

CIRCLE

1H20: strong revenue growth +21% yoy

Strong growth trend in revenues: CIRCLE, “innovative SME” specialized in the provision of innovative technological solutions for the optimization and digitalization of the supply chain for the port and intermodal logistic sector, recently released strong set of 1H20 results that confirmed the growth trend of FY19 revenues (+21%) and a high profitability with an EBITDA margin adjusted of ca. 22%. Revenues reached Euro 3.2 m, up by +21% (Euro 2.6 m in 1H19) mainly driven by a sharp increase in revenues from proprietary products (+54%). EBITDA adjusted stood at Euro 0.7 m in line with 1H19. EBITDA non adjusted was of Euro 0.4 m (12.5% on revenues). Net Profit came at Euro 43 k compared with Euro 0.3 m in 1H19. Net Cash stood at Euro 0.5 m compared with Euro 0.3 m of FY19.

Positive outlook: Our outlook for Circle remains positive, as the Company's exposure to digital and Management's focus on external growth and innovation of product/service portfolio should mitigate any potential negative impact from reduction of industrial production and lay ground for future growth. More in particular the Company launched a new set of innovative services (Federative Services) in September, in order to respond to customers' needs of a fully digitalized Supply Chain, also in light of the current pandemic which has put emphasis on the importance of digital, and has recently announced the participation in two important Connecting EU projects (MOSES and 5G-LOGINNOV) for which the Company will be granted a total of c. Euro 560k.

Management stated that the growth trend of FY19 and 1H20 continued in the first two months of 2H20, during which the Group saw an increase in commercial activity confirming a recovery in the market. Management further anticipated the new industrial plan will focus on the development of the recently acquired business segments (Progetto Adele) as well as the widening of product/service portfolio by internal development and/or M&A activity, in order to boost revenues and create synergies in terms of cross and upselling opportunities.

Valuation: We set a target price of Euro 4.40 per share, (Euro 4.49 p.s. previously), providing for a +56% upside on current stock price and obtained by weighting equally the DCF and the multiple comparison analysis.

Sector: Technology

Target Price (Euro) 4.40 (4.49 pr)
 Market Price (Euro) 2.82
 Market Cap (Euro m) 10
 EV (Euro m) 10
(as of September 29th, 2020)

Share Data

Market	AIM ITALIA
Bloomberg/Reuters	CIRC:IM / CIRC.MI
ISIN	IT0005344996
N. of Shares	3,470,115
Free Float	23.67%
CEO	Luca Abatello

Aim Positioning

FY 2019	Company	AIM Italia
VoP (Eu m)	6.1	44.5
Yoy	26.9%	16.9%
EBITDA %	19.9%	15.4%
ND/EBITDA (x)	(0.3)	2.1
Market Data	Company	AIM Italia
Mkt Cap (Eu m)	10.1	44.7
Perf. YTD	-4.9%	-7.4%
Free Float	23.7%	32.8%
ADTT YTD (Eu k)	14,971	71,392

Credit Risk Profile

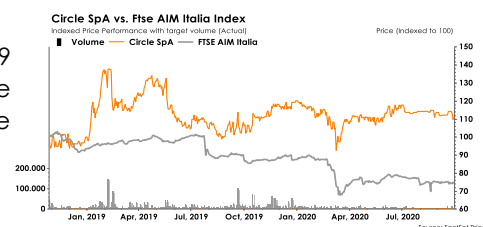
	Circle	Italian PMI Av
Wiserfunding Bond Rating Equivalent	BB+	B+

Performance

	1M	3M	6M
Absolute	-2.76%	-4.73%	1.44%
Relative	-2.17%	-0.42%	-0.97%
52-week High/Low (Eu)	3.16 / 2.16		

IR TOP RESEARCH

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Key Figures (Euro m)	Revenue	YoY %	EBITDA	EBITDA %	EBIT	EBIT %	Net Profit	Net Debt
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	8.3	+15%	1.5	18%	0.8	9%	0.6	(1.5)
2022E	9.6	+15%	2.9	20%	1.1	12%	0.9	(2.9)

