

Company Flash

MID CORPORATE

Piaggio

28 July 2020: 7:53 CET
Date and time of production

2Q20 Further Strengthens Confidence

Piaggio's 2Q20 results, which came in 9% and 10% better than our and consensus expectations at the EBITDA level, reinforce our confidence in Piaggio's equity story. While adopting a slightly more cautious approach on 2020E to account for the prolonged lockdown in some Indian areas, we leave our 2021-22E estimates broadly unchanged as we believe that Piaggio will benefit from the new mobility habits following the Covid-19 outbreak. This trend may prove to be even stronger than what we are currently incorporating, paving the way for a better than forecast growth in 2021.

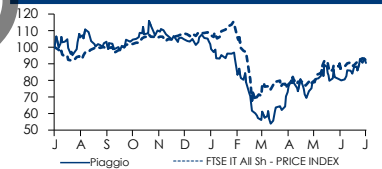
BUY

Target Price: EUR 3.1
(from EUR 2.8)

Italy/Automobiles & Components
Update

MTA

Price Performance
(RIC: PIA.MI, BB: PIA IM)



2Q20 results better than expected

With 2Q20 revenues in line with our expectations, EBITDA in the quarter stood at EUR 43.3M (implying a 15% margin), exceeding our expectations and market consensus (Bloomberg) by 9% and 10% thanks to a higher than expected opex reduction (EUR 20M vs. our EUR 15M assumption, most of which related to temporary layoffs). Overall, in 2Q20 and in 1H20, the group's net profit was stronger than expected also thanks to slightly lower than projected D&A and a more favourable tax rate (40%) than in 1H19. As anticipated in our preview report (24/7), net debt peaked but looks fully under control, in our view, and was slightly better than our expectations.

Piaggio - Key Data

Price date (market close)	24/07/2020
Target price (EUR)	3.1
Target upside (%)	28.84
Market price (EUR)	2.41
Market cap (EUR M)	861.72
52Wk range (EUR)	3.09/1.43
Price performance %	1M 3M 12M
Absolute	13.6 18.8 -9.5
Rel. to FTSE IT All Sh	8.7 0.5 -0.5

Piaggio - 2Q/1H20 results

EUR M	2Q19A	1H19A	FY19A	2Q20A	2Q20E	2Q20C	2Q A/E %	2Q A/C %	2Q yoy %	1H20A
Sales	470.8	817.0	311.4	288.74	288.7	291.7	0	-1	-0.39	600
EBITDA	84.8	134.3	39.8	43.30	39.8	39.5	9	10	-0.49	83
Margin %	18.0	16.4	12.8	15.0	13.8	13.5	NM	NM	NM	13.8
EBIT	54.4	75.1	10.0	14.70	10.0	9.2	47	59	-0.73	24.7
Margin %	12	9	3	5.1	3.5	3.2	NM	NM	NM	4.1
Net Income	26.7	34.6	3.10	6.0	2.7	2.1	121	190	-0.78	9.1
Net debt (net cash)	418.0	418.0	548.6	528.5	535.4	514.0	-1	3	0.26	528.5

NM: not meaningful; A: actual; E: estimates; C: Bloomberg consensus; Source: Company data and Intesa Sanpaolo Research

Outlook and estimates

The group announced the postponement of the distribution of its interim dividend on 2020 to November. As expected, Piaggio did not release any guidance on the back of the ongoing evolution of the pandemic. However, the main feedback from the conference call strengthens our view that the volumes outlook in Europe (where the group enjoys a strong price mix and a higher operating leverage) is stronger than initially expected. Based on preliminary data for the first weeks of July, the group sees a European 2W market up by 25-30% despite a very tough comparison base as in July 2019 the EU 2W market grew by around 16%. We see this as very positive as July is particularly important for the 2W market as it accounts for around 13% of the yearly registrations. In this context, Piaggio's management stated that, based on July orders, on pre-orders for August and on their predictions for September, in 3Q20 Piaggio's orders

