



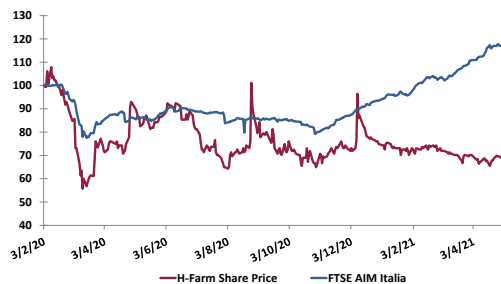
H-FARM

OUTPERFORM

Current Share Price (€): 0.23

Target Price (€): 0.31

H-Farm – Share Performance



Source: S&P Capital IQ - Note: 3/02/2020=100

Company data

ISIN number	IT0004674666
Bloomberg code	FARM IM
Reuters code	FARM.IM
Industry	Financials
Stock market	AIM Italia
Share Price (€)	0.23
Date of Price	03/05/2021
Shares Outstanding (m)	128.7
Market Cap (€m)	29.6
Market Float (%)	49.4%
Daily Volume	246,000
Avg Daily Volume YTD	53,974
Target Price (€)	0.31
Upside (%)	35%
Recommendation	OUTPERFORM

Share price performance

	1M	3M	1Y
H-Farm - Absolute (%)	-5%	-9%	-28%
FTSE AIM Italia (%)	5%	19%	34%
1Y Range H/L (€)	0.35	0.22	
YTD Change (€) / %	-0.03	-11%	

Source: S&P Capital IQ

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Catching up with digitization

We initiate coverage of H-Farm: **OUTPERFORM** rating, Target Price €0.31 per share

H-Farm, born as accelerator-incubator, in nearly 2 decades has become a cultural leader within the everchanging digital landscape, offering education and digital consulting services to companies, professionals and individuals. H-Farm BUs are: Education, from pre-school to post-graduates, with global and technical knowledge footprint; Consultancy, digital consulting arm; Portfolio, initially investing in startups, now in a divesting phase.

One-of-a-kind multidisciplinary digital knowledge provider. H-Farm mission consists in being a front-runner in digital services through a synergic business model where BUs concur to create value for clients by an integrated approach and cross fertilization.

New Venice campus, a catalyst to exploit a growing demand for international schooling. In September 2020, the H-Campus opening ended an intensive investment phase troubled by delays and setbacks causing loss of revenues and €8m additional costs, further stressed by the pandemic. Ready to catalyze the demand for international and specialized schools, driven by an increasingly globalized and digitized world, the next Campus goal is to reach full capacity and payback.

H-Farm embodies a creative soul overstepping traditional consulting services. H-Farm Consultancy BU boasts large size and international client base leveraging on creativity, digitization and consulting as a one-stop service where professionals manage to deliver value in industries or projects with strong innovative content.

Ride the wave of the digital transformation. Fundamentals of digital transformation keep rising: digital marketing and e-commerce fuel total spending on digital media; traditional IT infrastructure is left behind in favor of cloud; data volume is set only to increase; data analytics is becoming an essential tool for businesses.

2020: end of intensive investment cycle and €20m finance raising for future growth.

2020 also marks the 2020-24 management plan designed to getting up to speed the Education BU, while keeping on the development of Consultancy. To feed cash needs, H-Farm raised financing for €20m, €10m of capital increase and €10m of convertible bonds 2020-25, well above the €15m management initial target.

Target Price €0.31 per share, OUTPERFORM recommendation

Our analysis on peers shows that domestic consulting and education industries experienced two figures profitability and steady growth, as healthy niche markets with sound profitability and solid growth. As such, we consider management guidelines overall consistent with reference industries outlook and opportunities arising from cultural gaps. Anyway, our revenue estimates take into account current uncertainties related to the timing of full recovery of markets. Our valuation results in an equity value of €39.6m, with a corresponding target price per share of €0.31, a potential upside of 35% on the current share price. We initiate the coverage of H-Farm with an OUTPERFORM rating.

Key financials and estimates

€m	2018	2019	2020	2021E	2022E	2023E	2024E
Revenues	56.7	61.1	52.7	65.9	80.7	95.7	110.9
EBITDA	(4.4)	(5.4)	(4.8)	(2.7)	1.4	3.8	6.1
EBIT	(8.3)	(10.0)	(10.4)	(6.4)	(2.6)	(0.6)	1.3
Margin	-14.7%	-16.3%	-19.8%	-9.7%	-3.2%	-0.6%	1.2%
Net Income	(4.9)	(12.7)	(14.8)	(7.9)	(4.0)	(1.7)	0.4
Net (Debt) / Cash	(5.7)	(2.0)	(1.0)	(6.9)	(5.9)	4.0	9.1

Source: Company data 2017-20, EnVent Research 2021-24E

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1. INVESTMENT CASE

Company

H-Farm S.p.A., founded in 2005 and listed on AIM Italia since 2015, operates through three business units oriented by and to digital culture and competencies:

- H-Farm Education, which provides full range education offer by K12 International schools, from Early to High School, undergraduate, post-graduate and executive courses, such as a Degree in Digital Management in partnership with Venice Ca’ Foscari University. H-Farm can also rely on partnerships with international schools such as Chichester University (UK), Luxembourg School of Business and Zagreb School of Economics. The programs are completed by a computer graphics training center and are targeted at individuals, companies and professionals
- H-Farm Consultancy, which provides digital and business transformation services, such as sales, brand and customer relationship strategies, digital marketing and artificial intelligence applications
- H-Farm Portfolio, which manages seed and post-seed start-ups focused on digital

From the IPO to date, H-Farm has substantiated, through its investment program, its mission of being a one-of-a-kind multidisciplinary innovation platform, relying on digital transformation, integrated technology and education offer with a global footprint.

Key figures:

- 2015 to 2020, revenues double from €24m to over €50m,
- Business unit breakdown in 2020: Consultancy 70%, Education 27%, Portfolio & others 3%
- Around 2,000 students, over 150 teachers. 2021 capacity over 3000
- Over 300 Consultancy professionals and 250 clients
- Headcount: 570
- Over €100m invested by Cattolica Assicurazioni and CDP in the 50.000sqm H-Farm Campus near Venice, completed in September 2020, and leased for 30 years to the Company

Coping with the digital ecosystem

Major trends such as accelerated globalization and digitization are generating growing demand for digital and marketing competencies. Moreover, there is a gap competence which calls for dedicated education paths and continuous learning about ever changing digital landscape. Those trends imply a growing need for change in schooling models to train young future professionals ready and able to meet industry transformation needs. H-Farm vision is to be a front runner at the crossroads of the calls for new skills, with its offering of digital consultancy services, while providing the next generation education.

Drivers

Industry drivers – Education

Globalization boosts international schools. Globalization drives demand for high quality education and communication skills with an international scope. According to International Schools Consultancy (ISC Research), a market intelligence firm specialized in K-12 international school data, in the last 20 years international schools fee income has grown ten times between 2000 and 2020 from \$5bn to \$54bn, and it is set to reach \$85bn in 2027.

Flexible schooling trend is the next education model. Flexible schooling delivers more scheduling options for learners and enhances personalization of degree programs. Besides, Covid pandemic has been a catalyst for hybrid learning and some new approaches are here to stay.

Moving to more Industry-based teaching. Specialist technical schooling is gaining momentum, especially for highly technical fields.

Digital and visual infrastructure becoming predominant. Digital transformation in the education system is set to accelerate over the medium term delivering a more accessible and engaging product thanks to innovations like virtual and augmented reality.

Industry drivers – Consultancy

Digital transformation needs strategy and planning support. Major challenges that companies face while executing digital transformation include the lack of budget allocation and planning. To undertake a digital transformation, a company needs to make a huge investment in acquiring state-of-the-art technology and the appropriate team. Companies need to have a strategy in place for the long-term and have a sound capital plan. The global digitization service market, according to BCG analysis on Grandview data for Company management plan, will rise at a CAGR 19-24E of 19.4%, reaching €216bn in 2024.

Spending on digital media keeps rising. Digital marketing and e-commerce business fuel total spending on digital media, which is outpacing other channels. The trend is expected to continue with a worldwide spending CAGR 2019-24 of 11% reaching \$790bn in 2024 according to BCG analysis on emarketer.com

Digitization by migration of traditional IT infrastructure. The cloud and computing solutions fuel the digital transformation consulting market globally. Digital transformation holds the potential to streamline and integrate all business operations, increasing business performance efficiency.

Increasing amount of data volume. Businesses are looking to centralize data management and delivery, as well as to leverage data to control their businesses and the user experience, which eventually may lead to higher uptake for digital consulting services.

Accelerating AI Data Analytics. The new data economy relies on AI’s ability to analyze data and data science is a rapidly growing field that expands the need for culturally skilled professionals.

COVID-19 global outbreak. In the near term the global pandemic has pushed further digital transformation, given the increasing trend on mobile devices usage, stay-at-home and remote working.

Company drivers

Being in the forefront line of innovative education. H-Farm provides education which encompasses all diplomas and courses from K12 school (4-18 years) to bachelor and master courses. The schools have an international and digital footprint, leveraging on Digital Technology for education purposes, a distinctive students’ experience making its teaching model unique. The International standing is backed by undergraduate and graduate programs organized in partnership with universities such as Chichester University (UK), Luxembourg School of Business and Zagreb School of Economics.

Cutting-edge education facilities. Having a digital approach to education, H-Farm facilities provide the latest technology to support education efficiently. For instance, K12 can count on innovative solutions for a digital learning environment such as the proprietary virtual reality platform designed to fit K12 IB school needs. Also, the university is set to plan its distance learning unit as soon as the campus is saturated.

Solid consultancy track record. H-Farm Consultancy unit has over 10 years of track record and is well-positioned within the industry, providing business innovation and digital marketing consultancy to large size international companies. In the past years, the Consultancy business has been the major source of revenue, growing at a CAGR 2015-19 of 19%.

Ability to generate synergies across business units. The teaching method is intended to provide professionals with cultural and technical equipment conceived to understand and respond to digitization and transformation needs.

Challenges

Education realizable growth is on hold. Covid-19 is challenging the industry, which is not experiencing growth but will likely be back to normal in the near future.

Established private schools might turn to more innovative teaching, following H-Farm approach. Private schools with an established track record in attractive cities might invest to offer a comparable to H-Farm education model and intensify competition.

Increasing competition push on prices for consultancy services. The budget reductions may also cause competitors to lower fees in order to maintain their market share.

Market uncertainty on VC investments. Post-pandemic economic conditions are not a clear path forward given the size and the high risk associated with the portfolio holdings.



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2. PROFILE

From incubator to pioneer in digital transformation and education

H-Farm, founded in 2005 and listed at AIM Italia since 2015, operates through three business units:

- H-Farm Education, which provides educational courses covering K12, bachelor degree and master programs targeting both companies and individuals.
- H-Farm Consultancy, which provides digital and business transformation services.
- H-Farm Portfolio, which manages seed and post-seed start-ups focused on digital.

History and key developments

Over the years, H-Farm, which originally was an incubator and a VC investor, has developed its Consultancy BU and later Education business.

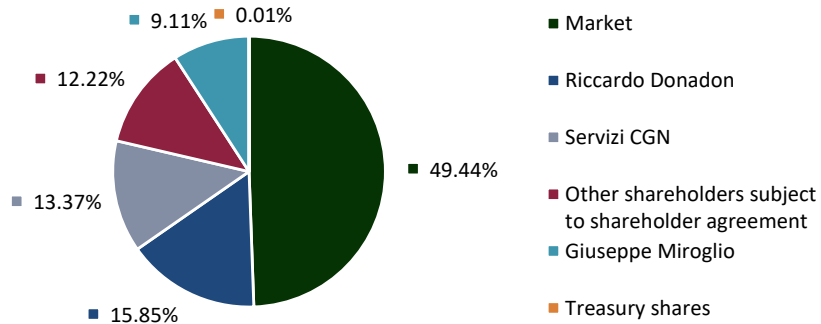
History milestones

- | | | |
|------|---|---|
| 2005 | <ul style="list-style-type: none"> • Company establishment |  |
| 2009 | <ul style="list-style-type: none"> • First Portfolio exit | |
| 2011 | <ul style="list-style-type: none"> • Launch of Digital Accademia, the first venture of H-Farm into Education |  |
| 2012 | <ul style="list-style-type: none"> • Taskforce Ministry of Economic Development | |
| 2013 | <ul style="list-style-type: none"> • Co-founder and board member of the Global Accelerator Network (GAN) |  |
| 2014 | <ul style="list-style-type: none"> • Over 100 startups financed by H-Farm for more than €25m invested |  |
| 2015 | <ul style="list-style-type: none"> • H-Farm is re-organized around 3 BUs: Education, Consultancy, and Portfolio • IPO and listing on AIM Italia • Acquisition of H-IS Treviso, International school |  |
| 2016 | <ul style="list-style-type: none"> • H-Farm launches H-Campus, the project is recognized as of “Regional Strategic Interest” |  |
| 2017 | <ul style="list-style-type: none"> • H-Farm enlarges Education BU acquiring Big Rock, International School Vicenza, International School Rosa’ • Acquisition of CELI, an AI technology boutique • H-Farm issues a financial instrument for €8m (SFP) |  |
| 2019 | <ul style="list-style-type: none"> • subscribed by Cattolica Assicurazioni and CEO to cover H-Campus delays |  |
| 2020 | <ul style="list-style-type: none"> • Inauguration of H-FARM Campus • H-Farm closes €20m financing via capital stock increase and convertible bond |  |
| 2021 | <ul style="list-style-type: none"> • Increasing international network: new partnerships with | |

Chichester University (UK), Luxembourg School of Business and Zagreb School of Economics for undergraduate and graduate programs

Source: Company data

Shareholders



Source: Company data

Key people

Name and role	Background
Riccardo Donadon CEO – Shareholder Chairman	<ul style="list-style-type: none"> Present: Chairman, CEO and Co-Founder of H-FARM, Board member Fondazione Ca’ Foscari. Background: Advisory Board UniCredit, Chairman of Italia Startup, CEO E-Tree and Partner at Etnoteam

Management:

- **Luca Valerio:** General Manager
- **Michela Uliana:** CFO
- **Tomas Barazza, Davide Bartolucci, Fabio Carraro, Vittorio Di Tomaso, Giorgio Sacconi:** Heads of Consultancy divisions
- **Mauro Bordignon, Carlo Carraro, Marco De Rossi, Marco Savini:** Heads of Education divisions

H-campus

On Sept 7th 2020, H-FARM’s new campus was officially opened. Planned to be completed in September 2018, the development came to a halt due to a delayed authorization by a public environmental commission in 2018. According to management, contingent delays for H-Campus project development have generated approximately €8m of additional unpredicted costs in 2018 and 2019 plus loss of revenues related to operations stand-by, which required additional capital inflows.

Financial feasibility

The entire area is owned by a real estate fund managed by Finint Investments SGR and owned by Cattolica Assicurazioni with a 60% stake and CDP Investimenti SGR through “FIA2” fund with 40%. The investment has been over €101m and the campus has been leased to H-FARM with a 30-year contract, at reduced rent rising during the first five years.

The total area of the Campus is over 50,000 sqm, with 13 new facilities dedicated to education and business. The Campus follows the main standards of sustainability and it is energy self-sufficient and has a capacity of over 3,000 students and employees.

