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<b>Innovative-RFK</b>	<b>Italy</b>	<b>Euronext Access Paris (FR)</b>	<b>Investments</b>
<b>Rating: BUY (unch)</b>	<b>Target Price: €2,23 (from 1,63)</b>	<b>Update</b>	<b>Risk: Medium</b>

Stock performance	1M	2M	4M
Absolute	0,00%	4,24%	7,50%
to FTSE AIM Italia	-5,75%	-10,01%	-17,60%
to FTSE STAR Italia	-4,36%	-7,01%	-6,56%
to FTSE All-Share	0,84%	-2,70%	-2,34%
to Digital Magics	1,02%	31,51%	22,23%
to Tamburi Investment Partners	-1,28%	3,26%	7,74%
to H-Farm	-17,10%	-27,26%	-123,81%

## Company Overview

Innovative-RFK (i-RFK) is an industrial holding company, founded in 2017, that invests in startup and Innovative SMEs acquiring shares of around 20/30% of the capital, for an average investment ticket between € 0.5 and 2 million. The sectors in which I-RFK's portfolio is currently invested are healthcare, SW development, financial, digital, e-commerce and fitness. The investment vehicle takes advantage of the tax incentives introduced by the amendments to the Stability Law of 2019 for investments in Startups and innovative SMEs, whereby those who subscribe to a capital increase in i-RFK will receive a tax deduction of 30%.

## Stock Data

Price	€ 1,72
Target price	€ 2,23
Upside/(Downside) potential	29%
Exchange	Euronext Access
Ticker	MLIRF
Market Cap (€m)	€ 16,17
EV (€m)	€ 15,43
Share Outstanding	9.401.656
52-week high	€ 1,81
52-week low	€ 1,45
Average daily volumes (3m)	67

## FY20A Results

The important events that took place in 2020 were:

- 1) **the issue of a minibond** in October 2020, of the value of € 1.29 million, through a debt crowdfunding campaign with the CrowdFundMe platform, which is then listed on the ExtraMotPro3 segment of Borsa Italiana;
- 2) **a capital increase** totaling € 610,136.00 plus a premium of € 305,068.00, listed on Euronext Access Paris in December 2020.

Regarding the new investment operations, in 2020, the company invested in the following companies: Reaxing S.r.l., Web al Chilo S.r.l. and strengthened the presence in Microcredito di Impresa S.p.A. (Sources: Annual Report i-RFK 2020).

The Net Income 2020 is conditioned by the profit retention of the subsidiaries due to the Covid-related measures.

Key Financials (€)	FY18A	FY19A	FY20A
Sales	17.168	195.265	132.991
EBITDA	(105.699)	(209.829)	(239.201)
EBIT	(109.288)	(213.552)	(239.201)
Net Profit	2.773	17.965	(258.741)
EPS	0,0003	0,0019	-
EBITDA margin (%)	n.m.	n.m.	n.m.
EBIT margin (%)	n.m.	n.m.	n.m.

## The market

The Italian SME market had over 11,500 possible target companies for i-RFK. The recovery in the activity levels of Italian SMEs continued in 2019: turnover grew in real terms by 2.8% and added value by 3.4% compared to the previous year. These data, together with those from previous Balance Sheets, indicate that the Italian SME system faced with Covid emergency after a decade of slow and unfinished recovery, which has allowed only partially to recover pre-financial-crisis Income Statement levels. The long wave of the financial crisis has been particularly intense for the construction sector, but the impacts have also been significant in industry and services.

Main Ratios	FY18A	FY19A	FY20A
EV/EBITDA	n.m.	n.m.	n.m.
EV/EBIT	n.m.	n.m.	n.m.
P/E.	n.m.	n.m.	n.m.

## Valuation

By evaluating the subsidiaries according to the market multiples method, the Book-value and the Market Value, depending on the specificity, and by aggregating the values, we have obtained an enterprise value of holding as "sum-of-parts" of about € 20 million. Net of the NFP (cash of € -0.74 million), an equity value of €20.92 million was calculated, corresponding to a value of €2.23 (from €1,63) per share. The share is therefore currently negotiated with a 29% discount compared to its intrinsic value, therefore also in view of the qualitative valuation indicated in the following paragraphs the purchase of the share is recommended.

