

# CIRCLE

## Iberian JV and new industrial plan

### New JV to strengthen competitive position in the Iberian Peninsula:

Management has just announced that the strategic JV with Magellan, a Portuguese company specialized in European affairs consultancy with offices in Porto e a Brussels, is fully operational. The joint venture agreement, which was signed last December, is aimed at integrating the activities, skills, and respective teams of each company's activity related to "EU Projects" in order to become an international leader in supporting private and public entities to achieve the UN Sustainable Development Goals. The strategic rationale behind the JV, which after InfoEra, Progetto Adele and Log@Sea, is Circle's forth M&A deal since 2017, is to leverage on the synergies and complementarities of the two companies.

**New Strategic guidelines and FY24 financial targets:** with the signing of the JV, Management also presented an updated road map ( Road Map 2024) based on 4 strategic pillars:

- **Continuous development of proprietary products**, and in particular of Milos®, MasterSped®, and MasterTrade each in line with its respective road map and of Federative services that in a quick simple way makes the IT platforms in use in the Supply Chain interoperable.
- **EU services evolution**, with particular focus on the opportunities related to Next Generation EU. Circle intends to support public authorities and private companies achieving their strategic objectives through European funding.
- **Continuous geographic expansion** in target areas: Mediterranean area (2021), Central European (2021-2022) and Middle East and the Balkan area (2022-2024).
- **M&A and strategic alliances:** strategic projects and partnerships to acquire complementary services or in geographical target markets. The Group is considering target companies that will allow the widening/strengthening of current offering.

Management also released information on FY24 financial targets:

- Revenues: Euro 14 – 16 m
- EBITDA: Euro 2.1 – 3.0 m
- International activities: 25 – 30%
- Increase in Saas and PPU services

**Valuation:** We set a target price of Euro 4.53 per share, (Euro 4.40 p.s. previously), providing for a +67% upside on current stock price and obtained by weighting equally the DCF and the multiple comparison analysis.

Key Figures (Euro m)	Revenue	YoY %	EBITDA	EBITDA %	EBIT	EBIT %	Net Profit	(Net Cash)
2019A	6.1	+27%	1.2	20%	0.6	10%	0.5	(0.3)
2020E	7.2	+19%	1.0	14%	0.4	6%	0.3	(0.7)
2021E	8.8	+21%	1.6	18%	0.8	10%	0.7	(1.2)
2022E	10.5	+20%	2.1	20%	1.2	12%	1.0	(2.2)
2023E	12.6	+20%	2.6	21%	1.5	12%	1.2	(3.7)

## Sector: Technology

Target Price (Euro)	4.53 (4.40 pr)
Market Price (Euro)	2.72
Market Cap (Euro m)	9
EV (Euro m)	9
<i>(as of January 29<sup>th</sup>, 2021)</i>	

### Share Data

Market	AIM ITALIA
Bloomberg/Reuters	CIRC:IM / CIRC.MI
ISIN	IT0005344996
N. of Shares	3,470,115
Free Float	23.17%
CEO	Luca Abatello

### Aim Positioning

FY 2019	Company	AIM Italia
VoP (Eu m)	6	40
Yoy	+27%	+18%
EBITDA %	20%	14%
ND/EBITDA (x)	(0.3)	6.4
Market Data	Company	AIM Italia
Mkt Cap (Eu m)	9	44
Perf. YTD	-2%	+1%
Free Float	23%	31%
ADTT YTD (Eu k)	7	119

### Credit Risk Profile

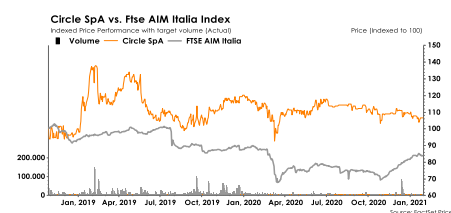
	Circle	Italian PMI Av
Wiserfunding Bond Rating Equivalent	BB+	B+

### Performance

	1M	3M	6M
Absolute	-2.5%	1.5%	-6.5%
Relative	-5.2%	-15.9%	-13.9%
52-week High/Low (Eu)	3.03 / 2.36		

### IR TOP RESEARCH

**Luisa Primi** – l.primi@irtop.com  
**Andrea Praga** – a.praga@irtop.com  
 T +39 02 89056957



<b>Profit &amp; Loss Statement</b>	<b>2019A</b>	<b>2020E</b>	<b>2021E</b>	<b>2022E</b>	<b>2023E</b>
Sales	4.3	5.3	6.4	7.6	9.2
Revenues (VoP)	6.1	7.2	8.8	10.5	12.6
EBITDA	1.2	1.0	1.6	2.1	2.6
EBIT	0.6	0.4	0.8	1.2	1.5
Financial Income (charges)	0.0	0.0	0.0	0.0	0.0
Pre-tax profit (loss)	0.6	0.4	0.8	1.2	1.5
Taxes	(0.1)	(0.1)	(0.2)	(0.2)	(0.3)
Group net profit (loss)	0.5	0.3	0.7	1.0	1.2

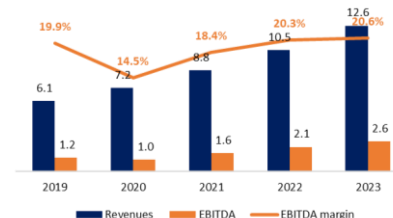
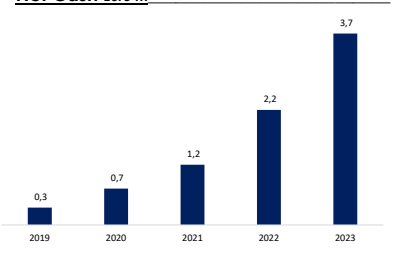
<b>Balance Sheet</b>					
Net working capital (NWC)	2.1	2.2	2.6	2.9	3.1
Net fixed assets	2.7	2.6	2.5	2.3	2.0
M/L Funds	(0.7)	(0.7)	(0.8)	(0.9)	(1.1)
Net Capital Employed	4.1	4.1	4.3	4.3	4.0
Net Debt (Cash)	(0.3)	(0.7)	(1.2)	(2.2)	(3.7)
Net Equity	4.4	4.8	5.5	6.5	7.7

