

Current Market Price: € 9.83

Bringing safer products into consumer hands

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Innovative one-stop-shop providing T&T and VI solutions

Antares Vision (AV), founded in 2007, is a leading Italian provider of Track & Trace (T&T) and Visual Inspection (VI) solutions, primarily installed in production and packaging lines for the pharma industry (accounted for 95% of FY18 sales). With 2018 sales of €119m (from €12m in 2012), AV designs, installs and maintains systems and machines for serialisation, aggregation and visual inspection, to be installed stand-alone or in production lines, as well as smart data management solutions. AV serves 315 clients in 60 countries, with exports accounting for c.80% of its 2018 sales. AV has four business lines: T&T (73% of sales), VI (20% of sales), Services (5% of sales), and Smart Data & other. 2018 sales mix by region is: RoE (57%), North America (10%), Italy (21%), and others including APAC, ME and South America. AV's sales grew organically at c.39% 2015-18 CAGR, with an EBIT margin of c.27%, reflecting a 500bps expansion in FY15-18.

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FT System to accelerate business diversification outside Pharma industry

The pharma sector, worth c.€1.3bn in 2017 (according to market research), has been a frontrunner in the T&T industry and has driven the development of the VI market, which was estimated at €0.3bn in 2017. The pharma T&T and VI markets are supported by similar long-term drivers: 1) stringent government regulations and expansion into the OTC segment; 2) compliance with safety and quality requirements; and 3) increasing factory automation/Big data/digitalisation/IoT/AI. AV's reference market is seen growing at a c.13% 2017-21E CAGR, mirroring the increasing penetration of T&T (reaching 55% in 2025 from 23% in 2018) and the switch to more automatic VI solutions. In a competitive and extremely fragmented arena, AV has rapidly become one of the major (independent) providers of turn-key solutions for serialisation, aggregation, and VI. The potential size of T&T and VI for the industrial segments is 9x bigger than that of Pharma, and the increasing need for Industrial brands to grant product safety, authenticity and quality may bring a technological switch to pharma standards. The recently acquired FT system (worth €68m in equity value) is a leading supplier of inspection equipment for food, beverage, household and personal care that will allow AV to immediately acquire know-how of new segments. The transaction is expected to generate commercial synergies through a fully integrated offering including T&T, VI and capping & closing solutions (the latter produced by Arol group).

Matrix product/country to release double-digit growth in 2020-21

In its 1H19 press release, AV highlighted that FY results will depend on the timely implementation of Russian tracing regulation because the main operators have been asking for a postponement. Based on our estimates, this event may lead AV to achieve flattish sales in 2019 at a consolidated level (at constant perimeter). Going beyond, we forecast AV's sales to grow at c.12% CAGR organically assuming T&T up high-single-digit CAGR and VI sales up double-digit, along with increasing contributions from Services and Smart Data. Including the contribution from FT system, we expect the group's sales to reach c.€180m in 2021E, with an EBITDA of €51m (from €34m in 2018), implying a 28.1% margin. Net profit is expected to grow at a 15% 3Y CAGR, reaching c.€35m in 2021E, and cumulated FCF should be c.€60m over the next three years.

	2018	2019E	2020E	2021E
EPS Adj (€)	0.38	0.41	0.50	0.59
DPS (€)	0	0	0	0
BVPS (€)	1.20	2.45	2.96	3.55
EV/Ebitda(x)		15.8	12.4	10.1
P/E adj (x)		24.1	19.6	16.7
Div.Yield(%)		0.0%	0.0%	0.0%
OpFCF Yield(%)		11.2%	3.5%	5.5%

Market Data

Market Cap (€m)	581
Shares Out (m)	59
Regolo Srl (%)	74%
Free Float (%)	12%
52 week range (€)	-
Rel Perf vs STOXX EUROPE 600 INSURANCE E (%)	-1m
	-3m
	-12m
21dd Avg. Vol.	
Reuters/Bloomberg	ANV.MI / AV IM

Source: Mediobanca Securities

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Executive summary

An innovative global provider of traceability and Vision control solutions

Antares Vision is a leading Italian producer of Track & Trace (T&T) and Visual Inspection (VI) solutions, primarily installed into production and packaging lines for the pharmaceutical industry (provided 95% of its FY18 turnover). The group designs, installs and maintains systems and machines used for serialization, aggregation and visual inspection, to be installed stand-alone or in production lines, as well as smart data management solutions to make production lines dialogue with all the other main functions at corporate level. Antares Vision represents the main provider of 10 out of the top-20 companies in the pharmaceutical sector, however its solutions may potentially be used in several other industrial segments.

The recent acquisition of FT system is expected to speed up AV's penetration in industrial segments such as the Beverage. With regard to its existing perimeter, the group is a global operator, as it serves c.315 clients located in more than 60 countries worldwide, with exports accounting for c.80% of its annual sales. The T&T pharmaceutical market was worth around €1.3bn in 2017 according to market research, while the VI market accounted for an additional €0.3bn in 2017 (only related to pharma). In the medium term, Antares Vision's reference market is expected to grow at c.13% CAGR (2018-21E) as a combined result of: 1) T&T solutions growing at a 14% CAGR, mirroring a T&T penetration potentially reaching 55% in 2025 from 23% in 2018. These assumptions are based on the scheduled implementation of major global drug tracking regulations; and 2) a 6% sales CAGR for VI systems and machines. The competitive arena is extremely fragmented with many small to medium-sized companies operating both in the T&T and VI markets. Antares Vision has rapidly become one of the leading independent providers of turn-key solutions (both hardware and software) for serialisation and aggregation.

A lean business model with a focus on R&D

Antares Vision has a lean and asset light business model. The company carries out internally the most value added processes such as design, while it outsources the most capital intensive phases of the value chain (ie, the production/assembly phase). AV operates in 60 countries thanks to its six production facilities (three plants in Italy, and one each in Germany, in Brazil and in the US), and a network of local partners. Know-how, track record (in terms of serialized lines) and client proximity are the key assets of the company, which is highly committed on product innovation with an R&D centric business model (R&D expenses accounted for c.6% of sales on average in 2015-18). Another relevant aspect of AV's business model is its commercial process: the company boasts longstanding relationships with its customers, which generally involve medium to long term supply framework agreements that regulate pricing and payment conditions. Advance payments are typically collected on orders acquired, with backlog, delivered in 10-12 months, granting a good visibility on business evolution. Over the past four years, FY order backlog covered on average more than 70% of AV's one-year forward sales.

Medium-term growth strategy leveraging on multiple growth levers. FT system deal to open up the Industrial chapter

In the Pharma sector, the main growth drivers for the Track & Trace and the Inspection market are quite similar: 1) stringent government regulations for the implementation of serialisation; 2) expansion to the OTC segment; 3) improving product quality and increasing safety requirements; 4) Big data/digitalisation/IoT/AI and the increased adoption of automation technologies and 5) Rapid growth in ageing population combined with increasing number of drugs and medical devices. The long-term growth trends for other industries are not completely different and it is reasonable to expect that, in the medium to long term, the increasing need for product safety, authenticity and

quality will trigger, across the whole supply chain, a technological alignment with pharma's standards. In the short to medium term, Antares Vision is expected to deliver on its growth strategy, leveraging its offering, including both hardware and software for Pharma Track & Trace and Visual Inspection. Having recently begun production of inspection machines, cross-selling of the two product families should play an increasing role.

As recently highlighted by the acquisition of FT system, M&A, in light of a fragmented competitive arena, is also a tool for AV to expand/further strengthen its commercial network in new geographies and products. The diversified industrial world is clearly a big opportunity for all companies such as Antares Vision which started developing their Track & Trace solutions in the more technologically demanding pharma industry. The adoption of these solutions may start to become visible in the medium term, also helped by some pilot projects to be launched over the coming years. In this regard, the company recently announced a collaboration with Berlucci, which should result in the development of new inspection solutions for grapes. On top of these two trends, the increasing digitalization of the whole supply chain coupled with the need to boost its efficiency and safety may allow the company to generate revenues through the supply of smart data management tools.

Historical performance

AV's history has been characterised by a material improvement in sales, mirroring the lines increasingly serialized. Since its foundation in 2007, the company has rapidly increased in size, hitting 100 serialization lines commissioned in 2011, 500 in 2014, and 1,000 in 2016. 2009 represented a turning point for the development of the company. Turkey was the first country worldwide to impose serialization for pharmaceutical products marketed in the country, and AV won the tender to supply to Abbott the technologies required to comply with such a regulation, laying the foundations for its rise as one of the leading providers of traceability solutions for the pharma industry.

In the last four years, sales grew organically at a CAGR of c.37%, approaching €120m as of YE18, with sales increasing across all business lines, and Assistance representing the most relevant contributor in terms of growth. This sustained top-line growth was coupled with margin expansion, with the company delivering a 500bps EBIT margin expansion in FY15-18, leading to an EBIT margin of above 27%. Its net cash position moved from €4.4m in 2015 to €28.7m last year, with higher FCF generation from growing EBITDA offsetting NWC absorption.

Mid-term prospects (including FT system)

Based on the current global deadlines set by drug-tracking regulations (we take into account the possible postponement of the implementation of Russian regulations), we expect AV's top line to grow at a CAGR of c.15% in 2018-2021E to €180m, of which we expect c.9% to be in organic terms. With regard to the current year, we expect AV to achieve flattish sales (at constant perimeter). In 2020-21, we forecast AV's sales to grow at c.12% CAGR organically, assuming T&T up at a high-single-digit CAGR and VI sales up in the double-digit area, coupled with increasing contribution from Services and Smart Data. Including the contribution from FT system, we expect the group's sales to reach c.€180m in 2021E with EBITDA of €51m (from €34m in 2018), implying a 28.1% margin (vs 28.2% in 2018). The inclusion of FT system (c.23% EBITDA margin) is clearly dilutive at the consolidated level. Net profit is expected to grow at a 15% 3Y CAGR, reaching c.€35m in 2021E and cumulated FCF should be c.€60m over the next three years leading to net cash of €77m in 2021E.

SWOT analysis

<p>STRENGTHS:</p> <ul style="list-style-type: none"> ◆ Strong track-record in product development; ◆ Technology know-how in Pharma, applicable into industrial verticals; ◆ Comprehensive product/solution offer; ◆ Longstanding relationships with Big Pharma; ◆ Lean approach across the whole value chain; ◆ Tracking system Architecture (L1-L4) fully internally developed; ◆ Relatively short life of solutions installed. 	<p>WEAKNESSES:</p> <ul style="list-style-type: none"> ◆ Sub-optimal WC management; ◆ Limited contribution from service revenues; ◆ Business development strongly dependant on the two company founders; ◆ Dependence on external assemblers ; ◆ Limited diversification by end-market.
<p>OPPORTUNITIES:</p> <ul style="list-style-type: none"> ◆ Geographical diversification; ◆ Expansion of existing products/solutions' range also through M&A; ◆ More stringent regulations, marketing and communication in non-pharma industry; ◆ IoT, automation and digitalisation; ◆ Smart data management and Service; ◆ Increasing cross-selling opportunities; ◆ WC optimisation. 	<p>THREATS:</p> <ul style="list-style-type: none"> ◆ Potential competition from companies operating in the industrial T&T & VI segments, or from Big Software houses in L4; ◆ Changes in current regulation postponing serialisation/aggregation deadlines; ◆ Limited penetration of T&T (in terms of timing) in the Industrial verticals; ◆ Mix of lines serialized into the Emerging markets may bring lower margins vs consolidated markets like the US and EU

Valuation criteria

We have identified one key criterion to provide a fair valuation of Antares Vision:

- ◆ **Peer multiple comparison**, in which we identify a group of comparable companies that target a similar reference market or have business similarities with Antares Vision. We suggest investors to focus on metrics like EV/EBIT and P/E, while a comparison using EV/EBITDA metric may lead to inaccurate conclusions because the level of capitalisation of R&D expenses may impact the ratio.

It is too early to use a **DCF model** or an **EVA**, in our view, given that the company operates in a segment whose perimeter is still under development.

Sector comparison

With regard to Antares Vision's reference market, the competitive arena is quite fragmented with no perfectly listed comparable company.

As a consequence, we would take as peers a panel of international listed players active in the VI and T&T industries. We would also consider Antares Vision in the context of the Italian Mid & Small caps cluster, comparing it with companies with similar end-markets, business model, exposure to the technological trends and growth profile.

Among players active in the **T&T and VI segment**, we have selected four companies, which share with Antares Vision the underlying trends in the sector. Here below the list:

- ◆ **Isra Vision** develops and markets control software and systems for image processing, optics, industrial process skills and robotics. Isra Vision is a leading player in the VI segment, producing two and three-dimensional robot controls for goods manufacturing and quality assurance;
- ◆ **Mettler Toledo** is a global manufacturer and marketer of precision instruments for use in laboratory, industrial and food retailing applications. Mettler Toledo has a strong presence in the VI as well as T&T segments, offering both serialisation and aggregation solutions;
- ◆ **Cognex** designs, develops, manufactures, and markets machine for the VI segment. The company offers several types of machine vision products coupled with its software libraries. Cognex's systems are used to automate the manufacturing of a variety of discrete items and assure their quality;
- ◆ **Datalogic** is a global technology leader in the automatic data capture and process automation markets, specialising in the designing and production of bar code readers, mobile computers, sensors for detection, measurement and safety, and vision and laser marking systems. Its solutions help improve the efficiency and quality of processes in the retail, manufacturing, transportation & logistics and healthcare industries, along the entire value chain.

As regards the **Italian Mid & Small caps cluster**, we included the following names: i) **IMA** for its relevant exposure to the Pharmaceutical sector; ii) **Datalogic** (see above); iii) **CAREL**, being a B2B business, similar to AV, sitting on secular growth trends and iv) **REPLY**, given the company's exposure to new technological themes (such as AI, IoT, blockchain and smart data) and its double-digit growth profile. We also flag that all the companies have a "capital light" approach, like AV.

The tables below summarise the selected peers' main financial metrics.

Antares Vision - Peers' financials (next three FYs)

	Sales (m)			Sales YoY growth			EBITDA (m)			EBITDA margin		
	FY1	FY2	FY3	FY1	FY2	FY3	FY1	FY2	FY3	FY1	FY2	FY3

Current Market Price: € 9.83

Isra Vision (€)	153	182	202	0.0%	19.6%	10.5%	49	60	66	32.1%	32.6%	32.5%
Mettler Toledo (USD)	3,010	3,172	3,339	2.5%	5.4%	5.3%	827	890	924	27.5%	28.1%	27.7%
Cognex (USD)	731	826	968	-9.3%	13.0%	17.2%	181	227	278	24.8%	27.5%	28.7%
Datalogic (€)	621	638	670	-1.7%	2.8%	4.9%	96	101	108	15.5%	15.8%	16.1%
Average				-2.1%	10.2%	9.5%				25.0%	26.0%	26.3%
IMA (MBe) (€)	1,645	1,789	1,862	9.6%	8.8%	4.1%	296	334	351	18.0%	18.7%	18.8%
REPLY (MBe) (€)	1,182	1,288	1,387	14.1%	9.0%	7.7%	190	209	226	16.1%	16.2%	16.3%
CAREL (MBe) (€)	334	362	385	19.3%	8.3%	6.5%	69	76	82	20.7%	21.1%	21.4%
Datalogic (€)	621	638	670	-1.7%	2.8%	4.9%	96	101	108	15.5%	15.8%	16.1%
Average				10.3%	7.2%	5.8%				17.6%	18.0%	18.2%
ANTARES VISION (€)	126	160	180	5.8%	27.0%	12.6%	35.1	43.5	50.6	27.9%	27.2%	28.1%

Source: Mediobanca Securities, Datastream estimates as of 04/10/2019

Antares Vision - Peers' financials (next three FYs)

	EBIT (m)			EBIT margin			Net profit (m)			YoY change		
	FY1	FY2	FY3	FY1	FY2	FY3	FY1	FY2	FY3	FY1	FY2	FY3
Isra Vision (€)	33	41	46	21.8%	22.4%	22.6%	23	32	36	n.a.	40.0%	11.6%
Mettler Toledo (USD)	774	827	900	25.7%	26.1%	26.9%	565	611	664	7.9%	8.2%	8.7%
Cognex (USD)	158	205	272	21.7%	24.8%	28.1%	153	189	250	-13.5%	23.6%	32.1%
Datalogic (€)	74	80	89	12.0%	12.5%	13.3%	54	58	65	-12.9%	7.4%	10.8%
Average				20.3%	21.5%	22.8%				n.a.	19.8%	15.8%
IMA (MBe) (€)	227	263	278	13.8%	14.7%	14.9%	177	151	161	70.5%	-15.0%	6.8%
REPLY (MBe) (€)	154	170	185	13.0%	13.2%	13.3%	108	119	129	8.6%	9.3%	9.1%
CAREL (MBe) (€)	54	59	65	16.2%	16.4%	16.8%	41	45	48	34.0%	9.7%	6.9%
Datalogic (€)	74	80	89	12.0%	12.5%	13.3%	54	58	65	-12.9%	7.4%	10.8%
Average				13.8%	14.2%	14.6%				25.1%	2.8%	8.4%
ANTARES VISION (€)	33.7	41.8	48.7	26.7%	26.1%	27.0%	24.2	29.7	34.8	7.3%	22.7%	17.0%

Source: Mediobanca Securities, Datastream estimates as of 04/10/2019

Antares Vision - 2019-2021 Peers CAGR

2019-21E CAGR	Sales	EBITDA	EBIT	Net Income
Company	CAGR	CAGR	CAGR	CAGR

Current Market Price: € 9.83

Isra Vision	15.0%	15.7%	17.2%	25.0%
Mettler Toledo	5.3%	5.7%	7.8%	8.4%
Cognex	15.1%	23.8%	31.1%	27.8%
Datalogic	3.9%	6.1%	9.5%	9.1%
Average	9.8%	12.8%	16.4%	17.6%
IMA (MBe)	6.4%	8.9%	10.7%	-4.8%
REPLY (MBe)	8.3%	9.0%	9.6%	9.2%
CAREL (MBe)	7.4%	9.2%	9.3%	8.3%
Datalogic	3.9%	6.1%	9.5%	9.1%
Average	6.5%	8.3%	9.8%	5.4%
Antares Vision	19.6%	20.0%	20.3%	19.8%

Source: Mediobanca Securities, Datastream estimates as of 04/10/2019

The tables below summarise the selected peers' main market multiples. Based on our estimates, Antares Vision is trading at 2020 EV/EBIT of 12.9x and 2020 P/E of 19.6x reflecting a double digit discount vs. the peer average.

