



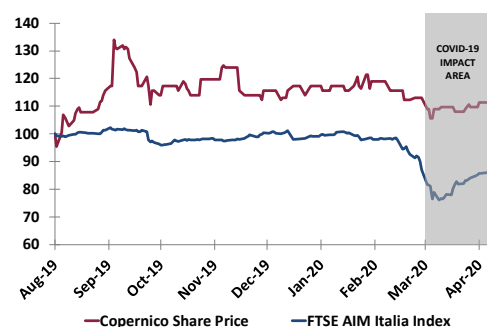
AUM grew by 13% driven by financial markets, challenging 2020

NEUTRAL

Current Share Price (€): 6.65

Target Price (€): 6.13

Copernico - Performance since IPO



Source: S&P Capital IQ - Note: 8/8/2019=100

Company data

ISIN number	IT0005379406
Bloomberg code	COP IM
Reuters code	COP.MI
Share Price (€)	6.65
Date of Price	15/04/2020
Shares Outstanding (m)	1.95
Market Cap (€m)	13.0
Market Float (%)	26.0%
Daily Volume	0
Avg Daily Volume YTD	438
Target Price (€)	6.13
Discount (%)	-8%
Recommendation	NEUTRAL

Share price performance

	1M	3M	1Y
Copernico - Absolute (%)	2%	-5%	n.a.
FTSE AIM Italia (%)	13%	-14%	-23%
1Y Range H/L (€)		8.00	5.70
YTD Change (€) / %		-0.35	-5%

Source: S&P Capital IQ

Analysts

Luigi Tardella - Co-Head of Research
tardellaresearch@advisory.envent.it

Andrea Zampaloni -
azampaloni@advisory.envent.it

EnVent Capital Markets Limited

42, Berkeley Square - London W1J 5AW (UK)
Phone +44 (0) 20 35198451

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FY19 Assets Under Management (AUM) increased by 13% YoY reaching €561m from €497m in 2018. Fee income at €6.5m (€6.7m in 2018) and fee expense at €3.8m, decreasing by 4%. Net fees and brokerage margin were around €2.7m, same level as 2018. EBT was negative for €0.2m compared to breakeven level of FY18. Net income remains at breakeven.

On the balance sheet side, FY19 net working capital increased from €0.5m to €0.8m. Net cash balance benefits from IPO proceeds increasing to €1.9m from €0.4m in 2018. Equity increased from €2.3m to €4.3m due to paid-in capital. Number of private bankers dropped from 89 to 85 in 2019 and to 83 as of March 2020.

Financial markets fueled AUM

Copernico AUM €64m increase is mainly due to positive financial markets performance in 2019 (AUM nationwide grew by +14% in 2019) and to a net inflow of €18.6m (vs €23.7m FY18).

Uncertain outlook on financial market performance

Given the global uncertainty on financial markets due to the COVID-19 pandemic phase and post-virus economy possible recessions at various geographical and sector levels, the entire asset management industry is expected to face challenges. This might lead to a scenario of weaker fee income due to fluctuations of financial market performance and possible outflows of assets, while we consider reasonable recovery scenarios in the midterm. We have considered two 2020 scenarios for our sensitivities: a base case with resilient AUM trend in 2020 with a rise in 2021 and a lower case with a drop in 2020 followed by a recovery to the 2019 AUM level in 2021. In both cases AUM for the period 2021-24 rise at double digits.

Target Price €6.13 per share (from €7.59), NEUTRAL recommendation confirmed

Our updated estimates suggest a Target Price of €6.13 per share, from €7.59, with a potential discount of 8% on the current share price of €6.65. As a consequence, we confirm a NEUTRAL recommendation on the stock.

