

Company Update

Buy (maintained)

18 April 2016

MARKET PRICE: EUR0.88

TARGET PRICE: EUR1.11 (from EUR1.13)

Financial Holding

Data

Shares Outstanding (m):	24.05
Market Cap. (EURm):	21.2
NAV (EURm):	28.7
Free Float (%):	44.2%
Av. Daily Trad. Vol. (000):	<10
Main Shareholder:	Strategy Invest (28.5%)
Reuters/Bloomberg:	FICM.MIFICM.MI
52-Week Range (EUR)	0.76 1.04

Performance

	1m	3m	12m
Absolute	+7.4%	+5.8%	-13.6%
Rel. to FTSE IT	+9.6%	+10.4%	+8.7%



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New cycle

First Capital has embarked on a new investment cycle following the disposal of Mid Industry Capital: not only is it investing heavily in the promising healthcare sector (around EUR4 million investments since the beginning of the year), but it has also announced the launch of a new IPO accelerator with a fund raising of EUR30 million (of which 10% to be subscribed by First Capital). The target is an Italian niche leader with sales of less than EUR150 million, an EBITDA margin of >10% and a solid balance sheet with an EV of EUR50-100 million. In addition, First Capital could gradually divest non-core assets (current market value of about EUR10 million including Cembre and Elica stakes) increasing its investment power to EUR24 million (we currently estimate around EUR14 million of available liquidity). Finally, we should stress that the majority of its main shareholdings performed well in 2015 increasing both revenues and net profit, and that all its core investments have outperformed the market since the start of the year. Therefore, we confirm our positive stance with a new target price of EUR1.11 (from EUR1.13) while applying a holding company discount of 10% to NAV. The discount to NAV is now around 29% in line with its historical average (28%).

- > The second half of the year was weak due to the absence of significant capital gains (2H14 benefitted from a capital gain of >EUR4 million on Mid Industry Capital) but 2015 closed with net profit of EUR0.74 million, 22% above our forecast. Net cash increased to EUR3.7 million (from EUR2.4 million at June-15), but is now close to zero following EUR5 million of new investments since the beginning of the year. The company announced a DPS of EUR0.04 which offers a 4.5% yield. The current investment portfolio has significantly outperformed the stock market since December 2015.
- > We have reduced bottom line estimates for 2016-17 reflecting lower capital gains arising from the new investment cycle, which could take some time to generate a material benefit.
- > NAV currently stands at EUR1.24 per share, mostly in line with our latest report, leading to a target price of EUR1.11 per share (from EUR1.13), offering potential upside of over 25%. The current discount to NAV is now about 29%.

Financials

	2015	2016E	2017E	2017E
Total income (EURm)	2.47	2.01	2.22	2.49
Pre-tax profit (EURm)	0.92	0.37	0.57	0.83
Net Profit (EURm)	0.74	0.35	0.54	0.79
EPS (EUR)	0.031	0.015	0.023	0.033
BVPS (EUR)	1.25	1.23	1.21	1.20
DPS (EUR)	0.040	0.040	0.040	0.040

Source: Company Data, UBI Banca Estimates

Ratios

	2015	2016E	2017E	2018E
P/E(x)	28.8	60.4	38.9	26.8
P/BV(x)	0.70	0.72	0.73	0.73
Dividend Yield (%)	4.5%	4.5%	4.5%	4.5%
ROI (%)	3.5%	1.2%	1.9%	2.7%
ROE (%)	2.4%	1.2%	1.9%	2.7%
Debt/Equity (x)	-0.12	0.04	0.05	0.06

Source: Company Data, UBI Banca Estimates

Key Financials

(EURm)	2015	2016E	2017E	2018E
Dividends	0.32	0.64	0.66	0.70
Other financial income	0.49	0.51	0.54	0.57
Trading profit/(loss)	1.66	0.85	1.02	1.22
Total income	2.47	2.01	2.22	2.49
Net Profit	0.74	0.35	0.54	0.79
Capital Employed	26.49	30.61	30.62	30.63
Shareholders' Equity	30.14	29.54	29.13	28.97
Net Financial Position	-3.66	1.07	1.49	1.66

