Triboo

MEDIOBANCA SECURITIES

08 May 2018 **TMT** **Initiating Coverage**

Price: € 2.17 **Target price: € 2.90** **Outperform**

On the growth path after a challenging year

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

Fabio Pavan
Equity Analyst
+39 02 8829 633
Fabio.Pavan@mediobanca.com

A comprehensive digital company…

Triboo is an Italian group specialising in eCommerce solutions, digital advertising and online publishing services. The company, which started out as a digital media provider, experienced a radical change of its business model in 2016 when it entered in the eCommerce service market. Since then it has offered a comprehensive range of digital services through two business divisions: i) media (totalling 42% of total sales), focusing on the digital advertising market; and ii) digital (accounting for 58%), specialising in eCommerce.

…targeting growth after a challenging year

2017 was a challenging year for Triboo, which suffered a material drop in the media division in 1H17. Since then, the group has taken strategic actions to improve performance, which resulted in a top line recovery in 2H17. Triboo remains focused on consolidating its market position in the media segment. With regard to the digital division, Triboo aims to grow by capturing the increasing trading activity of the eCommerce business owing to a strong focus on international expansion, such as into the Chinese market where the company recently established a branch and was granted Tmall partner status by Alibaba.

45% 2017-20 EPS CAGR leading to a net cash position in 2020

The recovery of the Italian digital advertising market coupled with the increasing transformation of retail businesses towards an omni-channel model should drive a 2017-2020 top-line CAGR of 9.5% up to €85.8m in 2020. At the EBITDA line, in 2017-2020 the company should post 4.4pp margin expansion up to €13.9m thanks to the operating leverage of the media division coupled with the growth in eCommerce activity. Bottom-line EPS should increase at 45% CAGR, leading the company to deleverage over time and to close net cash in FY20.

SOTP releasing >30% upside .Outperform, TP €2.90/share.

We derive our valuation using a Sum-of-the-parts approach which leads to a total EV of €100.8m (or €3.5 per share) for Triboo, resulting from the sum of its Digitale and Media businesses factoring in its holding costs. Adjusting the value for company's net debt, minorities and treasury shares we got an equity value of €92.6m (or €3.22 per share) at which we applied a 10% discount due to the low liquidity of the stock, leading to a TP of €2.9/sh. After the integration of its Digitale division, we believe Triboo has unique proposition in the Italian digital market combing its strong editorial content with a full range of eCommerce solutions acting as a one-stop shop for its customers. Despite last year was affected by the weakness of the Media business, Triboo has successfully managed a reorganization of the division which bear fruits in the second half of the year. Stock now is trading at 5x FY19 EV/EBITDA offering an attractive 6% FCF yield. Despite some execution risks remain, we believe visible catalysts such as the recovery of the online Italian advertising spending as well as the increasing adoption of the omni-channel model are expected to support the growth profile of the story, making current valuation undemanding and leading us to start the coverage with an Outperform rating.

	2017	2018E	2019E	2020E
EPS Adj (€)	0.04	0.04	0.10	0.12
DPS (€)	0.03	0.04	0.04	0.04
BVPS (€)	1.23	1.24	1.30	1.38
EV/Ebitda(x)	12.3	7.1	5.2	4.7
P/E adj (x)	75.3	50.8	20.8	18.0
Div.Yield(%)	1.2%	1.8%	1.8%	1.8%
OpFCF Yield (%)	-5.2%	4.6%	6.2%	7.5%

Market Data	
Market Cap (€m)	62
Shares Out (m)	29
Compagnia Digitale Italiana	60%
Free Float (%)	32%
52 week range (€)	3.78-2.14
Rel Perf vs DJGL Italy DJ Total Market Italy (%)	
-1m	-9.8%
-3m	-10.4%
-12m	-43.8%
21dd Avg. Vol.	26,110
Reuters/Bloomberg	TB.MI / TB IM

Source: Mediobanca Securities

Price: € 2.17 **Target price: € 2.90** **Outperform**

Valuation Matrix

Profit & Loss account (€ m)	2017	2018E	2019E	2020E
Turnover	65	75	82	86
Turnover growth %	5.3%	14.5%	9.2%	5.0%
EBITDA	8	10	13	14
EBITDA margin (%)	11.8%	13.3%	15.8%	16.2%
EBITDA growth (%)	-29.9%	29.0%	30.2%	7.2%
Depreciation & Amortization	-6	-7	-7	-8
EBIT	2	3	5	6
EBIT margin (%)	2.9%	3.6%	6.7%	7.2%
EBIT growth (%)	-66.5%	41.5%	nm	12.9%
Net Fin.Income (charges)	0	-0	-0	-0
Non-Operating Items	0	0	0	0
Extraordinary Items	0	0	0	0
Pre-tax Profit	2	2	5	6
Tax	-1	-1	-2	-2
Tax rate (%)	36.9%	36.5%	36.5%	36.5%
Minorities	-0	-0	-0	-0
Net Profit	1	1	3	3
Net Profit growth (%)	-68.3%	7.1%	nm	15.5%
Adjusted Net Profit	1	1	3	3
Adj. Net Profit growth (%)	-68.3%	7.1%	nm	15.5%

Multiples	2017	2018E	2019E	2020E
P/E Adj.	75.3	50.8	20.8	18.0
P/CEPS	14.8	7.1	5.8	5.4
P/BV	2.4	1.8	1.7	1.6
EV/ Sales	1.5	0.9	0.8	0.8
EV/EBITDA	12.3	7.1	5.2	4.7
EV/EBIT	50.6	26.5	12.5	10.5
EV/Cap. Employed	2.2	1.7	1.7	1.6
Yield (%)	1.2%	1.8%	1.8%	1.8%
OpFCF Yield (%)	-5.2%	4.6%	6.2%	7.5%
FCF Yield (%)	-3.1%	2.1%	6.7%	7.8%

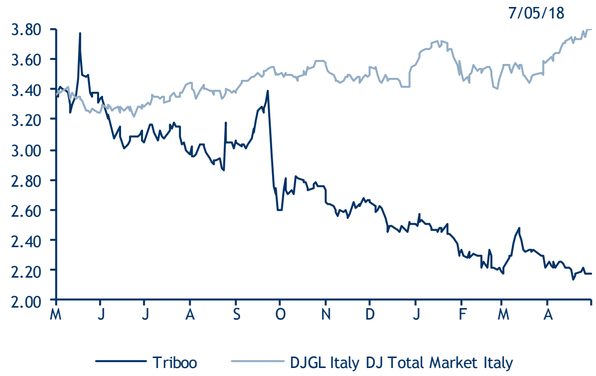
Per Share Data (€)	2017	2018E	2019E	2020E
EPS	0.04	0.04	0.10	0.12
EPS growth (%)	-68.3%	7.1%	nm	15.5%
EPS Adj.	0.04	0.04	0.10	0.12
EPS Adj. growth (%)	-68.3%	7.1%	nm	15.5%
CEPS	0.20	0.31	0.37	0.40
BVPS	1.23	1.24	1.30	1.38
DPS Ord	0.03	0.04	0.04	0.04

Balance Sheet (€ m)	2017	2018E	2019E	2020E
Working Capital	-7	-8	-8	-8
Net Fixed Assets	50	49	48	48
Total Capital Employed	43	41	40	39
Shareholders' Funds	35	36	37	40
Minorities	0	1	1	1
Provisions	-0	0	0	0
Net Debt (-) Cash (+)	-7	-5	-2	1

Key Figures & Ratios	2017	2018E	2019E	2020E
Avg. N° of Shares (m)	29	29	29	29
EoP N° of Shares (m)	29	29	29	29
Avg. Market Cap. (m)	86	62	62	62
Enterprise Value (m)	95	70	68	65
Adjustments (m)	2	3	3	4
Labour Costs/Turnover				
Depr.&Amort./Turnover	9%	10%	9%	9%
Turnover / Op.Costs	1.1	1.2	1.2	1.2
Gearing (Debt / Equity)	20%	14%	6%	-3%
EBITDA / Fin. Charges	>10	-28.3	-43.0	-55.2
Net Debt / EBITDA	0.9	0.5	0.2	-0.1
Cap.Employed/Turnover	66%	55%	49%	46%
Capex / Turnover	15%	10%	9%	8%
Pay out	87%	94%	38%	33%
ROE	3%	3%	8%	9%
ROCE (pre tax)	4%	6%	13%	16%
ROCE (after tax)	3%	4%	9%	10%

Cash Flow (€ m)	2017	2018E	2019E	2020E
Cash Earnings	6	9	11	11
Working Capital Needs	0	0	0	0
Capex (-)	-10	-8	-7	-7
Financial Investments (-)	-0	0	0	0
Dividends (-)	-2	-1	-1	-1
Other Sources / Uses	-5	2	-0	-0
Ch. in Net Debt (-) Cash (+)	-11	2	3	3

Source: Mediobanca Securities



Source: Mediobanca Securities

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EXECUTIVE SUMMARY

A fast-growing digital player…

Founded in 2005, Triboo is an Italian digital company operating in the eCommerce, digital advertising and online publishing businesses. The firm operates through two business divisions: Triboo Media (totalling 42% of total sales), which focuses on the digital advertising market; and Triboo Digitale, specialising in eCommerce solutions (accounting for the other 58% of sales). Last year the company reported a €65m top line, which had grown 5% owing to the outstanding performance of the eCommerce business, which more than offset the weakness of the media BU. On the balance sheet side, the company closed with €7.1m in net debt, which had increased yoy, primarily due to the consolidation of leasing contract on the headquarter asset.

…with a focus on media and eCommerce businesses

Triboo operates in two sectors, namely the Italian advertising and eCommerce markets. After years in a downturn, we believe the €6.2bn Italian advertising market has bottomed out and expect it to improve on the back of a macro improvement, with the online channel being among the best performers. With regard to the eCommerce market, we believe the vocational exports of the Italian economy, coupled with the increasing adoption of the omnichannel model in retail businesses, should support the development of eCommerce activity in Italy.

A clear strategy based on intra-group synergies and international expansion…

In such scenario, the group has undertaken a set of strategic actions to improve its competitive positioning, while increasing the company's visibility through the MTA listing that is expected to be complete by YE. At group level, Triboo is focused on boosting intra-group synergies, while strengthening the international presence of the company with a strong focus on the Chinese market.

…driving margin recovery and gradual deleveraging

We believe that Triboo is well positioned to profit from the recovery in Italian advertising and the increasing transformation of retail businesses towards the omnichannel model. In such a scenario, we expect an organic top-line CAGR of c.9.5% over the 2017-2020 period for Triboo leading the company to generate €85.8m sales in 2020 (from €65.3m in FY17), though we acknowledge that growth profiles are different across the business. By division, we expect an improvement in the Triboo Media business unit, coupled with a margin recovery. With regard to the Digitale business, we expect eCommerce to represent the bulk of the growth, increasing at a double-digit CAGR with overall stable profitability. At bottom-line level, we foresee EPS growing at a 45% CAGR, leading the company to gradually deleverage over time and to close with net cash in FY20.

Appealing valuation releases >30% upside. Outperform TP €2.9/share

We value Triboo using a Sum-of-the Parts approach, adding company's two main assets, namely the advertising and the eCommerce businesses. We calculated the value of the Media business applying a through the cycle multiple of the Italian advertising sector, while we estimated the value of the Digitale division through a DCF analysis in order to capture the strong growth prospects of this market. Then, we adjust our valuation factoring in: i) €14.1m of holding costs (€1.1 capitalised); ii) €0.8m treasury shares (valued at market price); iii) €7.1m net debt (as of YE 2017); and iv) 10% liquidity discount. Triboo is now trading at 5x FY19 EV/EBITDA, offering an attractive 6% FCF yield and we believe multiples are not reflecting the strong growth profile of the eCommerce business. Despite the recent weakness of the Media business, the company has successfully managed reorganization and it is now well positioned to capture a recovery in the advertising market as well as increasing international opportunities coming from the eCommerce sector. On the back of visible catalysts and an appealing valuation, we start the coverage with an Outperform rating.

VALUATION: We initiate with Outperform, TP €2.90/sh

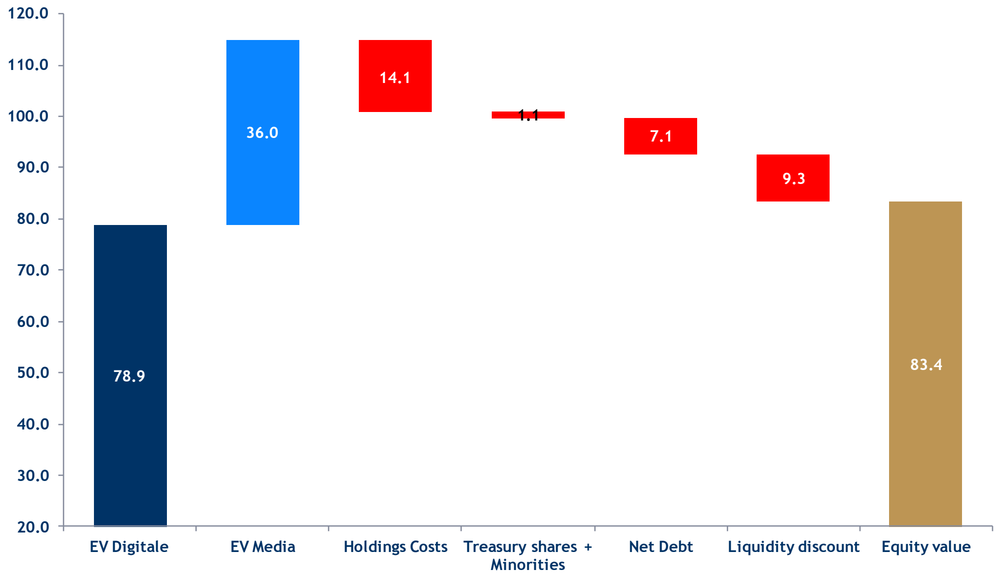
We initiate the coverage on Triboo with an Outperform rating and a TP of €2.90/sh. We derive our valuation using a Sum-of-the-Parts approach, releasing a double digit upside. After the integration of its the Digitale division, we believe Triboo has unique proposition in the Italian digital market combing its strong editorial content with a full range of eCommerce solutions acting as a one-stop shop for its customers. Despite the recent weakness of the Media business, the company has successfully managed a reorganization of the division which bear fruits in the second half of the year. Stock is trading at 5x FY19 EV/EBITDA offering an attractive 6% FCF yield in FY19. We believe multiples are not reflecting the strong growth profile of the eCommerce business making current valuation appealing and leading us to initiate the coverage with an outperform rating.

