

Centrale del Latte di Torino

FY15 Results

Centrale del Latte di Torino - Key estimates and data				
Y/E December		2015A	2016E	2017E
Revenues	EURM	96.85	97.34	98.31
EBITDA	EUR M	4.85	4.99	5.09
EBIT	EUR M	1.70	1.85	1.95
Net Income	EUR M	0.52	0.54	0.60
Dividend ord.	EUR	0.06	0	0
Adj. EPS	EUR	0.05	0.05	0.06
EV/EBITDA	x	11.4	10.4	10.1
Adj. P/E	x	67.4	54.5	48.7

A: actual; E: estimates; Source: Company data and Intesa Sanpaolo Research

- 4Q15/FY15 results.** CLT FY15 results were impacted by a trend inversion in 4Q15 food consumption vs. a slight recovery recorded in 9M15. The key points of the results were: 1) revenues at EUR 96.8M vs. EUR 100.4M in FY14A (vs. EUR 101M our expectation) as exports to China and the United Arab Emirates increased by 9.2%; 2) FY15 EBITDA was EUR 4.9M vs. EUR 5.8M in FY14A (and vs. EUR 7.2M expected); 3) FY15A net income came in at EUR 0.5M vs. EUR 0.8M in FY14A (FY14 benefited from a EUR 0.54M one-off gain) and vs. EUR 1.5M expected in FY15E; 4) DPS proposed at EUR 0.06/share remained unchanged vs. FY14A; and 5) net debt at EUR 20.7M vs. EUR 17.2M in FY14A.
- Outlook.** Management has disclosed a cautious FY16E outlook, as the overall market context remains uncertain due to the continuing weakness in families' food consumption. Regarding the raw material milk price, management expects the stability recorded in 2H15 to continue also in FY16. However, milk price negotiations with producers are still ongoing and should be defined by April end. We highlight that the group sets its raw material milk price contracts three months in advance.
- Timeframe of merger with CLF.P.L.** We highlight that in January 2016, the CLT Bod approved the merger with CLF.P.L which was subscribed on 4 December. The merger is subject to the approval by CLT shareholders following its approval by the CLF shareholders representing, overall, at least 80% of CLF's share capital. The group expects the merger to be effective within September 2016. The merger of the two groups will lead to a new entity called Centrale Latte d'Italia which should become the third largest milk/cheese player in Italy.
- Change in estimates.** We have revised our FY16E-17E forecasts, previously in line with management's disclosed BP targets, to incorporate a weak 4Q15 trend. We decreased our average FY16E-17E revenue forecasts by 8% and our average FY16E-17E EBITDA margin stands at 5.1% vs. 7.9% previously.
- Valuation.** Our DCF-based valuation for CLT, after revising our FY16E-17E estimates following the weak FY15 results and the cautious FY16E outlook disclosed by the group, points to a **EUR 3.1/share target price (and vs. EUR 4.2/share) and we change our recommendation to HOLD (from Buy).**
- Key risks.** In our view, the key risks of the ongoing merger process with CLF.P.L. mostly relate to the undefined timeframe and thus its execution. Other company risks relate to, in our view, potentially lower volumes sold as a result of a possible increase in the raw milk price. We also view the increasing competition from private labels as a risk, especially in the fresh milk product category, despite the group's key brand being quite defensive.

See page 13 for full disclosures and analyst certification

Banca IMI is Specialist to Centrale del Latte di Torino

7 April 2016

HOLD (from Buy)

Target Price: EUR 3.1
(from EUR 4.2)

Italy/Food Producers &
Processors
Company Update

Intesa Sanpaolo
Research Department

Marta Caprini
Research Analyst
+39 02 8794 9812
marta.caprini@intesasanpaolo.com

Corporate Brokerage Team
Alberto Francese
Gabriele Berti
Marta Caprini

Price performance, -1Y



Source: FactSet

Data priced on 06.04.2016	
Target price (€)	3.1
Target upside (%)	7.68
Market price (€)	2.92
52Wk range (€)	4.07/2.58
Market cap (€ M)	29.16
No. of shares	10.00
Free float (%)	43.0
Major shr	A. Artom
(%)	57.0
Reuters	CLT.MI
Bloomberg	CLT IM
FTSE IT All Sh	18896
Performance %	
Absolute	Rel. to FTSE IT All
-1M	-3.4 -1M
-3M	-11.9 -3M
-12M	-27.0 -12M

Source: FactSet and Intesa Sanpaolo
Research estimates

Banca IMI distributes this report issued by

INTESA SANPAOLO

Contents

4Q15/FY15 Results	3
Earnings Outlook	4
Valuation	7

4Q15/FY15 Results

CLT FY15 results were impacted by a weak 4Q15, affected by the uncertain reference market context denoted by a decrease in food consumption, in net contrast to the slight recovery recorded in 9M15. Despite the decreasing trend in revenues, CLT brands increased their market shares above 50% in their reference geographic regions. The key points of the FY15 results were:

FY15 revenues at EUR 96.8M vs. EUR 100.4M in FY14A (vs. EUR 101M our expectation).

By product, the decreasing trend in the fresh milk and UHT milk product categories reflected the impact of weakening consumption and management's strategic decision to decrease the promotional campaigns for UHT milk.

