

RESEARCH UPDATE



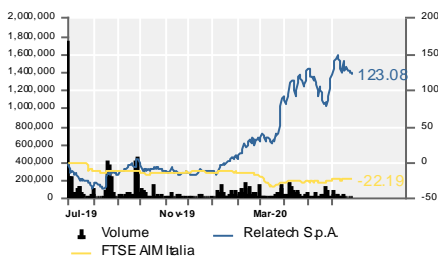
Fair Value: €8.09
(Prev. €7.50)

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Relative Performance Chart since IPO



Market Data:

Current Price (€)	5.76
Fair Value (€)	8.09
Market Cap (€mn)	62.24
52 Wk High (€)	6.70
52 Wk Low (€)	1.66
Free Float (%)	27.66
Avg. Daily Trading 90d	48355
Price Change 1w (%)	-4.32
Price Change 1m (%)	18.28
Price Change YTD (%)	150.98
EV/EBITDA 2020E	9.60
EV/EBITDA 2021E	7.83
P/E 2020E	14.07
P/E 2021E	13.28

In Media(tech) Stat Virtus

Overview. Relatech (RLT) is active on the next frontier of digital innovation, leveraging Big Data, Artificial Intelligence (AI) and Internet of Things (IoT) technologies with a distinctive offer centered on RePlatform, an internally developed cloud-based platform. RePlatform has vertical solutions ranging from digital customer experience to insight-driven decision-making, digital marketing automation, supply-chain efficiency and Industry 4.0. The offer is protected by a security system vertically responsible for data and privacy protection powered by blockchain technologies. RLT, leveraging on RePlatform and its intense R&D activities, is constantly expanding its vertical offer and therefore its business relationships with clients.

M&A: consolidating RLT's track record. After listing on the AIM Italia Market in June 2019, RLT accelerated its growth path by acquiring a 60% stake in Mediatech Srl, an Italian SME specialized in cloud and Cyber Security technologies. This is the sixth deal that RLT has finalized in the last 5 years, confirming the management's deal-making and execution skills. Acquired for €1.5mn or at a 4x EV/EBITDA, 33% of the deal consideration will be paid in kind through 70,125 RLT shares valued at €7.13ps. With €3.6mn of revenues in FY19 and an EBITDA adjusted of €0.6mn, Mediatech will allow RLT to enhance its offer and expand its customer basis leveraging on up- and cross-selling activities. Furthermore, as Mediatech is a qualified partner of Nutanix, RLT will start to collaborate with a leading company in the development of hyper-converged cloud infrastructures.

Warrant exercise. As a result of the closing of the first exercise period for the "Relatech Warrants 2019-2022", RLT issued 1,470,707 shares, raising €3.5mn which will be employed to further boost the company's growth in Italy and abroad as well as to reinforce its organizational structure.

Stock performance. RLT has shown a remarkable performance of +123% since the IPO, overperforming the FTSE AIM Italia by 145%. Furthermore, the stock has shown good resilience in a weakening global market (+153% YTD performance), also benefiting from the expected higher demand for innovation services and solutions which followed the spread of COVID-19.

Estimates review. We upwardly revised our estimates factoring in the full-year contribution of Mediatech. We now anticipate revenue to grow at a CAGR2019-23 of 20.3%, reaching €44.6mn in FY23. EBITDA is expected to increase at the higher pace of 23.5% CAGR2019-23 with an EBITDA margin of 25.7% by the end of 2023 thanks to business growth, production efficiency, and economy of scale. We foresee net income at €4.2mn in FY20 - also thanks to €0.5mn of tax credit related to the costs of the IPO - and we expect a Net Income of €6.7mn in FY23.

Fair value from €7.50ps to €8.09ps. We revised RLT's fair value upwards following estimates revision, peers' multiple expansion and the increased number of shares as a result of warrant exercise. Our valuation - based on DCF and market multiples methods - yields a fair value of €8.09ps or an equity value of €85.3mn, implying +41% upside on current price. We believe that the strategic moves as well as RLT's integrated platform and positioning constitute significant potential for future growth.

