

Ulisse BioMed

Sector: Health Care



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A new integrated in-vitro diagnostic player

Ulisse BioMed (UBM) is an Italian Diagnostic company active in development of: i) real time-PCR molecular diagnostic assays/reagents; ii) nano-switches based assays; iii) antiviral aptamers. Listed on EGM in 2021.

UBM & Hyris Ltd: a very good fit

UBM has signed a binding agreement to acquire 100% of Hyris Ltd, UK owner of an innovative integrated platform for PCR analysis, which has proved to be highly compatible with UBM's assays. The transaction combines two mutually reinforcing enterprises, compensating for each other's shortcomings and creating a much more competitive player within in-vitro diagnostics space. Hyris brings forth an advanced hardware and software platform, complemented by UBM's assays, featuring high multiplexing capacity, and team of "native" developers. As such, the *new UBM* will showcase a distinctive and versatile closed diagnostic system.

Terms of the reverse take-over

The agreed consideration of €26.2mn for Hyris Equity is based on its 1H23 net cash (€322k) and will be entirely settled via a Capital Increase in Kind: 13.5mn *new UBM* ord. shares will be issued at a conventional price of €1.94 (last 6m weighted average official price) and will represent 62.6% of UBM's share capital after execution. In order to mitigate the resulting dilution for existing shareholders, another Capital Increase (for max €3.55mn) will be offered them at same price/sh. A Shareholder Meeting called on 20-21 December will vote the reverse take-over and the related capital increase.

Funding needs of Hyris remain the key concern

While the strategic rationale is clear and M/T potential attractive, the main concern pertains to the funding of the *new UBM* Group, whose cash burn rate is more than doubled post deal as Hyris is loss making and in the middle of its repositioning process. Management is addressing this challenge by i) reducing cash burn, ii) raising fresh capital (a €800k recap has just been finalized by Hyris); iii) seeking cross selling/higher revenues already from next quarters. Only with prompt and effective actions, the UBM cash pile will be enough to fully fund FY2024.

Our (preliminary) view of the deal. Fair Value under review

Pending details on Business Plan and funding prospects, a full assessment of the deal is not feasible yet. The apparently generous valuation of Hyris (€476k 1H23 sales), should be seen also in light of its technologies, "execution capabilities" and of the medium term combined potential. Yet, as a reference, the EV/Revenues multiple implied by our "fair value" of UBM stand-alone is ca. 9x and hence for the acquisition multiple to be deemed "relatively fair", Hyris should generate ca. €3.0mn sales in FY24E (3x vs 1H23 annualized) with a reasonable funding horizon.

Fair Value (€)	U/R
Market Price (€)(*)	1.74
Market Cap. (€m)	14.0

KEY FINANCIALS (€mn,*)	2022A	2023E	2024E
TOTAL REVENUES	0.5	0.3	1.4
EBITDA	-1.0	-1.5	0.6
EBIT	-1.3	-1.8	0.3
NET PROFIT	-1.3	-1.8	0.3
OPFCF a.t.	-1.2	-1.6	0.2
NET INV. CAP.	2.2	2.0	2.1
EQUITY	5.9	4.1	4.4
NET FIN. POS.	3.8	2.2	2.4

Source: Ulisse BioMed SpA (historical figures), Value Track (2023E-24E estimates), (*) latest estimates, pending review

KEY RATIOS (*)	2022A	2023E	2024E
GROSS MARGIN (%)	39.1	56.2	91.4
EBITDA MARGIN (%)	nm	nm	44.0
EBIT MARGIN (%)	nm	nm	18.6
NET PROFIT MARGIN (%)	nm	nm	18.9
EV/SALES (x)	19.6	nm	8.6
EV/EBITDA (x)	nm	nm	19.5
P/E (x)	nm	nm	38.4

Source: Ulisse BioMed SpA (historical figures), Value Track (2023E-24E estimates), (*) latest estimates, pending review

STOCK DATA

FAIR VALUE (€)	U/R
MARKET PRICE (€) (*)	1.74
SHS. OUT. (m), primary	8.1
MARKET CAP. (€m)	14.0
FREE FLOAT (%)	80.8
AVG. -20D VOL. (#)	20,000
RIC / BBG	UBM.MI / UBM.IM
52 WK RANGE	0.97-3.28

