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Innovative-RFK	*Italy*	*Euronext Access Paris*	*Investments*
Rating: BUY (unch)	**Target Price: € 3,10 (from €2,23)**	**Update**	**Risk: Medium**

Stock performance	1M	3M	6M
Absolute	0.00%	35.34%	4.65%
to Euronext Growth Milan	-3.59%	24.53%	-19.29%
to Euronext Star Milan	-2.56%	24.34%	-18.40%
to Euronext Milan	-2.54%	28.54%	-5.23%
to Digital Magics	-6.84%	32.03%	11.10%
to Tamburi Investment Partners	-5.94%	17.57%	-20.80%
to H-Farm	4.64%	33.04%	-7.53%

Stock Data	
Price	€ 1.80
Target price	€ 3.10
Upside/(Downside) potential	72%
Exchange	Euronext Access
Ticker	MLIRF
Market Cap (€m)	€ 16.92
EV (€m)	€ 16.19
Share Outstanding	9,401,656
52-week high	€ 1.80
52-week low	€ 0.93
Average daily volumes (3m)	580

Key Financials (€)	FY18A	FY19A	FY20A
Sales	17,168	195,265	132,992
EBITDA	(105,699)	(209,829)	(286,987)
EBIT	(109,288)	(213,552)	(292,057)
Net Profit	2,773	17,965	(274,885)
EPS	0.0003	0.0019	-
EBITDA margin (%)	n.m.	n.m.	n.m.
EBIT margin (%)	n.m.	n.m.	n.m.

Main Ratios	FY18A	FY19A	FY20A
EV/EBITDA	n.m.	n.m.	n.m.
EV/EBIT	n.m.	n.m.	n.m.
P/E	n.m.	n.m.	n.m.

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Company Overview

Innovative-RFK (i-RFK) is an industrial holding company, founded in 2017, which invests in minority stakes of Innovative Startups and SMEs with a solid income profile and high growth rates. The average investment ticket is between € 0.5 and € 2.0 million. The i-RFK portfolio currently includes initiatives in the fields of Artificial Intelligence, SAAS B2B software, digital marketing, fintech and healthcare. Investors in the capital increase of the holding can benefit from a tax deduction of 30%. i-RFK aims to create value for its subsidiaries by leveraging the introduction of management skills of its team, in support of organic growth or through acquisitions. So far, it has invested in nine companies operating in Software, Healthcare, Microfinance, Digital, E-Commerce, Software (Entertainment) and Fitness.

1H21 Results

Significant events that took place during 2021 were:

1) the issue of a charity bond (2% is directed to social purposes) in May 2021, for a total collection of € 530k, through a debt crowdfunding campaign;

2) two investments were also made: SixthSense, a company active in the Artificial Intelligence sector with successfull products commercialized worldwide, and RedRaion, a SW entertainment initiative with a distinctive know-how on the production of CGI (Content Generated Imagery) animated films.

The market

The 2020 edition of the SME Observatory research shows a growth in the number of companies registered in the register of innovative SMEs, 567 companies between October 2019 and September 2020, up compared to 432 in the same previous period. However, about five years after the creation of the register, the number of innovative SMEs still appears limited compared to the potential pool: in fact, just under 1,700 SMEs registered since the creation of the register, while it is likely that SMEs with the requirements expected to be in the tens of thousands in the country. Lombardy currently hosts over a quarter of all Italian innovative startups (27.0%) and 29.5% of both groups taken into consideration by the monitoring. Followed by Lazio (13.5%), Campania (8%) Veneto (7.3%), Emilia-Romagna (7.1%), Piedmont (5.9%), Puglia and Tuscany (4.6% and 4 , 3% respectively). The lack of reality in the South remains worrying, despite the various incentives proposed.

Valuation

By evaluating the investee companies according to the market multiples method, the Book-Value and the Market Value, according to the specificities, and aggregating the values, we obtained an enterprise value of the holdig as "sum-of-parts" of approximately € 28.4 million. Net of the NFP 2020 (cash of € -0.74 million), the result is an equity value of € 29.14 million, corresponding to a value of € 3.10 per share. The share is therefore currently traded at a 70% discount on its intrinsic value. **Valuation: TP € 3.10 (from € 2.23) per share, BUY rating and Medium risk.**

1. Economics & Financials (2017-2020)[1]

Table 1 – Economics & Financials

INCOME STATEMENT (€)	FY17A	FY18A	FY19A	FY20A
Value of Production	**8.000**	**17.168**	**195.265**	**132.992**
G&A	(4.096)	(117.628)	(399.179)	(412.722)
Employees	-	-	-	(140)
Other Operating Expenses	(722)	(5.239)	(5.915)	(7.117)
EBITDA	**3.182**	**(105.699)**	**(209.829)**	**(286.987)**
EBITDA Margin	*40%*	*-616%*	*-107%*	*-216%*
D&A	(2.056)	(3.589)	(3.723)	(5.070)
EBIT	**1.126**	**(109.288)**	**(213.552)**	**(292.057)**
EBIT Margin	*14%*	*-637%*	*-109%*	*-220%*
Financial Management	-	112.061	231.517	17.172
Extraordinary Management	-	-	-	-
EBT	**1.126**	**2.773**	**17.965**	**(274.885)**
Taxes	(274)	-	-	-
Net Income	**852**	**2.773**	**17.965**	**(274.885)**
Group Income	852	2.773	17.965	(274.885)