<b>Cash Flow</b>					
EBIT	0.6	0.4	0.8	1.2	1.5
D&A	0.6	0.6	0.8	0.9	1.1
Tax	(0.1)	(0.1)	(0.2)	(0.2)	(0.3)
Change in M/L Funds	0.4	0.0	0.1	0.1	0.2
Gross Cash Flow	1.4	1.0	1.5	2.0	2.5
Change in NWC	(1.4)	(0.0)	(0.5)	(0.3)	(0.2)
Operating Cash Flow	0.0	1.0	1.1	1.7	2.3
Capex	(1.7)	(0.6)	(0.7)	(0.7)	(0.8)
Change in other non-current asset	(0.0)	0.0	0.0	0.0	0.0
Financial Income (charges)	0.0	0.0	0.0	0.0	0.0
Free Cash Flow	(1.7)	0.4	0.4	1.1	1.5
Dividend	0.0	0.0	0.0	0.0	0.0
Change in Equity	(0.0)	(0.0)	0.0	0.0	0.0
Change in Net debt (Cash)	(1.8)	0.4	0.5	1.1	1.5

<b>Per Share Data</b>					
<b>Current Price</b>	<b>2.72</b>				
Total shares out fully diluted (m)	3.5				
EPS	0.12	0.08	0.16	0.23	0.28
DPS	0.0	0.0	0.0	0.0	0.0
FCF	(1.7)	0.4	0.4	1.1	1.5
Pay-out ratio	0%	0%	0%	0%	0%

<b>Ratios</b>					
EBITDA margin	19.9%	14.5%	18.4%	20.3%	20.6%
EBIT margin	9.9%	5.7%	9.7%	11.8%	12.0%
Net Debt/Equity (Gearing)	-7.6%	-14.8%	-21.2%	-34.3%	-47.9%
Net Debt/EBITDA	-0.28	-0.67	-0.73	-1.05	-1.43
Interest cover EBIT	n.m.	n.m.	n.m.	n.m.	n.m.
ROE	11.1%	7.1%	12.6%	15.5%	16.0%
ROCE	17.4%	12.1%	23.2%	34.3%	44.6%
Free Cash Flow Yield	-64.0%	13.5%	15.8%	39.1%	54.5%

<b>Growth Rates</b>					
Sales	19%	23%	21%	20%	20%
Revenues (VoP)	26.9%	19.0%	21.0%	20.0%	20.0%
EBITDA	-6.9%	-13.2%	53.6%	32.4%	21.8%
EBIT	-22.2%	-30.8%	103.8%	46.2%	22.4%
Net Profit	-21.0%	-30.7%	103.6%	46.1%	22.4%

**Revenues and EBITDA Euro m**

**Net Cash Euro m**

**Assets evolution Euro m**


**Joint Venture to increase international expansion.** In line with strategic guidelines 2018-2020 announced in IPO, Circle Group continues to expand geographically, and recently announced that the JV with Magellan, a Portuguese company specialized in the European affairs consultancy, with offices in Porto e a Brussels, is fully operational. The joint venture agreement, signed last December, aims at integrating the activities, skills, and respective teams of each company's activity related to "EU Projects" to become an international leader in supporting private and public entities to achieve the UN Sustainable Development Goals. The strategic rationale behind the JV, which after InfoEra, Progetto Adele and Log@Sea, is Circle's forth M&A deal since 2017, is to leverage on the synergies and complementarities of the two companies in the following areas:

- Wider geographical coverage;
- Enlargement of EU funded projects topics coverage;
- Strengthening advocacy in Brussels;
- Project Anticipation and Management reinforcement;
- Communication and Dissemination at EU level in different markets.

The agreement provides that Circle and Magellan each creates a NewCo to which the activity relevant for the JV is to be transferred:

- **NewCo Circle Connecting EU:** the "Connecting EU" business which includes (i) Project Anticipation, i.e. support to Public and Private entities achieving strategic objectives by exploiting EU funds, and (ii) EU Branding i.e. company positioning and visibility on the international market aimed at strengthening the relations and business proposals in Europe.
- **NewCo Magellan:** the activity relative to advocacy services towards European Institutions, for clients interested in obtaining European funding for the development of their projects. This business unit is according to Management expected to record total Production Value in FY 20 of Euro 0.6 m and NFP of neutrality.

According to Management, FY21 combined Production Value and EBITDA is expected to reach Euro 1.5 m and Euro 0.35 m respectively.