Antares Vision - Sector peers' market multiples (next three FYs)

	EV/Sales			EV/EBITDA		
	FY1	FY2	FY3	FY1	FY2	FY3
Isra Vision	5.0x	4.0x	3.5x	15.6x	12.4x	10.9x
Mettler Toledo	5.8x	5.5x	5.1x	21.2x	19.5x	18.6x
Cognex	10.6x	9.6x	8.1x	42.6x	34.8x	28.1x
Datalogic	1.2x	1.1x	1.1x	7.9x	7.2x	6.6x
Average	5.7x	5.1x	4.5x	21.8x	18.5x	16.0x
IMA (MBe)	2.0x	1.8x	1.7x	11.2x	9.6x	8.9x
REPLY (MBe)	1.8x	1.6x	1.4x	11.3x	10.0x	8.8x
CAREL (MBe)	3.9x	3.6x	3.3x	19.7x	16.9x	15.3x
Datalogic	1.2x	1.1x	1.1x	7.9x	7.2x	6.6x
Average	2.2x	2.0x	1.9x	12.5x	10.9x	9.9x
Total average	4.3x	3.9x	3.5x	18.5x	15.8x	13.9x
Antares Vision	4.4x	3.4x	2.8x	15.8x	12.2x	10.1x

Source: Mediobanca Securities, Datastream estimates as of 04/10/2019

Antares Vision - Sector peers' market multiples (next three FYs)

	EV/EBIT			P / E			FCF yield		
	FY1	FY2	FY3	FY1	FY2	FY3	FY1	FY2	FY3
Isra Vision	23.0x	18.0x	15.7x	35.0x	25.0x	22.4x	0.8%	3.4%	3.3%

Antares Vision



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Mettler Toledo	22.7x	21.0x	19.1x	29.9x	27.6x	25.4x	0.0%	1.0%	1.2%
Cognex	48.8x	38.6x	28.7x	54.8x	44.4x	33.6x	2.3%	-1.7%	1.7%
Datalogic	10.1x	9.1x	7.9x	14.0x	13.0x	11.7x	10.0%	6.9%	6.4%
Average	26.1x	21.7x	17.8x	33.4x	27.5x	23.3x	3.3%	2.4%	3.1%
IMA (MBe)	14.5x	12.3x	11.3x	16.4x	15.7x	14.9x	7.4%	6.6%	7.6%
REPLY (MBe)	14.0x	12.3x	10.8x	19.6x	17.9x	16.4x	4.8%	5.6%	6.4%
CAREL (MBe)	24.3x	21.8x	19.6x	30.8x	28.1x	26.2x	2.2%	3.3%	3.7%
Datalogic	10.2x	9.1x	8.0x	14.0x	13.0x	11.7x	10.0%	6.9%	6.4%
Average	15.8x	13.9x	12.4x	20.2x	18.7x	17.3x	6.1%	5.6%	6.0%
Total average	22.5x	19.0x	16.1x	28.6x	24.5x	21.5x	3.9%	3.6%	4.3%
Antares Vision	16.5x	12.9x	10.5x	24.1x	19.6x	16.7x	0.2%	3.3%	4.8%

Source: Mediobanca Securities, Datastream estimates as of 04/10/2019

Market overview

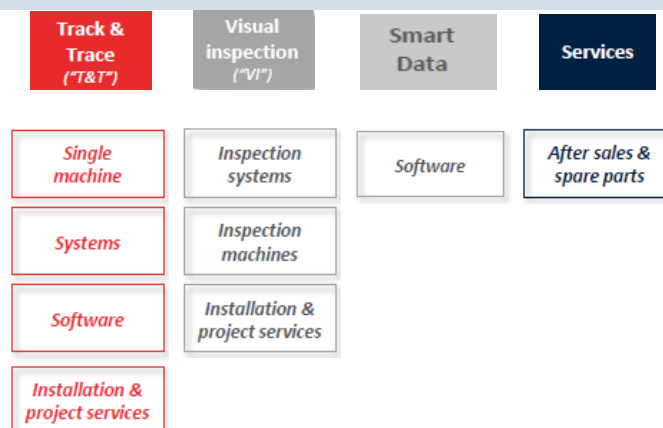
The Pharma sector has been a frontrunner, in terms of standards used, in the T&T industry. The T&T pharmaceutical market was worth around €1.3bn in 2017 according to market research, while the Visual Inspection market accounted for an additional €0.3bn in 2017 (only related to Pharma). Looking at the next four years (2017-2021), the reference market of Antares Vision, is expected to grow at c. 13% CAGR as the combined result of: 1) T&T solutions increasing at a 14.5% CAGR mirroring a T&T penetration potentially reaching 55% in 2025E from 23% in 2018 and 2) a 5.9% sales CAGR for Visual Inspection system and machines. The competitive arena is extremely fragmented with many small to medium sized companies operating in both the Track & Trace and the VI markets. Antares Vision has rapidly become one of the leading players as independent provider of turn-key solutions (both hardware and software) for serialisation and aggregation. Main growth drivers are quite similar for both the Track & Trace and the Inspection market: 1) stringent government regulations for the implementation of serialisation; 2) expansion to the OTC segment; 3) improving product quality and increasing safety requirements; 4) Big data/digitalisation/IoT/AI and the increased adoption of automation technologies and 5) Rapid growth in the geriatric population combined with an increasing number of drugs and medical devices. Long-term growth trends for other industries are not completely different and it is reasonable to expect that, in the medium to long term, the increasing need for product safety, authenticity and quality will trigger, across the whole supply chain, a technological alignment with pharma standards.

Reference market

Antares Vision designs, manufactures, installs and maintains traceability and vision control solutions for the Pharmaceutical sector and some industrial verticals. The company's products and software are used for serialisation, aggregation, inspection, and data collection. To date, the main reference market for the company are the Track & Trace and Inspection markets.

To date, AV's Track & trace products (c.73% of its 2018 turnover) have been mainly used in the Pharma market, while visual inspection solutions have been used in the Pharma market as well as the main end-market coupled with some industrial sectors including beverage, tobacco, cosmetics and printing. In greater detail, the **Track & Trace** and **Inspection** markets could be virtually divided by 1) product purpose; and 2) end-markets. As of today, Antares Vision, leveraging its innovative combination of hardware and software, has built a global leading position in the Track & Trace pharmaceutical market which accounts for c.10% of the total market size. A similar percentage of the total can be applied to the Inspection market related to the Pharma industry. Smart data management and services are two new legs of the existing business.

Antares Vision - Presence in Track & Trace and Visual Inspection



Source: Antares Vision











AV's positioning currently focuses on Pharma because this market experienced a favourable regulatory change (applicable to prescription drugs) and used highly advanced technologies. The Industrial market is ten times bigger than the Pharmaceutical one but currently presents a technological gap, with T&T solutions not applicable to each single product. Services to customers is still a marginal business for the company (c.5% of annual revenues) but considering the average life of the solution provided (around 6 years) and the critical role played by the timely maintenance of an increasing number of lines installed, we expect this segment to become increasingly relevant in the coming years (as of today the company has provided its systems to more than 2,500 lines vs c.100 in 2011). It is fair to consider the Pharma sector as a frontrunner, in terms of standards used, in the Track & Trace industry but we cannot rule out that other industries may gradually adopt solutions with a higher technological content.













While most of what Antares Vision produces is Track & Trace solutions, the company also manufactures inspection machines thanks to a production facility purchased in 2013 in Sorbolo (Parma) and recently expanded. After this investment, the facility will become the headquarter of the VI division.

Antares Vision competitive positioning

Antares Vision has a leading position in the Track & Trace pharmaceutical market worth around €1.3bn in 2017 according to market research. The Visual Inspection solutions market accounts for an additional €0.3bn in 2017 (only related to Pharma) but AV's presence is still relatively small. The competitive arena is extremely fragmented with many small to medium sized companies operating in both the Track & Trace and the VI markets. Antares Vision has rapidly become one of the global market leaders as independent provider of turn-key solutions (both hardware and software) for serialisation and aggregation. In the Visual Inspection segment, it is one of the top ten players, with an offer now including both systems and machines and covering the full range of products (solid, liquid, powder, lyophilised).

Antares Vision - Main players in T&T (left) and in VI (right)

Company	HQ	Rev '16
 ¹ ANTARESVISION		70.2
Player 1 ²		65.0
Player 3 ²		25.0
Player 4 ³		16.9
Player 2 ³		12.9
Player 12		5.4
Player 5 ³		4.2
Player 13		n.a.
Player 14		n.a.

Company	HQ	Rev '16
Player 3 ²		55.0
Player 5 ³		35.0
Player 6		34.9
Player 4 ³		16.9
Player 1 ²		15.0
 ¹ ANTARESVISION		14.3
Player 8		9.0
Player 2 ³		8.6
Player 9		n.a.
Player 10		n.a.
Player 11		n.a.

Source: Antares Vision

As the Track & Trace segment came into existence in the beginning of 2000, with the first installation in 2009, it is somewhat normal to have a market with many players, in some cases independent

operators like Antares Vision and the Canadian Optel Vision. Some of them are leading players in their domestic markets, while some others have started to compete on a global basis through local partnerships and M&A. It is worth noting that over the past years some competitors of AV have been acquired by larger industrial companies such as Mettler Toledo and Korber Medipack. Big conglomerates are present in the sector but the very high pace of innovation and tailor-made solutions generally asked by customers, have provided an advantage to smaller competitors capable of combining innovative, flexible and timely solutions with a global network also in terms of after-sales assistance.

The presence of EM/low cost competitors looks to date negligible in the Pharma Track & Trace and VI segment. Demand for innovative and reliable turn-key serialisation solutions, compliant with local regulations, favours companies with a proven and increasing track record in terms of serialisation lines commissioned.

Antares Vision - Main players' product offerings

		ANTARES VISION	Player 1	Player 2	Player 3	Player 4	Player 5	Player 6	Player 7	
		Revenues 2016 (€m)	89.6 ¹	80.0	21.5	80.0	33.8	39.2	34.9	40.0
AV offering	Track & Trace	Single machine	✓	✓	✓	✗	✓	✓	✗	✗
		Systems	✓	✓	✗	✓	✓	✗	✗	✗
		Software	✓	✓	✓	✓	✓	✗	✗	✓
	Visual inspection	Inspection machines	✓	✗	✓	✓	✓	✓	✓	✗
		Inspection systems	✓	✓	✗	✓	✓	✓	✓	✗
	Smart Data	Software	✓	✓	✗	✗	✗	✗	✗	✓
	Services	Post-sales services and spare parts	✓	✓	✓	✓	✓	✓	✓	✓

Source: Antares Vision , company websites. 1) 2017 values for AV

Future market growth drivers

Main growth drivers are quite similar for both the Track & Trace and the Inspection markets, however, we again highlight that the Pharmaceutical industry can be seen as a sort of prequel of what may happen in the other industries in the coming years. Focusing on the Pharma market, primary drivers are:

- ◆ **Stringent government regulations for the implementation of serialisation, which may trigger incremental T&T adoption;**
- ◆ **Expansion to the OTC segment whose regulation may align with prescription drug policies;**
- ◆ **Big data/digitalisation/IoT/AI and increased adoption of automation technologies, which are key trends supporting demand for highly technological and connected traceability solutions, including the VI business;**
- ◆ **Increasing quality requirements;**
- ◆ **Rapid growth in geriatric population combined with an increasing number of drugs and medical devices;**
- ◆ **Digital transformation of old drug supply chains.**

Long term growth trends for other industries are not completely different and it is reasonable to expect that, in the medium to long term, the increasing need for product safety, authenticity and quality will trigger, across the whole supply chain, a technological alignment with pharma standards. In the Visual Inspection market, growth is expected to be driven by the replacement of old inspection machines coupled with a broader adoption of solutions with a higher technological content and by increasing demand of automatic inspection controls. In this market, Antares has been launching an innovative product platform with the aim of gaining market shares and increase the share of wallet among its blue chip customer base.

Implementation of global drug tracking regulations...

Regulation played a key role in the adoption of T&T solutions in the Pharma industry. Everything started in Turkey with the local authority setting phase 1 and phase 2 deadlines in 2010 and 2012 respectively. This was followed chiefly by:

- The **FDA**, with a serialisation deadline for manufacturers and repackagers due in November 2018. Phase 2 deadline (complete traceability) is November 2023;

FDA regulation

Local Authority	FDA
Status	Issued
Scope	Serialization; product tracking; reporting
Impact on	Most pharmaceuticals
Stakeholders	Manufacturers, wholesalers, repackagers, dispensers
Serial number format	GS1 standard 
Notification process	Transaction History, Transaction Information, and Transaction Statement at each change of ownership
Key milestones/deadlines	Nov 2018: serialization for manufacturers and repackagers Nov 2019: wholesalers compliance Nov 2020: dispensers compliance Nov 2023: phase II: complete traceability

Source: Antares Vision

- The EU: the European Commission decided for EU-FMD regulation whose main deadline was February 2019 for serialisation and reporting. Italy, Belgium and Greece got a six-year deadline extension. It is worth noting that aggregation is mentioned but is not mandatory to date according to the existing regulation.

EU-FMD regulation

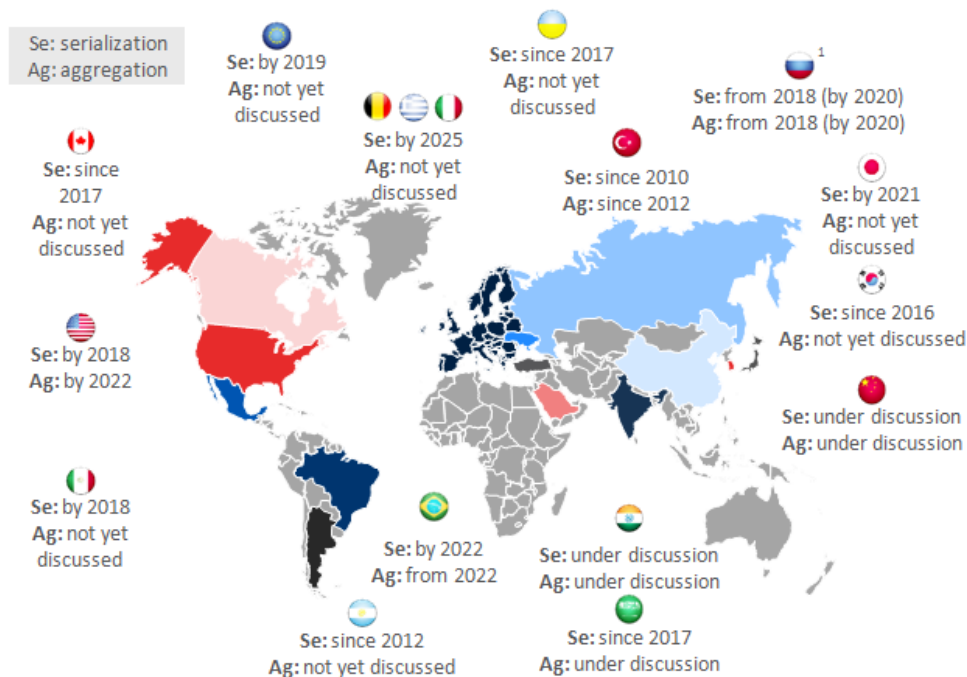
Local Authority	EU Commission; also regulated at country level
Status	Issued
Scope	Serialization; product tracking; reporting
Impact on	Selected list of pharmaceuticals
Stakeholders	All, with primary burden on manufacturers & dispensers
Serial number format	Random manufacturer generated, GS1 standard
Notification process	Manufacturer reports to European Hub
Key milestones/deadlines	Feb 9, 2019: serialization and reporting
Notes	<ul style="list-style-type: none"> • Tamper evident features mandatory • Aggregation not mandatory



Source: Antares Vision

Here below is a map including all major Track & Trace regulations around the world. Among emerging markets, we note that China suspended its non-standard drug monitoring programme but should resume phase 1 with GS1 standard. With regard to the Russian market, as of today the official deadlines for serialization and aggregation (also applied to OTC products) is still 2020 but we cannot rule out the possibility of a postponement given the strict deadlines. In Brazil, the pilot phase for serialization ended last April and final implementation deadline is April 2022.