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## 1. Economics & Financials (2017-2020)<sup>1</sup>

Table 1 – Economics & Financials

<b>INCOME STATEMENT (€)</b>	<b>FY17A</b>	<b>FY18A</b>	<b>FY19A</b>	<b>FY20A</b>
<b>Value of Production</b>	<b>8.000</b>	<b>17.168</b>	<b>195.265</b>	<b>132.991</b>
G&A	(4.096)	(117.628)	(399.179)	(365.128)
Employees	-	-	-	(140)
Other Operating Expenses	(722)	(5.239)	(5.915)	(6.923)
<b>EBITDA</b>	<b>3.182</b>	<b>(105.699)</b>	<b>(209.829)</b>	<b>(239.201)</b>
<i>EBITDA Margin</i>	40%	-616%	-107%	-180%
D&A	(2.056)	(3.589)	(3.723)	-
<b>EBIT</b>	<b>1.126</b>	<b>(109.288)</b>	<b>(213.552)</b>	<b>(239.201)</b>
<i>EBIT Margin</i>	14%	-637%	-109%	-180%
Financial Management	-	112.061	231.517	(19.541)
Extraordinary Management	-	-	-	-
<b>EBT</b>	<b>1.126</b>	<b>2.773</b>	<b>17.965</b>	<b>(258.741)</b>
Taxes	(274)	-	-	-
<b>Net Income</b>	<b>852</b>	<b>2.773</b>	<b>17.965</b>	<b>(258.741)</b>
Group Income	852	2.773	17.965	(258.741)
<b>BALANCE SHEET (€)</b>	<b>FY17A</b>	<b>FY18A</b>	<b>FY19A</b>	<b>FY20A</b>
<b>Fixed Asset</b>	<b>2.771.225</b>	<b>6.547.368</b>	<b>7.549.219</b>	<b>8.794.100</b>
Account Receivable	8.000	26.552	100.617	49.793
Account Payable	(7.149)	(20.635)	(95.659)	(89.889)
<b>Operating Working Capital</b>	<b>851</b>	<b>5.917</b>	<b>4.958</b>	<b>(40.096)</b>
Other asset/liabilities	(23.611)	71.740	331.789	384.333
<b>Net Working Capital</b>	<b>(22.760)</b>	<b>77.657</b>	<b>336.747</b>	<b>344.237</b>
Severance Indemnities & Other Provisions	-	-	-	-
<b>NET INVESTED CAPITAL</b>	<b>2.748.465</b>	<b>6.625.025</b>	<b>7.885.966</b>	<b>9.138.337</b>
Share Capital & Reserves	2.610.300	6.419.152	9.201.924	10.135.094
Minorities' Capital	-	-	-	-
Group Income	852	2.773	17.965	(258.741)
Minorities' Income	-	-	-	-
<b>Equity</b>	<b>2.611.152</b>	<b>6.421.925</b>	<b>9.219.889</b>	<b>9.876.353</b>
Cash & Cash Equivalents	(29.387)	(200.325)	(1.390.524)	(2.084.617)
Financial Debts	166.700	403.425	56.601	1.346.601
Non-fixed Financial Assets	-	-	-	-
<b>Net Financial Position</b>	<b>137.313</b>	<b>203.100</b>	<b>(1.333.923)</b>	<b>(738.015)</b>
<b>SOURCES</b>	<b>2.748.465</b>	<b>6.625.025</b>	<b>7.885.966</b>	<b>9.138.337</b>
<b>CASH FLOW (€)</b>	<b>FY17A</b>	<b>FY18A</b>	<b>FY19A</b>	<b>FY20A</b>
EBIT	1.126	(109.288)	(213.552)	(239.201)
Taxes	(274)	-	-	-
<b>NOPAT</b>	<b>852</b>	<b>(109.288)</b>	<b>(213.552)</b>	<b>(239.201)</b>
D&A	2.056	3.589	3.723	-
Change in receivable	(8.000)	(18.552)	(74.065)	50.825
Change in payable	7.149	13.486	75.024	(5.770)
Change in others	23.611	(95.351)	(260.049)	(52.544)
<b>Change in NWC</b>	<b>22.760</b>	<b>(100.417)</b>	<b>(259.090)</b>	<b>(7.490)</b>
Change in provisions	-	-	-	-
<b>OPERATING CASH FLOW</b>	<b>25.668</b>	<b>(206.116)</b>	<b>(468.919)</b>	<b>(246.690)</b>
Capex	(10.281)	(7.664)	(668)	(6.736)
<b>FREE CASH FLOW</b>	<b>15.387</b>	<b>(213.780)</b>	<b>(469.587)</b>	<b>(253.427)</b>
Interest payments/proceeds	-	112.061	231.517	(19.541)
Change in Financial Debt	166.700	236.725	(346.824)	1.290.000
Change in Financial Assets	(2.763.000)	(3.772.068)	(1.004.906)	(1.238.145)
Dividend	715.590	(679.658)	370.847	305.069
Change in Capital	1.894.710	4.487.658	2.409.152	610.136
<b>FREE CASH FLOW TO EQUITY</b>	<b>29.387</b>	<b>170.938</b>	<b>1.190.199</b>	<b>694.093</b>

