

Analyst:

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**EQUITY RESEARCH**

Italy | Technology

**STOCK DATA**

Price €	9.9
Bloomberg code	AV IM
Market Cap. (€ mn)	574
Free Float	12%
Ordinary Shares Out. (mn)	57.9
52-week range	9.6-13.2
Daily Volumes	5,299

**PERFORMANCE**

	1M	3M	12M
Absolute	-3.6%	-7.6%	-
Rel. to FTSE all shares	-1.4%	-4.9%	-

**MAIN METRICS**

	2019E	2020E	2021E
Revenues	126	165	192
Adj. EBIT	33	43	52
Net income	24	30	36
Adj. EPS - € cents	40	51	62
DPS ord - € cents	8	10	13

**MULTIPLES**

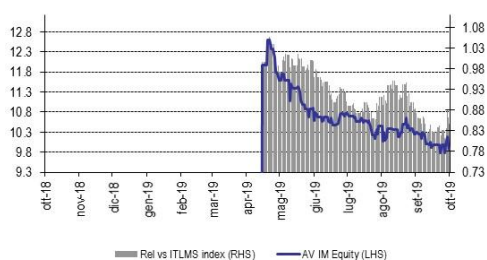
	2019E	2020E	2021E
P/E	24.1 x	19.3 x	15.8 x
P/E adj. ex-cash	23.0 x	17.7 x	13.9 x
Adj. EV/EBIT	16.1 x	12.2 x	9.6 x

**REMUNERATION**

	2019E	2020E	2021E
Div. Yield ord	0.8%	1.0%	1.3%
FCF yield	2.5%	3.9%	5.1%

**INDEBTEDNESS**

	2019E	2020E	2021E
NFP	34	52	75
Debt/EBITDA	n.m.	n.m.	n.m.
Interests cov	n.m.	n.m.	n.m.

**PRICE ORD LAST 365 DAYS**

**BUY** (Unchanged)

**Target: € 12** (€12.8ps) | Risk: High

**SUBDUED RESULTS, ATTRACTIVE M&A**

*On one hand, AV delivered subdued 1H results (flat sales, EBITDA +2.5%). On the other, AV made an attractive and important acquisition in the visual inspection sector (FT system, EV=€60mn). All in all, 2020 EPS -1% and TP -6%. Equity story remains intact in our view.*

**1H19 wrap-up: subdued results for a company like Antares**

- Sales €52mn (-0.7% YoY) vs €55.8mn exp.
- First margin €38.4mn (+20% YoY) vs €39.2mn exp.
- EBITDA €12.5 (+2.5% YoY) vs €13.4mn exp.
- Net Income €8.4mn (+7.8% YoY) vs €8.6mn exp.
- NFP €81.8mn vs €84.8mn exp.

**1H19 was below estimates due to weaker sales:**

- **Sales were flattish YoY** (vs +6.5% YoY exp.) mainly because of a deterioration for T&T Pharma (-8.5% YoY, ~67% of sales) dampened by a very tough comparison. This trend was partly offset by sustained growth for vision solutions (>15% YoY) and services (>80% YoY);
- **First margin grew considerably** (73.9% on sales vs 60.9% in 1H18 and 70.3% exp.) mostly thanks to a better mix (higher percentage of assistance and maintenance services vs equipment sales);
- **EBITDA growth was limited** (+2.5% vs +10% exp.) due to the increasing investments in the workforce (+33% YoY) to secure ongoing growth through the development of new markets/sectors;
- **Net Income benefitted from lower taxes (26% vs 29% exp.).**

**AV buys FT System: sizeable and interesting deal**

**AV acquired 100% of FT System (FT) for EV=€60mn.** FT is an Italian company specialised in inspection and control systems in the beverage industry with ~€26mn of sales (2019E) and ~€6mn of EBITDA (2019E). Sellers are: Arol Group (80%, producer of capping/closure systems) and the two founders.

**The transaction makes both financial and industrial sense as:**

- **AV will invest part of its cash at 10x EV/EBITDA**, a fair multiple for a company with high margins and interesting growth prospects;
- **The deal will allow AV to develop interesting commercial synergies:** 1) expansion of the offer in F&B, 2) development of cross-selling and 3) extension of its geographical presence;
- **The deal reduces AV's exposure to T&T Pharma regulation** which creates volatility.

**2020 EPS is basically confirmed but only including the M&A contribution**

**We have cut our stand-alone 2019-20 Adj. EPS numbers by -11/-13%** mostly due to lower sales in the T&T Pharma division. The **2020 Adj. EPS number is however essentially confirmed (~-1%) after incorporating the FT System deal.** TP is cut by 6% to €12ps (implied 2020 EV/EBIT=15.2x).