Among the growth drivers we highlight:

- Vegetable drinks, particularly soia and rice based drinks; benefited from the increasing trend in consumer health awareness;
- IV gamma salads (+17.3%);
- Exports increased by +9.2% to EUR 0.9M thanks to the development of the Chinese and UAE markets, which benefited from new contracts and distributors.

**Fresh milk and UHT milk
weak market trend**

Growth drivers

Centrale del Latte di Torino - Revenue breakdown (FY14-15A)			
EUR M	FY14A	FY15A	Chg %
Fresh milk	42.2	40.8	-3.4
UHT milk	20.7	18.5	-11.0
Yogurt	7.8	7.7	-2.1
IV gamma products	4.7	5.5	17.3
Vegetable drinks	0.6	1.3	108
Cream and milk	3.8	2.8	-25.9
Other products	20.3	19.5	-4.0
Export	0.9	0.9	9.2
Total	100.4	96.8	-3.6

A: actual; Source: Company data and Intesa Sanpaolo Research

FY15 EBITDA was EUR 4.9M vs. EUR 5.8M in FY14A (significantly below the EUR 7.2M expected) reflecting the top-line decrease and also a concentration of operating costs in 4Q15, such as EUR 0.3M in higher marketing and advertising costs mostly related to Vicenza.

FY15A net income came in at EUR 0.5M vs. EUR 0.8M in FY14A (FY14 benefiting from a EUR 0.54M one-off gain) vs. EUR 1.5M expected in FY15E.

Net debt was up to EUR 20.7M vs. EUR 17.2M in FY14A. FY15A net debt to equity is at 51% vs. 42% in FY14. The proposed DPS remained at EUR 0.06/share vs. FY1A.

Centrale del Latte di Torino - 4Q/FY15 results						
EUR M	4Q14A	4Q15A	Chg %	2014A	2015A	Chg %
Revenues	25.8	25.2	-2.4	100.4	96.9	-3.6
Value added	6.3	4.7	-25.0	20.1	19.5	-3.1
EBITDA	2.53	0.80	-68.6	5.8	4.9	-17.0
EBIT	1.74	0.29	-83.5	2.6	1.7	-35.1
Pre-tax profit	1.5	-0.3	-120.6	1.8	0.6	-66.6
Net profit	0.8	0.0	-97.6	0.8	0.5	-34.7
Value added margin (%)	24.3	18.7		20.1	20.2	
EBITDA margin (%)	9.8	3.2		5.8	5.0	
EBIT margin (%)	6.7	1.1		2.6	1.8	
Net margin (%)	3.3	0.1		0.8	0.5	

A: actual; E: estimates; Source: Company data and Intesa Sanpaolo Research

Earnings Outlook

Change in estimates

We have revised our FY16E-17E forecasts, previously in line with management's disclosed BP, to incorporate a weak 4Q15 trend, implying a net inversion in profitability vs. the 9M15 results and indicating an increasing effort from the group to support their brands with commercial investments in a weak reference sector context.

We decreased our average FY16E-17E revenue forecasts by 8% and now expect an average FY16E-17E EBITDA margin at 5.1% vs. 7.9% previously. In FY16E, we expect a +0.5% increase in revenues, EBITDA margin improving to 5.1% vs. 4.9% in FY15A and 5.8% in FY14A and a +3.6% increase in net profit.

Management has disclosed a cautious FY16E outlook, as the overall market context remains uncertain due to the continuing weakness in families' food consumption. Regarding the raw material milk price, management expects the stability recorded in 2H15 to continue also in FY16. However, negotiations with milk price producers are still ongoing and should be defined by April end. We highlight the group sets its raw material price milk contracts three months in advance.

A cautious FY16 outlook

Centrale del Latte di Torino - Change in estimates						
EUR M	2016E			2017E		
	OLD	NEW	Chg %	OLD	NEW	Chg %
Revenues	105.4	97.3	-7.6	108.1	98.3	-9.1
EBITDA	8.1	5.0	-38.5	8.8	5.1	-42.4
EBITDA margin (%)	7.7	5.1		8.2	5.2	
Net profit	2.0	0.5	-73.1	2.6	0.6	-76.6
Net debt	-11	-23		-7	-22	

A: actual; E: estimates; Source: Company data and Intesa Sanpaolo Research

We show below the FY14 and FY15 quarterly revenue and EBITDA growth trends.

Centrale del Latte di Torino - FY14 and FY15 quarterly revenue and EBITDA trend								
%	1Q14A	2Q14A	3Q14A	4Q14A	1Q15A	2Q15A	3Q15A	4Q15A
Revenue growth	+5	+4	+2.1	-2	-5.5	-3.9	-4.7	-2.4
EBITDA growth	-18	-7	-33	+102	+45	+3	+12	-69
EBITDA margin	5.2	4.2	3.8	9.8	7.9	4.5	4.4	3.0

A: actual; E: estimates; Source: Company data and Intesa Sanpaolo Research

CLT Merger with CLF.P.L

The agreement terms

We highlight that our forecasts exclude the aggregation of Centrale del Latte di Firenze, Pistoia e Livorno (CLF.P.L). Indeed, CLT and CLF.P.L approved the industrial aggregation of the two groups and the terms of the merger which will lead to a new entity called Centrale del Latte d'Italia (CLI) to be listed on the STAR segment and become the third milk/cheese player in Italy.

