

Fabilia	Italy	FTSE AIM Italia	Hotel
Rating: BUY	Target Price: € 3,13	Initiation of Coverage	Risk: Medium

Stock performance	1M	3M	6M	1Y
absolute	N/A	N/A	N/A	N/A
to FTSE AIM Italia	N/A	N/A	N/A	N/A
to FTSE STAR Italia	N/A	N/A </td <td>N/A</td> <td>N/A</td>	N/A	N/A
to FTSE All-Share	N/A	N/A	N/A	N/A
to EUROSTOXX	N/A	N/A	N/A	N/A
to MSCI World Index	N/A	N/A	N/A	N/A

Stock Data	
Price	€ 1,22
Target price	€ 3,13
Upside/(Downside) potential	156,8%
Bloomberg Code	FHR IM Equity
Market Cap (€m)	€ 7,42
EV (€m)	€ 11,89
Free Float	17,76%
Share Outstanding	6.080.000
52-week high	N/A
52-week low	N/A
Average daily volumes (3m)	N/A

Key Financials (€m)	FY19A	FY20E	FY21E	FY22E
Revenues	10,8	12,3	16,0	20,0
VoP	11,6	12,6	16,3	20,3
EBITDA	3,0	4,0	5,2	6,5
EBIT	0,0	0,3	1,5	2,2
Net Profit	0,5	0,1	0,6	1,0
EBITDA margin	27,3%	32,2%	32,2%	32,5%
EBIT margin	0,0%	2,4%	9,4%	11,0%
Net Profit margin	4,7%	0,8%	3,8%	5,2%

Main Ratios	FY19A	FY20E	FY21E	FY22E
EV/EBITDA (x)	4,0	3,0	2,3	1,8
EV/EBIT (x)	N/A	39,6	7,9	5,4
P/E (x)	14,5	72,2	12,4	7,1

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Stocks performance relative to FTSE AIM Italia



Company Overview

Fabilia Group S.p.A. is active in the field of sea and mountain tourism. The business model of Fabilia is based on the hotel structures management through leasing agreements. Fabilia offers the "All Inclusive" product for families with children and teenagers up to 16 years old, which includes Free Bar & Food available 24 hours and over 100 dedicated services. In the Fabilia structures, children from 0-16 years stay for free. It is the largest "All Inclusive" chain for families in Italy: it has 6 hotels and 4 resorts in 6 regions for a total of 10 structures of which 8 in the Sea segment and 2 in the Mountain segment.

Market

Fabilia operates in the tourism sector with particular reference to the segment of hotels for families, both in seaside resorts and in mountain resorts. The families to whom the Company offers services are those with at least one child up to 16 years of age. In Italy, the tourism sector is crucial for GDP, directly generating a share of about 5% of the total. This share exceeds 13% also considering all revenues generated indirectly. In 2019, the total number of arrivals in Italy was over 128 million, in line with the 2018 figures, while the total number of nights increased by 1.4%.

Valuation Update

We have conducted the valuation of Fabilia's equity value based on the DCF methodology. The DCF method (which in the calculation of the WACC includes for prudential purposes also a specific risk of 2.5%) provides an equity value of €19.0 Mln. The target price is €3.13, BUY rating and MEDIUM risk

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1. Company Overview

1.1 Activity

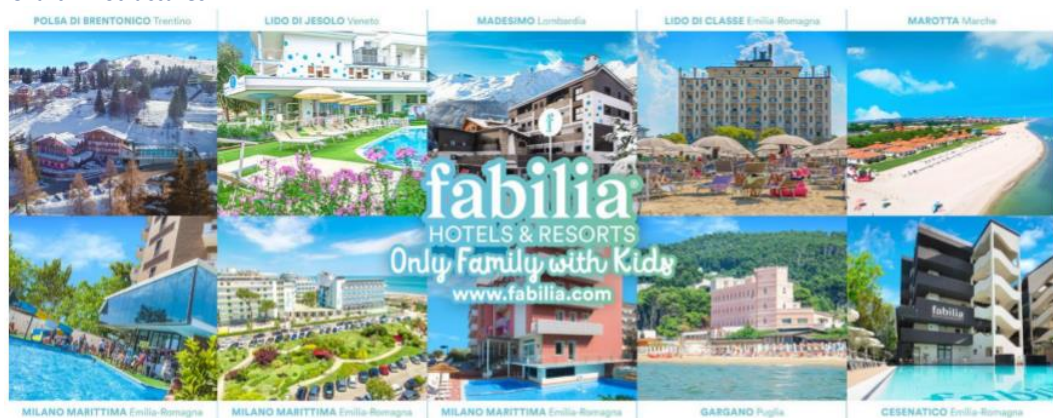
Fabilia Group S.p.A. ("Fabilia") founded in 2013 and based in Milano Marittima (RA), is an Italian group active in the field of tourism at the sea and in mountain. The business model of Fabilia is based on the hotel structures management through medium-term business leasing agreements, guaranteed according to competitive market standards: The Group invests directly in the adaptation of the managed structures to the Fabilia format, for an aesthetic and functional relaunch of the hotel in the new format.

Fabilia was the first chain in Italy to industrialize the "All Inclusive" product for families with children and teenagers up to 16 years (model "only family with kids"), which includes Free Bar & Food available 24 hours for each guest and over 100 dedicated services. In addition to this, in the Fabilia structures, children from 0-16 years stay for free. To date, it is already the largest "All Inclusive" chain for families in Italy: it has six hotels and four resorts in six regions for a total of ten structures (748 rooms), of which eight in the Sea segment and two in the Mountain segment. Historically, the Group recorded an occupancy rate of 77%.

The business of Fabilia is developed on structures characterized by:

- 3 or 4 stars;
- Dimensions between 50 and 150 rooms;
- Restaurant rooms capable to host at least 60% of beds;
- Presence of at least of one swimming pool, a beach, and an outdoor park;
- Indoor spaces capable of providing a play area of at least 200 sq.m.;
- Easy access to the bathing and ski structures.

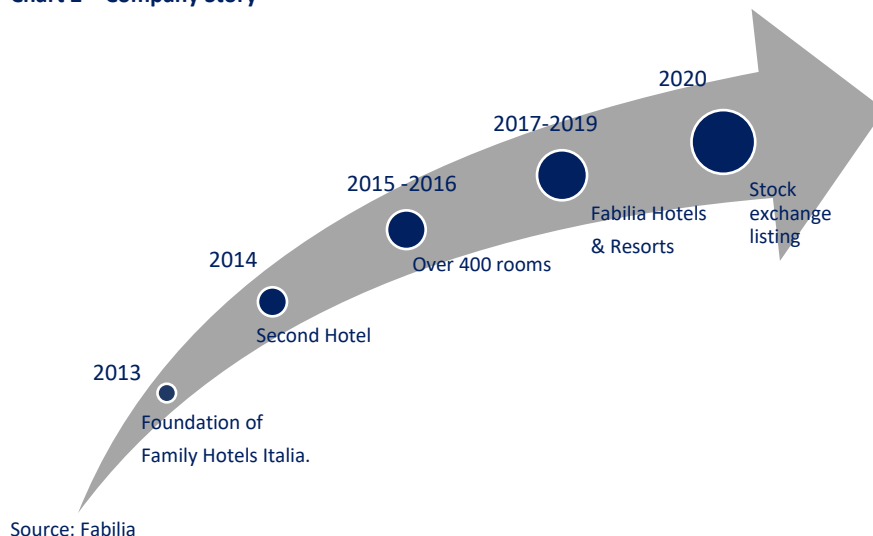
Chart 1 – Structures



Source: Fabilia

1.2 Company Story

Chart 2 – Company Story



- In 2013, Mattia Bastoni, current Chairman of the Fabilia Board of Directors, constitutes Family Hotels Italia which, later, will become Fabilia Group, the first Italian All Inclusive holiday chain for families with children. The first managed hotel is Family Hotel Betulla (today called Fabilia Polsa - Trentino).
- In 2014, the Group began its expansion process, started managing the Family Hotel Savini (now called Fabilia Savini Milano Marittima). With the addition of this second structure, the Group managed a total of 116 rooms.
- Between 2015 and 2016, the Group continued its growth, reaching a total of 404 rooms managed through 2 hotels and 2 resorts, including the Family Beach Resort Girasole (now called Fabilia Marotta - Marche) and the Family Resort Sole (today called Fabilia Gargano - Vico del Gargano).
- Between 2017 and 2019, the Group took over the management of other important structures, arriving at the end of the last year to manage about 700 rooms through 4 hotels and 4 resorts. In addition, in 2018, the brand Family Hotels Italia was transformed into Fabilia Hotels & Resorts.
- On 11/08/2020 the Company was listed on the AIM Italia market.

1.3 Group Structure

Chart 3 – Group

Shareholders	Share
FI1 S.r.l.	55,81%
FI2 S.r.l.	26,43%
Mercato	17,76%

Source: Fabilia

To date, Fabilia Group S.p.A., which in turn owns 100% of the subsidiaries that manage individual structures, is controlled for 55.81% by FI1 S.r.l. (100% owned by Mattia Bastoni, founder and Chairman of the Board of Directors), for the 26.43% by FI2 S.r.l. (100% owned by Mattia Casadio, Vice-president of the Board of Directors) and for the remaining 17.76% by the market. Fabilia Group S.p.A operates as a provider of all corporate services (administration, booking, marketing, commercial and others) for its subsidiaries, which manage the Group's individual hotels or resorts.

