Equity

Initiation of Coverage

MID CORPORATE

Generalfinance

11 August 2022: 7:41 CET
Date and time of production

A Factoring Boutique

BUY

Generalfinance is a financial boutique that offers Factoring services to distressed and under financial stress corporates. Thanks to its specific business model, a well experienced management team and an in-house developed platform, we think Generalfinance offers strong volumes growth, solid profitability and a limited risk profile.

Target Price: EUR 10.2

A financial boutique specialised in factoring to distressed companies

Generalfinance is an Italian independent player that offers Factoring services to distressed and under financial stress corporates. Thanks to its specific business model, it takes advantage from the different credit rating of the receivables' Seller (distressed or under stress company) and the Assigned Debtor (usually an investment grade company), increasing its margins and reducing its risks. Its reference market is large and the competitive scenario is soft, as traditional banks are not interested in widening their exposure to distressed companies. Generalfinance couples strong growth rates with a high profitability: in the last three years, Factoring turnover increased at a 43% 2018-21A CAGR and the ROTE improved from 24.3% in 2019A to 36.3% of 2021A. Going forward and thanks to the higher growth opportunity from the IPO proceeds (EUR 17.7M additional capital), we expect the turnover to increase at a 36% 2021-24E CAGR, with an ROTE at 27.3% in 2024E. Key elements of this strong performance are an experienced management team, a presence along the entire value chain of the Factoring business and its developed in-house proprietary platform that allows a quick response to clients' needs.

Risks

We consider the following as the main risks: 1) funding fully relying on wholesale; 2) business development largely dependent on the current management team; 3) a potential increase in competition; 4) stock overhang risk, from potential disposals by Credit Agricole after the lock-up period; 5) declining margins as the company increasingly moves towards mid-corporates; and 6) potential regulatory changes and favourable macroeconomic trends, which could positively impact the financial situation of distressed corporates, reducing Generalfinance's addressable market.

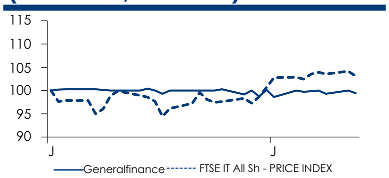
Valuation

We value the stock based on the average between an absolute valuation and a peers' comparison. We initiate coverage of Generalfinance with **a BUY rating** and a **target price at EUR 10.2/share**.

Italy/Banks

MTA-STAR

Price Performance (RIC: GF.MI, BB: GF IM)



Generalfinance - Key Data

Price date (market close)	08/08/2022
Target price (EUR)	10.2
Target upside (%)	41.67
Market price (EUR)	7.20
Market cap (EUR M)	90.97
52Wk range (EUR)	NA/NA

Price performance %	1M	3M	12M
Absolute	0.0	NA	NA
Rel. to FTSE IT All Sh	-4.1	NA	NA

Y/E Dec (EUR M)	FY21A	FY22E	FY23E
Total income	23.93	32.12	40.11
Gross op profit	14.36	19.89	26.84
Pre-tax income	13.93	18.81	24.67
Net income	9.45	12.69	16.65
Adj EPS (EUR)	0.96	1.20	1.32
TBV PS (EUR)	3.1	4.5	5.3
Adj P/E (x)	NA	6.0	5.5
P/TBV (x)	NA	1.6	1.4
Div ord (EUR)	0.48	0.50	0.66
Div ord yield (%)	NA	7.0	9.2

Source: Company data, FactSet and Intesa Sanpaolo Research estimates

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See page 64 for full disclosure and analyst certification
Intesa Sanpaolo is Specialist to Generalfinance

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IMI CORPORATE & INVESTMENT BANKING

Contents

Vera Martini contributed to this report

Investment Case

Initiation of coverage with a BUY rating and EUR 10.2/share target price

Generalfinance is an Italian independent player that offers tailormade Factoring services to distressed and under financial stress corporates. On 23 June 2022, Generalfinance went public with an offer price of EUR 7.20/share, raising EUR 38.5M, of which EUR 20.2M on the primary market and EUR 18.3M in the secondary market. On 29 June 2022, the stock started trading on the Euronext STAR Milan segment. **We initiate coverage of Generalfinance with a BUY rating and a target price at EUR 10.2/share**.

A unique business model

Generalfinance's specific business model allows it to take advantage from the different credit rating of the receivables' Seller (distressed or 'under stress' company) and the assigned debtor (usually an investment grade company). The low rating of the Seller grants higher margins for Generalfinance while the high credit rating of the assigned debtor reduces the relative credit risk, allowing a substantial credit upgrade.

A large reference market…

The reference market for Generalfinance is large: UTP, past due and performing forborne loans amounted to EUR 77Bn at December 2021 in Italy and they are expected to further grow in the next few years, following the end of the moratoria and the impact of the current crisis in Russia/Ukraine. The company estimates that the potential distressed Factoring market (taking into account the stock of short-term receivables from companies classified as UTP, past due and performing forborne) amounted to EUR 6Bn in 2021 and it expects it to increase to EUR 7Bn in 2022 and 2023 (corresponding to a turnover of EUR 28Bn in 2022 and EUR 29Bn in 2023[1]) for a 13% 2021-23 CAGR. Moreover, the share of SMEs in a "risk" position has increased from 8.4% in 2019 to 11.3% in 2021, or from 29.6% to 40.2% including those in a "vulnerable" situation, widening Generalfinance's addressable market[2].

… with low competition

Despite a large potential market, competition is limited as traditional banks have little interest in providing Factoring services to distressed corporates as their credit would be immediately classified as non-performing, in coherence with the remaining credit exposure towards the distressed Seller, thus deteriorating the banks' asset quality ratios and increasing their capital absorption.

95% of turnover is with recourse

The bulk of Generalfinance's Factoring is with recourse (95% of the turnover, in 2021), meaning that, if the receivable is not paid by the Assigned Debtor, Generalfinance sells it back to its customers (the Seller), which ultimately bears the risk of insolvency of the Assigned Debtor. This significantly reduces the risk profile of the Factoring activity.

A low risk profile

In addition to the risk transfer from the distressed Seller to the performing Assigned Debtor and the large portion of recourse factoring, Generalfinance benefits from several other factors that limit its risk profile: a credit insurance policy with Allianz Trade, that covers 75% of disbursements; a LTV of 80%, coupled with the possibility to offset any missed payments on a debt sold by one of its clients by retaining the correspondent amount from the non-advanced amount of any debt sold by the same client; the diversification by assigned debtor (over 12k assigned debtors with an average advance of EUR 90k per debtor); and an extensive use of notifications (93% of turnover, in 2021). All this translates into a default rate of just 0.4%-0.22% and a low cost of risk of 2-13bps (on advances granted) in the last three years.

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[1] Turnover = (loans*365/disbursement days)* (1/percentage of disbursement)
[2] Source: Cerved

Active on the entire value chain, with internal structures and platforms

Generalfinance is active on the entire value chain of the Factoring business, where all operational steps and core activities are carried out internally by dedicated structures. Generalfinance's origination mainly relies on an internal network that generated 81% of turnover in 2021, by leveraging on its relationships with auditing/consultancy firms, lawyers and professionals that manage corporate restructuring processes. The remaining 19% of turnover is originated through formal agreements with agents and brokers. A pivotal element of the entire credit process is the proprietary platform that has been developed in-house and allows a quick and tailormade response to clients' needs (credit scoring within 15 days, and the disbursement of the advances in one day) and helps keep the risks under control.

Strong volumes' growth, coupled with increasing profitability

Generalfinance couples strong growth rates with a high profitability: in the last three-years, Factoring turnover increased at a 43% 2018-21 CAGR and net income increased at a 48% 2018-21 CAGR; in the same period, we calculate that the ROTE increased from 24.3% of 2019A to 36.3% of 2021A. In the next three years, we expect a 2021-2024E CAGR for turnover at +36% and NBI at +26%; despite the higher capital base gained through the proceeds of the IPO, we expect the ROTE to range between 27% and 29.2% in the next three years.

An experienced management team

The company is managed by a well experienced management team, led by the CEO, Massimo Gianolli, who had the idea to convert the company's business from Leasing to Factoring in 1988 and to enter the untapped market of Factoring towards distressed companies in 2006. The company has over 30 years of experience in providing Factoring services (over 1.2M managed maturities since 1990) and the top managers have a solid experience in financial services to distressed companies, providing the company with a competitive advantage compared with new entrants.

Risks

Fully reliant on wholesale funding

Generalfinance is fully reliant on wholesale funding, exposing the company to the risk of a potential increase in the cost of funding or of a reduced availability of funding sources.

Reliance on current management

The business development is largely dependent on the current management team; this risk is nonetheless mitigated by the ongoing strengthening of the management team and the workforce, and by the introduction of LTIP and non-competition agreements for the key operating positions.

Declining margins

Generalfinance's income margin declined in 2021 due to the increasing weighting of mid-corporate sellers, that enjoy better pricing conditions. As this strategy will continue to be pursued in the future, we expect pressure on Generalfinance's margins.

Increase in competition

Although the current competitive scenario is soft and the potential market is large, Challenger Banks could potentially enter the market thus increasing competition, also benefitting from a lower cost of funding.

Stock overhang

Considering the non-material synergies between Credit Agricole Italia and Generalfinance, we cannot exclude further divestments by Credit Agricole Italia after the lock-up period (ending on 29 June 2023), thus representing an overhang risk.

Macro and regulation

Lastly, we highlight that potential regulatory changes as well as favourable macroeconomic trends, which could positively impact the financial situation of distressed corporates, may reduce Generalfinance's addressable market.

Valuation

We value Generalfinance on the basis of a Gordon Model and market multiples. On the basis of the two models, we obtain a valuation of EUR 10.2/share and given the 42% upside potential, we initiate our coverage on the stock with a BUY rating.

We initiate coverage with a BUY rating and a target price of EUR 10.2/share

Generalfinance - Valuation

	EUR M	EUR/sh
Relative valuation	103	8.2
Absolute valuation	155	12.3
Target price	**129**	**10.2**
Current price	91	7.2
Upside (%)		42

E: estimates; Source: Intesa Sanpaolo Research

The implicit multiples at our EUR 10.2/share valuation are shown below.

Generalfinance - Implicit multiples at our target price

x	2022E	2023E	2024E
P/E	8.5	7.7	6.5
P/TBV	2.3	1.9	1.7

Source: Intesa Sanpaolo Research estimates

Absolute valuation: Gordon Model

Given the need to maintain a minimum capital base to support the business growth, we believe that a Gordon Model is an appropriate method to value the company and double check the results returned by the market multiples. Our model is based on the following assumptions:

- An optimal CET1 of 10%, correspondent to a 400bps buffer over the minimum T1 capital requirement of 6% (assuming no issues of AT1);
- A sustainable return on the optimal capital of 33.9%, in line with our FY23E estimates;
- A cost of equity of 12%, calculated starting from a risk-free rate of 2.5%, a market risk premium of 6.5%, and a beta of 1.03x (in line with the average of comparable Speciality Finance companies[3]); we also apply an add-on of 30% in order to consider the limited size of the company;
- A perpetual growth rate (g) of 0%, coherent with the Specialty Finance companies under our coverage;
- The surplus or deficit capital at 1x.

Our absolute valuation under the above-mentioned hypothesis returns a valuation of EUR 12.3/share.

[3] Banca IFIS (1.25x), Banca Sistema (1.10x), BFF Group (0.82x) and illimity (0.94x)

Generalfinance - Gordon Model valuation

EUR M	2023E
RWA	503
Optimal Tier1 capital	50
Excess capital	11
Optimal TBV	56
Adj. net income (ex excess capital)	16.5
Return on optimal capital %	33.9
COE %	12.0
Theoretical P/TBV (x)	2.84
Theoretical Value	**158**
Theoretical NPV	133
Sum of NPV of dividends	12
Excess capital	9
Value	**155**
Value per share (EUR)	**12.3**

Source: Intesa Sanpaolo Research estimates

Absolute valuation returns a EUR 12.3/sh fair value

The sensitivity of our absolute valuation by varying the cost of equity and the sustainable Return on Optimal Capital is shown below.

Generalfinance - Absolute valuation range

EUR/sh		Return on Optimal capital %								
		29.9	30.9	31.9	32.9	33.9	34.9	35.9	36.9	37.9
	8.0	16.6	17.1	17.6	18.1	18.6	19.0	19.5	20.0	20.5
	9.0	14.7	15.2	15.6	16.0	16.5	16.9	17.3	17.8	18.2
	10.0	13.2	13.6	14.0	14.4	14.8	15.2	15.5	15.9	16.3
	11.0	12.0	12.4	12.7	13.1	13.4	13.8	14.1	14.4	14.8
COE %	12.0	11.0	11.3	11.6	12.0	12.3	12.6	12.9	13.2	13.5
	13.0	10.2	10.4	10.7	11.0	11.3	11.6	11.9	12.1	12.4
	14.0	9.4	9.7	10.0	10.2	10.5	10.7	11.0	11.3	11.5
	15.0	8.8	9.0	9.3	9.5	9.8	10.0	10.2	10.5	10.7
	16.0	8.2	8.5	8.7	8.9	9.1	9.3	9.6	9.8	10.0

Source: Intesa Sanpaolo Research estimates

Relative valuation: peers multiples

We define our relative valuation by taking into consideration the multiples currently expressed by the market of a selection of peers. We note that, considering Generalfinance's unique positioning in the business of Factoring towards distressed corporates, it is difficult to find a perfect peer for a multiples' comparison. We therefore decide to use as peers the listed companies belonging to the Italian Speciality Finance segment, which operate (at least partially) in the Factoring business. We consider the following companies as peers:

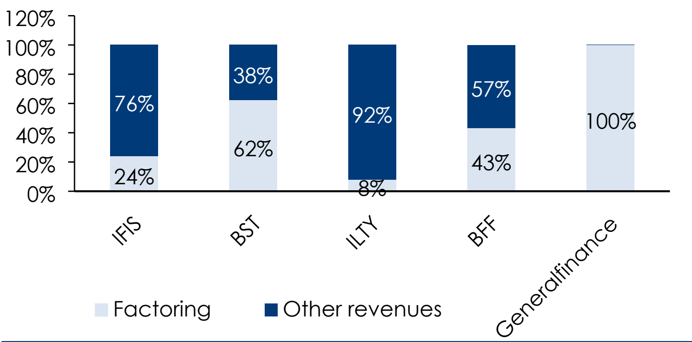
- **Banca IFIS** (EUR 716M market cap). Banca IFIS is a banking group active in credit services and solutions for SMEs (including Factoring, Leasing and Commercial and Corporate Banking) and in the acquisition and management of non-performing loan portfolios. Banca IFIS has been listed on the Milan Stock Exchange (STAR segment) since 2003. At December 2021, Banca IFIS had total assets of EUR 13Bn and a net equity of EUR 1.6Bn. It generated a net banking income of EUR 603M, of which EUR 145M in the Factoring business. Banca IFIS' factoring is offered to performing corporates mainly belonging to the private sector, although it also has a limited portion of Factoring towards the public administration. In 2021, the Factoring business contributed for 24% of the group's net banking income and 26% of net income. In 2021, Banca IFIS reported a ROTE of 6.7% and the Factoring business reported a return on the allocated capital of 8%. As of December 2021, Banca IFIS' funding structure is composed of retail funding (53%) and wholesale funding (47%);

- **Banca Sistema** (EUR 130M market cap). Banca Sistema is a bank specialised in the Factoring of trade receivables due from the Public Administration, mainly without recourse (74%). In recent years, the bank enlarged its offering to retail customers, including salary-backed loans and pawn business. In 2021, the company had total assets for EUR 3.7Bn and a net equity of EUR 256M. In 2021, Banca Sistema reported revenues for EUR 108M, 60% of which related to the Factoring business. In 2021, Banca Sistema reported a ROTE of 13.9%. As of December 2021, retail funding represented 68% of total funding while the remaining 32% was wholesale;
- **illimity** (EUR 795M market cap). illimity is a challenger bank characterised by being a fully-digital bank, built on an open and fully-scalable platform. illimity focuses on SMEs, NPLs and Direct Banking. In the SME Business, illimity offers banking and financial services dedicated to mid-corporates, also including corporates with a low or no rating, both performing or classified as UTP, under the form of turnaround lending, crossover lending, acquisition finance and factoring. In the NPL business, illimity purchases corporate collateralised or non-collateralised NPLs, is active in the servicing business and in senior financing. In Direct Banking, illimity offers banking and financial services dedicated to corporates and retail characterised by a high degree of digitalisation. In 2021, the bank had total assets of EUR 4.7Bn and a book value of EUR 773M. In 2021, the bank reported revenues of EUR 245M, of which we estimate only 8% from the Factoring business. In Factoring, the company aims to provide financial support to industrial district value chains through recourse, without recourse and reverse factoring. In 2021, illimity reported a ROTE of 10.9%. As of December 2021, retail funding represented 49% of total funding, while the remaining 51% was corporate and institutional funding;
- **BFF Bank** (EUR 1,296M market cap). BFF Group is a speciality finance player specialised in without recourse factoring of trade receivables due from the Public Administration, securities services and banking and corporate payments. It operates in Italy, Croatia, Czech Republic, France, Greece, Poland, Portugal, Slovakia and Spain. It is also active in Germany, the Netherlands and Ireland with online term deposits, by serving a total of 12 countries across Europe. In 2021, the company had total assets of EUR 11.2Bn and a net equity of EUR 572M. In 2021, it reported revenues for EUR 374M, 43% related to the Factoring activity. In 2021, it reported a ROTE of 33%. As of December 2021, funding was mainly composed of deposits from transaction services from the former DEPO-Bank (94%).

However, it is necessary to consider that:

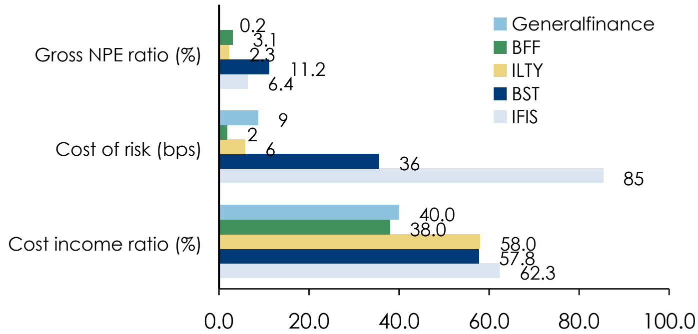
- The Factoring activity represents only a portion of peers' revenues (ranging from 8% to 60%) compared with 100% of Generalfinance;
- No one peer is focused on Factoring towards distressed companies;
- BFF Bank and Banca Sistema have a large portion of Factoring towards the public administration (not meaningful for Generalfinance);
- Peers are mainly focused on without recourse factoring (while 95% of Generalfinance turnover is with recourse);
- Peers are all incorporated as banks (while Generalfinance is a financial intermediary ex Art.106);
- Peers have a larger size compared with Generalfinance.

Generalfinance vs. peers - Revenues breakdown (2021)



Source: Intesa Sanpaolo Research estimates and elaboration on Company data

Generalfinance vs. peers - Asset quality and efficiency ratios (2021)



Source: Intesa Sanpaolo Research elaboration on Company data

We highlight that compared with its peers' average, Generalfinance has:

- A higher profitability, with the expected adj. ROTE, ranging from 31.1% in 2022E to 27.3% in 2024E vs. 15.9-21.5% of the peers' average;
- A lower capital base, with an expected CET1 ratio at 10.9-14% vs. an average of 14.4-14.8% of peers, in the next three years;
- A better asset quality, with a gross NPE ratio at 0.2% vs. 5.7% of peers, as of December 2021, and a cost of risk of 9bps vs. 32bps of peers, in FY21A;
- Better efficiency, with a cost income ratio at 40% vs. 54% of peers, in FY21A;
- Higher than peers' adj. EPS growth: 27.6% 2021-24E CAGR vs. 18.4% peers' 2021-24E CAGR.

Generalfinance - Peers metrics

%	Price	Market cap		Adj. ROTE			CET1			EPS CAGR	
	EUR	EUR M	2022E	2023E	2024E	2022E	2023E	2024E	2021-22E	2021-23E	2021-24E
Banca IFIS	13.3	716	7.2	8.0	8.7	15.7	15.5	15.1	20.8	18.6	16.9
Banca Sistema	1.6	130	11.4	12.2	12.7	12.2	12.2	12.8	-1.9	7.5	10.4
BFF Bank*	7.0	1,296	33.3	42.4	46.1	14.3	13.8	13.0	19.8	20.1	15.2
illimity	9.5	795	11.7	16.2	18.4	16.9	16.2	16.9	13.3	30.8	30.9
Average			**15.9**	**19.7**	**21.5**	**14.8**	**14.4**	**14.5**	**13.0**	**19.3**	**18.4**
Generalfinance**			**31.1**	**27.0**	**27.3**	**14.0**	**12.2**	**10.9**	**34.3**	**32.7**	**27.6**

Data at market close on 08/08/2022; Source: *FactSet for BFF Bank and Intesa Sanpaolo Research estimates; ** adj. net income CAGR instead of EPS CAGR

Below, we report the peers market multiples.

Generalfinance vs. peers' multiples

	Price	Market cap		P/E			P/TBV			Dividend yield (%)	
x	EUR	EUR M	2022E	2023E	2024E	2022E	2023E	2024E	2022E	2023E	2024E
Banca IFIS	13.3	716	6.3	5.4	4.8	0.44	0.42	0.40	8.3	9.5	8.3
Banca Sistema	1.6	130	6.1	5.2	4.4	0.66	0.60	0.53	4.6	5.4	4.6
BFF Bank*	7.0	1,296	8.6	7.2	6.7	2.69	2.49	2.49	11.7	14.1	15.0
illimity	9.5	795	9.3	6.1	4.7	1.07	0.93	0.80	2.1	4.1	5.3
Average			**7.6**	**6.0**	**5.2**	**1.22**	**1.11**	**1.06**	**6.7**	**8.3**	**8.3**
Generalfinance	7.2	91	6.0	5.5	4.6	1.61	1.37	1.17	7.0	9.2	10.8

Priced at market close on 08/08/2022; E: estimates; Source: *FactSet consensus for BFF and Intesa Sanpaolo Research

We take into consideration 2023 and 2024 multiples as Generalfinance's 2022 numbers are impacted by the significant capital increase carried out in June and we calculate the relative valuation based on the following two metrics:

- **P/E**: Applying peers' 2023E and 2024E P/E to Generalfinance's adj. EPS, we calculate a relative valuation of EUR 7.9/share.

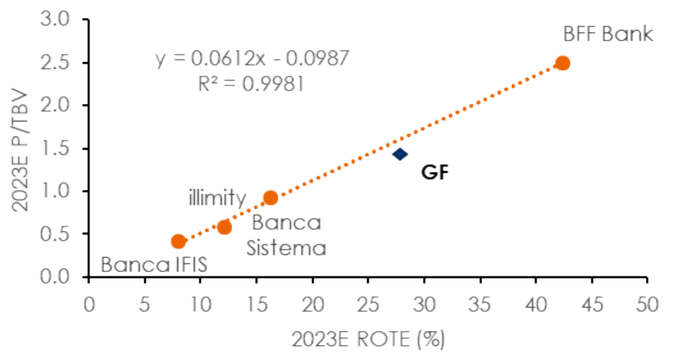
Generalfinance valuation based on P/E

EUR M	2022E	2023E	2024E
Peers' P/E (x)	7.6	6.0	5.2
Generalfinance adj. EPS (EUR)	1.20	1.32	1.56
Valuation (EUR)	**9.1**	**7.9**	**8.0**

E: estimates; Source: Intesa Sanpaolo Research

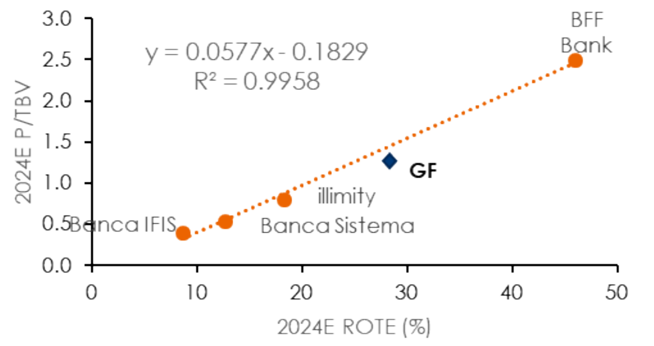
- **P/TBV combined with ROTE**, as the P/TBV multiple alone would not adequately consider Generalfinance's higher profitability compared with peers, in our view. We note a strong correlation of P/TBV and ROTE of peers in 2023E and 2024E, as shown in the chart below. We therefore use the combination of peers' P/TBV and ROTE to define the target P/TBV for Generalfinance.

Generalfinance vs. peers – 2023 P/TBV and ROTE



Source: Intesa Sanpaolo Research estimates on FactSet data

Generalfinance vs. peers – 2024 P/TBV and ROTE



Source: Intesa Sanpaolo Research estimates on FactSet data

Applying the relation expressed by peers in the next two years, we calculate a relative valuation of EUR 8.3/sh.

Generalfinance - Relative valuation of P/TBV and ROTE

EUR M	2023E	2024E
TBV	66.6	77.5
ROTE (%)	27.0	27.3
P/TBV target (x)	1.6	1.4
Value	104	108
Value per share	**8.2**	**8.5**

E: estimates; Source: Intesa Sanpaolo Research

The average of the two metrics for the two years considered yields a relative valuation of EUR 8.2/share.

