



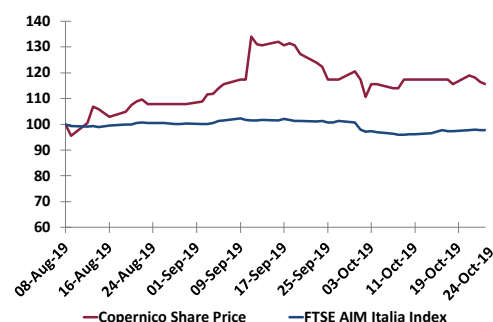
20 years track record in a changing industry in the asset management consulting

NEUTRAL

Current Share Price (€): 6.90

Target Price (€): 7.59

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 (€)	6.90
Date of Price	24/10/2019
Shares Outstanding (m)	1.95
Market Cap (€m)	13.5
Market Float (%)	26.0%
Daily Volume	250
Avg Daily Volume YTD	n.a.
Target Price (€)	7.59
Upside (%)	10%
Recommendation	NEUTRAL

Share price performance

	1M	3M	1Y
Copernico - Absolute (%)	-5%	n.a.	n.a.
FTSE AIM Italia (%)	-3%	-6%	-13%
1Y Range H/L (€)	5.70	8.00	
YTD Change (€) / %	n.a.	n.a.	

Source: S&P Capital IQ

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States, Canada, Japan or Australia or to U.S. persons.

We initiate coverage of Copernico with a NEUTRAL rating, Target Price €7.59 per share.

Copernico SIM, listed on AIM Italia in August 2019, is an investment firm providing placing and investment advice services to its clients through a network of financial advisors. As of June 2019, Assets Under Management (AUM) were nearly €550m, with almost 90 financial advisors and over 6,400 clients. Established in 1999, Copernico withstood the troubled times of its industry and is now ready to match the forthcoming challenges induced by MiFID II introduction.

Based and operating in the wealthiest area of Italy

Placing has been so far the largest source of fees, managed by Copernico through a network of financial advisors. Clients' catchment area is Northern Italy, the wealthiest portion of the country. Company average client belongs to mass market/retail class.

A new business proposition to face new challenges

After MiFID II regulatory framework, Copernico has redesigned its business model in order to support existing and new clients with a full asset allocation service. Along with the existing "Base" service, new "Advanced" and "Independent" placing services will become revenue lines independent from rebates received by asset managers/financial institutions. The planned recruiting campaign on existing banking networks may offer Copernico the chance to engage new financial advisors as employees, thus strengthening the AUM growth effects on Cost/Income ratio and profitability. Since October 2019, Copernico has been authorized by the Italian financial market commission CONSOB to receive and transmit trading orders from clients to brokers.

Italian wealth industry likely to offer growth opportunities

After the financial crisis years, financial assets owned by Italian households experienced growth along the 2013-18. Compared to other similar European countries, Italy shows the highest net worth/disposable income ratio, and the financial assets/real assets ratio has been increasing since 2012. Among financial assets, a persistence of low interest rates may push the reallocation further from debt securities and bank deposits in favor of insurance products and mutual funds.

Target Price €7.59 per share, NEUTRAL recommendation

Our FCFE-based valuation yields a Target Price of €7.59, +17% on the IPO price of €6.50, with a potential upside of 10% on the current share price. As a consequence, we initiate the coverage of Copernico SIM with a NEUTRAL recommendation on the stock.

Key financials and estimates

€m	2017A	2018A	2019E	2020E	2021E	2022E	2023E	2024E
Assets Under Management (AUM)	515	497	579	673	764	863	970	1,085
Brokerage Margin	2.8	2.7	3.4	4.0	4.6	5.3	6.0	6.8
EBT	0.3	0.0	0.2	0.5	0.8	1.1	1.6	2.1
Net Income (Loss)	0.2	0.0	0.1	0.2	0.5	0.7	1.0	1.4
Net (Debt) Cash	0.9	0.4	2.6	2.9	3.5	4.4	5.6	7.1
Equity	2.2	2.3	5.2	5.5	5.9	6.7	7.7	9.1
Cost/Income	85%	100%	88%	81%	76%	72%	68%	65%
Net fees/AUM (bps)	55	55	58	59	60	61	61	62
ROE	8%	2%	1%	4%	8%	11%	13%	16%

Source: Company data 2017-18A, EnVent Research 2019-24E

1. INVESTMENT CASE

Company

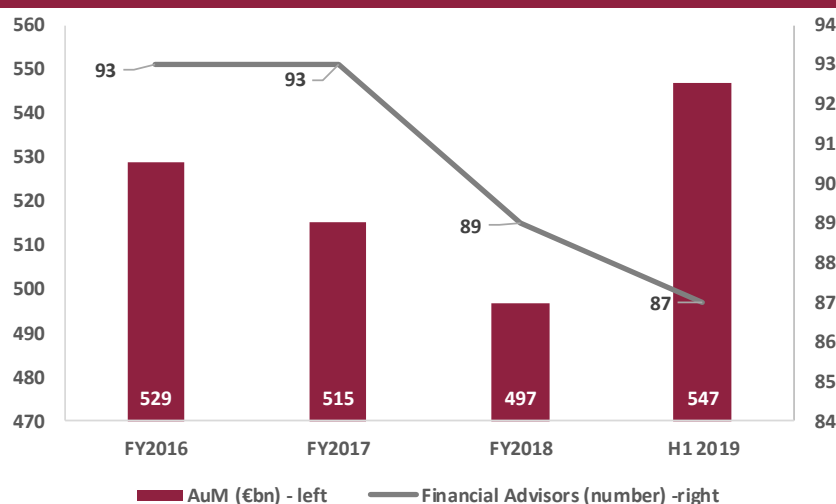
Copernico SIM is an investment firm that operates as asset management advisor to retail clients with a 20-year track record. Copernico provides investment advice and placing services without having custody of client assets. A network of almost 90 financial advisors covered more than €500m of Assets Under Management from over 6,400 clients as of June 2019.

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-H1 2019



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.

2. PROFILE

A solid track record in a stormy industry

Key facts, history and developments

Copernico Società di Intermediazione Mobiliare (SIM) SpA is an asset management advisor to retail clients, operating through a network of financial advisors. The Company was established in 1999 by a team of financial advisors who were previously part of other networks. Copernico does not hold funds on behalf of its clients nor produce or distribute financial products, which are provided according to agreements with more than 30 asset management institutions.

The Company is headquartered in Udine, with 21 employees (as at December 31st, 2018).

The provision of investment services by SIMs is primarily regulated by the Italian Law on Finance (TUF - Testo Unico della Finanza) and by the regulations issued by Bank of Italy and the Italian financial market commission (CONSOB). Among the investment services for which SIMs may apply for, Copernico provides:

1. Placing
2. Investment advice

Copernico is authorized to provide placing:

3. without irrevocable commitment to the issuer
4. without holding client liquid balance or financial instruments
5. without assuming own risk

Copernico is also authorized to the execution of orders on behalf of clients, limited to the subscription, purchase and sale of own financial instruments and to provide reception and transmission of orders from clients to brokers.

Copernico - History milestones

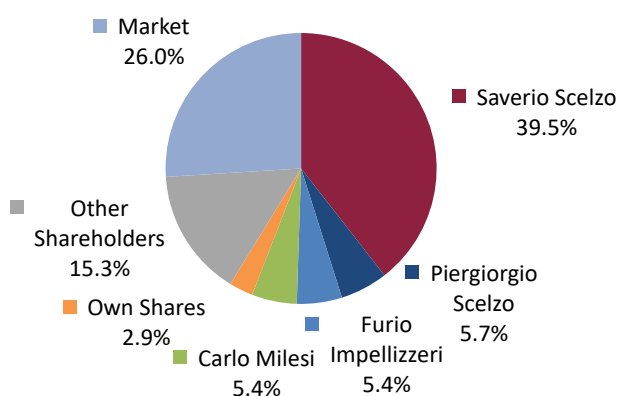
1999	Establishment of the Company with a share capital of £750m (€390k)
2000	CONSOB authorization and start of placing services without a firm commitment basis; Share Capital increase: £450m (€234k)
2007	CONSOB authorization of investment advice; MiFID directive comes into force; Introduction of the investment advice along with placing service
2008	Start of the fee-based investment advice service testing
2013	Free capital increase: €876k CONSOB authorization to provide the service of execution of orders on behalf of
2017	clients, limited to the subscription, purchase and sale of financial instruments issued by Company itself
2018	MiFID II directive comes into force
2019	Listing on AIM Italia

Source: Company data

Key people

Saverio Scelzo Founder & CEO	<ul style="list-style-type: none"> 1999-to date: Founder and CEO at Copernico SIM S.p.A. Previously: Board member at Azimut Triveneto S.p.A.; Management area of Investments Development at ING Group; Group Manager at Dival SIM S.p.A.; Sales Manager at Snaidero Canada (Toronto)
Gianluca Scelzo Board member	<ul style="list-style-type: none"> 2015-to date: Board member at Ulisse Biomed S.r.l. 2013-to date: Board member at Copernico SIM S.p.A. 2011-to date: Partner Manager at Copernico SIM S.p.A. 2008-to date: Financial Advisor at Copernico SIM S.p.A.
Carlo Milesi Board member	<ul style="list-style-type: none"> 2013-to date: Litigation Advisor for the Court of Udine 2011-to date: Board member at Copernico SIM S.p.A. 2000-to date: Partner Manager at Copernico SIM S.p.A. Previously: Financial advisor at Azimut S.p.A and ING S.p.A.
Lorenzo Sacchi General Manager	<ul style="list-style-type: none"> 2017-to date: General Manager at Copernico SIM S.p.A. 2016-2017: Manager at Copernico SIM S.p.A. Previously: Head of reporting to supervisory authorities at V.I.H.P. S.p.A.; Head of Accounting, Control and Finance at Independent Private Bankers SIM S.p.A.; Investments Committee member at Fimit Sgr
Vito Di Trapani Independent Board member	<ul style="list-style-type: none"> 2014-to date: Independent Board member at Copernico SIM S.p.A. 2011-to date: Board member at OdV Cafe S.p.A. 1996-1997: Legal advisor for WWF Friuli-Venezia Giulia
Sergio Commissari Independent Board member	<ul style="list-style-type: none"> 2017-to date: Independent Board member at Copernico SIM S.p.A. 2015-2017: Head of Internal Audit at Copernico SIM S.p.A. 2013-to date: Head of Internal Audit at Progetto SIM S.p.A. Previously: Supervisory body at SCS Gestioni Immobiliare S.r.l., BrandUp S.r.l. and Spoleto Credito e servizi Sc.Coop. A.r.l.; Network Inspector at Profit SIM S.p.A.

Shareholders



Source: Company data

Copernico's IPO and stock market performance on AIM Italia

Copernico on AIM Italia	
Stock market	AIM Italia
Bloomberg code	COP IM
Reuters code	COP.MI
IPO date	08/08/2019
Offer Price (€)	6.5
Money raised (€m)	2.9
Vendor placing (€m)	0.4
Market Cap at IPO (€m)	12.7
Free float at IPO	26.0%
Ordinary shares - ISIN number	IT0005379406
Shares outstanding	1,950,000
Current Share Price (€)	6.9
Current Market Cap (€m)	13.5
Warrants - ISIN number	IT0005379372
Warrants outstanding	715,000
Current Warrant Price (€)	1.1

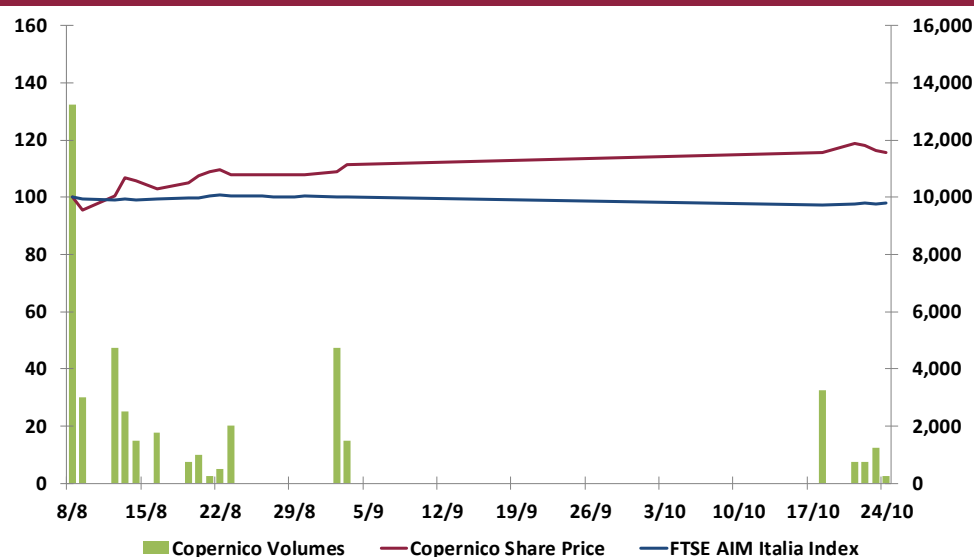
Source: Company data and S&P Capital IQ, update: 24/10/19

Use of the IPO proceeds:

- Expansion of CRM and Information Systems
- Recruiting of experienced financial advisors and managers

Source: Company data

Share price performance and volumes since IPO



Source: S&P Capital IQ, update: 24/10/19 - Note: 8/8/2019=100

3. MARKET AND INDUSTRY INSIGHT

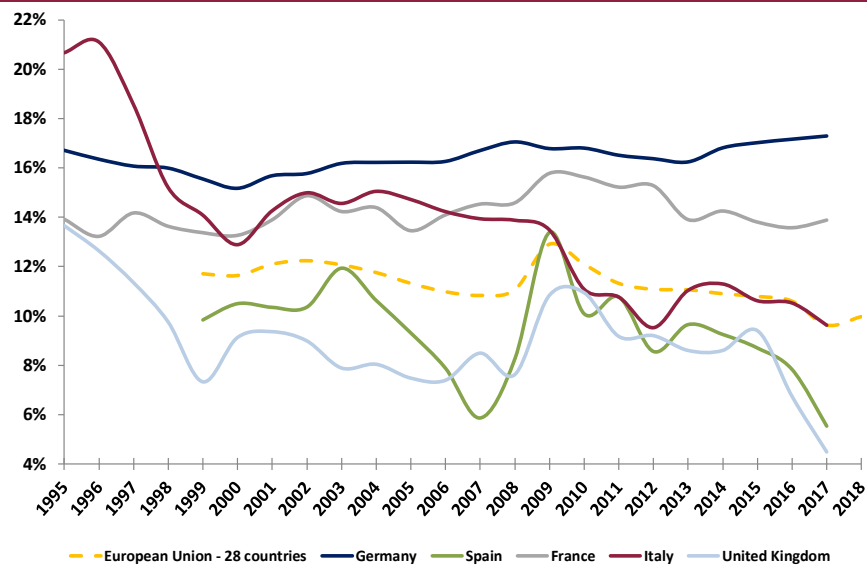
What's driving wealth? What's driving investment decisions?