The key terms of the merger are:

- The merger envisages the industrial aggregation of Mukki within CLT. The share swap ratio is 1 new ordinary share of CLI for every 6.1965 ordinary shares of CLF. CLT will increase its share capital from EUR 20.6M to EUR 28.8M through the emission of 4,000,020 new CLT ordinary shares at the current nominal value of EUR 2.06 (current number of shares are 10M). The share swap does not envisage adjustment factors or a cash disbursement;
- Post-merger, the main shareholders will be: i) Finanziaria Centrale del Latte Torino Spa with 36.99% of the total share capital (vs. 56.9% in CLT pre-merger); ii) Comune di Firenze, 12.25%; iii) Fidi Toscana SpA, 6.83%; and iv) Comune di Pistoia, 5.26%. Following the merger, CLT will still trade on the STAR segment in Milan;

- Following the merger, shareholders who did not participate in the Board's approval of the merger itself, cannot exercise the withdrawal right;

Indicative timeframe

In January 2016, the CLT Bod approved the merger with CLF.P.L which was subscribed on 4 December. The merger is subject to the approval by CLT shareholders following its approval by the CLF shareholders representing, overall, at least 80% of CLF's share capital. The group expects the merger to be effective within September 2016.

**Final approval within
September 2016**

Summary of key strategic guidelines

Centrale del Latte d'Italia will benefit from a leadership position in the Piedmont, Tuscany, Liguria and Veneto regions, which together account for about 30% of the Italian fresh and UHT milk and yogurt market.

**3° player in the Italian dairy
market**

After the consolidation, we estimate the key products to be: fresh milk accounting for 44% of total revenues, UHT milk 22%, cream 6% and yogurts for 4%.

We highlight that CLT and CLF.P.L have a complementary geographic coverage of Northern Italy without production and/or commercial overlapping. The terms of the merger foresee: 1) the maintenance of separate corporate structures with operational autonomy, allowing continuity of management; and 2) the preservation of current employment levels while maintaining current local suppliers.

According to our elaboration on FY14 data, after the consolidation, Piedmont should account for 27% of total revenues, Tuscany 22%, Veneto 14% and exports for 7%.

According to management, the merger should bring significant opportunities in the product development/commercial front both for CLT and CLF.P.L. On the other hand, we see limited synergies on the costs front (i.e. raw materials, labour and structure costs) as the merger terms foresee the protection of the current contracts that are in place in terms of labour, suppliers and local agricultural realities.

**Limited synergies on the
costs front**

As for potential commercial/industrial developments, we highlight: 1) a more complete product range thanks to the Mukki integration; 2) a significant expansion of Mukki products through the commercial network of Centrale del Latte di Torino; 3) increased bargaining power with customers and suppliers; 4) a possibility to increase export volumes (i.e. China); and 5) an increased ability to invest in research and development.

Centrale del Latte di Torino – Key data		
	Centrale Latte Torino	CL Firenze, Pistoia, Livorno
Founded	1950	1951
Brands	Centrale Latte Torino Tapporosso CL Vicenza Piemonte	Mukki
Labour force	260	173
Production plants	4 Turin Rapallo (GE) Vicenza Casteggio (PV)	1 Florence
FY14 Sales	100.4	88.8
FY12-14 Sales CAGR(%)	1.0	-3.2
FY14 EBITDA margin (%)	5.8	6
FY14 net debt (EUR M)	17	39.3

Source: Company data and Intesa Sanpaolo Research

Centrale Latte d'Italia - key profit and loss data

While awaiting the merger's full execution, we maintain the following assumptions on the aggregate figures for Centrale del Latte d'Italia. Specifically we applied to the FY15 aggregate

the same revenue trend and profitability reported by CLT in FY15 (as CLFPL has not yet disclosed FY15).

Our other FY16E assumptions are:

- In the raw material milk price we incorporate in our FY16E-17E a stable trend;
- A slight increase in labour costs as we do not expect synergies with the aggregation in view of the shareholder agreements related to the continuity of management and preservation of the current employment levels.

Centrale del Latte di Torino - Aggregate P&L				
EUR M	2014A	2015A	2016E	2017E
Revenues	187	183	184	186
Value added	36.9	35.3	36	36
EBITDA	11.50	9.92	10.2	10.5
EBIT	4.8	3.1	3.3	3.5
Pre-tax profit	2.89	1.24	1.5	1.9
Net profit	0.99	0.50	0.6	0.7
Number of shares (m)	14.0	14.0	14.0	14.0
EPS	0.071	0.035	0.044	0.053
Revenue growth (%)	90.4	-2.1	0.5	1.0
EBITDA growth (%)	114	-13.7	2.7	2.8
EBIT growth (%)	321	-34.6	6.4	6.6
Net profit growth (%)	-21.7	-50.0	24.1	20.7
EBITDA margin (%)	6.2	5.4	5.5	5.6
EBIT margin (%)	2.5	1.7	1.8	1.9
Net margin (%)	0.5	0.3	0.3	0.4
Tax rate (%)	65.6	60.0	60.0	60.0

A: actual; E: estimates; Source: Company data and Intesa Sanpaolo Research

Valuation

DCF of CLT standalone

- Our DCF-based valuation, after the revision of our FY16E-17E estimates following the weak FY15 results and the cautious FY16E outlook disclosed by the group, points to a **EUR 3.14/share target price (vs. EUR 4.19/share our previous target price) and we change our recommendation to HOLD (from Buy).**

Our key 2015A-26E DCF assumptions are: a 5.2% WACC based on a 41% gearing ratio, 1.75% risk-free rate and 5.50% risk premium, a 1.0% sales CAGR (vs. 2.4% previously), a 1% perpetual growth rate (vs. 2% previously) and a 2.0% EBIT margin (4.0% previously).

