

Initiation of Coverage

Energica Motor Company

Join in the E-Mobility Revolution

Energica Motor Company is the first Italian manufacturer and one of the world's leading producers of super-sport electric motorcycles. Founded in 2014 as a spin-off of CRP Group, a group inheriting 50 years of experience in the hi-tech industry, which started the project in 2009 with the aim of creating the first high-powered electric motorcycles.

Main positives

We believe that Energica Motor Company (EMC) can leverage on some company-specific positives, including: 1) cutting-edge technology: EMC has developed the world's highest performing E-bike and has registered three international patents: i) Vehicle Control Unit (VCU), ii) Supply Unit, and iii) eABS; 2) strong support both financially and for R&D from the parent company CRP Group; 3) a full exposure to a reference market with high entry barriers and appealing growth expectations; and 4) an experienced management team.

Negatives/risks

On the other hand, we underline that: 1) EMC is still in a start-up phase and needs investments and resources to finance its growth. Thus, business continuity is strongly dependent to the success of planned funding operations; 2) the brand awareness & sales network are still 'under construction'; 3) dilution: the conversion of new convertible bond and warrants and the expected future capital increase would lead to a potential dilution for shareholders; and 4) we believe that the lack of infrastructure of charging points plus the low autonomy and high prices of electric vehicles are still primary obstacles for their mass-market adoption.

Valuation range

EMC is still in a start-up phase with revenues still insufficient to produce the marginality necessary to cover fixed costs. We estimate revenues to ramp up meaningfully in 2021-22 on the back of the ongoing growing demand in the electric vehicles market, while we project the company to turn EBIT and EBITDA profitable in 2022E. We believe that the above scenario is not conducive to a valuation based on near-term financials. Therefore, to calculate our valuation range of EUR 75.9M–EUR 158.4M, we applied a forward multiple to at-maturity EBITDA and then we discounted the obtained equity value to year-end 2021 using an IRR ranging from 20% to 25%. This kind of valuation is strongly dependent on the time needed to get to maturity. Consequently, we projected different scenarios in which this target will be reached between 2027 and 2029. We do not assign rating and target price to the stock.

1 October 2020: 8:04 CET
Date and time of production

No Rating

Italy/Automobiles & Components

AIM

Price Performance
(RIC: EMCC.MI, BB: EMC IM)



Energica Motor Company - Key Data

Price date (market close)	25/09/2020
Market price (EUR)	1.50
Market cap (EUR M)	27.30
52Wk range (EUR)	2.57/1.42

Price performance %	1M	3M	12M
Absolute	-23.7	-24.1	-32.4
Rel. to FTSE AIM	-23.1	-29.7	-38.1

Y/E Dec (EUR M)	FY19A	FY20E	FY21E
Revenues	5.71	8.01	20.28
EBITDA	-4.85	-3.41	-3.46
EBIT	-7.61	-5.62	-4.96
Net income	-7.70	-5.66	-5.00
EPS (EUR)	-0.42	-0.31	-0.27
Net debt/-cash	0.27	1.74	1.91
Adj P/E (x)	Neg.	Neg.	Neg.
EV/EBITDA (x)	Neg.	Neg.	Neg.
EV/EBIT (x)	Neg.	Neg.	Neg.
Div ord yield (%)	0	0	0

Source: Company data, FactSet and Intesa Sanpaolo Research estimates

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Valuation

EMC is still in a start-up phase with revenues still insufficient to produce the marginality necessary to cover fixed costs. We estimate revenues to ramp up meaningfully in 2021-22 on the back of the ongoing growing demand in the electric vehicles market, while we project the company to turn EBIT and EBITDA profitable in 2022E. We underline that these assumptions imply a significant rise in the number of vehicles sold, which we assume to increase to 1,400 in 2022E from our projection of 275 in 2020E.

We believe that the above scenario is not conducive to a valuation based on near-term financials. Consequently, we think that conventional valuation techniques probably do not fit the equity story for at least another two years, when the visibility on reaching EBITDA and EBIT breakeven should be higher. Therefore, to calculate our valuation range of EUR 75.9M–EUR 158.4M, we applied a forward multiple to at-maturity EBITDA and then we discounted the obtained equity value to year-end 2021 using an IRR ranging from 20% to 25%. This kind of valuation is strongly dependent on the time needed to get to maturity. Consequently, we projected different scenarios in which this target would be reached between 2027 and 2029. We do not assign rating and target price to the stock.

Our valuation range of EUR 75.9M–EUR 158.4M

Valuation range at maturity

Even though the company would still be at mid-point in a hyper-growth phase, we define 'maturity' the time in which EMC would achieve a level of around 4,500-5,000 units of electric motorcycles sold per annum. This level of production would saturate the current maximum output capacity without setting up a new factory. Overall, we think investors need to look out to at least at 2027 to reach this target. In particular, we assume the following:

- Assuming 5,000 motorbikes sold and no significant changes to the average revenues per motorbike we project for 2020E, revenues at maturity would mean around EUR 102M;
- Thanks to the scale up of the business and production efficiencies obtained from R&D, we think that EBITDA margin at maturity could reach around 15%;
- A stable Capex at 8% of revenues and stable Operating NWC at 10% of revenues.

Energica Motor Company – Key projections at Maturity (EUR M)

Total Volumes Sold (No.)	5000
Average revenues per motorbike (EUR)	19,500
Motorbikes Sales	97.5
Parts	3.0
Total motorbikes & Parts	100.5
Others	1.5
Net Revenues	102.0
EBITDA	15.5
EBITDA margin (%)	15.2
EBIT	11.5
EBIT margin (%)	11.3
Pre-tax profit	14.0

Source: Intesa Sanpaolo Research estimates

Trading comparables

We believe there are no direct comps for the stock. Consequently, in order to figure out a forward multiple to apply at our 'maturity EBITDA', we ran different comparables analysis based on two alternative set of potential peers:

- We believe investors could be oriented towards Tesla as the mostly closely aligned story-stock: a company that also seeks to move the transportation and energy sectors to a zero-carbon technology;
- More conservative investors may look to the motorcycle sector trading multiples.

Peers' panel

	Country	Price	Market Cap.	EV/Sales 2020	EV/Sales 2021	EV/EBITDA 2020	EV/EBITDA 2021	EV/EBIT 2020	EV/EBIT 2021	P/E 2020	P/E 2021
Tesla	US	350.58	326,674	12.7	9.0	76.1	53.4	217.5	94.7	227.6	140.9
Piaggio	IT	2.25	805	0.9	0.8	6.7	5.3	18.2	10.8	29.2	14.4
Harley-Davidson	US	19.61	3,004	2.8	2.2	25.4	12.4	69.4	17.1	29.6	9.2
PIERER Mobility	CH	50.00	1,125	1.1	0.9	7.6	5.7	20.7	12.2	49.2	25.6
Honda Motor Co	JP	20.16	36,518	0.7	0.5	13.0	6.2	42.5	11.3	19.3	7.7
Suzuki Motor Corp.	JP	34.85	17,116	0.7	0.6	7.7	5.4	20.0	9.9	33.1	15.7
Yamaha Corporation	JP	40.69	7,795	2.5	2.1	22.5	14.0	35.5	18.9	47.2	25.4
Mean Motorcycles peers				1.4	1.2	13.8	8.2	34.4	13.4	34.6	16.3
Median Motorcycles peers				1.0	0.8	10.3	6.0	28.1	11.7	31.3	15.1
Mean Tesla & Motorcycles peers				7.1	5.1	45.0	30.8	125.9	54.0	131.1	78.6

Source: FactSet; Priced at market close of 25/09/2020

If the company executes its strategy successfully and in 2027 (our best case) attains the 'maturity' financials we forecast, then we believe the stock could be assigned a premium forward multiple, somewhere between that of Tesla (trading at 53.4x 2021 EBITDA) and the Motorcycles comp group (8x 2021 EBITDA). Consequently, we decided to use the average 2021 EV/EBITDA multiples of our two panels to calculate our fair Enterprise Value. We obtain a 30.8x forward EV/EBITDA multiple, which we consider realistic under projected circumstances of rapid growth (even in 2027). The multiple assigned implies a EUR 477.6M fair Enterprise Value, post money (i.e. post capital injections).

Energica Motor Company – Valuation at Maturity (EUR M)

EV/EBITDA assigned multiple (x)	30.8
Projected EBITDA at Maturity	15.5
Potential Valuation at Maturity - Enterprise Value (post money)	477.6

Source: Intesa Sanpaolo Research estimates

Valuation range calculation

We have taken into consideration the timeline necessary to arrive at maturity for EMC and its risk profile, so the required internal rate of return to achieve that valuation. For this analysis, we assumed three different periods at which maturity can be reached: 2027 or 2028 or 2029. Considering the risk profile of EMC, we use two IRR settings in our analysis: 20% and 25%, which we believe are consistent with the risk profile of investments in early stage/expansion phases. To set our EUR 75.9M–EUR 158.4M wide valuation range, we discounted for each year (2027E-29E) our calculation of the fair equity value at maturity to 2021 year-end and we deduct the remaining equity capital injections that we are modelling in our base scenario.

Energica Motor Company – Equity Value Valuation Range (EUR M)

IRR %	2027E	2028E	2029E
20	158.4	130.9	107.9
25	122.5	96.6	75.9

Source: Intesa Sanpaolo Research estimates

Energica Motor Company at a Glance

Energica Motor Company (EMC) is the first Italian manufacturer and one of the world's leading producers of super-sport electric motorcycles. The company is headquartered near Modena, in the centre of the Italian motor valley, and was founded in 2014 as a spin-off of CRP Group, a group inheriting 50 years of experience in the hi-tech industry (F1, motorsport, aerospace, marine, defence etc.), which started the project in 2009 with the aim of creating the first high-powered electric motorcycles.

EMC is listed on the AIM Italia stock exchange market since 2016, when it raised EUR 5.3M through the IPO deal. In the same year, the company started the large-scale production and the sale of its high-end electric models. EMC's product portfolio currently includes three recently updated models of fully electric and high-performing motorcycles.

In December 2017, Energica Motor Company was chosen by Dorna (the company holding the rights of MotoGP and World Superbike) as the only provider for the FIM Enel MotoE World Cup (MotoE) for the first three years (2019-21) of the competition. The championship is a significant milestone for EMC, which has established itself globally as a leader in the sector of top-level, high-performance two-wheel racing, thus boosting the visibility of the group's brand.