Source: Company data, UBI Banca estimates

Key Profitability Drivers

	2015	2016E	2017E	2018E
Net Debt/Equity (x)	-0.12	0.04	0.05	0.06
Cost/Income (%)	48.4%	56.9%	51.9%	46.7%
ROI (%)	3.5%	1.2%	1.9%	2.7%
ROE (%)	2.4%	1.2%	1.9%	2.7%

Source: Company data, UBI Banca estimates

Key Valuation Ratios

	2015	2016E	2017E	2018E
P/E (x)	28.8	60.4	38.9	26.8
P/BV (x)	0.70	0.72	0.73	0.73
Dividend Yield (%)	4.5%	4.5%	4.5%	4.5%

Source: Company data, UBI Banca estimates

Recent Developments

- > First Capital's net profit in 2015 was EUR0.74 million, much lower than in 2014 which benefitted from capital gains of more than EUR5 million in the period, (compared with EUR1.7 million in 2015) mostly related to Mid Industry Capital. Nevertheless, the bottom line result was 22% above our estimate due to lower operating costs (cost / income ratio was 48%). In the full year, the company reported capital gains of EUR1.7 million of which EUR1.4 million relates to Mid Industry Capital. Net cash fell to EUR3.66 million from EUR7.74 million at Dec-14 after net investments of about EUR2.4 million and a dividend payment of EUR1.9 million, resulting in liquidity available for new investments of EUR14 million (as the company issued a EUR9.4 million 5-year bond last April).
- > The company announced a DPS of EUR0.04 (payable on May 18), payable from its extraordinary reserve, which implies a dividend yield of 4.5% at the current market price.
- > The company has invested around EUR5 million since the start of the year. Its main investments were in Eukedos, taking its stake to 18.9% from 14.5% at Dec-15, in Investietico (a closed real estate fund), which increased its shareholding to 5% from 3.5%, in Bomi Italia (taking its shareholding to 5% vs. 4% at Dec-15) and in Triboo Media (giving a current shareholding of 5.6%). First Capital has sold its investment in Gala and reduced its stake in Elica to 1.2% from 1.4% in the second half of 2015.
- > First Capital's main investments generally reported positive 2015 results. In particular Cembre and Triboo Media (17% and 9% of NAV respectively) increased revenues and profitability and revealed significant bottom line growth, Servizi Italia reported lower revenues and profitability, Elica and Bomi Italia strongly improved while Eukedos reported a sharp reduction in sales and operating profit due to the completion of its restructuring plan including the sale of Delta Med for EUR19.5 million finalised during the year.
- > The share price performance of First Capital's main assets was mixed in 2015, with Cembre and Elica outperforming the FTSE Italia All-Share index while Eukedos, Servizi Italia and Triboo Media underperforming prior to First Capital increasing its stake in 2016. All of the Group's core investments have significantly outperformed the FTSE Italia All-Share index since the start of the year.
- > First Capital's CEO, Mr. Polidoro, is heavily invested in First Capital: having acquired a 3.25% shareholding in December (at EUR0.75 per share) from Paolo Corradino. Mr. Polidoro currently owns around 3% of the company.

Figure 1 - 2015 and 2H15 results

Due to lower than expected operating costs, the net result exceeded our estimates. Net cash declined due to new investments.

(EURm, %, x)	2H14A	2H15A	% Change	2014 *	2015A	% Change	2015E	% Change
Total financial income	4.60	0.40	-91.3%	5.83	2.47	-57.7%	2.35	5.1%
Operating costs	-0.78	-0.34	-56.6%	-1.37	-1.11	-19.1%	-1.40	-20.9%
Pre tax profit	3.82	0.04	-99.0%	4.46	1.36	-69.5%	0.62	119.5%
Net Profit	3.70	-0.43	nm	4.40	0.74	-83.3%	0.60	22.5%
Net Debt (Cash)	-7.74	-3.66	-52.7%	-7.74	-3.66	-52.7%	-7.31	-49.9%

Source: Company data, UBI Banca estimates

* Reclassified under IAS

Figure 2 – Cembre (17.2% of NAV): 2015 and 2H15 results

Cembre reported further profitability improvements in 2015 and significantly increased dividends. The share price is down 3.5% since the start of the year, compared with -14.2% for the FTSE Italia All-Share.

