

# Triboo

Sector: Digital Services



## Analysts

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## Seeds planted. Ready to collect in 2H18

Triboo Group supports Italian corporates by providing eCommerce services and digital advertising / editorial solutions aimed at fully exploiting the opportunities of the digital revolution

### FY2018E back-end loaded

1H18 financials have been affected by non recurring items, namely capital gain on disposals and one off expenses to transfer to MTA stock market, finalized in June. In details:

- ◆ Net Revenues were substantially stable while Value of Production was up +7.5% YoY. Advertising division rebounded and eCommerce division remained flat;
- ◆ Reported EBITDA was up 25% YoY, (-25% on Adj. basis). EBITDA margin is still satisfactory at 15.9% level, 9.5% on Adj. basis;
- ◆ Net Debt reduced to €3.2mn from €7.1mn thanks to positive OpFCF and disposals.

Among recent developments, we highlight: 1) Ongoing internationalization process with East Media acquisition and Triboo Direct Spain opening, 2) strategic agreement with Arvato aimed at reducing logistics costs, 3) approval of a 18 months buyback up to 20% of the share capital, 4) acquisition of Net2b from Antonioli.

### Estimates on FY18E-19E slightly revised down

2018FY should be a “back end loaded” year, with several online stores starting to generate revenues in 2H18E, e.g. Aeffe Group online stores. That said, we are lowering our 2018E top-line forecasts by roughly 5% and 2018E EBITDA by -4%.

### Recap on opportunities and risks

Among the positives we appreciate: 1) arising cross-selling opportunities between the two divisions, 2) upcoming Extra-EU sales boost thanks to new Triboo Shangai opening, 3) M&A activity to consolidate the competitive positioning. Among the main risks, we highlight a possible increasing competitive scenario in the ecommerce service business and a potential disintermediation of Media agencies and Advertising concessionaries.

### Fair Value at €3.00 per share (down from previous €3.45)

We update our valuation on Triboo at **€3.00 fair value per share**, down vs. the previous €3.45, incorporating both a reduction in eCommerce peers' multiples and a higher WACC for DCF due to higher implied Italian Equity Risk Premium.

<b>Fair Value (€)</b>	<b>3.00</b>
<b>Market Price (€)</b>	<b>1.88</b>
<b>Market Cap. (€m)</b>	<b>54.1</b>

KEY FINANCIALS (€m)	2017A	2018E	2019E
NET REVENUES	65.3	67.8	81.7
EBITDA	7.7	9.7	12.5
EBIT	1.9	3.7	4.6
NET PROFIT	1.4	2.7	2.7
EQUITY	35.7	37.4	38.9
NET FINANCIAL POS.	-7.1	-5.8	-3.6
EPS ADJ. (€)	0.09	0.02	0.09
DPS (€)	0.03	0.04	0.05

Source: Triboo (historical figures),  
Value Track (2018E-19E estimates)

RATIOS & MULTIPLES	2017A	2018E	2019E
EBITDA MARGIN (%)	11.8%	14.3%	15.3%
EBIT MARGIN (%)	2.9%	5.5%	5.6%
NET DEBT / EBITDA (x)	0.9	0.6	0.3
NET DEBT / EQUITY (%)	-19.9%	-15.6%	-9.4%
EV/EBITDA (x)	9.2	6.2	4.6
EV/EBIT (x)	37.8	16.2	12.5
P/E ADJ. (x)	25.4	nm	19.9
DIV YIELD (%)	1.6%	2.1%	2.7%

Source: Triboo (historical figures),  
Value Track (2018E-19E estimates)

### STOCK DATA

FAIR VALUE (€)	3.00
MARKET PRICE (€)	1.88
SHS. OUT. (m)	28.3
MARKET CAP. (€m)	54.1
FREE FLOAT (%)	31.9
AVG. -20D VOL. (#)	50,200
RIC / BBG	TB.MI / TB.IM
52 WK RANGE	1.4-3.4

Source: Stock Market Data



## Business Description

Triboo is a young digital company that provides Italian corporates with eCommerce consulting / outsourcing support and digital advertising services, also through direct online editorial content production.

As such, Triboo can be defined as a digital ecosystem enabler helping companies at 360 degrees in their effort to maximise opportunities provided by the digital revolution.

## Key Financials

€mn	2017A	2018E	2019E
<b>Net Revenues</b>	<b>65.3</b>	<b>67.8</b>	<b>81.7</b>
Chg. % YoY	5.3%	3.9%	20.4%
<b>Value of Production</b>	<b>67.7</b>	<b>70.5</b>	<b>81.7</b>
<b>EBITDA</b>	<b>7.7</b>	<b>9.7</b>	<b>12.5</b>
EBITDA Margin (% of Net Revenues)	11.8%	14.3%	15.3%
<b>EBIT</b>	<b>1.9</b>	<b>3.7</b>	<b>4.6</b>
EBIT Margin (% of Net Revenues)	2.9%	5.5%	5.6%
<b>Net Profit</b>	<b>1.4</b>	<b>2.7</b>	<b>2.7</b>
Chg. % YoY	-62.6%	nm	-0.2%
<b>Adjusted Net Profit</b>	<b>2.5</b>	<b>0.7</b>	<b>2.7</b>
Chg. % YoY	-35.6%	-71.5%	nm
<b>Net Fin. Position</b>	<b>-7.1</b>	<b>-5.8</b>	<b>-3.6</b>
Net Fin. Pos. / EBITDA (x)	0.9	0.6	0.3
Capex	-7.8	-8.5	-8.0
<b>OpFCF b.t.</b>	<b>0.5</b>	<b>1.6</b>	<b>5.2</b>
OpFCF b.t. as % of EBITDA	6.8%	17.0%	41.9%

Source: Triboo SpA (historical figures), Value Track (estimates)

## Investment case

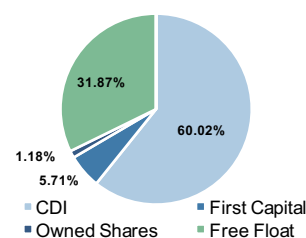
### Strengths / Opportunities

- ◆ eCommerce Service Provisioning business is highly scalable, sustained by revenue-sharing agreements, free of credit / inventory / faulted goods risks and exposed to Made in Italy success, now also in China;
- ◆ Media business leverages on wide / competitive editorial content and cutting edge technology (programmatic advertising).

### Weaknesses / Risks

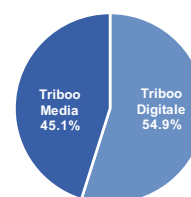
- ◆ Competition in the eCommerce service provision is increasing;
- ◆ Disintermediation of Media agencies and Advertising concessionaries.

## Shareholders structure



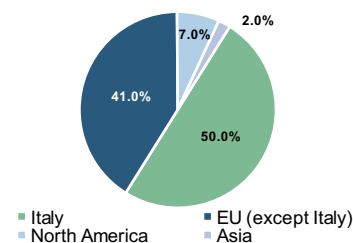
Source: Triboo SpA

## 2018E Sales breakdown by divisions



Source: Triboo

## TBD sales breakdown by geography



Source: Triboo

## Stock multiples @ €3.00 Fair Value

	2018E	2019E
EV / SALES (x)	1.4	1.1
EV / EBITDA (x)	9.5	7.2
EV / EBIT (x)	24.9	19.5
EV / CAP.EMP. (x)	2.1	2.2
OpFCF Yield (%)	1.6	5.5
P / E (x)	nm	31.8
P / BV (x)	2.3	2.3
Div. Yield. (%)	1.3	1.7

