

Caleffi

A Leader in the High-End/Luxury Home Textile Market

Caleffi - Key estimates and data				
Y/E December		2015A	2016E	2017E
Revenues	EURM	55.52	62.74	67.13
EBITDA	EUR M	3.10	4.30	4.90
EBIT	EUR M	1.38	2.58	3.08
Net Income	EUR M	0.29	1.12	1.43
Adj. EPS	EUR	0.02	0.07	0.09
EV/EBITDA	x	10.9	NA	NA
Adj. P/E	x	58.9	NA	NA

NA: not available; A: actual; E: estimates; Source: Company data and Intesa Sanpaolo Research

- Leading brand in Italy's home fashion.** Since its establishment, Caleffi has followed an evolution from the original concept of decoration, traditionally classic and immutable, to the concept of easy and creative linen following time and fashion within a global "home project". The Caleffi collections are characterised by the fine design and preciousness of fabrics, thus making the brand one of the most important in the Home Fashion market, positioning in the medium-high segment. The luxury segment is covered through the brands Mirabello and Carrara, which in 2012 merged into Mirabello Carrara S.p.A., owned 70% by Caleffi. In 2015 posted revenues were EUR 55.5M, of which EUR 7.4M made out of Italy. The EBITDA margin improved yoy by 350bps to 5.6%, thanks in particular to efficiency actions, also involving labour costs (the weighting in revenues down from 15.7% in FY14 to 14.3% in FY15).
- Positives.** We believe that Caleffi's positives are: 1) a leading player: the Italian home fashion market is highly fragmented with the five main brands accounting for around 36.4% of the total market share (in value terms) in 2015. Caleffi ranks third with a 6.6% market share, increasing from 4.7% in 2012 (the largest market share increase among the five principal brands); 2) a flexible cost structure: around 70% of production in 2015 was outsourced in countries characterised by a low cost of labour. The flexible production structure is a key competitive advantage for Caleffi, allowing a lean manufacturing process and economies of scale; 3) a multi-channel distribution: through several channels, including retail/wholesale in Italy (around 1,200 points of sales), 16 directly managed stores in line with strategy, B2B (industrial or distribution clients, which buy Caleffi products for their loyalty programmes), the main 6 Italian GDO players, and online; and 4) management is continuously pursuing the development of licensing agreements with high-value brands. Licences contribute for a significant part of Caleffi revenues (around 20% of 2015 revenues), and allows to reinforce sales abroad thanks to the high visibility of the licensed brand, in particular, in the luxury segment (e.g. Cavalli and Trussardi).
- Key risks.** In our view, Caleffi's key risks are 1) the home fashion market in Italy has contracted by around 11.6% in 2012-15. Competition is strong from branded goods, private labels and new players from low-cost countries; 2) licences expiration: by end-2016 around 86% of licences' revenues posted in 2014 expire; 3) should some of own stores face a level of revenue not consistent with fixed costs of the structures (e.g. rent, personnel, etc.), it would erode margins; and 4) raw materials (mainly cotton and plastic) represented around 59% of revenues in FY15. Inflationary trends on these commodities could erode margins.
- Financials and valuation.** Starting from FY15A results, in our FY16E-17E projections, we assumed a 2015A-17E revenues CAGR of 10% and an EBITDA margin yoy improvement of 130bps in FY16E and 40bps in FY17E. Assuming that all 3.125M warrants are converted at a EUR 1.35 strike price, we initiate coverage on Caleffi with a DCF-based **target price of EUR 1.55/share and BUY rating**. The Mirabello Carrara General Assembly has recently announced the intention to list Mirabello Carrara (owned 70% by Caleffi) on the AIM market, through a capital increase which would point to a pre-money valuation range between EUR 14.3M and EUR 18M.

