

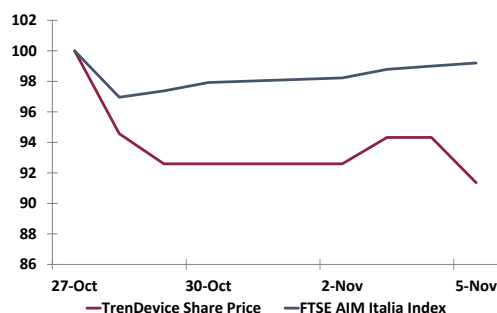


## OUTPERFORM

**Current Share Price (€): 0.74**

**Target Price (€): 1.29**

### TrenDevice - Performance since IPO



Source: S&P Capital IQ - Note: 27/10/2020=100

### Company data

ISIN number	IT0005422792
Bloomberg code	TD IM
Reuters code	TD.IM
Industry	Online consumer electronics retail
Stock market	AIM Italia
Share Price (€)	0.74
Date of Price	05/11/2020
Shares Outstanding (m)	12.3
Market Cap (€m)	9.1
Market Float (%)	27.4%
Daily Volume	4,500
Avg Daily Volume YTD	na
Target Price (€)	1.29
Upside (%)	74%
Recommendation	OUTPERFORM

### Share price performance

	1M	3M	1Y
TrenDevice - Absolute (%)	na	na	na
FTSE AIM Italia (%)	-4%	-5%	-19%
1Y Range H/L (€)	0.81	0.74	
YTD Change (€) / %	na	na	

Source: S&P Capital IQ

### Analysts

Luigi Tardella - Co-Head of Research

tardellaresearch@advisory.envent.it

Viviana Sepe - vsepe@advisory.envent.it

### EnVent Capital Markets Limited

42, Berkeley Square - London W1J 5AW (UK)

Phone +44 (0) 20 35198451

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## The Italian re-commerce platform for premium devices

**We initiate coverage of TrenDevice: OUTPERFORM rating, Target Price €1.29 per share.**

TrenDevice is an Italian online re-commerce platform of refurbished premium smartphones, tablets, laptops and wearables, listed on AIM Italia in October 2020.

With over 60,000 devices refurbished since its inception in 2013, TrenDevice is among the circular economy pioneers in Italy and its mission is to provide a quality and hassle-free service to saving and sustainability conscious customers. As a dedicated nationwide marketplace to smartphones owners and lovers, TrenDevice mission is to become "The Smartphone Marketplace", the place where to find a vast array of solutions.

### A restless growing market where refurbished smartphones are smarter and circular economy friendly options

Smartphones sales are driven by excitement for new launches, latest technology or aspiring to upgrade to a premium product. Refurbished smartphones are gaining ground worldwide, offering the same performance of a brand-new item while moderately priced.

### Service partner for the increasingly complex mobile devices industry

TrenDevice, with direct management and control over the value chain, offers a professional full-service proposition: a fully performing product with mint or near mint appearance, at an attractive pricing up to 30% lower than the brand new alternative, and a 1 year warranty. Services have been expanded to make a refurbished product sale easy as "like new", with the addition of a repair service, a 2 year warranty extension, an all-inclusive insurance, a premium membership, payments in installments.

### New projects

TrenDevice has planned the opening of a few retail stores in selected Italian cities (first one in Milan), with technical assistance and pick-up points, to generate additional sales through consumers who prefer physical sales over e-commerce and are new to the concept of "refurbished". A C2C marketplace of "certified" used electronic devices will be launched. TrenDevice will collect fees by facilitating transactions between buyers and sellers. The C2C marketplace will improve the matching between supply and demand and make transactions more appealing.

### Target Price €1.29 per share, OUTPERFORM recommendation

Being in a growth phase of the business lifecycle and still in its investment cycle, TrenDevice will continue to dedicate marketing resources to strengthen brand awareness and image and to offer new services that should drive profitability over time. The value expectations of TrenDevice rely on its capability to achieve a fast increase of market share becoming the reference brand. Our valuation indicates a Target Price per share of €1.29, +59% on the IPO price of €0.81, with a potential upside of 74% on the current share price. We initiate the coverage of TrenDevice with an OUTPERFORM rating.

### Key financials and estimates

€m	2017	2018	2019	2020E	2021E	2022E	2023E
Sales	3.6	5.1	7.2	8.6	12.3	17.3	23.8
EBITDA	0.2	0.3	0.6	0.8	1.3	1.9	2.5
Margin	6.5%	5.7%	8.4%	8.8%	10.2%	10.7%	10.7%
Net Income	0.0	0.0	0.0	0.0	0.2	0.6	1.0
Net (Debt) Cash	(2.0)	(2.0)	(1.6)	0.4	1.0	2.1	3.8
Equity	0.3	0.3	0.7	3.5	3.7	4.3	5.3

Source: Company data 2017-19A, EnVent Research 2020-23E

## 1. INVESTMENT CASE

### Company

TrenDevice SpA (TrenDevice) is an online re-commerce platform of refurbished premium smartphones, tablets, laptops and wearables, listed on AIM Italia in October 2020. TrenDevice is among the circular economy pioneers and developers in Italy and its mission is to provide a quality and hassle-free service to saving and sustainability conscious customers.

Sales: €7.2m (2019), +40% YoY; €3.7m (H1 2020); 42% 2017-19 CAGR; over 60,000 devices refurbished since 2013

TrenDevice has been recognized as innovative SME, a status that allows tax incentives for investors and is also eligible as a target for investments under the PIR scheme.

### Drivers

#### Industry drivers

**Smartphones: a market driven by both need and impulse.** Smartphones sales are driven by replacement impulses from consumers excited by new launches, latest technology or just aspiring to upgrade to a premium product. The smartphone market is also driven by replacement needs for memory shortage, lifecycle of batteries ending, malfunctions or obsolescence.

**New smartphones become soon underperforming, refurbished ones are smarter options.** Continued technology and design upgrades lead to sales of new smartphones and replacement by consumers aspiring to mid and premium segments at high price even without disruptive features. This makes appealing used or refurbished smartphones, moderately priced compared to new ones, which are gaining ground among consumers worldwide, together with repair services.

**Focus on ESG themes drives extension of lifetime of devices, expansion of recycling and reuse of e-waste.** Electronic waste keeps growing as a substantial environmental problem, with rising volumes being produced and increasing content of toxic and valuable materials. The main issues are: rapid obsolescence due to the pace of technology innovation; e-waste is classified as hazardous, with health impacts and environmental implications; e-waste is complicated to be processed as it contains different toxic and non-toxic materials. Increasing e-waste has led to call for new regulation and innovative solutions. Valuable materials may be reused in the circular economy with multiple benefits and refurbishment of devices may extend their lifetime.

**EU Circular Economy Action Plan.** The European Commission has adopted in 2020 a new Circular Economy Action Plan, part of the European Green Deal for sustainable growth.

Circular economy is one of the main activities that EU wants to pursue to reduce waste and increase value of products by re-use and recycling. Electronic equipment is one of the fastest growing waste streams in the EU. Laws and rules can create significant incentives for industry growth, influencing the propensity to buy a refurbished product.

**Second-hand phone market and unauthorized repairers pose multiple risks.** The used phone market where sales occur between individuals is unregulated and carries a risk of being cheated. In addition, small independent shops providing repair services or selling used smartphones may present quality issues. As such, given the increasing demand for repair services, refurbished or used phones, the second-hand phone market urges to be populated with professional and structured operators.

**Technological change: 5G rollout will favor switches to new smartphones.** Since existing phones will not be able to access 5G networks, there might be an incentive to upgrade to a newer device, especially in metropolitan areas. However, older networks will still exist for a long time.

### Company drivers

**Service capability for the lifetime of the used device.** TrenDevice offers a professional full-service proposition, starting with the sale of premium electronic devices, a 1-year warranty (with the possibility of extension up to 2 years) and repair services dedicated to TrenDevice buyers. These factors help to overcome a possible consumer hesitancy to purchase refurbished devices.

**Control over the entire value chain.** TrenDevice is a lean company with direct management and control over the value chain, from device purchase from individual consumers and major distributors/corporate fleets, internal refurbishment and repair with an in-house technical team, to sales through its website.

**Proprietary e-commerce platform and data.** The proprietary e-commerce platform, which allows the purchase and sale of devices, has been developed since 2013. TrenDevice database includes over 350,000 contacts and its buyback engine processes on average +1,000 quotes of used products per day, representing a valuable source of industry data.

**Repeat purchase supports growing customer base.** Most of the customers own Apple devices and are classified as high spenders, being interested in innovative products and services. The repeat purchase rate in H1 2020 was over 30%. A loyal customer base yields visibility and a recurring revenue stream from the sale of ancillary value-added services.

### Challenges

**Market competitiveness and barriers to entry.** The competitive arena is fragmented and populated by large players (such as telecom carriers, producers, retailers, online marketplaces), together with a large number of small local players.

**Price pressure within the industry.** Given that smartphones are commodities and the reconditioning cost is assumed similar among operators, there is a risk of pressure on prices from competitors.

**Competition from producers and telcos initiatives.** Large tech and telecom companies, boosted by the circular economy trend, together with targeting new customers with lower buying power, are promoting buyback programs of their older products and marketing of refurbished devices.

**Reputation on the web, brand awareness and image.** TrenDevice has built up since 2013 the concept of certified refurbished product in Italy and is working to strengthen the awareness on its brand and image. The revenue acceleration program, while competitors invest massively in advertising, may require significant resources. Customer reviews and ratings also may challenge image.

**Profitability improvement.** A key management goal is the capability to move towards higher margins. Slower than expected sales growth or success in new initiatives may postpone operating margins expansion.

**Inventory requirement.** Increasing investment in inventory is required for meeting potential demand and in view of the opening of retail stores.

