

## For a Good Catch Get a RedFish

ADD | Fair Value: €2.26 | Current Price: €1.51 | Upside: 50%

## Initiation of Coverage

July 11, 2023 – 7.00 h

€ Million	FY20A	FY21A	FY22A	FY22PF
Total Revenues	5	33	80	20,344
Net Profit	(44)	315	7,055	7,196
<i>margin</i>	<i>n.m.</i>	<i>n.m.</i>	<i>n.m.</i>	35.4%
Shareholding equity	6,126	16,708	23,787	23,809
NFP	137	(4,351)	(9,198)	6,387

Source: Company data

**Overview.** RedFish LongTerm Capital S.p.A (RFLTC) is an industrial holding company mainly specialized in investments in Italian family-run SMEs with promising growth plans and great cash generation. To complete RFLTC's business, capital injections are combined with advisory agreements to provide monitoring activities and support in extraordinary financial transactions (e.g. M&A, capital raising, IPO etc.), internationalization and hiring of new managers. The company was founded in 2020 by a team led by Paolo Pescetto and Andrea Rossotti and boasts an experienced management team with consolidated relationships and track record in the investment and financial field. The company aims to close two or three €10mn club deals per year with an expected investment by RFLTC of ca. €3mn per deal. RFLTC has a rating by Modefinance of Investment Grade A3-.

**A well-diversified and low-risk profile portfolio.** As of today, RFLTC has raised ca. €20mn of equity, ca. €3mn of convertible bonds (converted at the IPO) and €8.8 of debt and cumulated net profits of about €9mn. RFLTC has invested €30.8mn in seven companies, creating a well-diversified and low-risk profile asset portfolio (FY22 aggregated value of production and EBITDA of the current holdings is €192mn and ca. €22mn, respectively):

- Convergenze S.p.A., Utilities sector with a focus on fiber and connectivity (12.5% acquired in 2020 for €1.1mn);
- MaticMind S.p.A., Technology sector with a focus on Cloud and Cybersecurity (4.2% acquired in 2020 for €5.1mn; sold during 2022);
- Tesi S.r.l., Aerospace sector (20% acquired in 2021 for €5.1mn, plus earn-out);
- Solid World Group S.p.A., Technology company with a focus on 3D printing software and hardware (6.13% acquired in 2022 by converting a bond in IPO for €1.05mn);
- Pistacchio S.p.A., Food&Beverage industry with a focus on pistachio products (20% acquired in 2022 for €1mn plus earn-out; sold during 2022);
- Expo Inox S.p.A., production of steel chimneys (20% acquired in 2022 for €6mn);
- Movinter S.r.l., active in the supplying of components for high-speed trains (100% acquired in 2023 for €11.5mn. We note that, after the closing, a 4% was sold to IC8 S.r.l.).

Investments were carried out by acquiring a majority stake – also through club deals – or qualified minorities with an average ticket of €4.4mn and an average EV/EBITDA of ca. 5.6x.

**Market overview.** RFLTC focus is the Italian SMEs market that, at the end of 2022, according to Cerved, reached ca. 157,000 non-financial enterprises (excluding micro-enterprises, less than 10 employees or less than €2mn revenues), totaling €1bn+ revenues and ca. €270mn of value-added. The Italian SMEs are increasingly interacting with equity investors to support their growth path and digital transformation and to reinforce their management team. This has also been proved by the deleveraging trend recorded in the last decade, from 115% in 2008 to 60% in 2021.

**IPO.** On June 30<sup>th</sup>, 2023 RFLTC went listed raising ca. €4mn (excluding greenshoe) at a stock price of €1.50ps, resulting in a market cap at IPO of €28.7mn and a free float of 27%. The market cap also includes the conversion of the €3mn convertible bond, issued in June 2022 and converted at the listing price. The main IPO rationale is to boost investment opportunities and allow RFLTC's shareholders to eventually liquidate their investment on the market in the long run.

**Valuation.** Our valuation based on a sum-of-the-parts model, i.e. the sum of the value of the stakes held in the subsidiaries, returns a fair value of €2.26ps (€43.3mn equity value).

Ufficio Studi  
+39.02.83424008

Mauro IACCINO  
[miaccino@ktepartners.com](mailto:miaccino@ktepartners.com)

Federica FIORENZA  
[ffiorenza@ktepartners.com](mailto:ffiorenza@ktepartners.com)

## Market Data

Main Shareholders	
MAIOR S.r.l.	15.7%
Banca Valsabbina	9.1%
OMR Holding S.p.A.	6.3%
Mkt Cap (€ mn)	28.3
EV (€ mn)	28.4
Shares out.	19.1
Free Float	27.0%

## Stock Data

52 Wk High (€)	1.60
52 Wk Low (€)	1.46
Avg. Daily Trading 90d	134,333
Price Change 1w (%)	n.a.
Price Change 1m (%)	n.a.
Price Change YTD (%)	n.a.

KT&PARTNERS PREPARED THIS DOCUMENT PURSUANT TO AN ENGAGEMENT LETTER ENTERED INTO WITH MIT SIM S.P.A. ACTING AS SPECIALIST IN ACCORDANCE WITH ART. 35 OF EURONEXT GROWTH MILAN MARKET RULES FOR COMPANIES.

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## Investment Case

**Experienced Management Team.** RedFish Long Term Capital (RFLTC) was founded by an experienced team of professionals led by Paolo Pescetto. The company's key management – Paolo Pescetto (Chairman), Andrea Rossotti (CEO), Simone Lo Giudice and Lorenza Castelli (Investment Managers) and Joanna Gualano (Legal Director) – boasts a solid track record in the investment and financial field such as Private Equity, M&A, Portfolio Management, Strategic Consulting, etc. Leveraging on the highly professional capabilities of its management and its wide network, which also participates in investments through “club deals”, RFLTC supports enterprises to enhance their profitability, improve their capital management and develop growth opportunities.

**Broad Italian SME market with growing attention to financial market.** RFLTC enjoys countless investment opportunities, as the Italian market is mainly composed of small and medium enterprises (SMEs). Indeed, as of the end of 2022, according to Cerved, there were ca. 157,000 non-financial Italian SMEs, which totaled over €1bn of revenues. Furthermore, in the past few years, entrepreneurs have shown a higher inclination towards financial markets as proven by: i) the deleveraging trend of the last decade (from 115% of 2008 to 60% of 2021); and ii) the signal of recovery of 2022 Euronext Growth Market – the Italian stock exchange segment dedicated to SMEs – in terms of listings (8 IPOs in 4M23 vs 4 IPOs in 4M22), after a 2022 impacted by macroeconomic uncertainties (26 listings) and after the 2021 record levels in terms of both numbers of listings (45 listings vs the 2019 record of 30 IPOs) and capital raised (€458mn vs 2017 record of €175mn).

**RFLTC's distinctive positioning.** RFLTC is characterized by a long-term holding period approach (no drag-along or pre-determined exit terms), supporting the subsidiary as a solid partner along its growth path. Indeed, RFLTC's core business is to support its subsidiaries in their growth strategies, combining capital injections with the offer of advisory services. Thanks to its experienced team and wide network, the company offers: i) performance audit services; ii) advisory services related to extraordinary operation with a focus on M&A strategy and execution; iii) support in optimizing the company's financial profile; and iv) advisory services for the managerialization of the subsidiary, also supporting the hiring of managers.

**IPO rationale.** On June 30<sup>th</sup>, 2023, RFLTC went listed raising ca. €4mn (excluding greenshoe) at a stock price of €1.50ps, resulting in a market cap at IPO of €28.7mn and a free float of 27%. The market cap also includes the conversion of the €3mn convertible bond, issued in June 2022 and converted at the listing price. Along with the issue of new shares, the listing envisages the issuing of ca. 4.9mn warrants (1:2 conversion rate and a strike price of €1.65, €1.82, €2.00 for each exercise windows of 2023, 2024 and 2025 respectively) assigned to IPO and convertible bond investors. Having a long-term investment approach, the main rationale of the IPO is to support company growth and give the opportunity to RFLTC's shareholders to eventually liquidate their investments on the market. Thanks to the capital raised since the launch of the holding, RFLTC aims at participating in two or three €10mn club deals per year in **companies with an EBITDA > €2mn**, with an expected investment by RFLTC of ca. €3mn per deal. Furthermore, the IPO's proceeds will be also used in the set-up of a SICAF in a joint venture with Banca Profilo with the aim of investing in **medium companies with an EBITDA > €5mn**. We note that promoters have a commitment of €16-20mn of which €10mn from RFLTC (€5mn expected to be directly injected by RFLTC and €5mn expected to be raised from RFLTC network).

**Statement of risk.** RFLTC is subject to the risk associated with the financial performances of the participating companies. However, the holding enjoys a well-diversified investment portfolio with participation in different industries and is planning to expand its portfolio by investing in two or three additional companies each year. Furthermore, the holding is subject to the risk of fluctuations in terms of the holdings' performances, which may affect RFLTC's value. However, thanks to its long-term investment strategy, RFLTC may be less subject to market cyclicality.

## Company Overview

### RedFish LongTerm Capital S.p.A.

RedFish LongTerm Capital (RFLTC) is an industrial holding company specialized in acquiring stakes in Italian small and medium enterprises (SMEs) run by families which intend to make the company grow, generating an EBITDA over €2mn with an incidence on revenue above 10%. RFLTC acquires majorities stake – also through club deals – and qualified minorities with strong governance agreements, with a long-term holding period approach.

RFLTC mainly enters the capital of companies that are leaders in their market niches, with promising growth plans and great cash generation. RFLTC adopts an active investment approach, teaming up with entrepreneurs and top management with the purpose of speeding up companies' growth and improving shareholders' returns. Indeed, RFLTC offers the participating companies different services such as finance advisory to managers, performance audit and management control, and advisory services related to M&A strategy and transactions.

Founded in 2020 by a management team led by Paolo Pescetto (Chairman) and supported by Andrea Rossotti (CEO) and Simone Lo Giudice (Investment Manager), the holding has already raised ca. €32mn: i) €20mn of equity, including IPO capital raise, (we note that for its capital raise, RFLTC usually operates with the crowdfunding platform Opstart to reach a wider investors pool, while giving them the opportunity to invest through a recognized and certified platform); ii) ca. €3mn of convertible bonds issued in June 2022 – subscribed by retail investors – with an interest rate equal to 6% per annum that has been converted at the listing price; and iii) €8.8mn of debt financing.

Since its foundation, RFLTC has invested €30.6mn (€30.8mn including transaction costs), both through direct investments and club deals, acquiring stakes in seven companies (the average investment ticket was ca. €4.4mn), active in different sectors:

- **Current holdings:** Convergenze S.p.A., Tesi S.r.l., Solid World Group S.p.A., Expo Inox S.r.l. and Movinter S.r.l..
- **Divested holdings:** MaticMind S.p.A. - sold in October 2022 following the Tag Along clause - and Pistacchio S.p.A. – sold in December 2022 to optimize IPO's perimeter.

#### Holdings Portfolio

Status	Company Name	Sector	Investment Date	Investment (€mn)*	Stake	FY22 Turnover (€mn)	FY22 EBITDA (€mn)	EV/EBITDA acquisition multiple	Divestment Date	Divestment Value (€mn)
Subsidiary	Convergenze	Utilities	Iug-20	1.1	12.5%	28.4	1.4	5.8x	n.a.	n.a.
Exit	Maticmind	Technology	ott-20	5.1	4.2%	-	-	3.4x	ott-22	12.0
Subsidiary	Tesi	Aerospace	ott-21	5.0	20.0%	15.6	4.1	6.8x	n.a.	n.a.
Subsidiary	Solid World	Technology	dic-21	1.0	6.1%	57.7	4.0	8.3x	n.a.	n.a.
Exit	Pistacchio	Food&Beverage	feb-22	1.0	20.0%	-	-	5.3x	dic-22	1.1
Subsidiary	Expo Inox	Stainless Steel Chimneys	nov-22	6.0	20.0%	67.2	8.8	5.0x	n.a.	n.a.
Subsidiary	Movinter	Railroad Equipment	apr-23	11.5	96.0%	22.8	3.3	4.7x	n.a.	n.a.
	<b>Total</b>			<b>30.6</b>	<b>n.m.</b>	<b>191.6</b>	<b>21.7</b>	<b>n.m.</b>		<b>13.1</b>
	<b>Average</b>			<b>4.4</b>	<b>26%</b>	<b>31.9</b>	<b>3.6</b>	<b>5.6x</b>		<b>6.6</b>

Source: Company data.

