Net Insurance

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Italy | Insurance

Investment Research

ESN

Company Update

Reason: Company results (post view)

20 April 2020

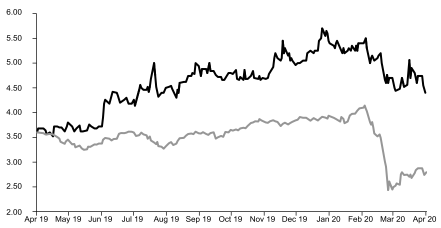
Accumulate	
Recommendation unchanged	
Share price: EUR	**4.38**
closing price as of 17/04/2020	
Target price: EUR	**5.50**
Target Price unchanged	
Upside/Downside Potential	**25.6%**
Reuters/Bloomberg	NETI.MI/NET IM

Market capitalisation (EURm)	**76**
Current N° of shares (m)	17
Free float	**69%**
Daily avg. no. trad. sh. 12 mth	15
Daily avg. trad. vol. 12 mth (m)	37.35
Price high/low 12 months	5.70 / 3.52
Abs Perfs 1/3/12 mths (%)	-4.78/-18.89/21.67

Key financials (EUR)	**12/19**	**12/20e**	**12/21e**
Life Gross premiums (m)	0	0	0
Non-Life Gross prem.(m)	81	107	126
Total Net Revenues (m)	*53*	*55*	*76*
Life Ins.Tech.Result (m)	0	0	0
Non-Life Ins. Tech.Result	*14*	*5*	*9*
EBIT (m)	16	10	15
Net Profit (adj.) (m)	7	7	10
Shareholders Equity (m)	72	77	84
ANAV (m)	72	77	84
ROE (adj.) (%)	11.1	8.8	12.3
Combined ratio (%)	*85.9*	*87.2*	*84.4*
P/E (adj.)	13.7	12.2	8.1
P/BV	1.3	1.0	0.9
P/ANAV	nm	nm	nm
P/EbV	nm	nm	nm
Dividend yield (%)	0.0	1.6	3.1
EPS (adj.)	0.38	0.36	0.54
BVPS	3.92	4.20	4.61
ANAVPS	0.00	0.00	0.00
EbVPS	*0.00*	*0.00*	*0.00*
DPS	*0.00*	*0.07*	*0.14*

Shareholders

IBL Banca 20%; Unicredit 6%; Algebris 5%;



Source: FactSet

NET INSURANCE — FTSE Italy All Share (Rebased)

Analyst(s)

Enrico Esposti, CIIA

enrico.esposti@bancaakros.it

+39 02 4344 4022

A long-term story to surf troubled times

After the FY 19 results, and considering the conference call mood, we deem the value creation opportunity still stems from: 1) a resilient and improvable salary/pension-backed loans business. The solid background in this business, along with the new competences provided, are the premises to streamline and to further develop the existing portfolio, as well as its technical performance; 2) the Non-Life bancassurance market trend, which offers very interesting growth and profitability perspectives; 3) the management team's expertise, know-how and business relationships are at the core of the overall development strategy; 4) an "insurtech" approach that will embrace the entire plan period (2020-2023).

- ✓ The FY 19 results were overall better than Net's business plan targets, with a **normalised net profit -** which was adjusted for the non-recurring items from the recovery of the defrauded assets - of c. EUR 7m vs EUR 6.7m in 2018 and vs EUR 6.5m in Net's plan. The **gross written premiums** closed at EUR 84.4m vs EUR 62.3m in 2018 (EUR 83.4m in the plan), mainly thanks to all the business lines, which have all already been started, and considering that c. 10% was strictly related to the bancaassurance segment. The **SII ratio** closed at 165.7% vs 162.9% in 2018.

- ✓ Net insurance also unveiled a few **Q1 20 KPIs**: the **gross written premiums** closed up by c. 56% Y/Y to EUR 25m, while the total gross written premiums, also considering the policies that came into effect after the end of March 2020, were c. EUR 43m vs EUR 32m in Q1 19. The **SII ratio** closed at 151% at the end of March 2020, vs 165.7% in FY 19 (162.9% in 2018) and vs c. 152% on 13 March 2020.

- ✓ Overall, Net has also **confirmed its business plan targets**. The company expects a **business slowdown** going forward, although there is room to recover in H2 20 and H1 21. The **CQS business** is counter-cyclical and the underwritten new business is already in line with the new market conditions. The risk (unemployment and demographic) of claims is limited considering that c. 2/3 of the business in force is reinsured and c. 1/3 has limited exposure. Furthermore, only c. 1/3 of the portfolio is related to the private sector. The portfolio is also partially hedged, thanks to the severance indemnity ("TFR) and considering that Net covers the unemployment risk and not the furlough claims ("Cassa Integrazione"). Mr Battista, Net's CEO, believes that the **bancaassurance** business will go on as usual in the medium-long term and that COVID-19 won't jeopardise Net's business project.

- ✓ We remind readers that the starting point of the whole plan will be the company's focus on NET's **core business (Salary-backed loans)** 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 for the development of well-known and proven intermediaries like **brokers**.

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Valuation

Based on our Valuation models, we come to an equity value of EUR 100m. We have based Net Insurance's equity valuation on a distributable income model and on a Gordon approach, considering that there is no real competitor in Italy or abroad. We obtain a TP of EUR 5.5. We confirm our Accumulate rating on the stock.

We have used a cost of equity of 10% (9.5%). We cautiously assumed a 1.3 (1.2) Beta to calculate the cost of equity. We also applied a perpetual growth rate "g" of 0% (0%).

We believe that COVID-19 could have a negative impact on the business development, although it is very difficult to estimate it at the moment. It must be underlined that, in order to factor in the current situation in our valuation, we have applied a sort of worst-case scenario to Net's business plan numbers, reducing our 2023 expected net profit by c. 20% and overall confirming our 2020 – 2022 estimates, which are almost aligned with the company's view.

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 2020-2023; 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 2023; 3) the terminal value in 2023 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)	1.30
Market Risk Premium (MRP)	*5.0%*
Cost of Equity (COE)	***10.0%***

Source: Banca Akros estimates

Distributable income model

	2019	2020E	2021E	2022E	2023E
Dividends	-	1.3	2.5	4.2	5.5
NPV of Dividends		1.2	2.1	3.2	3.8
Sum of NPV of Dividends - (A)		**10.4**			
Own Funds	**66.4**	**93.6**	**100.8**	**110.1**	**118.1**
SCR	40.1	58.4	60.3	64.7	68.4
Solvency Ratio	*166%*	*160%*	*167%*	*170%*	*173%*
Current excess capital	***26.3***	***35.2***	***40.5***	***45.5***	***49.8***
Solvency Target		*170%*	*170%*	*170%*	*170%*
Excess Capital Target		*-10%*	*-3%*	*0%*	*3%*
Distributable Excess Capital		**0**	**0**	**0**	**1.9**
Discounted Excess Capital@2023 - (B)		**1.5**			
Discounted Excess Capital & NPV of Dividends – (A) + (B)		**11.8**			
Net Profit @ 2023					**13.7**
Terminal Value		136.5			
Discounted Terminal Value – (C)		**95.4**			
Value of Minorities @BV		**0**			
Equity Value – (A)+(B)+(C)		**107.3**			

Source: Banca Akros estimates

Using this method, we estimate an equity value of c. EUR 107m.

Gordon model valuation

We also applied a Gordon model to the group's financials. In order to calculate the equity value, and after the recent update and presentation of the business plan, we considered the average of the present value of the equity value we estimated for the period 2020 - 2023, underlining that, based on our hypothesis, the business development ought to reach its full potential in 2023.

Gordon Model

	2019	2020E	2021E	2022E	2023E
Book Value	71.8	76.9	84.4	94.2	102.4
Intangible	2.6	2.6	2.6	2.6	2.6
Net income	7.0	6.5	9.9	14.1	13.7
TBV	69.2	74.4	81.8	91.7	99.9
ROTE	*11.5%*	*9.1%*	*12.7%*	*16.2%*	*14.3%*
Equity Value - (ROTE-g)/(Ke-g) x TBV	79.3	67.8	103.9	148.9	142.4
Equity @ valuation date		**63.1**	**87.9**	**114.5**	**99.5**

Source: Banca Akros estimates

Using this method, we estimate an equity value of c. EUR 91m.

