

# Biesse

## Benefits from Revenue Upturn and Operating Leverage

Biesse - Key estimates and data					
Y/E December		2013A	2014E	2015E	2016E
Revenues	EUR M	378.40	418.00	435.40	465.40
EBITDA	EUR M	34.30	39.80	51.60	63.80
EBIT	EUR M	18.10	23.60	35.20	46.80
Net income	EUR M	6.40	9.50	16.74	24.78
Dividend ord.	EUR	0.18	0.18	0.18	0.18
Adj. EPS	EUR	0.17	0.35	0.61	0.90
EV/EBITDA	x	6.83	5.88	4.54	3.67
Adj. P/E	x	45.76	22.15	12.58	8.49

A: actual; E: estimates; Source: Company data and Intesa Sanpaolo Research

- 3Q/9M14 results.** Biesse reported a strong set of 3Q/9M14 results, broadly in line with our expectations and confirmed a solid double-digit growth in largely all regions and divisions. Revenues rose by 15.1% in 3Q14 to EUR 101.6M and by 12.7% in 9M14 to EUR 302.7M. Compared to 9M13, the group showed significant growth in Western Europe (+17.6%), Eastern Europe (+28%), Asia-Australasia (+8.3%) and North America (+18.8%). Management reported a slowdown in South America and BRIC regions. The 3Q14 EBITDA margin improved by 170bps to 10.4% vs. 8.7% in 3Q13. In 9M14 the EBITDA margin improved by 190bps to 9.1% confirming the group's strong operating leverage. 3Q14 net profit reached EUR 2.7M vs. EUR 0.8M in 3Q13 and increased by 238% in 9M14 to EUR 6.7M. 9M14 net debt was EUR 28.3M, in line with 1H14, and significantly down vs. EUR 50.3M in 9M13.
- Improved outlook.** Management is pointing to an improved market context with the VDMA, the reference sector statistics association, pointing to a 24% increase in order intake and confirming a positive outlook for the woodworking machinery sector. In 3Q14, Acimall also showed an increase of 11.3% and UCIMO was up by +7.8% increase. Biesse has also disclosed solid 9M14 pre-orders, pointing to a 20% growth and a backlog up by +33%, which should support the solid FY14 outlook and confirms a continuing improvement in Asia-Australasia and North America. Finally, the group has also repurchased a stake in its Biesse Hong Kong subsidiary from 70% to 100%. Going forward this should allow the group to exclusively and directly manage its own production and commercial activities in China.
- New FY14 guidance and estimates fine-tuning.** While we have only fine-tuned our P&L estimates, we have significantly improved our FY14E net debt from EUR 30.5M to EUR 23.7M on the back of management's revised guidance, which has been increased to EUR 415-420M revenues (EUR 401M previously); EUR 40-41M EBITDA (EUR 36.2M previously), EUR 25-26M EBIT (EUR 20.3M) and EUR 22-25M net debt (EUR 36M). We highlight that in view of the upgraded FY14 guidance, the current FY15-16 BP could look conservative. Our FY15E EBITDA at EUR 51.6M stands 7% above management's disclosed business plan.
- Valuation.** We updated our valuation based on the average between the multiples comparison, which points to EUR 8.51/share, and our DCF model, which points to EUR 11.49/share and **we obtain a EUR 10.00/share target price** (vs. our previous EUR 9.81/share). Given the upside (approx. 30%), **we upgraded our recommendation to BUY (from Hold)**. Biesse trades at a discount in 2015E-16E in terms of P/E and EV/EBITDA.
- Key risks.** Biesse operates in global markets and is therefore highly exposed to international macroeconomic factors, which could affect the group's activities. Although Biesse invests significantly in R&D, its products have an advanced technological content, implying a high exposure to technological developments. Lastly, the group's dominant fixed-cost structure results in a high operating leverage, suffering from economic downturns.

