

Company Report

Reason: Initiation of coverage

21 October 2019

Buy

from

Share price: EUR 17.20

closing price as of 18/10/2019

Target price: EUR 24.00

Upside/Downside Potential 39.5%

Reuters/Bloomberg TR1.MC/TR1 SM

Market capitalisation (EURm) 17

Current N° of shares (m) 1

Free float 39%

Daily avg. no. trad. sh. 12 mth 0

Daily avg. trad. vol. 12 mth (m) 0.00

Price high/low 12 months 18.30 / 17.10

Abs Perfs 1/3/12 mths (%) -4.44/0.00/0.58

Key financials (EUR) 12/18 12/19e 12/20e

Sales (m) 11 11 13

EBITDA (m) 1 1 2

EBITDA margin 11.5% 13.7% 15.9%

EBIT (m) 1 1 2

EBIT margin 8.8% 10.8% 13.1%

Net Profit (adj.)(m) 1 1 1

ROCE 23.1% 29.0% 32.9%

Net debt/(cash) (m) (0) (0) (0)

Net Debt/Equity 0.0 -0.1 0.0

Net Debt/EBITDA -0.1 -0.2 0.0

Int. cover(EBITDA/Fin.int) 42.7 29.1 101.3

EV/Sales 1.7 1.6 1.3

EV/EBITDA 14.6 11.5 8.3

EV/EBITDA (adj.) 15.0 11.5 8.3

EV/EBIT 19.0 14.5 10.1

P/E (adj.) 19.7 19.3 12.8

P/BV 6.2 5.0 4.2

Op/FCF yield 2.1% 5.1% 2.5%

Dividend yield 3.6% 4.0% 3.9%

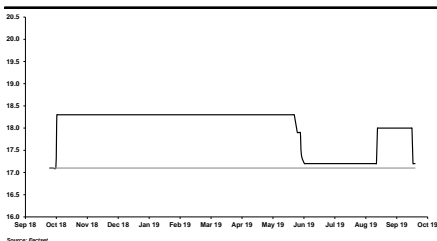
EPS (adj.) 0.93 0.89 1.34

BVPS 2.97 3.43 4.10

DPS 0.62 0.69 0.67

Shareholders

Microsistemas y Software 61%; J.L.Villanueva 9%;
E.Fuentesa 9%; Between All 5%;



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Profitability is in adapting to client needs

Tier1 was founded in 2002 and its managers have over 25 years of experience in the IT sector (Information and Technology). The Group is focused on providing IT services by developing and implementing innovative, in-house solutions in the IT segment to improve clients' processes, covering a wide range of companies. Tier1 also deploys and maintains IT infrastructures.

- ✓ The Company's current activities can be classified in two categories: a) a group of mature activities with an extensive track record in the IT area; and b) innovative solutions called *comerzzia* which is developed in-house, designed to develop unified on-line and off-line commerce in any type of retail company, ranging from a single store to a distribution chain.
- ✓ A key role in the transformation of the retail sector from an off-line activity to a full digital and physical combination which is the true success behind any retail enterprise with a vocation for permanence.
- ✓ Profitability is already a reality: The Group generates around EUR11m revenues; EBITDA of EUR1.3m and net profit EUR~1m in 2018. Of the mentioned revenues, consolidated activities generate EUR8.58m.
- ✓ Consolidated activities include: a) software solutions, with in-house product, licenses for use and maintenance; b) implementation of IT products; c) deployment and maintenance of IT infrastructures in turnkey projects and multi-annual contracts; and d) other IT activities complementing services of in-house applications (SaaS; PaaS, CAUs).
- ✓ In-house products that have been operative between 2 and 10 years include: Atractor ERP for the planning and management of an entity; SecurInvoice for electronic billing; Lustrum to manage incidences through Engage which is a web solution platform that includes a communication and exchange channel between entities with a unique window to manage suppliers, among other features.
- ✓ Clients are private and public, thus there is no relevant concentration risk. Clients include renowned food distribution companies, co-operatives, and clothes chains, among others; and are mainly located in Andalusia.
- ✓ Products in expansion generated EUR2.3m revenues in 2018, with wide margins as these refer to license sales. The *comerzzia* platform was the only Spanish solution for the retail sector acknowledged by the specialists Gartner in 2016 and in 2018. In the latter year Gartner also ranked the software 12th.
- ✓ Visibility provided by the traditional activity and the robust financial position allows the Company to maintain a 50% pay-out.
- ✓ We have carried out a valuation on the technology Group, Tier1, through a DFC model for each two main activities: a) consolidated and mature activities; and b) commercial development of *comerzzia*'s omni-channel store management platform.

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Investment Case: A specialised IT operator

The vast majority of **off-line businesses are affected by the acceleration of the digitization process, and the IT industry is in the midst of the process** both because of the need to offer the necessary products to its customers, and because it has to adapt its own processes. Artificial Intelligence (AI); Intelligent Apps; Conversational Platforms, Event-driven Models, Blockchain and the proliferation of SaaS (Software as a Service) and the use of Cloud to the Edge are **trends or digital tools that are already in use by large companies, but that must expand to medium and small sized companies which is Tier1's natural environment.**

Tier1 offers **products for corporate management and to support of the strategy for international expansion of medium and small sized companies** and specialised solutions for advanced management of cash, planning and fiscal reporting among others.

The business line implemented two years ago based on new products such as comerzzia, precisely fits into this new space, the digitalisation of the retail activity. Obviously large companies such as Inditex have their own integration solutions for physical and on-line sales. However, to survive, small and medium sized companies in the retail sector must extend the reach of their network sales strategies as well as for the international market to leverage specialised, but scalable, products.

Tier1 is an IT Company that puts into value client proximity, which contrasts with other sector strategies that are based on cost and use of offshoring, which is simply the opposite to client proximity. That is, at the moment of choosing between services or costs, Tier1 is focused on clients that prefer service.

This characteristic, together with the expansions of new products that are greatly leveraged in the structural costs, results in **wider margins as these grow.** In EBITDA and EBIT, Tier1's margins over sales reach 11/12% and 8/10% respectively, already at the sector's top range. We expect these to rise in line with the increasing weight of new activities, to >20% and >18% respectively in 2020.

Tier1 has a robust financial situation, with net cash position both in 2017 and 2018. Based on the low investments – being a service company - we expect the financial position to continue with low debt. In addition, many of the recourses are at no cost because R+D is backed by public financing projects at below market costs.

As a purely IT Company, Tier1's balance is characterised by the **heavy weight of working capital and especially client balance,** as well as the importance of **intangible assets (mainly computer programs).** Therefore, it is important to maintain the parameter of collection periods in terms of estimates and valuation.

Tier1 can lean on growth via the acquisition of companies that have their own products and that complement Tier1's as well as fulfilling some requirements such as size, profitability and strategic fit that we will take a look at further on in this report.

As Tier1 is a group with a consolidated and relevant business base as well as a healthy financial state, the dividend policy can co-exist with the expansion of new products and a certain purchasing policy. **The Company maintains a 50% Pay Out** and, initially, said target will remain.

Tier1: specialised and flexible IT services

Tier1 is a business group based in Seville and founded in 2002, whose activity is to provide IT services, mainly the development, construction and installation of its in-house software and the deployment and maintenance of Information Technology infrastructures.

The Company carries out its activity in 15 countries, through 9 offices in Spain, one in Miami and another in Colombia, with some 160 employees, over 1,000 clients and obtains sales of almost EUR11m and capitalises EUR18m. Of the mentioned revenues, around EUR3m are actually recurrent.

The head of the Group is Tier1 which develops the consolidated activities of development, implementation, software support, deployment and maintenance of IT infrastructures. Tier1 has two affiliates, holding 90% of each: Tier7 which carries out a similar activity in the Canary Islands and Comerzzia which focuses on the development and sale of licences of a new, specialised software on the integral management of multi-channel presence of companies in the retail sector. In turn, Comerzzia holds 10% Tier7. The remaining 10% of Comerzzia is held by the software installer Seidor. Comerzzia holds 51% ASG (Aplicaciones y Sistemas de Gestión) which also develops and installs software for the wholesale sector and that was acquired in 2017.

Given it is an IT service company, the main asset are the employees, and of the mentioned 160, 41% are graduates, mainly engineers, 53% are technicians and 6% others. The average age is 36.5 and average seniority 5.5 years and 25% over 10 years of seniority.

The strategy is based on the following criteria: a) invest in in-house products; b) efficiency; c) sector focus (>60% clients in the retail sector); d) own sales force and agreements with partners; e) mixed organic growth and acquisitions; and f) maintain a robust financial solvency level.

Two business lines with very different dynamics

The Company differentiates its activities in two groups according to the development phase.

Among the activities already consolidated and well positioned in the market, we include:

- a) Construction and installation of software. Tier1 builds IT solutions for corporate processes such as purchases, sales, financing, logistics, asset management and others. These IT solutions are programmed using state-of-the-art languages and IT tools. Tier1 also installs these solutions for clients using its own resources.
- b) Deployment and maintenance of IT infrastructures. Tier1 offers turnkey solutions in Information and Communications Technology (IT). Includes hardware, software, telecommunications, business automation and communication, as well as IT services. In addition to deploying solutions the Company maintains these, both remotely and in situ, offering coverage 24 hours a day, 365 days of the year.

The emerging activity includes the implementation of products that are still in the phase of increasing market penetration and therefore their success and expansion presents a higher level of uncertainty than that of the consolidated activities.

In this business segment, the commercial platform stands out, “comerzzia”. Comerzzia Technolgias Especificas para el Comercio, S.L., was created in 2010 and is the owner of the product called “comerzzia”. The comerzzia software is a unified and modular platform for commerce allowing retailers (store chains) to optimise clients shopping experiences via the various sales points, physical or on-line, which should allow for higher sales. The strategic positioning of comerzzia lies in the advanced capacities of management under the omnichannel concept, where information on clients, sales and stock is easily accessed from any point of the entity where necessary.

The *comerzzia* software satisfies the IT services arising from the development of new forms of commerce (internet and mobile handsets) and the precise integration with the traditional forms of in-store commerce.

Comerzzia's expansion vehicle is via agreements with software installers such as IBM, Seidor and Tier1. The company has a preferential agreement with Seidor which has also been reinforced with Seidor taking a 10% stake in *Comerzzia*.

Compared to other likened technological platforms, *comerzzia* has been identified by reference consultants in the technology sector, Gartner, as one of the best solutions available in the market to satisfy the needs for unified commerce. *comerzzia* ranks 12th world wide (7 entities are North American, 2 French, 1 English and 1 Indian).

In-house solutions: efficient, agile and flexible software

As a software builder, Tier1 focuses on developing products that are flexible to client needs. Among the in-house solutions, standing out are: *Atractor*, *Engage*, *Lustrum* and *Securinvoice*.