31 March 2016

BUY

Target Price: EUR 1.55

Italy/Household Goods & Textiles
Initiation of Coverage

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Price performance, -1Y



Source: FactSet

Data priced on 29.03.2016

Target price (€)	1.55
Target upside (%)	39.3
Market price (€)	1.11
52Wk range (€)	1.25/0.86
Market cap (€ M)	17.38
No. of shares	15.63
Free float (%)	44.9
Major shr	G. Caleffi
(%)	40.4
Reuters	CLFF.MI
Bloomberg	CLF IM
FTSE IT All Sh	19818
Performance %	
Absolute	Rel. to FTSE IT All
-1M	10.1 -1M
-3M	11.2 -3M
-12M	-6.9 -12M
	13.3

Source: FactSet and Intesa Sanpaolo Research estimates

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Banca IMI is Corporate Broker to Caleffi

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Investment Summary

Positives

- **A wide product offering.** Since its establishment in 1962, Caleffi has followed an evolution from the original concept of decoration, traditionally classic and immutable, to the concept of easy and creative linen following time and fashion within a global “home project”. The Caleffi collections are characterised by the fine design and preciousness of fabrics, thus making the brand one of the most important in the Home Fashion market, positioning in the medium-high segment. The luxury segment is covered through the brands Mirabello and Carrara, which in 2012 merged into Mirabello Carrara S.p.A., owned 70% by Caleffi.
- **A well covered high-range positioning.** The Italian home fashion market is highly fragmented with the five principal brands accounting for around 36.4% of the total market share (in value terms) in 2015, while the remaining 63.6% is divided among a large number of other brands, unbranded products and private labels. In value terms, Caleffi ranks third among the principal branded competitors (Bassetti, Zucchi, Gabel and IKEA) with a 6.6% market share at 2015, increasing from 4.7% in 2012 (the largest market share boost among the five major brands). Thanks to a continuous investment in fashion research and in R&D on materials and fibres (R&D represented around 2.6% of 2012-15 revenue), Caleffi is positioned in the higher part of the market vs. the principal branded competitors, the mid-high part is covered through Caleffi, while the luxury part is covered through Mirabello Carrara.
- **A flexible cost structure.** Around 70% of production is outsourced in countries characterised by a low cost of labour. The suppliers are selected on the basis of their effectiveness and competitiveness, and controlled in the various manufacturing phases in terms of processes, materials and products’ quality. The flexible production structure is a key competitive advantage for Caleffi, allowing a lean manufacturing process.
- **A multi-channel distribution.** The distribution is made through several channels: 1) around 990 retail stores are served principally in North Italy, and around 180 wholesalers are served, principally in centre-south of Italy; 2) starting from 2002, in line with its strategy, Caleffi has now 16 directly managed stores; 3) B2B including both industrial clients or distribution clients, which buy Caleffi products for their loyalty programmes; 4) GDO, which includes the six main Italian players; and 5) products are sold through the website www.caleffionline.it, and through third-parties’ e-commerce platforms.
- **Licences.** At the moment, the most important licences are Warner Bros, Disney, Marvel and Happiness in the mid-high segment, and Roberto Cavalli, Trussardi and Les Voiles de St-Tropez in the luxury segment. Management is continuously pursuing the development of licensing agreements with high-value brands. Licences contribute for a significant part of Caleffi revenues (around 20% of 2015 revenues), and allows to reinforce sales abroad, thanks to the high visibility of the licensed brand, in particular in the luxury segment.

Key risks

- **High competition.** The home fashion market in Italy (over 86.3% of FY15 Caleffi revenues) has contracted by around 11.6% in the 2012-15 period. Competition in retail, wholesale and mass merchandising is strong from branded goods (Zucchi-Bassetti and Gabel), private labels and new players via low-cost countries. In the hotel segment, the competition is tougher as Caleffi is a new entrant. The investments in fashion research and R&D, alongside a flexible cost structure, should allow Caleffi to maintain its well-defined positioning in the mid-high and luxury segment, thus limiting the effect of competition.
- **Licence dependency.** Licences are a good revenues contribution and an opportunity in expanding internationally, but by end-2016 around 86% of licences' revenues posted in 2014 will expire and we see a risk if they are not renewed. However, management has shown, in the last years, its ability in replacing expired licences (e.g. Cavalli instead of Mariella Burani).
- **Outsourcing dependency.** Outsourcing represents around 70% of production, a risk may emerge whether the effectiveness, competitiveness and ethical behaviour of some supplier should fail, in our view. Thus far, Caleffi has maintained a strict control of all these characteristics and has been able to select the most suitable supplier.
- **Brand awareness.** Caleffi and Mirabello Carrara are brands very well known in Italy, and sales of these brands represented around 80% of revenues at FY15. Any quality and/or reputational problem could damage own-brand awareness. Moreover, licences are a good opportunity in expanding internationally, but they could expire. The company could need to invest to increase own-brand awareness abroad in order to maintain a significant contribution from sales made out of Italy.
- **Own stores.** Management is pursuing the opening of own stores, which are currently 16, representing around 20% revenues. Should some of these own stores face a level of revenues not be consistent with fixed costs of the structures (e.g. rent, personnel, etc.), it could erode margins.
- **Raw materials' inflationary trends.** Raw materials (mainly cotton and plastic) represented around 59% of revenues in FY15. Inflationary trends on these commodities would erode margins.

