal combustion engines will undoubtedly lose market share; the market share of conventional internal combustion engines is projected to shrink to around 20% by 2050, while electric vehicles are projected to account for around eight out of ten vehicle sales.

Chart 8 – Global electric vehicle size 2021-2025



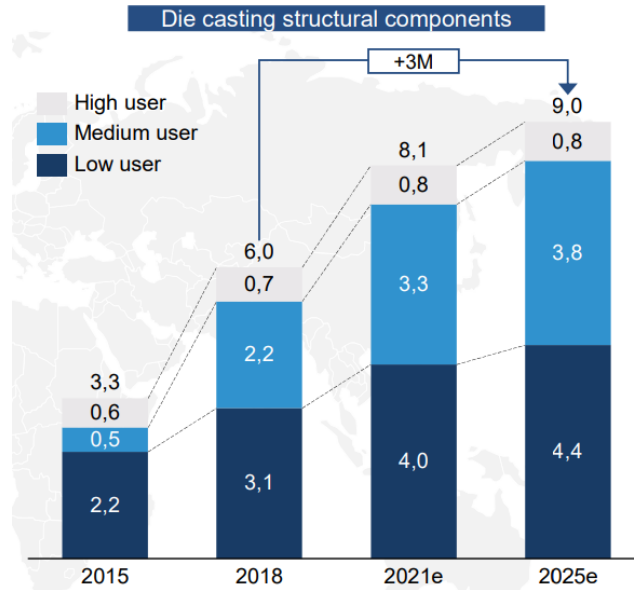
Source: Statista “Automotive electronics worldwide”

It is also expected that there will be 54 million electric vehicles by 2025, compared to about 12 million units estimated in 2021 (CAGR 2021-2025: 45.65%).

This further indicates that automotive companies will need to invest in modernizing plans and equipment, thereby allowing die-casting companies to benefit from this situation.

More specifically, it is estimated that die-cast structural components will increase to almost 9 million units by 2025, amounting to an overall increase of 3 million between 2018 and 2025, mainly driven by regulations, fuel efficiency and the competitive landscape.

Chart 9 – Structural components in die-casting forecast



Source: Costamp Virtual AIM Italia Conference 2020

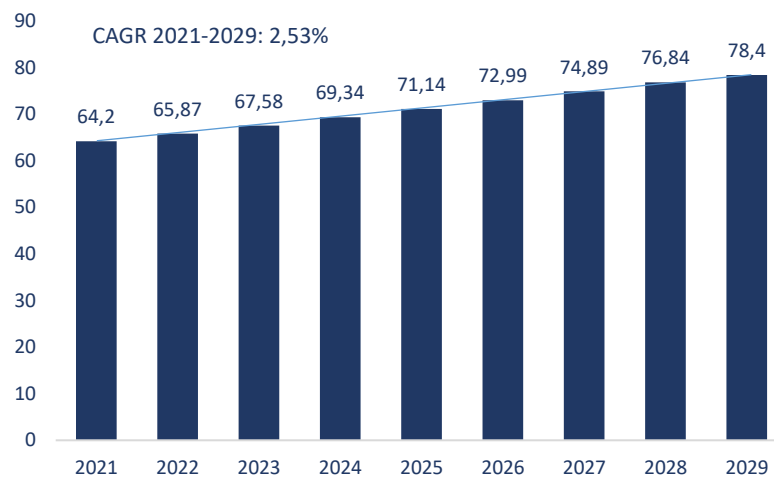
A CAGR of 6.5% is expected in the die-casting market during the period 2020 - 2025.

In summary, the die-casting market is largely driven by the complexities of the supply chain in the die-casting industry, as well as by the increased penetration of die-cast parts in industrial machinery, the construction sector, the use of aluminum castings in the electrical and electronics sectors and the previously discussed automotive market.

Policies to reduce car emissions and increase fuel efficiency are driving car manufacturers to reduce the weight of cars by using light, non-ferrous metals. Consequently, the use of die-cast parts as a weight reduction strategy is proving an important driver for the premier market in the automotive segment.

Weight reduction should lead to increased demand for aluminum and represent a huge market opportunity for Costamp. Over the past 30 years, the amount of aluminum used in car construction has increased continuously.

