

Strong Leverage Capacity to Capture M&A Opportunities

ADD | Fair Value: €4.04 (€3.40*) | Current Price: €2.64 | Upside: 53.0%

€ million	FY18A	FY19A	FY20PF	FY21E	FY22E	FY23E
Value of production	14.9	21.3	26.5	31.2	37.8	46.7
EBITDA	2.5	4.9	6.2	8.0	9.9	12.4
margin	16.7%	23.1%	23.2%	25.5%	26.3%	26.7%
Net Profit	1.6	2.5	2.8	3.3	4.2	5.4
margin	10.5%	11.9%	10.5%	10.7%	11.2%	11.7%
Net Profit adjusted	1.6	3.0	3.5	4.5	5.3	6.6
margin	10.5%	14.0%	13.1%	14.3%	14.1%	14.0%
EPS	n.a.	0.3	0.3	0.1	0.1	0.2
EPS adj.	n.a.	0.3	0.3	0.1	0.2	0.2

Source: Company data, KT&Partners' elaboration

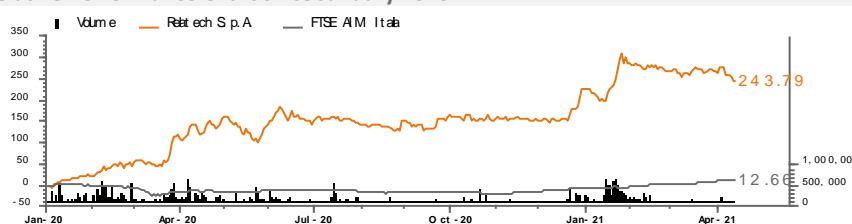
FY20 results. Amid COVID-19, RLT closed FY20 with a pro-forma value of production (VoP) of €26.5mn (+2.9% above our estimates). This was mainly the result of: i) the positive contribution by the newly acquired companies (Mediatech and Xonne) of €4.3mn; ii) upselling and cross-selling activities on existing clients; iii) the focusing on sectors less affected by the weakened scenario such as healthcare, e-commerce and logistics; and iv) the acquisition of new clients (+15% YoY). Recurring revenues accounted for 27% or €5.5mn, up by +41% YoY. In FY20, RLT kept expanding its international business: foreign revenues increased by 10% YoY, representing 55% of total turnover. The growth recorded in 2020 confirms the strength of RLT's business model in a challenging macroeconomic scenario and its ability to generate cash and reinvest it in a successful way through the 3M (Merge, Management, Margin) Strategy. In line with our expectations, Adj. EBITDA PF amounted to €6.2mn with a margin of 23.2%. RLT closed FY20 with a net cash position of €50k (vs €0.7mn as of FY19), lower than expected mainly due to higher R&D investments and €2.4mn related to IFRS9 option rights.

3M Strategy for forward-looking growth. On February 16th, 2021, RLT disclosed its 2021 top-line guidance, targeting sales at €26.2mn. Recurring revenues are expected to account for 30% (vs 27% in 2020) scaling on up- and cross-selling activities on existing clients and on clients of the recently acquired companies (Mediatech and Xonne). In-house R&D and collaboration with universities and research centers will continue to represent key growth drivers to innovate RLT's cloud-based platform with new technologies and solutions. In addition to this, in 2021 the Company plans to reinforce its commercial structure in order to target new clients and markets. Finally, we point out that leveraging on net proceeds deriving from the IPO, the cash-in from warrant conversion and a positive NFP, RLT has an additional leverage capacity of €15/20mn (while maintaining a NFP/EBITDA ratio below 3x) to accelerate its growth path also by external lines.

Estimates revision. Following the FY20 results and on the back of the 2021 budget, we now expect VoP to increase at a CAGR2020-23 of 20.8%, reaching €46.7mn in FY23. At the EBITDA level, we now anticipate a +26.5% CAGR2020-23 growth, reaching an EBITDA margin of 26.7% by FY23. We project the Company to remain cash-positive over the 2021-23 period, with a net cash position of €2.8mn in FY21 and reaching ca. €12mn in FY23.

Fair value. According to our valuation – based on a DCF and multiple methods – we obtain an average equity value of €139.65mn or €4.04ps, implying an upside of 53% on the current price.

Relative Performance Chart since January 2020



* Our previous fair value has been recalculated, factoring in RLT's stock split.

