Archimede / Net Insurance

Business Combination

Italy | SPAC

Investment Research

Sponsored Research | **Reason: Initiation of Coverage** | **30 October 2018**

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Bank-insurtech project found its sleeping beauty

Archimede S.p.A. is an Italian SPAC. It was listed on the AIM Italia segment of the Italian Stock Exchange in May 2018 and raised EUR 48m from the IPO. On 18th June 2018, Archimede S.p.A. and Net Insurance Group ("NET"), the Italian market leader in the insurance of salary and pension-backed loans, announced they had signed a binding framework agreement for a business combination involving the reverse merger of Archimede into NET.

Business combination – the business combination can capture the ongoing market trends thanks to the management's expertise. Archimede's aim is to set up the first Italian non-life innovative insurance player by leveraging on NET's insurance niche market and on the background and track record of its promotors in the independent open-platform bancassurance segment, as well as on the underpenetrated and attractive Italian P&C market, also by riding the wave of the disruptive insurtech segment.

Strategy – The starting point of the whole strategic plan will be the focus on NET's core business with the aim to optimise its technical performance and to set up distribution agreements with new partners. The attractiveness of the Italian Non-Life business (Non-Motor) is the premise to create an independent and open Non-Life bancassurance platform, mainly dedicated to small-to-mid-sized banks and financial institutions. Furthermore, the project provides the development of the well-known and proven intermediaries like brokers. An "insurtech" approach will embrace the entire plan period (2018-2022).

2018-2022 estimates – Further distribution agreements and new business profitability will drive results. We have estimated net premiums increasing by a CAGR 2019-2022 of c. 31%, mainly based on the strong development of the bancassurance agreements in the P&C segment as well as the broker retail channel. We expect a sizable improvement in technical results and profitability, before net income from investments, which we estimate around EUR 13.5m at the end of 2022 from EUR 1.2m in 2018. CoR is seen improving to 82.1% in 2022 from 95.2% in 2018 mainly thanks to the loss ratio (from 80.8% in 2018 to 44.4% in 2022). We obtain a net profit of EUR 14.4m in 2022 from EUR 4.1m in 2018 (CAGR 2019-2022 c. 37%). The solvency ratio is likely to stay above 200% throughout the plan.

Conclusions & action – Based on our Valuation models, we come to a post-money fair value (i.e. after the business combination) of EUR 150m for Net Insurance. The value creation opportunity descends from: *1) resilient and improvable salary/pension backed loans business*: the solid background in this business, together with the new competences provided, are the premises to streamline and to further develop the existing portfolio as well as its technical performance; 2) *Non-Life bancassurance market trend offering very interesting growth and profitability*; 3) *the management team's expertise, knowhow and business relationships are the heart of the overall development strategy*; 4) *capital*: a solvency ratio above 200% throughout the plan can preserve the evolution of this story from market's turmoil.

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Investment Case

Archimede S.p.A. is an Italian SPAC listed in the AIM Italia segment of the Italian Stock Exchange since May 2018. The IPO raised EUR 48m with the aim of merging a listed specialised insurer of the AIM segment to be transformed into an innovative non-life player. On 18th June 2018, Archimede S.p.A. and Net Insurance Group, leader in the insurance of salary and pension-backed loans, announced a business combination involving the reverse merger of Archimede into Net Insurance.

A business combination that can capture the ongoing market trends thanks to the management's expertise - Archimede's aim is to set up the first Italian non-life innovative insurance player by leveraging on Net Insurance's niche market and on the background and track record of its promotors in the independent open-platform bancassurance segment, as well as on the underpenetrated and attractive Italian P&C market, and also by riding the wave of the disruptive insurtech segment. The financial resources conveyed by Archimede into the merged entity will fund the strategic plan, restoring and preserving a solid capital position in the target company. The management outstanding introduction in the bancassurance industry can be the foundation of a new rapid expansion in this capital-saving business.

From CQS to Insurtech, leveraging on the attractiveness of bancassurance – The starting point of the whole strategic plan will be the focus on Net Insurance's core business with the aim to optimise its technical performance and to set up distribution agreements with new partners. The attractiveness of the Italian Non-Life business (Non-Motor), due to its underdevelopment, to its traditional distribution model and to its very interesting growth rate and profitability, are the premises to create an independent and open Non-Life bancassurance platform, mainly dedicated to small-to-mid-sized banks and financial institutions. In order to further diversify the distribution channels, as well as to cover other niches or business segments with a higher degree of flexibility, the project provides for the development of the channel of brokers. An "insurtech" approach will embrace the entire plan period (2018-2022) and permeate the whole value chain with an innovative model.

Further distribution agreements and the new profitable business will drive the results – Our estimates are in line with the business combination's 2022 financial targets, which were unveiled recently. The numbers will incorporate remarkable growth starting from 2020, when we believe the "start-up" phase is likely to have ended and the financial statements are expected to improve materially, mainly thanks to the new profitable business and to the management team's skills.

Net premiums increasing by a CAGR 2019-2022 of c. 31% (Banca Akros estimate)**,** mainly based on the strong development of the bancassurance agreements in the P&C segment as well as the broker retail channel. We expect a sizable improvement in technical results and profitability with a technical result, net of net income from investments, we estimate around EUR 13.5m at the end of 2022 from EUR 1.2m in 2018. At the same time, as far as margins are concerned, CoR is seen improving to 82.1% in 2022 from 95.2% in 2018 mainly thanks to the loss ratio (down from 80.8% in 2018 to 44.4% in 2022) and despite the worsening in the expense ratio (up from 14.4% in 2018 to 37.8% in 2022) mainly due to the evolution of the business mix (bancassurance) and, secondarily, to the start-up phase.+

Indeed, we expect lower implied claims going forward due to the new business, which ought to have a better loss ratio compared to the business in-force. We obtain a net profit of EUR 14.4m in 2022 from EUR 4.1m in 2018 (CAGR 2019-2022 c. 37%). The RoE is seen improving consequently from 9.7% in 2018 to 14.2% at the end of 2022. The solvency ratio is likely to stay above 200% throughout the plan, thanks to the capital generation and although we have estimated strong business expansion in 2019-2022.

Valuation - We come to a post-money fair value (i.e. after the business combination) of EUR 150m for Net Insurance based on a Distributable Income model and on a Gordon approach, considering that there aren't really comparable peers in Italy and abroad. Execution is the most important risk factor: the reshaping and the enlargement of the offer in the bancassurance and broker segments could require more time or be less intense than planned due to possible delays in signing and/or in implementing the new agreements.

Business combination: Archimede and Net Insurance

Archimede S.p.A. is an Italian SPAC (Special Purpose Acquisition Company). It was listed on the AIM Italia segment of the Italian Stock Exchange in May 2018 and raised EUR 48m from the IPO.

On 18th June 2018, Archimede S.p.A. ("Archimede") and Net Insurance Group ("NET"), the Italian market leader in the insurance of salary and pension backed loans, announced they had signed a **binding framework agreement** for a business combination involving the reverse merger of Archimede into NET.

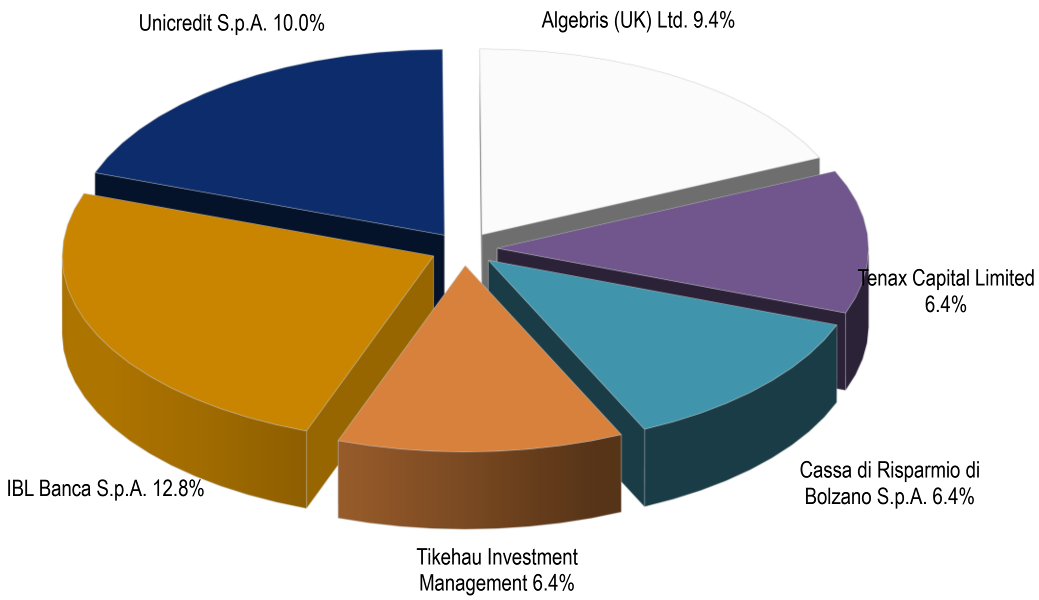
The proposed business combination is subject to approval during Archimede's Extraordinary Shareholders' Meetings , to be held on 20th or 21st November 2018.

▪ Archimede

Archimede's capital is divided into 4,700,000 ordinary listed shares and 100,000 special shares, without voting rights, which are reserved exclusively for Archimed's promoters: Mr Andrea Battista (Executive Chairman), Mr Gianpiero Rosmarini (member of the BoD), Mr Matteo Carbone (member of the BoD).

Archimede's main ordinary shareholders are Italian banks and institutional investors, in particular: IBL Banca S.p.A. (12.8%), Unicredit S.p.A. (10%), Algebris (UK) Ltd. (9.4%), Tenax Capital Limited (6.4%), Cassa di Risparmio di Bolzano S.p.A. (6.4%) and Tikehau Investment Management (6.4%).

Archimede's main shareholders



Source: Company data

Each special share will then be converted into 7 ordinary shares based on the following terms:

- 30% of the special shares will be converted 7 days after the business combination takes effect;
- 30% of the special shares will be converted if, within 48 months from the business combination, the combined entity's market price exceeds the issue price by 15% for more than 15 days in a 30-day period;

- 30% of the special shares will be converted if, within 48 months from the business combination, the combined entity's market price exceeds the issue price by 30% for more than 15 days in a 30-day period;
- 10% of the special shares will be converted if, within 48 months from the business combination, the combined entity's market price exceeds the issue price by 50% for more than 15 days in a 30-day period.

The Promoters' commitment translated into a EUR 1m investment, with an additional investment by Mr Andrea Battista in ordinary shares of c. EUR 150k.

The ordinary shares arising from the conversion of the **special shares cannot be transferred** until after the earlier of (1) the lock-up period for each promoter (36 months for Mr Andrea Battista; 12 months for the other promoters) from the conversion of the relevant tranche of special shares and (2) the conversion date of the subsequent tranche of special shares.

Total market warrants: 940,000 assuming 0% withdrawal: there are currently 470,000 outstanding warrants, which were issued at Archimede's IPO (1 warrant for each 10 subscribed shares) and they are exercisable on payment starting 7 days after the business combination effective date. 470,000 additional warrants (1 warrant for each 10 subscribed shares) will be assigned free of charge for outstanding shares when the business combination takes effect. The rights are exercisable on payment starting 7 days after the business combination effective date.

The warrants will expire 5 years after the business combination date. The exercise ratio is one ordinary share for each warrant. The warrants have a strike price of EUR 10.0.

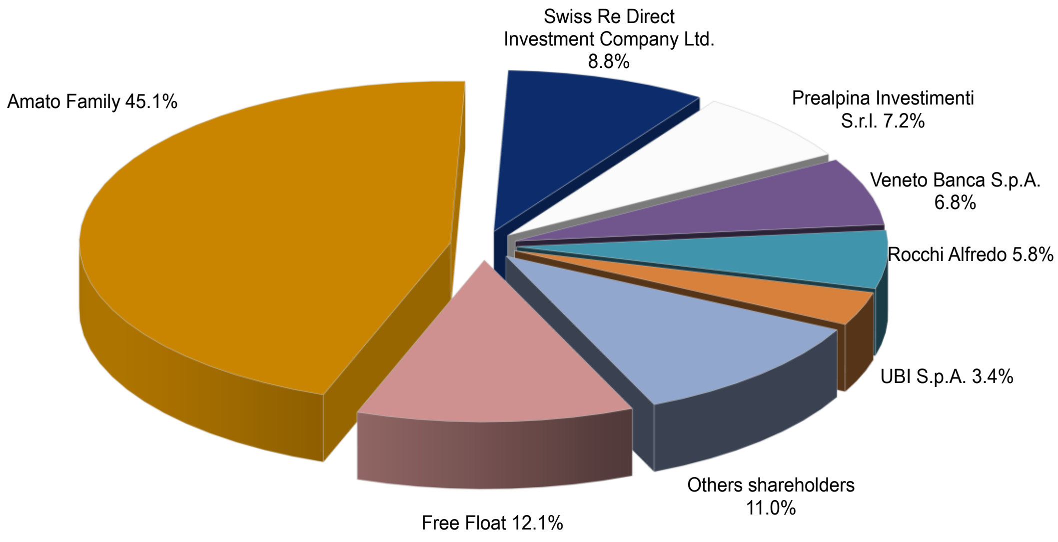
After the completion of the business combination, a stock option plan for the management team will be put in place to further align their interests on the business combination's future results.

Transaction terms

The business combination transaction ought to be finalised through the following steps:

- **Archimede will acquire a 30% stake, pre-merger, less one of NET's shares** from NET's shareholders who have signed the abovementioned binding framework agreement. The **total consideration for the deal will be EUR 9.3m**, in addition to 9% interest % calculated on a yearly basis starting from 1st January 2018 (included) and until the date of the acquisition of the stake. The acquisition price **leads implicitly to NET's Equity Value of c. EUR 32m.**
- **The merger of Archimede into NET is being done** in order to provide NET with the financial resources it needs **to finance its development, increasing and diversifying its shareholders' structure at the same time. The share-exchange ratio of the merger** was set at 2.131 NET ordinary shares for any one of Archimede's ordinary shares. The foregoing share-exchange ratio corresponds to the ratio between Archimede's shareholders' equity **(EUR 48m)**, calculated on the basis of the resources, gross of the total costs, collected by Archimede's IPO and NET's Equity Value calculated implicitly from the aforementioned price to acquire the 30% stake in NET;
- **The capital structure, after the merger,** ought to guarantee that no shareholder will hold a stake higher than 20% and in any case a stake that will not give control of the voting rights. NET's free float ought to be around 60% if there is a 0% withdrawal;
- On the date the merger becomes effective, **NET will issue warrants** to be assigned in exchange for the currently outstanding warrants issued by Archimede, as well as to be assigned to Archimede's shareholders subject to the exchange for NET's shares. Payment of this warrant will provide, among other things, an adjusting mechanism for the strike price such that, upon occurrence of certain events or circumstances outlined in the binding framework agreement, this exercise price may be reduced. NET is currently controlled by the Amato Family (45.1%) and Mr. Rocchi (5.8%).

