

Company Note

Seri Industrial

Ready for a Quantum Leap

After positive 1H21 results (sales +46%, EBITDA margin at 10%), the company is now ready to generate revenues in its Teverola 1 plant and to start the construction of the Teverola 2 Gigafactory, which would allow Seri Industrial to top EUR 2Bn revenues in 2025 (from EUR 126M in 2020) according to the business plan. We set a new target price of 13.9/sh., which includes Teverola 2 at 50% and we confirm our BUY rating.

1H21 results above expectations

Seri Industrial reported a good set of results in 1H21, above our expectations, with a strong sales acceleration in the second quarter, particularly for plastics, and the full recovery of the EBITDA margin now at 2019 level. However, the bottom line was hit by higher D&A costs, financial charges and taxes, resulting in a negative net result of EUR 4.1M (EUR 3.6M on adjusted basis).

Outlook/Estimates

The newsflow on Seri Industrial has been quite positive in the past few months, with the publication on the Official Gazette of the Inter-ministerial Decree, which makes available the non-repayable financing of the Teverola 2 project, the launch of a new business plan which targets EUR 2Bn revenues in 2025E and the exit from the blacklist. We fine-tuned our forecasts, slightly increasing the top line but trimming the bottom line, reflecting higher raw material and D&A costs. We recall that our estimates do not include Teverola 2, which should start to generate sales in 2024.

Valuation

Following our estimates revision and the addition of Teverola 2 at 50% in our valuation, **we set a new target price of EUR 13.9/sh, which offers nearly 100% upside and therefore we confirm our BUY rating.** The main risks are potential delays in the development of Teverola projects, potential execution risks which may significantly impact our estimates and constraints of the supply chain due to the shortage of some raw materials.

7 October 2021: 8:01 CET

Date and time of production

BUY

Target Price: EUR 13.9
(from EUR 8.6)

Italy/Industrials
Update

MTA

Price Performance
(RIC: SERK.MI, BB: SERI IM)



Seri Industrial - Key Data

Price date (market close)	05/10/2021
Target price (EUR)	13.9
Target upside (%)	93.86
Market price (EUR)	7.17
Market cap (EUR M)	346.19
52Wk range (EUR)	8.25/2.93

Price performance %	1M	3M	12M
Absolute	-9.4	-3.4	119.3
Rel. to FTSE IT All Sh	-8.6	-5.2	62.5

Y/E Dec (EUR M)	FY20A	FY21E	FY22E
Revenues	125.6	210.8	297.9
EBITDA	3.12	29.50	53.01
EBIT	-10.65	8.50	31.90
Net income	-4.07	4.03	21.34
EPS (EUR)	-0.16	0.10	0.45
Net debt/-cash	95.97	90.80	73.24
Adj P/E (x)	Neg.	68.8	15.9
EV/EBITDA (x)	76.1	14.8	7.9
EV/EBIT (x)	Neg.	51.5	13.2
Div ord yield (%)	0	0	0

Source: Company data, FactSet and Intesa Sanpaolo Research estimates

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1H21 Results

Seri Industrial reported a good set of results in 1H21, with a strong sales acceleration in the second quarter, particularly for plastics, and the full recovery of the EBITDA margin now at 2019 level. However, the bottom line was hit by higher D&A costs, financial charges and taxes, coming to a negative net result of EUR 4.1M (EUR 3.6M on adjusted basis).

■ **Sales up 45.6% in 1H21, above expectations:** SERI Industrial reported higher than expected revenues with a growth of nearly 73.5% in 2Q21 compared with +21.1% in 1Q21. Consolidated revenues reached EUR 84.4M in the first half, including EUR 5.0M of other revenues and EUR 1.5M of internal works, up 45.6% vs. 1H20 and up 6.9% vs. 1H19. In detail, Seri Plast (plastic materials) sales reached EUR 26.6M in 2Q21 with a growth of 105%, well above our expectations and even higher than 2Q19, while FIB (lead-acid batteries) grew by 21.6% to EUR 14.2M, slightly below our estimates but still above 2Q19. The main reason for this performance, below the company's target, is the weakness of lead, which however strongly recovered since May and is now at its historical top. The stoppage of the smelting plant, which penalised 1Q21, has been solved and the company should totally recover the lost revenues within the end of the year. In 1H21 54% of sales were in Italy, while Europe represented 38% and Asia 5%;

Seri Industrial – 2Q21 revenues breakdown

EUR M	2Q19A	2Q20A	2Q21A	2Q yoy %	2Q vs. 2Q19A %
Electric batteries	12.2	11.7	14.2	21.6	16.4
Plastics	24.1	13.0	26.6	104.9	10.4
Others, WIP & corporate	4.1	2.4	6.2	156.3	51.2
Total sales	40.4	27.1	47.0	73.5	16.4

A: actual; Company data

■ **EBITDA margin reached 9.9%** compared with our 9.4% expectation and was well above 1H20 and broadly in line with 1H19, driven by the volume recovery and higher production efficiencies. Seri Plast reached 11.7% margin and FIB 10.8% in 1H21. Higher raw materials costs (58.6% of sales) were offset by the lower incidence of services (20.3% of sales vs. 23.2% in 1H20) and labour costs (19.3% vs. 24.2%);

■ **Negative EBIT due to growing D&A costs:** as expected, Seri Industrial was hit by higher D&A costs as it started to amortise Teverola 1, which will generate sales only in 4Q21, with an impact of around EUR 3.7M and accounted also the rentals of Teverola 1 and 2 for EUR 1.1M. Stripping out these costs, EBIT would have been positive for EUR 3.4M;

■ **Net result negative for EUR 4.1M:** After EUR 1.9M of financial charges and taxes for EUR 1M, the bottom line was negative for EUR 4.1M vs. our EUR 3.2M expectation. The gap is totally explained by the negative tax impact and higher financial charges. Adjusted net result was negative for EUR 3.6M (main adjustments refer to non-recurring costs for the rent of Teverola 2, senior management litigations and receivables write-downs, partially offset by EUR 1.1M of extraordinary gains);

■ **Net debt at EUR 104.2M, better than estimates:** After capex for EUR 14.9M and a marginal NWC absorption (EUR 0.4M), net debt increased to EUR 104.2M compared with EUR 96M at Dec-20 and our EUR 108.2M estimate. EUR 81.1M refers to the battery

Positive results in 1H21, slightly above expectations

Strong sales acceleration in 2Q21

EBITDA margin slightly above expectations and in line with 1H19

EBIT impacted by the D&A for Teverola 1 and rental costs for Teverola 1 and 2

Worse than expected bottom line due to higher financial charges and taxes

Cash generation slightly above expectations

business and EUR 35.9M to the plastic business. We highlight that net debt includes the impact of IFRS16 for EUR 23.8M. On adjusted basis, net debt was EUR 80.4M vs. EUR 76.9M at Dec-20. We recall the Seri Industrial has outstanding warrants, currently in the money (EUR 5.03/sh. strike price), which could generate EUR 46M of additional financial resources. We highlight that operating cash flow was close to EUR 8M in 1H21.