Y/E Dec (EUR M)	FY19A	FY20E	FY21E
Revenues	1,521.3	1,313.5	1,567.6
EBITDA	227.8	185.3	229.6
EBIT	104.5	65.31	109.6
Net income	46.72	26.59	51.96
EPS (EUR)	0.13	0.07	0.15
Net debt/-cash	429.7	478.5	450.9
Adj P/E (x)	19.9	32.4	16.6
EV/EBITDA (x)	5.8	7.2	5.7
EV/EBIT (x)	12.7	20.5	12.0
Div ord yield (%)	5.8	3.3	4.2

Source: Company data, FactSet and Intesa Sanpaolo Research estimates

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in Europe are seen up by 20%/25%. Given that 3Q20 is expected to have a similar mix to 3Q19, we expect a similar trend for revenues.

On top of this strong trend, Piaggio is performing very well in some key strategic countries, such as China, where Vespa volumes are rising above expectations with very sound margins. In 1Q20, Vespa volumes in China were seen at around 10k by year-end and management now seems more optimistic. We believe that China will offer strong growth opportunities ahead for a high value brand, such as Vespa. At the same time, with the lift of the lockdown in many Asian countries, we think APAC could resume its growth path. By contrast, with a market still down by 45% in July, according to the management, India still represents a question mark but we believe that the group will be able to offset a large part of the declining volumes in India with a much stronger trend in Europe.

From an estimates standpoint, we think a slightly more cautious approach for 2020 is reasonable due to the ongoing restrictions in certain Indian areas. Nevertheless, while reducing our volumes projections on India for 2020 and going forward, we increase our volumes outlook for Piaggio's operations in Europe and we leave unchanged our price mix assumptions across all of Piaggio's main areas. While cutting our 2020E EBITDA and adj. EPS by 5.6% and 19.7%, respectively, we leave our 2021-22E estimates broadly unchanged. We believe that the changes in consumers' commuting habits will open up new growth opportunities for Piaggio across all geographical markets on top of the still ongoing replacement cycle in Europe. As a result, we do not rule out that our volumes assumptions for Piaggio's 2W in 2021 might prove to be conservative.

Piaggio - 2020E-21E earnings outlook

EUR M	Old			New		
	2020E	2021E	2022E	2020E	2021E	2022E
Sales	1,376	1,550	1,708	1,313	1,568	1,731
EBITDA	196	230	255	185	230	257
EBITDA %	14.3	14.9	15.0	14.1	14.6	14.8
EBIT	76.2	110.4	129.5	65	110	131
EBIT %	5.5	7.1	7.6	5.0	7.0	7.6
Pre-tax income	55	87	106	44	87	108
Net income (attributable)	33	52	64	27	52	65
Net cons. debt / (cash)	471	452	415	479	451	412
Capex	110	130	130	110	130	130
Adjusted EPS (EUR)	0.092	0.146	0.178	0.074	0.145	0.181
Dividend per ord share (EUR)	0.08	0.1	0.11	0.08	0.10	0.11

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

Piaggio - Main estimates revisions

%	New vs. Old 2020E	New vs. Old 2021E	New vs. Old 2022E
Sales	-4.6	1.2	1.3
EBITDA	-5.6	-0.4	0.5
Adjusted EPS	-19.7	-0.9	1.2
DPS	0.0	0.0	0.0
Net consolidated debt / (cash)	1.5	-0.2	-0.7
Capex	0.0	0.0	0.0

E: estimates; Source: Intesa Sanpaolo Research

Piaggio - Volumes assumptions

Volumes	2020E	yoy %	2021E	yoy %	2022E	yoy %
2W Western Countries)	216	-3.8	238	10.2	257	8.0
2W India	50	-35.1	65	30.0	80	23.1
2 W APAC	91	-7.3	101	11.0	106	5.0
Total 2Wheels	357	-10.7	404	13.2	443	9.7
LCV Europe	15	-20.3	18	17.6	23	27.8
LCV India	115	-40.3	160	39.1	180	12.5
Total LCV	130	-38.5	178	36.6	203	14.0
Total volumes	487	-20.3	582	19.4	646.0	11.0

