

Magis

Sector: Packaging goods



The paradise of value investors

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Magis SpA (“Magis” or “MGS”) is active in the design, manufacturing and commercialisation of adhesive tapes and closure systems for nappies and incontinence pads, recognized for its commitment to R&D, excellence in product development / manufacturing, and customer-focused approach.

Combination of industrial and financial sustainability

Magis boasts, in our view, a very solid investment case, that combines both excellent industrial and financial features, such as:

- Excellence in products development and manufacturing**, thanks to: deep vocation for R&D / product innovation; high production flexibility; responsiveness to clients’ needs.
- Optimal market positioning**, characterized by: “premium” products focus with also an interesting ESG angle; high diversification of end markets / geographies / client base; capability to protect profitability independently from raw materials price changes;
- Best in class financial features**, e.g., (2023 figures) IFRS16 Adj. EBITDA margin at 20.7%; OpFCF / EBITDA_{b.t.} in excess of 80%; ROCE_{b.t.} at ca. 36%, and Net Debt / EBITDA getting at break-even during 2024.

2024E-26E: The years of harvesting

We forecast Magis to maintain its outstanding profitability levels, and to generate a material amount of cash in **2024E-26E** years i.e., some **€50mn cumulated EBITDA** turning into ca. **€24mn OpFCF after tax** and more than **€20mn cumulated Free Cash Flow**, to be utilized for: (i) further development of the premium / specialty segment (also via tactical M&A deals); (ii) penetration of American markets; (iii) possible dividends.

Valuation methodologies leading to >€18.50 fair value

Despite much higher-than-average profitability and massive cash generation, Magis trades at unjustified discount vs. its peers (3.0x-3.7x-24% EV/EBITDA-EV/EBIT-OpFCF Yield 2024 respectively), with **all valuation methodologies leading to fair values per share in excess of €18.5** (that we set as our initial fair value), vs. current €11.2 stock market price.

We highlight that **at current market price investors would gain exposure on potential 100% upside on a two years horizon** (exit multiple at 6.0x EV/EBITDA, ca. 32% upside if exit multiple remains in line with current ones), securing sustainable double-digit yields on all metrics (OpFCF, FCF, Earnings yield).

Fair Value (€)	18.5
Market Price (€)	11.2
Market Cap. (€m)	59.7

KEY FINANCIALS (€mn)	2023A	2024E	2025E
VALUE OF PRODUCTION	81.0	84.2	88.4
EBITDA	15.0	15.8	16.9
EBIT	12.0	12.6	13.4
NET PROFIT	8.2	8.6	9.3
EQUITY	38.6	47.2	56.5
NET CASH (+) / DEBT (-)	5.8	13.1	21.0
EPS ADJ. (€)	1.56	1.61	1.74
DPS (€)	0.00	0.00	0.00

Source: Company (historical figures)
Value Track (2024E-25E estimates)

KEY RATIOS	2023A	2024E	2025E
EBITDA MARGIN (%)	18.5	18.7	19.1
EBIT MARGIN (%)	14.8	14.9	15.2
ROIC b.t. (%)	36.5	36.9	37.9
ROE b.t. (%)	28.5	24.9	22.4
EV/SALES (x)	0.7	0.6	0.4
EV/EBITDA (x)	3.6	3.0	2.3
EV/EBIT (x)	4.5	3.7	2.9
P/E ADJ. (x)	7.2	7.0	6.5

Source: Company (historical figures)
Value Track (2024E-25E estimates)

STOCK DATA	
MARKET PRICE (€)	11.2
SHS. OUT (m) (*)	5.3
MARKET CAP. (€m)	59.7
ENTERPRISE VALUE (€m)	54.0
FREE FLOAT (%)	23.1%
AVG. -20D VOL. ('000)	2,047
RIC / BBG	MGS.MI / MGSIM
52 WK RANGE	10.0 - 12.95

Source: Stock Market Data, (*) 5.85 on a Fully diluted basis



Executive Summary

Magis Group at a glance

With **2023 Value of Production and EBITDA at ca. €81.0mn and €15.0mn** respectively, Magis S.p.A. (“the Company” or “Magis” or “MGS”) is a leading Italian company active in the design, manufacturing and marketing of **adhesive tapes** (ca. 77% of FY23 Revenues) and **closure systems for nappies and incontinence pads** (ca. 23% of FY23 Revenues).

Throughout its 35-year history, Magis has been recognized for its commitment to R&D, excellence in product development and manufacturing, and customer-focused approach.

These elements have been instrumental in building strong ties with clients, both large corporations and SMEs, and across various industries like logistics, food & beverage, pharmaceuticals, retail, electronics, clothing and baby care.

Solid investment case combining industrial and financial excellence

Magis boasts, in our view, a very solid investment case, that combines both excellent industrial and financial features. In a nutshell:

1. Excellence in products development and manufacturing;
2. Optimal market positioning;
3. Rare defensive traits that further bolster the standing;
4. Room to exploit promising growth opportunities and possible regulatory changes;
5. Best in class financial features.

1. Excellence in products development and manufacturing

- ◆ **Vocation for R&D / Product innovation**, reflected in: 1) history of pioneering techniques (first in Italy to use the “sandwich” printing technique, and first to use hot melt on polypropylene), 2) dedicated team of five researchers led by the founder Marco Marzi, and 3) robust patent portfolio (including 10 patents);
- ◆ **Broad and diversified product portfolio**, offering the widest range of adhesive technologies among its Italian peers, while avoiding environmentally harmful solvent-based options;
- ◆ **Short lead time**, thanks to an efficient work-to-order business model allowing products moving from concept to delivery within 2-6 weeks and just 1-2 months of prior notice;
- ◆ **Production flexibility**, resulting from the combination of a short lead time (order to shipment time ranges from two to six weeks) and ca. 25-30% spare production capacity;
- ◆ **ESG compliant production processes**, relying on renewable energy sources (135kw photovoltaic system), meticulous management of waste, and recycling-focused R&D activities.

2. Optimal market positioning

- ◆ **“Going premium” approach**, centered on: 1) high value-added products, especially in bespoke adhesive solutions; 2) distinct markets such as closure systems, a niche with only 5-6 players in Europe;
- ◆ **Extremely diversified end-markets**, which include a diverse array of industries such as logistics operators, food & beverage, pharmaceuticals, retail, electronics, clothing, and baby care. This variety in its customer base creates a balanced mix of cyclical and counter-cyclical end-markets, acting as a buffer against potential market downturns;
- ◆ **Diversified geographies**, with foreign revenues historically accounting for 63% of FY23 Revenues with main countries represented being France (13%), Germany (11%), UK (8%).
- ◆ **Strong ties with clients**, average several years for its top 10 clients.

3. “Defensive” traits that further bolster the standing

- ◆ **Low dependence on specific customers or suppliers**, with its top three clients representing only 8% of FY22 Revenues, while its top three suppliers representing 29% of raw material cost (to facilitate logistical efficiencies and cost benefit), but still not seen as critical due to multiple sourcing options;
- ◆ **Operating profitability resiliency**, thanks to the inherent characteristics of the industry that allows Magis to offset the impact of raw material prices change.

4. Room to exploit promising growth opportunities and possible regulatory changes

Magis' financial soundness positions the Company as a **potential consolidator in Italy's fragmented market**, while also keeping the door open for various strategic options, including the possibility of dividend distribution.

In the next future, we expect the group to pursue further promising growth opportunities:

- ◆ **Further development of the premium segment**: Magis is strengthening its offer in the core business, with a focus on premium products in the closure systems segment and “green products” in the tapes segment, such as paper tapes and recycled materials;
- ◆ **M&A**: selectively targeting medium or small-sized entities with complementary technologies and/or operating in high-value verticals (e.g. body care / medical sector), leveraging its existing technological strengths in industries characterized by higher profit margins;
- ◆ **Commercial development in US**: Recent successful attendances to trade fairs and commercial endeavours should help the company to strengthen its market positioning in Italy and Europe as well as to expand into new markets like North and South America.

On top of that we would also flag that the long-discussed introduction in Italy of a “**plastic tax**” worth €0.45 per kg for single-use plastic items is currently expected for July 2024. While every regulatory change brings some uncertainties with it, we believe that a switch of clients toward more sustainable products would benefit Magis thanks to its good positioning on some eco-friendly products segment, such as its patented ecoHIT19 and KH80.

5. Best in class financial features

Capitalizing on its distinctive features, Magis stands out as **best in class vs. its peers in terms of profit margins, cash generation and return on capital**.

Indeed, as FY23 figures are concerned, we highlight:

- ◆ EBITDA margin at 18.4% (20% Adj. EBITDA margin) vs. peers' average at ca. 10%;
- ◆ OpFCF / EBITDA before tax in excess of 80%;
- ◆ ROCE before tax at ca. 36%.

Reference market may pose some challenges

Magis is not immune from headwinds, mainly related to the reference market. Still, certain factors specific to the company and its industry may result in mitigating effects.

The two main challenges that we pinpoint are:

- ◆ Mature reference markets with limited growth rates;
- ◆ Market dominated by large players.

Mature reference markets with limited growth rates

Magis reference markets have flourished with the globalization drive, but scope for future expansion is not so huge:

1. Global adhesive tape market is expected to grow at a 5.8% CAGR 2021-26E;

2. Global nappies and disposable pants market is expected to grow at a 6.2% CAGR 2021-26E.

Mitigant: Magis has excelled in capitalizing on high-potential product segments, leading to exceptional growth and top-tier margins compared to its peers. A pivotal element in sustaining this strategy will be the expansion into other bespoke / niche market segments, a goal likely to be achieved also through strategic M&A.

Market dominated by large players

Magis' main reference market is dominated by large conglomerates (annual turnovers ranging from \$1bn to \$50bn), with global presence, dedicated R&D division and significant bargaining power (such as 3M, Tesa, Nitto, Henkel and Lintec, collectively with a substantial 25% market share).

Mitigant: Typically, these market participants are not direct producers, opting instead to source their products from smaller manufacturers. An integral aspect of Magis' strategic approach is to establish significant supply agreements with these entities, and they are already in active discussions with some potential partners.

2024E-26E financials: The years of harvesting

As a result of the healthy operating margins and of the limited capex needed, **in 2024E-26E years Magis is going to generate a massive amount of cash** before turning its attention on further development capex plans. More in details, we expect:

- ◆ Value of Production to keep growing at a ca. 4.5% CAGR_{23A-26E} to ca. €92.3mn in 2026E;
- ◆ Reported EBITDA - EBIT margin 2026E at ca. 19.2% -15.1%, leading to €17.7mn - €13.9mn EBITDA - EBIT respectively in 2026E;
- ◆ Some €50mn cumulated EBITDA turning into ca. €24mn OpFCF after tax and more than €20mn cumulated Free Cash Flow;
- ◆ ROCE_{b.t.} steadily above the 36% threshold;
- ◆ Net Cash Position expected to increase up to ca. €27.2mn in 2026E, assuming no M&A in the forecast period.

As far as the utilization of generated cash is concerned, we expect the company to focus on: (i) further development of the premium / specialty segment (also via tactical M&A deals); (ii) penetration of American markets; (iii) possible dividends.