Via della Posta, 10 – Piazza Affari, 20123 Milan – Italy
Tel: +39.02.83424007 Fax: +39.02.83424011
segreteria@ktepartners.com

Research Update

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Equity Research Team
connect@ktepartners.com

Federica FIORENZA
ffiorenza@ktepartners.com

Mauro IACCINO
miaccino@ktepartners.com

Market Data

Pasquale Lambardi	64.9%
Silvio Cosoleto	5.4%
Mkt Cap (€ mn)	86.5
EV (€ mn)	86.5
Number of shares (mn)	32.8
Shares outstanding (mn)	31.3
Free Float (%)	28.42

Market multiples	2020	2021	2022
EV/EBITDA			
RLT-IT	14.2x	11.0x	8.8x
Comps average	22.0x	14.8x	10.4x
RLT-IT vs Average	-36%	-26%	-16%
P/E			
RLT-IT	8.0x	18.6x	15.5x
Comps average	33.8x	37.9x	20.8x
RLT-IT vs Average	-76%	-51%	-26%

Stock Data

52 Wk High (€)	3.29
52 Wk Low (€)	1.48
Avg. Daily Trading 90d	121,392
Price Change 1w (%)	-8.33
Price Change 1m (%)	-4.35
Price Change YTD (%)	5.60

Key Figures - Relatech S.p.A.

	Current price (€)	Fair Value (€)	Sector					Free Float (%)
	2.64	4.04	Digital Innovation					28.4
Per Share Data	2017A	2018A	2019A	2020PF	2021E	2022E	2023E	2024E
Number of shares (mn)	n.a.	n.a.	9.33	10.92	32.77	32.77	32.77	32.77
Treasury shares (mn)	n.a.	n.a.	0.00	0.42	1.47	1.47	1.47	1.47
Shares outstanding (mn)	n.a.	n.a.	9.33	10.50	31.30	31.30	31.30	31.30
EPS	n.a.	n.a.	0.27	0.27	0.11	0.14	0.18	0.24
EPS Adjusted	n.a.	n.a.	0.32	0.33	0.14	0.17	0.21	0.24
Dividend per share (ord)	n.a.	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.	n.a.
Profit and Loss (EUR million)								
Value of Production	11.6	14.9	21.3	26.5	31.2	37.8	46.7	54.1
EBITDA	1.4	2.5	4.9	6.2	8.0	9.9	12.4	14.6
EBIT	1.2	2.4	4.3	4.4	5.8	7.0	8.6	10.2
EBT	1.2	2.4	3.8	3.6	4.4	5.6	7.2	10.2
Taxes	(0.3)	(0.7)	(1.2)	(0.6)	(0.8)	(1.0)	(1.4)	(2.1)
Tax rate	27%	32%	31%	18%	18%	19%	19%	21%
Net Income	0.9	1.6	2.6	3.0	3.6	4.5	5.8	8.1
Net Income attributable to the Group	0.9	1.6	2.5	2.8	3.4	4.3	5.5	7.6
Net Income attributable to the Group Adjusted	0.9	1.6	3.0	3.5	4.5	5.3	6.6	7.6
Balance Sheet (EUR million)								
Total fixed assets	0.4	2.8	6.9	13.5	16.2	19.1	21.4	23.7
Net Working Capital (NWC)	0.9	2.1	3.1	3.1	3.4	3.6	4.4	4.6
Provisions	(0.5)	(0.9)	(2.0)	(3.2)	(4.1)	(5.2)	(6.4)	(7.9)
Total Net capital employed	0.8	4.0	8.0	13.4	15.5	17.6	19.4	20.3
Net financial position/(Cash)	(0.7)	1.1	(0.7)	(0.0)	(2.8)	(6.6)	(11.9)	(19.1)
Group Shareholder's Equity	1.5	2.8	8.5	12.7	17.4	23.0	29.8	37.4
Minorities	-	0.1	0.2	0.7	0.9	1.2	1.5	2.0
Total Shareholder's Equity	1.5	2.9	8.7	13.4	18.3	24.2	31.3	39.4
Cash Flow (EUR million)								
Net operating cash flow	-	1.7	3.6	5.4	6.7	8.5	10.7	12.5
Change in NWC	-	(1.3)	(1.0)	(0.0)	(0.2)	(0.3)	(0.7)	(0.2)
Capital expenditure	-	(2.6)	(3.1)	(8.4)	(4.9)	(5.8)	(6.2)	(6.7)
Other cash items/Uses of funds	-	0.5	1.1	1.2	0.9	1.1	1.3	1.5
Free cash flow	-	(1.6)	0.5	(1.8)	2.5	3.4	5.0	7.1
Enterprise Value (EUR million)								
Market Cap	n.a.	n.a.	21.0	52.1	86.5	86.5	86.5	86.5
Minorities	-	0.1	0.2	0.7	0.9	1.2	1.5	2.0
Net financial position/(Cash)	(0.7)	1.1	(0.7)	(0.0)	(2.8)	(6.6)	(11.9)	(19.1)
Enterprise value	n.a.	n.a.	20	53	85	81	76	69
Ratios (%)								
EBITDA margin	11.8%	16.7%	23.1%	23.2%	25.5%	26.3%	26.7%	27.1%
EBIT margin	10.6%	16.2%	20.1%	16.4%	18.6%	18.4%	18.4%	18.9%
Gearing - Debt/equity	-48.2%	40.1%	-8.2%	-0.4%	-16.4%	-28.7%	-40.1%	-51.0%
Interest cover on EBIT	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
NFP/EBITDA	-54.0%	44.8%	-14.3%	-0.8%	-35.8%	-66.6%	-96.0%	-130.2%
ROCE	155.3%	59.7%	53.3%	32.5%	37.4%	39.6%	44.3%	50.3%
ROE	59.2%	56.4%	29.7%	22.0%	19.4%	18.5%	18.4%	20.3%
EV/Sales	n.a.	n.a.	4.1	3.3	2.8	2.3	1.9	1.6
EV/EBITDA	n.a.	n.a.	17.7	14.2	11.0	8.8	7.0	6.0
P/E	n.a.	n.a.	9.7	8.0	18.6	15.5	12.6	10.9
Free cash flow yield	0	0.0	0.0	0.0	0.0	0.1	0.1	0.1
Growth Rates (%)								
Sales	n.a.	28.0%	43.4%	24.2%	17.9%	21.1%	23.5%	15.8%
EBITDA	n.a.	82.0%	97.9%	25.0%	29.4%	24.7%	25.4%	17.5%
EBIT	n.a.	94.6%	78.1%	1.8%	33.1%	20.1%	23.2%	19.2%
Net Income	n.a.	90.8%	58.6%	14.7%	20.8%	26.1%	28.9%	38.7%

