Giglio Group

BUY

New Strategic Partner

Target Price: **5,1€**

29 April 2020

Upside: **+57%**

A strong start in the healthcare sector

After reorganizing part of its business, Giglio is adding a healthcare offering to its digital platform by signing a major strategic partnership with Sinopharm, the Chinese pharmaceutical giant. Starting at full speed, it initially recorded the sale of more than 10m masks in one month. The sales dynamic for FFP2 masks, serological test kits and other medical equipment should continue to be strong during and beyond the health emergency, which has a positive impact on the top line. This new strategic business line allows Giglio to integrate the cosmetics, personal care and wellness products market over a long-term horizon. Thanks to this partnership, Giglio will also be able to offer the Chinese market healthcare products made in Italy. We anticipate strong growth acceleration in this high-potential sector.

Coronavirus: an explosion of food product sales online

Online sales of FMCG products are significantly benefiting from the current situation. Confinement measures have radically accelerated online consumers' shopping habits. Giglio confirms this trend by reporting a record increase of more than 8000% in online sales of certain staples such as flour and yeast, which have otherwise become difficult to buy in stores. Although the impact on the group's sales is limited for now, we believe that consumers will increasingly turn to digital outlets to make their purchases, and that Giglio is ideally positioned to take advantage of this trend, benefitting from the sector's growth.

The fashion business gets back on track!

After an H1 adversely affected by confinement measures, Giglio is experiencing a significant return in demand for luxury fashion products in China and South Korea. In addition, the group's B2B business is expected to recover strongly. Giglio reports an increase in demand for its online destocking business thanks to the significant build-up of stocks of Italian fashion brands. We expect a strong H2 recovery, which should offset the decline in activity at the beginning of the year.

Confident for 2020, convinced for the long-term

In the current context, Giglio is one of the few companies that has not revised its growth forecasts downwards. Sales of FFP2 masks, the strong increase in demand for food products and a recovery in the fashion business should offset the decline due to covid-19. In our opinion, the current valuation underestimates the group's resilience to the Covid-19 crisis. Its EPS growth is estimated to be 66% CAGR 2020E-2022E and its EBITDA margin has improved to +9 pts between 2019 and 2022, thanks to the generation of synergies and economies of scale following the integration of Terashop.

Our valuation of the Giglio group uses a DCF approach (WACC @9%), and our updated forecasts and market parameters are leading us to **raise our TP to €5.1 (vs. €3.6) and reiterate our Buy rating.**

Market Data	
Industry	E-commerce
Share Price (€)	3.2
Market Cap (€M)	59.13
Market Segment	STAR
Bloomberg	GG IM

Ownership Structure	
Meridiana Holding	52.7%
Docomo Digital	8.7%
Free float	38.6%

€M (31/12)	**2019a**	**2020e**	**2021e**	**2022e**
Sales (€M)	**40.2**	**57.3**	**68.0**	**83.9**
Growth	*3.2%*	*42.5%*	*18.8%*	*23.3%*
EBITDA	**1***	**4.0**	**6.8**	**9.4**
EBITDA Margin	*2.6%*	*7.0%*	*10.0%*	*11.2%*
Net Income	**-14.5***	**2.1**	**4.0**	**5.8**
EPS €	**-0.90**	**0.11**	**0.21**	**0.31**
EPS growth	*n.m.*	*n.m.*	*93.1%*	*44.3%*
Dividend	**0.00**	**0.00**	**0.00**	**0.00**
Yield	*0.0%*	*0.0%*	*0.0%*	*0.0%*
FCF	**n.m.**	**-2.4**	**2.2**	**5.3**
ROIC	**n.m.**	**11.2%**	**17.4%**	**23.4%**
EV/Sales (x)		**1.3**	**1.1**	**0.9**
EV/EBITDA (x)		**18.5**	**10.9**	**7.9**
PE (x)		**29.5**	**15.3**	**10.6**
Net debt	**12.3***	**15.9**	**13.6**	**8.5**
Gearing net	*n.m.*	*336%*	*153%*	*60%*

Midcap Partners estimates
** adjusted*

Upcoming Event	
05/14/2020	First quarter 2020

Rating History	
03/18/2020	Buy

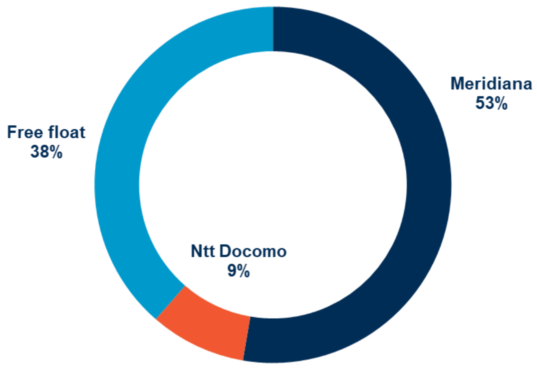
Contact

Analyst Alessandro CUGLIETTA
Email acuglietta@midcapp.com
Phone +33 (0)1 55 35 69 48

SUMMARY

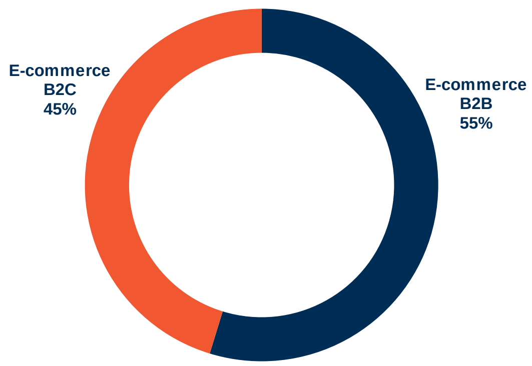
Overview

Shareholders



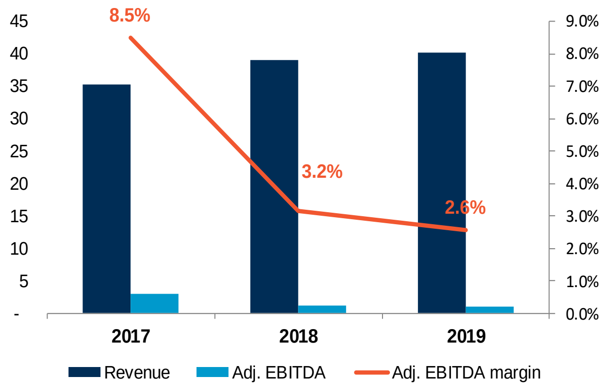
Source: Company

Revenue breakdown by division (FY 2019)