E: estimates; Source: Intesa Sanpaolo Research

Valuation

While trimming our 2020E EBITDA estimates, our positive view on Piaggio remains unchanged as our revision reflects the temporary restrictions in certain areas of India and we see a resumption of market demand ahead also for the Indian market. Valuation-wise, our 2020E SOP analysis benefits from the recent sector multiples re-rating and, our updated DCF analysis (which now incorporates a revised beta at 0.9 but retains a conservative 1% G rate), still points to upside ahead on the stock up to **EUR 3.1/sh** (from the previous EUR 2.8 sh). **We thus keep our BUY rating on Piaggio.**

Piaggio - Target price calculation

	Equity value (EUR M)	Equity Value (EUR/sh.)
2020 SOP by business area	1,216	3.4
DCF 2020-22E	1,021	2.9
Piaggio target price	1,118	3.1

Source: Intesa Sanpaolo Research estimates

2020E SOP

Piaggio - Main peers by area

x	EV/Sales	EV/EBITDA	EV/EBIT	P/E
Harley-Davidson, Inc.	2.8	23.0	38.5	23.8
Honda Motor Co., Ltd.	0.7	12.1	36.2	18.5
Suzuki Motor Corp.	0.6	6.7	17.4	29.1
Yamaha Motor Co., Ltd.	0.6	10.4	20.1	24.1
PIERER Mobility AG	1.1	7.7	20.3	49.6
Hero Motocorp Limited	1.8	14.5	18.6	21.6
Fiat Chrysler Automobiles N.V.	0.2	3.3	36.6	NA
Volkswagen AG Pref	0.3	2.2	9.9	15.9
Renault SA	0.2	3.5	NA	NA
Peugeot SA	0.1	1.3	3.2	14.7
Bayerische Motoren Werke AG	0.3	2.8	7.0	15.9
Maruti Suzuki India Limited	2.4	25.3	55.1	42.5
Bajaj Auto Limited.	2.8	17.2	17.9	20.1
2 Wheels Europe#	0.9	9.7	22.6	26.7
2 wheels ex-Harley and Indian players	0.7	9.2	23.5	30.3
2 Wheels Asia	0.7	9.2	23.5	30.3
2 wheels India*	1.8	14.5	18.6	21.6
3 Wheels peers Europe	0.2	2.6	14.2	15.5
3 Wheels peers India	2.6	21.3	36.5	31.3

Priced at market close on 24/07/2020; # European peers: Honda, Yamaha, Suzuki; *Including just Hero; Source: FactSet

Piaggio – 2020 SOP

EUR M	2020E Sales	2020E EBITDA ex-IFRS	2020E EV/Sales	2020E EV/EBITDA	EV
2 Wheels Total					1,044
-2W Western Countries	730.1	104.4	0.74	9.21	749
-2W APAC	205.7	28.8	0.74	9.21	208
-2W India	47.5	5.9	1.81	14.47	86
LCV Total					673
- LCV India	244.5	31.8	2.59	21.28	655
-LCV Europe	85.7	6.4	0.22	2.61	18
Total assets					1,717
Net Debt 20E ex IFRS					459
Pension Fund 20E					44
Treasury					2
Total	1383	195			1,216
Fair value on 2020E SOP (EUR/sh)					3.4

E: estimates; Source: Intesa Sanpaolo Research

DCF model

Piaggio - DCF model (2020E-22E)

