

PIAGGIO S.p.a EQUITY RESEARCH

RACCOMANDAZIONE: **HOLD**

TARGET PRICE: €2.33

PRICE at 30 Dec 2010: €2.35

Ticker:

Bloomberg: PIA IM

Reuters: PIA.MI

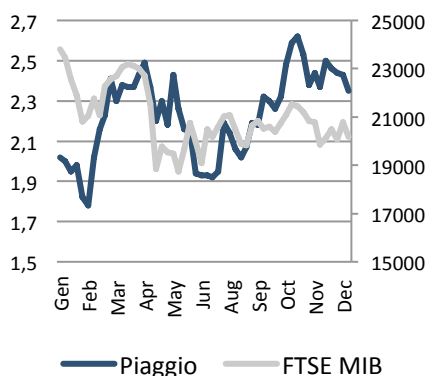
| Performance: | 1m | 3m | 12m |
|------------------|--------|-------|-----------|
| Absolute | 3.07% | 2.17% | 17.50% |
| PIA vs. FTSE MIB | -1.89% | 3.30% | 27.30% |
| 12m High/Low | | | 2.66/1.78 |

Stock Data:

| | |
|-----------------------------------|---------------------|
| Market Cap (€mn): | 873 |
| Average shares outstanding (mn): | 372 |
| Average daily volume (000/units): | 989 |
| Main shareholder: | Omniaholding S.p.a. |

Source: Bloomberg, Borsa Italiana

Piaggio - 2010 performance



Source: Bloomberg

We start our initial coverage of Piaggio Group with a HOLD rating and a target price of €2.33, in line with the current price. We are confident in Piaggio's ability to achieve a CAGR of 6% in revenues for the next four years by compensating the declining of the European market with a good positioning in the Asian market. On the other hand we believe that the current price fairly reflects this expected growth and the company fundamentals.

REACHING PROFITABILITY

Piaggio Group is focusing on the profitability growth trying to reach an EBITDA margin of 14.8% by 2013, starting from a margin of 13.5% in 2009. The company plans to increase Vietnamese manufacturing capacity and to enter the Indian market with a new manufacturing plant in 2013.

RACE WITH GREEN POWER

Piaggio is embarked in the green challenge by signing an agreement with Enel S.p.a. having the objective of developing the market for electric and hybrid vehicles. It has been active in the electric market by the early '80s producing a series of eco-sustainable vehicles.

THE ASIAN WALL

We consider the highly Asian competitive market as the main source of risk, because of the strong market share of local players. Piaggio is thus forced to adopt an aggressive price policy in order to face competition. This can put pressure on its margins.

| | FY 2009A | FY 2010E | FY 2011E | FY 2012E | FY 2013E |
|-------------------|----------|----------|----------|----------|----------|
| REVENUES - € mn | 1,487 | 1,507 | 1,608 | 1,725 | 1,842 |
| EBITDA - € mn | 201 | 200 | 215 | 245 | 273 |
| EBIT - € mn | 104 | 109 | 119 | 141 | 170 |
| NET INCOME - € mn | 47 | 44 | 52 | 67 | 86 |
| EPS - € cents | 0.12 | 0.12 | 0.14 | 0.18 | 0.23 |
| P/E | 16.7 | 19.8 | 16.7 | 12.9 | 10.1 |
| EV/EBITDA | 5.7 | 6.1 | 5.7 | 5.0 | 4.5 |
| FCFF yield | 6.1% | 4.7% | 4.1% | 7.1% | 9.4% |
| DIV yield | 3.5% | 3.0% | 3.4% | 3.4% | 3.0% |
| NET DEBT/EQUITY | 0.8 | 0.8 | 0.8 | 0.7 | 0.5 |
| NET DEBT/EBITDA | 1.8 | 1.8 | 1.7 | 1.4 | 1.1 |
| ROIC | 7.4% | 6.3% | 6.9% | 8.4% | 10.1% |

Source: Company data, Our estimates



AN ITALIAN STORY

The Piaggio Group is an important producer in the two wheels market. Leader in Europe and in Italy, the Group is also one of the main players of the commercial vehicle market on a global scale.

Founded in the late nineteenth century, in its history the Company has covered practically every sector of transportation, ranging from ship interiors to the construction of engines and railway carriages, from aeronautical engines to hydroplanes.

Without a doubt Piaggio's most famous product is Vespa, a lightweight motorcycle that has become a recognizable brand and represent the Italian style in the two-wheels market.