See page 9 for full disclosures and analyst certification

Banca IMI is Specialist to Biesse

19 November 2014

**BUY** (from Hold)

Target Price: EUR 10.00  
(from EUR 9.81)

Industrial  
Company Update

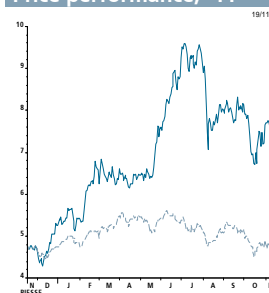
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### Price performance, -1Y



Source: Thomson Reuters

### Data priced on 17.11.2014

Target price (€)	10.00
Target upside (%)	30.12
Market price (€)	7.69
52-week range (€)	9.6/4.3
Market cap (€M)	210.52
No. of shares (M)	27.39
Free float (%)	41.5
Major shr (%)	G.Selci, 58.4
Reuters	BSS.MI
Bloomberg	BSS IM
FTSE It All Shares	20268

	Performance %	
	Absolute	Rel. to FTSE All Sh
-1M	10.2	-1M 7.7
-3M	2.3	-3M 4.3
-12M	62.8	-12M 60.9

Source: Intesa Sanpaolo Research estimates and Thomson Reuters

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## 3Q/9M14 Results

Biesse reported a strong set of 3Q/9M14A results, broadly in line with our expectations.

**Strong results, in line with our expectations**

3Q14 revenues rose by 15.1% to EUR 101.6M and by 12.7% in 9M14 to EUR 302.7M. The group reported a solid double-digit growth in largely all regions and divisions. In particular, the wood division was up by 14.7% to EUR 73.8M in 3Q14 (+14.3% in 9M14). Glass/stone was up by 26.4% to EUR 16.3M (+6% in 9M14). Mechatronic was up by 14.8% to EUR 14.4M (+18.4% in 9M14). By region, the group showed significant growth in Western Europe (+14.1% in 3Q14 and +17.6% in 9M14), in Asia Oceania (+11.3% in 3Q14 and +8.3% in 9M14); in Eastern Europe (+26.8% in 3Q14 and +28.0% in 9M14). By contrast, South America slowed down and BRIC regions were flat.

Biesse - 3Q14/9M14 results						
EUR M	3Q13A	3Q14A	Chg (%)	9M13A	9M14A	Chg (%)
Wood	64.4	73.8	14.7	190.6	217.9	14.3
Glass/Stone	12.9	16.3	26.4	43.9	46.6	6.0
Mechatronic	12.5	14.4	14.8	39.6	46.9	18.4
Tooling	2.2	2.4	10.6	6.6	7.2	8.3
Components	3.3	4.3	28.6	11.3	13.0	15.1
Intercompanies	(7.1)	(9.6)	NM	(23.6)	(28.9)	NM
<b>Total</b>	<b>88.3</b>	<b>101.6</b>	<b>15.1</b>	<b>268.5</b>	<b>302.7</b>	<b>12.7</b>
Western Europe	32.9	37.5	14.1	100.3	118.0	17.6
Asia - Oceania	20.4	22.7	11.3	56.4	61.1	8.3
Eastern Europe	15.6	19.8	26.8	48.8	62.5	28.0
North America	11.6	16.2	40.4	36.0	42.8	18.8
Rest of the World	7.7	5.2	-32.0	26.9	18.3	-32.0
<b>Total</b>	<b>88.3</b>	<b>101.6</b>	<b>15.1</b>	<b>268.5</b>	<b>302.7</b>	<b>12.7</b>

A: actual; NM: non-meaningful; Source: Company data

3Q14 EBITDA margin improved by 170bps to 10.4% vs. 8.7% in 3Q13; in 9M14 the EBITDA margin improved by 190bps to 9.1% benefiting from revenue growth operating leverage. Net profit reached EUR 2.7M in 3Q14 vs. EUR 0.8M in 3Q13 and increased by 238% in 9M14 to EUR 6.7M as the group reported a EUR 0.5M lower net interest expense in 9M14 and a 52% tax rate (vs. 66.9% in 9M13).