NET's main shareholders



Source: Company data

▪ Fully diluted shares and shareholder structure post business combination

Assuming zero withdrawals and considering the full conversion of warrants and special shares, we have calculated the fully diluted number of shares in the following table.

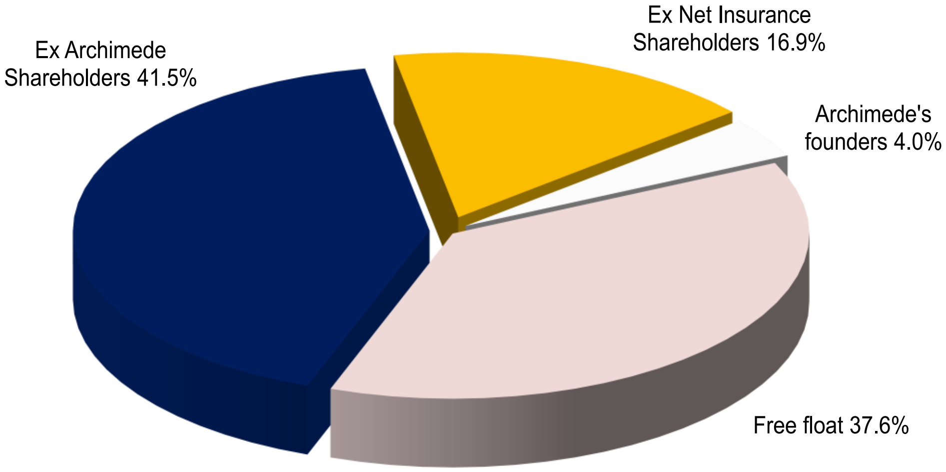
Business combination fully diluted number of shares

	N. - m
Ordinary shares, net of treasury shares - Net Insurance	4.798
Ordinary shares - Archimede (@ exchange rate 2.131)	10.016
Special shares (@ 100% conversion)	0.700
Warrant 1 Archimede (@ 100% exercise) - @ Archimede's IPO	1.002
Warrant 2 Archimede (@ 100% exercise) – @ Effectiveness of the business combination	1.002
Total Shares - n.	**17.517**

Source: Banca Akros estimates

The following chart shows the possible shareholder structure evolution considering the above calculated fully diluted total number of shares.

Business combination's main shareholders (fully diluted)



Source: Banca Akros estimates

The target company: Net Insurance

Company highlights

Net Insurance S.p.A. was founded by the Amato Family in Rome in 2000. Since its foundation, the group has focused on mandatory credit insurance related to salary/pension-backed loans (CQS) to provide to banks and consumer finance companies (B2B). The group has recorded fast and steady growth, reaching leadership in this niche market with a market share of around 27% at the end of H1-18. The competitive position gained has attracted well-known financial institutions over the years, which became the group's preferred business partners as well as its minority shareholders. Net Insurance Life S.p.A, founded in 2008, is Net Insurance Group's company that is dedicated to the Life business, offering mainly term insurance policies still linked to salary/pension-backed loans. Another important growing business area is **Agro insurance** linked to natural events related to agricultural production, whose premiums grew by c. 40% in H1-18.

Total Gross written premiums - Breakdown

EUR m	2015	2016	H1-17	2017	H1-18	H/H
Credit	28.9	26.2	10.7	24.1	12.6	18%
Other damage to assets	17.7	11.7	6.5	11.7	9.1	41%
Suretyship	0.1	0.2	0.4	0.9	0.5	29%
Legal protection	0.1	0.1	0.2	0.4	0.2	16%
Accident and injury	0.3	0.2	0.1	0.2	0.1	-26%
Fire & natural forces	0.1	0.1	0.1	0.2	0.1	-22%
Health	0.2	0.1	0.0	0.2	0.0	-98%
TPL -General	0.1	0.1	0.0	0.0	0.0	27%
Assistance	0.0	0.0	0.0	0.0	0.0	0%
Sundry financial losses	-1.0	-0.7	-0.4	-0.9	-0.5	28%
P&C - Total gross written premiums	**46.4**	**38.1**	**17.6**	**36.7**	**22.1**	**25%**
Class I - Insurance on the duration of human life	38.7	28.3	9.2	21.7	12.5	35%
Life - Total gross written premiums	**38.7**	**28.3**	**9.2**	**21.7**	**12.5**	**35%**
Total gross written premiums	**85.2**	**66.4**	**26.9**	**58.4**	**34.6**	**29%**

Source: Banca Akros on company data

Salary/pension-backed loan (CQS) insurance: how it works

The salary/pension-backed loans are **regulated by law**. Indeed, the Italian *Cessione del Quinto* (the "CQS") sector was governed in January 1950 by Legislative Decree N. 180 and is part of the larger **consumer credit** segment. Italian law provides for compulsory **loan protection** through a credit life, disability and involuntary unemployment insurance that the lender has to take out on the market. With this contract, the borrower is financed against **collateral represented by their public or private sector salary or pension**, which provide the debt repayment typically over an average of 118 months. The **size of the loan** is pretty limited compared to other products, in the range of EUR 25k compared to mortgages ranging in the area of EUR 200k. **The cost of financing** is currently in the range of 6.6-7.0%, a pretty remunerative rate considering the collateral. These loans are addressed to all categories of employees, both public and private, with permanent or temporary contracts, atypical workers and retirees. The loan is repaid in **monthly fixed-rate instalments**, which are directly deducted from the salary up to a **maximum of one-fifth**, until the end of the debt. The transaction involves the intervention of **four subjects:** 1**) the supplying company** (banks, insurances and financial intermediaries); 2) **the customer**, who benefits from the financing and transfers to the supplying company one fifth of their monthly salary/pension;

3) **Employer/Pension Authority**, the public or private employer where the customer works, or the pension authority, which will be required to pay the monthly instalments to repay the loan, deducted directly from the customer's salary; 4) **the insurance company,** which guarantees the operation in accordance with legislation that provides that the funding (capital only) must be guaranteed by an insurance policy in order to cover the risk of premature death of the customer or job loss, as well as resignation or dismissal.

A **life insurance policy** is, instead, required for pensioners. In the event of job loss, the insurer has the **right to file for recourse against the debtor**, within the limits of the severance pay accrued until that date. If the customer dies , the insurer cannot file for recourse against the borrower's heirs. Furthermore, if the **loan is repaid in advance or transferred**, the insurer must pay back the premiums collected but not yet accrued. The **distribution** in the past was almost exclusively addressed to specialised financial companies while more recently banks have entered this product thanks to improved credit quality and collateralisation. The **credit standing of the insurer** (and its reinsurer) also drives the value of the CQS portfolio, especially if the lender promotes **securitisation**. The a**cquisition policy** varies greatly depending on: the borrower's age, service age, duration of the loan, maturity of the loan, kind of employer, preliminary medical screening, and other drivers. **There is no assessment of the borrower's risk profile** but on the borrower's employer.. If the borrower is made unemployed, debt repayment is stopped and the lender can take cautionary measures and the insurers can obtain a subrogation on final repayment. **Redemption however remains** low (8 - 12%). Each contract generates a premium of around EUR 2k (EUR 1k for public employees) against a gross amount of EUR 25k-20k.

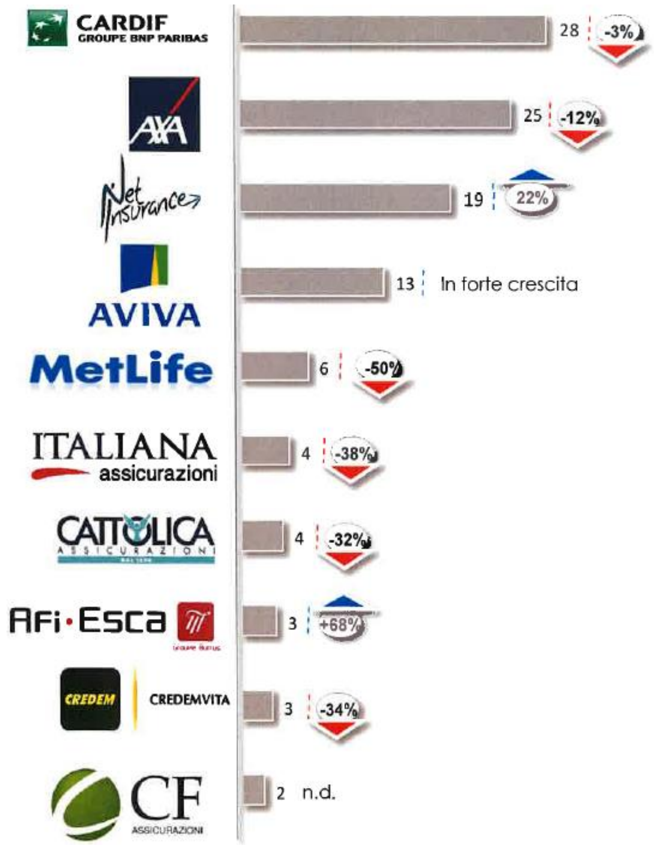
The business dynamics and portfolio structure in brief

The credit insurance linked to CQS is a **long-term multiyear contract** (maximum 10 years) with **single premiums** that are, therefore, **distributed equally** during the contract life, while **losses and claims usually occur unevenly** for **job loss** risk and **death risk**. The distribution of profit and loss could therefore be **volatile** and distributed in an **unequal** way during the contract. As far as **employment risk** is concerned, there is also a **lag from the deterioration of the economic condition** and the materialisation of the employment risk. Net Insurance is only **marginally exposed to job loss risk**, considering that its portfolio was composed mainly of public sector employees (c.64%) at the end June 2018. In **H1-18, salary-backed** insurance accounted for c. 90% of total insured loans (the average age of borrowers was 47) while **pension-backed** accounted for 10% (the average age of borrowers was 68). The average contract life is c. **8 years** while the **average insured loans** was c. EUR 24k. R**einsurance plays** a key role in the economics of the salary/pension-backed loans sector. Net Insurance reinsures c. 70% of life and credit premiums linked to CQS.

The competitive position, main customers and distribution channels

Q1-18 data confirmed **Cardif the market leader** in the CQF market, though the premiums declined by c. 3% Y/Y, along with Axa, whose premiums decreased by c. 12% Y/Y. Although the competitive scenario has been particularly dynamic in the last few years, Net Insurance has been able to keep its positioning over the years almost stable and pretty solid. Indeed, despite the market turmoil immediately after 2008, and the presence of prestigious bigger insurance group, **Net Insurance still ranked third** in premiums (+22% Y/Y) at the end of Q1-18.

Insurance linked to CQS -
Q1-18 top players' premiums



Source: EMF Group

Net Insurance's main customers

AGOS
BANCA DEL MEZZOGIORNO
BANCA DI CREDITO POPOLARE
BANCA DI SASSARI
BANCA POPOLARE PUGLIESE
BNL FINANCE
COMPASS (Mediobanca)
CONAFI
CONSUM.IT (MPS)
CREDEM
CREDITIS SERVIZI FINANZIARI (Banca Carige)
DYNAMICA RETAIL
FIDE
FIDES (Banco Desio)
FINDOMESTIC BANCA
FUTURO (Mediobanca)
INTESA SANPAOLO PERSONAL FINANCE
ISTITUTO BANCARIO DEL LAVORO
ITALCREDI (Cassa di Ravenna)
PITAGORA
PRESTINUOVA (Banca Popolare di Vicenza)
PRESTITALIA (UBI Banca)
PROFAMILY (BPM)
RACES FINANZIARIA
SANTANDER CONSUMER BANK
SIGLA
TERFINANCE
UNICREDIT

Source: Company's web site

Net Insurance's **customers** are the main **Italian banks and financial intermediaries**. The **distribution model** is also based on brokers, agents and other intermediaries with the aim to distribute the non-life products not linked with CQS loans too. **The biggest five customers** accounted for c. 49% on Net Insurance customer base at the end of June 2018.

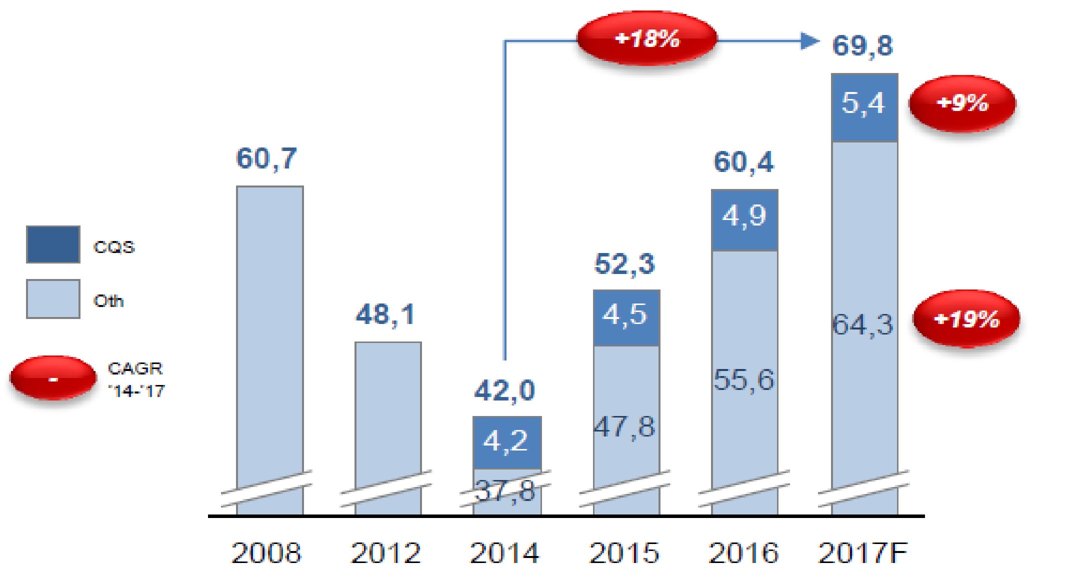
The reference markets

The business combination will work in **three main markets**:

1) **Credit insurance**, linked strictly to the salary/pension-backed loans (CQS). It was the prevailing sector of the target company, Net Insurance S.p.A.;
2) **Non – Life insurance**, with a focus on bancassurance and broker channels;
3) **Insurtech.**

Salary/pension-backed loans (CQS): sector snapshot

EUR bn - Consumer credit market new lending for the year



Source: Company presentation

According to Assofin data, the salary/pension-backed **loans market accounted for c. 9%** of the total Italian consumer market at the end of H1-18. After the bottom reached in 2014, this market has regained and beaten the **pre-financial crisis levels**, mainly thanks to better economic confidence and to the deterioration in Italian banks' asset quality. The salary and pension-backed loans' performance was generally linked to the consumer finance industry. In **H1-18,** the CQS market increased by c. 9% Y/Y, in line with the CAGR 14-17. At the end of June 2018, c. 48% of CQS loans were **issued to retirees**, 34% to PA employees and the remaining 18% to private sector employees.

