

<b>Borgosesia</b>	<b>Italy</b>	<b>Euronext Milan</b>	<b>Real Estate</b>
<b>Rating: BUY</b>	<b>Target Price: € 1,35</b>	<b>Initiation of Coverage</b>	<b>Risk: Medium</b>

Stock performance	1M	3M	6M	1Y
absolute	-4,13%	-13,10%	-15,36%	5,52%
to FTSE AIM Italia	-4,18%	-2,67%	1,81%	11,73%
to FTSE STAR Italia	-8,74%	-1,77%	6,65%	19,94%
to FTSE All-Share	-1,53%	0,69%	6,72%	17,07%
to EUROSTOXX	-7,46%	-5,11%	1,25%	14,90%
to MSCI World Index	-9,47%	-0,87%	-0,64%	18,08%

Stock Data	
Price	€ 0,65
Target price	€ 1,35
Upside/(Downside) potential	108,4%
Bloomberg Code	BO IM
Market Cap (€m)	€ 30,83
EV (€m)	€ 58,31
Free Float	60,48%
Share Outstanding	47.717.694
52-week high	€ 0,86
52-week low	€ 0,55
Average daily volumes (3m)	86.000

Key Financials (€m)	FY21A	FY22E	FY23E	FY24E
Revenues	21,1	23,6	26,8	41,0
VoP	25,8	26,9	29,2	41,7
EBITDA	12,0	14,0	14,6	15,0
EBIT	11,4	13,3	13,9	14,2
Net Profit	7,9	8,0	9,3	9,7
EBITDA Adj. margin	25,4%	27,2%	25,6%	17,9%
EBIT margin	24,2%	25,7%	24,3%	17,0%
Net Profit margin	16,7%	15,5%	16,3%	11,6%

Main Ratios	FY21A	FY22E	FY23E	FY24E
EV/EBITDA Adj. (x)	4,9	4,2	4,0	3,9
EV/EBIT (x)	5,1	4,4	4,2	4,1
P/E (x)	3,9	3,9	3,3	3,2

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## Stock Performance vs Euronext Milan



## Company overview

Borgosesia SpA ("Borgosesia"), at the head of the homonymous Group, is a Joint Stock Company listed on the Euronext Milan segment of the Borsa Italiana, active in the sector of investments in alternative assets as well as in their management on behalf of third-party investors. The main asset class is represented by real estate, with a focus on the purchase of residential properties to revitalize and resell, leveraging a mix of skills in the financial, professional and real estate sectors. The objective is to invest in transactions with a low degree of risk in which it is possible to emerge, already at the time of closing, substantial portions of value, using internal structures, tools, and skills.

## Market

The market to which Borgosesia draws is the Italian real estate market, of a purely residential nature. One of the main characteristics of the real estate market is identified in the sector's solidity and strength, which is less impacted and volatile than other segments in times of economic recession. To confirm this trend, following the decline in negotiations resulting from lockdown measures to contain the spread of the Covid-19 pandemic, in 2021 the entire sector was characterized by a generalized rebound. Starting from a broader view, the volume of investments in commercial real estate in Italy closed at € 10.4 billion, up 14% compared to 2020.

## Valuation

We conducted the valuation of Borgosesia's equity range based on the DCF methodology and the multiples of a sample of comparable companies. The value resulting from the application of the DCF methodology is equal to € 63.8 million, while that resulting from the multiples method, applying a discount of 25%, is equal to € 64.7 million. The result is an average equity value of € 64.2 million; the target price is € 1.35, BUY rating and MEDIUM risk.

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## 1. Company overview

### 1.1 Business activities

Borgosesia SpA ("Borgosesia"), head of the homonymous Group, is a Joint Stock Company listed on the Euronext Milan segment of the Borsa Italiana, active in the sector of investments in alternative assets as well as in their management on behalf of third-party investors. The main asset class is represented by real estate, with a focus on the purchase of residential properties to revitalize and resell, leveraging a mix of skills in the financial, professional, and real estate sectors. The objective is to invest in transactions with a low degree of risk in which it is possible to emerge, already at the time of closing, substantial portions of value, using internal structures, tools, and skills.

Borgosesia's mission is to create value for large and small investors by seizing the opportunities offered by investments in crisis situations or in need of new stimuli. The Group was founded in 1873 as an operator in the textile and wool sector and, despite the continuous corporate evolution in its 150-year history, it maintains over the years the vocation of the holding company aimed at creating value for shareholders, employees, collaborators, and investors.

The Group's activity is divided into two distinct divisions:

- Borgosesia Real Estate, an area focused on real estate investments. It has its independent structure and takes care of the enhancement of the properties subject to the investments made by the Group, providing technical and commercial support to the initiatives of the same;
- Borgosesia Alternative, focused on investments of a purely securities nature. The division carries out the financial engineering of all the operations carried out for the realization of individual acquisitions, as well as those of management of alternative investment funds, promoted by Borgosesia Gestioni SGR SpA. The BU also has as its "own" target investments consisting of tax and non-tax receivables, pending disputes, equity investments, and passively managed industrial assets.

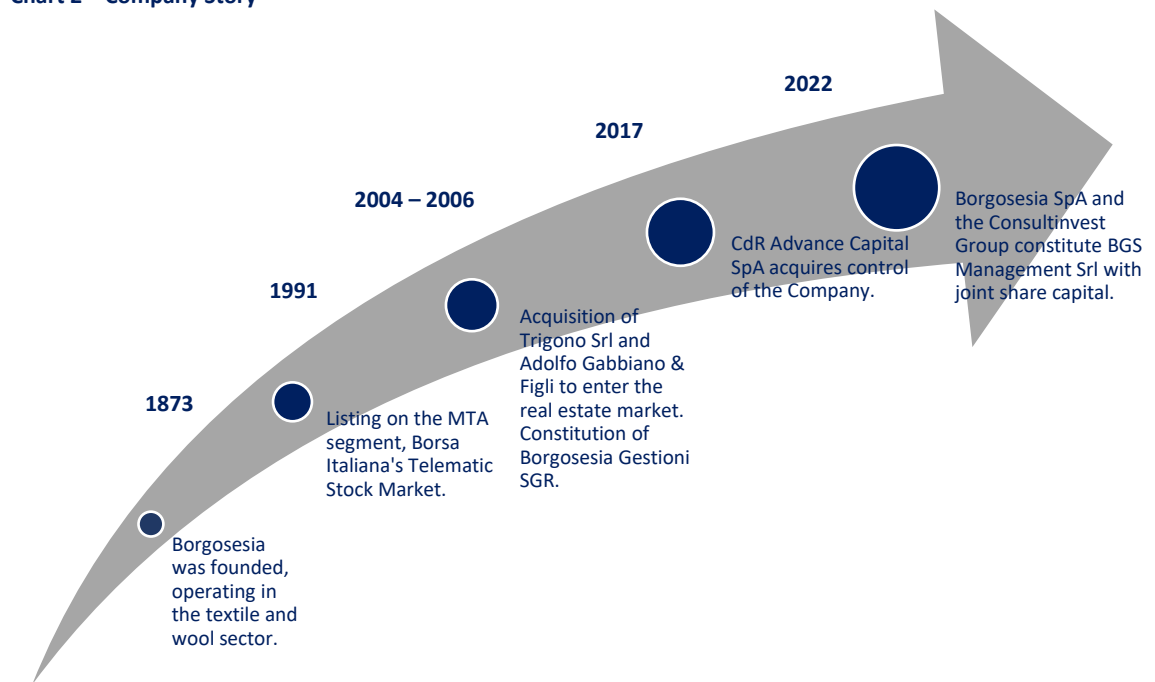
#### Chart 1 – Borgosesia's projects



Source: Borgosesia

## 1.2 Company history

**Chart 2 – Company Story**



Source: Borgosesia

- **1873**: Borgosesia SpA was established and it began its activity in the wool and textile sector. The most famous initiative belonging to the newly established company is "*Manifatture di Lane in Borgosesia*";
- **1974**: the industrial activities in the textile sector were transferred to the Zegna Baruffa Group, thus giving rise to Zegna Baruffa Lane Borgosesia;
- **1991**: the Group was listed on the MTA (Electronic Stock Market) segment of Borsa italiana;
- **2002**: the control of the Company was acquired by Gabbiano SpA; as a result of this operation, Borgosesia started a new industrial plan to affirm its role as an industrial holding company;
- **2004 – 2006**: the process of development of the company in the real estate sector was supported by the acquisition of a connection shareholding in Trigono Srl which, through Ginori Real Estate SpA, took over the real estate complex. In **2005**, Borgosesia Gestioni SGR SpA was established to operate in the real estate sector. In **2006**, the Company acquired 100% of Adolfo Trabaldo & Figli in order to expand its market share;
- **2010**: the company Gabbiano was incorporated into Borgosesia;
- **2017**: the CDR Advance Capital SpA Group acquired control of the Company;
- **2018**: the partial and proportional demerger of the assets of CDR Advance Capital SpA, a company listed on the aim market of Borsa Italiana and active in the non-performing asset investment sector, in favor of Borgosesia SpA was approved;

- **2019:** the operation of Borgosesia is started thanks to the completion of the demerger of the activities of Gruppo CdR Advance Capital SpA;
- **2021:** the Company sold to DDM INVEST III AG own shares equal to 5.0% of the capital and 5.5% of the voting rights and started with them a securitization program, conventionally called "AssetCo", in order to acquire impaired loans;
- **2022:** following a partnership signed in 2021, BSG Management Srl is established with joint participation between Borgosesia SpA and the Consultinvest Group.