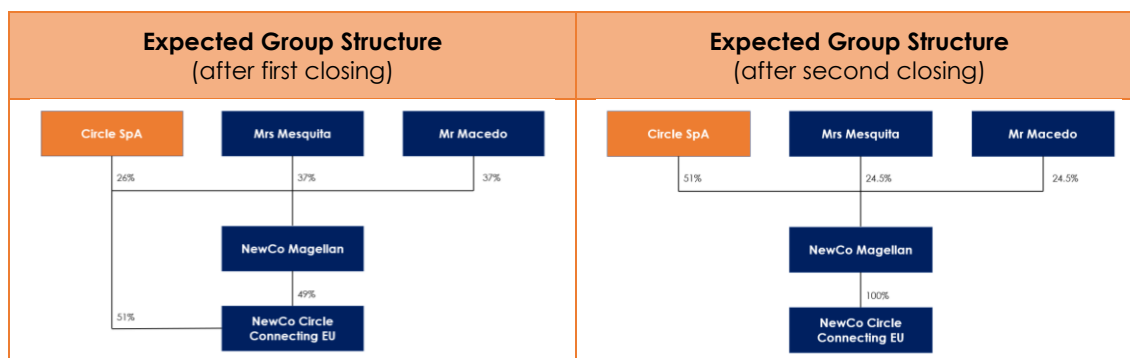
The transaction is to be concluded in two steps:

With the first closing, scheduled in 1Q21, Circle SpA, will acquire a 26% stake in the NewCo Magellan through (i) a capital increase of Euro 240.1 k and (ii) the acquisition of a 12.10% stake from the Magellan shareholders for a total consideration of Euro 200 k. The capital increase will be paid through a contribution in kind of a 49% stake in NewCo Circle Connecting Eu.

With the second closing, to be concluded within July 31<sup>st</sup>, 2021, Circle SpA is expected to increase its shareholding in NewCo Magellan to 51% (currently 26%) through the acquisition of an additional 25% stake through (i) a capital increase of Euro 249.9 k, and (ii) the acquisition of a 15.41% stake from the Magellan shareholders for a total consideration of Euro 200k (Euro 165 k in cash and Euro 35 k equivalent of shares in Circle SpA (own shares)). The capital increase will be paid through a contribution in kind of 51% of the shares still held by Circle SpA in NewCo Circle Connecting EU.

Financially the transaction will result in:

- the subscription of two capital increases for a total value of **Euro 0.5 m** through **contribution in kind** and the transfer of Circle's own shares;
- the **purchase** of part of the shares of Magellan shareholders for **Euro 0.4 m** (cash out).



### New Strategic Guidelines 2021-2024

Since the end of 2017, the Group has successfully pursued a strategy based on the development of new product and services and geographical expansion which has resulted in three M&A deals (InfoEra, Progetto Adele and Log@Sea), two strategic alliances (MAPS and Expert System) and a significantly extended geographical footprint. During the investor Day in December, Management presented a new Strategic Road Map 2024 based on 4 strategic pillars.

- **Continuous development of proprietary products**, and in particular of Milos®, MasterSped®, and MasterTrade each in line with its respective road map and of Federative services that in a quick simple way makes the IT platforms in use in the Supply Chain interoperable. Management highlighted that the Group’s innovation projects aims at anticipating market trends such as:
  - Growth and evolution of automation in logistics;
  - Modular operating model;
  - Extension and enhancement of existing application suites such as with federative services;
  - Digital supply chain twin;
  - IoT.
  
- **EU services evolution**, with particular focus on the opportunities related to Next Generation EU. Following the coronavirus pandemic and its consequences, the “EU package” will help rebuild a greener, more digital and more resilient Europe, which is better fit for current and forthcoming challenges. Circle intends to support public authorities and private companies achieving their strategic objectives through European funding thanks to the deep knowledge of the transport policies and actors and the relevant experience in EU projects.
  
- **Continuous geographic expansion** in target areas:
  - 2021, the expansion in the Mediterranean area (Iberian Peninsula, Morocco and Turkey), by strengthening existing alliances and creating new ones. The JV with Magellan is a first important step in this direction.
  - 2021 and 2022, the goal is to penetrate Central European countries by offering specific products, such as Milos, TOS and MTO
  - 2022-2024, the aim is to reach the countries of the Middle East and the Balkan area.
  
- **M&A and strategic alliances:** strategic projects and partnerships to acquire complementary services or in geographical target markets. The Group is considering target companies that will allow the widening/strengthening of current offering with particular focus on:
  - new services for freight forwarders and international shippers (in synergy with Milos® and MasterSped®);
  - presence in new areas and the strengthening of the presence in those areas where Circle already operates with new local presences;
  - new federative services between shippers, ports, MTOs, rail and freight forwarders (in synergy with Milos®, MasterSped® and services for the port community).

During the Investor day, the Management also released information on the business and financial target for 2024, and we summarized as follows.

Business targets 2024	Financial targets 2024
<ul style="list-style-type: none"> <li>❖ Market leader in the reference market (Central and South Europe and Mediterranean area)</li> <li>❖ confirm the ability to anticipate the trends driving changes to the EU Customs Code and the 2025 Multiyear strategic plan</li> <li>❖ Maximise the competitive advantage provided by the EU Projects business</li> <li>❖ Strong growth of "Federative Services" provided in SaaS and Pay-per-Use mode</li> </ul>	<ul style="list-style-type: none"> <li>❖ Revenues in a range between Euro 14-16 m</li> <li>❖ EBITDA between a range of Euro 2.1-3 m</li> <li>❖ International activities at 25-30% of total business</li> <li>❖ Increase in SaaS and PPU services</li> </ul>

**Continuous positive outlook thanks to harvesting of recent investments in strategic alliances and M&A and new JV with Magellan.** As it is evident that the COVID-19 pandemic in some respects has accelerated the digital transformation of the Supply Chain market, the trends behind the growth are systematic and driven by the availability of digital technology enablers, physical infrastructure and innovative services.

According to a study by Gartner, the global supply chain management software market is expected to grow significantly over the next years as the market will see an increased adoption by mid-sized enterprises thanks to ease of use and product innovation. Vendors, like Circle, offering a well-defined vertical industry-oriented strategy for mid-sized organization are expected to be the primary beneficiaries. According to Management's estimates the Group's reference market should grow by a c. +9% CAGR through 2024 to c. Euro 1.1 b.