SERI Industrial – 1H21 results

EUR M	1H19A	1H20A	FY20A	1H21A	1H21E	1H A/E %	1H yoy %	1H/1H19 %
Revenues	79	58	134	84.4	76.9	9.8	45.6	6.9
EBITDA	7.9	0.2	3.1	8.4	7.2	16.5	NM	6.6
Margin (%)	10	0.3	2.3	9.9	9.4			
EBITDA Adj.	7.9	0.6	5.7	8.2	7.2	13.8	NM	4.0
Margin (%)	10	1.1	4.3	9.7	9.4			
EBIT	1.4	-5.9	-10.7	-1.4	-2.5	NM	NM	NM
Margin (%)	1.7	-10.1	-8.0	-1.6	-3.2			
Pre-tax	-0.2	-7.4	-14.1	-3.1	-4.2	NM	NM	NM
Net result attr.	-1.7	-7.4	-4.1	-4.1	-3.2	NM	NM	NM
Net debt	55.6	71.6	96	104.2	108.2	-3.7	45.5	87.5

A: actual; E: estimates; Source: Company data and Intesa Sanpaolo Research estimates

Recent Events

New business plan: In July, Seri Industrial approved the 2021-25 business plan, also including the plant of Teverola 1 (330MWh/year) and Teverola 2 (7,500MWh/year), which should run at full capacity within the first semester of 2024. The company has just published its revenues target for 2025 equal to 15 times 2020A sales (EUR 125.6M, which multiplied by 15 gives EUR 1.88Bn) or EUR 2Bn including other revenues. The plan does not include the JV with Unilever. No other detail or target was disclosed. The business plan confirms the commitment of the company to supporting the energetic and ecological European transition. We believe that a sales target of EUR 2Bn in 2025 is challenging. Assuming full production of Teverola 2 in 2025 (7.5GWh) and a selling price of EUR 200 per KWh, the plant would reach sales of EUR 1.5Bn. Around EUR 120M should arrive from Teverola 1, which is currently in ramp-up phase, EUR 130M from Seri Plast according to our estimates, EUR 90M from FIB and the residual EUR 260M from other revenues. We also highlight that the company could face difficulties in supporting the enormous expected growth that would put a strain on SERI Industrial's capacity.

EUR 2Bn sales target for 2025

Approval of the Decree for Teverola 2: In July 12, 2021 the Inter-ministerial Decree enabling the fund to support the implementation of the Important Projects of Common European Interest ("IPCEI") has been published in the Official Gazette. The fund is making a comprehensive amount of resources of about EUR 1.7Bn available, to be granted to companies already selected by the European Commission active in the micro-electronic and batteries business. In particular, the fund has allocated resources for the support of research, development and production of raw materials, cells, modules, and Li-ion battery systems for the Italian and European industrial sector. SERI Industrial has presented its Teverola 2 project for an investment of EUR 505M (EUR 358.5M of capex and EUR 147.3M of opex, that is, research costs to be capitalised up to 2023 plus further R&D costs up to 2027 to develop the solid state battery), fully funded through grants, both on capex and operating costs, for the realisation of a Gigafactory upon completion of the research, development and industrialisation programme of cells, modules, and next generation Li-ion battery systems, as well as the recycling of end-of-life lithium batteries. The publication of the decree was a crucial step to start the construction of the Teverola 2 Gigafactory and Seri Industrial confirmed the completion of the investment programme for capex by 2023 and the start-up of production at full operations within the first semester of 2024. Still, Seri Industrial is defining the presentation of the application for access to the facilities, which should come in the short term. After the presentation of the application, MISE will have 60 days (plus 10 more days if further information is required) to register the facilities on the National State Aid Register within 10 days and will adopt the concession decree, containing an indication of the eligible expenses and costs and the amount of the facilities. As a result, we believe the construction should start within the end of the year.

Close to start the construction of Teverola 2

Exit from the blacklist: At the end of July, Consob communicated the termination of the information obligations on a monthly basis pursuant to Article 114, paragraph 5, of Legislative Decree no. 58/98 (blacklist). As per the company's practice, the obligation to provide additional information will remain, pursuant to the aforementioned rule, with reference to the annual and half-yearly financial reports and interim management reports, where published on a voluntary basis, starting from the next half-yearly financial report as at 30 June 2021. The long-awaited exit from the blacklist is a positive news, which paves the way for a possible move to the STAR segment (the free float has recently reached 30.2%) and should increase the appeal for investors, in our view. Seri Industrial was on the blacklist since December 2017 due to a reverse merger with KR

The long-awaited exit from the blacklist took place

Energy, a different company with a totally different business activity and a serious financial crisis, with limited industrial and commercial prospects.

Update on JV with Unilever: The newco has been formed in May and has already identified products, technology and the suppliers of machinery. Details should be defined within the end of the year with some delays caused by Unilever. The investment of EUR 75M to build an innovative recycling plant with a production capacity of 130K ton/y should be financed by Invitalia but the resolution of the financing is still missing. The company is studying an innovative sorting model with Unilever to recycle plastics packaging for food to make new food packaging. The expected revenues (around EUR 130M p.a. at regime based on an average price of EUR 1/1.1 per kg, according to management) are not included in our estimates, nor in our valuation.

Some delays in the starting of the JV with Unilever

New contract with Fincantieri: In August, Seri Industrial, through its subsidiary FIB, has signed a contract with Fincantieri for the design, development, and certification of cells and modules prototypes for lithium-iron-phosphate batteries for the electric drive of U212 NFS submarines. The contract includes EUR 8.9M for the study and prototyping phase, corresponding to around 16% of FIB sales in 2020A and 6.7% of 2020A consolidated turnover. As soon as the study and prototyping phase is successfully completed through the acceptance of the end-user, FIB will have an exclusive 10 years' right to supply cells and modules for submarine applications to Fincantieri, including original equipment and retrofit and will be also involved, where possible, in the supply of cells and modules for other submarine and surface vessel applications as well. The contract is part of the Italian Navy's U212NFS (Near Future Submarine) programme, in which the Organisation for joint armament cooperation (Occar) has signed a contract with Fincantieri of EUR 1.35Bn for the construction of 2 new-generation submarines, with an option for additional 2 units. The new contract confirms that the electric drive solution through lithium-ion batteries proposed by FIB and Fincantieri is the most innovative and concrete and we believe that the most attractive market is the retrofit, that is to change the old submarines' motive force to make them electric (replacing the whole powertrain). The total amount of the contract has not been disclosed, but we believe it should be significant, while offering a long-term visibility given its long duration.