Antares Vision - Track & Trace regulatory map for drugs with prescription



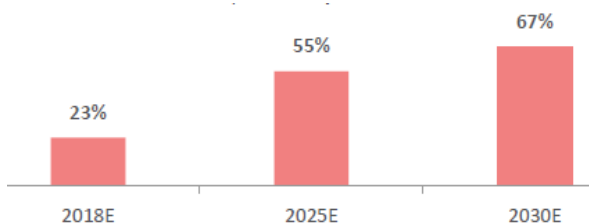
Source: Antares Vision. (1) In Russia, T&T will be adopted also for OTC products, Company information, Pharmaceutical Serialization and Traceability 2016 Report, Euromonitor, websites.

...impacting T&T growth trend in coming years

From a regulatory standpoint, the trajectory seems clear with new countries setting deadlines for phase 1 and pharmaceutical companies already approaching the aggregation phase although implementation deadlines are not strict or in some cases not even mandatory. The US in 2017 and Europe in 2018 (and part of 2019) were two clear boost in the adoption of T&T systems, while in 2019-20 T&T demand relies chiefly on execution of regulations in countries like Russia and Brazil.

The potential expansion to pharma OTC is another factor to be monitored (worth c.€115bn in 2016 - sources: Company information, Market prognosis Global and Vision Gain reports). According to the above mentioned regulatory outlook, the adoption of T&T systems may increase from 23% in 2018 to 55% in 2025E.

Antares Vision - Projected T&T penetration



Antares Vision - Regulation evolution (SE + AG and OTC)

	2010	2012	2016	2017	2018	2019	2021	2022	2025
SE	✓	✓	✓	✓	✓✓	✓	✓	✓✓	✓
AG	✓	✗	✗	✗	✗✓	✗	✗	✓✗	✗
OTC	✗	✗	✗	✗	✗✓	✗	✗	✗✗	✗

Source: Antares Vision, Markets and Markets, Efficacy Associates

With regard to the Inspection segment, a market where Antares Vision recently invested completing a full offering of machines for the inspection of all range of products, future demand should derive from a gradual switch to automatic solutions (from the current manual or semi-automatic machines).

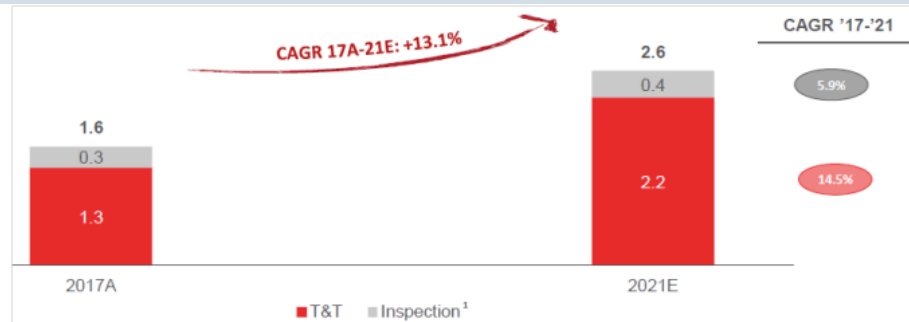
T&T and VI to post low-double digit CAGR in Pharma sector in 2017-21

Sales forecasts for the next four years point to a 4.6% CAGR for the Pharmaceutical market. Focusing on the prescription drug reference market, where Antares Vision is present, 2017-2021 CAGR is expected to be close to 13%. The OTC market is also expected to outperform its reference market, recording mid-to-high single-digit sales 5Y CAGR (ie, 6.5%).

Looking at the next four years (2017-2021), the reference market of Antares Vision, currently worth €1.6bn is expected to grow at a 13% CAGR as the combined result of: 1) T&T solutions increasing at a 14.5% CAGR mirroring a T&T penetration potentially reaching 55% in 2025 from 23% in 2018 (in terms of units serialised). As we discussed in the previous pages, timeline of drug tracking regulations across the world may generate demand volatility in a single year and 2) a 5.9% sales CAGR for Visual inspection system and machines which are expected to benefit from a switch to solutions less standardised than current ones (eg, the gradual introduction of automatic inspection machines). As a reminder AV recently entered this segment with an innovative product platform and acquired industrial know-how through FT System.

It is fair to highlight that the Track & Trace market size of c.€1.3bn, related to the Pharma industry, cannot be entirely considered the addressable market of Antares Vision because this definition includes sales linked to the old and standard concept of traceability (ie, traceability of the batch). Using a bottom-up approach (starting from annual sales reported by main players), we would reach a size of c.€600m- a value we consider more reliable. This number does not include potential new segments such as smart data and all services related to post-sales assistance.

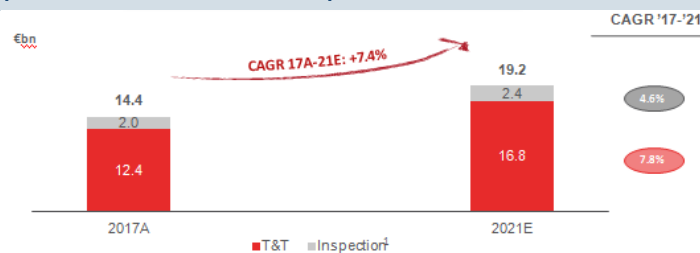
Antares Vision - T&T and Inspection market trend and expectations in the Pharma market



Source: Antares Vision, Markets and Markets, Efficacy Associates. (1) Including visual inspection systems, Leak detection systems, x-ray inspection systems and others (checkweighers, metal detectors, etc.).

Unlike Pharma, the size of the T&T and Inspection market for industrial segments is much bigger (9x the Pharmaceutical market size) but the technology applied is much more standardised. Among potential catalysts triggering incremental demand for the above mentioned solutions we highlight: 1) increasing need for Industrial brands to grant product safety, authenticity and quality, which may bring, across the whole supply chain, to a technological alignment with pharma standards and 2) more stringent regulations also in these verticals. The right time when these markets will massively adopt these most advanced solutions is not clear, but technology (we refer to both hardware and software) is ready. Taking into account all industrial segments, the market size is expected to register a 2017-2021 CAGR of 7.4%. AV's strategy is to gradually expand its presence in the Industrial market (accounting for less than 5% of 2018 sales), launching some pilot projects in the next three years also thanks to the partnership signed last year with Sargas investment vehicle.

Antares Vision - T&T and inspection market trend and expectations in the Industrial market



Industry	Sector	2017 (€bn)	2021 (€bn)	CAGR '17-'21
Chemicals	T&T	2.8	3.6	6.8%
	VI	0.6	0.7	4.0%
	Total	3.3	4.3	6.4%
F&B	T&T	1.5	1.8	4.5%
	VI	0.2	0.2	6.8%
	Total	1.6	2.0	4.8%
Components	T&T	1.4	1.7	4.4%
	VI	0.3	0.3	4.1%
	Total	1.6	1.9	4.4%
Raw materials & Jewelry	T&T	1.3	1.8	9.3%
	VI	0.2	0.3	5.2%
	Total	1.5	2.1	8.7%
Transport & Logistics	T&T	1.2	2.0	14.1%
	VI	0.2	0.3	5.7%
	Total	1.4	2.3	13.0%
Others ²	T&T	4.3	5.9	8.3%
	VI	0.6	0.7	4.2%
	Total	4.9	6.6	7.8%

Sources: Antares Vision, Markets and Markets, Efficacy Associates. (1) Including visual inspection systems, Leak detection systems, x-ray inspection systems and others (checkweighers, metal detectors, etc.); (2) Testing labs & health institutes, utilities & municipalities and biotechnology

Company profile: leading provider of T&T and VI solutions

Antares Vision is a leading Italian producer of Track & Trace and Visual Inspection solutions, primarily installed into production and packaging lines for the Pharmaceutical industry (providing 95% of total 2018 turnover). The group designs, installs and maintains systems and machines for the serialization, aggregation and visual inspection, to be installed stand-alone or integrated into production lines. It also offers smart data management solutions to make production lines dialogue with all other main functions at the corporate level. Antares Vision is the main provider of ten of the twenty largest companies in the Pharmaceutical sector, however, its T&T and VI solutions may potentially be applied to several other industrial segments. The group is a global player, as it serves c.315 clients located in 60 countries, with exports accounting for c.80% of its annual sales.

Antares Vision - Summary of group offerings



Source: Antares Vision

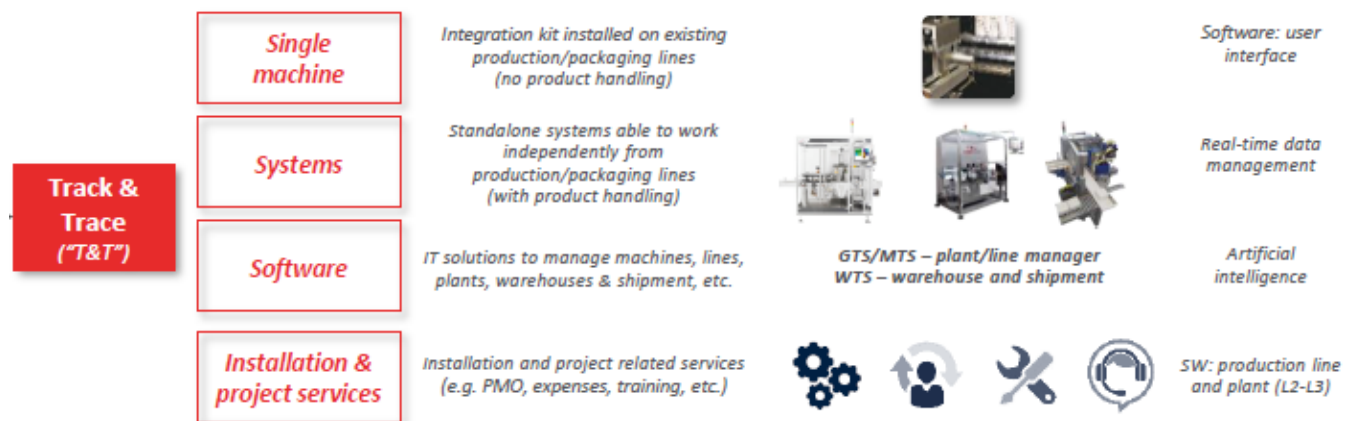
One-stop-shop for traceability and quality control

Antares Vision offers a combination of hardware and software for the traceability and quality control of items produced on third-party machinery. The two main segments in which the group operates (namely Track & Trace and Visual Inspection) are generally linked by the need for strict quality control. On top of this, AV is increasingly expanding its presence into the field of Smart Data Management and intensifying its efforts to enhance its offerings in terms of services provided. The group's solutions may be classified as follows:

- ◆ **Track & Trace solutions:** systems for the serialisation and aggregation of products manufactured and/or packaged on third-party lines. These solutions basically allow to create univocal identifying codes to be applied to each product and cluster of products, to trace them throughout the supply chain. T&T systems include either standalone machines working independently of production/packaging lines, or systems to be integrated on third-party machinery. Antares Vision's offer also includes software for the management of single lines, production plants, warehouses and shipment processes;

Antares Vision - Summary of Track & Trace solutions

Current Market Price: € 9.83



Source: Antares Vision

- ◆ **Visual Inspection systems:** solutions to guarantee the compliance of products and packaging to integrity and conformity requirements. To this extent, Antares Vision's systems allow to carry out impurity checks, dimensional and cosmetic defects and mix-up issues. As in the case of the T&T segment, AV provides standard or tailor-made automatic equipment to be installed on existing lines, as well as standalone machines. Its comprehensive offerings also include inspection machines, a segment where the company recently invested to have direct production, and that is expected to benefit from increasing demand in the future owing to the switch to automatic solutions;

Antares Vision - Summary of Visual Inspection solutions



Source: Antares Vision

- ◆ **Smart Data management:** IT solutions aimed at re-elaborating data collected in the inspection/serialisation phase, to optimise process efficiency, as well as to enhance the control on products across the supply chain and fulfil regulatory requirements. The group is increasingly introducing a range of services that may allow corporate clients to store all production information (**ATSFOUR**), optimise their factory operations (**AVIONICS**) and enhance brand protection across the supply chain (**TrackMyWay** - former **Follow4.me**);

Antares Vision - Summary of Smart Data management solutions

Current Market Price: € 9.83

ATSFOUR

- **ATSFOUR** is a software ecosystem to manage the massive data storage and information flow at level 4 (i.e. Corporate), available as a cloud-based or on-premises solution
- It offers high-speed and high safety solutions for information storage and access and it represents one single point of connection for all brand owners
 - **ATS HUB** – serial number generation and data repository
 - **ATS LINK** – data transfer to authorities and other supply chain actors
- Thanks to its flexibility, the software is able to adapt to different scenarios and communication requirements along the supply chain
 - **ATSFOUR Dish** – enabler of communication between brand owners and other L4 suppliers



AVIONICS

- **AVIONICS** is a new dashboard implemented to live-monitor performances from lines and plants up to the corporate level
- It allows to perform smart data management activities in order to improve factory operations (e.g. OEE, quality, scheduling)
- **AVIONICS** is a non-invasive tool with zero impact on existing software platforms
 - Best positioned to benefit from the digitalization and smart supply chain trends



TrackMyWay

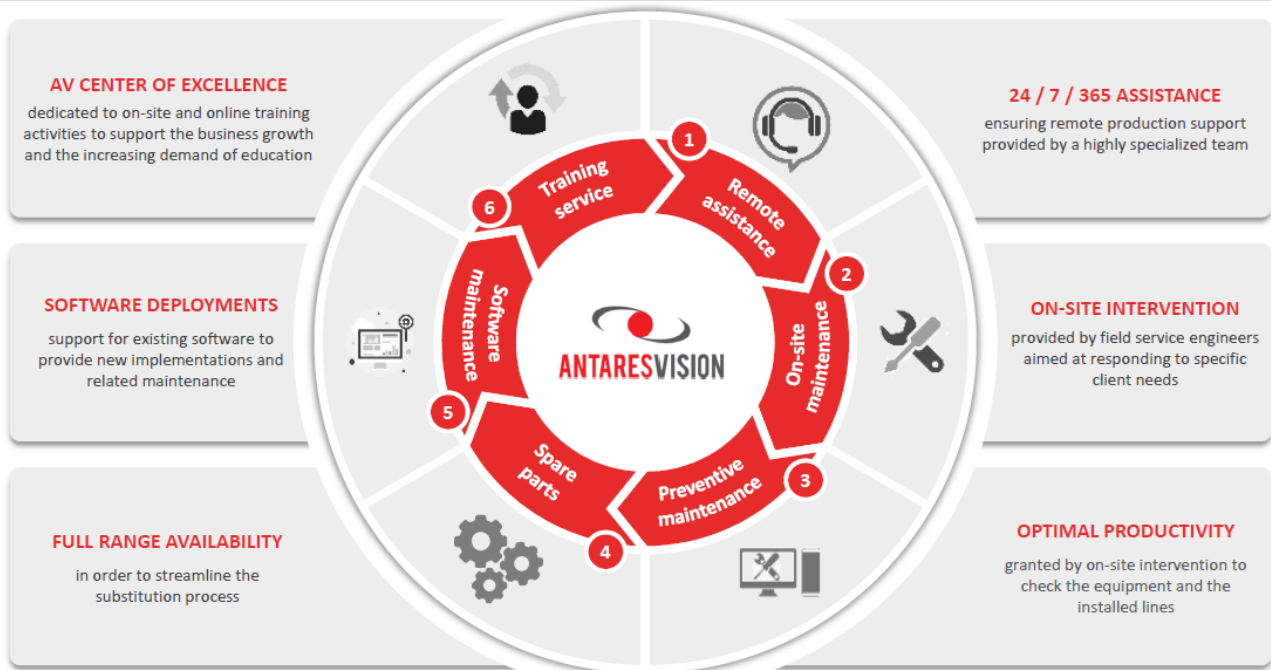
- **TrackMyWay** is a new digital tool for brand protection and data analytics, allowing to:
 - **Fight counterfeit product** to ensure consumer safety
 - **Avoid grey markets** to control distribution channels
 - **Recall products** to manage defect or after sales issues
 - **Maximize customer engagement**



Source: Antares Vision

- ♦ **Services:** the group's offer is complemented by after-sales assistance and spare parts. After-sales assistance includes 24/7 remote production support, on-site intervention by field service engineers, preventive maintenance, software upgrades and spare part offerings.