<sup>1</sup> Source: RFK Group

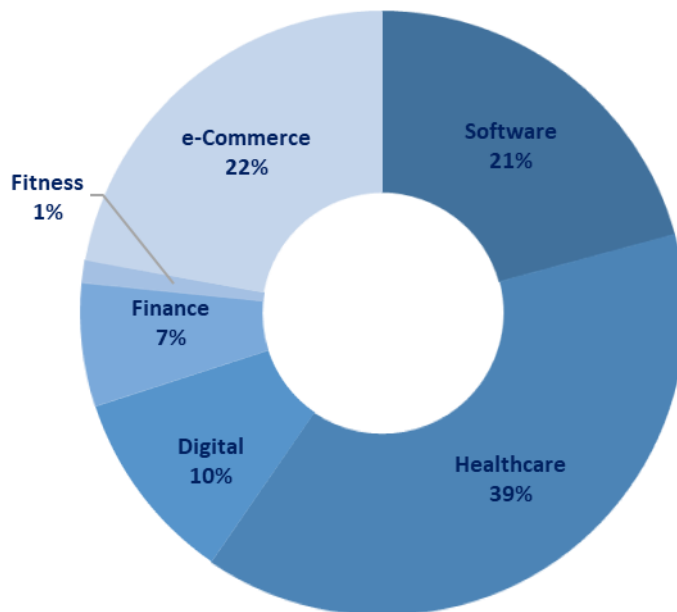
## 2. Company Overview

### 2.1 Description

Innovative-RFK (i-RFK) is an industrial holding company founded in 2017, which invests in Startups and innovative SMEs, acquiring minority shares, for an average investment ticket of between € 0.5 and 2 million in the capital increase.

i-RFK aims to create value for its subsidiaries by leveraging the introduction of management skills of its team, in support of organic growth or through acquisitions. So far, it has invested in seven companies operating in Software, Healthcare, Microfinance, Digital, E-Commerce, and Fitness.

Fig. 1 – Portfolio Division i-RFK<sup>1</sup>



### 2.2 Business Model

The structure of i-RFK is quite flat, with a wide range of activities at the various levels of the organizational structure, based on the guidelines provided by the CEO and the Board of Directors.

i-RFK operates through the services offered by the management company Kayak, whose costs are divided between i-RFK and Red Fish Kapital (the other holding company managed by the founders of i-RFK). This allows i-RFK to operate with experience and professionalism at very low costs.

The investment process can be simplified as follows:

- 1) **Scouting:** For each dossier, elements relating to the business idea, the market context, and the relevant business plan are analyzed. In this phase, a preliminary exchange of information with the possible target company begins to better understand the elements of the business that generate added value and better

<sup>1</sup> Source: elaboration Integrae SIM

define the potential of development. Clearly, companies that are considered to be able to add value move to the next stage following the green light given by the CEO (Paolo Pescetto);

- 2) **Analysis:** Based on the information and the elements collected in the previous phase, the detailed analysis begins concerning the compatibility of the characteristics of the target company with the established investment parameters, in addition to the initial regulatory verification of the reference sector, to identify any risks or limitations present in the target development plan. Moreover, also through the discussion with experts in the field, a verification of the basic hypotheses of the business plan and a stress test is carried out to evaluate the different evolutions that the target could have over time. During this phase, the Company CEO consults various professionals of the management company Kayak who provide their advice on the project, according to best professional practices. All these analyzes are coordinated by the CEO who makes the final decision based on the results obtained;
- 3) **Investment:** This is the most critical phase of the process and involves different investment stakeholders. Having collected all the elements of the previous phases, a comprehensive strategic evaluation of the initiative is carried out and, if necessary, a letter of intent is formalized and followed by the due diligence process. During due diligence all aspects that could cause a critical issue for the investment of i-RFK (i.e. accounting, tax, legal, and business development aspects) are examined and evaluated by the CEO of the Company;

Based on due diligence results, the value of the selected company is identified and a negotiation phase begins involving different parts of the contract (shareholders, legal representative of the selected companies, and i-RFK, Kayak professionals). The negotiations concern both the development plan of the selected company and the rules for the entry of i-RFK in terms of corporate governance. At this stage, the rules are established for the management of the investment of i-RFK, through the drafting of specific agreements (for example, agreements between shareholders).