1.4 Key People

Mattia Bastoni – Founder, Partner and Chairman of the Board of Directors

Son and grandson of hoteliers grew up since childhood in hotels. During his adolescence, he worked for third parties in the Riviera Romagnola to gain experience outside of the family structures, covering all the roles of hospitality. Once he reached the age of majority, he had worked in Miami, London and Costa Rica and on his return, he opened a restaurant in Cesenatico. In 2013, he founded Family Hotels Italia, which in 2018 became Fabilia Group.

Mattia Casadio – Partner and Vice-President of the Board of Directors

After graduating from Bocconi University, he worked at BNP Paribas, gaining experience in the branches of Rome, Milan and New York. In 1999, he opened a studio in Milano Marittima specialized in hotels consulting. Since 2013, he worked as a consultant for Fabilia Hotels & Resorts and became a partner in 2019. In addition to this, he often attends conferences on Tourism and Finance as a speaker.

Stefano Giorgi – General Manager

He has thirty years of experience in the hotel business. He was manager and property manager at some 4- and 5-star hotels in the area of the Riviera Romagnola. In 2015 he joined the Group as Resident Manager of the Marotta structure. In 2018 he became the Corporate General Manager of the chain.

Patrizio Battolla – Cost Controller

Graduated in Political Science at the University "La Sapienza" in Rome, over the years, he has gained a long experience at important companies in the luxury hospitality sector, covering the role of Planning and Management Control Manager and Senior Advisor. For Borgo Egnazia (Puglia, in 2018 awarded as Best Italian Resort at the World's Best Awards) and San Domenico House (London, UK) was Financial Controller and board member of the group.

Ludovica De Rinaldis – Quality Manager

Graduated with honours in Management of Tourist and Cultural Activities in 2018, she worked from 2015 to 2018 at JSH Hotels & Resorts - Acaya Golf Resort & Spa (Acaya, Lecce) as Hostess of Hall. Since May 2019 she works at Fabilia as Quality Manager. In 2019 he completed a Master in Tourism Economics at Bocconi University in Milan.

2. The Business Model

The business of Fabilia is based on the “only family with kids” model that provides an All Inclusive formula dedicated to families with children under 16 years old. All structures are managed through medium-term business leasing agreements. Hotels and resorts are adapted to the Fabilia format through direct investments.

For the efficient implementation of the All Inclusive formula, the Group has standardized and industrialized its offer, characterized by:

- Model family room: the whole family placed in the same room, in order to make the most of the structures’ occupation;
- Entertainment services: children in the structures are offered a very wide range of innovative entertainment services specialized for families, 7 days a week all-day long (nannies, educators, assistants, and others). The costs related to the animation services of the All Inclusive offer are distributed on the total number of guests;
- Choice of locations: Fabilia structures are located in holiday locations in the center of primary seaside or mountain resorts and are chosen in order to ensure high occupancy rates but inexpensive leasing;
- Simple food offer: based on quality food, loved by children but with high marginality (pizza, pasta, hamburgers, chips, ice cream and more). In addition, the supply of food is via buffet systems, without waste, and tailored to the needs of families;
- Services with high added value: in addition to food, drink and entertainment services, the offer includes other services with high added value, such as access to and use of the beach and related services at the seaside and skipass in the mountain;
- Extra services for a fee: a series of Extra services are guaranteed, in addition to those already present in the All Inclusive offer. These services tend to be aimed at the adult guests and are intended to complete the already wide commercial offer. Extra services include alcoholic beverages and merchandising (T-shirts, backpacks, caps, and other gadgets with the Fabilia logo).

In addition to this, the Group has set up an in-house booking center that can generate over 90% of total bookings, this guarantees a certain degree of disintermediation that allows: a) to increase the level of marginality and b) to create a very useful customer database for marketing campaigns. To date, this database has over a million of customers and has made it possible to reach a repeater quota of 45%.

It is also important to underline that the standardization of the offer allows a high degree of model scalability.

2.1 Model

Fabilia carries out its activities through a four-step process: search and leasing of structures, adaptation of structures to the Fabilia format, sales campaign and booking management and structure management.

Chart 4 – Business Process



Source: Fabilia, elaboration Integrae SIM

2.1.1 Search and structures leasing

The Fabilia business model is based on the management of the leased structures. The search occurs through contacts with advisors in the Real Estate field, direct research, and personal network. Once a structure able to meet all the Group's needs has been identified, the management starts the negotiations with the owners and, if successful, signs the business lease contract.

Business lease contracts are normally characterized by a duration of three years, which is an optimal period for understanding whether the structure can meet the profitability targets set. All business lease agreements provide for Fabilia the possibility to terminate the contract without any penalty, on the contrary, structure owners are generally not guaranteed this right. The only exception is the structure of Madesimo, where the owners can cancel the contract in advance in case of the property sale, refunding the restructuring costs incurred by Fabilia over the years. The leasing paid by Fabilia are on average higher than those of the market, this represents a protection from the risk that unsatisfied owners seek better leasing opportunities on the market.

For the 2020 year, Fabilia has reached an agreement with the structures owners: if in 2020 the Value of Production should be lower than the theoretical one used to estimate the leasing (from Group standards corresponding to about 20% of revenues) the actual leasing would be recalculated based on the actual Value of Production. This will allow the Group to save money, in case some structures will record performance below expectations.

2.1.2 Structure adjustment to Fabilia format

The structures managed through a business leasing contract, generally, need some structural changes to be adapted to the Fabilia format and to be more attractive for families. Typically, investments include synthetic grass as soil cover of some areas of the hotel, joining of some previously separated rooms, playgrounds, and others. The investments necessary for the restructuring and reshaping of the new structures according to the Fabilia format, in average, are equal to € 2,600 per room. In some cases, in particular for the new openings, the most important works are contracted and re-billed to the owners (item Other Revenues on the balance sheet) of the structures.

2.1.3 Sales campaign and booking management

Before opening of a new structure, Fabilia conducts a marketing campaign. Such campaigns, in order to reach target customers without excessive expenditure of resources, are conducted online, using tools such as GoogleAds. The corporate booking office, consisting of 14 people, receives requests, which are then converted into actual bookings. Few rooms are allocated through OTA (Online Travel Agencies): over 90% of bookings are generated and managed internally. The payment is for 30% in advance at the time of booking, while the remaining 70% is paid at the check-in upon arrival. Finally, it is important to underline that the customers of the structure remain on the Fabilia customer list, in order to eliminate the risk that the property owner decides not to renew the leasing contract, with the aim of exploiting the customer database created by the Group.

2.1.4 Structures management

The structure management is launched following the standards and best practices proved to be successful in the existing structures. The All Inclusive Fabilia format is proposed without changes in each of the structures, both in entertainment areas management and in menu, restaurant and all other services offered.

2.2 Products and Services Portfolio

Fabilia operates in two different tourist segments: Sea and Mountain. To date, the Group has ten structures, of which eight are on the sea and two are in the mountains.

2.2.1 Sea

Currently managed seaside resorts structures are located in: Jesolo, Lido di Classe, Milano Marittima, Cesenatico, Marotta and Vico del Gargano.

- Fabilia Family Hotel Jesolo



3-star hotel with 74 rooms located in Jesolo (VE), one of the first S&B destinations for families in Italy, the hotel Alexander, taken over from summer 2019, in a small private park, offers: swimming pool, solarium, indoor and outdoor playground, private beach, garage and all the services included in the Fabilia format.

- Fabilia Family Hotel Lido di Classe



This 3-star hotel with 74 rooms is located in Lido di Classe (RA). Recently taken in management by the Group, the structure, redesigned according to Fabilia standards, opened in the summer 2018, is located directly on the beach and a short walk from the pine forest of Lido di Classe. It represents all the standards of the Fabilia

- Fabilia Family Resort Milano Marittima



3-star hotel with 154 rooms (distributed over three different hotels united by Fabilia) located in Milano Marittima (RA). Due to its size and particular richness of outdoor spaces, including a small private pine forest of 2,000 square meters, this hotel has been renamed "Beach Resort" and fully represents the expression of the Fabilia format. Located a short walk from the beach, the Resort since 2018 has been merged with the Hotel Royal, creating a unique hotel complex. Within the extended perimeter of the complex, there is space for the building that hosts the Group's corporate offices.

- Fabilia Family Hotel Savini



4-star hotel with 64 rooms located in Milano Marittima (RA). Managed by Fabilia for 4 years, this hotel-resort is particularly rich in outdoor areas and has an absolutely privileged location, with direct access to the beach of Milano Marittima without road crossings.

The heated swimming pool is equipped with a water slide and the hotel has an inflatable park and a wide range of services.

- Fabilia Marotta



3-star hotel with 104 rooms located in Marotta (PU). The Resort is the spearhead of the Fabilia concept for its wealth of structures (private beach, beachfront bungalows, multipurpose court for tennis, soccer, and basketball) and positioning (close to the beach). In addition to the classic Fabilia services, the range of structures includes: a large swimming pool (201 sq. m.), inflatable games, private beach and indoor green park of 4,000 sq. m.

