Generalfinance

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Italy | Financial Services Banks

Investment Research

ESN

Company Update

Reason: Initiation of coverage

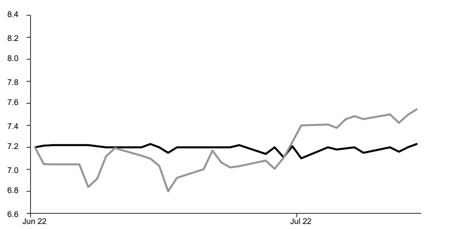
12 August 2022

Buy	
Initiating Coverage	
Share price: EUR	**7.23**
closing price as of 11/08/2022	
Target price: EUR	**8.80**
Upside/Downside Potential	**21.7%**
Reuters/Bloomberg	GENFIN.MI/GF IM
Market capitalisation (EURm)	**91**
Current N° of shares (m)	13
Free float	**37%**
Daily avg. no. trad. sh. 12 mth (k)	10
Daily avg. trad. vol. 12 mth (k)	151.00
Abs Perfs 1/3/12 mths (%)	0.42//

Key financials (EUR)	**12/21**	**12/22e**	**12/23e**
Total Revenue (m)	24	30	37
Pre-Provision Profit (PPP) (m)	14	17	24
Operating profit (OP)	*14*	*17*	*23*
Earnings Before Tax (m)	14	17	23
Net Profit (adj.) (m)	*9*	*11*	*16*
Shareholders Equity (m)	32	52	62
Tangible BV (m)	32	52	62
RWA (m)	281	368	462
ROTE	29.6%	21.3%	25.0%
Total Capital Ratio (B3)	13.7%	17.5%	15.6%
Cost/Income	*40.9%*	*42.9%*	*35.4%*
Price/Pre-Prov Prof		5.3	3.8
P/E (adj.)		8.2	5.9
P/BV		1.8	1.5
P/TBV		1.8	1.5
Dividend Yield	6.7%	6.1%	8.5%
Pre-Prov Prof per share	1.44	1.37	1.90
EPS (adj.)	0.96	0.88	1.23
BVPS	3.25	4.13	4.92
TBVPS	*3.25*	*4.13*	*4.92*
DPS	*0.48*	*0.44*	*0.62*

Shareholders

Management 41%; Credit Agricole 16%; F4P 5%;



Source: FactSet

GENERALFINANCE — FTSE Italy All Share (Rebased)

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A growth story in a well-guarded market niche

Generalfinance is a specialty finance operator with a leading position in the field of financing companies in distress through the factoring of trade receivables, having an in-depth knowledge of all the dynamics related to company restructuring. Following several years of growth, the company has gone public to finance further volume-driven development in a well-guarded market niche. We initiate coverage with a Buy recommendation and EUR 8.8 target price.

- ✓ **A peculiar countercyclical business model…** Generalfinance focuses on sellers who do not have a credit rating in line with traditional banks' credit policies but do have a portfolio of performing debtors, i.e. with a medium-high credit rating. The factoring is predominantly with recourse, allowing to compensate the payments of different receivables and fully manage the debt, and over 90% of the turnover is notified to the assigned debtor. Over 80% of the turnover is originated by the company's network and is fully managed by the in-house proprietary platform, allowing for customised solutions.
- ✓ **… in an attractive and growing market…** The Italian factoring turnover was up 10% last year and market operators are expecting a positive development (+6.8% Y/Y) also in 2022 (source: Assifact). Generalfinance consistently outperformed the market thanks to 3 elements: 1) the post-Covid recession in 2020, due to impact the trend of the lending stock classified as unlikely to pay (UTP), past-due and forborne by the banking system, that is considered the most adequate to estimate Generalfinance's niche market; 2) the structural vulnerability of Italian SMEs, with over 40% being vulnerable or at risk of default; 3) the new banking regulation, with the new DoD that has introduced stricter rules, the calendar provisioning introducing mandatory schedules for the full coverage of NPE, and the risk-weight tightening of current accounts overdrafts.
- ✓ **…with an outstanding track record…** In 2019-21 Generalfinance's turnover delivered a 54.2% CAGR, with total revenues growing 33% per year and the net profit increasing approx. 50% per annum, on the back of a C/I ratio improving 10 p.p. to 41% thanks to the scalability of the proprietary IT platform. The latter has also allowed a strong asset quality assessment and constant monitoring, leading the NPE ratio down from 1.2% in 2019 to as low as 0.2% in 2021 and a cost of credit risk of just 2bps in the last year.
- ✓ **… and a clear strategy for future growth** based on a structural increase of the customer base and, therefore, of the turnover. The latter is estimated to grow 36% per year in 2022-24 to EUR 3.5bn. This growth will be paired with optimisation of the credit process and the higher efficiency of the assessment. The final strategic driver will be the enhancement of the organisational structure and corporate functions, especially those impacted by higher turnover volumes, together with better incentive systems and IT systems. On the back of this volume growth, we expect total revenue to reach EUR 43m in 2024, with a 22% 3Y CAGR.
- ✓ **…with excess resources after the IPO.** To support the business development and the higher turnover, the strategy entails for a further strengthening and diversification of the funding structure, with the renewal of traditional credit lines (RCF) and the full deployment of other funding sources (securitisation program, commercial paper, refactoring, bilateral lending and subordinated issues). The listing allowed to strengthen the capital base to accelerate future growth.

CONTENTS

Investment Case

A **specialized and unique player**, with a leading position in the field of financing companies in distress with custom-made solutions through the factoring of trade receivables, having an in-depth knowledge of all the dynamics related to company restructuring.

Exposed to an **attractive and growing market**, as the Italian factoring turnover was up 10% last year and market operators are expecting a positive development (+6.8% Y/Y) also in 2022 (source: Assifact). Generalfinance consistently outperformed the market thanks to 3 elements: 1) the post-Covid recession in 2020, due to impact the trend of the lending stock classified as unlikely to pay (UTP), past-due and forborne by the banking system, that is considered the most adequate to estimate Generalfinance's niche market; 2) the structural vulnerability of Italian SMEs, with over 40% being vulnerable or at risk of default; 3) the new banking regulation, with the new Definition of Default (DoD) that has introduced stricter rules, the calendar provisioning introducing mandatory schedules for the full coverage of NPE, and the risk-weight tightening of current accounts overdrafts.

With a peculiar **business model that is difficult to replicate**, as the company focuses on sellers who do not have a credit rating in line with traditional banks' credit policies but do have a portfolio of performing debtors, i.e. with a medium-high credit rating. The factoring is predominantly with recourse, allowing to compensate the payments of different receivables and fully manage the debt, and over 90% of the turnover is notified to the assigned debtor. Over 80% of the turnover is originated by the company's own network and is fully managed by the in-house proprietary platform, both front-end and back-end, allowing for customised solutions. The funding of the loan book is based on a stable and diversified funding structure.

Managed by a **qualified team** with a unique experience in the reference sector, as the founding family (CEO and CCO) has an experience of over 30Y in the industry, the COO and CLO have been in the industry for more than 15Y and the CFO, coming from the banking sector, has around 5Y experience in the sector. The company's personnel, while relatively young (42Y avg. age) has been working for Generalfinance for an avg. 8.3Y.

With an **outstanding track record**: in 2019-21 Generalfinance's turnover delivered a CAGR of 54.2%, with total revenues growing 33% per year and the net profit increasing approx. 50% per annum, on the back of a C/I ratio improving 10 p.p. to 41% thanks to the scalability of the proprietary IT platform. The latter has also allowed a strong asset quality assessment and constant monitoring, leading the NPE ratio down from 1.2% in 2019 to as low as 0.2% in 2021 and a cost of credit risk of just 2bps in the last year.

And a **clear strategy** for future growth based on a structural increase of the customer base and, therefore, of the turnover. The latter is expected to grow 36% per year in 2022-24 to EUR 3.5bn. This growth will be paired with optimisation of the credit process and the higher efficiency of the assessment, through a strengthening of skills and improvement of the organisational structure. To support the business development and the higher turnover, the strategy entails for a further strengthening and diversification of the funding structure, with the renewal of traditional credit lines (RCF) and the full deployment of other funding sources (securitisation program, commercial paper, refactoring, bilateral lending and subordinated issues). The final strategic driver will be the enhancement of the organisational structure and corporate functions, especially those impacted by higher turnover volumes, together with better incentive systems and IT systems.

Generalfinance at a glance

Generalfinance was founded in 1982 as Prestoleasing and is now a registered financial intermediary. To date the company is the only specialized player in the field of financing companies in distress with custom-made solutions through the factoring of trade receivables, having an in-depth knowledge of all the dynamics related to company restructuring.

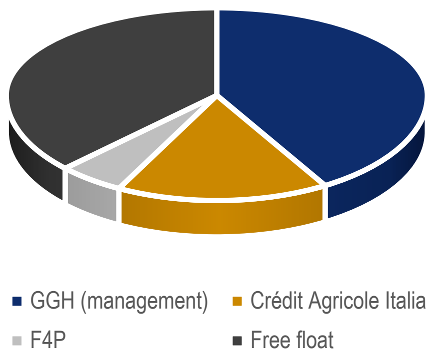
The top management has a solid experience in financial services to distressed companies, as well as significant skills in business development.

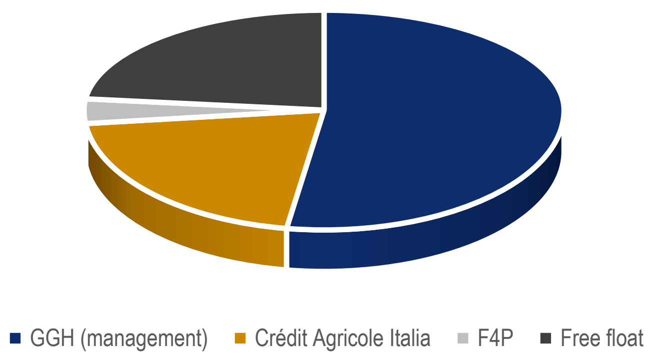
Generalfinance owns its information system (back-end and front-end) that allows high flexibility of operational processes with a tailor-made approach.

As at YE21, the company had 216 customers, selling the receivables of over 12,400 debtors. In terms of economic sector, the sellers, typically in financial distress (turnaround in restructuring procedures) pertain mainly to manufacturing (66%) and wholesale trade (21%) and are located in Northern Italy (90%). The debtors, generally with investment grade rating, pertain mainly to general trade (33%), construction (29%) and manufacturing (25%) and are located both in Italy (74%) and abroad (26%).

Generalfinance post-IPO shareholder structure is as follows:

Shareholder structure: on share capital… **…and on voting rights**





Source: Banca Akros on company data

The EGM approved in Mar 2022 the new company by-laws which entails for the doubling of the voting rights for each share owned continuously over the previous 24 months. Gruppo General Holding (GGH) represents the company founders and top management (Gianolli family) and owns 41.4% of capital 52.5% of voting rights, while Crédit Agricole Italia owns 16.3% of capital and over 20% of voting rights. First4Progress (F4P) acted as anchor investor in the IPO process, when it acquired over 5% of Generalfinance (3.3% of voting rights). Therefore, the company cannot be subject to a hostile takeover bid.

The business model

Generalfinance is a registered financial intermediary, specialised in the factoring of trade receivables, both with (pro-solvendo) and without recourse (pro-soluto).

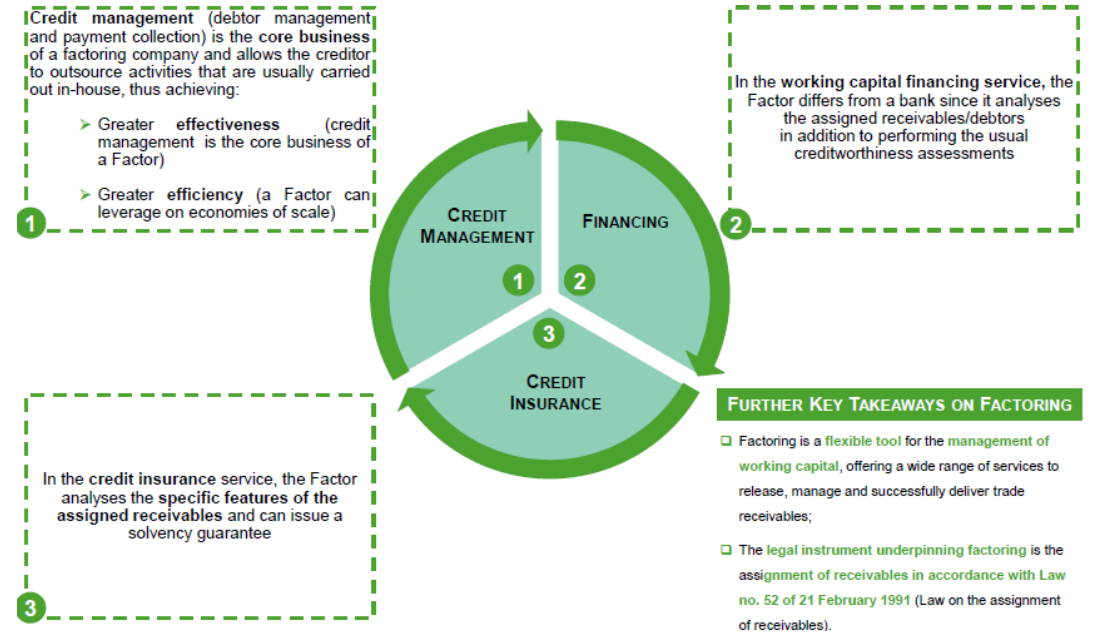
The factoring can be summarized in three services (see next chart):

a) **credit management** (administrative duties and payment cash-in) which allows the creditor to externalise in-house tasks in order to optimise the related costs and efficiency;

b) **financing**: anticipation to the seller of future cash flows related to trade receivables, based on the credit scoring both of the seller and the debtor; the credit is self-liquidating as the factor is not dependent on the seller's cash flows, but on the debtor's payments;

c) **insurance**: in non-recourse factoring, the factor assumes the risk of the debtor's insolvency.