Centrale del Latte di Torino - WACC calculation		Centrale del Latte di Torino – DCF key assumptions (%)	
Gearing ratio %	41	Sales 2015A-25E CAGR	1.0
Risk-free rate %	1.75	Perpetual growth rate	1.0
Risk premium %	5.50	EBIT margin 2015A-25E avg	2.0
Beta*(x)	0.95	EBIT 2015A-25E CAGR	2.2
Required return %	7.0	Tax rate 2015A-25E avg.	47
WACC %	5.2	Capex to sales 2015A-25E avg.	2
		Working capital to sales 2015A-25E	0

Source: *Bloomberg, Intesa Sanpaolo Research estimates

Source: Intesa Sanpaolo Research estimates

Centrale del Latte di Torino - DCF valuation (EUR M)	
Forecast cash flows	7
Terminal value	45
Enterprise value	52
Net cash/-debt	-21
Equity value	31
Number of shares (M)	10.0
Equity value per share (EUR)	3.14

Source: Intesa Sanpaolo Research estimates

Centrale del Latte di Torino – Sensitivity analysis					
EUR/share	Growth rate%				
Discount rate%	0.0	0.5	1.0	1.5	2.0
4.2	3.6	4.3	5.2	6.3	8.1
4.7	2.9	3.4	4.0	4.8	6.0
5.2	2.3	2.7	3.14	3.7	4.5
5.7	1.8	2.1	2.5	2.9	3.5
6.2	1.4	1.6	1.9	2.3	2.7

Source: Intesa Sanpaolo Research estimates

Potential impact from CLF.L.P. integration

Since potential synergies from the CLF.L.P. integration on the commercial product development, which is part of the group's strategy, are not included in our forecasts, we show below the potential impact from additional volume growth in FY16, with all other assumptions being equal, to our EBITDA and our DCF based equity valuation.

Sensitivity from additional volume growth				
EUR M	Base case	1.0	2.0	3.0
Revenues	184	185	186	187
EBITDA	10.19	10.25	10.30	10.36
Impact on current EBITDA (%)	0.0	0.5	1.1	1.6
Value accretion	0.00	0.57	1.12	1.68
CLT FY16E EV/EBITDA multiple	9.98	9.98	9.98	9.98
Impact on DCF Equity (%)	0	2	4	5

Source: Company data and Intesa Sanpaolo Research

Multiples comparison

In the table below, we show the 2016E-17E peers' multiples in terms of EV/sales, EV/EBITDA and P/E, taken from FactSet consensus estimates. CLT trades at a discount in terms of EV/EBITDA and is at a premium with the FY16E-17E PE peers' average.

	Price EUR	Mkt cap EUR M	EV/Sales (x)		EV/EBITDA (x)		P/E (x)	
			2016E	2017E	2016E	2017E	2016E	2017E
Dean Foods Co.	15.09	1,575	0.30	0.28	5.50	5.31	13.0	12.6
Associated British Foods PLC	42.23	26,909	2.05	1.86	17.60	15.26	33.8	28.8
Dairy Crest Group PLC	7.60	860	2.23	2.20	10.71	10.19	15.3	14.7
Saputo Inc.	27.06	15,925	1.48	1.41	13.15	12.35	22.5	21.2
Emmi AG	489.83	2,854	0.89	0.83	9.13	8.49	22.3	21.1
Parmalat S.p.A.	2.42	4,484	0.58	0.56	8.02	7.11	23.0	18.6
Average			1.25	1.19	10.69	9.78	21.6	19.5
CLT	2.92	29	0.50	0.50	10.0	9.8	54.5	48.8
Premium/-discount (%)			-59.8	-58.0	-6.6	0.2	152	150

Priced at 5/4/2016; E: estimates; Source: Company data and Intesa Sanpaolo Research

