

# Centrale del Latte di Torino

## Shaping Centrale Latte d'Italia

Centrale del Latte di Torino - Key estimates and data					
Y/E December		2014A	2015E	2016E	2017E
Revenues	EURM	100.4	101.2	105.4	108.1
EBITDA	EUR M	5.85	7.23	8.12	8.83
EBIT	EUR M	2.62	3.35	3.96	4.73
Net Income	EUR M	0.79	1.46	1.99	2.56
Dividend ord.	EUR	0	0	0	0
Adj. EPS	EUR	0.08	0.15	0.20	0.26
EV/EBITDA	x	8.1	7.0	6.2	5.7
Adj. P/E	x	38.1	22.9	16.8	13.1

A: actual; E: estimates; Source: Company data and Intesa Sanpaolo Research. Note: Figures refer to CLT premerger.

- CLT merger terms with CL Firenze, Pistoia e Livorno.** Centrale Latte Torino (CLT) and Centrale del Latte di Firenze, Pistoia e Livorno (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.
- Post-merger shareholders.** 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%.
- Potential synergies.** According to management, there are significant post-merger 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 as the merger terms foresee the protection of the current contracts, in place, in terms of labour, suppliers and local agricultural realities. As for potential commercial/industrial developments, we highlight: 1) a more complete product range offered thanks to the Mukki integration; 2) a significant expansion of Mukki products through the commercial network of Centrale del Latte di Torino; 3) an increased bargaining power with customers and suppliers; 4) a possibility to increase the volumes of export (i.e. China); and 5) an increased ability to invest in research and development.
- Centrale Latte d'Italia - our merged entity estimates.** While awaiting the formal approval of the merger expected in March 2016 and management's Business Plan, we provide more detail on the aggregate figures for Centrale del Latte d'Italia which foresee EUR 182M revenues in FY15; a 1.5% FY15E-17E revenue CAGR and a 9.7% net profit CAGR. FY14 net debt stands at EUR 56M. Our key FY15E-17E CLI assumptions are: 1) synergies on commercial product development should lead to volumes increases; 2) in the raw material milk price, after a 20% decrease expected in the market in FY15E, we incorporate in our FY16E-17E a stable trend.
- Valuation.** We have incorporated in our DCF based valuation our Centrale Latte d'Italia's earnings assumptions. Our valuation points to a **EUR 4.19/share target price (EUR 3.76/share previously) implying a BUY recommendation (vs. Hold previously)**. In our multiples comparison, the stock is currently trading at a 36% discount in terms of FY15E-16E EV/EBITDA and in line with PE.
- 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 and 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

15 December 2015

**BUY** (from Hold)

Target Price: EUR 4.19  
(from EUR 3.76)

Italy/Food Producers &  
Processors  
Company Update

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Price performance, -1Y



Source: FactSet

Data priced on 14.12.2015		
Target price (€)	4.19	
Target upside (%)	26.82	
Market price (€)	3.30	
52Wk range (€)	4.17/2.68	
Market cap (€ M)	33.04	
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	22229	
Performance %		
Absolute	Rel. to FTSE IT All	
-1M	1.8 -1M	7.9
-3M	-1.5 -3M	1.2
-12M	20.2 -12M	7.2

Source: FactSet and Intesa Sanpaolo  
Research estimates  
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## CLT Merger with CL.F.P.L

