

# SG Company

## Mission to MarTech

Founded in 2000, SG Company SpA, is a key player in the Italian Entertainment & Communication industry. The Company acts as holding for a group specialized in Digital&Live Communications, Meetings&Events, Concept Events and Video Production for both B2B and B2C markets with focus on the Enterprise segment. The Group has recently presented a new Industrial Plan which focuses on digital transformation, rebranding and a strategy aiming at the valorisation of data extracted from the core activity through the implementation of MarTech solutions.

Headquartered in Milan, the Group recorded Net Revenues of c. Eu 32 m in FY19 with its approx. 140 employees.

## SG Company: Innovative SME and Benefit Corp.

SG Company S.p.A., was listed on AIM Italia on July 26th, 2018 and is a registered innovative SME since October 1st, 2020. In November 2020 the Company become a Benefit Corporation.

## Post-money fair value

In support of the Industrial Plan, the shareholders have recently resolved upon a capital increase of up to Euro 2.5 m. Our valuation of the Group yields a post money fair value of Euro 14.8 m for. This value has been calculated using a DCF model and assumes a Euro 2.5 m capital increase in FY21.

## Key Figures

	FY19A	FY20E	FY21E	FY22E
Gross Revenues	38.1	11.5	24.6	29.8
Net Revenues*	31.1	10.6	21.6	25.2
Yoy	21%	-66%	104%	17%
EBITDA adj	(2.1)	(2.4)	0.5	1.1
EBITDA %	n.s.	n.s.	2.2%	4.4%
EBIT adj	(2.5)	(2.5)	0.0	0.6
EBIT %	n.s.	n.s.	0.1%	2.5%
Net Income	(3.7)	(2.1)	(0.2)	0.4
Net Debt	1.1	2.7	2.9	1.6

\*Net Revenues = Gross Revenues – Rebated Costs (i.e. Hotel, Hostess and Catering)

## Sector: Digital Media

Market Price (Euro)	0.40
Market Cap (Euro m)	4.8
EV (Euro m)	7.3
(as of December 20 <sup>th</sup> , 2020)	

## Share Data

Market	AIM ITALIA
Bloomberg	SGC:IM
ISIN	IT0005337172
N. of Shares	12.092.744
Warrants outstanding (000)	5,750
Strike price warrant (Euro)	0.8
Exercise period warrants	Nov 2020 to 2025
Free Float	13.03%
CEO	Davide Verdesca
IPO Date	24/7/18
Capital Raised in IPO	Eu 3 m
IPO Price	Eu 2.00
Perf. From IPO	-80%
NomAd	Integrae SIM

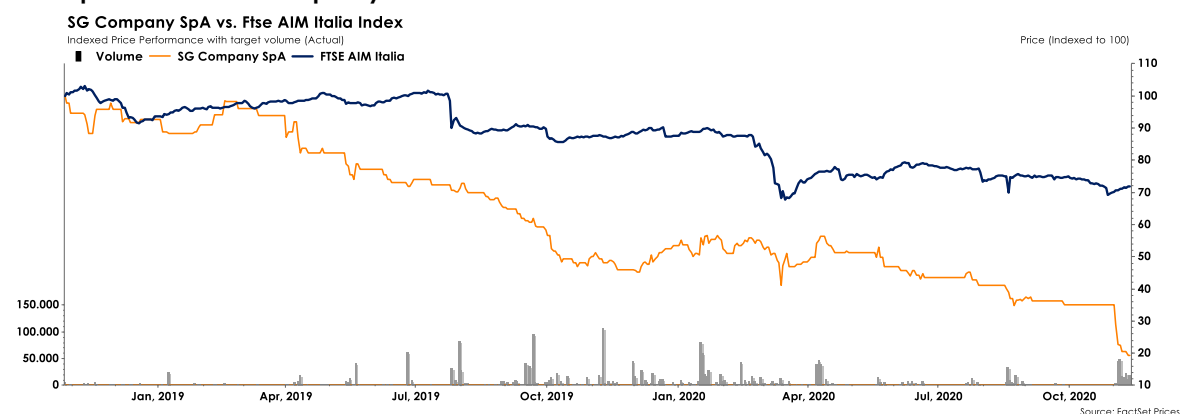
## Industry Comparison

	Company	AIM Sector	Avg Peers	AIM Italia
VoP (FY19 Eu m)	39	26	5,18	34
Yoy	12%	24%	11%	18%
EBITDA %	n.m.	13%	16%	13%
ND/EBITDA (x)	n.m.	0.9	3.8	0.2
Mkt Cap (Eu m)	4,8	18,3	4163,5	20,3
Perf. YTD	-64%	-6%	-35%	-18%
Free Float	13%	42%	76%	32%
ADIT YTD (Eu k)	7	31	483,228	74
Perf 1M	-12,7%	10,9%	7%	5,3%
Perf 3M	-54,8%	12,4%	20%	4,2%
Perf 6M	-61,9%	11,4%	16%	-0,4%
52-week H/L (SG Company)	1.44 / 0.39			

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## Stock performance and liquidity

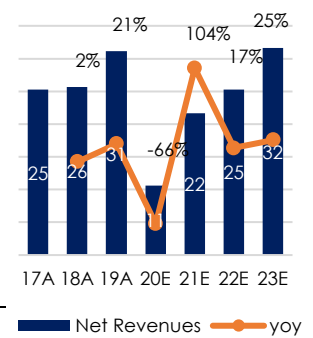


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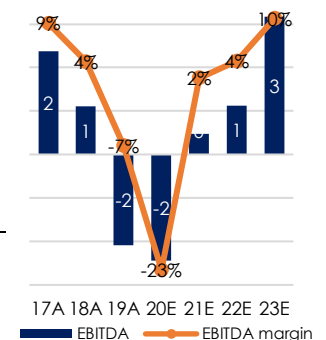
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## KEY FINANCIALS

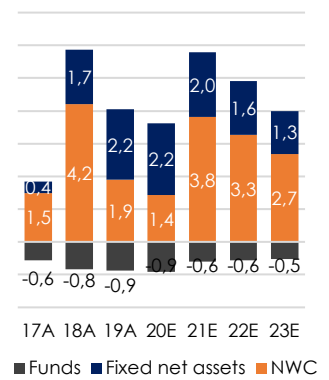
Profit&Loss Statement	2017A	2018A	2019A	2020E	2021E	2022E	2023E
Net Revenues	25,2	25,6	31,1	10,6	21,6	25,2	31,6
EBITDA adj	2,4	1,1	-2,1	-2,4	0,5	1,1	3,2
EBIT adj	2,3	0,9	-2,5	-2,5	0,0	0,6	2,7
Financial Income (charges)	0,0	0,0	-0,2	-0,1	-0,1	-0,1	-0,1
Extraordinary items	-0,2	-0,3	-1,6	-0,3	-0,3	0,0	0,0
Pre-tax profit (loss)	2,1	0,6	-4,3	-2,8	-0,3	0,6	2,6
Taxes	-0,7	-0,3	0,6	0,7	0,1	-0,1	-0,6
Net profit (loss)	1,4	0,4	(3,7)	(2,1)	(0,2)	0,4	2,0



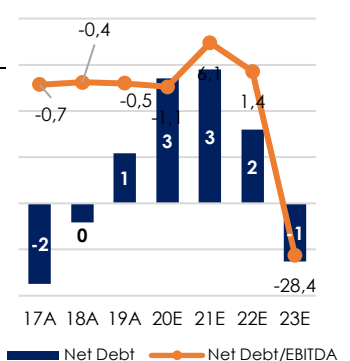
Balance Sheet	2017A	2018A	2019A	2020E	2021E	2022E	2023E
Net working capital (NWC)	1,5	4,2	1,9	1,4	3,8	3,3	2,7
Net fixed assets	0,4	1,7	2,2	2,2	2,0	1,6	1,3
M/L Funds	-0,6	-0,8	-0,9	-0,9	-0,6	-0,6	-0,5
Net Capital Employed	1,3	5,0	3,2	2,7	5,2	4,3	3,5
Net Debt	-1,8	-0,4	1,1	2,7	2,9	1,6	-1,3
Minorities	0,1	0,5	0,1	0,0	0,0	0,0	0,1
Group Equity	2,9	5,0	2,0	(0,0)	2,3	2,7	4,6



Cash Flow	2017A	2018A	2019A	2020E	2021E	2022E	2023E
Net Profit	1,4	0,4	-3,7	-2,1	-0,2	0,4	2,0
D&A	0,1	0,2	0,4	0,0	0,4	0,5	0,5
Other non cash items	0,6	0,3	0,0	0,1	-0,3	0,0	0,0
Change in Working Capital	-1,5	-2,7	2,3	0,5	-2,4	0,6	0,6
Cash Flow from Operations	0,6	-1,9	-0,9	-1,6	-2,5	1,4	3,0
Capex	-0,4	-1,5	-0,9	0,0	-0,2	-0,2	-0,2
Operating Free Cash Flow	0,1	-3,4	-1,8	-1,6	-2,7	1,3	2,9
Change in Net Equity	1,6	2,0	0,3	0,0	2,5	0,0	0,0
Free Cash Flow	1,8	-1,3	-1,5	-1,6	-0,2	1,3	2,9

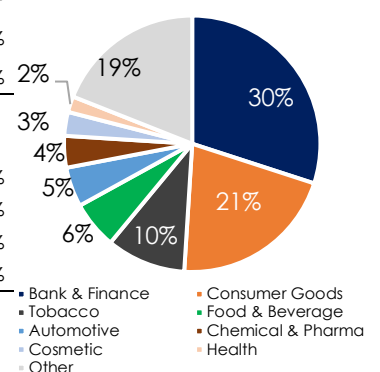


Per Share Data	2017A	2018A	2019A	2020E	2021E	2022E	2023E
Market Price	0,40						
Shares Outstanding	12,09						
EPS	0,1	0,0	(0,3)	(0,2)	(0,0)	0,0	0,2
FCF	0,1	(0,1)	(0,1)	(0,1)	(0,0)	0,1	0,2
Pay out ratio	0%	0%	0%	0%	0%	0%	0%



Ratios	2017A	2018A	2019A	2020E	2021E	2022E	2023E
EBITDA margin	9,4%	4,3%	n.s.	n.s.	2,2%	4,4%	10,0%
EBIT margin	9,0%	3,6%	n.s.	n.s.	0,1%	2,5%	8,4%
Net Debt/Equity	-59,7%	-8,4%	54,7%	-765,4%	127,7%	59,4%	-27,4%
D/(D+E)	148,3%	-9,1%	35,3%	101,3%	56,1%	37,3%	-37,8%
Net Debt/EBITDA	-0,74	-0,37	n.s.	n.s.	6,07	1,43	-0,40
Interest cover EBIT	189,83	462,00	n.s.	n.s.	0,57	12,81	53,18
ROE	48,2%	7,6%	-	5925,2%	-9,1%	16,6%	43,1%
ROCE	231,2%	23,6%	-99,1%	115,3%	-0,7%	18,0%	94,9%
Free Cash Flow Yield	30,8%	n.m.	n.m.	n.m.	n.m.	22,7%	50,3%

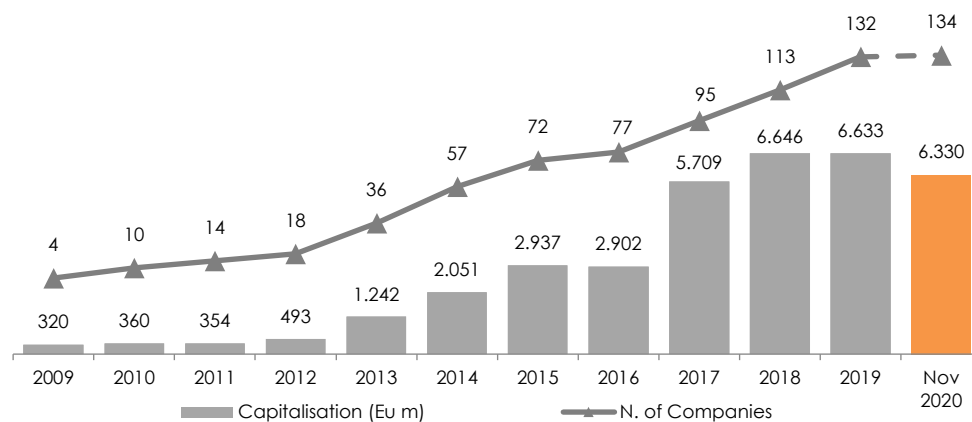
Growth Rates	2017A	2018A	2019A	2020E	2021E	2022E	2023E
Revenues (VoP)	n.a.	2%	21%	-66%	104%	17%	25%
EBITDA	n.a.	-53%	-288%	-17%	120%	135%	183%
EBIT	n.a.	-59%	-372%	2%	101%	2149%	315%
Net Profit	n.a.	-73%	-1071%	43%	90%	318%	342%



**AIM ITALIA**

AIM Italia, the Italian equity capital market dedicated to small growing companies, has shown a significant growth since 2015, and counted, as of December 8<sup>th</sup>, 2020, 134 companies for a total capitalisation of Euro 6.3 b.

