

# TALEA GROUP

**BUY**

Sector: Consumers

Price: Eu8.80 - Target: Eu13.70

## E-commerce is Fertile Ground for Growth in Retail Media

**Chiara Pampurini +39-02-77115.633**

chiara.pampurini@intermonte.it

**Andrea Randone: +39-02-77115.364**

andrea.randone@intermonte.it

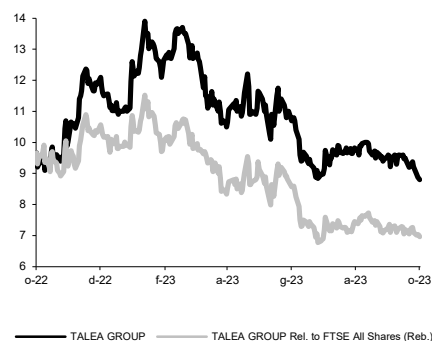
### Stock Rating

**Rating:** BUY (New Coverage)  
**Target Price (Eu):** 13.70 (New Coverage)

### Next Event

3Q Results Out 24 October

### TALEA GROUP - 12M Performance



### Stock Data

**Reuters code:** TALEA.MI  
**Bloomberg code:** TALEA IM

Performance	1M	3M	12M
Absolute	-8.3%	-2.0%	-8.9%
Relative	-4.0%	1.1%	-35.2%
12M (H/L)		13.90/8.80	
3M Average Volume (th):		3.57	

### Shareholder Data

No. of Ord shares (mn):	7
Total no. of shares (mn):	7
Mkt Cap Ord (Eu mn):	60
Total Mkt Cap (Eu mn):	60
Mkt Float - Ord (Eu mn):	17
Mkt Float (in %):	28.2%
Main Shareholder:	
RIAC Holding S.r.l.	55.6%

### Balance Sheet Data

Book Value (Eu mn):	38
BVPS (Eu):	5.53
P/BV:	1.6
Net Financial Position (Eu mn):	-32
Enterprise Value (Eu mn):	92

- Cultivating Growth in Health and Wellness E-commerce.** Talea is the leading e-commerce player in the Italian Health & Wellness sector (17% market share). 95% of company revenues come from e-commerce (Consumer Area). The company operates in different markets: Pharmaceutical & Health (with 5 different brands and websites), Beauty, and Orthopaedics. Starting from the data generated by site visitors (>60mn in 2022), Talea profiles consumer purchasing behaviour, enabling the development of highly customised marketing solutions for the companies that sell on its websites (Co-marketing). Recently the company set up the Talea Media brand to sell proprietary advertising space and traffic visibility to industrial companies. The Co-Marketing business and Talea Media (advertising), in conjunction with Valnan Communication, form the so-called Industrial Area (aimed at companies working in the industry).
- Leader in a highly-attractive market with multiple websites and brands.** The Italian online Health & Wellness market is still under-developed (6% of the total market vs. 20% in Germany), fragmentation is high (top 50 players have >80% market share), and the customer approach is based on repeated purchases of high-margin products. Operating with multiple websites and brands offering distinct value propositions, Talea reaches a sizeable audience to which it offers a vast product assortment (100k SKU in 2022 enabled by automated logistics), driving the average order value (€45 in 2022) upwards. This extensive, diverse audience makes Talea's websites the ideal framework for companies to advertise their branded products through Talea Media. With this new area, Talea can seize the opportunities offered by a growing market (EU retail media 27% CAGR in 2022-26).
- Strong revenue growth and improving profitability up to 2025.** We forecast 2025 revenues of €224.5mn (management target €220-230mn), with the Consumer area representing 93% of the total and the Industrial area the remaining 7%, up from 5% in 2022. We expect the contribution from Talea Media (generating revenues as of 2024) to improve margins, letting the company achieve 2025 EBITDA of €12.9mn with a 5.7% margin, consistent with management's target of €13-14mn/6% margin. As for cash flow, we expect the company to report increasingly positive figures in 2024/2025 and reach a net debt of €22.9mn at YE25. We think Talea will continue to invest to develop its business, while always maintaining a balanced approach.
- Initiating coverage with a BUY recommendation and Eu13.7 TP.** We appreciate Talea's business model. In our view, the company operates in an attractive market and has the opportunity to consolidate its market share by continuing to acquire small players, as it has just done with Doc Peter (a consolidation process is necessary because small online operators are not sustainable and do not have the minimum scale required to play the game). Thanks not only to a larger scale, but also to its ability to extract value through co-marketing initiatives and advertising contracts (Talea Media), Talea is able to extract major synergies from this strategy, also leveraging on its existing logistics hubs. Our DCF valuation leads to a target price of Eu13.7 per share.

Key Figures & Ratios	2021A	2022A	2023E	2024E	2025E
Sales (Eu mn)	82	116	149	180	216
EBITDA Adj (Eu mn)	3	3	3	7	13
Net Profit Adj (Eu mn)	0	-1	-2	1	5
EPS New Adj (Eu)	-0.015	-0.139	-0.283	0.168	0.727
EPS Old Adj (Eu)					
DPS (Eu)	0.000	0.000	0.000	0.000	0.000
EV/EBITDA Adj	nm	nm	36.0	12.7	6.5
EV/EBIT Adj	nm	nm	nm	29.0	10.2
P/E Adj	nm	nm	nm	52.4	12.1
Div. Yield	0.0%	0.0%	0.0%	0.0%	0.0%
Net Debt/EBITDA Adj	5.2	8.5	12.5	4.1	1.8

The reproduction of the information, recommendations and research produced by Intermonte SIM contained herein, and any of its parts, is strictly prohibited. None of the contents of this document may be shared with third parties without Company authorization. Please see important disclaimer on the last page of this report

TALEA GROUP – Key Figures						
Profit & Loss (Eu mn)	2020A	2021A	2022A	2023E	2024E	2025E
Sales	64	82	116	149	180	216
EBITDA	1	2	2	3	7	13
EBIT	-1	0	-0	-1	3	8
Financial Income (charges)	-0	-0	-1	-1	-2	-1
Associates & Others	0	0	0	0	0	0
Pre-tax Profit	-1	-0	-1	-2	2	7
Taxes	-0	-0	-0	-0	-0	-2
Tax rate	0.9%	295.2%	10.0%	4.0%	27.0%	27.0%
Minorities & Discontinued Operations	0	0	0	0	0	0
Net Profit	-1	-0	-1	-2	1	5
EBITDA Adj	1	3	3	3	7	13
EBIT Adj	-1	0	-0	-1	3	8
Net Profit Adj	-1	-0	-1	-2	1	5
Per Share Data (Eu)	2020A	2021A	2022A	2023E	2024E	2025E
Total Shares Outstanding (mn) - Average	6	7	7	7	7	7
Total Shares Outstanding (mn) - Year End	6	7	7	7	7	7
EPS f.d	-0.173	-0.015	-0.139	-0.283	0.168	0.727
EPS Adj f.d	-0.173	-0.015	-0.139	-0.283	0.168	0.727
BVPS f.d	1.500	5.878	5.811	5.527	5.695	6.422
Dividend per Share ORD	0.000	0.000	0.000	0.000	0.000	0.000
Dividend per Share SAV	0.000	0.000	0.000	0.000	0.000	0.000
Dividend Payout Ratio (%)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Cash Flow (Eu mn)	2020A	2021A	2022A	2023E	2024E	2025E
Gross Cash Flow	0	2	1	1	5	10
Change in NWC	4	-2	-3	-6	4	2
Capital Expenditure	-2	-1	-4	-5	-5	-5
Other Cash Items	0	0	0	-1	-1	-2
Free Cash Flow (FCF)	3	-1	-6	-11	3	4
Acquisitions, Divestments & Other Items	-1	-7	0	-0	-1	-0
Dividends	0	0	0	0	0	0
Equity Financing/Buy-back	0	0	0	0	0	0
Change in Net Financial Position	-1	-11	-7	-11	3	6
Balance Sheet (Eu mn)	2020A	2021A	2022A	2023E	2024E	2025E
Total Fixed Assets	14	66	71	73	76	76
Net Working Capital	-2	-6	-5	2	-2	-4
Long term Liabilities	-1	-5	-5	-5	-5	-6
Net Capital Employed	12	54	61	70	68	67
Net Cash (Debt)	-3	-14	-21	-32	-29	-23
Group Equity	9	40	40	38	39	44
Minorities	0	0	0	0	0	0
Net Equity	9	40	40	38	39	44
Enterprise Value (Eu mn)	2020A	2021A	2022A	2023E	2024E	2025E
Average Mkt Cap	61	211	107	60	60	60
Adjustments (Associate & Minorities)	0	0	0	0	0	0
Net Cash (Debt)	-3	-14	-21	-32	-29	-23
Enterprise Value	64	225	128	92	89	83
Ratios (%)	2020A	2021A	2022A	2023E	2024E	2025E
EBITDA Adj Margin	0.9%	3.3%	2.2%	1.7%	3.9%	6.0%
EBIT Adj Margin	nm	0.4%	nm	nm	1.7%	3.8%
Gearing - Debt/Equity	38.3%	35.0%	53.9%	84.7%	74.2%	52.1%
Interest Cover on EBIT	nm	1.2	nm	nm	2.1	6.2
Net Debt/EBITDA Adj	5.5	5.2	8.5	12.5	4.1	1.8
ROACE*	-6.3%	0.9%	-0.1%	-0.9%	4.5%	12.0%
ROE*	-9.6%	-0.4%	-2.4%	-5.0%	3.0%	12.0%
EV/CE	5.2	6.8	2.2	1.4	1.3	1.2
EV/Sales	1.0	2.7	1.1	0.6	0.5	0.4
EV/EBITDA Adj	nm	nm	nm	36.0	12.7	6.5
EV/EBIT Adj	nm	nm	nm	nm	29.0	10.2
Free Cash Flow Yield	4.3%	-2.3%	-9.6%	-18.6%	4.9%	7.4%
Growth Rates (%)	2020A	2021A	2022A	2023E	2024E	2025E
Sales	75.9%	28.7%	41.0%	28.1%	21.1%	19.4%
EBITDA Adj	-66.3%	349.9%	-7.0%	1.6%	174.8%	82.5%
EBIT Adj	nm	nm	nm	nm	nm	163.9%
Net Profit Adj	nm	nm	nm	nm	nm	332.7%
EPS Adj	nm	nm	nm	nm	nm	332.7%
DPS						

\*Excluding extraordinary items Source: Intermonte SIM estimates

## Talea in Brief

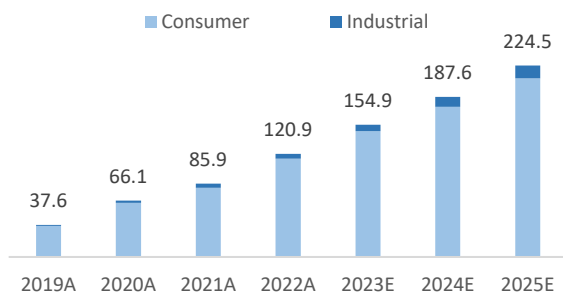
### Company description

Talea Group, listed on the EGM market since 2019 and resulting from the rebranding of Farmaè, is the leading digital group in the Italian Health, Wellness and Beauty e-commerce sector. The business model is based on the Consumers area, channelled through the proprietary websites (Farmaè, Amicafarmacia, Farmaeurope, Doki Daki, Doc Peter, Sanort, Beautyè, Mood) and on the Industrial area where Talea Media and Valnan support companies in enhancing their online presence. The Group bases its identity on digital culture and the ability to evolve business models generating growth.

### Strengths/Opportunities

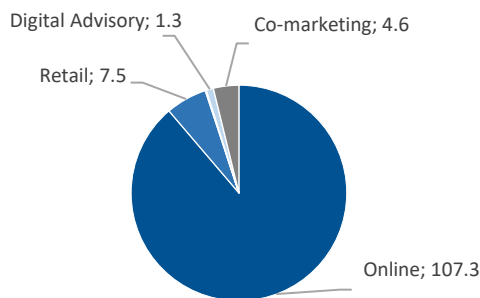
- Leader in the under-penetrated online Italian Health&Pharma market with a multi-brand and multi-site approach
- Highly profiled website audience and large volumes traded position Talea as a strategic partner for industrial brands, while making its websites the ideal framework for companies' advertising
- Accurate customer profiling and vast assortment allows Talea to offer what buyers are looking for, aiding customer retention
- Potential relaxation of regulations will eventually lead to more online sales, higher profitability, and a wider range of products

### Talea - Adjusted revenues evolution (2019A-2025E, Eu mn)



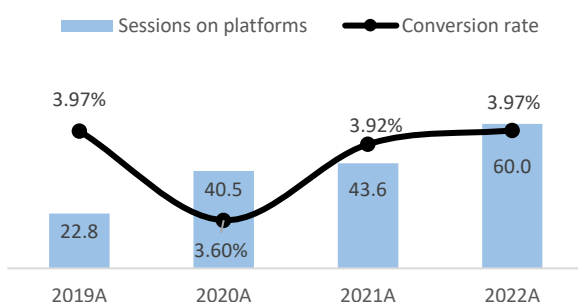
Source: Company data (A) & Intermonte estimates (E).

### Talea - Adjusted revenues breakdown (2022A, Eu mn)



Source: Intermonte SIM on company data.

### Talea - Websites traffic (mn) and conversion rate (2019A-2022A)



Source: Company data & Intermonte SIM

### Management

**Chairman&CEO:** Riccardo Iacometti  
**Vice Chairman:** Alberto Maglione  
**CFO:** Marco Baroni

### Shareholders

RIAC Holding Srl	55.6%
MDF Srl	16.3%
Free Float	28.2%

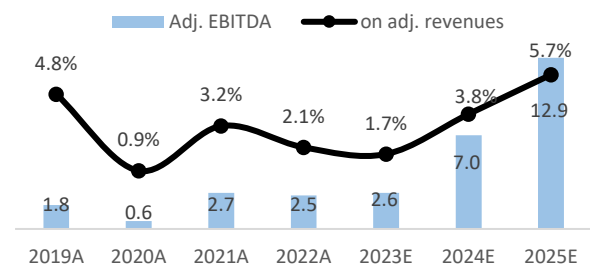
**Next BoD renewal:** 2025

**BoD independent members:** 1/7

### Weaknesses/Threats

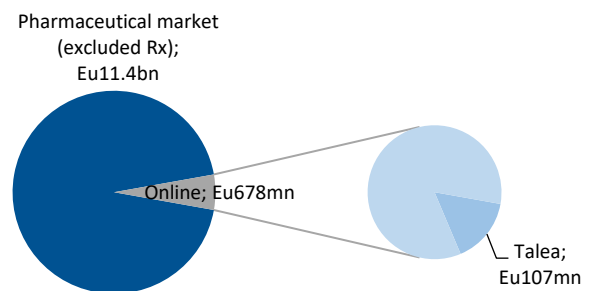
- Narrow geographical diversification and relatively limited size
- Price-wise, the company operates in a very competitive market
- Increasing competition from domestic and foreign/largest players could put pressure on market share and pricing
- Data breaches or cyberattacks might lead to losses or damage the company reputation

### Talea - Adj. EBITDA (Eu mn) and margin (2019A-2025E)



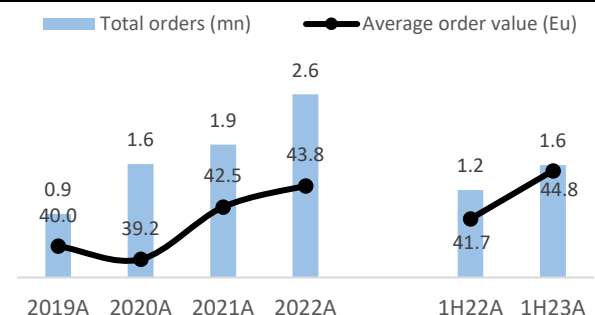
Source: Company data (A) & Intermonte estimates (E).

### Talea - Leader in the Italian online pharmaceutical market



Source: Intermonte SIM elaboration on IQVIA and company data (2022).

### Talea - Total orders (mn) and average order value (Eu) (2019A-1H23A)



Source: Company data & Intermonte SIM

## Contents

<b>Executive summary .....</b>	<b>5</b>
<b>SWOT Analysis .....</b>	<b>7</b>
<b>Company overview .....</b>	<b>8</b>
Mission	8
History in brief	8
From Farmaè to Talea - extending its roots in digital e-commerce	9
<b>e-Pharma catching up with online purchasing growth trend.....</b>	<b>10</b>
e-Commerce becoming a habit	10
e-Pharma gaining market share	11
Digital revolution and regulation shaping Healthcare market	12
Beauty market trending upwards	13
Online Market Trends in Italian Health & Pharma ...	14
... and players...	14
... are strongly influenced by regulations	15
Brick-and-mortar pharmacies growing at a slower rate	16
What are customers looking for?	16
Investing in digital marketing and media becomes crucial	17
Retail Media is an opportunity for the European e-commerce	18
<b>Leading position thanks to customer's in-depth knowledge .....</b>	<b>19</b>
Leader positioning in Italian e-Pharma with a multi-brand approach	19
In-depth customers' knowledge is among Talea's most valuable assets...	19
... and enables it to offer what customers want	20
<b>2025 growth strategy enhancing Talea profitability.....</b>	<b>22</b>
External growth opportunities	22
<b>Financials .....</b>	<b>24</b>
Historical results	24
Financial forecasts	27
<b>Valuation .....</b>	<b>30</b>
DCF analysis	30
Peer analysis	31
<b>Annex I: The recent Doc Peter acquisition .....</b>	<b>33</b>
<b>Annex II: Company structure, Shareholders and Governance .....</b>	<b>34</b>
<b>Annex III: ESG Strategy .....</b>	<b>36</b>
<b>Glossary .....</b>	<b>37</b>

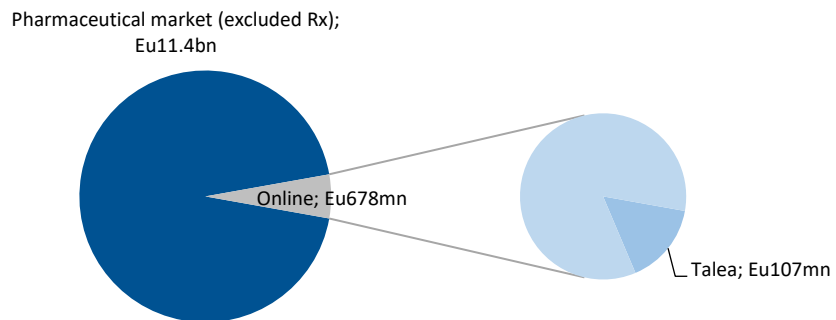
## Executive summary

**Leader in highly attractive Italian Health & Wellness e-commerce business with a multi-brand and multi-site approach**

Talea Group is the leading e-commerce player in the Italian Health & Wellness sector. The market is highly attractive because the online channel is still under-developed compared to other retail segments (6% on overall pharma vs. 15% for apparel industry or 50% for book industry), fragmentation is high (top 50 players have >80% market share), the customer approach is based on repeated purchases (usually people make c.3 orders per year) and products enjoy high margins (quality goods identified by their brand).