Relative valuation of EUR 8.2/sh

Generalfinance - Relative valuation

EUR	2023E	2024E
P/E	7.9	8.0
P/TBV-ROTE	8.2	8.5
Relative valuation	**8.2**	

E: estimates; Source: Intesa Sanpaolo Research

Generalfinance at a Glance

An Italian independent leader in Factoring services towards distressed corporates

Generalfinance is an Italian independent player, leader in the provision of tailormade Factoring services to distressed and under stress corporates.

Generalfinance's clients are typically Italian corporates, with revenues over EUR 20M, mainly distressed (77% of turnover, in 2021) or performing but under financial difficulties or with no access to the traditional banking system (23% of turnover, in 2021).

The peculiarity of Generalfinance's business model allows it to take advantage of the different credit rating of the receivables' Seller (distressed or under stress company) and the Assigned Debtor (usually an investment grade company). The low rating of the Seller increases the margins for Generalfinance; the high credit rating of the Assigned Debtor reduces the credit risk for Generalfinance, allowing a substantial credit upgrade.

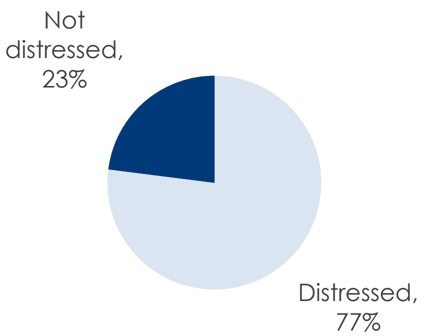
The company is active across the entire value chain of the Factoring business, mainly relying on internal resources, from the origination to the lending and monitoring processes, also leveraging on its in-house developed proprietary platform that reduces the time to serve, offering a tailor-made service.

Thanks to its specific business model, the predominance of recourse factoring, the insurance coverage and the low LTV, the company enjoys a limited risk profile, that resulted in very low default rates and cost of risk.

Recording strong growth rates and an improving profitability

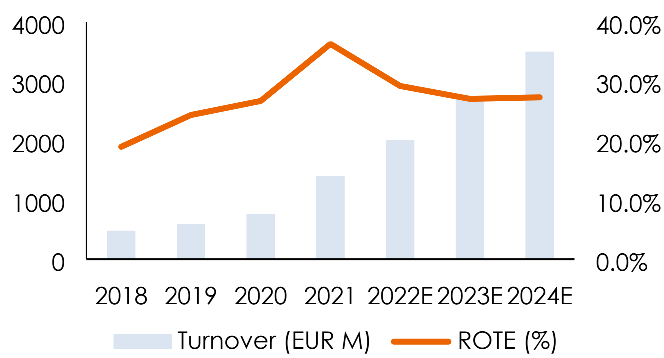
In the last few years, Generalfinance has coupled strong growth rates with a high and increasing profitability: in the last three years, Factoring turnover increased by 43% 2018-21 CAGR and net income increased by 48% 2018-21 CAGR; in the same period the ROTE[4] increased from 24.3% of 2019A to 36.3% of 2021A. In the next three years, we expect a 2021-2024E CAGR for turnover at +36% and NBI at +26%; despite the higher capital base through the proceeds of the IPO, we expect the ROTE to range between 27% and 29.2% in the next three years.

Generalfinance - Sellers breakdown (2021)



Source: Company data

Generalfinance - Volumes and profitability trends



Source: Company data and Intesa Sanpaolo research estimates

[4] ROTE calculated as net income of the period on the average tangible book value of the period.

Shareholders' Structure

IPO results

Offering results

On 23 June 2022, Generalfinance successfully completed its IPO process, listing its shares on the Euronext STAR Milan Segment with an offer price set at EUR 7.20/sh. The offer included: (i) 2,807,792 newly-issued shares, corresponding to a EUR 20.2M capital increase; and (ii) 2,597,133 shares, corresponding to EUR 18.3M. deriving from the sale by Crédit Agricole Italia S.p.A., including 491,356 shares for the greenshoe. Based on the offer price, the total value of the transaction was EUR 38.5M.

Generalfinance - IPO main results

First Day of Trading	29-Jun-22
Capital Raised	EUR 38.5M
Capital Increase	EUR 20.2M
Total Demand	EUR 65.8M
Market Capitalization at IPO	EUR 91.0M

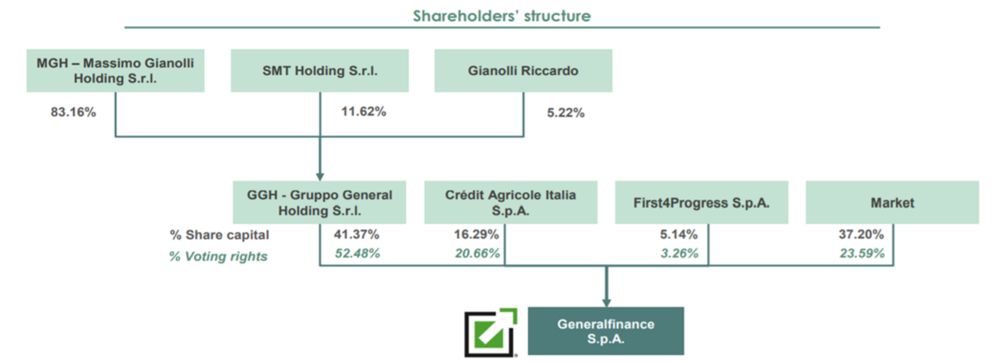
Source: Company data

Updated shareholders' structure

Shareholders' structure

Generalfinance's share capital is currently held by GGH – Gruppo General Holding (controlled by the founder, Massimo Gianolli) with a 41.37% stake (53.19% before the IPO), Crédit Agricole Italia (Crédit Agricole Group), with a 16.29% stake (46.81% stake before the IPO[5]) and First4Progress[6], with a 5.14% stake (purchased during the IPO). The free float is currently at 37.20%.

Generalfinance - Shareholding structure after IPO



Source: Company data

The company, GGH- – Gruppo General Holding and Credit Agricole Italia have a lock-up period of 12 months from the start of trading (i.e. up to 28 June 2023).

Increased voting rights

The New Articles of Association approved by Generalfinance in March 2022 introduced increased voting rights, which attribute two voting rights for each share held for over 24

[5] Crédit Agricole Italia purchased a 46.81% stake in Generalfinance as part of the strategic agreement signed in 2017 with Credito Valtellinese (afterwards merged into Credit Agricole Italia in April 2022): following the disposal of shares in the IPO process, its stake has declined to the current 16.29%;

[6] First4Progress is a Search Investment Vehicle (SIV) launched in 2021 by First Capital SpA and Capital for Progress Advisory to raise capital with the aim to help Italian SMEs in their growth process.

months. This condition contrasts with the general rule that each action gives the right to one vote and seeks to reward stable shareholders.

GGH – Gruppo General Holding S.r.l. and Credit Agricole Italia S.p.A. have received the increased voting rights on their stakes, thus obtaining voting rights equal to 52.48% and 20.66%, respectively.

Generalfinance currently has 12,635,066 outstanding ordinary shares.

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On 29 June 2017, GGH pledged 1,271,766 ordinary shares (10.06% of share capital) in favour of Creval. As of today, 847,844 are still pledged (6.71% of share capital), after the pledge was removed on 423,992 shares on 20 January 2021, in coherence with the original agreements between the parties. GGH maintains the voting rights and the dividend rights on the pledged shares.

Group Profile

An independent player offering Factoring to distressed corporates

Generalfinance is an independent Italian player that offers tailormade Factoring services to distressed and under financial stress corporates.

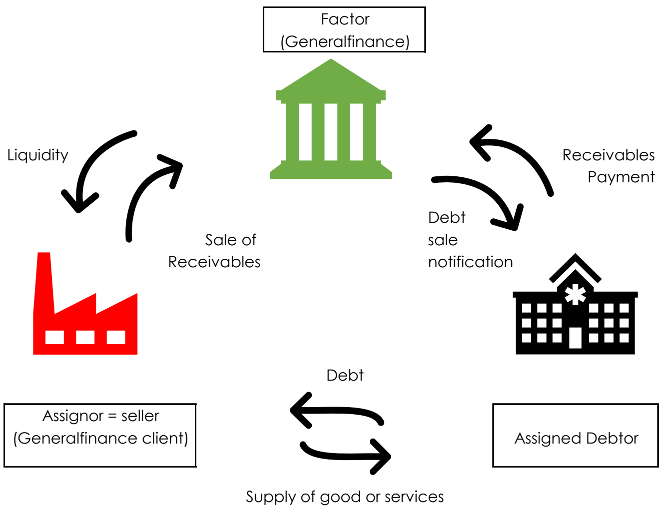
What is Factoring?

What is Factoring?

Factoring is a flexible tool for corporates' working capital management and comprises a wide range of services, including cash advances, the management and collection of receivables and, in some cases, credit protection. Factoring involves three parties: the Seller (assignor), the Factor (Factoring company) and the Assigned Debtor. Through Factoring, a corporate (called assignor or seller, i.e. Generalfinance's client) transfers the receivables towards another company (assigned debtor) arising from its own business activity to a Factor (i.e. Generalfinance), who manages the collection and accounting, advances all or part of the receivables value and can provide protection against the default of the assigned debtor.

Factoring has several advantages for the corporate as it improves the effectiveness and efficiency of the receivables collection process, optimises its working capital and, in some cases, can reduce the risk of default of its clients.

Generalfinance - Factoring model



Source: Intesa Sanpaolo Research elaboration

Recourse vs. non-recourse factoring

Factoring can be with recourse ("pro solvendo") or without recourse ("pro soluto"): in with recourse factoring, if the receivable is not paid by the Assigned Debtor, the Factor sells back the receivable to its customers (the Seller), that ultimately bears the risk of insolvency of the Assigned Debtor. In without recourse factoring, all or part of the risk that the receivable remains unpaid is borne by the Factor.

In Italy, the Factoring business is a large market, with a turnover of EUR 250Bn in 2021, and it is carried out by commercial banks, industrial companies for their captive business and specialised operators (Source: Assifact).

And what about Generalfinance?

Generalfinance's positioning in the Factoring space has the following four main characteristics that make its business model difficult to replicate, including:

- A client base made up of distressed and under financial stress companies;
- A limited risk profile;
- A well-diversified Assigned Debtor base;
- A full coverage of the entire value chain.

In this section we take a closer look at these four key characteristics.

Client base of distressed companies

Generalfinance: Business Model

A key characteristic of Generalfinance's Factoring model is that it provides factoring services to distressed or under stress companies, taking advantage of the different credit ratings between the receivables' Seller (a distressed or 'under stress' company) and the Assigned Debtor (usually an investment grade company). The low rating of the seller makes Factoring an attractive and available source of funding for the Seller and grants higher margins for Generalfinance; on the other hand, the high credit rating of the Assigned Debtor reduces the credit risk for Generalfinance, allowing a substantial credit upgrade.

Generalfinance - Business Model

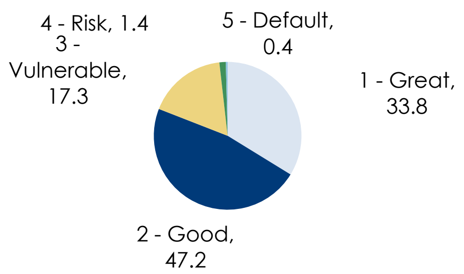
Business Model	Moody's	Fitch	
Investment Grade	Aaa	AAA	**Debtor** generally with Investment Grade rating
	Aa1	AA+	
	Aa2	AA+	
	Aa3	AA-	
	A1	A+	
	A2	A	
	A3	A-	
	Baa1	BBB+	
	Baa2	BBB	
	Baa3	BBB-	
Non Investment Grade	Ba1	BB+	Credit upgrade through the factoring operation; improvement of the asset allocation at Seller's portfolio level; Cost of risk; Margins
	Ba2	BB	
	Ba3	BB-	
	B1	B+	
	B2	BB	
	B3	B-	
	Caa1	CCC+	**Seller** typically in Turnaround / Restructuring procedure
	Caa2	CCC+	
	Caa3	CCC-	
	Ca	CC	
	C	C	
Default	C	D	

Source: Company data

Coherently with its business model, in 2021, the top rating classes[7] represented 81% of Generalfinance's turnover by Assigned Debtors and only 40% of turnover by Sellers, while vulnerable, risk and default rating classes represented 19% of turnover by Assigned Debtors and 60% of turnover by Sellers.

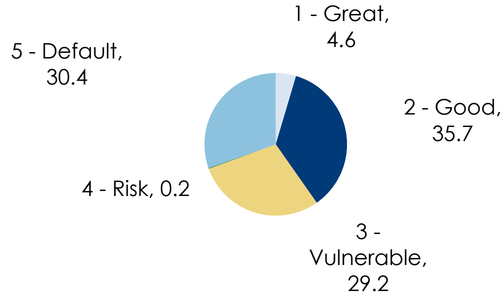
[7] Generalfinance's classification

Generalfinance - 2021 turnover: Assigned Debtor by rating class (%)



Source: Company data

Generalfinance - 2021 turnover: Seller by rating classes (%)



Source: Company data

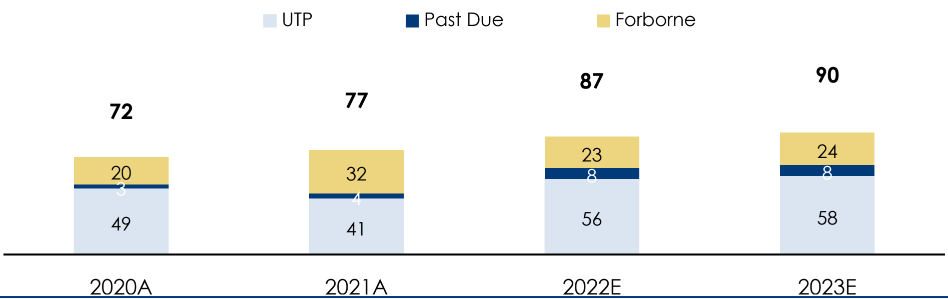
Generalfinance's potential addressable market is thus that of distressed or under-stress corporates, including companies whose credit is classified as UTP, past due and performing forborne:

Generalfinance's addressable market is made up of distressed corporates: UTP, past due, forborne

- **UTP** are those loans in respect of which banks believe the debtors are unlikely to meet their contractual obligations in full unless action, such as the enforcement of guarantees is taken;
- **Past Due** are loans that are overdrawn and/or past-due by more than 90 days and for above a predefined amount;
- **Forborne** are loans subject to forbearance measures, like the reduction of the interest rate or the extension of the maturity of the loans, due to financial difficulties encountered by the borrower. Forborne loans can be both performing or non-performing.

The reference market for Generalfinance is large, considering that total UTP, past due and performing forborne amounted to EUR 77Bn at December 2021[8] and it is expected to grow further in the next few years, following the end of the moratoria and the impact of the current Russia-Ukraine crisis, according to management. The company estimates that, in 2021, EUR 6Bn were short-term UTP, PD and performing forborne (corresponding to a potential turnover of EUR 23Bn), representing the potential market to be addressed by General Finance. Management expects the potential market to increase to EUR 7Bn in 2022 and 2023 (or EUR 28Bn and EUR 29Bn in 2022 and 2023, respectively, in terms of turnover) for a 13% 2021-23 CAGR.

Generalfinance - Potential market (EUR Bn)



A: actual (based on Bank of Italy data); E: company estimates, based on Assifact, Prometeia, Bank of Italy, Banca IFIS Market Watch, PWC Report, company balance sheets and website

[8] Source Bank of Italy

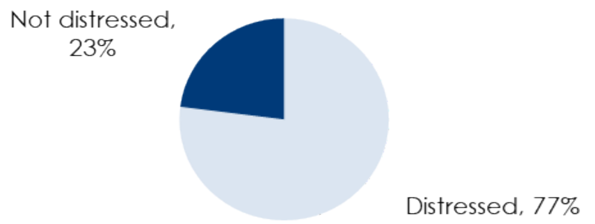
Moreover, according to Cerved, the share of SMEs in a "risk" position has increased from 8.4% in 2019 to 11.3% in 2021, or from 29.6% to 40.2% including those in a "vulnerable" situation, widening Generalfinance's addressable market.

Generalfinance: client breakdown

Taking into consideration the client type, Generalfinance's turnover was composed as follows, in 2021:

- 77% come from under distress clients, to which Generalfinance provides financing support in the context of specific restructuring or bankruptcy procedures, such as certified restructuring plans, debt restructuring agreements, arrangements with creditors[9] and the extraordinary administration of large insolvent companies;
- 23% come from performing clients that are experiencing financial tensions, without being involved in bankruptcy procedures, but nonetheless have limited access to traditional banking channels, due to a tense financial situation or balance sheet ratios that are not normally consistent with the banking sector's credit policies.

Generalfinance - Turnover by kind of seller



Source: Company data

Model safeguards Generalfinance from competition from banks

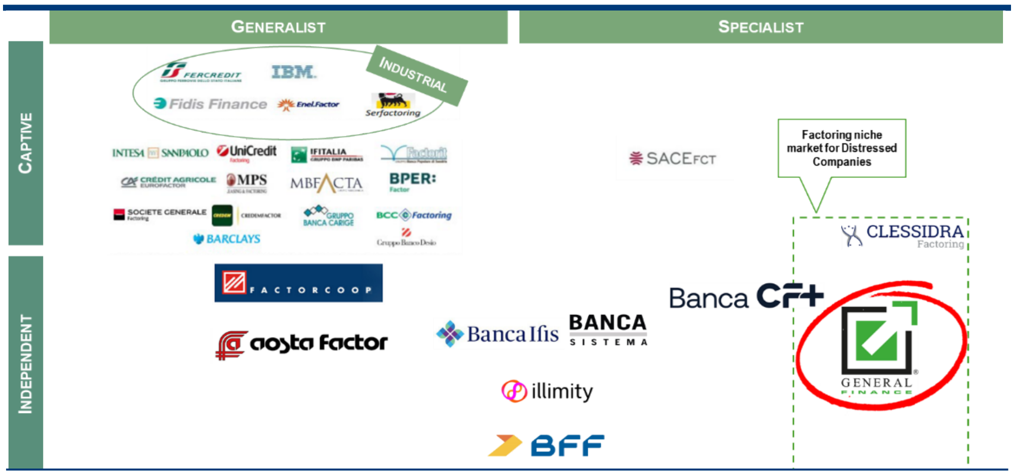
This positioning limits the competitive pressure for Generalfinance. In fact, traditional banks have little interest in providing Factoring services to distressed corporates (even though the risk of the exposure per-se is limited, given the less than 3 months duration) as the credit would be immediately classified as non-performing, coherently with the remaining credit exposure of the distressed Seller, deteriorating the banks' asset quality ratios and increasing their capital absorption. By contrast, Generalfinance can classify the credit as performing until a 90-day delay in the payment of the purchased receivable occurs, leaving to specialised operators, such as Generalfinance, a sizeable and untapped market potential.

Only a couple of other operators are active in the Factoring business towards distressed corporates in Italy: Clessidra Factoring, with a turnover of EUR 248M and loans of EUR 86M, in 2021[10], and; Banca CF+, an Italian fintech that aims to operate in the Factoring business towards performing and under financial stress corporates but is still not active in the segment. However, we cannot exclude that other operators (like challenger banks) may enter the market also leveraging on a lower cost of funding, increasing the competitive landscape.

[9] Pursuant to Art. 67 of the Bankruptcy Law, Art. 182 bis of the Bankruptcy Law, pursuant to Art. 160 ss of the Bankruptcy Law (provided business continuity is evidenced) respectively.

[10] Source: Clessidra Factoring website

Generalfinance - Unique positioning in the Factoring space



Source: Company data

A limited risk profile

Several elements contribute to reduce Generalfinance's risk profile, in our view:

- The credit risk transfer to the assigned debtor (discussed above);
- Bulk of recourse Factoring;
- Coverage from a credit insurance policy;
- Low loan to value (LTV);
- Extensive use of notifications;
- Strong diversification of turnover by assigned debtor;

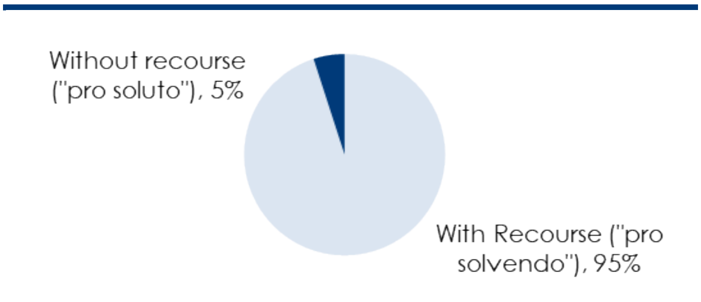
Credit risk transfer from Seller to assigned debtor

The transfer of the credit risk from the Seller (distressed or under stress company) to the assigned debtor (usually an investment grade company) discussed above, limits the overall risk profile of Generalfinance's activity.

95% of turnover with recourse

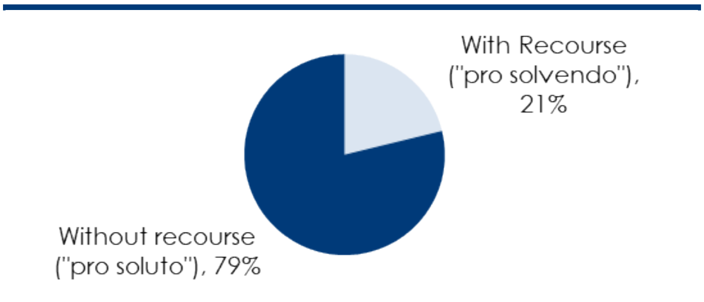
Another important factor is that 95% of Generalfinance's turnover is with recourse, thus limiting the credit risk borne by the company, as it is entitled to sell back the unpaid receivable to the Seller. Although the weighting of recourse factoring has slightly declined in the last few years (97% in 2019 and 96% in 2020), it remains well above the sector average of 21%.

Generalfinance - Turnover by product



Source: Company data

Sector - Turnover by product



Source: Assifact

Credit insurance coverage

The insolvency risk is also mitigated by the credit insurance policy, that covers approximately 75% of Generalfinance's disbursements. Generalfinance has signed two insurance policies with Allianz Trade (former Euler Hermes), a partner since 1997, against the insolvency risk of the Sellers or the Assigned Debtors. The policies are divided in "pro-soluto" (without recourse) and "pro-solvendo" (with recourse), depending on the underlying factoring contract.

The insurance partner compensates for 95% of the insured claim in the event of a default of the Assigned Debtor (for "pro-soluto" insurance) or the Assigned Debtor and the Seller (for "pro-solvendo" insurance). A compensation by Allianz Trade is also provided for any sums that Generalfinance could be required to repay following a bankruptcy revocation action relating to the insured credits. The uncovered 5% portion exceeding the insured amount constitutes the actual credit risk of Generalfinance.

The maximum coverage provided by Allianz Trade was up to 30x the annual premiums paid, equal to EUR 24M, in 2021 (or 2.1% the advances granted in the year). In 2022, the company has renegotiated its agreement with Allianz Trade, increasing the coverage to 50x annual premiums. In the 2019-21 period, claims were only EUR 78K on average.

Since the start of the collaboration with Allianz Trade in 1997, the average claims/gross premiums ratio was 25%, well below the sector average, according to the company. Taking into account the solid credit performance of Generalfinance, management has renegotiated the cost of insurance coverage from 8bps of the turnover in 2021 to 6bps in the 2022-24 period.

Generalfinance - Insurance coverage

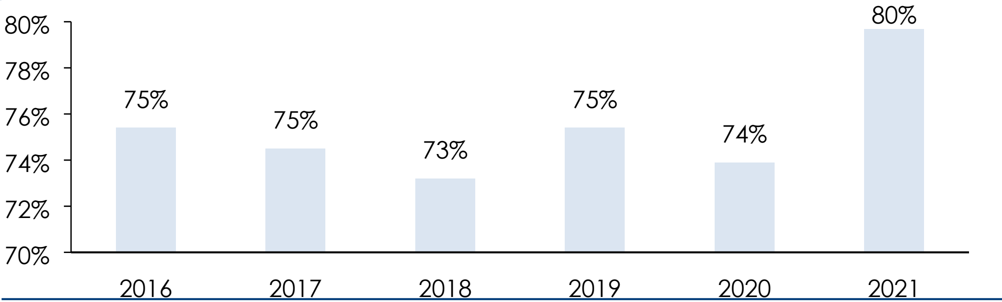
%	2019A	2020A	2021A
% of credit lines granted	79	73	75
% of credits to customers	61	61	58
Maximum coverage (EUR M)	9	11	24

A: actual; Source: Company data

Low LTV protect from assigned debtors' insolvency risk

The risks undertaken by Generalfinance are also mitigated by a LTV (advances granted on turnover) at 80%, coupled with the contractual compensation of missed payments and a strong diversification of assigned debtors. In fact, the company may offset any missing payments on a debt sold by one of its clients by retaining the correspondent amount from the difference between the turnover and the disbursed advance of any debt sold by the same client. LTV has increased from 75% of 2019 to 80% in 2021, reflecting the commercial policy of the company that allowed an increase in the LTV of some clients and the increase of without recourse factoring (that has a 100% LTV).

Generalfinance - LTV (advances granted on turnover)



Source: Company data

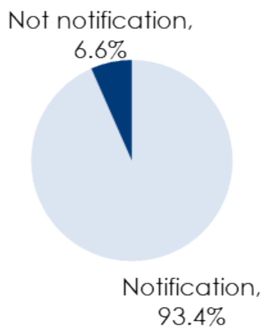
Short-term lending

As typical of the Factoring business, the duration of the lending is very short: in the last 4 years, the average lending days (DSO, or Days Sales Outstanding) ranged between 73 and 85 (79 in 2021 and 77 in 1H22). This allows Factoring companies to better manage the risk profile of their clients, once again, reducing the overall risk profile.

