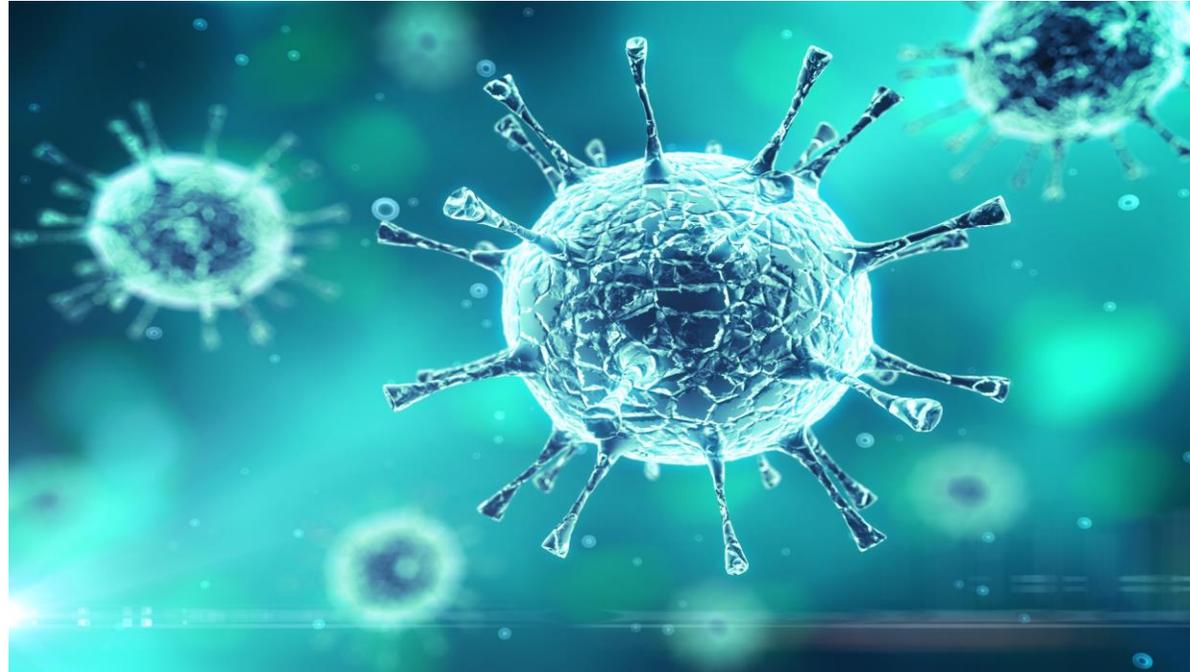




goetzpartners

STRATEGY | M&A | TRANSFORMATION



COVID-19 | goetzpartners' Call for Action – Italian market

MILAN, MARCH 2020

Covid-19 | The situation at a glance

Driven by the severity of the global health emergency as well as the high level of uncertainty associated to the new virus, COVID-19 is unlike any previous crisis; therefore, extraordinary measures need to be taken

KEY FACTS

Meaning

- Covid-19 is the disease caused by the SARS-CoV-2 coronavirus



Geographical

- Reporting only a few new cases every day, China is no more at the center of the crisis: as of 25 March more than 90% of new daily cases are registered in Europe and America

Medical

- The virus is thought to spread among people in close contact^[1] with each other, through respiratory droplets produced when coughing or sneezing
- The virus is thought to remain on certain surfaces for hours or even days, thus increasing the infection circumstances
- Researches suggest that while elderlies are more likely to die because of Covid-19^[2], most carriers are young people

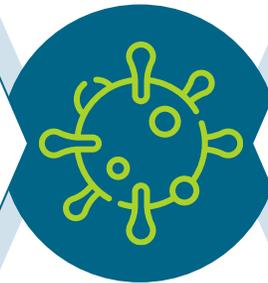
DRIVERS OF THE CRISIS

Health crisis

- Health systems all over the World are under high pressure to contain the spread and prevent death from Covid-19; the crisis is particularly severe because of
 - a high level of contagiousness: without effective containment each person carrying the virus is estimated to infect 2 to 4 people
 - relatively high fatality rate: even though current death rate is higher than 4%, real rate is estimated to be lower because of undetected cases
 - lack of effective treatments and vaccines for the foreseeable future

Economic crisis

- Demand effect: social isolation reduces consumption, thus decreasing current levels of GDP
- Supply effect: containment strategies (e.g. curfews, plant lockdowns) cause substantial disruptions to the supply chain, leading to longer-term impacts:
 - increased raw material prices
 - production delays & financial distress