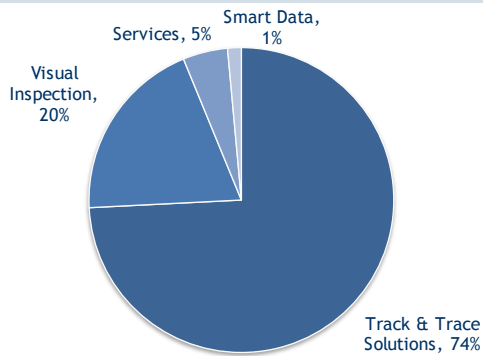
Antares Vision - Summary of Services



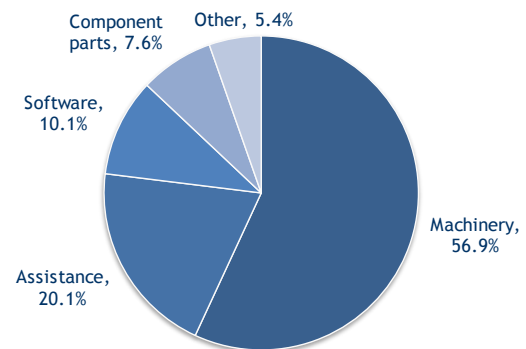
Source: Antares Vision

On the other hand, by business line, machinery generates the bulk of AV's sales, accounting for almost 60% of the total turnover in 2018. The group is also increasingly pushing to enhance the customer support it provides to its clients: this is leading to a rapid increase (both in absolute terms and as a percentage of sales) in revenues from assistance (ie, for installation, after-sales maintenance, software upgrades and spare parts), which accounted for c.20% of the turnover as of FY18. AV's offer is complemented by sales of software for connecting machines and production lines with plants and warehouses, as well as component parts.

Antares Vision - Sales breakdown by product line (FY18)



Antares Vision - Sales breakdown by business line (FY18)



Source: Mediobanca Securities on Antares Vision data

AV is increasingly investing to complement its offering in T&T, by expanding the range of Visual Inspection solutions, as well as by enhancing services offered across the different production levels (i.e, from production lines to corporate central functions).

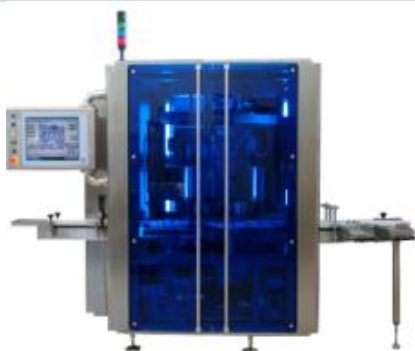
State-of-the-art product offering in Inspection Machines

Inspection systems represent a natural addition to AV's product range, allowing the group to offer not only tracking solutions, but also systems that guarantee the compliance of products and packaging to integrity and conformity requirements. In 2017, AV started to invest in a new production plant near Parma, devoted to the inspection machines' segment (standalone machines for product verification along the production process).

Inspection checks carried out by AV systems are capable of verifying product integrity, as well as packaging controls, through different technologies, such as table & capsule inspectors, visual rotating inspectors, and laser or lighting inspectors. As in the case of T&T, the pharmaceutical industry acts as a front-runner in the introduction of inspection systems in its production lines. However, T&T may have several potential applications also in other industrial sectors. Below a recap of the main solutions offered by AV in the segment of inspection machines:

- ◆ **Product integrity** checks, that can inspect a wide range of aspects, spanning from the presence of particles, filling levels and capsule size discrepancies or shape defects, to the potential cross-contamination during the containers' filling phase (especially important for the food industry);
- ◆ **Packaging controls** involve checks on packaging integrity (be it glass, plastic, or metal), accuracy of label printing and positioning consistency, seal application or cap level monitoring.

Antares Vision - standalone Visual Inspection machines



Source: Company website

Antares Vision - Visual rotating inspectors' technology



Source: Company website

The functionalities described above can also be integrated into a single inspection machine capable of carrying out more than one kind of visual inspection controls. This allows the group to design machines tailor made for the monitoring needs of each customer, even by combining product and packaging integrity controls required for specific industries.

A suitable example of such a solution may be the *Lyo-check*, a machine project currently under development which can offer up to 20 different visual inspection checks within a single machine. As part of the Horizon 2020 SME framework, AV was awarded a grant by the European Commission for the development of a new technology to inspect lyophilized pharma products. AV's project can analyse at the same time the integrity of content and packaging units, and their compliance with regulatory requirements, with a throughput of up to 600 containers/minute, thus putting AV at the forefront of product innovation in the field of inspection machines for the pharma industry.

Antares Vision - *Lyo-check* visual inspection machine



Source: Company website

FT SYSTEM: opening the door to the Industrial world

On 30 September 2019, Antares Vision finalised the acquisition of 100% of FT system, an Italian company specialized in inspection and control systems in the bottling and packaging sector. Key highlights of the acquired company are listed below:

- ◆ FT system's products are installed on more than 5,000 production lines for the beverage industry. These solutions enable controls at multiple stages of the production line, including checks for fill level, correct positioning of the cap, correct encryption, and label printing and positioning;
- ◆ Its client base includes producers of water, soft drinks, liqueurs, beer and wine, with the company operating in Italy, France, the US, Mexico, Brazil, the UK, Spain, China and India;
- ◆ According to AV's press release, FT System is expected to generate c.€26m in sales, €6m in EBITDA and €5.7m of EBIT in FY 2019E.

Main details of the transaction:

- ◆ The price paid was €67.7m (equity value) for the target company with c.€8m net cash registered at the closing. AV acquired 100% of FT system, of which 80% was acquired from Arol group and 10% each from the two CEOs Mr Forestelli and Mr Tuberti;
- ◆ The closing of the transaction was signed on 30 September, therefore FT system will start contributing to AV's P&L starting from 4Q19;
- ◆ From a strategic standpoint, the transaction allows AV to widen its product range in the beverage sector and generate cross/up selling synergies with its T&T and smart data-management solutions.

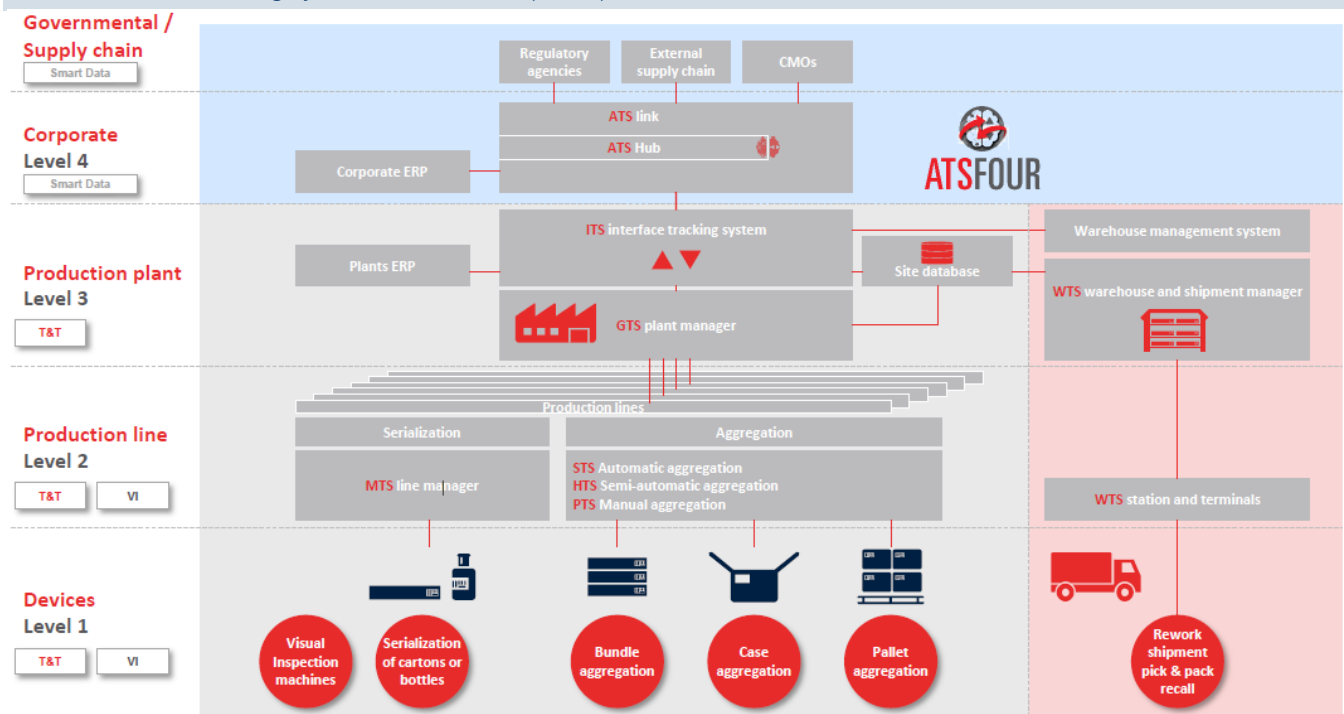
Serving customer needs at all levels (from L1 to L4)

AV's offer aims at supporting its customers at multiple levels, from production lines to corporate central functions. Indeed, besides the installation of T&T and Visual Inspection hardware and

software, AV also helps its clients in connecting production lines with all other main functions at the corporate level, facilitating the storage and re-elaboration of data through the offer of a smart data ecosystem connected with on-field devices. The offering of an integrated solution that covers all levels, from production to corporate functions, represents a key distinctive factor to gain and maintain market share, as customers may be interested in dealing with a unique supplier to limit the complexity of solutions implemented. The group's integrated offerings may be classified into four levels:

- ◆ **Level 1 (ie, on-field devices):** this consists of Track & Trace solutions (for the serialisation of items or aggregation of bundles, cases and pallets) and automatic Visual Inspection devices integrated into third-party machinery or installed as stand-alone machines;
- ◆ **Level 2 (ie, production line):** the so-called level 2 refers to the Human Machine Interfaces (HMIs) which allow workers to configure each production line for receipts/formats of allocated orders, as well as to monitor the output of inspection processes;
- ◆ **Level 3 (ie, production plant):** the heart of Antares Vision's T&T product offer is represented by GTS Plant Manager, a software that: i) allocates orders to single production lines; ii) receives all serialised codes, audit trails and statistics from production lines and stores them in the Site Database; and iii) connects production plants with central corporate functions and the system for warehouse and shipment management;
- ◆ **Level 4 (ie, corporate)** represents the completion of Antares Vision's offerings via the sale of smart data management services, which allow to re-elaborate, at the corporate level, data gathered from previous levels for internal purposes, for fulfilling regulatory information requirements or for fine-tuning production processes of external suppliers.

Antares Vision - Tracking System Architecture (L1-L4)



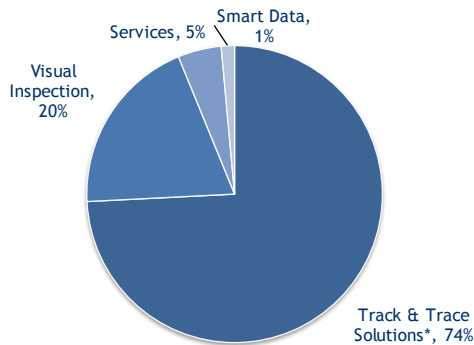
Source: Antares Vision

Specialised supplier for pharmaceutical industry

In FY18, Antares Vision's revenues amounted to €119m, of which 73% came from the Track & Trace business and 20% from Visual Inspection, while the balance was mainly generated from Services. The group operates exclusively as a B2B supplier and mainly serves clients from the Pharmaceutical industry (c.95% of the group's turnover as of FY18); nevertheless, AV's products may be potentially applied in the production/distribution process of several other industries, including food & beverage, cosmetics and fashion.

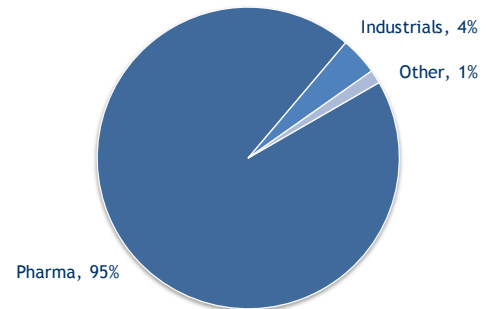
Current Market Price: € 9.83

Antares Vision - Sales breakdown by product line (FY18)



Source: Mediobanca Securities on Antares Vision

Antares Vision - Sales breakdown by industry (FY18)

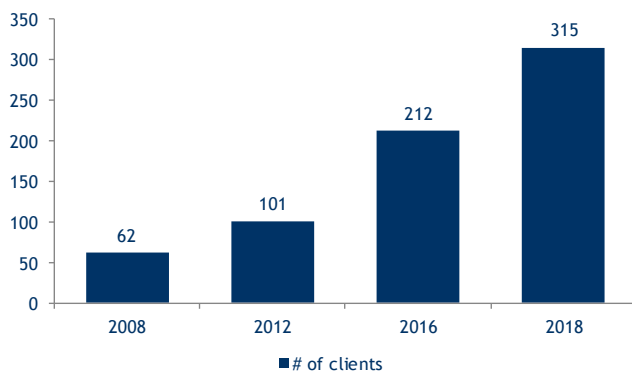


Source: Mediobanca Securities on Antares Vision

Antares Vision has a wide range of customers, amounting to more than 300 clients in c.60 countries worldwide. The group estimates to have overall supplied overall more than 300 pharmaceutical plants, for a total of 2,500 production lines.

Despite being a player mainly focused on the Pharma industry, Antares Vision shows a fairly diversified client base. It provides T&T and visual control solutions to ten out of twenty of the largest companies in the Pharmaceutical sector such as Sanofi, Abbott, Johnson & Johnson, Merck and Bristol. According to management indications, the twenty biggest customers of the group account for c.40% of the turnover, with none making up more than 10% of sales, as AV managed to steadily expand its customer base throughout its history (top 20 clients generated around 70% of total sales in 2014).

Antares Vision - Evolution of client base



Source: Mediobanca Securities on Antares Vision

Antares Vision - Summary of main customers



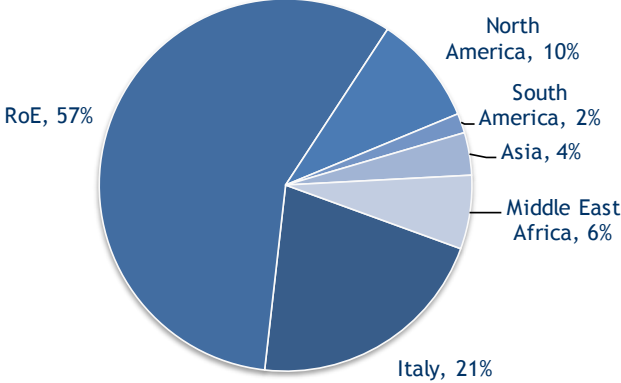
Source: Antares Vision

By geography, AV generates the bulk of its revenues from abroad, with the domestic market accounting for c.20% of FY18 sales. The chart below shows the breakdown of 2018 sales by geography, with Europe providing c.78% of sales, North America accounting for 10%, and the balance from Asia (4%), the Middle East (6%) and South America (2%). However, we would flag that:

- ◆ the geographical breakdown provided by the company is based on the domiciliation of billing entities, which may differ either from the location of plants supplied, or from end-markets to which products are delivered;

- ◆ Geo mix may differ significantly from a year to another due to the expiry of major regulatory deadlines (eg, sales in North America moved from 28% of group sales in 2017 to 10% in 2018).