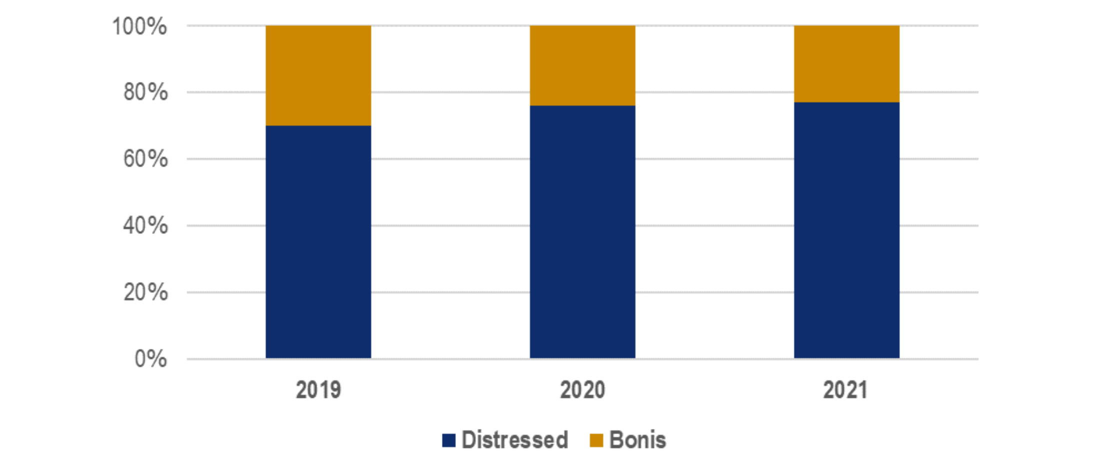
Three services of the factoring activity



Source: Generalfinance

Generalfinance has specialised over time in a specific factoring market niche, offering tailor-made financing services to distressed companies, i.e. enterprises in temporary financial difficulty. The distressed companies can be differentiated in companies in default, which are in a procedure of consolidation, recovery, debt restructuring or extraordinary administration, and performing companies, which are not part of a recovery procedure but have a limited access to traditional banking credit due to their vulnerable financial situation. The following chart shows the mix evolution of default/performing companies of Generalfinance turnover in the last 3Y:

Customer mix evolution in factoring turnover in 2019-21



Source: Banca Akros on company data

The progressive concentration of the turnover with customers in restructuring/turnaround is in line with Generalfinance's strategy, as for these companies the applicable regulation allows a strong mitigation of the risk of claw-back actions if the seller becomes a gone concern. Indeed, Generalfinance offers credit lines in execution of restructuring plans or related to their presentation: in these cases, the claw-back action is excluded by law or *de facto*, thus reducing the legal/operating risk for Generalfinance.

Value chain

The organisational model is summarized in the following chart, which shows not only the main elements of the value chain, but also its integration with the proprietary information system to manage the operational credit process and the funding activity. Additionally, Generalfinance's business model entails for the insurance coverage of the credits sold.

The business model

	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: Generalfinance

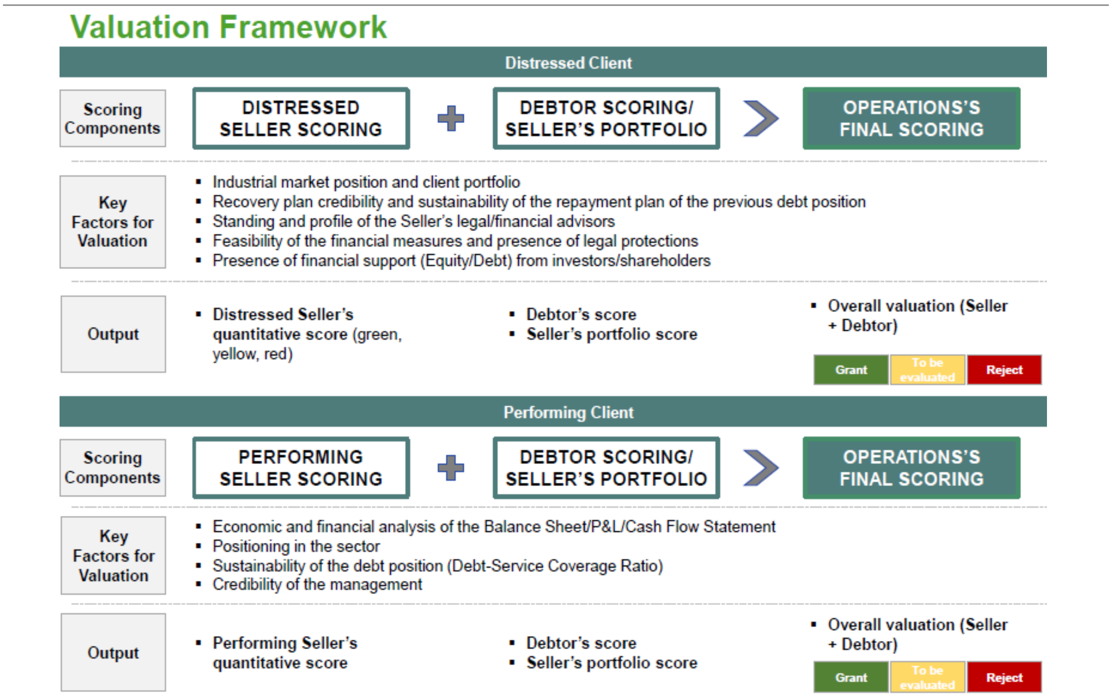
Origination: the customer acquisition process normally takes place in the context of relations with the network of professionals and advisors active in the restructuring arena, like investment funds, banks, professionals, advisors, fintech and legal studies who assist the interested enterprises in their restructuring procedures. These parties submit to Generalfinance companies that are about to begin a turnaround process and, should the company be in line with the underlying criteria, a business contact is initiated. Generalfinance has longstanding relationships with these restructuring operators, allowing the company to be present in the main recovery procedures. Additionally, Generalfinance distributes its financial services through an exclusive agent and commercial agreements with credit agents, representing some 20% of the annual turnover. In order to diversify its commercial sources, Generalfinance evaluates also commercial agreements with specialised distressed credit operators like the one signed in 2020 with Prelios, in order to support companies classified as UTP (unlikely to pay) by the banking system.

The Customer Management dept. establishes an initial contact with the applicant (prospect), providing him with the main information about the company and the offered financial products/services. Then the commercial investigation begins to collect the initial information and documentation: the prospect is sent the temporary credentials for accessing the company's online portal and a dedicated manager visits the prospect to gather information.

Credit investigation: the investigation phase aims to accurately understand the level of risk associated with the individual case through a tailored assessment of the seller and the package of potential assigned debtors. The customer assessment is based on the information acquired in the previous phase, to assess the seller's creditworthiness in order to provide a complete and exhaustive representation of the applicant's position to the decision-making bodies, including the anti-money laundering due diligence. The dedicated office performs also a screening of the main hypothetical assigned debtors using data from external suppliers as well as from the Chamber of Commerce. On this occasion, the credit insurance company is also requested to disclose the level of coverage that it is willing to grant with respect to the receivables due from each debtor.

The summary document allows to assess whether the customer meets the company's underwriting criteria in terms of risk and cost-effectiveness and in order to hypothesise a general structure of the operation, not binding, to be shared with the client. The maximum limit of exposure towards a risk holder is equal to 25% of capital. As at YE21, Generalfinance had 8 large exposures (each representing over 10% of capital), with none above the 25% threshold, with the sole exception of the current account with an Italian bank with an asset value of EUR 62.3m and a risk-weighted value of EUR 25m.

Customer valuation framework



Source: Generalfinance

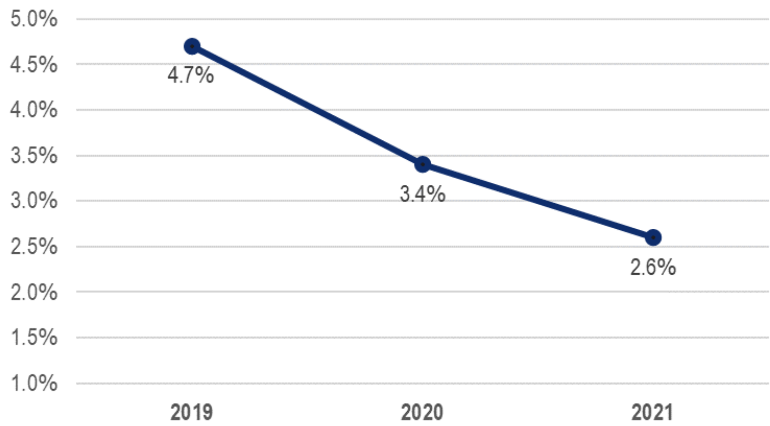
Credit resolution: after receiving the acceptance from the customer, Generalfinance proceeds with the preparatory activities for the approval of the credit line. The resolution to grant a facility involves an overall check of the feasibility, opportunity and convenience of the transaction in relation to the foreseeable risks. The granting of the credit line provides for a resolution on three elements: maximum payable; fido crossing; percentage of disbursement. The latter for each seller/debtor depends on several characteristics and has been on average of 80% of turnover in 2021.

Completion of the sale: following the granting of the requested credit line, the manager collects the customer's signature on the contractual documents to start the relationship. A copy of all countersigned documents is made available to the customer via the Generalweb portal, including the Letter of initiation (LIR), generally for the following 24 months, for the disposal of the credits held by the seller towards the agreed debtors. Through the same portal, the seller uploads the data relating to the assigned receivables, with the application automatically performing a series of checks to verify the data consistency with the agreed conditions and the terms of the credit line. Once all the congruity checks have been passed, the system automatically notifies the debtor that the credit has been transferred (mandatory for 93% of turnover in 2021).

Ordinary management: this activity consists of a set of controls and checks aimed at maintaining constant monitoring of the seller's activity, regarding the fulfilment of the requirement and conditions on the basis of which the relationship was activated, the verification that the seller's operations are in line with the agreed work program as provided for in the restructuring plan, the verification of the correct use of the credit facilities granted, reporting the client's requests in relation to any increase, limitation or revocation of the credit facility. The ordinary mgmt. of the relationship with the assigned debtor consists in receiving and managing any exceptions raised by the latter who, following the delivery of the notice of assignment, becomes aware that the new creditor of his receivable is Generalfinance. The acquisition of a new bill during the contractual relationship with the seller implies that Generalfinance immediately notifies the debtor of the further assignment.

Monitoring: the main activities are the following: a) maintenance of existing relationships, like the activation of new assigned debtors, managing requests from the seller to change the contractual conditions and/or the max amount payable; b) monitoring relations with assigned debtors; c) monitoring the credit risk by identifying NPE subject to concessions and handling any objections raised by debtors; d) checking the incoming transfers and the list of outstanding amounts relating to maturities. Once all overdue receivables are collected, the available undrawn amount is made available to the seller (settlement). The 2019-21 evolution of unpaid debts on total gross outstanding debts is summarized in the following chart. The trend of improvement is due to the different mix of payment forms over time (with an increase of collection orders) and the better risk profile of assigned debtors.

Unpaid loans/ Total gross loans

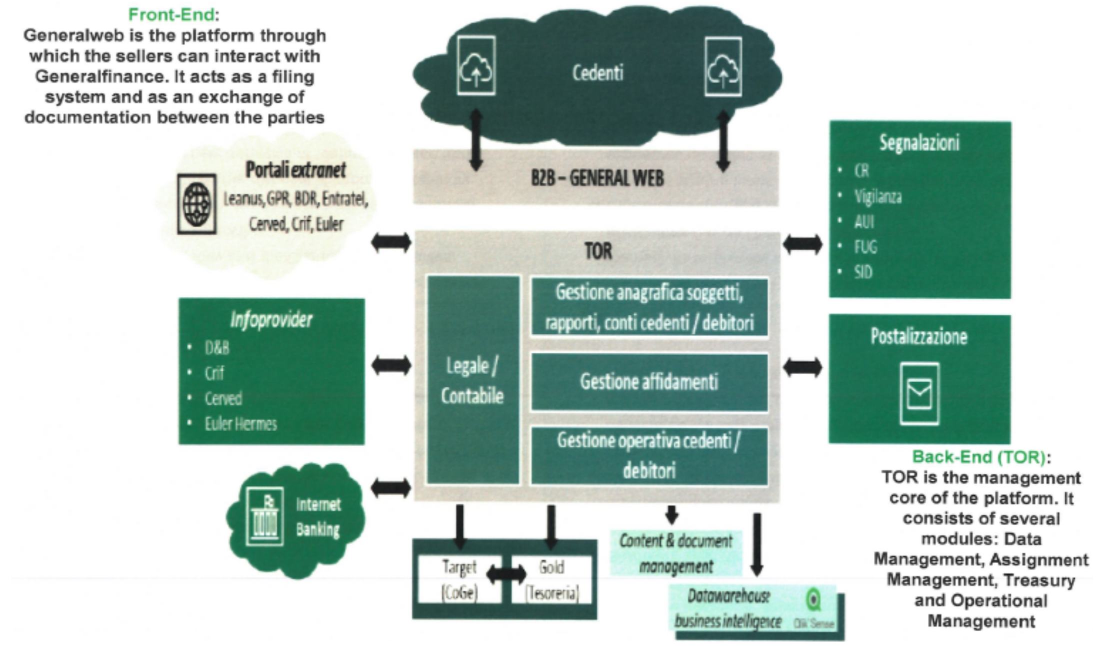


Source: Banca Akros on company data; Unpaid loans takes into account a proxy added to due dates by form of payment (Bank Transfer +2 days; Ri.Ba +1 day).

Proprietary information system

Generalfinance has developed internally its own factoring platform, with a customised solution including the front-end component Generalweb and the back-end component TOR. The platform is summarized in the following chart:

Proprietary information system



Source: Generalfinance

The front-end portal Generalweb is the platform through which the sellers can interact with Generalfinance. It acts as a filing system and as an exchange of documentation between parties.

The back-end component TOR manages all the operational and financial processes of the company, including the credit supply and redemption. TOR is integrated with the module of general accounting and the module of supervisory interactions.

Funding

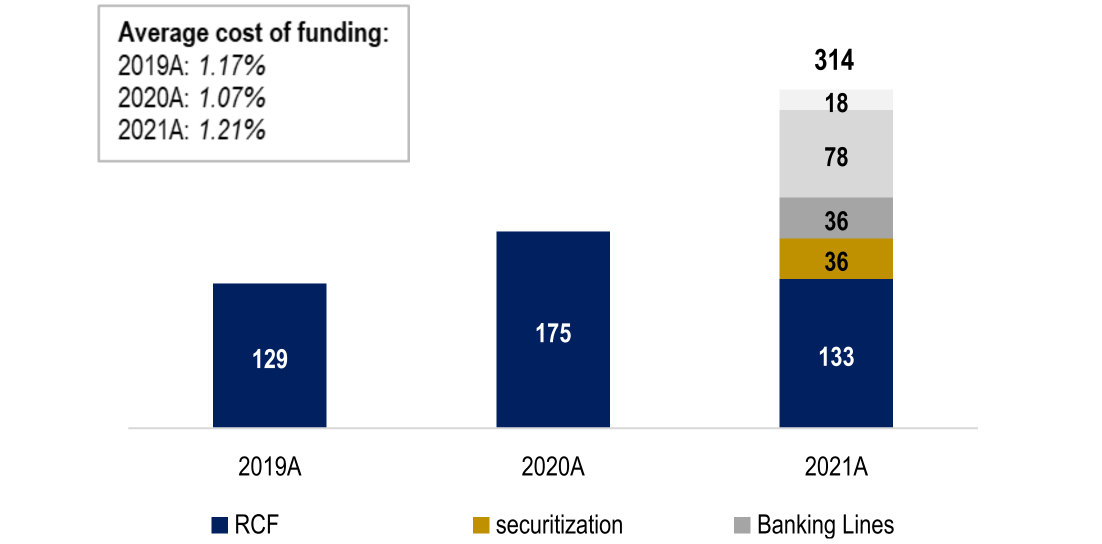
Historically, Generalfinance has funded its operations through a network of primary Italian banks which pooled a M/L-term **Revolving Credit Facility** (RCF) worth EUR 133m with a floating rate of 3m Euribor +155bps. The maturity of the RCF has recently been extended from Jan 2023 to Jan 2025.