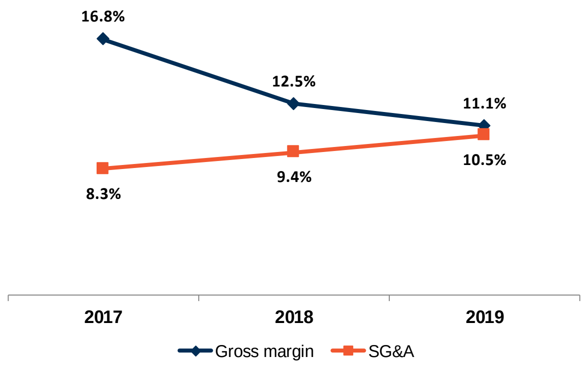
Source: Company

Evolution of adjusted EBITDA (€M)



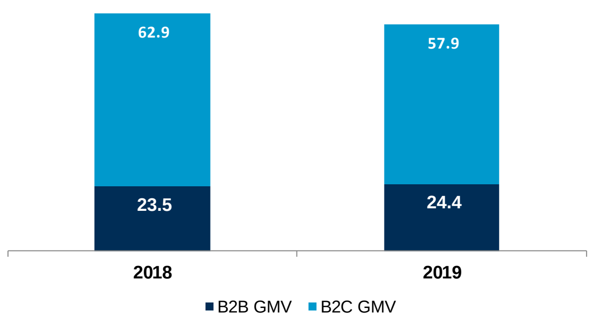
Source: Company

Evolution of gross margin and Opex



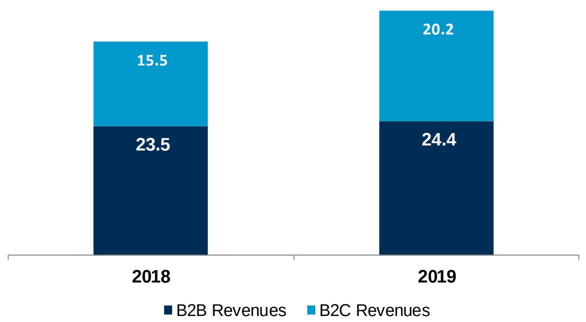
Source: Company

Evolution of Gross Merchandise Value by business line



Source: Company

Evolution of revenue by business line



Source: Company

Group Overview

Created in 2003 by Alessandro Giglio and listed on the MTA-STAR segment of the Italian stock exchange, Giglio Group offers e-commerce services to more than 70 fashion and design companies. The Group supports brands in the implementation of their digital strategy through its IBox Distribution and IBox Digital activities. Giglio Group offers tailor-made B2B and B2C services to the luxury fashion industry, ranging from e-commerce website design to inventory management. In particular, it offers the connection with the main e-commerce platforms (Private Sale, Zalando, Asos, Amazon...) in order to sell stocks of both old and new collections. The company is broadening its offer by proposing high value-added technological services and diversifying into the food sector and more recently into the health sector. Giglio Group has a revenue of €40.2m for the financial year 2019 and aims to double revenues by 2022.

SWOT ANALYSIS

Strengths

- Complete offer of tailor-made e-commerce services
- Partnerships with the world's leading e-commerce platforms
- Logistics platform in Europe, USA and China
- Presence in China and holding an ICP licence
- Expertise and know-how in logistics and digital distribution
- Proprietary and innovative technology

Weaknesses

- Focus on the fashion industry
- Low volumes
- Profitability still low

Opportunities

- Strong structural dynamics of e-commerce
- World-wide fame of Italian fashion
- Strong growth in online fashion sales
- Replicable model for other sectors

Threats

- Existing customers internalising the services offered by Giglio
- Growing competition
- Strong impact of the Covid-19 health crisis on the fashion industry

Sources: Company, Midcap Partners

A Digital Partner for Diverse Brands

Giglio is becoming a pure player in e-commerce

Fiscal 2019 marks the end of Giglio group's Media business, its focus is now solely on e-commerce. The restructuring that began at the end of 2018, enables the group to become a pure player in e-commerce and to improve its profitability by simplifying its structure, which now offers a fresh reading of current and prospective financial data. The change from a Board of Directors composed of seven to five members, completes the group's reorganization. The structural simplification should make it possible to reduce certain operating costs and make the company globally more efficient. In addition, the majority shareholder, Alessandro Giglio, affirms his full commitment to the group.

Its mastery of logistics and technology makes Giglio a digital specialist. Its platform covers all digital solutions, from the creation of websites to logistics and product distribution. Thus, the company distinguishes itself through its flexible offer, which is 100% digital and able to meet the needs of all and any product categories. Giglio, historically specialised in the luxury fashion sector and now can extend its offer to the design, food and more recently healthcare sectors. For this reason, we believe that the company's growth potential is enormous, driven by a very strong structural trend: e-commerce.

IBox Digital

The B2C activity is managed by the structure called IBox Digital. Giglio acts as a partner in the digital distribution strategy of its clients' brands. The company offers e-commerce services such as the creation and management of online sales sites, distribution and logistics management and digital marketing. For its services, Giglio takes a commission on all sales made through the online platforms it manages. This activity is driven by the strong structural growth of e-commerce in Italy and worldwide.