Once the negotiation phase is completed, the contract, which regulates the entry of i-RFK into the capital of the selected company, is drawn up. This is done through the subscription by i-RFK of a capital increase of the selected company. This allows the participated company to use the capital for business development. The selected company provides i-RFK with a business plan that will be adopted by the management and on which the management of the same will be evaluated every year;

- 4) **Growth:** In this phase, i-RFK and Kayak managers support the managers of the company, this consists in training, sharing strategic methodologies, and an action plan. This coaching aims to transfer to the business in which the Company has invested those skills that are not yet present and which are considered necessary to accelerate the industrial plan of the subsidiary Company. In addition, Kayak also analyzes the world market to assess potential acquisitions on European and non-European markets;
- 5) **Monitoring:** in addition to coaching, a team is created to monitor the progress and trend of the subsidiary company. This specialized team is responsible for verifying the performance of the company, both through the periodic analysis of the income statement and the company's balance sheet, and through the monitoring of revenues, their margins and costs, as well as the verification of financial commitments (short- and medium-term credit lines);

- 6) **Value creation:** i-RFK operations impacts the organization, the internal efficiency of the subsidiary (involving financial but also legal and administrative aspects), develops the business, and increases its value creation. This path could then lead to a listing process.

### 2.3 Management Team

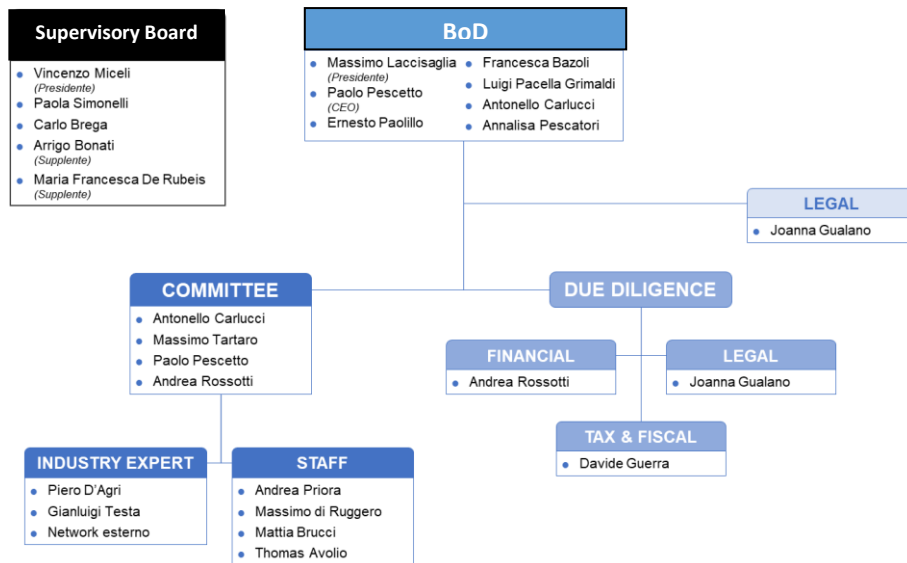
The management, which is one of the main investors of i-RFK, consists among others of:

- Paolo Pescetto: Founder & CEO
- Massimo Laccisaglia: Founder & President
- Andrea Rossotti: Founder & Portfolio Manager

Three people with experience in management consulting (McKinsey, BCG, Value Partners, etc.), private equity, M&A, and company management.

Paolo Pescetto also owns 22% of the capital of i-RFK. The remaining shares are distributed in a fragmented manner with about 50% divided into shares of less than 2%.

Fig. 2 – the structure of i-RFK<sup>1</sup>



<sup>1</sup> Source: elaboration Integræ SIM

## 2.4 SWOT Analysis<sup>1</sup>

### **Strengths:**

- Capital solidity
- Experienced Management
- Innovative and flexible approach
- Balanced portfolio between cyclical and defensive sectors

### **Threats:**

- Start of a new recession
- Possible worsening of the recession in the case of a second wave of epidemics
- EU-US trade tensions

### **Weaknesses:**

- Portfolio of SMEs, which are notably less resilient in the periods of recession

### **Opportunities:**

- Huge opportunities for growth in sectors that will be positively affected by the health crisis. Such as telecommunications, Healthcare, where i-RFK is already present.