Centrale del Latte di Torino - Key data						
Rating	Target price (EUR/sh)	Mkt price (EUR/sh)	Sector	Free float (%)	Reuters Code	
HOLD	Ord 3.1	Ord 2.92	Food Producers & Processors	43.0	CLT.MI	
Values per share (EUR)			2014A	2015A	2016E	2017E
No. ordinary shares (M)			10.00	10.00	10.00	10.00
No. NC saving/preferred shares (M)			0.00	0.00	0.00	0.00
Total no. of shares (M)			10.00	10.00	10.00	10.00
Market cap			30.17	34.86	29.16	29.16
Adj. EPS			0.08	0.05	0.05	0.06
CFPS			0.40	0.37	0.37	0.37
BVPS			4.0	4.1	4.1	4.1
Dividend ord			0.06	0.06	0	0
Dividend SAV Nc			0	0	0	0
Income statement (EUR M)			2014A	2015A	2016E	2017E
Revenues			100.4	96.85	97.34	98.31
EBITDA			5.85	4.85	4.99	5.09
EBIT			2.62	1.70	1.85	1.95
Pre-tax income			1.80	0.60	0.85	0.95
Net income			0.79	0.52	0.54	0.60
Adj. net income			0.79	0.52	0.54	0.60
Cash flow (EUR M)			2014A	2015A	2016E	2017E
Net income before minorities			0.8	0.5	0.5	0.6
Depreciation and provisions			3.2	3.2	3.1	3.1
Others/Uses of funds			0	0	0	0
Change in working capital			1.4	2.0	-2.1	0
Operating cash flow			5.4	5.7	1.5	3.7
Capital expenditure			-2.1	-4.0	-3.0	-3.0
Financial investments			-0.2	0	0	0
Acquisitions and disposals			0	0	0	0
Free cash flow			3.1	1.7	-1.5	0.7
Dividends			-0.6	-0.6	-0.6	0
Equity changes & Other non-operating items			0.2	-4.5	0	0
Net cash flow			2.8	-3.5	-2.1	0.7
Balance sheet (EUR M)			2014A	2015A	2016E	2017E
Net capital employed			57.7	61.5	63.5	63.3
of which associates			0	0	0	0
Net debt/-cash			17.2	20.7	22.7	22.0
Minorities			0	0	0	0
Net equity			40.5	40.8	40.7	41.3
Minorities value			0	0	0	0
Enterprise value			47.4	55.5	51.9	51.1
Stock market ratios (x)			2014A	2015A	2016E	2017E
Adj. P/E			38.1	67.4	54.5	48.7
P/CFPS			7.5	9.5	7.9	7.8
P/BVPS			0.75	0.85	0.72	0.71
Payout (%)			76	116	0	0
Dividend yield (% ord)			2.0	1.7	0	0
FCF yield (%)			10.4	4.8	-5.0	2.5
EV/sales			0.47	0.57	0.53	0.52
EV/EBITDA			8.1	11.4	10.4	10.1
EV/EBIT			18.1	32.7	28.0	26.2
EV/CE			0.82	0.90	0.82	0.81
D/EBITDA			2.9	4.3	4.5	4.3
D/EBIT			6.6	12.2	12.3	11.3
Profitability & financial ratios (%)			2014A	2015A	2016E	2017E
EBITDA margin			5.8	5.0	5.1	5.2
EBIT margin			2.6	1.8	1.9	2.0
Tax rate			56.1	14.3	37.0	37.0
Net income margin			0.8	0.5	0.6	0.6
ROCE			4.5	2.8	2.9	3.1
ROE			2.0	1.3	1.3	1.5
Interest cover			3.2	1.6	1.9	2.0
Debt/equity ratio			42.5	50.6	55.8	53.2
Growth (%)			2015A	2016E	2017E	
Sales			-3.6	0.5	1.0	
EBITDA			-17.0	3.0	1.9	
EBIT			-35.1	8.9	5.4	
Pre-tax income			-66.6	41.0	11.8	
Net income			-34.7	3.6	11.8	
Adj. net income			-34.7	3.6	11.8	

NM: not meaningful; NA: not available; A: actual; E: estimates; Source: Company data and Intesa Sanpaolo Research

Notes

Notes

Notes

Disclaimer

Analyst certification

The financial analysts who prepared this report, and whose names and roles appear within the document, certify that:

1. The views expressed on company mentioned herein accurately reflect independent, fair and balanced personal views; 2. No direct or indirect compensation has been or will be received in exchange for any views expressed.

Specific disclosures

1. Neither the analysts nor any member of the analysts' households have a financial interest in the securities of the Company.
2. Neither the analysts nor any member of the analysts' households serve as an officer, director or advisory board member of the Company.
3. Some of the analysts named in the document are members of AIAF
4. The analysts named in this document are not registered with or qualified by FINRA, the U.S. regulatory body with oversight over Banca IMI Securities Corp. Accordingly, the analysts may not be subject to FINRA Rule 2241 and NYSE Rule 472 with respect to communications with a subject company, public appearances and trading securities in a personal account. For additional information, please contact the Compliance Department of Banca IMI Securities Corp at 212-326-1133.
5. The analysts of this report do not receive bonuses, salaries, or any other form of compensation that is based upon specific investment banking transactions.
6. The research department supervisors do not have a financial interest in the securities of the Company.

This research has been prepared by Intesa Sanpaolo SpA and distributed by Banca IMI SpA Milan, Banca IMI SpA-London Branch (a member of the London Stock Exchange) and Banca IMI Securities Corp (a member of the NYSE and FINRA). Intesa Sanpaolo SpA accepts full responsibility for the contents of this report and also reserves the right to issue this document to its own clients. Banca IMI SpA and Intesa Sanpaolo SpA, which are both part of the Intesa Sanpaolo Group, are both authorised by the Banca d'Italia and are both regulated by the Financial Services Authority in the conduct of designated investment business in the UK and by the SEC for the conduct of US business.

Opinions and estimates in this research are as at the date of this material and are subject to change without notice to the recipient. Information and opinions have been obtained from sources believed to be reliable, but no representation or warranty is made as to their accuracy or correctness. Past performance is not a guarantee of future results. The investments and strategies discussed in this research may not be suitable for all investors. If you are in any doubt you should consult your investment advisor.