Chart 1: An overview of IBox Digital's services

Source: Giglio Group

Giglio has historically specialized in the fashion sector, which still represents the bulk of its business. The group is partnered with many luxury fashion brands; its expertise and know-how are paramount in this sector. More recently, the company began to diversify into the design and food sectors through the acquisition of Terashop. In 2019, the B2C business will account for 45% of the group's revenue.

Chart 2: Main partner brands

Source: Giglio Group

IBox Distribution

Regarding the B2B activity, Giglio manages the stocks of its clients' on & off-season brand collections by distributing them to key online retailers in 20 countries. Accordingly, the company acquires the brands' products and resells them to e-commerce sites with a margin that varies according to the respective product. The group takes advantage of its presence in Europe, China and the United States to ensure that its partners can move their stocks. In 2019, the B2B business accounted for 65% of the group's revenue.

Chart 3: Main partner marketplaces

Source: Giglio Group

Terashop: A core acquisition

The Terashop acquisition, one of the leading e-commerce services outsourcing providers in Italy, has been a structuring milestone for Giglio Group. With this transaction, completed on 31 October 2019, the Group acquired an innovative technology and platform enabling it to strengthen its offering. In addition to adding a customer base, the integration of Terashop's businesses should generate significant cost synergies and enable the Group to expand its activities into other sectors.

Terashop's accounts have been consolidated since 1 November 2019. Terashop manages approximately €30 million in Gross Merchandise Value for sales of €6.4 million in fiscal year 2019. The Group's consolidated financial statements include two months of Terashop's business, representing a positive impact of approximately €1.5 million. As a reminder, GMV includes all B2B sales (excluding VAT) and B2C sales (including VAT) and now includes the equivalent value of sales for which the Group manages the outsourcing of services, logistics and distribution (Terashop). Management believes that economies of scale can be achieved as early as 2020.

The Terashop platform integrates innovative and specialized e-commerce functionalities enabling Giglio to broaden its offer to brands and guarantee them a better sales rate. The Group is thus extending its activities to other sectors such as food and electronic equipment. We believe that the business generated by this acquisition is going to be a strong driver of future growth enabling Giglio to diversify and extend its offering to other sectors.

Giglio now manages a GMV of €82.3 million which would amount to €106.3 million including 12 months of Terashop's activity. 2019 revenue amounted to €40.2m, a slight increase of +3.2% YoY but a decrease of -0.5% in LfL. The Group's growth in both B2B and B2C activities was relatively weak due to a difficult Q4 and restructuring work which adversely impacted business. The acquisition of Terashop should enable the Group to achieve significant economies of scale by increasing the size of its purchases. It will also enable Giglio to reduce certain operating costs, particularly in the management of e-commerce sites, and to generate operational and cost synergies. Management does not disclose the level of synergies, but indicates that the transaction will be accretive from 2020. The internalization of Terashop's platform will notably reduce certain external expenses such as the use of consultants.

As a result, we anticipate double-digit growth in business and a gradual improvement in margins.

Covid-19: A Catalyst for E-Commerce Adoption

Strong start in the healthcare sector with Sinopharm

In an uncertain context linked to the covid-19 global health crisis, Giglio group has shown a very high level of reactivity by dedicating a part of its activities to the supply of FFP2 masks from China. The Group reorganized an entire part of its logistics platform and put itself at the service of the fight against the pandemic in Italy. What was initially an initiative to recover masks and other medical equipment is now becoming a new business segment for the group. Thus, Giglio is expanding into the healthcare sector, which we believe will significantly accelerate its growth.

With the signature of a strategic partnership with Sinopharm, the Chinese giant in the pharmaceutical and personal hygiene sectors, Giglio adds B2B and B2C offers for medical products and equipment to its digital platform. It now supplies FFP2 & FFP3 masks, hydroalcoholic gel and the highly sought-after Covid-19 consumer serological test kits. At a time when physical distribution is facing considerable difficulties, the group's positioning as a 100% digital partner for any type of brand is now more relevant than ever. The flexibility of its digital platform enables it to ensure faster and less expensive distribution, which is all the more relevant in the current context. Giglio distributes healthcare products to individuals via its website *gigliosalute.it* and to companies via its recent agreement with Confindustria. For the record, the group has signed a 6-month contract with Confindustria, the representative body of more than 150,000 Italian companies, supplying medical equipment to the 5.4m workers it represents. A similar agreement has also been concluded with Compagnia Delle Opere (CDO), another major association in Italy.

