

EARNINGS RELEASE



Broker internazionale dal 1982

Fair Value: €2.45
(Prev. €2.30)

Kevin TEMPESTINI

+39.02.83424007

ktempestini@ktepartners.com

Giancarlo DI VONA

+39.02.83424008

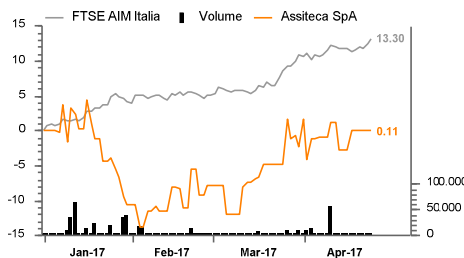
gdivona@ktepartners.com

Fabio COZZI

+39.02.83424008

fcuzzi@ktepartners.com

Assiteca Relative Performance Chart YTD



Market Data:

Price (€)

Market Cap (€/mn)

Free Float (%)

52 Wk. High/Low (€)

Avg. Daily Vol. 90-day

Share out (mn)

Price Change YTD (%)

Price Change 6M (%)

Price Change 1Y (%)

M&A Drives Assiteca's Growth

Assiteca released sound 1H17 (Jun-Dec 2016) results showing significant top line increase coupled with double-digit income growth consistent with our expectations:

- Revenue up 3% YoY at €36.0mn vs €34.8mn in 1H16
- EBITDA up 8% YoY at €7.4mn vs €6.9mn in 1H16
- Net income up 15% YoY at €3.85mn vs €3.34mn in 1H16
- Net financial position came in at €27.5mn vs €22.2mn in FY16

Results summary. In the period Jun-Dec 2016 Assiteca demonstrated once again its ability to grow through M&A, exploiting the favorable momentum due to the difficulties smaller brokers are experiencing. All in all, 1H17 revenue stands at €36.0mn with 3.3% YoY growth, with 2.6% coming from the Lertora F.lli & Courtman SpA acquisition and 0.7% from organic growth. The Company saw also an improvement in terms of EBITDA (+8% YoY) and net income (+15% YoY) coming from the effect of savings generated by the reorganization of the group structure and synergies from the M&A activity. The worsening of net debt that moved from €22.2mn to €27.5mn is due to the deferment of a relevant amount of cash collection to January 2017, one month after the closing of the first half. Indeed, Assiteca cashed in €92.6mn in the first month of 2017, whereas in January 2016 it collected €72.2mn. Hence, at January 2017, NFP was €12.5mn less compared with January 2016.

2H17 started with important acquisitions. In February 2017, Assiteca acquired C.D.M. Insurance Brokers, a broker based in Genoa specializing in the transportation sector. The purchased company reported €0.75mn revenue in FY16 and €0.044mn EBITDA. Thanks to the exploitation of synergies, Assiteca expects a €0.3mn contribution at EBITDA level starting from FY18. C.D.M. was acquired for a total consideration of €1.5mn and will be subject to an earn-out mechanism over the next two years. In April 2017, Assiteca also completed the purchase of 100% of Socoupa S.A., a Swiss-based company which holds, as a single asset, a 77.24% stake in Grupo Muntadas S.A, a Spanish insurance broker. The total price paid for the acquisition of Socoupa amounted to €1.82mn. We note Assiteca had an optional right to acquire Socoupa and the 2H17 outflow was just equal to €1.0mn as 0.82mn had already been paid when negotiations started (2012-2014). Grupo Muntadas S.A reported €1.0 revenues in FY16.

Estimates review. Following the release of 1H17 results and considering the two acquisitions recently completed, we have slightly moved our estimates up. The key points are: FY17PF sales at €66.0mn reaching €71.0mn in FY19E (4.2% CAGR FY16PF-FY19E); FY17PF EBITDA at €9.7 reaching €11.7mn in FY19E (8.7% CAGR FY16PF-19E); FY17PF group income at €5.0mn reaching €6.2mn in FY19E (17.8% CAGR FY16PF-19E).

Fair Value is now €2.45 from €2.30. We updated our multiple-based and DCF valuation to incorporate the updated estimates. We note the debut of the Individual Savings Plans (PIRs) has not yet had an effect on Assiteca's stock performance. In our view, the low free float justifies part of the stock underperformance but is not enough to explain the huge discount vs its peers. In light of 1H17 positive results, the positive outlook and the increased interest of Italian investors towards Italian small caps, we expect a substantial revaluation of the stock price.

