

CONFINVEST FL

Strong set of FY 19 results outperforming estimates

Revenues and margins outperforming estimates: Confinvest just announced FY 19 results which closed with revenues of Euro 27.3 m, +84% vs FY18 (Euro 14.7 m), and +30% vs. our estimates (Euro 21 m). The growth was mainly driven by the increase in sales/purchase volumes and the continuous development of the strategic plan based on a multi-channel approach and the introduction of new services. At profitability level, contribution margin and EBITDA came in at Euro 1.7 m and Euro 820 k respectively, recording growth rates above that of revenues (+103% and +156%), thanks to the scalability of the business. EBITDA margin (on First Margin) increased by 850 bps. to 46.5% (38% in FY 18). Net profit, came in at Euro 0,6 m and the BoD proposed a dividend of Euro 0.06 p.s. (69% of pay-out rate and 1.5% dividend yield). Net cash stood at Euro 0.9 m, recoding a significant improvement vs. FY 18 (net debt of Euro 0.8 m), thanks operating cash flow and IPO proceeds.

Positive outlook thanks to multichannel strategy and expected release of Conto Lingotto in 1H 20. Management confirmed that the positive growth trend of FY 19, continued in the first two and a half months of 2020. Management further confirmed the timing of the release of the Conto Lingotto, expected within 1H 2020, while however stating that the uncertainty on the temporal and geographical extension of the COVID-19 emergency makes it difficult to assess short-term potential effects on the Company's financials.

Hence, although FY 19 results largely overperformed our estimates we prudentially cut our revenues growth in FY 20 by c. 30% whereas we only finetuned our assumptions for FY 21-22. Starting from higher than estimated FY 19 revenues, the result is an average increase in revenues and EPS of +12% and +31% respectively, supported also by the fact that the current uncertainty in financial markets worldwide should tend to favor investments in "secure" assets. We stress that our forecast does not include any potential opportunities arising from partnerships Conto Ligotto "white label", which according to Management should be a key strategic pillar for the Company in the next years.

Valuation: Following the update of our DCF model to include our new estimates and up-to-date risk-free rate and ERP, our model points to a new target price of Euro 6.07 p.s. (Euro 3.53 p.s. previously) vs. and provides for an upside of 34.6% vs. current market price (Euro 4.51 p.s.).

Sector: Fintech

Target Price (Euro)	6.07
Market Price (Euro)	4.51
Market Cap (Euro m)	31.6
EV (Euro m)	30.7
<i>(as of April 6th 2020)</i>	

Share Data

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

Aim Positioning

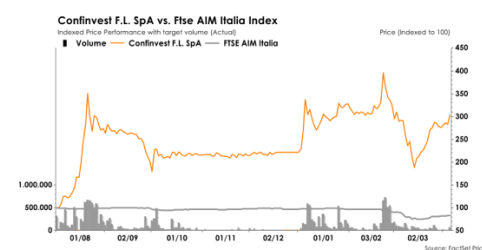
FY 2019	Company	AIM Italia
VoP (Eu m)	27.3	43
Yoy	85%	26%
EBITDA %	47%	14%
ND/EBITDA (x)	-1.1	3.8
Market Data	Company	AIM Italia
Mkt Cap (Eu m)	31.6	44.6
Perf. YTD	37%	-17.3%
Free Float	28.6%	34%
ADIT YTD (Eu k)	667,246	88,002

Performance

	1M	3M	6M
Absolute	4.0%	-10.1%	41.8%
Relative	6.7%	5.1%	61.9%
52-week High/Low (Eu)	6.08 / 1.46		

IR TOP RESEARCH

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Key Figures (Eu m)	Sales	Yoy %	First Margin	EBITDA	EBITDA %*	EBIT	Net Profit	Net Debt
2019A	27.3	+85%	1.8	0.8	47%	0.8	0.6	(0.9)
2020E	62.8	+130%	4.7	3.2	68%	3.1	2.1	(3.4)
2021E	87.9	+40%	5.9	4.1	66%	3.9	2.7	(3.8)
2022E	114.2	+30%	7.6	5.5	73%	5.3	3.6	(4.8)