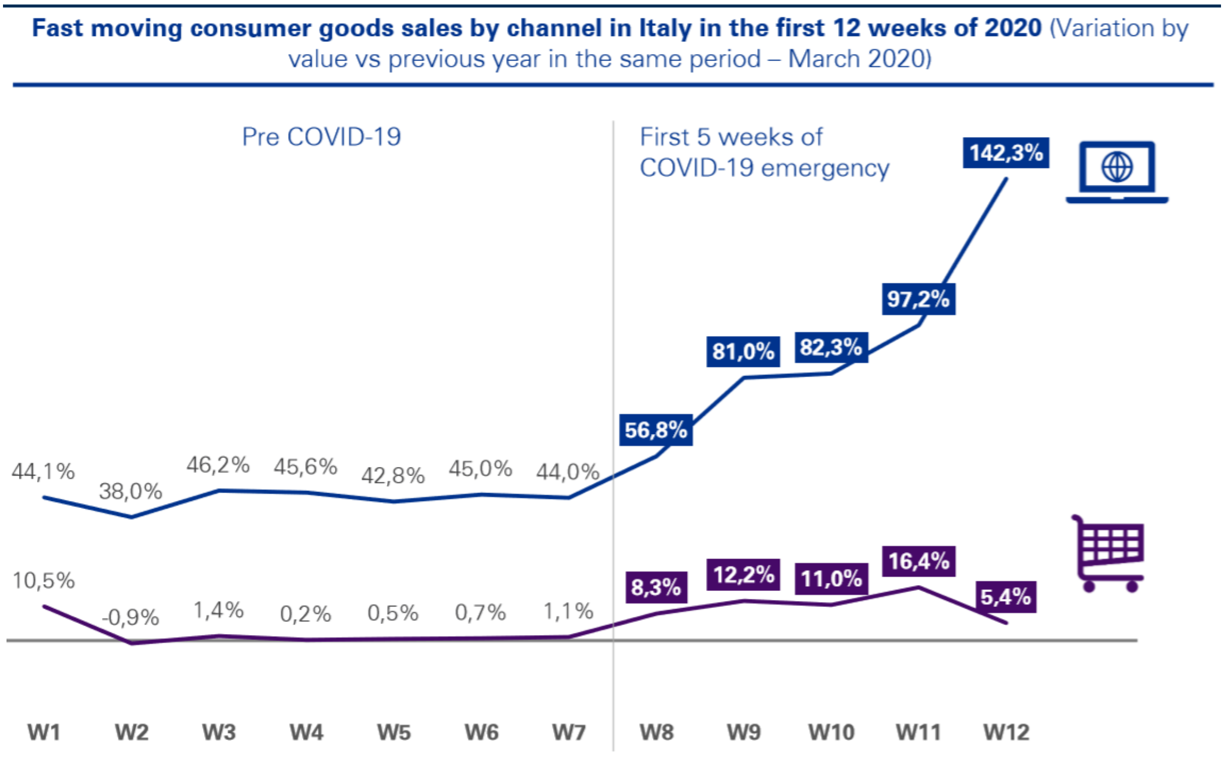
The group's healthcare business has gotten off to a flying start with the sale of more than 10m FFP2 masks in one month for a turnover between €7.0-8.0m. This momentum is expected to continue strongly beyond the confinement period; it is already having a significant impact on the top line. We anticipate that the healthcare business will generate revenue of approximately €12.0m by 2020. As part of its contribution in the fight against Covid-19, the margins applied to medical product sales will be lower, limiting the impact on the bottom line. In the short-term, we expect strong demand from both companies and individuals both needing and obliged to purchase masks and other medical products.

Beyond the health emergency, this new strategic business line will permit Giglio to integrate the cosmetics, personal care and wellness product markets. Thanks to this partnership, Giglio will also be able to offer Italian-made healthcare products to the Chinese market. Thus, the group is expanding its product range and positioning itself in this fast-growing sector. We believe that Giglio's entry into healthcare should compensate for the loss of short-term core business, as well as to the generation of long-term growth. This is a reflection of the group's strong growth potential and its ability to extend its 100% digital solution across all sectors.

Coronavirus: An explosion of online sales of food products

Although the Covid-19 crisis is having a negative impact on Giglio's core business, particularly regarding the fashion sector, other products are reporting increased demand. Following the recent acquisition of Terashop, the group has expanded its offer to brands in the food retail sector. Confinement measures in Italy and around the world, have led to an increase in online sales of food products.

Chart 4: A boost in online shopping linked to the confinement



Sources: Nielsen eCommerce tracking, total Italy online and offline, KPMG

According to Nielsen data, online sales of consumer goods grew by more than +140% YoY in the 12th week of 2020. In-store sales over the same period grew by only +5.4%. Giglio confirms this trend by reporting a record increase of more than 8000% in online sales of certain food products such as flour and yeast, which have become difficult to find in stores. The Group has contracts with Italian brands in the sector such as Riso Scotti, Fratelli Carli and Everton. Also noteworthy are the 500% increase in online orders for household electrical products and the good results of sales of DIY products.

E-commerce should thus benefit in the long term from the current situation. We believe that consumers will increasingly turn to the internet to make their purchases and that Giglio is ideally positioned to take advantage of this trend. Although food product sales are still marginal for the Group, the current situation will strengthen its position in this sector and reinforce our belief that it will be an additional long-term growth driver.

The fashion business gets back on track!

Business in the luxury fashion sector slowed sharply with the confinement measures in China, followed by Europe. The fashion business line has suffered severely from the pandemic's impact which manifested itself during the Chinese New Year, a strategic period in China's retail cycle. However, as Asia recovers, so does the fashion industry. Giglio sees a significant return of demand for luxury fashion products from China and South Korea.

As a result, the group's B2B activity should pick up strongly in H2. Constrained by the current confinement measures, in-store clothing sales have come to a standstill, its recovery could be long and complicated. As a result, Giglio is facing increasing demand for its online destocking services due to fashion brands' significant accumulation of inventory. Thanks to its partnerships with the world's leading marketplaces (Amazon, Zalando, Asos, Yoox, etc.), the group is perfectly positioned to meet its customers' needs. We expect a strong H2 recovery, which should offset the Q2 business decline. We expect this trend to continue beyond the confinement period with a gradual return and upturn in business. Fears related to Covid-19 and the precautionary measures that are going to apply to social environments should continue to weigh on in-store sales; online sales, however, should benefit. While the fashion industry is strongly affected by the health crisis, brands will have to adapt and strengthen their digital strategy. We believe that Giglio will be able to seize this opportunity, accelerating its development.