Note: FY22 turnover and EBITDA are reported only for the current holdings.

We note that after the acquisition of a 100% stake in Movinter for €11.5mn, RFLTC sold a 4% stake to a financial partner (IC8 S.r.l.)

At the end of 2022, according to the company, the RFLTC group reported a shareholder equity of €23.9mn and a net income of €7.2mn on a pro-forma basis., i.e. considering the full year contribution of Movinter, whereas the value of holdings – as reported by RFLTC's management – was equal to €35.8mn (before Movinter acquisition). RFLTC, thanks to its lean cost structure and a variable remuneration system for its managers, has the aim of generating positive net profit for each year.

### A Well-Diversified and Low-Risk Profile Portfolio

As of May 22<sup>nd</sup>, 2023, RFLTC holds a portfolio of five companies active in different sectors, thus lowering the risk profile: Convergenze (Utilities), Tesi (Aerospace), Solid World (Technology), Expo Inox (Stainless Steel Chimneys) and Movinter (Railroad Equipment).

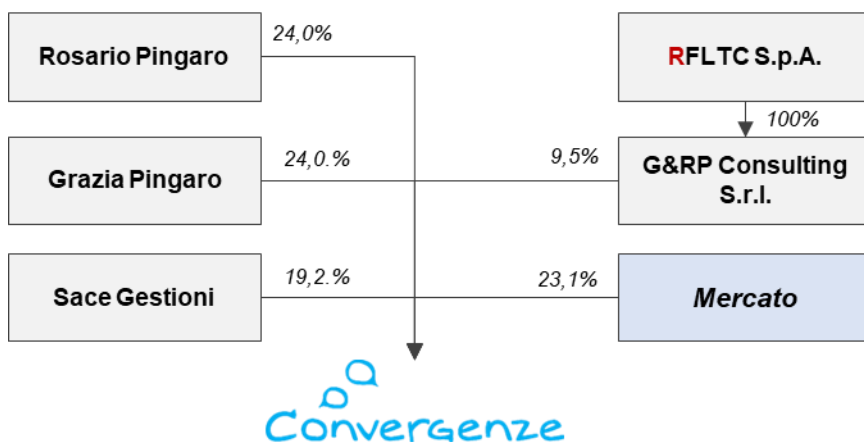
#### Convergenze S.p.A. (€1.1mn investment, 12.5% stake)

On July 27<sup>th</sup>, 2020, RFLTC acquired a 12.5% stake in Convergenze through the vehicle G&RP Consulting, for a total deal consideration of €1.1mn (or at FY19 EV/EBITDA 5.8x) by also acquiring the right to appoint a member of the Board of Directors and the Board of Auditors.

Furthermore, RFLTC signed with Convergenze an advisory contract of ca. €30k per year to support the company in their extraordinary financial operations (i.e. M&A, financing etc.) such as for the acquisition of a 100% stake in Positivo S.r.l. in June 2022.

At the end of December 2020, Convergenze listed on the EGM market with a market capitalization of €12mn (excluding price adjustment shares) and a fundraising of ca. €3mn. RFLTC is subject to a lock-up until the end of 2023. Since the IPO, Convergenze has recorded a +7% performance.

#### Convergenze: Shareholders



Source: Company data

#### Convergenze: Performance since the first trading day



Source: FactSet

Convergenze S.p.A. is a multi-utility company based in Capaccio Paestum (SA), active since 2005 in the TLC or Telecommunications market, and since 2015 it has engaged in the supply of energy and natural gas.

Through its TLC business unit (34% of FY22 total VoP), Convergenze provides wireless connectivity, fixed telephony, cloud services, and customized ancillary services. As of today, the company boasts a 2,282km FTTH fiber optic network (authorized since 2014) and over 100 radio bridges for the Internet.

The Energy and Natural Gas unit (66% of FY22 total VoP) focuses on the supply of electricity from renewable sources and in methanization processes for the supply of natural gas to residences and businesses under the ConGas brand.

In FY22, the company recorded €28.4mn of VoP (+18.4% CAGR17–22 and +50.3% YoY), mainly driven by the growth recorded by the Energy and Natural Gas business unit (+97% YoY to €18.8mn). FY22 EBITDA margin adjusted came to 5.1%, down by 4.6pp YoY mainly due to the price shock of natural gas and the cost of electricity and a higher incidence of personnel costs.

#### Convergenze: 2020–22 Financials

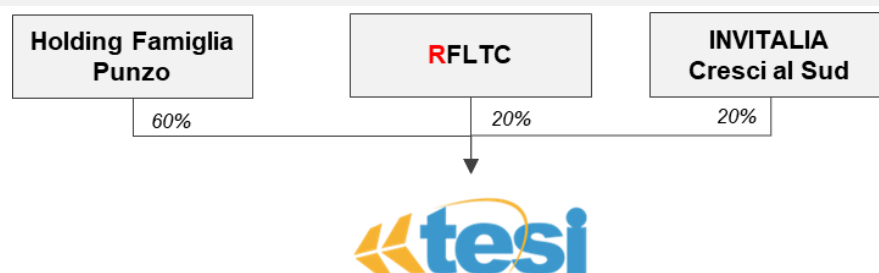
€ million	FY20	FY21	FY22
Turnover	16.4	18.9	28.4
EBITDA adj	2.3	1.8	1.4
<i>EBITDA margin adj</i>	<i>14.0%</i>	<i>9.7%</i>	<i>5.1%</i>
NFP	(0.1)	2.3	6.1

Source: Company data

#### Tesi S.r.l. (€5.0mn investment,<sup>1</sup> 20% stake)

On October 13<sup>th</sup>, 2021, RFLTC co-invested with Invitalia Fondo Cresci al Sud, acquiring a 20% stake in Tesi for a total consideration of €5.0mn (€5.1mn including transaction costs) or at 6.8x FY21 EV/EBITDA. In 2022, RFLTC also paid a €400k earn-out based on FY21 results and further earn-outs will be paid until the 2024 results to a maximum of €3mn. RFLTC has received the right to appoint a member of the Board of Directors and the Board of Auditors of Tesi.

#### Tesi S.r.l.: Shareholders



Source: Company data

Based in Salerno, Tesi S.r.l. is a leading Italian company acting as a Tier-2 mechanical manufacturer (source: RFLTC's company information) in the aerospace sector (civil, space and defense).

The company has POA and DOA certifications also thanks to a very highly qualified advanced engineering division. In the coming years, the company may leverage its strong cash-generation ability to make acquisitions and consolidate its positioning.

After two years negatively impacted by the slowdown in the civil sector due to Covid-19, in FY22 recorded a +6.1 YoY growth reaching €15.6mn of Value of Production and an EBITDA margin 26.3%.

#### Tesi S.r.l.: 2020–22 Financials

€ million	FY20	FY21	FY22
Turnover	22.5	14.7	15.6
EBITDA	4.7	4.0	4.1
<i>EBITDA margin</i>	<i>20.9%</i>	<i>27.2%</i>	<i>26.3%</i>
NFP	(4.3)	(2.2)	2.1

Source: Company data

<sup>1</sup> The investment amount does not include transaction costs

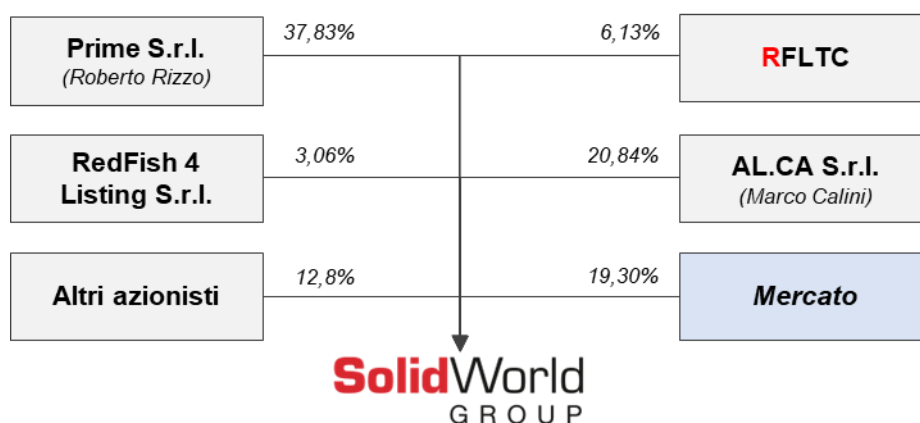
RFLTC also signed and an advisory agreement of €15k per semester to support Tesi in: i) scouting for and acquiring companies with a complementary offer (aerospace equipment, composite materials, helicopter manufacturing, railway and military components); and ii) implementing a management control system.

#### Solid World S.p.A. (€1mn investment, 6.13% stake)

On December 27<sup>th</sup>, 2021, RFLTC invested €1.05mn (acting as lead investor) in a convertible bond issued by Solid World, also obtaining the right to appoint a member of the Board of Directors and the Board of Auditors.

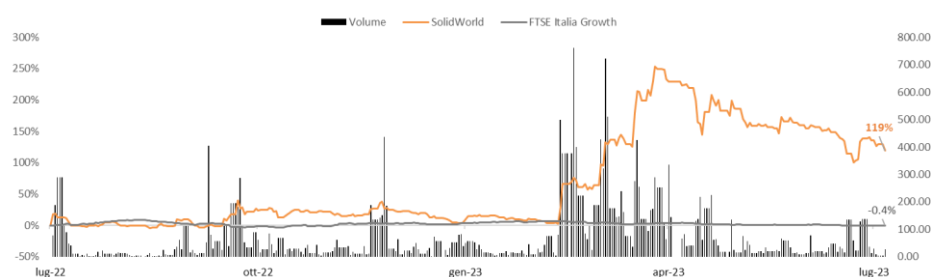
The company listed on the EGM market in July 2022. Following the IPO and the conversion of the convertible bond, RedFish holds a 6.13% stake in Solid World.

#### Solid World S.p.A.: Sharholders



Source: Company data

#### Solid World: Performance since the first trading day



Source: FactSet

Solid World is one of the main 3D digital system integrators supporting enterprises in developing and manufacturing products incorporating 3D technologies. It provides an integrated offer that includes software, hardware and services.

Solid World provides its solutions to different end-markets including automotive, aerospace, mechatronic, sport system, home design and luxury. More recently, thanks to the new division (BIO3MODEL), Solid World also offers its solution to hospitals, clinics and nursing homes.

#### Solid World S.p.A.: 2020-22 Financials

€ million	FY20	FY21	FY22
Revenues	48.6	55.1	57.7
EBITDA	2.5	3.8	4.0
<i>EBITDA margin</i>	<i>5.1%</i>	<i>6.9%</i>	<i>7.0%</i>
NFP	11.4	15.3	12.3

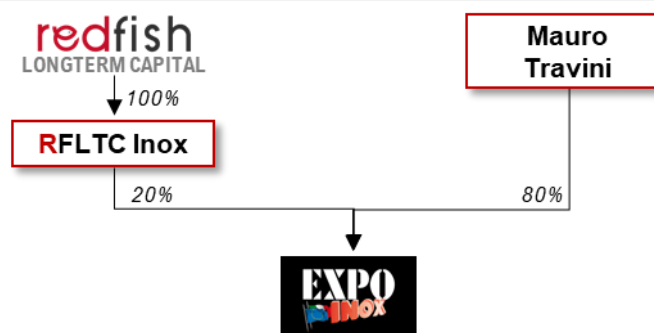
Source: Company data

In September 2022, RFLTC signed an agreement with Solid World for €30k to support the company in: i) scouting for companies to be acquired in order to complete its offer and expand its market share; and ii) raising capital (debt or equity).