Valuation methodologies leading to >€18.50 fair value

Despite much higher-than-average profitability and massive cash generation, Magis trades at unjustified discount vs. its peers (3.0x-3.7x-24% EV/EBITDA-EV/EBIT-OpFCF Yield 2024 respectively), with **all valuation methodologies leading to fair values per share in excess of €18.5** (that we set as our initial fair value), compared to current €11.2 stock market price.

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Based on 2024E estimates, at €18.50 fair value, the stock would trade at **6.0x EV/EBITDA, 7.6x EV/EBIT, 12.6x P/E Adj. 11.9% OpFCF Yield, 2.8x EV/Cap.Empl.** (vs. ROCE_{b.t.} at 36%).

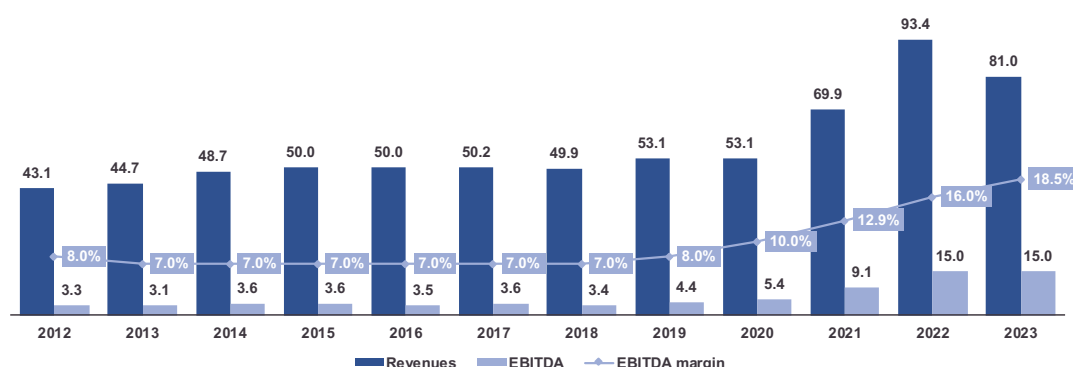
Company Profile

Magis is a leading Italian B2B company active in design, manufacturing and commercialisation of customised adhesive tapes and closure systems for nappies and incontinence pads. Established in 1983, Magis has continually set itself apart through a dedication to innovation, being the first in Italy to adopt the "sandwich printing technique" and to apply hot melt on polypropylene. Further illustrating the company's innovative spirit is the introduction of the Tigil brand in 1998, aimed at providing closure systems for disposable diapers and adult incontinence products. The Company has always been managed by the Marzi family, which owns 65% of share capital.

Magis at a glance

With **2023 Value of Production and EBITDA at €81mn and €15mn** respectively, Magis ("the Group" or "MGS") is a leading Italian designer and manufacturer of customized adhesive tapes and closure systems for disposable nappies and incontinence pads. With a workforce exceeding 200 across two manufacturing sites, the Company boasts a robust network of over 800 direct customers and approximately 600 dealers globally.

Magis: Revenues - EBITDA - EBITDA margin evolution FY2012-FY2023 (€ mn)

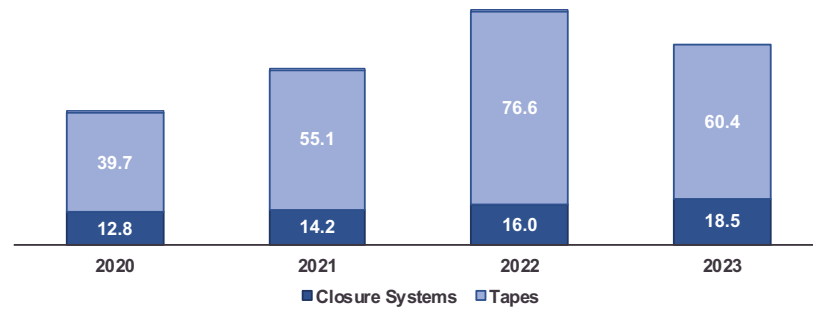


Source: Magis

Magis operates through two business lines:

- ◆ **Adhesive tapes** (77% of Group Revenues in FY23), designing manufacturing and commercialising adhesive tapes featuring a wide range of support materials (PE, PET, RPET, PP and paper) and technologies (acrylic and hot-melt);
- ◆ **Closure Systems** (23% of Group Revenues in FY23), comprising frontal and side clips as well as personalised frontal landing zones for disposable nappies and incontinence pads, alongside the outer wrapping film for sanitary pads. The company markets its products through TIGIL brand and patented three innovative solutions.

Given its diverse array of products spanning multiple sectors, Magis's primary clientele encompasses entities within the packaging, food & beverage, pharmaceutical, and baby care industries.

Magis: Revenues from sales by business line FY2020- FY2023 (€, mn)


Source: Magis, (*) Other Revenues not visible and substantially at ca. 1%

Historical Milestones

Magis was **founded back in 1983** by its current Executive Chairman Marco Marzi in Cerreto Guidi (Florence), as an early pioneer in the “premium” standard tapes adhesives sector.

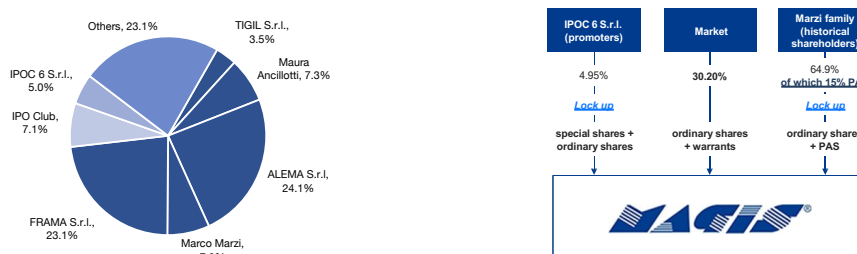
Some key events that shaped the history of Magis are:

- ◆ **1994** - Magis expands its business with the opening of a new business line, the closure system for nappies and incontinence pads;
- ◆ **2006** - The production site in Cerreto Guidi (current main site) was founded, and further expanded in 2008;
- ◆ **2019** - New 20,000 sqm production site in Terrafino (Empoli) was acquired to be used for the final stage production (i.e. cut and finishing) and logistics;
- ◆ **2022** - Magis went public on Euronext Growth Milan. The process featured a pre-book deal led by Electa Ventures through IPOC 6, with cornerstone investments from IPO club, closed-end fund managed by Azimut.

Shareholders' structure

Marzi family is the main shareholder, cumulatively owning some 65% of Magis S.p.A., while 12% is owned by non-operating minority shareholders and 23% is free float.

Magis: Corporate Structure



Source: Magis, Value Track analysis

It is worth remembering that Marzi family, holds **Book Price Adjustment Shares** (ca. 15% of Magis' share capital), which are not listed and subjected to the achievement of certain 2023-24 targets with regard to Adj. EBITDA and Adj. NFP (i.e. including the IFRS16 effect).

In detail, economic targets to be achieved on 2023 fiscal year were as follows: €15.75mn Adj. EBITDA and € 11.0mn Adj. Net Debt position. These targets have been achieved.

As far as FY 2024 is concerned, the economic targets to be achieved are €16.54mn Adj. EBITDA and €0.5mn Adj. Net Cash position.

If Magis does not fully achieve the aforementioned targets, the Price Adjustment Shares will be proportionally cancelled.

Top Management: Structure & Powers

- ◆ **Marco Marzi** - Founder and Chairman, holds a profound expertise in the domain of adhesive tape production systems and nappy closure mechanisms, enriched by his extensive national and international experience. His proficiency in the mechanical engineering of complex industrial processes has been a cornerstone in the company's pursuit of innovation, leading to the successful patenting of several leading-edge solutions in both product categories;
- ◆ **Mattia Blegnini** - CEO since December 2022, his tenure at Magis began in 2018 as Deputy Sales Manager within the adhesive tapes sector, subsequently ascending to the role of Sales Director. He holds a Bachelor's degree in Economics and Business Management. His professional journey includes a significant tenure at Informatica System Srl, culminating in his appointment as CEO in 2014, preceded by a role as Sales Director from 2015 to 2018;
- ◆ **Francesca Marzi** - CFO and Head of Human Resources since 2005. She initially joined Magis in 2002 as Purchasing Deputy Manager, with a focus on procurement and coordination within the purchasing department. She also held the directorial position at Tigil Closure Systems Srl. Her educational qualifications include a Master's degree in Administration, Finance, and Control from Sole24Ore's business school;
- ◆ **Alessandra Marzi** - Now Sales Manager, Purchasing Deputy Manager, and interim Quality Control Manager. Previously COO from 2016 to 2020, she joined Magis in 2003 serving in various capacities within the closure systems business line, focusing on procurement, production planning, and order processing. She holds a Master's degree in Administration, Finance, and Control from Sole24Ore's business school.

Magis key operating features and opportunities

At the heart of Magis's growth trajectory lies a mix of innovation, market adaptability, and sustainability. As such, we have identified the following as key operating features which are making its growth successful: 1) Broad product portfolio that is well-diversified across multiple geographies, client groups, and market sectors; 2) Vocation for R&D, reflected in its history of pioneering techniques, dedicated R&D team and robust patent portfolio; 3) Flexible production structure resulting from the combination of a short lead time and ca. 20-25% spare production capacity; 4) Capability to pass on the full extent of raw material price increases to clients without significant resistance; 5) ESG compliant production process.

On top of that we flag the opportunity of the soon to be introduced “plastic tax” that may benefit the company as it owns several products that would not be affected by such tax.

#1 key feature - Broad and diversified product portfolio

Magis boasts a **wide-ranging product portfolio** which includes several adhesive tapes (all main technologies except the environmentally harmful solvent-based) and closure systems (including frontal tape, landing zones, disposal tape and wrapping film).

Magis: Product portfolio

Adhesive tapes



Packaging, fixing and canning

BOPP, BOPET



Waterproof fixing and insulation (gardening, plumbing, etc.)

DUCT TAPE



Paper ribbons for packaging

CREPE/KRAFT TAPE



FREEZER TAPE
Semi-finished products in freezer production



MOPP TAPE
Assembly of heavy materials, adhesive handles, for the bottling and packaging industry

Closure Systems



Side hooks used for nappy fasteners

SIDE TAPE



Wrapping for sanitary towels and sealing band

WRAPPING FILM



FRONTAL TAPE & LANDING ZONE
Form the front of the nappy; can be produced in standard or customised designs



DISPOSAL TAPE
Fixing tapes for the adult incontinence product market

Source: Magis

Its cross-sector product range ensures an optimal revenue diversification across industries and clients:

1. Top three customers together account less than 10% of the overall turnover;
2. End-markets encompass a wide variety of sectors such as logistics, food & beverage, pharmaceuticals, retail, electronics, clothing, and baby care.

Such a structure of the customer base creates a **balanced mix of cyclical and counter-cyclical end-markets**, potentially acting as a buffer against market downturns.

Additionally, revenues are also geographically diversified, with **foreign countries accounting for 63%**, mainly France (13%), Germany (11%), UK (8%).

#2 key feature - Vocation for R&D / Product innovation

Magis stands out for its enduring commitment to innovation, marked by some key milestones.