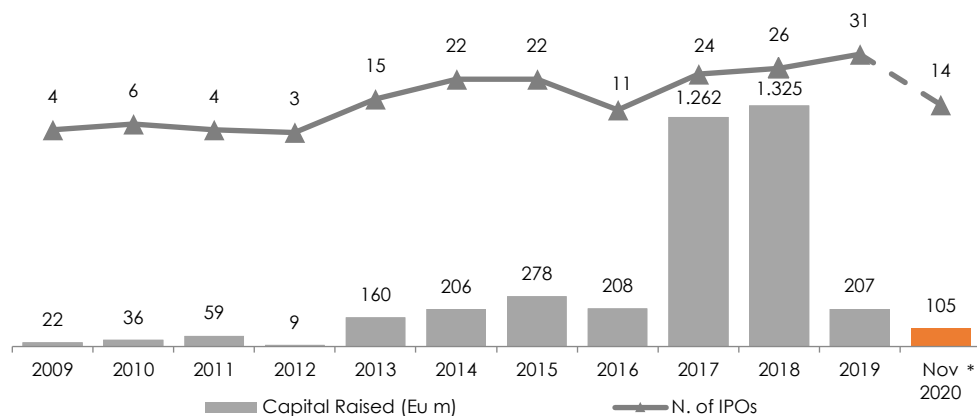
AIM Italia: 2009-2020 market dimension trend



Over the years, the number of IPOs and the amount raised has increased significantly with a peak registered in 2019, with the listing of 31 new companies and Euro 207 m of capital raised.

Since 2009, total equity raised in IPO on AIM Italia is Euro 3.9 b, if including capital increases, warrant exercise and bond subscription, total capital raised is of Euro 4.8 b.

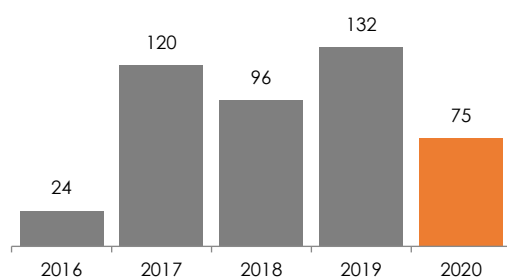
AIM Italia: 2009-2020 market growth trend



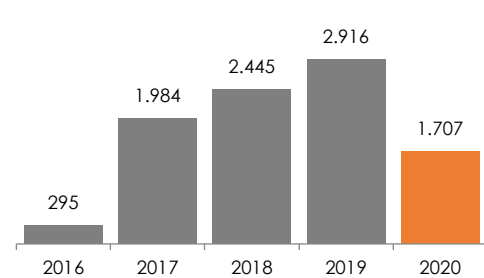
\*Greenshoe option included

Market liquidity improved after the introduction of PIRs: Average Daily Traded Turnover (ADTT) strongly increased in 2017, with an average value of Euro 120 k (5.1x vs Euro 24 k in 2016). In 2018 ADTT was Euro 96 k (4.1x vs Euro 24 k in 2016), in 2019 has grown to Euro 132 k and in 2020 is equal to Euro 75 k. Total Traded Turnover (TTT) in 2018 amounted to Euro 2.45 b, 1.2x in 2017 (Euro 2.0 b) and 8.3X in 2016 (Euro 295 m). TTT in 2019 is of Euro 2.91 b and in 2020 amounts to Euro 1.7 b.

Average Daily Traded Turnover (Eu k)

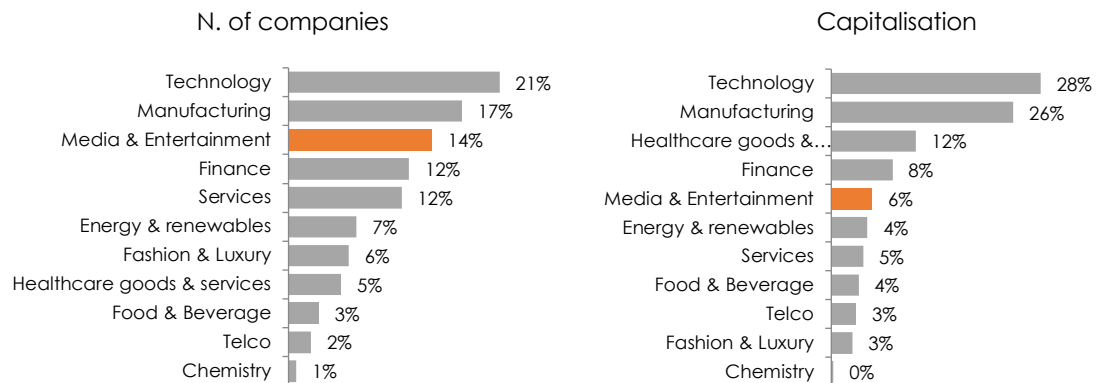


Total Traded Turnover (Eu m)



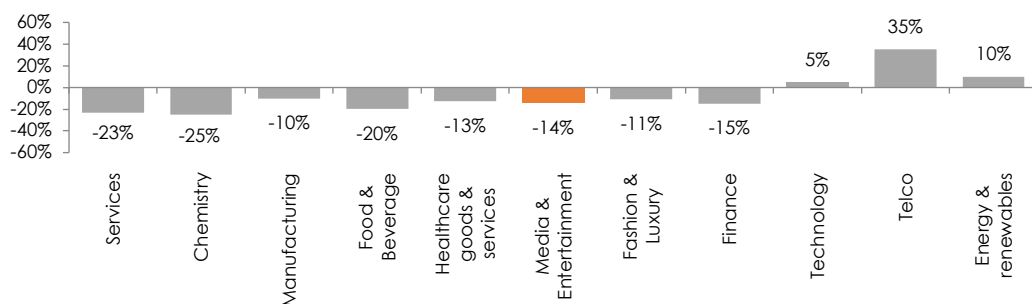
The most important sectors in terms of number of companies are Technology (21%), Manufacturing (17%) and Media & Entertainment (14%). The main sectors in terms of capitalisation are Technology (28%), Manufacturing (26%) and Healthcare goods & services (12%).

### AIM Italia: breakdown by Sector



Telco is the sector that has shown best share performance in 2017-2020 (+35%), followed by Energy & Renewables (+10%).

### AIM Italia: 2017 – December 8<sup>th</sup>, 2020 share price performance



In 2019, Manufacturing registered the highest level of average revenues (Euro 92 m), followed by Food & Beverage (Euro 72 m). The highest yoy growth was registered by Media & Entertainment (+30%) and Services (+30%). The sector with the highest level NFP/EBITDA (9.5x) was Energy & renewables

### AIM Italia: average financial and market data

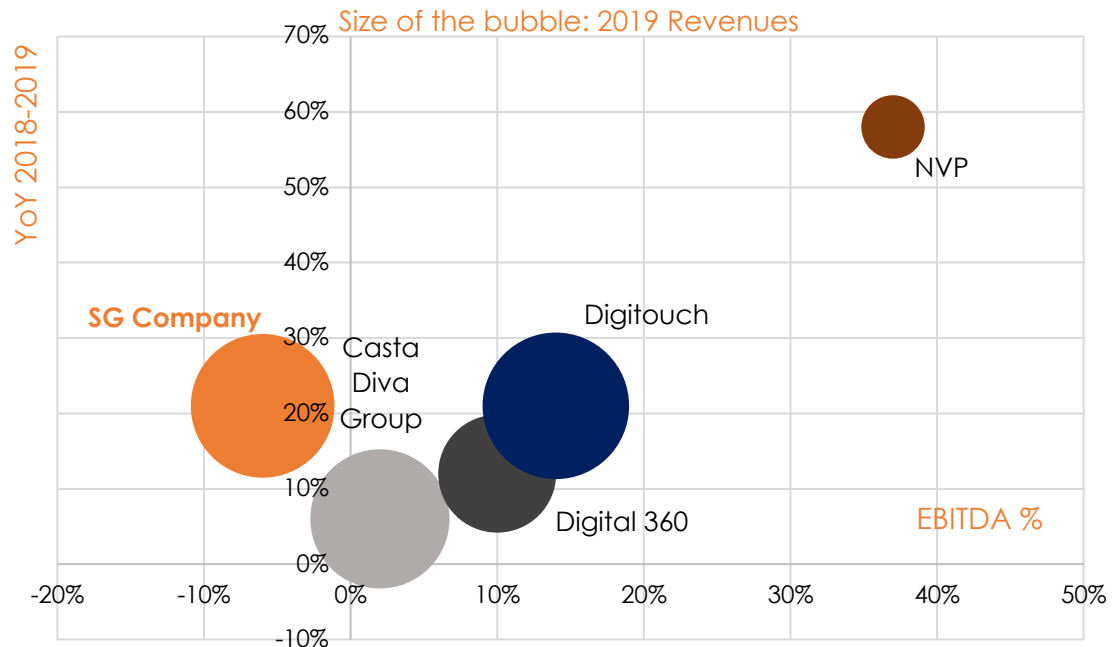
Sector	Revenues (Eu m)	Revenues YoY growth (%)	EBITDA margin (%)	NFP/EBITDA (x)	N. of companies	Market Cap (Eu m)	Free Float (%)	ADTT YTD (Eu)
Chemistry	4	22%	34%	(3,2)	1	19	27%	32,400
Energy & renewables	33	22%	26%	9,5	9	30	28%	130,661
Fashion & Luxury	32	2%	2%	0,8	8	26	26%	23,448
Food & Beverage	72	-3%	6%	0,2	4	57	41%	51,423
Healthcare goods & services	54	11%	16%	0,3	7	107	31%	105,900
Manufacturing	92	10%	13%	1,8	23	71	28%	59,229
Media & Entertainment	28	30%	26%	1,6	19	20	27%	38,185
Services	27	30%	7%	3,1	16	19	33%	50,088
Technology	37	19%	17%	1,2	28	64	32%	98,731
Telco	13	7%	35%	1,4	3	74	37%	76,676
<b>AIM Italia</b>	<b>44</b>	<b>18%</b>	<b>16%</b>	<b>2,1</b>	<b>134</b>	<b>48</b>	<b>32%</b>	<b>74,833</b>

Source: OSSERVATORIO AIM with average 2019 financial data and market data as of December 8<sup>th</sup>, 2020, excluding companies within the financial sector

Looking at average capitalization the first sector is Healthcare goods & services (Euro 107 m), followed by Telco (Euro 74 m) and Manufacturing (Euro 71 m).

**AIM POSITIONING**

We position SG Company within AIM Italia's **"Digital Media"** Sector which includes 4 companies, with average revenues FY19 of Euro 27 m, an average yoy growth of +24% an EBITDA margin of 16%.