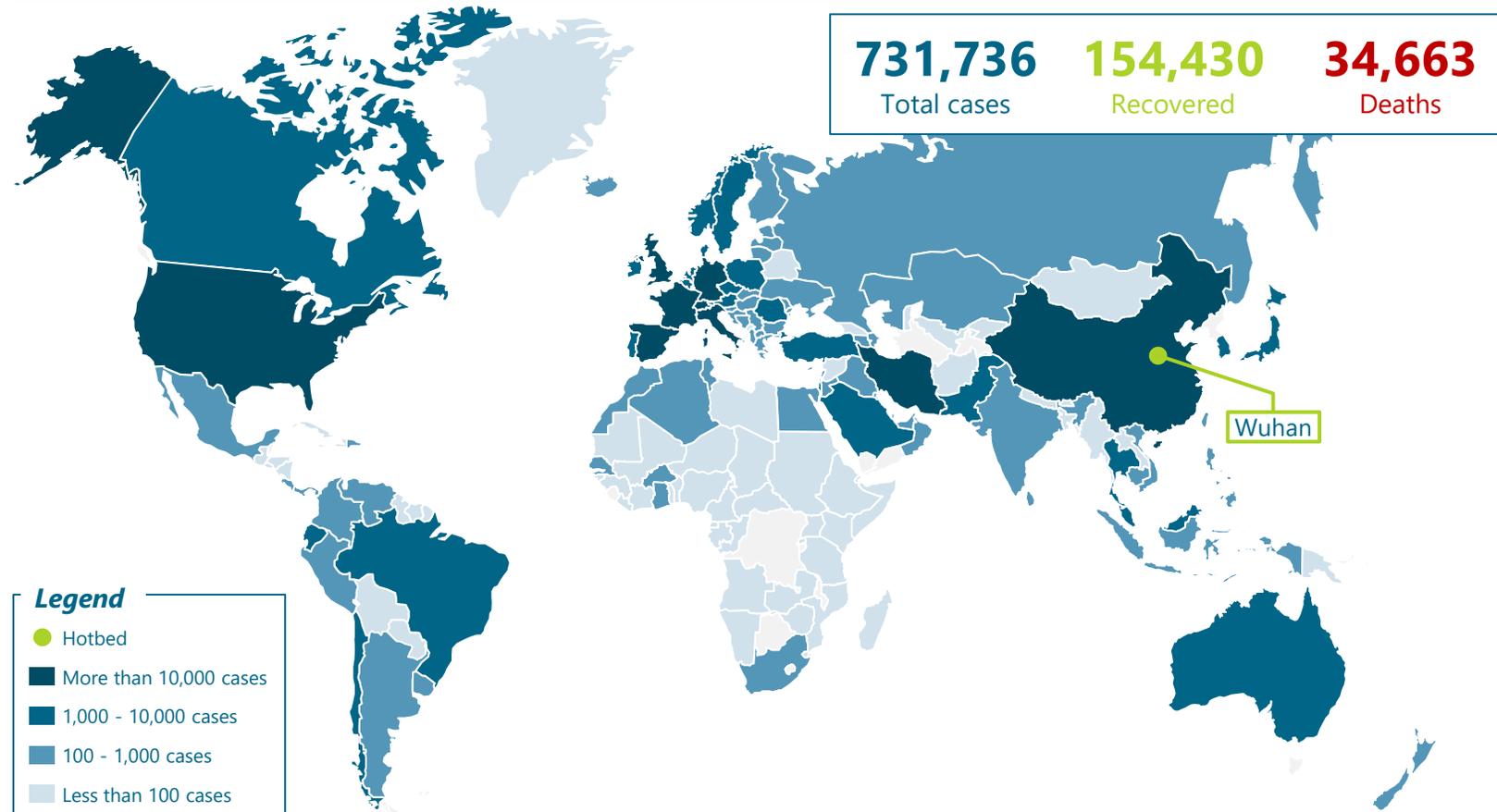


COVID-19 – OVERVIEW

Covid-19 | Global spread

With 731,736 cases in more than 199 countries all over the World, Covid-19 is the first pandemic since H1N1 in 2009

WORLD | NUMBER OF TOTAL COVID-19 CASES AS PER MARCH 30TH, 2020



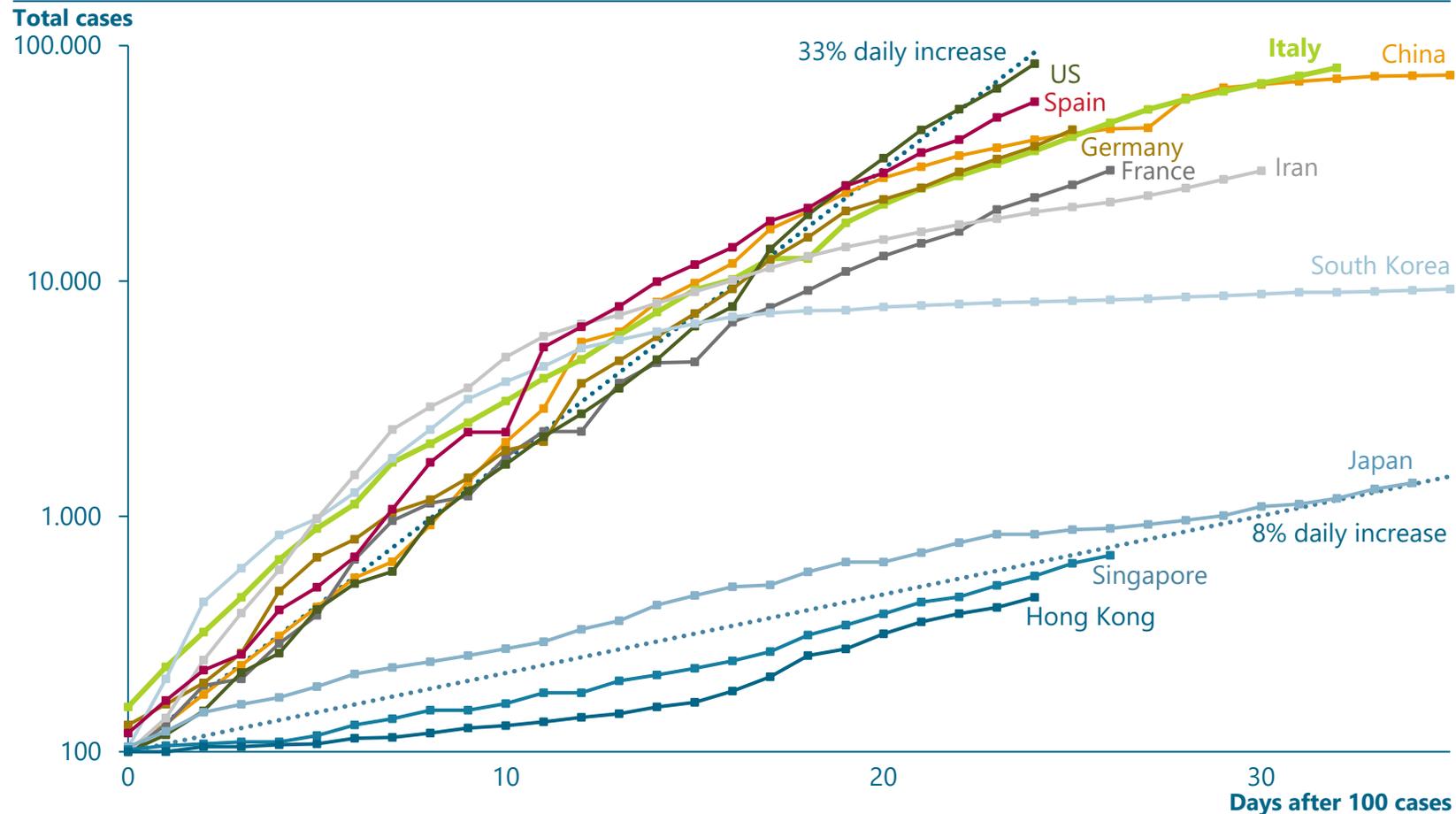
COMMENTS

- After the initial outbreak of Covid-19 in the Hubei region of China, **in late February the virus has started to spread rapidly in Europe** first and in America later
 - **the Old Continent is now the center of the pandemic**, with more than 200k total cases and 12k deaths
 - the most affected country in the World are now the **US, with more than 100k cases growing rapidly**, also driven by an outbreak in the state of New York
- On March 11th 2020, the **WHO classified Covid-19 as a pandemic**
- Different hotbeds in each region suggest that the virus circulates in asymptomatic patients for a certain period of time before the first cases are discovered, thus being able **to spread without any control**
- The Sars-CoV-2 virus has not penetrated into Africa yet, where only a few cases are reported; experts predicts that **if Africa is hit by the pandemic, the health systems will eventually collapse**

Covid-19 | Pattern of contagion

SARS-CoV-2 tends to spread very fast, with countries registering a 33% daily increase in the number of cases before containment measures reduce the transmission speed of the disease