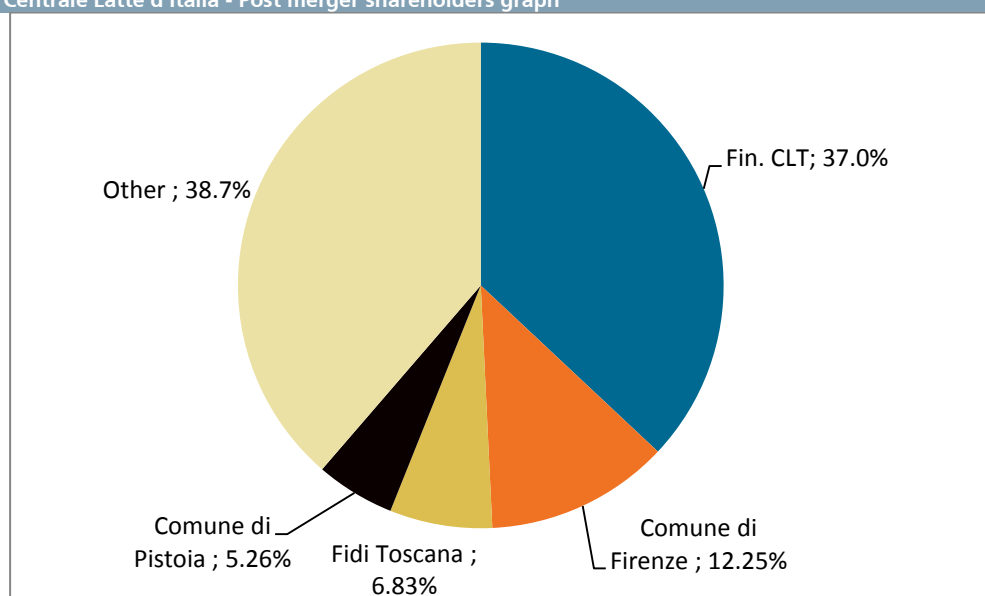
### The agreement terms

Centrale Latte di Torino (CLT) and Centrale del Latte di Firenze, Pistoia e Livorno (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;

The merger's final outcome still hinges on, the subscription of an agreement among shareholders aiming to group at least 51% of the total share capital post-merger.

Centrale Latte d'Italia - Post merger shareholders graph



Source: Company data

### Indicative timeframe

The final aggregation project still hinges on the approval from both group's Board of directors on 25 January 2016; and within 25 March 2016 from the extraordinary meetings of CLT and CLF.P.L.

**Indicative approval on  
March 2016**

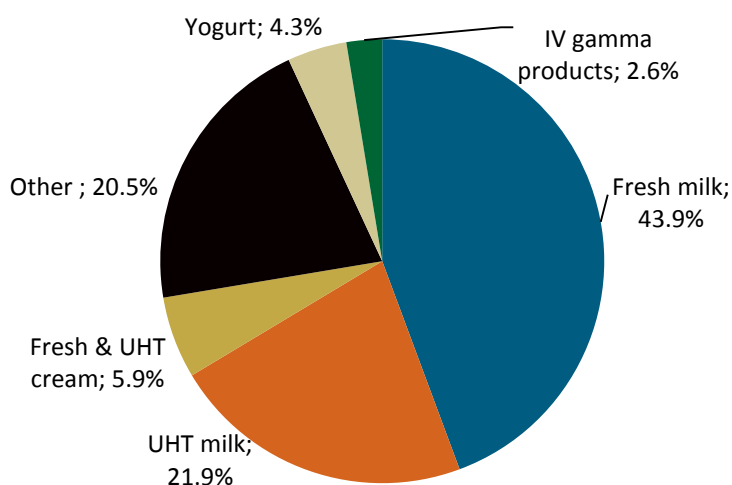
### Key strategic guidelines

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 market of fresh and UHT milk and yogurt.