**AIM Italia Services Sector**


When compared to the AIM Italia **"Digital Media"** Sector, SG Company presents:

- Higher than average revenues (euro 37.4 m vs. Euro 26.6 m), but lower profitability. The Industrial plan presented by Management in November 2020, forecasts an EBITDA margin in FY23 of c. 10%.
- Yoy revenue growth in line with the sector (21% vs. 24%),
- Lower than average free float (13% vs 42%), which however is expected increase with the capital increase announced for FY21

Market Data	Capitalization (Eu m)	Free Float (%)	Perf. From IPO (%)	ADTT YTD (Eu)	Revenues (Eu m)	Revenues YoY	EBITDA margin (%)	EV/EBITDA 2019 (x)	NFP/EBITDA (x)
Casta Diva Group	9	32%	-84%	68,383	35.1	6%	2%	13.2	2.0
Digital360	25	39%	31%	25,348	25.2	12%	10%	12.5	2.5
DigiTouch	16	58%	-50%	59,037	38.9	21%	14%	3.3	0.5
NVP	20	37%	-27%	20,511	7.3	58%	37%	6.4	(0.6)
<b>Digital Media</b>	<b>17</b>	<b>42%</b>	<b>-33%</b>	<b>43,320</b>	<b>26.6</b>	<b>24%</b>	<b>16%</b>	<b>8.9</b>	<b>1.7</b>
<b>SG Company</b>	<b>5</b>	<b>13%</b>	<b>-78%</b>	<b>11,165</b>	<b>31.1</b>	<b>21%*</b>	<b>-6%</b>	<b>n.m.</b>	<b>n.m.</b>

Source: Osservatorio AIM Italia and FactSet data as of December 8<sup>th</sup>, 2020

\*Net revenues

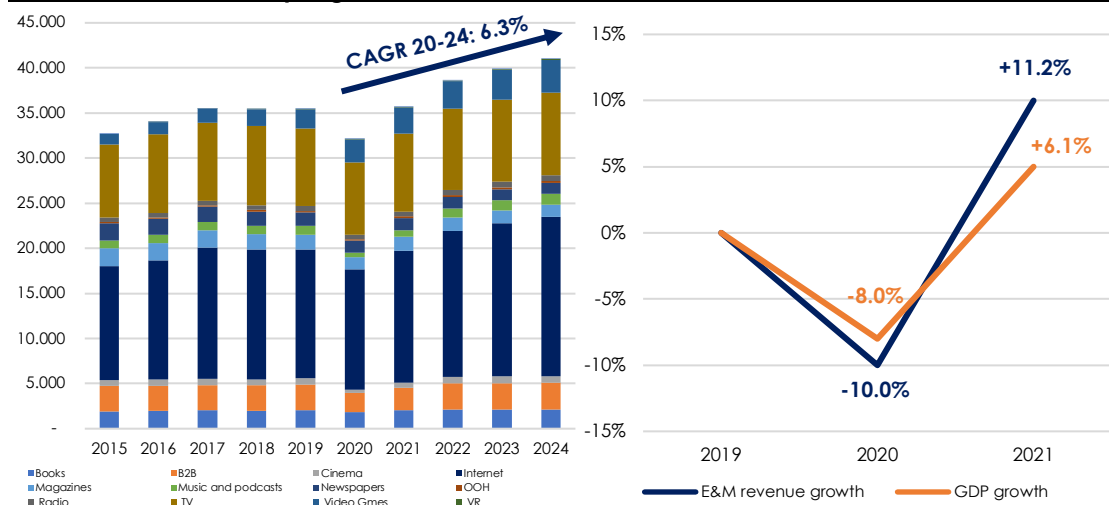
## REFERENCE MARKET

SG operates in Live&Digital communication (either B2B or B2C channels) industry. Both segments follow the Media&Entertainment (M&E) and advertising markets which both are strongly correlated to the general macroeconomic conditions and therefore to the GDP evolution. SG is currently a domestic player and therefore exposed to the trend of the Italian economy.

### The Italian Media&Entertainment market – focus on advertising and live events

According to PWC's E&M Outlook 2020-2024, the Italian E&M market totalled Euro 34.1b in 2019, flat against the previous year. Over the next five years, despite a large hit to revenues in 2020 (-9.5%) as a result of the COVID-19 pandemic, overall E&M revenues will increase at a +3.0% CAGR, with the market set to be worth Euro 39.5b in 2024. The report suggests that Italy's E&M sector will be more affected by the COVID-19 pandemic than the wider Italian economy, although both will contract sharply in 2020. However, in 2021, the E&M sector will experience growth of +11.2%, while GDP growth will be +6.1%.

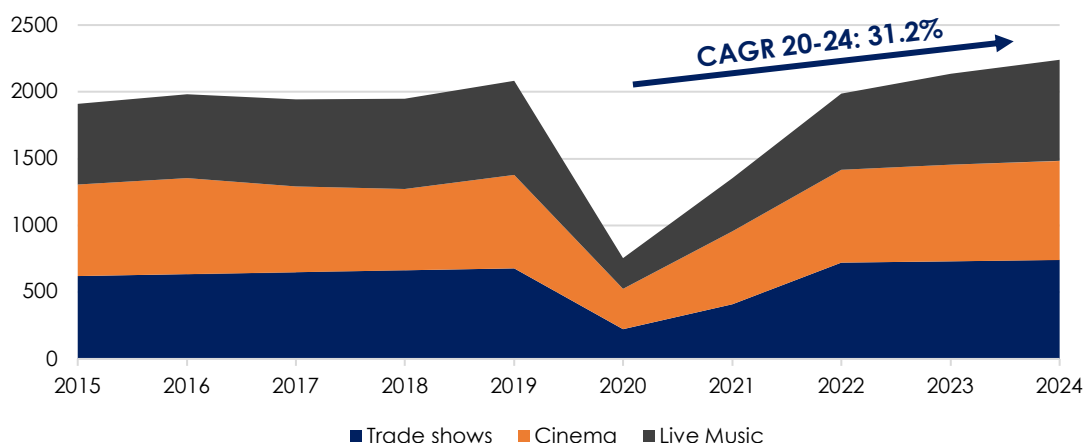
### E&M Market revenues by segment



Source: IR Top elaboration on PWC data (E&M Outlook 2020-2024)

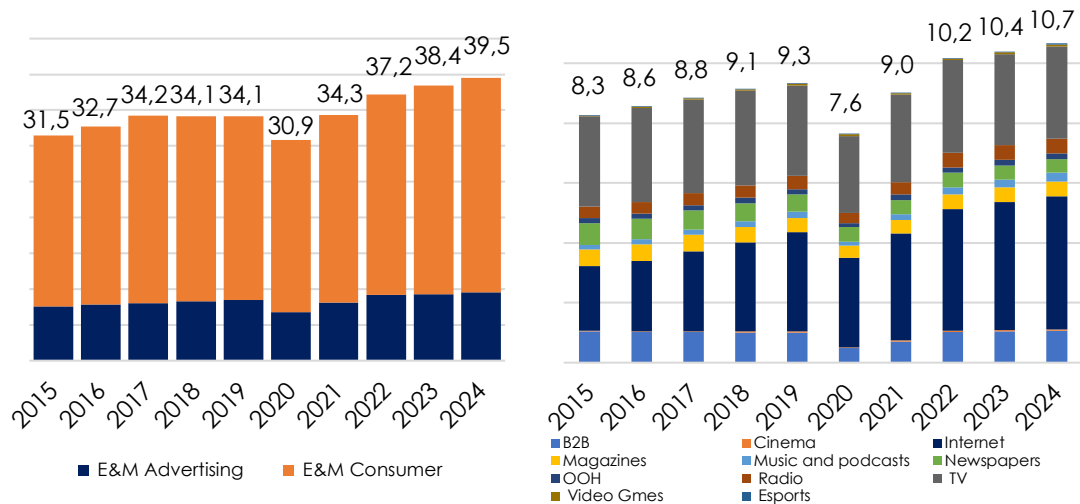
Withing the E&M market, the live events sector (advertising and consumer) which in 2019 reached a total value of Euro 2.1 b, was hit particularly hard by the pandemic and is expected to record a -64% decline in 2020, but with an expected strong recovery in 2021 and 2022 (+79% and 47% respectively) to return to levels of 2019 in 2023.

### Live Events Italy



Source: IR Top elaboration on PWC data (E&M Outlook 2020-2024)

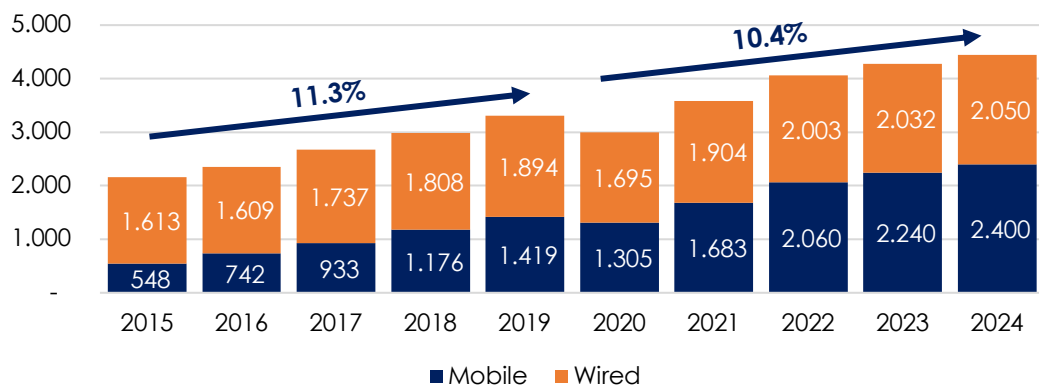
The advertising share of the E&M market represents SG Company's reference market totalled Euro 8.5b in 2019 after showing annual growth of +1.5%, while the consumer sector was flat. Over the next five years, the advertising sector is expected to increase at a +2.4% CAGR, after a sharp contraction in 2020 (-20%) as a result of the COVID-19 pandemic. Besides rapid growth from a low base in emerging areas like esports and podcasting, Internet advertising is the fastest-rising advertising segment and became the largest in 2019, when it overtook the TV advertising sector.

**E&M Advertising/Consumer breakdown**
**E&M Advertising market breakdown FY15-24E**


Source: IR Top elaboration on PWC data (E&M Outlook 2020-2024)

**The Italian Internet Advertising Market**

The Italian internet advertising market reached total revenue of Euro 3.3 b in 2019, an +11.0% yoy increase from 2018. The market is projected to grow at a +6.1% CAGR to Euro 4.5 b by the end 2024. The pandemic will have a significant short-term impact on the digital advertising market, with a -9.5% fall in revenue in 2020, followed by a recovery in 2021 (+20%). Italy's growing digital advertising market is underpinned by improving Internet infrastructure and while access to the Internet is improving generally, growth in the advertising market will be driven by the mobile segment, which is expected to overtake wired revenues in 2022 and account for 53.9% of total digital advertising revenue in 2024 (25.4% in 2015). Some of this growth will be as a result of the launch of 5G networks in 2019, which will expand coverage and increase speeds over the next few years. Ultrahigh definition video delivery will also be possible via 5G networks, providing new opportunities for data hungry video advertising, which is increasingly favoured by both advertisers and consumers. Display advertising is and will remain the most significant single form of advertising in the market, accounting for the majority of revenue in both the wired and mobile sectors.

**Internet Advertising sector – Mobile vs Wired**


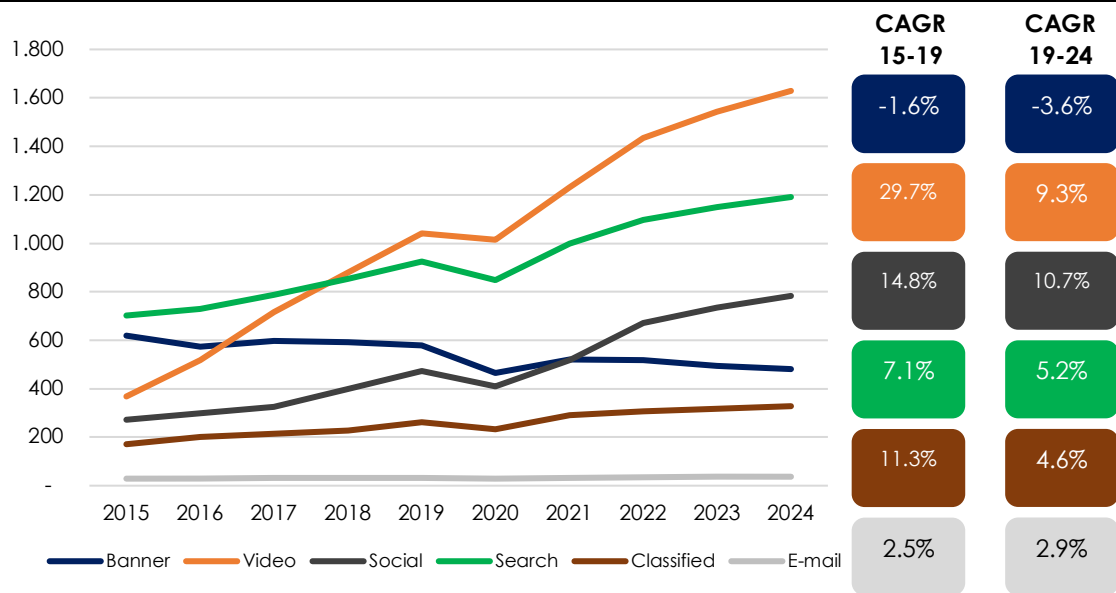
Source: IR Top elaboration on PWC data (E&M Outlook 2020-2024)

Social media advertising is growing in both the mobile and wired sectors. Revenue is expected to overtake that of more traditional banner advertising in 2022, growing to Euro 783 m in 2024. This reflects the growing influence of social media in the country – 58% of Italians are active on social media, compared to the worldwide average of 49%. Of Italian Internet users aged 16-64, 80% are



on Facebook and 64% on Instagram. An even higher proportion, 88% of Italian Internet users are active on YouTube. This reflects the dominance of video as the single most important online advertising category in the market, a trend underpinned by improving Internet speeds on both fixed-line and mobile connections.