TOTAL CASES PER DAY | LOGARITHMIC SCALE AS PER MARCH 26TH, 2020



COMMENTS

- In the first 20 days after the 100th case is registered, **the pattern of contagion from Covid-19 follows an exponential curve**
 - in most countries the base of the exponential can be rounded to ~1.33, meaning that **cases increase at a 33% rate every day**
 - in some regions (e.g. Japan, Singapore) the daily increase is much lower
- **Social isolation and lockdown of the country is essential to stop the spread:** ~20 days after the 100th case, the spread of Covid-19 slows down and the pattern detaches from the 33% exponential
- **The regularity of the pattern facilitates forecasts** about what will happen in countries where the pandemic is at an earlier stage and, most importantly, **when containment measures will show effects**
- The South Korean case shows that through an **intense and randomized test policy** it is possible to contain the disease in a shorter period of time



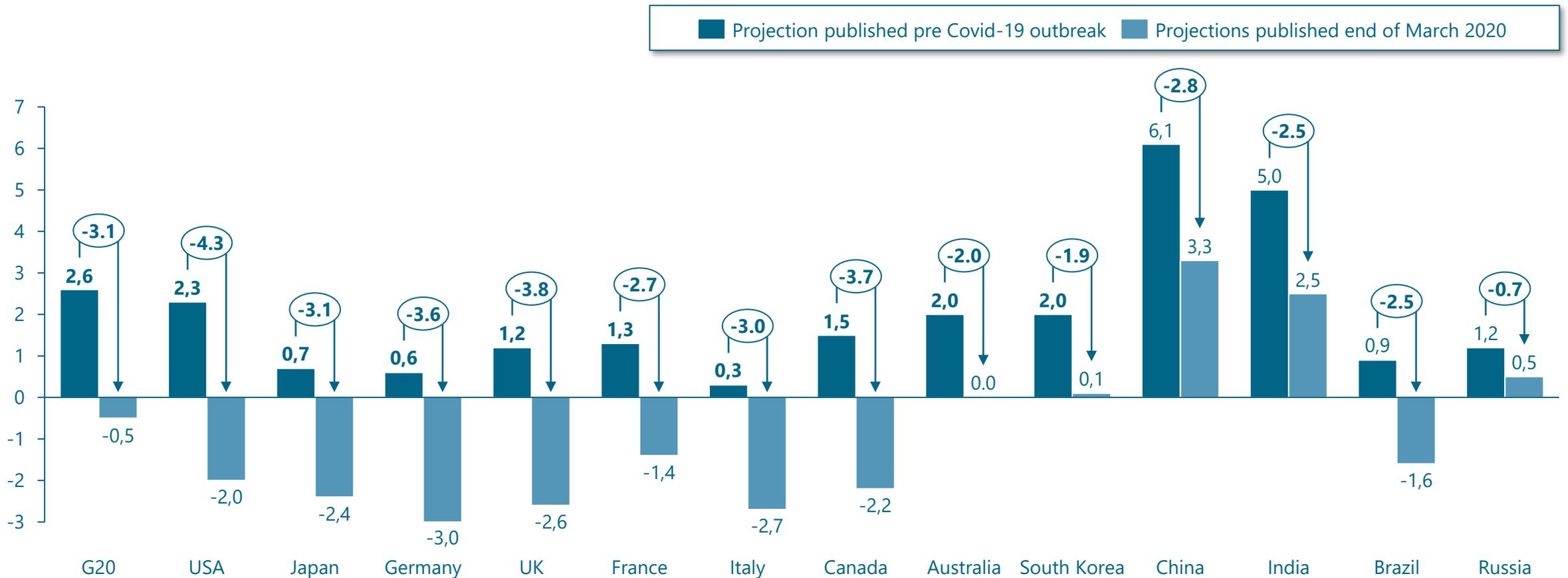
EFFECTS ON THE GLOBAL AND ITALIAN ECONOMY

Covid-19 | Impact on GDP growth by country

The new coronavirus is forecasted to cause significant damage to the global economy mainly due to the potential disruption of the supply chain and consumer spending; Euro area is expected to suffer the most

AS OF 25/03/2019

REAL GDP ANNUAL GROWTH PROJECTIONS – RECENT ADJUSTMENTS, FY2020, (% POINTS)

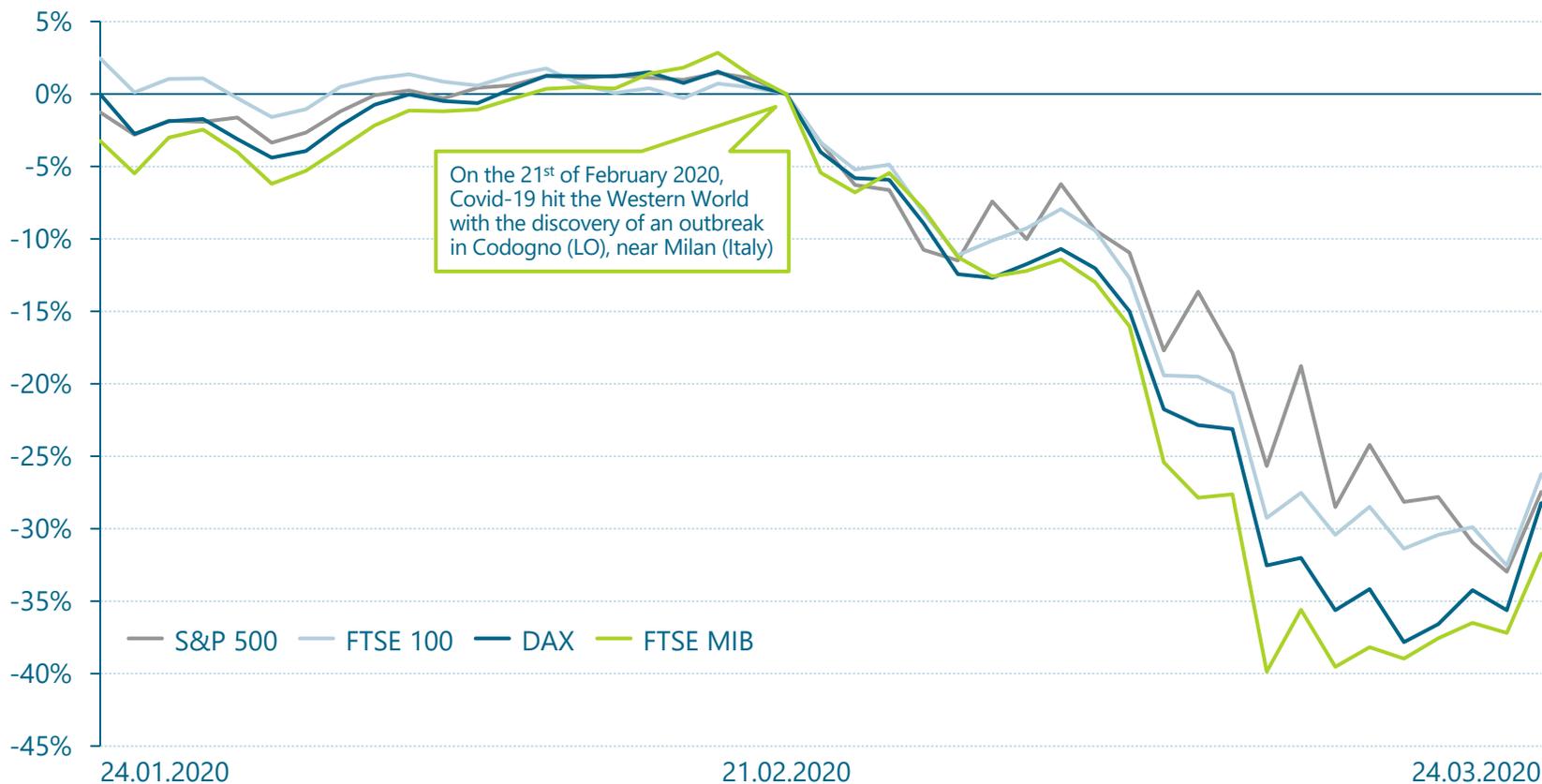


Note: [1] Based on latest estimates as of March, 25th
 Source: Goldman Sachs Global Investment Research; Moody's Investor Service; goetzpartners research and analysis