€ Million	Total Revenues	EBITDA	EBITDA Margin	EBIT	Net Profit	Net Margin
2017A	11.6	1.4	11.8%	1.2	0.9	7.8%
2018A	14.9	2.5	16.7%	2.4	1.6	10.5%
2019A	21.3	4.9	23.1%	4.3	2.5	11.9%
2020E	25.7	6.2	24.0%	5.4	4.2	16.3%
2021E	30.9	7.6	24.6%	6.4	4.4	14.4%
2022E	35.9	9.1	25.3%	7.6	5.2	14.6%
2023E	44.6	11.5	25.7%	9.6	6.7	14.9%

Source: Company data, KT&Partners' estimates

RLT - Key Figures

Current price (€)	Fair Value (€)		Sector				Free Float (%)
5.8	8.1		Digital Innovation				27.7
Per Share Data	2017A	2018A	2019A	2020E	2021E	2022E	2023E
Number of shares (mn)	n.m.	n.m.	9.33	10.81	10.81	10.81	10.81
Treasury shares (mn)	n.m.	n.m.	0.00	0.26	0.26	0.26	0.26
Shares outstanding (mn)	n.m.	n.m.	9.33	10.54	10.54	10.54	10.54
EPS	n.m.	n.m.	0.28	0.41	0.43	0.51	0.65
Dividend per share (ord)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Dividend pay out ratio (%)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Profit and Loss (EUR million)							
Revenues	11.6	14.9	21.3	25.7	30.9	35.9	44.6
EBITDA	1.4	2.5	4.9	6.2	7.6	9.1	11.5
EBIT	1.2	2.4	4.3	5.4	6.4	7.6	9.6
EBT	1.2	2.4	3.8	5.3	6.4	7.5	9.5
Taxes	(0.3)	(0.7)	(1.2)	(1.0)	(1.8)	(2.1)	(2.7)
Tax rate	27%	32%	31%	19%	28%	28%	28%
Net Income	0.9	1.6	2.6	4.3	4.6	5.4	6.9
Net Income attributable to the Group	0.9	1.6	2.5	4.2	4.4	5.2	6.7
Balance Sheet (EUR million)							
Total fixed assets	0.4	2.8	6.9	10.5	11.7	12.5	12.9
Net Working Capital (NWC)	0.9	2.1	3.1	3.3	4.2	5.1	6.9
Provisions	(0.5)	(0.9)	(2.0)	(2.9)	(4.0)	(5.2)	(6.7)
Total Net capital employed	0.8	4.0	8.0	10.9	11.9	12.4	13.1
Net financial position/(Cash)	(0.7)	1.1	(0.7)	(5.7)	(9.5)	(14.5)	(20.9)
Group Shareholder's Equity	1.5	2.8	8.5	16.3	20.9	26.3	33.2
Minorities	-	0.1	0.2	0.3	0.5	0.6	0.8
Total Shareholder's Equity	1.5	3.0	8.7	16.6	21.4	26.9	34.0
Cash Flow (EUR million)							
Net operating cash flow	-	1.7	3.6	5.2	5.8	7.0	8.8
Change in NWC	-	(0.9)	(0.2)	(0.2)	(0.9)	(1.0)	(1.7)
Capital expenditure	-	(2.6)	(3.1)	(3.8)	(2.3)	(2.3)	(2.3)
Other cash items/Uses of funds	-	0.2	0.4	0.3	1.1	1.2	1.5
Free cash flow	-	(1.6)	0.6	1.5	3.6	4.9	6.3
Enterprise Value (EUR million)							
Market Cap	n.a.	n.a.	21.0	62.2	62.2	62.2	62.2
Minorities	-	0.1	0.2	0.3	0.5	0.6	0.8
Net financial position/(Cash)	(0.7)	1.1	(0.7)	(5.7)	(9.5)	(14.5)	(20.9)
Enterprise value	n.a.	n.a.	20	57	53	48	42
Ratios (%)							
EBITDA margin	11.8%	16.7%	23.1%	24.0%	24.6%	25.3%	25.7%
EBIT margin	10.6%	16.2%	20.1%	20.9%	20.8%	21.1%	21.5%
Gearing - Debt/equity	-48.2%	39.4%	-8.2%	-35.1%	-45.2%	-55.1%	-63.1%
Interest cover on EBIT	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
NFP/EBITDA	-54.0%	44.8%	-14.3%	-92.6%	-124.7%	-159.6%	-182.7%
ROCE	155.3%	59.7%	53.3%	49.2%	54.0%	61.0%	73.6%
ROE	59.2%	55.4%	29.7%	25.6%	21.2%	19.9%	20.1%
EV/Sales	n.a.	n.a.	2.8	2.3	1.9	1.7	1.3
EV/EBITDA	n.a.	n.a.	12.1	9.6	7.8	6.5	5.2
P/E	n.a.	n.a.	20.8	14.1	13.3	11.2	8.8
Free cash flow yield	0	0.0	0.0	0.0	0.1	0.1	0.1
Growth Rates (%)							
Sales	n.a.	28.0%	43.4%	20.8%	19.8%	16.3%	24.3%
EBITDA	n.a.	82.0%	97.9%	25.7%	22.6%	19.8%	26.1%
EBIT	n.a.	94.6%	78.1%	25.5%	19.6%	18.0%	26.7%
Net Income	n.a.	90.8%	58.6%	67.1%	5.9%	18.2%	27.0%

