

Presentation to the Financial Community



13 October 2020

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Agenda

			Relatore
I.	The Strategic Importance of the Operation	3	P.A. Chevallard
II.	Business Strategy	6	M. Comastri
III.	Key Transaction Terms	16	O. Pozzi
IV.	Conclusions	21	P.A. Chevallard

A new, unique player in Cybersecurity

Tinexta creates a new, unique player in Cybersecurity that offers digital security and digital identity

To accompany the Digital Trust business, where it is a leader in Europe, Tinexta has signed binding agreements to acquire three business:

- **Corvallis**: the Projects & Solutions Division, that includes the R&D activities
- **Yoroi**: among the most advanced players in the sector which will incorporate Cybaze (and its brand Emaze) and Mediaservice.net; and
- **Swascan**, an innovative company that operates through "security testing" cloud platforms.

The new business unit can count on skills, highly specialized resources and advanced technologies to satisfy the most demanding customers and seize the growing opportunities in the rapidly expanding digital market

The natural extension of Tinexta Group activities

I. Principal Elements of the Operation

The transaction in the Cybersecurity sector represents the natural evolution of the Tinexta Group towards services with a high digital content and focused on areas where the market demand is growing fast

- The share of Group Revenues in the digital sector is estimated to rise from 43% to circa **55%**

Tinexta Group has already demonstrated a notable capability to execute M&A transactions successfully:

- 16 acquisitions in the last 8 years (total invested circa €200 m)
- With this operation Tinexta will have invested over **€300 m**
- In 2019 Tinexta reorganized and laid a solid base on which to expand through external growth
- Tinexta has constantly created value for shareholders, its clients, its employees and other stakeholders

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The importance of Cybersecurity and Tinexta's role

Tinexta's goal is to enable clients to exploit commercial opportunities safely and to defend organizations and IT systems from malicious attacks

What Cybersecurity represents

- Strategic infrastructure: for the Country: an essential asset for the protection of citizens, companies and society in general
- Determining factor: in international competition: Italy and Europe deserves a dedicated, strong player to compete better
- An enabling factor: make possible the use of interesting and innovative IT trends (together with AI, Machine Learning, Big Data, IoT)

