

CIRCLE

Strong 1H 2021 results, with the completion of the acquisition of Magellan

Strong revenue growth driven by synergies Circle Group, an international player specialised in providing innovative technological solutions for automation and digitalisation of the entire supply chain, with distinctive vertical skills in the port and intermodal logistics sectors, recently released 1H21 results posting yoy revenue growth of +31% mainly driven by the consolidation of synergies of volumes of the three M&A transactions (Info.era, Progetto Adele, Log@Sea). Overall, revenues came in at Euro 4.2 m (Euro 3.2 m in 1H20), EBITDA stood at Euro 0.74 m with an EBITDA margin of 18% vs. 12.5% in 1H20 (Euro 0.4 m), thanks to the continuous search of efficiency. EBIT was of Euro 0.3 m (Euro 0.07 m in 1H20) and Net Profit stood at Euro 0.3 m vs. Euro 0.04 m in 1H20.

Solid balance sheet and good operating cash flow allowing for investment in growth.

At the end of 1H21, the Group presented Net Cash position of Euro 2.3 m, up from Euro 0.6 m in FY20 and Euro 0.5 m in 1H20 thanks to good management of Working Capital, and after investments of Euro 0.45 m related to M&A transactions and activities for Euro 0.45 m.

Development roadmap 2024 confirmed In 1H21, despite COVID-19 related difficulties, the Group managed to grow revenues while continuing to develop the business with the launch of a new set of federative services, the JV with Magellan, increased participation in Log@Sea network (JV with Aitek for the development of software for gate automation and digitisation of port and intermodal nodes (road-and railway)), and two new business lines: EU Branding (services to help clients to improve visibility and obtain financing in a European context) and Optimization 4.0 (development of process optimization tools for the port logistics sector). Based on the above, Management highlighted that the business model focusing on the digitalization of ports, terminals and intermodal logistics has proven COVID-19 resilience, and hence confirmed the strategic road map announced last December with FY24 targets: (i) revenues of Euro 14 – 16 m, (ii) EBITDA: Euro 2.1 – 3.0 m, (iii) increase in international activities to 25 – 30%, and (iv) increase in SaaS and PPU services.

Positive outlook confirmed and operational efficiency continued during 2H21.

Management did not provide any guidance for FY21 but stated that the results in the first six months of the year confirm the growth trend of 1H21 with the evolution of the services offered by the Milos® TOS, MTO suites, the evolution of MasterSped®, and the announcement, through its subsidiary Magellan Circle, of its presence among the members of the "PIONEERS" project, which value of the contract is approximately Euro 0.82 m. In addition to that, on September 20, Circle announced the award, again with Magellan Circle, of the Call for Tender for the organization and management of events for the Representation of the European Commission in Portugal; the contract has a total value of Euro 1.8 m and a maximum duration of 48 months. We confirm our positive outlook for Circle as we believe the group can benefit from the ongoing digitalization trend in the logistics sector thanks to its strong product portfolio and recent investments and strategic alliances and M&A.

Estimates revision and valuation. Given the results of 1H21, we confirmed our estimates for FY21 and we adjusted our FY23 estimates whereas we assume a +27% revenue growth rate in FY22 and FY23. We updated our model to factor in new estimates and market multiples and set a new target price of Euro 5.23 p.s. (4.52 p.s. pr.) providing for an upside of 38% to the current share price and obtained by weighting equally a DCF and a multiple comparison analysis. At our target price the stock would be trading at 16.4x and 11.1x FY21-22 EV/EBITDA, respectively.

Sector: Technology

Target Price (Euro)	5.23 (4.52 pr)
Market Price (Euro)	3.80
Market Cap (Euro m)	15
EV (Euro m)	19

As of October 12th, 2021

Share Data

Market	AIM Italia
Reuters/Bloomberg	CURC:IM/CIRC.MI
ISIN	IT0005344996
N. of Shares	4,026,495
Free Float	33.78%
CEO	Luca Abatello

Financials

	2020A	2021E	2022E	2023E
Revenues	7.5	8.5	10.8	13.7
YoY %	23%	14%	27%	27%
EBITDA	0.7	1.3	1.9	2.7
EBITDA %	9%	15.5%	18%	20%
EBIT	0.0	0.7	1.3	2.0
EBIT %	0.5%	8.6%	12.3%	14.7%
Net Income	0.0	0.5	1.0	1.5
Net Debt / (Cash)	(0.6)	(1.0)	(1.4)	(2.1)
Net Equity	4.4	5.0	6.0	7.5

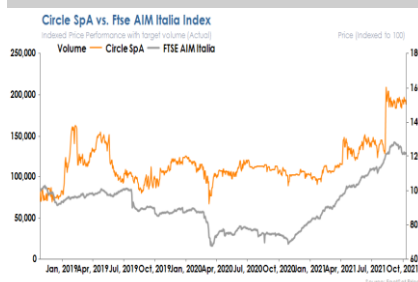
Performance

	1M	3M	6M
Absolute %	0.53	15.15	13.77
Relative (FTSE AIM Italia)	5.81	7.39	-7.56
52-week High/Low (Eu)	4.40	2.58	