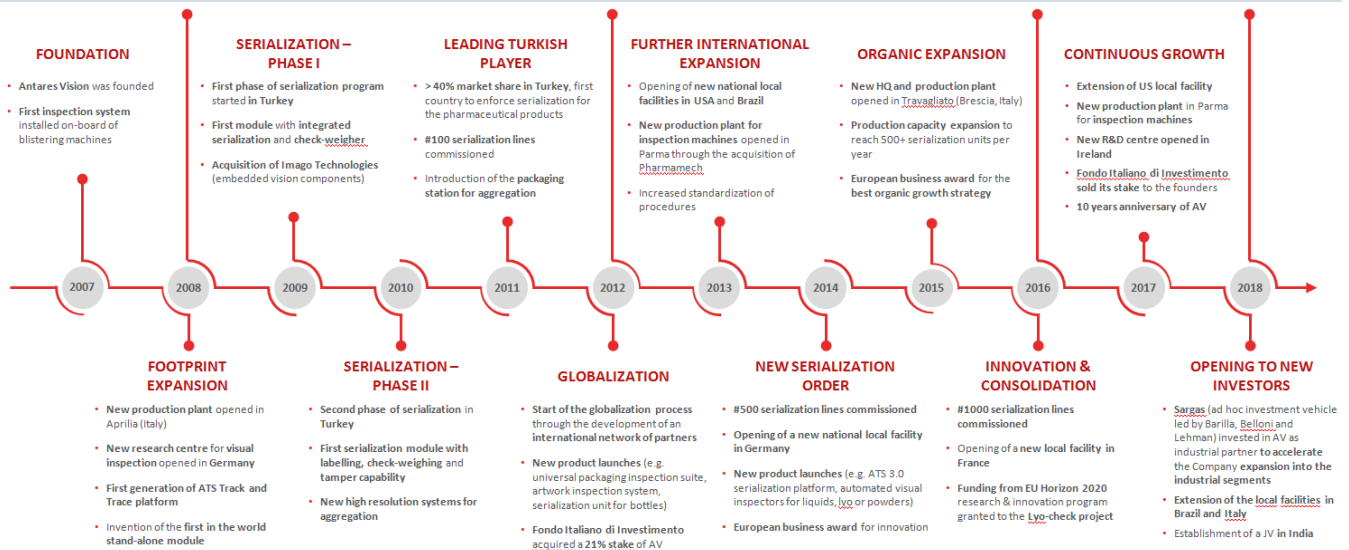
Antares Vision - Breakdown of sales by geography (FY18)



Source: Mediobanca Securities on Antares Vision

Historical milestones (2007-2018)

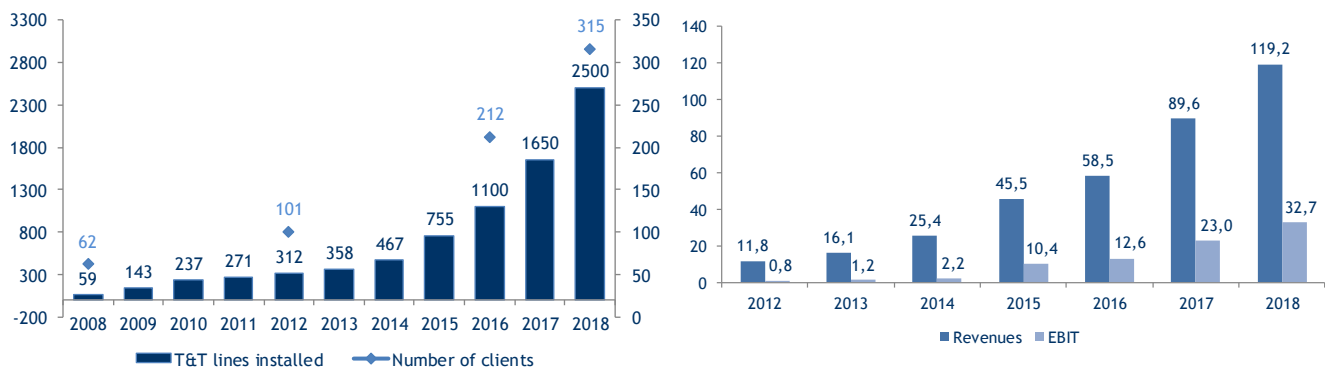
Antares Vision - Historical milestones



Source: Antares Vision

- ◆ Antares Vision is a relatively young company, as it was founded in **2007** by Mr Emidio Zorzella and Mr Massimo Bonardi. The two co-founders, and current co-CEOs of the company, aimed at exploiting opto-electronic technologies for tracing and inspection, and initially co-operated with players from multiple industries (packaging, F&B, tobacco, printing and textile among the others), before specialising in the Pharmaceutical industry;
- ◆ **2009** was a relevant year for the development of the company. Turkey was the first country worldwide to impose serialisation for pharmaceutical products marketed in the country, and AV won the tender to supply technologies to Sanofi for complying with such regulation. Also, during 2009, Antares Vision completed the acquisition of Imago Technologies, a key German supplier of embedded vision components;
- ◆ Turkey represented a pilot for the whole Pharmaceutical industry, with Antares Vision gaining a leading market share in the Track & Trace segment (40% as of 2011). Between 2010 and 2012 the company continued its evolution: it expanded its product range with new solutions for aggregation and applications for new industries, it reached 100 serialisation lines commissioned in 2011 and exceeded 100 clients served in 2012. It is worth flagging that in 2012 Fondo Italiano di Investimento acquired a 21% stake in Antares Vision to speed up business expansion;
- ◆ **2012-2014** marked an acceleration in the group's international expansion, with AV opening new production facilities in the US, Brazil and Germany and developing its network of international partners. Antares Vision reached 500 serialisation lines commissioned and €25m turnover in 2014;
- ◆ Further investments were required to sustain the fast business growth experienced, with Antares Vision expanding both organically (new production plant in Travagliato, new local facility in Parma and new R&D centre in Ireland) and through external growth, as the group bought *Legg System* to gain an own production presence in Brazil and signed a JV agreement with a local partner for the Indian market;

Antares Vision-Historical trend of installed lines and clients Antares Vision - Historical trend of Sales and EBIT (€m)



Source: Mediobanca Securities on Antares Vision

- ◆ Furthermore, we would flag that in **2017** the founders bought back the 21% stake held by Fondo Italiano di Investimento, while in the **Summer of 2018**, Sargas (an investment vehicle led by Guido Barilla, LVMH's Managing Director Belloni, Luigi Berlusconi, and Stichting Depositary Inpar Investment) acquired, through a capital increase, a 15% stake in the share capital for €40m as part of a partnership which may facilitate AV's future penetration in niche industrial applications for T&T and VI solutions. The partnership will include the launch of pilot projects for new applications of AV's solutions, with Sargas' members potentially opening up new end-markets such as food & beverage and luxury/cosmetics, as well as offering an established commercial network to better penetrate emerging markets such as Brazil and Russia;
- ◆ Business combination between ALP.I and Antares Vision S.p.A took place on **December 2018**. ALP.I total investment amounted to €70m (of which €50m was linked to a capital increase). Following the business combination, ALP.I owned 11.99% of Antares Vision's share capital. First day of trading on the AIM segment was on April 18;
- ◆ In **September 2019**, Antares Vision finalised the acquisition of 100% of FT system, an Italian company specialized in inspection and control systems for the bottling and packaging sector. FT system is expected to generate c.€26m in sales and €6m in EBITDA in 2019E. The price paid was €67.7m (equity value) for the target company with c.8m net cash registered at the closing. From a strategic standpoint, the transaction allows AV to widen its product range in the beverage sector and generate cross/up selling with its T&T and smart data management solutions.

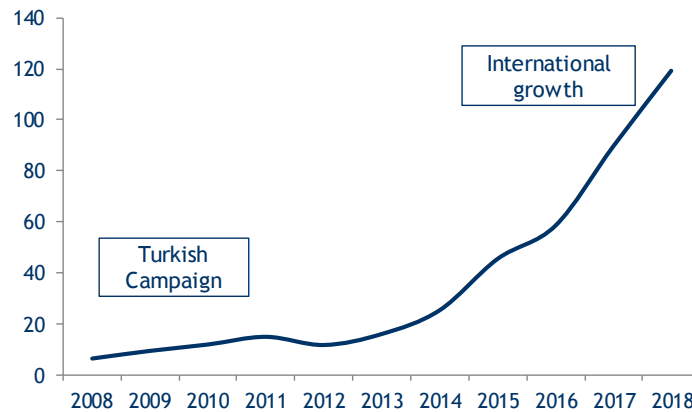
Turkish campaign: gateway of the Track & Trace journey

Turkey was the first market worldwide to make mandatory the serialisation of pharmaceutical products distributed in the country, in order to solve counterfeiting issues as well as frauds on State reimbursement schemes. Thus, it represented a sort of pilot for the whole Pharmaceutical industry. The introduction of legislation by Turkish Health Ministry requiring 100% traceability of pharmaceutical products forced main drug-makers operating in the country to adapt their production lines to cope with the new regulation. AV developed an ad-hoc T&T solution in Latina (Rome) for Abbott with the agreement to showcase to its potential clients the serialised line.

Later Sanofi, one of the main players in the market, held a contest to identify the most suitable supplier of traceability technologies to be installed in its production lines: Antares Vision designed a tailor-made solution which was considered the best, and it was chosen as Sanofi's supplier for the pilot. This allowed AV to enter the segment of Track & Trace services for the Pharmaceutical industry, and become one of the forerunners in such a niche; it was also one of the main drivers of the group's top-line growth between 2008 and 2011. Nonetheless, we would flag that, due to the strong effort to keep pace with the Turkish project, once deliveries in Turkey had been completed, the group suffered a marked one-year setback in turnover, something that appears fairly unsurprising, given the start-

up nature of AV. Although the group now is larger in scale and more diversified in terms of product offer, we cannot rule out that, to a lesser extent, something similar may happen again in the future, with potential lack of or delays in main regulatory triggers potentially causing a temporary stalemate in the growth path expected for the group.

Antares Vision - Evolution of group's revenues (€m)



Source: Mediobanca Securities on Antares Vision

Antares Vision's shareholders structure

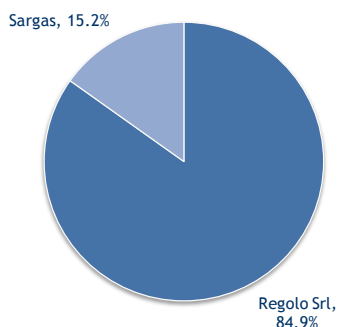
Before the business combination with ALP.I, the shareholding structure of Antares Vision was structured as follows:

- ◆ Regolo Srl holding c.85% stake with the two co-CEOs and co-founders owning c.72% of the vehicle;
- ◆ Sargas owned the remaining c.15% stake.

After the business combination with ALP.I and the reverse merger:

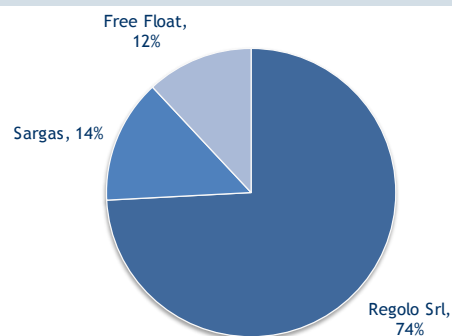
- ◆ Regolo Srl owns a c.74% stake;
- ◆ Sargas' share is 14%; and
- ◆ Free float is 12%.

AV - Shareholders' structure pre Business Combination



Source: Mediobanca Securities on Antares Vision

AV - Current Shareholders' structure



Source: Mediobanca Securities on Antares Vision

Business combination with ALP.I: potential ordinary shares evolution and dilution effects

ALP.I, an investment vehicle promoted by Mediobanca and a group of individual investors, went public on 1 February 2018. ALP.I was listed on the AIM market and raised €100m in a successful bookbuilding which involved Italian and foreign institutional investors (total demand approached €200m), issuing

10m shares at €10 each. The issue also includes 5m warrants with a strike price of €9.5 and maturing within five years after the business combination, which may be converted into a maximum of c.1.4m ordinary shares. An additional 300k special shares (without voting rights) were issued at the same price as ordinary shares: special shares have the right to be converted into ordinary shares depending on ordinary share market performance, at a fixed exchange ratio of six new ordinary shares for each special share. SPAC's promoters therefore invested €3m for the subscription of the 300k special shares.

Structure of the operation

On 19 December 2018, the BoD of ALP.I SPAC announced the business combination between ALP.I and Antares Vision S.p.A. Antares Vision is a leading Italian producer of Track & Trace and Visual Inspection solutions, primarily installed into production and packaging lines for the Pharmaceutical industry. Main highlights of the transaction:

- ◆ ALP.I total investment will amount to €70m with an Enterprise Value pre-money of €500m for Antares Vision;
- ◆ Following the business combination, ALP.I owned 11.99% of Antares Vision's share capital, while the rest was owing to Regolo S.r.l. and Sargas;
- ◆ Out of the €70m total investment made by ALP.I, €50m was linked to a capital increase, while the remaining €20m was used for the buy-out of some, non-strategic, minority shareholders of Regolo (AV's founders as well as Sargas did not sell their shares);
- ◆ The excess cash remaining in ALP.I (ie, c.€100m raised minus the €70m invested in Antares Vision), after withdrawals (if any), was distributed to shareholders through a dividend payment.

Details on special shares, warrants and performance shares

The presence of warrants and special shares represents a common feature for SPACs, providing additional incentives to initial subscribers of SPAC shares and sponsors to increase their profits in case of a successful business combination. However, the presence of special shares might cause additional dilution for holders of ordinary shares, to a higher or lower degree depending on share price performance.

Main characteristics of **special shares** and conditions subject to which they may be converted in the future are provided below:

- ◆ Of the 300k original special shares assigned to SPAC's promoters, 60k (ie, 20% of the total) were sold to Antares Vision's existing shareholders to further enhance the alignment of long-term interests between AV's management, the industrial partner Sargas and the SPAC's promoters;
- ◆ The 300k original special shares have the right to be converted into ordinary shares depending on ordinary share market performance, at a fixed exchange ratio of six new ordinary shares for each special share. Holders of the special shares have the right to convert their shares according to the following scheme: i) 50k shares (or 16.7% of the total) at the time of the business combination; and ii) the remaining 250k shares (or c.83% of the total) in the event share price exceeds €13.5. If the stock reaches €13.5, ordinary shares on the market will therefore grow by 1.5m;
- ◆ In case of conversion of special shares into ordinary ones, a lock-up period will be activated on converted shares (lasting for 12 months but expiring in case the share price exceeds the €15.0); **in any case lock-up will not be shorter than 24 months from the business combination**;
- ◆ Proceeds from Special shares, sold to Antares Vision existing shareholders, are available to be reinvested by promoters into ordinary shares before business combination;
- ◆ As a reminder, the structure of special shares was modified from the one envisaged by ALP.I Prospectus. The main changes relate to the fact that 20% of special shares had been transferred to AV's existing shareholders, and that the threshold for the conversion into ordinary shares had been increased, as 83% of special shares will be converted only if the share price reaches €13.5 (vs previous scheme envisaging partial conversions at €11, €12 and €13). In case this threshold is not exceeded, special shares will be converted after 5 years into ordinary ones with 1:1 ratio.

As regards **warrants**, it is worth to flag that:

Current Market Price: € 9.83

- ◆ 3m new warrants were assigned at the moment of the business combination, leading to a total of 5m warrants;
- ◆ As of September 3, the company announced that c.420k warrants had been exercised, leading to the issuance of c.55k new shares. Around 4.6m warrants remain therefore outstanding.
- ◆ Conversion of warrants may potentially lead to a total maximum of 1.24m additional ordinary shares (in case ordinary shares' price exceeds €13).

Performance shares are reserved to existing AV's shareholders as an additional tool to incentivise long-term business commitment:

- ◆ Performance shares reserved to existing AV's shareholders amount to 1,189,590 shares and may be converted depending on ordinary share market performance, at a fixed exchange ratio of six new ordinary shares for each performance share;
- ◆ Such shares may be converted according to the following scheme: i) 25% once the share price will have reached €13.5; ii) 50% once the share price will have reached €14; and iii) 25% once the share price will have reached €14.5;
- ◆ If the share price won't reach the abovementioned thresholds, performance shares will not be converted into ordinary shares.

As a summary, the table below illustrates the possible evolution of AV's ordinary shares and potential dilutive effects.