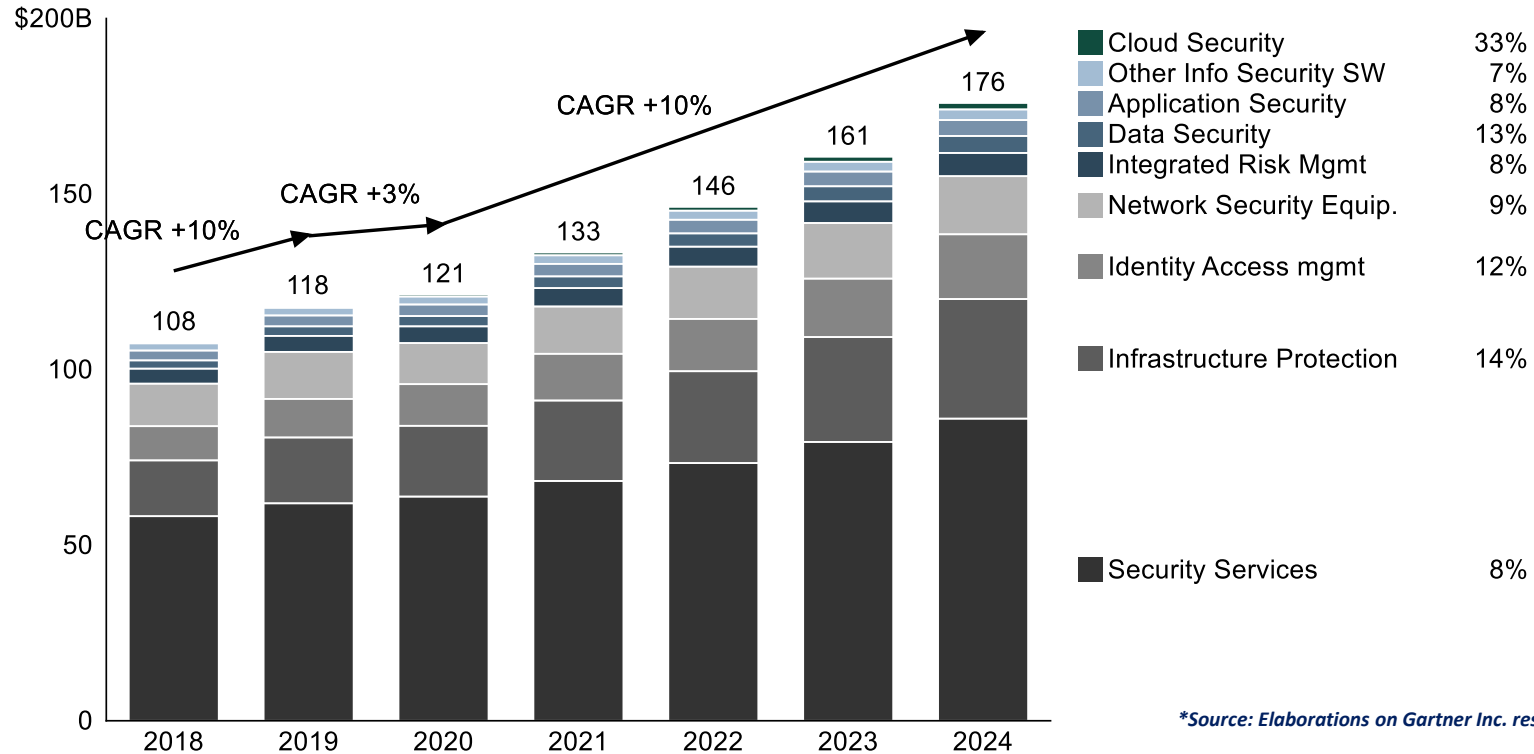
What Cybersecurity offers

- An answer to Government Digitalization priorities
- Relevant and rapidly growing business opportunities
- A natural extension of
 - the Tinexta offer in the Digital Trust sector
 - Tinexta's marketing efforts to leverage its extensive client base of SMEs, large financial & industrial corporations

An opportunity to respond to a rapidly growing demand and leverage Group strengths

Values & Trends of the global Cyber Security Market

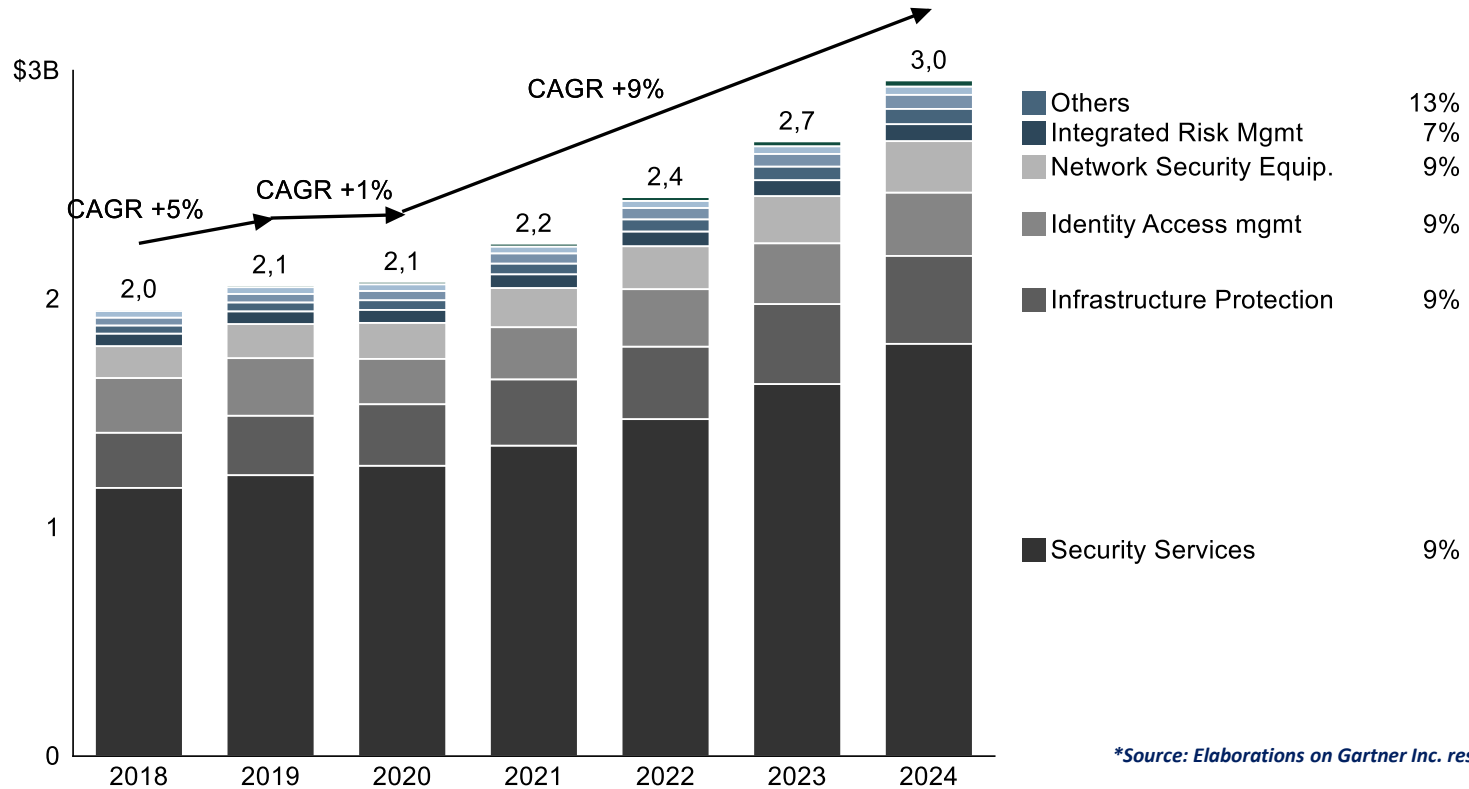
After the Covid related slowdown Cybersecurity is estimated to grow 10% p.a.*