Energica Motor Company – Group's Key Milestone

2009	Start of the Electric motorcycle project (within CRP Group)
2010	eCRP - the electric race bike won the TTXGP European championship and ranked 2nd at the same TTXGP World Final held in Albacete
2011	First participation at EICMA
2012	Unveiling of the first Energica running prototype at EICMA
2013	Launch of Energica EGO
2014	Establishment of Energica Motor Company and worldwide Demo Tour (US + EU + MC)
2015	During the EICMA event, EMC presented the final version of EGO, EGO45 and a new concept, called EVA. The company also obtained the certifications required to market its models in the EU and US market and so the production of the EGO and EGO45 started
2016	Listing on AIM Milan Stock Exchange Market and new EMC HQ
2017	Launch of the third model EVA EsseEsse9 and MotoE statement
2018	Unveiled Energica Ego Corsa + demo laps
2019	First edition of MotoE races; first edition of MyElectric Academy; and sales development

Source: Company data

The company today can rely on a 32,000sqm factory (where all the staff moved in 2016) with a production capacity, when fully operational, of 5,000 vehicles per year. The average workforce for 2019 was 45 employees, including one manager, 28 clerical workers and 16 manual workers, while as of today the group counted more than 70 dealers worldwide, of which half have been engaged in the last 12 months, and has entered the Japanese market.

Looking at financials, EMC registered net revenues of EUR 3.2M in FY19, +46.8% vs. FY18 (around EUR 2.2M, already four times higher than EUR 0.5M posted in FY17). Although revenues increased significantly yoy, EMC is still in a start-up phase with revenues still insufficient to produce the marginality necessary to cover fixed costs (EBITDA in FY19 was negative for around EUR 4.9M). Furthermore, R&D, expansion of the dealers' network and marketing projects require a quite significant capex plan. Overall, financial equilibrium has not yet been reached and consequently, in order to

First Italian manufacturer and one of the world's leading producers of super-sport electric motorcycles

Listed on AIM Italia since 2016

Only provider for the FIM Enel MotoE World Cup

A production capacity of 5,000 vehicles per year

Key FY19 data

guarantee business continuity, we underline that, in the three-year period considered, additional financial resources are needed.

In this regard, we underline that since the listing, EMC has raised about EUR 20M of additional equity and has already planned to obtain the liquidity resources for the next coming months through a new capital increase with share premium for at least EUR 4M to take place in the second half of 2020 or alternatively through a series of issues of the new convertible bond agreed on 15 April 2020 with Negma Group Ltd.

Shareholding structure

The main shareholder of EMC is CRP Meccanica (a company founded by the Cevolini family) with a stake of 47.11% of outstanding shares. Free float is 40.24%.

We highlight that EMC still significantly benefits from the close relationship and consultation with the parent company CRP Group, both for the financial support and for the activities of research and development. Indeed, CRP has been supplying the world's most high-performance auto makers with engineering, rapid prototyping and advanced materials to build the world's fastest and most technically advanced cars for 50 years.

Energica Motor Company – Shareholding structure

Shareholders	No. of shares (M)	% share capital
CRP Meccanica	9.88	47.11
Market	8.44	40.24
Maison SA	0.88	4.20
CRP Technology	1.57	7.50
Testoni Giampiero	0.10	0.48
Vezzani Andrea	0.10	0.48
Total	20.98	100

Source: Company data

The Motorbikes

EMC's product portfolio is composed by three fully electric and high-performing motorcycles: EGO; EVA Ribelle and EVA EsseEsse9. Most of the components used by EMC are shared among three models, which enable a significant increase in efficiency of the production line even at low volumes. The main features shared are:

Three fully electric and high-performing motorcycles

- **Battery:** lithium polymer battery (Li-NMC) with a maximum capacity of 21.5kWh managed by the battery Management System. The battery pack is designed and engineered with strategically placed sensors, to insure not only optimal performance, but also provide maximum safety;
- **Fast Charge DCFC Type 4** (400km/h or 6.7km/min - 0-80% in 40 minutes) or Slow Charge Type 2 or 3 (63.5km/h);
- **Motor:** permanent Magnet AC Oil-Cooled, 3-Phase. The straight-cut gears generate distinctive jet-turbine sound, while oil-cooled motor means no overheating so that top speed and max torque can be fully sustained (unlike air-cooled motors);
- An **eABS system** (patented by the group), able to limit the maximum regenerative torque in case of slippery conditions;
- A **Vehicle Control Unit** completely developed by EMC, which constantly monitors the battery, inverter, charger, motor and controls;
- A **Ride-By-Wire** system that ensures perfect riding experience with 4 Engine maps, 4 Regenerative brake settings, 6 Traction control presets plus Cruise Control;
- A **connectivity system:** EMC is working with Octo Telematics, the leading global provider of telematics solutions and data analysis for the automotive insurance sector, on a new long-range connectivity. Thanks to this partnership, all EMC electric motorcycles will be equipped, as standard, with remote connectivity. This new technology vastly exploits the full spread of information already available on EMC motorcycles, thanks to the existing short-range local connectivity that relies on Bluetooth technology;
- EMC utilises high quality suppliers for its components (for example, the front/rear brake system is provided by Brembo).

Overall, thanks to its continuing innovation and investment in R&D and the experience maturated, thanks to the MotoE, EMC has introduced an important evolution in the MY2020 motorbike range, for the electric bike sector: a 21.5kWh power unit, with range increased by 60% (up to 400km), torque increased by 10% and a 5% weight reduction.

The models

EGO

EGO is the first Italian high-performing electric sport bike, with a power of 107kW – 145hp, maximum speed limited to 240km/h–150 mph, and torque of 215Nm-159ft lb. The base version has the 13.4kWh battery, providing up to 200km/120miles of city riding, 160km/100miles of combined city/highway or 120km/70miles of sustained highway riding. Linear acceleration with peak 200Nm/148lb ft on top of the way from 0 to 4,700rpm and top 107kW/145 HP spreading 4,900rpm to 10,500rpm.

EGO is the first Italian high-performing electric sport bike

The upgraded EMC EGO+ has a new larger 21.5kWh lithium ion battery derived from the group's race bikes. This means enhanced traveling ranges at 400km/250miles for

The upgraded EMC EGO+

urban riding, 230km/143miles for combined riding; and 180km/112miles for freeways and long open roads. The street price for EGO+ starts from about EUR 24,419 + VAT.

Energica Motor Company - EGO



Source: Company data

EVA Ribelle

EVA Ribelle is the streetfighter model. With a power of 107kW, maximum speed limited at 200km/h, it has the same linear 215Nm torque at the EGO, the same 21.5kW long-range lithium-ion battery with up to 400km of city range, the same suspension and performance options, and all of the technological amenities. The street price for EVA Ribelle starts from about EUR 22,943 + VAT.

The streetfighter model

EVA EsseEsse9+

It is the first classic electric motorcycle, which was awarded Best Electric Bike of the Year in 2018 by Motor Cycle News UK. Power stood at 80kW, maximum speed limited at 200km/h, while torque of 200Nm and fast charge on board. The street price for EVA EsseEsse9+ starts from about EUR 20,894 + VAT.

The first classic electric motorcycle

Energica Motor Company - EVA EsseEsse9+



Source: Company data

Energica Motor Company - EVA Ribelle



Source: Company data

Electric vs. Endothermic

Strengths

- EMC motorcycles have **lower maintenance costs** compared to an endothermic vehicle, as the endothermic components are more subject to wear out and are not present in an electric motorcycle. According to the company, the annual maintenance on the Energica EGO (averaged for the first five years) is USD 243.40 and for the Ducati Panigale 1299 it is USD 918.40;

- **Savings for electric vs. endothermic range.** For instance, looking at EGO and Ducati Panigale 1299, the savings in consumptions should be about USD 297/year (for leisure use) to USD 1,275 (for daily commuting). Over a five-year period, the EV2 savings just for weekend riding would be up to USD 1,486;
- **Constant torque curve** and maximum curve starting from 0rpm is another benefit of EMC and an electric motorcycle;
- **Electric vehicles do not produce any pollution** from combustion, leading to a number of positives;
- EMC motorcycle has a **stronger acceleration** in comparison to an endothermic vehicle (from 0 to 100km/h in less than 3 seconds);
- Some benefits from government incentives, such as the free circulation of the vehicle even with total traffic block, free parking places;
- An electric vehicle does not have a minimum temperature to be reached like an endothermic motorcycle.

Weaknesses

- The main disadvantage of an electric motorcycle is the **longer time they need for fuelling**, about 3 hours for the Slow Charge Mode and about 30 minutes for the Fast Charge Mode;
- Because of a **lack of electric infrastructure**, the e-motorcycles market is not very developed;
- **Shorter range guaranteed.** However, we underline that on this front technology is improving. Looking at EMC, thanks to the new 21.5kWh battery, the MY2020 models are 5% lighter and have a 60% higher riding range: i) City Range 400km (249miles); ii) Mixed range 230km (143miles); and iii) Motorway range 180km (112miles).

Performances: a brief comparison with some endothermic superbikes

We tried to run a quick comparison analysis between EMC and a panel of endothermic motorbikes. We note that EMC EGO+ is less powerful and heavier than the peers' average. However, EGO+ has a stronger acceleration than an endothermic vehicle (from 0 to 100km/h in 3 seconds) favoured by a constant torque curve and maximum curve starting from 0rpm (which characterise the electric motors). Furthermore, EGO+ is equipped with state-of-the-art technical solutions, such as eABS, Bitubo Race suspensions, Brembo braking system, Pirelli tyres, Ohlins rear shock absorbers, Vehicle Control unit, Short and Long-Range Connectivity, which we think make this model 'top range'.

A quick comparison between EMC and a panel of endothermic motorbikes

Key features of EGO+ vs. some endothermic peers

Company	EMC	Ducati	Yamaha	Honda
Model	EGO+ MY2020	1299 Panigale R FE (2020)	R1M (2020)	CBR 1000RR-R Fireblade (2020)
Motors	Electric	Endothermic	Endothermic	Endothermic
Engine Size	NM	1285cc	998cc	999.9cc
Power	145 hp	209 hp	200 hp	217.5 hp
Torque	215 Nm	142 Nm	113 Nm	113 Nm
Weight	270 Kg	190 Kg	202 Kg	201 Kg

NM: not meaningful; Source: Companies' website

The Business Model

Management developed a business model that allows to control all the different following phases of the value chain.