Thanks to a multi-brand and multi-site approach (to date the company has 5 platforms: Farmaè, Amicafarmacia, Farmaeuropa, Doki Daki and the recently acquired Doc Peter), Talea is the leader in the online Health & Wellness market, with a 17% market share. Talea's market reach is reinforced by its 12 physical points of sale in the regions of Piedmont and Tuscany.

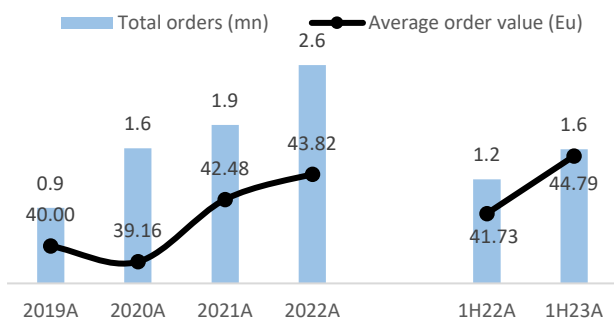
### Talea - Leader in the Italian online pharmaceutical market



Source: Intermonte SIM on IQVIA and company data (2022).

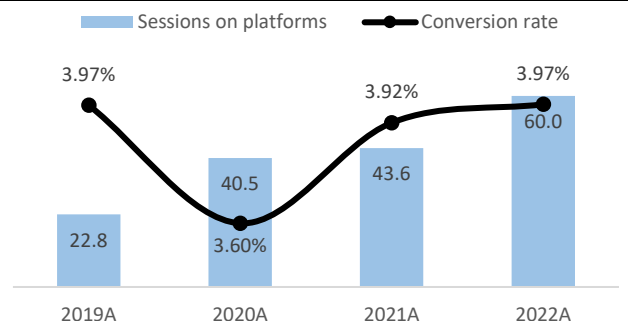
Moreover, the company operates in the Beauty market with Beautyè, the Orthopaedics segment with Sanort, and in Furniture with Mood Concept Store. The multiple websites offering different value propositions in complementary markets result in a wide product assortment (100k SKU in 2022 thanks to large-scale, automated logistics) allowing Talea to satisfy any possible Health and Wellness need, thus attracting people with different demands. As a result, the average online order is rising in value (€45 in 1H23 vs. €42 in the same period last year) and is made up of multiple products (approximately 5 per order). At the same time, Talea can expand its audience (the company reached more than 60 million people in 2022, with a 4.0% conversion rate resulting in 2.4mn orders) and obtain economies of scale.

### Talea - Total orders and average order value (FY19-1H23)



Source: Intermonte SIM

### Talea - Active customers (k) and conversion rate (FY19-FY22)



Source: Intermonte SIM

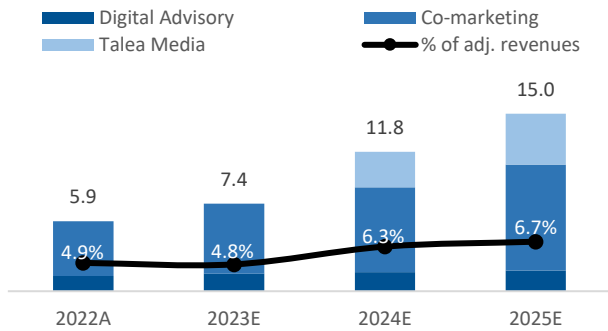
### High audience and detailed customer profile dataset make Talea an important marketing partner for industry brands

The increasing traffic channelled through Talea's proprietary websites and the large volumes traded position the company as an ideal partner for industrial brands in the sector. Operating on a large scale allows Talea to obtain better purchasing conditions and develop a profitable co-marketing business (active since 2018). Starting from the data generated by customer interactions on proprietary digital platforms, Talea profiles consumer purchasing behaviour, preferences, and statistics, enabling the development of highly customised marketing and communications solutions for the companies that sell on its websites.

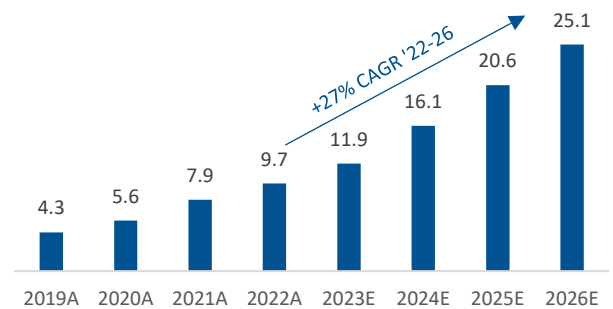
More recently, the company set up the brand Talea Media (which will generate revenues from 2024), further exploiting the major asset represented by traffic on its e-commerce sites. As a retail media company, it sells advertising space and traffic visibility not only to sector companies but also to other fast-moving-consumer-goods multinationals. In this way, Talea can seize the opportunity of a growing market (Statista and IAB Europe forecast retail media adv spend will grow at a 27% CAGR in 2022-26).

The Co-Marketing & Advertising business, operated in conjunction with Valnan Communication agency and with the Brand Talea Media, constitutes the so-called Industrial Area (as it is aimed at companies working in the industry).

**Talea - Industrial area evolution (2022A-2025E, Eu mn)**



**Retail media adv spend growth in Europe (Eu bn)**



Source: Intermonte SIM on company data (A) and our estimates (E)

Source: Intermonte SIM on Statista.

In our view, the implementation of this business model can enable Talea to act as market consolidator, targeting small e-commerce players in the sector and unlocking significant synergies, not only thanks to economies of scale but also by exploiting targets' website traffic thanks to its distinctive industrial offer (co-marketing + advertising).

### 1H23 results highlight business growth and investments in logistical infrastructure

1H23 net revenues were up 38% YoY, reaching €72.9mn. Sales growth was driven by e-commerce at €68.3mn (+40% YoY), sustained by strong KPIs with 7.7mn products sold (+31% YoY), 1.6mn orders (+29% YoY) and higher average order value (from €41.8 in 1H22 to €44.8). Notably, the company booked Eu2.7mn as co-marketing business and Eu0.7mn with the communication agency Valnan. EBITDA margin was 1.5% (-2.0pp YoY), partly reflecting reflecting cost inflation and partly as a consequence of a strategy that prioritises customer acquisition. Net debt (excluding IFRS16 effects) was €24.9mn at the end of June 2023.

### Management targets strong revenue growth and improving profitability up to 2025

Looking to 2025, we consider management targets to be realistic. In detail, we forecast adjusted revenues of €224.5mn (+22% CAGR 2022-25, consistent with company target of €220-230mn), with Consumer area at €209.5mn (22% CAGR 22-25, 93% of adjusted revenues) supported by Talea's business strategy, which aims to offer a diversified value proposition to customers. The Industrial area will contribute increasingly to company revenues (€15.0mn, +36% CAGR) enhancing the value of customer profile data and advertising inventories, two of the most important business assets. We expect the launch of Talea Media (generating revenues as of 2024) to improve margins, letting the company achieve its 2025 EBITDA target (we estimate EBITDA at €12.9mn/5.7% margin, vs the company's indication of €13-14mn/6% margin). We are more cautious on cash flow (we forecast net debt at €21.1mn) partly because we also take into consideration the recently-announced acquisition of the brand and relative web-site Doc Peter for €3.3mn, and partly because we are more conservative on working capital. We think the company will continue to invest to develop the business, while always maintaining a balanced approach.

### We initiate our coverage with a BUY recommendation and Eu13.7 target price.

Our DCF valuation leads to a target price of Eu13.7 per share, which implies c.60% upside potential. In our view, Talea has the opportunity to consolidate its market share by continuing to acquire small players, as it has just done with Doc Peter. (A consolidation process is necessary because small online operators are not sustainable and do not have the minimum scale required to play the game). Thanks not only to a larger scale, but also to its ability to extract value through co-marketing initiatives and advertising contracts, Talea is able to extract great synergies from this strategy, also leveraging on the existing logistics hubs.

## SWOT Analysis

### Strengths

---

- The main Italian e-commerce group in Health & Wellness, with a 17% share of a fragmented market. It operates through multiple complementary websites and offers various value propositions, reaching more than one million active customers in 2022
- The increasing amount of customer data collected enables the optimization of site functionality, and, on the other hand, can be monetised through consultancy services with sector companies (co-marketing) and the offer of vertical advertising inventories on proprietary platforms (Talea Media)
- The large volumes purchased make Talea a relevant partner for sector companies. In this way, Talea enjoys better purchase conditions and develops solid deals with multinationals operating in the sector (“Industrial Area”)
- The vast product assortment (100k SKU in 2022 enabled by a large-scale, automated logistic) satisfies multiple needs. Thus, the customer buys more products in an order, driving the Average Order Value (€45 in 2022), and therefore the margins, upwards
- Thanks to a rapid and accurate customer profiling, Talea can offer what the buyer is looking for, aiding customer retention. The above-average conversion rate (4.0% in 2022) offers tangible proof.

### Opportunities

---

- Italian Health and Pharma e-commerce is still under-penetrated (accounts for c.6% of total H&P market) and therefore represents a growth opportunity, especially in light of the steadily improving digitalisation of the population and the ongoing shift towards e-commerce.
- The multibrand approach and the vertical expansion into other complementary markets is a scalable strategy that allows Talea to operate as a specialist, establishing solid relationships with companies targeting the same clientele.
- Thanks to the numerous, various and highly-profiled audience, Talea websites can be the ideal framework for companies to advertise the product they sell (by means of Talea Media)
- Increasing the proportion of proprietary-branded products (e.g., GOOIMP brand) sold on Group platforms is expected to have a positive impact on margins
- Introduction of one-day delivery (possible thanks to the new Piedmont hub) is expected to boost sales (convincing offline buyers to purchase online)
- A possible relaxation of regulations will eventually lead to more online sales, higher profitability and a wider range of products.

### Weaknesses

---

- Talea mainly operates in Italy, so geographical diversification is narrow and size is relatively limited compared to international peers
- In the Italian market, prescription drugs cannot be sold online
- Price-wise, the company operates in a very competitive market
- The business model requires a high level of inventories, with consequent working capital absorption

### Threats

---

- Increasing competition from foreign/largest players could put pressure on market share and pricing
- Additional investment might be needed to keep pace with the strong business growth
- Data breaches or cyberattacks might lead to losses or damage the company’s reputation
- Increasing business complexity might entail hidden costs



## Company overview

Talea Group is the leading digital group in the Italian Health, Wellness and Beauty e-commerce sector and in media and digital services for businesses. The company has been listed on the EGM market since 2019 and was initially named after the brand of its most important website, Farmaè. The business model is based on the Consumer area, channelled through its proprietary brands (Farmaè, Amicafarmacia, Farmaeurope, Doki Daki, Sanort, Beautyè, Gooimp, Mood Concept Store and Doc Peter) and on the Industrial area where Valnan, co-marketing activities and Talea Media support brands in enhancing their online presence. The Group bases its identity on digital culture and the ability to develop business models generating growth.

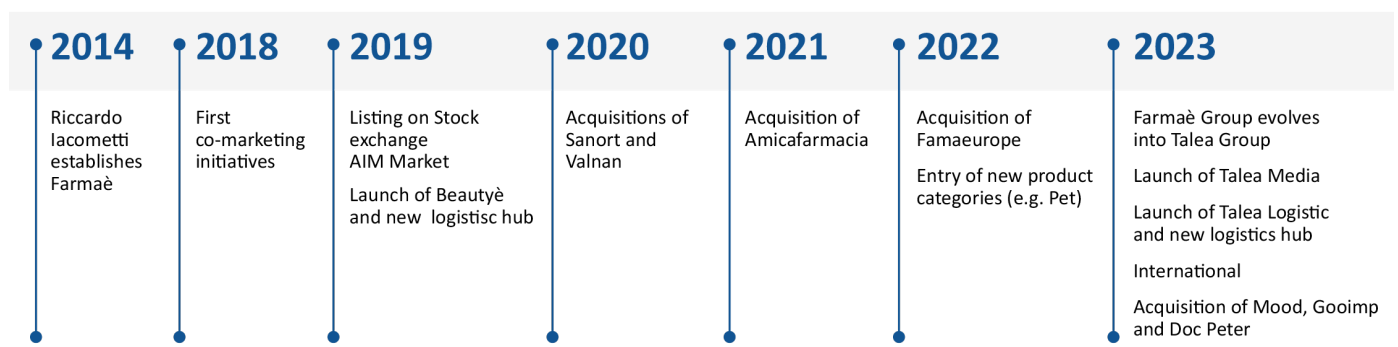
### Mission

Talea's main objective is to become a vertical project in the e-commerce market for Health and Wellness products able to satisfy users' main demands, creating a relationship with the end-customer that is bolstered by the presence of 12 bricks&mortar stores. Talea does not position itself on the market as a mere online pharmacy or para-pharmacy but as a fully fledged online business with a digital model that encompasses strategy, data analysis, business intelligence, technology, marketing and logistics. The company has recently launched Talea Media. The Group's new business has been designed to operate as an advertising agency and enhance all the properties and millions of data generated by the Consumer area. According to the Retail Media paradigm, from 2024 the group intends to enhance its digital advertising spaces and retail sales data by making them available to industry brands for the creation of advertising campaigns.

### History in brief

The Group's beginnings can be traced back to 2014, when Riccardo Iacometti launched Farmaè, a user-friendly platform for non-prescription drugs. The company has been listed on the EGM market since 29 July 2019 (IPO price at €7.50). The group expanded into complementary markets: the Beauty market through the launch of Beautyè in 2019 and large orthopaedic equipment (e.g., beds, anti-bedsore mattresses, walking frames, manual and electric wheelchairs) through the acquisition of Sanort in 2020. The same year, the Group acquired Valnan, a communication agency that today manages Talea marketing in-house and offers digital consultancy to other firms. In 2021, Farmaè acquired Amicafarmacia, the second player in terms of market share in online pharmaceuticals, strengthening its Health & Wellness offering and broadening the customer base. The acquisition of the brand and relative website Farmaeurope in 2022 and the recently announced Doc Peter in 2023 enable Talea to cement its position as the leading group in the e-commerce Health and Wellness market. In 2023 the company launched a new pharmaceutical e-commerce, Doki Daki, addressed to the youngest part of the population. The company is expanding vertically in new product categories to reach more customers' needs in terms of wellbeing, such as pet, sexual wellbeing and home living (the latter with the acquisition of Mood Concept Store in 2023, together with Gooimp, a personal care product brand). Furthermore, Talea's market visibility is fostered by its 12 physical sales points through an omnichannel strategy. From the outset, the company has made significant investments in Group proprietary IT and logistical infrastructure to support online operations. In 2023, Talea announced a new development strategy which not only foresees organic growth in the Health & Wellness retail market ("Consumer Area") but also focuses on the so-called Industrial area, i.e., provision of marketing and communication consultancy (Valnan Communication, co-marketing) and advertising inventories (Talea Media).

#### Talea - Company's milestones



Source: Intermonte SIM on Company Presentation



## From Farmaè to Talea - extending its roots in digital e-commerce

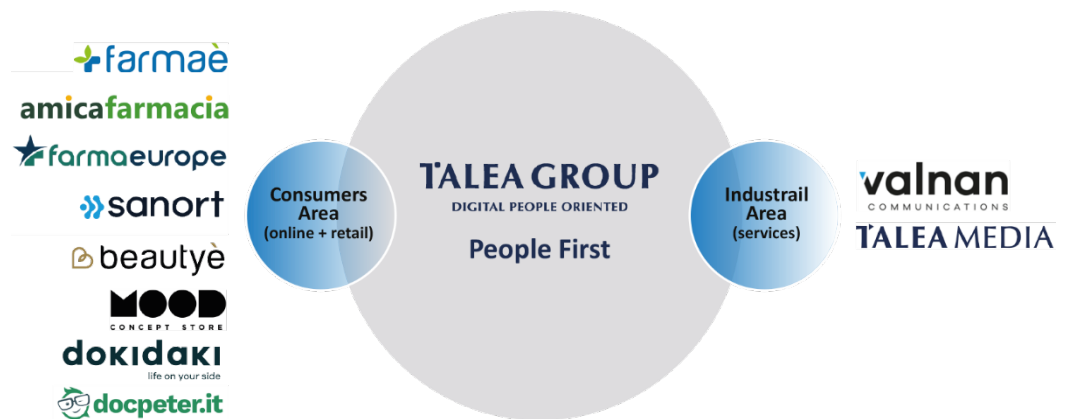
In February 2023, management announced the rebranding of Farmaè as Talea Group with a redesigned strategy focusing on customer needs, digital evolution, and the data economy. In Italian, Talea means "part of a plant capable of emitting roots and regenerating a new plant" and aims to express the group's ability to start new businesses starting from data skills. Talea comes from the belief that today e-commerce is not just a shopping cart but an integrated commercial platform capable of transferring information and content, and guiding customer purchases.

The evolution into Talea has brought with it the adoption of a vertical structure comprising two revenue-generating areas:

- **“Consumer Area”**. This segment includes revenues from the B2C Health & Wellness business, based on the e-commerce brands Farmaè, AmicaFarmacia, Farmaeurope, Doki Daki, Doc Peter, Sanort, Beautyè, Mood and the 12 bricks and mortar shops.
- **“Industrial Area”**. B2B segment that offers digital and media consultancy services to Talea's industrial partners, benefitting from experience gained through Group websites. This area operates through the Digital Communication agency Valnan and Talea Media, the just-launched retail media business.

The two revenue generating areas are supported by Talea Logistic. This complementary operating unit is powered by the recent upgrade of the Talea supply chain and logistic hubs and aims to maximise customer service, above all the availability of a wider range of products in the shortest possible time.

### Talea - Company overview



Source: Intermonte SIM on Company Presentation

The business model revolves around the ability to capture and satisfy consumer demand through the e-commerce platforms (Consumers Area). Starting from the data generated by customer interactions on proprietary digital platforms, consumer behaviour profiles reflecting their preferences as well as statistics on transaction outcomes can be compiled. These data enable the optimisation of site functionality, the products offered and promotional campaigns on the one hand and, on the other, can be monetised through consultancy services with sector companies which sell their products through Talea websites (Co-marketing), who often lack a direct relationship with the end-customer, and offering advertising inventories on proprietary platforms as media retailer (Talea Media). By its circular nature, the model is enhanced by the profitability of the data economy, which enables growth in core markets thanks to deep data analysis.