9M14 net debt came in at EUR 28.3M, in line with 1H14 at EUR 28.6M and significantly down vs. EUR 50.3M in 9M13. The net debt improvement was also due to the efficient working capital management which decreased by EUR 12.9M to EUR 76.7M vs. 9M13A.

**Net debt significantly improved**

Biesse - 3Q/9M14 results						
EUR M	3Q13A	3Q14A	yoy %	9M13A	9M14A	yoy %
Net sales	88.3	101.6	15.1	268.5	302.7	12.7
Value of production	85.3	100.9	18.3	273.9	310.2	13.3
Value added	33.7	40.5	20.5	103.0	120.4	16.9
EBITDA	7.7	10.6	38.3	19.2	27.5	43.3
EBIT	3.6	6.5	78.8	8.8	16.2	84.5
Pre-tax profit	2.2	5.4	148.6	6.0	13.9	133.5
Net profit	0.8	2.7	235.5	2.0	6.67	237.9
Value added margin %	38.1	39.9		38.4	39.8	
EBITDA margin %	8.7	10.4		7.2	9.1	
EBIT margin %	4.1	6.4		3.3	5.3	
Net margin %	0.9	2.7		0.7	2.2	

A: actual; Source: Company data

## Outlook

Management is pointing to an improved market context with the VDMA (the German mechanical engineering trade association), the reference sector statistics, pointing to a 24% increase in order intake in 9M14 confirming also a positive outlook for the woodworking machinery sector. In addition, in 3Q14 the Acimall (Italian woodworking machinery and tools manufacturers' trade association) also showed an increase of 11.3% and UCIMO (the Italian machine tools producers' trade association) was up by +7.8%.

Biesse has also disclosed solid 9M14 pre-orders, pointing to a 20% growth and a backlog up by +33%, which should support the solid FY14 outlook and confirm an ongoing improvement in Asia-Australasia and North America.

We finally highlight that Biesse has recently reorganised its activities in China and has repurchased a stake in its Biesse Hong Kong subsidiary from 70% to 100%. Going forward, this should allow the group to exclusively and directly manage its own production and commercial activities in China.

### Estimates revision

While we have only fine-tuned our P&L estimates, we have significantly improved our FY14E net debt from EUR 30.5M to EUR 23.7M on the back of management's revised guidance which has been increased to EUR 415-420M revenues (EUR 401M previously); EUR 40-41M EBITDA (EUR 36.2M previously) and EUR 25-26M EBIT and EUR 22-25M net debt (EUR 36M).

Biesse - FY14 new guidance vs. previous BP and vs. our estimates			
	FY14		FY14E
	New guidance	Previous BP	New Banca IMI
Revenues	EUR 415-420M	401	418
EBITDA	EUR 40-41M	36.2	40
EBIT	EUR 25-26M	20.3	24
Net debt	EUR 22-25M	36.1	23.7

Source: Company data and Intesa Sanpaolo Research estimates

A new FY14-16 business plan is to be disclosed in February 2015. Below we show the group's current FY15-16 BP, which in view of the upgraded FY14 guidance could look overly conservative. We highlight that our FY15E EBITDA at EUR 51.6M stands 7% above management's disclosed business plan.

Biesse - FY14-16 business plan			
	FY14	FY15	FY16
	New guidance		
Revenues	EUR 415-420M	429	463
EBITDA	EUR 40-41M	48.4	63.8
EBIT	EUR 25-26M	32.0	46.8

Source: Company data

**Sector data points to upturn**

**Pre-orders up by 20%**

**Preparing for expansion in China**

## Valuation

We updated our valuation. Based on the average between the multiples comparison, which points to EUR 8.51/share, and our DCF model, which points to EUR 11.49/share, **we obtain a EUR 10.00/share target price** (vs. our previous EUR 9.81/share). Given the upside (approx. 30%), **we upgrade our recommendation to BUY (from Hold)**.

### Discounted cash flow

In our equity valuation model, we used a 3.00% risk-free rate, a 5.50% risk premium and derived a 7.5% WACC. Our other assumptions include a 0.9x beta (source: Bloomberg) and a 10% gearing ratio (D/EV), implying an average FY13A-14E net debt at EUR 27M.