Chart 10 – Projected aluminum consumption worldwide 2021-2029



Source: Statista “Aluminum industry worldwide”

In 2020, about 23% of all aluminum globally was used by the transportation and manufacturing sector. The trend towards high industrialization around the world has triggered an increase in demand for all types of metals needed for production. In 2020, the size of the global aluminum market was US \$ 160 billion.

This market is expected to reach approximately US \$ 150 billion by 2026. In 2020, the top three major importers of aluminum and aluminum products were the US, Germany and China. In the same year, those same countries were also the top three exporters.

4. Competitive Positioning

Table 2 – Main Competitor (2020 data)

€ mln	Revenues	Ebitda	Ebitda %	Net Income	Net Income %	NFP
	2020	2020	2020	2020	2020	2020
Produttori						
EXCO Technologies Ltd.	264,0	34,1	13%	17,6	7%	-14,0
Meco Eckel GmbH	134,6	24,7	18%	14,5	11%	20,1
Schaufler	77,3	1,8	2%	0,2	0%	-0,1
Aurrenak*	21,8	-0,9	-4%	-1,5	-7%	3,3
SAPP Spa	10,4	0,2	2%	-0,2	-2%	1,1
Vetimec Soc. Coop.	30,6	1,6	5%	-0,2	-1%	-10,3
SCM Zanussi	10,5	-0,3	-3%	-0,8	-8%	2,9
Comest	6,6	0,7	11%	0,0	0%	-1,1
SCS Rodegari	5,5	N/A	N/A	-0,1	-3%	1,2
Median	21,8	1,2	4%	-0,1	-1%	1,1
Costamp	50,1	5,5	11%	0,8	2%	32,2

Source: Orbis, Infinancial

*Data as of 2019

In carrying out its business, the Group competes with some major players in the European market, in the context of the production of molds for precision components.

The Group boasts some significant distinctive features:

- High-pressure die-casting (HPDC) production of small and large dimensions;
- Positioning on products/processes with high added value;
- Comprehensive range of products/services and cross-selling opportunities;
- Flexibility and speed in satisfying customer requests, including after-sales;
- Continuous improvement of technical production know-how;
- Very precise control of production and zeroing of returns;
- Network capacity.

5. Economics & Financials

Table 3 – Costamp Economics & Financials

INCOME STATEMENT (€/mIn)	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
Revenues	50,08	50,21	54,00	56,00	60,00	62,00
Other Revenues	1,19	4,31	1,50	1,50	1,50	1,50
Value of Production	51,27	54,52	55,50	57,50	61,50	63,50
COGS	17,55	12,99	13,20	13,65	14,60	15,00
Services	11,82	18,44	18,75	19,40	20,75	21,40
Use of assets owned by others	0,06	0,06	0,05	0,05	0,05	0,05
Employees	14,22	12,90	13,10	13,60	14,50	14,90
Other Operating Expenses	2,13	1,73	1,75	1,80	1,90	1,95
EBITDA	5,49	8,40	8,65	9,00	9,70	10,20
<i>EBITDA Margin</i>	<i>10,7%</i>	<i>15,4%</i>	<i>15,6%</i>	<i>15,7%</i>	<i>15,8%</i>	<i>16,1%</i>
D&A	3,65	3,47	3,45	3,50	3,55	3,60
EBIT	1,84	4,92	5,20	5,50	6,15	6,60
<i>EBIT Margin</i>	<i>3,6%</i>	<i>9,0%</i>	<i>9,4%</i>	<i>9,6%</i>	<i>10,0%</i>	<i>10,4%</i>
Financial Management	(0,95)	(1,17)	(1,20)	(1,25)	(1,30)	(1,40)
EBT	0,89	3,76	4,00	4,25	4,85	5,20
Taxes	0,11	(0,07)	0,00	0,00	1,35	1,45
Net Income	0,78	3,83	4,00	4,25	3,50	3,75

