

Italy / Holding

28 April 2011

Tamburi (TIP-IT)

Bet on sure things

BUY

Last (€)	1.47
Valuation Range (€)	1.75-1.85
Market Cap (€m)	196
Avg Daily Vol (m sh)	0.082
Free Float	94.4%
YTD	4.6%

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- TIP is an independent investment-merchant bank making minority investments in / offering advisory services to medium-sized Italian companies (listed and unlisted).
- At present, four major equity investments in TIP portfolio – all listed – make up 57% of its current NAV: Prysmian (1.8% stake, indirect), Amplifon (4% dir.), Interpump (4.5% ind.) and Datalogic (6.4% dir.).
- While the latter two investments date back to 2003, the former two were started in 2010 – taking most of €74m invested last year (€50m net of divestments).
- Prysmian and Amplifon (both BUY at Fidentiis), global leaders in their respective sectors offering also some speculative appeal linked to change of control scenarios.
- TIP typically selects high-quality companies, with defensible competitive advantage and solid growth profile. 2010 average EBITDA margin of the 11 big companies participated was a healthy 13.5%.
- Advisory generated €5.8m net sales last year, with some €3m pre-tax profit.
- Current NAVPS is €1.65, adjusted for control premium on Interpump (20%) and upside potential on Prysmian (23%) and Amplifon (13%) it reaches €1.80.
- TIP is initiated with a BUY rating.

	Sales (€m)	EBITDA (€m)	vs. Cons	Net Profit (€m)	EPS (old) (€)	EPS (new) (€)	vs. Cons	P/E (x)	EV/EBITDA (x)	DPS (€)	DIV Yield
2009	3	-1		1		0.01		nm	nm	0.03	2.0%
2010	6	0		10		0.08		19.1	55.1	0.04	2.4%
2011E	6	0		6		0.05		31.1	49.9	0.02	1.5%
2012E	6	1		7		0.05		28.6	45.9	0.02	1.6%
2013E	6	1		8		0.06		25.5	42.7	0.03	1.8%

Est 3 Yr Sales CAGR:	3%	Shares Outstanding (m):	134
Est 3 Yr EPS CAGR:	-9%	Mkt Cap (€m):	196

Share price performance	YTD	1 month	3 months	12 months
Absolute	4.6%	-2.9%	-6.1%	17.3%
Relative to FTSE MIB	-5.1%	0.7%	-7.1%	16.2%
Relative to STOXX Europe 600	2.3%	-9.3%	-17.7%	8.8%



Investing in excellence

Tamburi Investment Partners (TIP) is an **independent investment-merchant bank** focused on medium-sized Italian companies. It

- makes minority investments – as an active shareholder – in listed and unlisted companies expressing competitive excellence;
- provides advisory in corporate finance;
- makes investments in the secondary private equity market.

TIP is not just a fund and has a real **medium-long term perspective**.

It selects companies featuring a sustainable competitive edge and a sound growth potential and acquires minority interests with the mission of accompanying the entrepreneurs and management in the value creation process.

It selects companies also looking at the opportunities of really playing an active role as a shareholder as well as the possible developments of the ownership structure.

TIP typically invests under two different schemes: direct investment or club deals. The exit approach is extremely flexible, envisaging various possible way-outs.

Last two big investments – Prysmian (started in May-10, today at 5% stake via 35%-owned ClubTre) and Amplifon (started in Nov-10, today at 4% stake) – clearly mirror such a mission, on which TIP strategy is getting tighter and tighter.

Prysmian – World leadership in high-value added cables (chiefly power transmission) grants extra-margins/returns. Potential target of cable operators from developing countries, in search of know-how and track record (but also potential consolidator of the sector). The only real Italian public company, 100% free floating.

FIDENTIIS HAS A **BUY** RATING ON PRYSMIAN, €19-20/SHARE VALUATION RANGE.

Amplifon – World leadership in the distribution of hearing aids (10% market share) allows to get incremental discounts on purchasing prices from manufacturers, then rising margins/returns. Potential target of manufacturers, in a vertical integration scenario *à la* Luxottica-Lens Crafter/Sunglass Hut, or private equity names. Major shareholders are founder's wife and daughter, together owning 55.1% of the share capital, not actively involved in the management of the business.

FIDENTIIS HAS A **BUY** RATING ON AMPLIFON, €4.5-4.8/SHARE VALUATION RANGE.

Same kind of investments are the two biggest among the other listed, both dating back to 2003, **Datalogic** and **Interpump** – not covered at Fidentiis.

Conclusively, as a prove of the quality of TIP's investment portfolio, it must be noted that the average 2010 EBITDA margin of the 11 big companies participated was a healthy 13.5%.

TIP share, including dividends and shares distributed, offered a quite remarkable ~50% over-performance vs the Italian FTSEMib index in the period running from the Nov-05 IPO to present.

TIP available assets amounted to €393m at the end of last year: €140m investments at the book value, €42m net cash, €20m estimated proceeds from the exercise of 13.3m warrants distributed during 2010, €40m 7-year fully guaranteed convertible bond and €150m partially guaranteed capital increase.