Italian household saving rate high, regardless of economic downturn

Italian households historically recorded a strong propensity to save and this allowed them to create wealth, which is relatively higher in Italy than in other developed countries. The Italian saving rate was above 20% of disposable income in the middle of the nineties. The crisis of 2008 brought down such figure and the sub-prime crisis made it plunge, bottoming at 9% in 2012. Even in the following years it was still around 10%.

Italian household saving rate affected by recent economic cycle

Household saving rate - Italy vs. main European countries



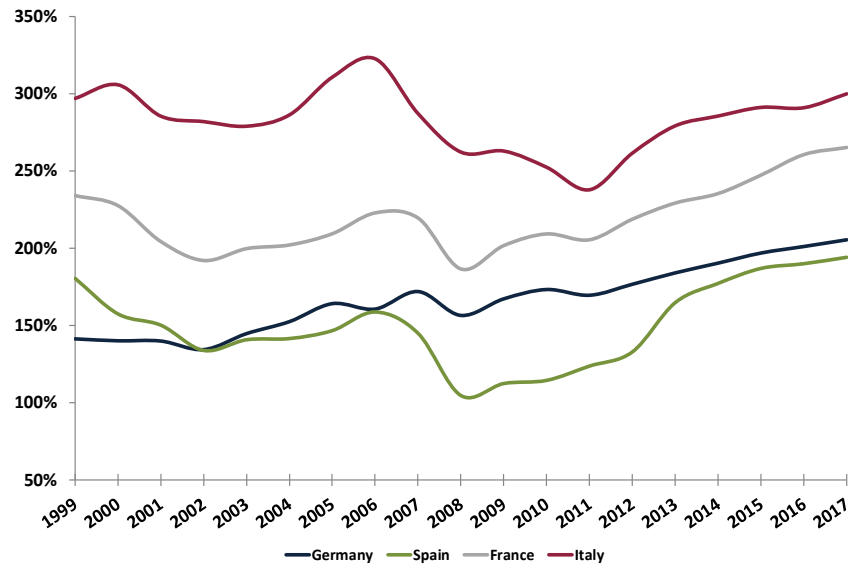
Source: Eurostat database - data extracted in May 2019

Furthermore, Italy reported one of the highest net financial assets to income ratio (the ratio of households' net financial assets - all financial assets minus all financial liabilities - to their gross disposable income along the considered year) among the major EU countries in 2017. The following exhibit shows that Italian households financial net worth was:

- Threefold higher of their net disposable income in 2017, with this trend growing constantly since 2012
- Almost 1.5 times higher than Germany and Spain

(Source: Eurostat database, May 2019)

Household net financial assets to income ratio - Italy vs. main European countries



Source: Eurostat database - data extracted in May 2019

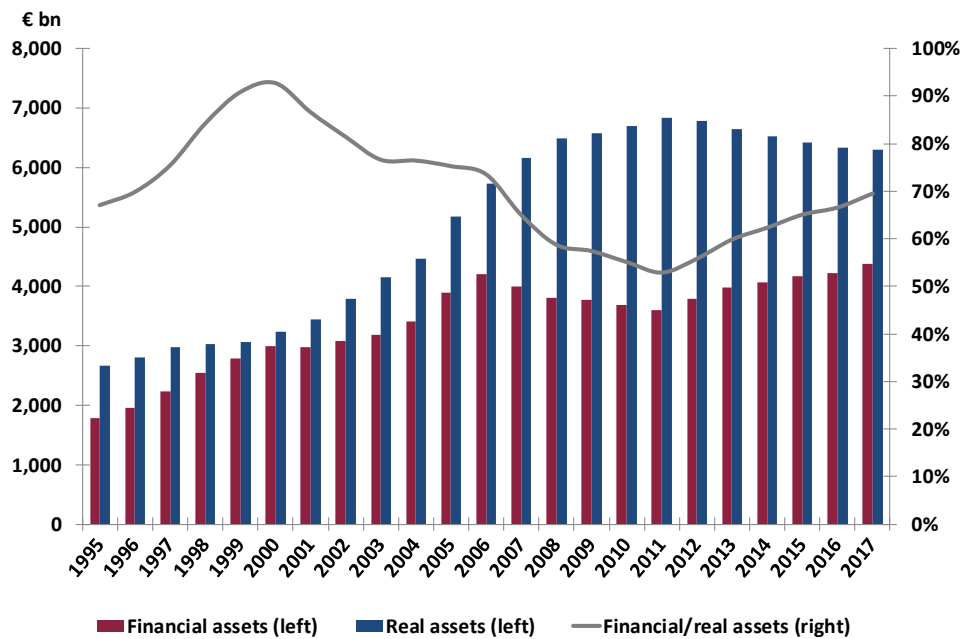
Italy as European leader

Net worth is substantial. Financial assets represent a minor but increasing portion

Bank of Italy data show households net worth was €9.7tn in 2017, slightly greater than 2016 (+1%), marking the first positive change in the last 4 years. Financial assets (€4.4tn) accounted for 45% of the total net wealth, while the remaining part was represented by real assets (65%) and financial liabilities (-10%). Real assets owned by Italian investors showed stable growth until 2012. From the following year, their weight within household portfolios started decreasing. Financial assets stepped up until 2006, with their popularity falling due to the economic downturn and experiencing a new growth from 2012 onwards. By looking at the past five years, there appears to be a clear upward trend in the financial/real assets ratio, reaching pre-crisis values at 70% in 2017. One of the likely reasons for the slowing of illiquid assets is the new unfavorable tax environment regarding real assets properties. (Source: Bank of Italy, "La ricchezza delle famiglie italiane - year 2014", n. 69, 2015 and "La ricchezza delle famiglie e delle società non finanziarie italiane", 2019)

Italian household total assets and worth (gross of financial liabilities)

Italian financial assets:
upward trend



Source: Data from 1995 to 2004: Bank of Italy, *La ricchezza delle famiglie italiane* - year 2014, n. 69, 2015

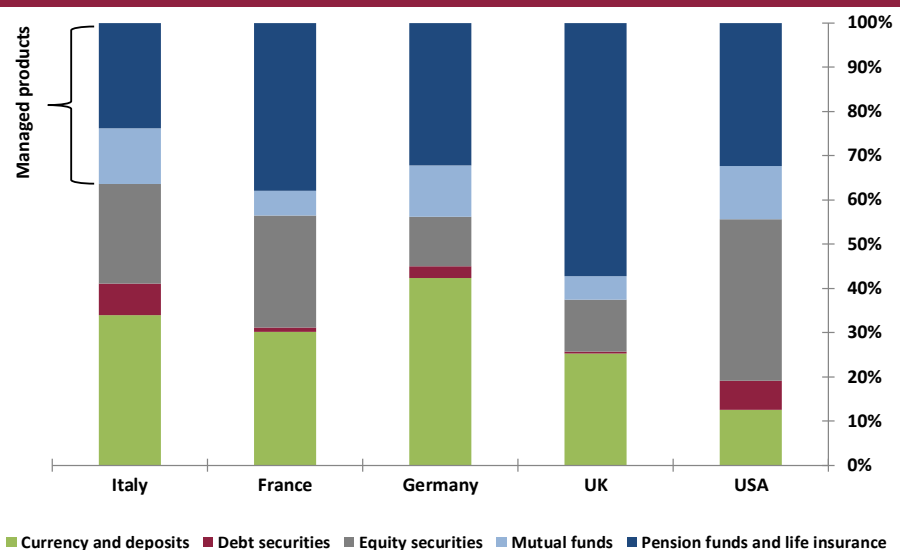
Data from 2005 to 2017: Bank of Italy and ISTAT, *La ricchezza delle famiglie e delle società non finanziarie italiane*, 2019

34% of assets
invested in managed
products in Italy, vs.
average 46%
benchmark

In 2017, 34% of Italian households' financial assets were invested in mutual and pension funds and life insurance products (commonly referred to as "managed assets" or "managed products"), according to Assogestioni, the association of the Italian investment management industry representing most of the Italian and foreign investment management companies operating in Italy, as well as banks and insurance companies. The same digit was recorded in in Q3 2018 and is lower than the average of developed countries (46%) (Source: Assogestioni, The Italian Asset Management market key figures, 2019).

Household financial assets breakdown, Italy vs. main developed countries, Q3 2018

Room to improve the
mix



Source: Assogestioni, *The Italian Asset Management market key figures*, 2019

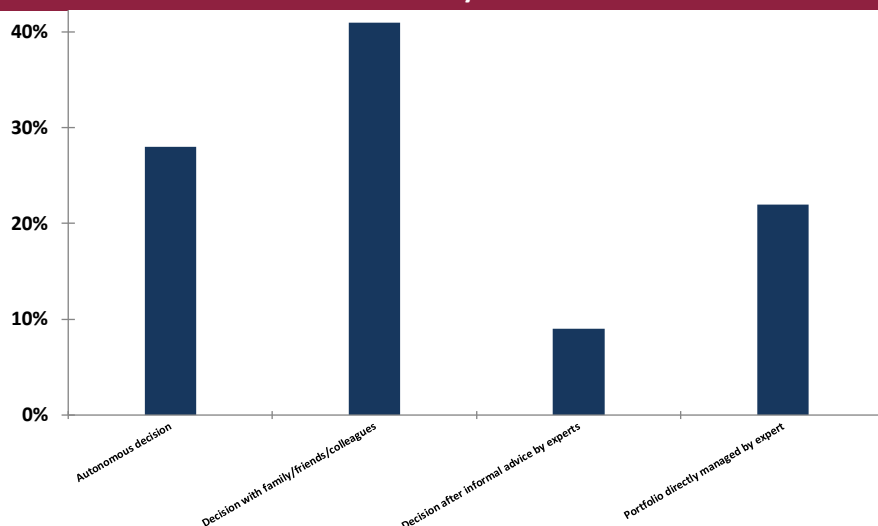
According to a survey by GfK Eurisko, a global market research firm, around 80% of investors

Hidden need of professional advice

generally rely on non-professional advice: hence, only one-fifth use advisory services, highlighting, on the one hand, the current low popularity of the domestic financial advisory market and, on the other hand, the significant growth potential for the industry (Source: CONSOB, Report on financial investments of Italian households, 2018).

Financial decisions on a DIY basis....

Sources of household investment decisions in Italy

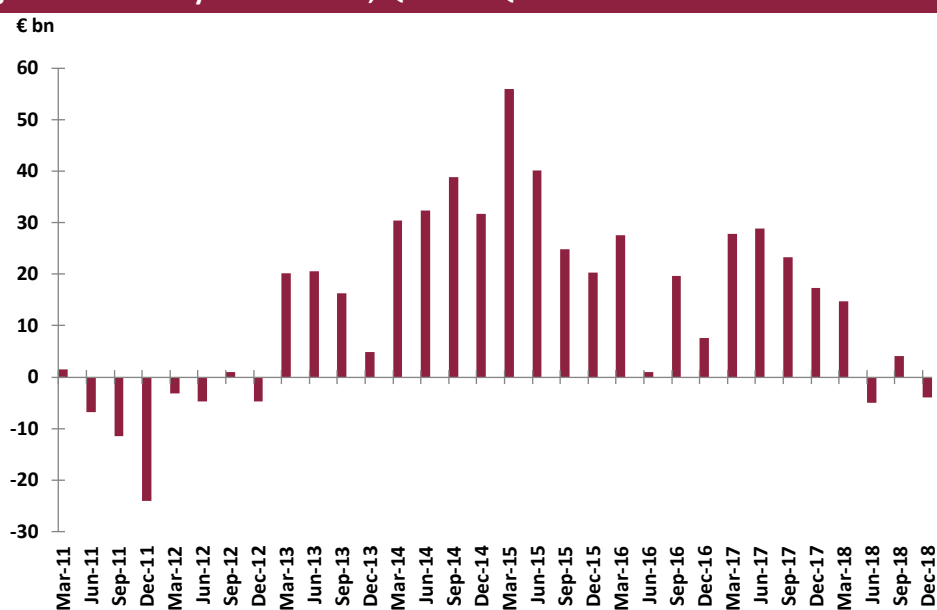


Source: CONSOB, *Report on financial investments of Italian households*, 2018

The Italian market for managed assets

The Italian managed assets market has experienced net inflows every single quarter from 2013 except for 2018 that showed a more erratic trend with cyclical inflow/outflow shifts, but the net cumulative result for 2018 was again positive. The years before 2013 showed capital outflows as a consequence of the subprime and sovereign debt crises.

Managed assets in Italy - Net inflows, Q1 2011-Q4 2018

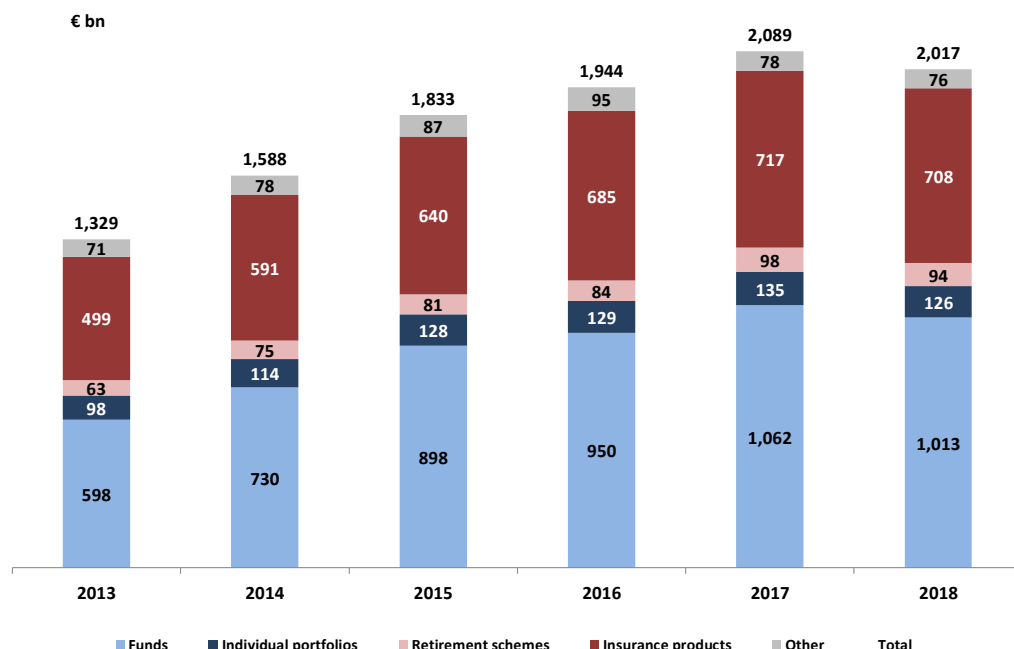


Source: Assogestioni database Cubodata - data extracted in May 2019

As a result of relatively stable inflows in the last five years, the stock of assets managed on the Italian market increased by 1.5 times and almost doubled between 2013 and 2018. Funds and insurance products are the categories that experienced the greatest boost (Source: Assogestioni database Cubodata - data extracted in May 2019).