This report has been prepared solely for information purposes and is not intended as an offer or solicitation with respect to the purchase or sale of any financial products. It should not be regarded as a substitute for the exercise of the recipient's own judgment. No Intesa Sanpaolo SpA or Banca IMI SpA entities accept any liability whatsoever for any direct, consequential or indirect loss arising from any use of material contained in this report. This document may only be reproduced or published together with the name of Intesa Sanpaolo SpA and Banca IMI SpA.

Intesa Sanpaolo SpA and Banca IMI SpA have in place a Joint Conflicts Management Policy for managing effectively the conflicts of interest which might affect the impartiality of all investment research which is held out, or where it is reasonable for the user to rely on the research, as being an impartial assessment of the value or prospects of its subject matter. A copy of this Policy is available to the recipient of this research upon making a written request to the Compliance Officer, Intesa Sanpaolo SpA, 90 Queen Street, London EC4N 1SA. Intesa Sanpaolo SpA has formalised a set of principles and procedures for dealing with conflicts of interest ("Research Policy"). The Research Policy is clearly explained in the relevant section of Intesa Sanpaolo's web site (www.intesasanpaolo.com).

Member companies of the Intesa Sanpaolo Group, or their directors and/or representatives and/or employees and/or members of their households, may have a long or short position in any securities mentioned at any time, and may make a purchase and/or sale, or offer to make a purchase and/or sale, of any of the securities from time to time in the open market or otherwise.

Intesa Sanpaolo SpA issues and circulates research to Major Institutional Investors in the USA only through Banca IMI Securities Corp., 1 William Street, New York, NY 10004, USA, Tel: (1) 212 326 1150.

Residents in Italy: This document is intended for distribution only to professional clients and qualified counterparties as defined in Consob Regulation no. 16190 of 29.10.2007, as subsequently amended and supplemented, either as a printed document and/or in electronic form.

Person and residents in the UK: This document is not for distribution in the United Kingdom to persons who would be defined as private customers under rules of the FSA.

US persons: This document is intended for distribution in the United States only to Major US Institutional Investors as defined in SEC Rule 15a-6. US Customers wishing to effect a transaction should do so only by contacting a representative at Banca IMI Securities Corp. in the US (see contact details above).

Coverage policy and frequency of research reports

The list of companies covered by the Research Department is available upon request. Intesa Sanpaolo SpA aims to provide continuous coverage of the companies on the list in conjunction with the timing of periodical accounting reports and any exceptional event that affects the issuer's operations. The companies for which Banca IMI acts as sponsor or specialist or other regulated roles are covered in compliance with regulations issued by regulatory bodies with jurisdiction. In the case of a short note, we advise investors to refer to the most recent company report published by Intesa Sanpaolo SpA's Research Department for a full analysis of valuation methodology, earnings assumptions, risks and the historical of recommendation and target price. In the Equity Daily note the Research Department reconfirms the previously published ratings and target prices on the covered companies (or alternatively such ratings and target prices may be placed Under Review). Research is available on Banca IMI's web site (www.bancaimi.com) or by contacting your sales representative.

Valuation methodology (long-term horizon: 12M)

The Intesa Sanpaolo SpA Equity Research Department values the companies for which it assigns recommendations as follows:

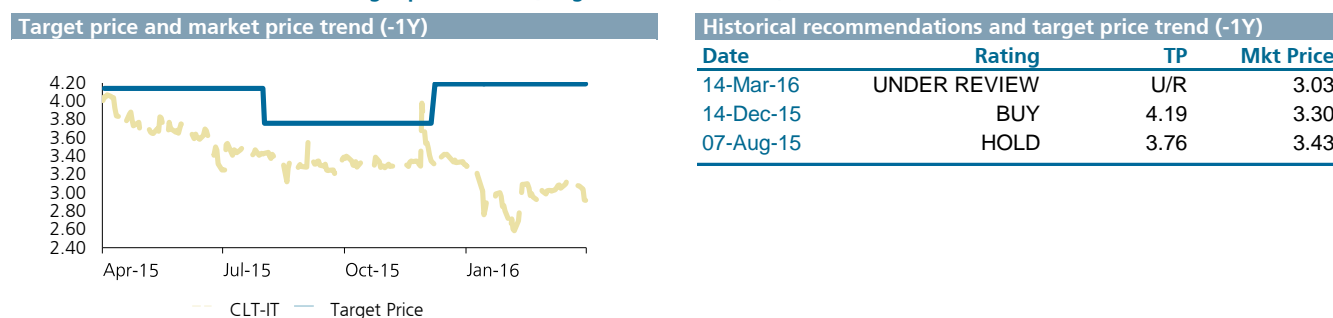
We obtain a fair value using a number of valuation methodologies including: discounted cash flow method (DCF), dividend discount model (DDM), embedded value methodology, return on allocated capital, break-up value, asset-based valuation method, sum-of-the-parts, and multiples-based models (for example PE, P/BV, PCF, EV/Sales, EV/EBITDA, EV/EBIT, etc.). The financial analysts use the above valuation methods alternatively and/or jointly at their discretion. The assigned target price may differ from the fair value, as it also takes into account overall market/sector conditions, corporate/market events, and corporate specifics (ie, holding discounts) reasonably considered to be possible drivers of the company's share price performance. These factors may also be assessed using the methodologies indicated above.