During 2021 the company has diversified its funding sources by activating also a 3Y **Securitisation program** of commercial credits through which Generalfinance sells on a revolving basis and without recourse performing credit portfolios to an SPV. The maximum nominal amount was initially set at EUR 295m and increased to EUR 590m in June 22. The related ABS are subdivided in three classes: maximum EUR 400m senior notes (Euribor +108bps), to be acquired by BNP Paribas and Intesa Sanpaolo with an initial commitment of EUR 75m and 50m respectively; max EUR 42.4m mezzanine notes retained by Generalfinance for a possible subsequent disposal; max EUR 29.6m junior notes retained by the company to comply with the 5% retention rule.

Generalfinance started in 2021 also **refactoring** operations with four primary factoring companies for a total of EUR 114m credit lines; activated EUR 37.5m **bilateral lines** with five different banks; launched a 3Y **financial paper program** for max EUR 100m and initial issue of EUR 23m.

Finally, the company issued a 6Y Tier2 bond (callable after 5Y) for EUR 5m with an annual fixed coupon of 10% and a second 5Y Tier2 bond for EUR 7.5m with an annual floating-rate coupon of 3m Euribor +800bps. The two issues, placed with 8 institutional investors, added overall 590bps to the Total Capital ratio.

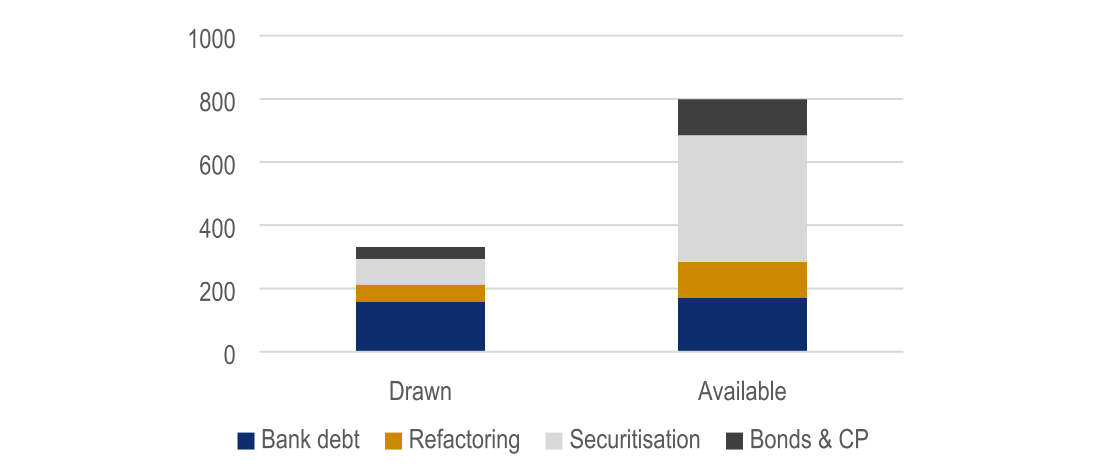
Funding (EUR m) evolution in 2019-21



Source: Banca Akros on company data

The increased diversification of the funding sources has been particularly important to reduce Generalfinance's liquidity risk, by increasing the amount of funding potentially available but yet undrawn, reaching over EUR 460m or 59% of the total as at June 22 vs. EUR 285m or 48% as at YE21 and EUR 50m or 23% as at YE20 (see next chart).

Drawn vs. available funding as at June 22 (EUR m)



Source: Banca Akros on company data

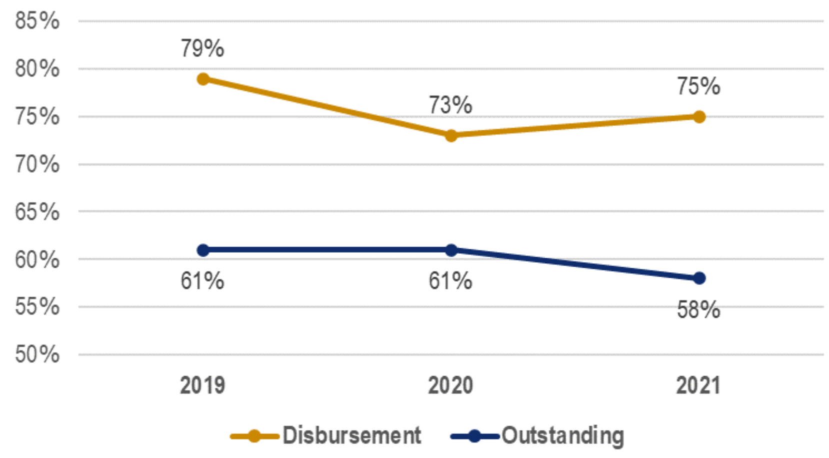
Insurance coverage

Generalfinance's business model entails for the insurance coverage of the credits sold. The partner Allianz Trade (formerly Euler Hermes) agreed to identify the max guarantee for each assigned debtor and grant a 95% indemnity for defaulted credits of the debtor (for non-recourse factoring) or of the seller (for recourse factoring), while the remaining 5% and the amount exceeding the max guarantee represent the effective risk held by Generalfinance.

The company covers credits with an initial payment delay of max 6 months. The unpaid debts are managed by Generalfinance for Italian debtors and by the insurance partner for international debtors. The premium for the insurance is equal to 0.11% of the credit.

The following chart summarizes the evolution in 2019-21 of the insurance coverage for the disbursed and the outstanding credits.

Insurance coverage of disbursements and outstanding credits



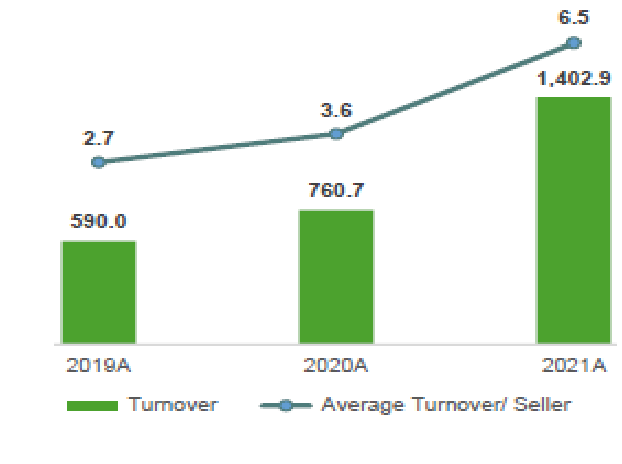
Source: Banca Akros on company data

Customer portfolio

Generalfinance's business model is different from other Italian factoring operators as the company focuses on sellers who do not have a credit rating in line with traditional banks' credit policies but do have a portfolio of performing debtors, i.e. with a medium-high credit rating, showing very positive payment performances and a limited credit risk profile, considering factoring's self-liquidating technical form.

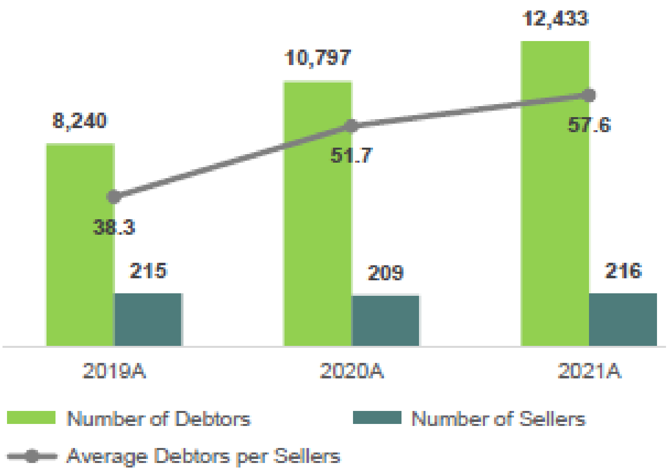
The number of sellers has remained limited and stable over the last 3Y around 215, in line with the strategy to progressively concentrate the activities towards Corporate enterprises as those clients, being of larger size, are better organized, operate with high-standing advisors (including legal counsels) and generally have a portfolio of debtors that is more ample, of better quality and including international debtors. Keeping a limited customer portfolio implies Generalfinance can reduce its operating costs, by concentrating on companies more structured and more profitable for the factor.

Turnover and avg. Turnover per seller (EUR m)



Source: Generalfinance

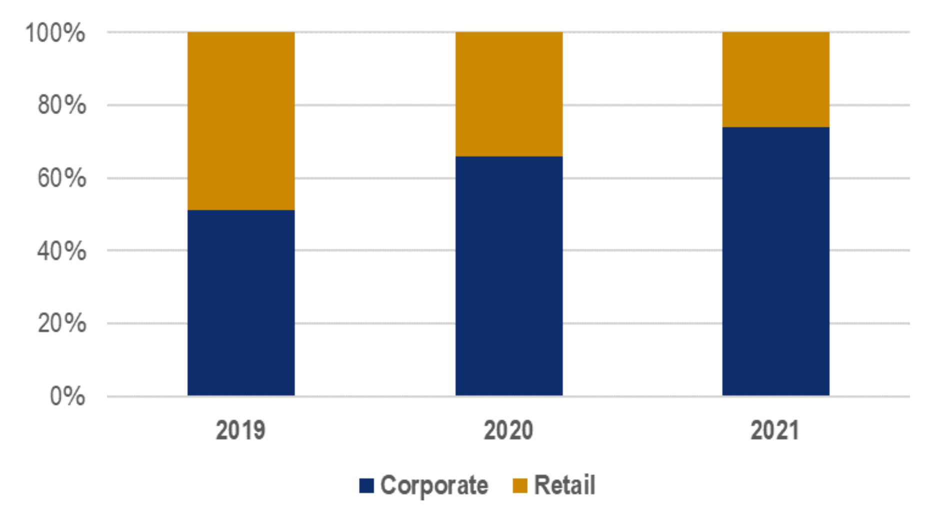
Number of debtors and sellers



Source: Generalfinance

Due to this strategy, the annual factoring turnover per customer size has seen a progressive weight increase of Corporate enterprises (with revenues above EUR 20m) vs Retail firms (revenues below EUR 20m) over the last 3Y, as shown in the following chart:

Annual turnover by customer size

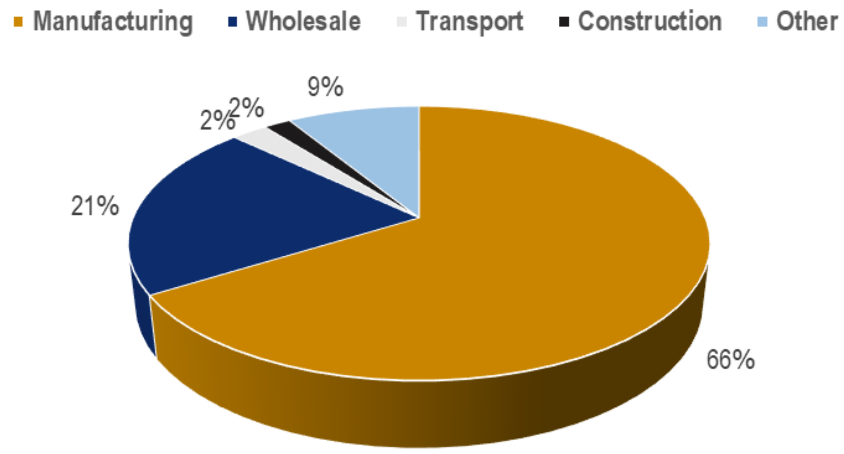


Source: Banca Akros on company data

The strategy has also implied a higher concentration of the customer portfolio, with the Top 10 sellers representing 48% of the outstanding at YE21 vs. 41% at YE20.

Generalfinance prioritises the enterprises in the manufacturing sector, which have typically a lower risk profile compared to other sectors, like services and construction. Additionally, it does not offer its products/services to sellers active in the Real Estate sector, or being holding companies, or not having trade receivables related to goods and services. As a consequence, approx. two thirds of customers pertain to the manufacturing sector, followed (approx. 20% of the total) by wholesale distribution.

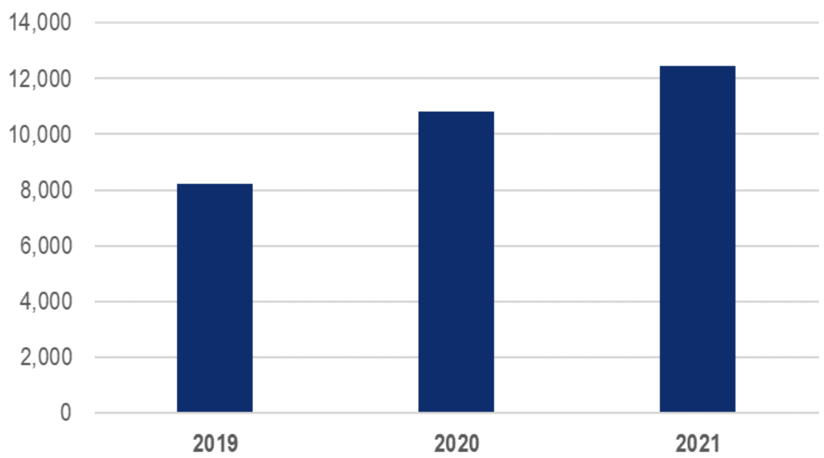
Customers by sector in 2021



Source: Banca Akros on company data

The number of assigned debtors has increased over time (see next chart) because of the progressive concentration on larger sellers, in line with the company's strategy. The turnover per debtor also increased, from around EUR 71m per year in 2019-20 to EUR 113m in 2021.