**Equity story remains intact**

While trading momentum has decelerated we stick to our BUY because we:

- **Remain confident on AV's mid-term growth opportunities supported by attractive market fundamentals, penetration of new end-markets and the company's unique business model;**
- **See AV as a clear winner in the industry given its ability to deliver complex/technologically advanced solutions.**

<b>MAIN FIGURES € mn</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019E</b>	<b>2020E</b>	<b>2021E</b>
<b>Revenues</b>	<b>59</b>	<b>90</b>	<b>119</b>	<b>126</b>	<b>165</b>	<b>192</b>
Growth	31%	53%	33%	5%	31%	16%
<b>EBITDA</b>	<b>13</b>	<b>24</b>	<b>34</b>	<b>35</b>	<b>45</b>	<b>55</b>
Growth	26%	79%	40%	4%	28%	22%
<b>Adj.EBIT</b>	<b>13</b>	<b>23</b>	<b>33</b>	<b>33</b>	<b>43</b>	<b>52</b>
Growth	32%	83%	42%	2%	28%	21%
<b>EBIT</b>	<b>13</b>	<b>23</b>	<b>33</b>	<b>33</b>	<b>43</b>	<b>52</b>
Growth	32%	83%	42%	2%	28%	21%
<b>Profit before tax</b>	<b>13</b>	<b>22</b>	<b>32</b>	<b>33</b>	<b>42</b>	<b>51</b>
Growth	n.a	75%	40%	4%	27%	22%
<b>Net income</b>	<b>9</b>	<b>15</b>	<b>23</b>	<b>24</b>	<b>30</b>	<b>36</b>
Growth	44%	67%	46%	6%	25%	22%
<b>Adj. net income</b>	<b>9</b>	<b>16</b>	<b>23</b>	<b>23</b>	<b>29</b>	<b>36</b>
Growth	39%	76%	47%	3%	25%	22%
<b>MARGIN</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019E</b>	<b>2020E</b>	<b>2021E</b>
Ebitda Margin	22.8%	26.7%	28.2%	27.9%	27.3%	28.5%
Ebitda adj Margin	22.8%	26.7%	28.2%	27.9%	27.3%	28.5%
Ebit adj margin	21.4%	25.7%	27.4%	26.7%	26.0%	27.2%
Pbt margin	21.9%	25.1%	26.5%	26.2%	25.3%	26.6%
Ni rep margin	15.8%	17.2%	18.9%	19.0%	18.0%	18.9%
Ni adj margin	15.1%	17.3%	19.1%	18.6%	17.8%	18.7%
<b>SHARE DATA</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019E</b>	<b>2020E</b>	<b>2021E</b>
EPS - € cents	n.a.	n.a.	42.5	41.0	51.2	62.5
Growth	n.a.	n.a.	-	-4%	25%	22%
Adj. EPS - € cents	n.a.	n.a.	42.9	40.3	50.5	61.6
Growth	n.a.	n.a.	-	-6%	25%	22%
DPS ord - € cents	n.a.	n.a.	0.0	8.2	10.3	12.6
BVPS	n.a.	n.a.	1.3	2.5	2.9	3.4
<b>VARIOUS - € mn</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019E</b>	<b>2020E</b>	<b>2021E</b>
Capital employed	19	31	41	111	119	127
FCF	2	3	13	14	22	29
Capex	0	2	2	7	5	4
Working capital	14	27	37	48	54	61
<b>INDEBTNESS - €mn</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019E</b>	<b>2020E</b>	<b>2021E</b>
NFP	7	9	30	34	52	75
D/E	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.
Debt/EBITDA	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.
Interests cov	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.
<b>MARKET RATIOS</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019E</b>	<b>2020E</b>	<b>2021E</b>
P/E	n.a.	n.a.	23.5 x	24.1 x	19.3 x	15.8 x
P/E adj	n.a.	n.a.	23.3 x	24.5 x	19.6 x	16.0 x
P/E adj. ex-cash	n.a.	n.a.	22.0 x	23.0 x	17.7 x	13.9 x
PBV	n.a.	n.a.	7.5 x	4.0 x	3.4 x	2.9 x
<b>EV FIGURES</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019E</b>	<b>2020E</b>	<b>2021E</b>
EV/Sales	n.a.	n.a.	4.2 x	4.3 x	3.2 x	2.6 x
Adj. EV/EBITDA	n.a.	n.a.	15.0 x	15.4 x	11.6 x	9.2 x
Adj. EV/EBIT	n.a.	n.a.	15.4 x	16.1 x	12.2 x	9.6 x
EV/CE	n.a.	n.a.	12.3 x	4.9 x	4.4 x	4.0 x
<b>REMUNERATION</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019E</b>	<b>2020E</b>	<b>2021E</b>
Div. Yield ord	n.a.	n.a.	0.0%	0.8%	1.0%	1.3%
FCF yield	n.a.	n.a.	2.4%	2.5%	3.9%	5.1%
ROCE	48.3%	52.5%	57.8%	22.2%	26.2%	29.9%
ROE	36.3%	38.3%	31.8%	16.5%	17.5%	18.2%

Source: Company data and EQUITA SIM estimates. 2018 multiples and numbers are pre-money.