Valuation

We believe that a DCF model is the appropriate method to value Caleffi, as there are no close comparables. We highlight that this method gives an indication based on a long-term analysis and does not imply a near-term assessment of the likely performance of the shares.

DCF model

Alongside our 2016E-17E estimates, we used the following parameters to calculate the DCF model:

- A 1.75% risk-free rate;
- A 5.50% equity risk premium;
- For the long term, we assumed 0% growth;
- As usual in the LT, capex equals depreciation.

Caleffi - WACC calculation	
%	
Gross debt rate	6.0
Tax rate	27.5
Net debt rate	4.4
Beta levered*	1.00
Gearing	48.5
Beta relevered	1.00
Risk-free rate	1.75
Equity risk premium	5.50
WACC	5.8

Source: Intesa Sanpaolo Research estimates and * Bloomberg

On a fully-diluted basis, i.e. assuming that all 3.125M warrants are converted at a EUR 1.35 strike price (see the Shareholders Structure section), **we initiate coverage on Caleffi with a target price of EUR 1.55/share and a BUY rating.**

BUY rating, target price of EUR 1.55/share

Caleffi - DCF calculation			
EUR M	2016E	2017E	LT
EBIT	2.6	3.1	3.3
Tax	-0.7	-0.9	-0.9
Depreciation	1.7	1.8	
NOPAT	3.6	4.0	2.3
WC	0.1	-1.9	
Capex	-1.9	-1.5	
FCF	1.8	0.5	2.3
Discounted FCF	1.8	0.5	2.1
WACC (%)	5.8		
TV growth (%)	0.0		
Sum	2		
TV	36		
EV	38		
Debt 2015A	13.6		
Treasury shares	0.2		
Equity	25		
Shares (M)	15.6		
Warrant (M)	3.1		
Warrant exercise @ 1.35 EUR	4.2		
Target price (EUR/share)	1.55		

Source: Intesa Sanpaolo Research estimates

Shareholding Structure

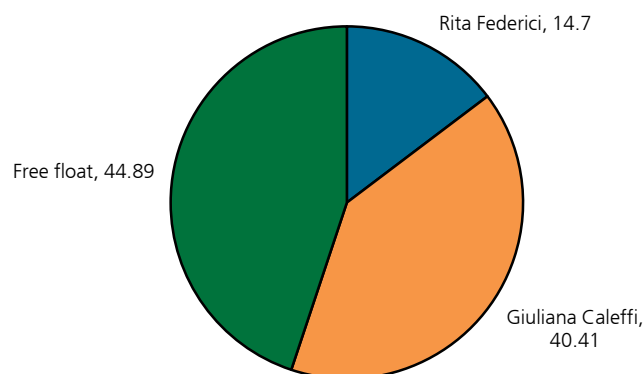
Caleffi's share capital is made up by 15,625,000 shares with no nominal value. Moreover, 3,125,000 warrants are outstanding, which can be converted into shares with a 1:1 ratio, according to the following exercise period and exercise price:

- 1 June 2016 - 30 June 2016: exercise price of EUR 1.35;
- 1 June 2017 - 30 June 2017: exercise price of EUR 1.35;
- 1 June 2018 - 30 June 2018: exercise price of EUR 1.60;
- 1 June 2019 - 30 June 2019: exercise price of EUR 1.60;
- 1 June 2019 - 30 June 2019: exercise price of EUR 1.60.

The main shareholder in Caleffi is Giuliana Caleffi, who, with a 40.41% controls the company. She was appointed chairman of the board of directors on 30 April 2014.

Rita Federici owns a 14.7% stake in Caleffi. She was appointed vice-chairman of the board of directors on 30 November 2014, with a mandate on the design development.

Shareholding structure



Source: Company data

The Group Profile

Caleffi was established in 1962 by Camillo Caleffi to manufacturing and marketing luxury textile items for the household. The evolution of the company is well explained by the evolution of the home linen products, from the original concept of decoration, traditionally classic and immutable, to the concept of easy and creative linen following time and fashion within a global "home project".