SOTP suggesting >30% upside

We value Triboo using a Sum-of-the Parts approach, releasing >30% upside on yesterday closing price. In greater details, we combined the value of company's two main assets, namely the advertising and the eCommerce businesses. In greater details, we calculated the value of the Media business applying a through the cycle multiple of the Italian advertising sector, suggesting an an EV of €36m (€1.25 per share). As regards the Digitale division, we estimated the value of the eCommerce business throught a DCF analysis in order to capture the strong growth prospects of this market. Our valuation of the Digitale division lands to an EV of €78.9m or €2.75 per share. Then, we adjust our valuation factoring in: i) €14.1m of holding costs (€1.1m capitalised); ii) €0.8m treasury shares (valued at market price); iii) €7.1m net debt (as of YE 2017); and iv) 10% liquidity discount.

After the completion of the integration of the Digitale division, we believe Triboo to be a full-round digital player with wide range of development opportunities. At the current stage, Triboo is trading at 5x FY19 EV/EBITDA and we believe current valuation is not reflecting the growth profile of the story. Despite the recent weakness of the Media business, the company has successfully managed reorganization and it is now well positioned to capture a recovery in the advertising market as well as increasing international opportunities coming from the eCommerce sector. Despite some execution risk remains, we start the coverage with an Outperform rating on the back of an attractive valuation.

Valuation bridge

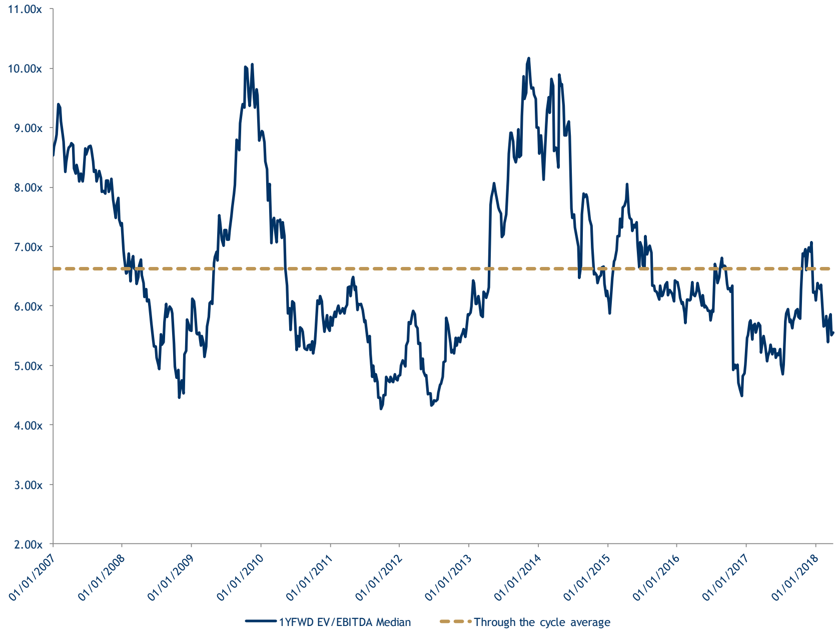


Source: Mediobanca Securities

Triboo Media: Multiples valuation

Given the mature nature of the advertising business model, we calculated the value of the Media business applying a mid cycle multiple of the Italian advertising sector.

Italian advertising sector - 1YFWD EV/EBITDA



Source: Mediobanca Securities, Thomson Datastream

We included in the cluster a list of Italian traditional editors such as Mondadori, GEDI, RCS and Cairo. Here a quick summary of their multiples.

Italian advertising sector – Multiples

Company	EV/Sales			EV/EBITDA			P/E		
	2018E	2019E	2020E	2018E	2019E	2020E	2018E	2019E	2020E
Mondadori	0.5x	0.5x	0.4x	6.0x	5.1x	4.8x	13.7x	11.1x	11.7x
RCS	1.1x	1.0x	0.9x	6.2x	5.8x	4.7x	8.7x	8.7x	5.1x
GEDI	0.5x	0.5x	0.4x	6.0x	5.5x	5.2x	10.3x	7.9x	8.0x
Cairo	0.6x	0.6x	0.6x	3.8x	3.4x	3.7x	10.3x	9.1x	5.2x
Median	**0.6x**	**0.5x**	**0.5x**	**6.0x**	**5.3x**	**4.8x**	**10.3x**	**8.9x**	**6.6x**

*Source: Mediobanca Securities, Thomson Datastream, ***prices as of 03/05/2018*

Despite Triboo is active only in the digital advertising while the other players operate across channels, we believe that using a mid-cycle multiple is the best way to adjust the multiple for the cyclicality of this business, therefore factoring in a gradual recovery in the advertising collection, at least for the internet channel .

Triboo Media - Multiples valuation

FY19 EBITDA Media	€5.5m
Throught Cycle Multiple	6.6x
EV Media	€36.0m
EV per share	**€1.25**

Source: Mediobanca Securities

Triboo Digitale: DCF valuation

Given that the eCommerce division is still at an early stage of its development and its has relevant growth potentials coming from the internalization strategy put in place by the company coupled with the possibility to add new stores, we have chosen a DCF-based methodology for valuing the Triboo Digitale business unit.

As a result our DCF returns a valuation of €78.9 enterprise value which or €2.75/sh. In greater detail, our valuation is based on the following assumptions:

- Peak sales of around €60m, coupled with a normalised EBITDA margin of c.17%. As far as the capex is concerned, we assumed the division to keep investing for supporting the development of the top line. We expect WC to remain overall stable time;
- A WACC of 8%, which is the result of: 1) a normalized risk-free rate of 3%; 2) an equity risk premium of 4%; 3) a beta of 1.25;
- A perpetual growth rate of 2.0%, given the solid medium term perspective granted by the sector with a high growth profile.

Here we set up a summary of our DCF assumptions.

Triboo Digitale - DCF valuation

Perpetual growth rate	2.0%
WACC	8.0%
Terminal value end of projection period	€86.1m
Discounting rate of terminal value	0.68
Discounted terminal value	€58.6m
Cumulated DFOCF	€20.4m
Enterprise Value	**€79.0m**
EV per share	**€2.75**

Source: Mediobanca Securities

Below some multiples of eCommerce players vs Triboo digitale.

eCommerce multiples

	EV/EBITDA			
	2017	2018E	2019E	2020E
Verkkokauppa com	14.5x	15.5x	11.7x	8.8x
Asos	40.3x	30.8x	23.7x	18.4x
Zalando	35.1x	30.4x	23.6x	18.4x
YNAP	20.2x	16.6x	12.4x	9.5x
Showroomprive	14.5x	15.4x	9.2x	7.1x
Mysale group	14.5x	9.6x	7.2x	n.m.
axélero (MB)	22.2x	11.6x	6.6x	3.5x
Amazon	37.8x	25.3x	19.2x	14.4x
Mean	**24.9x**	**19.4x**	**14.2x**	**11.4x**
Median	**21.2x**	**16.1x**	**12.1x**	**9.5x**
Triboo Digitale at TP	**12.2x**	**10.3x**	**9.2x**	**8.7x**

*Source: Mediobanca Securities ***prices as of 03/05/2018*

Initiating the coverage with Outperform TP of €2.90/sh

We initiate the coverage on Triboo with an Outperform rating. Our valuation is based on Sum-of-the-parts approach which leads to a total EV of €100.8m (or €3.5 per share) for Triboo, resulting from the sum of its Digitale and Media businesses factoring in its holding costs. Adjusting the value for company's net debt, minorities and treasury shares we got an equity value of €92.6m (or €3.22 per share) at which we applied a 10% discount due to the low liquidity of the stock, leading to a TP of €2.9/sh.

Here below a summary of our main assumptions.

Triboo - valuation summary

(€m)	
EV Digitale	**€78.9m**
EV Media	**€36.0m**
Holding costs (€1.1m capitalized)	-€14.1m
Total EV Triboo	**€100.8m**
Minorities	-€0.3m
Treasury shares at market value	-€0.8m
Net Debt	-€7.1m
Value of Equity	€92.6m
Value per share	€3.22
Liquidity discount	**10%**
Value of Equity	**€83.4m**
Value per share	**€2.9**

Source: Mediobanca Securities

After the integration of its the Digitale division, we believe Triboo has unique proposition in the Italian digital market combing a strong editorial content with a full range of eCommerce solutions acting as a one-stop shop for its customers. Despite the recent weakness of the Media business, the company has successfully managed a turnaround of the division which bear fruits in the second half of the year. At the current stage some execution risks remain but visible catalysts such as the recovery of the Italian advertising spending as well as the increasing adoption of the omni-channel model are expected to support the growth profile of the story, making current valuation undemanding and leading us to start the coverage with an Outperform rating.

Multiples at TP

	2018E	2019E	2020E
EV/Sales	1.2x	1.1x	1.0x
EV/EBITDA	**9.2x**	**6.9x**	**6.2x**
EV/EBIT	34.4x	16.3x	13.9x
EV/CE	2.2x	2.2x	2.2x
P/E (adj)	67.9x	27.7x	24.0x
P/CF	9.4x	7.7x	7.3x
P/BV	2.3x	2.2x	2.1x
Op FCF Yield	1.7%x	5.0%	5.8%
FCF Yield	**3.8%**	**4.7%**	**5.5%**

Source: Mediobanca Securities

SWOT ANALYSIS

Strengths:

- Well positioned to exploit the omni-channel transformation of the retail business;
- Competitive advantage thanks to its developed proprietary platform;
- Focus on the fast growing eCommerce market;
- Solid balance sheet.

Weaknesses:

- High exposure to the domestic advertising market;
- Material investment needed to keep up with latest market developments.

Opportunities:

- Commercial synergies between Triboo Media and Digitale BUs;
- Well positioned to exploit the opportunities coming from the internationalization;
- M&A for adding new online editorial contents and other digital companies.

Threats:

- Increasing competition for OTT players which dominates the digital advertising market;
- Highly competitive eCommerce market;
- Change in regulatory environment related to data treatment.

SECTOR ANALYSIS: ECOMMERCE & ADVERTISING

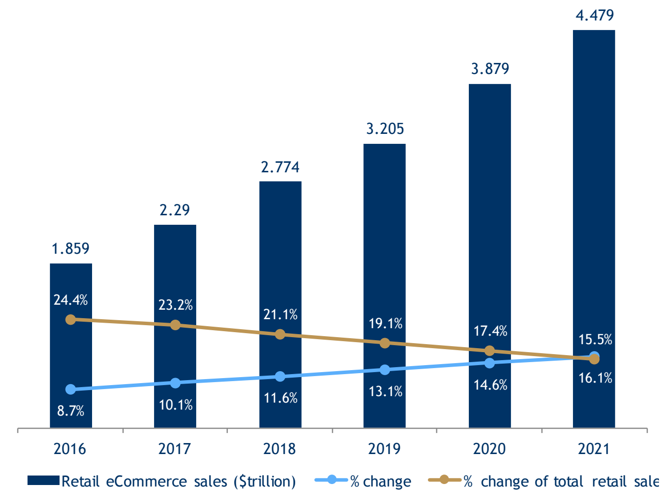
Triboo operates in two sectors, namely Italian advertising publishing and eCommerce. The former is thought to have bottomed out and be set to rebound on the back of a macro improvement. With regard to the latter, the vocational exports of the Italian economy, coupled with increasing cross-border transactions, should drive an expansion in online trading activity.

eCommerce market: exploiting the vocational export of the Italian SMEs

The retail eCommerce market includes all purchases of products and services ordered via the internet through any device, ranging from laptops to smartphones and tablets. The sector's booming development is supported by robust structural trends and the prevalence of the omnichannel model in retail businesses – accordingly eCommerce has experienced in the last few years a period of robust growth.

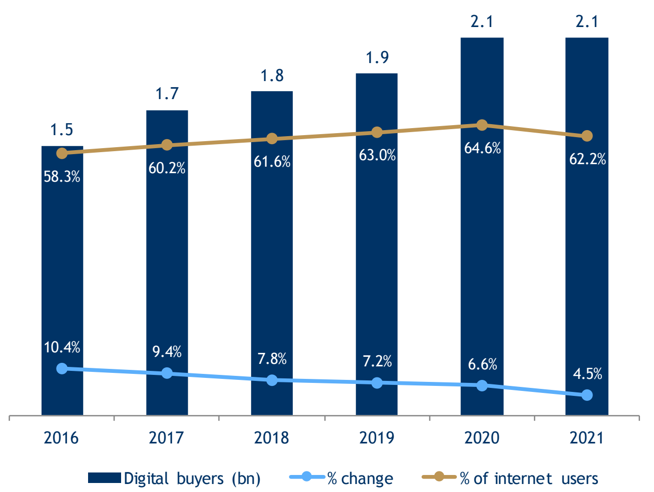
Online purchasing is now considered a routine activity and last year 1.66bn internet users (representing 26.8% of the global population) purchased at least one item via the web. According to eMarketer estimates, retail eCommerce sales worldwide will continue to post solid gains in 2018, rising 21.1% to USD2.7tn. As a result, this year eCommerce sales will account for more than one-tenth of total retail sales worldwide.

