

Company Note

Centrale del Latte d'Italia

4Q/FY20 Results

In FY20, CLI outperformed its targets, achieving in advance its business plan EBITDA (of which 84% converted into cash) and net profit FY22 goals. We see a positive outlook driven by cost efficiencies, strengthening of NWC management and the agreement to lease Newlat's milk and dairy business unit to CLI.

4Q/FY20 results

FY20 consolidated revenues came in at EUR 180.6M (+3.1% yoy vs. EUR 175.2M in FY19A), with solid performances in UHT milk and yogurt products (+9.8% and +14.2% yoy). EBITDA was EUR 18.3M (vs. EUR 6.5M in FY19A), with a 10.1% margin, thanks to the revision of some raw materials' and packaging contracts. Net profit stood at EUR 4.1M (vs. a EUR 6.5M loss in FY19A). Net financial position improved by EUR 15.4M yoy to EUR 57.8M, thanks to the positive business trend.

Latest months' events leading to a positive outlook

From a profitability standpoint, management expects the costs rationalisation and the improvement in NWC management seen in FY20 to continue also in FY21. In our view, the following events should positively impact on CLI's outlook: 1) an agreement for 2021-23 with Tuscan milk producers of the Mukki supply chain at a fixed milk price 'to the barn' of EUR 0.36/l, in addition to quality bonuses, broadly in line with market 2H20 average; 2) the Integrated Supply Chain Project that we believe could represent a further qualitative leap of the Mukki milk in the milk market; and 3) the agreement with Newlat Food to lease its milk & dairy business unit to CLI from 1 January 2021.

Estimates revision and valuation

We factor in the effects related to the lease of Newlat's milk and dairy business unit in our forecast model. For FY21E, we estimate EUR 285.7M revenues (of which approximately EUR 101.8M from the Newlat's division) vs. EUR 182.8 previously, with a LFL 1.8% rise (as in our previous estimates). We project an EBITDA margin of 9.9% (vs. 10.1% in FY20A) and EUR 9.2M net income. We forecast net debt to reach EUR 44.5M at YE21E. For FY22E, we assume a yoy increase by 2.5% in revenues (EUR 292.8M), with a stable yoy EBITDA margin (9.9%) and net profit at EUR 9.7M. We raise **our DCF-based target price to EUR 5.0/share** from EUR 4.5/share and confirm **our BUY rating**.

12 March 2021: 13:12 CET

Date and time of production

BUY

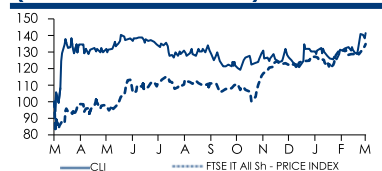
Target Price: EUR 5.0
(from EUR 4.5)

Italy/Food Producers & Processors

Update

MTA-STAR

Price Performance
(RIC: CLII.MI, BB: CLI IM)



Centrale del Latte d'Italia - Key Data

Price date (market close)	11/03/2021
Target price (EUR)	5.0
Target upside (%)	86.57
Market price (EUR)	2.68
Market cap (EUR M)	37.52
52Wk range (EUR)	2.68/1.79

Price performance %	1M	3M	12M
Absolute	7.6	11.7	41.4
Rel. to FTSE IT All Sh	4.2	0.4	4.9

Y/E Dec (EUR M)	FY20A	FY21E	FY22E
Revenues	180.6	285.7	292.8
EBITDA	18.30	28.41	29.12
EBIT	7.45	14.30	15.01
Net income	4.13	9.22	9.74
EPS (EUR)	0.30	0.66	0.70
Net debt/-cash	57.84	44.52	30.03
Adj P/E (x)	8.3	4.1	3.9
EV/EBITDA (x)	5.0	2.9	2.3
EV/EBIT (x)	12.4	5.7	4.5
Div ord yield (%)	0	0	0

Source: Company data, FactSet and Intesa Sanpaolo Research estimates

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4Q/FY20 Results

We believe FY20 results benefitted both from the overall positive domestic consumption and the increased commercial opportunities brought by the entry into the Newlat Food Group. Indeed, CLI was able to outperform its targets by achieving in advance EBITDA and net profit FY22 goals. The company also reinforced its position as the third Italian milk producer (8% market share in the fresh milk + ESL market; 4.1% in the UHT one, according to the company press release), despite a worsening had been recorded by management in October and November (particularly in Tuscany, where CLI is more exposed to the HoReCa sector, hit by the restaurant activity restrictions from Covid-19). The key points of results were:

- **Consolidated revenues were EUR 180.6M** (+3.1% yoy), with solid performances in UHT milk and yogurt products (+9.8% and +14.2% yoy, respectively). Note that Vegetable drinks (even if accounting only for 2.5% of total revenues) grew by 69.8%;

CLI – Revenues by products (9M19-FY20A)

EUR M	9M19	9M20	yoy %	4Q19	4Q20	yoy %	FY19A	FY20A	yoy %
Revenues	131.1	135.3	3.3	44.1	45.2	2.6	175.2	180.6	3.1
o/w Fresh milk + ESL	49.3	48.4	-1.9	17.4	16.5	-5.1	66.7	64.9	-2.7
o/w UHT milk	29.3	33.1	13.2	11.1	11.1	0.8	40.3	44.3	9.8
o/w Yogurt	6.1	6.8	11.2	1.6	2.0	25.6	7.7	8.8	14.2
o/w IV gamma products	4.1	2.6	-36.6	0.8	0.6	-26.6	5.0	3.2	-35.0
o/w cream and milk	2.4	2.6	11.2	0.7	0.8	9.3	3.1	3.4	10.8
o/w other products	32.3	34.3	6.2	12.6	11.8	-5.9	44.9	46.2	2.8
o/w Vegetable drinks	3.4	3.4	0.4	-0.7	1.1	-251.8	2.7	4.6	69.8
Export	3.4	4.0	14.9	2.3	1.2	-47.5	4.7	5.2	9.0

A: actual; Source: Company data

- **Distribution channels**, we note the decrease in revenues from Private label (-15.7% yoy) and Food service (-28.8% yoy) was offset by the GDO and B2B channels;

CLI – Revenues breakdown by channel

EUR M	FY19A	FY20A	yoy %
GDO	100.9	108.8	7.8
B2B Partners	12.0	13.8	15.5
Normal trade	34.2	35.1	2.7
Private label	8.2	6.9	-15.7
Food service	15.1	10.8	-28.8
Export	4.3	5.2	19.4
Revenues	175.2	180.6	3.1
Weighting in Total Revenues (%)			
GDO	57.6	60.2	
B2B Partners	6.8	7.7	
Normal trade	19.5	19.4	
Private label	4.7	3.8	
Food service	8.6	6.0	
Export	2.5	2.9	

Source: Company data

- **EBITDA was EUR 18.3M** (vs. EUR 6.5M in FY19A), with a 10.1% margin vs. 9.5% in our estimates, benefitting from the containment of raw materials' and packaging costs and from the revision of contracts with the main suppliers;
- **Net profit came in at EUR 4.1M** (vs. a EUR 6.5M loss as of FY19A);
- **Net financial position improve by EUR 15.4M yoy to EUR 57.8M**, thanks to the positive business trend (84% EBITDA converted into cash).

CLI – 4Q/FY20 results

EUR M	4Q19A	4Q20A	yoy %	FY19A	FY20A	yoy %	FY20E	A/E %
Total Revenues	44.1	45.2	2.6	175.2	180.6	3.1	179.5	0.6
EBITDA	1.9	4.7	146.8	6.5	18.3	183.2	17.0	7.6
EBITDA margin (%)	4.3	10.3		3.7	10.1		9.5	7.0
EBIT	-2.4	1.5	NM	-5.3	7.4	NM	6.4	16.4
Net Income	-2.3	0.9	NM	-6.5	4.1	NM	3.6	14.8
Net debt	72.9	57.8	-20.7	72.9	57.8	-20.7	61.1	-5.5

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

Earnings Outlook

From a profitability standpoint, the simplification of organisational structures and cost rationalisation seen in FY20 should also continue in 2021, according to management, together with a careful management of NWC aiming at improving margins and liquidity.