Since its foundation, the group has expanded its products' portfolio, from quilts to duvets, duvet covers sheet sets, linens, bath towels, kitchen linen and the home clothing collection.

The Caleffi collections are characterised by the fine design and preciousness of fabrics, thus making the brand one of the most important in the Home Fashion market, positioning in the medium-high segment.

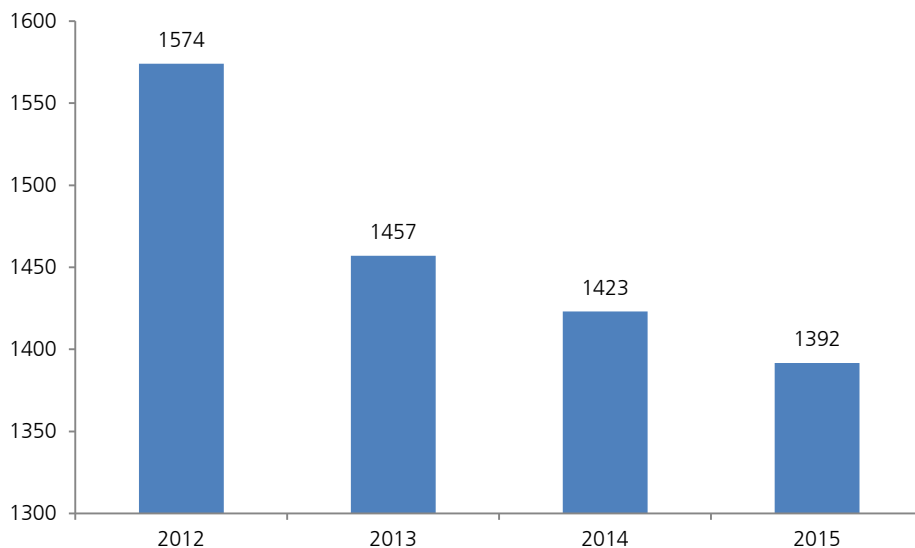
The luxury segment is covered through the brands Mirabello and Carrara, which in 2012 merged into Mirabello Carrara S.p.A., owned by Caleffi at 70%.

Caleffi production is outsourced to companies in 15 different countries, the distribution is made up by a network of around 2,000 stores in Italy and over 600 abroad. The company, starting from 2002, in line with its strategy, has now 16 directly managed stores.

Brands Positioning and Products

Caleffi operates in the home fashion market, which in Italy (around 87% of FY15A Caleffi revenue) in 2015 had an estimated value of EUR 1,392M (Source: Sita Ricerca 2015), in contraction by around 11.6% vs. 2012.

Home textile market in Italy (EUR M)



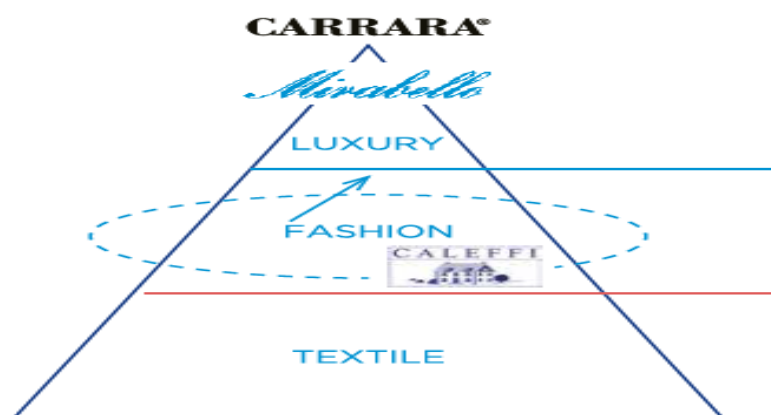
Source: Sita Ricerca 2015

The Italian home fashion market is highly fragmented with five principal brands accounting for around 36.4% of the total market share (in value terms) in 2015, while the remaining 63.6% is divided among a large number of other brands, unbranded products and private labels.

In value terms, Caleffi ranks third among the major branded competitors (Bassetti, Zucchi, Gabel, and IKEA) with a 6.6% market share in 2015, increasing from 4.7% in 2012 (the largest market share boost among the five principal brands).

Caleffi is positioned in the higher part of the market vs. the principal branded competitors, the mid-high part is covered through Caleffi, while the luxury part is covered through Mirabello Carrara.