Source: Value Track

## Triboo business profile in a nutshell

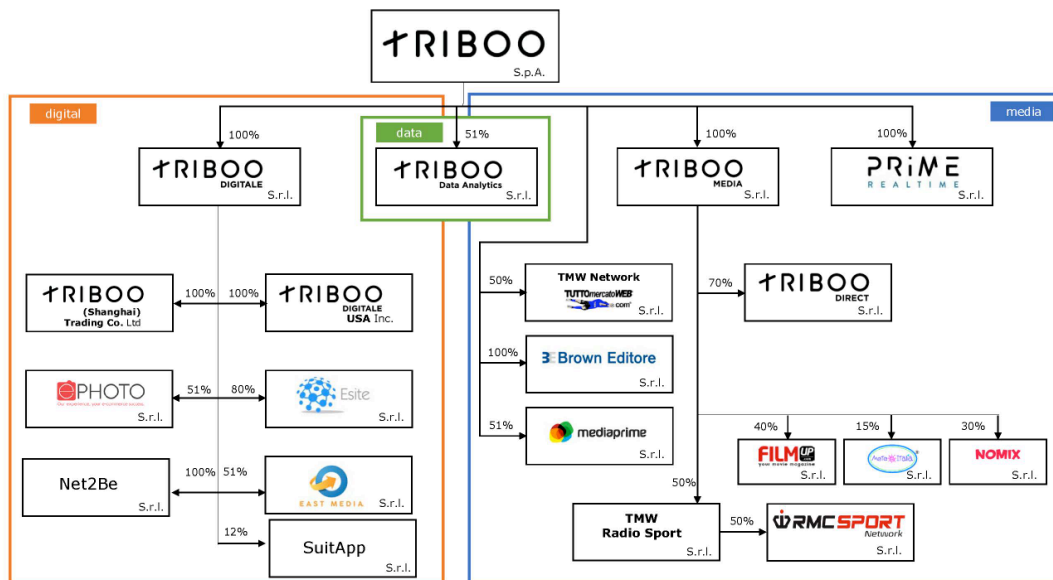
Triboo has recently moved from AIM Italia to MTA Stock Exchange. Somehow we could say that the company is “new” to the official Italian Stock market. As such, a brief business description is deserved in order to highlights the features of Triboo’s business model.

### Triboo: unique digital ecosystem supporting corporates digital business

Triboo group is a B2B player offering to its clients an integrated and synergic range of services aimed at helping them to succeed in the digital world.

More specifically, Triboo is divided into **two main units** respectively dedicated to eCommerce business (**Triboo Digitale**) and Online Publishing / Advertising collection (**Triboo Media**). Both units exploit the skills of **Triboo Data Analytics**, active in both Digital and “Offline” data analytics perimeter with the aim to interpret digital data to explain online-offline retail clients’ behaviour thus driving higher eCommerce sales and higher online advertising budgets.

### Triboo Group Structure



Source: Company Presentation

### Triboo Digitale (€39mn Revenues 2017A): Low risk-high return model

Triboo Digitale acts as a “one-stop-shop” eCommerce Service Provider that currently manages **ca. 100 third-party producers’ online stores**.

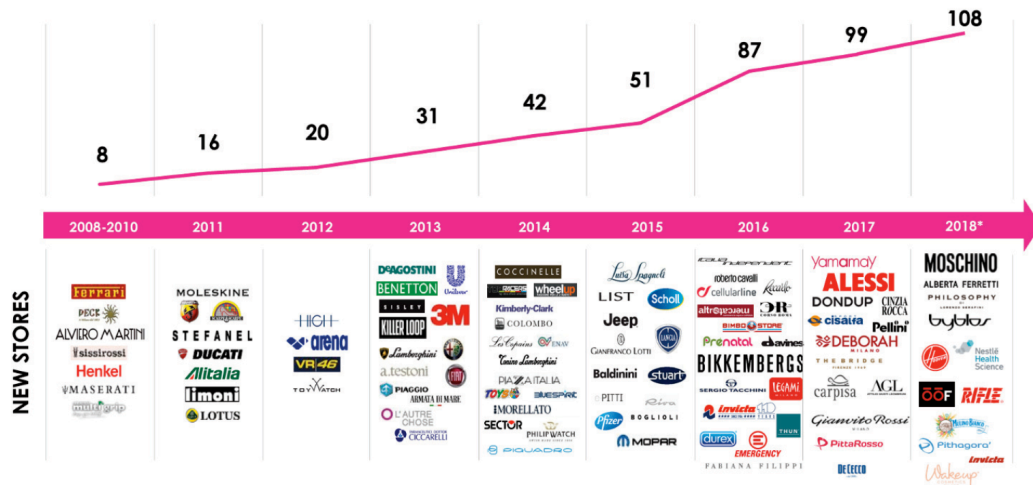
The company signs with its clients-partners **multi-year contracts** (from one to three years) offering not only marketing and strategic advisory services but also a **full outsourcing management of online sales activities** such as:

- ◆ Definition of online store development plans and implementation of online payment gateways;
- ◆ Management of online stores web presence and media activity;
- ◆ Logistics and shipping activities;
- ◆ Post-sales customer care.

### Riding the eCommerce disruption, now also in China

Through its technological platform, Triboo Digitale covers all clients-partners' eCommerce needs, executing more than **700.000 orders per year** and generating more than **€81mn Gross Merchandise Value**, of which ca. 45% cross-border, with material economies of scale.

#### Triboo – Managed mono-brand online stores



Source: Company Presentation

Despite being a business support agent and not the producer of services or products sold over the Internet, Triboo Digitale has a **direct and positive exposure to the growth of eCommerce business** of its clients-partners. Indeed, the company charges to its clients-partners several fees:

- ◆ **One-off set up fee**, aimed at covering costs for the design and roll out of a new online store;
- ◆ **Additional one-off fees**, related to additional activities such as Performance and Media Marketing, Digital Agency, Management of marketplace activity, Photo shooting of goods;
- ◆ **Recurring fees**, based on revenue-share agreements i.e. Triboo Digitale earns a percentage of Gross Merchandise Value (GMV) collected on the managed online stores.

As an effect of the above-mentioned fees, Triboo Digitale's revenues grow both driven by the number of stores managed and by the overall amount of online retail sales generated by these stores. Triboo Digitale has an **exclusivity mandate for selling partners' products on their web channels**.

The group is now expanding beyond European boundaries. The newly established Triboo Shanghai, aims to sustain the development of clients eCommerce channel in China through the management of orders, logistic, customer-care management on main Chinese marketplaces. This newco has been **certified by Alibaba as unique Italian Tmall partner to ease the crossborder sales**.

#### Low-risk business model

Triboo Digitale sells partners' goods on consignment through its own logistics facilities. Acting as an agent, the company benefits from the following positive business model features:

- ◆ **No credit risk**. Triboo buys the goods from partners only when the online user sends the order and collects its money as the order is confirmed;
- ◆ **No inventory risk**. Triboo is not responsible for the unsold products. On behalf of partners, Triboo can manage the sale on other channels or implement discount policies;
- ◆ **No faulted goods risk**. Triboo is the service provider, manages the returned stuff, but is not responsible for defects on products unless damages are due to shipping and logistics operations.

## Triboo Media (€28.6mn Revenues 2017A)

Triboo Media division operates in the digital space of the Italian media industry, offering such a wide range of advertising-related services and editorial content production / provisioning that only a few players are able to replicate it in Italy.

### Advertising services

Triboo Media is able to cover the whole advertising campaign lifecycle of its clients combining branding, performance, native and programmatic services.

Operations are planned and supervised by the proprietary software **Juice AdServer**, which tracks publisher results, and optimises web traffic in order to enhance the conversion rates of the advertising campaign. More and more, Triboo Media is adopting a “two tails” way of running Ad business i.e. :

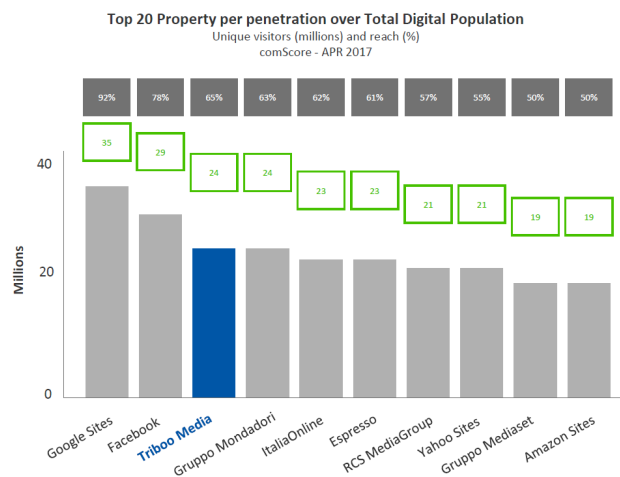
- ◆ On one side, the exploitation of “**programmatic driven**” advertising services dedicated to the long tail of the market characterised by low margin high volumes of ads;
- ◆ On the other side, the improvement of its editorial standing in order to become a **premium editor** capable to provide advertisers with tailor-made solutions and high-quality visibility.