EUR 8.9M for the study and prototyping phase

New JV with Friem: in September, Seri Industrial signed an agreement to create a JV between FIB (lead-acid and lithium batteries) and Friem (an energy converter producer) with FIB at 60% and Friem at 40%. The JV is key to produce integrated battery energy storage systems without acquiring the energy converter from an external supplier. The target is to sell integrated battery energy storage systems for plants to produce energy from renewable sources, for the stabilisation of electricity grids and serving the Mini Grid (non-domestic) and Off Grid grids;

New JV for energy storage

Private placement of 8.2% stake at EUR 6.75/sh: In July, Neuberger Berman, on behalf of Atlante Private Equity, through an accelerated bookbuilding, placed 3.96M shares at EUR 6.75/sh with a discount of 7% compared with the share price of the day before the deal. Total consideration was EUR 26.7M. Following the placement, Atlante Private Equity has reduced its stake to 8.3% (from 16.5%) while the free float increased to 30.2% (from 21.9%).

Neuberger Berman placed a stake of 8.2%

Warrant conversion: in June and October, Seri Industrial issued 980,531 new shares following the conversion of warrants with a cash in of EUR 5.0M, not included in the net financial position at June-21. We estimate a potential EPS dilution at around 2.0%.

EPS dilution from the warrant conversion is around 2%

Earnings Outlook

The company did not provide any guidance for 2021, but the positive 1H21 results give support to our sales growth expectations.

Seri Industrial highlighted difficulties in the supply of aluminium (around 7% of the batteries' raw materials) and other raw materials which could slow down the lead time in the coming months. In addition, for lead-acid batteries there have been some delays in orders, due to customers having a shortage of electronic components and therefore stopping or reducing production. This said, the company is not worried by the raw material price increase: in the lithium batteries business, clients are ready to accept an increase of the selling price to cover the raw material price hike. We also highlight that the strategic choice of producing batteries based on lithium-iron-phosphate instead of nickel-cobalt-based batteries is helpful in the current market environment; the production of the latter is suffering from a wide shortage of materials, also for geopolitical reasons, and the two models have now similar energy density levels. As for lead-acid batteries, Seri Industrial could benefit from the price increase of lead (internally recycled) to increase selling prices, thus improving profitability.

We expect a robust second half of the year and we now include the contribution of Teverola 1 in our estimates. Sales should surpass EUR 140M with a growth of >80% compared with 2H20 as well as 2H19. Excluding the revenues of Teverola 1, sales should increase by around 12%. For Teverola 1, which after the completion of the production ramp-up should start to generate revenues from 4Q21, with a slight delay due to the shortage of some raw material, we expect revenues of around EUR 45M or the sale of 113 MWh for an average price of EUR 400 per KWh, in line with the main Asian players. The main applications should be for motive power (forklifts, cranes and so on), energy storage, which according to the company should grow at a CAGR of 64% in 2019-25, marine, military (drones) and automotive (electric buses, tramways). We recall that Seri Industrial has invested EUR 66M up to date, of which EUR 30M already received by Invitalia (EUR 17.7M of subsidised loans and EUR 12.7M of non-repayable contributions). The addition of Teverola 1 will push up consolidated revenues in 2H21.

EBITDA margin should increase to 15%, thanks to the product mix improvement as we forecast a 20% margin for Teverola 1 vs. 14% for lead-acid batteries and 12% for plastics. Our 2021 EBITDA estimate has been reduced, reflecting higher raw material prices. We also incorporated higher D&A, which should top EUR 10.9M in 2H21 (EUR 20.5M in the full year) leading to an EBIT close to EUR 10M (EUR 8.5M in the full year), down 60% compared with our previous estimate. Consequently, we now expect a 2H21 bottom line at EUR 8.1M (EUR 4.0M in the full year).

We expect NFP to be substantially stable in 2021 vs. 2020 with a NWC build-up in 3Q21, which should then stabilise as revenues begin to flow and deflate in 2022 when the production should return to full speed. Net debt/EBITDA adj. should be around 3.1x in 2021, but should rapidly decline thereafter.

The main concern: shortage of raw materials

Robust second half ahead with the first contribution of Teverola 1

EBITDA margin expected at 15% in 2H21

Seri Industrial – 2H21 estimates

EUR M	2H19A	2H20A	2H21E	2H yoy %	2H/2H19 %
Revenues	77.6	76.0	140.3	84.6	80.9
o/w Plastics	47.2	47.5	52.0	9.5	10.2
o/w Lead acid batteries	36.5	33.0	38.3	15.8	4.8
o/w Teverola 1	0.0	0.0	45.2	NM	NM
EBITDA	11.5	2.9	21.1	619.2	83.4
Margin (%)	14.8	3.9	15.0		
EBITDA Adj.	14.2	5.1	21.3	320.2	50.2
Margin (%)	18.3	6.7	15.2		
EBIT	5.3	-4.8	9.9	NM	84.8
Margin (%)	6.9	-6.3	7.0		
Pre-tax	3.5	-6.8	8.8	NM	147.3
Net result attr.	3.3	3.3	8.1	144.2	147.9
Net debt/-cash	69.0	96.0	90.8	-5.4	31.5

A: actual; E: estimates; Source: Company data and Intesa Sanpaolo Research estimates

On 2022 and 2023 we simply fine-tuned our estimates, with a main difference represented by the D&A costs on Teverola 1, which would have a significant impact on the bottom line.