Given the important investments made by the Group over the last 36 months aimed at anticipating market trends by focusing on product offering, we believe Circle to be very well positioned to exploit opportunities offered by the market. We also see the JV with Magellan as an important step towards further internationalization and the strengthening of the EU Projects business.

#### Market drivers of maritime logistics segment

Ever-increasing cargo volumes and increasingly complex transportation networks	Continued focus on port productivity	Increasingly stringent requirements
<ul style="list-style-type: none"> <li>• ever-increasing vessel sizes and cargo volumes continue to pressure ports and terminals</li> <li>• at a time when logistics service providers are attempting to provide door-to-door services, ports need to transform themselves to eliminate bottlenecks in information, services and efficiency</li> <li>• therefore, seaports have now become one of the most dynamic links in international transport network</li> </ul>	<ul style="list-style-type: none"> <li>• the terminal operations of warehousing, transshipments, and loading and unloading are well established and increasingly homogenous</li> <li>• operations that want to maintain a competitive edge must adopt a digital mindset and connect with inland industries to counter underutilisation of resources and lack of collaboration</li> </ul>	<ul style="list-style-type: none"> <li>• the maritime logistics value chain has increasingly stringent requirement for adequacy of collection, distribution and transportation systems, transparency of logistics operations and convenience of trade</li> <li>• regulation like the EU national Single Window directive increase the administrative burden on large and small ports</li> <li>• to manage the administration burden efficiently, automation and software solutions are key</li> </ul>

### ESTIMATES REVISION

We reviewed our FY21-22 estimates to incorporate the recent JV with Magellan. Our FY20 estimates remain unchanged whereas we have added FY23 to our explicit time horizon. We now assume a 2021-22 revenue growth of c. +21% (+15% previously) and while confirming profitability levels with an average EBITDA margin of 19% (in line with previous estimates).

### Consolidated Income Statement – Euro m

	2019A	2020E Old	2020E New	2021E Old	2021E New	2022E Old	2022E New	2023E New
<b>Revenues (VoP)</b>	<b>6.1</b>	<b>7.2</b>	<b>7.2</b>	<b>8.3</b>	<b>8.8</b>	<b>9.6</b>	<b>10.5</b>	<b>12.6</b>
yoy	+26.9%	+19.0%	+19.0%	+15.0%	+21.0%	+15.0%	+20.0%	+20.0%
<b>EBITDA</b>	<b>1.2</b>	<b>1.0</b>	<b>1.0</b>	<b>1.5</b>	<b>1.6</b>	<b>1.9</b>	<b>2.1</b>	<b>2.6</b>
margin	19.9%	14.5%	14.5%	18.4%	18.4%	20.3%	20.3%	20.6%
<b>EBIT</b>	<b>0.6</b>	<b>0.4</b>	<b>0.4</b>	<b>0.8</b>	<b>0.8</b>	<b>1.1</b>	<b>1.2</b>	<b>1.5</b>
margin	9.9%	5.8%	5.7%	9.4%	9.7%	11.7%	11.8%	12.0%
<b>Pre tax profit</b>	<b>0.6</b>	<b>0.4</b>	<b>0.4</b>	<b>0.8</b>	<b>0.8</b>	<b>1.1</b>	<b>1.2</b>	<b>1.5</b>
<b>Net Profit</b>	<b>0.5</b>	<b>0.3</b>	<b>0.3</b>	<b>0.6</b>	<b>0.7</b>	<b>0.9</b>	<b>1.0</b>	<b>1.2</b>

Source: Group data (OIC) for FY 2019, IR Top Research estimates for FY 2020-2023

### Consolidated Balance Sheet – Euro m

	2019A	2020E Old	2020E New	2021E Old	2021E New	2022E Old	2022E New	2023E New
Net Working Capital (NWC)	2.1	2.2	2.2	2.4	2.6	2.5	2.9	3.1
Fixed net assets	2.7	2.6	2.6	2.3	2.5	1.8	2.3	2.0
Funds	(0.7)	(0.7)	(0.7)	(0.8)	(0.8)	(0.9)	(0.9)	(1.1)
<b>Net Capital Employed</b>	<b>4.1</b>	<b>4.1</b>	<b>4.1</b>	<b>3.9</b>	<b>4.3</b>	<b>3.5</b>	<b>4.3</b>	<b>4.0</b>
Net Financial Position (Cash)	(0.3)	(0.7)	(0.7)	(1.5)	(1.2)	(2.9)	(2.2)	(3.7)
Equity	4.4	4.8	4.8	5.4	5.5	6.3	6.5	7.8
<b>Sources</b>	<b>4.1</b>	<b>4.1</b>	<b>4.1</b>	<b>3.9</b>	<b>4.3</b>	<b>3.5</b>	<b>4.3</b>	<b>4.0</b>

Source: Group data (OIC) for FY 2019, IR Top Research estimates for FY 2020-2023

## VALUATION

We have updated our valuation for CIRCLE and in particular the DCF to include the new estimates and up-to-date risk-free rate and ERP while the relative valuation to reflect current market multiples.

We set a target price of Euro 4.53 per share, (Euro 4.40 p.s. previously), providing for a +67% upside on current stock price and obtained by weighting equally the DCF and the multiple comparison analysis. At our target price, Circle would be trading at an FY20-21 EV/EBITDA multiple of 14.5x and 9.4x respectively.

