

Ready to unlock the full value of serialisation

From university spin-off to technological leadership in T&T and VI solutions

Antares Vision (AV), founded in 2007, is a leading Italian provider of Track & Trace (T&T) and Visual Inspection (VI) solutions, primarily installed into production and packaging lines for the pharmaceutical industry (accounting for 96% of FY17 sales). With 2018E sales greater than €110m (from €12m in 2012), AV designs, installs and maintains systems and machines for serialisation, aggregation and visual inspection, to be installed stand-alone or in production lines, as well as smart data management solutions. AV currently serves c.270 clients in more than 60 countries and is the main provider to 10 of the 20 main global pharmaceutical companies with exports accounting for c.85% of 2017 sales. AV has three business lines, T&T (79% of sales), VI (16% of sales) and services (5% of sales). The 2017 sales mix by region is: RoE (40%), North America (28%), Italy (15%), and others including APAC, ME and South America. AV's sales grew organically at c.40% 2015-17 CAGR, with an EBIT margin of c.26% reflecting a 330bps expansion in FY15-17. Net cash was €9m in 2017 (from €4m in 2015).

Just scratching the surface of real Track & Trace growth potential

Pharma sector has been a frontrunner, in terms of standards used, in the T&T industry. T&T Pharma was worth c.€1.3bn in 2017 according to market research, while VI market accounted for €0.3bn in 2017 (only related to Pharma). The reference market of AV is expected to grow at c.13% 2017-21E CAGR as a result of: 1) T&T increasing at a 14.% CAGR, mirroring a T&T penetration reaching 55% in 2025 from 23% in 2018 and 2) a 6% CAGR for Inspection. In a competitive arena, extremely fragmented, AV has rapidly become one of the major (independent) providers of turn-key solutions for serialisation and aggregation. Pharma T&T and Inspection markets are supported by similar long-term growth drivers: 1) stringent government regulations and expansion to OTC segment (relevant to boost adoption of T&T systems); 2) safety and quality requirements; 3) Big data/digitalisation/IoT/AI and 4) technological switch to automatic solutions in the VI segment. The size of T&T and Inspection for the industrial segments is 9x bigger than the Pharma one but technology applied is more standardised. The increasing need for Industrial brands to grant product safety, authenticity and quality may bring a technological conversion to pharma standards. The right timing on when this transition will come about is not clear but technology know-how is ready to be transferred. AV aims at consolidating its technological leadership in Pharma and expanding its presence into other industries. M&A is a tool for AV to speed up the execution of its strategy.

Owning the technology to deliver further growth

Based on current global deadlines of drug tracking regulations (whose postponement is in our view the main risk of the story), we forecast AV's sales to grow at c.12% 3Y CAGR, reaching c.€160m in 2021E with T&T up high-single-digit CAGR and VI sales up in the double-digit area, coupled with an increasing contribution from Services and Smart Data. Assuming a less proportional increase in fixed costs (mainly labour and service), we forecast a 2021E EBITDA of €50m (from €24m in 2017), implying a 31.3% margin (from 26.6% in 2017). Net profit is expected to grow at a 17% 3Y CAGR, reaching c.€33m in 2021E. In light of a lean business model (with low capex requirements), we forecast cumulated FCF of c.€70m over the next three years, bringing net cash to €101m in 2021E.

Alessandro Tortora
Equity Analyst
+39 02 8829 673
Alessandro.Tortora@mediobanca.com

Giuseppe Grimaldi
Equity Analyst
+ 39 02 8829 412
Giuseppe.Grimaldi@mediobanca.com

Isacco Brambilla
Equity Analyst
+ 39 02 8829 067
Isacco.Brambilla@mediobanca.com

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Executive summary

A global provider of innovative turn-key solutions...

Antares Vision is a leading Italian producer of Track & Trace (T&T) and Visual Inspection (VI) solutions, primarily installed into production and packaging lines for the pharmaceutical industry (providing 96% of FY17 turnover). The group designs, installs and maintains systems and machines for the serialization, aggregation and visual inspection, to be installed stand-alone or into production lines, as well as smart data management solutions to make production lines dialogue with all the other main functions at corporate level. Antares Vision represents the main provider of ten out of the top-20 companies in the pharmaceutical sector, however its solutions may potentially be applied to several other industrial segments. The group is a global player, as it serves c.270 clients located in more than 60 countries worldwide, with exports accounting for c.85% of its annual sales.

...operating into the Track & Trace & Inspection market with a focus on Pharma

Pharma sector has been a frontrunner, in terms of standards used, in the T&T industry. T&T pharmaceutical market is worth around €1.3bn in 2017 according to market research, while VI market accounts for an additional €0.3bn in 2017 (only related to the Pharma). Looking at the next four years (2018-2021), the reference market of Antares Vision, is expected to grow at c.13% CAGR as the combined result of: 1) T&T solutions increasing 14% CAGR, mirroring a T&T penetration potentially reaching 55% in 2025 from 23% in 2018, and 2) a 6% sales CAGR for VI system and machines. The competitive arena is extremely fragmented with many small to medium sized companies operating both in the T&T and VI markets. Antares Vision has rapidly become one of the leading players as independent provider of turn-key solutions (both hardware and software) for serialisation and aggregation. Main growth drivers are quite similar for both the Track & Trace and the Inspection market: 1) stringent government regulations for the implementation of serialisation; 2) expansion to the OTC segment; 3) improving product quality and increasing safety requirements; 4) Big data/digitalisation/IoT/AI and the increased adoption of automation technologies and 5) Rapid growth in the geriatric population combined with increasing number of drugs and medical devices. Long-term growth trends for other industries are not completely different and it is reasonable to expect that, in the medium to long term, the increasing need for product safety, authenticity and quality will trigger, across the whole supply chain, a technological alignment with pharma standards.

A lean business model with a focus on R&D

Antares Vision has a lean and asset light business model. The company carries out internally the most value added processes such as the designing phase, while it outsources the most capital intensive phases of the value chain (ie, the production/assembly phase). AV operates on a global basis being present in 60 countries thanks to six production facilities (three plants in Italy, one in Germany plus the ones in Brazil and in the US) and local partners. Know-how, track record (in terms of serialized lines) and client proximity are the key assets of the company which is highly committed on product innovation with an R&D centric business model (R&D expenses accounting for c.6% of sales on average in 2015-17). Another relevant feature of AV's business model is related to its commercial process: the company boasts longstanding relationships with its costumers, which are generally characterised by medium-long term supply framework agreements regulating pricing and the payment conditions. Advanced payments are typically collected on orders acquired, with backlog, delivered in 10-12 months, granting a good visibility on business evolution.

2018-21 Strategy leveraging on multiple growth levers

In the short to medium term, Antares Vision is expected to deliver its growth strategy leveraging on its offer including both hardware and software for Pharma Track & Trace and Visual inspection. A gradual enlargement to OTC products is another growth opportunity for the company. Having recently started to produce inspection machines, cross selling among the two product families should play an increasing role. The Industrial world is clearly a big opportunity for all the companies like Antares Vision which started to develop their Track & Trace solutions in the more technologically demanding pharma sector. The adoption of these solutions may start to be visible in the medium term, also helped by some pilot projects to be launched over the next years. On top of these two trends, the increasing digitalization of the whole supply chain coupled with the need to boost its efficiency and safety may allow the company to generate revenues through the supply of smart data management tools. M&A, in light of a fragmented competitive arena, is the tool for AV to expand/strengthen further its commercial network into new geographies and products.

Historical performance

The history of AV has been characterised by a material improvement in sales mirroring the lines increasingly serialized. Since its foundation in 2007, the company rapidly increased its size, hitting 100 serialization lines commissioned in 2011, 500 in 2014, and 1,000 in 2016. 2009 represented a turning point for the development of the company. Turkey was the first country worldwide to impose serialization for pharmaceutical products marketed in the country, and AV won the tender to supply to Abbott the technologies for complying with such regulation, laying the foundations for rising as one of the leading providers of traceability solutions for the pharma industry.

In the last three years, sales grew organically at a 40% CAGR, approaching €90m as of YE17, with increasing sales from machinery and from assistance services representing the most relevant growth drivers. Sustained top-line growth was coupled with margin expansion, with the company delivering 330bps EBIT margin expansion in FY15-17, leading to an EBIT margin slightly below 26%. Net cash position moved from €4.4m in 2015 to €8.7m last year, with higher FCF generation from growing EBITDA able to offset NWC absorption.

Mid-term prospects

Based on the current global deadlines of drug tracking regulations (whose postponement is in our view the main risk of the story), we expect AV's top-line to grow at c.12% CAGR in 2018-2021E to €160m. By division, we forecast T&T sales growing by 7% organically, while Visual Inspection is seen growing at a c.20% CAGR, driven by sustained growth both for inspection systems and machines. We also expect the Services' component to grow in tandem with volumes, approaching €11m by 2021E, with sales related to Smart Data Management reaching €8m sales. Based on these top-line assumptions, we project an increase in company reported EBITDA from €32.0m in 2018E to €50.3m in 2021E, which equates to a 3Y CAGR of roughly 17% and implies a margin expansion of 340bps (from 27.9% to 31.3%), owing to lower incidence of personnel and services' costs thanks to operating leverage. At the bottom line level, we expect AV's net profit to increase at a 17% CAGR in 2018-2021E, from €20.8m in 2018E to €33.3m in 2021E. We forecast a cumulated FCF generation of c.€70m over the next three years, with slight improvements in NWC/sales (seen down from c.32% to 30%) and capex at c.3% of yearly sales over the 2019E-2021E period. This would lead the company to close with c.€101m net cash position in 2021E.

SWOT analysis

<p>STRENGTHS:</p> <ul style="list-style-type: none"> ◆ Strong track-record in product development; ◆ Technology know-how in Pharma, applicable into industrial verticals; ◆ Comprehensive product/solution offer; ◆ Longstanding relationships with Big Pharma; ◆ Lean approach across the whole value chain; ◆ Tracking system Architecture (L1-L4) fully internally developed; ◆ Good business visibility thanks to order backlog and existing framework agreements; ◆ Relatively short life of solutions installed 	<p>WEAKNESSES:</p> <ul style="list-style-type: none"> ◆ Exposure to one single industry; ◆ Sub-optimal WC management; ◆ Limited contribution from service revenues; ◆ Business development strongly dependant on the two company founders; ◆ Dependence on external assemblers
<p>OPPORTUNITIES:</p> <ul style="list-style-type: none"> ◆ Geographical diversification; ◆ Expansion of existing products/solutions' range also through M&A; ◆ More stringent regulations, marketing and communication in non-pharma industry; ◆ IoT, automation and digitalisation; ◆ Smart data management and Service; ◆ Increasing cross-selling opportunities; ◆ WC optimisation. 	<p>THREATS:</p> <ul style="list-style-type: none"> ◆ Potential competition from companies operating in the industrial T&T & VI segments, or from Big Software houses; ◆ Changes in current regulation postponing serialisation/aggregation; ◆ Limited penetration of T&T (in terms of Timing) in the Industrial verticals; ◆ Mix of lines serialized into the Emerging markets may bring lower margins vs consolidated markets like the US and EU

Valuation criteria

We have identified one key criterion to provide a fair valuation of Antares Vision:

- ◆ **Peer multiple comparison**, in which we identify a group of comparable companies that target a similar reference market or have business similarities with Antares Vision. We suggest investors to focus on metrics like EV/EBIT and P/E, while a comparison using EV/EBITDA metric may lead to inaccurate conclusions because the level of capitalisation of R&D expenses may impact the ratio.

It is too early to use a **DCF model** or an **EVA**, in our view, given that the company operates in a segment whose perimeter is still under development.

Sector comparison

As highlighted in the section dedicated to Antares Vision's reference market (see page 15), the competitive arena is quite fragmented with no perfectly listed comparable company.

As a consequence, we would take as peers a panel of international listed players active in the VI and T&T industries. We would also consider Antares Vision in the context of the Italian Mid & Small caps cluster, comparing it with companies with similar end-markets, business model, exposure to the technological trends and growth profile.

Among players active in the **T&T and VI segment**, we have selected four companies, which share with Antares Vision the underlying trends in the sector. Here below the list:

- ◆ **Isra Vision** develops and markets control software and systems for image processing, optics, industrial process skills and robotics. Isra Vision is a leading player in the VI segment, producing two and three-dimensional robot controls for goods manufacturing and quality assurance;
- ◆ **Mettler Toledo** is a global manufacturer and marketer of precision instruments for use in laboratory, industrial and food retailing applications. Mettler Toledo has a strong presence in the VI as well as T&T segments, offering both serialisation and aggregation solutions;
- ◆ **Cognex** designs, develops, manufactures, and markets machine for the VI segment. The company offers several types of machine vision products coupled with its software libraries. Cognex's systems are used to automate the manufacturing of a variety of discrete items and assure their quality;
- ◆ **Datalogic** is a global technology leader in the automatic data capture and process automation markets, specialising in the designing and production of bar code readers, mobile computers, sensors for detection, measurement and safety, and vision and laser marking systems. Its solutions help improve the efficiency and quality of processes in the retail, manufacturing, transportation & logistics and healthcare industries, along the entire value chain.

As regards the **Italian Mid & Small caps cluster**, we included the following names: i) **IMA** for its relevant exposure to the Pharmaceutical sector; ii) **Datalogic** (see above); iii) **CAREL**, being a B2B business, similar to AV, sitting on secular growth trends and iv) **REPLY**, given the company's exposure to new technological themes (such as AI, IoT, blockchain and smart data) and its double-digit growth profile. We also flag that all the companies have a "capital light" approach, like AV.

The tables below summarise the selected peers' main financial metrics.

Antares Vision - Peers' financials (next three FYs)

	Sales (m)			Sales YoY growth			EBITDA (m)			EBITDA margin		
	FY1	FY2	FY3	FY1	FY2	FY3	FY1	FY2	FY3	FY1	FY2	FY3
Isra Vision (€)*	153	180	203	6.6%	18.1%	12.5%	49	55	63	32.1%	30.7%	31.2%
Mettler Toledo (USD)	2925	3020	3186	7.3%	3.3%	5.5%	767	828	897	26.2%	27.4%	28.1%
Cognex (USD)	800	900	1030	7.0%	12.5%	14.5%	251	295	354	31.4%	32.8%	34.4%
Datalogic (€)	637	678	718	5.1%	6.4%	6.0%	105	115	125	16.5%	17.0%	17.4%
Average				6.5%	10.0%	9.6%				26.6%	27.0%	27.8%
IMA (€)	1,572	1,591	1,695	8.8%	1.2%	6.6%	247	264	287	15.7%	16.6%	16.9%
REPLY (MBe) (€)	1,025	1,138	1,229	15.9%	11.1%	8.0%	140	158	174	13.7%	13.9%	14.2%
CAREL (MBe) (€)	279	304	330	9.4%	9.0%	8.5%	51	62	68	18.3%	20.3%	20.5%
Datalogic (€)	637	678	718	5.1%	6.4%	6.0%	105	115	125	16.5%	17.0%	17.4%
Average				9.8%	6.9%	7.2%				16.1%	17.0%	17.3%
Antares Vision (€)	114.5	127.9	143.6	27.8%	11.7%	12.2%	32.0	37.3	43.6	27.9%	29.2%	30.4%

Source: Mediobanca Securities, Datastream, Prices as of 13/12/2018, * for Isra Vision FY1 is 2017/18 actual data

Antares Vision - Peers' financials (next three FYs)

	EBIT (m)			EBIT margin			Net profit (m)			YoY change		
	FY1	FY2	FY3	FY1	FY2	FY3	FY1	FY2	FY3	FY1	FY2	FY3
Isra Vision*	33	39	44	21.8%	21.4%	21.9%	23	27	31	12.7%	16.2%	15.6%
Mettler Toledo	717	762	830	24.5%	25.2%	26.0%	522	565	612	12.5%	8.2%	8.4%
Cognex	220	264	317	27.6%	29.3%	30.7%	212	233	280	19.6%	9.7%	20.4%
Datalogic	89	100	110	14.0%	14.8%	15.3%	64	73	81	6.1%	13.7%	11.5%
Average				22.0%	22.7%	23.5%				12.7%	12.0%	14.0%
IMA	201	224	241	12.8%	14.1%	14.2%	114	123	139	33.1%	8.1%	13.1%
REPLY (MBe)	127	142	157	12.4%	12.5%	12.8%	91	98	108	16.6%	7.7%	10.8%
CAREL (MBe)	42	51	55	15.2%	16.8%	16.7%	33	40	42	4.5%	21.4%	6.5%
Datalogic	89	100	110	14.0%	14.8%	15.3%	64	73	81	6.1%	13.7%	11.5%
Average				13.6%	14.5%	14.8%				15.1%	12.8%	10.5%
Antares Vision	31.3	36.3	42.3	27.3%	28.4%	29.5%	20.8	24.5	28.8	34.3%	18.1%	17.3%

Source: Mediobanca Securities, Datastream, Prices as of 13/12/2018, * for Isra Vision FY1 is 2017/18 actual data

Antares Vision - 2018-2020 Peers CAGR

Company	2018-20E CAGR	Sales CAGR	EBITDA CAGR	EBIT CAGR	Net Income CAGR
Isra Vision*		15.2%	13.6%	15.7%	15.9%
Mettler Toledo		4.4%	8.1%	7.5%	8.3%
Cognex		13.5%	18.7%	19.8%	14.9%
Datalogic		6.2%	9.0%	11.0%	12.6%
Average		9.8%	12.4%	13.5%	12.9%
IMA		3.9%	7.7%	9.3%	10.6%
REPLY (MBe)		9.5%	11.4%	11.3%	9.3%
CAREL (MBe)		8.7%	15.0%	14.0%	13.7%
Datalogic		6.2%	9.0%	11.0%	12.6%
Average		7.1%	10.8%	11.4%	11.5%
Antares Vision		12.0%	16.7%	16.3%	17.7%

Source: Mediobanca Securities, Datastream, Prices as of 13/12/2018, * for Isra Vision FY1 is 2017/18 actual data

The tables below summarise the selected peers' main market multiples.