CQS Market

	2015	2016	2017	H1-18
Loans granted - EUR m	4,481.7	5,220.6	5,115.4	2,782.4
growth % Y/Y	6.1%	16.5%	-2.0%	9.0%
N. of contracts / 000	271.3	303.4	292.1	160.7
growth % Y/Y	5.2%	11.8%	-3.7%	12.0%

Source: Banca Akros on Assofin data

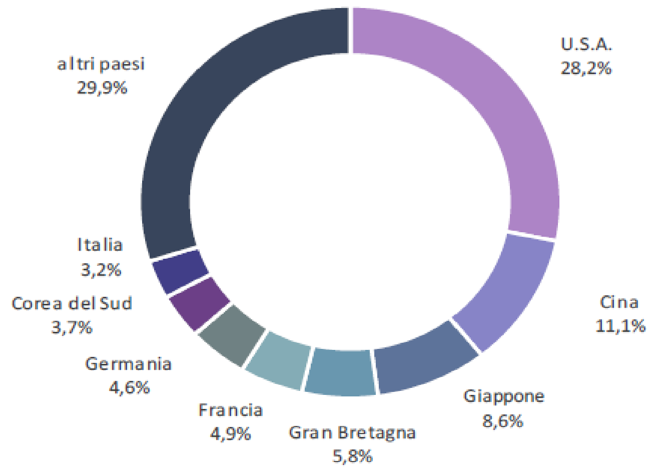
Despite the foregoing recovery, **we believe there are still good growth opportunities** considering that CQS are secure products with an appealing risk-reward profile and with a lower default rate in the mid-term perspective. It is also worth noting that the main CQS drivers are the **consumption trends**, strictly linked to the GDP trend, which, despite the current difficult macro scenario in Italy, is still expected to grow in the next couple of years.

Italian Non-Life market was pretty stable in 2017

Italy ranks fourth in Europe and eighth in the world for premium collection, with a c. 3.2% (3.4% in 2016) market share. The **average premium** per inhabitant (non-life and life) was c. EUR 2,355 in Italy in 2017, lower than in the other main industrialised countries but almost in line with Germany. In 2017, Italy registered a ratio premium (non-life and life) to GDP of 7.6%, slightly lower than the 8.0% recorded in 2016.

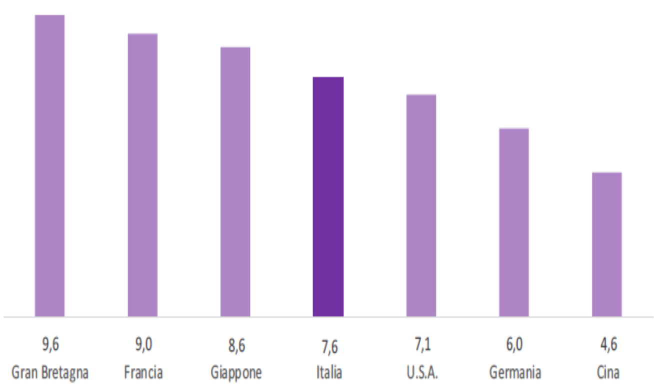
The insurance penetration of the Non-Life lines remained almost in line with 2016 results (c. 2.1% of GDP), but it was still **underdeveloped** compared to other countries, showing **one of the lowest average premiums** in Europe, especially in the property and personal protection lines.

Distribution of world premiums collected - 2017



Source: Ania; Swiss Re, Sigma n°3/2018 – 2017

Non-life and life premiums to GDP - 2017



Source: Ania; Swiss Re, Sigma n°3/2018 – 2017

The **total direct premiums** in the Non-Life sector increased by c. 1.2% Y/Y to EUR 32.3bn in 2017, after c. 5 years of disappointing results mainly due to **Motor & Aircraft TPL** premiums, which were offset only partly by the slight increase in the other **Non-Life premiums**. The drop in the **frequency of claims**, closely associated with the economic crisis, was balanced by the **decrease in tariffs**, which was pushed by the high competition in the Motor sector.

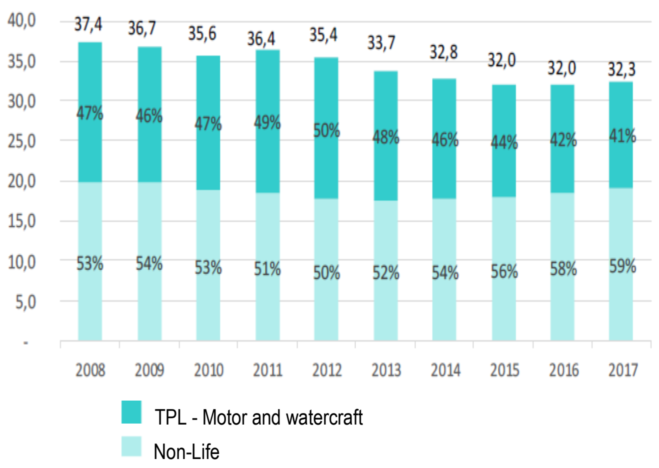
In 2017, despite the negative trend in Motor TPL premiums went on (-2.2% Y/Y), the **growth in the Non-Motor segment, which was more robust in 2017** (+2.8% versus +1.5% and +2.1% recorded in 2016 and 2015 respectively), improved the Italian insurances' top line.

Indeed, with the exception of the Transport sector and **Credit & Suretyship**, which declined by 2.2% and **1.2% respectively**, all other Non-Life segments were on the rise.

CoR closed at 91.2% vs 90.3% in 2016 mainly due to the **loss ratio**, which closed at 63.6% vs 62.8% in 2016, negative performance attributable to all businesses, except TPL Motor & Aircraft, **Credit & Suretyship** and General TPL.

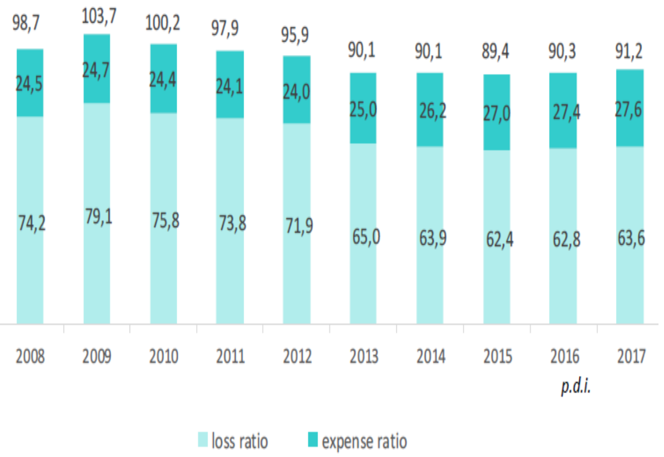
The **incurred cost of claims** totalled EUR 20.2bn, slightly higher than the EUR 20bn recorded in 2016.

EUR bn - Non-Life direct premiums 2008 – 2017



Source: Ania

% CoR - 2008 – 2017



Source: Ania

As regards **Credit Insurance,** and according to ANIA, direct premiums were EUR 66m in 2017, down c. 2.6% Y/Y. Credit products are **anyway showing clear signs of recovery** from the bottom reached in 2012. The technical **profitability showed an impressive improvement,** with CoR at 55% vs 91% in 2016, **thanks to the loss ratio**, which decreased to 25% from 66% in 2016, mainly thanks to the improvement in Italian banks' balance sheets, which were successfully made lighter thanks to the disposal of NPLs.

In 2017, **Unipol** maintained its leadership in Non-Life with a 21.2% market share. Non-life segments showed a slight further reduction in market concentration: the top five groups held 61.2% of the market, against 61.9% in 2016. The market share held by the top ten companies also fell, from 78.7% to 78.3%. The **agencies** (market share 71.9%) were still the most important channel through which to distribute Non-Life products in 2017, although it is worth underlying that their **market shares have declined** constantly since 2013, while **bank branches, mainly focused on Non-Motor products, have gained ground**, **reaching** a 6.4% market share from 3.7% in 2013. The **direct selling** (phone & internet) has been pretty stable (market share 6.1% in 2017), despite the outlook for this channel is very attractive in our view.

Non-Life ranking – Premiums EUR m

Rank 2017	Rank 2016	Group	NON LIFE	Share %	Change %
1	1	Unipol	7,790	21,2	0,7
2	2	Generali	5,760	15,7	-2,2
3	3	Allianz	4,883	13,3	-1,4
4	4	Cattolica	2,106	5,7	6,7
5	5	Reale Mutua	1,976	5,4	1,6
		FIRST FIVE GROUPS	**22,515**	**61,2**	**0,1**
6	6	AXA	1,908	5,2	2,4
7	7	Zurigo	1,270	3,5	-2,4
8	9	Vittoria (Acutis)	1,148	3,1	6,2
9	8	GAN/Groupama	1,136	3,1	4,0
10	10	ITAS	816	2,2	6,0
		SECOND FIVE GROUPS	**6,278**	**17,1**	**2,8**
		OTHERS	**7,979**	**21,7**	**3,1**
		TOTAL	**36,772**	**100,0**	**1,2**

Source: Generali on Ania's data

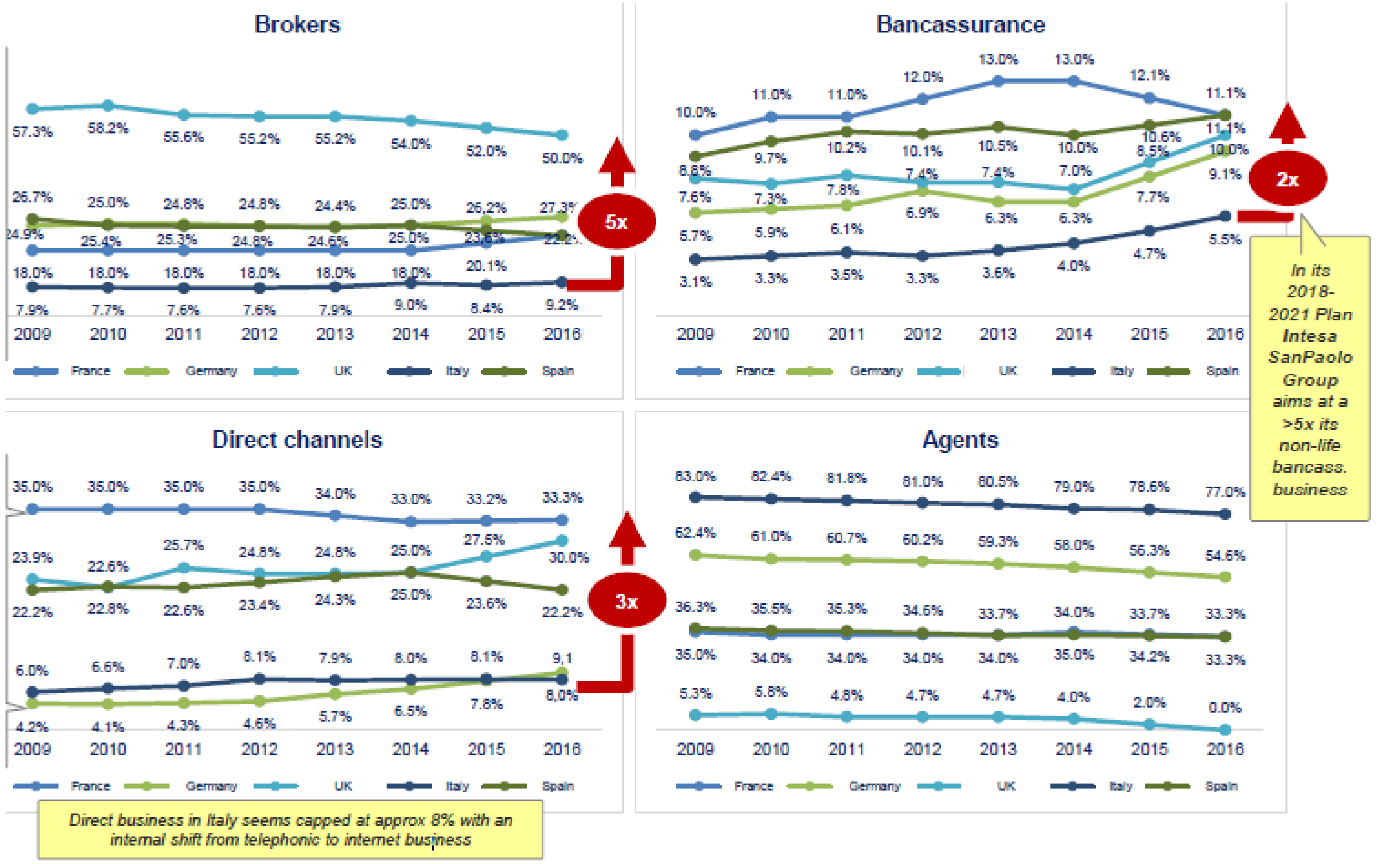
Non-Life – Distribution channel market share - %

Distribution channel	2013	2014	2015	2016	2017
Tied agents	76,3	75,1	73,6	72,3	71,9
Brokers	12,1	12,4	12,8	13,2	13,5
Company staff	2,0	2,2	2,4	2,4	1,8
Direct selling (phone, internet)	5,7	5,8	6,0	6,0	6,1
Banks	3,7	4,3	5,0	5,8	6,4
Financial advisors	0,1	0,2	0,3	0,3	0,4
Total	**100,0**	**100,0**	**100,0**	**100,0**	**100,0**

Source: Generali on Ania's data

Compared to other European countries, the Italian **Non-Life distribution still seems very conventional**, with huge growth opportunities for channels other than agents, which, as mentioned, have lost ground since 2013.