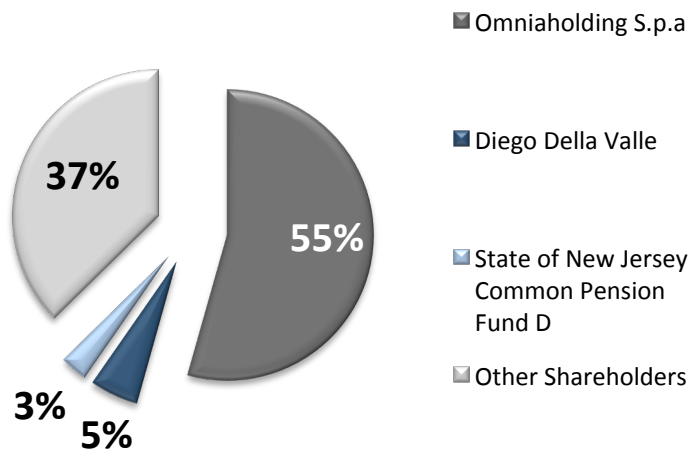
Moreover The Piaggio Group's products range includes scooters, motorcycles and mopeds ranging from 50 to 1.200cc, with brands such as Piaggio, Vespa, Gilera, Aprilia, MotoGuzzi, Derbi, Scarabeo. The Group also manufactures three and four-wheeled light commercial vehicles as Ape, Porter and Quargo.

The Group is located in Pontedera, but due to its international strategy, developed in the last twenty years, also produces in Spain, India and Vietnam.

PIAGGIO'S SHAREHOLDERS

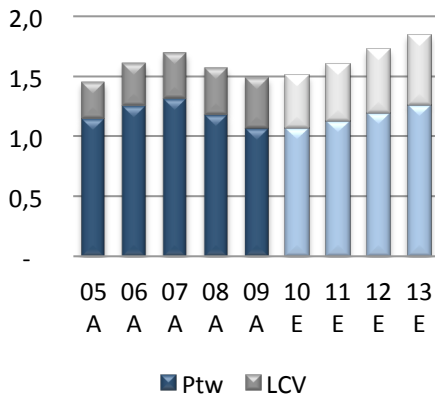
The Group is controlled by OminiaHolding S.p.a., a listed Italian industrial holding company, headed by Roberto Colaninno. Piaggio Group is listed on the Italian Stock Exchange from 2006.

Figure 1: Piaggio's Shareholders



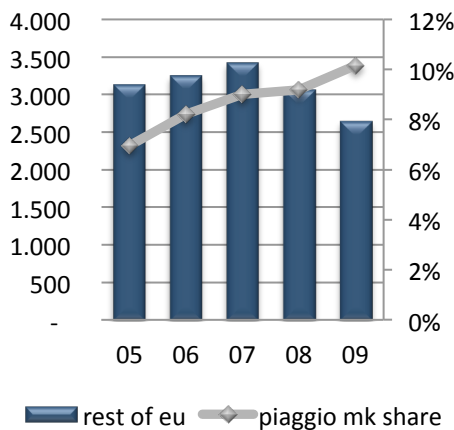
Source: Company data

Figure 2: Revenues by business segment (€ bn)



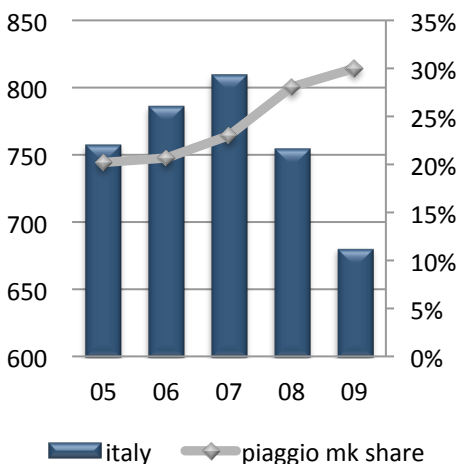
Source: Company data, Our estimates

Figure 3: Total sales in EU - ex Italy and Piaggio's market share (000/units)



Source: ACEM, ACEA, Company data

Figure 4: Total sales in Italy and Piaggio's market share (000/units)



Source: ACEM, ACEA, Company data

BUSINESS DESCRIPTION

Ptws and Light Commercial Vehicles

With 324k units sold of PTW, Piaggio satisfies different needs in different countries. Piaggio leads the two wheels European sector, thanks to the 11k operators in the primary network and sub-network in Europe. Piaggio satisfies the PTW demand with motorcycles and mopeds ranging from 50 to 1.200cc. This allows it to maintain the leading position in Europe.