Managed assets in Italy – AUM 2013-2018

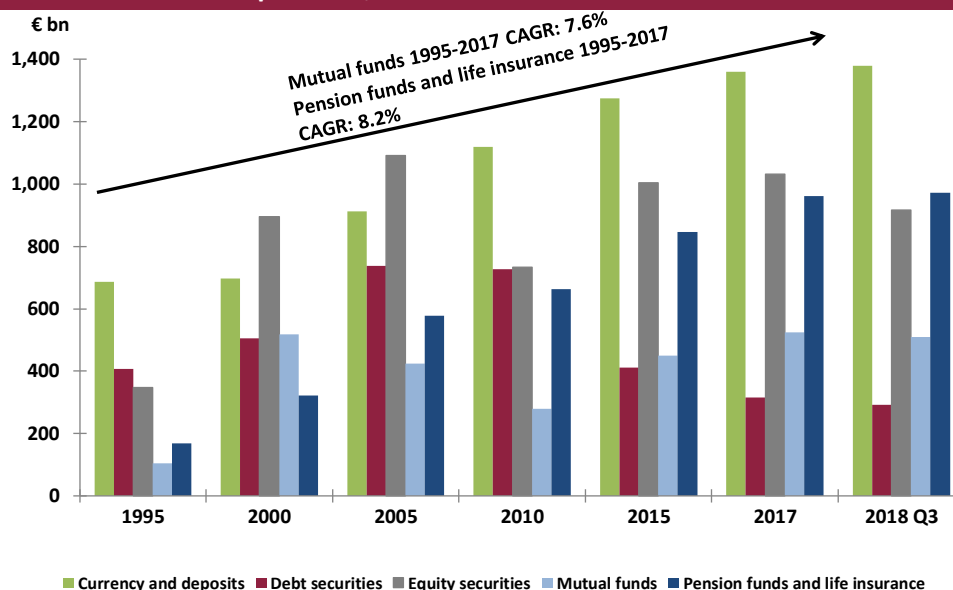
**Managed assets
rocket by 1.5 times in
six years**



Source: Assogestioni database Cubodata - data extracted in May 2019

A push towards managed products came also by the low rates of Italian government bonds (currently 2.1% on 10-year treasury bonds - Source: Bloomberg, June 2019) and bank accounts/deposits, which were traditionally one of the most common investments for Italian households. Debt securities held strongly reduced: 7% of total portfolio composition in 2018 Q3, as compared to 20% in 2010. However, the current share of debt securities on Italian households investment portfolios is still well above that of other developed countries (Source: Assogestioni, The Italian Asset Management market key figures, 2019).

Italian household financial portfolio, 1995-2018 Q3



Source: Assogestioni: *The Italian Asset Management market key figures*, 2019

Mutual funds “producers” and “distributors”

At the beginning of the eighties, Fideuram began marketing the first Italian domestic funds, then, three multilevel networks were established: Dival (Ras, later Allianz), Programma Italia (later Mediolanum), Prime (MPS-Fiat). Since the nineties, foreign funds have been distributed in Italy and the industry model has been the multilevel network of financial advisors, focused on the distribution of mutual funds and insurance products.

SIMs were added in 1991, SICAVs in 1992, pension funds in 1993. In the second half of the nineties, the fund industry experienced significant growth, and with it, the entire asset management sector. Therefore, a new regulatory environment was shaped with the Testo Unico della Finanza (TUF), approved in 1998, with the aim of making the activity of all operators (issuers, intermediaries and clients) more homogenous and well-functioning.

More efficient and sophisticated asset managers, while banks merge

The number of financial advisors started decreasing during the difficult first years of the new millennium and the banking sector entered a period of deep change and consolidation: Intesa SanPaolo, UniCredit, UBI and Banco Popolare were all incorporated in 2006-2007 as a result of massive merger activity between the large national banks and a number of local smaller banks. However, the asset management industry experienced a slightly lower degree of consolidation than the banking sector during those years, before the advent of the sub-prime crisis. In those years, banks and insurance companies started supplying structured products and derivatives, attracting more capital inflows than before.

First switch from treasury bonds to mutual funds

Hedge funds and structured products lead the growth

**Bank of Italy and
CONSOB: the primary
regulators for the
financial
intermediation sector**

The regulatory framework

In Italy, the Bank of Italy and CONSOB supervise the financial markets and its financial institutions, banks, asset managers and investment firms. The Bank of Italy operates on issues linked to the limitation of risk and financial stability, with the aim of ensuring a sound and vigilant management of banks and investment firms. CONSOB has the goal of promoting transparency and the correct application of the rules of business conduct by banks and investment firms, in the provision of investment services and activities.

The source of primary legislation governing the Italian regulatory regime applicable to SIMs is contained in both Legislative Decree n. 385/1993 (TUB - Testo Unico Bancario - Italian Law on Banking) and Legislative Decree n. 58/1998 (TUF). Secondary legislation has also been enacted by Bank of Italy and CONSOB.

Accordingly, SIMs, the accredited Italian investment firms authorized to carry out investment services, have to comply with the Italian relevant law and are subject to supervision by the Bank of Italy and CONSOB. CONSOB is also the holder of the register of Italian investment firms.

**Winds of change:
MiFID II and MiFIR**

Increasing complexity of financial products and markets brought out the need for stronger regulation in order to safeguard investors' interests, while, at the same time, growing globalization made it necessary to harmonize different European markets.

Since its implementation in November 2007, MiFID (Markets in Financial Instruments Directive - 2004/39/EC) has been the cornerstone of the EU's regulation of financial markets. Its main goal was to improve the competitiveness of EU financial markets by creating a single market for investment services and activities and to ensure a high degree of protection for investors in financial instruments. MiFID regulates the provision of financial instruments and establishes the role of national authorities that supervise them.

On October 20th, 2011 the European Commission adopted a legislative proposal for the revision of MiFID which took the form of a revised Directive and a new Regulation. After more than two years of debate, the Directive on Markets in Financial Instruments repealing Directive 2004/39/EC and the Regulation on Markets in Financial Instruments, commonly referred to as MiFID II and MiFIR, were adopted by the European Parliament and the Council of the European Union. They were published in the EU Official Journal on 12 June 2014.

MiFID II/MiFIR have been applied since January 3rd, 2018.

**A shield to protect
investors**

The new rules aim to increase the overall competitiveness and protection of investors, reducing systemic risk and strengthening financial stability. The major amendments to the previous regulation concern the level of transparency. Indeed, financial intermediaries must explicitly distinguish between distribution costs and commissions and need to drop the previous all-in fee schemes, not permitted anymore. At the same time, reporting requirements are widened in scope, while traders' identity and certain algorithms need to be made public.

No longer hidden costs, transparency is mandatory

Before MiFID II formal implementation, distribution costs were only partially disclosed, as mutual funds commissions were charged directly on the product. Therefore, the client was not in the condition to understand the full remuneration of advisors and intermediaries related to the funds it is investing in. The underlying intent of MiFID II is to introduce a genuine transparency that generates a better awareness for the client, who, under previous regulation, had not a clear picture of how much the product and the commission costs were. First disclosure to clients according to MiFID II is expected in H1 2019. Consequently, many clients are going to become aware that the pricing of their financial products was much higher than they might have imagined, at times even unreasonable if compared to the actual returns of investment.

In order to comply with MiFID II, companies need to readapt their businesses in the following areas:

- Strategy, assessing new opportunities arising from the new regulatory framework
- Revenue model, understanding how revenue streams will be modified
- Planning, defining timelines, priorities and costs of implementation
- Regulations, understanding how the new scenario works, coordinating change
- Company policy, analyzing how the new regulatory framework will impact investors
- Training, teaching employees how to best tackle the new framework

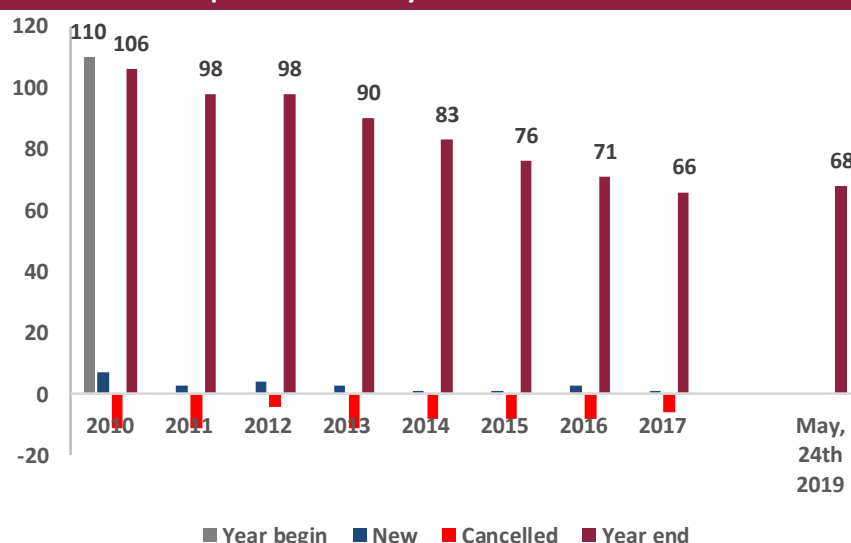
Italian SIM environment

According to Italian TUF, SIMs are companies authorized by CONSOB to provide one or more services regarding intermediation of financial products. Depending on the number and kind of authorized services, different minimum capital requirements are asked. All SIMs operate under the supervision of both CONSOB and Bank of Italy and can be split in two large groups: independent companies (owned by shareholders often operating also as financial advisors of the company) and part of bank/other financial institutions groups.

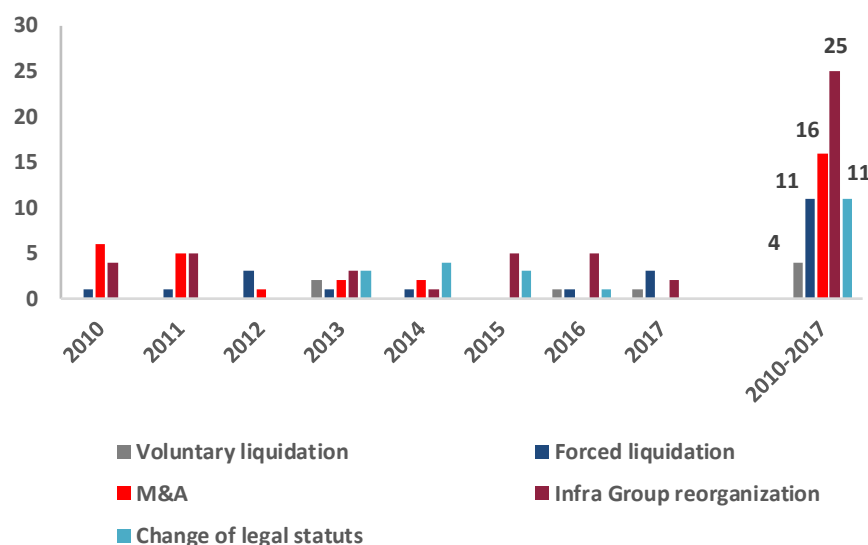
Decreasing in number

The number of SIM companies authorized by CONSOB has been decreasing since 2010.

Authorized Italian SIM companies 2010-May 2019



Source: 2010-2017: Michele Rutigliano "La valutazione delle banche e degli altri intermediari finanziari", Egea 2018 May, 24th
2019: EnVent Equity research based on www.consob.it

Italian SIM companies, 2010-2017 cancelled authorizations breakdown


Source: Michele Rutigliano "La valutazione delle banche e degli altri intermediari finanziari", Egea 2018

Data show that execution of orders on behalf of clients, placing and investment advice are the most common services provided by SIMs in Italy.

Italian SIM companies, authorized services as of May 24th, 2019

Services (number)	1	2	3	4	5	6	7	
SIM (number)	2	16	16	13	14	4	3	68
Authorized services:								
Dealing on own account	0	0	1	2	3	3	3	
Execution of orders on behalf of clients	0	14	15	12	14	4	3	
Underwriting and/or placing on a firm commitment basis	0	0	0	0	1	1	3	
Placing without a firm commitment basis	1	3	10	8	12	4	3	
Portfolio management	0	1	4	8	12	4	3	
Reception and transmission of orders	0	0	6	9	14	4	3	
Investment advice	1	11	13	12	14	4	3	
Operation of Multilateral Trading Facilities	0	3	0	0	0	0	0	
Total number of authorized services	2	32	49	51	70	24	21	249
Average number of authorized services per SIM								3.66

Source: EnVent Equity research based on www.consob.it

Financial advisors

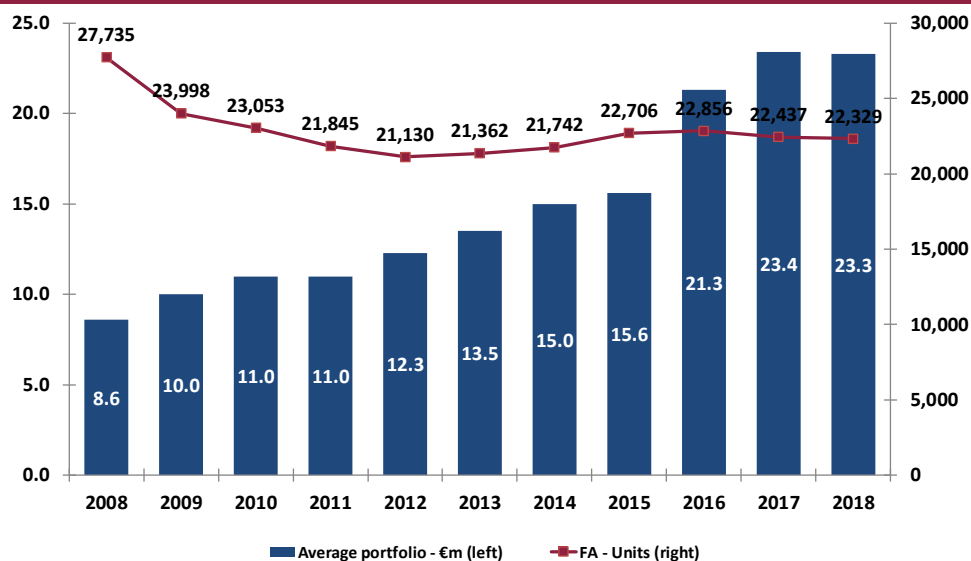
Most of SIM companies, especially the independent ones, work through a network of financial advisors.

Financial advisors (in Italian "Consulenti finanziari" and previously "Promotori finanziari") are usually commission-fee based agents (more rarely employees) who provide advice and guidance to clients and offer investment products or investment strategies. Financial advisors are authorized to distribute financial products outside the office ("door-to-door").

The number of financial advisors operating for Assoreti -the association of 25 among the most important Italian banks/financial intermediaries- represented almost 70% of 2018 year-end total population and contributed to €30bn yearly net inflows (-23% vs 2017).

The average AUM per financial advisor among Assoreti banks/financial intermediaries nearly tripled along 2008-2018 (from €8.6m to €23.3m), showing stable growth across the entire period. Along the same years the number of advisors declined quite decisively, reaching 22,329 at year end 2018.

