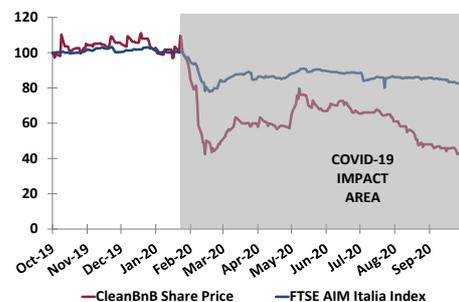**EnVent** RESEARCH & ANALYSIS

CleanBnB

NEUTRAL

Current Share Price (€): 0.76
Target Price (€): 0.80

CleanBnB - 1Y performance

Source: S&P Capital IQ - Note: 28/10/2019=100

Company data

ISIN number	IT0005377277
Bloomberg code	CBB IM
Reuters code	CBB.MI
Industry	Travel & leisure
Stock market	AIM Italia
Share Price (€)	0.76
Date of Price	27/10/2020
Shares Outstanding (m)	7.0
Market Cap (€m)	5.3
Market Float (%)	26.4%
Daily Volume	800
Avg Daily Volume YTD	7,704
Target Price (€)	0.80
Upside (%)	5%
Recommendation	NEUTRAL

Share price performance

	1M	3M	1Y
CleanBnB - Absolute (%)	-11%	-34%	-57%
FTSE AIM Italia (%)	-4%	-8%	-18%
1Y Range H/L (€)		1.97	0.75
YTD Change (€) / %		-1.07	-58%

Source: S&P Capital IQ

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COVID-19 has paused growth path, expectations of "back to normal" shift to 2021

H1 2020 records a 34% revenue drop driven by around 40% slump in stays

H1 2020 revenues were €0.9m, -34% compared to H1 2019, after gross bookings of €2.1m vs. €3.5m in H1 2019. Number of stays was 6,289, 41.5% drop from 10,749 stays in H1 2019. Operating costs of €2.0m resulted into negative EBITDA of €1.1m and net loss of €1.3m, vs. both at €(0.3)m in H1 2019. Net cash was €1.3m, from €3.0m as of year-end 2019. Shareholders' equity as of June 2020 was €1.5m. As of August 2020, CleanBnB was running over 1,000 properties (2x since IPO) across 60 locations in Italy.

Business update: July and August in line with 2019 performance

In H1 2020, the lockdown and cancellation of international events due to COVID-19, impacted CleanBnB activity. With the tourism sector starving to be back to normal, in July and August CleanBnB managed stays increased, more in line with the same period of 2019, up to around 5,000 stays, bringing the total stays in the period January-August 2020 to over 11,000. However, management recalls that FY20 targets would be missed (Revenues of €5.6m and EBITDA of €(0.7)m) and that certain costs and offer terms are being reconsidered.

The way of travel has changed for now

COVID-19 has reshaped the way of traveling and is also affecting the use of second homes. Some Hosts, according to CleanBnB, are considering moving to long-term rents or using a second house as home office for working. This has not impacted CleanBnB's portfolio of properties, which is growing steadily, but the lower frequency of leisure and business travels maintains uncertainties ahead. Thus, even though summer tourism has experienced a soft lift-off, the travel and leisure market will be still affected along the year.

We rely on our lower-case scenario of our previous note, that would better match the expected occupancy dynamics after H1 2020 results, adjusting revenues and EBITDA margin downwards for 2021-23E. The scenario still envisages recovery and steady growth in 2021-23E, as we consider CleanBnB portfolio of properties ready for a reversal trend once tourism will be back on track.

Target Price €0.80 per share (from €1.41), NEUTRAL rating (from OUTPERFORM)

Our valuation indicates a Target Price per share of €0.80, from €1.41 of our previous note, with a potential upside of 5% on the current share price of €0.76. As a consequence, we assign a NEUTRAL recommendation on the stock (from OUTPERFORM).