- Fabilia Family Hotel Delfino



3-star hotel with 48 rooms located in Milano Marittima (RA). Hotel close to the beach, located in a privileged position. Features of the hotel are: the pool very attractive for children and adults, a large outdoor courtyard, and an equipped and modern SPA. There are also all the facilities foreseen by the Fabilia format.

- Fabilia Family Hotel Cesenatico



4-star hotel with 59 rooms located in Cesenatico (FC). Modern hotel located in the green area of Cesenatico. The rooms are mini-apartments and the structure has common areas dedicated to the Play Room, afternoon and evening entertainment. The Fabilia Family Hotel Cesenatico is characterized by a large room equipped for breakfast and catering, a large swimming pool with extensive solarium area and a private parking area dedicated to guests.

- Fabilia Family Hotel Gargano



This 3-star hotel with 58 rooms is located in Vico del Gargano (FG). The Resort, entered the Fabilia circuit, first as an affiliate structure (franchise) and then from 2018 in direct management thanks to the commercial successes achieved, it has an excellent reputation on the market in Puglia and is one of the most appreciated in the chain. The structure, equipped with all Fabilia standards, enjoys a privileged location, with the Foresta Umbra behind and private beach in front.

2.2.2 Mountain

The structures in mountain resorts currently managed are located in Polsa di Brentonico and Madesimo.

- Fabilia Polsa



3-star hotel with 40 rooms located in Polsa di Bretonico (TN), this is a structure with double vocation, winter and summer, particularly rich in structures (Sauna, Acropark adventure park, internal parking), including a large heated pool (85 sq. m. with panoramic telescopic cover and 240 sq. m. area), an alpine hut (managed as an educational farm), 5 tennis courts and 2 soccer fields, in addition to all the classic Fabilia standards. The rooms are furnished in Trentino style. Managed by the chain since 2013, the resort has gradually been enriched with services (such as the panoramic pool) thanks to some direct investments made by Fabilia on the outdoor areas and equipment.

- Fabilia Madesimo



This 3-star hotel with 36 rooms is located in Madesimo (SO). Opened in December 2019, the Fabilia Madesimo is a mountain hotel with an excellent location to access the ski slopes Arlecchino, one of the main in Madesimo, in the Valtellina area. Easy to reach from Milan and other cities in Lombardia, the destination is ideal for both classic skiing and active holidays from June to September. The hotel has a panoramic terrace overlooking the slopes and has a large disco room and an indoor pool.

2.3 Free & Safe Holiday

Fabilia, in order to align with the current provisions of the government on the management of hotel structures and to ensure an experience in total safety for customers, created the manual "Free & Safe Holiday". The manual describes in detail the guidelines observed in the structures managed by Fabilia:

- **Check-in and check-out:** it is possible to check-in online in a quick and practical way before arrival, while check-out is organized at scheduled time;
- **Rooms and Spaces:** the rooms are sanitized with specific disinfectant products, the linen and bed covers are subject of washing at 70° and the environments, furnishings, and playgrounds, are sanitized every 2 hours. In addition, throughout the structure, there are hand sanitizer gel dispensers;
- **Food & Drink H24:** the traditional buffet system has been maintained with some changes: the dishes are served on sight by the employees and the service time has been extended with higher flexibility and freedom in the consumption of meals. In addition to this, customers can eat at their own umbrella thanks to the delivery service;
- **Mothers area:** disposable gloves, masks and biodegradable disposable cutlery and plates are available, and all tools and equipment are subject to sanitization procedures at every hour. In addition, there is disinfectant for children specific hands non-toxic and harmless to use;
- **Swimming pool:** measures are taken to ensure social distance and sanitization of the furniture at the change of each customer. Entrances are allowed up to the limit of capacity and sunbeds and umbrellas are distanced. The beach towels delivered by the hotel are washed and sanitized by specific disinfectants;
- **Beach:** umbrellas and sunbeds are distanced according to the law. All equipment is sanitized daily with non-toxic and hypoallergenic products. Bathrooms are sanitized every 2 hours;
- **Recreation and Entertainment:**
 - Nanny (6-36 months): The nursery is available to be used in small groups. All games available to children are sanitized with non-toxic ingestion and hypoallergenic products. Indoor environments are sanitized before each opening. Disposable shoe-covers and colored masks are available for all children;
 - Mini Club (3-7 years): the Mini Club is available for small groups. Ecological laboratories outdoors with the use of disposable materials are privileged. All games are sanitized with non-toxic ingestion and hypoallergenic products. Indoor environments are sanitized before each opening of the Mini Club. Disposable shoe-covers and colored masks are available for all children;
 - Juniors (8-13 years old) and Teenagers (13-17 years old): there are no particular differences for these age groups;
 - Outdoor Excursions: most activities take place outdoors. Sport activities are privileged for two to four participants at a time (beach tennis, bowls, darts, and others). Group activities are organized in places that allow distance between people of at least two meters, while sedentary activities are organized in compliance with the maintenance of safety distances. In addition, all activities are offered on multiple shifts during the day to ensure the participation of all guests.

2.4 Holiday on Installments

The Group, in order to facilitate access to holidays for families in temporary economic difficulty, has signed a collaboration with Compass, an Italian financial company owned by Mediobanca Group, specializing in consumer credit. The partnership provides that customers can pay for their holiday on installments, against a financing provided by Compass, and at zero interest: the interest rate will be, in fact, fully borne by Fabilia.

To access this type of service, customers must meet certain requirements:

- be a natural person;
- receive a regular and demonstrable income;
- have a good credit standing and the availability of a current account.

2.5 Benefit positioning

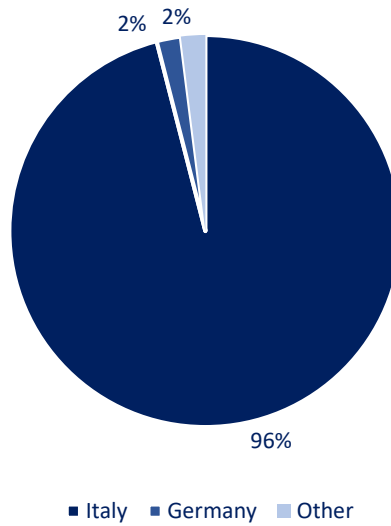
In terms of Benefit positioning, the Group has committed to some important initiatives and has signed significant partnerships, including:

- **Emergency:** Fabilia is Emergency partner, an Italian humanitarian association, founded in 1994 to provide surgical assistance in countries in war, and then extend the range of its activities to the care of victims of poverty in countries where there are no free health structures;
- **Treedom:** in partnership with Treedom, a web platform that allows to plant a tree at a distance and follow it online, Fabilia will plant every week a tree, to help to combat CO2 emissions;
- **Fabilia Save the Planet:** Fabilia has eliminated mono-use plastic, introduced "Bicchierino" to avoid plastic waste, an innovative folding and portable glass to be used, respecting the environment, in all distributors of cold and hot drinks and soft ice;
- **B Corporation:** Fabilia is working to obtain the B Corporation® certification, issued to meritorious companies for environmental and social performance by B Lab, international non-profit organization.

2.6 Customers

The totality of Fabilia's customers is represented by families with children up to 16 years old, 70% of which are represented by families with children under the age of six.

Chart 5 – Customers Breakdown by Countries



Source: Integrae SIM

A share equal to 96% of the customers' total is of Italian origin, the remaining part is composed mainly from tourists from neighboring States: 2% are of German origin, about 1% are Swiss and a further 1% are Austrian. The other countries most represented are Belgium and the United Kingdom, which, however, represent less than 1% of the total.

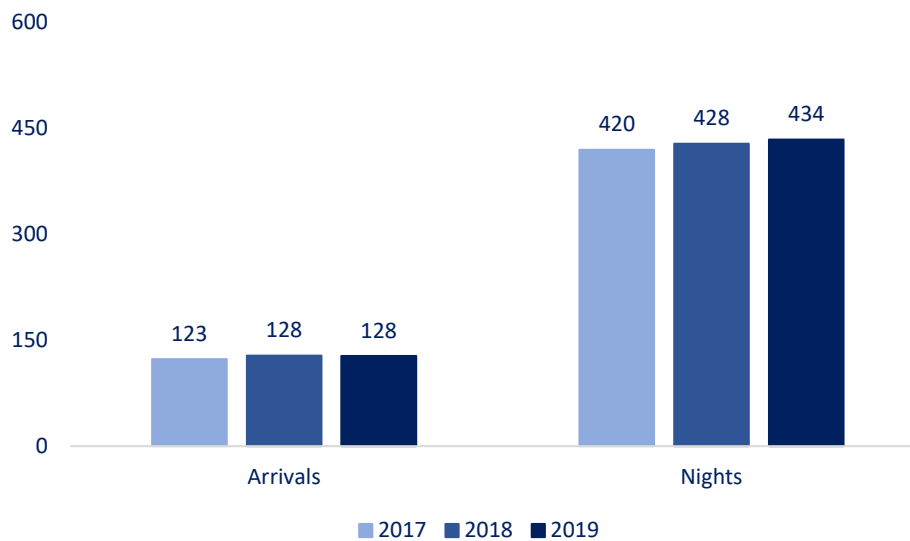
3 The Market

Fabilia operates in the tourism sector with particular reference to the segment of hotels for families, both in seaside locations and in mountain locations. The families to which Fabilia offers services are those with children up to 16 years old.