KEY FIGURES

Profit&Loss Statement	2018A	2019A	2020E	2021E	2022E
Sales	3.6	4.3	5.3	6.0	6.9
Revenues (VoP)	4.8	6.1	7.2	8.3	9.6
EBITDA	1.3	1.2	1.0	1.5	1.9
EBIT	0.8	0.6	0.4	0.8	1.1
Financial Income (charges)	0.0	0.0	0.0	0.0	0.0
Pre-tax profit (loss)	0.8	0.6	0.4	0.8	1.1
Taxes	(0.2)	(0.1)	(0.1)	(0.1)	(0.2)
Group net profit (loss)	0.6	0.5	0.3	0.6	0.9
Balance Sheet					
Net working capital (NWC)	0.7	2.1	2.2	2.3	2.5
Net fixed assets	1.5	2.7	2.6	2.3	1.8
M/L Funds	(0.3)	(0.7)	(0.7)	(0.8)	(0.9)
Net Capital Employed	1.9	4.1	4.1	3.9	3.4
Net Debt (Cash)	(2.1)	(0.3)	(0.7)	(1.5)	(2.9)
Net Equity	4.0	4.4	4.8	5.4	6.3
Cash Flow					
EBIT	0.8	0.6	0.4	0.8	1.1
D&A	0.5	0.6	0.6	0.7	0.8
Tax	(0.2)	(0.1)	(0.1)	(0.1)	(0.2)
Change in M/L Funds	(0.0)	0.4	0.0	0.0	0.1
Gross Cash Flow	1.1	1.4	1.0	1.4	1.8
Change in NWC	(0.4)	(1.4)	(0.0)	(0.2)	(0.2)
Operating Cash Flow	0.7	0.0	1.0	1.2	1.6
Capex	(1.2)	(1.7)	(0.6)	(0.5)	(0.3)
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	(0.5)	(1.7)	0.4	0.8	1.4
Dividend	0.0	0.0	0.0	0.0	0.0
Change in Equity	1.6	(0.0)	(0.0)	0.0	0.0
Change in Net debt (Cash)	1.1	(1.8)	0.4	0.8	1.4
Per Share Data					
Current Price	€2.82				
Total shares out fully diluted (mn)	3,453				
EPS	0.15	0.12	0.08	0.14	0.20
DPS	0.0	0.0	0.0	0.0	0.0
FCF	(0.5)	(1.7)	0.4	0.8	1.4
Pay out ratio	0%	0%	0%	0%	0%
Ratios					
EBITDA margin	27.1%	19.9%	14.5%	18.4%	20.3%
EBIT margin	16.1%	9.9%	5.7%	9.4%	11.7%
Net Debt/Equity (Gearing)	-52.9%	-7.6%	-14.8%	-27.5%	-45.4%
Net Debt/EBITDA	-1.62	-0.28	-0.67	-0.97	-1.48
Interest cover EBIT	-591.55	-625.80	-433.10	-815.31	-1160.60
ROE	15.7%	11.1%	7.1%	11.8%	14.4%
ROCE	49.7%	17.4%	12.1%	23.7%	38.3%
Free Cash Flow Yield	-16.7%	-61.7%	13.0%	27.8%	49.1%
Growth Rates					
Sales	16%	19%	23%	15%	15%
Revenues (VoP)	18.3%	26.9%	19.0%	15.0%	15.0%
EBITDA	34.4%	-6.9%	-13.2%	46.0%	26.9%
EBIT	13.0%	-22.2%	-30.8%	88.3%	42.4%
Net Profit	17.4%	-21.0%	-30.7%	88.0%	42.3%

AIM POSITIONING

CIRCLE positions itself in the “Technology” Sector.

Compared to the average AIM Italia “Technology” Sector, CIRCLE shows:

- Higher revenue growth rates (+27% vs +16%);
- Higher EBITDA margin (20% vs 16%);
- Lower level of indebtedness (NPF/EBITDA -0.3x vs 1.2x).