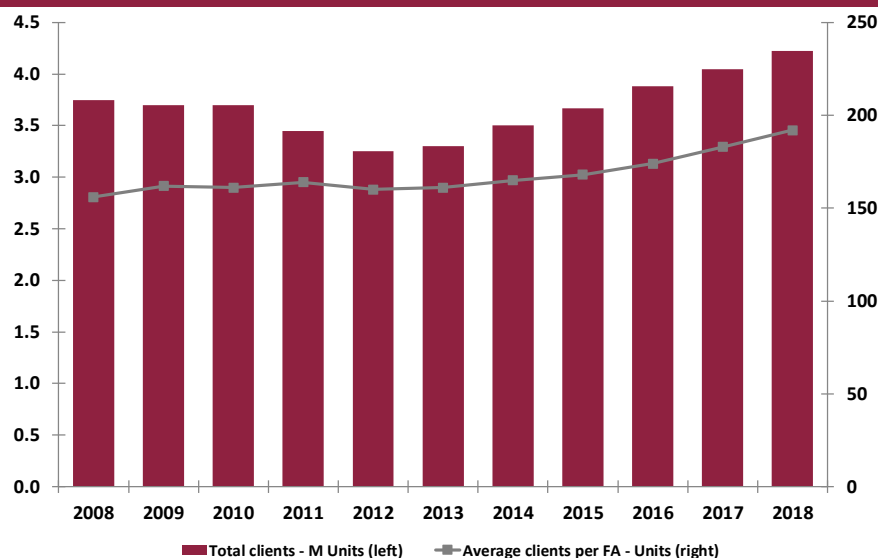
Assoreti affiliated companies - AUM per financial advisor 2008-2018



Source: Assoreti, 2008-2018 Annual reports

The 2008 financial crisis affected the asset management industry, with clients of Assoreti affiliated companies decreasing until 2012. Since 2013 total population and the average number of clients per financial advisor started rising again.

Assoreti affiliated companies – Total clients and clients per financial advisor 2008-2018



Source: Assoreti, 2008-2018 Annual reports

By relating the size of the average portfolio to the average number of clients per advisor, there is clear evidence of the strong increase (+120%) in the average single client's worth, in the last ten years. According to Assoreti, the average client's portfolio was €55k in 2008, while the same figure in 2018 is over €120k (Source: Assoreti, 2008-2018 Annual reports).

5. MARKET OUTLOOK

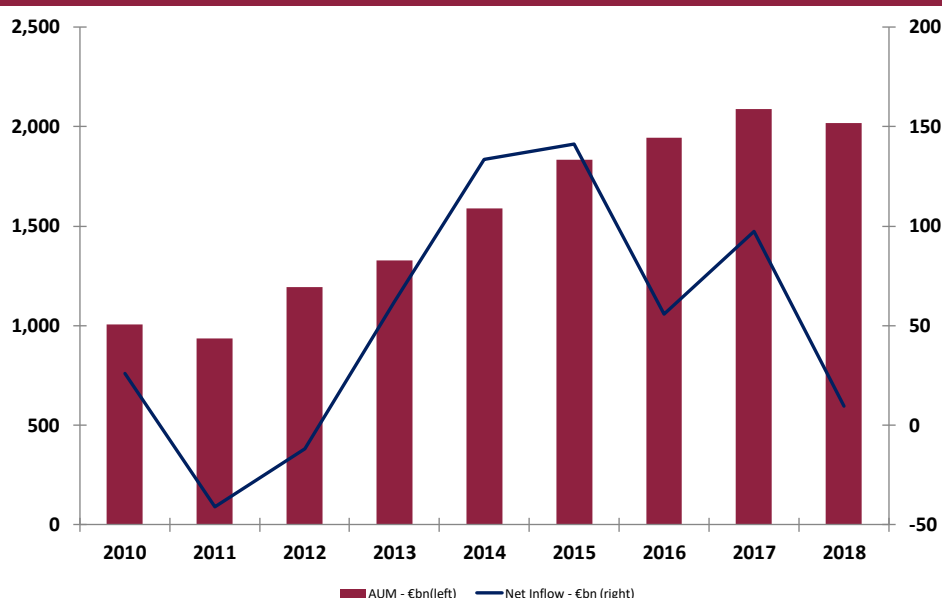
Yesterday from treasuries to mutual funds, tomorrow from mutual funds to asset management

The Italian asset management industry is quite recent. Until the early nineties, Italian households used to invest most of their savings in Italian government bonds, bank accounts and deposits, or alternatively, post office deposits. Italian Treasuries offered highly attractive yields (the 10y nominal rate was above 10% in the early nineties), thus, demand for other saving products was weak.

The gradual shift towards the European Economic and Monetary Union during the nineties helped Italian Treasury yields to come down to 5% in 2000 and marked a strong increase in the mutual funds industry.

The European sovereign debt crisis at the end of 2009 created additional funding needs for banks, which then chose to re-direct their customers' savings into their deposit accounts or issued bonds, in an attempt to offset the rising cost of funding.

Italy - AUM and Net Inflow 2010-2018



Source: Assogestioni database Cubodata - data extracted in May 2019

In 2012, after the change of sentiment following the European Central Bank's statement in support of the European Economic and Monetary Union, industry inflows returned to grow. This growth accelerated until 2015, while 2016-2018 years experienced a positive but decreasing net inflow.

Italian households portfolios – shift from debt securities to managed assets

€bn	Total	Currency and deposits	Debt securities	Equity securities	Mutual funds	Pension funds and life insurance
Italy						
1995	1,809	38.0%	22.5%	19.2%	5.8%	9.3%
2000	3,059	22.8%	16.5%	29.3%	16.9%	10.5%
2005	3,898	23.4%	18.9%	28.0%	10.9%	14.8%
2010	3,685	30.4%	19.7%	19.9%	7.6%	18.0%
2015	4,166	30.6%	9.9%	24.1%	10.8%	20.3%
2017	4,370	31.1%	7.2%	23.6%	12.0%	22.0%
2018 Q3	4,244	32.5%	6.9%	21.6%	12.0%	22.9%
2018 Q3						
Italy	4,244	32.5%	6.9%	21.6%	12.0%	22.9%
France	5,554	27.9%	0.9%	23.5%	5.2%	35.1%
Germany	6,246	39.5%	2.5%	10.5%	10.8%	30.2%
UK	7,677	24.2%	0.4%	11.2%	5.2%	54.8%
USA	77,591	12.2%	6.4%	35.7%	11.8%	31.6%

Source: Assogestioni, *L'industria del risparmio gestito*, Salone del Risparmio, February 2019

2020 Italian AUM estimates

**Around €2,500bn
estimated for Italian
AUM in 2020 (+5.5%
2016-2020E CAGR)**

As long as there is no resurgence of a European sovereign debt crisis and a persistence of a low return on traditional products such as government bonds and term deposits, we expect managed assets to continue growing in the next future.

In a 2017 survey, Pricewaterhouse Coopers (PWC) estimated 2020 total Italian AUM equal to €2,536bn - corresponding to 2016-2020 5.5% expected CAGR - with 48.5% forecasted for funds and residual 51.2% to be split among all other kind of financial products (retirement schemes, individual portfolios, insurance products and other) (Source: PWC Italy, "L'industria dell' Asset Management nel 2020", 2017).

Market size and distribution channel expected drivers

Both market growth and distribution channel evolution will be affected, among others, by three important drivers:

- technology, with consequence related to fintech and robo-advisory and multichannel
- the combination of population aging and current status of both Italian general government finance and Italian first pillar of pension system
- regulation, with effects of MiFID II/MiFIR applying since January 2018

**Robo-for-advisor vs
robo-advisor**

Possible effects of fintech/robo-advisory and multichannel platforms are quite controversial. On one side the direct link between a client and her/his trusted financial advisor is expected to confirm as a key issue for the portfolio allocation, especially for HNWI (where it is more likely to observe Robo-for-advisor as a support for financial advisors). On the other side, the cost saving chance for banks and therefore clients will probably create conditions for a new kind of relationship between client and financial intermediaries where investment procedures are more standardized (retail and mass market, where room for robo-advisory is more likely to be created).

However, even in the more dynamic US market, AUM driven by robo-advisor are expected to

grow from \$0.2bn in 2016 to \$2.2bn in 2020 (Source: PWC Italy, “L’industria dell’Asset Management nel 2020”, 2017).

Demographic shift and public finance

The expected growth from 23.3% (year 2016) to 33.5% (median estimate for year 2050, ISTAT 2017) of Italian people over 60 years old, once evaluated along with the uncertain conditions of both Italian general government finance status and Italian first pillar of pension system, allows to assume that insurance products and retirement schemes will become more and more important in the asset allocation choices of Italian households and individuals.

MiFID II expected to affect the business

MiFID II has just introduced mandatory disclosure to clients of all costs charged in their service offering.

One of the most innovating rules is that asset managers are now obliged to disclose the distribution cost of financial products suggested to or acquired by their client. Before MiFID II rules, these costs were only in part disclosed, so that the client so far has not been able to understand the full remuneration of brokers and advisors. The underlying intent is to introduce transparency, that, in turn, generates more awareness of how much the product costs as opposed to the commissions. Consequently, many clients could suddenly realize that the pricing they were unaware of was much higher than they might imagine.

The consequences that are expected for the industry can turn out to be substantial, in some cases disrupting. Given the general low yield environment, client-awareness could reveal net losses after commission costs. The news is that it will be likely that this phenomenon translates in downward pressure distribution costs through increased competition, with a potential effect on revenues for the entire industry, coupled with erosion of market share even for the most profitable asset managers.

On the cost side, the MiFID II calls for increases in the cost of reporting systems and in the training of back-office and network personnel.

The largest part of mass market asset managers’ revenues comes from management and performance fees: as a consequence, changes in the current regulatory framework may deeply impact asset managers’ profitability, if the way they charge clients will be modified. Additionally, financial advisors would be put under even greater pressure, given the new clear specification of what clients pay for the product and what they pay for the consultancy.

The final outcome is easily predictable: competition will intensify and quality will gain importance, becoming more expensive.

SIMs industry likely scenario

Taking into consideration all factors and drivers expected to affect the financial intermediation industry, SIM companies mainly involved in placing service provision are expected to operate in a scenario where:

- margins are potentially subject to decrease with new cost transparency seen as the main reason
- competitive pressure will increase, with a concrete chance to observe financial advisors and clients shifts among intermediaries
- clients will become more demanding, refusing: i) a business proposition perceived as

- a supply of commodities; and ii) cost/price as the only driver
- an all-inclusive asset allocation management, with a new important room for investment advice, will become a crucial issue to succeed also with respect to placing services
- multichannel distribution is expected to grow

The overall expected effect is a general pressure on net profitability.

6. BUSINESS MODEL

Solid track record, ready to new challenges

Mission and values

The Company mission is to support clients in the management, preservation and growth of their wealth in the new environment regulated by MiFID II. Copernico believes that the likely winners of this directive will be those financial intermediaries that are able to:

- offer value-added services, such as asset allocation advisory, to complement the pure intermediation/placing activity. Thus, providing differentiated solutions at minimal cost to clients who will have full insight into the build-up of costs they incur and their distribution among the asset manager and intermediary
- reorganize their revenue and cost structures in order to best adapt to the new environment

The placing service: the age ante MiFID II....

Until now, the main activity has been the placing of client assets. In this situation the products of asset managers are proposed by Copernico financial advisors to their clients. No client assets flow through Copernico. Instead, a client invests (exits) directly in (from) the products of asset managers via an account opened with third-party banks. The client pays transaction and performance fees to the asset manager of which a percentage is reverted to Copernico (rebates/inducements), generating gross fee income for the Company. Finally, Copernico allocates a portion of its gross fee income to the financial advisor that covers the client.

...and the new MiFID II scenario

The service of placing will continue to be provided in the future. As complementing services, Copernico offers:

- portfolio analysis
- asset allocation advice
- performance reporting

The intended differentiation and strengthening of services in order to offer clients more value without increasing their costs, or even saving costs, is at the core of strategic choices and management decisions:

A strategic change is required

- move from the *base* placing service to *advanced* and *independent* placing and advice, which means move from the pure placing of financial products, which originates gross fee income represented by rebates/inducements, to a new kind of placing where asset allocation advice becomes the real and newly added value for clients. This new placing will be paid directly to Copernico on a fee basis. Inducements, if any, will be reverted back to clients (*advanced placing and investment advice*) or will not exist at all (*independent placing and investment advice*).
- couple the new service provisions with a class of assets/investment solutions more likely to achieve client goals and optimize their costs according to their risk profile. Depending on the investment goals of the client, this may include moving from active and expensive products to ETFs and other index products.
- strengthen the financial advisors network with an inflow of experienced professionals

moving from retail banks and bringing their client portfolio, who will be rewarded according to a flat wage + bonus mechanism

Service offering

- **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 toward Advanced and Independent placing, Copernico is also committed to develop clients' wealth and portfolio analysis. The combination between the authorized placing and RTO services with wealth and portfolio analysis and a monitoring/reporting activity will provide clients with a full asset allocation service.

Key success factors

To succeed with this scenario, the Company will rely on its strengths:

- Access to a diversified service offering as to complexity of portfolios and risk-return profiles, designed to fit various levels of clients need, from low cost and basic to more expensive and sophisticated
- Broad range of investment products
- Wide strategic asset allocation guidelines developed by the Investment Committee which will be led by renowned industry experts/professionals
- Thousands of clients with less than €50,000 AUM at Copernico on which to leverage for substantial new inflows based on the new offering

AUM vs AUC

Assets Under Management (AUM) is a common definition of the total market value of assets that an investment company or financial institution manages on behalf of investors, whereby investors assign responsibility to the company.

When referring to Copernico, it would be more appropriate to use the term Assets Under Control (AUC), instead of AUM, since the Company has so far provided only placing and investment advice services. Thus, the term AUC indicates on how much of the investors' money a financial institution advises. Financial assets "under control" are then operationally managed by a bank or other financial institution and all investment decisions, based on Copernico's advisory services, are ultimately of the responsibility of the client. However, for comparability reasons, we use AUM within this document, warning that in the Copernico's instance, AUM means AUC.

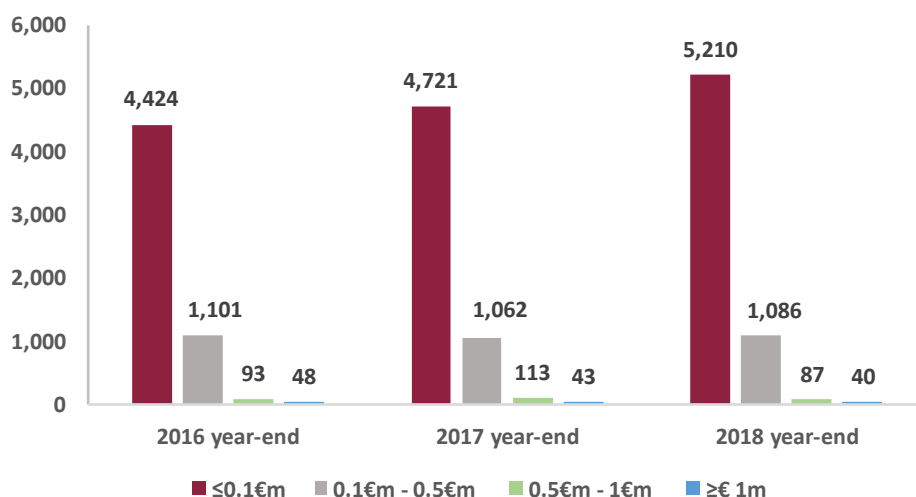
Client base

In the industry as a whole, customers are commonly classified in three plus one major segments: Mass Market, Affluent, HNWI (High Net Worth Individuals) and Family Offices. For our purposes, we consider as Mass Market those clients under €500k of AUM, Affluent those

with assets between €500k-€2m and HNWI over €2m. Family Office refers to AUM > €5m.

