CONFINVEST F.L.

Driving the Digital Gold evolution

Company Description: Confinvest F.L., founded in 1983, is an innovative SME and leader in the **trading of physical investment gold** (coins and bullion). The Company operates as a **gold dealer** in the retail market, where counterparties of the transactions are banks, privates (HNWI), corporates and other gold dealers. In Italy, Confinvest act as market maker with gold price quotations issued by the Company representing the official source. The current development strategy includes a **new digital solution (Conto Lingotto)**: a proprietary platform to offer the mass market the opportunity to invest liquidity in gold smartly and innovatively. Physical gold is an alternative Asset Class for a growing market that is estimated to amount to 1,000 Eu b. With its new value proposition Confinvest intends to play the role of **market innovator** and **first mover.**
In 2018 Confinvest recorded revenues of Euro 14.7 million after a +34% growth, confirmed in 1H 2019 (+29% yoy). 87% of total revenues are realized in Italy.

Strategic guidelines: (i) R&D investments in the technology on which the new business model is based; (ii) development and launch of "Conto Lingotto", (iii) New partnerships with banks and Fintech companies to boost revenues by targeting a large potential pool of retail clients, (iv) Regional development through the opening of new direct points of sales or through the partnerships/franchises in selected strategic areas, and (v) internationalization.

Reference Market: The digital transformation of the financial sector, the APIs and the concept of Open Banking, together with the adoption of the PSD2 are changing the banking industry, allowing for the development of new sales channels, new partnerships, and new services. Confinvest intends to exploit the opportunities offered by the new market environment and, as a first mover, approach the mass market with new channels and services (Conto Lingotto, Gold Plan, and Vaulting).

2019-2021 estimates: We believe Confinvest can grow revenues at a **2018-2022 CAGR of +61%** by developing new sales channels and the launch of new service lines for the mass market. **EBITDA 2018-2022 CAGR of +87%** with an increase in EBITDA margin to 67% in 2022.

Valuation: We initiate our coverage on Confinvest with a target price of Euro 3.53 p.s. vs. current market price of Euro 3.21. At our valuation the stock would be trading at 8.1 2020 EV/EBITDA.

Sector: Fintech

Target Price (Euro)	**3.53**
Market Price (Euro)	3.21
Market Cap (Euro m)	22
EV (Euro m)	24

(as of October 16th, 2019)

Share Data

Market	AIM Italia
Bloomberg	CFV-IM
ISIN	IT0005379604
N. of Shares	7,000,000
Free Float	28.57%
CEO	Giacomo Andreoli

AIM Positioning

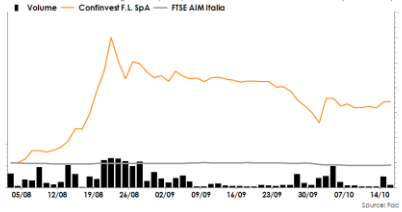
FY 2018	Company	AIM Italia
Revenues (Eu m)	15	44
Revenues YoY	34%	30%
EBITDA Margin	37%	14%
Net Debt/EBITDA (x)	2,1	4,1

Market Data (Eu m)	Company	AIM Italia
Capitalisation	22	52
Perf. YTD	114%	8%
Free Float	29%	35%
ADTT YTD (Eu)	723.264	131.353

Performance

	1M	3M	6M
Absolute	-16.10%	n.a.	n.a.
Relative (TSE AIM Italia)	-12.26%	n.a.	n.a.
52-week High/Low (Eu)	6.08	/	1.46

IR TOP RESEARCH
Luisa Primi – l.primi@irtop.com
T +39 02 45473883



Key Figures (Eu m)	Sales	Yoy %	First Margin	EBITDA	EBITDA %*	EBIT	Net Profit	Net Debt
2018A	14.7	*+34%*	1.0	0.4	*37%*	0.1	0.0	0.8
2019E	21.0	*+43%*	1.7	1.0	*55%*	0.7	0.2	(2.6)
2020E	56.0	*+277%*	4.1	2.7	*67%*	2.4	1.6	(4.0)
2021E	78.6	*+140%*	5.3	3.4	*65%*	3.0	2.0	(5.5)

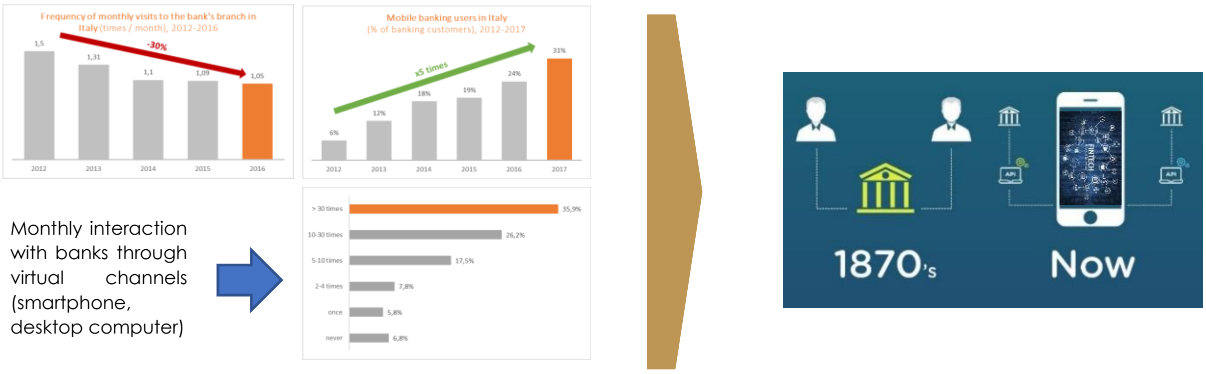
**On first margin*

COMPANY PROFILE
Founded in 1983, Confinvest is an **Innovative SME,** and leader in the Italian **physical investment gold market**. Thanks to over 35 years of experience Confinvest is able to manage large quantities of gold coins and LBA bullions with immediate availability. The Company acts as reference partner of many banking institutions and privates looking for a solution to safely invest in physical gold and has been a registered professional gold operator on the list of Bank of Italy since 2000 (Law 7/2000). Confinvest is recognized as a market maker: the gold price quotations produced by the Company are the official source in Italy (published in the leading Italian economic journals).

The **digital transformation** process that is involving the financial sector, the **APIs** and the concept of **Open Banking**, coupled with the adoption of the **PSD2** are changing the banking sector offering opportunities for the development of new sales channels, new partnerships, and new services. Confinvest, intends to exploit the opportunities offered by the new market environment, and as a **first mover**, reach a mass market with new services and channels.

Confinvest listed on the Italian AIM market on August 1st, 2019. The IPO price was set at a 1.50 Eu per share, corresponding to a market capitalisation of 10.5 Eu m. The offer consisted of a capital increase of 2,000,000 new shares for 3.0 Eu m and a resulting free float of 28.57%. The IPO proceeds will be used to accelerate the implementation of the strategic plan (80% for Conto Lingotto technology, and 20% for Core Business consolidation).

Digital transformation is the process of using digital technologies to create new business processes or modify existing ones. In the financial industry the Digital transformation is spurred by two main factors: i) changing consumer demands and ii) changing of the regulatory framework.
<u>Changing consumer demand</u>
Today, consumers — who are used to engaging with evolving technologies — are much more used to frictionless and very convenient access to their services, either on the mobile or through other channels. These experiences, enabled by fast-moving technologies, have been a big driver for the digital transformation in the financial industry. Customers rely less on bank branches and interface more with virtual channels (smartphones, tablets, computers, etc.).