Extensive use of notifications

Another risk mitigating element is the extensive use of notifications. As of December 2021, Generalfinance notified the assigned debtors of the credit transfer from its client to itself on 93% of its turnover, compared with only 52% at a sector level. The notification is important as it ensures that the assigned debtor is aware of the fact that its debt obligation is towards Generalfinance (and not towards its supplier) and entitles Generalfinance to receive the payments also in the case of a subsequent start of the seller's bankruptcy procedure. In some cases, Generalfinance also requires the acceptance of the credit transfer, before purchasing the credit. This further reduces the risk profile of the business.

Generalfinance - Turnover by notification status (December 2021)



Source: Company data

Factoring sector - Turnover by notification status (December 2021)

Source: Company data. Assifact average

Limited risk of clawbacks

The factoring credits are subject to a clawback rule[11] in the case of bankruptcy of the Seller. However, Generalfinance can rely on several cases of exemption from the clawback risk, such as in the case of payments carried out in execution of a restructuring plan aiming to stabilise the financial position of the company or payments under a creditor arrangement procedure. Therefore, it is more protected against the risk of clawbacks, compared with companies offering Factoring towards performing corporates.

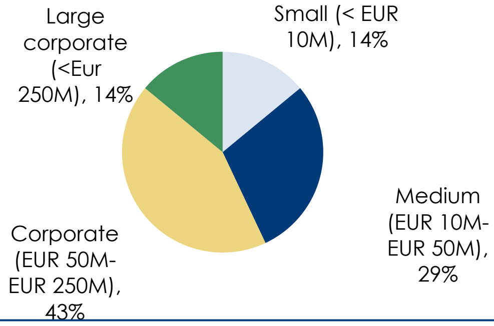
A well-diversified Assigned Debtor base

Limited clients' size

Generalfinance's target client has a turnover above EUR 20M. Generalfinance's clients typically have a limited size compared with the sector average: 86% of Generalfinance-s turnover relates to Sellers with revenues below EUR 250M, vs. only 36% at the sector level.

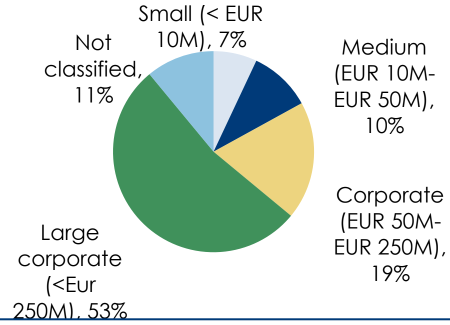
[11] The clawback rule provides that the payment of a credit by a distressed company could be revoked, if it entails material damages to the capability of another creditor to be paid (art. 2901, Codice Civile)

Generalfinance - Turnover by seller size (December 2021)



Source: Company data

Factoring Sector - Turnover by seller size (December 2021)



Source: Company data. Assifact average

High diversification by assigned debtor

The Assigned Debtors' space is very fragmented, thus reducing the concentration risk. The number of Sellers has been broadly stable in the last three years, while the number of Assigned debtors has increased at a 18% 3-year CAGR. In 2021, Generalfinance had 216 clients that sell to Generalfinance receivables of 12,243 Assigned Debtors, implying 58 assigned debtors per seller, that compares with 10 Assigned Debtors per seller at a sector level[12].

The yearly exposure per Assigned Debtor was EUR 90k in 2021 (from EUR 52k in 2020), while the yearly exposure per Seller was EUR 5.2M (from EUR 2.7M in 2020), implying an increase in the size of Sellers and Assigned Debtors, as well. Such an increase was due to the increase of the weighting of clients belonging to the mid-corporate segment, the increase in the turnover of clients that completed the economic recovery process and the increase of the company's share of wallet on "top" clients.

Generalfinance - Number of sellers and assigned debtor and advances granted by unit

EUR k	2016	2017	2018	2019	2020	2021
# Sellers (x)	160	183	214	215	209	216
# Assigned Debtors (x)	3355	6028	7484	8240	10797	12433
# Assigned Debtors per Seller (x)	21	33	35	38	52	58
Advances granted by Seller	1294	1470	1636	2070	2689	5176
Advances granted by Assigned Debtor	62	45	47	54	52	90

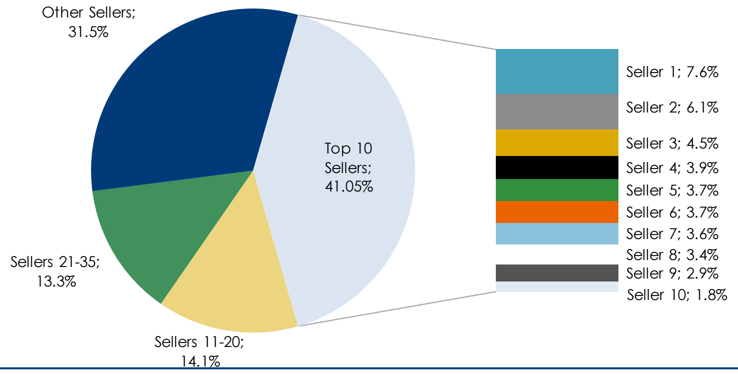
Source: Company data (Generalfinance website company profile)

Top 10 clients generated 41% of turnover, in 2021

On the other hand, the distribution of turnover by client (Seller) is rather concentrated, as a result of the company's strategy to focus on corporate clients that enjoy more articulated organisational structures, higher standing advisors and wider and higher quality portfolios of Assigned Debtors, thus reducing the costs and improving the profitability for Generalfinance. In 2021, the top 10 Sellers represented 41% of total turnover, and the top 35 represented 68% of the turnover. Although the concentration risk in the Factoring business mainly relies on the diversification per Assigned Debtor (high and above the market average for Generalfinance), a high concentration by Seller, coupled with the fact that Sellers remain clients for 2.7 years on average, requires a significant commercial effort to replace churn with new clients, in our view.

[12] Assifact average, excluding household debtors

Generalfinance - Turnover distribution by client (Seller)



Source: Company data

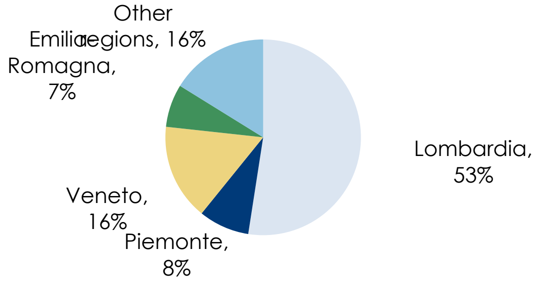
Revolving relationship with clients

Generalfinance usually has revolving relationships with its clients, that commit to selling their stock of receivables towards certain debtors for the subsequent 24 months. This provides Generalfinance's turnover with a stability over time, increasing the visibility of revenues and reducing the operating risk (lower fraud risk as it represents a medium-term relationship) and the credit risk (possibility to compensate for missed payments with the non-advanced portion of different receivables of the same Seller).

Italian sellers and international assigned debtors

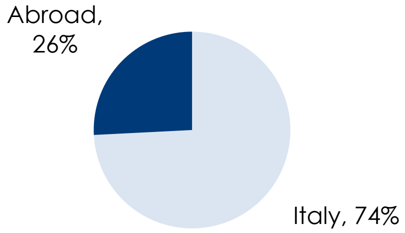
Generalfinance's client base is Italian, with a specific focus on the wealthiest regions of Northern Italy (88%, as of December 2021): Lombardia, Veneto, Piemonte and Emilia-Romagna represent 84% of turnover. On the other hand, Assigned Debtors are both located in Italy (74% by turnover) and abroad (26% of turnover, of which 61% in UE and US countries). In 2021, the turnover related to Russia, Belarus and Ukraine was limited to EUR 8M (or 0.7% of total turnover) and the total exposure to the three countries was equal to EUR 2.6M (0.8% of total exposure), declining to EUR 2.1M at March 2022.

Generalfinance - Turnover by region of the seller



Source: Company data

Generalfinance - Turnover by assigned debtor's country

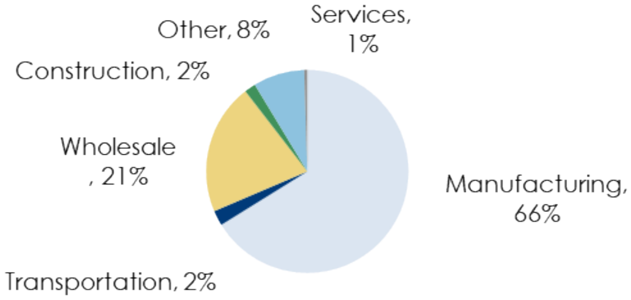


Source: Company data

Clients (Sellers) are Italian private companies mainly active in the manufacturing and wholesale sectors

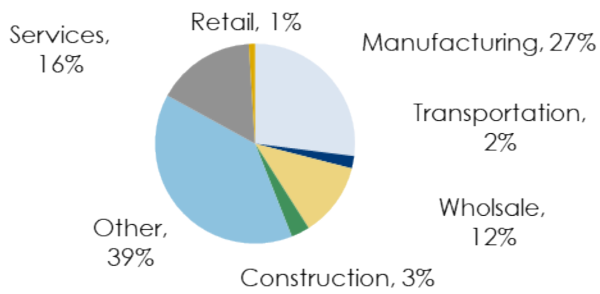
Generalfinance's clients (Sellers) are Italian private companies mainly active in the manufacturing (66% of turnover) and wholesale sectors (21% of turnover), while it has no real estate or investment holding companies among its clients, or companies active in industries that do not have receivables arising from the provisions of goods or services. Such a breakdown differs from the sector average (source Assifact) that has a higher weighting of Services (16%). Generalfinance's assigned debtors are performing investment grade companies, active in manufacturing, trade and service sectors, as well as the public administration (Regions, Ministries and certified receivables form Local Healthcare Authorities-ASL).

Generalfinance - Turnover by Seller sectors (2021)



Source: Company data

Factoring Sector - Turnover by Seller sectors (2021)



Source: Assifact: Other includes foreign

Active on the entire value chain

Active on the entire value chain

Generalfinance is active on the entire value chain, where all operational steps and core activities are carried out internally by dedicated structures. Generalfinance does not rely on external consultants to assess the creditworthiness of sellers and debtors, but owns the necessary skills as well as an in-house developed proprietary platform to provide an end-to-end valuation process, tailored to customers specifications and fast operational processes. The process is also reinforced by Allianz Trade which, during the risk acquisition phase, carries out an independent assessment of the assigned debtors, providing Generalfinance with a feedback on the results of their assessment aimed at better understanding the risk profile of any transaction.

Generalfinance distribution network

Generalfinance's origination mainly relies on an internal network that generated 81% of turnover in 2021, by leveraging on its relationships with auditing and consultancy firms, lawyers and professionals that manage corporate restructuring processes. The remaining 19% of turnover is originated through formal agreements with agents and brokers. Moreover, in 2020, Generafinance signed a commercial agreement with Prelios Group to support corporates under financial stress classified as UTP by the banking sector and present in Prelios' portfolio. The reliability of the network is a crucial element to limit the risk of fraud and to provide a first filter to limit overall risks. The only meaningful fraud for Generalfinance in the recent past was for EUR 0.5M, in 2018.

Generalfinance - Turnover origination by network

%	2019	2020	2021
Generalfinance's network	77	80	81
Third parties	23	20	19

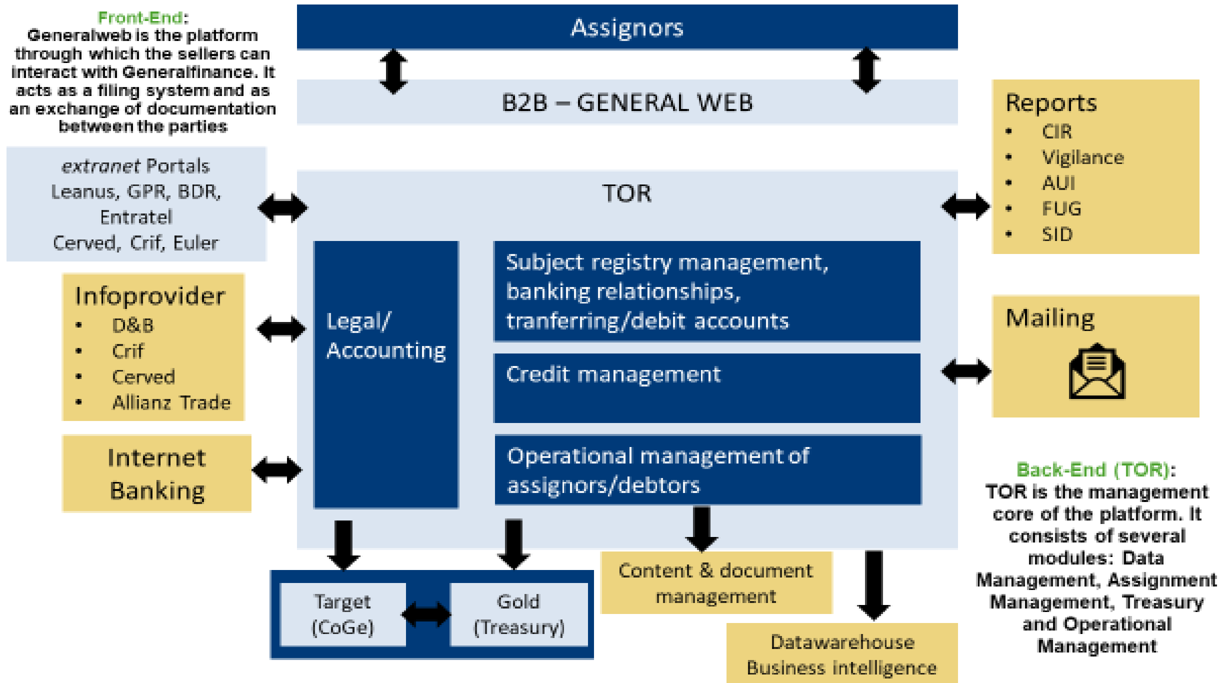
Source: Company data

An in-house proprietary platform

Generalfinance is among the few Italian Factors to have developed an in-house proprietary platform providing fast and tailormade custom solutions, with the possibility to have the underwriting within 15 days and the disbursement of the advances one day after the sale of the receivable (2021 data). The proprietary platform enables the company to carry out additional analysis and guarantees a higher level of flexibility and a constant monitoring activity. The platform is composed of two interfaces:

- **Generalweb** (Front-end), the platform through which the sellers can interact with Generalfinance. It acts as an archive of files and as an exchange point for documentation between the seller and Generalfinance;
- **TOR** (Back-end), the management core of the platform, consisting of several modules: Data Management, dedicated to the management of the information from the Sellers and the Assigned Debtors; Assignment Management, dedicated to the characteristics of the granted credit line; Treasury & Operational Management, dedicated to the management of the disbursement, the settlement of the credit and the management of the payment reminders.

Generalfinance – Platform



Source: Company data

Value chain

Generalfinance's value chain comprises several steps and processes:

- **Origination**: The origination process relies on the relationship with a network of professionals and advisors active in the restructuring arena that submit to Generalfinance companies that are about to begin a turnaround process. When an initial contact with the prospect client is established, the commercial investigation gets underway and the prospect client is entitled to access the Generalweb platform to share documentation. A visit to the prospect client's headquarters is made by a Customer Manager that prepares a report on the results of the visit, the corporate purpose, the operations and any bankruptcy procedures or financial difficulty that may affect the prospect client;

- **Credit Assessment**: A tailored assessment of the seller and the package of potential Assigned Debtors is carried out. The customer assessment includes the assessment of the Seller's creditworthiness and the existence of the conditions necessary for the activation of a relationship, as well as the activities related to the customer's due diligence obligations (anti-money laundering legislation). The Debtor assessment includes the screening of the main hypothetical Assigned Debtors using public data and external specialised data providers; the credit insurance company is also requested to disclose the measure of the coverage that it is willing to grant to the receivable due from each Assigned Debtor and to provide an assessment on the credit reliability of the Seller and the Assigned Debtor. The result of the analysis is summarised in a risk indicator ("GFScore"). The results of the analysis are viewed jointly by the Credit Department, the Commercial Department and the CEO in order to assess the consistency with the company's underwriting criteria and its cost-effectiveness. A non-binding offer is shared with the prospect client;

- **Approval**: An overall check of the feasibility, opportunity and convenience of the transaction in relation to the foreseeable risks is executed considering all the technical analysis and investigations completed in the previous steps, as well as the company's strategy and policy. The granting of a credit line provides for a resolution on the maximum payable, credit limit crossing and the percentage of disbursement;

- **Sale completion**: The Debtor Manager personally collects the customer's signature on the contractual documents. The uploading of the data related to the assigned receivables are initiated directly by the Seller using the GeneralWeb portal; the application automatically performs checks to verify the consistency of the data entered by the Seller to the contractual agreement and the granted credit lines. After having been uploaded, the files are double-checked by the Account Manager that compares them with the contractual conditions and the credit line characteristics. Once all is confirmed, Assigned Debtors are automatically notified. The disbursement process starts and the amount of the advance on the assigned receivables is credited to the Seller;

- **Ordinary management**. The ordinary management of the relationship with the Seller is entrusted by the Customer Management Department and consists of controls and checks aimed at constantly monitoring the Seller's activity: fulfilment of the requirements, consistency of the Seller's work program with the contractual agreements, a correct use of the credit facility, periodic visits, monitoring of the payments and the outstanding. The ordinary management of the relationship with the assigned debtor is entrusted to the Credit Management Office and consists in receiving and managing any exceptions raised by the assigned debtor following the delivery of the notification;

- **Monitoring**. The monitoring process involves the monitoring of the receivables, the credit risk and the collections, as well as the bad debt management, when necessary. In recourse factoring (95% of Generalfinance factoring), should an assigned debtor be unable to honour its debt related to a receivable of a certain Seller, Generalfinance has the right to set-off the above credit against any debt item referred to the same seller. If the claim is not fully recovered, Generalfinance can compensate with personal guarantees on the specific Seller. If the claim is again not fully recovered, Generalfinance proceeds with an 'Order of Payment' and files a claim with the insurance company (about 75% of the turnover is covered by Allianz Trade). The management of the recovery of unpaid receivables by Italian Assigned Debtors is manged by Generalfinance itself and by Allianz Trade for foreign Assigned Debtors.

Generalfinance - Value chain

	Origination	Credit assessment	Credit resolution	Completion of the sale	Ordinary management	Monitoring
	Finance and Administration					
	Legal and Corporate Affairs					
	ICT and Organisations					
Actor	CEO Commercial Dept Credit Committee	Credit Dept Commercial Dept CEO	Credit Dept	Credit Dept Commercial Dept	Credit Dept Commercial Dept	Credit Department
Activities	❑ Analysis of market needs and opportunities ❑ Establishing initial contact with the applicant ❑ Collecting information on the applicant and entering/updating data in the Company information system ❑ Preparation of a presentation report on the potential client	❑ Customer assessment ❑ Evaluation of debtors ❑ Assessment of possible guarantor ❑ Transaction structuring with company / advisor	❑ Checking the deal feasibility ❑ Resolution	❑ Signature of legal documentation ❑ Collecting further information on the seller ❑ Notification of debtors ❑ Update valuation seller/ debtors ❑ Uploading the file to the system and confirmation ❑ Starting the disbursement process	❑ Ordinary management of the relationship with the seller ❑ Ordinary management of the relationship with the debtors	❑ Monitoring existing relationships ❑ Monitoring of debtors ❑ Credit risk monitoring ❑ Collection monitoring ❑ Bad debt management ❑ Reporting of information flows to corporate bodies

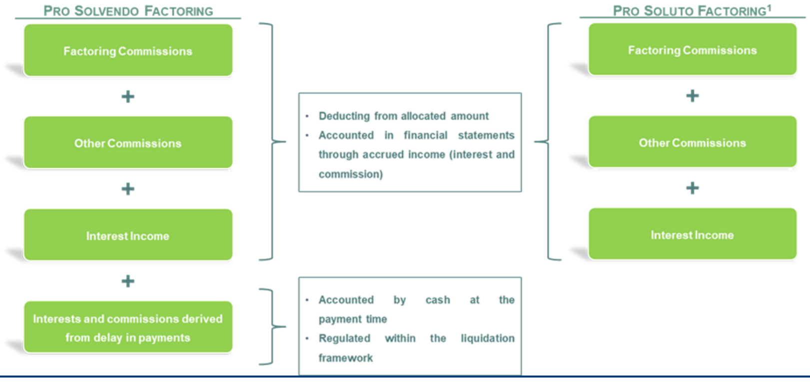
Source: Company data

Revenue Model

Generalfinance's revenue model is straight forward, with no volatility generated by the use of models. The revenue model differentiates between recourse factoring (95% of Generalfinance's turnover, as of 2021) and without recourse factoring (5% of Generalfinance's turnover, as of 2021) only as far as the late payment interests and commissions (the potential delay in the payments of without recourse factoring is embedded in the pricing of the instrument) are concerned. In recourse factoring:

- Interest income and commission income are immediately deducted from the disbursed amount and are booked in Generalfinance's P&L on the basis of the accrued income, over the life of the disbursed loans;
- Potential late payment interests and commissions deriving from the delay in the payment of the invoice by the Assigned Debtor are accounted on a cash basis only, at the payment date.

Generalfinance - Revenue model



1) Pro soluto Factoring regarding full rights purchase IAS compliant; Source: Company data

A numerical explanatory example to better explain the revenue model

Revenue model example

Assuming a nominal amount of an invoice of EUR 100,000, and a gross advance to the customer of 80% of the invoice amount, equal to EUR 80,000, with an invoice date after 88 days, Generalfinance is entitled to collect:

- EUR 789 interest, calculated on the basis of a 4% yield, on a yearly basis (in the example) applied on the gross granted advance of EUR 80,000, for the period of time between the invoice date and the advanced date (88 days, in the example) plus two days necessary for the accounting;
- EUR 1,500 commissions, calculated on the basis of 0.5% on a monthly basis (in the example) applied on the nominal amount of the invoice of EUR 100,000, for the period between the invoice date and the procedure day (90 days in the example).

All in all, total revenues for Generalfinance amount to EUR 2,289, which are deducted from the gross granted advance, resulting in a net disbursed amount to the seller of EUR 77,711. Interests and commissions are accrued in Generalfinance P&L and their cash-in is certain as directly retained by Generalfinance.

In the case of a delay in the payment of the invoice by the assigned debtor, Generalfinance is also entitled to obtain late payment interests and commissions, calculated as follows:

- Late payment interests calculated on the basis of advances granted multiplied for the late payment days and the late payment interest annual rate (EUR 55 in our example);
- Late payment commissions calculated on the basis of the turnover multiplied for the late payment days and the late payment monthly commission rate (EUR 83 in our example).

Late payment interests and commissions (EUR 138) are retained by Generalfinance from the non-advanced amount to be settled to the seller and are accounted in Generalfinance's P&L when cashed-in.

Generalfinance - Revenue model of an example recourse factoring transaction

EUR	Value	Formula	Accounting
Nominal amount of the invoice	100,000	a	
% of granted advances	80	b	
Advances granted	80,000	c = a x b	
Advances days (invoice date - disbursement day)	88	e	
Interest annual yield %	4	f	
Interest income	789	g = (c x f x (e + 2)) / 365	Accrued
Lending days (invoice date - sale day)	90	h	
Commission monthly rate %	0.50	i	
Commission income	1500	l = a x i x (h / 30)	Accrued
Total revenues	**2,289**	**m = r + l**	**Accrued**
Net disbursed amount	**77,711**	**n = c - m**	
Late payment days	5	o	
Late payment interests annual rate %	5	p	
Late payment commissions monthly rate %	0.50	q	
Late payment interests	55	r = (c x p x o) / 365	On cash basis
Late payment commissions	83	s = a x q x o / 30	On cash basis
Late payment income	**138**	**t = r + s**	**On cash basis**
Non-advanced amount	20,000	u = a - c	
Net settlement to client	**19,862**	**v = u - t**	

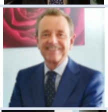
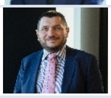
Source: Company data

Management Team

A well-experienced management team

The company is managed by a well-experienced management team, led by the CEO, Massimo Gianolli, who had the idea to convert the company's business from Leasing to Factoring in 1988 and to enter the untapped market of Factoring towards distressed companies in 2006. The company has over 30 years of experience in providing Factoring services (over 1.2M managed maturities since 1990) and the top managers have a solid experience in financial services to distressed companies, providing Generalfinance with a competitive advantage compared with new entrants.

Generalfinance - Management team

Role		Background
Massimo Gianolli, CEO		With more than 30 years of experience in the Factoring industry, Massimo Gianolli began working in Generalfinance SpA (ex Prestoleasing SpA) alongside his father, driving the conversion of the activity from Leasing to Factoring.
Ugo Colombo, CFO		Ugo Colombo has held the role of CFO since 2019. He graduated at the Bocconi University in Business, Administration, Management Accounting, in 2000. He previously held the position of CFO at Creval.
Riccardo Gianolli, CCO		Since 2000, Riccardo Gianolli has held the position of Commercial Director of the company, after having held the role of CEO of Generalbroker (2000-2006). He graduated in literature at the University of Verona, he previously worked at Generali (1985-2000).
Alessandro Ferrari, Head of Credit Management		Alessandro Ferrari joined the company in 2006. His responsibilities are primarily split between Risk Assessment and Credit Management.
Stefano Biondini, COO		Since 2019, Stefano Biondini has held the position of Chief Operating Officer, with the responsibility of coordinating and optimising the ICT, Organization and Purchasing/Operating Support functions. From 2016 to 2019, he held the position of Head of Factoring and Leasing at the ICT department of Intesa Sanpaolo.
Stefano Saviolo, Head of Legal & Corporate Affairs		After his graduation at UCSC, Stefano Saviolo is responsible for the legal affairs of Generalfinance Spa.