Caleffi - Group brands' positioning



Source: Company data

Caleffi

The Caleffi products' portfolio is made up by:

- Quilts and Bedspreads;
- Scaldotto and Eiderdowns;
- Sheets and Quilt Covers;
- Bed accessories;
- Towelling Collection;
- Table and Kitchen Collection;
- Homeware & Nightwear.

The own brands are Caleffi and Scaldotto, alongside the "teen" licences of Warner Bros, Disney and Marvel, and the "fashion" licence of Happiness.

Mirabello Carrara

The Mirabello Carrara products' portfolio is made up by:

- Sheets and Quilt Covers;
- Quilts and Bedspreads;
- Bed Accessories;
- Towelling Collection;
- Table and Kitchen Collection.

The own brands are Mirabello, Carrara and Besana, alongside the luxury licences of Roberto Cavalli, Trussardi and Les Voiles de St-Tropez.

The Business Model

In the following, we describe Caleffi's business model, which is characterised by a direct control of high-value activities, a flexible production structure, a large distribution network and focus on "intangible assets", like brand, reputation, innovation, and know-how.

Product development

Caleffi is continuously investing in fashion research in order to produce "design" products and differentiate from competitors. It also makes R&D on materials and fibres to grant a high quality of products. The expenses in R&D represented around 2.6% of 2012-15 revenues.

The working phases with higher technological and value profile (e.g. quilting and quality control) are directly controlled.

Sourcing

Management has defined a sourcing policy to manage in the most effective and economically viable way the purchase of all materials and services relative to the manufacturing activities. The quality of purchased materials is granted through:

- The selection, valuation and monitoring of suppliers;
- Contracts focused on the quality of products;
- Control on supplied materials.

The valuation and monitoring of suppliers mainly entail their technical and manufacturing skills, quality systems, cost and time of delivery, reputation, economic and financial solidity.

Manufacturing

In 2015, around 70% of production was outsourced in countries characterised by a low cost of labour (e.g. Brazil, China, Estonia, India, Indonesia, Pakistan, Romania, and Turkey), through a network of 40 to 50 suppliers, selected on the basis of their effectiveness, competitiveness and ethical behaviour, and controlled in the various manufacturing phases in terms of processes, materials and products' quality.

These suppliers receive the raw materials from Caleffi and manufacture a semi-finished product, which is controlled in terms of quality by Caleffi.

The flexible production structure is a key competitive advantage for Caleffi, allowing a lean manufacturing process.

As aforementioned, some higher technological and value manufacturing activities are made in Italy, such as the carding, quilting and seam quilted products.

Distribution

The distribution is made through several channels:

- **Retail/wholesale in Italy:** 30 agents, coordinated by 3 area managers, cover the retail channel in Italy, made up by around 990 stores principally located in North Italy. In strategic stores "shop-in-shop" corners are equipped (14 at the moment). The wholesale channel counts around 180 wholesalers, principally located in centre-south of Italy;
- **Directly managed stores:** starting from 2002, in line with its strategy, Caleffi has now 16 directly managed stores;
- **B2B:** it includes both industrial or distribution clients, which buy Caleffi products for their loyalty programmes;

- **GDO:** it includes the main 6 Italian GDOs;
- **International/luxury:** expanding revenues abroad and in the luxury segment is one of the strategy pillars. International clients are followed by one export manager and two distributors, but the expansion is also made by leveraging the international brands of Caleffi licences (e.g. Cavalli, Trussardi).
- **Online:** products are sold through the website www.caleffionline.it and through third-party e-commerce platforms;

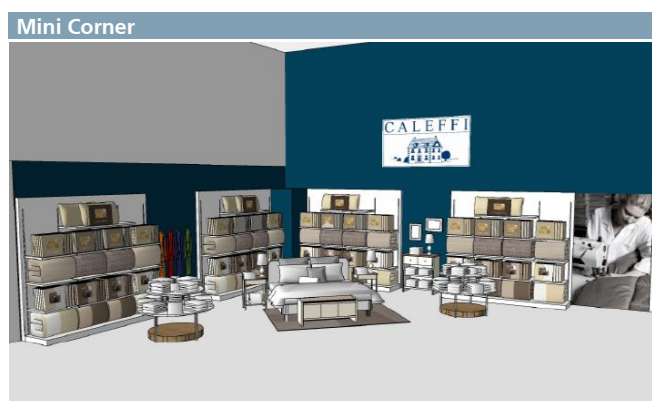
Marketing

The Caleffi and Mirabello Carrara own brands and the licensed brands are well known, the company invested in 2015 around 2% of revenues in communications and promotions campaigns.