Soruce: The European House Ambrosetti «Le Banche del Futuro» – 2019

To remain competitive in the new scenario, the banks will have to upgrade the technology since the customers are increasingly demanding in terms of user experience.

<u>Changing in the regulatory framework</u>
Banking as we know it is changing rapidly and industry players are looking for new and innovative ways to keep pace. Regulatory bodies, such as the European Banking Authority (EBA) are promoting a transparent, simple, and fair internal market for consumer financial products and services. The EBA has mandated that all banks operating in the EU region must be PSD2 compliant by 2018.

The adoption of the **PSD2**, the new European Directive on payment service, has led to the acceleration of the process of the digital transformation of the financial sector. The **revised Payment Services Directive (PSD2)** updates and complements the EU rules put in place by the Payment Services Directive (PSD1). Its main objectives are to:

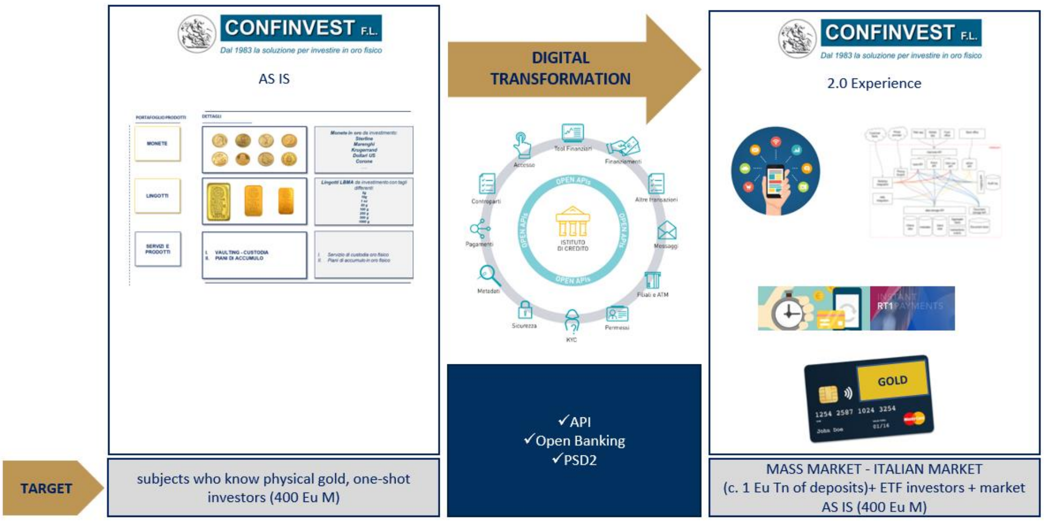
- Contribute to a more integrated and efficient European payments market.
- Improve the level playing field for payment service providers (including new players).
- Make payments safer and more secure.
- Protect consumers.

Technological evolution, driven by the PSD2, provides the requirements to make banking in a more open and accessible way, both for customers and companies (s.c. Open Banking). In this way, it becomes possible to provide new value-added services to the customer and create new "ecosystems" between the financial system and non-financial companies, to propose new high-value service models.

With the introduction of the PSD2, banks are required to open their **API (Application Program Interface)** to Fintech companies (technology applied to finance) and to other players dealing with financial products and services. The PSD2 leads to an "**Open Banking**" model, that is a sharing of bank's data among different players, authorized by customers.

Through **technological evolution**, the APIs allow non-bank companies to have access to data and develop new business models that previously were not feasible. The API technological revolution is enabling the emergence of new "customer experience" and the proposal of services and products with high innovative content of value for the user and the market.

The API, in concert with the Open Banking model, constitute an element of change for the entire banking ecosystem as we know it; from the products and services offered to the delivery channels used and to the new partnerships will shape the innovation and experience of customers. The bank will act as a platform, thanks to which third-party companies will be able to build their own applications using bank data.



Source: Company data

Confinvest's strategy aims to exploit the **digital transformation of the financial industry, and in particular the open banking** to develop **innovative services and solutions** in order to move from the retail market to the **mass market**, represented by the cash deposits of the Italian population (approx. value of 1 Eu trillion).

The opportunity offered by the PSD2 and OPEN BANKING with API Economy has spurred Confinvest to develop **CONTO LINGOTTO**, an innovative platform for digital gold, that will allow clients to make investments in gold directly online through a proprietary APP, or trough digital services offered in partnership with traditional financial system and Fintech operators.
The Conto Lingotto concept has been designed to offer, to a large target group of customers, the opportunity to invest easily and quickly in physical gold, thanks to a digital and innovative user experience. Clients have the opportunity to make gold investments directly online as the platform is developed to provide all users with an innovative and smart solution to diversify their liquidity. The customer can access a Conto Lingotto account via an application for mobile devices or via a PC web interface.
The Conto Lingotto solution can be customized and integrated **(white label)** for all the distribution network partners, and in particular Banks and Fintechs which will be able to offer clients to:

- buy/sell physical gold in a simple and rapid manner;
- access vaulting services;
- sell all or part of the gold position against immediate cash;
- request physical delivery of owned gold.

CONTO LINGOTTO

In this segment Confinvest is a **market innovator** and **first mover**.
The branding of the project has been entrusted to "Casiraghi & Greco Agenzia Pubblicitaria", a primary advertising agency with a significant track record: "Conto Arancio", "Che Banca" and "PosteMobile".

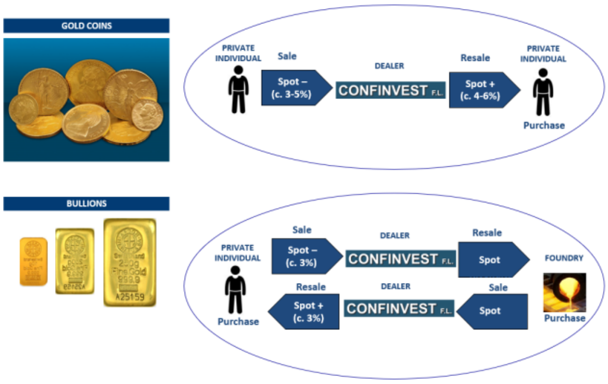
BUSINESS MODEL

The Company operates as a **dealer** in the physical gold market and gains on the buy/sell spread obtained from the transactions made on behalf of customers. The business model is based on the ability to obtain a margin without applying a sales and purchase fee to the customer. Transactions are generally cleared within 1 to 3 working days from the request. 74% of total revenues are realized through the sale of gold coins, whereas bullion bars make up the remaining 26%.

Products

Bullion: Bullion bars are available in different sizes: 50, 100, 250, 500, etc. grams and **certified by LBMA** (London Bullion Market Association), the international trade association that represents the global Over The Counter (OTC) bullion market. LBMA sets out standards that range from the purity, from and origin of the bars to the way in which they are traded. Bullion supply of Confinvest is generally made through foundries, as they usually guarantee immediate availability also for small as well as large quantities.

Gold coins: Confinvest deals different type of gold coins such as Pounds, Napoleons, Kruggerand, US Dollars, Crowns and other currencies. Pursuant to TULPS (the Italian law on public security "Testo Unico delle Leggi di Pubblica Sicurezza") gold operators must not alter or dispose of or sell coins until 10 days after their purchase. For this reason, the rotation of the coin inventory lasts at least 10 days.