**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%.

Centrale Latte d'Italia – FY14 Revenue bd



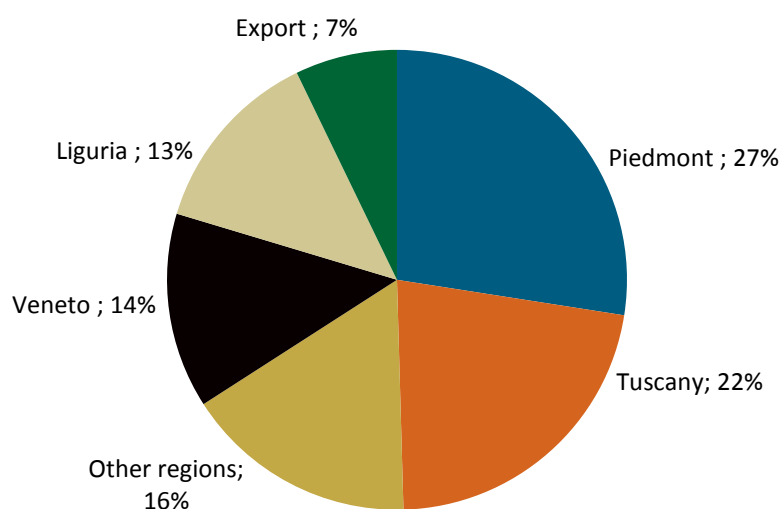
Source: Company data and Intesa Sanpaolo Research Elaborations on FY14 data

We highlight that CLT and CLF.P.L have a complementary geographic coverage of the Northern part of 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.

**Autonomy of management and conservation project**

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%.

Centrale Latte d'Italia - FY14 Revenue bd by region



Source: Company data and Intesa Sanpaolo Research Elaborations on FY14 data

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

**Limited synergies on the costs front**

foresee the protection of the current contracts that are in place in terms of labour, suppliers and local agricultural realities.

As for potential commercial/industrial developments, we highlight: 1) a more complete product range offered 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 the volumes of export (i.e. China); and 5) an increased ability to invest in research and development.

#### Potential commercial development

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

## Earnings Outlook

### Centrale Latte d'Italia - key profit and loss data

While awaiting the formal approval of the merger and management's Business Plan, we show below our forecasts on the aggregate figures for Centrale del Latte d'Italia.

Our key merged entity FY15E-17E profit and loss assumptions are:

- Synergies on commercial product development should lead to a volumes increase (1.5% cagr);
- In the raw material milk price after a 20% decrease expected in the market in FY15E and in line with the 9M15E trend, we incorporate in our FY16E-17E a stable trend;
- Labour costs are to slightly increase as we do not expect synergies with the aggregation in view of the fact that there are shareholder agreements related to the continuity of management and preservation of the current employment levels.

Centrale Latte d'Italia (EUR M)				
	2014A*	2015E	2016E	2017E
Revenues	187	182	184	187
Operating costs	-150	-143	-145	-148
Value added	36.9	39	39	40
Cost of labour	-25	-25	-26	-26
EBITDA	11.5	13.4	13.6	14.0
Depr. & Amort.	-6.8	-6.8	-6.9	-7.0
EBIT	4.8	6.6	6.7	7.0
Net interest	-1.9	-1.9	-1.8	-1.7
Pre-tax profit	2.9	4.7	4.9	5.3
Tax	-1.9	-2.5	-2.6	-2.7
Net profit	0.99	2.2	2.3	2.6
Number of shares (m)	14.0	14.0	14.0	14.0
EPS	0.071	0.154	0.166	0.185
Turnover growth (%)	NM	-2.7	+1.5	+1.5
Value added growth (%)	NM	+5.1	+0.9	+1.3
EBITDA growth (%)	NM	+16.3	+1.6	+2.7
EBIT growth (%)	NM	+38.0	+2.2	+4.5
Pre-tax profit growth (%)	NM	+62.5	+5.2	+8.1
Net profit growth (%)	NM	NM	+7.7	+11.8
Value added margin (%)	19.8	21.3	21.2	21.2
EBITDA margin (%)	6.2	7.4	7.4	7.5
EBIT margin (%)	2.5	3.6	3.6	3.7
Pre-tax margin (%)	1.5	2.6	2.7	2.9
Net margin (%)	0.5	1.2	1.3	1.4
Tax rate (%)	65.6	54.1	53.0	51.4

A\*: aggregate data based on FY14 CLT and CLF.P.L. data; E: estimates; Source: Company data and Intesa Sanpaolo Research

## Recent Results

### Centrale Latte Torino - 3Q/9M15 Results

Although 9M15 results were in line with our estimates, we highlight that the top line was weak due to the still feeble consumer trend in Italy. However, the lower raw material milk price and cost efficiencies translated into an improvement in profitability. The key points of the results were:

- **Value of production decreased by 4.5% to EUR 72.3M (-3.6% in 3Q15)**, particularly impacted by fresh milk (-3.7%) and UHT milk (-12.5%);
- **EBITDA increased by 22.4% to EUR 4M (+12.2% in 3Q15) with the EBITDA margin reaching 5.6% vs. 4.4% in 9M14;**
- **Net debt was broadly stable at EUR 18.8M** vs. 9M14 and FY14.