**Expo Inox S.p.A. (€6mn investment, 20% stake)**

On November 15<sup>th</sup>, 2022, RFLTC acquired through the vehicle RFLTC Inox a 20% stake in Expo Inox - a leading Italian operator active in the research, design, production and marketing of stainless-steel flue solutions and systems - for a total consideration of €6mn or at 5x FY22 EV/EBITDA. RFLTC also signed an advisory agreement for €48k to support Expo Inox in: i) scouting for companies to be acquired in order to further expand its market share in Europe where the company has recently consolidated its positioning thanks to the acquisitions made in France and Turkey; ii) debt fundraising; and iii) opening new subsidiaries abroad. RFLTC is already negotiating the acquisition of a company branch of an Italian competitor of Expo Inox and supporting the company in opening a subsidiary in UK.

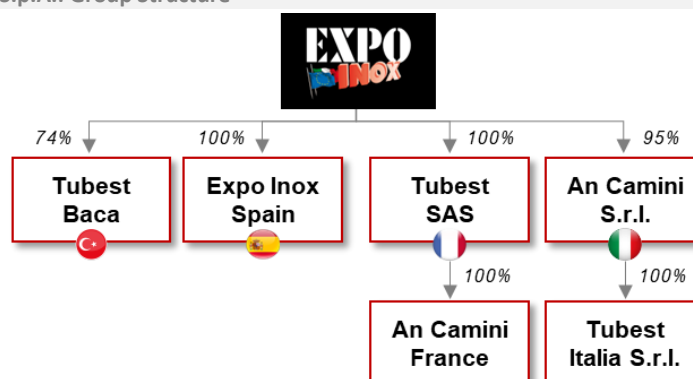
**Expo Inox S.p.A.: Shareholders**



Source: Company data

Expo Inox is an industrial holding directly and indirectly controlling six companies with production plants and distribution centers in several European countries, whereas the sales service is backed by a drop-off logistics facility of more than 20,000 square meters near Milan.

**Expo Inox S.p.A.: Group Structure**



Source: Company data

The Group boasts a wide product range of chimneys in different materials: steel, stainless steel, copper, iron, aluminum, plastic.

In FY22, Expo Inox generated €67.2mn of value of production in 2022 (+39% CAGR2020-22) and an EBITDA of €8.8mn (+45% CAGR2020-22), implying an EBITDA margin of 13.1%.



**Expo Inox S.p.A.: 2020-22 Financials**

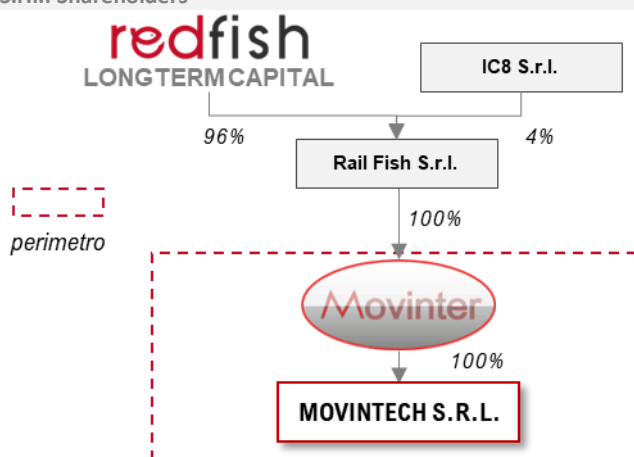
€ million	FY20	FY21	FY22
Turnover	35.0	50.2	67.2
EBITDA	4.2	6.8	8.8
<i>EBITDA margin</i>	<i>12.0%</i>	<i>13.5%</i>	<i>13.1%</i>
NFP	20.8	14.1	14.1

Source: Company data

**Movinter S.r.l. (€11.5mn investment, 96% stake)**

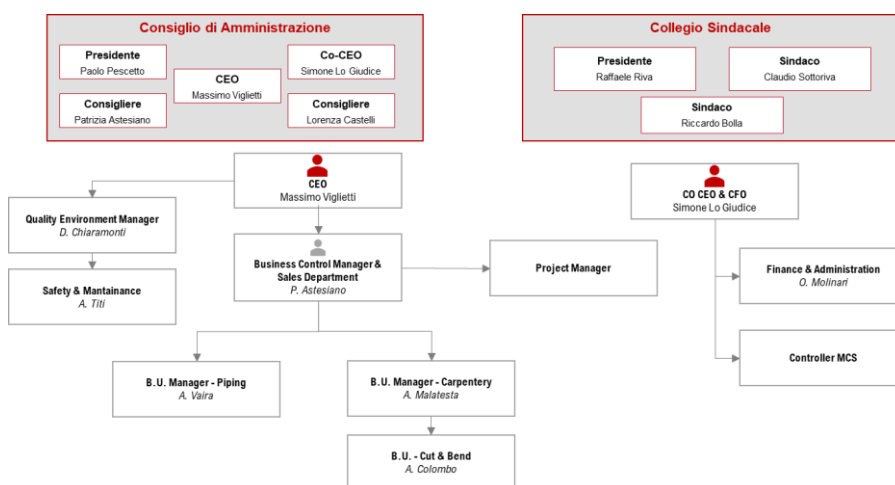
On April 20<sup>th</sup>, 2023, RFLTC acquired - through Rail Fish S.r.l. - a 100% stake in Movinter - a company active in railroad equipment industry and Tier 1 partner of OEM operators (source: RFLTC company information) - for a total consideration of €11.5mn (€8.5mn paid at the closing date, €1.5mn to be paid by March 2023 and €1.5mn to be paid by March 2024) or at 4.7x FY22 EV/EBITDA. We note that after the acquisition RFLTC sold a 4% stake to a financial partner (IC8 S.r.l.). RFLTC – also following the appointment of Simone Lo Giudice as Co-CEO - will support Movinter’s financial team and support the company in acquiring targets active in the Railway and Naval industries (a due diligence has been carried out for a potential target).

**Movinter S.r.l.: Shareholders**



Source: Company data

**Movinter S.r.l.: Organizational Chart**



Source: Company data

**Company Overview**

Based in Genoa with an operational headquarters in Savona (ca. 35,000 square meters of production area), Movinter provides through two business units (BUs) equipment for the railway industry:

- **BU light carpentry (ca. 64% of total revenue)** engaged in the production of complex and standard components for trains and locomotives (i.e. boogie frames, cowcatchers, white water tanks, driver desks). Movinter is also active in retrofitting existing carriages of trains;
- **BU piping (ca. 36% of total revenue)** specialized in bending and pre-assembly of piping and carpentry. Over the last 20 years, Movinter has become a major player for piping for all major railroad operators, developing in 2021 and 2022 a new solution that allows to delivery to customers pre-assembled pneumatic systems ready for installation on trains.

The company is developing a third business unit which will produce larger carpentry equipment (i.e. roof, headers etc.) and it is expected to be in full operation in two years.

#### Movinter S.r.l.: Business Units

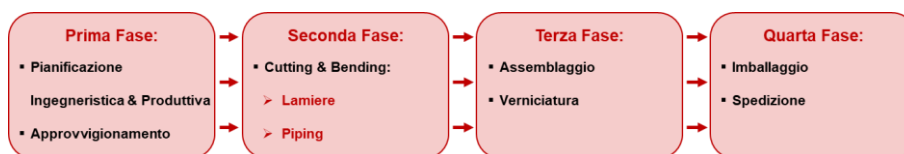
Carpenteria Leggera <i>Business Unit 1</i>	Piping <i>Business Unit 2</i>	Carpenteria Strutturale (in sviluppo) <i>Business Unit 3</i>
<ul style="list-style-type: none"> <li>▪ Movinter realizza carpenterie leggere standard e complesse in acciaio inox, acciaio al carbonio e in alluminio</li> <li>▪ <b>Prodotti Principali:</b> canalizzazioni, sotto cassa, interni cassa e tetti per carrozze</li> <li>▪ Nel biennio 2021–2022, la società ha effettuato importanti investimenti in nuovi macchinari (Taglio Laser Fibra, Punzonatrice Elettrica) per ampliare l'area di lavorazione dei metalli</li> <li>▪ <b>Percentuale Fatturato:</b> c.ca 64%</li> <li>▪ <b>Dipendenti FY22:</b> 47 unità</li> </ul> 	<ul style="list-style-type: none"> <li>▪ La Società svolge attività di curvatura e pre-assemblaggio di tubazioni semplici e complesse</li> <li>▪ I principali materiali trattati sono acciaio al carbonio, acciaio inossidabile e speciale, alluminio, rame e le rispettive leghe</li> <li>▪ La business unit opera in una Unità Produttiva di c.ca 1500 mq totalmente dedicata alle attività di Piping</li> <li>▪ <b>Percentuale Fatturato:</b> c.ca 38%</li> <li>▪ <b>Dipendenti FY22:</b> 16 unità</li> </ul> 	<ul style="list-style-type: none"> <li>▪ La Business Unit è attualmente in corso di realizzazione e sarà dedicata alla produzione di componenti di Carpenteria di maggiori dimensioni</li> <li>▪ <b>Prodotti principali:</b> portali, tetti pavimentazioni, testate etc.</li> <li>▪ La Società prevede un programma di avviamento di almeno 2 anni prima dell'entrata a regime</li> <li>▪ In particolare, verrà implementato un piano di sviluppo dedicato per monitorare i costi di avviamento e la rapidità della messa a regime</li> </ul> 

Source: Company data

Movinter is already a **Tier-1 partner of OEM operators** and it is getting a POA certification to acquire orders also from an important OEM operator in the aerospace field.

Thanks to a staff of 100 employees and external partners, Movinter covers all the phases of the production process: the development of the orders, procurement of raw materials, production, assembly, and distribution.

#### Movinter S.r.l.: Business Model



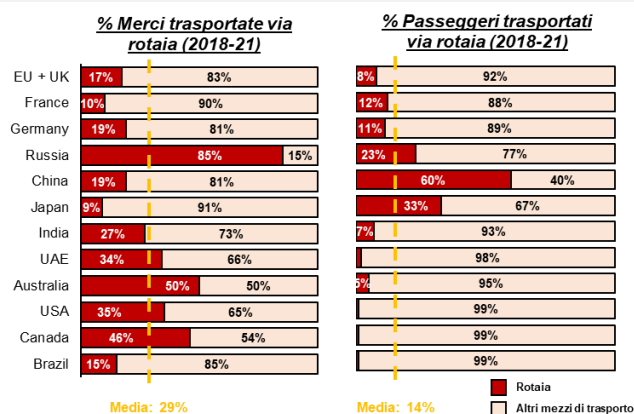
Source: Company data

#### Market Overview and Positioning

The European railway market was worth €281bn in 2022 and it expected to grow at a 5% CAGR22-30, reaching €436bn in 2030 also thanks to public investments aimed at expanding the train fleet and renewing the exiting rail infrastructure (in Italy €95bn from the PNRR will be allocated to the railway market).

The European railway sector has significant room for growth considering that on average only 17% and 8% of European freight and passengers, respectively, were transported by rail over the 2018-21 period. Furthermore, rail is also the most sustainable way of transport, with an average emission 75% lower than cars and 80% energy savings compared to heavy vehicles (trucks & lorries).

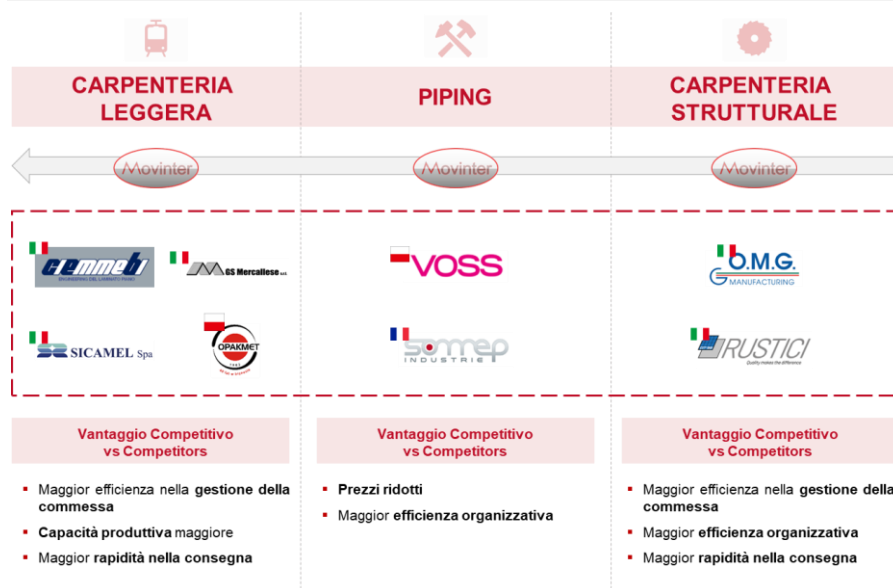
## Freight and passengers transported by rail



Source: Company data

The Italian railway market is characterized by a high level of fragmentation and is mainly composed of small players. For major orders, railway OEMs are keen to rely on more structured suppliers that also offer engineering and product development/production support. In this highly fragmented market, Movinter is well positioned to further integrate its offer through M&A or partnerships thus reinforcing its Tier-1 partner positioning.