By applying the simple average to the equity values obtained with the foregoing two models, we calculate an equity value of EUR 99m, which implies the following multiples:

Multiples implied in our equity value

	2019	2020E	2021E	2022E	2023E
P/BV	1.4	1.3	1.2	1.1	1.0
P/E adj.	14.4	15.4	10.1	7.1	7.4

Source: Banca Akros estimates

Multiple comparison

It must be underlined that **a peer comparison is not so simple in Italy or abroad** and could be misleading. Each company has its own peculiarities in terms of products, asset mix, strategy, network structure and so on. Furthermore, no insurance companies' core business is focused on the same market niches as the credit insurance business, which is 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 totalled more than 50% in the Non-Life business, from Unipol to UnipolSai and which 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 worsening 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, thus impacting the salary/pension-backed loan volumes;
- **Italian government bond exposure**: the group's capital position, like any other insurer, is linked to the creditworthiness of the Italian state, and any potential worsening of its credit risk could worsen the capital position, as could 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.

The strategic pillars were confirmed

After the presentation of its 2019 results, Net **confirmed** its **business plan targets** and its previous **strategic guidelines**.

Net Insurance aims to set up **the first Italian non-life innovative insurance player** by leveraging on Net Insurance's previous **niche market** (salary-backed loans) and on the management's **background and track record** 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 from Archimede SPAC, which were put into the merged entity, will fund the strategic plan and growth, thus **restoring and preserving a solid capital position** at the same time, despite the well-known fraud discovered last year.

Net Insurance's future growth is based on the following key strategies.

CQS: a growing market ahead

The reference credit market is growing and is **expected to grow in the medium term**, also thanks to the new regulation.

As a matter of fact, ECOFIN has approved a number of **amendments to the Capital Requirements Regulation** (CRR), including the reduction to 35%, from the current 75%, of the risk weighting for loans secured by one fifth of salaries (CQS) or pensions (CQP). This is positive news for the CQS business, whose volumes could be underpinned by the higher **convenience of the products in terms of capital absorption**.

Furthermore, **we believe there are still good opportunities** considering that CQS are secure products with an appealing risk-reward profile and with a lower default rate in the mid-term perspective.

The starting point of the whole strategic plan will be the company's focus on Net Insurance's previous core business in order to:

- **Restructure -** Net Insurance's previous **core business must be reshaped**, through in-depth fine-tuning, by carrying out further **portfolio pruning** and optimising and strengthening the technical reserves if and when needed. In this first stage, all 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 stray from the **rethinking of the internal organisation** to shape it properly in order to face the next level of development;
- **Development –** 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, while leveraging on a still solid capital position and on greater bargaining power at the same time. On the **organisation side**, the business development may also require implementation, maybe also in outsourcing to 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.

Net's **main action points and goals** are the following:

- Important **organisational reorganisation** (separation between business area and operations area) and review of the processes: the main target is to **consolidate the leadership** (market share steadily above 20%) and ensure **high quality standards** and service specialisation;
- **Repricing**, by introducing different charging levels and new criteria of risk selection (e.g. tele-underwriting): the main goal is to increase the level of **business profitability** (product and technical profitability) and **protection against fraud** (e.g. tele-underwriting in the retired sector);

- Numerous **technical roundtables** have been started with partners to offer targeted and personalised commercial solutions: the main target is to improve **costumer satisfaction** (from the partner side), to develop the **relationship** and to increase the **quality of the risks assumed** (from Net's side).

Bancassurance: an underpenetrated and profitable segment

The Bancassurance distribution channel has had the highest growth rate in recent years. It still has **significant growth potential,** especially in the Non-Motor segment. Compared to other European countries, Italian **Non-Life distribution still looks very conventional**, with huge growth opportunities for channels other than agents, which have lost ground since 2013.

In the last couple of years, the most important **Italian banks**, like Banca Intesa and BBPM (which signed a partnership agreement with Cattolica Assicurazioni), **financial groups** (like Poste Italiane) or **diversified insurance companies** (like UnipolSai), have decided to **push on the Non-Auto business much more** due 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, said that the bank aimed 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 extremely interested in developing the bancassurance channel, attracted by its margins and by the still favourable growth prospects, also considering the still low interest rates.

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

The main **pillars of Net's strategy** are the following:

- **Distribution capacity build-up –** once again the new management team's thorough knowledge of the banking sector and their track record will be crucial in signing and setting up **promising distribution agreements with new partners**. It is also worth underlining that in order to build up the distribution capacity the company will also have to rely on **cross-selling** and leverage 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 business plan provides for 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 at SMEs. The new 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 business 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 operating 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.

Overall, the development of Net's Bancassurance segment has been **faster than previously expected.** At the moment, the group has some partnerships with **institutions of national and regional importance.**

In **2019**:

- Net Insurance announced it had signed two 10-year distribution agreements with "**Cassa di Risparmio di Bolzano**" **(Sparkasse)**, the aim being to start a long-term strategic partnership in non-motor insurance and in the protection business, both for private and corporate customers. The sale launch date was 3rd May 2019. We remind readers that Cassa di Risparmio di Bolzano has more than 100 branches in one of the most attractive areas in Italy;
- Net Insurance signed a new ten-year agreement with **Banca Popolare di Puglia e Basilicata.** The five-year agreement, renewable for a further 5 years, will focus on the Non-Auto business. Banca Popolare di Puglia has c. 100 branches at the moment. The sale launch is due in the first half of July.
- Net Insurance and **IBL Banca**, which is already one of Net Insurance's historic partners and a leader in financing through salary- backed or pension-backed loans, are strengthening their cooperation though a Protection insurance policies distribution agreement through IBL Assicura, a subsidiary of IBL Banca. Net Insurance's products, in particular personal and home insurance policies, are going to be distributed by IBL Assicura through its 53 bank branches nationwide, and through the exclusive agents' and insurance brokers' indirect network.

In **2020**:

- The company signed a distribution agreement with **Banca Popolare S. Angelo**. The agreement envisages the distribution of some specific products with a focus on SMEs, the agricultural business and the travel services and digital products.
- Net signed an agreement with **Banca Popolare Pugliese regarding** the Non-Life business linked to the agricultural segment with the aim to meet SMEs' needs.

  We remind readers that **Cassa di Risparmio di Bolzano, Banca Popolare di Puglia e Basilicata** and **IBL Banca** are shareholders of Net Insurance with a stake of c. 4%, c. 1% and c. 20% respectively.

Bancaassurance partners - a snapshot

Source: company presentation

Brokers: another opportunity to further diversify the distribution

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 with a distribution network structure, specific skills and/or expertise. Based on the strategy, selection and 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 has already been set up for the bancassurance channel, but with a more flexible approach. An innovative credit protection related product (rent protection) is already available, as is an agricultural product with a strong reinsurance protection.

Several negotiations are underway with medium-sized brokers:

- In May 2019, Net Insurance announced it had signed a distribution agreement with the broker **Vitanuova** to distribute Net' products through more than 300 of Vitanuova's advisors. Net's products will be addressed to the protection of Family and Heritage and the offer will soon be enriched by the introduction of an innovative health policy.

Digital Innovation & Insurtech will embrace the whole plan period

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 **in its technological infancy** . It's impossible to find an industry that has not been **materially transformed** by the introduction of technology and data usage, and a move forward in this field will undoubtedly be a competitive advantage. This strategic phase will **embrace the whole 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;
3. **Stand-alone development** after the plan period (2023).

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 the **analysis of the customer base**, with the aim to enhance the targeting process and the market psychographic segmentation, also thanks to contextual information gathering 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 provide clients with a simple and flexible self-service post sales service.

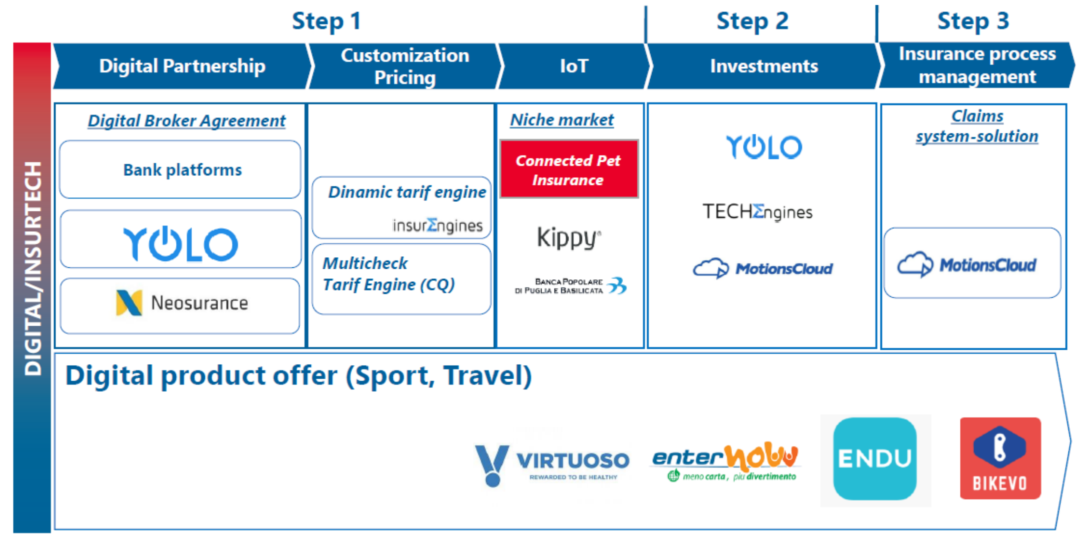
Insurtech-enabled products – the offer will immediately be enriched by the introduction of a new" **connected-home**" product and by the add-on **mobile instant insurance** proposition.