Research & Development

This is an important activity for the group and it is carried out internally by a team of 15 people. The annual investments in R&D is approx. EUR 2M. The main focus is to design new products and improve the ones already existing, aiming at reducing vehicles' weight, improving aerodynamic features and seeking new technical solutions. We think that being the sole manufacturer of the FIM Enel MotoE World Cup, it is a crucial point for the EMC R&D team. We underline that EMC developed several innovative solutions coming up from R&D investments, some of which already patented:

R&D: an important activity

- **Vehicle Control Unit (VCU)**, completely designed and developed by EMC, constantly monitors and manages EMC's battery, inverter, charger and ABS. VCU, interfacing with ABS system, controls regenerative engine braking. This ensures the highest efficiency in energy usage and full functionality of the battery throughout the life of the vehicle, but also delivers great drivability and experience. The system is based on an architecture with dual redundant microprocessors to ensure the highest safety standards that constantly monitor the status of the battery, even in key-off position. VCU implements a multi-map adaptive energy and a power management algorithm manages the electric motorcycle, carefully monitoring and adjusting the motor's power according to the throttle thrust 100 times per second while riding. We underline that EMC recently announced that the Chinese patent application related to the VCU has successfully passed the technical examination and has entered the final phase of the bureaucratic procedure which, in the coming months, should lead to the patent;
- **Supply Unit** contains entirely the rechargeable batteries, sealing them in-house. Usually the batteries contained in this component warm up: the produced heat dissipates only minimally. Therefore, the batteries contained in the case are subject to overheating, which would greatly reduce the life cycle. EMC battery case has been designed to avoid overheating. The case includes a cooling plate made of aluminium and provided with several through holes that communicate outside and cross the cooling plate;
- The **eABS** mounted on the EMC motorcycle is able to limit the maximum regenerative torque in case of slippery conditions. In particular, the system verifies the presence of friction conditions and, in case of slippery conditions, limits the maximum regeneration torque.

The company is also active in seeking partnerships in order to develop other highly innovative projects. In particular:

Partnerships to develop other highly innovative projects

- **Power Units:** In July 2019, EMC signed an important agreement with Dell'Orto, a historic manufacturer of electronic injection systems, for the production and sale of a new type of EV power unit for electric motorbikes, both small size (power range up to 8/11kW) and mid-size (power range up to 30kW), with the aim of offering solutions developed to large manufacturers operating in the two-wheeler sector. The company and Dell'Orto won the tender launched by the regional government of Lombardy in November 2019, for "Strategic research, development and innovation projects to develop the region's research and innovation ecosystems into an international hub";

the total outright grant was EUR 2.7M, which equals to approximate 40% of the investments made in the project over a period of 30 months;

- **Long range connectivity:** in March 2019, EMC signed a technology partnership with Omoove, a provider of intelligent mobility solutions. It is part of the Octo Telematics Group, the world's number one provider of telematics and data analysis solutions for the motor insurance sector. Thanks to this partnership, EMC bikes will be equipped with remote connectivity, in addition to the already-available local short-range connectivity based on Bluetooth technology;
- In November 2018, the company announced **Smart Ride**, a joint project in collaboration with Samsung Electronics Italy. Smart Ride, a project managed and developed entirely in Italy by Samsung and EMC, is intended to enable interaction, through NFC and Bluetooth connection, between the Samsung Galaxy Watch smartwatch and the EMC motorcycle, offering motorcyclists a new way to experience life with their motorcycle. In order to present the project to the general public, EMC has designed an ad hoc prototype called Bolid-E, which was unveiled during Eicma 2018;

Energica Motor Company – Core Technologies



Source: Company data

- Lastly, since 2015, EMC is also part of the TAAPS project (Trusted Application for Open Cyber Physical System), developed in cooperation with several research centres and technologies developers, and financed by the European Commission. EMC is also associate member at CMC (Connected Motorcycle Consortium) and is part of CharIn (Charging Interface Initiative Association founded by Audi, BMW, Daimler, Mennekes, Opel, Phoenix Contact, Porsche, TUV SUD, and Volkswagen). Moreover, EMC, together with ANCMA (Italian Motorcycle Association), is constantly committed to developing new solutions and ideas to promote the Italian electric motorcycles' market.

Supply

EMC relies on third-party suppliers to produce the various parts assembled in-house. Suppliers are carefully selected players of high standing and able to provide products of primary quality and reliability (such as Pirelli, Brembo, Bosch, Ohlins). We underline that thanks to EMC's patented Vehicle Control Unit system, able to interface with a wide range of electronic equipment, the company can change any supplier of any strategic piece (such as batteries or powertrain's electronic), without the need to redesign the vehicle. We believe that the independence from strategic suppliers represents an important competitive advantage for EMC.

Third-party suppliers to produce the various parts assembled in-house

Assembly & quality control

These activities are carried out in the 3,000 sqm-sized production facility in Soliera (Modena), at the heart of the Italian Motor Valley, whose main features may be summarised as follows:

- At full capacity, the facility can produce about 500 units per year with the actual configuration and reach 5,000 units with easily implemented systems;
- R&D activity-dedicated area composed by dedicated battery area; Quality Department; and Sport Production Department dedicated to MotoE activities and special projects;
- Energica Lounge, an internal showroom space and the leading Italian point of sale;
- Energica Museum that allows visitors and potential buyers to trace past to present.

EMC is able to maintain a high production efficiency even at relatively low volumes, thanks to the fact that the different models produced share the same components. All products are subject to careful testing and quality control including road tests.

At the heart of the Italian Motor Valley

Sales network

Delivering products globally requires the roll out of a widespread and segmented distribution network. From this point of view, EMC is continuously signing commercial agreements with both internationally located dealers and local importers, aimed at achieving distribution capillarity without the large investments needed to set up a proprietary retail network. As of today, the group counted more than 70 dealers in three continents including the US (of which half have been engaged in the last 12 months), and has recently also entered the Japanese market.

More than 70 dealers in three continents

Furthermore, EMC in recent months signed new agreements with major rental (Cooltra) and financing companies (Agos) to support the Italian market. Similar plans are being drawn up in other countries around the world. Moreover, EMC signed new factoring agreement with General Finance S.p.A. to finance the dealer network. We believe that the agreement is strategic for the development of its business, as it gives official dealers and distributors, which are present in 18 countries around the world, the opportunity to purchase EMC motorcycles with extended payment terms, and thus allowing them to display the products in their showrooms for longer, optimising the working capital management.

Energica Motor Company – Geographic footprint of the dealers' network



Source: Company data

Marketing activities – MotoE

Th three main marketing goals in this phase are:

- Strengthening brand positioning and product reputation worldwide;
- Increasing product perceptibility and penetration across customers;
- Creating brand and product affiliation so as to build long-lasting value.

Over the years, the company has made important investments in marketing activities, including electric driving courses, marketing events and the participation at international trade fairs (Eicma, Intermoto, Swiss Moto, MCN London, the IMS show circuit fairs in the US). In December 2017, EMC was chosen by Dorna (the company holding the rights of MotoGP and World Superbike) as the only provider for the FIM Enel MotoE World Cup, the first 3 years (2019-21) of the competition. EGO Corsa, a tuned version of EMC EGO, has been used by teams that race the FIM Enel MotoE World Cup.

Although several troubles occurred since the launch of the new championship (the 2019 edition was postponed due to a fire which occurred at the Jerez Circuit during the IRTA testing caused by an external technical problem, which extensively damaged the group's racing equipment, while the 2020 edition recently started with a rescheduled calendar due to the global pandemic), we believe that the championship is a significant milestone for EMC, which has established itself globally as a leader in the sector of top-level, high-performance two-wheel racing, thus boosting the visibility of the group's brand. Overall, we think that thanks to the participation to the MotoE, EMC:

- should be able to benefit from a strong visibility provided by these events;
- should increase its penetration in countries where it is not present yet.

Sustainability Report: ESG corner

We highlight that in 2019 EMC presented its first sustainability report. The report confirms the continuous research for innovation that distinguishes the company and the willingness to offer answers on ESG issues. In particular:

- **Environmental:** focus on eco-sustainability with the creation of electric motorcycles, a product that in itself limits gases emissions, with a fundamental role in fighting climate change;
- **Social:** the business model based on a network of suppliers, mostly Italian and local (42% of supplies are less than 100km away from the EMC headquarters), with approximately 80% of the volumes of national origin components;
- **Governance:** focus on experience, transparency, values and procedures to guarantee the spread of values inside the company.

Three main marketing goals

The only provider for the FIM Enel
MotoE World Cup

Strategy

Over the past years, EMC has been able to establish itself as the leading brand in the high-performance electric superbike market, embodying the essence of Italian design and luxury. The group's strategic pillars to pursue this objective are the following.

Leveraging on R&D activities in order to maintain and improve its competitive edge. In particular, we think that, although the company is the best in class in this competitive arena, the weight of the motorbikes, the battery autonomy and the time of recharging are still factors that significantly reduce the marketability of the group's models when compared to traditional endothermic motorbikes. However, we think that the company can be very competitive in its market area, also thanks to the new power unit unveiled at the end of 2019 and already on market on MY2020 models. We underline that, thanks to the new power unit, EMC motorcycles are 5% lighter and have a 60% higher riding range. The group's future R&D efforts also aim to constantly improve this technology limitations. We underline that as exclusive manufacturer of MotoE World Cup, the company has the opportunity to test new parts and technologies that could be installed on the commercial version of the bikes. The group should also sign new partnerships to develop new projects in the R&D and commercial fields, such as the one already signed with Total Lubrifiants, one of the leading international energy players on the lubricants market. Thanks to this important industrial partnership, all EMC electric motorcycles should benefit from the Total Lubrifiants ranges of lubricants, greases and related products. Furthermore, EMC technical dept will work with them on new solutions and applications.

Maintain and improve its competitive edge

Promote e-mobility worldwide. Another major catalyst to sustain the group's business growth are the investments made by governments and operators around the world in recharging stations and other facilities to sustain e-mobility. This is clearly not directly dependent by EMC. However, the company is active in some initiatives aimed at promoting e-mobility:

Initiatives aimed at promoting e-mobility

- EMC joins CharIN e.v., a registered association founded by major manufacturers and suppliers for the electric automotive industry. EMC is the only manufacturer of electric motorcycles to join the Association. The primary aims of CharIN e.v. are to: 1) develop and establish the Combined Charging System (CCS) as the standard for charging battery-powered electric vehicles of all kinds; 2) draw up requirements for the evolution of charging-related standards and develop a certification system for use by manufacturers implementing the CCS in their products; and 3) promote the CCS standard worldwide. Right from the start EMC believed and invested on the Combined Charging System (CCS) as standard: today EMC includes in its products the DC Fast Charging technology based on CCS Combo. Over the course of the last few years, some landmark decisions have been taken in Europe that support the Combined Charging System standard as the target solution for all charging scenarios;

Energica Motor Company – My Energica App



Source: Company data

Charging station



Source: Company data

- EMC is also the first motorcycles’ maker to be part of Ispra’s Joint Research Centre (JRC), the European Commission’s science and knowledge service, which carries out research in order to provide scientific advice and support to the EU policy. Lastly, we underline that EMC has agreements to allow free charging in some countries, which already have good charging infrastructures.