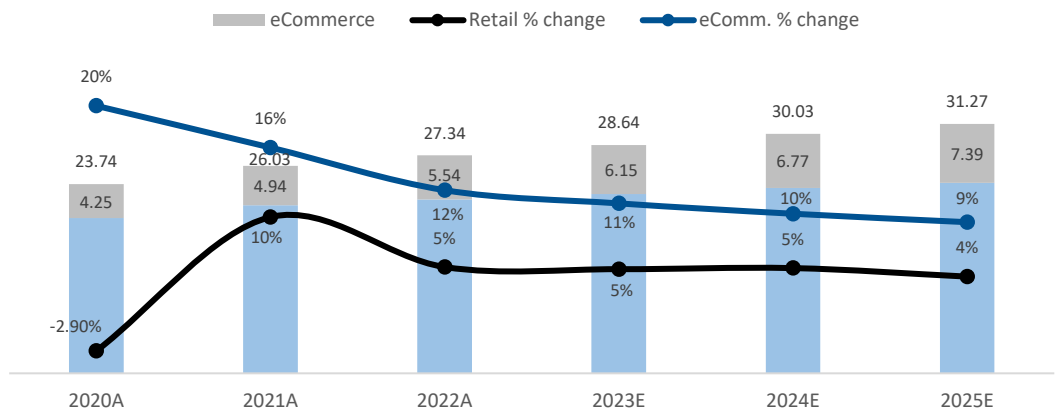
## e-Pharma catching up with online purchasing growth trend

### e-Commerce becoming a habit

Global e-commerce has boomed in the last decade, boosted in 2020 by the Covid pandemic, which drove a profound change in retail purchasing habits. In 2023, online purchases are expected to reach \$6.2tn worldwide, near doubling on the pre-Covid figure (in 2019, e-commerce reached \$3.5tn) and accounting for c.21% of total retail sales. 2022-2025 CAGR is expected to be around 10%, leading to around \$7.4tn at the end of the period.

Even if bricks&mortar stores had a stronger year in 2021 than anticipated (+9.7%), e-commerce will still grow faster than physical retail going forward.

Retail sales and B2C e-Commerce evolution worldwide (USD\$, tn)

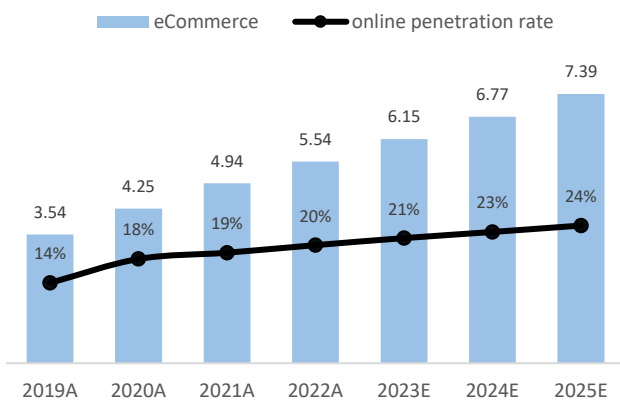


Source Intermonte SIM elaboration on eMarketer (2022).

Beyond the absolute number, the incidence of e-commerce on total retail sales is continuously increasing. Pre-pandemic, the penetration rate was 14%; in 2023, it is estimated to reach 21% before arriving at a quarter of total retail sales in 2025.

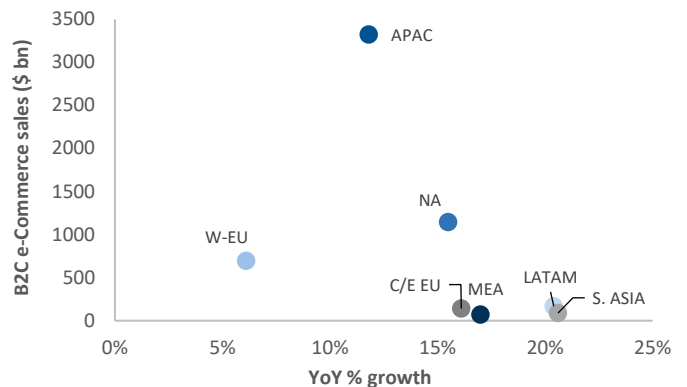
By region, Asia-Pacific is the most important, accounting for 59% of global e-commerce sales, followed by North America (20%) and Western Europe (12%), while Central/Eastern Europe and Latin America remain underdeveloped, accounting for just 3% of global e-commerce sales.

Retail e-commerce sales worldwide and penetration rate (USD\$, tn)



Source Intermonte SIM elaboration on eMarketer (2022), IQVIA.

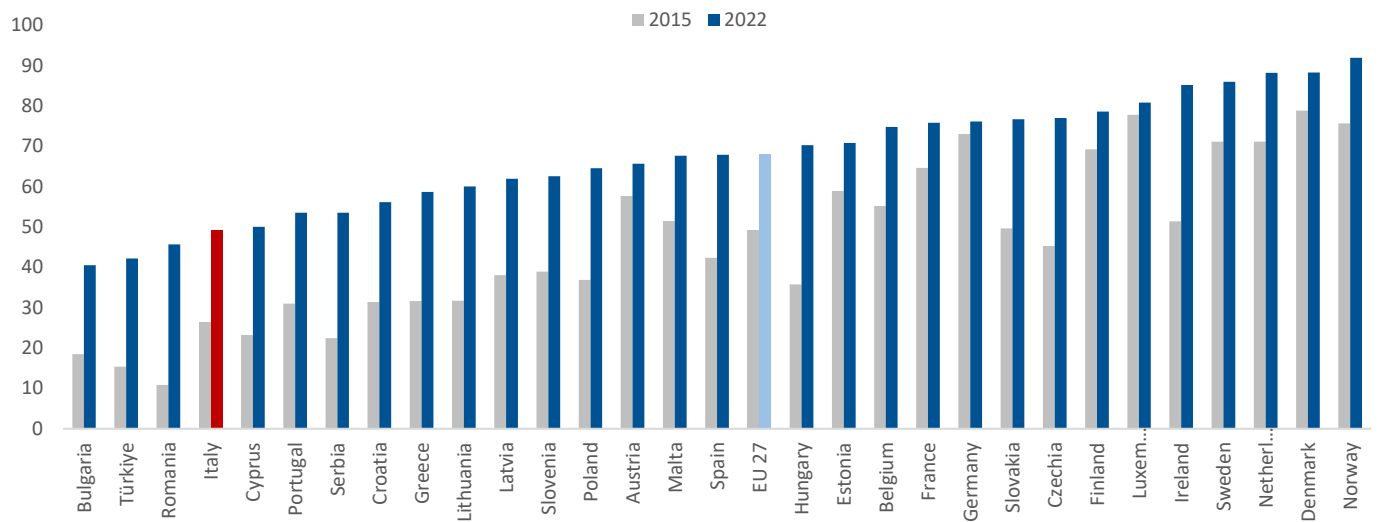
Retail e-commerce sales worldwide by region



Source Intermonte SIM elaboration on eMarketer (2022).

The steady shift towards online purchasing is supported by growing digitalisation of the population. In 2022, 91% of Europe's population had internet access, while circa 70% made at least one online purchase during the year. In 2013, just 43% of the population had made an online purchase in the twelve previous months (Eurostat). Furthermore, ever greater internet access at lower cost, the rising number of smartphones and changes in consumer preferences have made online purchasing ever more widespread.

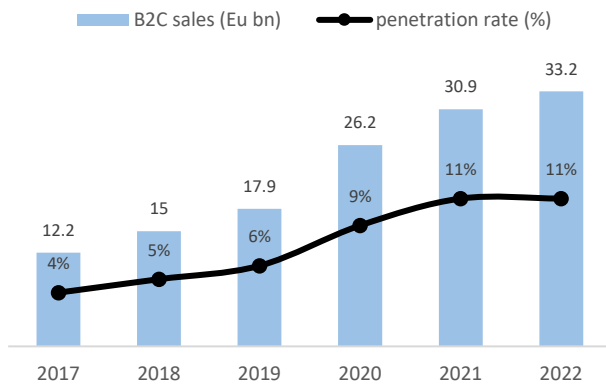
### E-commerce: percentage of population who purchased online in the previous 12 months (2015 vs. 2022)



Source: Eurostat, Intermonte SIM elaboration. Data expressed as percentage of total individuals.

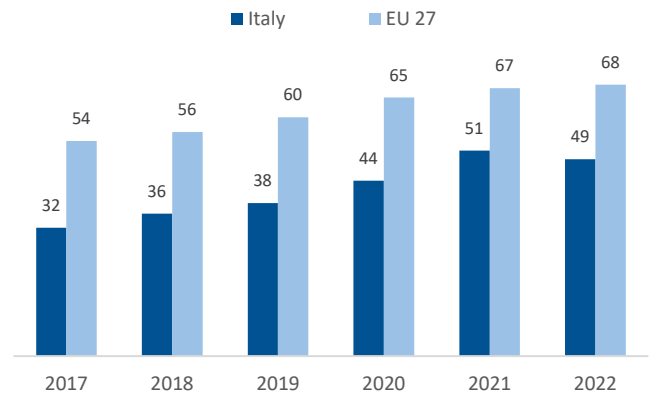
In aggregate terms, Europe is relatively well placed compared to the rest of the world, but among individual countries there are big differences. Despite the leap in the number of online shoppers in the wake of the pandemic, Italy is well below the European average, with just 49% of the population having bought at least one product online in the last year (European average 68%). Confirmation of this comes from the fact that in 2022 e-commerce accounted for just 11% of all B2C product sales in Italy, albeit well above the pre-pandemic figure (6% in 2019).

### Retail e-commerce sales in Italy and penetration rate



Source Intermonte SIM elaboration on Osservatorio eCommerce Politecnico (2022).

### Percentage of population buying online



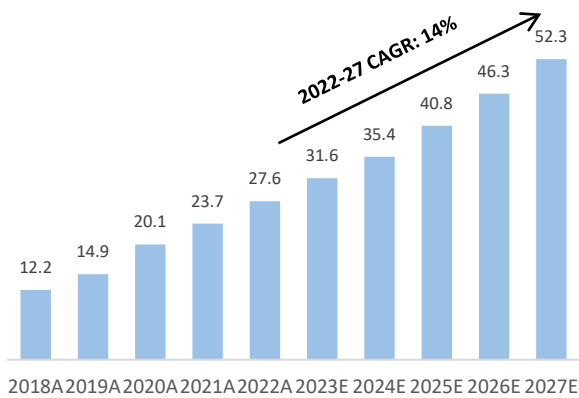
Source Intermonte SIM elaboration on Eurostat data.

### e-Pharma gaining market share

With retail e-commerce expanding rapidly, e-Pharmacies are quickly catching up with this growth trend. It is still not a big slice of total global trade; nevertheless, it has boomed, more than doubling on 2018 (from \$12.2bn to \$27.6bn), helped by shifts in consumer purchasing habits accentuated by Covid. In the coming years, the trend is estimated to be upward, with global revenues estimated to reach \$52.3bn in 2027, a double-digit CAGR for the 2022-2027 period.

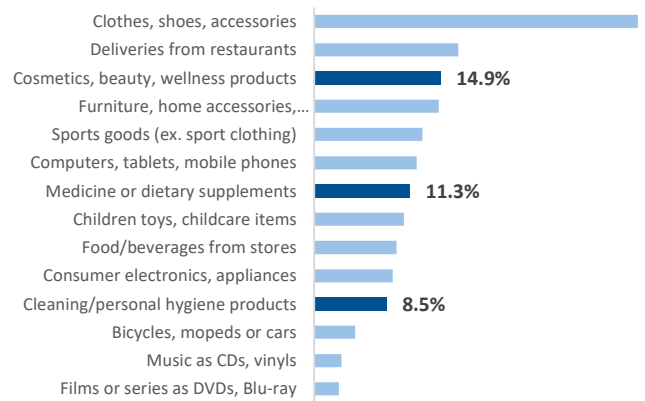
At European level, we observe that in 2022, cosmetics, beauty and wellness products (15%) were ranked third by the number of persons making a purchase, behind only apparel (38%) and deliveries from restaurants (17%).

Revenue of the online pharmacy market worldwide (USD\$, bn)



Source Intermonte SIM elaboration on Statista (2023).

Online purchase of goods in Europe (% of individuals, 2022)

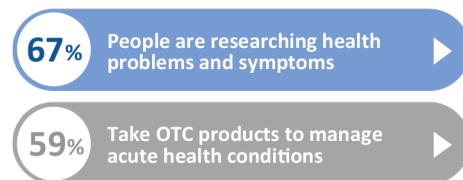


Source Intermonte SIM elaboration on Eurostat data (2022)

### Digital revolution and regulation shaping Healthcare market

The digital revolution has made e-commerce in the Healthcare industry possible. Even before Covid-19, nearly 59% of people used consumer health goods to treat acute complaints, and over 67% of people looked up their health symptoms online. Shoppers are expanding their purchases beyond self-medication due to the growing popularity of e-commerce and the proliferation of mobile devices. Additionally, they track health data via apps to self-diagnose, using cloud-based tools to check their health in real-time. The use of telemedicine, online self-medication, and online doctor and pharmacist consultations are all examples of trends that Covid-19 has accelerated. Previously anticipated to take years, the transition to online happened in less than 9 months.

#### The digital revolution has paved the way for e-Commerce in Healthcare



**Drivers of e-Commerce for consumer health**

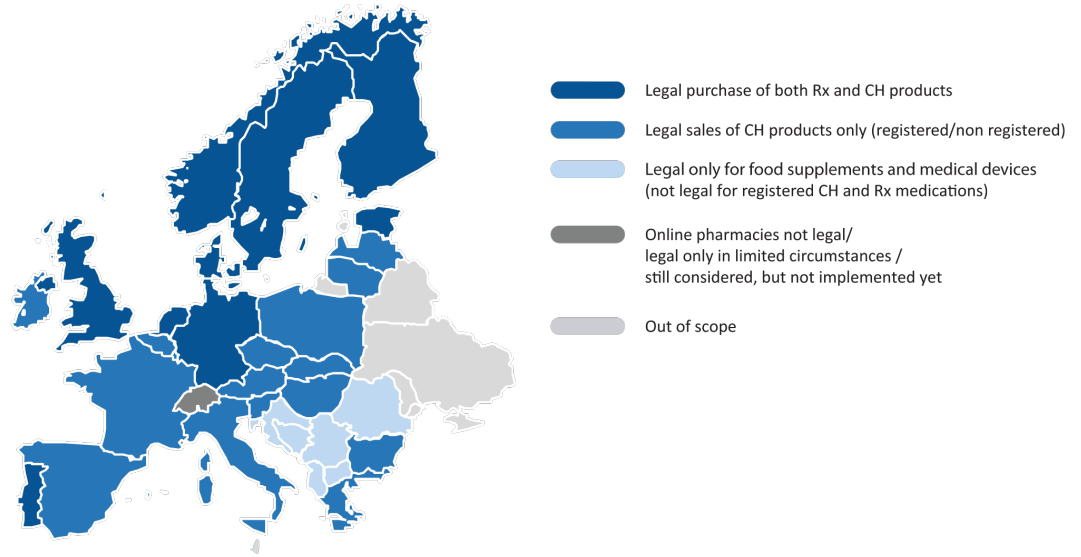
- Growing adoption of e-Commerce
- Growing demand for OTC/PEC/Beauty
- Growth of mobile technologies
- Self diagnosis and monitoring
- Access to mobile health apps

Source: Intermonte SIM on IQVIA Consumer Health.

The e-commerce healthcare market is being shaped by local regulations and legislation, resulting in a variety of emerging business models. It is now evident that e-commerce has already established itself as a valuable channel for consumer health items, and that e-pharmacies—rather than e-commerce generalists—are emerging as a key ally for consumer health companies.

The e-pharmacy channel is fragmented, with multiple players. Although the majority of European nations permit the sale of at least non-prescription products online, certain countries, like the UK, Germany, Denmark, and the Nordics, also allow the online sale of prescription pharmaceuticals. The market share of e-pharmacy varies depending on the state of development of the channel in a given country and on the local regulations. Germany is among the most mature e-pharmacy markets across the globe, with the channel accounting for 20% of sales in the consumer health category.

**e-Commerce Healthcare Market regulation in Europe (2020)**



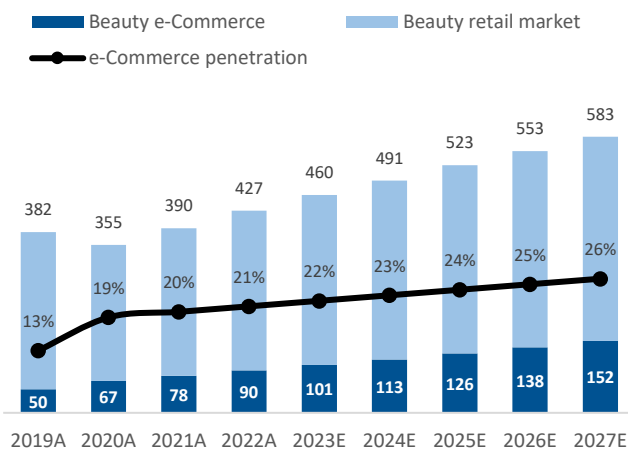
Source: Intermonte SIM on IQVIA, "Deep Dive into Pharmacy e-Commerce". Rx are prescription drugs, while CH are Consumer Healthcare products (OTC)

**Beauty market trending upwards**

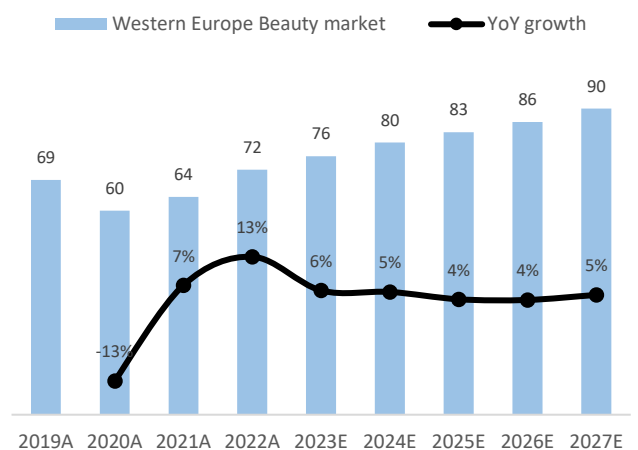
The global beauty market, which includes skincare, fragrances, cosmetics, and haircare, produced around \$430bn in revenue in 2022. All beauty categories are moving in an upward direction at the moment. The market has proved resilient to national and international economic crises. After making a strong comeback since the height of the Covid-19 pandemic, the beauty market is anticipated to increase by an estimated 6% annually to reach \$580bn by 2027.

E-commerce in the beauty industry nearly doubled between 2015 and 2022, with the share now surpassing 20%. It is expected to continue to be the fastest-growing sales channel, at 12% per year between 2022 and 2027. E-commerce growth in the beauty sector has been fuelled by a number of factors, including the expansion of beauty offerings from online giants like Amazon in the US and Tmall in China, the rise of direct-to-consumer players with more sophisticated digital strategies, the steadily-growing importance of online for omnichannel retailers, and the spread of social selling, including livestreaming, in Asia.

**Global Beauty market and e-Commerce penetration (2019A-2027E, \$ bn)**



**Western Europe Beauty market (2019A-2027E, \$ bn)**



Source: Intermonte SIM elaboration on Mc Kinsey "The State of Fashion Beauty".

Source: Intermonte SIM elaboration on Mc Kinsey "The State of Fashion Beauty".

The distinction between beauty and wellness is likely to disappear as people increasingly use beauty products and services not just to look good but also to feel well, with the combined opportunity representing close to \$2tn globally for brands, retailers, and investors. The melding of wellness and beauty will only become more pronounced in the years ahead, in line with an expected CAGR of 10% to 2027 for the wellness industry.