(EURm, %)	2H14A	2H15A	% Change	2014A	2015A	% Change
Sales	56.3	58.3	3.7%	112.9	121.4	7.5%
EBITDA	12.4	13.3	7.5%	24.4	28.5	17.0%
% margin	21.9%	22.8%		21.6%	23.5%	
EBIT	9.7	10.4	6.9%	19.4	22.8	17.7%
% margin	17.2%	17.8%		17.2%	18.8%	
Net Profit	6.7	7.0	4.4%	13.5	15.9	18.0%
Net Debt (Cash)	-11.7	-17.8		-11.7	-17.8	
DPS				0.36	0.46	27.8%

Source: Company data

Figure 3 – Eukedos (14.8% of NAV, 26.4% including bonds): 2015 and 2H15 results

Revenues fell significantly due to the classification as assets held for sale of the activities in Abruzzo and to the disposal of Delta Med last November giving cash inflow of EUR19.5 million which should allow Eukedos to conclude the arrangements with creditors and its turnaround process. The company is now ready to invest in new residential care homes. The shares have declined 7.8% since the start of the year.

(EURm, %)	2H14A	2H15A	% Change	2014A	2015A	% Change
Sales	32.0	20.7	-35.4%	63.1	51.6	-18.1%
EBITDA	3.4	1.4	-58.1%	6.7	3.8	-44.2%
% margin	10.6%	6.9%		10.7%	7.3%	
EBIT	0.8	0.4	-54.7%	2.9	1.3	-52.9%
% margin	2.5%	1.8%		4.5%	2.6%	
Net Profit	-0.7	-0.8	22.4%	0.1	-0.8	nm
Net Debt (Cash)	34.2	12.6		34.2	12.6	

Source: Company data

Figure 4 – Triboo Media (9% of NAV): 2015 and 2H15 results

Triboo Media reported a positive 2015 with sales up 18% and EBITDA margin of almost 20%. The share price has risen 7.5% since the start of the year.

(EURm, %)	2H14A	2H15A	% Change	2014A	2015A	% Change
Value of production	14.2	17.3	22.2%	28.2	33.2	17.5%
EBITDA	2.8	2.9	6.5%	4.9	6.6	35.9%
% margin	19.5%	17.0%		17.2%	19.9%	
EBIT	1.7	1.7	-4.2%	3.3	4.4	32.3%
% margin	12.2%	9.6%		11.8%	13.3%	
Net Profit	1.1	1.2	8.0%	2.0	3.0	50.4%
Net Debt (Cash)	(12.6)	(9.4)		(12.6)	(9.4)	
DPS				0.13	0.13	2.0%

Source: Company data

Figure 5 - Servizi Italia (7% of NAV): 2015 and 2H15 results

Mixed performance for Servizi Italia in 2015, with flat sales, declining operating margin and a slight reduction of the bottom line, mostly as a consequence of the Italian Government's spending review and a negative currency impact in Brazil. The share price has declined 5.3% since the start of the year.

(EURm, %)	2H14A	2H15A	% Change	2014A	2015A	% Change
Sales	118.5	112.8	-4.8%	234.3	230.0	-1.8%
EBITDA	34.3	31.4	-8.5%	66.8	63.6	-4.8%
% margin	28.9%	27.8%		28.5%	27.7%	
EBIT	12.4	6.8	-45.4%	23.2	16.6	-28.6%
% margin	10.5%	6.0%		9.9%	7.2%	
Net Profit	7.2	6.8	-5.2%	13.4	12.7	-5.0%
Net Debt (Cash)	58.1	67.1		58.1	67.1	
DPS				0.14	0.15	7.1%

Source: Company data

Figure 6 – Bomi Italia (6% of NAV, 9.5% including bonds): 2015 and 2H15 results

Bomi expanded further by acquiring companies in Europe in 2015. Two more acquisitions have been finalised since the start of the year (in France and Panama). Despite the drop of the Brazilian currency (49% of consolidated sales) Bomi Italia was able to improve EBIT and net profit. The share price has fallen 11.9% in the year to date.