## 2. PROFILE

### Hassle-free, safe and affordable premium electronic devices

TrenDevice engages in refurbishing and online trading of smartphones, tablets, laptops, and e-watches. Products include iPhones, iPads, iMac laptops, Macbooks, Apple watches and Samsung Galaxy phones.

TrenDevice acquires used hi-tech products from both individual consumers, as instant B2C buyer through its website, and from major distributors and corporate fleets.

The performance and consequently the value in use of purchased devices is maximized through internal reconditioning, a process that adds value to pre-owned products and extends their life. Each refurbished product undergoes over 30 hardware and software tests and damaged components are replaced. Products are then put back on the market with a 1 year warranty coverage by TrenDevice.

TrenDevice has currently a staff of over 20 people, of which half are product technicians.

### History milestones

The Company was founded in the beginning of 2000s as an initiative in consumer electronics and then e-commerce of upgrades and accessories for Apple Mac products.

Operations based on the reconditioning and sale of used premium devices started in 2013.

The goal that inspired the Company founders was to fill the market gap in the supply of premium used mobile devices, a virtuous business that allows the consumer to save money, while doing a safe and warranted purchase, and the environment to benefit from lower CO2 emissions (estimated in average 80 kg per device).

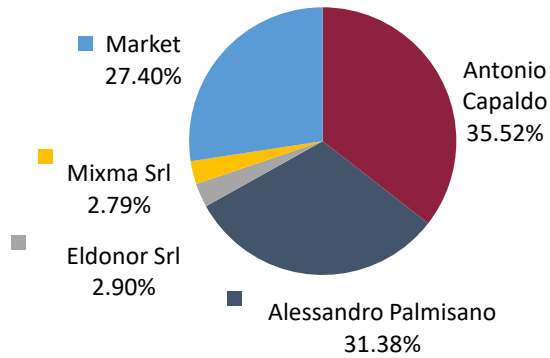
- Since 2013 - TrenDevice has refurbished in its dedicated facility over 60,000 devices
- 2019 - TrenDevice raised almost €0.45m through an equity crowdfunding campaign
- 2020 - Listed on AIM Italia, IPO proceeds €2.7m

### Key people

Name and Role	Background
<b>Antonio Capaldo</b> Chairman, CEO and co-founder	<ul style="list-style-type: none"> <li>• Past: Founder of BuyDifferent, TrenDevice and EGG Finance</li> </ul>
<b>Alessandro Palmisano</b> CEO and co-founder	<ul style="list-style-type: none"> <li>• Past: Founder of BuyDifferent, TrenDevice and EGG Finance</li> <li>• 2002-2017: Head of Innovation, A. Capaldo SpA</li> </ul>

Source: Company data

**Shareholders**



Source: Company data

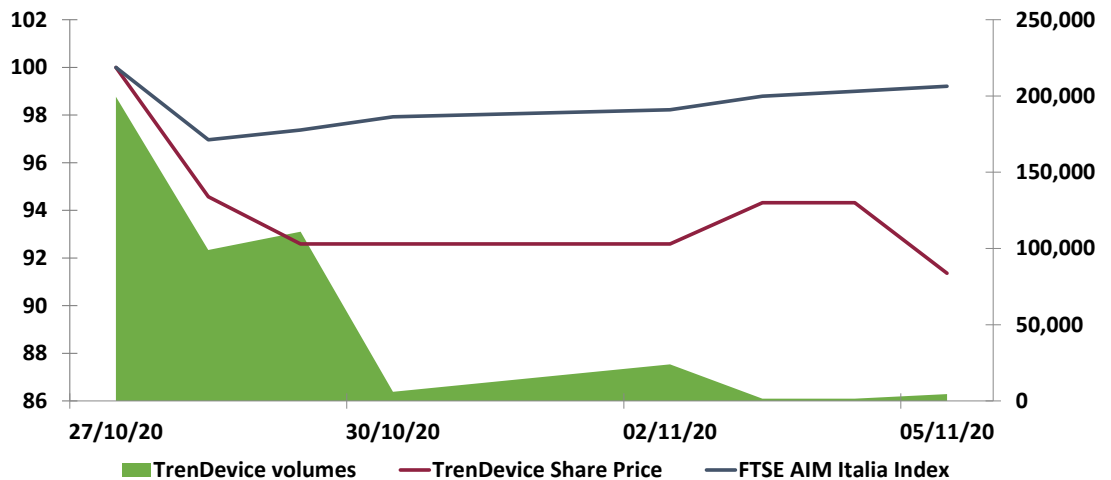
**TrenDevice IPO and stock market performance on AIM Italia**

**TrenDevice on AIM Italia**

<b>Stock market</b>	AIM Italia
<b>Bloomberg code</b>	TD IM
<b>Reuters code</b>	TD.IM
<b>IPO date</b>	27/10/2020
<b>Offer Price (€)</b>	0.81
<b>Money raised (€m)</b>	2.7
<b>Market Cap at IPO (€m)</b>	9.9
<b>Free float at IPO</b>	27.4%
<b>Ordinary shares - ISIN number</b>	IT0005422792
<b>Shares outstanding</b>	12,274,586
<b>Current Share Price (€)</b>	0.74
<b>Current Market Cap (€m)</b>	9.1
<b>Warrants - ISIN number</b>	IT0005422966
<b>Warrants outstanding</b>	3,774,856
<b>Current Warrant Price (€)</b>	0.02

Source: Company data and S&P Capital IQ, update 05/11/20

**Share price performance and volumes since IPO**



Source: S&P Capital IQ, update 05/11/20

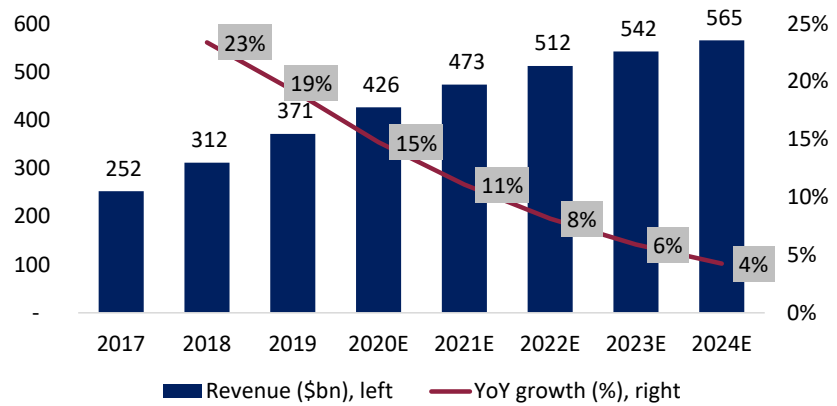
### 3. MARKET TRENDS AND OUTLOOK

#### Circular economy in consumer electronics

##### Global consumer electronics market

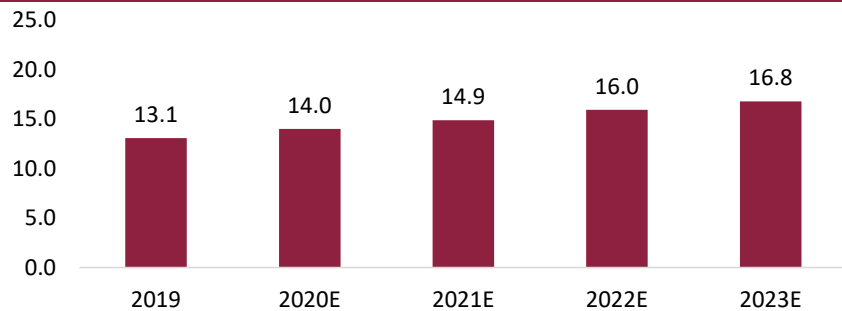
The consumer electronics market has experienced in the last decades a skyrocket growth. According to Statista, electronic devices connected to internet were around 22bn in 2018, and are expected to reach 50bn by 2030. Revenue in the consumer electronics amounted to around \$370bn in 2019 and is expected to grow at 7.3% CAGR 2020-24, resulting in a market worth \$565bn by 2024.

##### Consumer electronics revenue worldwide



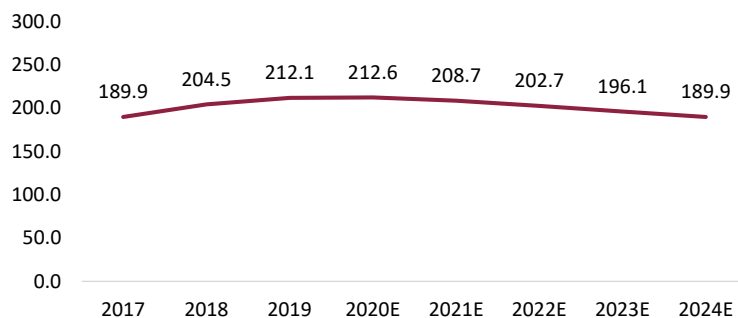
Source: Statista, 2020

##### Number of mobile devices worldwide (bn)



Source: Statista, 2020

##### Average revenue of consumer electronics per user (\$)



Source: Statista, 2020

### Smartphones market size and turnover in Italy

In 2018, according to the research firm Gfk, the smartphones market value in Italy increased in value by 6.6% from 2017 to \$5.1bn, of which 48% made by premium models (i.e. smartphones prices above \$600). The number of units sold - 15.4m - decreased by 3.7% YoY. In 2019, based on a study from Pew Research Center, 71% of the Italian population own at least one smartphone (i.e. around 43m units). Samsung ranked first in 2019 by units sold followed by Huawei and Apple. In Q1 2020, Samsung was still first in the ranking with 38% of unit share, followed by Huawei with 27% and Xiaomi with 16%. Apple sales dropped behind with 5% of unit share (ranked 2nd in 2017 with 18.7% of unit share).