Covid-19 | Global stock markets evolution

Stock markets lost about 30% in capitalization since the spread of Covid-19 pandemic, with Italian's FTSE MIB registering the worst performance amongst the major Western indexes

SELECTED STOCK INDEXES' PERFORMANCES | FTSE MIB, S&P 500, FTSE 100, DAX^[1], 24/01-24/03



COMMENTS

- **Stock markets have plunged as a result of the spread of the Covid-19** in the Western World since the 21st of February of the current year
- Main stock indexes reflected the economic impact in decreasing stock values
 - **Italy's severe situation and the strict regulations** to prevent the spread of the disease, lead to a decline of **~31.7%** in the **FTSE MIB (IT)** between February 21st and March 24th
 - FTSE MIB registered the **largest single-day loss in its history on the 12th of March**, when it closed at €14,894.44, ~17% less than the previous day
- On March 17th, **CONSOB suspended both short selling and speculation through derivatives** on the whole Italian stock exchange for three months
- On March 18th ECB announces **€750 billion Pandemic Emergency Purchase Programme (PEPP)** with a significant positive effect on the stock market

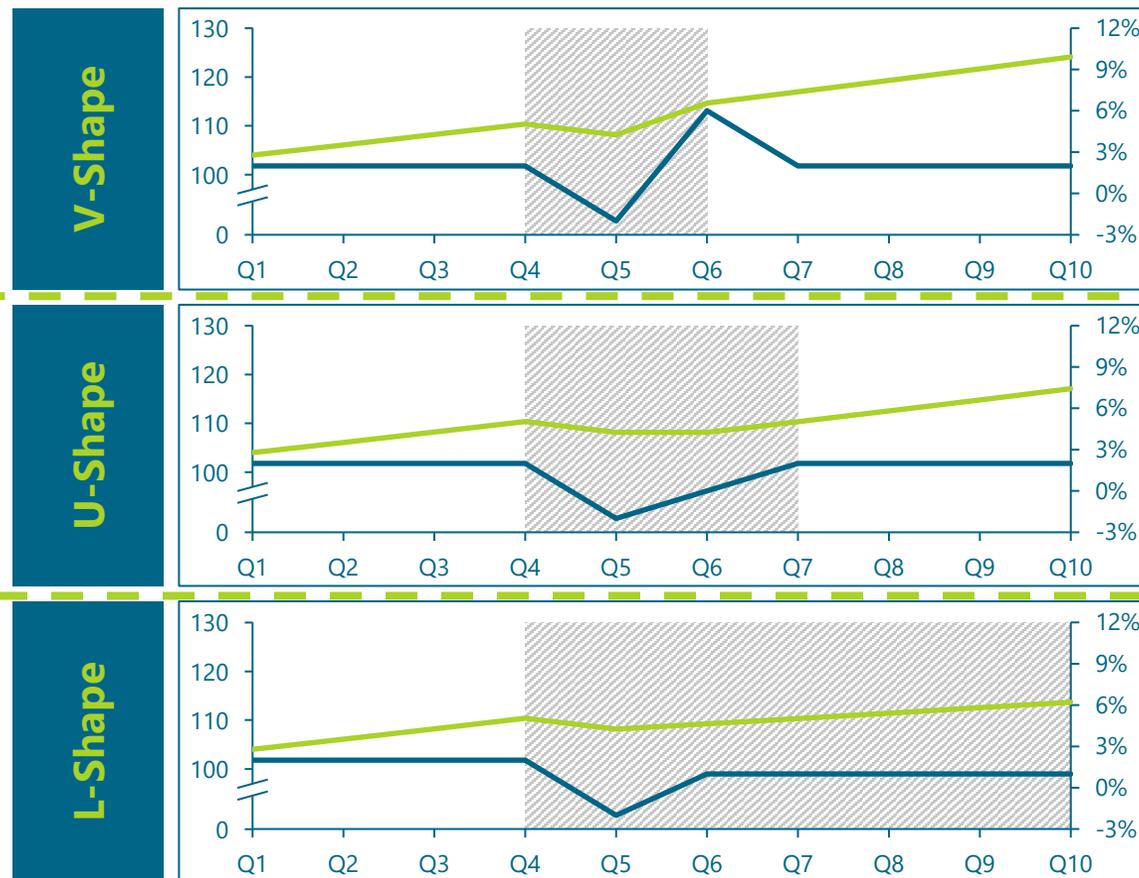
Notes: [1] Closing date values, rebased on 21/02/2020

Source: Borsa Italiana, London Stock Exchange, New York Stock Exchange, Frankfurt Stock Exchange, goetzpartners research and analysis

Covid-19 | Potential recession and recovery trends

Despite the high level of uncertainty associated with the forecasts on the economic impact of the Covid-19 crisis, current recovery indicate a U-shaped recession for the Italian economy and therefore a stronger impact than prior epidemics

ALTERNATIVES RECESSION AND RECOVERY TRENDS



COMMENTS

- The classic economic shock is depicted by a **V-shaped recession model** where, **after a displacement of output, growth eventually rebounds** with annual growth rates that **fully absorb the shock**
- While the recessions resulting from **prior epidemics**, such as SARS (2003) were associated with a quick and full recovery of the impacted economies, **the impact resulting from Covid-19 is assumed to be more detrimental**

Currently predicted for Italian economy, see following slide

- In a **U-shaped recession model** the shock persists, and while the initial growth path is resumed, there is **some permanent loss of output, resulting in shrinking GDP-levels** for several quarters before returning to grow at pre-recession rates
- If the pandemic extends into summer, economists^[1] predicts a **significant loss of demand which cannot be recovered** later. As supply chains will take longer to repair, **the Covid-19 pandemic would cause a U-shape recession**

- The severest form of a recession is **L-shaped** and occurs when **the economy does not return to pre-crisis growth levels** for a long period of time, implying **significant structural damage** (i.e. long-term damage on the economy's supply side)
- The **current recession could follow a L-Shaped** scenario, **if significant structural damage** results from the increasing number of **impacted industries**, causing **layoffs and supply chain disruption**