Source: Stock Market Data (*) based on 13/12/2023 Opening Price

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Business Description

Ulisse Biomed (UBM) is a small healthcare biotech company, specialized in the development of innovative, cost-effective and rapid in-vitro diagnostics (Molecular Diagnostics), personalized medicine products and innovative therapeutic solutions. The company is active in the development of: i) rt-PCR molecular diagnostic assays/reagents; ii) nano-switches based assays for immunodiagnostics and therapeutic drug monitoring and iii) antiviral aptamers for therapeutic or diagnostic purposes. The first products which hit the market are HPV related, next ones should be panels for respiratory pathogens and STI products.

Key Financials (*)

(€'000)	2022A	2023E	2024E	2025E
Total Revenues	524	341	1,421	1,706
Chg. % YoY	26.3%	-34.8%	nm	20.1%
EBITDA	-987	-1,483	625	909
EBITDA Margin (%)	nm	nm	44.0%	53.3%
EBIT	-1,306	-1,821	264	524
EBIT Margin (%)	nm	nm	18.6%	30.7%
Net Profit	-1,308	-1,814	269	530
Chg. % YoY	nm	nm	nm	96.8%
Adjusted Net Profit	-1,212	-1,718	365	530
Chg. % YoY	nm	nm	nm	45.1%
Net Fin. Position	3,786	2,191	2,365	2,890
Net Fin. Pos. / EBITDA (x)	nm	nm	nm	nm
Capex	-157	-151	-100	-100
OpFCF b.t.	-1,204	-1,602	168	520
OpFCF b.t. as % of EBITDA	nm	nm	26.9%	57.2%

Source: UBM (historical data), Value Track (estimates), (*) latest estimates ("Standalone"), Under Review

Investment case

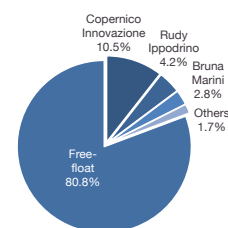
Strengths / Opportunities

- ◆ Strong R&D team and prestigious scientific committee;
- ◆ Competitive and diversified portfolio of products CE-IVD marked;
- ◆ Strong cash position and fully funded FY1 and FY2 operations;
- ◆ Highly innovative and fast growing technologies and applications.

Weaknesses / Risks

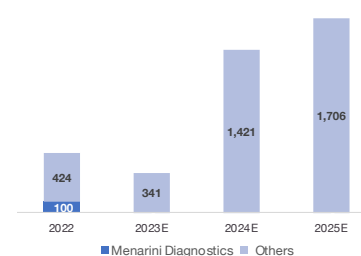
- ◆ License with Menarini Diagnostics terminated on disappointing results;
- ◆ Nanohybrid and Aptavir yet to be leveraged for product development;
- ◆ Change in CE-IVD regulations has increased costs faced by the industry;
- ◆ Business model depends on licensing and/or distribution agreements with big pharma and IVD players.

Shareholders Structure (pre-deal)



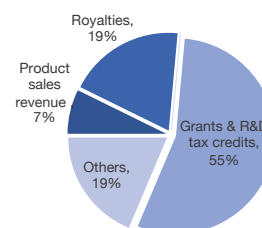
Source: UBM

Revenues Forecast (*)



Source: UBM, (*) latest estimates, U/I/R

Revenues by Segment (2022A)