Strong potential growth for banks, brokers and direct channels vs other European countries

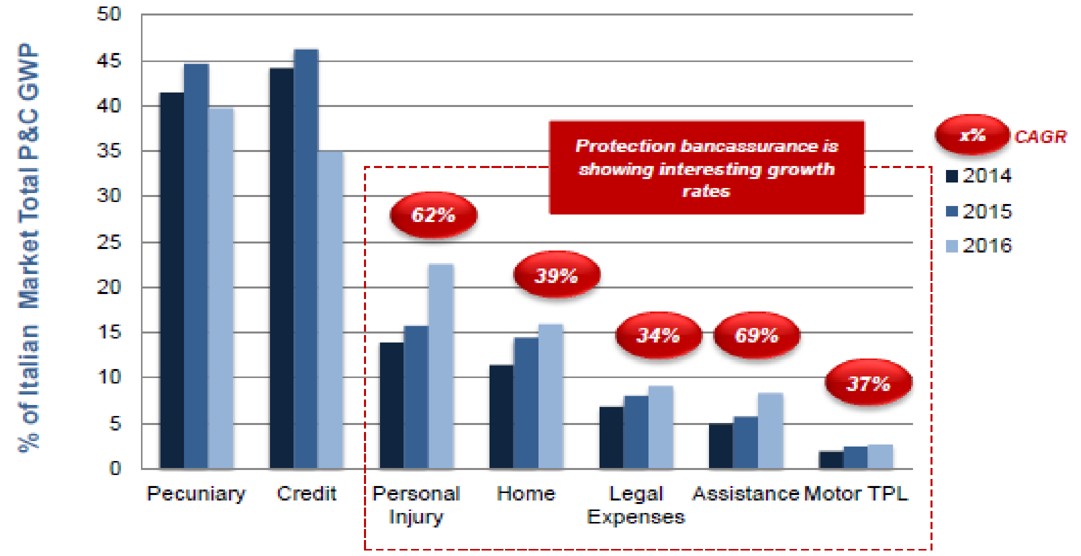


Source: Company presentation; Insurance Europe and Eurostat - ANIA "L'Assicurazione Italiana 2016 - 2017"

In the last couple of years, the most important **Italian banks**, like Banca Intesa and BBPM (which signed a partnership agreement with Cattolica Assicurazion), **financial groups** (like Poste Italiane) or **diversified insurances** (like UnipolSai), have decided to **push much more on the Non-Auto business**, thanks to its interesting profitability (CoR around 70% on average in 2017) and to the need to underpin their revenues, which are still suffering from the modest NII. As a matter of fact, in 2017 Mr Messina, Banca Intesa's CEO, stated that the bank aims to become the leading insurance player in the market in the coming years.

At the moment, the Italian **small-to-mid-sized banks** are also deeply interested in developing the bancassurance channel, attracted by its margins and by the still favourable growth prospects.

Growth in bancassurance distribution by lines of business - 2014-2016



Source: Company presentation; "ANIA "L'Assicurazione Italiana 2016 - 2017"

Insurtech in a nutshell

The insurance industry, like the economy as whole, is **in the middle of rapid transformation**, mainly because of the use of Internet, smartphones and the processing of big amounts of data. Insurtech, which is the application of new technologies **throughout the whole Insurance value chain**, is therefore crucial in reshaping the industry, first of all changing the interaction between businesses and consumers.

The Italian market is underinsured, in particular as regards health and risks related to damage and assets. The spread of technologies could help to fill the gap, increasing the awareness of the risks, their more productive management and improving the focus on prevention at the same time. **Around the world**, many insurances have introduced innovation and/or started partnerships with specialised companies in order to upgrade their offers, opening up new markets, expanding their product range and their risk pricing techniques, as well as finding cooperation partners. Furthermore, **the lack of developed IT systems** in most traditional insurances (there are more than 4k insurances in Europe) could be a **competitive advantage for the new players**.

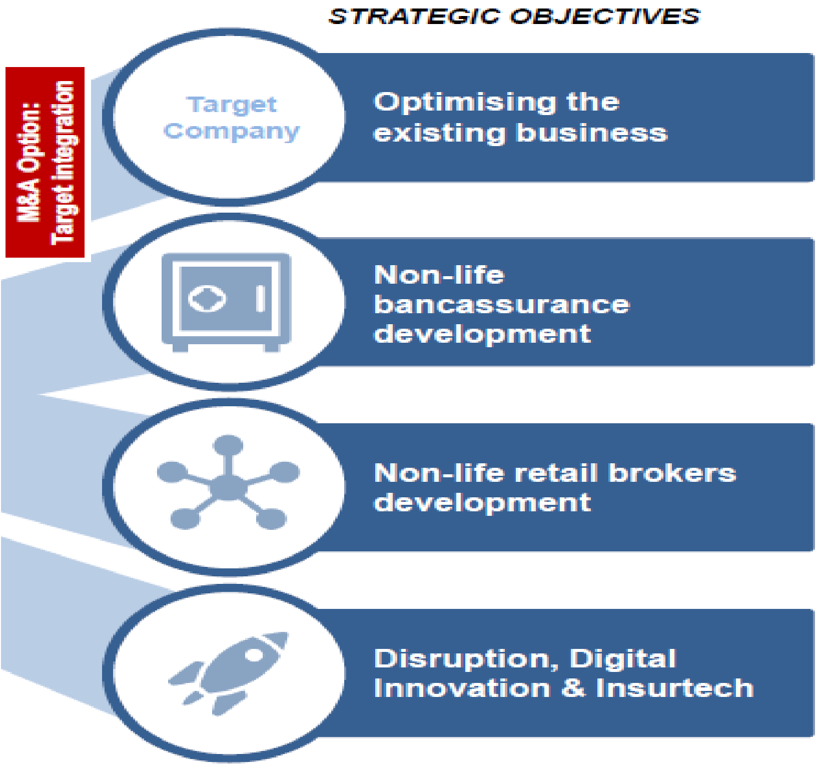
We have a lot of work to do in Italy. **Assicurazioni Generali** is the only Italian listed company to have assessed Insurtech a little. Some weeks ago, Generali Italia announced that it would start up Generali Jeniot, an investment of c. EUR 100m, to connect c. 2m clients by 2020, doubling the clients connected at the moment and considering that Generali has a total of c. 10m clients in Italy. The new company aims to develop some innovative services in the fields of internet of things and connected insurance in order to improve and enlarge Generali's offer.

The strategy: a journey from CQS to Insurtech, preserving a solid capital position

Archimede aims to set up **the first Italian non-life innovative insurance player** by leveraging on Net Insurance's **niche market** and on the **background and track record** of its promotors in the independent open-platform bancassurance segment, as well as on the underpenetrated and attractive Italian P&C market, also by riding the wave of the disruptive insurtech segment. The financial resources Archimede put into the merged entity will fund the strategic plan and growth, **restoring and preserving a solid capital position** at the same time.

The business combination's future growth is based on the following key strategies:

Business combination strategic framework



Source: company presentation

Optimising the existing CQS business

The starting point of the whole strategic plan will be the focus on NET's core business with the following purposes:

- **Restructure -** the target company's **core business must be reshaped**, through in-depth fine-tuning, carrying out further **portfolio pruning** and optimising and strengthening the technical reserves if and when needed. In this first stage, all the efforts will converge on **technical performance optimisation**, maintaining the current premium almost stable and **cutting the non-operating costs.** On the assets side, the **non-core activities** will be reorganised, while the group's **asset allocation** ought to be optimised. The business review cannot depart from the **rethinking of the internal organisation** to shape it properly in order to face the next level of development;

- **Develop –** the **new management team**'s skills, track record and networking will be crucial in developing and setting up **new distribution agreements on CQS** with new partners and in **improving and revamping the business quality** of the existing agreements, also by leveraging on a stronger capital position and on greater bargaining power. On the **organisation side**, the business development may also require implementation, maybe also in outsourcing with other strategic partners, of a **shared service centre**, for example on analytics, credit collection and claims management, in order to improve the service core competencies.

Non-Life bancassurance development

The **attractiveness of the Italian Non-Life business** (Non-Motor), due to its **underdevelopment** compared to other European countries, to its **traditional distribution model**, based mainly on insurance's agencies, and to its very interesting **growth rate** and **profitability** are the premises to create an independent and open Non-Life **bancassurance platform**, mainly dedicated to **small-to-mid-sized banks and financial institutions.**

- **Distribution capacity build-up –** once again the new management team's thorough knowledge of the banking sector and track record will be crucial in signing and setting up **promising distribution agreements with new partners**. It is also worth underling that building up the distribution capacity will also rely on **cross-selling**, leveraging on the existing distribution agreements, which will be improved and enlarged to other non-life products in addition to the traditional core business (CQS). Discussions on agreements on "protection" are for example already in place;
- **Offering and "service-machine" set-up –** the development of an innovative Non-Life bancassurance business cannot but include a consideration of the **introduction of new products**, also drawing on the know-how of other insurance companies. The strategic plan considers the **setting up of new non-life policies for retail and family** (like Home, Health, Pets, Travel, Assistance & Legal, General TPL) as well as an **ad-hoc multi-risk product** targeted to SMEs. The innovation of the portfolio will also leverage on **bundling offers** with banking, credit and financial products as well as proposing a **pure cross selling** offering. In order to support the **reshaping of the offer**, the strategic plan includes the adoption of some organisational improvements like the **creation of a dedicated commercial/channel assistance business unit** as well as **hiring** highly skilled managerial and operative staff. The "new" product portfolio should also be combined with an **excellent service**. The plan includes the creation of the necessary **devoted service structure**, starting from the existing ICT & Operation assets. New channels, new products and new customers will be supported by the implementation of **innovative processes** and by some new industrial **service-partnerships** (i.e. assistance, call & contact centres, claims management, customer care…etc.). To conclude, the strategy will also promote a **full paperless or digital approach** to the bancassurance business, inside and outside the organisation.

Non-Life retail broker development

In order to further **diversify the distribution** channels and to **cover other niches or business segments** with a higher degree of flexibility, the project provides for the development of well-known and proven intermediaries like brokers.

Distribution capacity build-up – like in the development of the bancassurance channel, building up the capacity will imply the **setting up of some agreements** with selected brokers characterised by a distribution network structure, specific skills and/or expertise. According to the strategy, the selection and the management of this channel will also be supported by hiring or partnering with specialists.

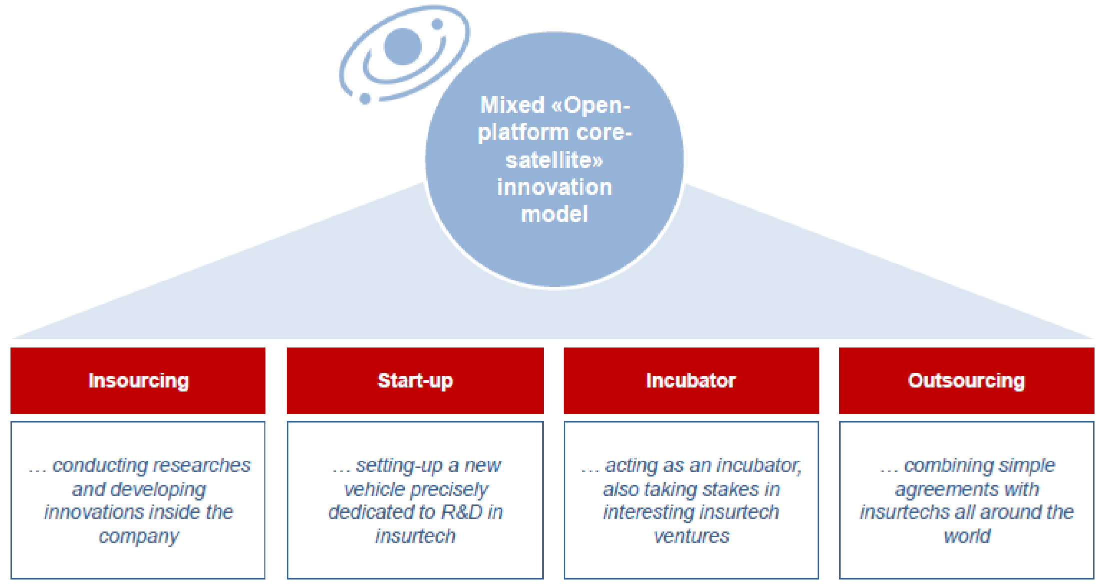
Offering and "service-machine" set-up – setting the offer and the service structures will be done by extracting synergies from what already has already been set up for the bancassurance channel, but with a more flexible approach.

Digital Innovation & Insurtech

To conclude, the strategic plan emphasises the role the new technologies will play in the future of the Insurance industry, considering that the sector, like Fintech and Mobile banking some years ago, is still **at the beginning of its technological** revolution. It's impossible to think of an industry that has not been **materially transformed** by the introduction of technology and data usage, and a move forward in this fields will undoubtedly be a competitive advantage. This strategic phase will **embrace all the plan period** (2018-2022) with the aim to permeate the entire organisation and the whole value chain with an insurtech approach. The journey could be simplified by three core guidelines/stages of the **innovation model:**

1. Starting as an **add-on/cross selling on the client base**;
2. Mixed "**Open-platform core-satellite**" innovation model;

Innovation model



Source: company presentation

3. **Stand-alone development** after the plan period (2022).

The drivers of this ambitious strategic objective are :

Setting up a continuous innovation model – the first step will be to **introduce technology** at every stage of the value chain in order to improve the efficiency and efficacy of the offer. A trial and error approach and the learning-by-doing strategy will be the mantras, along with the mixed "open platform core-satellite" innovation model.

Innovative distribution channel support – technology will support **analysis of the customer base**, with the aim to enhance the targeting process and the market psychographic segmentation, also thanks to contextual information collection through mobile apps. Particular attention will be given to **Text Messages,** through the introduction of a smart front-end in order to sell standardised products. On the **CQS** side, the company will introduce an innovative **CQS multi-year selling proposition** thanks to apps and web applications that will enable a simple and flexible self-service post sales service to clients.

Insurtech-enabled products – the offer will immediately be enriched by the introduction of a new "**connected-home**" product and by the add-on **mobile instant insurance** proposition.

Furthermore, new **interactive ways of networking** for customers will be developed, alongside the whole relationship/product lifecycle.

Bancassurance platform – the last driver of the strategic objective will be to position the bancassurance platform in order to attract **fintech newcomers** in Italy as well as to develop the **incidental channel business**. The platform could also be very attractive for players that want to develop partnerships in order to enhance their positioning on high value added channels and products.

Top Management's experience, track record and commitment are the real leitmotiv in implementing and perceiving the strategy

Any innovative and ambitious project, although achievable like being the mission of the business combination, requires a **strong commitment and consolidate expertise** by the management team and shareholders alike.