Notes: [1] Including Citigroup analysts and the Head of US Economics for Bank of America Securities
Source: Harvard Business Review; Morgan Stanley; goetzpartners research and analysis

Legend

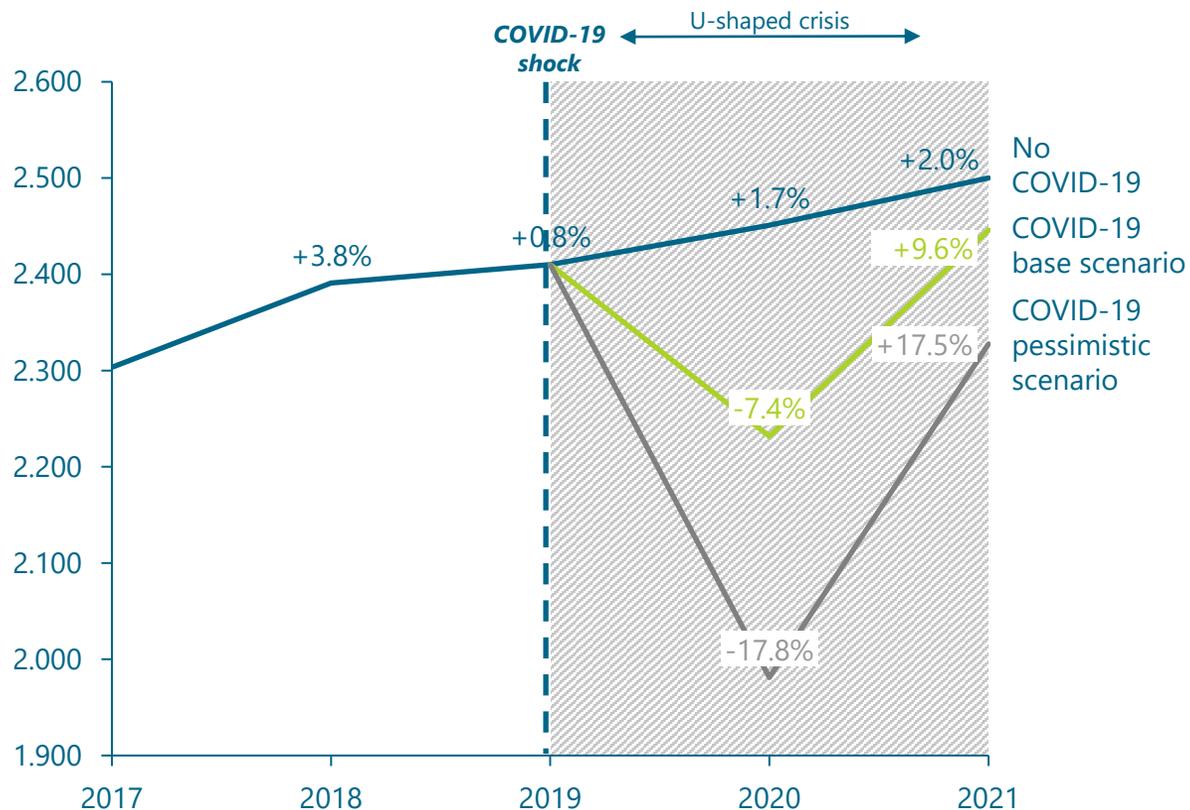
— GDP growth — GDP level

Covid-19 | U-shaped recession - different scenarios

Depending on the duration of the emergency and the severity of the economic impact caused by the epidemic, according to Cerved Group, Italian companies could lose between 270 and 650 billion in turnover in 2020-21

COVID-19 CRISIS IMPACT | REVENUE BY ITALIAN COMPANIES

In bn €



SCENARIO ASSUMPTIONS

BASE SCENARIO

- State of emergency until May 2020 with a 2-month recovery period
- Strong impacts on global economy and import-export activities
- No financial crisis triggered by contagion
- Public spending interventions to support businesses and families
- Higher 2021 revenues (+1.5%) compared to 2019 revenue level

Losses of €220bn in 2020 and €55bn in 2021, compared to 2019 pre-corona revenue levels

PESSIMISTIC SCENARIO

- State of emergency until end of 2020 with a 6-month recovery period
- Complete isolation of Italian economy
- No financial crisis triggered by contagion
- Public spending interventions to support businesses and families
- Lower 2021 revenues (-3.3%) compared to 2019 revenue level

Losses of €470bn in 2020 and €147bn in 2021, compared to 2019 pre-corona revenue levels



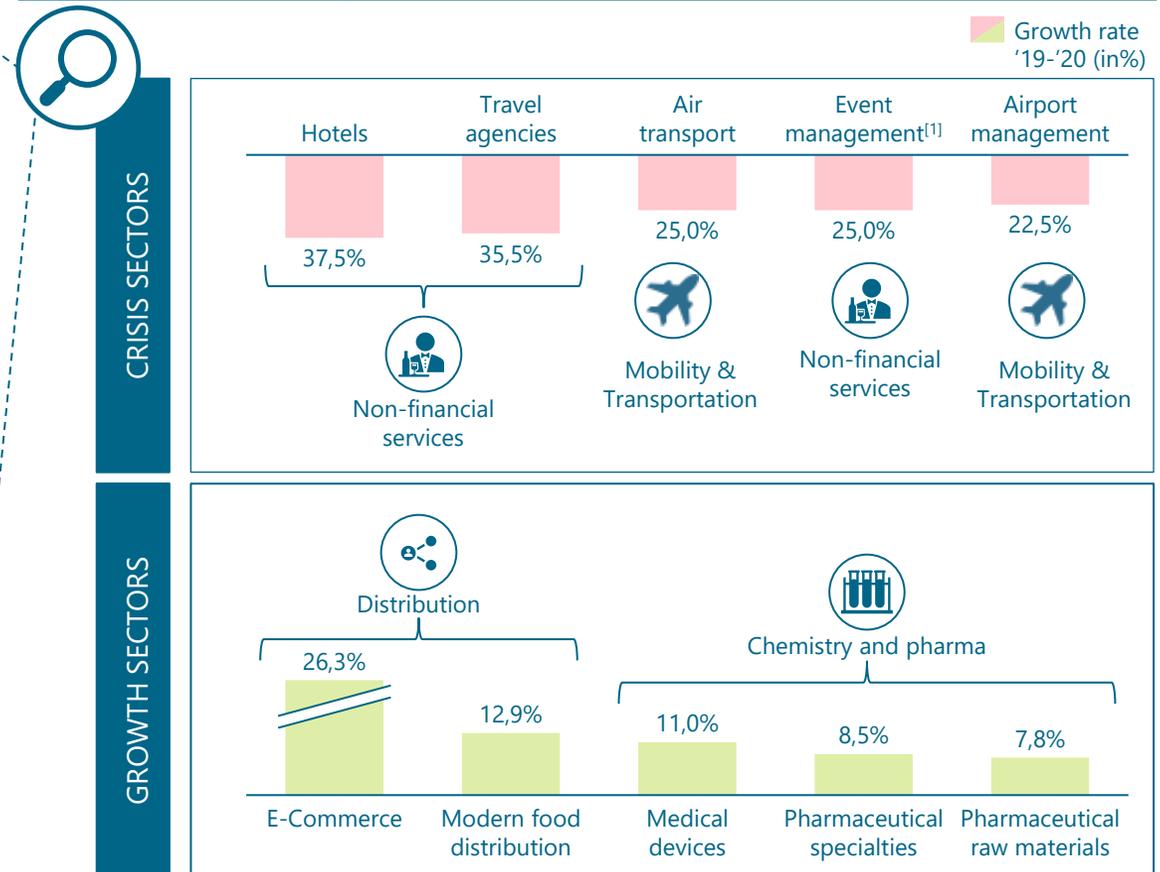
Covid-19 | Sector-specific impacts (1/2)