**The Western European Cybersecurity market in 2020 is c.\$30 bn
It is expected to grow in line with the global market through 2024**

The Italian Cybersecurity Market

After the Covid related slowdown the Italian Cybersecurity market is estimated to grow 9% p.a.*



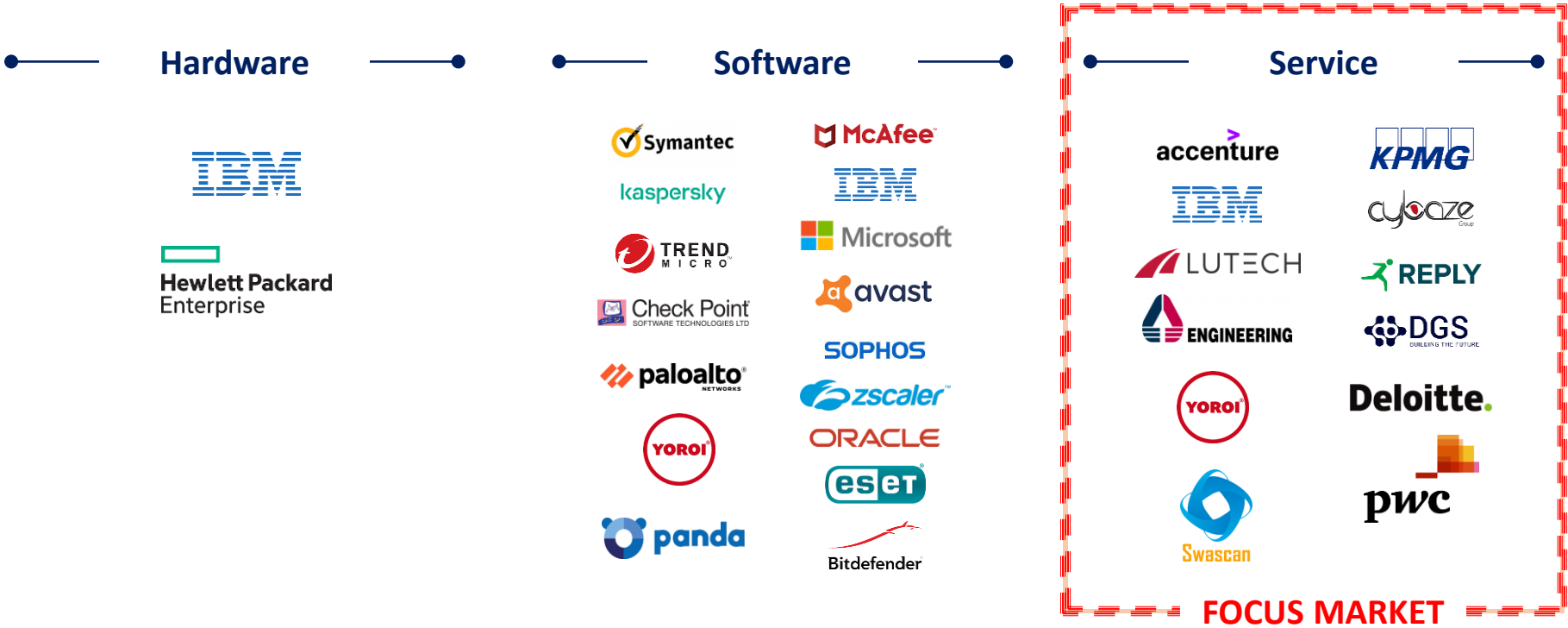
*Source: Elaborations on Gartner Inc. research data