Deliveries in the Asian market have grown with sales of 36,900 units in 2009, a 61.8% growth with respect to the corresponding period of the previous year. It should also be noted that, on 24th June 2009, the sale of the Vespa LX scooter, produced in the Vietnamese plant of Binh Xuyen, was officially initiated in Vietnam.

The Group also manufactures three and four-wheeled commercial vehicles, which represents the 25% of company sales. The LCV sales are composed of 93% in Indian Market, where the company has sold 159k in 2009.

MARKET ANALYSIS: LEADING EUROPE, RIDING ASIA

Leading Europe

The European market, like other developed economies, has suffered in the last year, and still suffers, a decreasing demand for discretionary goods.

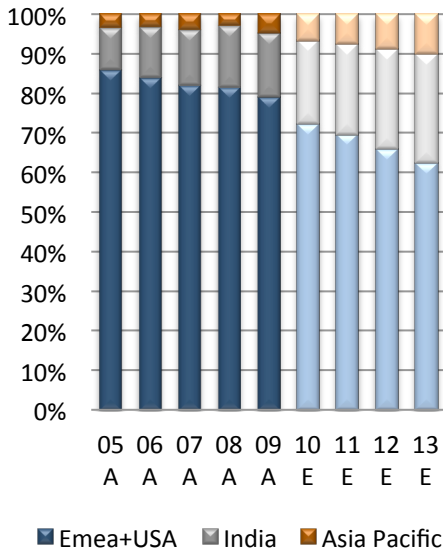
Recent Eurozone imbalances do not allow a significant short term recovery. Despite this macroeconomic environment, the PTW sector, though affected by a reduction in sales, has shown a dynamism in competition.

Piaggio has played a central role in this last commercial year. It has maintained its European market share, despite a 30% fall in Italian sales.

In our view, Piaggio will be able to maintain European market share also in the future because of the new agreement with Enel, signed in January 2010 to develop electric and Hybrid vehicles. Piaggio could be a pioneer in Hybrid and Electric scooters.

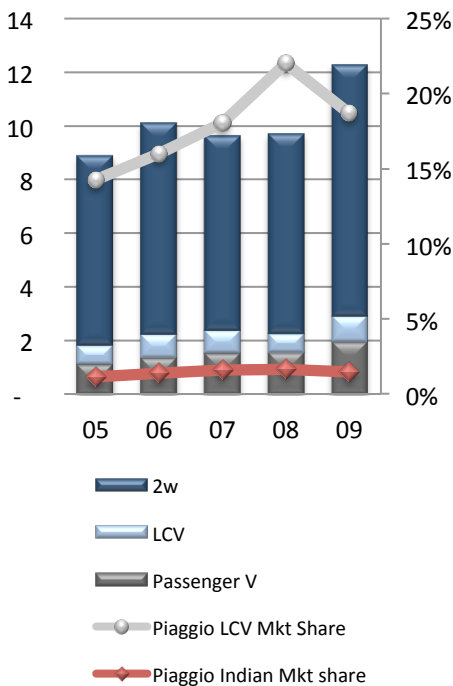
Regarding LCV, the results in Europe have not been satisfactory. This sector seems to suffer more than Ptw the financial distress in Southern Europe (Spain, Greece, Portugal).

Figure 5: Revenues by Geographical Segment



Source: Company data, Our estimates

Figure 6: Indian sales of vehicles (mn/units) and Piaggio's market share



Source: SIAM India, Company data

Riding Asia

Piaggio recently presented its 2010-13 business plan, with achievable targets mainly driven by two main macro trends: the European markets should show limited recovery, while Asian markets should continue to grow and attract most of the investments.

The target is to increase emerging market sales from a share of 25% of total sales to 40% in 2013, leveraging on India and Vietnam. Using its Indian strong position in LCV, with a 19% of market share, the plan to sell 150k units in two wheels sector seems to be achievable.

The Indian two-wheels market is emerged as a "Sunrise Sector". The government plan is going to promote the sector in the next 5 years.

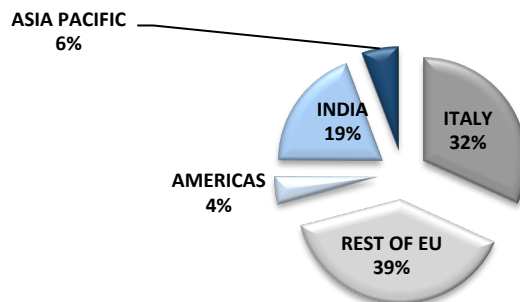
Today in India Piaggio is active in the 3 and 4-wheeled Light Commercial Vehicles sector. We estimate that the Indian market will maintain the double-digit growth rates achieved in recent years, confirming its role as a fundamental driver of Piaggio's future growth.