FY 2019 Data	Revenues (Euro m)	Revenues YoY (%)	EBITDA margin (%)	Net Debt (Cash) (Euro m)	EV/EBITDA (x)	NPF/EBITDA (x)
AMM	14	25%	17%	(2.9)	3.6	(1.2)
Antares Vision	149	29%	25%	(10.8)	18.0	(0.3)
Circle	6	27%	20%	(0.3)	7.9	(0.3)
Cy4Gate	7	36%	44%	0.8	22.0	0.3
Cyberoo	7	28%	37%	(3.3)	15.0	(1.3)
DHH	7	13%	7%	(2.2)	29.2	(4.5)
Digital Value	365	22%	9%	(28.0)	8.8	(0.9)
Doxee	21	25%	24%	2.3	5.1	0.5
Eles	18	-21%	19%	2.1	10.0	0.6
Esautomotion	19	0%	18%	(7.0)	4.4	(2.1)
Expert System	32	10%	17%	2.8	23.3	0.5
Finlogic	35	17%	14%	(1.6)	8.4	(0.3)
FOS	12	25%	18%	(0.6)	6.9	(0.3)
MailUp	61	51%	8%	(2.4)	17.1	(0.5)
MAPS	19	6%	22%	4.4	7.0	1.2
Matica Fintec	14	6%	22%	(0.7)	4.3	(0.2)
Neosperience	14	63%	26%	(1.2)	11.1	(0.3)
Neurosoft	15	8%	-2%	0.2		
Powersoft	37	10%	17%	(11.0)	4.7	(1.7)
Prismi	22	4%	5%	28.1	42.5	24.6
Relatech	18	36%	27%	(0.7)	11.7	(0.1)
Reti	21	10%	10%	13.6	11.4	6.2
Softec	7	-30%	5%	2.5	24.0	7.7
Sourcesense	15	20%	11%	1.4	14.0	0.8
Vetrya	46	-22%	-7%	5.7		
Websolute	14	10%	15%	0.9	6.1	0.4
Technology	38	16%	16%	(0.3)	13.2	1.2
AIM Italia	45	17%	15%	5.6	12.1	2.1
DBA Group	61	25%	5%	(14.0)	(0.6)	(4.2)

Source: Osservatorio AIM Italia and FactSet data as of September 23th, 2020

Compared to the average AIM Italia “Technology” Sector, CIRCLE shows:

- Lower capitalisation;
- Lower free float;
- Lower average daily traded turnover (ADTT).

Market Data	Market Cap (Euro m)	Free Float (%)	Perf. from IPO (%)	ADTT YTD (Euro)
AMM	12	19%	-47%	26,422
Antares Vision	622	12%	7%	87,425
Circle	10	24%	21%	14,917
Cy4Gate	38	26%	40%	52,928
Cyberoo	66	45%	40%	242,402
DHH	17	33%	14%	27,381
Digital Value	308	32%	212%	208,520
Doxee	23	23%	9%	21,565
Eles	29	45%	35%	168,618
Esautomotion	22	22%	-37%	15,030
Expert System	116	74%	28%	332,093
Finlogic	15	36%	6%	49,006

FOS	40	25%	51%	27,379
MailUp	76	36%	164%	70,727
MAPS	20	31%	36%	60,837
Matica Fintec	15	38%	-16%	45,550
Neosperience	36	26%	46%	110,689
Neurosoft	21	14%	-89%	13,417
Powersoft	41	14%	3%	19,592
Prismi	20	91%	-93%	42,735
Relatech	64	19%	174%	174,311
Reti	11	20%	-15%	169,645
Sofftec	5	10%	-88%	8,082
Sourcesense	22	33%	107%	305,904
Vetrya	21	34%	-48%	45,355
Websolute	13	27%	-2%	24,589
Technology	65	31%	22%	90,966
AIM Italia	45	33%	-11%	71,392
DBA Group	12	44%	-75%	27,881

Source: Osservatorio AIM Italia and FactSet data as of September 23th, 2020

1H2020 results - strong revenue growth, +21%. Circle Group recently released strong a set of 1H20 results that confirmed the growth trend of FY19 revenues (+21%) and a high profitability with an EBITDA margin adjusted for non-recurring items of ca. 22%.

More in detail, revenues reached Euro 3.2 m, up by +21% (Euro 2.6 m in 1H19). Growth was primarily driven by a sharp increase in revenues from proprietary products (+54%) and in particular Milos, and MasterSped and MasterTrade the latter two acquired in August 2019 (Progetto Adele). Good performance also of the international projects business line, currently c. 30% of Circle's revenues.

EBITDA adjusted to exclude non-recurring costs related to Covid-19 pandemic, stood at Euro 0.7 m, in line with 1H19 (Euro 0.7 m). Non adjusted EBITDA came in at Euro 0.4 m (12.5% of revenues).