FY16 – FY21E global eCommerce sales



Source: eMarketer, Mediobanca Securities

FY16 – FY21E digital buyers worldwide

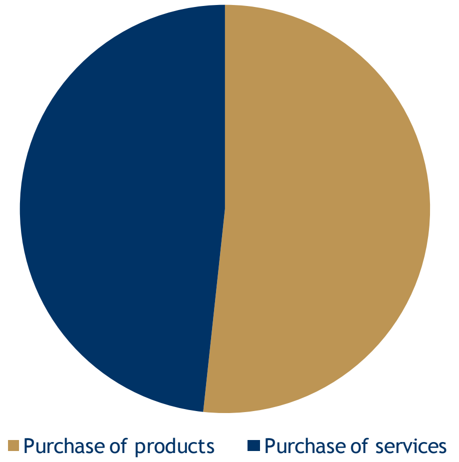


Source: eMarketer, Mediobanca Securities

The Italian market follows this global trend. According to the 2017 eCommerce B2C report by the Milan Polytechnic School, the volume of online purchases in Italy had reached €23.6bn at the end of 2017, up 17% from 2016.

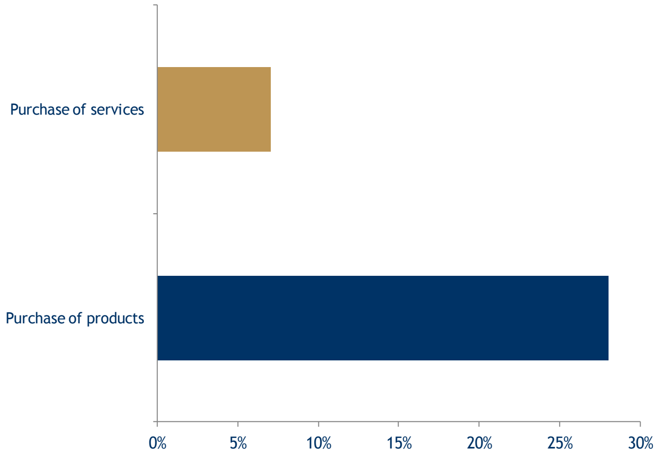
Online purchases represented in 2017 5.7% of total retail purchases, against 4.9% in 2016. However, despite the positive results, the market is yet far from being mature.

FY16 – FY21E Global eCommerce sales



Source: Politecnico di Milano, Mediobanca Securities

FY16 – FY21E Digital buyers worldwide



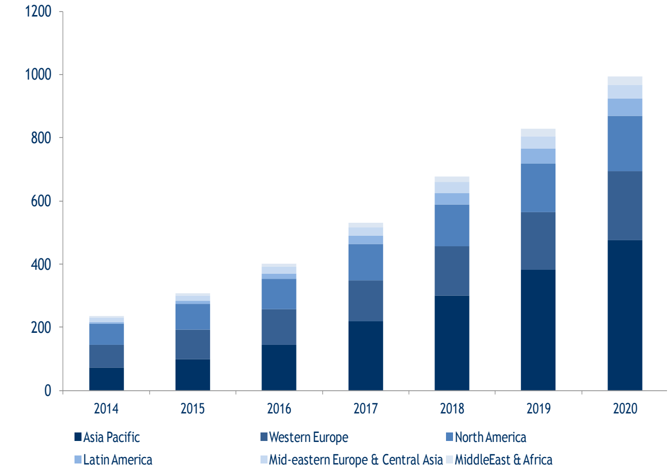
Source: Politecnico di Milano, Mediobanca Securities

For the first time, the purchases of products (€12.2bn, +28% YoY) overtook the purchases of services (€11.4bn, +7%). Among products, software and electronics represented the biggest share of purchases, with a turnover of c.€4bn, up 28% yoy, while clothes (both fashion and mass distribution) was the second sector in terms of sales, with a €2.5bn turnover. Food and grocery was the most rapidly growing sector (+43% yoy), followed by home furnishing (+31% yoy). As far as services are concerned, tourism and travel took the lion's share, with €9.2bn in turnover (+7% yoy). Online purchases of insurance reached €1.3bn (+6% yoy) and continued to be focused on car insurance.

Going forward, we believe the Italian eCommerce market will benefit from two key trends, namely the increase in cross-border purchases and the vocational exports of the Italian economy, with a primary role played by SMEs.

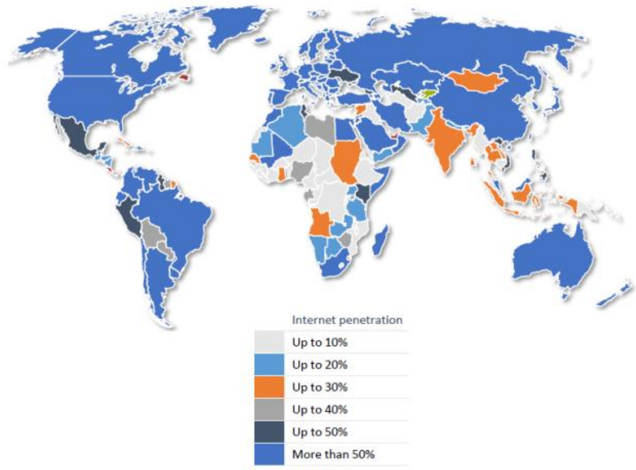
In greater detail, the latest data (*source: Accenture - Global Cross-Border eCommerce Market 2020*) suggest that cross-border eCommerce is thriving as eRetailers are attempting to grow outside their borders by targeting international expansion. In such an environment, the ease of international trade and the increasing penetration of broadband are expected to support further this structural trend.

Cross border B2C eCommerce market forecast by region (USDbn)



Source: Accenture Global Cross Border eCommerce Market 2020, Mediobanca Securities

Global overview internet penetration: global B2C eCommerce

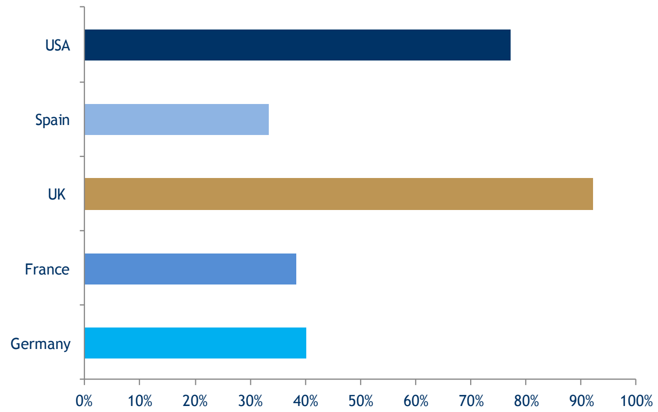


Source: Mediobanca Securities, ecommercefoundation.org

In addition, we highlight that the vocational export of the Italian SMEs bodes well for the eCommerce expansion.

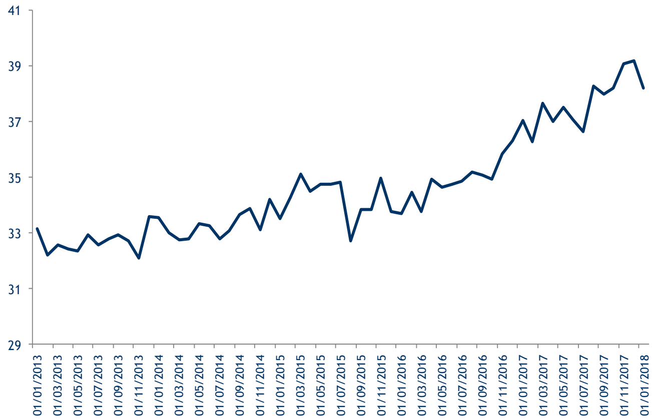
Latest survey from eBay (*source: Export digitale*) confirms that over the past 5Y (2013-2017) the number of online exporters increased by 52%, while the number of items exported increased by 13m, leading to volume increase of 48% in the 2013-2017 period. By geography, EU countries coupled with the US remain the key exit markets posting the largest gains.

eBay Export Digitale: key destination market FY13-17 Δ%



Source: Mediobanca Securities, eBay Export Digitale

2013-17 - Italian export (€bn)



Source: Mediobanca Securities, ISTAT, Bloomberg

In conclusion, we believe the aforementioned trends will support the development of the eCommerce sector in Italy, with increasing investments from Italian companies, which we believe can benefit from the growing adoption of the omnichannel approach.

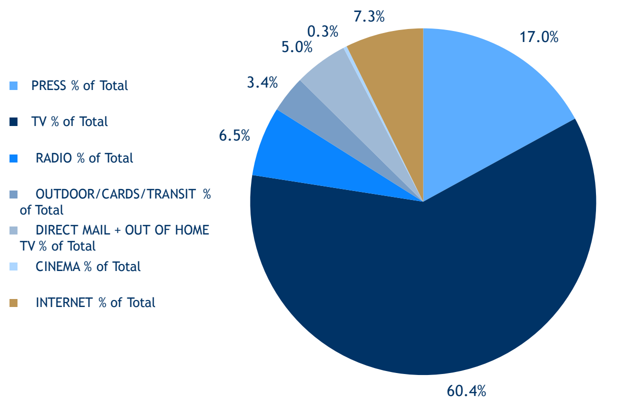
In such a competitive scenario, we point out that the Italian market for eCommerce service providers remains highly fragmented. Despite the existence of large international players that dominate the landscape, there are a number of specialised providers. Most of these are focused on branded and luxury goods and might include additional services such as logistics and consultancy.

We believe the most similar companies to Triboo Digitale are IBOXX (part of Giglio Group) and YNAP, both of which are strongly focused on fashion and luxury goods, as well as Alkemy, for its focus on eCommerce consulting. We highlight that Triboo Digitale's business model in the online differs from online pure players (ie ePrice) since the company has no risks on unsold inventory.

Italian advertising market: ready to the capture the next upswing

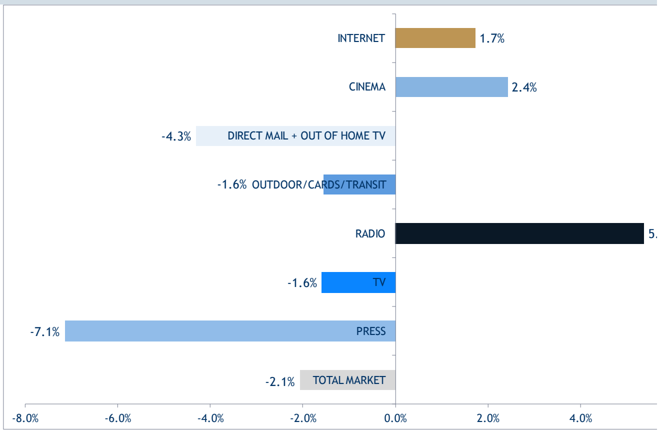
Triboo operates in the advertising market throught its Triboo Media BU collecting revenues based on its own and third party properties. The Italian market totaled €6.2bn (*source: Nielsen*) last year, excluding OTT players. Breaking down the advertising market by channel, the television accounts for the majority of the total spending (>60% market share), followed by press (17%), Internet (7.3% * excluding the OTT) and Radio (6.5%). Last year, adverting spending went down by 2.1% yoy but growth profile was different across channel.

FY17 - advertising market by channel (% share)



Source: Mediobanca Securities, Nielsen

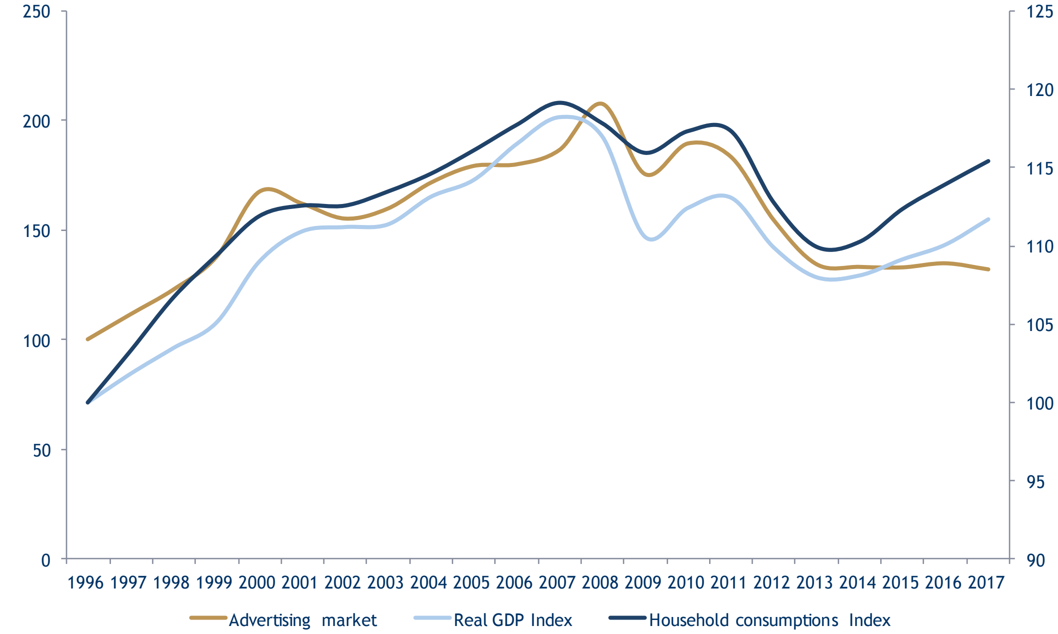
FY17 - advertising market by channel (% yoy)



Source: Mediobanca Securities, Nielsen

In general terms, we highlight that advertising is a mature market showing a moderate growth profile. As the industry serves the entire private sector, its revenue and earnings follow economic cycles to some extent. Advertising outlay is typically a lagging or late-cycle indicator, falling after the start of a downturn and recovering after the beginning of an upturn.

1996-2017: Italian advervtising market vs real GDP vs household consumptions



Source: Mediobanca Securities, Nielsen, Bloomberg

As outlined in the chart above, the trend for advertising spending followed Italian GDP, as well as household spending.

However, despite GDP is showing sign of reversals posting a gradual growth, Italian advertising market is still lagging. Going forward, an improving macro outlook suggests that a recovery in the demand may come. In light of the aforementioned macro improvement, in January Dentsu Aegis increased its forecasts for the Italian advertising spending which is foreseen up by 1.9% vs previous estimates pointing at +1.5% yoy increase (as of June 2017).

Despite over the last year, advertising spending was flattish and it was not able to regain the pre-crysis level, the overall environment changed sharply. Increasing internet penetration marked a progressive shift to the digital advertising model.