Antares Vision - Sector peers' market multiples (next three FYs)

	Market	Currency	Market cap (m)	EV/Sales			EV/EBITDA		
				FY1	FY2	FY3	FY1	FY2	FY3
Isra Vision*	GER	€	657	4.0x	3.3x	2.8x	12.6x	10.7x	9.1x
Mettler Toledo	US	USD	15,016	5.4x	5.1x	4.8x	20.4x	18.7x	17.0x
Cognex	US	USD	6,848	8.1x	7.1x	6.0x	25.7x	21.5x	17.5x
Datalogic	ITA	€	1,257	1.9x	1.7x	1.6x	11.7x	10.3x	9.1x
Average				4.8x	4.3x	3.8x	17.6x	15.3x	13.2x
IMA	ITA	€	2,185	1.6x	1.5x	1.4x	9.9x	9.2x	8.3x
REPLY (MBe)	ITA	€	1,867	1.8x	1.6x	1.4x	13.3x	11.5x	10.1x
CAREL (MBe)	ITA	€	988	3.5x	3.1x	2.8x	19.0x	15.5x	13.8x
Datalogic	ITA	€	1,257	1.9x	1.7x	1.6x	11.7x	10.3x	9.1x
Average				2.2x	2.0x	1.8x	13.5x	11.6x	10.3x
Total average				3.8x	3.4x	3.0x	16.1x	13.9x	12.1x

Source: Mediobanca Securities, Datastream, Prices as of 13/12/2018, * for Isra Vision FY1 is 2017/18 actual data

Antares Vision - Sector peers' market multiples (next three FYs)

	Market	EV/EBIT			P/E			FCF Yield		
		FY1	FY2	FY3	FY1	FY2	FY3	FY1	FY2	FY3
Isra Vision*	GER	18.6x	15.3x	12.9x	28.4x	24.5x	21.2x	0.9%	4.3%	3.1%
Mettler Toledo	US	21.8x	20.3x	18.4x	28.8x	26.6x	24.5x	0.0%	1.1%	1.3%
Cognex	US	29.3x	24.1x	19.6x	32.3x	29.4x	24.5x	0.7%	1.8%	2.8%
Datalogic	ITA	13.8x	11.8x	10.3x	19.7x	17.3x	15.5x	3.8%	6.1%	6.8%
Average		20.9x	17.9x	15.3x	27.3x	24.5x	21.4x	1.4%	3.4%	3.5%
IMA	ITA	12.2x	10.8x	9.9x	19.2x	17.7x	15.7x	2.9%	4.8%	4.8%
REPLY (MBe)	ITA	14.7x	12.8x	11.1x	20.6x	19.1x	17.2x	0.7%	3.6%	4.5%
CAREL (MBe)	ITA	22.9x	18.7x	17.0x	30.3x	25.0x	23.4x	1.1%	2.5%	3.6%
Datalogic	ITA	13.8x	11.8x	10.3x	19.7x	17.3x	15.5x	3.8%	6.1%	6.8%
Average		15.9x	13.5x	12.1x	22.4x	19.8x	18.0x	2.1%	4.3%	4.9%
Total average		19.0x	16.3x	14.2x	25.6x	22.8x	20.3x	1.5%	3.5%	3.8%

Source: Mediobanca Securities, Datastream, Prices as of 13/12/2018, * for Isra Vision FY1 is 2017/18 actual data

ALP.I structure

ALP.I, an investment vehicle promoted by Mediobanca and a group of individual investors, went public on 1 February 2018. ALP.I was listed on the AIM market and raised €100m in a successful bookbuilding which involved Italian and foreign institutional investors (total demand approached €200m), issuing 10m shares at €10 each. The issue also includes 5m warrants with a strike price of €9.5 and maturing within five years after the business combination, which may be converted into a maximum of c.1.4m ordinary shares.

Moreover, an additional 300k special shares (without voting rights) were issued at the same price as ordinary shares: special shares have the right to be converted into ordinary shares depending on ordinary share market performance, at a fixed exchange ratio of six new ordinary shares for each special share. SPAC's promoters therefore invested €3m for the subscription of the 300k special shares. The SPAC was launched with the aim of merging with an industrial Italian medium-sized enterprise, with a clear growth path and transparent corporate governance.

Structure of the operation

On 19 December, the BoD of ALP.I SPAC announced the business combination between ALP.I and Antares Vision S.p.A. Antares Vision is a leading Italian producer of Track & Trace and Visual Inspection solutions, primarily installed into production and packaging lines for the Pharmaceutical industry. Main highlights of the transaction:

- ◆ ALP.I total investment will amount to €70m with an Enterprise Value pre-money of €500m for Antares Vision;
- ◆ Following the business combination, ALP.I will own 11.99% of Antares Vision's share capital, while the rest will be owned by Regolo S.r.l. and Sargas;
- ◆ Out of the €70m total investment made by ALP.I, €50m will be linked to a capital increase, while the remaining €20m will be used for the buy-out of some, non-strategic, minority shareholders of Regolo (AV's founders as well as Sargas do not sell their shares);
- ◆ The excess cash remaining in ALP.I (ie, c.€100m raised minus the €70m invested in Antares Vision), after withdrawals (if any), will be distributed to shareholders through a dividend payment.

Details on special shares, warrants and performance shares

The presence of warrants and special shares represents a common feature for SPACs, providing additional incentives to initial subscribers of SPAC shares and sponsors to increase their profits in case of a successful business combination. However, the presence of special shares might cause additional dilution for holders of ordinary shares, to a higher or lower degree depending on share price performance.

Main characteristics of **special shares** and conditions subject to which they may be converted in the future are provided below:

- ◆ Of the 300k original special shares assigned to SPAC's promoters, 60k (ie, 20% of the total) will be sold to Antares Vision's existing shareholders to further enhance the alignment of long-term interests between AV's management, the industrial partner Sargas and the SPAC's promoters;
- ◆ The 300k original special shares have the right to be converted into ordinary shares depending on ordinary share market performance, at a fixed exchange ratio of six new ordinary shares for each special share. Holders of the special shares will have the right to convert their shares according to the following scheme: i) 50k shares (or 16.7% of the total) at the time of the business combination; and ii) the remaining 250k shares (or c.83% of the total) in the event share price exceeds €13.5. If the stock reaches €13.5, ordinary shares on the market will therefore grow by 1.5m;

- ◆ In case of conversion of special shares into ordinary ones, a lock-up period will be activated on converted shares (lasting for 12 months but expiring in case the share price exceeds the €15.0); **in any case lock-up will not be shorter than 24 months from the business combination**;
- ◆ Proceeds from Special shares, sold to Antares Vision existing shareholders, are available to be reinvested by promoters into ordinary shares before business combination;
- ◆ The structure of special shares has been modified from the one envisaged by ALP.I Prospectus. The main changes relate to the fact that 20% of special shares have been transferred to AV's existing shareholders, and that the threshold for the conversion into ordinary shares have been increased, as 83% of special shares will be converted only if the share price reaches €13.5 (vs previous scheme envisaging partial conversions at €11, €12 and €13). In case this threshold is not exceeded, special shares will be converted after 5 years into ordinary ones with 1:1 ratio.

As regards **warrants**, it is worth to flag that:

- ◆ 3m new warrants will be assigned at the moment of the business combination, leading to a total of 5m warrants;
- ◆ Conversion of such warrants may lead to a total maximum of 1.356m additional ordinary shares (in case ordinary shares' price exceeds €13).

Performance shares are reserved to existing AV's shareholders as an additional tool to incentivise long-term business commitment:

- ◆ Performance shares reserved to existing AV's shareholders amount to 1,189,590 shares and may be converted depending on ordinary share market performance, at a fixed exchange ratio of six new ordinary shares for each performance share;
- ◆ Such shares may be converted according to the following scheme: i) 25% once the share price will have reached €13.5; ii) 50% once the share price will have reached €14; and iii) 25% once the share price will have reached €14.5;
- ◆ If the share price won't reach the abovementioned thresholds, performance shares will not be converted into ordinary shares.

For more details, please refer to ALP.I website.

Market overview

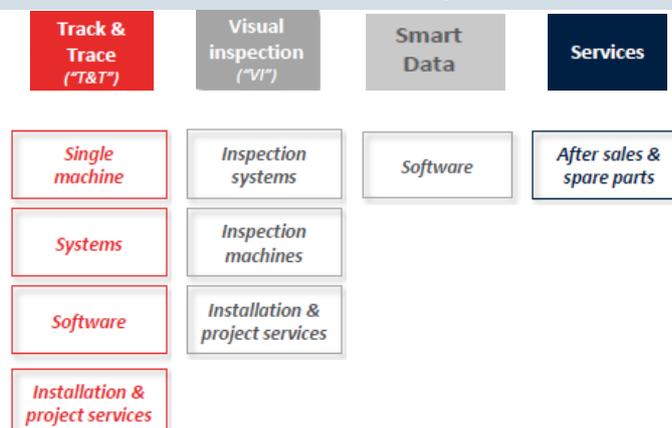
The Pharma sector has been a frontrunner, in terms of standards used, in the T&T industry. The T&T pharmaceutical market was worth around €1.3bn in 2017 according to market research, while the Visual Inspection market accounted for an additional €0.3bn in 2017 (only related to Pharma). Looking at the next four years (2017-2021), the reference market of Antares Vision, is expected to grow at c.13% CAGR as the combined result of: 1) T&T solutions increasing at a 14.5% CAGR mirroring a T&T penetration potentially reaching 55% in 2025E from 23% in 2018 and 2) a 5.9% sales CAGR for Visual Inspection system and machines. The competitive arena is extremely fragmented with many small to medium sized companies operating in both the Track & Trace and the VI markets. Antares Vision has rapidly become one of the leading players as independent provider of turn-key solutions (both hardware and software) for serialisation and aggregation. Main growth drivers are quite similar for both the Track & Trace and the Inspection market: 1) stringent government regulations for the implementation of serialisation; 2) expansion to the OTC segment; 3) improving product quality and increasing safety requirements; 4) Big data/digitalisation/IoT/AI and the increased adoption of automation technologies and 5) Rapid growth in the geriatric population combined with an increasing number of drugs and medical devices. Long-term growth trends for other industries are not completely different and it is reasonable to expect that, in the medium to long term, the increasing need for product safety, authenticity and quality will trigger, across the whole supply chain, a technological alignment with pharma standards.

Reference market

Antares Vision designs, manufactures, installs and maintains traceability and vision control solutions for the Pharmaceutical sector and some industrial verticals. The company's products and software are used for serialisation, aggregation, inspection, and data collection. To date, the main reference market for the company are the Track & Trace and Inspection markets.

To date, AV's Track & trace products (c.79% of its 2017 turnover) have been mainly used in the Pharma market, while visual inspection solutions have been used in the Pharma market as well as the main end-market coupled with some industrial sectors including beverage, tobacco, cosmetics and printing. In greater detail, the Track & Trace and Inspection markets could be virtually divided by 1) product purpose; and 2) end-markets. As of today, Antares Vision, leveraging its innovative combination of hardware and software, has built a global leading position in the Track & Trace pharmaceutical market which accounts for c.10% of the total market size. A similar percentage of the total can be applied to the Inspection market related to the Pharma industry. Smart data management and services are two new legs of the existing business.

Antares Vision - Presence in Track & Trace and Visual Inspection



Source: Antares Vision

AV's positioning currently focuses on Pharma because this market experienced a favourable regulatory change (applicable to prescription drugs) and used highly advanced technologies. The Industrial market is ten times bigger than the Pharmaceutical one but currently presents a technological gap, with T&T solutions not applicable to each single product. Services to customers is still a marginal business for the company (c.5% of annual revenues) but considering the average life of the solution provided (around 6 years) and the critical role played by the timely maintenance of an increasing number of lines installed, we expect this segment to become increasingly relevant in the coming years (as of today the company has provided its systems to more than 2,000 lines vs c.100 in 2011). It is fair to consider the Pharma sector as a frontrunner, in terms of standards used, in the Track & Trace industry but we cannot rule out that other industries may gradually adopt solutions with a higher technological content.

While most of what Antares Vision produces is Track & Trace solutions, the company also manufactures inspection machines thanks to a production facility purchased in 2013 in Collecchio (Parma) and expanded last year.

Antares Vision competitive positioning

Antares Vision has a leading position in the Track & Trace pharmaceutical market worth around €1.3bn in 2017 according to market research. The Visual Inspection solutions market accounts for an additional €0.3bn in 2017 (only related to Pharma) but AV's presence is still relatively small. The competitive arena is extremely fragmented with many small to medium sized companies operating in both the Track & Trace and the VI markets. Antares Vision has rapidly become one of the global market leaders as independent provider of turn-key solutions (both hardware and software) for serialisation and aggregation. In the Visual Inspection segment, it is one of the top ten players, with an offer now including both systems and machines and covering the full range of products (solid, liquid, powder, lyophilised).

Antares Vision - Main players in T&T (left) and in VI (right)

Company	HQ	Rev '16
 ¹ ANTARESVISION		70.2
Player 1 ²		65.0
Player 3 ²		25.0
Player 4 ³		16.9
Player 2 ³		12.9
Player 12		5.4
Player 5 ³		4.2
Player 13		n.a.
Player 14		n.a.

Company	HQ	Rev '16
Player 3 ²		55.0
Player 5 ³		35.0
Player 6		34.9
Player 4 ³		16.9
Player 1 ²		15.0
 ¹ ANTARESVISION		14.3
Player 8		9.0
Player 2 ³		8.6
Player 9		n.a.
Player 10		n.a.
Player 11		n.a.

Source: Antares Vision

As the Track & Trace segment came into existence in the beginning of 2000, with the first installation in 2009, it is somewhat normal to have a market with many players, in some cases independent operators like Antares Vision and the Canadian Optel Vision. Some of them are leading

players in their domestic markets, while some others have started to compete on a global basis through local partnerships and M&A. It is worth noting that over the past years some competitors of AV have been acquired by larger industrial companies such as Mettler Toledo and Korber Medipack. Big conglomerates are present in the sector but the very high pace of innovation and tailor-made solutions generally asked by customers, have provided an advantage to smaller competitors capable of combining innovative, flexible and timely solutions with a global network also in terms of after-sales assistance.

The presence of EM/low cost competitors looks to date negligible in the Pharma Track & Trace and VI segment. Demand for innovative and reliable turn-key serialisation solutions, compliant with local regulations, favours companies with a proven track record in terms of serialisation lines commissioned.