## Movinter S.r.l.: Competitive Positioning



Source: Company data

## Historical Financials

In FY22, Movinter reached €22.8mn of Value of Production, growing by 19% CAGR2020-22. Over the 2020-22 period, EBITDA increased by 56% CAGR, amounting to €3.3mn in FY22 with a margin of 14.6%. FY22 NFP stood at €4.1mn or 1.2x NFP/EBITDA.

## Movinter S.r.l.: 2020-22 Financials

€ million	FY20	FY21	FY22
Turnover	16.0	17.0	22.8
EBITDA	1.4	2.3	3.3
EBITDA margin	8.5%	13.8%	14.5%
NFP	5.2	3.5	4.1

Source: Company data

## Divested Holdings

### MaticMind S.p.A. (€5.1mn investment, 4% stake)

On September 30<sup>th</sup>, 2020, RFLTC co-invested with Fondo Italiano d'Investimento (anchor investor) in MaticMind, acquiring a 4% stake – through Elettra S.p.A. – for a total consideration of €5.0mn (€5.1mn including transaction costs) or at 3.4x FY20 EV/EBITDA. In October 2022, MaticMind's 100% stake was sold for ca. €320mn to the private equity fund CVC Capital Partner and Cdp Equity by Fondo Italiano di Investimento and RFLTC S.p.A., having RFLTC - thanks to the Tag Along clause - the right to follow in the sale. Following the sale of its stake, RFLTC realized a return on capital invested of 52% (a multiple on invested capital of 2.4x). It is worth noticing that further sums and earn-out could be cashed-in by RFLTC subject to the satisfaction of some conditions.

Founded in 2006, MaticMind is a spin-off of the Italian business of Ascom AG, involved in ICT consultancy for remote working. MaticMind is one of the leading Italian Value Adding Resellers (VAR), providing solutions and services in the networking, cybersecurity, cloud and data center field. It operates in Italy, employing 700+ people and collaborating with over 150 partners. In FY21, MaticMind generated €349mn of value of production with an EBITDA margin 10.9%.

RFLTC has supported MaticMind in M&A activities, allowing the company to double its top line and improve its marginality in two years. Indeed, in 2H21, MaticMind acquired Megamind (formerly New Charger), whereas in 1Q22 it closed two M&A deals, acquiring SIND and ITI Sistemi.

#### MaticMind S.p.A.: 2019–21 Financials

<b>Maticmind S.p.A.</b>			
€ million	<b>FY19</b>	<b>FY20</b>	<b>FY21</b>
Value of Production	300.4	290.7	348.9
EBITDA	26.8	27.4	37.9
<i>EBITDA margin</i>	<i>8.9%</i>	<i>9.4%</i>	<i>10.9%</i>
NFP	40.2	(28.4)	66.0

Source: Company data

### Pistacchio S.p.A. (€1mn investment, 20% stake)

In February 2022, RFLTC acquired a 20% stake in Pistacchio S.p.A (brand Marullo). Being the company in a turnaround phase and thus showing risk profile not in line with RFLTC's portfolio, in October 2022, Pistacchio was sold to KayakFO for a total consideration of €1.1mn, recording a return on capital invested of ca. 10% in 8 months (plus €24k of revenues from advisory services).

Pistacchio is a food company specializing in the production and processing of pistachios, hazelnuts and other nuts into semi-finished products for the ice-cream industry and finished products for the large-scale retail trade. The company operates in a highly cyclical segment, as the pistachios of Bronte ripen once every two years.

FY22 VoP (refer to the period September 2021–August 2022) stood at €27.4mn, whereas EBITDA reached €2.3mn with a margin of 8.4%.

#### Pistacchio S.p.A.: 2020–22 Financials

€ million	<b>FY20</b>	<b>9M21</b>	<b>FY22A</b>
Value of Production	16.7	13.3	27.4
EBITDA	1.7	1.8	2.3
<i>EBITDA margin</i>	<i>10.2%</i>	<i>13.5%</i>	<i>8.4%</i>
NFP	7.9	7.8	11.2

Source: Company data, KT&Partners' elaboration

### Scouting for New Opportunities

Leveraging on the group's ecosystem, the management network and capital raised, RFLTC is well positioned to seize value-creating investment. The company is looking for new opportunities to invest directly or through club deals in different industries (i.e. precision mechanics, railway, aerospace, food, ICT and Telco), pursuing its diversification strategies to maintain a low-risk profile.

## Company's History

### Company Foundation

RFLTC was founded in March 2020 by Paolo Pescetto and Andrea Rossotti (RedFish) and Francesca Bazoli and Gregorio Gitti (Castello di Perno), with the aim of supporting Italian SMEs thanks to long-term investments in majority equity stakes – often through club deals – or in qualified minorities.

### First capital increase and first two investments

The company raised its first €6.2mn on July 20<sup>th</sup>, 2020, and right after, on July 27<sup>th</sup>, closed its first investment, acquiring a 12.5% stake in Convergenze SpA for €1.1mn. On September 30<sup>th</sup>, 2020, RFLTC closed its second deal, investing €5.1mn in MaticMind for a 4.2% stake.

### Second capital increase and third investment

In the first half of 2021, the company closed its second capital increase, raising €4.7mn at a stock price of €1.15. Thanks to the increased AUM, RFLTC closed its third deal on October 13<sup>th</sup>, 2021, acquiring for €5.1mn a 20% stake in Tesi S.r.l..

### Third capital increase and fourth investment

In the last quarter of 2021, RFLTC raised an additional €5.3mn – the third capital increase reaching a total capital raise of ca. €16mn – at a stock price of €1.25. Furthermore, on December 27<sup>th</sup>, 2021, the holding invested €1mn in Solid World SpA – subscribing a convertible bond – the company's fourth investment.

### First half of 2022: Fifth investment and Convertible issuing

In February 2022, RFLTC closed its fifth investment, acquiring a 20% stake in Pistacchio SpA for €1mn (stake sold for €1.1mn in December 2022). In June 2022, RFLTC issued a €3mn convertible bond with an interest rate of 6%, duration of 12 months and strike price equal to IPO price.

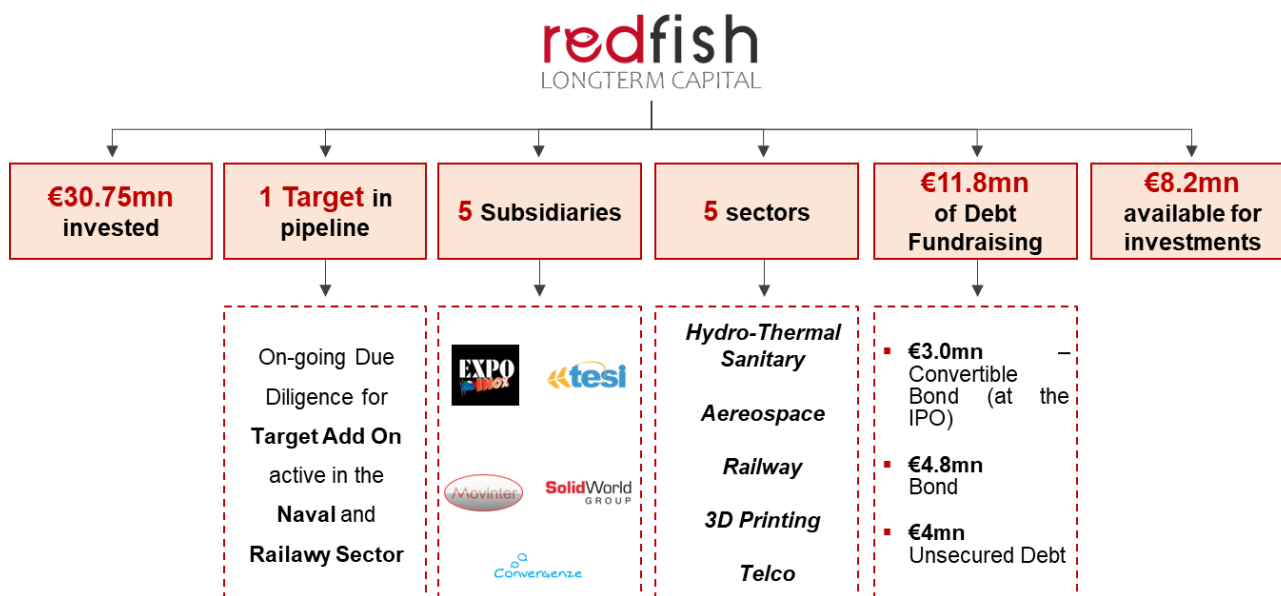
### Second half of 2022: first divestment and sixth investment

In October 2022, CVC Capital Partners and CDP Equity acquired the 100% of MaticMind, allowing RFLTC to cash-in its 4.25% stake for €12mn. In November 2022, the Company acquired a 20% stake of Expo Inox, for a total deal consideration of €6mn.

### First 100% stake and IPO process

In April 2023, RFLTC completed a 100% stake acquisition in Movinter S.r.l for €11.5mn. Furthermore, the company raised ca. €8.8mn debt and completed its IPO process in June 2023, raising ca €4.0mn of capital (excluding greenshoe).

### RedFish Milestone – at the end of April 2023



Source: Company presentation

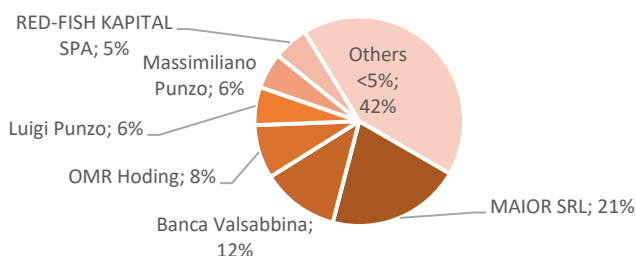
## Ownership and Group Structure

The company was founded by a management team led by Paolo Pescetto (Chairman) and Andrea Rossotti (CEO) – now supported by Lorenza Castelli and Simone Lo Giudice as Investment Managers and Joanna Gualano as Legal Director – and prior to IPO raised €16.1mn of equity from ca. 60 investors.

Prior to the IPO the shareholding (14.5mn shares) was composed of: i) ca. 70% class A shares (more than €1mn of minimum investments) which appointed the majority of the Board of Shareholders; ii) ca. 30% class B shares (€25k of minimum investments) with no voting rights, which, together with the class A shares have been converted into ordinary shares at the IPO; and iii) ca. 10k class X Shares owned by RFLTC promoters that will not be listed.

The main shareholder was Maior S.r.l. with a 21% stake, followed by Banca Valsabbina (12% stake) and OMR Holding (8% stake). We note that among RFLTC’s shareholders we also find other companies of the RedFish ecosystem such as Red-Fish Kapital SpA (5% stake) and RedFish S.r.l. (2% stake).