The project will be managed by an **experienced management team** with a strong **track record** and **extensive background** in Italian and international financial institutions and advisory firms. For these reasons, we believe that the **strategic plan is likely to have limited execution risk**, also thanks to the solid **relationships** and to the **extensive business networks that** can support its success.

Promoters and Management team

Source: company presentation

Mr Andrea Battista is the main promoter of Archimede SPAC. He has the majority stake of the special shares. He will also be the business combination's CEO. The promoter team is also composed of **Mr Gianpiero Rosmarini** and **Mr Matteo Carbone**. The promoters have invested c. EUR 1m in special share of the Archimede SPAC, while Mr Battista also pledged to invest a further EUR 150k in ordinary shares.

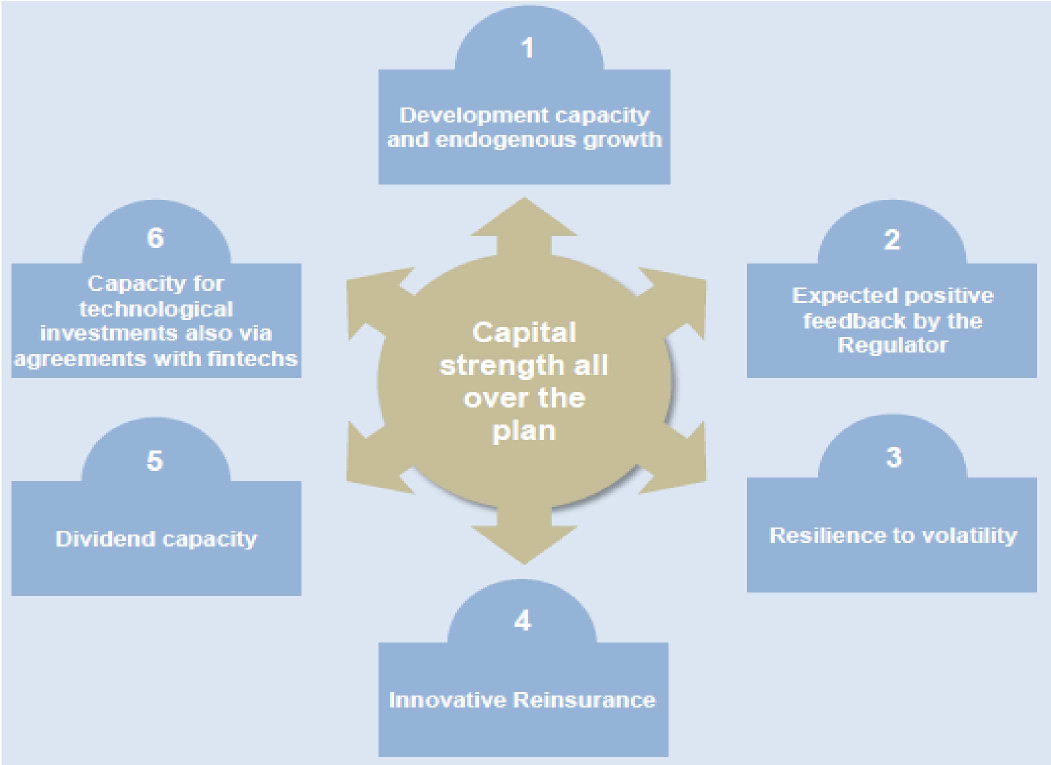
Reaching the technological targets of the plan, with the aim to embed innovation in the whole insurance value chain, will also be helped by establishing an **innovation advisory board** chaired by the promoter Mr Matteo Carbone, considered a **world thought leader in the insurance innovation field**.

A disciplined attitude to preserve a solid capital position over the plan period

A key element of the strategic plan and the value proposition will be the **discipline in managing the capital**, also considering how this issue has become significant in the last couple of months, when markets' focus has been on the SII ratio and the increase in the Italian spread, which has hurt Italian insurers' capital ratios and impacted their market price negatively.

Achievement of the strategic targets will therefore need a **careful approach in order to preserve a solid capital position,** also to the benefit of value creation. The plan was therefore built to guarantee an efficient and balanced capital management, which can **mitigate the needs of the stakeholders** as well as the investment required to transform the company at the end of the plan (2020). The **internal capital generation** will have to meet an appealing dividend pay-out and self-financing growth, at the same time not undermining a suitable regulatory risk profile and the commitment to the planned capital expenditure.

Focus on capital management



Source: company presentation

Financials

Net Insurance's 2015-17 key financial evolution

Before analysing Net Insurance's recent results, it is worth mentioning **some peculiarities of the company'**s business cycle and some peculiar accounting rules.

As far as the **accounting** is concerned, Net Insurance's balance sheet could be affected by the **early repayment of the underlying loans**. In this case, the insurer will have to pay back the premiums collected in advance and increase the provisions for unearned premiums, which will **decrease the gross written premiums** earned as a consequence.

The credit insurance linked to salary/pension-backed loans is a multiyear contract with a maximum duration of 10 years. Net Insurance's **average contract duration is c. 8 years**. In this timeframe, the company books its **revenues evenly distributed** during the whole term of the contract. On the other side, the cost of claims related to death, job loss or voluntary early termination of the loan by the borrower is not equally distributed during the life of the contracts. This effect implies a **mismatch between revenues and costs**, postponing any proper valuation to at the end of the full economic cycle (8 years) and increasing the volatility of the results.

As regards FY-17, the **gross earned premiums** declined by c.12% Y/Y, mainly due to the reimbursement of the accrued premiums during the year, c. EUR 12m, and to the less favourable trend in the credit and life business segment. As a consequence, net premiums declined by c. 10% to EUR 22.6m.

Consolidated P&L

EUR m	2015	2016	2017
Gross earned premiums	92.3	73.0	64.3
- growth rate %	n.a.	-20.9%	-12.0%
Premiums transferred under reinsurance	-48.2	-47.9	-41.7
- on gross earned premiums	-52%	-66%	-65%
Net premiums	**44.1**	**25.1**	**22.6**
- growth rate %	n.a.	-43.1%	-10.0%
Gross claims paid and change in technical provisions	-102.6	-65.2	-41.4
Net claims paid and change in technical provisions	**-54.2**	**-23.1**	**-11.8**
- on net premiums	122.7%	91.9%	52.1%
Interest and other income	3.7	3.0	3.1
Other income / expenses on investments	-1.2	-0.8	-0.9
Net realized gains / losses	5.9	0.9	4.4
Net impairments	-12.8	-9.2	-0.6
Net income from investments	**-4.5**	**-6.0**	**6.0**
Operating expenses	**-6.6**	**-8.3**	**-11.6**
- on net premiums	15.0%	32.9%	51.2%
Commissions received from re-insurers	**7.5**	**12.1**	**9.3**
Other income	1.3	0.4	0.4
Other costs	-0.8	-2.2	-5.2
EBT	**-13.2**	**-1.9**	**9.7**
Taxes	0.9	-0.4	-3.4
Tax rate	-7.0%	22.6%	-35.2%
Net profit	**-12.2**	**-2.4**	**6.3**

Source: Banca Akros on company data

Despite the decrease in the top-line, the **technical result** rose to c. EUR 10.8m from EUR 2m in 2016, an improvement due mainly to the **P&C business** and to the decrease in the **cost of claims paid**.

Technical result

	2015	2016	2017
Total technical result	**-10.0**	**2.0**	**10.8**
Loss Ratio	-123%	-92%	-52%
Expense ratio	2.0%	15.4%	-10.1%
CoR	**-120.8%**	**-76.5%**	**-62.2%**

P&C - Technical result

EUR m	2015	2016	2017
Gross earned premiums	53.6	44.7	42.6
- growth rate %	*n.a.*	*-17%*	*-5%*
Premiums transferred under reinsurance	-32.4	-28.7	-27.8
- on gross earned premiums	*n.a.*	*-64%*	*-65%*
Net premiums	**21.2**	**16.0**	**14.8**
- growth rate %	*n.a.*	*-25%*	*-7%*
Claims settled	-65.0	-47.5	-44.3
Claims settled reinsurance portion	34.7	26.2	29.3
Change in recoveries	-4.3	-2.6	12.2
Change in recoveries reinsurance portion	1.3	6.8	-6.7
Change in provision for outstanding claims	6.2	11.5	9.5
Change in provision for outstanding claims reinsurance portion	-2.7	-5.0	-4.5
Net charges relating to claims	**-29.9**	**-10.6**	**-4.4**
Technical result	**-8.7**	**5.4**	**10.4**
- growth rate %	*n.a.*	*-162%*	*93%*

Life - Technical result

EUR m	2015	2016	2017
Gross earned premiums	38.7	28.3	21.7
- growth rate %	*n.a.*	*-27%*	*-24%*
Premiums transferred under reinsurance	-15.8	-19.2	-13.8
- on gross earned premiums	*n.a.*	*-68%*	*-64%*
Net premiums	**22.9**	**9.1**	**7.8**
- growth rate %	*n.a.*	*-60%*	*-14%*
Claims settled	-35.9	-33.2	-31.4
Claims settled reinsurance portion	16.9	19.7	20.6
Change in outlay provision	0.6	0.7	0.1
Change in outlay provision reinsurance portion	-0.2	-0.2	-0.1
Change in actuarial provisions	-4.1	6.0	12.5
Change in actuarial provisions reinsurance portion	-1.5	-5.5	-9.1
Net charges relating to claims	**-24.3**	**-12.5**	**-7.4**
Technical result	**-1.3**	**-3.3**	**0.5**
- growth rate %	*n.a.*	*152%*	*-114%*

Source: Banca Akros on company data

After two negative bottom lines in a row (2015 and 2016), the **net profit** closed at EUR 6.3m in 2017 vs EUR -2.4m in 2016. This trend inversion was mainly attributable to the above mentioned Net Insurance's **technical result** improvement, but also to the remarkable **net income from investments** (EUR 6m vs EUR -6m in 2016), which wasn't penalised by significant **impairments** (like in 2015 and 2016) on the equity investments and benefited from some **realised gains** (c. EUR 4.4m) related to investment portfolio management.

Consolidated Balance Sheet

EUR m	2015	2016	2017
Intangible assets	5.6	4.5	4.1
- o/w Goodwill	5.2	4.2	3.5
Tangible assets	17.0	16.5	16.1
Investments in subsidiaries, associated companies and joint ventures	2.2	2.2	2.8
Loans and receivables	2.4	2.1	2.0
AFS - Funds	47.4	37.0	36.0
AFS - Fixed Income	140.1	161.1	144.8
AFS - Equity	22.8	15.8	10.6
AFS	**210.3**	**213.9**	**191.4**
Investments	**214.8**	**218.1**	**196.2**
- o/w Cash & Cash equivalents	19.3	9.2	4.4
Other assets	79.4	59.5	50.6
Reinsurance provisions	194.4	214.1	197.3
Total Assets	**511.2**	**512.8**	**464.2**
Gross technical insurance provisions	358.6	347.9	317.2
Financial liabilities	-	14.6	14.6
- o/w Subordinated debt	-	14.6	14.6
Other liabilities	115.7	114.2	89.7
- o/w Reinsurance	94.7	106.7	76.1
Total Liabilities	**474.2**	**476.7**	**421.5**
Shareholders' equity	**37.0**	**36.1**	**42.7**

Source: Banca Akros on company data

As far as the balance sheet is concerned, the movements in Investments and in Technical reserves were linked closely with premium generation. In terms of **asset allocation**, the **fixed income** exposure (EUR 145m) represented c. 74% of total investments and related, for c. 29%, to diversified **corporate bonds**, while Italian treasury bonds, which represented a limited portion of Net's total assets, accounted for c. 58% out of the total. It is also worth mentioning that the group issued a **subordinated debt** (Tier II) for c. EUR 14.6m in October 2016 (maturity 2026; yield c. 7%), with the aim to strengthen its capital position. The **Solvency ratio** improved to 128% from 104% in 2016.

H1-18 showed the recovery is still in in place

Net Insurance consolidated its market share at around 27% in the core business in H1-18, c. 2 percentage points more than for FY-17. In H1-18, the **net profit** closed around EUR 3.3m vs EUR 2.6m in H1-17, mainly thanks to the improvement in the **core business technical result**, first of all due to the decrease in operating costs. The gross earned premiums amounted to c. EUR 33.9m, +11% Y/Y, manly thanks to the Non-Life segment (c. +25% Y/Y) and to the Life sector (c. +35% Y/Y). The performance was particularly strong in Credit policies (c. +18% Y/Y) and in Agro business premiums (c. +40%). It was anyway **cost containment**, with the remarkable decrease in the operating expenses (EUR 0.4m vs EUR 2.2m in H1-17), that pushed the bottom line, with a **CoR** that we calculated at around

64% vs 70% in H1-17 and despite the decline in **net income from investments** (EUR 1.1m vs EUR 1.8m in H1-17).

Consolidated P&L

EUR m	H1-17	H1-18
Gross earned premiums	30.5	33.9
- growth rate %	n.a.	11%
Premiums transferred under reinsurance	-19.5	-21.5
- on gross earned premiums	-64%	-63%
Net premiums	**10.9**	**12.4**
- growth rate %	n.a.	13.7%
Gross claims paid and change in technical provisions	-17.3	-21.4
Net claims paid	**-5.4**	**-7.6**
- on net premiums	49.9%	60.9%
Interest and other income	1.5	1.3
Other income / expenses on investments	-0.3	-0.3
Net realized gains / losses	1.1	0.2
Net impairments	-0.6	-0.0
Net income from investments	**1.8**	**1.1**
Operating expenses	**-2.2**	**-0.4**
- on net premiums	19.8%	3.0%
Commissions received from re-insurers	**n.a.**	**n.a.**
Other income	0.2	0.8
Other costs	-1.4	-1.4
EBT	**3.9**	**5.1**
Taxes	-1.3	-1.7
Tax rate	*-32%*	*-34%*
Net profit	**2.7**	**3.3**

Source: Banca Akros on company data

It is also worth underling that, despite the market turmoil and the resulting increase in the Italian spread in the first half of the year, the **Solvency ratio** closed at around 131%, 3 percentage points more than FY-17, confirming the enhancement of the group’s capital position.