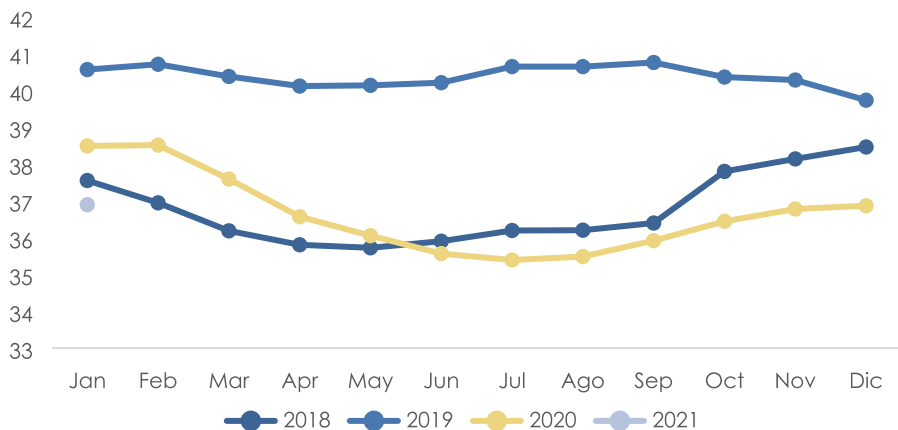
Aiming at improving margins and NWC in FY21

Agreement with Tuscan milk producers

The company has signed a three-year agreement for 2021-23 with Tuscany milk producers of the Mukki supply chain, at a fixed milk price 'to the barn' of EUR 0.36/l, in addition to quality bonuses, which should give more stability to raw material prices, at a level broadly in line with market 2H20 average (5.1% below 2018-20 average; -6.4% if we take into account only Tuscan milk; source: ISMEA).

A three-year agreement 23 with Tuscany milk producers of the 'Mukki' supply chain

Average price of milk (EUR/100 L)



Source: Intesa Sanpaolo Research elaboration on ISMEA data

Furthermore, the "Progetto Integrato di Filiera" (or Integrated Supply Chain Project) was launched in December, with a new specification for production, capable of adding quality to the Tuscan products, such as animals' wellbeing and the introduction of new original products with a high health content and new eco-sustainable packaging, aimed at particular consumer segments. We believe this project could represent a further qualitative leap of the Mukki milk in the milk market.

Integrated Supply Chain Project

Newlat's lease of milk and dairy unit

The company announced that starting from 1 January 2021, Newlat Food will lease to CLI the milk & dairy business unit owned by Newlat Food, with the aim to carry out the processing of raw materials and production of milk & dairy products. The contract will last for two years and will be automatically renewed for a further year unless cancelled with at least 6 months' notice. The activities subject to the agreement refer to:

- The brands Polenghi, Giglio, Optimus, Matese, Centrale del Latte di Salerno, Ala, Torre in Pietra, Fior di Salento;
- The production plants of Reggio Emilia, Salerno and Lodi;

- The warehouses of Reggio Emilia, Lodi, Rome, Eboli, Pozzuoli and Lecce.

CLI will have to pay Newlat Food an annual fee: 1) a fixed component equal to EUR 2M, plus statutory VAT; and 2) a variable component which, starting from 1 January 2021, will be determined on a quarterly basis and will be equal to 1.5% of the turnover of the reference quarter of the business unit, plus VAT as required by law.

According to the company, total turnover and EBITDA of milk and dairy business of Newlat expected for the year 2020 should exceed EUR 100M and EUR 10M, respectively. The transaction should be strategic for CLI and Newlat Food and should allow the integration of the respective industrial plants and the generation of cost and procurement synergies, as well as the exchange of industrial know-how between the two companies. From a strategic point of view, the agreement should help to strengthen and develop the role of CLI as a leader in the dairy sector in Italy, in addition to the expansion into new distribution channels, the launch of innovative products and the strengthening of export sales in European markets. We also believe the efficiencies deriving from this aggregation process could play a fundamental role in dealing with market changes (e.g. plant-based products) and constant pressure in terms of both demand and competition, especially in the milk business.

Newlat's milk & dairy: EUR 100M revenues and EUR 10M EBITDA expected in FY20

FY21-22E estimates

We factor in the effects related to the lease of Newlat's Milk and Dairy business unit, which should deliver EUR 100M revenues and around 10% margin in FY20 (according to the company). In detail:

- **For FY21E**, we estimate EUR 285.7M revenues (of which approximately EUR 101.8M from the Newlat's division) vs. EUR 182.8M previously, with a LFL 1.8% increase (as in our previous estimates). We see our forecasts coherent with a possible weak 1Q21E, due to an expected contraction in the HoReCa sector (reflecting the restaurant activity restrictions from Covid-19) and with the comparison to a very positive scenario in 1Q20; we project an EBITDA margin of 9.9% (vs. 10.1% of FY20A) with costs for the leased business unit (EUR 4.5M, according to our estimates) broadly balanced by the expected synergies; we then forecast EUR 9.2M net income. Net debt should reach EUR 44.5M;
- **For FY22E**, we assume a 2.5% yoy increase in revenues (including the Newlat Milk and Dairy business) and therefore obtain a top line of EUR 292.8M. We see an EBITDA margin stable yoy (9.9%) and net profit improving to EUR 9.7M.