### 1H19: SUBDUED RESULTS

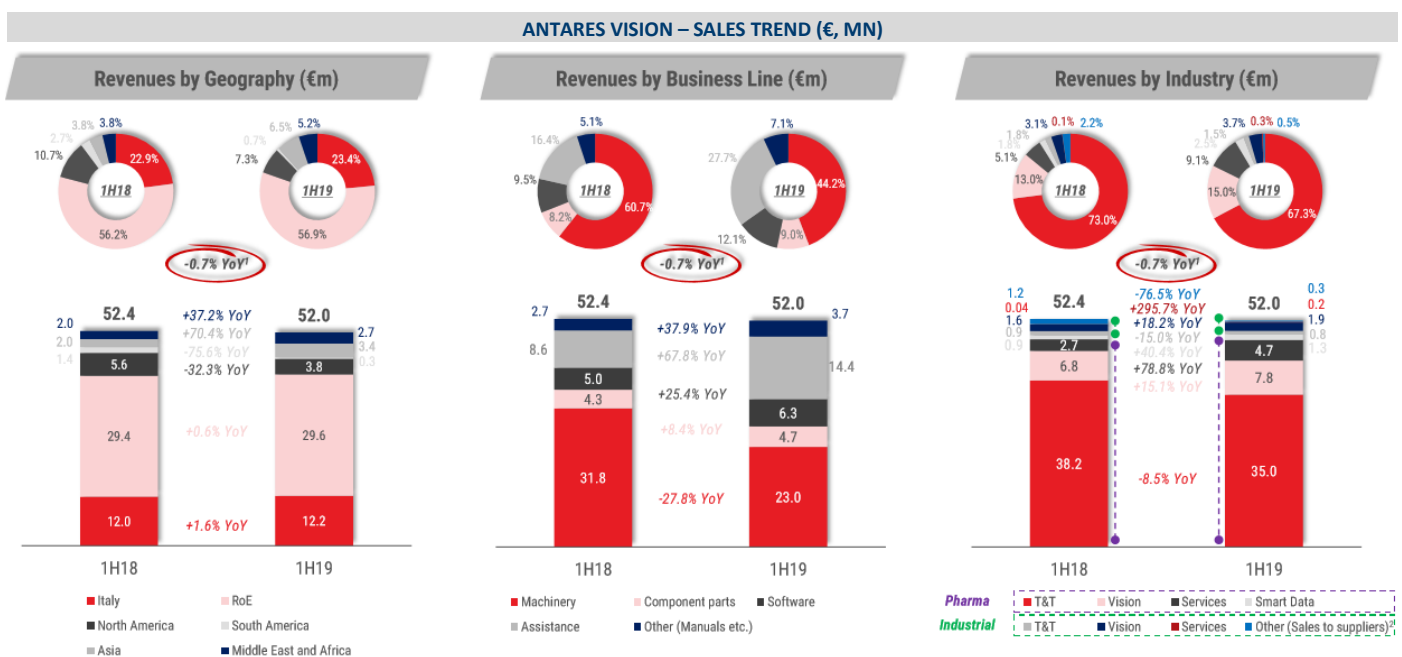
- Sales €52mn (-0.7% YoY) vs €55.8mn exp.
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#### Flattish sales: uninspiring for a company like Antares

For a high growth company like AV to deliver flattish sales (vs +6.5% exp.) is uninspiring.

T&T Pharma (~67% of sales) was the main culprit. Sales in this division were down significantly (-8.5% YoY) because the sound development in Asia was not enough to offset the slowdown of the European business affected by the phase-out of Phase 1 (deadline: February 9th, 2019).

Conversely, both Vision (~20% of sales) and Services (~12% of sales) expanded considerably (>+15% and >+80% respectively) thanks to the healthy underlying trends/reinforced product range (Vision) and the enlarged machine base (services).



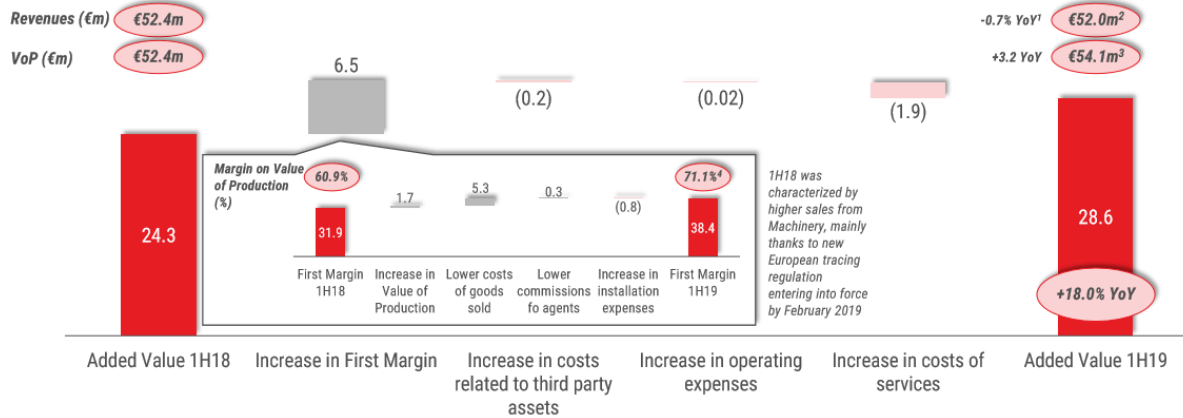
Notes: (1) Equal to +1.0% YoY excluding sales of components made to our suppliers which will then be included in the price of the assembled machines; (2) Includes sales of components made to our suppliers which will then be included in the price of the assembled machines  
Source: Company Presentation