Business plan: ambitious but achievable targets, in line with our assumptions

On 18th October 2018, Archimede received **IVASS' green light** to the business combination with Net Insurance. At the same time, the company unveiled its strategic and economic guidelines, which were overall in line with our assumptions which we will describe in more depth in the next section. More in detail, Archimede's 2019 – 2022 integration and development plan set the following **financial targets in 2022**:

- **Gross written premiums** c EUR 150m, with new business protection/insurtech accounting for more than 40%;
- **Net technical result higher** than EUR 14m;
- **CoR** is expected to come in c. 82%;
- Marketing, human resources and technological **investments** around EUR 20m over the industrial plan period;
- **Net profit** around EUR 15m, corresponding to c. a 15% **RoE**;
- **Shareholders' Equity** over c. EUR 100m;
- **Solvency II ratio** is expected to consistently exceed 200% throughout the plan.

Archimede also confirmed, consistently with what they promised, the fourth operating and strategic guidelines we already described in this report: 1) optimising the existing CQS business; 2) Non-Life Non-Motor bancassurance development; 3) Non-Life Non-Motor retail brokers development; 4) Digital Innovation & Insurtech.

Our FY 2018/22 estimates

Our estimates factor in the EUR 48m **cash inflow** from the business combination with Net Insurance and also consider **all the strategic guidelines** of the project. The numbers will incorporate a remarkable growth **starting from 2020**, when we believe the "start-up" phase is likely to be concluded and the financial statements are expected to improve materially, mainly thanks to the **new profitable business** and to the **management team's skills.**

We have estimated **net premiums** increasing by a CAGR 2019-2022 of c. 31% based on the following assumptions:

- The strong development in the **bancassurance agreements** in the P&C segment as well as in the **broker retail channel** from 2019, thanks to the new business we expect. The potentiality of these two markets is justified by the still low market share and by the efforts the new management team is going to put in place to exploit their business connections and experience;
- The almost flat premiums in the **core business is linked to CQS**, mainly due to the optimisation of the portfolio in force and to our cautious approach, considering this credit insurance product is strictly linked to the credit cycle and to the macroeconomic scenario;
- **Insurtech's** contribution could become evident, although still negligible, only at the end of 2022;
- The progressive decrease in the portion of **premiums transferred to reinsurers**, related to the different business mix going forward.

Consolidated P&L

	2018E	2019E	2020E	2021E	2022E	CAGR19-22
Gross earned premiums	65.3	77.2	95.4	125.7	150.2	*23.2%*
- growth rate	*1.6%*	*18.2%*	*23.6%*	*31.8%*	*19.5%*	*n.m.*
Premiums transferred under reinsurance	-39.3	-50.9	-58.1	-70.7	-74.5	*17.3%*
- on gross earned premiums	*-60.2%*	*-65.9%*	*-60.9%*	*-56.2%*	*-49.6%*	*n.m.*
Net premiums	**26.0**	**26.3**	**37.3**	**55.0**	**75.7**	***30.7%***
Net claims paid	**-21.0**	**-19.3**	**-22.7**	**-28.2**	**-33.6**	***12.5%***
- on net premiums	80.8%	73.4%	60.7%	51.2%	44.4%	*n.m.*
Net income from investments	**5.0**	**5.5**	**6.0**	**6.7**	**8.3**	***13.5%***
- on avg. Investments	2.5%	2.7%	2.7%	2.8%	3.0%	*n.m.*
Operating expenses	**-11.5**	**-16.0**	**-24.7**	**-34.0**	**-44.3**	***40.2%***
Commissions received from reinsurers	**7.7**	**10.5**	**12.5**	**14.4**	**15.7**	***19.5%***
EBT	**6.2**	**7.0**	**8.5**	**13.9**	**21.8**	***36.8%***
Taxes	-2.1	-2.4	-2.9	-4.7	-7.4	*36.8%*
Tax rate	*-34.0%*	*-34.0%*	*-34.0%*	*-34.0%*	*-34.0%*	*n.m.*
Net profit	**4.1**	**4.6**	**5.6**	**9.2**	**14.4**	***36.8%***

Source: Banca Akros estimates

We expect a **sizable improvement in technical results and profitability** with a technical result, net of net income from investments, we estimate around EUR 13.5m at the end of 2022 from EUR 1.2m in 2018.

Technical result net of net income from investments

	2018E	2019E	2020E	2021E	2022E	CAGR19-22
Technical result	1.2	1.5	2.5	7.2	13.5	81.6%
Technical results / Net premiums	4.8%	5.8%	6.6%	13.1%	17.9%	n.m.

Source: Banca Akros estimates

At the same time, as far as **margins** are concerned, **CoR** is seen improving to 82.1% in 2022 from 95.2% in 2018 mainly thanks to the **loss ratio** (from 80.8% in 2018 to 44.4% in 2022) and despite the progressive worsening in the **expense ratio** (from 14.4% in 2018 to 37.8% in 2022).

CoR Analysis

	2018E	2019E	2020E	2021E	2022E
Loss Ratio	80.8%	73.4%	60.7%	51.2%	44.4%
Expense ratio (net of commissions from reinsurers)	14.4%	20.8%	32.7%	35.6%	37.8%
CoR	**95.2%**	**94.2%**	**93.4%**	**86.9%**	**82.1%**

Source: Banca Akros estimates

Along with the development of the top line we explained above, **our assumptions in estimating the abovementioned trend in profitability** could be summarised as follows:

- The improvement in the **loss ratio**. We expect lower implied claims going forward **due to the new business,** which ought to have a better loss ratio compared to the current business ;
- The worsening in the **expense ratio**. We expect the start-up phase and the introduction of the new businesses to squeeze operating expenses (CAGR 2019-2022 of c. 40%), while the increase in commissions received from reinsurers (CAGR 2019-2022 c. 19%) ought to be more limited and mainly due to the optimisation of the business in force and to the new business which usually has a lower reinsurance policy compared to the core business in force;

The **net income from investments** is estimated at EUR 8.3m in 2022 from EUR 5m in 2018, considering the expansion of investments, which we estimate consistently with the evolution in premiums and technical reserves, and the improvement in the **average yield on investments**, which we expect at 3% in 2022 from 2.5% in 2018 according to the markets' expectation on interest rates and considering the almost stable asset allocation.

After applying a **stable tax rate** of around 34% in 2018-2022, we obtain a **net profit** of EUR 14.4m in 2022 from EUR 4.1m in 2018 (CAGR 2019-2022 c. 37%). **RoE** is seen improving consequently from 9.7% in 2018 to 14.2% at the end of 2022.

Consolidated Balance Sheet

	2018E	2019E	2020E	2021E	2022E	CAGR 19-22
Intangible assets	4.1	5.0	5.0	5.0	5.0	5.1%
Tangible assets	15.8	15.8	15.8	15.8	15.8	0.0%
Investments	**201.5**	**210.6**	**226.9**	**256.4**	**303.1**	**10.7%**
Other assets	95.5	98.0	90.9	84.7	77.7	-5.0%
Net Provisions	**125.2**	**132.3**	**146.5**	**173.8**	**215.3**	**14.5%**
Financial liabilities	14.6	14.6	14.6	14.6	14.6	0.0%
Other liabilities	**92.1**	**93.8**	**85.4**	**76.0**	**66.9**	**-7.7%**
Shareholders' equity	**85.0**	**88.7**	**92.1**	**97.6**	**104.8**	**5.4%**

Source: Banca Akros estimates

RoE: Dividend

	2018E	2019E	2020E	2021E	2022E
RoE	9.7%	5.3%	6.2%	9.7%	14.2%
Pay-out ratio	0.0%	20.0%	40.0%	40.0%	50.0%
Total Dividend	-	0.9	2.2	3.7	7.2

Source: Banca Akros estimates

Assuming a pay-out ratio of 50% in 2022 from 20% in 2019 and considering the capital injection resulting from the business combination, we believe the solvency ratio is likely to stay well above 200% in 2022 thanks to the capital generation and although we have estimated strong business expansion in 2019-2022.

Solvency ratio

	2018E	2019E	2020E	2021E	2022E
Solvency Ratio	218%	208%	216%	229%	240%

Source: Banca Akros estimates

Business combination SWOT analysis

STRENGTHS	WEAKNESSES
▪ Strategy: low execution risk thanks to promoters' experience, track record, commitment and relationship networks; ▪ Stable and strong positioning in the core business of the insurance linked to salary/pension-backed loans; ▪ Diversified and outstanding partnerships, as well as shareholders, with some of the most important financial intermediaries; ▪ Clear and innovative approach to managing the digital transformation; ▪ Solid and strong capital position over the plan;	▪ The project needs time (from 2 to 4 years) to be accomplished and it could face some problems in achieving its targets; ▪ Current still small size of the Italian Non-Auto P&C market; ▪ Strategy strictly linked to the management team; ▪ New partnerships in the bancassurance sector were not unveiled and they could require more time to be finalised; ▪ Exposure to the Italian sovereign credit risk with consequences on the capital position;
OPPORTUNITIES	**THREATS**
▪ Attractiveness and profitability of the still underpenetrated Italian Non-Auto P&C business; ▪ Business diversification in other complementary new insurance lines of business or abroad; ▪ Opportunities to enter into other attractive specialty finance business/ specialised financing mainly thanks to the open platform approach and insurtech; ▪ Competitive business model with potential M&A appeal in the medium term.	▪ More aggressive competition both in credit and life insurance, linked to CQS and in bancassurance business, with pressure on pricing; ▪ Changes in industry regulation; ▪ Deterioration in the macroeconomic scenario with the worsening of the unemployment rate; ▪ Execution risk of the plan or delay in achieving the strategic guidelines; ▪ M&A in the mid-small Italian banks which are the main clients and target of the project; ▪ Contraction of the salary/pension-backed loans market due to other credit restriction policies.

Valuation

Based on our Valuation models, we come to a post-money fair value (i.e. after the business combination) of EUR 150m for Net Insurance. We have based Net Insurance's equity valuation on a distributable income model and on a Gordon approach, considering that there aren't any really comparable peers in Italy and abroad.

We have used a cost of equity of 9.0%. We cautiously assumed a 1.1 Beta in the calculation of the cost of equity. Indeed, starting from the average 2-year weekly Beta (0.96) obtained from Bloomberg and calculated considering the main Italian listed companies (Generali, Cattolica and UnipolSai), we decided to add a sort of adjustment in order to consider the risk implied in the business combination. We also applied a perpetual growth rate "g" of 1.5%.

Distributable income model valuation

To value Net Insurance using a distributable income model we considered: 1) the explicit net profit and solvency ratio forecasts for 2018-2022; 2) the excess capital vs. a minimum solvency ratio of 170% (consistent with a sort of tolerance level we consider safe to avoid any capital management actions) to calculate the potential distributable excess capital at the end of 2022; 3) the terminal value in 2022 calculated considering the net profit we achieved in our explicit estimates.

COE calculation

Free Risk Rate (FRR)	3.5%
Company Risk Factor or Beta (CRF)	1.10
Market Risk Premium (MRP)	5.00%
Cost of Equity (COE)	**9.0%**

Source: Banca Akros estimates

Distributable income model

	2018E	2019E	2020E	2021E	2022E
Dividends	-	0.9	2.2	3.7	7.2
NPV of Dividends	-	0.8	1.9	2.8	5.0
Sum of NPV of Dividends - (A)	**10.5**				
Own Funds	**102.3**	**105.6**	**108.7**	**113.9**	**120.6**
SCR	46.9	50.8	50.4	49.8	50.4
Solvency Ratio	218%	208%	216%	229%	240%
Current excess capital	**55.4**	**54.8**	**58.3**	**64.1**	**70.3**
Solvency Target	170%	170%	170%	170%	170%
Excess Capital Target	48%	38%	46%	59%	70%
Distributable Excess Capital					35.0
Discounted Excess Capital@2022 - (B)	**24.4**				
Discounted Excess Capital & NPV of Dividends – (A) + (B)	**35.0**				
Net Profit @ 2022					14.4
Terminal Value	192.2				
Discounted Terminal Value – (C)	**134.2**				
Value of Minorities @BV	0				
Equity Value – (A)+(B)+(C)	**169.2**				

Source: Banca Akros estimates

With this method we estimate an Equity value of c. EUR 169m.

Gordon model valuation

We also applied a Gordon model to the group's financials. In order to calculate the Equity value, we considered the present value of the Equity value we estimated for 2022, underlying that, based on our hypothesis, the business combination ought to exploit its full potential in that year.

Gordon Model

	2018E	2019E	2020E	2021E	2022E
Book Value	85.0	88.7	92.1	97.6	104.8
Intangible	4.1	5.0	5.0	5.0	5.0
Net income	4.1	4.6	5.6	9.2	14.4
TBV	80.9	83.7	87.1	92.6	99.8
ROTE	10.7%	5.7%	6.7%	10.6%	15.6%
Equity Value - (ROTE-g)/(Ke-g) x TBV	99.1	47.1	60.1	111.8	187.2
Equity @ valuation date					**130.7**

Source: Banca Akros estimates

With this method we estimate an Equity value of c. EUR 131m.

Applying the simple average to the Equity values obtained with the foregoing two models, we calculate an Equity value of EUR 150m, which implies the following multiples:

Multiples implied in our Equity value

	2018E	2019E	2020E	2021E	2022E
P/BV	1.76	1.69	1.63	1.54	1.43
P/E	36.4	32.4	26.8	16.3	10.4

Source: Banca Akros estimates

Sensitivity analysis

We decided to run a sensitivity analysis in order to simulate how the equity value changes when we modify the COE and/or the net profit we expect in 2022.

Equity value sensitivity to COE and to net profit in 2022

		-1.0%	COE	1.0%
		8.0%	**9.0%**	10.0%
+20%	17.3	213	180	155
Net profit - 2022	**14.4**	177	**150**	129
-20%	11.5	142	120	104

Source: Banca Akros estimates

Multiple comparison

It must be underlined that **a peer comparison is not so simple in Italy and abroad** and could be misleading. Each company has its own peculiarities in terms of products, asset mix, strategy, network structure and so on. Furthermore, there aren't insurances whose core business is focused on the same market niches as the credit insurance linked to salary/pension backed loans and/or bancassurance.

As regards M&A, the only transactions we could consider are the two recent deals in the Italian bancassurance sector, closed in 2017:

- the agreement for the acquisition by Cattolica of a 65% stake in Avipop Assicurazioni and Popolare Vita and the establishment of a 15-year Life and Non-Life bancassurance partnership was closed at a multiple **P/E we calculated around 15x;**
- the sale of 63.4% of Arca Group, whose profits were for more than 50% in the Non-Life business, from Unipol to UnipolSai was closed at a multiple **P/E we calculated around 12.3x and at a multiple P/BV of c. 1.6x**. At the same time Unipol renewed some distribution agreements in the bancassurance segment for five years.