Companies	Country	Market Cap (Euro m)	2019 revenue (Euro m)	Revenue % change 2019/2018	2020E revenue (Euro m)	2019 EBITDA margin	2020E EBITDA margin
AMM	Italy	9.5	60.4	+24.6%	70.2	5.5%	6.6%
CY4gate	Italy	10.9	14.4	+24.6%	11.5	16.6%	11.5%
Cyberoo	Italy	130.5	8.1	+35.8%	14.2	37.9%	47.5%
DBA Group	Italy	54.4	6.9	+28.3%	8.0	36.5%	27.0%
DHH	Italy	48.3	16.8	+13.2%	18.2	33.3%	34.6%
Digital Value	Italy	392.5	364.8	+22.4%	438.7	8.7%	9.3%
Doxee	Italy	27.3	20.9	+24.7%	21.8	24.0%	25.2%
Expert System	Italy	126.4	33.7	+10.1%	34.3	16.2%	8.3%
FOS	Italy	15.6	12.2	+25.5%	12.9	18.0%	17.4%
MailUp	Italy	67.2	60.3	+51.2%	65.7	8.0%	7.6%
MAPS	Italy	22.0	17.0	+5.7%	19.0	22.3%	20.2%
Neosperience	Italy	37.0	17.5	+63.0%	19.9	20.4%	20.3%
Neurosoft	Italy	20.5	n.a.	+8.1%	n.a.	n.a.	n.a.
Relatech	Italy	98.0	21.3	+36.0%	24.7	23.0%	25.9%
Sourcesense	Italy	19.8	14.5	+20.2%	16.1	11.7%	12.4%
Vetrya	Italy	14.4	42.4	-22.4%	49.5	-9.7%	-3.8%
Websolute	Italy	12.0	14.1	+10.3%	14.2	15.0%	11.6%
<b>AIM peers' average</b>		<b>65.1</b>	<b>45.3</b>	<b>+22.4%</b>	<b>52.4</b>	<b>18.0%</b>	<b>17.6%</b>
Datalogic	Italy	840	612.5	-3%	479.6	14%	9%
Exprivia	Italy	40	540.8	-8%	172.3	5%	12%
Generix Group France	France	182	81.1	+6%	79.5	12%	12%
Piteco	Italy	223	22.8	+18%	26.6	43%	43%
PSI Software	Germany	436	225.2	+13%	221.9	11%	11%
Reply	Italy	3,779	1,182.5	+14%	1,241.3	14%	16%
Sesa	Italy	1,501	1,762.6	+14%	2,016.0	4%	6%
TXT e-solutions	Italy	93	59.1	+48%	67.6	11%	12%
<b>Small &amp; Mid Cap peers' average</b>		<b>887</b>	<b>560.8</b>	<b>+13%</b>	<b>538.1</b>	<b>14%</b>	<b>15%</b>
<b>CIRCLE</b>	<b>Italy</b>	<b>9</b>	<b>6.1</b>	<b>+26.9%</b>	<b>7.2</b>	<b>19.9%</b>	<b>13.8%</b>

Companies	EV/EBITDA (x)			P/E (x)		
	20 E	21E	22E	20E	21E	22E
DBA Group	5.8	4.8	3.7	n.s.	n.s.	19.1
AMM	5.6	2.3	1.3	n.s.	10.1	7.9
Cy4Gate	17.8	16.5	10.9	27.2	32.6	23.1
Cyberoo	23.9	10.9	4.8	217.7	34.0	11.2
DHH	7.5	5.8	4.7	24.2	16.7	12.7
Digital Value	8.8	6.6	5.1	19.3	16.4	13.5
Doxee	5.3	3.8	2.4	14.4	8.7	5.6
Expert System	38.1	n.a.	28.7	n.s.	n.s.	n.s.
FOS	6.4	4.3	3.0	17.8	14.1	7.9
MailUp	12.8	8.9	6.4	61.1	29.6	18.8
MAPS	7.8	4.8	3.5	18.5	11.2	8.1
Neosperience	9.0	6.8	5.1	114.0	39.0	14.2
Neurosoft	n.d.	n.d.	n.d.	n.d.	n.d.	n.d.
Relatech	14.6	11.6	9.1	25.1	22.0	18.5
Sourcesense	9.1	7.0	5.4	28.3	18.0	13.2
Vetrya	n.s.	3.6	3.5	n.s.	8.5	6.3
Websolute	8.0	5.6	4.3	77.3	21.4	13.8
<b>AIM peers' average</b>	<b>12.0</b>	<b>6.9</b>	<b>6.4</b>	<b>53.7</b>	<b>20.2</b>	<b>12.9</b>
Datalogic	20.3	11.0	9.1	80.1	23.6	18.2
Exprivia	3.9	3.2	2.4	5.9	4.9	3.6
Generix Group France	19.5	13.5	10.9	64.3	35.0	26.8
Piteco	25.0	14.7	12.5	35.6	23.5	19.4
PSI Software	16.4	14.0	12.6	39.7	31.3	25.9
Reply	18.2	15.4	13.3	33.7	29.3	25.9
Sesa	11.6	9.8	8.3	26.8	22.5	19.6
TXT e-solutions	8.2	5.9	5.1	22.1	16.0	13.9
<b>Small &amp; Mid Cap peers' average</b>	<b>15.4</b>	<b>10.9</b>	<b>9.3</b>	<b>38.5</b>	<b>23.3</b>	<b>19.2</b>
<b>CIRCLE</b>	<b>8.8</b>	<b>5.1</b>	<b>2.6</b>	<b>33.6</b>	<b>12.8</b>	<b>9.1</b>
<i>Discount/Premium to AIM peers</i>	-27%	-26%	-58%	-37%	-37%	-30%
<i>Discount/Premium to Small &amp; Mid Cap peers</i>	-43%	-53%	-71%	-13%	-45%	-53%
<b>Discount/Premium to peers</b>	<b>-35%</b>	<b>-39%</b>	<b>-65%</b>	<b>-25%</b>	<b>-41%</b>	<b>-41%</b>

Source: PMI Capital for Circle and AIM peers data as of January 29<sup>th</sup>, 2021. FactSet data as of January 29<sup>th</sup>, 2021 for Small & Mid Cap peers.