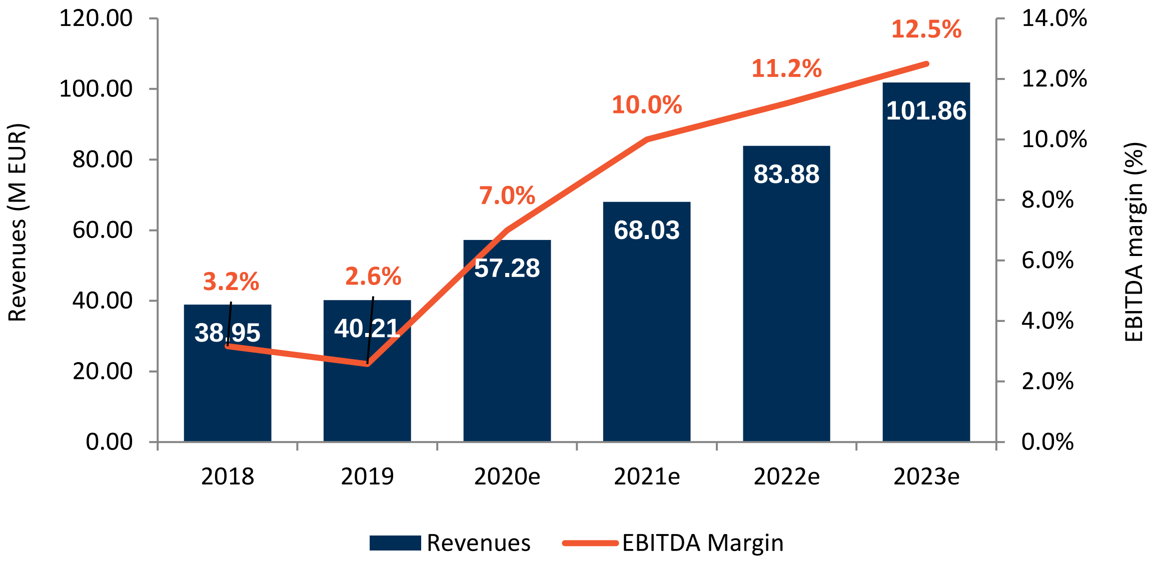
Business Plan 2022: Upward revision?

Giglio is one of the few companies that have not downgraded its growth forecasts. Although business in the fashion segment has been affected, the company has been reactive and resilient. Sales of FFP2 face masks, growth potential in healthcare, a strong increase in demand for food products and the recovery in the fashion business will offset the business decline. Management's confidence in H1 results confirms our expectations.

The new 2022 industrial plan, announced at the same time as the FY 2019 results, forecasts a GMV of €180m, revenue of €80m, an EBITDA of more than €10m in 2022 and a net cash financial position of between €3.0-5.0m. Giglio's recent developments and successes suggest that the plan's targets can be reached. Therefore, forecasts linked to the current business plan now seem conservative.

We believe that Giglio will be able to reach its objectives thanks to (i) the integration of Terashop allowing it to achieve economies of scale and cost synergies, (ii) business diversification into other sectors such as food distribution and healthcare and (iii) the strong long-term growth potential of e-commerce, boosted by the Coronavirus crisis.

Chart 5: Revenue and EBITDA margin forecasts



Sources: Company, Midcap Partners

Valuation

2020 will be a pivotal year for the group because of the challenges it is facing in the context of the health crisis, but also thanks to the diverse opportunities presented by it. Although its core activity in the fashion sector has been strongly impacted by the Covid-19 crisis, the group's responsiveness has enabled it to find new growth drivers. In a recent press release, management even indicated that it was optimistic about H1. Thus, the group's 2022 business plan does not seem jeopardized by the current crisis. In our opinion, sales of FFP2 masks, the launch of an offer in the healthcare sector, the strong increase in demand for food products and the strong demand for destocking should compensate for the business decrease. We anticipate very strong growth over the next few years, driven by e-commerce’s strong momentum, seizing and developing opportunities in new sectors and improved profitability thanks to cost reductions.

Our valuation of Giglio group is based on a DCF method and our updated forecasts and market parameters have led us to raise our TP to €5.1 (vs. €3.6) and reiterate our Buy rating.

Chart 6: DCF – FCFF Model

DCF Valuation Model (M€)	2020e	2021e	2022e	2023e	2024e
EBIT	3.3	6.0	8.4	11.6	15.5
Marginal tax rate	27.9%	27.9%	27.9%	27.9%	27.9%
NOPAT	2.4	4.3	6.1	8.4	11.2
Add : D&A + Non-cash charges	0.7	0.8	1.0	1.1	1.2
Less : Capital Expenditures	0.7	0.7	0.8	0.8	0.8
Less : Change in Working Capital	4.8	2.2	0.9	0.3	0.3
Unlevered Free Cash Flow (FCFF)	(2.4)	2.2	5.3	8.4	11.3
Present Value of FCFF	(2.2)	1.9	4.1	5.9	7.3

∑ PV of FCFF	17.0	Risk-Free Rate	-0.5%
NPV of Terminal Value	92.5	Country premium	2.2%
Enterprise Value	109.5	Size premium	3.0%
Less : Equity Bridge	12.3	Equity beta	0.97
Equity Value	97.2	Equity premium	7.5%
Shares Outstanding	19.1	Cost of Equity	12.0%
		After-tax cost of Debt	2.2%
Price per Share	**€ 5.1**	**WACC**	**9.0%**

Sources: Company, Midcap Partners

Chart 7: Sensitivity analysis

Sensitivity Analysis - Target Price					
WACC	Perpetuity Growth Rate				
	0.50%	0.75%	1.00%	1.25%	1.50%
10.0%	€ 4.1	€ 4.2	€ 4.3	€ 4.4	€ 4.6
9.5%	€ 4.4	€ 4.5	€ 4.7	€ 4.8	€ 5.0
9.0%	€ 4.8	€ 4.9	€ 5.1	€ 5.3	€ 5.4
8.5%	€ 5.2	€ 5.4	€ 5.5	€ 5.7	€ 5.9
8.0%	€ 5.7	€ 5.9	€ 6.1	€ 6.3	€ 6.5

Sensitivity Analysis - Target Price					
Risk-Free Rate	Perpetuity Growth Rate				
	0.50%	0.75%	1.00%	1.25%	1.50%
1.9%	€ 4.7	€ 4.8	€ 5.0	€ 5.1	€ 5.3
1.8%	€ 4.7	€ 4.9	€ 5.0	€ 5.2	€ 5.4
1.7%	€ 4.8	€ 4.9	€ 5.1	€ 5.3	€ 5.4
1.6%	€ 4.8	€ 5.0	€ 5.1	€ 5.3	€ 5.5
1.5%	€ 4.9	€ 5.0	€ 5.2	€ 5.4	€ 5.6