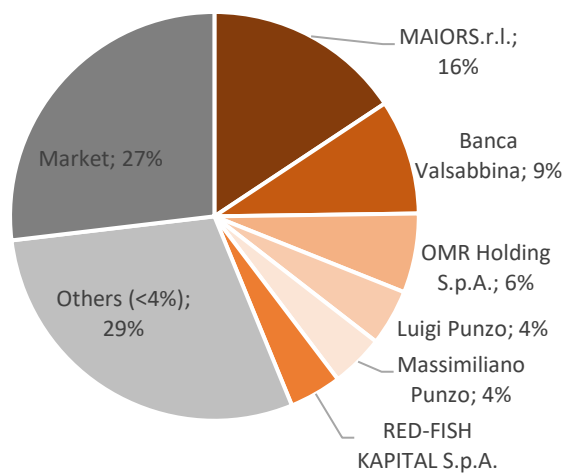
**RedFish Long Term Capital Pre-IPO Shareholders**



Source: Company data

On June 30<sup>th</sup>, 2023 RFLTC went listed raising ca. €4mn (excluding greenshoe) at a stock price of €1.50ps, resulting in a market cap at IPO of €28.7mn and a free float of 27%. The market cap also includes the conversion of the €3mn convertible bond, issued in June 2022 and converted at the listing price. Along with the issue of new shares, the listing envisages the issuing of ca. 4.9mn warrants (1:2 conversion rate and a strike price of €1.65, €1.82, €2.00 for each exercise windows of 2023, 2024 and 2025 respectively) assigned to IPO and convertible bond investors. After the IPO and prior to the greenshoe option, the shareholding (19.1mn shares) was composed of Maior S.r.l. with a 16% stake, followed by Banca Valsabbina (9% stake) and OMR Holding (6% stake) while the free float was equal to 27%. We note that, in case of full exercise of greenshoe option, the free float would increase to 28%.

**RedFish Long Term Capital Pre-IPO Shareholders**

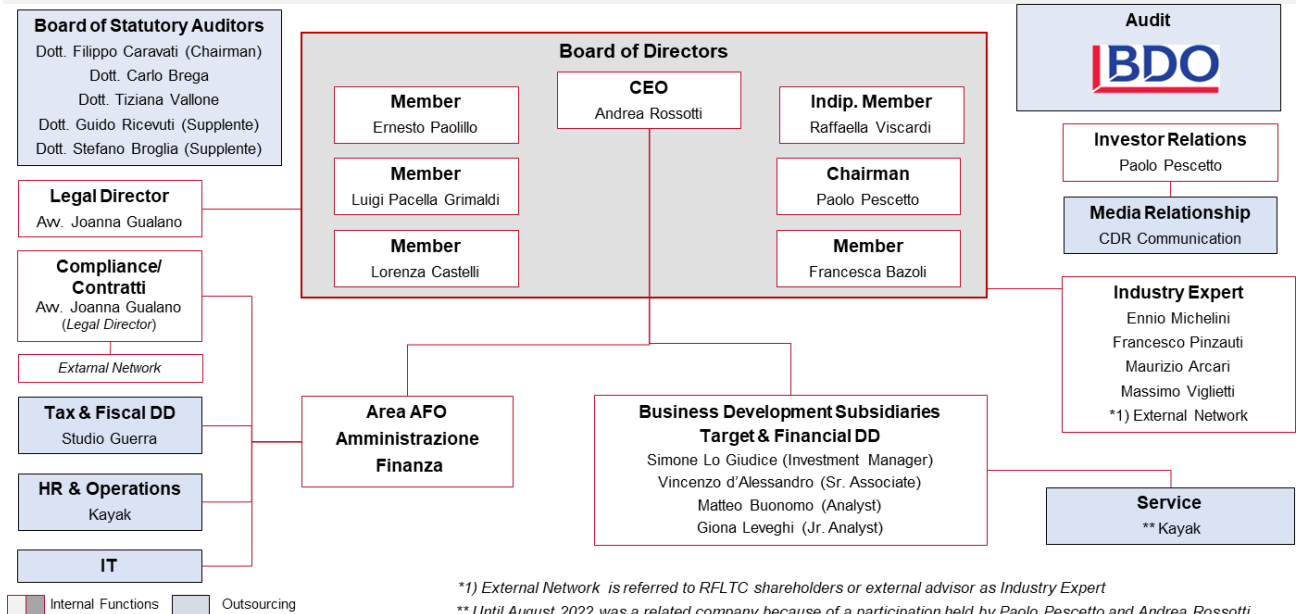


Source: Company data

Looking at the company’s governance, RFLTC’s Board of Director – Paolo Pescetto (Chairman), Andrea Rossotti (CEO), Lorenza Castelli, Raffaella Viscardi, Ernesto Paolillo, Francesca Bazoli and Luigi Pacella Grimaldi – is in charge of the company’s investment strategy and operations supported by an industry expert team (paid upon success) and eventual external advisors.

The investment, legal, finance and investor relationship activities are carried out internally by RFLTC, while HR, IT, service and tax activities are outsourced.

**RedFish Governance**



\*1) External Network is referred to RFLTC shareholders or external advisor as Industry Expert

\*\* Until August 2022 was a related company because of a participation held by Paolo Pescetto and Andrea Rossotti

Source: Company presentation



## Management Team

RFLTC's excellent management team has an outstanding track record in the investment management industry.

### Paolo Pescetto – Founder & Chairman

Paolo has enjoyed more than 10 years of experience in the M&A industry – with Arkios Italy SpA – and more than 15 years of strategic consulting, working with The Boston Consulting Group and Value Partners. Furthermore, Paolo is also Corporate Strategy Professor at the Milan Polytechnic School of Management and at Genova University, and a lecturer in finance at Bocconi University.

### Andrea Rossotti – Founder & CEO

Andrea leverages on 15 years of M&A experience carried out in Arkios Italy, an Italian advisory boutique of which he is co-founder. He has also been responsible for the management of multinational and Italian companies. After completing a degree in management engineering at Genoa University, Andrea studied for a master's in M&A and Project Financing at LUISS University.

### Simone Lo Giudice – Investment Manager

Simone gained experience in investment banking (M&A and debt restructuring) in Arkios Italy and other firms. Since 2021, he has covered the role of Investment Manager at RFLTC with a focus on the Aerospace, Railways and Mechanical markets. Simone earned a master's degree in Economics and Law at Insubria University and he is a member of the Register of Chartered Accountants.

### Lorenza Castelli – Investor Manager

Lorenza, Investment Manager at RFLTC since 2022, has enjoyed 15+ years of experience of consulting and as a corporate finance manager in international strategic and M&A consulting companies and 10+ years of entrepreneurial and management expertise, having co-founded in 2011 the first international contemporary art fair. Lorenza graduated in Economics from Bocconi University.

### Joanna Gualano – Legal Director

Joanna, Legal Director of Red Fish group since 2018, has 25+ years of experience including the M&A sector with international law firms – in Italy and abroad – and as Legal Director of multinational groups. She has been a qualified lawyer in both Italy and France since 1996 and has gained a specialization master's in capital markets as an expert lawyer (Milan Bar Association). She has held the role of Secretary of Corporate Bodies (general assembly and board of directors) of International Groups, both listed and not listed, since year 2000. She works in undertaking listing activities at Euronext Paris and Milan and undertaking crowdfunding in Italy.

## Business Model

RFLTC is a holding company whose objective is to support Italian SMEs and the entrepreneurs in executing their strategies to increase the long-term value of the companies.

RFLTC mainly acquires majority stakes – also through club deals – and qualified minority stakes with strong government rights. The potential targets are characterized by:

- **Positioning in a market niche** with specific products and great know-how
- A strong growth track record, EBITDA over €2mn, an expected margin over 10% and **ability to generate cash**
- **Run by families** with a strong commitment for company growth
- **Strong growth opportunities** both organically and through internationalization and M&A consolidation.

After the acquisition, RFLTC works with the entrepreneurs and management to define the company's growth plan, which is usually related to: i) strengthening of the company's operation through know-how brought by the RFLTC network; ii) the external growth strategy, with RFLTC supporting the company in identifying and acquiring target companies with the objective to expand both the product or service portfolio and end-markets; and iii) improvement of the financial structure, thanks to the relationship of the RFLTC network and financial institutions.

The most interesting sectors for RFLTC are: i) precision mechanics; ii) railways; iii) aerospace; iv) food; v) ICT; and vi) Telco. The aim of RFLTC is to close two or three €10mn club deals per year, with RFLTC contributing ca. 30% of the club deal investment.

## Investment Process

The RFLTC investment process is divided into several steps – from the scouting process to the monitoring phase – and involves many expert professionals.

<b>Scouting</b>	The first activity is related to <b>scouting</b> for new investment opportunities. RFLTC selects new opportunities through internal channels (software and databases) or thanks to its partners (among which are Arkios Italy and Integrae SIM). During the scouting phase, both RFLTC's management team and the committee of industry experts are involved to best verify the potential opportunity of the deal.
<b>Analysis</b>	After the selection of a potential target, the second phase consists of the <b>analysis</b> of the target. RFLTC's committee and the industry experts deepen the target's business model to verify if the target matches RFLTC's investment criteria. RFLTC management team is supported by Kayak and other advisors for the economic, financial and market and competition analysis. If the opportunity matches RFLTC's criteria, RFLTC management team, BoD and Legal team are involved in the drafting of the Letter of Intent (LOI).
<b>Investment</b>	With the green light from the preliminary analysis, the <b>investment</b> phase begins. First of all, the Board of Directors reviews the LOI and evaluate the deal from a strategical point of view. After the signing of the LOI, RFLTC team, supported by legal and financial advisors, is involved in the due diligence activities. After the Due Diligence, the committee, the Board of Directors and the legal team are involved in the negotiation of investment agreement, including any governance aspects of the deal. After the BoD approval for the deal signing and the eventual deal closing, RFLTC's team reports to the company's governing bodies.
<b>Growth</b>	RFLTC supports each subsidiary in executing its strategy and growing their values, bringing human capital, expertise and network, and finance capital. Furthermore, RFLTC offers its advisory services related to: M&A transactions, debt capital raising, entering markets abroad and strengthening the company's management. As of today, RFLTC offers its services to Pistacchio, Solid World and Convergenze and is expected to also start supporting Tesi.
<b>Monitoring</b>	A dedicated team constantly monitors the subsidiaries and also analyzes half-yearly reports. The focus is on the areas of finance, performance audit and potential target companies. The

monitoring team then draws up an internal report for RFLTC's BoD and in turn the company keeps the investors updated on the participating companies' performances.

### Investor Returns and Compensation

RFLTC offers its investors a clear risk-return asset, thanks to an investment strategy based on long-term investments in Italian SMEs which already enjoy a validated business model. Furthermore, as it is an industrial holding company, the rationale for the IPO is strictly related to offering RFLTC investors a way to eventually liquidate their investments.

However, the remuneration of RFLTC investors is related to:

- The company's operations (offering its advisory services to subsidiaries) and to the subsidiaries' dividend distribution. In 2021 RFLTC cashed-in €1.8mn dividends from its subsidiaries and distributed ca. €600k to its shareholders.
- The increase in the value of RFLTC following the increase in value of each subsidiary.

### Founding Partner Compensation

The compensation of founding partners, owners of class x shares, is based on a variable scheme associated with RFLTC's value increase.

- **Dividend compensation.** The class x shares owners receive, until the end of 2038, 25% of the distributed dividend (both before and after the eventual IPO) and participate *pari passu* for the remaining 75% dividends.
- **Shares Conversion.** Conversion of 9,900 class x shares in ordinary shares with a ratio of 1:40 (for a total of 396,000 ordinary shares) 24 months after the IPO date.

We also note that founding partners can also appoint 2 members of the Board of Directors.

### Manager Compensation

Managers and collaborators are entitled for a fixed and performance-based compensation as follows:

- **Board members' compensation.** €12,000 for each board member including the Chairman and the CEO.
- **Stock Option compensation.** The management team will receive a performance-based compensation also as retention policy. RFLTC will issue 2.0mn stock option as follows: i) 1.5mn stock option with vesting period from a minimum of 2 years and maximum of 4 years, with a strike price equal to IPO; ii) 0.5mn stock option with a strike equal to the higher of IPO price and last three months average price starting from issuing date. The vesting period is expected to be in a range of 2-4 years.

## Market Overview

The Italian economic structure is characterized by a majority of small and medium enterprises.

At the end of 2022, according to Cerved, the Italian market reached ca. 157,000 non-financial SMEs (excluding micro-enterprises, i.e. those with fewer than 10 employees or less than €2mn of revenues), which totaled more than €1bn of revenues and ca. €270mn of value-added. Breaking down into medium and small enterprises, the first category (50–250 employees, €10–50mn revenues) numbered ca. 27 thousand enterprises, while the second category (10–50 employees, €2–10mn revenues) reached ca. 130 thousand companies.

During the last few years, despite being impacted by the Covid-19 pandemic, Italian SMEs have proved their resilience, also following: i) the deleveraging trend noted in the last decade – from 115% of 2008 to 60% of 2021 – also thanks to greater interaction with equity investors; and ii) the government financial support.