Antares Vision - Recap of potential evolution in the total number of shares*

	€ 10	€ 11	€ 12	€ 13	€ 13.5	€ 14	€ 14.5
Ordinary shares outstanding	57,930,287	57,930,287	57,930,287	57,930,287	57,930,287	57,930,287	57,930,287
Ordinary shares (including 1:1 conversion of special and perf shares)	59,369,877	59,369,877	59,369,877	59,369,877	58,822,480	58,227,685	57,930,287
from mkt warrant conversion	231,326	630,310	962,239	1,242,705	1,242,705	1,242,705	1,242,705
from Special share conversion					1,500,000	1,500,000	1,500,000
from Performance share conversion I					1,784,385	1,784,385	1,784,385
from Performance share conversion II						3,568,770	3,568,770
from Performance share conversion III							1,784,385
TOTAL	59,601,203	60,000,187	60,332,116	60,612,582	63,349,570	66,323,545	67,810,532

Source: Mediobanca Securities; *assuming all warrants are converted at the same price

Business model

Antares Vision has a lean and asset-light business model providing its customers turn-key solutions (both hardware and software). The company operates on a global basis, with presence in 60 countries thanks to six production facilities (we mainly refer to the three plants in Italy, one in Germany plus those in Brazil and the US) and local partners. Know-how, track record (in terms of serialised lines) and client proximity are the key assets of the company, which is highly committed in product innovation through an R&D centric business model.

Global production and commercial footprint

Another important aspect of Antares Vision is its ability to serve its customers globally. The company currently serves 60 countries (which represent around 95% of the total pharma production) thanks to four manufacturing plants in Europe and two in the Americas.

Antares Vision - Commercial and production footprint*



Source: Mediobanca on Antares Vision data, *excluding FT System perimeter

AV has a global reach thanks to a mix of subsidiaries and many local partners leading to a capillary geographical coverage. In greater detail, the company has a direct presence, coupled with production capacity, in key markets such as Europe, the US and Brazil, where it has recently purchased Legg System to own a local facility to avoid import duties. We also highlight that Antares recently set up a JV in India to cope with the strong business development in the country, and we do not exclude the company from adopting a similar approach to enter new markets. As a general rule, the company tends to keep a majority stake in local JVs developed.

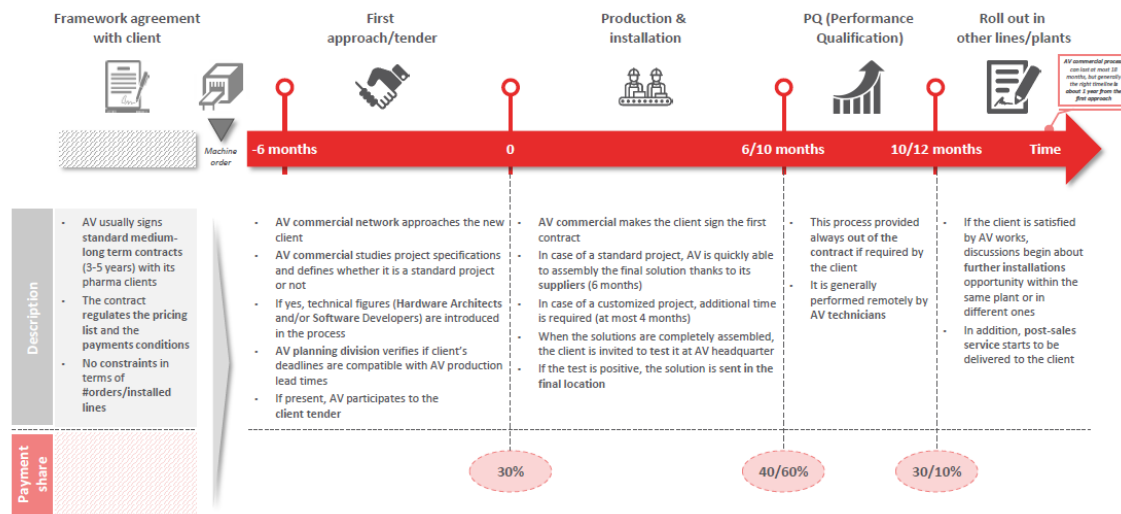
Client proximity: strategic tool to build top-line visibility

AV's customer base is mostly skewed towards the Pharma sector, with the company being the main provider for ten out of the top-20 pharmaceutical companies. Antares Vision has rapidly become a trusted partner of most big pharma companies, which on average have: 1) a global production footprint; 2) high and stable profitability; and 3) long-term investment programmes. As a confirmation of the longstanding relationships created with its customers, AV generally signs medium-long-term (3-5 years) supply framework agreements which regulate the pricing list (Euro denominated) and payment conditions. This enables the company to effectively and timely manage the pricing and the supply chain, granting better visibility to top-line development. As a standard commercial process, everything starts with a client tender (generally a framework agreement). In the event of a successful bid, AV collects the advanced payment and puts the order into execution when pulled by the client. After the installation, AV receives the majority of the order value and the balance after performance qualification.

A quick summary of the commercial process is provided in the chart below.

Antares Vision - Order acquisition and execution

Current Market Price: € 9.83

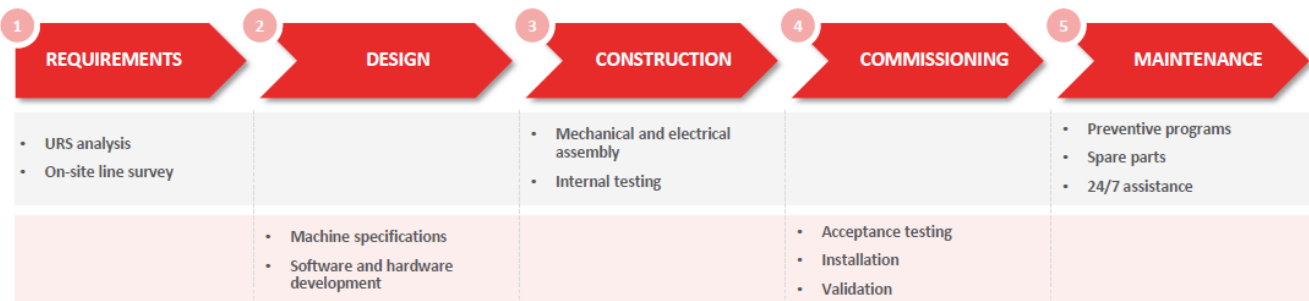


Source: Antares Vision

Lean manufacturing process...

Antares Vision has a flexible and asset light business model. The company carries out the most value added processes (such as the designing phase) internally, while it outsources the most capital-intensive phases of the value chain.

Antares Vision - Manufacturing cycle



Source: Antares Vision

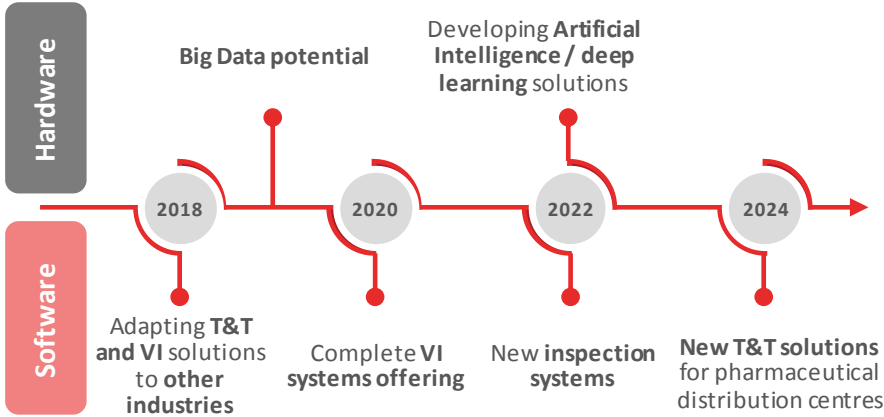
Given the current manufacturing cycle (summarised in the chart above), AV sources its components from third parties, as they are available on the markets. The company also outsources the assembly phase which is a critical activity especially in the context of sustained growth. As a consequence, Antares Vision is currently working to reduce its dependence on external assemblers.

... with forward looking R&D

An R&D-centric business model has been at the core of the story, with around 6% of the group's yearly revenues, on average, spent in the development of new software and hardware solutions. All four software levels have been developed internally, with ATS4 launched last year. As of today, the company has more than 2,500 lines commissioned, of which one third is also aggregated. Currently the company has two R&D centres, one in Italy (Brescia) and the other in Ireland, with a target to add another in Milan. AV capitalised €1.2m of R&D costs in 2018 to develop solutions for the Beverage industry.

Antares Vision - R&D pipeline

Current Market Price: € 9.83



Source: Antares Vision

2019-2021 Strategy

In the short to medium term, supported by a regulatory tailwind, Antares Vision is expected to deliver on its growth strategy by leveraging its offering, including both hardware and software for pharma Track & Trace and Visual Inspection. A gradual expansion into OTC products is another growth opportunity for the company (e.g. the Russian regulation also includes OTC products). Having recently expanded its offering for inspection machines, cross-selling among the two product families should play a greater role in the coming years. The acquisition of FT System is a step in this direction, accelerating the business diversification in industrial segments, such as the Beverage, and allowing Antares to offer a wider stream of technological solutions and acquire unique client relationships. The gradual launch of pilot projects in some industrial segments remains an organic growth driver of the story. The increasing digitalisation of the whole supply chain, coupled with the need to boost its efficiency, safety and automation should also offer incremental revenues for the group. Following the FT system deal, M&A remains a valid option to further improve its product/geographical mix.

Owning multiple levers to deliver double-digit sales growth

The group's strategy is to deliver visible double-digit growth in the coming years, thanks to a combination of organic growth, driven by the regulatory push and penetration into new segments, complemented by selective M&A. Its top-line expansion is expected to be driven by the following strategic drivers:

- ◆ **Consolidating growth in the pharma industry.** AV aims to leverage the solid underlying trends in the pharma industry, owing to: (1) the regulatory push for the mandatory implementation of the so-called "Phase 2" for Track & Trace in many major established markets; (2) increasing penetration in emerging countries, such as India, Brazil and Russia, by leveraging the direct presence the group recently established (or plans to establish shortly), and (3) expansion of its T&T solutions into the adjacent OTC products segment, a market currently exempted from any T&T requirements. Given its ability to drive product innovation, and its solid relationships with many main players in the pharmaceutical industry, we see AV as being well positioned to be at the forefront of T&T penetration in any new product niche or geography;
- ◆ **Entering new product niches and end markets.** Together with the increasing penetration in the T&T pharmaceutical industry (currently AV's core business), AV aims to expand its activities also into other end markets, leveraging the potential for multiple applications of T&T solutions for industrial products. The gradual technological alignment with the pharmaceutical market could open up a market potentially worth ten-times the T&T pharma market. We believe that the know-how and state-of-the-art technologies developed for the pharma industry, as well as the recently established partnership with Sargas, could represent key factors that could help AV enter Industrial T&T and VI. The acquisition of FT system will help the company accelerate this expansion;
- ◆ **Cross-selling opportunities and supply chain digitalisation.** With regard to the former, recent investments made by AV in VI production capacity, combined with R&D, are expected to generate incremental cross-selling between the two divisions. On top of this, big data analysis and the need to make supply chains fully integrated and more automated, could represent an add-on to group sales, thanks to a complete offering of smart data management solutions;
- ◆ **External growth via M&A.** AV has been a story of rapid organic growth thanks to its founders' foresight to identify the right technological T&T solution for the pharma industry. FT system is a recent example of how AV aims, through M&A, to enter new geographies and speed up access to new industries/complementary products/services.

SWOT analysis

Strengths

- ◆ Experienced management, with an outstanding track record of product development (both hardware and software);

- ◆ Technology know-how in pharma, applicable to industrial verticals;
- ◆ Competitive and comprehensive product/solution platforms in T&T;
- ◆ Longstanding relationships with Big Pharma;
- ◆ Lean approach across the whole value chain;
- ◆ Completely internally developed tracking system architecture (L1-L4);
- ◆ Relatively short life (around six years) of T&T solutions installed.

Weaknesses

- ◆ Exposure chiefly to one single sector to date (less evident after the FT system deal);
- ◆ WC management;
- ◆ Limited contribution from service revenues;
- ◆ Business development strongly dependant on the two company founders;
- ◆ Dependence on external assemblers.

Opportunities

- ◆ Geographical diversification through M&A;
- ◆ Expansion of existing product/solution range also through M&A;
- ◆ More stringent regulations, marketing and communication in non-pharma industries;
- ◆ Expansion to OTC;
- ◆ IoT, automation and digitalisation;
- ◆ Smart data management and service;
- ◆ The increase in cross-selling opportunities between T&T and VI;
- ◆ WC optimisation.

Threats

- ◆ The postponement of current drug tracking regulations around the world (eg. Russia);
- ◆ Potential competition from the companies that are currently operating in the industrial T&T & VI segments;
- ◆ The limited penetration of T&T (in terms of timing) in Industrial verticals;
- ◆ Potential competition from big software houses;
- ◆ The increasing mix of lines serialised in emerging markets may bring lower margins vs consolidated markets such as the US and the EU.

Financials

Key FY 2015-18 financials:

- ◆ Sales grew from €46m in FY15 to €119m in FY18 (c.80% export). T&T accounted for 73% of the group's 2018 revenues, while 20% of sales was generated from Visual Inspection, 5% from Services, and the balance from Smart Data & Other;
- ◆ EBIT increased from €10.4m in FY15 to €32.7m in FY18 reflecting a significant margin expansion (c.500bps), as the company is scaling-up its business;
- ◆ Net income reached €22.6m in FY18 tripling from €7.1m reported in 2015;
- ◆ Net cash position moved from €4.4m in 2015 to €28.7m in 2018 as the contribution from the expansion in margins more than offset NWC absorption;
- ◆ Order backlog increased from €46.4m in FY15 to €80m in 2018. AV can count on a decent level of visibility as backlog covers >70% of 1YFWD revenues.

We highlight that the company reports under the Italian GAAP and data exposed refer to management accounts. We also note that AV has already adopted the IAS17 standard for the accounting of the leasing.

Our FY 2019-21 forecasts:

- ◆ Organic top line 2018-21E CAGR of c.9% led by services, VI and smart data, followed by T&T growing in the low single-digit area;
- ◆ FY21E EBITDA margin of 28.1% (from 28.2% in 2018) factoring in a higher portion of value added product/services, the effect of the operative leverage offset by the dilutive impact of FT system consolidation;
- ◆ Net income close to €35m in 2021 (from €23m in 2018);
- ◆ Cumulated FCF at around c.€60m, with €77m positive net cash position in 2021E.

Historical performance (FY12-18)

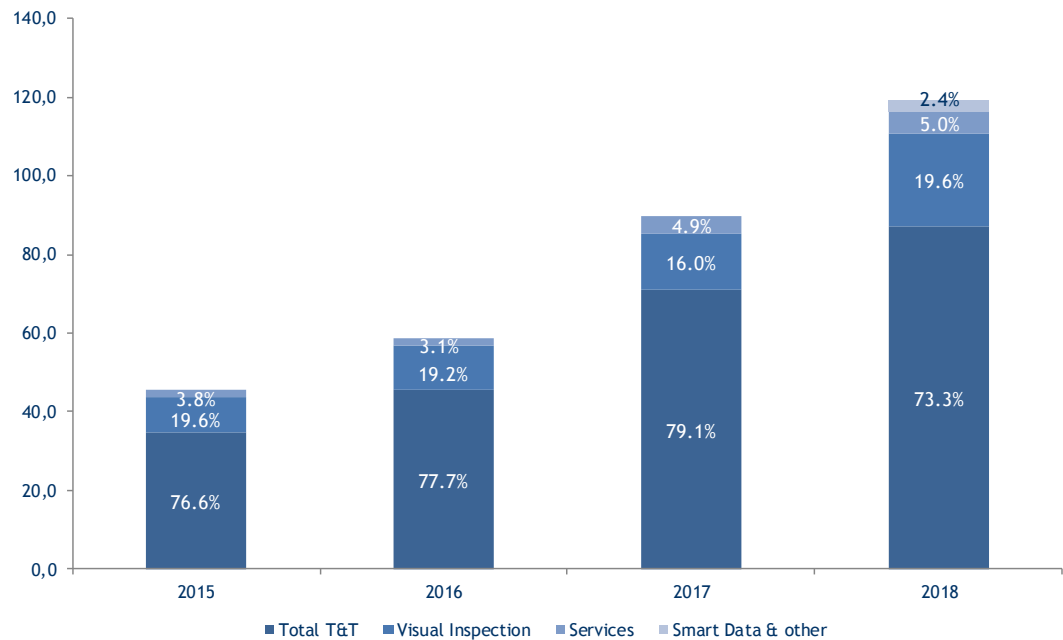
The recent history of Antares Vision has been characterised by buoyant growth enabling the company to move from being a local “start-up” to a global leading operator in the Track & Trace and Visual Inspection markets. Starting from its foundation in 2007, Antares Vision has been able to capture the remarkable growth opportunities coming from the development of the T&T business in the Pharmaceutical industry. The company played a key role in the first phase of the serialisation programme that started in Turkey (2009), which was the first country to enforce this practice, gaining strategic know-how and >40% market share in the country.