BALANCE SHEET (€)	FY17A	FY18A	FY19A	FY20A
Fixed Asset	**2.771.225**	**6.547.368**	**7.549.219**	**8.771.209**
Account Receivable	8.000	26.552	100.617	49.916
Account Payable	(7.149)	(20.635)	(95.659)	(95.513)
Operating Working Capital	**851**	**5.917**	**4.958**	**(45.597)**
Other asset/liabilities	(23.611)	71.740	331.789	379.355
Net Working Capital	**(22.760)**	**77.657**	**336.747**	**333.758**
Severance Indemnties & Other Provisions	-	-	-	-
NET INVESTED CAPITAL	**2.748.465**	**6.625.025**	**7.885.966**	**9.104.967**
Share Capital & Reserves	2.610.300	6.418.343	9.198.481	10.117.273
Minorities' Capital	-	-	-	-
Group Income	852	2.773	17.965	(274.885)
Minorities'Income	-	-	-	-
Equity	**2.611.152**	**6.421.116**	**9.216.446**	**9.842.388**
Cash & Cash Equivalents	(29.387)	(200.325)	(1.390.524)	(2.084.922)
Financial Debts	166.700	403.425	56.601	1.347.501
Non-fixed Financial Assets	-	-	-	-
Net Financial Position	**137.313**	**203.100**	**(1.333.923)**	**(737.421)**
SOURCES	**2.748.465**	**6.624.216**	**7.882.523**	**9.104.967**

CASH FLOW (€)	FY17A	FY18A	FY19A	FY20A
EBIT	1.126	(109.288)	(213.552)	(292.057)
Taxes	(274)	-	-	-
NOPAT	**852**	**(109.288)**	**(213.552)**	**(292.057)**
D&A	2.056	3.589	3.723	5.070
Change in receivable	(8.000)	(18.552)	(74.065)	50.701
Change in payable	7.149	13.486	75.024	(146)
Change in others	23.611	(95.351)	(260.049)	(47.566)
Change in NWC	**22.760**	**(100.417)**	**(259.090)**	**2.989**
Change in provisions	-	-	-	-
OPERATING CASH FLOW	**25.668**	**(206.116)**	**(468.919)**	**(283.998)**
Capex	(10.281)	(7.664)	(668)	(6.736)
FREE CASH FLOW	**15.387**	**(213.780)**	**(469.587)**	**(290.734)**
Interest payments/proceeds	-	112.061	231.517	17.172
Change in Financial Debt	166.700	236.725	(346.824)	1.290.900
Change in Financial Assets	(2.763.000)	(3.772.068)	(1.004.906)	(1.220.324)
Dividend	715.590	(679.658)	370.847	287.248
Change in Capital	1.894.710	4.487.658	2.409.152	610.136
FREE CASH FLOW TO EQUITY	**29.387**	**170.938**	**1.190.199**	**694.398**

[1] Source: RFK Group

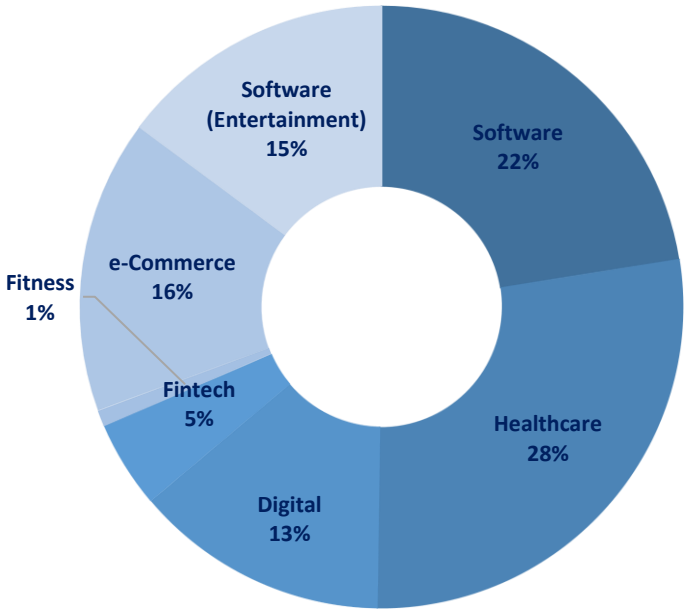
2. Company Overview

2.1 Description

Innovative-RFK (i-RFK) is an industrial holding company, founded in 2017, that invests in minority stakes in Innovative Startups and SMEs with a solid earnings profile and high growth rates. The average investment ticket is between € 0.5 and €2 million.

i-RFK aims to create value for its subsidiaries by leveraging the introduction of management skills of its team, in support of organic growth or through acquisitions. So far, it has invested in nine companies operating in Software, Healthcare, Microfinance, Digital, E-Commerce, Software (Entertainment) and Fitness.