3.1 Tourism in Italy

In Italy, the tourism sector is crucial for the economy, directly generating a share of about 5% of total GDP. This share exceeds 13% also considering all revenues generated indirectly.

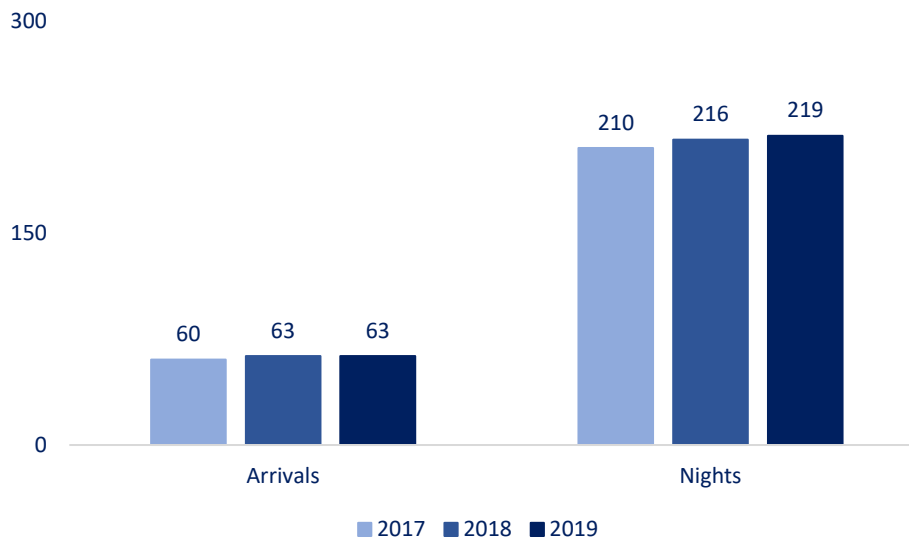
Chart 6 – Arrivals and Nights 2017-2019 (Data in mln)



Source: Istat Touristic Movement in Italy 2018/2019

In 2019, the total number of arrivals (that is the number of customers who checked in at the accommodation structures in the reference period) in Italy was over 128 Mln, in line with the 2018 data. The total number of nights (that is the number of nights spent by customers in the accommodation structures in the reference period) instead, recorded a growth of 1.4%, which marked the transition from about 428 Mln to over 434 Mln.

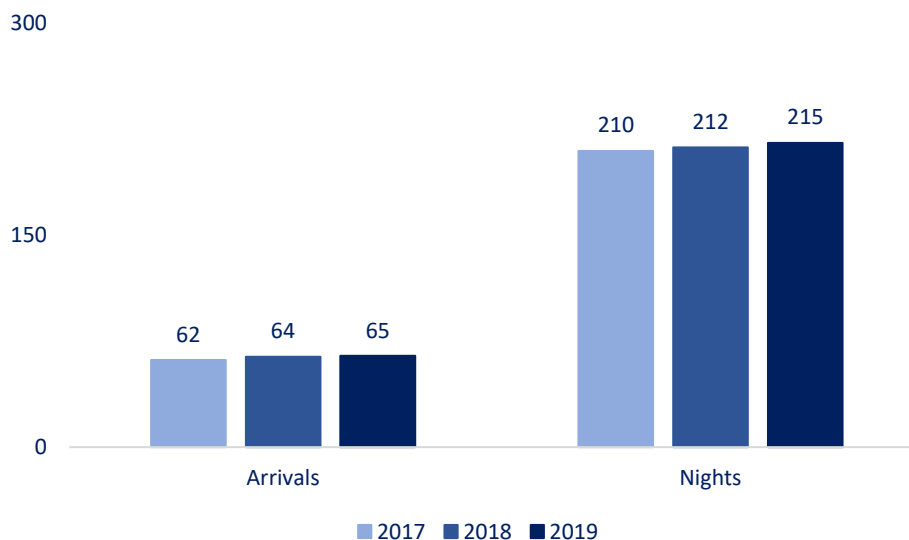
Chart 7 – Arrivals and Nights 2017-2019 Foreign Tourists (Data in mln)



Source: Istat Touristic Movement in Italy 2018/2019

In 2019, the total number of arrivals attributable to foreign travelers in Italy was over 63 Mln, substantially in line with the number observed in 2018. The growth in the total number of nights attributable to foreign travelers, however, was 1.3%, which marked the transition from about 216 million to almost 219 million.

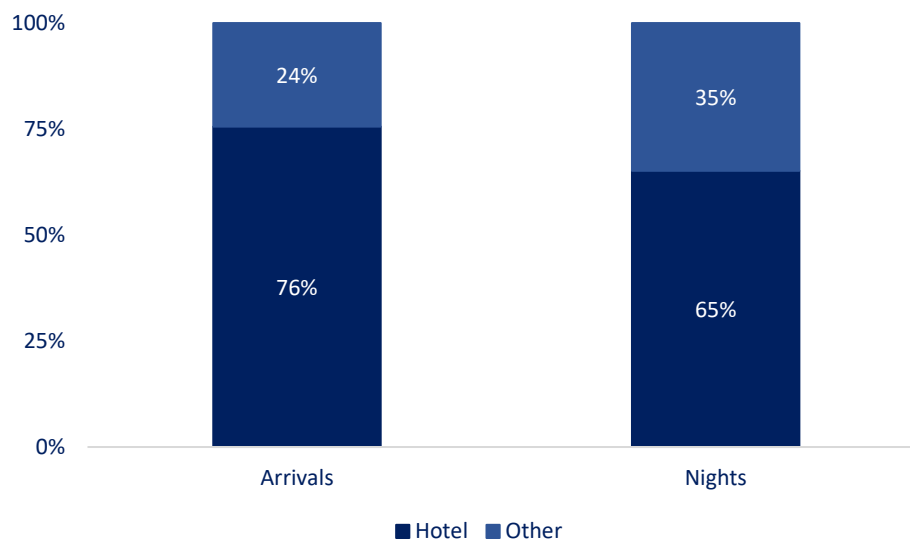
Chart 8 – Arrivals and Nights 2017-2019 Italian Tourists (Data in mln)



Source: Istat Touristic Movement in Italy 2018/2019

In 2019, the total number of arrivals attributable to Italian travelers in Italy was over 65 Mln, an increase of 1% compared to about 64 Mln in 2018. The increase in the total number of nights attributable to Italian travelers, however, was equal to 1.6%, which marked the transition from about 212 Mln to about 215 Mln. These figures show that tourism in Italy is divided substantially equally between Italian and non-resident in Italy tourists.

Chart 9 – Arrivals and Nights 2018 by Structure (Data in mln)



Source: Istat Touristic Movement in Italy 2018/2019

In 2018, 76% of the total arrivals was attributable to hotel structures, the remaining part was attributable to non-hotel structures. Considering the number of nights, the proportion of hotels was 65%.

3.2 Tourism in Italy 2020

Even though tourism continues to be a strategic sector for the Italian economy, the Covid 19 epidemic and the related measures imposed by the government could have strongly negative effects, currently difficult to estimate. Tourism, in fact, could be impacted: by the possible limitation of travel between regions, by the lack of freedom to travel between different states and by the increased costs necessary to ensure compliance with all hygiene and safety standards. To date, these risks appear to have decreased dramatically due to the improvement observed in the development of the epidemic in the recent weeks.

The pandemic has already had very significant effects on the first half of 2020, in which, according to data collected by the CNA of Tourism (National Confederation of Handicrafts), there was a decrease in revenues of 73% compared to the previous year, due to the substantial zero-setting of revenues produced in the spring months. However, this decrease in revenues cannot be linked to the Fabilia Group, in fact, the structures managed, during the lockdown period, observed the natural period of seasonal closure.

The most recent estimates, for the 2020 year on the tourism sector, were published on June 10 by Enit. According to these estimates, it is expected a 44% decrease in total visitors (national and international). In particular, Enit expects a 55% decrease in the number of international visitors and 31% of Italian visitors. In addition to this, there is a forecast of lower spending by tourists, due to the economic uncertainty situation and different route planning by airline companies. These values, however, are not representative for the business proposed by Fabilia, whose structures are frequented only by families (mainly Italian) with children who, generally, do not need long trips to reach hotels and resorts. In addition to this, it is important to underline that Fabilia structures tend to be situated in areas not particularly affected by the Covid 19 epidemic.