2008 -2017 Advertising market breakdown by channel

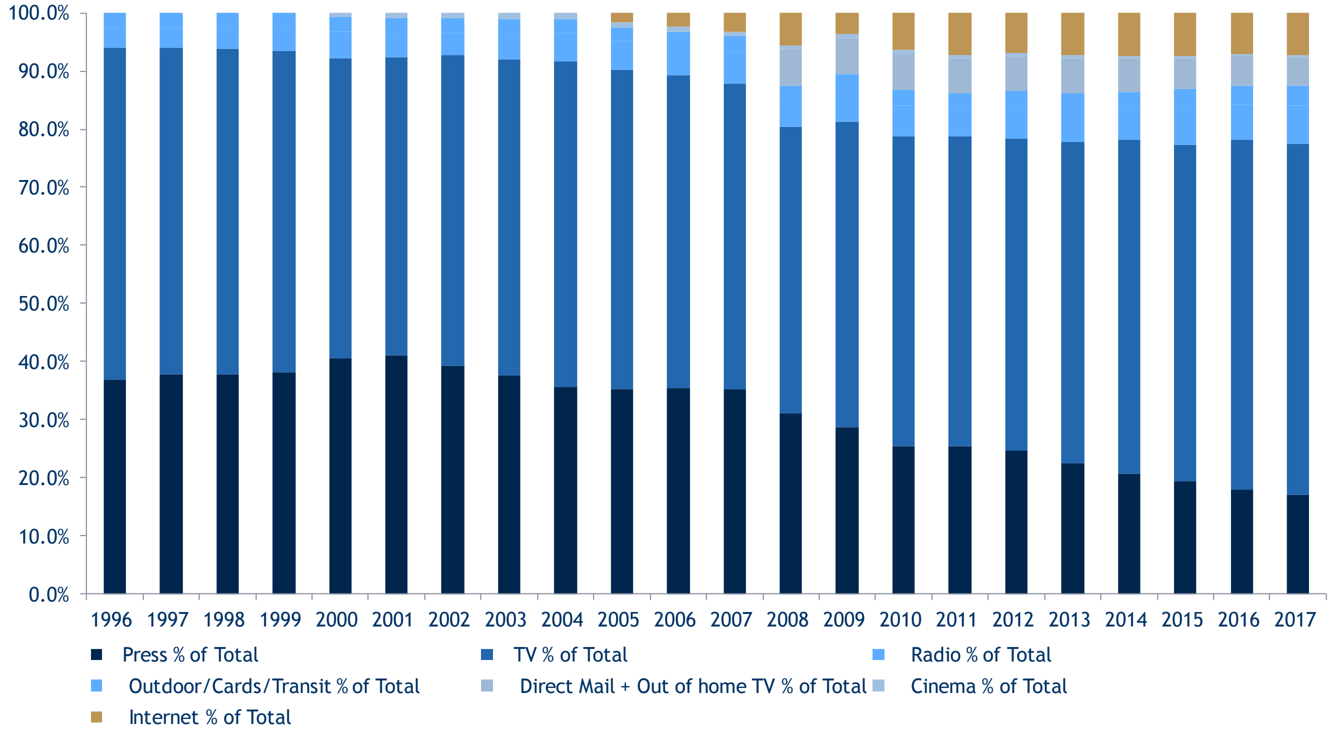
%	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Press	31.0%	28.8%	25.5%	25.4%	24.8%	22.4%	20.7%	19.4%	18.0%	17.0%
Tv	49.3%	52.5%	53.2%	53.3%	53.6%	55.5%	57.5%	57.9%	60.1%	60.4%
Radio	4.8%	5.3%	5.2%	5.0%	5.3%	5.5%	5.4%	6.0%	6.0%	6.5%
Outdoor/Cards/Transit	2.4%	3.0%	2.8%	2.5%	2.8%	2.8%	2.8%	3.6%	3.4%	3.4%
Direct mail + Out of home Tv	6.2%	6.2%	6.3%	6.0%	6.0%	6.0%	5.8%	5.4%	5.1%	5.0%
Cinema	0.6%	0.7%	0.7%	0.5%	0.5%	0.5%	0.4%	0.3%	0.3%	0.3%
Internet	**5.7%**	**3.6%**	**6.3%**	**7.3%**	**7.0%**	**7.3%**	**7.4%**	**7.4%**	**7.0%**	**7.3%**

Source: Mediobanca Securities, Nielsen

As seen in the table and the chart digital/Internet advertising experienced a remarkable growth in the past ten years scoring a double-digit CAGR and increasing its weight over time from 1.6% in 2005 up to 7.3% reported last year.

We remind that this data underestimates the true spending of the sector since this does not include the contribution from the OTT, namely Google, Facebook and Twitter.

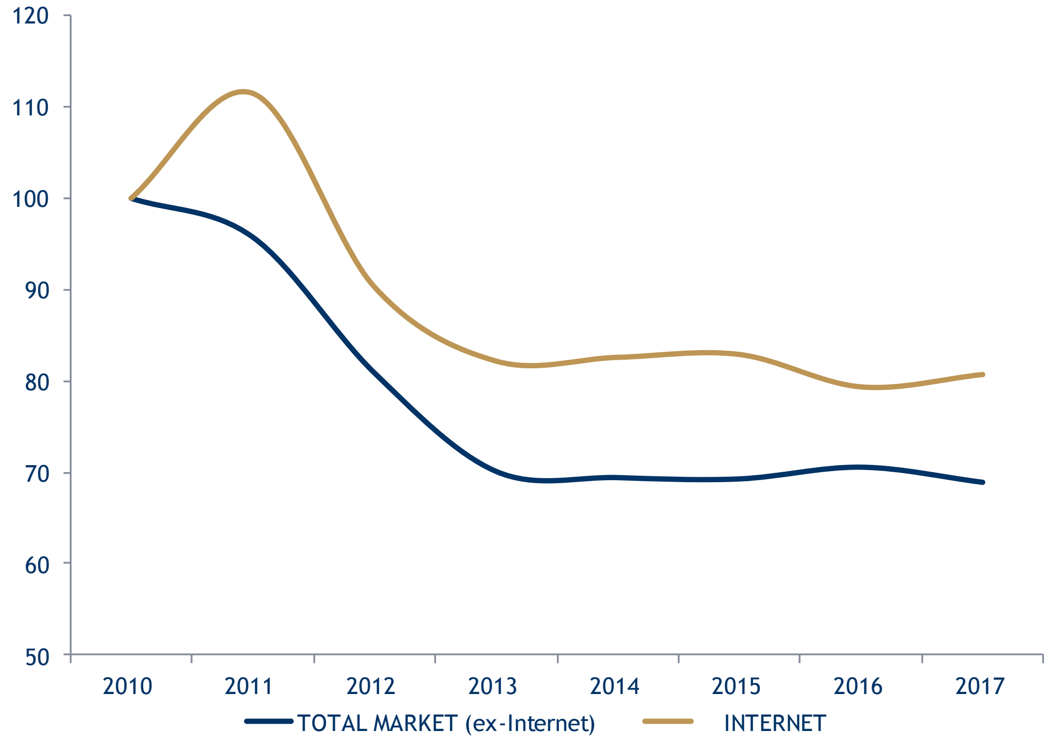
1996-2017 advertising market structure



Source: Mediobanca Securities, Nielsen

We also highlight that, despite having experienced a higher volatility, the digital advertising spending outperformed the market over the last 7 years, proving to be more resilient, thanks to due ongoing shift to the digital technologies.

2010-17 advertising spending: internet vs rest of market



Source: Mediobanca Securities, Nielsen

In such a context, the competitive scenario of the Italian advertising market is quiet fragmented. At the current stage, both small and large players coexist in the market.

In greater detail, large players are mostly traditional publishers such as Mondadori, GEDI or RCS, which are able to reach a wide audience with a complete offering across the different channels. On the other side, there are also small companies, most of them non-listed, which are focused on a concentrated audience with a limited editorial portfolio.

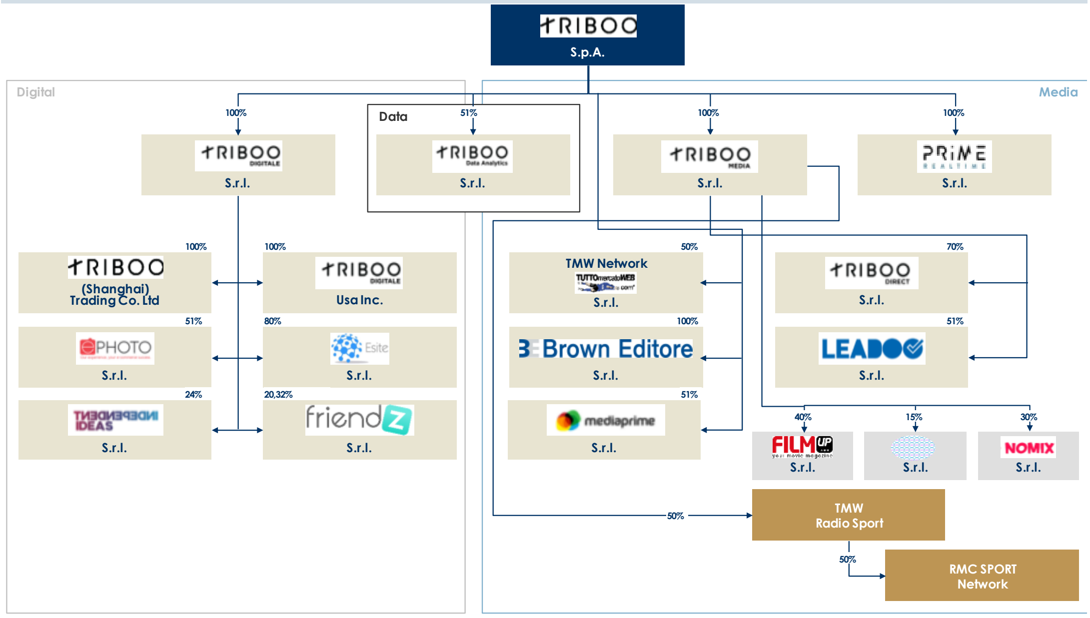
Focusing on the digital advertising space, ruling out the traditional editors and the OTTs, namely Google, Facebook and Twitter, we believe the most similar companies to the Triboo Media business unit are Italiaonline, axélero and DigiTouch, which have a specific focus on advertising services and digital marketing to professionals and enterprises.

COMPANY OVERVIEW: a partner for mastering the digital shift

Triboo is an Italian digital company operating in the e-commerce, digital advertising and online publishing businesses. The firm operates through two business divisions, namely Triboo Digitale and Triboo Media. The group's offering aims to boost its partners supporting them along the journey of the end-customers in the current digital scenario.

Founded in 2005, Triboo is an Italian digital firm offering a wide range of innovative solutions spanning from online advertising to comprehensive eCommerce services. Based in Milan, the company originally operated exclusively as a digital advertisement services provider and in 2016 it added a full set of eCommerce solutions, completing its offering and aiming at becoming the "*one and only*" companies' digital partner.

FY16 - company structure



Source: Mediobanca Securities

The company started trading on the AIM Italia (in 2014), which is the stock exchange for smaller and less liquid companies. However, it recently announced that it is planning to move to the MTA market this year to achieve better visibility.

The group currently operates through two main business units, respectively dedicated to eCommerce and online publishing/advertising collection, with the aim of offering a system of integrated skills. The two divisions are:

- **Triboo Digitale** is the Group's division which provides corporate clients with eCommerce solutions. It currently manages more than 100 online stores and is supported by a team comprising more than 100 members among developers and project managers. In this context, Triboo Digitale acts as a "one-stop-shop" eCommerce Service Provider, covering the entire value chain of eCommerce for its clients-partners, including *online store design*, *definition of marketing and advertisement strategies*, *supply chain and delivery logistics management* and *customer care*. In term of sales, Triboo Digitale generated revenues in FY17 for €39m.

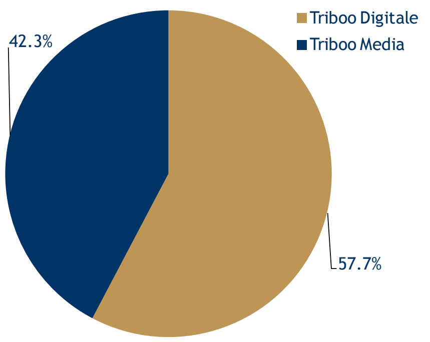
- **Triboo Media** is a digital media company leader on the Italian web advertising market offering among other products, *branding*, *performance* and digital *publishing services* thanks to an extensive network of owned and affiliated websites.. In terms of sales, revenues for FY17 amounted to €28.6m;

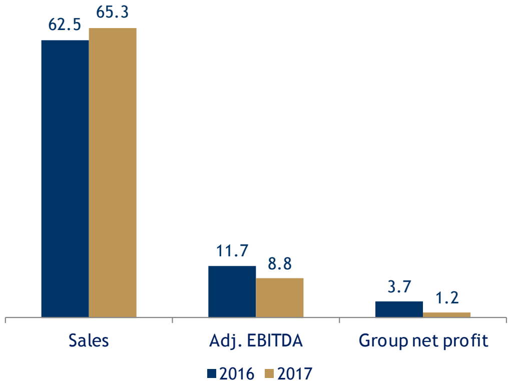
Both businesses leverage on data analytics know-how coming from **Triboo Data Analytics**, the recently purchased *big data management* subsidiary that offers analytical services in support of other units. Thanks to the expertise of this division, Triboo has become capable of interpreting digital data to explain online-offline retail clients' behaviour, thus driving higher eCommerce sales and higher online advertising budgets.

Thanks to the broad range of services offered by the group, from eCommerce consulting and outsourcing services to production of online editorial content and advertising campaigns, Triboo holds a unique position in the rapidly evolving Italian digital market scenario.