- *Atractor*: is a corporate management software (client-server) focused on the management and integral control of a company. The product is scalable, thus can be implemented in logistics, accounting, human resources, sales, marketing etc.
- *Engage*: web platform which provides a unified communication channel and to exchange information with suppliers. It can also include the following processes: homologation, bidding, hiring, billing, and incidences, work relations, etc.
- *Lustrum*: solution for the control and maintenance of assets and industrial infrastructures, commerce and technology distributed in the various areas of the companies, with the aim to maximise availability, manage incidences and minimising costs in solving the latter.
- *Securinvoice*: includes two solutions: a) one for the automation of the processes of Immediate Supply of Information of Taxes VAT and GICI (General Indirect Canary Islands Tax) and b) generate electronic bills. In the first case the application can be integrated in any clients' IT system or in the cloud.

Apart from Tier1's products, the Company develops tailor-made solutions including satellite programs, mobility solutions and integration projects.

IT Infrastructures support and deployment

Tier1 offers turnkey solutions for the installation and maintenance of IT infrastructures, with the aim of increasing clients' productivity. Included within these activities are: a) Datacentre and cloud services; b) communications and data networks, videoconferences; c) security and internal audits; d) mobility, telework, work consulting, infrastructure deployment and maintenance, including CPD adaptations, access security, swlThboards, etc.

***comerzzia*: key feature behind the Group's growth expectations**

comerzzia is a platform for managing store chains, especially in the tertiary sector (fashion, food, bazaar and others), which allows to manage and optimize customer's purchasing processes made through the various channels available (tablet, mobile, website, etc.) in a unified manner with the aim of generating greater client loyalty with the brand. In short, it is a market accelerator.

Comerzzia's target clients are companies with chain stores with 25 to 500 points of sales, sales of up to EUR3,000m, including an omnichannel and loyalty policies.

One of the characteristics of the platform is its modularity:



comerzzia's main modules are:

- Backoffice: Omnichannel Core, centrally manages processes and uses all available client information, products, stocks and sales in a synchronised manner in all points of sales. Unifies price policies, range, price updates, manages merchandise between stores and supplies.
- eCommerce-mCommerce. This module manages sales via the internet (web and mobile handsets). The module has features such as customizable design, SEO positioning, online payment gateway, shopping cart and customizable wish list, showrooming, content, cross-selling, stock management, etc.
- Point of Sale (POS) specialised and customizable for the retail sector, including digital ticketing, vouchers, gift cards and the integration of the online payment gateway.
- CRM Comerzzia Involve, the loyalty module and promotion in social networks and digital experience based on the big data applied.

comerzzia contributes value to clients via the simple installation, rise in the average shopping cart (cross-selling, up-selling) low cost of ownership (the lowest TCO in the market), quick start-up, manage campaigns, loyalty programs, data analysis and fiscal adaptation to over 40 countries.

comerzzia offers an integrated solution, unifying client experience, whereas in the market there are partial solutions and at a higher cost of installation.

Business model and sales network

Comerzzia sells its product mainly through a network of partners such as Birchman and Seidor and the own Tier 1. The company maintains a close and continuous relationship with customers by holding meetings and conferences in which they analyse issues specific to the sector - that together with the knowledge of the processes and the technology used by clients creates differential relationships.

Comerzzia stands out within an environment in which the following predominates: a) global competitors and non-exclusive generalists of the retail sector with a global offer of products or services (Cegid, Oracle, Salesforce ...); b) locally specialized competition in the retail sector, with little presence in other markets, c) players specializing only in electronic commerce (Magento) and d) large players (IBM, Oracle, SAP, Microsoft) with a direct business strategy.

Comerzzia has stood out in the POS market for applications in terms of medium-sized companies within the study carried out by the world's leading technology analysis, Gartner. The features highlighted by Gartner are the integrated management of inventories, CRM and working hours, integration of e-commerce and social networks, good integration with the management of orders, analytical capacity of data and control panel, and capacity for growth outside the market of origin, greater use of non-retail retailers, capacity for growth due to the expected increase of SME's expenditure in IT, by 3-4% in the next five years.

comerzzia's main competitors are: Aptos, Cegid, Manhattan Associates, Retail Pro Internacional, Enactor, Infor, Mi19 Retail, Microsoft, OneView Commerce, Tata Consultancy Services and Wynd. Almost all from the US.

Strategy focused on growth

Group Tier1's headquarters are located in Seville, and nationally has offices in Madrid, Málaga, Alicante, Jaén, Gran Canaria and Tenerife.

Abroad, Tier1 Technology SA and its dependent entities are present in Ecuador and the United States via affiliates, and in Colombia directly through Comerzzia. In addition, the Company operates in all countries where clients are present such as France, Portugal, Mexico, China, Peru, Argentina and Arab Emirates. Tier1's strategy includes:

1. **Increase international expansion** of consolidated activities and in reinforcing comerzzia's growths, all while improving profitability and maintaining a healthy financial structure. To do so, the Company will increase resources earmarked to international organic growth or a corporate move contributing inorganic growth. In addition support via commercial alliances will continue with first-rate technological players such as those with Seidor and IBM. The international expansion will be approached both through its own structures and through collaboration agreements with other technological groups.
2. **Consolidate volume and margins in recurrent activities.** Manufacture IT solutions, installation of these products as well as the deployment and maintenance of IT infrastructures.
3. **Growth and scalability of the subsidiary, Comerzzia.** To date basically focused on national clients and whose international development has now begun. Tier1 leans on relevant consultant and technological companies that contribute their commercial capacities and the installation of IT tools. Tier1 aims to position Comerzzia as a leading product domestically and internationally between 2021 and 2022, namely in Europe and US. To do so the Company will employ recourses to capture and boost reference clients in new markets, corporate associations with specialised companies in the retail sector and development of distribution channels as well as installations, domestically and abroad.
4. **Possible corporate operations to develop inorganic growth.** The targets must have low or no debt, preferably with earnings, but not necessary, a well-dimensioned structure, shared culture, relevant business (sales between EUR0.3 and 3m); simple ownership structure, preferably with solutions for the retail sector.

A broad customer base with well-balanced weight on sales...

Tier1's consolidated activity has some 350 clients and during the last two years has grown an average 2%. Among the expanding activities Comerzzia's solutions have increased clients by 3 fold, from 22 to 60 between years 2016-2018. According to recent data, the top ten clients generate 42% of the sales, thus the remaining 340 clients contribute 58%. The first and second clients contribute 15% and 10% of the Group's sales. Although the retail sector has lived complicated moments, including mergers or restructuring processes, non-payment and provisions have been very low, considering that the services offered by Tier1 are necessary to continue with the activity.



Tier1's main clients are:

- Andalusian State Education Agency
- Comercial Jesuman
- Dinosol Supermercados
- Indushoes (Marypaz)
- Supersol Spain

...and also a well-diversified group of suppliers

On the subject of suppliers, using recent data, the top 10 contribute 56% of the Group's supplies.

Tier1's 5 main suppliers and their contributions:

- Arrow Enterprise Comput Solutions (contributes 14%)
- GTI Compañía de Distribución de Software (7%)
- Pricer (7%)
- Tech Data (6%)
- Westcon Group European Operations (5%)

In retail, not only digitization counts but also multi-channel integration

As often happens in many facets, in retail the sensationalism of the media has come to spread the message that the traditional retail activity is in the midst of a sort of apocalypse that will lead to the sector's disappearance, because consumers will only buy online.

News such as the closure of almost 9,000 stores in the US in 2018, including renowned stores such as Toys 'R' Us, Sear and Macy's, create a large impact but hid the fact that for every chain that closes stores almost 4 open new stores, and that the number of new stores in 2018 were close to 13,000 that is 40% above the number of closures.

In addition, many closures in US were concentrated in chains that suffered financial problems, with around 70% of the closures concentrated in just 16 companies. Analysing these closures, many were caused by the companies' unique problems such as excessive expansion, debt, scarce investments in physical and technological POS and outdated business models.

But such a process, rather than being considered as an indiscriminate closure of traditional channels, should be considered a more or less, radical transformation of the sector. As in many other sectors the adaption to client needs and opportunities is essential to survive. The customer journey must be attractive if the retailer intends to maintain the traffic in its platforms. And said process is what facilitates Tier1's solutions for medium and small sized companies, and specifically commercia's application.

The data that some specialized consultants point out, show that in spite of the catastrophic news, retail is healthy. These consultants point out that 90% of sales will continue to pass through physical stores at some point in the process (whether purchase, collection, returns, trying on clothes, etc.) and that pure in-store sales still represent 50%. Many times it is not possible to purchase-sell without physical stores. Some supermarket chains that have specialised in on-line sales have transformed their physical locations into "dark stores" and/or warehouses. Online commerce is growing significantly, e-commerce on-desk concentrates 23% of sales and Smartphones already represent 24%.

In this coordination between the physical and digital channels, the comerczia application provides a solution that covers all channels, improving the customer experience in the retail sector and building a strong relationship between the customer and the brand through the loyalty module, as Amazon does, "prioritizing" the customer and also integrating e-commerce and m-commerce. The application integrates digital with physical, but focuses on the point of sale (POS), which nowadays is still mostly the physical store.

For retail chains, achieving the competitive advantage of comprehensive, effective and convenient customer service, integrating all channels, is the key and as well as increasing operational efficiency. commercia provides the solution to the distribution chain.

In retail, small and medium sized-companies are still very relevant

Another widespread myth in retail, is that large chains will progressively absorb the market. However, the fragmentation of the retail sector is still high and the role of second and third tier companies in size continues to be decisive and that is where Tier1's market settles in.

Although the six main food chains accumulate 56% market share in Spain, the flip side is that 44% of the market isn't. Regional supermarket companies such as Consum, Covirán, Unide and Ahorramás accumulate over 15%. And the surprising aspect for some is that these second-tier chains are leaders in many regions and considering that the first-tier's market share is distributed throughout the country. Even more importantly is the dispersion in other retail segments such as fashion, shoes, complements and toys.

Managing working capital as the financial key

As an IT service company, Tier1's financial key is managing working capital. Investments in fixed assets are low in proportion to the size of the company and is focused primarily on intangible investments formed by the capitalisation of in-house solutions and applications developed.

However, 62% of the balance is made up by account of trade debtors and other accounts receivable, that in 2018 rose to almost 40% sales and over 144 days of sales. If we only consider customer receivable items excluding anticipated invoices and non-executed, in average of 2017 and 2018, and exclude the impact of VAT charged, the weight of said item represents 20-22% of the sales in 2018 and therefore 8-90 days which is the collection period acknowledged by the Company.

In 2018, suppliers account (average 2017-2018) was equal to 16% sales and 33% cost of sales. If we carry out the same adjustment in VAT and subtract the accounts that are not purely suppliers, the payment period is equal to 20 days of sales or 40 days of purchases.

Accordingly for our valuation and estimates, we have used working capital equal to 20% as our reference, and left it stable for future years.