### 1.3 Shareholding and Structure of the Group

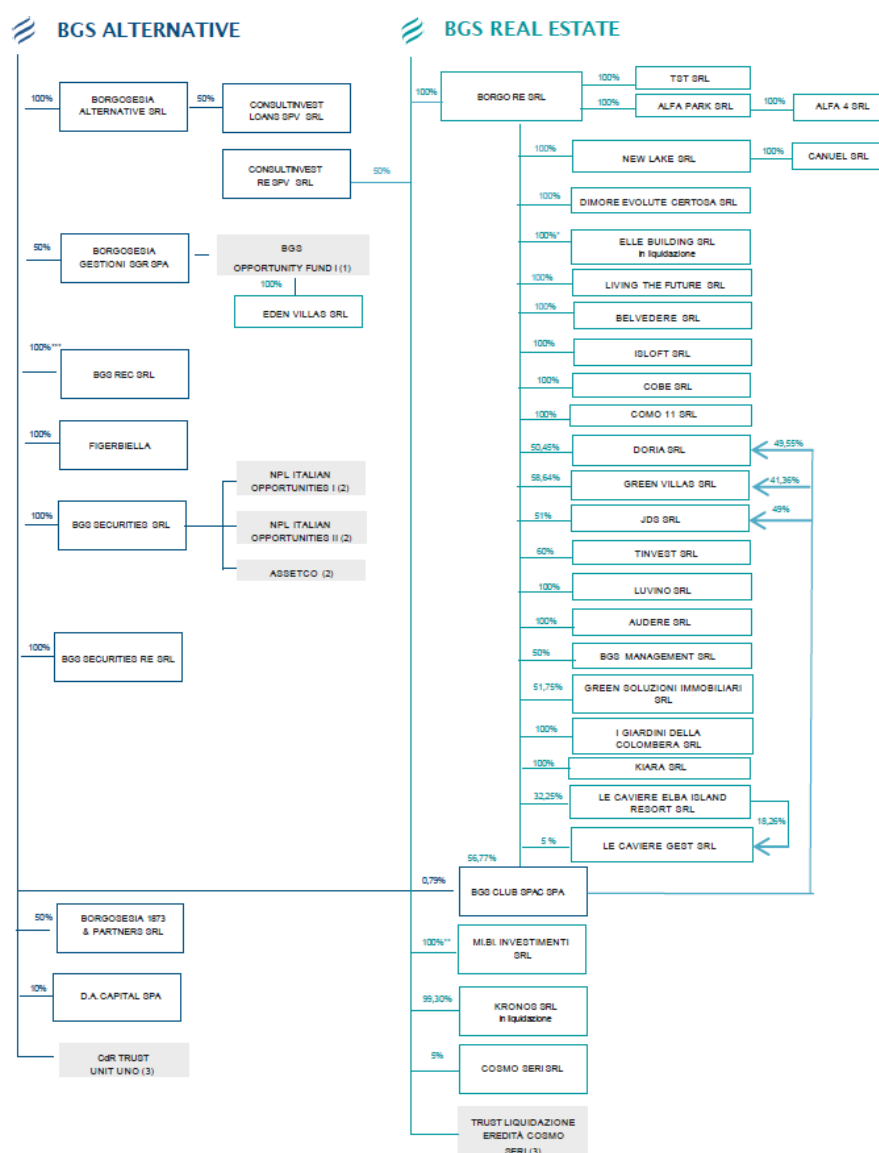
**Table 1 – Shareholders**

Shareholders	% Shares
Free Float	60,5%
Dama Srl	19,7%
Zanelli Andrea (AZ Partecipazioni Srl)	9,8%
DDM INVEST III AG	5,0%
Demi5 Srl	5,0%
<b>Totale</b>	<b>100,0%</b>

Source: Borgosesia

Borgosesia is controlled for 19.7% by Dama Srl. All other shareholders are subdivided as follows: Market 60.5%, Andrea Zanelli 9.8%, DDM INVEST III AG 5.00%, and Demi5 Srl 5.00%.

**Chart 3 – Group chart**



Source: Borgosesia

## 1.4 Corporate Governance

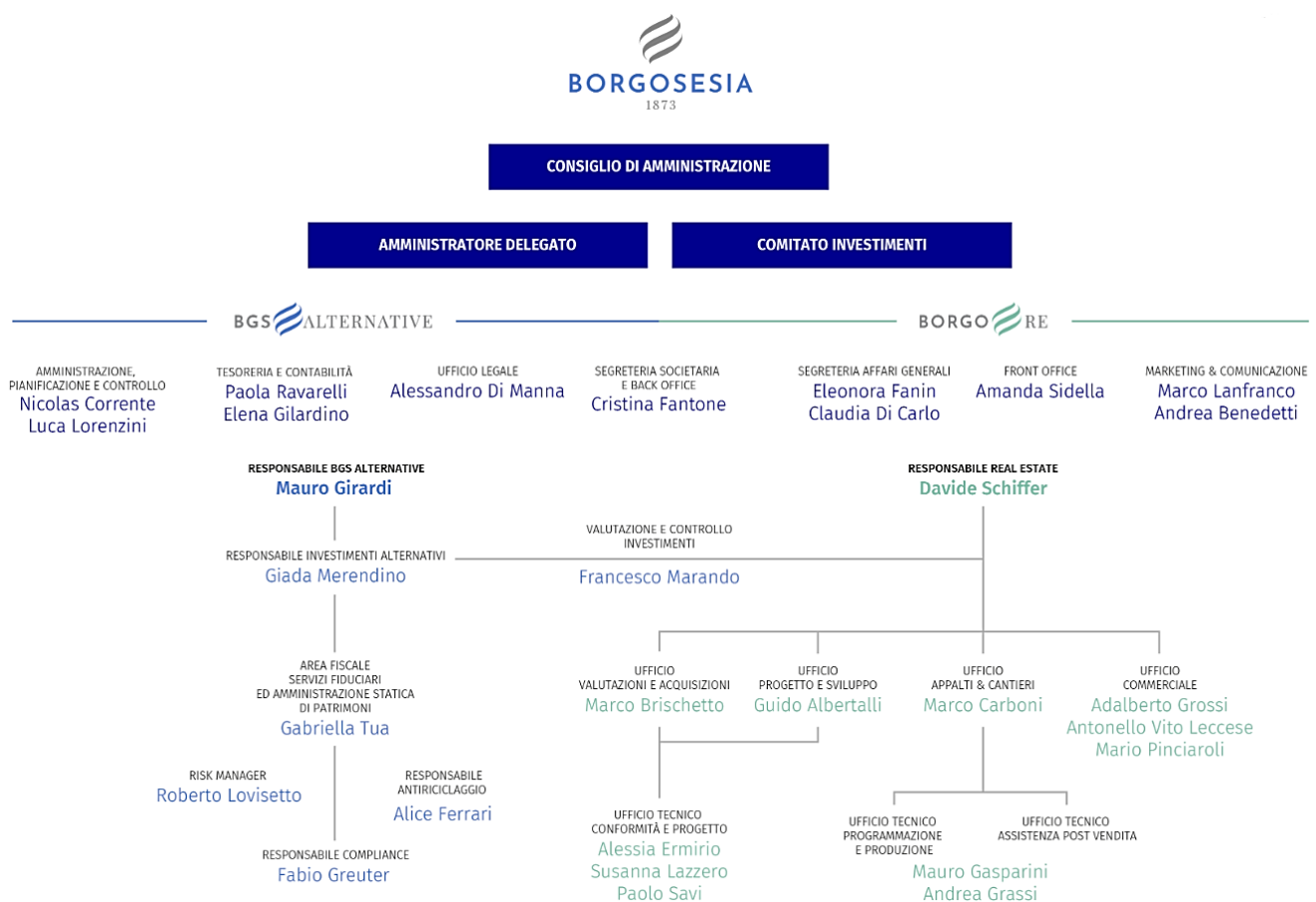
The Board of Directors of Borgosesia is composed as follows:

- Mauro Girardi Chairman of the Board of Directors;
- Andrea Zanelli is Vice-Chairman;
- Bartolomeo Rampinelli Rota has the role of Director;
- Gabriella Tua has the role of Director;
- Matteo Genoni has the role of Director;
- Roberto de Miranda has the role of Director;
- Giada Merendino has the role of Director;
- Alessandro Pappalardo has the role of Director;
- Virginia Marini is an Independent Director;
- Margherita Pala is an Independent Director;
- Giulia Lechi is an Independent Director.

The Board of Statutory Auditors consists of three standing auditors and two alternates:

- Aldo Bisioli is Chairman of the Board of Statutory Auditors;
- Silvia Marelli and Irene Flamingo act as standing auditors;
- Marzia Erika Ferrara and Carlo Maggia are alternate auditors.

**Chart 4 – Borgosesia’s corporate governance**



Source: Borgosesia

## 1.5 Key People

### **Mauro Girardi** – Chairman and CEO Borgosesia SpA

Accountant, for over 30 years he has carried out consultancy in corporate and tax planning, national and international. He operates in the field of bankruptcy proceedings both as a consultant to debtor companies, as the creator and manager of turnaround interventions, and, finally, as Curator and Judicial Commissioner. In addition, he deals with corporate restructuring, management consulting, and strategy with particular regard to the strategic planning and business intelligence system for companies. Since 1984 he has held the position of Chief Executive Officer of Figerbiella, a trust company, and holds the position of Chairman of the Board of Directors as well as Chief Executive Officer of Borgosesia SpA

### **Andrea Zanelli** – Vice Chairman Borgosesia SpA

Graduated in Political and Economic Sciences, since 1992 he has been working in the financial field first as a qualified attorney and negotiator with a Genoese exchange agent and, subsequently, as a shareholder and director of a securities brokerage company. In addition, since 2002, he has been acting as a majority shareholder in the temporary employment sector in a company operating throughout the country through 45 subsidiaries. In 2010, however, he became the founder and director of Compagnia della Ruota SpA, now CdR Advance, a company listed on the AIM market in 2012. Since 2018, at Borgosesia SpA has held the position of Board Member.