Source: Company data, KT&Partners' estimates

Note: The number of treasury shares is netted for the shares used for the acquisition of Mediatech.

Mediatech: Leading Company in Cloud Solutions and Cybersecurity

RLT continues to show great M&A deal-making skills, carrying out its sixth acquisition in the last five years and the first one since IPO. Indeed, on June 23rd, 2020, the company acquired a 60% stake in Mediatech Srl, an Italian company specialized in **Cloud** and **Cyber Security** technologies. In FY19, the company reached €3.6mn of revenues and an EBITDA Adjusted of €0.6mn. Acquired for €1.5mn or at a 4x EV/EBITDA, 33% of the deal consideration was paid in kind through 70,125 RLT shares valued at €7.13ps.

Mediatech boasts 20 years of experience in the construction of infrastructures and data centers, as well as a high specialization in the world of Cloud (private, hybrid, public, hyperconvergence). Based in **Milan** and **Brescia**, to date, Mediatech has **three data centers** in Italy and a customer basis of over **300 clients**.

On June 16th, 2020, RLT clearly presented to the market its vision defining a strategy for becoming a technological leader. The strategy is centered on Innovation and is based on the “3M approach: Merge, Management, Margin,”. The margin element is based on 6 distinctive rationales and it is the foundation of every make or buy decision that the company is going to take over the coming years.

RLT's Strategic Goals

Margin - Strategic Guidelines

CASH IN OF ABOUT €3.5M AND ABOUT 30% OF FREE FLOAT
AFTER THE CLOSURE OF THE FIRST WORKING PERIOD OF “RELATCH WARRANT 2019 - 2022”

- INNOVATION**
 - CONTINUE WITH R&D INVESTMENTS IN AI, BLOCKCHAIN AND CYBERSECURITY AREAS
 - INCREASE PARTNERSHIPS WITH UNIVERSITIES AND RESEARCH CENTERS TO CREATE NEW AREAS OF CUTTING-EDGE SKILLS
- SCALABILITY**
 - EVOLVE RECURRING REVENUES WITH REPLICABLE DIGITAL SOLUTIONS
 - MERGING ASSETS FROM RESEARCH AND PROJECT ACTIVITIES WITHIN REPLATFORM
 - INCREASE TECHNOLOGICAL AND COMMERCIAL PARTNERSHIPS
- DIVERSIFICATION**
 - INTRODUCE NEW VERTICAL SOLUTIONS IN EMERGING SECTORS, (INDUSTRY 4.0, AGRIFOOD, LIFESCIENCE)
 - INCREASE CROSS-SELLING ACTIVITIES
 - INTERNATIONAL EXPANSION IN EUROPE AND USA AND ENTER IN NEW MARKETS
- FACTORY**
 - IMPROVE TALENTS ATTRACTION AND RETENTION WITH INCENTIVE PLANS
 - INNOVATIVE HUBS DISTRIBUTED IN LOCAL TERRITORIES IN PARTNERSHIP WITH UNIVERSITIES, FOR THE ACQUISITION OF NEW TALENTS.
- LOYALTY**
 - INCREASE UP-SELLING ACTIVITIES BY OFFERING MODULAR DEVELOPMENT OF NEW CUSTOMIZED SOLUTION
 - INCREASE BUSINESS SERVICES ACTIVITIES
- NEXT STEPS**
 - IDENTIFY TARGETS WITH R&D ACTIVITIES IN CLOUD, AR/VR, ROBOTIC PLATFORM (RPA), IOT
 - ACQUIRE TARGETS WITH NEW INTERNATIONAL TECHNOLOGICAL PARTNERSHIPS TO ENRICH THE OFFER WITHIN REPLATFORM AND ENRICH CUSTOMER BASE IN NEW SECTORS
 - ACHIEVE A CORPORATE STRUCTURE THAT OPERATES IN AN AGILE MODE TO RESPOND TO GROWTH NEEDS

