PAIRSTECH
CAPITAL MANAGEMENT LLP

Private and Confidential

London, 20 February 2021

Extrafin S.p.A.
VALUATION REPORT

Executive Summary

Valuation Report

Our report (“Report”) has been prepared for the purpose of evaluating the share price of Extrafin S.p.A. (“Extrafin” or the “Company”), for the purpose of the shares (“Shares”) admission to trading on Vienna Stock Exchange.
We have calculated the market value of Shares based on a variety of methods: the Discounted Cash Flow method, the Income method and a reference to a third party valuation.

We have based our Report on financial and business information provided by Extrafin and on financial data publicly available. Considering the analysis performed with the indicated methods we conclude that the price of the Shares at listing, €140 per share, can be acceptable for investors.

Projected Financial Results

Set out in the table below are the projected financial results for Extrafin, for the period 2021-2025, based on management’s best estimates of the Business’ performance during that period.

€ ‘000	2021E	2022E	2023E	2024E	2025E
Revenues	1,032	1,388	1,779	2,421	3,119
% growth		*34.6%*	*28.2%*	*36.1%*	*28.8%*
EBITDA	100	324	466	701	937
% revenues	*9.7%*	*23.3%*	*26.2%*	*29.0%*	*30.1%*
EBIT	35	157	299	534	770
% revenues	*3.4%*	*11.3%*	*16.8%*	*22.1%*	*24.7%*

Year to date results as of mid-February 2021, confirm the projections for the year, with 55% of 2021 expected revenues already contracted, and the overall growth trend assumed by the Company.

Valuation of Extrafin

Valuation Methodology

In conducting our assessment of the value of the Shares and therefore the equity of Extrafin, we have considered a number of valuation methodologies including, market-based methods and the discounted cash flow method.

We have primarily adopted the Discounted Cash Flow Method (“DCF Method”) to value the Company. This approach is most suitable for the following reasons:

1) Extrafin is a relatively new company, which is expected to have strong cash flow growth in the coming years;

2) Cash flows can be estimated with a reasonable degree of confidence;

3) Projections of the Business Plan cash flows are available for the next five years.

The DCF Method is based on the premise that the market value of Extrafin is the net present value of its forecasted cash flows, less the debts (actual and future) plus an assessment of the value of Extrafin (terminal value) at the end of the forecast period.

1) *DCF Method Assumptions*

Data supplied took account of sales on a calendar year basis (January-December), hence our valuation has been prepared on a matching basis.

Valuation Data

The results of applying the DCF Method and accompanying assumptions, as outlined above, to the projections for Extrafin over the next five years, are shown in the table below.

€ '000	2021E	2022E	2023E	2024E	2025E
EBITDA	100	324	466	701	937
Unlevered Tax	(8)	(38)	(72)	(128)	(185)
Investments	-	(510)	-	-	-
Unlevered FCF	106	(49)	395	573	753
Discount factor	1.16	1.34	1.55	1.80	2.08
Discounted FCF	91	(36)	254	319	362
Present value of FCF	**991**				

Terminal Value

The Terminal Value may represent a vast part of the market value of a company. The forecast of Extrafin’s cash flows has been prepared through 2025. At that stage, with an established business, we have then estimated the value of subsequent cash flows into perpetuity ("Perpetuity Terminal Value" or "PTV"). At the same time, in order to corroborate PTV, we have calculated terminal value applying a market approach (i.e. using a multilayer/ratio determined by comparable companies' financial details) ("Market Terminal Value" or "MTV").

The results may be summarized above (all values in € '000):

PV Terminal Value	**€ 2,292**
Perpetuity growth rate	**2.0%**
PV Terminal Value	**€ 3,062**
FV/Exit Revenues	**2.0x**

In the first case, TV has been calculated on the grounds of the forecasted terminal Unlevered FCF equal to €642 increased by the 2.0% perpetuity growth rate, discounted by WACC decrease by 2.0% perpetuity growth rate. In the second case, TV has been determined multiplying the terminal Revenues equivalent to 2025 Revenues increased by 2.0% by a 2.0x multiple.
Both values are then discounted by a factor of 2.08, equivalent to 5 years into the future.

Discount Rate (WACC)

The DCF Method relies upon the estimation of an appropriate discount rate. Industry wide, this is standardly calculated as the weighted average cost of capital (WACC) that reflects a business cost of debt and equity, weighted by the business debt to equity capital structure.