*On first margin

KEY FIGURES

Profit&Loss Statement	2017A	2018A	2019A	2020E	2021E	2022E
Profit&Loss Statement						
Revenues	11,0	14,7	27,3	62,8	87,9	114,2
First Margin	0,9	0,8	1,8	4,7	5,9	7,6
EBITDA	0,5	0,3	0,8	3,2	4,1	5,5
EBIT	0,3	0,2	0,8	3,1	3,9	5,3
Financial Income (charges)	(0,1)	(0,1)	(0,2)	(0,1)	(0,1)	(0,1)
Pre-tax profit (loss)	0,2	0,1	0,6	3,0	3,8	5,2
Taxes	(0,1)	(0,1)	0,1	(0,9)	(1,1)	(1,5)
Net profit (loss) Group	0,1	0,1	0,6	2,1	2,7	3,6
Balance Sheet						
Net working capital (NWC)	2,7	1,8	3,1	2,1	2,8	3,4
Net fixed assets	1,9	2,1	2,3	2,5	2,7	2,8
M/L Funds	(0,0)	(0,0)	(0,0)	(0,0)	(0,0)	(0,1)
Net Capital Employed	4,6	3,9	5,4	4,6	5,4	6,2
Net Debt	1,6	0,8	(0,9)	(3,4)	(3,8)	(4,8)
Equity	3,0	3,1	6,3	8,0	9,2	11,0
Cash Flow						
EBIT	3,7	0,2	0,8	3,1	3,9	5,3
D&A	0,0	0,1	0,1	0,1	0,2	0,3
Tax	(0,1)	(0,1)	0,1	(0,9)	(1,1)	(1,5)
Change in M/L Funds	0,0	0,0	0,0	0,0	0,0	0,0
Gross Cash Flow	3,6	0,2	0,9	2,3	2,9	4,0
Change in NWC	0,4	0,9	(1,3)	1,0	(0,6)	(0,6)
Operating Cash Flow	4,0	1,2	(0,4)	3,3	2,3	3,3
Capex	(0,2)	(0,3)	(0,4)	(0,4)	(0,4)	(0,4)
Financial Income (charges)	(0,1)	(0,1)	(0,2)	(0,1)	(0,1)	(0,1)
Free Cash Flow	3,7	0,8	(0,9)	2,8	1,8	2,8
Dividend	0,0	0,0	0,0	(0,4)	(1,5)	(1,9)
Change in Equity	(2,6)	0,0	2,6			
Change in Net debt	1,1	0,8	1,7	2,4	0,3	1,0
Per Share Data						
Total shares out (mn) average	4,5					
EPS	0,02	0,01	0,14	0,46	0,59	0,80
DPS	n.m.	n.m.	0,1	0,3	0,4	n.m.
FCF	0,8	0,2	n.m.	0,6	0,4	0,6
Pay out ratio	0%	0%	69%	70%	70%	70%
Ratios						
EBITDA margin	56,0%	38,0%	46,5%	67,7%	68,4%	72,6%
EBIT margin	30,4%	28,4%	42,8%	65,5%	65,5%	69,3%
Net Debt/Equity (Gearing)	52,7%	25,3%	-14,5%	-42,8%	-41,0%	-43,4%
Net Debt/EBITDA	3,3	2,5	-1,1	-1,1	-0,9	-0,9
Interest cover EBIT	31,9	2,5	4,8	30,8	38,9	52,6
ROE	2,3%	2,1%	9,6%	26,1%	28,8%	32,9%
ROCE	82%	8%	13%	87%	93%	110%
Growth Rates						
Revenues	-31%	34%	85%	130%	40%	30%
EBITDA	-68%	-35%	156%	289%	28%	36%
EBIT	138%	-93%	216%	309%	26%	35%
Net Profit	-94%	-6%	840%	242%	27%	36%

FY 19 RESULTS

Growth in revenues and margins outperforming estimates: Coninvest just announced FY 19 results which closed with revenues of Euro 27.3 m, +86% vs. FY18 (Euro 14.7 m), and +30% vs. our estimates (Euro 21 m). Revenue growth was driven by the increase in sales / purchase volumes and the constant development of the strategic plan based on a multi-channel approach and the introduction of new services such as Gold Plan and Vaulting. The increase in gold spot price, which in FY 19 reached historical high also contributed to the good result. In addition, according to Management, the status as a listed company has contributed to greater visibility in the market.