Key financials and estimates

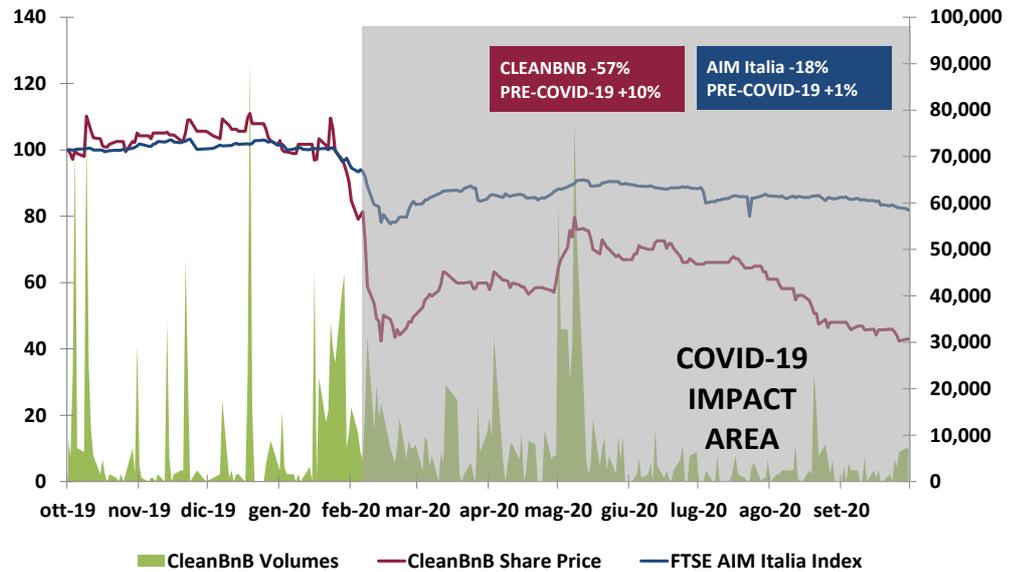| €m	2018	2019	2020E	2021E	2022E	2023E
Total Revenues	1.5	3.3	2.2	4.3	6.0	8.4
EBITDA	(0.4)	(1.3)	(1.8)	(0.4)	0.6	1.5
Margin	*-24.3%*	*-39.0%*	*-84.7%*	*-8.7%*	*10.1%*	*18.1%*
EBIT	(0.4)	(1.5)	(2.1)	(0.7)	0.3	1.1
Margin	*-28.6%*	*-45.6%*	*-95.6%*	*-15.5%*	*4.5%*	*13.5%*
Net Income (Loss)	(0.3)	(1.5)	(2.1)	(0.5)	0.2	0.8
Net (Debt) Cash	0.4	3.0	0.9	0.2	0.3	1.3
Equity	0.3	2.7	0.7	0.2	0.4	1.2

Source: Company data 2018-19A, EnVent Research 2020-23E

Market update

CleanBnB shares in the last 12 months traded in the range €0.75-1.97, with beginning price at €1.77 and ending at €0.76, 57% decrease

In the same period, the AIM Italia Index decreased by 18%

CleanBnB - 1Y Share price performance and trading volumes

CLEANBNB -57%
PRE-COVID-19 +10%

AIM Italia -18%
PRE-COVID-19 +1%

COVID-19 IMPACT AREA

Legend: CleanBnB Volumes — CleanBnB Share Price — FTSE AIM Italia Index

Source: EnVent Research on S&P Capital IQ - Note: 28/10/2019=100

Travel & leisure AIM Italia companies YTD performance -50% on average

Travel & leisure AIM Italia companies - YTD performance

COVID-19 IMPACT AREA

Legend: CleanBnB — Caleido Group — Trawell — Portale Sardegna
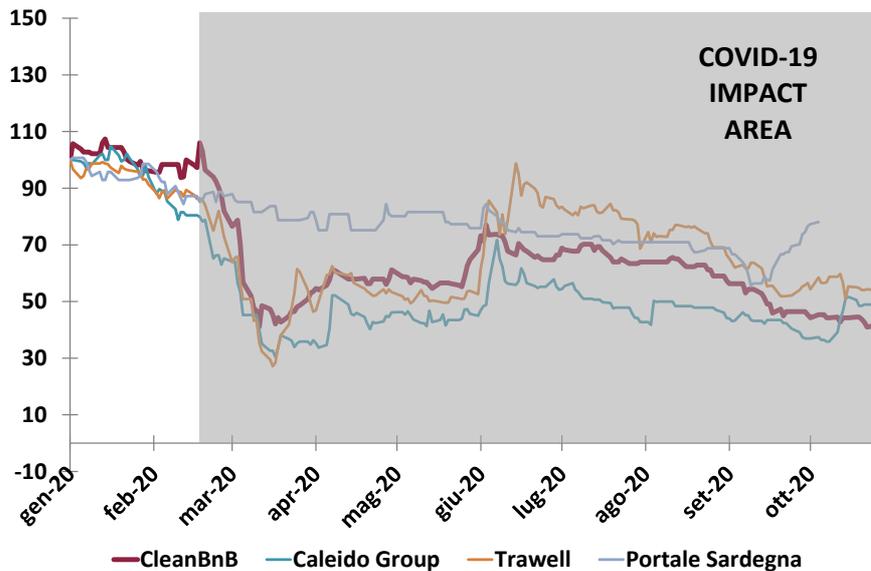
Source: EnVent Research on S&P Capital IQ - Note: 01/01/2020=100
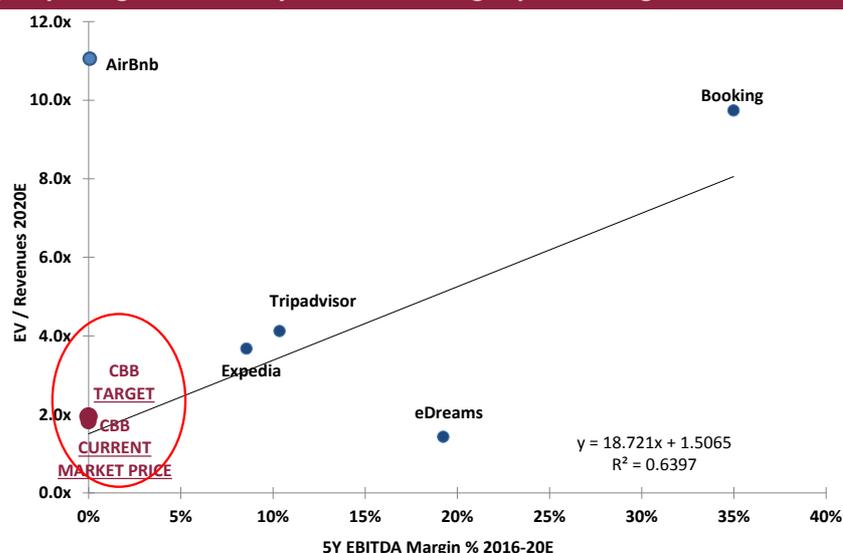
Source: EnVent Research, October 2020 - Note: 2020 Airbnb valuation by Silver Lake and Sixth Street on FY20E revenue estimate by Airbnb