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Source: RLT's webcast - “Make or Buy? AIM a Technological Leader. Relatech's 3M Strategy: an innovative approach - 16/06/2020

Mediatech's offer perfectly fits with RLT's strategy for cloud and services security. It will lead RLT to:

- i. enrich its cloud-based platform (RePlatform), in particular the ReHub and ReSec modules;

- ii. increase the partnership with big international vendors, adding Nutanix, an emerging player in the hyper-converged cloud infrastructures, to IBM, Oracle and Microsoft;
- iii. expand the cloud and cyber security vertical solutions and by leveraging on Mediatech's solutions and ecosystem, RLT could grasp opportunities arising from the hyper-converged cloud infrastructures market which, according to MarketsAndMarkets, will be characterized by interesting growth rates, going from €4bn in 2018 to €17bn in 2023 (+32.9% CAGR);
- iv. diversify its customer basis by scaling on up- and cross-selling activities on Mediatech's 300 clients and by providing RLT's existing clients with Nutanix solutions;
- v. reduce its client's concentration;
- vi. consolidate its position within the digital innovation market.

Estimates Review

Following the recent deal, we have revised upward our estimates for the following years, factoring in the full-year contribution of Mediatech. We now anticipate revenue to grow at a CAGR2019-22 of 18.9%, reaching €35.9mn by 2022.

On the profitability side, we expect that the scalability of RePlatform - which will lead to recurring revenues expansion - along with cost efficiency and economy of scale will allow the EBITDA margin to progressively improve, reaching 25.3% by FY22.

In terms of the bottom line, we projected €4.2mn in FY20 - also considering €0.5mn of tax credit linked to the costs of the IPO - reaching €5.2mn in FY22.

We expect a net cash positive of €5.7mn in FY20, after considering €3.5mn cash in following the warrant exercise and €1.1mn cash out related to the acquisition of treasury shares. The company is expected to generate increasingly strong and positive FCFO over the coming years, resulting in a net cash position of €14.5mn in FY22.

The key points of our forecast are as follow:

- FY20E total revenues at €25.7mn, reaching €35.9mn in FY22E (18.9% CAGR FY19A-FY22E);
- FY20E EBITDA at €6.2mn, reaching €9.1mn in FY22E (22.7% CAGR FY19A-22E);
- FY20E Group net income at €4.2mn, reaching €5.2mn in FY22E (27.4% CAGR FY19A-FY22E).

RLT Estimates Revisions

€ mn	2019A	2020E	2020E	Change	2021E	2021E	Change	2022E	2022E	Change	CAGR	
	Actual	Old	New		Old	New		Old	New		2019-22	
Revenues	21.3	22.1	25.7	16.3%	26.5	30.9	16.3%	31.5	35.9	13.8%	18.9%	
YoY Change (%)		3.9%	20.8%		3.0%	19.8%		2.2%	16.3%			
EBITDA	4.9	5.6	6.2	9.6%	6.8	7.6	11.2%	8.3	9.1	9.9%	22.7%	
YoY Change (%)		14.7%	25.7%		10.3%	22.6%		9.0%	19.8%			
EBITDA Margin	23.1%	25.5%	24.0%		25.7%	24.6%		26.2%	25.3%			
EBIT	4.3	4.8	5.4	11.2%	5.7	6.4	13.4%	6.8	7.6	12.2%	21.0%	
YoY Change (%)		12.9%	25.5%		5.4%	19.6%		5.2%	18.0%			
Net Income	2.5	3.3	4.2	26.2%	3.9	4.4	13.8%	4.7	5.2	12.5%	27.4%	
YoY Change (%)		30.9%	65.2%		-6.9%	5.9%		5.1%	18.2%			
NFP	-	0.7	-	3.8	-	6.9	-	9.5	-	11.2	-	14.5