Source: Company data, KT&Partners' elaboration

FY20 Financial Results

In a weakened macroeconomic scenario due to COVID-19, RLT closed FY20 with €18mn of sales (+1.6% YoY), of which €16.1mn were organic revenue. On a pro-forma basis (thus including the full-year contributions by Mediatech and Xonne of ca. €4.3mn), sales totaled €20.4mn, -9.3% below our expectations. Recurring revenues rose by +39% YoY to ca. €5.5mn, accounting for 27% of pro-forma sales.

FY20 VoP came in at €24.3 (+14.2% YoY) and €25.7mn on a pro-forma basis (+2.9% above our estimates), of which €3.4mn was from capitalized R&D costs and €2.3mn from R&D public contributions and tax credit related to IPO costs.

Adj. EBITDA recorded a +19.8% YoY growth, reaching €5.9mn with an EBITDA margin of ca. 24.2% (+1.1pp YoY). In line with our expectations, Adj. EBITDA PF amounted to €6.2mn.

Looking at the bottom line, net income after minorities came in at €2.7mn (+0.7% YoY). On a pro-forma basis, net income after minorities was €2.8mn, -29% below our estimates mainly due to a higher incidence of D&As for increased investments. It should have been higher but for the negative impact of: i) employee and director bonuses linked to the successful completion of the IPO; ii) stock-grant; and iii) consultancy fees on extraordinary transactions. Adjusting for these extraordinary items, net income after minorities should have been €3.3mn with a 10.5% incidence on VoP.

On the capital structure side, fixed assets went from €6.9mn in FY19 to €13.5mn in FY20, mainly following the capitalization of R&D costs (in FY20, R&D costs amounted to €4.3mn, of which ca. 80% were capitalized) and M&A investments.

At the end of FY20, RLT showed a net cash position of €50k, lower than expected mainly due to higher investments and €2.4mn related to IFRS9 option rights.