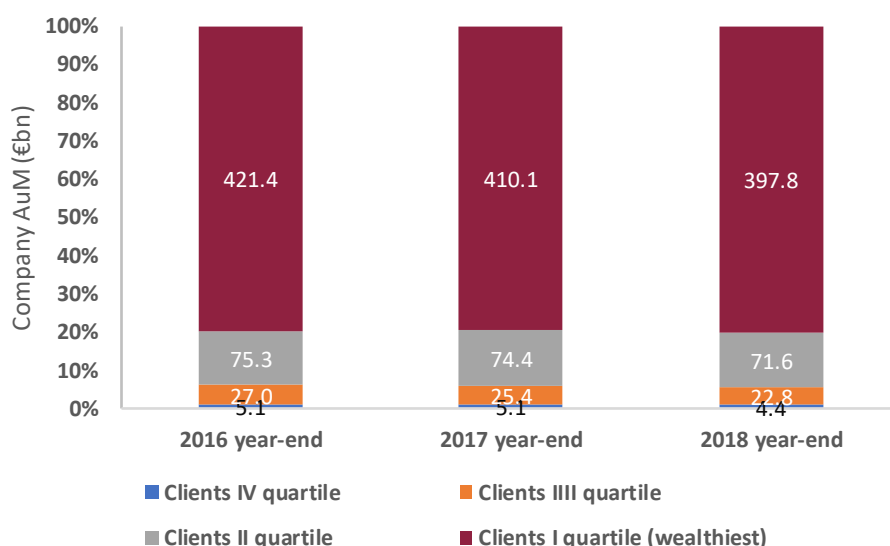
- Average portfolio per client managed by Copernico at year end 2018 is around €77k (vs. an average for Assoreti affiliated companies of around €121k). As confirmed by the following pictures, the typical Copernico client belongs to the Mass Market cluster, along the 2016-2018 horizon. Figures also show that AUM distribution is not homogenous: clients with AUM ≥1m are around 1% along the considered years
- Around 80% of total Company AUM is owned by the 25% of wealthiest clients

Clients breakdown per AUM



Source: Company Data

Total Company AUM (€bn) breakdown by number of clients



Source: Company Data

Asset allocation and investment approach

Along with the new “advanced” and “independent” placing, the overall asset allocation management service provision will be steered according to a client customized approach and structured along different steps:

1. Client profile:

- ✓ Investment targets and risk aversion
- ✓ Investment (and other) constraints
- 2. Investment Committee:
 - ✓ Strategic Asset Allocation (MiFID II compliant): given client profile, asset classes are chosen in order to suggest to clients a shortlist of portfolios
- 3. Shortlist of portfolios matching client profile
- 4. Monitoring and reporting

Copernico allows clients to invest in a broad range of financial products: insurance and pension products, “OICR” (mutual funds, SICAV and ETFs), other asset management products.

Fee income

So far....

So far, most of Copernico business and revenues have been originated by the pure placing service provision to its clients, who are offered financial products originated by asset management companies. Copernico does not hold money for clients, who sell/buy financial products via an account opened *ad hoc* with partner banks. Clients pay the financial products providers a percentage applied to the investments’ amount on both a: i) non-recurring basis (in key/specific timing/events: entry, conversion and exit fees); and ii) a recurring basis (management and performance fees) which are partially reverted to Copernico (rebates/inducements, representing gross fee income) which, in turn, reverts a portion of its gross fee incomes to the financial advisor (fee expense).

...and the new scenario

With the new Advanced and Independent placing and investments advice, main sources of income will become fees paid directly from clients and no more rebates/inducements coming from asset managers institutions. In detail:

- in the case of Advanced services, which will not be presented to clients as Independent and, therefore, might still allow Copernico to receive rebates from asset managers, rebates will be reimbursed to clients
- in the case of Independent services, rebates will not be possible just because of the qualification of “independence”

The direct fees paid from clients to Copernico will be both i) on a non-recurring basis (in key/specific timing/events: entry and exit fee); and ii) on a recurring basis (according to total size of client portfolio under management).

From clients’ point of view, direct fees paid to Copernico will sum up with product costs paid to asset managers institutions. Consequently, a new, more acknowledged evaluation of total costs paid versus total services received becomes a crucial issue in the new MiFID II compliant scenario.

A new service line wealth and portfolio analysis will charge clients on a flat fee basis, a recurring charge for portfolio analysis reports submitted to client and a lump sum fee to be quantified according to clients asset size and composition, for any wealth analysis.

Culture

With the objective of aligning the interests of the Company’s shareholders and its managers,

thus ensuring that the business is run responsibly, certain key financial advisors are also shareholders. Along with their status of financial advisors, the two largest shareholders are also Board members.

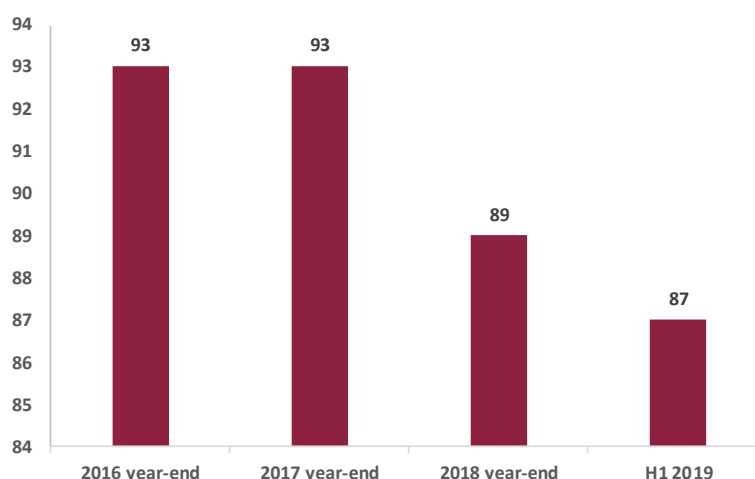
As a consequence, opportunistic behaviors by financial advisors are discouraged and a partnership culture is likely to be widespread.

Financial advisors network

Copernico operates through a network of financial advisors, that has grown from 67 in 2010 to 87 as of June 30th, 2019.

Each financial advisor managed an average of around €6.3m and around 70 clients as of June 2019, versus an average for Assoreti affiliated companies of around €23m and 170 clients respectively.

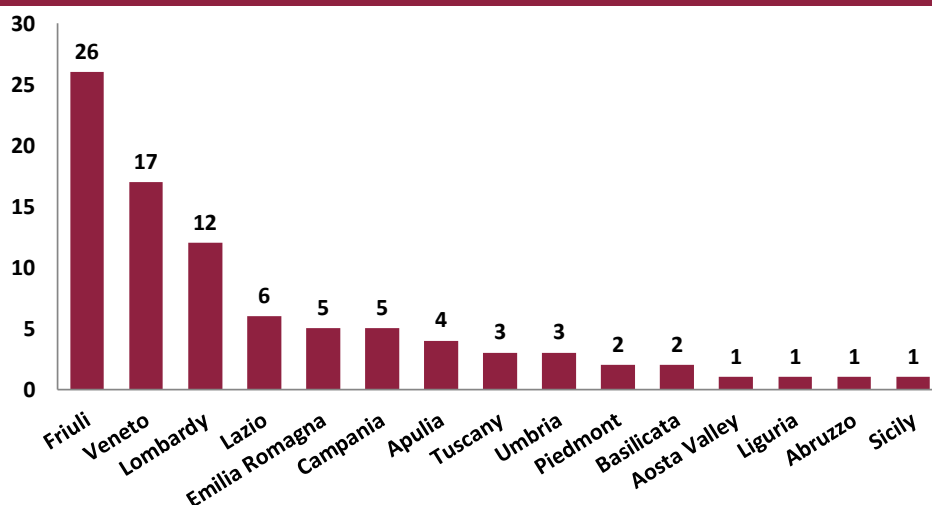
Copernico number of financial advisors, 2016- H1 2019



Source: Company data

Most of financial advisors operate in the North east regions of Italy, which are among the wealthiest in the country.

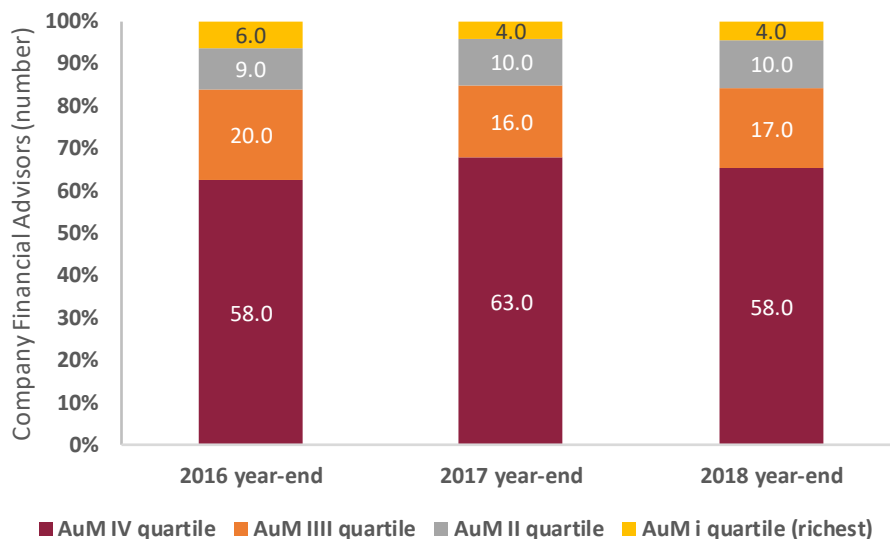
Copernico financial advisors: geographic breakdown 2018 year-end



Source: Company data

The distribution of AUM among financial advisors shows that that few of them (4 to 6 along 2016-2018) manage the 25% wealthiest clients, while the three lower quartiles of AUM/clients are distributed among a significantly larger number of financial advisors.

Copernico financial advisors network breakdown by AUM



Source: Company data

Remuneration policy: “base” placing vs....

Currently, financial advisors involved in the Base placing activity operate according to an agency agreement and are remunerated on a pure percentage scheme: almost 60% rebates received by the Company are reverted to financial advisors.

....“advanced” and “independent”

Financial advisors involved in the Advanced placing and investment advice will be enrolled and remunerated according to the same scheme currently used for Base placing: 50% (instead of 60%) of direct fees paid from clients will be reverted to the financial advisor, still an agent; this will also occur for the possible portfolio and wealth analysis offered to clients.

The financial advisors in charge of Independent placing and investment advice may be either:

- representatives remunerated by a percentage of gross fees of their clients
- employees with a fixed wage and bonus scheme

Headhunting for financial advisors in charge of Independent placing and investment advice will be addressed to networks of bankers working for retail banks and therefore already enrolled as employees.

Training for financial advisors, 30 hours per year on average, is mostly provided through courses managed by Assoreti.

Other organization hints

Differently from certain competitors, Copernico’s organization and distribution activity is based exclusively on the direct link between financial advisors and clients, with no middle

management figures addressing financial advisors activity. Since many financial advisors are also shareholders and some of them are board members, this lean structure and its consequent cost saving is not offset by possible conflict of interest.

Along with compliance, risk, anti-money laundering and internal audit management which are mandatory by law, Copernico created three Committees in order to better match certain challenges associated with its financial intermediation business and the new environment created by MiFID II changes:

- Risk Management Committee
- Conflict of Interest Management Committee
- Investment Committee

7. COMPETITION

Italian SIMs

A changing environment

As previously shown, the Italian SIMs industry is currently experiencing an important turning phase which so far has challenged the sector. MiFID II is considered as one of the main sources and drivers of this change and its strong impact depends also on the fact that SIM companies authorized to provide placing services (often along with investment advice and others) are the majority.

The sample of placing and investment advice SIMs

Since Copernico's net fees come entirely from placing and investment advice services, in order to rank it within the industry and evaluate key drivers and financial figures, we decided to concentrate on the cluster of SIMs which have a share of income fees associated with placing and investment advice services $\geq 40\%$.

Among the population made of these SIMs, we did not consider those companies that experienced any kind of breakthrough along 2016-2017 (such as Cordusio SIM S.p.A. which managed a reorganization) and focused on those with public and available data regarding not only net inflow but also AUM figures and number of financial advisors.

The resulting large sample of SIMs comparable to Copernico is made of heterogeneous companies: some are independent, some are part of bank groups, some act through a network of financial advisors and other through different distributional channels. This explains significant differences between mean and median values of some of the key financial drivers/ratios object of our analysis.