Antares Vision - Main players' product offerings

		ANTARES VISION	Player 1	Player 2	Player 3	Player 4	Player 5	Player 6	Player 7	
		Revenues 2016 (€m)	89.6 ¹	80.0	21.5	80.0	33.8	39.2	34.9	40.0
AV offering	Track & Trace	Single machine	✓	✓	✓	✗	✓	✓	✗	✗
		Systems	✓	✓	✗	✓	✓	✗	✗	✗
		Software	✓	✓	✓	✓	✓	✗	✗	✓
	Visual inspection	Inspection machines	✓	✗	✓	✓	✓	✓	✓	✗
		Inspection systems	✓	✓	✗	✓	✓	✓	✓	✗
	Smart Data	Software	✓	✓	✗	✗	✗	✗	✗	✓
	Services	Post-sales services and spare parts	✓	✓	✓	✓	✓	✓	✓	✓

Source: Antares Vision , company websites. 1) 2017 values for AV

Future market growth drivers

Main growth drivers are quite similar for both the Track & Trace and the Inspection markets, however, we again highlight that the Pharmaceutical industry can be seen as a sort of prequel of what may happen in the other industries in the coming years. Focusing on the Pharma market, primary drivers are:

- ◆ Stringent government regulations for the implementation of serialisation, which may trigger incremental T&T adoption ;
- ◆ Expansion to the OTC segment whose regulation may align with prescription drug policies;
- ◆ Big data/digitalisation/IoT/AI and increased adoption of automation technologies, which are key trends supporting demand for highly technological and connected traceability solutions, including the VI business;
- ◆ Increasing quality requirements;
- ◆ Rapid growth in geriatric population combined with an increasing number of drugs and medical devices;
- ◆ Digital transformation of old drug supply chains.

Long term growth trends for other industries are not completely different and it is reasonable to expect that, in the medium to long term, the increasing need for product safety, authenticity and quality will trigger, across the whole supply chain, a technological alignment with pharma standards.

In the Visual Inspection market, growth is expected to be driven by the replacement of old inspection machines coupled with a broader adoption of solutions with a higher technological content and by increasing demand of automatic inspection controls.

Execution of global serialisation regulations...

Regulation played a key role in the adoption of T&T solutions in the Pharma industry. Everything started in Turkey with the local authority setting phase 1 and phase 2 deadlines in 2010 and 2012 respectively. This was followed chiefly by:

- The FDA, with a serialisation deadline for manufacturers and repackagers due in November 2018. Phase 2 deadline (complete traceability) is November 2023;

FDA regulation

Local Authority	FDA
Status	Issued
Scope	Serialization; product tracking; reporting
Impact on	Most pharmaceuticals
Stakeholders	Manufacturers, wholesalers, repackagers, dispensers
Serial number format	GS1 standard 
Notification process	Transaction History, Transaction Information, and Transaction Statement at each change of ownership
Key milestones/deadlines	Nov 2018: serialization for manufacturers and repackagers Nov 2019: wholesalers compliance Nov 2020: dispensers compliance Nov 2023: phase II: complete traceability

Source: Antares Vision

- **The EU:** the European Commission decided for EU-FMD regulation whose main deadline is February 2019 for serialisation and reporting. Italy, Belgium and Greece got a six-year deadline extension. It is worth noting that aggregation is mentioned but is not mandatory to date according to the existing regulation.

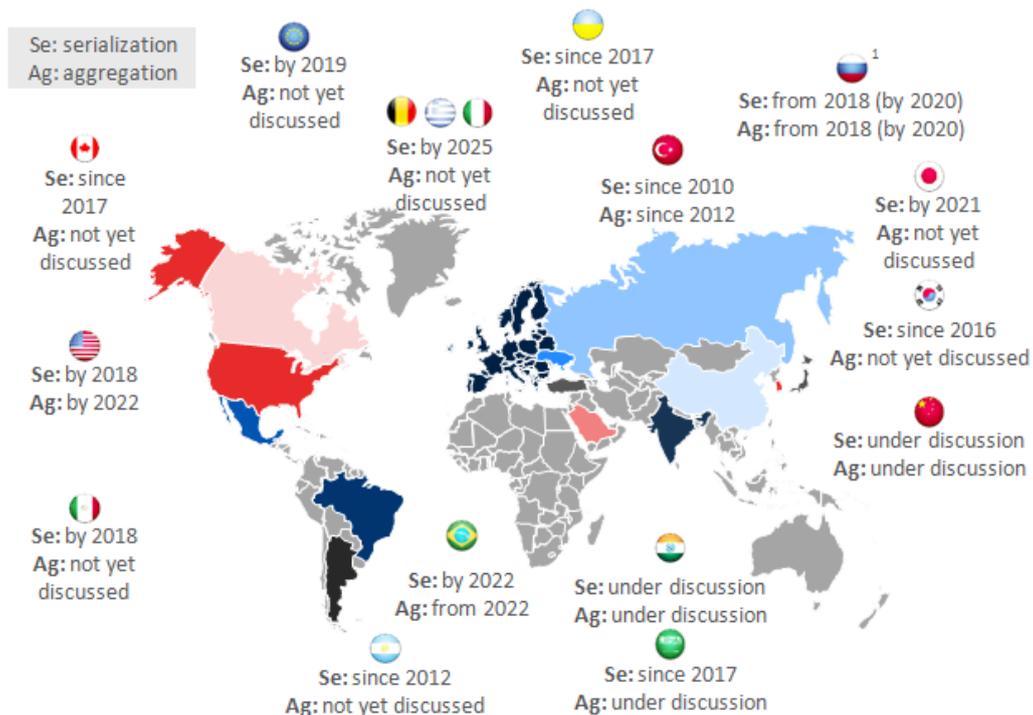
EU-FMD regulation	
Local Authority	EU Commission; also regulated at country level
Status	Issued
Scope	Serialization; product tracking; reporting
Impact on	Selected list of pharmaceuticals
Stakeholders	All, with primary burden on manufacturers & dispensers
Serial number format	Random manufacturer generated, GS1 standard
Notification process	Manufacturer reports to European Hub
Key milestones/deadlines	Feb 9, 2019: serialization and reporting
Notes	<ul style="list-style-type: none"> • Tamper evident features mandatory • Aggregation not mandatory



Source: Antares Vision

Here below is a map including all major Track & Trace regulations around the world. Among emerging markets, we note that China suspended its non-standard drug monitoring programme but should resume phase 1 with GS1 standard.

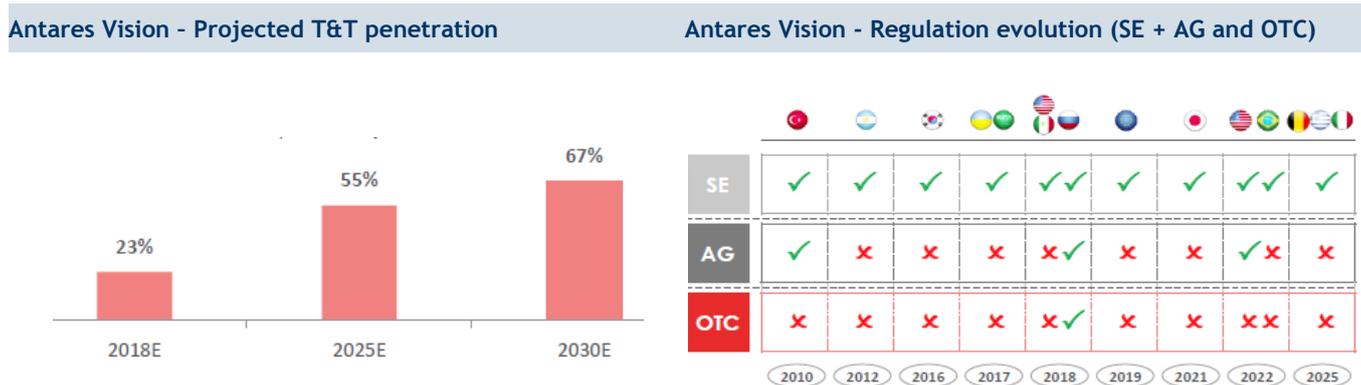
Antares Vision - Track & Trace regulatory map for drugs with prescription



Source: Antares Vision. (1) In Russia, T&T will be adopted also for OTC products, Company information, Pharmaceutical Serialization and Traceability 2016 Report, Euromonitor, websites.

...to boost T&T adoption in coming years

From a regulatory standpoint, the trajectory seems clear with new countries setting deadlines for phase 1 and pharmaceutical companies already approaching the aggregation phase although implementation deadlines are not strict or in some cases not even mandatory. The potential expansion to pharma OTC is another factor to be monitored (worth c.€115bn in 2016 - sources: Company information, Market prognosis Global and Vision Gain reports). According to the above mentioned regulatory outlook, the adoption of T&T systems may increase from 23% in 2018E to 55% in 2025E.



Source: Antares Vision, Markets and Markets, Efficacy Associates

With regard to the Inspection segment, a market where Antares Vision recently invested completing a full offering of machines for the inspection of all range of products, future demand should derive from a gradual switch to automatic solutions (from the current manual or semi-automatic machines).

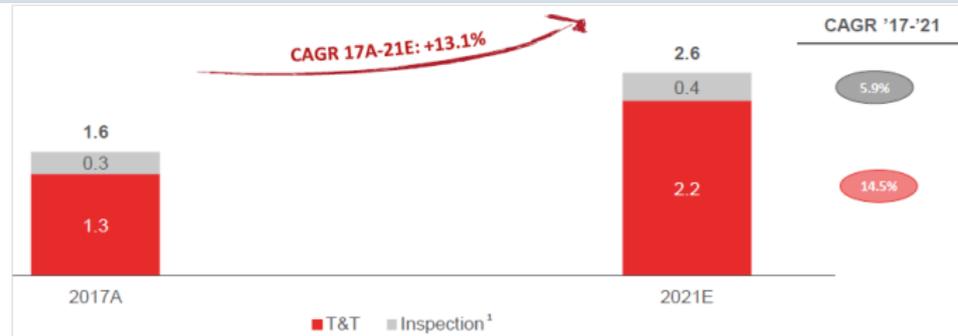
T&T and VI to post low-double digit CAGR in Pharma sector in 2017-21

Sales forecasts for the next four years point to a 4.6% CAGR for the Pharmaceutical market. Focusing on the prescription drug reference market, where Antares Vision is present, 2017-2021 CAGR is expected to be close to 13%. The OTC market is also expected to outperform its reference market, recording mid-to-high single-digit sales 5Y CAGR (ie, 6.5%).

Looking at the next four years (2017-2021), the reference market of Antares Vision, currently worth €1.6bn is expected to grow at a 13% CAGR as the combined result of: 1) T&T solutions increasing at a 14.5% CAGR mirroring a T&T penetration potentially reaching 55% in 2025 from 23% in 2018 (in terms of units serialised) and 2) a 5.9% sales CAGR for Visual inspection system and machines which are expected to benefit from a switch to solutions less standardised than current ones (eg, the gradual introduction of automatic inspection machines).

It is fair to highlight that the Track & Trace market size of c.€1.3bn, related to the Pharma industry, cannot be entirely considered the addressable market of Antares Vision because this definition includes sales linked to the old and standard concept of traceability (ie, traceability of the batch). Using a bottom-up approach (starting from annual sales reported by main players), we would reach a size of c.€600m- a value we consider more reliable. This number does not include potential new segments such as smart data and all services related to post-sales assistance.

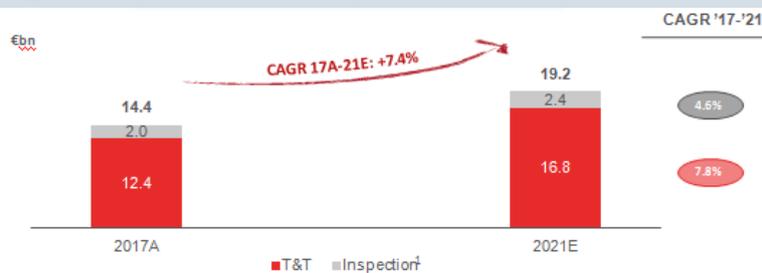
Antares Vision - T&T and Inspection market trend and expectations in the Pharma market



Source: Antares Vision , Markets and Markets, Efficacy Associates. (1) Including visual inspection systems, Leak detection systems, x-ray inspection systems and others (checkweighers, metal detectors, etc.).

Unlike Pharma, the size of the T&T and Inspection market for industrial segments is much bigger (9x the Pharmaceutical market size) but the technology applied is much more standardised. Among potential catalysts triggering incremental demand for the above mentioned solutions we highlight: 1) increasing need for Industrial brands to grant product safety, authenticity and quality, which may bring, across the whole supply chain, to a technological alignment with pharma standards and 2) more stringent regulations also in these verticals. The right time when these markets will massively adopt these most advanced solutions is not clear, but technology (we refer to both hardware and software) is ready. Taking into account all industrial segments, the market size is expected to register a 2017-2021 CAGR of 7.4%. AV's strategy is to gradually expand its presence in the Industrial market (accounting for less than 5% of 2017 sales), launching some pilot projects in the next three years also thanks to the recent partnership signed with Sargas investment vehicle (please see page 29).

Antares Vision - T&T and inspection market trend and expectations in the Industrial market



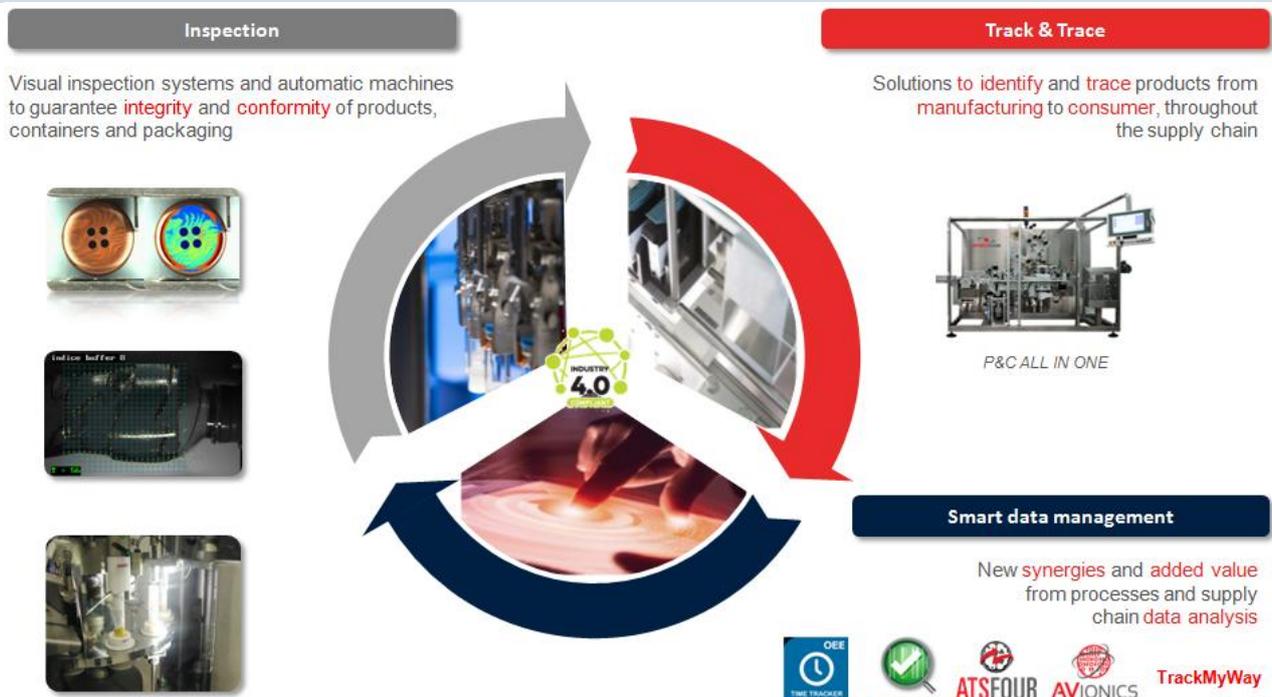
Industry	Sector	2017 (€bn)	2021 (€bn)	CAGR '17-'21
Chemicals	T&T	2.8	3.6	6.8%
	VI	0.6	0.7	4.0%
	Total	3.3	4.3	6.4%
F&B	T&T	1.5	1.8	4.5%
	VI	0.2	0.2	6.8%
	Total	1.6	2.0	4.8%
Components	T&T	1.4	1.7	4.4%
	VI	0.3	0.3	4.1%
	Total	1.6	1.9	4.4%
Raw materials & Jewelry	T&T	1.3	1.8	9.3%
	VI	0.2	0.3	5.2%
	Total	1.5	2.1	8.7%
Transport & Logistics	T&T	1.2	2.0	14.1%
	VI	0.2	0.3	5.7%
	Total	1.4	2.3	13.0%
Others ²	T&T	4.3	5.9	8.3%
	VI	0.6	0.7	4.2%
	Total	4.9	6.6	7.8%

Sources: Antares Vision, Markets and Markets, Efficacy Associates. (1) Including visual inspection systems, Leak detection systems, x-ray inspection systems and others (checkweighers, metal detectors, etc.); (2) Testing labs & health institutes, utilities & municipalities and biotechnology

Company profile: leading provider of T&T and VI solutions

Antares Vision is a leading Italian producer of Track & Trace and Visual Inspection solutions, primarily installed into production and packaging lines for the Pharmaceutical industry (providing 96% of total 2017 turnover). The group designs, installs and maintains systems and machines for the serialization, aggregation and visual inspection, to be installed stand-alone or integrated into production lines. It also offers smart data management solutions to make production lines dialogue with all other main functions at the corporate level. Antares Vision is the main provider of ten of the twenty largest companies in the Pharmaceutical sector, however, its solutions may potentially be applied to several other industrial segments. The group is a global player, as it serves c.270 clients located in more than 60 countries, with exports accounting for c.85% of its annual sales.