Source: Company data

Value Proposition

Confinvest's value proposition is characterized by the uniqueness of the service offered an in particular:

- **No fee paid by customers**. Gold is sold and purchased by/from customers at the quotations reported on IlSole24ore and in other principal newspapaers (+/- spread of Confinvest) without applying additional fees; **the transactions are VAT free**.
- **Fast execution**. The inventory and the internal know-how allow Confinvest to manage transactions rapidly even for higher volumes.
- **Delivery**. Delivery is made with insured couriers to the bank branch or to the customer's home.
- **Immediate liquidity**. The payment of the transaction is immediate.
- **Data confidentiality**. The Company guarantees the privacy of customer data through its internal policy.

New services: In 2018, the Company carried out "beta tests" on: **Vaulting** and **Gold Plan**, two new services that represent the basis for the development and launch of the new "Conto Lingotto" model. The tests gave positive results, showing that the services/products were well appreciated by the market, despite not having made targeted marketing. Results also showed the possibility to build customer loyalty by creating recurring revenues as the services have a high retention rate.

Vaulting: For clients who decide not to withdraw purchased gold, Confinvest offers to store the gold in secure, fully insured vaults in the center of Milan (in primary banks). This service generates an income fee for the Company, which has signed an insurance policy with Lloyd's covering 100% of value gold stock.

Gold Plan: In order to help customers preserve future wealth and purchasing power Confinvest launched a gold accumulation plan ("Gold Plan"). The gold purchased under the plan, is set-aside in safe deposits. Customers can hence accumulate gold without worrying about safe keeping of the metal.

Value Chain

Confinvest operates as a dealer and acts hence as counterparty able to guarantee the immediate execution of transactions for anyone intentioned to buy or sell physical gold. In 2018, Confinvest counted approx. 700 clients represented by:

- Private customers - mainly HNWI (high-net-worth-individuals) or UHNWI (ultra-high-net-worth-individuals);
- Corporate customers (i.e. TV transmissions specialized in prize games);
- Metal Banks;
- Other gold dealers.

The two largest customers accounted for 23% of the total revenues. Top 10 customers accounted for 38% of revenues.
The total number of suppliers were of approx. 700, of which the first two represented 13% of total purchase. The Company does not present high concentration of clients or suppliers.
The distribution channels used by Confinvest to reach their customers and suppliers are:

Off-line channels

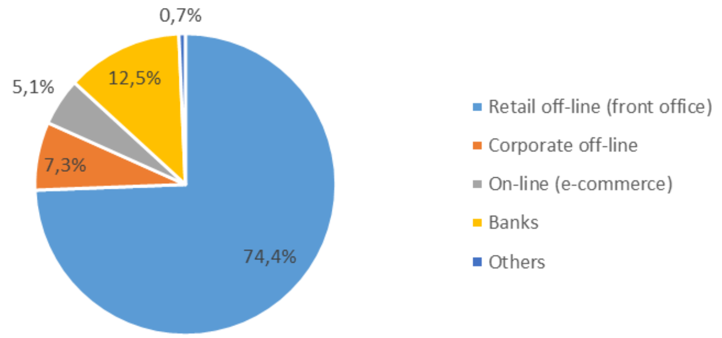
- Head Office in Milan (front office, email, call centre, etc.). Gold is weighed and valuated by the Company's staff; payment and delivery are immediate;
- Partnerships with financial operators and asset managers who wish to integrate services provided to their customers, with the services offered by Confinvest: Banks, SIM, SGR and Family Offices
- Independent business procurers.

On-line channel

- E-commerce platform. The proprietary e-commerce platform is currently the only on-line channel used by the Company and has the functionality of the order collection through the Company's website.

To date, the Milan based head office generates about 74% of total revenues.

2018 revenue breakdown by channel



Source: Company data

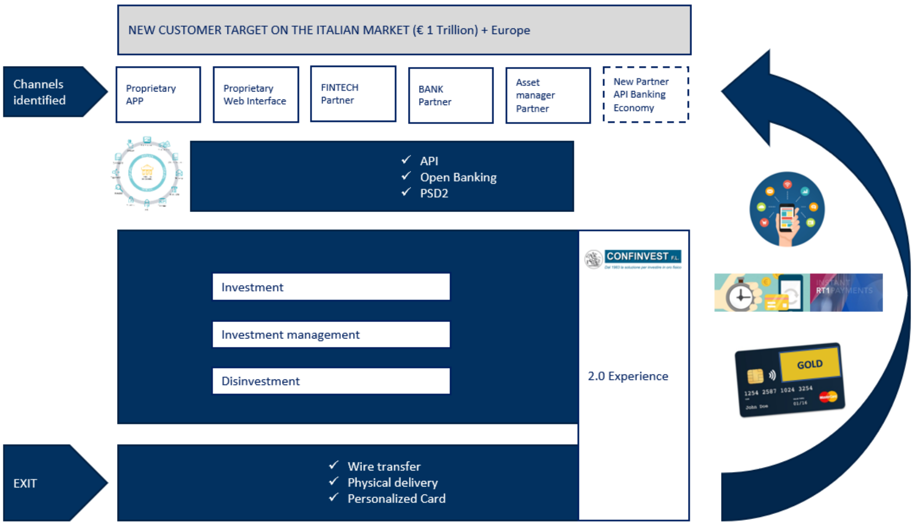
A NEW BUSINESS MODEL

With the implementation of the new business model Confinvest will continue to buy and sell bullion and gold coins, however through the launch of new innovative services (Vaulting, Gold Plan, Conto Lingotto) and the expansion of online sales channels. The new mass market oriented services, will allow to acquire new customers directly, in addition to those coming from the banking channel and Fintech operators.

New Services: New services include Vaulting, Gold Plan and Conto Lingotto. These services are based on transactions managed by an automated system, and are hence highly scalable as they do not require any particular increase in personnel costs. The company is further developing an **instant payment system** with a gold card connected to Conto Lingotto account, and with which customers can "spend" gold in real-time. With the gold card technology, gold becomes a **liquid asset**.

New distribution channels:

- Proprietary APP - Creation of an application for mobile devices that allows anyone, with access to the internet, to buy and sell gold easily and quickly.
- Proprietary web interface- Creation of a web platform owned by the Company easy to integrate with Fintech technologies.
- New partnerships – sign new partnerships with traditional banks and Fintech companies.
- Reginal expansion - opening of new points of sale in strategic Italian cities (Rome, Turin, Verona, Bologna, Florence, Naples, Bari and Palermo).



Source: Company data

In 2018 Confinvest invested just under 100 k Eu in R&D for the first step of the implementation of the new business model. The technology is based on new ICT infrastructure that should be completed within 2019, whereas the launch of new products is expected in 1H 2020. Technological innovation involves a radical change of processes and the opening of new market segments, aimed to transform the use of physical gold from an "alternative investment" to a “structural component” of the portfolio of savers (not only for top clients).

STRATEGY

The strategy will focus on the **expansion of on-line sales** channels and on the **launch of new innovative services** through:

- **R&D** investments aimed at automating existing systems and develop the technology on which the new business model is based
- **Development and launch of “Conto Lingotto**”, in proprietary as well as in white label mode.
- **New partnerships** with banks and Fintech: Boost revenues by targeting a large potential pool of retail (mass market) customers in Italy as well as aboard, through partnerships with the Banks and Fintech companies
- **Regional development** through the opening of new direct points of sales or through the partnerships/franchises in selected strategic areas.
- **Internationalization** through a strategy aimed at increasing efficiency of the supply chain and management of inventory, as well as boost revenues.

OWNERSHIP

Subscribed and paid-up share capital is Euro 700,000, split in 7,000,000 ordinary shares without nominal value. The Company currently has the following shareholders' structure.