Key financials and estimates – Base scenario

€m	2018	2019	2020E	2021E	2022E	2023E	2024E
Assets Under Management (AUM)	497	561	589	671	758	857	972
Brokerage Margin	2.7	2.7	3.1	4.1	4.7	5.4	6.3
EBT	0.0	(0.2)	0.1	0.8	1.2	1.6	2.3
Net Income (Loss)	0.0	0.0	0.1	0.5	0.8	1.1	1.5
Net (Debt) Cash	0.4	1.9	2.0	2.5	3.3	4.5	6.0
Equity	2.3	4.3	4.4	4.8	5.6	6.7	8.2
Cost/Income	100%	102%	91%	75%	70%	66%	61%
Net fees/AUM (bps)	55	49	53	60	62	63	64
ROE	2%	1%	1%	10%	13%	16%	19%

Source: Company data 2018-19A, EnVent Research 2020-24E

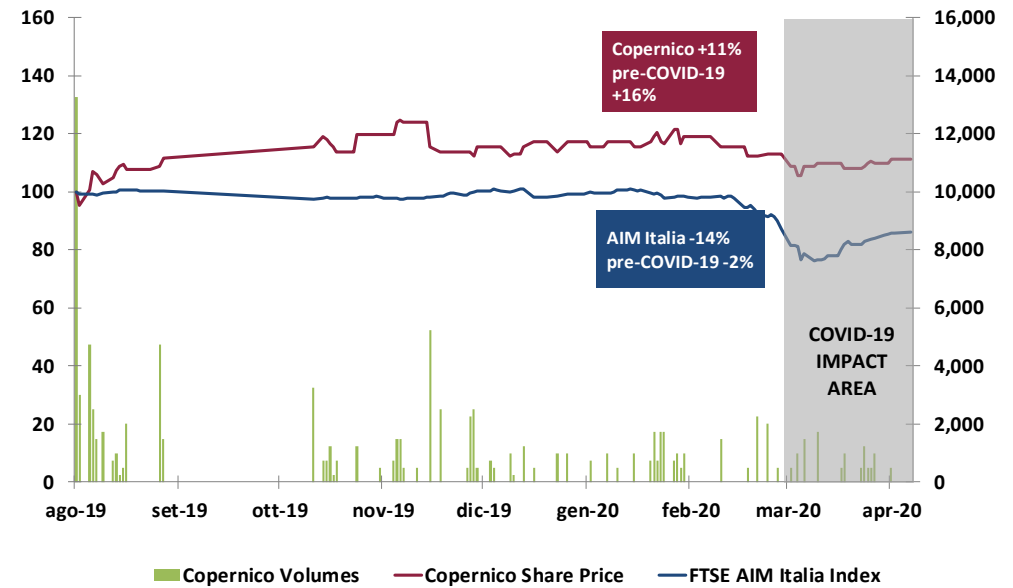
Market update

Share price performance since IPO +16% before market drops for Covid-19

Copernico shares since IPO traded in the range €5.70-8.00, with beginning price at €5.97 and ending at €6.65, 11% increase.

In the same period, the FTSE AIM Italia Index decreased by 14%

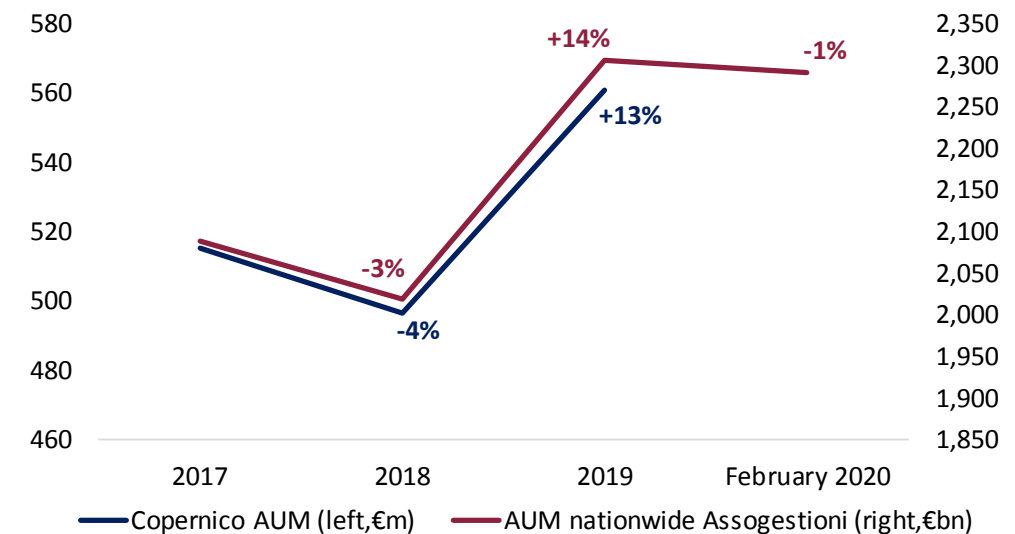
Share price performance and trading volumes since IPO