Tinexta Cybersecurity BU's reference market is the service market of \$1.2 bn: \$900m Enterprise Solutions, \$300m SME Services

Main players in the Italian Cybersecurity market

II. Business Strategy

The main Italian cybersecurity players in three main segments of offering: service, software and hardware.

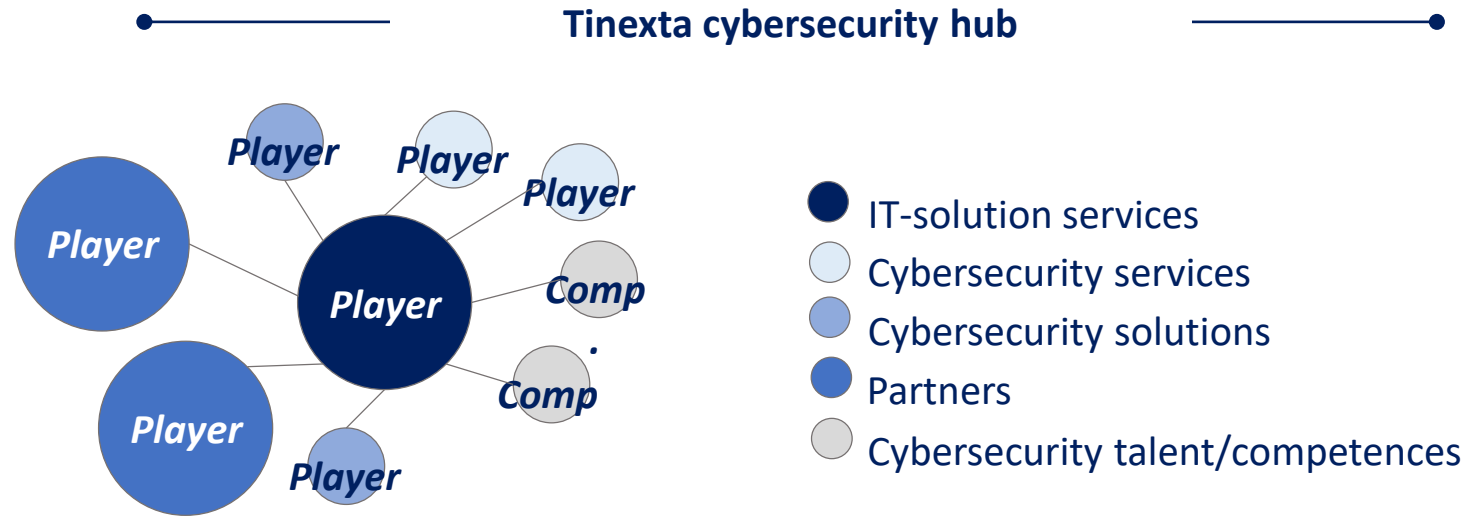


There is an opportunity to establish a national Player with a clear, declared cybersecurity brand in the Italian market

Source: Elaborations on market data and internal analyses

Tinexta's design to approach the cybersecurity market

Tinexta's goal is to reach a leading position in cybersecurity services
Strategy: grow organically, realize synergies w/in Tinexta Group, establish external partnerships, and acquire additional competences/technologies