Source: Company data, KT&Partners' elaboration

Valuation

Following the projections of RLT's future financials, we carried out the valuations of the company by applying the DCF and market multiples methods:

1. **EV/EBITDA and P/E multiples**, which returns a value of €8.39ps;
2. **DCF analysis** based on WACC of 9.2% and 2% perpetual growth, which returns a value of €7.80ps.

The average of the two methods yields a fair value of €8.09ps or an equity value of €85.3mn.

Peer Comparison

We carried out an in-depth analysis of public companies that could be considered as peers of RLT, taking into account its offering, business model, growth and profitability profile. Looking at the Italian market, we notice that selected companies - some of which are also RLT's competitors - do not provide a range of solutions for different technology needs like RLT but each one of them is focused on one of RLT's verticals.

We built a six-company sample, based on RLT's offer (Innovation Services, ReYou, ReData, ReSec, ReThing, ReHub), which includes:

- **Reply S.p.A. (REY-IT)**: listed on the Borsa Italiana stock exchange with a market capitalization of €2.7bn, REY focuses on conception, design and development of solutions based on the new communication channels and digital media. It supports the main European industrial groups in defining and developing new business models utilizing Big Data, cloud computing, customer relationship management, mobile, social media, and IoT paradigms. The firm also offers consultancy, system integration and application management, and business process outsourcing. In FY19, REY reached €1.2bn of revenues;
- **Neosperience (NSP-IT)**: listed on the Borsa Italiana stock exchange with a market capitalization of €41mn, NSP provides digital customers with experience services through its cloud-based platform named "Neosperience Cloud". The company offers AI proprietary models to enhance brand and product experience. In FY19, NSP reached €15mn of revenues;
- **Expert System S.p.A. (EXSY-IT)**: listed on the Borsa Italiana stock exchange with a market capitalization of €123mn, EXSY engages in the development of semantic technology. It provides solutions for online activities such as search and explore, tagging and categorization, intelligence, natural language understanding, and advertisement. In FY19, the company reached €32mn of revenues;
- **Cyberoo S.p.A. (CYB-IT)**: listed on the Borsa Italiana stock exchange with a market capitalization of €41mn, CYB is an emerging Italian player in the cybersecurity sector. Started in 2008 as a device distributor, the company has been able to evolve initially as a provider of subscription-based managed security services and subsequently entered the cybersecurity market. In 2019, CYB launched three proprietary security software applications, developed in-house. CYB operates through the following business units: Cybersecurity (19%),

Managed Services (63%), and Digital Transformation (18%). In FY19, the company reached €7mn of revenues;

- **Eurotech S.p.A. (ETH-IT):** listed on the Borsa Italiana stock exchange with a market capitalization of €199mn, ETH is a multinational that designs, develops, and supplies IoT services, software, and hardware to leasing systems integrators, and large and small companies. In FY19, ETH reached €102mn of revenues;
- **WIIT S.p.A. (WIIT-IT):** listed on the Borsa Italiana stock exchange with a market capitalization of €351mn, WIIT is a holding company, which engages in the provision of hosted private and hybrid cloud services. It offers cloud computing, critical applications, business continuity and disaster recovery, cybersecurity, technology migrations, service desk, and digital transformation solutions. In FY19, WIIT reached €33.9mn of revenues.

Secondly, we compared the peers' historical growth rates and marginalities with RLT's historical financials. In FY19, RLT outperformed its competitors by ca. 27.3pp, growing at the higher pace of 43.4% YoY.