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.

Net Insurance announced it had acquired a stake in **Yolo Group** and signed a distribution agreement with it. Yolo is one of the best insurtech companies in Italy. The total consideration for the deal was c. EUR 1.2m through Yolo's two-tranche capital increase. In the end, Net will own between 9.32% and 10% of Yolo. Net Insurance will also have access to Yolo's wide digital marketplace, the aim being to improve and develop it and offer innovative insurance products. Net and **Neosurance** also entered a new partnership and an instant bike product has been in place since May 2019. Net also aims to **acquire minority shareholdings** in digital and/or insurtech business partners, like marketplace, data analytics, claims tool and Instant Insurance engine, a total investment of up to EUR 3-4m.

Net's digital/insurtech product range



Source: company presentation

NET will progressively **complete the product range** (e.g., Pet, Sharedmobility, device protection), strengthening and innovating its value proposition.

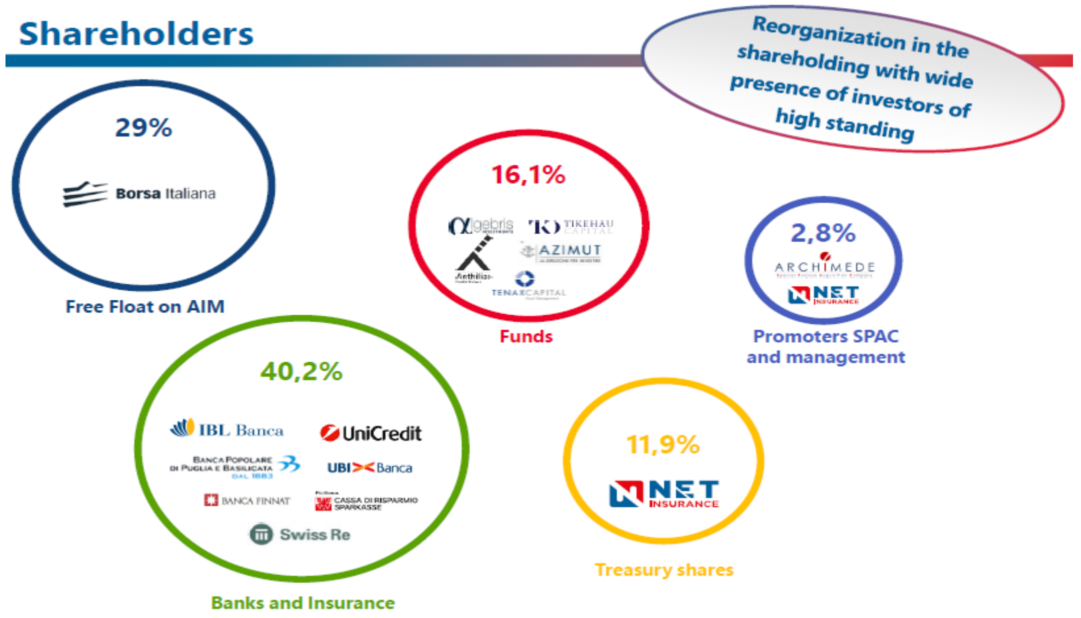
Other development options ahead

The business model could also generate **other additional development options**. Net Insurance and the Italian Association of Referees have signed a new **official sponsorship agreement** to last from 1st July 2019 until 2023. The contract envisages the Net Insurance name on the uniforms of over 30k Italian referees (more than 600k official matches each year). Net's offer could also be enriched by the introduction of some **protection collective policies** like Long Term Care or offering business under the freedom to **provide digital services**. Furthermore, Net could offer its products through other channels like the **financial advisor networks**.

Main shareholders in a nutshell

We remind readers that Net's capital is owned by a **stable and diversified group of industrial partners**, such as banks, insurance companies and investment funds, which oversee and support the business. The free float is around 29% at the moment.

Net's shareholder structure



Source: company presentation

IBL Banca, which is the Italian market leader in the salary-backed loan business, is Net's main shareholder with a 19.75% stake in Net Insurance. The other main shareholders are **Unicredit** (6.11%) and **Algebris** (5.16%).

Financials

FY 19 was a bit better than Net's previous estimates

The FY 19 results were overall better than Net's business plan targets with a **normalised net profit**, which was adjusted for the non-recurring items related to the recovery of the defrauded assets, of c. EUR 7m vs EUR 6.7m in 2018 and vs EUR 6.5m in Net's plan.

The **gross written premiums** closed at EUR 84.4m vs EUR 62.3m in 2018 (EUR 83.4m in the plan), mainly thanks to all the business lines, which have all already been started, and considering that c. 10% was strictly related to the bancaassurance segment. Furthermore, Net has already issued over 38,000 digital contracts.

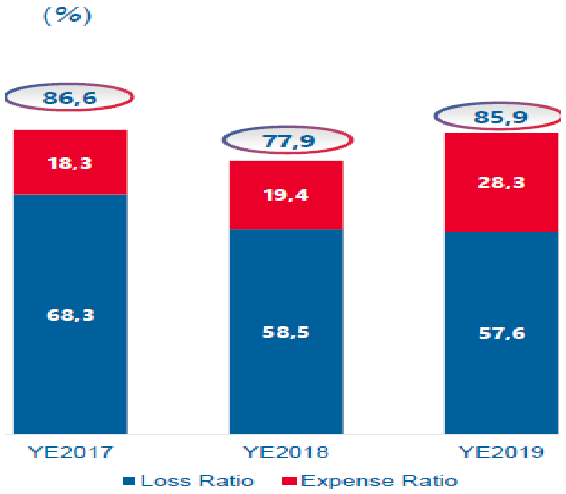
FY 19 results

	2018A	2019E	2019A	Ch.% A/E
Gross written premiums	62.3	83.4	84.4	*1.2%*
Operating expenses	12.9	19.6	20.4 (*)	*4.1%*
Net technical result	**8.6**	**7.1**	**7.8**	*9.9%*
Net profit	4.1	4.5	12.5	*n.m.*
Normalized net profit	**6.7**	**6.5**	**7**	*7.7%*
Shareholders' Equity	53.8	58.3	71.8	*23.2%*
ROE	***11.3%***	***8.0%***	***19.7%***	*n.m.*
CoR	***77.9%***	***87.8%***	***85.9%***	*-2.2%*
SII ratio	***162.9%***	***~ 160% - 170%***	***165.7%***	*n.m.*

Source: company presentation – (*) The FY 19 target, net of the one-off items related to the defrauded assets, has been fully achieved

The **technical result** totalled c EUR 7.8m vs EUR 7.1m previously expected, also thanks to a better **CoR** (85.9% vs 87.8% in the plan), which benefited from the **particularly strong CQS CoR** (79% vs 89% in the plan), which was also underpinned by the run-off of the previous year's claims (c. EUR 2m). In more detail, the **loss ratio** improved slightly to 57.6% from 58.5% in 2018, while the worsening in the **expense ratio** (28.3% vs 19.4% in 2018) was mainly due to the investments strictly related to the start-up of Net's new businesses.

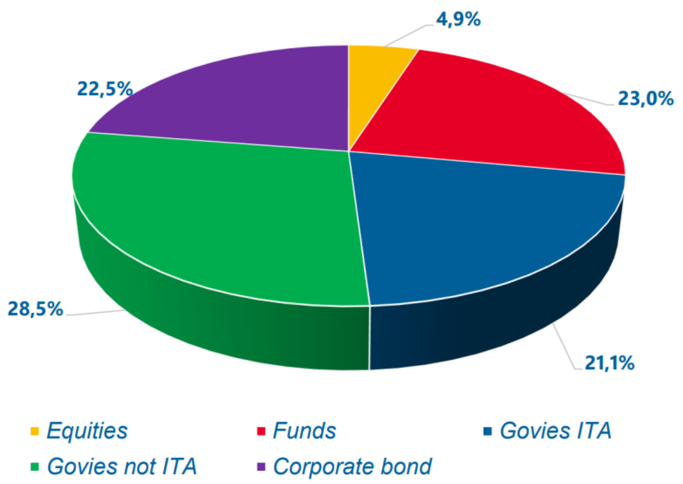
CoR (gross of reinsurance) evolution



Source: company presentation

The **total financial assets** were reduced to c. EUR 167m from EUR 178m in 2018, mainly due to the pay-back of some reinsurance deposits (EUR 17.9m), which were particularly expensive. The **asset allocation** is in line with the plan and highly diversified: Italian government bonds weigh for c. 21%, equity for c. 4.1% and corporate bonds c. 22%; the duration is less than 3 years. The **financial result** amounted to EUR 1.9m vs EUR 0.1m last year, also thanks to the portfolio optimisation that Net has put in place during the year.