Fig. 1 – Portfolio Division i-RFK[1]



2.2 Business Model

The structure of i-RFK is quite flat, with a wide range of activities at the various levels of the organizational structure, based on the guidelines provided by the CEO and the Board of Directors.

i-RFK operates through the services offered by the management company Redfish Management & Advisory, whose costs are divided between i-RFK and Red Fish Kapital (the other holding company managed by the founders of i-RFK). This allows i-RFK to operate with experience and professionalism at very low costs.

The investment process can be simplified as follows:

1) **Scouting:** For each dossier, elements relating to the business idea, the market context, and the relevant business plan are analyzed. In this phase, a preliminary exchange of information with the possible target company begins to better understand the elements of the business that generate added value and better

[1] Source: elaboration Integrae SIM

define the potential of development. Clearly, companies that are considered to be able to add value move to the next stage following the green light given by the CEOs Paolo Pescetto and Antonello Carlucci;

2) **Analysis:** Based on the information and the elements collected in the previous phase, the detailed analysis begins concerning the compatibility of the characteristics of the target company with the established investment parameters, in addition to the initial regulatory verification of the reference sector, to identify any risks or limitations present in the target development plan. Moreover, also through the discussion with experts in the field, a verification of the basic hypotheses of the business plan and a stress test is carried out to evaluate the different evolutions that the target could have over time. During this phase, the Company CEOs consult various professionals of the management company Kayak who provide their advice on the project, according to best professional practices. All these analyzes are coordinated by CEOs who make the final decision based on the results obtained;

3) **Investment:** This is the most critical phase of the process and involves different investment stakeholders. Having collected all the elements of the previous phases, a comprehensive strategic evaluation of the initiative is carried out and, if necessary, a letter of intent is formalized and followed by the due diligence process. During due diligence all aspects that could cause a critical issue for the investment of i-RFK (i.e. accounting, tax, legal, and business development aspects) are examined and evaluated by the team and the CEOs of the Company;

   Based on due diligence results, the value of the selected company is identified and a negotiation phase begins involving different parts of the contract (shareholders, legal representative of the selected companies, and i-RFK, Redfish Management & Advisory professionals). The negotiations concern both the development plan of the selected company and the rules for the entry of i-RFK in terms of corporate governance. At this stage, the rules are established for the management of the investment of i-RFK, through the drafting of specific agreements (for example, agreements between shareholders).

   Once the negotiation phase is completed, the contract, which regulates the entry of i-RFK into the capital of the selected company, is drawn up. This is done through the subscription by i-RFK of a capital increase of the selected company. This allows the participated company to use the capital for business development. The selected company provides i-RFK with a business plan that will be adopted by the management and on which the management of the same will be evaluated every year;

4) **Growth:** In this phase, i-RFK and Kayak managers support the managers of the company, this consists in training, sharing strategic methodologies, and an action plan. This coaching aims to transfer to the business in which the Company has invested those skills that are not yet present and which are considered necessary to accelerate the industrial plan of the subsidiary Company. In addition, Kayak also analyzes the world market to assess potential acquisitions on European and non-European markets;

5) **Monitoring:** in addition to coaching, a team is created to monitor the progress and trend of the subsidiary company. This specialized team is responsible for verifying the performance of the company, both through the periodic analysis of the income statement and the company's balance sheet, and through the monitoring of revenues, their margins and costs, as well as the verification of financial commitments (short- and medium-term credit lines);

6) **Value creation:** i-RFK's work has an impact on the organization, the internal efficiency of the subsidiary (involving financial as well as legal and administrative aspects), develops its business, and increases its value creation. The outcome of the creation of value can lead alternatively to a sale of the subsidiary or to a listing, as already achieved with the subsidiary Websolute.