Main investment risks

Here we underline what we consider are the most significant risks:

- **Macroeconomic risk**: any deterioration in the macroeconomic scenario in Italy could increase the frequency of claims linked to the unemployment rate and/or quicken the tightening of the credit cycle, impacting the salary/pension-backed loan volumes;
- **Italian government bond exposure**: the group's capital position, like any other insurance, is linked to the creditworthiness of the Italian state and any potential worsening of its credit risk could worsen the capital position, as well as any tightening of the rules on the possession of government bonds;
- **Execution risk:** the reshaping and the enlargement of the offer in the bancassurance and broker segments could require more time or be less intense than planned, due to possible delays in signing and/or in implementing the new agreements;
- **Digitalisation and increased competition**: the new technologies could support the entrance of new competitors. The competitive pressure is also very high in the non–life bancassurance business, mainly from consolidated and bigger banks and financial groups, with a possible decrease in tariffs that could partially offset the development expected in volumes;
- **Regulatory risks**: the group is exposed to changes in the legal and regulatory framework, as far as the capital and CQS business is concerned.

Archimede / Net Insurance: Summary tables

PROFIT & LOSS (EURm)	12/2017	12/2018e	12/2019e	12/2020e	12/2021e	12/2022e
Life Gross Premiums	0.0	0.0	0.0	0.0	0.0	0.0
Life Gross Premiums (APE) (1)	0.0	0.0	0.0	0.0	0.0	0.0
Non-Life Gross Premiums	64.3	65.3	77.2	95.4	125.7	150.2
Total Reinsurance (Life & Non-Life)	-41.7	-39.3	-50.9	-58.1	-70.7	-74.5
Banking Interest Income	0.0	0.0	0.0	0.0	0.0	0.0
Banking Non Interest Income	0.0	0.0	0.0	0.0	0.0	0.0
Insurance Investment Income	6.0	5.0	5.5	6.0	6.7	8.3
Other Revenues	4.4	7.7	10.5	12.5	14.4	15.7
Total Net Revenues	**33.0**	**38.7**	**42.3**	**55.8**	**76.1**	**99.7**
Total Claims & Provisions	-11.8	-21.0	-19.3	-22.7	-28.2	-33.6
Operating Expenses	-11.6	-11.5	-16.0	-24.7	-34.0	-44.3
Life Insurance Technical Result	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Non-Life Insurance Technical Result	**3.7**	**1.2**	**1.5**	**2.5**	**7.2**	**13.5**
Pre-Tax Profit Insurance	0.0	0.0	0.0	0.0	0.0	0.0
o/w Pre-Tax Profit (Non-Life)	0.0	0.0	0.0	0.0	0.0	0.0
Pre-Tax Profit Banking	0.0	0.0	0.0	0.0	0.0	0.0
Earnings Before Interest & Tax (EBIT)	**9.7**	**6.2**	**7.0**	**8.5**	**13.9**	**21.8**
Paid interests on sub/hybrid debt	0.0	0.0	0.0	0.0	0.0	0.0
Tax	-3.4	-2.1	-2.4	-2.9	-4.7	-7.4
Tax rate	*35.2%*	*34.0%*	*34.0%*	*34.0%*	*34.0%*	*34.0%*
Discontinued Operations	0.0	0.0	0.0	0.0	0.0	0.0
Minorities	0.0	0.0	0.0	0.0	0.0	0.0
Net Profit (Reported)	**6.3**	**4.1**	**4.6**	**5.6**	**9.2**	**14.4**
Net Profit (adj.)	**6.3**	**4.1**	**4.6**	**5.6**	**9.2**	**14.4**

BALANCE SHEET & OTHER ITEMS (EURm)	12/2017	12/2018e	12/2019e	12/2020e	12/2021e	12/2022e
Intangibles	**4.1**	**4.1**	**5.0**	**5.0**	**5.0**	**5.0**
of which Goodwill	*3.5*	*3.5*	*4.3*	*4.3*	*4.3*	*4.3*
of which Deferred Acquisition Costs (DAC)	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*
Insurance Investments (Own Account)	**196.2**	**201.5**	**210.6**	**226.9**	**256.4**	**303.1**
of which Fixed Income	*144.8*	*148.7*	*155.4*	*167.4*	*189.3*	*223.7*
of which Equity	*10.6*	*10.8*	*11.3*	*12.2*	*13.8*	*16.3*
of which Real Estate	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*
of which Other Investments	*40.8*	*41.9*	*43.8*	*47.2*	*53.4*	*63.1*
Unit-Linked Investments	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Banking Assets	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
of which Banking Interest Earnings Assets	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*
Other Assets	66.6	111.3	113.8	106.7	100.5	93.5
Total Assets	**266.9**	**316.9**	**329.4**	**338.6**	**362.0**	**401.6**
Technical Provisions Life	0.0	0.0	0.0	0.0	0.0	0.0
Technical Provisions Non-Life	119.9	125.2	132.3	146.5	173.8	215.3
Financial Debt (2)	0.0	0.0	0.0	0.0	0.0	0.0
Sub/hybrid debt	14.6	14.6	14.6	14.6	14.6	14.6
Other Liabilities	89.7	92.1	93.8	85.4	76.0	66.9
Banking Liabilities	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
of which Banking Interest Bearing Liabilities	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*
Shareholders Equity	**42.7**	**85.0**	**88.7**	**92.1**	**97.6**	**104.8**
Minorities Equity	0.0	0.0	0.0	0.0	0.0	0.0
Total Liabilities	**266.9**	**316.9**	**329.4**	**338.6**	**362.0**	**401.6**

GROWTH RATES	12/2017	12/2018e	12/2019e	12/2020e	12/2021e	12/2022e
Life Gross Premiums Growth						
Non-Life Gross Premiums Growth	*-12.0%*	*1.6%*	*18.2%*	*23.6%*	*31.8%*	*19.5%*
Banking Revenue Growth						
EBIT Growth	*+chg*	*-35.4%*	*12.3%*	*20.7%*	*64.5%*	*56.8%*
Net Profit Growth (adj.)	***+chg***	***-34.2%***	***12.3%***	***20.7%***	***64.5%***	***56.8%***

KEY RATIOS	12/2017	12/2018e	12/2019e	12/2020e	12/2021e	12/2022e
Insurance Investment Yield (average)	*2.9%*	*2.5%*	*2.7%*	*2.7%*	*2.8%*	*3.0%*
ROE (adj.)	***15.9%***	***9.7%***	***5.3%***	***6.2%***	***9.7%***	***14.2%***
WACC (3)	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*
Expense Ratio (Life)	***0.0%***	***0.0%***	***0.0%***	***0.0%***	***0.0%***	***0.0%***
Expense Ratio (Non-Life)	*-10.1%*	*-14.4%*	*-20.8%*	*-32.7%*	*-35.6%*	*-37.8%*
Claims Ratio (Non-Life)	*-52.1%*	*-80.8%*	*-73.4%*	*-60.7%*	*-51.2%*	*-44.4%*
Combined Ratio (Non-Life)	***62.2%***	***95.2%***	***94.2%***	***93.4%***	***86.9%***	***82.1%***
Retention Ratio (Non-Life)	*35.2%*	*39.8%*	*34.1%*	*39.1%*	*43.8%*	*50.4%*
Reserving Ratio (Non-Life)	*530.5%*	*481.6%*	*503.1%*	*392.6%*	*315.8%*	*284.2%*
Cost/Income (Banking)	***0.0%***	***0.0%***	***0.0%***	***0.0%***	***0.0%***	***0.0%***
Loan Loss Provisions (Banking)	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*
Solvency-Ratio (4)	***128.3%***	***218.0%***	***207.8%***	***215.6%***	***228.6%***	***239.5%***
Financial Leverage (5)	***37.4%***	***17.9%***	***17.3%***	***16.6%***	***15.6%***	***14.5%***

Notes

(1) Annual Premium Equivalent (APE) is a measure of the amount of new business in an accounting period

(2) Financial debt is operating financial debt net of subordinate/hybrid debt

(3) The Cost of Debt is calculated only on subordinated and hybrid instruments

(4) Solvency-one ratio = Capital available/Capital required under Solvency-one framework

(5) Financial Leverage is (Subordinated + Hybrid instruments) / (ANAV + Minorities)

(6) EPS (adj.) diluted= Net Profit (adj.)/Avg DIL. Ord. (+ Ord. equivalent) Shs. EPS (reported) = Net Profit reported/Avg DIL. Ord. (+ Ord. equivalent)

(7) Price (in local currency):Fiscal year end price for Historical Years and Current Price for current and forecasted years

(8) Total Market Cap includes also other categories of shares (preferred and/or savings)

(9) Assets under management is third-party-assets excluding life separate accounts (e.g. unit/linked)

European Coverage of the Members of ESN

Aerospace & Defense	Mem(*)
Airbus Se	CIC
Dassault Aviation	CIC
Latecoere	CIC
Leonardo	BAK
Lisi	CIC
Mtu Aero Engines	EQB
Ohb Se	EQB
Rheinmetall	EQB
Safran	CIC
Thales	CIC

Alternative Energy	Mem(*)
Daldrup & Soehne	EQB
Siemens Gamesa Re	GVC
Sif Group	NIBC
Solaria	GVC

Automobiles & Parts	Mem(*)
Bittium Corporation	OPG
Bmw	EQB
Brembo	BAK
Continental	EQB
Daimler Ag	EQB
Delfingen Industry	CIC
Elringklinger	EQB
Ferrari	BAK
Fiat Chrysler Automobiles	BAK
Gestamp	GVC
Hella Gmbh & Co. Kgaa	EQB
Indelb	BAK
Kamux	OPG
Landi Renzo	BAK
Leoni	EQB
Nokian Tyres	OPG
Norma Group	EQB
Piaggio	BAK
Pininfarina	BAK
Pwo	EQB
Schaeffler	EQB
Sogefi	BAK
Stabilus	EQB
Stern Groep	NIBC
Volkswagen	EQB

Banks	Mem(*)
Aareal Bank	EQB
Aktia	OPG
Alpha Bank	IBG
Banca Carige	BAK
Banca Mps	BAK
Banco Sabadell	GVC
Banco Santander	GVC
Bankia	GVC
Bankinter	GVC
Bbva	GVC
Bcp	CBI
Bnp Paribas	CIC
Bper	BAK
Bpi	CBI
Caixabank	GVC
Commerzbank	EQB
Credem	BAK
Credit Agricole Sa	CIC
Creval	BAK
Deutsche Bank	EQB
Deutsche Pfandbriefbank	EQB
Eurobank	IBG
Intesa Sanpaolo	BAK
Liberbank	GVC
Mediobanca	BAK
Merkur Bank	EQB
National Bank Of Greece	IBG
Natixis	CIC
Nordea	OPG
Piraeus Bank	IBG
Poste Italiane	BAK
Procredit Holding	EQB
Rothschild & Co	CIC
Societe Generale	CIC
Ubi Banca	BAK
Unicredit	BAK

Basic Resources	Mem(*)
Acerinox	GVC
Altri	CBI
Arcelormittal	GVC
Corticeira Amorim	CBI
Ence	GVC
Europac	GVC
Metka	IBG
Metsä Board	OPG
Mytilineos	IBG
Outokumpu	OPG
Semapa	CBI
Ssab	OPG
Stora Enso	OPG
Surteco Group	EQB
The Navigator Company	CBI
Tubacex	GVC
Upm-Kymmene	OPG

Chemicals	Mem(*)
Air Liquide	CIC
Arkema	CIC
Avantium	NIBC
Brenntag	EQB
Evonik	EQB
Fuchs Petrolub	EQB
Holland Colours	NIBC
Imcd	NIBC
K+S Ag	EQB
Kemira	OPG
Kws Saat	EQB
Lanxess	EQB
Linde	EQB
Siegfried Holding Ag	EQB
Symrise Ag	EQB
Tikkurila	OPG

Electronic & Electrical Equipment	Mem(*)
Euromicron Ag	EQB
Neways Electronics	NIBC
Rexel	CIC
Vaisala	OPG
Viscom	EQB

Financial Services	Mem(*)
Amundi	CIC
Anima	BAK
Athex Group	IBG
Azimut	BAK
Banca Farmafactoring	BAK
Banca Generali	BAK
Banca Ifis	BAK
Banca Sistema	BAK
Bb Biotech	EQB
Bolsas Y Mercados Espanoles Sa	GVC
Capman	OPG
Cir	BAK
Comdirect	EQB
Corestate Capital Holding S.A.	EQB
Corp. Financiera Alba	GVC
Digital Magics	BAK
Dobank	BAK
Dws	EQB
Eq	OPG
Eurazeo	CIC
Eyemaxx Real Estate	EQB
Ferratum	EQB
Ffp	CIC
Finecobank	BAK
Grenke	EQB
Hypoport Ag	EQB
Mlp	EQB
Ovb Holding Ag	EQB
Patrizia	EQB
Rallye	CIC
Tip Tamburi Investment Partners	BAK
Unipol Gruppo Finanziario	BAK
Wendel	CIC

Food & Beverage	Mem(*)
Acomo	NIBC
Advini	CIC
Altia	OPG
Atria	OPG
Baywa	EQB
Bonduelle	CIC
Campari	BAK
Coca Cola Hbc Ag	IBG
Corbion	NIBC
Danone	CIC
Ebro Foods	GVC
Enervit	BAK
Fleury Michon	CIC
Forfarmers	NIBC
Heineken	NIBC
Hkscan	OPG
La Doria	BAK
Lanson-Bcc	CIC
Laurent Perrier	CIC
Ldc	CIC
Lucas Bols	NIBC
Massimo Zanetti	BAK
Naturex	CIC
Olvi	OPG
Orsero	BAK
Pernod Ricard	CIC
Raisio	OPG
Refresco Group	NIBC
Remy Cointreau	CIC
Suedzucker	EQB
Takeaway.Com	NIBC
Telepizza	GVC
Tipiak	CIC
Vapiano	EQB
Vidrala	GVC
Vilmorin	CIC
Viscofan	GVC
Vranken Pommery Monopole	CIC
Wessanen	NIBC

Food & Drug Retailers	Mem(*)
Ahold Delhaize	NIBC
Carrefour	CIC
Casino Guichard-Perrachon	CIC
Dia	GVC
Jeronimo Martins	CBI
Kesko	OPG
Marr	BAK
Metro Ag	EQB
Sligro	NIBC
Sonae	CBI