Asset allocation



Source: company presentation

There is further room to improve the company's current **asset allocation** and its **risk-reward profile**. Net's main target is to reduce its **exposure to Italian government bonds** from 28% in 2018 to between 15% and 20% in the next few years. At the same time, the investments in **corporate bonds** are seen to increase from 40% in 2018 to 54% going forward.

The more limited exposure to the Italian government bond risk, the higher resilience to the spread volatility and the better diversification are likely to underpin the **total return** of the portfolio, smoothing the **risk** and the **capital absorption** at the same time.

The **SII ratio** closed at 165.7% vs 162.9% in 2018. The ratio was c. 152% on 13 March 2020, testifying to the resiliency of the capital position, also in difficult times, and not considering any further recovery from the litigation on the defrauded assets.

Some days ago, **Net insurance unveiled a few Q1 20 KPIs**, which were overall in line with the numbers the company had disclosed during its FY 19 conference call. In more detail, the **gross written premiums** closed up by c. 56% Y/Y to EUR 25m, while the total gross written premiums, also considering the policies with effect after the end of March 2020, were c. EUR 43m vs EUR 32m in Q1 19. The **SII ratio** closed at 151% at the end of March 2020, vs 165.7% in FY 19 (162.9% in 2018) and vs c. 152% on 13 March 2020, bearing in mind that the latter level was unveiled during the FY 19 conference call.

Business plan: the targets have been confirmed despite COVID-19

Overall, Net **confirmed its business plant targets**. The **mood of the conference call** that commented 2019 results was positive and the message was reassuring. **Q1 20** closed very well, with growing premiums and a contraction of claims.

Net expects a **business slowdown** going forward, although there is room to recover in H2 20 and H1 21. The **CQS business** is counter-cyclical and the underwritten new business has already been adapted to the new market conditions. The risk (unemployment and demographic) of claims is limited considering that c. 2/3 of the business in force is reinsured and c. 1/3 has limited exposure. Furthermore, only c. 1/3 of the portfolio is related to the private sector. The portfolio is also partially hedged thanks to severance indemnity ("TFR) and considering that Net covers unemployment risk and not furlough claims ("Cassa Integrazione"). Mr Battista, Net's CEO, believes that the **bancaassurance** business will go on as usual in the medium-long term and that COVID-19 won't jeopardise Net's business project.

On 19th June 2019, Net Insurance unveiled the update of its strategic and economic guidelines. More in detail, Net's 2020 – 2023 plan sets the following **financial targets**, which **do not include any recovery from the ongoing litigation** but only the costs incurred.

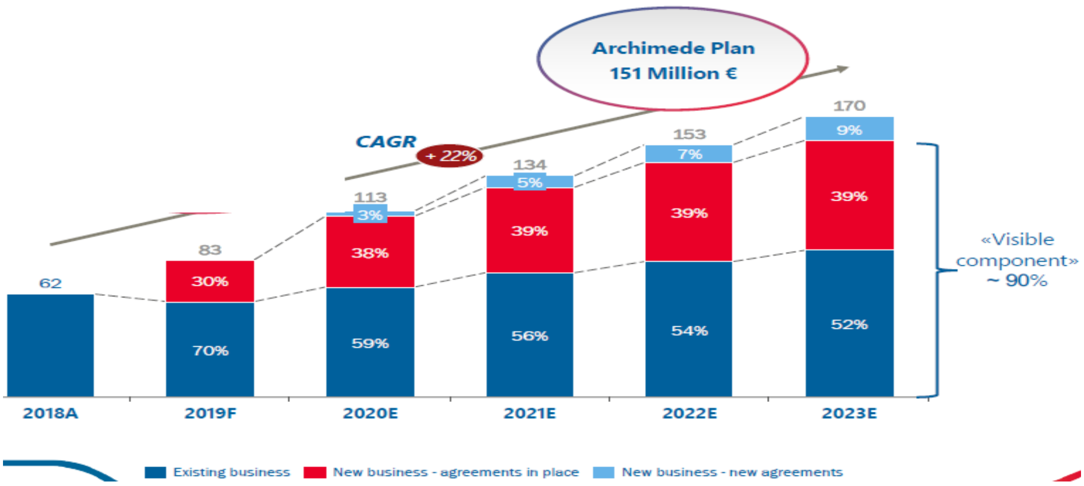
2020– 2023 targets

	2018	2019 forecast	2020 Targets	2023E
Gross Written Premiums € Min	62.3	83.4	112.9	170.3
Overheads € Min	12.9	19.6	20.2	23.5
Net Technical Result € Min	8.6	7.1	6.6	19.7
Net Profit € Min	4.1	4.5	6.2	17.5
Normalized Net Profit € Min	6.7	6.5	6.3	17.5
Shareholders Equity* € Min	53.8	58.3	63.3	92.0
ROE %	11.3	8.0	10.2	20.2

**Net of paid dividends - Source: company presentation*

The **gross written premiums** are seen at c. EUR 170m in 2023, growing at a 2019-2023 CAGR of c. 22%, mainly thanks to the new business related to the agreements in place.

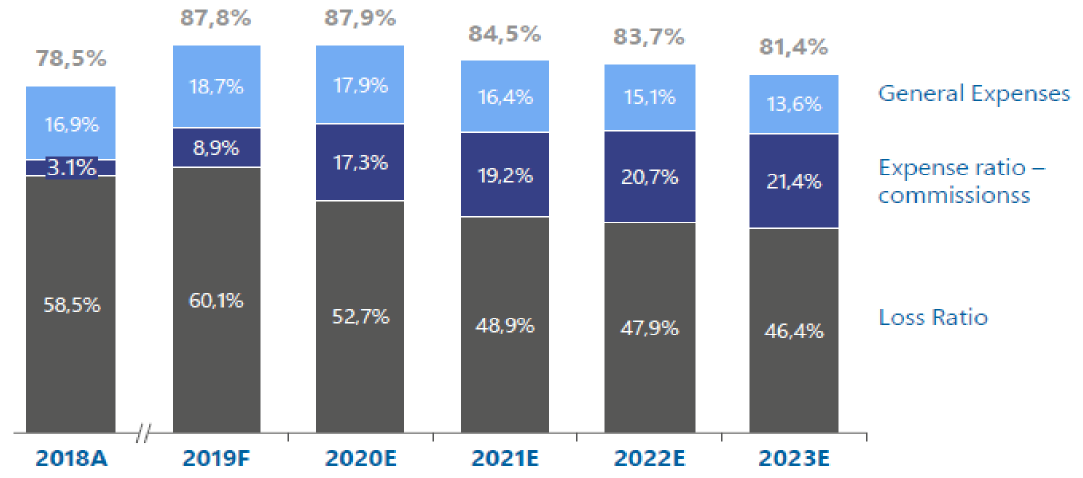
GWP development



Source: company presentation

The **technical profitability** is expected to improve year after year. The net technical result is seen around EUR 20m in 2023 from c. EUR 7.8m in 2019, mainly thanks to the decline the company expects in the **CoR**, which ought to achieve 81.4% in 2023 from 85.9% in 2019. The improvement will be driven by the **excellent profitability of the bancassurance products** and by the **decrease in the loss ratio** as an effect of the strong increase Net expects in the gross written premiums.

2018 – 2023 CoR development



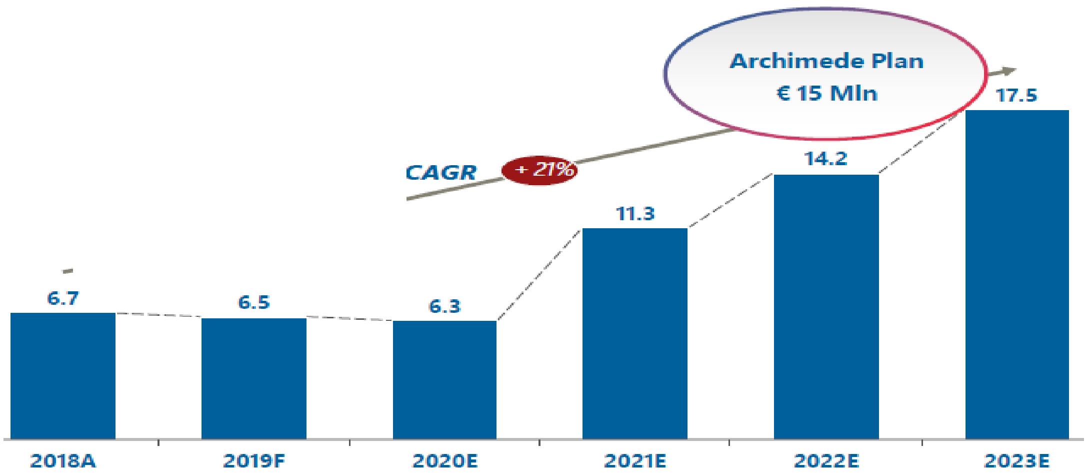
Calculated on earned premiums, gross of reinsurance - Source: company presentation

The improvement in the technical profitability, along with the streamlining of the investment portfolio, will push the **normalised net profit** to c. EUR 17.5m in 2023 from EUR 7m in 2019.