Antares Vision - Summary of group offerings



Source: Antares Vision

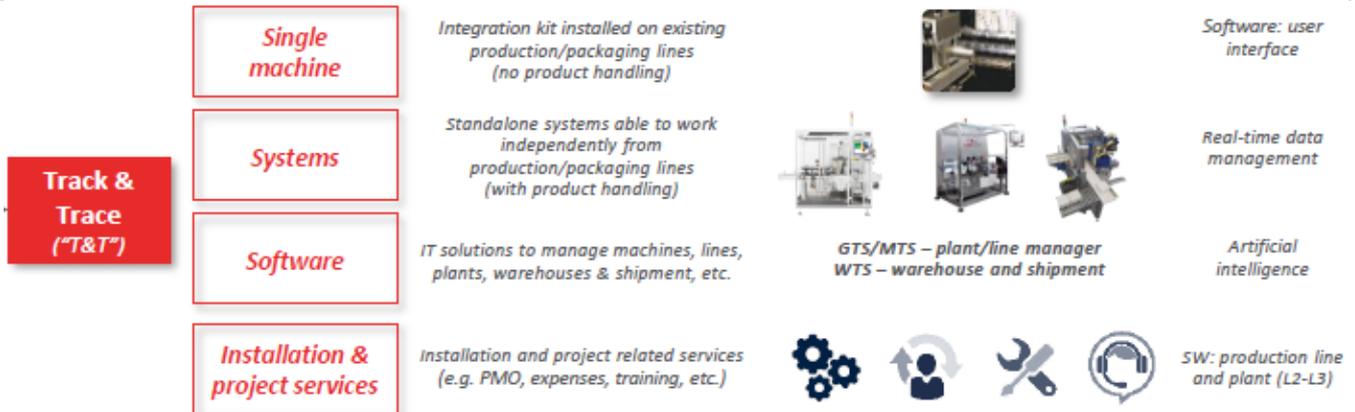
Comprehensive offering for traceability and quality control

Antares Vision offers a combination of hardware and software for the traceability and quality control of items produced on third-party machinery. The two main segments in which the group operates (namely Track & Trace and Visual Inspection) are generally linked by the need for strict quality control. On top of this, AV is increasingly expanding its presence into the field of Smart Data Management and intensifying its efforts to enhance its offerings in terms of services provided. The group's solutions may be classified as follows:

- ◆ **Track & Trace solutions:** systems for the serialisation and aggregation of products manufactured and/or packaged on third-party lines. These solutions basically allow to create univocal identifying codes to be applied to each product and cluster of products, to trace them throughout the supply chain. T&T systems include either standalone machines working independently of production/packaging lines, or systems to be integrated on third-

party machinery. Antares Vision’s offer also includes software for the management of single lines, production plants, warehouses and shipment processes;

Antares Vision - Summary of Track & Trace solutions



Source: Antares Vision

- ◆ **Visual Inspection systems:** solutions to guarantee the compliance of products and packaging to integrity and conformity requirements. To this extent, Antares Vision’s systems allow to carry out impurity checks, dimensional and cosmetic defects and mix-up issues. As in the case of the T&T segment, AV provides standard or tailor-made automatic equipment to be installed on existing lines, as well as standalone machines. Its comprehensive offerings also includes inspection machines, a segment where the company recently invested to have direct production, and that is expected to benefit from increasing demand in the future owing to the switch to automatic solutions;

Antares Vision - Summary of Visual Inspection solutions



Source: Antares Vision

- ◆ **Smart Data management:** IT solutions aimed at re-elaborating data collected in the inspection/serialisation phase, to optimise process efficiency, as well as to enhance the control on products across the supply chain and fulfil regulatory requirements. The group is increasingly introducing a range of services that may allow corporate clients to store all production information (*ATSFOUR*), optimise their factory operations (*AVIONICS*) and enhance brand protection across the supply chain (*TrackMyWay* - former *Follow4.me*);

Antares Vision - Summary of Smart Data management solutions



- **ATSF0UR** is a software ecosystem to manage the massive data storage and information flow at level 4 (i.e. Corporate), available as a cloud-base or on-premises solution
- It offers high-speed and high safety solutions for information storage and access and it represents one single point of connection for all brand owners
 - **ATS HUB** – serial number generation and data repository
 - **ATS LINK** – data transfer to authorities and other supply chain actors
- Thanks to its flexibility, the software is able to adapt to different scenarios and communication requirements along the supply chain
 - **ATSF0UR Dish** – enabler of communication between brand owners and other L4 suppliers



- **AVIONICS** is a new dashboard implemented to live-monitor performances from lines and plants up to the corporate level
- It allows to perform smart data management activities in order to improve factory operations (e.g. OEE, quality, scheduling)
- AVIONICS is a non-invasive tool with zero impact on existing software platforms
 - Best positioned to benefit from the digitalization and smart supply chain trends



TrackMyWay

- **TrackMyWay** is a new digital tool for brand protection and data analytics, allowing to:
 - **Fight counterfeit product** to ensure consumer safety
 - **Avoid grey markets** to control distribution channels
 - **Recall products** to manage defect or after sales issues
 - **Maximize customer engagement**



Source: Antares Vision

- ♦ **Services:** the group's offer is complemented by after-sales assistance and spare parts. After-sales assistance includes 24/7 remote production support, on-site intervention by field service engineers, preventive maintenance, software upgrades and spare part offerings.

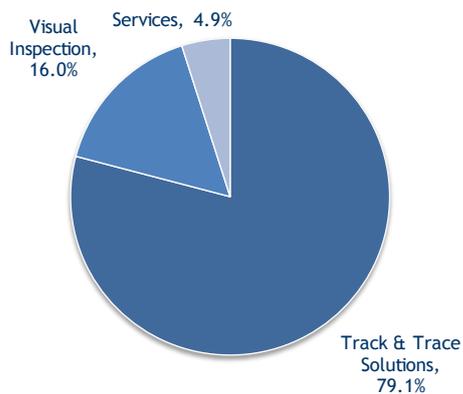
Antares Vision - Summary of Services



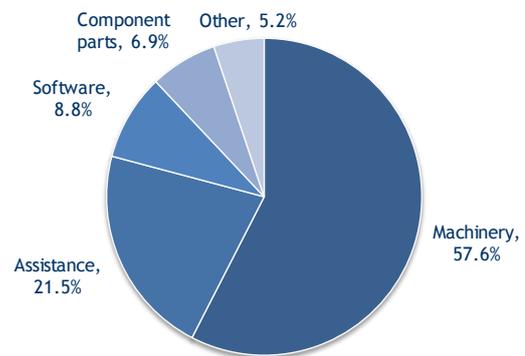
Source: Antares Vision

On the other hand, by business line, machinery generates the bulk of AV's sales, accounting for almost 60% of the total turnover. The group is also increasingly pushing to enhance the customer support it provides to its clients: this is leading to a rapid increase (both in absolute terms and as a percentage of sales) in revenues from assistance (ie, for installation, after-sales maintenance, software upgrades and spare parts), which accounted for c.21% of the turnover as of FY17. AV's offer is complemented by sales of software for connecting machines and production lines with plants and warehouses, as well as component parts.

Antares Vision - - Sales breakdown by product (FY17)



Antares Vision- Sales breakdown by business line (FY17)

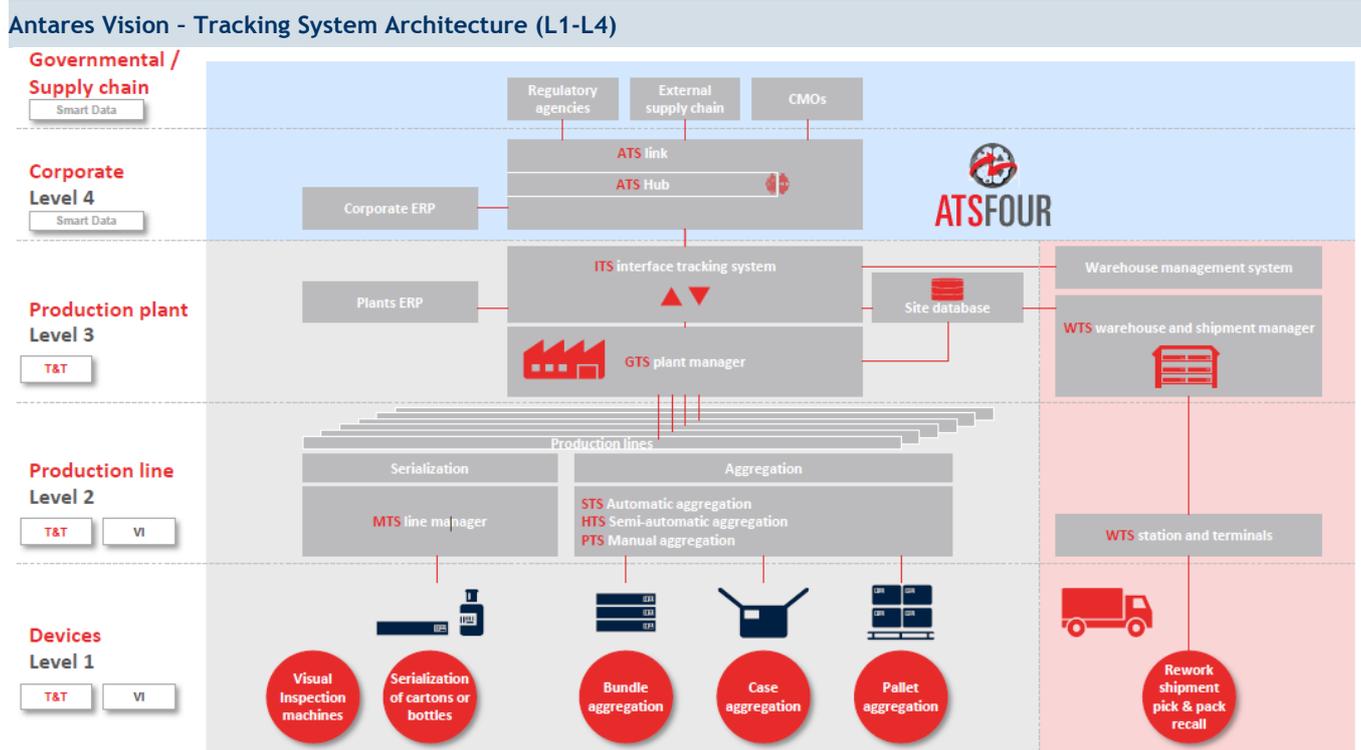


Source: Mediobanca Securities on Antares Vision data

Serving customer needs at all levels (from L1 to L4)

AV's offer aims at supporting its customers at multiple levels, from production lines to corporate central functions. Indeed, besides the installation of T&T and Visual Inspection hardware and software, AV also helps its clients in connecting production lines with all other main functions at the corporate level, facilitating the storage and re-elaboration of data through the offer of a smart data ecosystem connected with on-field devices. The offering of an integrated solution that covers all levels, from production to corporate functions, represents a key distinctive factor to gain and maintain market share, as customers may be interested in dealing with a unique supplier to limit the complexity of solutions implemented. The group's integrated offerings may be classified into four levels:

- ◆ **Level 1 (ie, on-field devices):** this consists of Track & Trace solutions (for the serialisation of items or aggregation of bundles, cases and pallets) and automatic Visual Inspection devices integrated into third-party machinery or installed as stand-alone machines;
- ◆ **Level 2 (ie, production line):** the so-called level 2 refers to the Human Machine Interfaces (HMIs) which allow workers to configure each production line for receipts/formats of allocated orders, as well as to monitor the output of inspection processes;
- ◆ **Level 3 (ie, production plant):** the heart of Antares Vision's T&T product offer is represented by GTS Plant Manager, a software that: i) allocates orders to single production lines; ii) receives all serialised codes, audit trails and statistics from production lines and stores them in the Site Database; and iii) connects production plants with central corporate functions and the system for warehouse and shipment management;
- ◆ **Level 4 (ie, corporate)** represents the completion of Antares Vision's offerings via the sale of smart data management services, which allow to re-elaborate, at the corporate level, data gathered from previous levels for internal purposes, for fulfilling regulatory information requirements or for fine-tuning production processes of external suppliers.

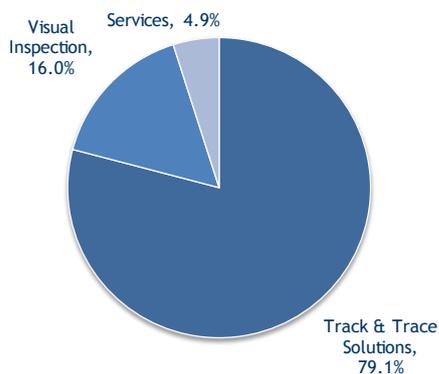


Source: Antares Vision

Specialised supplier for pharmaceutical industry

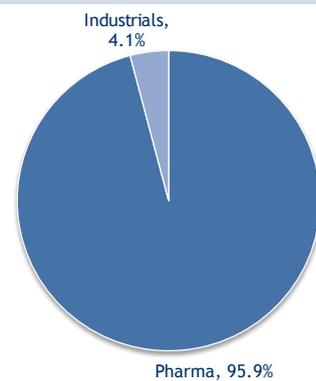
In FY17, Antares Vision’s revenues amounted to €89m, of which 79% came from the Track & Trace business and 16% from Visual Inspection, while the remaining 5% was generated from Services. The group operates exclusively as a B2B supplier and mainly serves clients from the Pharmaceutical industry (c.96% of the group’s turnover as of FY17); nevertheless, AV’s products may be potentially applied in the production/distribution process of several other industries, including food & beverage, cosmetics and fashion.

Antares Vision - - Sales breakdown by product (FY17)



Source: Mediobanca Securities on Antares Vision

Antares Vision - Sales breakdown by industry (FY17)



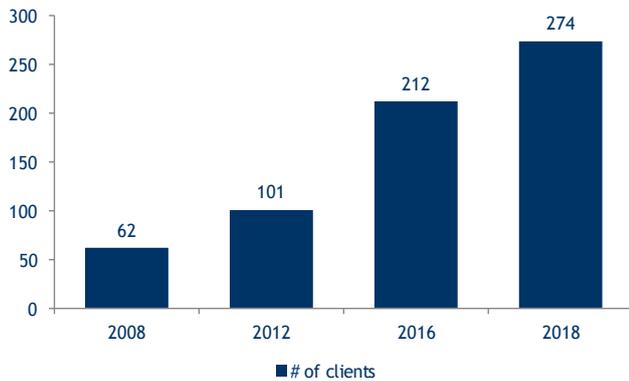
Source: Mediobanca Securities on Antares Vision

Antares Vision has a wide range of customers, amounting to more than 270 clients in c.60 countries worldwide. The group estimates to have overall supplied overall more than 200 pharmaceutical plants, for a total of more than 2,000 production lines.

Despite being a player mainly focused on the Pharma industry, Antares Vision shows a fairly diversified client base. It provides T&T and visual control solutions to ten out of twenty of the

largest companies in the Pharmaceutical sector such as Sanofi, Abbott, Johnson & Johnson, Merck and Bristol. According to management indications, the twenty biggest customers of the group account for c.40% of the turnover, with none making up more than 10% of sales, as AV managed to steadily expand its customer base throughout its history (top 20 clients generated around 70% of total sales in 2014).