Seri Industrial – Estimates revision (2021-23E)

EUR M	2021E			2022E			2023E		
	Old	New	New/Old %	Old	New	New/Old %	Old	New	New/Old %
Sales	206.2	210.8	2.2	275.0	297.9	8.3	319.3	320.1	0.3
Adj. EBITDA	34.3	29.5	-14.1	51.5	53.0	3.0	62.8	59.2	-5.7
% margin	16.7	14.0		18.7	17.8		19.7	18.5	
Adj. EBIT	21.0	8.5	-59.5	38.2	31.9	-16.5	49.3	37.6	-23.6
% margin	10.2	4.0		13.9	10.7		15.4	11.8	
Net result	12.7	4.0	-68.2	27.8	21.3	-23.3	34.7	26.5	-23.7
EPS (EUR)	0.27	0.08	-68.7	0.58	0.44	-24.0	0.72	0.55	-24.2
Adj. EPS (EUR)	0.28	0.10	-62.4	0.59	0.45	-23.6	0.73	0.56	-23.9
Net debt/-cash	89.3	90.8	1.7	69.6	73.2	5.2	42.3	39.3	-7.2

A: actual; E: estimates; Source: Company data and Intesa Sanpaolo Research estimates

We highlight that the company confirmed that the Teverola 2 Gigafactory should start production within the first half of 2024 and therefore we do not include it in our 2023 estimates. However, Seri Industrial should start to account for Teverola 2 project already this year. In detail, the full contributions on capex (EUR 358.6M) generate other revenues for the accrued contribution equal to the amortisation (around EUR 70M assuming that capex would be amortised in 5 years) and a credit for the accrued contribution equal to the value of the contribution itself. The difference between these values is the final deferred income. This means that at Dec-21 the company could account for a credit for contributions of around EUR 90M (EUR 358.6M planned capex divided in 4 periods of six months as capex is expected to finish at June-23), counterbalanced by the final deferred income with no impact at P&L. Financial receivables for contributions are assumed to be collected with an extension of 6 months and this extension is simultaneously covered - at the time of the cash out per capex - by an equal financial debt, which in turn is extinguished with the collection of the contribution. Unlike capex, the full opex of the project - equal to EUR 74M in the period 2021-2025 (there is then an additional quota in the period 2026-2027) will be capitalised as intangible assets for research and development costs and fully amortised in the year in which they are allocated to costs.

We do not consider Teverola 2 in our estimates. However, the Company could start to account a credit for the contribution already this year, counterbalanced by deferred income. No impact is expected on P&L

Valuation

The newsflow on Seri Industrial has been quite positive in the past few months, with the publication on the Official Gazette of the Inter-ministerial Decree which makes available the non-repayable financing of the Teverola 2 project, the launch of a new business plan which targets EUR 2Bn revenues in 2025E, the ramp-up of Teverola 1, which should generate revenues in 4Q21 and the exit from the blacklist. However, the share performed in line with the market in the past three months and underperformed in the past month on the back of fears for the raw material price hike, potential constraints in the supply chain and the delays in the ramp-up of Teverola 1 plants. In addition, SERI Industrial exited from the blacklist only at the end of July and therefore the company still needs to attract investors from outside Italy.

We believe that the starting of the construction of Teverola 2 will increase the attractiveness of Seri Industrial, which remains an equity story centred on the "circular economy" concept (the company will implement recycling for both Li-ion batteries and plastics) on two markets (batteries and plastics), which are on some investors' radar with several new upcoming listings.

For all these reasons we change our valuation method by adding a valuation for Teverola 2, which is now ready to start. However, we only consider it at 50%, as we believe that the market would incorporate only a part of its fair value, considering that this business should book revenues starting from 2H24 and that there is an execution risk, which should soften as the project progresses. We did not consider the JV with Unilever as we do not have a full visibility on the timing of the project.

Our target price, based on a fully diluted number of shares as the warrants are in-the-money (EUR 5.03 strike price), **moves to EUR 13.9/sh.** (from EUR 8.6/sh.), after having applied a 15% discount to factor in the low liquidity of the share. The potential upside is close to 100%, **thus keeping our rating as BUY.**

Positive newsflow but unexciting share performance

New target price at EUR 13.9/sh with a potential upside close to 100%

Seri Industrial – Summary valuation

	EUR M	Per share (EUR)
DCF	472	8.2
Peers	477	8.3
EVA	304	5.3
Average	418	7.3
Teverola 2 at 50%	476	8.3
Total	894	15.6
Cash-in from warrants	46	0.8
Total fair value	940	16.4
Discount 15%	-141	-2.5
Fair value after discount	799	13.9
No. of shares (M; fully-diluted)	57.4	
Target price (EUR)	13.9	
Current price (EUR)	7.17	
Upside %	94.1	

A: actual; E: estimates; Source: Company data and Intesa Sanpaolo Research estimates

Our target price implies 2021-23 multiples that are above peers. However, these multiples do not reflect the impact of Teverola 2 on financial statements.

Seri Industrial – Implicit multiples in our EUR 13.9/sh target price

	2021E	2022E	2023E
P/E	117.1	33.8	27.8
EV/EBITDA	28.6	15.6	13.4
EV/EBIT	99.3	25.9	21.1
EV/Sales	3.8	2.7	2.4
P/BV	5.7	4.8	4.1
EV/ Capital employed	4.0	3.9	3.9

E: estimates; Source: Intesa Sanpaolo Research estimates

DCF model

Our DCF model returns a fair value of EUR 8.2/sh. (from EUR 9.0/sh.), reflecting our new estimates and is based on the following parameters:

- A 5.9% WACC based on a 1.0% risk-free rate, a 6.5% market risk premium, a Beta of 1, a 4.0% pre-tax cost of debt and a sustainable D/E assumption of 30%;
- An EBIT margin at 13.1% at terminal value (vs. 9.9% reported in 1H21 which, however, does not include Teverola 1) and a 2.0% terminal growth rate.

**We believe the assumptions
behind our DCF are conservative**

We believe that the cashflow assumptions at the base of our DCF are conservative, considering that we assume a “recession year” right after the explicit estimates aiming to smooth the typical pitfall of forecasting ever-growing flows. In fact, in 2024E, we incorporated a -5% in top line, which remains stable the following year and then returns to growth in 2026E. As a result, while in the explicit forecasts period (2020-23E) the top line CAGR is 36.4%, in the implicit one the forecast CAGR (2023-27) is only 2.4%.

Seri Industrial – DCF model (2021-27E)

EUR M	2021E	2022E	2023E	2024E	2025E	2026E	2027E	Terminal
Revenues	211	298	320	304	313	329	352	362
yoy growth %	67.8	41.3	7.5	-5.0	3.0	5.0	7.0	3.0
EBIT	9	32	38	36	40	44	50	48
EBIT margin %	4.0	10.7	11.8	11.7	12.7	13.3	14.1	13.1
D&A costs	-21.0	-21.1	-21.5	-22.2	-22.8	-23.5	-24.2	-25.0
EBITDA	30	53	59	58	63	67	74	72
EBITDA margin %	14.0	17.8	18.5	19.0	20.0	20.5	21.0	20.0
Labour cost	-29	-55	-55	-52	-53	-56	-60	-62
% on sales	-13.7	-18.3	-17.1	-17.1	-17.1	-17.1	-17.1	-17.1
Working capital	49	69	77	72	74	77	81	83
% on Sales	23.1	23.1	24.1	23.8	23.6	23.3	23.1	22.9
Tax on EBIT	3	11	12	12	13	14	16	15
Tax rate	38.7	33.2	32.4	32.4	32.1	31.9	31.6	31.9
DCF	2021E	2022E	2023E	2024E	2025E	2026E	2027E	Terminal
NOPLAT	5.2	21.3	25.4	24.1	27.0	29.9	34.0	32.4
Capex	-8.4	-11.9	-12.8	-12.2	-12.5	-13.2	-14.1	-14.5
D&A	20.5	20.5	20.9	21.3	21.3	21.3	21.3	14.5
Change in Working capital	-15.9	-15.9	-20.1	-8.3	-1.4	-2.9	-4.6	-6.2
Cash flow to the firm	1.4	14.0	13.5	24.9	34.4	35.2	36.7	26.2
Time adjustment	0.5	1.5	2.5	3.5	4.5	5.5	6.5	7.5
Discount factor	1.0	0.9	0.9	0.8	0.8	0.7	0.7	0.7
Discounted cash flow to firm	1.4	12.9	11.7	20.4	26.6	25.7	25.3	17.1