H-Farm new campus



H-Farm IPO and stock market performance on AIM Italia

H-Farm on AIM Italia

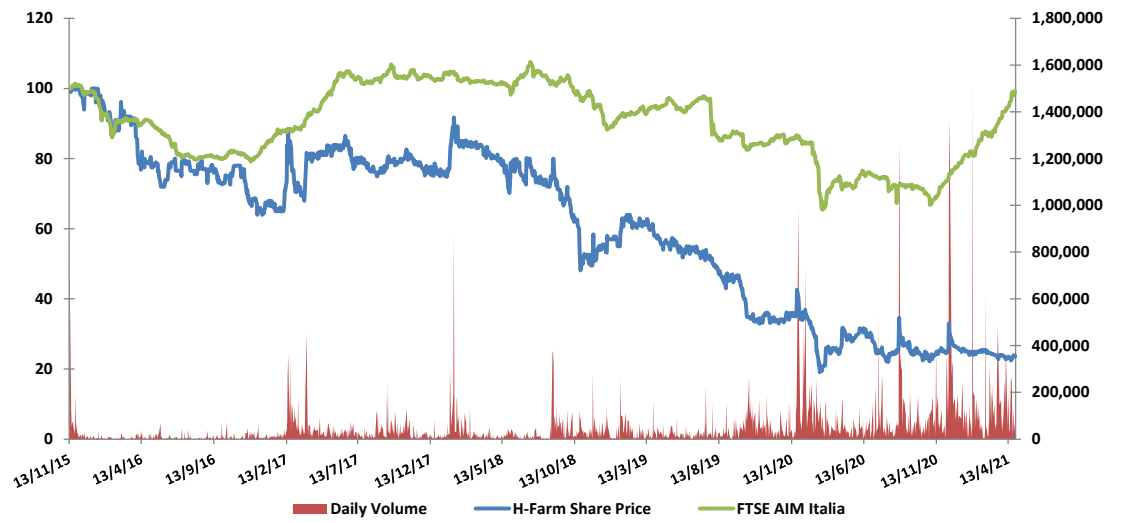
Stock market	AIM Italia
Bloomberg code	FARM IM
Reuters code	FARM.IM
IPO date	13/11/2015
Offer Price (€)	1.00
Money Raised (€m)	20.22
Market Cap at IPO (€m)	89.20
Free float at IPO	19.0%
Ordinary shares - ISIN number	IT0004674666
Shares Outstanding (m)	128.7
Current Share Price (€)	0.23
Current Market Cap (€m)	29.3
POC 2020-2025 - ISIN number	IT0005425639

Description

-€10m Convertible Bond divided in 2 tranches (€4m in pre-emption to the shareholders who have subscribed the capital increase and €6m to qualified investors). Bond conversion ratio is computed as the greater of €0.3030/share (“floor”) 60 days average share market price preceding the conversion period, discounted by 30%.

Source: Company data and S&P Capital IQ, update 03/05/21

Share price performance (base 100, left) and volumes (right) since IPO



Source: S&P Capital IQ, update 03/05/21

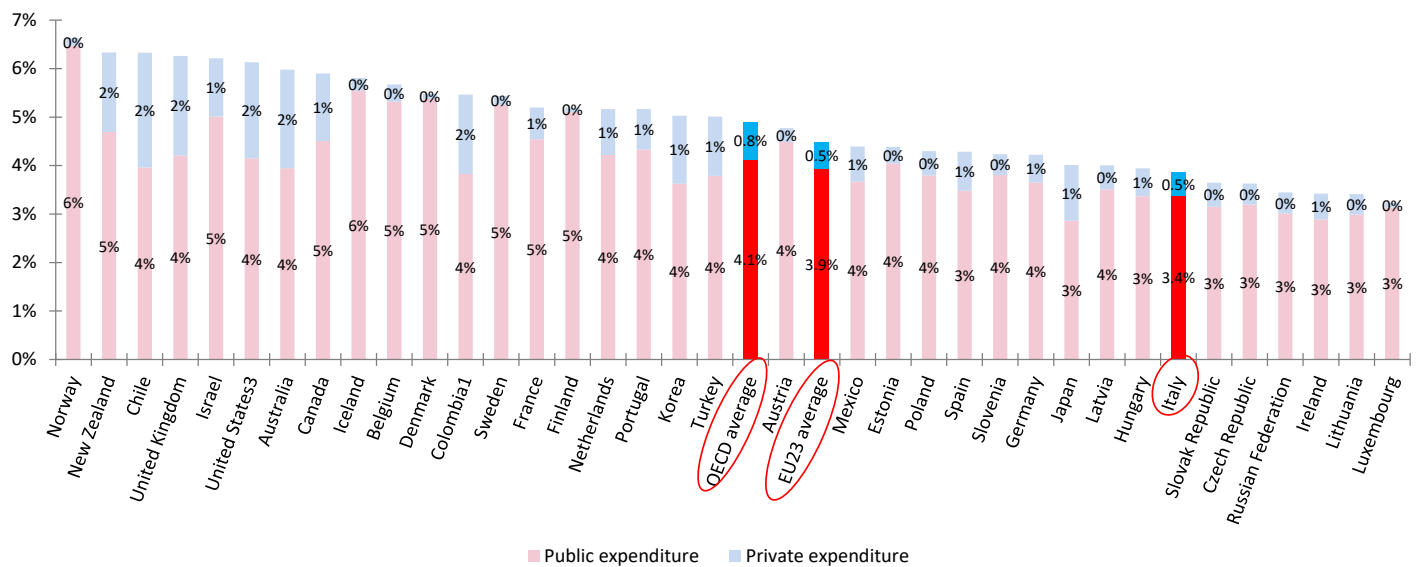
3. MARKET TRENDS AND OUTLOOK

Innovation between two industries: education and digital consulting

Education industry

According to OECD, in 2017 Italian expenditure related to education accounted for 3.9% of domestic GDP, totaling ca. \$75bn, of which ca. \$9bn private expenditure. Italy is well below the OECD average of public and private expenditure on educational institutions, which respectively account for 4.1% of GDP and 0.8%.

Total expenditure on educational institutions as % of GDP, 2017

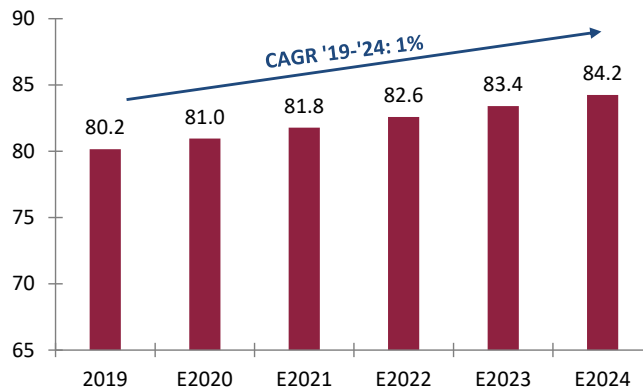


Source: EnVent research on OECD, *Education at a glance 2020*, 2020

Italian education industry

According to Euromonitor International, Italian education industry recorded only moderate growth in 2019, expanding by just 1%. Education spending, as a share of GDP, has remained stagnant over the last few years and stood at ca. 4% in 2019. The education industry is forecasted to witness a 1% CAGR over 2019-2024, due to budget constraints and a shrinking school-age population. (Euromonitor International, *Education in Italy*, Aug 2020)

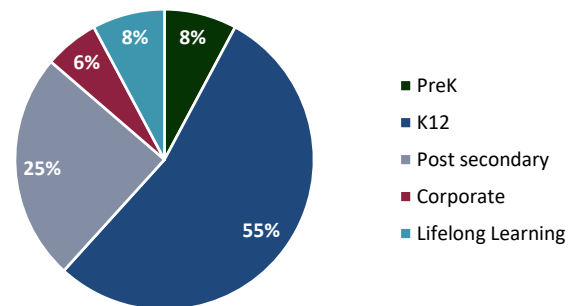
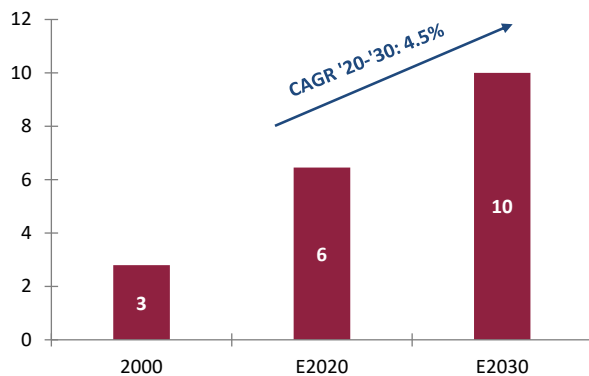
Italian education total expenditure 2019-E2024, \$bn



Source: EnVent Research on Euromonitor International, *Education in Italy*, Aug 2020

According to HolonIQ, a market intelligence platform that provides analysis in the education market, global education and training expenditure is set to reach at least \$10tn by 2030, growing at 4.5% CAGR 20-30, while K-12 segment is expected to account for 55% of the total expenditure in 2030. (Source: *HolonIQ*)

Global education and training expenditure, 2020-E2030, \$tn **Education expenditure by segment, E2030**



Source: HolonIQ

We see the following features as main industry drivers:

Easier access to education for developing economies, while technology drives re-skilling and up-skilling in developed economies.

Globalization drives demand for higher levels of education and communication skills.

Flexible schooling trend, which delivers more scheduling options for learners and enhances personalization of degree programs. As we have witnessed recently, Covid has been a catalyst for hybrid learning and some new approaches are here to stay.

Industry-based schooling is gaining momentum, especially for highly skilled fields.

IT infrastructure becoming predominant and digital transformation in the education system is set to accelerate over the medium term delivering a more accessible product.

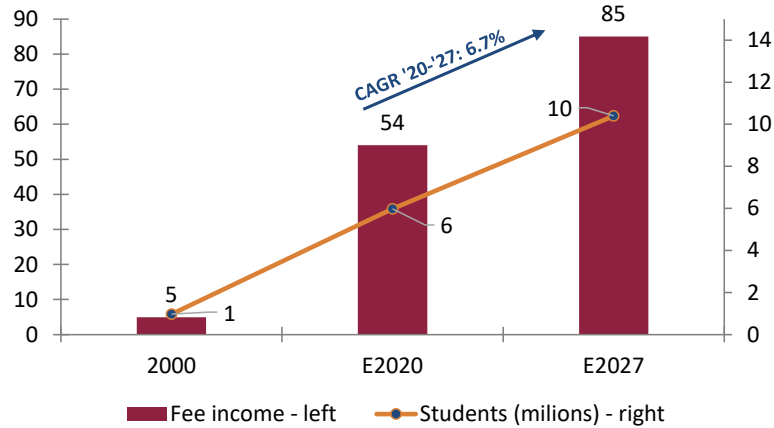
Private International schools

According to International Schools Consultancy (ISC Research), a market intelligence firm specialized in K-12 international school data, in the last 20 years international schools fee income has grown by 12.7% CAGR 2000-2020 from \$5bn to \$54bn, and it is set to reach \$85bn in 2027. (Source: ISC Research and EduReach websites)

CAGR'20-'27: 6.7%

Number of students in international schools is expected to reach 10m in 2027

Global International schools market growth, 2020-E2027, \$bn



Source: EnVent Research on ISC Research and EduReach

Digital consultancy industry

We see the following features as main industry drivers:

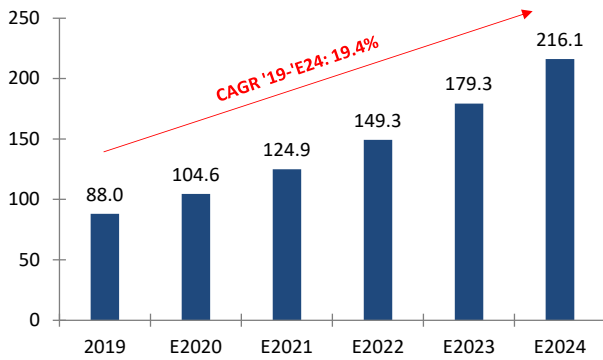
New consumers with strong digital interactions

Lack of budget allocation and planning may undermine digital transition

Covid-19 as a catalyst

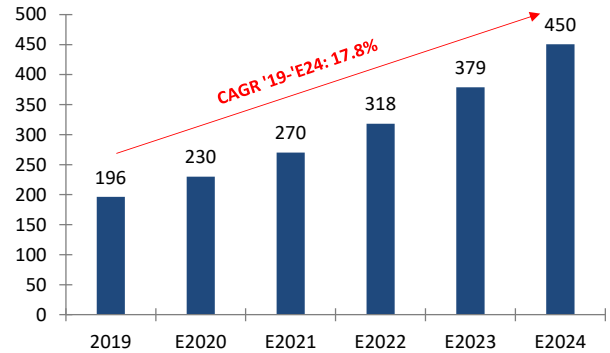
- **Migration of traditional IT infrastructure** to the cloud or mobile computing solutions fuels the digital transformation consulting market globally.
 - **Growing usage** of smartphones, mobile devices, and applications is promoting digitization.
 - **Increasing amount of data volume.** Businesses are looking to centralize data management and delivery, as well as to leverage data to control their businesses and the user experience, which eventually may lead to higher uptake for digital consulting services.
 - **Accelerating AI Data Analytics.** The new data economy relies on AI’s ability to analyze the data and data science is a rapidly growing field that expands the need of professionals.
- Major challenges that companies face while executing digital transformation include the lack of budget allocation and planning. To undertake a digital transformation, a company needs to make a huge investment in acquiring state-of-the-art technology and the appropriate team to execute the same. Companies need to have a strategy in place for the long-term and have a sound capital plan.
- **COVID-19 global outbreak.** In the near term the global pandemic has further pushed digital transformation, given the increasing trend on mobile devices usage, stay-at-home and remote working.
- Total spending on digital media is outpacing other media** and the trend is expected to continue.

Digital transformation: global service market '19-'E24 (\$bn)



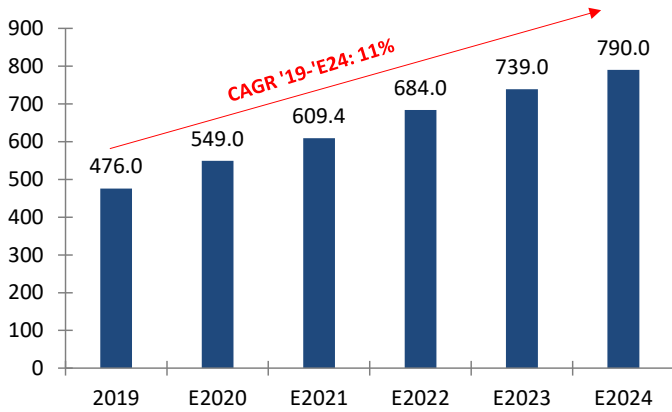
Source: Management plan, BCG analysis on Gartner and Grandview data

Digital transformation: global tech. implementation market '19-'E24 (\$bn)



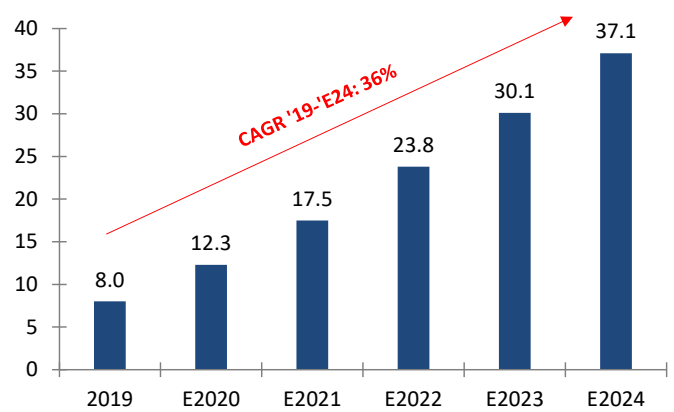
Source: Management plan, BCG analysis on Gartner and Grandview data

Digital transformation: Digital marketing worldwide spending, '19-'E24 (\$bn)



Source: Management plan, BCG analysis on emarketer.com data

Digital transformation: global digital advertising budgets '19-'E24 (\$bn)

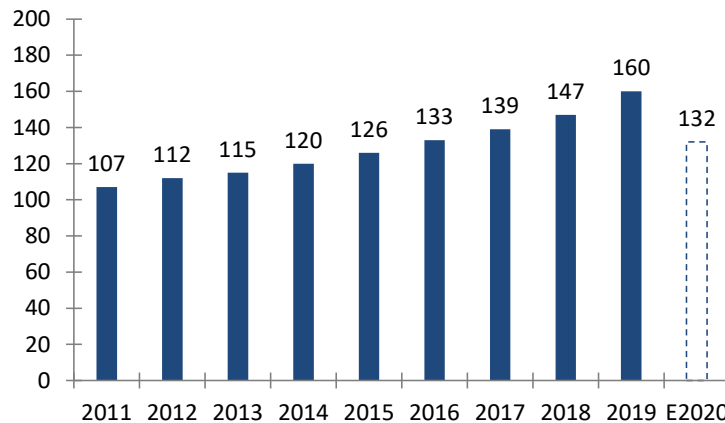


Source: Management plan, BCG analysis on statista.com data

All the segments related to digital transformation are expected to grow at 2 figures rates, while the global digital transformation service market and the digital marketing worldwide spending are expected to peak, respectively, **\$216bn and \$790bn in 2024**.