Main differentiating advantages: proximity and own R&D

Tier1's main competitive advantage would be made up by the strategic alliances with manufacturers and leading technology companies that complement its know-how, as well as other added value resources that guarantee an optimum service.

We also point out the following aspects:

- Own R+D department: construction and performance of products
- Installation of in-house product: quick response to client needs.
- Integral IT support: infrastructures, deployment and maintenance
- Availability & Proximity. National coverage assistance 24/7/365.
- High client loyalty: entrance barrier.

Peers: two very different worlds

Just as we have done to value Group Tier1 – separating the various parts and analysing these, when assigning the activities of other companies in the sector, we must consider the differences.

Regarding *commerzia's* specialised software activity, the comparison would include Sage, Navision (acquired by Microsoft), SAP and Oracle (which are more comparable with the *Atractor* module). *Prisma*, *Mantis*, *Redmine* are compared with *Engage/Lustrum* and in billing, i.e. *Securinvoice*, peers include *Edicom* and *Seres*.

Tier1's traditional and main activity – deployment of IT infrastructure, would include the following local peers: *Ingenia*, *IECISA* (*Informática El Corte Inglés*), *Sermicro* and *Wellness Telecom*, and globally speaking *Fujitsu*, *Nunsys* and *Dimension Data*

Board and management team: solid experience in the IT sector

Below we have summed up the history of the Board of Directors:

Francisco Javier Rubio Gonzalez: Main shareholder and CEO of Tier1 and Comerzzia since 2002 and 2010 respectively. Programmer in the Air Force (Ministry of Defence) and technical programmer of databases and applications for large systems and personal equipment in IBM. Francisco Javier has 30 years of experience in the sector of information technologies and software development.

Eduardo Fuentesal Ñudi: Deputy Director of Tier1 and shareholder of the Company. Industrial Engineer specialised in the Organization of Companies at the Escuela Superior de Ingenieros in Seville (graduate school). In June 2005 he was appointed Director of Operations and Economic Control at Clever Tecnología.

Juan Luis Villanueva Ruiz-Mateos. Shareholder and advisor to Tier1 since 2013. Degree in Economics and Business Studies at the University of Seville and Degree in Law at the CEU. Master's Degree in Economics and Business Administration at IESE. With 37 years of experience, he has worked for Arthur Andersen, COVAP, Fondo de Capital Riesgo Andalucía 21 en Ahorro Corporación Desarrollo, Grupo Luis Caballero, Grupo M. Polanco and Grupo Mac Puar.

Carmen Baena Sánchez: Industrial Engineer (specialising in Industrial Organisation) and Graduate in Senior Management with diverse experience in management. She has worked at Clever Global, IAT technology centre, the "European Association for Value Management".

Alfonso Vivancos Arigita: Industrial Engineer and MBA at IE Madrid. His professional career includes Storagetek, shareholder and CEO of Scalpers Fashion, S.L.

The main components of senior management are:

Francisco Javier Rubio González, General Director.

Eduardo Fuentesal Ñudi, Deputy General Director.

Antonio Martín Álvarez, Director R+D+i (20 years of experience in software architecture)

Cristina González-Caba Peláez, (Pedagogy), Director of the Service Centre since 2015

Leandro Gayango García, Commercial Director (IT). 19 years of experience.

María Fedriani Parias, Financial Director since 2012 (mathematician). 30 years of experience.

Estimates: two differentiated growth profiles

During the last three years (reported), total revenues have grown a strong 45%, based on the 23% rise of revenues in consolidated activities and the sale of “expanding” products, multiplied by almost 4x, including comerzzia which increased 70%.

Our estimates are based on the two groups of differentiated activities, based on the number of clients and average bill per client. As reflected below, the result is an average CAGR that varies greatly between the two, with CAGR 2017-25 of 25% for expanding activities and 4% for consolidated activities.

TIER1: Earnings estimates

mEUR	2016	2017	2018	2019E	2020E	2021E	2022E	2023E	2024E	2025E	CAGR 17-25
Rev.Consolidated Act.	7.5	8.1	8.6	8.1	8.8	9.5	10.0	10.3	10.5	10.7	3.5%
Rev.Expanding Act.	0.00	1.32	2.28	2.73	3.62	4.56	5.75	6.64	7.67	8.86	26.8%
Rev. Adquisition	0.0	0.0	0.0	0.0	0.5	1.2	1.9	2.7	3.0	3.1	44.2%
Total Revenues	7.5	9.5	10.9	10.8	12.9	15.3	17.7	19.7	21.2	22.7	11.6%
Ebitda Consolidated Ac	0.7	1.0	1.0	0.9	1.0	1.0	1.1	1.1	1.1	1.1	0.9%
Ebitda Expanding Act.	0.0	0.3	0.2	0.5	1.1	1.5	2.9	3.3	3.8	4.4	42.8%
Ebitda. Adquisition	0.0	0.0	0.0	0.0	0.0	0.1	0.2	0.3	0.4	0.5	
Ebitda	0.7	1.3	1.2	1.5	2.1	2.6	4.1	4.7	5.4	6.1	21.1%
D&A	-0.1	-0.2	-0.3	-0.3	-0.4	-0.4	-0.4	-0.4	-0.4	-0.4	
% o/sales	-0.9%	-2.4%	-2.6%	-2.9%	-2.8%	-2.6%	-2.1%	-1.9%	-1.9%	-1.9%	
Ebit	0.7	1.1	1.0	1.2	1.7	2.2	3.7	4.4	5.0	5.6	
Net Income	0.5	1.0	0.8	0.9	1.3	1.8	3.0	3.5	4.0	4.5	20.7%

GVC Gaesco Estimates

Margins also differ greatly. In the consolidated activity we estimate a soft convergence around 10.5%, whereas for those in expansion – based on license sales – the operating leverage will play in favour and margins will widen in parallel to revenues growths.

TIER1: margins and profitability

mEUR	2016	2017	2018	2019E	2020E	2021E	2022E	2023E	2024E	2025E
Ebitda Margin *	9.6%	13.8%	11.5%	13.7%	15.9%	17.2%	23.2%	24.1%	25.4%	26.7%
Ebitda M. Cons.Acti.	9.6%	12.9%	12.0%	11.5%	11.0%	10.5%	10.5%	10.5%	10.5%	10.5%
Ebitda M. Expand. Act.		19.4%	9.4%	20.0%	30.0%	33.0%	50.0%	50.0%	50.0%	50.0%
Ebitda M. Adq.					0.0%	9.8%	8.9%	12.7%	14.6%	16.0%
Ebit Margin	8.7%	11.5%	8.8%	10.8%	13.1%	14.5%	21.1%	22.2%	23.5%	24.7%
Net Income Margin	6.7%	10.7%	7.4%	8.2%	10.4%	11.5%	16.8%	17.8%	18.9%	20.0%
ROE	23.1%	33.2%	24.9%	26.0%	32.7%	35.5%	46.0%	42.6%	39.2%	36.4%
ROIC	23.2%	31.3%	23.6%	28.6%	32.6%	37.8%	51.3%	54.4%	57.3%	60.3%
FCFYield (RRPP)	3%	6%	4%	5%	3%	7%	11%	17%	21%	24%

GVC Gaesco Estimates. * in 2018, the Ebitda margin excluding the costs of listing was 13%

In the following table, we can observe how the new products progressively gain weight. Expanding activities have increased contribution from 14% to 21% in 2018, and logically, we expect growth to continue.

TIER1: business mix and contribution

mEUR	2016	2017	2018	2019E	2020E	2021E	2022E	2023E	2024E	2025E
Rev.Consolidated Act.	100%	86%	79%	75%	68%	62%	57%	52%	50%	47%
Rev.Expanding Act.	0%	14%	21%	25%	28%	30%	33%	34%	36%	39%
Rev. Adquisition	0%	0%	0%	0%	4%	8%	11%	14%	14%	14%
Ebitda Consolidated Ac	100%	80%	83%	63%	47%	38%	26%	23%	21%	19%
Ebitda Expanding Act.	0%	20%	17%	37%	53%	57%	70%	70%	71%	73%
Ebitda Adqisition	0%	0%	0%	0%	0%	5%	4%	7%	8%	8%

GVC Gaesco Estimates.

Main hypotheses used in our estimates on the consolidated activity

The most important business lines in the branch denominated as consolidated activity:

- Main IT activity that in 2018 accounted for EUR8.6m, with the following breakdown:
 - Maintenance and installation of infrastructures, representing approximately 41% of the sales in consolidated activities.
 - Revenues related with in-house solutions, that include the sale of new licences, renewal of licenses already subscribed, installation services, development and support and maintenance of said solutions. These revenues make up around 15% of the sales in consolidated activities.
 - Supply of software and hardware contributing 10% to sales.
- Additionally, outside of the main IT activities (made up by the 3 business lines), Tier1 executes a concession for the logistics of IT and training material, assigned by the Andalusian Government together with other activities that in 2017 contributed some EUR1.2m and that we estimate will grow an average 6% during the next 5 years. This activity contributed around 14% of the total sales in consolidated activities in 2017. This contract was renewed in June 2019 for 18 months + 18 months.

To estimate the sales and operating margins performances we have used the performance in the number of clients and the size of the average bill per client, according to what we expect for the sector, the trends seen in recent years and our own forecasts. For the number of clients we consider 0-6% growths during the next 15 years and 1-3% in the size of the contract (there has been a slight delay in 2019).

Other relevant hypotheses used in our estimates are:

- In margins we estimate stability for the medium term of 10-11%, which compares conservatively with the 13% standard trend obtained in 2018.
- We estimate an operating tax rate of 20%, constant and not considering the usual deductions in this sector (in 2017 the tax rate was 13%).

Main hypotheses for the strong growth activity

Considering that the majority of the development costs have been made and that commercial operations are achieved with the product in a recurrent manner, reaching up to EUR1.3m sales in 2018, it cannot be considered a start-up. However, it is a new expansion line and thus enjoys strong growth expectations that are above the current sales levels and also certain execution risks from the strong future growth rates expected. The Company has taken the measures needed to support the commercial development of the application.

The new activity focused on sales, installation and maintenance of comerzzia's platform will be carried out with top-level retailers and installers such as Seidor, IBM, and Price Waterhouse, apart from Tier1. Retailers receive a sales fee ranging between 20-50%.

Considering comerzzia and ASG's platform's emerging phase, the strength of the installation partners and the good positioning in the sector (source Gartner), we estimate the number of clients could increase from 60 in 2018 to 80 in 2020 and 156 in 2025. The average revenue per license, which includes the payment of licenses and maintenance, will rise, estimating that the size of clients adopting the solution will also increase as well as subscribing to more modules.

Healthy financial position, generating CF and dividends

One of Tier1's characteristics is the almost non-existent financial debt. The IT activity is not very intense in capex and the cash generation suffices to finance current activities. Investments in R+D+i are, in many cases, financed by reimbursable aids granted by public institutions, in some cases without financial costs.