Based on the assumption of a short emergency period and a fast economic recovery, overall sales of Italian companies would decline by c. 7% in 2020, with 2021 revenue levels showing an increase of c. 2% compared to 2019 levels

ITALIAN ECONOMY | IMPACT BY MACROSECTORS

Macrosector	Growth rate '19-'20 (in %)	Growth rate '20-'21 (in%)	Overall impact '19-'21 (in%)
Agricultural businesses	1.2	0.8	2.0
Consumer goods	(2.1)	2.3	0.1
Fashion industry	(6.8)	6.4	(0.7)
Housing products	(5.9)	4.5	(1.7)
Vehicles	(11.7)	15.5	2.0
Chemistry and pharma	1.1	4.8	5.9
Metal and metal working	(7.6)	8.2	0.0
Electromechanics	(8.9)	9.2	(0.5)
Electronics & informatics	0.2	4.3	4.6
Manufacturing	(6.5)	7.2	0.3
Information & comm.	(1.3)	(0.1)	(1.3)
Fuels & utilities	(9.0)	10.9	0.9
Construction	(8.3)	9.6	0.4
Distribution	(7.2)	12.2	4.1
Mobility & transportation	(13.7)	16.0	0.2
Non-financial services	(10.1)	10.8	(0.4)
Real-estate services	(5.2)	6.1	0.6
TOTAL	(7.4)	9.6	1.5

ITALIAN ECONOMY | BUSINESS IMPACT BY SUB-SECTOR



Impact: Continuous growth Recovery of pre-crisis sales level No recovery of pre-crisis sales level

Note: [1] Focus on fairs and conferences

Source: Cerved Group, goetzpartners research and analysis

Covid-19 | Sector-specific impacts (2/2)

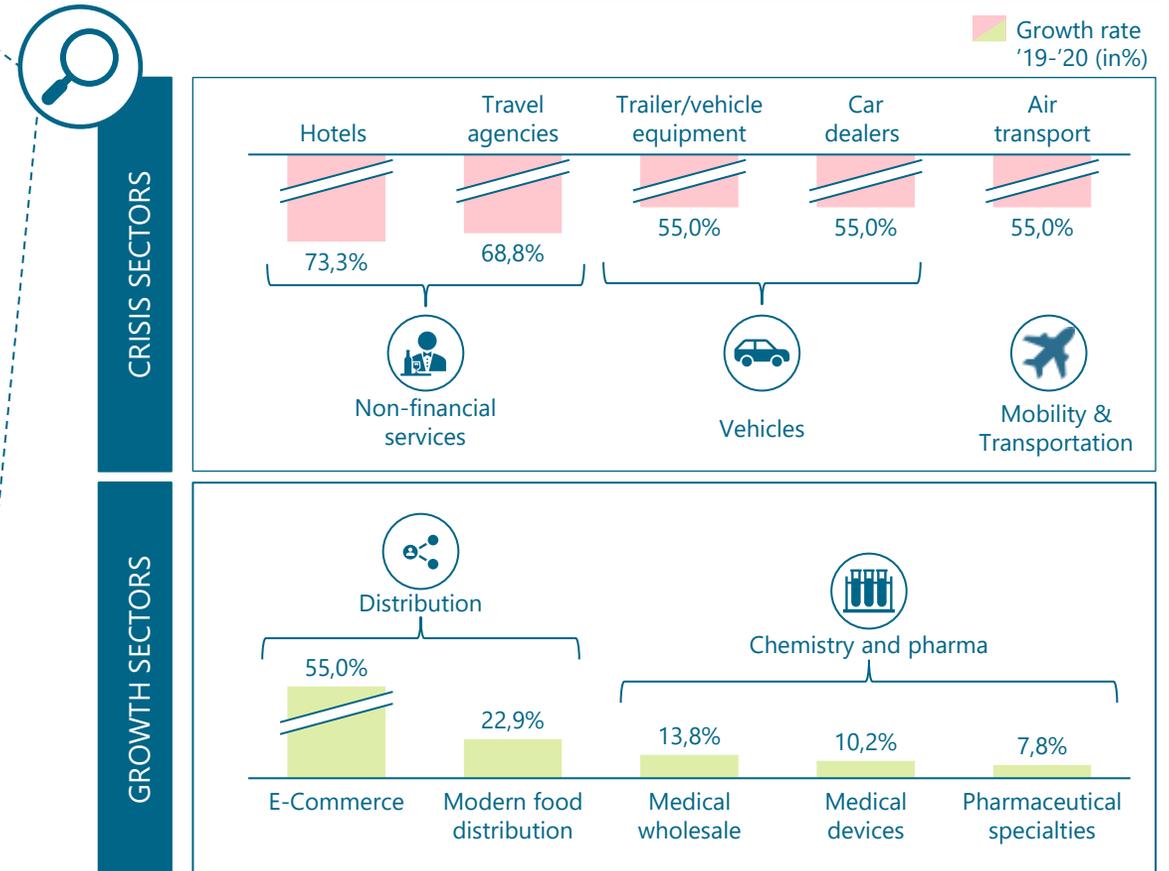
In the case of a prolonged duration of the emergency, the fall in revenues for businesses in the current year would be very substantial and equal to c.18% with 2021 revenues expected to remain below 2019 levels by c. 3%

ITALIAN ECONOMY | IMPACT BY MACROSECTORS

Macrosector	Growth rate '19-'20 (in %)	Growth rate '20-'21 (in%)	Overall impact '19-'21 (in%)
Agricultural businesses	1.1	0.8	1.9
Consumer goods	(4.9)	3.8	(1.3)
Fashion industry	(13.9)	10.4	(4.9)
Housing products	(12.6)	11.1	(2.9)
Vehicles	(29.3)	35.4	(4.2)
Chemistry and pharma	(1.3)	5,1	3.7
Metal and metal working	(16.8)	14.7	(4.5)
Electromechanics	(19.2)	17.5	(5.0)
Electronics & informatics	(3.1)	6.0	2.7
Manufacturing	(15.3)	14.4	(3.0)
Information & comm.	(1.9)	(0.7)	(2.5)
Fuels & utilities	(24.8)	30.5	(1.9)
Construction	(23.1)	28.8	(0.9)
Distribution	(16.6)	15.6	(3.6)
Mobility & transportation	(30.2)	28.6	(10.2)
Non-financial services	(22.4)	21.6	(5.6)
Real-estate services	(12.4)	11.3	(2.5)
TOTAL	(17.8)	17.5	(3.3)

