

Company Update

Buy (maintained)

2 July 2019 – 5:30PM

 MARKET PRICE: **EUR0.12**

 TARGET PRICE: **EUR0.17 (from EUR0.31)**
Energy services
Data

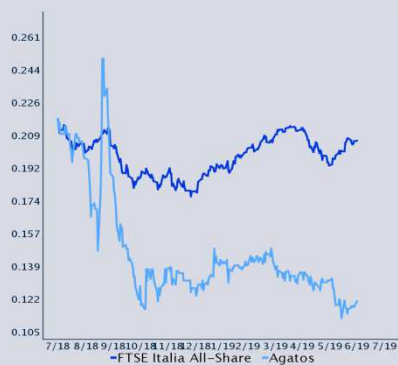
Shares Outstanding (m):	92.79
Market Cap. (EURm):	11.23
Enterprise Value (EURm):	24.30
Free Float (%):	28.3%
Av. Daily Trad. Vol. (m):	0.15
Main Shareholder:	Mr. Rinaldi 27.5%
Reuters/Bloomberg:	AGA.MI AGA.MI
52-Week Range (EUR)	0.25 0.11

Source: Factset, UBI Banca estimates

Performance

	1m	3m	12m
Absolute	-8.3%	-12.3%	-49.6%
Rel. to FTSE	-14.2%	-10.9%	-48.2%

IT
Source: Factset

Graph area Absolute/Relative 12 M


Source: Factset

Marco Cristofori
Senior Analyst
marco.cristofori@ubibanca.it
Tel. +39 02 62753015

www.ubibanca.com/equity-research

2018: a transition year

In 2018 Agatos surpassed the going concern risk with a successful capital increase of EUR3.1 million which increased the free float to 28.3%, appointed a new Chairman and is refocusing the strategy towards waste-to-gas plants and energy efficiency projects and accelerated the disposal of non-core assets (finalizing last month divestments for EUR2.2 million). The year 2018 ended with a slight revenues increase (+3.6%) which reached EUR7.5 million but EBITDA was at breakeven and net result was negative for EUR3 million, of which 80% non cash-relevant, missing our expectations. Assuming the closing of the financing for the biomethane plant of Marcallo taking place in 3Q19, the company anticipated sales which should be close to EUR17 million and EBITDA margin of 6.8% (vs. 8.3% expected before) while expectations for 2020 were increased significantly (sales +39%, EBITDA +33%) due to the impact of the delays. Our new estimates are more conservative as further delays could impact the financial closing of the Biosip project in Marcallo (globally EPC revenues worth EUR15.9 million) and in a new contract of energy efficiency (EUR3 million expected in 2019 and EUR6 million in 2020). We remain buyers of the share which in our view has attractive long term prospects while the risks which penalized the share in the past twelve months seem surpassed.

- > From a strategic standpoint, Agatos is refocusing its activities towards the exploitation of its innovative and patented waste-to-gas and biomass-to-gas processes and the development of energy efficiency projects. Non-core assets, such as photovoltaic plants, have been divested and Agatos cashed in EUR2.2 million since the beginning of the year.
- > The business plan has been revised lowering 2019 prospects but increasing 2020 projections to incorporate the delays in the biosip project and a new contract (EUR3 million in 2019 and EUR6 million in 2020) for energy efficiency. We still believe that the business plan remains challenging given that most of the revenues growth comes from new Biosip projects still to be achieved. Therefore, our new estimates are more conservative than the business plan, particularly for 2020 (-30% on both sales and EBITDA).
- > Our new target price of EUR0.17 per share (from EUR0.31) reflects the dilution coming from the capital increase (around 38%) and our estimates reduction but still offers >40% upside. Buy confirmed.

Financials

	2018	2019E	2020E	2021E
Revenues (EURm)	7.49	15.17	32.13	40.25
EBITDA (EURm)	0.01	1.02	3.85	5.29
EBITDA margin (%)	0.1%	6.7%	12.0%	13.2%
EBIT (EURm)	-2.43	-0.20	2.60	4.02
EPS (EUR)	-0.03	-0.01	0.01	0.02
CFPS (EUR)	-0.00	-0.01	-0.00	0.03
DPS (EUR)	0.00	0.00	0.00	0.00

Source: Company Data, UBI Banca Estimates

Ratios

priced on 1 July 2019

	2018 *	2019E	2020E	2021E
P/E(x)	nm	nm	8.9	5.2
P/CF(x)	-49.3	19.4	4.0	2.9
P/BV(x)	2.4	0.9	0.9	0.8
Dividend Yield	0.0%	0.0%	0.0%	0.0%
EV/EBITDA(x)	nm	23.9	6.4	4.3
Debt/Equity (x)	1.1	0.7	0.6	0.4
Debt/EBITDA (x)	nm	9.4	2.2	1.1