Widening the client base through new partnerships and agreements with dealers and importers worldwide. Over the next two years, EMC will focus on Asia-Pacific markets and continue the expansion on EMEA and Americas markets not yet covered. Dealers should increase to over 200 in 2022.

New partnerships and agreements with dealers and importers worldwide

Marketing activities: EMC continues to focus on initiatives that should improve brand awareness internationally, such as MotoE and the participation to motorcycle trade fairs worldwide. Furthermore, EMC’s commitment in promoting its brand is also focused on events in collaboration with both technical and institutional partners and sponsors, for example:

Focus on initiatives to improve brand awareness internationally

- Energica Day: marketing event open to the public entirely centred around Energica’s Brand and products with test rides offered;
- Green Rush: test ride activity on EMC motorcycles with famous riders organised in conjunction with most renowned racing events on the international scene (MotoE/MotoGP/WSBK/FormuleE);
- Electric Riding Academy: organised by EMC with its own teams of experts.

Market Analysis

The global electric vehicle (EV) market was valued at USD 162.34Bn in 2019 and is projected to reach USD 802.81Bn by 2027, registering a CAGR of 22.6% (Source: Allied Market Research).

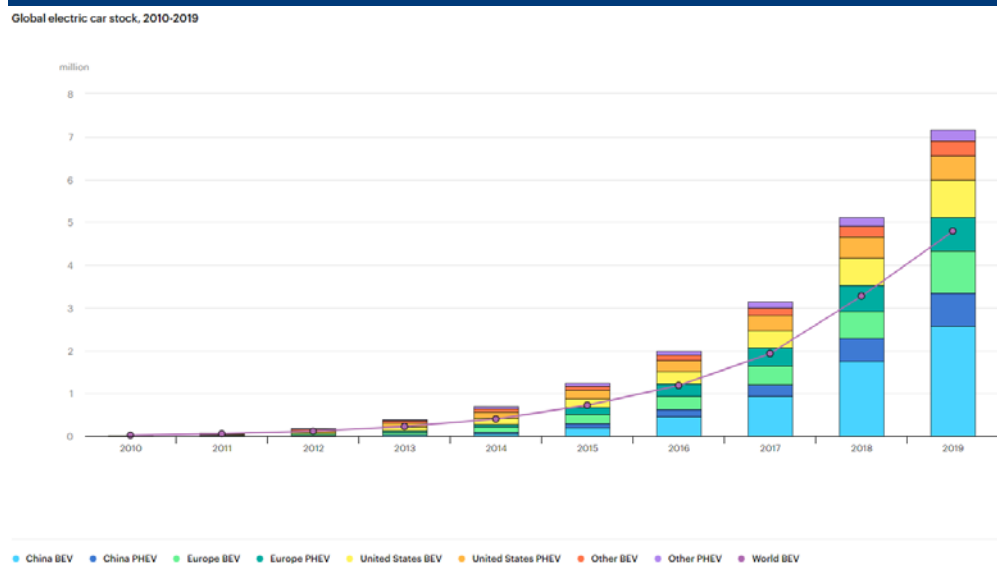
The market can be segmented on the basis of type, vehicle type, and class. By type, it is divided into battery electric vehicle (BEV), hybrid electric vehicle (HEV), and plug-in hybrid electric vehicle (PHEV). By vehicle type, it is classified into two wheelers, passenger cars, and commercial vehicles. By vehicle class, it is bifurcated into mid-priced and luxury class.

The most significant segment within this market is represented by Electric Cars. Looking at only battery electric vehicle or a plug-in hybrid electric vehicle in the passenger light-duty vehicle segment, sales of electric cars topped 2.1M globally in 2019, surpassing 2018, already a record year, to boost the stock to 7.2M electric cars. Electric cars, which accounted for 2.6% of global car sales and about 1% of global car stock in 2019, registered a 40% year-on-year increase (Source: IEA).

Segmented by type and class

Most significant segment is represented by Electric Cars

Global electric car stock (2010-19)



Source: IEA

Bloomberg is forecasting electric car market share to reach 11% by 2025, 28% by 2030, 43% by 2035, and 55% by 2040. In this context, Tesla accounts for 1 out of every 6¼ global plug-in vehicle sales and in particular the Tesla Model 3 alone accounts for 1 out of every 8 global plug-in vehicle sales, 13% of the global market (source: Company presentation based on CleanTechnica data).

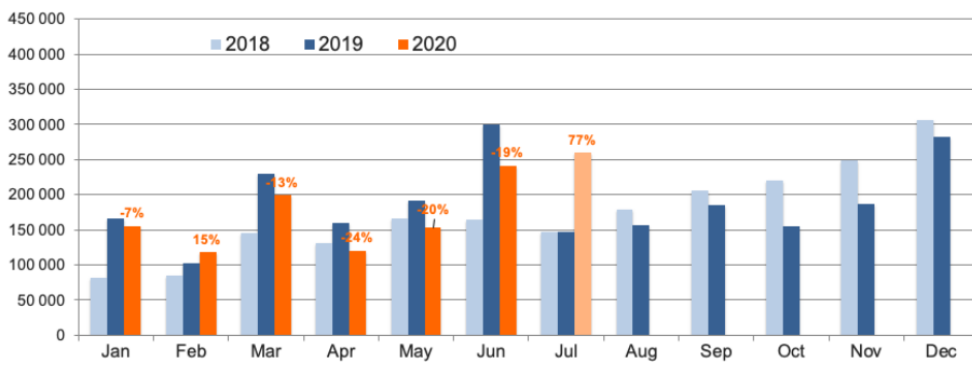
1H20 trend: first effects from COVID-19

Globally, 1H20 was overshadowed by COVID-19 lockdowns, causing unprecedented declines in monthly vehicle sales from February onwards. For the first 6 months of 2020, the volume loss was 28% for the total light vehicle market compared to 1H19. In this context, EVs held up better and posted a loss of 14% yoy, globally (Source: EV Volumes).

The regional developments were very diverse, though: in China, where the 2020 numbers compare to the still healthy sales of 1H19, new EVs lost 42% yoy in a car market that was down 20%. Lower subsidies and more stringent technical requirements are the main reasons. In the US, the sales of EVs followed the overall market trend (Source: EV Volumes).

Europe is the beacon of EV sales in 2020 with 57% growth for 1H, in a vehicle market which declined by 37%. The rapid increases of EV sales started in September 2019 and gained further momentum this year. The WLTP introduction, together with changes in national vehicle taxation and grants, created more awareness and demand for EVs. The industry geared up to meet the 95 gCO₂/km target for 2020/2021. Over 30 new and improved BEV & PHEV models were introduced in 2H19 and production ramped up to high volumes, despite a 1-2 months industry halt (Source: EV Volumes).

Global Monthly Plug-in Vehicle Sales (2018 to July 2020)



Source: EV Volumes

Overall, EV Volumes expectation for 2020 is around 2.9M worldwide BEV & PHEV sales, unless a broad resurgence in COVID-19 forces important EV markets into severe lockdowns again. The global EV fleet should reach 10.5M by the end of 2020, counting light vehicles. Medium and heavy commercial vehicles should add another 800,000 units to the global stock of plug-ins.

EMC's niche market

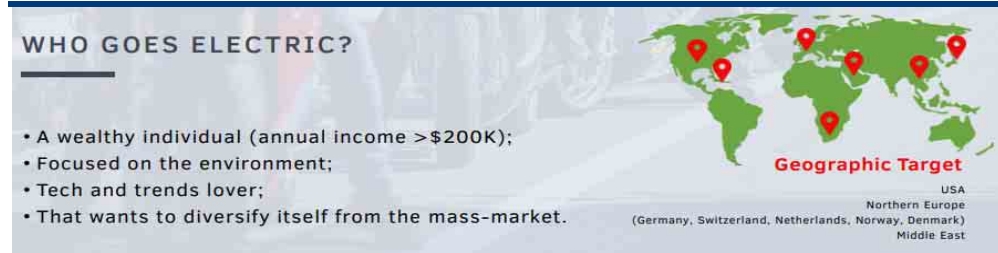
Alongside cars, the Electric Motorcycles & Scooters Market size is valued at USD 30Bn in 2019 and is estimated to grow at a CAGR of over 4% between 2020 and 2026 (source: Global market insight). This segment can be broken down as follows:

- Electric scooters;
- LPEM - Low-powered electric motorcycles (<30kw; 40 HP);
- HPEM - High-powered electric motorcycles (>30 kw; 40 HP).

EMC operates in the 'High-Powered Electric Motorcycles' segment that can be considered a niche market. Furthermore, EMC focuses only on its high-end section, addressing wealthy and sophisticated clients.

The Electric Motorcycles & Scooters Market

Energica Motor Company – Consumer Targeting



Source: Company data

The rising need to curb vehicular pollution has prompted many governments and various other regulatory bodies to promote the use of clean fuel automobiles, such as electric vehicles. In line with this factor, high-performance electric motorcycle market growth has recorded a recent upsurge, especially in developed countries, such as Germany and the US. Vendors have started incorporating advanced technologies in vehicle control units (VCUs) and instrument clusters. With the advent of IoT, vendors are also incorporating connected technologies, such as park assist sensors in their motorcycles (such as EMC). This is also helping vendors in achieving differentiation and a competitive edge. Although the cost of production of high-performance electric motorcycles is high, the provision of incentives and subsidies to both buyers and vendors from governments will promote sales.

As a consequence, according to Technavio, the global high-performance electric motorcycle market is expected to post a CAGR of over 35% during 2020-24 (not including potential negative effects arising from Covid-19). Over 39% of the overall market’s growth should originate from Europe, where the market is supported by the provision of subsidies and incentives by governments, mostly in Western Europe, to promote the use of electric vehicles. For instance, the government of Germany has exempted electric vehicles from the annual circulation of tax for the first ten years from the date of registration.

Overall, as European countries are focusing on reducing motorcycle emissions, they are primarily supporting the establishment of adequate charging stations to facilitate the use of high-performance electric motorcycles. Moreover, the region has many established vendors. Germany, France, and Italy are the key markets in the high-performance electric motorcycle market in Europe.