Solvency well above 150% throughout the plan

Thanks to the **capital generation** and to the **conservative dividend policy, the Solvency Ratio** ought to reach 165% / 180% throughout the plan.

Normalised net profit evolution



Source: company presentation

According to Net's management, the Solvency Ratio is also highly resilient to stress scenarios, such as Q1 20.

Our FY 2020/23 estimates

Our estimates consider **all the strategic guidelines** of the project. We have estimated **net premiums** increasing by a CAGR 2019-2023 of c. 30% 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 potential of these two markets is justified by the still low market share and by the efforts the new management team is making to put them in place and 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 current portfolio 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 may not become evident, though still negligible, until 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

	2019	2020E	2021E	2022E	2023E	CAGR19-23
Gross earned premiums	80.8	107.0	125.7	150.2	160.0	*19.6%*
- growth rate	*23.7%*	*32.5%*	*17.5%*	*19.5%*	*6.5%*	*27.4%*
Premiums transferred under reinsurance	-47.5	-69.9	-70.9	-74.7	-79.2	*12.9%*
- on gross earned premiums	*-58.9%*	*-65.3%*	*-56.4%*	*-49.7%*	*-49.5%*	*-5.7%*
Net premiums	**33.2**	**37.1**	**54.8**	**75.5**	**80.8**	***29.7%***
Net claims paid	**-16.6**	**-22.7**	**-28.2**	**-32.6**	**-33.1**	***25.6%***
- on net premiums	*49.9%*	*61.0%*	*51.4%*	*43.2%*	*41.0%*	*-3.1%*
Net income from investments	**2.0**	**5.0**	**6.5**	**8.0**	**9.5**	***145.4%***
- on avg. Investments	*1.1%*	*2.8%*	*3.1%*	*3.2%*	*3.2%*	*121.1%*
Operating expenses	**-20.5**	**-22.2**	**-32.5**	**-45.3**	**-48.0**	***30.7%***
Commissions received from reinsurers	**10.4**	**12.5**	**14.4**	**15.7**	**16.7**	***8.1%***
EBT	**15.8**	**9.8**	**15.0**	**21.3**	**25.9**	***32.8%***
Taxes	-3.4	-3.3	-5.1	-7.3	-8.8	*32.5%*
Tax rate	*-21.3%*	*-34.0%*	*-34.0%*	*-34.0%*	*-34.0%*	*-0.3%*
Net profit adjusted	**7.0**	**6.5**	**9.9**	**14.1**	**17.1**	***20.6%***

Source: Banca Akros estimates

We expect a **sizable improvement in technical results and profitability** with a technical result, net of net income from investments, of around EUR 16.4m at the end of 2023 from EUR 6.6m in 2019.

Technical result net of net income from investments

	2019	2020E	2021E	2022E	2023E	CAGR19-23
Technical result	6.6	4.8	8.5	13.3	16.4	*9.9%*
Technical results / Net premiums	*19.8%*	*12.8%*	*15.6%*	*17.7%*	*20.3%*	*n.m.*

Source: Banca Akros estimates

At the same time, as far as **margins** are concerned, **CoR** is seen improving to 79.7% in 2023 from 85.9% in 2019 mainly thanks to the **loss ratio** (from 57.6% in 2019 to 41.0% in 2023) and despite the progressive worsening of the **expense ratio** (from 28.3% in 2019 to 38.8% in 2023).

CoR Analysis

	2019	2020E	2021E	2022E	2023E
Loss Ratio	*57.6%*	*61.0%*	*51.4%*	*43.2%*	*41.0%*
Expense ratio (net of commissions from reinsurers)	*28.3%*	*26.1%*	*33.0%*	*39.2%*	*38.8%*
CoR	***85.9%***	***87.2%***	***84.4%***	***82.3%***	***79.7%***

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 plan,** which ought to have a better loss ratio compared to the current business;
- The worsening of the **expense ratio**. We expect the start-up phase and the introduction of the new businesses to squeeze operating expenses (CAGR 2019-2023 of c. 31%), while the increase in commissions received from reinsurers (CAGR 2019-2023 c. 8%) ought to be more limited and mainly due to the optimisation of the company's current business and to the new business which usually has a lower reinsurance policy compared to the core business ;

The **net income from investments** is estimated at EUR 9.5m in 2023 from EUR 2.0m in 2019, considering the expansion of investments, which we estimate are consistent with the evolution in premiums and technical reserves, and the improvement in the **average yield on investments**, which we expect at 3.2% in 2023 from 1.1% in 2019, considering the improvement in the asset allocation we assume.

After applying a **stable tax rate** of around 34% in 2020-2023, we obtain an adjusted **net profit** of EUR 17.1m in 2023 from EUR 7.0m in 2019 (CAGR 2019-2023 c. 21%). **RoE adj.** is seen improving consequently from 11.1% in 2019 to 17.2% at the end of 2023.

Consolidated Balance Sheet

	2019	2020E	2021E	2022E	2023E	CAGR 19-23
Intangible assets	2.6	2.6	2.6	2.6	2.6	*23.9%*
Tangible assets	16.3	16.3	16.3	16.3	16.3	*0.7%*
Investments	**167.0**	**192.9**	**226.1**	**272.2**	**318.7**	***12.4%***
Other assets	73.6	90.9	84.7	77.7	57.0	*-1.2%*
Net Provisions	**114.7**	**136.5**	**164.8**	**205.3**	**245.0**	***16.9%***
Financial liabilities	15.5	14.7	14.7	14.7	14.7	*0.0%*
Other liabilities	**57.5**	**74.6**	**65.8**	**54.5**	**30.4**	***-16.4%***
Shareholders' equity	**71.8**	**76.9**	**84.4**	**94.2**	**104.5**	***14.2%***

Source: Banca Akros estimates

RoE & Dividend

	2019	2020E	2021E	2022E	2023E
ROE (adj.)	*11.1%*	*8.8%*	*12.3%*	*15.8%*	*17.2%*
Pay-out ratio	*0.0%*	*20.0%*	*25.0%*	*30.0%*	*40.0%*
Total Dividend	-	1.3	2.5	4.2	6.8

Source: Banca Akros estimates

Assuming a pay-out ratio of 40% in 2023, from 0% in 2019, and considering the capital injection resulting from the business combination, we believe the solvency ratio is likely to stay around 176% in 2023 thanks to the capital generation and although we have estimated strong business expansion in 2019-2023.

Solvency ratio

	2019	2020E	2021E	2022E	2023E
Solvency Ratio	*165.7%*	*160.4%*	*167.1%*	*170.3%*	*176.1%*

Source: Banca Akros estimates

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 insurer, 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 will take time to accomplish (from 2 to 4 years) 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; ▪ Exposure to 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 new complementary insurance lines of business or abroad; ▪ Opportunities to enter 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 targets of the project; ▪ Contraction of the salary/pension-backed loans market due to other credit restriction policies.