H1 2020 results reflect lockdown and decrease of stays

H1 2020: over -40% in gross bookings vs. H1 2019

Over 1,000 properties under management

H1 2020 revenues were €0.9m, a 34% drop compared to H1 2019, after gross bookings of €2.1m vs. €3.5m in H1 2019. Number of stays was 6,289, a 41.5% decrease from 10,749 stays in H1 2019. Operating costs of €2.0m resulted into negative EBITDA of €1.1m and net loss of €1.3m, vs. both at €(0.3)m in H1 2019. Net cash was €1.3m, from €3.0m as of year-end 2019. Shareholders' equity as of end of June 2020 was €1.5m.

As of August 2020, CleanBnB was running over 1,000 properties (2x since IPO) across 60 locations in Italy.

Consolidated Profit and Loss

€m	H1 2019	H1 2020
Revenues	1.1	0.7
Other income	0.3	0.2
Total Revenues	**1.3**	**0.9**
YoY %	*-*	*-35%*
Services	(1.2)	(1.4)
Personnel	(0.3)	(0.3)
Other operating costs	(0.1)	(0.2)
Operating costs	**(1.6)**	**(2.0)**
EBITDA	**(0.3)**	**(1.1)**
Margin	*-25.3%*	*-159.2%*
D&A	(0.1)	(0.2)
EBIT	**(0.3)**	**(1.3)**
Margin	*-32%*	*-185%*
Interest	0.0	(0.0)
EBT	**(0.3)**	**(1.3)**
Margin	*-32%*	*-186%*
Income taxes	0.0	(0.0)
Net Income (Loss)	**(0.3)**	**(1.3)**
Margin	*-28.0%*	*-186.7%*

Source: Company data

Consolidated Balance Sheet

€m	H1 2019	2019A	H1 2020
Receivables	0.6	0.5	0.2
Payables and advances from customers	(1.8)	(1.8)	(0.8)
Working Capital	(1.3)	(1.3)	(0.6)
Other assets (liabilities)	(0.1)	(0.3)	(0.5)
Net Working Capital	**(1.4)**	**(1.7)**	**(1.1)**
Intangible assets	0.9	1.4	1.3
Non-current assets	**0.9**	**1.4**	**1.3**
Provisions	**(0.0)**	**(0.0)**	**(0.1)**
Net Invested Capital	**(0.5)**	**(0.3)**	**0.1**
Net Debt (Cash)	**(0.5)**	**(3.0)**	**(1.3)**
Equity	**0.1**	**2.7**	**1.5**
Sources	**(0.5)**	**(0.3)**	**0.1**

Source: Company data

Consolidated Cash Flow

€m	H1 2019	H1 2020
EBIT	**(0.3)**	**(1.3)**
Current taxes	0.0	(0.0)
D&A	0.1	0.2
Cash flow from P&L operations	**(0.2)**	**(1.1)**
Working Capital	0.6	(0.7)
Other assets and liabilities	0.2	0.2
Capex	(0.6)	(0.0)
Operating cash flow after working capital and capex	**0.1**	**(1.7)**
Interest	0.0	(0.0)
Financial assets	(0.0)	0.0
Paid-in capital	0.0	0.0
Net cash flow	**0.1**	**(1.7)**
Net (Debt) Cash - Beginning	0.4	3.0
Net (Debt) Cash - End	0.5	1.3
Change in Net (Debt) Cash	**0.1**	**(1.7)**

Source: Company data

Business update: summer holidays brought the activity back to normal

In H1 2020, the lockdown and cancellation of national events due to COVID-19, impacted CleanBnB activity, with 6,289 total stays vs. 10,739 in H1 2019. With the tourism sector starving to be back to normal, in July and August CleanBnB managed stays increased, more in line with 2019 level managing around 5,000 stays. However, management recalls that FY20 targets will be missed (Revenues of €5.6m and EBITDA of €(0.7)m), while certain costs and offer terms are being reconsidered.