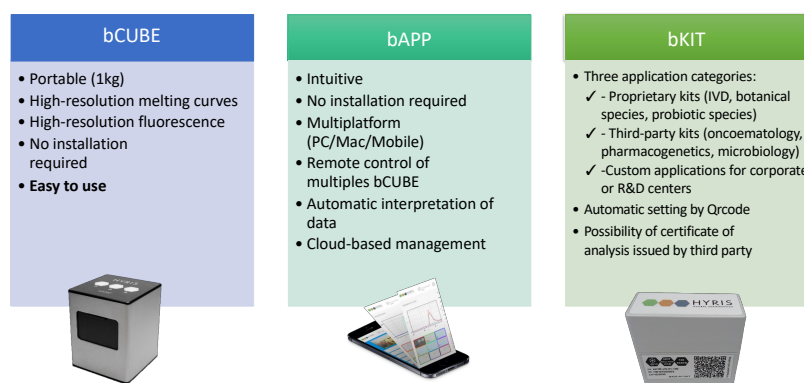
Source: UBM

Hyris Acquisition

Hyris at a glance

On 4 December 2023, UBM announced the acquisition of the entire participation in the share capital of Hyris Limited, British-incorporated company operating in the biotech and cloud-computing sectors. The company's flagship product, the bCUBE, is a portable genetic analysis device which stand out among competition for its ease of use, portability, and fully cloud-based management system. This hardware is an integral part of a comprehensive ecosystem, complemented by proprietary software (bAPP, bDATA) and reagents (bKIT). This diagnostic solution is distributed directly or indirectly (through marketplaces and partnerships), with a primary focus on B2B business models catering to clinical analysis laboratories.

Hyris: Product offer and differentiating features



Source: Hyris

Historical financials shaped by-Covid-19 impact

The economic profile of the company has been notably shaped by the impact of the Covid-19 pandemic over the past four years. Here, we provide a concise summary of the key developments:

- ◆ Hyris was founded in 2014 by Stefano Lo Priore, an industrial chemist with experience in the US. It is incorporated in the UK and has two 100% owned subsidiaries (Milan and Singapore);
- ◆ In 2020, the company saw its turnover increased tenfold (from ca.€700k in 2019 to ca. €7.0mn in 2020) thanks to the processing of nearly a million tests for Covid-19 with the bCUBE device;
- ◆ In 2021 the business continued to be significantly supported by the huge processing demand, leading to a peak of almost €10mn Value of Production and 50 employees, while in 2022 the pandemic effect gradually vanished and management started to reshape the business model;
- ◆ In 2023 turnover is likely to bottom below €1.0mn (1H revenues €476k) and at the latest data (June 2023), Hyris Group counted 40 employees. Pending the effects of the business relaunch and of the offer repositioning, management is also focusing on a cost cutting strategy in order to align overhead costs to the new business model.

As for the last full year and half year reported financials, Hyris achieved:

- ◆ **In FY22**, revenues of €4.3mn benefiting, albeit to a decreasing extent, from Covid-related sales; negative €1.5mn EBITDA and net loss of €1.4mn.
- ◆ **In 1H23**, revenues of €0.5mn, negative EBITDA of €1.3mn and a net loss of €1.4mn.
- ◆ From a financial point of view, Hyris **Net Cash had reduced to €322k as of 30 June 2023**, hinting at the need to secure new capital already by the end of the year, also in the light of a monthly cost of personnel around €200k during the first half.

- ◆ In fact, as of **October 2023** the BoD of Hyris Ltd approved a **€800k rights issue**, finalized in the last weeks and aimed at funding Hyris operations over the second half of the year;
- ◆ In addition, management increased focus on cost savings and efficiencies should **reduce the monthly cash burn by 25%** from ca. €200k to ca. €150k, already in Q1 2024.

Hyris Group: Key Financials FY21-FY22-1H23

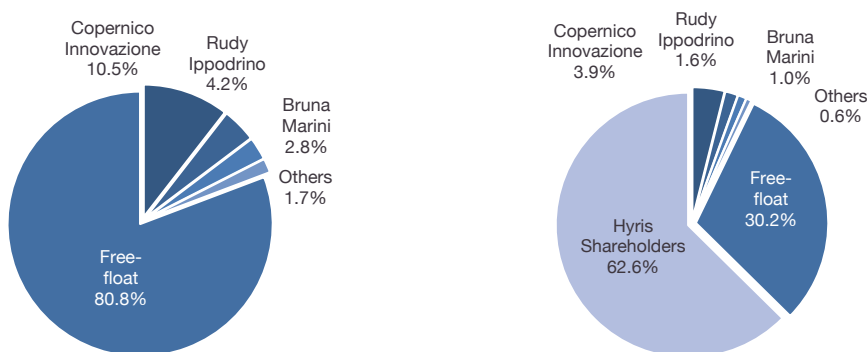
€mn	2021	2022	1H23
Total Revenues	9.7	4.3	0.5
Value of Production	9.8	5.9	0.5
EBITDA	1.8	-1.5	-1.3
<i>EBITDA Margin (%)</i>	<i>19%</i>	<i>nm</i>	<i>nm</i>
EBIT	1.7	-1.7	-1.4
Net Profit (loss)	1.4	-1.4	-1.4
Net Debt (-) Cash (+)	3.9	1.5	0.3 (*)