Antares Vision - Evolution of client base



Source: Mediobanca Securities on Antares Vision

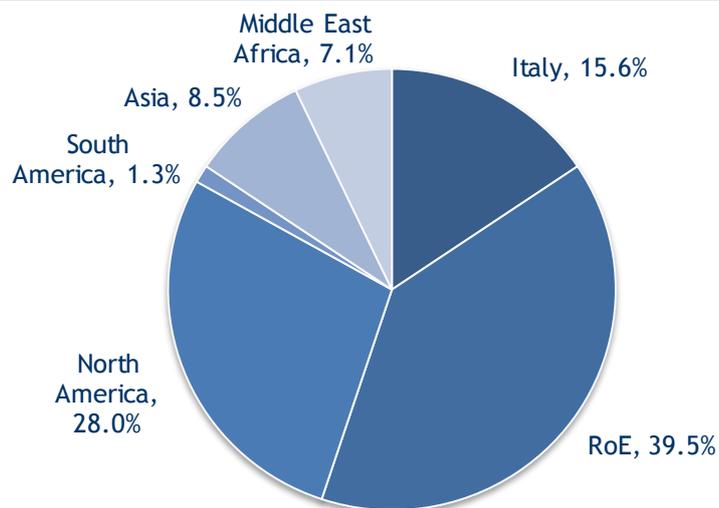
Antares Vision - Summary of main customers



Source: Antares Vision

By geography, AV generates the bulk of its revenues from abroad, with the domestic market accounting for c.15% of FY17 sales. The chart below shows the breakdown of 2017 sales by geography, with Europe providing c.55% of sales, North America accounting for 28%, and the balance coming from Asia (8.5%), the Middle East (c.7%) and South America (1.3%). However, we would flag that the geographical breakdown provided by the company is based on the domiciliation of billing entities, which may differ either from the location of plants supplied, or from end-markets to which products are delivered.

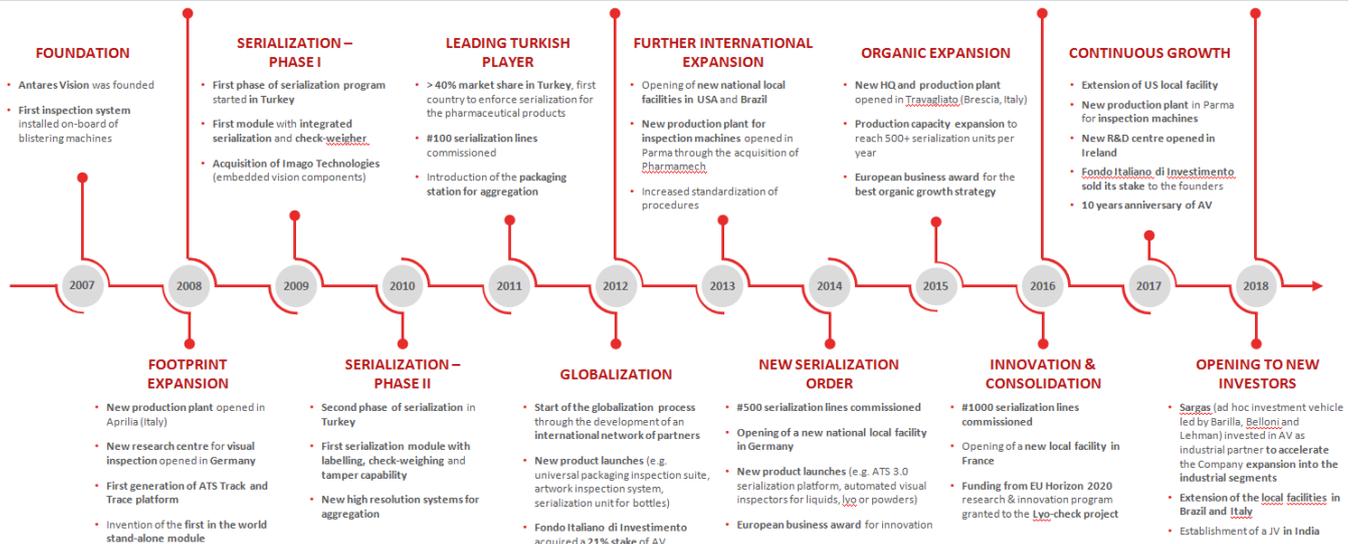
Antares Vision - Breakdown of sales by geography (FY17)



Source: Mediobanca Securities on Antares Vision

Historical milestones

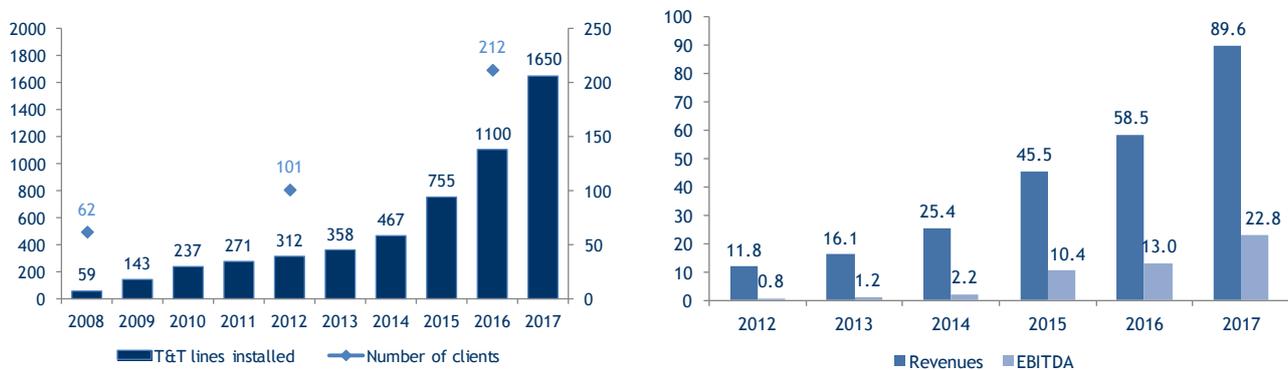
Antares Vision - Historical milestones



Source: Antares Vision

- ◆ Antares Vision is a relatively young company, as it was founded in **2007** by Mr Emidio Zorzella and Mr Massimo Bonardi. The two co-founders, and current co-CEOs of the company, aimed at exploiting opto-electronic technologies for tracing and inspection, and initially co-operated with players from multiple industries (packaging, F&B, tobacco, printing and textile among the others), before specialising in the Pharmaceutical industry;
- ◆ **2009** was a relevant year for the development of the company. Turkey was the first country worldwide to impose serialisation for pharmaceutical products marketed in the country, and AV won the tender to supply technologies to Sanofi for complying with such regulation. Also, during 2009, Antares Vision completed the acquisition of Imago Technologies, a key German supplier of embedded vision components;
- ◆ Turkey represented a pilot for the whole Pharmaceutical industry, with Antares Vision gaining a leading market share in the Track & Trace segment (40% as of 2011). Between 2010 and 2012 the company continued its evolution: it expanded its product range with new solutions for aggregation and applications for new industries, it reached 100 serialisation lines commissioned in 2011 and exceeded 100 clients served in 2012. It is worth flagging that in 2012 Fondo Italiano di Investimento acquired a 21% stake in Antares Vision to speed up business expansion;
- ◆ **2012-2014** marked an acceleration in the group's international expansion, with AV opening new production facilities in the US, Brazil and Germany and developing its network of international partners. Antares Vision reached 500 serialisation lines commissioned and €25m turnover in 2014;
- ◆ Further investments were required to sustain the fast business growth experienced, with Antares Vision expanding both organically (new production plant in Travagliato, new local facility in Parma and new R&D centre in Ireland) and through external growth, as the group bought *Legg System* to gain an own production presence in Brazil and signed a JV agreement with a local partner for the Indian market;

Antares Vision-Historical trend of installed lines and clients Antares Vision - Historical trend of sales and EBITDA



Source: Mediobanca Securities on Antares Vision

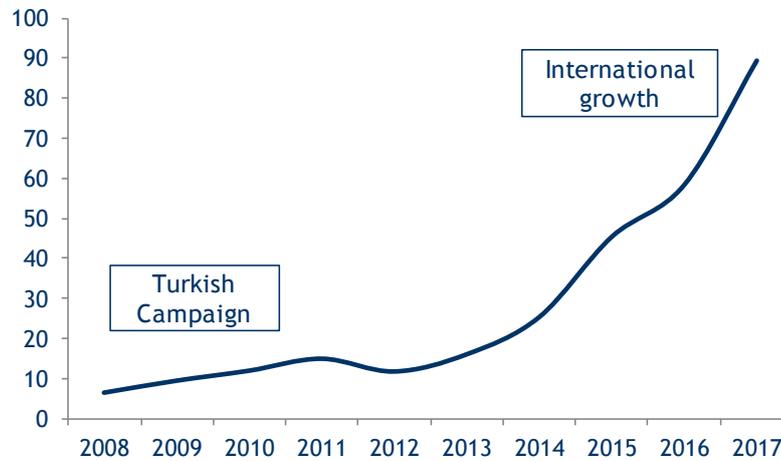
- ◆ Furthermore, we would flag that in **2017** the founders bought back the 21% stake held by Fondo Italiano di Investimento, while in the **Summer of 2018**, Sargas (an investment vehicle led by Guido Barilla, LVMH's Managing Director Belloni, Luigi Berlusconi, and Stichting Depositary Inpar Investment) acquired, through a capital increase, a 15% stake in the share capital for €40m as part of a partnership which may facilitate AV's future penetration in niche industrial applications for T&T and VI solutions. The partnership will include the launch of pilot projects for new applications of AV's solutions, with Sargas' members potentially opening up new end-markets such as food & beverage and luxury/cosmetics, as well as offering an established commercial network to better penetrate emerging markets such as Brazil and Russia.

Turkish campaign: gateway of the Track & Trace journey

As mentioned above, Turkey was the first market worldwide to make mandatory the serialisation of pharmaceutical products distributed in the country, in order to solve counterfeiting issues as well as frauds on State reimbursement schemes. Thus, it represented a sort of pilot for the whole Pharmaceutical industry. The introduction of legislation by Turkish Health Ministry requiring 100% traceability of pharmaceutical products forced main drug-makers operating in the country to adapt their production lines to cope with the new regulation. AV developed an ad-hoc T&T solution in Latina (Rome) for Abbott with the agreement to showcase to its potential clients the serialised line.

Later Sanofi, one of the main players in the market, held a contest to identify the most suitable supplier of traceability technologies to be installed in its production lines: Antares Vision designed a tailor-made solution which was considered the best, and it was chosen as Sanofi's supplier for the pilot. This allowed the group to enter the segment of Track & Trace services for the Pharmaceutical industry, and become one of the forerunners in such a niche; it was also one of the main drivers of the group's top-line growth between 2008 and 2011. Nonetheless, we would flag that, due to the strong effort to keep pace with the Turkish project, once deliveries in Turkey had been completed, the group suffered a marked one-year setback in turnover, something that appears fairly unsurprising, given the start-up nature of Antares Vision. Although the group now is larger in scale and more diversified in terms of product offer, we cannot rule out that, to a lesser extent, something similar may happen again in the future, with potential lack of or delays in main regulatory triggers potentially causing a temporary stalemate in the growth path expected for the group.

Antares Vision - Evolution of group's revenues (€m)



Source: Mediobanca Securities on Antares Vision

Antares Vision's shareholders structure

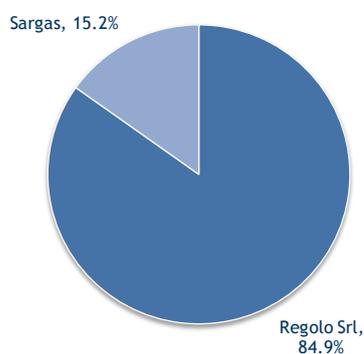
Following the entry of Sargas into AV's share capital, before the business combination with ALP.I, the shareholding structure of Antares Vision was structured as follows:

- ◆ Regolo Srl holding c.85% stake with the two co-CEOs and co-founders owning c.61% of the vehicle;
- ◆ Sargas owns the remaining c.15% stake.

On the other hand, following the business combination:

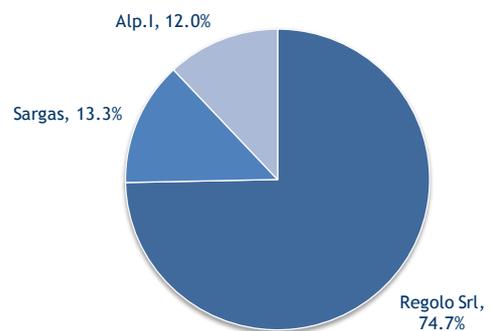
- ◆ ALP.I will own a c.12% stake;
- ◆ Regolo will own a c.75% stake; and
- ◆ Sargas' share will be to the tune of 13%.

Antares Vision - Shareholders' structure pre Business Combination



Source: Mediobanca Securities on Antares Vision

Antares Vision - Shareholders' structure post Business Combination



Source: Mediobanca Securities on Antares Vision

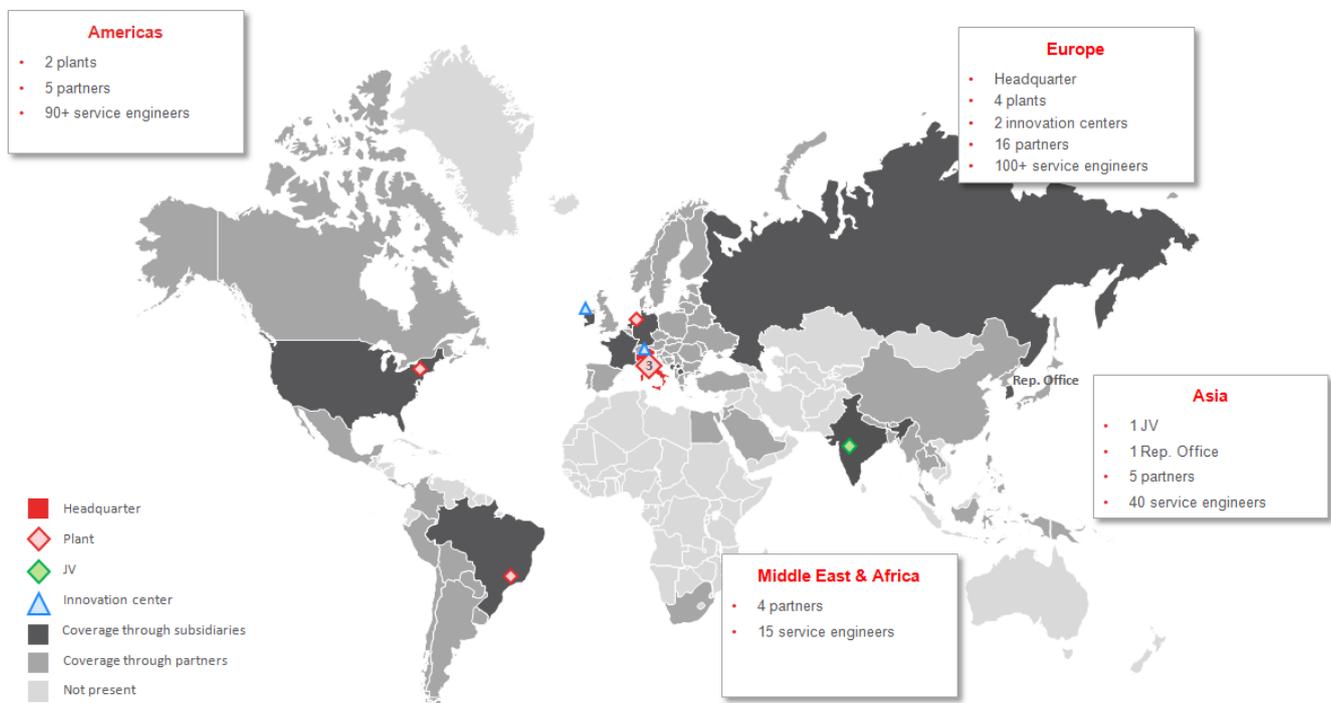
Business model

Antares Vision has a lean and asset-light business model providing its customers turn-key solutions (both hardware and software). The company operates on a global basis, with presence in 60 countries thanks to six production facilities (we mainly refer to the three plants in Italy, one in Germany plus those in Brazil and the US) and local partners. Know-how, track record (in terms of serialised lines) and client proximity are the key assets of the company, which is highly committed in product innovation through an R&D centric business model.

Global production and commercial footprint

Another important aspect of Antares Vision is its ability to serve its customers globally. The company currently serves 60 countries (which represent around 95% of the total pharma production) thanks to four manufacturing plants in Europe and two in the Americas.