Source: Midcap Partners

Peer Group

Chart 8: Peer group multiples

Company	Market cap (€m)	Country	Sales 2019 (€m)	Price/Sales FY1	Price/Sales FY2	EV/EBITDA FY1	EV/EBITDA FY2	PER FY1	PER FY2
Zalando SE	11,075	GERMANY	6,483	1.6 x	1.3 x	40.8 x	23.7 x	341.0 x	81.2 x
Farfetch Limited Class A	3,938	USA	1,021	2.8 x	2.1 x	n.m.	n.m.	132.8 x	85.4 x
boohoo group Plc	4,533	UNITED KINGDOM	1,235	3.1 x	2.5 x	24.6 x	18.6 x	55.2 x	40.3 x
ASOS plc	2,623	UNITED KINGDOM	2,734	0.9 x	0.8 x	19.5 x	10.8 x	n.m.	43.1 x
Stitch Fix, Inc. Class A	1,552	USA	1,578	0.9 x	0.8 x	n.m.	n.m.	n.m.	n.m.
Giglio Group SpA	59	ITALY	40	1.1 x	0.9 x	16.5 x	12.2 x	36.3 x	23.4 x
Discount vs harmonic mean				*4.0%*	*0.6%*	*(18.7%)*	*(11.2%)*	*(14.9%)*	*(18.3%)*
Triboo SpA	42	ITALY	76	0.5 x	0.4 x	14.4 x	10.7 x	16.4 x	10.5 x
SRP Groupe SA	53	FRANCE	672	1.0 x	0.8 x	n.m.	n.m.	n.m.	n.m.
Median				1.0 x	0.8 x	19.5 x	12.2 x	55.2 x	41.7 x
Mean				1.5 x	1.2 x	23.2 x	15.2 x	116.3 x	47.3 x
Harmonic mean				**1.1 x**	**0.9 x**	**20.3 x**	**13.7 x**	**42.7 x**	**28.6 x**

Source: Company, Midcap Partners

Our peer group consists of multiple companies with relatively different business models. The vast majority of these companies are still in a strong growth phase, some are not yet profitable. Thus, we are unable to valuate Giglio, which has a relatively singular and unique business model, on the basis of these companies.

Chart 9: Peer group financial data

Company	EBITDA Margin	Operating Margin	Net Margin	ROE	ROA	ROIC	Sales CAGR 2017-2019
Zalando SE	5.5%	2.5%	1.5%	6.2%	2.5%	5.4%	20.2%
Farfetch Limited Class A	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	62.6%
boohoo group Plc	9.3%	7.3%	5.2%	22.7%	12.6%	22.0%	45.9%
ASOS plc	5.4%	2.2%	1.5%	8.9%	3.1%	5.5%	19.2%
Stitch Fix, Inc. Class A	1.4%	0.3%	1.5%	6.4%	3.8%	10.4%	27.1%
Giglio Group SpA	**2.6%**	**n.m.**	**n.m.**	**n.m.**	**n.m.**	**n.m.**	**6.7%**
Triboo SpA	8.2%	n.m.	0.1%	0.2%	0.1%	0.1%	7.6%
SRP Groupe SA	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	11.6%
Median	5.5%	2.4%	1.5%	6.4%	3.1%	5.5%	19.7%
Mean	5.4%	3.1%	1.9%	8.9%	4.4%	8.7%	25.1%
Harmonic mean	**3.5%**	**0.9%**	**0.4%**	**0.9%**	**0.3%**	**0.7%**	**14.7%**

Source: Company, Midcap Partners

Financial Data

Income Statement (€m)	2017a	2018a	2019a	2020e	2021e	2022e	2023e	2024e
Total sales	35.3	39.0	40.2	57.3	68.0	83.9	101.9	119.2
Growth	*n.m.*	*10.3%*	*3.2%*	*42.5%*	*18.8%*	*23.3%*	*21.4%*	*17.0%*
Added Value	5.9	4.9	4.5	9.7	12.2	15.9	20.4	25.0
% of Sales	16.8%	12.5%	11.1%	17.0%	18.0%	19.0%	20.0%	21.0%
Operating expenses	(2.9)	(3.7)	(4.2)	(5.7)	(5.4)	(6.5)	(7.6)	(8.3)
EBITDA	3.0	1.2	0.2	4.0	6.8	9.4	12.7	16.7
% of Sales	*8.5%*	*3.2%*	*0.6%*	*7.0%*	*10.0%*	*11.2%*	*12.5%*	*14.0%*
D&A	(0.3)	(0.3)	(1.8)	(0.7)	(0.8)	(1.0)	(1.1)	(1.2)
Current operating profit	1.0	0.1	(2.0)	3.3	6.0	8.4	11.6	15.5
% of revenue	*2.8%*	*0.1%*	*-5.0%*	*5.7%*	*8.8%*	*10.1%*	*11.4%*	*13.0%*
Other non-operating income (expense)	(1.7)	(0.9)	(0.5)	0	0	0	0	0
Net financial income	(0.7)	(0.9)	(1.6)	(0.4)	(0.4)	(0.3)	(0.4)	(0.4)
Other	0.1	(0.2)	0	0	0	0	0	0
Pretax income	0.4	(1.0)	(3.6)	2.9	5.6	8.1	11.3	15.1
Income Tax	0.3	(0.1)	(1.2)	(0.8)	(1.6)	(2.3)	(3.1)	(4.2)
Corporation tax	*n.m.*	*n.m.*	*n.m.*	*n.m.*	*n.m.*	*n.m.*	*n.m.*	*n.m.*
Net income from cont. Op.	0.7	(1.1)	(4.8)	2.1	4.0	5.8	8.1	10.9
Net income from disc. Op.	(0.1)	(7.1)	(11.0)	0	0	0	0	0
Net income group share	0.6	(8.2)	(15.8)	2.1	4.0	5.8	8.1	10.9