- ◆ **First Italian company to adopt the "sandwich" printing technique**, a technology of US origin characterized by placing the ink between the adhesive layer and the backing. This approach enhances print quality and durability;
- ◆ **Among the first to apply hot melt coating on polypropylene**, embracing a state-of-the-art technology that offers a reduced environmental footprint;
- ◆ **Only European company producing both tapes and closing systems**, the latter originating from the innovative idea to modify certain machinery used for adhesive production to start manufacturing "frontal tape," the colourful strip on the front side of baby diapers. This initiative opened up a new market segment.

As of today, the company has further invested in its innovation pipeline, as evidenced by:

- ◆ **Dedicated team of 5 researchers** (led by the founder Marco Marzi) recently focusing on product sustainability;
- ◆ **Portfolio of 10 patents**, comprising 7 adhesive tapes and 3 closure systems. Notably, one of their patents is centered around the production of adhesives using recycled PET from bottles.

#3 key feature - Short lead time + Spare capacity = Flexible Production

Magis operates on a **work-to-order business model**, utilizing a fleet of six machines, out of which three dedicated to hot melt applications and three to acrylic use.

Order to shipment time ranges from two to six weeks, and more specifically:

- ◆ Two weeks for neutral types;
- ◆ Four weeks for customized tapes;
- ◆ Up to six weeks for specialty tapes.

Main suppliers of raw materials are located in Italy, India, and China, providing adhesive oils, resins, rubber, as well as support layers such as plastic, cardboard, and more.

Worthy to note, Magis production capabilities are significant not fully utilized yet. Indeed, as a result of an important capex plan finalised during 2019-2021 period, Magis has the capacity to produce up to 650mn sqm of tapes and 30mn sqm of closure systems annually.

This implies that ca. **20-25% of further spare production capacity** is not utilized at the moment

#4 key feature - Cost Shifting Capability

Despite their mission-critical nature, Magis items have a **negligible impact on the total costs of the finished product**. Both Adhesive Tapes and Closure Systems, account for **less than 2-3%** of the total packaging and nappy costs respectively. This feature allows the Company to efficiently pass on raw material cost increases to customers without significant resistance.

We believe this has two significant implications that must be taken into account:

- ◆ It skews the operating performance, causing anomalies like the abnormal revenues observed in 2022, which therefore should be interpreted in the light of the price effect;
- ◆ It permits the firm to sustain margins in volatile conditions and potentially achieve gains later, as price reductions occur at a slower pace than their increases.





#5 key feature - ESG compliant production process

Right from the start, the business philosophy of Magis has been based on respect for the environment and research for sustainable solutions. As such, the investments of recent years have concentrated on new technologies with a low environmental impact, focusing on the use of renewable energy.

Some highlights to note:

- ◆ The company utilizes a 135kw photovoltaic system, which covers 30% of its total energy requirements;
- ◆ In 2021, a solvent recovery system was purchased, capable of recovering 99% of the solvent used, along with a thermal oxidizer to reduce atmospheric emissions;
- ◆ The Environmental Integrated Authorization (A.I.A.) was obtained in 2022;
- ◆ The product range includes eco-sustainable and high-performance adhesive tapes made from recycled plastic bottles (ecoHIT19, whose technical features are very similar to plastic), as well as adhesive tapes supported by 100% recycled paper.

Magis: ESG footprint

	<p>SUSTAINABLE ADHESIVE TAPES</p> <p>ecoHIT19 Eco-friendly, high-performance adhesive tape protected by a European patent</p> <ul style="list-style-type: none"> • Made from recycled plastic bottles: the film is produced with at least 85% recycled granule content • BOPET adhesive tape with Hot Melt glue, neutral or customised with sandwich printing • Increased strength with lower thickness, high adhesion to cardboard <p>KH80 100% RECYCLING KRAFT TAPE Adhesive tape with 100% recycled paper backing</p> <ul style="list-style-type: none"> • With Hot Melt glue, available in neutral or customised • 2 active patents: <ul style="list-style-type: none"> • "Process for the production of reinforced paper adhesive tape". • "Material for the production of reinforced paper adhesive tape". 	<p>PLASTIC TAX AS AN OPPORTUNITY</p> <p>Magis is already well positioned for the industry trend towards sustainability with 2 sustainable products not subject to plastic tax that could replace traditional belts with non-recycled plastic components when the latter comes into force</p>
	<p>ORIENTATION TOWARDS ENVIRONMENTAL SUSTAINABILITY</p> <ul style="list-style-type: none"> ■ New solvent recovery plant and afterburner purchased in 2021 to reduce atmospheric emissions ■ Numerous recycled/recyclable products ■ Photovoltaic plant being upgraded ■ Certifications: A.I.A. authorisation, Environmental Policy, FSC Certification, Environmental Certification 14001 	
	<p>S</p> <ul style="list-style-type: none"> ■ Magis has a Code of Ethics, a Social Responsibility Policy and puts the safety and well-being of its employees first ■ Strong ties with the territory through philanthropic initiatives towards hospitals and charitable foundations, sponsorship of local sports clubs and initiatives. 	<p>G</p> <ul style="list-style-type: none"> ■ Magis adopts Organisational Model 231 and an ESG policy based on predefined objectives 

Source: Magis

The regulatory opportunity: Plastic Tax

The Plastic Tax is a levy on single-use plastic products to reduce plastic consumption and pollution. After the European Parliament adopted Directive 2019/904 to lessen the environmental impact of single-use plastic products and following multiple delays, Italian Plastic Tax may come into force as soon as 2024.

This tax involves imposing a charge of **€0.45/kg on single-use plastic produced**. Initially borne by film producers, this cost will subsequently affect tape manufacturers and further passed on to end-customers, potentially resulting in a decrease in tape consumption and the proliferation of alternative products such as straps and self-adhesives packages.

We believe that this tax, while uncertain in both impact and timing, could **catalyse a shift towards more sustainable products**, where Magis is strategically well-positioned and possesses a distinct competitive advantage through its patented eco-friendly products KH80 and ecoHIT19.

Reference market may pose some challenges

Magis also has some challenges to face, including mature markets with modest growth prospects and a competitive landscape dominated by large conglomerates.

To navigate this landscape, it has persistently look out for market niches, by focusing on: 1) high-potential product segments, such as premium/customized tapes; 2) less saturated sectors, such as closure systems; 3) smaller clients in need of greater flexibility, that multinational competitors struggle to replicate.

This strategy has resulted in exceptional growth and top-tier margins compared to its peers. Moving forward, it will be essential for Magis to keep refining its product mix towards premium offerings / bespoke market segments, a goal likely to be achieved also through strategic M&A.

#1 Challenge: mature markets with mid-single digit growth rates

Magis operates in two key markets: the “standard” adhesive tape market, with a primarily European reach, and the nappies and disposable pants market, where the Company boasts a global presence.

As of today, both markets are growing at mid-single digit rate:

- 1. European “standard” adhesive tape market**, valued at US\$2.7mn in 2021 and expected to grow at a 5.8% CAGR 2021-2026E;
- 2. Closure Systems Market, Global Nappies and disposable pants market**, valued at US\$49.3 in 2021 and expected to grow at a 6.2% CAGR 2021-26E.

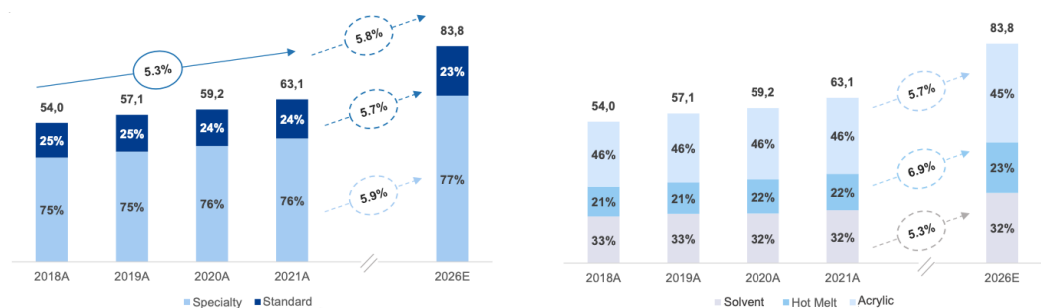
Adhesive tapes market

The adhesive tapes market is divided into standard and specialty segments.

The market is expected to grow across all technology categories, with Hot Melt technology leading (6.8% CAGR 2021-2026), driven by diverse industry demands, while acrylic remains the most popular (ca.46% of market value) due to its cost-effectiveness and regulatory compliance, and solvent-based tapes lagging behind due to environmental regulations on VOC emissions. Noteworthy, Magis product portfolio targets the segments with the highest expected growth (acrylic and hot melt tapes), and avoids solvent tapes, which are increasingly subject to stringent regulations.

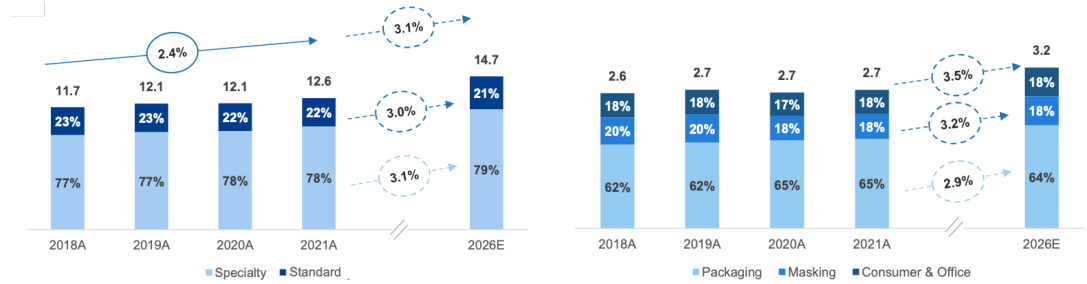
Specifically, Magis’ target market is the European market for standard tapes, accounting for ca. 4% of the global value (US\$2.7bn in 2021), and growing at a 3.1% CAGR 2021-2026E.

Global adhesive tapes market by type (lhs, US\$bn) and technology (rhs, US\$bn)



Source: Magis

European adhesive tapes market by type (lhs, US\$bn) and end-market (rhs, US\$bn)



Source: Magis

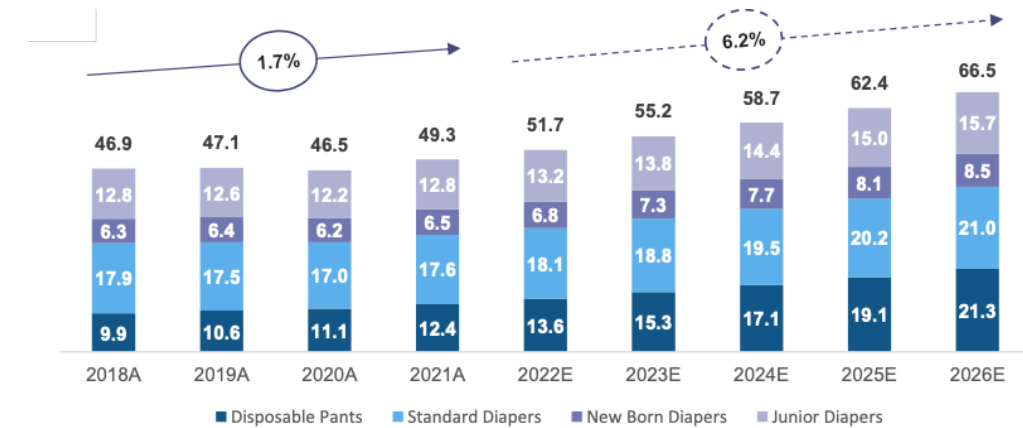
Nappies and incontinence devices

The global market for nappies and incontinence is expected to grow at **6.2% CAGR 2022-2026E** (o/w 3.0% volumes). This expansion is primarily driven by demographic factors:

1. In emerging markets, increasing birth rates are leading to a surge in demand;
2. In developed countries, demand is sustained by enhanced awareness regarding children's health, coupled with an ageing population.