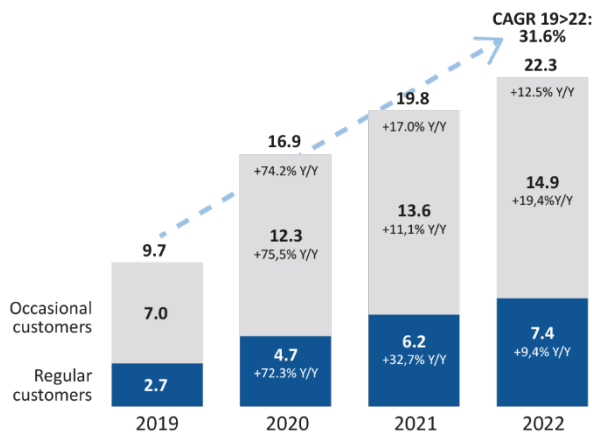
## Online Market Trends in Italian Health & Pharma ...

The value of the online Health & Pharma market is estimated at €678mn in 2022 (Source: IQVIA), with a healthy 2019-2022 CAGR of 22%. E-commerce in the pharmaceutical channel has grown at an exponential rate since the beginning of 2020 (2019-21 CAGR 51%), benefiting from the restrictions on movement imposed during the pandemic. Following this sharp acceleration, it is now undergoing a period of consolidation, where online sales are settling at a level that represents the new normal, with a degree of rebalancing towards pharmacies and para-pharmacies that are starting to play a more important role again.

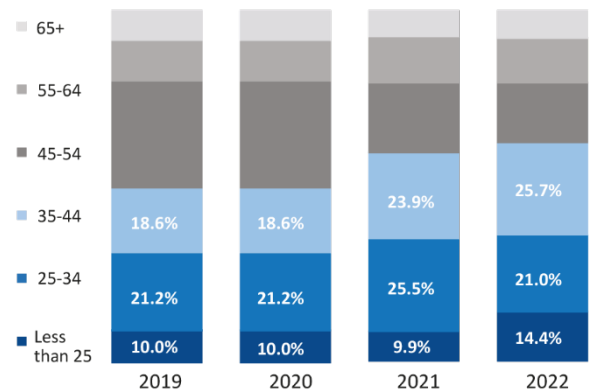
If we move beyond the comparison with 2021, we note that in 2022 e-commerce recorded much higher values than in the pre-pandemic period (more than double the 2019 figure) and compared to 2020 (+29%). This demonstrates that long-term trends in the online channel show significant and sustained growth, and that in reality 2022 trends highlight that the relevant weights of the physical and virtual channels are being redefined, and will probably evolve towards a different equilibrium.

More recent figures, relating to the first half of 2023, demonstrate a recovery in the growth of the e-commerce channel for pharmaceuticals after consolidation in 2022. Indeed, the value of online Healthcare grew 6% YoY in the early months of 2023, while the value of the physical channel remained relatively stable (+0.3%). For pharmacies and para-pharmacies the share of products sold online is 5.5%, with pharmaceutical brands expecting to double the share of products sold online over the next 5 years.

Evolution of Healthcare e-Commerce buyers in Italy (mn)



Evolution of customers per age group (FY19-FY22)



Source: Intermonte SIM on Netcomm, "Digital Health & Pharma"

Source: Intermonte SIM on Netcomm, "Digital Health & Pharma"

The number of Italian online buyers of healthcare products continued to track a rising trend in 2022 (+13% YoY), reaching 22.3mn (70% of total online buyers). Of these, around one third are regular customers (having made at least four purchases online during the year). Their purchases account for 46% of the value of Health&Pharma e-commerce. In the period in question, there has been an evolution in the profile of the regular customer: initially buyers were concentrated in the 45-54 age range, but the average age has now come down, with the majority of buyers (c.61%) below 44 years of age.

Despite the strong growth, we note that online sales still have a limited impact on the overall Italian pharmaceutical market. IQVIA underlines that at the end of 2022 the online pharmaceutical market was worth €673mn, just 6% of the total market of €11.4bn.

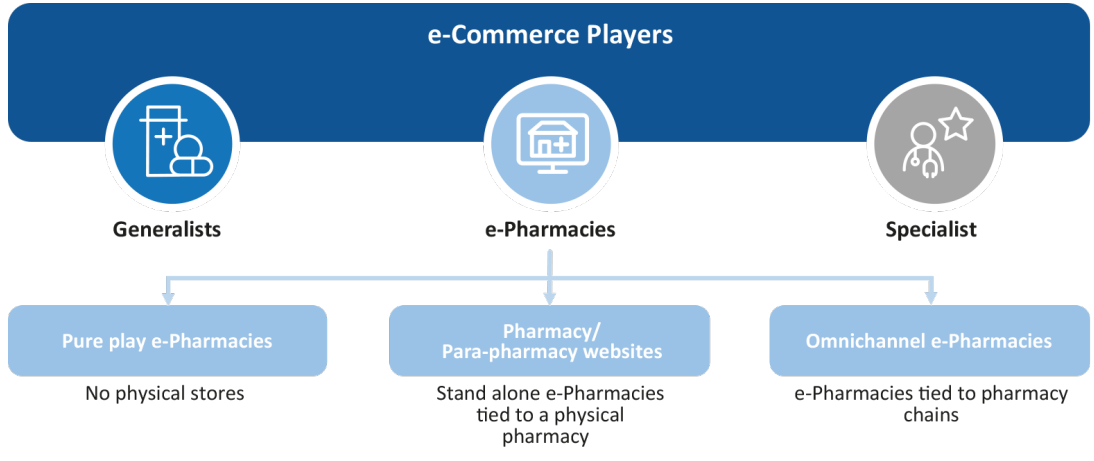
## ... and players...

There are many operators active in the pharmaceutical e-commerce channel, with a range of different characteristics. Generalists, e-pharmacies and specialist healthcare retailers compete to offer the best healthcare solutions to consumers in the e-commerce arena. However, regulations typically prevent generalists and specialists from providing the full spectrum of consumer health solutions that can be offered by e-pharmacies.

- **Generalist portals, marketplace.** Websites that sell all type of products, including pharmaceuticals (such as Amazon and eBay)
- **Specialist portals.** Specialist websites both in terms of product assortment and/or clients (Notino, Vitamincenter, My Beauty Shop)

- **e-pharmacies.** Independent pharmacies and pharmacy marketplaces. This category can be broken down further:
  - **Pure players,** sites selling exclusively online (such as DocMorris and Shop Apotheke)
  - **Websites of para-pharmacies and pharmacies,** typically small independent sites connected to a physical store
  - **Omnichannel e-pharmacies:** websites tied to pharmacy chains.

**TALEA – Breakdown of the e-Consumer Healthcare Eco-system**



Source: Intermonte SIM on IQVIA Consumer Health)

**... are strongly influenced by regulations**

Since 2005, the Italian pharmaceutical sector has undergone a range of reforms, especially in relation to the sale of non-prescription drugs. These reforms have altered the structure of the pharmaceutical system and made it possible to sell non-prescription medicines at discount prices in physical stores, and also online from 2014. Farmaè was founded that same year, and is one of the pioneers in the online sale of healthcare products in Italy.

**Italian regulation on drugs' sale**

Year	Decree/Law	Provision
2005	DL n.87/2005 Storage decree	Public and private pharmacies can sell non-prescription and OTC drugs, with a <b>discount of up to 20%</b> on the maximum price set by the company.
2006	DL n.223/2006 Bersani Law	OTC and non-prescription drugs can be sold in <b>non-pharmacy channels</b> , provided that such stores guarantee the presence of a pharmacist and dedicate an area exclusively to the sale of drugs. Moreover, the law introduced the possibility to offer discounts on the retail price of these products, removing the 20% discount limit previously in force.
2007	Law n.296/2006 Finance Act	Each point of sale can be <b>solely responsible for the selling price</b> non-prescription drugs. Advertising restrictions on pharmacies removed.
2012	DL n.1/2012 Cresci Italia	Introduction of a unique ratio for Italy: <b>1 pharmacy for every 3,000 inhabitants</b> (previously the ratio was 1/4,000 in places with more than 12,500 inhabitants and 1/5,000 in places with less than 12,500). The decree allows the opening of pharmacies, notwithstanding the quorum, in highly-crowded places. It also deregulated opening hours and allows discounts on all drugs and products sold.
2014	DL n.17/2014	Introduced the <b>possibility of selling medicines online</b> . The sale is limited to non-prescription medicinal products (SOP and OTC) and is only permitted for businesses holding a licence
2017	Law n.124/2017 Competition Law	<b>Limited companies</b> can own pharmacies and pharmacy chains (so far limited to individuals and partnerships).

Source: Intermonte SIM elaboration

DL 17/2014 is the primary regulation for the Italian e-pharmacy market. It introduced the possibility of selling non-prescription medicinal products online under strict terms and conditions: 1) Italian pharmacies and para-pharmacies need authorisation by the regional authority; 2) prices can be freely determined and discounts are allowed, however other promotional practices are forbidden; 3) pharmacies are forbidden from outsourcing storage and shipping activities to third parties; 4) the online business can only be operated through the authorised website.



In 2022 turnover from prescription drugs in Italy reached €14bn, accounting for 55% of the Italian pharmaceutical market (IQVIA). It is clear that the opportunity to sell this category of drugs online would have a considerable impact on the revenues of online pharmaceutical retailers. Nevertheless, it seems unlikely that regulations will be loosened soon, especially given the opposition of category trade associations.

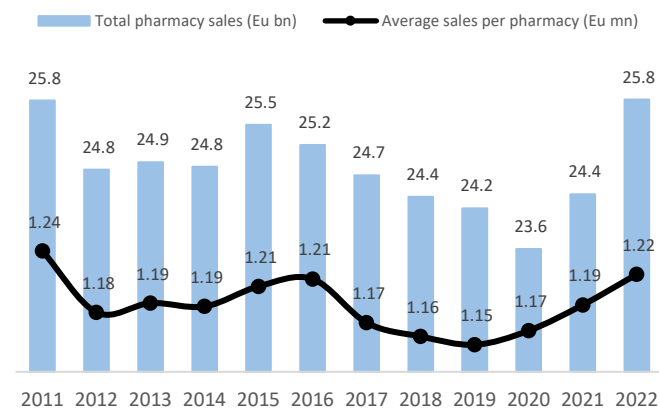
Nevertheless, the Italian pharmaceutical market is gradually opening up to the online channel, as shown by the introduction of electronic prescriptions in 2016 – a tool allowing clinicians to prescribe medicines and specialist visits online without using traditional paper forms. The final missing link is the possibility for patients to order prescription drugs online and have them shipped to their home.

### Brick-and-mortar pharmacies growing at a slower rate

The number of brick-and-mortar pharmacies has constantly increased over the last forty years (from 14,365 in 1980 to 19,997 in 2022, a +40% increase), helped by regulatory changes. In 2012 the “Cresci Italia” Decree introduced the unique ratio of 1 pharmacy for every 3,000 inhabitants and allowed the opening of pharmacies in highly crowded places, while the 2017 Competition Law introduced the possibility for limited companies to own pharmacies and create pharmacy chains.

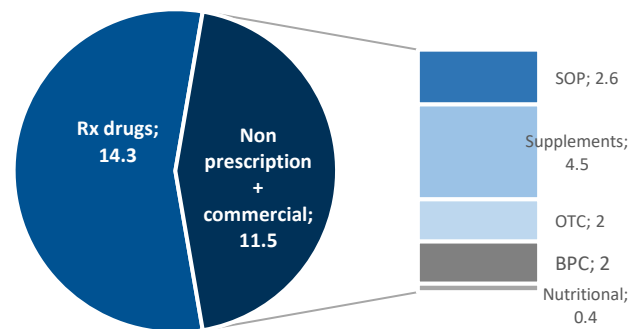
As a consequence, the per capita density of pharmacies in Italy (1 for every 2,952 inhabitants), is above the European average (1 for every 3,245), demonstrating the extensive reach of the Italian pharmacy network.

Italian brick and mortar pharmacy sales trend



Source: Intermonte SIM elaboration on Federfarma.

Pharmacy market breakdown by product (Eu bn, 2022)



Source: Intermonte SIM elaboration on Federfarma.

Over the last three years the average turnover of pharmacies has recorded a 2% CAGR, reaching €1.22mn per pharmacy in 2022. 55% of this turnover relates to non-prescription drugs.

### What are customers looking for?

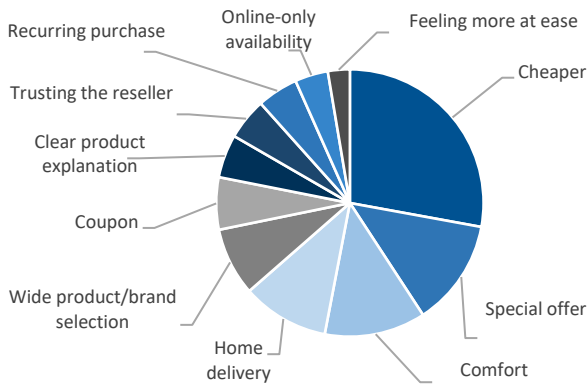
As highlighted by responses to the Netcomm survey illustrated in the pie chart below, the main reason people buy online is the opportunity to find products that are cheaper than in brick-and-mortar retailers, often thanks to special offers. The second most popular reason is the convenience and comfort of purchasing from home or on the move, with delivery to the desired location.

The wider product assortment easily beats brick-and-mortar pharmacies, which lack the space to store such an extensive range of products and consequently do not have immediate availability. Furthermore, buying online entails greater privacy for purchases.

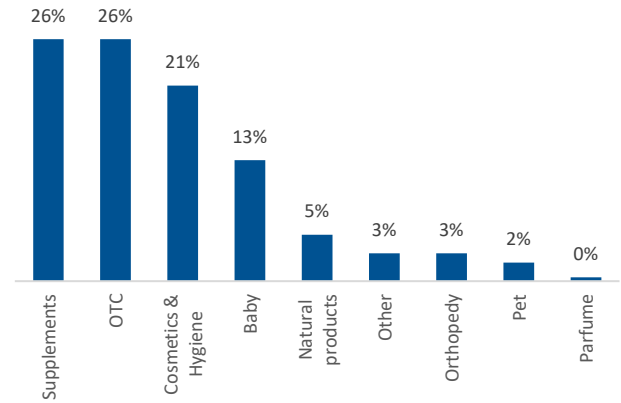
The pharmaceutical products that are most frequently purchased online are supplements (26% of volumes in 1H23), followed by OTC drugs (26%) and cosmetic and hygiene products (21%).

*see charts on the next page*

### Main reasons people buy online



### Online retailer sell-through volumes (Jan-May 2023)



Source: Intermonte SIM elaboration on Netcomm survey (2022).

Source: Intermonte SIM elaboration on Dataminers.

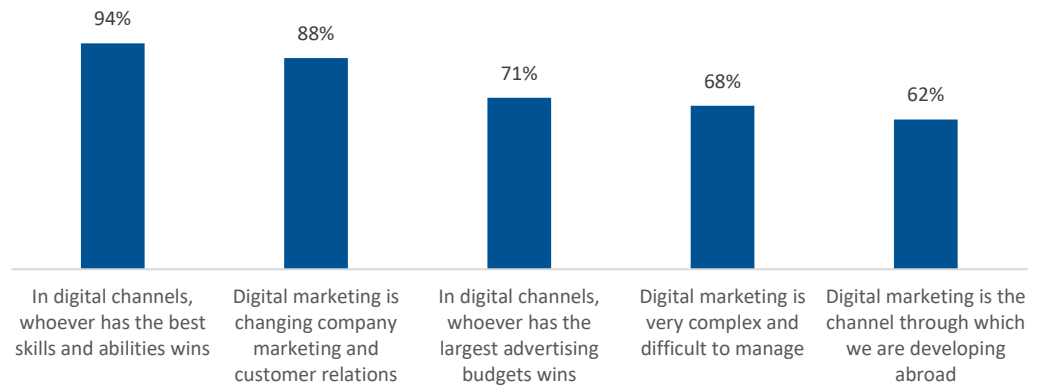
Despite the growing popularity of e-Pharmacies and the particular interest in some categories, it is still hard to fully pin down the characteristics of the e-Pharmacy consumer. They engage with brands less frequently (only one third made at least four orders for an e-commerce pharma product in 2022), show less brand loyalty, on average spend little time finalising their online purchase (generally the consumer focuses only on products positioned in the first 20 places, ignoring the remainder) and are more willing to try out niche products than in-store customers. It becomes more challenging to define the e-pharmacy customer as a result. The operator must gather consumer and shopper insight, develop various buyer personas, and target customers with the appropriate messaging at the proper touch points.

### Investing in digital marketing and media becomes crucial

The need for data and insight to better understand the dynamics of the e-Pharmacy channel is becoming increasingly urgent. Understanding shopper and consumer habits is crucial for online retailers, which need to develop a strong data analytics base.

By obtaining consumer data analysis through web analytics, a company can gain an understanding of what consumers are looking for. The company can then develop customer-centric strategies to offer products that meet consumer demand. Nevertheless, the majority of companies still consider digital marketing to be a complex tool that is hard to manage in-house (2021 Netcomm survey). 22% of companies used external suppliers for digital marketing campaigns, while 37% had a combined external/ in-house approach. Of these, 40% used a single supplier, while 54% used different suppliers to manage the various channels.

### Survey on Digital Marketing - quotes deemed "Quite right" or "Particularly right" by interviewed



Source: Intermonte SIM elaboration on Netcomm Survey (2021)

## Retail Media is an opportunity for the European e-commerce

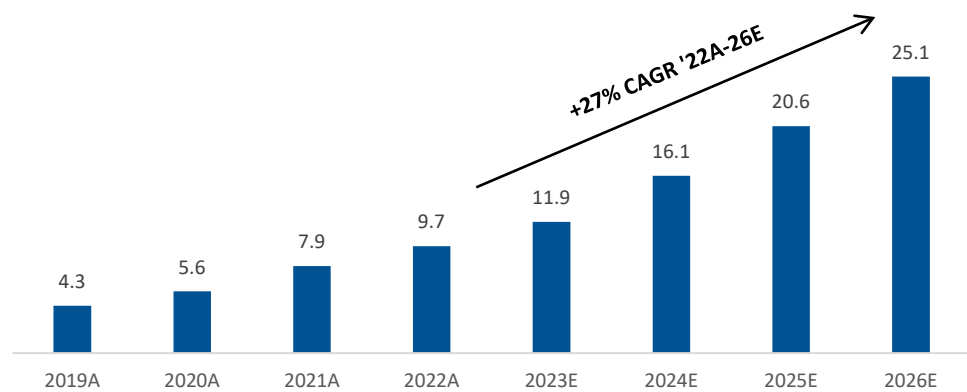
Retail Media is one of the fastest growing sectors within the digital advertising industry. Statista forecasts retail media advertising spend will reach €25bn in Europe by 2026, with a 27% CAGR in the period 2022-2026. Retail Media refers to the digital advertising space and retail data a retailer owns, which is made available to brands for the execution of advertising campaigns (IAB Europe definition). Campaign goals include brand awareness, driving sales and new product discovery.