TIER1: Balance-sheet selected item

mEUR	2016	2017	2018	2019E	2020E	2021E	2022E	2023E	2024E	2025E
Equity	2.2	3.0	3.2	3.4	4.1	5.0	6.5	8.2	10.2	12.5
Net Debt	-0.1	-0.4	-0.1	-0.3	-0.1	-0.4	-0.8	-1.9	-3.4	-5.2
Capital Invertido	2.3	2.8	3.2	3.3	4.2	4.7	5.8	6.4	6.9	7.5
Fixed Assets	0.7	1.1	1.2	1.2	1.6	1.6	2.2	2.4	2.5	2.7
o.w. Intangible Assets	0.4	0.4	0.7	0.7	1.1	1.1	1.5	1.7	1.8	2.0
DN/Ebitda	-0.1x	-0.3x	-0.1x	-0.2x	0.0x	-0.1x	-0.2x	-0.4x	-0.6x	-0.9x
Working Capital	1.5	1.6	2.1	2.1	2.5	3.1	3.6	4.1	4.4	4.8
(o/sales)	20.6%	17.4%	19.1%	19.1%	19.7%	20.2%	20.5%	20.7%	20.9%	21.0%
Recivables	2.6	3.6	4.3	4.3	5.1	6.1	7.0	7.8	8.4	9.0
(o/sales)	34.7%	38.6%	39.6%	39.6%	39.6%	39.6%	39.6%	39.6%	39.6%	39.6%
Payables	1.0	2.0	1.8	1.8	2.2	2.6	3.0	3.3	3.6	3.8
(o/sales)	13.2%	21.2%	16.8%	16.8%	16.8%	16.8%	16.8%	16.8%	16.8%	16.8%

GVC Gaesco Estimates

Included in *other debt*, Tier1 has EUR0.95m of reimbursable aids which are loans without interest rates or below the market. These debts mature in 5 years and amount to approximately EUR0.1m per year.

In 2018 the debt with loan entities rose to just over EUR170,000, in a balance of EUR7m and EBITDA of EUR1.3m. These debts are also credit provisions limited at EUR0.4m. The Company closed 2018 and 2017 with a cash position of EUR1.2m and EUR1.3m respectively, with EUR0.3m assigned to the role of liquidity provider.

Apart from clients receivables (56% of the assets), the most important epigraph are intangible assets (10%), of which the majority are IT applications.

The FFO generated covers investment needs in both intangible assets and working capital and allows the Company to maintain a dividend pay-out policy of 50%.

TIER1: Cash Flow and investments estimates

mEUR	2016	2017	2018	2019E	2020E	2021E	2022E	2023E	2024E	2025E	CAGR 17-25
FFO before wc	0.6	1.3	1.1	1.2	1.7	2.2	3.3	3.9	4.4	5.0	18.4%
wc needs	0.0	-0.1	-0.4	0.0	-0.5	-0.5	-0.5	-0.5	-0.3	-0.4	18.1%
FFO	0.6	1.2	0.7	1.2	1.2	1.6	2.8	3.4	4.1	4.6	18.4%
Capex	0.0	-0.3	-0.3	-0.3	-0.3	-0.4	-0.4	-0.5	-0.6	-0.6	9.1%
Adquisitions&disposals	0.0	0.1	0.3	0.0	-0.5	0.0	-0.5	0.0	0.0	0.0	
FCF	0.6	1.0	0.7	0.9	0.4	1.2	1.9	2.9	3.5	4.0	
Dividends	0.0	-0.2	-0.6	-0.7	-0.7	-0.9	-1.5	-1.8	-2.0	-2.3	27.7%
Others	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Net Cash/debt change	0.6	0.7	0.0	0.2	-0.2	0.3	0.4	1.1	1.5	1.8	
FCFYield (RRPP)	3%	6%	4%	5%	3%	7%	11%	17%	21%	24%	

GVC Gaesco Estimates.

In our estimates we have included an inorganic growth policy with two more acquisitions similar to ASG in 2017, one in 2020 and another in 2022. We have estimated a disbursement of EUR0.5m on each acquisition, being companies' that develop applications that complement Tier1's, in expansion, and thus would contribute high growth and wide margins.

Valuation: Differentiated DCF in the two activities

We set our equity value on Tier1 at EUR24m (EUR24/share), consequent of the different approximations made. We have realised a valuation on Tier1 via the discounted cash flow method at three levels. On one hand, we have applied the method to all activities and on the other on the two segments.

The reason behind valuing the two activities independently is the very different grades of maturity and also the visibility on both activities, one totally installed and profitable and the other currently in initial expansion phases. This conditions the discount rates applied and the growth expectations on activities in the short and medium terms.

Lastly, we have carried out a valuation by applying the multiples of IT companies, although due to the extremely varied structures of the companies (global, niche players, services, solutions, etc) the valuation is merely a reference.

Consequently, we obtained the following values:

TIER 1: Group Valuation (mEUR)	
Group DCF	24.88
DCF consolidated business	8.42
DCF high-growth business	13.56
Value of Acquisitions	1.17
Other assets/liabilities *	-0.57
SOP DCF Value	22.58
Comp. Multiple Value (2020)	19.44

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* Cash positions and Comerzzia/ASG minorities

We must clarify that our Sum-of-the-Parts' valuation (SOP) is based on the two types of activities due to their varied natures and development stages, and therefore dynamics.

Hence, the valuation of activities under development is included in Tier1's activity as a distributor and installer of comerzzia, considering that in this part of the activity the valuation parameters such as WACC, short term and long term growth and margins are closer to Comerzzia than Tier1's consolidated activities.

Therefore we have performed a separate valuation of the comerzzia sales activity (distributor and installer), as this portion of the value corresponds to Tier1 and not Comerzzia. We value this activity at EUR3.1m, included in our valuation of high growth activities.

As a result, the valuation on Tier1 would be the sum of the EUR8.4m value on consolidated activities plus EUR3.1m, i.e. EUR11.5m, and the value of Comerzzia would be some EUR13.60m minus the mentioned EUR3.1m; that is EUR10.5m.

On the other hand, we value new acquisitions at 9x EBITDA during the first full year minus the price of acquisition.

DCF valuation of the Group

On one hand, we value the Group as a single business unit because in the long term activities growths and the development of new products will reflect the company as a whole, as with other large IT companies. At the moment however, a differentiated valuation is reasonable because comerzzia has a relevant weight in the Group and the dynamics differ greatly.

The generated cash flows at Group level are those aggregated in the two business lines but also include two new acquisitions in 2020 and 2022, with a disbursement of EUR0.5m each. Our estimates only show up to 2025, but we have extended our estimates 15 years to include the expansion period, one of normalised growth and to limit the weight of the terminal value.

Tier 1: DCF Group

CASH FLOW (EUR m)	2017	2018	2019	2020	2021	2022	2023	2024	2025	Terminal
Net Sales	9.5	10.9	10.8	12.9	15.3	17.7	19.7	21.2	22.7	37.4
% change	25.8%	14.9%	-0.6%	19.7%	18.4%	15.4%	11.3%	7.6%	7.3%	2.0%
EBITDA	1.3	1.2	1.5	2.1	2.6	4.1	4.7	5.4	6.1	11.2
% margin	13.8%	11.5%	13.7%	15.9%	17.2%	23.2%	24.1%	25.4%	26.7%	30.0%
% change	81.1%	-4.7%	18.5%	39.4%	27.8%	55.9%	15.9%	13.2%	12.7%	136.3%
D&A	0.2	0.3	0.3	0.4	0.4	0.4	0.4	0.4	0.4	0.8
% sales	2.4%	2.6%	2.9%	2.8%	2.6%	2.1%	1.9%	1.9%	1.9%	2.0%
EBITA	1.1	1.0	1.2	1.7	2.2	3.7	4.4	5.0	5.6	10.5
% margin	11.5%	8.8%	10.8%	13.1%	14.5%	21.1%	22.2%	23.5%	24.7%	28.0%
% change	65.3%	-11.5%	21.6%	45.6%	31.2%	67.5%	17.3%	13.7%	13.1%	
Taxes	-0.2	-0.1	-0.2	-0.3	-0.4	-0.7	-0.9	-1.0	-1.1	-2.1
Normative tax rate	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%
Actual tax rate	13.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%
NOPLAT	0.9	0.8	0.9	1.4	1.8	3.0	3.5	4.0	4.5	8.4
Depreciation & other provisions	0.2	0.3	0.3	0.4	0.4	0.4	0.4	0.4	0.4	0.8
Gross Operating Cash Flow	1.2	1.1	1.3	1.7	2.2	3.4	3.9	4.4	4.9	9.1
Capex	-0.3	-0.3	-0.3	-0.8	-0.4	-0.9	-0.5	-0.6	-0.6	-0.9
% sales	3.1%	2.6%	3.1%	6.1%	2.6%	5.3%	2.7%	2.7%	2.6%	2.0%
Change in Net Working C.	-0.1	-0.2	0.0	-0.4	-0.5	-0.5	-0.4	-0.3	-0.3	-0.3
Cash Flow to be discounted	0.8	0.6	1.0	0.6	1.3	2.0	3.0	3.5	4.0	7.9

GVC Gaesco Estimates

To value the Group we have used parameters with the intention of reflecting the combination of the two profiles.

WACC & DCF ANALYSIS

Free Risk Rate (FRR)	3.5%	Cumulated DCF	17.0	- Net Financial Debt 18	0.1
Company Risk Factor or Beta	2.40			- Minorities (estimated value)	(0.7)
Mkt Risk Premium (MRP)	5.0%	Perpetual Growth (g)	2.0%	+ Associates	0.0
Cost of Equity (Ke or COE)	15.50%	Normalised Annual CF	7.9	- Pension underfunding	0.0
Cost of Debt (gross)	4.25%	Terminal Value (TV)	85.1	ff-balance sheet commitments	0.0
Debt tax rate *	25.0%	Disc. Rate of T.V.	0.10	+Capital increase	0.0
Cost of Debt net (Kd or COD)	3.19%	Discounted T.V.	8.5	Equity Market Value (EUR m)	24.9
Target gearing (D/E) or % Kd	0%	PV Fiscal credit	-	Number of shares (ml)	1
% Ke	100.0%	Financial assets	-	Fair Value per share (EUR)	24.9
Normative Tax Rate	20%	Enterprise Value (EUR m)	25.4	Price (EUR)	17
WACC	15.5%			Potential upside (downside)	46.3%

GVC Gaesco Estimates

We have carried out a sensitivity analysis on our valuation with the three variables we consider relevant: long term EBITDA margin, long term growth and WACC.