Source: Company data

Management incentive plan

Generalfinance is currently adopting an annual MBO (Management By-Objectives) system for the top and middle management's remuneration, based on the achievement of annual economic and financial targets. The company intends to comply with the requirements in terms of incentive schemes for the CEO and heads of the main corporate functions for listed companies on the Euronext STAR Milan. The Incentive Plan will provide a variable component of the remuneration up to a maximum cap of the annual compensation, according to the achievement of specific economic and management objectives - quantitative and qualitative - calculated on the three-year cumulative data of the business plan (Performance Objectives). The payment of the bonus should take place approximately in the first half of 2025 (Performance Period) and could be partially settled in shares (also possibly Phantom Shares[13]).

The Performance Objectives applicable to each Performance Period, the calculation methods, as well as the relative percentage weighting, will be identified by the BoD, after the listing and within a period not exceeding 3 months from the start of trading.

[13] A Phantom stock (Simulated Stock or Shadow Stock) is a kind of compensation that gives selected employees, mostly senior management, benefits of stock ownership without giving them company stock.

Strategy

Strategic pillars

Strategy based on structural growth, efficiency, strengthening of the funding and enhancement of the systems

Generalfinance aims to strengthen its leader position in Factoring towards the distressed companies' market. Generalfinance's strategy is based on four pillars:

- Pursue **structural growth** in turnover, by:
  - Increasing the turnover volumes on the main existing customers;
  - Focusing on corporate clients and standardising the process for retail clients. Corporate clients enjoy more articulated organisational structures, higher standing advisors and wider and higher quality portfolios of Assigned Debtors, thus reducing the costs and improving the profitability for Generalfinance;
  - Acquiring new customers in areas with a high potential that currently have a limited coverage;
  - Increasing the weighting of the business abroad (assigned debtors);
- Increase the **efficiency**, by:
  - Optimising the credit and assessment processes;
  - Strengthening the skills and further developing the rating and scoring systems for the assessment of the debtors.
- Strengthening and diversify the **funding sources**, by:
  - The full drawdown of the funding structure with securitisation instruments, issue of new Tier2 bonds, commercial papers issue and banking and factoring facilities;
  - Rationalisation of bilateral lines and re-factoring, reducing their amount in order to reduce the cost of funding.
- Enhancement of the **resources and the systems**, by:
  - Strengthening the organisational structure and the corporate functions;
  - Increasing the staff, mainly in the Credit division, Commercial division and IT;
  - Enhancing the incentive system;
  - Developing the IT system to support efficiency;
  - Maintaining a level of capex in line with 2021 (EUR 1.7M), in order to optimise the back office processes and the valuation of risk, move the platform onto a new IT architecture and increase the services to Sellers.

Financial targets

New business plan to be unveiled in September

Management is to disclose its new business plan in September 2022, embedding the stronger than expected turnover in 1H22 and the higher growth opportunity allowed by the IPO proceeds (EUR 17.7M additional capital).

As such, Generalfinance's pre-money business plan can no longer be considered valid. For pure reference, however, we summarise below the pre-money targets that, nevertheless, already embedded strong volumes and revenues growth in the next three years, albeit at a slower pace compared with the recent period:

- Turnover at EUR 1,809M in 2022T and EUR 2,725M in 2024T, for a 2021-24T CAGR of 25% (vs. 43% 2018-21A CAGR);
- Net Banking Income at EUR 28.7M in 2022T and EUR 37.4M in 2024T, for a 2021-24T CAGR of 16% (vs. 29% 2018-21A CAGR);
- Margins (net banking income on turnover) to shrink by approximately 30bps in the next three years, after a 60bps reduction in 2021, coherently with the strategy to increase the weighting of mid-corporates.

Generalfinance - 2022 and 2024 pre-money targets

EUR M	2018A	2019A	2020A	2021A	2018-21 CAGR %	2022T	2024T	2021-24T CAGR %
Turnover	478	590	761	1,403	43	1,809	2,725	25
Net Banking Income (NBI)	11.1	13.5	17.2	23.9	29	28.7	37.4	16
NBI/Turnover %	2.3	2.3	2.3	1.7	-10	1.6	1.4	-7

A: actual; T: target; Source: Company data (Turnover and Net Banking Income) and Intesa Sanpaolo Research elaboration on Company data

Limited sensitivity to interest rate movements

The company's revenues are not particularly sensitive to interest rate movements as 72% of funding is at variable rates without hedging and the loans reprice approximately every 3 months. Management is confident of the possibility to transfer the higher cost of funding to clients, in an increasing interest rate scenario, as occurred in the past.

Low correlation to GDP

The correlation with GDP is very limited, if not inverse: a reduction in GDP due to a reduction of consumption or exports reduces the availability of funding for corporates and increases the default rates, increasing the addressable market of Generalfinance. In fact, in the last 10 years, Generalfinance's turnover increased at a 21% CAGR, while Italian GDP reported a negative trend.

Positive impact of inflation

We believe that inflation could play a positive role for Generalfinance as it increases the value of the invoice, thus increasing the factoring activity.

ESG Corner

Developing a Sustainability Footprint

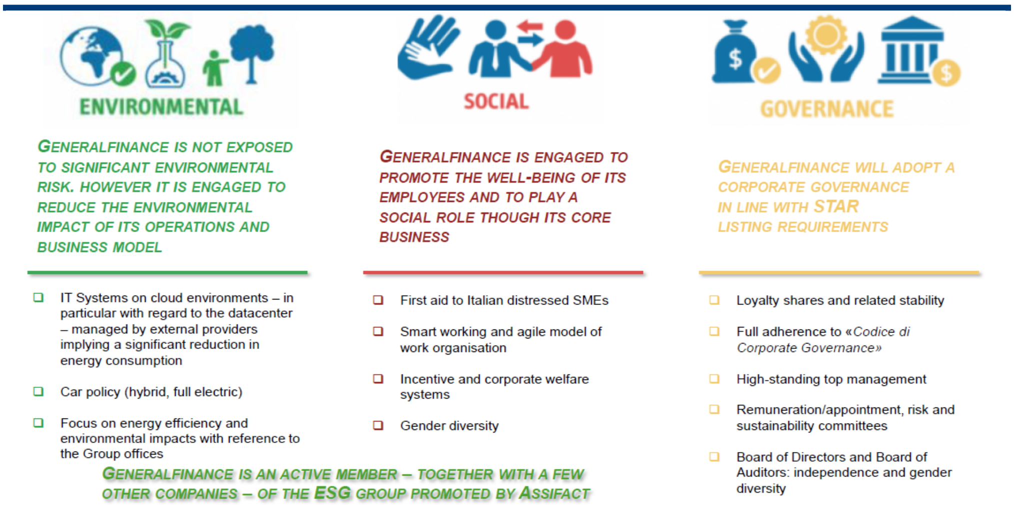
As regards ESG Strategy, we highlight that:

- Generalfinance is not exposed to significant environmental risk. However, it is engaged in reducing the environmental impact of its operations and business model, through: 1) a reduction in energy consumption via IT Systems on cloud environments managed by external providers; 2) car policy based on hybrid or full electric; and 3) a focus on energy efficiency and environmental impact with reference to the Group's offices;
- Generalfinance is engaged in promoting the well-being of its employees and in playing a social role through its core business, via: 1) first aid to Italian distressed SMEs; 2) remote working and an agile model of work organization; 3) incentive and corporate welfare systems; and 4) gender diversity;
- Generalfinance plans to adopt a corporate governance in line with the planned STAR listing requirements, namely: 1) loyalty shares and related stability; 2) full adherence to the "Codice di Corporate Governance"; 3) a high-standing top management; 4) remuneration/appointment, risk and sustainability committees; 5) independent and gender diversified Board of Directors and Board of Auditors.

Regarding ESG initiatives, we highlight that Generalfinance is an active member of the ESG group promoted by Assifact and Pwc, together with other companies. Assifact, the Italian association for Factoring, is working to define ESG guidelines for Factoring, through the identification and valuation of the ESG impacts on the business model. The main goal of this initiative is to support operators and define the adjustment actions towards a sustainable finance.

Following the listing, Generalfinance plans to better define its ESG strategy, that may include the publishing of its non-financial report.

Generlafinance - ESG strategy



Source: Company data

SWOT Analysis

SWOT analysis

Strengths	Weaknesses
■ Specialisation and unique positioning in Italy in the Factoring market with a lengthy and consolidated experience with distressed companies; ■ A difficult-to-replicate business model, with a presence on the entire value chain and a proprietary platform that has been developed in-house; ■ Large reference market of distressed corporates; ■ High profitability and growth rates; ■ Strong asset quality and low risk profile; ■ Lower capital requirements compared with banks; ■ Strong management team with a longstanding experience in the reference market.	■ Fully reliant on wholesale funding; ■ Monoline business; ■ Sellers only domestic, that leads to a strong dependence of the business on Italian macroeconomic trends; ■ Dependence of the business development on the current management team (partially mitigated by the ongoing strengthening of the management team and the workforce, and the introduction of LTIP);
Opportunities	**Threats**
■ Growth potential of the reference market, after the end of the moratoria and a favourable regulatory environment; ■ Low appetite of traditional banks for Factoring towards distressed companies, as it would deteriorate their asset quality parameters and their capital ratios; incentive to dispose UTP, following recent regulatory changes (new Definition of Default and Calendar Provisioning); ■ Limited competitive scenario; ■ High inflation increases the value of invoices and, therefore, of Generalfinance's business	■ Possible increase in competition from Challenger banks, that may enter the Factoring towards distressed corporate market segment, also benefitting from a lower cost of funding; ■ Possible increase in the cost of funding or tensions on the wholesale funding market; ■ Lower than planned volumes' growth; ■ Possible further divestments by Crédit Agricole Italia; ■ Possible regulatory changes impacting the NPL market; ■ Favourable macroeconomic trends, which could positively impact the financial situation of distressed corporates, reducing Generalfinance's addressable market.

Source: Intesa Sanpaolo Research estimates

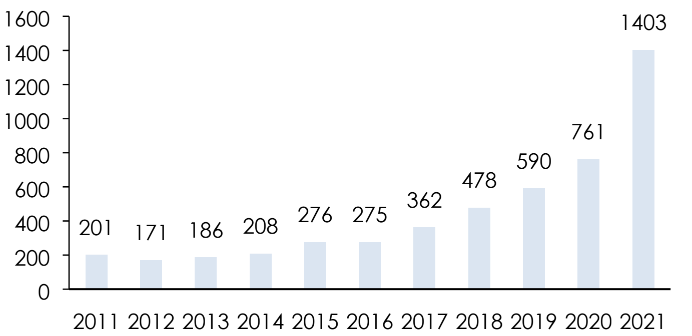
Historical Financials

Generalfinance has historically shown strong growth trends coupled with high profitability:

Strong growth coupled with strong profitability

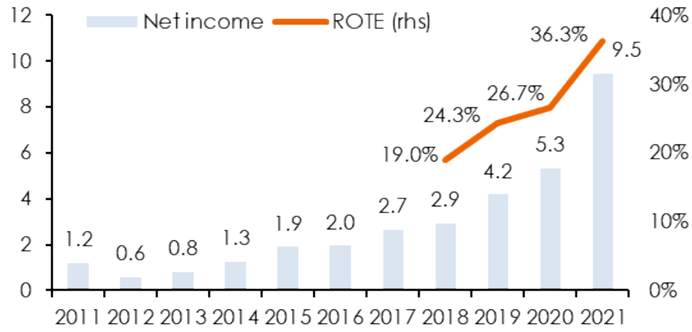
- In the five years, Factoring turnover increased at a 39% 2016-21 CAGR and net income increased at a 37% 2016-21 CAGR;
- In the last four years, the ROTE increased from 19% of 2018A to 36.3% of 2021A (the ROTE before 2018 is not comparable, due to the different capital requirements).

Generalfinance - Last decade Factoring Turnover trend (EUR M)



Source: Company data (https://www.generalfinance.it/wp-content/uploads/2022/03/Company-Profile_dic-2021_ENG.pdf, pag 20); Note: Generalfinance adopted IAS/IFRS accounting standards in 2016

Generalfinance - Last decade net income and ROTE (EUR M)



Note: In 2017 the company carried out a significant capital increase (following the introduction of new capital requirements for financial intermediaries and the entry of Creval in the capital base), that almost tripled the TBV and affected the ROTE comparison with the following years; Source: Company data

Generalfinance's profit and loss statement in the last four years is shown below.

Generalfinance - P&L historic trend

EUR M	2018A	2019A	2020A	2021A	2018-21A CAGR %
Interest income	3.54	4.64	5.72	9.20	37
Interest expenses	-0.05	-1.20	-1.63	-2.97	285
Net interest income	**3.02**	**3.44**	**4.09**	**6.23**	**27**
Commission income	9.4	11.5	14.7	20.8	31
Commission expenses	1.23	1.44	1.63	3.11	36
Net Commissions	**8.12**	**10.10**	**13.12**	**17.69**	**30**
Net Banking Income	**11.14**	**13.53**	**17.22**	**23.93**	**29**
Staff costs	-3.15	-3.76	-4.27	-5.24	18
G&A	-2.64	-3.05	-2.98	-3.44	9
D&A	-0.62	-0.84	-1.06	-0.94	15
Other income/expenses	0.62	0.75	0.78	0.05	-57
Operating costs	**-5.78**	**-6.90**	**-7.53**	**-9.57**	**18**
Gross Operating income	**5.35**	**6.64**	**9.68**	**14.36**	**39**
Loan loss provisions	-0.95	-0.35	-0.71	-0.22	-39
Risk and charges	-0.06	-0.06	-1.06	-0.21	53
Pre-tax income	**4.40**	**6.28**	**8.11**	**13.93**	**47**
Taxes	-1.47	-2.09	-2.78	-4.47	45
Net income	**2.92**	**4.19**	**5.33**	**9.45**	**48**

A: actual; Source: Company data (annual financial statements)

Volumes

Generalfinance reported strong volumes' growth in the last five years.

Strong volumes growth

In 2021, Generalfinance's turnover reached EUR 1.4Bn, reporting a 43% 2018-21 CAGR and a 39% 2016-21 CAGR, outperforming the whole Factoring sector that reported a flattish trend (+1.4% 2018-21 CAGR[14]). At the same date, advances granted were EUR 1,118M, doubling vs. the previous year level and embedding a 53% 2018-21 CAGR and a 40% 2016-21 CAGR.

Generalfinance vs. Sector - Turnover growth rates

%	2019	2020	2021	2018-21 CAGR %
Generalfinance	23.4	29.0	84.4	43.2
Sector	6.4	-10.8	10.0	1.4

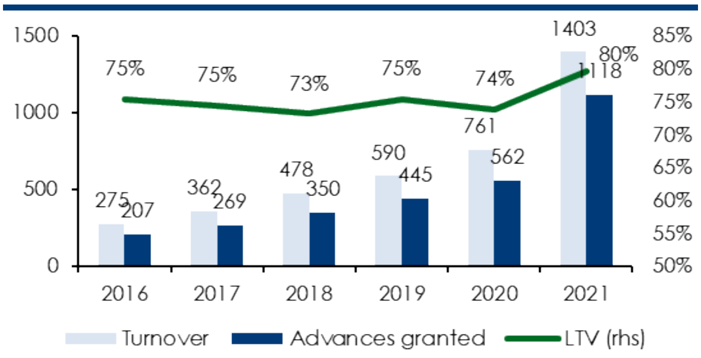
Source: Company data and Assifact

In the last year, the LTV (ratio between advances granted and turnover) increased to 80% from 74% average in the previous 5 years. The increase in the LTV in 2021 was due to the increase in the LTV of some sellers (also new) amid an economic recovery, in order to support the revenue growth, and to the higher weighting of without recourse factoring (from 3% in 2019 to 5% in 2021).

In 2021, loans to customers reached EUR 321M, up by 82% yoy, bringing the 3-year CAGR to 53% and the 5-year CAGR to 41%. We note that, as per management's comments during the analyst presentation, 2021 was characterised by a higher than usual seasonality of the fourth quarter, thus inflating the year-end customer loans (35% of yearly turnover generated in 4Q21 vs. a 30% historical average).

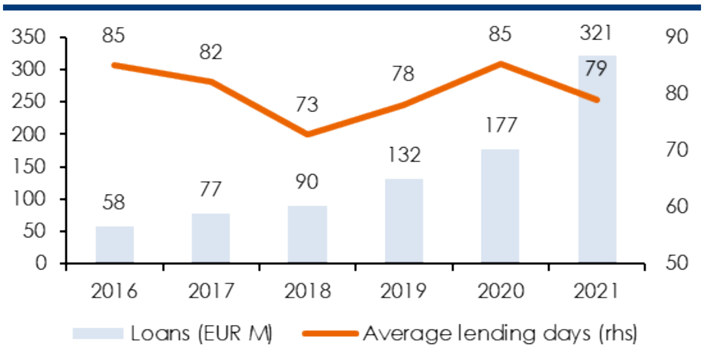
The loans portfolio had a very short duration, with average lending days ranging between 73 and 85 days in the last 6 years. In 2021, average lending days have declined to 79 days, back to the 2019 level, after having increased to 85 in 2020 due to the pandemic.

Generalfinance - Turnover, advances and LTV trends (EUR M)



Source: Company data

Generalfinance - Loans and average lending days



Source: Company data

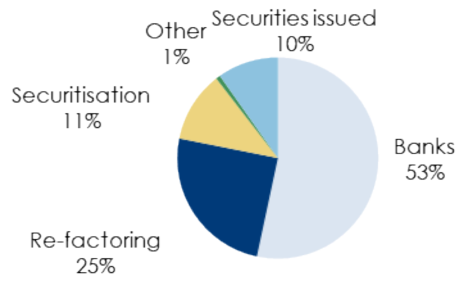
Funding

Generalfinance entirely relies on wholesale funding

In the last couple of years, Generalfinance diversified its sources of funding, by starting to use re-factoring in 2020 and issuing securities (Tier2 and commercial paper) and structuring securitisations, in 2021.

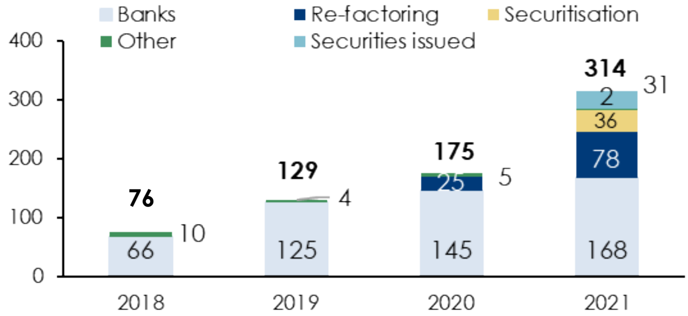
[14] Source Assifact

Generalfinance - Funding mix as of December 2021



Source: Company data

Generalfinance - Funding mix evolution (EUR M)



Source: Company data

Funding structure

As of December 2021, Generalfinance's funding structure was as follow:

- EUR 168M (or 53% of total funding) debts towards banks, that has historically been the main source of funding for Generalfinance, of which:
  - EUR 133M deriving from a medium-long term agreement with a pool of Italian banks, agreed in 2019 (Revolving Credit Facility, or RCF) and recently renegotiated, by extending the maturity to January 2025. The line is fully drawn. The cost of such a revolving line is equal to EURIBOR 3M (with a floor at 0) plus 155bps. Generalfinance agreed to collateralise such debt with a specific pledge on the positive net balance of the accounts with the banks of the pool. As of December 2021, the positive balance of the accounts subject to the pledge was EUR 23.5M;
  - EUR 35M other bilateral credit lines with 4 banks. The cost of the bilateral lines is 1%.
- EUR 78M re-factoring (25% of total funding), i.e. bilateral credit lines with other Factoring companies (2 medium-sized groups and 2 smaller Factors), that are subject to annual revision. The actual cost is 1.6-1.8%, including a 1% interest yield and a 15-10bps flat upfront fee;
- EUR 36M (11% of total funding) represented by the first securitisation with a leading French bank concluded in December 2021, as part of a 3-year revolving securitisation programme that foresees that Generalfinance may sell up to EUR 295M performing receivables to an SPV (General SPV). In June 2022, a leading Italian bank joined the French bank in its 3-years securitisation programme, increasing the maximum outstanding nominal amount of the receivables from EUR 295M to EUR 590M. The SPV is intended to issue up to EUR 200M senior notes subscribed by the French bank, up to EUR 200M Senior notes subscribed by the Italian bank, up to EUR 42.4M mezzanine notes initially subscribed by Generalfinance and planned to be sold to institutional investors thereafter and up to EUR 29.6M junior notes subscribed by Generalfinance. The cost of the securitisation is EURIBOR 1M (floor at 0) plus 108bps;
- EUR 31M securities issued (10% of total funding), including:
  - EUR 18M commercial paper, out of a 3-year commercial paper programme of EUR 100M. They are zero-coupon bonds with an original maturity of 3 months and a fixed rate of 0.5%;
  - EUR 5M Tier 2 securities, maturity 6 years, coupon of 10%, issued in September 2021;

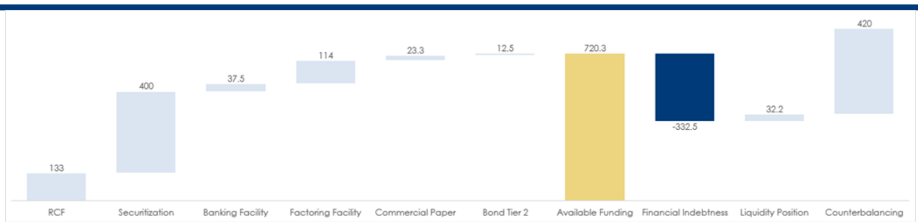
- EUR 7.5M Tier 2 securities, maturity 5 years, coupon at EURIBOR 3M plus 800bps, issued in October 2021.

RCF covenants

The RCF is subject to several covenants that take into consideration the asset quality, the percentage of insurance coverage, the usage of the credit lines and a financial parameter. The financial parameter is calculated as the ratio between the book value net of dividends plus the subordinated debt and the sum between the book value net of dividends, and the total funding net of cash and deposits to banks. In the last two years, the financial parameter has been rather stretched, positioning at 12.04% in 2020 and 12.51% in 2021, compared to a minimum of 12% envisaged in the covenant. However, thanks to the proceeds deriving from the IPO and the review of the financial parameter oin May 2021 (calculation based on the average of the four quarters), we do not expect the covenant to be under stress in our estimates horizon.

We note that the total available funding, represented by committed lines, amounts to EUR 720M, for a counterbalancing capacity of EUR 420M, as of June 2022, and representing 90% of funding needs that we expect up to 2024, according to our estimates.

Generalfinance - Total available funding, as of June 2022 (EUR M)



Source: Company data

Broadly stable cost of funding

The cost of funding excluding Tier 2 has been broadly stable in the last three years, while it increased in 2021 to 1.21% following the issue of the above-mentioned Tier 2 bonds. 72% of funding is at variable rates.

Generalfinance - Cost of funding

%	2019A	2020A	2021A
Cost of funding	1.17	1.07	1.21
Cost of funding ex Tier 2	1.17	1.07	1.15

A: actual; Source: Company data

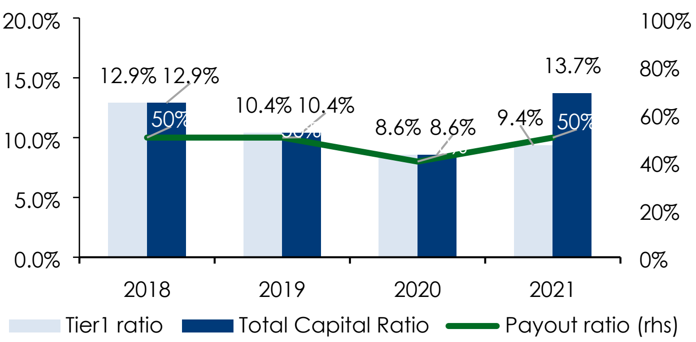
Capital base

Tier1 at 9.4%

As of December 2021, Generalfinance Tier1 ratio was 9.4%, up by 80bps yoy, while the total capital ratio increased by 510bps yoy to 13.7%, following the issue of EUR 12.5M Tier 2 bonds.

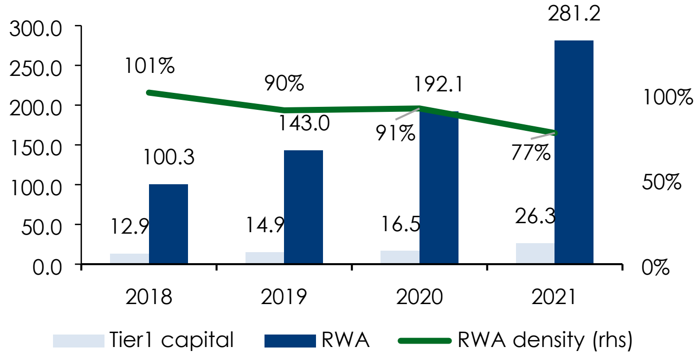
The strong business growth generated a significant inflation of RWA that increased at a 41% 3-year CAGR. Despite a progressive reduction in RWA density (77% in 2021 from 101% in 2018), thanks to optimisation actions put in place in FY21 (the use of the insurance policy for CRM purposes, use of Cerved’s ratings and a review of the database), the Tier 1 ratio declined from 12.9% in 2018 to 9.4% in 2021. According to management, RWA density could further decline through an increased use of the insurance policies (whose use is limited to 25% of own funds) or an increased weighting of public administration among assigned debtors (currently not meaningful).