€ thousand	Total Revenues	EBITDA	EBITDA Margin	EBIT	Group Earnings	Net Margin	EPS
2014A	52,226	6,958	13.3%	6,302	2,936	5.8%	0.09
2015A	54,630	6,966	12.8%	6,182	2,888	5.3%	0.09
2016A PF	62,759	9,086	14.5%	7,795	3,804	6.1%	0.12
2017 PF	66,023	9,663	14.6%	8,349	4,962	7.5%	0.15
2018E	68,777	10,817	15.7%	9,389	5,777	8.4%	0.18

KT&Partners Srl

Via della Posta, 10 - Piazza Affari, 20123 Milano - Italy

Tel: +39.02.83424007 Fax: +39.02.83424011

segreteria@ktepartners.com

Source: Company data, KT&Partners estimates. Note that fiscal year ends on 30 June

1H2017 Results Summary

Company Description

Assiteca is the largest Italian independent insurance broker and the fourth largest group in Italy based on the amount of revenue and brokered premiums

Assiteca delivered strong 1H2017 results. Total Revenues were up by 3.3% YoY, mainly due to the LertoraF.lli&Courtman Insurance Brokers S.p.A. acquisition closed in July 2016.

To provide an in-depth overview of the Jun-Dec 2016 financial performance, we restated our previous annual estimates on a semi-annual basis by considering the effect of seasonality for this type of business.

In detail, Total Revenues were 4.0% below our forecast but Net Revenues were 2.7% upon our estimates, thanks to the lower than expected commission expenses. In fact, during the period Jun-Dec 2016, Assiteca improved its operation substantially, reducing the incidence of commission expenses on Total Revenues by 6.0%. The ratio of Net Revenues to Total Revenues in 1H2017 improved from 84% to 90% YoY. 1H2017 EBITDA was equal to €7.38mn, up by 7.7% YoY and in line with our forecast. 1H2017 EBIT grew by 11.1% YoY, beating our estimate by 2.2%. 1H2017 Assiteca Net Profit was €3.85mn, up 15.3% YoY but 7.6% lower than our forecast, mainly due to higher than expected extraordinary expenses and taxes.

Table1: Assiteca 1H2017 results

€ thousand	1H2015A	1H2016A	1H2017A	YoY growth	1H2017E	A vs E%
Commissions and fees	32,827	34,187	35,741		36,744	-2.7%
Other revenues and income	781	643	224		703.56	-68.2%
Total Revenues	33,608	34,830	35,965	3.3%	37,444	-4.0%
Commission expenses	- 5,252	- 5,577	- 3,598		- 5,917	-39.2%
Net Revenues	28,356	29,253	32,367	10.6%	31,527	2.7%
Net Revenues on Total Revenues	84.4%	84.0%	90.0%		84.2%	
Operating costs	- 10,144	- 10,620	- 12,164		- 11,168	8.9%
Personnel costs	- 12,051	- 11,779	- 12,819		- 12,885	-0.5%
EBITDA	6,161	6,854	7,384	7.7%	7,474	-1.2%
EBITDA margin %	18.3%	19.7%	20.5%		20.0%	2.9%
D&A	- 557	- 690	- 538		- 774	-30.5%
EBIT	5,604	6,164	6,846	11.1%	6,700	2.2%
EBIT margin %	16.7%	17.7%	19.0%		17.9%	6.4%
Financial income and expenses	- 418	- 565	- 383		- 378	1.4%
Extraordinary income and expenses	- 183	- 145	- 264		- 65	304.1%
EBT	5,003	5,454	6,199		6,257	-0.9%
	14.9%	15.7%	17.2%		16.7%	
Income taxes	- 1,611	- 1,887	- 2,202		- 1,887	16.7%
Net profit	3,392	3,567	3,997	12.1%	4,370	-8.5%
Net margin	10.1%	10.2%	11.1%		11.7%	-4.8%
Minorities interest	131	226	145		202	-28.2%
Group Net profit	3,261	3,341	3,852	15.3%	4,168	-7.6%
Group Net profit	9.7%	9.6%	10.7%		0.0%	

Source: Company Data and KT&Partners' elaborations

Estimates Revision

Following the release of 1H17 results and considering the acquisition of C.D.M. Insurance Brokers (Grupo Muntadas SA contribution was included in our previous estimates), we have slightly moved our estimates up. Our new 2017 estimates point to 5.2% YoY Net Revenue growth (vs +4.1% previously expected) and + 6.3% YoY EBITDA growth (vs +5.7% previously expected). Looking at the bottom line, we project a +30.4% YoY net income growth (vs 29.6% previously expected).