EUR M	2020E	2021E	2022E
Sales	1,313.5	1,567.6	1,731.4
Growth %	-13.7	19.4	10.4
EBIT	65.3	109.6	130.8
Margin	5.0	7.0	7.6
D&A ex IFRS	112.0	112.0	118.0
EBITDA ex IFRS	177.3	221.6	248.8
Tax rate %	40.0	40.0	40.0
Cash flow from operations	151.2	177.8	196.5
Total capex	110.0	130.0	130.0
Change in working capital	33.8	-14.3	-13.8
Free cash flow	7.4	62.1	80.2
Discount factor	0.94	0.89	0.84
Discounted cashflow	7.0	55.2	67.4

E: estimates; Source: Intesa Sanpaolo Research

Piaggio - WACC

%	
Risk free rate	1.50
Risk premium market	7.50
Beta*	0.9
Tax shield	24.0
Cost of debt	3.0
Cost of equity	8.1
Debt/capital employed ratio	42
Equity/capital employed ratio	58
g	1.00
WACC	6.0

Piaggio – DCF model (2020-22E, EUR M)

Terminal Value	1,606
NPV 20-22E	130
NPV Terminal	1,349
Total	1,478
(Cash) Debt FY19A ex IFRS	410
Pension funds 19P	44
Treasury	2
Fair equity value	1,021
Fair value on DCF (EUR/Sh)	2.9

Source: Intesa Sanpaolo Research

E: estimates; Source: *Bloomberg and Intesa Sanpaolo Research

Sample

Piaggio – Key Data

Rating	Target price (EUR/sh)	Mkt price (EUR/sh)		Sector	
BUY	Ord 3.1	Ord 2.41		Automobiles & Components	
Values per share (EUR)	2018A	2019A	2020E	2021E	2022E
No. ordinary shares (M)	361.2	358.2	358.2	358.2	358.2
Total no. of shares (M)	361.2	358.2	358.2	358.2	358.2
Market cap (EUR M)	763.52	900.75	861.72	861.72	861.72
Adj. EPS	0.10	0.13	0.07	0.15	0.18
CFPS	0.40	0.47	0.41	0.48	0.53
BVPS	1.1	1.1	1.0	1.1	1.1
Dividend ord	0.09	0.15	0.08	0.10	0.11
Dividend SAV Nc	NA	NA	NA	NA	1.00
Income statement (EUR M)	2018A	2019A	2020E	2021E	2022E
Revenues	1,389.5	1,521.3	1,313.5	1,567.6	1,731.4
EBITDA	201.8	227.8	185.3	229.6	256.8
EBIT	92.77	104.5	65.31	109.6	130.8
Pre-tax income	67.84	80.66	44.31	86.60	107.8
Net income	36.07	46.72	26.59	51.96	64.65
Adj. net income	36.07	45.29	26.59	51.96	64.65
Cash flow (EUR M)	2018A	2019A	2020E	2021E	2022E
Net income before minorities	36.1	46.7	26.6	52.0	64.7
Depreciation and provisions	109.0	123.3	120.0	120.0	126.0
Others/Uses of funds	-11.4	-80.4	0.3	0	0
Change in working capital	19.0	83.3	-33.8	14.3	13.8
Operating cash flow	152.7	172.9	113.1	186.3	204.4
Capital expenditure	-115.3	-140.9	-110.0	-130.0	-130.0
Financial investments	0	0	0	0	0
Acquisitions and disposals	0	0	0	0	0
Free cash flow	37.4	32.0	3.1	56.3	74.4
Dividends	-19.9	-32.5	-51.9	-28.7	-35.8
Equity changes & Other non-operating items	0	0	0	0	0
Net cash flow	17.5	-0.5	-48.8	27.6	38.6
Balance sheet (EUR M)	2018A	2019A	2020E	2021E	2022E
Net capital employed	821.1	813.4	837.2	832.9	823.1
of which associates	0	0	0	0	1.0
Net debt/-cash	429.2	429.7	478.5	450.9	412.3
Minorities	0.2	0.2	0.2	0.2	0.2
Net equity	392.0	383.8	358.5	381.8	410.6
Minorities value	0	0	0	0	1.0
Enterprise value	1,193.2	1,331.0	1,340.8	1,313.2	1,274.0
Stock market ratios (x)	2018A	2019A	2020E	2021E	2022E
Adj. P/E	21.2	19.9	32.4	16.6	13.3
P/CFPS	5.3	5.3	5.9	5.0	4.5
P/BVPS	1.9	2.3	2.4	2.3	2.1
Payout (%)	90	111	108	69	61
Dividend yield (% ord)	4.3	5.8	3.3	4.2	4.6
FCF yield (%)	4.9	3.6	0.4	6.5	8.6
EV/sales	0.86	0.87	1.0	0.84	0.74
EV/EBITDA	5.9	5.8	7.2	5.7	5.0
EV/EBIT	12.9	12.7	20.5	12.0	9.7
EV/CE	1.5	1.6	1.6	1.6	1.5
D/EBITDA	2.1	1.9	2.6	2.0	1.6
D/EBIT	4.6	4.1	7.3	4.1	3.2
Profitability & financial ratios (%)	2018A	2019A	2020E	2021E	2022E
EBITDA margin	14.5	15.0	14.1	14.6	14.8
EBIT margin	6.7	6.9	5.0	7.0	7.6
Tax rate	46.8	42.1	40.0	40.0	40.0
Net income margin	2.6	3.1	2.0	3.3	3.7
ROCE	11.3	12.8	7.8	13.2	15.9
ROE	9.3	12.0	7.2	14.0	16.3
Interest cover	3.7	4.2	3.1	4.8	5.7
Debt/equity ratio	109.4	111.9	133.4	118.0	100.3
Growth (%)		2019A	2020E	2021E	2022E
Sales		9.5	-13.7	19.4	10.4
EBITDA		12.9	-18.7	23.9	11.8
EBIT		12.7	-37.5	67.8	19.3
Pre-tax income		18.9	-45.1	95.4	24.4
Net income		29.5	-43.1	95.4	24.4
Adj. net income		25.6	-41.3	95.4	24.4