Impact: Continuous growth Recovery of pre-crisis sales level No recovery of pre-crisis sales level

ITALIAN ECONOMY | BUSINESS IMPACT BY SUB-SECTOR





HOW TO TACKLE THE CURRENT SITUATION

Covid-19 | Key challenges to address

Due to the Covid-19 pandemic, companies all over the globe are facing unprecedented pressure on their market environment and business models. The current situation requires swift action in order to secure company survival

THE SITUATION

- **Unprecedented:**
Governments and companies cannot build on experience and there is no proven concept for coping with the current crisis
- **Highly dynamic:**
Global infection numbers increase rapidly, and government interventions escalate in a matter of hours
- **Survival risk for individual and companies:**
The virus and its effects on global supply chains, operations, and markets are threatening the existence of companies at their core
- **Swift responses required:**
Due to the dynamic developments and quickly evolving cash and liquidity risks, companies must react quickly

KEY CHALLENGES



CASH MANAGEMENT

01

Forecast financial statement based on the results of the analysis of the impact of Covid-19 to identify weaknesses and implement short term stability measures



LIQUIDITY & FRESH MONEY

02

Adopt measures to increase liquidity levels, leveraging on state support to loans, supply chain relation and renegotiation of current financing



ENSURE OPERATIONS

03

Create dedicated teams to deal with crisis-related challenges in order to be on top of the emergency by adapting to supply chain and operation disruptions



TAKE OFFENSE

04

Analyse current business plan and strategic positioning to identify threat and opportunities in order to plan offensive and defensive countermeasures

Cash management

Based on the analysis of external and internal impacts caused by COVID-19, a financial forecast and stress test can be conducted, and necessary short-term stability measures derived

ANALYSIS OF THE IMPACT

EXTERNAL IMPACT

- Changes in customer **purchasing behavior**
- **Competitive dynamics** such as market exits
- Value and **supply chain disruptions**
- **Regulatory** changes

INTERNAL IMPACT

- **Key personnel** risks
- **Sick leaves** of employees
- Internal **logistics disruptions**
- **Operational disruptions**
- **Sales force** limitations

Quantification of key variables required for the financial forecasts

FORECASTING AND SCENARIO ANALYSIS

FORECAST FINANCIAL STATEMENTS

- **Forecast** the **financial statements** (P&L, balance sheet, cash flow) based on the findings of the external and internal analysis
- Develop a weekly **liquidity planning** for at least 13 weeks in order to have a comprehensive overview of the **financial health and resilience** given the changing circumstances

FINANCIAL STRESS TEST

- Based on the updated financial planning, market **scenarios** are developed to assess the **impact** of various **crisis developments**

Identification of weaknesses enabling the definition of counter measures

SHORT-TERM STABILITY MEASURES

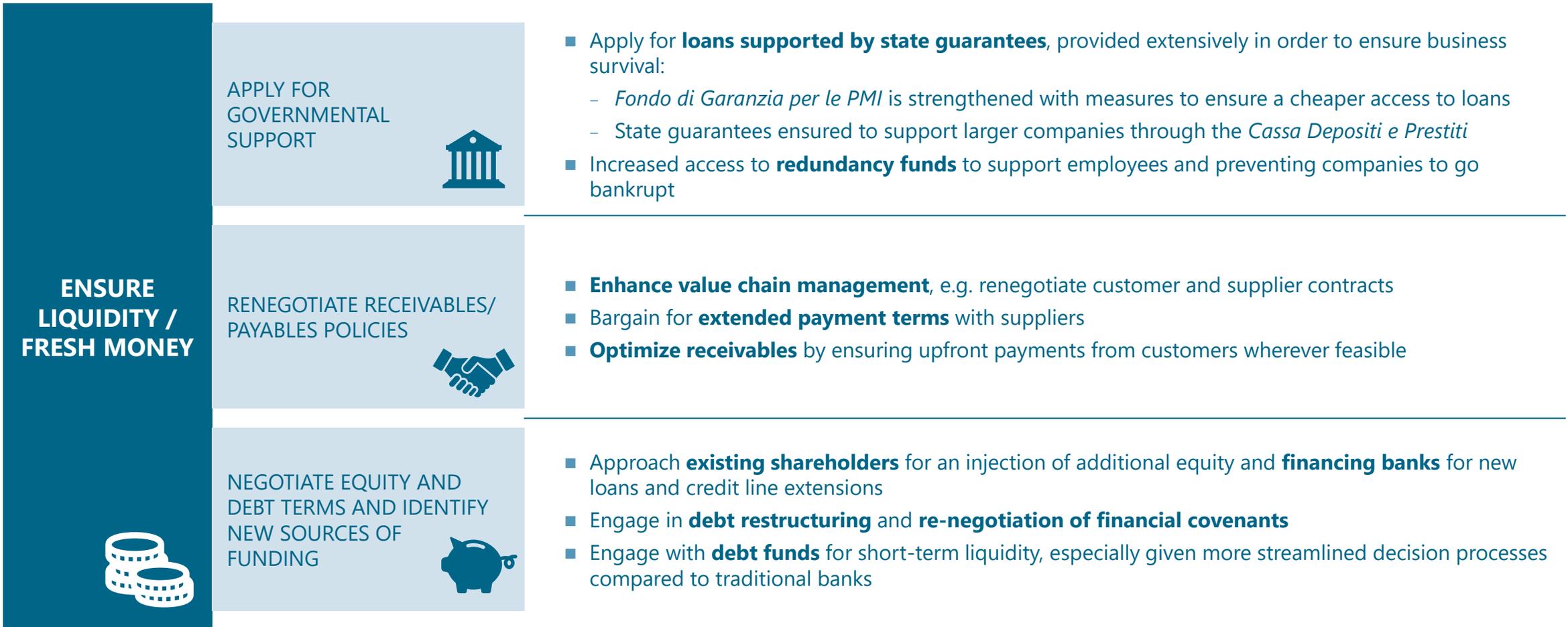
POTENTIAL LEVERS

- Depending on the results of the scenario analysis, several **short-term stability measures** can be used **to minimize expenses and secure liquidity**, including:
 - Implementation of a **hiring freeze**
 - Termination of **external labor contract**
 - Implementation and execution of **cost policies, e.g. office supplies, travel**
 - Reduction of **engagements with subcontractors** to the necessary minimum
 - Optimization of **working capital**
 - Reduce **CAPEX** to a minimum to ensure critical operations
 - Review of **marketing and R&D investments**

Securing of short-term liquidity

Liquidity / Fresh Money

All types of short-term financial measures should be triggered, incl. public and private sources, in order to ensure liquidity throughout the crisis