#### Italian Internet Ad sector 2015-2024



Source: IR Top elaboration on PWC data (E&M Outlook 2020-2024)

An increasingly significant trend, meanwhile, is the rise of traditional broadcasters operating in the digital space. Following the success of video-on-demand giants such as Netflix and Amazon Prime Video, Italy's three main commercial broadcasters (Telecom Italia, Sky Italia and Mediaset) have strengthened their digital propositions, offering video streaming services across a range of connected devices. Additionally, the country's largest free-to-air broadcasters have increased the standard of their online players recently. All of this points to an increasingly strong presence for traditional broadcasters, bringing their significant weight to bear on the digital space and gaining traction in its advertising market.

#### COVID-19: an acceleration to digital

In Italy, The COVID-19 pandemic has accelerated and amplified ongoing shifts in consumers' behaviour, pulling forward digital disruption and forging industry tipping points that wouldn't have been reached for many years. Digitalisation, one of the major forces shaping all industries, has been intensified by social distancing and mobility restrictions. As a result, the Entertainment and Media world in 2020 has become more remote, more virtual.

A key tipping point was met for the first time in 2019, when digital revenues accounted for over half of E&M spend for the first time. The digital sector is driven by fast-growing audio segments like podcasts and music streaming, as well as rapid growth in emerging industries like VR and OTT. Meanwhile, non-digital revenue areas, often those focused largely on print such as magazines and newspapers, are seeing annual contractions. However, the long-term outlook of the non-digital sector is improving, with revenues declining only slightly at a -0.7% CAGR over the next five years, despite experiencing a large hit in 2020. Digital will continue to dominate however, accounting for nearly two-thirds of revenues in 2024, having increased its share by 6.1% over the forecast period.

#### The Global Martech market

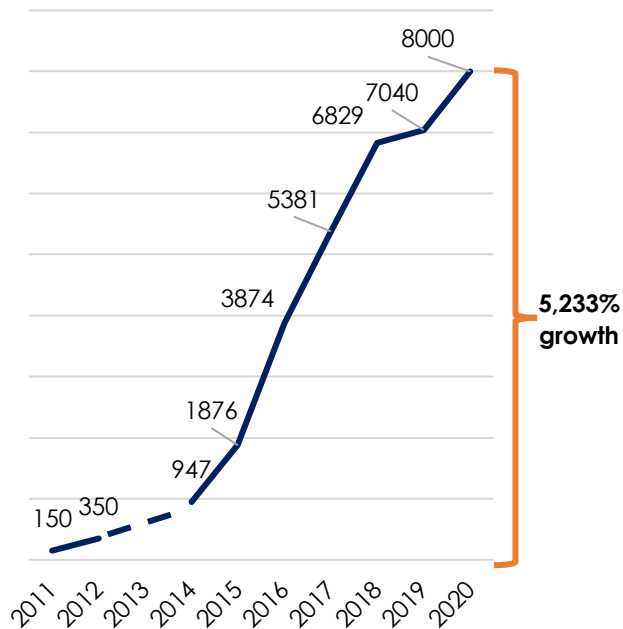
**Martech** is the blending of marketing and technology, and applies especially to initiatives, efforts and tools that harness technology to achieve marketing goals and objectives.

According to a study by BDO (Martech; 2020 and beyond) the combined market size of martech in North America and the UK reached \$65.9bn in 2019, up from \$52.4bn in 2018 and 34.3 in 2017. If the martech spend in the UK and North America is typical of key markets globally, the results point to a conceivable global market size for martech of \$121.5bn. According to the study, this market is expected to continue to grow as just under one third of corporations in UK and North America expect to increase their martech investment over the next year. In 2019, brands in North America

and the UK spent 26% of their marketing budgets on martech compared to 23% last year, implying a 13% increase in martech budgets.

This investment is reflected also in the Chief Martech landscape supergraphic, which reported that the number of vendors in the diverse martech space has been growing from 6,829 in 2018 to 7,040 in 2019 and to 8000 in 2020, posting a +13,5% growth in 2020. However, if removing the 615 vendors which went away during the year (either consolidated with another martech company or gone defunct) from last year's 7,040 count, the growth of new entries on the landscape was +24.5%.

### Growth and KPI of the Martech Landscape 2011-2020



Total Solutions	8000	Growth since 2019
Advertising & Promotion	922	+4.1%
Content & Experience	1936	+5.6%
Social & Relationships	1969	+13.7%
Commerce & Sales	1314	+9.0%
Data	1258	+25.5%
Management	601	+15.2%
Biggest Subcategory growth since 2019		
Print		+35%
Video Marketing		+26%
Conventional Marketing & Chat		+70%
Retail Proximity & IoT		+15%
Governance, Compliance & Privacy		+68%
Projects & Workflow		+35%

Source: Company Data

**COMPETITIVE POSITIONING**

SG Company positions among the top 4 players in the Italian Events market whereas the Group remains a small player in the advertising market. Overall, however, the competitive environment for SG Company is in continuous evolution and has become more challenging over the last years with high competition especially in the low value-added activities (e.g. logistics). "Live communication" has shown to be more resilient while "tech" and "digital" solutions are growing exponentially. The market is characterised by a high level of fragmentation and with no clear market leader. The players present in the market are very diverse in terms of size, business models and specialisation. SG Company distinguishes itself in the market thanks to a unique value proposition based on:

- **Integrated Communication Hub:** over the last years SG Company has continued to widen its product/service offering aiming at presenting itself in the market as an Integrated Communication Hub. This approach provides a clear competitive advantage not only over the smallest and less structured operators or those focussed only on specific segments or sub-segments of the market but also over the large communication groups (e.g. WPP, Dentsu). It also facilitates the shift towards more value-added activities where competition is about quality, innovation and reliability rather than on price. No other event and/or communication company in the Italian market presents a development plan that can gather all the business areas indicated by SG Company.
- **Industrial approach to origination and execution:** well-structured origination and execution approach in a market characterised by the presence of several unstructured small agencies, usually family-owned firms

**Competitive Map**

	LIVE & DIGITAL COMMS	FORMAT CONSUMER	VIDEO PRODUCTION (IN HOUSE)	MEETING & EVENTS INDUSTRY	TECH & DATA VALORIZATION (IN HOUSE)	NETWORK INTERNAZIONALE
<b>SG COMPANY</b>	<b>L &amp; D</b>	<b>oo</b>	<b>ooo</b>	<b>ooo</b>	<b>oo</b>	<b>oo</b>
ALKEMY	D	-	-	-	ooo	o
REPLY GROUP	D	-	o	-	ooo	ooo
DOING	D	-	o	-	oo	-
CONNEXIA	D	-	-	-	o	o
FILMMASTER GROUP	L & D	-	ooo	o	-	oo
DUDE	L & D	-	ooo	-	-	-
BWS	L & D	ooo	oo	-	-	ooo
FANDANGO CLUB	L & D	ooo	oo	-	-	o
NEXT GROUP	L & D	o	oo	oo	-	-
FASTEN & SEAT BELT	L & D	-	oo	-	-	-
PIANO B	L & D	-	oo	-	-	-
SUPERHUMANS	L & D	-	oo	-	-	-
ALPHAOMEGA	L & D	-	o	o	-	-

Source: Group presentation

## GROUP PROFILE

Founded in 2000, SG Company SpA is a registered innovative SME, and a key player in the Italian Entertainment & Communication industry. The Company acts as holding company for a group specialized in M.I.C.E. (i.e. Meetings, Incentives, Conferencing, Exhibitions), Events and Communication, and with the mission to assist large corporations as strategic consultant in events creations and live communication. In a highly fragmented reference market populated by players with an artisan footprint, the Group distinguishes itself for its industrial consultancy driven approach, aimed at creating tailor made solutions for clients. The Group also operates in the concept event business and has created successful format such as Milano Food Week, Milano Wine Week, Obecity, Sneakerness, DigitaDesignDays. The Group, headquartered in Milan, focuses on the Enterprise segment and has a well-diversified client portfolio of c. 75 multinational high-standing loyal clients.

**SG Company a Benefit Corporation:** In November 2020, the Company become a Benefit Corporation, which is a legal form of for-profit organization characterized by a high level of transparency and accountability. This kind of form gives investors the certainty that a company will maintain its sustainability and transparency commitments in the future, by including formal requirements related to these themes in its by-laws. Inclusiveness, circular economy, gender equality and safety on the workplace thus become an integral part of the Group's mission.

**Delivery on IPO strategies:** SG Company was listed on AIM Italia on July 26<sup>th</sup>, 2018 through a share capital increase of Euro 3 m. Two and a half years into being a listed company Management has delivered on IPO strategy to continue the group expansion through some selective acquisitions. Indeed, out of c. Euro 2.5m of net proceeds from the listing, Euro 1.5m have been used to support the M&A activity (Brainwaves, CEV and Double) and the start-up of some internal initiatives (Core, Bellanova Design).

**New Industrial Plan with a mission to Martech and FY20-23 targets:** The Group has recently presented a new Industrial Plan including the digital transformation across all business units, rebranding of commercial labels, an acceleration of the Group rationalization and the introduction of a new business unit aiming at valorizing the data extracted from the core activity through the implementation of MarTech solutions. Management also presented new FY20-23 guidance including a FY23 net revenue target of Euro 31 m, and an EBITDA margin of 10% thanks to the new product/service mix.

## Revenue breakdown by business unit - FY20E – FY23E targets

Euro m	FY20	FY21	FY22	FY23
<b>Net Revenues</b>	<b>10.2</b>	<b>20.8</b>	<b>25.2</b>	<b>31.6</b>
<b>EBITDA</b>	<b>(2.3)</b>	<b>0.5</b>	<b>1.1</b>	<b>3.2</b>
<b>Net Debt/(Cash)</b>	<b>2.5</b>	<b>4.1</b>	<b>1.9</b>	<b>(1.9)</b>
<b>Net Equity</b>				<b>7.7</b>

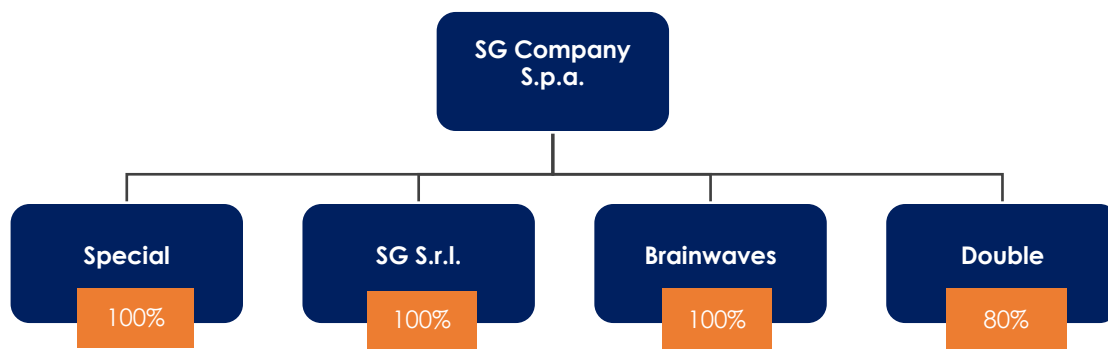
Source: Group Presentation

In support of the Industrial plan, the Shareholders' meeting recently (December 2020) resolved upon a capital increase and relative issuance of warrants:

- Share Capital Increase for (i) a total maximum of Euro 2.5 m in support of the industrial Plan. The Board has been given the necessary powers to determine the price and number of shares to be issued, and (ii) a maximum of Euro 302 k through the emission of maximum 6,046,372 shares to allow issuance of warrants related to the above capital increase. The warrants will be assigned in proportion to the shares underwritten (one warrant for each 2 shares). The conversion rate is 1:1.
- Adjustment of the strike price of warrants from Euro 1.5 to Euro 0.8 to in order to be better aligned with the current market value of the shares.
- Share Capital Increase for a total maximum of Euro 230 k reserved to Board members and managers as incentive. The board has been given the necessary powers to determine price and maximum number of shares to be issued. The shares can be assigned in one or more tranche before June 2021.