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

Company Snapshot

Company Description

Established in 1884 and based in Pontedera (Italy), Piaggio Group is the largest European manufacturer of two-wheeled motor vehicles and on the world's leaders in its sector; the Group is also a major international player in the commercial vehicles market. Since 2003 the Group has been controlled by Immsi S.p.A., an industrial holding listed on the Italian Stock Exchange and headed by Roberto Colaninno, who also acts as Chairman and Chief Executive Officer for the Piaggio Group; Group Deputy Chairman is Matteo Colaninno. Piaggio Group product range includes scooters, mopeds and motorcycles from 50 to 1,400 cc marketed under the Piaggio, Vespa, Gilera, Aprilia, Moto Guzzi, Derbi and Scarabeo brands. The Group also operates in the three- and four-wheeled light transport sector with its Ape, Porter and Quargo ranges of commercial vehicles. The Group has global industrial operations with plants in Europe, India, Vietnam, and 6 R&D centres. The Piaggio Group operates also in China through the joint venture Zongshen Piaggio Foshan Motorcycle Co. Ltd.

Key data

Mkt price (EUR)	2.41	Free float (%)	44.1
No. of shares	358.2	Major shr	Immsi SpA
52Wk range (EUR)	3.09/1.43	(%)	50.3
Reuters	PIA.MI	Bloomberg	PIA IM
Performance (%)	Absolute		Rel. FTSE IT All Sh
-1M	13.6	-1M	8.7
-3M	18.8	-3M	0.5
-12M	-9.5	-12M	-0.5

Key Risks

Company specific risks:

- Worse than expected Covid impact due to a more prolonged lockdown across countries
- A deep slowdown in the Indian market
- A worse than expected WC trend and poor execution in terms of the launch of new products