We expected M&A synergies to start exhibiting from FY18. We therefore adjusted our FY18 and FY19 estimates accordingly. All in all, the key points of our forecasts are as follow:

- FY17PF Total Revenue at €66.0mn reaching €71.0mn in FY19 (4.2% CAGR FY16PF-FY19);
- FY17PF Net Revenue at €57.4mn reaching €61.7mn in FY19 (4.4% CAGR);
- FY17PF EBITDA at €9.7 reaching €11.7mn in FY19 (8.7% CAGR FY16PF-19);
- FY17PF group net income at €5.0mn reaching €6.2mn in FY19 (17.8% CAGR FY16PF-19).

Table2: Assiteca 1H2017 results

€ thousand	2016PF	2017E Old	2017PF New	Change	2018E Old	2018E New	Change	2019E Old	2019E New	Change
Total Revenues	62,759	65,349	66,023	1.0%	68,076	68,777	1.0%	70,284	71,009	1.0%
YoY Change (%)		4.1%	5.2%		4.2%	4.2%		3.2%	3.2%	
Net Revenues	54,289	56,735	57,409	1.2%	59,102	59,804	1.2%	61,020	61,744	1.2%
YoY Change (%)		4.5%	5.7%		4.2%	4.2%		3.2%	3.2%	
EBITDA	9,086	9,603	9,663	0.6%	10,528	10,817	2.7%	11,319	11,679	3.2%
YoY Change (%)		5.7%	6.3%		9.6%	11.9%		7.5%	8.0%	
EBIT	7,795	8,292	8,349	0.7%	9,104	9,389	3.1%	9,783	10,140	3.6%
YoY Change (%)		6.4%	7.1%		9.8%	12.5%		7.5%	8.0%	
Group Net Income	3,804	4,931	4,962	0.6%	5,575	5,777	3.6%	5,961	6,220	4.3%
YoY Change (%)		29.6%	30.4%		13.1%	16.4%		6.9%	7.7%	

Source: Company Data and KT&Partners' elaborations

Valuation

Based on a simple average of our DCF model and peer group analysis, we project a value of €2.45 per share that we set as a fair value.

Our fair value takes the average of the following methods:

- DCF analysis based on WACC of 9.3% and 1.0% perpetual growth, which returns a value of €2.52 per share;
- P/E multiple, which returns a value of €2.38 per share. We believe this valuation captures the expected earnings growth.

DCF Valuation

We believe that DCF analysis is an interesting way to highlight the company's positive and visible cash flow generation for the forthcoming years. Our DCF analysis is based on a 9.3% WACC (risk-free rate 1.7%, market risk premium of 8.4%, beta of 1.18, size premium of 2% implying a cost of equity of 13.55%, and a cost of debt of 3.0%). Furthermore, considering the type of sector, we

set a terminal growth rate (g) of 1.0%. This results in an equity value of €82.36mn or €2.52 per share.

Table 3: Cash Flow Estimates

€ thousand	2017E	2018E	2019E	2020E	2021E
EBIT	8,349	9,389	10,140	10,823	11,543
Taxes	- 2,503	- 2,829	- 3,246	- 3,491	- 3,713
D&A	984	1,084	1,184	1,284	1,384
Change in Net Working Capital	644	- 503	- 413	- 421	- 429
Net Operating Cash Flow	7,474	7,142	7,665	8,195	8,785
Capex	- 3,610	- 2,200	- 1,700	- 800	- 800
Provisions	781	806	831	861	891
FCFO	4,645	5,748	6,796	8,256	8,876
g	1.0%				
Wacc	9.3%				
FCFO (discounted)	4,584	5,189	5,612	6,237	6,133
Discounted Cumulated FCFO	27,755				
TV					107,725
TV (discounted)	74,438				
Enterprise Value	102,193				
Net Debt	19,834				
Equity Value	82,359				
Current number of shares (000)	32,673				
Value per share (€)	2.52				

Source: KT&P estimates

Peer Comparison

To evaluate Assiteca, we have also identified a series of listed comparables. We believe another relevant way to provide a fair multiple-based evaluation for Assiteca is to focus on P/E multiples coming from the average of our peer group. This valuation captures the expected earnings growth.