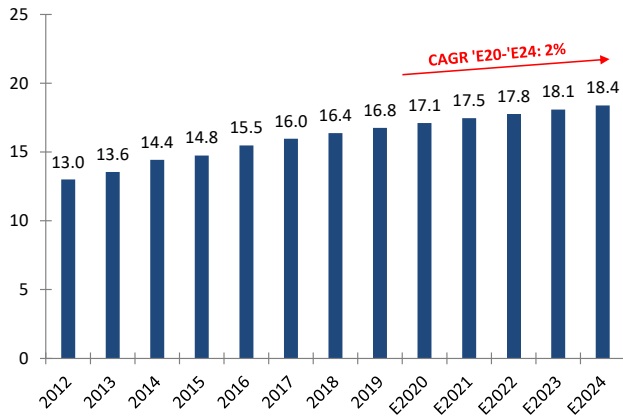
Global management consulting market (\$bn)

Management consulting market came to a halt in 2020, mainly related to pandemic



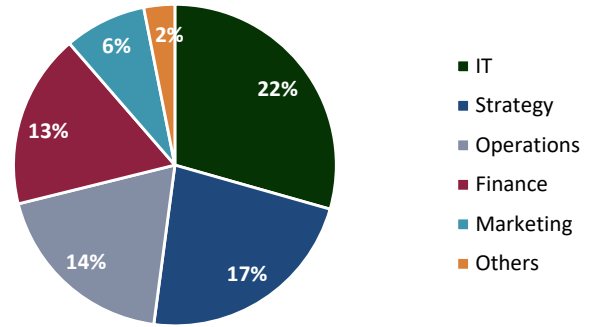
Source: EnVent Research on Consultancy.uk, Clairfield International, Source Global Research and Statista.

Revenue of business consultancy activities in Italy (\$bn)



Source: EnVent Research on Statista and Eurostat

Italian management consulting market by segment, as % of total, 2019



Source: EnVent Research on Assoconsult

Room to grow for H-Farm

**Education,
a gap to be filled**

Although Italian education total expenditure seems to stagnate over the years, private global international school market might deliver a significant 6.7% CAGR '20-'27. Besides, Italy, compared to other Countries, underspends on education, a gap that should be fulfilled in order to lay down a basis for structural country growth.

Consulting

Digital consulting is a fast-growing segment within the consulting industry. According to BCG analysis, all the underlying drivers of digital transformation are expected to deliver tremendous growth. Therefore, H-Farm should be in a favorable position to profit from growth momentum.

4. BUSINESS MODEL

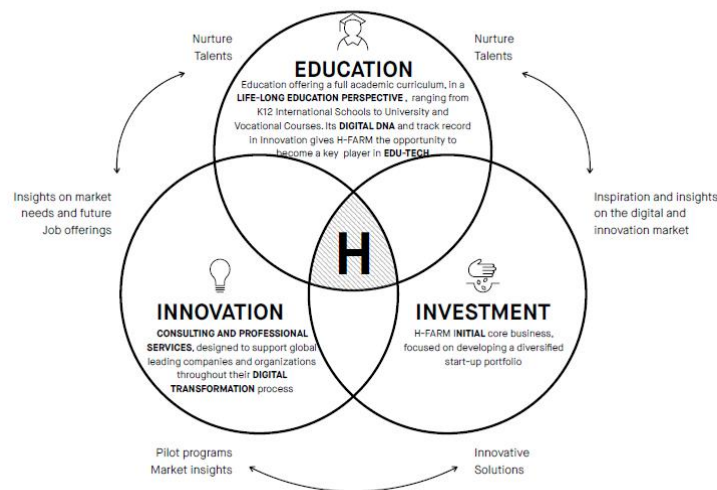
Bringing innovation through people

H-Farm, which was born as an accelerator-incubator that invested its own funds in startups, now has adapted and converted its vision and mission from investing in innovation to become a cultural leader within the ever-changing digital landscape, through developing and offering education and technology to companies, individuals and professionals.

H-Farm three business units are:

- H-Farm Education
- H-Farm Consultancy
- H-Farm Portfolio which is focused on startups investment and it is now in a divesting phase.

H-Farm business model



Source: Company data

Education

H-FARM Education provides educational services through an original approach, leveraging on digital technology for educational purposes, that covers all stages of the system, from pre-school to bachelor's and master's degree courses. H-Farm Education offer consists of:

- **K12 – International Baccalaureate:** full offering for students 4 to 17 years old. Besides, the Company has developed a proof of concept of a proprietary virtual reality platform custom-designed to fit K12 IB education needs and curriculum, which will also be offered through a licensing software-as-a-service model (SaaS) to partner IB schools around the world.
- **Sparx:** summer courses and ad hoc events for children.

K12 fees vary widely depending on year, ranging from €8k to €16k yearly for single student, excluding annual subscription fee and boarding.

- **H-FARM College:** from undergraduate to post-graduate and executive courses. The Company is also planning a hybrid distance learning unit for 2021, as soon as the campus is saturated. Undergraduate courses boast a graduation rate higher than ca. 97%, master programs are designed in partnership with foreign universities

(Chichester University, Luxembourg School of Business and Zagreb School of Economics).

- **Short Programs:** micro-master, certificate programs and summer programs.
- **BigRock:** which is the school of computer graphics, videogames, and concept art. It is one of Europe’s most acclaimed training centers for computer animation and virtual reality. Comparable institutions exist only in Northern Europe and the U.S.A.
Top Placement Partners: Disney, Pixar, Paramount Pictures. Over 75% of successful placements within 6 months from Graduation.

Fees for undergraduate, post-graduate and other programs vary widely depending on the programs, ranging from ca. €2k for micro-masters to €8k for BigRock and more than €20k for the MSc.

As of 2020, the division counted on more than 2,000 students and ca. 140 international teachers with 25 different nationalities.

The Company relies on 3 international schools (Treviso, Rosà and Vicenza). The new Campus alone has a 3,000 people total capacity, of which 2,000 students, while boarding may accommodate over 240 students.

Besides, H-Farm schools have been recognized as Apple distinguished schools, given by Apple to the most innovative education centers.

Consultancy - a fully integrated offer

H-Farm Consultancy helps companies implement digital processes. The Consultancy team creates value for clients by leveraging on an integrated approach and cross-fertilization. The range of services offered is:

- **Strategy & Innovation Culture** supports leading companies re-designing customer products, processes, and organization, delivering digital transformation support, from strategy to execution.
- **Artificial Intelligence** unit, which designs and implements Natural Language Processing solutions based on Machine Learning and Neural Networks. It has successfully worked on voice-controlled infotainment systems of high-end car manufacturer.
- **Enabling solutions** which consists of assessing companies IT technical maturity and providing cutting-edge solutions for specific problems and integration of digital tools
- **Brand Innovation**, consulting focused on content strategy
- **Digital Marketing division**, which is the largest revenue segment, aimed at improving clients digital communication through a data-driven approach

H-Farm Consultancy team is formed by professionals with different backgrounds, skills and oddities to better interpret and execute continuous developments of client needs. The multi-disciplinary team is tied up to provide an added-value service to clients, improving the execution and finalization of each project. This flexibility allows a better integration given the highly synergic digital service consultancy.

Its selling model ranges from project, T&M (time and material), public funding and platforms licensing.

This area employs approximately 300 people, in 2019 revenue per capita were €147k.

The BU boasts more than 250 clients, among which TIM, Adidas, Gucci, DeLonghi, Intesa Sanpaolo and strategic partners such as Edenred, Sky and Novo Nordisk.

Portfolio

H-Farm Portfolio is the division dedicated to investments in start-ups. The division makes seed/post-seed investments in start-ups.

- **Portfolio Management activity** focused on constant support to startups in the monitoring of KPIs and investor relations
- **Portfolio Development activity** supports corporate finance, business development research and analysis of strategic partnerships.

The financial analysis chapter includes a thorough analysis of portfolio and holdings

Portfolio map, as FY2020

SETTORE →	AGRITECH	BIG DATA ANALYTICS	BLOCKCHAIN	EDUCATION	FASHION	FINTECH & INSURTECH	INDUSTRY 4.0	LOGISTICS	MANAGEMENT TOOLS	TRAVEL	3D TECHNOLOGY	OTHER
LATER STAGE →		bradswatch THE DATA OFFICIAL COMPANY		pub.coder		SOLDO		PONYU	FORCEMANAGER	Sailogy	Shivraj	GEK
EARLY STAGE →	AGROOP	COMPETITOR synapta	finboot.tech	Tutorful	Teeser	microcuratore Habacus	KONTENA	thinkin STARTER	traitly			loots PUBLES
SEED STAGE →	BIOPARMA DETAMO	drinkoot	eco.steer		deswag		GenLots		reception			INTERIOR
CONVERTIBLE NOTE →			origintrail			SATOSHI		SENSEFINITY				Digitalkeys
OTHER COMPANIES →												

Source: H-Farm financial statements as of FY2020

Synergy and ecosystem

H-Farm manages three business units: Education, Consultancy and Portfolio. Our understanding is that there is a strategic framework behind the H-Farm business model, which helps to appreciate the value of the various divisions and the potential for synergy. H-Farm can be seen as an **open ecosystem** where business units enjoy mutual benefits. The ecosystem is characterized by:

- Campus, where H-FARM grows and develops.
- Event spaces, ideal for hosting meetings, corporate meetings, discussions with investors, training appointments and cultural events.
- HforHuman Foundation, created to facilitate the creation and building of a shared digital culture and innovative, high-quality education.

5. COMPETITION

Combining education and consultancy services

Competition rationale

Given the presence of different businesses and investments we have selected 2 clusters of players which compete with the two main H-Farm BUs:

- Education (K12 schools and tertiary education)
- Digital consultancy services

Education: Competition overview and performance indicators

Competition drivers

The main competitive and strategic factors in the private education industry are:

- | | |
|-------------------------|--|
| Market | <ul style="list-style-type: none"> • Small domestic market • Importance of local customers, especially for early years of K12 schools |
| Rivalry | <ul style="list-style-type: none"> • Competition from public schools • Brand equity and well-known names play a significant role in attracting talents, especially for University and tertiary education |
| Internal factors | <ul style="list-style-type: none"> • Most of the expenses are fixed and represented by personnel and services |

Key competitors and their segmentation

The aim of this analysis has a higher scope than merely identifying direct competitors of H-Farm offering. Given the strong local appeal for education services, especially for pre-university programs, schools located too far from H-Farm Campus probably are not direct competitors, but we consider any findings useful to understand industry trends, profitability and economic drivers.

Within the education cluster, we identify 2 segments:

- **K12 schools**

We only consider international schools with more than €1m revenue, which provide education mainly in English and throughout all the K12 path (from pre-school to diploma), in central and northern Italy.

Among K12 schools we identify those which offer International Baccalaureate programs, an international school network and boarding schools, which provide students full-time accommodations and living.

- **Tertiary education and universities**

We consider universities and tertiary education institutions with more than €1m revenue, located in central and northern Italy, whose data and financial statements are available and allow comparability.

H-Farm is the only Italian player which provides all the K12 cycles, education from pre-school to diploma, and university programs, including bachelor and graduate degree, post-master and executives, vocational and B2B.

Financial performance and key indicators (Education)