The Indian market for 3W LCVs is expected to grow 23.9% between 2010 and 2013 and is expected to continue this trend – both in the passenger and cargo segments – thanks to the constant growth of demand for those vehicles. Further growth opportunities are offered by the 4W LCV segment, which today is served by only one competitor.

Piaggio will invest in India about €100mn over the next three years to double production capacity in order to match the Indian growth. Despite the clear opportunity of growth in developing Asia, we must stress the high competitive environment that Piaggio has to face.

India PTW business, up to now, has been served mostly by Hero Honda and domestic player Bajaj that jointly cover the 70% of the demand for Ptw goods.

Figure 7: Revenues by Geographical Segment - FY 2009



Source: Company data

VALUATION

We apply the DCF model and the relative valuation as the main representative tools to implement the financial analysis. We forecast the Company cash flows for the years 2010-2017, taking into consideration also Piaggio’s 2010-2013 Industry Plan. We then assume a terminal growth of 2% and we use a WACC of 9.83%.

Sales

Our estimate of future sales are higher than Piaggio ones for the years referred to the Industry Plan (a CAGR of 6.9% vs 6.2%). After the 2013 we assume that the growth rate of the sales will decrease toward the long term stable rate, the “g factor”.

Profitability

Being confident in Piaggio’s Industry Plan, we confirm the Ebitda margin growth up to 2013 and then, for the mid and long term estimates, we assume a reduction considering the difficulty to maintain such high margins. Indeed we estimate a decrease up to a 13.5% in 2017. In order to increase the profitability, Piaggio is focusing on strategies to cut costs, consisting in an improvement of monitoring of operating costs, offsetting negative effects arising from exchange rates and raw materials and strengthening the R&D productivity.

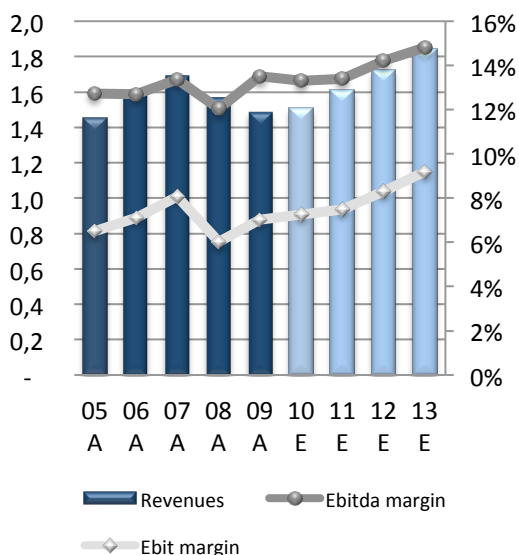
Capital expenditures

In the next three years Piaggio is going to invest €312mn in capital expenditures. About €135mn are dedicated to the two-wheels vehicles, mainly to the construction of a manufacturing plant in Indian that, starting from 2012, will produce 150k units of Vespa and the expansion of the Piaggio Vietnam facility. The remaining budget is allocated among commercial vehicles, manufacturing and other activities. The Figure 8 shows that Piaggio is moving its investments toward Asia.

Working capital

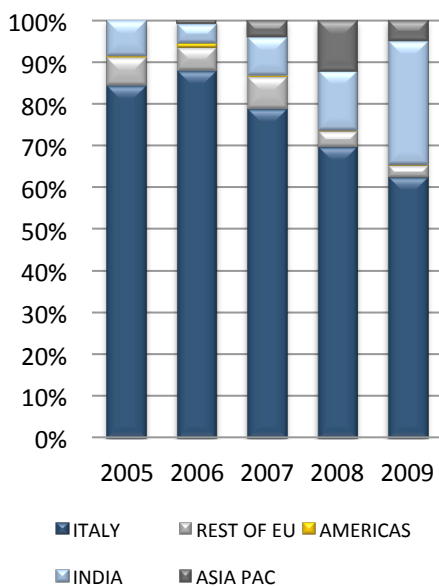
We use the change in working capital estimates included in the Industry Plan. For the middle term period (2014-2017) we assume that the growth in working capital will fall with the slightly decrease of the sales growth, the stabilization of the profitability and the falling in current assets.