### WACC assumption

Our other key 2014E-24E DCF assumptions are: 1) a 3.1% sales CAGR and a 1% perpetual growth rate; 2) an average 6.4% EBIT margin; and 3) a 14.2% working capital to sales.

From our DCF model, we derive an EUR 11.49/share fair value (EUR 11.45/share previously).

Biesse - WACC calculation (%)		Biesse - Key assumptions (%)	
Gearing ratio	10	2014E-24E sales CAGR	3.1
Risk-free rate	3.0	Perpetual growth rate	1.0
Risk premium	5.5	2014E-24E EBIT margin avg	6.4
Beta (x)*	0.90	2014E-24E EBIT CAGR	5.8
Required return	8.0	2014E-24E tax rate avg	39.4
WACC	7.5	2014E-24E capex to sales avg	4
		Working capital to sales 2014E-24E	14.2

Source: Intesa Sanpaolo Research estimates and \*Bloomberg

Source: Intesa Sanpaolo Research estimates

Biesse - DCF valuation (EUR M)	
Forecast cash flow	110
Terminal value	229
<b>Enterprise value</b>	<b>338</b>
Net cash/-debt (2014E)	-24
<b>Equity value</b>	<b>315</b>
Number of shares (M)	27.4
<b>Equity value per share (EUR)</b>	<b>11.49</b>

Source: Intesa Sanpaolo Research estimates

Biesse - Sensitivity analysis					
EUR/share	Perpetual growth rate %				
Discount rate %	0.0	0.5	1.0	1.5	2.0
6.5%	12.5	13.3	14.2	15.3	16.6
7.0%	11.4	12.0	12.7	13.6	14.6
7.5%	10.4	10.9	<b>11.49</b>	12.2	13.0
8.0%	9.5	10.0	10.5	11.0	11.7
8.5%	8.8	9.1	9.6	10.0	10.6

Source: Intesa Sanpaolo Research estimates

## Multiples comparison

In our multiples comparison we include Homag Group, being the only directly-listed competitor which fits Biesse's description and business model.

**Homag**

We also included other European players, such as DMG, IMA, and Prima Industrie, which are involved in the production of industrial machines, albeit destined for other markets (i.e. metal, pharmaceutical, cosmetics and food).

DMG Mori Seiki Aktiengesellschaft (former Gildemeister AG) is involved in the manufacturing and marketing of metal cutting machine tools worldwide. The range of products includes innovative high-tech machines and services, as well as software and energy solutions. The company also offers solutions in milling and turning technologies, for controls and services, and regenerative energies. The company's new name was derived from a worldwide leading partnership between Gildemeister and Mori Seiki. The company is headquartered in Bielefeld, Germany.

**DMG Mori Seiki  
Aktiengesellschaft**

Industria Macchine Automatiche SpA manufactures and designs automatic machines for processing and packaging of pharmaceuticals, cosmetics, tea, coffee and food. The company was founded in 1961 and is headquartered in Ozzano dell'Emilia, Italy.

**IMA Spa**

Prima Industrie manufactures and markets laser systems for industrial applications, sheet metal processing machinery, as well as industrial electronics and laser technologies. With 35 years of experience, the group is among the main worldwide manufacturers in its own reference market.

**Prima Industrie**

Biesse is currently trading at a discount in terms of average FY15E-16E EV/EBITDA and P/E.

**At a discount to peers**

We derive a EUR 8.51/share fair value (vs. our previous EUR 8.17/share) based on the average FY14E-16E EV/EBITDA and P/E.