BALANCE SHEET (€/mIn)	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
Fixed Assets	52,51	33,78	32,30	30,80	29,20	27,60
Account receivable	13,99	17,37	19,60	21,10	22,70	23,80
Inventories	17,49	14,06	14,50	16,00	17,50	18,30
Account payable	14,56	13,06	12,50	13,00	13,95	14,40
Operating Working Capital	16,92	18,37	21,60	24,10	26,25	27,70
Other receivable	3,48	3,12	3,40	3,50	3,80	4,00
Other payable	14,62	14,41	14,65	15,10	16,10	16,60
Net Working Capital	5,78	7,08	10,35	12,50	13,95	15,10
Severance Indemnities & Other Provisions	1,67	1,58	1,65	1,70	1,75	1,80
NET INVESTED CAPITAL	56,62	39,28	41,00	41,60	41,40	40,90
Share Capital	2,13	2,13	2,13	2,13	2,13	2,13
Reserves	21,55	15,01	18,83	22,83	27,08	30,58
Net Income	0,78	3,83	4,00	4,25	3,50	3,75
Equity	24,45	20,96	24,96	29,21	32,71	36,46
Cash & Cash Equivalent	10,72	21,17	26,96	29,11	31,31	34,06
Short Term Debt to Bank	14,53	17,14	18,00	18,50	19,00	19,50
M/L Term Debt to Bank	28,35	22,35	25,00	23,00	21,00	19,00
Net Financial Position	32,16	18,32	16,04	12,39	8,69	4,44
SOURCES	56,62	39,28	41,00	41,60	41,40	40,90

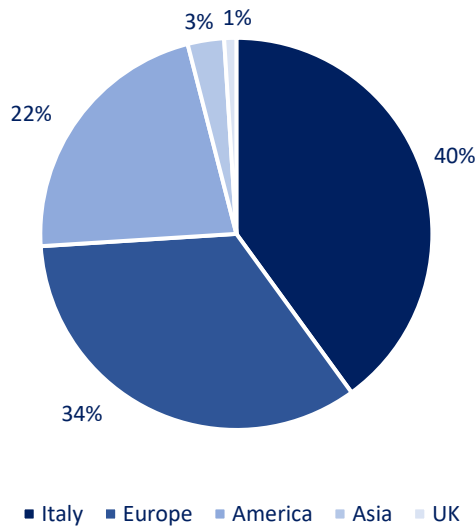
CASH FLOW (€/mIn)	FY21A	FY22E	FY23E	FY24E	FY25E
EBIT	4,92	5,20	5,50	6,15	6,60
Taxes	-0,07	0,00	0,00	1,35	1,45
NOPAT	5,00	5,20	5,50	4,80	5,15
D&A	3,47	3,45	3,50	3,55	3,60
Change in receivable	(3,38)	(2,23)	(1,50)	(1,60)	(1,10)
Change in inventories	3,43	(0,44)	(1,50)	(1,50)	(0,80)
Change in payable	(1,50)	(0,56)	0,50	0,95	0,45
Change in others	0,15	-0,04	0,35	0,70	0,30
<i>Change in NWC</i>	<i>-1,30</i>	<i>-3,27</i>	<i>-2,15</i>	<i>-1,45</i>	<i>-1,15</i>
Change in provisions	-0,09	0,07	0,05	0,05	0,05
OPERATING CASH FLOW	7,08	5,45	6,90	6,95	7,65
Capex	15,3	(2,0)	(2,0)	(2,0)	(2,0)
FREE CASH FLOW	22,33	3,48	4,90	5,00	5,65
Financial Management	(1,17)	(1,20)	(1,25)	(1,30)	(1,40)
Change in Debt to Bank	(3,39)	3,51	(1,50)	(1,50)	(1,50)
Change in Equity	(7,32)	0,00	0,00	0,00	0,00
FREE CASH FLOW TO EQUITY	10,45	5,80	2,15	2,20	2,75

Source: Integrae SIM estimates

5.1 FY21A Results

In FY21A, revenues amounted to € 50.21 million, in line with the previous year's figure (€ 50.08 million). The value of production is € 54.52 million, up 6.3% compared to € 51.27 million in FY20A. It should be noted that the Group benefited from the gain from the sale of shares in the company Alunext Srl, amounting to € 2.24 million.

Chart 11 – Revenues Breakdown by Geographical Area



Source: Integrae SIM calculations

40% of revenues derive from commercial transactions concluded in Italy. The remaining 60% is subdivided as follows: 34% refers to revenues generated in foreign countries in the rest of Europe, 22% regards Central and North America (and in particular Mexico and the USA), 3% is generated in the Asian area (i.e. India and Russia) and the remaining 1% refers to revenues generated in the UK.