However, we should note that selected companies are quite different in terms of liquidity compared with Assiteca. Our fair value is based upon the average of 2017 and 2018 P/E multiples and our estimate of earnings for the next two years. The multiple is obtained by applying a 20% liquidity discount to 2017 and 2018 P/E peer average. This has led to an equity value of €77.81mn or €2.38 per share.

Table 4: Multiple Valuation

Multiple Valuation (€mn)	2017E	2018E
P/E multiple comparison	19.41	17.01
Peer Group P/E netted from 20% liquidity discount	15.53	13.60
Assiteca earnings	4.96	5.78
Equity Value	77.03	78.59
Number of shares (mn)	32.67	32.67
Value per share	2.36	2.41
Fair Value (Avg) - € ps	2.38	

Source: KT&Partners' elaboration on Factset data

Table 5: Peer Group Valuation Table - 2017 Multiples

Company Name	Exchange	Market Cap	EV/SALES 2017	EV/EBITDA 2017	EV/EBIT 2017	P/E 2017
Aon plc	NYSE	28,858	3.67	15.25	16.53	19.10
Marsh & McLennan Companies, Inc.	NYSE	34,459	3.02	12.40	14.25	19.59
Willis Towers Watson Public Limited Company	NASDAQ	16,347	2.62	11.19	12.41	15.63
Arthur J. Gallagher & Co.	NYSE	9,271	1.84	10.40	21.73	18.67
Brown & Brown, Inc.	NYSE	5,531	3.37	10.85	12.39	23.08
Jardine Lloyd Thompson Group plc	London	2,821	1.53	7.44	9.83	18.65
FPC Par Corretora de Seguros SA	Sao Paulo	880	6.39	11.90	12.24	18.06
Steadfast Group Limited	ASX	1,397	3.94	13.19	13.74	22.47
Average peer group		16,215	3.30	11.58	14.14	19.41
Median peer group		12,809	3.19	11.55	13.08	18.89
Assiteca SpA	Milan	59	1.20	8.21	9.50	11.98

Source:KT&Partners' elaboration on Factset data

Table 6: Peer Group Valuation Table - 2018 Multiples

Company Name	Exchange	Market Cap	EV/SALES 2018	EV/EBITDA 2018	EV/EBIT 2018	P/E 2018
Aon plc	NYSE	28,858	3.55	14.02	14.73	15.30
Marsh & McLennan Companies, Inc.	NYSE	34,459	2.89	11.60	13.22	17.58
Willis Towers Watson Public Limited Company	NASDAQ	16,347	2.53	10.12	11.27	13.52
Arthur J. Gallagher & Co.	NYSE	9,271	1.72	9.57	18.34	16.69
Brown & Brown, Inc.	NYSE	5,531	3.21	10.25	11.79	21.31
Jardine Lloyd Thompson Group plc	London	2,821	1.43	6.38	8.32	15.80
FPC Par Corretora de Seguros SA	Sao Paulo	880	5.63	10.20	10.49	15.63
Steadfast Group Limited	ASX	1,397	3.68	12.04	12.50	20.21
Average peer group		12,446	3.08	10.52	12.58	17.01
Median peer group		7,401	3.05	10.22	12.14	16.25
Assiteca SpA	Milan	59	1.15	7.33	8.45	10.29

Source:KT&Partners' elaboration on Factset data

We have chosen our peers taking into account the business activity and the services provided, although we should note that some of the selected companies are slightly different in terms of geographical exposure and/or size. However, looking at the overall picture, the following represents a reliable panel.