Centrale Latte Torino (standalone) – 9M15 Results			
EUR M	9M14A	9M15A	Chg (%)
Revenues	74.6	71.7	-3.9
Value added	13.9	14.8	6.8
EBITDA	3.3	4.1	22.4
EBIT	0.9	1.4	59.9
Pre-tax profit	0.3	0.909	185.0
Net profit	-0.05	0.497	NM
Value added margin (%)	18.6	20.7	
EBITDA margin (%)	4.4	5.7	
EBIT margin (%)	1.2	2.0	

NM: not meaningful; A: actual; E: estimates; Source: Company data and Intesa Sanpaolo Research. Note: Figures refer to CLT premerger.

### Centrale Latte Firenze, Livorno, Pistoia – 10 months Results

As of 31 October 2015, CLF revenues were EUR 68.6M. EBITDA margin at 6.8%.

## Valuation

### Post-merger DCF model

While awaiting for the formal approval of the merger expected in March 2016 and for management's Business Plan, we have incorporated in our valuation our CLI's merged entity earnings assumptions. Our key 2014A-25E DCF assumptions are: a 5.1% WACC (5.7% previously) based on a 63% gearing ratio; a merged entity EUR 56M FY14 net debt; a 1.75% risk-free rate (vs. 2.0% previously) and 5.50% risk premium. Other key assumptions are: a 1.3% sales CAGR, a 2% perpetual growth rate and a 3.5% EBIT margin.

**EUR 4.19/share target price**

Our DCF-based valuation points to a **EUR 4.19/share target price (EUR 3.76/share previously)**.

Centrale del Latte di Torino - WACC calculation		CLT - DCF key assumptions (%)	
Gearing ratio %	63	Sales 2014A-25E CAGR	1.3
Risk-free rate %	1.75	Perpetual growth rate	2.0
Risk premium %	5.50	EBIT margin 2014A-25E avg	3.5
Beta*(x)	0.90	EBIT 2014A-25E CAGR	4.6
Required return %	6.7	Tax rate 2014A-25E avg.	41
WACC %	5.1	Capex to sales 2014A-25E avg.	3
		Working capital to sales 2014A-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	34
Terminal value	80
Enterprise value	115
Post-merger FY14 net debt	-56
Equity value	59
Post-merger number of shares (M)	14.0
Equity value per share (EUR)	4.19

Source: Intesa Sanpaolo Research estimates

Centrale del Latte di Torino - Sensitivity analysis					
EUR/share	Growth rate%				
Discount rate%	1.0	1.5	2.0	2.5	3.0
4.1	4.9	6.1	7.9	10.7	16.2
4.6	3.7	4.5	5.7	7.4	10.1
5.1	2.8	3.4	4.19	5.3	6.9
5.6	2.1	2.6	3.1	3.9	4.9
6.1	1.5	1.9	2.3	2.9	3.6

Source: Intesa Sanpaolo Research estimates

### Multiples comparison

In the table below, we show the 2015E-16E 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 in line with the FY15E-16E PE peers' average.