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<sup>1</sup> Source: elaboration Integrae SIM

### 3. Valuation

The equity valuation of the innovative-RFK holding company was obtained as the aggregate value of the stakes held in the subsidiaries, whose values were calculated using the multiples method, the book value, or the market value, as indicated below. It is known that for investment companies such as i-RKF, the income produced by the holding company is of little importance for valuation purposes. Much more relevant are the investments in the portfolio - which can be evaluated - and the management team, difficult to assess but which constitutes the intangible difference that establishes the success of a company.

#### 3.1 Companies evaluated by the multiples method

The companies Easy4Cloud S.r.l., Inventis S.r.l., Keisdata S.r.l. and Web AI Chilo S.r.l. have been evaluated with the market multiples method. For all companies the multiple EV/EBITDA 2020 was applied, the values of which are taken from the database of [www.damodaran.com](http://www.damodaran.com)<sup>1</sup> updated on January 5, 2021.

The multiple was applied to both the EBITDA of fiscal year 2020A and the EBITDA of 2021E, to obtain two different equity values, and then the simple arithmetic mean was calculated

##### 3.1.1 Easy4Cloud S.p.A.

Owner of EasyCall platform, in cloud CRM for call centers and contact centers. It offers a complete CRM for both small and large companies, including companies such as Europe Assistance, Trenitalia, BPER Banca, Edison, Findomestic among its customers.

In 2017 i-RFK acquired 24.6% of the capital and started a path of organic development and internationalization, which led to the opening in 2018 of a new headquarters in London and a new commercial branch in Malaga. The company also acquired the Guard Social social media management platform in 2020.

Table 2 – Financials Easy4Cloud<sup>2</sup>

Key Financials (€/mln)	2019A	2020A	2021E
Value of Production	1,38	1,69	1,94
EBITDA	0,27	0,35	0,44
NFP	0,24	0,12	0,02
EBITDA margin	19,5%	20,7%	22,7%

For Easy4Cloud, it was considered the multiple of 24.21x related to the software development companies. The average value of equity obtained by applying this multiple to EBITDA is € 9.49 million.

<sup>1</sup> [http://pages.stern.nyu.edu/~adamodar/New\\_Home\\_Page/datacurrent.html](http://pages.stern.nyu.edu/~adamodar/New_Home_Page/datacurrent.html)  
Source: Aida and elaboration Integrae SIM

Table 3 – Easy4Cloud value<sup>1</sup>

(€/mln)	2020A	2021E
EBITDA	0,35	0,44
EV	8,46	10,66
NFP	0,12	0,02
Equity Value	8,34	10,65
<b>Average Equity Value</b>	<b>9,49</b>	

Sector	EV/EBITDA Multiple
SW (System & Application)	24,21

### 3.1.2 Inventis S.r.l.

Inventis, of which i-RFK acquired 29.8% in 2018, was established in 2005. The company develops and manufactures medical instruments dedicated to audiological diagnostics and video endoscopy, marketed both on the foreign and internal market, mainly in specialized medical offices, ORL departments of hospitals and clinics, and acoustic centers.

The global market for audio equipment has a size of approximately € 9.84 billion and a solid growth expectation: CAGR 2019 and 2026 is expected to be 5.8%.

Table 4 – Financials Inventis<sup>6</sup>

Key Financials (€/mln)	2019A	2020A	2021E
Value of Production	9,85	9,11	11,01
EBITDA	0,67	0,96	1,02
NFP	(0,45)	(0,28)	(0,63)
EBITDA margin	6,8%	10,5%	7,0%

For Inventis we have used an EV/EBITDA of 26.25x, achieving an equity value of € 26.44 million.

Table 5 – Inventis value<sup>2</sup>

(€/mln)	2020A	2021E
EBITDA	0,96	1,02
EV	25,22	26,75
NFP	(0,28)	(0,63)
Equity Value	25,50	27,39
<b>Average Equity Value</b>	<b>26,44</b>	

Sector	EV/EBITDA Multiple
Healthcare Products	26,25

Source: Aida, elaboration Integrae SIM, and damodaran.com

<sup>2</sup> Source: Aida, elaboration Integrae SIM, and damodaran.com



### 3.1.3 Keisdata S.r.l.

KEISDATA is an IT services company and innovative SME focused on developing business Risk management, Compliance, and Knowledge Engineering software. The company has developed a computer platform KRC® – Solution, certified by Certiquality as a highly innovative product. KRC® has been chosen, in turn, by leading Italian and international companies and is recognized on the market as the best solution for risk management and has been accredited by a research of the Polytechnic of Milan as the Risk Management solution among the most complete and innovative. I-RFK entered in the company structure in the second half of 2017.