In 2017 Triboo reported another year of growth, with its top line growing in the mid-single-digit area (5.3% yoy) to €65.3 (from €62m). The aforementioned increase in sales already factors in the impact of IFRS15 (*revenues from contracts with customers*), which has an effect only on the Triboo Digitale division. Breaking down the result by business unit, we highlight the remarkable growth reported in the eCommerce business, up by 22% yoy and now representing c.58% of total turnover, which benefited from a yoy increase in the number of stores managed (99 from 81 in 2016). With regard to the media division, it suffered last year, reporting a 6.3% yoy drop, mainly due to the turnaround process of the sales force, which affected materially the first half of the year. However, we highlight that the division went back to a normalised level of turnover in 2H17.

FY17 results summary





Source: Mediobanca Securities

At the EBITDA line, performance was affected by the weakness of the media division, which posted a margin in the mid-single-digit area but was partially offset by the strong improvement reported by the Digitale business unit. In greater detail, FY17 adjusted EBITDA was €8.8m from €11.7m posted in 2016.

At bottom-line level, the group reported last year a €1.2m net profit, from €3.7m posted in 2016. We highlight that the drop in earnings was due to the weakness of the media business, as well as the impact of non-recurring costs, mainly due to the ongoing procedure for the MTA listing.

With regard to the balance sheet side, Triboo moved from a €4.2m net cash position in 2016 to €7.1m in net debt as of 31 December 2017. The material increase in debt was mostly due to the consolidation of the leasing contract on the headquarter asset. In addition to that, earn-out and put options related to past acquisitions as well as dividend c.€2.1m distribution weighted on debt.

History: a fast-growing digital company

Founded in 2005, Triboo started life as an online advertising and publishing provider. After years of fast growth, the company went public on the AIM in FY14. Following the merger with Grother S.r.l. (as of FY16) the company enriched its business offer, gaining exposure to the promising eCommerce business by becoming a full-fledged digital enabler.

Below is a quick overview of Triboo's key achievements:

- The company began as a web advertising solutions provider, specialising in performance advertising services using proprietary technology;
- In **2007** and **2008** the company strengthened its position in the Italian digital advertising market, widening its product portfolio with the launch of direct email marketing services (DEM) and the brand advertising business;
- After the acquisition of the Leonardo.it portal was started in **2010** and finalised in **2011**, Triboo gained exposure to the online editorial business and advertising collection activity, using both proprietary and third-party web pages, and consequently became a full range provider of media and advertising solutions.
- In March **2014** the company went public, listing on the AIM Italia.
- On 5 August **2016** Triboo Media announced a share swap merger with Grother S.r.l (121 Triboo media shares for each Grother quota), the holding company owning 100% of Triboo Digitale. The deal, finalised in November, was aimed at expanding the company's business in eCommerce services, transforming Triboo into a key player in the Italian digital market with a unique business profile.
- After being listed for three years on the AIM Italia stock market, in **2017** the board of directors of Triboo recently decided to undertake the procedure for moving to the MTA, the main Italian stock market run by the Italian Stock Exchange. The process, which has not been finalised yet, aims to increase stock liquidity and improve Triboo's visibility.

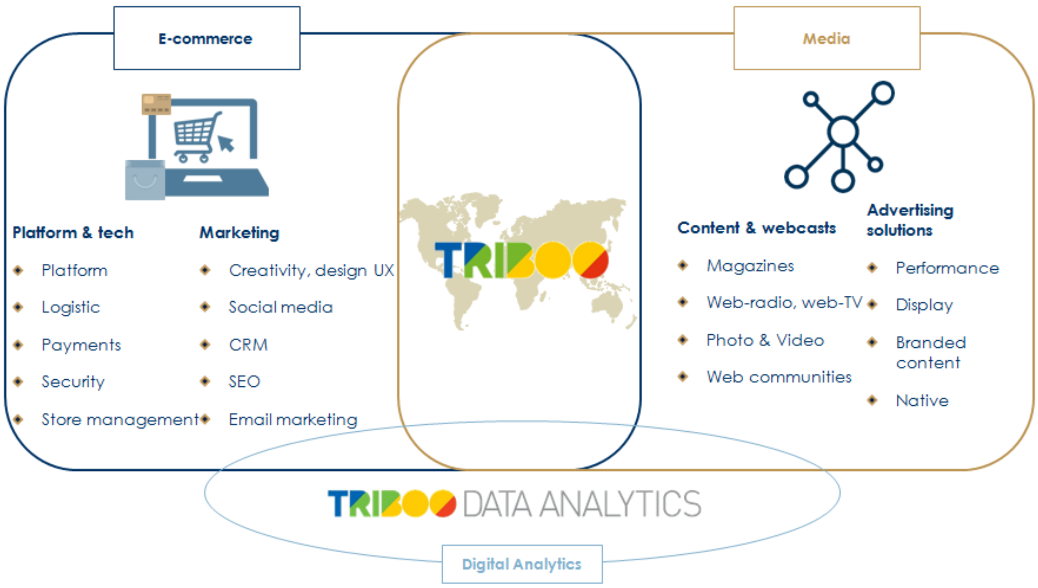
History

Source: Mediobanca Securities

Business model: creating value along the pipeline of digital services

Triboo operates mainly in two markets: media and advertising through its Triboo Media business; and eCommerce via Triboo Digitale, which joined the company in 2016. The goal of the company is to maximise the growth of its customers globally through management of their eCommerce and media activities.

Triboo business mix



Source: Mediobanca Securitie, Investor presentation

eCommerce: profiting from the omni-channel model

Triboo acts as a "one-stop shop" eCommerce service provider that manages third-party producers' online stores, covering the entire value chain of eCommerce needs of clients-partners. The group operates through one main company, using ancillary entities to manage very specific tasks and processes.

Triboo's eCommerce companies

Triboo Digitale	**The strategic partner for full outsourcing eCommerce operations:** from web design to logistics, from retail strategy to digital marketing
Triboo Shanghai Trading	Commercial hub in China **to create partnerships with local platforms and entities** in order to operate effectively in the country
Triboo Digitale USA	Legal and operative entity for the **US market**
ePhoto	A unique expertise in photoshooting for eCommerce, able to **reduce time and costs without giving up on quality**

Source: Company presentation, Mediobanca Securities

In this business, Triboo offers to its customers a comprehensive range of solutions, from the design and management of online stores to marketing and web agency services. To expand on this point, Triboo takes care of all of the activities involved in the operational management of an online store such as: i) the development and implementation of the online platform for online sales; ii) management of online orders and invoicing procedures; iii) management of customer care activities; and iv) management of logistics and shipping activities.

Services for eCommerce

Source: Company presentation, Mediobanca Securities

In this context, Triboo's activities are summarised in the table below.

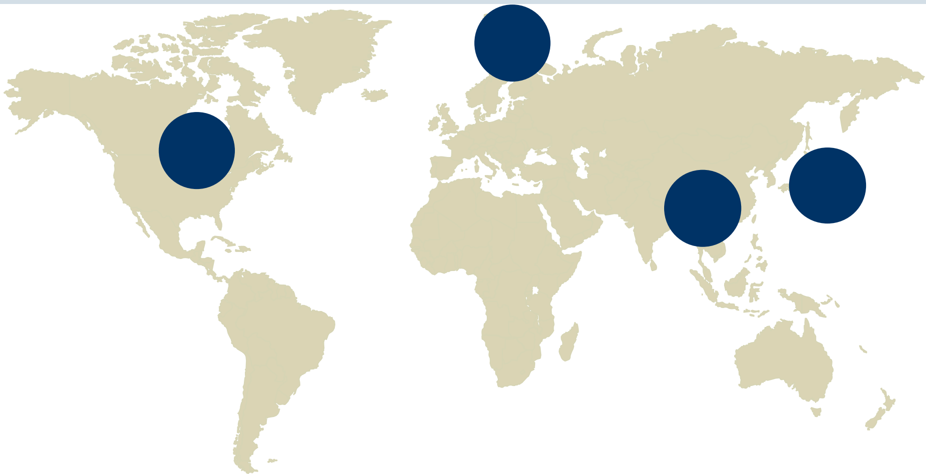
Triboo's eCommerce

Online store design and implementation
This phase generally lasts three months and concerns the entire development of the online store, from the definition of its characteristics (in agreement with the customer) to the activation of the platform itself. This initial service is remunerated through a fee calculated on the basis of the investment activity needed to realise the website.
Definition of marketing and advertising strategies and store management
This activity, performed by a specialised store manager team, aim to monitor the performance of online stores to provide partners with consulting services to maximise sales. This phase is regulated through annual or multiannual contracts. In greater detail, customers are responsible for the supply of the products to be sold. The items, stored into Triboo's warehouses, remain customers' property while Triboo purchases products only when orders from the final clients are received. In this way, unsold goods can be given back to clients and as a consequence, Triboo is not exposed to any risks.
Marketing
Triboo offers to its partners a variety of marketing and media communication services, including advertising campaigns. The company defines these activities in accordance to a budget established in agreement with its clients.
Supply chain management, logistics and customer care
The group presides over all the operations involved in online store management. These include order receipt, delivery and customer care. In greater detail, when the store receives an order, a security check is performed to prevent possible fraud. After that, requests are transmitted to the logistics department, which is responsible for packing and sending products to clients. Finally, deliveries are performed by specialised operators.

Source: Mediobanca Securities

At the core of the company's eCommerce ecosystem there is a technology platform, called Peanuts 2.0, which allows for a large degree of customisation. Such a tool allows the companies which partner with Triboo to achieve a global reach, shipping products to more than 150 countries thanks to three warehouses in Italy, two in the US and one in China. Focusing on China, we flag that Triboo is able to develop a full-round service on-field. Accordingly, the group is a strategic and certified player that manages directly online sales and takes charge of every logistical and legislative aspect in order to operate in the country.

eCommerce geographical footprint



Source: Company presentation, Mediobanca Securities

Through the platform, Triboo offers many formulas of omni-channel exploiting the advantages of both the online store and the physical retail.

Triboo omni-channel offering

Transaction model	Channel
Pay and receive	Store online
Reserve and collect	Physical store
Pay and collect	Physical store
Pay in store	Physical store
Return in store	Physical store

Source: Mediobanca Securities

As of today, the company manages c.100 stores (from 8 in FY08) for clients which are mostly Italian based companies shipping more than >3m products per year.

Growth trend in the e-commerce business

Source: Company presentation, Mediobanca Securities

Media & Advertising: a complete digital content maker

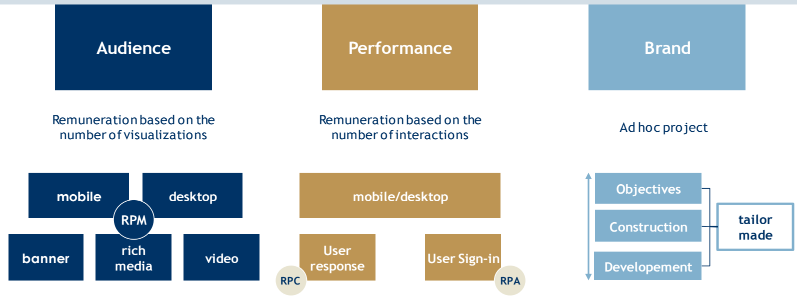
In the media and advertising sector the group operates through its Triboo Media business unit. Triboo's core business consists of selling advertising space and designing advertising campaigns, leveraging on the synergetic interaction between its technological expertise and the editorial network to provide clients with innovative advertising products.

Media and advertising products are designed to populate online spaces. Such content is developed in-house and is designed to be compatible with different devices (e.g. desktop and mobile). The group's key customers are advertisers and media centres.

Triboo's advertising solutions

Source: Company presentation, Mediobanca Securities

Triboo's advertising products



Source: Company presentation, Mediobanca Securities

In this context, Triboo is able to provide different types of advertising solutions, which can be distinguished between for objectives and remuneration model. These can be divided into three categories, namely *audience*, *performance* and *brand*:

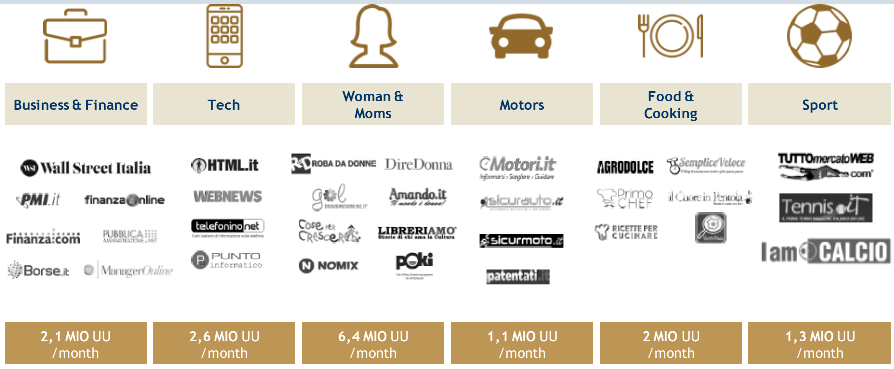
- **Audience products** are designed to make potential customers aware of a particular product, discount offer, event or brand. The main objective of these campaigns is reaching the targeted audience, representing the group of potential consumers for the advertised product. Audience products are characterised by simple remuneration models based on the number of visualisations or the exposure time. Revenues are usually measured on *revenue per thousand* (RPT), defined as revenue for each thousand visualisations of the advertisement message. As far as audience products are concerned, advertisers are mainly interested in the *viewability* of the product, i.e. the ability to reach consumers belonging to appropriate categories (in terms of gender, age, region, etc.);
- **Performance products** are aimed at accomplishing more specific tasks, with respect to their audience counterparts. This may involve, for instance, selling a product or gathering information. Remuneration is based on the ability of the campaign to elicit specified

actions in the audience as a consequence of visualisation. Remuneration is generally measured through the *number of clicks* (RPC) or by *revenue per action* (RPA);

- **Brand products** are tailored to clients' needs and involve a variety of services aimed at boosting brand visibility and reputation. These may range from the creation of a mini-website to the launch of events, surveys and promotions on social media.

In performing its activities, Triboo leverages on a second editorial network in Italy, relying on 17 property vertical sites organised by thematic areas (business and finance, tech, women and moms, motors, food and cooking and sport), coupled with more than 250 licensed websites, characterised by their different editorial profiles.

Triboo's editorial properties



Source: Company presentation, Mediobanca Securities

These can be grouped in the following four distinct clusters.