Equity rating key: (long-term horizon: 12M)

In its recommendations, Intesa Sanpaolo SpA uses an "absolute" rating system, which is not related to market performance and whose key is reported below:

Equity rating key (long-term horizon: 12M)	
Long-term rating	Definition
BUY	If the target price is 20% higher than the market price
ADD	If the target price is 10%-20% higher than the market price
HOLD	If the target price is 10% below or 10% above the market price
REDUCE	If the target price is 10%-20% lower than the market price
SELL	If the target price is 20% lower than the market price
RATING SUSPENDED	The investment rating and target price for this stock have been suspended as there is not a sufficient fundamental basis for determining an investment rating or target. The previous investment rating and target price, if any, are no longer in effect for this stock.
NO RATING	The company is or may be covered by the Research Department but no rating or target price is assigned either voluntarily or to comply with applicable regulations and/or firm policies in certain circumstances, including when Intesa Sanpaolo is acting in an advisory capacity in a merger or strategic transaction involving the company.
TARGET PRICE	The market price that the analyst believes the share may reach within a one-year time horizon
MARKET PRICE	Closing price on the day before the issue date of the report, as indicated on the first page, except where otherwise indicated

Historical recommendations and target price trends (long-term horizon: 12M)



Equity rating allocations (long-term horizon: 12M)

Intesa Sanpaolo Research Rating Distribution (at February 2016)					
Number of companies considered: 100	BUY	ADD	HOLD	REDUCE	SELL
Total Equity Research Coverage relating to last rating (%)	37	30	33	0	0
of which Intesa Sanpaolo's Clients % (*)	78	67	61	0	0

(*) Companies on behalf of whom Intesa Sanpaolo and the other companies of the Intesa Sanpaolo Group have provided corporate and Investment banking services in the last 12 months; percentage of clients in each rating category

Valuation methodology (short-term horizon: 3M)

Our short-term investment ideas are based on ongoing special market situations, including among others: spreads between share categories; holding companies vs. subsidiaries; stub; control chain reshuffling; stressed capital situations; potential extraordinary deals (including capital increase/delisting/extraordinary dividends); and preys and predators. Investment ideas are presented either in relative terms (e.g. spread ordinary vs. savings; holding vs. subsidiaries) or in absolute terms (e.g. preys).

The companies to which we assign short-term ratings are under regular coverage by our research analysts and, as such, are subject to fundamental analysis and long-term recommendations. The main differences attain to the time horizon considered (monthly vs. yearly) and definitions (short-term 'long/short' vs. long-term 'buy/sell'). Note that the short-term relative recommendations of these investment ideas may differ from our long-term recommendations. We monitor the monthly performance of our short-term investment ideas and follow them until their closure.

Equity rating key (short-term horizon: 3M)

Equity rating key (short-term horizon: 3M)	
Short-term rating	Definition
LONG	Stock price expected to rise or outperform within three months from the time the rating was assigned due to a specific catalyst or event
SHORT	Stock price expected to fall or underperform within three months from the time the rating was assigned due to a specific catalyst or event

Company specific disclosures

Intesa Sanpaolo S.p.A. and the other companies belonging to the Intesa Sanpaolo Banking Group (jointly also the "Intesa Sanpaolo Banking Group") have adopted written guidelines "Modello di Organizzazione, Gestione e Controllo" pursuant to Legislative Decree 8 June, 2001 no. 231 (available at the Intesa Sanpaolo website, webpage http://www.group.intesasnpaolo.com/scripts/sir0/si09/governance/eng_wp_governance.jsp, along with a summary sheet, webpage <https://www.bancaimi.com/en/bancaimi/chiamo/documentazione/normative>) setting forth practices and procedures, in accordance with applicable regulations by the competent Italian authorities and best international practice, including those known as Information Barriers, to restrict the flow of information, namely inside and/or confidential information, to prevent the misuse of such information and to prevent any conflicts of interest arising from the many activities of the Intesa Sanpaolo Banking Group which may adversely affect the interests of the customer in accordance with current regulations.

In particular, the description of the measures taken to manage interest and conflicts of interest – related to Articles 69-quater and 69-quinquies of the Issuers' Regulation issued by Consob with Resolution no. 11971 of 14.05.1999 as subsequently amended and supplemented, Article 24 of "Rules governing central depositories, settlement services, guarantee systems and related management companies" issued by Consob and Bank of Italy, FINRA Rule 2241 and NYSE Rule 472, as well as the FCA Conduct of Business Sourcebook rules COBS 12.4.9 and COBS 12.4.10 - between the Intesa Sanpaolo Banking Group and issuers of financial instruments, and their group companies, and referred to in research products produced by analysts at Intesa Sanpaolo is available in the "Research Rules" and in the extract of "A business model for managing privileged information and conflicts of interest" published on the website of Intesa Sanpaolo S.p.A.

At the Intesa Sanpaolo website, webpage http://www.group.intesasnpaolo.com/scripts/sir0/si09/studi/eng_archivio_conflitti.jsp you can find the archive of Intesa Sanpaolo Banking Group's conflicts of interest.