E: estimates; Source: Intesa Sanpaolo Research estimates

Our DCF valuation implies 9.4x EV/EBITDA at terminal value.

Relative valuation

Our peers' sample has shown a positive performance in the last 12 months (+92%), but was substantially stable in the past three months and down 6.4% last month. Seri Industrial reported a similar trend, even if the share outperformed peers. Still, Seri Industrial is trading at a discount on 2022 and 2023 (40% on average on EV/EBITDA and 32% on P/E). We highlight that our relative valuation does not include Teverola 2, which should start to generate revenues only in 2024.

SERI Industrial – Peer group multiples

x	Tier	EV/EBITDA			EV/EBIT			P/E		
		2021E	2022E	2023E	2021E	2022E	2023E	2021E	2022E	2023E
Varta AG	I	16.1	12.9	11.5	24.6	18.4	16.3	34.5	27.5	24.4
EnerSys	I	13.1	11.2	10.1	19.6	15.2	13.7	14.6	11.9	
Umicore	I	10.2	11.0	10.5	13.2	14.8	14.2	16.9	19.1	18.6
GEM Co., Ltd. Class A	I	21.0	16.7	12.8	32.8	24.1	17.1	39.6	28.2	20.0
SolarEdge Technologies	II	34.7	25.2	19.3	47.5	32.5	23.4	74.2	47.7	34.4
Ganfeng Lithium Co.	II	58.8	37.6	31.1	67.1	42.7	34.7	59.3	41.5	34.6
CATL	II	61.9	37.9	26.8	90.6	54.5	39.1	114.5	69.2	49.8
Average		30.8	21.8	17.4	42.2	28.9	22.6	50.5	35.0	30.3
Average Tier I		15.1	12.9	11.2	22.6	18.2	15.3	26.4	21.7	21.0
SERI Industrial*		15.0	8.0	6.6	52.0	13.3	10.4	69.6	16.0	13.0
Premium/(Disc.) to Tier 1 %		-0.6	-38.1	-41.2	130.7	-26.6	-32.3	163.5	-26.0	-38.2

Priced at market close on 04/10/2021; Source: FactSet and *Intesa Sanpaolo Research

The average of EV/EBITDA, EV/EBIT and P/E in 2021-23 delivers a fair value, on a fully diluted basis, of EUR 477M on EUR 8.3/sh. If we used only 2022 and 2023 multiples, which include the full contribution of Teverola 1, we would obtain a fair value of EUR 576M or EUR 10.0/sh.

Relative valuation at EUR 8.3/sh

SERI Industrial – Peer based valuation

	2021E	2022E	2023E
EV/EBITDA - peers	15.1	12.9	11.2
Adj. EBITDA	29.5	53.0	59.2
Implied EV	445.0	685.9	663.7
Debt/-Cash	90.8	73.2	39.3
Pension liabilities + factoring	11.1	12.4	13.8
A - Equity value	343.1	600.3	610.6
EV/EBIT - peers	22.6	18.2	15.3
Adj. EBIT	8.5	31.9	37.6
Implied EV	191.8	579.0	577.1
Debt/-Cash	90.8	73.2	39.3
Pension liabilities + factoring	11.1	12.4	13.8
B - Equity value	89.8	493.4	524.0
PE - Peers	26.4	21.7	21.0
Adj. net profit	5.0	21.8	27.0
C - Equity Value	133.0	473.7	567.5
Average of A, B and C	188.6	522.4	567.4
Cash-in from warrants	⁴⁶	⁴⁶	⁴⁶
Seri Industrial - Fair value f.d.	250.3	568.3	613.3
No. of shares (M; fully-diluted)	57.4	57.4	57.4
Fair value - p.s. & f.d.	4.4	9.9	10.7

E: estimates; Source: Company data and Intesa Sanpaolo Research estimates

EVA valuation

We believe that the EVA method is useful as it is an absolute valuation method. It also considers the capital efficiency of a company and the level of utilisation of its asset base.

In our EVA valuation, we look at the post tax ROACE (or ROIC) and then compare it to the WACC. In this case, we estimate this ratio at 1.8x. This means that for every euro employed in the company, being it either equity or debt, then a EUR 1.8 is obtained in return. Therefore, by applying this ratio to the overall capital employed a fair EV is obtained, which returns a fair value of EUR 304M.

EVA valuation at EUR 5.3/sh.

Seri Industrial – EVA valuation (EUR M)

Av. CE	208.8
Av. EBIT (post tax)	18.2
Av. ROACE %	8.7
WACC %	5.0
Risk-free rate	1.0
Beta	1.00
Market premium	6.5
Cost of equity	7.5
Cost of debt	2.0
% theoretical debt on CE	50.0
ROACE/WACC ratio	1.8
CE - Average	208.8
A - Implied EV	383.3
B - Net debt/-cash - average '20-23	67.8
C - Pension liabilities	11.1
Equity value f.d. (A-B-C)	304.4

Source: Company data and Intesa Sanpaolo Research estimates

Teverola 2 valuation

With this report we introduce a first valuation for Teverola 2 based on a DCF. We obtained a fair value of this business of EUR 952M. This valuation is conservative in our view as we used a WACC at 9.2% (1% risk-free rate, a 6.5% market risk premium and a beta at 1.5) and a terminal growth rate of 0.0%. to this fair value we applied a 50% discount, considering that there is an execution risk which would decrease as the project progresses.