After D&A of Euro 0.3 m (Euro 0.3 m in 1H19), EBIT stood Euro 0.1 m vs. Euro 0.4 m of 1H19. EBIT margin was of 2.3% vs 16.9% of June 2019.

Net Profit came at Euro 43 k compared with Euro 0.3 m in 1H19.

Despite investments in the period for a total of Euro 0.7 m, mainly related to market development (Euro 0.4 m) and international expansion (Euro 0.3 m), Circle continued to be cash positive, reaching Net Cash of Euro 0.5 m vs. Euro 0.3 m at year-end 2019.

Consolidated Income Statement – Euro m

	1H 2020A	1H 2019A	Δ (%)
Revenues (VoP)	3.2	2.6	+20.7%
	Yoy	+20.7%	+8.5%
EBITDA	0.4	0.7	-42.9%
	Margin	12.5%	26.5%
EBIT	0.1	0.4	-83.5%
	Margin	2.3%	16.9%
Pre tax profit	0.1	0.4	-84.6%
Net Profit	0.0	0.3	-87.5%

Source: Group data (OIC)

Consolidated Balance Sheet – Euro m

	1H 2020A	FY 2019A	Δ (%)
Net Working Capital (NWC)	1.9	2.1	-9.5%
Fixed net assets	2.8	2.7	5.5%
Funds	(0.7)	(0.7)	10.2%
Net Capital Employed	4.0	4.1	-3.0%
Net Financial Position (Cash)	(0.5)	(0.3)	+40.8%
Equity	4.4	4.4	+0.3%
Sources	4.0	4.1	-3.0%

Source: Group data (OIC)

Positive outlook

Our outlook for Circle remains positive, as the Company's exposure to digital and Management's focus on external growth and innovation of product/service portfolio should mitigate any potential negative impact from reduction of industrial production and lay ground for future growth. More in particular the Company launched a new set of innovative services (Federative Services) in September, in order to respond to customers' needs of a fully digitalized Supply Chain, also in light of the current pandemic which has put emphasis on the importance of digital, and has recently announced the participation in two important Connecting EU projects (MOSES and 5G-LOGINNOV) for which the Company will be granted a total of c. Euro 560k.

Management stated that the growth trend of FY19 and 1H20 continued in the first two months of 2H20, during which the Group saw an increase in commercial activity confirming a recovery in the market. Management further anticipated the new industrial plan will focus on the development of the recently acquired business segments (Progetto Adele) as well as the widening of product/service portfolio by internal development and/or M&A activity, in order to boost revenues and create synergies in terms of cross and upselling opportunities.

ESTIMATES REVISION

Following 1H20 results we slightly reviewed our forecast for FY20. We now assume a c. 19% top-line growth (35% previously) and slightly adjusted our EBITDA margin to 14.5% (18.8% previously). For FY21-22 we maintained our yoy revenue growth forecasts and adjusted EBITDA margins to consider a gradual recovery in profitability. The overall effect is an average decrease in revenues and EPS of -12% and -39% respectively. We stress that our forecast does not include any potential opportunities arising from further M&A activity, which according to Management should be a key strategic pillar for the Group in the next years.

Consolidated Income Statement – Euro m

	2019A	2020E Old	2020E New	2021E Old	2021E New	2022E Old	2022E New
Revenues (VoP)	6.1	8.2	7.2	9.4	8.3	10.9	9.6
yoy	+26.9%	+35.0%	+19.0%	+15.0%	+15.0%	+15.0%	+15.0%
EBITDA	1.2	1.5	1.0	1.9	1.5	2.4	1.9
margin	19.9%	18.8%	14.5%	20.5%	18.4%	22.3%	20.3%
EBIT	0.6	0.9	0.4	1.2	0.8	1.6	1.1
margin	9.9%	11.1%	5.8%	12.6%	9.4%	14.7%	11.7%
Pre tax profit	0.6	0.9	0.4	1.2	0.8	1.6	1.1
Net Profit	0.5	0.7	0.3	1.0	0.6	1.3	0.9