Net Insurance: Summary tables

PROFIT & LOSS (EURm)	12/2017	12/2018	12/2019	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	64.1	65.3	80.8	107	126	150
Total Reinsurance (Life & Non-Life)	-41.7	-43.3	-47.5	-69.9	-70.9	-74.7
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	5.7	0.1	2.0	5.0	6.5	8.0
Other Revenues	-23.6	7.3	17.7	12.5	14.4	15.7
Total Net Revenues	**4.5**	**29.4**	**52.9**	**54.6**	**75.7**	**99.2**
Total Claims & Provisions	-13.5	-10.6	-16.6	-22.7	-28.2	-32.6
Operating Expenses	-11.7	-12.6	-20.5	-22.2	-32.5	-45.3
Life Insurance Technical Result	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Non-Life Insurance Technical Result	**-26.4**	**6.1**	**13.9**	**4.8**	**8.5**	**13.3**
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)	**-20.7**	**6.3**	**15.8**	**9.8**	**15.0**	**21.3**
Paid interests on sub/hybrid debt	0.0	0.0	0.0	0.0	0.0	0.0
Tax	3.2	-2.2	-3.4	-3.3	-5.1	-7.3
Tax rate	*15.4%*	*34.4%*	*21.3%*	*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)	**-17.5**	**4.1**	**12.5**	**6.4**	**9.9**	**14.1**
Net Profit (adj.)	**4.5**	**6.7**	**7.0**	**6.5**	**9.9**	**14.1**

BALANCE SHEET & OTHER ITEMS (EURm)	12/2017	12/2018	12/2019	12/2020e	12/2021e	12/2022e
Intangibles	**0.6**	**0.9**	**2.6**	**2.6**	**2.6**	**2.6**
of which Goodwill	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*
of which Deferred Acquisition Costs (DAC)	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*
Insurance Investments (Own Account)	**173**	**178**	**167**	**193**	**226**	**272**
of which Fixed Income	*118*	*138*	*122*	*140*	*165*	*198*
of which Equity	*10.6*	*8.7*	*6.0*	*6.9*	*8.1*	*9.7*
of which Real Estate	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*
of which Other Investments	*44.3*	*30.8*	*39.5*	*45.6*	*53.5*	*64.4*
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	71.9	76.4	89.9	107	101	94.0
Total Assets	**246**	**255**	**260**	**303**	**330**	**369**
Technical Provisions Life	0.0	0.0	0.0	0.0	0.0	0.0
Technical Provisions Non-Life	121	112	115	137	165	205
Financial Debt (2)	-0.0	0.1	0.8	0.0	0.0	0.0
Sub/hybrid debt	14.6	14.6	14.7	14.7	14.7	14.7
Other Liabilities	91.1	74.7	57.5	74.6	65.8	54.5
Banking Liabilities	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
of which Banking Interest Bearing Liabilities (IBL)	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*
Shareholders Equity	**18.9**	**53.8**	**71.8**	**76.9**	**84.4**	**94.2**
Minorities Equity	0.0	0.0	0.0	0.0	0.0	0.0
Total Liabilities	**246**	**255**	**260**	**303**	**330**	**369**

GROWTH RATES	12/2017	12/2018	12/2019	12/2020e	12/2021e	12/2022e
Life Gross Premiums Growth						
Non-Life Gross Premiums Growth	*-12.3%*	*1.9%*	*23.7%*	*32.5%*	*17.5%*	*19.5%*
Banking Revenue Growth						
EBIT Growth	*-chg*	*+chg*	*153.0%*	*-38.3%*	*53.9%*	*42.0%*
Net Profit Growth (adj.)	***+chg***	***48.1%***	***4.5%***	***-6.5%***	***51.5%***	***42.0%***

Net Insurance: Summary tables

KEY RATIOS	12/2017	12/2018	12/2019	12/2020e	12/2021e	12/2022e
Insurance Investment Yield (average)	*2.9%*	*0.1%*	*1.1%*	*2.8%*	*3.1%*	*3.2%*
ROE (adj.)	***16.4%***	***18.4%***	***11.1%***	***8.8%***	***12.3%***	***15.8%***
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)	*-18.3%*	*-19.4%*	*-28.3%*	*-26.1%*	*-33.0%*	*-39.2%*
Claims Ratio (Non-Life)	*-68.3%*	*-58.5%*	*-57.6%*	*-61.0%*	*-51.4%*	*-43.2%*
Combined Ratio (Non-Life)	***86.6%***	***77.9%***	***85.9%***	***87.2%***	***84.4%***	***82.3%***
Retention Ratio (Non-Life)	*35.0%*	*33.7%*	*41.1%*	*34.7%*	*43.6%*	*50.3%*
Reserving Ratio (Non-Life)	*541.1%*	*508.7%*	*345.4%*	*367.7%*	*300.6%*	*271.8%*
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)		***162.9%***	***165.7%***	***160.4%***	***167.1%***	***170.3%***
Financial Leverage (5)	***77.3%***	***27.1%***	***20.5%***	***19.1%***	***17.4%***	***15.6%***

PER SHARE DATA (EUR)(6)	12/2017	12/2018	12/2019	12/2020e	12/2021e	12/2022e
Average diluted number of shares	17.0	17.0	18.3	18.3	18.3	18.3
EPS (reported)	-1.03	0.24	0.68	0.35	0.54	0.77
EPS (adj.)	**0.27**	**0.39**	**0.38**	**0.36**	**0.54**	**0.77**
BVPS	1.11	3.16	3.92	4.20	4.61	5.15
ANAVPS	0.00	0.00	0.00	0.00	0.00	0.00
EbVPS	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**
DPS	0.00	0.00	0.00	0.07	0.14	0.23

VALUATION	12/2017	12/2018	12/2019	12/2020e	12/2021e	12/2022e
P/Premiums	4.4	3.2	2.7	2.0	1.4	1.0
P/E (Reported)	**nm**	**17.4**	**7.7**	**12.4**	**8.1**	**5.7**
P/E (adj.)	21.8	10.7	13.7	12.2	8.1	5.7
P/BV	5.2	1.3	1.3	1.0	0.9	0.9
P/ANAV	**nm**	**nm**	**nm**	**nm**	**nm**	**nm**
P/EbV	*nm*	*nm*	*nm*	*nm*	*nm*	*nm*
Payout ratio	***0.0%***	***0.0%***	***0.0%***	***20.0%***	***25.0%***	***30.0%***
Dividend Yield (gross)	*0.0%*	*0.0%*	*0.0%*	*1.6%*	*3.1%*	*5.3%*

PRICE & SHARES & MKT CAP (EURm)	12/2017	12/2018	12/2019	12/2020e	12/2021e	12/2022e
Price (7) (EUR)	5.8	4.2	5.3	4.4	4.4	4.4
Outstanding number of shares for main stock	16.9	16.9	17.3	17.3	17.3	17.3
Total Market Cap (8)	**97.8**	**70.9**	**91.0**	**75.9**	**75.9**	**75.9**
Assets under management (9)	0.0	0.0	0.0	0.0	0.0	0.0
NAV	18.9	53.8	71.8	76.9	84.4	94.2
Adjusted Net Asset Value (ANAV)	**18.9**	**53.8**	**71.8**	**76.9**	**84.4**	**94.2**

Source: Company, Banca Akros estimates

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) Shs.
(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)

Sector: Insurance/Insurance

Company Description: 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

European Coverage of the Members of ESN

Aerospace & Defense	Mem(*)
Airbus Se	CIC
Avio	BAK
Dassault Aviation	CIC
Figeac Aero	CIC
Latecoere	CIC
Leonardo	BAK
Lisi	CIC
Safran	CIC
Thales	CIC

Alternative Energy	Mem(*)
Encavis Ag	CIC
Plc	BAK
Siemens Gamesa Re	GVC
Voltalia	CIC

Automobiles & Parts	Mem(*)
Brembo	BAK
Faurecia	CIC
Ferrari	BAK
Fiat Chrysler Automobiles	BAK
Gestamp	GVC
Indelb	BAK
Landi Renzo	BAK
Piaggio	BAK
Pininfarina	BAK
Plastic Omnium	CIC
Sogefi	BAK

Banks	Mem(*)
Banca Mps	BAK
Banco Sabadell	GVC
Banco Santander	GVC
Bankia	GVC
Bankinter	GVC
Bbva	GVC
Bcp	CBI
Bnp Paribas	CIC
Bper	BAK
Caixabank	GVC
Credem	BAK
Credit Agricole Sa	CIC
Creval	BAK
Intesa Sanpaolo	BAK
Mediobanca	BAK
Natixis	CIC
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
Semapa	CBI
The Navigator Company	CBI
Tubacex	GVC

Chemicals	Mem(*)
Air Liquide	CIC
Arkema	CIC
Plasticos Compuestos	GVC

Electronic & Electrical Eq.	Mem(*)
Rexel	CIC

Fin. Serv. Holdings	Mem(*)
Cir	BAK
Corp. Financiera Alba	GVC
Digital Magics	BAK
Eurazeo	CIC
Ffp	CIC
Rallye	CIC
Tip Tamburi Investment Partners	BAK
Wendel	CIC

Fin. Serv. Industrials	Mem(*)
Bolsas Y Mercados Espanoles	GVC
Dovalue	BAK
Nexi	BAK
Tinexta	BAK

Financial Services Banks	Mem(*)
Amundi	CIC
Anima	BAK
Azimut	BAK
Banca Farmafactoring	BAK
Banca Generali	BAK
Banca Ifis	BAK
Banca Mediolanum	BAK
Banca Sistema	BAK
Finecobank	BAK
Poste Italiane	BAK