2.3 Management Team

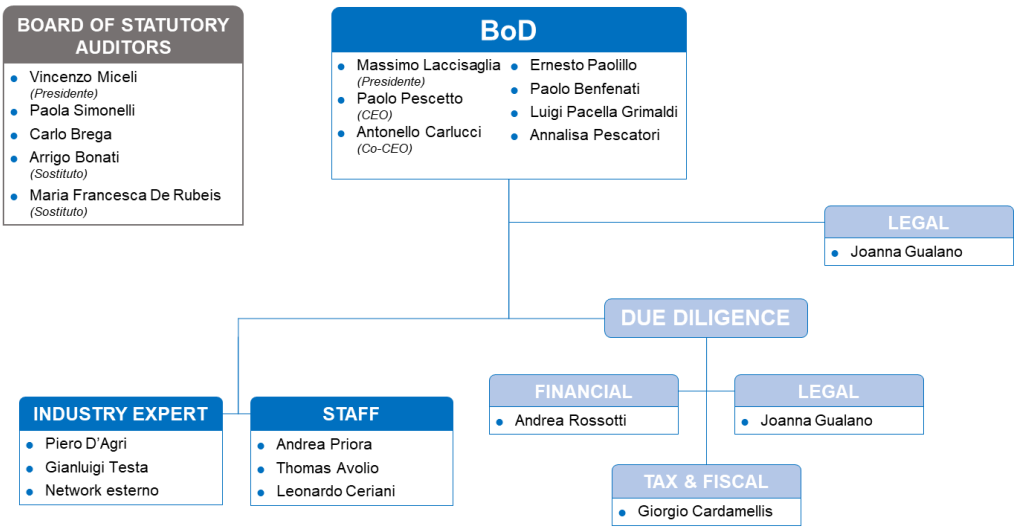
The management, which is one of the main investors of i-RFK, consists among others of:

- Paolo Pescetto: Founder & CEO
- Massimo Laccisaglia: Founder & President
- Antonello Carlucci: CEO
- Andrea Rossotti: Founder & Portfolio Manager

Four people with experience in management consulting (McKinsey, BCG, Value Partners, etc.), private equity, M&A, and company management.

Paolo Pescetto also owns 20% of the capital of i-RFK. The remaining shares are distributed in a fragmented manner with about 50% divided into shares of less than 2%.

Fig. 2 – the structure of i-RFK[1]



[1] Source: elaboration Integrae SIM

2.4 SWOT Analysis[1]

Strengths:

- Capital solidity
- Experienced Management
- Innovative and flexible approach
- Balanced portfolio between cyclical and defensive sectors

Threats:

- Start of a new recession
- Possible worsening of the recession in the case of a second wave of epidemics
- EU-US trade tensions

Weaknesses:

- Portfolio of SMEs, which are notably less resilient in the periods of recession

Opportunities:

- Huge opportunities for growth in sectors that will be positively affected by the health crisis. Such as telecommunications, Healthcare, where i-RFK is already present.

[1] Source: elaboration Integrae SIM

3. Valuation

The equity valuation of the innovative-RFK holding company was obtained as the aggregate value of the stakes held in the subsidiaries, whose values were calculated using the multiples method, the book value, or the market value, as indicated below. It is known that for investment companies such as i-RKF, the income produced by the holding company is of little importance for valuation purposes. Much more relevant are the investments in the portfolio - which can be evaluated - and the management team, difficult to assess but which constitutes the intangible difference that estabilishes the success of a company.

3.1 Companies evaluated by the multiples method

The companies Easy4Cloud S.r.l., Inventis S.r.l., Keisdata S.r.l. and Web Al Chilo S.r.l., Sixthsense S.r.l. and Redraion S.r.l. have been evaluated with the market multiples method. For all companies the multiple EV/EBITDA 2020 was applied, the values of which are taken from the database of www.damodaran.com [1] updated on January 5, 2021.

The multiple was applied to both the EBITDA of fiscal year 2020A and the EBITDA of 2021E, to obtain two different equity values, and then the simple arithmetic mean was calculated

3.1.1 Easy4Cloud S.p.A.

Owner of EasyCall platform, in cloud CRM for call centers and contact centers. It offers a complete CRM for both small and large companies, including companies such as Europe Assistance, Trenitalia, BPER Banca, Edison, Findomestic among its customers.

In 2017 i-RFK acquired 24.6% of the capital and started a path of organic development and internationalization, which led to the opening in 2018 of a new headquarters in London and a new commercial branch in Malaga. The company also acquired the Guard Social social media management platform in 2020.

Table 2 – Financials Easy4Cloud[2]

Key Financials (*€/mln*)	2019A	2020A	2021E
Value of Production	1,38	1,69	1,94
EBITDA	0,27	0,35	0,44
NFP	0,24	0,12	0,02
EBITDA margin	19,5%	20,7%	22,7%

For Easy4Cloud, it was considered the multiple of 24.21x related to the software development companies. The average value of equity obtained by applying this multiple to EBITDA is € 9.49 million.

[1] http://pages.stern.nyu.edu/~adamodar/New_Home_Page/datacurrent.html
[2] Source: Aida and elaboration Integrae SIM

Table 3 – Easy4Cloud value[1]

(€/mln)	2020A	2021E
EBITDA	0,35	0,44
EV	8,46	10,66
NFP	0,12	0,02
Equity Value	8,34	10,65
Average Equity Value	**9,49**	

Sector	EV/EBITDA Multiple
SW (System & Application)	24,21

3.1.2 Inventis S.r.l.

Inventis, of which i-RFK acquired 29.8% in 2018, was established in 2005. The company develops and manufactures medical instruments dedicated to audiological diagnostics and video endoscopy, marketed both on the foreign and internal market, mainly in specialized medical offices, ORL departments of hospitals and clinics, and acoustic centers.