FY20 Income Statement

€ Million	FY18	FY19	FY20	YoY %	FY20PF	FY20E	A vs E % based on PF Data
Sales Revenues	13	18.0	18.3	1.6%	20.4	22.5	-9.3%
Other Revenues	1.6	3.3	6.1	81.9%	6.1	3.3	87.2%
Value of production	14.9	21.3	24.3	14.2%	26.5	25.7	2.9%
Growth %		43.4%	14.2%		24.2%		
Products and Raw materials			(2.1)	n.m.	(2.3)	(0.0)	5812.6%
Gross Profit	15	21.3	22.2	4.5%	24.2	25.7	-6.0%
Gross Margin		99.9%	91.4%	-8.5%	91.3%	99.8%	-8.6%
Cost of Services	(5.9)	(6.0)	(6.6)	9.2%	(8.0)	(7.3)	8.8%
Personnel Expenses	(6)	(10.0)	(9.6)	-4.1%	(9.8)	(12.1)	-18.7%
Other Operating Expenses	(0.5)	(0.4)	(0.2)	-51.2%	(0.2)	(0.1)	153.5%
EBITDA	2.5	4.9	5.9	19.8%	6.2	6.2	-0.6%
EBITDA margin	16.7%	23.1%	24.2%	1.1%	23.2%	24.0%	-0.8%
D&A and Provisions	(0.1)	(0.6)	(1.8)	178.8%	(1.8)	(0.8)	120.4%
EBIT	2.4	4.3	4.1	-4.1%	4.4	5.4	-19.0%
EBIT margin	16.2%	20.1%	16.9%	-3.2%	16.4%	20.9%	-4.4%
Financial Income and Expenses	(0.0)	(0.1)	(0.1)	4.9%	(0.1)	(0.1)	20.0%
Extraordinary items	0.0	(0.5)	(0.7)	48.0%	(0.7)	(0.4)	90.6%
EBT	2.4	3.8	3.4	-10.5%	3.60	4.9	-27.3%
Taxes	(0.7)	(1.2)	(0.6)	-45.6%	(0.6)	(0.9)	-28.2%
Tax Rate	31.6%	31.1%	18.9%		17.7%	18.6%	
Net Income	1.6	2.6	2.7	5.3%	3.0	4.1	-27.1%
Net margin	10.9%	12.1%	11.2%	-0.9%	11.2%	16.8%	-5.6%
Minorities	0.1	0.6	0.2	-71.7%	0.2	0.1	
Net Income after minorities	1.6	2.5	2.6	0.7%	2.8	3.9	-29.1%
Net margin	10.5%	11.9%	10.5%	-1.4%	10.5%	16.3%	-5.7%
Net Income after minorities Adjusted	1.6	3.0	3.2	7.8%	3.5	4.3	-19.3%
Net margin	10.5%	14.0%	13.2%	-0.8%	13.1%	16.7%	-3.6%
Growth %		90.8%	7.8%		7.5%		

Source: Company data

FY20 Balance Sheet

€ million	FY18	FY19	FY20
Intangible	1.8	5.0	11.6
Tangible (including ROU Assets -IFRS16)	0.3	1.9	1.9
Other LT Assets	0.0	0.0	0.0
Fixed Assets	2.1	6.9	13.5
Trade receivables	2.8	4.7	6.6
Inventory	0.0	0.0	0.5
Trade Payables	(1.0)	(0.8)	(2.8)
Trade Working Capital	1.8	3.9	4.3
Other assets and liabilities	0.7	(0.8)	(1.2)
Net Working Capital	2.5	3.1	3.1
Other Provisions	(0.6)	(2.0)	(3.2)
Net Capital Employed	4.0	8.0	13.4
Group shareholders' equity	2.7	8.5	12.7
Minority shareholders' equity	0.1	0.2	0.7
Total shareholders' equity	2.8	8.7	13.4
Short-term debt / Cash (-)	(0.5)	(3.1)	(6.6)
Long-term liabilities	1.6	2.4	6.6
Net Financial Position	1.1	(0.7)	(0.0)
Sources	4.0	8.0	13.4

Source: Company data

Change in Estimates

On February 16th, 2021, RLT disclosed its 2021 top-line guidance, targeting sales at €26.2mn. Recurring revenues are expected to account for 30% (vs 27% in 2020), scaling on up- and cross-selling activities on clients of the recently acquired companies (Mediatech and Xonne). In-house R&D and collaboration with universities and research centers will continue to represent key growth drivers to innovate RLT's cloud-based platform with new technologies and solutions. In addition to this, in 2021 the Company plans to reinforce its commercial structure in order to target new clients and markets.