Since then, Antares Vision has successfully developed a competitive and innovative offering widening its customer base (from 62 clients in 2008 to 315 in 2018), approaching new regions and gaining market share. Focusing on the past six years, Antares Vision posted a 47% CAGR in the value of production as a result of higher selling volumes and an increasing value of the solutions provided.

Revenues structure

Looking in greater detail at the most recent years, it can be observed that the company generated €119m of revenues in FY18, growing 32.9% yoy and recording a 37.8% 2015-18 CAGR, outperforming its reference market. We highlight that most of the increase came from volumes, which experienced remarkable growth as the company scaled up its installed base. Breaking down the performance by industry, we flag that Pharma, accounting for more than 90% of the total, was the top performer, posting a 37% 2015-18 CAGR, while Industrial recorded a 34% CAGR in the same period. By technology, T&T was the most relevant unit, accounting for c.73% of the total, followed by VI (20%), while the balance was divided between Services (c.5%), Smart Data and other (c.1% each).

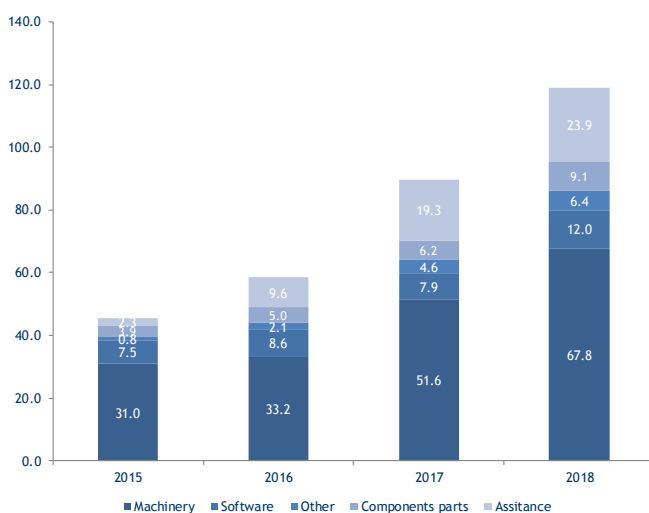
Antares Vision- 2015-18 sales breakdown by industry*



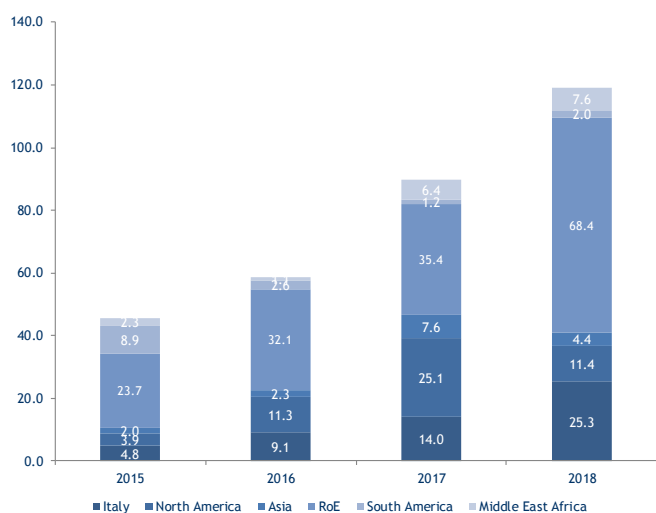
Source: Antares Vision, *based on management accounts

As shown in the chart below Machinery represents the main business line with almost 60% weight on FY18 sales and growing at c.30% CAGR in 2015-2018. Software and components accounted for 15.5% posting solid double-digit sales CAGR. Assistance, accounting for c.20% of the total in 2018, was the top performer in growth terms, releasing a CAGR in 2015-2018 of 117% as the company is pushing on providing full customer support after the sale of machinery and/or software.

Antares Vision- 2015-18 sales breakdown by business line* Antares Vision- 2015-18 sales breakdown by geography*



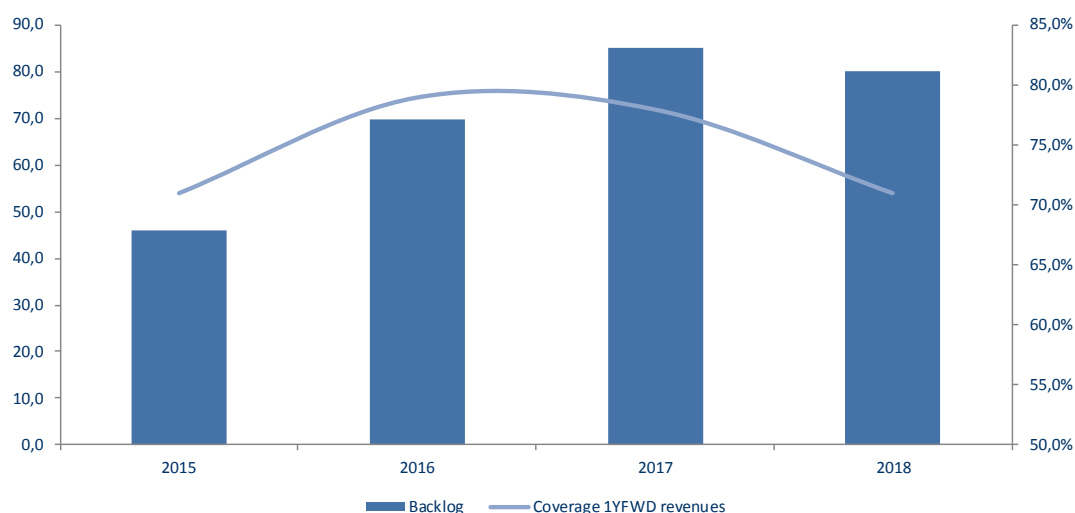
Source: Antares Vision, *based on management accounts



Source: Antares Vision, *based on management accounts.

In terms of geographical mix (based on country of invoicing), Italy, Europe and North America represent key end-markets accounting for more than 85% of the total revenues last year. In terms of growth, Italy has been the top performer, posting a CAGR 2015-2018 of 74%, followed by Middle East (50% CAGR), and North America (43% CAGR).

Antares Vision - 2015-2018 backlog trend



Source: Antares Vision

Antares Vision has close relationships with its clients, especially in the Pharmaceutical industry, where the company signed purchase framework agreements with its main customers. We highlight that the company can rely on a decent level of revenues visibility given that it can count on a backlog that covers less than 1Y FWD revenues. As shown in the chart above, backlog increased remarkably over the 2015-17 period hovering at 70%-80% coverage. Last year, backlog stabilised at c.€80m, with a 71% coverage.

Cost structure

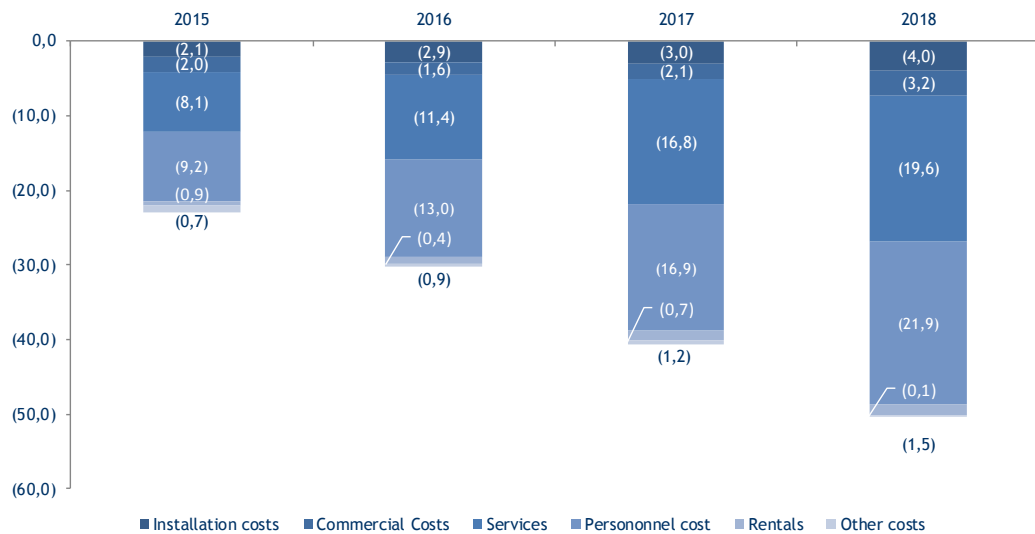
In terms of Antares Vision's cost base, the business has, in our view, an operating leverage overall aligned with the level of other asset-light industrial companies covered (around 30% - Mediobanca estimate). This strongly depends on the projected workforce expansion, that in the case of AV may be a relevant factor impacting this level. The company has a lean business model, leading AV to have a first margin structurally in the 64-66% range. There is no dependence from a single raw material. We highlight that Antares Vision purchases different components from a selected network of suppliers enabling the company to keep the supply chain under control. Gross margin was touch above 70% in 2018 (from 76% in 2015). Sales mix clearly may impact this margin on a yearly basis.

The main fixed cost was personnel expenses accounting for 18% of group revenues last year. We note that AV currently employs more than 350 people (more than 500 if we include the employees of its partners). In the past three years, personnel expenses increased in absolute terms (c.35% CAGR) chiefly due to increasing hiring (c.197 additional FTEs) and raising average cost per employee as the company has been expanding its Sales & Marketing and R&D activities to cope with business growth.

The second most relevant cost item is services expenses accounting for c.16% of sales last year. In the past four years, this cost more than doubled accounting for 18% of sales, on average. The increase was mainly related to enhanced business growth and complexity as well as higher marketing and fair costs and increased outsourcing activities. The balance is divided among rental expenses and other costs accounting less than 2% of sales.

It is worth highlighting that R&D is a relevant cost, accounting for around 6% of sales on average in the past 4 years. Most of the R&D expenses are related to personnel linked to this activity, and these costs have not been capitalised in the period 2015-17. The ongoing development of pilot projects in the Industrial sector has led the company to start capitalising some of these costs (ie, €1.2m in 2018).

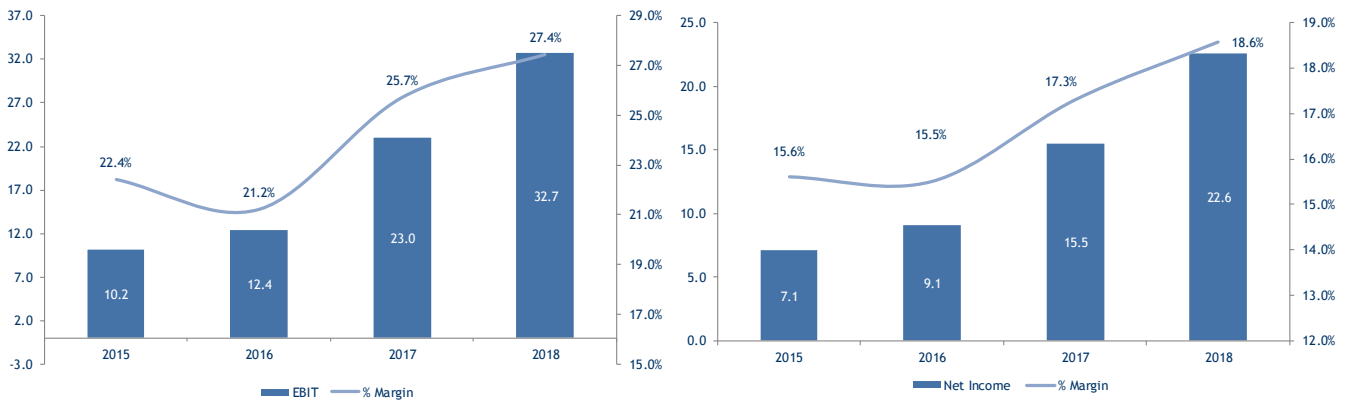
Antares Vision - FY15-18 operating cost base (€m)*



Source: Antares Vision, *based on management accounts

In terms of profitability, reported EBITDA increased from €11.4m in FY15 to €33.6m in FY18. Antares Vision's EBITDA margin was 28.2% in 2018, expanding by 3.2pp since FY15, mainly due to a positive operational leverage. A similar trend can be observed at the EBIT level, with a margin of 27.4% in 2018 (from 22.4% in 2015). Regarding the bottom line, the group's net income increased from €7.1m in FY15 (15.6% margin) to €22.6m in FY18 (18.9% margin), reflecting the top line and margin improvements, as well as a stable tax rate, at c.28%.

Antares Vision - FY15-18 EBIT (left) and net income (right) evolution



Source: Antares Vision, *based on management accounts

Key balance sheet items

With regard to the company's balance sheet, we underline the following key points:

- Increasing weight of net working capital on sales:** Antares Vision experienced remarkable growth from 2015 to 2017 in order to cope with the business expansion. The first sign of trend inversion was recorded in 2018 with a slight decline of weight on Sales, mainly due to strong decrease in inventories (as a percentage on sales);

Here below a summary of the dynamics of the main items included in TWC:

- ◆ **Trade receivables** mirrored the increase in trading activity keeping an overall stable ratio on sales (around 34% in 2018);
- ◆ The company increased its inventory over the period 2015-17 to deal with the strong increase in turnover, while 2018 reflected an overall stabilisation in absolute terms;

- ◆ The trade payables ratio on sales dropped from 12.7% in 2015 to 10.1% in 2018;

Including other assets/liabilities (which includes advances from clients worth €14.2m in 2018), the net working capital increased from c.16% to c.30% on sales in 2015-2018.

Antares Vision - Net working capital trend (€m)

	2015	2016	2017	2018
Inventories	9.0	16.2	24.6	23.25
Accounts receivable	15.6	23.4	30.9	40.2
Accounts payable	(5.8)	(8.9)	(10.2)	(12.1)
Trade working capital	18.8	30.7	45.284	51.385
% of sales	41.4%	52.5%	50.5%	43.1%
Other Assets/Liabilities*	(11.4)	(15.6)	(16.7)	(15.6)
Net working capital (NWC)	7.5	15.0	28.554	35.831
% of sales	16.4%	25.7%	31.9%	30.1%

Source: Mediobanca Securities, * includes advances from clients.

- b) **Low capital intensity:** Antares Vision has a lean production approach, with the company mainly focused on testing and installing machines. Therefore, AV relies on an asset structure that is overall light.

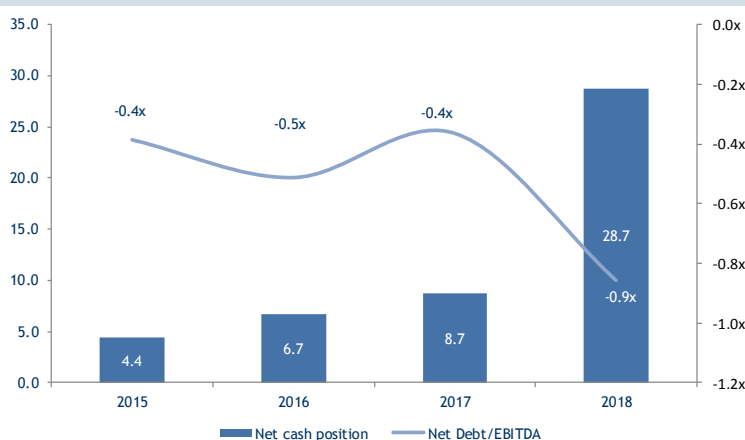
In FY18, net fixed assets totalled c.€9m and were made up of:

- ◆ **Tangible assets (€7.2m):** mainly include the building located in Travagliato (Brescia); a new leasing started in August 2017 related to the building located in Parma (we note that the accounting of the leasing is consistent with the IAS 17 principle);
- ◆ **Intangible assets (€1.7m):** These are mainly referred to the R&D capitalised costs in previous periods. We note that AV restarted capitalising R&D expenses in 2018;

Net invested capital employed at YE18 was €42.6m, which compares with an EBIT of €32.7m.

- c) **Unlevered balance sheet:** AV can count on an unlevered balance sheet. The company reported a net cash of c.€28.7m in 2018, up from €4m in 2015. Although AV had a solid margin expansion, FCF was limited in the past years, as the company increasingly invested in NWC in order to support structurally its business expansion.