Generalfinance - Capital ratios and payout ratio



Source: Company data

Generalfinance - Tier1 capital, RWA and RWA density



Source: Company data

In 2021, Generalfinance optimised its capital structure by issuing EUR 12.5M Tier2 bonds (with maturity in 2026 and 2027). Such issues allowed Generalfinance to increase its Total Capital Ratio to 13.7% (from 8.6% in 2020), filling up the Tier 2 bucket foreseen in the capital requirement (2%). The company expects further Tier 2 issues in the next few years, keeping the Tier 2 bucket at the same levels as 2021. Generalfinance has no AT1, therefore the minimum Tier 1 capital requirement of 6% needs to be covered with CET1 capital instruments.

We note that the IPO proceeds (EUR 17.7M, net of related costs) increased the capital base by approximately 630bps, in May 2022.

50% payout

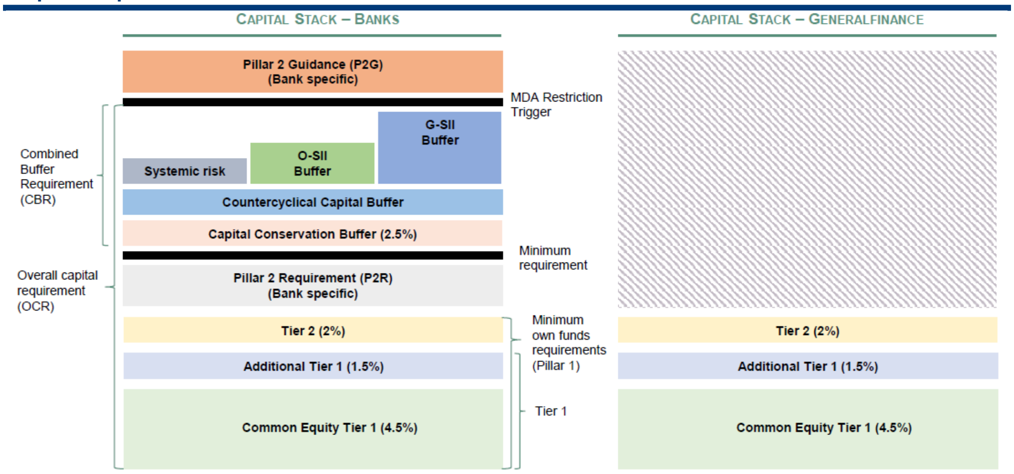
In the last 4 years the payout has been equal to 50%, with the exception of 2020, when only 40% of net income was distributed to shareholders, in order not to breach the covenant on the Revolving Credit Facility.

Less stringent capital requirements compared with banks

We highlight that Generalfinance, being incorporated as a financial intermediary, has less stringent capital requirements compared with banks.

- Generalfinance is required to maintain a minimum Tier 1 ratio of 6% (of which at least 4.5% CET1 ratio and up to 1.5% Additional Tier 1) and a minimum Total Capital ratio of 8%;
- Banks, on top of a minimum Tier 1 ratio of 6% and Total Capital ratio of 8% (the same as Generalfinance) have to maintain Pillar 2 requirements (P2R) that are specific for each bank (ranging between 2% and 3.91% for listed Speciality Finance Italian banks). On top of that, banks have Combined Buffer requirements, such as Capital Conservation Buffer of 2.5%, Countercyclical Capital Buffer, O-SSI od G-SII buffers: below that level of capital the dividend payment is forbidden. Finally, banks are assigned by their regulator a Pillar 2 Guidance (P2G) specific for each bank.

Capital requirements - Generalfinance vs. banks



Source: Company data

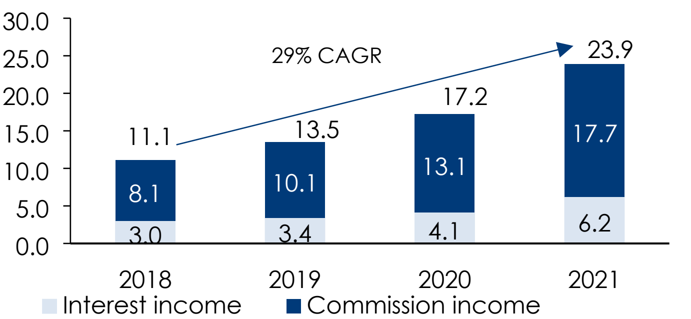
Revenues

Generalfinance's revenues increased at a 29% 2018-21 CAGR, reaching EUR 23.9M in FY21. The revenue model is more skewed towards commission income:

29% 2018-21 revenue CAGR

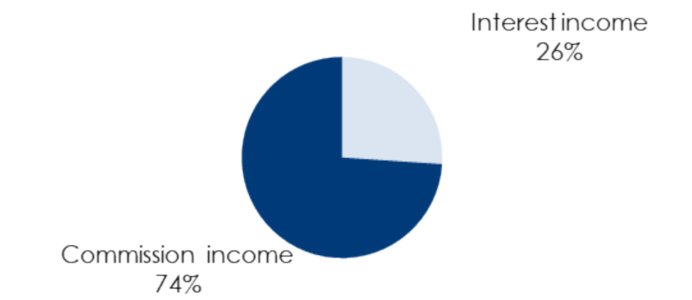
- Net commission income is the largest contributor to revenues, accounting for 74% in 2021 (between 73% and 76% in the last 4 years), and it reported a 30% 2018-21A CAGR;
- Net interest income contributed for 26% to 2021 revenues (between 24% and 26% in the last 4 years) and reported a 27% 2018-21 CAGR.

Generalfinance Revenue trend (EUR M)



A: actual; Source: Intesa Sanpaolo Research elaboration on Company data

Generalfinance - Revenue breakdown (2021)



A: actual; Source: Intesa Sanpaolo Research elaboration on Company data

The commission income breakdown is as follows:

Commission income

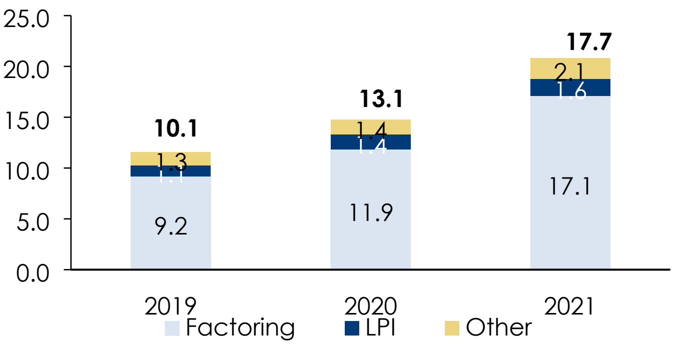
- Factoring commissions (83% of commission income in FY21), calculated as a monthly commission rate applied on turnover, to which a flat commission is added in cases of without recourse factoring and loans over 120 -180 days, to compensate for the higher risk;

- Late payment commissions (7% of commission income in FY21), based on the turnover and the late payment days (11bps on turnover in FY21);
- Other commissions (9% of commission income in FY21), based on the number of transactions made by the Seller or the number of the requested credit proceedings (14bps on turnover in FY21).

Commission expenses are related to:

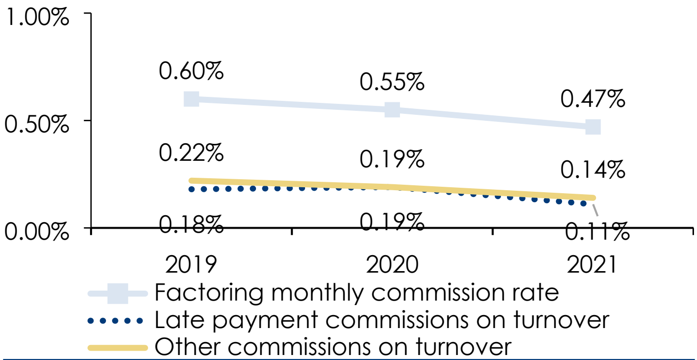
- Insurance commissions, for the provision of the insurance coverage on part of the Factoring portfolio. In 2021, they were equal to EUR 1M, corresponding to 8bps on turnover; management renegotiated to 6bps in the next years;
- Banking commissions, related to the banking financing pool. They amounted to EUR 1.5M in FY21, or 11bps on turnover in FY21;
- Commissions paid to agents and credit brokers. They amounted to EUR 0.5M in FY21, or 3bps on turnover.

Generalfinance - Commission income breakdown (EUR M)



A: actual; Source: Intesa Sanpaolo Research elaboration on Company data

Generalfinance - Commission income margins

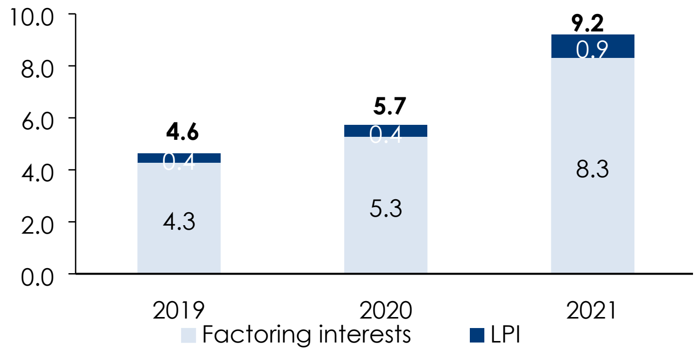


A: actual; Source: Company data Factoring commission rate = Factoring commissions / Turnover * (30 / invoice average days)

Interest income

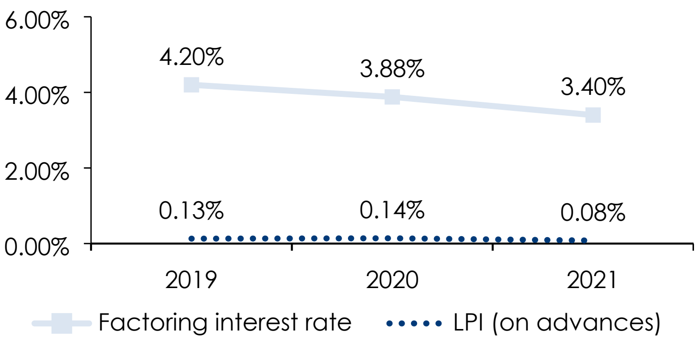
Interest income is mainly represented by interest on factoring (96% of interest income), the remaining part being related to Late Payment Interests. Cash and deposits to banks (EUR 33.5M) are not generating interest.

Generalfinance - Interest income breakdown (EUR M)



A: actual; Source: Company data

Generalfinance - Interest margin

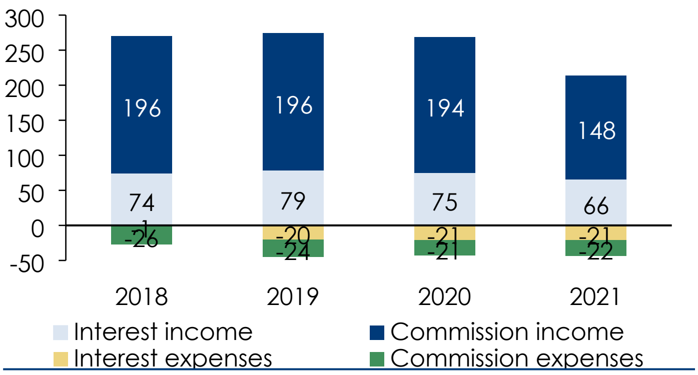


Source: Company data. Factoring interest rate = (365 * interest income) / (disbursed amount * (Loans average days + 2))

In FY21, the gross revenue margin (interest income plus commission income on turnover) and the net revenue margin (net interest income plus net commission income on turnover) declined by 55bps yoy to 214bps and 171bps, respectively, after having been broadly stable in the previous three years. The main reason for such a decline was the higher weighting of mid corporate Assigned Debtors (from 51% of turnover in 2019 to 74% in 2021), that enjoy better conditions, thanks to their better credit rating. Other reasons contributing to the margin decline, include: the advancement of the restructuring processes and the increase in turnover of some large Sellers, that resulted in better conditions for the client; the entry in the client portfolio of Newcos, that, despite resulting from restructuring procedures, have a low debt and a better scoring; the improvement of the procedures for the cash-in of receivables, and; the fewer late payment days (from 7 days in 2019 to 5 days in 2021) that reduced the complexity and cost of the management of the credit portfolio and is reflected in the pricing. On the other hand, Generalfinance said that it has not experienced price pressure from competition (that remained limited).

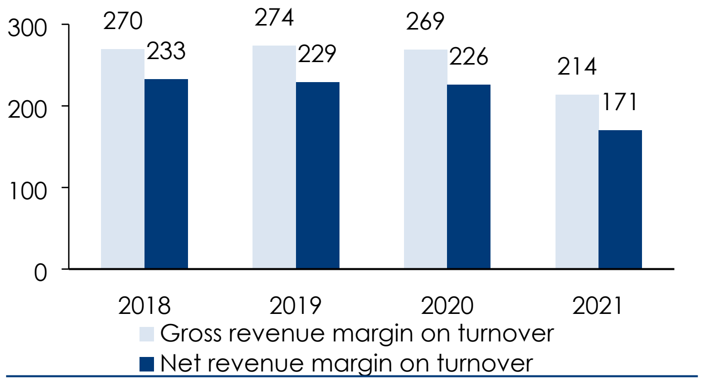
Declining revenue margins

Generalfinance - Revenues on turnover breakdown (bps)



Source: Company data

Generalfinance - Gross and net revenue margin on turnover (bps)



Source: Intesa Sanpaolo Research elaboration on Company data. Gross revenue margin = interest income plus commission income on turnover; Net revenue margin = net interest income plus net commission income on turnover

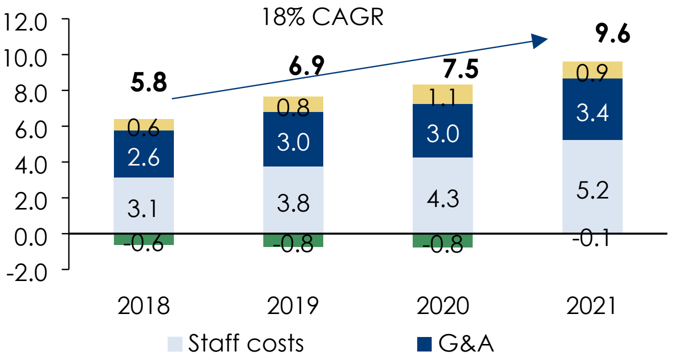
Operating costs

Generalfinance's operating costs increased at a 18% 2018-21 CAGR, reporting a significantly lower dynamic compared with revenues, that increased at a 29% CAGR, in the same period. The company has shown a significant operating leverage, with a steady decline in the cost income ratio, which moved from 51.9% in FY18 to 40% in FY21, and even more by the reduction of the ratio between operating costs and turnover, almost halved from 121bps in FY18 to 68bps in FY21.

Strong operating leverage

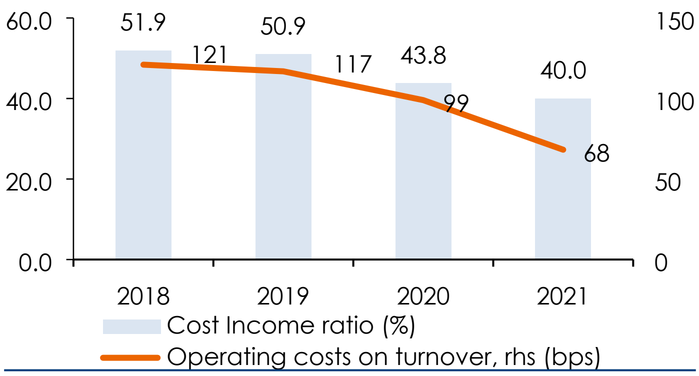
The operating costs trend also benefited from the increased weighting of mid-corporate clients that present lower complexity and therefore have lower associated costs.

Generalfinance - Operating costs breakdown and trend



A: actual; Source: Company data

Generalfinance - Cost income and costs on turnover ratios



A: actual; Source: Intesa Sanpaolo Research elaboration on Company data

Operating costs breakdown

In FY21, Generalfinance's cost base was mainly skewed on staff costs and it was composed as follows:

- EUR 5.2M staff costs (55% of the cost base), including costs for administrators and auditors: as of December 2021, the company had 53 employees and an average cost per employee of EUR 95k, up from EUR 87k in 2020, also due to the re-start of the incentivation plan and the introduction of a non-competition agreement for the management and commercial staff. Staff costs increased at a 18% 2018-21 CAGR;
- EUR 3.4M administrative expenses (36% of total costs), mainly represented by fixed costs (approximately 80%). Administrative expenses increased at a 9% 2018-21 CAGR;
- EUR 0.9M depreciation (10% of total costs). Depreciation increased at a 15% 2018-21 CAGR, as the result of a significant investment plan of EUR 3.4M in the last 3 years, corresponding to 6% of revenues, on average.
- EUR -0.1M other net operating income and expenses.

Generalfinance - Investment trend

EUR M	2019A	2020A	2021A
Tangible investments	0.20	0.61	1.10
Intangible investments	0.49	0.46	0.55
Total investments	**0.69**	**1.07**	**1.68**
Investments on revenues (%)	5	6	7

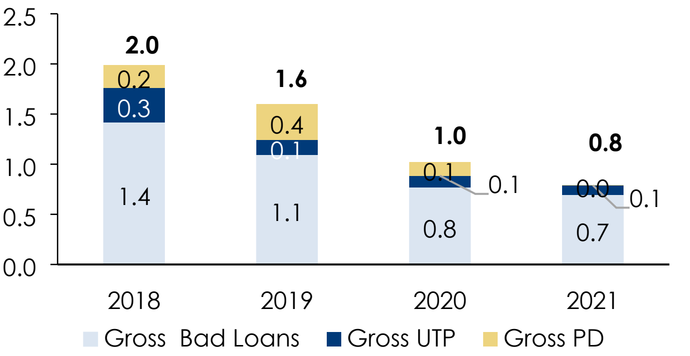
A: actual; Source: Company data

Cost of risk and asset quality

Strong asset quality

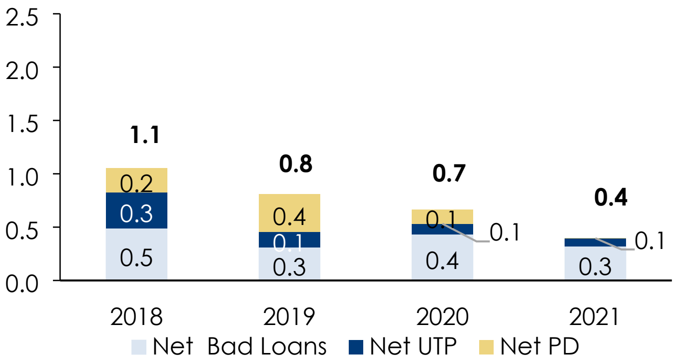
Generalfinance has a very good asset quality, thanks to its business model that envisages a predominance of recourse factoring, an insurance guarantee and a very strict credit process as described before.

Generalfinance - Gross NPE (EUR M)



A: actual; Source: Company data

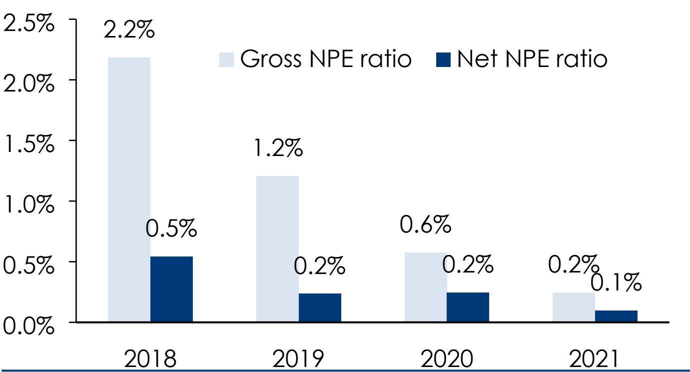
Generalfinance - Net NPE (EUR M)



A: actual; Source: Company data

As of December 2021, Generalfinance had EUR 0.8M gross NPE, of which EUR 0.7M bad loans, EUR 0.1M UTP and no past due (over 90 days). As of December 2021, the gross NPE ratio was only 0.2% (vs 4.2% at sector level[15]) down from 0.6% of 2020 and 1.2% of 2019; the net NPE ratio was only 0.1%, down from 0.2% in 2020 and 2019. Coverage ratios on bad loans and UTP are relatively low at 54% and 15%, respectively, as NPE are partially covered by the insurance (EUR 0.12M on a total exposure of EUR 0.8M).

Generalfinance - Gross and Net NPE ratio



A: actual; Source: Company data

Generalfinance - Coverage Ratios

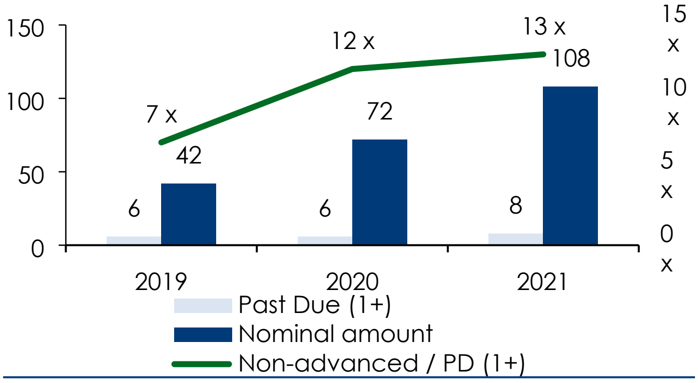
%	2018A	2019A	2020A	2021A
Bad Loans	65	72	44	54
UTP	2	2	14	15
PD	0	2	2	NM
NPE	**47**	**50**	**35**	**50**
Performing	0.02	0.04	0.17	0.12

NM: not meaningful; A: actual; Source: Company data

Past due (1+), i.e. all the credits, both performing and non performing, both recourse and without recourse, that are past due by more than one day, were EUR 8M in 2021 (from EUR 6M in 2020 and 2019), mainly related to technical delays on payments. The coverage (offered by the ratio between the nominal amount not advanced of the receivables and the amount past due) was 13x the past due (+1), up from 12x in 2020 and 7x in 2019. Moreover, the ratio between Past Due (1+) and loans improved to 2.6%, from 4.7% in 2019.

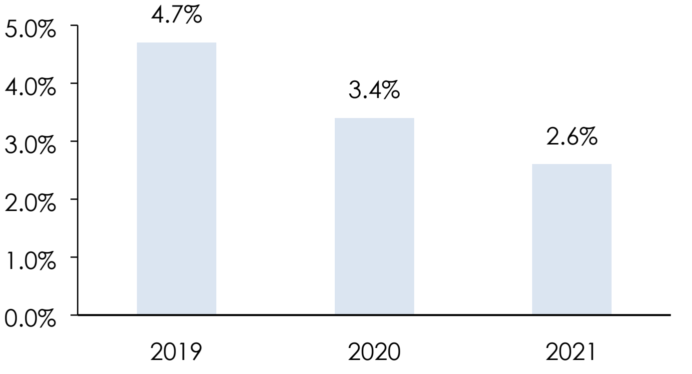
[15] Source Assifact

Generalfinance - Past Due (1+) and coverage



A: actual; Source: Company data

Generalfinance - Past Due (1+) on loans



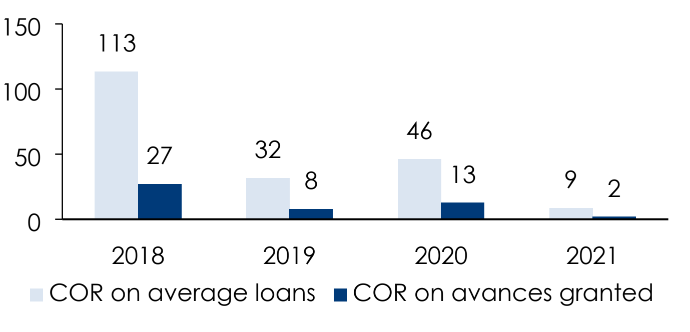
A: actual; Source: Company data

Low default rate and cost of risk

In the last 4 years, the default rate has been low and declining: from 0.54% in 2018 to only 0.04% in 2021. The strong asset quality, the coverage provided by the insurance policy, and the low LTV translates into a very low cost of risk.