A breakdown of revenues highlights how 72% is represented by gold coins, while the remaining 28% of bullion bars. Coninvest's reference market is Italy, with 90% of total revenues, although Management has started to implement an internationalization policy which aims at entering new geographic market (Austria and Switzerland), in order to increase efficiency of the supply chain, optimize management of gold inventory, as well as boost revenues. The most important sales channel remains the direct one, which counted for 88% of total revenues, while the banking and e-commerce channels respectively represent 7% and 5%.

Revenue breakdown FY 2018 – 2019

	FY 19A	%	FY 18A	%	yoy
Bullion	7,6	28%	3,8	26%	102%
Coins	19,6	72%	10,9	74%	80%
Total	27,3	100%	14,7	100%	85%
Direct	24,0	88%	12,1	82%	99%
e-comm.	1,9	7%	0,7	5%	160%
Banking	1,4	5%	1,9	13%	-29%
Italy	24,6	90%	12,8	87%	92%
Abroad	2,7	10%	1,9	13%	43%

Source: IR Top elaboration on Company data

Gold prices



In FY 19 the Company adopted for the first-time international accounting principles (IAS/IFRS), FY 18 financials have been restated in accordance.

Profitability growing above revenue growth rate: The good results in terms of top line were confirmed also at profitability level with Gross Profit and EBITDA increasing by 103% and 156% respectively, at rates above that of revenues, confirming the scalability of the business. EBITDA margin (on First Margin) increased by 850 bps. to 46.5% (38% in FY 18). Net profit came in at Euro 652 k (Euro 65 k in FY 18 restated), and above our estimates of Euro 0.2m as it benefitted, benefitted from lower D&As after the change in accounting principles related to Goodwill amortization.

Net cash came in at Euro 0.9 m, recoding a significant improvement vs. FY 18 (net debt of Euro 0.8 m), thanks operating cash flow and IPO proceeds. The result was c. Euro 1.1 m lower than our estimates, due to higher than forecasted gold inventory, which at year-end 2019 stood at Euro 2.9 m (Euro 1.8 m as of our estimates). Thanks to efforts made by the new management to improve inventory management, DIOs decreased significantly in FY 19 (from 48 in FY 18 to 30). Net cash adjusted for gold inventory in excess of the physiological needs required by the business, (10 days) effectively represent cash equivalent came in at Euro 3.6 m.

Dividend proposal: The board proposed a Dividend of Euro 0.06 p.s. (payout ratio of 69% and dividend yield of 1.5%), based on a dividend policy aimed at returning value to shareholders, especially in a moment of great uncertainties as the current one, while at the same time guaranteeing prudential cash management.

OUTLOOK & ESTIMATES

Management confirmed that the positive growth trend of FY 19, continued in the first two and a half months of 2020. Management further confirmed the timing of the release of the Conto Lingotto, expected within 1H 2020, while however stating that the uncertainty on the temporal and geographical extension of the COVID-19 emergency makes it difficult to assess short-term potential effects on the Company's financials.

Hence, although FY 19 results largely overperformed our estimates we prudentially cut our revenues growth in FY 20 by c. 30% whereas we only finetuned our assumptions for FY 21-22. Starting from higher than estimated FY 19 revenues, the result is an average increase in revenues and EPS of 12% and 31% respectively, supported also by the fact that the current uncertainty in financial markets worldwide should tend to favor investments in "secure" assets. We also stress that our forecast does not include any potential opportunities arising from partnerships Conto Ligotto "white label", which according to Management should be a key strategic pillar for the Company in the next years. However, unpredictable temporal extension and geographical spread of the COVID-19 emergency could undermine the feasibility of our estimates.

Eu k	19A	20E old	20E new	21E old	21E new	22E old	22E new
Revenues	27.284	56.000	62.753	78.612	87.854	102.113	114.211
Yoy	85%	277%	130%	140%	40%	130%	30%
First Margin	1.764	4.081	4.706	5.313	5.938	6.784	7.588
Yoy	110%	137%	137%	30%	26%	28%	28%
Contribution Margin	1.703	3.678	4.249	4.726	5.274	6.038	6.743
% on FM	97%	90%	90%	89%	89%	89%	89%
EBITDA	820	2.748	3.186	3.426	4.064	4.561	5.509
% on FM	46%	67%	68%	64%	68%	67%	73%
EBIT	755	2.384	3.084	2.989	3.887	4.065	5.258
% on FM	43%	58%	66%	56%	65%	67%	78%
Net Profit	611	1.599	2.089	2.022	2.651	2.776	3.611