The general software market in Italy grew from 2013 to 2017 to a CAGR of 0.5%, reaching a total turnover of € 6.2 billion. Marketline expects annual growth of 3.6% between 2017 and 2022.

Table 6 – Financials Keisdata<sup>1</sup>

Key Financials (€/mln)	2019A	2020A	2021E
Value of Production	1,23	1,34	1,73
EBITDA	0,29	0,22	0,32
NFP	0,08	0,25	0,18
EBITDA margin	23,3%	16,2%	18,4%

Keisdata, with an activity similar to Easy4Cloud, was evaluated with the same EV/EBITDA multiple of 24.21x, obtaining an equity value of € 6 million.

Table 7 – Keisdata value<sup>8</sup>

(€/mln)	2020A	2021E
EBITDA	0,22	0,32
EV	5,28	7,72
NFP	0,25	0,18
Equity Value	5,04	7,54
Average Equity Value	<b>6,29</b>	

Sector	EV/EBITDA Multiple
SW (System & Application)	24,21

<sup>1</sup> Source: Aida and elaboration Integrae SIM

### 3.1.4 Web Al Chilo S.r.l.

Web al Chilo S.r.l., founded in 2013, is an Italian company offering advanced services for the management, analysis, and development of sales channels on Amazon. The Company allows its customers to position its products at the top of Amazon's search rankings and of major international marketplaces. I-RFK entered the company structure in the second half of 2020.

Table 6 – Financials Web Al Chilo<sup>1</sup>

Key Financials (€/mln)	2019A	2020A	2021E
Value of Production	1,21	2,61	3,49
EBITDA	0,11	0,35	0,49
NFP	(0,01)	(0,40)	(0,31)
EBITDA margin	9,4%	13,3%	14,1%

For Web al Chilo, an EV/EBITDA multiple of 52.34x was used, obtaining an equity value of € 22.36 million.

Table 7 – Web Al Chilo value<sup>8</sup>

(€/mln)	2020A	2021E
EBITDA	0,35	0,49
EV	18,17	25,84
NFP	(0,40)	(0,31)
Equity Value	18,57	26,15
<b>Average Equity Value</b>	<b>22,36</b>	

Sector	EV/EBITDA Multiple
Retail (Online)	52,34

## 3.2 Companies valued at market value and book value

### 3.2.1 Microcredito di Impresa S.p.a.

Microcredito di Impresa (MDI) was established in 2018 also thanks to the capital contribution of i-RFK, which currently holds 28.5%. MDI provides loans to micro and small businesses that do not have easy access to the traditional banking system, and thus represent large unsatisfied demand.

The initiative is based on the regulations of Banca d'Italia, which provided for the qualification of financial operators specialized in Microcredito (art. 111 of the Consolidated Law on Banking), opening up a market in perspective highly profitable and to date characterized by low competition. MDI is therefore a supervised subject, listed on the list of micro-credit operators held by Banca d'Italia.

<sup>1</sup> Source: Aida and elaboration Integrae SIM

Table 8 – Financials MDI<sup>1</sup>

Key Financials (€/mln)	2019A	2020A	2021E
Intermediation Margin	0.18	0.41	1.06
Earnings	(0.14)	0.05	0.23
Equity	3.29	4.79	6.34

Having closed the last round of collection recently and, given the start-up phase of the company, the value defined by the company's last capital increase of € 5.02 million was used as the value.

Table 9 – MDI Book Value<sup>2</sup>

(€/mln)	2020A
Book Value	5,02

### 3.2.2 Websolute S.p.a.

Websolute is an innovative SME active in the digital communications and digital marketing sector. Leader of a group comprising 7 other companies active in the sector: Moca Interactive, DNA Family Network, XPlace, Ws Commerce, Ws Techlab, Shinteck, and Ws More.

In 2018, i-RFK acquired 14.5 %, bringing it to the AIM Italia listing in 2018, generating already on the first day of the listing +53% on the IPO price.

The digital market in Italy has shown a growing trend in recent years, reaching a volume of € 64.6 billion in 2018. Websolute entered this trend, with annual revenue growth of just over 30% between 2017 and 2019.

Table 10 – Financials Websolute<sup>11</sup>

Key Financials (€/mln)	2018A	2019A	2020A
Value of Production	12.761	14.073	14.800
EBITDA	1.668	2.136	1.400
NFP	2.537	876	3.080
EBITDA margin	13,1%	15,2%	9,5%

Websolute, being listed on the AIM Italia market, was valued at market value, considering the price per share of € 1.67, calculated as a weighted average of daily prices for the last 3 months.