Centrale del Latte d'Italia – FY21E-22E estimates

EUR M	FY21E Old	FY21E New	(%)	FY22E Old	FY22E New	(%)	yoy %
Revenues	182.8	285.7	56.3	187.7	292.8	56.0	2.5
EBITDA	18.0	28.5	57.8	18.8	29.1	54.9	2.5
EBITDA margin %	9.8	9.9		10.0	9.9		
Net profit	4.2	9.2	117.1	4.9	9.7	100.8	5.7
Net debt	50.5	44.5	-11.8	41.0	30.0	-26.8	-32.6

Source: Intesa Sanpaolo Research estimates

Valuation

We continue to value CLI with our DCF model. We use a 5% WACC (4.3% previously), incorporating a risk-free rate of 0.75%, an equity risk premium of 6.5% and a gearing of 48.6%.

CLI – WACC calculation

%	
Gross debt rate	2.5
Tax rate	24
Net debt rate	1.9
Beta levered*	1.0
Gearing	48.6
Beta relevered*	1.1
Risk-free rate	0.75
Equity risk premium	6.5
WACC	5.0

Source: Intesa Sanpaolo Research estimates and *Bloomberg

Moreover, we use a 0.0% terminal value growth and LT EBIT is calculated by assuming capex equal to depreciation.

Our DCF model update returns a EUR 5.0/share target price and given the 83% potential upside, we confirm our BUY rating.

New EUR 5.0/share TP; BUY rating

CLI – DCF calculation (2021E-22E)

EUR M	2021E	2022E	LT
EBIT	14.3	15.0	8.1
Tax	-3.2	-3.4	-2.4
Depreciation	14.1	14.1	
NOPAT	25.2	25.7	5.6
WC	0.0	0.6	
Capex	-10.0	-10.0	
FCF	15.2	16.4	5.6
Discounted FCF	14.5	14.9	4.9
WACC (%)	5.0		
TV growth (%)	0.0		
Sum	29.3		
TV	98.4		
EV	127.7		
Debt 2020A	57.8		
Equity	69.9		
Shares (M)	14.0		
Target price	5.0		