Teverola 2 can be valued EUR 952M based on DCF

Seri Industrial – DCF of Teverola 2

EUR M	2024E	2025E	2026E	2027E	2028E	2029E	2030E	Terminal
Revenues	600	1,358	1,419	1,427	1,399	1,371	1,384	1,426
YoY growth		126.3	4.5	0.6	-2.0	-2.0	1.0	3.0
EBIT	48	136	213	243	280	288	277	214
EBIT margin %	8	10	15	17	20	21	20	15
Tax on EBIT	-14.4	-40.7	-63.8	-72.8	-83.9	-86.4	-83.1	-64.2
Tax rate %	30	30	30	30	30	30	30	30
DCF	2024E	2025E	2026E	2027E	2028E	2029E	2030E	Terminal
NOPLAT	33.6	95.1	149.0	169.9	195.8	201.5	193.8	149.7
Capex	-12.0	-27.2	-28.4	-28.5	-28.0	-27.4	-27.7	-28.5
D&A	30.0	67.9	70.9	71.4	69.9	54.8	41.5	28.5
Change in Working capital	-120.0	-151.6	-12.1	-1.7	5.7	5.6	-2.7	-8.3
Cash flow to the firm	-68.4	-15.8	179.4	210.9	243.5	234.5	204.9	141.4
Time adjustment	4.0	5.0	6.0	7.0	8.0	9.0	10.0	11.0
Discount factor	0.7	0.6	0.6	0.5	0.5	0.5	0.4	0.4
Discounted cash flow to firm	-48.0	-10.2	105.6	113.7	120.2	106.0	84.8	53.5

A: actual; E: estimates; Source: Company data and Intesa Sanpaolo Research

Seri Industrial – DCF valuation of Teverola 2

PV of future cash flows	472.0
PV of Terminal value	580.1
Enterprise value	1052.1
Net debt/(Cash)	100.0
EQUITY Value	952.1
No of shares (M)	57.4
Equity Value p.s.	16.6

Source: Company data and Intesa Sanpaolo Research

Seri Industrial – WACC of Teverola 2 (%)

Risk-free rate	1.0
Equity risk premium	6.5
Beta (x)	1.50
Cost of equity	10.8
Net Cost of debt	3.2
Leverage	20.0
WACC	9.2

Source: Company data and Intesa Sanpaolo Research

Our DCF implies a valuation per GWh of EUR 127M considering Teverola 2 at full capacity, which compares with a median of EUR 351M per GWh of a sample of lithium battery producers considering their expected capacity in 2025. In other words, our DCF valuation seems at a discount compared with other listed players or companies that should be listed in the coming months, including Northvolt, a Swedish company that aims to build several Gigafactories for the production of lithium batteries with a capacity of 150GWh to be supplied to Volkswagen, reaching a market share of 25% in Europe.

Our Teverola 2 valuation implies a value of EUR 127M per GWh, compared with EUR 351M per GWh of other players

If we applied EUR 351M per GWh to Teverola 2, we would obtain a valuation of EUR 2.6Bn or >7 times the current market cap of Seri Industrial.

Seri Industrial – Valuation per GWh

Company	Country	Market Cap	Net debt FY21	EV	CAPACITY	EV PER GWH	Share performance	
		EUR M	EUR M	EUR M	GWH		YTD	6M
CONTEMPORARY A-A	CHINA	163,490	-4,756	158,734	398.5	398	59.9%	63.7%
EVE ENERGY-A	CHINA	25,067	-17	25,050	73.5	341	29.8%	30.4%
SK Innovation	SOUTH KOREA	17,924	7,921	25,845	125.4	206	34.5%	10.0%
SAMSUNG SDI CO	SOUTH KOREA	34,356	1,772	36,128	100.0	361	4.4%	0.2%
VARTA	GERMANY	4,620	166	4,786	10.0	479	-3.3%	-9.4%
BYD CO LTD -A	HONG KONG	89,027	3,071	92,098	111.0	830	27.6%	41.2%
Northvolt *	SWEDEN	20,000		25,000	100.0	250		
Britishvolt *	UK	3,051		3,051	30.0	102		
Median						351	28.7%	20.2%
Teverola 2		952		952	7.50	127		

* Preliminary market value according to market rumours; Source: Company data, JP Morgan estimates and Intesa Sanpaolo Research estimates

Seri Industrial – Key Data

Rating	Target price (EUR/sh)	Mkt price (EUR/sh)		Sector	
BUY	Ord 13.9	Ord 7.17		Industrials	
Values per share (EUR)	2019A	2020A	2021E	2022E	2023E
No. ordinary shares (M)	47.30	47.29	48.28	48.28	48.28
Total no. of shares (M)	47.30	47.29	48.28	48.28	48.28
Market cap (EUR M)	83.24	140.80	346.19	346.19	346.19
Adj. EPS	0.11	-0.16	0.10	0.45	0.56
CFPS	0.44	-0.12	0.11	0.44	0.79
BVPS	2.5	2.4	2.4	2.9	3.4
Dividend ord	0	0	0	0	0
Income statement (EUR M)	2019A	2020A	2021E	2022E	2023E
Revenues	151.0	125.6	210.8	297.9	320.1
EBITDA	19.38	3.12	29.50	53.01	59.16
EBIT	6.71	-10.65	8.50	31.90	37.63
Pre-tax income	3.32	-14.10	5.68	29.23	36.29
Net income	1.54	-4.07	4.03	21.34	26.49
Adj. net income	5.02	-7.44	5.03	21.84	26.99
Cash flow (EUR M)	2019A	2020A	2021E	2022E	2023E
Net income before minorities	1.8	-4.3	4.0	21.3	26.5
Depreciation and provisions	12.7	13.8	21.0	21.1	21.5
Others/Uses of funds	-3.0	-5.8	-0.5	-0.2	-0.2
Change in working capital	9.4	-7.7	-15.9	-20.1	-8.3
Operating cash flow	20.3	-3.6	8.7	22.2	39.5
Capital expenditure	-58.5	-23.4	-15.7	-11.9	-12.8
Financial investments	0	0	0	0	0
Acquisitions and disposals	0	0	0	0	0
Free cash flow	-38.2	-27.0	-7.1	10.3	26.7
Dividends	0	0	0	0	0
Equity changes & Other non-operating items	10.8	0	12.2	7.3	7.3
Net cash flow	-27.4	-27.0	5.2	17.6	34.0
Balance sheet (EUR M)	2019A	2020A	2021E	2022E	2023E
Net capital employed	189.2	209.9	208.8	212.6	205.1
of which associates	0	0	0	0	0
Net debt/-cash	69.0	96.0	90.8	73.2	39.3
Minorities	1.8	0.4	0.4	0.4	0.4
Net equity	118.4	113.6	119.2	140.5	167.0
Minorities value	0	0	0	0	0
Enterprise value	153.5	237.2	438.1	420.3	386.2
Stock market ratios (x)	2019A	2020A	2021E	2022E	2023E
Adj. P/E	16.6	Neg.	68.8	15.9	12.8
P/CFPS	4.0	Neg.	66.5	16.5	9.1
P/BVPS	0.69	1.2	2.9	2.5	2.1
Payout (%)	0	0	0	0	0
Dividend yield (% ord)	0	0	0	0	0
FCF yield (%)	11.7	-5.3	0.1	3.0	7.7
EV/sales	1.0	1.9	2.1	1.4	1.2
EV/EBITDA	7.9	76.1	14.8	7.9	6.5
EV/EBIT	22.9	Neg.	51.5	13.2	10.3
EV/CE	0.81	1.1	2.1	2.0	1.9
D/EBITDA	3.6	30.8	3.1	1.4	0.66
D/EBIT	10.3	Neg.	10.7	2.3	1.0
Profitability & financial ratios (%)	2019A	2020A	2021E	2022E	2023E
EBITDA margin	12.8	2.5	14.0	17.8	18.5
EBIT margin	4.4	-8.5	4.0	10.7	11.8
Tax rate	44.1	69.6	29.0	27.0	27.0
Net income margin	1.0	-3.2	1.9	7.2	8.3
ROCE	3.5	-5.1	4.1	15.0	18.3
ROE	1.3	-3.5	3.5	16.4	17.2
Interest cover	-2.0	2.8	-2.7	-10.8	-23.1
Debt/equity ratio	57.4	84.2	76.0	52.0	23.5
Growth (%)		2020A	2021E	2022E	2023E
Sales		-16.8	67.8	41.3	7.5
EBITDA		-83.9	NM	79.7	11.6
EBIT		NM	NM	NM	18.0
Pre-tax income		NM	NM	NM	24.1
Net income		NM	NM	NM	24.1
Adj. net income		NM	NM	NM	23.6