The global market for audio equipment has a size of approximately € 9.84 billion and a solid growth expectation: CAGR 2019 and 2026 is expected to be 5.8%.

Table 4 – Financials Inventis[2]

Key Financials *(€/mln)*	2019A	2020A	2021E
Value of Production	9,85	9,11	11,01
EBITDA	0,67	0,96	1,02
NFP	(0,45)	(0,28)	(0,63)
EBITDA margin	6,8%	10,5%	7,0%

For Inventis we have used an EV/EBITDA of 26.25x, achieving an equity value of € 26.44 million.

Table 5 – Inventis value[2]

(€/mln)	2020A	2021E
EBITDA	0,96	1,02
EV	25,22	26,75
NFP	(0,28)	(0,63)
Equity Value	25,50	27,39
Average Equity Value	**26,44**	

Sector	EV/EBITDA Multiple
Healthcare Products	26,25

[1] Source: Aida, elaboration Integrae SIM, and damodaran.com
[2] Source: Aida, elaboration Integrae SIM, and damodaran.com

3.1.3 Keisdata S.r.l.

KEISDATA is an IT services company and innovative SME focused on developing business Risk management, Compliance, and Knowledge Engineering software. The company has developed a computer platform KRC® – Solution, certified by Certiquality as a highly innovative product. KRC® has been chosen, in turn, by leading Italian and international companies and is recognized on the market as the best solution for risk management and has been accredited by research of the Polytechnic of Milan as the Risk Management solution among the most complete and innovative. I-RFK entered in the company structure in the second half of 2017.

The general software market in Italy grew from 2013 to 2017 to a CAGR of 0.5%, reaching a total turnover of € 6.2 billion. Marketline expects annual growth of 3.6% between 2017 and 2022.

Table 6 – Financials Keisdata[1]

Key Financials (*€/mln*)	**2019A**	**2020A**	**2021E**
Value of Production	1,23	1,34	1,73
EBITDA	0,29	0,22	0,32
NFP	0,08	0,25	0,18
EBITDA margin	23,3%	16,2%	18,4%

Keisdata, with an activity similar to Easy4Cloud, was evaluated with the same EV/EBITDA multiple of 24.21x, obtaining an equity value of € 6 million.

Table 7 – Keisdata value[1]

(€/mln)	**2020A**	**2021E**
EBITDA	0,22	0,32
EV	5,28	7,72
NFP	0,25	0,18
Equity Value	5,04	7,54
Average Equity Value	**6,29**	

Sector	**EV/EBITDA Multiple**
SW (System & Application)	24,21

3.1.4 Web Al Chilo S.r.l.

Web al Chilo S.r.l., founded in 2013, is an Italian company offering advanced services for the management, analysis, and development of sales channels on Amazon. The Company allows its customers to position its products at the top of Amazon's search rankings and of major international marketplaces. I-RFK entered the company structure in the second half of 2020.

[1] Source: Aida and elaboration Integrae SIM

Table 8 – Financials Web Al Chilo[1]

Key Financials (€/mln)	2019A	2020A	2021E
Value of Production	1,21	2,61	3,49
EBITDA	0,11	0,35	0,49
NFP	(0,01)	(0,40)	(0,31)
EBITDA margin	9,4%	13,3%	14,1%

For Web al Chilo, an EV/EBITDA multiple of 52.34x was used, obtaining an equity value of € 22.36 million.

Table 9 – Web Al Chilo value[1]

(€/mln)	2020A	2021E
EBITDA	0,35	0,49
EV	18,17	25,84
NFP	(0,40)	(0,31)
Equity Value	18,57	26,15
Average Equity Value	**22,36**	

Sector	EV/EBITDA Multiple
Retail (Online)	52,34

3.1.5 Sixthsense S.r.l.

Sixthsense S.r.l., founded in Pisa (IT) in 2015, is an innovative SME developing software and algorithms for process optimisation and predictive analysis. The Company developed distinctive products commercialized worldwide. I-RFK entered the company in the half of 2021.

Table 10 – Financials Sixthsense[1]

Key Financials (€/mln)	2019A	2020A	2021E
Value of Production	2,07	3,95	5,37
EBITDA	0,41	1,40	2,08
NFP	(0,35)	(1,52)	(1,54)
EBITDA margin	20,0%	35,4%	38,8%

For Sixthsense an EV/EBITDA multiple of 24,21x was used, obtaining an equity value of € 43,69 million.

[1] Source: Aida and elaboration Integrae SIM

Table 11 – Sixthsense value[1]

(€/mln)	2020A	2021E
EBITDA	1,40	2,08
EV	33,88	50,44
NFP	(1,52)	(1,54)
Equity Value	35,40	51,98
Average Equity Value	**43,69**	

Sector	EV/EBITDA Multiple
SW (System & Application)	24,21

3.1.6 Redraion S.r.l.

Redraion S.r.l., founded in Catania (IT) in 2014, is an innovative SME active worldwide in the software (entertainment) with distinctive know-how in the production of CGI (Content Generated Imagery) animated films for digital attractions in amusement parks. I-RFK entered the company structure in the half of 2021.