WACC	Normalised EBITDA Margin						
	15.0%	20.0%	25.0%	30.0%	35.0%	40.0%	45.0%
14.0%	23.6	25.3	27.0	28.7	30.4	32.1	33.9
14.5%	22.5	24.0	25.5	27.1	28.6	30.1	31.7
15.0%	21.4	22.8	24.2	25.6	26.9	28.3	29.7
15.5%	20.5	21.7	22.9	24.18	25.4	26.7	27.9
16.0%	19.6	20.7	21.8	22.9	24.0	25.2	26.3
16.5%	18.8	19.8	20.8	21.8	22.8	23.8	24.8
17.0%	18.0	18.9	19.8	20.7	21.6	22.5	23.4

WACC	Perpetual growth rate (g)						
	0.5%	1.0%	1.5%	2.0%	2.5%	3.0%	3.5%
14.0%	27.4	27.8	28.3	28.7	29.2	29.7	30.3
14.5%	26.0	26.3	26.7	27.1	27.5	28.0	28.5
15.0%	24.6	24.9	25.2	25.6	25.9	26.3	26.8
15.5%	23.3	23.6	23.9	24.18	24.5	24.9	25.2
16.0%	22.2	22.4	22.7	22.9	23.2	23.5	23.8
16.5%	21.1	21.3	21.5	21.8	22.0	22.3	22.6
17.0%	20.1	20.3	20.5	20.7	20.9	21.1	21.4

GVC Gaesco Estimates

Considering our 15 year estimated period, the terminal value has very limited weight and therefore, in this sensitivity analysis the variations made in margin and WACC has a larger impact than perpetual growth ("g") which only affects the terminal value.

In addition to the valuation of assets reached via the two sum of the parts of the activity that we have divided in two, we have considered the value of comerzzia's minorities and the value of the net cash position held by the Company. The weight of these lines is irrelevant.

Lastly, we have calculated the implicit multiples of this valuation for the performance of results according to our estimates.

TIER1: DCF Valuation Exit Multiples

	2017	2018	2019e	2020e	2021e	2022e	2023e	2024e	2025e
EV/Sales	2.7x	2.3x	2.4x	2.0x	1.7x	1.4x	1.3x	1.2x	1.1x
EV/EBITDA	20.5x	17.3x	12.4x	9.7x	6.2x	5.4x	4.7x	4.2x	3.9x
P/E	21.1x	26.7x	27.9x	18.6x	14.1x	8.4x	7.1x	6.2x	5.5x

GVC Gaesco Estimates

Valuation of the consolidated activity

By consolidated activity we mean all the products and services that Tier1 has been providing for many years, with an established track record in the market and clients.

The following table reflects the estimated performance of the generated cash flow in said activities.

Tier 1: DCF Consolidated activities

CASH FLOW (EUR m)	2018	2019	2020	2021	2022	2023	2024	2025	Terminal
Net Sales	8.58	8.07	8.81	9.52	10.01	10.31	10.52	10.73	12.83
% change	5.6%	-6.0%	9.2%	8.1%	5.1%	3.0%	2.0%	2.0%	2.0%
EBITDA	1.03	0.93	0.97	1.00	1.05	1.08	1.10	1.13	1.35
% margin	12.0%	11.5%	11.0%	10.5%	10.5%	10.5%	10.5%	10.5%	10.5%
D&A	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.3
% sales	1.8%	1.9%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
EBITA	0.9	0.8	0.8	0.8	0.9	0.9	0.9	0.9	1.1
% margin	10.2%	9.6%	9.0%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%
% change	-2.8%	-11.5%	2.4%	2.1%	5.1%	3.0%	2.0%	2.0%	
Taxes	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2
Normative tax rate	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%
Actual tax rate	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%
NOPLAT	0.7	0.6	0.6	0.6	0.7	0.7	0.7	0.7	0.9
Depreciation & other provisions	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.3
Gross Operating Cash Flow	0.9	0.8	0.8	0.8	0.9	0.9	0.9	0.9	1.1
Capex	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.3
% sales	2.6%	2.5%	2.4%	2.3%	2.2%	2.1%	2.0%	2.0%	2.2%
Change in Net Working C.	-0.10	0.11	-0.16	-0.16	-0.11	-0.07	-0.05	-0.05	-0.04
Cash Flow to be discounted	0.6	0.7	0.5	0.5	0.6	0.6	0.7	0.7	0.8

GVC Gaesco Estimates

We estimate a similar operating margin to the sectors in the long term, reaching 10.5% and maintained up to the terminal value. Investments in fixed assets: being a service company, investments are low and we have set these at 2% of annual revenues. These investments also include the cost of developing in-house programs that although included as expenses are capitalised as works realised for fixed assets.

Our investment forecasts in working capital take into account that many of the more important clients, qualitatively speaking, are retail chains in which managing systems is basic and that are paid in reasonable instalments. To calculate the investment of this activity in working capital, we estimate 20% working capital over sales (and therefore a 20% rise in sales).

The main variables applied in the valuation of the consolidated activity is summed up in the following table. These reflect the low risk in these activities and moderate long term growth but not low ("g" 2%), because in general the IT activity continues to generate attractive growths due to the digitalisation process.

WACC & DCF ANALYSIS			
Free Risk Rate (FRR)	3.5%	Cumulated DCF	6.1
Company Risk Factor or Beta	0.70		
Mkt Risk Premium (MRP)	5.0%	Perpetual Growth (g)	2.0%
Cost of Equity (Ke or COE)	7.00%	Normalised Annual CF	0.8
Cost of Debt (gross)	4.25%	Terminal Value (TV)	6.9
Debt tax rate *	25.0%	Disc. Rate of T.V.	0.34
Cost of Debt net (Kd or COD)	3.19%	Discounted T.V.	2.4
Target gearing (D/E) or % Kd	0%	PV Fiscal credit	-
% Ke	100.0%	Financial assets	-
Normative Tax Rate	20%	Enterprise Value (EUR m)	8.4
WACC	7.0%		

GVC Gaesco Estimates

Our estimated weighted average discount rate of operating cash flows is 7%. To arrive at this estimate we have used a scheme based on the structure of the CAPM method. In our opinion, the WACC is a cost opportunity, which reflects the combination of the risk we perceive in this activity in a long-term context, with current market conditions, a macroeconomic environment and a normalised ECB monetary policy assumption. The adjustment we make for a company's risk factor takes into account its financial situation, track record, transparency, size and sector forecast, among other factors.

For the perpetual growth, which estimates the operating cash flows that would occur in an environment of sector and company maturity, starting from the last explicit year, we apply 2%, with the intention of reflecting our outlook on the IT technology business in the very long term and is consistent with the levels we use in other sectors.

Combining the discounted cash flow method with cash flows mentioned and the discount rate, we obtain a value of EUR8.4m on Tier1's traditional activity.

We also carried out a sensitivity analysis on the valuation of the consolidated activity, margin, WACC and "g".

WACC	Normalised EBITDA Margin						
	7.8%	8.8%	9.8%	10.8%	11.8%	12.8%	13.8%
5.5%	10.7	10.7	10.7	10.7	10.7	10.7	10.7
6.0%	9.8	9.8	9.8	9.8	9.8	9.8	9.8
6.5%	9.0	9.0	9.0	9.0	9.0	9.0	9.0
7.0%	8.4	8.4	8.4	8.4	8.4	8.4	8.4
7.5%	7.9	7.9	7.9	7.9	7.9	7.9	7.9
8.0%	7.4	7.4	7.4	7.4	7.4	7.4	7.4
8.5%	7.0	7.0	7.0	7.0	7.0	7.0	7.0

WACC	Perpetual growth rate (g)						
	0.5%	1.0%	1.5%	2.0%	2.5%	3.0%	3.5%
5.5%	10.1	10.2	10.4	10.7	10.9	11.2	11.5
6.0%	9.3	9.5	9.6	9.8	10.0	10.2	10.4
6.5%	8.7	8.8	8.9	9.0	9.2	9.4	9.5
7.0%	8.1	8.2	8.3	8.4	8.5	8.7	8.8
7.5%	7.6	7.7	7.8	7.9	8.0	8.1	8.2
8.0%	7.2	7.3	7.3	7.4	7.5	7.6	7.7
8.5%	6.8	6.9	6.9	7.0	7.1	7.1	7.2

GVC Gaesco Estimates

Valuation of the high growth activity

In the expanding business we mainly include the business derived from comertzia, both the sale of licenses, sales carried out by its preferential partners such as Tier1 and Seidor; as well as the maintenance of this platform. To be homogenous with the Company we also include ASG's activity – recently acquired – and Tier1's results as a vendor of comertzia (thus eliminating duplicities).

Tier 1: DCF High growth activities

CASH FLOW (EUR m)	2018	2019	2020	2021	2022	2023	2024	2025	Terminal
Net Sales	2.3	2.7	3.6	4.6	5.7	6.6	7.7	8.9	20.7
% change	72.5%	19.9%	32.5%	26.0%	26.0%	15.5%	15.5%	15.5%	3.0%
EBITDA	0.2	0.5	1.1	1.5	2.9	3.3	3.8	4.4	10.3
% margin	9.4%	20.0%	30.0%	33.0%	50.0%	50.0%	50.0%	50.0%	50.0%
D&A	0.1	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.5
% sales	5.9%	5.7%	5.1%	4.6%	2.9%	2.5%	2.5%	2.5%	2.4%
EBITA	0.1	0.4	0.9	1.3	2.7	3.2	3.6	4.2	9.8
% margin	3.5%	14.3%	24.9%	28.4%	47.1%	47.5%	47.5%	47.5%	47.6%
Taxes	0.0	-0.1	-0.2	-0.3	-0.5	-0.6	-0.7	-0.8	-2.0
Normative tax rate	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%
Actual tax rate	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%
NOPLAT	0.1	0.3	0.7	1.0	2.2	2.5	2.9	3.4	7.9
Depreciation & other provisions	0.1	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.5
Gross Operating Cash Flow	0.2	0.5	0.9	1.2	2.3	2.7	3.1	3.6	8.4
Capex	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.2	-0.2	-0.4
% sales	2.5%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Change in Net Working C.	-0.24	-0.11	-0.22	-0.24	-0.30	-0.22	-0.26	-0.30	-0.29
Cash Flow to be discounted	-0.1	0.2	0.6	0.9	1.9	2.4	2.7	3.1	7.7

GVC Gaesco Estimates

Regarding investments in fixed assets. Being an in-house technology developer, the bulk of the investments have been in R+D and therefore capitalised in the balance. The product has been completed, as evidenced by the fact that it has been installed in around twenty companies. However, we have included an investment of EUR360,000 during the period 2018-20 and beyond an investment of 2% sales, in line with other sector peers.

Investments in working capital: in the case of comerzzia, we have used the same estimates as for the Group that is investments equal to 20% of sales growths.

Performance of sales and operating margins. We have also based our estimates on a strong rise in clients in 2019 and 2020, later reduced to 10% for the mid-term. We set growth in contracts to 5% for the medium term. The margin reflects a strong operating leverage, which is usual in a license activity. We therefore reach a 50% margin for the long term. The operating tax rate is set at 20%, is constant and conservative.