Furthermore, we disclose the following information on the Intesa Sanpaolo Banking Group's conflicts of interest:

- 1 One or more of the companies of the Intesa Sanpaolo Banking Group plan to solicit investment banking business or intends to seek compensation from Centrale del Latte di Torino in the next three months
- 2 Banca IMI acts as Specialist relative to securities issued by Centrale del Latte di Torino

Intesa Sanpaolo Research Department – Head of Research Department: Gregorio De Felice**Head of Equity & Credit Research**

Giampaolo Trasi	+39 02 8794 9803	giampaolo.trasi@intesasnpaolo.com
-----------------	------------------	-----------------------------------

Equity Research

Monica Bosio	+39 02 8794 9809	monica.bosio@intesasnpaolo.com
Luca Bacoccoli	+39 02 8794 9810	luca.bacoccoli@intesasnpaolo.com
Antonella Frongillo	+39 02 8794 9688	antonella.frongillo@intesasnpaolo.com
Manuela Meroni	+39 02 8794 9817	manuela.meroni@intesasnpaolo.com
Gian Luca Pacini	+39 02 8794 9818	gianluca.pacini@intesasnpaolo.com
Elena Perini	+39 02 8794 9814	elena.perini@intesasnpaolo.com
Bruno Permutti	+39 02 8794 9819	bruno.permutti@intesasnpaolo.com
Roberto Ranieri	+39 02 8794 9822	roberto.ranieri@intesasnpaolo.com
Meris Tonin	+39 02 8794 1119	meris.tonin@intesasnpaolo.com

Corporate Broking Research

Alberto Francese	+39 02 8794 9815	alberto.francese@intesasnpaolo.com
Gabriele Berti	+39 02 8794 9821	gabriele.berti@intesasnpaolo.com
Marta Caprini	+39 02 8794 9812	marta.caprini@intesasnpaolo.com

Technical Analysis

Corrado Binda	+39 02 8021 5763	corrado.binda@intesasnpaolo.com
Sergio Mingolla	+39 02 8021 5843	antonio.mingolla@intesasnpaolo.com

Research Clearing & Production

Anna Whatley	+39 02 8794 9824	anna.whatley@intesasnpaolo.com
Bruce Marshall	+39 02 8794 9816	robert.marshall@intesasnpaolo.com
Annita Ricci	+39 02 8794 9823	annita.ricci@intesasnpaolo.com
Wendy Ruggeri	+39 02 8794 9811	wendy.ruggeri@intesasnpaolo.com
Elisabetta Bugliesi (IT support)	+39 02 8794 9877	elisabetta.bugliesi@intesasnpaolo.com

Banca IMI SpA**Institutional Sales**

Catherine d'Aragon	+39 02 7261 5929	catherine.daragon@bancaimi.com
Carlo Cavaliere	+39 02 7261 2722	carlo.cavaliere@bancaimi.com
Stefan Gess	+39 02 7261 5927	stefan.gess@bancaimi.com
Francesca Guadagni	+39 02 7261 5817	francesca.guadagni@bancaimi.com
Federica Repetto	+39 02 7261 5517	federica.repetto@bancaimi.com
Daniela Stucchi	+39 02 7261 5708	daniela.stucchi@bancaimi.com
Marco Tinessa	+39 02 7261 2158	marco.tinessa@bancaimi.com
Mark Wilson	+39 02 7261 2758	mark.wilson@bancaimi.com

Corporate Broking

Carlo Castellari	+39 02 7261 2122	carlo.castellari@bancaimi.com
Laura Spinella	+39 02 7261 5782	laura.spinella@bancaimi.com

Sales Trading

Lorenzo Pennati	+39 02 7261 5647	lorenzo.pennati@bancaimi.com
-----------------	------------------	------------------------------

Equity Derivatives Institutional Sales

Emanuele Manini	+39 02 7261 5936	emanuele.manini@bancaimi.com
Umberto De Paoli	+44 207 894 2456	umberto.depaoli@bancaimi.com
Francesca Dizione	+39 02 7261 2759	francesca.dizione@bancaimi.com
Enrico Ferrari	+39 02 7261 2806	enrico.ferrari@bancaimi.com
Alessandro Monti	+44 207 894 2412	alessandro.monti@bancaimi.com

Banca IMI SpA – Head of Market Hub: Gherardo Lenti Capoduri**E-commerce Distribution**

Alessandra Minghetti	+39 02 7261 2973	alessandra.minghetti@bancaimi.com
Francesco Riccardi	+39 02 7261 2089	francesco.riccardi@bancaimi.com
Umberto Menconi	+39 02 7261 5492	umberto.menconi@bancaimi.com
Filippo Besozzi	+39 02 7261 5922	filippo.besozzi@bancaimi.com
Fabio Del Gobbo (London Office)	+44 207 894 2432	fabio.delgobbo@bancaimi.com

Brokerage & Execution

Sergio Francolini	+39 02 7261 5859	sergio.francolini@bancaimi.com
-------------------	------------------	--------------------------------

Banca IMI Securities Corp.**US Institutional Sales**

Larry Meyers	+1 212 326 1241	larry.meyers@bancaimi.com
Barbara Leonardi	+1 212 326 1232	barbara.leonardi@bancaimi.com
Greg Principe	+1 212 326 1233	greg.principe@bancaimi.com

Banca IMI SpA

Largo Mattioli, 3
20121 Milan, Italy
Tel: +39 02 7261 1

Banca IMI Securities Corp.

1 William Street
10004 New York, NY, USA
Tel: (1) 212 326 1100

Banca IMI London Branch

90 Queen Street
London EC4N 1SA, UK
Tel +44 207 894 2600