Source: EnVent Research on S&P Capital IQ - Note: 08/08/2019=100

2017-19 Copernico AUM trend has been in line with the Italian asset management industry

AUM trend before COVID-19 market impact



Source: Company data and Assogestioni, 15/04/20

2019 favorable market conditions, waiting new internal bankers

FY19 Assets Under Management (AUM) increased by 13% YoY reaching €561m from €497m in 2018. Fee income at €6.5m (€6.7m in 2018) and fee expense at €3.8m, decreasing by 4%. Net fees and brokerage margin were around €2.7m, same level as 2018. EBT was negative for €0.2m compared to breakeven level of FY18. Net income remains at breakeven.

On the balance sheet side, FY19 net working capital increased from €0.5m to

€0.8m YoY. Net cash balance benefits from IPO proceeds increasing to €1.9m from €0.4m in 2018. Equity increased from €2.3m to €4.3m due to capital increase. Net inflow was €18.6m in 2019, compared to €23.6m in 2018. The number of bankers decreased from 89 to 85 without a significant impact on AUM.

Business update

During 2019, 4 bankers were hired, while 8 left, a -5% turnover rate like last year. As of March 2020, 4 new bankers joined and 6 resigned, so that total at March 2020 was 83. A first private banker was employed in February, a senior profile. Copernico is currently supporting by remote assistance its clients also during Italian lockdown.

Outlook

Financial markets have suffered losses and volatility, impacting operations of the entire asset management industry.

Given the global uncertainty on financial markets mid-term horizon regarding:

- development of COVID-19 pandemic
- Governments measures
- post-virus economy reaction

we foresee challenging AUM and fee income dynamics for Copernico. Although the first half of 2020 is seeing pervasive losses in most financial markets, the direction of markets looks quite unpredictable. We envisage as possible scenarios of both recovery and further losses.

Estimates revision: managing AUM resiliency and recovery

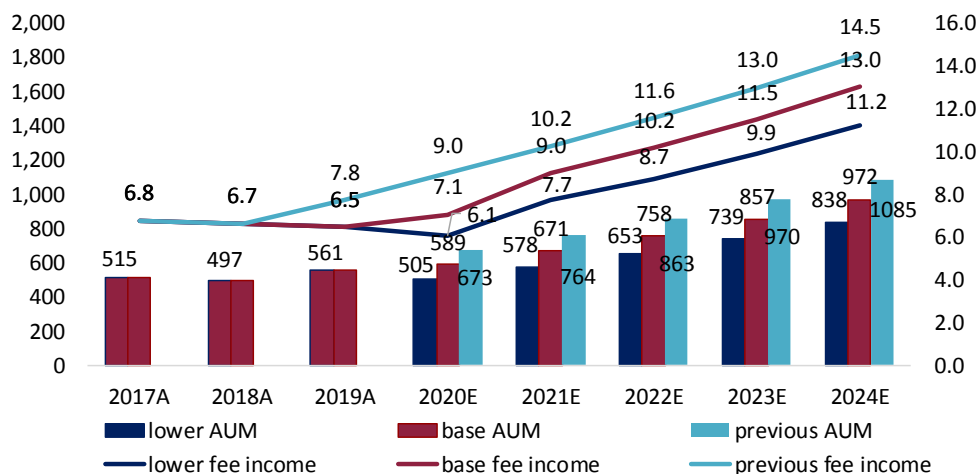
Given the above outlook, we projected two AUM scenarios for 2020. A base case with AUM recovery to the 2019 level, plus a moderate growth in 2020, rise in 2021 and continuing two digits growth in the following years. A lower case assuming an AUM drop in 2020 and since 2021 a shifting of our prior estimate growth.