Table 11 – Websolute Value<sup>3</sup>

Valori al 03/05/2021	
Avg. Stock Price (3m) (€)	1,67
N° Shares (mln)	9,51
Equity Market Value (€/mln)	15,92

<sup>1</sup> Source: Aida and elaboration Integrae SIM

<sup>2</sup> Source: RFK Group

<sup>3</sup> Source: Euronext

### 3.2.3 Reaxing S.r.l.

Reaxing S.r.l. (Reaxing or the “Company”) is an innovative Italian start-up active in the production and marketing of neuromuscular training equipment. The Company was founded in December 2016 to develop, produce, and marketing a range of innovative products and accessories that seek to replicate in the field of training and re-education the world of sudden dynamic motor interference. Among the main clients of Reaxing there are fitness clubs (e.g. Virgin Active), corporate clubs (e.g. Med-Ex Ferrari), pro sports clubs (e.g. Juventus FC).

Innovative-RFK entered the company’s capital in August 2020, through a capital increase of € 250,000.00 corresponding to 7.15% of the company's shares, to accelerate the product development plan and expand worldwide business opportunities.

Table 8 – Financials Reaxing<sup>1</sup>

Key Financials (€/mIn)	2019A	2020A	2021E
Value of Production	6,41	2,85	6,00
EBITDA	1,06	(0,54)	0,85
NFP	3,09	5,00	4,17
EBITDA margin	16,5%	-19,0%	14,2%

As a result of the Covid-19 pandemic, the Reaxing business collapsed in 2020. However, turnover and margin are expected to recover in 2021 and to return to levels very similar to those of 2019. The turnover and margin of 2020 are therefore to be considered as extraordinary and not indicative of the “real” ability to produce income of the company. Its value is reflected. For this reason, it was decided to use as a value the value defined by the entry of i-RFK, equal to € 3.50 million.

Table 9 – Reaxing Book Value<sup>2</sup>

(€/mIn)	2020A
Book Value	3,50

### 3.3 Equity value i-RFK

The enterprise value of Innovative-RFK was calculated by aggregating the equity values of the relevant subsidiaries (Sum-of-the-Parts), obtaining a value of € 20.18 million.

Table 12 – Aggregated value<sup>3</sup>

Company	Equity Value (€/mIn)	Stake (%)	Stake Value (€/mIn)	% on NAV	Valuation Method	Sector
Easy4Cloud Srl	9,49	24,6%	2,34	11,6%	Multiples	Software
Inventis Srl	26,44	29,8%	7,88	39,0%	Multiples	Healthcare
Keisdata Srl	6,29	29,6%	1,86	9,2%	Multiples	Software
MDI Spa	5,02	26,6%	1,34	6,6%	Last Round	Finance
Websolute Spa	15,92	12,8%	2,04	10,1%	Market Value	Digital
Reaxing S.r.l.	3,50	7,1%	0,25	1,2%	Book Value	Fitness
Web al Chilo S.r.l.	22,36	20,0%	4,47	22,2%	Multiples	e-Commerce
<b>Total Asset Value</b>			<b>20,18</b>			

<sup>1</sup> Source: Aida and elaboration Integrae SIM

<sup>2</sup> Source: RFK Group

<sup>3</sup> Source: RFK Group

Net of the NFP (cash) of € -0.74 million, an equity value of € 20.92 million was obtained.

### 3.4 Recommendation

The calculated equity value corresponds to a target price per share of € 2.23, 29% higher than the trading price of € 1.72 (as of 29/04/2020). Our target price is therefore € 2.23 (from € 1.63) per share as of our note of last July 13. Buy rating and medium risk (unchanged).

As we know, a management team is particularly important in companies similar to i-RFK. We believe that the proven experience of the i-RFK management team to operate a sound and prudent diversification of activities, together with the solidity of its subsidiaries, can not only overcome the temporary reduction in cash flows caused by the health emergency but above all, to make the risk-return ratio of the portfolio optimal, for the benefit of all shareholders.

Table 13 – Target price<sup>1</sup>

<b>Equity Value (€/mln)</b>	<b>20,92</b>
EV (€/mln)	20,18
NFP (€/mln)	-0,74
<hr/>	
Outstanding Shares	9.401.656
<b>Target Price (€)</b>	<b>2,23 €</b>

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<sup>1</sup> Source: elaboration Integrae SIM

## 4. Market overview

### 4.1 The SME market

The Italian SME market had more than 690,000 companies active at the end of 2019. Of these 1,851 are qualified as “innovative SMEs” and 12,211 are qualified as “innovative start-ups”. So a total of over 14,062 possible target companies for Innovative-RFK.