Source: UBI Banca Estimates * Based on 2018 average price

Key Financials

(EURm)	2018	2019E	2020E	2021E
Revenues	7.49	15.17	32.13	40.25
EBITDA	0.01	1.02	3.85	5.29
EBIT	-2.43	-0.20	2.60	4.02
NOPAT	-2.43	-0.20	1.61	2.49
Free Cash Flow	-0.35	5.21	1.04	2.64
Net Capital Employed	28.58	22.57	22.79	22.33
Shareholders' Equity	12.93	11.98	12.92	14.69
Net Financial Position	14.81	9.59	8.55	5.91

Source: Company data, UBI Banca estimates

Key Profitability Drivers

	2018	2019E	2020E	2021E
Net Debt/Ebitda (x)	2,468.0	9.4	2.2	1.1
Net Debt/Equity (x)	1.1	0.7	0.6	0.4
Interest Coverage (%)	0.0	0.0	0.0	0.0
Free Cash Flow Yield (%)	-1.1%	46.4%	9.3%	23.5%
ROE (%)	-23.5%	-6.6%	9.8%	14.8%
ROI pre-tax (%)	-7.9%	-0.7%	10.1%	15.3%
ROCE (%)	-4.9%	-0.5%	6.3%	9.5%

Source: Company data, UBI Banca estimates

Key Valuation Ratios

	2018 *	2019E	2020E	2021E
P/E (x)	nm	nm	8.9	5.2
P/BV (x)	2.4	0.9	0.9	0.8
P/CF (x)	nm	19.4	4.0	2.9
Dividend Yield (%)	0.0%	0.0%	0.0%	0.0%
EV/Sales (x)	6.8	1.6	0.8	0.6
EV/EBITDA (x)	nm	23.9	6.4	4.3
EV/EBIT (x)	0.0	nm	9.4	5.6
EV/CE (x)	1.8	1.1	1.1	1.0

Source: Company data, UBI Banca estimates

* Based on 2018 average price

Key Value Drivers

(%)	2018	2019E	2020E	2021E
Payout	0.0%	0.0%	0.0%	0.0%
NWC/Sales	48.1%	34.0%	25.9%	24.1%
Capex/Sales	-2.1%	-2.0%	-2.0%	-2.0%

Source: Company data, UBI Banca estimates

Recent Developments

- > Overall, 2018 results were below our expectations, with a significant deterioration of both revenues and EBITDA in the second half of the year when sales declined by 33% and EBITDA was negative for EUR0.1 million. The main reasons behind this trend was the slowdown of the Marcallo Biosip project which contributed with EUR0.17 million in the second half of the year compared with EUR1.37 million in 1H18, the deconsolidation of Windmill and Reia Energy (two companies coming from TE Wind) that were sold in Dec-17 and the lower production of the mini-wind farms caused by less windiness. In the full year EBITDA was substantially at breakeven (vs. EUR0.6 million in 2017) and EBIT was negative for EUR2.43 million (vs. –EUR0.93 million in 2017), being penalized by provisions for EUR0.88 million linked to write-downs of non-core assets and devaluation of trade receivables. Consequently, net result was negative for EUR3.04 million (vs. a net loss of EUR1.53 million in 2017) of which 80% non cash-relevant. Net debt slightly increased in 2018 reaching EUR14.81 million vs. EUR13.39 million at Dec-17 with modest capex (EUR0.15 million) and the proceeds of the capital increase (EUR3.1 million). Gross debt reached EUR17.5 million of which EUR12.0 million long term including EUR8.4 million bonds.
- > Following the capital increase finalized in October 2018 (at EUR0.10 per share) Agatos has now 92.79 million shares (vs. 63.51 million before). The free float increased to 28.3% (from 19.6% before the capital increase) while three main shareholders entered into Agatos: Zeus Capital Alternative with 9.7% stake, Mr. Wilhelm with 5.5% and Main Tower Sicav with 5.4%. The other main shareholders (Mr. Rinaldi, Life Investment and Mr. Nilsson) were diluted from 80.4% to 50.0% therefore maintaining the control of the company. In addition, the company approved the extension of the warrant duration up to 2023 (from 2021) with a new conversion price at EUR0.38 and issued further 13.84 million of free warrants (one warrant every two shares): outstanding warrants are now 45.21 million with a strike price of EUR0.35 per share in 2019, EUR0.35 in 2020 and EUR0.38 in 2021-23. The company also appointed a new Chairman, Mr. Wilhelm while Mr. Rinaldi has become CEO (he was previously Chairman) and Mr. Positano Managing director (previously CEO).
- > The company revised its 2019-22 business plan reflecting the delays of the Biosip plant of Marcallo, in particular postponing EUR7.6 million revenues from 2019 to 2020, and adding a new project of energy efficiency which should increase revenues by EUR3.0 million in 2019 and by EUR6.0 million in 2020. Altogether, sales should reach EUR16.9 million in 2019 (vs. EUR21.6 million expected before) and EUR47.9 million in 2020 (vs. EUR34.4 million), topping EUR55.8 million in 2022 (unchanged). EBITDA margin should progressively increase from 6.8% in 2019 (vs. 8.3% expected before) to 12.5% in 2020 (from 13.1%). Agatos also performed a stress test which confirmed that the company does not need to write down the current goodwill (EUR11.7 million, broadly in line with the current market capitalization).
- > A key item for realizing the business plan is the disposal of 80% of the SPV controlling the Biosip plant of Marcallo, which started the construction in August and is not consolidated. Last December Agatos signed a nonbinding letter of intent (after two other agreements which were not finalised for reasons not due to Agatos or the technical integrity of the BIOSIP process) with a leading sector player which already completed successfully the due diligence but still has to close the relative project financing. Agatos has borrowed to supply to the SPV a non-interest bearing loan of EUR2.15 million and recorded EUR1.54 million of sales in 2018 (classified under invoices to be issued). If the disposal does not