3.3 Holiday Bonus

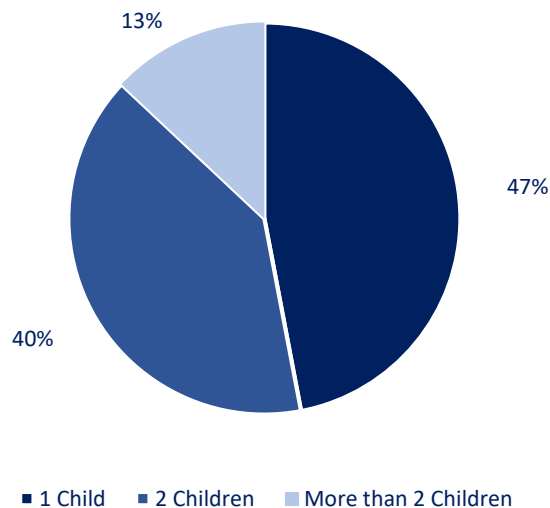
The so-called holiday bonus could be a positive factor for the revival of the Italian tourism sector for the 2020 year. The holiday bonus, included in the decree Relaunch and published in the Official Gazette on 19/05/2020, provides a contribution of up to € 500 for families who book in Italian accommodation, agritourism and bed & breakfast. The bonus, up to a maximum of € 500, will be paid to households with an ISEE (Indicator of the equivalent economic situation) not exceeding € 40,000 and only one member of the family will be eligible. The bonus will be used for the 80% as a discount (used by the hotel through tax credit transferable to third parties) and, for the remaining 20%, as a tax deduction. The bonus can be used between 1/07/2020 and 31/12/2020. For the bonus recognition it is required to comply with some rules:

- the costs must be incurred in a single payment, in relation to the services provided by a single tourist-receptive enterprise;
- the total amount of the fee must be documented by electronic invoice or commercial document, in which the tax code of the entity wishing to use the credit is indicated;
- the payment of the service must be made without the assistance, intervention, or intermediation of persons managing platforms or telematic portals other than travel agencies and tour operators.

3.4 Families

In the field of tourism, Fabilia targets only to families with at least one child of maximum 16 years old.

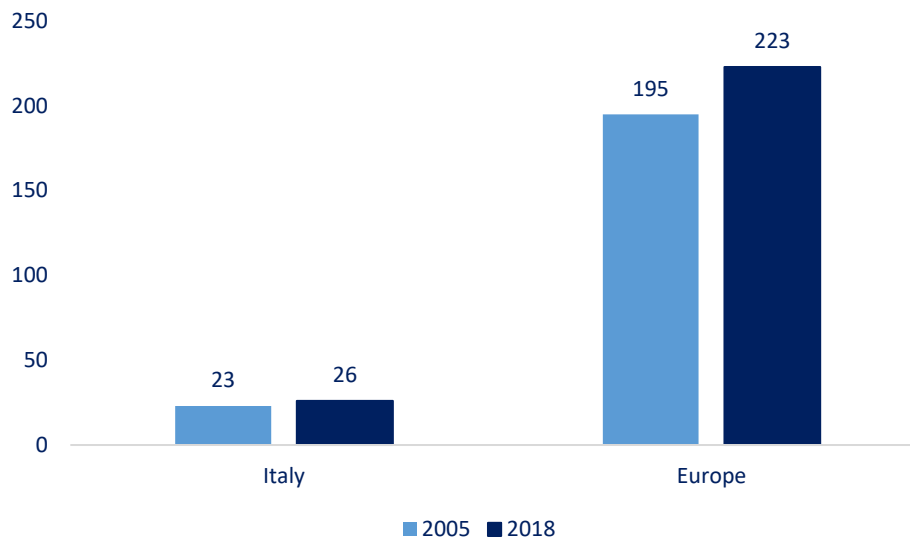
Chart 10 – Family Composition in Europe



Source: Eurostat Households with children in the EU 2018

According to the Eurostat report "Households with children in EU", the number of families in Europe at the end of 2018 was about 223 million, of these, 47% had one child, 40% had two children and the remaining 13% had more than 2 children. The number of households in Italy grew at a rate of 12%, from 23 million in 2005 to 26 million in 2018.

Chart 11 – Total N° of Families in Europe and in Italy 2005-2018

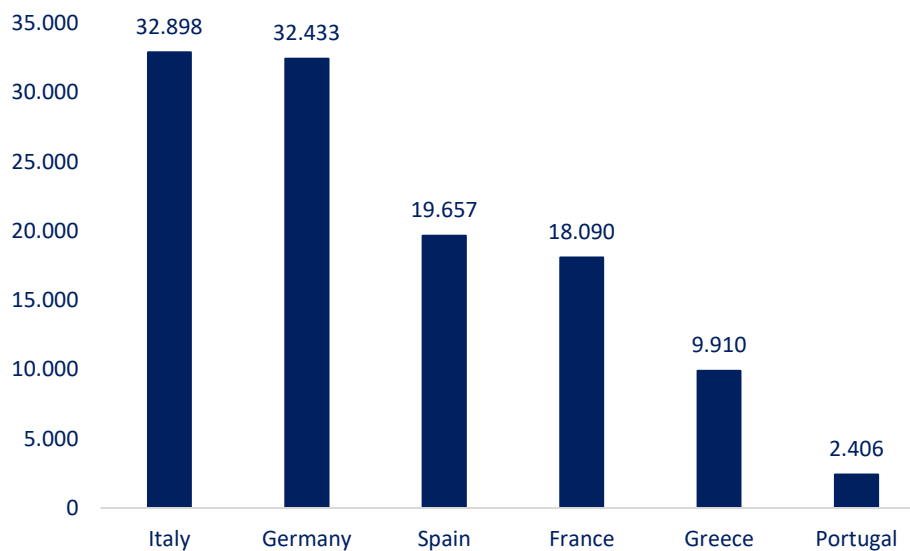


Source: Eurostat Households with children in the EU 2018

The number of households, according to Eurostat, from 2005 to 2018, in Europe, grew by 14% from 195 million to 223 million. In Italy, however, in the same period, the growth was 13% (substantially in line with the European one), rising from 23 million to 26 million, among these, in 2018, the share of families with children was close to 30%.

3.4 Hotels in Italy

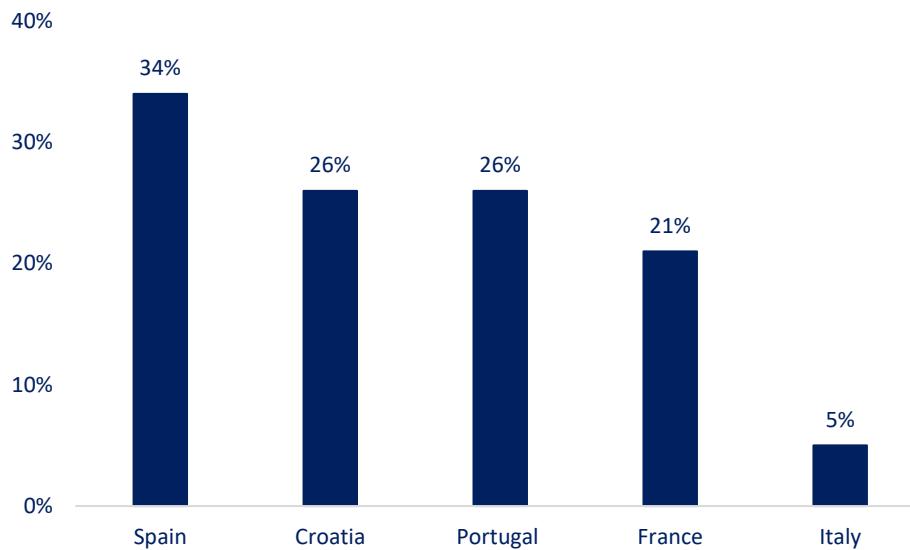
Chart 12 – N° of Hotels in Europe by Country



Source: Horwath HTL European Chains & Hotels Report 2020

Italy is the first European country by number of hotels, with a value of 32,898, followed by Germany with 32,433 structures. The most similar countries to Italy by type of tourism have significantly lower values. In particular, Spain and France, similar to Italy for tourist and demographic characteristics show values of 19,657 and 18,090 respectively.

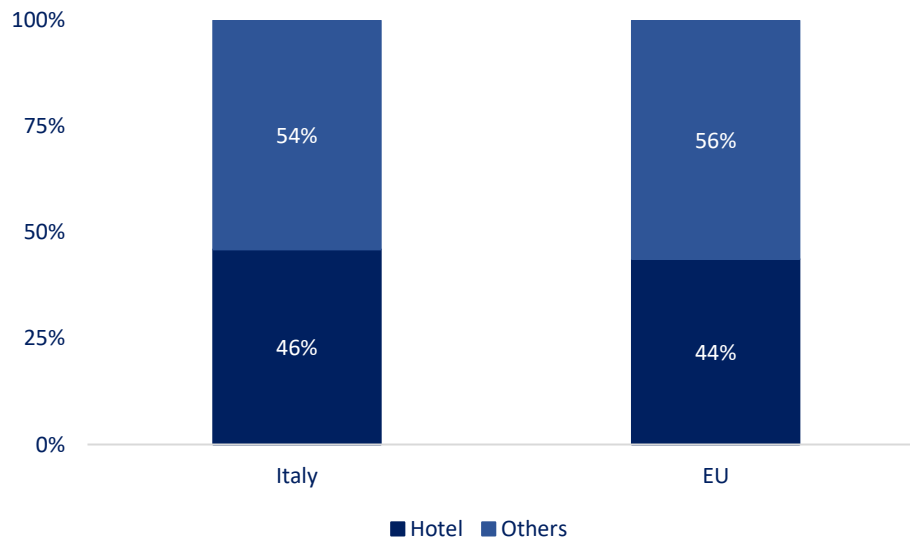
Chart 13 – Hotel Chain Market Share by Country



Source: Horwath HTL European Chains & Hotels Report 2019

In Italy, the percentage of hotels managed by hotel chains, in 2018, was about 4.8%. This figure, although growing compared to 4.5% in the previous year, remains significantly lower than that of other states with similar tourist characteristics. In fact, the market share of hotel chains in the same year was 34% in Spain, 26% in Croatia, 26% in Portugal and 21% in France. This shows that hotel chains in Italy have some growth potential.