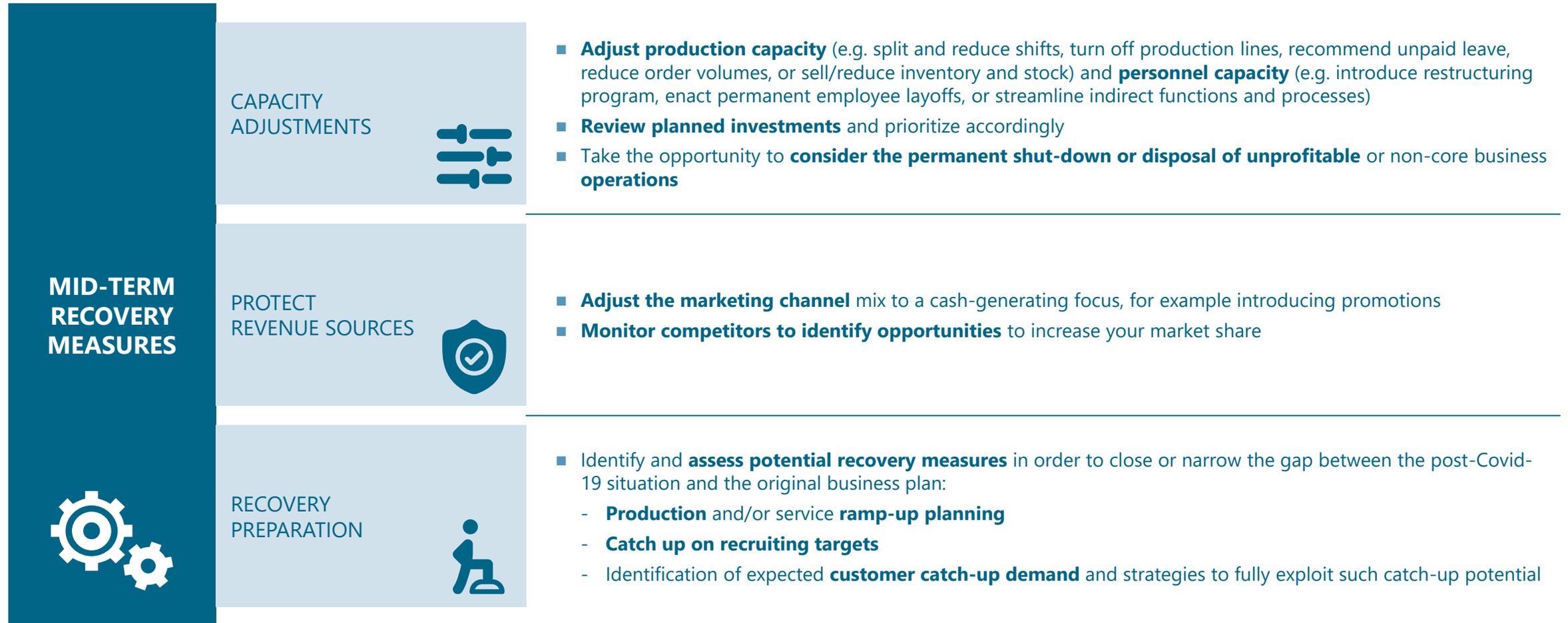
Ensure operations | Operational short-term measures

The operational measures ensure that the company maintains its capacity to act and adapt the operations to a level that meets the requirements of the crisis



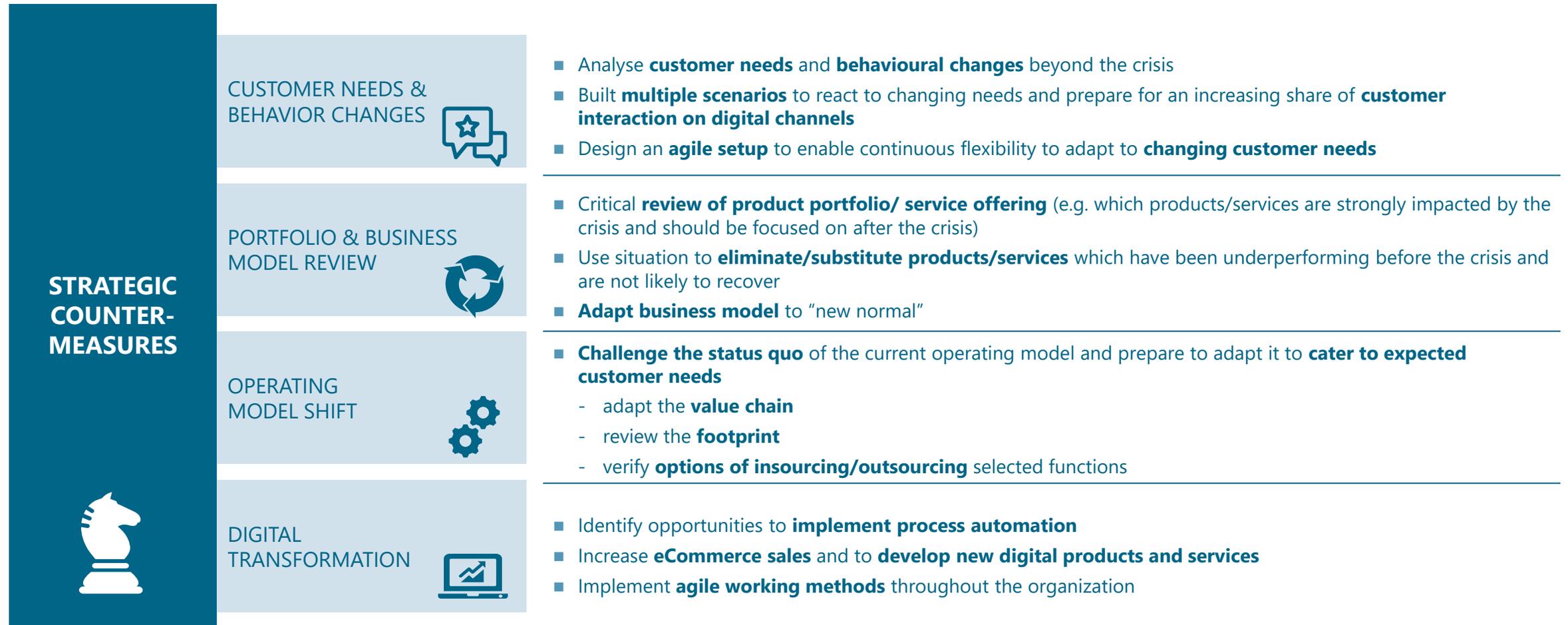
Ensure operations | Operational mid-term measures

The current situation may also bear an opportunity for necessary capacity adjustments. In addition, companies are well advised to prepare for the post-Covid-19 phase and potential catch-up effects



Take offense | Strategic measures

The direct actions should not only be used to tackle the immediate challenges but also to prepare strategic moves and business model adaptations beyond the crisis



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