With the upcoming capital increase, the Group, according to an agreement with Government owned Invitalia, will be guaranteed additional financial resources (financial debt) for a total of (i) 3x the amount of the share capital increase or (ii) 12.5% of revenues.

## GROUP STRUCTURE



Source: Group Data

## BUSINESS MODEL

SG Company operates with a business model based on a wide offering covering the spectrum of strategic services provided to a very loyal and consolidated client base made up of multinational high-standing Enterprises, and a well-structured approach to origination and execution. The Group's is active in the market with 4 business lines.

- **Meeting & events industry:** M.I.C.E. and logistic services for large Corporate events and travel
- **Digital & live communication:** Live Events (B2B and B2C), Phygital Events and competence centre (strategic advice, design, production and communication) to assist clients with an innovative consultancy approach
- **Format consumer:** creation of proprietary and/or under licence concept events
- **Video Production:** production in TV and virtual studios, poster video, vertical format video, streaming.

The business lines are currently commercially promoted by several different labels inherited from the M&A transactions (Sinergie, Lievita, Centoeventi, Twicoo). Each label is highly specialized and the business model aims at increasing the number of services/labels offered to the same client. By adopting a consultancy approach to identify all clients' communication needs the Group can leverage on its wide product offering to become the client's reference provider for communication needs and that way create new business opportunities.

## VALUE CHAIN

SG's revenues are mainly generated by the acquisition of orders and most contracts are obtained from competitive offers or tenders. This is a crucial activity for the Group that can be divided in four phases:

- **Tenders:** the client publishes the call for tenders, or invites suppliers to participate in a competition, providing a general description of the event's concept, with details of some of the activities to be organised and the budget. SG analyses and evaluates the brief and identifies with of the group's companies is best suited to participate in the tender and which, in turn, selects the team to examine and prepare the tender offer;
- **Proposal:** SG participates in the tender by submitting a detailed proposal prepared by the selected group entity(ies) based on the concept and the organisation of the event;
- **Assignment:** once the tender has been awarded, the client confirms assignment of the contract to the group company responsible for managing the project. The latter starts negotiations with suppliers for all the activities envisaged under the contract;
- **Realisation of the event:** the group company assigned to the contract takes care of the logistics organisation and the realisation of the activities based on the client's needs.

The Group pays great attention to this crucial activity and adopts a well organised process based on:

- a sophisticated CRM and other software systems to support the sales force in the entire cycle of their activity (i.e. preparation of the proposals, management of the tenders awarded, final reporting);
- a careful preselection of the tenders in order to try to identify the most attractive ones from a financial or strategic point of view or the ones where the group has the highest chances of winning;
- sales support through internal meetings and an incentives system based on the achievement of financial targets (in terms of revenues and profitability);
- a constant monitoring of the sales performances (both actual and forecast).

The criteria behind the awarding of contract is usually based on aspects such as reputation, track record, creativity, know-how, there might also be, especially for the most complex projects, specific financial requirements and the availability of suitable human resources.

#### **PRODUCT/SERVICE OFFERING**

- **Meeting & Events industry:** complete support in planning, organizing, scheduling and developing MICE events (Meetings, Incentives, Conferencing, Exhibitions) and high-end incentive trips. The activity starts from the preparation of a project related to a specific event based on client needs in terms of cost budget and type of event. As a result, the production and organization phases begin. They include travel management, reception services, assistance and catering services and, in general, management services for participants. The company holds "A" and "B" licenses, which allow it to, respectively, act as a tour operator and travel agency, as well as the IATA license which allows it to issue airline tickets.

Main Activities: Organization, promotion and logistic organization for high-standing events		
Conventions	Congresses	Incentive Plans
Roadshows	Conferences	Fidelity programs
Product Launch	Special Events	Team building
Meetings	High-end incentive trips	Tailor-made events

- **Digital & Live communication (+Uno):** This division develops B2B and B2C strategic-creative communication projects (live and digital). The team includes 50 highly specialized professionals with multidisciplinary competences (e.g., strategic advice, design, production and communication) acting in an integrated and synergic way to assist clients with an innovative consultancy approach (from the strategic analysis to the design of the concept, to the execution and production of live and digital events). The Group provides creative services (i.e., transmission of special content to the event participants), strategic planning of the event, storytelling, production (e.g., production of stands, videos, etc.), stagecraft (preparation of scenography), direction, video content as well as digital presence and adv campaign.

Within this business unit, the Group has recently launched (March 2020) an internally developed innovative platform for phygital and fully digital events called Do You Hear Me.

DYHM manages digital and phygital events primarily through live streaming sessions, exhibition areas including sponsor stands and promoting business networking opportunities.

The platform offers modules such as:

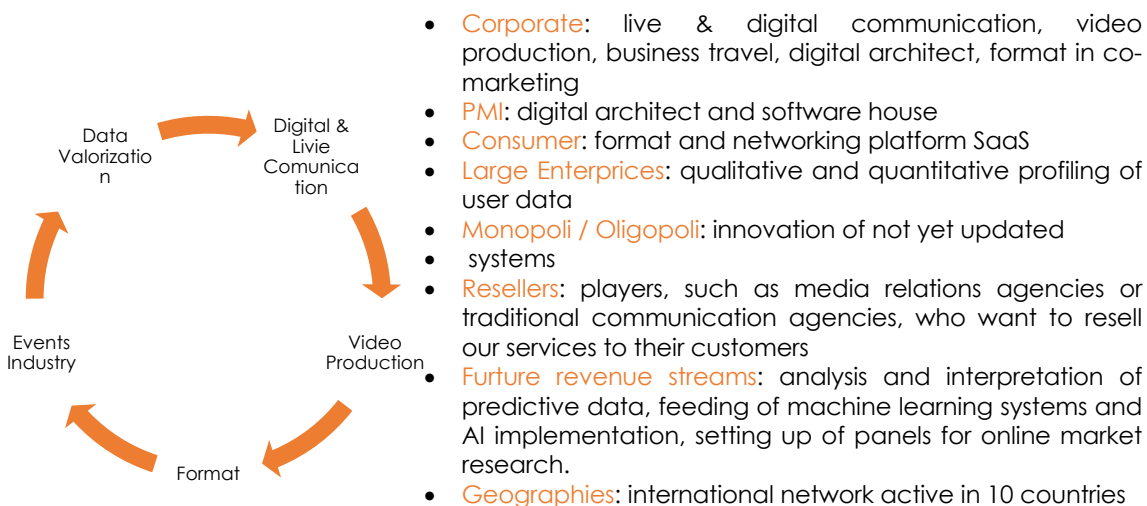
- Interactive live streaming agenda
- Live streaming management with multi room simultaneous support
- Interactive exhibition area with an isometric map of stands sized according to the type of sponsor
- Dedicated Q&A live streaming section
- Exhibition areas fully dedicated to sponsors
- Networking area, including match making, user search systems and one-to-one chat
- Personal user space dedicated to chat history, digital events archiving and business cards storage

Main Activities: Strategic communication (live and digital) B2B and B2C		
Strategic Planning	Digital Advertising	Digital and Phygital Events
Web Marketing Strategy	Digital Content	Platform services
Brand Identity	Social Communication	Digital & Tech Solutions
Storytelling	Digital Strategies	Digital Engagement
Creative Ideations	Web Development	New techs for events

- **Format consumer:** this division is involved in the creation of events based on proprietary formats (Milano Food Week, Milano Wine Week) and formats licenced by third parties (Sneakerness), develops the related concepts, manages and collects sponsorships for the events.

- **Video Production:** the production of viral videos, branded content and advertisements for both B2B and B2C clients. Through a series of distinctive skills (direction, colouring, motion, editing), this division is able to integrate video products to its already robust offer, thus increasing the average value of each contract.

## REFERENCE MARKET AND TARGETS



Source: Group Presentation



### CLIENT BASE

SG Company has a portfolio of approx. 75 high-profile clients belonging to a wide range of sectors (Finance, Telecommunication, Consumer Goods and others). The Group is constantly focusing on medium-large firms, since they're usually the most interested in outsourcing corporate events management and strategic communication planning.

### Key Customers – Revenues in Eu k

Clients	2019A	%
Top 3	7,699	20.6%
Top 10	16,330	43.6%
Top 20	22,494	60.1%
<b>Total</b>	<b>37,442</b>	<b>100.0%</b>



Source: Group Presentation

Its client procurement process ensures that SG acquires new customers from several industries, simultaneously gaining multi-sector exposure and establishing long-term relationships with top-tier firms which often translate in recurring revenues: in 2019 the top 3 clients accounted for 20.6% of revenues (top 10 accounted for 43.6%, top 20 for 60.1%)

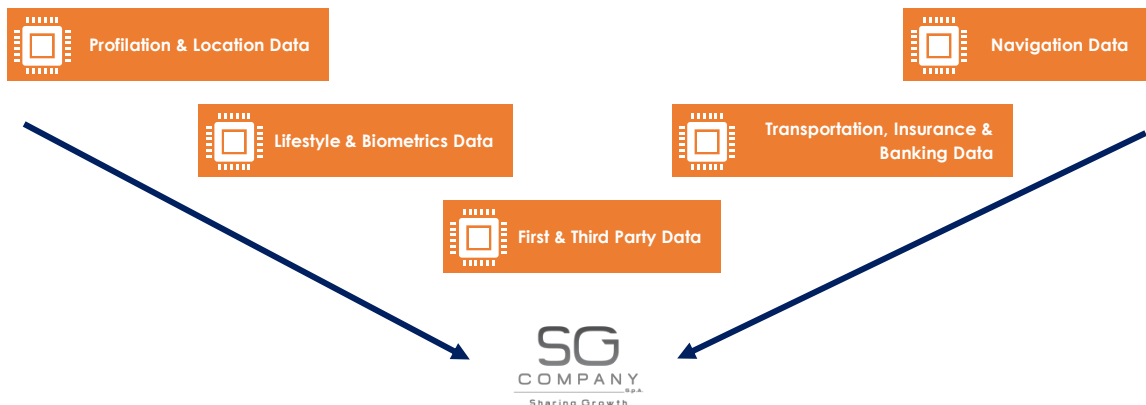
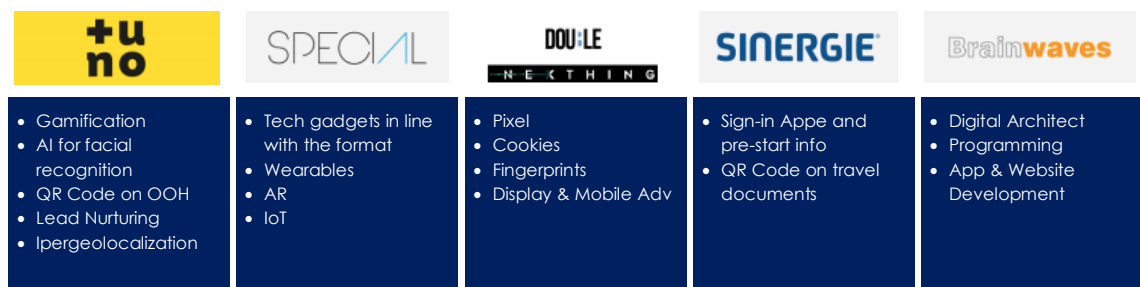
Diversifying in terms of industry concentration has allowed the company to mitigate risk. In FY19, the Banking & Finance industry was the most important industry covering c. 30% of total revenues, followed by Consumer Goods (21%), Tabaco (10%) and Food & Beverage (6%).

### NEW STRATEGIC GUIDELINES – TRANSITION TO MARTECH

Management has recently announced new strategic guidelines with focus on digital transformation, MarTech solutions and data valorization. The new plan is based on 3 strategic pillars which aim at a rebalance of the mix of core activities and the introduction of a new business line for Data Valorization:

- **Integration of MarTech solutions in core activities.** The Group has started a project of digital transformation across all business lines, with the integration of MarTech solutions in the current product/services offering. The Group will provide solutions characterized by innovative technical solutions while at the same time leverage on its +20 years of experience in the events creation business, in order to create synergies.
- **Launch of Data Valorization business line:** creation of a new business line offering a vertical skillset on big data with a broad range of applications (data visualization and analysis). Data is obtained by the integration of MarTech solutions in the Group's core activities thanks to investment in human resources and start-ups with vertical expertise on big data (data visualization and data analysis). Data privacy and ethics are integral parts of the SG approach. The objective is to generate insights from data and build data-driven marketing strategies and activities.
- **Internationalization by leveraging on the Nexthing partnership.** The Group has recently signed a commercial agreement with Nexthing Ltd, an international start-up active in the production of TV commercials, films and TV series, with an international network of offices (London, Manchester, Prague, Warsaw, Istanbul, Beirut, Mumbai, Shanghai and Rome). The agreement represents a solid platform for SG Company, to create business opportunities both in Italy thanks to the expansion of business lines, and abroad thanks to the network through which the Group intends to export its services and formats (Milano Food Week, Milano Wine Week, Snakerness, ONE, ObeCity, Digital Design Days, and many others).