Source: Hyris (*) Net cash at €1.1mn adjusted for the recap occurred in Q4 23

Terms of the deal

The agreed consideration of **€26.2mn** for 100% of Hyris Shareholding will be entirely settled using UBM ordinary shares sourced from a Capital Increase in Kind. In specific, 13,505,156 UBM ordinary shares will be issued at a price of **€1.94 p.s.** (equal to the weighted average of prior 6 months), and corresponding to 62.6% of UBM's share capital after the execution. As a result, the current shareholders of Hyris (i.e. 33 individuals) will control altogether 62.6% of the *new UBM* share capital, with none controlling a stake above 12%.

UBM and new UBM: Shareholder Structure pre and post reverse take-over



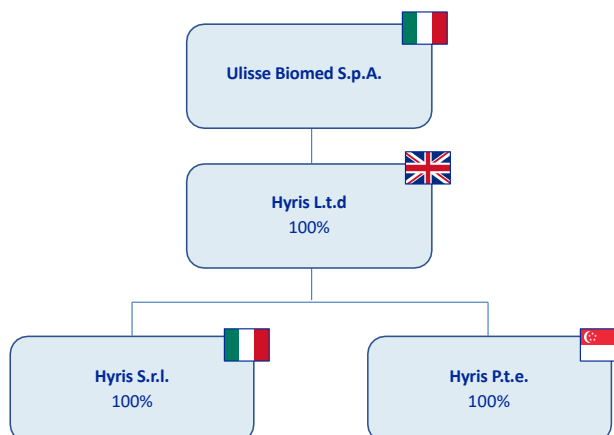
Source: UBM

In order to mitigate the resulting dilution effect for the current UBM shareholders, as well as to potentially raise some fresh money, an additional Capital Increase – for a maximum amount of €3.55mn - will be offered to UBM pre-deal shareholder at the same conditions offered for the Capital Increase in Kind (i.e. at €1.94 per share). Full details will be provided shortly.

As anticipated above, according to the documentation available at the moment, Hyris BoD has approved a capital increase at the beginning of last October for €800k, and this has caused some minor changes in Hyris shareholding structure, and will have in turn some effects on the shareholding

structure of *new UBM*. However, changes will not be material and none of the shareholder will reach a holding above the 30% takeover threshold.

UBM: Post-deal Group structure



Source: UBM

Our view of the deal

Strong strategic and technical rationale...

We recognize the strategic rationale behind this acquisition, which allows to create a new integrated group operating in the in vitro diagnostics industry, with a **distinctive positioning** guaranteed by the control of the entire industrial chain and by the technological innovation characteristics of:

- ◆ UBM's reagents and assays menu;
- ◆ Hyris' PCR instruments and interpretative software.

In fact, the transaction allows the two combining companies to compensate for each other's shortcomings, to exploit significant cost synergies and cross selling potential from the very beginning and creating a much more competitive player within in-vitro diagnostics. Hyris brings forth an advanced hardware and software platform, complemented by UBM's assays, featuring high multiplexing capacity and genotyping capabilities, and a team with "native" development focus.

As such, the *new UBM* will showcase a distinctive and versatile closed diagnostic system: from a technical point of view, management believes the *new UBM* Group would achieve a competitive edge across all system components (hardware, software, reagents) compared to existing market technology.

...while Hyris valuation incorporates a repositioning yet to come

In the absence of the new Business Plan for the target company and for the *new UBM* Group, of the updated funding needs and funding strategy, we believe that i) a comprehensive financial assessment of the deal is currently unfeasible; and ii) there is not the visibility required to support updated post-deal forecasts and/or valuation.