### Rapid innovation is producing e-waste

At the same time, the United Nations warned that the rapid innovation in modern digital technology accumulates over 50m tons of electronic waste (e-waste) globally every year, including desktop computers, smartphones, laptops, TVs and household electrical appliances, of which only 20% is recycled. The volume of e-waste produced worldwide, together with bad recycling management, present a danger to the environment, expected to reach over 120m tons of e-waste by 2050 (Source: World Economic Forum, *A New Circular Vision for Electronics*, 2019).

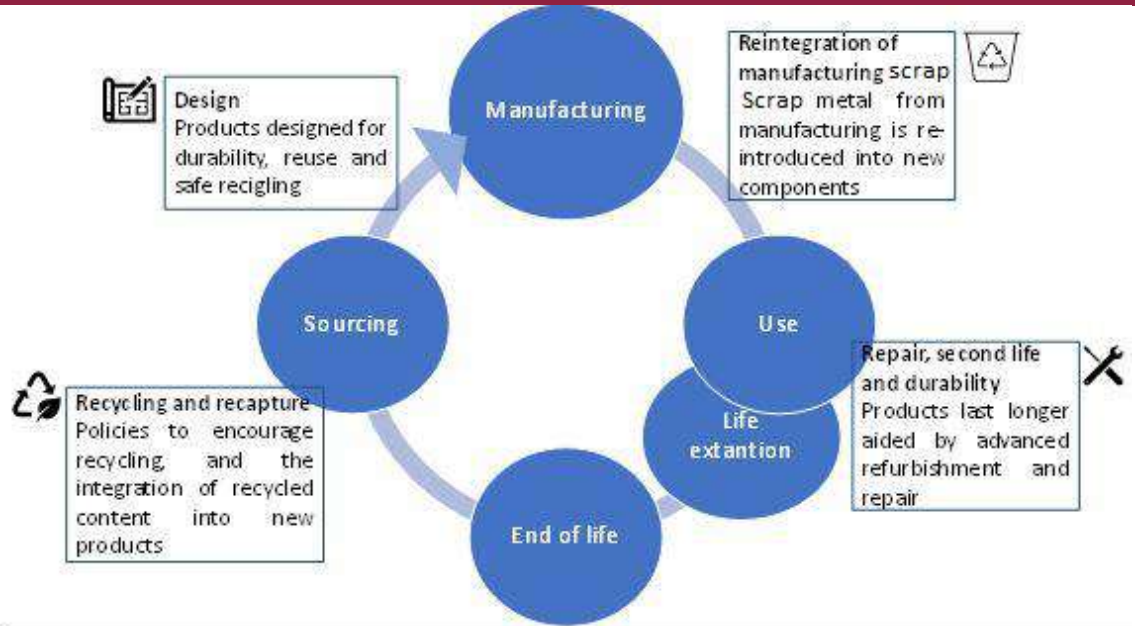
To reduce e-waste, a circular economy model is the generally recognized solution to be executed for the electronic devices, by extending their lifetime and re-using them, resulting into a larger economic benefit.

### EU initiative for a circular economy

The European Union has recently focused on making EU economy more sustainable (e.g. Green Deal) developing an action plan to achieve EU climate neutrality by 2050. Circular economy is one of the main activities that EU wants to pursue to reduce waste and increase value of products by re-use and recycling. Electronic equipment continues to be one of the fastest growing waste streams in the EU with current annual growth rates of 2%. To address these challenges, the EU Commission will present a Circular Electronics Initiative promoting longer lifetimes of products.



**Circular economy in electronics**

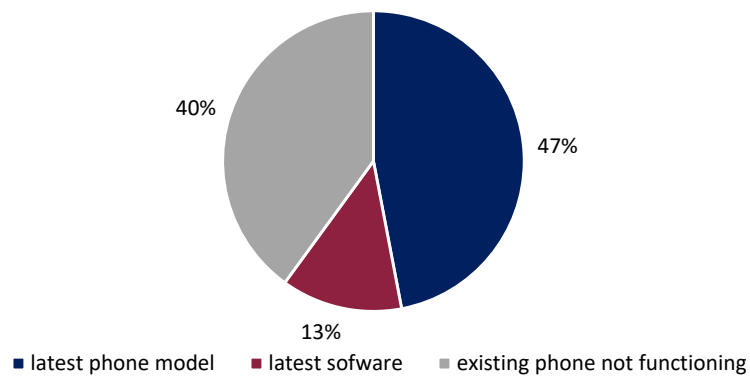


Source: EnVent Research on World of Economic Forum, *A new circular vision for electronics*, January 2019

**Changing habits in the use of smartphone**

In the last years, the market for new mobile phones has reduced its growth in Europe and beyond, with limits for further sales. This is reinforced by a recent trend of consumers keeping devices for longer periods, according to research firm Kantar Worldpanel. In 2016, American smartphone owners used their phones for 22.7 months on average before upgrading. By 2018, that number had increased to 24.7, resulting in a lower average spending per user. European users are keeping their smartphones even longer, from 23.4 months to 26.2 in the same period. A study from the Waste Electronics and Electrical Equipment community (WEEE) highlighted that the need for the latest phone model is the main reason for replacement by 47% of the sample, followed by 40% for not functioning phone and 13% in need of a software upgrade.

**Reasons for smartphone replacement**

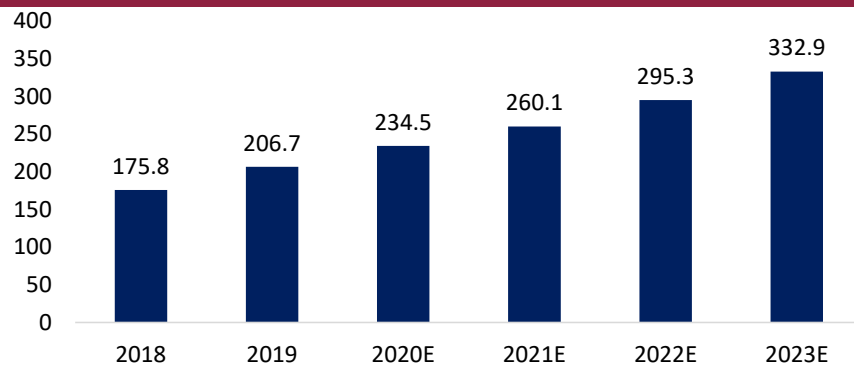


Source: Waste Electronics and Electrical Equipment (WEEE)

### Refurbished market as result of oversupply technology

While there are signs that the market for new mobile phones is likely to be close to maturity, the market for refurbished smartphones, is seeing strong growth. The research provider Persistence Market Research estimated global sales for used and refurbished devices at \$19.7bn in 2017 with a 2017-25 CAGR of 9%. This market, which has existed in developing countries since the 2000s, is becoming popular in developed countries with the advent of high-end smartphones. The trend is fueled by the rapid succession of new models leading previous models to be available earlier on the second-hand market. According to research firm IDC, the global market shipments for refurbished and used smartphones grew by 18% in 2018-19 reaching 207m units. The increasing demand for refurbished and used smartphones is primarily addressed by the match of consumer technology demand and technology oversupplies, coupled with the advantage of considerable savings costs compared to new models. A new IDC research says that used smartphone shipments will reach 332.9 million units in 2023 with a 13.6% CAGR 2018-23.

#### Worldwide used smartphones shipments (m, units)



Source: IDC, *Worldwide Used Smartphone Forecast, 2019-2023*, Dec 2019

## 4. BUSINESS MODEL AND STRATEGY

### Service partner for the increasingly complex mobile devices industry

TrenDevice selling proposition is substantiated by the ability to offer a fully performing product with mint or near mint appearance, at a price up to 30% lower than a brand new alternative. The major operating steps and marketing features are: purchase of large volumes of high-end tech used products from individuals, companies and wholesalers, followed by an internal reconditioning process and sale with a 1 year warranty coverage. Active and target customer communication is carried out through the web.

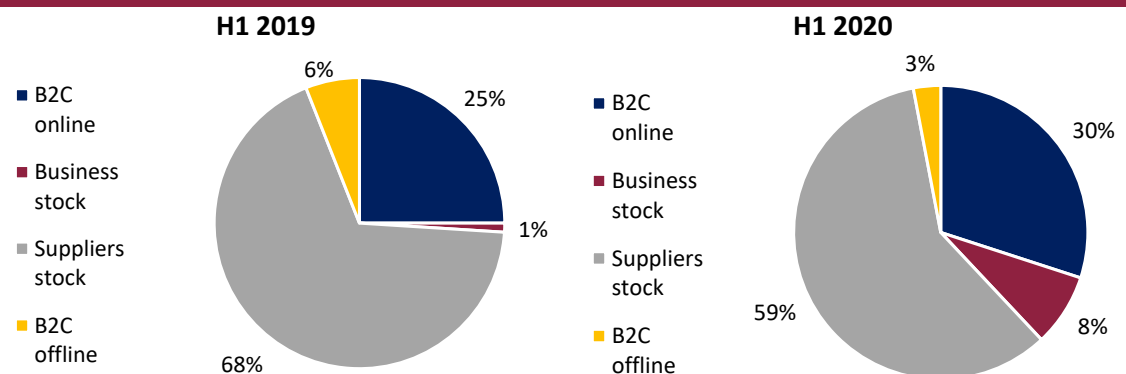
#### Device acquisition

Device acquisition is managed internally through a proprietary buyback platform.

TrenDevice has four means of sourcing used devices:

- Individual consumers, through its website. Upon accepting an online valuation for their devices based on the model and conditions, consumers can ship their devices for free.
- International distributors
- Retailers specialized in Apple products
- Italian SMEs (corporate fleets)

#### Supplying channels



Source: Company data

#### Product portfolio

The product portfolio includes brands and products positioned on the high-side of the consumer electronics market.