As the cost of the closure systems contributes for ca. 2.5% of the nappy's cost, we estimate the market to be valued at **US\$1.2bn in 2021**, and assumed to mirror the diaper market growth trajectory.

Global market for nappies and incontinence devices (US\$bn)



Source: Euromonitor, Magis

#1 Mitigant: Magis has excelled in capitalizing on high-potential product segments, leading to exceptional growth and top-tier margins compared to its peers.

A pivotal element in sustaining this strategy will be the expansion into other bespoke / niche market segments, a goal likely to be achieved also through strategic M&A (see the chapter "Growth Strategies" on this point).

#2 Challenge: facing international industry leaders

European adhesives market dominated by large players...

Magis' main reference market is **dominated by large conglomerates** (annual turnovers ranging from \$8bn to \$40bn), with global presence, dedicated R&D division and significant bargaining power. In this context, Magis carved out a unique position by targeting smaller clients and offering flexibility that larger multinational corporations struggle to replicate.

European adhesive market: key players sales (€mn) and EBITDA margin

Company	Sales 21 (€mn)	Sales 22 (€mn)	EBITDA margin 21	EBITDA margin 22
3M*	38,537	37,386	26.3%	26.1%
Arkema	9,519	11,550	18.1%	18.3%
Henkel	20,066	23,397	16.9%	12.3%
HB Fuller*	3,573	4,087	14.2%	13.1%
Sika	8,789	9,967	19.0%	18.7%
Huntsman*	8,477	8,045	17.3%	15.6%
Average	14,827	15,739	18.6%	17.4%

Source: Magis, (*) converted to EUR at current EUR/USD and EUR/CHF exchange rates

#2 Mitigant: Typically, these market participants are not direct producers, opting instead to source their products from smaller manufacturers. An integral aspect of Magis' strategic approach is to establish significant supply agreements with these entities, and they are already in active discussions with some potential partners.

...while Italian landscape is more fragmented (and Magis well positioned)

Italian key competitors can be identified as SMEs with top line in the range of € 20-350m almost entirely attributable to adhesive tapes and generated in few countries.

Their product portfolio, usually focused only on certain sectors/applications, is quite wide and their distribution is often **based on commercial relationships rather than brand recognition**.

What arises from the analysis of competitors' financials, is the following:

1. Among the Italian players, Magis has the broadest and most diversified product portfolio, which includes all the main adhesive technologies, except solvent-based;
2. Magis boasts much higher operating profitability versus its competitors' average, with the difference also attributable to different points in the growth curve;
3. As a matter of facts, the market can be defined as highly fragmented and poses to Magis interesting opportunities to act as consolidator (see the chapter "Growth Strategies" on this point).

Noteworthy, the Company is one of the few European operators capable of offering its clients an eco-friendly adhesive tape made from recycled PET, which is also protected by a European patent.

Italian adhesive market: key players sales (€mn) and EBITDA margin

Company	Sales 21	Sales 22	EBITDA margin 21	EBITDA margin 22
Vibac Group	330	323	4.9%	7.7%
Sicad Group	236	280	9.8%	6.5%
Irplast	108	137	6.2%	9.4%
PPM	95	98	7.0%	7.4%
NAR	80	96	9.7%	10.9%
FABO Tape Solutions	54	71	12.0%	12.0%
MAC Autoadesivi	30	32	10.8%	10.8%
Autoadesivi Magri	24	28	16.6%	16.6%
Average	119.6	133.1	9.6%	10.2%
Magis	69.9	93.2	12.9%	16.0%

Source: Magis, Value Track Analysis

Closure systems is a niche with few international rivals

The closure systems sector represents a highly specialized niche with just 5-6 key players in Europe. The competitive landscape encompasses both large operators with significant bargaining power (such as Avery Dennison) and smaller contractors (including Aplix, Lohmann Koester, Fibervisions, and Nonwovens).

This concentration in the market indicates significant competitive advantages for these companies, suggesting a certain revenue stability and some degree of pricing power. Here, Magis' venture marks a successful diversification effort, which enabled the company to leverage its existing expertise in adhesive tape production towards innovative applications and approaches.

Growth Strategies

In the next future, we expect Magis to focus on the following growth drivers / strategies.

1 - Continuous optimization of operating efficiency

Magis aims to further improve its already higher than average profitability by focusing on streamlining operations to enhance productivity and reduce costs, Main areas of intervention should be:

- ◆ **Machines setup:** Machine speed largely depends on the operator's expertise in fine-tuning its settings, a crucial factor for optimizing current production capacity. To this end, Magis is focusing on training young staff to operate the machines more efficiently thus increasing its output capacity;
- ◆ **Recipes formulation:** Innovating product formulations should allow to reduce raw materials cost thus further improving Magis competitive positioning;
- ◆ **Supply Chain Management:** Refining supply chain operations would reduce purchasing costs while ensuring reliability and sustainability;
- ◆ **Zero Waste mindset:** Developing ways to reduce waste along the whole manufacturing process.

2 - Entrance into American markets

Recent successful attendances to trade fairs and future commercial endeavours (upcoming fair this November in Chicago) should help the company to expand into new markets like North and South America.

Setup of Joint Ventures with foreign players in order to develop the US/Asian market might also be taken into account.

We note that in the US the company would have the capability to price its products 10% higher than in Europe, yet ensuring they remain highly attractive for the US market.

3 - Further development of premium “specialty products”

The high-tech production facilities built as a result of the recent investment plan should enable Magis to increase the production of products with higher added value such as green adhesive tapes and closure systems.

Green adhesive tapes

Thanks to its R&D effort focused on sustainable products (e.g., paper tapes, recycled materials), Magis aims to continue to be at the forefront of the development of new products with a lower environmental impact while improving the performance of existing ones.

Closure systems

Magis is one of the few competitors in the European arena of such niche market and the aim is to boost market share with an aggressive commercial attitude.

A new closure systems production machine has been recently ordered and this should allow increasing output volumes, in particular those of Wrap Tape (the system to wrap individual sanitary towels).

4 - M&A

As we said before, the Italian and European markets are pretty fragmented, so there is the possibility to pursue some “tactical” acquisition of smaller players in contiguous and synergic areas to Magis one (e.g. body care / medical) thus not cannibalizing the existing portfolio.

Recent financial performance

From 2012 to 2020, Magis maintained a relatively stable top line and profitability. In 2019, driven by increased demand from both existing and new clients, the company embarked on expanding its production capacity by rolling out a new plant in Terrafino (Empoli).

To finance this expansion, Magis issued two minibonds, worth €7mn and €2mn, expiry in February 2026 and October 2027, respectively.

The enhanced production capacity allowed Magis to face the increasing demand with a positive operational leverage thus boosting not only Revenues (14.1% CAGR 2020-2023) but also, and to a higher extent, profitability (40.3% EBITDA CAGR 2020-2023, EBITDA margin at 18.5% in 2023, +250bps y/y thanks also to better product mix, and tight cost oversight).

The improved cash flow, together with €4.9mn IPO proceeds, led to a swift deleveraging process, resulting in €5.8mn Net Cash Position by December 2023 (vs. €11mn Net Debt in 2020). In 2023 alone, the company generated €8.3mn Free Cash Flow, thanks to well-managed working capital and very low Capex.

Key Data & Messages

The key highlights from Magis's **2020-2023** financial results are as follows:

- Sound top line growth pace** at 14.1% CAGR to €81.0mn as of FY23, with *Adhesive Tapes* accounting for ca.77% and *Closure Systems* for the remaining 23%;
- Reported EBITDA** +40.3% CAGR at €15.0mn, with margin 2023 on VoP at 18.5% (nearly doubled vs. 2020). Please note that Adj. EBITDA stands at €16.3mn in FY23 i.e. 20.1% margin;
- Working capital** at 12.8% of VoP, normalizing after a couple of volatile years influenced by customer overstocking over fears of product shortages and rising inflation (especially in 1H22);
- Strong OpFCF generation** at cumulative €25.6mn OpFCF_{b.t.} over the period and post €17.3mn Capex, mainly incurred in 2020-2021 and related to production capacity expansion;
- Net Financial Position moving from Net Debt** (€11.0mn in 2020) **to Net Cash** (€5.8mn as of December 2023), thanks to €11.7mn Net Cash generated and €4.9mn IPO Proceeds (in 2022).

Magis: Key Financials FY20-FY23

(€, mn)	2020	2021	2022	2023	CAGR 20-23
Value of Production	54.5	71.0	93.4	81.0	14.1%
EBITDA	5.3	9.1	15.0	15.0	40.3%
<i>EBITDA Margin (% VoP)</i>	9.6%	12.9%	16.0%	18.5%	856bps
EBITDA Adj. (*)	9.1	15.0	15.5	16.3	21.4%
<i>EBITDA Adj. Margin (% VoP)</i>	16.7%	21.1%	16.6%	20.1%	343bps
Net Profit	2.8	6.3	12.0	8.2	97.8%
<i>Net Margin (% VoP)</i>	5.1%	8.9%	12.8%	10.2%	820bps
Net Cash (+) Debt (-)	-11.0	-17.0	-2.5	5.8	16.8mn

Source: Magis, Value Track Analysis, (*) Adjusted for IFRS16 effect, and only used as a benchmark for PAS targets calculation

Remarkable growth, 14.1% CAGR₂₀₋₂₃

In the **period 2020-2023**, Value of Production was up at **+14.1% CAGR**, achieving €81.0mn level.

Revenues from sales, which almost wholly represent the Value of Production (ca.98-99%), are historically allocated with an 77/23 split between Adhesive Tapes and Closure Systems, respectively.

Other revenues historically account for 1-2% of VoP on average and include variables amount of:

- ◆ Inventory / WIP (ranging between €1mn and negative €600k) related to internal R&D projects;
- ◆ Grants / Contributions (ranging between €400k-€1.2mn), such as *Industria 4.0*, *GSE Subsidies* and other cash contributions.

Noteworthy, 2022 results were excessively magnified by customer overstocking, motivated by concerns over product scarcity, along with rising inflation.

This situation culminated in an exceptional year, with this growth particularly notable in the first half, reaching a 49% year-on-year expansion.

As for FY2023, results appear underwhelming due to the challenging comparison base and the reversal of trend observed during the previous year. Clients, now equipped with fuller inventories needing depletion, placed fewer orders in 2023.