Aon Plc provides insurance brokerage, risk management and human capital consulting services. The company operates through the following reportable business segments: Risk Solutions and HR Solutions. The Risk Solutions segment acts as an advisor and insurance and reinsurance broker, helping clients manage their risks via consultation, as well as negotiation and placement of insurance risk with insurance carriers through its global distribution network. The HR Solutions segment partners with organizations to solve their most complex benefits, talent and related financial challenges, and improve business performance by designing, implementing, communicating and administering a wide range of human capital, retirement, investment management, healthcare, compensation and talent management strategies. The company's clients include corporations and businesses, insurance companies, professional organizations, independent agents and brokers, governments, and other entities. Aon was founded in 1979 and has its headquarters in London, the United Kingdom.

Marsh & McLennan Companies, Inc. engages in the provision of advice and solutions in the areas of risk, strategy, and human capital. It operates through the Risk and Insurance Services, and Consulting segments. The Risk and Insurance Services segment includes risk management activities, such as risk advice, risk transfer, risk control and mitigation solutions. The Consulting segment comprises retirement, health, talent, and investments consulting

and services. The company was founded by Henry W. Marsh and Donald R. McLennan in 1871 and has its headquarters in New York, NY.

Willis Towers Watson Plc provides advisory and broking solutions. It also provides exchange solutions, investment, risk and reinsurance services. The company Willis Towers Watson was formed as a merger of equals between London based Willis Group Holdings plc and Arlington, VA based Towers Watson & Co. and has its headquarters in London, the United Kingdom.

Arthur J. Gallagher & Co. engages in the provision of insurance brokerage and risk management services to a wide variety of commercial, industrial, institutional and governmental organizations. It operates through the following business segments: Brokerage, Risk Management, and Corporate. The Brokerage segment is primarily comprised of retail and wholesale insurance brokerage operations. The Risk Management segment provides contract claim settlement and administration services for enterprises that choose to self-insure some or all of their property or casualty coverage and for insurance companies that choose to outsource some or all of their property or casualty claims departments. The Corporate segment includes the financial information related to its debt, clean energy investments, external acquisition-related expenses and other corporate costs. The company was founded by Arthur J. Gallagher on October 1, 1927 and has its headquarters in Itasca, IL.

Brown & Brown, Inc. provides insurance brokerage services and casualty insurance underwriting services. It operates through the following segments: Retail, National Programs, Wholesale Brokerage and Services. The Retail segment provides a broad range of insurance products and services to commercial, public entity, professional and individual customers. The National Programs segment provides professional liability and related package products for certain professionals delivered through nationwide networks of independent agents, and markets targeted products and services designed for specific industries, trade groups, public and quasi-public entities, and market niches. The Wholesale Brokerage segment markets and sells excess and surplus commercial and personal insurance and reinsurance, primarily through independent agents and brokers. The Services segment provides insurance-related services. The company was founded by J. Adrian Brown and Charles Covington Owen in 1939 and has its headquarters in Daytona Beach, FL.

Jardine Lloyd Thompson Group Plc provides insurance and employee benefits-related advice, brokerage and associated services. It operates through three business segments: Risk & Insurance, Employee Benefits and Head Office & Other operations. The Risk & Insurance business segment comprises global specialist, wholesale, reinsurance broking, personal lines and SME activities. The Employee Benefits business segment consists of pension administration, outsourcing and employee benefits consultancy, healthcare and wealth management activities. The Head Office & Other business segment consists mainly of holding companies, central administration functions, the company's captive insurance companies and its principal investments in associates. The company was founded in February 1997 and has its headquarters in London, the United Kingdom.

FPC Par Corretora de Seguros SA engages in insurance brokerage, advisory and consulting services business. The company operates through two segments: Retail businesses and small-sized companies and Large and

medium-sized companies. The Retail businesses and small-sized companies segment is engaged in the sale of insurance of personal, commercial and property lines. The Large and medium-sized companies segment includes the sale of health insurance, management of benefits and group health plans, and also PAR RiscosEspeciais, the activities of which include brokerage of specific insurance lines, advice and consulting services in risk analysis. The company provides personal and business insurance solutions through a specialized sales structure in branches of Caixa, central chat and a web call center. The company was founded on July 5, 1973 and has its headquarters in Brasilia, Brazil.

Steadfast Group Ltd operates as an Australian independent insurance broker, which provides services to its network of insurance brokers. It provides professional services and advice to its insurance broker network, including ongoing education programs, support services, compliance support, customer service tools and staff benefits. Steadfast Group was founded by Robert Bernard Kelly on April 17, 1996 and has its headquarters in Sydney, Australia.