Number of debtors

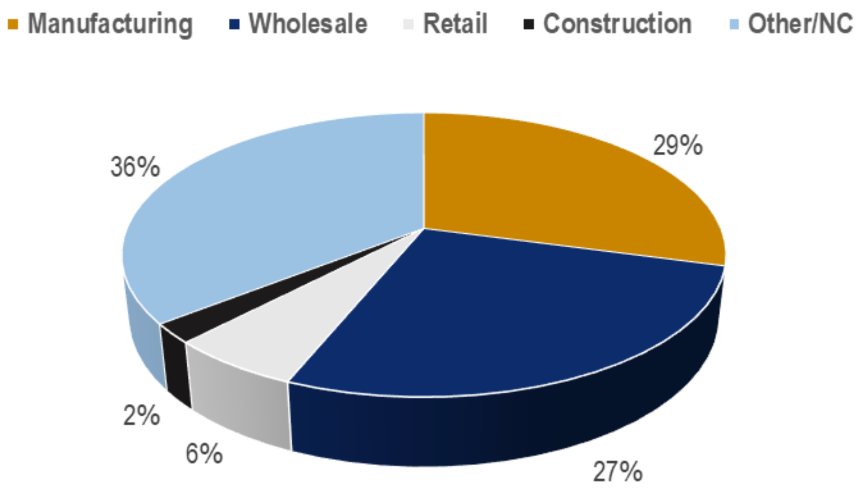


Source: Banca Akros on company data

The Top 10 assigned debtors represented 8% of the outstanding as at YE21, in line with YE20 (9%).

Regarding the sector where the debtors are operating, manufacturing (29%) and wholesale trade (27%) are once again dominant (see next chart).

Debtors by sector in 2021



Source: Banca Akros on company data

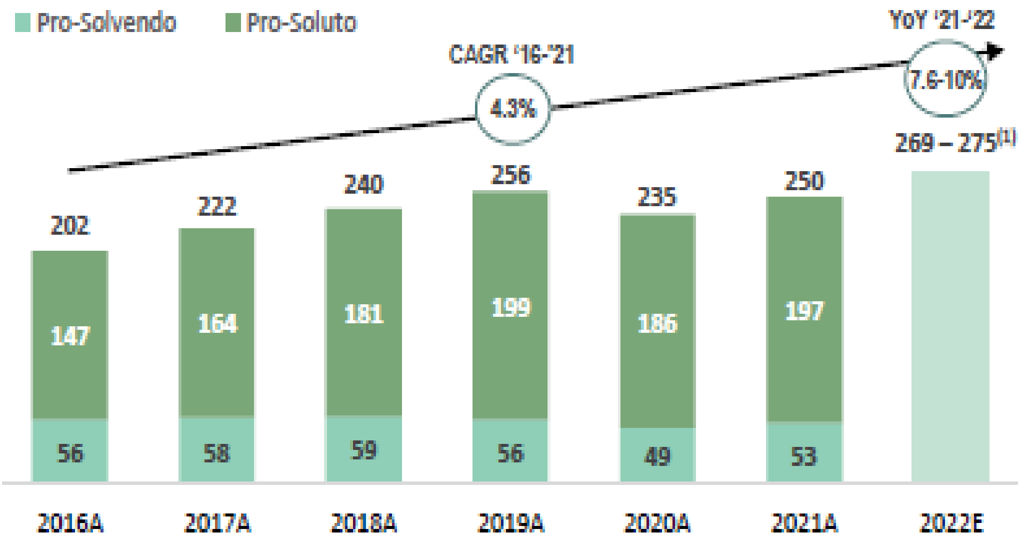
From a geographical standpoint, 26% of Generalfinance's turnover in 2021 came from foreign debtors, o/w 61% represented by the US (3.7% of turnover) and EU countries (France 3.4% and Germany 3.3%). The exposure to countries linked to the Russia-Ukraine war was limited to EUR 2.6m or 0.7% of the total.

Sector Overview

Generalfinance is a registered financial intermediary operating in the factoring sector.

The Italian factoring market closed 2021 with a turnover increasing 10% Y/Y to EUR 250.6bn, of which 21% with recourse and 79% non-recourse. The factoring outstanding as at YE21 was EUR 65.5bn, 5.3% higher Y/Y, of which 26% with recourse and 74% non-recourse. The disbursements amounted to 78% of the outstanding, or EUR 51.4bn.

The Italian factoring market in 2021

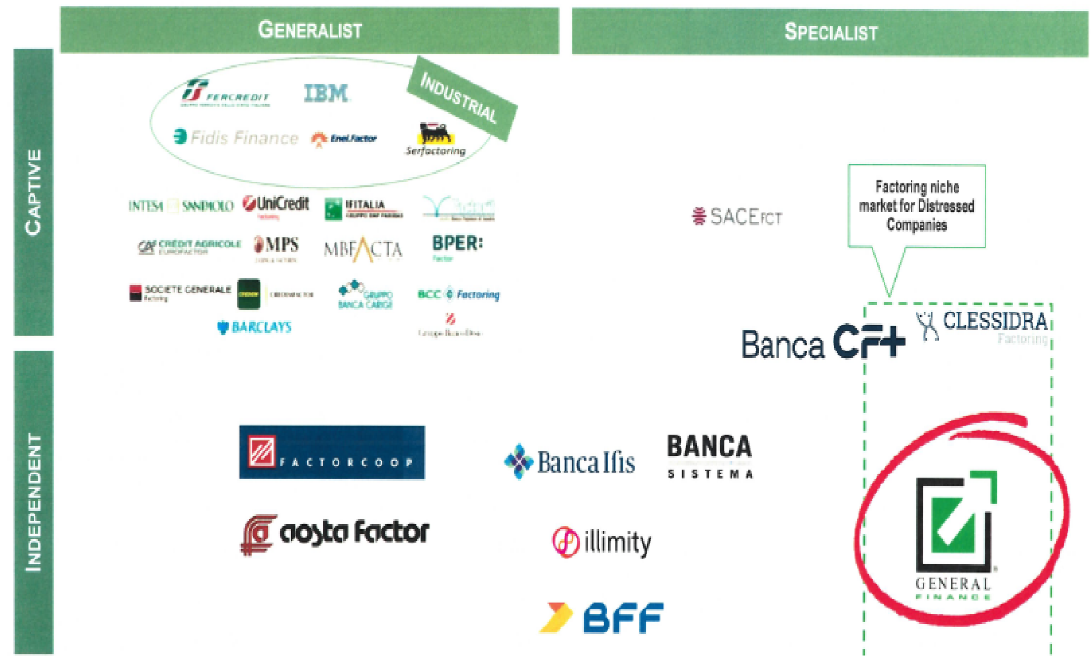


Source: Generalfinance

The double-digit increase in turnover was in line with the strong economic rebound (GDP up 6.5%). In H2 21 the market consolidated the strong rebound of Q2, with the monthly turnover further accelerating in the last few months of the year. Preliminary data for Jan 22 confirm the positive trend, with the turnover increasing 13.5% Y/Y and the outstanding up 7.1% Y/Y.

For Q1 22 the market operators are expecting the growth to go on (+8.6% Y/Y) and for FY22 they expect a positive development (+6.8% Y/Y – source: Assifact).

Unique market positioning

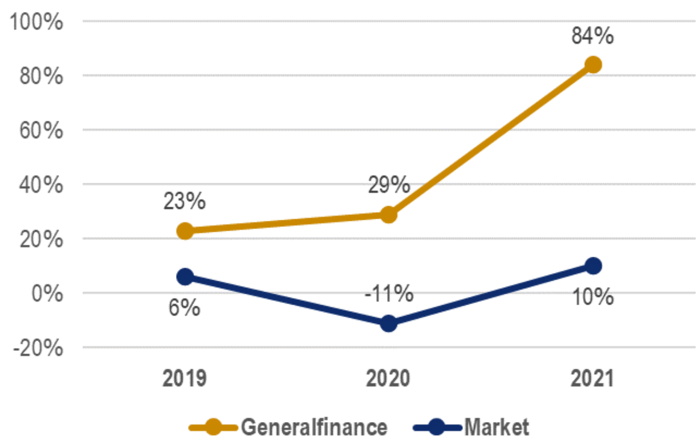


Source: Generalfinance

The Italian factoring market is very concentrated, as it is dominated by three generalist operators pertaining to banking groups (Intesa Sanpaolo, UniCredit and BNP Paribas) representing some 60% of 2021 turnover. However, the market is characterized by the presence of several operators with differentiated business models. Generalfinance has a distinctive proposition, being specialized in serving distressed companies (see previous chart). Other operators active in this market niche are Illimity, Clessidra Factoring and Banca CF+ which, however, are not directly comparable with the company for the size of the factoring activity and/or the business model.

Given this specialisation, Generalfinance has consistently outperformed the market in terms of turnover growth, as summarized in the following chart:

Turnover growth



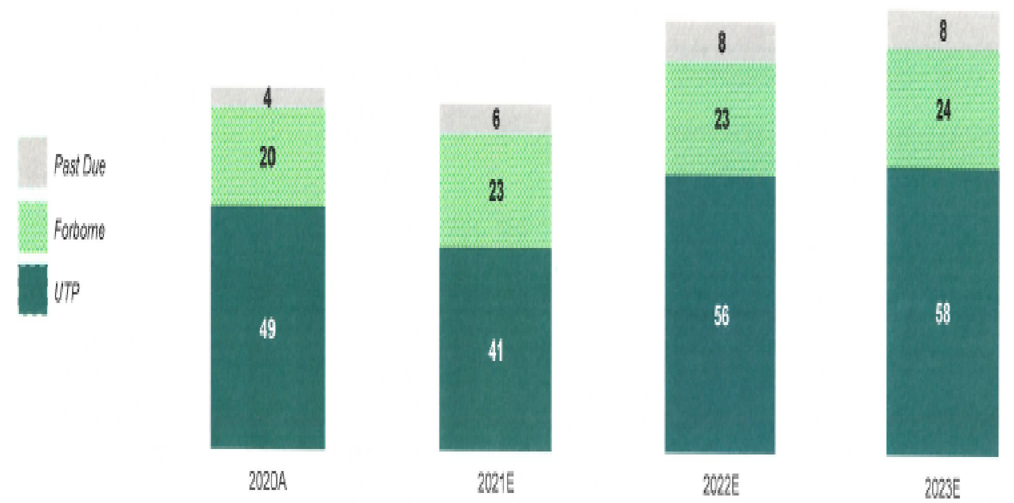
Source: Generalfinance

Key drivers

According to Generalfinance, the main market trends explaining this outperformance are summarized in the following paragraphs.

The **post-Covid recession** in 2020, due to impact the trend of the lending stock classified as unlikely to pay (UTP), past-due and forborne by the banking system. This index is considered the most adequate to estimate the growth trend of Generalfinance's niche market. This segment is expected to grow from EUR 70bn in 2021 to EUR 90bn in 2023, with UTP loans increasing from EUR 41bn to 58bn; past-due loans growing from EUR 6bn to 8bn and forborne exposures moving from EUR 23bn to 24bn, with a 13% CAGR both for UTP and forborne categories (see next chart).

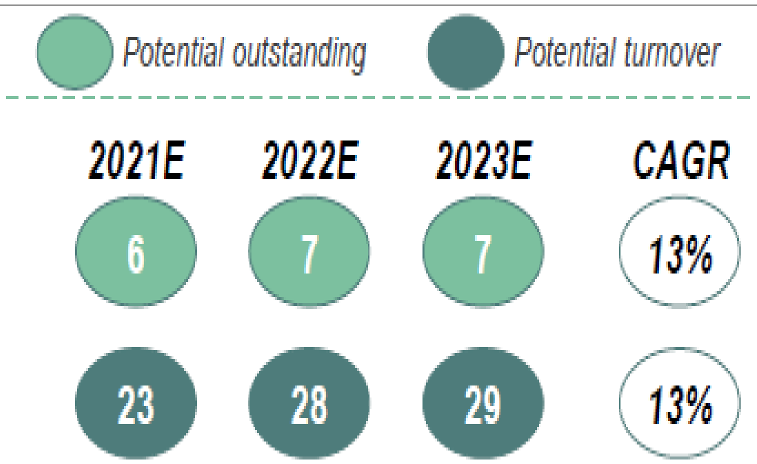
Planned NPE evolution in Italy (EUR bn)



Source: Generalfinance

Based on these elements, Generalfinance estimates that the potential distressed factoring market will be represented by the short-term share of these NPE, with a forecast of EUR 23-29bn turnover per year in 2022-24 (see next chart), with a 13% CAGR over the period.

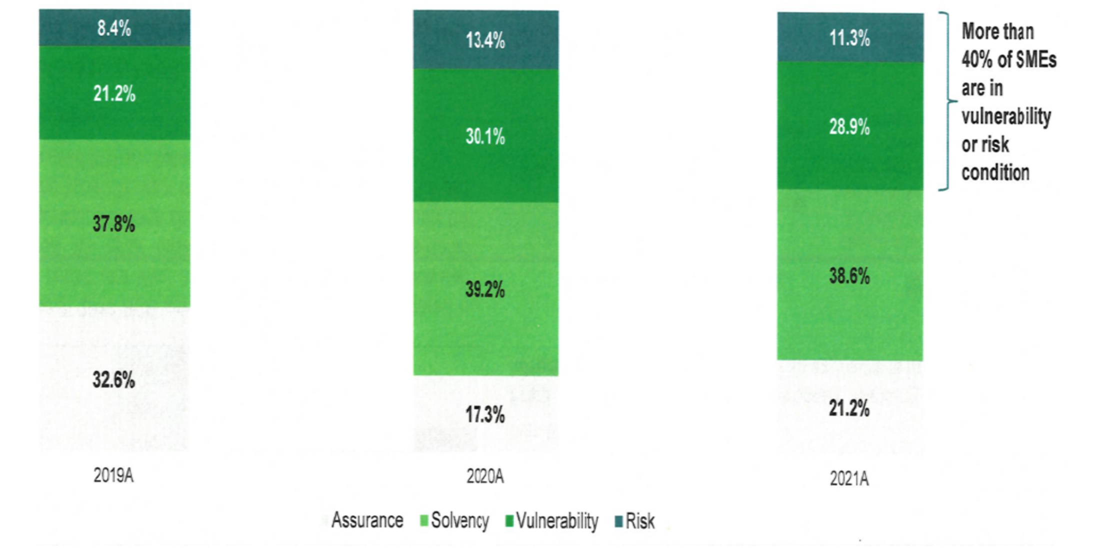
Potential distressed factoring market (EUR bn)



Source: Genmeralfinance

The **structural vulnerability** of Italian SMEs, with over 40% being vulnerable or at risk of default (see next chart), leading to an annual avg of almost 1,500 companies entering in bankruptcy procedures over the last 5Y.

Cerved Group Score



Source: Generalfinance

The new context of **banking regulation**, with the new Definition of default that has introduced stricter rules to define if an exposure is in default (see next left-hand chart), the calendar provisioning introducing mandatory provisioning schedules for the full coverage of different NPE categories (see next right-hand chart) which implies new banking strategies for NPE reduction, limiting inflows of impaired exposures and accelerating recovery processes to facilitate the transfer of positions. Finally, the risk-weight tightening of current accounts overdrafts, which may have a significant in Italy, where they were widely used.