Global High-Performance Electric Motorcycle Market



Source: Company presentation based on Technavio research, May 2020

Major catalysts

Battery capacity and cost. Low autonomy and high prices of electric vehicles have always been pointed out as primary obstacles for their mass-market adoption. Both features depend on the batteries. On this front, the ongoing trend of increasing battery capacity is projected to continue. Furthermore, the cost of batteries for electric vehicles is falling markedly. Industry reports show that sales-weighted battery pack prices in 2019 were an average of USD 156 per kilowatt-hour, down from more than USD 1,100/kWh in 2010 (Source: IEA).

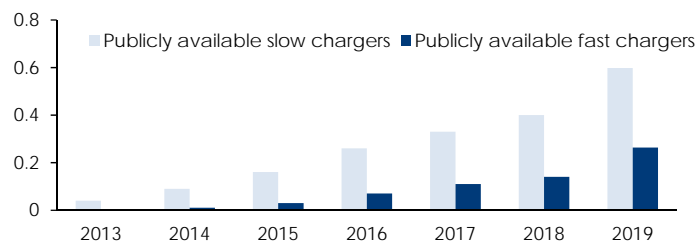
Ongoing trend of increasing battery capacity to continue

Diffusion of charging infrastructures. The capillarity of the charging stations may also be a crucial driver for the development and the widespread distribution of EVs. The infrastructure for electric-vehicle charging continues to expand. In 2019, there were about 7.3M chargers worldwide, of which about 6.5M were private, light-duty vehicle slow chargers in homes, multi-dwelling buildings and workplaces. Convenience, cost-effectiveness and a variety of support policies (such as preferential rates, equipment purchase incentives, and rebates) are the main drivers for the prevalence of private charging.

Infrastructure for electric-vehicle charging continues to expand

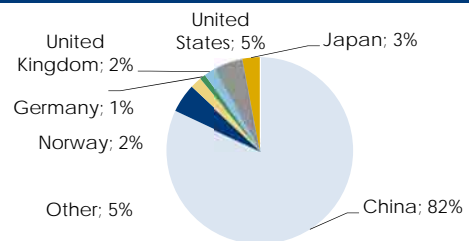
Publicly accessible chargers accounted for 12% of global light-duty vehicle chargers in 2019, most of which are slow chargers. Globally, the number of publicly accessible chargers (slow and fast) increased by 60% in 2019 compared with the previous year, higher than the electric light-duty vehicle stock growth. China continues to lead in the rollout of publicly accessible chargers, particularly fast chargers, which are suited to its dense urban areas with less opportunity for private charging at home.

Publicly accessible EV chargers' trend



Source: IEA

Publicly accessible electric vehicle fast chargers by country, 2019



Source: IEA

Government regulations and incentives aimed at reducing pollution. Both China and the US witnessed substantial purchase subsidies reductions or partial phase out in 2019, but there are cases where these reductions were met by increases in local government support. In China, the central government was planning in 2019 to culminate a phase-out that dates to 2016, though, in the face of bleak electric car sales in the second half of 2019, the subsidy scheme was extended through 2022. However, some other countries extended or implemented new purchase incentives schemes in 2019 or early 2020, for example, Germany and Italy. Overall, six European countries have introduced additional green recovery incentives to promote higher EV sales, starting in June and July 2020. Other countries with increasing policy activity to support electric vehicles are Canada, Chile, Costa Rica, India and New Zealand. For example, Chile seeks to establish energy efficiency standards for new vehicles sold by car manufacturers or importers, including multipliers for electric and hybrid vehicles in the calculation of the sales average car efficiency.

Increases in local government support

Competitive Positioning

The competitive arena is moderately fragmented and is composed by both small pure electric motorcycle producers and by big players of the motorcycle industry. However, the big players sharing EMC’s EV2 segment, such as BMW, Ducati, KTM and Harley Davidson, are currently at a prototype stage or offer only a single niche product. Some names are:

Small pure electric motorcycle producers and big players of the motorcycle industry

- **Zero Motorcycles:** based in California, like EMC it produces only electric motorcycles. A producer of electric offers four different e-motorcycles that are based on two chassis: off-road (Zero FX) and street-legal sport (Zero S, SR, and DS). The main characteristics are: the motorcycles have Li-ion batteries, Showa suspension technology, anti-lock brakes supplied by Bosch;
- **KTM:** based in Austria, KTM is a midsize motorcycle and all-terrain vehicle manufacturer that has introduced an electric off-road motorcycle, the Freeride E;
- **BMW Motorrad:** based in Germany, BMW Motorrad is the motorcycle brand of BMW Group, active since 1923. BMW Motorrad released the C Evolution e-motorcycle in May 2014, an electric model with a top speed of 120km/h, a range of 100km in urban settings, four riding models and regenerative braking;
- **Harley Davidson:** one of the top brands in the motorcycle market in the US that has launched its first electric motorcycle, the Project LiveWire, which has initiated an attitude shift about e-motorcycle technology and entered the market in 2018.

Other names active in the electric motorbike industry are: Bell Custom Cycles; Evoke Electric Motorcycles; Kwang Yang Motor Co. Ltd.; Lightning Motors Corp.; Sarolea Manx Ltd.; Songuo Motors Co. Ltd.; Tacita Srl. We also underline that the Vancouver-based mobility start-up Damon Motorcycles has recently entered the EV arena with a preview of its first e-moto, the Hypersport Pro.

Other names

Competitive positioning



Source: Company data

The SWOT Analysis

Strengths

- Cutting-edge technology: EMC has developed the world's highest performing E-bike and has registered three international patents: i) Vehicle Control Unit (VCU), ii) Supply Unit, and iii) eABS;
- Appealing expectations for the reference market. The e-PTW market is expected to grow at a CAGR of over 35% during 2020-24 (Source: Technavio Research, Nov 2019);
- Strong support both financially and for R&D from the parent company CRP Group;
- A market with high entry barriers: the high level of specialisation and technological innovation prevents new players from entering the market without major investments and years of development;
- An experienced management team.

Opportunities

- Being the exclusive manufacturer for MotoE World Cup should increase EMC's brand awareness and visibility all around the world, allowing the company to cut advertising & promotion costs and to acquire new customers;
- Future technologies step-up that will allow to improve batteries capacity and its weight;
- Decreasing trend of battery prices;
- Greater attention to climate change and harmful emissions prompt governments and supranational authorities to implement stricter emission reduction regulations and should boost investments in e-mobility. Some governments are also supporting EV market with purchase incentives or free use of charging and free parking.

Source: Intesa Sanpaolo Research elaboration

Weaknesses

- Financial resources still needed: EMC is still in a start-up phase and needs investments and resources to finance its growth. Following the recent issue of a new convertible bond, a new capital increase is expected by the end of the year;
- Brand awareness & sales network are still 'under construction';
- Low autonomy and high prices of electric vehicles are still primary obstacles for their mass-market adoption;
- There is still a lack of infrastructure of charging points: this is clearly not dependent on the company. However, we think that the number of charging stations is a key driver for the EV industry.

Threats

- Business continuity is strongly dependent on the success of planned funding operations;
- Dilution: the conversion of new convertible bond and warrants and the expected future capital increases would lead to a potential dilution for shareholders;
- Execution risk of the development plan;
- We see the risk that big players of motorbikes industry will increase their focus on electric products and take advantage of their stronger commercial power.

Historical Financials

Over 2015-19, sales increased from EUR 0.2M to EUR 3.2M, thanks to the reinforcement of the sales network in the US, Europe and Africa. In 2019, sales were up by around 47% yoy. The increase was attributable to a number of factors, including steady improvements in the infrastructure for EVs around the world, the strengthening of the Energica brand, boosted by the MotoE experience, and the expansion of the dealer network, with new retail points opened in Europe and in the US, as well as the extension of the sales network to include important areas such as Maryland and the Mid-Atlantic region, New York, Oregon, Belgium, Malta and Majorca.

Over 96% of FY19 sales were generated outside Italy, while the portion of revenues generated by the sale of electric bikes and parts was EUR 2.2M (vs. EUR 1.8M in FY18).

Although sales volumes in 2019 were significantly higher than in the previous year, according to management, it still fell short of the targets set in the original plans and therefore were not enough to generate the profits necessary to cover fixed operating costs. EBITDA was negative for EUR 4.8M in FY19A vs. a negative EBITDA of EUR 5.4M in FY18A.

Energica Motor Company – P&L key items (2015-19)

EUR M	FY15A	FY16A	FY17A	FY18A	FY19A
Net Revenues	0.2	0.8	0.5	2.2	3.2
yoy %		NM	-37	325	47
Other revenue	0.1	0.0	0.0	0.1	1.0
Change in inventories	0.4	1.7	2.4	0.0	1.6
Value of production	0.8	2.5	2.9	2.3	5.7
Raw materials	0.6	2.8	2.4	2.4	3.0
Services	0.6	1.7	2.4	2.9	3.7
Third part assets	0.0	0.2	0.3	0.2	0.3
Personnel	0.6	1.3	1.5	2.0	2.5
Other operating expenses	0.0	0.0	0.0	0.1	1.0
EBITDA	-1.0	-3.5	-3.7	-5.4	-4.8
EBITDA margin (%)	NM	NM	NM	NM	NM
D&A and provision (total)	0.6	1.6	1.8	1.9	2.8
EBIT	-1.6	-5.1	-5.5	-7.3	-7.6
EBIT margin (%)	NM	NM	NM	NM	NM
Net financials	0.0	0.2	-0.3	-0.1	0.0
Other	0.0	0.0	0.0	0.1	0.0
Pre-tax profit	-1.6	-4.9	-5.8	-7.3	-7.7
Tax	0.2	0.9	0.0	0.0	0.0
Minorities	0.0	0.0	0.0	0.0	0.0
Net profit	-1.4	-4.0	-5.8	-7.3	-7.7

NM: not meaningful; Source: Company data

'Funding' Recap

Since its listing, EMC has obtained liquidity from several extraordinary transactions:

- To support the group's industrial plan and confirming their significant commitment to EMC, the main shareholders CRP Meccanica and CRP Technology had converted shareholder loans totalling about EUR 4.1M in 2018. Furthermore, on 15 January 2020 CRP Meccanica converted into capital (reserved for future capital increase) an account receivable of about EUR 566k;
- In 2017, two share capital increases with a share premium were subscribed by institutional investors for a total value of approximately EUR 2.3M and EUR 1.9M;

- On 13 June 2019, a new share capital increase with share premium totalling approximately EUR 1.9M was subscribed by third-party investors;
- In 2017 and 2018, EMC issued two bonds convertible into shares for the total amount EUR 4.0M and EUR 5.0M, entirely subscribed in several tranches (and as of today, fully converted into newly issued shares) by Atlas Special Opportunities and Atlas Capital Markets;
- On 15 April 2020, the company announced an agreement with Negma Group Ltd. for a reserved capital increase of EUR 0.5M (through the issue of 303,030 shares at a price of EUR 1.65/share), which has already been subscribed and paid, and for the issue of a new convertible bond cum warrant totalling EUR 4M (this can then, at the company's discretion, be renewed for a further EUR 3M, giving a total of maximum EUR 7M). For further details, see section on 'Earning outlook - Cash plan for 2020' of this report.