The recovery in the activity levels of Italian SMEs continued in 2019: turnover grew in real terms by 2.8% and added value by 3.4% compared to the previous year. These data, together with those from previous Balance Sheets, indicate that the Italian SME system faced with Covid emergency after a decade of slow and unfinished recovery, which has allowed only partially to recover pre-financial-crisis Income Statement levels. In real terms, revenues returned above 2007 levels (+2%), but profitability remains largely below: SMEs lost 19.4% of the gross operating margin and ROE decreased from 13.9% in 2007 to 10.8% in 2019. The long wave of the financial crisis has been particularly intense for the construction sector, but the impacts have also been significant in industry and services.

In this market context, i-RFK invests in innovative companies or companies that have developed innovative products or services, which therefore allow having an advantage over the competitors, and tend to increase its turnover even in stages in which the market tends to grow little. (*Sources: AIDA; Cerved SME Report 2020*).

### 4.2 The regulatory environment

The investment vehicle takes advantage of the tax incentives introduced by the amendments to the Stability Law of 2019 for investments in Startups and innovative SMEs, whereby those who subscribe to a capital increase in i-RFK will receive a tax deduction of 30%.

Subsidiary companies to be qualified as “innovative startup” or “eligible innovative SME” and thus enjoy the benefits must meet certain requirements. **A startup** to be qualified as “**innovative**”:

- must be a non-listed on regulated markets or multilateral trading systems company;
- must be set up and have been active for no more than five years;
- must be resident in Italy or in the Member States of the European Union or in States which are members of the European Economic Area (Liechtenstein, Iceland, and Norway), provided that it has a production site or a subsidiary in Italy;
- from the second year of activity, it must achieve an annual value of production not exceeding € 5 million;
- must not distribute or have distributed profits;
- the development, production, and marketing of innovative products or services of high technological value must be the exclusive or predominant business objective;

- must not be constituted as a result of a merger, division, transfer of a company or branch of a company.

In addition, the Startup must have at least one of the following “alternative requirements”:

1. must incur research and development costs at least 15 % of the largest value between cost and total value of production;
2. must employ highly qualified personnel as employees or collaborators, and in particular: at least 1/3 of the total workforce must consist of Employees who have a Ph.D. or who are carrying out Ph.D. studies at an Italian or foreign university, or who have a degree and who have been carrying out, for at least three years, certified research activities in public or private research institutes, in Italy or abroad; or it must employ, at least equal to 2/3 of the total workforce, Employees with a master's degree;
3. must be the owner (or depositor or licensee) of at least one industrial patent or registered software.

SME, on the other hand, to be qualified as “**innovative SME**” must meet the following requirements:

- to be established as a LTD, not listed on a regulated market (but may be listed on a multilateral trading platform, such as AIM)
- to be resident in Italy, or in the Member States of the European Union or in States which are members of the European Economic Area (Liechtenstein, Iceland, and Norway), provided that they have a production site or a subsidiary in Italy
- to have certified the last balance Sheet
- not to be enrolled in the special section of innovative start-ups of the Register of Companies
- to present an innovative connotation, identified by the possession of at least two of the following characteristics:
  1. R&D costs at least equal to 3 % of the higher between cost and total value of production;
  2. A workforce consisting, for at least 1/3 of the total, of staff with a master’s degree, or, for at least 1/5 of the total, of Ph.D. title holders, Ph.D. students, or researchers;
  3. ownership (including by deposit or licensing) of at least one industrial right or registered software.

Only investment in “**eligible** innovative SMEs”, innovative SMEs receiving the initial investment before the first commercial sale on a market or within 7 years of their first commercial sale shall be facilitated.

Seven years after the first commercial sale, the following companies are also considered eligible:

- Innovative SMEs operating for more than 7 years and less than 10 years (since the first commercial sale) if they attest, through the evaluation of an external expert, that they have not yet expressed sufficiently their potential to generate returns;
- regardless of age, innovative SMEs investing in equity capital, based on a business plan for a new product or geographic market, which is more than 50% of the average turnover of the previous five years.

The benefits are foreseen for the contributions in cash to innovative SMEs or companies that invest mainly in innovative start-ups or innovative SMEs, and for the investment in shares of collective investment funds.



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

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