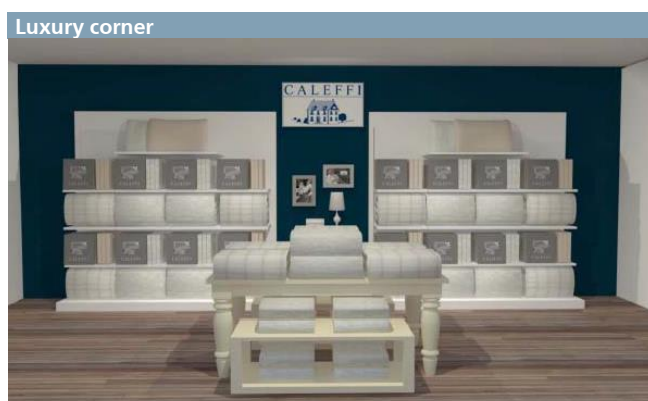
Another marketing tool recently launched is the “Club Caleffi” concept.

Relying on the evidence that clients demand is mostly induced (80% of purchase by clients is not “planned”, but decided at the store), “Club Caleffi” developed retainment actions, through the creation of emotionally engaging environment (e.g. visual merchandising), in order to maximise satisfaction in clients’ buying experience, improve brand awareness and reinforce store loyalty.

In the pictures below, we shown two examples of visual merchandising, management pointed out that 50% of clients spend more if the shop is nicely equipped.



Source: Company data



Source: Company data

Licences

A significant part of Caleffi revenues come from licensing contracts, around 20% of 2015 revenues. At the moment, the most important licences are Warner Bros, Disney, Marvel and Happiness in the mid-high segment, and Roberto Cavalli, Trussardi and Les Voiles de St-Tropez in the luxury segment. Management is continuously pursuing the development of licensing agreements with high value brands.

Strategy

Management's strategy, alongside the ongoing reorganisation of subsidiaries and optimisation of G&A costs, relies upon three pillars:

- The development of the international/luxury sales, through the reinforcement of distribution, the opening of own stores, and the leverage of internationally known brands in licences (e.g. Cavalli, Trussardi);
- The opening of directly managed stores, which started in 2002 and has reached now 16 units. Management intends to open 3 new stores between September 2016 and March 2017;
- "Club Caleffi", which has shown an important marketing tool in the last few years.

Competitive Positioning

Competitive forces

Competitive forces	
<p>Suppliers power</p> <p>Caleffi outsourced approx. 70% of its production through suppliers to exploit different regional expertise and local skills. In our view, the highly fragmented outsourcing significantly limits the supplier power.</p>	<p>New entrants</p> <p>We believe barriers to enter into the home fashion industry relate to: 1) the creation of brand awareness, which can be a long and costly process, or the signing of a licence, requiring an established presence in the home fashion; 2) the development of a capillary distribution network, which is strongly fragmented in Italy, often requiring a long time clients' fidelisation; and 3) efficient management of production and logistics.</p>
<p>Rivalry</p> <p>Caleffi faces a high competition in all its reference channels: retail, wholesale and mass merchandising from branded goods (Zucchi-Bassetti, and Gabel) and private labels present in the mass merchandising channel. In the hotel segment, the competition is tougher as Caleffi is a new entrant. We view the group's total production delocalisation and the average higher product price-positioning trend as a key group's competitive advantage.</p>	
<p>Substitute products</p> <p>We believe there are no substitute products.</p>	<p>Customer power</p> <p>Although there is no concentration of sales on a particular customer, or distributor, we believe the mass merchandising channel has strong power on product positioning and pricing, often requiring fidelisation through specific promotions.</p>

Source: Intesa Sanpaolo Research, Porter model

SWOT analysis

<p>Strengths</p> <ul style="list-style-type: none"> ▪ A wide product offering; ▪ Flexible cost structure with 70% of production outsourced; ▪ Capillary wholesale distribution presence; ▪ Limited US Dollar exposure. 	<p>Weaknesses</p> <ul style="list-style-type: none"> ▪ Licence dependency, 86% of 2014 licensing revenues will expire by end of 2016; ▪ Own-brand awareness is lower than that of licensed brands.
<p>Opportunities</p> <ul style="list-style-type: none"> ▪ Opening of own stores; ▪ Expansion abroad; ▪ New licence agreements in the luxury segment; ▪ Development of new product categories, such as homeware and nightwear. 	<p>Threats</p> <ul style="list-style-type: none"> ▪ Higher raw material prices (cotton and plastic) could erode margins; ▪ Increasing competitive pressure in the mass merchandising channel.