Source: Group data (OIC) for FY 2019, IR Top Research estimates for FY 2020-2022

Consolidated Balance Sheet – Euro m

	2019A	2020E Old	2020E New	2021E Old	2021E New	2022E Old	2022E New
Net Working Capital (NWC)	2.1	2.6	2.2	2.9	2.4	3.1	2.5
Fixed net assets	2.7	2.6	2.6	2.3	2.3	1.8	1.8
Funds	(0.7)	(0.5)	(0.7)	(0.4)	(0.8)	(0.4)	(0.9)
Net Capital Employed	4.1	4.8	4.1	4.9	3.9	4.5	3.5
Net Financial Position (Cash)	(0.3)	(0.4)	(0.7)	(1.3)	(1.5)	(2.9)	(2.9)
Equity	4.4	5.2	4.8	6.2	5.4	7.4	6.3
Sources	4.1	4.8	4.1	4.9	3.9	4.5	3.5

Source: Group data (OIC) for FY 2019, IR Top Research estimates for FY 2020-2022

AIM DISCOUNT UPDATE

When using market multiples to determine the target price of an AIM Italia listed company, we apply a discount on the average peer multiple based on an algorithm that, in partnership with Wiserfunding Ltd¹ and "Osservatorio AIM" (IR Top proprietary database) measures the positioning of the company along 5 dimensions:

- Market Data (capitalisation, liquidity, free float)
- Financials (growth and profitability)
- Sustainability (ESG)
- Transparency (strategic plan)
- Credit Risk (Wiserfunding Bond Rating Equivalent)

Market Data establishes a base discount that runs from 20% to 30%. Hence, according to a scoring system, the Credit Rating accounts for a premium/discount in the +/- 2.5% range with a B+ (representing the average rating of Italian SMEs) would imply neutrality, i.e. +/- 0% discount/premium. The remaining three dimensions (Financials, Sustainability and Transparency) together determine an additional discount/premium of +/- 5%.

The Credit Risk Profile was recently added to our algorithm and is elaborated in collaboration with Wiserfunding Ltd, a London based fintech specialized in providing accurate credit assessments for SMEs, segmented by size, country and industry sector.

Applying the algorithm on **CIRCLE**, we consider fair a discount of 26.5% to Industry peers based on:

- Market Data discount of 30.0%
- Wiserfunding PMI Z-score of 360 and bond rating equivalent of BB+ which would imply a premium of 1%
- A 2.5% premium as a sum of the scoring for Financials, ESG and Transparency.

¹ Wiserfunding is a London-based fintech company specialised in assessing the credit risk of small and medium sized enterprises (SMEs). Through their online platform, they allow businesses looking to obtain finance or lenders and investors looking to assess the risk of businesses to get more accurate data to make better decisions quicker than ever before. Wiserfunding provides SMEs across Europe with a risk assessment based on past financial history and a range of publicly available structured and unstructured data. Professor Edward Altman, one of the pioneers of credit risk analytics back in the 60s and inventor of the famous Z-score model, is one of the co-founders. Wiserfunding has been official partner of Borsa Italiana for the Fixed Income since 2016.

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;
- the relative valuation to reflect current market multiples and updated our AIM Positioning Discount to reflect FY 2019 results and a credit rating as of the analysis made by Wisefunding.

We set a target price of Euro 4.40 per share, (Euro 4.49 p.s. previously), providing for a +56% 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 14.2x and 9.7x respectively.

	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	11	14,4	120%	13,1	17%	19%
CY4gate	Italy	66	n.a.	n.a.	n.a.	n.a.	n.a.
Cyberoo	Italy	40	7	n.a.	8	29%	37%
DBA Group	Italy	11	56,7	21%	72,1	7%	8%
DHH	Italy	18	16,8	181%	18,2	33%	33%
Digital Value	Italy	297	364,8	23%	438,7	9%	9%
Doxee	Italy	23	20,9	52%	21,8	24%	25%
Expert System	Italy	115	33,7	17%	35,0	16%	9%
FOS	Italy	16	12,2	55%	12,8	18%	20%
MailUp	Italy	74	60,4	50%	68,9	8%	8%
MAPS	Italy	18	17,0	7%	19,0	22%	22%
Neosperience	Italy	31	17,5	104%	18,0	20%	24%
Neurosoft	Italy	21	n.a.	n.a.	n.a.	n.a.	n.a.
Relatech	Italy	63	21,3	61%	25,7	23%	24%
Sourcesense	Italy	23	14,5	20%	16,1	12%	12%
Vetrya	Italy	18	49,7	-16%	61,8	-2%	4%
Websolute	Italy	13	14,1	14%	14,5	15%	15%
AIM peers' average		50	48	51%	56	17%	18%
Datalogic	Italy	715	612,5	-3%	476,5	14%	9%
Exprivia	Italy	33	540,8	-8%	n.a.	5%	n.a.
Generix Group France	France	163	81,1	6%	81,5	12%	13%
Piteco	Italy	155	22,8	18%	25,3	43%	43%
PSI Software	Germany	397	225,2	13%	219,4	11%	11%
Reply	Italy	3.685	1.182,5	14%	1.253,6	14%	15%
Sesa	Italy	1.308	1.762,6	14%	1.983,0	4%	6%
TXT e-solutions	Italy	96	59,1	48%	66,4	11%	12%
Small & Mid Cap peers' average		819	560,8	13%	586,5	14%	16%
CIRCLE	Italy	10	8.1	+27%	9.7	19.9%	14.5%