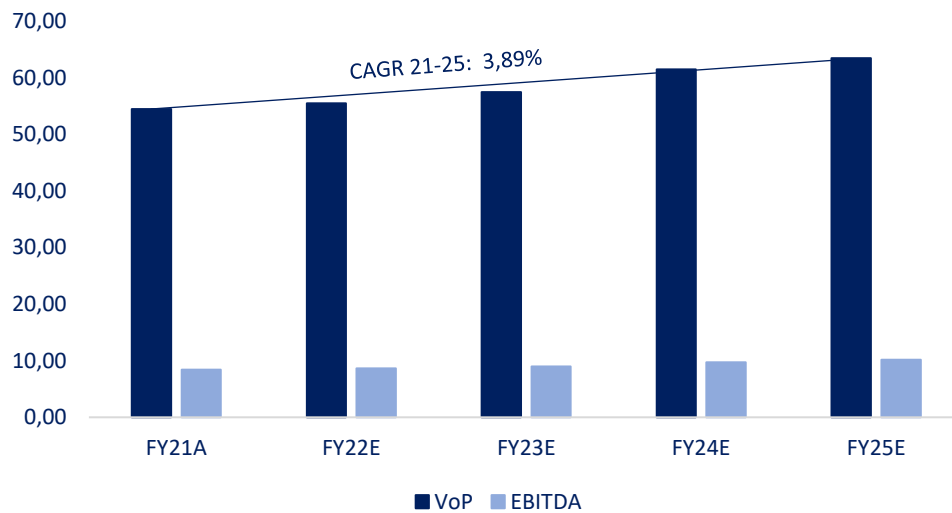
EBITDA stands at € 8.49 million, up 53.0% compared to the previous year's value of € 5.49 million. Consequently, the EBITDA margin is also higher than in 2020 (equal to 10.7%), reaching a percentage of 15.4%.

EBIT is equal to € 4.92 million, after amortization, depreciation and write-downs that amount to € 3.47 million, it is up 167% compared to a value of € 1.84 million at 31/12/2020. The EBIT margin is also up, going from 3.6% in 2020 to 9.0% in 2021. Net Income is equal to € 3.83 million, a significant improvement compared to € 0.78 million for the previous year.

The NFP recorded a positive change, going from € 32.16 million to € 18.32 million. This improvement is mainly linked to the extraordinary transaction on June 16, 2021, in which the company Costamp Real Estate SpA was incorporated via the proportional partial demerger of Costamp Group SpA, in order to separate the operating activities of the company from its real estate assets, consisting of industrial buildings, and related liabilities, in favor of a newly incorporated company.

5.2 FY21A – FY25E Estimates

Chart 12 – VoP, EBITDA 21A-25E

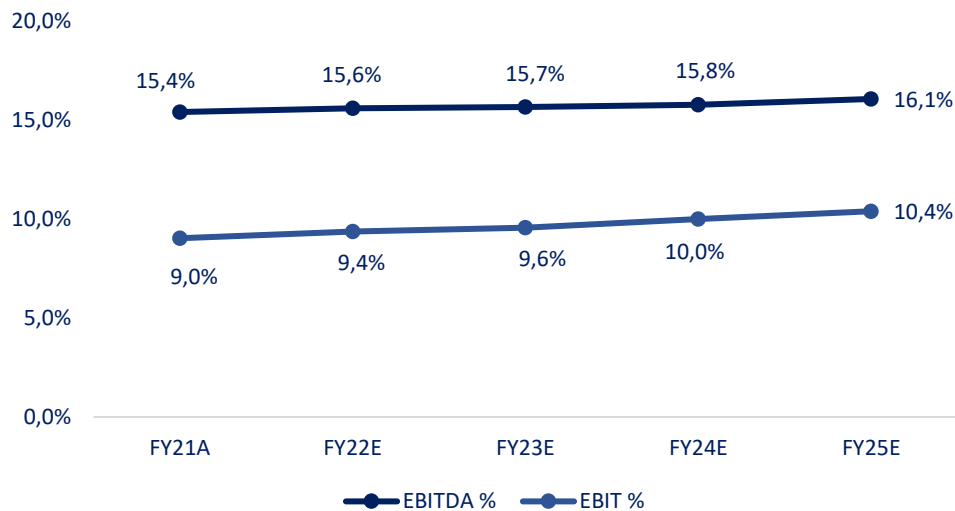


Source: Integrae SIM calculations

Over the next few years, we expect an increase in the value of production that, according to our estimates, will increase from € 54.52 million in 2021A to € 63.50 million in 2025E (CAGR21A-25E: 3.89%), thanks to following main *drivers*:

- **Group extension and continuous synergies:** we believe that the company can continue to extend its group extension with further acquisitions and industrial alliances in order to guarantee a large pool of consolidated and potential clients and specific *know-how* at all levels of the supply chain.
- **Efficiency of company procedures:** in order to increase efficiency in the management of production processes, the company will benefit from the introduction of a second work shift. Furthermore, we believe that Costamp can continue to redesign the organizational model of its Units in order to progressively improve efficiency;
- **Integration path:** we believe that the company will be able to continue the Business Unit integration path, as was the case for Sirone, Turin and Correggio;
- **Business growth:** we believe that the company will be able to benefit from the opportunities relating to "giga tools", a market with ample opportunities since there are a limited number of manufacturers currently. Costamp's order book will benefit from the contracts for these medium-large molds, saturating production capacity.

Chart 13 – EBITDA% and EBIT% 21A-25E

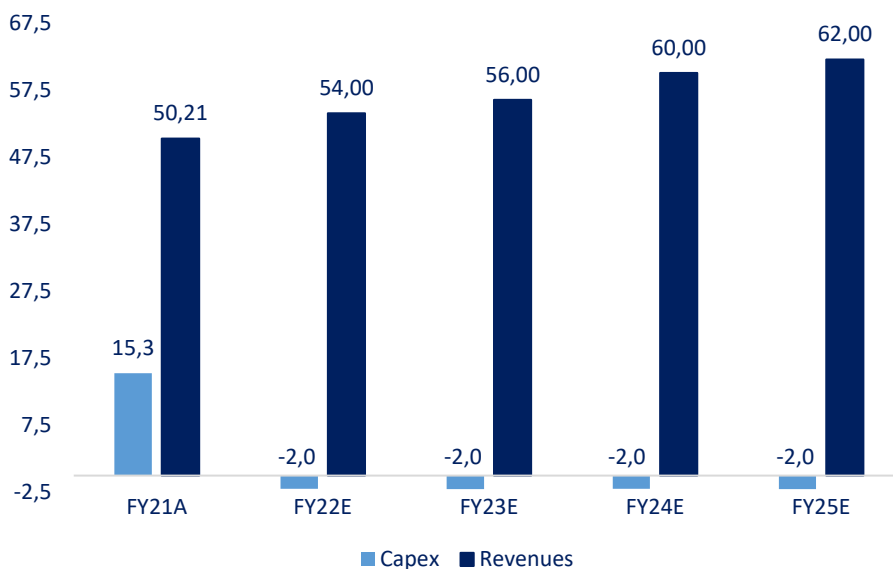


Source: Integrae SIM calculations

Similarly, we expect an increase in EBITDA that, according to our estimates, will rise from € 7.05 million in 2021A to € 20.75 million in 2025E. We believe that Costamp will be able to improve its margins over the years in the plan thanks to the following *drivers*:

- **Operational efficiency:** we believe that Costamp will be able to improve its margins over the years thanks mainly to the operational efficiency resulting from the growing incidence on total revenues, but above all thanks to the progressive efficiency of the cost structure;
- **Effects of Costamp Real Estate S.p.A.:** we believe that the company will be able to benefit from the effects following the incorporation of Costamp Real Estate S.p.A. via the proportional partial demerger of the company Costamp Group S.p.A. Efficiency in terms of logistics and costs will be achieved by subdividing the operational activities carried out by the group headed by Costamp Group with regard to the real estate complex.

