

SG Company Società Benefit

Mission to MarTech

Italian leader in the digital&live events market. Founded in 2000, SG Company Società Benefit S.p.a., 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 can rely on a wide and diversified portfolio of loyal top tier clients (YouTube, BlackRock, Illy, Eolo, Generali, PWC, L'Oreal etc.) and has promoted several successful national and international concept events such as Milano Food Week, Obecity, Sneakerness, Digital Design Days, Business Tech Forum. Headquartered in Milan, the Group currently counts c. 135 employees.

SG Company Società Benefit S.p.a.: Innovative SME and Benefit Corp. SG Company Società Benefit S.p.a., was listed on AIM Italia on July 26th, 2018 and is a registered innovative SME since October 2020. As of last year, the Group has undertaken a formal ESG path with the transformation of the parent company into a Benefit Corporation in November.

New industrial plan with a mission to Martech. In November 2020, the Group 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. After a phase of growth driven by a strategy aiming at widening the product/service offering, a new Industrial Plan was presented by Management last November. The 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. Management intends 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.

Successful capital increase in support of the Industrial Plan. At the end of February, the Group concluded a share capital increase of Euro 2.4 m (100% of offering) in support of the Industrial plan, and to strengthen the Group's balance sheet. The capital increase included the issuance of 12.092.744 new shares at a price of Euro 0.2 p.s. and the assignment of 6.046.371 warrants. Following the capital increase free float increased significantly to current 45.16% (17.30% pv.).

Growing reference market. SG operates in the Live&Digital communication market (B2B and B2C) which is driven by the Entertainment&Media industry. According to PWC the advertising segment of the latter is expected to grow at a 20-24 CAGR of 6.1% driven by the digital advertising (+20%) and in particular Live Events and Video. In Italy, the COVID-19 pandemic has accelerated and amplified ongoing shifts in consumers behaviour. As a consequence, the E&M world has become more remote and more virtual.

Estimates. We believe that the Management successful pursuit of a strategy focused on the digitalization of the Company's service/product offering, along with a shift in revenue mix towards the value-added segment and an efficient implementation of cost saving policies should allow SG to boost both revenues and profitability in the mid-term. Despite that, we prudentially estimate FY21 revenues below that of the November 2020 Strategic Plan, as the duration of the COVID pandemic led to a more severe impact on the business.

Valuation. We initiate coverage on SG Company Società Benefit S.p.a. with a DCF-based target price of Euro 0.62 p.s., offering a c. +120% upside to current stock price and corresponding to an Equity Value of Euro 14.9 m. At this level, the stock would trade at a 2021-2022 EV/Sales multiple of 0.93x and 0.55x respectively.

Sector: Technology

Target Price (Euro)	0.62
Market Price (Euro)	0.28
Market Cap (Euro m)	6.8
EV (Euro m)	9.8

As of June 22nd, 2021

Share Data

Market	AIM Italia
Bloomberg	SGC.IM
ISIN	IT0005337172
N. of Shares	24,690,176
Free Float	45.16%
Warrants Outstanding	11,796,371
Strike price war. (Eu)	0.66
Excerc. Period war.	Nov 20-25
CEO	Davide Verdesca

Financials

	2020A	2021E	2022E	2023E
Net Rev	9.0	14.5	24.6	30.8
YoY %	-71%	62%	70%	25%
EBITDA	(3.4)	0.3	1.1	3.1
EBITDA %	n.m.	2%	4%	10%
EBIT	(3.8)	(0.1)	0.5	2.4
EBIT %	n.m.	n.m.	2%	8%
Net P/(L)	(3.1)	(0.2)	0.3	1.8
Net D/(C)	3.4	2.8	2.4	0.0
Net Equity	(1.1)	1.1	1.4	3.2

*Net Revenues = Gross Revenues – Rebated Costs (hotel, catering etc.)

Performance

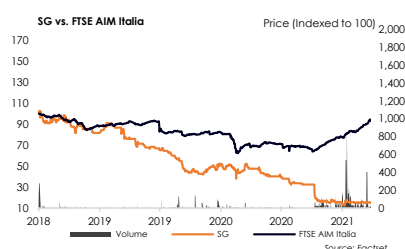
	1M	3M	6M
Absolute	-1%	-8%	-13%
Relative (FTSE AIM Italia)	-7%	-22%	-36%
52-week High/Low (Eu)	0.96	0.24	

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KEY FINANCIALS

Profit&Loss Statement	2017A	2018A	2019A	2020A	2021E	2022E	2023E
Net Revenues	25,2	25,6	31,1	9,0	14,5	24,6	30,8
EBITDA adj	2,4	1,1	-2,1	-3,4	0,3	1,1	3,1
EBIT adj	2,3	0,9	-2,5	-3,8	-0,1	0,5	2,4
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	-0,2	0,0	0,0	0,0
Pre-tax profit (loss)	2,1	0,6	-4,3	-4,1	-0,2	0,4	2,4
Taxes	-0,7	-0,3	0,6	1,0	0,0	-0,1	-0,6
Net profit (loss)	1,4	0,4	(3,7)	(3,1)	(0,2)	0,3	1,8

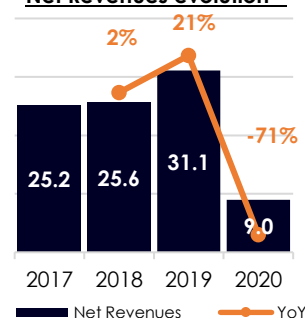
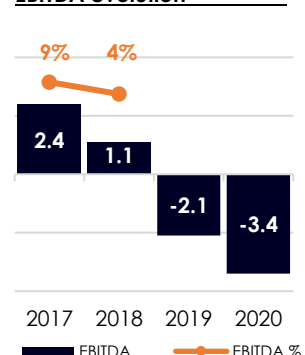
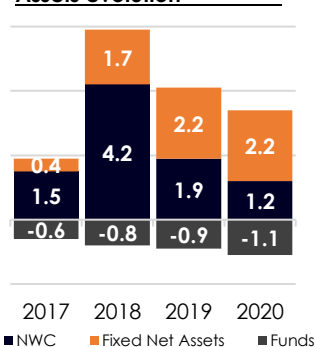
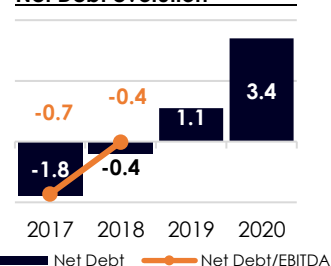
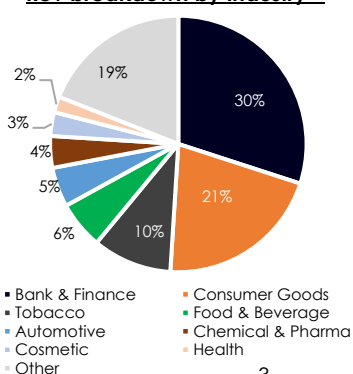
Balance Sheet	2017A	2018A	2019A	2020A	2021E	2022E	2023E
Net working capital (NWC)	1,5	4,2	1,9	1,2	3,3	3,5	3,3
Net fixed assets	0,4	1,7	2,2	2,2	1,8	1,5	1,1
M/L Funds	-0,6	-0,8	-0,9	-1,1	-1,1	-1,1	-1,1
Net Capital Employed	1,3	5,0	3,2	2,3	4,0	3,8	3,3
Net Debt	-1,8	-0,4	1,1	3,4	2,8	2,4	0,0
Minorities	0,1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