Energica Motor Company – Balance sheet (2015-19)

EUR M	2015A	2016A	2017A	2018A	2019A
Tangibles	0.3	1.2	1.2	1.3	2.5
Intangibles	4.7	5.2	4.0	2.8	1.4
Financials	0.0	0.0	0.0	0.0	0.1
Fixed assets	5.0	6.4	5.2	4.1	4.0
Receivables	0.0	0.0	0.0	0.0	0.0
Inventory	0.4	2.2	4.4	4.5	5.6
Payables	-0.6	-2.1	-1.5	-2.6	-2.9
Other	0.1	0.9	0.4	0.4	-4.0
Net working capital	-0.1	1.0	3.3	2.3	-1.4
Provision & Funds	-0.8	-0.2	0.0	-0.2	-0.3
Net invested capital	4.1	7.3	8.5	6.2	2.3
Group shareholders' equity	3.1	4.4	5.2	4.8	2.1
Net financial debt	0.9	2.9	3.3	1.4	0.3
Total cover	4.1	7.3	8.5	6.2	2.3

Source: Company data

Energica Motor Company – Funds flow (2016-19)

EUR M	2016A	2017A	2018A	2019A
Net debt beg. of year	0.9	2.9	3.3	1.4
Net income	-4.0	-5.8	-7.3	-7.7
No cash items	1.6	1.8	1.9	2.8
Change in working capital	-1.1	-2.3	1.0	3.6
Operating cash flow	-3.5	-6.3	-4.3	-1.3
Capex	-3.0	-0.7	-0.8	-2.9
Free cash flow	-6.5	-7.0	-5.1	-4.2
Dividends	0.0	0.0	0.0	0.0
Equity movements & others	4.5	6.6	7.0	5.4
Cash flow	-2.0	-0.4	1.9	1.2
Net debt end of year	2.9	3.3	1.4	0.3

Source: Company data

1H20A results

Despite the challenging period due to the spread of Covid-19 pandemic worldwide, **net sales increased to EUR 2.2M, up by about 23% yoy**. We believe that this trend confirms the market's interest, despite the slowdown of deliveries caused by the forced shutdown, which had an impact on the key month of sales' season (consequently, a significant share of revenues was obtained in the summer months).

Net sales to EUR 2.2M, up by about 23% yoy

The order backlog continues to grow with a turnover of EUR 3.7M at 30 June and EUR 4.3M in the first eight months of the year. These figures equal to 165% and 190% of the total motorcycle sale revenues in 2019 (EUR 2.3M), while in terms of units sold it went beyond a 200% increase of the whole order backlog of 2019. The production work at the Modena headquarters continues after the lockdown period: production has increased its pace to align itself to the order backlog and the company delivered more than 78% of the units commissioned.

Order backlog continues to grow

Furthermore, **in 1H, EMC signed several new commercial agreements around the world significantly boosting its sales network**. In particular, the expansion of the network involved important commercial areas, such as Japan, Italy, France, UAE, Indonesia, Belgium and California. As of today, the number of dealers is 69 (vs. 49 at YE19) + 2 Service Centres, of which 49 in the EU, 12 in the US and 8 in the rest of the world. Lastly, we underline that NFP stood at EUR 0.6M vs. EUR 0.3M at YE19.

Several new commercial agreements

Energica Motor Company – 1H20 results

EUR M	1H19A	1H20A	yoy %
Net Revenues	1.8	2.2	22.7
Other revenue	0.6	0.3	-49.2
Change in inventories	0.5	0.0	NM
Value of production	2.9	2.6	-11.4
EBITDA	-3.2	-2.7	NM
EBIT	-4.4	-4.0	NM
Net profit	-4.5	-4.0	NM

NM: not meaningful; Source: Company data

Earnings Outlook

In January, management announced an update of the strategic plan, which foresaw increased production efficiency from higher sales volumes and the optimisation of the supply chain and targeted to reach a positive EBITDA in 2022.

Looking at potential effects arising from the Covid-19 pandemic, we underline that electric vehicles are showing more resilience than conventional ones. We underline that in accordance with the Ministerial Decrees and regional orders, EMC shut down its factory production from 25 March until 28 April 2020, although certain administrative, marketing and sales activities did continue through remote working. The reopening of the Soliera factory saw a gradual reinstatement of production operations, with safety measures and social distancing in place, and deliveries were restarted to dealers and importers across the globe. Despite this, according to management, there has not been any significant cancellation of orders, only a delay in production and delivery due to the lockdown. To confirm this, management recently announced that the order backlog reached the value of EUR 4.3M on 31 August, 190% of the total motorcycle revenues in 2019 (EUR 2.3M). Moreover, the production activities continued after the lockdown period: production has increased its pace and the company delivered more than 78% of the units commissioned.

In order to align the growth in orders with the production capacity, while guaranteeing the continuity of the business, the shareholders' meeting authorised a new capital increase. Lastly, we underline that the pandemic also led to the postponing of the FIM Enel MotoE 2020 World Championship, which started in July.

Targeted to reach a positive EBITDA in 2022

Situation from the Covid-19 pandemic

New capital increase and postponement of FIM Enel MotoE Championship

2020E-22E P&L estimates

On the back of the significant growth in the group's order backlog, we expect EUR 5.8M revenues in FY20E, or an 84% yoy growth, resulting from both an increase in the number of units sold, which we estimate at 275, and in the average revenues per motorbike (ARPM).

Overall, in our estimates, we expect a 116.3% revenues CAGR in 2019A-22E. We expect the revenues' growth to be mainly attributable to the expected increase in the number of motorbikes sold, driven by:

- The ongoing growing demand in the electric vehicles market coupled with the development of charging points infrastructure;
- Improved visibility and brand awareness thanks to MotoE and other marketing investments;
- The increase in the number of dealers which we projected at 90 in FY20E (from 53 at YE19 and currently over 70), to then increase by about 30% yoy over the following years.

In detail, to build our model to forecast the group's top line, we started from our estimate of the volumes sold and ARPM in FY18 and FY19. Consistent with management indications, we have assumed:

- A significant increase of vehicles sold over the period to reach 1,400 units in FY22E;
- An increasing trend in the average revenue per motorbike (especially in 2022), as we believe that the sales mix will shift towards models with higher technological

content (while we expect the potential launch of another model with a higher selling price in 2022);

- The number of EMC motorbikes in circulation should also boost revenues from Parts, Accessorizes and After Sales services;
- MotoE related sponsorship income for 2020-21E of approx. EUR 0.5 and EUR 1.5M, respectively. We maintained MotoE revenues also in FY22, as we projected the contract will be renewed.

Our main assumptions are detailed in the table below.

Energica Motor Company – Top-line assumptions (2018A-22E)

EUR M	2018A	2019A	2020E	2021E	2022E
Total Volumes Sold (no.) *	100	115	275	775	1400
ARPM (EUR)*	15,400	15,650	16,750	17,000	19,500
Sales from Motorbikes	1.5	1.8	4.6	13.2	27.3
Sales from Parts/After Sales	0.3	0.4	0.3	1.5	2.8
Total motorbikes & Parts	1.8	2.2	4.9	14.7	30.1
MotoE	0.0	0.7	0.5	1.5	1.5
Sponsorships	0.3	0.3	0.4	0.4	0.4
Net Revenues	2.2	3.2	5.8	16.6	32.0
YoY %	325.0	46.8	83.7	185.5	93.1
Other revenue	0.1	1.0	1.3	1.0	1.0
Change in inventories	0.0	1.6	0.9	2.7	2.2
Value of production	2.3	5.7	8.0	20.3	35.2

(*) Intesa Sanpaolo Research elaborations also for actual years; E: estimates; Source: Intesa Sanpaolo Research

On the back of the top-line trends, we expect EMC to post its first year in black in terms of EBITDA in 2022E, thanks to the scale up of the business (operating leverage as operating costs are spread over higher sales volumes) and production efficiencies obtained from R&D. Overall, we estimate EBITDA at around breakeven with 1,250/1,300 vehicles sold, while we think that with the current full operation capacity (5,000 vehicles) EMC would reach an EBITDA margin of about 15%.

Energica Motor Company – P&L projections (2019A-22E)

EUR M	2019A	2020E	2021E	2022E
Net Revenues	3.2	5.8	16.6	32.0
YoY %	46.8	83.7	185.5	93.1
Other revenue	1.0	1.3	1.0	1.0
Change in inventories	1.6	0.9	2.7	2.2
Value of production	5.7	8.0	20.3	35.2
Raw materials	3.0	5.0	15.2	21.3
Services	3.7	2.1	3.2	3.3
Third part assets	0.3	0.4	0.6	0.9
Personnel	2.5	2.9	3.8	4.0
Other operating expenses	1.0	1.0	1.0	1.0
EBITDA	-4.8	-3.4	-3.5	4.7
EBITDA margin (%)	NM	NM	NM	13.3
D&A and provision (total)	2.8	2.2	1.5	1.5
EBIT	-7.6	-5.6	-5.0	3.2
EBIT margin (%)	NM	-70.2	-24.5	9.0
Net financials	0.0	0.0	0.0	0.0
Pre-tax profit	-7.7	-5.7	-5.0	3.1
Tax	0.0	0.0	0.0	-0.2
Minorities	0.0	0.0	0.0	0.0
Net profit	-7.7	-5.7	-5.0	3.0

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

Cash plan for 2020 & balance sheet/funds flow forecasts

On 15 April 2020, the company announced an agreement with Negma Group Ltd. for a reserved capital increase of EUR 0.5M (through the issue of 303,030 shares at a price of EUR 1.65/share), which has already been subscribed and paid, and for the issue of a new convertible bond cum warrant totalling EUR 4M (this can then, at the company's discretion, be renewed for a further EUR 3M, giving a total of maximum EUR 7M). In detail:

- The contract provides for the bond issue to be divided into eight tranches of 50 bonds and a total value of EUR 500k each. We underline that on 29 July EMC has approved the issue of the first tranche worth EUR 500k (and later converted into share capital). On 14 September, the issue of the second tranche worth EUR 500k was approved. The subsequent instalments must be at a distance of at least one month after the previous one;
- Conversion ratio will be determined on the basis of a conversion price equal to 94% of the weighted average price for the volumes of transactions detected by Bloomberg for EMC (VWAP);
- Conversion period of bonds into ordinary shares: within a maximum period of 12 months from the issue of each tranche. At the expiry of the 12 months, the bonds must be converted or refunded;
- To each tranche, the issue of Warrants will be associated, which will allow the subscription of 1 new share. The exercise price of the Warrants will be equal to 130% of the average VWAP of the shares in the 15 trading days immediately preceding the request of the issue of a new tranche. With the issue of the first and the second tranches, Warrants for a total value of EUR 250k will be issued, while from the third tranche onwards, the total value of the warrants issued by the company will be equal to EUR 100k;
- Against the underwriting commitments undertaken by Negma, EMC has agreed to pay a commission equal to a total of EUR 210k (Commitment Fee) of which EUR 120k for the disbursement of the first three tranches related to the commitment equal to EUR 4M and an additional EUR 90k as a Commitment Fee in the event of renewal of the commitment for an additional EUR 3M.