General Industrials	Mem(*)
2G Energy	EQB
Aalberts	NIBC
Accell Group	NIBC
Arcadis	NIBC
Aspo	OPG
Cembre	BAK
Huhtamäki	OPG
Kendrion	NIBC
Nedap	NIBC
Pöyry	OPG
Saf-Holland	EQB
Sergeferrari Group	CIC
Tkh Group	NIBC

General Retailers	Mem(*)
Beter Bed Holding	NIBC
Ceconomy Ag	EQB
Elumeo Se	EQB
Fielmann	EQB
Fnac Darty	CIC
Folli Follie Group	IBG
Fourlis Holdings	IBG
Grandvision	NIBC
Hornbach Holding	EQB
Inditex	GVC
Jumbo	IBG
Ovs	BAK
Rapala	OPG
Stockmann	OPG
Takkt Ag	EQB
Tokmanni	OPG
Unieuro	BAK
Windeln.De	EQB
Zalando	EQB

Healthcare	Mem(*)
4Sc	EQB
Ab Biotics	GVC
Abivax	NIBC
Advicenne	NIBC
Amplifon	BAK
Atrys Health	GVC
Bayer	EQB
Biocartis	NIBC
Biotest	EQB
Cellnovo	CIC
Cerenis	CIC
Crossject	CIC
Diasorin	BAK
El.En.	BAK
Epigenomics Ag	EQB
Fermentalg	CIC
Genfit	CIC
Gerresheimer Ag	EQB
Guerbet	CIC
Heidelberg Pharma	EQB
Korian	CIC
Kuros	NIBC
Merck	EQB
Oncodesign	CIC
Oriola-Kd	OPG
Orion	OPG
Orpea	CIC
Pihlajalinna	OPG
Recordati	BAK
Siemens Healthineers Ag	EQB
Silmaasema	OPG
Terveystalo	OPG

Household Goods	Mem(*)
De Longhi	BAK
Elica	BAK
Fila	BAK
Maisons Du Monde	CIC
Signify	NIBC

Industrial Engineering	Mem(*)
Accsys Technologies	NIBC
Aixtron	EQB
Alstom	CIC
Ansaldo Sts	BAK
Biesse	BAK
Caf	GVC
Cargotec Corp	OPG
Carraro	BAK
Cnh Industrial	BAK
Danieli	BAK
Datalogic	BAK
Duerr	EQB
Emak	BAK
Envipco	NIBC
Exel Composites	OPG
Fincantieri	BAK
Gea Group	EQB
Gesco	EQB
Groupe Gorge	CIC
Heidelberger Druck	EQB
Ima	BAK
Indus Holding Ag	EQB
Interpump	BAK
Koenig & Bauer	EQB
Kone	OPG
Konecranes	OPG
Krones Ag	EQB
Manitou	CIC
Manz Ag	EQB
Max Automation Se	EQB
Metso Corporation	OPG
Outotec	OPG
Pfeiffer Vacuum	EQB
Ponsse	OPG
Prima Industrie	BAK
Prysmian	BAK
Schaltbau Holding Ag	EQB
Smt Scharf Ag	EQB
Talgo	GVC
Technotrans	EQB
Valmet	OPG
Wacker Neuson Se	EQB
Wärtsilä	OPG
Zardoya Otis	GVC

Industrial Transportation	Mem(*)
Bollore	CIC
Ctt	CBI
Logwin	EQB

Insurance	Mem(*)
Allianz	EQB
Axa	CIC
Banca Mediolanum	BAK
Cattolica Assicurazioni	BAK
Generali	BAK
Hannover Re	EQB
Mapfre Sa	GVC
Munich Re	EQB
Sampo	OPG
Talanx Group	EQB
Unipolsai	BAK

Materials, Construction & Infrastructure	Mem(*)
Abeo	CIC
Abertis	GVC
Acs	GVC
Aena	GVC
Aeroports De Paris	CIC
Astaldi	BAK
Atlantia	BAK
Boskalis Westminster	NIBC
Buzzi Unicem	BAK
Capelli	CIC
Caverion	OPG
Cramo	OPG
Eiffage	CIC
Eltel	OPG
Ezentis	GVC
Fcc	GVC
Ferrovial	GVC
Groupe Poujoulat	CIC
Groupe Sfpi S.A.	CIC
Heijmans	NIBC
Herige	CIC
Imerys	CIC
Lafargeholcim	CIC
Lehto	OPG
Maire Tecnimont	BAK
Maisons France Confort	CIC
Mota Engil	CBI
Obrascon Huarte Lain	GVC
Ramirent	OPG
Royal Bam Group	NIBC
Sacyr	GVC
Saint Gobain	CIC
Salini Impregilo	BAK
Sias	BAK
Sonae Industria	CBI
Srv	OPG
Tarkett	CIC
Thermador Groupe	CIC
Titan Cement	IBG
Trevi	BAK
Uponor	OPG
Vicat	CIC
Vinci	CIC
Volkerwessels	NIBC
Yit	OPG

Media	Mem(*)
Alma Media	OPG
Arnoldo Mondadori Editore	BAK
Atresmedia	GVC
Axel Springer	EQB
Cairo Communication	BAK
Cofina	CBI
Cts Eventim	EQB
Digital Bros	BAK
Digitouch	BAK
Gedi Gruppo Editoriale	BAK
Gl Events	CIC
Impresa	CBI
Iol	BAK
Ipsos	CIC
Jcdecaux	CIC
Lagardere	CIC
M6-Metropole Television	CIC
Mediaset	BAK
Mediaset Espana	GVC
Nrj Group	CIC
Publicis	CIC
Rcs Mediagroup	BAK
Relx	NIBC
Rtl Group	EQB
Sanoma	OPG
Solocal Group	CIC
Syzygy Ag	EQB
Teleperformance	CIC
Tf1	CIC
Ubisoft	CIC
Vivendi	CIC
Wolters Kluwer	NIBC
Xing Se	EQB

Oil & Gas Producers	**Mem(*)**
Ecoslops	CIC
Eni	BAK
Galp Energia	CBI
Gas Plus	BAK
Hellenic Petroleum	IBG
Maurel Et Prom	CIC
Motor Oil	IBG
Neste Corporation	OPG
Qgep	CBI
Repsol	GVC
Total	CIC
Oil Services	**Mem(*)**
Bourbon	CIC
Cgg	CIC
Fugro	NIBC
Gaztransport Et Technigaz	CIC
Rubis	CIC
Saipem	BAK
Sbm Offshore	NIBC
Technipfmc Plc	CIC
Tecnicas Reunidas	GVC
Tenaris	BAK
Vallourec	CIC
Vopak	NIBC
Personal Goods	**Mem(*)**
Adidas	EQB
Adler Modemaerkte	EQB
Amer Sports	OPG
Basicnet	BAK
Cie Fin. Richemont	CIC
Geox	BAK
Gerry Weber	EQB
Hermes Intl.	CIC
Hugo Boss	EQB
Interparfums	CIC
Kering	CIC
Luxottica	BAK
Lvmh	CIC
Marimekko	OPG
Moncler	BAK
Puma	EQB
Safilo	BAK
Salvatore Ferragamo	BAK
Sarantis	IBG
Swatch Group	CIC
Technogym	BAK
Tod'S	BAK
Real Estate	**Mem(*)**
Adler Real Estate	EQB
Arcona Property Fund Nv	NIBC
Beni Stabili	BAK
Citycon	OPG
Demire	EQB
Deutsche Euroshop	EQB
Grivalia	IBG
Hispania Activos Inmobiliarios	GVC
Igd	BAK
Kojamo	OPG
Lar España	GVC
Leg Immobilien Ag	EQB
Merlin Properties	GVC
Realia	GVC
Technopolis	OPG
Wcm Ag	EQB
Software & Computer Services	**Mem(*)**
Agile Content	GVC
Akka Technologies	CIC
Alten	CIC
Altran	CIC
Assystem	CIC
Atos	CIC
Axway Software	CIC
Basware	OPG
Cast	CIC
Ctac	NIBC
Digia Plc	OPG
Econocom	CIC
Esi Group	CIC
Exprivia	BAK
F-Secure	OPG
Gft Technologies	EQB
Groupe Open	CIC
Ict Group	NIBC
Indra Sistemas	GVC
Intershop Communications Ag	EQB
Nemetschek Se	EQB
Neurones	CIC
Nexus Ag	EQB
Novabase	CBI
Ordina	NIBC
Psi Software Ag	EQB
Reply	BAK
Rib Software	EQB
Rovio Entertainment	OPG
Scout24	EQB
Seven Principles Ag	EQB
Sii	CIC
Software Ag	EQB
Sopra Steria Group	CIC
Tieto	OPG
Tomtom	NIBC
Visiativ	CIC
Support Services	**Mem(*)**
Amadeus	GVC
Asiakastieto Group	OPG
Batenburg	NIBC
Bureau Veritas	CIC
Cellnex Telecom	GVC
Dpa	NIBC
Ei Towers	BAK
Enav	BAK
Fiera Milano	BAK
Inwit	BAK
Lassila & Tikanoja	OPG
Openjobmetis	BAK
Rai Way	BAK
Technology Hardware & Equipment	**Mem(*)**
Adeunis	CIC
Asm International	NIBC
Asml	NIBC
Besi	NIBC
Ericsson	OPG
Evolis	CIC
First Sensor Ag	EQB
Gigaset	EQB
Hf Company	CIC
Nokia	OPG
Osmozis	CIC
Roodmicrotec	NIBC
S&T Ag	EQB
Slm Solutions	EQB
Stmicroelectronics	BAK
Suess Microtec	EQB
Teleste	OPG
Va-Q-Tec	EQB
Telecommunications	**Mem(*)**
1&1 Drillisch Ag	EQB
Acotel	BAK
Bouygues	CIC
Deutsche Telekom	EQB
Dna	OPG
Elisa	OPG
Euskaltel	GVC
Freenet	EQB
Iliad	CIC
Kpn Telecom	NIBC
Masmovil	GVC
Nos	CBI
Orange	CIC
Ote	IBG
Tele Columbus	EQB
Telecom Italia	BAK
Telefonica	GVC
Telefonica Deutschland	EQB
Telia	OPG
Tiscali	BAK
United Internet	EQB
Vodafone	BAK
Travel & Leisure	**Mem(*)**
Accor	CIC
Aegean Airlines	IBG
Autogrill	BAK
Beneteau	CIC
Compagnie Des Alpes	CIC
Elior	CIC
Europcar	CIC
Finnair	OPG
Gamenet	BAK
I Grandi Viaggi	BAK
Ibersol	CBI
Int. Airlines Group	GVC
Intralot	IBG
Kotipizza	OPG
Melia Hotels International	GVC
Nh Hotel Group	GVC
Opap	IBG
Sodexo	CIC
Sonae Capital	CBI
Trigano	CIC
Utilities	**Mem(*)**
Acciona	GVC
Acea	BAK
Albioma	CIC
Derichebourg	CIC
Direct Energie	CIC
Edp	CBI
Edp Renováveis	CBI
Enagas	GVC
Endesa	GVC
Enel	BAK
Erg	BAK
Eydap	IBG
Falck Renewables	BAK
Fortum	OPG
Hera	BAK
Iberdrola	GVC
Iren	BAK
Italgas	BAK
Naturgy	GVC
Public Power Corp	IBG
Red Electrica De Espana	GVC
Ren	CBI
Snam	BAK
Terna	BAK

LEGEND: BAK: Banca Akros; CIC: CM CIC Market Solutions; CBI: Caixa-Banco de Investimento; GVC: GVC Gaesco Beksa, SV, SA; EQB: equinet bank; IBG: Investment Bank of Greece, NIBC: NIBC Bank N.V: OPG: OP Corporate Bank:;as of 3rd September 2018

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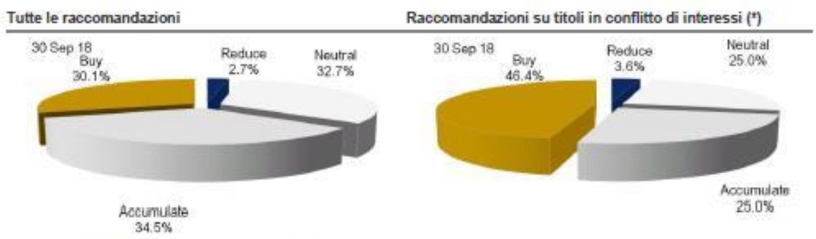
Percentuale delle raccomandazioni al 30 settembre 2018



(*) Si informa che la percentuale degli emittenti in potenziale conflitto di interessi con Banca Akros è pari al 25% del totale degli emittenti oggetto di copertura

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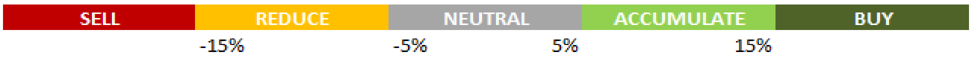
The ESN Recommendation System is **Absolute**. It means that each stock is rated on the basis of a **total return**, measured by the upside potential (including dividends and capital reimbursement) over a **12 month time horizon**.



The ESN spectrum of recommendations (or ratings) for each stock comprises 5 categories: **Buy (B), Accumulate (A), Neutral (N), Reduce (R) and Sell (S)**.

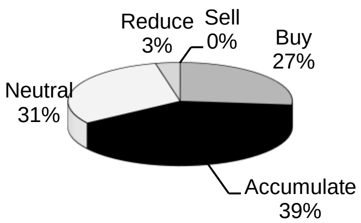
Furthermore, in specific cases and for a limited period of time, the analysts are allowed to rate the stocks as **Rating Suspended (RS)** or **Not Rated (NR)**, as explained below.

Meaning of each recommendation or rating:

- **Buy**: the stock is expected to generate total return of **over 15%** during the next 12 months time horizon
- **Accumulate:** the stock is expected to generate total return of **5% to 15%** during the next 12 months time horizon
- **Neutral**: the stock is expected to generate total return of **-5% to +5%** during the next 12 months time horizon
- **Reduce**: the stock is expected to generate total return of **-5% to -15%** during the next 12 months time horizon
- **Sell**: the stock is expected to generate total return **under -15%** during the next 12 months time horizon
- **Rating Suspended**: the rating is suspended due to a change of analyst covering the stock or a capital operation (take-over bid, SPO, …) where the issuer of the document (a partner of ESN) or a related party of the issuer is or could be involved
- **Not Rated**: there is no rating for a company being floated (IPO) by the issuer of the document (a partner of ESN) or a related party of the issuer

Certain flexibility on the limits of total return bands is permitted especially during higher phases of volatility on the markets

Banca Akros Ratings Breakdown



For full ESN Recommendation and Target price history (in the last 12 months) please see ESN Website Link
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