(EURm, %)	2H14A	2H15A	% Change	2014A	2015A	% Change
Value of production	35.5	41.1	15.6%	67.0	78.9	17.8%
EBITDA	5.3	4.8	-9.6%	8.0	8.3	3.5%
% margin	15.0%	11.7%		11.9%	10.5%	
EBIT	2.9	2.5	-13.7%	4.6	4.8	3.5%
% margin	8.2%	6.1%		6.9%	6.0%	
Net Profit	0.6	0.9	47.1%	0.7	1.2	58.1%
Net Debt (Cash)	14.3	9.6		14.3	9.6	

Source: Company data

Figure 7 – Elica (5% of NAV): 2015 and 2H15 results

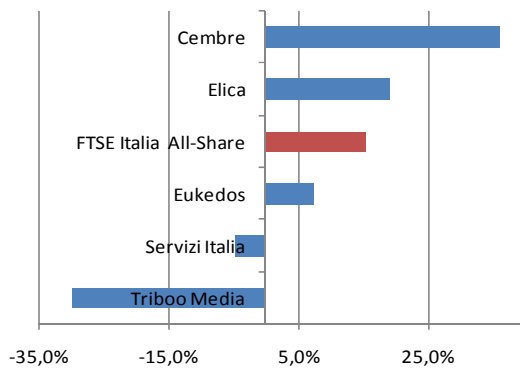
Elica's 2015 results were in line with expectations with a sound improvement of both sales and operating profit. The share price has fallen 3.3% since the start of the year.

(EURm, %)	2H14A	2H15A	% Change	2014A	2015A	% Change
Sales	196.2	218.4	11.3%	391.9	421.6	7.6%
EBITDA	15.6	20.1	28.9%	27.9	33.5	20.2%
% margin	8.0%	9.2%		7.1%	8.0%	
EBIT	7.3	11.3	55.9%	11.3	16.2	43.2%
% margin	3.7%	5.2%		2.9%	3.8%	
Net Profit	1.9	4.8	153.7%	2.6	6.2	138.1%
Net Debt (Cash)	51.4	53.0		51.4	53.0	
DPS				0.03	0.98	3543.1%

Source: Company data

Figure 8 – Share performances of First Capital's main assets in 2015

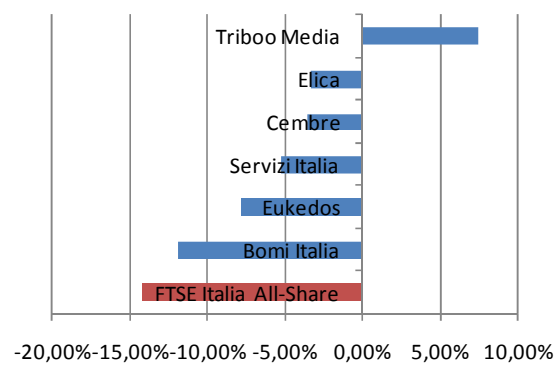
Mixed performance in 2015 with Cembre and Elica outperforming the FTSE Italia all share index and Triboo Media strongly underperforming



Source: Factset

Figure 9 - Share performances of First Capital's main assets in 2016

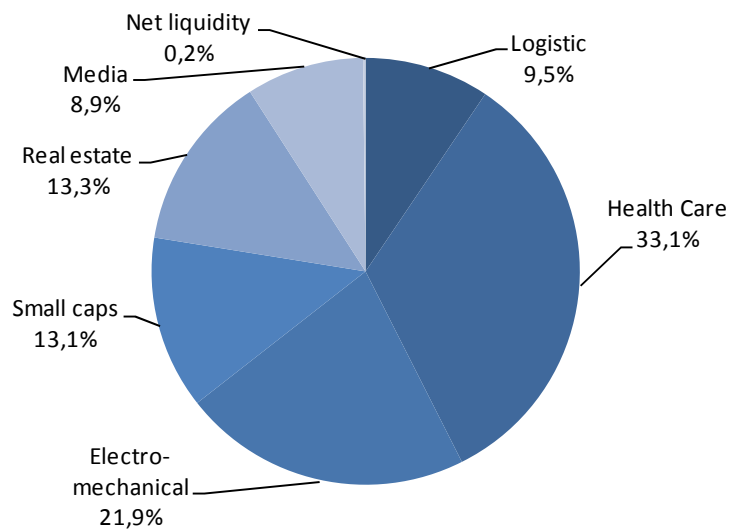
All of First Capital's core assets have outperformed the FTSE Italia all share index since the beginning of the year