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

Per Share Data	2017A	2018A	2019A	2020A	2021E	2022E	2023E
Market Price	0.28						
Shares Outstanding	24.7						
EPS	0,1	0,0	(0,3)	(0,3)	(0,0)	0,0	0,1
FCF	0,1	(0,1)	(0,1)	(0,2)	0,0	0,0	0,2
Pay out ratio	0%	0%	0%	0%	0%	0%	0%

Ratios	2017A	2018A	2019A	2020A	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.	n.s.	1,9%	7,9%
Net Debt/Equity	-59,7%	-8,4%	54,7%	-303,5%	257,4%	167,7%	1,2%
D/(D+E)	-148,3%	-9,1%	35,3%	149,1%	72,0%	62,6%	1,2%
Net Debt/EBITDA	-0,74	-0,37	n.s.	n.s.	8,88	2,16	0,01
Interest cover EBIT	189,83	462,00	n.s.	n.s.	n.s.	7,23	37,89
ROE	48,2%	7,6%	-184,7%	278,6%	-19,3%	21,5%	55,8%
ROCE	231,2%	23,6%	-99,1%	-212,9%	-3,7%	14,7%	91,2%
Free Cash Flow Yield	30,8%	n.m.	n.m.	n.m.	9,1%	8,4%	40,8%

Growth Rates	2017A	2018A	2019A	2020A	2021E	2022E	2023E
Revenues (VoP)	n.a.	2%	21%	-71%	62%	70%	25%
EBITDA	n.a.	-53%	-288%	-62%	109%	242%	183%
EBIT	n.a.	-59%	-372%	-52%	96%	412%	424%
Net Profit	n.a.	-73%	-1071%	16%	93%	243%	492%

Net Revenues evolution

EBITDA evolution

Assets evolution

Net Debt evolution

Rev breakdown by industry


GROUP PROFILE

Founded in 2000, SG Company Società Benefit S.p.a. 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 successfully managed concept events 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 started an ESG path and became 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 Società Benefit S.p.a. was listed on AIM Italia on July 26th, 2018 through a share capital increase of Euro 3 m. Three 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 2.5 m of net proceeds from the listing, Euro 1.5 m 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 FY21-23 targets: Last November, the Group presented a new Industrial Plan which marked a new start and with focus on 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 - FY21E – FY23E targets

Euro m	FY21	FY22	FY23
Net Revenues	20.8	25.2	31.6
EBITDA	0.5	1.1	3.2
Net Debt/(Cash)	4.1	1.9	(1.9)

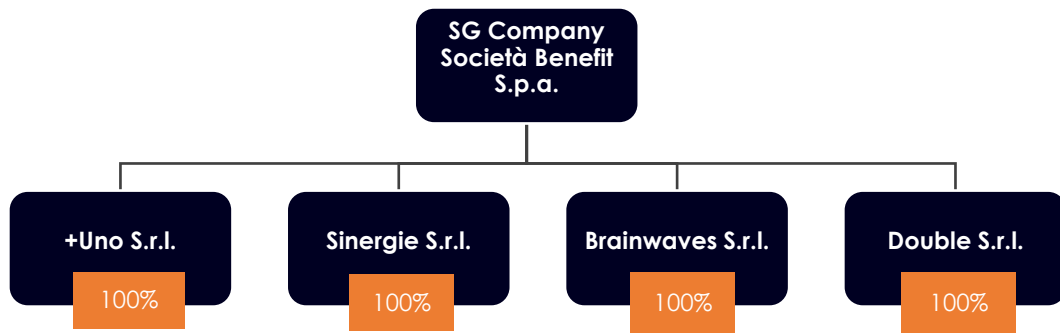
Source: Group Presentation

Successful capital increase in support of the Industrial plan and to strengthen the Balance Sheet...

In support of the Industrial Plan, and to strengthen the Group's balance sheet, the Group successfully concluded a share capital increase of Euro 2.4 m in February 2021 through the issuance of 12.092.744 new shares (100% of offering) at a price of Euro 0.2 p.s.. The Capital increase was accompanied by the assignment of 6.038.496 new warrants under the "Warrant 2018-2025" plan. The strike price of the warrants was adjusted from Euro 0.8 p.s. to Euro 0.66. Following the Capital increase Management stated that the financial resources obtained will allow the Group to make a restart with a more solid foundation to pursue the objectives set out in the 2021-2023 Industrial Plan. With the capital increase free float rose significantly to current 45.16% (17.30% pv.).

... and new financial instruments with Invitalia. To further support the Industrial Plan, the Group (through Sinergie S.r.l.) has requested to the Government owned Invitalia to obtain a subsidized financial instrument of up to Euro 2.5 m. The final amount that the Group will be granted should be announced within the end of June and used to accelerate the Industrial Plan.

GROUP STRUCTURE



Source: Group Data

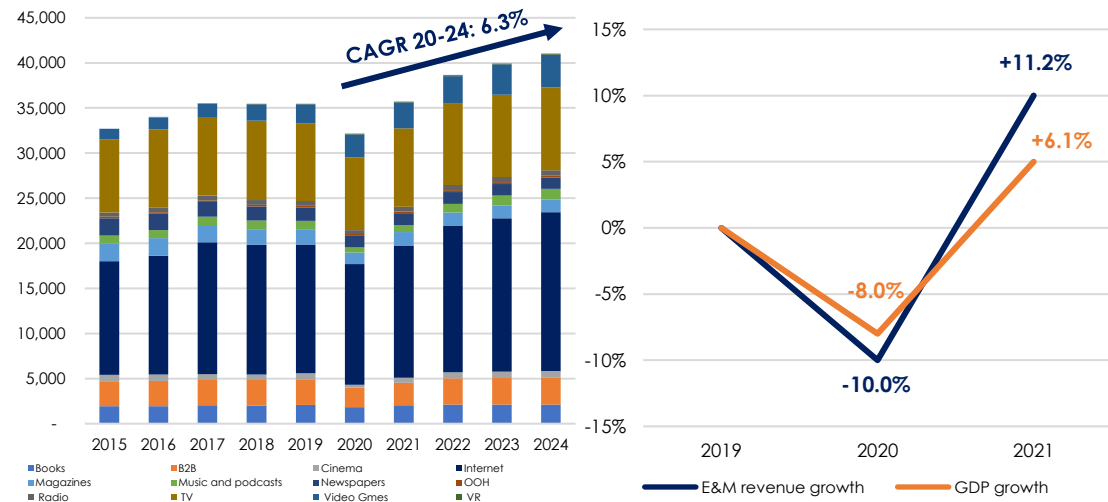
REFERENCE MARKET

SG operates in Live&Digital communication (both B2B or B2C channels) industry. This market segment is driven by 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 is expected at +6.1%.