Figure 7: Profitability (bn/€)



Source: Company data, Our estimates

Figure 8: Capex by Geographic Segment



Source: Company data

DCF CALCULATION

| | FY 2011E | FY 2012E | FY 2013E | FY 2014E | FY 2015E | FY 2016E | FY 2017E |
|------------------------------|-----------|-----------|-----------|------------|------------|------------|------------|
| Ebit(1-tax rate) | 66 | 82 | 101 | 107 | 107 | 106 | 106 |
| Depreciation&Amortization | 96 | 104 | 103 | 109 | 114 | 118 | 121 |
| Capital Expenditures | 100 | 105 | 107 | 103 | 98 | 107 | 118 |
| Change in Working Capital | 27 | 18 | 15 | -18 | -8 | 12 | 4 |
| FCFF | 36 | 62 | 82 | 131 | 130 | 105 | 106 |
| Present Value of FCFF | 33 | 52 | 63 | 92 | 83 | 61 | 56 |

Source: Our estimates

| | |
|----------------------|---------------|
| Total PV of FCFF | 440 |
| WACC | 9.38% |
| Terminal Growth | 2.00% |
| PV of Terminal Value | 779 |
| Enterprise Value | 1,218 |
| NFP | 353 |
| Equity Value | 865 |
| N° of shares | 372 |
| Target Price | € 2.33 |

Source: Our estimates

DCF Model assumptions:

- In WACC calculation we use a Cost of Equity of 12.93%, considering an Equity risk premium of 10%, a Risk free rate of 4.65% (YTM of the Italian 10y Government Bond) and a Beta of 0.83. The Cost of Debt reflects the YTM of the Piaggio S.p.a. 7.0% 01-Dec-2016 bond. Equity weight and Debt weight are determined by market data and book values.
- We choose a 2% terminal growth that in our opinion reflects the long term in the growth potential of Asian emerging markets.

SENSITIVITY ANALYSIS

We run the sensitivity analysis adding and subtracting to “g factor” and WACC a common ratio of 0.1% for the former and a 0.2% for the latter. Doing so we experienced a variation of Target in a range between 2.05 and 2.6.

| | | Terminal Growth | | | | | | |
|-------------|--------------|-----------------|-------------|-------------|-------------|-------------|-------------|-------------|
| | | 1.70% | 1.80% | 1.90% | 2.00% | 2.10% | 2.20% | 2.30% |
| 8.78% | | 2.52 | 2.55 | 2.57 | 2.60 | 2.63 | 2.66 | 2.69 |
| 8.98% | | 2.43 | 2.46 | 2.48 | 2.50 | 2.53 | 2.56 | 2.59 |
| 9.18% | | 2.35 | 2.37 | 2.39 | 2.41 | 2.44 | 2.46 | 2.49 |
| WACC | 9.38% | 2.27 | 2.29 | 2.31 | 2.33 | 2.35 | 2.37 | 2.40 |
| 9.58% | | 2.19 | 2.21 | 2.23 | 2.25 | 2.27 | 2.29 | 2.31 |
| 9.78% | | 2.12 | 2.14 | 2.15 | 2.17 | 2.19 | 2.21 | 2.23 |
| 9.98% | | 2.05 | 2.07 | 2.08 | 2.10 | 2.11 | 2.13 | 2.15 |

Source: Our estimates

RELATIVE VALUATION

We choose two kind of peers. The first group is composed of the most Italian branded firms. In the second one, there are some competitors operating in the automotive and motorcycle industries.

| ITALIAN "BRANDED" | | COMPETITORS | | | |
|----------------------------------|---------------|-----------------------------------|---------------|---------------|---------------|
| Company | P/E | Company | P/E | EV/EBITDA | EV/Sales |
| LUXOTTICA GROUP SPA | 24.30 | TATA MOTORS LTD | 8.31 | 6.00 | 0.83 |
| DAVIDE CAMPARI-MILANO SPA | 17.80 | KAWASAKI HEAVY INDUSTRIES | NM | 9.54 | 0.66 |
| TOD'S SPA | 21.10 | PEUGEOT SA | 6.90 | 1.93 | 0.15 |
| GEOX SPA | 16.90 | MAHINDRA & MAHINDRA LTD | 17.26 | 17.10 | 2.38 |
| PIRELLI & C. | 18.60 | ASHOK LEYLAND LTD | 13.60 | 8.66 | 0.93 |
| Peers Mean | 19.74 | HERO HONDA MOTORS LTD | 16.59 | 13.90 | 1.93 |
| Piaggio | 19.77 | MARUTI SUZUKI INDIA LTD | 15.65 | 9.28 | 1.05 |
| Target Price | € 2.35 | BAJAJ AUTO LTD | 14.45 | 11.59 | 2.32 |
| Source: Bloomberg, Our estimates | | Mean | 13.25 | 9.75 | 1.28 |
| | | Piaggio | 19.77 | 6.12 | 0.81 |
| | | Target EV (€ mn) | | 1,954 | 1,932 |
| | | Target Equity Value (€ mn) | | 1,601 | 1,579 |
| | | Target Price | € 1.58 | € 4.31 | € 4.25 |

Source: Bloomberg, Our estimates

In the comparison with the most Italian branded firms, the target price is the same of our DCF.