### Multichannel Publisher

The company, leveraging on a network of **17 vertical integrated web properties**, 18 with Blogo acquisition, is able to produce over 18bn web pages and reach a notable audience. According to Comscore, **Triboo Media ranks as 3<sup>rd</sup> property per penetration with 65% reach and 24mn unique visitors**.

As far as the editorial product is concerned, Triboo Media either internally produces it or acquires it from third parties. In this latter case, the relationship with suppliers is regulated by multi-year contracts (from three to ten years) and based on revenue share formula on collected advertising sales.

## Triboo Media: Editorial portfolio Brands and penetration



Source: Triboo

## Data Analytics: the crucial part of the puzzle

Users generated data provide valuable insights to clients / partners, as they allow clustering information in order to know client behavioural features. That’s why since the early months of 2017, **Triboo Data Analytics** is active in both Digital and “Offline” Analytics perimeter with the aim to increase conversion rates by interpreting digital data to explain online-offline retail clients’ behaviour.

## Valuation

Taking into account 1H18 figures and revised forecasts on one side and updated sector multiples / DCF results lead us to set a **fair value at €3.00 per share**, down from the previous €3.45 calculated in our Flash Note published back on May 2018. Such a fair value is determined as an average of multiple-based valuation and discounted cash flow one.

### Triboo: Sensitivity of implicit stock trading multiples in the €2.00 - €4.00 share price range

Market Price (€ per share)	Enterprise Value		EV / EBITDA (x)		EV / EBIT (x)		P / BV (x)(*)	
	2018E	2019E	2018E	2019E	2018E	2019E	2018E	2019E
€ 2.00	63.4	61.2	6.5	4.9	17.1	13.3	1.5	1.5
€ 2.50	77.8	75.6	8.0	6.0	21.0	16.4	1.9	1.8
<b>€ 3.00</b>	<b>92.2</b>	<b>90.0</b>	<b>9.5</b>	<b>7.2</b>	<b>24.9</b>	<b>19.5</b>	<b>2.3</b>	<b>2.2</b>
€ 3.50	106.6	104.4	11.0	8.3	28.8	22.6	2.7	2.6
€ 4.00	121.0	118.8	12.5	9.5	32.7	25.8	3.1	3.0

Source: Value Track Analysis

(\*) ROE 2018A-19E at 7.3% and 7.0% respectively

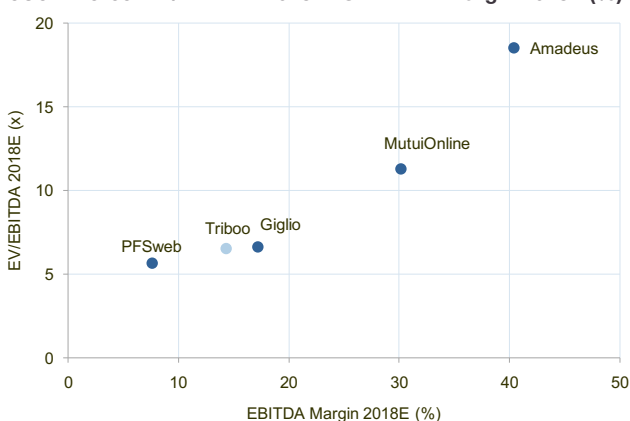
### S-o-P valuation built on peers stock multiples leads to €3.02 per share

Based on market consensus figures, we underline that stock trading multiples of Triboo Digitale comparables have decreased from our latest in-depth report, in particular Giglio Group's ones. We highlight that we removed Yoox from our analysis after its delisting. On the media peers, we introduced Portobello, a bartering company recently listed on the AIM market. For further details on peers descriptions and relative industrial performance please refer to our Initiation of Coverage published in November 2017.

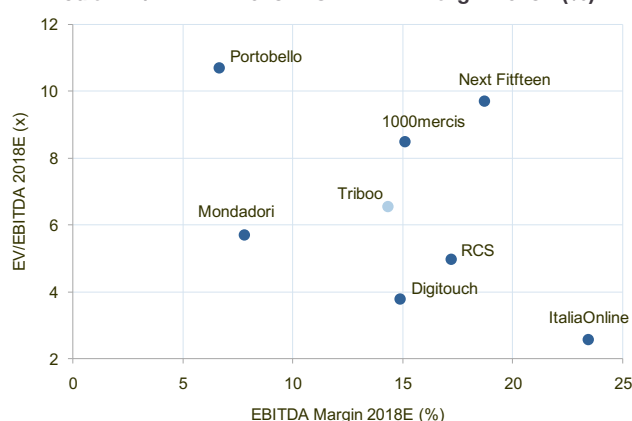
Companies sharing with Triboo Digitale an exposure on eCommerce services growth are still trading at higher multiples than Media ones.

### Triboo Group: Peers' Value Maps

eCommerce: EV/EBITDA 2018E vs EBITDA Margin 2018E (%)



Media: EV/EBITDA 2018E vs EBITDA Margin 2018E (%)



Source: Market Consensus, Value Track Analysis

**Triboo Digitale Business Unit: Peers' stock trading multiples**

Company	EV / EBITDA (x)		EV / EBIT (x)		P / E (x)		EV / OpFCF (x)(*)	
	2018E	2019E	2018E	2019E	2018E	2019E	2018E	2019E
PFSweb	5.7	5.1	9.4	9.3	nm	24.1	6.8	8.0
Giglio Group	6.6	5.3	15.8	10.1	18.2	11.4	20.1	11.7
Amadeus	18.6	16.9	25.7	23.4	34.4	31.5	27.6	25.1
MutuiOnline	11.3	9.4	13.1	10.6	21.0	18.4	11.5	9.6
<b>Average</b>	<b>10.5</b>	<b>9.2</b>	<b>16.0</b>	<b>13.3</b>	<b>24.5</b>	<b>21.4</b>	<b>16.5</b>	<b>13.6</b>
<b>Median</b>	<b>9.0</b>	<b>7.4</b>	<b>14.5</b>	<b>10.3</b>	<b>21.0</b>	<b>21.3</b>	<b>15.8</b>	<b>10.6</b>

Source: Market Consensus, Value Track Analysis

(\*) OpFCF defined as (EBITDA-CAPEX) / Enterprise Value

**Triboo Media Business Unit: Peers' stock trading multiples**

Company	EV / EBITDA (x)		EV / EBIT (x)		P / E (x)		EV / OpFCF (x)(*)	
	2018E	2019E	2018E	2019E	2018E	2019E	2018E	2019E
ItaliaOnline	2.6	2.3	5.7	4.4	11.3	9.3	2.0	3.2
Next Fifteen Communication	9.7	8.6	11.0	9.7	14.5	13.4	10.7	9.4
1000mercis	8.5	7.2	12.8	9.9	20.8	16.7	54.7	29.1
Portfobello	10.7	7.0	10.7	7.0	19.6	13.0	15.3	9.5
Digitouch	3.8	2.8	8.4	5.5	13.4	8.4	6.5	4.1
Arnoldo Mondadori Editore	5.7	4.8	9.3	7.2	15.6	10.7	7.3	6.1
RCS Mediagroup	5.0	4.3	6.7	5.5	5.4	4.7	6.6	5.8
<b>Average</b>	<b>6.6</b>	<b>5.3</b>	<b>9.2</b>	<b>7.0</b>	<b>14.4</b>	<b>10.9</b>	<b>14.7</b>	<b>9.6</b>
<b>Median</b>	<b>5.7</b>	<b>4.8</b>	<b>9.3</b>	<b>7.0</b>	<b>14.5</b>	<b>10.7</b>	<b>7.3</b>	<b>6.1</b>

Source: Market Consensus, Value Track Analysis

(\*) OpFCF defined as (EBITDA-CAPEX) / Enterprise Value

Since we slightly lowered our expectations for Triboo Digitale and the average multiple decreased, we deem appropriate lowering our EV/EBITDA fair multiple for Triboo Digitale from 10x to 8.5x. On the other hand, we keep our 6x EV/EBITDA fair multiple for Triboo Media. As 2018 should only partially reflect the positive effect of new clients in the Digital division (i.e. Aeffe with its five brands) and of bug fixing in the Media one, we apply such multiples to FY19 forecasts.

Applying such "fair" multiples to Triboo's financial estimates of the two underlying businesses, net of Holding Costs, we get a **€3.02 per share multiples based Sum-Of-the-Parts value**.