	EV/EBITDA (x)			P/E (x)		
	20 E	21E	22E	20E	21E	22E
DBA Group	4.3	3.0	n.d.	30.7	7.2	n.d.
AMM	2.1	1.0	0.1	9.8	6.7	4.7
Cy4Gate	n.d.	n.d.	n.d.	n.d.	n.d.	n.d.
Cyberoo	11.2	5.8	2.8	36.4	13.1	7.5
DHH	2.8	1.8	n.d.	9.8	6.3	n.d.
Digital Value	6.4	4.7	3.4	14.6	12.4	10.2
Doxee	4.6	3.4	2.1	11.7	8.2	5.1
Expert System	32.2	n.s.	37.1	n.s.	n.s.	n.s.
FOS	5.5	3.9	2.7	16.7	11.3	7.5
MailUp	12.8	9.2	7.4	48.0	27.8	21.3
MAPS	4.6	3.3	2.4	11.5	8.4	6.4
Neosperience	8.0	5.8	4.7	30.4	12.9	6.5

Neurosoft	n.d.	n.d.	n.d.	n.d.	n.d.	n.d.
Relatech	9.3	7.1	5.3	15.0	14.3	12.1
Sourcesense	10.5	8.2	6.4	32.3	20.5	15.1
Vetrya	10.0	3.2	4.0	n.s.	7.7	7.9
Websolute	6.3	4.8	3.5	21.2	16.3	11.3
AIM peers' average	8.7	4.7	6.3	22.2	12.4	9.6
Datalogic	16.9	9.0	7.6	67.9	18.8	14.9
Exprivia	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Generix Group France	15.9	12.1	n.a.	45.6	31.7	n.a.
Piteco	16.2	14.4	12.9	22.8	20.0	17.8
PSI Software	15.2	13.1	11.9	37.8	29.8	24.7
Reply	18.1	15.5	13.6	33.6	29.0	25.8
Sesa	10.1	8.6	7.4	23.4	20.2	17.7
TXT e-solutions	7.5	6.1	4.7	23.8	19.0	16.2
Small & Mid Cap peers' average	14.3	11.3	9.7	36.4	24.1	19.5
CIRCLE	6.5	4.2	2.5	15.7	9.1	6.7
Discount/Premium to AIM peers	-25%	-10%	-60%	-29%	-26%	-31%
Discount/Premium to Small & Mid Cap peers	-55%	-63%	-74%	-57%	-62%	-66%
Discount/Premium to peers	-40%	-37%	-67%	-43%	-44%	-48%

Source: PMI Capital for Circle and AIM peers data as of September 29th, 2020. FactSet data as of September 29th, 2020 for Small & Mid Cap peers.

DCF model

Our DCF model yields a fair value of Euro 5.12 per share and was run using our FCF estimates for the FY20-23 explicit period and based on a WACC of 9.5%.

VALUATION SUMMARY

Weighting the two approaches equally we set a new target price of CIRCLE of Euro 4.40 p.s.

Method	Weight	Price (Eu)
Multiple analysis	50%	5.12
DCF	50%	3.67
Target Price	100%	4.40

COMPANY DESCRIPTION

CIRCLE, listed on AIM Italia since October 26th 2018 is an “**Innovative SME**” founded in 2012 and, specialized in the provision of **innovative technological solutions for the optimization and digitization of the supply chain for the port and intermodal logistics sector**. Through a vertically integrated business model, the Company completes its offering with services for focused exploitation of European funding and digital marketing.