While in the United States retail media is widespread, in Europe it is still in its early stages. European e-retailers and marketplaces are highly fragmented. This diversity represents an opportunity for merchants to target their audience more efficiently. Given retail media's symbiotic relationship with ecommerce, the sheer size of the ecommerce market should whet the appetites of those exploring this emerging channel.

Thanks to retail media, brands can: 1) leverage retailers' data assets as an alternative to third-party cookies, which are now obsolete; 2) use retailer e-commerce to run insights-driven media campaigns; 3) create data-enabled, personalised ad campaigns tailored and measured against key objectives with the aid of retailer customer data.

On the other hand, e-retailers can use retail media advertising as an opportunity to develop a new, high margin revenue model, by replicating a proven advertising business model that is paying off for major retailers (e.g., Walmart in the US). Through retail media, websites can enhance the customer experience by offering customers data-driven targeted offers based on their buying habits.

**Retail media ad spend growth in Europe (Eu bn)**



Source: Intermonte SIM on Statista data.

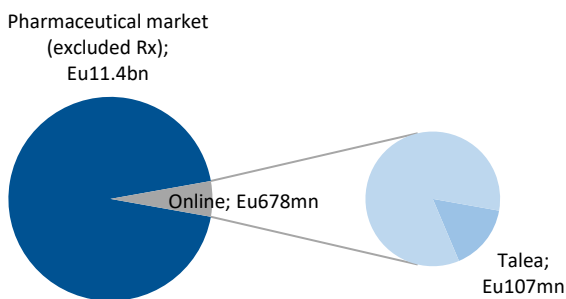
## Leading position thanks to customer’s in-depth knowledge

### Leader positioning in Italian e-Pharma with a multi-brand approach

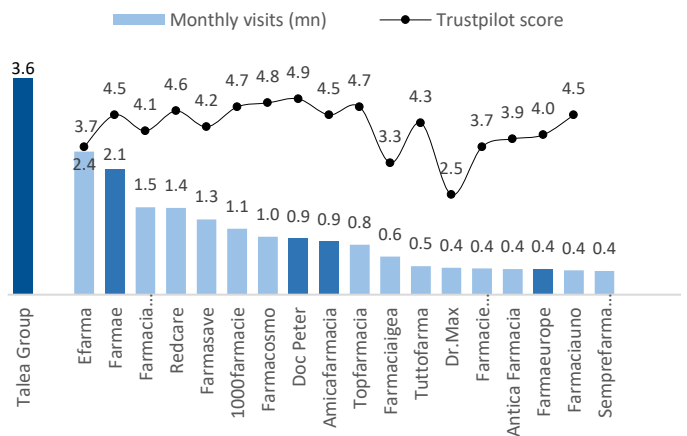
Talea is the only major player operating in the Italian health and wellness sector with multiple commercial brands (Farmaè, Amicafarmacia, Farmaeurope, Doki Daki and the recently acquired Doc Peter). In May 2023, Italy had 1,379 pharmacies and para-pharmacies authorized by the Ministry of Health to sell on the internet; nevertheless, the market is highly fragmented, with the top 50 players accounting for approximately 90% of the pharmaceutical e-commerce market. Talea is the leading Italian Healthcare & Wellness e-commerce group, with a 17% market share (IQVIA).

Customer overlap among group websites is not an issue (it is only around 4%) since each brand focuses on a specific value proposition, reaching more than one million active users in 2022. The pharmaceutical e-commerce market is still under-penetrated and new competitors are likely to play this opportunity; however, via its platforms Talea enjoys a strong reputation, as shown by the excellent reviews (e.g., Amicafarmacia and Farmaè have 4.5 points out of 5 on Trustpilot, while Doc Peter reaches 4.9 points), which attract new users and help retain active clients. Moreover, Talea’s market visibility is reinforced by its physical points of sale mainly concentrated in the regions of Piedmont and Tuscany.

Talea - Leader in the Italian online pharmaceutical market



Italian e-Pharma operators by monthly traffic and Trustpilot score (2022)



Source: Intermonte SIM elaboration on IQVIA and company data (FY22).

Source: Intermonte SIM elaboration on Similarweb and companies data.

The company operates with multiple websites in the Health & Wellness market, but follows a unique strategy, which is based on three key points:

- **Awareness.** It is essential that Talea websites are renowned, making them appealing to industry companies
- **Consideration.** The company is working on the differentiation of value proposition offered by the platforms to reach the most various consumers’ needs, becoming essential to customers
- **Conversion.** As a result, the higher audience and satisfaction of consumers needs (by means of vast assortment and high-quality consumer services) would increase Talea business performance and keep a high conversion rate.

### In-depth customers’ knowledge is among Talea’s most valuable assets...

Talea mostly purchases the products it retails on its online platforms directly from Health & Wellness companies, with whom it has built up solid relationships. Thanks to the large volumes purchased, which dwarf those of an average offline client (e.g., in 2022 Talea sold 276,000 sun care products, vs. 1,000 sold on average by an individual bricks&mortar pharmacy), Talea has become a strategic partner for sector companies that supply merchandise for sale on Talea’s platforms. This has enabled the Group to generate a profitable **co-marketing** business since 2018. Starting from the data generated by customer interactions on proprietary digital platforms, Talea can profile purchasing behaviour and preferences, generating statistics that enable the offering of highly customised marketing and communication solutions to the multinationals selling on its websites (such as customised product sheet “A+”, brand store, personalised packaging). In this way, Talea’s platforms not only become tactical, but also strategic for suppliers, who often do not have a direct relationship with end consumers. The company has highlighted successful case studies of co-marketing deals. Through the development of customised initiatives (e.g., switching off advertising campaigns in the 24 hours before the launch of a new product; exclusive positioning;

gamification), the companies observed an increase in turnover from 50% to 70% compared to the previous week. Talea currently has co-marketing contracts with more than 130 companies in the sector (the main ones) and plans to extend this service to the other categories it markets (e.g., beauty, pet food, sex toys).

More recently, the setting-up of **Talea Media** has enabled the group to further exploit the important asset that traffic on its e-commerce sites constitutes by selling advertising space and traffic visibility not only to sector companies but also to other FMCG multinationals. The Group is the first Italian operator in the sector that has launched the retail media service, which is currently spread mostly in the US. It is important to note that Talea Media revenues, expected to start from 2024, should come from the marketing and advertising budgets of its client companies and not from commercial sales budgets, as occurs for co-marketing activities.

	Co-marketing	Talea Media
<b>Focus</b>	<b>Product:</b> Talea sells statistics on customer behaviour to industrial partners and draw up a strategy to sell their products on Talea websites	<b>Audience:</b> companies put their advertising on Talea web platforms to attract audience
<b>Target</b>	<b>Suppliers to the Talea Consumers Area</b> , who sell their products via Talea e-commerce	Not only the suppliers of the Consumers Area but also <b>companies</b> from other markets <b>who invest in advertising</b>
<b>Interlocutor</b>	<b>Commercial area and sales director:</b> Talea speaks directly with the commercial area while buying products to sell on the platforms	<b>Marketing and Media area:</b> Talea offers advertising space, no matter whether the company sells products on Talea platforms
<b>Revenue stream</b>	<b>Commercial deals:</b> The company sells the products to Talea and receives access to analytics	<b>Media contracts:</b> Talea sells highly profiled advertising inventories

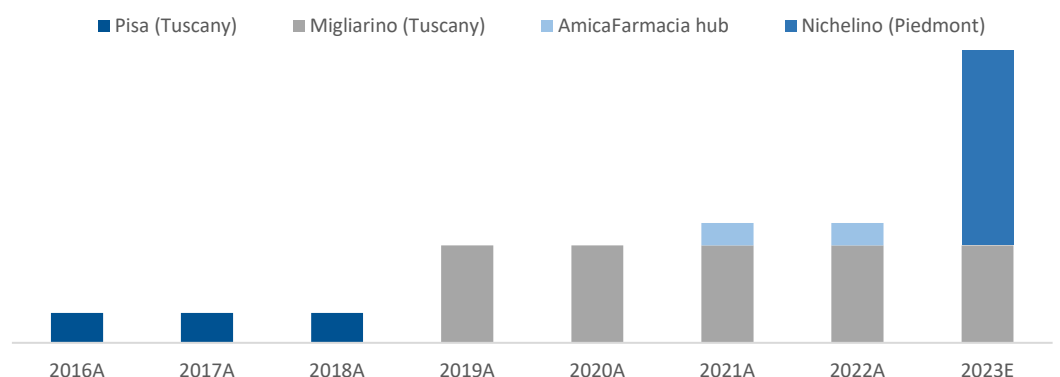
Source: Intermonte SIM

### ... and enables it to offer what customers want

Talea e-commerce is able to attract and retain a large number of customers (>1 million active customers in 2022, with a 4% conversion rate) thanks to attractive pricing, a wide assortment of products to satisfy a diverse range of needs, and efficient services such as fast delivery and customer care.

- **Attractive pricing.** Talea attracts customers through competitive prices (on average, Talea’s prices are 30% lower than at traditional pharmacies), discounts and promotions. As already analysed in the previous chapter, consumers are mainly drawn to purchasing online by lower prices. Moreover, Talea provides personalised offers for existing customers and reward point collection schemes to encourage customer loyalty.
- **A wide and integrated product offering.** Thanks to a very broad offering (in 2022, Talea offered more than 10,000 different products in at least 10 categories), the final consumer can shop their requirements from a huge range of health and wellness products. Unlike a retailer that only sells products from a specific category (e.g., beauty, nutritional supplements), the Talea product offering caters to demand from various family members, enabling multiple products to be purchased on a single order, thereby boosting the average transaction size (€45 in 2022 for online orders) and enabling free delivery and discounts on quantity.

Talea - Logistic expansion (square meters)

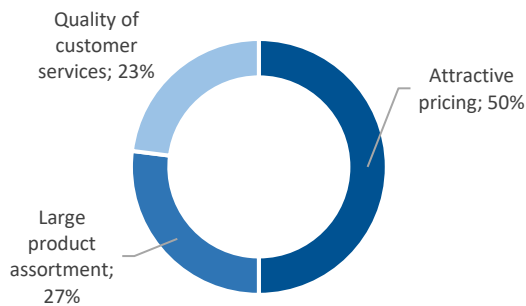


Source: Intermonte SIM

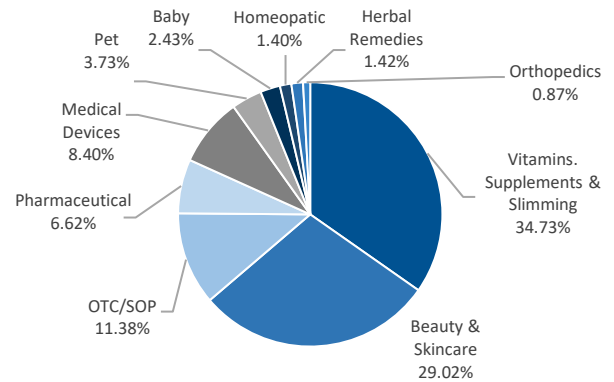
These services are possible thanks to large-scale, completely automated logistics. In July 2023, Talea opened its new logistics hub at Nichelino in Piedmont, covering c.13,000 sqm, joining 6,500 sqm in total at Migliarino Pisano in Tuscany. Thanks to full automation, the facility will further improve the efficiency and speed of delivery of products sold on the proprietary digital platforms (in North and Central Italy, products will be delivered within 24 hours). The launch of the new facility at Nichelino also enables Talea Group to further extend its product range and to enter new merchandise categories. Talea foresees reaching 150,000 SKUs by 2025.

- **Convenience and services.** Talea offers user-friendly e-commerce available on a variety of devices. Delivery is made in 24/48 hours and is free of charge for purchases above a certain size (€29.99 for [farmaè.it](http://farmaè.it) and [amicafarmacia.it](http://amicafarmacia.it), €24.90 for [farmaeurope.it](http://farmaeurope.it)). It is possible to return goods within 14 days of delivery, but order cancellation rights do not apply to medicines (OTC and SOP), medical devices, and foodstuffs sold online.
- **Customer care.** Talea provides long-term support for customers who have purchased a product or who encounter a specific problem. A fact sheet is provided for each product on the site in order to assist and support customers during the purchasing process. Specific assistance on health products enables Talea to overcome the absence of face-to-face engagement with a pharmacist.

Talea - key success factors in customer relationship



Talea - Breakdown by SKU (2022)



Source: Intermonte SIM

Source: Intermonte SIM elaboration on company presentation.

## 2025 growth strategy enhancing Talea profitability

Farmaè has unveiled a new strategic plan as well as its rebranding as Talea in February 2023 (authorized on 28 March). Talea is vertically organized into two business areas, each with financial and operational targets to 2025: the Consumer Area (retail business) and the Industrial Area (co-marketing and advertising business on behalf of industrial partners), supported by Logistics.

### Consumer Area

Organic growth and consolidation of market leadership in Health, Wellness and Beauty retailing in traditional brick and mortar stores and through digital platforms thanks to the enhancement of services offered to customers. Talea's strategy entails, inter alia, a better content experience on its platforms, improved service benefits related to customer care and delivery, and a wider range of products offered.

Consumer Area	2022A	2025 BP	CAGR 2022-25
Revenue as % of total	95%	92%-93%	
Session on platforms	60,000	90,000	14%
Orders (physical + online)	2,661	4,000	15%
Active customers	1,000	1,700	19%
Products sold	12,077	21,600	21%
SKUs	100	150	14%

Source: Intermonte SIM - Values in thousands

### Industrial Area

Development of value-added business services with Talea Media and the Valnan Communication Agency, the digital advisory platform of the Group. While Valnan has contributed to Talea revenues since it was acquired in 2020, Talea Media is the new revenue-generating segment through which the company exploits the important asset that traffic on its e-commerce sites constitutes by selling advertising space not only to sector companies but also to other FMCG multinationals. The 2025 strategic plan envisages a higher incidence of Industrial revenues on Talea's revenues (from 5% in 2022 to ~7% in 2025) thanks to a larger number of e-commerce partners (30% CAGR for 2022-25) and supported by a sustained media budget (+18% CAGR for 2022-25).

Industrial Area	2022A	2025 BP	CAGR 2022-25
Revenue as % of total	5%	6%-8%	
Budget Media	9,150	15,000	18%
Industrial customers	0.2	0.4	30%

Source: Intermonte SIM - Values in thousands

## Growth opportunities

As well as the organic development of the business areas as described above, Talea has indicated new opportunities for growth and expansion in its plan.

### M&A

Talea is planning to expand in new markets and is constantly scouting new value-accretive projects. The Group aims to broaden its product offering while further consolidating leadership in business segments where it already operates in order to further increase market share and saturate the Group's significant logistics capacity. As in the past, Talea is well placed to seize future external growth opportunities. The implementation of this business model can enable Talea to act as market consolidator, targeting small e-commerce players in the sector, stressing the purchase conditions (vendor's financing) and unlocking significant synergies, not only thanks to economies of scale and leveraging on the existing logistic hub, but also by exploiting targets' website traffic thanks to its distinctive industrial offer (co-marketing + advertising).



#### Talea - M&A history

Target	Business Segment	Consolidation	EV (Eu mn)	Revenues (Eu mn)	EV/Sales
Valnan S.r.l.	Digital communication agency	01/05/2020	1.2	1.9	0.46x
Sanort S.r.l.	e-Commerce specialized on orthopedic products	06/11/2020	0.1	0.6	0.14x
AmicaFarmacia S.r.l.	Health & Wellness operator (website + 2 stores)	29/09/2021	39.6	27.8	1.42x
FarmaEurope S.r.l.	Health & Wellness e-commerce	16/05/2022	0.8	1.6	0.50x
Bewow S.r.l.	e-Commerce (wellness & furniture)	03/07/2023	1.9	0.8	2.38x
Doc Peter	Health & Wellness e-commerce	26/09/2023	3.3	14.4	0.23x

Source: Intermonte SIM

#### Internationalization

In the context of its growth strategy to 2025, the board of directors of Farmaè has pursued a process of internationalisation through the development of a multi-store approach in the main European countries (Germany, France, Spain, Switzerland, Austria) and through accords with strategic foreign industrial partners. In particular, Talea is targeting 5% of revenues from abroad by 2025. Currently, Talea's foreign sales strategy consists in intercepting demand from Italian expats who continue to seek out products and brands that are well-known Italy. Through foreign language versions of the website, Talea offers a selection of products (which varies by target country) that are usually only sold in Italy. In 2022, the Group began analysing the purchasing propensity of individuals in the main European markets (e.g. through their Google searches) to identify target customers, which is needed in order to pin-point the main drivers of demand with industrial partners. This analysis enables Talea to tailor the commercial offering to the Buyer Persona (the archetypical customer that a company targets) in each country, with a dedicated media budget.

## Financials

### Historical results

**Net revenues** have experienced double-digit organic growth rates in the last four years, with a boom in 2020 (+72% YoY organic) when the Covid pandemic imposed a sudden change in shoppers' habits. Net revenues include those generated by the Online (e-commerce platforms of the Group), Retail (bricks and mortar stores) and Digital Advisory areas (Valnan Communication). However, following the new Group strategy that envisages two revenue-generating areas, Consumer and Industrial, Talea reports adjusted revenues including co-marketing activities, which have been accounted so far as a reduction of cost of goods sold (because they are generated from suppliers) or as a reduction of selling & distribution costs. The Consumer Area accounted for 95% of adjusted revenues in FY22 (€115.0mn revenue, +42% YoY). The Online business, which includes revenues from Talea e-commerce platforms, reached €107.3mn in revenues (+42% YoY), while physical Retail revenues generated by the twelve bricks-and-mortar stores were €7.5mn (+50% YoY). The Industrial Area accounted for 5% of adjusted revenues, with €5.9mn in FY22, sustained by co-marketing (€4.6mn, +36% YoY).

Talea has recently released financials for 1H23. We highlight:

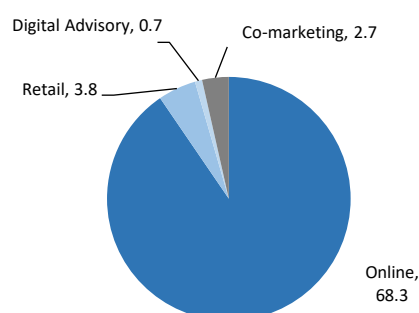
- **Net revenues** at €72.9mn, up +38% YoY. **Adjusted revenues** reached €75.6mn, +37% YoY (+36% organic), with Consumer Area at €72.1mn (+38% YoY) and Industrial Area at €3.2mn (+18% YoY). The results were achieved thanks to strong Consumer Area KPIs, with over 7.7mn products sold (+31% YoY) and 1.6mn **orders** (+29% YoY). The average order value (AOV) grew from €41.73 in 1H22 to €44.79 in 1H23.