High-end refurbished devices:

- iPhones, Samsung series S and Huawei smartphones
- iPads and Samsung Notes tablets
- Mac laptops
- Apple Watches
- Accessories such as AppleTV, AirPods and Beats headphones
- PlayStation gaming console

Brand new products:

- Cases, headphones, cables and chargers branded TrenDevice
- Screen protections
- Upgrades and accessories for Mac products

### **Revenue model**

Revenues are primarily generated through the sale of refurbished devices and additionally through the sale of TrenDevice branded accessories, memberships and services (such as warranty extension and device insurance).

In the C2C marketplace project TrenDevice will collect fees by facilitating transactions between buyers and sellers, while not taking possession of the devices at any phase of the transaction.

### **Sales and marketing**

Sales to consumers are generated online through:

- Proprietary re-commerce online platform TrenDevice.com, as to smartphones, tablets, smartwatches and accessories
- Own website BuyDifferent.it, dedicated to Mac laptops, upgrades and accessories
- Third party e-commerce platforms such as refurbished.com and backmarket.com (less than 5% of sales)

Marketing initiatives include national and local online and offline advertising and presence on social media as a permanent feeder of awareness and image of TrenDevice brand, a major valuable asset. A team dedicated to direct communication and assistance to customers takes care of quality service, customer loyalty and reputation on the web.

### **Working capital cycle**

As mentioned, used devices are purchased from different channels, based on availability, and become part of a stock. When a sale occurs the collection is immediate, as a consequence there is minimal or zero investment in receivables. As such, the working capital investment is limited to inventory, while payables to suppliers are a permanent source of financing.

**Minimal working capital investment limited to inventory**

## **Expansion of services to make a refurbished product sale easy as “like new”**

### **TrenDevice+, for loyal customers and repeat purchases**

TrenDevice+, a yearly paid subscription service, gives members access to services that would otherwise be at extra-cost or unavailable, such as:

- Free delivery on orders above €100
- Free return extended to 30 days
- 30% Discount on repair services out of warranty coverage and courtesy device

- Technical assistance through WhatsApp
- Dedicated and reserved offers

The annual subscription fee is €49.90, currently discounted at €19.90.

### **Repair service**

A repair service is available for TrenDevice customers for damages not covered by warranty. The price of the service includes the collection and delivery at home of the device and is different for TrenDevice customers and TrenDevice+ members.

Main services (different based on the phone model) include:

- Battery replacement
- Screen and LCD repair
- Camera repair
- Volume keys / power key / vibration key / home button repair
- Charging dock / audio jack / speaker / ringtone and speakerphone / vibration repair

### **2Y Warranty extension**

A warranty extension to 2 years has been introduced as an option for all refurbished devices.

### **Insurance**

The Company is working in partnership with an insurance broker to the launch of an all-inclusive insurance policy for smartphones and tablets to be paid in monthly fees.

### **Pre-order**

A pre-order function of the re-commerce platform has been introduced, in order to improve the supply and demand matching, reduce inventory and partially offset the sales volumes constraint linked to the availability of used products/models in the warehouse. In H1 2020 pre-order accounted for ca. 10% of sales.

### **Payments in installments**

TrenDevice has entered into agreements with some retail finance companies in order to offer the installment payment option on the sale of its products. The partner companies provide instant loans, approved online, without any risk for TrenDevice, which pays a fee on the transaction.

## **Corporate strategy**

### **Retail stores**

TrenDevice has planned the opening of 10 retail stores in selected Italian cities within 2023, with the aim to:

- generate additional sales through consumers who prefer physical sales over e-commerce (most new device purchases in Italy still occur offline)
- bring consumers closer to the concept of refurbished

- have pick-up points for purchases and sales of used devices, with possibility of exchange and immediate discount on the purchase of a new product
- create a network for out-of-warranty technical assistance

The first planned opening is in Milan. Further openings include other cities such as Turin, Florence, Rome and Bologna, which account for most of sales.

### **C2C Marketplace: “certified” second-hand**

TrenDevice is working on the development of a C2C marketplace of used electronic devices where it will act as guarantor of the transaction between the buyer and the seller. For this initiative, a new and different brand will be created, in order to make a clear difference and not to create confusion in the end customer between refurbished by TrenDevice and certified used products owned, sold and purchased by marketplace users.

Benefits on the seller side: Possibility of a higher sale price; the seller has the products collected directly at home by TrenDevice; the transaction is guaranteed.

Buyer side benefits: *What you see is what you get* guarantee; lower price compared to a reconditioned product; preferred payment option.

The C2C marketplace will improve the matching between supply and demand, raising the average sale prices and lowering the average purchase prices. TrenDevice will withhold a fee from the sale price proposed by the seller, to cover the costs related to the device collection and delivery, the testing time and the creation of photographs and product data sheets.

No investment in marketing is necessary, as the marketplace will exploit the traffic already existing on the portal. In addition, no investment in working capital is required, since used devices are kept in consignment and will be paid to seller only after cashing from buyers.

### **Dynamic pricing and predictive algorithms**

In order to work with dynamic pricing and also to be able to provide an accurate estimate of pre-order timing, a predictive algorithm is being developed based on historical data. Algorithms for dynamic pricing are conceived to maximize margins, automatically rebalancing prices on specific models and features (color, capacity, etc.) according to the availability on the used market and customer demand.

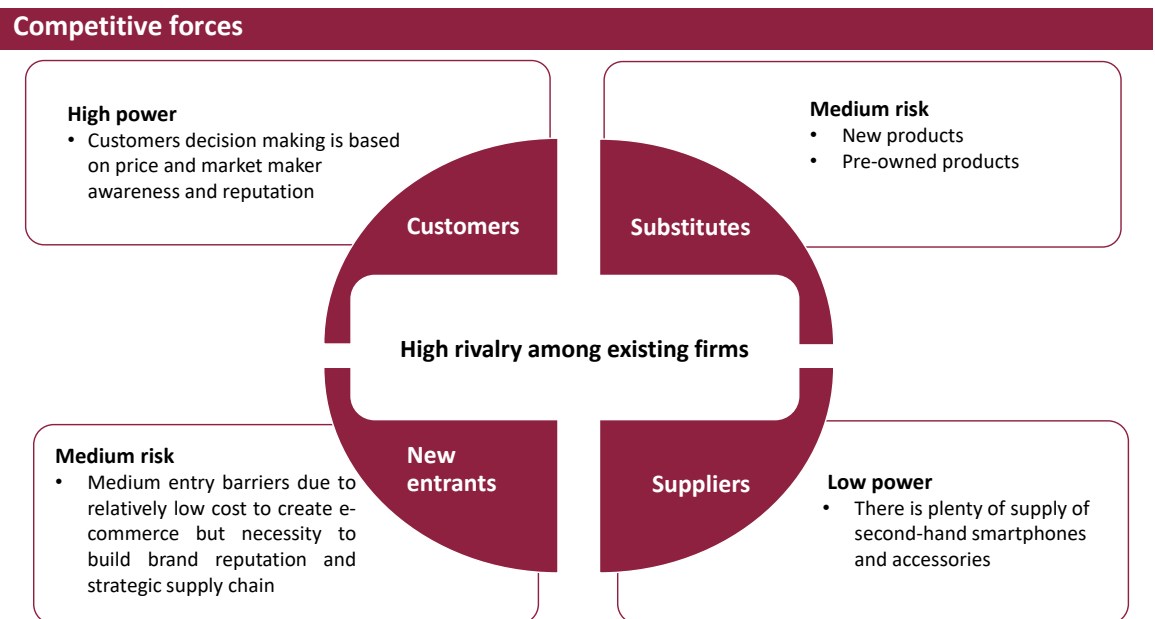
## 5. COMPETITION

### Highly fragmented market, where success is driven by price and seller reputation

The market for used and refurbished mobile devices is gaining significant momentum and is highly fragmented. Main actors in the competitive arena are:

- Refurbishment specialists (companies that buy, refurbish and sell electronic devices, like TrenDevice)
- Smartphone producers (e.g. Apple refurbished products come with a standard one-year limited warranty; Samsung refurbished mobile phones are covered with 12-month manufacturer warranty and include new headphones and a charger)
- Retailers
- Online marketplaces such as eBay and Amazon
- Mobile carriers

Price drives the competition, being one of the most sensitive aspects to consider when purchasing a refurbished device. Reputation of the seller is also crucial to build consumer portfolio and recurring transactions. To reach that, collateral services, extended warranty, and additional offers play a key role to improve brand image and to compete against smaller players.



Source: EnVent Research

### Competitors profile

Professional market makers of refurbished electronic devices:

**Rebuy.** Founded in 2009, it's a German market maker who claimed to have more than 5m customers and according to LinkedIn has around 150 employees. The company bought a total

value of €150m of used devices and analyses around 100,000 products per day. Most sales are generated in Germany and has never generated profits in the last 7 years. In 2018, they completed a financing round of \$26m.

2018 Revenues: €139.6m (source: S&P)

**Swappie.** Finnish provider of refurbished products (iPhone only) beginning operations in 2005. In 2018, they sold 25,000 iPhones with a turnover of around €8m. As of today, Swappie completed three financing rounds for a total of around \$48m. The first two rounds of around \$8m served the expansion in Finland and Italy, the last \$40m capital injection is intended to expand the brand internationally. Swappie operates in Finland, Sweden, Denmark and Italy, coming launches in Germany, Ireland, Portugal and the Netherlands during summer 2020. Swappie has recently entered into Italian market with several advertising campaigns.

2019 Revenues: €31.1m (Source: S&P)

**LombardoShop.** Italian online shop of various merchandise including refurbished electronic devices, electronics, home automation systems and home and garden products. The company was founded in 2012 and has one shop in Sicily region.

2018 Revenues: €10.3m - including products different from e-devices (Source: Aida)

**Refurbed.** Austrian seller since 2017 offers a wide range of refurbished devices. It has recently raised \$17m in a financing round led by a venture capital firm. Refurbed is active in Austria, Germany, Poland and Italy, and plans to use the capital to expand to additional markets in 2020, notably into the German market. With 150,000 customers throughout Europe it claims to have also posted more than \$45 million in gross merchandising volume.