Multiples comparison								
x	Price	Mkt Cap	P/E			EV/EBITDA		
			2014	2015	2016	2014	2015	2016
Homag Group	28.70	450.2	20.3	14.2	11.7	6.86	5.77	5.12
DMG Mori Seiki Aktiengesellschaft	19.70	1,552.7	13.9	12.1	10.7	5.24	4.64	4.27
I.M.A. Industria Macchine Automatiche	30.76	1,132.8	19.6	17.4	16.2	9.83	9.22	8.71
Prima Industrie S.p.A.	13.53	141.8	12.9	9.7	7.1	6.45	5.49	4.56
Median			13.9	12.7	10.8	6.45	5.49	4.64
Biesse*	7.69	210.5	22.2	12.6	8.5	5.88	4.54	3.67
Premium/discount (%)			59	-1.4	-21.5	-8.8	-17.3	-20.8

Source: Factset and \*Intesa Sanpaolo Research estimates

Share price performance				
% Change	1 Month	3 Months	6 Months	YTD
Biesse S.p.A.	10.18	2.33	19.61	45.96
Homag Group AG	6.71	7.92	39.76	50.58
DMG Mori Seiki Aktiengesellschaft	-4.88	-9.17	-13.71	-14.90
I.M.A. Industria Macchine Automatiche S.p.A.	12.84	6.07	-4.65	9.86
Prima Industrie S.p.A.	10.54	23.00	4.08	46.27
Average excl. Biesse	6.3	7.0	6.4	15.2

Source: Factset

## Biesse - Key figures

Sector	Industrial	Mkt price EUR/Share	Ordinary		Rating	
REUTERS CODE	BSS.MI	Target price EUR/Share	7.69		BUY	
Values per share (EUR)	2012A	2013A	10.00	2014E	2015E	2016E
No. ordinary shares (M)	27.39	27.39		27.39	27.39	27.39
No. NC saving/preferred shares (M)	-	-		-	-	-
Total no. of shares (M)	27.39	27.39		27.39	27.39	27.39
Adj. EPS	-0.24	0.17		0.35	0.61	0.90
CFPS	0.66	0.83		0.94	1.21	1.53
BVPS	4.01	4.14		4.30	4.73	5.45
Dividend Ord	-	0.18		0.18	0.18	0.18
Dividend SAV Nc	-	-		-	-	-
Income statement (EUR M)	2012A	2013A		2014E	2015E	2016E
Sales	383.1	378.4		418.0	435.4	465.4
EBITDA	25.0	34.3		39.8	51.6	63.8
EBIT	0.3	18.1		23.6	35.2	46.8
Pre-tax income	-5.1	14.6		21.5	33.0	45.0
Net income	-6.6	6.4		9.5	16.7	24.8
Adj. net income	-6.6	4.6		9.5	16.7	24.8
Cash flow (EUR M)	2012A	2013A		2014E	2015E	2016E
Net income before minorities	-6.6	6.4		9.5	16.7	24.8
Depreciation and provisions	24.8	16.2		16.2	16.4	17.0
Change in working capital	5.1	31.2		4.4	-6.3	-7.4
Operating cash flow	23.3	53.8		30.1	26.8	34.4
Capital expenditure	-18.9	-19.9		-25.3	-23.8	-18.8
Other (uses of Funds)	0.0	0.0		0.0	0.0	0.0
Free cash flow	4.4	33.9		4.8	3.0	15.6
Dividends and equity changes	0.0	0.0		-4.9	-4.9	-4.9
Net cash flow	4.4	33.9		-0.2	-1.9	10.7
Balance sheet (EUR M)	2012A	2013A		2014E	2015E	2016E
Net capital employed	166.3	137.0		141.4	155.1	164.3
of which associates	-	-		-	-	-
Net debt/-cash	56.2	23.5		23.7	25.6	14.9
Minorities	0.2	0.2		-	-	-
Net equity	109.9	113.3		117.7	129.5	149.3
Market cap	210.5	210.5		210.5	210.5	210.5
Minorities value	0.2	0.2		0.2	0.2	0.2
Enterprise value (*)	266.9	234.3		234.4	236.3	225.6
Stock market ratios (x)	2012A	2013A		2014E	2015E	2016E
Adj. P/E	-32.1	45.8		22.2	12.6	8.5
P/CEPS	11.6	9.3		8.2	6.4	5.0
P/BVPS	1.9	1.9		1.8	1.6	1.4
Dividend yield (% ord)	0.0	2.3		2.3	2.3	2.3
Dividend yield (% sav)	-	-		-	-	-
EV/sales	0.7	0.6		0.56	0.54	0.48
EV/EBITDA	10.7	6.8		5.88	4.54	3.67
EV/EBIT	992.2	12.9		9.93	6.71	4.82
EV/CE	1.6	1.7		1.66	1.52	1.37
D/EBITDA	2.2	0.7		0.60	0.50	0.23
D/EBIT	208.9	1.3		1.00	0.73	0.32
Profitability & financial ratios (%)	2012A	2013A		2014E	2015E	2016E
EBITDA margin	6.5	9.1		9.5	11.9	13.7
EBIT margin	0.1	4.8		5.6	8.1	10.1
Tax rate	-28.2	56.2		55.8	49.3	44.9
Net income margin	-1.7	1.7		2.3	3.8	5.3
ROE	-6.0	5.6		8.1	12.9	16.6
Debt/equity ratio	0.5	0.2		0.2	0.2	0.1
Growth (%)		2013A		2014E	2015E	2016E
Sales		-1.2		10.5	4.2	6.9
EBITDA		37.1		16.0	29.6	23.6
EBIT		6628.6		30.4	49.2	33.0
Pre-tax income		385.2		47.4	53.5	36.2
Net income		197.5		48.5	76.2	48.1
Adj. net income		170.1		106.6	76.2	48.1