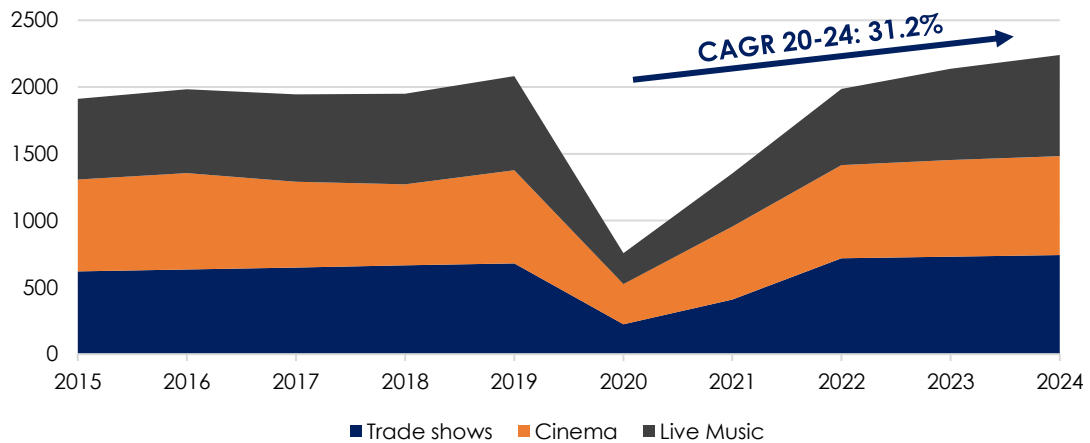
E&M Market revenues by segment



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

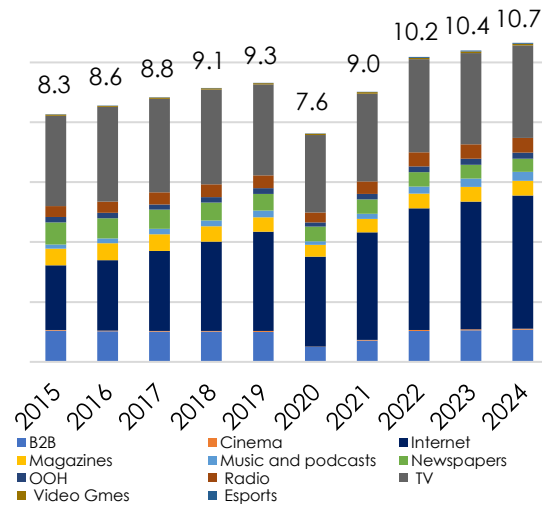
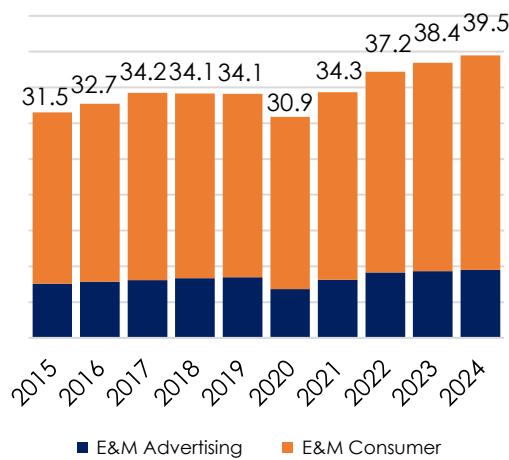


Source: IR Top elaboration on PWC data (E&M Outlook 2020-2024)

The advertising share of the E&M market represents SG Company Società Benefit S.p.a.'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

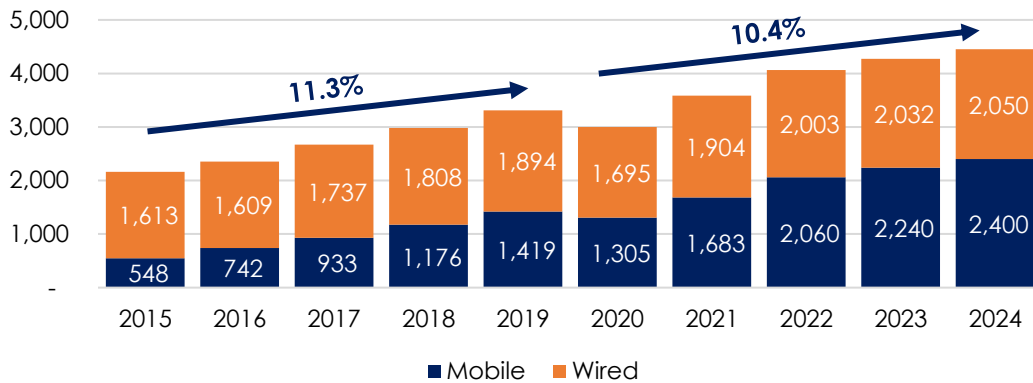


Source: IR Top elaboration on PWC data (E&M Outlook 2020-2024)

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.

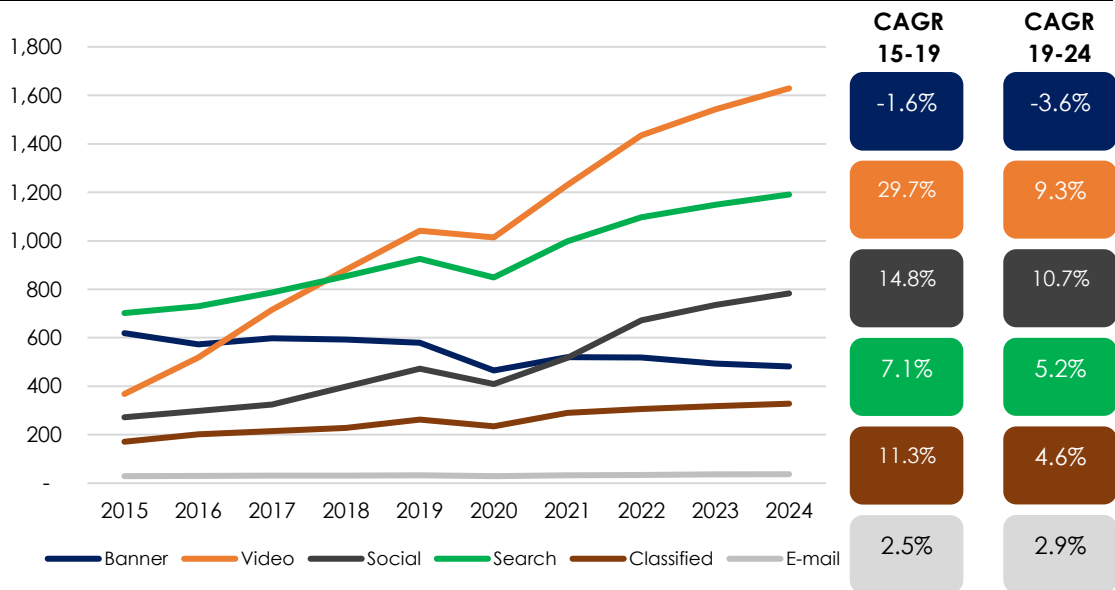
Internet Advertising sector – Mobile vs Wired