New Definition of default…

	Previous Reg.	NEW REG.
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 € 100 for individuals or € 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 granted
Thresholds	Default status expires when the client settles the position	The default status remains for at least 90 days after the client settles the position

Source: Generalfinance

…and calendar provisioning

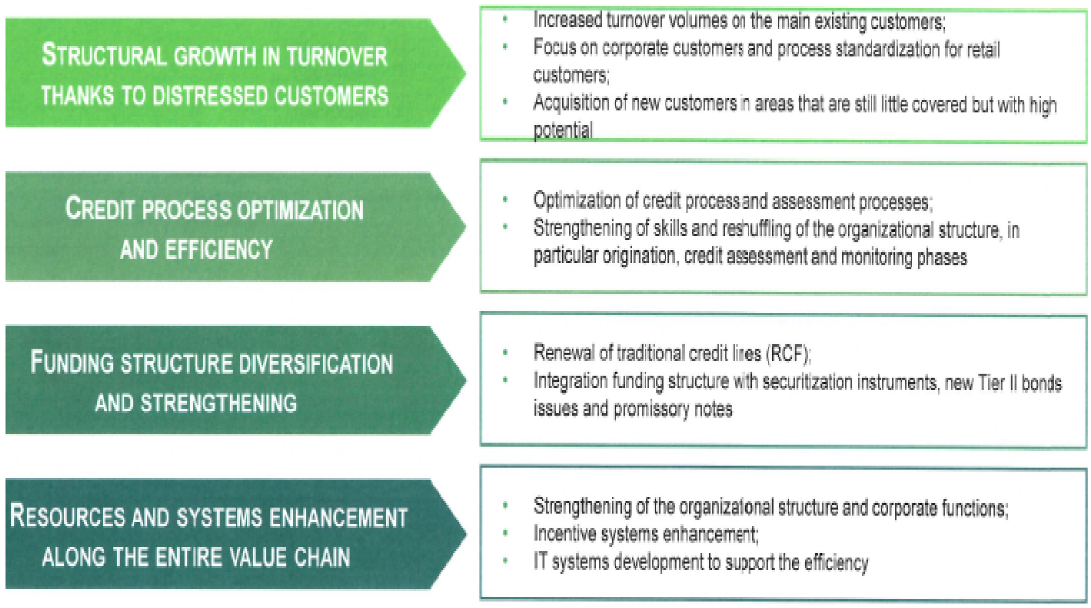
Default Period	1	2	3	4	5	6	7	8	9
Secured A	-	-	25%	35%	55%	70%	80%	85%	100%
Secured B	-	-	25%	35%	55%	80%	100%	-	-
Unsecured	-	-	35%	100%					

Source: Generalfinance

Strategy

The strategy of Generalfinance for the next few years is based on a structural **growth of the customer base** and, therefore, of the turnover. The business expansion will be implemented thanks to the competitive advantage built over the years, by increasing the number of sellers and assigned debtors, with an increased focus on larger Corporate enterprises as well as process standardisation for smaller Retail firms. The geographical presence will also be enhanced, in order to acquire new customers.

The four strategic drivers



Source: Generalfinance

The second strategic driver will be the **optimisation** of the credit process and the higher efficiency of the assessment, through a strengthening of skills and improvement of the organisational structure, in particular origination, credit assessment and monitoring phases.

To support the business development and the higher turnover, the strategy entails for a further strengthening and diversification of the **funding** structure, with the renewal of traditional credit lines (RCF) and the full deployment of other funding sources (securitisation program, commercial paper, refactoring, bilateral lending and subordinated issues).

The final strategic driver will be the enhancement of the **organisational structure** and corporate functions, especially those impacted by higher turnover volumes, like the commercial and credit structures, together with better incentive systems and IT systems.

SWOT Analysis

We summarize in this chapter the main strengths, weaknesses, opportunities and threats of Generalfinance's business model.

Strengths

Specialisation and unique positioning in the Italian factoring market, with a consolidated focus on Distressed companies. Difficult-to-replicate business model.

Exposure to an **attractive market**, thanks to regulatory and business drivers for growth in Distressed loans, leading to outstanding historical growth combined with high profitability.

Highly qualified management team, with unique experience in the reference market and a clear strategy for future growth.

Weaknesses

Monoline business, dependent only on factoring activities as source of revenues.

No geographical diversification, with strong dependence on Italian economic trends.

Dependance on current top management. for business development, mitigated by constant strengthening of the team over the last 5Y.

Opportunities

Exposure to the Italian **factoring market** and Distressed companies, with significant growth opportunities.

Regulatory framework's changes, such as the New Definition of Default (DoD) and the Calendar provisioning, leading to a potential increase of Distressed loans.

Threats

Increase in **competition** from traditional operators, reorganizing themselves as supporters of Distressed companies.

Changes in NPE **regulatory framework** reducing potential addressable market.

Improving **macroeconomic trend** leading to a reduction of Distressed companies.

Risk Analysis

We analyse in this chapter the main risk factors of Generalfinance's business model, in order of relevance.

High risk

Credit risk: the economic and financial results of Generalfinance could be very significantly impacted by the customers being unable to repay the loan disbursed and related interests or by the assigned debtors to redeem the receivables at maturity. This may happen notwithstanding the following: a) based on contractual clauses, Generalfinance is able to compensate unpaid debts of certain assigned debtors with the non-disbursed amounts to the customer related to cashed-in debts of other assigned debtors; b) the company has adopted a specific and structured process of credit valuation and mgmt.; c) the company has subscribed a specific credit insurance; d) the company has acquired additional personal guarantees for certain high-risk positions. We note the expected loss of the loan book has remained stable around 0.11-0.12% over the last 2Y, while the NPE ratio has fallen steadily to just 0.2% in 2021, significantly lower vs. 4.2% of the industry, with a cost of credit risk of just 2bps in the last year.

Liquidity risk: the economic and financial results of Generalfinance could be very significantly impacted by the risk of being unable to fund itself on the market (funding liquidity risk) and, to a lesser extent, to dismiss its assets (market liquidity risk) due to an eventual negative market evolution. The funding liquidity risk derives from possible unbalanced cash flows and consequent cash deficit/excess related to the payments of assets and liabilities for the different residual maturities. The risk evaluation is based on the preparation of daily and monthly maturity ladders, in line with the Supervisory request, and the confrontation of temporary unbalances with liquidity buffers. The company adopted also a contingency funding plan (CFP), in line with the Supervisory request, without the emergence of any alert on the liquidity risk. We note that the cash and liquid assets of the company have been growing over time to reach EUR 33.5m as at YE21 and the funding sources have been increasingly diversified, especially in 2021.

Medium risk

Forecasts and business plan targets: the delivery of the business plan and related forecasts are subject to the risks and uncertainties of the macroeconomic scenario, including the possible negative effects on the economy deriving from the Russia-Ukraine conflict and the evolution of the Covid-19 pandemic, which are not under management control. We note that the company has a very marginal direct exposure to Russia/Belarus/Ukraine, worth EUR 2.6m or 0.8% of YE21 customer loans, and that it has a countercyclical business model.

Securitization risks: the economic and financial results of Generalfinance could be significantly impacted by the risk of being the originator of the credits transferred to the SPV of the BNP Securitization, as well as an investor in the mezzanine and junior notes of the securitization. More specifically, the credit risk of the portfolios is transferred to the SPV, but Generalfinance will have to buy-back the transferred credits becoming bad loans. Additionally, in the event of cross-default or if GGH's stake in Generalfinance moves below 51%, the SPV will terminate the revolving period for the transfer of additional credits. The company has obtained a waiver from the SPV of the latter condition.

Liability risks: the economic and financial results of Generalfinance could be significantly impacted by the risk of being unable to negotiate and obtain quickly additional financial sources at the same or better conditions. Regarding the RCF of EUR 133m from a banking pool, the company has to respect a financial covenant equal or higher of 12% relative to the ratio of enlarged book value (book value + subordinated debt) / (enlarged book value + debt at amortized cost). The banking pool facility also entails for a mandatory redemption in case Massimo Gianolli ceases to be a Director and/or in case of change of control. A waiver of the latter condition is under negotiation. Regarding the refactoring agreement worth EUR 114m, the factor may request to Generalfinance the repayment of the disbursement if certain conditions are met.

Dividend distribution risk: Generalfinance's dividend policy is subject to certain limitations of the RCF facility from a banking pool, as any payout is subject to the respect of all the following conditions: a) the respect of the 12% threshold of the financial covenant; b) the payout ratio cannot exceed 50% of net profit; c) there is no actual or potential event of default. The value of the financial covenant over the last 3Y has been the following:

Financial covenant evolution

	2019	2020	2021
Financial Covenant	*13.30%*	*12.04%*	*12.51%*

Source: Generalfinance

Country concentration risk: the economic and financial results of Generalfinance could be significantly impacted by the risk of having its customers and debtors concentrated in Italy. Indeed, in 2021 all the customers were based in Italy, with 88% of the turnover generated in northern regions, and 75% of the turnover referred to debtors located in the country. The economic and political context of the country are therefore essential to determine the company's results.

Capital risk: the economic and financial results of Generalfinance could be significantly impacted by the risk of not complying with the capital requirements set by the Supervision. The company is not a bank and, as such, is not subject to the application of a Capital Conservation buffer and other regulatory buffers as well as of any SREP add-on. Over the last 3Y, the capital ratios have constantly been well above the minimum requirements. The company is not subject either to the application of the bank Leverage ratio which, for control purposes only, reached 8.3% at YE21, well above the 3% threshold set for the banks.

Customer concentration risk: the economic and financial results of Generalfinance could be significantly impacted by the risk of breaching the limit of concentrating the exposure toward a single debtor to 25% of the company's book value. As at YE21, the large exposures representing over 10% of the company's book value were n.8, none above the 25% threshold.

Judicial risks: the economic and financial results of Generalfinance could be significantly impacted by the risks associated to judicial proceedings under way. As at YE21, the company was subject to n.7 proceedings, all rated as remote risks with two exceptions: a) a risk rated between remote and possible concerning a claw-back action worth EUR 517k; b) a risk rated possible concerning a claw-back action worth EUR 2.24m. No provision has been set aside for these proceedings.

Financial analysis 2019-21

Generalfinance achieved significant results in 2019-21, mainly driven by the implementation of its strategy, the ability to pursue a careful underwriting policy and thanks to an efficiently managed organisational model over time.

The financial performance was primarily driven by increased volumes (see next table), with the turnover growing 54% per year and the customer loans increasing 56% per annum.

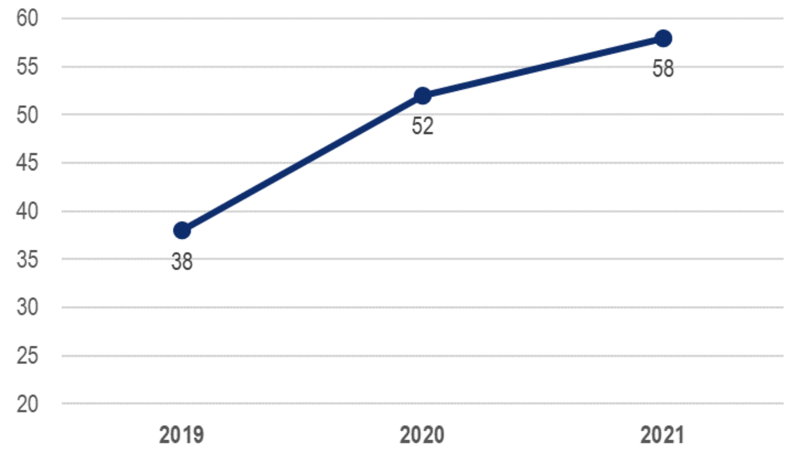
2019-21 Volume growth

(EUR m)	2019	2020	2021	CAGR
Turnover	590	761	1,403	*54.2%*
Customer loans	132	177	321	*56.0%*

Source: Banca Akros on company data

This impressive volume growth was achieved with a stable number of customers (around 215) but of larger size (Corporate vs. Retail), selling more debtors (from 38 to 58 - see next chart) and more receivables per debtor (from around EUR 71m per year in 2019-20 to EUR 113m in 2021).

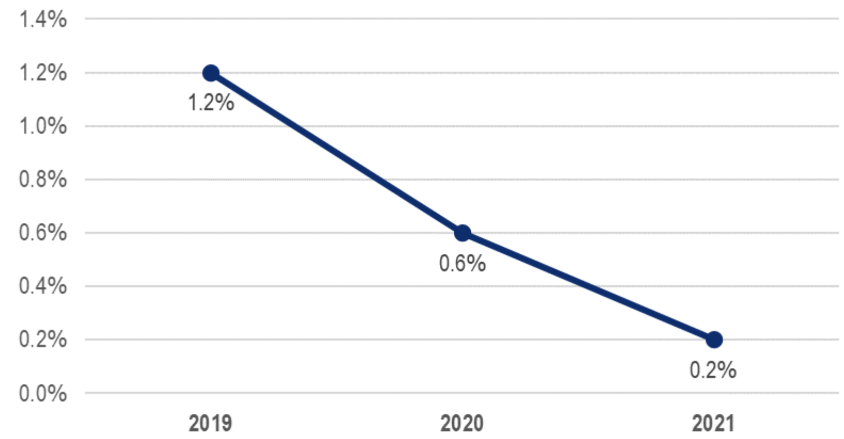
Debtor / client



Source: Banca Akros on company data

The volume growth did not came at detriment of asset quality, as the gross NPE ratio decreased from 1.2% in 2019 to 0.6% in 2020 and to 0.2% in 2021 (see next chart) thanks to the risk mitigation of the peculiar operating model and the actions to protect the credit.

Gross NPE ratio evolution in 2019-21



Source: Banca Akros on company data

The volume growth has also eroded the capital position, with the CET1 ratio declining from 10.4% in 2019 to 9.35% in 2021 (see next table) due to the higher loan book and the higher risk weighting (deriving from the new DoD). The TCR benefitted in 2021 from the issuance of EUR 12.5m Tier2 securities. Both capital ratios stay well above the minimum requirements of 4.5% for the CET1 ratio and 8.0% for the TCR, as Generalfinance is not a bank and, therefore, has not additional Pillar2 requirements.

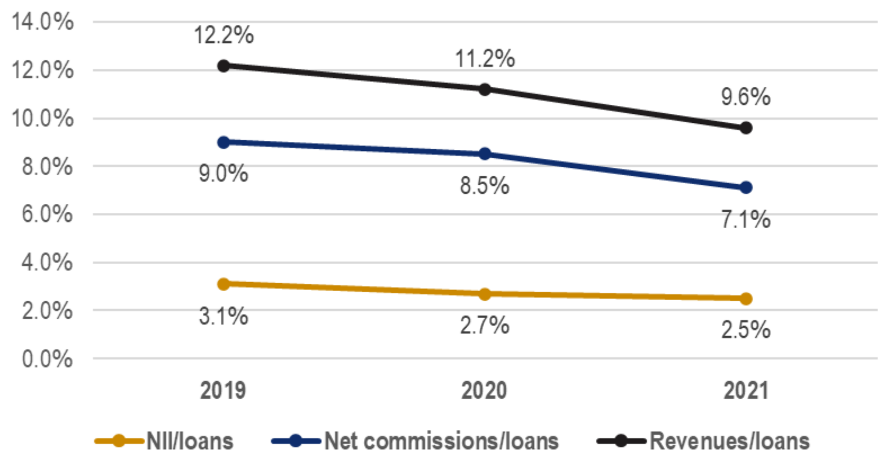
Capital ratios evolution in 2019-21

	2019	2020	2021
CET1 ratio	*10.4%*	*8.6%*	*9.4%*
Total capital ratio	*10.4%*	*8.6%*	*13.7%*

Source: Banca Akros on company data

The volume growth has also gone in parallel with margin erosion, with the Revenues on avg. loans declining from 12.2% in 2019 to 9.6% in 2021 (see next chart).