Shareholder	Shares	%
Luciano Avanzini	866,300	12.38%
Franco Bugané	866,300	12.38%
Sovereign Srl (Giacomo Andreoli)	620,850	8.87%
Roberto Binetti	447,893	6.40%
Gabriella Villa	447,893	6.40%
Other shareholders (<4%)	1,750,000	25.01%
Market	2,000,000	28.57%
Total Shares	**7,000,000**	**100.0%**

Source: Company data

In 2017 the Company underwent a reorganization of the shareholders' structure through a Management Buy-In transaction (MBI), that has resulted in the adoption of a new business model and a more managerial organization of the Company.

GOVERNANCE

List vote: 10%

Confinvest has approved and implemented an organization and management model pursuant to the Legislative Decree n. 231/2001.

The Company currently has a Board of Directors with 5 members, of which one is independent.

Giacomo Andreoli – CEO: Andreoli became CEO of Confinvest FL SpA following the MBO in 2017. Graduated in Economics and Management at the University of Bergamo and master's degree in Finance at the Université Lumière Lyon II, (Lyon, France). During his career he has held managerial roles in consulting companies including KPMG and Grant Thornton. Andreoli followed projects of analysis and implementation of new business models and development of new products for the financial sector. Many years of experience in M&A activities.

Luciano Avanzini - **Board member and member of the compliance and anti-money laundering commission of Confinvest.** After graduating in Business Administration at Luigi Bocconi University, he spent a brief period as assistant at the Department of Industrial Economics at the Bocconi University. He spent two years as a financial analyst, and has held managerial positions in several private companies. Avanzini is specialized in extraordinary finance, with particular focus on equity transactions. Avanzini was one of the promoters of the acquisition of Confinvest in 2017.

OPPORTUNITIES

- **Digital transformation:** digital transformation, that is involving the financial sector, is a strong opportunity for the business model evolution.
- **First mover:** Confinvest will be the first Italian player to launch innovative gold investment services (based on technology).
- **Business model evolution:** the business model is based on a mass market channels.
- **Italian bank accounts:** the high cash holdings on bank deposit represent a potential investment in gold.
- **Track record:** the Company is engaged in the trading of physical gold since 35 years. It represents a market maker for the Italian sector.

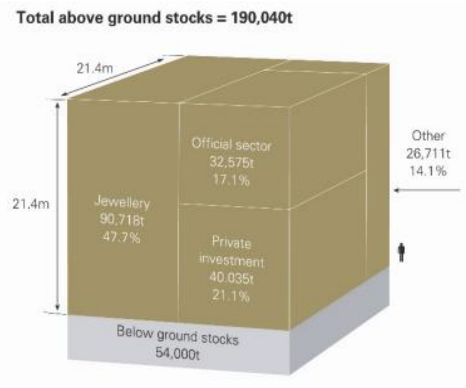
MAIN RISKS

- **Macroeconomic situation and evolution of the reference market:** the performance of the sector in which the Company operates is related to the general economic outlook and therefore any periods of recession can lead to a resulting in reduced demand for the products and services offered.
- **Reduction of the volatility of the gold price** a reduction in the volatility of the gold price would reduce the number of transactions for Confinvest.
- **Competition risk** Potential competitors on the digital channel could reduce profits for Confinvest.
- **Timing of integration** Risk of delay in the timing of integration with bank platforms or in the development of the property Application.
- **Difficulty in changing the attitudes of traditional savers** difficulties in persuading Investors and mass market clients, to allocate their saving in the new asset class represented by digital gold.

REFERENCE MARKET

The World Gold Council estimates that the "above ground" gold amounts to a total of 193,400 tonne (from 190,040 ton at the end of 2017), valued more than 8 USD trillion. Mining production is estimated at 3,000 ton/year, equivalent to an increase in gold availability of 1.6% per year. At the end of 2017, the US Geological Survey ("Mineral Commodity Summary") estimated a stock of 57,000 ton of "below-ground" gold reserves (from 54,000 ton estimated at the end of 2016). 21.1% of the precious metal is gold for investment. 47.7% is represented by jewellery.

Global gold stock



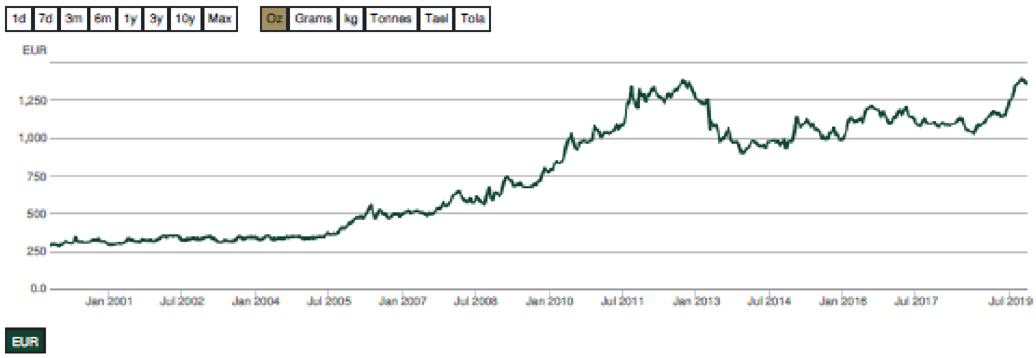
Source: World Gold Council, data at 31/12/2018,

US Geological <survey and Wolrd Gold Coincil, data at 31/12/2017

Over the last 20 years, the price of gold increased from around 247 Eu/oz (January 1999) to around 1,185 Eu/oz (June 2019). The global demand for gold is driven by:

- stock of wealth and economic expansion: in periods of economic expansion the price is sustained by the demand coming from the technological and jewellery sectors and from the medium / long-term investment of savings;
- market risks and uncertainty: during periods of economic slowdown and weakness in financial markets, the price of gold is supported by investment demand (being considered a safe haven);
- cost/opportunity: the demand and the price of gold also reflect the trends of alternative investment assets, typically bonds (and related interest rates), currencies (especially those considered to be protective of systemic risks, such as the Swiss franc) and other assets;
- momentum: the performance of gold is also affected by the momentum of financial markets, in particular investors' risk appetite (and the relative capital flows between the various asset classes) and the positioning of large asset managers in the construction of portfolio strategies.

Gold prices



Data as of 15 October, 2019

Sources: FastMarkets, ICE Benchmark Administration, Thomson Reuters, World Gold Council; Disclaimer

- The advantages to invest in physical gold include:
- Elimination of counterparty risk;
- Gold is an inflation hedge;
- Sales of bullion and gold coins are VAT free;
- Physical gold is not subject to the tax on bank deposits;
- Physical gold is a safe investment par excellence. Investors turn to these assets when stock markets become unstable;
- Precious metal is a good way to preserve purchasing power, diversify the portfolio or reduce financial uncertainty.

COMPETITIVE LANDSCAPE

There are about **3,000** companies registered in the Register of **Gold Buyers** set up at the OAM (Organism of Agents and Mediators). The activity of Confinvest is different from that carried out by te gold shops, engages in an activity substantially different from that of Confinvest both in terms of products (jewellery, bracelets, gold watches, etc.), and in terms of customers (usually driven by the need for liquidity shortages).

Taking into consideration service offering, regional coverage, size and product portfolio (e.g. accumulation plans, custody, trade) Confinvest identifies **three companies** as principal competitors: Bolaffi Metalli Preziosi, Krysos and Italpreziosi.