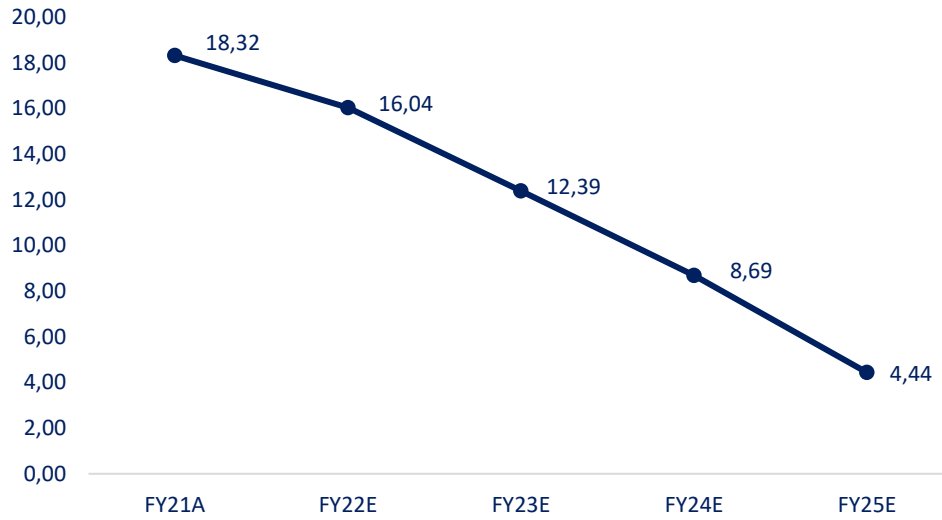
Chart 14 – Revenues, Capex 21A-25E



Source: Integrae SIM calculations

At the Capex level, we believe that the company will not continue to invest heavily in tangible assets over the years in the plan. In particular, we believe that investments will be aimed at the maintenance of machinery and buildings.

Chart 15 - NFP 21A-25E



Source: Integrae SIM calculations

We believe that the company can continue to improve its NFP in the years following 2021A, due to the progressive repayment of the convertible bond loan and the positive cash flows generated by giga tool contracts.

6. Valuation

We conducted the valuation of Costamp equity value based on the DCF methodology and the multiples of a comparable Companies sample.

6.1 DCF Method

Table 4 – WACC

WACC		5,18%
Risk Free Rate	0,78% α (specific risk)	2,50%
Market Premium	6,42% Beta Adjusted	0,8
D/E (average)	150,00% Beta Relevered	1,7
Ke	8,62% Kd	4,00%

Source: Integrae SIM

In particular:

- The Risk-Free Rate is represented by the Rendistato from March 2022 with a maturity between 3 years and 7 months and 4 years and 6 months;
- The Market Premium coincides with the premium for the Italian market risk calculated by Professor A. Damodaran;
- D/E was calculated based on the estimates of Integrae SIM;
- Ke was calculated using CAPM;
- The Alpha, i.e., specific additional risk, is typical of equity investments in companies characterised by small-scale operations. As we are dealing with small sizes, the small-cap risk premium was equal to 2.5%, the average value of those suggested by the main studies carried out in this field (Massari Zanetti, *Valutazione Finanziaria (Financial Valuation)*, McGraw-Hill, 2004, p. 145, A. Damodaran, *cost of Equity and Small Cap Premium in Investment Valuation, Tools and techniques for determining the value of any assets*, 3rd Edition 2012, Guatri Bini, *Nuovo Trattato sulla Valutazione Finanziaria (News Insights on Corporate Valuation)*, 2009 p. 236);
- The Beta is calculated starting from the unlevered 5-year Beta of the competitors;
- Kd coincides with the Company's current debt cost.

Using this data the result is a WACC of 5.18%.

Table 5 – DCF Valuation

DCF Equity Value		60,7
FCFO actualized	9,1	12%
TV actualized DCF	69,9	88%
Enterprise Value	79,0	100%
NFP (FY21A)	18,3	

Source: Integrae SIM

With the above data and taking our estimates and assumptions as a reference, the result is an **equity value of € 60.7 million.**

Table 6 – Equity Value – Sensitivity Analysis

€/mln		WACC						
		3,7%	4,2%	4,7%	5,2%	5,7%	6,2%	6,7%
Growth Rate (g)	2,5%	248,5	169,5	126,7	99,9	81,5	68,1	57,9
	2,0%	171,8	128,5	101,3	82,7	69,1	58,8	50,7
	1,5%	130,4	102,8	84,0	70,2	59,8	51,5	44,9
	1,0%	104,4	85,3	71,3	60,7	52,4	45,7	40,1
	0,5%	86,6	72,4	61,7	53,3	46,4	40,8	36,1
	0,0%	73,6	62,7	54,1	47,2	41,5	36,8	32,7
	-0,5%	63,7	55,0	48,0	42,3	37,4	33,3	29,8

Source: Integrae SIM

6.2 Market Multiples

6.2.1 Panel Composition

Georg Fischer AG (Switzerland) engages in the manufacture and distribution of components and systems for the automotive and industrial sectors. The GF Casting Solutions segment develops and manufactures components and castings for the global automotive industry, aerospace and energy markets, off-road vehicles, and other industrial applications. The GF Piping Systems segment provides plastic and metal piping systems. The GF Machining Solutions segment provides industrial solutions in tooling and molds. The company was founded by Johann Conrad Fischer on June 3, 1802, and is headquartered in Schaffhausen, Switzerland.