Tinexta has acquired:



*IT Projects and Solutions
Division*



*Cybersecurity technology for IT
(including Cybaze, Emaze, @Mediaservice,
Yoroi)*



*Cyber Security Software & Platform for
management of data security*

Cybersecurity offering of Tinexta BU

II. Business Strategy

Cybersecurity: Tinexta BU Competences

IT Security, Strategy and Transformation (Strat)			
Resource Management (Resource)			
Enterprise Security Operations (Ops)			
ID Mgmt (Mgmt)	Data security (Data)	Security services (Svcs)	IoT Security (IoT)
	Software and Application Security (App)		
	Infrastructure security (Infr)		

Legend

Areas requiring IT background and competences, potential extension of Solution Provider offering

Areas of high specialization, requiring specific skills

The offer will be provided both “on premises” and via SaaS offering, based on the customer needs (Enterprise / SME)

Some insights on the different services:

Strat: *entry point, to develop upselling*

Ops: *«higher-ticket»/ ongoing services, related to SOC/NOC/CERT*

Mgmt: *natural extension of Tinexta’s Digital Trust*

App: *DevSecOp activity*

Svcs: *«lower-ticket»/On Demand like PT and VA*

IoT: *fast-growing, area*

Tinexta’s goal is to play an active role in 9 areas of cybersecurity: 4 require strong IT project expertise, 5 need specific skills.

Cybersecurity investment proposition

II. Business Strategy



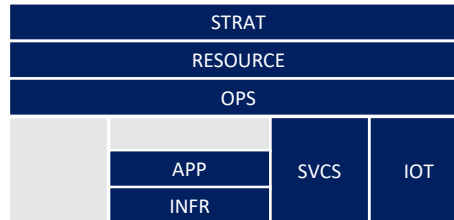
CYBERSECURITY



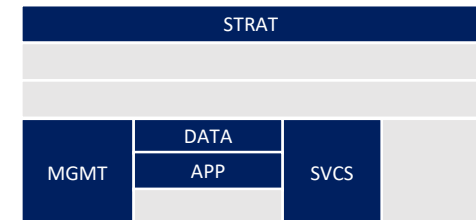
IT Projects and Solutions Division



Cybersecurity technology for IT (including Cybaze, Emaze, @Mediaservice, Yoroi)



Cyber Security Software & Platform for management of data security



Tinexta Cybersecurity will:

- *integrate different businesses,*
- *leverage on the Tinexta Corporate Model and, therefore,*
- *grow faster than the reference market & increase profitability even more over the next 3 years*

Challenges for Tinexta Cybersecurity

II. Business Strategy

Challenges

Attract/Develop new skills and resources needed to support rapid organic growth



Organize the newly acquired businesses in one operational model



Create a seamless cloud solution for SMEs to allow commercialization on a wide scale



Select new additional opportunities in the market to continue acquiring best of breed solutions



Actions

- Relationships in place w/ top universities
- “Academy” (25 students) already functioning

Harmonization of the go-to-market strategies to ensure max collaboration

Leverage scalable platform to reach larger volumes of customers.

Leverage the Tinexta M&A approach/model

The full strategic plan will be illustrated with Tinexta’s next 3 year plan

Business Strategy

II. Business Strategy

The critical elements for Tinexta Cybersecurity to succeed:

1. Reach a critical mass to be a credible player for large enterprises, public sector, small and medium businesses to Italian and European clients
2. Develop an integrated offer with InfoCert
3. Incorporate capabilities and expertise to:
 - manage and deliver complex, multi-year projects
 - develop a diversified offer for large and small clients with a strong value proposition based on cutting edge technology
4. Seek partnerships with primary strategic players and players with highly specialized skills/technology to reinforce the offer/capabilities




Objective: be a market leader with a focused offer

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Financial overview: the three businesses

III. Key Transaction Terms

	2019 pro forma (€m)		2020 – pro forma estimates (€m)	
	REVENUES	EBITDA	REVENUES (e)	EBITDA (e)
	51.5	5.8	~€67m	~€8m
	8.2	0.7		
	1.3	0.2		
Total	60.8	6.7		




Double digit growth rates
(e) Estimated*

In 2020 Revenues and EBITDA are estimated to grow at double digit rates

* Forecasts are based on various assumptions, expectations, projections and forward-looking data relating to future events and are subject to multiple uncertainties and other factors beyond the control of the management of the acquired companies and of Tinexta Group. There are numerous factors that can generate significantly different results and trends with respect to the implicit or explicit contents of the forward-looking information and therefore such information is not a reliable guarantee regarding future performance.