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

The COVID-19 pandemic led to a dramatic shift in the global events industry. With most of the in-person events rescheduled or cancelled for the larger part of 2020 due to lockdown measures, both organisers and customers had to quickly adopt digital events as the main form of interaction. Although, as of June 2021, restrictions linked with the pandemic are gradually being lifted, digital

components are expected to play a vital role in the events market for the foreseeable future, with both customers and marketers gradually more inclined to prefer hybrid events over traditional or fully digital ones.

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.

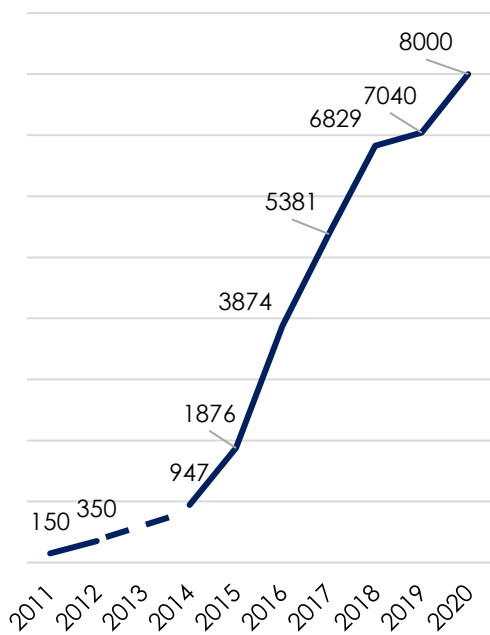
The Global Martech market

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 \$65.9b 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



5,233% growth

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 Società Benefit S.p.a. 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 Società Benefit S.p.a. 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 distinguishes itself in the market thanks to a unique value proposition based on:

- Integrated Communication Hub:** over the last years SG 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 Società Benefit S.p.a..
- 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
SG COMPANY	L & D	oo	ooo	ooo	oo	oo
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

BUSINESS MODEL

SG Company Società Benefit S.p.a. 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.
- **Concept Events:** 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.

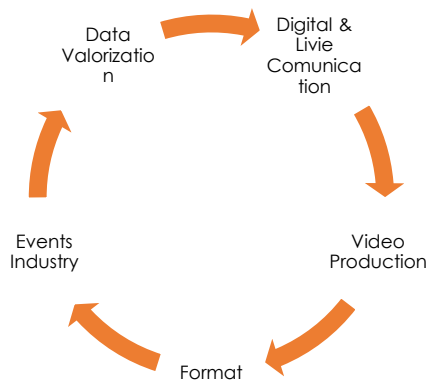
Within this business unit, the Group has launched (March 2020) an internally developed innovative platform for phygital and fully digital events called Do You Hear Me. DYHM manages digital and phygital events primarily through live streaming sessions, exhibition areas including sponsor stands and promoting 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

- **Concept Events:** 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



- **Corporate:** live & digital communication, video production, business travel, digital architect, format in co-marketing
- **PMI:** digital architect and software house
- **Consumer:** concept events and networking platform SaaS
- **Large Enterprises:** qualitative and quantitative profiling of user data
- **Monopoli / Oligopoli:** innovation of not yet updated systems
- **Resellers:** players, such as media relations agencies or traditional communication agencies, who want to resell our services to their customers
- **Future revenue streams:** analysis and interpretation of predictive data, feeding of machine learning systems and AI implementation, setting up of panels for online market research.
- **Geographies:** international network active in 10 countries

Source: Group Presentation

CLIENT BASE

SG Company Società Benefit S.p.a. has a portfolio of approx. 130 high-profile clients active in a wide range of industries (Finance, Telecommunication, Consumer Goods, and others). The Group's business is focused on medium-large firms.

Key Customers – Revenues in Eu k



Source: Group Presentation



The 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 2020 the top 3 clients accounted for 20.5% of revenues (top 10 accounted for 51.2%, top 20 for 74.3%).

Diversifying in terms of industry concentration has allowed the company to mitigate risk. In FY20, the Banking & Finance industry was the most important industry covering c. 20% of total revenues, followed by Food & Beverage (16%), Telecom (9%) and Tobacco (6%).

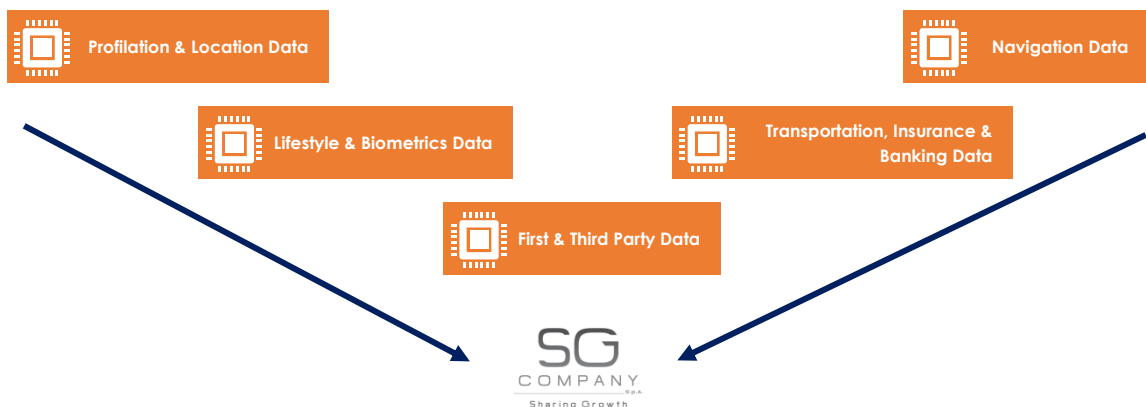
NEW STRATEGIC GUIDELINES – TRANSITION TO MARTECH

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 Società Benefit S.p.a., 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 concept events (Milano Food Week, Milano Wine Week, Snakerness, ONe, ObeCity, Digital Design Days, and many others).