The cash plan expected by the company by FY20 incorporates a capital increase with share premium for at least EUR 4M or alternatively the issues of instalments of the abovementioned new convertible bond.

Cash Plan: a new capital increase is expected by YE

We underline that as a further confirmation of the strong commitment of the group's major shareholder, if the planned funding operations are not realised by YE20, CRP Meccanica has given a letter of assurance to EMC, assuring that it will continue to provide support, partly through the funds resulting from the sale of own assets, in order to allow the company to meet its financial and operating commitments until at least 31 December 2020.

Overall, we forecast a total EUR 4.5M of capital increase in 2020E and EUR 4.5M in 2021E, which we assume would be the amount necessary to maintain a positive book value.

We also project Capex at EUR 1.0M in FY20E to then increase to EUR 3.3M in FY22E, mainly related to R&D, production efficiencies and increased capacity and maintenance. Marketing expenses are entirely posted as costs in the P&L.

Looking at Working Capital management, we projected a significant improvement in Inventory days that should reach around 150 in 2022E from over 600 in FY19A.

Energica Motor Company – Balance Sheet (2019A-22E)

EUR M	2019A	2020E	2021E	2022E
Tangibles	2.5	1.9	2.4	4.0
Intangibles	1.4	0.5	0.7	1.2
Financials	0.1	0.1	0.1	0.1
Fixed assets	4.0	2.5	3.2	5.3
Receivables	0.0	0.8	1.8	2.6
Inventory	5.6	6.3	9.0	11.2
Payables	-2.9	-3.5	-7.7	-9.3
Other	-4.0	-3.1	-3.6	-4.3
Net working capital	-1.4	0.4	-0.5	0.2
Provision & Funds	-0.3	-0.3	-0.3	-0.3
Net invested capital	2.3	2.6	2.3	5.2
Group shareholders' equity	2.1	0.9	0.4	3.4
Net financial debt	0.3	1.7	1.9	1.8
Total cover	2.3	2.6	2.3	5.2

A: actual; E: estimates; Source: Company data and Intesa Sanpaolo Research

Energica Motor Company – Funds flow (2019A-22E)

EUR M	2019A	2020E	2021E	2022E
Net fin debt beginning of year	1.4	0.3	1.7	1.9
Net income	-7.7	-5.7	-5.0	3.0
No cash items	2.8	2.5	1.5	1.5
Change in working capital	3.6	-1.8	1.0	-1.0
Operating cash flow	-1.3	-5.0	-2.5	3.4
Capex	-2.9	-1.0	-2.2	-3.3
Free cash flow	-4.2	-6.0	-4.7	0.1
Dividends	0.0	0.0	0.0	0.0
Equity movements & others	5.4	4.5	4.5	0.0
Cash flow	1.2	-1.5	-0.2	0.1
Net fin debt end of year	0.3	1.7	1.9	1.8

A: actual; E: estimates; Source: Company data and Intesa Sanpaolo Research

Energica Motor Company – Key Data

Rating	Mkt price (EUR/sh)					Sector
No Rating	Ord 1.50					Automobiles & Components
Values per share (EUR)	2018A	2019A	2020E	2021E	2022E	
No. ordinary shares (M)	18.20	18.20	18.20	18.20	18.20	
Total no. of shares (M)	18.20	18.20	18.20	18.20	18.20	
Market cap (EUR M)	60.69	43.79	27.30	27.30	27.30	
Adj. EPS	-0.40	-0.42	-0.31	-0.27	0.16	
CFPS	-0.29	-0.27	-0.19	-0.19	0.25	
BVPS	0.26	0.11	0.05	0.02	0.19	
Dividend ord	0	0	0	0	0	
Income statement (EUR M)	2018A	2019A	2020E	2021E	2022E	
Revenues	2.29	5.71	8.01	20.28	35.20	
EBITDA	-5.35	-4.85	-3.41	-3.46	4.68	
EBIT	-7.26	-7.61	-5.62	-4.96	3.18	
Pre-tax income	-7.27	-7.70	-5.66	-5.00	3.14	
Net income	-7.27	-7.70	-5.66	-5.00	2.99	
Adj. net income	-7.27	-7.70	-5.66	-5.00	2.99	
Cash flow (EUR M)	2018A	2019A	2020E	2021E	2022E	
Net income before minorities	-7.3	-7.7	-5.7	-5.0	3.0	
Depreciation and provisions	1.9	2.8	2.2	1.5	1.5	
Others/Uses of funds	0	0	0.3	0	-0.0	
Change in working capital	1.0	3.6	-1.8	1.0	-1.0	
Operating cash flow	-4.3	-1.3	-5.0	-2.5	3.4	
Capital expenditure	-0.8	-2.9	-1.0	-2.2	-3.3	
Financial investments	0	0	0	0	0	
Acquisitions and disposals	0	0	0	0	0	
Free cash flow	-5.1	-4.2	-6.0	-4.7	0.1	
Dividends	0	0	0	0	0	
Equity changes & Other non-operating items	7.0	5.4	4.5	4.5	0	
Net cash flow	1.9	1.2	-1.5	-0.2	0.1	
Balance sheet (EUR M)	2018A	2019A	2020E	2021E	2022E	
Net capital employed	6.2	2.3	2.6	2.3	5.2	
of which associates	0	0	0	0	0	
Net debt/-cash	1.4	0.3	1.7	1.9	1.8	
Minorities	0	0	0	0	0	
Net equity	4.8	2.1	0.9	0.4	3.4	
Minorities value	0	0	0	0	0	
Enterprise value	60.7	43.8	27.3	27.3	27.3	
Stock market ratios (x)	2018A	2019A	2020E	2021E	2022E	
Adj. P/E	Neg.	Neg.	Neg.	Neg.	9.1	
P/CFPS	Neg.	Neg.	Neg.	Neg.	6.1	
P/BVPS	12.7	21.2	30.3	68.6	8.1	
Payout (%)	0	0	0	0	0	
Dividend yield (% ord)	0	0	0	0	0	
FCF yield (%)	-8.4	-9.6	-22.0	-17.3	0.4	
EV/sales	26.5	7.7	3.4	1.3	0.78	
EV/EBITDA	Neg.	Neg.	Neg.	Neg.	5.8	
EV/EBIT	Neg.	Neg.	Neg.	Neg.	8.6	
EV/CE	9.8	18.8	10.5	11.6	5.3	
D/EBITDA	Neg.	Neg.	Neg.	Neg.	0.38	
D/EBIT	Neg.	Neg.	Neg.	Neg.	0.56	
Profitability & financial ratios (%)	2018A	2019A	2020E	2021E	2022E	
EBITDA margin	-234.2	-84.9	-42.6	-17.1	13.3	
EBIT margin	-317.7	-133.3	-70.2	-24.5	9.0	
Tax rate	NM	NM	NM	NM	NM	
Net income margin	-318.0	-134.9	-70.7	-24.7	8.5	
ROCE	-117.4	-327.1	-215.9	-211.6	61.6	
ROE	-145.9	-225.5	-382.3	-770.8	157.9	
Interest cover	69.3	167.4	140.6	124.0	-79.5	
Debt/equity ratio	29.5	12.9	193.7	479.7	52.4	
Growth (%)	2018A	2019A	2020E	2021E	2022E	
Sales		NM	40.2	NM	73.6	
EBITDA		9.5	29.6	-1.4	NM	
EBIT		-4.8	26.2	11.7	NM	
Pre-tax income		-5.9	26.5	11.7	NM	
Net income		-5.9	26.5	11.7	NM	
Adj. net income		-5.9	26.5	11.7	NM	

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

Appendix 1: An Experienced Management Team

Franco Cevolini was born in 1972 in Modena. He graduated in Materials Engineering at the University of Modena in 1997. He held the position of Executive Director in 1996 at the newly founded CRP Technology S.r.l. (spin-off from Roberto Cevolini & Company). He currently serves as Chairman, Energica Motor Company S.p.A. and CEO and Technical Director, CRP Meccanica and CRP Technology, Energica's parent companies.

Franco Cevolini – Chairman of the BoD

Livia Cevolini was born in 1978 in Scandiano (RE). She graduated in Mechanical Engineering in 2003 at the University of Parma and then she became part of the CRP Group. From 2002 to 2009, she was Marketing and Sales Director at the Group CRP. In 2009, she became responsible of the Energica project in the Group CRP and since 2014 the CEO of Energica Motor Company, when the company was founded.

Livia Cevolini – CEO

Andrea Vezzani was born in 1966 in Modena. In 1991, he graduated in Economics at the University of Modena. Since its foundation, Andrea Vezzani is the CFO of Energica Motor Company S.p.A. Previously he has held various positions in management control departments. From 1996 to 2000, he was financial controller at McDonald's Development Italy Inc. and from 2001 to 2006, he was financial controller at Think3 Inc.

Andrea Vezzani – CFO

Giampiero Testoni was born in 1978 in Milan. He graduated in 1996. In 2006, he started working at CRP Technology S.r.l. and became Racing Department Manager. Since 2010, he started working in the department of R&D for the Energica project and contributed in the creation of numerous registered patents for Energica.

Giampiero Testoni – CTO

We highlight that in June 2018, the company granted a total of 200,000 stock options in favour of its management. Each option gives the right to one share at a price of EUR 2.00/share, for a five-year period.