Following the FY20 results and on the back of the 2021 budget, we lowered our FY21 sales estimates by 3% – aligning them with RLT's 2021 target – while we left our projections almost unchanged when compared to FY22 and FY23.

We now expect VoP to increase at a CAGR2020-23 of 20.8%, reaching €46.7mn in FY23, mainly factoring in a higher incidence of R&D capitalized costs.

At the EBITDA level, we now anticipate FY21 EBITDA to be €8mn, increasing by ca. €2mn each year from 2022 onwards (CAGR2020-23 of +26.5%). We changed our EBITDA margin estimates upwards factoring in business growth, a higher incidence of recurring revenues, cost efficiency and economy of scale.

Looking at the bottom line, we now project net income to be €3.4mn in FY21 (-23.9% below our estimates), increasing to €5.5mn in FY23 (-17.6% below our latest forecast) as we expect it will be negatively impacted by: i) higher D&As following the capitalization of R&D costs; and ii) extraordinary costs related to the stock-grant plan. By adjusting for extraordinary items, we expect net income to grow at a CAGR2020-23 of 23.7%, reaching €6.6mn by FY23.

We project the Company to remain cash-positive over the 2021–23 period, although cash generation will be impacted by R&D investments (we expect the Company will invest on average ca. 20% of sales in R&D, of which on average more than 70% will be capitalized). As a result, we now expect a net cash position of €2.8mn in FY21, reaching ca. €12mn in FY23.

Change in Estimates

€ mn	2019 Actual	2020PF Actual	2021E Old	2021E New	Change	2022E Old	2022E New	Change	2023E Old	2023E New	Change	CAGR 2020-23
Value of Production	21.3	26.5	30.9	31.2	1.2%	35.9	37.8	5.4%	44.6	46.7	4.7%	20.8%
YoY Change (%)		24.2%	16.5%	17.9%		16.3%	21.1%		24.3%	23.5%		
EBITDA	4.9	6.2	7.6	8.0	5.0%	9.1	9.9	9.3%	11.5	12.4	8.7%	26.5%
YoY Change (%)		25.0%	23.3%	29.4%		19.8%	24.7%		26.1%	25.4%		
EBITDA Margin	23.1%	23.2%	24.6%	25.5%		25.3%	26.3%		25.7%	26.7%		
EBIT	4.3	4.4	6.4	5.8	-9.8%	7.6	7.0	-8.2%	9.6	8.6	-10.7%	25.4%
YoY Change (%)		1.8%	47.5%	33.1%		18.0%	20.1%		26.7%	23.2%		
EBIT Margin		16.4%	20.8%	18.6%		21.1%	18.4%		21.5%	18.4%		
Net Income	2.5	2.8	4.4	3.4	-23.9%	5.2	4.3	-18.9%	6.7	5.5	-17.6%	25.2%
YoY Change (%)		10.2%	58.8%	20.8%		18.2%	26.1%		27.0%	28.9%		
Net Margin			14.4%	10.8%		14.6%	11.2%		14.9%	11.7%		
Net Income Adjusted	3.2	3.5	4.4	4.5	0.4%	5.2	5.3	1.6%	6.7	6.6	-1.6%	23.7%
YoY Change (%)		8.1%	28.1%	28.6%		18.2%	19.6%		27.0%	23.0%		
			14.4%	14.3%		14.6%	14.1%		14.9%	14.0%		
NFP	-	0.7	0.0	9.7	2.8	6.8	14.8	6.6	8.2	11.9	9.7	

Source: FactSet, 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:

- EV/EBITDA and P/E multiples, which returns a value of €3.82ps;
- DCF analysis based on WACC of 6.6% and 2% perpetual growth, which returns a value of €4.25ps.

The average of the two methods yields a fair value of €4.04ps or an equity value of €139.65mn.

It is worth to point out that in valuing RLT we take into consideration all shares issued, factoring in the dilution effect that the assignment of treasury shares will have on the stock price following the implementation of the stock grant plan.

Valuation Recap		
	Equity Value €mn	Value per share €
DCF	139.39	4.25
EV/EBITDA	110.61	3.38
P/E	139.90	4.27
<i>Average Multiples</i>	139.90	3.82
Total Average	139.65	4.04

Source: FactSet, KT&Partners’ elaboration

Market Multiples Valuation

Following the comparables analysis, we proceeded with the definition of market multiples for each peer group, focusing on 2021–22 data.