Triboo's editorial network

The Leonardo network

This is made up of third-party websites in exclusive concession to the group through multi-year contracts. The network allows the different editors to gain a higher level of visibility and appeal for advertisers with respect to what would be achievable by a standalone website. Revenues are generated through the sale of advertising on the Leonardo portal and on the affiliated websites;

The property network

This is made up of editorial products directly owned by the group. These web sites, 17 in total, are characterised by a high level of content specialisation.

The performance AD network

This is made up of c.1,500 independent websites linked to the network by a membership agreement, without any time constraint, that allows the websites to publish their advertising campaigns. The network quality is generally perceived to be inferior to the other editorial products managed by the group. For this reason it is mostly used for performance campaigns only that aim to reach as big an audience as possible.

The prime network

The network is managed by Prime Real Time S.r.l and provides real-time managed advertising campaigns. The network is made up of premium editors under annual contracts based on the sales of advertising space through a real-time bidding platform. Advertising solutions are delivered to clients in two steps: i) the campaign is defined in terms of budget and goals, according to customers' needs; ii) a particular mix of advertising and media solutions is chosen to meet those goals.

Source: Mediobanca Securities

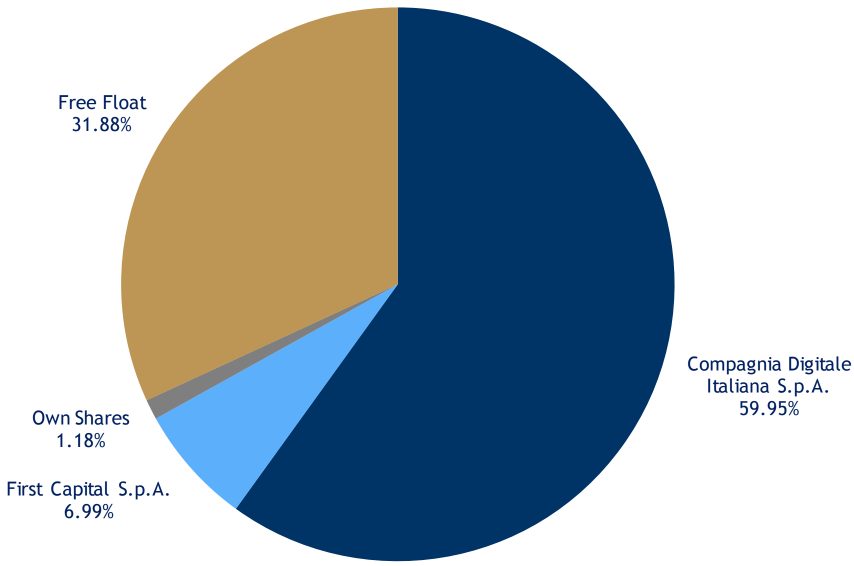
In terms of distribution channels, the company strategically adopts a comprehensive approach, selling advertising solutions either through direct selling (the traditional method) or through real-time bidding and programmatic buying platforms.

SHAREHOLDERS' STRUCTURE

As of today, the share capital of Triboo SpA amounted to €28,740,210 divided into 28,740,210 ordinary shares. As of today, no classes of shares have been issued other than ordinary ones. We remind that Triboo currently owns 340,500 treasury shares. No stock option incentive plan is currently in place.

A summary of the main shareholders is reported below.

Shareholder structure



Source: Company website, Mediobanca Securities

The largest shareholder is the Founder and CEO, Mr. Giulio Corno, via its holding company Compagnia Digitale Italiana which controls 17,229,727 shares accounting for 59.95% of the share capital. The second major shareholder of the group is First Capital, namely an institutional investor, with 2,009,500 shares accounting for 6.99% of the share capital. The company holds 1.18% of the share capital through treasury shares. At the current stage, free float currently stands at ca.9,160,483 shares , accounting for 31.87% of the share capital (or c.39% including the stake of first capital which is an institutional investor), which are traded on the AIM Italia market.

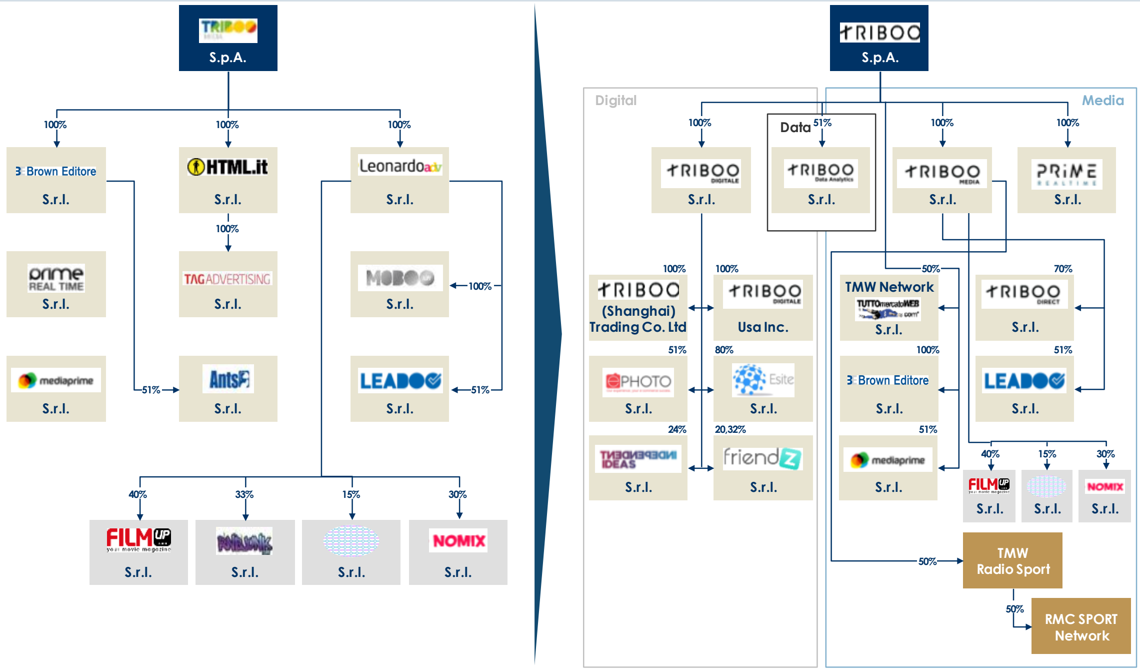
We remind that, after being listed for three years in the AIM Italia Stock market, last year the BoD decided to undertake the procedure for moving to the MTA, the main Italian Stock run by the Italian Stock Exchange. The process, which has not been finalised yet, aims to increase stock liquidity and improve Triboo's visibility.

STRATEGY: growth boosted by international expansion and internal synergies

Triboo, originally was born as a pure advertising company, focused on the digital channel. However, the group experienced a sharp change in its business model in 2016. Accordingly, Triboo went through a radical transformation after the deal with the holding company Grother, which brought to the merge with Digitale division.

Here below a summary of the transaction.

Reverse merger with Grother



Source: Mediobanca Securities, Company annual report

In greater detail, the operation was a reverse takeover, which led to the incorporation of Triboo Digitale and its controlled companies (Bootique and E-site) into the group. Following the completion of the transaction, Triboo Media, the former holding company, changed its name to Triboo, the current parent company. The operation was aimed at creating a fully consolidated player in the Italian market, able to assist its partners along the entire pipeline of digital marketing services.

Triboo strategic milestones

Source: Mediobanca Securities, Company presentation

Following the deal with Grother, the group changed its strategy, moving from a pure media company to a fully-integrated digital player with a solid presence in eCommerce. From now on, the strategy of the group is based on three strategic pillars:

- Strengthening the **international presence** of the group;
- **Boosting intra-group synergies**;
- Continued growth via **M&A.**

In greater detail, for **Triboo Digitale** the strategic view of the group can be summarised as follows.

Triboo Digitale strategy

Development of commercial synergies
The group targets further synergies coming from the merger of the two entities, especially from a commercial standpoint. Triboo targets increased cross-selling of its services between the two business units to fully exploit its wide customer base.
Investment in the platform
Triboo still focuses on the reinforcement of the eCommerce platform, enhancing both the range of solutions provided to partners and the range of value-added services to increase client retention.
Internationalisation
Following the important certification obtained by Alibaba, which recognizes Triboo as the unique Italian Tmall partner based in China, the company continues to focus on strengthening its international presence, with Europe, the US and China as key target areas.

Source: Mediobanca Securities

On the advertising business, **Triboo Media's** strategy can be summarized as follows.

Triboo Media strategy

Completing the sales force turnaround
Following issues experienced in the past, Triboo is working at restoring a stable top management relationship with main media centres as part of a restructuring of its sales force efforts.
Development of company's editorial content
Triboo is investing in the improvement of its editorial content in order to become a premium editor capable of providing advertisers with tailor-made solutions and high-quality visibility.
Complete offering thanks to programmatic
In terms of offering, the group aims to reach both large audiences, thanks to the focus on programmatic advertising, as well as premium clients, with tailor-made solutions.

Source: Mediobanca Securities

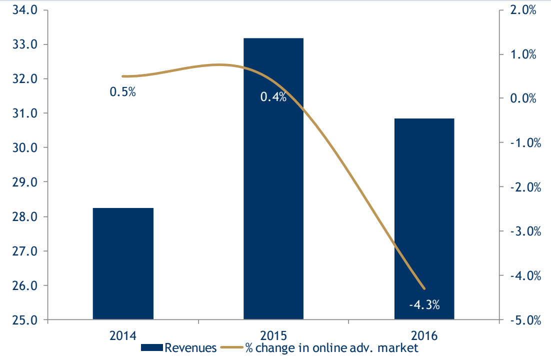
FINANCIALS: 45% EPS CAGR driving deleveraging

Triboo is a fast growing digital company well positioned to profit from the recovery in the Italian advertising investments and the increasing transformation of the retail business towards the omni-channel model. Going forward, we foresee the company to post 9.5% revenues CAGR with a solid margin improvement. On the balance sheet side, we expect the company to close with positive net financial position by 2020.

Historical results: an outperformer in a challenging market

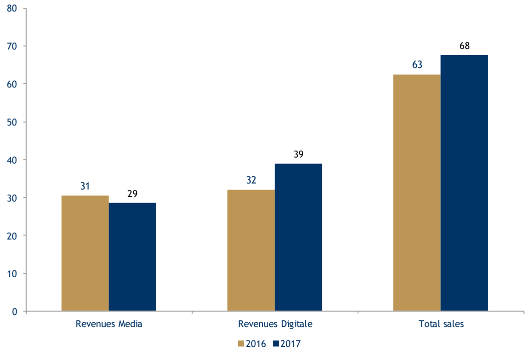
Triboo started life operating in the innovative digital advertising business. In that segment, the Triboo Media unit was able to grow due to a mix of organic performance and an external growth strategy despite a shrinking online advertising market. Looking at the 2014-2016 period, the division had 4.4% top-line CAGR, outperforming its reference market, which was down 2.0%. As seen in the chart below, last year the media business suffered a 6.3% drop due to sales force problems that affected performance in the first half of the year.

FY14-16 Triboo Media vs Italian online advertising market



*Source: Mediobanca Securities, Nielsen, *data are not IFRS 15 compliant*

FY16-17- revenues and EBITDA by BU



*Source: Mediobanca Securities, *data IFRS compliant*

Following the completion of the transaction with Grother, the group gained exposure to the eCommerce market in 2016. This business, now accounting for more than half of group revenues, is performing well, posting revenues that are increasing in the double-digit area thanks to a strong progression in the number of managed stores (c.100 in FY17), coupled with a focus on international expansion (i.e. China).

FY17 results: a challenging year

On March 30th Triboo unveiled its FY17 results, with its top line growing in the mid-single digit area thanks to the strong result of the digitale division which more than offset the drop in the Media business. We remind that results were fully compliant with the IFRS 15 standard. Both at the EBITDA and net income level, the performance was affected by the weakness of the Media division which posted a material drop in 1H17 due to temporary issues related to the sales force, which was solved in the second half of the year, leading the company to get back to growth. On the balance sheet side, the increase in debt was mostly due to the consolidation of the leasing contract on headquarter asset, coupled with increasing obligations due to the earn out and put options due to past acquisitions as well as dividend c.€2.1m distribution.

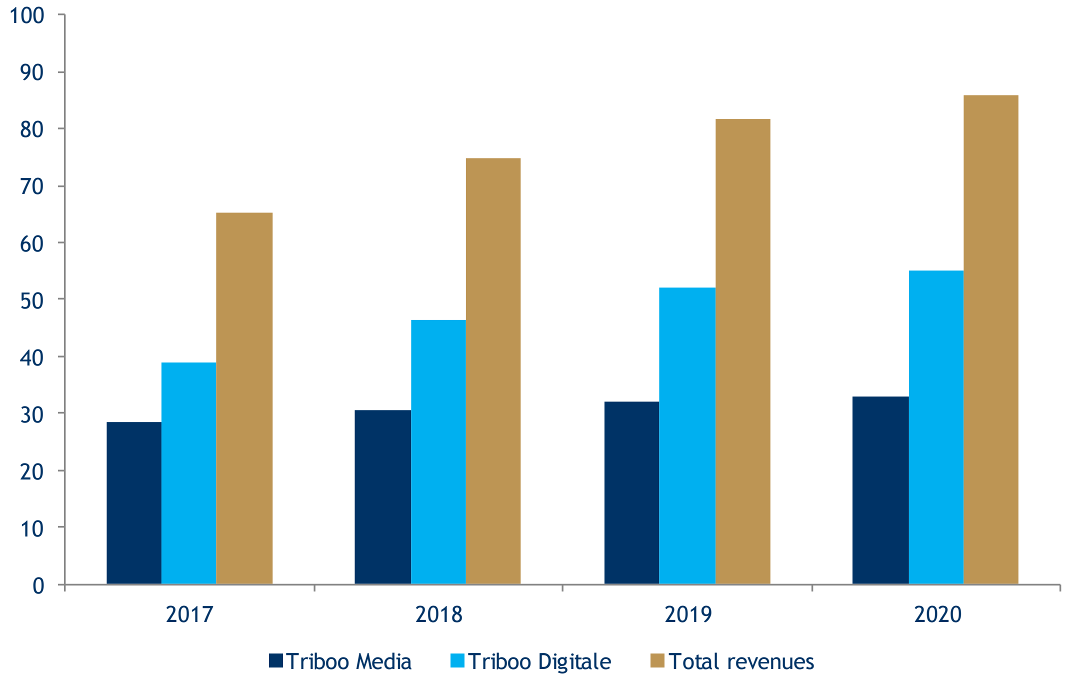
FY17 Results	FY17A	FY16A	YoY chg.
Total revenues	**65**	**62**	***5%***
EBIT	**1.9**	**5.6**	***nm***
Group net income	**1.2**	**3.7**	***nm***
Net Cash/(Debt)	**7.1**	**(4.2)**	

Source: Mediobanca Securities

Top-line growth driving margin expansion

We expect an organic top-line CAGR of 9.5% over the 2017-2020 period for Triboo, though we acknowledge that the growth profile is different across its businesses. By division, we expect an improvement in the Triboo Media business unit, coupled with margin recovery. In the Digitale business, we expect eCommerce to represent the bulk of the growth, increasing at a double-digit CAGR with overall stable profitability.