Table 12 – Financials Redraion[1]

Key Financials (*€/mln*)	2019A	2020A	2021E
Value of Production	0,97	1,69	1,75
EBITDA	0,21	0,58	0,63
NFP	0,04	(0,16)	(0,16)
EBITDA margin	21,5%	34,4%	36,1%

For Redraion, an EV/EBITDA multiple of 34,64x, was used, obtaining an equity value of € 21,04 million.

Table 13 – Redraion value[1]

(€/mln)	2020A	2021E
EBITDA	0,58	0,63
EV	20,15	21,82
NFP	0,04	(0,16)
Equity Value	20,11	21,98
Average Equity Value	**21,04**	

Sector	EV/EBITDA Multiple
Software (Entertainment)	34,64

[1] Source: Aida e elaborazione Integrae SIM

3.2 Companies valuated at market value and book value

3.2.1 Microcredito di Impresa S.p.a.

Microcredito di Impresa (MDI) was established in 2018 also thanks to the capital contribution of i-RFK, which currently holds 28.5%. MDI provides loans to micro and small businesses that do not have easy access to the traditional banking system, and thus represent large unsatisfied demand.

The initiative is based on the regulations of Banca d'Italia, which provided for the qualification of financial operators specialized in Microcredito (art. 111 of the Consolidated Law on Banking), opening up a market in perspective highly profitable and to date characterized by low competition. MDI is therefore a supervised subject, listed on the list of micro-credit operators held by Banca d'Italia.

Table 14 – Financials MDI[1]

Key Financials (*€/mln*)	**2019A**	**2020A**	**2021E**
Intermediation Margin	0.18	0.41	1.06
Earnings	(0.14)	0.05	0.23
Equity	3.29	4.79	6.34

Having closed the last round of collection recently and, given the start-up phase of the company, the value defined by the company's last capital increase of € 5.02 million was used as the value.

Table 15 – MDI Book Value[2]

(€/mln)	**2020A**
Book Value	5,02

3.2.2 Websolute S.p.a.

Websolute is an innovative SME listed on the EuroNext Growth segment of the Milan Stock Exchange, active in the digital communication and digital marketing sector. It is the leader of a group that includes 7 other companies active in the sector: Moca Interactive, DNA Family Network, XPlace, Ws Commerce, Ws Techlab, Shinteck and Ws More.

In 2018, i-RFK acquired 14.5 %, bringing it to the AIM Italia listing in 2018, generating already on the first day of the listing +53% on the IPO price.

In 2021 Websolute share price has increased reaching a peak of 4€/share also due to very positive 1H2021 results.

The digital market in Italy has shown a growing trend in recent years, reaching a volume of € 64.6 billion in 2018. Websolute entered this trend, with annual revenue growth of just over 30% between 2017 and 2019.

[1] Source: Aida and elaboration Integrae SIM
[2] Source: RFK Group

Table 16 – Financials Websolute[1]

Key Financials (*€/mln*)	2018A	2019A	2020A	1H2021
Value of Production	12,76	14,07	14,80	9,90
EBITDA	1,67	2,14	1,40	1,62
NFP	2,54	0,88	3,08	2,69
EBITDA margin	13,1%	15,2%	9,5%	16,4%

Websolute, being listed on the AIM Italia market, was valued at market value, considering the price per share of € 1.67, calculated as a weighted average of daily prices for the last 3 months.

Table 17 – Websolute Value[1]

Valori al 14/10/2021	
Avg. Stock Price (3m) (€)	3,17
N° Shares (mln)	9,51
Equity Market Value (€/mln)	30,17

3.2.3 Reaxing S.r.l.

Reaxing S.r.l. (Reaxing or the "Company") is an innovative Italian start-up active in the production and marketing of neuromuscular training equipment. The Company was founded in December 2016 to develop, produce, and marketing a range of innovative products and accessories that seek to replicate in the field of training and re-education the world of sudden dynamic motor interference. Among the main clients of Reaxing there are fitness clubs (e.g. Virgin Active), corporate clubs (e.g. Med-Ex Ferrari), pro sports clubs (e.g. Juventus FC).

Innovative-RFK entered the company's capital in August 2020, through a capital increase of € 250,000.00 corresponding to 7.15% of the company's shares, to accelerate the product development plan and expand worldwide business opportunities.

Table 18 – Financials Reaxing[2]

Key Financials (*€/mln*)	2019A	2020A	2021E
Value of Production	6,41	2,85	6,00
EBITDA	1,06	(0,54)	0,85
NFP	3,09	5,00	4,17
EBITDA margin	16,5%	-19,0%	14,2%

As a result of the Covid-19 pandemic, the Reaxing business collapsed in 2020. However, turnover and margin are expected to recover in 2021 and to return to levels very similar to those of 2019. The turnover and margin of 2020 are therefore to be considered as extraordinary and not indicative of the "real" ability to produce income of the company. Its value is reflected. For this reason, it was decided to use as a value the value defined by the entry of i-RFK, equal to € 3.50 million.