have a positive conclusion, our sales forecast for 2019 would decline by around EUR6.6 million. In our view, the construction of the Biosip plant of Marcallo is crucial as this first Biosip project will be the reference to get new contracts, particularly abroad.

- > In January 2019, Agatos sold its 50% stake in two SPVs holders of two Biosip projects in Sicily and consequently wrote down the existing credits (for EUR0.19 million). The exit strategy was due to the continuous delays of both projects and disagreement with the other stakeholder.
- > In March the company announced a partnership with Flymove, a company controlled by Equivalentia Capital Partner, for developing a new platform for the electric mobility: the idea is to create a network of new point of energy stations (the target is 2.000 stations within 2026) where electric vehicles can change the batteries in less than two minutes (battery swap system), avoiding the recharging time. The project seems promising being the key factor to relaunch the well-known Bertone brand with sporting electric cars (Dianchè Bertone) but it still in an early stage.
- > In May, Agatos sold its photovoltaic plant of Carbonia (1MW) for EUR1.1 million (of which EUR0.2 paid in 2020) plus a potential earn-out of EUR0.6 million based on the energy production of 2019. The company will maintain the O&M activity. In addition, after several delays, the company sold in June several minority stakes in SPVs controlling photovoltaic plants with 5.6MW capacity. The cash in of EUR1.07 million will be used to reduce net debt.

Figure 1 – 2018 results

(EURm)	2017A	2018A	% Chg.	2018E UBI	% Chg.
Sales total	7.23	7.49	3.5%	11.20	-33.2%
EBITDA	0.62	0.01	-99.0%	1.02	-99.4%
% margin	8.5%	0.1%		9.1%	
EBIT	-0.93	-2.43	nm	-1.29	nm
% margin	-12.8%	-32.4%		-11.5%	
Pre tax result	-1.50	-3.06	nm	-1.99	nm
Net result	-1.53	-3.04	nm	-2.30	nm
Net debt (cash)	13.39	14.81	10.6%	13.66	8.4%

Source: Company data, UBI Banca estimates

Figure 2 – 2H18 results

(EURm)	2H17A	2H18A	% Chg.
Sales total	4.63	3.10	-33.1%
EBITDA	0.51	-0.11	nm
% margin	10.9%	-3.6%	
EBIT	-0.27	-0.96	nm
% margin	-5.7%	-31.0%	
Pre tax result	-0.38	-1.25	nm
Net result	-0.40	-1.22	nm

Source: Company data

Figure 3 – Business plan revision

(EURm)	2019E			2020E		
	Old	New	% change	Old	New	% change
Revenues	21.6	16.9	-21.8%	34.4	47.9	39.3%
EBITDA	1.8	1.2	-36.1%	4.5	6.0	32.8%
% margin	8.3%	6.8%		13.1%	12.5%	

Source: Company data

Figure 4 – Banking debt and bonds structure at 31 December 2018

(EURm)	Amount at 31/12/18	Maturity	Spread/rate
Unicredit/Intesa/UBI	2.25		floating
Bper	3.15	31/12/2031	6M+3.50%
Bper	0.60	30/06/2019	6M+2.70%
BPM	1.00	31/10/2020	6M+2.75%
Veneto Banca	0.16	31/07/2020	6M+4.35%
Total bank debt	7.16		
Bond	0.76	31/07/2020	6.00%
Bond convertible	6.53	31/12/2026	4.75%
Bond convertible	1.10	11/10/2020	6.00%
Total bonds	8.41		
Total gross debt	15.56		