Large Sample of SIMs comparable to Copernico: 2016-2017 key figures and ratios

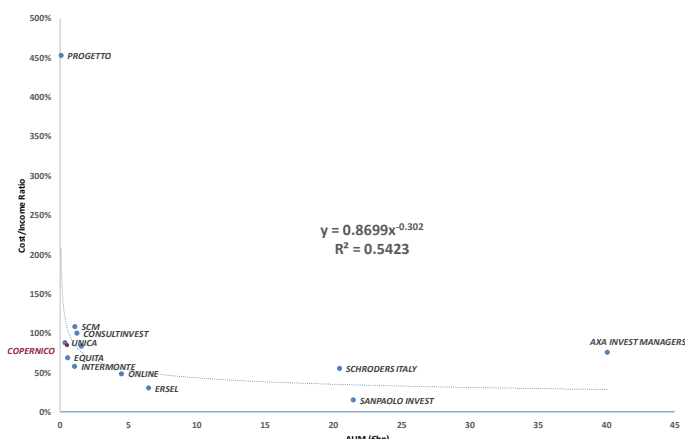
SIM	Property Structure	N. Financial Advisors (units)*		AuM		Placement + Advisory on total fee income (%)		Cost/Income		Fee Expenses/Fee Income		ROE		Fee Income Plac+Adv/AuM		Int Margin/AuM		AuM/Fin Advs	
		FY2016	FY2017	FY2016	FY2017	FY2016	FY2017	FY2016	FY2017	FY2016	FY2017	FY2016	FY2017	FY2016	FY2017	FY2016	FY2017	FY2016	FY2017
Amounts in €'000																			
CONSULTINVEST INVESTIMENTI SIM S.p.A.	Ind.	369	356	1,253,260	1,218,670	100%	100%	96.4%	100.1%	-55.2%	-60.5%	-15.8%	-11.7%	1.2%	1.4%	0.6%	0.6%	3,396	3,423
COPERNICO SIM S.p.A.	Ind.	<u>93</u>	<u>93</u>	528,806	515,119	100.0%	100.0%	90.7%	84.7%	-61.8%	-58.1%	1.4%	8.2%	1.3%	1.3%	0.5%	0.6%	5,686	5,539
PROGETTO SIM S.p.A.	Ind.	<u>18</u>	<u>23</u>	55,175	56,852	100%	100.0%	918.6%	452.9%	-95.0%	-86.5%	-0.8%	-3.8%	1.6%	1.6%	0.1%	0.2%	3,065	2,472
AXA INVESTMENT MANAGERS S.p.A.	Bank/Other	0	0	34,151,000	40,054,000	100%	100.0%	67.2%	75.9%	0.0%	0.0%	37.6%	34.8%	0.0%	0.0%	0.0%	0.0%	n.a.	n.a.
ONLINE SIM S.p.A.	Ind.	1	1	3,520,000	4,494,000	100%	99.2%	54.9%	48.5%	-76.0%	-76.7%	21.0%	27.0%	0.7%	0.7%	0.2%	0.2%	3,520,000	4,494,000
SANPAOLO INVEST S.p.A.	Bank/Other	1,429	1,428	19,839,115	21,456,805	94%	94.9%	17.5%	15.3%	-50.4%	-48.6%	52.1%	57.4%	1.2%	1.2%	0.6%	0.7%	13,883	15,026
SCHRODERS ITALY SIM S.p.A.	Bank/Other	5	5	18,385,000	20,447,000	86%	87.2%	41.0%	55.5%	-2.7%	-2.0%	64.3%	52.8%	0.2%	0.2%	0.3%	0.2%	3,677,000	4,089,400
UNICASIM SIM S.p.A.	Ind.	<u>59</u>	<u>56</u>	342,970	344,908	81%	84.6%	92.8%	87.9%	-66.9%	-66.8%	6.1%	1.7%	1.0%	1.0%	1.7%	1.6%	5,813	6,159
SOLUTIONS CAPITAL MANAGEMENT SIM S.p.A.	Ind.	<u>27</u>	<u>29</u>	1,046,802	1,082,791	68%	68.7%	98.5%	108.6%	-43.3%	-48.9%	0.2%	-8.4%	0.5%	0.5%	0.4%	0.4%	39,502	37,993
CORPORATE FAMILY OFFICE SIM S.p.A.	Ind.	<u>3</u>	<u>3</u>	1,132,000	1,540,000	41%	47.5%	97.5%	83.8%	-6.2%	-7.0%	7.0%	16.2%	0.2%	0.2%	0.5%	0.5%	377,333	513,333
INTERMONTE SIM S.p.A.	Ind.	0	0	6,000	1,051,203	32%	45.3%	58.2%	58.2%	-8.7%	-7.0%	14.8%	20.1%	185.7%	1.8%	787.7%	4.6%	n.a.	n.a.
ERSEL SIM S.p.A.	Ind.	<u>31</u>	<u>35</u>	6,274,000	6,480,000	41%	44.2%	60.4%	30.7%	-25.0%	-26.4%	8.9%	31.1%	0.1%	0.1%	0.5%	1.1%	202,387	185,143
EQUITA SIM S.p.A.	Ind.	0	0	214,842	545,540	35%	42.8%	72.0%	68.8%	-7.0%	-7.6%	21.2%	25.9%	7.4%	3.7%	22.7%	9.9%	n.a.	n.a.
MEDIAN VALUES								72.0%	75.9%	-43.3%	-48.6%	8.9%	20.1%	1.0%	1.0%	0.5%	0.6%	26,693	26,509
MEAN VALUES								135.8%	97.8%	-38.3%	-38.2%	16.8%	19.3%	15.5%	1.1%	62.7%	1.6%	784,807	935,249

* Underlined numbers are related to average figures along the year

Source: Companies annual reports

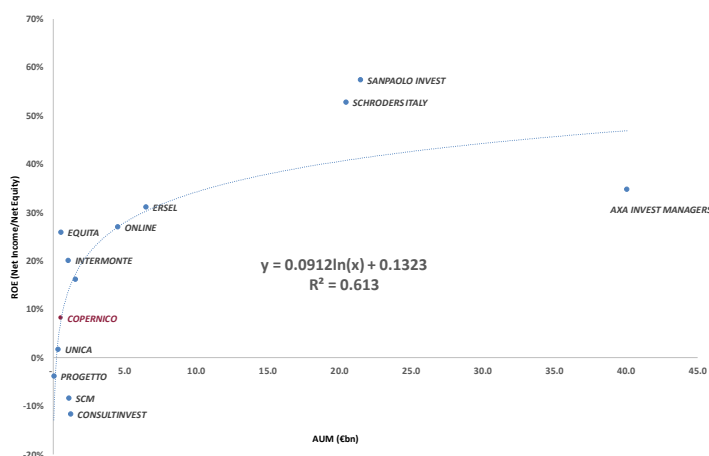
In spite of this heterogeneity, some common trends can be investigated and inferred by regression analysis between some of the observed drivers/ratios.

Large Sample of SIMs comparable to Copernico: 2017 Cost/Income vs AUM regression



Source: EnVent Equity Research based on companies annual reports

Large Sample of SIMs comparable to Copernico: 2017 ROE vs AUM regression



Source: EnVent Equity Research based on companies annual reports

Data show that small increases of AUM among companies imply significant decreases of Cost/Income ratio in the range of around €0-5m, but when AUM are larger, even strong differences for this figure are not coupled with strong differences of Cost/Income ratios. Therefore, the operational gearing linked to Cost/income ratio reduction offered by increase in AUM seems to be proportionally decreasing.

Not surprisingly, the same proportionally decreasing impact is observed with respect to AUM impact on ROE growth.

When we concentrate on the more homogeneous sample of SIMs operating through a network of financial advisors as a restricted sample, we observe that median and mean values tend to get closer and trends inferred by previous regression analysis are both confirmed or strengthened.

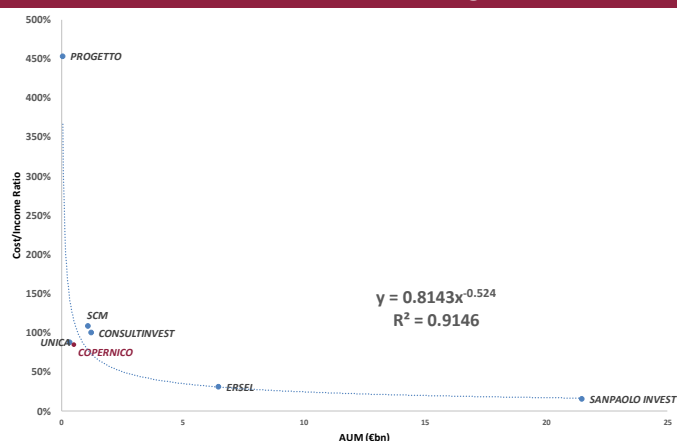
Restricted Sample of SIMs comparable to Copernico: 2016-2017 key figures and ratios

SIM	Property Structure	N. Financial Advisors (units)*		AuM		Placement + Advisory on total fee income (%)		Cost/Income		Fee Expenses/Fee Income		ROE		Fee Income Plac+Adv/AuM		Int Margin/AuM		AuM/Fin Advs	
Amounts in €/000		FY2016	FY2017	FY2016	FY2017	FY2016	FY2017	FY2016	FY2017	FY2016	FY2017	FY2016	FY2017	FY2016	FY2017	FY2016	FY2017	FY2016	FY2017
CONSULTINVEST INVESTIMENTI SIM S.p.A.	Ind.	369	356	1,253,260	1,218,670	100%	100%	96.4%	100.1%	-55.2%	-60.5%	-15.8%	-11.7%	1.2%	1.4%	0.6%	0.6%	3,396	3,423
COPERNICO SIM S.p.A.	Ind.	<u>93</u>	<u>93</u>	528,806	515,119	100.0%	100.0%	90.7%	84.7%	-61.8%	-58.1%	1.4%	8.2%	1.3%	1.3%	0.5%	0.6%	5,686	5,539
PROGETTO SIM S.p.A.	Ind.	<u>18</u>	<u>23</u>	55,175	56,852	100.0%	100.0%	918.6%	452.9%	-95.0%	-86.5%	-0.8%	-3.8%	1.6%	1.6%	0.1%	0.2%	3,065	2,472
SANPAOLO INVEST S.p.A.	Bank/Other	1,429	1,428	19,839,115	21,456,805	93.9%	94.9%	17.5%	15.3%	-50.4%	-48.6%	52.1%	57.4%	1.2%	1.2%	0.6%	0.7%	13,883	15,026
UNICASIM SIM S.p.A.	Ind.	59	56	342,970	344,908	80.7%	84.6%	92.8%	87.9%	-66.9%	-66.8%	6.1%	1.7%	1.0%	1.0%	1.7%	1.6%	5,813	6,159
SOLUTIONS CAPITAL MANAGEMENT SIM	Ind.	<u>27</u>	<u>29</u>	1,046,802	1,082,791	67.9%	68.7%	98.5%	108.6%	-43.3%	-48.9%	0.2%	-8.4%	0.5%	0.5%	0.4%	0.4%	39,502	37,993
ERSEL SIM S.p.A.	Ind.	<u>31</u>	<u>35</u>	6,274,000	6,480,000	41%	44.2%	60.4%	30.7%	-25.0%	-26.4%	8.9%	31.1%	0.1%	0.1%	0.5%	1.1%	202,387	185,143
MEDIAN VALUES								92.8%	87.9%	-55.2%	-58.1%	1.4%	1.7%	1.2%	1.2%	0.5%	0.6%	5,813	6,159
MEAN VALUES								196.4%	125.7%	-56.8%	-56.5%	7.4%	10.7%	1.0%	1.0%	0.6%	0.7%	39,105	36,536

* Underlined numbers are related to average figures along the year

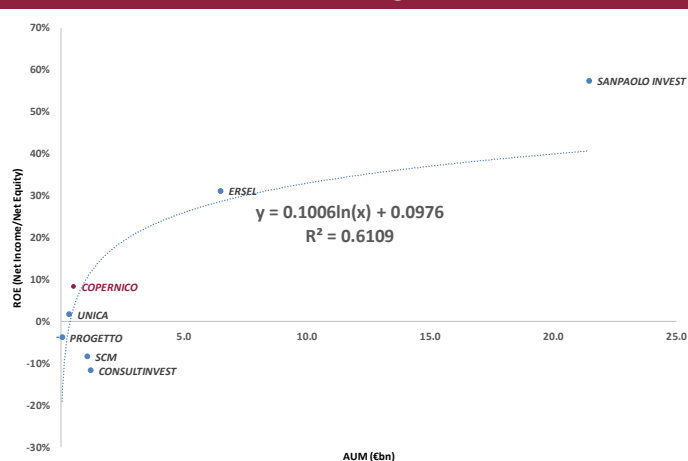
Source: Companies annual reports

Restricted Sample of SIMs comparable to Copernico: 2017 Cost/Income vs AUM regression



Source: EnVent Equity Research based on companies annual reports

Restricted Sample of SIMs comparable to Copernico: 2017 ROE vs AUM regression



Source: EnVent Equity Research based on companies annual reports

8. MARKET METRICS

Selection criteria of industry peers

Among Italian SIMs that are part of both the samples, the only listed company is Solutions Capital Management SIM S.p.A. (or SCM). But its business model is quite different from Copernico, since SCM targets HNWI people.

Equita SIM shares are owned by Equita Group S.p.A., a listed company which has different activities and sources of revenues. Therefore, comparability between Equita Group S.p.A. and Copernico is quite low.

Italian and European asset managers can also provide market metrics and value drivers, given that:

- SIMs and asset managers businesses are driven by the same sector drivers
- They all distribute investment products
- They often share similar distribution through financial advisor networks

We have clustered the companies in two groups: 1) Italian and 2) European asset managers.

Italian asset managers

Among listed Italian asset managers, we have selected as industry peers for Copernico: Banca Generali, Anima Holding, Mediolanum and Azimut. The following short profiles of selected Italian peers point out the main similarities and differences in business models compared to Copernico.

Banca Generali. 1st asset manager in the 2018 ranking (Source: Assogestioni) – Asset management and wealth management services, targeting Upper-Affluent clients through its own financial advisors network. Also distributes life insurance products of the parent company Assicurazioni Generali.

AUM: €57.5bn (2018 year-end)

Network: 1,917 financial advisors

Average portfolio per FA: €30m

Anima Holding. 4th asset manager in the 2018 ranking (Source: Assogestioni) - Anima is a fund promotor and producer but does not have its own financial advisor network. It relies on sales agreements with retail banks for the distribution of its products (MPS, BPM, CreVal – also Anima's shareholders).

AUM: €173bn (2018 year-end)

National network: n.a.

Mediolanum. 8th asset manager in the 2018 ranking (Source: Assogestioni) - Conglomerate operating in three businesses: banking, asset management, insurance. Investment products are distributed through its own network of financial advisors, composed by over 4,300 family bankers in 2018, who mainly target mass clients.

AUM: €74.1bn (2018 year-end)
Network: 5,262 family bankers
Average portfolio per FA: €14.1m

Azimut. 10th asset manager in the 2018 ranking (Source: Assogestioni) – Independent asset manager vertically integrated with its own distribution network. Azimut Wealth Management is the division dedicated to managing large portfolios of assets, focused on three different client profiles: Individuals, Families, and Businesses.

AUM: €50.8bn (2018 year-end)
Network: 1,747 financial advisors
Average portfolio per FA: €29.1m

Source: Companies' financial statements and presentations; for the ranking in the Asset Management industry, Assogestioni: *Mappa trimestrale del Risparmio Gestito*, Q4 2018

European asset managers

When looking at international peers, we have selected only European asset managers: Ashmore, GAM, Julius Baer, Jupiter, Man, Schroders, St. James's Place. France, Ireland, Luxembourg, the UK and Germany are home to most and largest asset management companies, of which many are also global players. These companies are well-established, with global presence, a sound AUM base, solid cash and capital positions, fairly stable results. They have grown both organically and through acquisitions. Business models are diverse, ranging from pure asset management (active management of financial assets) to broader financial services, with a diversified client base (Institutional, such as pension funds, corporates, insurance companies, vs Retail, through distributors or third party advisers, such as private banks, financial advisers, wealth managers). Comparability with Copernico is fairly low, as per size, business model and stage of development.

Ashmore Group. Specialist emerging markets asset manager that mainly offers debt and fixed income instruments. Also provides equity, currency, alternative and multi-asset solutions.
AUM: \$73.9bn - €63.3bn (year-ending 30/06/2018)

GAM. Produces and distributes investment products, including equities, fixed income and alternative investment funds. In addition to own brands, GAM holds a private label unit that provides outsourcing for other parties. Also offers portfolio management solutions.
AUM: CHF132.2bn - €117.3bn (2018 year-end)

Julius Baer. Swiss private banking group offering private investors wealth management services, providing securities, foreign exchange and other products through an open architecture platform. Julius Baer's home markets are Switzerland and Asia.
AUM: CHF382.1bn - €339.2bn (2018 year-end)

Jupiter Fund Management. UK-based asset manager offering open-ended funds to retail investors. Jupiter has been recently targeting mainland Europe.
AUM: £42.7bn - €47.53bn (2018 year-end)

Man Group. Hedge fund and alternative investments provider, Man offers products with a low correlation to the equity and bond markets. It serves private as well as institutional investors who seek to reduce the correlation between their portfolios and market benchmarks. Its offering comprises futures, long/short and long only funds.