[1] Source: Euronext
[2] Source: Aida and elaboration Integrae SIM

Table 19 – Reaxing Book Value[1]

(€/mln)	2020A
Book Value	3,50

3.3 Equity value i-RFK

The enterprise value of Innovative-RFK was calculated by aggregating the equity values of the relevant subsidiaries (Sum-of-the-Parts), obtaining a value of € 28,40 million.

Table 20 – Aggregated value[1]

Company	Equity Value (€/mln)	Stake (%)	Stake Value (€/mln)	% on NAV	Valuation Method	Sector
Easy4Cloud Srl	9,49	24,6%	2,34	8,2%	Multiples	Software
Inventis Srl	26,44	29,8%	7,88	27,7%	Multiples	Healthcare
Keisdata Srl	6,29	29,6%	1,86	6,6%	Multiples	Software
MDI Spa	5,02	26,6%	1,34	4,7%	Last Round	Fintech
Websolute Spa	30,17	12,8%	3,87	13,6%	Market Value	Digital
Reaxing S.r.l.	3,50	7,1%	0,25	0,9%	Book Value	Fitness
Web al Chilo S.r.l.	22,36	20,0%	4,47	15,7%	Multiples	e-Commerce
Sixthsense	43,69	5,0%	2,18	7,7%	Multiples	Software
RedRaion	21,04	20,0%	4,21	14,8%	Multiples	Software (Entertainment)
Total Asset Value			**28,40**			

Net of the NFP at 31/12/2020 (cash) of € -0.74 million, an equity value of € 29.14 million was obtained.

3.4 Recommendation

The calculated equity value corresponds to a target price per share of € 3.10, 70% higher than the trading price of € 1.80 (as of 18/10/2021). Our target price is therefore € 3.10 (from € 2.23) per share as of our note of last May 4. Buy rating and medium risk (unchanged).

As we know, a management team is particularly important in companies similar to i-RFK. We believe that the proven experience of the i-RFK management team to operate a sound and prudent diversification of activities, together with the solidity of its subsidiaries, can not only overcome the temporary reduction in cash flows caused by the health emergency but above all, to make the risk-return ratio of the portfolio optimal, for the benefit of all shareholders.

Table 21 – Target price[2]

Equity Value (€/mln)	29,14
EV (€/mln)	28,40
NFP (€/mln)	-0,74
Outstanding Shares	9.401.656
Target Price (€)	**3,10 €**

[1] Source: RFK Group
[2] Source: elaboration Integrae SIM

4. Market overview

4.1 The SME market

The 2020 edition of the SME Observatory research shows a growth in the number of companies registered in the register of innovative SMEs, 567 companies between October 2019 and September 2020, up compared to 432 in the same previous period. However, about five years after the creation of the register, the number of innovative SMEs still appears limited compared to the potential pool: in fact, just under 1,700 SMEs registered since the creation of the register, while it is likely that SMEs with the requirements expected to be in the tens of thousands in the country.

Lombardy currently hosts over a quarter of all Italian innovative startups (27.0%) and 29.5% of both groups taken into consideration by the monitoring. Followed by Lazio (13.5%), Campania (8%) Veneto (7.3%), Emilia-Romagna (7.1%), Piedmont (5.9%), Puglia and Tuscany (4.6% and 4,3% respectively). The lack of reality in the South remains worrying, despite the various incentives proposed.

The growth in the number of SMEs registered is limited despite repeated interventions by the legislator on the benefits. Among the latest interventions we can mention those of the Decree of 7 May 2019 dedicated to incentives for start-ups and innovative SMEs and those provided for in the April 2020 relaunch decree.

The latter has allocated a venture capital support fund with an endowment of 200 million for the exclusive benefit of start-ups and innovative SMEs. A share of 200 million euros has been reserved for the resources already allocated to the Central Guarantee Fund for SMEs specifically dedicated to the provision of guarantees in favor of innovative startups and innovative SMEs. Finally, capitalization incentives have been provided with important IRPEF deductions for investors up to 50% of the amount of the investment.

Moreover, it should be remembered that some of the innovation incentive policies, such as the tax credit for research and development activities, the "Enterprise 4.0" hyper-amortization, the Patent Box, or the "innovation manager" vouchers, are not for the exclusive benefit of innovative SMEs, but for a wider range of companies.

The SME Observatory research shows that most of the innovative SMEs, about two thirds, are of a size attributable to the category of micro-enterprises, with a turnover below the threshold of two million euros. Less than 10% of companies are attributable to the category of medium-sized enterprises (turnover of more than 10 million and less than 50), while the remainder are small firms (between 2 and 10 million of turnover). For simplicity and brevity, only the invoice parameter is considered here.