Outlook: travel and leisure market will face challenges for the rest of the year

With the COVID-19 lockdowns across the globe, people have changed the way of travelling. In Italy, key events such as fashion week, design week and other international events have been canceled, impacting on CleanBnB P&L statement. COVID-19 has reshaped the way of traveling and is also affecting the use of second homes. According to management, average stays increased due to the Guests preferences to minimize shifts across areas and cities. Cancellation terms became more flexible and bookings are purchased in proximity to the check-in date instead of well in advance. Some Hosts, according to CleanBnB, are considering moving to long-term rents or using second houses as home office for work. However, this has not impacted CleanBnB's portfolio of properties, which is growing steadily, but the lower frequency of leisure and business travels maintains uncertainties ahead. Thus, even if summer holidays have been a soft lift-off, the travel and leisure market is likely to be still affected along the year.

Estimates revision: lowering revenue generation per property in portfolio; growth by 2021

Given the above outlook and H1 2020 results, we have based our estimates revision on our previous lower-case scenario, shifting revenue figures roughly by 1 year, assuming that COVID-19 effects would impact tourists travelling also during 2021. Thus, we adjusted accordingly revenues and EBITDA margins downwards for 2021-23E to maintain a smooth growth trend.
We assumed a drop in occupancy in CleanBnB's portfolio also in 2021, for a persistence of COVID-19 effect, while we are keeping a growth trend for the period 2022-23E.

Change in estimates

Revenues and EBITDA (€m) - Previous vs. Revised estimates
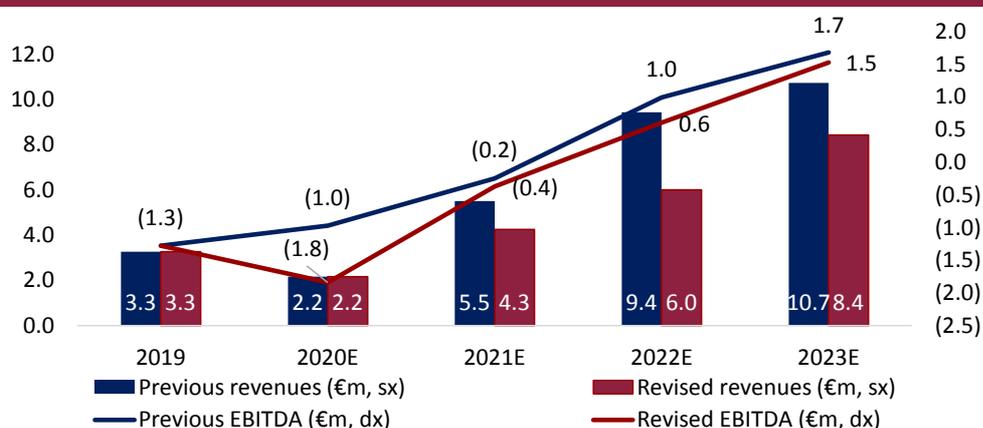
Source: EnVent Research

€m	Revised					Previous					Change %				
	2019	**2020E**	**2021E**	**2022E**	**2023E**	**2019**	**2020E**	**2021E**	**2022E**	**2023E**	**2019**	**2020E**	**2021E**	**2022E**	**2023E**
Revenues	3.3	2.2	4.3	6.0	8.4	3.3	2.2	5.5	9.4	10.7	0%	0%	-23%	-36%	-21%
EBITDA	(1.3)	(1.8)	(0.4)	0.6	1.5	(1.3)	(1.0)	(0.2)	1.0	1.7	0%	89%	51%	-39%	-9%
Margin	*-149%*	*-85%*	*-9%*	*10%*	*18%*	*-149%*	*-45%*	*-4%*	*11%*	*16%*					
EBIT	(1.5)	(2.1)	(0.7)	0.3	1.1	(1.5)	(1.2)	(0.5)	0.7	1.3	0%	72%	24%	-59%	-12%
Margin	*-46%*	*-96%*	*-15%*	*4%*	*14%*	*-46%*	*-56%*	*-10%*	*7%*	*12%*					
Net Income (Loss)	(1.5)	(2.1)	(0.5)	0.2	0.8	(1.5)	(0.9)	(0.4)	0.5	0.9	0%	140%	24%	-58%	-12%
Net (Debt) Cash	3.0	0.9	0.2	0.3	1.3	3.0	1.7	1.9	2.8	3.7					
Net Debt / EBITDA	*neg.*	*neg.*	*neg.*	*0.5x*	*0.9x*	*neg.*	*neg.*	*-7.6x*	*2.9x*	*2.2x*					