Multiples comparison								
x	Price	Mkt cap	EV/sales		EV/EBITDA		PE	
	EUR	EUR M	2015E	2016E	2015E	2016E	2015E	2016E
Dean Foods Co.	15.45	1,557	0.29	0.28	5.84	5.61	14.1	13.7
Associated British Foods PLC	45.91	26,505	2.09	1.99	17.88	17.41	32.8	33.5
Dairy Crest	8.76	881	2.43	2.22	11.56	10.55	18.2	16.2
Saputo	21.05	12,531	1.27	1.21	12.56	11.13	21.4	18.4
Emmi AG	383.52	2,220	0.75	0.70	8.26	7.70	20.9	18.4
Parmalat S.p.A.	2.39	4,393	0.62	0.55	8.59	7.52	21.5	19.7
<b>Average</b>			1.24	1.16	10.78	9.98	21.5	20.0
CLT*	3.30	33	0.49	0.48	6.66	6.55	21.5	19.9
<b>Premium/-discount (%)</b>			-60	-58	-38	-34	0	0

Priced at 14 December 2015; Source: Factset and \*Intesa Sanpaolo Research estimates



Centrale del Latte di Torino - Key data						
Rating	Target price (EUR/sh Mkt price (EUR/sh Sector			Free float (%)	Reuters Code	
BUY	Ord 4.19	Ord 3.30	Food Producers & Processors	43.0	CLT.MI	
Values per share (EUR)	2013A	2014A	2015E	2016E	2017E	
No. ordinary shares (M)	10.00	10.00	10.00	10.00	10.00	
No. NC saving/preferred shares (M)	0.00	0.00	0.00	0.00	0.00	
Total no. of shares (M)	10.00	10.00	10.00	10.00	10.00	
Market cap	16.83	30.17	33.48	33.48	33.48	
Adj. EPS	0.03	0.08	0.15	0.20	0.26	
CFPS	0.55	0.40	0.53	0.61	0.67	
BVPS	4.1	4.0	4.2	4.4	4.6	
Dividend ord	0.06	0	0	0	0	
Dividend SAV Nc	0	0	0	0	0	
Income statement (EUR M)	2013A	2014A	2015E	2016E	2017E	
Revenues	98.06	100.4	101.2	105.4	108.1	
EBITDA	5.37	5.85	7.23	8.12	8.83	
EBIT	1.13	2.62	3.35	3.96	4.73	
Pre-tax income	2.10	1.80	2.42	3.15	4.02	
Net income	1.27	0.79	1.46	1.99	2.56	
Adj. net income	0.31	0.79	1.46	1.99	2.56	
Cash flow (EUR M)	2013A	2014A	2015E	2016E	2017E	
Net income before minorities	1.3	0.8	1.5	2.0	2.6	
Depreciation and provisions	4.2	3.2	3.9	4.2	4.1	
Others/Uses of funds	0	0	0	0	0	
Change in working capital	2.9	1.4	0.1	0.0	0.0	
Operating cash flow	8.4	5.4	5.4	6.2	6.7	
Capital expenditure	-0.8	-2.1	-2.7	-2.7	-2.7	
Financial investments	4.6	-0.2	0	0	0	
Acquisitions and disposals	0	0	0	0	0	
Free cash flow	12.2	3.1	2.7	3.5	4.0	
Dividends	0	-0.6	0	0	0	
Equity changes & Other non-operating items	-6.5	0.2	0	0	0	
Net cash flow	5.7	2.8	0	0	0	
Balance sheet (EUR M)	2013A	2014A	2015E	2016E	2017E	
Net capital employed	60.7	57.7	56.4	55.0	53.5	
of which associates	0	0	0	0	0	
Net debt/-cash	20.0	17.2	14.5	11.0	7.1	
Minorities	0	0	0	0	0	
Net equity	40.6	40.5	41.9	43.9	46.5	
Minorities value	0	0	0	0	0	
Enterprise value	36.8	47.4	50.7	50.7	50.7	
Stock market ratios (x)	2013A	2014A	2015E	2016E	2017E	
Adj. P/E	55.1	38.1	22.9	16.8	13.1	
P/CFPS	3.1	7.5	6.3	5.4	5.0	
P/BVPS	0.41	0.75	0.80	0.76	0.72	
Payout (%)	47	0	0	0	0	
Dividend yield (% ord)	3.6	0	0	0	0	
FCF yield (%)	72.5	10.4	8.1	10.3	11.9	
EV/sales	0.38	0.47	0.50	0.48	0.47	
EV/EBITDA	6.8	8.1	7.0	6.2	5.7	
EV/EBIT	32.6	18.1	15.1	12.8	10.7	
EV/CE	0.61	0.82	0.90	0.92	0.95	
D/EBITDA	3.7	2.9	2.0	1.4	0.80	
D/EBIT	17.7	6.6	4.3	2.8	1.5	
Profitability & financial ratios (%)	2013A	2014A	2015E	2016E	2017E	
EBITDA margin	5.5	5.8	7.1	7.7	8.2	
EBIT margin	1.2	2.6	3.3	3.8	4.4	
Tax rate	39.5	56.1	39.5	36.9	36.3	
Net income margin	1.3	0.8	1.4	1.9	2.4	
ROCE	1.9	4.5	5.9	7.2	8.8	
ROE	3.2	2.0	3.6	4.6	5.7	
Interest cover	1.8	3.2	3.6	4.9	6.7	
Debt/equity ratio	49.1	42.5	34.6	25.1	15.2	
Growth (%)		2014A	2015E	2016E	2017E	
Sales		2.4	0.8	4.1	2.6	
EBITDA		8.8	23.7	12.3	8.8	
EBIT		NM	27.8	18.4	19.3	
Pre-tax income		-14.0	34.3	30.2	27.5	
Net income		-37.6	84.8	35.8	28.8	
Adj. net income		NM	84.8	35.8	28.8	