### DCF model

Our DCF model yields a fair value of Euro 4.96 per share and was run using our FCF estimates for the FY20-24 explicit period and based on a WACC of 9.0%.

### VALUATION SUMMARY

Weighting the two approaches equally we set a new target price of CIRCLE of Euro 4.53 p.s.

Method	Weight	Price (Eu)
Multiple analysis	50%	4.09
DCF	50%	4.96
<b>Target Price</b>	<b>100%</b>	<b>4.53</b>



## CIRCLE IN BRIEF

### COMPANY DESCRIPTION

CIRCLE Group, listed on AIM Italia since October 2018 and registered Innovative SME is an international player specialised in providing innovative technological solutions for automation and digitalisation of the entire supply chain, with distinctive vertical skills in the port and intermodal logistics sectors. Through a vertically integrated business model, the Group completes its offering with services supporting its clients in gathering European funding and achieving a strategic positioning at European level.

The Group counts 70 employees and recorded revenues of Euro 6.1 m in FY 2019, of which over realised outside Italy (Southern Europe, Mediterranean area, Black Sea and Middle East) and an EBITDA margin of 20%.

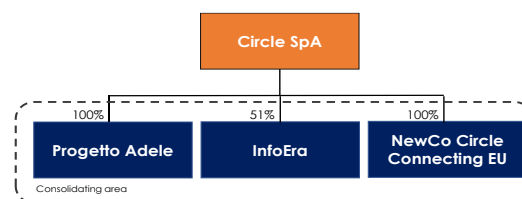
### REFERENCE MARKET

CIRCLE operates in the **niche market of digital transformation and supply chain optimization for the port and intermodal logistics sector** in countries bordering the Mediterranean Sea. Digitalisation and the arrival of innovative IoT technologies have created a disruption (digital disruption) in the local market of the logistics and the multimodal Supply Chain.

### OPPORTUNITIES

- Strong M&A track record with 3 acquisitions since 2017 (InfoEra, Progetto Adele and Log@Sea)
- Growing international trade and need of modernisation and automation of obsolete infrastructure in ports and intermodal hubs.
- Well positioned to exploit opportunities in growing markets thanks to its already extended international footprint.
- Historical track-record and long-lasting relations with clients.
- Technological innovation and different proprietary software.
- Solid expertise in business process reengineering and project management, as well as of EU policies, allowing the Company to offer a product portfolio anticipating EU regulations.

### GROUP STRUCTURE



### BUSINESS UNITS

Business Unit	Innovative and Smart Supply Chain	Global Supply Chain Visibility	Connecting EU
Actors / Customers	<ul style="list-style-type: none"> <li>❖ Inland and Port terminal Operators</li> <li>❖ Multimodal Transport Operators &amp; Rail Companies</li> <li>❖ Port Authorities and Port Communities</li> <li>❖ Shipping Agencies</li> </ul>	<ul style="list-style-type: none"> <li>❖ Shippers</li> <li>❖ Freight Forwarders</li> <li>❖ Customs Operators</li> </ul>	<ul style="list-style-type: none"> <li>❖ Private and Public entities specialized in port, transport and logistics</li> </ul>
Products / Services	Milos (Sinfomar)	Milos (MasterSPED)	Project Anticipation EU Branding

### STRATEGY

- Continuous development of proprietary products, in particular Milos®, MasterSped®, and MasterTrade
- EU services evolution
- Geographical expansion in target areas
- External growth through acquisitions of companies and/or strategic assets and joint ventures.
- New "federative" services launched in September 2020 to meet the needs for a full digitalization of the Supply Chain

### MAIN RISKS

- Highly competitive market.
- Difficulty in recruiting new skilled human resources.
- Limited brand awareness and bargaining power.
- Implementation of the strategies and future development plans.
- Obsolete IT systems of clients and hacking risks.

## CIRCLE ON AIM ITALIA

### IPO

Trading Market: AIM Italia – Borsa Italiana SpA

Date: October 26<sup>th</sup>, 2018

Price: 2.40

Capital raised: Euro 1,532,160

Capitalisation: Euro 7.57 m

### SHARES (as of January 29<sup>th</sup>, 2021)

Code: CIRC

Bloomberg: CIRC:IM

Reuters: CIRC.MI

ISIN: IT0005344996

Shares: 3,470,115

Share Capital: Euro 233,000

Price: Euro 2.72

Performance from IPO: +26%<sup>1</sup>

Capitalisation: Euro 9 m

Free Float: 23.17%

NomAd and Specialist: Integrae Sim SpA

Auditing firm: BDO Italia SpA

CIRCLE is owned by the co-founder, and CEO Luca Abatello, who holds 63.05% of outstanding shares. The share capital subscribed and paid up is Euro 233,000, mad up by 3,470,115 ordinary shares without nominal value.

Innotech, LigurCapital, CapitallImpresa and Alcalega have a **lock-up agreement** with the NomAd pm their shares **for 30 months from the IPO date**.

Currently the Company holds n. 17,160 owns shares, corresponding to 0.4945% of total share.