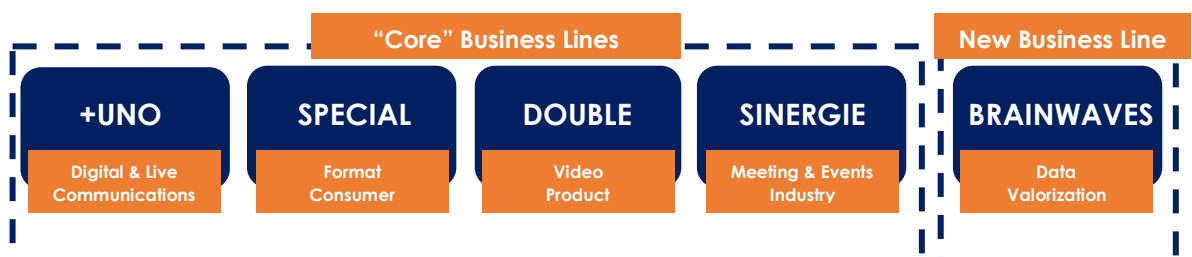
**EXAMPLES OF MARTECH SOLUTIONS APPLIED TO SG COMPANY'S CONTENTS**


Source: Group Presentation

**Action Plan**

- Partnerships and M&A to strengthen key competences with focus on Digital and Data Driven in order to support the transition to MarTech.
- Strengthen the Video Production business line with the production of an increasing number of high-quality proprietary contents.
  - Development and launch of technological platforms:
    - Data gathering and analysis
    - Online events: In 1H20 the Group developed DYHM, a proprietary platform for digital events internally developed by the Group
- Open Innovation: start up ecosystems, collaboration with Universities and research centres in order to maintain an up-to-date product and service portfolio.
- Flexible cost structure thanks to the reduction of more than 50% of structural and personnel costs in order to adapt to the new business size.
- Implementation of Work for Equity plan to increase the involvement of Top Management.

The new Industrial Plan also includes an internal reorganization and rebranding of the Group's labels. The traditional business (MICE and Events) will present itself in the market with two different teams and labels, in order to better differentiate the traditional offering from the new +Uno label, which will be offering strategic communication consultancy. This divisions should help the Group to better enhance value-added services and create up and-cross selling opportunities.



Management continues to be committed to the “One Company” project for the gradual streamlining of the group structure in order to being able to fully exploit cost savings and internal synergies.

**Revenue breakdown by business unit - FY20E – FY23E targets**

+Uno		Special		Double		Sinergie		Brainwaves	
2020	2023	2020	2023	2020	2023	2020	2023	2020	2023
57%	49%	13%	11%	4%	2%	26%	32%	0%	6%

Source: Company Data

**Historic Milestones – From a Single company to an integrated Group**

- **2000:** Sinergie is founded. The Company operates in the B2B events organization and integrated communication sector, managing events for Nestlè, Syngenta and Generali
- **2010:** Through the first ten years, Sinergie consolidates its relationships with recurring customers
- **2014:** Special is founded, operating in the organization of tailor-made incentive travels
- **2015:** SG is born. The holding manages commercial, administrative, IT and general services for the Group's subsidiaries
- **2016:** A structural reorganization takes place and subsidiaries are rebranded and split in different business units
- **2017:** The Group acquires a 25% share in CEVH, which operates in traditional and digital communication for the B2C segment
- **2018:** SG Company is listed on AIM Italia. Throughout the same year, the Group acquires a 51% share of Brainwaves (a company active in B2B events organization, communication services and video production) and brings up its CEVH participation to 51%
- **2019:** Core and Bellanova Design are founded. The Group also acquires an 80% participation in Double (active in the video production field), while bringing up its Brainwaves and CEVG participations to 80% and 100% respectively
- **2020:** The Group sells its controlling stake in Core s.r.l. and perfects the integration of Special s.r.l.

## OWNERSHIP

The share capital subscribed and paid up is Euro 604,637.20, made up by n. 12,092,744 ordinary shares.

Free float is 13.03%

Shareholder		%
DL S.r.l.	10,000,000	82.69%
PopBox S.r.l.	516,619	4.27%
Free Float	1,576,125	13.03%
<b>Total</b>	<b>12,092,744</b>	<b>100%</b>

Source: Company Data

## GOVERNANCE

List vote: 10%

**Board of directors:** The Board of directors is made up of 5 members, one of which independent.

## KEY MANAGERS

SG Company is led by a very skilled and experienced and rather recent management team:

### **Davide Ferruccio Verdesca – Chairman & CEO**

Born in Milan on October 8<sup>th</sup>, 1968, covers the role of CEO and Client Director for Congress Team S.r.l. from 1992 to 1999. In 2000 Verdesca founded Sinergie S.r.l. assuming the role of CEO and COO. As of today, he is the CEO of SG Company. In 2018 he has been given the “Best Event Manager” award from ADC Group, while in 2020 he becomes a member of the BoD of AssoAIM, dealing with the association’s non institutional communication.

### **Luigi Spinolo – Vice President**

Born in Milan on August 25<sup>th</sup>, 1971, after obtaining a Master’s in communication and Event Organization from Politecnico del Commercio di Milano, he held the position of Project Leader in Società MZ Congressi. From 1993 to 2000 he was Project Leader in MGR (now AIM Group). In 2000 he founded Sinergie S.r.l. along with Davide Verdesca and another partner, and is now Vice President responsible for the Company’s General Services.

### **Francesco Merone – CFO**

CFO and entrepreneur with more than 30 years of experience in the financial world, Merone worked for SME, listed companies and international consulting firms. Despite being specialized in finance, he has strengthened his know-how in both the IT and Human Resources sector, managing several HR departments. Among his most important experiences, he has been Finance Manager for Dasit Group, Manager in PwC and CFO in Polti S.p.a., Clabo S.p.a. and Casta Diva Group S.p.a.. In 2019 he founded Sillon Srl (Innovative SME), which supports SME in developing a listing process on AIM Italia. As of today, Merone is CFO and Investor Relator of SG Company.

### **Elena Melchioni – Executive Board Member – COO | CMO**

A chartered accountant, Melchioni has held several management positions having worked in Italian companies and in several multinational groups, including WPP listed in London and New York and Ipsos, listed in Paris. She has further held the position of Chairwoman OPC Commette, independent director, member of the Risk Committee and of the Remuneration Committee in a Italian Stock Exchange MTA listed company. Thanks to her c. ten year experience in the WPP group, where she held the positions of General Manager and CEO of Lorien Consulting, she has matured a deep knowledge of the marketing & communication sector and the data economy. She holds a Masters degree from SDA Bocconi and two certifications in Strategy & Innovation from MIT in Boston with a focus on digital transformation, AI and platform economy, and digital communication. Previously, she has managed national and international projects for Italian and global clients, in the private and public sector. She began her career in the Marketing area of SDA Bocconi and later in communication and media relations agencies.

Melchioni, dottore commercialista, proviene da diverse esperienze gestionali e di board member avendo lavorato in società italiane e in diversi gruppi multinazionali, tra cui WPP quotato a Londra e New York e Ipsos, quotato a Parigi. E' stata inoltre Chairwoman OPC Commette, Consigliere indipendente, membro del Comitato Rischi e del Comitato Remunerazione in una società quotata

presso MTA di Borsa Italiana. Ha una profonda conoscenza del settore marketing & communication e della data economy grazie a circa dieci anni trascorsi nel gruppo WPP, dove ha ricoperto le cariche di Direttore Generale e CEO di Lorien Consulting. Ha conseguito un Master presso SDA Bocconi e due certificazioni in Strategy & Innovation presso MIT di Boston con focus su digital transformation, AI e platform economy, e digital communication. In precedenza, ha gestito progetti nazionali e internazionali per clienti italiani e global, nel settore privato e pubblico. Ha iniziato la sua carriera nell'area Marketing di SDA Bocconi e successivamente in agenzie di comunicazione e media relations.

**OPPORTUNITIES**

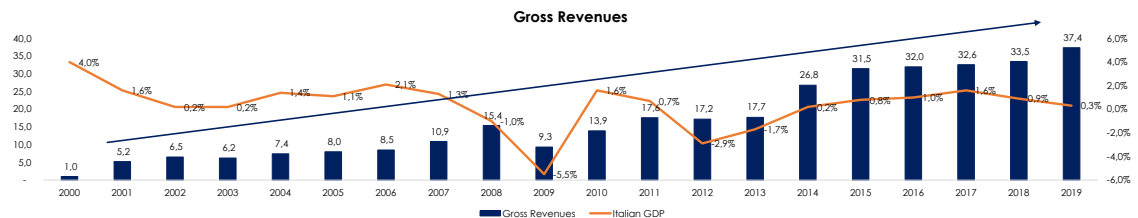
- Good reputation and track record based on over 20 years of experience in the market and a highly qualified team of professionals capable of innovating in terms of format and content.
- Growth driven by markets with high expected growth rates over the next years (MarTech, Live Events and Video).
- Scale internationally thanks to the partnership with Nexthing and new platform offering. With the launch of Phygital in March 2020, the Group has shown great ability to respond quickly to new market demands thanks to its internal know-how and flexible structure.
- Leverage on current client base for the development of new business areas. The Group can rely on a portfolio of loyal high profile clients such as A2A, ABI Eventi, Allianz, BlackRock, Medtronic, Vodafone, Eolo, Wind3, PWC, Bayer, Basf, Ferrari, Mediolanum, Sisley, LVMH, Daikin, BMW, Dainese, Enel, Eolo, CheBanca!, Youtube, Generali, Lavazza, Vorwerk, Google, L'Oréal, Luxottica, Pandora e Sky, TIM, Siemens, DAZN.
- Well diversified client base in terms of industry. Over the years since listing the Group has been able to significantly diversify the industry risk by targeting new markets. In FY19, the Banking & Finance industry was the most important industry covering c. 30% of total revenues, followed by Consumer Goods (21%), Tabaco (10%) and Food & Beverage (6%).
- Recent commercial 3-year agreement with ACI Blue team, a top 5 company in the Italian Meetings&Event market. ACI will provide operational meeting & events services, while the Group will be responsible for digital strategy & communication services. Thanks to the agreement, SG Company will be able to continue to offer meeting & event services, while sustaining lower operational costs, in line with the objectives of the Industrial Plan.
- Innovative SME and Benefit Corporation with an outlined ESG path.

**RISKS**

- Delay in expected market recovery, especially in the live events market, should the economic slowdown related to the COVID-19 pandemic persist. This could affect our FY21- 22 forecasts.
- Competition from international/big players: the live event and communication market in Italy is currently very fragmented and populated by small&medium sized local companies with an artisan approach and with no clear market leader. Competitors adopting a more professional and organized approach or the entry of big international consulting companies counting on higher financial and human resources could represent a threat.
- Risks related to the implementation of the new business model: Possible delays in the development of propriety technologies and/or partnerships for MarTech solutions.
- With 100% of total revenues in the domestic market, the Group is still highly exposed to the state of the Italian economy. However, being able to rely on a client portfolio of multinational companies should facilitate future international expansion.
- Relatively high reliance on top clients with top 3 clients covering c. 20% of total revenues, and top 10 c. 40%
- Very limited free float (13%) and low trading volumes. Should the group proceed with the recently announced capital increase we expect free float should increase significantly.
- 1H20 limited review was approved by the auditors, with a note according to which business continuity was assumed on the basis of Managements assertions as of June 2020.
- Our estimates, which lay the base for our post-money fair value calculation, incorporate a capital increase of Euro 2.5 m (the maximum value proposed by the Board), which we believe necessary to support the strategic action plan.

### Historical results overview

Thanks to a growth strategy based on a mix of organic growth and M&A, SG Company has since foundation in 2020, been able to post a FY00-19 revenue CAGR of +21%, with revenue contraction in only 3 years (-4.6% in 2003, -39.6% in 2009 and -2.3% in 2012) and generally related downturns in the overall Italian economy. In 1H20, revenues suffered a sharp drop (-68% yoy) as COVID-19 lockdown related restrictions hit the live events business hardy.