AUM: \$108.5bn - €94.8bn (2018 year-end)

Schroders. Multinational asset management group, providing investment solutions to corporations, insurance companies, local and public authorities, charities, pension funds, high-net-worth individuals and retail investors. Asset categories include equities, bonds, cash and alternative investments.

AUM : £407.2bn - €453.28bn (2018 year-end)

St. James's Place. Wealth management company mainly operating in the UK, offering advice to individuals, trustees and businesses. Its investment approach does not rely on internal but rather external investment managers.

AUM: £95.6bn - €106.4bn (2018 year-end)

Source: Companies' websites, annual reports and presentations, S&P Capital IQ for AUM values

Comparability is limited

When we look at all Italian and European asset managers, it comes out that with respect to Copernico we are considering companies significantly different in terms of most or all of the following figures:

- AUM
- AUM per Financial Advisor
- Total Net Fees
- Geographical presence

We therefore consider all sample peers only partially comparable to Copernico and the observed and estimated market multiples are only indirectly reliable for our valuation purposes.

Market multiples

Company	Market Cap / AUM					P / E					
	2014	2015	2016	2017	2018	2016	2017	2018	2019E	2020E	2021E
Italian asset managers											
Anima	2%	4%	2%	2%	1%	15.3X	16.5X	10.1X	8.3X	8.2X	8.1X
Azimut	8%	8%	5%	4%	3%	12.2X	9.8X	10.9X	9.4X	11.2X	10.5X
Banca Generali	7%	8%	6%	6%	4%	16.9X	15.9X	11.7X	14.7X	14.4X	13.5X
Banca Mediolanum	n.a.	8%	6%	7%	5%	12.8X	14.0X	14.6X	12.4X	13.2X	12.5X
Median	7%	8%	5%	5%	3%	14.1X	14.9X	11.3X	10.9X	12.2X	11.5X
Mean	6%	7%	5%	5%	3%	14.3X	14.0X	11.8X	11.2X	11.7X	11.2X
European asset managers											
Ashmore	4%	4%	5%	6%	4%	14.4X	16.0X	15.9X	20.3X	16.0X	14.6X
GAM	2%	2%	2%	2%	0%	13.6X	20.1X	neg.	136.3X	25.1X	17.5X
Julius Baer	3%	4%	3%	3%	2%	16.0X	18.4X	10.4X	12.6X	10.9X	10.1X
Jupiter Fund Mgmt	5%	6%	5%	6%	3%	14.6X	18.3X	9.3X	11.0X	11.8X	11.0X
Man	6%	6%	3%	4%	2%	neg.	17.8X	9.5X	10.1X	9.9X	8.6X
Schroders	2%	2%	2%	2%	2%	15.9X	15.3X	12.9X	14.6X	13.6X	12.6X
St. James's Place	8%	9%	7%	7%	5%	47.4X	44.2X	28.6X	23.1X	18.2X	16.0X
Median	4%	4%	3%	4%	2%	15.3X	18.3X	11.6X	14.6X	13.6X	12.6X
Mean	5%	5%	4%	4%	3%	20.3X	21.4X	14.4X	32.6X	15.1X	12.9X
Median (Total sample)	5%	6%	5%	4%	3%	15.0X	16.5X	11.3X	12.6X	13.2X	12.5X
Mean (Total sample)	5%	6%	4%	4%	3%	17.9X	18.7X	13.4X	24.8X	13.9X	12.3X

Source: EnVent Research on S&P Capital IQ data – Updated in October 2019

As anticipated, peers fundamentals are quite different from those on Copernico and this affects the chance to directly use certain mean/median multiples for Copernico valuation.

When we observe in detail Italian asset managers figures, for example, we note that a benchmark operational gearing (low Cost/Income ratio, i.e. not higher than 60%) is at reach within 5/6 years for Copernico, through at least doubling present AUM.

Key figures

Data in €m - 2018	AUM	AUM CAGR 16-18	FA (units)	FA CAGR 16-18	AUM / FA	Clients (k)	AUM / Clients (€/k)	Market Cap 31/12/2018	Mkt Cap/ AUM
Copernico SIM 2016	529		93		5.7	5.7	93	n.a.	n.a.
Copernico SIM 2018	497	-3.1%	91	-1.1%	5.5	6.4	77	n.a.	n.a.
Anima	173,110	54.3%	n.a.	n.a.	n.a.	n.a.	n.a.	1,228	0.7%
Azimut	50,772	7.9%	1,747	3.3%	29.1	218	233	1,327	2.6%
Banca Generali	57,534	10.1%	1,917	2.0%	30.0	290	198	2,102	3.7%
Mediolanum	74,084	-2.5%	5,262	0.1%	14.1	1,250	59	3,728	5.0%
Mean	88,875	17.5%	2,975	1.8%	24.4	586	164	2,096	3.0%

Data in €m - 2018	Fee Income	Fee expense	Net Fees	Fee expense /Income	Net fees / AUM (bps)	Cost / Income	ROE	Tier 1 ratio
Copernico SIM 2016	6.7	(4.2)	2.6	62%	48.49	90.7%	1.4%	15.0%
Copernico SIM 2018	6.7	(3.9)	2.7	59%	54.99	99.6%	2.0%	7.5%
Anima	1,061.7	(738.7)	322.9	70%	18.65	30%	9.9%	n.a.
Azimut	699.0	(304.8)	394.2	44%	77.64	58%	22.5%	n.a.
Banca Generali	741.7	(376.3)	365.3	51%	63.50	42%	24.5%	17.5%
Mediolanum	1,232.3	(584.4)	647.9	47%	87.45	59%	12.4%	19.2%
Mean	933.7	(501.1)	432.6	53%	61.81	47%	17.3%	18.4%

Source: Companies presentations and annual reports, S&P Capital IQ

9. FINANCIAL ANALYSIS AND PROJECTIONS

Strong resilience in turbulent times, ready for MiFid II changes

Differently from many competitors, Copernico has been able to survive the financial crisis and the following negative economic cycle, started in 2007 and ended in an industry turmoil. During that period, the number of SIMs operating in Italy decreased from 100 in 2010 to the current 68 as of July 2019. In such a turbulent environment, Copernico preserved its goodwill, with stable AUM in the region of €500m.

Key growth drivers

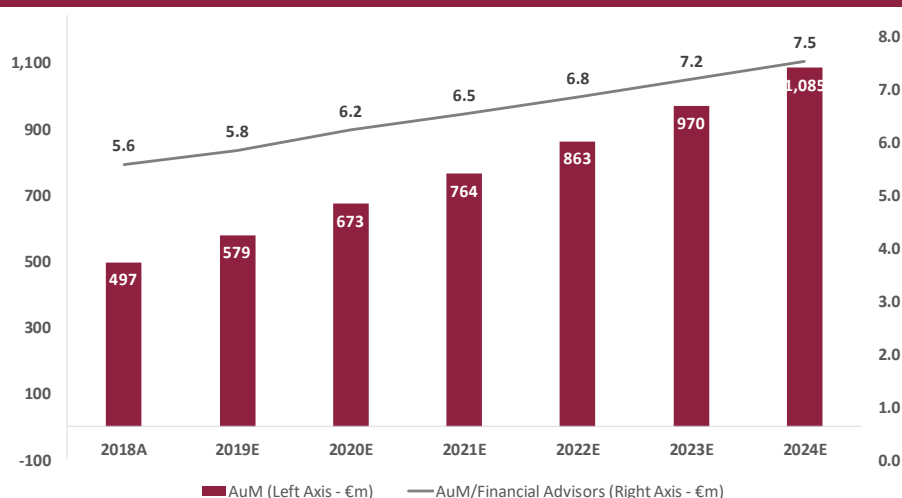
Growth is expected to derive from a combination of:

- Continuing increase of domestic AUM
- A new business proposition in line with clients' expectations and MiFID II compliant
- Engagement of new financial advisors and consequent growth of clients and AUM
- A lean organization/cost saving actions

Copernico strategy aims at diversification and strengthening of current placing and investment advice services, in order to be positioned as a provider of a value-added asset allocation management to clients. The planned recruitment activity of new financial advisors, mostly searching among the networks of bank groups, should facilitate the exit from the "resilience" stage and accelerate the growth of AUM, that we assume will double in a 6 years horizon or less.

Considering the assumptions and drivers, we have made our estimates in line with observed market performances and with the aforementioned assumption of Copernico AUM growth by 2024.

Copernico - AUM and AUM/Financial Advisors, 2018A-2024E



Source: Company data for 2018A - EnVent Equity Research for 2019E-2024E

Operational gearing

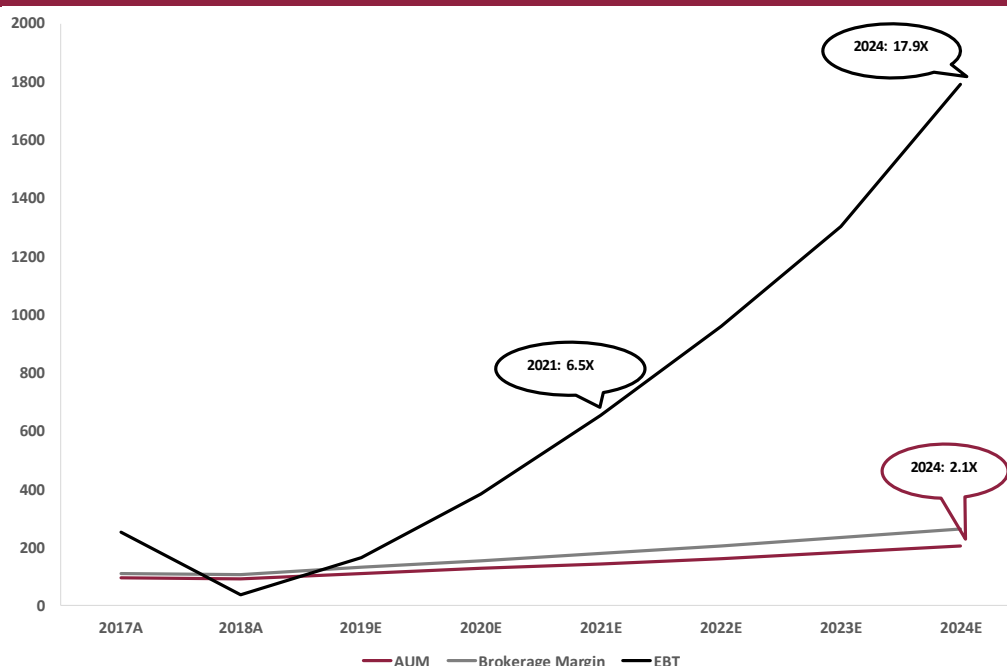
One of the critical value determinants laying behind the asset management industry - in general behind the whole banking industry - is that when a significant portion of the cost structure is fixed, then growing fee income, as a consequence of increasing AUM, will generate positive operating gearing. Copernico's major cost component is represented by personnel and G&A costs, which can be classified as a mix of fixed items and items whose variability is not proportional to that of revenues. The significant AUM growth expected along our 2019E-24E scenario should drive a sound net fee yoy increase.

Moreover, the decision to recruit most of its new financial advisors from banks provides the alternative to engage a number of them as employees rather than agents on variable/commission base contracts, with a partial swap of variable into fixed cost.

We assume that the Company Cost/Income ratio will be 60% in 2024.

The following graph shows Copernico expected trend of AUM, brokerage margin and cost/income ratio, according on our assumptions.

Copernico - AUM, Brokerage Margin and Cost/Income Ratio, 2016-2024E



Source: Company data for 2016A-18A - EnVent Research for 2019E-2024E - Note: 2016=100

Projections

Main assumptions

Key drivers regarding financial advisors, AUM and Fee Income/Expense Personnel cost G&A Interest expenses

- Total Number of Financial Advisors 2018A-24E year-end: increase from 89 to 144
- Fee Income/AUM 2018A-24E: 1.34%
- Fee Expense/Fee Income 2018A-24E: from 58.9% to 53.6%
- 2018A-2024E: from €1.2m to €2.4m
- 2018A-2024E: from €1.5m to €1.9m
- 2019E-2024E: 3.0% (0.5% on net cash)

Capex	<ul style="list-style-type: none"> • 2018A-2024E: €0.2m in 2018A, €1m in 2019E which includes €0.7m of IPO costs, then €0.2m along 2020E-2024E
Working Capital	<ul style="list-style-type: none"> • 2018A-2024E Fee receivable: 21% • 2018A-2024E Fee payable: 21%
Financial Debt	<ul style="list-style-type: none"> • S/T bank debt/net cash: according to cash burning/generation
Equity	<ul style="list-style-type: none"> • No dividends paid along 2019E-2024E, no capital injection due to CET1/Total capital adequacy requirements • €2.9m IPO proceeds in 2019

Copernico - Profit and Loss

€m	2017A	2018A	2019E	2020E	2021E	2022E	2023E	2024E
Assets Under Management (AUM)	515	497	579	673	764	863	970	1,085
Fee income	6.8	6.7	7.8	9.0	10.2	11.6	13.0	14.5
Fee expense	(3.9)	(3.9)	(4.4)	(5.1)	(5.7)	(6.3)	(7.0)	(7.8)
Net fees	2.8	2.7	3.3	4.0	4.6	5.2	6.0	6.7
<i>Net fees/AUM (bps)</i>	<i>55</i>	<i>55</i>	<i>58</i>	<i>59</i>	<i>60</i>	<i>61</i>	<i>61</i>	<i>62</i>
Brokerage Margin	2.8	2.7	3.4	4.0	4.6	5.3	6.0	6.8
Personnel	(1.1)	(1.2)	(1.4)	(1.6)	(1.8)	(2.0)	(2.2)	(2.4)
G&A	(1.3)	(1.5)	(1.6)	(1.7)	(1.7)	(1.8)	(1.9)	(1.9)
Writedown/writeup on financial assets	(0.2)	(0.1)	0.0	0.0	0.0	0.0	0.0	0.0
D&A	(0.2)	(0.2)	(0.2)	(0.3)	(0.3)	(0.4)	(0.4)	(0.3)
Other income (expense)	0.2	0.2	0.0	0.0	0.0	0.0	0.0	0.0
EBT	0.3	0.0	0.2	0.5	0.8	1.1	1.6	2.1
<i>EBT/Brokerage margin</i>	<i>11%</i>	<i>2%</i>	<i>6%</i>	<i>11%</i>	<i>17%</i>	<i>22%</i>	<i>26%</i>	<i>32%</i>
Income taxes	(0.1)	0.0	(0.1)	(0.2)	(0.3)	(0.4)	(0.5)	(0.7)
Net Income (Loss)	0.2	0.0	0.1	0.2	0.5	0.7	1.0	1.4