E: estimates; Source: Intesa Sanpaolo Research

Centrale del Latte d'Italia – Key Data

Rating	Target price (EUR/sh)	Mkt price (EUR/sh)	Sector	
BUY	Ord 5.0	Ord 2.68	Food Producers & Processors	
Values per share (EUR)	2019A	2020A	2021E	2022E
No. ordinary shares (M)	14.00	14.00	14.00	14.00
Total no. of shares (M)	14.00	14.00	14.00	14.00
Market cap (EUR M)	37.13	34.16	37.52	37.52
Adj. EPS	-0.47	0.30	0.66	0.70
CFPS	0.29	1.1	1.7	1.7
BVPS	4.1	4.4	5.0	5.7
Dividend ord	0	0	0	0
Income statement (EUR M)	2019A	2020A	2021E	2022E
Revenues	175.2	180.6	285.7	292.8
EBITDA	6.46	18.30	28.41	29.12
EBIT	-5.30	7.45	14.30	15.01
Pre-tax income	-6.78	5.57	12.43	13.14
Net income	-6.51	4.13	9.22	9.74
Adj. net income	-6.51	4.13	9.22	9.74
Cash flow (EUR M)	2019A	2020A	2021E	2022E
Net income before minorities	-6.5	4.1	9.2	9.7
Depreciation and provisions	11.8	10.9	14.1	14.1
Others/Uses of funds	0	0	0	0
Change in working capital	7.1	14.0	-0.0	0.6
Operating cash flow	12.4	29.0	23.3	24.5
Capital expenditure	-10.9	-9.5	-10.0	-10.0
Financial investments	0	0	0	0
Acquisitions and disposals	0	0	0	0
Free cash flow	1.5	19.5	13.3	14.5
Dividends	0	0	0	0
Equity changes & Other non-operating items	-5.1	0	0	0
Net cash flow	-3.6	19.5	13.3	14.5
Balance sheet (EUR M)	2019A	2020A	2021E	2022E
Net capital employed	134.4	118.9	114.8	110.1
of which associates	0	0	0	0
Net debt/-cash	77.3	57.8	44.5	30.0
Minorities	0	0	0	0
Net equity	57.1	61.1	70.3	80.0
Minorities value	0	0	0	0
Enterprise value	114.4	92.0	82.0	67.6
Stock market ratios (x)	2019A	2020A	2021E	2022E
Adj. P/E	Neg.	8.3	4.1	3.9
P/CFPS	9.1	2.3	1.6	1.6
P/BVPS	0.65	0.56	0.53	0.47
Payout (%)	0	0	0	0
Dividend yield (% ord)	0	0	0	0
FCF yield (%)	4.1	56.9	35.5	38.6
EV/sales	0.65	0.51	0.29	0.23
EV/EBITDA	17.7	5.0	2.9	2.3
EV/EBIT	Neg.	12.4	5.7	4.5
EV/CE	0.85	0.77	0.71	0.61
D/EBITDA	12.0	3.2	1.6	1.0
D/EBIT	Neg.	7.8	3.1	2.0
Profitability & financial ratios (%)	2019A	2020A	2021E	2022E
EBITDA margin	3.7	10.1	9.9	9.9
EBIT margin	-3.0	4.1	5.0	5.1
Tax rate	4.0	25.8	25.8	25.8
Net income margin	-3.7	2.3	3.2	3.3
ROCE	-3.9	6.3	12.5	13.6
ROE	-10.8	7.0	14.0	13.0
Interest cover	-3.3	4.0	7.6	8.0
Debt/equity ratio	135.4	94.7	63.3	37.5
Growth (%)		2020A	2021E	2022E
Sales		3.1	58.2	2.5
EBITDA		NM	55.2	2.5
EBIT		NM	92.0	5.0
Pre-tax income		NM	NM	5.7
Net income		NM	NM	5.7
Adj. net income		NM	NM	5.7

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

Company Snapshot

Company Description

Centrale del Latte d'Italia SpA produces, treats, processes and sells treated milk, food and dairy products. The company product portfolio includes milk, vegetable drinks, yogurt, soya, cheeses, pasta & pesto, eggs, fresh salads, meat, kitchen line, dessert, and gluten-free. Its brands include Tapporosso, Tigullio, Piemonte, Fior di Bio, Fiordovo, Flora Plus, Alta Quota, I Freschidilatte. The company was founded in 1950 and is headquartered in Turin, Italy.

Key Risks

Company specific risks:

- Increase in the raw milk price
- Increasing competition from private labels
- Price pressure from large distributors

Sector generic risks:

- Adverse milk price movements
- Weaker than expected milk demand
- Consumer consumption patterns

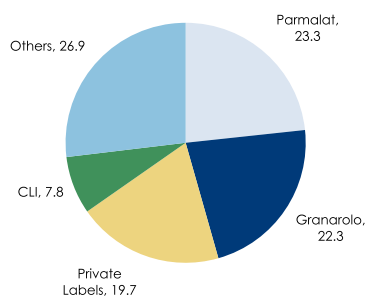
Key data

Mkt price (EUR)	2.68	Free float (%)	13.3
No. of shares	14.00	Major shr	Newlat Food
52Wk range (EUR)	2.68/1.79	(%)	67.6
Reuters	CLII.MI	Bloomberg	CLIIIM
Performance (%)	Absolute		Rel. FTSE IT All Sh
-1M	7.6	-1M	4.2
-3M	11.7	-3M	0.4
-12M	41.4	-12M	4.9

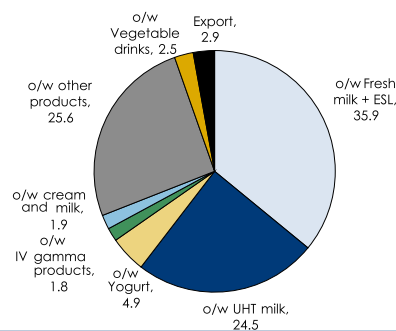
Estimates vs. consensus

EUR M (Y/E Dec)	2020A	2021E	2021C	2022E	2022C	2023E	2023C
Sales	180.6	285.7	NM	292.8	NM	NA	NA
EBITDA	18.30	28.41	NM	29.12	NM	NA	NA
EBIT	7.45	14.30	NM	15.01	NM	NA	NA
Pre-tax income	5.57	12.43	NA	13.14	NA	NA	NA
Net income	4.13	9.22	NM	9.74	NM	NA	NA
EPS	0.30	0.66	NM	0.70	NM	NA	NA