Source: Intesa Sanpaolo Research estimates

Earnings Outlook

FY15 results

The Home Fashion market in Italy declined in 2015 by 2.2% to around EUR 1.4Bn. Caleffi further rose its market share to 6.6% in 2015 (6.2% in 2014 and 5.5% in 2013). Caleffi FY15 revenues grew by 6.5% yoy to EUR 55.5M, driven by a robust growth in Italy (+6.8% to EUR 48.1M), while abroad grew by 4.2% to EUR 7.4M.

Caleffi - Key FY15A results			
EUR M	FY14A	FY15A	yoy %
Revenues	52.1	55.5	6.5
EBITDA	1.1	3.1	188.5
EBITDA margin (%)	2.1	5.6	
EBIT	-0.7	1.4	NM
Net income	-1.3	0.3	NM
Net debt	14.9	13.6	-8.8

NM: not meaningful; Source: Company data

The EBITDA margin improved by 350bps yoy to 5.6%, thanks in particular to efficiency actions, also involving labour cost (the weighting in revenue decreased from 15.7% in FY14 to 14.3% in FY15). Net income came in at EUR 0.3M vs. an EUR 1.3M loss in FY14A.

Net debt was EUR 13.6M (from EUR 14.9M at FY14A), also including an EUR 3.4M capital increase. The company owns treasury shares for around 0.94% of capital. The board will ask the General Assembly the renewal of a buy-back programme.

Management's outlook

The global economic scenario should be positive, despite some concerns coming from China and countries exporting commodities, according to management. Management targets a positive revenues trend in particular abroad and in the luxury segment, with the Roberto Cavalli Home and Trussardi Home Linen licences. Management also expects a good revenues trend coming from directly managed stores and from shop-in shop, two areas where further investments will be made.

The Mirabello Carrara General Assembly has recently announced the intention to list Mirabello Carrara (owned 70% by Caleffi) on the AIM market, through a capital increase which would point to a pre-money valuation range between EUR 14.3M and EUR 18M.

The listing on AIM, in Mirabello Carrara management's view, would grant a better international visibility and financial resources to reinforce its own brands in a market with a strong potential. Moreover focus will be put on enlarging the luxury brands license portfolio.

In FY15, Mirabello Carrara posted EUR 15.4M (+10% yoy), EUR 1.2M EBITDA (+60% yoy), EUR 0.2M net income (an EUR 0.1M loss in FY14) and EUR 3.3M net debt (EUR 5.3M in FY14).

2016E-17E forecasts

Based on FY15A results, we initiate coverage on Caleffi with the following projections:

- We expect a 13% revenues growth in FY16E, driven by an expansion abroad and in the luxury segment, and by a stronger contribution from directly managed stores and shop in shop. Thanks to an improvement in the gross margin (higher average selling price and lower direct costs, thanks to the flexible sourcing and manufacturing), we expect EBITDA margin to improve significantly, +130bps vs. FY15A;
- In FY17E, we project a 7% revenues growth, and an EBITDA margin improvement by 40bps vs. FY16E.

Caleffi - Key FY16E-17E projections				
EUR M	FY16E	yoy %	FY17E	yoy %
Revenues	62.7	13.0	67.1	7.0
EBITDA	4.3	38.9	4.9	14.0
EBITDA margin (%)	6.9		7.3	
EBIT	2.6	87.6	3.1	19.4
Net income	1.1	279.5	1.4	28.1
Net debt	12.6	-7.3	12.8	1.8