**Triboo Group: Sum-of-the-Parts valuation**

Company	EV (€mn)	EV p.s. (€)	Valuation Method
Triboo Digitale	66.8	2.3	8.5x EV/EBITDA 2019E
Triboo Media	33.9	1.2	6x EV/EBITDA 2019E
Holding Costs	-8.0	-0.3	€1mn holding costs @ 8x multiple
<b>Total Enterprise Value</b>	<b>92.7</b>	<b>3.22</b>	
-Net Fin. Pos. 2018E	-5.8	-0.20	
<b>Sum-of-the-parts Value</b>	<b>86.9</b>	<b>3.02</b>	

Source: Value Track Analysis

### DCF valuation leads to €2.97 per share

We hereby provide a Triboo's DCF valuation with our updated estimates and WACC assumptions. For further details on the model please refer to our Initiation of Covered published back as of November 2017.

Our updated WACC calculation of 10.3%, up from 9.1% mostly due to higher Equity Risk Premium, is based on the following assumptions:

- ◆ 2% risk-free rate to reflect medium-term target inflation;
- ◆ 1.15 levered beta (prev. 1.0 unlevered);
- ◆ 7.89% (prev. 6.68%) Equity Risk Premium obtained considering an implied US ERP of 4.68% as of April 1st, 2018 and the relative returns' standard deviation of the US and Italian markets;
- ◆ 1.0% liquidity premium which we are keen in removing once the company grows more than our expectation for 2018E;
- ◆ 4.5% pre-tax cost of debt implicitly calculated taking into account the above-mentioned 2% risk free rate to which we add 2.5% credit spread since Triboo's has no more a Net Cash position;
- ◆ 20% Leverage Structure.

Overall, we derive a **€2.97 per share "base case" DCF value.**

#### Triboo Group: Discounted Cash Flow Model Summary Table

€mn	
PV of future cash flows FY18E-FY27E	40.7
PV of Terminal value with PGR at 2%	50.6
<b>Fair Enterprise value</b>	<b>91.3</b>
Implied EV/EBITDA 2018E (x)	9.4 x
Net Financial Position 2018E	-5.8
<b>Fair Equity value (€mn)</b>	<b>85.4</b>
<b>Fair Equity Value per share (€)</b>	<b>2.97</b>

Source: Value Track Analysis

#### Triboo Group: Fair Equity Value p.s. Sensitivity Analysis

		Perpetuity Growth Rate				
		1.50%	1.75%	2.00%	2.25%	2.50%
WACC	9.8%	3.09	3.15	3.21	3.28	3.36
	10.0%	2.97	3.03	3.09	3.15	3.22
	10.3%	2.86	2.92	<b>2.97</b>	3.03	3.09
	10.5%	2.76	2.81	2.86	2.92	2.97
	10.8%	2.67	2.71	2.76	2.81	2.86

Source: Value Track Analysis

As we said before, our estimated WACC takes into account a 1.0% liquidity premium which we are keen in removing once the company grows in line with our expectation for 2018E. Removing such 1% liquidity premium would lead to a 9.3% WACC corresponding to €3.47 fair value per share i.e. some €0.50 higher than our current base case.



## Triboo: 1H18 financial performance

Triboo Group has reported its 1H18 figures according to **IFRS 15** “Revenue from contracts with customers” accounting principle, which became mandatory from 1<sup>st</sup> January 2018. This means that **Triboo Digitale’s Top line is calculated on a net basis**, i.e. not the Gross Merchandise Value (GMV) but directly the fee pertaining to the company.

### Triboo Group: 1H18A Key Financials at a glance

- ◆ **€31.2mn Net Revenues**, down 1.1% YoY vs. 1H17A;
- ◆ **€34.0mn Value of Production**, up +7.5% YoY;
- ◆ **€5.0mn Reported EBITDA (€3.3mn adj.)** up 24.3% YoY vs. 1H17. The Group benefitted from €2mn non recurring items impact. Gross of this effect, EBITDA suffered mainly from expected increase in logistics costs;
- ◆ **€1.6mn Net Profit (€-0.4mn Adjusted Net Profit)** doubled YoY thanks to non recurring items;
- ◆ **€3.2mn Net Debt position** from €7.1mn as of FY17A, supported by NCW cash generation and disposals.

### Triboo Group: Evolution of 1H17 – 1H18 Key Financials

(€mn)	1H17FY	2H17FY	1H18FY	Change YoY
Net Group Revenues	31.6	33.7	31.2	-1.1%
Value of Production	31.6	34.8	34.0	7.5%
<b>EBITDA</b>	<b>4.0</b>	<b>3.7</b>	<b>5.0</b>	<b>24.3%</b>
As a % of Net Revenues	12.6%	11.0%	15.9%	3.3%
<b>EBIT</b>	<b>1.3</b>	<b>0.6</b>	<b>1.9</b>	<b>46.8%</b>
As a % of Net Revenues	4.1%	1.7%	6.1%	
<b>Net Profit</b>	<b>0.7</b>	<b>0.6</b>	<b>1.6</b>	<b>nm</b>
<b>Net Profit Adj.</b>	<b>1.2</b>	<b>0.6</b>	<b>-0.4</b>	<b>nm</b>
<b>Net Financial Position</b>	<b>-1.4</b>	<b>-7.1</b>	<b>-3.2</b>	<b>nm</b>

Source: Triboo Group, Value Track analysis

In our view, the **key messages** of FY17 figures are as follows:

1. **Revenues.** TBD temporary stagnating, but TBM recovered.
2. **Profitability.** Satisfactory reported profitability, but high impact of non recurring items;
3. **Balance Sheet.** Equity unchanged, Net Financial Position almost neutral;
4. **OpFCF.** Cash generation from NWC, but demanding Capex.

### 1. Revenues. Almost unchanged

Group Revenues IFRS 15 compliant down 1% YoY to €31.2mn in 1H18 with the two divisions contributing in opposite ways. Value of Production up 3.1% thanks to Other Revenues, which mainly includes Friendz disposal.

### Triboo Group: 1H17 – 1H18 Revenues Breakdown

(€mn)	1H17FY	1H18FY	Change YoY
Triboo Digitale	19.0	17.9	-5.7%
Triboo Media	13.7	14.8	7.9%
Elisions	-1.1	-1.4	34.6%
<b>Net Revenues</b>	<b>31.6</b>	<b>31.2</b>	<b>-1.1%</b>
Other Revenues	0.0	2.7	nm
<b>Value of Production</b>	<b>31.6</b>	<b>34.0</b>	<b>7.5%</b>

Source: Triboo Group, Value Track analysis

### Triboo Digitale: several stores going live but impacting from 2H18

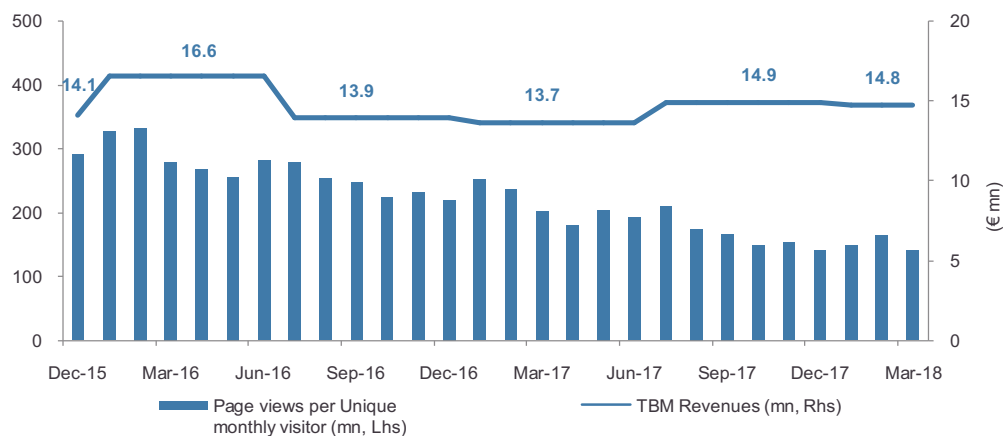
Number of online stores managed kept growing regularly and new net additions are expected in the current year.

TBD Revenues down -5.7% YoY to €17.9mn, 47% of the Group Revenues. As mentioned back in April 2018, Triboo Revenues were impacted by the loss of Benetton, which contributed to some €20mn GMV, and Ferrari clients. Despite some delays, TBD is currently working on several stores going live, among which we underline the 5 of Aeffe group. These stores are expected to start contributing from 2H18.