The main parameters used in our DCF valuation on high growth activities are:

WACC & DCF ANALYSIS			
Free Risk Rate (FRR)	3.5%	Cumulated DCF	11.7
Company Risk Factor or Beta	4.0%		
Mkt Risk Premium (MRP)	3.5%	Perpetual Growth (g)	3.0%
Cost of Equity (Ke or COE)	17.50%	Normalised Annual CF	7.7
Cost of Debt (gross)	4.25%	Terminal Value (TV)	24.0
Debt tax rate *	25.0%	Disc. Rate of T.V.	0.08
Cost of Debt net (Kd or COD)	3.19%	Discounted T.V.	1.8
Target gearing (D/E) or % Kd	0%	PV Fiscal credit	-
% Ke	100.0%	Financial assets	-
Normative Tax Rate	20%	Enterprise Value (EUR m)	13.6
WACC	17.5%		

GVC Gaesco Estimates

In the case of Comerzzia and flows related to products we have applied a WACC of 17.5%, reflecting the lower maturity of the new activity and thus execution risk. On the contrary, in long-term residual growth we have used 3.0%, and although with less visibility, the theoretical growth upside is above the mature and consolidated products.

With the described method, we obtain an asset valuation on the new activity of EUR13.6m. As with the consolidated activities, we have carried out a sensitivity analysis on the two variables most affecting the valuation.

WACC	Normalised EBITDA Margin						
	35.0%	40.0%	45.0%	50.0%	55.0%	60.0%	65.0%
16.0%	14.7	15.0	15.3	15.5	15.8	16.1	16.3
16.5%	14.1	14.3	14.6	14.8	15.1	15.3	15.5
17.0%	13.5	13.7	14.0	14.2	14.4	14.6	14.8
17.5%	13.0	13.2	13.4	13.6	13.8	13.9	14.1
18.0%	12.4	12.6	12.8	13.0	13.2	13.3	13.5
18.5%	12.0	12.1	12.3	12.4	12.6	12.8	12.9
19.0%	11.5	11.6	11.8	11.9	12.1	12.2	12.4

WACC	Perpetual growth rate (g)						
	1.5%	2.0%	2.5%	3.0%	3.5%	4.0%	4.5%
16.0%	15.4	15.4	15.5	15.5	15.6	15.6	15.7
16.5%	14.7	14.7	14.8	14.8	14.9	14.9	15.0
17.0%	14.0	14.1	14.1	14.2	14.2	14.3	14.3
17.5%	13.4	13.5	13.5	13.6	13.6	13.6	13.7
18.0%	12.9	12.9	12.9	13.0	13.0	13.1	13.1
18.5%	12.4	12.4	12.4	12.4	12.5	12.5	12.5
19.0%	11.9	11.9	11.9	11.9	12.0	12.0	12.0

GVC Gaesco Estimates

How much would Tier1's activity be worth as a vendor or installer of comerzzia?

One of comerzzia's main vendors and installers is currently Tier1. Comerzzia sells Tier1 each comerzzia license at a 50% discount over the official price to third parties. Tier1 can also offer its clients discounts, which would reduce its margins but would not affect Comerzzia.

Tier 1: DCF Activity as Comerzzia Vendor

CASH FLOW (EUR m)	2019	2020	2021	2022	2023	2024	2025	Terminal
Net Sales	1.2	2.4	3.0	3.3	3.4	3.6	3.8	4.7
% change		103.1%	24.0%	10.7%	5.0%	5.0%	5.0%	2.5%
EBITDA	0.4	0.7	0.9	0.9	0.9	1.0	1.0	1.2
% margin	30.2%	30.2%	31.0%	27.6%	27.6%	27.6%	27.6%	25.0%
D&A	0.02	0.05	0.06	0.07	0.07	0.07	0.08	0.09
% sales	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
EBITA	0.3	0.7	0.9	0.8	0.9	0.9	1.0	1.1
% margin	28.2%	28.2%	29.0%	25.6%	25.6%	25.6%	25.6%	23.0%
Taxes	-0.1	-0.1	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2
Normative tax rate	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%
Actual tax rate	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%
NOPLAT	0.3	0.5	0.7	0.7	0.7	0.7	0.8	0.9
Depreciation & other provisions	0.0	0.0	0.1	0.1	0.1	0.1	0.1	0.1
Gross Operating Cash Flow	0.3	0.6	0.7	0.7	0.8	0.8	0.9	1.0
Capex	-0.01	-0.02	-0.03	-0.03	-0.03	-0.04	-0.04	-0.05
% sales	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
Change in Net Working C.	-0.30	-0.36	-0.17	-0.10	-0.05	-0.05	-0.05	-0.09
Cash Flow to be discounted	0.0	0.2	0.6	0.6	0.7	0.7	0.8	0.8

GVC Gaesco Estimates

For this activity we estimate an EBITDA margin of 25-30%, taking into account said cost of licenses and the actual expenses linked to maintenance, services to final client and commercialisation fees. Investments in assets are practically non-existent, eminently being a marketing and services company, therefore we have set investments at 1% of annual sales to include the cost of acquiring clients.

In light of the total dependence of this activity on the sale of a single product not developed in-house, when valuing the latter investments in working capital is very important thus we have set it at 30% of the sales.

The variables used in the valuation of this exclusive activity of distributor and installer of comerzzia, is in the mean of those used for Tier1's consolidated activity and comerzzia's expanding activity. Logic indicates that in terms of growth, Tier1 as vendor of comerzzia would grow less, as distribution channels will be unified, albeit maintain a similar risk, as dependence is on a single product and there are few entrance barriers.

WACC & DCF ANALYSIS

Free Risk Rate (FRR)	3.5%	Cumulated DCF	2.9
Company Risk Factor or Beta	4.00		
Mkt Risk Premium (MRP)	3.5%	Perpetual Growth (g)	2.5%
Cost of Equity (Ke or COE)	17.50%	Normalised Annual CF	0.8
Cost of Debt (gross)	4.25%	Terminal Value (TV)	2.6
Debt tax rate *	25.0%	Disc. Rate of T.V.	0.08
Cost of Debt net (Kd or COD)	3.19%	Discounted T.V.	0.2
Target gearing (D/E) or % Kd	0%	PV Fiscal credit	-
% Ke	100.0%	Financial assets	-
Normative Tax Rate	20%	Enterprise Value (EUR m)	3.1
WACC	17.5%		

GVC Gaesco Estimates

With this hypothesis we reach a valuation on Tier1's activity as a vendor of comerzzia of EUR3.1m, value that in our scenarios is included in the valuation of growth activities, but in terms of legal entities belongs to Tier1 and not Comerzzia.

Peers comparison and valuation by multiples

In the comparison with similar companies we must consider that there are global companies that realise a wide range of activities, include the deployment and implantation of infrastructures, including those realised by Tier1 and other companies – software construction and solutions installer, some with single but highly scalable products, that are better compared with Comerzzia.

The companies used to calculate the peer group average may include some that do not adjust to Tier1's current activity but to what it could become in some years according to the performance of the product pipeline. Therefore this valuation could be useful to have an indication of the possible medium term performance of multiples. According to Bloomberg and Factset the following are the main average sector multiples:

	Sector average	
	2019	10 years Avg.
P/E	14.6x	19.1x
P/CF	12.5x	11.8x
EV/Ebitda	9.1x	8.9x
EV/Ebit	11.6x	12.0x
P/BV	3.0x	2.8x
EV/Ventas	1.9x	1.5x
ROE	15.3%	11.6%
EBITDA Marg.	8.8%	10.0%

Bloomberg, Factset, GVC Gaesco

When applying or comparing sector multiples, in our opinion it is also important to compare profitability levels on equity and sales. The weight that Tier1's activities based on license sales results in a positive comparison.

	2019	10 years Avg.	Tier 1
ROE	15.3%	11.6%	26.0%
EBITDA Marg.	8.8%	10.0%	13.7%

Bloomberg, Factset, GVC Gaesco

Applying the multiples we consider better represent the sector, we reach a valuation of EUR19m on the Company.

The difference with the valuations obtained via the DCF method, is due to the static character of this valuation vs. the dynamic performance included in the former.

TIER 1: Group valuation by comparable multiples			
(reference year: 2020)	Ratio	Reference figure (mEUR)	Value (mEUR)
EV/Ebitda	9.1X	2.06	18.92
EV/Ebit	11.6X	1.70	19.89
EV/Sales	1.9X	12.93	24.44
P/E	14.6X	1.34	19.60
P/CF	12.5X	1.70	21.30
P/BV	3.0X	4.10	12.49
Average			19.44