Company	Country	Bullions	Coins	Custodian	Numismatic	"Banco Metalli"	"Compro oro"	Agreement with banks	APP Digital	E-commerce
Confinvest	**IT**	X	X	X				X	X	X
Oregold (Krysos)	IT	X	X	X			X			
Bolaffi Oro	IT	X	X	X	X					X
Italpreziosi (only retail)	IT	X	X	X		X		X		X

Company	Country	Bullions	Coins	Custodian	Numismatic	"Banco Metalli"	"Compro oro"	Agreement with banks	APP Digital	E-commerce
Bullionvault	UK	X	X	X						X
Glint	UK	X		X					X	
Goldmoney	CA	X		X					X	X
Coininvest	DE	X	X		X					X

Source: Company presentation

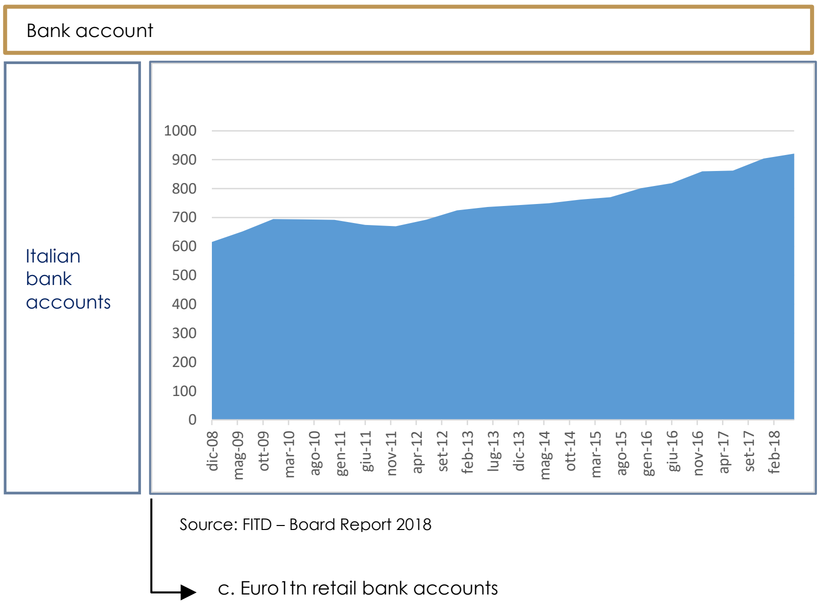
Confinvest differs from its competitors on the agreements in place with banks (except Italpreziosi), and on the use of innovative sales channels (in particular the new APP). Confinvest operates as a dealer in the sector of investment gold. For a dealer, the Contribution Margin is an important indicator of performance, and is the difference between revenues and direct costs of sales. Compared to direct competitors, the Company has lower turnover volumes but better margins in terms of the ratio between contribution margin and production values. The competitors' business models are reflected in very high business volumes (value of production) but at the expense of margins, which are significantly higher for Confinvest

Confinvest: higher margins vs. competitors

FY2017 Eu m - %	Confinvest	Bolaffi MP	Krysos	Italpreziosi
Value of Production (VoP)	11.0	16.8	28.4	1,883.0
Contribution Margin (CM)	0.8	0.9	0.8	9.1
CM/VoP	7.6%	5.2%	2.7%	0.5%
EBITDA	0.5	0.6	0.2	2.1
EBITDA/MC	58.9%	69.6%	19.4%	23.4%

Source: Company presentation

A new potential market: The World Gold Council estimates (source: "*Gold Demand Trend 1H 2019*") that the global gold market in 2018 amount to 33.5 Eu B while the European gold market is about 4.6 Eu b. Management estimates that the **Italian physical gold market in 2018 amounts to approx. 0.4 Eu b.** The new market size can be identified as a percentage of the stock of retail bank accounts, amounting to c. Euro 1,000 billion.



Source: FITD – Board Report 2018

FINANCIAL PERFORMANCE

FY 2016 results have not been reported as the reorganization and the entrance of new managers and shareholders took place in 2017. Since, the Company has grown fast with revenues up by 34% in 2018 and by 29% in 1H 2019.

FY 2018 RESULTS

In FY 2018 Confinvest closed with **revenues of 14.7 Eu m, +34%** vs. FY 2017 after increased marketing activity in 2017, new partnerships, and to a smaller extent new services introduced in 2018 (Vaulting and Gold Plan). 74% of total revenues were related to sale of bullion bars whereas 26% came from gold coins. 100% of revenues are realized in Italy.

The **First Margin,** represents actual revenues of the Company as it is the difference between revenues and direct costs of gold transactions (including change in inventory). FM increased by approx. 17% yoy and reached 1,021 Eu k at year end 2018 (875 Eu k in FY 2017). First Margin on revenues came in at **7%** vs. 8% FY 2017.

Contribution Margin is obtained by adding/subtracting other direct costs and income (fees, transport and packaging) to/from the First Margin, and came in at 937 Eu k, +13% vs. 832 Eu k of 2017. Contribution Margin as a percentage of First margin however, decreased slightly (92% in FY 18 vs. 95% in FY 17) due mainly to a reduction in profitability on trading (-104 bps) following an important reduction in gold inventory, and an increase in other direct costs.

FY 2018 **EBITDA was of 374 Eu k**, with an **EBITDA margin of 37%** (on First Margin) down vs. FY 2017 (490 Eu k and 56% of EBITDA margin) principally as a consequence of (i) higher marketing spending, (ii) higher cost of governance (costs of the new Board present in only for a fraction of 2017) and (iii) higher costs related to the new offices in Milan.
EBITDA adjusted of 391 Eu k (19 Eu k adjustment for non-recurring costs), however grew by 44% vs. EBITDA adjusted 2017 (271 k Eu). After D&As of 251 Eu (223 Eu k in FY 2017)**, EBIT was 122 Eu k, 12% of FM**. Adjusting this number for the amortization of the Goodwill related to the MBI transaction, amounting to 191 k Eu, EBIT was of **313 Eu k, or 31% on First Margin**.

Net Profit came in at 21 Eu K (2% on FM) after financial charges of 93 Eu k, extraordinary income 53 Eu k and taxes of 63 Eu k.

Eu k		FY 2018	FY 2017
Revenues		**14,712**	**10,962**
	YoY	*+34.2%*	*-31.1%*
First Margin		**1,021**	**875**
	YoY	*+16.6%*	*-51.2%*
Contribution Margin		**937**	**832**
	Margin	*92%*	*95%*
EBITDA		**374**	**490**
	Margin	*37%*	*56%*
EBIT		**123**	**266**
	Margin	*12%*	*30%*
Pre-tax Profit		**83**	**164**
Net Profit		**21**	**69**

Source: Company data (ITA GAAP)

On the Balance Sheet side, **Net Capital Employed** was of 3.8 Eu m vs. 4.6 Eu m in 2017 after a decrease in **Net Working Capital** (2.1 Eu m in FY 2018 vs. 2.7 Eu m in FY 2017) following lower inventory volumes.

Fix Assets, were of 1.7 Eu m (1.9 Eu m in FY 2017), of which 1.5 Eu m represented by the **Goodwill** related to the inverse merger of 2017.

Gold **inventory** stood at 2.0 Eu m, down from 2.7 Eu m in 2017 as the new management has put in place a more efficient inventory management, progressively reducing the days of rotation and thereby optimizing stock. Inventories (coins), in excess of the physiological needs required by the business, (10 days) effectively represent cash equivalent and Net Debt can therefore be adjusted for this component.