Taking account of the underlying factors and risk profile of Extrafin, we determined a discount rate of 15.75%. This adequately captures both market risk and business-specific risk. This discount rate has been applied to the forecast cash flows for 2021-2025, and as a component of the calculation of the terminal value of the Business, from 2025 onward.

WACC	**=(E/V*COE)+(D/V*COD)**	**15.75%**
E/V	Equity	100.0%
D/V	Debt	0.0%*
COE	Cost of equity	15.75%
COD	Cost of debt (net of tax)	0%

(*) Company is and will continue to be funded by equity capital, without recourse of debt

As far as the cost of equity (“COE”) is concerned, please see the calculation in the following table:

CoE	**= Risk free rate (rf)+ equity risk premium * levered beta**		**15.75%**
Risk free rate		0.64%	*
Sector Beta		1.55	**
Adjusted Beta		2.05	***
Equity risk premium (Italy)		7.37%	****

* Source: 10yr Italian government bond, as of 23 February 2021
** Source: Aswath Damodaran, corporate finance and valuation Professor at the Stern School of Business at New York University
*** Assumed a 0.5% discretionary adjustment to account for company specific risks (size, liquidity, etc.)
**** Source: Aswath Damodaran, corporate finance and valuation Professor at the Stern School of Business at New York University (Jan-21)

We need to outline that Beta for the Company sector of activity is currently around 1.55. Considering however the higher risk connected with Extrafin due to smaller size and liquidity, we have decided to increase the relative Beta to 2.05.
As far as the Equity risk premium, it derives from market data of stock market and it is today around 7.37% for Italian markets.

Debts

We have assumed that the total debts of the Company are not of a meaningful level and will continue to operate on a debt free basis.

DFC methods

In evaluating the enterprise value of Extrafin, the potential growth of cash flows deriving from the business expansion plan have been fully integrated when calculating the forecast of cash flows.
We are cognizant of various factors which may have an impact on the actual performance of Extrafin, including but not limited to:

- The ability of management of Extrafin to achieve their revenues objectives;
- The ability of the management of Extrafin of deal with an expected foreign exchange volatility, and
- The ability of Extrafin to enter into new markets.

Based on our analysis, Extrafin market value according to DCF methods may be summarized as follows (Values in € ‘000):

PV FCF	€ 991
PV Terminal Value (Perpetuity)	€ 2,292
DCF value (Perpetuity)	**€ 3,283**
PV Terminal Value (Exit multiple)	€ 3,062
DCF value (Exit multiple)	**€ 4,053**

Value Adjustment

In DCF valuation for smaller but fast-growing companies, it is acceptable to use a discount factor between 10% to up to 50% to be applied to DCF values. This is to take into account the high sensitivity of the valuation to Terminal Value assumptions. In the case in object, all considered, we believe a 15% discount factor seems appropriate, as the cost of equity already account for the high-profile business plan.

On this basis, the DCF results presented above have been discounted by 15%.

Conclusion

Based on values with the DCF value obtained with both methods and applying the 15% discount rate, we believe that an acceptable estimate of Extrafin DCF valuation is between € 2,791 and € 3,445 (values in € ‘000).

2) *Income Method*

We believe that income methods are not able to offer a coherent and rational method of valuation, especially considering Extrafin circumstances and activities. However, income method may be of great assistance for corroborating the DFC results.

We have decided to calculate the income method based on the public market reference given by CrowdFundMe S.p.A., who is currently the only publicly listed company operating in the same market as Extrafin. In addition, CrowdFundMe directly competes with Extrafin in its home Italian market.
CrowdFundMe S.p.A. is listed the AIM Italia Stock Exchange (CFM.MI)

Unfortunately, CFM's earnings have been negative historically and only forecasted to be breakeven from 2021, hence we believe the main comparable metrics we can use are revenues metrics:

CrowdFundMe S.p.A	2021	2022
EV/Revenues	3.4x	2.3x
EV/EBITDA	20.3x	6.4x
P/E	124.0x	11.9x

Source: Bloomberg as of 23/02/2021 and analyst research

According to the Company financial projections, we have assessed Extrafin valuation based on a 2 year forward revenues (2021-2022):

Extrafin Financial Data Summary		
	2021	**2022**
Revenues	1,032	1,388
EBITDA	100	324
Net Income	20	97
Income methods		
Enterprise value based on	**2021**	**2022**
EV/Revenues	3,496	3,256
EV/EBITDA	2,036	2,081
P/E	2,522	1,155

One the basis of the figures as per the above charts, the overall results of valuation with the Income Method is consistent with the results from the DCF method;

Even if Income methods shall not be considered as appropriate for evaluating Extrafin as a start up/scale up company, it is of good comfort that Extrafin market value applying EV/Revenues ratios is consistent with the estimated DFC Extrafin market value.