Company	City	IB school	Boarding school	Revenues Last FY (€m)	Rev. YoY Last Y	Rev. CAGR Last 5Y	EBITDA % Last Y	EBITDA % Avg. 5Y	Employees Last Y	Net Debt (cash) Last Y	Capex Avg. 5Y	Capex/Revenue (Last Y)
K12 Schools in Italy:												
Int'l Schools of Europe (Milan, Modena, Monza, Siena)	Milano	✓	✓	31	6%	5%	18%	18%	300	29.3	22.3	19%
St. Louis School	Milano	✓	✓	24	26%	19%	23%	16%	150	(1.8)	5.4	26%
Collegio San Carlo	Milano	✓	✓	20	-1%	5%	5%	13%	251	(0.9)	1.6	n.m.
St. George's School	Roma	✓		14	-3%	1%	7%	11%	134	(5.3)	0.7	5%
The British School of Milan	Milano	✓		12	-2%	7%	10%	5%	115	(5.0)	0.4	2%
ACOF Olga Fiorini	Varese			11	3%	6%	4%	5%	210	(1.6)	0.2	1%
Rome Int'l School	Roma	✓		8	73%	n.a.	4%	9%	81	(2.0)	3.2	1%
The English Int'l School of Padua	Padova	✓		8	-1%	3%	19%	22%	124	(0.7)	0.1	3%
Int'l School of Como	Como	✓		6	8%	14%	29%	22%	64	(2.0)	0.3	2%
Int'l School of Verona	Verona	✓		6	2%	2%	28%	28%	73	(0.9)	0.1	0%
Andersen Int'l School	Milano			5	-4%	4%	neg.	5%	88	(3.2)	0.2	0%
Southlands	Roma	✓		5	1%	-2%	5%	8%	90	(1.6)	1.5	0%
Int'l School of Bologna	Bologna	✓		4	14%	7%	9%	8%	56	(0.9)	0.1	2%
Canadian School of Milan	Milano	✓		3	21%	19%	18%	10%	42	(2.0)	0.1	6%
Int'l School of Bergamo	Bergamo	✓		3	2%	15%	4%	9%	52	0.9	0.8	42%
World Int'l School of Torino	Milano	✓	✓	3	84%	n.a.	neg.	neg.	39	3.3	1.2	2%
Vittoria Int'l School	Torino	✓		3	48%	4%	17%	19%	35	(0.9)	0.0	0%
Villa Grimani Int'l School	Padova			2	-5%	6%	27%	16%	39	n.a.	0.1	-2%
Int'l School of Brescia	Brescia	✓		1	1%	n.a.	7%	neg.	22	(0.1)	0.0	0%
Pianca School	Treviso			1	-5%	-4%	3%	8%	22	(0.2)	0.1	11%
Min				1	-5%	-4%	3%	5%	22	(5.3)	0.0	-2%
Mean				9	13%	7%	13%	13%	99	0.2	1.9	6%
Median				6	2%	5%	9%	10%	77	(0.9)	0.3	2%
Max				31	84%	19%	29%	28%	300	29.3	22.3	42%
Tertiary education & Universities:												
IED	Milano			92	5%	n.a.	9%	10%	687	(15.0)	4.1	4%
NABA	Milano			55	83%	12%	31%	24%	196	(9.9)	5.5	3%
Istituto Marangoni	Milano			31	-31%	0%	35%	25%	167	(8.1)	1.5	1%
MIP Politecnico di Milano	Milano			27	3%	12%	8%	6%	131	(10.6)	1.2	9%
24ORE Business School	Milano			22	6%	n.a.	25%	21%	77	(6.2)	3.2	27%
Istituto Lorenzo de Medici	Firenze			17	6%	2%	4%	10%	183	(3.5)	0.5	2%
The American University of Florence	Firenze			13	9%	4%	15%	19%	118	1.4	0.6	8%
IADA	Torino			7	32%	30%	43%	45%	23	(3.5)	0.1	1%
Accademia italiana	Firenze			5	0%	3%	23%	15%	34	n.a.	0.1	0%
RUFA - Rome University of Fine Arts	Roma			5	10%	14%	11%	14%	19	(0.7)	0.2	4%
SAE - International Technology College	Milano			3	10%	15%	29%	12%	29	(0.0)	0.1	7%
IUAD Accademia della Moda	Milano			3	7%	19%	11%	14%	28	(0.3)	0.2	11%
Academy of Costume and Fashion	Roma			3	20%	24%	6%	5%	14	(0.8)	0.1	1%
LABA Firenze	Firenze			3	11%	10%	7%	9%	10	0.1	0.3	19%
ABA Udine	Udine			2	33%	28%	28%	15%	16	(0.4)	0.0	2%
Florence Design Academy	Firenze			2	-10%	-2%	n.m.	n.m.	5	n.a.	0.0	3%
Accademia Italiana Videogiochi	Roma			1	16%	40%	1%	6%	9	0.0	0.0	3%
LABA Rimini	Rimini			1	6%	10%	15%	11%	5	(0.5)	0.0	2%
Nemo Academy	Firenze			1	41%	n.a.	32%	25%	3	n.a.	0.1	11%
Min				1	-31%	-2%	1%	5%	3	(15.0)	0.0	0%
Mean				15	14%	14%	19%	16%	92	(3.6)	0.9	6%
Median				5	9%	12%	15%	14%	28	(0.7)	0.2	3%
Max				92	83%	40%	43%	45%	687	1.4	5.5	27%

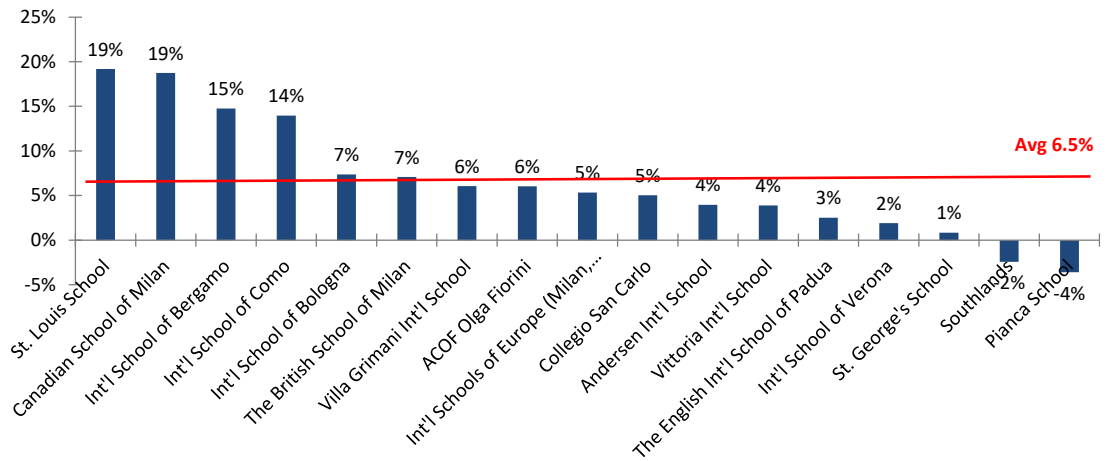
Source: EnVent Research on S&P Capital IQ, Aida and company websites

Note: Int'l Schools of Europe refers to 4 schools in Milan, Modena, Monza and Siena. Its net debt also includes €35m financing from international group company.

Revenue CAGR last 5Y

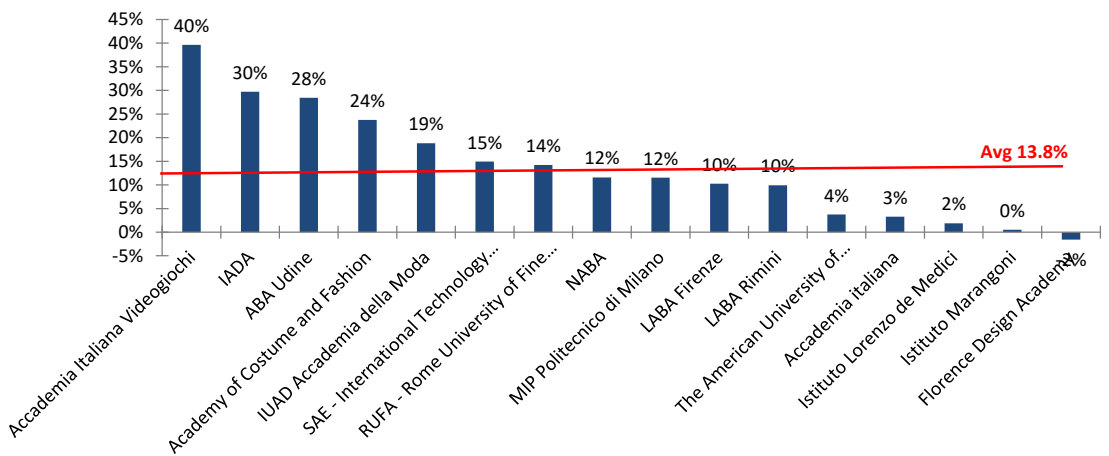
K12 schools

Top performers growth above 14/15% CAGR '15-'19
Strong concentration around the mean



University

Top performers reaching 30/40% 5yrs CAGR
Higher figures than K12 segment

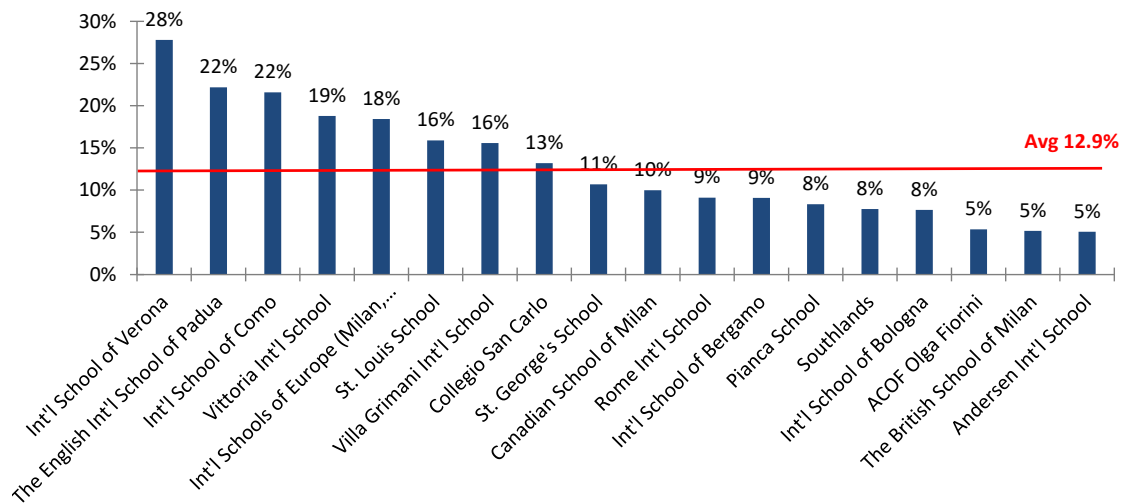


Source: EnVent Research

EBITDA margin, 5Y average

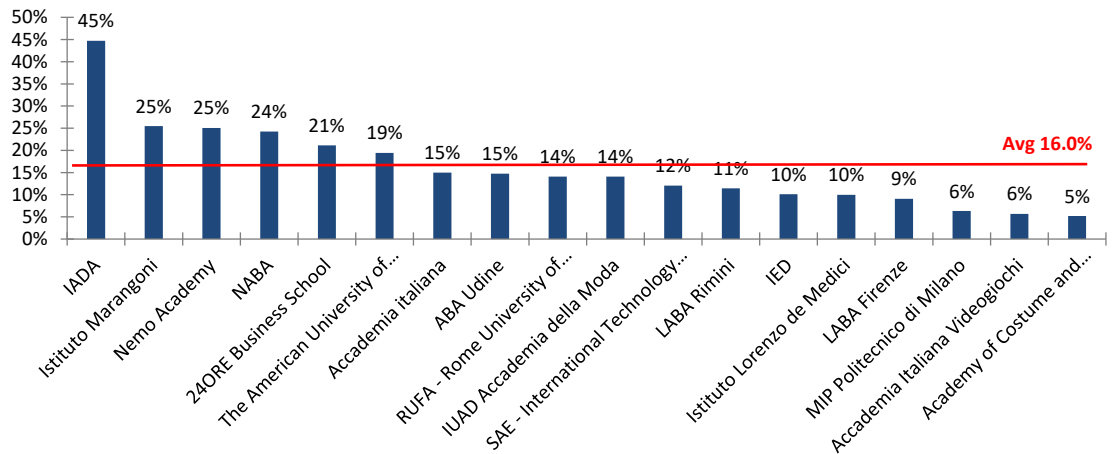
K12 schools

EBITDA margin concentration between 8-16% range



University

Strong concentration around 14/15% margin



Source: EnVent Research

Key findings (Education)

The picture is of a **small** domestic market, top performers **revenue** in K12 segment are below €30m and most of the figures below €10m. While private universities show a higher mean in terms of revenue, most of the figures are consistently on the low side.

Consistent EBITDA, concentration of the figures for K12 schools operating profits in the 8-16% region, with top performers over 20%. Higher performances might be read as depending on size, cost efficiency and higher-priced services. Private universities show an even higher EBITDA margin with more figures above 20% and a concentration around 14/15%.

Most of the players are debt-free with financial debt consistently on the low side for both segments. The exceptions, such as Int’l Schools of Europe, are given by the presence of a few private equity funds in the industry and leveraged acquisitions.

Capital expenditures appear extremely low for both the segments, with most of the figures below 5% of the revenue. K12 boarding schools show a slightly higher capex than others.

Consultancy: competition overview and performance indicators

Digital consulting industry and competition drivers

The digital consulting industry is varied and nuanced with several players with a highly diversified service portfolio and with different levels of specialization and technologies. Considering the specific offering of H-Farm, we built a panel of fairly comparable competitors operating in: Digital marketing, business transformation and digital strategy, and traditional IT consulting (which includes IT technical solutions and system integration).

The field classification is not exhaustive, with some players operating in different areas and products, or highly specialized in only one field, but the picture is of a cluster of companies which are aimed to satisfy similar needs of the same end-customer.

Although there are large players -indeed the cluster includes international behemoths of the like of Accenture- the industry looks mostly populated by medium-sized companies.

The main competitive and strategic factors in the digital consulting industry are:

- Market**
 - Fragmented and medium-size market

- Digital and IT consulting are fast-growing segments in the consulting industry
 - Strong competition from well-established firms
 - Many diversified players providing other services and products than consulting
 - Firms’ brands play a significant role
 - Personnel as the main cost item
- Rivalry**
- Internal factors**

Key competitors - private

We have selected companies whose offering and portfolio of services might compete with H-Farm consulting BU.

Accenture (Italian branch) provides strategy and technology consulting. It has a global reach and frequently a largest player status in local markets.

2019 Italy Sales: €2,122m

Reply provides consulting, system integration services, cloud-based platforms in Italy and internationally.

2019 Sales: €1,206m

Lutech provides technology consulting and system integration solutions and services. The company also offers next-gen IT infrastructure and VAR solutions, and proprietary solutions.

2019 Sales: €424m

Tinexta provides marketing and digital consultancy services, IT and cyber security solutions, credit information and management.

2019 Sales: €259m

2019 Employees:1339

Business Integration Partners provides management consulting and business integration services. It operates in Italy and internationally.

2019 Sales: €244m

Jakala provides digital marketing solutions, digital strategic consulting and business intelligence.

2019 Sales: €243m

Everis Italia provides consulting, business transformation and technology services. It is an NTT Data company.

2019 Sales: €81m

IConsulting is a management consulting company focused on digital transformation.

2019 Sales: €23m

BTO is an Italian Leading Research Center on ICT and Digital Fields and it offers digital transformation, digital marketing consulting services.

2019 Sales: €18m

Sysdata provides business consulting, IT consulting and digital strategy services.

2019 Sales: €16m

Evolution People offers digital marketing consultancy services.

2019 Sales: €11m

BearingPoint (Italian branch) provides business and information technology consultancy services. It has several international branches and global reach.