Chart 14 – Bed Places Share by Accommodation Establishments



Source: Eurostat Households with children in the EU 2018

In Europe, the total number of beds reserved for the tourism sector, in 2018, was about 32 Mln, among them, about 14 Mln beds deriving from hotels, equal to about 44% of the total. In Italy, the total number of beds available was 5 Mln, of which about 2.3 Mln deriving from hotels, equal to about 46% of the total, substantially in line with the European share.

4 Competitive positioning

Table 1 – Main Competitor

	N° Hotel	N° Rooms
Cavallino Bianco	1	104
Color Holiday	7	500
Club Family Hotel	9	875
Median	7	500
Fabilia	10	748

Source: Integræ SIM

The Group is leader (with about 750 rooms in 2019) in the "family" market, characterized exclusively by small players in term of number of rooms and geographically concentrated, while Fabilia is already a national player present in many regions. The Group, therefore, is more developed than the few Italian competitors. In addition, Fabilia is the only Italian hotel chain configured as a Group. The competitors are:

- Cavallino Bianco: located in Ortisei, in Val Gardena, Cavallino Bianco is a 4-star hotel that offers All inclusive stays for families, large gardens with views of the Dolomites, ski and tourist guides, entertainment and fitness for the whole family. The Company manages only one structure for a total of 104 rooms;
- Color Holiday: family hotel chain of the Riviera Romagnola with All Inclusive offer. The chain consists of seven hotels, all located on the Riviera Romagnola. The chain, not configurable as a group since it is composed of companies with different partners, manages seven structures for a total of about 500 rooms;
- Club Family Hotel: a chain of nine All Inclusive hotels located on the Riviera Romagnola, between Riccione, Cesenatico, Cervia and Milano Marittima. The All Inclusive offer includes open bar and entertainment seven days a week. The chain, not configurable as a group since it is composed of companies with different partners, manages nine structures for a total of about 875 rooms.

4.1 Swot

Strengths:

- First-mover and only Group in the family hotel market;
- Brand awareness: the hotel chain is already accredited and recognized by families;
- Standardization and industrialization of the offer;
- Scalability of the business model both in Italy and abroad;
- High historical occupancy rate: about 77%;
- Good management of economies of scale;
- Creative skills to offer an increasingly innovative service;
- Positive track record on structures managed;
- Mentions on international and specialized circuits such as: Bimbo in viaggio, Familien Hotels. de, Tripadvisor and Family Go;
- Booking center providing an excellent level of disintermediation;
- Contractual strength vis-à-vis property owners;
- Significant share of repeater: around 45%;
- Large customer database: over 1 Mln;
- Very large reference market;
- Extended territorial presence.

Weaknesses:

- Geographical concentration of structures in the area of the Riviera Romagnola;
- Need to find suitable to Fabilia standards structures;
- Rather high level of debt;
- Strong dependence of Value of Production on the Italian market;
- High seasonality of revenues linked to the nature of the business;
- Need for investment to adapt structures to Fabilia standards.

Opportunities:

- Possibility of expansion in new Italian geographical areas;
- Possibility of expansion in new international geographical areas;
- Possibility of expansion into new segments (art cities, spas and others).

Threats:

- Inability to protect know-how from competitors;
- Possibility of replication of the business by the owners of the structures;
- Entry into the segment of large international players;
- Evolution of the scenario related to the epidemic Covid 19.

5 Economics & Financials

Table 2 – Economics & Financials

CONSOLIDATED INCOME STATEMENT (€/mln)	FY18A	FY19A	FY20E	FY21E	FY22E
Revenues	9,03	10,81	12,25	16,00	20,00
Other Revenues	0,10	0,80	0,30	0,30	0,30
Value of Production	9,13	11,61	12,55	16,30	20,30
COGS	1,71	2,54	2,30	3,00	3,75
Services	2,71	2,86	3,40	4,35	5,35
Use of assets owned by others	0,18	0,15	0,10	0,15	0,20
Employees	1,89	2,80	2,50	3,30	4,10
Other Operating Expenses	0,26	0,30	0,30	0,35	0,40
EBITDA	2,38	2,95	3,95	5,15	6,50
<i>EBITDA Margin</i>	26,4%	27,3%	32,2%	32,2%	32,5%
D&A	1,89	2,96	3,65	3,65	4,30
EBIT	0,50	0,00	0,30	1,50	2,20
<i>EBIT Margin</i>	5,5%	0,0%	2,4%	9,4%	11,0%
Financial Management	(0,28)	0,39	0,20	(0,20)	(0,20)
EBT	0,21	0,39	0,50	1,30	2,00
Taxes	0,10	-0,12	0,40	0,70	0,95
Net Income	0,11	0,51	0,10	0,60	1,05

CONSOLIDATED BALANCE SHEET (€/mln)	FY18A	FY19A	FY20E	FY21E	FY22E
Fixed Assets	5,18	6,95	5,35	6,95	7,00
Account receivable	0,08	0,87	0,15	0,20	0,25
Inventories	0,05	0,45	0,35	0,45	0,60
Account payable	1,68	3,88	2,75	3,05	3,75
Operating Working Capital	(1,55)	(2,56)	(2,25)	(2,40)	(2,90)
Other receivable	3,10	2,15	2,10	2,80	3,65
Other payable	0,38	1,06	1,60	2,50	3,20
Net Working Capital	1,17	(1,47)	(1,75)	(2,10)	(2,45)
Severance Indemnities & Other Provisions	0,01	0,01	0,01	0,01	0,01
NET INVESTED CAPITAL	6,34	5,47	3,59	4,85	4,54
Share Capital	0,05	0,05	0,16	0,16	0,16
Reserves	0,33	0,44	2,32	2,42	3,02
Net Income	0,11	0,51	0,10	0,60	1,05
Equity	0,49	1,00	2,58	3,18	4,23
Cash & Cash Equivalent	0,31	0,37	3,04	3,95	5,05
Short Term Debt to Bank	2,92	2,78	2,70	3,65	3,90
M/L Term Debt to Bank	3,25	2,06	1,35	1,97	1,47
Net Financial Position	5,86	4,47	1,01	1,67	0,32
SOURCES	6,34	5,47	3,59	4,85	4,54

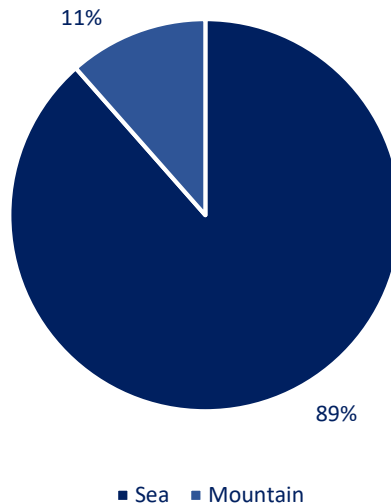
CONSOLIDATED CASH FLOW (€/mln)	FY18A	FY19A	FY20E	FY21E	FY22E
EBIT		0,00	0,30	1,50	2,20
Taxes		-0,12	0,40	0,70	0,95
NOPAT		0,12	-0,10	0,80	1,25
D&A		2,96	3,65	3,65	4,30
Change in receivable		(0,79)	0,72	(0,05)	(0,05)
Change in payable		2,20	-1,13	0,30	0,70
Change in others		1,63	0,59	0,20	-0,15
<i>Change in NWC</i>		<i>3,04</i>	<i>0,18</i>	<i>0,45</i>	<i>0,50</i>
Change in provisions		0,00	0,00	0,00	0,00
OPERATING CASH FLOW		6,11	3,73	4,90	6,05
Capex		(4,7)	(2,1)	(5,3)	(4,4)
FREE CASH FLOW		1,39	1,67	(0,35)	1,70
Financial Management		0,39	0,20	(0,20)	(0,20)
Change in Debt to Bank		(1,32)	(0,79)	1,57	(0,25)
Change in Equity		(0,00)	1,48	0,00	0,00
FREE CASH FLOW TO EQUITY		0,46	2,56	1,02	1,25

Source: estimates Integrae SIM

5.1 FY19A Results

In 2019, there was an increase in YoY revenues of 19.6%: the value of production rose from € 9.17 Mln in 2018 to € 11.54 Mln. The revenue from new structures have also contributed to this growth. During the year, the occupancy rate was just over 75%.

Chart 15 –Revenues Breakdown by Business Line



Source: Integrae SIM

In terms of revenues generated, the main business line is the Sea line, with a share of approximately 89% of the total. Business line Mountain, on the other hand, generated a share of about 11%.