Peer Comparison – Market Multiples 2021–2022

Company Name	Exchange	Market Cap	EV/SALES 2021	EV/SALES 2022	EV/EBITDA 2021	EV/EBITDA 2022	EV/EBIT 2021	EV/EBIT 2022	P/E 2021	P/E 2022
Reply S.p.A.	Milan	4,224	2.8x	2.6x	17.4x	15.7x	21.4x	18.9x	31.1x	27.3x
Cyberoo S.p.A.	Milan	57	4.3x	2.6x	13.8x	5.5x	27.7x	6.9x	40.8x	11.4x
Neosperience SpA	Milan	46	2.3x	1.7x	8.8x	5.8x	29.6x	12.3x	n.m	17.6x
Eurotech S.p.A.	Milan	183	2.2x	1.8x	16.7x	10.1x	26.8x	13.1x	37.3x	15.2x
Expert System SpA	Milan	155	4.0x	2.9x	n.m	n.m	n.m	n.m	n.m	n.m
WIIT SpA	Milan	412	6.5x	5.9x	17.2x	15.0x	34.0x	27.0x	42.5x	32.6x
Average peer group		846	3.7x	2.9x	14.8x	10.4x	27.9x	15.7x	37.9x	20.8x
Median peer group		169	3.4x	2.6x	16.7x	10.1x	27.7x	13.1x	39.0x	17.6x
Relatech S.p.A.	Milan	87	2.8x	2.3x	11.0x	8.8x	15.0x	12.5x	18.6x	15.5x

Source: FactSet, KT&Partners' elaboration

We based our evaluation upon our estimates of RLT's EBITDA and Net Income Adjusted for 2021, 2022.

EV/EBITDA Multiple Valuation

Multiple Valuation (€mn)	2021E	2022E
EV/EBITDA Comps	14.8x	10.4x
Relatech SpA EBITDA	8.0	9.9
Enterprise value	117.7	103.4
Relatech SpA FY20 Net Debt	0.0	0.0
Equity Value	117.8	103.5
Average Equity Value		110.6
Liquidity Discount		0%
Equity Value Post-Discout		110.6
Number of shares (mn)		32.8
Value per Share €		3.4

Source: FactSet, KT&Partners' elaboration

P/E Multiple Valuation

Multiple Valuation (€mn)	2021E	2022E
P/E Comps	37.9x	20.8x
Relatech SpA Net Income Adj.	4.5	5.3
Equity Value	168.8	111.0
Average Equity Value		139.9
Liquidity Discount		0%
Equity Value Post-Discout		139.9
Number of shares (thousand)		32.8
Value per Share €		4.3

Source: FactSet, KT&Partners' elaboration

DCF Valuation

We have also conducted our valuation using a four-year DCF model, based on 8.7% cost of equity, 2% cost of debt and a D/E ratio of 40% (Damodaran for Software, System & Application). The cost of equity is a function of the risk-free rate of 0.7% (Italian 10y BTP), 5.4% equity risk premium (Damodaran – June ERP T12 m with sustainable payout) and a premium for size and liquidity of 2.1% (source: Duff&Phelps). We, therefore, obtained 6.6% WACC.

We discounted 2021E–24E annual cash flows and considered a terminal growth rate of 2%; then we carried out a sensitivity analysis on the terminal growth rate (+/- 0.25%) and on WACC (+/- 0.25%).

DCF Valuation				
€ millions	2021E	2022E	2023E	2024E
EBIT	5.8	7.0	8.6	10.2
Taxes	(1.2)	(1.5)	(1.8)	(2.1)
D&A	2.2	3.0	3.9	4.4
Change in Net Working Capital	(0.2)	(0.3)	(0.7)	(0.2)
Change in Funds	0.9	1.1	1.3	1.5
Net Operating Cash Flow	7.4	9.2	11.2	13.8
Capex	(4.9)	(5.8)	(6.2)	(6.7)
FCFO	2.5	3.4	5.0	7.1
g	2.0%			
Wacc	6.6%			
FCFO (discounted)	2.4	3.1	4.2	5.6
Discounted Cumulated FCFO	15.3			
TV	157.5			
TV (discounted)	124.1			
Enterprise Value	139.4			
FY20 NFP	(0.0)			
Equity Value	139.4			
Current number of shares (mn)	32.8			
Value per share (€)	4.25			

Source: Company data, KT&Partners' elaboration

Sensitivity Analysis (€mn)