At year end 2018 **Net Debt** was of 0.8 Eu m vs. 1.6 Eu m at the end of FY 2017. The decrease vs. 2017 can be attributed to (i) higher cash and (ii) to the gradual repayment of the acquisition debt related to the 2017 MBI transaction (originally 1.8 Eu m), which represent the only m/l debt to banks.

Net Debt adjusted for the excess of gold coins (1.6 Eu m), was negative (cash) of 0.8 Eu m.

Eu k	FY 2018	FY 2017
Net Working Capital (NWC)	2,058	2,744
Fixed net assets	1,742	1,877
Funds	(2)	(0)
Net Capital Employed	**3,798**	**4,620**
Net Debt (Cash)	787	1,595
Equity	3,011	3,025
Sources	**3,798**	**4,620**

Source: Company data (ITA GAAP)

1H 2019 RESULTS

Revenues continued to grow at a remarkable pace in 1H 2019, reaching Euro 9.3 m, +29% vs. 1H 2018, thanks to an increase in volumes driven partly by the increase in gold price in January –February and in June. In line with strategic guidelines the Company took its first steps towards internationalization with 13% of total revenues realized outside the domestic market (principally Austria and Switzerland).

First margin came in at Euro 650 k, +70% vs Euro 383 k in 1H 2018), and **EBITDA adjusted** for Euro 102 k of IPO related expenses, came in at Euro 299k (Euro 197k unadjusted), or 46% on First Margin, thanks partly to an increase in fine gold inventory related both to an increase in quantity (+30kg of fine gold) and accounting price (as of 1H 2019 the Company use FIFO to valuate gold stock, FY 2018 financials have been restated).

EBIT adjusted for above mentioned IPO expenses and Euro 96 k related to amortization of Goodwill from the 2017 LBO transaction stood at Euro 260 k (Euro 62 k unadjusted), and **Net Income** adjusted for the same items was of Euro 163 k (Net loss of Euro 40 k unadjusted).

Net Working Capital stood at Euro 3.1 m, after the increase in inventory and trade payables (Euro 656 vs. 131 in 1H 2018) following to the timing of an important order with payment and inventory discharge in the first days of July 2019. **Net debt** was of Euro 1.8 m, up by approx. Euro 1 m vs. FY 2018, after the seasonal increase in Working Capital, investments related to the Conto Lignotto, and IPO expenses.

Eu k		1H 2019	1H 2018
Revenues		**9,318**	**7,244**
	YoY	*+29%*	*n.a.*
First Margin		**650**	**383**
	YoY	*+70%*	*n.a.*
Contribution Margin		**606**	**358**
	Margin	*93%*	*93%*
EBITDA adj		**299**	**63**
	Margin	*46%*	*16%*
EBITDA		**197**	**63**
	Margin	*30%*	*16%*
EBIT		**62**	**(53)**
	Margin	*10%*	*n.a.*
Pre-tax Profit		**(20)**	**(101)**
Net Profit/(Loss)		**(40)**	**(99)**

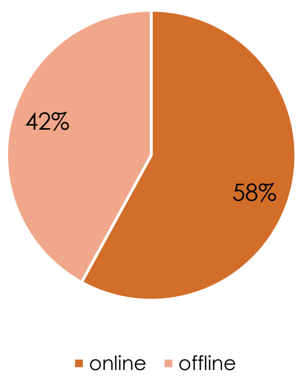
Eu k	1H 2019	FY 2018
Net Working Capital (NWC)	3,103	2,058
Fixed net assets	1,701	1,742
Funds	(6)	(2)
Net Capital Employed	**4,798**	**3,798**
Net Debt (Cash)	1,819	787
Equity	2,979	3,011
Sources	**4,798**	**3,798**

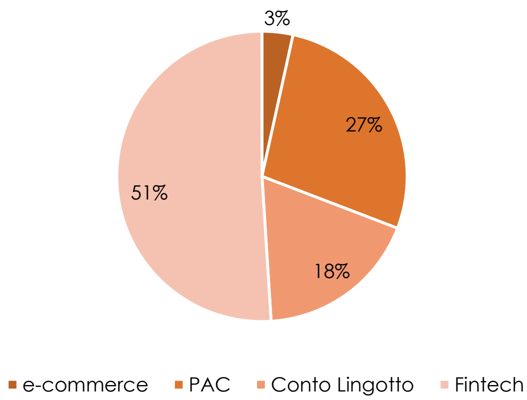
2019-2022 ESTIMATES

For the period 2019-2022 we believe that the Company, acting as **first mover** in a market that is drastically changing as a consequence of the change in regulatory framework, is well positioned to exploit the ongoing digital transformation to increase customer base. The **key driver for our estimates is the increase in customers/users** driven by new market conditions and the implementation of the new business model.

- We believe that Confinvest can grow revenues at a 2018-2022 CAGR of 61% to reach 102 Eu m in 2022, given the new technologies that make possible to reach a mass market and given the advantage of the company over its competitors (first mover). We assume that the traditional business can increase clients from current 700 to approx. 1,300 at the end of 2022 thanks to the geographical expansion with new point of sales and new partnerships with Banks and other Fintech companies. We have further estimated that the new business, and in particular **Conto Lingotto** (launch 2020), can grow at a 2018-2022 CAGR of approx. 90%, and reach approx. 17.500 users at the end of the plan.

- In terms of sales channels online revenues should grow to represent 58% in 2022 (6% in 2018). Of these approx. 51 % should be represented by Fintech, 27% PAC, 18% Conto Lingotto and 3% e-commerce. In FY 2018 100% of online revenues were relative to e-commerce.





- We expect First Margin to grow at a 2018-2022 CAGR of +59%, somewhat below that of revenues as the revenue growth is principally driven by the increase in sale of bullion that present a lower profitability compared to coins. Contribution Margin should therefore reach 89% in 2022, or Euro 6.0 m in absolute terms.

- EBITDA CAGR of +87% principally driven by the larger sales volumes and operative leverage (scalability of business model), with a growth in EBITDA margin of (on First Margin) by 1180 bps (from 55% to 67% in 2022) over the period considered;

- We expect Net Profit to reach 2.8 Eu m in 2022;

- We assume increased efficiency in inventory management as we expect a gradual reduction in DIOs to correspond to the physiological levels of the business (without coins or bullions excess). This reduction creates cash flows use for the development of the new business model.

- We estimate total CAPEX of 1.6 Eu m over the period mainly referring to investment in development of the new application and digital platform and automation processes;
- The Company should be cash positive at the end of 2019 thanks also to IPO proceeds (Euro 3.0m in August 2019).