Eu k	19E	20E old	20E new	21E old	21E new	22E old	22E new
Net Working Capital (NWC)	3.115	1.971	2.145	2.605	2.783	3.210	3.420
Fixed net assets	2.316	1.890	2.459	1.852	2.683	1.767	2.832
Funds	(6)	(21)	(21)	(37)	(37)	(55)	(55)
Net Capital Employed	5.425	3.840	4.584	4.421	5.429	4.923	6.197
Net Debt(Cash)	(920)	(4.009)	(3.431)	(5.450)	(3.775)	(7.724)	(4.762)
Equity	6.346	7.849	8.015	9.871	9.204	12.647	10.959
Sources	5.425	3.840	4.584	4.421	5.429	4.923	6.197

VALUATION

As there are no suitable peers for Confinvest and as we believe that some aspects of the business will only be captured when using a longer timeframe, we have chosen to use a DCF model for our valuation. Following the upgrade of our estimates and the update of risk-free rate and ERP, our DCF model pointed at a target price of Euro 6.07 p.s., providing for an upside of 34.6% on current stock price.

IPO

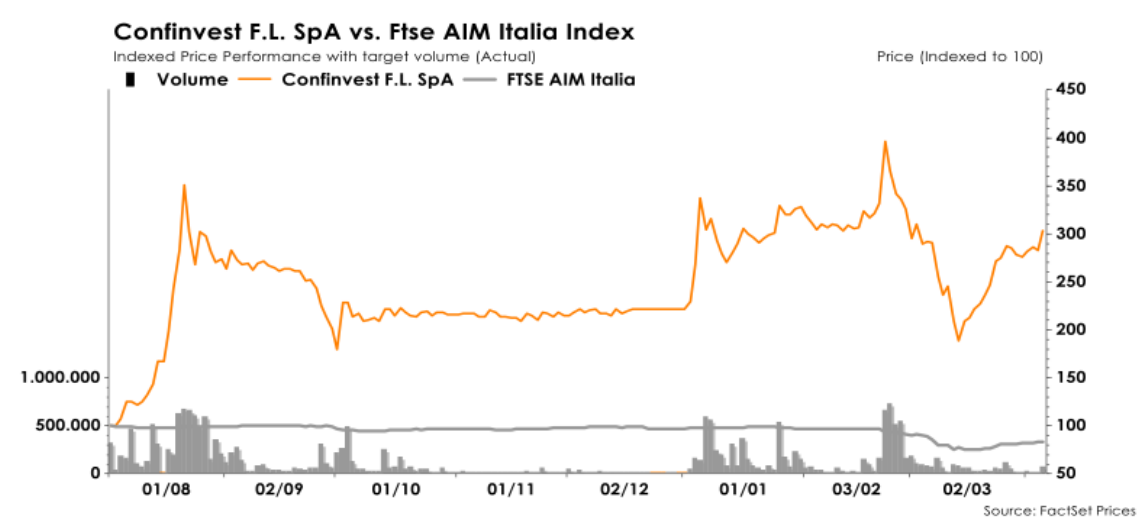
Date: August 1st, 2019
Capital raised: Euro 3.0 m
Price: Euro 1.50
Capitalisation: Euro 10.5 m

SHARES (as of April 6th, 2020)

Code: CFV
Bloomberg: CFV:IM
ISIN: IT0005379604
Shares: 7,000,000
Price: Euro 4.51
Performance from IPO: +200.7%
Capitalisation: Euro 31.6 m
Free Float: 28.57%
NomAd: Integrae SIM
Global Coordinator: Integrae SIM
ADDT YTD: Eu 667,246 k

OWNERSHIP

Shareholder	n. of shares	%
Luciano Renato Avanzini	866,300	12.38%
Franco Buganè	866,300	12.38%
Sovereign S.r.l. (Giacomo Andreoli)	620,850	8.87%
Roberto Binetti	447,893	6.40%
Gabriele Villa	447,857	6.40%
Other 8 shareholders (<4%)	1,750,800	25.01%
Market	2,000,000	28.57%
Total	7,000,000	100.00%



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Date	Target Price	Market Price	Validity Time
7 April 2020	6.07	4.51	12 months
16 October 2019	3.53	3.21	12 months

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