Source: Company data

Financial Projections

- > Following 2018 results and the recent assets disposal, we revised our 2019-20 estimates and added 2021. The Company anticipated revenues of around EUR17 million in 2019, implying an increase of 120% vs. 2018 with a buoyant growth in EPC and Biosip activities. Clearly, the final output would depend from the disposal of a majority stake of the SPV that controls the Biosip project of Marcallo. Our new 2019 value of production estimate is somewhat below the company's guidance (and 15% lower than our previous estimate) reflecting potential delays in the new contract of energy efficiency (EUR3 million expected in 2019 and EUR6 million in 2020). We also reduced our EBITDA projections to EUR1 million (from EUR1.9 million before), broadly in line with the company's guidance, coming to a bottom line negative for EUR0.8 million (vs. -EUR0.2 million before). We now expect net debt to decline to EUR9.6 million at Dec-19 thanks to the proceeds coming from the announced assets disposal (EUR2 million of photovoltaic assets already finalized plus EUR4.5 million stemming from the potential disposal of the Biosip plant of Marcallo).
- > We increased our sales forecasts for 2020 (and added 2021) by >30% factoring in the new energy efficiency contract and the delays of the construction of the Biosip plant of Marcallo which should affect 2019. Despite this increase, our EUR32.1 million sales estimate is well below the business plan (EUR47.9 million). 2021 should see revenues to reach EUR40 million also thanks to new Biosip projects.
- > As for EBITDA, we anticipate an EBITDA of EUR3.9 million in 2020 (vs. EUR6.0 million in the business plan) and EUR5.3 million in 2021 (vs. EUR6.5 million). Net result is expected to remain negative this year while 2020 should see a positive net result. Net debt should slightly decrease in 2020 and 2021 thanks to higher gross cash flow generation and the cash in from the already announced disposals of non-core assets.

Figure 5 – Old vs. New estimates

(EURm)	2018A	2019E		2020E		2021E
		Old	New	Old	New	New
Total Sales	7.49	17.94	15.17	24.55	32.13	40.25
% change			-15.4%		30.9%	
EBITDA	0.01	1.94	1.02	3.41	3.85	5.29
% change			-47.6%		12.7%	
EBIT	-2.43	0.78	-0.20	2.28	2.60	4.02
% change			nm		14.0%	
Net result	-3.04	-0.17	-0.79	1.25	1.26	2.17
% change			nm		0.8%	
Net Debt/(Cash)	14.81	13.20	9.59	10.93	8.55	5.91
EBIT margin	-32.4%	4.4%	-1.3%	9.3%	8.1%	10.0%
EBITDA margin	0.1%	10.8%	6.7%	13.9%	12.0%	13.2%

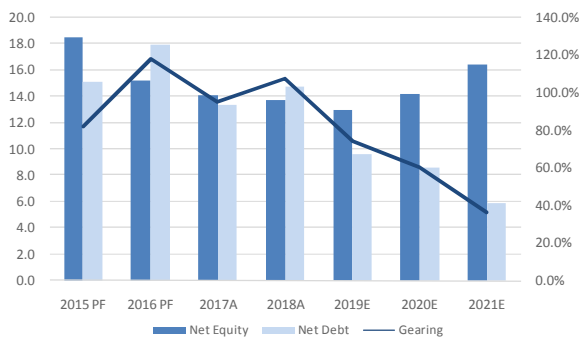
Source: Company data, UBI Banca estimates

Figure 6 – Our new estimates compared with the revised business plan

(EURm)	Our estimates			Business plan			% Change		
	2019E	2020E	2021E	2019E	2020E	2021E	2019E	2020E	2021E
Revenues	15.17	32.13	40.25	16.89	47.93	44.82	-10.2%	-33.0%	-10.2%
EBITDA	1.02	3.85	5.29	1.15	5.97	6.53	-11.6%	-35.6%	-19.0%
% margin	6.7%	12.0%	13.2%	6.8%	12.5%	14.6%			