Appendix 2: Electric for Dummies

Battery capacity: is the amount of energy useful for the use of the motorcycle. It is measured in Ampere-hour (Ah) but kilowatt-hour (kWh) is commonly used. The nominal capacity of a battery is the amount of energy that can be withdrawn from it at a particular constant current, starting from a fully charged state. The maximum capacity of a battery is the total amount of energy it contains when fully charged. The battery capacity is not typically given in terms of maximum capacity (this does not refer to real battery capacity), i.e. the nominal capacity of EMC motorcycles battery is 11.7kWh (the maximum capacity is 13.3kWh).

Charger power: is measured in Watts. The higher the Watt's value, the higher the power of charge. All EMC motorcycles can be charged at 20kW power at any CCS (combined charging system) DC Fast Charger. Moreover, all EMC motorcycles have also a 3kW on board charger.

Charging and charging time: is the formula to calculate correctly the charging time according to the battery capacity and the battery power:

$$\text{kWh battery/kW provided by the charger} = \text{h charging}$$

EMC conforms to the international standards CCS (combined charging system). Thanks to the unique onboard connector, it is allowed to recharge at the DC Fast Charge Stations and the AC Chargers. Using the DC Fast Charge Station, the bike can charge at 20kW up to 80/85% of its state of charge (SOC) in about 20 minutes. This guarantees 120km of range in less than half an hour. When using the AC charger, the bike can be charged in about 3.5 hours using the 3kW OBC (On Board Charger).

LPR: refers to the automatic battery maintenance device during the winter period or long periods of rest. All EMC models are equipped with the LPR (Long Period Rest). This feature allows the maintenance and automatic battery balancing for a long period of time. The LPR keeps the battery in the optimum state of charge in order to preserve and extend the life of the battery pack just by leaving the motorcycle connected to a power outlet.

Range: refers to the total range (km) per charge and depends on many factors, such as driving style, traffic, weather conditions, driver weight, road type, riding position, tyre condition.

Chassis: consists of the frame, suspension, wheels and brakes. This is an important element especially when it comes to motorcycles with high power and torque. Without a proper chassis the motorcycles can become dangerous.

Company Snapshot

Company Description

Energica Motor Company (EMC) is the first Italian manufacturer and one of the world's leading producers of super-sport electric motorcycles. The company is headquartered near Modena, in the centre of the Italian motor valley, and was founded in 2014 as a spin-off of CRP Group, a group inheriting 50 years of experience in the hi-tech industry (F1, motorsport, aerospace, marine, defence etc.), which started the project in 2009 with the aim of creating the first high-powered electric motorcycles.

Key Risks

Company specific risks:

- EMC is still in a start-up phase and needs investments and resources to finance its growth. Consequently, business continuity is strongly dependent to the success of planned funding operations;
- Dilution: the conversion of new convertible bond and warrants and the expected future capital increases would lead to a potential dilution for shareholders;
- Execution risk of the development plan;

Sector generic risks:

- Low autonomy and high prices of electric vehicles are still primary obstacles for their mass-market adoption;
- There is still a lack of infrastructure of charging points;
- We see the risk that big players of motorbikes industry will increase their focus on electric products and take advantage of their stronger commercial power.

Key data

Mkt price (EUR)	1.50	Free float (%)	40.2
No. of shares	18.20	Major shr	CRP Meccanica
52Wk range (EUR)	2.57/1.42	(%)	47.1
Reuters	EMCC.MI	Bloomberg	EMC IM
Performance (%)	Absolute	Rel. FTSE AIM	
-1M	-23.7	-1M	-23.1
-3M	-24.1	-3M	-29.7
-12M	-32.4	-12M	-38.1

Estimates vs. consensus

EUR M (Y/E Dec)	2019A	2020E	2020C	2021E	2021C	2022E	2022C
Sales	5.71	8.01	NA	20.28	NA	35.20	NA
EBITDA	-4.85	-3.41	NA	-3.46	NA	4.68	NA
EBIT	-7.61	-5.62	NA	-4.96	NA	3.18	NA
Pre-tax income	-7.70	-5.66	NA	-5.00	NA	3.14	NA
Net income	-7.70	-5.66	NA	-5.00	NA	2.99	NA
EPS	-0.42	-0.31	NA	-0.27	NA	0.16	NA

Core Technologies



Global High-Performance Electric Motorcycle Market



Source: Company data, Intesa Sanpaolo Research estimates and FactSet consensus data (priced at market close of 25/09/2020)

Our Mid Corporate Definition

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Valuation methodology (long-term horizon: 12M)

The Intesa Sanpaolo SpA Equity Research Department values the companies for which it assigns recommendations as follows:

We obtain a fair value using a number of valuation methodologies including: discounted cash flow method (DCF), dividend discount model (DDM), embedded value methodology, return on allocated capital, break-up value, asset-based valuation method, sum-of-the-parts, and multiples-based models (for example PE, P/BV, PCF, EV/Sales, EV/EBITDA, EV/EBIT, etc.). The financial analysts use the above valuation methods alternatively and/or jointly at their discretion. The assigned target price may differ from the fair value, as it also takes into account overall market/sector conditions, corporate/market events, and corporate specifics (ie, holding discounts) reasonably considered to be possible drivers of the company's share price performance. These factors may also be assessed using the methodologies indicated above.

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

In its recommendations, Intesa Sanpaolo SpA uses an "absolute" rating system, which is not related to market performance and whose key is reported below:

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

Long-term rating	Definition
BUY	If the target price is 20% higher than the market price
ADD	If the target price is 10%-20% higher than the market price
HOLD	If the target price is 10% below or 10% above the market price
REDUCE	If the target price is 10%-20% lower than the market price
SELL	If the target price is 20% lower than the market price
RATING SUSPENDED	The investment rating and target price for this stock have been suspended as there is not a sufficient fundamental basis for determining an investment rating or target. The previous investment rating and target price, if any, are no longer in effect for this stock.
NO RATING	The company is or may be covered by the Research Department but no rating or target price is assigned either voluntarily or to comply with applicable regulations and/or firm policies in certain circumstances.
TARGET PRICE	The market price that the analyst believes the share may reach within a one-year time horizon
MARKET PRICE	Closing price on the day before the issue date of the report, as indicated on the first page, except where otherwise indicated

Historical recommendations and target price trends (long-term horizon: 12M)

The 12M rating and target price history chart(s) for the companies currently under our coverage can also be found at Intesa Sanpaolo's website/Research/Regulatory disclosures: <https://group.intesasanpaolo.com/en/research/RegulatoryDisclosures/tp-and-rating-history--12-months->

Target price and market price trend (-1Y)**Historical recommendations and target price trend (-1Y)**

Initiation of coverage

Initiation of coverage

Equity rating allocations (long-term horizon: 12M)**Intesa Sanpaolo Research Rating Distribution (at July 2020)**

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

(*) Companies on behalf of whom Intesa Sanpaolo and the other companies of the Intesa Sanpaolo Group have provided corporate and investment banking services in the last 12 months; percentage of clients in each rating category

Valuation methodology (short-term horizon: 3M)

Our short-term investment ideas are based on ongoing special market situations, including among others: spreads between share categories; holding companies vs. subsidiaries; stub; control chain reshuffling; stressed capital situations; potential extraordinary deals (including capital increase/delisting/extraordinary dividends); and preys and predators. Investment ideas are presented either in relative terms (e.g. spread ordinary vs. savings; holding vs. subsidiaries) or in absolute terms (e.g. preys).

The companies to which we assign short-term ratings are under regular coverage by our research analysts and, as such, are subject to fundamental analysis and long-term recommendations. The main differences attain to the time horizon considered (monthly vs. yearly) and definitions (short-term 'long/short' vs. long-term 'buy/sell'). Note that the short-term relative recommendations of these investment ideas may differ from our long-term recommendations. We monitor the monthly performance of our short-term investment ideas and follow them until their closure.

Equity rating key (short-term horizon: 3M)

Short-term rating	Definition
LONG	Stock price expected to rise or outperform within three months from the time the rating was assigned due to a specific catalyst or event
SHORT	Stock price expected to fall or underperform within three months from the time the rating was assigned due to a specific catalyst or event

Company-specific disclosures

Intesa Sanpaolo S.p.A. and the other companies belonging to the Intesa Sanpaolo Banking Group (hereafter the "Intesa Sanpaolo Banking Group") have adopted written guidelines "Organisational, Management and Control Model" pursuant to Legislative Decree 8 June 2001 no. 231 (available at the Intesa Sanpaolo website, <https://group.intesasanpaolo.com/en/governance/leg-decree-231-2001>) setting forth practices and procedures, in accordance with applicable regulations by the competent Italian authorities and best international practice, including those known as Information Barriers, to restrict the flow of information, namely inside and/or confidential information, to prevent the misuse of such information and to prevent any conflicts of interest arising from the many activities of the Intesa Sanpaolo Banking Group, which may adversely affect the interests of the customer in accordance with current regulations.

In particular, the description of the measures taken to manage interest and conflicts of interest – related to Articles 5 and 6 of the Commission Delegated Regulation (EU) 2016/958 of 9 March 2016 supplementing Regulation (EU) No. 596/2014 of the European Parliament and of the Council with regard to regulatory technical standards for the technical arrangements for objective presentation of investment recommendations or other information recommending or suggesting an investment strategy and for disclosure of particular interests or indications of conflicts of interest as subsequently amended and supplemented, the FINRA Rule 2241, as well as the Financial Conduct Authority Conduct of Business Sourcebook rules COBS 12.4 - between the Intesa Sanpaolo Banking Group and issuers of financial instruments, and their group companies, and referred to in research products produced by analysts at Intesa Sanpaolo S.p.A. is available in the "Rules for Research " and in the extract of the "Corporate model on the management of inside information and conflicts of interest" published on the website of Intesa Sanpaolo S.p.A.

At the Intesa Sanpaolo website, webpage <https://group.intesasanpaolo.com/en/research/RegulatoryDisclosures/archive-of-intesa-sanpaolo-group-s-conflicts-of-interest> you can find the archive of disclosure of interests or conflicts of interest of the Intesa Sanpaolo Banking Group in compliance with the applicable laws and regulations.

Furthermore, we disclose the following information on the Intesa Sanpaolo Banking Group's conflicts of interest.

- One or more of the companies of the Intesa Sanpaolo Banking Group plan to solicit investment banking business or intends to seek compensation from Energica Motor Company in the next three months
- Intesa Sanpaolo acts as Specialist relative to securities issued by Energica Motor Company SPA

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