Extrafin market value (Income Methods)
Average 2020-2022 values, in € '000

Market value based on EV/Revenues	**3,376**
Market value based on EV/EBITDA	**2,058**
Market value based on P/E	**1,839**

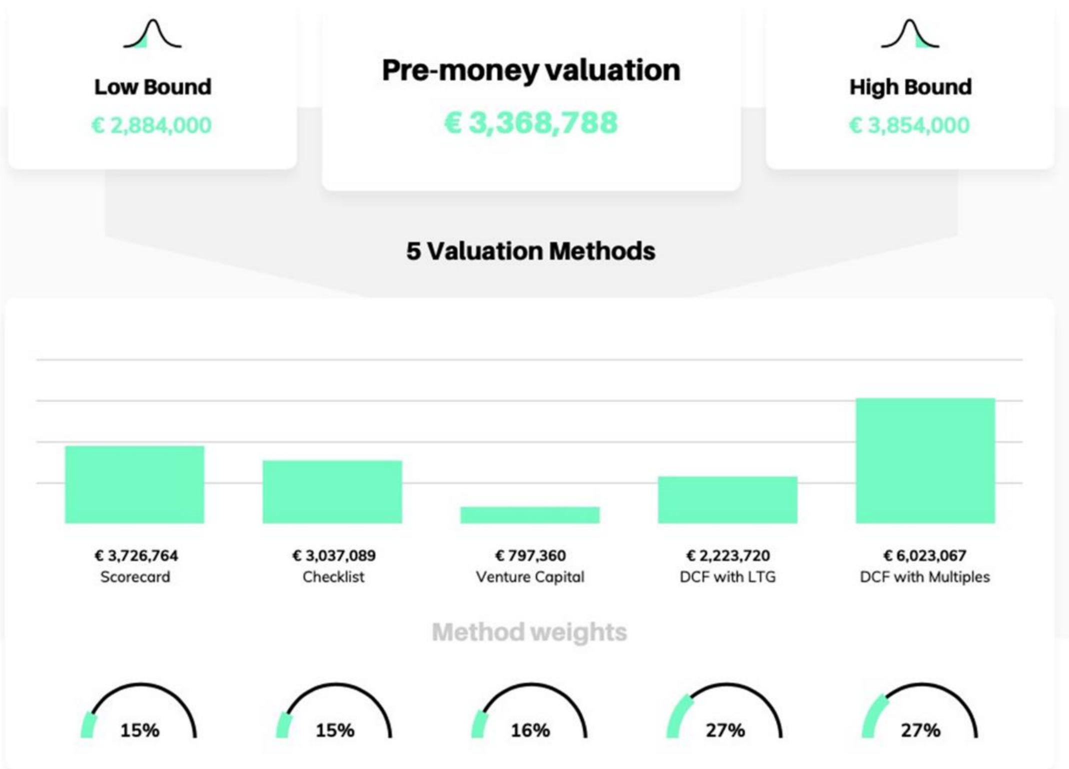
Conclusion

Based on values calculated with the Income methods, we believe that an acceptable estimate of Extrafin valuation is represented by the average of these values, or € 2,424 (values in € '000).

3) *Valuation Crowdfunding Equity Private Placement*

On January 1st 2021, the Company commissioned a valuation report to be prepared by Equidam (www.equidam.com). Equidam is a tech company that through its platform enables to evaluate early stage companies thanks to qualitative and quantitative methodologies. Equidam is a very well-known tool to evaluate start ups / scale ups.

Equidam provided the results below with five different methodologies for Extrafin.



Conclusion

The average result of all methodologies was € 3,368,788.

The full report from Equidam is attached and it forms part of this valuation letter.

Conclusion

Considering all valuation methodologies presented, an enterprise value in the range of € 2,424 to € 3,445 (values in € '000) is to be considered appropriate.

As the company at the date of the last published accounts has a neutral financial position, the result reflects an identical equity value. As total number of outstanding shares is 20,000, the resulting range of value per share is €121 - € 172.

Having given due consideration to the factors above listed, we consider a share price for the listing of Extrafin of € 140 per share as appropriate.

Enrico Danieletto
Pairstech CEO

Enrico Danieletto

____