Source: EnVent Research

Source: EnVent Research

Financial projections

Breakeven in 2021

Consolidated Profit and Loss

€m	2018	2019	2020E	2021E	2022E	2023E
Revenues	1.2	2.8	1.8	3.4	4.8	6.8
Other income	0.3	0.5	0.4	0.9	1.2	1.6
Total Revenues	**1.5**	**3.3**	**2.2**	**4.3**	**6.0**	**8.4**
YoY %	*-*	*112.6%*	*-33.7%*	*96.0%*	*41.0%*	*40.4%*
Services	(1.4)	(3.5)	(3.0)	(3.4)	(3.9)	(5.1)
Personnel	(0.3)	(0.7)	(0.7)	(0.8)	(0.9)	(1.0)
Other operating costs	(0.2)	(0.3)	(0.2)	(0.4)	(0.6)	(0.8)
Operating costs	**(1.9)**	**(4.5)**	**(4.0)**	**(4.6)**	**(5.4)**	**(6.9)**
EBITDA	**(0.4)**	**(1.3)**	**(1.8)**	**(0.4)**	**0.6**	**1.5**
Margin	*-24.3%*	*-39.0%*	*-84.7%*	*-8.7%*	*10.1%*	*18.1%*
D&A	(0.1)	(0.2)	(0.2)	(0.3)	(0.3)	(0.4)
EBIT	**(0.4)**	**(1.5)**	**(2.1)**	**(0.7)**	**0.3**	**1.1**
Margin	*-28.6%*	*-45.6%*	*-95.6%*	*-15.5%*	*4.5%*	*13.5%*
EBT	**(0.4)**	**(1.5)**	**(2.1)**	**(0.6)**	**0.3**	**1.2**
Margin	*-28.7%*	*-45.3%*	*-95.1%*	*-15.2%*	*4.7%*	*13.7%*
Income taxes	0.1	(0.0)	0.0	0.2	(0.1)	(0.3)
Net Income (Loss)	**(0.3)**	**(1.5)**	**(2.1)**	**(0.5)**	**0.2**	**0.8**
Margin	*-21.1%*	*-46.5%*	*-95.1%*	*-11.0%*	*3.4%*	*9.9%*

Source: Company data 2018-19A, EnVent Research 2020-23E

Consolidated Balance Sheet

€m	2018	2019	2020E	2021E	2022E	2023E
Receivables	0.2	0.5	0.3	0.6	0.9	1.3
Payables and advances from customers	(0.8)	(1.8)	(1.6)	(1.9)	(2.2)	(2.9)
Trade Working Capital	(0.6)	(1.3)	(1.3)	(1.2)	(1.3)	(1.6)
Other assets (liabilities)	0.1	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)
Net Working Capital	**(0.5)**	**(1.7)**	**(1.6)**	**(1.6)**	**(1.6)**	**(1.9)**
Intangible assets	0.4	1.4	1.4	1.6	1.8	1.9
Non-current assets	**0.4**	**1.4**	**1.4**	**1.6**	**1.8**	**1.9**
Provisions	**(0.0)**	**(0.0)**	**(0.1)**	**(0.1)**	**(0.1)**	**(0.1)**
Net Invested Capital	**(0.1)**	**(0.3)**	**(0.3)**	**(0.0)**	**0.1**	**(0.1)**
Net Debt (Cash)	**(0.4)**	**(3.0)**	**(0.9)**	**(0.2)**	**(0.3)**	**(1.3)**
Equity	**0.3**	**2.7**	**0.7**	**0.2**	**0.4**	**1.2**
Sources	**(0.1)**	**(0.3)**	**(0.3)**	**(0.0)**	**0.1**	**(0.1)**