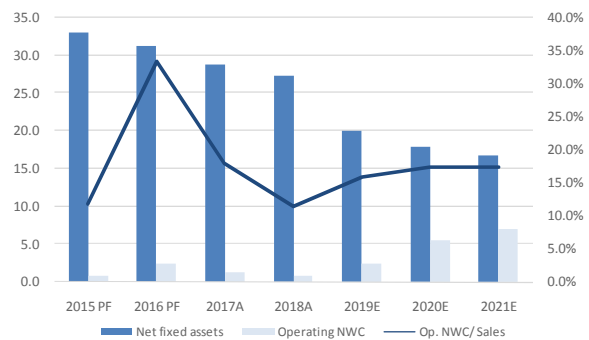
Source: Company data, UBI Banca estimates

Figure 7 – Financial structure (EURm)



Source: Company data, UBI Banca estimates

Figure 8 – Net fixed assets and operating NWC (EURm)



Source: Company data, UBI Banca estimates

Valuation

- > Given the revisions to our forecasts and the dilution stemming from the capital increase of October 2018, or around 38% which reduced our target price from EUR0.31 to EUR0.19, our target price has decreased to EUR0.17 per share which still presents an upside of >40%. This is based on a DCF analysis, after application of a 30% liquidity discount for the listing on the AIM market and the modest liquidity of the shares. We have not performed a relative valuation as Agatos' main peers (Energy Lab, Enertronica and TerniEnergia) do not present reliable and/or updated estimates. At our target price, Agatos trades at 7.7x EV/EBITDA in 2020 and 12.5x P/E.
- > Agatos' current market capitalization (EUR11 million) is well below its net invested capital (EUR28.2 million at Dec-18), which implies that Agatos may not be able to create value in the future. We believe this scenario is unlikely, given the potential development of Biosip projects and the profitability improvement expected in future.

Figure 9 – DCF Valuation

We used a risk-free rate of 3.5%, which is our long-term assumption for the interest rate on Italian bonds, a market risk premium of 4.5% and a leveraged beta of 0.64 (0.45 unleveraged), based on the average of the Utility (0.41) and Green and renewable (0.48) industries in Western Europe (source: Damodaran Jan-19) obtaining a WACC of 6.1%. Our DCF valuation implies an EV/EBITDA of 3.6x at terminal value.

	Valuation (EUR m)	% Weight	Per share (EUR)
Sum of PV 2018-26 FCF	18.84	47%	0.20
Terminal value	21.52	53%	0.23
Total Enterprise value	40.35	100%	0.43
- minorities	(0.84)		(0.01)
- Pension provision	(2.40)		(0.03)
- Net cash (debt)	(14.81)		(0.16)
Total Equity value	22.31		0.24
Number of shares outstanding (m)	92.79		
Fair value per share (EUR)	0.24		
Discount (30%)	(0.07)		
Target price (EUR)	0.17		

Source: UBI Banca estimates

Figure 10 – Implicit multiples based on our EUR0.17 target price

(x)	2019E	2020E	2021E
P/E	nm	12.5 x	7.3 x
EV/EBITDA	28.8 x	7.7 x	5.2 x
EV/EBIT	0.0 x	11.3 x	6.9 x
EV/Sales	1.93 x	0.92 x	0.69 x
P/BV	1.3 x	1.2 x	1.1 x
EV/ Capital employed	1.3 x	1.3 x	1.2 x

Source: UBI Banca estimates

Income Statement

(EURm)	2018	2019E	2020E	2021E
Value of production	7.49	15.17	32.13	40.25
EBITDA	0.01	1.02	3.85	5.29
EBITDA margin	0.1%	6.7%	12.0%	13.2%
EBIT	-2.43	-0.20	2.60	4.02
EBIT margin	-32.4%	-1.3%	8.1%	10.0%
Net financial income /expense	-0.63	-0.65	-0.49	-0.34
Associates & Others	0.00	0.00	0.00	0.00
Profit before taxes	-3.06	-0.86	2.11	3.68
Taxes	-0.01	0.21	-0.53	-1.10
Minorities & discontinuing ops	0.04	-0.15	-0.32	-0.40
Net Income	-3.04	-0.79	1.26	2.17

Source: Company data, UBI Banca estimates

Balance Sheet

(EURm)	2018	2019E	2020E	2021E
Net working capital	3.60	5.16	8.31	9.71
Net Fixed assets	27.37	19.96	17.98	16.75
M/L term funds	-2.40	-2.55	-3.49	-4.14
Capital employed	28.58	22.57	22.79	22.33
Shareholders' equity	12.93	11.98	12.92	14.69
Minorities	0.84	0.99	1.32	1.72
Shareholders' funds	13.77	12.97	14.24	16.41
Net financial debt/(cash)	14.81	9.59	8.55	5.91