### **Davide Schiffer** – CEO Borgosesia SpA

Graduated in Law, since 2004 he has been working in the real estate sector in the field of complex renovations and residential, tourist, and commercial real estate developments. In the past, on behalf of the Draco SpA Group of Brescia, he held the role of project manager, sales manager, and administrator. He is currently Chief Executive Officer of Borgosesia SpA, Chairman of the Board of Directors of BGS Club Spac SpA, Sole Director of Borgosesia Real Estate Srl and other real estate companies of the Borgosesia Group.

### **Giada Merendino** – Head of Alternative Investments Borgosesia SpA

Graduated in Economics & Management with financial management, she has decades of experience in the world of distressed opportunities and NPLs having structured "Special Situation & Distressed Opportunities" operations, both structured operations aimed at the purchase of NPLs (Secured and unsecured) credits. In recent years she has served both as Credit Fund Manager in relation to the establishment of Direct Lending Funds and UTP Acquisition, and as Fund Manager & Credit Fund Manager within Primary SGR, dealing with the management of AIF Real Estate and participating in the establishment and launch of AIF Real Estate with the acquisition of Distressed Credits through contribution to the AIF. Within Borgosesia SpA she is responsible for the Alternative Investments division in the Distressed market.



## 2. Business model

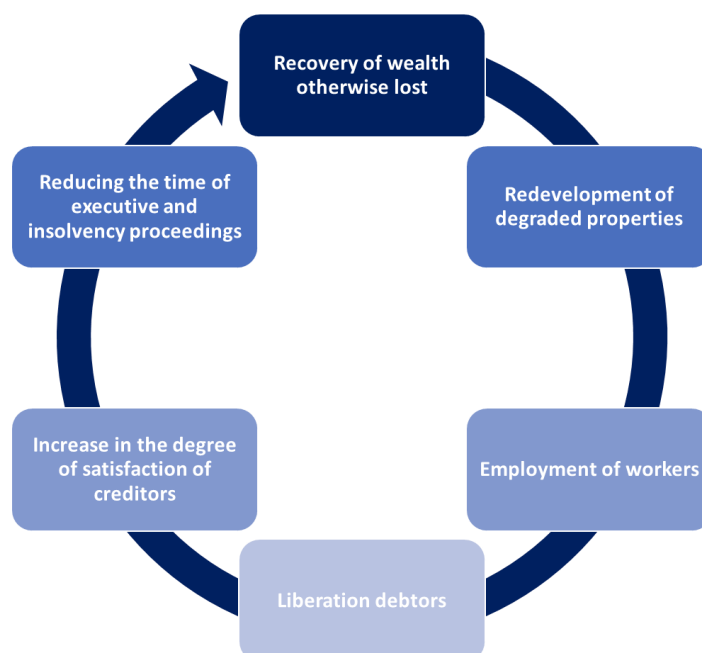
The business model of the Borgosesia Group differs from that of traditional operators for multiple reasons. Contrary to these, which focus on the purchase and sale of entire portfolios of non-performing loans, the Company applies a single-name approach, that is when it acts as the one and only investor of a specific non-performing asset, acquiring a specific position only when the asset (or property) offered as collateral is subject to interest. In order to offer an integrated solution to deal with both financial and operational distress, the Company uses two functional areas:

- **Real Estate Division:** it groups all the companies active in the valuation of real estate assets and in particular those already placed as collateral for non-performing mortgage loans - previously recognized by the Group at a strong discount with respect to their nominal value (GBV) – and purchased by the relative debtor towards a consideration for the most part paid by offsetting the same receivables with GBV. The division is also responsible for all real estate management activities, i.e. the scouting services of new investments and their subsequent management rendered in favor of the real estate securitization operations developed by the Group as well as the funds promoted by Borgosesia Gestioni SGR;
- **Securities Division:** brings together the companies responsible, on the one hand, for the acquisition of non-performing loans and the repossession of the related collateral and, on the other, for making investments in non-performing assets of a security nature.

Following the corporate restructuring, which took place after the acquisition of control of Borgosesia by CdR Advance Capital in 2017, the new corporate structure is identified in a diversified portfolio of subsidiaries that interact across the two divisions, creating a highly synergistic functional interchange within the Group. All the companies in the alternative area are still under the control of Borgosesia S.p.A and among these also include BGS REC (with 115 TULPS license for purchase and credit management), Figerbiella (with authorization to the fiduciary activity), BGS Securities, and BGS Securities RE (securitization vehicles, respectively, of credits and real estate under Law 130/99) as well as Borgosesia Gestioni SGR (manager of real estate and credit AIFs). As part of the process of strengthening the alternative structure, it is expected that all these holdings will be transferred to BGS Alternative which, in this way, will assume the role of sub-holding of the relevant sector.

These synergies, in addition to the strong track record in bankruptcy proceedings, allow the Company to maintain an IRR (Internal Rate of Return) in the range of 30% to be exploited, on average, in the following three years.

**Chart 5 – Borgosesia’s model**



Source: Borgosesia

## 2.1 Value Proposition

**Chart 6 – Value proposition**



Source: Borgosesia

All the investment solutions proposed by Borgosesia are based on the synergistic cooperation of the Group's many subsidiaries which, by bringing their particular expertise to each operation both in the origination and execution phases, enable an integrated approach characterized by multiple advantages. Among the main ones we find:

- A broadening of the spectrum of investment opportunities in the category of distressed situations within the Italian landscape;
- A sharp reduction in execution costs through the internalization of professional figures, with an extremely diverse professional background, for advice on restructuring plans and on the different phases of investment life;
- An increase in the return on investment: the Company, having control over the internal process (acquisition, redevelopment, and sale of the target property), can implement and precisely manage strategies designed in-house aimed at maximizing value;
- A greater number of exit opportunities that favor, following the bidding and negotiation phase, a greater probability of closing the deal without delays and with high added value.

Borgosesia Real Estate, through the professional, entrepreneurial, and financial skills of its management, purchases real estate for residential use under construction and manages every phase of the process, ranging from the analysis of the property to its purchase up to the sale. The Borgosesia Alternative division, on the other hand, aims to obtain interesting economic returns over a maximum time horizon of three years, through investments in tax and non-tax receivables, equity investments, passively managed industrial assets, and pending litigation.

## 2.2 Business model and Value Chain

Borgosesia, as an investment holding company, and the Group that belongs to it set themselves the objective of investing in operations with limited downside risks in which it is possible to bring out, already at the time of closing, significant capital gains. The business model is based on the regeneration of value, mainly of a real estate nature, in the context of special situations. In company situations of crisis or requiring internal restructuring, the Company provides its structures, internal expertise, and tools in order to generate added value, operating even in the most difficult investment situations, generating wealth for both investors and the real economy.

**Chart 7 – Value Chain**



Source: Borgosesia

The typical process of an investment transaction assumes a maximum duration of 30/36 months and is defined in the following four phases:

- **Scouting**

It is identified in the search for investment opportunities, in the management of professional relationships, and in relationships with the various sources of origination. Through its scouting network, made up by loyal advisors, operating mainly in the Lombardy region, the individual real estate investment opportunities are brought to the attention of management and selected based on preliminary and generic news regarding their status. Following the identification of the asset subject to possible investment, we proceed with the collection of the greatest amount of information about the non-performing status of the property (for example the presence of a possible bankruptcy procedure, the extent of the liability, the main creditors and the guarantees in place). Finally, the technical, urban, and commercial characteristics are analyzed, taking into account the dimensional aspects, financial commitment, profitability, and timing of implementation in order to draw up a preliminary assessment of the goodness of the investment and a first indication of the price at which the asset could be recognized.

- **Purchase and financing**

This is identified as the initiation phase of negotiations with the different counterparties involved. Specifically, once the preliminary assessment by the real estate area has been completed, the management passes to the finance area which, through inspections and direct knowledge, goes back to the holder of the credit, outlines a possession strategy of the property, and verifies for this purpose the possibility of reaching an out-of-court agreement with the debtor, certified by an independent professional pursuant to Article 67 of the Bankruptcy Law, in order to avoid the auction phase.

Based on the information thus acquired, the two areas, real estate and financial, proceed to formulate a non-binding expression of interest for the recognition of the credit, to reach an agreement with the debtor aimed at the possession of the asset and conditioned to the purchase of the credit, to carry out the due diligence on the credit and on the underlying and, finally, to prepare the first business plan of the transaction. Upon completion of all these activities, the purchase of the credit and the taking possession of the asset are carried out.

On average, this process takes place over a period of eight months and, to date, the Group has never undertaken a judicial activity of debt recovery due to the impossibility of reaching an agreement with the individual debtor aimed at repossessing the assets placed as collateral for the same. Finally, it should be noted that this activity is not necessary where the intervention of the Group is carried out in contexts other than crisis situations such as, for example, those related to generational changes, processes of forced disposal of the guarantor of third-party exposures, and in the so-called special opportunities to distinguish them from those related to established crisis situations, the latter identified as special situations. At a strategic level, in order to achieve a solid competitive advantage, Borgosesia's operating model provides, in practice, for the preliminary purchase of secured receivables, both with the classification of probable default (UTP, or Unlikely To Pay) and non-performance (NPL, or Non-Performing Loans), whose collateral is identified with the investment target property. These receivables, being impaired credit exposures, are purchased by the Company with a strong discount with respect to their nominal value (GBV, or Gross Book Value) and then are used in order to offset, in whole or in part, the debt contracted for the purchase of the properties. To support the phase of purchase of the credit and the property, in addition to the subsequent phase of enhancement of the same, Borgosesia usually resorts to financial indebtedness.

- **Securitization**

Between the credit purchase phase and the completion of the possession of the property, the Company often carries out a particular financial engineering operation. The securitization of receivables takes place through a preliminary survey of possible investors and the subsequent structuring of the transaction is carried out mainly thanks to internal professionalism within the Group.