Source: Company data and ISTAT

We have limited our in-depth analysis to the FY17-1H20 period. The Group adopts OIC accounting standards and distinguished between Gross Revenues (including fees from professional services and the rebate to clients for complemented services, such as hostesses, air and railway tickets and hotels) and Net Revenues (services fees net of costs rebates).

**Revenue growth driven by M&A activity.** In the FY17-19 period SG Company grew Net Revenues at a CAGR of c. +7% to Euro 31.1 m (Euro 25.2 m in FY17). Growth was mainly driven by M&A activity (CEV in 2017 (from 25% to 100% in 2019), BrainWaves in 2018 and Double in 2019), which in FY19 added Euro 13.5 m of Gross Revenues, while organic sales saw a contraction by -28% mainly owed to the loss of two important customers (Poste Italiane and Enel).

### Focus on Gross Revenues

Euro m	17A	(%)	18A	(%)	19A	(%)	CAGR 17-19
Finance	19,2	59%	14,6	44%	11,4	30%	-23%
Consumer goods	3,5	11%	4,6	14%	7,8	21%	50%
Tobacco	0,0	0%	0,0	0%	3,8	10%	n.a.
Beverage & foods	0,0	0%	2,0	6%	2,4	6%	n.a.
Automotive	0,0	0%	0,2	1%	1,7	5%	n.a.
Chemistry	0,7	2%	1,6	5%	1,3	3%	41%
Medical sector	1,3	4%	2,2	7%	0,7	2%	-26%
Cosmetics	0,6	2%	1,8	5%	1,2	3%	39%
Other	7,3	22%	6,4	19%	7,1	19%	-1%
<b>Gross Revenues</b>	<b>32,6</b>	<b>100%</b>	<b>33,5</b>	<b>100%</b>	<b>37,4</b>	<b>100%</b>	<b>100%</b>

Source: Company Data

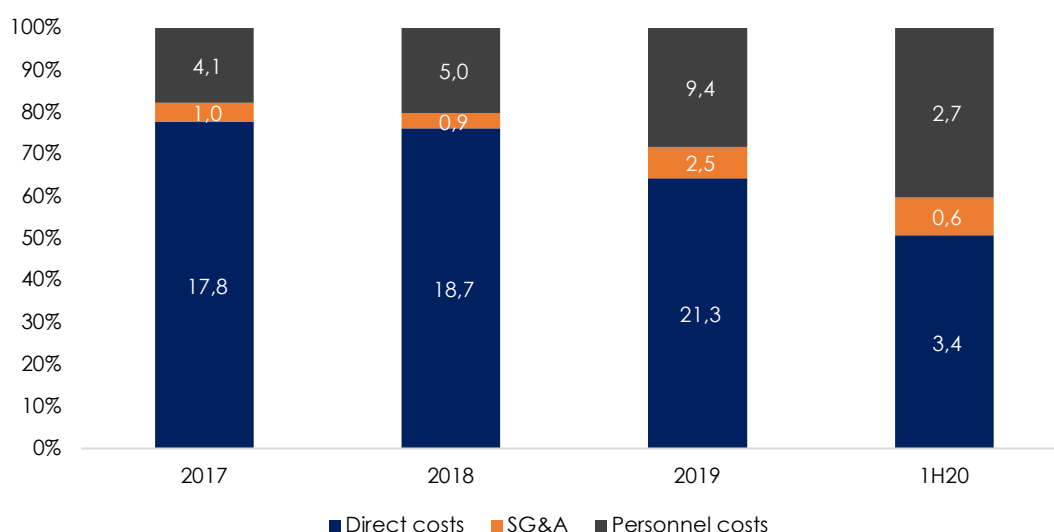
In line with strategic guidelines announced in the IPO, Management managed to increase industry diversification, with all sectors but Finance, historically the reference sector of the Group, increasing its total weight.

- Finance sector was affected by the loss of an important customer (Poste Italiane in 2019);
- Good performance for consumer goods and automotive sector;
- Entry into the Tobacco segment, thanks to the acquisition of CEV Holding;
- the negative trend in the Medical field was mainly attributable to the decision of an important customer to postpone some events in 2020;

**Profitability heavily influenced by M&A activity.** Over the period considered Gross Margin remained rather stable around 30%, however at EBITDA level profitability was strongly affected by higher SG&As and personnel costs from the integration of acquired companies, costs for the development of new format products and non-recurring items mainly related to the IPO and M&A activity. EBITDA hence fell from historical high-single digit levels (average 2016-2017 of 7.7%) to 4% in FY18 and to being negative in FY19. In 1H20, gross margin was of 28%, whereas EBITA adj was negative of -2.0 m (Euro 1.6 m in 1H19), but with an important reduction in fixed costs vs. 1H19 (-45%) as evidence of the effectiveness of the cost-reduction action introduced by Management. In particular, the decrease in personnel costs (-42% 1H 20 vs 1H19) is the total effect of a reduction in number of employees to adapt to lower sales volumes coupled with the the use of temporary layoff schemes (government incentives to deal with the epidemiological emergency).

Euro'000	17A	%	18A	%	19A	%	1H 19A	%	1H 20A	%
<b>Net Revenues</b>	<b>25,240</b>	<b>100%</b>	<b>25,645</b>	<b>100%</b>	<b>31,092</b>	<b>100%</b>	<b>14,293</b>	<b>100%</b>	<b>4,640</b>	<b>100%</b>
<b>Gross Margin</b>	<b>7,471</b>	<b>29.6%</b>	<b>6,980</b>	<b>27.2%</b>	<b>9,750</b>	<b>31.4%</b>	<b>4,335</b>	<b>30.3%</b>	<b>1,290</b>	<b>27.8%</b>
Fixed Costs (SG&A+ personnel)	(5,099)	-20.2%	(5,870)	-22.9%	(11,835)	-38.1%	(6,025)	-42.2%	(3,331)	-71.8%
<b>EBITDA adj.</b>	<b>2,371</b>	<b>9.4%</b>	<b>1,110</b>	<b>4.3%</b>	<b>(2,085)</b>	<b>-6.7%</b>	<b>(1,670)</b>	<b>-11.7%</b>	<b>(2,040)</b>	<b>-44.0%</b>
IPO costs			(125)		-		-		-	
M&A costs			(78)		(26)		(12)		-	
Development of the software			(16)		-		-		-	
Moving			-		(130)		(71)		-	
Closing of the office in Rome			-		(169)		(27)		-	
Other non-recurring items			(64)		(102)		(246)		(61)	
<b>Non-recurring items</b>	<b>(176)</b>	<b>0.7%</b>	<b>(283)</b>	<b>1.1%</b>	<b>(427)</b>	<b>1.4%</b>	<b>(356)</b>	<b>2.5%</b>	<b>(61)</b>	<b>1.3%</b>
<b>EBITDA</b>	<b>2,195</b>	<b>8.7%</b>	<b>827</b>	<b>3.2%</b>	<b>(2,512)</b>	<b>-8.1%</b>	<b>(2,026)</b>	<b>-14.2%</b>	<b>(2,101)</b>	<b>-45.3%</b>

### Operating costs



Source: Company Data

**A business with low capital requirements.** SG Company's business requires very low capital investments and structural D&As are therefore low, and saw an increase in FY19 only due to M&A activity. In FY19, EBIT was negatively impacted by a devaluation of approx. Euro 253 k, related to the consolidation and merger deficit.

**Key Financials FY17-19A**

Euro m	17A	%	18A	%	19A	%
<b>Gross Revenues</b>	<b>32.6</b>	<b>129%</b>	<b>33.5</b>	<b>131%</b>	<b>37.4</b>	<b>120%</b>
Yoy	n.a.		3%		12%	
<b>Net Revenues</b>	<b>25.2</b>	<b>100%</b>	<b>25.6</b>	<b>100%</b>	<b>31.1</b>	<b>100%</b>
Yoy	n.a.		2%		21%	
<b>EBITDA adj</b>	<b>2.4</b>	<b>9%</b>	<b>1.1</b>	<b>4%</b>	<b>-2.1</b>	<b>-7%</b>
margin	9%		4%		-7%	
<b>EBIT adj</b>	<b>2.3</b>	<b>9%</b>	<b>0.9</b>	<b>4%</b>	<b>-2.5</b>	<b>-8%</b>
margin	9%		4%		-8%	
<b>Pre tax profit</b>	<b>2.1</b>	<b>8%</b>	<b>0.6</b>	<b>2%</b>	<b>-4.3</b>	<b>-14%</b>
<b>Net Profit</b>	<b>1.4</b>	<b>6%</b>	<b>0.4</b>	<b>1%</b>	<b>-3.7</b>	<b>-12%</b>

**Low Net Working Capital needs.** SG Company's business structurally requires very low net working capital investments, but can however be volatile due to the timing of collection of single trade credits. NWC remained largely stable over the three-year period, with the exception for 2018 when a c. Euro 3 m trade credit due before year-end was delayed and paid in FY19. At the end of June 2020, NWC fell to Euro 0.9 m (vs Euro 2.5 m in 1H19) as a result of the lower turnover (-68% vs 1H 19) and renegotiation of the payment conditions with suppliers.

**Net Financial Position.** After the IPO, which provided net cash proceeds of c. Euro 2.5 m, FY18 closed with a Net Cash position of Euro 0.4 m (Euro 1.8 m in FY17) after investments in M&A of Euro 0.8 m and a dividend payment of Euro 1.7 m. FY19 closed with a Net Debt of Euro 1.1 m after investment in M&A of Euro 0.5 m, a Euro 0.7 m dividend and a capital increase of Euro 1.2m.

Euro m	17A	18A	19A
Net Working Capital (NWC)	1.5	4.2	1.9
Fixed net assets	0.4	1.7	2.2
Funds	-0.6	-0.8	-0.9
<b>Net Capital Employed</b>	<b>1.3</b>	<b>5.0</b>	<b>3.2</b>
Net Financial Position (Cash)	-1.8	-0.4	1.1
Total Equity	3.0	5.4	2.0
<b>Sources</b>	<b>1.3</b>	<b>5.0</b>	<b>3.2</b>

Source: Company Data

**Cash flow statement FY17-19A**

Euro m	17A	18A	19A
EBIT adj	2.3	0.9	(2.5)
D&A	0.0	0.2	0.4
Change in funds	0.6	0.3	0.0
Tax	(0.7)	(0.3)	0.6
Capex	(0.1)	(0.5)	(0.5)
Change in NWC	(1.5)	(2.7)	2.3
<b>Op. FCF</b>	<b>0.6</b>	<b>(2.1)</b>	<b>0.4</b>
Extraordinary Items	(0.2)	(0.3)	(0.4)
Net Financial Charges	(0.0)	(0.0)	(0.2)
Other including M&A	1.9	(0.2)	(1.8)
Dividends	(0.5)	(1.7)	(0.7)
Share capital increase	-	3.0	1.2
<b>Free Cash flow</b>	<b>1.8</b>	<b>(1.3)</b>	<b>(1.5)</b>

Capex in FY18 were for Euro 0.5 m relative to capitalized IPO expenses and in FY19 for Euro 0.3 m related to the refitting of a building.



Euro m	1H 2020	1H 2019	2019A
<b>Gross Revenues</b>	<b>5.6</b>	<b>17.5</b>	<b>37.4</b>
yoy	-68%	-	12%
<b>Net Revenues</b>	<b>4.6</b>	<b>14.3</b>	<b>31.1</b>
yoy	-68%	-	21%
<b>EBITDA</b>	<b>-2.0</b>	<b>-1.7</b>	<b>-2.1</b>
margin	-44%	-12%	-7%
<b>EBIT</b>	<b>-2.1</b>	<b>-1.8</b>	<b>-2.5</b>
margin	-45%	-13%	-8%
<b>Pre tax profit</b>	<b>-2.2</b>	<b>-2.2</b>	<b>-4.3</b>
<b>Net Profit</b>	<b>-1.7</b>	<b>-1.8</b>	<b>-3.7</b>
Net Working Capital (NWC)	0.9	2.5	1.9
Fixed net assets	2.2	1.5	2.2
Funds	-1.0	-0.9	-0.9
<b>Net Capital Employed</b>	<b>2.1</b>	<b>3.1</b>	<b>3.2</b>
Net Debt (Cash)	1.7	0.5	1.1
Equity	0.4	2.6	2.0
<b>Sources</b>	<b>2.1</b>	<b>3.1</b>	<b>3.2</b>

Source: Company Data

### Proforma financial results

As FY19 financials was importantly affected by M&A activity, Management presented a pro-forma income statement (considering all acquisitions as of 1 January 2018), for a better understanding of the performance.