### Media: recovery in place

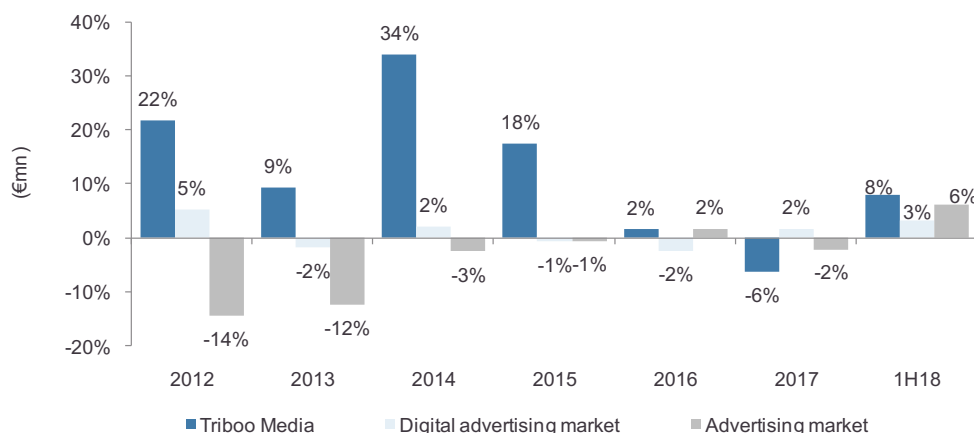
After a slowdown in the last semesters, in 1H18 TBM Revenues increased to €14.8mn from €13.7mn (+7.3% YoY), both thanks to a recovery in the reference market and a bug fixing action by the management, aimed at **restoring stable top management relationships** with main Media Centres and on **sales force restructuring**, nearly doubled from 1H17. These measures allowed lower dependence on Media Agency and, in turn, higher pricing power.

### Triboo Media - Revenues evolution compared to Total Digital Audience



Source: Audiweb, Company Data, Value Track analysis

**Triboo Media – Digital Advertising Market Revenues YoY Changes (%)**



Source: Company Presentation, Audiweb

**2. Overall satisfactory profitability, but high impact of Non Recurring Items**

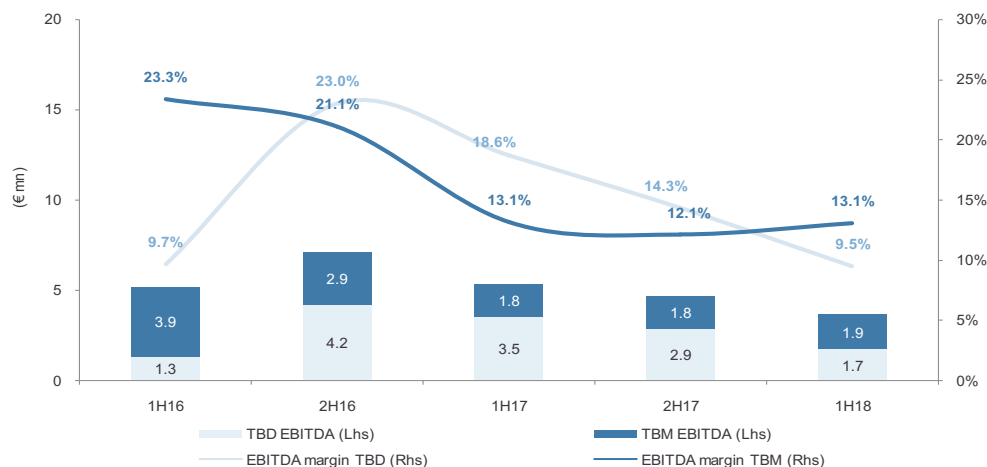
Group 1H18 Reported EBITDA was €5mn +24.5% YoY (1H17 €4.0mn), affected positively by Friendz disposal for €2.6mn and negatively for €0.3mn by non recurring costs related to the move onto MTA Stock Exchange. EBITDA Adj. down -25% YoY €3.6mn vs. €4.5mn in 1H17, due to TBD division.

Weak Revenues, along with higher Logistics costs, halved TBD EBITDA to €1.7mn in 1H18 from €3.5mn in 1H17. As far as Logistics costs are concerned, we underline that the Group closed an agreement with the logistics supplier Arvato (Bertelsmann Group), which should drive savings from 4Q18.

On the other hand, TBM EBITDA up +7.6% YoY to €1.9mn, following Revenues increase but with unchanged 13.1% EBITDA Margin.

As far as the EBIT is concerned, there was an increase in 1H18, €1.9mn vs. €1.3mn in 1H17, mainly driven by non recurring income.

**Triboo: EBITDA (Gross of intragroup elisions) and EBITDA margin\* evolution by Divisions**



\*Margins are calculated as % on Sales

Source: Audiweb, Company Data, Value Track analysis

### 3. Equity Unchanged, close to neutral Net Debt Position

In 1H18A, we see a relevant reduction in Working Capital thanks to a non recourse factoring transaction, which regared ca. €2.8mn VAT credits generated by domestic purchases and sales of foreign traffic from Prime Real Time. As a result, NWC decreased from €-9.5mn in 2H17 to €-12.8mn in 1H18. Intangibles increased YoY by €3.9mn to €46,1mn, driven by €3.1 increased in Capitalized Costs. Net of these effects, Net Debt decreased from €7.1mn to €3.2mn. Low leverage, below 1x Net Debt/EBITDA could support further M&A deals.

#### Triboo Group: 1H17A – 1H18A Key Balance Sheet Items

(€mn)	1H17A	2H17A	1H18A
Working Capital	-7.0	-9.5	-12.8
As a % of Sales	-22.2%	-28.2%	-41.0%
Net Fixed Assets	46.5	52.3	54.9
Provisions	-2.5	0.0	-3.0
<b>Total Capital Employed</b>	<b>37.1</b>	<b>42.8</b>	<b>39.2</b>
As a % of Sales	0.6	0.6	0.6
<b>Group Net Equity</b>	<b>35.7</b>	<b>35.7</b>	<b>35.9</b>
<b>Net Fin. Position [i.e. Net Debt (-) Cash (+)]</b>	<b>-1.4</b>	<b>-7.1</b>	<b>-3.2</b>

Source: Triboo Group, Value Track analysis

### 4. Positive cash generation, but demanding Capex

As mention above, EBITDA increased in 1H18 to €5mn vs. €4mn as of 2H17. NWC generated €2.5mn. We highlight Capex is keep increasing as Triboo is heavily investing in its technological platforms. As of 1H18, Capex amounted €5.4mn, almost entirely due to investments in Intangibles. Net of these impacts, OpFCF a.t. were €2.4mn vs. €0.2mn in 1H17. To conclude, we underline Triboo collected €1.8mn from the sale of Independent Ideas stake, which we included in Other.

#### Triboo Group: 1H17A – 1H18A Key Cash Flow Items

(€mn)	1H17A	2H17A	1H18A
<b>EBITDA</b>	<b>4.0</b>	<b>3.7</b>	<b>5.0</b>
Op. WC requirements	0.0	0.3	2.5
Capex	-3.5	-4.2	-5.4
Change in provisions / Other	0.2	0.1	0.3
Cash Taxes	-0.4	-0.4	-0.1
<b>OpFCF a.t.</b>	<b>0.2</b>	<b>-0.5</b>	<b>2.4</b>
As a % of EBITDA	0.1	-12%	47%
Cash Net Financial Charges	-0.1	0.5	0.0
Dividend paid	-2.1	0	-1.0
Other (incl. Fin. Inv./ Disinv.)	-3.5	-5.7	2.5
<b>Change in Net Fin Position</b>	<b>-5.6</b>	<b>-5.7</b>	<b>3.9</b>

Source: Triboo Group, Value Track analysis

## Update on recent developments

Apart from 1H18 financial figures, we believe three recent moves of the Group are worthy being mentioned. We refer to the acquisition of two players, a digital advertising player and a eCommerce platform, and the internalization process which regards both the advertising and eCommerce businesses.

### Net2B acquisition (Aug-2018)

Net2B is technological platform of the New Guards Group (more than €200mn Revenues in 2018E), which includes luxury brands such as Antonioli, Off-White, Marcelo Burlo. We consider this acquisition interesting for the opportunities it could unlock with Antonioli Group.