Magis: Value of Production Breakdown FY20-FY23

(€, mn)	2020	2021	2022	2023	CAGR 20-23
Revenues from Sales	53.1	69.9	93.2	78.9	14.1%
Adhesive Tapes	39.7	55.1	76.6	60.4	15.0%
Closure Systems	12.8	14.2	16.0	18.5	13.0%
Other Products	0.6	0.6	0.6	0.0	nm
Other Revenues	1.4	1.0	0.2	2.1	14.9%
Δ Inventory (Fin. Goods)	1.0	0.6	-0.6	0.9	-2.5%
Grants & Contributions	0.4	0.4	0.9	1.2	45.1%
Value of Production	54.5	71.0	93.4	81.0	19.7%

Source: Magis, Value Track Analysis

Profitability strongly benefitting from operating leverage / efficiency gains

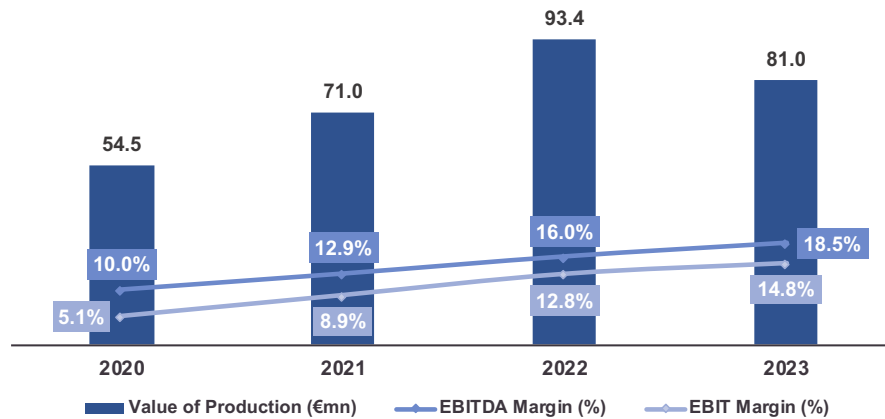
In the same period, profitability has notably increased as Magis benefitted from its recent investments in output capacity and modernization, alongside the introduction of innovative, environmentally friendly products that met strong market demand.

In FY23, this was further accentuated by the prolonged impact of price increases, which are tapering off more gradually than their initial surge, as well as to a rigorous management of fixed costs.

The interplay between this initiatives and price effects led to the following FY2023 results:

- ◆ **EBITDA at €15.0mn** (+40.3% CAGR 2020-2023, but flat y/y due to the above-mentioned destocking effect) and EBITDA margin at 18.5% (10% in FY2022), thanks to a rigorous management of fixed and semi-fixed costs, whose incidence on VoP has been progressively reduced;
- ◆ **EBIT at €12.0mn** (vs. €2.8mn as of FY20) and EBIT margin nearly tripled at 14.8% thanks to D&A charges under control, stabilizing at ca. 20% of EBITDA (such as in FY21);
- ◆ **Net Profit at €8.2mn** (vs. €1.1mn as of FY20), growing more than proportionally due to a declining incidence of Net Financial Charges related to bond payments and Tax rate settling around 25-26%.

Magis: Evolution of VoP, EBITDA Margin (reported), EBIT Margin FY20-FY23



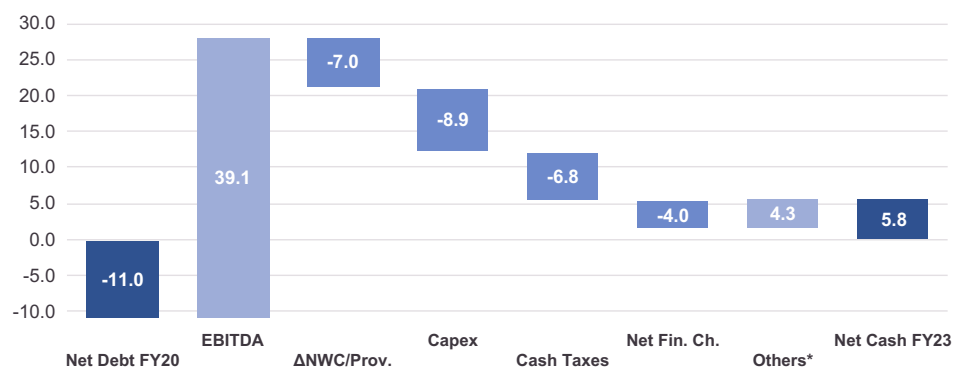
Source: Magis, Value Track Analysis

Very strong Cash Generation and sound Balance Sheet

Magis has consistently demonstrated a robust cash flow generation, allowing a swift deleveraging process from 2020 onwards.

Indeed, Net Financial Position moved from €11.0mn Net Debt in 2020, to €5.8mn Net Cash in 2023. In this regard, we note that the firm's 2019-2021 Capex Plan was financed through the issuance of two minibonds, valued at €7mn and €2mn and maturing in February 2026 and October 2027 respectively.

Magis: Net Financial Position bridge FY20-FY23



Source: Magis, Value Track Analysis, (*) Including €4.9mn IPO proceeds and net of financial investments

Over FY22-FY23, the conclusion of the investment cycle and normalization of NWC have contributed to drive an **OpFCF_{b.t.} / EBITDA ratio in excess of 80%** and healthy Returns on Equity and Capital Employed.

Magis: Key return indicators FY22-FY23

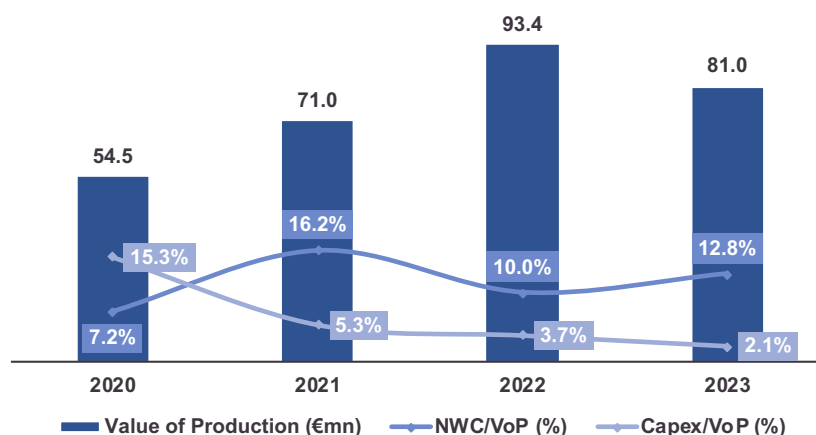
ROE / ROIC Analysis (%)	2022	2023
ROE (% , on avg. E t-1)	25%	21%
ROIC b.t. (% , on avg. IC t-1)	36%	36%
ROIC a.t. (% , on avg. IC t-1)	27%	27%

Source: Magis, Value Track Analysis

The primary factors contributing to such a remarkable performance are:

- ◆ **Healthy Operating and Net Profitability**, with Net Profit Margin after tax at ca. 8-10%;
- ◆ **Low capex requirement** after the investment cycle, at 2.1% of VoP in 2023 (vs. 3.7% and 5.3% in 2022 and 2021 respectively);
- ◆ **Limited NWC** at 12.8% of VoP in 2023, normalizing after a couple of volatile years influenced by customer overstocking, spurred by fears of product shortages and rising inflation.

Magis : VoP vs. Net Working Capital and Capex FY20-FY23



Source: Magis, Value Track Analysis

Magis: Net Working Capital FY20-FY23

(€, mn)	2020	2021	2022	2023
Inventories	6.8	11.6	11.7	11.8
Trade Receivables	9.8	13.7	13.8	14.8
DSO (gg, on VoP + VAT)	65.6	70.5	54.0	66.9
Trade Receivables / VoP (%)	18.0%	19.3%	14.8%	18.3%
Trade Payables	11.5	10.5	12.1	13.8
DPO (gg, on Total Operating Costs)	72.8	58.3	54.0	74.4
Trade Payables / VoP (%)	21.0%	14.8%	13.0%	17.0%
Other Current Assets	0.3	0.4	1.4	0.8
Tax Payables	0.9	1.6	2.5	1.6
Other Current Liabilities	1.0	1.1	1.1	-1.8
Accruals and deferrals	0.4	-1.0	-1.8	1.4
Net Working Capital	3.9	11.5	9.4	10.4
Net Working Capital / VoP (%)	7.2%	16.2%	10.0%	12.8%

Source: Magis, Value Track Analysis

FY20-FY23 P&L, Balance Sheet, Cash Flow

Magis: P&L FY20-FY23

(€, mn)	2020	2021	2022	2023
Value of Production	54.5	71.0	93.4	81.0
Raw Materials, Δ Inventory (Raw Materials)	-32.4	-43.6	-57.2	-45.3
Gross Profit	22.1	27.3	36.2	35.7
Gross Margin (%)	40.5%	38.5%	38.7%	44.0%
Costs of Services	-6.8	-8.1	-10.5	-10.1
Costs of Rent	-1.8	-1.9	-1.9	-1.8
G&A	-0.6	-0.2	-0.2	-0.3
Labour Costs	-7.5	-8.0	-8.6	-8.5
Reported EBITDA	5.4	9.1	15.0	15.0
Reported EBITDA Margin (%)	10.0%	12.9%	16.0%	18.5%
D&A (excl. Goodwill)	-2.4	-2.7	-2.9	-2.8
Provisions	-0.3	-0.1	-0.1	-0.2
EBIT	2.8	6.3	12.0	12.0
Interest Expenses / Other Non-Op. Items	-1.2	-1.4	-1.6	-1.0
Pre-Tax Profit	1.5	5.0	10.4	11.0
Taxes	-0.5	-1.3	-2.7	-2.8
Net Profit	1.1	3.7	7.7	8.2
Net Profit Margin (%)	1.9%	5.2%	8.2%	10.2%

Source: Magis, Value Track Analysis

Magis: Balance Sheet Structure FY20-FY23

(€, mn)	2020	2021	2022	2023
Net Fixed Assets	22.3	24.3	24.1	23.1
Net Working Capital	3.9	11.5	9.4	10.4
Provisions	1.2	1.0	0.6	0.6
Total Capital Employed	25.1	34.8	32.9	32.9
Group Net Equity	14.0	17.8	30.4	38.6
Net Financial Position	-11.0	-17.0	-2.5	5.8

Source: Magis, Value Track Analysis

Magis: Cash Flow Structure FY20-FY23

(€, mn)	2020	2021	2022	2023
EBITDA	5.4	9.1	15.0	15.0
Δ NWC / Δ Provisions	5.2	-7.8	1.7	-1.0
Capex (excl. Financial Inv.)	-8.3	-3.7	-3.5	-1.7
OpFCF b.t.	2.4	-2.3	13.2	12.3
As a % of EBITDA	43.7%	-25.3%	88.3%	82.1%
Cash Taxes	-0.5	-1.3	-2.7	-2.8
OpFCF a.t.	1.9	-3.6	10.5	9.5
Capital Injections	0.0	0.0	4.9	0.0
Other (incl. Financial Inv.)	4.7	-1.0	0.7	-0.3
Net Financial Charges	-1.1	-1.4	-1.6	-1.0
Dividends Paid	0.0	0.0	0.0	0.0
Δ Net Financial Position	5.5	-6.0	14.5	8.3

Source: Magis, Value Track Analysis

2024E-26E: The years of harvesting

In 2024E-26E years we expect Magis to generate a massive amount of cash before turning its attention on further development capex plans.