Regarding to competitors, considering the lower average financial leverage of the chosen companies with respect to Piaggio, the EV/EBITDA and EV/SALES multiples have less informative power. Therefore, we apply a weighted average to the three multiples with a significant overweight for the P/E ratio.

| | Weight | Target Price | Contribution |
|-----------------------------------|--------|--------------|--------------|
| P/E | 60% | 1.58 | 0.95 |
| EV/EBITDA | 20% | 4.31 | 0.86 |
| EV/Sales | 20% | 4.25 | 0.85 |
| Weighted Mean Target Price | | € | 2.66 |

Source: Our estimates

The relative valuation analysis is based on 2010 estimated multiples.

Regarding the Indian peers we have to stress that the Indian fiscal year ends on March 2011.

| MAIN RISK | MITIGATION PLAN |
|--------------------------------------|---|
| Cyclical and seasonal demand | Flexible plants structure and the use of fixed term employment contracts |
| Competitive and mature market | Piaggio develops an aggressive price policy |
| Raw material cost | No plan contemplated, probably Piaggio should use derivative instruments to mitigate the commodity prices |
| Regulatory framework | Employees involved in parliament commission |
| Customer satisfaction risk | Piaggio uses a special marketing strategy |
| Plagiarism | Licenses and patents |
| Component risk | Piaggio has to increase the supply from emerging markets |
| Operational risk | The use of insurance policies |
| Quality risk | Increasing quality control system |
| Exchange risk | Derivative instruments |
| Interest rate risk | Derivative instruments |

BUSINESS RISK

Cyclical and seasonal demand

The current crisis has had negative effects on consumption of the whole sector of motorcycles. Consequently, Piaggio suffered a drop in sales.

It can also be noted that Piaggio's business suffers seasonality effect. Piaggio faces this problem using a flexible structure in its plants and uses fixed term employment contracts so that it can configure its production capacity based on the cycle.

Competitive and mature market

Piaggio is the fifth biggest world motorcycle producer. The others are mainly Japanese and Chinese firms which, given their size, have more resources to invest and the largest production centres. To avoid this problem Piaggio uses a very aggressive price policy and increase discounts.

Raw material cost

The cost of raw materials affect much of the profits of Piaggio. Prices of raw materials are becoming more important every year because they are highly variable due to the strong speculation and the huge demand of these products by developing countries. Steel has increased 25% in 2010 and copper about 54%. For this type of risk Piaggio has not provided any mitigation plan. Our opinion is that Piaggio should not underestimate this risk and should assess the possibility of using derivative instruments to protect itself against price changes.

Regulatory framework

Piaggio must pay close attention to the anti-pollution regulations for motorcycles. The enactment of more stringent regulations may put the products currently in circulation outside the market. For this reason, Piaggio provides investments to keep in line with European and single country regulations and try to speed up the process of adapting to new changes to contain costs.

Customer satisfaction risk

Piaggio success depends on its ability to make products that intercept tastes of consumers, meeting their mobility needs. To overcome this risk, Piaggio invests heavily in marketing and in its staff has a team specialized in the needs of its customers.

Plagiarism

Given the great strength of the brand of Piaggio, the Group has a focus of prevention of possible plagiarism. The registration of brands and patents provide an important initial expenditure, but this is recovered from avoided losses due to plagiarism of any kind.

Component quality & delivery risk

Piaggio production is highly decentralized. The Group delegates to outside firms the production and/or delivery of a part of the components of its vehicles. The Group has established a components procurement policy that targets increasing supplies from low-cost Asian countries by acting through its direct presence in India and China. In the future there is the risk that any bad supplier can be changed instead of another probably more expensive.

Operational risk

The Group operates from industrial production facilities located in Italy, Spain, India and Vietnam. Any interruption to production activities could have a negative impact on operations and on the financial performance of the Group. Piaggio mitigates in part those problems through an insurance policy.

Financial risk

Piaggio until now has a debenture loan of a total amount of €138 mn and from banks for a total amount of €373 mn. For this reason, the Group's Financial Management pays particular attention in monitoring, even on a daily basis, the liquidity.

Exchange risk

Piaggio carry out operation in currency other than euro, its expose the company to exchange risk. To mitigate this risk Piaggio uses hedge instruments, considering the huge volatility showed by India Rupiah with respect to Euro.