According to the Cerved 2022 PMI report, the post-covid reaction of Italian SMEs mostly depend on the impact suffered by the companies in 2020, in detail, looking at 2021 results:

- Companies which in 2020 decreased their revenues by more than 20% YoY are still 22% below 2019 results in terms of revenues and below 50% in terms of EBITDA;
- Companies which in 2020 decreased their revenues in a range of 10-20% YoY recovered to 2019 revenue levels and enjoyed +4pp in terms of profitability;
- Companies which in 2020 decreased their revenues in a range of 0-10% YoY are above 2019 levels both in terms of revenues and profitability;
- Companies which in 2020 remained stable or increased their revenues YoY improved both their revenues and even more their profitability which increased by almost 50%.

Furthermore, the European Union measures, which resulted in the introduction of the PNRR, represent a great growth opportunity for the Italian SMEs involved.

Last but not least, according to Cerved, Italian SMEs with interesting growth perspectives do need equity financing, rather than debt financing, to support the digital transformation processes, the sustainability transformation and to strengthen SMEs' management structure, which combined together are expected to structurally support productivity and growth potential.

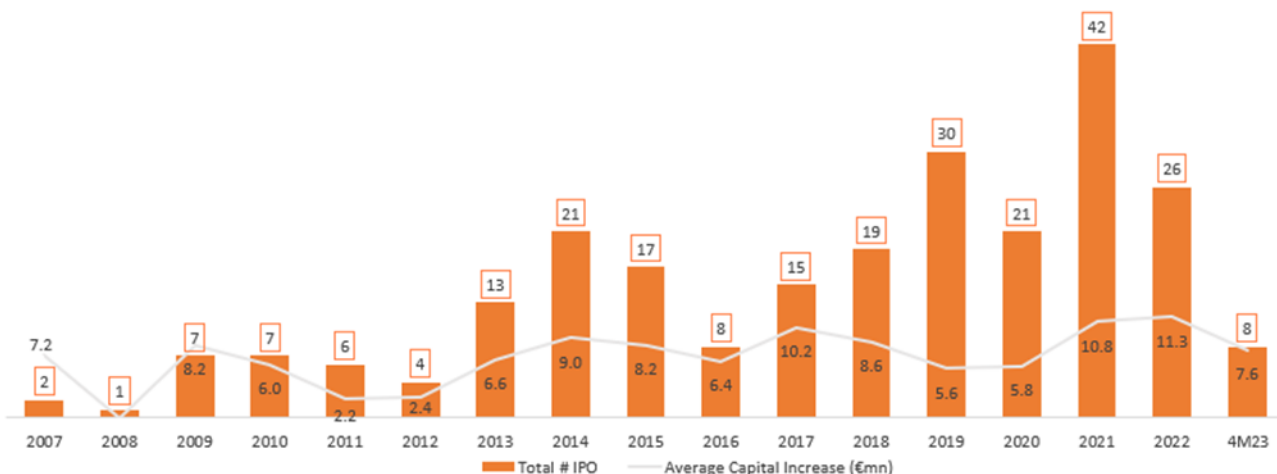
## Euronext Growth Milan: The SME Stock Exchange Market

The Italian SMEs investors are increasingly benefitting from the listing of SMEs on the stock exchange market in terms of both additional equity valorization and exit opportunities. In Italy, the Euronext Growth Milan (EGM) is the segment dedicated to SMEs, which nowadays includes more than 190 listed companies.

After 2021 registered a record year for the EGM primary market with 42 listings vs the previous record of 30 IPOs of 2019 (excluding SPACs, Business Combinations, Pre-booking and SICAFs), 2022 suffered by the uncertain macroeconomic scenario, mostly related to inflationary effects and Ukrainian-Russian conflict, registering 26 IPOs for a total capital raise of €150.8mn (or €794.9mn including Technoprobe), vs €466.2mn in 2021 for an average capital raise of €6.0mn vs €11mn, in 2022 and 2021 respectively.

Looking at the first 4 months of 2023 instead, there has been a slight recovery in terms of listing, with 8 IPOs, compared to 4 listings of 4M22. If we consider the total capital raised (i.e., including shares for sale by shareholders and not only newly issued shares, except for the greenshoe option), in 4M23 it amounted to €67.9mn, vs €28mn in 4M22 (or €672.1mn including Technoprobe).

**EGM IPOs (Excluding SPACs, Business Combinations, Pre-booking and SICAFs)**



Source: Borsa Italiana and KT&Partners' elaboration

Note (1): Data also includes companies that listed on MAC and then shifted to the AIM Italia segment after the merger of two markets occurred in 2011.

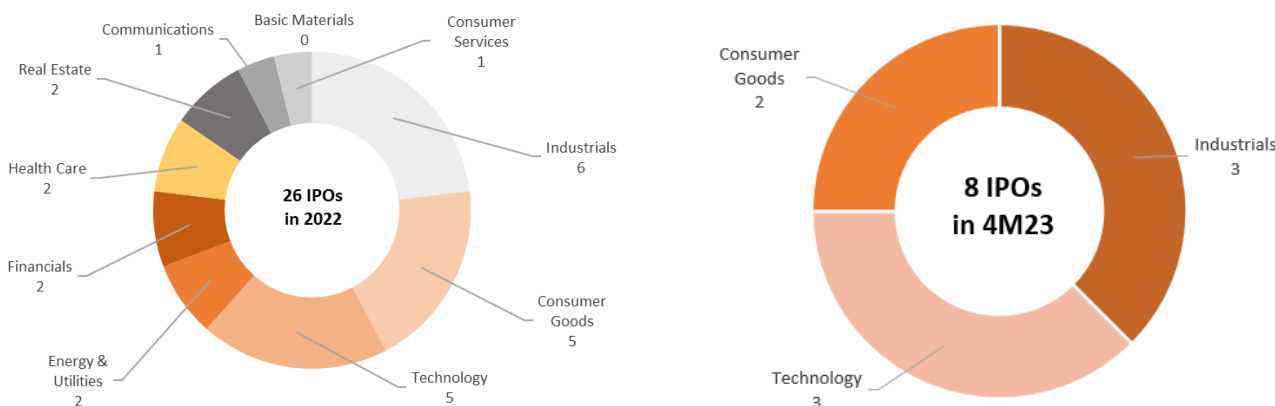
Note (2): We considered only companies with available data on capital increase. For the calculation of the average capital increase; we did not consider e-Novia, which listed without raising new capital from IPO.

Note (3): We do not include the Technoprobe IPO in 2022.

The most active industry in 2022 was Industrials with 6 new listings (Bifire, Solid World Group, Franchetti, Erredue, Saccheria F.lli Franceschetti and Magis), followed by Consumer Goods (High Quality Food, Bellini Nautica, GM Leather, Pozzi Milano and Eligo), and Technology (Technoprobe, SIAV, Fae Technology, Impianti and e-Novia) that reached 5 listing each. Energy & Utilities (Altea Green Power, Energy), Financials (Redelfi and Yolo), Health Care (Farmacomo and Laboratorio Farmaceutico ERFO) and Real Estate (Imprendiroma and Dotstay) registered 2 listings each in 2022, whereas Consumer Services and Communications were the sectors with the lowest number of IPOs (only 1 IPO each), welcoming Rocket Sharing Company and Eprcomunicazioni, respectively. During 2022, none of the listed companies belonged to the Basic Materials sector.

The most active industries in 4M23 were Technology (Cube Labs, Creatives, and Tmp Group) and Industrials (Ecomembrane, Reway Group, and Valtecne), with 3 new listings, respectively, followed by Consumer Goods (Gentili Mosconi and Deodato.Gallery) with 2 listings.

**EGM IPOs by Industry (Excluding SPACs, Business Combinations, Pre-booking and SICAFs)**

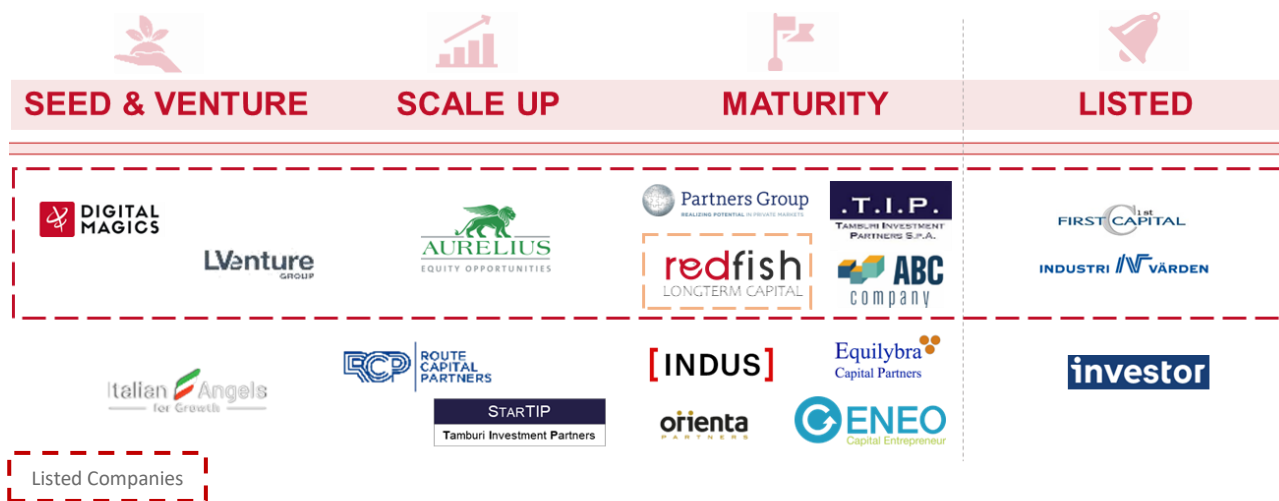


Source: Borsa Italiana and KT&Partners' elaboration

## Competitive Positioning

Being an industrial holding company, RFLTC operates in a competitive arena populated by other investment companies such as SICAF, Eltif, SGR and Financial Holdings.

### RFLTC Competitive Arena



Source: Company presentation

In this arena, RFLTC distinguished itself when looking at:

- **Holding period:** investment players usually have a short/medium holding period, while RFLTC's strategy is to partner with its subsidiaries in the long term. Indeed, in its investment agreements RFLTC usually does not include drag-along or exit terms, making it a more appealing shareholder for its subsidiaries.
- **Advisory offer:** RFLTC built its core business around the advisory services that it can offer to subsidiaries to support their growth path. The aim is to create value by sharing knowledge – also leveraging on RFLTC's network – offering performance audit services, M&A planning and execution advisory, capital raising and IPO consultancy, support for hiring managers and industry experts, and support for internationalization.
- **Investment strategy:** to its shareholders, RFLTC offers a specific investment strategy focusing on family-run Italian SMEs – also working on a generational change - with great growth ambitions and potential. RFLTC enjoys a lean and variable cost structure and an independent governance.
- **Remuneration system:** RFLTC enjoys a lean and variable cost structure and to compensate its shareholders, even before the holding liquidation.
- **Independence and strong management team:** RFLTC is an independent structure with the decision-making power in the hands of shareholders and the Board of Directors. Last but not least, RFLTC's management has an aggregate of 100+ years' experience in several sector and positions.