DISCLAIMER

THIS DOCUMENT WAS PREPARED BY KT&PARTNERS S.R.L., WITH REGISTERED OFFICE AT VIA DELLA POSTA 10, MILAN, ITALY, MILAN COMPANY REGISTER NO. 1926922, SPECIALIZING IN FINANCIAL RESEARCH AND ANALYSIS (HEREINAFTER, "KT&PARTNERS").

KT&PARTNERS PREPARED THIS DOCUMENT ON BEHALF OF ASSITECA SPA ACCORDING TO AN AGREEMENT ENTERED WITH THE SAME AND ON THE BASIS OF THE DATA AND PUBLIC INFORMATION PROVIDED BY THE SAME OR DERIVED FROM SOURCES DEEMED SERIOUS AND RELIABLE ON THE FINANCIAL MARKET BUT WHOSE ABSOLUTE TRUSTWORTHINESS, COMPLETENESS, AND ACCURACY CANNOT BE GUARANTEED.

THIS DOCUMENT IS A SOURCE OF INFORMATION ONLY, AND IS NOT PART OF, AND IN NO WAY MUST BE CONSIDERED AN OFFER TO SELL, SUBSCRIBE OR TRADE, OR A SOLICITATION TO PURCHASE, SUBSCRIBE OR TRADE, FINANCIAL INSTRUMENTS/PRODUCTS, OR IN GENERAL TO INVEST, NOR MUST IT BE CONSIDERED ANY FORM OF CONSULTING FOR AN INVESTMENT IN FINANCIAL INSTRUMENTS.

THE INFORMATION PROVIDED IN THIS DOCUMENT MUST NOT BE UNDERSTOOD AS A REQUEST OR SUGGESTION TO CONDUCT OR CARRY OUT A SPECIFIC TRANSACTION.

EACH INVESTOR MUST FORM HIS/HER OWN OPINION BASED EXCLUSIVELY ON HIS/HER ASSESSMENT OF THE ADVISABILITY OF INVESTING. ANY INVESTMENT DECISION MADE ON THE BASIS OF THE INFORMATION AND ANALYSES IN THIS DOCUMENT IS THE EXCLUSIVE RESPONSIBILITY OF THE RECIPIENTS OF THIS DOCUMENT, WHO MUST CONSIDER THIS DOCUMENT MERELY AS A SOURCE OF INFORMATION AND ANALYSIS TO SUPPORT SUCH DECISION.

ANY OPINIONS, FORECAST OR ESTIMATES CONTAINED HEREIN CONSTITUTE A JUDGEMENT AS AT THE DATE OF THIS DOCUMENT, AND THERE CAN BE NO ASSURANCE THAT THE FUTURE RESULTS OF THE COMPANY AND/OR ANY FUTURE EVENTS WILL BE CONSISTENT WITH ANY OF SUCH OPINIONS, FORECAST OR ESTIMATES.

KT&PARTNERS MAKES NO EXPLICIT OR IMPLICIT GUARANTEE WITH RESPECT TO PERFORMANCE OR THE OUTCOME OF ANY INVESTMENT OR PROJECTIONS MADE.

THEREFORE, KT&PARTNERS, ITS REPRESENTATIVES AND/OR EMPLOYEES WILL NOT BE LIABLE FOR ANY EFFECT DERIVING FROM THE USE OF THIS DOCUMENT, AND HEREBY DECLINE ALL LIABILITY FOR ANY DIRECT OR INDIRECT DAMAGES, FINANCIAL OR OTHERWISE, DERIVING FROM ANY USE OF THE INFORMATION IT CONTAINS.

KT&PARTNERS AIMS TO PROVIDE CONTINUOUS COVERAGE OF THE COMPANY IN CONJUNCTION WITH ANY EXCEPTIONAL EVENT THAT OCCURS AFFECTING THE ISSUER'S SPHERE OF OPERATIONS AND IN ANY CASE AT LEAST TWICE PER YEAR.

KT&PARTNERS

Via della Posta, 10 - Piazza Affari, 20123 Milano - Italy
Tel: +39.02.83424007 Fax: +39.02.83424011
segreteria@ktepartners.com