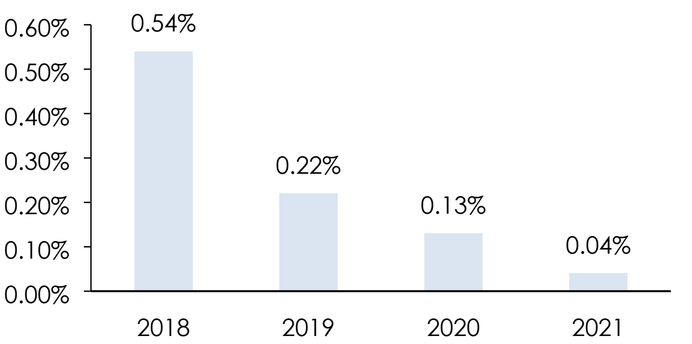
In 2021, Generalfinance's cost of risk was particularly low, thanks to a default rate of only 0.14% and the reduction of Stage 2 loans from EUR 9.7M to EUR 0.6M that allowed the release of some provisions. Calculating the cost of risk in the traditional way (loan loss provisions on the average of year-beginning and year-end loans), it was only 9bps in 2021, from 46bps in 2020, that incorporated EUR 0.23M non-recurring provisions from IFRS models update (31bps, net of this effect). However, we consider more correct for Factoring companies to calculate the cost of risk as the ratio between the loan loss provisions and the advances granted: the cost of risk calculated in such a way yields only 2bps in 2021, from 13bps in 2020 (8bps, in line with 2019, excluding the IFRS model update).

Generalfinance - Cost of risk (bps)



Note: 2020 Cost of Risk would have been 31bps and 8bps, without the IFRS model update A: actual; Source: Intesa Sanpaolo Research elaboration on Company data.

Generalfinance - Default rate



A: actual; Source: Company data.

In 2021, the company posted EUR 1M of provisions for risks and charges, due to the closure of a legal dispute, that however had a positive effect on the book value of approximately EUR 2M.

Simple Balance Sheet

Simple balance sheet

Generalfinance's balance sheet is rather simple, with total assets of EUR 365M, mainly represented by Factoring loans (88% of total assets) and the liabilities represented by the wholesale funding described above. In December 2021, the book value was EUR 32M and the tangible book value was EUR 30.3M.

Large portion of cash and deposits to banks

We would only highlight the large portion of cash and deposits to banks, that represented 9% of total assets in 2021. We see two reasons for that: first, Generalfinance's internal policy envisages maintaining at least EUR 20M cash on its current accounts in order to be in a financial condition to rapidly disburse the advances to its clients (the average disbursement time was 1 day in 2021); second, the above mentioned pledge on the positive net balance of the accounts with the banks of the pool granting the EUR 133M Revolving Credit Facility (as of December 2021, the positive balance of the accounts subject to the pledge was EUR 23.5M).

Generalfinance - Assets and Liabilities

EUR M	2018A	2019A	2020A	2021A
Cash & bank loans	3.5	16.8	24.2	33.5
Financial assets FVTPL	0.0	0.0	0.0	0.0
Loans	90.0	131.9	176.5	321.0
Fixed assets	2.1	5.3	5.1	4.9
Intangible assets	0.4	0.4	0.8	1.7
Tax assets	1.7	0.9	1.4	1.2
Other assets	1.9	3.1	2.2	3.0
Total assets	**99.7**	**158.4**	**210.2**	**365.3**
Deposits	75.6	129.0	175.4	283.6
Securities	0.0	0.0	0.0	31.0
Tax liabilities	0.5	0.6	0.9	1.2
Other liabilities	5.3	7.6	8.3	15.8
Provision liabilities	1.6	1.8	3.0	1.6
Shareholders' equity	16.7	18.5	22.6	32.0
Total liabilities	**99.7**	**158.4**	**210.2**	**365.3**

A: actual; Source: Company data

2Q/1H22 Results

EUR 2.2M net income in 2Q22

In 2Q22, Generalfinance reported a net income of EUR 2.22M, up by 35% yoy, for an annualised ROTE of 23%.

In 1H22, the net income reached EUR 4.95M, up by 27%: adjusted for non-recurring items related to the IPO costs, the net income was EUR 5.8M. The annualised ROTE declined to 25% (29% adjusted), from 36.3% in FY21A, as the tangible book value has been inflated by the capital raised in the IPO process.

Generalfinance - 2Q22 and 1H22 results

EUR M	1Q21A	2Q21A	1Q22A	2Q22A	qoq %	yoy %	1H21A	1H22A	yoy %
Interest income	1.81	2.06	3.10	3.26	5	59	3.87	6.36	64
Interest expenses	-0.52	-0.64	-1.29	-1.31	2	105	-1.15	-2.60	125
Net interest income	**1.30**	**1.42**	**1.81**	**1.95**	**8**	**38**	**2.72**	**3.76**	**38**
Commission income	4.55	4.71	6.27	6.62	6	41	9.26	12.89	39
Commission expenses	-0.64	-0.83	-1.11	-0.93	-16	13	-1.47	-2.04	39
Net commissions	**3.91**	**3.88**	**5.16**	**5.69**	**10**	**47**	**7.79**	**10.85**	**39**
Dividends	0.00	0.00	0.00	0.00	NM	NM	0.00	0.00	NM
Trading income	0.00	0.00	0.00	0.00	NM	-44	0.00	0.00	-82
Total income	**5.21**	**5.30**	**6.96**	**7.65**	**10**	**44**	**10.51**	**14.61**	**39**
Staff cost	-1.24	-1.32	-1.37	-1.63	19	23	-2.56	-3.01	17
G&A	-0.65	-0.98	-1.07	-2.31	117	137	-1.62	-3.38	108
D&A	-0.22	-0.24	-0.25	-0.27	5	11	-0.46	-0.52	13
Other income/expenses	0.19	-0.30	-0.10	0.05	NM	NM	-0.12	-0.05	-56
Operating costs	**-1.92**	**-2.84**	**-2.80**	**-4.16**	**49**	**46**	**-4.76**	**-6.96**	**46**
Gross Operating income	**3.29**	**2.46**	**4.16**	**3.48**	**-16**	**42**	**5.75**	**7.65**	**33**
Loan loss provisions	0.08	-0.10	-0.04	-0.17	366	62	-0.02	-0.20	774
Risk and charges	0.00	-0.16	0.00	-0.01	146	-95	-0.16	-0.01	-93
Pre-tax income	**3.36**	**2.19**	**4.13**	**3.31**	**-20**	**51**	**5.56**	**7.43**	**34**
Taxes	-1.12	-0.55	-1.40	-1.08	-23	97	-1.67	-2.49	49
Net income	**2.24**	**1.64**	**2.72**	**2.22**	**-18**	**35**	**3.89**	**4.95**	**27**

NM: not meaningful; A: actual; Source: Company data

Turnover up by 64% yoy

In 2Q22, volumes were strong, with a turnover of EUR 501M, up by 16% qoq and 64% yoy and advances granted of EUR 418M, up by 16% qoq and 78% yoy. The LTV increased to 83% from 80% in FY21A and remained stable compared with 1Q22A.

Quarterly growth brought turnover to EUR 933M in 1H22, up by 71% yoy, and advances granted to EUR 777M, up by 80% yoy, while the DSO remained broadly stable at 78 (vs. 79 in 2021).

Coherent with quarterly loans growth (9% qoq and 13% YTD), total funding also increased by 9% qoq and 13% YTD, thanks to an increase in securitisation (from EUR 36M at December 2021 to EUR 80M at June 2022) partially offset by a slight decline in re-factoring (from EUR 78M at December 2021 to EUR 75M at June 2022), and in the use of bilateral lines (from EUR 35M at December 2021 to EUR 23M at June 2022), coherently with the company's funding strategy. The loan-to-deposit ratio slightly increased to 1.09x from 0.99x as of March 2022 and 1.02x as of December 2021, thanks to the funds raised in the IPO process.

Generalfinance - Volumes evolution in 1Q22

EUR M	1Q21A	2Q21A	1Q22A	2Q22A	Qoq%	Yoy%	1H21A	1H22A	Yoy%	YTD%
Turnover	240	306	432	501	16	64	546	933	71	67
Advances granted	196	235	359	418	16	78	432	777	80	69
Loans	NA	NA	333	362	9	NA	NA	362	NA	113
LTV (%)	82	77	83	83	0	6	79	83	4	4

NA: not available; A: actual; Source: Company data; LTV =advances granted/turnover

NBI up by 44% yoy

In 2Q22, the net banking income increased by 10% qoq and 44% yoy, bringing the increase of 1H22 to 39% yoy, well above the 20% NBI growth originally targeted by the company in FY22. The quarterly NBI margin (NBI on turnover) declined by 9bps qoq and 21bps yoy in 2Q22, while, in 1H22 the decline was of 36bps (to 1.57%). Such a decline is coherent with the company's strategy aiming to focus on mid-corporate clients that carry lower margins, but also lower complexity and risks, while there was no margin pressure from competition, as per management's comments during the conference call on 1H22 results.

Decreasing adj. cost income ratio

The cost income ratio increased to 54.5% in 2Q22 and 47.7% in 1H22, from 53.6% in 2Q21 and 45.3% in 1H21. Operating costs were negatively impacted by EUR 1.2M IPO costs (one-offs), as well as EUR 0.3M non-recurring items related to legal disputes (in 1Q22) and higher than usual advertising campaign costs. Adj. for one-offs, the cost income ratio improved to 40% in 1H22 from 47% in 1H21, demonstrating the company's operating leverage.

Cost of risk at 4bps, in 2Q22

The cost of risk (calculated on Advances Granted) was only 4bps in 2Q22 (in line with 2Q21), and 3bps in 1H22 (vs. 1bps in 1H21). At June 2022, the gross NPE ratio increased to 0.53% from 0.44% as of March 2022 and decreased from 0.63% as of June 2021, remaining at a very low level.

CET1 over 15%, thanks to IPO proceeds

The CET1 ratio improved to 15.4% at June 2022, from 9.5% at March 2022 and 9.4% at December 2021, thanks to the proceeds of the IPO (EUR 17.7M capital increase, net of EUR 2.5M related costs). Moreover, the RWA density further declined to 75% form 82% as of June 2021, thanks to an extended use of the insurance coverage and a higher portion of rated clients.

Earnings Outlook

We estimate Generalfinance's net income to increase at a 28% 2021-24E CAGR, reaching EUR 19.7M in FY24E, for a ROTE declining from 36.3% in 2021A to 27.3% in 2024E, reflecting the larger capital base after the IPO.

We estimate a net income of EUR 19.7M for a ROTE of 27.3% in 2024E

Generalfinance - 2022-24E estimates

EUR M	2019A	2020A	2021A	2022E	2023E	2024E	2021-24E CAGR %
Interest income	4.6	5.7	9.2	14.4	26.7	35.1	56
Interest expenses	-1.2	-1.6	-3.0	-5.9	-15.5	-21.6	94
Net interest income	**3.4**	**4.1**	**6.2**	**8.5**	**11.2**	**13.5**	**29**
Commission income	11.5	14.7	20.8	27.7	34.3	40.9	25
Commission expenses	-1.4	-1.6	-3.1	-4.1	-5.4	-7.0	31
Net Commission income	**10.1**	**13.1**	**17.7**	**23.7**	**28.9**	**34.0**	**24**
Net Banking Income	**13.5**	**17.2**	**23.9**	**32.1**	**40.1**	**47.4**	**26**
Staff costs	-3.8	-4.3	-5.2	-6.0	-6.8	-8.0	15
G&A	-3.0	-3.0	-3.4	-5.1	-5.1	-6.2	22
D&A	-0.8	-1.1	-0.9	-1.2	-1.4	-1.4	14
Other income/expenses	0.8	0.8	0.1	0.1	0.1	0.1	0
Operating costs	**-6.9**	**-7.5**	**-9.6**	**-12.2**	**-13.3**	**-15.6**	**18**
Gross Operating income	**6.6**	**9.7**	**14.4**	**19.9**	**26.8**	**31.9**	**30**
Loan loss provisions	-0.4	-0.7	-0.2	-0.7	-1.8	-2.4	123
Risk and charges	-0.1	-1.1	-0.2	-0.4	-0.4	-0.4	18
Pre-tax income	**6.3**	**8.1**	**13.9**	**18.8**	**24.7**	**29.1**	**28**
Taxes	-2.1	-2.8	-4.5	-6.1	-8.0	-9.5	28
Net income	**4.2**	**5.3**	**9.5**	**12.7**	**16.7**	**19.7**	**28**
Net income adjusted	4.2	5.3	9.5	13.5	16.7	19.7	28

A: actual; E: estimates; Source: Company data (A) and Intesa Sanpaolo Research (E)

Volumes and funding

In our estimates, we assume a turnover growth at a 36% 2021-24 CAGR, well above management's 25% 2021-24 CAGR pre-IPO target, considering the wide potential market and the larger capital base, which we expect to be sufficient to feed such a volumes growth, while keeping a buffer over the minimum capital requirements over 400bps across the entire estimates horizon. We assume a LTV stable at 80% and average lending days of 79, in line with 2021, yielding advances granted for EUR 1.6Bn in 2022E and EUR 2.8Bn in 2024E and customer loans at EUR 459M in 2022E and EUR 800M in 2024E.

2021-24E turnover CAGR estimated at 36%

Generalfinance - Volumes growth estimates

EUR M	2019A	2020A	2021A	2022E	2023E	2024E
Turnover	590	761	1403	2006	2688	3495
yoy %	23	29	84	43	34	30
Advances Granted	445	562	1118	1599	2142	2785
LTV	75	74	80	80	80	80
Customer loans	132	177	321	459	615	800
yoy %	47	34	82	43	34	30
Average lending days	78	85	79	79	79	79

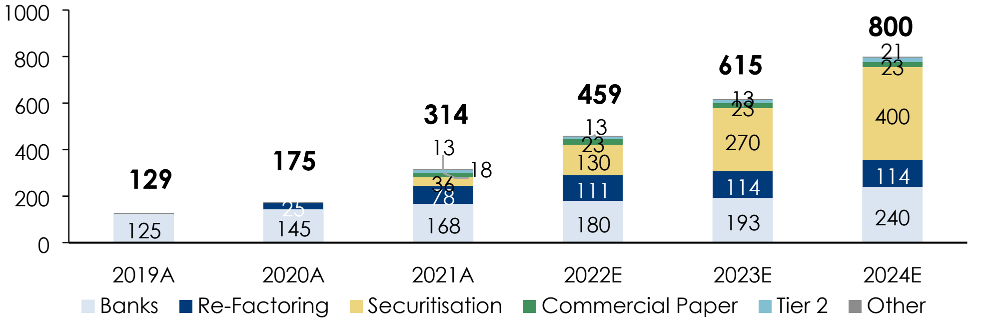
A: actual; E: estimates; Source: Company data (A) and Intesa Sanpaolo Research (E)

As regards funding, we made the following assumptions:

We expect a funding structure more reliant on securitisation

- A full use of the existing securitization programme, up to EUR 400M in 2024E;
- The issue of EUR 8M of Tier 2 bonds in 2023;
- Commercial paper issues limited to the current levels (EUR 23M);
- A decreasing weighting of re-factoring (from 25% in 2021 to 14% in 2024E);
- A loan to deposit ratio at 1x.

Generalfinance - Funding estimates (EUR M)



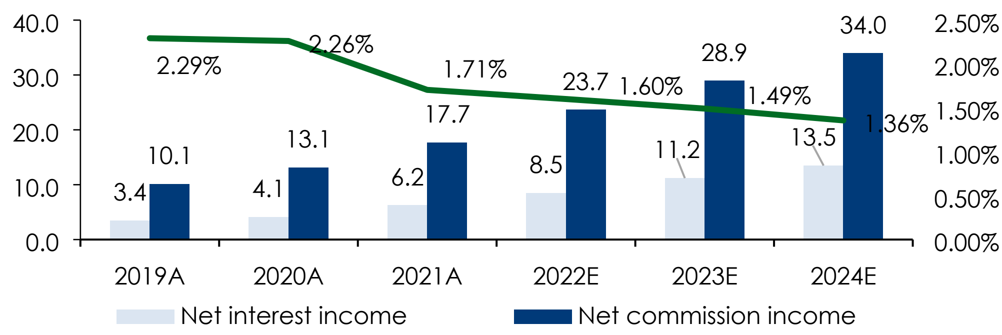
A: actual; E: estimates; Source: Company data (A) and Intesa Sanpaolo Research (E)

Revenues

We expect a 26% 2021-24E revenues CAGR, despite declining margins

We expect revenues to increase at a 26% 2021-24E CAGR, with NII up at a 29% CAGR and commissions up at a 24% CAGR. In our estimates, we incorporate a further reduction of margins, coherently with the company's strategy to increase the weighting of mid corporates. We estimate the Net Banking Income (NBI) on turnover ratio to decline from 1.71% in 2021 to 1.36% in 2024E.

Generalfinance - Revenue estimates (EUR M)



A: actual; E: estimates; Source: Company data (A) and Intesa Sanpaolo Research (E)

On commission income, we assume:

- A reduction of the monthly commission rate by 4bps per annum, incorporating an increase of the mid corporates business;
- Late payment commissions stable at 11bps of turnover;
- Other commissions stable at 14bps of turnover;
- A reduction in the cost of the insurance coverage from 8bps of turnover in 2021 to 6bps in 2022-24E;
- Stable banking commission expenses at 11bps of turnover;
- Stable re-factoring commission at 12.5bps of turnover;
- Stable third-party compensation at 3bps of turnover.

Generalfinance - Commission income estimates

EUR M	2019A	2020A	2021A	2022E	2023E	2024E	2021-24E CAGR %
Factoring commissions	9.2	11.9	17.1	22.7	27.6	32.2	24
Late Payment commissions	1.1	1.4	1.6	2.2	3.0	3.8	33
Other	1.3	1.4	2.1	2.8	3.8	4.9	33
Commission income	**11.5**	**14.7**	**20.8**	**27.7**	**34.3**	**40.9**	**25**
Insurance	-0.6	-0.6	-1.1	-1.2	-1.6	-2.1	25
Banking & Re-factoring	-0.6	-0.8	-1.6	-2.3	-3.0	-3.9	34
Third party	-0.2	-0.2	-0.4	-0.6	-0.8	-1.0	36
Commission expenses	**-1.4**	**-1.6**	**-3.1**	**-4.1**	**-5.4**	**-7.0**	**31**
Net commission income	**10.1**	**13.1**	**17.7**	**23.7**	**28.9**	**34.0**	**24**
Net commissions on turnover %	1.96	1.94	1.48	1.38	1.28	1.17	-8

A: actual; E: estimates; Source: Company data (A) and Intesa Sanpaolo Research (E)

On interest income, we assume:

- EURIBOR 3M increasing to 0.12%, 1.54% and 1.6% in 2022E, 2023E and 2024E, respectively (yearly average);
- An asset spread on Factoring down by 10bps per year, on average;
- LPI increasing to 10bps of the turnover (from 8bps in FY21).

In a context of increasing interest rates, we expect the liability spread (cost of funding minus EURIBOR 3M) to stabilise in 2022/2023E and to decline thereafter, impacted by two elements:

- The full impact of the cost of Tier 2 bonds issued in September and October 2021, negatively impacting 2022;
- Considering that the revolving credit facility and the securitization are parametrised to EURIBOR with a floor at zero, the liability spread should benefit from the increase in interest rates up to zero.

Generalfinance - NII estimates

EUR M	2019A	2020A	2021A	2022E	2023E	2024E	2021-24E CAGR%
Interests from factoring	4.1	4.9	8.3	12.8	24.5	32.2	57
LPI	0.6	0.8	0.9	1.6	2.2	2.9	47
Interest income	**4.6**	**5.7**	**9.2**	**14.4**	**26.7**	**35.1**	**56**
Banks	-1.1	-1.5	-1.9	-2.6	-5.5	-6.8	52
Securities	0.0	0.0	-0.6	-1.2	-1.8	-2.2	56
Securitisation and re-factoring	0.0	0.0	-0.7	-2.1	-8.2	-12.5	159
Other	0.0	0.0	0.0	0.0	-0.1	-0.1	22
Interest expenses	**-1.2**	**-1.6**	**-3.3**	**-5.9**	**-15.5**	**-21.6**	**88**
Net Interest Income	**3.4**	**4.1**	**6.2**	**8.5**	**11.2**	**13.5**	**29**
NBI/Turnover %	**0.58**	**0.54**	**0.44**	**0.42**	**0.42**	**0.39**	**-5**

A: actual; E: estimates; Source: Company data (A) and Intesa Sanpaolo Research (E)

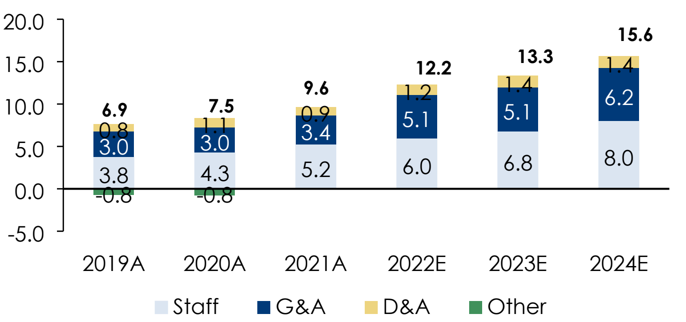
Operating costs

We expect operating leverage to limit cost growth

We expect operating costs to increase at a 18% 2021-24E CAGR, less than revenues, thanks to the company's operating leverage. We expect the cost income ratio to decline from 40% in 2021A to 32.8% in 2024E. We assume:

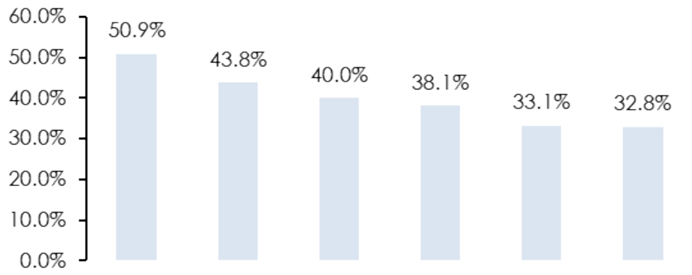
- Staff costs up at a 15% 2022-24E CAGR, driven by 20 new hirings in the next three years and the activation of the incentivisation and retention plan;
- G&A up at a 22% 2021-24E CAGR, with a reduction of the ratio between G&A and advances granted from 31bps in 2021A to 22bps in 2024E;
- D&A up at a 14% 21-24E CAGR, assuming capex at EUR 1.7M per year, in line with 2021.

Generalfinance - Operating costs estimates (EUR M)



A: actual; E: estimates; Source: Company data (A) and Intesa Sanpaolo Research (E)

Generalfinance - Cost income ratio estimates



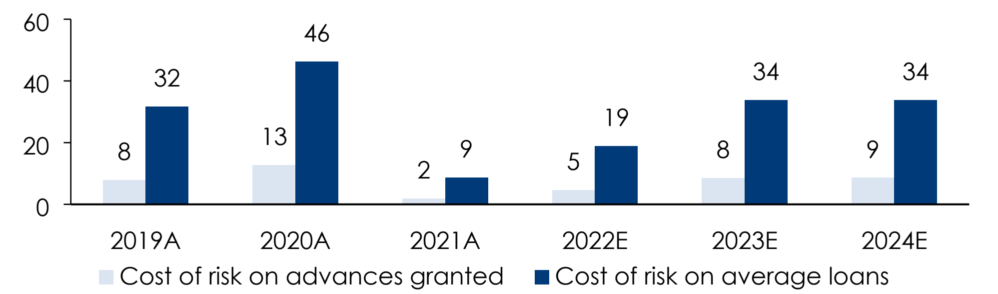
A: actual; E: estimates; Source: Company data (A) and Intesa Sanpaolo Research (E)

Loan loss provisions

We expect no deterioration in the asset quality

We do not expect material changes in asset quality in the next three years given the protection provided by the insurance coverage and the LTV that we assume to remain at 80%. After having posted only 2bps of cost of risk in 2021 (also thanks to write-backs) and 3bps in 1H22, we expect the cost of risk to increase to 5bps in 2022E and 8-9bps in 2023E and 2024E, broadly in line with 2020 (net of the effect of IFRS9 model changes) and 2019.

Generalfinance - Cost of risk estimates (bps)



A: actual; E: estimates; Source: Company data (A) and Intesa Sanpaolo Research (E)

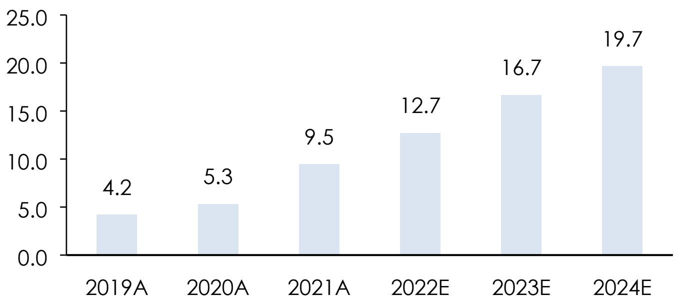
Profitability

ROTE over 30% over the estimates horizon

We expect Generalfinance to remain highly profitable in the next three years. We estimate:

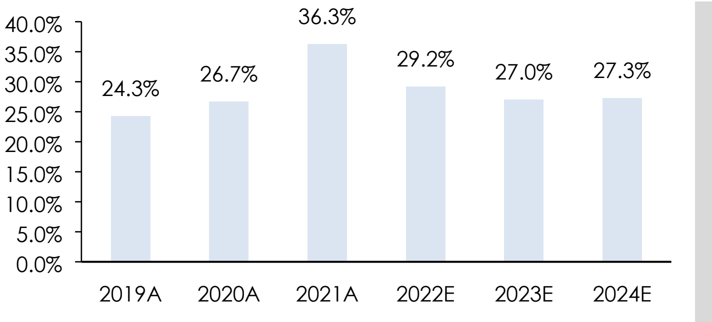
- A net income of EUR 12.7M in 2022E (EUR 13.5M adj. for IPO costs), EUR 16.7M in 2023E and EUR 19.7M in 2024E;
- A ROTE of 29.2% in 2022E, 27.0% in 2023E and 27.3% in 2024E;
- The payment of EUR 24.5M cumulated dividends in the next three years, based on a 50% dividend payout ratio, for an average dividend yield of 9% in the next 3 years.