Peers Comparison - Sales (€mn) and Sales CAGR (%)

Company Name	RePlatform Module	Sales			Sales	
		2018	2019	YoY 18-19	2020	2021
Reply S.p.A.	Innovation Services	1,036	1,183	14.2%	1,220	1,351
Neosperience SpA	ReYou	9	15	n.m.	16	24
Expert System SpA	ReData	29	32	10.1%	33	35
Cyberoo S.p.A.	ReSec	5	7	47.0%	8	13
Eurotech S.p.A.	ReThing	79	102	28.9%	90	110
WIIT SpA	ReHub	24	34	39.0%	47	51
Peers Average		197	229	16.1%	236	264
Relatech SpA		15	21	43.4%	26	31

Source: Company data, FactSet, KT&Partners' estimates

Peers Comparison - EBITDA Margin, EBIT Margin and Net Margin

Company Name	RePlatform Module	EBITDA Margin					EBIT Margin					Net Margin				
		2018	2019	2020	2021	2022	2018	2019	2020	2021	2022	2018	2019	2020	2021	2022
Reply S.p.A.	Innovation Services	12.5%	14.2%	15.4%	15.9%	15.6%	11.2%	11.1%	12.2%	13.0%	13.1%	9.6%	9.6%	8.4%	9.1%	9.2%
Neosperience SpA	ReYou	26.8%	25.5%	26.6%	28.2%	29.4%	neg	9.8%	9.5%	14.8%	21.3%	4.9%	6.4%	6.2%	10.2%	14.9%
Expert System SpA	ReData	11.5%	12.6%	6.3%	neg	neg	neg	neg	neg	neg	neg	neg	neg	neg	neg	
Cyberoo S.p.A.	ReSec	37.2%	36.5%	37.0%	42.5%	50.9%	19.7%	16.9%	15.8%	32.2%	40.9%	8.7%	10.5%	13.3%	23.4%	27.4%
Eurotech S.p.A.	ReThing	9.8%	19.7%	14.3%	20.0%	n.a.	7.2%	15.9%	9.9%	16.5%	n.a.	7.2%	18.9%	10.0%	12.8%	n.a.
WIIT SpA	ReHub	40.9%	38.9%	33.8%	35.5%	38.2%	19.1%	20.1%	18.7%	21.6%	24.5%	13.7%	19.6%	14.6%	16.7%	19.7%
Peers Average		23.1%	24.6%	22.2%	28.4%	33.5%	14.3%	14.7%	13.2%	19.6%	25.0%	8.8%	13.0%	10.5%	14.4%	17.8%
Relatech SpA		16.7%	23.1%	24.0%	24.6%	25.3%	16.2%	20.1%	20.9%	20.8%	21.1%	3.3%	4.3%	6.1%	8.2%	11.7%

Source: FactSet, KT&Partners' estimates

Market Multiple Valuation

Following the analysis of comparables, we proceeded with the definition of market multiples of the peer group, focusing on 2020, 2021, and 2022 data.

Peers Comparison - Market Multiples 2020-22

Company Name	Exchange	Market Cap	EV/SALES 2020	EV/SALES 2021	EV/SALES 2022	EV/EBITDA 2020	EV/EBITDA 2021	EV/EBITDA 2022	EV/EBIT 2020	EV/EBIT 2021	EV/EBIT 2022	P/E 2020	P/E 2021	P/E 2022
Reply S.p.A.	Milan	2,664	2.1x	1.9x	1.7x	13.7x	11.9x	11.1x	17.2x	14.6x	13.3x	26.0x	21.7x	19.6x
Cyberoo S.p.A.	Milan	41	5.1x	3.2x	2.2x	13.8x	7.6x	4.2x	32.5x	10.1x	5.3x	n.m.	13.5x	7.7x
Neosperience SpA	Milan	41	2.6x	1.8x	1.3x	9.8x	6.4x	4.5x	27.4x	12.2x	6.3x	n.m.	17.1x	8.7x
Eurotech S.p.A.	Milan	199	2.1x	1.7x	n.a.	14.5x	8.5x	n.a.	20.8x	10.3x	n.a.	22.1x	14.2x	n.a.
Expert System SpA	Milan	123	3.8x	3.6x	2.7x	n.m	n.m	n.m	n.m	n.m	n.m	n.m.	n.m.	n.m.
WIIT SpA	Milan	351	7.5x	6.9x	6.2x	22.3x	19.5x	16.3x	n.m	32.1x	25.4x	n.m.	n.m.	31.6x
Average peer group		570	3.9x	3.2x	2.8x	14.8x	10.8x	9.0x	24.5x	15.8x	12.5x	24.1x	16.6x	16.9x
Median peer group		161	3.2x	2.6x	2.2x	13.8x	8.5x	7.8x	24.1x	12.2x	9.8x	24.1x	15.6x	14.1x
Relatech S.p.A.	Milan	62	2.3x	1.9x	1.7x	9.6x	7.8x	6.5x	9.2x	7.8x	6.2x	14.1x	13.3x	11.2x