Indeed, we forecast some €50mn cumulated EBITDA turning into ca. €24mn OpFCF after tax and more than €20mn cumulated Free Cash Flow, leading the Net Cash Position up to ca. €27.2mn in 2026E, assuming no M&A in the forecast period. ROCE_{b.t.} should remain steadily above the 36% threshold.

Magis: 2024E-26E consolidated figures at a glance

As a result of the healthy operating margins and of the limited capex needed, **in 2024E-26E years we expect Magis to generate a massive amount of cash** before turning its attention on further development capex plans.

More in details, we expect:

- ◆ Value of Production to keep growing at a ca. 4.5% CAGR_{23A-26E} to ca.€92.3mn in 2026E;
- ◆ Reported EBITDA - EBIT margin 2026E at ca. 19.2% -15.1%, leading to €17.7mn - €13.9mn EBITDA - EBIT respectively in 2026E;
- ◆ Some €50mn cumulated EBITDA turning into ca. €24mn OpFCF after tax and more than €20mn cumulated Free Cash Flow;
- ◆ ROCE_{b.t.} steadily above the 36% threshold;
- ◆ Net Cash Position expected to increase up to ca. €27.2mn in 2026E, assuming no M&A in the forecast period.

As far as the utilization of generated cash is concerned, we expect the company to focus on: (i) further development of the premium / specialty segment (also via tactical M&A deals); (ii) penetration of American markets; (iii) possible dividends.

Magis: Key Financials FY23-FY26

(€, mn)	2023	2024E	2025E	2026E	CAGR 23-26
Value of Production	81.0	84.2	88.4	92.3	4.5%
EBITDA	15.0	15.8	16.9	17.7	5.7%
<i>EBITDA Margin (% VoP)</i>	<i>18.5%</i>	<i>18.7%</i>	<i>19.1%</i>	<i>19.2%</i>	<i>68bps</i>
EBITDA Adj. (*)	16.3	17.3	18.4	19.2	5.7%
<i>EBITDA Adj. Margin (% VoP)</i>	<i>20.1%</i>	<i>20.5%</i>	<i>20.8%</i>	<i>20.8%</i>	<i>71bps</i>
Net Profit	8.2	8.6	9.3	9.6	6.7%
<i>Net Margin (% VoP)</i>	<i>10.2%</i>	<i>10.2%</i>	<i>10.5%</i>	<i>10.4%</i>	<i>28bps</i>
OpFCFa.t.	9.8	8.7	9.2	11.4	5.2%
FCF	8.3	7.4	7.9	6.2	-9.4%
ROCE (%)	36%	37%	38%	36%	-74bps
Net Cash. Pos.	5.8	13.1	21.0	27.2	67.6%

Source: Magis, Value Track Analysis, (*) Adjusted for IFRS16 effect, and only used as a benchmark for PAS targets calculation

Top Line to grow at mid-single digit pace

We are forecasting Magis to reach **€92.3mn VoP of in 2026E**, with Revenues from Sales growing at 5.0% CAGR_{23A-26E}, substantially in line with the market expected growth rates. As for our assumptions in terms of each BU contribution, we expect Closure Systems progressively converging to 25% of Sales and then to stabilize at his level.

Magis: Value of Production Breakdown FY23-FY26

(€, mn)	2023	2024E	2025E	2026E	CAGR 23-26
Revenues from Sales	78.9	83.2	87.4	91.3	5.0%
Adhesive Tapes	60.4	63.3	65.5	68.5	4.3%
Closure Systems	18.5	20.0	21.8	22.8	7.3%
Other Products	0.0	0.0	0.0	0.0	nm
Other Revenues	2.1	1.0	1.0	1.0	-21.8%
Δ Inventory (Fin. Goods)	0.9	0.1	0.1	0.1	nm
Grants & Contributions	0.0	0.0	0.0	0.0	nm
Value of Production	81.0	84.2	88.4	92.3	4.5%

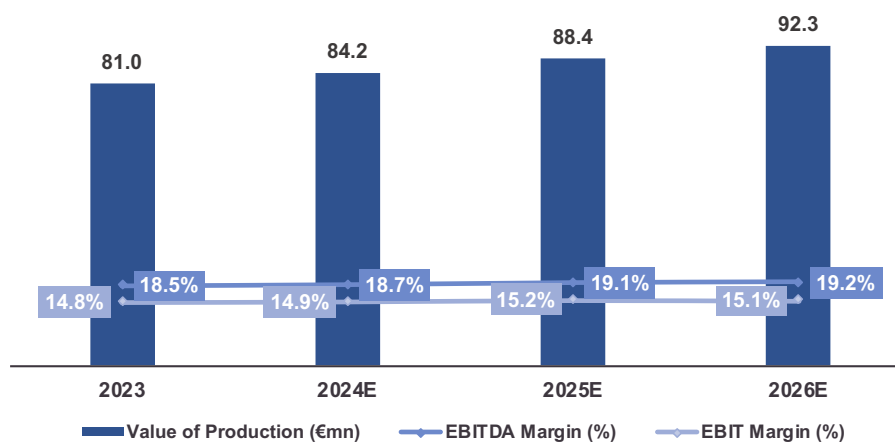
Source: Magis, Value Track Analysis

Profitability margins to remain at top levels

As for profitability, we highlight:

- ◆ **EBITDA at €17.7mn in FY26E**, underpinned by the dual benefits of operational leverage stemming from prior capital investments and an enhanced product mix featuring higher value-added offerings. **EBITDA margin** should therefore stand at 18.5% in FY23 and gradually **converge towards 19.2% in 2026E**;
- ◆ **EBIT margin in the 14.8/15.2% range**, due to low and substantially stable D&A (ca. 20% of EBITDA) up to FY26E, at which point we expect that a new cycle of investments will be necessary;
- ◆ **Net Profit at ca. €9.6mn as of 2026E**, with net financial charges progressively decreasing in accordance with bonds amortization schedule and stable tax rate.

Magis: Evolution of VoP, EBITDA Margin (reported), EBIT Margin FY20-FY26E



Source: Magis, Value Track Analysis

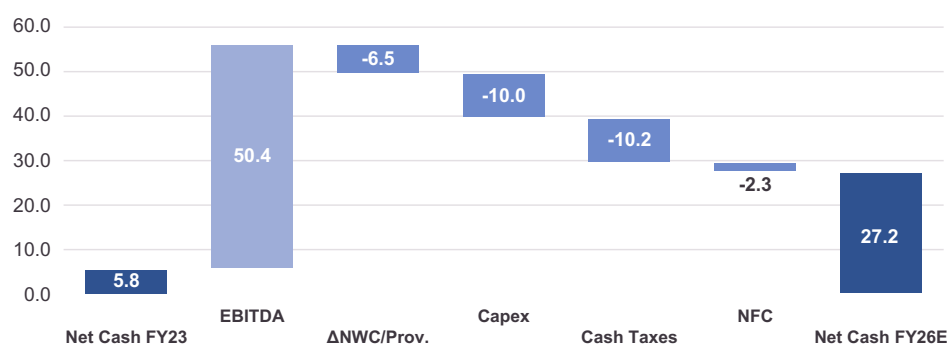
Cash generation and Capital efficiency are the “sweet spots”

We expect Net Cash Position to increase up to ca. €27.2mn in 2026E (assuming no M&A in the forecast period), **implying ca. €21.4mn FCF generation over 2024E-26E.**

We expect these outcomes to be driven by:

- ◆ Cumulated 2024E-26E NWC absorption at ca. €6.5mn over 2024-26E, as here we assume the working capital situation to follow increasing VoP, while remaining under control (<18% of VoP);
- ◆ Cumulated 2024E-26E €4.5mn maintenance CapEx and €5.5mn development Capex, with the latter expected to be almost entirely allocated in 2026E, coinciding with the start of an additional investment cycle which we deem necessary to support further Revenues expansion;
- ◆ Other cash-out related to taxes and financial charges (ca. €10.2mn and €2.3mn on a cumulative basis respectively).

Magis: Net Financial Position bridge FY20-FY26E



Source: Magis, Value Track Analysis

Accordingly, we expect Magis to continue to exhibit strong ROE /ROIC values, demonstrating persistent financial robustness.

Magis: Key return indicators FY23-FY26E

ROE / ROIC Analysis (%)	2023	2024E	2025E	2026E
ROE (% , on avg. E t-1)	21%	18%	16%	15%
ROIC b.t. (% , on avg. IC t-1)	36%	37%	38%	36%
ROIC a.t. (% , on avg. IC t-1)	27%	27%	28%	26%

Source: Magis, Value Track Analysis

FY23-FY26E P&L, Balance Sheet, Cash Flow

Magis: P&L FY23-FY26E

(€, mn)	2023	2024E	2025E	2026E
Value of Production	81.0	84.2	88.4	92.3
Raw Materials, Δ Inventory (Raw Materials)	-45.3	-46.7	-48.6	-50.6
Gross Profit	35.7	37.5	39.8	41.7
Gross Margin (%)	44.0%	44.5%	45.0%	45.2%
Costs of Services	-10.1	-10.5	-11.0	-11.5
Costs of Rent	-1.8	-1.9	-1.9	-2.0
G&A	-0.3	-0.3	-0.3	-0.3
Labour Costs	-8.5	-9.1	-9.7	-10.2
Reported EBITDA	15.0	15.8	16.9	17.7
Reported EBITDA Margin (%)	18.5%	18.7%	19.1%	19.2%
D&A (excl. Goodwill)	-2.8	-3.2	-3.4	-3.8
Provisions	-0.2	0.0	0.0	0.0
EBIT	12.0	12.6	13.4	13.9
Interest Expenses / Other Non-Op. Items	-1.0	-0.8	-0.8	-0.7
Pre-Tax Profit	11.0	11.8	12.7	13.2
Taxes	-2.8	-3.2	-3.4	-3.6
Net Profit	8.2	8.6	9.3	9.6
Net Profit Margin (%)	10.2%	10.2%	10.5%	10.4%

Source: Magis, Value Track Analysis

Magis: Balance Sheet Structure FY23-FY26E

(€, mn)	2023	2024E	2025E	2026E
Net Fixed Assets	23.1	21.9	20.5	22.7
Net Working Capital	10.4	12.8	15.6	16.9
Provisions	0.6	0.6	0.6	0.7
Total Capital Employed	32.9	34.1	35.5	38.9
Group Net Equity	38.6	47.2	56.5	66.1
Net Cash (+) Debt (-)	5.8	13.1	21.0	27.2

Source: Magis, Value Track Analysis

Magis: Cash Flow Structure FY23-FY26E

(€, mn)	2023	2024E	2025E	2026E
EBITDA	15.0	15.8	16.9	17.7
Δ NWC / Δ Provisions	-1.0	-2.4	-2.8	-1.3
Capex (excl. Financial Inv.)	-1.7	-2.0	-2.0	-6.0
OpFCF b.t.	12.3	11.3	12.1	10.4
As a % of EBITDA	82.1%	71.9%	71.6%	58.8%
Cash Taxes	-2.8	-3.2	-3.4	-3.6
OpFCF a.t.	9.5	8.2	8.7	6.9
Capital Injections	0.0	0.0	0.0	0.0
Other (incl. Financial Inv.)	-0.3	0.0	0.0	0.0
Net Financial Charges	-1.0	-0.8	-0.8	-0.7
Dividends Paid	0.0	0.0	0.0	0.0
Δ Net Financial Position	8.3	7.4	7.9	6.2

Source: Magis, Value Track Analysis

Valuation points at >€18.50 fair value

All valuation methodologies leading to fair values per share in excess of €18.5 (that we set as our initial fair value), compared to current €11.2 stock market price.