NM: not meaningful; NA: not available; Neg.: negative; A: actual; E: estimates; Source: Company data and Intesa Sanpaolo Research

Company Snapshot

Company Description

Seri Industrial is a listed company on the MTA of Borsa Italiana. The mission of Seri Industrial is to accelerate the energetic transition to sustainability and decarbonization, controlling the entire supply chain of electric accumulators and plastic components. The Group operates through two operating companies: (i) Seri Plast, operating in the production and recycling of plastic material for the battery, automotive and hydro-thermosanitary market; (ii) FIB, active, through the brand FAAM, in the design, production and recycling of lead-acid and Li-ion batteries for industrial, storage, military and special applications, as well as in the design and construction of plants for the recycling of batteries. The activities shape a fully integrated cycle and recovery of raw materials, representing a unique example of Circular Economy.

Key data

Mkt price (EUR)	7.17	Free float (%)	20.6
No. of shares	48.28	Major shr	Civitillo V.
52Wk range (EUR)	8.25/2.93	(%)	61.3
Reuters	SERK.MI	Bloomberg	SERI IM
Performance (%)	Absolute		Rel. FTSE IT All Sh
-1M	-9.4	-1M	-8.6
-3M	-3.4	-3M	-5.2
-12M	119.3	-12M	62.5

Key Risks

Company specific risks:

- Execution risks;
- Technology evolution risks;
- Supply shortage and higher raw material prices;

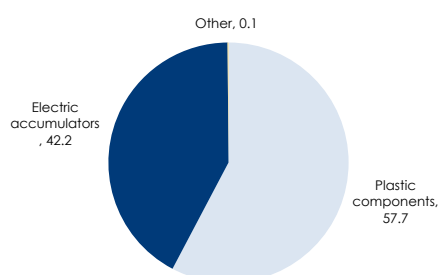
Sector generic risks:

- Overcapacity: a significant amount of capacity is coming on stream in the near future
- Trade barriers may emerge as countries tend to protect the local industry
- Geopolitical risks may impair operations (rare earth minings, raw material supply, etc)

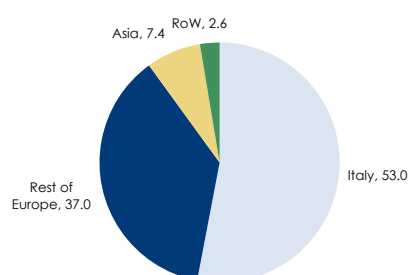
Estimates vs. consensus

EUR M (Y/E Dec)	2020A	2021E	2021C	2022E	2022C	2023E	2023C
Sales	125.6	210.8	NM	297.9	NM	320.1	NM
EBITDA	3.12	29.50	NM	53.01	NM	59.16	NM
EBIT	-10.65	8.50	NM	31.90	NM	37.63	NM
Pre-tax income	-14.10	5.68	NM	29.23	NM	36.29	NM
Net income	-4.07	4.03	NM	21.34	NM	26.49	NM
EPS	-0.16	0.10	NM	0.45	NM	0.56	NM

Sales breakdown by division (%)



Sales breakdown by geography (%)



Source: Company data, Intesa Sanpaolo Research estimates and FactSet consensus data (priced at market close of 05/10/2021)

Our Mid Corporate Definition

Italy is characterised by a large number of non-listed and listed micro, small and medium-sized companies. Looking at the revenues of these Italian companies, around 5,000 companies have revenues ranging from EUR 50M-EUR 1,500M based on Intesa Sanpaolo elaborations. We define these companies as 'Mid Corporate'. Looking more specifically at Italian listed companies, we include in our Mid Corporate segment all STAR companies and those with a market capitalisation below EUR 1Bn.

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Equity Research Publications in Last 12M

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<https://group.intesasanpaolo.com/en/research/RegulatoryDisclosures/archive-of-intesa-sanpaolo-group-s-conflicts-of-interest0>

Valuation methodology (long-term horizon: 12M)

The Intesa Sanpaolo SpA Equity Research Department values the companies for which it assigns recommendations as follows:

We obtain a fair value using a number of valuation methodologies including: discounted cash flow method (DCF), dividend discount model (DDM), embedded value methodology, return on allocated capital, break-up value, asset-based valuation method, sum-of-the-parts, and multiples-based models (for example PE, P/BV, PCF, EV/Sales, EV/EBITDA, EV/EBIT, etc.). The financial analysts use the above valuation methods alternatively and/or jointly at their discretion. The assigned target price may differ from the fair value, as it also takes into account overall market/sector conditions, corporate/market events, and corporate specifics (ie, holding discounts) reasonably considered to be possible drivers of the company's share price performance. These factors may also be assessed using the methodologies indicated above.