The value of EBITDA also increased from €2.37 Mln to €2.96 Mln. This marks an improvement in the margin, which, in terms of EBITDA Margin, went from 26.3% to 27.4%, thanks to a significant decrease in the incidence of services costs and costs for the use of assets owned by others. These decreases have over-compensated the increase in the incidence of COGS and Employees costs. The increase in the incidence of COGS items and Employees costs is mainly linked to the launch of three structures (Madesimo, Jesolo and Rosolina): the structure of Madesimo, remaining open only a few days during 2019A, has generated a rather high share of costs without producing the relative revenues, while Rosolina, structure composed of 250 rooms that has generated costs proportioned to the dimension, has not produced a satisfactory level of revenues, for this reason it's management has been terminated.

Despite the increase in EBITDA, for the year 2019A, there was a decrease in EBIT from € 0.50 Mln to - € 0.003, due to a significant increase in amortization of rights of use, relating to business lease agreements with the owners of the structures.

Amortization of Rights of Use is related to the application of IFRS 16 Leases, which applies to all contracts that contain the right to use an asset (Right of Use) for a certain period of time, in exchange for a certain compensation. In particular, in the case of Fabilia, this principle is used in the accounting of the leases paid to the owners of the structures managed. Due to the application of this accounting principle, leasing compensations are integrated into the item financial liabilities, for a value equal to the actualization of leasing compensations that will be paid. The financial liabilities generated are reflected in the assets of the Balance Sheet, among intangible fixed assets, in the form of rights of use. The rights of use are subject of an

amortization plan based on the duration of the business lease contract (usually three years). Due to this accounting recognition, leases paid by Fabilia are not included in the item the use of assets owned by others, but in the item D&A.

Finally, Net Income recorded a significant increase, from € 0.11 Mln to € 0.51 Mln, thanks to the positive contribution of financial proceeds, due to the capital gains from the disposal of the Fabilia Marotta and Fabilia Piscina properties.

Regarding the working capital, it is possible to observe a decrease in the item Operating Working Capital compared to the previous year, due to the increase in Account payables.

At the Capex level, there are investments of about € 4.7 Mln relating to the new managed structures and investments necessary to transform them into structures in line with Fabilia standards. As explained above, leasing paid to property owners are also included in the Capex item.

The NFP improved compared to the previous year, from € 5.86 Mln to € 4.47 Mln. The improvement in NFP testifies to the Group's ability to generate positive cash flows.

5.2 FY20E Estimates

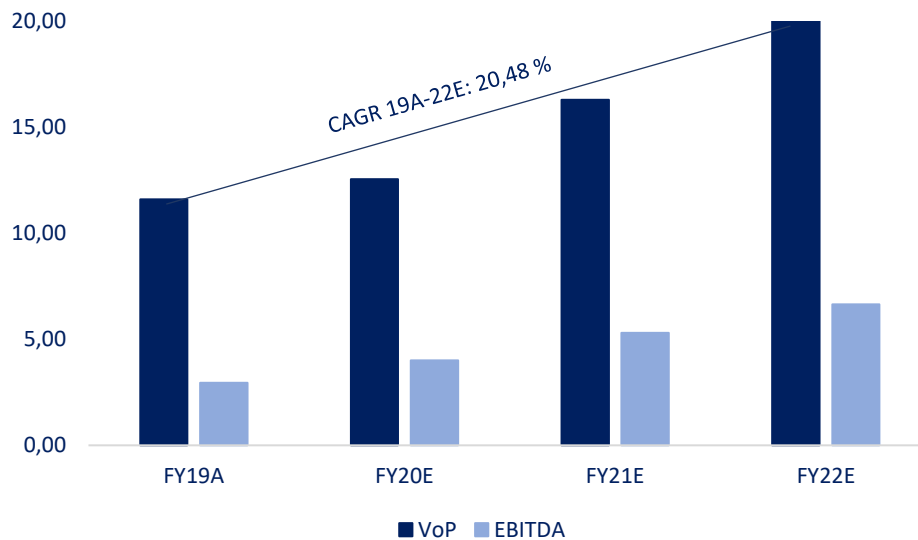
For the year 2020E, for prudential purposes, estimates of increases in the value of production and marginality have been rather conservative. For 2020E, in fact, we expect a Value of production of € 12.55 Mln. As for marginality, however, we expect EBITDA to reach € 4.00 Mln, corresponding to an EBITDA Margin of 32.7 %. Finally, we have estimated an EBIT of € 0.35 Mln, corresponding to an EBIT Margin of 2.8 %.

These estimates are the result of the following assumptions:

- decrease of the occupancy rate of 10% compared to the year 2019A for the existing structures. While for the new structures of Cesenatico and Delfino Milano Marittima, we estimated an occupancy rate in line with other structures in the Romagna Riviera;
- no general price increases, selective adjustments on Jesolo, Mima Resort and Polsa already scheduled in the pricelist from January 2020;
- revenue growth deriving almost exclusively from the new structures added to the Group perimeter;
- raw materials costs: were assumed in line with 2018 (the abnormal trend of 2019 is mainly related to the hotel in Rosolina in the province of Rovigo, inefficient due to the too high number of rooms);
- costs for services in line with those of previous years, with the addition of fixed listing costs;
- the Employees cost (consisting of wages and salaries, social charges, severance package) was assumed in line with 2018 (the abnormal trend of 2019 is due to a lower use of apprentices, a choice of the manager called to manage the staff in 2019, which proved to be too expensive, for this reason the choice was not reconfirmed);
- the Group has entered into an agreement with the structures' owners for which, if in 2020 the Value of Production will be lower than the theoretical one on which the lease was estimated (from group standards corresponding to about 20% of revenues), the lease actually paid would be adapted to the actual Value of Production and the surplus would be considered as financial proceeds.

5.3 FY20E – FY23E Estimates

Chart 16 – VoP, EBITDA19A-22E

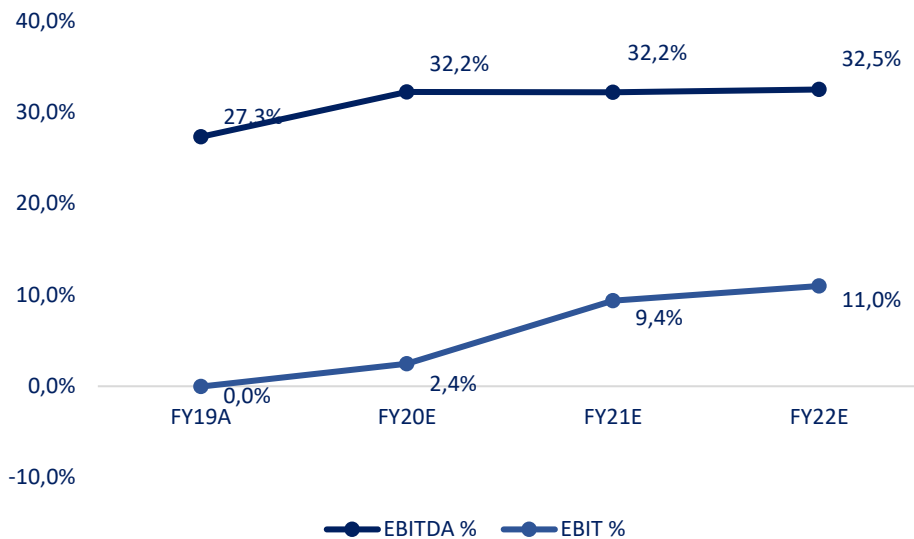


Source: *elaboration* Integrae SIM

For the coming years, we expect an increase in the value of production that, according to our estimates, will increase from € 11.61 Mln in 2019 to € 20.30 Mln in 2022E (CAGR19A-22E: 20.48%), thanks to the following growth drivers:

- Consolidation of the market: hotel chains represent only 5% of the total market, much lower than the share in countries such as Spain (34%) and Portugal (26%);
- Increase in the number of managed structures, according to our estimates, the structures will increase from 10 to 13 from 2020E to 2022E: two new structures on the sea and one in the mountains;
- Expansion of the customers number thanks to marketing activities;
- Increase of hit rate (conversion rate requests / booking);
- Occupancy rate growth: for 2021 and 2022 we have estimated occupancy rates of approximately 83% and 87% respectively;
- Increase in the share of repeater customers on the total;
- Slight price increase, justified by improved green and benefit positioning;
- Creating an increasingly innovative range of activities for children.