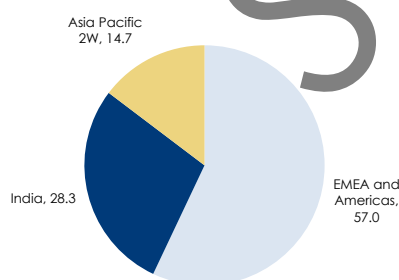
Sector generic risks:

- Strong Asian players competition
- Entering into a deep recessionary period
- Cannibalisation within the 2Ws market in term of products

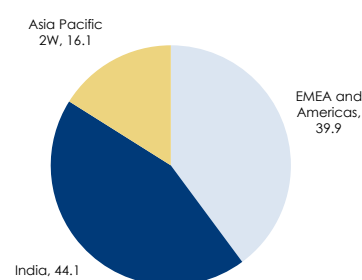
Estimates vs. consensus

EUR M (Y/E Dec)	2019A	2020E	2020C	2021E	2021C	2022E	2022C
Sales	1,521.3	1,313.5	1,376.0	1,567.6	1,556.8	1,731.4	1,654.0
EBITDA	227.8	185.3	193.0	229.6	230.2	256.8	250.3
EBIT	104.5	65.31	73.00	109.6	111.2	130.8	131.8
Pre-tax income	80.66	44.31	49.00	86.60	86.21	107.8	110.0
Net income	46.72	26.59	29.00	51.96	52.73	64.65	68.30
EPS	0.13	0.07	0.08	0.15	0.15	0.18	0.19

Sales breakdown by geography (%)



Volumes breakdown by geography (%)



Source: Company data, Intesa Sanpaolo Research estimates and FactSet consensus data (priced at market close of 24/07/2020)

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.

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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 Intesa Sanpaolo SpA 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 and Weekly Preview report 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 qualified as a minor non-monetary benefit pursuant to provisions of Delegated Directive (EUR) 2017/593 is freely available on the IMI Corporate & Investment Banking Division website (www.imi.intesasanpaolo.com); all other research is available by contacting your sales representative.

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 (i.e. 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:

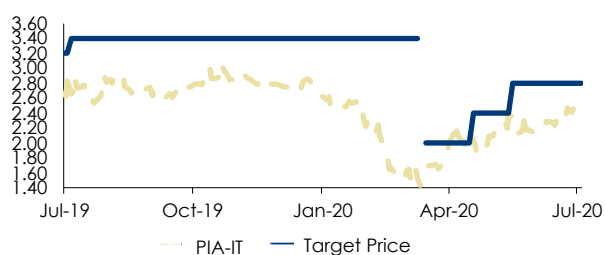
Equity Rating Key (long-term horizon: 12M)

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)
08-Jun-20	BUY	2.8	2.3
11-May-20	BUY	2.4	2.0
07-Apr-20	BUY	2.00	1.49
03-Apr-20	BUY	Under Review	1.43
29-Jul-19	BUY	3.4	2.7

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

Intesa Sanpaolo Research Rating Distribution (at July 2020)

Number of companies considered: 106	BUY	ADD	HOLD	REDUCE	SELL
Total Equity Research Coverage relating to last rating (%)	50	24	26	0	0
of which Intesa Sanpaolo's Clients (%) (*)	85	72	54	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)

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 (hereafter the "Intesa Sanpaolo Banking Group") have adopted written guidelines "Organisational, Management and Control Model" pursuant to Legislative Decree 8 June 2001 no. 231 (available at the Intesa Sanpaolo website, <https://group.intesasnpaolo.com/en/governance/leg-decree-231-2001>) 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 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.intesasnpaolo.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 Piaggio in the next three months
- One or more of the companies of the Intesa Sanpaolo Banking Group have granted significant financing to Piaggio and its parent and group companies
- One or more of the companies of the Intesa Sanpaolo Banking Group are one of the main financial lenders to Piaggio and its parent and group companies

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