Source: Factset

Figure 10 - NAV breakdown (15 April 2016)

First Capital's liquidity has been reduced since the start of the year following investments in Eukedos, Triboo Media, Investietico and Bomi Italia.



Source: UBI Banca estimates

Financial Projections

- > Following the disposal of Mid Industry Capital, First Capital has embarked on a new investment cycle mostly focused in the healthcare and medical sector. Currently, >56% of NAV is related to this sector (Eukedos is active in residential care homes, Servizi Italia is the main Italian provider of washing and sterilization services for hospital textiles, Bomi Italia is a leading logistics company for medical devices and Investietico's main assets are residences for the elderly). Healthcare for the elderly is a promising sector but we believe that significant capital gains are less likely in the short term. For this reason we have reduced our estimated capital gains from EUR2.2 million p.a. to around EUR1 million p.a. although it is possible that the company could divest its historical shareholdings (Cembre, Elica and Servizi Italia) which have a latent capital gain of close to EUR3.6 million.
- > As a result, our income from equity participations forecast for 2016-17 has been reduced by an average 31%. We have also reduced projected operating costs (by 12% on average) due to management's proven track record in maintaining a lean cost structure. In total the net profit reduction compared with our previous estimates is 70% in 2016 and 58% in 2017.
- > However, we believe that First Capital will continue to distribute dividends, at least equal with 2015 (EUR0.04 per share) as the mother company (First Capital S.p.A.) has around EUR20 million of reserves available for distributions. This implies a yield of >4.5% at the current market price.
- > We have also added forecasts for 2018 which anticipate a further increase of the bottom line.
- > Given its current net cash position, financial resources from the bond issue (EUR9.4 million) and existing credit lines for EUR5 million First Capital could invest up to EUR14 million in future, without considering the potential reimbursement of the existing convertible bond (expiring on November 30, 2016).

Figure 11 - New vs. old estimates

We have cut expected income from equity participations, factoring in lower capital gains in the coming years, given that First Capital has begun a new cycle of investments the benefits of which might not materialise for some time.

(EURm)	2015A	2016E		2017E		2018E
		Old	New	Old	New	New
Income from equity participations	2.47	3.00	2.01	3.15	2.22	2.49
% change			-33.2%		-29.6%	
Operating costs	1.13	1.33	1.17	1.34	1.18	1.19
% change			-12.4%		-12.4%	
Pre-tax profit	0.92	1.20	0.37	1.34	0.57	0.83
% change			-69.2%		-57.3%	
Net profit	0.74	1.18	0.35	1.31	0.54	0.79
% change			-70.2%		-58.6%	

Source: Company data, UBI Banca estimates

Valuation

- > NAV currently stands at EUR1.24 per share, mostly in line with vs. our latest report (*New wave of investments ahead, 22 October 2015*) despite market weakness (the FTSE Italia All Share Index has fallen 16% since our latest report and FTSE Italia Small Cap declined by 11%). Consequently, our target price has remained broadly stable at 1.11 per share (from EUR1.13), offering potential upside of over 25% compared to the current market price. Our target price incorporates a holding company discount of 10% to NAV, which is in line with the average for European Smaller Companies investment trusts.
- > The discount to NAV has declined to 28.8% from 34.6% in our last report. We estimate the latent capital gain to be about EUR3.6 million (17% of the current market cap).
- > It is important to underline that the valuation method adopted in our NAV calculation values all listed investments at market value.