2017-2020E: eevenues estimates by business unit (€m)



Source: Mediobanca Securities

We expect Triboo to achieve 9.5% top-line CAGR in the 2017-2020 period and EBITDA to increase by c.80%, implying a 4.4pp margin expansion. At the current stage, the company does not provide any detailed guidance or BP.

Digging into our top-line assumptions, we expect Triboo to experience growth across business. In greater detail:

- **Triboo Media:** Following the completion of the sales force reorganization, we foresee this business unit to confirm the sign of recovery registered in the second half of the year. Therefore, we estimate the division to post €30.6m sales, implying 7% yoy growth, in 2018. Going forward we expect that growth should soften remaining in the low-to-mid-single digit area;
- **Triboo Digitale**: In our view, the positive trend seen in last year should continue leading to a double digit top line increase with a lighter 1H18 followed by a strong acceleration in the second half of the year thanks to the positive initiatives put in place by the company, such as the expansion of its store base (ie Aeffe) and the increasing focus on new markets (ie China). Going forward, we expect the BU to post 12.3% CAGR over the 2017-2020 period.

Here below a summary of the main of our top line estimates.

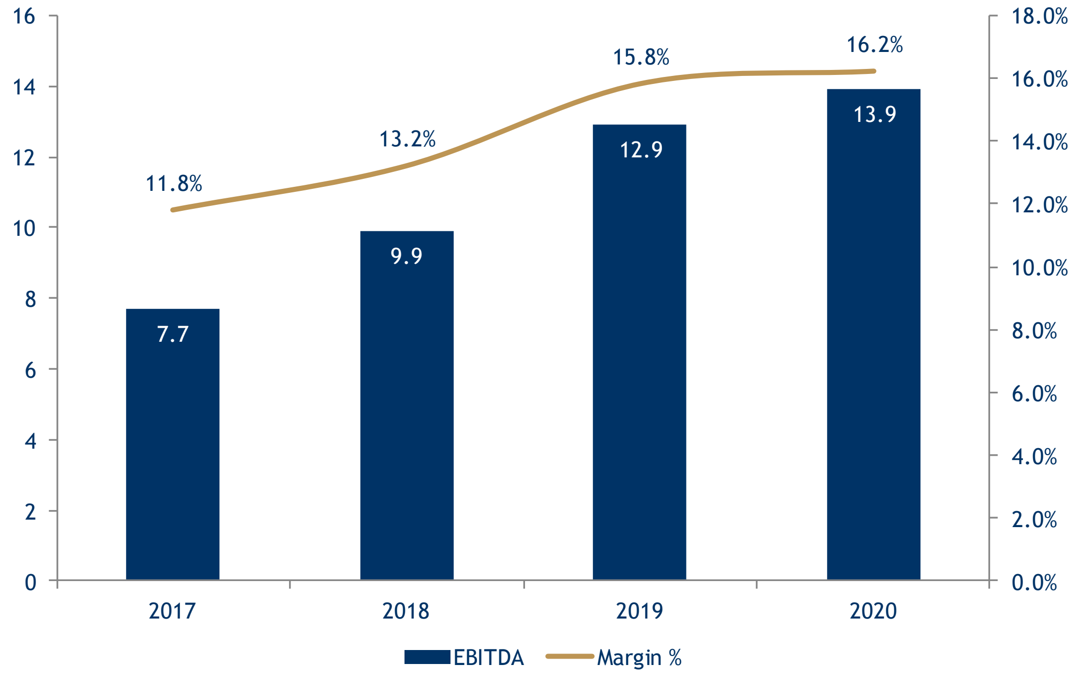
2017-2020E Revenues by business

	2017A	% ch.	2018E	% ch.	2019E	% ch.	2020E	% ch.
Triboo Media	**28.6**	***-6.3%***	**30.6**	***7.0%***	**32.1**	***4.9%***	**33.1**	***3.1%***
organic	-1.9	*-6.3%*	1.5	*5.3%*	1.5	*4.9%*	1.0	*3.1%*
o/w perimeter	0.0	*0.0%*	0.5	*1.8%*	0.0	*0.0%*	0.0	*0.0%*
FX	0.0	*0.0%*	0.0	*0.0%*	0.0	*0.0%*	0.0	*0.0%*
Triboo Digitale	**39.0**	***21.8%***	**46.5**	***19%***	**52.0**	***12%***	**55.2**	***6%***
organic	7.0	*21.8%*	7.5	*19.2%*	5.5	*11.8%*	3.2	*6.2%*
o/w perimeter	0.0	*0.0%*	0.0	*0.0%*	0.0	*0.0%*	0.0	*0.0%*
FX	0.0	*0.0%*	0.0	*0.0%*	0.0	*0.0%*	0.0	*0.0%*
Eliminations	-2.3		-2.3		-2.4		-2.5	
Total	**65.3**	***5.3%***	**74.8**	***14.5%***	**81.7**	***9.2%***	**85.8**	***5.0%***

Source: Mediobanca Securities

On the back of our top-line estimates, we expect EBITDA to increase by 21.7% in terms of CAGR and to reach c.€13.9m in FY20, implying a 16.2% margin (+4.4pp from FY17).

FY17-20E EBITDA margin



Source: Mediobanca Securities

In general terms, we highlight that the Media and Digitale divisions should post a different trend in the margin development. As regards the media division, we remind that this business is characterized by high operating leverage leading it to post a solid margin improvement on the back of the increasing turnover. On the digitale, we expect EBITDA margin to remain stable over stable over time with growth coming from GMV expansion.

A recap of our EBITDA assumptions by business in the table below.

2017-2020E EBITDA by business

	2017A	% ch.	2018E	% ch.	2019E	% ch.	2020E	% ch.
Triboo Media	**3.4**	*nm*	**4.3**	*26%*	**5.5**	*27%*	**5.9**	*7%*
% Margin	*11.9%*		*14.0%*		*17.0%*		*17.7%*	
Triboo Digitale	**6.4**	*10%*	**7.6**	*19%*	**8.6**	*12%*	**9.1**	*6%*
% Margin	*16.5%*		*16.5%*		*16.5%*		*16.5%*	
Holding & non rec. costs	-2.1		-2.0		-1.1		-1.1	
Total EBITDA	**7.7**	*nm*	**9.9**	*29%*	**12.9**	*30%*	**13.9**	*7%*
% Margin	11.8%		13.2%		15.8%		16.2%	

Source: Mediobanca Securities

Bottom line growing at double-digit CAGR

Below the EBITDA, the main lines impacting on net income are:

- **D&A** are expected to be material and to close at €7.3m by YE. Going forward, we believe this will slightly accelerate in absolute value as a consequence of the investment put in place by the company to improve its platform/products;
- Given the low financial leverage of the company, **financial charges** are expected to be stable at around €0.4m by YE marginally affecting PBT. In our assumption we have factored in an average cost of debt below 3%.
- For FY18 we forecast **a tax rate** overall flattish yoy at close to 37%. Going forward we expect this to be stable over time.

Below a quick recap of our P&L estimates.

P&L FY 2017-2020E

(€m)	2017A	2018E	2019E	2020E
Sales	**65.3**	**74.8**	**81.7**	**85.8**
EBITDA	**7.7**	**9.9**	**12.9**	**13.9**
Depreciation & Provisions	-5.8	-7.3	-7.5	-7.7
EBIT	**1.9**	**2.7**	**5.4**	**6.1**
Net Financial Interest	0.3	-0.4	-0.3	-0.3
Other Financials	-0.1	0.0	0.0	0.0
Extraordinary Items	0.0	0.0	0.0	0.0
Profit before taxes	**2.1**	**2.3**	**5.1**	**5.9**
Tax	-0.8	-0.8	-1.9	-2.2
Tax rate	*37%*	*37%*	*37%*	*37%*
Minorities	-0.2	-0.2	-0.3	-0.3
Net Profit (reported)	**1.1**	**1.2**	**3.0**	**3.5**

Source: Mediobanca Securities

Based on the above-mentioned assumptions, we expect the bottom line to increase at a CAGR of c.45% between 2017-2020E.

Cash flow assumptions: net cash by 2020 after dividend distributions

Ruling out the impact of any potential M&A deal, and given the aforemenioned top line improvement and margin expansion Triboo should reach a positive net financial position generating c.€8.4m FCF in the 2017-2020 period, leading the company with €1.3m net cash (from €7.1m net debt in FY17).

The main assumptions behind the strong FCF generation are the following:

- A material improvement in EBITDA margin, as mentioned above;
- A **capex** of around €7.5m by year-end 2018. We highlight that most of the investments are related to the development of new proprietary platforms, while keeping updated the existing ones. Going forward we expect this to remain stable at €7m pa;
- At the **working capital** level, we expect it to remain negative and to slightly generate cash over time as the company business model does not imply any investment in inventory and that Triboo tends to collect cash up-front, while paying suppliers back later;
- An overall stable **divided** cash-out of €1.1m per year.

Here below a quick summary of our cash flow assumptions.

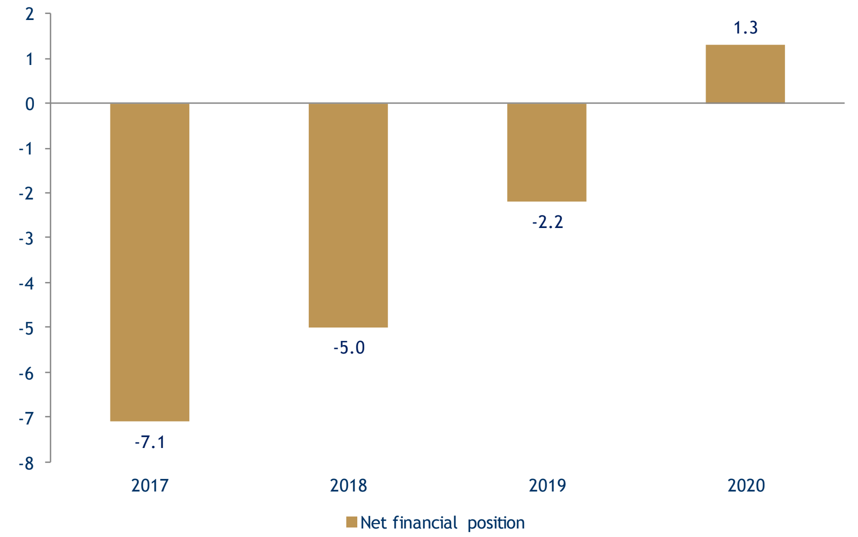
2017-2020E Cash flow assumptions

(€m)	2017A	2018E	2019E	2020E
Cash flows	**5.8**	**8.8**	**10.8**	**11.5**
Net working capital change	0.2	0.1	0.4	0.4
Capex	-10.1	-7.5	-7.0	-7.0
Free operating cash flows	**-4.0**	**1.4**	**4.2**	**4.9**
Net financial investments	-0.1	1.8	0.0	0.0
Dividends	-2.1	-1.0	-1.1	-1.1
Others	-5.1	-0.1	-0.2	-0.3
Change in net debt	**-11.3**	**2.2**	**2.8**	**3.5**

Source: Mediobanca Securities

As a result of the aforementioned cash flow dynamics, we expect the company to have a positive net financial position of c.€1.3 m by 2020.

2017-20E Net financial position



Source: Mediobanca Securities

Key risks to be monitored

Below are the key sources of risk potentially affecting our estimates:

- **Increasing competition from OTTs**: Despite online advertising being among the channels showing most growth, this is dominated by OTTs, namely large international companies such as Google and Facebook. Going forward, we cannot rule out that increasing competition may lead to OTT players increasing their market share;
- **Slowdown of the advertising market**: Since the advertising market is a cyclical business we cannot rule out a potential slowdown of advertising collections due to a deterioration in the business cycle;
- **Loss of key customers in the eCommerce business:** The Digitale division is characterised by the strong relationship that Triboo has in place with its customers, which is secured by three to five year contracts. Despite the company having worked at diversifying its customer base to reduce concentration, we can't rule out that the loss of these contracts may lead to a drop in trading activity;
- **Regulation:** We believe that a change in the regulatory environment related to data treatment may hamper the activity related to the media business. With regard to eCommerce, the implementation of more restrictive international trade policies may lead to a slowdown in trading activity given that Digitale's customers are also exporters.