Hence, we can only make a few initial considerations about the acquisition terms:

- the €26.2mn consideration agreed for 100% of Hyris equity (**€25.9mn EV**) may appear generous in the light of its current **revenues (€1mn "annualised" FY23E**, based on 1H);
- this value should however be seen also in the light of its "**execution capabilities**" and international commercial presence (the Group reported in FY21 revenues for €9.7mn), which are currently underexploited;
- Hyris value for UBM is highly dependent upon its **medium-term potential** and its contribution to the "combined" UBM (albeit the latter should weigh less in a paper vs paper transaction with an industrial fit as the present one). Yet, pending the release of more details, we cannot quantify these elements at the moment;
- at first sight, we could say that for the acquisition to be considered "relatively fair" for UBM shareholders, we should expect the **implied deal multiples to be similar to those of UBM** as a stand-alone company. In our last report (October 2023) the FY24E EV/Sales multiple implied by our "fair value" (of €1.90/share) was ca. 9x, which is also the multiple implied by the conventional price of the Capital Increase in Kind;
- hence, for the multiples to be broadly aligned, **Hyris should generate ca. €3.0mn revenues in 2024E** (on a pre-deal basis). This is ca. 3x the €1mn revenues of FY23E, based on annualized 1H revenues (€476k), and this is **a lot, but it is not as far as it may appear**, as
 - a) in terms of execution Hyris managed a 10x jump in revenues during pandemic (hence team could manage strong business acceleration);
 - b) Hyris could at least double its revenues in FY24 as 1) new products (launched in 1H23) should post in FY24 some rump-up revenues and exceed €1mn sales; 2) our UBM model implies that Hyris could generate revenues of ca. €0.8mn around the new HPV and respiratory new assays.

...and funding horizon becomes the main issue, despite a few mitigants

The *new UBM* **primary concern is centred in our view on its funding horizon**, with the acquisition more than doubling the company's cash burn rate. In the absence of additional capital injections, the current **cash pile (mostly contributed by UBM) will be sufficient to support operations through the entirety of 2024, only assuming the current cash burn rates are promptly reduced.**

In fact, as reported in the table below, assuming cash burn remains in line with current rates (2H23), we estimate the runway of the combined entity is ca. 7.2 months (from Dec 2023), despite the €800k recapitalization just finalised at Hyris Ltd.

UBM + Hyris: Aggregate cash burn and runway (as of today)

€'000	1H23 (6m)				2H23E (6m)		
	UBM	Hyris	Aggregate	Aggr. Adj.	UBM	Hyris	Aggregate
Group Revenues	88	495	583				
EBITDA	-741	-1,293	-2,034				
Net Cash (End Of Period)	2,896	323	3,219	4,019 (*)	2,191	0 (*)	2,191
Cash burn in the period	-890	-1,214	-2,104	-2,104	-705	-1,123	-1,828
Cash Burn rate (€'000/month)	-148	-202	-351	-351	-118	-187	-305
Cash Runway (months from EOP)	19.5	1.6	9.2	11.5	18.5	n.m.	7.2

Source: UBM, Hyris, Value Track estimates. (*) Net Cash adjusted for 4Q23 Hyris right issue

However, looking ahead into next quarters:

- ◆ as for UBM standalone, our base case scenario (see report of 20 October 2023) assumes a marginal positive free cash flow in FY24 for €174k;
- ◆ as for the Hyris Group, the cash burn should reduce materially, according to management, and reach €150k per month from January 2024;
- ◆ these assumptions bring the overall burn rate to 136k a month.

As a result, in a more dynamic scenario which incorporates the actions taken by management and our current forecasts for UBM standalone, we see runway to grow to 16 months (from December 2023), as reported in the table below.