2019 Sales: €10m

Profiles of listed comparable companies are described in the Market Metrics section (Techedge, Alkemy, Triboo, Digitouch, Websolute)

Source: EnVent Research on publicly available information

Financial performance and key indicators (Consulting)

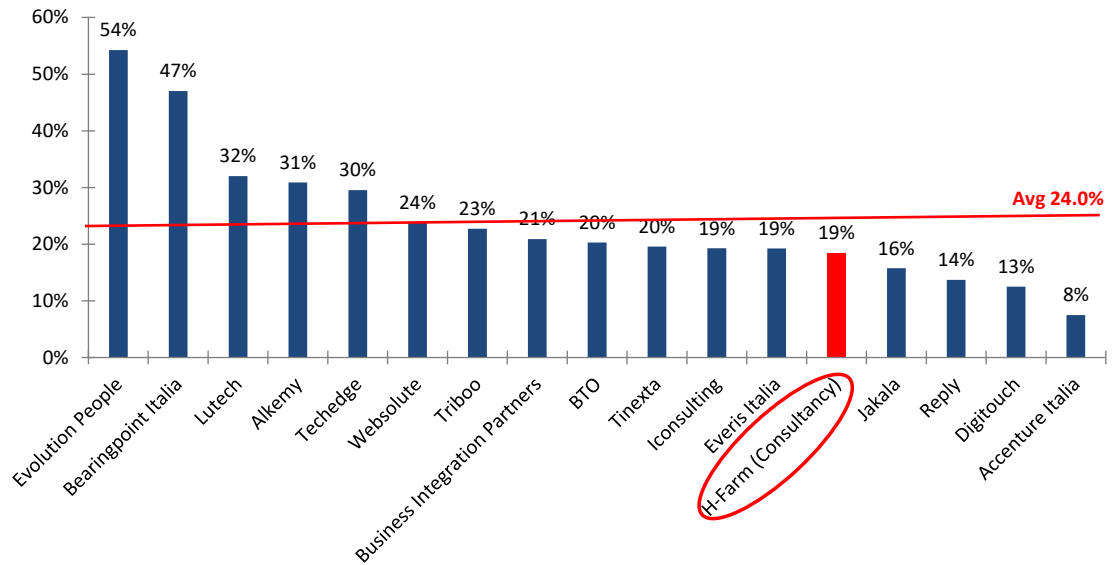
Company	City	Consultancy services			Revenues	Rev. YoY	Rev. CAGR	EBITDA %	EBITDA %	Employees	Per cap rev	Net Debt (cash)	Capex	Capex/Revenue
		Digital Marketing	Business Transformation & Digital Strategy	IT Consulting	Last FY (€m)	Last Y	Last 5Y	Last Y	Avg. 5Y	Last Y	Last Y (€k)	Last Y (€m)	Avg. 5Y (€m)	(Last Y)
Consulting/digital enablers:														
Accenture Italia	Milano	✓	✓	✓	2,122	9%	8%	10%	10%	10650	199	(8)	24.5	2%
Reply	Torino	✓	✓	✓	1,206	14%	14%	16%	14%	7915	152	(106)	71.3	13%
Lutech	Milano	✓	✓	✓	438	31%	32%	9%	9%	2452	179	149	58.6	12%
Tinexta	Italy	✓	✓	✓	259	8%	20%	28%	24%	1403	184	(3)	19.8	5%
Business Integration Partners	Milano	✓	✓	✓	244	55%	21%	16%	14%	2517	97	83	48.5	14%
Jakala	Milano	✓	✓	✓	243	14%	16%	13%	12%	703	346	96	23.4	20%
Techedge	Milano	✓	✓	✓	206	11%	30%	11%	11%	2116	97	0	13.4	9%
Alkemy	Milano	✓	✓	✓	85	18%	31%	4%	9%	512	165	19	11.7	6%
Everis Italia	Milano	✓	✓	✓	81	15%	19%	3%	7%	834	97	(11)	0.8	0%
Triboo	Milano	✓	✓	✓	76	14%	23%	3%	9%	380	201	2	8.7	13%
H-Farm (Consultancy)	Veneto	✓	✓	✓	44	8%	19%	9%	11%	300	147	n.a.	n.a.	n.a.
Digitouch	Milano	✓	✓	✓	39	21%	13%	12%	11%	220	177	1	4.6	10%
Iconsulting	Bologna	✓	✓	✓	23	17%	19%	28%	25%	198	115	(1)	0.2	1%
BTO	Milano	✓	✓	✓	18	7%	20%	7%	7%	212	85	(1)	0.3	1%
Sysdata	Bologna	✓	✓	✓	16	8%	n.a.	12%	11%	203	78	(3)	0.2	2%
Websolute	Marche	✓	✓	✓	14	11%	24%	14%	12%	180	77	13	1.9	24%
Evolution People	Milano	✓	✓	✓	11	n.m.	54%	9%	9%	21	534	(1)	0.0	0%
Bearingpoint Italia	Milano	✓	✓	✓	10	11%	47%	0%	neg.	64	158	(0)	0.4	0%
iMin					10	7%	8%	0%	7%	21	77	(106)	0.0	0%
iMean					285	16%	24%	11%	12%	1,716	172	14	16.9	8%
iMedian					78	14%	20%	11%	11%	446	155	(0.2)	8.7	6%
iMax					2,122	55%	54%	28%	25%	10,650	534	149	71.3	24%

Source: EnVent Research on S&P Capital IQ, Aida and company websites

Most of the figures around 19/20%.

The overperformance of the first two is to be explained by their small size compared to the cluster and start-up like growth rate

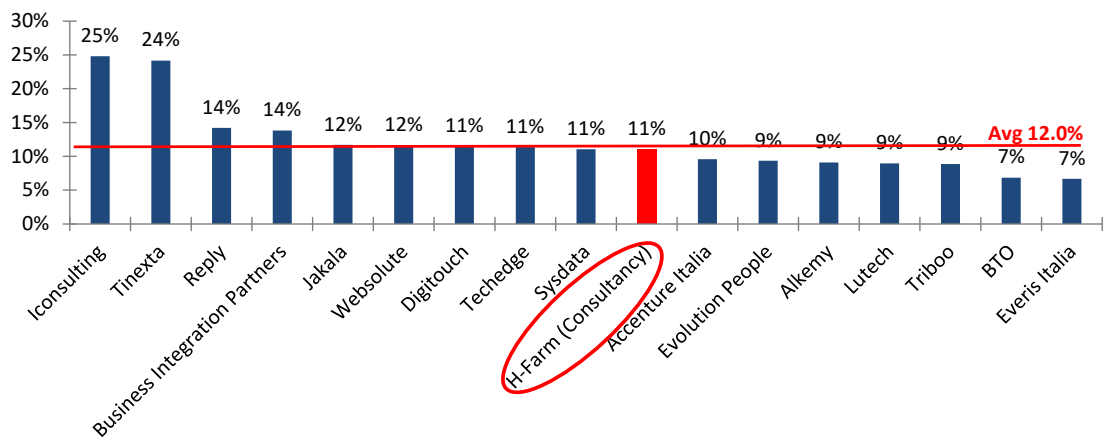
Revenue CAGR last 5Y



Source: EnVent Research

More than 75% of the figures are concentrated in the 9-14% region

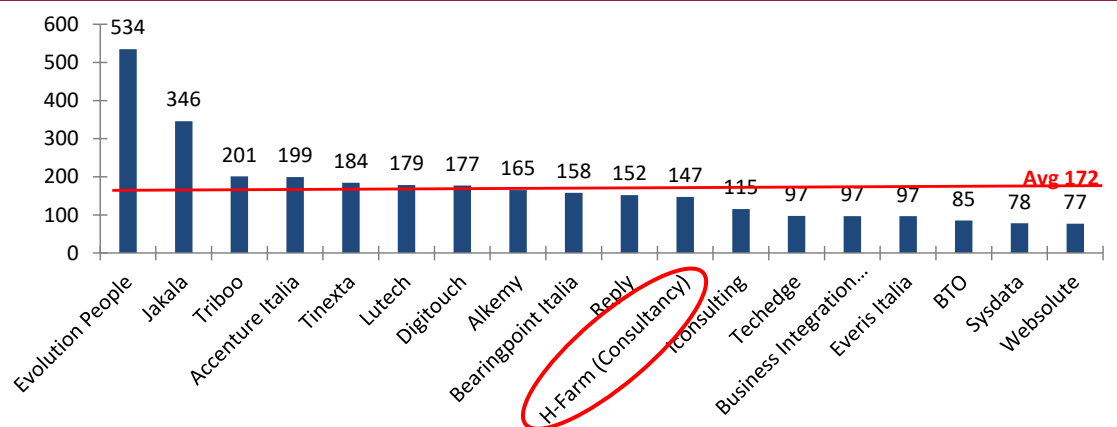
EBITDA margin, 5Y average



Source: EnVent Research

Concentration between 100-200 per capita, a few players under 100 and those with higher figures provide also other services than consulting

Per capita revenue (€k) FY2019



Source: EnVent Research

Key findings (Consultancy)

The picture is of a **fragmented and medium-size** domestic digital consultancy services market which is experiencing **strong growth** in the timeframe analyzed as shown by median and mean of the cluster 5 years CAGR which are 20% and 24%, respectively. Large companies, such as Accenture and Reply, make 10 figures revenue, while most players in the group make under €100m revenue.

Consistent EBITDA, concentration of the figures in the 9-14% region, very few figures out of this range. Higher performances might be read as depending on a more diversified portfolio of services.

Per capita revenue figures, a typical industry benchmark, show a concentration in the €100-200K region. Also, higher figures might be read as depending on a more diversified portfolio of services or even products.

Most of the players in **cash, higher debt** for companies involved in leveraged transactions.

Capital expenditures are on the low side, higher figures for those which are acquisitive companies and which provide other products and services than consulting.

6. MARKET METRICS

Market value of comparable companies

Selection criteria of comparable listed companies

Reflecting the Company’s business segments, we developed a peer group for each BU.

Key selection factors:

BU Education

- Providing K12 and tertiary education services
- Size: small-medium comps
- Geographical scope: Europe

Key selection factors:

BU Consultancy

- Providing consulting and digital services
- Size: small-medium comps
- Geographical scope: Italy

Industry players segmentation

BU Education

For the BU Education, among listed companies in Europe we selected those providing education and professional training services whose multiples are consistent within the overall group:

- **Education EU** - AcadeMedia, Proeduca Altus, Atvexa AB, Wey Education, MBH Corporation, Maison Internationale de l’Informatique, Malvern International.

BU Consultancy

For the Consultancy BU, we note that most of the companies analyzed in the wide ecosystem of digital consulting services are highly diversified, delivering also other services and even products. We also reckon that scale and geography make a heavy difference in terms of trading multiples. As such, we primarily focused on peers with similar size and exposed to the Italian capital market, which provide consulting and digital services.

We selected the following companies as consulting and digital enablers in Italy:

- **Consulting and digital enablers in Italy** - Be Shaping The Future, Techedge, Alkemy, Triboo, DigiTouch, Websolute, Doxee and Reti.

Comparability of selected peers

The selected peer clusters are the closer choice that we envisage, given the lack of listed pure players.

Key takeaways:

- We reckon that size and geography make a huge difference in terms of trading multiples.
- Many listed companies are much larger than H-Farm BUs, we have made reference to their data on the assumption that as long as their operating and investment dynamics are consistent among and within clusters, they constitute the best available value drivers.

Profiles

Consulting and digital enablers in Italy

Be Shaping The Future provides business consulting services to financial institutions, information technology, and professional services in Italy and Europe. Founded in 1987 and based in Rome.

Key facts: Agreement for the acquisition of a subsidiary in 2021. €10m consideration, implied EV/Revenues 0.9x, implied EV/EBIT 3.9x.

Employees: 1,322

2019 Revenues: €152m

Techedge digital transformation, system integration and digital advisory services in 3 markets: EMEA, Iberia & Latam and North America. Founded in 2004 and based in Milan.

Key facts: Currently under delisting

Employees: 841

2019 Revenues: €202m

Alkemy offers consulting services, communication and sales tools in the area of digital transformation. Founded in 2012 and based in Milan.

Employees: 512

2019 Sales: €85m

Triboo eCommerce and marketing consulting or outsourcing, and digital advertising services, also through direct online content production. Founded in 2005 and based in Milan.

Key facts: Triboo acquired 51% stake in Lovethesign on January 17, 2020.

Employees: 380

2019 Sales: €76m

DigiTouch provides digital strategic consulting and performance marketing services for digital transformation in Italy and internationally. Founded in 2007 and based in Milan.

Employees: 220

2019 Sales: €39m

Websolute provides digital communication, digital marketing services and support to develop e-commerce projects. Founded in 2001 and based in Pesaro.

Key facts: Websolute acquired a 51% stake in W-mind for €0.18m on November 20, 2020; implied EV €0.35m.

Employees: 167

2019 Sales: €14m

Reti provides IT and business consulting services, develops IT platforms and infrastructures for digitization needs of its customers, as well as management and assistance services on infrastructures and applications. Founded in 1994 and based in Busto Arsizio.

Employees: 305

2019 Sales: €21m

Doxee products dedicated to customer communication: Customer Communications Management (CCM), Digital Customer Experience and Dematerialisation services. Founded in 2001

Employees: 115

2019 Sales: €15.5m

Education EU

AcadeMedia is an independent education provider operating in four segments: preschool, compulsory school, upper secondary school and tertiary education. Founded in 1996 and based in Stockholm, Sweden.

Key facts: On December 31, 2020, AcadeMedia completed the acquisition of Swedish Education Group AB for €18m; implied EV/Revenues 0.5x, implied EV/EBITDA 5.3x.

The company also acquired International Montessori School Sweden Ab on February 3, 2021, details undisclosed.

Employees: 17,600

2019 Revenues: €1,109m

Proeduca Altus provides online education services through a digital platform featured by online learning resources, virtual classrooms and collaborative workspaces. Its platform is used in approximately 90 countries. Founded in 2007 and based in Madrid, Spain.

Key facts: has received €8m in an equity round of funding on May 3, 2020.

Employees: 1,814

2019 Revenues: €129m

Atvexa is a large provider of Swedish preschool and compulsory schools. It comprises more than 150 schools including both preschools and compulsory ones. The company business model relies on a decentralized structure and fuels growth mainly through acquisitions. Founded in 2009 and based in Stocksund, Sweden.

Employees: 3,600

2019 Revenues: €136m

Wey Education provides online educational services using an Internet-based platform to deliver primary, secondary and tertiary education worldwide. Founded in 2007 and based in London, UK.

Employees: 107

2019 Revenues: €7m

Maison Internationale de l'Informatique provides professional training services in the fields of IT, office automation, management, and multimedia. Founded in 1985 and based in Paris, France.

Employees: 181

2019 Revenues: €46m

Malvern International provides education and training, and the facilitation of vocational

examinations and certifications, in the UK and Singapore. Its offer includes diploma, university degree and post-grad, professional examinations courses largely in business and hospitality spheres, and vocational programs. Founded in 1980 and based in London, UK.

Key facts: The company was formerly known as AEC Education. On August 4, 2020, the company announced to close its Singapore operations.

Employees: 174

2019 Revenues: €8m

Source: EnVent Research on publicly available information

Market multiples

Company	EV/REVENUES				EV/EBTIDA				P/E			
	2019A	2020A	2021E	2022E	2019A	2020A	2021E	2022E	2019A	2020A	2021E	2022E
Consulting/Digital enablers (ITA)												
Be Shaping The Future	1.2x	1.1x	1.0x	1.0x	9.9x	9.2x	6.2x	5.7x	27.2x	24.7x	17.4x	15.2x
Techedge	0.6x	0.6x	n.a.	n.a.	6.6x	4.2x	n.a.	n.a.	12.0x	7.5x	n.a.	n.a.
Alkemy	0.7x	0.8x	0.7x	0.6x	14.7x	10.9x	6.9x	6.2x	neg.	30.7x	19.0x	13.3x
Triboo	0.7x	0.5x	0.4x	0.4x	n.m.	6.8x	3.2x	2.5x	n.m.	n.m.	12.7x	7.1x
DigiTouch	0.6x	0.7x	0.6x	0.5x	5.1x	5.6x	3.5x	3.2x	n.m.	n.m.	22.4x	19.9x
Websolute	1.4x	1.2x	0.9x	0.9x	10.0x	11.4x	6.8x	5.6x	n.m.	n.m.	20.9x	14.0x
Reti	0.6x	1.2x	1.1x	1.0x	6.5x	10.9x	9.1x	7.7x	0.0x	22.3x	12.2x	8.9x
Doxee S.p.A.	1.1x	1.8x	1.6x	1.4x	8.7x	7.1x	7.4x	5.5x	16.0x	23.9x	25.8x	16.4x
Average	0.9x	1.0x	0.9x	0.8x	8.8x	8.3x	6.2x	5.2x	13.8x	21.8x	18.6x	13.6x
Median	0.7x	0.9x	0.9x	0.9x	8.7x	8.2x	6.8x	5.6x	14.0x	23.9x	19.0x	14.0x
Education EU												
AcadeMedia	0.7x	1.5x	1.4x	1.3x	8.8x	16.2x	6.5x	6.2x	13.6x	20.5x	13.0x	11.8x
Proeduca Altus	2.2x	n.a.	n.a.	n.a.	11.5x	n.a.	n.a.	n.a.	20.8x	n.a.	n.a.	n.a.
Atvexa AB	0.8x	1.4x	1.1x	1.1x	13.8x	19.6x	6.5x	6.4x	21.5x	23.0x	17.1x	15.1x
Wey Education	2.6x	n.m.	n.m.	n.a.	n.m.	n.m.	n.m.	12.9x	neg.	n.a.	n.a.	n.a.
Maison Internationale de l'Informatiqu	0.7x	0.7x	0.7x	0.6x	15.1x	n.m.	15.2x	6.6x	55.5x	neg.	neg.	18.5x
Malvern International	1.6x	n.a.	n.a.	n.a.	neg.	n.a.	n.a.	n.a.	neg.	n.a.	n.a.	n.a.
Average	1.4x	1.2x	1.1x	1.0x	12.3x	17.9x	9.4x	8.0x	27.9x	21.7x	15.0x	15.1x
Median	1.2x	1.4x	1.1x	1.1x	12.6x	17.9x	6.5x	6.5x	21.2x	21.7x	15.0x	15.1x

Source: EnVent Research on S&P Capital IQ; update: April 2021

Note: We deemed as not material many Wey education multiples since they embody excessive high growth rate

7. FINANCIAL ANALYSIS AND PROJECTIONS

Business evolution: from incubator to innovation and education pioneer

Financial history breakdown

Born as incubator

H-Farm, public since 2015, has established one of the first incubators in Italy back in 2005. Till 2011, H-Farm supported 20 startups, with an average ROI of 12x on the first 3 exits. Over the years, H-Farm has financed over 100 startups for more than €28m.