GVC Gaesco

Tier 1 Technology : Summary tables

PROFIT & LOSS (EURm)	12/2017	12/2018	12/2019e	12/2020e	12/2021e	12/2022e
Sales	9.5	10.9	10.8	12.9	15.3	17.7
Cost of Sales & Operating Costs	-8.2	-9.7	-9.3	-10.9	-12.7	-13.6
Non Recurrent Expenses/Income	0.0	0.0	0.0	0.0	0.0	0.0
EBITDA	1.3	1.2	1.5	2.1	2.6	4.1
EBITDA (adj.)*	1.3	1.2	1.5	2.1	2.6	4.1
Depreciation	-0.2	-0.3	-0.3	-0.4	-0.4	-0.4
EBITA	1.1	1.0	1.2	1.7	2.2	3.7
EBITA (adj)*	1.1	0.9	1.2	1.7	2.2	3.7
Amortisations and Write Downs	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	1.1	1.0	1.2	1.7	2.2	3.7
EBIT (adj.)*	1.1	0.9	1.2	1.7	2.2	3.7
Net Financial Interest	0.0	0.0	-0.1	0.0	0.0	0.0
Other Financials	0.0	0.0	0.0	0.0	0.0	0.0
Associates	0.0	0.0	0.0	0.0	0.0	0.0
Other Non Recurrent Items	0.1	0.0	0.0	0.0	0.0	0.0
Earnings Before Tax (EBT)	1.2	0.9	1.1	1.7	2.2	3.7
Tax	-0.2	-0.1	-0.2	-0.3	-0.4	-0.7
<i>Tax rate</i>	<i>13.0%</i>	<i>20.0%</i>	<i>20.0%</i>	<i>20.0%</i>	<i>20.0%</i>	<i>20.0%</i>
Discontinued Operations	0.0	0.0	0.0	0.0	0.0	0.0
Minorities	0.0	0.0	0.0	0.0	0.0	0.0
Net Profit (reported)	1.0	0.8	0.9	1.3	1.8	3.0
Net Profit (adj.)	1.2	0.9	0.9	1.3	1.8	3.0
CASH FLOW (EURm)	12/2017	12/2018	12/2019e	12/2020e	12/2021e	12/2022e
Cash Flow from Operations before change in NWC	1.3	1.1	1.2	1.7	2.2	3.3
Change in Net Working Capital	-0.1	-0.4	0.0	-0.5	-0.5	-0.5
Cash Flow from Operations	1.2	0.7	1.2	1.2	1.6	2.8
Capex	-0.3	-0.3	-0.3	-0.8	-0.4	-0.9
Net Financial Investments	0.1	0.3	0.0	0.0	0.0	0.0
Free Cash Flow	1.0	0.7	0.9	0.4	1.2	1.9
Dividends	-0.2	-0.6	-0.7	-0.7	-0.9	-1.5
Other (incl. Capital Increase & share buy backs)	0.0	0.0	0.0	0.0	0.0	0.0
Change in Net Debt	0.7	0.0	0.2	-0.2	0.3	0.4
NOPLAT	1	1	1	1	2	3
BALANCE SHEET & OTHER ITEMS (EURm)	12/2017	12/2018	12/2019e	12/2020e	12/2021e	12/2022e
Net Tangible Assets	0.2	0.2	0.2	0.2	0.2	0.4
Net Intangible Assets (incl. Goodwill)	0.7	0.7	0.8	1.1	1.1	1.6
Net Financial Assets & Other	0.3	0.3	0.3	0.3	0.3	0.3
Total Fixed Assets	1.1	1.2	1.2	1.6	1.6	2.2
Inventories	0.0	0.0	0.0	0.0	0.0	0.0
Trade receivables	3.6	4.3	4.3	5.1	6.1	7.0
Other current assets	0.2	0.2	0.2	0.2	0.2	0.2
Cash (-)	-1.3	-1.2	-1.2	-1.2	-1.2	-1.2
Total Current Assets	5.3	5.8	5.7	6.6	7.5	8.5
Total Assets	6.4	6.9	6.9	8.2	9.2	10.7
Shareholders Equity	2.8	3.0	3.4	4.1	5.0	6.5
Minority	0.2	0.3	0.0	0.0	0.0	0.0
Total Equity	3.0	3.2	3.4	4.1	5.0	6.5
Long term interest bearing debt	0.8	0.8	0.7	0.9	0.6	0.2
Provisions	0.0	0.0	0.0	0.0	0.0	0.0
Other long term liabilities	0.1	0.1	0.1	0.1	0.1	0.1
Total Long Term Liabilities	1.0	1.0	0.8	1.0	0.7	0.3
Short term interest bearing debt	0.1	0.3	0.3	0.3	0.3	0.3
Trade payables	2.0	1.8	1.8	2.2	2.6	3.0
Other current liabilities	0.3	0.6	0.6	0.6	0.6	0.6
Total Current Liabilities	2.4	2.7	2.7	3.1	3.5	3.9
Total Liabilities and Shareholders' Equity	6.4	6.9	6.9	8.2	9.2	10.7
Net Capital Employed	2.8	3.2	3.3	4.2	4.7	5.8
Net Working Capital	1.6	2.1	2.1	2.5	3.1	3.6
GROWTH & MARGINS	12/2017	12/2018	12/2019e	12/2020e	12/2021e	12/2022e
<i>Sales growth</i>	<i>25.8%</i>	<i>14.9%</i>	<i>-0.6%</i>	<i>19.7%</i>	<i>18.4%</i>	<i>15.4%</i>
EBITDA (adj.)* growth	124.2%	-5.3%	21.8%	39.4%	27.8%	55.9%
<i>EBITA (adj.)* growth</i>	<i>139.8%</i>	<i>-11.9%</i>	<i>23.1%</i>	<i>45.6%</i>	<i>31.2%</i>	<i>67.5%</i>
<i>EBIT (adj.)* growth</i>	<i>109.4%</i>	<i>-12.4%</i>	<i>25.9%</i>	<i>45.6%</i>	<i>31.2%</i>	<i>67.5%</i>

Tier 1 Technology : Summary tables

GROWTH & MARGINS	12/2017	12/2018	12/2019e	12/2020e	12/2021e	12/2022e
Net Profit growth	128.8%	-20.9%	-4.4%	50.5%	31.7%	68.5%
EPS adj. growth	128.8%	-20.9%	-4.4%	50.5%	31.7%	68.5%
DPS adj. growth	n.m.	148.4%	11.1%	-2.5%	31.7%	68.4%
EBITDA (adj)* margin	13.5%	11.1%	13.7%	15.9%	17.2%	23.2%
EBITA (adj)* margin	11.4%	8.7%	10.8%	13.1%	14.5%	21.1%
EBIT (adj)* margin	11.2%	8.5%	10.8%	13.1%	14.5%	21.1%
RATIOS	12/2017	12/2018	12/2019e	12/2020e	12/2021e	12/2022e
Net Debt/Equity	-0.1	0.0	-0.1	0.0	-0.1	-0.1
Net Debt/EBITDA	-0.3	-0.1	-0.2	0.0	-0.1	-0.2
Interest cover (EBITDA/Fin.interest)	52.8	42.7	29.1	n.m.	n.m.	n.m.
Capex/D&A	133.2%	98.4%	108.5%	218.8%	100.7%	254.7%
Capex/Sales	3.1%	2.6%	3.1%	6.1%	2.6%	5.3%
NWC/Sales	17.4%	19.1%	19.1%	19.7%	20.2%	20.5%
ROE (average)	46.9%	32.1%	27.8%	35.6%	38.9%	51.9%
ROCE (adj.)	30.6%	23.1%	29.0%	32.9%	38.1%	51.7%
WACC	15.5%	15.5%	15.0%	14.5%	14.0%	13.5%
ROCE (adj.)/WACC	2.0	1.5	1.9	2.3	2.7	3.8
PER SHARE DATA (EUR)***	12/2017	12/2018	12/2019e	12/2020e	12/2021e	12/2022e
Average diluted number of shares	1.0	1.0	1.0	1.0	1.0	1.0
EPS (reported)	1.01	0.80	0.89	1.34	1.76	2.97
EPS (adj.)	1.18	0.93	0.89	1.34	1.76	2.97
BVPS	2.83	2.97	3.43	4.10	4.98	6.46
DPS	0.25	0.62	0.69	0.67	0.88	1.49
VALUATION	12/2017	12/2018	12/2019e	12/2020e	12/2021e	12/2022e
EV/Sales		1.7	1.6	1.3	1.1	0.9
EV/EBITDA		14.6	11.5	8.3	6.4	3.9
EV/EBITDA (adj.)*		15.0	11.5	8.3	6.4	3.9
EV/EBITA		18.6	14.5	10.1	7.6	4.3
EV/EBITA (adj.)*		19.2	14.5	10.1	7.6	4.3
EV/EBIT		19.0	14.5	10.1	7.6	4.3
EV/EBIT (adj.)*		19.7	14.5	10.1	7.6	4.3
P/E (adj.)		19.7	19.3	12.8	9.8	5.8
P/BV		6.2	5.0	4.2	3.5	2.7
Total Yield Ratio		4.0%	3.9%	5.1%	8.6%	10.2%
EV/CE		6.1	5.7	4.4	3.8	2.9
OpFCF yield		2.1%	5.1%	2.5%	7.1%	10.9%
OpFCF/EV		2.2%	5.2%	2.5%	7.3%	11.6%
Payout ratio	24.7%	77.1%	77.1%	50.0%	50.0%	50.0%
Dividend yield (gross)		3.6%	4.0%	3.9%	5.1%	8.6%
EV AND MKT CAP (EURm)	12/2017	12/2018	12/2019e	12/2020e	12/2021e	12/2022e
Price** (EUR)		18.30	17.20	17.20	17.20	17.20
Outstanding number of shares for main stock	1.0	1.0	1.0	1.0	1.0	1.0
Total Market Cap		18	17	17	17	17
Net Debt	0	0	0	0	0	-1
<i>o/w Cash & Marketable Securities (-)</i>	<i>-1</i>	<i>-1</i>	<i>-1</i>	<i>-1</i>	<i>-1</i>	<i>-1</i>
<i>o/w Gross Debt (+)</i>	<i>1</i>	<i>1</i>	<i>1</i>	<i>1</i>	<i>1</i>	<i>0</i>
Other EV components	0	0	0	0	0	0
Enterprise Value (EV adj.)		18	17	17	17	16

Source: Company, GVC Gaesco Valores estimates.

Notes

* Where EBITDA (adj.) or EBITA (adj.) = EBITDA (or EBITA) -/+ Non Recurrent Expenses/Income and where EBIT (adj.) = EBIT -/+ Non Recurrent Expenses/Income - PPA amortisation

**Price (in local currency): Fiscal year end price for Historical Years and Current Price for current and forecasted years

Sector: Technology Hardware & Equipment/Technology Hardware & Equipment

Company Description: IT Provider, with focus on the retail and distribution sector (>60% on renewables). The company obtain 26% of revenues from licences and services based on software owned by the Group.