### East Media acquisition (Jul-2018)

East Media is the first Italian company with a clear focus on Digital & Social Media Marketing for China, Russia and South Korea. Counting on ca. 15 people from China and Russia, East Media already offers DEM services to notable clients, such as Brembo and Pinko. This acquisition widens Triboo's offering towards foreign countries.

#### Selected East Media Clients



Source: Net2B

### Performance Advertising expansion plan in Europe (Jul-2018)

Triboo announced an expansion plan for Performance Marketing activities through Triboo Direct, the division focused on lead generation services with emails, social media, performance display and sms. With only one year of activity, Triboo Direct division is growing rapidly and has already managed over 200 campaigns. Triboo Direct just announced the opening in Spain and another country opening is expected by the end of the year.

### Moschino launches eCommerce platform in China (Ago-2018)

Moschino, Aeffe Group, successfully launched its Tmall eCommerce platform in China. Thanks to the cooperation of Triboo Shanghai and East Media, Triboo accelerated Moschino opening to the Chinese market by taking care of all the aspects to improve the user experience, the eStore management and customer care. Aside the direct benefits, we see this news could encourage other clients to open up their businesses to the Chinese market.

## Reference markets update

### eCommerce: Italy set to converge to other main European Countries

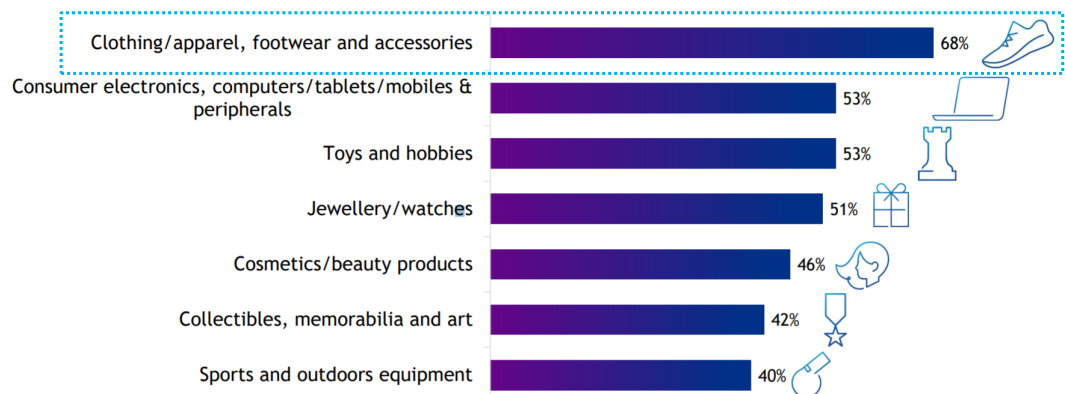
In our previous updates, we underlined how Italy, despite being laggard if compared to more mature countries from the point of view of eCommerce development, is sharing with other countries the secular trend of progressive shift of retail sales from offline to the online channel.

This view is confirmed by preliminary 2018 figures. Focusing on B2C segment, eCommerce turnover in Italy is showing **relentless growth**: +16% YoY in 2015, +18% YoY in 2016, **+17% YoY and is expected to grow +13% in 2018** to over €27mld (Source: Osservatorio Digital Innov. della School of Management. del POLIMI, Netcomm).

After having exceeded Services sales, Products are still growing faster (+25%) than Services (+6%), driven by clothing and electronics. This could be a positive catalyst for Triboo clients, many of which are luxury brands.

#### Percentage of cross border shopping in each category

Top cross-border categories among all online shoppers surveyed\*  
(% of x-border shoppers shopping x-border in each category)



Source: PayPal

Moreover, the mix is gradually converging to the one of the most developed markets where products account for ca. 70% of the sales, driven by:

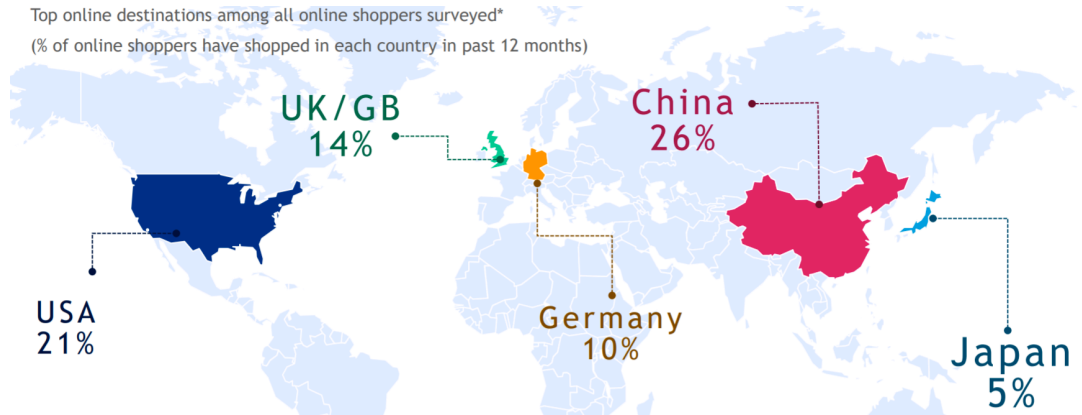
- ◆ Agreements between giant marketplaces;
- ◆ Technological innovation such as vocal assistants and Chabot;
- ◆ Boom of key recurring events (Single Day, Black Friday and Cyber Monday).

As an effect, **Italian online sales account for 6.5% (5.7% in 2017, 4.9% in 2016) of total retail purchases in 2018** well below other European countries where eCommerce incidence is around 15%.

Another trend we highlighted was the one related to the **increasing percentage of Italian services / products sold online not only on a domestic basis but also abroad**. According to the *Osservatorio*, export beyond the Italian boundaries was worth €3.5bn in 2017 and accounted for only 16% of total online sales and was mainly directed towards France, Germany and UK. This is quite common to other European countries, as Eurostat calculates that less than 20% of online clients have finalized a purchase from another European country so far, but the percentage of cross-border sales should continuously increase its weight, especially towards **countries with strong brands, such as Italy and France**.

Outside Europe, **cross border sales are mainly driven by China and the US**, with 26% and 21% cross border transactions out the total, followed by the UK and Germany, with 14% and 10% respectively. From the considerations above, it becomes clear that Triboo’s efforts to support cross border eCommerce, especially in China where established Triboo Shanghai, makes a lot of sense.

### Cross-border destination for online purchases



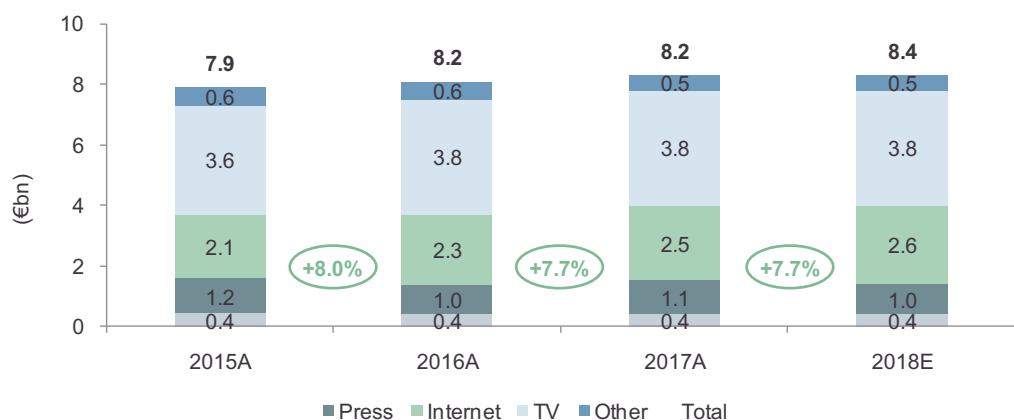
Source: PayPal

### Italian eMedia / eAdvertising market rebounding from its lows

Italian advertising market continued the reversal begun in 2H17 and closed the first semester at +1.8%. As always, such a rebound was driven by a more robust stance of Italian economy with several upward revisions of GDP growth, now pointing to +1.3% in 2018.

As far Web advertising is concerned, it grew in 1H18 overall by 7.9% YoY. However, isolating the effects of Search and Social **digital advertising grew +3.3% YoY** (it was -1.7% YoY in 1H17), which supported Triboo advertising collection. On the one hand, the sector benefited from Football World Championship. On the other hand, uncertainties regarding political instability prevented many investments.