- **Base scenario:** Fee income (as % AUM) adjusted in both cases from 1.34% to 1.20% for 2020E to reflect the recent downward trend. For the period 2021-24 we reapplied 1.34%. We also aligned fee expenses (as % of Income) to asset management industry to 56% in 2020 reaching 52% in 2024. Personnel cost fine-tuned from 3% to 2% YoY growth. We also have slightly adjusted capital expenditure needs for 2020-24.
- **Lower scenario** (additional assumptions): We reflected into our projections systematic and idiosyncratic risk factors. As systematic risk, we consider the loss trend of financial markets since COVID-19 outbreak and chances of markets recoveries by the end of 2020. On the idiosyncratic side, we consider

possible outflows for clients cash needs. The combination of these factors, together with market downturns, lead to a scenario sensitivity assumption of AUM drop by -10% in 2020, that is assumed to be recovered in 2021.

Change in estimates

Sensitivity scenarios and previous estimates: AUM and Fee income



Source: EnVent Research

Base scenario

€m	Revised						Previous						Change %					
	2019	2020E	2021E	2022E	2023E	2024E	2019E	2020E	2021E	2022E	2023E	2024E	2019	2020E	2021E	2022E	2023E	2024E
AUM	561	589	671	758	857	972	579	673	764	863	970	1085	-3%	-12%	-12%	-12%	-12%	-10%
Fee Income	6.5	7.1	9.0	10.2	11.5	13.0	7.8	9.0	10.2	11.6	13.0	14.5	-16%	-22%	-12%	-12%	-12%	-10%
Fee Expenses	(3.8)	(4.0)	(4.9)	(5.5)	(6.1)	(6.8)	(4.4)	(5.1)	(5.7)	(6.3)	(7.0)	(7.8)	-15%	-22%	-13%	-13%	-13%	-13%
Brokerage margin	2.7	3.1	4.1	4.7	5.4	6.3	3.4	4.0	4.6	5.3	6.0	6.8	-19%	-22%	-12%	-11%	-9%	-7%
<i>Net fees/AUM (bps)</i>	49	53	60	62	63	64	58	59	60	61	61	62						
EBT	(0.2)	0.1	0.8	1.2	1.6	2.3	0.2	0.5	0.8	1.1	1.6	2.1	-222%	-77%	2%	2%	5%	6%
<i>EBT/Brokerage margin</i>	-9%	3%	20%	25%	30%	36%	6%	11%	17%	22%	26%	32%						
Net Income (Loss)	0.0	0.1	0.5	0.8	1.1	1.5	0.1	0.2	0.5	0.7	1.0	1.4	-27%	-78%	6%	5%	8%	8%
Net Debt (Cash)	(1.9)	(2.0)	(2.5)	(3.3)	(4.5)	(6.0)	(2.6)	(2.9)	(3.5)	(4.4)	(5.6)	(7.1)						

Source: EnVent Research

Lower scenario

€m	Revised						Previous						Change %					
	2019	2020E	2021E	2022E	2023E	2024E	2019	2020E	2021E	2022E	2023E	2024E	2019	2020E	2021E	2022E	2023E	2024E
AUM	561	505	578	653	739	838	579	673	764	863	970	1085	-3%	-25%	-24%	-24%	-24%	-23%
Fee Income	6.5	6.1	7.7	8.7	9.9	11.2	7.8	9.0	10.2	11.6	13.0	14.5	-16%	-33%	-24%	-24%	-24%	-23%
Fee Expenses	(3.8)	(3.4)	(4.3)	(4.7)	(5.2)	(5.8)	(4.4)	(5.1)	(5.7)	(6.3)	(7.0)	(7.8)	-15%	-33%	-25%	-25%	-25%	-25%
Brokerage margin	2.7	2.7	3.5	4.0	4.7	5.4	3.4	4.0	4.6	5.3	6.0	6.8	-19%	-33%	-24%	-23%	-22%	-20%
<i>Net fees/AUM (bps)</i>	49	53	60	62	63	64	58	59	60	61	61	62						
EBT	(0.2)	(0.3)	0.3	0.7	1.2	1.9	0.2	0.5	0.8	1.1	1.6	2.1	-222%	-172%	-56%	-36%	-21%	-13%
<i>EBT/Brokerage margin</i>	-9%	-12%	10%	18%	26%	34%	6%	11%	17%	22%	26%	32%						
Net Income (Loss)	0.0	(0.3)	0.2	0.4	0.8	1.2	0.1	0.2	0.5	0.7	1.0	1.4	-27%	-234%	-64%	-38%	-22%	-13%
Net Debt (Cash)	(1.9)	(1.7)	(1.9)	(2.4)	(3.2)	(4.5)	(2.6)	(2.9)	(3.5)	(4.4)	(5.6)	(7.1)						

Source: EnVent Research

The detailed projections are shown below limited to the base case. The lower case key figures are reported within the valuation section.