Food & Beverage	Mem(*)
Advini	CIC
Bonduelle	CIC
Campari	BAK
Danone	CIC
Ebro Foods	GVC
Enervit	BAK
Fleury Michon	CIC
Italian Wine Brands	BAK
Lanson-Bcc	CIC
Laurent Perrier	CIC
Ldc	CIC
Orsero	BAK
Pernod Ricard	CIC
Remy Cointreau	CIC
Tipiak	CIC
Vidrala	GVC
Vilmorin	CIC
Viscofan	GVC
Vranken Pommery Monopole	CIC

Food & Drug Retailers	Mem(*)
Carrefour	CIC
Casino Guichard-Perrachon	CIC
Jeronimo Martins	CBI
Marr	BAK
Sonae	CBI

General Industrials	Mem(*)
Adl Bionatur Solutions	GVC
Cembre	BAK
Sergeferrari Group	CIC

General Retailers	Mem(*)
Emova Group	IAC
Fnac Darty	CIC
Inditex	GVC
Maisons Du Monde	CIC
Ovs	BAK
Unieuro	BAK

Healthcare	Mem(*)
Abionyx Pharma	CIC
Amplifon	BAK
Atrys Health	GVC
Crossject	CIC
Diasorin	BAK
El.En.	BAK
Fermentalg	CIC
Fine Foods	BAK
Genfit	CIC
Guerbet	CIC
Korian	CIC
Oncodesign	CIC
Orpea	CIC
Recordati	BAK
Shedir Pharma	BAK
Theraclion	CIC

Household Goods	Mem(*)
Abeo	CIC
De Longhi	BAK
Fila	BAK
Groupe Seb	CIC

Industrial Engineering	Mem(*)
Alstom	CIC
Biesse	BAK
Caf	GVC
Carraro	BAK
Cnh Industrial	BAK
Danieli	BAK
Datalogic	BAK
Exel Industries	CIC
Fincantieri	BAK
Groupe Gorge	CIC
Haulotte Group	CIC
Ima	BAK
Interpump	BAK
Manitou	CIC
Prima Industrie	BAK
Prysmian	BAK
Talgo	GVC
Zardoya Otis	GVC

Industrial Transportation	Mem(*)
Bollore	CIC
Clasquin	IAC
Ctt	CBI

Insurance	Mem(*)
Axa	CIC
Catalana Occidente	GVC
Cattolica Assicurazioni	BAK
Generali	BAK
Mapfre	GVC
Net Insurance	BAK
Unipolsai	BAK

Materials, Construction	Mem(*)
Acs	GVC
Aena	GVC
Astaldi	BAK
Astm	BAK
Atlantia	BAK
Buzzi Unicem	BAK
Capelli	CIC
Cementir	BAK
Clerhp Estructuras	GVC
Eiffage	CIC
Ezentis	GVC
Fcc	GVC
Ferrovial	GVC
Groupe Adp	CIC
Groupe Poujoulat	CIC
Groupe Sfpi S.A.	CIC
Herige	CIC
Hexaom	CIC
Imerys	CIC
Kaufman & Broad	IAC
Lafargeholcim	CIC
Maire Tecnimont	BAK
Mota Engil	CBI
Obrascon Huarte Lain	GVC
Sacyr	GVC
Saint Gobain	CIC
Salcef	BAK
Salini Impregilo	BAK
Sonae Industria	CBI
Tarkett	CIC
Thermador Groupe	CIC
Vicat	CIC
Vinci	CIC

Media	Mem(*)
Arnoldo Mondadori Editore	BAK
Atresmedia	GVC
Cairo Communication	BAK
Cofina	CBI
Digital Bros	BAK
Digitouch	BAK
Gedi Gruppo Editoriale	BAK
Gl Events	CIC
Il Sole 24 Ore	BAK

Impresa	CBI
Ipsos	CIC
Jcdecaux	CIC
Lagardere	CIC
M6-Metropole Television	CIC
Mediaset	BAK
Mediaset Espana	GVC
Nrj Group	CIC
Publicis	CIC
Rcs Mediagroup	BAK
Solocal Group	CIC
Teleperformance	CIC
Tf1	CIC
Ubisoft	CIC
Vivendi	CIC
Vogo	CIC
Oil & Gas Producers	**Mem(*)**
Ecoslops	CIC
Enauta	CBI
Eni	BAK
Galp Energia	CBI
Gas Plus	BAK
Maurel Et Prom	CIC
Repsol	GVC
Total	CIC
Oil Services	**Mem(*)**
Bourbon	CIC
Cgg	CIC
Gtt	CIC
Rubis	CIC
Saipem	BAK
Technipfmc Plc	CIC
Tecnicas Reunidas	GVC
Tenaris	BAK
Vallourec	CIC
Personal Goods	**Mem(*)**
Basicnet	BAK
Brunello Cucinelli	BAK
Cellularline	BAK
Cie Fin. Richemont	CIC
Geox	BAK
Hermes Intl.	CIC
Interparfums	CIC
Kering	CIC
L'Oreal	CIC
Lvmh	CIC
Moncler	BAK
Safilo	BAK
Salvatore Ferragamo	BAK
Smcp	CIC
Swatch Group	CIC
Technogym	BAK
Tod'S	BAK
Real Estate	**Mem(*)**
Igd	BAK
Lar España	GVC
Merlin Properties	GVC
Quabit Immobiliaria	GVC
Realia	GVC
Software & Computer Ser.	**Mem(*)**
Agile Content	GVC
Akka Technologies	CIC
Alten	CIC
Altran	CIC
Amadeus	GVC
Assystem	CIC
Atos	CIC
Axway Software	CIC
Capgemini	CIC
Cast	CIC
Catenon	GVC
Econocom	CIC
Ekinops	CIC
Esi Group	CIC
Exprivia	BAK
Gigas Hosting	GVC
Gpi	BAK
Groupe Open	CIC
Indra Sistemas	GVC
Lleida.Net	GVC
Neurones	CIC
Reply	BAK
Sii	CIC
Sopra Steria Group	CIC
Visiativ	CIC
Worldline	CIC
Support Services	**Mem(*)**
Bureau Veritas	CIC
Cellnex Telecom	GVC
Edenred	CIC
Enav	BAK
Fiera Milano	BAK
Inwit	BAK
Openjobmetis	BAK
Prosegur	GVC
Prosegur Cash	GVC
Rai Way	BAK
Technology Hardware & Eq.	**Mem(*)**
Adeunis	CIC
Evolis	CIC
Hf Company	CIC
Ingenico	CIC
Memscap	IAC
Osmozis	CIC
Stmicroelectronics	BAK
Tier 1 Technology	GVC
Telecommunications	**Mem(*)**
Altice Europe	CIC
Bouygues	CIC
Euskaltel	GVC
Iliad	CIC
Masmovil	GVC
Nos	CBI
Orange	CIC
Telecom Italia	BAK
Telefonica	GVC
Tiscali	BAK
Vodafone	BAK
Travel & Leisure	**Mem(*)**
Accor	CIC
Autogrill	BAK
Beneteau	CIC
Codere	GVC
Compagnie Des Alpes	CIC
Edreams Odigeo	GVC
Elior	CIC
Europcar	CIC
Fdj	CIC
Groupe Partouche	IAC
I Grandi Viaggi	BAK
Ibersol	CBI
Int. Airlines Group	GVC
Melia Hotels International	GVC
Nh Hotel Group	GVC
Pierre Et Vacances	CIC
Sodexo	CIC
Sonae Capital	CBI
Trigano	CIC
Utilities	**Mem(*)**
A2A	BAK
Acciona	GVC
Acea	BAK
Albioma	CIC
Audax	GVC
Derichebourg	CIC
Edp	CBI
Edp Renováveis	CBI
Enagas	GVC
Endesa	GVC
Enel	BAK
Erg	BAK
Falck Renewables	BAK
Greenalia	GVC
Hera	BAK
Holaluz	GVC
Iberdrola	GVC
Iren	BAK
Italgas	BAK
Naturgy	GVC
Red Electrica Corporacion	GVC
Ren	CBI
Snam	BAK
Solaria	GVC
Terna	BAK

LEGEND: BAK: Banca Akros; CIC: CIC Market Solutions; CBI: Caixa-Banco de Investimento; GVC: GVC Gaesco Valores, SV, SA — as 11th March 2020

List of ESN Analysts (**)