### Italian Advertising Market in 2015-2018E



Source: Nielsen, Value Track analysis

## Update of 2018E-19E forecasts

We have slightly revised our 2018E financial forecasts (lowered revenues in TBD and Friendz capital gain moved from Extraordinary items to Other Revenues), while keeping unchanged 2019E ones.

### Profit & Loss

#### Triboo Group: FY18E-19E Key Financial Estimates

(€mn)	2017A	2018E		2019E	
		New	Old	New	Old
Net Revenues	65.3	67.8	70.1	81.7	81.7
Value of Production	67.7	70.5	72.4	81.7	84.0
<b>EBITDA</b>	<b>7.7</b>	<b>9.7</b>	<b>10.4</b>	<b>12.5</b>	<b>12.5</b>
<b>EBIT</b>	<b>1.9</b>	<b>3.7</b>	<b>3.4</b>	<b>4.6</b>	<b>4.6</b>
Pre tax profit	2.1	3.4	3.1	4.3	4.3
<b>Net profit</b>	<b>1.4</b>	<b>2.7</b>	<b>2.0</b>	<b>2.7</b>	<b>2.7</b>
<b>Adjusted Net Profit</b>	<b>2.5</b>	<b>0.7</b>	<b>2.6</b>	<b>2.7</b>	<b>2.7</b>
<b>Net Financial Position</b>	<b>-7.7</b>	<b>-5.8</b>	<b>-3.8</b>	<b>-3.6</b>	<b>-1.0</b>
<b>Group Net Equity</b>	<b>35.7</b>	<b>37.4</b>	<b>39.2</b>	<b>38.9</b>	<b>40.7</b>

Source: Triboo Group, Value Track analysis

### Triboo Digitale: Revenue-share business driven

As mentioned before, Triboo Digitale Revenues are mainly driven by one-off fees from new stores and revenue-sharing agreements on online stores.

We estimate that TBD will continue to attract companies in outsourcing their online stores **reaching ca. 108 stores** (annual average) **by 2019E**, net of lost ones. We adjust our 2018E estimates, as the company recently declared that more new clients were acquired going live in 2H18. Between them there is one of the top fashion worldwide brands. In particular:

- ◆ We calculate 1H18 being weaker than 1H17 due to the departure of Benetton and Ferrari. However, the lack of GMV should be compensated in the second semester with new stores managed for Aeffe;
- ◆ As a result, we expect TBD business to keep growing in size vs. the ca. €39mn achieved in 2017A and reach €51.5mn by 2019E, with also the contribution of the newly built Triboo Shanghai.

#### Triboo Digitale: 2017A-19E Revenues

(€mn)	2017A	2018E	2019E
Stores online (Avg.)	93	102	108
<b>Triboo Digitale Revenues</b>	<b>39.0</b>	<b>40.0</b>	<b>51.5</b>
Chg. (% , YoY)	21.8%	2.6%	28.8%
Revenues per store (€m)	0.42	0.39	0.48

Source: Value Track forecasts on 2018E-19E



### Triboo Media: relaunch continues

The bug-fixing action implemented by the management is starting to show the results and we expect the trend to continue. Therefore, we assume that TBM will be able to keep on its relaunch and grow high-single digit to €32.7mn by 2019E up from 2016PF €30.5mn.

In 1H18, we saw positive signs from this division: acquisition of 100% of Blogo editorial assets (170mn users), the selection as the digital advertising partner of Wind Tre, and the launch of Rmc Sport Network (25% ownership).

#### Triboo Media: 2017A-19E Revenues

(€mn)	2017A	2018E	2019E
<b>Triboo Media Revenues</b>	<b>28.6</b>	<b>30.4</b>	<b>32.7</b>
Chg. (% , YoY)	-6.2%	6.4%	7.4%

Source: Value Track forecasts on 2018E-19E

### Triboo Group: Operating profitability

As we expected 1H18 was weak in terms EBITDA due to the departure of the two relevant clients mentioned above and the increase in Cost of Services, mainly driven by Logistic costs, which we the Group should be able to reduce thanks to the mentioned agreement with a new logistics partner.

#### Triboo Group: 2017A-19E EBITDA

(€mn)	2017A	2018E	2019E
TBD EBITDA	6.4	4.3	7.9
EBITDA Margin %	16.4%	10.8%	15.3%
TBM EBITDA	3.6	4.3	5.7
EBITDA Margin %	12.6%	14.1%	17.3%
Holding & Non-Recurring Costs	-2.3	1.1	-1.0
<b>Triboo Group EBITDA</b>	<b>7.7</b>	<b>9.7</b>	<b>12.5</b>
EBITDA Margin %	11.8%	14.3%	15.3%

Source: Value Track forecasts on 2017A-19E

### Triboo Group: From EBITDA to Net Profit evolution

We expect D&A to increase from €5.8mn in 2017A, to ca. €6mn in 2018 and then €7.9mn as a result of the substantial capex plan and the inclusion of the leasing contract in the Group perimeter. The latter being neutral for EBIT as leasing expenses are no longer considered Opex. As a consequence, EBIT should be impacted but able to progressively return close to previous profitability by 2019E and exceed €4.6mn.

Net Financial Charges, which include the leasing charges would slightly affect the Pre-tax Profit. We consider a stable tax rate of 37% for the next few years.

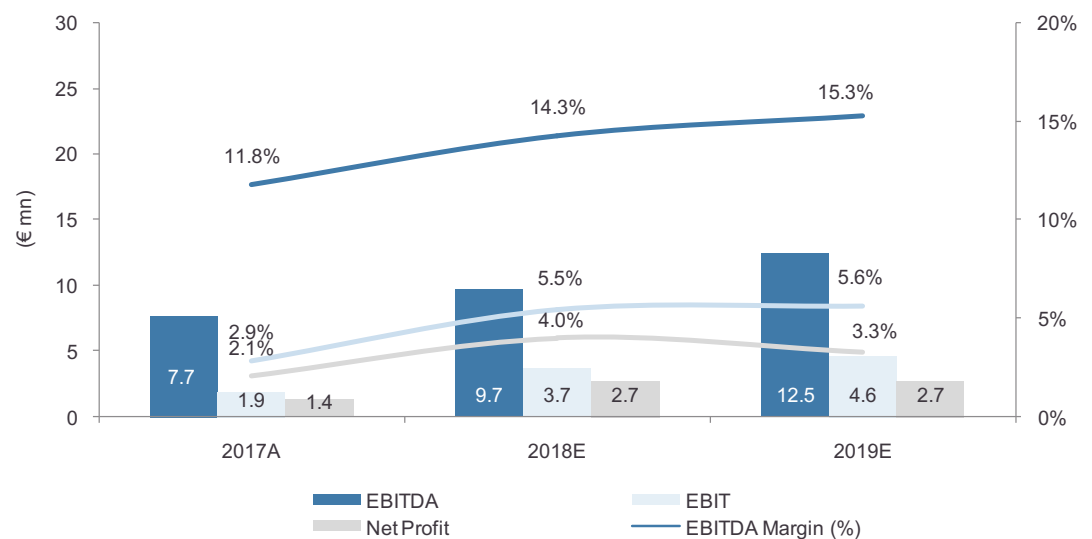
As far as the bottom line is concerned, Net Profit is expected to start rebounding in 2018E with €2.7mn, mainly due non recurring items, and reach ca. €2.7mn in 2019E.

### Triboo Group: From EBITDA down to the Bottom Line

(€mn)	2017A	2018E	2019E	CAGR 17A-19E
<b>EBITDA</b>	<b>7.7</b>	<b>9.7</b>	<b>12.5</b>	<b>27.5%</b>
Depreciation & Amortization	-5.8	-6.0	-7.9	
<b>EBIT</b>	<b>1.9</b>	<b>3.7</b>	<b>4.6</b>	<b>56.7%</b>
Net Fin.Income (Charges)	0.3	-0.3	-0.3	
<b>Pre-tax Profit</b>	<b>1.9</b>	<b>3.4</b>	<b>4.3</b>	<b>49.2%</b>
Tax	-0.8	-0.7	-1.6	
Tax rate (%)	-40.8%	-20.0%	-37.0%	
<b>Group Net Profit (bef. Minor.)</b>	<b>1.1</b>	<b>2.7</b>	<b>2.7</b>	<b>53.9%</b>
Minorities	0.2	0.0	0.0	
<b>Net Profit</b>	<b>1.4</b>	<b>2.7</b>	<b>2.7</b>	<b>41.7%</b>

Source: Value Track forecasts on 2017A-19E

### Triboo Group – Profitability and Margins



Source: Company Data, Value Track analysis

### Balance Sheet and Cash Flow Statement

As far as 2018E-19E Balance Sheet and Cash Flow statements are concerned, we expect ca. €16.5mn Capex, including further leasing burden, and Net Debt Position to marginally improve to €5.8mn and €3.6mn respectively for 2018E and 2019E. We underline that M&A deals are not currently included in our estimates, even if the company aims at supporting future growth via external lines.