Margin evolution in 2019-21



Source: Banca Akros on company data

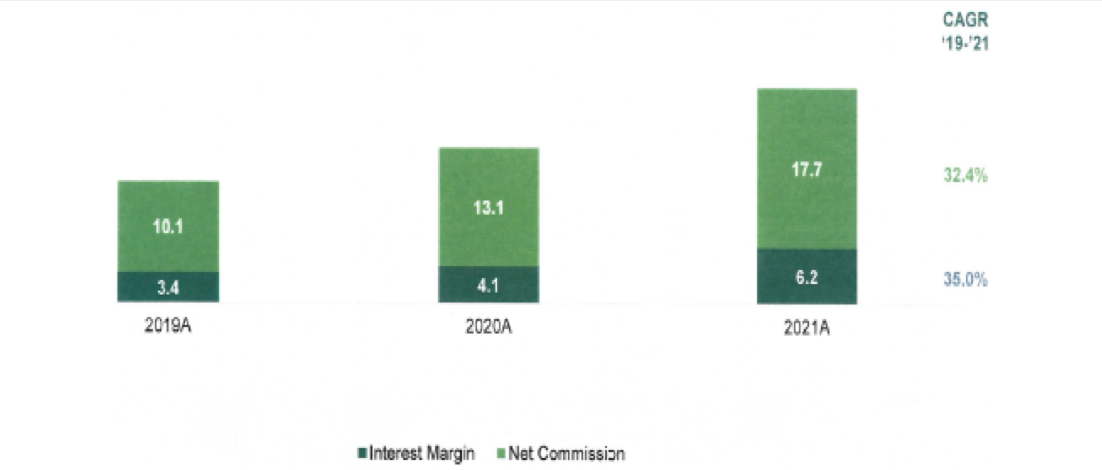
The margin pressure has affected both the interest income and the commission income (see next chart) and is mainly due to the strategic focus on larger Corporate customers offering more ample and diversified debtor portfolios, but with an interest income rate that is some 100-150bps lower and a fee income some 10bps lower vs. Retail enterprises. The pressure is also partly due to lower payment delays from debtors, which reduces cashed-in LPI.

Margin erosion

Source: Generalfinance

Notwithstanding this margin erosion, the volume growth fuelled a 33% CAGR in revenues from 2019 to 2021 (see next chart) and the efficient management of the organisation allowed a slower growth in operating costs of 19.1% per year in the same period.

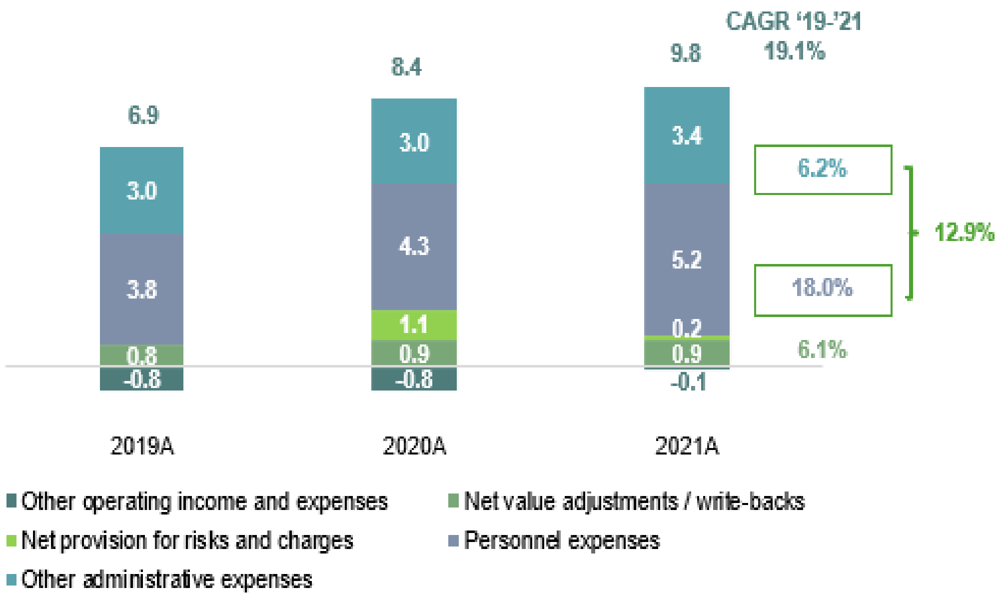
Revenues evolution (EUR m)



Source: Generalfinance

The increase in operating costs derived from some hiring, with the avg. number of employees moving from 46 in 2019 to 53 in 2021, and an increase in the avg. salary from EUR 81,760 in 2019 to EUR 98,790 in 2021 as the variable remuneration represents on avg. 15% of total salary. The additional employees were included in Commercial and Credit teams to guarantee greater control in the key areas of the business and to be able to deal with the huge increase in turnover and with the volume of sellers/debtors to analyse and to monitor.

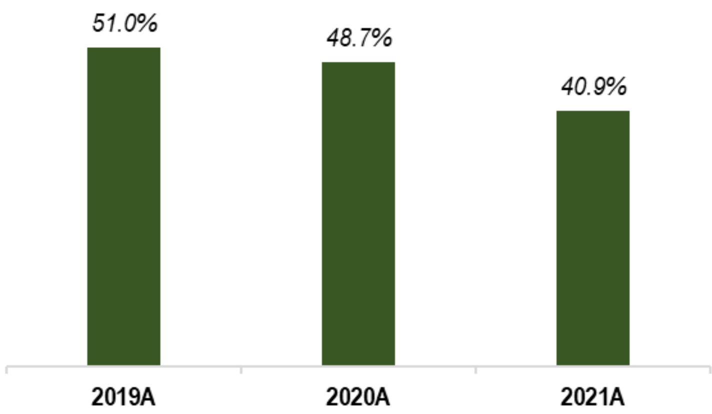
Operating costs evolution (EUR m)



Source: Generalfinance

These trends allowed for a continous improvement of the cost/income (C/I ratio), which moved down from 51% in 2019 to ca. 41% in 2021 (see next chart).

Cost/Income ratio evolution



Source: Generalfinance

Given the steady improvement of the asset quality and its excellent level, the cost of credit risk has not been an issue over the last 3Y and was as low as 2bps in FY21, also thanks to some write-backs over the year.

H1 22 results

The H1 22 results confirmed the strong volume-driven growth of Generalfinance, with the turnover up 71% Y/Y to EUR 933m and disbursed loans growing 80% Y/Y to EUR 777m, with the ratio of the two increasing to 83%, in line with the company strategy.

H1 22 results

(EUR m)	H1 22E*	H1 21A	Y/Y
Revenues	14.6	10.5	*39.0%*
Operating costs	-5.8	-4.9	*18.4%*
GOP	8.8	5.6	*57.1%*
Loan provisions	-0.2	0.0	*nm*
Net Profit	5.7	3.9	*46.2%*

*Source: Banca Akros on company data; * recurring*

This volume growth fuelled a 39% increase in total revenues to EUR 14.6m, with the net commissions up 38% Y/Y to EUR 10.8m and the NII improving 38% Y/Y to EUR 3.8m. Hence, the margin pressure went on, in line with the strategic focus on larger Corporate customers, as revenues/avg. loans came in at 8.6% vs. 9.6% in FY21.

The operating costs increased 43% Y/Y to EUR 7m, or 18% Y/Y to EUR 5.8m net of EUR 1.2m one-off costs related to the IPO, with the personnel expenses 8% higher Y/Y to EUR 2.8m on the back of continous hiring to support business development and other admin costs up 52% Y/Y to EUR 2.5m due to volume growth (more info provider costs), as well as marketing and securitisation expenses.

Therefore, the gross operating profit (GOP) improved 57% Y/Y to EUR 8.8m on a recurring basis, with the C/I ratio reaching 40% vs. 47% one year ago and 41% in FY21.

The loan impairments remained extremely low at EUR 200k vs. nil in Q1 21, which benefitted from the release of generic provisions made in 2020. The asset quality remained outstanding, with a gross NPE ratio of 0.5% not directly impacted by the Russia-Ukraine conflict. The NPE coverage decreased to 20% vs. 50% at YE21 due to a single UTP position booked in H1, with a low provisional coverage due to the high collateral level and expected high recovery rate.

To conclude, the net profit increased 27% Y/Y to almost EUR 5m on a reported basis and 46% Y/Y to EUR 5.7m on a recurring basis.

The capital position was strengthened by the EUR 20.2m capital increase related to the IPO, with the CET1 ratio improving ca. 6 p.p. Q/Q to 15.4% and the TCR up around 5.6 p.p. Q/Q to 19.2%.

Estimates 2022-24

Following the IPO and related EUR 20m capital increase, Generalfinance has the availability of excess resources to accelerate its growth. The estimated turnover growth is higher than the potential market's forecast, as Generalfinance specialization should allow to gain market share, from 6% in 2021 to some 10% in 2024. We also highlight an upside risk in the context of decelerating economic growth, given Generalfinance's countercyclical business model.

2022-24 Estimates: Volume growth

(EUR m)	2021	2022	2023	2024	*CAGR*
Turnover	1,403	2,000	2,700	3,510	*36%*
Customer loans	321	421	527	658	*27%*

Source: Banca Akros

Based on this volume growth, we estimate the following evolution in the P&L (see next table):

2022-24 Estimates: P&L evolution

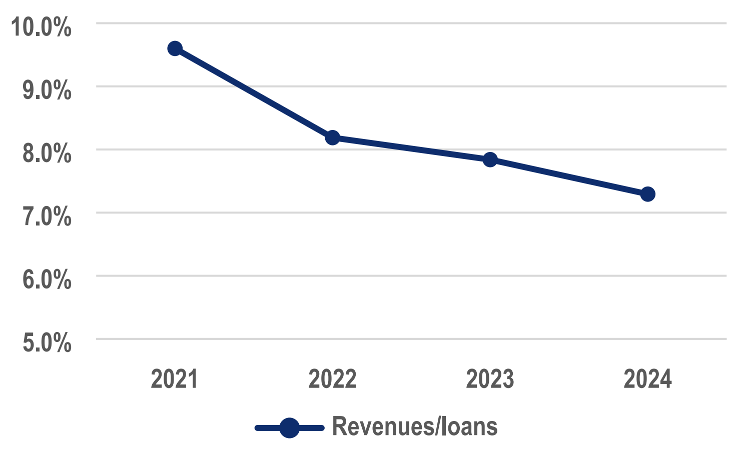
(EUR k)	2021	2022	2023	2024	*CAGR*
Total Revenues	23,925	30,390	37,157	43,210	*22%*
Operating Costs	-9,781	-13,031	-13,161	-14,488	*14%*
GOP	**14,144**	**17,359**	**23,996**	**28,722**	***27%***

Source: Banca Akros

We anticipate a revenue CAGR of 22% to EUR 43m in 2024, lower than the volume growth as we expect the margin erosion to continue on the back of the company strategy to focus on larger Corporate customers. Indeed, we anticipate the revenue/loans ratio to decline from 9.6% in 2021 to 8.2% this year and 7.3% in 2024 (see next chart), with the decline mainly concentrated on the commission income, seen moving from 7.1% to 5.5% in 2021-24, while the interest margin is expected to be more stable.

We highlight that the expected increase in short-term interest rates would be positive for Generalfinance given the very short duration of its loan book (79 days on avg.in 2021), which allows a quick repricing compensating for a funding that is 72% at variable rate without any hedging.

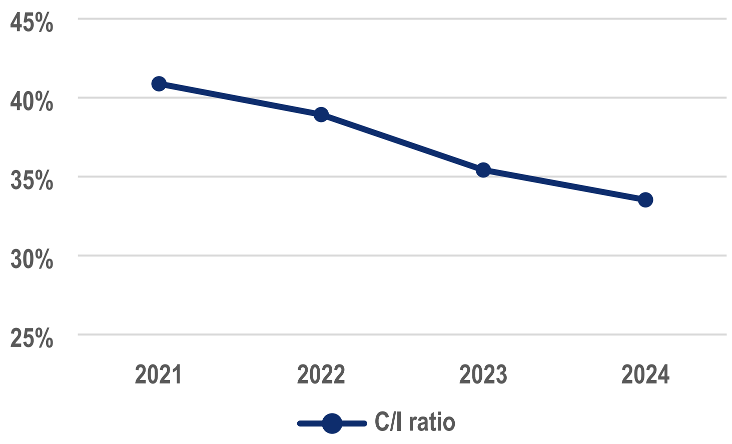
2022-24 Estimates: income margin evolution



Source: Banca Akros

Moving to the operating costs, we anticipate a 14% CAGR in 2021-24 as we see the company hiring more staff and continuing to invest in the software IT infrastructure to support the volume growth and increase the efficiency. The latter is summarized by the forecast evolution of the C/I ratio, which is seen moving from 41% last year to 34% in 2024 (see next chart).

2022-24 Estimates: C/I ratio evolution



Source: Banca Akros; net of non-recurring items

Thanks to this better operating efficiency, the gross operating profit (GOP) is expected to deliver a 27% CAGR to EUR 28.7m in 2024. Below the operating line, we do not consider the 2bps cost of risk of 2021 to be sustainable and we pencil in a prudent 15bps cost of risk over 2022-24, although we do not anticipate any relevant asset quality deterioration.

Re the capital evolution, we estimate Generalfinance strong profitability will allow the company to self-fund the double-digit volume growth in a post-money scenario and considering a 50% payout ratio over the next 3Y. The CET1 ratio is expected to reach 12% and the TCR 14% in 2024 (see next table).

2022-24 Estimates: Capital ratios evolution

	2021	2022	2023	2024
CET1 ratio	*9.4%*	*14.1%*	*13.0%*	*12.0%*
Total capital ratio	*13.7%*	*17.5%*	*15.6%*	*14.1%*

Source: Banca Akros

Valuation

We value Generalfinance using our ESN Distributable Income model and obtain a EUR 11.6 fair value. We also use a Multiple comparison with listed peers and obtain a fair value of EUR 6.0 per share. We initiate coverage with a Buy recommendation and EUR 8.8 target price.