Source: Intesa Sanpaolo Research estimates

Caleffi - Key data						
Rating	Target price (EUR/sh)	Mkt price (EUR/sh)	Sector	Free float (%)	Reuters Code	
BUY	Ord 1.55	Ord -	Household Goods & Textiles	0	CLFF.MI	
Values per share (EUR)						
	2014A	2015A	2016E	2017E		
No. ordinary shares (M)	12.50	15.63	15.63	15.63		
No. NC saving/preferred shares (M)	0.00	0.00	0.00	0.00		
Total no. of shares (M)	12.50	15.63	15.63	15.63		
Market cap	18.44	17.33	NA	NA		
Adj. EPS	-0.10	0.02	0.07	0.09		
CFPS	0.04	0.13	0.18	0.21		
BVPS	1.1	1.1	1.2	1.3		
Income statement (EUR M)						
	2014A	2015A	2016E	2017E		
Revenues	52.15	55.52	62.74	67.13		
EBITDA	1.07	3.10	4.30	4.90		
EBIT	-0.69	1.38	2.58	3.08		
Pre-tax income	-1.58	0.75	1.79	2.32		
Net income	-1.27	0.29	1.12	1.43		
Adj. net income	-1.27	0.29	1.12	1.43		
Cash flow (EUR M)						
	2014A	2015A	2016E	2017E		
Net income before minorities	-1.3	0.4	1.1	1.4		
Depreciation and provisions	1.8	1.7	1.7	1.8		
Others/Uses of funds	0	0	0	0		
Change in working capital	2.8	-2.5	0.1	-1.9		
Operating cash flow	3.3	-0.4	2.9	1.3		
Capital expenditure	-1.3	-1.3	-1.9	-1.5		
Financial investments	0	0	0	0		
Acquisitions and disposals	0	0	0	0		
Free cash flow	2.0	-1.8	1.0	-0.2		
Dividends	0	0	0	0		
Equity changes & Other non-operating items	-1.1	3.1	0	0		
Net cash flow	0.9	1.3	1.0	-0.2		
Balance sheet (EUR M)						
	2014A	2015A	2016E	2017E		
Net capital employed	25.8	28.0	28.1	29.7		
of which associates	0	0	0	0		
Net debt/-cash	14.9	13.6	12.6	12.8		
Minorities	2.7	2.7	2.7	2.7		
Net equity	10.9	14.4	15.5	16.9		
Minorities value	0	0	0	0		
Enterprise value	36.9	33.6	NA	NA		
Stock market ratios (x)						
	2014A	2015A	2016E	2017E		
Adj. P/E	Neg.	58.9	NA	NA		
P/CFPS	37.8	8.6	NA	NA		
P/BVPS	1.4	1.0	NA	NA		
Payout (%)	0	0	0	0		
FCF yield (%)	11.0	-10.2	NA	NA		
EV/sales	0.71	0.61	NA	NA		
EV/EBITDA	34.4	10.9	NA	NA		
EV/EBIT	Neg.	24.4	NA	NA		
EV/CE	1.4	1.2	NA	NA		
D/EBITDA	13.9	4.4	2.9	2.6		
D/EBIT	Neg.	9.9	4.9	4.2		
Profitability & financial ratios (%)						
	2014A	2015A	2016E	2017E		
EBITDA margin	2.1	5.6	6.9	7.3		
EBIT margin	-1.3	2.5	4.1	4.6		
Tax rate	16.8	51.3	40.0	40.0		
Net income margin	-2.4	0.5	1.8	2.1		
ROCE	-2.7	4.9	9.2	10.4		
ROE	-10.9	2.3	7.5	8.8		
Interest cover	-0.8	2.2	3.3	4.0		
Debt/equity ratio	109.9	79.7	69.4	65.7		
Growth (%)						
	2014A	2015A	2016E	2017E		
Sales		6.5	13.0	7.0		
EBITDA		NM	38.9	14.0		
EBIT		NM	87.6	19.4		
Pre-tax income		NM	NM	29.2		
Net income		NM	NM	28.1		
Adj. net income		NM	NM	28.1		

NM: not meaningful; NA: not available; Neg.: negative; A: actual; E: estimates; Source: Company data and Intesa Sanpaolo Research

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REDUCE	If the target price is 10%-20% lower than the market price
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Historical recommendations and target price trends (long-term horizon: 12M)

Target price and market price trend (-1Y)	Historical recommendations and target price trend (-1Y)
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Initiation of Coverage

Initiation of Coverage

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Equity rating key (short-term horizon: 3M)

Equity rating key (short-term horizon: 3M)	
Short-term rating	Definition
LONG	Stock price expected to rise or outperform within three months from the time the rating was assigned due to a specific catalyst or event
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