Profit and Loss - Base case

€m	2018	2019	2020E	2021E	2022E	2023E	2024E
Assets Under Management (AUM)	497	561	589	671	758	857	972
Fee income	6.7	6.5	7.1	9.0	10.2	11.5	13.0
Fee expense	(3.9)	(3.8)	(4.0)	(4.9)	(5.5)	(6.1)	(6.8)
Net fees	2.7	2.7	3.1	4.0	4.7	5.4	6.3
<i>Net fees/AUM (bps)</i>	<i>55</i>	<i>49</i>	<i>53</i>	<i>60</i>	<i>62</i>	<i>63</i>	<i>64</i>
Brokerage Margin	2.7	2.7	3.1	4.1	4.7	5.4	6.3
Personnel	(1.2)	(1.3)	(1.3)	(1.5)	(1.7)	(1.9)	(2.1)
G&A	(1.5)	(1.5)	(1.5)	(1.6)	(1.6)	(1.6)	(1.7)
Writedown/writeup on financial assets	(0.1)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
D&A	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)
Other income (expense)	0.2	0.1	0.0	0.0	0.0	0.0	0.0
EBT	0.0	(0.2)	0.1	0.8	1.2	1.6	2.3
<i>EBT/Brokerage margin</i>	<i>2%</i>	<i>-9%</i>	<i>3%</i>	<i>20%</i>	<i>25%</i>	<i>30%</i>	<i>36%</i>
Income taxes	0.0	0.3	(0.1)	(0.3)	(0.4)	(0.6)	(0.7)
Net Income (Loss)	0.0	0.0	0.1	0.5	0.8	1.1	1.5

Source: Company data 2018-19A, EnVent Research 2020-24E

Balance Sheet - Base case

€m	2018	2019	2020E	2021E	2022E	2023E	2024E
Net Working Capital	0.5	0.8	0.9	1.0	1.1	1.2	1.3
Non-current assets	1.9	2.1	2.0	1.9	1.8	1.7	1.6
Provisions	(0.6)	(0.5)	(0.5)	(0.6)	(0.6)	(0.7)	(0.7)
Net Invested Capital	1.8	2.4	2.3	2.3	2.3	2.2	2.2
Net Debt (Cash)	(0.4)	(1.9)	(2.0)	(2.5)	(3.3)	(4.5)	(6.0)
Equity	2.3	4.3	4.4	4.8	5.6	6.7	8.2
Sources	1.8	2.4	2.3	2.3	2.3	2.2	2.2

Source: Company data 2018-19A, EnVent Research 2020-24E

Cash Flow - Base case

€m	2018	2019	2020E	2021E	2022E	2023E	2024E
EBT	0.0	(0.2)	0.1	0.8	1.2	1.6	2.3
Current taxes	0.0	0.3	(0.1)	(0.3)	(0.4)	(0.6)	(0.7)
D&A	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Net Working Capital	(0.4)	(0.3)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)
Provisions	(0.1)	(0.0)	0.0	0.0	0.0	0.0	0.1
Cash flow from operations	(0.3)	(0.1)	0.2	0.6	0.9	1.3	1.7
Capex	(0.2)	(0.4)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)
Operating cash flow after capex	(0.5)	(0.5)	0.1	0.5	0.8	1.2	1.6
Paid-in capital/IPO proceeds	0.1	2.0	0.0	0.0	0.0	0.0	0.0
Net cash flow	(0.5)	1.5	0.1	0.5	0.8	1.2	1.6
Net (Debt) Cash - Beginning	0.9	0.4	1.9	2.0	2.5	3.3	4.5
Net (Debt) Cash - End	0.4	1.9	2.0	2.5	3.3	4.5	6.0
Change in Net (Debt) Cash	(0.5)	1.5	0.1	0.5	0.8	1.2	1.6