Talea - Revenues breakdown (FY19-1H23)

Eu mn	2019A	2020A	2021A	2022A	1H22A	1H23A
Online	34.2	61.0	75.7	107.3	48.6	68.3
Retail	2.0	2.4	5.0	7.5	3.5	3.8
Other	0.2	0.0	0.2	0.2	0.1	0.1
Digital Advisory	0.0	0.7	1.6	1.3	0.6	0.7
<b>Net revenues</b>	<b>36.4</b>	<b>64.1</b>	<b>82.5</b>	<b>116.3</b>	<b>52.8</b>	<b>72.9</b>
<i>YoY growth</i>	49%	76%	29%	41%	34%	38%
Co-marketing	1.2	2.0	3.4	4.6	2.1	2.7
<b>Adjusted Revenues</b>	<b>37.6</b>	<b>66.1</b>	<b>85.9</b>	<b>120.9</b>	<b>54.9</b>	<b>75.6</b>
<i>YoY growth</i>	52%	76%	30%	41%	34%	38%
<i>YoY organic</i>	52%	72%	18%	13%	-3%	36%
<b>Orders (online + physical)</b>	<b>905</b>	<b>1,620</b>	<b>1,899</b>	<b>2,620</b>	<b>1,249</b>	<b>1,610</b>
<i>YoY growth</i>	56%	79%	17%	40%	34%	30%
<b>Average order value (Eu)</b>	<b>40.00</b>	<b>39.16</b>	<b>42.48</b>	<b>43.82</b>	<b>41.73</b>	<b>44.79</b>

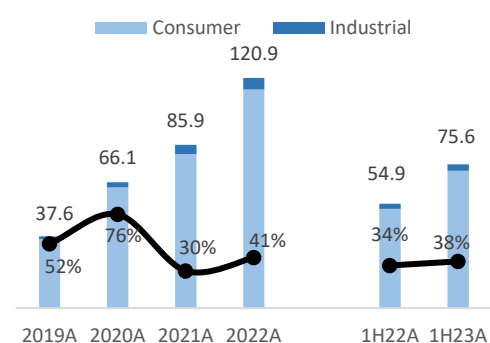
Source: Intermonte SIM

Talea - Adjusted revenues breakdown (1H23A, Eu mn)



Source: Intermonte SIM

Talea - Adj. revenues evolution (FY19-1H23, Eu mn)



Source: Intermonte SIM

- **Gross income** came to €21.2mn (+24% YoY), with a gross margin of 29.1%, -3.2pp YoY due to inflation, which impacted the cost of goods purchased and operating costs (energy, transport, personnel).
- **EBITDA** at €1.1mn in 1H23, -41% YoY and implying a 1.5% EBITDA margin (-2.0pp YoY). The performance was impacted by higher costs, which the company only partially transferred on customers, with a detrimental impact on short-term profitability but acquiring new clients, which are needed for larger market share and for better results and KPIs in 2023. Moreover, we note that the company operates in a very competitive market in terms of pricing.

- **Net debt** (excluding IFRS 16 effects) at €24.9mn mainly due to the higher working capital resulting from business expansion and to investment in technology and new logistic infrastructure for the Group's development, concentrated in the first semester of the year.

P&L - Eu mn	1H22A	1H23A	YoY
<b>Net Revenues</b>	<b>52.8</b>	<b>72.9</b>	38%
Adjusted revenues	54.9	75.6	38%
- COGS	(35.8)	(51.7)	
<b>Gross income</b>	<b>17.1</b>	<b>21.2</b>	24%
on net revenues	32.3%	29.1%	
on adj. revenues	31.1%	28.1%	
- OpEx	(15.2)	(20.1)	
<b>EBITDA</b>	<b>1.9</b>	<b>1.1</b>	-41%
on net revenues	3.5%	1.5%	
on adj. revenues	3.4%	1.5%	
-D&A	(1.0)	(1.3)	
<b>EBIT</b>	<b>0.8</b>	<b>(0.2)</b>	
on net revenues	1.6%	-0.2%	
- Financial charges	(0.3)	(0.7)	
<b>Pre-tax income</b>	<b>0.5</b>	<b>(0.9)</b>	
- Taxes	(0.1)	(0.1)	
<b>Net income</b>	<b>0.4</b>	<b>(0.9)</b>	
on net revenues	0.8%	-1.3%	

Source: Intermonte SIM

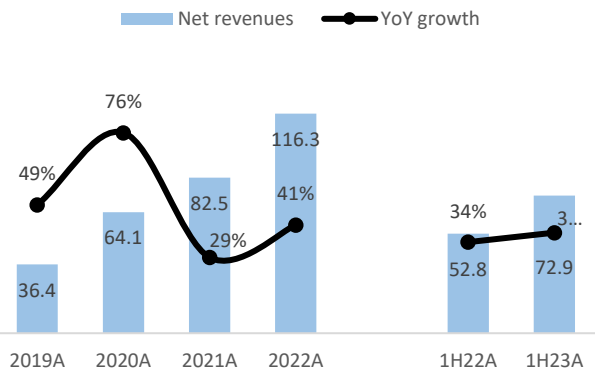
BS - Eu mn	1H22A	1H23A
Fixed assets	69.4	75.9
Net working capital	(3.7)	2.5
Provisions	(5.1)	(5.4)
<b>Net capital employed</b>	<b>60.6</b>	<b>73.0</b>
Equity	40.9	39.1
<b>Net debt</b>	<b>19.7</b>	<b>33.9</b>
Net debt pre-IFRS 16	12.7	24.9

CF - Eu mn	1H22A	1H23A
<b>Cash flow from operations</b>	<b>(1.9)</b>	<b>(6.4)</b>
CapEx	(2.5)	(3.2)
<b>FCF</b>	<b>(4.8)</b>	<b>(10.4)</b>
<b>Net cash / (debt)</b>	<b>(19.7)</b>	<b>(33.9)</b>

Source: Intermonte SIM

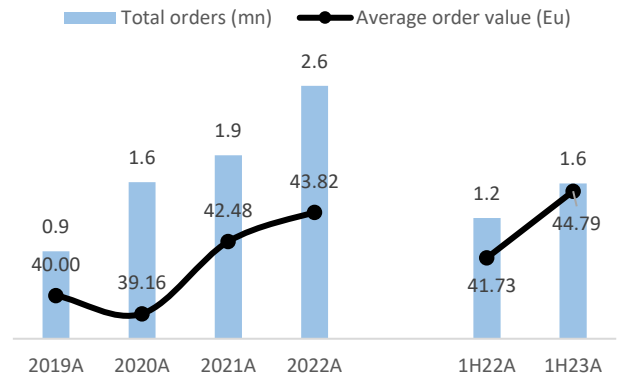
*see charts on the next page*

**Talea - Net revenues evolution (FY19-1H23, Eu mn)**



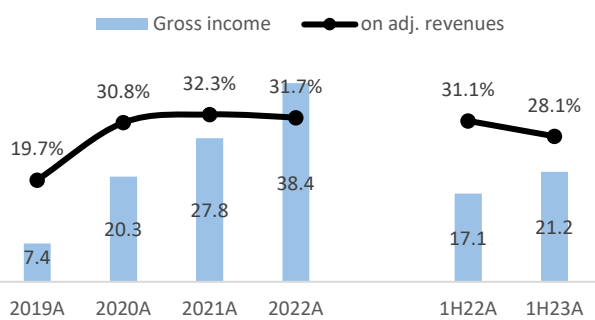
Source: Intermonte SIM

**Talea - Total orders (mn) and average order value (Eu) (FY19-1H23)**



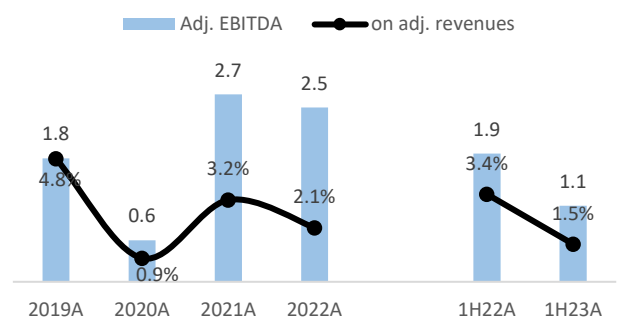
Source: Intermonte SIM

**Talea - Gross income (Eu mn) and Gross income margin (FY19-1H23)**



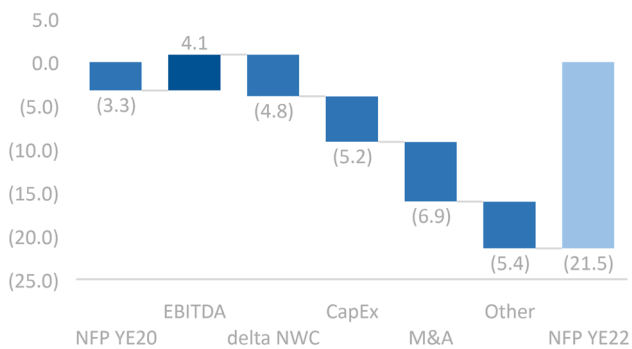
Source: Intermonte SIM

**Talea - Adj. EBITDA (Eu mn) e adj. EBITDA margin (FY19-1H23)**



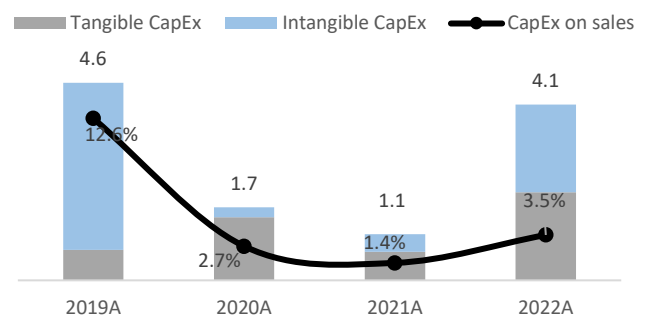
Source: Intermonte SIM

**Talea - Net financial position bridge (2020-2022, Eu mn)**



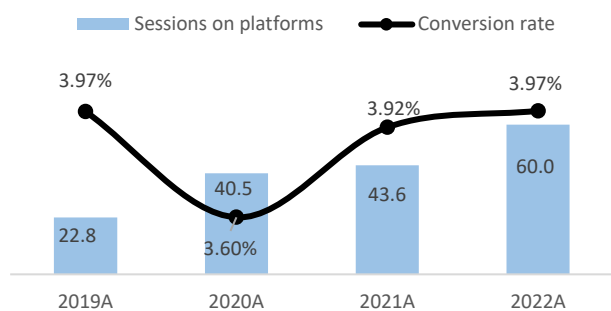
Source: Intermonte SIM

**Talea - CapEx trend (FY19-FY22, Eu mn)**



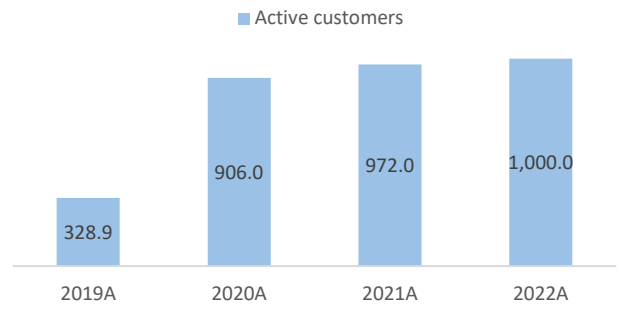
Source: Intermonte SIM

**Talea - Website visits (mn) and conversion rate (FY19-FY22)**



Source: Intermonte SIM

**Talea - Active customers (k) (FY19-FY22)**



Source: Intermonte SIM

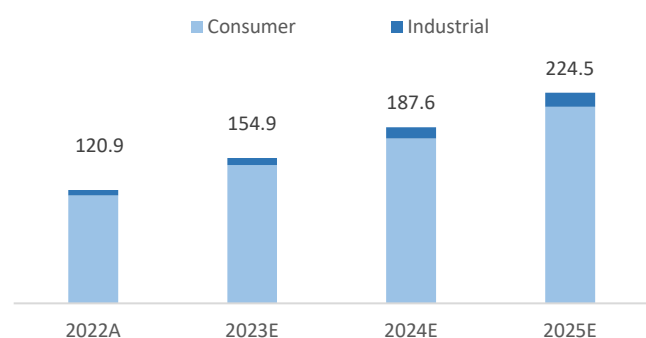
## Financial forecasts

### P&L

In February 2023, Talea released a set of targets for 2025. Adjusted revenues are expected to be in the range of €220-230 million (€120.9mn in 2022, +23% CAGR for 2022-25), supported by strong business KPIs. The Industrial Area will make a higher contribution to adjusted revenues (6-8%, 5% in FY22) while the Consumer Area will account for between 92% and 94% (95% in FY22). The company estimates adjusted EBITDA reaching €13-14mn, with an implied EBITDA margin around 6% thanks to a higher contribution from the Industrial Area.

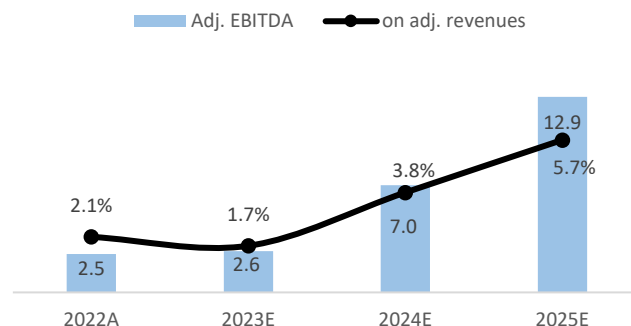
- We forecast adjusted revenues reaching €224.5mn by 2025, implying a 22% CAGR 2022-25, consistent with the Group's target. In detail, we estimate:
  - The **Consumer Area** at €209.5mn (22% CAGR '22-25, 93% of adjusted revenues), driven by Online revenues (€199.2mn, +23% CAGR) which will account for a rising share of the revenues in the Consumer Area. The growth will be supported by numerous active customers (1.6mn users in 2025, +16% CAGR), growing orders (around 4mn in 2025, +10% CAGR) and higher average order value (€53 vs €45 in 2022), enhanced by Talea business strategy which aims to offer diversified value proposition to customers.
  - The **Industrial area** will contribute increasingly to company revenues (€15.0mn in 2025, +36% CAGR), with Talea Media generating revenues from 2024. This business, together with Co-marketing and Valnan Communication, will enable Talea to enhance the value of customer profile data and advertising inventories, two of the most important business assets.
  - We expect declining incidence of **COGS and operative costs** on sales since revenues will be more skewed towards the Industrial Area, which by nature features higher margins. The Consumer area will also be more profitable thanks to the increasing incidence of proprietary branded products sold on Group platforms (e.g., GOOIMP brand), while the multi-brand strategy could reduce costs through economies of scale. Therefore, we estimate **EBITDA** will reach €12.9mn in 2025 (vs FY22 €2.5mn), implying a 5.7% EBITDA margin on adjusted revenues.
- **D&A** around ~2% of sales (vs 1.7% in 1H23) linked to CapEx investment (we suppose cumulative CapEx in 2023-25 period will be €15mn). We estimate **EBIT** will turn positive in 2024, reaching €8.1mn in 2025 (3.6% margin on adj. revenues), while we expect **net profit** at €4.8mn in 2025 (2.3% on net revenue).

Talea - Adjusted revenues evolution FY22A-FY25E (Eu mn)



Source: Company data (A) and Intermonte SIM estimates (E).

Talea - Adjusted EBITDA evolution (Eu mn)



Source: Company data (A) and Intermonte SIM estimates (E).

### Talea - Adj. revenues breakdown

(Eu mn)	2022A	2023E	2024E	2025E
<b>Adjusted revenues</b>	<b>120.9</b>	<b>154.9</b>	<b>187.6</b>	<b>224.5</b>
YoY growth	41%	28%	21%	20%
<b>Consumer Area</b>	<b>115.0</b>	<b>147.6</b>	<b>175.9</b>	<b>209.5</b>
YoY growth	42%	28%	19%	19%
as % of adjusted revenues	95.1%	95.2%	93.7%	93.3%
<b>Industrial Area</b>	<b>5.9</b>	<b>7.4</b>	<b>11.8</b>	<b>15.0</b>
YoY growth	18%	25%	59%	28%
as % of adjusted revenues	4.9%	4.8%	6.3%	6.7%

Source: Company data (A) and Intermonte SIM estimates (E).

### Talea – Profit&Loss

Talea - P&L (Eu mn)	2022A	2023E	2024E	2025E
<b>Net revenues</b>	<b>116.3</b>	<b>149.0</b>	<b>180.5</b>	<b>215.5</b>
YoY growth	41%	28%	21%	19%
Co-marketing rebates	4.6	5.9	7.2	8.9
<b>Adj. Revenues</b>	<b>120.9</b>	<b>154.9</b>	<b>187.6</b>	<b>224.5</b>
- COGS	(77.9)	(100.6)	(119.7)	(141.7)
on net revenues	67.0%	67.5%	66.3%	65.7%
<b>Gross profit</b>	<b>38.4</b>	<b>48.4</b>	<b>60.8</b>	<b>73.8</b>
YoY	38%	26%	26%	21%
on net revenues	33.0%	32.5%	33.7%	34.3%
on adj. revenues	31.7%	31.3%	32.4%	32.9%
- OpEx	(36.2)	(45.9)	(53.8)	(61.0)
on net revenues	31%	31%	30%	28%
<b>Adj. EBITDA</b>	<b>2.5</b>	<b>2.6</b>	<b>7.0</b>	<b>12.9</b>
YoY	-7%	2%	175%	82%
on net revenues	2.2%	1.7%	3.9%	6.0%
on adj. revenues	2.1%	1.7%	3.8%	5.7%
<b>EBITDA</b>	<b>2.1</b>	<b>2.6</b>	<b>7.0</b>	<b>12.9</b>
YoY	6%	21%	175%	82%
- D&A	(2.2)	(3.1)	(4.0)	(4.7)
<b>EBIT</b>	<b>(0.1)</b>	<b>(0.6)</b>	<b>3.1</b>	<b>8.1</b>
on net revenues	-0.1%	-0.4%	1.7%	3.8%
Financial income (charges)	(0.8)	(1.3)	(1.5)	(1.3)
<b>Pretax profit</b>	<b>(0.9)</b>	<b>(1.9)</b>	<b>1.6</b>	<b>6.8</b>
- Taxes	(0.1)	(0.1)	(0.4)	(1.8)
<b>Net profit</b>	<b>(0.9)</b>	<b>(1.9)</b>	<b>1.2</b>	<b>5.0</b>

Source: Company data (A) and Intermonte SIM estimates (E).

### Balance Sheet & Cash Flow

- We estimate cumulative **CapEx** 2023-25 at €15.0mn, excluding IFRS 16 effects. (on average, CapEx at c. 3% of sales).
- We cautiously assume an increase in **working capital** in 2023, mainly related to the opening of the new logistics centre in Nichelino. The addition should gradually be reabsorbed in 2024 and 2025.
- We forecast **net debt** at €21.1mn, partly because we also take into consideration the recently announced acquisition of the brand Doc Peter for €3.3mn, and partly because we are more conservative on working capital. We think the company will continue to invest to develop the business, while always maintaining a balanced approach.

### Talea – Balance Sheet

Talea - Balance Sheet (Eu mn)	2022A	2023E	2024E	2025E
Fixed assets	70.9	73.3	75.6	76.2
Net working capital	(4.5)	2.0	(2.2)	(3.8)
Provisions	(5.2)	(5.3)	(5.4)	(5.5)
<b>Net capital employed</b>	<b>61.2</b>	<b>69.9</b>	<b>67.9</b>	<b>66.9</b>
Total shareholders' equity	37.8	39.0	40.5	44.0
<b>Net debt IFRS 16</b>	<b>(21.5)</b>	<b>(32.1)</b>	<b>(28.9)</b>	<b>(22.9)</b>

Source: Company data (A) and Intermonte SIM estimates (E).