Brembo SpA (Italy) designs, manufactures and markets disc brake systems and components. The company's products include disc brakes, wheel-side modules and high-performance brakes for automobiles, light commercial and heavy industrial vehicles, motorcycles and race cars. The company was founded by Emilio Bombassei and Italo Breda on January 11, 1961 and is headquartered in Curno, Italy.

American Axle & Manufacturing Holdings Inc (Usa) engages in the manufacturing, engineering, design and validation of transmission systems and related components in the automotive market. The Driveline segment works on: axles, driveshafts, power transfer units, and transmission modules. The Metal Forming segment manufactures axle shafts, ring and pinion gears, differential gears, transmission gears and shafts, and suspension components. The Powertrain segment manufactures transmission modules and differential assemblies, transmission valve bodies, forging and connecting rod assemblies, torsional vibration dampers and variable timing products. The company was founded by Richard E. Dauch in March 1994 and is headquartered in Detroit, USA.

Exco Technologies LTD (Canada) engages in the design, development and manufacture of dies, molds, components, assembly systems and equipment for the automotive and die casting industries. The Company was founded on July 28, 1986 and is headquartered in Markham, Canada.

Valeo SA (France) manufactures and sells components, systems and services for automakers in France, North America, South America, Asia, Africa and other European countries. The Company operates through four segments: comfort and driver assistance systems, propulsion systems, thermal systems, and visibility systems. The company also provides propulsion systems, including electric propulsion systems for electric cars. In addition, it offers original equipment parts to automakers; and parts and accessories for the independent aftermarket for passenger cars and commercial vehicles. Valeo SE was founded in 1923 and is headquartered in Paris, France.

Sogefi SpA (Italy) designs, develops and manufactures filtration systems, suspension components, air management products and engine cooling systems for the automotive industry worldwide. The Company operates through three segments: Air and Cooling, Suspension, and Filtration. The company was founded in 1980 and is headquartered in Milan, Italy. Sogefi SpA is a subsidiary of CIR SpA - Compagnie Industriali Riunite.

Landi Renzo SpA (Italy) designs, manufactures, installs and sells LPG and CNG fuel systems in Italy, Europe, America, Asia and the Rest of the World. The company offers LPG and CNG alternative fuel systems for vehicles, including electromechanical components such as pressure regulators, injectors, solenoid valves and multivalves; electronic devices including electronic

control units, switch-indicators, advanced timing processors and other accessories; and vehicle safety and mobility devices. The company was founded in 1954 and is headquartered in Cavriago, Italy. Landi Renzo SpA is a subsidiary of Girefin SpA.

Table 7 – Comparables Financial Highlights TLC (data in € mln)

FY2021A	Georg Fischer AG Switzerland	Valeo SA France	Brembo S.p.A. Italy	American Axle USA	Exco Technologies Limited Canada	Sogefi SpA Italy	Landi Renzo SpA Italy	Peer Median	Costamp
Country									
Mkt Cap	4.275,3	4.011,0	3.140,5	770,1	259,7	101,4	94,5	770,1	
EV	4.352,8	8.283,0	3.587,8	3.214,0	246,1	379,9	163,4	3.214,0	
Profitability									
Sales	3.589,3	17.262,0	2.777,6	4.536,7	313,9	1.331,0	142,5	2.777,6	50,2
EBITDA	404,1	2.024,0	489,1	768,4	47,6	183,6	6,8	404,1	8,4
EBIT	273,9	406,0	274,4	141,7	33,3	58,1	-5,4	141,7	4,9
Net Profit	207,3	175,0	215,5	5,2	26,2	2,0	-7,7	26,2	3,8
EBITDA Margin	11,3%	11,7%	17,6%	16,9%	15,2%	13,8%	4,8%	13,8%	16,7%
EBIT Margin	7,6%	2,4%	9,9%	3,1%	10,6%	4,4%	-3,8%	4,4%	9,8%
Net Profit Margin	5,8%	1,0%	7,8%	0,1%	8,3%	0,1%	-5,4%	1,0%	7,6%
Capital Structure									
NFP	77,6	4.272,0	447,2	2.443,9	-13,6	278,5	68,9	278,5	18,3
Equity	1.442,6	4.491,0	1.796,1	402,8	234,9	205,0	56,3	402,8	21,0
NFP/Equity	0,1x	1,0x	0,2x	6,1x	N/A	1,4x	1,2x	1,1x	0,9x
NFP/EBITDA	0,2x	2,1x	0,9x	3,2x	N/A	1,5x	10,1x	1,8x	2,2x