Revenues: n.a.

**Redevice.** Italian market maker selling refurbished iPhones with extended warranty of 3 years.

Revenues: n.a.

**IPhoneme.** Italian market maker selling Apple products and Samsung smartphones.

2018 Revenues: €5.4m (Source: Aida)

**Service Technology (Pcrigenerati.eu).** Italian market maker selling mainly refurbished laptops and other electronics. It serves mostly B2B customers and has a web shop for B2C. The company estimated revenues for €6m in 2020 and claimed an EBITDA margin higher than 4%. Last June, Computer Gross, subsidiary of Sesa SpA, has reached 55% of Service Technology valued 4.5x EV/EBITDA.

2019 revenues: Ca. €5m (Source: trendonline.com)

**Joojea.** Italian market maker selling a diversified portfolio of refurbished devices (smartphones, laptops etc.).

2018 Revenues: €3.1m (Source: Aida)

**Refurbed.** Austrian seller since 2017 offers a wide range of refurbished devices. It has recently raised \$17m in a financing round led by a venture capital firm. Refurbed is active in Austria,



Germany, Poland and Italy, and plans to use the capital to expand to additional markets in 2020, notably into the German market. With 150,000 customers throughout Europe it claims to have also posted more than \$45 million in gross merchandising volume.

Revenues: n.a.

**Redevice.** Italian market maker selling refurbished iPhones and Samsung smartphones.

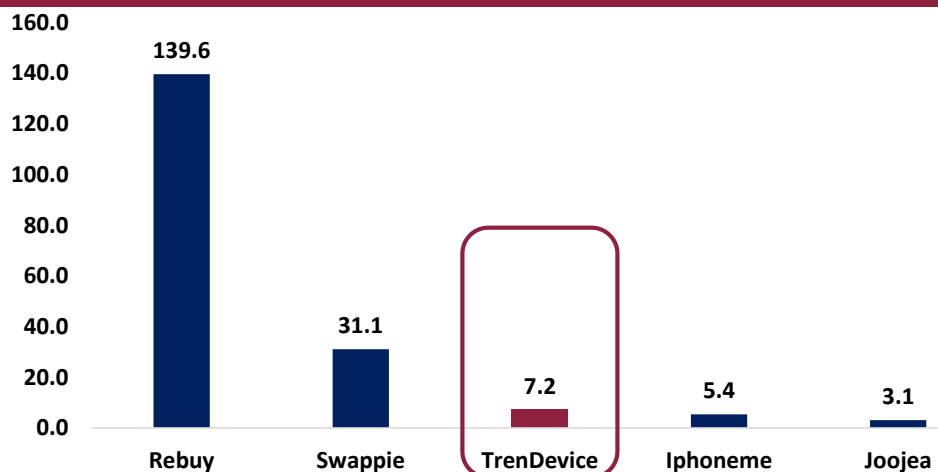
Revenues: n.a.

#### Offering - TrenDevice vs. competitors

	TrenDevice	Swappie	Refurbed	Lombardo Shop	Joojea	Redevice	Rebuy	Iphone me
Marketplace	Coming soon	-	-	-	-	-	-	-
Loan payment	✓	✓	-	-	-	-	-	-
Warranty (Years)	1	1	1-2.5	1	1	1	3	1
Stores	Coming soon	✓	-	✓	✓	-	-	-
Products type	7	1	11	7	5	1	7	5
Free shipping	-	-	✓	-	✓	✓	-	-
Free returns (days)	14	14	30	14	15	14	21	14

Source: EnVent Research

#### Turnover, 2019 (€m) - TrenDevice vs. competitors with available data



Source: Aida - Note: FY18 Revenues for Rebuy, IphoneMe and Joojea

#### Financial performance of competitors, 2019 (€m)

Company	Revenues	EBITDA	EBITDA margin (%)	Net result	Net debt (cash)
Rebuy	139.6	(3.1)	neg.	(7.2)	3.8
Swappie	31.1	(2.4)	neg.	(2.9)	0.2
TrenDevice	7.2	0.6	8%	0.0	1.6
Iphoneme	5.4	0.1	1%	0.0	(1.1)
Joojea	3.1	0.2	7%	0.1	n.a.

Source: Aida - Note: FY18 Figures for Rebuy, IphoneMe and Joojea

The arena of refurbished devices market makers is characterized by low EBITDA margins (all below 10%), breakeven at bottom line.

Source: EnVent Research on Aida and public data

### **Other players in the refurbished electronics market**

**Back Market.** Refurbished electronics reselling platform based in France where sellers are registered businesses (market makers). The marketplace is active across major countries in Europe, including Italy, and in USA. Last May, the company raised \$120m, which bring total proceeds to more than \$170m since inception. The new funding will be used to expand its activity internationally (from current seven countries to target twenty).

2017 Revenues: €10.6m

**KE Novo.** Italian network of franchising online and offline stores of refurbished computers, tablets, smartphones and accessories. The company has around 20 active stores across Italy with 9 coming openings.

Revenues: n.a.

Source: S&P Capital IQ

### **Early stage of business sector is a limit**

The competition landscape of electronics re-commerce platforms is wide and made of several small-size companies with a high level of competition. Most of the profiles analysed above are in their early stage. Some of them are attracting venture capital funds to support growth generally in the domestic market. The small size of companies, their early stage of business and the lack of financial information impair the quality of assessments on current competition status.

## 6. MARKET METRICS

### Market value of comparable listed companies

Considering refurbished e-devices market makers as best match, only one public company, the US PhoneX Holdings, could be used as comparable. However, given the low quality of data available we are not able to undertake a significant comparison analysis. Therefore, we extended our research by business similarities. We defined a cluster of international public companies that offer online generalist or tech-related marketplaces. We also added an Italian cluster with a generalist electronics e-commerce and a producer of smartphones accessories.

Selection factors:

- Generalist marketplace
- Generalist e-commerce used products
- Market maker of refurbished devices
- Stores of brand-new electronic devices

### Industry players segmentation and comparability

#### Profiles - International peers

##### Public Joint Stock Company M.video

Chain of consumer electronic outlets and online Internet store in Russia. The company engages in the sale of television, audio, video, and Hi-Fi products, as well as home appliances and digital equipment.

HQ: Russia

2019 Revenues: €5.2bn

##### Jumia

Marketplace platform in Africa, with various products in a range of categories, including fashion and apparel, smartphones, home and living, consumer packaged goods, beauty and perfumes, and other electronics.

HQ: Germany

2019 Revenues: €160m

##### PhoneX Holdings

Market maker of used smartphones. The company acquires products from individual consumers through its uSell.com website, as well as from various carriers, big box retailers, and manufacturers through its subsidiary, We Sell Cellular.

HQ: USA

2018 Revenues: €87m

##### Cerebra Integrated Technologies

Engaged in the trading of refurbished computer accessories and other hardware in India and

internationally. It offers personal computers, servers, laptops, and workstations. Also provides electronics manufacturing services for motherboards, memory modules, graphic cards and networking products; designs, plans and implements IT hardware and software infrastructure.

HQ: India

2019 Revenues: €50m

### ECONOS Co.

Buyer and seller of used products, marketing through shops and e-commerce. Products offered are books, CDs, DVDs, game software, computers, audio and musical instruments, cameras, TVs, toys, and others.

HQ: Japan

2019 Revenues: €31m

## Profiles - Italian peers

### ePRICE

Italian e-Commerce company founded in 2007 that offers hi-tech products and household appliances. As of August 2019, it operated a network of approximately 130 Pick&Pay locations in 109 cities and 280 lockers in post. The company was formerly known as Banzai.

2019 Revenues: €120m

### Cellularline

Founded in 1990, sells accessories for smartphones and tablets in Italy and internationally. It offers protection and style products, such as cases, screen protection glasses and airpods cases; charging and utility products, including car battery chargers, adaptors and others; voice and sport accessories, such as wired and Bluetooth headsets, earphones, sports cases, Bluetooth speakers and smart watches.