Euro m	PF 18A	%	19A	
<b>Gross Revenues</b>	<b>45.3</b>	<b>126%</b>	<b>37.4</b>	<b>120%</b>
Yoy	7%		-17%	
<b>Net Revenues</b>	<b>36.0</b>	<b>100%</b>	<b>31.1</b>	<b>100%</b>
yoy	7%		-14%	
<b>EBITDA</b>	<b>1.8</b>	<b>5%</b>	<b>-2.1</b>	<b>-7%</b>
yoy	-32%		-215%	
<b>EBIT</b>	<b>1.5</b>	<b>4%</b>	<b>-2.5</b>	<b>-8%</b>
yoy	-37%		-262%	
<b>Pre tax profit</b>	<b>1.1</b>	<b>3%</b>	<b>-4.3</b>	<b>-14%</b>
<b>Net Profit</b>	<b>0.5</b>	<b>1%</b>	<b>-3.7</b>	<b>-12%</b>

Source: Company Data

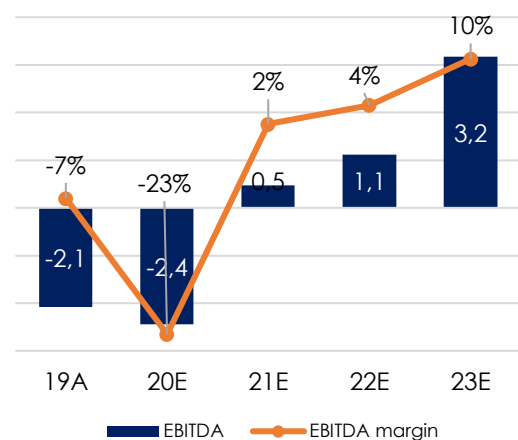
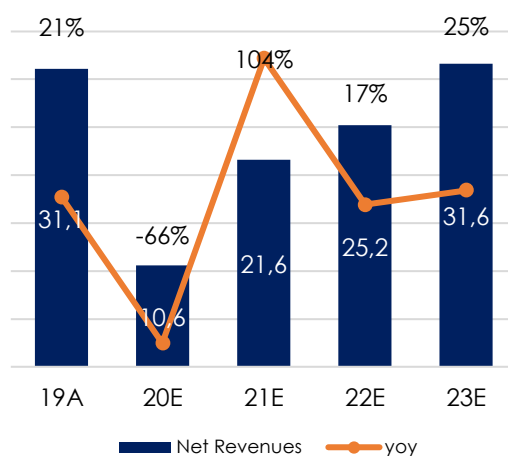
### FY20-23 Estimates

After a phase of growth driven by a strategy aiming at widening the product/service offering, the new Industrial Plan marks a new phase for the Group, with a shift in M&A strategy now focusing on the acquisition of key competences rather than businesses. We believe that Management's intention to pursue a strategy based on the digitalization of the service/product offering, a new division for Data Valorisation and a shift in revenue mix towards more value-added services also by exploiting upselling opportunities on the existing client portfolio should allow the Group to boost revenues and profitability in the mid-term.

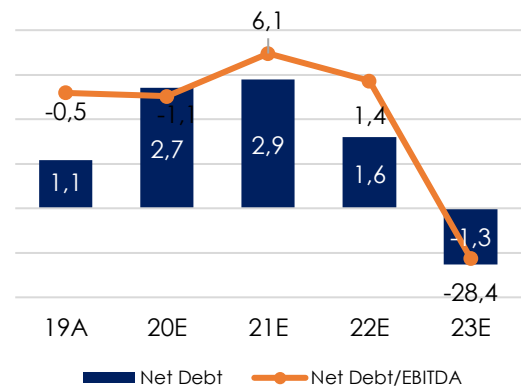
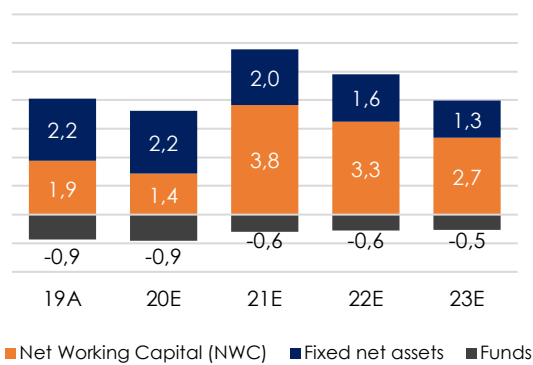
Based on the above, we assume:

- FY20-23 revenue CAGR of +49% with a return to FY19 revenue levels in FY23, after an inevitable drop by c. -70% in FY20 owed to the COVID-19 pandemic and with a gradual recovery in FY21-23.
- Rebalance of the product mix with a gradual decrease of the weight of traditional services (MICE and Events) from current c. 90% (FY19) to under 50% in FY23, thanks to important growth in particular in Phygital Events, Digital (Advertising and Content) and Data Valorisation which we estimate should reach c. Euro 2.0 m in FY23.
- Management's focus on cost efficiency and savings (SG&As and Personnel costs in 1H20 were down by -45% yoy), should allow to lower the break-even point. We expect a positive EBITDA in FY21 and an EBITDA level of c. 10% at the end of our forecasted period (FY23);
- total Capex of Euro 0.4 m over the FY20-23 period, mainly related to investments in proprietary technological platforms and the development of Open Innovation projects.
- Capital Increase of Euro 2.5 Euro in FY21, and the consequent activation of the Invitalia debt, which we believe necessary to implement the strategic actions outlined.

Euro m	19A	%	20E	%	21E	%	22E	%	23E	%
<b>Gross Revenues</b>	<b>37.4</b>	<b>120%</b>	<b>11.2</b>	<b>105%</b>	<b>23.8</b>	<b>110%</b>	<b>29.8</b>	<b>118%</b>	<b>37.1</b>	<b>117%</b>
yoy	12%		-70%		113%		25%		25%	
<b>Net Revenues</b>	<b>31.1</b>	<b>100%</b>	<b>10.6</b>	<b>100%</b>	<b>21.6</b>	<b>100%</b>	<b>25.2</b>	<b>100%</b>	<b>31.6</b>	<b>100%</b>
yoy	21%		-66%		104%		17%		25%	
<b>EBITDA</b>	<b>-2.1</b>	<b>-7%</b>	<b>-2.4</b>	<b>-23%</b>	<b>0.5</b>	<b>2%</b>	<b>1.1</b>	<b>4%</b>	<b>3.2</b>	<b>10%</b>
margin	-7%		-23%		2%		4%		10%	
<b>EBIT</b>	<b>-2.5</b>	<b>-8%</b>	<b>-2.5</b>	<b>-23%</b>	<b>0.0</b>	<b>0%</b>	<b>0.6</b>	<b>3%</b>	<b>2.7</b>	<b>8%</b>
margin	-8%		-23%		0%		3%		8%	
<b>Pre tax profit</b>	<b>-4.3</b>	<b>-14%</b>	<b>-2.8</b>	<b>-26%</b>	<b>-0.3</b>	<b>-1%</b>	<b>0.6</b>	<b>2%</b>	<b>2.6</b>	<b>8%</b>
<b>Net Profit</b>	<b>-3.7</b>	<b>-12%</b>	<b>-2.1</b>	<b>-20%</b>	<b>-0.2</b>	<b>-1%</b>	<b>0.4</b>	<b>2%</b>	<b>2.0</b>	<b>6%</b>



Euro m	19A	20E	21E	22E	23E
Net Working Capital (NWC)	1.9	1.4	3.8	3.3	2.7
Fixed net assets	2.2	2.2	2.0	1.6	1.3
Funds	(0.9)	(0.9)	(0.6)	(0.6)	(0.5)
<b>Net Capital Employed</b>	<b>3.2</b>	<b>2.7</b>	<b>5.2</b>	<b>4.3</b>	<b>3.5</b>
Net Debt/ (Cash)	1.1	2.7	2.9	1.6	(1.3)
Total Equity	2.1	(0.0)	2.3	2.7	4.7
<b>Sources</b>	<b>3.2</b>	<b>2.7</b>	<b>5.2</b>	<b>4.3</b>	<b>3.5</b>



Source: Company Data on 2019 and IR TOP estimates for 2020-2023

**POST-MONEY FAIR VALUE**

We elaborated our post-money fair value of the Group based on the following:

- We aligned our estimates to Management's guidance;
- We however assume a capital increase in FY21 of Euro 2.5 m
- We used a Discounted Cash Flow (DCF) model to calculate the post money fair value of the Group based on a WACC assumption of 9.5%, g (perpetual growth rate) equal to 1% and a target leverage of 0%.

Our DCF model yields a post-money fair value of the Group of Euro 14.8 m. Our post-money fair value would correspond to FY20-21 EV/Sales multiples of 1.3x and 0.6x.

<b>WACC calculation</b>	
Perpetual growth rate	1.0%
<b>WACC</b>	<b>9.5%</b>
Risk free rate (BTP 10Y 24 months average)	2.3%
β unlevered	0.9
Equity risk premium	8.4%
<b>Ke</b>	<b>9.5%</b>
Cost of debt	2%
Tax rate	24%
<b>Kd</b>	<b>3.8%</b>

<b>DCF Valuation</b>		
<i>Euro '000</i>		
Sum of PV 2020-24 FCFs	1,928	13.7%
Discounted terminal value	12,106	86.3%
<b>Enterprise Value</b>	<b>14,034</b>	<b>100%</b>
Net Debt (1H20)	1,745	
Capital increase	(2,500)	
<b>Post-Money Fair Value</b>	<b>14,789</b>	

**Risks to our valuation:**

- Should the Group fail to collect the capital required, the bases for our post-money fair value valuation fall short and would not indicate the value of the Group.
- Slower than expected recovery in the live events market following a new Covid-19 related restriction.
- Execution risks of the Industrial Plan.

**INDUSTRY COMPARISON**

**AIM Sector:** average data for four companies listed on AIM Italia which are included in the Digital Media subsector: Casta Diva Group (CDG-IT), Digitouch (DGT-IT), Digital360 (DIG-IT) and NVP (NVP-IT).

**Industry Peers:** average data for a selected group of international peers: Dentsu (4324-JP), GL Events (GLO-FR), Interpublic (IPG-US), Publicis (PUB-FR), Viad (VVI-US), WPP (WPP-GB) and Alkemy (ALK-IT).

**AIM Italia:** average financial and market multiples data for all the companies listed on AIM Italia, while reporting price performance data related to FTSE AIM Italia Index.

	SG Company	AIM Sector	Peers Avg	AIM Italia
Revenues	37.4	25.8	5,180.3	34.5
Yoy growth	-2.7	2.5	880.5	4.3
EBITDA	-7.1%	12.7%	15.6%	12.6%
EBITDA %	-3.1	0.6	580.6	1.8
EBIT	-8.2%	2.8%	9.0%	5.3%
EBIT %	-3.7	-0.2	175.8	1.0
Earnings	-9.9%	-0.2%	2.7%	2.8%
Earnings %	1.7	2.3	1,931.7	0.7
Net Debt/EBITDA	n.m.	0.9	3.8	0.2
FY16-19 Revenue CAGR	6%	8%	2%	n.a.
FY16-19 Earnings CAGR	n.m.	n.a.	41%	n.a.
FY19-22 Revenue CAGR	-13%	9%	-5%	10%
FY19-22 Earnings CAGR	-54%	70%	-22%	33%
Market Cap	4.8	18.3	4,163.5	20.3
Liquidity ADTT (YTD)	7	31	483,228	74
EV	17.6	21.0	7,039.3	24.2
EV/Sales 20E	0.2	1.0	1.4	0.7
EV/EBITDA 20E	n.s.	8.1	16.1	5.6
EV/EBIT 20E	n.s.	24.5	15.3	13.2
P/E 20E	n.s.	122.5	25.8	20.9
P/B 20E	8.0	1.8	2.0	n.a.
P/CF 20E	46.4	10.2	9.9	n.a.
Earnings Yield	n.a.	0.8%	6%	4.8%
Stock performance 1D	-1.0%	0.2%	1%	0.0%
1W	-4.3%	2.3%	3%	0.0%
1M	-12.7%	10.9%	7%	5.3%
3M	-54.8%	12.4%	20%	4.2%
6M	-61.9%	11.4%	16%	-0.4%
YTD	-69.2%	4.1%	-29%	-10.5%
1Y	-68.0%	5.7%	-28%	-12.4%

Source: Factset. FY19 data for fundamentals

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