Source: Company data 2018-19A, EnVent Research 2020-23E

Consolidated Cash Flow

€m	2018	2019	2020E	2021E	2022E	2023E
EBIT	**(0.4)**	**(1.5)**	**(2.1)**	**(0.7)**	**0.3**	**1.1**
Current taxes	0.1	(0.0)	0.0	0.2	(0.1)	(0.3)
D&A	0.1	0.2	0.2	0.3	0.3	0.4
Provisions	0.0	0.0	0.0	0.0	0.0	0.0
Cash flow from P&L operations	**(0.2)**	**(1.3)**	**(1.8)**	**(0.2)**	**0.5**	**1.2**
Working Capital	0.4	0.7	(0.1)	(0.0)	0.1	0.3
Capex	(0.4)	(0.2)	(0.2)	(0.5)	(0.5)	(0.5)
Other assets and liabilities	(0.1)	0.5	0.0	0.0	0.0	0.0
Operating cash flow after working capital and capex	**(0.3)**	**(0.4)**	**(2.1)**	**(0.7)**	**0.1**	**1.0**
Capex - IPO cost	0.0	(1.0)	0.0	0.0	0.0	0.0
IPO proceeds	0.0	3.9	0.0	0.0	0.0	0.0
Paid-in capital	0.5	0.0	0.0	0.0	0.0	0.0
Net cash flow	**0.2**	**2.6**	**(2.1)**	**(0.7)**	**0.1**	**1.0**
Net (Debt) Cash - Beginning	0.3	0.4	3.0	0.9	0.2	0.3
Net (Debt) Cash - End	0.4	3.0	0.9	0.2	0.3	1.3
Change in Net (Debt) Cash	**0.2**	**2.6**	**(2.1)**	**(0.7)**	**0.1**	**1.0**

Source: Company data 2018-19A, EnVent Research 2020-23E

Valuation

Discounted Cash Flows

Updated assumptions:

- Risk free rate: 1.7% (Italian 10-year government bonds interest rate - 3Y average. Source: Bloomberg, October 2020)
- Market return: 13.0% (3Y average. Source: Bloomberg, October 2020)
- Market risk premium: 11.3%
- Beta: 1.1 (from 1.0 – judgmental increase due to overall market sentiment)
- Cost of equity: 13.0%
- Cost of debt: 4% (Source: implicit L/T bank debt rate, assumed stable)
- Tax rate: 24% (IRES)
- 20% debt/(debt + equity)
- WACC 11.9%
- Perpetual growth rate after explicit projections: 2%
- Terminal Value assumes an EBIT margin of 15%

DCF Valuation

€m		2019	2020E	2021E	2022E	2023E	Perpetuity
Revenues		3.3	2.2	4.3	6.0	8.4	8.6
EBITDA		(1.3)	(1.8)	(0.4)	0.6	1.5	1.7
Margin		*-39%*	*-85%*	*-9%*	*10%*	*18%*	*20%*
EBIT		(1.5)	(2.1)	(0.7)	0.3	1.1	1.3
Margin		*-46%*	*-96%*	*-15%*	*4%*	*14%*	*15%*
Taxes		(0.0)	0.0	0.2	(0.1)	(0.3)	(0.4)
NOPAT		(1.5)	(2.1)	(0.5)	0.2	0.8	1.0
D&A		0.2	0.2	0.3	0.3	0.4	0.4
Cash flow from P&L operations		(1.3)	(1.8)	(0.2)	0.5	1.2	1.4
Trade Working Capital		0.7	(0.1)	(0.0)	0.1	0.3	(0.1)
Capex		(1.2)	(0.2)	(0.5)	(0.5)	(0.5)	(0.4)
Other assets and liabilities		0.5	0.0	0.0	0.0	0.0	0.0
Unlevered free cash flow		(1.4)	(2.1)	(0.7)	0.1	1.0	0.9
WACC	11.9%						
Long-term growth (G)	2.0%						
Discounted Cash Flows			(2.0)	(0.6)	0.1	0.7	
Sum of Discounted Cash Flows	**(1.8)**						
Terminal Value							9.0
Discounted TV	**6.1**						
Enterprise Value	**4.2**						
Net Cash as of 30/06/20	**1.3**						
Equity Value	**5.6**						

DCF - Implied multiples	2019	2020E	2021E	2022E	2023E
EV/Revenues	1.3x	1.9x	1.0x	0.7x	0.5x
EV/EBITDA	neg.	neg.	neg.	7.0x	2.8x
EV/EBIT	neg.	neg.	neg.	15.6x	3.7x
P/E	neg.	neg.	neg.	20.8x	5.1x

Source: EnVent Research

Target Price

The application of our valuation model yields a share price of €0.80 (from €1.41 of our previous note), which implies a 5% upside on the current share price of €0.76. As a consequence, we assign a NEUTRAL recommendation on the stock, from OUTPERFORM.