Source: Company data, UBI Banca estimates

Cash Flow Statement

(EURm)	2018	2019E	2020E	2021E
NFP Beginning of Period	13.38	14.81	9.59	8.55
Group Net Profit	-3.04	-0.79	1.26	2.17
Minorities	-0.04	0.15	0.32	0.40
D&A	2.43	1.22	1.24	1.27
Change in Funds & TFR	0.00	0.00	0.00	0.00
Gross Cash Flow	-0.64	0.58	2.83	3.85
Change In Working Capital	0.44	-1.56	-3.14	-1.40
Other	0.00	0.00	0.00	0.00
Operating Cash Flow	-0.19	-0.98	-0.32	2.44
Net Capex	-0.15	-6.80	-2.64	-1.80
Other Investments	0.00	0.00	0.00	0.00
Free Cash Flow	-0.35	5.21	1.04	2.64
Dividends Paid	0.00	0.00	0.00	0.00
Other & Chg in Consolid. Area	-4.13	0.00	0.00	0.00
Chg in Net Worth & Capital Incr.	3.06	0.00	0.00	0.00
Change in NFP	-1.42	5.21	1.04	2.64
NFP End of Period	14.80	9.59	8.55	5.91

Source: Company data, UBI Banca estimates

Financial Ratios				
(%)	2018	2019E	2020E	2021E
ROE	-23.5%	-6.6%	9.8%	14.8%
ROI	-7.9%	-0.7%	10.1%	15.3%
Net Fin. Debt/Equity (x)	1.1	0.7	0.6	0.4
Net Fin. Debt/EBITDA (x)	nm	9.4	2.2	1.1
Interest Coverage	0.0	0.0	0.0	0.0
NWC/Sales	48.1%	34.0%	25.9%	24.1%
Capex/Sales	-2.1%	-2.0%	-2.0%	-2.0%
Pay Out Ratio	-0.0%	0.0%	0.0%	0.0%

Source: Company data, UBI Banca estimates

Per Share Data				
(EUR)	2018	2019E	2020E	2021E
EPS	-0.03	-0.01	0.01	0.02
DPS	0.00	0.00	0.00	0.00
Op. CFPS	-0.00	-0.01	-0.00	0.03
Free CFPS	-0.00	0.06	0.01	0.03
BVPS	0.14	0.13	0.14	0.16

Source: Company data, UBI Banca estimates

Stock Market Ratios				
(x)	2018 *	2019E	2020E	2021E
P/E	nm	nm	8.9	5.2
P/OpCFPS	nm	nm	nm	4.6
P/BV	2.4	0.9	0.9	0.8
Dividend Yield (%)	0.0%	0.0%	0.0%	0.0%
Free Cash Flow Yield (%)	-1.1%	46.4%	9.3%	23.5%
EV (EURm)	50.69	24.30	24.42	22.59
EV/Sales	6.8	1.6	0.8	0.6
EV/EBITDA	nm	23.9	6.4	4.3
EV/EBIT	0.0	nm	9.4	5.6
EV/Capital Employed	1.8	1.1	1.1	1.0

Source: Company data, UBI Banca estimates

* Based on 2018 average price

Growth Rates				
(%)	2018	2019E	2020E	2021E
Growth Group Net Sales	3.5%	102.7%	111.8%	25.2%
Growth EBITDA	-99.0%	nm	278.7%	37.6%
Growth EBIT	nm	nm	nm	54.7%
Growth Net Profit	nm	nm	nm	72.2%

Source: Company data, UBI Banca estimates

Disclaimer

Analyst Declaration

This research report (the “Report”) has been prepared by Marco Cristofori on behalf of UBI Banca S.p.A. (“UBI Banca”) in the context of the ancillary service provided by UBI Banca named “Investment research and financial analysis or other forms of recommendation relating to transactions in financial instruments” under Paragraph 5), Section B, Annex I of the Directive 2014/65/EU (“MiFID II”). UBI Banca is an Italian bank under art. 4 (1)(27) of MiFID II and it is supervised by the European Central Bank and duly authorised to provide investment services pursuant to Article 1, Paragraph 5, letter a), b), c), c-bis), e) and f) of the Legislative Decree 24 February 1998, n° 58 under the supervision of the Italian Authority for the financial markets (Consob). UBI Banca has its head office at Piazza Vittorio Veneto 8, 24122 Bergamo.