EXAMPLES OF MARTECH SOLUTIONS APPLIED TO SG'S CONTENTS

<ul style="list-style-type: none"> • Gamification • AI for facial recognition • QR Code on OOH • Lead Nurturing • Ipergeolocalization 	<ul style="list-style-type: none"> • Tech gadgets in line with the format • Wearables • AR • IoT 	<ul style="list-style-type: none"> • Pixel • Cookies • Fingerprints • Display & Mobile Adv 	<ul style="list-style-type: none"> • Sign-in App and pre-start info • QR Code on travel documents 	<ul style="list-style-type: none"> • Digital Architect • Programming • App & Website Development



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.

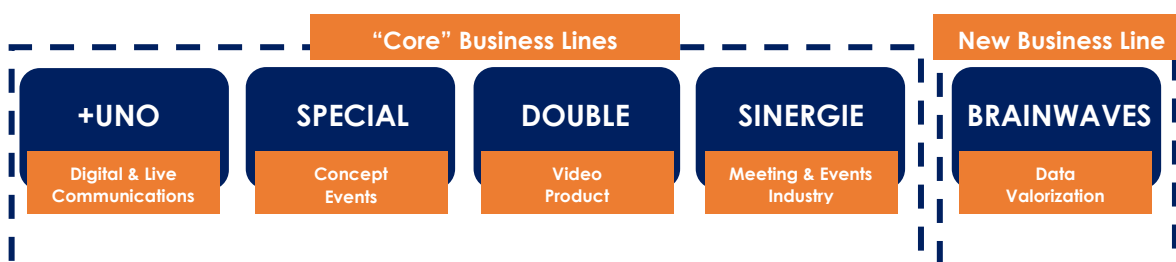
Development and launch of technological platforms:

- 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.

In line with the above, the Group has recently announced the hiring of high profile professionals in the Data Valorisation and Video Production areas.

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.

In February 2021 the Group announced a 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 Società Benefit S.p.a. will be able to continue to offer meeting & event services, while sustaining lower operational costs, in line with the objectives of the Industrial Plan.

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 Società Benefit S.p.a. 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 1,234,508.80, made up by n. 24,690,176 ordinary shares. Free float is 45.16%

Shareholder		%
DL S.r.l.	10,000,000	40.50%
Zeus Capital Alternative Sif	2,200,000	8.91%
Lombard International Assurance S.A.	1,340,250	5.43%
Market	11,149,926	45.16%
Total	24,690,176	100.00%

Source: Company Data

GOVERNANCE

List vote: 10%

Board of directors: The Board of directors is made up of 7 members, of which 1 independent and 3 non-executive members.

KEY MANAGERS

SG Company Società Benefit S.p.a. is led by a very skilled and experienced and rather recent management team:

Davide Ferruccio Verdesca – Chairman & CEO

Born in Milan on October 8th, 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 Società Benefit S.p.a.. 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.

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 Sailon 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 Società Benefit S.p.a..

Elena Melchioni – Executive Director – 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 master’s 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

Roberto De Piano – Managing Director – Brainwaves S.r.l.

Mr. De Piano had relevant experiences in multinational groups such as Mapei Group, Maxus and Wavemaker (media centers of WPP Group). He worked for CHILLI from 2018 to December 2019 as Director of Operations with responsibilities for the development of the big data, business intelligence, algorithm and analytics area. In January 2020 he founded the advertisement agency CHILLI media, developing its data valorization stream through the sale of platform data to the media market and the movie distribution market.

Francesco Levizzani – Managing Director – Double S.r.l.

Mr. Levizzani boasts several experiences in both Italian and international advertisement companies such as Saatchi & Saatchi and Lowe Pirella. Since 2019 he has been an Executive Produced and New Business Director for Haibun, a leading Italian production company. He’ll be responsible for the development of Double S.r.l. among Italian video production houses, offering always more innovative products thanks to the use of new technologies.

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.
- Innovative SME and Benefit Corporation with an outlined ESG path.

RISKS

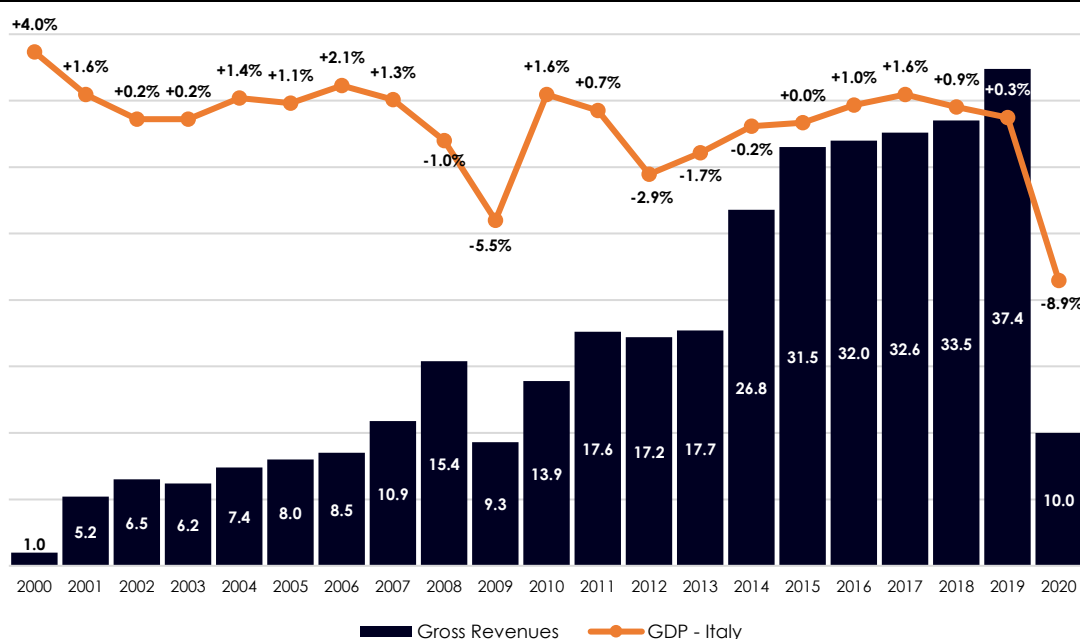
- Delay in expected market recovery, especially in the live events market, should the economic slowdown related to the COVID-19 pandemic persist. This could affect our FY21-22 forecasts.
- Competition from international/big players: the live event and communication market in Italy is currently very fragmented 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 proprietary 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% (FY19)
- Should the Group not pin the targets of the Industrial plan and delay break-even, further capital increase may be necessary to sustain the balance sheet

FINANCIALS

Historical results overview: FY20 marks a new start

Thanks to a growth strategy based on a mix of organic growth and M&A, SG Company Società Benefit S.p.a. has since foundation in 2000, 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 FY20 characterized by the COVID-19 pandemic with lockdown related restrictions hitting the live events business hard, Net Revenues saw a contraction of -71% yoy. However, FY20 also saw a complete remodelling of the Group's business model, with the launch of new high margin technology driven business lines. The transformation into a profitability driven business (rather than volume driven) coupled with structural savings in fixed costs (-44% in FY20), shows the first results of the implementation of the Industrial Plan.