Fresh Milk market shares (Italy, %)



FY20 Revenues by products (%)



Source: Company data, Intesa Sanpaolo Research estimates and FactSet consensus data (priced at market close of 11/03/2021)

Our Mid Corporate Definition

Italy is characterised by a large number of non-listed and listed micro, small and medium-sized companies. Looking at the revenues of these Italian companies, around 5,000 companies have revenues ranging from EUR 50M-EUR 1,500M based on Intesa Sanpaolo elaborations. We define these companies as 'Mid Corporate'. Looking more specifically at Italian listed companies, we include in our Mid Corporate segment all STAR companies and those with a market capitalisation below EUR 1Bn.

Notes

Notes

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Equity Research Publications in Last 12M

The list of all recommendations on any financial instrument or issuer produced by Intesa Sanpaolo Research Department and distributed during the preceding 12-month period is available on the Intesa Sanpaolo website at the following address:

<https://group.intesasanpaolo.com/en/research/RegulatoryDisclosures/archive-of-intesa-sanpaolo-group-s-conflicts-of-interest0>

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)

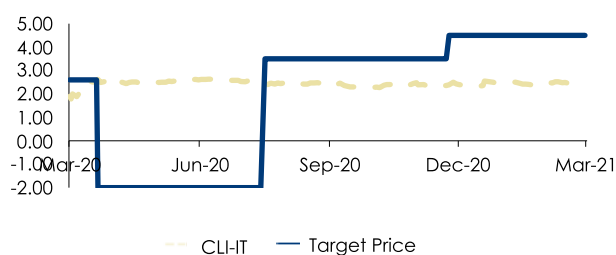
In its recommendations, Intesa Sanpaolo SpA uses an "absolute" rating system, which is not related to market performance and whose key is reported below:

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.
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)

The 12M rating and target price history chart(s) for the companies currently under our coverage can also be found at Intesa Sanpaolo's website/Research/Regulatory disclosures: <https://group.intesasanpaolo.com/en/research/RegulatoryDisclosures/tp-and-rating-history-12-months->

Target price and market price trend (-1Y)**Historical recommendations and target price trend (-1Y)**

Date	Rating	TP (EUR)	Mkt Price (EUR)
04-Dec-20	BUY	4.5	2.4
27-Jul-20	BUY	3.5	2.4
31-Mar-20	Tender Shares		2.6

Equity rating allocations (long-term horizon: 12M)**Intesa Sanpaolo Research Rating Distribution (at January 2021)**

Number of companies considered: 109	BUY	ADD	HOLD	REDUCE	SELL
Total Equity Research Coverage relating to last rating (%) (*)	50	24	26	0	0
of which Intesa Sanpaolo's Clients (%) (**)	89	70	61	0	0

(*) Last rating refers to rating as at end of the previous quarter; (**) 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)

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

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In particular, the description of the measures taken to manage interest and conflicts of interest – related to Articles 5 and 6 of the Commission Delegated Regulation (EU) 2016/958 of 9 March 2016 supplementing Regulation (EU) No. 596/2014 of the European Parliament and of the Council with regard to regulatory technical standards for the technical arrangements for objective presentation of investment recommendations or other information recommending or suggesting an investment strategy and for disclosure of particular interests or indications of conflicts of interest as subsequently amended and supplemented, the FINRA Rule 2241, as well as the Financial Conduct Authority Conduct of Business Sourcebook rules COBS 12.4 - 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 S.p.A. is available in the "Rules for Research " and in the extract of the "Corporate model on the management of inside information and conflicts of interest" published on the website of Intesa Sanpaolo S.p.A.

At the Intesa Sanpaolo website, webpage <https://group.intesasanpaolo.com/en/research/RegulatoryDisclosures/archive-of-intesa-sanpaolo-group-s-conflicts-of-interest> you can find the archive of disclosure of interests or conflicts of interest of the Intesa Sanpaolo Banking Group in compliance with the applicable laws and regulations.

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

- 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 d'Italia in the next three months
- Intesa Sanpaolo acts as Specialist relative to securities issued by Centrale del Latte d'Italia
- UBI Banca Spa acts as Corporate Broker relative to securities issued by Centrale del Latte d'Italia

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