Grown-up in digital consulting

Then in 2015, H-Farm has been re-organized into 3 business units: Education, Consultancy and Portfolio. In 2016, the Company announced to establish its education facility named H-Campus and financed by institutional investors. The facility was completed in August 2020 versus an original 2018 target, concluding the Company's pivotal investment cycle and entering its major business development program.

Becoming a leading international school

With IPO proceeds, H-Farm expanded its education outreach, acquiring private schools in Treviso, Vicenza, Rosà and Big Rock, a vocational school.

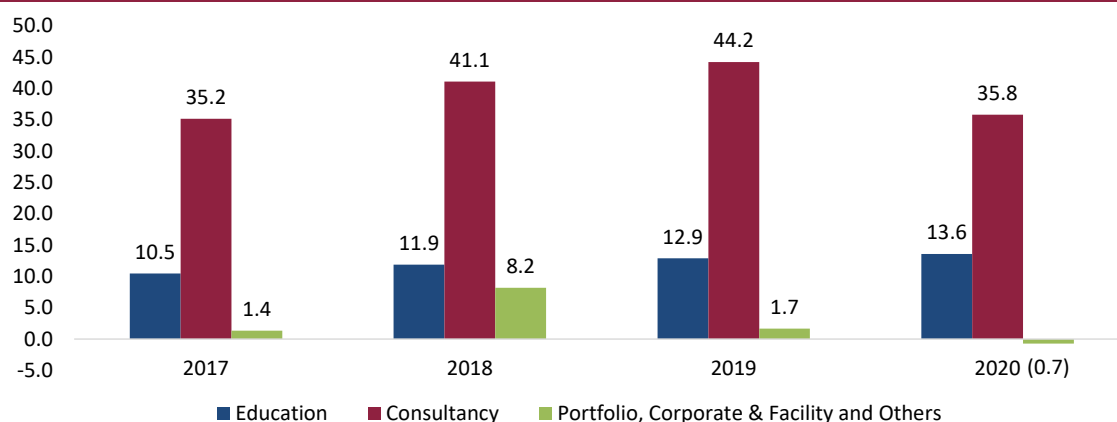
In the past years, the Consultancy business, formerly named Innovation, has been the major source of revenue, from €22.4m in 2015 (90% of total revenues) to €44.2m in 2019, i.e. 75% of total revenues.

The Education unit showed up mainly in 2015 when the Company started to grow organically and through acquisitions. As such, on the back of delays related to H-Campus finalization, Education revenue increased from around 10% of total revenues in 2015 to 25% in 2020 with a CAGR 2015-19 of 60%.

From 2005, investments in the Portfolio business unit have been over €28m. Besides, the Company realized 14 exits accounting for a total €16.7m cash-in, out of €3m initial investment and €7m write-offs.

In 2020, H-Farm realized 2 exits for a cash-in of around €1m, exit multiples were 12.5x and 1x, and a €3m impairment of TLNT Holding.

H-Farm - 5Y Historical total revenues performance (€m)



Source: Company data

Note: Total revenues by business division differ from consolidated total revenues for the inclusion of Portfolio financial performance

FY2020

H-Farm reported Revenues of €52.7m in 2020 vs. €61.m in 2019, -13.6% YoY, a decrease related to COVID-19 effects on services markets. Education sales were 27% of total revenues while Consultancy, more affected by the pandemic, was 73%.

Cost reduction higher than revenue drop

Materials (which include costs for media advertising) decreased 28% YoY to €9.9m, while services were €14.4m, -9% YoY. Personnel expenses of €26.1m decreased by 13% YoY. Capitalized R&D costs, mainly attributable to H-Campus project development and marketing, were €2.6m vs 2.8m in 2019.

EBITDA was €(4.8)m vs. €(5.4)m of 2019; EBIT €(10.4)m, in line with FY2019. After €3.5m write-offs of equity investments, net loss of €(14.8)m.

Lower TWC investment and deferred income financing settlement of overdue liabilities

On the balance sheet side, TWC was €3.2m vs. FY19 of €6.6m. The reduction is due to a lower value of constructions in progress, lower receivables and slightly higher account payables. Operating cash flow after working capital and capex was €(4.7)m after a €4.3m decrease in other liabilities, mainly related to full payment of prior year overdue tax debts, offset by deferred income for the suspended and postponed courses in the academic year and cash released by NWC.

Education deferred income is recurring

The deferred income accounting is and will be recurring in the Education business unit since part of tuition fees are collected at the beginning of each calendar year, while revenues have to be recognized along the academic year.

30% lower net invested capital

Non-current assets decreased to €30.5m from €36.4m in FY19. Build up is: €10.2m goodwill, €10.1m of equity investments, from €14.4m in FY19 mainly due to the €3.2m equity write-off of TLNT Holdings, intangibles for €8.6m (from €7.7m in FY19) and PP&E for €1.6m. Net invested capital was €13.4m vs. €19.3m in 2019

At year-end 2020, net debt was €1m from €2m in FY19 after €10m of paid-in capital.

Shareholders' equity was €12.4m vs. €17.3m in 2019 after the €10m capital increase and FY20 losses.

Consolidated Profit and Loss

Income Statement						
€m	2015	2016	2017	2018	2019	2020
Revenues	14.9	30.8	41.0	52.0	55.7	48.3
Change in work in progress	(0.1)	0.1	0.0	0.6	0.9	(0.7)
Capitalization of R&D costs	0.4	1.3	2.4	2.6	2.8	2.6
Other income	0.2	0.4	0.9	1.6	1.7	2.5
Total Revenues	15.4	32.6	44.3	56.7	61.1	52.7
YoY %	-	111.8%	36.0%	27.8%	7.8%	-13.7%
Materials	(1.5)	(6.2)	(7.6)	(11.2)	(13.7)	(9.9)
Services	(9.1)	(14.2)	(15.1)	(16.4)	(15.8)	(14.4)
Personnel	(5.5)	(12.1)	(19.4)	(27.6)	(30.1)	(26.1)
Leasing	(0.6)	(2.4)	(3.5)	(4.3)	(5.0)	(5.1)
Other operating costs	(0.5)	(0.9)	(1.1)	(1.6)	(1.9)	(2.1)
Operating costs	(17.2)	(35.8)	(46.7)	(61.1)	(66.5)	(57.6)
EBITDA	(1.8)	(3.2)	(2.3)	(4.4)	(5.4)	(4.8)
Margin	-11.7%	-9.7%	-5.3%	-7.8%	-8.8%	-9.2%
D&A	(1.1)	(1.8)	(2.8)	(3.9)	(4.6)	(5.6)
EBIT	(2.9)	(5.0)	(5.2)	(8.3)	(10.0)	(10.4)
Margin	-19.0%	-15.3%	-11.7%	-14.7%	-16.3%	-19.8%
Financial income	0.0	0.0	0.0	0.0	0.1	0.0
Interest	(1.0)	(0.3)	(0.4)	(0.7)	(1.0)	(0.9)
Exchange gain (loss)	0.0	(0.0)	(0.0)	(0.0)	(0.0)	(0.1)
Gain on equity investments	0.2	0.2	0.2	4.8	0.3	0.3
Writedown of equity investments	(0.9)	(1.0)	(0.6)	(0.3)	(2.1)	(3.5)
EBT	(4.6)	(6.1)	(6.0)	(4.6)	(12.7)	(14.6)
Margin	-29.6%	-18.6%	-13.6%	-8.1%	-20.8%	-27.8%
Income taxes	(0.4)	(0.2)	(0.2)	(0.3)	(0.0)	(0.1)
Net Income (Loss)	(4.9)	(6.3)	(6.2)	(4.9)	(12.7)	(14.8)
Margin	-32.0%	-19.3%	-14.1%	-8.6%	-20.9%	-28.0%

Source: Company data

Consolidated Balance Sheet

Balance Sheet						
€m	2015	2016	2017	2018	2019	2020
Inventory	0.0	0.1	0.2	0.8	1.6	0.8
Trade receivables	10.2	12.7	17.0	18.6	15.5	14.3
Advances from customers	(0.0)	0.0	0.0	0.0	(0.0)	(0.4)
Trade payables	(5.0)	(5.5)	(8.6)	(10.4)	(10.4)	(11.5)
Trade Working Capital	5.2	7.3	8.6	9.0	6.6	3.2
Other assets (liabilities)	(3.3)	(3.5)	(12.0)	(15.1)	(19.6)	(15.3)
Net Working Capital	1.9	3.9	(3.3)	(6.1)	(13.0)	(12.2)
Intangible assets	1.7	2.4	5.1	6.3	7.7	8.6
Goodwill	9.7	8.7	13.7	12.1	11.9	10.2
Property, plant and equipment	0.3	0.4	2.1	2.3	2.4	1.6
Equity investments and financial assets	12.8	14.4	14.2	15.6	14.4	10.1
Non-current assets	24.5	25.8	35.1	36.3	36.4	30.5
Provisions	(0.9)	(1.2)	(2.6)	(3.2)	(4.1)	(5.0)
Net Invested Capital	25.6	28.5	29.1	27.0	19.3	13.4
Bank debt	2.4	4.3	10.0	10.2	9.0	9.3
Convertible bonds	0.0	0.0	0.0	0.0	0.0	9.0
Other financial debt	0.0	0.0	0.0	0.1	1.4	0.0
Other financial assets	0.0	0.0	0.0	0.0	0.0	0.0
Cash and equivalents	(16.6)	(9.2)	(5.5)	(4.6)	(8.4)	(17.2)
Net Debt (Cash)	(14.2)	(4.9)	4.4	5.7	2.0	1.0
Equity	39.8	33.4	24.7	21.3	17.3	12.4
Sources	25.6	28.5	29.1	27.0	19.3	13.4

Source: Company data

Consolidated Cash Flow

Cash Flow					
€m	2016	2017	2018	2019	2020
EBIT	(5.0)	(5.2)	(8.3)	(10.0)	(10.4)
Current taxes	(0.2)	(0.2)	(0.3)	(0.0)	(0.1)
D&A	1.8	2.8	3.9	4.6	5.6
Provisions	0.4	1.4	0.6	0.9	0.9
Cash flow from P&L operations	(3.0)	(1.2)	(4.1)	(4.5)	(4.1)
Trade Working Capital	(2.1)	(1.3)	(0.3)	2.4	3.4
Other assets and liabilities	0.2	8.5	3.1	4.5	(4.3)
Capex	(3.1)	(12.1)	(5.1)	(4.6)	0.2
Operating cash flow after working capital and capex	(8.1)	(6.0)	(6.5)	(2.2)	(4.7)
Financial income	0.0	0.0	0.0	0.1	0.0
Interest	(0.3)	(0.4)	(0.7)	(1.0)	(0.9)
Exchange gain (loss)	(0.0)	(0.0)	(0.0)	(0.0)	(0.1)
Gain (loss) on equity investments	0.2	0.2	4.8	0.3	0.3
Writedown of equity investments	(1.0)	(0.6)	(0.3)	(2.1)	(3.5)
Equity-based financial instruments	0.0	0.0	0.0	8.0	9.9
Changes in Equity	(0.2)	(2.4)	1.5	0.7	0.0
Net cash flow	(9.3)	(9.3)	(1.3)	3.7	1.0
Net cash flow before paid-in capital	(9.3)	(9.3)	(1.3)	(4.3)	(8.8)
Net (Debt) Cash - Beginning	14.2	4.9	(4.4)	(5.7)	(2.0)
Net (Debt) Cash - End	4.9	(4.4)	(5.7)	(2.0)	(1.0)
Change in Net (Debt) Cash	(9.3)	(9.3)	(1.3)	3.7	1.0

Source: Company data

Ratio analysis

KPIs	2015	2016	2017	2018	2019	2020
DSO	200	117	115	98	76	81
DPO	136	77	108	107	100	136
DOI	0	1	2	5	10	6
TWC/Revenues	35%	24%	21%	17%	12%	7%
NWC/Revenues	13%	13%	-8%	-12%	-23%	-25%
Net Debt (Cash) / Revenues	-0.9x	-0.2x	0.1x	0.1x	0.0x	0.0x
Net Debt (Cash) / EBITDA	nm	nm	nm	nm	nm	nm
Net Debt (Cash) / Equity	-0.4x	-0.1x	0.2x	0.3x	0.1x	0.1x
Cash flow from P&L operations / EBITDA	na	nm	nm	nm	nm	nm
FCF / EBITDA	nm	nm	nm	nm	nm	nm
Per-capita revenues (€k)	62	100	79	84	91	85
Per-capita costs (€k)	23	39	37	45	49	46

Source: Company data

Note: profitability ratios not reported because not meaningful due to period losses

Portfolio snapshot

From 2005, H-Farm promoted more than 120 startups totaling over €28m invested. Besides, the Company realized 14 exits accounting for a total €16.7m cash-in, out of around €3m initial investment and 10m write-offs (Source: Company data).

Highlights: portfolio book value of €6.3m; mostly minority stakes below 15% with only 4 holdings in the range 15%-40%; median shareholding is 5.9%. Over 20 stakes within the 2020 portfolio were valued at zero.

Investments are recorded at cost, decreased by permanent losses in value, as required by Italian accounting standard OIC 21. In certain cases, although the corresponding percentage of net equity book value of a stake might be lower than cost, given the expected earnings estimates result in a higher fair value, cost is not adjusted downward.

Two holdings represent more than half of the total H-Farm portfolio as per 2020 financial statements: TLNT Holdings accounts for more than 40% of the portfolio, and Diana ca. 17%. Based on the number of startups in portfolio, we note that the bulk of the portfolio is made by early-stage companies and that Big Data analytics are recurring businesses. The Company also owns a sizeable stake in venture capital funds.

In 2020, H-Farm had two exits: Lendflo for €0.3m (12.5x) and InReach Data for €0.7m and the exchange stock-to-warrant for a value of €2.4m (1.0x).

H-Farm top holdings and VC funds share, €m

VC funds share:

- **P101**. A venture capital firm focused on early-stage investments in the digital sector.

Shareholding: 0.75%

Book Value: €0.4m

- **Club Italia Investimenti 2 - CII2**. Based in Milan, it is a vehicle that facilitates access to risk capital by startups.