Figure 12 – NAV at 15 April 2016

(EUR, EURm, %)	% held on capital	Market value	Value per share	% of total
Cembre	2.1%	4.85	0.20	17.1%
Eukedos	18.9%	4.22	0.18	14.8%
Servizi Italia	1.8%	1.99	0.08	7.0%
Elica	1.2%	1.43	0.06	5.0%
Bomi Italia	4.9%	1.69	0.07	6.0%
Triboo Media	5.6%	2.56	0.11	9.0%
Investietico	4.9%	3.83	0.16	13.5%
Total core assets		20.56	0.85	72.4%
LU-VE	0.4%	0.75	0.03	2.6%
MP7	3.3%	0.37	0.02	1.3%
Other		2.44	0.10	8.6%
Total non-core assets		3.55	0.15	12.5%
Eukedos 12/16 3%	27.5%	3.28	0.14	11.5%
Bomi 15/20 6%	18.7%	1.02	0.04	3.6%
Total		28.40	1.18	100.0%
Treasury shares	0.9%	0.19	0.01	
Net cash (debt)		0.06	0.00	
Total		28.65	1.19	
Share number		24.05	Current price	Discount
NAV per share		1.24	0.88	28.8%

Source: Company data, Factset

Valuation method: alla listed investments at market value

Figure 12 - Share performances of First Capital's main assets

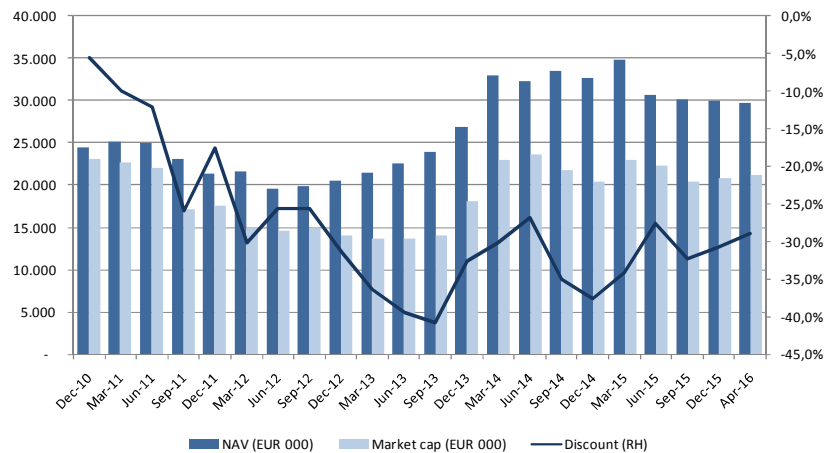
First Capital's top six shareholdings, representing about 59% of NAV, have outperformed the market by over 10% since the start of the year and by >4% in the last month.

	% Weight on NAV	Share performance	
		1M	YTD
Cembre	17.1%	-1.0%	-3.5%
Eukedos	14.8%	-4.0%	-7.8%
Triboo Media	9.0%	21.6%	7.5%
Servizi Italia	7.0%	2.8%	-5.3%
Bomi Italia	6.0%	-5.1%	-11.9%
Elica	5.0%	1.4%	-3.3%
Total/Average	58.9%	1.9%	-3.9%
FTSE Italia All-Share		-2.3%	-14.2%

Source: Factset, UBI Banca estimates

Figure 13 - NAV, market cap and discount to NAV trend

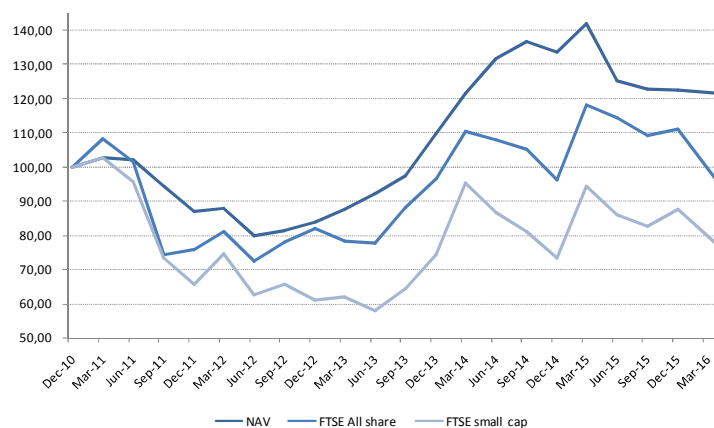
The discount to NAV is now about 29%.