**Talea – Cash Flow**

<b>Talea - Cash Flow (Eu mn)</b>	<b>2022A</b>	<b>2023E</b>	<b>2024E</b>	<b>2025E</b>
EBITDA	2.1	2.6	7.0	12.9
D&A right of use	(0.9)	(1.1)	(1.4)	(1.9)
delta NWC	(2.9)	(6.5)	4.2	1.6
Other funds and provisions	(0.0)	0.2	0.1	0.1
<b>Operating FCF</b>	<b>(1.7)</b>	<b>(4.9)</b>	<b>9.9</b>	<b>12.6</b>
Taxes	(0.1)	(0.1)	(0.4)	(1.8)
Financial charges	(0.8)	(1.3)	(1.5)	(1.3)
CapEx	(4.1)	(5.0)	(5.0)	(5.0)
<b>FCF</b>	<b>(6.7)</b>	<b>(11.2)</b>	<b>3.0</b>	<b>4.5</b>
M&A	0.0	(0.3)	(1.3)	(0.4)
Dividend paid	0.0	0.0	0.0	0.0
Capital increase	0.0	0.0	0.0	0.0
IFRS 16 adj.	(0.7)	0.9	1.4	1.9
<b>Change in NFP</b>	<b>(7.4)</b>	<b>(10.6)</b>	<b>3.1</b>	<b>6.0</b>
<b>NFP BoP</b>	<b>(14.1)</b>	<b>(21.5)</b>	<b>(32.1)</b>	<b>(28.9)</b>
<b>NFP EoP</b>	<b>(21.5)</b>	<b>(32.1)</b>	<b>(28.9)</b>	<b>(22.9)</b>

Source: Company data (A) and Intermonte SIM estimates (E).

**Talea - 2025 business plan vs actual and our estimates**

	<b>2022 A</b>	<b>2025 BP (mid point)</b>	<b>CAGR 22-25</b>	<b>2025 Inte.</b>	<b>Intermonte /guidance</b>
<b>KPIs (k)</b>					
Media budget	9,150	15,000	18%	15,367	2%
Session on platforms	60,000	90,000	14%	91,937	2%
Orders (physical + online)	2,620	4,000	15%	4,075	2%
Active customers	1,000	1,700	19%	1,571	-8%
Products sold (physical + online)	12,077	21,600	21%	21,609	0%
SKU	100	150	14%	150	0%
Industrial customers	0.2	0.4	30%	0.4	-1%
<b>Financials (Eu mn)</b>					
Adj. revenue	120.9	225.0	23%	224.5	0%
Adj. EBITDA	2.5	13.5	75%	12.9	-5%
EBITDA margin	2.1%	6.0%		5.7%	
NFP	-21.5	-10.5		-22.9	
CapEx (Cumulative 2023-25)	4.1	20*		15	

Source: Intermonte SIM on company data and Intermonte estimates. \* Cumulative CapEx target of €20mn inclusive of IFRS 16 effect.



## Valuation

### DCF analysis

We initiate Talea coverage with a BUY recommendation and €13.7 target price.

We evaluate Talea by means of DCF method since it highlights the company long-term growth opportunity. Our valuation model is based on the following assumption:

- **WACC at 10.5%**, based on 1) a 4.5% risk-free rate, 2) a 5.5% equity risk premium, 3) unlevered beta at 1.15, 4) cost of debt at 6.0% and 5) a target capital structure with leverage at 20%
- **2028-2033 EBITDA margin (exit year) stable at 6.2%**, as we think that the business model will be able to reach and keep doing profitable results, thanks also to revenues more skewed towards the Industrial Area by nature featuring higher margins and the multi-brand strategy of the Consumer area which enables scale economies.
- **Perpetual growth rate at 3.0%**, highlighting Talea long-term growth opportunity. We expect revenues will grow at a sustained 16% CAGR in the period from 2023 to 2028, and at 7% CAGR from 2028 to 2033.

Talea - WACC assumptions	
Target capital structure D/(D+E)	25%
Free risk rate	4.5%
Beta unlevered	1.15
Beta levered at target capital structure	1.36
Equity risk premium	5.5%
Cost of equity	12%
pre-tax cost of debt	6.0%
<b>WACC</b>	<b>10.5%</b>

Source: Intermonte SIM

Talea - DCF valuation summary	
PV of future CF (24E-33E)	57.8
PV of terminal value	72.2
<b>Enterprise value</b>	<b>130</b>
Net Cash (Debt) at YE23	(32.1)
Minorities	0.0
Payments for M&A	(4.1)
<b>Equity Value</b>	<b>93.8</b>
current NOSH (mn)	6.8
<b>Target Price (Eu)</b>	<b>13.7</b>

Source: Intermonte SIM

Talea - DCF sensitivity (€ p/s) to perpetuity growth rate (%) and WACC (%)

	Perpetuity growth rate											
	2.5%	2.6%	2.7%	2.8%	2.9%	3.0%	3.1%	3.2%	3.3%	3.4%	3.5%	
WACC	9.5%	16.0	16.2	16.3	16.5	16.7	16.9	17.1	17.4	17.6	17.8	18.0
	9.7%	15.3	15.5	15.7	15.8	16.0	16.2	16.4	16.6	16.8	17.0	17.2
	9.9%	14.7	14.9	15.0	15.2	15.4	15.5	15.7	15.9	16.1	16.3	16.5
	10.1%	14.1	14.3	14.4	14.6	14.7	14.9	15.0	15.2	15.4	15.6	15.8
	10.3%	13.6	13.7	13.8	14.0	14.1	14.3	14.4	14.6	14.8	14.9	15.1
	10.5%	13.0	13.2	13.3	13.4	13.6	13.7	13.8	14.0	14.1	14.3	14.5
	10.7%	12.5	12.7	12.8	12.9	13.0	13.2	13.3	13.4	13.6	13.7	13.9
	10.9%	12.1	12.2	12.3	12.4	12.5	12.6	12.8	12.9	13.0	13.2	13.3
	11.1%	11.6	11.7	11.8	11.9	12.0	12.2	12.3	12.4	12.5	12.6	12.8
	11.3%	11.2	11.3	11.4	11.5	11.6	11.7	11.8	11.9	12.0	12.1	12.3
	11.5%	10.8	10.9	11.0	11.1	11.2	11.3	11.4	11.5	11.6	11.7	11.8

Source: Intermonte SIM

## Peer analysis

We compare Talea to a set of listed companies that have similar business models or which operate in the e-commerce sector. First of all, we consider two European listed online pharmacies: DocMorris and Redcare Pharmacy.

- **DocMorris Ltd** (DOCM-CH, CHF719mn market cap) is a leader in the fields of online pharmacy, marketplace and professional healthcare. It operates in Germany (94% of revenues), France and Spain. DocMorris is the number one online pharmacy in Germany, with 9mn active customers. The company was founded in 1993 and is headquartered in Switzerland.
- **Redcare Pharmacy N.V.** (RDC-DE, Eu2.1bn market cap) is the leading e-pharmacy in Europe, currently active in the DACH region (c.80% of revenues) and another four countries: France, Belgium, the Netherlands and Italy (where it has 1.4mn monthly visits). Redcare offers more than 150k products (OTC, health-related products and prescription drugs where admissible) to over 10mn active customers. The company was founded in 2001 and is headquartered in the Netherlands.

### Talea - KPI comparison with the main European e-pharma players

Eu mn, FY22 data	DocMorris	Redcare	Talea Group
Revenues	1614.7	1204.4	120.9
<b>Growth YoY</b>	<b>-6.8%</b>	<b>13.6%</b>	<b>41.0%</b>
Gross income	246.6	331.8	38.4
<b>Gross margin</b>	<b>15.3%</b>	<b>27.5%</b>	<b>31.7%</b>
EBITDA adj.	-78.0	-8.0	2.5
<b>EBITDA margin</b>	<b>-4.8%</b>	<b>-0.7%</b>	<b>2.1%</b>
<b>Average online order value (Eu)</b>	<b>40.0</b>	<b>58.3</b>	<b>45.0</b>
<b>Conversion rate</b>	<b>n.a.</b>	<b>3.9%</b>	<b>4.0%</b>

Source: Intermonte SIM

While the three companies have pharmaceutical e-commerce as the common factor, it is worth noting that DocMorris and Redcare operate in different geographical markets to Talea, with hefty exposure to Germany. Germany is among the most mature e-pharmacy markets, with the channel accounting for 20% of sales in the consumer health category (vs 6% for the Italian market), and thus lower growth rates. Furthermore, in the German market, prescription-only medicines can be sold online

We therefore consider another two groups:

- **European diversified online retailers (Zalando, ASOS, Boohoo, Boozt and HelloFresh)** which, like Talea, engage in e-commerce, albeit in other product categories (clothing, food).
- Companies operating in the **Beauty segment** (L'Oreal and Estee Lauder). The two companies engage in the manufacture and sale of beauty products such as skin care, makeup, suncare, fragrance and hair care products. The two firms are among the main vendors on the Talea websites (Beauty products accounted for 30% of Talea SKU in 2022).

### Talea - Peers' current trading multiples

Company	Currency	Price	Mkt. Cap (Eu mn)	EV/Sales			EV/EBITDA			EV/EBIT			PE			Div. Yield (%)		
				23E	24E	25E	23E	24E	25E	23E	24E	25E	23E	24E	25E	23E	24E	25E
Talea (@mkt price, Inte. est.)	EUR	8.80	60	0.6x	0.5x	0.4x	13.1x	6.9x	6.5x	n.m.	29.0x	10.2x	n.m.	52.4x	12.1x	0.0%	0.0%	0.0%
Redcare Pharmacy N.V.	EUR	110.85	2,240	1.4x	1.1x	0.9x	63.1x	33.1x	20.1x	n.m.	219.9x	45.0x	n.m.	n.m.	80.3x	0.0%	0.0%	0.0%
DocMorris Ltd	CHF	49.24	701	0.8x	0.7x	0.5x	n.m.	n.m.	19.8x	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	0.0%	0.0%	0.1%
<b>European e-Pharma - Median</b>				<b>1.1x</b>	<b>0.9x</b>	<b>0.7x</b>	<b>63.1x</b>	<b>33.1x</b>	<b>20.0x</b>	<b>n.m.</b>	<b>219.9x</b>	<b>45.0x</b>	<b>n.m.</b>	<b>n.m.</b>	<b>80.3x</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.1%</b>
Zalando SE	EUR	20.46	5,396	0.4x	0.4x	0.4x	7.4x	5.7x	4.4x	17.5x	11.0x	7.3x	32.5x	20.2x	14.7x	0.0%	0.2%	0.3%
ASOS plc	GBP	3.79	521	0.2x	0.2x	0.1x	15.0x	2.9x	2.3x	n.m.	10.9x	6.6x	n.m.	50.0x	12.7x	0.0%	0.0%	0.0%
boohoo group Plc	GBP	0.30	439	0.3x	0.2x	0.2x	7.0x	5.3x	3.9x	n.m.	30.1x	14.3x	n.m.	141.3x	22.5x	0.0%	0.0%	0.0%
Boozt AB	SEK	86.50	496	0.7x	0.6x	0.5x	9.2x	7.5x	6.4x	16.2x	12.3x	10.0x	23.3x	18.9x	15.7x	0.0%	0.0%	0.0%
HelloFresh SE	EUR	27.21	4,700	0.6x	0.5x	0.5x	10.1x	7.1x	5.4x	19.1x	11.2x	8.0x	30.0x	18.3x	13.8x	0.0%	0.0%	0.0%
<b>Diversified Online Retailers - Median</b>				<b>0.4x</b>	<b>0.4x</b>	<b>0.4x</b>	<b>9.2x</b>	<b>5.7x</b>	<b>4.4x</b>	<b>17.5x</b>	<b>11.2x</b>	<b>8.0x</b>	<b>30.0x</b>	<b>20.2x</b>	<b>14.7x</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>
L'Oreal S.A.	EUR	391.35	209,761	5.1x	4.7x	4.4x	21.5x	19.7x	18.0x	25.3x	23.4x	21.4x	32.2x	29.7x	27.7x	1.7%	1.8%	1.9%
Estee Lauder Companies Inc. Class A	USD	141.39	48,021	3.5x	3.2x	2.9x	21.6x	18.6x	14.4x	30.4x	25.9x	18.5x	40.5x	36.5x	24.9x	1.8%	1.9%	2.1%
<b>Beauty - Median</b>				<b>4.3x</b>	<b>4.0x</b>	<b>3.7x</b>	<b>21.5x</b>	<b>19.1x</b>	<b>16.2x</b>	<b>27.8x</b>	<b>24.7x</b>	<b>20.0x</b>	<b>36.3x</b>	<b>33.1x</b>	<b>26.3x</b>	<b>1.7%</b>	<b>1.9%</b>	<b>2.0%</b>
<b>Average Selected Peers</b>				<b>1.1x</b>	<b>0.9x</b>	<b>0.7x</b>	<b>21.5x</b>	<b>19.1x</b>	<b>16.2x</b>	<b>22.7x</b>	<b>24.7x</b>	<b>20.0x</b>	<b>33.2x</b>	<b>26.7x</b>	<b>26.3x</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>

Source: FactSet & Intermonte SIM estimates

**Talea - Peers' key financial metrics**

	Sales growth				EBITDA margin				EBIT margin			
	2022A	2023E	2024E	2025E	2022A	2023E	2024E	2025E	2022A	2023E	2024E	2025E
<b>Talea Group S.p.A. @ our est.</b>	<b>41.0%</b>	<b>28%</b>	<b>21%</b>	<b>19%</b>	<b>2.1%</b>	<b>1.8%</b>	<b>3.8%</b>	<b>5.7%</b>	<b>0.0%</b>	<b>-0.5%</b>	<b>1.6%</b>	<b>3.6%</b>
Redcare Pharmacy N.V.	13.6%	43.1%	27.7%	21.8%	-0.6%	2.2%	3.3%	4.3%	-4.7%	-0.8%	0.5%	1.9%
DocMorris Ltd	-6.8%	-37.7%	18.2%	28.6%	-4.9%	-3.9%	-0.1%	2.7%	-8.6%	-7.8%	-3.4%	0.0%
<b>European e-Pharma - Median</b>	<b>3.4%</b>	<b>2.7%</b>	<b>22.9%</b>	<b>25.2%</b>	<b>-2.7%</b>	<b>-0.8%</b>	<b>1.6%</b>	<b>3.5%</b>	<b>-6.6%</b>	<b>-4.3%</b>	<b>-1.5%</b>	<b>1.0%</b>
Zalando SE	-0.1%	0.5%	6.9%	9.5%	4.4%	6.1%	7.2%	8.0%	1.3%	2.6%	3.7%	4.8%
ASOS plc	0.7%	-9.8%	2.5%	7.9%	4.3%	1.3%	5.6%	6.2%	1.0%	-0.7%	1.5%	2.2%
boohoo group Plc	-10.8%	-3.6%	7.8%	9.0%	3.6%	3.9%	4.7%	5.5%	0.3%	-0.1%	0.8%	1.5%
Boozt AB	16.0%	8.6%	11.3%	10.8%	7.3%	7.7%	8.1%	8.3%	4.2%	4.4%	5.0%	5.3%
HelloFresh SE	26.9%	3.0%	10.3%	9.0%	6.3%	6.2%	7.6%	8.6%	3.5%	3.3%	4.9%	5.8%
<b>Diversified Online Retailers - Median</b>	<b>0.7%</b>	<b>0.5%</b>	<b>7.8%</b>	<b>9.0%</b>	<b>4.4%</b>	<b>6.1%</b>	<b>7.2%</b>	<b>8.0%</b>	<b>1.3%</b>	<b>2.6%</b>	<b>3.7%</b>	<b>4.8%</b>
L'Oreal S.A.	18.5%	8.7%	6.7%	6.0%	23.5%	23.7%	23.9%	24.3%	19.4%	20.1%	20.1%	20.5%
Estee Lauder Companies Inc. Class A	9.3%	-10.2%	6.6%	8.6%	23.8%	16.0%	17.4%	20.3%	19.6%	11.4%	12.5%	15.9%
<b>OTC/Health &amp; Beauty - Median</b>	<b>13.9%</b>	<b>-0.7%</b>	<b>6.7%</b>	<b>7.3%</b>	<b>23.7%</b>	<b>19.9%</b>	<b>20.7%</b>	<b>22.3%</b>	<b>19.5%</b>	<b>15.7%</b>	<b>16.3%</b>	<b>18.2%</b>
<b>Median</b>	<b>3.4%</b>	<b>0.5%</b>	<b>7.8%</b>	<b>9.0%</b>	<b>4.4%</b>	<b>6.1%</b>	<b>7.2%</b>	<b>8.0%</b>	<b>1.3%</b>	<b>2.6%</b>	<b>3.7%</b>	<b>4.8%</b>

Source: Intermonte SIM

Talea is currently trading at 0.6x/0.5x EV/Sales for 2023E/24E based on our estimates, vs the median value of the European e-Pharma operators (1.1x/0.9x EV/Sales 2023E/2024E).

## **Annex I: The recent Doc Peter acquisition**

During its 1H23 results presentation, Talea announced the acquisition of the Doc Peter brand and related internet domain from Farmacia S. Caterina S.r.l.

### **Brief description**

At the end of 2022, Doc Peter pharmaceutical e-commerce registered over 21mn users and 170,000 customers, from which it generated turnover of approximately €14.4mn. The site is well appreciated by consumers, as shown by one of the highest satisfaction levels recorded in the sector by Trustpilot (4.9/5), thanks to customer care that features proactive consultancy by pharmacists.

### **Rationale**

The Doc Peter acquisition and the ambition of increasing its revenues are part of Talea's commercial strategy, aimed at diversifying the value proposition towards customers, through dedicated platforms that are increasingly close to the final consumer, aggregating a greater audience and obtaining benefits in terms of economies of scale. The greater volume of products generated by the Doc Peter platform will be managed by the Group's two logistics hubs, accelerating the absorption of fixed costs.

Furthermore, by purchasing Doc Peter, Talea Group acquires know-how focused on the operational management of the Group's proactive customer care, taking advantage of a new consultancy dynamic that is more focused on the need of the client rather than on the product range.

### **Terms of purchase**

The parties have agreed a fixed price of €3.3mn (+VAT) to be paid in 60 monthly installments of €30,000, followed by a final maxi-installment of €1.5mn, payable no later than 30 September 2028. The agreed price implies a multiple of 0.23x Doc Peter's FY22 sales. Thanks to this deferred payment method, Talea Group hopes to finance itself with the proceeds generated by the sales activity of the newly purchased platform, without burdening the Group's cash position.