- **Extraction**

Once the phase of purchase of loans secured by mortgages has ended the repossession of the assets pledged as collateral takes place. This process can take a dual form, depending on the nature of the credit acquired. In the case of UTP credits, the agreement is reached with the debtors concerned and enforcement actions are waived for the purchase of the asset, among other things. As regards NPLs, on the other hand, the company proceeds with the participation in the auction of the mortgaged property or, otherwise, in the proposed bankruptcy arrangement.

- **Valorization**

Once the ownership of the property has been acquired, the building project is completed, the building permits are acquired or modified and the construction works are started and completed, the execution of which is entrusted to third parties. The restructuring is contracted out to third parties, maintaining internally only the functions of work management and coordination of the individual intervention.

- **Exit**

Before the construction and/or renovation of the property is completed, the Company launches a promotional campaign aimed at signing the preliminary contracts (letter of intent), under which the buyer undertakes to pay for the real estate unit. The marketing and sales process is also carried out using local real estate agencies, although the coordination of the individual intervention remains in the hands of an internal sales manager within the Group.

### 2.3 Successful operations

The Company is able to create value from complex and problematic situations of various kinds, deriving, as anticipated, both from bankruptcy procedures and from situations of financial failure.

Unlike other market operators or traders of non-performing assets, Borgosesia does not just buy and sell problematic portfolios and assets but adopts a "hands-on" approach, which involves investing in distress and illiquid situations trying to fully exploit the hidden value and realize it entirely. The Group intends to put back on the market properties redeveloped and previously unsuitable, abandoned, or unfit, adding value to the territory, sanitizing degraded situations, and enriching the urban community as a whole. All this is done through Borgosesia Real Estate, the division specializing in real estate investments, mainly in residential buildings in large urban centers.

**Chart 8 – From the project to the realization**



Source: Borgosesia

Among the virtuous examples of the redevelopment activity, mention is made of an intervention located in Milan in the Bovisa area, more precisely in Via Enrico Cosenz, a district well served by the main infrastructures and subject to recent and important redevelopment. The work began in December 2016 and involved the transformation and completion of a hotel into a residential development completed in November 2018. The marketing status, on the other hand, was completed one month later for € 19.10 million.

In addition, the marketing of two eight-story residential towers in the metropolitan city of Milan, for a total of € 8.35 million, was completed in January 2020, within which 23 housing units are located. The purchase of the credit of the latter dates back to 2017 and the start of the work is dated March 2018.



**Chart 9 – From the project to the realization**



Source: Borgosesia

Finally, we should mention the intervention in Via Lattanzio, also called the Elle Building, located in the first city circle in the Porta Romana area of Milan. This complex is part of the City's broader regenerative plan and aims to bring about major architectural and urban transformations to stitch up the urban fabric. In fact, the corner building between Via Lattanzio and Via Colletta has never been completed and has been abandoned since 2009 due to financial problems. Hence, it has constituted for years a danger to public safety, health and security and an inconvenience to urban decorum and quality. With the aim of reinterpreting the residential architecture of the Milanese tradition, whose characteristic element is identified in the balcony house, Borgosesia has created a housing complex consisting of 15 housing units, each equipped with large private outdoor spaces, more than 35 car garages and common spaces such as a gymnasium, rooms used for co-working and large gardens. March 2021 saw the completion of the commercialization status for a total of €8.2 mln.

**Chart 10 – From the project to the realization of Elle Building**



Source: Borgosesia

## 2.4 Clients & Suppliers

### 2.4.1 Clients

The Group's customer base is large and consolidated, with a portfolio that includes institutional investors, but above all retail. Customers who have decided to make use of the expertise and professionalism of Borgosesia are usually linked to a single intervention: it is difficult for the same customer to invest in more than one house in more than one intervention and, therefore, the Company does not have a significant impact on the total sales by loyal customers.

### 2.4.2 Providers

Borgosesia makes use of external consultants (e.g. designers, architects, and professionals for the management of the work) who provide technical services as well as contractors who, from time to time, are selected to take care of the individual interventions for the revitalization of the properties. As mentioned for customers, the Company does not make use of loyal suppliers. For the purchase of impaired loans, on the contrary, the Company operates almost exclusively on the secondary market and less frequently on the primary market.

In support of the Group's activity, the activity of the scouting network is also highlighted, formed by a series of loyal advisers, who are responsible for bringing individual investment opportunities to the attention of management.

### 3. The market

#### 3.1 The Italian real estate market

The market to which Borgosesia draws is the Italian real estate market, of a purely residential nature. At a cyclical level, one of the main characteristics of the real estate market is identified in the corroborated tightness and solidity of the sector itself, which is, therefore, less impacted and volatile than other segments in times of economic recession. To confirm this trend, following the decline in negotiations resulting from lockdown measures to contain the spread of the Covid-19 pandemic, in 2021 the entire sector was characterized by a generalized rebound. Starting from a broader view, the volume of investments in commercial real estate in Italy closed at € 10.4 billion, up 14% compared to 2020. It is specified, however, that this increase does not reflect the real intensity of the recovery since the amount does not include those investments whose decision to sell or buy has been taken, but the contract has not yet been concluded.

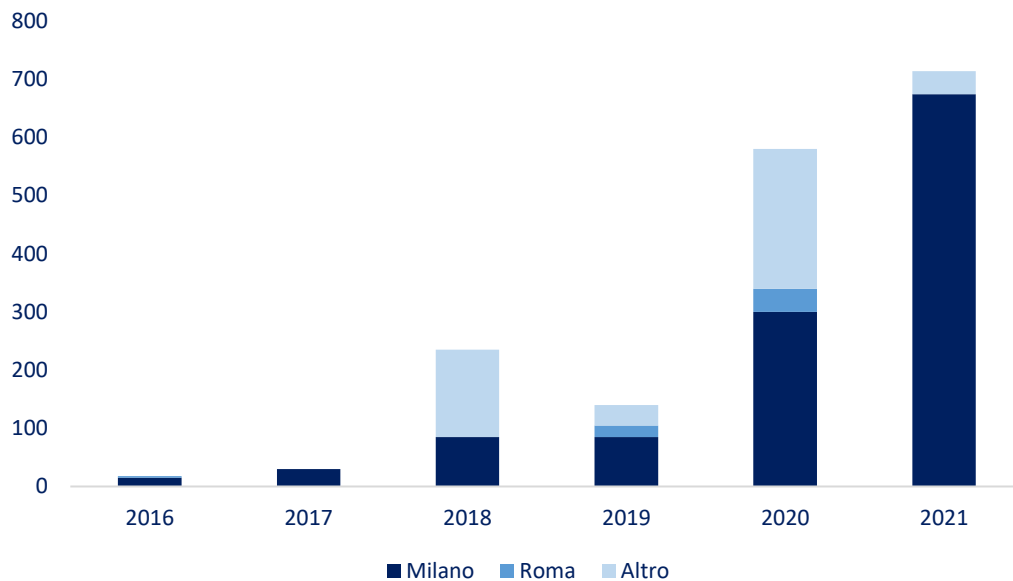
Going into more detail, investors favored sectors with countercyclical characteristics, such as logistics, residential, and alternatives. On a quantitative level, the logistics sector for the first time reached € 2.7 billion, with a +89% compared to 2020, thus becoming the first asset class by volume invested. The intense demand for technological assets and healthcare facilities rewards the alternative sector, with volumes more than doubled compared to the previous year. Regardless of the asset class, it is specified that one of the most relevant issues in the investment choice is the growing interest in ESG issues. The CBRE Italy Investor Intentions Survey 2022 shows, in fact, that 18% of investors would not even consider acquisitions of real estate that do not comply with strict criteria of environmental, social, and governance sustainability.

Considering, instead, the target market of the Company, the volume of investments in the residential sector continued to grow during 2021 to reach € 720 million, equal to +24% compared to FY20A. This increase is attributable to the vitality of the Multifamily segment which generated 79% of investment volumes in the Italian landscape and which is identified with the residential lease managed by professional operators. Specifically, the established stability of cash flows, the opportunity for diversification in line with the ESG criteria, and the growing demand for an asset, the property, considered primary for buyers, catalyzed the attention of investors and supported their growth. Following the forced coexistence of the last pandemic winters, moreover, the real estate sale in the residential sector was mainly aimed at the quality of living, with the aim of detecting more spacious, healthier properties far from the city center. Analyzing the transactions that took place, the three-room apartments were chosen by 41% of the buyers to the detriment of single or two-room apartments both for the larger space that characterizes them and for the price stability of this segment. If the recent preferences in terms of location and characteristics of the property represent a novelty compared to the pre-pandemic guidelines, the support of the banking sector is an indispensable prerequisite for the majority of Italian families.

In conclusion, the Borgosesia Real Estate division benefited from the intensification of the strategies of "build-to-core" and "value-add" investors with exit to a renovated property. At the geographical level, the largest volume of investments was made in Northern Italy for more than two-thirds of the entire amount, thus confirming the historical trend. Specifically, the province of Milan alone has catalyzed more than 30% of the total investments of the Company compared to 5% of those of the province of Rome.



**Chart 11 – Investments in the residential sector by geographical area, € Mln**



Source: CBRE Research

In the wake of the rebound of the real estate market, finally, the Company has completed € 3.8 million of direct investments in real estate in the context of special situations with the aim of taking care, through the Borgosesia Real Estate division, of each phase of the value chain and the related enhancement process.