Shareholding: 6.77%

Book Value: €0.4m

Largest corporate holdings:

- **TLNT Holdings.** TLNT is a creativity crowdsourcing platform which operates in more than 200 countries worldwide, with over 5 million users, focused on marketing, technology, digital content and communication.

Born in 2019 as a merger between the H-farm funded startup Zooppa, a global social network for creative talent that partners with companies to launch user-generated advertising campaigns, Talenthouse and Ello.

Shareholding: 9.4%

Book Value: €2.5m

- **Diana Ecommerce.** An international agency based in Venice, Milan and NYC specialized in the creation, management and promotion of e-commerce for fashion brands.

Shareholding: 10.0%

Book Value: €1.1m

Business development and funding

In the 2015-2019 investment cycle H-Farm revenues grew from €14.9m up to €57.1m (40% CAGR), and losses before D&A, write-downs and start-up investments capital losses, were approximately €16m.

Consolidated results have been impacted by:

- intensive investment phase, started after the 2015 IPO, aimed at gaining the status of Italian leader in innovative education and advisory services
- contingent delays in the completion of H-Campus which have generated additional costs in 2018 and 2019 for about €8m plus the concurring significant loss of revenues.
- excessive weight of group overheads, only partially offset by BUs revenues

From listing date in 2015 to 2019, H-Farm raised €28.2m capital through IPO proceeds and other equity instruments.

- 2015: €20m of IPO proceeds
- 2019: €8m of “SFP, Strumenti Finanziari Partecipativi”

The resources were mainly used to face cash-burden activity, typical of a growth strategy implementation in support of the development of Education business unit.

Successful funding to get up to speed the Education project and enhance Consultancy

In September 2020, to meet management plan 2020-24 and feed operating cash needs estimated at €15m, a shareholders’ meeting approved measures to raise finance through:

- Capital stock increase of up to €10m (€4m in option to the market and €6m through private placement)

- Convertible bonds POC 2020-2025 of €10m divided into 2 tranches (€4m in pre-emption to the shareholders who have subscribed the capital increase and €6m to qualified investors).

Bond conversion ratio is computed as the greater of €0.3030/share (“floor”) 60 days average share market price preceding the conversion period, discounted by 30%.

From October to December 2020, H-Farm successfully raised share capital for €10m, and

Raised capital since listing of over €48m

Financing 20-24 management plan by raising €20m vs. €15m initial target

€10m from the underwriting of convertible bonds POC 2020-25, accounting for a total €20m, €5m over management plan target.

Management plan 2020-2024

We recall here below management guidelines 2020-24 approved by BoD on August 2020:

Management guidelines (€m)	2020E	2021E	2022E	2023E	2024E
Revenues	52.1	68.7	84.7	104.7	125.5
YoY%	-9%	32%	23%	24%	20%
EBITDA	(4.5)	(3.6)	1.9	6.6	12
Margin %	-9%	-5%	2%	6%	10%

Source: Company data

Management framework assumptions:

- BU Education: 34.4% revenue CAGR, thanks to full operativity of H-Campus by 2023 and development of digital learning for all ages and courses, also through distance and remote learning. Operating break-even since 2022 targeting 20% pre-corporate EBITDA margin.
- BU Consultancy: revenue from €43m in 2019 to €70m in 2024 (10.3% CAGR). Two figure pre-corporate EBITDA margin, targeting 15% during plan.
- Decreasing impact of corporate overheads.
- Further operating and net losses for 2021, operating break-even in 2022 onwards.
- Net debt would reach €13m in 2021 and then decrease to €11m in 2022. Management expects €17.5m outflow in 2020-2021, then to generate operating and net cash inflows from 2022.

Also, management expects the following cumulative figures for 2020-24:

- €18.1m capex
- €7.5m of long-term incentive plan (LTI) provisions balanced by almost 50% reduction of other G&A costs
- Cash inflow of €4m from start-up Portfolio

Management guidelines critiques

We have considered an inherent balance of diversified risk factors: the Education BU has high growth assumptions, balanced by recurring revenues and cash positive business model. The Consultancy BU growth is expected overall consistent with the historical records. The combined effect would be better coverage of group overheads and, after the transition years 2020 and 2021, breakeven, which we calculate at a minimum of consolidated 5% operating profit, and from then on, a normalized operating profits perspective. The 9% target operating margin looks consistent within the overall projections rationale. The 2020 capital stock increase and bond subscription are fuelling the strategy. No additional paid-in capital is foreseen after 2021-22 consolidated losses, which would substantially reduce consolidated equity.

A key feature of the Discounted Cash Flow method of valuation is the assumption that

uncertainty in the financial performance and the risk that forecasted revenues would not be as expected, can be addressed by a proper discount factor. While projecting the future cash flows of early-stage investments is carrying a major degree of risk/opportunity, revenue projections for going concerns are generally considered a more reliable base for evaluation of the perspective of investment. However, discount rates or multiples based on market metrics could not fully measure all risks affecting the likelihood of recovering the revenues projected. Our critique of H-Farm guidelines weighs a mix of favorable factors, such as the completion of the Campus project, which now should have the desired capacity to fully exploit its attraction potential, and the progressive building of a qualified portfolio of large and prestigious clients of the Consultancy BU. Conversely, we notice that even when competitive advantages and a clear strategy are well visible, timing of deployment and external obstacles, like the pandemic, can be part of the mix. As a result, we have designed our set of projections and discount rate with some conservative adjustments on revenues, to deal with the range of risks faced by a challenging set of goals targeting industry-like profitability, not yet experienced during the investment cycle. Conversely, we have evaluated that a certain degree of flexibility on discretionary costs and especially capital expenditure could help to respect operating profit and cash flow targets.

Our estimates: education as catalyst for further growth

Key growth drivers

Education. Our competition analyses tell that most growth expectation indicators for tertiary education and universities schools fall within the range of 14-16% CAGR 2014-19.

However, growth trend is different by type of school (e.g. Fashion, arts and videogame schools experienced the highest 5Y CAGR rate in the range of 20-30%).

We see that H-Farm education falls among the innovative and international schools in terms of teaching offers through highly demanded courses in different areas such as digital marketing, videogames, and other applied arts.

Consultancy. Services like digitization, brand and marketing strategy are increasingly requested across companies in Italy. Our market trends analysis shows that the digital transformation spending worldwide is expected to rise at 11% CAGR 2019-24E.

H-Farm shows a solid track record providing consultancy services to large-size and multinational corporates, leader in their sector with a diversified industry and service offered. The Consultancy BU counted over 250 clients in 2019.

Our estimates are based on the following main pillars:

- We consider H-farm education business the catalyst factor in the upcoming years, expected to drive Company growth and operating profitability. Following our competition analysis, in which we have identified H-Farm among its peers as an international and innovative profile, we see H-Farm position in the middle of the comparison panel as per growth perspective, with a CAGR 2019-24E of 22%, behind fashion and other arts institutes whose CAGR 5Y 2014-19 is in the 20-30% range. According to our estimates, the Education revenue changes from 22% of total revenues in 2019 to over 30% in 2023-24.
- We address a lower-paced growth for the Consultancy business unit, in line with

market data (CAGR 2019-24E: 9%). We still consider it as H-Farm's main source of revenue going forward.

- Also taking into account management guidelines, we consider progressive divestiture from the venture unit along the projected years and we judgmentally assume a dismissal/write-off equity investment in 2024 for valuation purposes.
- Paid-in Capital and convertible bonds POC of combined €20m are included in 2020 figures.
- Our estimates have been moderated by current uncertainties on Covid-19 and economic conditions in the near future.
- Our model, built on group operations and updated financial information, implies as outcome losses in 2021-22. The Group management has stated that financial resources raised in 2020 are considered adequate to run the 2020-24 program activities as a *going concern*. We assume an equal ability to raise additional financial resources, if needed because of materially different timing or amount of actual versus expected losses or cash outflows.
- Terminal value normalization of cash flow in H-Farm case implies the neutralization of certain temporary cash releases from balance sheet items. TV cash flow has been assumed substantially lower than last year explicit projection cash flow to recognize that the latter, especially in the last two years of projections, is driven by balance sheet items to an extent higher than the portion generated through operating margins, which is inherent to the combined effect of amortization and revenues recognition deferral. The concurring assumption is that of compensating effects in the few years following the explicit projection period, after which operating cash flow should be again restated at a substantially higher level consistent with the overall financial performance.

Assumptions

Sales	Education. CAGR 2020-2024E : +29% Consultancy. CAGR 2020-2024E : +18% Other income (including grants). 2021-24E: 2% YoY Capitalized R&D. €2.5m yearly
Operating charges	- Materials c.a 20% of sales 2021-24E - Services 2021-24E: 30% of sales at historical level - Personnel: growth by 12% YoY for 2021-22E, then 14% in 2023E and 2024E - Rent expense (including H-Campus and other facilities): €5.0m in 2021E increasing up to €6.5m in 2024E - Other operating costs: €2m yearly
Financial income	- No financial income 2021-24E
Income taxes	- Corporate tax (IRES): 24% - Regional tax (IRAP): 3.90%
Working Capital	- Trade working capital: - DSO 110 in 2021-24E - DPO 100 2021-24E - Inventory as 4% of Consultancy BU revenue

	- Other assets (liabilities): Other liabilities in 20%-25% range of total revenues for 2021-24E to factor in the increase in deferred income from Education
Capex	Tangible & intangible assets: €3m to €4m yearly in 2021-24E, for R&D and properties Equity investments: net proceeds of €2.5m for 2021-24E through divestments
Financial debt	-Convertible bond 2020-25 of which 2/3 converted into Equity by 2024E
Equity	- No dividend distribution - Reimbursement of SFP equity instruments in 2024E for €8m - No capital stock increase after 2021-22 losses. Underlying assumption: Shareholders Equity at parent company level would remain sufficiently higher than the corresponding consolidated figure so that there would be no reduction of capital stock net of reserves under the threshold which, according to domestic regulation, would require mandatory capital reconstitution at least up to the registered share capital.

Source: EnVent Research

Projections

Profit and Loss

€m	2017	2018	2019	2020	2021E	2022E	2023E	2024E
Total Revenues	44.3	56.7	61.1	52.7	65.9	80.7	95.7	110.9
<i>YoY %</i>	-	27.8%	7.8%	-13.7%	24.9%	22.6%	18.5%	15.9%
EBITDA	(2.3)	(4.4)	(5.4)	(4.8)	(2.7)	1.4	3.8	6.1
<i>Margin</i>	-5.3%	-7.8%	-8.8%	-9.2%	-4.1%	1.7%	3.9%	5.5%
D&A	(2.8)	(3.9)	(4.6)	(5.6)	(3.7)	(3.9)	(4.4)	(4.8)
EBIT	(5.2)	(8.3)	(10.0)	(10.4)	(6.4)	(2.6)	(0.6)	1.3
<i>Margin</i>	-11.7%	-14.7%	-16.3%	-19.8%	-9.7%	-3.2%	-0.6%	1.2%
EBT	(6.0)	(4.6)	(12.7)	(14.6)	(7.7)	(3.9)	(1.6)	0.6
<i>Margin</i>	-13.6%	-8.1%	-20.8%	-27.8%	-11.7%	-4.8%	-1.7%	0.6%
Income taxes	(0.2)	(0.3)	(0.0)	(0.1)	(0.2)	(0.1)	(0.0)	(0.2)
Net Income (Loss)	(6.2)	(4.9)	(12.7)	(14.8)	(7.9)	(4.0)	(1.7)	0.4
<i>Margin</i>	-14.1%	-8.6%	-20.9%	-28.0%	-11.9%	-5.0%	-1.7%	0.4%

Source: Company data 2017-20; EnVent Research 2021-24E

**Operating
breakeven from 2022,
Net income in 2024**

**Portfolio divestments
with €3.0m of net
proceeds within 2024**

Balance Sheet

€m	2017	2018	2019	2020	2021E	2022E	2023E	2024E
Inventory	0.2	0.8	1.6	0.8	1.7	2.1	2.4	2.7
Trade receivables	17.0	18.6	15.5	14.3	15.8	19.0	21.9	25.1
Trade payables and advances from customers	(8.6)	(10.4)	(10.5)	(11.9)	(13.1)	(15.6)	(18.2)	(20.8)
Trade Working Capital	8.6	9.0	6.6	3.2	4.4	5.5	6.0	7.1
Other assets (liabilities)	(12.0)	(15.1)	(19.6)	(15.3)	(15.7)	(17.9)	(21.3)	(25.3)
Net Working Capital	(3.3)	(6.1)	(13.0)	(12.2)	(11.3)	(12.4)	(15.3)	(18.2)
Intangible assets	5.1	6.3	7.7	8.6	8.8	8.5	8.4	8.4
Goodwill	13.7	12.1	11.9	10.2	9.2	8.2	7.1	6.1
Property, plant and equipment	2.1	2.3	2.4	1.6	1.9	2.2	2.6	3.1
Equity investments and financial assets	14.2	15.6	14.4	10.1	9.5	8.9	8.3	7.6
Non-current assets	35.1	36.3	36.4	30.5	29.3	27.8	26.5	25.2
Provisions	(2.6)	(3.2)	(4.1)	(5.0)	(6.7)	(9.0)	(12.9)	(18.1)
Net Invested Capital	29.1	27.0	19.3	13.4	11.4	6.4	(1.8)	(11.1)
Net Debt (Cash)	4.4	5.7	2.0	1.0	6.9	5.9	(4.0)	(9.1)
Equity	24.7	21.3	17.3	12.4	4.5	0.5	2.2	(2.1)
Sources	29.1	27.0	19.3	13.4	11.4	6.4	(1.8)	(11.1)

Source: Company data 2017-20; EnVent Research 2021-24E

Cash Flow

€m	2018	2019	2020	2021E	2022E	2023E	2024E
EBIT	(8.3)	(10.0)	(10.4)	(6.4)	(2.6)	(0.6)	1.3
Current taxes	(0.3)	(0.0)	(0.1)	(0.2)	(0.1)	(0.0)	(0.2)
D&A	3.9	4.6	5.6	3.7	3.9	4.4	4.8
Provisions	0.6	0.9	0.9	1.7	2.3	4.0	5.1
Cash flow from P&L operations	(4.1)	(4.5)	(4.1)	(1.2)	3.5	7.7	11.1
Trade Working Capital	(0.3)	2.4	3.4	(1.2)	(1.1)	(0.5)	(1.1)
Other assets and liabilities	3.1	4.5	(4.3)	0.3	2.3	3.4	4.0
Capex	(5.1)	(4.6)	0.2	(2.4)	(2.4)	(3.0)	(3.5)
Operating cash flow after working capital and capex	(6.5)	(2.2)	(4.7)	(4.5)	2.3	7.6	10.4
Interest	(0.7)	(1.0)	(0.9)	(1.3)	(1.3)	(1.0)	(0.7)
Other items	4.4	(1.8)	(3.3)	(0.1)	(0.1)	(0.1)	(0.1)
Equity-based financial instruments (2019) / Paid-in Capital (2020)	0.0	8.0	9.9	0.0	0.0	0.0	0.0
Net SFP reimbursement and POC conversion	0.0	0.0	0.0	0.0	0.0	3.3	(4.7)
Changes in Equity	1.5	0.7	0.0	(0.0)	0.0	0.0	0.0
Net cash flow	(1.3)	3.7	1.0	(5.9)	1.0	9.9	5.0
Net Debt (Beginning)	(4.4)	(5.7)	(2.0)	(1.0)	(6.9)	(5.9)	4.0
Net Debt (End)	(5.7)	(2.0)	(1.0)	(6.9)	(5.9)	4.0	9.1
Change in Net Debt (Cash)	(1.3)	3.7	1.0	(5.9)	1.0	9.9	5.0

Source: Company data 2018-20; EnVent Research 2021-24E

Ratio analysis

KPIs	2017	2018	2019	2020	2021E	2022E	2023E	2024E
ROE	-25%	-23%	-74%	-119%	-174%	-766%	-75%	-20%
ROS	-12%	-15%	-16%	-20%	-10%	-3%	-1%	1%
ROIC	-18%	-31%	-52%	-78%	-56%	-40%	33%	-12%
DSO	144	135	105	119	110	110	110	110
DPO	108	107	100	136	100	100	100	100
DOI	2	5	9	6	10	9	9	9
TWC/Total revenues	19%	16%	11%	6%	7%	7%	6%	6%
NWC/Total revenues	-8%	-11%	-21%	-23%	-17%	-15%	-16%	-16%
Net Debt (Cash) / Total revenues	0.1x	0.1x	0.0x	0.0x	0.1x	0.1x	0.0x	-0.1x
Net Debt (Cash) / EBITDA	-1.9x	-1.3x	-0.4x	-0.2x	-2.5x	4.4x	-1.1x	-1.5x
Net Debt (Cash) / Equity	0.2x	0.3x	0.1x	0.1x	1.5x	11.3x	-1.8x	4.4x
Cash flow from P&L operations / EBITDA	nm	94%	83%	84%	44%	262%	206%	181%
FCF / EBITDA	nm	147%	41%	97%	168%	170%	202%	171%

Source: Company data 2017-20; EnVent Research 2021-24E

8. VALUATION

Sum of the parts by market multiples and discounted cash flows on consolidated data

The three H-Farm units business models imply building a Sum Of the Parts valuation based on different metrics and market references.