Gross Revenues vs GPD evolution – Euro m



Source: Company data and ISTAT

We have limited our in-depth analysis to the FY17-FY20 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).

Historical revenue growth driven by M&A activity; FY20 affected by COVID-19

In the FY17-19 period SG grew Net Revenues at a CAGR of c. +11% 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 to Gross Revenues, while organic sales saw a contraction by -28% mainly owed to the loss of two important customers (Poste Italiane and Enel). In FY20, Net revenues came in at Euro 9.0 m, -71% yoy. The contraction was mainly concentrated to the MICE business line which, being driven by live communication and tourism, particularly suffered the spread of the COVID-19 pandemic. The MICE business line decreased its total weight from 49% in FY19 to 18%, whereas the products lines with higher digital content (i.e. Phygital) increased and represented c. 23% of total Gross revenues.

Profitability historically heavily influenced by M&A activity, important structural increase in FY20.

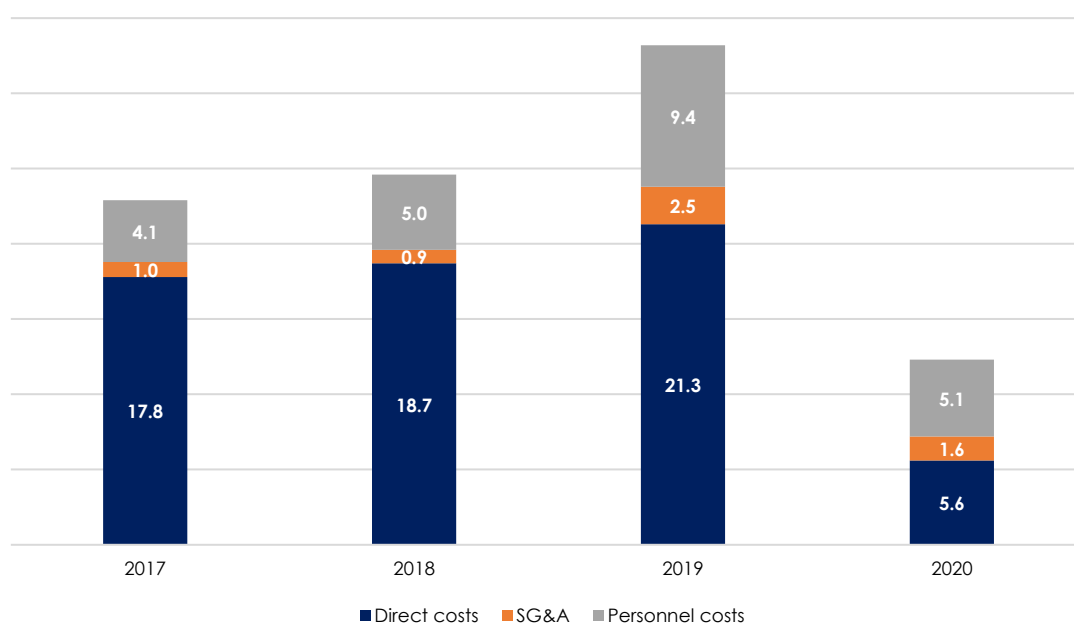
In the FY17-19 period Gross Margin remained rather stable around 30%, however at EBITDA level profitability was strongly affected by increasing SG&As and personnel costs from the integration of acquired companies, costs for the development of new concept events and non-recurring items

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 FY20, Management focused on the restructuring of the business and cost savings which resulted in sharp increase in gross margin to 36.5% (31.4% in FY19) driven by the shift in product mix with higher weight of new digital business lines. Personnel costs decreased by Euro 4.3 m (-46%) from the combined effect of a reduction in number of employees to adapt to lower sales volumes coupled with the use of temporary layoff schemes (government incentives to deal with the epidemiological emergency), whereas SG&As were down by -36% to Euro 1.6 m. EBITDA adjusted for Euro 0.2 of extraordinary items, was negative of 3.4 m (Euro -2.1 m in FY19).

Euro'000	17A	%	18A	%	19A	%	20A	%
Net Revenues	25,240	100%	25,645	100%	31,092	100%	8,961	100%
Gross Margin	7,471	29.6%	6,980	27.2%	9,750	31.4%	3,275	36.5%
SG&As	(1,032)	-4.1%	(910)	-3.5%	(2,475)	-8.0%	(1,595)	-17.8%
Personnel	(4,067)	-16.1%	(4,960)	-19.3%	(9,360)	-30.1%	(5,051)	-56.4%
EBITDA adj.	2,371	9.4%	1,110	4.3%	(2,085)	n.a.	(3,371)	n.a.
Extraordinary items	(176)	0.7%	(283)	1.1%	(427)	n.a.	(227)	n.a.
EBITDA	2,915	8.7%	827	3.2%	(2,512)	n.a.	(3,144)	n.a.

Operating costs - Euro m



Source: Company Data

A business with low capital requirements. SG Company Società Benefit S.p.a.'s business requires very low capital investments and structural D&As have hence historically been low, with an increase in FY19 following o M&A activity. In FY20 D&As stood at Euro 4k (Euro 0.4 m in FY19) as the Group benefitted from the temporary option to suspend D&As on FY20 accounts, with a total positive effect on EBIT of Euro 372k.

Key Financials FY17-19A

	17A	%	18A	%	19A	%	20A	%
Revenues (VoP)	32,6	129,0%	33,5	130,6%	37,4	120,4%	10,0	111,8%
yoy	n.a.		3%		12%		-73%	
Net Revenues	25,2	100,0%	25,6	100,0%	31,1	100,0%	9,0	100,0%
yoy	n.a.		2%		21%		-71%	
EBITDA adj	2,4	9,4%	1,1	4,3%	(2,1)	n.a.	(3,4)	n.a.
margin	9%		4%		-7%		-38%	
EBIT adj	2,3	9,0%	0,9	3,6%	(2,5)	n.a.	(3,8)	n.a.
margin	9%		4%		-8%		-43%	
Pre tax profit	2,1	8,3%	0,6	2,5%	(4,3)	n.a.	(4,1)	n.a.
Net Profit	1,4	5,6%	0,4	1,5%	(3,7)	n.a.	(3,1)	n.a.