UBM + Hyris: Runway in a Dynamic Scenario into FY24E

€'000	FY23E	FY24E		
	Aggregate	UBM	Hyris	Aggregate
Net Debt (-) or Cash (+) EOP	2,191	2,365	-1,800	565
Cash burn expected in FY24E		174	-1,800	-1,626
Cash Burn rate (€'000/month)		14	-150	-136
Cash Runway (months from EOP)	16.1			

Source: Value Track estimates

We believe management is strongly focused on this issue, and see a few potential actions to address cash burn and funding needs, in order to achieve the targets outlined above, already in the short term, namely:

1. **Downsizing of Hyris cost base:** following the 2021/2022 review of Hyris business model, management has started focusing also on cost reduction. In fact, the cost structure had been expanding during the two-year period marked by the COVID-19 pandemic, but it is no longer consistent with the new business model;

2. **Rationalization of the new UBM cost structure:** this come as a natural consequence of the integration, as despite the relatively small size of the two entities, there are clear areas of overlapping, e.g. Hyris brought in-house the development activities for new assays, also provided by UBM team as core business;
3. **Valuable inventories to monetize:** Hyris reported an inventory level of €2.1mn in June 2023, mostly represented by finished products (hardware) and valued at cost, hence material value and cash could derive from this inventory;
4. **Enhanced growth/profitability prospects:** the integration aims to boost market competitiveness, accelerating revenue growth and profitability, as described above, and the adoption of a more attractive and stable "rental" business model for Hyris hardware, the exploitation of the syndromic power of UBM assays combined with cloud flexibility, the wide cross-selling opportunities, contribute to the positive prospects already from FY2024-2025;
5. **Capital injections by year end:** a capital increase was already approved by the Hyris Board of Directors in October 2023 and finalized over the last weeks. Given the urgent funding needs of operations, this step was important to fund at least the 2H operations of Hyris. An additional capital increase, reserved to UBM shareholders (at €1.94/share for a max amount of €3.55mn, full details to be provided), would be decisive, but at current market prices it is hard to assume a high subscription rate;

Having said the above, we would not rule out **future recapitalizations**: according to the documents presented by the independent advisor which supported UBM BoD in the deal's approval, Hyris would require further capital injections to support its Business Plan in coming years, on a standalone basis. We believe it is reasonable to assume that, even on a combined basis, the *new UBM* may need further funding in order to execute the medium term strategy of the combined entity.

Appendix - Hyris' product lines

1# HYRIS bCube

At the core of the proprietary system is HYRIS bCUBE, a real-time PCR thermocycler designed for efficient DNA and RNA amplification which differentiates for its optical detection. Certified to European and North American standards, it features an ultra-compact design, high analytical performance, and direct connectivity to the proprietary HYRIS bAPP cloud portal. Notably, its innovative cartridge structure, made of polypropylene and aluminum, ensures high performance, contributing to portability, scalability, and robustness even in non-laboratory conditions.

The hardware is marketed both directly (through employees or external agents) and indirectly (through distributors).

Hyris bCube



Source: Hyris

#2 HYRIS bAPP and bDATA

Hyris's proprietary Software-as-a-Service integrated platform comprises:

- ◆ HYRIS bAPP, a user-friendly web app for molecular biologists to operate on the Hyris system;
- ◆ HYRIS bDATA, a cloud platform aggregating data for analysis.

End users can perform analyses, access results with automated interpretation through proprietary algorithms, organize activities, receive technical support, manage devices, and export/import data.

The software is marketed through an annual subscription model, also either directly by Hyris (employees or external agents) or via distributors.

Hyris Software



Source: Hyris

3# HYRIS bKit

Molecular diagnostic tests based on real-time PCR technology in a wide range of applications.

- ◆ Proprietary kits: for which Hyris uses its own laboratories and employs R&D partners to produce innovative tests. As of the date of the Information Document, 71 IVD and human diagnostic tests, 26 botanical recognition tests and 31 probiotic tests are in the catalogue;
- ◆ Third-party kits: included in the catalogue following a rigorous qualification process, and significantly increasing the number of potential applications that can be easily transferred to the Hyris Platform.

Reagents are mainly sold in combination with the Hyris platform and only to a marginal extent the Group is active in the sale of reagents alone.

Hyris bKIT



Source: Hyris

#4 HYRIS bGate

Gateway module that enables the integration of analysis and data from third-party machines within the proprietary Hyris bDATA SaaS platform, benefiting from all its innovative functions and features.

Hyris bGATE



Source: Hyris

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