The Group counts 70 employees and recorded revenues of Euro 6.1 m in FY 2019 and an EBITDA margin of 20%.

INNOVATION

CIRCLE has developed internally two innovative technological solutions for the digital supply chain of its niche market:

- *Milos®*, an innovative modular software for the digitalisation and optimisation of intermodal logistics operations.
- *Sinfomar®* software that provides IT solutions for companies in the maritime and port sectors and in particular connects all involved actors of the port community in one single platform.

The acquisition of Progetto Adele (August 2019) made it possible to expand the range of solutions offered with new software like:

- *MasterSped®* an evolutive platform for Customs operators and Freight Forwarding.

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.

STRATEGY

- Development of new products and services, in order to always be ahead of the market. With particular focus on software.
- Strengthening and expansion of geographical presence.
- External growth through acquisitions of companies and/or strategic assets and joint ventures.
- Exploit cross and up-selling opportunities between the 3 business units.
- New “federative” services launched in September 2020 to meet the needs for a full digitalisation 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.

OPPORTUNITIES

- 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.

CIRCLE ON AIM ITALIA

IPO

Trading Market: AIM Italia – Borsa Italiana SpA

Date: October 26th, 2018

Price: 2.40

Capital raised: Euro 1,532,160

Capitalisation: Euro 7.57 m

SHARES (as of September 29th, 2020)

Code: CIRC

Bloomberg: CIRC:IM

Reuters: CIRC.MI

ISIN: IT0005344996

Shares: 3,470,115

Share Capital: Euro 233,000

Price: Euro 2.82

Performance from IPO: +31%²

Capitalisation: Euro 10 m

Free Float: 23.67%

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 owns n. 17,160 treasury shares, corresponding to 0.4945% of total share.

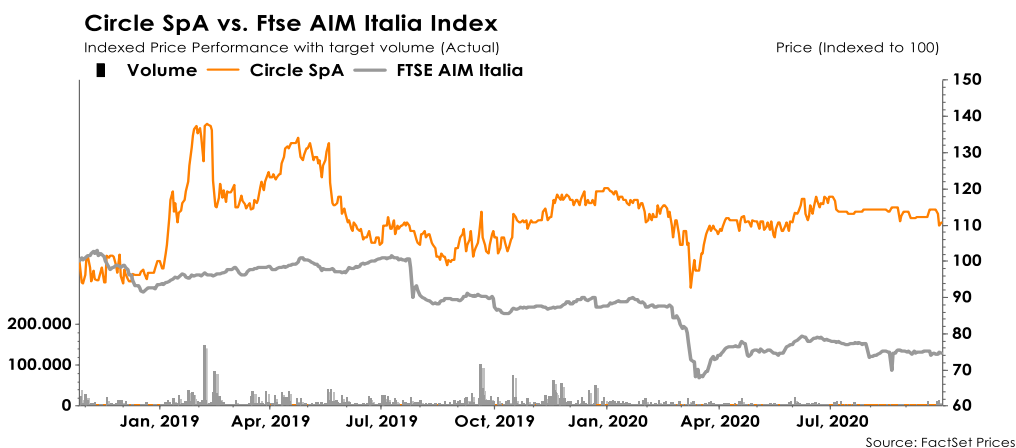
Shareholder	N° of shares	%
Innotech Srl ¹	2,187,966	63.05%
LigurCapital SpA ²	169,851	4.89%
CapitallImpresa SpA ²	169,851	4.89%
Alcalega Srl ³	121,407	3.50%
Market	821,040	23.67%
Total	3,470,115	100.00%

Source: Company data as of September 29th, 2020

¹ 100% Luca Abatello

² Funds

³ Related to Alexio Picco, CIRCLE's co-founder, Director and Head of the business unit Connecting EU



² considering IPO price adjusted for script dividend

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Date	Target Price	Market Price	Validity Time
September 30 th , 2020	4.40	2.82	12 months
April 21 st , 2020	4.49	2.86	12 months
September 26 th , 2019	4.91	2.57	12 months
March 21 st , 2019	4.86	2.96	12 months
November 15 th , 2018	3.71	2.50	12 months

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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.

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