Source: FactSet

We based our evaluation upon 2020 and 2021 EV/EBITDA and P/E multiples, and our estimates of RLT's EBITDA and net income for 2020 and 2021.

EV/EBITDA Valuation

Multiple Valuation (€mn)	2020E	2021E
EV/EBITDA Comps	14.8x	10.8x
Relatech SpA EBITDA	6.2	7.6
Enterprise value	91.6	81.6
Relatech SpA Adj. FY19 Net Debt	-3.0	-3.0
Equity Value	94.7	84.7
Average Equity Value	89.7	
Number of shares (mn)	10.5	
Value per Share €	8.50	

Source: FactSet, KT&Partners' estimates

Note: FY19 NFP was adjusted to take into account the €3.5mn cash in following the warrant exercise and the €1.1mn cash out related to the acquisition of treasury shares.

P/E Valuation

Multiple Valuation (€mn)	2020E	2021E
P/E Comps	24.1x	16.6x
Relatech SpA Net Income	4.2	4.4
Equity Value	100.7	73.6
Average Equity Value	87.2	
Number of shares (thousand)	10.5	
Value per Share €	8.3	

DCF Model

We have also conducted our valuation using a four-year DCF model, based on 12.1% cost of equity, 3.0% cost of debt, and a target capital structure of 40%. The cost of equity is a function of the risk-free rate of 1.3% (Italian 10y BTP), 5.81% mature market expected return, and a premium for size and liquidity of 2.5%. We, therefore, obtained 9.2% WACC.

We discounted 2020E-23E annual cash flows and considered a terminal growth rate of 2.0%, then we carried out a sensitivity analysis on the terminal growth rate (+/- 0.25%) and on WACC (+/- 0.25%).

DCF Valuation

€ thousand	2020E	2021E	2022E	2023E
EBIT	5.4	6.4	7.6	9.6
Taxes	(1.0)	(1.8)	(2.1)	(2.7)
D&A	0.8	1.2	1.5	1.9
Change in Net Working Capital	(0.2)	(0.9)	(1.0)	(1.7)
Change in Funds	0.9	1.1	1.2	1.5
Net Operating Cash Flow	5.9	5.9	7.2	8.6
Capex	(3.3)	(2.3)	(2.3)	(2.3)
FCFO	2.6	3.6	4.9	6.3
g	2.0%			
Wacc	9.2%			
FCFO (discounted)	2.5	3.2	4.0	4.6
Discounted Cumulated FCFO	14.2			
TV	88.6			
TV (discounted)	65.0			
Enterprise Value	79.2			
NFP Adj.	(3.0)			
Equity Value	82.3			

Current number of shares (k) 10,544.7

Value per share (€) 7.80

Source: KT&Partners' elaborations

Note: FY19 NFP was adjusted to take into account the €3.5mn cash in following the warrant exercise and the €1.1mn cash out related to the acquisition of treasury shares.

Sensitivity Analysis (€mn)

€ thousand	Terminal growth Rate	WACC				
		9.7%	9.5%	9.2%	9.0%	8.7%
	1.5%	73	75	78	80	83
	1.8%	75	77	80	83	86
	2.0%	77	79	82	85	88
	2.3%	79	82	85	88	91
	2.5%	81	84	87	91	94

Source: KT&Partners' elaborations

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