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

CleanBnB Price per Share	€
Target Price	0.80
Current Share Price (27/10/2020)	0.76
Premium (Discount)	5%

Source: EnVent Research

Annex

Peer Group - Market Multiples

Company	EV/REVENUES				EV/EBITDA				EV/EBIT				P/E			
	2019	2020E	2021E	2022E	2019	2020E	2021E	2022E	2019	2020E	2021E	2022E	2019	2020E	2021E	2022E
CleanBnB	3.9x	1.8x	0.9x	0.7x	neg	neg	neg	6.5x	neg	neg	neg	14.6x	neg	neg	neg	26.0x
Booking	10.1x	9.7x	6.4x	5.1x	26.1x	50.6x	18.1x	12.9x	28.4x	119.8x	22.1x	14.4x	17.7x	94.1x	25.3x	16.8x
Expedia	2.9x	3.7x	2.5x	1.9x	26.6x	neg	15.0x	9.5x	36.4x	neg	90.3x	21.7x	27.7x	neg	68.5x	18.3x
TripAdvisor	10.9x	4.1x	2.6x	2.1x	70.0x	neg	12.0x	8.0x	89.6x	nm	neg	27.5x	33.6x	neg	33.4x	17.1x
MakeMyTrip	6.4x	2.4x	8.8x	3.2x	neg	neg	neg	neg	neg	neg	neg	neg	neg	neg	neg	n.m.
eDreams	1.2x	1.4x	3.1x	1.9x	6.7x	6.6x	25.0x	10.4x	7.0x	10.3x	256.8x	14.5x	49.5x	5.9x	neg	21.4x
Mean	**6.3x**	**4.3x**	**4.7x**	**2.8x**	**32.3x**	**28.6x**	**17.5x**	**10.2x**	**40.3x**	**65.1x**	**123.1x**	**19.5x**	**32.1x**	**50.0x**	**42.4x**	**18.4x**
Mean w/out extremes	**6.4x**	**3.4x**	**4.0x**	**2.4x**	**26.3x**	**na**	**16.5x**	**10.0x**	**32.4x**	**na**	**na**	**18.1x**	**30.7x**	**na**	**33.4x**	**17.7x**
Median	**6.4x**	**3.7x**	**3.1x**	**2.1x**	**26.3x**	**28.6x**	**16.5x**	**10.0x**	**32.4x**	**65.1x**	**90.3x**	**18.1x**	**30.7x**	**50.0x**	**33.4x**	**17.7x**

Source: S&P Capital IQ, October 2020

Investment Case

Company

CleanBnB S.p.A. is an Italian Property Manager in the fast-growing short-term rentals market powered by online reservation platforms such as Airbnb, Booking.com, Expedia, etc. The mission is to increase the gross bookings and the performance of the properties managed on behalf of the owners (Hosts), while offering a full hospitality service to the visitors of the properties (Guests). CleanBnB manages on behalf of the Hosts the revenue streams from the online reservation platforms, collects directly the customer fees and provides full hospitality services to the Guests, such as check-in, cleaning and laundry, assistance, maintenance, check-out and supervision.

Founded in 2016, CleanBnB has raised around €0.9m through several funding rounds, including two equity crowdfunding campaigns, and €3.9m in July 2019 through the Initial Public Offering on the AIM Italia market of Borsa Italiana.

CleanBnB is qualified as innovative SME, a status which allows tax incentives for investors and is also eligible as a target for investments under the PIR scheme.

Revenue drivers

The key value of CleanBnB's service for its customers is the takeover of the entire property management process, heavily time consuming for the Host.

The wide availability of empty second homes for short-term rental in Italy leaves a substantial room for growth and originates the increasing demand for alternative accommodations.

Revenues are driven by property owners shifting from long-term to short-term rentals, increased listings volume growth, penetration into new locations and the ability to manage occupancy and optimize average revenues per listing.

CleanBnB collects the rent payment of the managed properties before the check-in of the Guest. Therefore, the Company operates with a positive cash balance along the year with a reasonable mid-term visibility on revenues.

Drivers

Industry drivers

Short-term alternative accommodations are booming. The demand for alternative accommodations is supported by Guest experience, by the rapid growth in the global middle class and low-cost flights and by the positive economic impact on the surrounding neighborhoods. According to Morningstar, the global alternative accommodations market will experience 16.6% online growth annually on average the next five years (2018-22), above the 9.4% lift expected for total online travel (Source: Morningstar and Pitchbook, *Airbnb's Network Effect Offers Investors a Unique Stay*, 2018).

Online portals experiencing healthy bookings growth. Airbnb, Booking.com, Expedia and HomeAway have created one-stop shopping platforms that streamline the entire search and booking process in the alternative lodging market. The percentage of online bookings of

alternative accommodations is expected to ramp from 40% in 2017 to nearly 65% in 2022 (Source: Morningstar and Pitchbook, *Airbnb's Network Effect Offers Investors a Unique Stay*, 2018). These are experiencing double-digit growth rates in the number of property listings.

Huge potential market. The short-term hospitality market in Italy is growing due to the combination of the increasing touristic flows, and consequent demand for extra-hotel hospitality, coupled with the ample number of "second homes" ready to be rented for short-terms.

Home sharing from do it yourself to professionalization. The home sharing market is no longer in an early stage. Platforms such as Airbnb Plus, Onefinestay, Oasis and Tribute Portfolio Homes are indicative of the increasing professionalization, standardization, and maturity of private accommodations. Following this trend, major traditional hospitality companies such as Marriott International, AccorHotels and Hyatt have entered the professionally managed home rental market. Home sharing is more and more converging towards the standards of the hospitality industry.