Low Net Working Capital needs. SG'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 FY17-19 period (c. 5% of gross revenues adjusting FY18 for Euro 3 m trade credit due before year-end delayed and paid in FY19). In FY20, NWC fell to Euro 1.2 m (vs. Euro 1.9 m in FY19) as a result of the lower turnover but with an increase on revenues to 12% mainly due to an increase in other current assets (prepaid taxes).

Capital increase to strengthen Balance Sheet. At the end of FY20 Net debt stood at Euro 3.4 m, up from Euro 1.1 m at the end of December 2019, following the operational result partially offset by the reduction in Working Capital. Following the Net Loss of Euro 3.1 m, Group's Net Equity was negative of Euro 1.1 m. With the Capital increase of Euro 2.4 m, concluded in February 2021, the Equity of the Group has been restored.

Euro m	17A	18A	19A	20A
Net Working Capital (NWC)	1.5	4.2	1.9	1.2
Fixed net assets	0.4	1.7	2.2	2.2
Funds	(0.6)	(0.8)	(0.9)	(1.1)
Net Capital Employed	1.3	5.0	3.2	2.3
Net Financial Position (Cash)	(1.8)	(0.4)	1.1	3.4
Total Equity	3.0	5.4	2.0	(1.1)
Sources	1.3	5.0	3.2	2.3

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	%
Gross Revenues	45.3	126%	37.4	120%
yoy	7%		-17%	
Net Revenues	36.0	100%	31.1	100%
yoy	7%		-14%	
EBITDA	1.8	5%	-2.1	-7%
yoy	-32%		-215%	
EBIT	1.5	4%	-2.5	-8%
yoy	-37%		-262%	
Pre tax profit	1.1	3%	-4.3	-14%
Net Profit	0.5	1%	-3.7	-12%

Source: Company Data

FY21-23 ESTIMATES

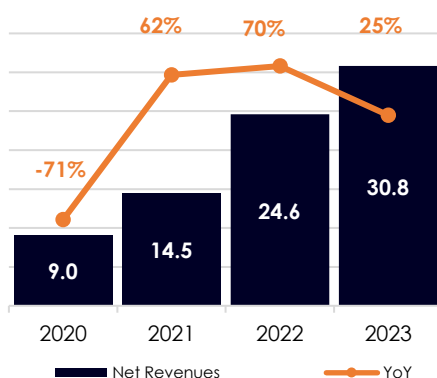
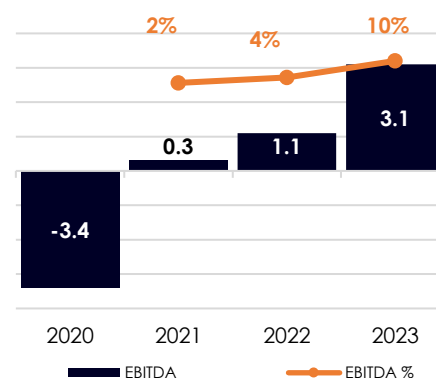
After a phase of growth driven by a strategy aiming at widening the product/service offering, the new Industrial Plan marks a new phase for the Group, with a shift in M&A strategy now focusing on the acquisition of key competences rather than businesses. We believe that Management's intention to pursue 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. We prudentially estimate FY21 revenues below that of the Strategic Plan, which was made in November 2020, as the duration of the Covid pandemic exceeded expectations. We aligned with the plan for FY22-23.

Based on the above, we assume:

- FY20-23 Net Revenue CAGR of +53% with a return to a value close to FY19 revenue levels in FY23, after the inevitable drop in FY20 owed to the COVID-19 pandemic.
- Rebalance of the product mix with a gradual decrease of the weight of traditional services (MICE and Events) from 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 FY20 were down by -36 and 46% respectively 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 0.3 m over the FY21-23 period, mainly related to investments in proprietary technological platforms and the development of Open Innovation projects.
- Our estimates do not include the potential additional financial instruments with Invitalia, which could further accelerate the plan.

Income Statement – Euro m

Euro m	20A	%	21E	%	22E	%	23E	%
Gross Revenues	10.0	111,8%	17.0	117%	29.0	118%	36.1	117%
yoy	-73%		70%		70%		25%	
Net Revenues	9.0	100,0%	14.5	100%	24.6	100%	30.8	100%
yoy	-71%		62%		70%		25%	
EBITDA	-3.4	n.m.	0.3	2%	1.1	4%	3.1	10%
margin	n.m.		2%		4%		10%	
EBIT	-3.8	n.m.	-0.1	n.m.	0.5	2%	2.4	8%
margin	-43%		n.m.		2%		8%	
Pre tax profit	-4.1	n.m.	-0.2	n.m.	0.4	2%	2.4	8%
Net Profit	-3.1	n.m.	-0.2	n.m.	0.3	1%	1.8	6%

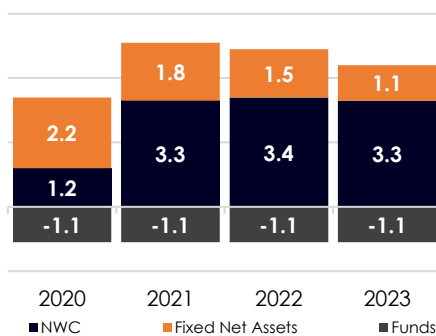
Net Revenues evolution – Euro m

EBITDA evolution – Euro m


Source: Company Data on 2020 and IR TOP estimates for 2021-2023

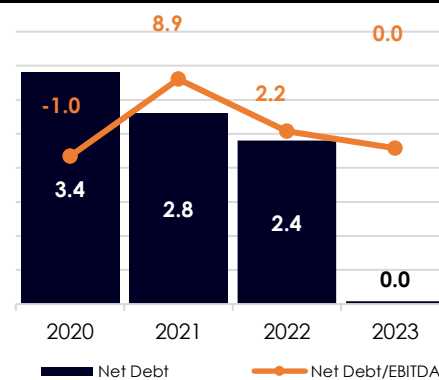
Balance Sheet – Euro m

Euro m	20A	21E	22E	23E
Net Working Capital (NWC)	1.2	3.3	3.4	3.3
Fixed net assets	2.2	1.8	1.5	1.1
Funds	(1.1)	(1.1)	(1.1)	(1.1)
Net Capital Employed	2.3	4.0	3.8	3.3
Net Debt/ (Cash)	3.4	2.8	2.4	0.0
Total Equity	(1.1)	1.1	1.4	3.2
Sources	2.3	4.0	3.8	3.3

Assets evolution – Euro m



Net Debt evolution – Euro m



Source: Company Data on 2020 and IR TOP estimates for 2021-2023

VALUATION

We initiate coverage on SG Company Società Benefit S.p.a. with a DCF-based target price of Euro 0.62 p.s., offering a c. +120% upside to current stock price. At this level, the stock would trade at a 2021-2022 EV/Sales multiple of 0.93x and 0.55x respectively.