KEY FINANCIALS

Eu k	18A	19E	20E	21E	22E
Revenues	**14,712**	**21,000**	**56,000**	**78,612**	**102,113**
Yoy	*34%*	*43%*	*277%*	*140%*	*130%*
First Margin	**1,021**	**1,722**	**4,081**	**5,313**	**6,784**
Yoy	*17%*	*69%*	*137%*	*30%*	*28%*
Contribution Margin	**937**	**1,569**	**3,678**	**4,726**	**6,038**
% on FM	*92%*	*91%*	*90%*	*89%*	*89%*
EBITDA	**374**	**955**	**2,748**	**3,426**	**4,561**
% on FM	*37%*	*55%*	*67%*	*65%*	*67%*
EBIT	**123**	**666**	**2,384**	**2,989**	**4,065**
% on FM	*12%*	*39%*	*58%*	*56%*	*67%*
Pre-tax profit	**83**	**398**	**2,284**	**2,889**	**3,965**
Net Profit	**21**	**239**	**1,599**	**2,022**	**2,776**

Eu k	18A	19E	20E	21E	22E
Net Working Capital (NWC)	2,058	1,817	1,971	2,605	3,210
Fixed net assets	1,742	1,853	1,890	1,852	1,767
Funds	(2)	(7)	(21)	(37)	(55)
Net Capital Employed	**3,798**	**3,663**	**3,840**	**4,421**	**4,923**
Net Debt(Cash)	787	(2,587)	(4,009)	(5,450)	(7,724)
Equity	3,011	6,250	7,849	9,871	12,647
Sources	**3,798**	**3,663**	**3,840**	**4,421**	**4,923**

Source: Company data (ITA GAAP) and IR Top estimates

VALUATION

As there are no suitable peers for Confinvest and as we believe that some aspects of the business will only be captured when using a longer timeframe, we have chosen to use a DCF model for our valuation which yields a target price of Euro 3.53 per share, vs. current share price of Euro 3.21. At our target price the stock would be trading at 8.1x EV/EBITDA 2020.

DISCOUNTED CASH FLOW

We based our DCF model on the following assumptions:

- Risk-free interest rate: 2.32% (yield BTP 10 years - 24-month average)
- β: 1.1 (Damodaran industry average January 2019)
- ERP: 9.03%
- Target leverage: 0%
- Ke = 12.08%
- Perpetual growth: 1.0%

Eu k	2019	2020	2021	2022	2023	Terminal Value
EBIT	**666**	**2,384**	**2,989**	**4,065**	**4,737**	4,737
- Tax	(159)	(685)	(867)	(1,190)	(1,391)	(1,391)
+ D&A	289	363	438	495	535	
- Δ NWC	241	(154)	(635)	(605)	(759)	(200)
- Net Capex	(400)	(400)	(400)	(400)	(400)	
= Free Cash Flow	**637**	**1,508**	**1,525**	**2,356**	**2,761**	**3,146**

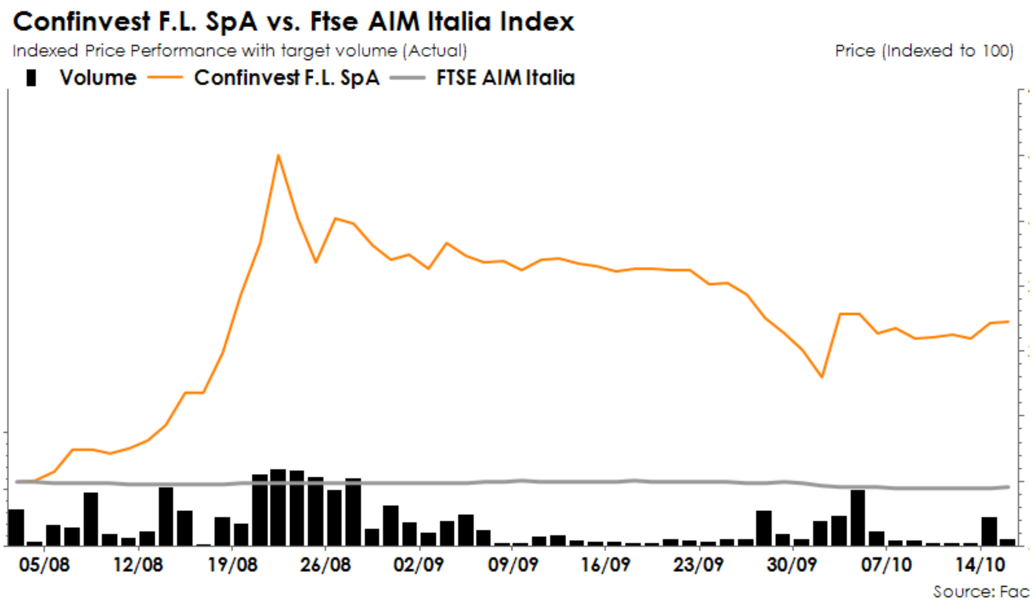
Sum of PV 2019-2023 FCFs (Eu m)	6.5	29%
Discounted Terminal Value (Eu m)	15.7	71%
Enterprise Value (Eu m)	**22.1**	**100%**
Net Debt (FY 2019E)	(2.6)	
Equity Value (Eu m)	**24.7**	
Number of outstanding shares (m)	7.0	
Price per share	**3.53**	

CONFINVEST ON AIM

IPO
Date: August 1st, 2019
Capital raised: Euro 3.0 m
Price: Euro 1.50
Capitalisation: Euro 10.5 m

SHARES *(as of October 16th, 2019)*

Code: CFV
Bloomberg: CFV:IM
ISIN: IT0005379604
Shares: 7,000,000
Price: Euro 3.21
Performance from IPO: +114%
Capitalisation: Euro 22 m
Free Float: 28.57%
NomAd: Integrae SIM
Global Coordinator: Integrae SIM
ADDT YTD: 723,264



Profit&Loss Stetement		2017A	2018E	2019E	2020E
Revenues		11.0	14.7	21.0	56.0
First Margin		0.9	1.0	1.7	4.1
EBITDA		0.5	0.4	1.0	2.7
EBIT		3.7	0.1	0.7	2.4
Financial Income (charges)		(0.1)	(0.1)	(0.2)	(0.1)
Pre-tax profit (loss)		0.2	0.1	0.4	2.3
Taxes		(0.1)	(0.1)	(0.2)	(0.7)
Net profit (loss) Group		0.1	0.0	0.2	1.6
Balance Sheet					
Net working capital (NWC)		2.7	2.1	1.8	2.0
Net fixed assets		1.9	1.7	1.9	1.9
M/L Funds		(0.0)	(0.0)	(0.0)	(0.0)
Net Capital Employed		4.6	3.8	3.7	3.8
Net Debt		1.6	0.8	(2.6)	(4.0)
Equity		3.0	3.0	6.2	7.8
Cash Flow					
EBIT		3.7	0.1	0.7	2.4
D&A		0.0	0.1	0.3	0.4
Tax		(0.1)	(0.1)	(0.2)	(0.7)
Cahnge in M/L Funds		0.0	0.0	0.0	0.0
Gross Cash Flow		3.6	0.1	0.8	2.1
Change in NWC		0.4	0.7	0.2	(0.2)
Operating Cash Flow		4.0	0.8	1.0	1.9
Capex		(0.2)	(0.1)	(0.4)	(0.4)
Financial Income (charges)		(0.1)	(0.1)	(0.2)	(0.1)
Free Cash Flow		3.7	0.6	0.5	1.4
Dividend		0.0	0.0	0.0	(0.1)
Change in Equity		(2.6)	(0.0)	3.0	0.0
Change in Net debt		1.1	0.6	3.5	1.3
Per Share Data					
Total shares out (mn) average	7.0				
EPS		0.01	0.00	0.03	0.23
DPS		n.m.	n.m.	0.0	0.2
FCF		0.5	0.1	0.1	0.2
Pay out ratio		0%	0%	60%	70%
Ratios					
EBITDA margin		56.0%	36.6%	55.4%	67.3%
EBIT margin		419.7%	12.0%	38.7%	58.4%
Net Debt/Equity (Gearing)		52.7%	26.1%	-41.4%	-51.1%
Net Debt/EBITDA		3.3	2.1	-2.7	-1.5
Interest cover EBIT		31.9	1.3	4.0	23.8
ROE		2.3%	0.7%	3.8%	20.4%
ROCE		82%	5%	23%	80%
Growth Rates					
Revenues		-51%	17%	69%	137%
EBITDA		-68%	-24%	155%	188%
EBIT		138%	-97%	442%	258%
Net Profit		-94%	-70%	1056%	570%

Source: Consolidated Company data (ITA GAAP, OIC) for 2016-2018 and IR Top Research estimates for 2019-2021

DISCLAIMER

UPDATES This Research is the first coverage made by IR Top Consulting S.r.l. (IR Top) on Confinvest F.L. (the "Company"). Update frequency might depend on circumstances considered to be important (corporate events and changes of recommendation, etc.) or on further advisory commitment.