**Triboo Group: FY17A-19E Balance Sheet Key Items**

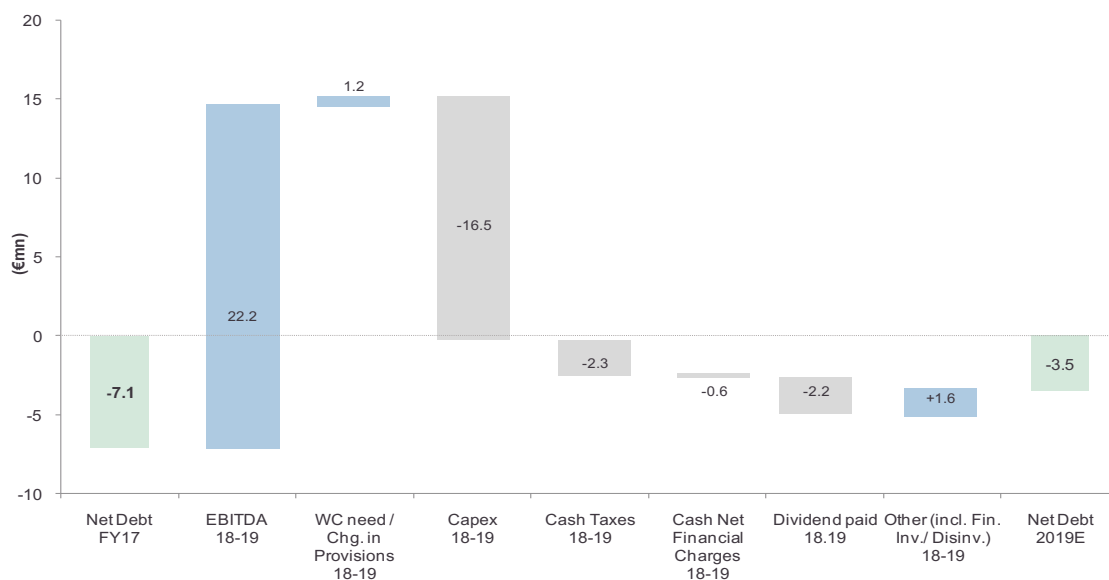
(€mn)	2017A	2018E	2019E
Working Capital	-7.4	-7.7	-8.1
Net Fixed Assets	52.3	53.2	53.3
Provisions	2.1	2.3	2.6
<b>Total Capital Employed</b>	<b>42.8</b>	<b>43.2</b>	<b>42.6</b>
Group Net Equity	35.7	37.4	38.9
<b>Net Financial Position</b>	<b>-7.1</b>	<b>-5.8</b>	<b>-3.6</b>

Source: Triboo Group, Value Track analysis

**Triboo Group: FY17A-19E Cash Flow Key Items**

(€mn)	2017A	2018E	2019E	Cumulated '18E-19E
<b>EBITDA</b>	<b>7.7</b>	<b>9.7</b>	<b>12.5</b>	<b>22.2</b>
WC need / Chg. in Provisions	0.6	0.4	0.7	1.2
Capex	-7.8	-8.5	-8.0	-16.5
Cash Taxes	-0.8	-0.7	-1.6	-2.3
<b>OpFCF a.t.</b>	<b>-0.3</b>	<b>1.0</b>	<b>3.6</b>	<b>4.6</b>
As a % of EBITDA	-3.5%	10.0%	29.1%	20.8%
Cash Net Financial Charges	0.3	-0.3	-0.3	-0.6
Dividend paid	-2.1	-1.0	-1.2	-2.2
Other (incl. Fin. Inv./ Disinv.)	-9.2	1.6	0.0	1.6
<b>Change in Net Fin Position</b>	<b>-11.3</b>	<b>1.3</b>	<b>2.2</b>	<b>3.5</b>

Source: Triboo Group, Value Track analysis

**Triboo Group – Net Debt 2017A-19E Bridge**


Source: Audiweb, Company Data, Value Track analysis

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## Appendix: 2016PF-19E financial figures

### Triboo Group: Income Statement

€mn	2016PF	2017A	2018E	2019E
<b>Group Net Revenues</b>	<b>62.0</b>	<b>65.3</b>	<b>67.8</b>	<b>81.7</b>
Other	2.4	2.4	2.7	0.0
<b>Total Value of Production</b>	<b>64.4</b>	<b>67.7</b>	<b>70.5</b>	<b>81.7</b>
COGS & SG&A	-39.0	-42.4	-42.6	-48.6
Labour Costs	-14.5	-17.6	-18.2	-20.6
<b>EBITDA</b>	<b>11.0</b>	<b>7.7</b>	<b>9.7</b>	<b>12.5</b>
Depr. & Amort. & Provisions	-5.4	-5.8	-6.0	-7.9
<b>EBIT</b>	<b>5.6</b>	<b>1.9</b>	<b>3.7</b>	<b>4.6</b>
Interest expenses / income	-0.3	0.3	-0.3	-0.3
<b>Pre-Tax Profit</b>	<b>5.4</b>	<b>2.1</b>	<b>3.4</b>	<b>4.3</b>
Taxes	-1.6	-0.8	-0.7	-1.6
Minorities	-0.1	0.2	0.0	0.0
<b>Net Profit</b>	<b>3.6</b>	<b>1.4</b>	<b>2.7</b>	<b>2.7</b>
<b>Adj. Net Profit</b>	<b>3.9</b>	<b>2.5</b>	<b>0.7</b>	<b>2.7</b>

Source: Triboo Group, Value Track Analysis

### Triboo Group: Statement of Financial Position

€mn	2016PF	2017A	2018E	2019E
Fixed Assets	42.0	52.3	53.2	53.3
Net Working Capital	-7.2	-7.4	-7.7	-8.1
Long-Term non-Financial Liabilities	1.8	2.1	2.3	2.6
<b>Capital Employed</b>	<b>33.0</b>	<b>42.8</b>	<b>43.2</b>	<b>42.6</b>
Net Equity	37.1	35.7	37.4	38.9
<b>Net Financial Debt</b>	<b>4.2</b>	<b>-7.1</b>	<b>-5.8</b>	<b>-3.6</b>

Source: Triboo Group, Value Track Analysis

### Triboo Group: Cash Flow Statement

€mn	2016PF	2017A	2018E	2019E
<b>EBITDA</b>	<b>11.0</b>	<b>7.7</b>	<b>9.7</b>	<b>12.5</b>
Op. WC Requirements	1.0	0.3	0.3	0.4
Capex	-4.8	-7.8	-8.5	-8.0
Chg. in Provisions	-0.1	0.3	0.2	0.3
Cash Taxes	-1.6	-0.8	-0.7	-1.6
Net Financial Charges	-0.3	0.3	-0.3	-0.3
Dividends	-2.0	-2.1	-1.0	-1.2
Other	-2.0	-9.2	1.6	0.0
<b>Change in Net Fin. Position</b>	<b>-2.0</b>	<b>-11.3</b>	<b>1.3</b>	<b>2.2</b>

Source: Triboo Group, Value Track Analysis

### Triboo Group: Key Ratios

(%)	2016PF	2017A	2018E	2019E
ROE	10%	4%	7%	7%
Dividend Payout	55.0%	74.1%	42.3%	53.0%
Dividend Yield	2.7%	1.57%	2.10%	2.70%
OpFCF Yield	10.4%	0.34%	2.29%	8.02%
P/B (x)	2.0	1.8	1.4	1.4
P/E Adj.(x)	18.9	25.4	nm	19.9
EV/Sales (x)	1.1	1.1	0.9	0.7
EV/EBITDA (x)	6.3	9.2	6.2	4.6

Source: Triboo Group, Value Track Analysis

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