Interest rate risk

Half of the Piaggio's debt is at variable interest rate, this expose the group to the interest rate risk. Piaggio mitigates this risk using derivative instruments on interest rate.

APPENDIX

INCOME STATEMENT

| | FY 2008A | FY 2009A | FY 2010E | FY 2011E | FY 2012E | FY 2013E | FY 2014E | FY 2015E | FY 2016E | FY 2017E |
|----------------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| Revenues | € 1,570.10 | € 1,486.90 | € 1,506.80 | € 1,607.76 | € 1,725.12 | € 1,842.43 | € 1,943.76 | € 2,027.35 | € 2,104.38 | € 2,167.52 |
| % change YoY | -7.2% | -5.3% | 1.3% | 6.7% | 7.3% | 6.8% | 5.5% | 4.3% | 3.8% | 3.0% |
| Ebitda | € 189.10 | € 200.80 | € 200.40 | € 215.44 | € 244.97 | € 272.68 | € 281.85 | € 285.86 | € 288.30 | € 292.61 |
| ebitda margin | 12.0% | 13.5% | 13.3% | 13.4% | 14.2% | 14.8% | 14.5% | 14.1% | 13.7% | 13.5% |
| D&A | € (94.50) | € (96.40) | € (91.16) | € (96.47) | € (103.51) | € (103.18) | € (108.85) | € (113.53) | € (117.85) | € (121.38) |
| % Rev | -6.0% | -6.5% | 6.1% | 6.0% | 6.0% | 5.6% | 5.6% | 5.6% | 5.6% | 5.6% |
| Ebit | € 94.60 | € 104.40 | € 109.24 | € 118.97 | € 141.46 | € 169.50 | € 172.99 | € 172.32 | € 170.46 | € 171.23 |
| Ebit margin | 6.0% | 7.0% | 7.3% | 7.4% | 8.2% | 9.2% | 8.9% | 8.5% | 8.1% | 7.9% |
| other income | € 0.01 | € 0.45 | | | | | | | | |
| exchange gain/(loss) | € 0.19 | € (1.96) | | | | | | | | |
| financial income | € 6.38 | € 4.46 | € 2.60 | € 3.10 | € 2.70 | € 3.10 | | | | |
| interest expenses | € (41.04) | € (33.28) | € (28.60) | € (27.80) | € (27.60) | € (27.30) | € (29.16) | € (30.41) | € (31.57) | € (32.51) |
| % Rev | 2.6% | 2.2% | 1.9% | 1.7% | 1.6% | 1.5% | 1.5% | 1.5% | 1.5% | 1.5% |
| Ebt | € 60.14 | € 74.07 | € 83.24 | € 94.27 | € 116.56 | € 145.30 | € 143.84 | € 141.91 | € 138.89 | € 138.72 |
| Ebt margin | 3.8% | 5.0% | 5.5% | 5.9% | 6.8% | 7.9% | 7.4% | 7.0% | 6.6% | 6.4% |
| Taxes | € (16.30) | € (26.67) | € (39.04) | € (41.98) | € (49.07) | € (59.00) | € (54.66) | € (53.93) | € (52.78) | € (52.71) |
| Tax rate | 27.1% | 36.0% | 46.9% | 44.5% | 42.1% | 40.6% | 38.0% | 38.0% | 38.0% | 38.0% |
| Net income | € 43.83 | € 47.40 | € 44.20 | € 52.29 | € 67.49 | € 86.30 | € 89.18 | € 87.99 | € 86.11 | € 86.01 |
| Net income margin | 2.8% | 3.2% | 2.9% | 3.3% | 3.9% | 4.7% | 4.6% | 4.3% | 4.1% | 4.0% |

BALANCE SHEET

| | FY 2008A | FY 2009A | FY 2010E | FY 2011E | FY 2012E | FY 2013E | FY 2014E | FY 2015E | FY 2016E | FY 2017E |
|------------------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| Capex | € 102.90 | € 93.80 | € 92.40 | € 99.83 | € 105.00 | € 107.00 | € 103.00 | € 98.00 | € 107.00 | € 118.00 |
| D&A | € (94.50) | € (96.40) | € (91.16) | € (96.47) | € (103.51) | € (103.18) | € (108.85) | € (113.53) | € (117.85) | € (121.38) |
| Change in NWC | € (3.30) | € 20.90 | € 16.00 | € 27.00 | € 18.00 | € 15.00 | € (18.00) | € (8.00) | € 12.00 | € 4.00 |
| BALANCE SHEET | | | | | | | | | | |
| Total Fixed Assets | € 898.59 | € 891.67 | € 892.91 | € 896.28 | € 897.77 | € 901.59 | € 895.74 | € 880.21 | € 869.36 | € 865.98 |
| Net Working Capital | € (3.70) | € 17.20 | € 33.20 | € 60.20 | € 78.20 | € 93.20 | € 75.20 | € 67.20 | € 79.20 | € 83.20 |
| Net Financial Position | € (359.70) | € (352.00) | € (353.00) | € (360.82) | € (342.57) | € (301.12) | € (214.11) | € (132.34) | € (77.12) | € (21.48) |
| Equity | € 398.22 | € 423.80 | € 441.98 | € 464.53 | € 502.27 | € 562.55 | € 625.70 | € 683.94 | € 740.31 | € 796.58 |
| Retained Earnings | | 21.37 | 18.18 | 22.55 | 37.74 | 60.28 | 63.15 | 58.24 | 56.37 | 56.26 |