Artur Amaro	CBI	+351 213 89 6822	artur.amaro@caixabi.pt
Helena Barbosa	CBI	+351 21 389 6831	helena.barbosa@caixabi.pt
Agnès Blazy	CIC	+33 1 53 48 80 67	agnes.blazy@cic.fr
Andrea Bonfà	BAK	+39 02 4344 4269	andrea.bonfa@bancaakros.it
Jean-Baptiste Bouchet	CIC	+33 1 53 48 80 69	jeanbaptiste.bouchet@cic.fr
Giada Cabrino, CIIA	BAK	+39 02 4344 4092	giada.cabrino@bancaakros.it
Nuno Castro	CBI	+351 21 389 68 39	nuno.castro@caixabi.pt
Pierre Chédeville	CIC	+33 1 53 48 80 97	pierre.chedeville@cic.fr
Emmanuel Chevalier	CIC	+33 1 53 48 80 72	emmanuel.chevalier@cic.fr
David Da Maia	CIC	+33 1 53 48 89 36	david.damaia@cic.fr
Dominique Descours	CIC	+33 1 53 48 81 12	dominique.descours@cic.fr
Christian Devismes	CIC	+33 1 53 48 80 85	christian.devismes@cic.fr
Andrea Devita, CFA	BAK	+39 02 4344 4031	andrea.devita@bancaakros.it
Enrico Esposti, CIIA	BAK	+39 02 4344 4022	enrico.esposti@bancaakros.it
Rafael Fernández de Heredia	GVC	+34 91 436 78 08	rafael.fernandezdeheredia@gvcgaesco.es
Gabriele Gambarova	BAK	+39 02 43 444 289	gabriele.gambarova@bancaakros.it
Pietro Gasparri, CIIA, CEFA	BAK	+39 02 4344 4238	pietro.gasparri@bancaakros.it
Alexandre Gérard	CIC	+33 1 53 48 80 93	alexandre.gerard@cic.fr
Alexandre Gérard	CIC	+33 1 53 48 80 93	alexandre.gerard@cmcic.fr
Ebrahim Homani	CIC	+33 1 53 48 80 94	ebrahim.homani@cic.fr
Carlos Jesus	CBI	+351 21 389 6812	carlos.jesus@caixabi.pt
Jean-Christophe Lefèvre-Moulenq	CIC	+33 1 53 48 80 65	jeanchristophe.lefevremoulenq@cic.fr
Charles Henry Mata	CIC	+33 1 53 48 80 64	charleshenry.mata@cic.fr
Marisa Mazo, Ph.D, CFA	GVC	+34 91 436 7817	marisa.mazo@gvcgaesco.es
Fanny Meindre, PhD	CIC	+33 1 53 48 80 84	fanny.meindre@cic.fr
Emanuele Oggioni	BAK	+39 0243 444 237	emanuele.oggioni@bancaakros.it
Jaime Pallares Garcia	GVC	+34 91 436 7818	jaime.pallares@gvcgaesco.es
Victor Peiro Pérez	GVC	+34 91 436 7812	victor.peiro@gvcgaesco.es
Juan Peña	GVC	+34 91 436 78 16	juan.pena@gvcgaesco.es
Alexandre Plaud	CIC	+33 1 53 48 80 90	alexandre.plaud@cic.fr
Francis Prêtre	CIC	+33 4 78 92 02 30	francis.pretre@cic.fr
Eric Ravary	CIC	+33 1 53 48 80 71	eric.ravary@cic.fr
Iñigo Recio Pascual	GVC	+34 91 436 7814	inigo.recio@gvcgaesco.es
Beatriz Rodriguez Fernandez	GVC	+34 914 367 871	beatriz.rodriguez@gvcgaesco.es
Jean-Luc Romain	CIC	+33 1 53 48 80 66	jeanluc.romain@cic.fr
Paola Saglietti	BAK	+39 02 4344 4287	paola.saglietti@bancaakros.it
Francesco Sala	BAK	+39 02 4344 4240	francesco.sala@bancaakros.it
Luigi Tramontana	BAK	+39 02 4344 4239	luigi.tramontana@bancaakros.it

(**) excluding: strategists, macroeconomists, heads of research not covering specific stocks, credit analysts, technical analysts

Il presente documento è stato redatto da Enrico Esposti (socio AIAF) che svolge funzioni di analista presso Banca Akros SpA ("Banca Akros"), soggetto responsabile della produzione del documento stesso. **Esso è prodotto e distribuito dal giorno 20 aprile 2020, ore 08:42 italiane.**

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Banca Akros, nell'ultimo anno, ha pubblicato sulla società oggetto di analisi tre studi in data 25 e 26 marzo, 9 aprile 2020.

Ai sensi degli artt. 5 e 6 del Regolamento Delegato 2016/958, **Banca Akros ha specifici interessi nei confronti della società oggetto di analisi nel presente documento, in quanto Corporate Broker del titolo Net Insurance, quotato sul segmento AIM Italia.**

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http://www.bancaakros.it/menu-informativa/analisi-finanziaria-e-market-abuse.aspx

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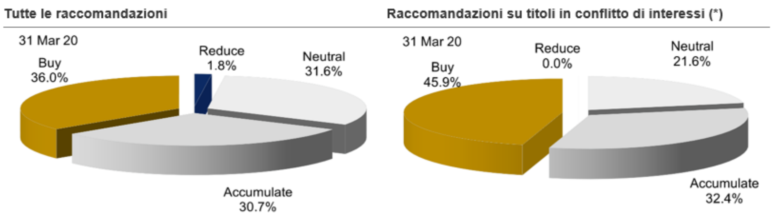
Percentuale delle raccomandazioni al 31 marzo 2020

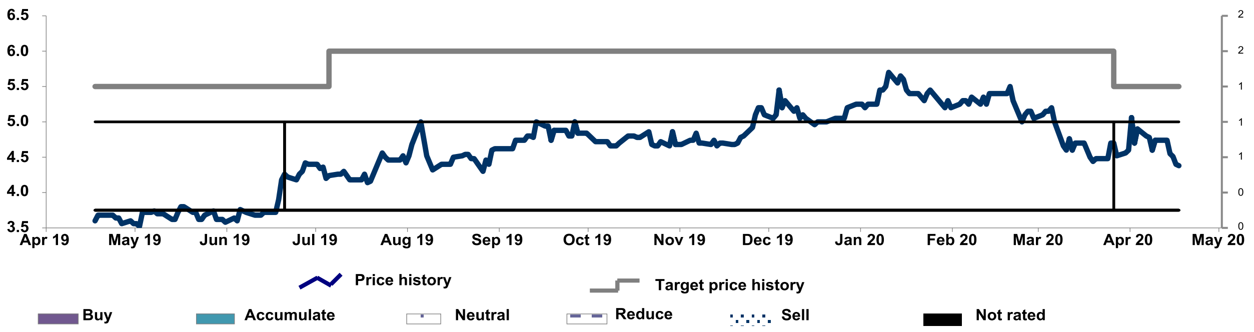


(*) Si informa che la percentuale degli emittenti in potenziale conflitto di interessi con Banca Akros è pari al 32.46% del totale degli emittenti oggetto di copertura

Recommendation history for NET INSURANCE

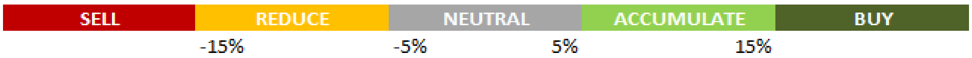
Date	Recommendation	Target price	Price at change date
26-Mar-20	Accumulate	5.50	4.70
05-Jul-19	Buy	6.00	4.24
20-Jun-19	Buy	5.50	4.26
01-Apr-19	Neutral	5.50	3.78
11-Feb-19	Buy	6.80	4.44

Source: Factset & ESN, price data adjusted for stock splits.
This chart shows Banca Akros continuing coverage of this stock; the current analyst may or may not have covered it over the entire period.
Current analyst: Enrico Esposti, CIIA (since 11/02/2019)



ESN Recommendation System

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)**.

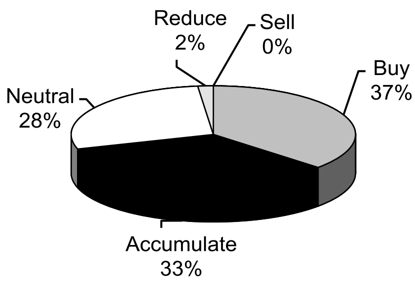
Furthermore, in specific cases and for a limited period of time, the analysts are allowed to rate the stocks as **Rating Suspended (RS)** or **Not Rated (NR)**, as explained below.

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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Disclaimer:

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Banca Akros SpA
Viale Eginardo, 29
20149 Milano
Italy
Phone: +39 02 4344 4389

CIC Market Solutions
6, avenue de Provence
75441 Paris - Cedex 09
France
Phone: +33 1 5348 8193

Caixa-Banco de Investimento
Avenida João XXI, 63
1000-300 Lisboa
Portugal
Phone: +351 21 313 7300

GVC Gaesco Valores, S.V., S.A.
C/- Fortuny, 17
28010 Madrid
Spain
Phone: +34 91 436 7813