The analyst who prepared the Report, and whose name and role appear on the front page, certifies that:

- a. The views expressed on the company, mentioned herein (the “Company”) accurately reflect his personal views, but does not represent the views or opinions of UBI Banca, its management or any other company which is part of or affiliated with UBI Banca group (the “UBI Banca Group”). It may be possible that some UBI Banca Group officers may disagree with the views expressed in this Report;*
- b. He has not received, and will not receive any direct or indirect compensation in exchange for any views expressed in this Report;*
- c. The analyst does not own any securities and/or any other financial instruments issued by the Company or any financial instrument which the price depends on, or is linked to any securities and/or any financial instruments issued by the Company.*
- d. Neither the analyst nor any member of the analyst’s household serves as an officer, director or advisory board member of the Company.*
- e. The remuneration of the analyst is not directly tied to transactions for services for investment firms or other types of transactions it or any legal person, part of the same group performs, or to trading fees it or any legal person that is part of the same group receives.*
- f. The analyst named in this document is a member of AIAF.*

General disclosure

This Report is for information purposes only. This Report (i) is not, nor may it be construed, to constitute, an offer for sale or subscription or of a solicitation of any offer to buy or subscribe for any securities issued or to be issued by the Company, (ii) should not be regarded as a substitute for the exercise of the recipient’s own judgement. In addition, the information included in this Report may not be suitable for all recipients. Therefore the recipient should conduct their own investigations and analysis of the Company and securities referred to in this document, and make their own investment decisions without undue reliance on its contents. Neither UBI Banca, nor any other company belonging to the UBI Banca Group, nor any of its directors, managers, officers or employees, accepts any direct or indirect liability whatsoever (in negligence or otherwise), and accordingly no direct or indirect liability whatsoever shall be assumed by, or shall be placed on, UBI Banca, or any other company belonging to the UBI Banca Group, or any of its directors, managers, officers or employees, for any loss, damage, cost, expense, lower earnings howsoever arising from any use of this Report or its contents or otherwise arising in connection with this Report.

The information provided and the opinions expressed in this Report are based upon information and data provided to the public by the Company or news otherwise public, and refers to the date of publication of the Report. The sources (press publications, financial statements, current and periodic releases, as well as meetings and telephone conversations with the Company's representatives) are believed to be reliable and in good faith, but no representation or warranty, express or implied, is made by UBI Banca as to their accuracy, completeness or correctness. Past performance is not a guarantee of future results. Any opinions, forecasts or estimates contained herein constitute a judgement as of the date of this Report, and there can be no assurance that the future results of the Company and/or any future events involving directly or indirectly the Company will be consistent with any such opinions, forecasts or estimates. Any information herein is subject to change, update or amendment without notice by UBI Banca subsequent to the date of this Report, with no undertaking by UBI Banca to notify the recipient of this Report of such change, update or amendment.

Organizational and administrative arrangements to prevent conflicts of interests

UBI Banca maintains procedures and organizational mechanism (physical and non physical barriers designed to restrict the flow of information between the unit which performs investment research activity, and other units of UBI Banca) to prevent and professionally manage conflicts of interest in relation to investment research in accordance with art. 23 of Directive 2014/65/EU and under art. 34 (3) and art. 37 of the Regulation 2017/565/EU.

More specifically, UBI Banca has established, implements and maintains an effective conflicts of interests policy aimed at preventing and managing the potential conflicts of interest that could occur during the performance of the investment research services.

Insofar as the above mentioned organizational and administrative arrangements established by UBI Banca to prevent or manage potential conflicts of interests are not sufficient to ensure, with reasonable confidence, that risks of damage to the interests of the client will be prevented, UBI Banca engages to provide a clear disclosure of the specific conflicts of interests arising from the performance of investment research services, including a description of the sources of those conflicts and the steps undertaken to mitigate them, taking into account the nature of the client to whom the disclosure is being made.

For further information please see UBI Banca's website (www.ubibanca.com/equity-research - "Informativa sintetica sull'attività di ricerca") and (www.ubibanca.com/Mifid - "Policy sintetica conflitti di interessi"). More details about the conflicts of interests policy will be provided by UBI Banca upon request.

Disclosure of interests and conflicts of interests pursuant to Delegated Regulation 2016/958/EU

In relation to the Company the following interest/conflict of interest have been found:

- > UBI Banca acts as Specialist for Agatos.
- > UBI Banca may have long or short positions with the issuer

On the basis of the checks carried out no other interest/conflict of interest arose.

Frequency of updates

UBI Banca aims to provide continuous coverage of the companies in conjunction with the timing of periodical accounting reports and any exceptional event that occurs affecting the issuer's sphere of operations and in any case at least twice per year. The companies for which UBI Banca acts as Sponsor or Specialist are covered in compliance with regulations

of the market authorities.

For further information please refer to www.ubibanca.com/equity-research

Valuation methodology

UBI Banca's analysts value the Company subject to their recommendations using several methods among which the most prevalent are: the Discounted Cash Flow method (DCF), the Economic Value Added method (EVA), the Multiple comparison method, the SOP method and the NAV method.