Antares Vision - Commercial and production footprint



Source: Mediobanca on Antares Vision data

AV has a global reach thanks to a mix of subsidiaries and many local partners leading to a capillary geographical coverage. In greater detail, the company has a direct presence, coupled with production capacity, in key markets such as Europe, the US and Brazil, where it has recently purchased Legg System to own a local facility to avoid import duties. We also highlight that Antares recently set up a JV in India to cope with the strong business development in the country, and we do not exclude the company from adopting a similar approach to enter new markets. As a general rule, the company tends to keep a majority stake in local JVs developed.

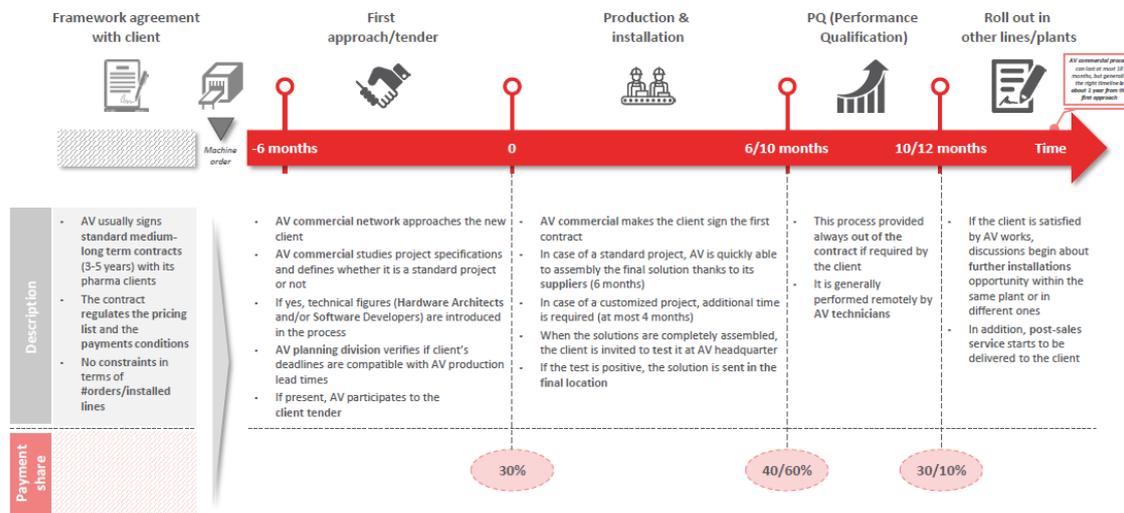
Client proximity: strategic tool to build top-line visibility

AV's customer base is mostly skewed towards the Pharma sector, with the company being the main provider for ten out of the top-20 pharmaceutical companies. Antares Vision has rapidly become a trusted partner of most big pharma companies, which on average have: 1) a global production footprint; 2) high and stable profitability; and 3) long-term investment programmes. As a

confirmation of the longstanding relationships created with its customers, AV generally signs medium-long-term (3-5 years) supply framework agreements which regulate the pricing list (Euro denominated) and payment conditions. This enables the company to effectively and timely manage the pricing and the supply chain, granting better visibility to top-line development. As a standard commercial process, everything starts with a client tender (generally a framework agreement). In the event of a successful bid, AV collects the advanced payment and puts the order into execution when pulled by the client. After the installation, AV receives the majority of the order value and the balance after performance qualification.

A quick summary of the commercial process is provided in the chart below.

Antares Vision - Order acquisition and execution

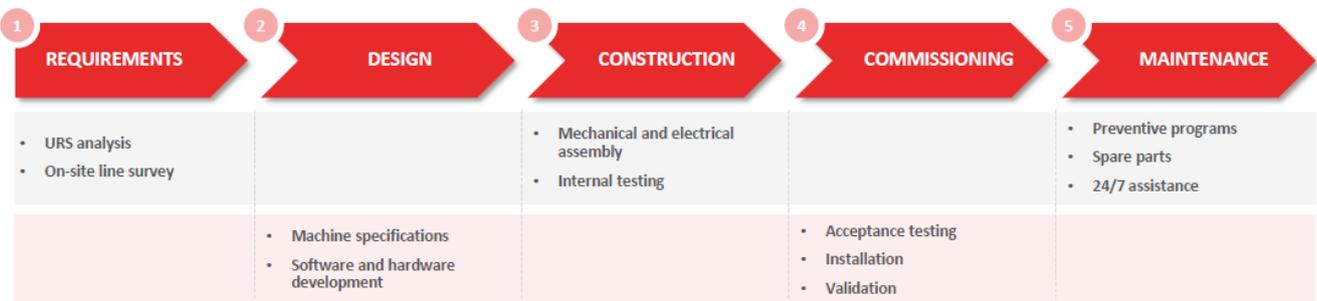


Source: Antares Vision

Lean manufacturing process...

Antares Vision has a flexible and asset light business model. The company carries out the most value added processes (such as the designing phase) internally, while it outsources the most capital-intensive phases of the value chain.

Antares Vision - Manufacturing cycle



Source: Antares Vision

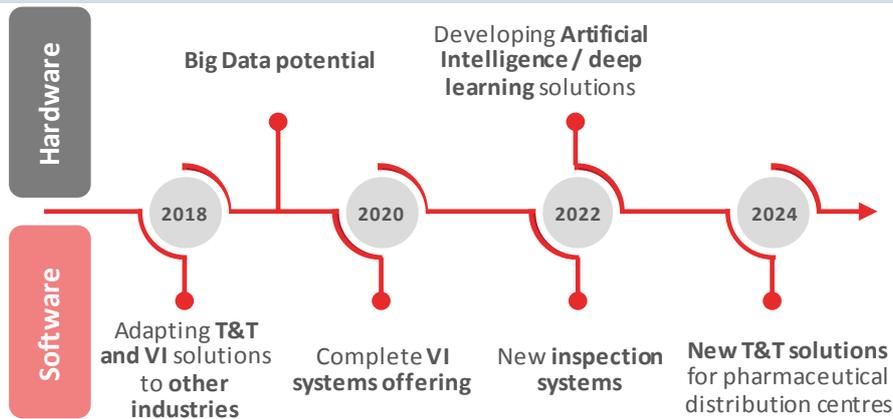
Given the current manufacturing cycle (summarised in the chart above), AV sources its components from third parties, as they are available on the markets. The company also outsources the assembly

phase which is a critical activity especially in the context of sustained growth. As a consequence, Antares Vision is currently working to reduce its dependence on external assemblers.

... with forward looking R&D

An R&D-centric business model has been at the core of the story, with around 6% of the group’s yearly revenues, on average, spent in the development of new software and hardware solutions. All four software levels have been developed internally, with ATS4 launched last year. As of today, the company has more than 2,000 lines commissioned, of which one third is also aggregated. Currently the company has two R&D centres, one in Italy (Brescia) and the other in Ireland, with a target to add another in Milan.

Antares Vision - R&D pipeline



Source: Antares Vision

2019-2021 Strategy

In the short to medium term, Antares Vision is expected to deliver its growth strategy by leveraging its offer including both hardware and software for Pharma Track & Trace and Visual Inspection. A gradual expansion to OTC products is another growth opportunity for the company. Having recently started to produce inspection machines, cross selling among the two product families should play an increasing role. The Industrial world is clearly a big opportunity for all companies like Antares Vision, which started to develop their Track & Trace solutions in the more technologically demanding Pharma sector. The adoption of these solutions may start to be visible in the medium term, also helped by some pilot projects to be launched over the next years. On top of these two trends, the increasing digitalisation of the whole supply chain, coupled with the need to boost its efficiency and safety, may allow the company to generate revenues through the supply of smart data management tools. M&A, in light of a fragmented competitive arena, is the tool for AV to expand/strengthen further its commercial network into new geographies and products.

Owning multiple levers of growth

The group's strategy aims to deliver visible double-digit growth in the next years, thanks to a combination of organic growth driven by regulatory push and penetration into new segments, complemented by selective M&A. Its top-line expansion is expected to be driven by the following strategic drivers:

- ◆ **Consolidating growth in the Pharma industry.** AV aims to leverage solid underlying trends in the Pharma industry, owing to: (1) regulatory push on the mandatory implementation of the so-called "Phase 2" for Track & Trace in many of the major established markets; (2) increasing penetration into emerging countries, such as India, Brazil and Russia, leveraging the direct presence the group recently established (or plans to establish shortly) and (3) expansion of T&T solutions into the adjacent segment of OTC products, a market currently exempted from any T&T requirement. Given its ability to drive product innovation, and its solid relationships with many main players in the Pharmaceutical industry, we see AV as well positioned to be at the forefront of T&T penetration in any new product niche or geography;
- ◆ **Entering into new product niches and end-markets.** Together with the increasing penetration of the T&T Pharmaceutical industry (currently representing by far AV's core business), AV aims to expand its activities also in other end-markets, leveraging potential multiple applications of T&T solutions for industrial products. The gradual technological alignment with the Pharmaceutical market might open up a market potentially worth ten-times the T&T pharma market. We believe that the know-how and state-of-the-art technologies developed for the Pharma industry, as well as the recently established partnership with Sargas, might represent key factors for AV to enter Industrial T&T and VI;
- ◆ **Cross-selling opportunities and supply chain digitalisation.** As regards the first factor, recent investments made in VI production capacity combined with R&D are expected to generate incremental cross-selling between the two divisions. On top of this, Big data analysis and the need to make supply chains fully integrated, may represent an add-on to group sales thanks to a complete offering of smart data management solutions;
- ◆ **External growth via M&A.** AV has been a story of rapid organic growth thanks to founders' foresight in identifying the right technological T&T solution for the Pharma industry. Going forward, leveraging on a solid balance sheet, we see M&A as an option for AV to enter new geographies and speed the access in new industries/complementary products/services.

SWOT analysis

Strengths

- ◆ Experienced management, with outstanding track record in product development (both hardware and software);
- ◆ Technology know-how in Pharma, applicable to industrial verticals;
- ◆ Competitive and comprehensive product/solution platforms in T&T;
- ◆ Longstanding relationships with Big Pharma;
- ◆ Lean approach across whole value chain;
- ◆ Completely internally developed tracking system architecture (L1-L4);
- ◆ Good business visibility thanks to order backlog and existing framework agreements;
- ◆ Relatively short life (around six years) of T&T solutions installed.

Weaknesses

- ◆ Exposure chiefly to one single sector to date;
- ◆ WC management;
- ◆ Limited contribution of service revenues;
- ◆ Business development strongly dependant on the two company founders;
- ◆ Dependence on external assemblers.

Opportunities

- ◆ Geographical diversification through M&A;
- ◆ Expansion of existing product/solution range also through M&A;
- ◆ More stringent regulations, marketing and communication in non-Pharma industries;
- ◆ Expansion to OTC;
- ◆ IoT, automation and digitalisation;
- ◆ Smart data management and service;
- ◆ Increasing cross-selling opportunities between T&T and VI;
- ◆ WC optimisation.

Threats

- ◆ Postponement of current drug tracking regulations around the world;
- ◆ Potential competition from companies currently operating in industrial T&T & VI segments;
- ◆ Limited penetration of T&T (in terms of timing) in Industrial verticals;
- ◆ Potential competition from big software houses;
- ◆ Mix of lines serialised into emerging markets may bring lower margins vs consolidated markets like the US and the EU.

Financials

Key FY 2015-17 financials:

- ◆ Sales grew from €45.5m in FY15 to €89.6m in FY17 (85% export). T&T accounted for 79% of the group's 2017 revenues, while 16% of sales was generated from Visual Inspection. The balance came from the services component (c.5% of the total);
- ◆ EBIT increased from €10.2m in FY15 to €23m in FY17 reflecting a significant margin expansion (c.300bps), as the company is scaling-up its business;
- ◆ Net income reached €15.5m in FY17 doubling from €7.1m reported in 2015;
- ◆ Net cash position moved from €4.4m in 2015 to €8.7m in 2017 as the contribution from the expansion in margins has been offset by NWC absorption;
- ◆ Order backlog increased from €46.4m in FY15 to €89.8m in 2017. AV can count on a good level of visibility as backlog covers around 70% 1YFWD revenues.

We highlight that the company reports under the Italian GAAP and data exposed refer to management accounts. We also note that AV has already adopted the IAS17 standard for the accounting of the leasing.

Our FY 2018-21 forecasts:

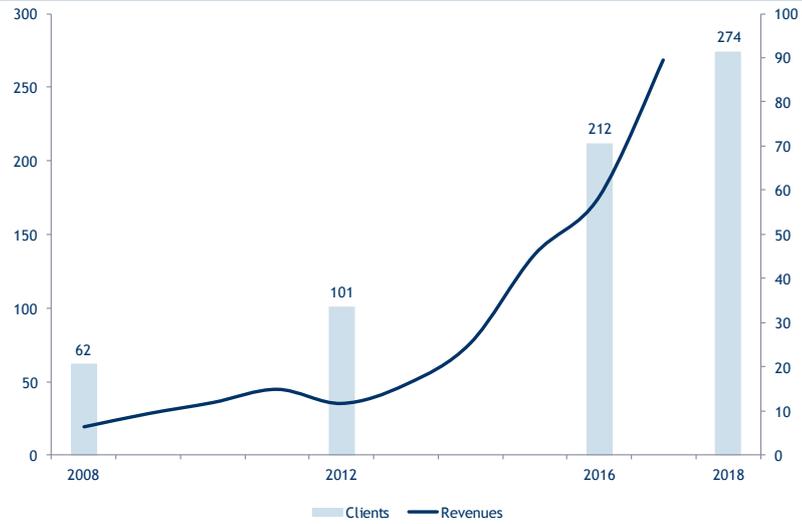
- ◆ Organic top line 2018-21E CAGR of c.12% led by services, VI and smart data, followed by T&T growing in the high single-digit area;
- ◆ FY21E EBITDA margin of 31.3% (from 26.6% in 2017) thanks to higher value added product/services and the effect of the operative leverage;
- ◆ Net income to exceed €33m in 2021 (from €15.5m in 2017);
- ◆ Cumulated FCF at around c.€70m, with €101m positive net cash position in 2021E.

Historical performance (FY12-17)

The recent history of Antares Vision has been characterised by buoyant growth enabling the company to move from being a local “start-up” to a global leading operator in the Track & Trace and Visual Inspection markets. Starting from its foundation in 2007, Antares Vision has been able to capture the remarkable growth opportunities coming from the development of the T&T business in the Pharmaceutical industry. The company played a key role in the first phase of the serialisation programme that started in Turkey (2009), which was the first country to enforce this practice, gaining strategic know-how and >40% market share in the country.

Since then, Antares Vision has successfully developed a competitive and innovative offering widening its customer base (from 62 clients in 2008 to 274 in 2018), approaching new regions and gaining market share. Focusing on the past five years, Antares Vision posted a 51.4% CAGR in the value of production as a result of higher selling volumes and an increasing value of the solutions provided.

AV - Top-line growth - Historical trend (€m)

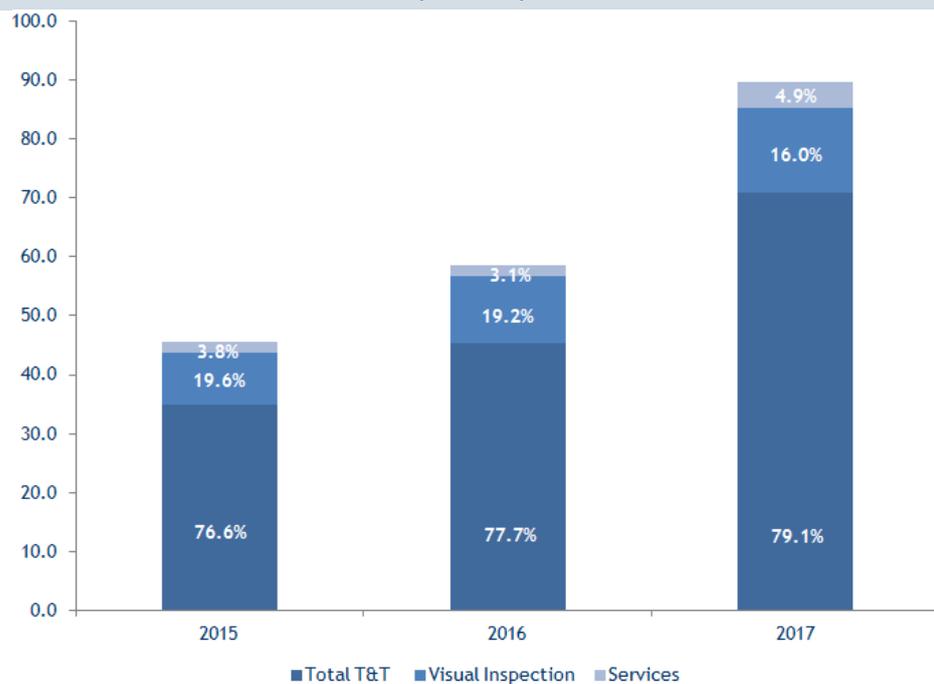


Source: Antares Vision, based on statutory accounts

Revenues structure

Looking in greater detail at the most recent years, it can be observed that the company generated €89m of revenues in FY17, growing 53.2% yoy and recording a strong 40.3% 2015-17 CAGR, outperforming its reference market. We highlight that most of the increase came from volumes, which experienced remarkable growth as the company scaled up its installed base. Breaking down the performance by industry we flag that Pharma, accounting for more than 90% of the total, was the top performer, posting a >40% 2015-17 CAGR, while Industrial, accounting for the rest, recorded a c.28% CAGR in the same period. By technology, T&T was the most relevant, accounting for c.79% of the total, while the balance was divided between VI (c.16%) and Services (c.5%).