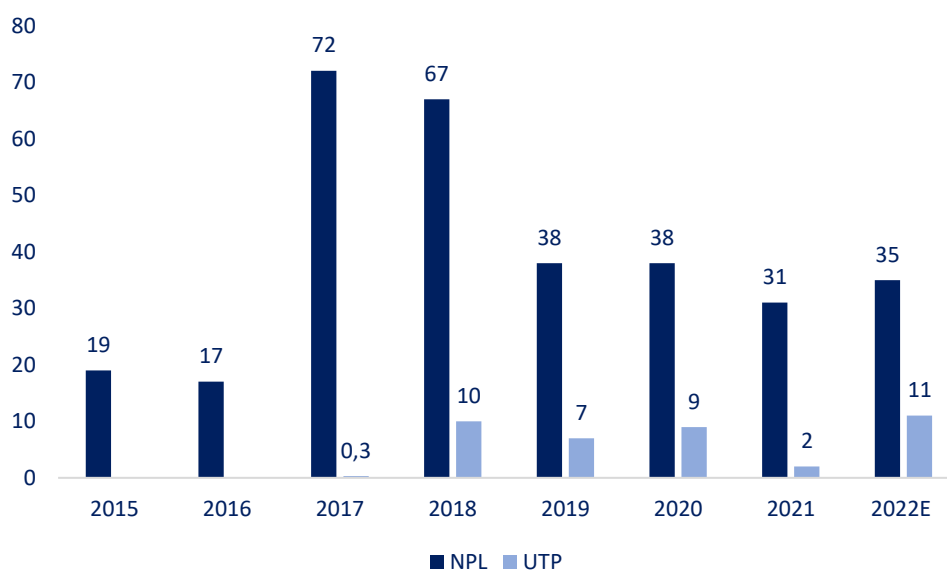
### 3.2 The NPL market

The Italian market linked to impaired loans, also called non-performing loans, was confirmed in 2021 as one of the most important in Europe. However, during the last year, there was a decrease in the volume of transactions of about 35% compared to the previous 12 months, as a result of the absence of large transactions of a strategic nature. 2021 closed with a volume of transactions of just over € 27.1 billion, of which over € 16.5 billion were concentrated in the fourth quarter of the year. This amount in the last phase of the year is justified by the great boost of deleveraging operations assisted by the guarantees on the securitization of non-performing loans (GACS) granted by the State.

Going into more detail, if the primary market is gradually shrinking from the peak of € 345 billion reached in 2015, the secondary market is characterized by increasing vitality. To confirm, as many as 32% of NPL transactions in 2021 affected the secondary market. The counter value of the segment has reached more than € 5.8 billion, with an incidence more than doubled compared to the 10% reached in 2020. The figure for the percentage of transactions related to UTP exposures, on the other hand, shows a slight decrease. Specifically, if in 2020 approximately 15% of transactions were attributable to transactions involving portfolios or UTP positions, in 2021 the incidence stopped at 12%, equal to a gross volume of approximately € 3.3 billion.

Looking to the future, the failure to extend the moratoria on loans, introduced by art. 56 of the Cura Italia Legislative Decree, could impact the solvency of various economic activities related to the real estate, catering, and tourism sectors, heralding a renewed momentum of transactions related to the segment of semi-deteriorated loans and UTP. In addition, the negative effect on the cash reserves of construction firms could be amplified by rising market prices for raw materials and energy.

**Chart 12 –Trend NPL, UTP and Pipeline market, € billion of GBV**



Source: Banca Ifis

Over the past year, the Group has significantly accelerated the process of increasing co-investments with third parties and the co-management of the related assets. Specifically, the Company has made investments of € 16.5 million for the purchase of single-name mortgage loans in order to acquire the assets placed as collateral for the same and for € 1.9 million for loans subject to a collection strategy, that is, focused on their collection through the sole enforcement of the related collateral and personal guarantees.

#### 4. Competitive positioning

Borgosesia's business model, centered on the purchase of mortgage loans in order to detect, enhance and resell security properties, is unmatched in the Italian and European markets. In fact, no other listed companies are identified that adopt the same business model and, therefore, there are no direct competitors. However, although distant in terms of size, we can mention multiple that invest and manage credits and as many that are active in real estate development.

Considering the uniqueness of the business model and thanks to the mix of skills in the financial, professional, and real estate sectors, the Company has different competitive advantages compared to other companies that operate only in one of the two market segments. This strategic integration, in fact, allows Borgosesia to obtain higher revenues than those obtained by market operators who only invest in non-performing loans or real estate development. In this context, the added value emerges from the recovery of the value created by third parties, which since "frozen" for reasons of financial crises, bankruptcy, or similar generational passages, turns out to be unusable to the market. In addition, the purchase of properties whose urban planning process has already been completed streamlines the cost structure of the Company as urbanization costs have been paid, at least in part.

The intrinsic flexibility of the business model adopted, in addition, allows the Company to respond quickly to market trends. Already during the initial period of the Covid pandemic, for example, Borgosesia was able to clearly understand the new needs of its customers in advance of the competition, thus investing in properties located outside Milan, such as on the Lombardy lakes and in tourist areas. The same foresight was found in the second half of 2021, when, predicting the general increase in the prices of raw materials, the Company invested in brownfields, i.e. properties that require a lower amount of CAPEX. Borgosesia's competitive advantage is supported by:

- Ability to choose among the most promising Non-Performing Loans/Unlikely To Pay single name within the numerous alternatives;
- Extensive knowledge of the underlying legal framework;
- Timely and convenient executive skills to extract the maximum possible value from investments;
- Engineering team to oversee the purchase and enhancement of target properties.

For the near future, Borgosesia is expected to accelerate its path of strategic transformation from a single investor to a co-investor and manager, thanks to which it will be able to seize opportunities for higher-cut investment as well as increase the share of revenues from repetitive services and high marginality. This process is already underway thanks to joint ventures with the DDM Group and the Consultinvest Group. With this in mind, the Company has launched a program to strengthen the real estate area, which also includes the hiring of about ten professional units with high seniority.

In addition to the objective of emerging as a leader in the real estate market, Borgosesia aims to enter the market of some alternative asset classes, and to achieve this end, during 2021, the structure of BGS Alternative was strengthened, i.e. the Group's division dedicated, among other things, to the management of investments with purely non-real estate underlying assets, such as tax credits, litigation as well as alternative energy production plants.

With reference to the latter, the possibility of creating joint ventures with companies specializing in the evaluation, revamping, and management of infrastructures in the energy area is currently being studied. Specifically, photovoltaic panels and energy systems, being complementary to their business, are identified as the asset class that has the greatest potential to add value to Borgosesia's market offer. In order to gain an advantage in terms of timing, it is expected that the BGS Alternative division will become operational already in the current year, with the possibility of achieving concrete returns starting from 2023.

The launch of BGS Club SPAC, the first Italian SPAC destined to invest in the distressed asset sector, can be defined as a concrete example of the Company's commitment to becoming an asset manager specializing in illiquid assets.

Looking at the medium-long term, on the other hand, it is specified that the market segment in which the Company operates will benefit from a favorable trend due to the growing trend of sale of bad debts by the banking system to third parties and the increasingly stringent European regulations aimed at containing risks.

#### 4.1 SWOT analysis

**Strengths:**

- Proven ability to navigate the complex regulatory framework underlying business;
- Extensive experience of top management in the bankruptcy procedures;
- Engineering team overseeing the real estate sector;
- Tight fixed cost structure;
- Operational synergies between divisions.

**Weaknesses:**

- Limited fundraising capacity;
- Long timescales for the entire process;
- Potential high systemic risks.

**Opportunities:**

- The extensive network of contacts within the sector of reference;
- Expansion of investments in new sectors and asset classes;
- An increase in the number of investments;
- Focus on projects with greater greenfield marginality.

**Threats:**

- Dependence on Italian bankruptcy legislation;
- Timing in the dialogue with each debtor in the real estate acquisition process;
- Depreciation of real estate assets subject to investment;
- An increase in real interest rates and consequent decrease in demand for "first home" housing due to reduced purchasing power;
- Difficulty in recognizing revenues at collection dates.

## 5. Economics & Financials

**Table 2 – Economics & Financials**

CONSOLIDATED INCOME STATEMENT (€/mln)	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E	FY26E	FY27E
Revenues	19,45	21,11	23,60	26,75	41,00	45,00	46,50	47,00
Fair Value Adjustment	2,07	3,54	0,30	0,45	0,50	0,70	1,25	2,15
Other Revenues	5,67	1,10	3,00	2,00	0,20	0,00	0,00	0,00
<b>Value of Production</b>	<b>27,20</b>	<b>25,76</b>	<b>26,90</b>	<b>29,20</b>	<b>41,70</b>	<b>45,70</b>	<b>47,75</b>	<b>49,15</b>
COGS	13,21	6,62	9,00	10,25	21,85	23,90	24,90	25,40
Services	6,42	6,07	1,65	1,80	2,20	2,35	2,45	2,50
Use Of Asset	0,05	0,05	0,05	0,05	0,05	0,05	0,05	0,05
Employees	0,32	0,52	1,85	2,15	2,25	2,45	2,50	2,60
Other Operating Expenses	0,46	0,54	0,35	0,35	0,35	0,35	0,40	0,40
<b>EBITDA</b>	<b>6,75</b>	<b>11,96</b>	<b>14,00</b>	<b>14,60</b>	<b>15,00</b>	<b>16,60</b>	<b>17,45</b>	<b>18,20</b>
<i>EBITDA Margin</i>	<i>24,8%</i>	<i>46,4%</i>	<i>52,0%</i>	<i>50,0%</i>	<i>36,0%</i>	<i>36,3%</i>	<i>36,5%</i>	<i>37,0%</i>
D&A	0,34	0,60	0,75	0,75	0,80	0,80	0,80	0,80
<b>EBIT</b>	<b>6,41</b>	<b>11,36</b>	<b>13,25</b>	<b>13,85</b>	<b>14,20</b>	<b>15,80</b>	<b>16,65</b>	<b>17,40</b>
<i>EBIT Margin</i>	<i>23,6%</i>	<i>44,1%</i>	<i>49,3%</i>	<i>47,4%</i>	<i>34,1%</i>	<i>34,6%</i>	<i>34,9%</i>	<i>35,4%</i>
Financial Management	(2,14)	(3,26)	(4,25)	(3,40)	(3,25)	(1,75)	(1,15)	(0,05)
<b>EBT</b>	<b>4,27</b>	<b>8,10</b>	<b>9,00</b>	<b>10,45</b>	<b>10,95</b>	<b>14,05</b>	<b>15,50</b>	<b>17,35</b>
Taxes	(0,77)	0,23	1,00	1,15	1,25	1,50	1,60	1,80
<b>Net Income</b>	<b>5,04</b>	<b>7,87</b>	<b>8,00</b>	<b>9,30</b>	<b>9,70</b>	<b>12,55</b>	<b>13,90</b>	<b>15,55</b>