Key transaction terms

III. Key Transaction Terms

ACQUISITION	%	STATUS
	70	Closing in 2021
	60	Closing in 2021
	51	Closing in Oct 2020

Enterprise Value
100% at closing ~ €85.2m

1. Acquisition of the majority stakes of the 3 businesses has been agreed on a combined price which is equal to a blended multiple of 10 to 11 times estimated 2020 EBITDA
2. The exercise of the Put & call Options to purchase the outstanding minority stakes will take place at a price which is equal to a blended multiple of 8 times forecast 2023 EBITDA

This complex transaction must be analyzed on a combined basis since together the three businesses form a strategic unit.

Key transaction terms:

III. Key Transaction Terms

<p>€47.8m</p>	<p>Total consideration (cash-out) for the three majority stakes, including an Earn-Out of €0.6 million that relates to forecast 2020 performance</p>	<p>Interest Bearing (Use of Cash or Debt)</p>
<p>€7.0m</p>	<p>Tinexta's share of debt out of €10m aggregated debt acquired in the transactions</p>	
<p>€46.5m</p>	<p>Estimated value on a present value basis of the of PUT/CALL options relating to the sale/purchase of the outstanding minority participations puts</p>	<p>Non Interest Bearing</p>

Summary of the Transaction Terms

III. Key Transaction Terms

Total impact on the Tinexta Group Balance Sheet (€m)	
Initial cash-out	47.2
Debt for the Earnout	0.6
Financial indebtedness to be consolidated	10
Debt for PUT options ¹	46.5
Total investment	104.3

¹Actualized amounts

On a pro forma basis the NFP / EBITDA ratio is estimated to be lower than 2.5 times

The total balance sheet future impact will equal €104.3 million

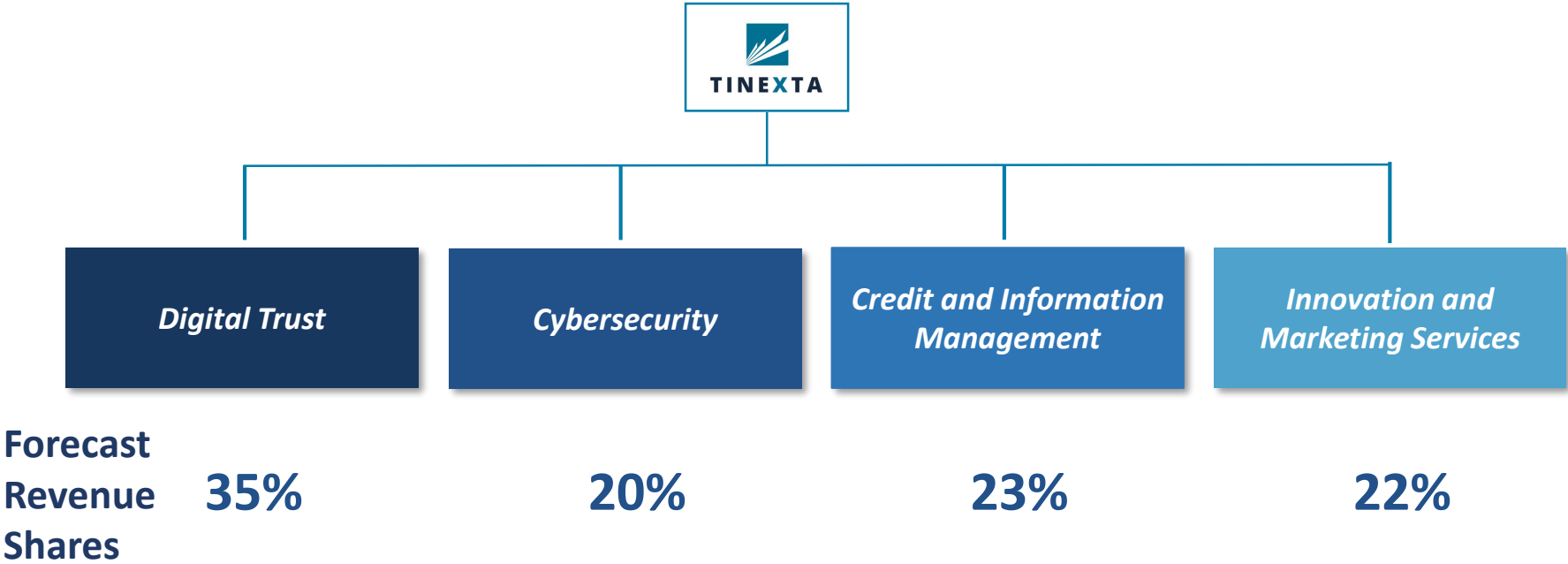
Since Swascan closes in 2020, the only impact on 2020 YE accounts will be €13.5 m: €4.2 m Price paid for 51%, €9.3m in puts exercisable in 2024