IR TOP RESEARCH

Edoardo Fumagalli –
e.fumagalli@irtop.com

T +39 02 89056957



DISCLAIMER

UPDATES: This Research is an update coverage made by IR Top Consulting S.r.l. (IR Top) on CIRCLE (the "Company"). Update frequency might depend on circumstances considered to be important (corporate events and changes of recommendation, etc.) or on further advisory commitment. Last Research on the same Company was released on February 1st 2021. Opinions and estimates of this Research are as the date of this material and are subject to change. Information and opinions have been obtained from sources public and believed to be reliable, but no warranty is made as to their accuracy or correctness. Past performances of the Company are not guarantee of future results. During the last 12 months, the following indications have been disseminated:

Date	Target Price	Market Price	Validity Time
October 12 th , 2021	5.23	4.52	12 months
April 6 th , 2021	4.52	2.94	12 months
February 1 st , 2021	4.53	2.72	12 months
September 30 th , 2020	4.40	2.82	12 months
April 21 st , 2020	4.49	2.86	12 months
September 26 th , 2019	4.91	2.57	12 months
March 21 st , 2019	4.86	2.96	12 months
November 15 th , 2018	3.71	2.50	12 months

VALUATION METHODOLOGY (HORIZON: 12M): IR Top obtained a fair value using different valuation methodologies including Discounted Cash Flow method and Multiple-based models. Moreover, IR Top used a proprietary model, "AIM Positioning rating", which incorporates a number of variables selected by IR Top based on research of "Osservatorio AIM Italia", managed by IR Top and focused on research about performance of Companies listed on AIM Italia. Detailed information about the valuation or methodology and the underlying assumptions and information about the proprietary model used is accessible at IR Top premises.

RESEARCH TEAM:

Edoardo Fumagalli (Analyst)

No other people or companies participated or anyhow contributed to the Research. Neither the members of the research team, nor any person closely associated with them have any relationships or are involved in circumstances that may reasonably be expected to impair the objectivity of the Research, including interests or conflicts of interest, on their part or on the part of any natural or legal person working for them, who was involved in producing the Research.

INTERESTS INVOLVED AND CONFLICTS: This document has been prepared by IR Top, *Partner Equity Markets* of Italian Stock Exchange, part of LSE Group, on behalf of the Company according to a contract, under which IR Top undertook to prepare this report expressing only independent, fair and balanced views on the Company. The fees agreed for this Research do not depend on the results of the Research.

This Research has been disclosed to the issuer to which the Research, directly or indirectly, relates before its release. It is incumbent on the Company to provide timely and constructive feedback on draft Research prior to publication. It is IR Top's sole discretion as to whether comment and feedback from the Company is incorporated into the Research prior to publication and where it is, a further iteration to the draft will be sent to the Company for comment.

IR Top is also engaged in investor relations services in the interest of the Company and might occasionally be involved in other consulting activities intended to increase the value of the Company. In any case, Chinese Walls and other information barriers are in place to avoid the exchange of confidential information between the Equity Research Department and other services areas; employees and advisors involved in such services have restrictions preventing them from the access to confidential information that cannot be published.

IR Top restricts research analysts from performing roles, which could prejudice the independence of their research. In particular:

- they are permitted to attend and speak at widely attended conferences or other widely attended events at which IR Top colleagues and clients, among others, may also be present, provided that their independence may not be affected. These widely-attended conferences/events may include some investor presentations by clients of investor relations services.
- Analysts are also permitted to attend and speak at conference calls or meetings between analysts and bankers, investors or customers in which are discussed Research reports already published or general view on specific sectors. In such cases, at the start of that meeting, bankers, investors or customers need to be clarified that the discussion cannot involve the communication of privileged information to the analyst as the analyst would be prohibited from producing new research report on the companies whose privileged information has been disclosed.

Members of the Research Team do not receive salaries, commissions, bonuses or any other form of compensation based upon specific investment banking transactions or securities' performances.

IR Top and the members of the Research Team do not have any further interest or conflict of interest directly or indirectly related with the Research, the Company or the securities, that may reasonably be expected to impair the objectivity of the Research.

There are no other interests or conflicts of interest of any person belonging to the same group of IR Top that are: (a) known, or reasonably expected to be known, to the persons involved in the production of the recommendation; or (b) known to persons who, although not involved in the production of the recommendation, have or could reasonably be expected to have, access to the recommendation prior to its completion.

In any case, as a general Policy, nobody of the Research Team nor IR Top is allowed to have a financial interest in the securities of the client company or serve as an officer, director or advisory board member of the client company.