CONSOLIDATED BALANCE SHEET (€/mln)	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E	FY26E	FY27E
<b>Fixed Assets</b>	<b>6,99</b>	<b>7,26</b>	<b>0,85</b>	<b>0,70</b>	<b>0,60</b>	<b>0,50</b>	<b>0,35</b>	<b>0,25</b>
Account receivable	0,78	1,74	2,00	1,05	1,20	1,40	1,60	1,80
Investments	52,47	76,65	89,00	84,50	88,00	104,00	116,00	128,00
Account payable	8,36	11,62	14,00	19,00	16,00	16,50	16,80	17,00
<b>Operating Working Capital</b>	<b>44,88</b>	<b>66,78</b>	<b>77,00</b>	<b>66,55</b>	<b>73,20</b>	<b>88,90</b>	<b>100,80</b>	<b>112,80</b>
Other receivable	5,27	8,47	8,30	6,50	6,30	6,10	5,90	5,75
Other payable	0,15	0,56	5,70	2,80	2,60	2,45	2,35	1,60
<b>Net Working Capital</b>	<b>50,00</b>	<b>74,69</b>	<b>79,60</b>	<b>70,25</b>	<b>76,90</b>	<b>92,55</b>	<b>104,35</b>	<b>116,95</b>
Severance Indemnities & Other Provisions	1,24	1,27	0,30	0,30	0,35	0,40	0,50	0,60
<b>NET INVESTED CAPITAL</b>	<b>55,76</b>	<b>80,68</b>	<b>80,15</b>	<b>70,65</b>	<b>77,15</b>	<b>92,65</b>	<b>104,20</b>	<b>116,60</b>
Share Capital	9,90	9,90	9,90	9,90	9,90	9,90	9,90	9,90
Reserves	17,28	23,18	29,45	36,46	44,66	53,44	64,91	77,06
Net Income	4,75	7,08	8,00	9,30	9,70	12,55	13,90	15,55
<b>Equity</b>	<b>31,92</b>	<b>40,15</b>	<b>47,35</b>	<b>55,65</b>	<b>64,26</b>	<b>75,89</b>	<b>88,71</b>	<b>102,51</b>
<b>Minorities Equity</b>	<b>4,71</b>	<b>13,05</b>	<b>13,05</b>	<b>13,05</b>	<b>13,05</b>	<b>0,00</b>	<b>0,00</b>	<b>0,00</b>
Cash & Cash Equivalent	6,69	12,23	32,70	63,75	53,56	36,24	19,76	22,66
Short Term Financial Debt	10,76	17,44	23,45	36,80	33,40	32,50	35,00	36,50
M/L Term Financial Debt	15,06	22,27	29,00	28,90	20,00	20,50	0,25	0,25
<b>Net Financial Position</b>	<b>19,12</b>	<b>27,48</b>	<b>19,75</b>	<b>1,95</b>	<b>(0,16)</b>	<b>16,76</b>	<b>15,49</b>	<b>14,09</b>
<b>SOURCES</b>	<b>55,76</b>	<b>80,68</b>	<b>80,15</b>	<b>70,65</b>	<b>77,15</b>	<b>92,65</b>	<b>104,20</b>	<b>116,60</b>

CONSOLIDATED CASH FLOW (€/mln)	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E	FY26E	FY27E
EBIT	6,41	11,36	13,25	13,85	14,20	15,80	16,65	17,40
Taxes	(0,77)	0,23	1,00	1,15	1,25	1,50	1,60	1,80
<b>NOPAT</b>	<b>7,18</b>	<b>11,13</b>	<b>12,25</b>	<b>12,70</b>	<b>12,95</b>	<b>14,30</b>	<b>15,05</b>	<b>15,60</b>
D&A	0,34	0,60	0,75	0,75	0,80	0,80	0,80	0,80
Change in receivable	0,38	(0,96)	(0,26)	0,95	(0,15)	(0,20)	(0,20)	(0,20)
Change in Investments	(27,80)	(24,18)	(12,35)	4,50	(3,50)	(16,00)	(12,00)	(12,00)
Change in payable	6,34	3,25	2,38	5,00	(3,00)	0,50	0,30	0,20
Change in others	(5,84)	(2,80)	5,32	(1,10)	0,00	0,05	0,10	(0,60)
<i>Change in NWC</i>	<i>(26,93)</i>	<i>(24,70)</i>	<i>(4,91)</i>	<i>9,35</i>	<i>(6,65)</i>	<i>(15,65)</i>	<i>(11,80)</i>	<i>(12,60)</i>
Change in provisions	0,23	0,03	(0,97)	0,00	0,05	0,05	0,10	0,10
<b>OPERATING CASH FLOW</b>	<b>(19,19)</b>	<b>(12,93)</b>	<b>7,13</b>	<b>22,80</b>	<b>7,15</b>	<b>(0,50)</b>	<b>4,15</b>	<b>3,90</b>
Capex	2,6	(0,9)	5,7	(0,6)	(0,7)	(0,7)	(0,7)	(0,7)
<b>FREE CASH FLOW</b>	<b>(16,60)</b>	<b>(13,80)</b>	<b>12,78</b>	<b>22,20</b>	<b>6,45</b>	<b>(1,20)</b>	<b>3,50</b>	<b>3,20</b>
Financial Management	(2,14)	(3,26)	(4,25)	(3,40)	(3,25)	(1,75)	(1,15)	(0,05)
Change in Debt to Bank	16,37	13,90	12,74	13,25	(12,30)	(0,40)	(17,75)	1,50
Change in Equity	4,26	8,70	(0,80)	(1,00)	(1,10)	(13,97)	(1,08)	(1,75)
<b>FREE CASH FLOW TO EQUITY</b>	<b>1,89</b>	<b>5,54</b>	<b>20,46</b>	<b>31,05</b>	<b>(10,20)</b>	<b>(17,32)</b>	<b>(16,48)</b>	<b>2,90</b>

Source: Integrae SIM

## 5.1 FY21A Results

In the financial statements as of 31 December 2021, the Group generated a consolidated value of production equal to € 25.76 million, compared to the figure for the previous fiscal year, equal to € 27.20 million (-5.3%), including the net realignment effect of real estate investments and the fair value of loans purchased from third parties, due to a different dynamics of the completed possession activities. Borgosesia, in the course of the year, continued the activities historically related to direct investments (as a sole investor), also succeeding in accelerating the activity of co-investment with third parties for the management of assets. Among the revenues, there is an important distinction between real estate sales revenues, accounted for at the time of the transfer of ownership of the asset subject to valuation, and revenues for the provision of services, which include the allocation of disbursements made but not yet invoiced.

During the year, the Group completed new investments for € 22.2 million, relating both to the purchase of single-name mortgage loans, in order to become purchasers of the assets placed as collateral for the same, and to the direct purchase of properties in the context of a special situation, to take care of the valorization process.

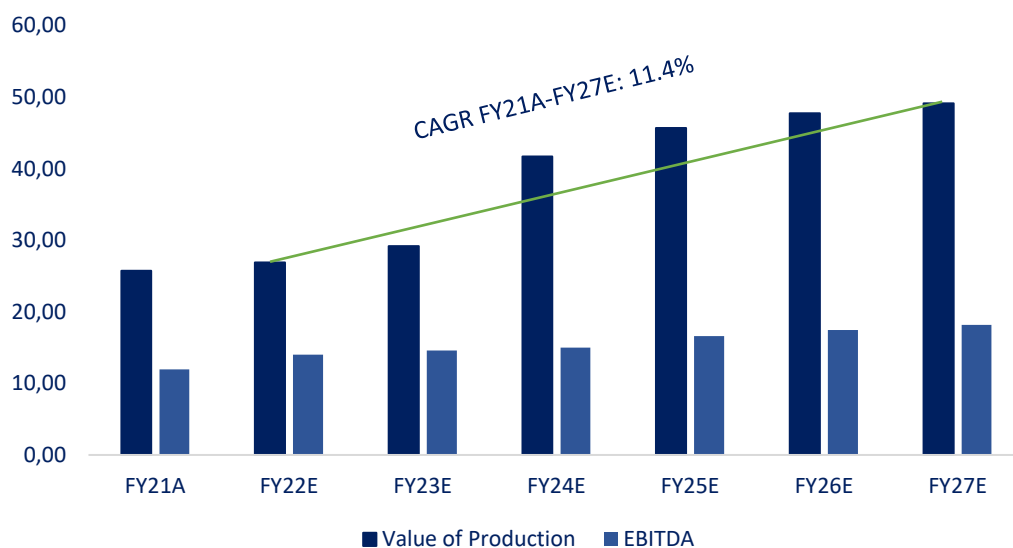
EBITDA amounted to € 11.96 million, an improvement of 76.7% compared to the FY20A figure of € 6.75 million. The growth in EBITDA is also positively reflected in marginality, which rose from 24.8% to 46.4%, mainly due to the sale of some properties and the development of activities with higher marginality, which leads to a significant decrease in the incidence of costs for raw materials (COGS) on the value of production.

EBIT, after amortization and depreciation of € 0.60 million, amounted to € 11.36 million compared to the FY20A value of € 6.41 million, thus registering an increase of 76.6%. Similarly, the EBIT margin is also improving, from 23.6% in FY20A to 43.9% in December 2021. Net Income reached € 7.87 million at the end of 2021 (+56.2% vs FY20A).