Source: Company data up to June 2014, UBI Banca estimates

Figure 14 - First Capital's NAV vs. FTSE all share and FTSE small cap indexes

First Capital's NAV is outperforming the Italian stock indexes



Source: Company data, UBI Banca estimates

Income Statement

(EURm)	2015	2016E	2017E	2018E
Dividends	0.32	0.64	0.66	0.70
Other financial income	0.49	0.51	0.54	0.57
Trading profit/(loss)	1.66	0.85	1.02	1.22
Total income	2.47	2.01	2.22	2.49
D&A	-0.03	-0.03	-0.03	-0.03
Operating (cost)/income	-1.20	-1.14	-1.15	-1.16
Financial charges	-0.33	-0.47	-0.47	-0.47
Pre-tax profit	0.92	0.37	0.57	0.83
Taxes	-0.18	-0.02	-0.03	-0.04
Net profit	0.74	0.35	0.54	0.79

Source: Company data, UBI Banca estimates

Balance Sheet

(EURm)	2015	2016E	2017E	2018E
Net working capital	0.81	0.81	0.81	0.81
Net Fixed assets	0.08	0.08	0.07	0.07
Net financial assets	25.37	29.49	29.49	29.49
M/L term funds	0.23	0.24	0.25	0.26
Capital employed	26.49	30.61	30.62	30.63
Shareholders' equity	30.14	29.54	29.13	28.97
Shareholders' funds	30.14	29.54	29.13	28.97
Net financial debt/(cash)	-3.66	1.07	1.49	1.66

Source: Company data, UBI Banca estimates

Cash Flow Statement

(EURm)	2015	2016E	2017E	2018E
NFP Beginning of Period	-7.74	-3.66	1.07	1.49
Group Net Profit	0.74	0.35	0.54	0.79
Minorities	0.00	0.00	0.00	0.00
D&A	0.03	0.03	0.03	0.03
Change in Funds & TFR	0.00	0.00	0.00	0.00
Gross Cash Flow	0.76	0.38	0.57	0.82
Change In Working Capital	0.00	0.00	0.00	0.00
Other	-0.56	-0.16	-0.16	-0.16
Operating Cash Flow	0.20	0.22	0.41	0.66
Net Capex	-2.42	-4.00	0.00	0.00
Other Investments	0.00	0.00	0.00	0.00
Free Cash Flow	-2.22	-3.78	0.41	0.66
Dividends Paid	-1.86	-0.95	-0.95	-0.95
Other & Chg in Consolid. Area	0.00	0.00	0.00	0.00
Chg in Net Worth & Capital Incr.	0.00	0.00	0.13	0.12
Change in NFP	-0.70	-4.60	-0.40	-0.16
NFP End of Period	-3.66	1.07	1.49	1.66

Source: Company data, UBI Banca estimates

Financial Ratios

(%)	2015	2016E	2017E	2018E
Debt/Equity	-0.12	0.04	0.05	0.06
Cost/Income	48.4%	56.9%	51.9%	46.7%
ROI	3.5%	1.2%	1.9%	2.7%
ROE	2.4%	1.2%	1.9%	2.7%

Source: Company data, UBI Banca estimates

Per Share Data

(EUR)	2015	2016E	2017E	2018E
EPS	0.03	0.01	0.02	0.03
DPS	0.04	0.04	0.04	0.04
Op. CFPS	0.01	0.01	0.02	0.03
BVPS	1.25	1.23	1.21	1.20

Source: Company data, UBI Banca estimates

Stock Market Ratios

(x)	2015	2016E	2017E	2018E
P/E	28.8	60.4	38.9	26.8
P/BV	0.70	0.72	0.73	0.73
Dividend Yield (%)	4.5%	4.5%	4.5%	4.5%

Source: Company data, UBI Banca estimates

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Historical ratings and target prices

Date	Rating	Target Price (EUR)	Market Price (EUR)
05 May 2014	Buy	1.17	1.00
30 October 2014	Buy	1.15	0.94
10 April 2015	Buy	1.28	1.03
22 October 2015	Buy	1.13	0.82