Generalfinance - Net income estimates



A: actual; E: estimates; Source: Company data (A) and Intesa Sanpaolo Research (E)

Generalfinance - ROTE estimates



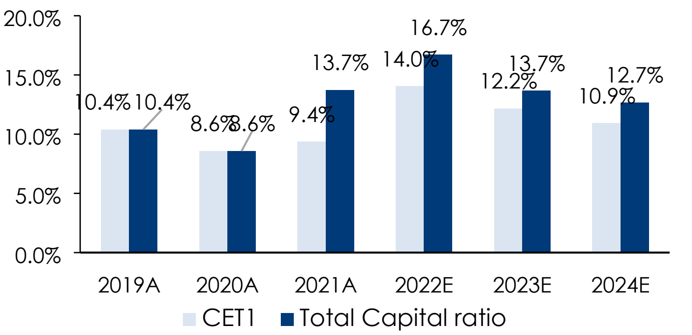
A: actual; E: estimates; Source: Company data(A) and Intesa Sanpaolo Research (E); ROTE calculated as net income of the period on average tangible book value

Capital ratios

Stable capital ratios expected

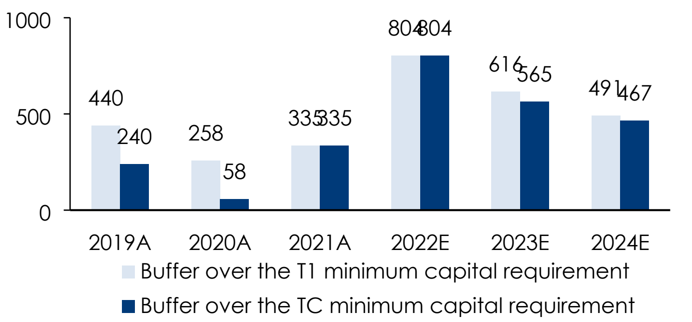
We expect the CET1 to increase to 14% as of December 2022 from 9.4% at December 2021, thanks to the IPO proceeds (EUR 17.7M, net of the IPO costs accounted on capital), that impacted the capital base by approximately +630bps. Following the strong volumes growth, we expect the CET1 ratio to decline to 10.9% in 2024E, keeping a buffer over the capital requirement of over 400bps. We assume a RWA growth at a 32% CAGR with turnover up at a 36% CAGR, embedding some RWA optimisation already achieved in 1H22 and related to the larger use of the insurance coverage allowed by the capital increase and a larger portion of mid-clients with a Cerved rating.

Generalfinance - CET1 and Total Capital ratios estimates



A: actual; E: estimates; Source: Company data (A) and Intesa Sanpaolo Research (E)

Generalfinance - Buffers over the minimum capital requirements estimates (bps)



A: actual; E: estimates; Source: Company data (A) and Intesa Sanpaolo Research (E)

Balance sheet

Our expectations on assets and liabilities are as follows:

Generalfinance - Balance sheet estimates

EUR M	2019A	2020A	2021A	2022E	2023E	2024E
Cash & bank loans	16.8	24.2	33.5	69.2	79.1	90.0
Loans	131.9	176.5	321.0	459.1	615.2	799.7
Fixed assets	5.3	5.1	4.9	4.7	4.7	4.7
Intangible assets	0.4	0.8	1.7	1.8	2.2	2.6
Other assets	4.0	3.7	4.2	6.7	7.4	8.1
Total assets	**158.4**	**210.2**	**365.3**	**541.5**	**708.6**	**905.2**
Deposits	129.0	175.4	283.6	423.6	579.7	756.2
Securities	0.0	0.0	31.0	35.5	35.5	43.5
Other Liabilities	10.9	12.2	18.7	24.0	24.6	25.4
Shareholders' equity	18.5	22.6	32.0	58.5	68.8	80.1
Total liabilities	**158.4**	**210.2**	**365.3**	**541.5**	**708.6**	**905.2**

A: actual; E: estimates; Source: Company data (A) and Intesa Sanpaolo Research (E)

Generalfinance – Key Data

Rating	Target price (EUR/sh)		Mkt price (EUR/sh)			Sector
BUY	Ord 10.2		Ord 7.20			Banks
Values per share (EUR)	**2019A**	**2020A**	**2021A**	**2022E**	**2023E**	**2024E**
No. of outstanding shares (M)	9.83	9.83	9.83	12.64	12.64	12.64
Market cap (EUR M)	NA	NA	NA	90.97	90.97	90.97
Adj. EPS	0.43	0.54	0.96	1.20	1.32	1.56
TBV PS	1.8	2.2	3.1	4.5	5.3	6.1
PPP PS	0.7	1.0	1.5	1.8	2.1	2.5
Dividend ord	0.21	0.22	0.48	0.50	0.66	0.78
Income statement (EUR M)	**2019A**	**2020A**	**2021A**	**2022E**	**2023E**	**2024E**
Net interest income	3.44	4.09	6.23	8.46	11.20	13.49
Net commission/fee income	10.10	13.12	17.69	23.66	28.91	33.95
Net trading income	0.00	0.00	0.00	0.00	0.00	0.00
Total income	13.53	17.22	23.93	32.12	40.11	47.44
Total operating expenses	6.90	7.53	9.57	12.23	13.28	15.58
Gross operating income	6.64	9.68	14.36	19.89	26.84	31.86
Provisions for loan losses	0.35	0.71	0.22	0.73	1.81	2.39
Pre-tax income	6.28	8.11	13.93	18.81	24.67	29.12
Net income	4.19	5.33	9.45	12.69	16.65	19.66
Adj. net income	4.19	5.33	9.45	13.50	16.65	19.66
Composition of total income (%)	**2019A**	**2020A**	**2021A**	**2022E**	**2023E**	**2024E**
Net interest income	25.4	23.8	26.0	26.3	27.9	28.4
Trading income	0	0.0	0.0	0.0	0.0	0.0
Commission income	74.6	76.2	73.9	73.7	72.1	71.6
Balance sheet (EUR M)	**2019A**	**2020A**	**2021A**	**2022E**	**2023E**	**2024E**
Total assets	158.4	210.2	365.3	541.5	708.6	905.2
Customer loans	131.9	176.5	321.0	459.1	615.2	799.7
Total customer deposits	129.0	175.4	314.6	459.1	615.2	799.7
Shareholders' equity	18.5	22.6	32.0	58.5	68.8	80.1
Tangible equity	18.1	21.8	30.3	56.6	66.6	77.5
Risk weighted assets	143.0	192.1	281.2	376.3	503.0	650.6
Stock market ratios (X)	**2019A**	**2020A**	**2021A**	**2022E**	**2023E**	**2024E**
Adj. P/E	NA	NA	NA	6.0	5.5	4.6
P/TBV	NA	NA	NA	1.61	1.37	1.17
P/PPP	NA	NA	NA	4.1	3.4	2.9
Dividend yield (% ord)	NA	NA	NA	7.0	9.2	10.8
Profitability & financial ratios (%)	**2019A**	**2020A**	**2021A**	**2022E**	**2023E**	**2024E**
ROE	23.81	25.95	34.67	28.07	26.18	26.41
Adj. ROTE	24.31	26.68	36.29	31.06	27.03	27.29
RoRWA	3.44	3.18	3.99	3.86	3.79	3.41
Leverage	11.48	10.41	8.33	10.49	9.43	8.58
Cost income ratio	50.9	43.8	40.0	38.1	33.1	32.8
Cost of risk (bps)	32	46	9	19	34	34
Tax rate	33.33	34.30	32.12	32.50	32.50	32.50
Dividend payout	50.0	40.0	50.0	50.0	50.0	50.0
Other (%)	**2019A**	**2020A**	**2021A**	**2022E**	**2023E**	**2024E**
CET1 ratio	10.40	8.58	9.35	14.04	12.16	10.91
CET1 ratio fully loaded	10.40	8.58	9.35	14.04	12.16	10.91
Net impaired loans ratio	0.61	0.38	0.12	0.19	0.41	0.58
Net impaired loans on TBV	4.45	3.06	1.31	1.55	3.75	6.00
Growth (%)	**2019A**	**2020A**	**2021A**	**2022E**	**2023E**	**2024E**
Total income	21.5	27.2	39.0	34.3	24.9	18.3
Gross operating income	24.0	45.9	48.3	38.5	34.9	18.7
Net income	43.2	27.3	77.4	34.3	31.2	18.0
Adj. net income	43.2	27.3	77.4	42.8	23.3	18.0
BS growth (%)	**2019A**	**2020A**	**2021A**	**2022E**	**2023E**	**2024E**
Customers' loans	46.6	33.8	81.9	43.0	34.0	30.0
Customers' deposits	70.6	36.0	79.4	45.9	34.0	30.0
Shareholders' funds	10.9	22.0	41.7	82.9	17.6	16.5
Structure (no. of)	**2019A**	**2020A**	**2021A**	**2022E**	**2023E**	**2024E**
Branches	0	0	0	0	0	0
Employees	49	50	53	63	73	83

NM: not meaningful; NA: not available; Neg.: negative; A: actual; E: estimates; Source: Company data and Intesa Sanpaolo Research

Company Snapshot

Company Description

Generalfinance is an Italian independent player that offers Factoring services to distressed and under financial stress corporates. Thanks to its specific business model, it takes advantage from the different credit rating of the receivables' Seller (distressed or under stress company) and the Assigned Debtor (usually an investment grade company), increasing its margins and reducing its risks. Its reference market is large and the competitive scenario is soft, as traditional banks are not interested in widening their exposure to distressed companies. Generalfinance couples strong growth rates with a high profitability: in the last three years, Factoring turnover increased at a 43% 2018-21A CAGR and the ROTE improved from 24.3% in 2019A to 36.3% of 2021A. Going forward and thanks to EUR 17.7M proceeds from the IPO, we expect the turnover to increase at a 36% CAGR, with a ROTE at 27% in 2024E. Key elements of this strong performance are an experienced management team, a presence along the entire value chain of the Factoring business and its developed in-house proprietary platform that allows a quick response to clients' needs.

Key Risks

Company specific risks:

- Funding fully relying on wholesale
- Business development largely dependent on the current management team
- Potential increase in competition
- Stock overhang risk, from the potential disposals by the Credit Agricole after the 12 months look-up period

Sector generic risks:

- Potential regulatory changes a
- Favourable macroeconomic trends, which could positively impact the financial situation of distressed corporates, reducing Generalfinance's addressable market

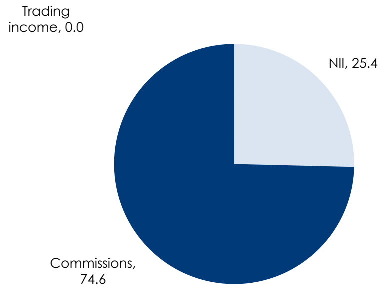
Key data

Mkt price (EUR)	7.20	Free float (%)	37.2
No. of shares	12.64	Major shr	GGH
52Wk range (EUR)	NA/NA	(%)	41.4
Reuters	GF.MI	Bloomberg	GF IM
Performance (%)	**Absolute**		**Rel. FTSE IT All Sh**
-1M	0.0	-1M	-4.1
-3M	NA	-3M	NA
-12M	NA	-12M	NA

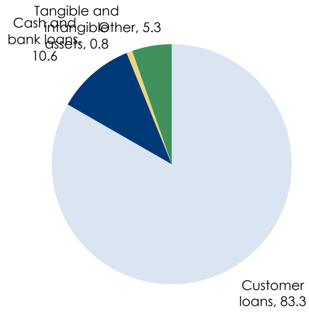
Estimates vs. consensus

EUR M (Y/E Dec)	2021A	2022E	2023E	2024E
Total income	23.93	32.12	40.11	47.44
Operating costs	9.57	12.23	13.28	15.58
Gross op. inc.	14.36	19.89	26.84	31.86
LLP	0.22	0.73	1.81	2.39
Net income	9.45	12.69	16.65	19.66
EPS (€)	0.96	1.20	1.32	1.56

Total revenues breakdown (%) breakdown by product



Total assets breakdown (%) breakdown by geographic area



Source: Company data, Intesa Sanpaolo Research estimates and FactSet consensus data (priced at market close of 08/08/2022)

Our Mid Corporate Definition

Italy is characterised by a large number of non-listed and listed micro, small and medium-sized companies. Looking at the revenues of these Italian companies, around 5,000 companies eligible for listing have revenues below EUR 1,500M based on Intesa Sanpaolo elaborations. We define these companies as 'Mid Corporate'. Looking more specifically at Italian listed companies, we include in our Mid Corporate segment all STAR companies and those with a market capitalisation below EUR 1Bn.

Appendix 1: A Brief History

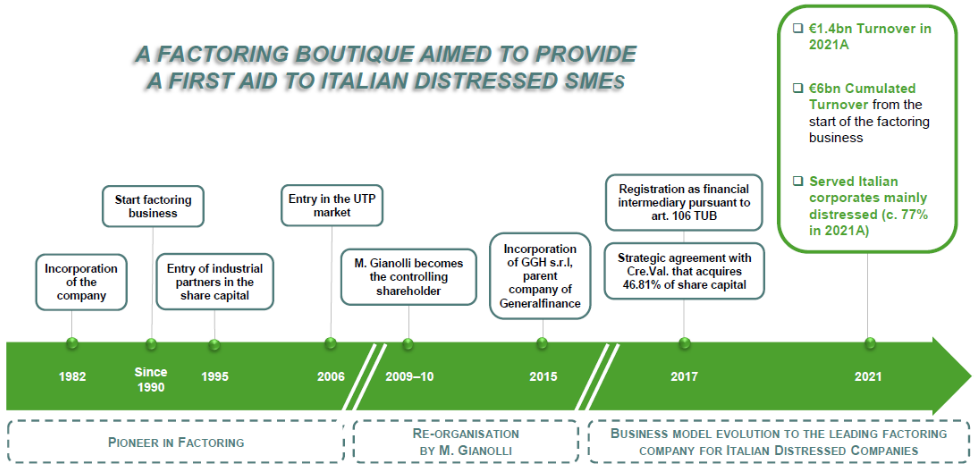
History

Generalfinance - Milestones

Year	Event
1982	Armando Gianolli, formerly agent for Generali Assicurazioni, established Prestoleasing S.p.A., a financial company specialised in leasing and consumer credit.
1990	The company changed its name to Generalfinance and started focusing its operations on trade receivables to corporations and on customised credit management. Massimo Gianolli was appointed CEO.
1995	New industrial partners/shareholders bought into the company
2006	Generalfinance entered the UTP universe, by offering financial support to distressed companies, and opened to foreign markets.
2009	The Gianolli family regained the full control of the company, after having disposed part of it 4 years before to some industrial partners, to boost the growth.
2015	The parent company GGH – Gruppo General Holding S.r.l. was incorporated.
2016	Start of authorisation process to be registered as a Financial Intermediary with the Bank of Italy.
2017	Generalfinance obtained the authorization to enrol in the register of financial intermediaries held by Bank of Italy, according to art. 106 TUB. Moreover, a strategic agreement was signed with Creval, which acquired 46.81% of the capital of Generalfinance for EUR 11M (of which EUR 7M as a capital increase)[16].
2022	Crédit Agricole Italia merged Creval, becoming Generalfinance's shareholder with a 46.81% stake.
2022	On 23 June 2022, Generalfinance went public with an offer price of EUR 7.20/sh., raising EUR 38.5M, of which EUR 20.2M on the primary market and EUR 18.3M in the secondary market. On 29 June 2022 the stock started trading on the Euronext STAR Milan segment.

Source: Company data

Generalfinance - History



Source: Company data

[16] Source: Creval press release on 29/06/2017

Appendix 2: Regulation

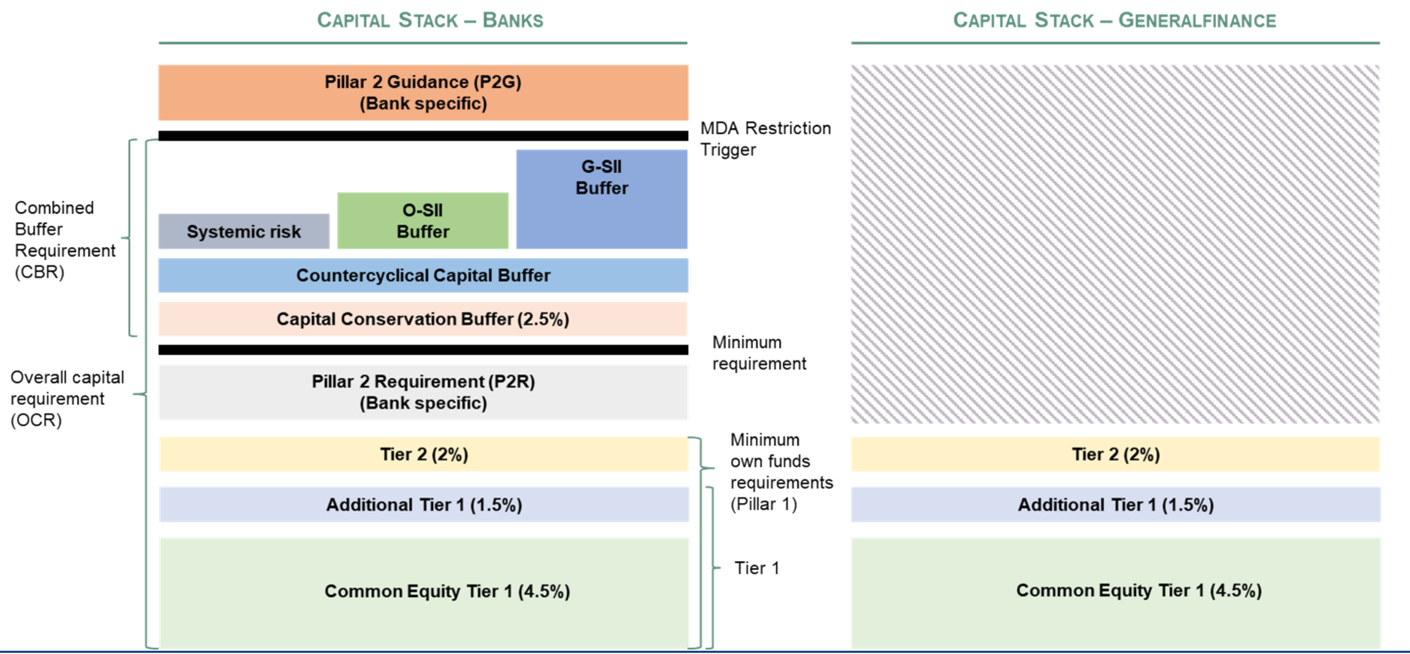
Generalfinance has a regulation based on Circ. 288 by the Bank of Italy.

Capital requirements

We highlight that Generalfinance, which is regulated as an art.106 financial intermediary, has less stringent capital requirements compared with banks. In particular:

- Generalfinance is required to maintain a minimum Tier 1 ratio of 6% (of which at least 4.5% CET1 ratio and up to 1.5% Additional Tier 1, which Generalfinance does not have, showing a Tier 1 ratio fully represented by CET1 capital) and a minimum Total Capital ratio of 8%;
- Banks, on top of a minimum Tier 1 ratio of 6% and a Total Capital ratio of 8% (the same as Generalfinance), have to maintain Pillar 2 requirements (P2R) that are specific for each bank (ranging between 2% and 3.91% for listed Speciality Finance Italian banks). On top of that, banks have Combined Buffer requirements, such as Capital Conservation Buffer of 2.5%, Countercyclical Capital Buffer, O-SSI od G-SII buffers: below that level of capital, the dividend payment is forbidden. Finally, banks are assigned by their regulator a Pillar 2 Guidance (P2G) specific for each bank.

General Finance - Capital requirements vs. banks



Source: Company data

Regulatory framework on NPEs

Calendar provisioning

Based on the March 2018 ECB addendum, NPEs should be clustered in terms of default period and level of collateralisation, with a distinction between secured with immovable collateral ('Secured A'), other collateral ('Secured B') and unsecured ('Unsecure') positions. For each cluster, banks are expected to apply a provisioning schedule in line with the one shown below, with the impaired exposure (NPLs, UTPs and PDs) fully provisioned by 2026.

Calendar Provisioning

Default Period	1	2	3	4	5	6	7	8	9
Secured A	-	-	25%	35%	55%	70%	80%	85%	100%
Secured B	-	-	25%	35%	55%	80%	100%	-	-
Unsecured	-	-	35%	100%					

Source: Company data based on ECB addendum

The main implications of the above-mentioned rules for banks are:

- The development of a strategy for effective NPE reduction;
- An effort to limit inflows of impaired exposures into banks with a high NPE ratio;
- An acceleration of the credit recovery processes through the transfer/sale of positions.

New definition of default

According to CRR 178, a default occurs when any of the following conditions materialise: (i) probable default; and (ii) exposures past due by more than 90 days. From 1 January 2020, the European Banking Authority has introduced stricter rules to define if an exposure is in default (New Definition of Defaut). In the table below, we report a comparison between the previous and new regulation.

Definition of default: new vs. previous regulation

	Previous Regulation	New Regulation
Thresholds	Client in default if arrears for more than 90 days, equal to at least 5% of their exposure towards the bank	Client in default if arrears of EUR 100 for individuals or EUR 500 for other exposures for more than 90 days, and at least 1% of their exposure towards the bank (Bank of Italy can decide between 0 and 2.5%)
Compensation	Offsetting of overdue amounts against unused credit lines is possible	No compensation allowed
Default status expiry	When the client settles the position	At least 90 days after the client settles the position

Source: Company presentation, based on EBA

Other Basel III regulatory impacts

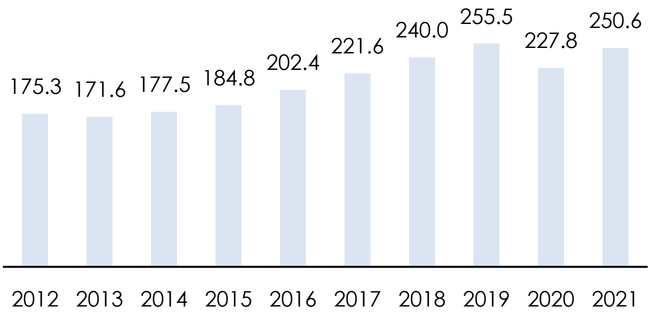
The envisaged tightening of current account overdrafts, which until now did not require any capital provisions but could in the future be subject to risk weighting for credit institutions, may have a significant impact in Italy, where they are widely used for household and SMEs' financing.

Appendix 3: Market Analysis on Factoring

EUR 250.6Bn turnover in 2021, 79% represented by non-recourse factoring

At December 2021, the total turnover of the Factoring business in Italy amounted to around EUR 250.6Bn, up by 10% yoy, despite not returning to the 2019 level (EUR 255.5Bn), after a 10.8% yoy decline in 2020. The portion of without-recourse (pro-soluto) factoring has increased in the past ten years to 79% in 2021 from 68.2% in 2012.

Italian Factoring market - Turnover trend (2012-21, EUR Bn)



Source: CrediFact (Assifact)

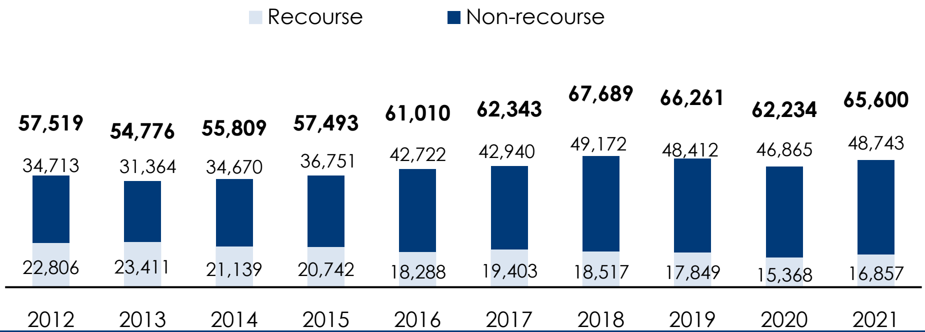
Italian Factoring market - non-recourse portion of turnover (%)

Source: CrediFact (Assifact)

Outstanding up 5.4% in 2021

The outstanding was up 5.4% yoy to EUR 65.6Bn, 74% represented by without-recourse factoring.

Italian Factoring market - Outstanding trend (2012-21, EUR M)



Source: CrediFact (Assifact)

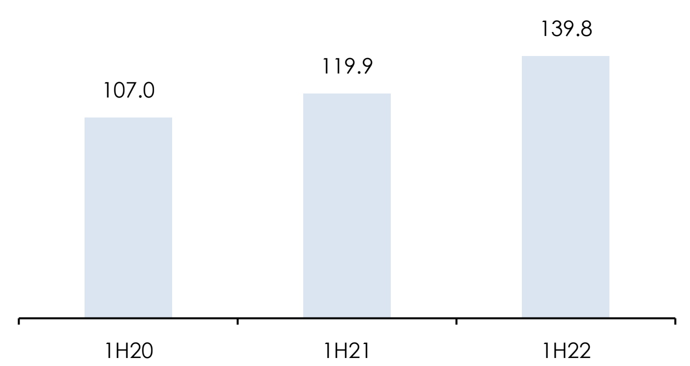
Positive outlook for 2022

CrediFact sees a further 7% yoy increase for Factoring turnover in 2022.