2019 Revenues: €140m

## Market multiples

Company	EV/Revenues				EV/EBITDA				EV/EBIT				P/E			
	2019	2020E	2021E	2022E	2019	2020E	2021E	2022E	2019	2020E	2021E	2022E	2019	2020E	2021E	2022E
<b>International peers</b>																
Jumia	1.5x	6.8x	4.9x	3.8x	neg	neg	neg	neg	neg	neg	neg	neg	neg	neg	neg	n.a.
ECONOS	0.5x	n.a.	n.a.	n.a.	9.6x	n.a.	n.a.	n.a.	15.9x	n.a.	n.a.	n.a.	63.4x	n.a.	n.a.	n.a.
PhoneX	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
M.video	0.6x	0.6x	0.6x	0.6x	7.2x	7.7x	7.5x	7.2x	8.5x	12.0x	11.9x	11.5x	12.9x	11.1x	10.8x	10.0x
Cerebra	0.6x	n.a.	n.a.	n.a.	5.1x	n.a.	n.a.	n.a.	5.1x	n.a.	n.a.	n.a.	64.2x	n.a.	n.a.	n.a.
<b>Average</b>	<b>0.8x</b>	<b>3.7x</b>	<b>2.8x</b>	<b>2.2x</b>	<b>7.3x</b>	<b>7.7x</b>	<b>7.5x</b>	<b>7.2x</b>	<b>9.8x</b>	<b>12.0x</b>	<b>11.9x</b>	<b>11.5x</b>	<b>46.8x</b>	<b>11.1x</b>	<b>10.8x</b>	<b>10.0x</b>
<b>Median</b>	<b>0.6x</b>	<b>3.7x</b>	<b>2.8x</b>	<b>2.2x</b>	<b>7.2x</b>	<b>7.7x</b>	<b>7.5x</b>	<b>7.2x</b>	<b>8.5x</b>	<b>12.0x</b>	<b>11.9x</b>	<b>11.5x</b>	<b>63.4x</b>	<b>11.1x</b>	<b>10.8x</b>	<b>10.0x</b>
<b>Italian peers</b>																
ePRICE	0.2x	0.1x	0.1x	n.a.	neg.	neg.	5.7x	n.a.	neg.	neg.	neg.	n.a.	neg.	neg.	neg.	n.a.
Cellularline	1.2x	1.0x	0.8x	0.7x	5.3x	5.7x	3.9x	3.4x	7.6x	8.7x	4.9x	4.2x	7.9x	7.7x	4.6x	3.9x
<b>Average</b>	<b>0.7x</b>	<b>0.5x</b>	<b>0.4x</b>	<b>0.7x</b>	<b>5.3x</b>	<b>5.7x</b>	<b>4.8x</b>	<b>3.4x</b>	<b>7.6x</b>	<b>8.7x</b>	<b>4.9x</b>	<b>4.2x</b>	<b>7.9x</b>	<b>7.7x</b>	<b>4.6x</b>	<b>3.9x</b>
<b>Median</b>	<b>0.7x</b>	<b>0.5x</b>	<b>0.4x</b>	<b>0.7x</b>	<b>5.3x</b>	<b>5.7x</b>	<b>4.8x</b>	<b>3.4x</b>	<b>7.6x</b>	<b>8.7x</b>	<b>4.9x</b>	<b>4.2x</b>	<b>7.9x</b>	<b>7.7x</b>	<b>4.6x</b>	<b>3.9x</b>
<b>Full sample</b>																
<b>Average</b>	<b>0.8x</b>	<b>2.1x</b>	<b>1.6x</b>	<b>1.7x</b>	<b>6.8x</b>	<b>6.7x</b>	<b>5.7x</b>	<b>5.3x</b>	<b>9.3x</b>	<b>10.4x</b>	<b>8.4x</b>	<b>7.9x</b>	<b>37.1x</b>	<b>9.4x</b>	<b>7.7x</b>	<b>7.0x</b>
<b>Median</b>	<b>0.6x</b>	<b>0.8x</b>	<b>0.7x</b>	<b>0.7x</b>	<b>6.2x</b>	<b>6.7x</b>	<b>5.7x</b>	<b>5.3x</b>	<b>8.1x</b>	<b>10.4x</b>	<b>8.4x</b>	<b>7.9x</b>	<b>38.1x</b>	<b>9.4x</b>	<b>7.7x</b>	<b>7.0x</b>

Source: EnVent Research on S&P Capital IQ, November 2020

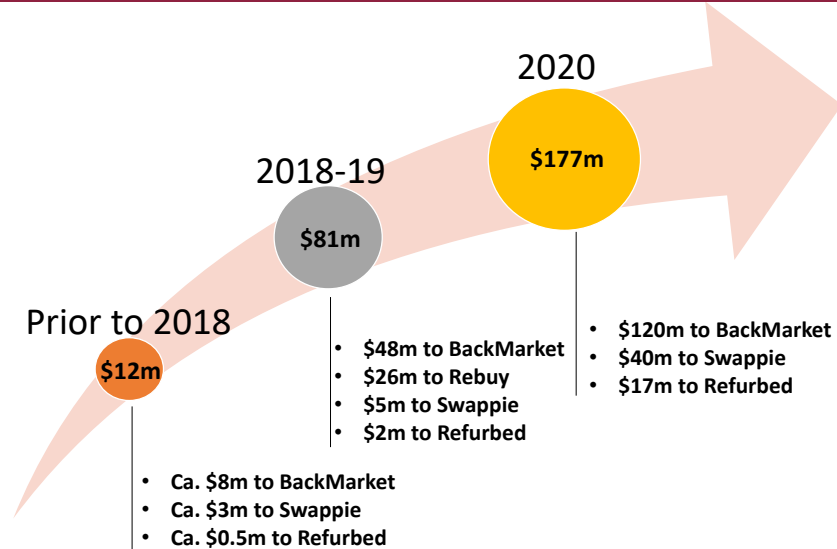
The above selected listed companies do not include suitable peers of TrenDevice being their business models too different. Thus, single and average multiples cannot be taken as a reference for the valuation model of TrenDevice.

**Refurbished businesses attract capital at a fast pace**

In the last three years, startups that are active in the electronic refurbishment business gained ground across venture capital (VC) and private equity (PE) funds. Major European startups transactions in the last three years comprised Swappie, which raised a total of \$48m in three rounds from VC and PE funds, Refurbed with \$20m and Back Market totaling more than \$170m of raised funds.

**Historical raised capital from refurbished e-devices business**

Increasing interest from private capital funds for refurbishment business



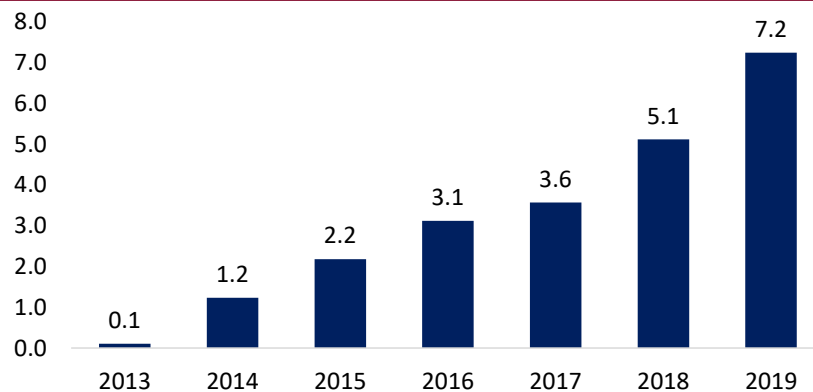
Source: EnVent Research on public data

## 7. FINANCIAL ANALYSIS AND PROJECTIONS

### A track record of growth

TrenDevice sales have increased steadily since its start of operations in 2013, reaching sales of €7.2m in 2019. The 7-year sales CAGR was +104%.

**TrenDevice - 7Y Historical sales (€m)**



Source: Company data

2019 sales were €7.2m, +42% YoY. Cost of materials, which mainly includes the purchase of used devices, ranges consistently between 75-85% of sales. Other operating costs include personnel, G&A and marketing expenses. EBITDA was €0.6m, 8.4% margin vs. 5.7% in 2018. EBIT was €0.2m and net income at breakeven.

The investment in working capital is limited, TWC/Revenues was 2%. Capital expenditure was €1m in 2019, for the re-commerce platform and C2C marketplace development.

Net financial debt as of December 2019 was €1.6m (vs. €2m in 2018), with Shareholders' equity of €0.7m.

### H1 2020 update

In H1 2020 sales were €3.7m, EBITDA €0.4m (9.4% margin), net income at breakeven.

Trade Working Capital was €0.5m in line with FY19, net financial debt increased from €1.6m to €2.3m in the same period. Marketing and brand awareness post lockdown are being supported through investments in dynamic outdoor advertising, online retargeting and tv prime time ads.

**Profit and Loss**

Services include part  
of the headcount cost

€m	2017	2018	2019	H1 2020
<b>Sales</b>	<b>3.6</b>	<b>5.1</b>	<b>7.2</b>	<b>3.9</b>
YoY %	-	42.7%	41.5%	-
Materials	(2.7)	(4.2)	(5.6)	(2.9)
Services	(0.6)	(0.5)	(0.7)	(0.4)
Personnel	(0.0)	(0.1)	(0.2)	(0.2)
Other operating costs	(0.1)	(0.0)	(0.1)	(0.1)
<b>Operating costs</b>	<b>(3.4)</b>	<b>(4.8)</b>	<b>(6.6)</b>	<b>(3.5)</b>
<b>EBITDA</b>	<b>0.2</b>	<b>0.3</b>	<b>0.6</b>	<b>0.4</b>
Margin	6.5%	5.7%	8.4%	9.3%
D&A	(0.1)	(0.1)	(0.4)	(0.3)
<b>EBIT</b>	<b>0.1</b>	<b>0.2</b>	<b>0.2</b>	<b>0.1</b>
Margin	3.6%	3.3%	2.3%	2.6%
Interest	(0.1)	(0.1)	(0.2)	(0.1)
Exchange gain (loss)	0.0	(0.0)	0.0	0.0
<b>EBT</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
Margin	0.5%	0.6%	0.1%	0.0%
Income taxes	(0.0)	(0.0)	(0.0)	(0.0)
<b>Net Income (Loss)</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
Margin	0.3%	0.6%	0.0%	0.0%

Source: Company data

**Balance Sheet**

Working capital  
investment free  
company

€m	2017	2018	2019	H1 2020
Inventory	1.0	0.6	0.7	0.9
Trade receivables	0.0	0.1	0.0	0.1
Trade payables	(0.3)	(0.3)	(0.6)	(0.5)
Trade Working Capital	0.7	0.3	0.1	0.5
Other assets (liabilities)	0.0	(0.0)	(0.3)	(0.3)
<b>Net Working Capital</b>	<b>0.7</b>	<b>0.3</b>	<b>(0.2)</b>	<b>0.3</b>
Intangible assets	1.2	2.0	2.5	2.8
Property, plant and equipment	0.4	0.0	0.1	0.1
<b>Non-current assets</b>	<b>1.6</b>	<b>2.0</b>	<b>2.5</b>	<b>2.9</b>
<b>Provisions</b>	<b>0.0</b>	<b>(0.0)</b>	<b>(0.1)</b>	<b>(0.1)</b>
<b>Net Invested Capital</b>	<b>2.3</b>	<b>2.3</b>	<b>2.3</b>	<b>3.1</b>
Bank debt	2.2	1.8	1.6	2.2
Other financial debt (Shareholders)	0.3	0.3	0.0	0.2
Cash and equivalents	(0.5)	(0.1)	(0.1)	(0.1)
<b>Net Debt (Cash)</b>	<b>2.0</b>	<b>2.0</b>	<b>1.6</b>	<b>2.3</b>
<b>Equity</b>	<b>0.3</b>	<b>0.3</b>	<b>0.7</b>	<b>0.7</b>
<b>Sources</b>	<b>2.3</b>	<b>2.3</b>	<b>2.3</b>	<b>3.1</b>