The analysts use the above valuation methods alternatively and/or jointly at their discretion. The assigned target price may differ from their fair value, as it also takes into account overall market/sector conditions, corporate/market events, and corporate specifics (i.e. holding discounts) reasonably considered to be possible drivers of the company's share price performance. These factors may also be assessed using the methodologies indicated above.

For further information please refer to www.ubibanca.com/equity-research.

Ranking system

UBI Banca's analysts use an "absolute" rating system, not related to market performance. The explanation of the rating system is listed below:

Buy: if the target price is 15% higher than the market price, over the next 12 months.

Hold: if the target price is 15% below or 15% above the market price, over the next 12 months.

Sell: if the target price is 15% lower than the market price, over the next 12 months.

No Rating: the investment rating and target price have been suspended as there is not sufficient fundamental basis for determining an investment rating or target. The previous investment rating and target price, if any, are no longer in effect. Alternatively, No Rating is assigned in certain circumstances when UBI Banca is acting in any advisory capacity in a strategic transaction involving the Company.

Target price: the market price that the analyst believes that the share may reach within a one-year time horizon.

Market price: closing price on the day before the issue date of the report, appearing on the first page.

Distribution

Italy: This document is intended for distribution in electronic form to "Professional Clients" and "Qualified Counterparties" as defined by Legislative Decree 24 February 1998, n. 58 and by Consob Regulation n. 16190 dated 29.10.2007, as further amended and supplemented.

This Report has been released within 30 minutes from the timing reported on the front page.

IN THE UNITED KINGDOM, THIS DOCUMENT IS BEING DISTRIBUTED ONLY TO, AND IS DIRECTED ONLY AT PERSONS WHO (A) ARE (I) PERSONS FALLING WITHIN ARTICLE 19 OR ARTICLE 49 OF THE FINANCIAL SERVICES AND MARKETS ACT 2000 (FINANCIAL PROMOTION) ORDER 2005 (AND ONLY WHERE THE CONDITIONS CONTAINED IN THOSE ARTICLES HAVE BEEN, OR WILL AT THE RELEVANT TIME BE, SATISFIED) OR (II) ANY OTHER PERSONS TO WHOM IT MAY BE LAWFULLY COMMUNICATED; AND (B) ARE QUALIFIED INVESTORS WITHIN THE MEANING OF ARTICLE 2(1)(E) OF THE PROSPECTUS DIRECTIVE (DIRECTIVE 2003/71/EC), (ALL SUCH PERSONS BEING REFERRED TO AS "RELEVANT PERSONS"). THIS DOCUMENT MUST NOT BE ACTED ON OR RELIED ON BY PERSONS WHO

ARE NOT RELEVANT PERSONS.

THIS REPORT DOES NOT CONSTITUTE A PROSPECTUS WITHIN THE MEANING OF ARTICLE 652A OR ART. 1156 OF THE SWISS CODE OF OBLIGATIONS OR A LISTING PROSPECTUS WITHIN THE MEANING OF THE LISTING RULES OF THE SIX SWISS EXCHANGE OR ANY OTHER TRADING VENUE IN SWITZERLAND, OR A SIMILAR COMMUNICATION WITHIN THE MEANING OF ART. 752 THE SWISS CODE OF OBLIGATIONS, AND HAS BEEN PREPARED WITHOUT REGARD TO SWISS LAWS AND REGULATIONS, AND DOES NOT CONSTITUTE AN OFFER TO SUBSCRIBE FOR, BUY OR OTHERWISE ACQUIRE ANY SECURITIES OF THE COMPANY.

Copyright

This Report is being supplied solely for the recipient's information and may not be reproduced, redistributed or passed on, directly or indirectly to any other person or published, in whole or in part, for any purpose without prior written consent of UBI Banca.

The copyright and intellectual property rights on the data are owned by UBI Banca Group, unless otherwise indicated. The data, information, opinions and valuations contained in this Report may not be subject to further distribution or reproduction, in any form or via any means, even in part, unless expressly consented by UBI Banca.

By accepting this Report the recipient agrees to be bound by all of the forgoing provisions.

Distribution of ratings

Equity rating dispersion in the past 12 months

Buy	Hold	Sell	No Rating
89.4%	6.4%	0.0%	4.2%

Proportion on issuers to which UBI Banca has supplied investment banking services relating to the last 12 months

Buy	Hold	Sell	No Rating
100%	100%	-	100%

For further information regarding yearly and quarterly rating statistics and descriptions, please refer to www.ubibanca.com/equity-research.

Historical ratings and target prices

Date	Rating	Target Price (EUR)	Market Price (EUR)
19 January 2018	Buy	0.41	0.31
1 October 2018	Buy	0.31	0.21