At the Balance Sheet level, the NFP went from € 19.12 million in FY20A to € 27.48 million of debt in FY21A, due to the particular type of activity exercised by Borgosesia and its production cycle, that is, the purchase of properties intended for a subsequent valuation process is preceded by the purchase of non-performing loans, secured by a mortgage registered on these, used to pay most of the relative price. In February 2021, a senior unrated bond was issued for a maximum amount of € 20.0 million, collected in several tranches during the fiscal year.

## 5.2 FY22E – FY27E Estimates

**Chart 13 – VoP, EBITDA FY21A – FY27E**



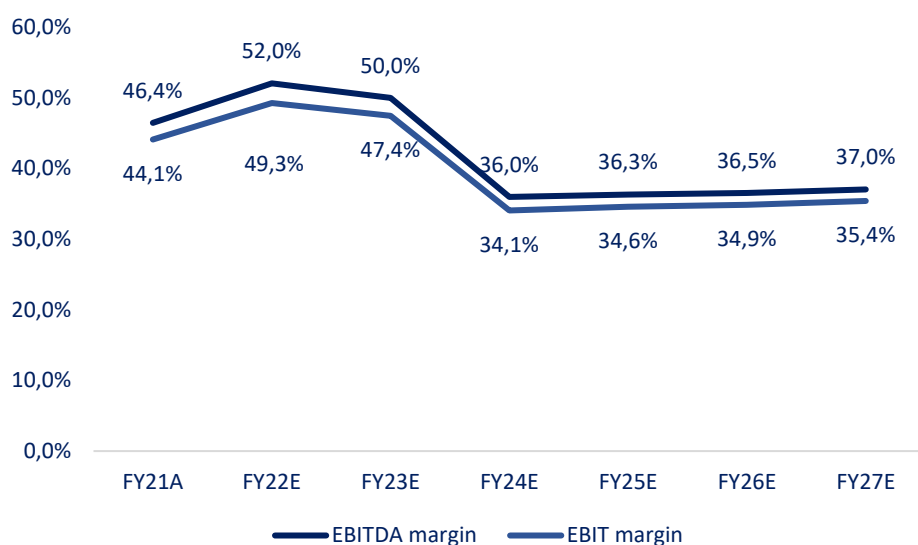
Source: Integrae SIM processing

For the coming years, we expect an increase in the value of production which, according to our estimates, will increase from € 25.76 million in FY21A to € 49.15 million in FY27E (CAGR FY21A - FY27E: 11.4%). The forecasts for the plan years are formulated based on the expectations of the investment opportunities exploited by the Group, in terms of acquisition of impaired financial receivables in order to take over the underlying property or direct acquisition of properties to be valorized. During the years of the plan, growth will be driven mainly by the following drivers:

- Allocation of large sums to be invested in projects of different nature, for a total amount greater than € 100 million;
- Completion of work on projects already started, to be decommissioned in the coming years, and pipeline projects still to be started;
- Continuation of the procedures related to the credits in the extraction phase, including Tenuta di Petriolo, Torrita di Siena (SI), the residential village with wine cellar, and residential development in Castrezzato (BS) in Franciacorta;
- Constant acceleration of the recovery of non-performing loans secured by real estate assets, aimed at valorization.



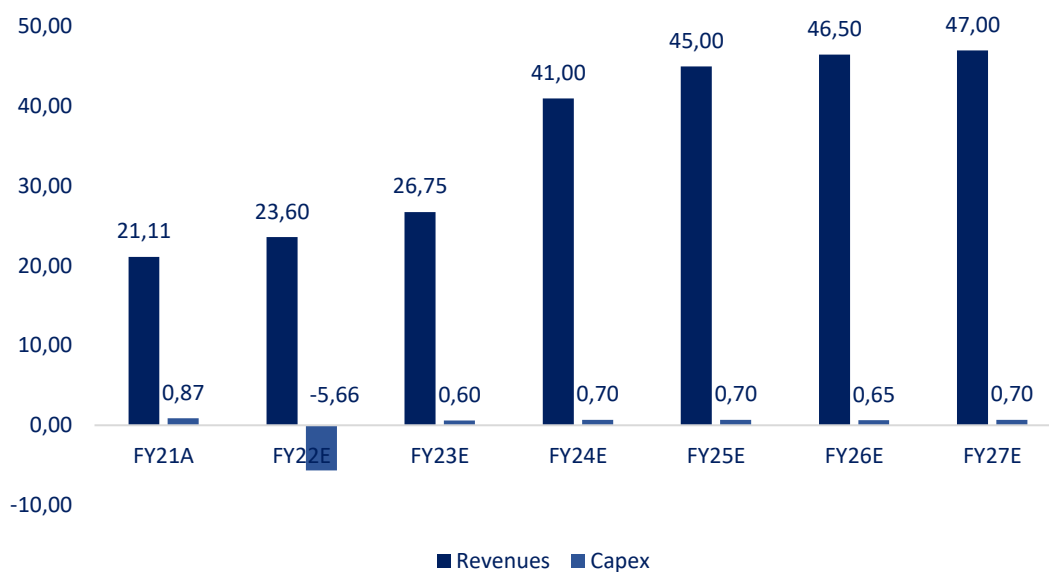
**Chart 14 – EBITDA & EBIT margin FY21A – FY27E**



Source: Integrae SIM processing

We expect an increase in EBITDA which, according to our estimates, will go from € 11.96 million in FY21A to € 18.20 million in FY27E, for an EBITDA margin that goes from 46.3% to 36.8% expected for FY27E. The evolution of marginality is closely linked to the type of investments implemented by the Company and the type of interventions carried out on the property to be valorized; in the first years of the plan, there is a peak mainly due to the development of new initiatives that allow a higher marginality on the value of production and the disposal of some assets related to previous investments, while starting from FY24E, with the start of new projects, a stable marginality is expected for the future years of the plan. Among the different types of investment, in fact, the distinction between greenfield, brownfield, and collection assets is recalled. In the first case, it invests in buildings not yet started, therefore to be created from scratch; a low initial investment is followed by large investments in subsequent periods and a fairly long average project duration (about 3 years). On the contrary, brownfield assets concern already started constructions that require valorization interventions, therefore with the high initial investment and low direct costs, with a generally shorter duration of the works. These two types prevail in terms of margins compared to the collection activity, which concerns the purchase and sale of non-performing exposures, and are the types on which the Group is concentrating its investments to improve margins.

**Chart 15 – Revenues, Capex FY21A – FY27E**



Source: Integrae SIM processing

We expect Borgosesia to continue with its investment plan aimed at valorization of the value of the properties purchased and the purchase and sale of non-performing exposures. The investments in terms of Capex in this case mainly concern structural and maintenance costs of less than € 1.00 million per year.

**Chart 16 – NFP FY21A – FY27E**



Source: Integrae SIM processing

We believe that the Company can improve its NFP in the years following FY21A, mainly based on the trend of the repayment plans of the financial debt and the cash flows generated by the increase in managed projects and marginality. In particular, we estimate that the NFP can reach a value in FY27E equal to € 14.09 million.

The underlying trend of the net financial position is partially justified by the nature of the business, which requires, for the purchase and valorization of the properties, a strong initial investment financed with debt followed by periodic expenses for the performance of the works on site. The sharp decline in the two-year period FY23E – FY24E is attributable to the forecast of disposal of almost all of the current inventories, which also translates into the realization of the fair values attached to it, as it is estimated that all the work on projects already started will be completed.

## 6. Valuation

We have conducted the valuation of Borgosesia equity value based on the DCF methodology and market multiples of a comparable companies sample.

### 6.1. DCF Method

**Table 3 – WACC**

WACC		6,50%
Risk Free Rate	2,47% $\alpha$ (specific risk)	2,50%
Market Premium	6,42% Beta Adjusted	0,7
D/E (average)	100,00% Beta Relevered	1,3
Ke	9,75% Kd	4,50%

Source: Integrae SIM

In particular:

- The Risk-Free Rate represented by Rendistato of June 2022 with maturity between 3 years and 7 months and 4 years and 6 months;
- The Market Premium coincides with the premium for the Italian market risk calculated by Professor A. Damodaran;
- D/E was calculated based on estimates made by Integrae SIM;
- Ke was calculated using CAPM;
- The Alfa, i.e., specific additional risk, is typical of equity investments in companies characterized by small-scale operations. As we are dealing with small sizes, the small cap risk premium applied was equal to 2.5%, the average value of those suggested by the main studies carried out in this field (Massari Zanetti, 'Valutazione Finanziaria' (Financial Valuation'), McGraw-Hill, 2004, page 145, A. Damodaran, Cost of Equity and Small Cap Premium in Investment Valuation, Tools and Techniques for Determining the Value of Any Assets, III edition 2012, Guatri Bini, 'Nuovo Trattato sulla Valutazione delle Aziende' (New Insights on Corporate Valuation), 2009, page 236);
- The Beta was calculated based on competitors' 5-year unlevered Beta;
- Kd coincides with the Company's current debt cost.

These figures result in a WACC equal to 6.50%.