Source: Company data

### Cash Flow

€m	2018	2019	H1 2020
<b>EBIT</b>	<b>0.2</b>	<b>0.2</b>	<b>0.1</b>
Current taxes	(0.0)	(0.0)	0.0
D&A	0.1	0.4	0.3
Provisions	0.0	0.1	0.0
<b>Cash flow from P&amp;L operations</b>	<b>0.3</b>	<b>0.7</b>	<b>0.4</b>
Trade Working Capital	0.3	0.2	(0.4)
Capex	(0.5)	(1.0)	(0.6)
Other assets and liabilities	0.0	0.3	(0.1)
<b>Operating cash flow after working capital and capex</b>	<b>0.1</b>	<b>0.2</b>	<b>(0.7)</b>
Interest	(0.1)	(0.2)	(0.1)
Paid-in Capital	0.0	0.4	0.0
<b>Net cash flow</b>	<b>0.0</b>	<b>0.4</b>	<b>(0.8)</b>
Net (Debt) Cash - Beginning	(2.0)	(2.0)	(1.6)
Net (Debt) Cash - End	(2.0)	(1.6)	(2.3)
<b>Change in Net (Debt) Cash</b>	<b>0.0</b>	<b>0.4</b>	<b>(0.8)</b>

Source: Company data

### Ratio analysis

KPIs	2017	2018	2019	H1 2020
ROE	4%	10%	0%	0%
ROS	4%	3%	2%	3%
ROIC	6%	7%	7%	7%
DSO	2	5	1	5
DPO	29	20	28	24
DOI	99	42	36	43
TWC/Revenues	19%	7%	2%	7%
Net Debt / EBITDA	8.6x	6.9x	2.6x	3.2x
Net Debt / Equity	7.4x	6.6x	2.1x	3.2x
Cash flow from P&L operations / EBITDA	na	108%	108%	105%
FCF / EBITDA	na	51%	26%	neg

Source: Company data

## Our estimates

### Sizing the market opportunity: restless growth forecast

The market for refurbished and used smartphones has a huge growth potential due to the demand for smartphones with meaningful savings compared with brand new models, lack of balance between new features and prices for new devices, deployment of 5G networks. According to the research firm IDC, the global market shipments for refurbished and used smartphones grew by 18% YoY in 2019, reaching 207m units, and is projected to reach 333m units in 2023, with a 13.6% CAGR 2018-23.

### Key factors

- Revenues are generated through the sale of refurbished devices and ancillary products and services; in the C2C marketplace project revenues will be generated also by



facilitating transactions between buyers and sellers

- Customer experience contributes to organic expansion through word of mouth and improves loyalty
- Lean organization, low overheads and light balance sheet
- Capital expenditure for maintenance and improvements to the proprietary re-commerce platform and marketing self-financed by the business

### Assumptions

<b>Sales</b>	<ul style="list-style-type: none"> <li>- E-commerce: 30% CAGR 2019-23E</li> <li>- Retail stores: from €0.25m in 2020E to €3m in 2023E</li> <li>- Services: from €20k in 2020E to €0.4m in 2023E</li> </ul>
<b>Operating costs</b>	<ul style="list-style-type: none"> <li>- Materials 70-75% of device sales</li> <li>- Services 10-15% of revenues</li> <li>- Personnel from €0.7m in 2020E to €3m in 2023E</li> <li>- Other operating charges 1-2% of revenues</li> </ul>
<b>Income taxes</b>	<ul style="list-style-type: none"> <li>- Corporate tax (IRES): 24%</li> <li>- Regional tax (IRAP): 3.90%</li> </ul>
<b>Working Capital</b>	<ul style="list-style-type: none"> <li>- Trade working capital consistent with historical records:               <ul style="list-style-type: none"> <li>- DOI 36</li> <li>- DSO 1</li> <li>- DPO 28</li> </ul> </li> <li>- Other assets (liabilities) consistent with historical records</li> </ul>
<b>Capex</b>	<ul style="list-style-type: none"> <li>- Maintenance and improvement of online platform and equipment consistent with historical expense</li> <li>- One-off capex (2020) for €0.7m IPO cost (tax relief not factored in)</li> </ul>
<b>Financial debt</b>	<ul style="list-style-type: none"> <li>- No repayment assumptions in the short-term</li> </ul>
<b>Equity</b>	<ul style="list-style-type: none"> <li>- Paid-in capital from the IPO €2.7m (€2m net of expenses)</li> <li>- No dividend distribution</li> </ul>

Source: EnVent Research

## Financial projections

### Profit and Loss

€m	2017	2018	2019	2020E	2021E	2022E	2023E
<b>Sales</b>	<b>3.6</b>	<b>5.1</b>	<b>7.2</b>	<b>8.6</b>	<b>12.3</b>	<b>17.3</b>	<b>23.8</b>
YoY %	-	43%	42%	18%	44%	41%	37%
Materials	(2.7)	(4.2)	(5.6)	(6.2)	(8.2)	(10.9)	(14.7)
Services	(0.6)	(0.5)	(0.7)	(0.8)	(1.2)	(1.9)	(3.1)
Personnel	(0.0)	(0.1)	(0.2)	(0.7)	(1.5)	(2.5)	(3.0)
Other operating costs	(0.1)	(0.0)	(0.1)	(0.1)	(0.2)	(0.2)	(0.5)
<b>Operating charges</b>	<b>(3.4)</b>	<b>(4.8)</b>	<b>(6.6)</b>	<b>(7.8)</b>	<b>(11.0)</b>	<b>(15.5)</b>	<b>(21.3)</b>
<b>EBITDA</b>	<b>0.2</b>	<b>0.3</b>	<b>0.6</b>	<b>0.8</b>	<b>1.3</b>	<b>1.9</b>	<b>2.5</b>
Margin	6.5%	5.7%	8.4%	8.8%	10.2%	10.7%	10.7%
D&A	(0.1)	(0.1)	(0.4)	(0.6)	(0.8)	(0.9)	(1.0)
<b>EBIT</b>	<b>0.1</b>	<b>0.2</b>	<b>0.2</b>	<b>0.2</b>	<b>0.5</b>	<b>1.0</b>	<b>1.5</b>
Margin	3.6%	3.3%	2.3%	1.9%	3.8%	5.5%	6.4%
Interest	(0.1)	(0.1)	(0.2)	(0.1)	(0.1)	(0.1)	(0.1)
<b>EBT</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.3</b>	<b>0.8</b>	<b>1.4</b>
Margin	0.5%	0.6%	0.1%	0.4%	2.8%	4.8%	5.9%
Income taxes	(0.0)	(0.0)	(0.0)	(0.0)	(0.1)	(0.2)	(0.4)
<b>Net Income (Loss)</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.2</b>	<b>0.6</b>	<b>1.0</b>
Net Income Margin	0.3%	0.6%	0.0%	0.3%	2.0%	3.4%	4.2%

Source: Company data 2017-19A; EnVent Research 2020-23E

### Balance Sheet

€m	2017	2018	2019	2020E	2021E	2022E	2023E
Inventory	1.0	0.6	0.7	0.8	1.2	1.7	2.3
Trade receivables	0.0	0.1	0.0	0.0	0.1	0.1	0.1
Trade payables	(0.3)	(0.3)	(0.6)	(0.7)	(0.9)	(1.2)	(1.7)
Trade Working Capital	0.7	0.3	0.1	0.2	0.4	0.6	0.7
Other assets (liabilities)	0.0	(0.0)	(0.3)	(0.4)	(0.5)	(0.7)	(1.0)
<b>Net Working Capital</b>	<b>0.7</b>	<b>0.3</b>	<b>(0.2)</b>	<b>(0.1)</b>	<b>(0.2)</b>	<b>(0.2)</b>	<b>(0.3)</b>
Intangible assets	1.2	2.0	2.5	3.3	3.1	2.7	2.3
Property, plant and equipment	0.4	0.0	0.1	0.1	0.1	0.2	0.2
<b>Non-current assets</b>	<b>1.6</b>	<b>2.0</b>	<b>2.5</b>	<b>3.4</b>	<b>3.2</b>	<b>2.9</b>	<b>2.4</b>
<b>Provisions</b>	<b>0.0</b>	<b>(0.0)</b>	<b>(0.1)</b>	<b>(0.2)</b>	<b>(0.3)</b>	<b>(0.5)</b>	<b>(0.6)</b>
<b>Net Invested Capital</b>	<b>2.3</b>	<b>2.3</b>	<b>2.3</b>	<b>3.1</b>	<b>2.7</b>	<b>2.2</b>	<b>1.5</b>
<b>Net Debt (Cash)</b>	<b>2.0</b>	<b>2.0</b>	<b>1.6</b>	<b>(0.4)</b>	<b>(1.0)</b>	<b>(2.1)</b>	<b>(3.8)</b>
<b>Equity</b>	<b>0.3</b>	<b>0.3</b>	<b>0.7</b>	<b>3.5</b>	<b>3.7</b>	<b>4.3</b>	<b>5.3</b>
<b>Sources</b>	<b>2.3</b>	<b>2.3</b>	<b>2.3</b>	<b>3.1</b>	<b>2.7</b>	<b>2.2</b>	<b>1.5</b>