Financial Statement (€m)	2017a	2018a	2019a	2020e	2021e	2022e	2023e	2024e
Tangible and intangible assets	29	14	18	18	18	18	18	17
Financial assets	0	0	0	0	0	0	0	0
Other non-current assets	1	3	4	4	4	4	4	4
Non-current assets	31	17	22	22	22	22	21	21
Inventory	7	5	2	3	3	4	5	5
Accounts receivable	21	13	12	16	21	25	31	36
Other current assets	13	30	9	9	10	11	11	12
Cash	6	4	7	0	2	5	15	28
Assets	77	68	51	49	58	66	83	103
Shareholders' equity	17	8	(2)	4	9	14	22	32
Long term debt	7	4	2	0	0	0	0	0
Other non-current liabilities	3	3	2	1	1	1	1	1
Non-current liabilities	10	7	5	2	1	1	1	1
Short term debt (incl. factoring)	10	16	17	14	15	13	15	17
Accounts payable	34	24	21	20	23	28	34	39
Other current liabilities	7	12	10	9	9	10	11	12
Current liabilities	51	52	48	43	48	51	60	69
Liabilities & Shareholders' Equity	77	68	51	49	58	66	83	103

Cash flow statement (€m)	2017a	2018a	2019a	2020e	2021e	2022e	2023e	2024e
Net income	1	(8)	(16)	2	4	6	8	11
Non-Cash Charges	1	5	15	1	1	1	1	1
∆WCR	(3)	0	3	(6)	(2)	(1)	0	0
Cash flow generated by the activity	(2)	(3)	2	(3)	3	6	9	12
Net capex	0	(1)	(2)	(1)	(1)	(1)	(1)	(1)
FCFF	(2)	(2)	(3)	(2)	2	5	8	11
Cash flow from investment	(0)	(2)	(1)	(1)	(1)	(1)	(1)	(1)
Capital increase	(0)	(0)	4	0	0	0	0	0
Changes in borrowings	3	6	8	(3)	1	(2)	2	2
Interests paid	1	1	2	0	0	0	0	0
Cash flow from financing	7	2	(1)	(3)	1	(3)	2	2
Change in net cash over the year	4	(3)	0	(6)	2	2	10	13

KEY RATIOS	2017a	2018a	2019a	2020e	2021e	2022e	2023e	2024e
∆ Sales	0.0%	10.3%	3.2%	42.5%	18.8%	23.3%	21.4%	17.0%
∆ EBITDA	0.0%	-58.9%	-16.0%	286.6%	69.7%	38.1%	35.5%	31.0%
∆ EBIT	0.0%	-67.5%	-179.8%	-557.9%	82.8%	41.2%	38.1%	33.1%
∆ Net income	0.0%	-410.9%	96.9%	-114.4%	93.1%	44.3%	39.3%	34.0%
Gross margin	16.8%	12.5%	11.1%	17.0%	18.0%	19.0%	20.0%	21.0%
EBITDA margin	8.5%	3.2%	2.6%	7.0%	10.0%	11.2%	12.5%	14.0%
EBIT margin	7.8%	2.3%	-1.8%	5.7%	8.8%	10.1%	11.4%	13.0%
Net margin	6.1%	-0.5%	-5.7%	5.1%	8.3%	9.7%	11.1%	12.7%
EPS	€ 0.15	(€ 0.46)	(€ 0.76)	€ 0.11	€ 0.21	€ 0.31	€ 0.43	€ 0.57
DPS	€ 0.00	€ 0.00	€ 0.00	€ 0.00	€ 0.00	€ 0.00	€ 0.00	€ 0.00
Payout ratio	0%	0%	0%	0%	0%	0%	0%	0%
WC as % of Sales	0%	5%	-26%	-3%	1%	2%	2%	2%
DSO	216	117	111	100	110	110	110	110
DPO	397	253	211	154	151	149	151	152
FCFF	(2.0)	(2.0)	(3.2)	(2.4)	2.2	5.3	8.4	11.3
Conversion rate (FCF/EBITDA)	-65%	-163%	-1315%	-60%	32%	57%	66%	68%
CAPEX/Sales	-1%	2%	5%	1%	1%	1%	1%	1%
ROE	14%	n.m.	n.m.	150%	62%	51%	45%	40%
ROA	3%	n.m.	n.m.	4%	8%	9%	11%	12%
ROIC	2%	0%	n.m.	11%	17%	23%	32%	44%
Gearing	88%	228%	n.m.	336%	153%	60%	2%	-33%
Net debt / EBITDA	n.m.	15.5 x	11.9 x	4.0 x	2.0 x	0.9 x	0.0 x	(0.6)x
EV/Sales	2.1 x	1.9 x	1.8 x	1.3 x	1.1 x	0.9 x	0.7 x	0.6 x
EV/EBITDA	24.7 x	60.1 x	71.5 x	18.5 x	10.9 x	7.9 x	5.8 x	4.4 x
EV/EBIT	27.0 x	83.1 x	n.m.	22.7 x	12.4 x	8.8 x	6.4 x	4.8 x
PE	21.9 x	n.m.	n.m.	29.5 x	15.3 x	10.6 x	7.6 x	5.7 x

Disclaimer

This document may refer to valuation methods defined as follows:

1/DCF method: discounting future cash flows generated by the business's operations. Cash flows are determined using the analyst's financial forecasts and models. The discount rate used is the weighted average cost of capital, defined as the weighted average cost of the company's borrowings and the theoretical cost of its equity as estimated by the analyst.
2/ Comparables method: application of stock-market valuation multiples, or multiples observed for recent transactions. These multiples may be used as benchmarks and be applied to the company's financial aggregates to determine its valuation. The sample is constituted by the analyst according to the company's characteristics (size, growth, profitability, etc.). The analyst may also apply a premium/discount based on his perception of the company's characteristics.
3/ Asset-based method: estimation of the value of the equity on the basis of the revalued assets and corrected for the value of the liability.
4/ Discounted dividend method: discounted future value of estimated dividend flows. The discount rate applied is generally the cost of capital.
5/ Sum of the parts method: this method consists of estimating the different activities of a company, by using the most appropriate assessment method for each, then calculating the total.