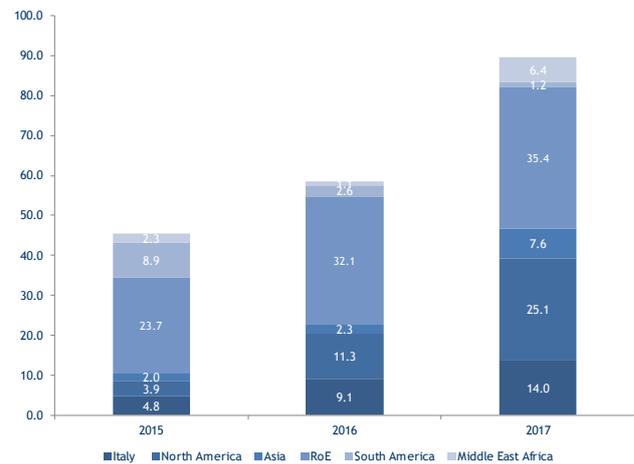
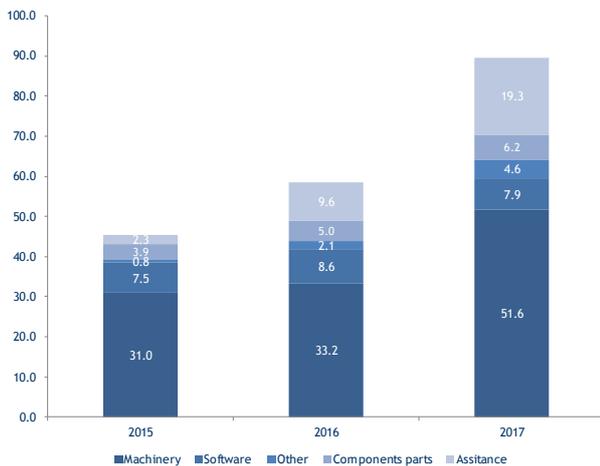
Antares Vision- 2015-17 sales breakdown by industry*



Source: Antares Vision, *based on management accounts

As shown in the chart below Machinery represents the main business line with c.60% weight on FY17 sales and growing at c.28% CAGR in 2015-2017. Software and components accounted for 15.7% posting solid double-digit sales CAGR. Assistance, accounting for c.21% of the total last year, was the top performer more than tripling in the last 3Y as the company is pushing on providing full customer support to become more competitive.

Antares Vision- 2015-17 sales breakdown by business line* Antares Vision- 2015-17 sales breakdown by geography*

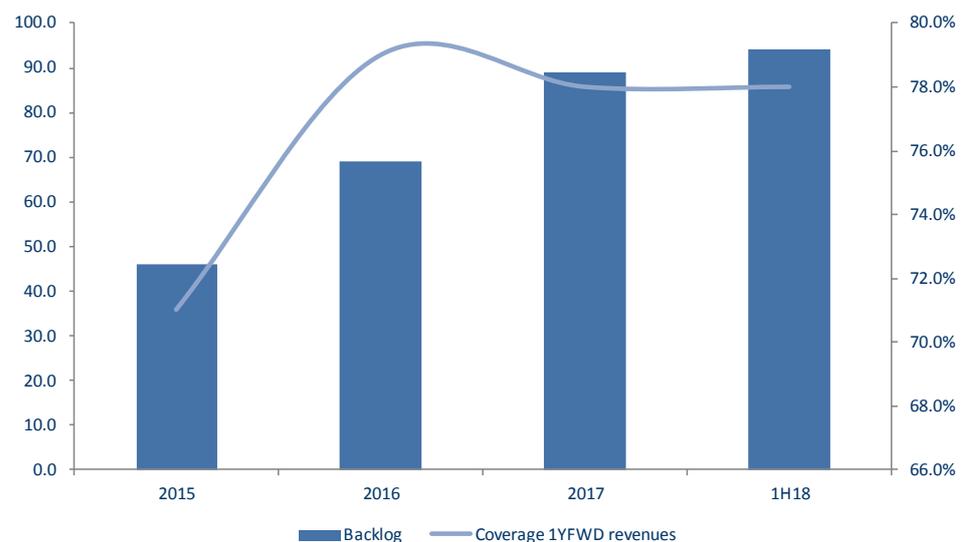


Source: Antares Vision, *based on management accounts

Source: Antares Vision, *based on management accounts.

In terms of geographical mix (based on country of invoicing), Italy, Europe and North America represent key end-markets accounting for more than 80% of the total revenues last year. In terms of growth, North America has been the top performer, more than doubling in the past 3Y, followed by Asia (93% CAGR), and Italy (71% CAGR).

Antares Vision- 2015-2017 backlog trend



Source: Antares Vision

Antares Vision has close relationships with its clients, especially in the Pharmaceutical industry, where the company signed purchase framework agreements with its main customers. We highlight that the company can rely on a good level of revenues visibility given that it can count on a backlog

that is able to cover almost 1Y FWD revenues. As shown in the chart above, backlog increased remarkably in the past 3 years hovering at 70%-80% coverage. Last year, backlog stood at €89.8m, reporting a c.30% yoy increase with 78% coverage.

Cost structure

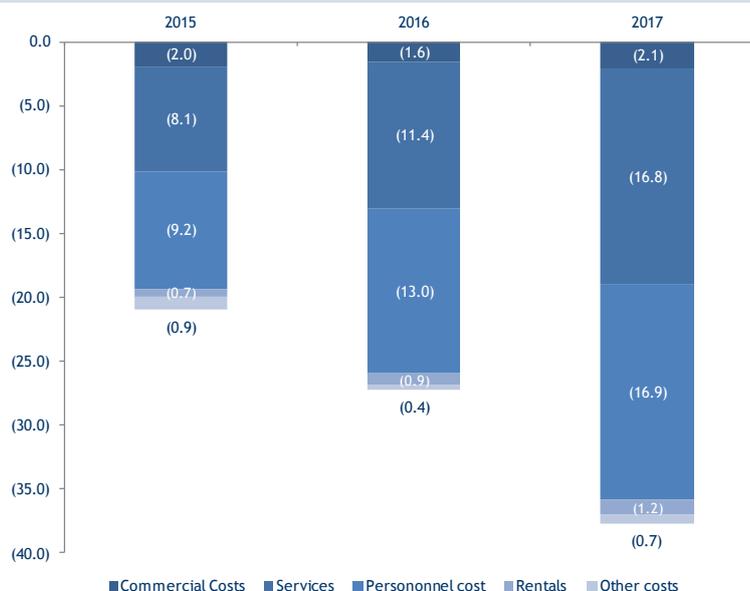
In terms of Antares Vision's cost base, the business has, in our view, an operating leverage overall aligned with the level of other asset-light industrial companies covered (around 30% - Mediobanca estimate). This strongly depends on the projected workforce expansion, that in the case of AV may be a relevant factor impacting this level. The company has a lean business model, leading AV to have a first margin structurally in the 66% range. There is no dependence from a single raw material. We highlight that Antares Vision purchases different components from a selected network of suppliers enabling the company to keep the supply chain under control.

The main fixed cost was personnel expenses accounting for 19% of group revenues last year. We note that AV currently employs more than 350 people (c.500 if we include the employees of its partners). In the past three years, personnel expenses increased in absolute terms (c.35% CAGR) chiefly due to increasing hiring (c.127 additional FTEs) and higher average cost per employee (especially in North America) as the company has been expanding its Sales & Marketing and R&D activities to cope with business growth.

The second most relevant cost item is services expenses accounting for c.19% of sales last year. In the past three years, this cost more than doubled accounting for 19% of sales, on average. The increase was mainly related to enhanced business growth and complexity as well as higher marketing and fair costs and increased outsourcing activities. The balance is divided among bad debt provisions, rental expenses and other costs accounting for c.2% of sales.

It is worth highlighting that R&D is a relevant cost, accounting for around 6% of sales on average in the past 3 years. Most of the R&D expenses are related to personnel linked to this activity, and these costs have not been capitalised in the past three years. The development of pilot projects in the Industrial sector may lead the company to capitalise some of these costs.

Antares Vision - FY15-17 operating cost base (€m and as % of revenues)*



Source: Antares Vision, *based on management accounts

In terms of profitability, reported EBITDA increased from €11.3m in FY15 to €23.8m in FY17. Antares Vision's EBITDA margin reached its peak in 2017, at 26.6%, expanding by 1.6pp since FY15, mainly due to a positive operational leverage. A similar trend can be observed for EBIT, with a

margin of 25.7% in 2017 (from 22.4% in 2015). Regarding the bottom line, the group's net income increased from €7.1m in FY15 (15.6% margin) to €15.5m in FY17 (17.3% margin), expanding the variation at the operating level thanks to the limited impact of net financial items and a stable tax rate, at 28%.

Antares Vision - FY15-17 EBIT (left) and net income (right) evolution



Source: Antares Vision, *based on management accounts

Key balance sheet items

With regard to the company's balance sheet, we underline the following key points:

- a) **Increasing weight of working capital on sales:** Antares Vision experienced remarkable growth in the past 3Y. The company increased its investments in net working capital in order to cope with the business expansion.

Here below a summary of the dynamics of the main items included in TWC:

- ◆ **Trade receivables** mirrored the increase in trading activity keeping an overall stable ratio on sales (around 34% in 2017);
- ◆ **Inventory** was the main driver of Trade Working Capital investments. The company increased its inventory to deal with the strong increase in turnover. We note that the DOI moved from 197 in 2015 to 248 last year;
- ◆ **The trade payables** ratio on sales dropped from 12.7% to 11.4%;
- ◆ **Advances from clients** increased following an expansion in the order backlog.

As a result of the above-mentioned trends, the **trade working capital** increased from c.17% to c.30% on sales in 2015-2017. Including other assets/liabilities, **net working capital** experienced a similar trend. We note that the increase in working capital was aimed at supporting business expansion.

Antares Vision- Net working capital trend (€m)

	2015	2016	2017
Inventories	9.0	16.2	24.6
Accounts receivable	15.6	23.4	30.9
Accounts payable	(5.8)	(8.9)	(10.2)
Advances from clients	(11.1)	(16.8)	(18.6)
Trade working capital	7.7	13.9	26.7
% of sales	17.0%	23.7%	29.8%
Other Assets/Liabilities	(0.2)	1.2	1.9
Net working capital (NWC)	7.5	15.0	28.6
% of sales	16.4%	25.7%	31.9%

Source: Antares Vision, *based on management accounts

- b) **Low capital intensity:** Antares Vision has a lean production approach, with the company mainly focused on testing and installing machines. Therefore, AV relies on an asset structure that is overall light.

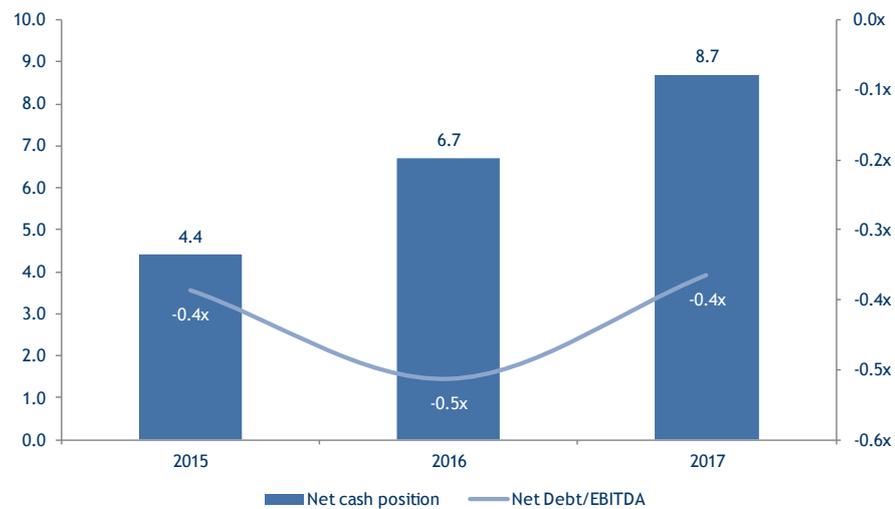
In FY17, net fixed assets totalled c.€7m and were made up of:

- ◆ **Tangible assets** (€5.4m): mainly include the building located in Travagliato (Brescia); a new leasing started in August 2017 related to the building located in Parma (we note that the accounting of the leasing is consistent with the IAS 17 principle);
- ◆ **Intangible assets** (€1.3m): These are mainly referred to the R&D capitalised costs in previous periods. We note that Antares Vision has stopped capitalising R&D expenses since 2015;

Net invested capital employed at YE17 amounted to €32m, which compares with an EBIT of €23m in 2017.

- c) **Unlevered balance sheet:** Antares Vision can count on an unlevered balance sheet. The company reported a positive net financial position of c.€9m in 2017, up from €4m in 2015. Although AV had a solid margin expansion, FCF was limited in the past 3Y, as the company increasingly invested in NWC in order to support business expansion.

Antares Vision - FY15-17 net cash position*



Source: Antares Vision, *based on management accounts

1H18 results

The company reported double-digit top-line growth in 1H18. However, we note that in 1H17 reported sales were likely to have been underestimated by €1.8m due to some cut-off errors, leading to adjusted top-line growth of c.49% yoy. Volumes growth was the driver of the 500bps EBITDA margin expansion, leading net income to almost double in the first half of the year. Backlog stood at c.€95m, up from c.€90m in FY17, while net cash came in at €16.5m (vs €8.6m in FY17).

A quick summary of the main lines has been provided in the table below.

1H18 results

(€m)	1H18A	1H17A*	YoY change
Revenues	52.4	35.1	49.3%
EBITDA	11.8	7.6	54.3%
% Margin	22.5%	21.8%	
EBIT	11.5	7.3	57.9%
% Margin	21.9%	20.7%	
Net Income	6.9	5.5	25.3%
Net debt/(Net cash)	(16.5)	(12.4)	

Source: AV based on management accounts * According to Management, Reported Sales of AV NA in 1H17 were likely understated since affected by potential cut-off errors (AV North America figures: sales of €1.7m and COGS of -€2.4m, or FM of -€0.7m). Based on limited information available, the pro forma adjustment would result in a sales uplift of c. €1.8m

Medium-term prospects (FY2018-21E)

Our 2018E-21E estimates do not include any potential contribution from M&A deals. In addition, we have not included any effect of the potential business combination with ALP.I SPAC.

c. 12% organic top-line CAGR expected in 2018-2021E

We expect Antares Vision's top-line to grow at c.12% CAGR over 2018-21E. In FY18, AV should show a 28% yoy organic increase, mainly driven by buoyant growth in Visual Inspection (+49% yoy) and Services (+40% yoy) coupled with a double-digit increase in Track & Trace (+20%). We note that, starting this year, AV has launched its smart data services, which we expect to generate €2m sales by YE. By business, we believe the main drivers will be the following:

- ◆ **T&T.** We expect the T&T business to grow in the high single digit area. We forecast the division to grow at a 7% CAGR in the 2018-21E period, driven by the geographical expansion in countries, such as Brazil and Russia, in which regulation is expected to support serialisation demand;
- ◆ **Visual Inspection** should post a 20% CAGR in the 2018-21E period with AV exploiting a wider product range now including automatic inspection machines;
- ◆ **Services** should grow in tandem with volumes (21.6% 2018-21 CAGR), as these revenues are linked to an increase in the installed base;
- ◆ **Smart Data** are expected to generate c.€2m revenues by YE, and we forecast its contribution to be four times higher in 2021, as Antares Vision can now count on a complete software suite for addressing its client needs.