Source: Company data 2018-19A, EnVent Research 2020-24E

Ratio analysis - Base case

KPIs	2018	2019	2020E	2021E	2022E	2023E	2024E
Assets Under Management (€m)	497	561	589	671	758	857	972
Net inflows (€m)	(18)	64	28	82	87	99	115
Fee income (€m)	6.7	6.5	7.1	9.0	10.2	11.5	13.0
<i>Fee income/AUM</i>	1.34%	1.16%	1.20%	1.34%	1.34%	1.34%	1.34%
Net fees (€m)	2.7	2.7	3.1	4.0	4.7	5.4	6.3
Net fees/AUM (bps)	55	49	53	60	62	63	64
<i>Cost/Income</i>	99.6%	102.3%	90.8%	75.4%	70.4%	65.5%	60.7%
Financial advisors (units)	89	85	85	94	103	112	121
Avg. Portfolio per financial advisor (€m)	5.6	6.6	6.9	7.1	7.4	7.7	8.0
Earnings per share (€)	0.0	0.0	0.0	0.3	0.4	0.6	0.8
<i>ROE</i>	2.0%	1.0%	1.2%	10.1%	13.5%	16.2%	18.7%

Source: Company data 2018-19A, EnVent Research 2020-24E

Ratio analysis - Lower case

KPIs	2018	2019	2020E	2021E	2022E	2023E	2024E
Assets Under Management (€m)	497	561	505	578	653	739	838
Net inflows (€m)	(18)	64	(56)	73	75	86	99
Fee income (€m)	6.7	6.5	6.1	7.7	8.7	9.9	11.2
<i>Fee income/AUM</i>	1.34%	1.16%	1.20%	1.34%	1.34%	1.34%	1.34%
Net fees (€m)	2.7	2.7	2.7	3.5	4.0	4.7	5.4
Net fees/AUM (bps)	55	49	53	60	62	63	64
<i>Cost/Income</i>	99.6%	102.3%	105.4%	84.3%	76.2%	68.8%	61.9%
Financial advisors (units)	89	85	85	94	103	112	121
Avg. Portfolio per financial advisor (€)	5.6	6.6	5.9	6.1	6.3	6.6	6.9
Earnings per share (€)	0.0	0.0	neg.	0.1	0.2	0.4	0.6
<i>ROE</i>	2.0%	1.0%	-7.8%	3.9%	9.7%	14.6%	18.7%

Source: Company data 2018-19A, EnVent Research 2020-24E

Valuation

Free cash flow to equity model

We have run our FCFE model in the base case with the following assumptions:

- Risk free rate: 1.9% (Italian 10-year government bonds interest rate. Source: Bloomberg, April 2020)
- Market return: 10.8% (Source: Bloomberg, April 2020)
- Market risk premium: 9.0%
- Beta: 1 (Due to heterogeneity among peers part of the Italian and European Asset Managers sample, we did not use the 1.1 median value but a standard value of 1)
- Cost of equity: 10.8%
- Perpetual growth rate after explicit projections: 2.0%
- Terminal Value assumes a normalized sustainable Fee income/AUM equal to 1.30% (Copernico 2017-19 rounded value) and a net cash flow of around €1.3m
- Capital requirements will continue to be driven by fee expenses and fixed cost

FCFE Valuation - Base case

€m	2019	2020E	2021E	2022E	2023E	2024E	Perpetuity
Cash flow from operations	(0.1)	0.2	0.6	0.9	1.3	1.7	1.4
Cash flow from investing	(0.4)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)
Capital Requirements	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net cash flow	(0.5)	0.1	0.5	0.8	1.2	1.6	1.3
Cost of Equity (Ke)	10.8%						
Long-term growth (G)	2.0%						
Discounted Cash Flows		0.1	0.4	0.6	0.8	0.9	
Sum of Discounted Cash Flows	2.8						
Terminal Value							14.3
Discounted Terminal Value	8.6						
Net cash as of 31/12/2019	1.9						
Equity Value	13.3						

FCFE - Implied multiples	2019	2020E	2021E	2022E	2023E	2024E
P/E	320.9X	253.1X	27.2X	17.6X	12.2X	8.6X
Equity Value/AUM	2.4%	2.3%	2.0%	1.8%	1.5%	1.4%