NAV is today calculated at €1.65/share.

Adjusted for control premium on Interpump (20%) and current upside potential vs Fidentiis' valuation on Prysmian (23%) and Amplifon (13%), it reaches **€1.80/share**.

With a 20% upside potential vs current market price, TIP is initiated with a **BUY** rating.

TIP's NAV calculation

Asset	since Y	stake %	# sh. (m)	€m	€/sh.	% of NAV	Valuation method
Amplifon	2010	4.0%	8.9	36.7	0.27	17%	Market price
Bolzoni Auramo	2006	5.3%	1.4	3.0	0.02	1%	Market price
Datalogic	2003	6.4%	3.7	21.2	0.16	10%	Market price
M&C	2010	3.5%	16.5	3.6	0.03	2%	Market price
Monrif	2004	7.6%	11.3	4.8	0.04	2%	Market price
NH Hoteles	2004	0.4%	1.0	5.6	0.04	3%	Market price
Noemalife	2006	2.8%	0.1	0.7	0.01	0%	Market price
Servizi Italia	2007	1.7%	0.3	2.0	0.02	1%	Market price
Valsoia	2006	2.3%	0.2	1.1	0.01	1%	Market price
Zignago Vetro	2007	1.0%	0.8	4.2	0.03	2%	Market price
TOTAL DIRECT LISTED SHAREHOLDINGS (1)				83.0	0.35	38%	
Interpump (through IPG Holding, o/w TIP 16.9%)	2003	4.5%	4.4	19.5	0.15	9%	NAV @ IP market price
Bee Team (through Data Holding, o/w TIP 46.7%)	2007	16.0%	11.1	4.9	0.04	2%	NAV @ BET market price
Prysmian (through ClubTre, o/w TIP 35%)	2010	1.8%	3.8	49.0	0.37	22%	NAV @ PRY market price
TOTAL INDIRECT LISTED SHAREHOLDINGS (2)				73.5	0.55	33%	
Borletti Group (Printemps)	2006	14.8%	0.0	8.7	0.07	4%	Book value
TOTAL UNLISTED SHAREHOLDINGS HELD FOR SALE (3)				8.7	0.07	4%	
Tamburi & Associati (advisory)	2000	100.0%		19.5	0.15	9%	10x net profit
Palazzari & Turries (advisory)	2006	30.0%	0.1	0.2	0.00	0%	Book value
TOTAL OTHER UNLISTED SHAREHOLDINGS (4)				19.7	0.15	9%	
Net financial position (5)				41.6	0.31	19%	as at Dec-10
Holding costs (6)				-6.0	-0.04	-3%	Costs capitalized @10%
Net tax position (7)				0.0	0.00	0%	
TOTAL NAV (8=1+2+3+4+5+6+7)				220.5	1.37	100%	
Valuation adj. to Amplifon stake				4.6	0.03	2%	13% upside vs F. VR
Valuation adj. to Interpump stake				3.9	0.03	2%	20% control premium
Valuation adj. to Prysmian stake				11.4	0.08	5%	23% upside vs F. VR
TOTAL ADJ. NAV				240.3	1.5	109%	
No.of shares issued (m)				134.5			
Treasury shares (m)				0.8			
No.of shares outstanding (m)				133.7			
NAV per share (EUR)				1.65			
Adj. NAV per share (EUR)				1.80			
Current price (EUR)				1.50			
Premium/Discount (%)				20%			

Source: Company data, Fidentiis estimates


TIP-IT: Summarised P&L Account and key ratios

€m	2008	2009	2010	2011E	2012E	2013E
Sales	6	3	6	6	6	6
EBITDA	2	-1	0	0	1	1
Depreciation & Amort.	0	0	0	0	0	0
EBIT	2	-1	0	0	0	1
Net Int.Cost	-7	-2	-7	-5	-5	-6
Associates	-28	1	3	4	4	4
Impairment & Other	0	0	0	0	0	0
Discontinued operations	0	0	0	0	0	0
PBT	-19	2	11	9	9	11
Taxes	1	1	1	2	3	3
Minorities	0	0	0	0	0	0
Net Profit	-21	1	10	6	7	8
EPS	-0.19	0.01	0.08	0.05	0.05	0.06
Sales growth	-17%	-48%	79%	3%	3%	3%
EBITDA growth	36%	nm	nm	10%	9%	8%
Net Profit growth	nm	nm	nm	-39%	9%	12%
EBITDA margin	30%	-20%	7%	8%	8%	9%
EBIT margin	27%	-23%	7%	7%	8%	8%
Net Pr. Margin	nm	32%	177%	105%	111%	120%
Interest Cover (1) (x)	-0.2	0.4	-0.1	-0.1	-0.1	-0.1