Recommendation scale:

Buy: expected over-performance above 10% compared to the market within 6 to 12 months
Neutral: expected to outperform or under-perform the market within a range of +10% and -10%, within 6 to 12 months
Sell: expected to under-perform the market by more than 10% within 6 to 12 months

Detection of conflicts of interest:

Company	Closing price (€)	Rating	Warning
Giglio Group SpA	€3.23	BUY	E, F, G

A LOUIS CAPITAL MARKETS – MCP or any legal entity related to it holds more than 5% of the issuer's total issued capital; B The issuer holds over 5% of the totality of capital issued by LOUIS CAPITAL MARKETS - MCP or a related legal entity;
C LOUIS CAPITAL MARKETS - MCP, alone or with other related legal entities, is related to the issuer through other significant financial interests;
D LOUIS CAPITAL MARKETS - MCP or any legal entity related to it is a market maker or a liquidity provider with which a liquidity contract has been concluded in relation to the issuer's financial instruments;
E LOUIS CAPITAL MARKETS - MCP or any legal entity related to it has, within the last twelve months, acted as lead manager or joint lead manager for an offer relating to the issuer's financial instruments, and that offer has been made public;
F LOUIS CAPITAL MARKETS - MCP or any legal entity related to it is a party to any other agreement with the issuer concerning the provision of investment services relating to the corporate activity;
G LOUIS CAPITAL MARKETS - MCP and the issuer have agreed on the supply by the former to the latter of a service for the production and circulation of the investment recommendation concerning the said issuer.

Breakdown of recommendations

At 01/04/2020, the recommendations issued by the Midcap research team at LOUIS CAPITAL MARKETS – MCP break down as follows:

Rating	Companies covered	of which "Corporate" clients
Buy	69%	72%
Neutral	27%	26%
Sell	3%	0%
Under Review	1%	2%

The reference prices used in this document are the closing prices. Any opinion given in this document reflects our current judgement and may be modified at any time without prior notice. LOUIS CAPITAL MARKETS - MCP has adopted effective administrative and organisational arrangements, including information barriers to prevent and avoid conflicts of interest in relation to investment recommendations. The remuneration of the financial analysts involved in drafting the recommendation is not tied to the corporate finance business. Past performance is no guarantee of future performance.

MIFID 2 disclaimer: We would remind you that pursuant to MIFID 2, it is your responsibility, as the recipient of this research document, to determine whether your company is concerned by Directive 2014/65/EU of the European Parliament and Council of 15 May 2014 relating to markets in financial instruments (MIFID2) with regard to the separation of the research and order execution activities. For all questions on how to obtain research documents, please send an email to clplanade@midcapp.com

The following is to be affixed to any reports issued by a 15a-6 relationship party when the report may go to US investors.

Research Disclosure - NOTICE TO US INVESTORS:
This report was prepared, approved, published and distributed by Midcap Partners a company located outside of the United States (a "non-US Company"). This report is distributed in the U.S. by Louis Capital Markets, LP, a U.S. registered broker dealer, which assumes responsibility for the research report's content, and is meant only for major U.S. institutional investors (as defined in Rule 15a-6 under the U.S. Securities Exchange Act of 1934 (the "Exchange Act")) pursuant to the exemption in Rule 15a-6 and any transaction effected by a U.S. customer in the securities described in this report must be effected through Louis Capital Markets, LP rather than with or through the non-US Company.

Neither the report nor any analyst who prepared or approved the report is subject to U.S. legal requirements or the Financial Industry Regulatory Authority, Inc. ("FINRA") or other regulatory requirements pertaining to research reports or research analysts. The non-US Company is not registered as a broker-dealer under the Exchange Act or is a member of the Financial Industry Regulatory Authority, Inc. or any other U.S. self-regulatory organization. The non-US Company is the employer of the research analyst(s) responsible for this research report. The research analysts preparing this report are resident outside the United States and are not associated persons of any US regulated broker-dealer and therefore the analyst(s) is/are not subject to supervision by a US broker-dealer, and are not required to satisfy the regulatory licensing requirements of FINRA or required to otherwise comply with US rules or regulations regarding, among other things, communications with a subject company, public appearances and trading securities held by a research analyst account.

Analyst Certification. Each of the analysts identified in this report certifies, with respect to the companies or securities that the individual analyses, that (1) the views expressed in this report reflect his or her personal views about all of the subject companies and securities and such recommendations were elaborated independently; and (2) no part of his or her compensation was, is or will be directly or indirectly dependent on the specific recommendations or views expressed in this report.

This material was produced solely for information purposes and for the use of the recipient. This document does not constitute an offer of, or an invitation to buy or sell any security. The information contained herein has been obtained from published information and other sources which are considered to be reliable. The Companies noted herein accepts no liability or responsibility whatsoever for the accuracy or completeness of any such information. All estimates, expressions of opinion and other subjective judgments contained herein are made as of the date of this document.

Louis Capital Markets, LP assumes responsibility for the research reports content in regards to research distributed in the U.S. Louis Capital Markets, LP, or its affiliates, has not managed or co-managed a public offering of securities for the subject company in the past 12 months, has not received compensation for investment banking services from the subject company in the past 12 months, does not expect to receive and does not intend to seek compensation for investment banking services from the subject company in the next 3 months. Louis Capital Markets, LP, or its affiliates, do not beneficially own 1% or more of the subject securities and there are not any other actual, material conflicts of interest noted at the time of the publication of this research report. As of the publication of this report, Louis Capital Markets, LP does not make a market in the subject securities.

The non-US Company will refrain from initiating follow-up contacts with any recipient of this research report that does not qualify as a Major Institutional Investor, or seek to otherwise induce or attempt to induce the purchase or sale of any security addressed in this research report by such recipient.