Analysts must not undertake personal transactions on financial instruments that are object of the investment research or that relate to the same industry. Exceptions may be made with the prior approval of IR Top's CEO in special circumstances such as for disposal of (a) positions already held before the employment or before the implementation of the company policy, or when initiating coverage and (b) positions obtained as a result of the issuer extraordinary activities. By the way, when analysts hold instruments to which Equity Research relates, they are required to disclose their interests in Research reports. Any trades that analysts make must be in line with their recommendation(s), contained in the last published Research. An analyst is prohibited from producing a Research on an issuer if the analyst carries out activities for which he receives compensation from the issuer. If an analyst's household member / relative / relative in-law (within the second degree) serves in such a high capacity for the issuer (i.e. manager or director), the analyst has to inform IR Top's CEO and the analyst will cease covering the issuer.

POLICY: IR Top has in place a "Joint conflict management policy" in order to effectively manage any conflicts of interest, and an "Equity Research Policy", in order to rule research services in compliance with Parliament Regulation (EU) no.596/2014 and Commission Delegated Regulation (EU) no. 958/2016 on Market Abuse.

IR Top has adopted the "Joint conflict management policy" in accordance with best practice regarding "information barriers" to restrict the flow of information to prevent the misuse of information and/or prevent any conflicts of interest arising from other activities of IR Top. A copy of these policies is available to the recipient of this Research upon making a request to IR Top by e-mail.

DISCLAIMER: This report has been prepared solely for information purpose and is not intended as an offer or solicitation with respect to the purchase or sale of any financial products. It should not be regarded as a substitute for the exercise of the recipient's own judgment. IR Top does not accept any liability for any direct, consequential or indirect loss arising from any use of material contained in this report. This document may only be reproduced or published together with the name of IR Top. Opinions and estimates in this Research are as at the date of release and are subject to change without notice to the recipient. Information and opinions have been obtained from sources believed to be reliable, but no representation or warranty is made as to their accuracy or correctness. Past performance is not a guarantee of future results. The investments and strategies discussed in this Research may not be suitable for all investors. In any case, you should consult your investment advisor.

This document is intended for distribution only to E.U. "qualified investors" and to "qualified counterparties" resident in Italy, within the meaning of article 2(1)(e) of the prospectus directive (directive 2003/71/EC) and Consob Reg. 16190, as subsequently amended and supplemented; its distribution in USA, Canada, Australia, Japan is not allowed.

In Italy, this document is being distributed only to, and is directed at qualified investors within the meaning of article 100 of legislative decree no. 58 of 24 February 1998, as amended, and article 34-ter, paragraph 1, letter b), of Consob regulation on issuers no. 11971 of May 14, 1999, provided that such qualified investors will act in their capacity and not as depositaries or nominees for other shareholders, such as persons authorized and regulated to operate in financial markets, both Italian and foreign.

DISTRIBUTION: In the United Kingdom, this document is not for distribution to persons that would be defined as private customers under rules of the FSA; it is for distribution only to persons who: (i) have professional experience in matters relating to investments falling within article 19(5) of the financial services and markets act 2000 (financial promotion) order 2005 (as amended, the "financial promotion order"), (ii) are persons falling within article 49(2)(a) to (d) ("high net worth companies, unincorporated associations etc.") of the financial promotion order, (iii) are outside the United Kingdom, or (iv) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the FINANCIAL SERVICES AND MARKETS ACT 2000) in connection with the issue or sale of any securities may otherwise lawfully be communicated or caused to be communicated (all such persons together being referred to as "relevant persons").

This document is not addressed to any member of the general public and under no circumstances should this document circulate among, or be distributed to (i) a member of the general public, (ii) individuals or entities falling outside the definition of "qualified investors" as specified above or (iii) distribution channels through which information is or is likely to become available to a large number of persons.

IR TOP CONSULTING SPECIFIC DISCLOSURES: We disclose that IR Top acts as Investor Relations and Financial Communication advisor for the Company.

PMI Z-SCORE: The PMI Z-Score does not constitute a rating according to Article 2, paragraph 2, point b) of the EC Regulation no. 1060/2009 of the European Parliament and Council as of 16 September 2009, relating to credit rating agencies. Wisefunding Italia S.r.l. ("Wisefunding") is the Italian subsidiary of Wisefunding Ltd that using its proprietary know-how has developed a statistical models to evaluate the risk profile of small and medium sized enterprises (SMEs). This model has been licensed to Wisefunding together with the PMI Z-Score brand. Wisefunding does not guarantee the accuracy, timeliness, completeness, performance or fitness of the data used to calculate the score. No responsibility is accepted by or on behalf of Wisefunding for any errors, omissions, or inaccurate information in this document arising from any errors, omissions or inaccurate data. This document may be updated or changed without notice at any time. The publication of this document does not represent solicitation by Wisefunding of public saving and does not constitute any opinion or recommendation by Wisefunding as to the suitability of the investment, if any, herein described or the creditworthiness of the investment. No action should be taken or omitted to be taken in reliance upon information in this document. Wisefunding will not, in any way, be liable for the consequences arising from any action taken (or not) on the basis of the information referred to in this document.