(\*) EV = Mkt cap+ Net Debt + Minorities Value - Associates A: actual; E: estimates; Source: Company data and Intesa Sanpaolo Equity Research

## Notes

## Notes



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### Coverage policy and frequency of research reports

The list of companies covered by the Research Department is available upon request. Intesa Sanpaolo SpA aims to provide continuous coverage of the companies on the list in conjunction with the timing of periodical accounting reports and any exceptional event that affects the issuer's operations. The companies for which Banca IMI acts as sponsor or specialist or other regulated roles are covered in compliance with regulations issued by regulatory bodies with jurisdiction. In the case of a short note, we advise investors to refer to the most recent company report published by Intesa Sanpaolo SpA's Research Department for a full analysis of valuation methodology, earnings assumptions, risks and the historical of recommendation and target price. Research is available on Banca IMI's web site ([www.bancaimi.com](http://www.bancaimi.com)) or by contacting your sales representative.

**Valuation methodology (long-term horizon: 12M)**

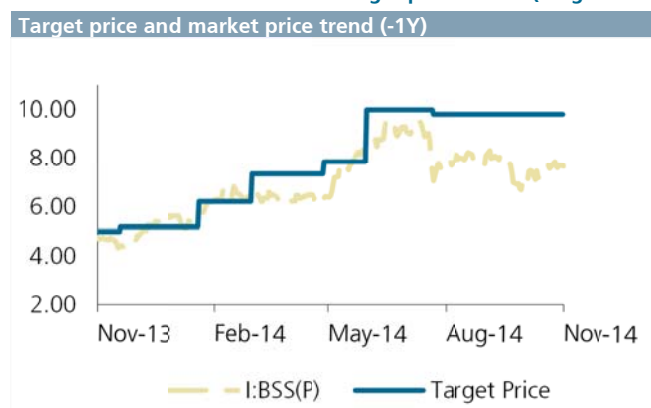
The Intesa Sanpaolo SpA Equity Research Department values the companies for which it assigns recommendations as follows:

We obtain a fair value using a number of valuation methodologies including: discounted cash flow method (DCF), dividend discount model (DDM), embedded value methodology, return on allocated capital, break-up value, asset-based valuation method, sum-of-the-parts, and multiples-based models (for example PE, P/BV, PCF, EV/Sales, EV/EBITDA, EV/EBIT, etc.). The financial 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 (ie, 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.