European Coverage of the Members of ESN

Aerospace & Defense	Mem(*)	Tubacex	GVC	Food & Drug Retailers	Mem(*)	Haulotte Group	CIC
Airbus Se	CIC	Chemicals	Mem(*)	Carrefour	CIC	Ima	BAK
Dassault Aviation	CIC	Air Liquide	CIC	Casino Guichard-Perrachon	CIC	Interpump	BAK
Figeac Aero	CIC	Arkema	CIC	Jeronimo Martins	CBI	Manitou	CIC
Latecoere	CIC	Electronic & Electrical Eq.	Mem(*)	Marr	BAK	Prima Industrie	BAK
Leonardo	BAK	Rexel	CIC	Sonae	CBI	Prysmian	BAK
Lisi	CIC	Fin. Serv. Holdings	Mem(*)	General Industrials	Mem(*)	Talgo	GVC
Safran	CIC	Cir	BAK	Cembre	BAK	Zardoya Otis	GVC
Thales	CIC	Digital Magics	BAK	Sergeferrari Group	CIC	Industrial Transportation	Mem(*)
Alternative Energy	Mem(*)	Eurazeo	CIC	General Retailers	Mem(*)	Bollore	CIC
Plc	BAK	Ffp	CIC	Emova Group	CIC	Clasquin	CIC
Siemens Gamesa Re	GVC	Rallye	CIC	Fnac Darty	CIC	Cit	CBI
Voltaia	CIC	Tip Tamburi Investment Partners	BAK	Fouris Holdings	IBG	Insurance	Mem(*)
Automobiles & Parts	Mem(*)	Wendel	CIC	Inditex	GVC	Axa	CIC
Brembo	BAK	Fin. Serv. Industrials	Mem(*)	Jumbo	IBG	Cattolica Assicurazioni	BAK
Ferrari	BAK	Athex Group	IBG	Maisons Du Monde	CIC	Generali	BAK
Fiat Chrysler Automobiles	BAK	Dovalue	BAK	Ovs	BAK	Net Insurance	BAK
Gestamp	GVC	Nexi	BAK	Unieuro	BAK	Unipolsai	BAK
Indelb	BAK	Tinexta	BAK	Healthcare	Mem(*)	Materials, Construction	Mem(*)
Landi Renzo	BAK	Financial Services Banks	Mem(*)	Ab Biotics	GVC	Acs	GVC
Piaggio	BAK	Amundi	CIC	Amplifon	BAK	Aena	GVC
Pininfarina	BAK	Anima	BAK	Atrys Health	GVC	Astaldi	BAK
Plastic Omnium	CIC	Azimut	BAK	Biom'Up	CIC	Atlantia	BAK
Sogefi	BAK	Banca Farmafactoring	BAK	Cerenis	CIC	Buzzi Unicem	BAK
Banks	Mem(*)	Banca Generali	BAK	Crossject	CIC	Capelli	CIC
Alpha Bank	IBG	Banca Iis	BAK	Diasorin	BAK	Eiffage	CIC
Banca Carige	BAK	Banca Mediolanum	BAK	El.En.	BAK	Ezentis	GVC
Banca Mps	BAK	Banca Sistema	BAK	Fermentalg	CIC	Fcc	GVC
Bcp	CBI	Finecobank	BAK	Fine Foods	BAK	Ferrovial	GVC
BNP Paribas	CIC	Poste Italiane	BAK	Genfit	CIC	Groupe Adp	CIC
Bper	BAK	Food & Beverage	Mem(*)	Guerbet	CIC	Groupe Poujoulat	CIC
Credem	BAK	Advini	CIC	Korian	CIC	Groupe Stpi S.A.	CIC
Credit Agricole Sa	CIC	Bonduelle	CIC	Oncodesign	CIC	Herige	CIC
Creval	BAK	Campani	BAK	Orpea	CIC	Imerys	CIC
Eurobank	IBG	Coca Cola Hbc Ag	IBG	Recordati	BAK	Kaufman & Broad	CIC
Intesa Sanpaolo	BAK	Danone	CIC	Household Goods	Mem(*)	Lafargeholcim	CIC
Mediobanca	BAK	Ebro Foods	GVC	Abeo	CIC	Maire Tecnimont	BAK
National Bank Of Greece	IBG	Enervit	BAK	De Longhi	BAK	Maisons France Confort	CIC
Natixis	CIC	Fleury Michon	CIC	Elica	BAK	Mota Engil	CBI
Piraeus Bank	IBG	Italian Wine Brands	BAK	Fila	BAK	Obrascon Huarte Lain	GVC
Rothschild & Co	CIC	La Doria	BAK	Groupe Seb	CIC	Sacyr	GVC
Societe Generale	CIC	Lanson-Bcc	CIC	Industrial Engineering	Mem(*)	Saint Gobain	CIC
Ubi Banca	BAK	Laurent Perrier	CIC	Alstom	CIC	Salini Impregilo	BAK
Unicredit	BAK	Ldc	CIC	Biesse	BAK	Sias	BAK
Basic Resources	Mem(*)	Massimo Zanetti	BAK	Caf	GVC	Sonae Industria	CBI
Acerinox	GVC	Orsero	BAK	Carraro	BAK	Tarket	CIC
Altri	CBI	Pernod Ricard	CIC	Cnh Industrial	BAK	Thermador Groupe	CIC
Arcelormittal	GVC	Remy Cointreau	CIC	Danieli	BAK	Titan Cement	IBG
Coriceira Amorim	CBI	Tipiak	CIC	Datalogic	BAK	Trevi	BAK
Ence	GVC	Vidrala	GVC	Emak	BAK	Vicat	CIC
Mytilneos	IBG	Vilmorin	CIC	Exel Industries	CIC	Vinci	CIC
Semapa	CBI	Viscofan	GVC	Fincantieri	BAK		
The Navigator Company	CBI	Vranken Pommery Monopole	CIC	Groupe Gorge	CIC		

Media	Mem(*)	Interparfums	CIC	Technology Hardware & Eq.	Mem(*)	Enel	BAK
Arnoldo Mondadori Editore	BAK	Kering	CIC	Adeunis	CIC	Erg	BAK
Atresmedia	GVC	Lvmh	CIC	Evolis	CIC	Eydap	IBG
Cairo Communication	BAK	Moncler	BAK	Hf Company	CIC	Falck Renewables	BAK
Cofina	CBI	Safilo	BAK	Ingenico	CIC	Greenalia	GVC
Digital Bros	BAK	Salvatore Ferragamo	BAK	Memscap	CIC	Hera	BAK
Digitouch	BAK	Sarantis	IBG	Osmozis	CIC	Iberdrola	GVC
Gedi Gruppo Editoriale	BAK	Smcp	CIC	Stmicroelectronics	BAK	Iren	BAK
GI Events	CIC	Swatch Group	CIC	Telecommunications	Mem(*)	Italgas	BAK
Il Sole 24 Ore	BAK	Technogym	BAK	Acotel	BAK	Naturgy	GVC
Impresa	CBI	Tod'S	BAK	Alice Europe	CIC	Public Power Corp	IBG
Iol	BAK	Real Estate	Mem(*)	Bouygues	CIC	Red Electrica Corporacion	GVC
Ipsos	CIC	Grivalia	IBG	Euskaltel	GVC	Ren	CBI
Jodecaux	CIC	Igd	BAK	Iliad	CIC	Snam	BAK
Lagardere	CIC	Lar España	GVC	Masmovil	GVC	Solaria	GVC
MC-Metropole Television	CIC	Merlin Properties	GVC	Nos	CBI	Terna	BAK
Mediaset	BAK	Realia	GVC	Orange	CIC		
Mediaset Espana	GVC	Terreis	CIC	Ote	IBG		
Nrj Group	CIC	Software & Computer Ser.	Mem(*)	Telecom Italia	BAK		
Publicis	CIC	Agile Content	GVC	Telefonica	GVC		
Rcs Mediagroup	BAK	Akka Technologies	CIC	Tiscali	BAK		
Solocal Group	CIC	Alten	CIC	Vodafone	BAK		
Teleperformance	CIC	Altran	CIC	Travel & Leisure	Mem(*)		
Tffl	CIC	Amadeus	GVC	Accor	CIC		
Ubisoft	CIC	Assystem	CIC	Aegean Airlines	IBG		
Vivendi	CIC	Atos	CIC	Autogrill	BAK		
Vogo	CIC	Axway Software	CIC	Beneteau	CIC		
Oil & Gas Producers	Mem(*)	Capgemini	CIC	Compagnie Des Alpes	CIC		
Ecoslops	CIC	Cast	CIC	Elior	CIC		
Enauta	CBI	Catenon	GVC	Europcar	CIC		
Eri	BAK	Econocom	CIC	Gamenet	BAK		
Galp Energia	CBI	Esi Group	CIC	Groupe Partouche	CIC		
Gas Plus	BAK	Exprivia	BAK	I Grandi Viaggi	BAK		
Hellenic Petroleum	IBG	Gigas Hosting	GVC	Ibersol	CBI		
Maurel Et Prom	CIC	Gpi	BAK	Intralot	IBG		
Motor Oil	IBG	Groupe Open	CIC	Melia Hotels International	GVC		
Repsol	GVC	Indra Sistemas	GVC	Nh Hotel Group	GVC		
Total	CIC	Neurones	CIC	Opap	IBG		
Oil Services	Mem(*)	Novabase	CBI	Pierre Et Vacances	CIC		
Bourbon	CIC	Reply	BAK	Sg Company	BAK		
Cgg	CIC	Sii	CIC	Sodexo	CIC		
Gaztransport Et Technigaz	CIC	Sopra Steria Group	CIC	Sonae Capital	CBI		
Rubis	CIC	Visiativ	CIC	Trigano	CIC		
Saipem	BAK	Support Services	Mem(*)	Utilities	Mem(*)		
Technipmc Plc	CIC	Bureau Veritas	CIC	A2A	BAK		
Tecnicas Reunidas	GVC	Cellnex Telecom	GVC	Acciona	GVC		
Tenaris	BAK	Edenred	CIC	Acea	BAK		
Vallourec	CIC	Enav	BAK	Albioma	CIC		
Personal Goods	Mem(*)	Fiera Milano	BAK	Derichebourg	CIC		
Basicnet	BAK	Inwit	BAK	Edp	CBI		
Cie Fin. Richemont	CIC	Openjobmetis	BAK	Edp Renováveis	CBI		
Geox	BAK	Rai Way	BAK	Enagas	GVC		
Hermes Intl.	CIC			Endesa	GVC		

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Information regarding Market Abuse and Conflicts of Interests and recommendation history available in our web page: www.valores.gvcgaesco.es and our offices

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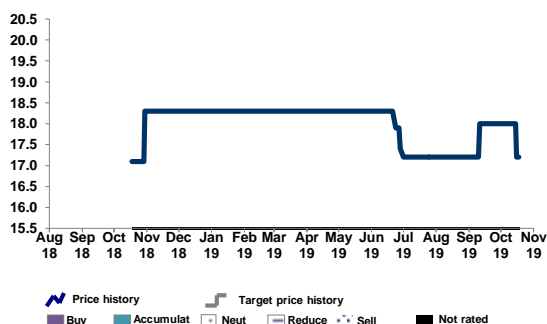
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Recommendation history for TIER 1 TECHNOLOGY

Date	Recommendation	Target price	Price at change date
21-Oct-19	Buy	24.00	17.20

Source: Factset & ESN, price data adjusted for stock splits.

This chart shows GVC Gaesco Valores continuing coverage of this stock; the current analyst may or may not have covered it over the entire period. Current analyst: VITor Peiro Pérez (since 21/10/2019)



ESN Recommendation System

The ESN Recommendation System is **Absolute**. It means that each stock is rated on the basis of a **total return**, measured by the upside potential (including dividends and capital reimbursement) over a **12 month time horizon**.



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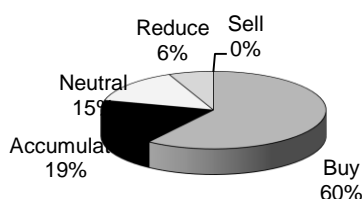
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Meaning of each recommendation or rating:

- **Buy:** the stock is expected to generate total return of **over 15%** during the next 12 months time horizon
- **Accumulate:** the stock is expected to generate total return of **5% to 15%** during the next 12 months time horizon
- **Neutral:** the stock is expected to generate total return of **-5% to +5%** during the next 12 months time horizon
- **Reduce:** the stock is expected to generate total return of **-5% to -15%** during the next 12 months time horizon
- **Sell:** the stock is expected to generate total return **under -15%** during the next 12 months time horizon
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Certain flexibility on the limits of total return bands is permitted especially during higher phases of volatility on the markets

GVC Gaesco Ratings Breakdown



For full ESN Recommendation and Target price history (in the last 12 months) please see ESN Website [Link](#)

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