Equity rating key: (long-term horizon: 12M)

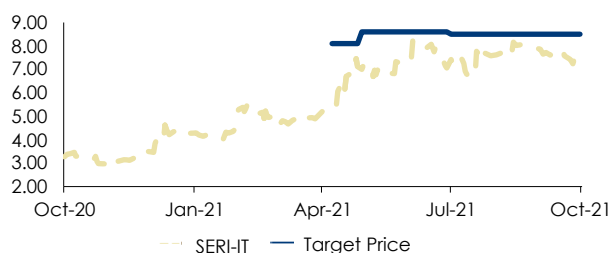
In its recommendations, Intesa Sanpaolo SpA uses an "absolute" rating system, which is not related to market performance and whose key is reported below:

Equity Rating Key (long-term horizon: 12M)

Long-term rating	Definition
BUY	If the target price is 20% higher than the market price
ADD	If the target price is 10%-20% higher than the market price
HOLD	If the target price is 10% below or 10% above the market price
REDUCE	If the target price is 10%-20% lower than the market price
SELL	If the target price is 20% lower than the market price
RATING SUSPENDED	The investment rating and target price for this stock have been suspended as there is not a sufficient fundamental basis for determining an investment rating or target. The previous investment rating and target price, if any, are no longer in effect for this stock.
NO RATING	The company is or may be covered by the Research Department but no rating or target price is assigned either voluntarily or to comply with applicable regulations and/or firm policies in certain circumstances.
TENDER SHARES	We advise investors to tender the shares to the offer.
TARGET PRICE	The market price that the analyst believes the share may reach within a one-year time horizon
MARKET PRICE	Closing price on the day before the issue date of the report, as indicated on the first page, except where otherwise indicated

Historical recommendations and target price trends (long-term horizon: 12M)

The 12M rating and target price history chart(s) for the companies currently under our coverage can also be found at Intesa Sanpaolo's website/Research/Regulatory disclosures: <https://group.intesasanpaolo.com/en/research/RegulatoryDisclosures/tp-and-rating-history-12-months->. Note: please also refer to <https://group.intesasanpaolo.com/it/research/equity-credit-research/equity> in applicable cases for the ISP-UBI Equity Ratings Reconciliation Table, the archive of ex-UBI's previously published research reports and 12M historical recommendations.

Target price and market price trend (-1Y)**Historical recommendations and target price trend (-1Y)**

Date	Rating	TP (EUR)	Mkt Price (EUR)
05-Jul-21	BUY	8.5	7.4
03-May-21	BUY	8.6	7.0
12-Apr-21	BUY	8.1	5.2

Equity rating allocations (long-term horizon: 12M)**Intesa Sanpaolo Research Rating Distribution (at July 2021)**

Number of companies considered: 126	BUY	ADD	HOLD	REDUCE	SELL
Total Equity Research Coverage relating to last rating (%)*	44	35	21	0	0
of which Intesa Sanpaolo's Clients (%)**	82	73	39	0	0

* Last rating refers to rating as at end of the previous quarter; ** Companies on behalf of whom Intesa Sanpaolo and the other companies of the Intesa Sanpaolo Group have provided corporate and investment banking services in the last 12 months; percentage of clients in each rating category

Valuation methodology (short-term horizon: 3M)

Our short-term investment ideas are based on ongoing special market situations, including among others: spreads between share categories; holding companies vs. subsidiaries; stub; control chain reshuffling; stressed capital situations; potential extraordinary deals (including capital increase/delisting/extraordinary dividends); and preys and predators. Investment ideas are presented either in relative terms (e.g. spread ordinary vs. savings; holding vs. subsidiaries) or in absolute terms (e.g. preys).

The companies to which we assign short-term ratings are under regular coverage by our research analysts and, as such, are subject to fundamental analysis and long-term recommendations. The main differences attain to the time horizon considered (monthly vs. yearly) and definitions (short-term 'long/short' vs. long-term 'buy/sell'). Note that the short-term relative recommendations of these investment ideas may differ from our long-term recommendations. We monitor the monthly performance of our short-term investment ideas and follow them until their closure.

Equity rating key (short-term horizon: 3M)

Short-term rating	Definition
LONG	Stock price expected to rise or outperform within three months from the time the rating was assigned due to a specific catalyst or event
SHORT	Stock price expected to fall or underperform within three months from the time the rating was assigned due to a specific catalyst or event

Company-specific disclosures

Intesa Sanpaolo S.p.A. and the other companies belonging to the Intesa Sanpaolo Banking Group (hereafter the "Intesa Sanpaolo Banking Group") have adopted written guidelines "Organisational, Management and Control Model" pursuant to Legislative Decree 8 June 2001 no. 231 (available at the Intesa Sanpaolo website, <https://group.intesasanpaolo.com/en/governance/leg-decree-231-2001>) setting forth practices and procedures, in accordance with applicable regulations by the competent Italian authorities and best international practice, including those known as Information Barriers, to restrict the flow of information, namely inside and/or confidential information, to prevent the misuse of such information and to prevent any conflicts of interest arising from the many activities of the Intesa Sanpaolo Banking Group, which may adversely affect the interests of the customer in accordance with current regulations.

In particular, the description of the measures taken to manage interest and conflicts of interest – related to Articles 5 and 6 of the Commission Delegated Regulation (EU) 2016/958 of 9 March 2016 supplementing Regulation (EU) No. 596/2014 of the European Parliament and of the Council with regard to regulatory technical standards for the technical arrangements for objective presentation of investment recommendations or other information recommending or suggesting an investment strategy and for disclosure of particular interests or indications of conflicts of interest as subsequently amended and supplemented, the FINRA Rule 2241, as well as the Financial Conduct Authority Conduct of Business Sourcebook rules COBS 12.4 - between the Intesa Sanpaolo Banking Group and issuers of financial instruments, and their group companies, and referred to in research products produced by analysts at Intesa Sanpaolo S.p.A. is available in the "Rules for Research" and in the extract of the "Corporate model on the management of inside information and conflicts of interest" published on the website of Intesa Sanpaolo S.p.A.

At the Intesa Sanpaolo website, webpage <https://group.intesasanpaolo.com/en/research/RegulatoryDisclosures/archive-of-intesa-sanpaolo-group-s-conflicts-of-interest> you can find the archive of disclosure of interests or conflicts of interest of the Intesa Sanpaolo Banking Group in compliance with the applicable laws and regulations.

Furthermore, we disclose the following information on the Intesa Sanpaolo Banking Group's conflicts of interest.

- One or more of the companies of the Intesa Sanpaolo Banking Group plan to solicit investment banking business or intends to seek compensation from Seri Industrial in the next three months
- Intesa Sanpaolo acts as Corporate Broker relative to securities issued by Seri Industrial

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