Source: Company data for 2017A-2018A- EnVent Research for 2019E-2024E

Copernico - Balance Sheet

€m	2017A	2018A	2019E	2020E	2021E	2022E	2023E	2024E
Net Working Capital	0.1	0.5	0.6	0.7	0.8	0.8	0.9	1.0
Non-current assets	1.9	1.9	2.7	2.5	2.4	2.2	1.9	1.8
Provisions	(0.7)	(0.6)	(0.6)	(0.7)	(0.7)	(0.8)	(0.8)	(0.9)
Net Invested Capital	1.3	1.8	2.7	2.5	2.4	2.2	2.0	1.9
Net Debt (Cash)	(0.9)	(0.4)	(2.6)	(2.9)	(3.5)	(4.4)	(5.6)	(7.1)
Equity	2.2	2.3	5.2	5.5	5.9	6.7	7.7	9.1
Sources	1.3	1.8	2.7	2.5	2.4	2.2	2.0	1.9

Source: Company data for 2017A-2018A- EnVent Research for 2019E-2024E

Copernico - Cash Flow

€m	2017A	2018A	2019E	2020E	2021E	2022E	2023E	2024E
EBT	0.3	0.0	0.2	0.5	0.8	1.1	1.6	2.1
Current taxes	(0.1)	0.0	(0.1)	(0.2)	(0.3)	(0.4)	(0.5)	(0.7)
D&A	0.2	0.2	0.2	0.3	0.3	0.4	0.4	0.3
Net Working Capital	(0.7)	(0.4)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)
Provisions	0.1	(0.1)	0.0	0.0	0.1	0.1	0.1	0.1
Cash flow from P&L operations	(0.3)	(0.3)	0.2	0.5	0.8	1.1	1.4	1.7
Capex	(0.0)	(0.2)	(0.3)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)
IPO Capex	0.0	0.0	(0.7)	0.0	0.0	0.0	0.0	0.0
Operating cash flow after capex	(0.0)	(0.2)	(1.0)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)
Paid-in capital/IPO proceeds	0.0	0.1	2.9	0.0	0.0	0.0	0.0	0.0
Net cash flow	(0.3)	(0.5)	2.1	0.4	0.6	0.9	1.2	1.5
Net (Debt) Cash - Beginning	1.2	0.9	0.4	2.6	2.9	3.5	4.4	5.6
Net (Debt) Cash - End	0.9	0.4	2.6	2.9	3.5	4.4	5.6	7.1
Change in Net (Debt) Cash	(0.3)	(0.5)	2.1	0.4	0.6	0.9	1.2	1.5

Source: Company data for 2017A-2018A- EnVent Research for 2019E-2024E

Copernico - Ratio analysis

KPIs	2017A	2018A	2019E	2020E	2021E	2022E	2023E	2024E
Assets Under Management (€m)	515	497	579	673	764	863	970	1,085
Net inflows (€m)	(14)	(18)	82	94	91	99	107	115
Fee income (€m)	6.8	6.7	7.8	9.0	10.2	11.6	13.0	14.5
<i>Fee income/AUM</i>	<i>1.32%</i>	<i>1.34%</i>	<i>1.34%</i>	<i>1.34%</i>	<i>1.34%</i>	<i>1.34%</i>	<i>1.34%</i>	<i>1.34%</i>
Net fees (€m)	2.8	2.7	3.3	4.0	4.6	5.2	6.0	6.7
Net fees/AUM (bps)	55	55	58	59	60	61	61	62
<i>Cost/Income</i>	<i>84.7%</i>	<i>99.6%</i>	<i>88.2%</i>	<i>81.0%</i>	<i>76.0%</i>	<i>71.8%</i>	<i>68.1%</i>	<i>64.8%</i>
Financial advisors (units)	93	89	99	108	117	126	135	144
Avg. Portfolio per financial advisor (€m)	5.5	5.6	5.8	6.2	6.5	6.8	7.2	7.5
<i>ROE</i>	<i>8.2%</i>	<i>2.0%</i>	<i>1.1%</i>	<i>4.3%</i>	<i>7.8%</i>	<i>10.8%</i>	<i>13.1%</i>	<i>15.7%</i>

Source: Company data for 2017A-2018A- EnVent Research for 2019E-2024E

Current trading in H1 2019

AUM 10% up

AUM in H1 2019 were €547m, a 10% increase from €497m in FY 2018. Gross inflows were €46.4m; net inflows of €9.3m contributed to the AUM net increase of €51m together with the effect of financial market performance.

Fee income was €3.2m, consistently with €3.1m in H1 2018, while fee expense decreased from €2.0m to €1.8m in the same period. Brokerage margin was €1.3m, a 4% increase from H1 2018. Net income at breakeven in both periods.

H1 2019 cost/income decreased slightly from 98% in H1 2018 to 92% due to cost efficiency. Financial advisors decreased from 89 in 2018 to 87, while AUM per financial advisor increased from €5.6m in 2018 to €6.3m.

Profit and Loss

€m	H1 2018	H1 2019
Fee income	3.3	3.2
Fee expense	(2.0)	(1.8)
Net fees	1.3	1.3
Brokerage Margin	1.3	1.3
Personnel	(0.6)	(0.6)
G&A	(0.7)	(0.6)
D&A	(0.1)	(0.1)
Other income (expense)	0.1	(0.0)
EBT	0.024	0.002
Income taxes	0.000	0.037
Net Income (Loss)	0.024	0.038

Source: Company data

Balance Sheet

€m	2017	2018	H1 2019
Net Working Capital	0.1	0.5	0.2
Non-current assets	1.9	1.9	2.1
Provisions	(0.7)	(0.6)	(0.6)
Net Invested Capital	1.3	1.8	1.7
Net Debt (Cash)	(0.9)	(0.4)	(0.5)
Equity	2.2	2.3	2.2
Sources	1.3	1.8	1.7

Source: Company data

Cash Flow

€m	H1 2019
EBT	0.0
Current taxes	0.0
D&A	0.1
Net Working Capital	0.4
Provisions	(0.01)
Cash flow from operations	0.5
Capex	(0.3)
Cash flow from investing	(0.3)
Paid-in capital	(0.1)
Net cash flow	0.1
Net (Debt) Cash - Beginning	0.4
Net (Debt) Cash - End	0.5
Change in Net (Debt) Cash	0.1

Source: Company data

Ratio analysis

KPIs	2017	2018	H1 2019
Assets Under Management (€m)	515	497	547
Net inflows (€m)	(14)	(18)	51
Fee income (€m)	6.8	6.7	3.2
<i>Fee income/AUM</i>	2.6%	2.7%	1.2%
Net fees (€m)	2.8	2.7	1.3
Net fees/AUM (bps)	55.2	55.0	24.5
<i>Cost/Income</i>	86%	100%	92%
Private bankers (units)	93	89	87
Avg. Portfolio per Banker (€m)	5.5	5.6	6.3
<i>ROE</i>	8%	2%	2%

Source: Company data

10. VALUATION

Key valuation issues

The market value of an asset management company stands on the relationship with its client base and the portion of investment funds conferred by them.

Measures of value could be:

- Financial performance based, through expected profitability
- Stock or M&A market based, through transaction and equity markets values, which typically incorporate strategic and liquidity premiums, influenced by market trends and subjectivity of strategic investors

Value drivers and use of market data

The Copernico value proposition is based on the assumption that the breakthrough expected in the industry during the MiFID II application is an opportunity to attract inflow.

Key value drivers:

- The broad client base
- Stability of recurring revenues as a function of client assets generating fees
- A double-digit AUM growth rate fueled by network and clients expansion
- Cost/Income ratio close to industry benchmarks supporting market multiples as value indicators

Extended forecasts for market multiples and FCFE - Short-term volume forecasts do not look able to fully exploit the boost potential of a better operational leverage. We see the mid-term horizon as the point at which the operational leverage would become a catalyst for comparability with peers and large industry players, and then used as driver for value creation.

Therefore, to apply market multiples and analytical valuation methodologies such as the free cash flow to equity (FCFE) or income-based methods, the forecast period should be extended to a mid-term horizon to recognize a suitable normalized P/L account. Our estimates have been formulated accordingly, assuming Copernico able to double its AUM in a 6 years horizon, leveraging on the resilience shown along the last 10 years of troubled times.

Transaction multiples - The comparability issues make too subjective value estimates not related to an actual M&A deal. A small number of transactions, coupled with insufficient information on them, increase subjectivity.

Historically, M&A deals include a premium over a fair financial valuation. We consider the high side of our valuation range as suitable to emulate a potential transaction value.

Valuation metrics

We deem appropriate to value Copernico with a cash-based approach, because:

- The business has a cash generative nature and there will be no need for additional capital in the short/mid-term, also with respect to capital adequacy requirements
- A long interval may be used, given the forward-looking business, the growth-like nature of the stock and the soon to come higher profitability linked to the anticipated operational leverage

As a measure of cash flow, we use cash flows distributable to equity holders, adjusted, where appropriate, to consider investments needed to meet regulatory requirements (not the case in these projections).

Free cash flow to equity model

The free cash flow to equity model (FCFE), represents the cash flow available to shareholders after the firm meets its financial obligations and after covering capital requirements. For the forecasts, we have chosen a mid-term period which is able to recognize the value impact of operational leverage at its point of normalization. A shorter period of projections would have introduced distortions, adjustable only through excessively simplified assumptions used in the calculation of terminal value. Assuming the success of Copernico strategy along with the breakthrough in the Italian industry following MiFID II implementation, we consider €1bn as a possible mid-term AUM target.

Cost of Equity

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

- Risk free rate: 2.0% (Italian 10-year government bonds interest rate. Source: Bloomberg, October 2019)
- Market return: 10.5% (Source: Bloomberg, October 2019)
- Market risk premium: 8.5%
- 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: 10.5%
- Perpetual growth rate after explicit projections: 2.0%
- Terminal Value assumes a normalized sustainable Fee income/AUM equal to 1.30% (Copernico 2018A rounded value) and a net cash flow of around €1.2m
- Capital requirements will continue to be driven by fee expenses and fixed cost

Copernico - FCFE Valuation model

€m	2019E	2020E	2021E	2022E	2023E	2024E	Perpetuity
Cash flow from operations	0.2	0.5	0.8	1.1	1.4	1.7	1.4
Cash flow from investing	(1.0)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)
Capital Requirements	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net cash flow	(0.8)	0.4	0.6	0.9	1.2	1.5	1.2
Cost of Equity (Ke)	10.5%						
Long-term growth (G)	2.0%						
Discounted Cash Flows	(0.8)	0.3	0.5	0.7	0.8	0.9	
Sum of Discounted Cash Flows	3.2						
Terminal Value							14.6
Discounted Terminal Value	8.9						
Net cash as of 30/06/2019	0.5						
Net IPO proceeds	2.2						
Equity Value	14.8						

FCFE - Implied multiples	2018A	2019E	2020E	2021E	2022E	2023E	2024E
P/E	321.4X	263.0X	63.2X	32.1X	20.6X	14.7X	10.4X
Equity Value/AUM	3.0%	2.6%	2.2%	1.9%	1.7%	1.5%	1.4%

Source: EnVent Research

Multiples

Market multiples of Italian and European asset managers, due to: i) significant heterogeneity among peers in the observed sample and ii) differences in size and other features with Copernico, suggest that a direct mean/median application of those multiples may be misleading.

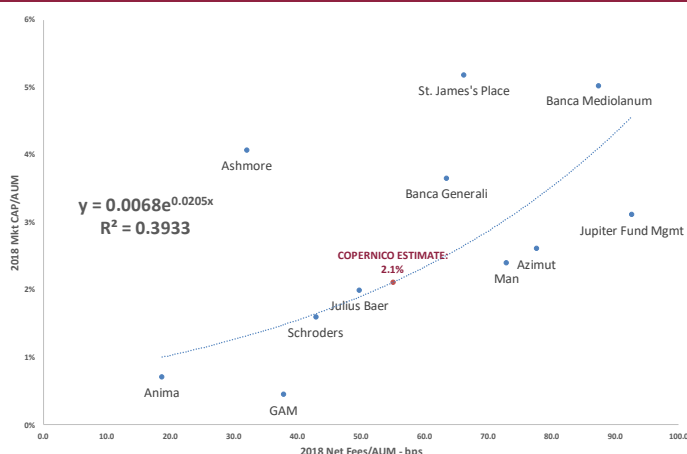
We decided to concentrate on possible links between:

- Net Fees/AUM and Mkt Cap/AUM
- Net Income/AUM and Mkt Cap/AUM

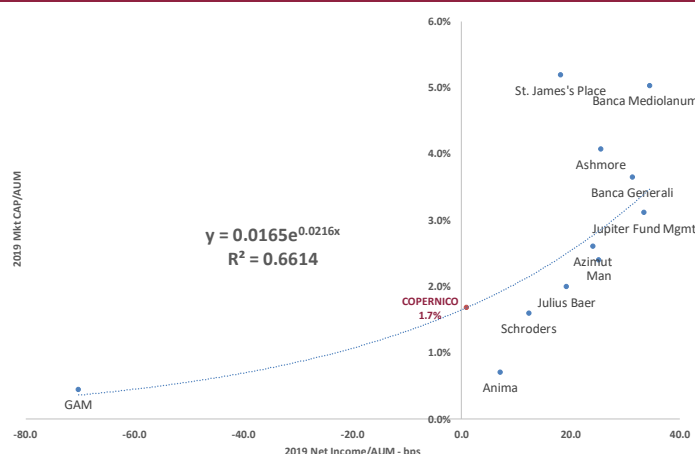
The first correlation should evaluate if there is a positive link between gross profitability and AUM, while the second one also takes into accounts efficiency in terms of personnel, G&A and other costs.

The regression models applied to the Italian and European asset management sample and consequent multiples for Copernico are:

Italian and European Asset Managers: 2018 Net Fees/AUM vs Mkt Cap/AUM regression



Italian and European Asset Managers: 2018 Net Income/AUM vs Mkt Cap/AUM regression



Source: EnVent Equity Research based on S&P Capital IQ

The resulting estimated values for Copernico, excluding cash and IPO proceeds adjustments, are the following:

€m	Estimated multiple through regression model	2019E Company AUM	Company Equity Value
2018 Net Fees/AUM	2.1%	578.9	12.2
2018 Net Income/AUM	1.7%	578.9	9.7

Source: EnVent Research

Target Price

Our FCFE-based valuation model, which assumes growth of AUM and reduction of the cost/income ratio in the mid-term, yields a target price of €7.59 per share, +17% on the IPO price of €6.50 and with a potential upside of 10% on the current share price. Therefore, we initiate the coverage of Copernico with a NEUTRAL recommendation on the stock.

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

Copernico Price per Share	€
Target Price	7.59
Current Share Price (24/10/2019)	6.90
Premium (Discount)	10%

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Date	Recommendation	Target Price (€)	Share Price (€)
24/10/2019	NEUTRAL	7.59	6.90

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