ESN Distributable Income Model

We value Generalfinance on the base of our ESN Distributable Income model, a three-stage DDM which takes into account: 1) the explicit net profit and RWA forecasts in the 2022-24 period; 2) the capital needs vs. a minimum CET1 ratio of 12.0% to determine the potential distributable income each year; 3) a declining growth rate for net profit and RWA over the 2025-27 period, pointing to a long term growth rate (g) of 1.5%; 4) the terminal value in 2027; 5) COE of 10.5% (with risk-free rate of 3.5%, risk premium of 5%, beta of 1.4).

The methodology leads to a **fair value of EUR 11.6** per share.

Multiple comparison

Three factoring operators are already listed on the Milan Bourse: Banca Ifis, Banca Sistema and BFF Bank. While these operators are active in the same Italian factoring market and, therefore, can be considered as direct competitors of Generalfinance, they have different business models compared to the latter. First of all, these competitors have a **banking license** and, as such, can access customer deposits and ECB refinancing operations to fund their lending volumes, at more competitive conditions (lower funding costs) compared to Generalfinance's. As a counterbalance, these banks are required to hold more **regulatory capital** to protect the depositors, thus negatively impacting their ROE vs. Generalfinance's.

Comparables: YE21 Capital ratios

YE21	Banca Ifis	Banca Sistema	BFF Bank	Generalfinance
CET1 ratio	*15.4%*	*11.6%*	*17.5%*	*9.35%*
Total Capital ratio	*19.6%*	*14.6%*	*21.6%*	*13.7%*

Source: Banca Akros

The three listed competitors are also much larger in **size** vs. Generalfinance, with customer loans and total assets significantly higher.

Comparables: YE21 loans and assets

(EUR m)	Banca Ifis	Banca Sistema	BFF Bank	Generalfinance
Customer loans	9,032	2,921	3,873	321
Total assets	11,841	3,709	11,177	365

Source: Banca Akros

The larger size is partly due to **more diversified** business models, as the three competitors are active also in other market niches and/or in other geographies.

Comparables: YE21 Revenue diversification

YE21	Banca Ifis	Banca Sistema	BFF Bank	Generalfinance
Factoring	*24%*	*68%*	*43%*	*100%*
Other	*76%*	*32%*	*57%*	*0%*

Source: Banca Akros

Looking just to their exposure to the **factoring** activity, only Banca Ifis is a pure B2B player, while Banca Sistema and BFF Bank are focused on the factoring of receivables due by the Public Administrations. None of them is specialised in the niche of distressed companies.

In our peer comparison we have looked at the multiples of the companies, which are shown in the following table. We are overall positive on the sub-segment, thanks to the decent profitability and positive revenue growth vs. traditional commercial banks.

Generalfinance: Peer multiples

FINANCIAL SERVICES (EUR)	Price 8 Aug	Market Value	Free Float	Target Price	Upside	Rating	P/E (adj.)			P/BV			ROE (adj)		Yield (%)	
							2021	2022	2023	2021	2022	2023	2021	2022	2021	2022
BFF BANK	6.99	1,313.9	94.3%	7.80	11.7%	Accumulate	10.6	8.1	7.0	2.3	2.2	2.1	*21.8%*	*27.3%*	9.41	11.75
BANCA IFIS	13.30	918.6	40.7%	22.50	69.2%	Buy	9.0	5.8	5.1	0.5	0.4	0.4	*6.7%*	*7.7%*	7.17	8.34
BANCA SISTEMA	1.61	169.3	52.8%	2.20	36.5%	Buy	7.2	5.0	3.8	0.5	0.5	0.4	*9.2%*	*9.2%*	3.49	4.90
Financial Services							**8.9**	**6.3**	**5.3**	**1.1**	**1.0**	**1.0**	***12.6%***	***14.7%***	**6.69**	**8.33**

Source: Banca Akros

Generalfinance's comparable peers are trading at average P/E multiples of 6.3x for FY22 and 5.3x for FY23, with BFF Bank being ahead of the pack. In terms of P/BV multiples, again, BFF Bank is trading at a much higher multiple (above 2.0x) compared to Banca Ifis and Banca Sistema (around 0.5x) and looks justified by the much higher profitability of the former, with an ROE of 20-25% vs. 7-9% for the others.

Based on the multiple comparison, we obtain an average **fair value of EUR 6.0** per share.

Generalfinance: Summary tables

PROFIT & LOSS (EURm)	12/2019	12/2020	12/2021	12/2022e	12/2023e	12/2024e
Net Interest Income	**3.4**	**4.1**	**6.2**	**8.1**	**10.4**	**13.3**
Commissions	10.1	13.1	17.7	22.3	26.7	30.0
Financial Operations Revenues	0.0	0.0	0.0	0.0	0.0	0.0
Other Operating Income	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Non-Interest Income	**10.1**	**13.1**	**17.7**	**22.3**	**26.7**	**30.0**
Total Revenue	**13.5**	**17.2**	**23.9**	**30.4**	**37.2**	**43.2**
Operating Costs	**-6.9**	-8.4	-9.8	-13.0	-13.2	-14.5
-of which Personnel Expenses	-3.8	-4.3	-5.2	-6.0	-6.8	-7.6
Pre-Provision Profit (PPP)	**6.6**	**8.8**	**14.1**	**17.4**	**24.0**	**28.7**
Other Operating Provisions	0.0	0.0	0.0	0.0	0.0	0.0
Loan Impairment Charge (LIC)	-0.4	-0.7	-0.2	-0.6	-0.8	-1.0
Operating profit (OP)	**6.3**	**8.1**	**13.9**	**16.7**	**23.2**	**27.7**
Associates	0.0	0.0	0.0	0.0	0.0	0.0
Other Income/Loss(Exceptional)	0.0	0.0	0.0	0.0	0.0	0.0
Earnings Before Tax (EBT)	**6.3**	**8.1**	**13.9**	**16.7**	**23.2**	**27.7**
Tax	-2.1	-2.8	-4.5	-5.6	-7.7	-9.2
Tax rate	*33.3%*	*34.3%*	*32.1%*	*33.5%*	*33.0%*	*33.0%*
Discontinued Operations	0.0	0.0	0.0	0.0	0.0	0.0
Minorities	0.0	0.0	0.0	0.0	0.0	0.0
Net Profit (Reported)	**4.2**	**5.3**	**9.5**	**11.1**	**15.5**	**18.6**
Earnings Before Tax (Adj.) (1)	6.3	8.1	13.9	16.7	23.2	27.7
Net Profit (Adj.)	4.2	5.3	9.5	11.1	15.5	18.6

BALANCE SHEET (EURm)	12/2019	12/2020	12/2021	12/2022e	12/2023e	12/2024e
Due from Banks	16.8	24.2	33.5	33.5	33.5	33.5
Customer Loans	132	177	321	421	527	658
Securities	0.0	0.0	0.0	0.0	0.0	0.0
Interest Earning Assets (IEA)	**149**	**201**	**355**	**455**	**560**	**692**
Unit Linked Investments	0.0	0.0	0.0	0.0	0.0	0.0
Goodwill	0.0	0.0	0.0	0.0	0.0	0.0
Other Assets	9.7	9.5	10.7	10.7	10.7	10.7
Total Assets	**158**	**210**	**365**	**466**	**571**	**703**
Due to Banks	129	175	284	364	454	574
Customer Deposits	0.0	0.0	0.0	0.0	0.0	0.0
Bonds & Debt Capital	0.0	0.0	31.0	36.5	39.5	42.5
Provisions	0.0	0.0	0.0	0.0	0.0	0.0
Other Liabilities	10.0	12.2	18.7	13.2	15.6	13.4
Shareholders Equity	**19.4**	**22.6**	**32.0**	**52.2**	**62.2**	**73.0**
Minorities Equity	0.0	0.0	0.0	0.0	0.0	0.0
Total Liabilities	**158**	**210**	**365**	**466**	**571**	**703**
Tangible Book Value (2)	**19.4**	**22.6**	**32.0**	**52.2**	**62.2**	**73.0**

REGULATORY CAPITAL (EURm)	12/2019	12/2020	12/2021	12/2022e	12/2023e	12/2024e
Risk Weighted Assets	143	192	281	368	462	577
CT1 ratio (B3 fully loaded)	***0.0%***	***0.0%***	***0.0%***	***0.0%***	***0.0%***	***0.0%***
CT1 ratio (B3 phased-in)	***10.4%***	***8.6%***	***9.4%***	***14.1%***	***13.0%***	***12.0%***
Total Capital Ratio (B3)	*10.4%*	*8.6%*	*13.7%*	*17.5%*	*15.6%*	*14.1%*
Leverage Ratio (fully loaded)	***0.0%***	***0.0%***	***0.0%***	***0.0%***	***0.0%***	***0.0%***
Tangible equity as % of Assets	*12.2%*	*10.7%*	*8.8%*	*11.2%*	*10.9%*	*10.4%*

Generalfinance: Summary tables

GROWTH RATES %	12/2019	12/2020	12/2021	12/2022e	12/2023e	12/2024e
Revenue Growth		*27.2%*	*39.0%*	*27.0%*	*22.3%*	*16.3%*
Operating Cost Growth		*21.6%*	*16.6%*	*33.2%*	*1.0%*	*10.1%*
Interest Income Growth		*19.1%*	*52.2%*	*30.0%*	*28.5%*	*27.3%*
Non Interest Income Growth		*29.9%*	*34.8%*	*26.0%*	*20.0%*	*12.0%*
Pre-Provision Profit Growth		***33.0%***	***60.3%***	***22.8%***	***38.2%***	***19.7%***
Customer Loan Growth		*33.8%*	*81.9%*	*31.2%*	*25.0%*	*25.0%*
Deposits Growth						
Change in NPLs		*-36.2%*	*-22.9%*	*n.m.*		

KEY RATIOS %	12/2019	12/2020	12/2021	12/2022e	12/2023e	12/2024e
Interest Income/Avg. IEA		*2.3%*	*2.2%*	*2.0%*	*2.1%*	*2.1%*
Interest Income/Avg. RWA		*2.4%*	*2.6%*	*2.5%*	*2.5%*	*2.6%*
Total Revenue/Avg. RWA		*10.3%*	*10.1%*	*9.4%*	*9.0%*	*8.3%*
Non-Interest Income/Total Revenue	*74.6%*	*76.2%*	*74.0%*	*73.3%*	*72.0%*	*69.3%*
Cost/Income ratio (4)	***51.0%***	***48.7%***	***40.9%***	***42.9%***	***35.4%***	***33.5%***
LIC/Avg. Customer Loans		*0.46%*	*0.09%*	*0.17%*	*0.17%*	*0.17%*
LIC/Avg.RWA		*0.43%*	*0.09%*	*0.19%*	*0.19%*	*0.19%*
Loan Loss Provisions (Balance Sheet)/Loans		*0.5%*	*0.1%*	*0.2%*	*0.2%*	*0.2%*
NPL Ratio (gross)	*1.2%*	*0.6%*	*0.2%*	*0.0%*	*0.0%*	*0.0%*
NPL Coverage	*49.6%*	*34.7%*	*49.8%*	*49.8%*	*49.8%*	*49.8%*
Loans/Deposits Ratio	*n.m.*	*n.m.*	*n.m.*	*n.m.*	*n.m.*	*n.m.*
ROE	*21.6%*	*23.6%*	*29.6%*	*21.3%*	*25.0%*	*25.5%*
ROTE (5)	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*
Payout Ratio	*50.0%*	*40.0%*	*50.0%*	*50.0%*	*50.0%*	*50.0%*
Dividend Yield (gross)			*6.7%*	*6.1%*	*8.5%*	*10.2%*

VALUATION (x)	12/2019	12/2020	12/2021	12/2022e	12/2023e	12/2024e
P/Pre-Provision Profit per Share				*5.3*	*3.8*	*3.2*
P/E (reported)				*8.2*	*5.9*	*4.9*
P/E (adj.)				***8.2***	***5.9***	***4.9***
P/BV				*1.8*	*1.5*	*1.3*
P/TBV				*1.8*	*1.5*	*1.3*

PER SHARE DATA (EUR)(6)	12/2019	12/2020	12/2021	12/2022e	12/2023e	12/2024e
Average diluted number of shares	9.8	9.8	9.8	12.6	12.6	12.6
Pre-Provision Profit per Share	0.67	0.90	1.44	1.37	1.90	2.27
EPS (reported)	0.43	0.54	0.96	0.88	1.23	1.47
EPS (adj.)	**0.43**	**0.54**	**0.96**	**0.88**	**1.23**	**1.47**
BVPS	1.97	2.30	3.25	4.13	4.92	5.77
TBVPS (2)	1.97	2.30	3.25	4.13	4.92	5.77
DPS	0.21	0.22	0.48	0.44	0.62	0.74

PRICE & SHARES & MKT CAP (EURm)	12/2019	12/2020	12/2021	12/2022e	12/2023e	12/2024e
Price** (EUR) (7)				7.2	7.2	7.2
Outstanding number of ordinary shares (m)	9.8	9.8	9.8	12.6	12.6	12.6
Total Market Cap (8)				**91.4**	**91.4**	**91.4**
Assets Under Management (bn)	0.0	0.0	0.0	0.0	0.0	0.0

Source: Company, Banca Akros estimates.

Notes
(1) Earnings Before Tax (adj.) = EBT +/- Exceptional Items
(2) Tangible Book Value = Shareholders Equity less Goodwill
(3) Core Tier1 Ratio (ESN adj.) = Tier1 capital less Tier1 Hybrid capital and less preference capital divided by risk weighted assets
(4) Cost/Income = Operating Costs divided by Banking Revenues
(5) ROTE = Net Profit (adj) divided by the two-years (according to fiscal year end) average of Tangible Book Value (Goodwill adjusted)
(6) EPS (adj.) diluted= Net Profit (adj.)/Avg DIL. Ord. (+ Ord. equivalent) Shs. EPS (reported) = Net Profit reported/Avg DIL. Ord. (+ Ord. equivalent) Shs.
(7) Price (in local currency): Historical Price for Historical Years and Current Price for current and forecast years

Sector: Financial Services Banks/Fin Svcs Banks

Company Description: Generalfinance is a specialty finance operator focused mainly on the factoring of receivables from distressed enterprises.