## Annex II: Company structure, Shareholders and Governance

### Company structure



### Shareholder structure

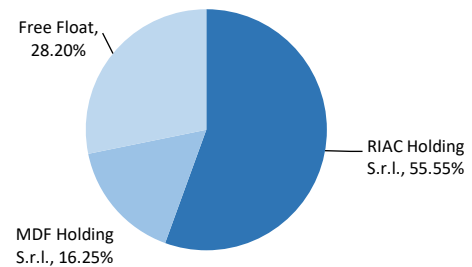
Talea has been listed on the EGM market of the Italian Stock Exchange since July 2019.

#### Talea - Ordinary shares

<b>Ticker</b>	TALEA-IT
<b>ISIN Code</b>	IT0005378333
<b>NOSH (mn)</b>	6.85
<b>Share Price (Eu)</b>	8.88
<b>Current Market Cap (Eu mn)</b>	60.8
<b>Free Float (%)</b>	28.2%

Source: FactSet

#### Talea - Share ownership

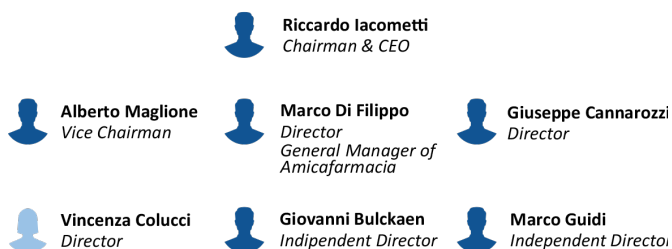


Source: Intermonte SIM on company presentation.

55.6% of the share capital is owned by RIAC Holding S.r.l., in turn owned by Riccardo Iacometti, who also holds 200,000 ordinary shares corresponding to 2.92% of the share capital. MDF Holding S.r.l., which is wholly owned by Marco di Filippo, owns 16.3% of Talea share capital. Free float amounts to 28.2%.

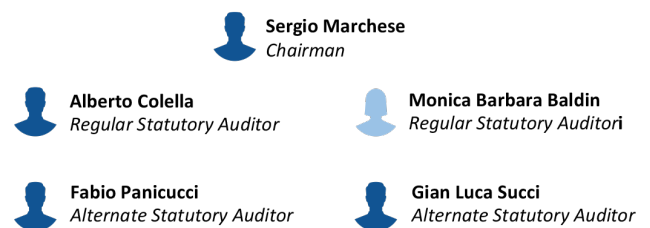
The Board of Director is composed by seven members, with two independent directors.

#### Talea – Board of Directors



Source: Intermonte SIM on company presentation.

#### Talea – Board of Statutory Auditors



Source: Intermonte SIM on company presentation.

## Talea - Board of Directors members

Member	Role
<b>Riccardo Iacometti</b>	<p><b>Founder, Chairman and CEO</b></p> <ul style="list-style-type: none"> <li>Accounting diploma and honorary degree in Business and Economics from Leibniz University (2005)</li> <li>General Manager for Italy at Alliance Healthcare (Walgreens Boots Alliance, worldwide leader in drug distribution) (1987-2012)</li> <li>Founder, partner and CEO of Farmaè (2014)</li> </ul>
<b>Alberto Maglione</b>	<p><b>Director and Deputy Chairman</b></p> <ul style="list-style-type: none"> <li>More than 15 years of experience in the field of Communication and Marketing.</li> <li>Founder of Valnan Communication (2003), General Manager and member of the BoD.</li> <li>2013: Joined the Farmaè Group. Current member of the BoD and Vice President with operational responsibilities in Business Development, M&amp;A, Group Retail, Communication &amp; Public Affairs, CSR, Project Management and IR.</li> </ul>
<b>Marco Di Filippo</b>	<p><b>Director</b></p> <ul style="list-style-type: none"> <li>Degree and subsequent qualification in Pharmacy from the University of Turin (2004).</li> <li>Founder of Amicafarmacia.com (2006), as a new asset and e-commerce channel connected to the family pharmacy, building the growth path, with particular reference to the digital marketing and IT processes functions.</li> <li>Participates as speaker at events and conferences on e-commerce and pharmaceutical retailing.</li> </ul>
<b>Giuseppe Cannarozzi</b>	<p><b>Director</b></p> <ul style="list-style-type: none"> <li>Registered on the Order of Chartered Accountants and Legal Auditors</li> <li>Worked as an employee of an auditing company and as an independent accountant with two studios in Tuscany.</li> <li>Is a regular member on the statutory audit boards of mid-large size companies</li> </ul>
<b>Vincenza Nicoletta Colucci</b>	<p><b>Director</b></p> <ul style="list-style-type: none"> <li>Financial analyst on the banking and insurance sectors and head of research department</li> <li>Investor Relations Officer before becoming Director of Investor &amp; Media Relations at Aedes.</li> <li>Chair of the BoD, Partner and Co-Founder of CDR Communication srl, a company specialising in providing consultancy services to SMEs</li> </ul>
<b>Marco Guidi</b>	<p><b>Independent Director</b></p> <ul style="list-style-type: none"> <li>Registered on the Order of Chartered Accountants and Legal Auditors</li> <li>Worked as an independent accountant</li> <li>Currently provides consultancy and assistance to companies in the fashion sector and its supply chain</li> <li>Currently acting as Member of the Board of Statutory Auditors, Sole Director and liquidator for various Italian companies</li> </ul>
<b>Giovanni Bulckaen</b>	<p><b>Independent Director</b></p> <ul style="list-style-type: none"> <li>Registered with the College of Accountants and Commercial Surveyors and on the CTU list</li> <li>Registered as an Official Auditor</li> <li>Practises as a chartered accountant and is also qualified to provide legal representation and defence in the Tax Court and to issue compliance certification.</li> </ul>

Source: Intermonte SIM

## **Annex III: ESG Strategy**

### **ESG Snapshot**

Talea embraces the principles of Environmental, Social and Governance sustainability in order to generate shared value for the Group and its stakeholders.

This commitment is demonstrated by the fact that Talea is among the 30 companies included on the ESG ITA Growth Index. This index, launched in April 2023, includes the 30 SMEs listed on the EGM with the best sustainability credentials. In 2022, it also won the SMAU prize, which is awarded to innovative and digital companies with a focus on sustainability.

### **Environment**

The Group has been carbon neutral since 2022, certified by Up2You (a B Corp, Greentech start-up that allows companies to reduce their environmental impact). The Group's supply chain has been developed from a sustainability perspective. The automation of processes allows Talea to be efficient from both an economic and environmental point of view. The Migliarino Pisano logistics site is partly equipped with photovoltaic panels, while the new Piedmont hub will be equipped with them shortly. These measures will allow the company to reach the net zero objective, now scheduled for 2050. Talea is also committed to the circular economy and pays particular attention to the environmental impact of packaging. Its efforts so far have enabled the company to achieve Carbon Neutral Company certification for 2021, as well as Verified Carbon Footprint, Committed to Net Zero and CO2 Blockchain Certified certifications.

### **Social**

Talea defines itself as a reality made by people, for people. The Group has put measures in place to enhance diversity and inclusion, while investing in training and education. At the end of 2022, the group had 222 employees, of which 63% were women. Outgoing employee turnover was at 19%, while incoming employee turnover was 25%. Rigorous health and safety standards are implemented to grant employees the best work environment. The company is also active for the community, promoting cultural initiatives and sports partnerships.

### **Governance**

The Board of Directors comprises 7 Directors, of which 29% are independent according to the TUF definition, and 14% belong to the less represented gender. The company has a Code of Ethics and introduced a Corporate Social Responsibility division in 2020 to give more prominence to ESG matters.

### **Our take**

Even if Talea is relatively small, we note that sustainability is embedded in its activities. The company pays attention to employees' needs, offers services to the community, and is striving to achieve net zero by automating logistics and powering them through self-generated green energy.

## Glossary

### OTC (*Over The Counter*)

Self-medication drugs for mild and temporary symptoms which can be bought without a doctor's prescription. They are freely accessible in the point of sale and are subject to advertising. (e.g. Aspirina, Okitask)

### SOP (*Senza Obbligo di Prescrizione*)

Drugs which contain active substances but do not require medical prescription. They are not freely accessible in the point of sale: 1) cannot be exposed on the counter, 2) cannot be advertised, and 3) shall be sold on pharmacist's request and advice. (e.g. Tachipirina)

### Active customers

Unique visitors who interact with the website purchasing at least once within a certain period of time

### SKU (*Stock Keeping Unit*), Reference

Type of products available in stock

### Industrial customers

Companies and brands to which Talea offers consultancy, advertising and co-marketing services.

### Session on platforms

Audience on digital platforms, people visiting the websites in a given period.

### Conversion rate

E-commerce's ability to turn visitors into buyers, turning sessions into orders (orders online/sessions on platforms)

DETAILS ON STOCKS RECOMMENDATION			
Stock NAME	TALEA GROUP		
Current Recomm:	BUY	Previous Recomm:	--
Current Target (Eu):	13.70	Previous Target (Eu):	--
Current Price (Eu):	8.80	Previous Price (Eu):	--
Date of report:	06/10/2023	Date of last report:	--



**DISCLAIMER (for more details go to [DISCLAIMER](#))**

**IMPORTANT DISCLOSURES**

The reproduction of the information, recommendations and research produced by Intermonte SIM contained herein and of any its parts is strictly prohibited. None of the contents of this document may be shared with third parties without authorisation from Intermonte.

This report is directed exclusively at market professional and other institutional investors (Institutions) and is not for distribution to person other than "Institution" ("Non-Institution"), who should not rely on this material. Moreover, any investment or service to which this report may relate will not be made available to Non-Institution.

The information and data in this report have been obtained from sources which we believe to be reliable, although the accuracy of these cannot be guaranteed by Intermonte. In the event that there be any doubt as to their reliability, this will be clearly indicated. The main purpose of the report is to offer up-to-date and accurate information in accordance with regulations in force covering "recommendations" and is not intended nor should it be construed as a solicitation to buy or sell securities.

This disclaimer is constantly updated on Intermonte's website [www.intermonte.it](http://www.intermonte.it) under LEGAL INFORMATION. Valuations and recommendations can be found in the text of the most recent research and/or reports on the companies in question. For a list of all recommendations made by Intermonte on any financial instrument or issuer in the last twelve months consult the [PERFORMANCE](#) web page.

Intermonte distributes research and engages in other approved activities with respect to Major U.S. Institutional Investors ("Majors") and other Qualified Institutional Buyers ("QIBs"), in the United States, via Brasil Plural Securities LLC under SEC 15a-6 guidelines. Intermonte is not registered as a broker dealer in the United States under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and is not a member of the Securities Investor Protection Corporation ("SIPC"). Brasil Plural Securities LLC is registered as a broker-dealer under the Exchange Act and is a member of SIPC.

**ANALYST CERTIFICATION**

For each company mentioned in this report the respective research analyst hereby certifies that all of the views expressed in this research report accurately reflect the analyst's personal views about any or all of the subject issuer (s) or securities. The analyst (s) also certifies that no part of their compensation was, is or will be directly or indirectly related to the specific recommendation or view in this report.

The analyst (s) responsible for preparing this research report receive(s) compensation that is based upon various factors, including Intermonte's total profits, a portion of which is generated by Intermonte's corporate finance activities, although this is minimal in comparison to that generated by brokerage activities.

Intermonte's internal procedures and codes of conduct are aimed to ensure the impartiality of its financial analysts. The exchange of information between the Corporate Finance sector and the Research Department is prohibited, as is the exchange of information between the latter and the proprietary equity desk in order to prevent conflicts of interest when recommendations are made.

The analyst responsible for the report is not a) a resident of US; b) an associated person of a U.S. broker-dealer; c) supervised by a supervisory principal of a U.S. broker-dealer. This Research Report is distributed in the U.S. through Brasil Plural Securities LLC, 545 Madison Avenue, New York 10022.

**GUIDE TO FUNDAMENTAL RESEARCH**

The main methods used to evaluate financial instruments and set a target price for 12 months after the investment recommendation are as follows:

- Discounted cash flow (DCF) model or similar methods such as a dividend discount model (DDM)
- Comparison with market peers, using the most appropriate methods for the individual company analysed: among the main ratios used for industrial sectors are price/ earnings (P/E), EV/EBITDA, EV/EBIT, price /sales.
- Return on capital and multiples of adjusted net book value are the main methods used for banking sector stocks, while for insurance sector stocks return on allocated capital and multiples on net book value and embedded portfolio value are used
- For the utilities sector comparisons are made between expected returns and the return on the regulatory asset base (RAB)

Some of the parameters used in evaluations, such as the risk-free rate and risk premium, are the same for all companies covered, and are updated to reflect market conditions. Currently a risk-free rate of 4.0% and a risk premium of 5.5% are being used.

Frequency of research: quarterly.

Reports on all companies listed on the S&PMB40 Index, most of those on the MIBEX Index and the main small caps (regular coverage) are published at least once per quarter to comment on results and important newsflow.

A draft copy of each report may be sent to the subject company for its information (without target price and/or recommendations), but unless expressly stated in the text of the report, no changes are made before it is published.

Explanation of our ratings system:

BUY: stock expected to outperform the market by over 25% over a 12 month period;

OUTPERFORM: stock expected to outperform the market by between 10% and 25% over a 12 month period;

NEUTRAL: stock performance expected at between +10% and -10% compared to the market over a 12 month period;

UNDERPERFORM: stock expected to underperform the market by between -10% and -25% over a 12 month period;

SELL: stock expected to underperform the market by over 25% over a 12 month period.

Prices: The prices reported in the research refer to the price at the close of the previous day of trading

**CURRENT INVESTMENT RESEARCH RATING DISTRIBUTIONS**

Intermonte SIM is authorised by CONSOB to provide investment services and is listed at n° 246 in the register of brokerage firms.

As at 30 September 2023 Intermonte's Research Department covered 114 companies. Intermonte's distribution of stock ratings is as follows:

BUY:	24.79 %
OUTPERFORM:	52.99 %
NEUTRAL:	20.51 %
UNDERPERFORM	01.71 %
SELL:	00.00 %

The distribution of stock ratings for companies which have received corporate finance services from Intermonte in the last 12 months (48 in total) is as follows:

BUY:	38.78 %
OUTPERFORM:	51.02 %
NEUTRAL:	10.20 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

**CONFLICT OF INTEREST**

In order to disclose its possible conflicts of interest Intermonte SIM states that:

**Intermonte is acting as financial advisor to SAES Getters in relation to the partial voluntary tender offer on ordinary treasury shares.**

Within the last year, Intermonte SIM managed or co-managed/is managing or is co-managing an Institutional Offering and/or managed or co-managed/is managing or is co-managing an offering with firm commitment underwriting of the securities of the following Companies: Civitanavi Systems, GPI.

Intermonte SIM has provided in the last 12 months / provides / may provide investment banking services to the following companies: Aedes, Cy4Gate, Esprinet, GPI, Greenthesis (formerly Ambientthesis), Growens, Illimity Bank, Maire Tecnimont, SAES Getters, Tinexta, Unidata and WIIT.

**Intermonte SIM is acting as counterparty to WIIT Fin S.r.l. in connection with call and put options having WIIT S.p.A. shares and dividends as reference underlying.**

Intermonte SIM is Specialist and/or Corporate Broker and/or Sponsor and/or Broker in charge of the share buy back activity of the following Companies: Abitare In, Aedes, Alkemy, Anima Holding, Antares Vision, Aquafil, Avio, Azimut Holding, Banca Ifis, Banca Sistema, Cellularelite, Civitanavi Systems, Cyberoo, Cy4gate, DeA Capital, Datrix, EL.En, Eles, Elica, Emak, Esprinet, Expert AI, Fimit - Fondo Alpha, Fine Foods, Franchi Umberto Marmi, Gefran, Go Internet, GPI, Greenthesis (Formerly Ambientthesis), Gruppo Fos, GVS, IEG, Iervolino & Lady Bacardi Entertainment, IndelB, Intred, Luve, Matica Fintec, Notorious Pictures, Next Re SiliQ, Omer, Pharmanutra, Reevo, Relatech, Reply, Revo Insurance, Sababa Security, Saes Getters, Salcef, Sciuker Frames, Seco, Servizi Italia, Sesa, Seri Industrial, Somec, Talea, Tamburi, Tinexta, Tesmec, The Italian Sea Group, TXT, Unidata, Webuild and WIIT.

Intermonte SIM has a contractual commitment to act as liquidity provider on behalf of third parties for the following company: Banca Sistema.

Intermonte SIM performs as a market maker for the following companies: A2A, Anima, Atlantia, Autogrill, Azimut Holding, BAMI, Banca Generali, Banca Mediolanum, Brembo, Buzzi, CNHI, Enel, ENI, Exor, Fineco, FCA, FTMBI, Generali, Italgas, Iren, Intesa Sanpaolo, Leonardo, Mediobanca, Moncler, Mediaset, Pirelli&C, Prysmian, Poste, Ferrari, Saipem, Snam, STM, Tenaris, Telecom Italia, Telecom Italia sav, Terna, UBI, Unicredit, Unipol, UnipolSai.

Intermonte SIM, through Websim, which constitute the digital division of Intermonte, acts as a Financial Content Provider on the following companies: Abitare In, Alkemy, Banca Sistema, Bifire S.P.A., B&C Speakers, Cleanbnb, Comer Industries, Crowdfundme, Cy4gate, Cyberoo, Digital Bros, Digital Magics, Doxee, Ediliziacrobatica Spa, Eles, Elica, Emak, Esi, Esprinet, Eviso, Fae Technology, Fiera Milano, Finanza.Tech, First Capital, Fope, FOS, Franchi Umberto Marmi, Giglio Group, Go Internet, GPI, Iervolino & Lady Bacardi Entertainment, Intercos, Intred, Iscc Fintech, Lindbergh, Lventure Group, Maps, Masi Agricola, Matica Fintec, Neodecortech, Nhoia, Notorious Pictures, Orsero Group, Osai Automation System, Racing Force Group, Relatech, Reti, Salcef Group, Sciuker Frames, Sebino, SGCompany, Solid World Group, Spindox Digital Soul, Supplymecapital, Tamburi, Tesmec, The Italian Sea Group, Tinexta, Tps Group, Trendevice, Tribuo, Ulisse Biomed, Vantea Smart, WIIT. Intermonte SIM SpA holds net long or short positions in excess of 0.5% of the overall share capital in the following issuers:

Emittente	%	Long/Short
-----------	---	------------

**© Copyright 2023 by Intermonte SIM - All rights reserved**

It is a violation of national and international copyright laws to reproduce all or part of this publication by email, xerography, facsimile or any other means. The Copyright laws impose heavy liability for such infringement. The Reports of Intermonte SIM are provided to its clients only. If you are not a client of Intermonte SIM and receive emailed, faxed or copied versions of the reports from a source other than Intermonte SIM you are violating the Copyright Laws. This document is not for attribution in any publication, and you should not disseminate, distribute or copy this e-mail without the explicit written consent of Intermonte SIM.

INTERMONTE will take legal action against anybody transmitting/publishing its Research products without its express authorization.

INTERMONTE Sim strongly believes its research product on Italian equities is a value added product and deserves to be adequately paid.

Intermonte Sim sales representatives can be contacted to discuss terms and conditions to be supplied the INTERMONTE research product.

INTERMONTE SIM is MIFID compliant - for our Best Execution Policy please check our Website [MIFID](#)

Further information is available