June 2022 market data

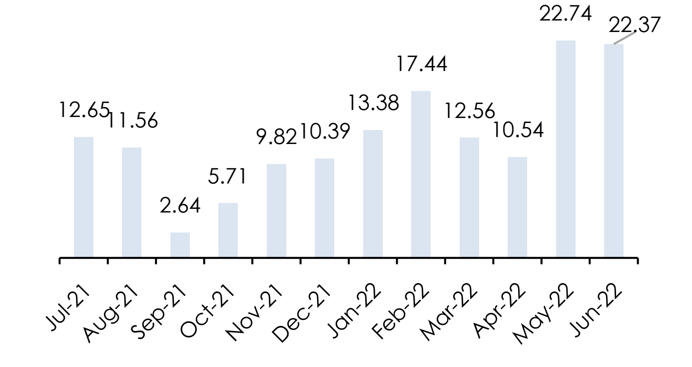
June 2022 preliminary data disclosed by Assifact showed a strong +16.6% yoy for 1H22 turnover, 78% represented by non-recourse factoring. Looking at monthly data and yoy growth, January-July data all showed an increase above 10%, with an acceleration in May and June.

Italian Factoring Market – Turnover trend (1H20-22, EUR Bn)



Source: CrediFact (Assifact)

Italian Factoring Market – Monthly turnover yoy growth (%)



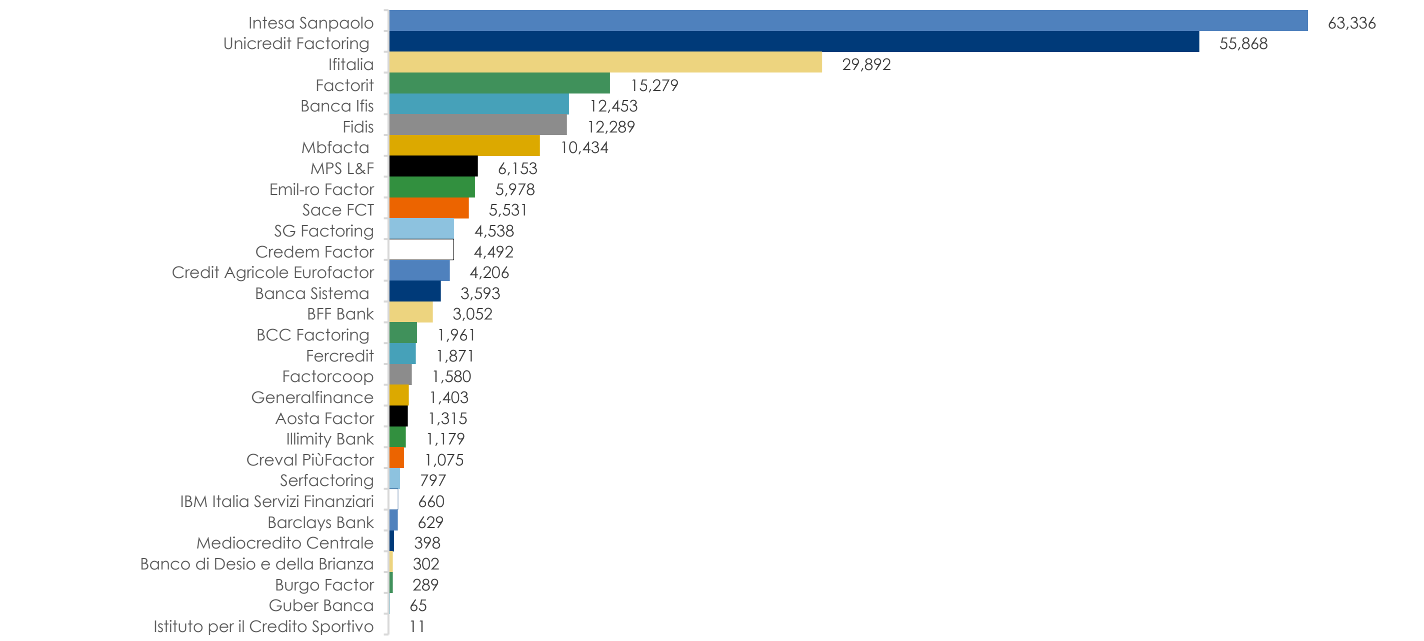
Source: FactSet

Generalfinance positioning

2021 turnover data

Generalfinance had a turnover of EUR 1.4Bn in 2021, for a 0.56% market share in the Factoring sector.

Italian Factoring market - 2021 turnover by company (EUR M)



Source: CrediFact (Assifact)

1H22 update

In 1H22, Generalfinance recorded a turnover of EUR 0.93Bn, posting a +71% yoy growth, well-above the Italian factoring market. We therefore calculate a market share of 0.67%.

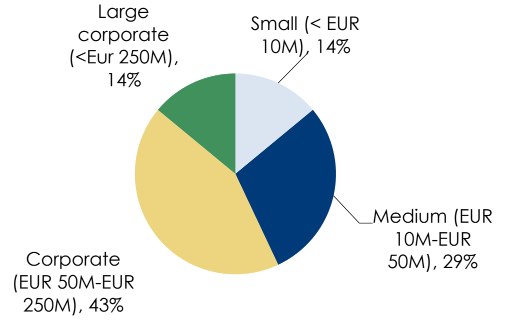
95% turnover represented by recourse factoring

Generalfinance has a unique positioning in the Italian Factoring market, with some differentiating characteristics. First of all, 95% of its 2021 turnover was represented by recourse factoring vs. 21% for Assifact market.

Limited clients' size

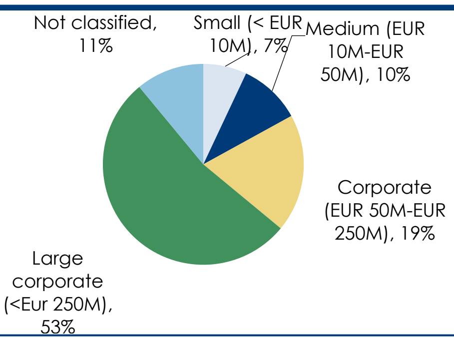
Generalfinance's client base typically has a limited size compared with the sector's average: 85% of Generalfinance sellers' turnover belongs to companies with a turnover below EUR 250M vs. only 36% at sector level. Generalfinance's target client has a turnover above EUR 20M.

Generalfinance - Turnover by sellers' size (December 2021)



Source: Company data

Italian Factoring market: turnover by sellers' size (December 2021)



Source: Company data. Assifact average

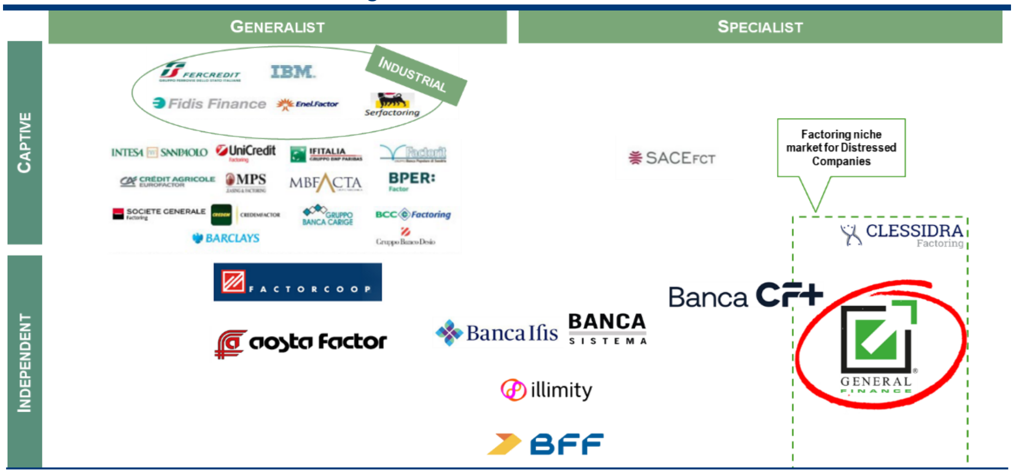
Good client diversification

In addition, Generalfinance is characterised by a higher number of debtors per seller (58 vs. 10 as per Assifact average, excluding household debtors). The portion of international turnover (25.8% in 2021) is higher than the sector average (21.8%, based on Assifact data). Looking at Italian turnover, 88% of sellers are based in Northern Italy vs. 48% for Assifact.

Specialisation in the Italian Factoring market for distressed companies

Generalfinance has a unique positioning in the Factoring business for distressed companies, which represented 77% of its turnover (23% in-bonis), in 2021. Generalfinance clients (sellers) are typically in a turnaround situation, while the assigned debtors (from Italy and abroad) typically have an "investment grade" rating.

Generalfinance – Market Positioning

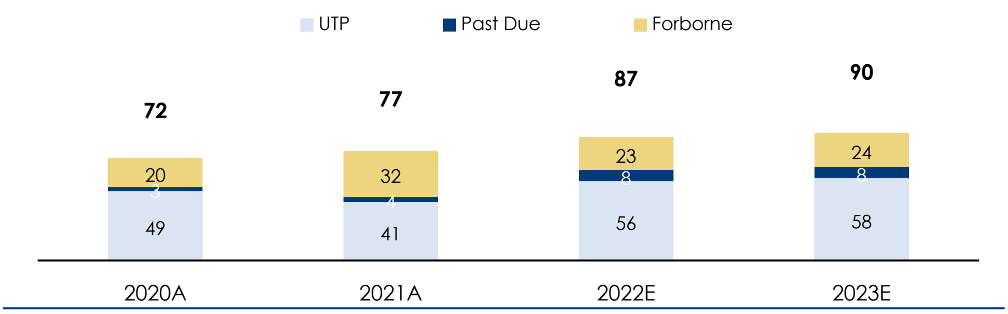


Source: Company data (management and Assifact data)

Generalfinance potential market …

As a result, Generalfinance's potential market is represented by the short-term portion of UTP/Past Due/ Forborne exposures, whose amount is seen to significantly rise, as shown by the chart below, after the 2020 recession.

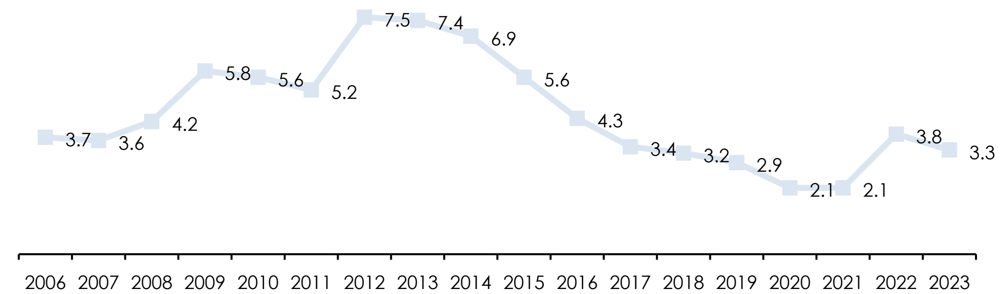
Italian UTP/Past Due/Forborne exposures (short medium and long term)



A: actual (based on Bank of Italy data); E: company estimates, based on Assifact, Prometeia, Bank of Italy, Banca IFIS Market Watch, PWC Report, company balance sheets and website

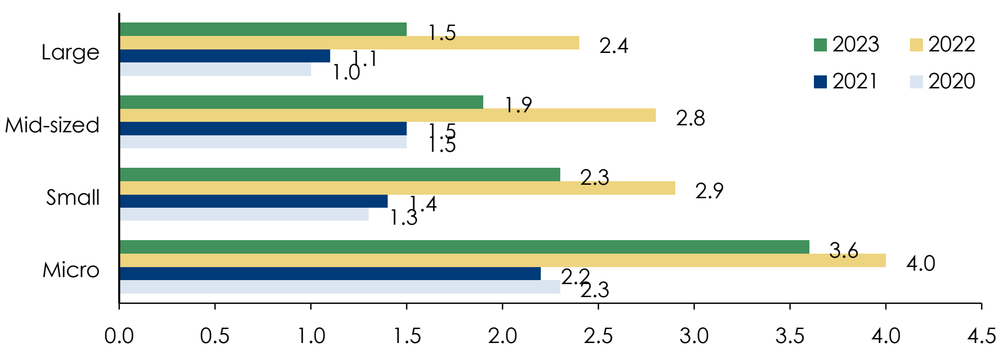
This trend is consistent with the 2022 ABI-Cerved Outlook on corporates' NPE exposures, which reports that the corporate default rate is expected to rise in 2022 (3.8% vs. 2.1% in 2021) and, though this should be followed by a decline, the 2023 level (3.3%) should be nonetheless higher than the pre-Covid (2019) level of 2.9%.

Corporate default rate (%)



Source: 2022 ABI-Cerved Outlook on corporates' NPE exposures

Corporate default rate by company size (%)



Source: 2022 ABI-Cerved Outlook on corporates' NPE exposures

In addition, according to Cerved Group Score, more than 40% of SMEs are in a vulnerability or risk condition, while an average number of companies close to 1,500 entered non-bankruptcy procedures in the past five years. According to Cerved, the share of SMEs in a "risk" position has increased from 8.4% in 2019 to 11.3% in 2021, or from 29.6% to 40.2% including those in a "vulnerable" situation, widening Generalfinance's addressable market.

Appendix 4: Peers Description[17]

We highlight a sample of companies active in Speciality Finance, in Italy.

Banca IFIS SpA

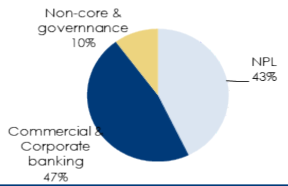
Banca IFIS description

Founded by Sebastien Egon von Fürstenberg on 5 August 1983 and headquartered in Venice, Italy, Banca IFIS is an independent banking company, which engages in the provision of financial solutions for enterprises. It offers business and personal banking, and non-performing loan management.

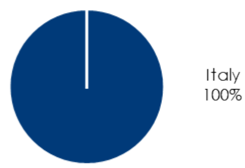
Banca IFIS – Key forecasts*

EUR M	2020A	2021A	2022E	2023E	2024E
Total Income	468	603	616	637	662
Operating costs	308	376	368	376	380
Gross operating income	160	227	248	262	283
Pre-tax Income	92	150	173	198	222
Net income	69	101	118	136	152
Tangible Equity	1464	1535	1602	1679	1763

Banca IFIS – Revenue breakdown, 2021



Banca IFIS – Geographic breakdown



Banca Sistema SpA

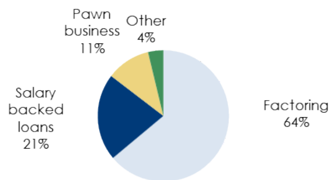
Banca Sistema description

Founded in 2011 and headquartered in Milan, Italy, Banca Sistema engages in the provision of financing and trade receivable management banking services. It offers debt management and collection, current accounts and time deposits, securities deposit services, salary and pension-backed loans, pawn loans and small and medium enterprise financing.

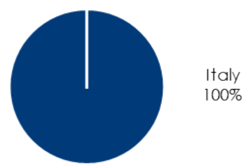
Banca Sistema – Key forecasts*

EUR M	2020A	2021A	2022E	2023E	2024E
Total Income	102	108	115	124	134
Operating costs	53	61	67	70	74
Gross operating income	49	47	48	54	60
Pre-tax Income	36	34	36	42	48
Net income	26	23	24	28	32
Tangible Equity	178	177	195	217	242

Banca Sistema – Revenue breakdown, 2021



Banca Sistema – Geographic breakdown



BFF Group SpA

BFF Group description

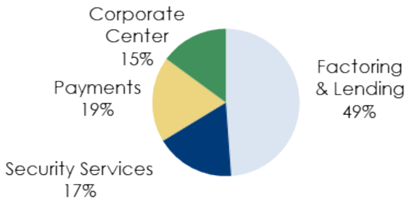
Founded in 1985 and headquartered in Milan, Italy, BFF Bank provides factoring and credit management services. Its service areas encompass customer reliability evaluation, credit management and collection, completion guarantee, credit advance prior to expiration date and legal assistance during credit collection. The firm offers institutional and online banking services to public administration, public health, and local administration agencies.

BFF Group – Key forecasts

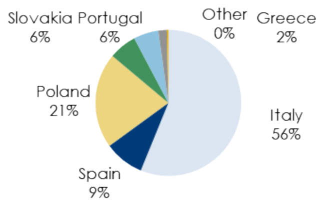
EUR M	2020A	2021A	2022F	2023F	2024F
Total Income	212	301	375	417	449
Operating costs	131	135	212	254	275
Gross operating income	--	--	--	--	--
Pre-tax Income	127	169	212	251	275
Net income	91	197	145	181	197

[17] All tables, charts and descriptions from FactSet and priced at market close of 08/08/2022 in EUR
(F: FactSet forecasts, --: not available; *Intesa Sanpaolo Research estimates)

BFF Group – Revenue breakdown, 2021



BFF Group – Geographic breakdown by volume, 2021



Illimity SpA

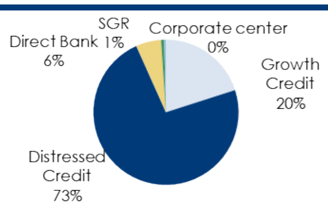
illimity description

Founded by Corrado Passera and Andrea Clamer on 12 January 2018 and headquartered in Milan, Italy, illimity Bank engages in the provision of financial services. It focuses on lending to small and medium sized enterprises and offering corporate non-performing loans. The firm operates through the following business segments: Distressed Credit Investment & Servicing, Senior Financing, Turnaround Lending, Crossover & Acquisition Finance, Factoring and Digital Bank.

illimity – Key forecasts*

EUR M	2020A	2021A	2022E	2023E	2024E
Total Income	175	264	337	425	515
Operating costs	129	161	191	217	247
Gross operating income	46	103	146	208	268
Pre-tax Income	12	81	123	192	251
Net income	31	66	83	129	170
Tangible Equity	514	688	742	854	992

illimity – Revenue breakdown, 2021



illimity – Geographic breakdown, 2021

Appendix 5: Glossary

Generalfinance - Milestones

Term	Definition
Advance (Disbursement)	Amount disbursed by the Factor to the Seller (typically 80-90% of the invoice amount) after the purchase of the Receivables. The remaining amount (deduction rate) serves as a security deposit and is transferred by the Factor immediately after payment by the Assigned Debtor.
Assigned Debtor	The purchaser of goods or services supplied by the Seller whose debts have been assigned/sold to a Factor.
Factor (Assignee)	The Assignee is the new creditor of a claim assigned by the Seller; in factoring, the Factor is the Assignee.
Assignment	Agreement by which the Assignor transfers to the Factor its existing and/or future receivables against the Debtor
Seller (Assignor)	The Seller is the previous creditor who assigns his claim to a new creditor (the Assignee); in factoring, the customer is the Seller.
Bad Loans	Bad loans are exposures to debtors that are insolvent or in substantially similar circumstances.
Credit Insurance	The insolvency risk of Sellers or Debtors can be mitigated by the credit insurance. The insurance partner compensates up to a certain percentage of the insured claim in the event of a default of the Assigned Debtor or the Assigned Debtor and the Seller. The uncovered percentage and portion exceeding the insured amount constitute the actual credit risk of the Factor.
Factoring	Through the Factoring a corporate (Assignor) transfers the receivables towards another company (Assigned Debtor) arising from its own business activity to a Factor, who manages their collections and accounting, advances all or part of the receivables value and can provide protection against the default of the Assigned Debtor. Factoring is a financial service that has several advantages for the corporate: it improves the effectiveness and efficiency of the receivables collection process, optimise its working capital and, in some case, it can reduce the risk of default of its clients. The Factoring involves 3 parties: the Assignor (Seller), the Factor (factoring company) and the Assigned Debtor. The legal instrument underpinning factoring is the assignment of receivables in accordance with Law no. 52 of 21 February 1991 (Law on the assignment of receivables).
Forborne	Forborne are loans subject to forbearance measures, like the reduction of the interest rate or the extension of the maturity of the loans, due to the financial difficulties encountered by the borrower. Forborne loans can be both performing or non-performing
Non-Recourse Factoring (Pro Soluto)	Factoring transactions in which the Factor takes upon itself the risk of Debtor's default. The Factor carries out an accurate assessment of the Debtors and determines specific reference ceilings for each of them, i.e. it quantifies an amount up to which the receivables will be guaranteed. In the event of insolvency, the Factor will make the payment thus replacing the insolvent Debtor.
Notification	Commonly issued by the Factor or by the Assignor to a Debtor, the notification is a communication which informs the Debtor that its related debts payable have been sold to the Factor.
NPE	Non-performing exposures are exposures to subjects who, due to a worsening of their economic and financial situation, are unable to fulfil all or part of their contractual obligations. Therefore, the collection of the claim is uncertain both in terms of maturity and the amount of the capital exposure. Non-performing loans are divided into Bad Loans, UTP and Past Due.
Outstanding	Total Receivables assigned and uncollected at a certain date.
Past Due	Past Due are loans that are overdrawn and/or past-due by more than 90 days and for above a predefined amount.
Receivables	The sums which the Supplier has the right to receive from the Debtor as a payment for goods and/or services.
Recourse Factoring (Pro Solvendo)	Factoring transaction where the Factoring company will not absorb any credit losses that result from a customer defaulting on an invoice. Indeed, if the receivable is not paid by the Assigned Debtor, the Factoring company sell it back to the Seller, that ultimately bears the risk of insolvency of the Assigned Debtor.
Reverse Factoring	Reverse factoring is a financing tool used by the factor, who resells its receivables, previously purchased by its sellers, to another Factor, thereby refinancing the exposure.
Turnover	Total amount of Assigned Receivables in a defined time-frame (monthly or annual).
UTP	Unlike to pay are those loans in respect of which banks believe the Debtors are unlikely to meet its contractual obligations in full unless action such as the enforcement of guarantees is taken.

Source: Intesa Sanpaolo Research elaboration on Company data

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Equity Research Publications in Last 12M

The list of all recommendations on any financial instrument or issuer produced by Intesa Sanpaolo Research Department and distributed during the preceding 12-month period is available on the Intesa Sanpaolo website at the following address:

https://group.intesasanpaolo.com/en/research/RegulatoryDisclosures/archive-of-intesa-sanpaolo-group-s-conflicts-of-interest0

Valuation methodology (long-term horizon: 12M)

The Intesa Sanpaolo SpA Equity Research Department values the companies for which it assigns recommendations as follows:

We obtain a fair value using a number of valuation methodologies including: discounted cash flow method (DCF), dividend discount model (DDM), embedded value methodology, return on allocated capital, break-up value, asset-based valuation method, sum-of-the-parts, and multiples-based models (for example PE, P/BV, PCF, EV/Sales, EV/EBITDA, EV/EBIT, etc.). The financial analysts use the above valuation methods alternatively and/or jointly at their discretion. The assigned target price may differ from the fair value, as it also takes into account overall market/sector conditions, corporate/market events, and corporate specifics (ie, holding discounts) reasonably considered to be possible drivers of the company's share price performance. These factors may also be assessed using the methodologies indicated above.

Equity rating key: (long-term horizon: 12M)

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Equity Rating Key (long-term horizon: 12M)

Long-term rating	Definition
BUY	If the target price is 20% higher than the market price
ADD	If the target price is 10%-20% higher than the market price
HOLD	If the target price is 10% below or 10% above the market price
REDUCE	If the target price is 10%-20% lower than the market price
SELL	If the target price is 20% lower than the market price
RATING SUSPENDED	The investment rating and target price for this stock have been suspended as there is not a sufficient fundamental basis for determining an investment rating or target. The previous investment rating and target price, if any, are no longer in effect for this stock.
NO RATING	The company is or may be covered by the Research Department but no rating or target price is assigned either voluntarily or to comply with applicable regulations and/or firm policies in certain circumstances.
TENDER SHARES	We advise investors to tender the shares to the offer.
TARGET PRICE	The market price that the analyst believes the share may reach within a one-year time horizon
MARKET PRICE	Closing price on the day before the issue date of the report, as indicated on the first page, except where otherwise indicated

Historical recommendations and target price trends (long-term horizon: 12M)

The 12M rating and target price history chart(s) for the companies currently under our coverage can also be found at Intesa Sanpaolo's website/Research/Regulatory disclosures: https://group.intesasanpaolo.com/en/research/RegulatoryDisclosures/tp-and-rating-history--12-months-. Note: please also refer to https://group.intesasanpaolo.com/it/research/equity---credit-research/equity in applicable cases for the ISP-UBI Equity Ratings Reconciliation Table, the archive of ex-UBI's previously published research reports and 12M historical recommendations.

Target price and market price trend (-1Y)

Initiation of coverage

Historical recommendations and target price trend (-1Y)

Initiation of coverage

Equity rating allocations (long-term horizon: 12M)

Intesa Sanpaolo Research Rating Distribution (at July 2022)

Number of companies considered: 127	BUY	ADD	HOLD	REDUCE	SELL
Total Equity Research Coverage relating to last rating (%)*	58	25	17	0	0
of which Intesa Sanpaolo's Clients (%)**	84	44	57	0	0

* Last rating refers to rating as at end of the previous quarter; ** Companies on behalf of whom Intesa Sanpaolo and the other companies of the Intesa Sanpaolo Group have provided corporate and Investment banking services in the last 12 months; percentage of clients in each rating category

Valuation methodology (short-term horizon: 3M)

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Equity rating key (short-term horizon: 3M)

Short-term rating	Definition
LONG	Stock price expected to rise or outperform within three months from the time the rating was assigned due to a specific catalyst or event
SHORT	Stock price expected to fall or underperform within three months from the time the rating was assigned due to a specific catalyst or event

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