As long as more and more property owners discover the short rents as a business opportunity, the demand of the owners for professional property managers will increase and the professional property managers are likely to benefit from it. The property managers with larger budget to attract new property owners are likely to exploit better the short rentals market growth in the years to come.

Price competition and price sensitivity drive switches in online travel. Price sensitivity is increasingly a key factor in the travel decision-making process. Lower price is the top reason for home-sharing Guests to book an alternative accommodation. Additionally, regular hotel Guests may switch to home-sharing when they are offered a lower price on a private home.

Anti-cyclical sector. The short-term rental sector is only partially exposed to the performance of the domestic economy, since most of the payment flows are generated by foreigners. Indeed, over 90% of Guests visit Italy for tourism (Source: Airbnb, *Fattore sharing: l'impatto economico di Airbnb in Italia*, 2017).

Company drivers

Service capability, from revenue management to check-out. CleanBnB offers access to a multi-service platform, based on a centralized interface for revenue, reservation, property and operational management, integrated with major online reservation platforms, such as Airbnb, Booking, Expedia and others. The full-service proposition is a comprehensive and turnkey service including reservation and professional revenue management, meet and greet, concierge, cleaning and maintenance, check-out, administration and tax duties, insurance.

Hassle-free service is the best marketing tool in the industry. The key value of CleanBnB's service to customers is the takeover of the entire property management process, which can be time-consuming and complicated for Hosts without a proper hospitality education, also considering the procedural burden associated with compliance with the local regulations for the short rent management, tax compliance and property insurance. Taking over the

management responsibility on behalf of the owner, freeing them from the hassle, is the most powerful marketing tool for CleanBnB. The outsourcing of the vacation rental property management makes homeowners maximize their return and avoid risk of losing image or doing mistakes due to poor service or bad personal interactions with Guests, a process that is better manageable by skilled hospitality experts.

Seeking maximization for homeowners. Compared to a traditional renting contract (4+4 years or 6+6 years) CleanBnB offers a potential upside of rent income. CleanBnB does not simply focus on hospitality and cleaning services, but on seeking maximization of the rental income for the Hosts, through know-how, technical skills, revenue management and dynamic pricing. Features that Hosts could not be able to implement autonomously, while indispensable to achieve higher occupancy at higher prices and a better service for the Guests.

No insolvency risk and positive cash management cycle. CleanBnB receives rent payment directly from the Guest, on behalf of the Host, before its arrival to the apartment. Therefore, the insolvency risk is eliminated. Then, CleanBnB pays the Host, after having deducted its service fee.

Challenges

Picking the right locations, providing the right service. Airbnb has been connecting Hosts and traveling Guests since its creation in 2008, while also assisting in tourism growth in cities across the world. However, while many Airbnb cities have been rapidly growing over the past few years, some locations may be on their way to reduce the growth rate and reach the optimal balance between offer and demand of short-term rentals. As such, the whole industry will require much more professional property management, given the increasing competition, the high supply rate of properties coming into the market and the increasing needs of Guests.

Increasing competition, multinational specialists coming. The property management market for short-term vacation rentals in Italy is populated by several operators, both domestic and foreign property managers. Most of the players are small vacation rental managers, who operate local or regional businesses and have limited marketing budgets. International property managers, with higher marketing budgets, mainly target historic and artistic locations where touristic traffic is higher. This leads to expectations of increasing competition among short-term property managers in Italy due to the massive touristic traffic.

Industry impact. The increasingly large alternative accommodations market faces ongoing headwinds from opposition that is concerned with the industry's impact on society (resident quality of life), safety (adhering to codes) and economics (cost of living).

Sensitive regulatory framework, subject to reviews and updates. The regulatory environment related to alternative accommodations is evolving. Laws or property association rules could impose restrictions or burdens on property owners, limiting or negatively affecting

their ability to rent their properties. Some jurisdictions have adopted or are considering statutes or ordinances that prohibit owners and managers from renting certain properties for fewer than a stated number of days and are also considering the introduction of licenses for the listing of properties on online platforms.

MIFID II DISCLOSURES

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The "OUTPERFORM", "NEUTRAL", AND "UNDERPERFORM" recommendations are based on the expectations within 12-month period of date of initial rating (shown in the chart on the front page of this publication). Equity ratings and valuations are issued in absolute terms, not relative to market performance.

Rating rationale:

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

DETAILS ON STOCK RECOMMENDATION AND TARGET PRICE

Date	Recommendation	Target Price (€)	Share Price (€)
15/10/2019	OUTPERFORM	2.76	1.75
07/05/2020	OUTPERFORM	1.41	1.04
27/10/2020	NEUTRAL	0.80	0.76

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