#### Big jump in first profit: partly recurring, partly one-off

While sales were sluggish, AV reported a particularly strong first margin (73.9% on sales vs 60.9% in 1H18 and 70.3% exp.) thanks to a much better mix driven by two factors (the first not strictly recurrent):

- **lower sales from machineries:** 1H18 was characterized by higher sales from Machinery, mainly thanks to new European tracing regulation entering into force by February 2019;
- **higher sales from services** that are benefiting from the enlarged installed base

**ANTARES VISION – FIRST MARGIN AND ADDED VALUE (€, MN)**



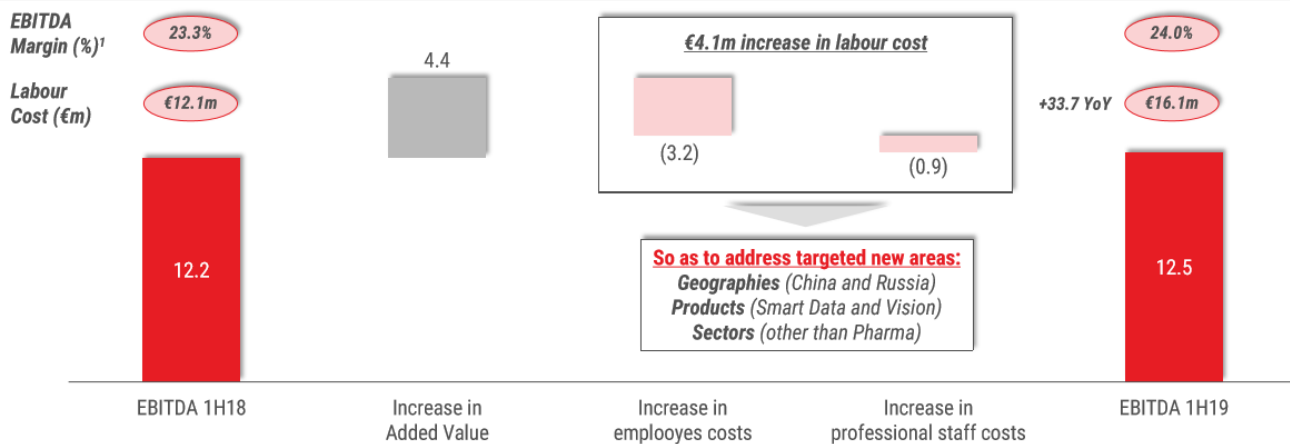
Notes: (1) Equal to +1.0% YoY excluding sales of components made to our suppliers which will then be included in the price of the assembled machines; (2) Equal to €50.3m excluding Vision Machine H2020 Contribution; (3) Including roughly €2m of R&D expense capitalization and tax credit; (4) Equal to 68.9% without considering the positive contribution from Machine Vision H2020 Contribution, R&D expense capitalization and tax credit  
 Source: Company Presentation

**Limited EBITDA growth due to strategic investments in the workforce**

Below the first profit line, EBITDA growth was limited due to higher labour costs (€+4mn, or +33%) needed to prepare for the expected growth in both existing businesses and in targeted new areas (China and Russia, Smart Data and Vision, Industrial sectors etc...).

**ANTARES VISION – EBITDA**

Despite a significant increase in labour cost (due to development costs), EBITDA grows



Notes: (1) Margin calculated on Revenues  
 Source: Company Presentation

**SMART DEAL: ANTARES BUYS FT SYSTEM**

AV recently finalised its biggest acquisition ever by buying 100% of FT System (FT).

With this deal, AV increases visibility on its strategy to enlarge business beyond Pharma and T&T solutions.

FT:

- Is an Italian company, a leader in the development of control and inspection solutions in the beverage industry;
- Is expected to generate 2019E sales >€26mn with high margins (EBITDA € 6mn /23% margin and EBIT €5.7mn). 2019 sales growth is expected to be >10%;
- Has global exposure (we estimate that Italy accounts for about 20% of sales) and a fragmented client base (we estimate that the top 10 clients account for 1/3 of sales). The client portfolio is made up of 2000 companies in more than 60 countries;

- **Has a similar business model to AV:** lean production (outsourcing), clients are both end-customers and packaging machinery producers, NWC/sales is at 25-30%. We estimate that first profit is around 60% (vs 64% for AV in 2018).