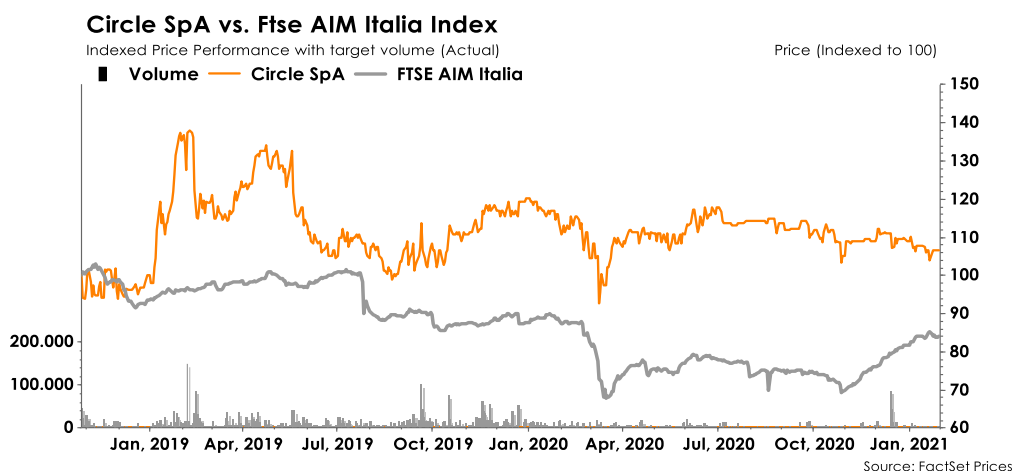
Shareholder	N° of shares	%
Innotech Srl <sup>1</sup>	2,187,966	63.05%
LigurCapital SpA <sup>2</sup>	169,851	4.89%
CapitallImpresa SpA <sup>2</sup>	169,851	4.89%
Alcalega Srl <sup>3</sup>	121,407	3.50%
Own Shares	17,160	0.49%
Market	803,880	23.17%
<b>Total</b>	<b>3,470,115</b>	<b>100.00%</b>

Source: Company data as of January 29<sup>th</sup>, 2021

<sup>1</sup> 100% Luca Abatello

<sup>2</sup> Funds

<sup>3</sup> Related to Alexio Picco, CIRCLE's co-founder and Director



<sup>1</sup> considering IPO price adjusted for script dividend

**DISCLAIMER**

UPDATES: This Research is an update coverage made by IR Top Consulting S.r.l. (IR Top) on CIRCLE (the "Company"). Update frequency might depend on circumstances considered to be important (corporate events and changes of recommendation, etc.) or on further advisory commitment. Last Research on the same Company was released on September 30<sup>th</sup> 2020. Opinions and estimates of this Research are as the date of this material and are subject to change. Information and opinions have been obtained from sources public and believed to be reliable, but no warranty is made as to their accuracy or correctness. Past performances of the Company are not guarantee of future results. During the last 12 months, the following indications have been disseminated:

Date	Target Price	Market Price	Validity Time
February 1 <sup>st</sup> , 2021	4.53	2.72	12 months
September 30 <sup>th</sup> , 2020	4.40	2.82	12 months
April 21 <sup>st</sup> , 2020	4.49	2.86	12 months
September 26 <sup>th</sup> , 2019	4.91	2.57	12 months
March 21 <sup>st</sup> , 2019	4.86	2.96	12 months
November 15 <sup>th</sup> , 2018	3.71	2.50	12 months

**VALUATION METHODOLOGY (HORIZON: 12M):** IR Top obtained a fair value using different valuation methodologies including Discounted Cash Flow method and Multiple-based models. Moreover, IR Top used a proprietary model, "AIM Positioning rating", which incorporates a number of variables selected by IR Top based on research of "Osservatorio AIM Italia", managed by IR Top and focused on research about performance of Companies listed on AIM Italia. Detailed information about the valuation or methodology and the underlying assumptions and information about the proprietary model used is accessible at IR Top premises.

**RESEARCH TEAM:**

Luisa Primi, (Senior Analyst, AIAF Associated)  
 Andrea Praga, (Analyst)  
 Chiara Cardelli, (Researcher)

No other people or companies participated or anyhow contributed to the Research. Neither the members of the research team, nor any person closely associated with them have any relationships or are involved in circumstances that may reasonably be expected to impair the objectivity of the Research, including interests or conflicts of interest, on their part or on the part of any natural or legal person working for them, who was involved in producing the Research.

**INTERESTS INVOLVED AND CONFLICTS:** This document has been prepared by IR Top, *Partner Equity Markets* of Italian Stock Exchange, part of LSE Group, on behalf of the Company according to a contract, under which IR Top undertook to prepare this report expressing only independent, fair and balanced views on the Company. The fees agreed for this Research do not depend on the results of the Research.

This Research has been disclosed to the issuer to which the Research, directly or indirectly, relates before its release. It is incumbent on the Company to provide timely and constructive feedback on draft Research prior to publication. It is IR Top's sole discretion as to whether comment and feedback from the Company is incorporated into the Research prior to publication and where it is, a further iteration to the draft will be sent to the Company for comment.

IR Top is also engaged in investor relations services in the interest of the Company and might occasionally be involved in other consulting activities intended to increase the value of the Company. In any case, Chinese Walls and other information barriers are in place to avoid the exchange of confidential information between the Equity Research Department and other services areas; employees and advisors involved in such services have restrictions preventing them from the access to confidential information that cannot be published.

IR Top restricts research analysts from performing roles, which could prejudice the independence of their research. In particular:

- they are permitted to attend and speak at widely attended conferences or other widely attended events at which IR Top colleagues and clients, among others, may also be present, provided that their independence may not be affected. These widely-attended conferences/events may include some investor presentations by clients of investor relations services.
- Analysts are also permitted to attend and speak at conference calls or meetings between analysts and bankers, investors or customers in which are discussed Research reports already published or general view on specific sectors. In such cases, at the start of that meeting, bankers, investors or customers need to be clarified that the discussion cannot involve the communication of privileged information to the analyst as the analyst would be prohibited from producing new research report on the companies whose privileged information has been disclosed.

Members of the Research Team do not receive salaries, commissions, bonuses or any other form of compensation based upon specific investment banking transactions or securities' performances.