Source: Company data 2017-19A; EnVent Research 2020-23E

### Cash Flow

€m	2018	2019	2020E	2021E	2022E	2023E
<b>EBIT</b>	<b>0.2</b>	<b>0.2</b>	<b>0.2</b>	<b>0.5</b>	<b>1.0</b>	<b>1.5</b>
Current taxes	(0.0)	(0.0)	(0.0)	(0.1)	(0.2)	(0.4)
D&A	0.1	0.4	0.6	0.8	0.9	1.0
Provisions	0.0	0.1	0.1	0.1	0.2	0.1
<b>Cash flow from P&amp;L operations</b>	<b>0.3</b>	<b>0.7</b>	<b>0.8</b>	<b>1.3</b>	<b>1.8</b>	<b>2.2</b>
Trade Working Capital	0.3	0.2	(0.1)	(0.2)	(0.2)	(0.2)
Other assets and liabilities	0.0	0.3	0.1	0.2	0.2	0.3
Capex	(0.5)	(1.0)	(0.8)	(0.6)	(0.6)	(0.6)
<b>Operating cash flow after working capital and capex</b>	<b>0.1</b>	<b>0.2</b>	<b>0.1</b>	<b>0.7</b>	<b>1.3</b>	<b>1.8</b>
Interest	(0.1)	(0.2)	(0.1)	(0.1)	(0.1)	(0.1)
Paid-in capital - IPO proceeds 2020	0.0	0.4	2.7	0.0	0.0	0.0
Capex - IPO costs	0.0	0.0	(0.7)	0.0	0.0	0.0
<b>Net cash flow</b>	<b>0.0</b>	<b>0.4</b>	<b>1.9</b>	<b>0.6</b>	<b>1.1</b>	<b>1.7</b>
Net Debt (Beginning)	(2.0)	(2.0)	(1.6)	0.4	1.0	2.1
Net Debt (End)	(2.0)	(1.6)	0.4	1.0	2.1	3.8
<b>Change in Net Debt (Cash)</b>	<b>0.0</b>	<b>0.4</b>	<b>1.9</b>	<b>0.6</b>	<b>1.1</b>	<b>1.7</b>

Source: Company data 2018-19A; EnVent Research 2020-23E

**Ratio analysis**

KPIs	2017	2018	2019	2020E	2021E	2022E	2023E
ROE	4%	10%	0%	1%	7%	14%	19%
ROS (EBIT/Revenues)	4%	3%	2%	2%	4%	6%	6%
ROIC (NOPAT/Invested Capital)	na	5%	5%	4%	12%	32%	72%
DSO	2	5	1	1	1	1	1
DPO	29	20	28	28	28	28	28
DOI	99	42	36	36	36	36	36
TWC/Revenues	19%	7%	2%	3%	3%	3%	3%
Capex/Revenues	na	10%	14%	9%	5%	3%	2%
Net Debt / EBITDA	8.6x	6.9x	2.6x	cash	cash	cash	cash
Net Debt / Equity	7.4x	6.6x	2.1x	cash	cash	cash	cash
Cash flow from P&L operations / EBITDA	na	108%	108%	111%	103%	98%	88%
FCF / EBITDA	na	51%	26%	7%	59%	68%	70%

Source: Company data 2017-19A; EnVent Research 2020-23E

## 8. VALUATION

### Customer base and proprietary platform are key assets on the road to become the reference brand in its market

#### Key valuation topics

The profile of TrenDevice is that of a company who has built seven years running operations and is consolidating its position in the fragmented Italian market of hi-tech refurbishment specialists. Being in a growth phase of the business lifecycle and still in its investment cycle, TrenDevice will continue to dedicate marketing resources to strengthen brand awareness and image and to offer new services that should drive profitability expansion over time.

The value expectations of TrenDevice rely on its capability to achieve a fast increase of market share becoming the reference brand for the vast consumer base of communication devices.

#### Value drivers and use of market data

- Huge market potential, waiting for a superior service offer
- Room for consolidation trend
- Revenue model made of variable costs, lean organization and cost structure
- Light balance sheet, immediate cash in, no receivables, only investment in inventory
- Proprietary e-commerce platform and data
- Available market multiples come from cases and business models excessively different and cannot be taken as a source of valuable indications

#### Valuation metrics

The valuation of TrenDevice has been performed through the Discounted Cash Flows methodology applied to 2020-23 projections.

We believe there are material growth drivers for TrenDevice in the coming years. As such, we consider that the DCF appropriately factors the Company’s expected growth over the next four years; in addition, the DCF provides an indication of implied multiples which generally are suitable to simulate market multiples of fairly comparable companies.

#### Discounted Cash Flows

Main assumptions:

- Risk free rate: 1.7% (Italian 10-year government bonds interest rate - 3Y average. Source: Bloomberg, November 2020)
- Market return: 13.0% (3Y average. Source: Bloomberg, November 2020)
- Market risk premium: 11.3%
- Beta: 1 (judgmental figure in absence of market volatility records)
- Cost of equity: 13.0%
- Cost of debt: 2.5%

- Tax rate: 24% IRES
- 35% debt/(debt + equity) as target capital structure
- WACC calculated at 9.1%, according to above data
- Perpetual growth rate after explicit projections: 2.5% based on industry long-term trend
- Terminal Value assumes an EBITDA margin of 10%

<b>DCF Valuation</b>							
€m	2018	2019	2020E	2021E	2022E	2023E	Perpetuity
<b>Revenues</b>	<b>5.1</b>	<b>7.2</b>	<b>8.6</b>	<b>12.3</b>	<b>17.3</b>	<b>23.8</b>	<b>24.4</b>
<b>EBITDA</b>	<b>0.3</b>	<b>0.6</b>	<b>0.8</b>	<b>1.3</b>	<b>1.9</b>	<b>2.5</b>	<b>2.4</b>
<i>Margin</i>	5.7%	8.4%	8.8%	10.2%	10.7%	10.7%	10.0%
<b>EBIT</b>	<b>0.2</b>	<b>0.2</b>	<b>0.2</b>	<b>0.5</b>	<b>1.0</b>	<b>1.5</b>	<b>1.9</b>
<i>Margin</i>	3.3%	2.3%	1.9%	3.8%	5.5%	6.4%	8.0%
Taxes	(0.0)	(0.0)	(0.0)	(0.1)	(0.3)	(0.4)	(0.5)
<b>NOPAT</b>	<b>0.1</b>	<b>0.1</b>	<b>0.1</b>	<b>0.3</b>	<b>0.7</b>	<b>1.1</b>	<b>1.4</b>
D&A	0.1	0.4	0.6	0.8	0.9	1.0	0.5
Provisions	0.0	0.1	0.1	0.1	0.2	0.1	0.0
<b>Cash flow from P&amp;L operations</b>	<b>0.3</b>	<b>0.6</b>	<b>0.8</b>	<b>1.3</b>	<b>1.8</b>	<b>2.2</b>	<b>1.9</b>
Trade Working Capital	0.3	0.2	(0.1)	(0.2)	(0.2)	(0.2)	(0.3)
Other assets and liabilities	0.0	0.3	0.1	0.2	0.2	0.3	0.0
Capex	(0.5)	(1.0)	(1.5)	(0.6)	(0.6)	(0.6)	(0.5)
<b>Unlevered free cash flow</b>	<b>0.1</b>	<b>0.1</b>	<b>(0.7)</b>	<b>0.7</b>	<b>1.2</b>	<b>1.7</b>	<b>1.1</b>
WACC	9.1%						
Long-term growth (G)	2.5%						
<b>Discounted Cash Flows</b>			<b>(0.7)</b>	<b>0.6</b>	<b>1.0</b>	<b>1.3</b>	
Sum of Discounted Cash Flows	2.3						
<b>Terminal Value</b>							<b>17.3</b>
Discounted TV	13.9						
<b>Enterprise Value</b>	<b>16.1</b>						
Net Debt as of 30/06/20	(2.3)						
Net IPO proceeds	2.0						
<b>Equity Value</b>	<b>15.8</b>						
<b>DCF - Implied multiples</b>	<b>2018</b>	<b>2019</b>	<b>2020E</b>	<b>2021E</b>	<b>2022E</b>	<b>2023E</b>	
EV/Revenues	3.2x	2.2x	1.9x	1.3x	0.9x	0.7x	
EV/EBITDA	55.6x	26.5x	21.4x	12.8x	8.7x	6.3x	
EV/EBIT	94.8x	94.8x	97.2x	34.3x	16.9x	10.5x	
P/E	nm	nm	nm	65.4x	26.7x	15.7x	

Source: EnVent Research

### DCF sensitivity to WACC and G

We have performed an analysis of value sensitivity to different long-term growth rates and WACC levels.

		Long-term growth (G)				
		1.5%	2.0%	2.5%	3.0%	3.5%
WACC	8.1%	15.9	17.2	18.7	20.6	22.8
	8.6%	14.7	15.8	17.1	18.7	20.5
	9.1%	13.7	14.7	15.8	17.1	18.6
	9.6%	12.8	13.7	14.6	15.8	17.1
	10.1%	12.0	12.8	13.6	14.6	15.7

Source: EnVent Research

## Target Price

We believe that TrenDevice valuation should reflect:

- the high growth potential in a still unexplored domestic market of over 15m units per year
- the profitability improvement expected from the retail and C2C marketplace projects
- the intangible values of customer base and proprietary platform

The DCF model applied to our estimates yields a Target Price of €1.29 per share, +59% on the IPO price of €0.81 and with a potential upside of 74% on the current share price.

We initiate the coverage of TrenDevice with an OUTPERFORM rating on the stock.

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<b>TrenDevice Price per Share</b>	<b>€</b>
<b>Target Price</b>	1.29
Current Share Price (05/11/2020)	0.74
<b>Premium (Discount)</b>	<b>74%</b>

Source: EnVent Research

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Date	Recommendation	Target Price (€)	Share Price (€)
05/11/2020	OUTPERFORM	1.29	0.74

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