#### FT SYSTEM – PRODUCTS

**EMPTY BOTTLE INSPECTION** - Full Inspection



**CODE INSPECTION** - Presence, Integrity, Correspondence, Reading



**FILL LEVEL INSPECTION** - Foam Compensation Technology



**LINE MONITORING AND SAMPLING SYSTEM**



*Source: Company Website*

Main transaction terms:

- **EV paid is ~€60mn (equity=€67.7mn) ~12% of the Group's EV.** The sellers are: Arol Group (80%, producer of capping/closure systems) and the two founders;
- **AV and Arol have signed an industrial partnership** with the aim of creating a complete offer: control and inspection, product traceability along the supply chain and data management.

In our opinion this deal makes both financial and industrial sense as:

- **AV will invest part of its cash (NFP>€90mn FY19E) at ~10x EV/EBITDA,** a fair multiple for a company with high margins and interesting growth prospects (we estimate mid-single digit organic sales growth);
- **It will allow AV to develop interesting commercial synergies:** 1) expansion of the offer in F&B, 2) development of cross-selling and 3) extension of the geographical presence;
- **We see limited integration risks as the founders will remain within the Group;**
- **It reduces AV's exposure to T&T Pharma regulations** which can create volatility on numbers (as it is happening).

**In fact, we estimate that sales excluding T&T Pharma will move from 38% (2020E pre-deal) to 47% (2020E post-deal).**

## STRATEGIC INVESTMENTS ARE STARTING TO PAY-OFF

During the conference call, the Management reiterated its firm confidence in the company's strategic positioning and mid-term growth prospects.

### Main hints:

- **2019 outlook: management confirmed targets (e.g sales +5-10%) even though the likely postponement of the introduction of the T&T regulation in Russia could delay a portion of turnover to 2020.**  
In 2H, both services and visual inspection solutions are expected to accelerate versus the already dynamic 1H growth (>15% and >75% growth respectively).  
**Order intake (not quantified) is growing high-single digit YoY;**
- **China: the company is well-positioned to secure a leading role in the implementation of drug traceability projects** (the so called "Made in China 2025"). They expect the first impacts in terms of turnover as of 2020 (we estimate >€5mn of sales) in a market that is huge (>#2000 pharmaceutical lines) and unpenetrated;
- **Russia: sales from Russia were limited in 1H (€1mn). However, the company is building strong relationships with the Government and with both local and international companies** (not just in the Pharma sector) and expects to see the first tangible benefits from 2H/2020;
- **Vision solutions: major opportunities.** Investments in the development of the Inspection machines segment (limited contribution in 2018, e.g €2/3mn of sales) are paying off. Management expect a sizeable contribution in terms of sales as early as 2019 (i.e >12 machines ordered with value of € 0.5-1mn in 2019 and a target to reach 50 machines in 2021-22);
- **First margin: the company has room to generate a margin in the region of 70%** thanks to an increase in the services/software component (first margin of almost 100%).

### ANTARES VISION – RECENT KEY STRATEGIC INITIATIVES

- **2019 results very much dependent** on the implementation of the **Russian tracing regulation** (orders already coming in 2H 2019) with operators pressuring for a postponement
- The **growth prospects** in the Chinese/Far East, Asian and Brazilian markets become more solid
- The **organic diversification** process in the Vision business is continuing
- Services are also growing strongly, in line with the expansion of the installed machinery (mirroring 1H 2018)
- **Smart data** is growing at a slower pace vis a vis our expectation but **investments** continue in this field

*Source: Company Presentation*

## STAND-ALONE NUMBERS CUT

On a stand-alone basis, we have cut our 2019-20 Adj. EPS numbers by -11/-13% as a combination of:

- **A more conservative approach on Pharma T&T** (sales in 2019 from €87mn to €76mn and in 2020 from €98mn to €85mn) mostly because: 1) we have postponed €7mn of Russian sales (about 50% of the 1H19 Russian backlog) from 2019 to 2020 but we have not increased the 2020 estimate (about €30mn) taking a more prudent approach, 2) we have reduced our 2020 estimate for the Phase 2 in Europe pending more visibility on orders;
- **A better first margin** (in 2019 at 72.3% from 69% and in 2020 at 70.5% from 68.7%) in line with the Management's indications. 2020 first margin is expected to be lower than the 2019 number due to an estimated higher contribution from machineries;
- **Slightly higher labour costs** (€1mn);
- **A Slightly better tax-rate** (from 28.5% to ~28%).

After the M&A contribution (€6/7mn of additional EBITDA, €-0.8mn of additional financial expenses after the issuance of new debt) **we have basically confirmed our 2020 Adj. EPS numbers**. Other elements of interest:

- **EBITDA margins are diluted by M&A**: FT System is expected to generate EBITDA margin in the area of 23% vs 28% of AV;
- **FT System is consolidated for 3 months in 2019** (€1.5mn of additional EBITDA);
- **Sales from FT System are incorporated in the Vision (Industrial) division**
- **M&A sales contribution is: 2019 +5.5% and 2020 +17%**.