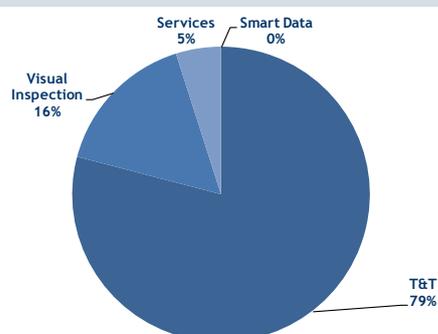
2017-21E - Revenues by business

(€m)	2017	2018E	Δ %	2019E	Δ %	2020E	Δ %	2021E	Δ %
T&T	70.9	85.1	20%	89.3	5%	96.5	8%	104.2	8%
% total	79.1%	74.3%		69.8%		67.2%		65.0%	
Visual Inspection	14.3	21.3	49%	26.9	26%	31.9	19%	37.1	16%
% total	16.0%	18.6%		21.0%		22.2%		23.1%	
Services	4.4	6.1	40%	7.7	25%	9.2	20%	11.1	20%
% total	4.9%	5.4%		6.0%		6.4%		6.9%	
Smart Data	0.0	2.0		4.0	100%	6.0	50%	8.0	33%
% total	0.0%	1.7%		3.1%		4.2%		5.0%	
Total sales	89.6	114.5	28%	127.9	12%	143.6	12%	160.4	12%

Source: Mediobanca Securities

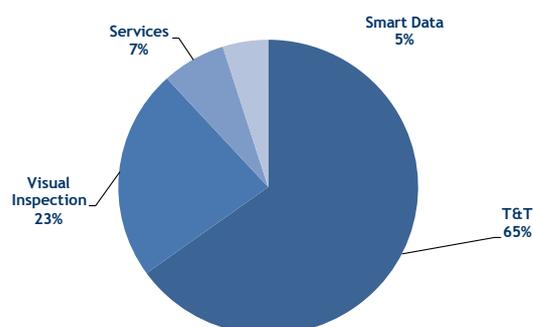
We provide a summary of the breakdown of sales forecasts by business in the table below.

Antares Vision - 2017A Revenues by business line



Source: Mediobanca Securities

Antares Vision - 2021E Revenues by business line



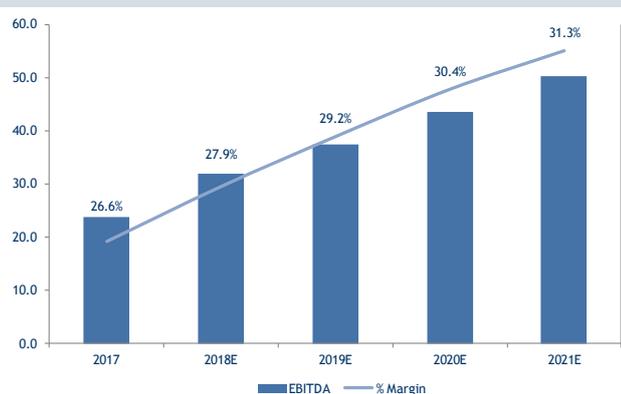
Source: Mediobanca Securities

Cost structure trend: further EBITDA margin expansion despite headcount expansion

As we have discussed in the previous pages, where we analysed the past EBITDA performance, Antares Vision posted a nice margin expansion, exploiting its operating leverage, given the strong volume growth experienced. Over the next four years, the company plans to significantly increase its workforce in order to cope with the strong business expansion.

Our cost assumptions reflect this strategy. We, therefore project an increase in company reported EBITDA from €23.8m in 2017 to €50.3m in 2021E, which equates to a 2018-21E CAGR of around 16% and c.340bps margin expansion (from 27.9% in 2018 to 31.3% in 2021). Trends in the EBITDA and EBIT margin are summarised in the charts below.

Antares Vision -2017-21E EBITDA and % margin



Source: Mediobanca Securities

Antares Vision -2017-21E EBIT and % margin



Source: Mediobanca Securities

In greater detail, our estimates assume the following:

- ◆ We expect the **first margin** to remain in the 65% region over the 2018-21E period. We assume this level will be backed by higher value-added products/solutions, as the company is increasingly focusing on software and services;
- ◆ A **10.2% 2018-21E CAGR in the personnel cost**. The percentage on sales is expected to drop from c.18% in 2018 to 17.3% in 2021. This upward trend in personnel costs is related to the increasing number of employees to cope with the business expansion. AV FTEs are foreseen to be more than 500 in 2021, up from c.360 in FY18.
- ◆ **Services** include all costs related to outsourced activities, coupled with consulting and promotion expenses. These are expected to increase at a 9.6% CAGR in 2018-21E, with the weight on sales dropping from 17.0% in 2018E to 16.0% in 2021E.

Antares Vision - Cost structure assumptions (FY17-21E)

(€m)	2017	2018E	Δ %	2019E	Δ %	2020E	Δ %	2021E	Δ %
Services	(16.8)	(19.5)	15.8%	(21.4)	9.7%	(23.5)	10.2%	(25.7)	9.0%
Personnel cost	(16.9)	(20.8)	22.9%	(23.1)	11.2%	(25.4)	9.8%	(27.8)	9.6%
Rentals	(1.2)	(1.2)	2.0%	(1.3)	4.0%	(1.3)	4.0%	(1.4)	4.0%
Bad debt charges	(0.2)	(0.2)	27.8%	(0.3)	11.7%	(0.3)	12.2%	(0.3)	11.7%
Other costs	(0.5)	(0.5)	-14.2%	(0.5)	11.7%	(0.6)	12.2%	(0.6)	11.7%
Services % of sales	18.8%	17.0%		16.7%		16.4%		16.0%	
Personnel cost % of sales	18.9%	18.2%		18.1%		17.7%		17.3%	
Rentals % of sales	1.3%	1.1%		1.0%		0.9%		0.8%	
Bad debt charges % of sales	0.2%	0.2%		0.2%		0.2%		0.2%	
Other costs % of sales	0.6%	0.4%		0.4%		0.4%		0.4%	

Source: Mediobanca Securities

Earnings to benefit from operating leverage

At the bottom-line level, we expect Antares Vision's net profit to increase at a 17% CAGR over 2018-21E. Net income is expected to increase 34.3% yoy in 2018 and continue its upward growth to €33.3m in 2021E. The rise in net income should be derived from:

- ◆ An improved EBITDA in absolute terms (€18.3m more in FY21E compared with the FY18E figures);
- ◆ D&A increasing from €0.7m in 2018 up to €1.5m in 2021 with an average 0.8% weight on sales. The increase is the result of maintenance capex coupled with an increasing amortisation of the intangible assets as AV is expected to start capitalising part of its R&D expenses (c.€2m pa);
- ◆ An average tax rate of c.30.5% in the 2018-21E period.

Antares Vision - 2017-21E EBITDA to net profit estimates

(€m)	2017	2018E	Δ %	2019E	Δ %	2020E	Δ %	2021E	Δ %
EBITDA	23.8	32.0	34%	37.3	17%	43.6	17%	50.3	15%
EBITDA margin	26.6%	27.9%		29.2%		30.4%		31.3%	
D&A	(0.8)	(0.7)		(1.0)		(1.3)		(1.5)	
EBIT	23.0	31.3	35.9%	36.3	16.0%	42.3	16.4%	48.8	15.2%
EBIT margin	26%	27.3%		28.4%		29.5%		30.4%	
Net financial income									
(charges)	(0.4)	(1.2)		(0.8)		(0.5)		(0.2)	
Extraordinary items	(0.1)	0.0		0.0		0.0		0.0	
Pre-tax profit	22.5	30.1	33.7%	35.5	18.1%	41.8	17.6%	48.6	16.1%
Taxes	(6.3)	(9.3)		(11.0)		(12.5)		(14.6)	
Tax rate	28%	31%		31%		30%		30%	
Minorities	(0.7)	0.0		0.0		(0.5)		(0.7)	
Net profit	15.5	20.8	34.3%	24.5	18.1%	28.8	17.3%	33.3	15.7%

Source: Mediobanca Securities

Company to generate c.€70m cumulated FCF over 2019-21E

We forecast a cumulated FCF generation of c.€70m over the estimates horizon. Main drivers of cash generation look set to be:

- ◆ **Cash earnings**, forecast to grow over time from €22.5m in FY18E to €36.2m in FY21E;
- ◆ **Change in working capital**. Working capital is clearly an area where management can improve. We expect working capital on sales to decline gradually over time, from c.31.6% in 2018E to c.30% in 2021E, leading to a cumulated cash absorption of c.€20m in the 2018-21E period.

Anatares Vision - 2017-21E NWC capital assumptions

(€m)	2017	2018E	2019E	2020E	2021E
Inventories	24.6	31.2	34.1	37.9	42.3
Accounts receivable	30.9	39.5	44.1	49.5	55.3
Accounts payable	(10.2)	(13.0)	(14.8)	(16.9)	(19.2)
Trade working capital	45.3	57.6	63.4	70.5	78.4
% of sales	50.5%	50.3%	49.5%	49.1%	48.9%
Other Assets	5.9	7.4	8.3	9.3	10.4
Other Liabilities	(22.6)	(28.9)	(32.2)	(36.2)	(40.4)
Net working capital (NWC)	28.6	36.2	39.5	43.6	48.4
% of sales	31.9%	31.6%	30.8%	30.4%	30.2%

Source: Mediobanca Securities

- ◆ **Capex**. We see maintenance capex broadly stable. We highlight that in our estimates we included c.€2m of additional capex related to the capitalisation of a part of the R&D costs, related to some pilot projects in the industrial sector starting in the coming years;
- ◆ **Capital increase**. We flag that in 2018 the company benefitted from €40m proceeds related to the capital increase for the Sargas investment into AV (15.15% stake), which has been partially compensated by the financial debt (c.€30m) coming from the consolidation of HIT Srl into AV, which repurchased the 21% stake held by Fondo Italiano di Investimento in Anatares Vision. This led to a net positive effect of c.€10m;
- ◆ We do not forecast any **dividend policy** given that in our view AV is going to prioritize the re-deployment of its cash flows to finance potential external growth opportunities.

On the back of our cash flow assumptions, the company should further boost its cash pile with the option to allocate part of it for some M&A deals in order to scale-up quickly its business.

Anatares Vision - 2017-21E cash flow statement

(€m)	2017A	2018E	2019E	2020E	2021E
Net profit & minorities	16.2	20.8	24.5	29.3	34.0
Non cash items	2.4	1.7	1.5	1.9	2.2
Cash flows	18.6	22.5	26.1	31.2	36.2
Net working capital change	(13.5)	(7.7)	(3.2)	(4.1)	(4.8)
Capex	(1.7)	(1.2)	(4.7)	(4.7)	(2.5)
Free operating cash flows	3.4	13.6	18.2	22.4	28.9
Net financial investment	0.0	0.0	0.0	0.0	0.0
Dividends	0.0	0.0	0.0	0.0	0.0
Others (incl. capital increase)	(1.5)	9.7	0.0	0.0	0.0
Change in net debt	2.0	23.3	18.2	22.4	28.9

Source: Mediobanca Securities

2015-21E - P&L

(€m)	2015A	2016A	2017A	2018E	2019E	2020E	2021E
Sales	45.5	58.5	89.6	114.5	127.9	143.6	160.4
% yoy growth		29%	53%	28%	12%	12%	12%
EBITDA	11.4	13.1	23.8	32.0	37.3	43.6	50.3
% margin	25%	22%	27%	28%	29%	30%	31%
D&A	-1.2	-0.7	-0.8	-0.7	-1.0	-1.3	-1.5
EBIT	10.2	12.4	23.0	31.3	36.3	42.3	48.8
% margin	22%	21%	26%	27%	28%	29%	30%
Net financial charges	-0.2	-0.3	-0.4	-1.2	-0.8	-0.5	-0.2
Extraordinary items	0.1	0.6	-0.1	0.0	0.0	0.0	0.0
PBT	10.1	12.7	22.5	30.1	35.5	41.8	48.6
Tax	-2.8	-3.5	-6.3	-9.3	-11.0	-12.5	-14.6
Tax rate	28%	28%	28%	31%	31%	30%	30%
Minorities	-0.1	-0.1	-0.7	0.0	0.0	-0.5	-0.7
Net Profit	7.1	9.1	15.5	20.8	24.5	28.8	33.3

Source: Mediobanca Securities, Antares Vision

2015-21E - Balance sheet

(€m)	2015A	2016A	2017A	2018E	2019E	2020E	2021E
Net fixed assets	6.3	5.9	6.9	7.4	11.1	14.4	15.4
Net working capital	7.5	15.0	28.6	36.2	39.5	43.6	48.4
Gross capital employed	13.7	20.9	35.5	43.7	50.6	58.0	63.8
Shareholders' Funds	16.3	25.6	40.5	70.9	95.5	124.7	158.7
Provisions	1.8	2.0	3.7	4.7	5.3	5.9	6.6
Net Debt (+) Cash (-)	-4.4	-6.7	-8.7	-32.0	-50.2	-72.6	-101.5

Source: Mediobanca Securities, Antares Vision

2015-21E - Cash flow

(€m)	2015A	2016A	2017A	2018E	2019E	2020E	2021E
Net profit & minorities		9.1	16.2	20.8	24.5	29.3	34.0
Non cash items		0.9	2.4	1.7	1.5	1.9	2.2
Cash flows		10.0	18.6	22.5	26.1	31.2	36.2
Net working capital change		-7.6	-13.5	-7.7	-3.2	-4.1	-4.8
Capex		-0.3	-1.7	-1.2	-4.7	-4.7	-2.5
Operating FCFs		2.1	3.4	13.6	18.2	22.4	28.9
Net financial investments		0.0	0.0	0.0	0.0	0.0	0.0
Dividends		0.0	0.0	0.0	0.0	0.0	0.0
Others (incl.Capital Increase)		0.1	-1.5	9.7	0.0	0.0	0.0
Free cash flows		2.3	2.0	23.3	18.2	22.4	28.9

Source: Mediobanca Securities, Antares Vision

APPENDIX

Track & Trace and Visual Inspection in pills

Track & Trace can be defined as a process to mark products with unique and traceable serial numbers in order to uniquely identify them and provide a complete history of their movements, both along the product line and delivery to customers. Main activities involved in the process are:

Track & Trace process

Serialisation and aggregation

The process consists in the generation of alpha-numeric characters which are uniquely assigned to products (**serialisation**). Codes are generated according to specific coding standards, which vary depending upon the purpose of traceability. They can be divided into two main categories: machine readable (2D Datamatrix Code and QR Code) and human readable. Once single products are marked with serial numbers, they are filed under larger codes which will be assigned as identifiers to packaging containers (**aggregation**). The mechanism allows to infer the identity of all contents of a packaging container by just scanning its identifier code.

Codes printing

Codes can be printed on a wide range of different materials, not only paper and card, but also tags, adhesive labels and many others. There are essentially four types of printing techniques, namely dot matrix, ink jet, laser and thermal.

Database storage

Once standardised codes are assigned to a product and printed, they are recorded and stored in a central database, which ensures monitoring and traceability of each product as it travels through the supply chain.

Code application and verification

Once code are printed and stored, they need to be verified for accuracy in several different places along the product line. Barcodes can be read by scanners, smart cameras as well as high-resolution cameras, featuring different levels of technological capabilities

Source: Mediobanca Securities

Carton serialisation station



Source: Antares Vision

At the same time, **visual inspection systems and automatic machines** detect and guarantee the integrity and conformity of products, containers and packaging. Their capabilities include:

- ◆ Impurity check
- ◆ Detection of cosmetic defects
- ◆ Detection of dimensional defects
- ◆ Detection of mix-up issues

TCI - Tablets and Capsules Inspector



Source: Antares Vision

MANAGEMENT TEAM

Antares Vision management team

Name and Surname	Position
Emidio Zorzella	Co-founder, co-CEO and Chairman
Massimo Bonardi	Co-founder, co-CEO and Technical Director
Alioscia Berto	CFO

Source: Mediobanca Securities on Antares Vision