Our analysis of listed companies in the reference industries has revealed that most of them are only partially comparable according to size and scope of activity. Therefore, usual profitability margins essential for the computation of market multiples may be deemed as too subjective and are likely to result in unreliable values. Moreover, no peers encompass a business model similar to the combination of the two H-Farm BUs. As a consequence, valuing Education and Consultancy units by applying market multiples calculated on the respective industry peers may be misleading.

As an alternative method, and especially to recognize the value embedded in the combined H-Farm project, we have also applied the DCF to our consolidated financial projections, which include Education and Consultancy figures as a single entity. H-Farm Portfolio investments have been valued at their estimated realizable value and added separately.

Discounted Cash Flows

Main metrics and assumptions:

- Risk free rate: 1.5% (Italian 10-year government bonds interest rate - 3Y average. Source: Bloomberg, April 2021)
- Market return: 12.7% (3Y average. Source: Bloomberg, April 2021)
- Market risk premium: 11.1%
- Beta: 0.8 (median Education and Consultancy business peers. Source: Bloomberg, 2021)
- Cost of equity: 10.4%
- Cost of debt: 7%
- Tax rate: 24% IRES
- 40% debt/(debt + equity) as target capital structure
- WACC calculated at 8.4%, according to above data
- Perpetual growth rate after explicit projections: 2%
- Terminal Value assumes an EBITDA margin of 6% consistent with projections target, lower than peers for still insufficient corporate costs coverage
- LTI incentive plans (undisbursed deferred liability), which we project to €7.5m in 2024E, discounted at WACC rate as present market value of future cash outflow
- Value of venture division is calculated as exit value

DCF Valuation

Discounted Cash Flows									
€m	2017	2018	2019	2020	2021E	2022E	2023E	2024E	Perpetuity
Revenues	44.3	56.7	61.1	52.7	65.9	80.7	95.7	110.9	113.1
EBITDA	(2.3)	(4.4)	(5.4)	(4.8)	(2.7)	1.4	3.8	6.1	6.8
Margin	-5.3%	-7.8%	-8.8%	-9.2%	-4.1%	1.7%	3.9%	5.5%	6.0%
EBIT	(5.2)	(8.3)	(10.0)	(10.4)	(6.4)	(2.6)	(0.6)	1.3	4.5
Margin	-11.7%	-14.7%	-16.3%	-19.8%	-9.7%	-3.2%	-0.6%	1.2%	4.0%
Taxes	(0.2)	(0.3)	(0.0)	1.0	(0.1)	(0.1)	(0.0)	(0.8)	(1.3)
NOPAT	(5.4)	(8.6)	(10.0)	(9.5)	(6.5)	(2.6)	(0.6)	0.5	3.3
D&A				5.6	4.0	4.2	4.4	4.6	2.3
Provisions				0.9	1.7	2.3	4.0	5.1	0.0
Cash flow from operations				(2.9)	(0.8)	3.8	7.8	10.3	5.5
Trade Working Capital				3.4	(1.2)	(1.1)	(0.5)	(1.1)	(0.3)
Other assets and liabilities				(4.3)	0.3	2.3	3.4	4.0	0.0
Capex				0.2	(3.4)	(3.2)	(3.7)	(4.1)	(2.3)
Unlevered free cash flow				(3.6)	(5.1)	1.7	7.0	9.1	3.0
WACC	8.4%								
Long-term growth (G)	2.0%								
Discounted Cash Flows					(4.7)	1.5	5.5	6.6	
Sum of Discounted Cash	8.9								
Terminal Value									47.1
Discounted TV	34.1								
Enterprise Value	43.0								
Net Debt as of 31/12/20	(1.0)								
Deferred liability	(5.4)								
Surplus asset/ venture portfolio	3.0								
Equity Value	39.6								

Source: EnVent Research

Valuation of portfolio

As outlined in H-Farm management plan, the Portfolio holdings are subject to a divestment plan. As such, we value H-Farm portfolio as a surplus asset neutralizing future cash flows of the BU in our DCF valuation, reckoning the divestment of all its holdings as an exit at the end of the forecasted period, 2024E. We conservatively recognize the implied value of the portfolio averaging the results of 3 valuation methods:

- A systematic method, which applies data and analyses made by the European Investment Fund on European VC activity. The study finds that the weighted average between 78% of unprofitable or poorly profitable investments (with 35% out of this 78% experiencing an exit multiple not larger than 0.25X) and 22% of extremely profitable investments (with 8% of this 22% experiencing an exit multiple larger than 5.0X) results in a historical exit return in European VC of 1.3X. (Source: EnVent research on European Investment Fund, The European venture capital landscape: an EIF perspective, 2017). Therefore, we assign a 1.3x MoM (Money-on-Money) at the entire portfolio at the end of the forecasted period 2024E, discounting it back by a conservative discount rate of 30% factoring in the high-risk environment regarding seed and startup investments. According with most of the venture capital literature, VC discount rate ranges from 30% to 70% depending on the investment probability of default. Therefore, we consider 30% as the low side of the range to factor in the different maturity of the companies in portfolio. (Source: *Why do venture capitalists use such high discount rates?*, Sanjai Bhagat, University of Colorado; *Investment Valuation*, Aswath Damodaran). The method yields a valuation of €2.8m of the entire portfolio.
- We apply the output of the back-test analysis of H-Farm Portfolio’s historic

performance to the current portfolio. Considering the period 2005-2020, Portfolio BU combined more than €25m total investment, and €10.1m were divested, of which c.a 70% was written-off and the remaining generated ca. €16m cash-in, yielding a 5x MoM multiple. Therefore, we write-off 70% of the current portfolio and consider an exit 5x MoM for the remaining part at the end of the forecasted period, 2024E. We consider a conservative VC discount rate of 30% here as well. This method yields a portfolio valuation of €3.3m.

- As last method, we treated holdings differently depending on their nature and size. The method is constructed as follows:
 - For the two largest corporate holdings we concur with the combined FY2020 BV of €3.5m after impairment (TLNT Holdings and Diana).
 - For the Venture holdings, given the latest exit of the venture holding InReach Data for 1X, we considered appropriate to apply the same multiple to the other venture holdings, resulting in a valuation of €0.8m.
 - Last, we applied H-Farm historical write-off of 70% to the smaller corporate holdings with BV lower than €0.8m (combined BV of €1.9m), resulting a valuation of €0.6m.
 The €4.9m value of the Portfolio, after a discount adjustment at 8.4% WACC within 4-year horizon, under this method is €3.5m. For our SOP valuation purposes, we assume the average rounded value of €3m.

Sum of the Parts valuation on market multiples per business unit

For the H-Farm investment case we deem appropriate to run market multiples using revenue metrics.

During or after an investment cycle, when operating profit is a loss position or under its normal potential, EBITDA multiples are likely to become unreasonably high. H-Farm during its investment cycle has reached operating profits only at BU level, before the effect of group overheads. Also, in the short term operating margins are not expected to reach a normal level. As usual in these cases, we have relied on EV/Revenue multiples. Anyway, as a comparison exercise of values coming from different metrics at BU level, we have also made simulations based on last year of projection target EBITDA per BU before corporate costs.

The Education division, which is concluding its early-stage and investment in the campus project cycle, has not yet reached breakeven and is projected to grow substantially in the short-midterm. As anticipated, we have relied for the Education division on the EV/Revenues multiples.

Although the Consultancy division is in a more mature stage, its size is still giving little contribution to corporate costs and operating margins look halfway to their industry standard level. Thus, for this BU we similarly better rely on EV/Revenue multiple.

We then calculated as a sanity check: for Education, an EV/EBITDA value by simulating on 2022 target revenues -doubled capacity compared to 2020- an EBITDA margin of 12% (low-side of 12-16% range from our competition analysis); for Consultancy we used the 9% estimated operating profit before corporate costs (Company’s annual report 2020) on our 2022 revenue projections. The resulting values lay within the range calculated through the other metrics.

Adjustment for next three years losses

Assuming that market consensus is overall based mainly on profitable companies, we have also adjusted downward each equity value by the present value of consolidated losses 2021-2023 according to our projections, as an additional check of consistency with the DCF analytical methodology.

H-Farm SOP by market multiples

€m

H-Farm	2020 Market multiples		
<i>EV Education</i>			
2020 Sales	13.6	1.4x	18.5
<i>EV Consultancy</i>			
2020 Sales	35.8	0.9x	33.2
<i>Portfolio venture</i>			
			3
SOP EV H-Farm			54.6
Net Debt 2020			(1.0)
Equity Value H-Farm			54
Expected Losses 2021-2023			(12.0)
Equity Value H-Farm adj			42

€m

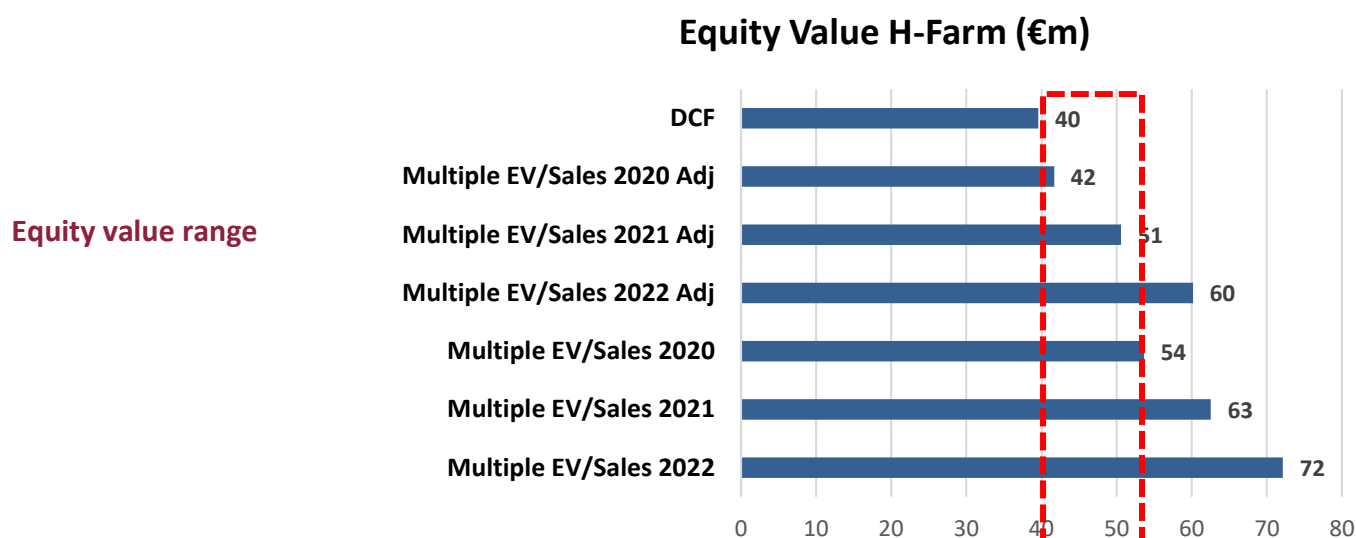
H-Farm	2021 Market multiples		
<i>EV Education</i>			
2021E Sales	17.7	1.1x	20.2
<i>EV Consultancy</i>			
2021E Sales	43.1	0.9x	40.3
<i>Portfolio venture</i>			
			3
SOP EV H-Farm			63.5
Net Debt 2020			(1.0)
Equity Value H-Farm			63
Expected Losses 2021-2023			(12.0)
Equity Value H-Farm adj			51

€m

H-Farm		2022 Market multiples	
<i>EV Education</i>			
2022E Sales	23.9	1.1x	26.0
<i>EV Consultancy</i>			
2022E Sales	51.7	0.9x	44.1
<i>Portfolio venture</i>			
SOP EV H-Farm			73.1
Net Debt 2020			(1.0)
Equity Value H-Farm			72
Expected Losses 2021-2023			(12.0)
Equity Value H-Farm adj			60

Source: EnVent Research and S&P Capital IQ

Valuation summary and target price



Source: EnVent Research and S&P Capital IQ

The DCF and SOP valuations deliver an equity narrowed value range of €39.6m-€50.6m.

We believe that the DCF equity value of €39.6m can be a proper assessment of the H-Farm value, with a corresponding target price per share of €0.31, a potential upside of 35% on the current share price, which in the last months lied at the low end of its 2020 range of variation, despite markets reduced uncertainty. We initiate the coverage of H-Farm with an OUTPERFORM rating.

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

BIT:FARM	€
Value per Share	0.31
Current Share Price (03/05/2021)	0.23
Premium (Discount)	35%

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EnVentCM Research & Analysis Division calculates range of values and fair values for the companies under coverage using professional valuation methodologies, such as the discounted cash flows method (DCF), dividend discount model (DDM) and multiple-based models (e.g. EV/Revenues, EV/EBITDA, EV/EBIT, P/E, P/BV). Alternative valuation methodologies may be used, according to circumstances or judgement of non-adequacy of most used methods. The target price could be also influenced by market conditions or events and corporate or share peculiarities.

STOCK RATINGS

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:

OUTPERFORM: stocks are expected to have a total return of at least 20% in the mid-term;

NEUTRAL: stocks are expected to have a performance consistent with market or industry trend and appear less attractive than Outperform rated stocks;

UNDERPERFORM: stocks are among the least attractive in a peer group;

UNDER REVIEW: target price under review, waiting for updated financial data, or other key information such as material transactions involving share capital or financing;

SUSPENDED: no rating/target price assigned, due to material uncertainties or other issues that seriously impair our previous investment ratings, price targets and earnings estimates;

NOT RATED: no rating or target price assigned.

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 (€)
03/05/2021	OUTPERFORM	0.31	0.23

ENVENTCM RECOMMENDATION DISTRIBUTION (May 3rd, 2021)

Number of companies covered:	17	OUTPERFORM	NEUTRAL	UNDERPERFORM	SUSPENDED	UNDER REVIEW	NOT RATED
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