### ANTARES VISION - CHANGE IN ESTIMATES (2019-2021)

	2018A	2019E	2020E	2021E	2018A	2019E	2020E	2021E	2018A	2019E	2020E	2021E
	Previous Estimates				Current Estimates							
<b>Sales</b>	119.17	127.4	146.6	173.7	119.2	125.6	164.9	191.8		-1.4%	12.5%	10.4%
yoy	32.9%	6.9%	15.1%	18.5%	32.9%	5.4%	31.3%	16.3%				
<b>Adj. EBITDA</b>	33.6	37.6	44.6	54.7	33.6	35.0	45.0	54.7		-6.9%	0.8%	0.1%
yoy	40.1%	11.2%	18.0%	22.1%	40.1%	4.4%	28.4%	21.7%				
<b>Adj. EBIT</b>	32.7	36.4	42.9	52.4	32.7	33.5	43.0	52.1		-7.9%	0.1%	-0.5%
<b>margins</b>	27.4%	28.5%	29.3%	30.2%	27.4%	26.7%	26.0%	27.2%				
yoy	42.1%	11.2%	18.0%	22.1%	42.1%	2.4%	28.3%	21.3%				
<b>Adj. Net Income</b>	22.8	25.1	29.7	36.4	22.8	23.4	29.4	35.8		-6.7%	-1.3%	-1.6%
yoy	46.7%	10.3%	18.4%	22.3%	46.7%	2.9%	25.3%	22.0%				
<b>NFP</b>	30.4	99.2	116.4	139.5	30.4	34.3	51.8	74.8		-64.9	-64.6	-64.6

Source: Company data and EQUITA SIM estimates

### ANTARES VISION - TOP-LINE DEVELOPMENT (2017-2021, €mn)

(€ mn)	2017	2018	2019	2020	2021
<b>Pharma</b>	86.2	112.1	111.6	127.8	143.8
YoY Growth (%)	52.6%	30.0%	-0.4%	14.5%	12.5%
<i>T&amp;T</i>	71.2	85.6	76.0	85.5	96.2
YoY Growth (%)	55.3%	20.3%	-11.2%	12.5%	12.5%
<i>Vision</i>	10.9	19.1	22.9	25.7	28.2
YoY Growth (%)	20.2%	74.7%	20.0%	12.0%	10.0%
<i>Services</i>	4.1	5.6	9.9	11.7	13.4
YoY Growth (%)	160.2%	36.7%	76.3%	17.3%	15.2%
<i>Smart Data</i>	0.0	1.8	2.8	5.0	6.0
YoY Growth (%)	-	-	55.6%	78.6%	20.0%
<b>Industrial</b>	3.4	5.3	6.5	8.6	17.8
YoY Growth (%)	56.9%	54.2%	23.4%	32.5%	106.7%
<i>T&amp;T</i>	0.0	1.0	1.0	1.0	7.8
YoY Growth (%)	-	0.0%	nm	nm	680.0%
<i>Vision</i>	3.4	4.1	11.9	33.6	37.0
YoY Growth (%)	56.9%	21.5%	187.0%	182.7%	10.3%
<i>Services</i>	0.0	0.1	0.1	0.1	0.2
YoY Growth (%)	-	-	nm	nm	nm
<i>Smart Data</i>	0.0	0.0	0.0	1.5	1.9
YoY Growth (%)	-	-	nm	nm	26.7%
<b>Total Sales</b>	89.6	119.2	125.6	164.9	191.8
YoY Growth (%)	52.7%	32.9%	5.4%	31.3%	16.3%

Source: EQUITA SIM estimates and Company data

## ANTARES VISION - TOP-LINE DEVELOPMENT (2017-2021, €mn)

(€ mn)	2017	2018	2019	2020	2021
<b>T&amp;T</b>	<b>71.2</b>	<b>86.6</b>	<b>77.0</b>	<b>86.5</b>	<b>104.0</b>
YoY growth	55.3%	21.7%	-11.1%	12.3%	20.2%
<b>Vision</b>	<b>14.3</b>	<b>23.2</b>	<b>34.8</b>	<b>59.3</b>	<b>65.3</b>
YoY Growth (%)	27.3%	62.0%	49.8%	70.3%	10.2%
<b>Services</b>	<b>4.1</b>	<b>5.7</b>	<b>10.0</b>	<b>11.7</b>	<b>13.6</b>
YoY Growth (%)	160.2%	39.1%	75.0%	16.8%	16.4%
<b>Smart Data</b>	<b>0.0</b>	<b>1.8</b>	<b>2.8</b>	<b>6.5</b>	<b>7.9</b>
YoY Growth (%)	-	-	55.6%	132.1%	21.5%
<b>Total Sales</b>	<b>89.6</b>	<b>119.2</b>	<b>125.6</b>	<b>164.9</b>	<b>191.8</b>
YoY Growth (%)	52.7%	32.9%	5.4%	31.3%	16.3%