SUMMARY OF FINANCIALS

(€m)	2017A	2018E	2019E	2020E
Sales	**65.3**	**74.8**	**81.7**	**85.8**
EBITDA	**7.7**	**9.9**	**12.9**	**13.9**
Depreciation & Provisions	-5.8	-7.3	-7.5	-7.7
EBIT	**1.9**	**2.7**	**5.4**	**6.1**
Net Financial Interest	0.3	-0.4	-0.3	-0.3
Other Financials	-0.1	0.0	0.0	0.0
Extraordinary Items	0.0	0.0	0.0	0.0
Profit before taxes	**2.1**	**2.3**	**5.1**	**5.9**
Tax	-0.8	-0.8	-1.9	-2.2
Tax rate	*37%*	*37%*	*37%*	*37%*
Minorities	-0.2	-0.2	-0.3	-0.3
Net Profit	**1.1**	**1.2**	**3.0**	**3.5**

Balance Sheet (€m)	2017A	2018E	2019E	2020E
Fixed assets	**50.2**	**48.7**	**48.3**	**47.6**
Accounts receivable	**31.9**	**37.4**	**40.8**	**42.9**
Other current assets	**6.9**	**7.9**	**8.7**	**9.1**
Cash and marketable securities	**6.7**	**7.4**	**8.4**	**10.0**
Other Assets	**2.3**	**2.7**	**2.9**	**3.1**
Total Assets	**98.0**	**104.0**	**109.1**	**112.7**
Accounts payable	**41.4**	**47.3**	**51.6**	**54.1**
Other Liabilities	**4.8**	**5.5**	**5.9**	**6.2**
Provisions	**2.3**	**2.8**	**3.0**	**3.2**
Financial Debt	**13.8**	**12.4**	**10.6**	**8.7**
Shareholders' equity	**35.4**	**35.6**	**37.4**	**39.8**
Minorities	**0.3**	**0.5**	**0.6**	**0.7**
Total Liabilities	**98.0**	**104.0**	**109.1**	**112.7**

Cash flow statement (€m)	2017A	2018E	2019E	2020E
Cash flows	**5.8**	**8.8**	**10.8**	**11.5**
Net working capital change	0.2	0.1	0.4	0.4
Capex	-10.1	-7.5	-7.0	-7.0
Free operating cash flows	**-4.0**	**1.4**	**4.2**	**4.9**
Net financial investments	-0.1	1.8	0.0	0.0
Dividends	-2.1	-1.0	-1.1	-1.1
Others	-5.1	-0.1	-0.2	-0.3
Change in Net debt	**-11.3**	**2.2**	**2.8**	**3.5**

Source: Mediobanca Securities

APPENDIX

Management team

As of today, Triboo's Board of Directors is made up of seven members, out of which six are currently executive.

A quick summary in the table below.

Triboo BoD

Members	Role
Alfredo Malguzzi	Chairman
Giulio Corno	CEO
Vittorio Coda	Independent Director
Cinzia Parolini	Independent Director
Alessandro Copparoni	Independent Director
Vincenzo Polidoro	Independent Director
André Schmidt	Independent Director

Source: Company annual report, Mediobanca Securities

Peers

Triboo operates in two different businesses, the Italian digital advertising and eCommerce service markets. With regard to the former, we consider a group of domestic digital advertising companies along with a panel of traditional Italian publishers. For the eCommerce service provisioning business, we choose a small group of companies with a focus on the domestic market as peers.

Digital advertising

Triboo operates in the €6.2bn Italian advertising market, with a focus on the digital segment. This market is dominated by the international OTTs, namely Google, Facebook and Twitter. However, we highlight that domestic publishers also play a relevant role. At present, traditional publishers such as RCS, GEDI, Mondadori and CAIRO, which are offering content across channels, compete with smaller players specialised in digital services (Italia Online, Digitouch and Axélero). Below is a quick summary of the main names.

Advertising peers

	Type	Price	Mkt Cap	1Y Δ%	3M Δ%	1M Δ%
Mondadori	Traditional Editor	1.66	433.5	-11.6%	-23.4%	-2.7%
RCS	Traditional Editor	1.21	631.46	-13.2%	4.9%	1.2%
GEDI	Traditional Editor	0.42	211.36	-50.8%	-33.6%	-5.0%
CAIRO	Traditional Editor	3.72	499.36	-20.4%	-3.3%	1.0%
ItaliaOnline	Digital player	2.98	341.99	3.0%	-6.0%	4.0%
Digitouch	Digital player	1.43	19.87	0.7%	-11.2%	1.8%
axélero	Digital player	1.58	21.94	-59%	-39%	-15%

*Source: Thonson Reuters Datasteram, Mediobanca Securities ***Prices as of 03/05/2018*

In greater detail, a brief description:

- **Mondadori** is among the leading European media companies, first in Italy as publisher of books and magazines (both print and digital) and second as one of the top companies in France’s magazine sector;
- **RCS** is one of the major Italian multimedia publishing groups. It is active in all publishing sectors, including newspapers, magazines, TV and new media. RCS is the publisher of newspapers such as Corriere della Sera, La Gazzetta dello Sport, El Mundo, Marca e Expansion and of the magazines Oggi, Amica, Io Donna, Living, Style Magazine, Dove, Abitare, Sette, Sport Week, Telva, Yo Dona, Papel, Marca Motor, Fuera de Serie, Metropoli and Actualidad Economica;
- **GEDI** is one of Italy’s leading publishing groups. It operates in the following sectors: i) press; ii) radio; iii) advertising; and iv) digital. It publishes la Repubblica, La Stampa, Il Secolo XIX, 13 local dailies, the weekly l'Espresso and other magazines. Included in the group are also three national radio stations (Radio Deejay, Radio Capital and m2o) and a few musical TV stations. GEDI is even present in the internet sector and through Manzoni collects advertising for his and for third-party publications;
- **Cairo** is one of the major Italian publishers. It carries out activities in the communication field as an advertising broker for a variety of media, such as commercial television, analogue and digital pay television, press and the internet. The company also publishes magazines and books and operates an internet portal through its own search engine, Il Trovatore;
- **ItaliaOnline** is one of the leading digital groups in Italy. The company is an email provider and web advertising and digital communication agency. The group is the owner of one of the most visited portals in Italy and it offers a wide range of digital solutions, from online advertising to web design and web marketing;

- **Digitouch** is a small Italian company listed on the AIM Italian segment with a focus on the digital sector in Italy. The company offers various digital marketing and communication services such as: i) strategic consulting in SEO and digital media; ii) media planning of performance advertising campaigns; and iii) marketing activities focused on the creation of engagement and amplification;
- **axélero** is a web specialist company offering to Italian SMEs a quick and easy solution to join the online world with innovative web solutions. The business of the company was built on the success of four vertical and classified portals, focused on healthcare, food and leisure, women and professionals.

Advertising peers

	Mondadori	RCS	GEDI	Cairo	ItaliaOnline	Digitouch*	Axelero*
Revenues	**1,268**	**213.4**	**633.7**	**1,212**	**335.9**	**26.9**	**45.9**
EBITDA	**101,1**	**12.1**	**53.2**	**168.8**	**67.6**	**14.2**	**8.3**
% Margin	*7.9*	*5.6*	*8.4*	*13.9*	*20.1*	*18.3*	*18.1*
Net Profit	**30.4**	**(5.7)**	**(123.3)**	**52**	**26.4**	**1.08**	**1.3**

*Source: Mediobanca Securities, *FY16 data*

eCommerce service

Triboo operates in the eCommerce service market, acting as one-stop shop. Despite the existence of large international players, which dominate the landscape, Triboo is focused on Italian companies and its services include also logistics and consultancy. We believe the most similar companies to Triboo's Digitale business unit are Italian operators such as IBOXX (part of Giglio Group), which is strongly focused on fashion and branded goods, as well as Alkemy, for its focus on eCommerce consulting. Below is a quick summary of the main names.

eCommerce peers

	Type	Currency	Price	Mkt Cap	1Y Δ%	3M Δ%	1M Δ%
Giglio Group	eCommerce	€	5.9	94.64	7.4%	-19.4%	-1.7%
Alkemy	eCommerce	€	11.76	63.54	nm	-10%	-5%

*Source: Thonson Reuters Datasteram, Mediobanca Securities ***Prices as of 03/05/2018*

In greater detail, a brief description:

- **Giglio Group** is an Italian firm operating in the field of radio and television broadcasting and also offering a digital marketplace on a global level. In 2016, the group launched its own eCommerce 4.0 model, which is currently operating in China and the US.
- **Alkemy** provides digital marketing services, offering services in the main areas of the digital sector such as consulting, eCommerce, creativity and brand strategy, social media, content, design, media and technology.

eCommerce peers

	Giglio Group	Alkemy
Revenues	**78.0**	**44.9**
EBITDA	**8.7**	**5.06**
% Margin	*11.1*	*11.1*
Net Profit	**0.04**	**1.5**

Source: Mediobanca Securities

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38.94%	46.53%	12.87%	1.65%

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63.49%	51.28%	31.25%	50.00%

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RATING
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INITIAL COVERAGE
Triboo initial coverage as of 08/05/2018.

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Mediobanca S.p.A.
Antonio Guglielmi - Head of Equity Markets
+44 203 0369 570
antonio.guglielmi@mediobanca.com

Mediobanca S.p.A.
Andrea Filtri/Javier Suarez - Co - Heads of European Equity Research
(Reporting to the Group General Manager)

ANALYSTS			
European Banks			
Adam Terelak	IBK	+44 203 0369 574	adam.terelak@mediobanca.com
Alberto Nigro	Spain/Italy	+44 203 0369 575	alberto.nigro@mediobanca.com
Andrea Filtri	Spain/Italy	+44 203 0369 571	andrea.filtri@mediobanca.com
Jennifer Cook	UK	+44 203 0369 564	jennifer.cook@mediobanca.com
Noemi Peruch	Spain/Italy	+44 203 0369 645	noemi.peruch@mediobanca.com
Omar Fall	France	+44 203 0369 567	omar.fall@mediobanca.com
Riccardo Rovere	Italy/Scandinavia/CEE/Germany	+39 02 8829 604	riccardo.rovere@mediobanca.com
Robin van den Broek	Benelux	+44 203 0369 672	robin.vandenbroek@mediobanca.com
European Insurance			
Fahad Changazi	UK	+44 203 0369 536	fahad.changazi@mediobanca.com
Gian Luca Ferrari	Global multi-liners/Italy/Asset Gatherers	+39 02 8829 482	gianluca.ferrari@mediobanca.com
Robin van den Broek	Benelux	+44 203 0369 672	robin.vandenbroek@mediobanca.com
Vinit Malhotra	Global multi-liners/Reinsurers	+44 203 0369 585	vinit.malhotra@mediobanca.com
Italian Research			
Alessandro Pozzi	Oil & Oil Related	+44 203 0369 617	alessandro.pozzi@mediobanca.com
Alessandro Tortora	Building Materials/Industrials/Capital Goods	+39 02 8829 673	alessandro.tortora@mediobanca.com
Andrea Balloni	Industrials	+39 02 8829 541	andrea.balloni@mediobanca.com
Chiara Rotelli	Branded Goods/Consumers Goods	+39 02 8829 931	chiara.rotelli@mediobanca.com
Fabio Pavan	Media/Telecommunications/Consumer Goods	+39 02 8829 633	fabio.pavan@mediobanca.com
Gian Luca Ferrari	Global multi-liners/Italy/Asset Gatherers	+39 02 8829 482	gianluca.ferrari@mediobanca.com
Giuseppe Grimaldi	Small & Mid Caps	+39 02 8829 412	giuseppe.grimaldi@mediobanca.com
Isacco Brambilla	Small & Mid Caps	+39 02 8829 067	isacco.brambilla@mediobanca.com
Javier Suárez	Utilities	+39 028829 036	javier.suarez@mediobanca.com
Jean Farah	Utilities	+44 203 0369 665	jean.farah@mediobanca.com
Nicolò Pessina	Consumer Goods/Infrastructure	+39 02 8829 796	nicolo.pessina@mediobanca.com
Sara Piccinini	Utilities	+39 02 8829 295	sara.piccinini@mediobanca.com
Simonetta Chiriotti	Real Estate/ Financial Services/Banks	+39 02 8829 933	simonetta.chiriotti@mediobanca.com

FOR NON US PERSON receiving this document and wishing to effect transactions in any securities discussed herein, please contact:

Mediobanca S.p.A.
Carlo Pirri - Head of Equity Sales

SALES			
Angelo Vietri		+39 02 8829 989	angelo.vietri@mediobanca.com
Christopher Seidenfaden		+44 203 0369 610	christopher.seidenfaden@mediobanca.com
Lorenzo Angeloni		+39 02 8829 507	lorenzo.angeloni@mediobanca.com
Matteo Agrati		+44 203 0369 629	matteo.agrati@mediobanca.com
Nahid Iqbal		+44 203 0369 597	nahid.iqbal@mediobanca.com
Pierandrea Perrone		+39 02 8829 572	pierandrea.perrone@mediobanca.com
Timothy Pedroni		+44 203 0369 635	timothy.pedroni@mediobanca.com
Stephane Langlois		+44 203 0369 582	stephane.langlois@mediobanca.com
European Spec Sales			
Carlo Pirri	Banks/Insurance	+44 203 0369 531	carlo.pirri@mediobanca.com
Alan Davies	Banks/Insurance	+44 203 0369 510	alan.davies@mediobanca.com

Mediobanca S.p.A.
Cedric Hanisch - Head of Equity Trading and Sales Trading

SALES/TRADERS		
Cedric Hanisch	+44 203 0369 584	cedric.hanisch@mediobanca.com
Julian Bradley	+44 203 0369 605	julian.bradley@mediobanca.com
Roberto Riboldi	+39 02 8829 639	roberto.riboldi@mediobanca.com

FOR US PERSON receiving this document and wishing to effect transactions in any securities discussed herein, please contact:

Mediobanca Securities USA LLC
Pierluigi Gastone - Head of Mediobanca Securities USA LLC

Massimiliano Pula	+1 646 839 4911	massimiliano.pula@mediobanca.com
Pierluigi Gastone	+1 212 991 4745	pierluigi.gastone@mediobanca.com
Robert Perez	+1 646 839 4910	robert.perez@mediobanca.com

Mediobanca S.p.A.
Salvatore Guardino - Head of Corporate Broking

Enrico Baraldini	+39 02 8829 978	enrico.baraldini@mediobanca.com
Nicolo Bottaro	+39 02 8829 429	nicolo.bottaro@mediobanca.com
Salvatore Guardino	+39 02 8829 826	salvatore.guardino@mediobanca.com
Vito Pinto	+39 02 8829 542	vito.pinto@mediobanca.com