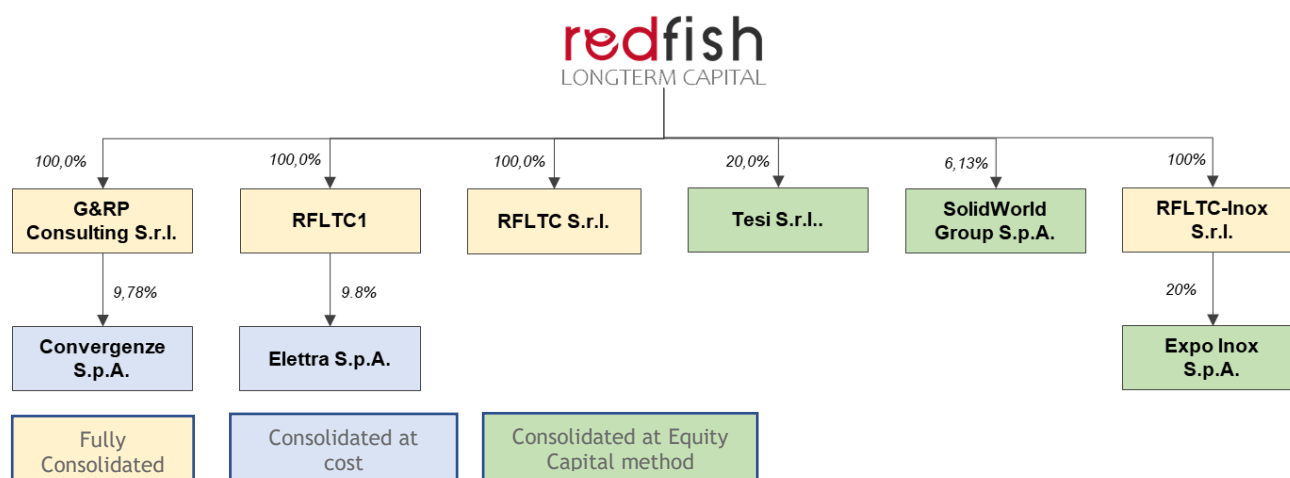
## Historical Financials

### Consolidated Financial Statement

The consolidated Financial Statement includes RFLTC's subsidiaries, which are either fully consolidated or consolidated through the equity capital method. We note that in the second half of 2022, Solid World, after the convertible bond conversion, became a subsidiary with a stake of 6.13% while Maticmind (participated by Elettra S.p.A.) and Pistacchio were sold during 2022.

2022 Pro-Forma Financial Statement also include: i) the recently acquired Movinter (96% stake held through RailFish S.r.l.); ii) the effect of the division in April 2023 of two real estate assets and relative debts.

#### RFLTC Group at the end of December 2022



Source: Company presentation

### Consolidated Income Statement

Total revenues amounted to €80k in FY22, increasing from €33k of FY21 and from €5k in FY20, and they include consulting services to subsidiaries consolidated through the equity method.

Looking at the FY22 Pro-Forma Income statement, which also includes Movinter results, revenues are at €20mn, of which €19.96mn coming from Movinter.

In 2022, the cost of services was equal to €461k (vs €291k of 2021) mostly related to: i) monitoring and management of participating companies; and ii) legal support from RedFish Management. However, it is important to notice that starting from 2H22 RFLTC insourced many activities, as represented in the group structure and organization. Indeed, Personnel Cost increased from €0.4mn of FY21 to €33k of FY22 and rental costs stood at €19k (zero in 2021).

Considering Movinter results, EBITDA reached €2.4mn, of which €2.8mn coming from Movinter (14% EBITDA margin) and a -€451k coming from RFLTC.

In 2022, RFLTC results benefitted from ca. €7.1mn of proceeds from subsidiaries, mainly associated to Maticmind exit (€6.7mn gains on holdings), and from €703k of holdings value adjustments (ca. €120k from Tesi and €580k from Expo Inox), allowing to reach a Net Income of €7.1mn in FY22 (vs €0.3mn in FY21).

Considering also Movinter contribution, FY22PF Net income stood at €7.2mn, impacted by a Net profit of €1.2mn of Movinter bottom line and ca. €1.1mn of goodwill amortization following Movinter acquisition (10-years goodwill amortization).

### Consolidated Income Statement

€ thousand	FY20A	FY21A	FY22A	FY22PF
RFLTC	5	33	80	80
Movinter	-	-	-	19,957
<b>Sales Revenues</b>	<b>5</b>	<b>33</b>	<b>80</b>	<b>20,037</b>
<i>Growth %</i>		560.0%	141.4%	<i>n.a.</i>
Other Revenues	-	-	0.5	307.5
<b>Total Revenues</b>	<b>5</b>	<b>33</b>	<b>80</b>	<b>20,344</b>
<i>Growth %</i>		560.0%	143.0%	<i>n.a.</i>
Products and Raw materials	-	-	(0)	(6,710)
<b>Gross Profit</b>	<b>5</b>	<b>33</b>	<b>80</b>	<b>13,634</b>
Cost of Services	(29)	(291)	(461)	(5,272)
Rental Costs	-	-	(19)	(905)
Personnel Expenses	-	(0.4)	(33)	(4,833)
Other Operating Expenses	(0)	(3)	(19)	(234)
<b>EBITDA</b>	<b>(25)</b>	<b>(262)</b>	<b>(452)</b>	<b>2,390</b>
<i>EBITDA margin</i>	<i>n.m.</i>	<i>n.m.</i>	<i>n.m.</i>	11.7%
<i>Growth %</i>		<i>n.m.</i>	<i>n.m.</i>	<i>n.a.</i>
D&A and Provisions	(3)	(8)	(16)	(1,927)
<b>EBIT</b>	<b>(28)</b>	<b>(269)</b>	<b>(468)</b>	<b>463</b>
Financial Income and Expenses	(9)	7	(169)	(406)
Dividends	-	-	-	-
Holdings' value adjustment	-	577	703	703
Capital Gain	-	-	7,074	7,074
Extraordinary items	-	-	-	-
<b>EBT</b>	<b>(37)</b>	<b>315</b>	<b>7,139</b>	<b>7,833</b>
Taxes	(7)	-	(84)	(584)
<i>Tax Rate</i>	-19.0%	0.0%	1.2%	7.5%
<b>Net Income</b>	<b>(44)</b>	<b>315</b>	<b>7,055</b>	<b>7,249</b>
Minorities	-	(0)	-	53
<b>Net Income attributable to the Group</b>	<b>(44)</b>	<b>315</b>	<b>7,055</b>	<b>7,196</b>
<i>Net margin</i>	<i>n.m.</i>	<i>n.m.</i>	<i>n.m.</i>	35.4%
<i>Growth %</i>		<i>n.m.</i>	<i>n.m.</i>	<i>n.a.</i>

Source: Company data

### Consolidated Capital Structure Analysis

In 2022, RFLTC Group reached €23.8mn of total shareholder equity value (+€7mn YoY) and reached €14.5mn of financial assets, increasing by €3mn YoY.

In 2022, the group sold its stake in Maticmind for €12mn (in October 2022) and acquired 20% of Expo Inox for €6mn (in November 2022). Furthermore, during 2022, RFLTC acquired (for €1mn) and sold (for €1.1mn) 20% of Pistacchio. Looking at 2021, instead, the group closed two deals: a €5.2mn investment for 20% of Tesi S.r.l. and €1mn for the convertible bond of Solid World SpA.

Looking at trade receivables, we note that in 2021, of the €1.8mn dividends distributed by Tesi, ca. €800k have been paid in 2022 and therefore increased the 2021 consolidated trade receivables, while in 2022 trade receivables came back to €46k.

We note that RFLTC approved the distribution of a €625k dividend at the end of 2021.

At the end of FY22, RFLTC had a cash positive NFP equal to €9.2mn, with ca. €16mn of cash, and cash equivalents, €4.6mn of financial receivables, and ca. €11.5mn financial debt (€4.5mn



bond, €4.0mn bank loans and €3mn convertible bond). Adjusting for the convertible bond (ca. €3mn), which will be converted into equity at the IPO, the net cash would be equal to €12.2mn.

Looking at the Pro-Forma consolidated statement, fixed assets also include: i) ca. €1.8mn of Tangible assets and ca. €0.3mn coming from Movinter; ii) €11.2mn of goodwill coming from Movinter acquisition. 2022 Trade working capital moves from -€394k of the consolidated data to €3.9mn of Pro-forma data.

Including Movinter Net Debt, FY22PF NFP is equal to €6.4mn, including Movinter 2022 NFP equal to ca. €6mn and €11.5mn of Movinter acquisition (of which €3.0mn deferred payment).

#### Consolidated Balance Sheet

€ thousand	FY20A	FY21A	FY22A	FY22PF
Other LT Assets	-	100	-	-
Goodwill	-	-	-	11,247
Intangible	11	28	219	590
Tangible	-	-	24	1,811
Other LT Assets	6,256	11,529	14,484	14,627
<b>Fixed Assets</b>	<b>6,267</b>	<b>11,657</b>	<b>14,728</b>	<b>28,276</b>
Trade receivables	5	823	46	3,296
Inventory	-	-	-	6,176
Trade Payables	(16)	(256)	(439)	(5,491)
<b>Trade Working Capital</b>	<b>(11)</b>	<b>567</b>	<b>(394)</b>	<b>3,980</b>
Other assets and liabilities	7	133	256	(698)
<b>Net Working Capital</b>	<b>(4)</b>	<b>700</b>	<b>(138)</b>	<b>3,282</b>
<b>Other Provisions</b>	-	-	<b>(1)</b>	<b>(1,362)</b>
<b>Net Capital Employed</b>	<b>6,263</b>	<b>12,357</b>	<b>14,589</b>	<b>30,196</b>
Group shareholders' equity	6,126	16,558	23,787	23,787
Minority shareholders' equity	-	150	-	23
<b>Total shareholders' equity</b>	<b>6,126</b>	<b>16,708</b>	<b>23,787</b>	<b>23,809</b>
Short-term debt / Cash (-)	137	(4,351)	(20,690)	(12,666)
Long-term liabilities	-	-	11,492	19,053
<b>Net Financial Position</b>	<b>137</b>	<b>(4,351)</b>	<b>(9,198)</b>	<b>6,387</b>
<b>Sources</b>	<b>6,263</b>	<b>12,357</b>	<b>14,589</b>	<b>30,196</b>

Source: Company data

**Consolidated Cash Flow Statement**

€ Millions	FY21A	FY22A
<b>EBITDA</b>	<b>(262)</b>	<b>(452)</b>
Income Taxes	-	(84)
Change in NWC	(704)	838
Change in provision for employee	-	1
<b>Operating Cash Flow</b>	<b>(966)</b>	<b>302</b>
CAPEX	(25)	(232)
Investments in financial assets	(5,273)	(2,955)
<b>FCF</b>	<b>(6,263)</b>	<b>(2,884)</b>
Net financial income/(expenses)	7	(169)
Dividends Gained	-	-
Capital Gains	-	7,074
Extraordinary Items	-	-
Gains and Losses on Holdings	577	703
Change in other LT assets	(100)	-
Change in Total Shareholders' Equity	10,267	24
Dividend Paid	-	-
<b>Change in NFP</b>	<b>4,487</b>	<b>4,747</b>
Beginning NFP	137	(4,351)
IFRS16 - Debt	-	-
<b>Final NFP</b>	<b>(4,351)</b>	<b>(9,198)</b>

Source: Company data

## RFLTC Income Statement

RFLTC has a light income statement since its main income is related to the dividends paid by participating companies and fees for the advisory activity.

Indeed, looking at the top line, we find revenues coming from consulting services, which amounted to €80k in 2022 and to €30k in 2021.

Having outsourced all the activities to the company RedFish Management (RFM), RFLTC did not have any people expenses until the second half of 2022. In 2021, the management fees paid to RFM were equal to €210k and related to: i) monitoring and management of participating companies; and ii) legal support. Starting from 2H22 RFLTC insourced many activities, as represented in the group structure and organization.

2022 Net loss was equal to €610k, while in 2021 net income has been over €1.5mn, thanks to the €1.8mn dividend paid by Tesi S.r.l. (of which €1mn was paid in 2021 and €800k paid in 2022).

Income Statement			
€ thousand	FY20A	FY21A	FY22A
<b>Total Revenues</b>	<b>61</b>	<b>30</b>	<b>80</b>
<i>Growth %</i>		-50.8%	167.3%
Products and Raw materials	-	-	(0)
<b>Gross Profit</b>	<b>61</b>	<b>30</b>	<b>80</b>
Cost of Services	(26)	(289)	(453)
Rental Costs	-	-	(19)
Personnel Expenses	-	-	(33)
Other Operating Expenses	(1)	(1)	(5)
<b>EBITDA</b>	<b>34</b>	<b>(260)</b>	<b>(430)</b>
D&A and Provisions	(1)	(5)	(14)
<b>EBIT</b>	<b>33</b>	<b>(265)</b>	<b>(444)</b>
Financial Income and Expenses	(9)	2	(166)
Dividends	-	1,800	-
Capital Gain	-	-	-
Extraordinary items	-	-	-
<b>EBT</b>	<b>24</b>	<b>1,537</b>	<b>(610)</b>
Taxes	(7)	-	-
<i>Tax Rate</i>	29.2%	0.0%	0.0%
<b>Net Income</b>	<b>17</b>	<b>1,537</b>	<b>(610)</b>
Minorities	-	-	-
<b>Net Income attributable to the Group</b>	<b>17</b>	<b>1,537</b>	<b>(610)</b>

Source: Company data

## RFLTC Capital Structure Analysis

In 2022, RFLTC reached €16.5mn of equity capital – €10mn raised during 2021 – and reached €14mn of financial assets.