Source: EQUITA SIM estimates and Company data

## ANTARES VISION - PROFITABILITY DEVELOPMENT (2017-2021, €mn)

	2017	%	2018	%	2019E	%	2020E	%	2021E	%
<b>Total Sales</b>	<b>89.6</b>		<b>119.2</b>		<b>125.6</b>		<b>164.9</b>		<b>191.8</b>	
YoY Growth (%)	53%		33%		5%		31%		16%	
Cogs	-25.2		-35.3		-28.6		-43.9		-51.7	
Commercial costs	-2.1		-3.2		-3.3		-4.1		-4.8	
Installation expenses	-3.0		-4.0		-3.5		-3.7		-4.1	
<b>First Margin</b>	<b>59.3</b>	<b>66.2%</b>	<b>76.7</b>	<b>64.3%</b>	<b>90.3</b>	<b>71.9%</b>	<b>113.3</b>	<b>68.7%</b>	<b>131.2</b>	<b>68.4%</b>
YoY Growth (%)	57%		22%		18%		25%		16%	
Services	-13.5		-15.4		-19.0		-23.5		-25.7	
Personnel	-20.5		-26.1		-33.9		-42.8		-48.7	
Other costs	-1.4		-1.7		-2.3		-2.0		-2.1	
<b>Adj. EBITDA</b>	<b>24.0</b>	<b>26.7%</b>	<b>33.6</b>	<b>28.2%</b>	<b>35.0</b>	<b>27.9%</b>	<b>45.0</b>	<b>27.3%</b>	<b>54.7</b>	<b>28.5%</b>
YoY Growth (%)	79%		40%		4%		28%		22%	
Non recurring	0.0		0.0		0.0		0.0		0.0	
<b>EBITDA</b>	<b>24.0</b>	<b>26.7%</b>	<b>33.6</b>	<b>28.2%</b>	<b>35.0</b>	<b>27.9%</b>	<b>45.0</b>	<b>27.3%</b>	<b>54.7</b>	<b>28.5%</b>
YoY Growth (%)	79%		40%		4%		28%		22%	
D&A	-0.9		-0.9		-1.6		-2.0		-2.6	
<b>EBIT</b>	<b>23.0</b>	<b>25.7%</b>	<b>32.7</b>	<b>27.4%</b>	<b>33.5</b>	<b>26.7%</b>	<b>43.0</b>	<b>26.0%</b>	<b>52.1</b>	<b>27.2%</b>
YoY Growth (%)	83%		42%		2%		28%		21%	
<b>Adj. EBIT</b>	<b>23.0</b>	<b>25.7%</b>	<b>32.7</b>	<b>27.4%</b>	<b>33.5</b>	<b>26.7%</b>	<b>43.0</b>	<b>26.0%</b>	<b>52.1</b>	<b>27.2%</b>
YoY Growth (%)	83%		42%		2%		28%		21%	
Net financial exp.	-0.4		-0.9		-0.6		-1.2		-1.2	
Other items	-0.1		-0.3		0.0		0.0		0.0	
<b>Profit Before Tax</b>	<b>22.5</b>		<b>31.5</b>		<b>32.9</b>		<b>41.8</b>		<b>50.9</b>	
YoY Growth (%)	75%		40%		4%		27%		22%	
taxes	-6.3		-8.7		-8.7		-11.5		-14.0	
minorities	-0.7		-0.3		-0.3		-0.5		-0.6	
<b>Net Income</b>	<b>15.4</b>		<b>22.6</b>		<b>23.8</b>		<b>29.8</b>		<b>36.3</b>	
YoY Growth (%)	66%		47%		6%		25%		22%	
<b>Adj. Net Income</b>	<b>15.5</b>		<b>22.8</b>		<b>23.4</b>		<b>29.4</b>		<b>35.8</b>	
YoY Growth (%)	76%		47%		3%		25%		22%	

Source: EQUITA SIM estimates and Company data



## TARGET PRICE -6%

We have cut our target by 6% (€12ps vs €12.8ps) on the back of the estimates cut. Target multiple is confirmed at 2020 EV/Adj. EBIT multiple= $\sim$ 15.5x: a lower ROCE is offset by a lower WACC (6.3% vs 6.9%).

At this stage, we believe that this multiple is coherent considering the:

- Sustained profitability;
- Exposure to structural growth trends with low exposure to the economic trends;
- Potential upside coming from the unlevered financial structure
- Current low interest rates.