NM: not meaningful; NA: not available; A: actual; E: estimates; Source: Company data and Intesa Sanpaolo Research. Note: Figures refer to CLT premerger.

**Notes**

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### 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](http://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:

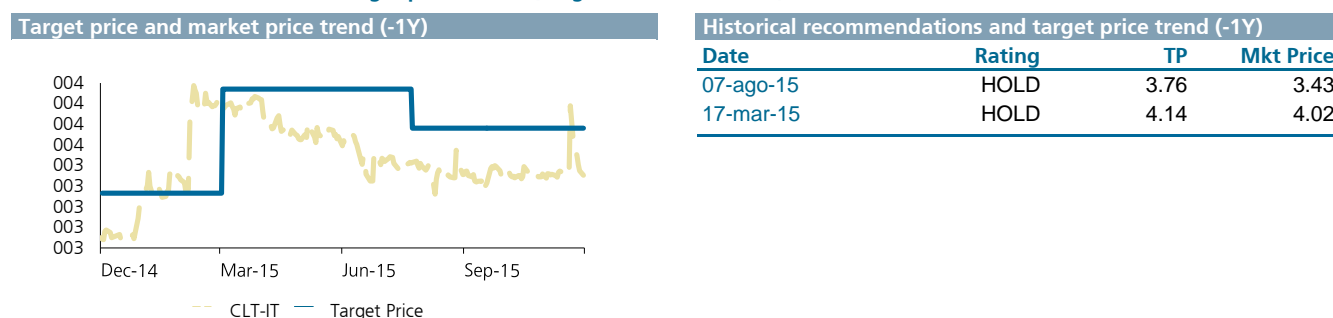
We obtain a fair value using a number of valuation methodologies including: discounted cash flow method (DCF), dividend discount model (DDM), embedded value methodology, return on allocated capital, break-up value, asset-based valuation method, sum-of-the-parts, and multiples-based models (for example 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 November 2015)					
Number of companies considered: 97	BUY	ADD	HOLD	REDUCE	SELL
Total Equity Research Coverage %	31	38	31	0	0
of which Intesa Sanpaolo's Clients % (*)	87	68	53	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/lir0/si09/governance/eng\\_wp\\_governance.jsp](http://www.group.intesasnpaolo.com/scripts/lir0/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/lir0/si09/studi/eng\\_archivio\\_conflitti.jsp](http://www.group.intesasnpaolo.com/scripts/lir0/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

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