In 2022, the group sold its stake in Maticmind for €12mn (in October 2022) and acquired 20% of Expo Inox for €6mn (in November 2022). Furthermore, during 2022, RFLTC acquired (€for €1mn) and sold (for €1.1mn) 20% of Pistacchio. Looking at 2021, instead, the group closed two deals: a €5.2mn investment for 20% of Tesi S.r.l. and €1mn for the convertible bond of Solid World SpA.

Trade receivables decreased from €897k of 2021 to €106k of 2022, as of the €1.8mn dividends gained in 2021, ca. €800k have been paid in 2022 and therefore impacted the 2021 company's trade receivables.

At the end of FY22, the company had a cash positive NFP equal to €1.9mn, with €8.8mn of cash and €11.5mn of debt (€3.0mn convertible bond, €4.5mn of bond and €4.0mn of bank loans). We note that adjusting for the convertible bond (ca. €3mn), which will be converted into equity at the IPO, the net cash would be equal to €4.9mn.

### Balance Sheet

€ thousand	FY20A	FY21A	FY22A
Intangible	5	18	213
Tangible	-	-	0.0
Other LT Assets	6,293	12,973	14,270
<b>Fixed Assets</b>	<b>6,298</b>	<b>12,990</b>	<b>14,507</b>
Trade receivables	61	897	106
Inventory	-	-	-
Trade Payables	(14)	(253)	(292)
<b>Trade Working Capital</b>	<b>47</b>	<b>644</b>	<b>(186)</b>
Other assets and liabilities	(15)	186	232
<b>Net Working Capital</b>	<b>32</b>	<b>830</b>	<b>46</b>
<b>Other Provisions</b>	-	-	<b>(1)</b>
<b>Net Capital Employed</b>	<b>6,330</b>	<b>13,820</b>	<b>14,552</b>
Group shareholders' equity	6,187	17,684	16,460
Minority shareholders' equity	-	-	-
<b>Total shareholders' equity</b>	<b>6,187</b>	<b>17,684</b>	<b>16,460</b>
Short-term debt / Cash (-)	143	(3,864)	(13,400)
Long-term liabilities	-	-	11,492
<b>Net Financial Position</b>	<b>143</b>	<b>(3,864)</b>	<b>(1,908)</b>
<b>Sources</b>	<b>6,330</b>	<b>13,820</b>	<b>14,552</b>

Source: Company data

**Cash Flow Statement**

€ Millions	FY20A	FY21A	FY22A
<b>EBITDA</b>	<b>34</b>	<b>(260)</b>	<b>(430)</b>
Income Taxes	(7)	-	-
Change in NWC	(32)	(798)	784
Change in provision for employee	-	-	1
<b>Operating Cash Flow</b>	<b>(5)</b>	<b>(1,058)</b>	<b>355</b>
CAPEX	(6)	(18)	(234)
Investments in financial assets	(6,293)	(6,680)	(1,297)
<b>FCF</b>	<b>(6,304)</b>	<b>(7,755)</b>	<b>(1,176)</b>
Net financial income/(expenses)	(9)	2	(166)
Dividends Gained	-	1,800	-
Change in Total Shareholders' Equity	6,170	9,960	(614)
Dividend Paid	-	-	-
<b>Change in NFP</b>	<b>(143)</b>	<b>4,007</b>	<b>(1,956)</b>
Beginning NFP	-	143	(3,864)
<b>Final NFP</b>	<b>143</b>	<b>(3,864)</b>	<b>(1,908)</b>

Source: Company data

## Use of Proceeds

The IPO on the EGM market represents for RFLTC an opportunity to strengthen and accelerate its growth strategy. The IPO proceeds are expected to support:

- a. **New investments (33% of Use of Proceeds).** Investments mainly in **family-run companies** generating an **EBITDA > €2mn**, active in a market niche with a growing business able to pay a dividend. Investments will be combined with governance and advisory agreements in order to support the long-term growth of the holdings by providing management know-how, monitoring activities and support in the extraordinary financial transactions;
- b. **Add-on opportunities (33% of Use of Proceeds).** M&A activities of the current subsidiaries to integrate their offer, enter new markets and develop production synergies;
- c. **SICAF (33% of Use of Proceeds).** The setup of a SICAF in a joint venture with Banca Profilo with the aim of investing in **medium-sized companies with an EBITDA > €5mn** and an equity investment of at least €5mn with an IRR target of 15%. The SICAF will co-invest with RFLTC, which will act as lead investor and governance representative. The SICAF aims at raising at least €40mn, of which ca. €16mn–€20mn will be the commitment of its promoters, of which €10mn coming from RFLTC (€5mn expected to be directly injected by RFLTC and €5mn expected to be raised from RFLTC network). RFLTC has already established the vehicle that will invest in the SICAF, raising up to this point €450k. RFLTC will contribute to the management of the SICAF by introducing skilled and well-experienced figures, while Banca Profilo will be in charge of raising capital among institutional and professional investors and of managing the exit of holdings (i.e. IPO and M&A). The SICAF will have 7 years duration (+2 years option) and it will have: i) a carried interest of 20% of profits exceeding the 6% hurdle rate, and ii) an annual fee structure below 2% of the overall capital.

## Valuation

Being RFLTC in a start-up phase and with limited financials track-record, the valuation was obtained by using a sum-of-parts model, i.e. aggregating the value of the stakes held in the subsidiaries, whose values were calculated using:

- the market value for listed companies;
- the multiples method for private companies based on:
  - the industry multiples (source Damodaran) discounted by 20% to take into consideration the lower size and liquidity; or
  - multiples of comparables discounted by 20%.

We note that our valuation of subsidiaries is mainly based on FY22 data and therefore prudentially does not take into consideration any potential upside and cash-out related to the achievement of future earn-out targets of some subsidiaries (e.g. Tesi).

Considering RFLTC's FY22 net cash, equal to €9.2mn, adjusted for: i) €11.5mn cash-out related to the payment of Movinter's price; ii) €750k earn-out related to FY22 results of Tesi; iii) €2.99mn following the conversion of the bond at the IPO date with a strike price equal to the IPO price, leading to a higher shareholders equity and better net financial position; iv) IPO proceeds of ca. €4.0mn. Considering a 5-10% discount range, we derive an equity value of €43.3mn or €2.26ps.

### Valuation Recap

Valuation RFLTC	€mn	
Convergenze S.p.A.	1.7	
Tesi S.r.l.	8.2	
Solid World S.p.A.	4.2	
Expo Inox S.p.A.	9.1	
Movinter S.r.l.	19.6	
<b>Enterprise Value</b>	<b>42.8</b>	
RFLTC FY22 PFN	(9.2)	
RFLTC FY22 PFN Adj.	(4.0)	
<b>Equity Value</b>	<b>46.8</b>	
<i>Discount</i>	<i>10%</i>	<i>5%</i>
<b>Equity Value Post Discount</b>	<b>42.1</b>	<b>44.4</b>
<b>Average Equity Value</b>	<b>43.3</b>	
N. Azioni (mn)	19.1	
€/azione	2.26	

Source: FactSet, KT&Partners' Elaboration

## Holdings Valuation

### Valuation of listed companies

#### Convergenze S.p.A.

Being listed on the EGM market, Convergenze has been valued by taking the last month average market capitalization, deriving an equity market value of €13.5mn resulting in €1.7mn RFLTC's stake value.

#### Convergenze Valuation

##### Convergenze S.p.A.

€ million	
Avg. Mkt Cap (last month)	13.5
<b>Equity Market Value</b>	<b>13.5</b>
RFLTC stake (%)	12.5%
<b>RFLTC stake value (€ mn)</b>	<b>1.7</b>

Source: FactSet, KT&Partners' Elaboration

#### Solid World S.p.A.

In valuing SolidWorld we take the last month average market capitalization, also considering 3.4mn of not listed shares, deriving an Equity Value of €55.1mn. Furthermore, we take into account 1.4mn warrant owned by RFLTC valued at €0.7 per warrant. We therefore valued RFLTC's stake at €4.2mn.

#### Solid World Valuation

##### Solid World S.p.A.

€ million	
Avg. Mkt Cap (last month)	39.0
<b>Total Equity Value*</b>	<b>55.1</b>
RFLTC stake (%)	6.1%
<b>RFLTC stake value (€ mn)</b>	<b>3.4</b>
# warrant	1.4
<b>Warrant value</b>	<b>0.8</b>
<b>Total value (€ mn)</b>	<b>4.2</b>

\* also considering 3.4mn not listed shares

Source: FactSet, KT&Partners' Elaboration

### Valuation of unlisted companies

#### Tesi S.r.l.

To value Tesi we take the average 2019-22 EV/EBITDA multiple of the Aerospace industry (source Damodaran) discounted by 20% to take into consideration the lower size and liquidity of Tesi with respect to listed companies. We therefore derive an equity value of €40.8mn, implying a valorisation of RFLTC's stake at €8.2mn.

#### Tesi Valuation

€ million	
EBITDA	4.1
EV/EBITDA multiple	10.5x
EV	42.9
NFP	2.1
<b>Equity Value</b>	<b>40.8</b>
RFLTC stake (%)	20.0%
<b>RFLTC stake value (€ mn)</b>	<b>8.2</b>

Source: FactSet, KT&Partners' Elaboration



**Expo Inox S.p.A**

In valuing Expo Inox, we take the average FY22 EV/EBITDA multiple - discounted by 20% - of:

- i. Poujoulat (6.3x FY22E EV/EBITDA), a company that manufactures and sells metal chimneys and stacks for individual homes, collective housing. It is listed on the Euronext Paris stock exchange with a market capitalization of €204mn. In FY22, Poujoulat generated €402mn of revenue and the EBITDA is expected at ca. €48mn;
- ii. Uponor (10.6x FY22 EV/EBITDA) that provides indoor climate and plumbing solutions for residential and non-residential buildings. The company is listed on the Helsinki stock exchange with a market capitalization of €2.1bn. In FY22, Uponor generated €1.4bn of revenue with an EBITDA margin of 14.9%.

We therefore derive a valorisation of RFLTC's stake in Expo Inox at €9.1mn.

**Expo Inox Valuation**

€ million	
EBITDA	8.8
EV/EBITDA multiple	6.8x
EV	59.8
NFP	14.1
<b>Equity Value</b>	<b>45.7</b>
RFLTC stake (%)	20.0%
<b>RFLTC stake value (€ mn)</b>	<b>9.1</b>

Source: FactSet, KT&Partners' Elaboration

**Movinter S.r.l.**

In valuing Movinter the average FY22 EV/EBITDA multiple - discounted by 20% - of:

- Omer SpA (6.1x), an Italian company active in the development and production of railroad equipment and listed on the EGM with a market capitalization of €85.4mn. In FY22, Omer generated €58mn of revenue with an EBITDA margin 20.3%.
- Salcef Group (12.4x), an Italian company engaged in the design, construction and maintenance of railway infrastructures and equipment. Listed on the Euronext STAR Milan with a market capitalization of €1.4bn, in FY22 Salcef Group generated €555mn with an EBITDA margin of 18.8%.

We therefore derive a valorisation of RFLTC's stake in Movinter at €19.6mn.

**Movinter Valuation**

€ million	
EBITDA	3.3
EV/EBITDA multiple	7.4x
EV	24.5
NFP	4.1
<b>Equity Value</b>	<b>20.4</b>
RFLTC stake (%)	96.0%
<b>RFLTC stake value (€ mn)</b>	<b>19.6</b>

Source: FactSet, KT&Partners' Elaboration

## DISCLAIMER

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KT&PARTNERS

Via della Posta, 10 – Piazza Affari, 20123 Milano – Italy  
Tel: +39.02.83424007 Fax: +39.02.83424011  
[segreteria@ktepartners.com](mailto:segreteria@ktepartners.com)