Antares Vision - FY15-18 net cash position



Source: Antares Vision

1H19 results

The company reported a low single digit growth in value of production in 1H19. Excluding the positive contribution from R&D expense capitalisation and tax credits, revenues were down 0.7% yoy. However, we note that in 1H18 reported a sales' growth inflated by deliveries ahead of serialisation deadline (February 2019) in the EU (+49% yoy in 1H18). At the operating level, EBITDA was up marginally vs. last year.

The increase in the first margin (up c.20% yoy to €38.4m, and at c.70% as a percentage of sales) was the main driver of EBITDA growth, due to a sales mix skewed towards services vs. machinery. Higher personnel costs owing to the group's expansion, partly offset growth in its first margin, leading to 3% growth at the EBITDA level.

Net cash came in at €81.8m (vs €28.7m in FY18) including the €50m capital increase. Net Working Capital on LTM sales was 33%, a touch above the 30% level achieved in 2018.

A quick summary of the main lines has been provided in the table below.

Antares Vision - 1H19 results

(€m)	1H19	1H18	YoY change
Revenues	52.0	52.4	-0.7%
EBITDA	12.5	12.2	2.6%
% Margin	24.0%	23.3%	
EBIT	11.8	11.7	1.2%
% Margin	22.6%	22.3%	
Net Income	8.4	7.8	7.7%
Net debt/(Net cash)	(81.8)	(17.3)	

Source: Company data

Medium-term prospects (FY2019-21E)

Our 2019E-21E estimates include the contribution of FT system acquisition, finalised on September 30, therefore consolidated starting from 4Q19.

c.9% organic top-line CAGR expected in 2018-2021E

We expect Antares Vision's top-line to grow at c.9% CAGR in organic terms over the period 2018-21E. In FY19, we expect AV to release flattish sales and EBITDA at constant perimeter. These forecasts include a negligible contribution from Russia assuming a slower implementation of domestic tracing regulation. With regard to 2020-21 period, we expect sales to recover a low-double digit growth pace (c.12%) in organic terms reaching sales of c.€180m in 2021E based on the following divisional assumptions:

- ◆ **T&T.** We expect the T&T business to grow in the high-single-digit area after a top-line decline in 2019E. We forecast the division to grow at a 9% CAGR in the 2020-21E period, driven by the geographical expansion in countries, such as Brazil and Russia, in which regulation is expected to support serialisation demand. US aggregation deadline by 2022 is expected to bring some initial effects in 2021;
- ◆ **Visual Inspection** should almost double its sales in 2021 reaching €66m (from €34m in 2019E including FT system) of which one quarter made organically (c.€10m in absolute terms). The two key drivers are the wider product range in the Pharma segment plus the contribution of FT system operating mainly in the Beverage sector;
- ◆ **Services** should grow in tandem with volumes (23% 2019-21 CAGR), as these revenues are linked to an increase in the installed base;
- ◆ **Smart Data** are expected to generate c.€6m revenues in 2021 (from c.€3m in 2019). The management acknowledged during 1H19 conference call that these solutions have been growing at a slower than expected pace but confirmed all the investments to develop the business.

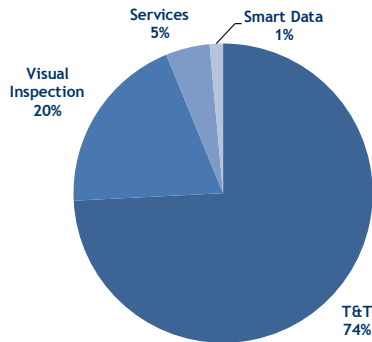
We provide a summary of the breakdown of sales forecasts by business in the table below.

2018-21E - Revenues by business including FT System*

	2018A	2019E	% ch.	2020E	% ch.	2021E	% ch.
T&T	88.4	80.4	-9%	86.9	8%	95.6	10%
% total	74.2%	63.7%		54.3%		53.0%	
Visual Inspection	23.4	34.4	47%	58.7	71%	66.2	13%
% total	19.6%	27.3%		36.7%		36.7%	
Services	5.7	8.3	47%	10.0	20%	12.5	25%
% total	4.7%	6.6%		6.2%		6.9%	
Smart Data	1.7	3.0	74%	4.5	50%	6.0	33%
% total	1.5%	2.4%		2.8%		3.3%	
Total	119.2	126.1	6%	160.1	27%	180.3	13%

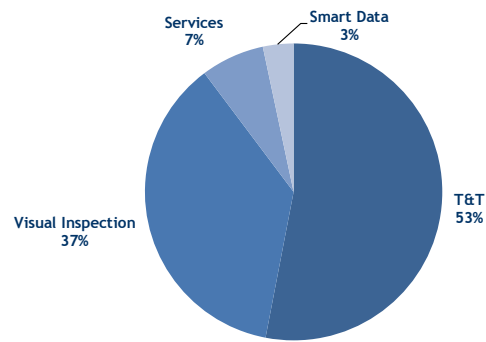
Source: Mediobanca Securities, *3 months consolidated in 2019

Antares Vision - 2018A Revenues by business line



Source: Mediobanca Securities

Antares Vision - 2021E Revenues by business line

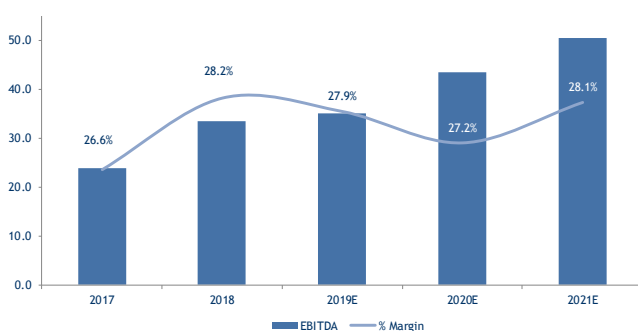


Source: Mediobanca Securities

Cost structure trend: further EBITDA margin expansion despite headcount expansion

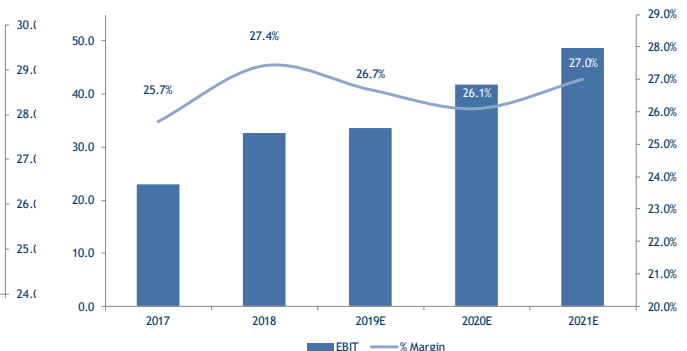
1H19 results showed a picture which unveils how margin trend may evolve in the coming years thanks to an increasing contribution of assistance and software sales. Over the next three years, the company plans to significantly increase its workforce in order to cope with the strong business expansion and phasing of these investments may affect/help the profitability of a single year. In 2019, we forecast an overall flattish EBITDA margin, despite more than 700bps expansion at the first margin level. Over the period 2018-21, we forecast an increase in company reported EBITDA from €34m in 2018 to €51m in 2021E, which equates to a 2018-21E CAGR of around 15%. These forecasts include the contribution of FT system (c.23% EBITDA margin consolidated line by line since 4Q19) that is marginally dilutive at EBITDA level. Trends in the EBITDA and EBIT margin are summarised in the charts below.

Antares Vision -2017-21E EBITDA and % margin



Source: Mediobanca Securities

Antares Vision -2017-21E EBIT and % margin



Source: Mediobanca Securities

In greater detail, our estimates assume the following:

- ◆ We expect the **first margin** to be on average touch below 70% over the 2019-21E period. This level is based on the assumption that the increasing focus on software and services will support this margin line while machinery will represent 50%/55% of group sales in the coming years (including FT system);
- ◆ A **19.7% 2018-21E CAGR in the personnel cost**. The percentage on sales is expected to drop from c.22.5% in 2019E to 20.8% in 2021E. This upward trend in personnel costs is related to the increasing number of employees to cope with the projected business expansion. Excluding FT system (around 140 employees), AV FTEs are foreseen to be more than 500 in 2021, up from c.360 in FY18;

- ◆ **Services** include all costs related to outsourced activities, coupled with consulting and promotion expenses. These are expected to increase at a 17% CAGR in 2018-21E, with the weight on sales dropping from 20.8% in 2019E to 17.5% in 2021E.

Antares Vision - Cost structure assumptions (FY17-21E)

(€m)	2017	2018	2019E	Δ %	2020E	Δ %	2021E	Δ %
Services	(16.8)	(19.6)	(26.2)	34%	(28.8)	10%	(31.5)	9%
Personnel cost	(16.9)	(21.9)	(28.4)	30%	(35.4)	25%	(37.6)	6%
Rentals	(1.2)	(1.5)	(2.0)	28%	(2.4)	24%	(2.5)	4%
Bad debt charges	(0.2)	0.0	0.0		0.0		0.0	
Others	(0.5)	(0.1)	1.5		(0.3)		(0.4)	
<i>Services % of sales</i>	18.8%	16.4%	20.8%		18.0%		17.5%	
<i>Personnel cost % of sales</i>	18.9%	18.4%	22.5%		22.1%		20.8%	
<i>Rentals % of sales</i>	1.3%	1.3%	1.6%		1.5%		1.4%	
<i>Bad debt charges % of sales</i>	0.2%	0.0%	0.0%		0.0%		0.0%	
<i>Other costs % of sales</i>	0.6%	0.1%	0.2%		0.2%		0.2%	

Source: Mediobanca Securities

Earnings to benefit from operating leverage

At the bottom-line level, we expect Antares Vision's net profit to increase at a 15% CAGR over 2018-21E. Net income is expected to increase 7% yoy in 2019 and continue its upward growth to €34.8m in 2021E. The rise in net income should be derived from:

- ◆ **An improved EBITDA in absolute terms** (€17m more in FY21E compared with the FY18 figures);
- ◆ **D&A increasing** from €0.9m in 2018 up to €1.9m in 2021 with an average 1.0% weight on sales. The increase is the result of maintenance capex coupled with an increasing amortisation of the intangible assets as AV is expected to start capitalising part of its R&D expenses (c.€2m pa);
- ◆ **An average tax rate** of c.27% in the 2018-21E period.

Antares Vision - 2017-21E EBITDA to net profit estimates

(€m)	2017	2018	2019E	Δ %	2020E	Δ %	2021E	Δ %
EBITDA	23.8	33.6	35.1	4.7%	43.5	23.8%	50.6	16.3%
<i>EBITDA margin</i>	26.6%	28.2%	27.9%		27.2%		28.1%	
D&A	(0.8)	(0.9)	(1.5)		(1.7)		(1.9)	
EBIT	23.0	32.7	33.7	3.0%	41.8	24.2%	48.7	16.5%
<i>EBIT margin</i>	25.7%	27.4%	26.7%		26.1%		27.0%	
Net financial income (charges)	(0.4)	(0.9)	(0.8)		(0.4)		(0.1)	
Extraordinary items	(0.1)	(0.3)	0.1		0.0		0.0	
Pre-tax profit	22.5	31.5	33.0	4.5%	41.4	25.6%	48.6	17.3%
Taxes	(6.3)	(8.7)	(8.4)		(11.2)		(13.1)	
Tax rate	28.1%	27.5%	27.0%*		27.0%		27.0%	
Minorities	(0.7)	(0.3)	(0.3)		(0.5)		(0.7)	
Net profit	15.5	22.6	24.2	7.3%	29.7	22.7%	34.8	17.0%

Source: Mediobanca Securities; *excluding Horizon 2020

Company to generate c.€60m cumulated FCF over 2019-21E

We forecast a cumulated FCF generation of c.€60m over the estimates horizon. Main drivers of cash generation look set to be:

- ◆ **Cash earnings**, forecast to grow over time from €26m in FY19E to €38m in FY21E;
- ◆ **Change in working capital**. Working capital is clearly an area where management can improve. We expect working capital on sales to be in the 33% area over the period, leading to a cumulated cash absorption of c.€22m in the 2019E-21E period;

Antares Vision - 2017-21E NWC capital assumptions

(€m)	2017	2018	2019E	2020E	2021E
Inventories	24.6	23.2	30.8	39.1	44.1
Accounts receivable	30.9	40.2	42.5	54.0	60.8
Accounts payable	(10.2)	(12.1)	(15.1)	(18.9)	(21.6)
Trade working capital	45.3	51.4	58.2	74.3	83.2
% of sales	50.5%	43.1%	46.2%	46.4%	46.2%
Other Assets	5.9	6.1	7.6	9.6	10.8
Other Liabilities	(22.6)	(21.7)	(20.8)	(30.4)	(36.1)
Net working capital (NWC)	28.6	35.8	45.0	53.4	58.0
% of sales	31.9%	30.1%	35.7%	33.4%	32.2%

Source: Mediobanca Securities

- ◆ **Capex**. We see maintenance capex broadly stable. We highlight that in our estimates we included c.€2m of additional capex related to the capitalisation of a part of the R&D costs, related to some pilot projects in the industrial sector to be developed in the coming years. We include the cash-out related to FT system acquisition (c.€60m enterprise value);
- ◆ **Capital increase**. We flag that in 2019 the company benefitted from €50m proceeds from the capital increase related to ALP.I transaction;
- ◆ We do not forecast any **dividend payment** given that in our view AV is going to prioritize the re-deployment of its cash flows to finance potential external growth opportunities.

Antares Vision - 2017-21E cash flow statement

(EUR m)	2017	2018	2019E	2020E	2021E
Net profit & minorities	16.2	22.9	24.5	30.2	35.5
Non cash items	2.4	-0.7	1.6	2.3	2.3
Cash flows	18.6	22.2	26.1	32.5	37.7
Net working capital change	-13.5	-7.3	-9.2	-8.5	-4.5
Capex	-1.7	-2.2	-4.7	-5.0	-5.0
Free operating cash flows	3.4	12.7	12.3	19.1	28.2
Net financial investment	0.0	0.0	-61.2	0.0	0.0
Dividends	0.0	0.0	0.0	0.0	0.0
Others (incl. capital increase)	-1.5	7.4	50.0	0.0	0.0
Change in net debt	2.0	20.1	1.1	19.1	28.2

Source: Mediobanca Securities



APPENDIX

Track & Trace and Visual Inspection in pills

Track & Trace can be defined as a process to mark products with unique and traceable serial numbers in order to uniquely identify them and provide a complete history of their movements, both along the product line and delivery to customers. Main activities involved in the process are:

Track & Trace process

Serialisation and aggregation

The process consists in the generation of alpha-numeric characters which are uniquely assigned to products (**serialisation**). Codes are generated according to specific coding standards, which vary depending upon the purpose of traceability. They can be divided into two main categories: machine readable (2D Datamatrix Code and QR Code) and human readable. Once single products are marked with serial numbers, they are filed under larger codes which will be assigned as identifiers to packaging containers (**aggregation**). The mechanism allows to infer the identity of all contents of a packaging container by just scanning its identifier code.

Codes printing

Codes can be printed on a wide range of different materials, not only paper and card, but also tags, adhesive labels and many others. There are essentially four types of printing techniques, namely dot matrix, ink jet, laser and thermal.

Database storage

Once standardised codes are assigned to a product and printed, they are recorded and stored in a central database, which ensures monitoring and traceability of each product as it travels through the supply chain.

Code application and verification

Once code are printed and stored, they need to be verified for accuracy in several different places along the product line. Barcodes can be read by scanners, smart cameras as well as high-resolution cameras, featuring different levels of technological capabilities

Source: Mediobanca Securities

At the same time, **Visual Inspection systems and automatic machines** detect and guarantee the integrity and conformity of products, containers and packaging. Their capabilities include:

- ◆ Impurity check
- ◆ Detection of cosmetic defects
- ◆ Detection of dimensional defects
- ◆ Detection of mix-up issues



Current Market Price: € 9.83

MANAGEMENT TEAM

Antares Vision management team

Name and Surname	Position
Emidio Zorzella	Co-founder, co-CEO and Chairman
Massimo Bonardi	Co-founder, co-CEO and Technical Director
Alioscia Berto	CFO

Source: Mediobanca Securities on Antares Vision

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Proportion of all recommendations relating to the last quarter			
Outperform	Neutral	Underperform	Not Rated
42.11%	42.63%	15.26%	0.00%

Proportion of issuers to which Mediobanca S.p.A. has supplied material investment banking services relating to the last quarter:			
Outperform	Neutral	Underperform	Not Rated
53.45%	44.07%	42.11%	#DIV/0!

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Date of report production: 15 Oct 2019 - 18:12



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