Opinions and estimates of this Research are as the date of this material and are subject to change. Information and opinions have been obtained from sources public and believed to be reliable, but no warranty is made as to their accuracy or correctness. Past performances of the Company are not guarantee of future results.

VALUATION METHODOLOGY (HORIZON: 12M) IRTop obtained a fair value using different valuation methodologies including Discounted Cash Flow method and Multiple-based models.

Detailed information about the valuation or methodology and the underlying assumptions and information about the proprietary model used is accessible at IRTop premises.

RESEARCH TEAM

Luisa Primi (Senior Analyst, AIAF Associated)

Chiara Cardelli (Researcher)

No other people or companies participated or anyhow contributed to the Research. Neither the members of the research team, nor any person closely associated with them have any relationships or are involved in circumstances that may reasonably be expected to impair the objectivity of the Research, including interests or conflicts of interest, on their part or on the part of any natural or legal person working for them, who was involved in producing the Research.

INTERESTS INVOLVED AND CONFLICTS This document has been prepared by IRTop, *Partner Equity Markets* of Italian Stock Exchange, part of LSE Group, on behalf of the Company according to a contract, under which IRTop undertook to prepare this report expressing only independent, fair and balanced views on the Company. The fees agreed for this Research do not depend on the results of the Research.

This Research has been disclosed to the issuer to which the Research, directly or indirectly, relates before its release. It is incumbent on the Company to provide timely and constructive feedback on draft Research prior to publication. It is IRTop's sole discretion as to whether comment and feedback from the Company is incorporated into the Research prior to publication and where it is, a further iteration to the draft will be sent to the Company for comment.

IRTop is also engaged in investor relations services in the interest of the Company and might occasionally be involved in other consulting activities intended to increase the value of the Company. In any case, Chinese Walls and other information barriers are in place to avoid the exchange of confidential information between the Equity Research Department and other services areas; employees and advisors involved in such services have restrictions preventing them from the access to confidential information that can not be published.

IRTop restricts research analysts from performing roles, which could prejudice the independence of their research. In particular:

- they are permitted to attend and speak at widely attended conferences or other widely attended events at which IRTop colleagues and clients, among others, may also be present, provided that their independence may not be affected. These widely-attended conferences/events may include some investor presentations by clients of investor relations services.
- Analysts are also permitted to attend and speak at conference calls or meetings between analysts and bankers, investors or customers in which are discussed Research reports already published or general view on specific sectors. In such cases, at the start of that meeting, bankers, investors or customers need to be clarified that the discussion cannot involve the communication of privileged information to the analyst as the analyst would be prohibited from producing new research report on the companies whose privileged information has been disclosed.

Members of the Research Team do not receive salaries, commissions, bonuses or any other form of compensation based upon specific investment banking transactions or securities' performances.

IRTop and the members of the Research Team do not have any further interest or conflict of interest directly or indirectly related with the Research, the Company or the securities, that may reasonably be expected to impair the objectivity of the Research.

There are no other interests or conflicts of interest of any person belonging to the same group of IRTop that are: (a) known, or reasonably expected to be known, to the persons involved in the production of the recommendation; or (b) known to persons who, although not involved in the production of the recommendation, have or could reasonably be expected to have, access to the recommendation prior to its completion.

In any case, as a general Policy, nobody of the Research Team nor IRTop is allowed to have a financial interest in the securities of the client company or serve as an officer, director or advisory board member of the client company.

Analysts must not undertake personal transactions on financial instruments that are object of the investment research or that relate to the same industry. Exceptions may be made with the prior approval of IRTop's CEO in special circumstances such as for disposal of (a) positions already held before the employment or before the implementation of the company policy, or when initiating coverage and (b) positions obtained as a result of the issuer extraordinary activities. By the way, when analysts hold instruments to which Equity Research relates, they are required to disclose their interests in Research reports. Any trades that analysts make must be in line with their recommendation(s), contained in the last published Research. An analyst is prohibited from producing a Research on an issuer if the analyst carries out activities for which he receives compensation from the issuer. If an analyst's household member / relative / relative in-law (within the second degree) serves in such a high capacity for the issuer (i.e. manager or director), the analyst has to inform IRTop's CEO and the analyst will cease covering the issuer.

POLICY IRTop has in place a "Joint conflict management policy" in order to effectively manage any conflicts of interest, and an "Equity Research Policy", in order to rule research services in compliance with Parliament Regulation (EU) no.596/2014 and Commission Delegated Regulation (EU) no. 958/2016 on Market Abuse.

IRTop has adopted the "Joint conflict management policy" in accordance with best practice regarding "information barriers" to restrict the flow of information to prevent the misuse of information and/or prevent any conflicts of interest arising from other activities of IRTop. A copy of these policies is available to the recipient of this Research upon making a request to IRTop by e-mail.

DISCLAIMER This document is being furnished to you solely for your information on a confidential basis and may not be reproduced, redistributed or passed on, in whole or in part, to any other person 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. IRTop does not accept any liability for any direct, consequential or indirect loss arising from any use of material contained in this report. This document has not been published generally and has only been made available to qualified investors.

Opinions and estimates in this Research are as at the date of release 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. In any case, you should consult your investment advisor.

This document is intended for distribution only to E.U. "qualified investors" and to "qualified counterparties" resident in Italy, within the meaning of article 2(1)(e) of the prospectus directive (directive 2003/71/EC) and Consob Reg. 16190, as subsequently amended and supplemented; its distribution in USA, Canada, Australia, Japan is not allowed.

In Italy, this document is being distributed only to, and is directed at qualified investors within the meaning of article 100 of legislative decree no. 58 of 24 February 1998, as amended, and article 34-ter, paragraph 1, letter b), of Consob regulation on issuers no. 11971 of May 14, 1999, provided that such qualified investors will act in their capacity and not as depositaries or nominees for other shareholders, such as persons authorized and regulated to operate in financial markets, both Italian and foreign.

DISTRIBUTION In the United Kingdom, this document is not for distribution to persons that would be defined as private customers under rules of the FSA; it is for distribution only to persons who: (i) have professional experience in matters relating to investments falling within article 19(5) of the financial services and markets act 2000 (financial promotion) order 2005 (as amended, the "financial promotion order"), (ii) are persons falling within article 49(2)(a) to (d) ("high net worth companies, unincorporated associations etc.") of the financial promotion order, (iii) are outside the United Kingdom, or (iv) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the FINANCIAL SERVICES AND MARKETS ACT 2000) in connection with the issue or sale of any securities may otherwise lawfully be communicated or caused to be communicated (all such persons together being referred to as "relevant persons").

This document is not addressed to any member of the general public and under no circumstances should this document circulate among, or be distributed to (i) a member of the general public, (ii) individuals or entities falling outside the definition of "qualified investors" as specified above or (iii) distribution channels through which information is or is likely to become available to a large number of persons.

IR TOP CONSULTING SPECIFIC DISCLOSURES We disclose that IRTop acts as Investor Relations and Financial Communication advisor for the Company.