European Coverage of the Members of ESN

Automobiles & Parts	**Mem(*)**
Brembo	BAK
Cie Automotive	GVC
Faurecia	CIC
Ferrari	BAK
Gestamp	GVC
Indelb	BAK
Landi Renzo	BAK
Michelin	CIC
Pirelli & C.	BAK
Plastic Omnium	CIC
Renault	CIC
Sogefi	BAK
Stellantis	BAK
Valeo	CIC
Banks	**Mem(*)**
Banca Mps	BAK
Banco Sabadell	GVC
Banco Santander	GVC
Bankinter	GVC
Bbva	GVC
Bnp Paribas	CIC
Bper	BAK
Caixabank	GVC
Credem	BAK
Credit Agricole Sa	CIC
Intesa Sanpaolo	BAK
Societe Generale	CIC
Unicaja Banco	GVC
Unicredit	BAK
Basic Resources	**Mem(*)**
Acerinox	GVC
Altri	CBI
Arcelormittal	GVC
Ence	GVC
Neodecortech	BAK
Semapa	CBI
The Navigator Company	CBI
Tubacex	GVC
Chemicals	**Mem(*)**
Air Liquide	CIC
Arkema	CIC
Plasticos Compuestos	GVC
Consumer Products & Services	**Mem(*)**
Abeo	CIC
Beneteau	CIC
Brunello Cucinelli	BAK
Capelli	CIC
De Longhi	BAK
Fila	BAK
Geox	BAK
Givaudan	CIC
Groupe Seb	CIC
Hermes Intl.	CIC
Hexaom	CIC
Interparfums	CIC

Kaufman & Broad	IAC
Kering	CIC
L'Oreal	CIC
Lvmh	CIC
Maisons Du Monde	CIC
Moncler	BAK
Monnalisa	BAK
Ovs	BAK
Piaggio	BAK
Richemont	CIC
Safilo	BAK
Salvatore Ferragamo	BAK
Smcp	CIC
Swatch Group	CIC
Technogym	BAK
Tod'S	BAK
Trigano	CIC
Ubisoft	CIC
Energy	**Mem(*)**
Cgg	CIC
Ecoslops	CIC
Eni	BAK
Galp Energia	CBI
Gas Plus	BAK
Gtt	CIC
Maurel Et Prom	CIC
Neoen	CIC
Plc	BAK
Repsol	GVC
Rubis	CIC
Saipem	BAK
Technip Energies	CIC
Technipfmc Plc	CIC
Tecnicas Reunidas	GVC
Tenaris	BAK
Totalenergies	CIC
Vallourec	CIC
Fin. Serv. Holdings	**Mem(*)**
Cir	BAK
Corp. Financiera Alba	GVC
Digital Magics	BAK
Eurazeo	CIC
Gbl	CIC
Peugeot Invest	CIC
Rallye	CIC
Tip Tamburi Investment Partners	BAK
Wendel	CIC
Fin. Serv. Industrials	**Mem(*)**
Dovalue	BAK
Nexi	BAK
Tinexta	BAK
Financial Services Banks	**Mem(*)**
Amundi	CIC
Anima	BAK
Azimut	BAK
Banca Generali	BAK

Banca Ifis	BAK
Banca Mediolanum	BAK
Banca Sistema	BAK
Bff Bank	BAK
Dea Capital	BAK
Dws	CIC
Finecobank	BAK
Illimity Bank	BAK
Mediobanca	BAK
Poste Italiane	BAK
Rothschild & Co	CIC
Food & Beverage	**Mem(*)**
Ab Inbev	CIC
Advini	CIC
Bonduelle	CIC
Campari	BAK
Carlsberg As-B	CIC
Danone	CIC
Diageo	CIC
Ebro Foods	GVC
Enervit	BAK
Fleury Michon	CIC
Heineken	CIC
Italian Wine Brands	BAK
Lanson-Bcc	CIC
Laurent Perrier	CIC
Ldc	CIC
Lindt & Sprüngli	CIC
Nestle	CIC
Orsero	BAK
Pernod Ricard	CIC
Remy Cointreau	CIC
Tipiak	CIC
Vilmorin	CIC
Viscofan	GVC
Vranken	CIC
Healthcare	**Mem(*)**
Abionyx Pharma	CIC
Amplifon	BAK
Atrys Health	GVC
Biomerieux	CIC
Crossject	CIC
Diasorin	BAK
El.En.	BAK
Fermentalg	CIC
Fine Foods	BAK
Genfit	CIC
Gpi	BAK
Guerbet	CIC
Ipsen	CIC
Korian	CIC
Oncodesign	CIC
Orpea	CIC
Prim Sa	GVC
Recordati	BAK
Shedir Pharma	BAK

Theraclion	CIC
Vetoquinol	CIC
Virbac	CIC
Vytrus Biotech	GVC
Industrial Goods & Services	**Mem(*)**
Applus	GVC
Avio	BAK
Biesse	BAK
Bollore	CIC
Bureau Veritas	CIC
Caf	GVC
Catenon	GVC
Cellnex Telecom	GVC
Cembre	BAK
Chargeurs	CIC
Clasquin	IAC
Cnh Industrial	BAK
Corticeira Amorim	CBI
Ctt	CBI
Danieli	BAK
Datalogic	BAK
Enav	BAK
Enogia	CIC
Exel Industries	CIC
Fiera Milano	BAK
Fincantieri	BAK
Getlink	CIC
Global Dominion	GVC
Haulotte Group	CIC
Interpump	BAK
Inwit	BAK
Legrand	CIC
Leonardo	BAK
Logista	GVC
Manitou	CIC
Nbi Bearings Europe	GVC
Nexans	CIC
Nicolas Correa	GVC
Openjobmetis	BAK
Osai	BAK
Prima Industrie	BAK
Prosegur	GVC
Prosegur Cash	GVC
Prysmian	BAK
Rai Way	BAK
Rexel	CIC
Saes	BAK
Salcef	BAK
Schneider Electric Se	CIC
Somfy	CIC
Talgo	GVC
Teleperformance	CIC
Verallia	CIC
Vidrala	GVC
Zignago Vetro	BAK

Insurance	**Mem(*)**
Axa	CIC
Catalana Occidente	GVC
Cattolica Assicurazioni	BAK
Generali	BAK
Linea Directa Aseguradora	GVC
Mapfre	GVC
Net Insurance	BAK
Unipolsai	BAK
Materials, Construction	**Mem(*)**
Abp Nocivelli	BAK
Acs	GVC
Aena	GVC
Atlantia	BAK
Buzzi Unicem	BAK
Cementir	BAK
Cementos Molins	GVC
Clerhp Estructuras	GVC
Crh	CIC
Eiffage	CIC
Fcc	GVC
Ferrovial	GVC
Groupe Adp	CIC
Groupe Poujoulat	CIC
Groupe Sfpi S.A.	CIC
Heidelberg Cement	CIC
Herige	CIC
Holcim	CIC
Imerys	CIC
Maire Tecnimont	BAK
Mota Engil	CBI
Obrascon Huarte Lain	GVC
Sacyr	GVC
Saint-Gobain	CIC
Sciuker Frames	BAK
Sergeferrari Group	CIC
Spie	CIC
Tarkett	CIC
Thermador Groupe	CIC
Vicat	CIC
Vinci	CIC
Webuild	BAK
Media	**Mem(*)**
Arnoldo Mondadori Editore	BAK
Atresmedia	GVC
Believe	CIC
Cairo Communication	BAK
Digital Bros	BAK
Gl Events	CIC
Il Sole 24 Ore	BAK
Ipsos	CIC
Jcdecaux	CIC
Lagardere	CIC
M6	CIC
Mediaset Espana	GVC
Mfe-Mediaforeurope	BAK
Miogroup	GVC
Nrj Group	CIC
Prisa	GVC
Publicis	CIC
Rcs Mediagroup	BAK
Tf1	CIC
Universal Music Group	CIC
Vivendi	CIC
Vocento	GVC
Personal Care, Drug & Grocery S	**Mem(*)**
Carrefour	CIC
Casino	CIC
Jeronimo Martins	CBI
Marr	BAK
Sonae	CBI
Unilever	CIC
Winfarm	CIC
Real Estate	**Mem(*)**
Igd	BAK
Inmobiliaria Colonial	GVC
Inversa Prime	GVC
Lar España	GVC
Merlin Properties	GVC
Realia	GVC
Retail	**Mem(*)**
Burberry	CIC
Fnac Darty	CIC
Inditex	GVC
Unieuro	BAK
Technology	**Mem(*)**
Agile Content	GVC
Akka Technologies	CIC
Almawave	BAK
Alten	CIC
Amadeus	GVC
Atos	CIC
Axway Software	CIC
Capgemini	CIC
Cast	CIC
Dassault Systemes	CIC
Digital Value	BAK
Esi Group	CIC
Exprivia	BAK
Gigas Hosting	GVC
Indra Sistemas	GVC
Izertis	GVC
Lleida.Net	GVC
Memscap	IAC
Neurones	CIC
Ovhcloud	CIC
Reply	BAK
Sii	CIC
Sopra Steria Group	CIC
Spindox	BAK
Stmicroelectronics	BAK
Tier1 Technology	GVC
Visiativ	CIC
Vogo	CIC
Telecommunications	**Mem(*)**
Bouygues	CIC
Ekinops	CIC
Ezentis	GVC
Nos	CBI
Orange	CIC
Telecom Italia	BAK
Telefonica	GVC
Tiscali	BAK
Unidata	BAK
Vodafone	BAK
Travel & Leisure	**Mem(*)**
Accor	CIC
Autogrill	BAK
Compagnie Des Alpes	CIC
Edreams Odigeo	GVC
Elior	CIC
Fdj	CIC
Groupe Partouche	IAC
Hunyvers	CIC
I Grandi Viaggi	BAK
Ibersol	CBI
Int. Airlines Group	GVC
Melia Hotels International	GVC
Nh Hotel Group	GVC
Pierre Et Vacances	CIC
Sodexo	CIC
Utilities	**Mem(*)**
A2A	BAK
Acciona	GVC
Acea	BAK
Albioma	CIC
Alerion Clean Power	BAK
Audax	GVC
Derichebourg	CIC
Edf	CIC
Edp	CBI
Enagas	GVC
Encavis Ag	CIC
Endesa	GVC
Enel	BAK
Engie	CIC
E-Pango	CIC
Erg	BAK
Greenalia	GVC
Greenvolt	CBI
Hera	BAK
Holaluz	GVC
Iberdrola	GVC
Iren	BAK
Italgas	BAK
Naturgy	GVC
Redeia	GVC
Ren	CBI
Seche Environnement	CIC
Snam	BAK
Solaria	GVC
Solarprofit	GVC
Terna	BAK
Veolia	CIC
Voltalia	CIC

LEGEND: BAK: Banca Akros; CIC: CIC Market Solutions; CBI: Caixa-Banco de Investimento; GVC: GVC Gaesco Valores — as at 15 July 2022

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(**) excluding: strategists, macroeconomists, heads of research not covering specific stocks, credit analysts, technical analysts

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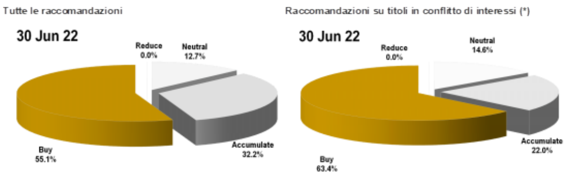
Percentuale delle raccomandazioni al 30 giugno 2022

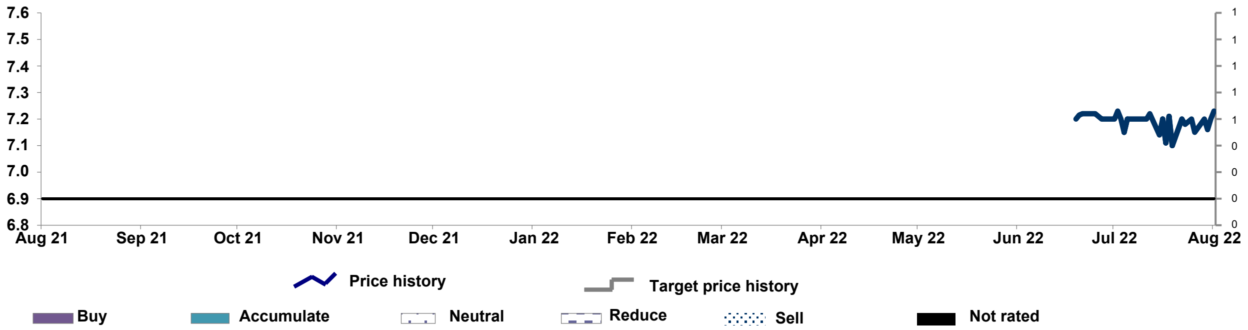


(*) Si informa che la percentuale degli emittenti in potenziale conflitto di interessi con Banca Akros è pari al 34.75% del totale degli emittenti oggetto di copertura

Recommendation history for GENERALFINANCE

Date	Recommendation	Target price	Price at change date
12-Aug-22	Buy	8.80	7.23

Source: Factset & ESN, price data adjusted for stock splits.
This chart shows Banca Akros continuing coverage of this stock; the current analyst may or may not have covered it over the entire period.
Current analyst: Luigi Tramontana (since 01/12/2018)



ESN Recommendation System

The ESN Recommendation System is **Absolute**. It means that each stock is rated based on **total return**, measured by the upside/downside potential (including dividends and capital reimbursement) over a **12-month time horizon**. The final responsible of the recommendation of a listed company is the analyst who covers that company. The recommendation and the target price set by an analyst on one stock are correlated but not totally, because an analyst may include in its recommendation also qualitative elements as market volatility, earning momentum, short term news flow, possible M&A scenarios and other subjective elements.

The ESN spectrum of recommendations (or ratings) for each stock comprises 5 categories: **Buy (B), Accumulate (A), Neutral (N), Reduce (R) and Sell (S)**.

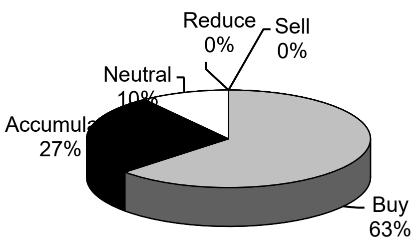
Furthermore, in specific cases and for a limited period of time, the analysts are allowed to rate the stocks as **Rating Suspended (RS)** or **Not Rated (NR)**, as explained below.

Meaning of each recommendation or rating:

- **Buy**: the stock is expected to generate total return of **over 15%** during the next 12 months
- **Accumulate:** the stock is expected to generate total return of **5% to 15%** during the next 12 months
- **Neutral**: the stock is expected to generate total return of **-5% to +5%** during the next 12 months
- **Reduce**: the stock is expected to generate total return of **-5% to -15%** during the next 12 months
- **Sell**: the stock is expected to generate total return **under -15%** during the next 12 months
- **Rating Suspended**: the rating is suspended due to: a) a capital operation (take-over bid, SPO, etc.) where a Member of ESN is or could be involved with the issuer or a related party of the issuer; b) a change of analyst covering the stock; c) the rating of a stock is under review by the Analyst.
- **Not Rated**: there is no rating for a stock when there is a termination of coverage of the stocks or a company being floated (IPO) by a Member of ESN or a related party of the Member.

Note: a certain flexibility on the limits of total return bands is permitted especially during higher phases of volatility on the markets

Banca Akros Ratings Breakdown



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