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The New Tinexta Group

IV. Conclusions



Key Takeaways

IV. Conclusions

1. **This operation is the natural evolution/extension of the Group to provide more key solutions to our clients.**
 - *Implication: it is foreseen that the Group will be concentrated (55%) on the fast growing digital market with a unique value proposition*
2. **The Cybersecurity BU forecasts to grow revenues faster than its reference market and improve its marginality even faster.**
 - *While initially this operation will dilute earnings per share, in the long run our potential to create value for our Shareholders is increased*
3. **The Total investment of the operation equals €104 million. On a Pro forma basis the Net Financial Position is forecast to be lower than 2.5 times EBITDA.**
 - *This is part of our sound and prudent financial management, especially given Tinexta's excellent growth prospects and high cash flow generating capabilities*

Appendix



Business Unit Cybersecurity in detail



The Project & Solution Division, including the R&D activities, are based in Padova. The capabilities developed by Corvallis and the dimension of these activities is essential to build a critical mass to sustain complex, large projects needed by the most demanding customers. This business vaunts a wide customer base developed on performance & strong relationships and is aligned with international best practices. In addition, it boasts a training model based on an "Academy", thanks also to the collaboration with the University of Padua and the University of Milan-Bicocca.

<http://www.corvallis.it/>



Yoroi Group (that will be re-organized before the closing in 2021) provides cutting-edge answers to companies and organizations that need to contain and manage all levels of cyber risk, to prevent or reduce the damage potentially resulting from a cyber attack. The group has a diversified commercial offering that covers the entire cybersecurity value chain for large companies, with highly specialized technologies and well-known brands such as **Cybaze, Emaze, Yoroi and @ Mediaservice.net**. Finally, Yoroi group carries out intense R&D activities, collaborating with Univ. Bologna, the La Sapienza University of Rome and the University of Sannio. <https://yoroi.company/>



Swascan(Milan), is an innovative Italian Cybersecurity startup that owns the homonymous Cloud Security Testing platform and a recognized Cyber Competence Center. The combination of the "SaaS ready to use" platform and the vertical and highly specialized skills make it a reference point for SMEs for the needs of information security and legislative compliance.

<https://www.swascan.com/>

Enterprise Value vs. Equity Value

Enterprise Value = Price paid

1. *Depending on the level of debt of the company, there are two ways of calculating the Enterprise Value (EV):*
 - a. *In the case of indebted companies: $EV = \text{stock market capitalization} + \text{net debt}$;*
 - b. *In the case of non-indebted companies: $EV = \text{stock market capitalization} - \text{net liquidity}$. The value of the company thus calculated represents the price that would have to pay those who want to acquire the company without debt. The value of the company (EV) must be equal to the market value of debt and equity capital. This therefore implies that the total value generated by the operating and investment activities of a company and must be divided among the various holders of capital (whether they are debt or risk holders).*
2. *Enterprise value is used in the calculation of market multiples: $EV / EBIT$ (Enterprise Value / Earnings before interest and taxes) and $EV / EBITDA$ (Enterprise Value / Earnings before interest taxes depreciation and amortization).*

To calculate the Equity Value starting from Enterprise Value, it is necessary to subtract the Net Financial Position of the company if it has net debt (or add back if there is net cash).