ADJ EBIT MULTIPLE VALUATION			
	2020	SENSITIVITY	
(A) 2020E multiple	15.5 x	14.5 x	16.5 x
(B) 2020 Ebit Adj	43.0	43.0	43.0
<b>(C)=(A)x(B) EV (EUR)</b>	<b>670.2</b>	<b>627.3</b>	<b>713.2</b>
(D) Net Debt (EUR)	52	52	52
(E) Adjustments to NFP	-5	-5	-5
(F) Dividends to cash in	5	5	5
<b>(G) = (C)+(D)+(F) Total stock value (EUR)</b>	<b>722</b>	<b>679</b>	<b>765</b>
(G) Discount (1+Ke)	1.0	1.0	1.0
<b>(H)=(E)/(F) Stock value (EUR)</b>	<b>716</b>	<b>673</b>	<b>758</b>
(I) N.shares	59.2	59.2	59.2
<b>(J) Price by multiple methods</b>	<b>12.0</b>	<b>11.3</b>	<b>12.7</b>

Source: EQUITA SIM estimates

## STATEMENT OF RISK

In our view, the primary elements that could negatively impact AV include:

- Increase in competition;
- Significant deterioration in the macroeconomic reference scenarios;
- Significant reduction in spending of Pharmaceutical companies;
- Dilution due to the issuance of new shares;
- Postponement of Pharma regulations;
- Execution risk of M&A deals.

<b>P&amp;L</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019E</b>	<b>2020E</b>	<b>2021E</b>
<b>Revenues</b>	<b>59</b>	<b>90</b>	<b>119</b>	<b>126</b>	<b>165</b>	<b>192</b>
Growth	31%	53%	33%	5%	31%	16%
Total opex	-45	-66	-86	-91	-120	-137
Growth	33%	45%	30%	6%	32%	14%
Margin	-77%	-73%	-72%	-72%	-73%	-71%
<b>EBITDA</b>	<b>13</b>	<b>24</b>	<b>34</b>	<b>35</b>	<b>45</b>	<b>55</b>
Growth	26%	79%	40%	4%	28%	22%
Margin	23%	27%	28%	28%	27%	29%
D&A	-1	-1	-1	-2	-2	-3
Extraordinaries	0	0	0	0	0	0
<b>EBIT</b>	<b>13</b>	<b>23</b>	<b>33</b>	<b>33</b>	<b>43</b>	<b>52</b>
Growth	32%	83%	42%	2%	28%	21%
Margin	21%	26%	27%	27%	26%	27%
Net financial profit/Expenses	0	0	-1	-1	-1	-1
Profits/exp from equity inv	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Other financial profit/Exp	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
<b>Total financial expenses</b>	<b>0</b>	<b>0</b>	<b>-1</b>	<b>-1</b>	<b>-1</b>	<b>-1</b>
Non recurring pre tax	1	0	0	0	0	0
<b>Profit before tax</b>	<b>13</b>	<b>22</b>	<b>32</b>	<b>33</b>	<b>42</b>	<b>51</b>
Growth	n.a.	75%	40%	4%	27%	22%
<b>Taxes</b>	<b>-4</b>	<b>-6</b>	<b>-9</b>	<b>-9</b>	<b>-11</b>	<b>-14</b>
Tax rate	-27%	-28%	-27%	-27%	-28%	-28%
<b>Minority interests</b>	<b>0</b>	<b>-1</b>	<b>0</b>	<b>0</b>	<b>-1</b>	<b>-1</b>
Non recurring post tax	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
<b>Net income</b>	<b>9</b>	<b>15</b>	<b>23</b>	<b>24</b>	<b>30</b>	<b>36</b>
Growth	44%	67%	46%	6%	25%	22%
Margin	16%	17%	19%	19%	18%	19%
<b>Adj. net income</b>	<b>9</b>	<b>16</b>	<b>23</b>	<b>23</b>	<b>29</b>	<b>36</b>
Growth	39%	76%	47%	3%	25%	22%
Margin	15%	17%	19%	19%	18%	19%

<b>CF Statement</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019E</b>	<b>2020E</b>	<b>2021E</b>
Cash Flow from Operations	11	17	24	25	32	39
(Increase) decrease in OWC	-8	-12	-9	-4	-5	-6
(Purchase of fixed assets)	0	-2	-2	-7	-5	-4
(Other net investments)	0	0	0	-60	0	0
(Distribution of dividends)	0	0	0	0	-5	-6
Rights issue	0	0	40	50	0	0
Other	0	-1	-32	-1	0	0
(Increase) Decrease in Net Debt	2	2	21	4	18	23

Source: Equita SIM and company data

**INFORMATION PURSUANT TO EU REGULATION 2016/958 supplementing Regulation EU 596/2014 (c.d. MAR)**

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BUY	ETR >= 10%	ETR >= 15%	ETR >= 20%
HOLD	-5% <ETR< 10%	-5% <ETR< 15%	0% <ETR< 20%
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Date	Rec.	Target Price (€)	Risk	Comment
20 June 2019	BUY (n.a.)	12.8 (n.a.)	High	Initiation of coverage

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NOT RATED	0.6%	1.3%

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