Source: EnVent Research

FCFE Valuation - Lower case

€m	2019	2020E	2021E	2022E	2023E	2024E	Perpetuity
Cash flow from operations	(0.1)	(0.2)	0.3	0.6	0.9	1.4	1.2
Cash flow from investing	(0.4)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)
Capital Requirements	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net cash flow	(0.5)	(0.2)	0.2	0.5	0.8	1.3	1.1
Cost of Equity (Ke)	10.8%						
Long-term growth (G)	2.0%						
Discounted Cash Flows		(0.2)	0.1	0.4	0.6	0.8	
Sum of Discounted Cash Flows	1.6						
Terminal Value							11.9
Discounted Terminal Value	7.1						
Net cash as of 31/12/2019	1.9						
Equity Value	10.6						

FCFE - Implied multiples	2018	2019	2020E	2021E	2022E	2023E	2024E
P/E	230.9X	257.1X	-34.0X	64.9X	23.9X	13.5X	8.6X
Equity Value/AUM	2.1%	1.9%	2.1%	1.8%	1.6%	1.4%	1.3%

Source: EnVent Research

Target Price

The application of our valuation model to the assumptions and estimates of each scenario yields a share price range of €5.45-6.80. We suggest the average price of €6.13 (revising our previous €7.59 per share) in view of the contingent

uncertainties, 8% downside on the current share price of €6.65. As a consequence, we confirm our NEUTRAL recommendation.

Please refer to important disclosures at the end of this report.

Copernico Price per Share	€
Target Price	6.13
Current Share Price (15/04/2020)	6.65
Premium (Discount)	-8%

Source: EnVent Research

Investment Case

Company

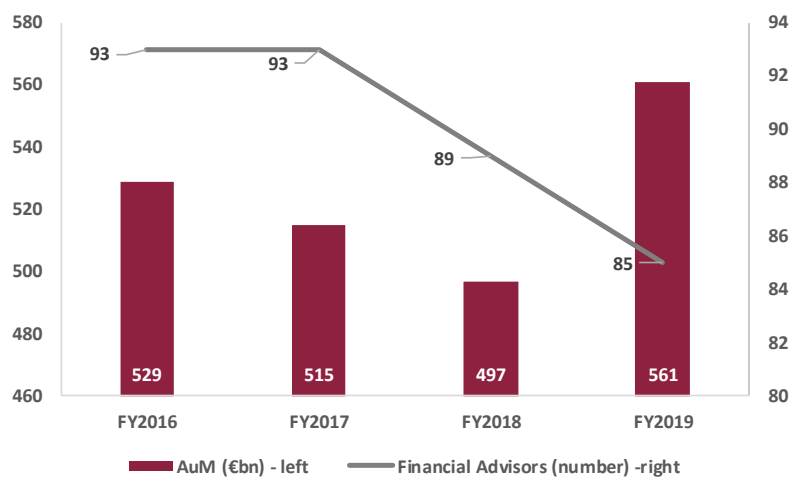
Copernico SIM is an investment firm that operates as asset management advisor to retail clients with a 20-year track record. Copernico provides investment advice and placing services without having custody of client assets. A network of over 80 financial advisors covered more than €550m of Assets Under Management from over 6,400 clients.

Services:

- Placing: purchase and disposal of client financial assets through agreement with asset managers institutions, pension funds and insurance companies
- Investment advice: consulting services and asset allocation on client's savings, with no access to the client's liquidity

Core values are independence and transparency, since clients know how much they pay and what their portfolio comprises at any time in the investment process, and safety, given that Copernico does not hold any cash from clients.

Copernico - AUM and Financial Advisors, 2016-19



Source: Company data

Revenue drivers

Revenues are generated through:

- Placing: Copernico advises clients in the purchase and disposal of financial assets, via investment/liquidation proposal. This service line, provided in a framework of commercial agreements with more than 30 asset management companies, pension funds and insurance companies, has been so far the one generating most income fees
- Investment advice: consulting services on all, or part, of clients' savings

Along with the shift towards Advanced and Independent placing, Copernico is also committed to develop clients' wealth and portfolio analysis.

Drivers

Industry drivers

Italian private wealth is significant and financial assets continue to gain ground. Italian households net worth is significant: gross financial assets accounted for €4,374bn in 2017 (Source: Bankitalia). Comparing Italy with other European countries (2017 available data), the households net worth/gross disposable income ratio in Italy is higher than in Germany, France, and UK. Financial assets represented 45% of total net worth in 2017 and, after a decline in the financial crisis years, have been experiencing growth again since 2013.