DCF Valuation

Our DCF model returns an Equity value of Euro 14.9 m for SG, or Euro 0.62 p.s. Our analysis is based on the following assumptions:

WACC calculation		
Perpetual growth rate		1.00%
WACC		7.38%
Risk free rate (BTP 10Y 24 months average)		1.34%
β unlevered		0.85
Equity risk premium		6.85%
Ke		8.30%
Cost of debt		5.00%
Tax rate		24.0%
Kd		3.80%

DCF Valuation		
<i>Euro m</i>		
Sum of PV 2020-24 FCFs	4.1	25.6%
Discounted terminal value	11.8	74.4%
Enterprise Value	15.8	100.0%
Net Debt (FY20)	3.4	
Capital increase	(2.4)	
Equity Value	14.9	
Shares Outstanding (millions)	24.2	
Price per share (Euro)	0.62	

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.

	SGC-IT	AIM Sector	Peers Avg	FTSE AIM Italia
Revenues	9.0	19.8	4,557.2	34.5
EBITDA	-3.4	2.0	764.6	4.3
EBITDA %	n.m.	7.0%	6.7%	12.6%
EBIT	-3.8	0.0	452.0	1.8
EBIT %	n.m.	-5.8%	-7.5%	5.3%
Earnings	-3.1	-1.0	-467.8	1.0
Earnings %	n.m.	-10.3%	-20.4%	2.8%
NFP	3.4	1.5	1291.5	0.7
NFP/EBITDA	n.m.	0.8	-2.9	0.2
<hr/>				
FY17-20 Revenue CAGR	-33%	5%	-4%	n.a.
FY17-20 Earnings CAGR	n.m.	57%	n.m.	n.a.
FY20-22 Revenue CAGR	43%	17%	-1%	n.a.
FY20-22 Earnings CAGR	n.m.	n.m.	n.m.	n.a.
<hr/>				
Market Cap	6.8	23.9	5,322.4	30.0
EV	8.4	23.0	5,444.4	35.5
EV/Sales 2021	0.6	0.9	1.6	0.5
EV/Sales 2022	0.3	0.7	1.3	0.5
EV/EBITDA 2021	26.5	4.8	8.6	3.0
EV/EBITDA 2022	7.7	3.8	7.0	12.9
EV/EBIT 2021	-56.9	11.0	132.8	5.1
EV/EBIT 2022	18.3	8.1	25.6	3.7
P/E 2021	-31.9	18.1	26.6	6.6
P/E 2022	22.4	14.8	16.3	4.6
Earnings Yield	n.m.	5.5%	6%	15.1%
<hr/>				
Stock Performance				
1D	2.2%	0.1%	0%	0.8%
1W	-2.8%	-1.2%	-2%	1.6%
1M	-0.7%	1.2%	8%	6.2%
3M	-7.9%	3.6%	18%	17.4%
6M	-13.0%	12.6%	49%	36.5%
YTD	-71.2%	9.3%	46%	25.7%
1Y	-64.7%	36.6%	71%	39.7%

Source: Factset and PMI Capital. Group FY20 data for fundamentals

SG COMPANY SOCIETÀ BENEFIT S.P.A. ON AIM
SHARES (as of June 22nd, 2021)

Code: SGC
 Bloomberg: SGC IM
 Reuters: SGC.MI
 ISIN: IT0005337172
 Shares: 12,092,744
 Price: Euro 0.28
 Performance from IPO: -63%
 Capitalisation: Euro 6.8 m
 Free Float: 45.16%
 NomAd: Banca Profilo
 Auditing firm: BDO Italia SpA
 (EY SpA for the period 2021-2023)

IPO

Trading Market: AIM Italia – Borsa Italiana Spa
 Date: July 26th, 2018
 Price: 2.00
 Capital raised: Euro 3.0 m
 Capitalisation: Euro 23.0 m

WARRANT 2018-2025 (as of June 22th, 2021)

Alphanumeric Code: WSGC25
 ISIN: IT0005347593
 Issued warrants: 11,796,371 (5,750,000 First Tranche, 6,046,371 Second Tranche)
 Exercise ratio: 1 new instrument every 1 warrants held
 Outstanding warrants: n. 11,796,371

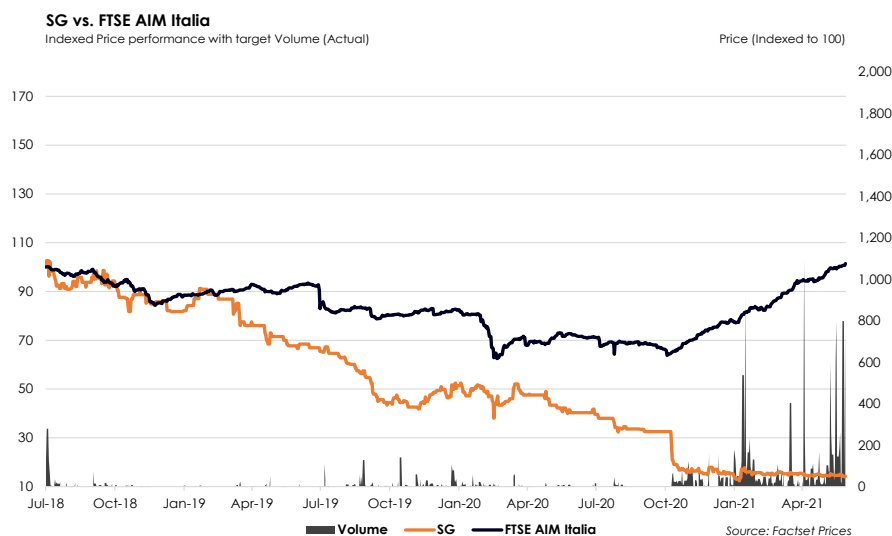
WARRANT EXERCISE PERIOD AND STRIKE PRICE

Period	from	To	Strike Price (Euro)	Converted (n. of Warrant)
First	1/11/19	30/11/19	3.00	-
Second	1/11/20	30/11/20	1.50	-
Third	1/11/21	30/11/21	0.66	-
Fourth	1/11/22	30/11/22	0.66	-
Fifth	1/11/23	30/11/23	0.66	-
Sixth	1/11/24	29/11/24	0.66	-
Seventh	1/11/25	28/11/25	0.66	-

OWNERSHIP

Shareholder	Number of Shares	%
DL S.r.l.	10,000,000	40.50%
Zeus Capital Alternative Sif	2,200,000	8.91%
Lombard International Assurance S.A.	1,340,250	5.43%
Market	11,149,926	45.16%
Total	24,690,176	100.00%

Source: Company data as of June 22nd, 2021

STOCK PERFORMANCE


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IRTop obtained a fair value using a Discounted Cash Flow model.

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

RESEARCH TEAM:

Luisa Primi, (Senior Analyst. AIAF Associated)

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