Chart 17 - EBITDA% and EBIT% 19A-22E



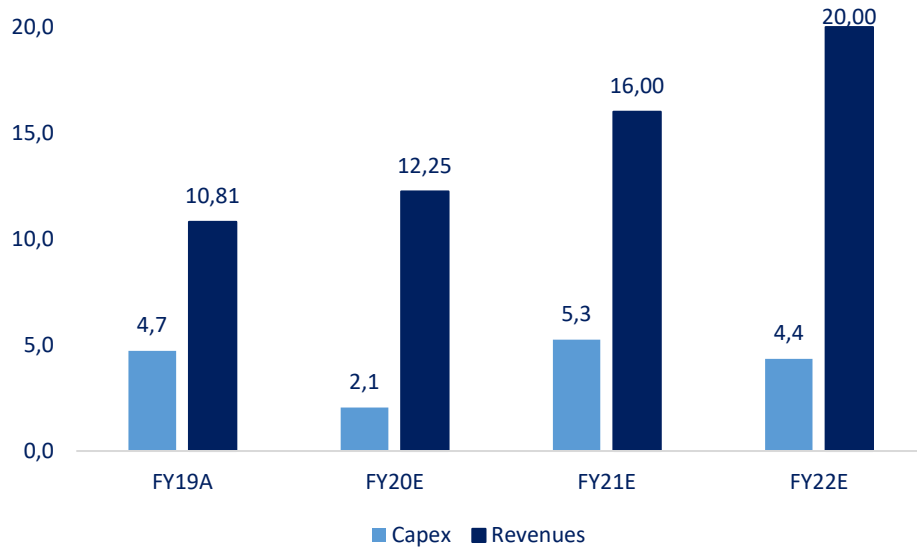
Source: *elaboration* Integrae SIM

Similarly, we expect EBITDA and EBIT to increase from € 2.95 Mln in 2019 to € 6.50 Mln in 2022E and from € 0.00 Mln in 2019 to € 2.20 Mln in 2022E respectively, thanks to the following growth drivers:

- Decreasing weight of the corporate structure (booking center, marketing, advertising, administration) on the Group's total results, thanks to the exploitation of economies of scale;
- Cost optimization, thanks to the hiring of a manager dedicated to cost control and management;
- Increase in contractual strength with suppliers through economies of scale on all purchases;
- Decrease in the incidence of services costs due to the scalability of the model, which allows to reduce the incidence of consultancy, marketing, and advertising costs;
- Decrease in the incidence of COGS items and Employees costs that according to our estimates, in the years 2021E and 2022E, will approach the values shown in 2018A, after the increase observed in 2019A. In fact, these voices, during 2019A, as previously described, were negatively impacted by the new openings of the Rosolina and Madesimo structures and by the reduced use of apprentices.

The incidence of costs for services in the coming years will be increased by the on-going costs deriving from the listing. IPO costs, on the other hand, will have no effect on the Income Statement because of the accounting principles followed by the Group (IAS 32). In fact, the costs incurred for the listing only refer to the Company's shareholders' equity.

Chart 18 – Revenues, Capex 19A-22E



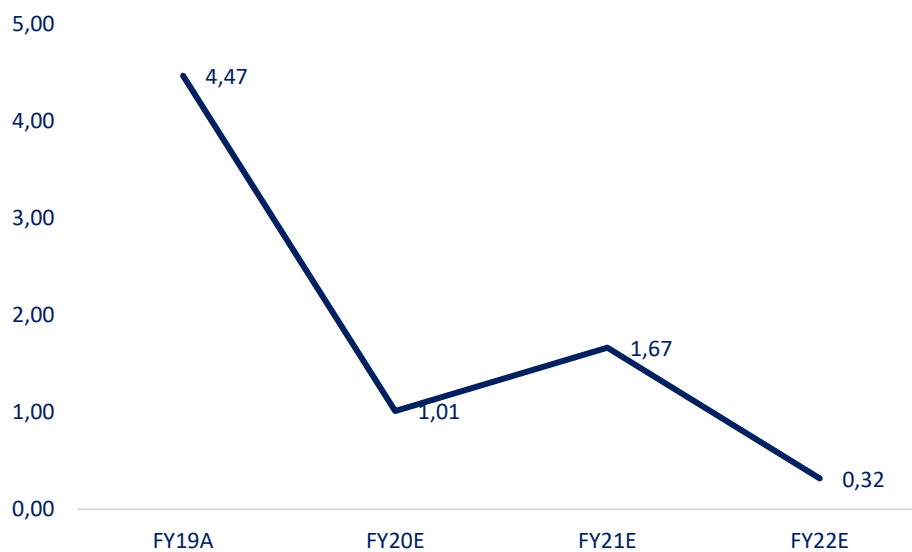
Source: *elaboration* Integrae SIM

The value of Capex, due to the nature of Fabilia’s business, is influenced by the amortization of rights of use which, as explained above, is similar to the leases paid by the Group to the owners of the structures managed.

In addition to this, the investments are mainly attributable to the initial reshaping of the new leased structures (necessary for adaptation to the Fabilia format) and the periodic renovation of existing structures. Reshaping costs were estimated at €2,600 per room, in line with data observed in 2018 and 2019. Between 2020E and 2022E, according to our estimates, the number of structures managed by Fabilia will grow from 10 to 13: two new structures at the sea and one in the mountains.

These investments, in addition to the leasing, are estimated at approximately € 3 Mln over the three-year plan.

Chart 19 - NFP 19A-22E



Source: *elaboration* Integrae SIM

The NFP shows a significant improvement in 2020E, thanks to the collection resulting from the IPO operation.

5.4 Use of Proceeds

Fabilia concluded the listing on the AIM Italia market to find resources finalized to the prosecution of growth process. In particular, the Group has planned to continue its internal and external growth.

- As for the internal growth, Fabilia plans to:
 - Expand its customer database thanks to the so-called "holiday on installments", thanks to an agreement with Compass for the construction of financing options repayable in 12 months;
 - Increase marketing activities in order to attract new Italian and foreign customers;
 - Improve its Benefit positioning through the B-Corp certification. In fact, Fabilia is working to obtain the B Corporation® certification, issued by B Lab, an international non-profit, to meritorious companies for their environmental and social performance.

- As for the external growth, Fabilia plans to:
 - Add new structures to the portfolio both on the seaside and in mountain locations, in the selected locations in Italy (Liguria, Toscana, Campania, Puglia, Valle d'Aosta, Lombardia, Trentino) and abroad (French Riviera, Deux Alpes, Switzerland, Austria, Croatia);
 - Acquire through M&A operations small local chains of hotel structures management.

6 Valuation

We have conducted valuation of Fabilia's equity range base on the DCF methodology.

6.1 DCF Method

Table 3 – WACC

WACC		5,16%
Risk Free Rate	0,44% α (specific risk)	2,50%
Market Premium	8,46% Beta Adjusted	1,00
D/E (average)	400,00% Beta Relevered	3,88
Ke	11,40% Kd	5,00%

Source: Integrae SIM

In particular:

- The Risk-Free Rate represented by Rendistato of July 2020 with maturity between 3 years and 7 months and 4 years and 6 months;
- The Market Premium coincides with the risk premium for the Italian market calculated by Professor A. Damodaran;
- D/E is calculated based on the Integrae SIM estimates;
- Ke has been calculated via CAPM;
- Alpha, or additional specific risk, typical of equity investments in companies with small size operations. Being small, the additional small cap risk has been assumed equal to 2.5%, average value among those suggested by the main studies on the subject (Massari Zanetti, Financial Valuation, McGraw-Hill, 2004, p. 145, A. Damodaran, Cost of Equity and Small Cap Premium in Investment Valuation, Tools and Techniques for Determining the Value of Any Assets, III edition 2012, Guatri Bini, New Company Evaluation Treaty, 2009, p. 236);
- Beta is the same as the market Beta because it is not possible to select a competitor panel;
- Kd coincides with the current cost of the Group's debt.

Using this data, it results in a WACC of 5.16%.

Table 4 – DCF Valuation

DCF Equity Value		19,0
FCFO actualized	3,7	16%
TV actualized DCF	19,9	84%
Enterprise Value	23,5	100%
NFP (FY19A)	4,5	

Source: Integrae SIM

With the above data and taking as a reference our estimates and assumption, the result is an **equity value of € 19.0 Mln**. The target price is therefore €3.13, BUY rating and MEDIUM risk.

Table 5 – Equity Value – Sensitivity Analysis

€/mln		WACC						
		3,7%	4,2%	4,7%	5,2%	5,7%	6,2%	6,7%
Growth Rate (g)	2,5%	73,9	50,6	38,1	30,2	24,9	21,0	18,0
	2,0%	51,5	38,7	30,8	25,3	21,4	18,4	16,0
	1,5%	39,4	31,3	25,8	21,8	18,7	16,3	14,4
	1,0%	31,9	26,2	22,2	19,0	16,6	14,6	13,0
	0,5%	26,7	22,6	19,4	16,9	14,9	13,3	11,9
	0,0%	23,0	19,8	17,2	15,2	13,5	12,1	10,9
	-0,5%	20,1	17,6	15,5	13,8	12,4	11,2	10,1

Source: Integrae SIM

Table 6 – Implied Multiples – Sensitivity Analysis

Equity Value (€/mln)	EV/EBITDA			EV/EBIT		
	2020E	2021E	2022E	2020E	2021E	2022E
16,0	5,2x	4,0x	3,1x	68,2x	13,6x	9,3x
17,0	5,4x	4,2x	3,3x	71,6x	14,3x	9,8x
18,0	5,7x	4,4x	3,5x	74,9x	15,0x	10,2x
19,0	5,9x	4,6x	3,6x	78,2x	15,6x	10,7x
20,0	6,2x	4,8x	3,8x	81,6x	16,3x	11,1x
21,0	6,4x	4,9x	3,9x	84,9x	17,0x	11,6x
22,0	6,7x	5,1x	4,1x	88,2x	17,6x	12,1x

Source: Integrae SIM

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

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