Source: Infinancial, Orbis

6.2.2 Multiples Method

Table 8 – Market Multiples

Company Name	EV/EBITDA (x)			EV/EBIT (x)			P/E (x)		
	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E
Georg Fischer AG	10,0	8,7	8,3	13,8	11,9	11,0	16,9	14,4	14,7
Brembo SpA	6,8	6,4	6,0	11,7	10,4	9,5	13,9	12,4	11,2
Sogefi SpA	2,2	2,0	1,9	6,5	5,2	4,7	4,6	3,0	2,5
Landi Renzo SpA	5,5	4,5	N/A	10,3	7,9	N/A	14,2	9,5	N/A
American Axle & Manufacturing Holdings Inc.	4,2	3,7	3,9	10,5	7,7	7,0	6,6	3,5	3,1
Exco Technologies Limited	5,9	3,8	3,1	11,2	6,1	N/A	14,9	8,3	6,3
Valeo SA	3,5	3,0	2,6	12,6	8,1	6,5	12,6	6,3	5,2
Peer median	5,5	3,8	3,5	11,2	7,9	7,0	13,9	8,3	5,8

Source: Integrae SIM estimates and market consensus

Table 9 – Market Multiples Valuation

€/mln	2022E	2023E	2024E
Enterprise Value (EV)			
EV/EBITDA	47,5	34,2	33,6
EV/EBIT	58,2	43,2	42,7
P/E	55,4	35,2	20,1
Equity Value			
EV/EBITDA	31,5	21,8	24,9
EV/EBIT	42,2	30,8	34,1
P/E	55,4	35,2	20,1
Equity Value post 25% discount			
EV/EBITDA	23,6	16,4	18,7
EV/EBIT	31,6	23,1	25,5
P/E	41,6	26,4	15,1
Average	32,3	21,9	19,8

Source: Integrae SIM estimates and market consensus

The equity value of Costamp using the weighted average of the market multiples EV/EBITDA, EV/EBIT and P/E, is equal to approx. € 32.9 million. To this value, we have applied a discount of 25% to include in the price also the smaller liquidity that presumably will characterize Costamp regarding the comparables: the result is an equity value of € 24.7 million.

7. Equity Value

Table 10 – Equity Value

Average Equity Value (€/mln)	42,7
Equity Value DCF (€/mln)	60,7
Equity Value multiples (€/mln)	24,7
Target Price (€)	1,00

Source: Integrae SIM

The result is an average equity value equal to € 42.7 million. **The target price is, therefore, € 1.00, BUY rating and MEDIUM risk.**

Table 11 – Target Price Implied Valuation Multiples

Multiples	FY21A	FY22E	FY23E	FY24E
EV/EBITDA	7,3x	7,1x	6,8x	6,3x
EV/EBIT	12,4x	11,7x	11,1x	9,9x

Source: Integrae SIM

Table 12 – Current Price Implied Valuation Multiples

Multiples	FY21A	FY22E	FY23E	FY24E
EV/EBITDA	5,5x	5,3x	5,1x	4,7x
EV/EBIT	9,3x	8,8x	8,4x	7,5x

Source: Integrae SIM

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29/09/2021	0,85	U/R	U/R	U/R	Update
22/02/2022	0,70	U/R	U/R	U/R	Flash Note
22/03/2022	0,73	U/R	U/R	U/R	Flash Note

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Equity Total Return (ETR) for different risk categories			
Rating	Low Risk	Medium Risk	High Risk
BUY	ETR \geq 7.5%	ETR \geq 10%	ETR \geq 15%
HOLD	-5% < ETR < 7.5%	-5% < ETR < 10%	0% < ETR < 15%
SELL	ETR \leq -5%	ETR \leq -5%	ETR \leq 0%
U.R.	Rating e/o target price Under Review		
N.R.	Stock Not Rated		

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