Yields on Italian treasuries are low and not expected to increase. The historical lowest yield on Italian government bonds further leads investors towards alternative investment solutions. As a result, the amount of debt securities held by Italian investors decreased from 20% to 7% along 2010-Q1 2018 (Source: Assogestioni, “L'industria del risparmio gestito”, Salone del Risparmio, February 2019).

MiFID II transparency to fuel new entrance of households. The underlying intent of MiFID II is to introduce more transparency that should generate a better awareness for the client, who has not had a clear view of fees charged on his investments so far. More aware clients could be attracted by a transparent and fair pricing offered.

Improved portfolio diversification offers opportunity for investment advisors. Italian households have a lower portion of their financial assets managed by investment managers than those in other countries. Furthermore, these assets traditionally are extensively made of government bonds. Therefore, investment advisors can push for an increase of the stake of professional asset management within Italian household investment portfolios, aligning them with those of other developed economies.

Innovation. Fintech/robo-advisory and multichannel platforms may support distribution channels and commercial strategies of financial intermediaries offering investment services.

Demographic shift. Aging of Italian population may push demand of saving and investment advisory for both insurance products and retirement schemes.

Company drivers

Long-run track record even in troubling times. Throughout 2010-2017, investment companies/SIMs decreased significantly, facing a rising competition in the industry and changes in regulatory framework. Since 1999, Copernico resilient aptitude has helped to adapt to the evolving circumstances in the investment industry.

Complex market, tailor made approach. Financial markets are becoming more complex and diversified, making traditional investment channels less appealing and challenging the *old school* asset management industry. Copernico strategy focuses on a more tailor-made approach on investment advisory and portfolio analysis to clients.

Independence, transparent and conflict-free business model. Copernico's shareholder base, that does not include financial institutions, wealth managers or financial services firms, and transparency on clients' costs are value selling propositions attractive for established financial advisors and their clients.

Diversified client portfolio. The AUM spread over a quite large number of clients would reduce the risk of dependence of a high portion of fee income on a relatively small number of individual large clients.

Northern Italy based. Most of Copernico's clients live and operate in the wealthiest regions of the country, where households have substantial savings coupled with a high rate of employment which helps to appreciate investment advisory.

Management and Shareholders: a partnership attitude. Key managers and several financial advisors are shareholders of Copernico. The combined role of financial advisors, shareholders and board members nurtures a culture of partnership and cooperation. The lean organization approach contributes to the transparency of customer relationship management and keeps overheads down to a reasonable level.

Challenges

Market fluctuations. Cyclical market trends might lead to slowdown in net inflows. In this case, AUM are likely to decrease in value, with lower management fees and performance fees, given the predictable drop in asset performance.

Financial advisor concentrations. The situation where large portfolios are managed by individual advisors increases the Company's risk, as their bargaining power would be much stronger in case of dispute.

Reputation and turnover of the network. To drive profitability, Copernico largely relies on its network of financial advisors. Therefore, poor performance or reputational damage can impact the Company revenues. Conversely, a good reputation of Copernico's network might increase competitors willingness to attract its best financial advisors with generous offers.

Exposure to Italy. Copernico only operates in Italy. Therefore, any event affecting the Italian economy would likely impact the Company and its bottom line. The main concerns are the volatile Italian market and the unstable political outlook. Furthermore, the Italian tax system has historically experienced frequent changes and could get more stringent over time on private wealth. This would subsequently negatively affect investment management and asset management revenues and profitability.

Regulatory environment. The Company operates in a highly regulated market, where its products are strongly impacted by changes in the current legislation. Risk of non-compliance with the existing regulation is potential, with the related chance to incur inspections and penalties should the Company not comply with rules concerning transparency, conflict of interest, anti-money laundering, market abuse and consumer protection.

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The stock price indicated is the reference price on the day indicated as “Date of Price” in the table on the front page of this publication.

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Date	Recommendation	Target Price (€)	Share Price (€)
24/10/2019	NEUTRAL	7.59	6.90
15/04/2020	NEUTRAL	6.13	6.65

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