**Table 4 – DCF Valuation**

<b>DCF Equity Value</b>		<b>63,8</b>
FCFO actualized	28,0	31%
TV actualized DCF	63,3	69%
<b>Enterprise Value</b>	<b>91,3</b>	100%
NFP (FY21A)	27,5	

Source: Integrae SIM

With the above data and taking as a reference our estimates and assumptions, the result is an **equity value of € 63.8 million.**

**Table 5 – Equity Value – Sensitivity Analysis**

€/mln		WACC						
		5,0%	5,5%	6,0%	6,5%	7,0%	7,5%	8,0%
<b>Growth Rate (g)</b>	<b>2,5%</b>	151,3	122,9	102,7	87,5	75,8	66,4	58,8
	<b>2,0%</b>	126,2	105,5	89,9	77,9	68,3	60,4	53,9
	<b>1,5%</b>	108,3	92,4	80,0	70,1	62,1	55,4	49,8
	<b>1,0%</b>	94,9	82,2	72,1	63,8	56,9	51,2	46,2
	<b>0,5%</b>	84,4	74,0	65,6	58,5	52,6	47,5	43,1
	<b>0,0%</b>	76,1	67,4	60,1	54,1	48,9	44,4	40,5
	<b>-0,5%</b>	69,2	61,8	55,6	50,2	45,6	41,6	38,1

Source: Integrae SIM

## 6.2. Market Multiples

### 6.2.1. Composition of the Panel

- **Hoist Finance AB**

Hoist Finance AB is a credit market company, engaged in loan acquisition and management operations in Europe. The company purchases performing and non-performing loans from its partners, international banks, and financial institutions. It also provides current accounts and fixed-term deposits. The company, formerly known as Hoist International AB, changed its name to Hoist Finance AB in January 2015. Hoist Finance AB was founded in 1994 and is based in Stockholm, Sweden.

- **doValue SpA**

doValue SpA mainly manages impaired loans for banks, investors, private individuals, and public and private financial institutions in Spain, Portugal, Greece, Cyprus, and Italy. The company's services include debt collection, rent management, due diligence, structuring, and co-investment. It also provides ancillary products, including the collection, processing, and provision of commercial, real estate, and legal information relating to debtors, as well as the provision of legal services and real estate services. The company was previously known as doBank SpA and changed its name to doValue SpA in June 2019. The company was founded in 2015 and is based in Verona, Italy.

- **Intrum AB**

Intrum AB, together with its subsidiaries, provides financial and credit management services in Europe and internationally. The company offers credit optimization services, including credit monitoring, credit decision, factoring, and credit information and debt recovery services. It also provides payment services, payment guarantees, and VAT services. Secondly, it offers credit management services, payment solutions, collection services, monitoring of deadlines, reminders, and collection services. Intrum AB (publ) was founded in 1923 and is based in Stockholm, Sweden.

- **DeA Capital S.p.A.**

DeA Capital SpA is the private equity division of De Agostini SpA specializing in direct investments, venture capital funds, investments in fund funds, and co-investments. The company invests in acquisitions in companies and, in the context of direct investments, seeks to invest in private companies operating in the service sector. It also invests in listed companies if it provides for delisting. The company prefers to invest in the industry, retail, information and communication technologies, financial services, real estate, life sciences, media, entertainment, and healthcare. In the field of information and communication technologies, it focuses on next-generation communications and Internet services and applications. The company aims to invest worldwide mainly in companies based in Europe with a focus on emerging Europe. It typically invests between \$ 67 million and \$ 268.02 million in its portfolio companies. It prefers to take a position on the board of directors of the companies in its portfolio and also participates in the subsequent financing rounds. The company generally invests with personal capital. DeA Capital SpA was founded in 2007 and is based in Milan, Italy.

- **Abitare In SpA**

Abitare In SpA carries out real estate development activities. The company develops, builds, and markets residential buildings and apartments in Milan. Abitare In SpA is based in Milan, Italy.

- **Tikehau Capital SCA**

Tikehau Capital is a private equity and venture capital company specializing in providing a full range of financial products including senior secured loans, stocks, senior debt, unitranche, mezzanines, and preferred shares. The company seeks to make early-stage investments, mezzanines, and turnarounds and to manage long-term capital for institutional and private investors in various asset classes including credit, listed, private equity, and real estate. It invests in all sectors and all countries with a focus on Singapore. The company seeks to invest in small and medium-sized European companies. Tikehau Capital was founded in June 2004 and is headquartered in Paris, France, with additional offices in Europe, North America, and Asia.

**Table 6 – Comparables (data in € mln)**

FY21A	Country	Holst Finance AB	doValue SpA*	Intrum AB	DeA Capital S.p.A.	Abitare In SpA	Tikehau Capital SCA	Peer Median	Borgosesia
	Sweden	242.7	445.7	2,271.1	283.3	157.1	3,478.7	364.5	Italy
	Italy	2,703.8	949.3	7,099.3	159.3	75,725.1	3,533.1	3,118.5	3.4
	EV								60.1
<b>Profitability</b>									
	Sales	250.9	419.3	1,721.6	74.6	50,436.0	386.9	403.1	21.1
	EBITDA	23.0	82.3	789.8	42.5	18,299.7	476.2	279.2	12.0
	EBIT	10.5	18.6	644.6	37.2	17,340.2	468.5	252.9	11.4
	Net Profit	-11.3	-21.9	302.6	23.8	12,191.8	318.7	163.2	7.9
	EBITDA Margin	9.2%	19.6%	45.9%	57.0%	36.3%	123.1%	41.1%	56.7%
	EBIT Margin	4.2%	4.4%	37.4%	49.9%	34.4%	121.1%	35.9%	53.8%
	Net Profit Margin	-4.5%	-5.2%	17.6%	31.9%	24.2%	82.4%	20.9%	37.5%
<b>Capital Structure</b>									
	NFP	2,461.1	503.6	4,828.2	-124.0	75,568.0	54.5	1,482.4	27.5
	Equity	198.5	164.4	33.9	446.1	72,836.5	3,048.4	322.3	40.2
	NFP/Equity	12.4x	3.1x	142.5x	N/A	1.0x	0.0x	3.1x	0.7x
	NFP/EBITDA	106.9x	6.1x	6.1x	N/A	4.1x	0.1x	6.1x	2.3x

Source: InFinancials

\*2020 data

### 6.3. Multiples Method

**Table 7 – Market Multiples**

Company Name	EV/EBITDA (x)			EV/EBIT (x)			P/E (x)		
	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E
<b>Hoist Finance AB</b>	N/A	N/A	N/A	N/A	N/A	N/A	6,5	5,8	3,9
<b>doBank SpA</b>	5,0	4,6	4,2	10,6	8,0	6,8	12,7	7,9	6,1
<b>Intrum AB</b>	5,7	5,2	4,9	11,0	9,9	8,8	7,2	6,1	5,4
<b>DeA Capital S.p.A.</b>	N/A	N/A	N/A	N/A	N/A	N/A	29,2	29,6	N/A
<b>Abitare In SpA</b>	N/M	N/M	N/M	N/M	N/M	N/M	8,7	4,5	4,3
<b>Tikehau Capital SCA</b>	9,9	8,6	7,1	10,1	8,2	7,1	14,1	11,0	9,4
<b>Peer median</b>	<b>5,7</b>	<b>5,2</b>	<b>4,9</b>	<b>10,6</b>	<b>8,2</b>	<b>7,1</b>	<b>12,7</b>	<b>7,9</b>	<b>5,7</b>

Source: Infiniti

**Table 8 – Market Multiples Valuation**

€/mln	2022E	2023E	2024E
<b>Enterprise Value (EV)</b>			
EV/EBITDA	79,2	75,8	75,0
EV/EBIT	140,8	113,4	103,4
P/E			
<b>Equity Value</b>			
EV/EBITDA	58,3	75,3	74,5
EV/EBIT	119,9	113,0	103,0
P/E	100,8	73,5	57,8
<b>Equity Value post 25% discount</b>			
EV/EBITDA	43,8	56,5	55,9
EV/EBIT	89,9	84,7	77,3
P/E	75,6	55,1	43,3
<b>Average</b>	<b>69,8</b>	<b>65,4</b>	<b>58,8</b>

Source: Integræ SIM processing

The equity value of Borgosesia, using the average between the market multiples EV/EBITDA, EV/EBIT and P/E of the illustrated Panel, is equal to approximately € 86.20 million. To this value, we have applied a discount of 25% in order to include in the price also the smaller liquidity that presumably will characterize the security in comparison with the comparables: **as a result, the equity value is € 64.70 million.**



## 7. Equity Value

**Table 9 – Equity Value**

<b>Average Equity Value (€/mln)</b>	<b>64,2</b>
Equity Value DCF (€/mln)	63,8
Equity Value multiples (€/mln)	64,7
<hr/>	
<b>Target Price (€)</b>	<b>1,35</b>

Source: Integrae SIM

The result is an average equity value of approx. € 64.2 million. **The target price is € 1,35, rating and risk.**

**Table 10 – Implied Sensitivity Analysis**

Equity Value (€/mln)	EV/EBITDA			EV/EBIT			P/E		
	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E
61,2	6,3x	6,1x	5,8x	6,7x	6,4x	6,1x	7,7x	6,6x	6,3x
62,2	6,4x	6,1x	5,9x	6,8x	6,5x	6,2x	7,8x	6,7x	6,4x
63,2	6,5x	6,2x	5,9x	6,8x	6,6x	6,2x	7,9x	6,8x	6,5x
64,2	6,5x	6,3x	6,0x	6,9x	6,6x	6,3x	8,0x	6,9x	6,6x
65,2	6,6x	6,3x	6,0x	7,0x	6,7x	6,4x	8,2x	7,0x	6,7x
66,2	6,7x	6,4x	6,1x	7,1x	6,8x	6,4x	8,3x	7,1x	6,8x
67,2	6,8x	6,5x	6,2x	7,2x	6,8x	6,5x	8,4x	7,2x	6,9x

Source: Integrae SIM

**Table 11 – Target Price Implied Valuation Multiples**

Multiples	FY22E	FY23E	FY24E
EV/EBITDA	6,5x	6,3x	6,0x
EV/EBIT	6,9x	6,6x	6,3x
P/E	8,0x	6,9x	6,6x

Source: Integrae SIM

**Table 12 – Current Price Implied Valuation Multiples**

Multiples	FY22E	FY23E	FY24E
EV/EBITDA	4,2x	4,0x	3,9x
EV/EBIT	4,4x	4,2x	4,1x
P/E	3,9x	3,3x	3,2x

Source: Integrae SIM

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

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