**Equity rating key: (long-term horizon: 12M)**

In its recommendations, Intesa Sanpaolo SpA uses an "absolute" rating system, which is not related to market performance and whose key is reported below:

Equity rating key (long-term horizon: 12M)	
Long-term rating	Definition
BUY	If the target price is 20% higher than the market price
ADD	If the target price is 10%-20% higher than the market price
HOLD	If the target price is 10% below or 10% above the market price
REDUCE	If the target price is 10%-20% lower than the market price
SELL	If the target price is 20% lower than the market price
RATING SUSPENDED	The investment rating and target price for this stock have been suspended as there is not a sufficient fundamental basis for determining an investment rating or target. The previous investment rating and target price, if any, are no longer in effect for this stock.
NO RATING	The company is or may be covered by the Research Department but no rating or target price is assigned either voluntarily or to comply with applicable regulations and/or firm policies in certain circumstances, including when Intesa Sanpaolo is acting in an advisory capacity in a merger or strategic transaction involving the company.
TARGET PRICE	The market price that the analyst believes the share may reach within a one-year time horizon
MARKET PRICE	Closing price on the day before the issue date of the report, as indicated on the first page, except where otherwise indicated

**Historical recommendations and target price trends (long-term horizon: 12M)**

Historical recommendations and target price trend (-1Y)				
Date	Rating	TP	Mkt Price	
30-Oct-13	ADD	5.00	4.25	
5-Dec-13	ADD	5.20	4.35	
4-Feb-14	ADD	6.22	5.44	
17-Mar-14	ADD	7.35	6.30	
13-May-14	BUY	7.85	6.40	
13-Jun-14	BUY	10.00	8.16	
6-Aug-14	HOLD	9.81	9.04	

**Equity rating allocations (long-term horizon: 12M)**

Intesa Sanpaolo Research Rating Distribution (at November 2014)						
Number of companies considered: 95	BUY	ADD	HOLD	REDUCE	SELL	
Total Equity Research Coverage %	40	33	27	0	0	
of which Intesa Sanpaolo's Clients % (*)	76	68	54	0	0	

(\*) Companies on behalf of whom Intesa Sanpaolo and the other companies of the Intesa Sanpaolo Group have provided corporate and Investment banking services in the last 12 months; percentage of clients in each rating category

**Valuation methodology (short-term horizon: 3M)**

Our short-term investment ideas are based on ongoing special market situations, including among others: spreads between share categories; holding companies vs. subsidiaries; stub; control chain reshuffling; stressed capital situations; potential extraordinary deals (including capital increase/delisting/extraordinary dividends); and preys and predators. Investment ideas are presented either in relative terms (e.g. spread ordinary vs. savings; holding vs. subsidiaries) or in absolute terms (e.g. preys).

The companies to which we assign short-term ratings are under regular coverage by our research analysts and, as such, are subject to fundamental analysis and long-term recommendations. The main differences attain to the time horizon considered (monthly vs. yearly) and definitions (short-term 'long/short' vs. long-term 'buy/sell'). Note that the short-term relative recommendations of these investment ideas may differ from our long-term recommendations. We monitor the monthly performance of our short-term investment ideas and follow them until their closure.

**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
SHORT	Stock price expected to fall or underperform within three months from the time the rating was assigned due to a specific catalyst or event

**Company specific disclosures**

Banca IMI discloses interests and conflicts of interest, as defined by: Articles 69-quater and 69-quinquies, of Consob Resolution No.11971 of 14.05.1999, as subsequently amended and supplemented; the NYSE's Rule 472 and the NASD's Rule 2711; the FSA Policy Statement 04/06 "Conflicts of Interest in Investment Research – March 2004 and the Policy Statement 05/03 "Implementation of Market Abuse Directive", March 2005. The Intesa Sanpaolo Group maintains procedures and organisational mechanisms (Information barriers) to professionally manage conflicts of interest in relation to investment research. We provide the following information on Intesa Sanpaolo Group's conflicts of interest:

- 1 The Intesa Sanpaolo Group has a conflict of interest inasmuch as it plans to solicit investment banking business or intends to seek compensation from the Company in the next three months.
- 2 Banca IMI acts as Specialist relative to securities issued by BIESSE S.p.A.

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