Based on 2024E estimates, at €18.50 fair value, the stock would trade at 6.0x EV/EBITDA, 7.6x EV/EBIT, 12.6x P/E Adj. 11.9% OpFCF Yield, 2.8x EV/Cap.Empl. (vs. ROCE_{b.t.} at 36%).

Valuation summary

Despite much higher-than-average profitability and massive cash generation, Magis shares at **current €11.2 stock market price** trade at unjustified low level (3.0x-3.7x-24% EV/EBITDA-EV/EBIT-OpFCF Yield 2024 respectively), at deep discount vs. its comparables.

Magis: Sensitivity of implicit stock trading multiples at current market price

Equity Value p.s.	EV / Sales (x)			EV / EBITDA (x)			EV / EBIT (x)			P/E Adj. (x)			OpFCF Yield (%)		
	24E	25E	26E	24E	25E	26E	24E	25E	26E	24E	25E	26E	24E	25E	26E
€ 10.95	0.54	0.43	0.34	2.9	2.2	1.8	3.6	2.8	2.2	6.8	6.3	6.1	25.0	32.3	33.4
€ 11.20	0.56	0.44	0.36	3.0	2.3	1.8	3.7	2.9	2.3	7.0	6.5	6.2	24.3	31.2	32.0
€ 11.45	0.58	0.46	0.37	3.0	2.4	1.9	3.8	3.0	2.4	7.1	6.6	6.3	23.6	30.1	30.7

Source: Value Track Analysis

That said, we calculate that all valuation methodologies lead to fully diluted fair values per share in excess of €18.5 (that we set as our initial fair value).

Based on 2024E estimates, at €18.50 fully diluted fair value, the stock would trade at 6.0x EV/EBITDA, 7.6x EV/EBIT, 12.6x P/E Adj. 11.9% OpFCF Yield, 2.8x EV/Cap.Empl. (vs. 37% ROCE_{b.t.}).

Magis: Sensitivity of implicit stock trading multiples at fair value levels

Equity Value p.s.	EV / Sales (x)			EV / EBITDA (x)			EV / EBIT (x)			P/E Adj. (x)			OpFCF Yield (%)		
	24E	25E	26E	24E	25E	26E	24E	25E	26E	24E	25E	26E	24E	25E	26E
€ 18.00	1.11	0.97	0.86	5.9	5.0	4.4	7.4	6.3	5.6	12.3	11.4	11.0	12.2	14.3	13.3
€ 18.50	1.15	1.00	0.89	6.0	5.2	4.6	7.6	6.5	5.9	12.6	11.7	11.3	11.9	13.8	12.8
€ 19.00	1.18	1.04	0.92	6.2	5.4	4.8	7.8	6.7	6.1	13.0	12.0	11.6	11.5	13.3	12.4
€ 19.50	1.22	1.07	0.96	6.4	5.5	4.9	8.1	7.0	6.3	13.3	12.4	11.9	11.2	12.9	11.9
€ 20.00	1.25	1.10	0.99	6.6	5.7	5.1	8.3	7.2	6.5	13.7	12.7	12.2	10.9	12.5	11.6

Source: Value Track Analysis

We highlight that at current market price, and based on an exit multiple at 6.0x EV/EBITDA, **investors would gain exposure on potential 100% upside on a two years horizon** (ca. 32% upside if exit multiple remains in line with current ones), securing sustainable double-digit yields on all metrics (OpFCF, FCF, Earnings yield).

Indeed, **assuming 6.0x EV/EBITDA exit multiple**, we calculate **€22.8 exit value per share on a 2-years period** implying annualized 43% IRR, and 104% total return.

Magis: IRR from investing today with exit at 6.0x EV/EBITDA in 2026E

(€mn)	2026E
EBITDA (€mn)	17.7
Exit Market Multiples EV/EBITDA (x, 2 years forward) in April 2026	6.0
Implied Enterprise value (€mn)	106.4
Net Financial Position 2026E year-end (€mn)	27.2
Equity value (€mn)	133.6
Fully diluted number of shares (mn)	5.85
Equity value per share at exit (€)	22.8
Annualized IRR	42.7%

Source: Value Track Analysis

Magis: IRR sensitivity to time to exit and to EV/EBITDA exit multiple

Annualized IRR (gross of tax, %)		Time to exit (years)				
		1.0	2.0	3.0	4.0	5.0
Exit multiple (EV/EBITDA)	5.0x	60.6%	32.9%	24.5%	21.1%	19.1%
	5.5x	73.4%	37.9%	27.4%	23.1%	20.6%
	6.0x	86.3%	42.7%	30.2%	25.0%	22.0%
	6.5x	99.2%	47.4%	33.0%	26.9%	23.4%
	7.0x	112.0%	51.9%	35.5%	28.7%	24.7%

Source: Value Track Analysis

More in details, as far as Magis valuation is concerned, we have taken into consideration the following methodologies:

- ◆ **DCF model**, aimed at capturing Magis medium-term growth potential, cash generation capability and risk profile, leading at ca. €21.6 p/s;
- ◆ **Peers Analysis**, aimed at assessing Magis valuation based on its 2024E-25E expected performance compared to peers and leading to €19.8 p/s;
- ◆ **ROIC / ROE based value maps cross check**, confirming a valuation above €18.5 p/s.

Magis: Valuation Summary

Valuation Methodologies	Fair Equity Value p/s (€)(*)	Fair Equity Value (€, mn)(*)
DCF Model	21.6	126.4
Current Market Multiples	19.8	115.9
ROIC / ROE based Value Map	>18.5	>108.3

Source: Value Track Analysis (*) Fully diluted basis

Discounted Cash Flow Model

We run a DCF model and calculate a **Fully Diluted Equity Value p.s. of €21.6**, mid-point of two methodologies depending on Magis capital structure. Our DCF assumptions are:

- ◆ Reference date Dec 2024, with 2024E-30E as explicit forecasts time horizon;
- ◆ 2.0% Risk Free Rate in line with medium term inflation target;
- ◆ TV calculated with perpetual growth model, which implies exit multiples broadly consistent with current FY24E market multiples, i.e. between 6.0x and 6.3x EV/EBITDA;
- ◆ Unlevered Beta at 1.0, usual conservative value for a small cap;
- ◆ 5.6% implied Italian equity risk premium (*Source: Damodaran*);
- ◆ 3.0% Magis specific small-size risk premium;
- ◆ 5.0% pre-tax and 3.8% after-tax cost of debt.
- ◆ 1% Perpetuity Growth Rate (“g”).
- ◆ Target Capital structure with Net Debt at 20% of the Capital Invested, assuming that current excess cash will be used for M&A;
- ◆ WACC fixed at 10.6%-10.1% for rolling and target 20% capital structure respectively, with the first being equal to the cost of equity as the company is cash positive and beta equal to 1.0.

Magis: DCF Model outcomes

€mn	@Rolling Capital Structure	@Target Capital Structure
PV of Future Cash-Flows 2024E-2030E	47.9	48.5
PV of Terminal Value 2030E	69.5	75.4
Fair Enterprise Value	117.4	124.0
Net Cash Position 2023A	5.8	5.8
Adjustments	0	0
Fair Equity Value € p.s. (*)	21.0	22.2
Fair Equity Value € p.s. (Mid-point)	21.6	

Source: Value Track Analysis, (*) Fully diluted

Magis: Sensitivity of DCF Model @ Target Capital Structure

Fair Equity Value p.s. (€)		Perpetuity Growth (%)				
		0.50%	0.75%	1.00%	1.25%	1.50%
WACC (%)	9.1%	23.8	24.3	24.8	25.3	25.9
	9.6%	22.6	23.0	23.4	23.9	24.3
	10.1%	21.4	21.8	22.2	22.6	23.0
	10.6%	20.4	20.7	21.1	21.4	21.8
	11.1%	19.5	19.8	20.1	20.4	20.7

Source: Value Track Analysis

Peers Analysis

Choice of Comparables

Our clusters consist of a wide-ranging group of companies operating in the adhesive tapes domain or closely related sectors (packaging, chemicals, etc.).

This selection spans from global conglomerates (market cap between €4bn - €32bn), with BUs specifically dedicated to the tape industry, to domestic market participants operating in analogous sectors (market cap between €20bn - €1bn), that share with Magis similar business model or value drivers.

In more details, we built the two clusters as follows:

- ◆ **As for international Peers**, companies operating in the tapes and packaging industries;
- ◆ **As for domestic peers**, we include companies operating in packaging (Grifal, Zignago Vetro), Chemicals (Industrie Chimiche Forestali, Green Oleo), and related products (Neodecortech), which we deem comparable on a stock market perspective.

Magis: Peers' Market Positioning

Peers	HQ	Business	Market Cap (€mn)	Sales 2024E (€mn)	EBITDA Margin 2024E (%)
Italian Packaging & Chemicals					
Industrie Chimiche Forestali	Italy	Specialty adhesives	31.1	80.3	11.1
Grifal	Italy	Protective packaging	24.6	38.5	14.5
Green Oleo	Italy	Organic chemicals	30.6	74.7	6.6
Zignago Vetro	Italy	Glass packaging	1,166.9	699.4	26.1
Neodecortech	Italy	Printed paper, flooring	42.5	161.6	8.9
International Adhesives Players					
Avery Dennison	US	Adhesives, specialties	16,540.3	7,688.4	15.9
H.B Fuller Company	US	Adhesives, specialties	3,929.0	3,230.1	17.2
Arkema Group	US	Adhesives, specialties	7,400.9	9,565.0	16.6
Henkel AG&CO	Germany	Adhesives, cosmetics, toiletries	32,247.8	21,493.0	16.2
Nitto Denko Corporation	Japan	Adhesives, specialties	12,252.5	5,703.7	23.1
Magis	Italy	Adhesives, closure systems	59.7	84.0	18.8

Source: Market Consensus as of 04/04/2024, Value Track Analysis

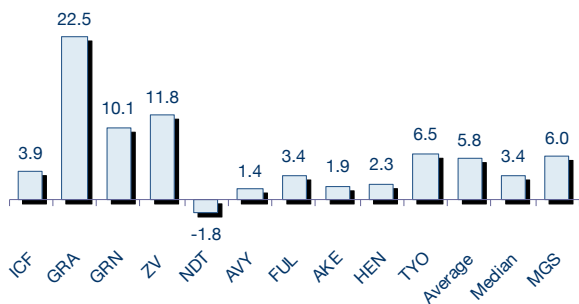
Magis best-in class compared to its Peers

Comparing Magis with selected peers we note that, but for revenues growth in line with average of its peers, Magis stands better on all of the following KPIs:

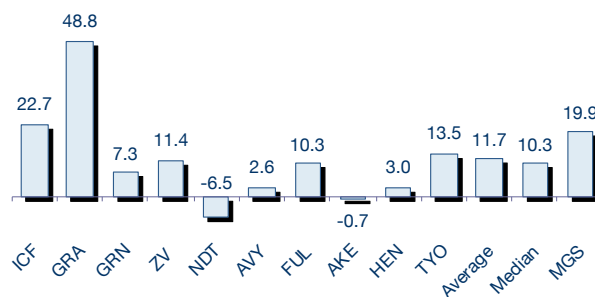
1. **Operating Profitability.** We forecast Magis to maintain much higher EBITDA Margin than peers in line with historical figures (2024E at 19.0% vs. 16.8% for peers);
2. **Return on Capital.** We expect Magis to maintain a much higher than average ROCE (three times higher) thanks to its light business model (Capex / VoP at less than 2%) and strong operating profitability;
3. **Financial Leverage.** Magis boasts Net Debt / EBITDA <0, as only Henkel and Nitto Denko do in the cluster.