TIP-IT: Summarised Balance Sheet and key ratios

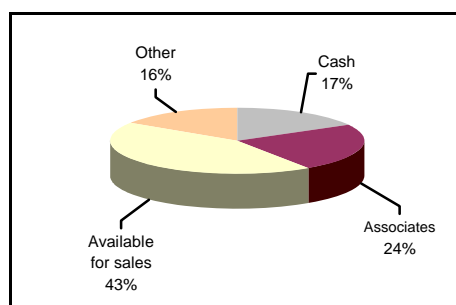
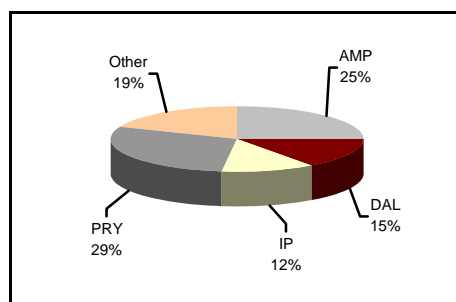
€m	2008	2009	2010	2011E	2012E	2013E
Fixed assets	0	0	0	0	0	0
Goodwill	10	10	10	10	10	10
Inventories	0	0	0	0	0	0
Trade Receivables	2	2	1	1	1	1
Cash + S/T Inv. + other	783	888	1,238	1,258	1,280	1,302
Total Assets	795	900	1,249	1,269	1,291	1,313
Sharehold. Equity	151	149	198	199	203	208
L-T Financial Debt	0	0	0	0	0	0
S-T Financial Debt	0	0	4	4	4	4
Trade Payables	0	0	1	1	1	1
Provisions + Other	643	750	1,047	1,065	1,083	1,101
Total Liabilities	795	900	1,249	1,269	1,291	1,313
Net Debt	-31	-42	-32	-33	-36	-40
WACC	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%
Net Debt/Equity	-20.7%	-28.1%	-15.9%	-16.3%	-17.7%	-19.2%
ROCE (2)	1.2%	-0.3%	0.2%	0.2%	0.2%	0.2%
ROE	-13.7%	0.7%	5.2%	3.2%	3.4%	3.7%
ROCE/WACC (x)	0.1	0.0	0.0	0.0	0.0	0.0

TIP-IT: Simplified Cash Flow Statement and key ratios

€m	2008	2009	2010	2011E	2012E	2013E
Net Profit	-21	1	10	6	7	8
+ Depreciation & Amort.	0	0	0	0	0	0
+/- Others	0	0	0	0	0	0
= Operating CF	-20	1	10	6	7	8
- Chg in Working Capital	7	0	4	1	1	1
- CAPEX of which:	0	0	0	0	0	0
Expansionary CPX	0	0	0	0	0	0
- Dividends	6	0	3	5	3	3
= Net FCF	-33	1	3	1	3	4
FCF Yld (M.Cp)	-18.3%	1.0%	2.0%	0.5%	1.7%	2.0%
FCF Yld (EV)	-62.1%	-66.1%	129.6%	4.5%	17.1%	24.8%
FCF ex-exp CPX	-33	1	3	1	3	4
FCF Yld ex-exp CPX (M.Cp)	-18.3%	1.1%	2.0%	0.5%	1.8%	2.0%
FCF Yld ex-exp CPX (EV)	-62.1%	-68.2%	129.8%	4.6%	17.2%	25.0%

TIP-IT: EV Valuations

€m	2011E	2012E	2013E
+ Mkt Cap	196	196	196
+ Net Debt	-33	-36	-40
- Non-core assets	140	140	140
+/- Other	0	0	0
= EV	23	20	16
EV/Sales (x)	3.9	3.2	2.5
EV/EBITDA (x)	49.9	39.2	29.2
EV/EBIT (x)	54.3	42.4	31.4
EV/NIC (x)	0.1	0.1	0.1

TIP-IT: Assets Breakdown (BV)

TIP-IT: Listed Assets Breakdown (NAV)

TIP-IT: Debt Structure (€m)

Total Debt in the B.Sheet	
Short Term	4
Long Term: maturing in	
24 months	0
36 months	0
more than 36 months	0
Cost Range	5.0-5.5%
Rating (Moody's)	
Short term	
Long term	

Estimated Off B/S Liabilities
TIP-IT: Share Information

Outstanding no. shares (m)	134
Market Cap (€m)	196
Avg daily volume (m sh, last 3 m)	0.082
Free float %	94.4%
Major shareholders	
D'Amico	10.0%
Generali	8.5%
Giovanni Tamburi	5.7%
Isabella Seragnoli	4.9%
Management shares option scheme	
% of Capital	
Nearest to vest	

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HOLD: 12-month valuation is 0-10% higher than the current market price.

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Current market price is the reference price of the day prior to the publication of the report.

Recommendation history and valuation trends – Tamburi Investment Partners spa

Date of publication	Recommendation	Valuation range (EUR)
28 April 2011	BUY	1.75-1.85

In case of short note, please make reference to most recently published report concerning the subject company for an overall analysis of the relevant strategy/profile, risks and adopted valuation methodology.

Rating allocation

	BUY	HOLD	SELL
As a percentage of total	51%	39%	10%

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