Innovative SMEs recorded an average increase in turnover of 15% between 2018 and 2019. If we take into account only the innovative SMEs that have had an increase in turnover, the average is + 30%. The average ROA stands at 4.78%, while the average ROS is 4.89%. The data is significant as it relates to a sample of 1098 companies, over half of the total number of innovative SMEs registered.

It is noted that the average shareholders' equity is approximately 1.9 million euros. The average is however raised by medium-sized companies. In fact, half of the companies have a net worth of less than one million euros and 85% is less than 1.3 million.

As for the business sectors, among the new members, the most numerous groups are those active in the sector of information technology, electronics, intermediate

products, chemicals and pharmaceuticals and non-financial services. These sectors, which together represent about 90% of the innovative SMEs observed, are among the sectors that could be less affected by the very serious crisis triggered by COVID 19 according to the Cerved Industry Forecast of May 2020.

Among the new members, 65 innovative SMEs have a negative EBITDA. Without going into the merits of the specific numbers of the companies, the negative EBITDA signals a critical situation that can lead to a DSCR lower than one and the activation of the warning indicators. Consider, for example, that the negative EBITDA may be an index of low turnover with a worsening of the index that relates financial charges to the turnover itself. Negative EBITDA can also lead to a drastic increase in debt ratios and current structure.

4.2 The regulatory environment

The investment company takes advantage of the tax incentives introduced by the amendments to the Stability Law of 2019 for investments in Startups and innovative SMEs, whereby those who subscribe to a capital increase in i-RFK will receive a tax deduction of 30%.

Subsidiary companies to be qualified as "innovative startup" or "eligible innovative SME" and thus enjoy the benefits must meet certain requirements. **A startup** to be qualified as **"innovative**":

- must be a non-listed on regulated markets or multilateral trading systems company;
- must be set up and have been active for no more than five years;
- must be resident in Italy or in the Member States of the European Union or in States which are members of the European Economic Area (Liechtenstein, Iceland, and Norway), provided that it has a production site or a subsidiary in Italy;
- from the second year of activity, it must achieve an annual value of production not exceeding € 5 million;
- must not distribute or have distributed profits;
- the development, production, and marketing of innovative products or services of high technological value must be the exclusive or predominant business objective;
- must not be constituted as a result of a merger, division, transfer of a company or branch of a company.

In addition, the Startup must have at least one of the following "alternative requirements":

1. must incur research and development costs at least 15 % of the largest value between cost and total value of production;
2. must employ highly qualified personnel as employees or collaborators, and in particular: at least 1/3 of the total workforce must consist of Employees who have a Ph.D. or who are carrying out Ph.D. studies at an Italian or foreign university, or who have a degree and who have

been carrying out, for at least three years, certified research activities in public or private research institutes, in Italy or abroad; or it must employ, at least equal to 2/3 of the total workforce, Employees with a master's degree;

3. must be the owner (or depositor or licensee) of at least one industrial patent or registered software.

SME, on the other hand, to be qualified as "**innovative SME"** must meet the following requirements:

- to be established as a LTD, not listed on a regulated market (but may be listed on a multilateral trading platform, such as AIM)
- to be resident in Italy, or in the Member States of the European Union or in States which are members of the European Economic Area (Liechtenstein, Iceland, and Norway), provided that they have a production site or a subsidiary in Italy
- to have certified the last balance Sheet
- not to be enrolled in the special section of innovative start-ups of the Register of Companies
- to present an innovative connotation, identified by the possession of at least two of the following characteristics:

  1. R&D costs at least equal to 3 % of the higher between cost and total value of production;
  2. A workforce consisting, for at least 1/3 of the total, of staff with a master's degree, or, for at least 1/5 of the total, of Ph.D. title holders, Ph.D. students, or researchers;
  3. ownership (including by deposit or licensing) of at least one industrial right or registered software.

Only investment in "**eligible** innovative SMEs", innovative SMEs receiving the initial investment before the first commercial sale on a market or within 7 years of their first commercial sale shall be facilitated.

Seven years after the first commercial sale, the following companies are also considered eligible:

- Innovative SMEs operating for more than 7 years and less than 10 years (since the first commercial sale) if they attest, through the evaluation of an external expert, that they have not yet expressed sufficiently their potential to generate returns;
- regardless of age, innovative SMEs investing in equity capital, based on a business plan for a new product or geographic market, which is more than 50% of the average turnover of the previous five years.

The benefits are foreseen for the contributions in cash to innovative SMEs or companies that invest mainly in innovative start-ups or innovative SMEs, and for the investment in shares of collective investment funds.

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Equity Total Return (ETR) for different risk categories			
Rating	Low Risk	Medium Risk	High Risk
BUY	ETR >= 7.5%	ETR >= 10%	ETR >= 15%
HOLD	-5% < ETR < 7.5%	-5% < ETR < 10%	0% < ETR < 15%
SELL	ETR <= -5%	ETR <= -5%	ETR <= 0%
U.R.	Rating e/o target price Under Review		
N.R.	Stock Not Rated		

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