Magis: Benchmark vs. Peers

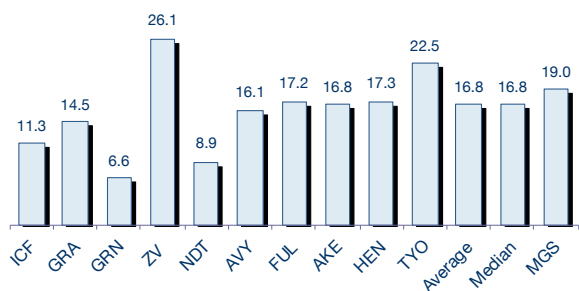
4yr Revenue from Sales CAGR (%)



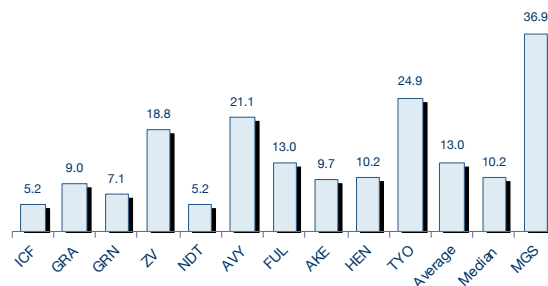
4yr EBITDA CAGR (%)



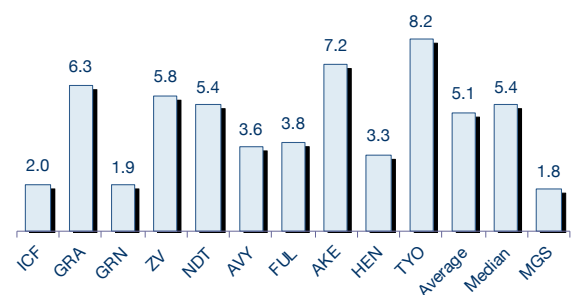
EBITDA Margin 2024E (%)



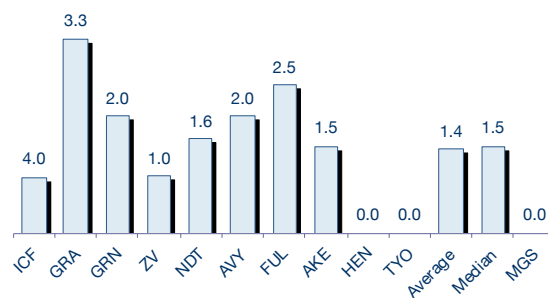
ROCE (b.t.) 2024E (%)



Maintenance Capex / Revenues 2024E (%)



Net Debt / EBITDA 2024E (x)



Source: Market Consensus as of 2/04/2024, Value Track Analysis

Valuing Magis based on peers' current stock multiples

We take into consideration 2024E and 2025E as base valuation years, employing a comprehensive array of multiples to properly take into account the different growth rates, profitability, capital intensity, and cash generation capabilities of the various companies included in the sample.

Upon examination, we note that:

- ◆ The valuation multiples across both clusters exhibit a coherent range, with no excessive dispersion, except for Avery Dennison. This entity is observed to command a premium of approximately 30-50% over the average of its international competitors across nearly all evaluated metrics;
- ◆ Green Oleo has to be excluded from the panel as consensus figure are not updated and are very likely to undergo a downward revision in the next few weeks.

We view as “fair” the 2024E-2025E domestic peers average multiples. By doing this, we get to 5.8x - 4.6x EV/EBITDA, 11.4x - 8.2x EV/EBIT, 10.7x - 8.4x Adj. P/E, 9.5x - 6.9x for EV/ (EBITDA - Capex) 2024E-2025E respectively.

Such analysis leads to calculate Magis fully diluted average **fair Equity Value** per share at **€19.7**.

Magis: Peers' Trading Multiples

Peers	EV/EBITDA		EV/EBIT		P/E Adj.		EV/(EBITDA - Capex)	
	2024E	2025E	2024E	2025E	2024E	2025E	2024E	2025E
Domestic Peers								
Industrie Chimiche Forestali	4.3	3.4	9.0	6.2	9.4	7.1	5.2	4.0
Grifal	6.8	4.7	12.3	7.5	9.8	6.6	12.0	7.2
Zignago Vetro	7.4	6.7	12.2	10.8	13.1	12.0	9.6	8.5
Neodecortech	4.5	3.5	12.2	8.3	10.4	7.9	11.4	7.9
Average	5.8	4.6	11.4	8.2	10.7	8.4	9.5	6.9
Median	5.6	4.1	12.2	7.9	10.1	7.5	10.5	7.5
International Peers								
Avery Dennison	14.7	13.3	18.7	16.7	24.8	21.9	18.9	16.9
H.B Fuller Company	9.3	8.6	13.0	11.7	18.4	16.0	12.0	10.8
Arkema Group	6.3	5.7	10.6	9.2	12.6	10.3	11.0	9.7
Henkel AG&CO	8.4	7.7	15.5	13.7	18.1	16.8	10.3	9.5
Nitto Denko Corporation	8.1	7.2	11.4	10.0	19.3	17.0	16.1	11.2
Average	9.4	8.5	13.8	12.2	18.6	16.4	13.7	11.7
Median	8.4	7.7	13.0	11.7	18.4	16.8	12.0	10.8
Total Average	7.8	6.8	12.8	10.4	15.1	12.8	11.8	9.5
Total Median	7.4	6.7	12.2	10.0	13.1	12.0	11.4	9.5
Magis: Fair multiples	6.0	5.0	9.0	8.0	11.0	9.0	9.0	8.0
<i>Prem./Disc. vs. Domestic Avg. (%)</i>	4.2%	8.9%	-21.3%	-2.5%	3.0%	7.4%	-5.7%	15.9%
Magis: Fair Value p.s. (€, f.d.)	18.4	18.0	21.6	22.0	16.2	14.2	23.4	23.9

Source: Consensus, Value Track Analysis

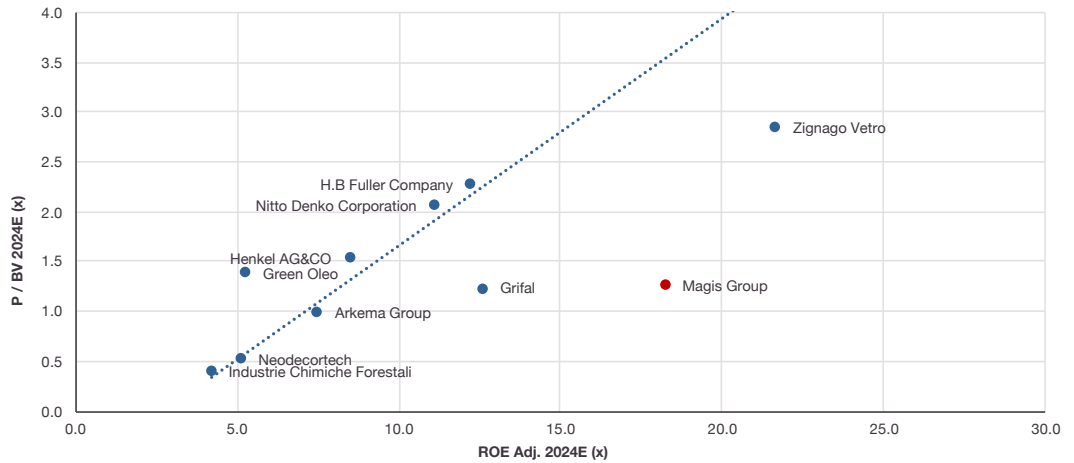
ROIC / ROE based Value Maps

Value maps highlight a high positive correlation between stock trading multiples of the selected companies and Return on Capital Employed or Return on Equity.

From this point of view, we believe Magis should be rewarded with higher-than-average multiples given its better than peers performance on these financial metrics.

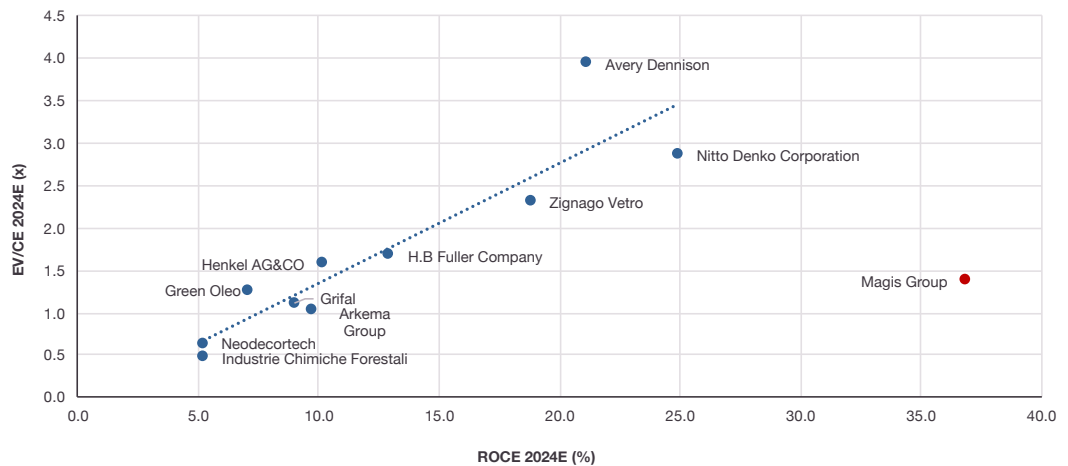
More in particular, taking into account our current forecast for Magis ROE/ROCE 2024E, we note that at €18.50 fair value, Magis would boast P/BV and EV/CE 24E at ca. 2.1x and 2.5x respectively, well below the trendlines identified by the value maps.

Magis: P/BV 24E vs. ROE 24E



Source: Market Consensus as of 2/04/2024, Value Track Analysis

Magis: EV/CE 24E vs. ROCE 24E



Source: Market Consensus as of 2/04/2024, Value Track Analysis

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