IR Top and the members of the Research Team do not have any further interest or conflict of interest directly or indirectly related with the Research, the Company or the securities, that may reasonably be expected to impair the objectivity of the Research.

There are no other interests or conflicts of interest of any person belonging to the same group of IR Top that are: (a) known, or reasonably expected to be known, to the persons involved in the production of the recommendation; or (b) known to persons who, although not involved in the production of the recommendation, have or could reasonably be expected to have, access to the recommendation prior to its completion.

In any case, as a general Policy, nobody of the Research Team nor IR Top is allowed to have a financial interest in the securities of the client company or serve as an officer, director or advisory board member of the client company.

Analysts must not undertake personal transactions on financial instruments that are object of the investment research or that relate to the same industry. Exceptions may be made with the prior approval of IR Top's CEO in special circumstances such as for disposal of (a) positions already held before the employment or before the implementation of the company policy, or when initiating coverage and (b) positions obtained as a result of the issuer extraordinary activities. By the way, when analysts hold instruments to which Equity Research relates, they are required to disclose their interests in Research reports. Any trades that analysts make must be in line with their recommendation(s), contained in the last published Research. An analyst is prohibited from producing a Research on an issuer if the analyst carries out activities for which he receives compensation from the issuer. If an analyst's household member / relative / relative in-law (within the second degree) serves in such a high capacity for the issuer (i.e. manager or director), the analyst has to inform IR Top's CEO and the analyst will cease covering the issuer.

**POLICY:** IR Top has in place a "Joint conflict management policy" in order to effectively manage any conflicts of interest, and an "Equity Research Policy", in order to rule research services in compliance with Parliament Regulation (EU) no.596/2014 and Commission Delegated Regulation (EU) no. 958/2016 on Market Abuse.

IR Top has adopted the "Joint conflict management policy" in accordance with best practice regarding "information barriers" to restrict the flow of information to prevent the misuse of information and/or prevent any conflicts of interest arising from other activities of IR Top. A copy of these policies is available to the recipient of this Research upon making a request to IR Top by e-mail.

**DISCLAIMER:** This report has been prepared solely for information purpose and is not intended as an offer or solicitation with respect to the purchase or sale of any financial products. It should not be regarded as a substitute for the exercise of the recipient's own judgment. IR Top does not accept any liability for any direct, consequential or indirect loss arising from any use of material contained in this report. This document may only be reproduced or published together with the name of IR Top. Opinions and estimates in this Research are as of the date of release and are subject to change without notice to the recipient. Information and opinions have been obtained from sources believed to be reliable, but no representation or warranty is made as to their accuracy or correctness. Past performance is not a guarantee of future results. The investments and strategies discussed in this Research may not be suitable for all investors. In any case, you should consult your investment advisor.

This document is intended for distribution only to E.U. "qualified investors" and to "qualified counterparties" resident in Italy, within the meaning of article 2(1)(e) of the prospectus directive (directive 2003/71/EC) and Consob Reg. 16190, as subsequently amended and supplemented; its distribution in USA, Canada, Australia, Japan is not allowed.

In Italy, this document is being distributed only to, and is directed at qualified investors within the meaning of article 100 of legislative decree no. 58 of 24 February 1998, as amended, and article 34-ter, paragraph 1, letter b), of Consob regulation on issuers no. 11971 of May 14, 1999, provided that such qualified investors will act in their capacity and not as depositaries or nominees for other shareholders, such as persons authorized and regulated to operate in financial markets, both Italian and foreign.

**DISTRIBUTION:** In the United Kingdom, this document is not for distribution to persons that would be defined as private customers under rules of the FSA; it is for distribution only to persons who: (i) have professional experience in matters relating to investments falling within article 19(5) of the financial services and markets act 2000 (financial promotion) order 2005 (as amended, the "financial promotion order"), (ii) are persons falling within article 49(2)(a) to (d) ("high net worth companies, unincorporated associations etc.") of the financial promotion order, (iii) are outside the United Kingdom, or (iv) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the FINANCIAL SERVICES AND MARKETS ACT 2000) in connection with the issue or sale of any securities may otherwise lawfully be communicated or caused to be communicated (all such persons together being referred to as "relevant persons").

This document is not addressed to any member of the general public and under no circumstances should this document circulate among, or be distributed to (i) a member of the general public, (ii) individuals or entities falling outside the definition of "qualified investors" as specified above or (iii) distribution channels through which information is or is likely to become available to a large number of persons.

**IR TOP CONSULTING SPECIFIC DISCLOSURES:** We disclose that IR Top acts as Investor Relations and Financial Communication advisor for the Company.

**PMI Z-SCORE:** The PMI Z-Score does not constitute a rating according to Article 2, paragraph 2, point b) of the EC Regulation no. 1060/2009 of the European Parliament and Council as of 16 September 2009, relating to credit rating agencies. Wisefunding Italia S.r.l. ("Wisefunding") is the Italian subsidiary of Wisefunding Ltd that using its proprietary know-how has developed a statistical models to evaluate the risk profile of small and medium sized enterprises (SMEs). This model has been licensed to Wisefunding together with the PMI Z-Score brand. Wisefunding does not guarantee the accuracy, timeliness, completeness, performance or fitness of the data used to calculate the score. No responsibility is accepted by or on behalf of Wisefunding for any errors, omissions, or inaccurate information in this document arising from any errors, omissions or inaccurate data. This document may be updated or changed without notice at any time. The publication of this document does not represent solicitation by Wisefunding of public saving and does not constitute any opinion or recommendation by Wisefunding as to the suitability of the investment, if any, herein described or the creditworthiness of the investment. No action should be taken or omitted to be taken in reliance upon information in this document. Wisefunding will not, in any way, be liable for the consequences arising from any action taken (or not) on the basis of the information referred to in this document.