NET FINANCIAL POSITION

| | FY 2009A | FY 2010E | FY 2011E | FY 2012E | FY 2013E | FY 2014E | FY 2015E | FY 2016E | FY 2017E |
|----------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|------------------|------------------|
| Average n° of shares | 371.79 | 371.79 | 371.79 | 371.79 | 371.79 | 371.79 | 371.79 | 371.79 | 371.79 |
| DIVIDEND per share | € 0.07 | € 0.07 | € 0.08 | € 0.08 | € 0.07 | € 0.07 | € 0.08 | € 0.08 | € 0.08 |
| Dividend Paid | € 26.03 | € 26.03 | € 29.74 | € 29.74 | € 26.03 | € 26.03 | € 29.74 | € 29.74 | € 29.74 |
| Net income | € 47.40 | € 44.20 | € 52.29 | € 67.49 | € 86.30 | € 89.18 | € 87.99 | € 86.11 | € 86.01 |
| Retained Earnings | € 21.37 | € 18.18 | € 22.55 | € 37.74 | € 60.28 | € 63.15 | € 58.24 | € 56.37 | € 56.26 |
| D&A | € (96.40) | € (91.16) | € (96.47) | € (103.51) | € (103.18) | € (108.85) | € (113.53) | € (117.85) | € (121.38) |
| Capex | € 93.80 | € 92.40 | € 99.83 | € 105.00 | € 107.00 | € 103.00 | € 98.00 | € 107.00 | € 118.00 |
| Change in NWC | € 20.90 | € 16.00 | € 27.00 | € 18.00 | € 15.00 | € (18.00) | € (8.00) | € 12.00 | € 4.00 |
| NFP | € (352.00) | € (353.00) | € (360.82) | € (342.57) | € (301.12) | € (214.11) | € (132.34) | € (77.12) | € (21.48) |

| 2011-2013 | |
|-----------------|------------|
| Dividend Paid | € 85.51 |
| Net income | € 206.08 |
| Retained Income | |
| D&A | € (303.15) |
| Capex | € 311.83 |
| Change in NWC | € 60.00 |

WACC

| WACC | |
|-------------------------------|---------------|
| Risk Free Rate | 4.65% |
| Equity risk premium | 10.00% |
| Beta | 0.83 |
| Cost of Equity | 12.93% |
| Pre-tax cost of debt | 5.98% |
| tax rate | 40.00% |
| Effective Cost of Debt | 3.59% |
| Equity Weight | 62% |
| Debt Weight | 38% |
| WACC | 9.38% |

ROIC

| | FY 2009A | FY 2010E | FY 2011E | FY 2012E | FY 2013E |
|-------------------|--------------|--------------|--------------|--------------|---------------|
| Fixed assets | € 891.67 | € 892.91 | € 896.28 | € 897.77 | € 901.59 |
| Working Capital | € 17.20 | € 33.20 | € 60.20 | € 78.20 | € 93.20 |
| Invested capital | € 908.87 | € 926.11 | € 956.48 | € 975.97 | € 994.79 |
| Ebit | € 104.40 | € 109.24 | € 118.97 | € 141.46 | € 169.50 |
| Tax Rate | 36.01% | 46.90% | 44.53% | 42.10% | 40.60% |
| Ebit*(1-Tax Rate) | € 66.80 | € 58.01 | € 65.99 | € 81.90 | € 100.68 |
| ROIC | 7.35% | 6.26% | 6.90% | 8.39% | 10.12% |

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Investment Research Challenge and Global Investment Research Challenge Acknowledgement:

[*Society Name*] Investment Research Challenge as part of the CFA Institute Global Investment Research Challenge is based on the Investment Research Challenge originally developed by the New York Society of Security Analysts.

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