€ millions		WACC				
		7.1%	6.9%	6.6%	6.4%	6.1%
Terminal growth Rate	1.5%	114.9	120.5	126.7	133.6	141.1
	1.8%	119.8	125.9	132.7	140.3	148.7
	2.0%	125.2	131.9	139.4	147.7	157.1
	2.3%	131.1	138.5	146.8	156.1	166.6
	2.5%	137.7	145.9	155.1	165.6	177.5

Source: Company data, KT&Partners' elaboration

Appendix

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 €4.2bn, 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 FY20, REY reached €1.2bn of sales;
- Cyberoo S.p.A. (CYB-IT): listed on the Borsa Italiana stock exchange with a market capitalization of €57mn, 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 FY20, CYB reached €7.9mn of sales;
- Neosperience (NSP-IT): listed on the Borsa Italiana stock exchange with a market capitalization of €46mn, 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 FY20, NSP reached €16mn of sales;
- Eurotech S.p.A. (ETH-IT): listed on the Borsa Italiana stock exchange with a market capitalization of €183mn, ETH is a multinational that designs, develops, and supplies IoT services, software, and hardware to leasing systems integrators, and large and small companies. In FY20, ETH reached €69mn of sales;
- Expert System S.p.A. (EXSY-IT): listed on the Borsa Italiana stock exchange with a market capitalization of €155mn, 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 FY20, EXSY reached €29mn of sales;
- WIIT S.p.A. (WIIT-IT): listed on the Borsa Italiana stock exchange with a market capitalization of €412mn, 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 FY20, WIIT reached €52mn of sales.

Secondly, we compared the peers' historical growth rates and marginalities with RLT's historical financials. In FY20, RLT outperformed its competitors by ca. 20.1pp, growing at the higher pace of 24.2% YoY.

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

Company Name	RePlatform	Sales		YoY 19-20	Sales			CAGR 20-23
		2019	2020		2021	2022	2023	
Reply S.p.A.	Innovation Services	1,183	1,250	5.7%	1,438	1,583	1,721	11.2%
Neosperience SpA	ReYou	14	16	15.0%	21	28	38	33.1%
Expert System SpA	ReData	32	30	-5.8%	33	46	66	30.4%
Cyberoo S.p.A.	ReSec	6	8	42.3%	13	21	29	n.m.
Eurotech S.p.A.	ReThing	102	69	-32.1%	80	96	108	15.9%
WIIT SpA	ReHub	34	52	54.5%	72	79	86	18.1%
Peers Average		228	238	4.1%	276	309	341	12.8%
Relatech SpA		21	26	24.2%	26	31	38	12.6%

Source: FactSet, KT&Partners' elaboration

Peers Comparison – EBITDA Margin, EBIT Margin and Net Margin

Company Name	EBITDA Margin					EBIT Margin					Net Margin				
	2019	2020	2021	2022	2023	2019	2020	2021	2022	2023	2019	2020	2021	2022	2023
Reply S.p.A.	14.2%	16.7%	16.2%	16.4%	16.4%	11.1%	13.5%	13.2%	13.6%	13.8%	9.6%	9.9%	9.4%	9.7%	9.8%
Neosperience SpA	25.6%	25.1%	26.1%	29.9%	33.5%	8.0%	4.6%	7.7%	14.1%	21.4%	6.6%	2.0%	4.4%	9.2%	14.7%
Expert System SpA	12.6%	neg	neg	neg	12.1%	neg	neg	neg	neg	4.3%	neg	neg	neg	neg	neg
Cyberoo S.p.A.	43.4%	25.0%	30.8%	47.6%	58.6%	20.2%	neg	15.4%	38.1%	51.7%	12.5%	neg	7.7%	23.8%	34.5%
Eurotech S.p.A.	19.7%	5.6%	13.0%	17.9%	21.0%	15.9%	neg	8.1%	13.7%	17.2%	18.9%	0.2%	6.1%	12.7%	16.9%
WIIT SpA	35.7%	31.0%	37.6%	39.4%	39.6%	15.5%	9.7%	19.1%	21.9%	22.4%	14.8%	3.1%	11.9%	14.5%	15.6%
Peers Average	25.2%	20.7%	24.7%	30.2%	30.2%	14.1%	9.3%	12.7%	20.3%	21.8%	12.5%	3.8%	7.9%	14.0%	18.3%
Relatech SpA	23.1%	23.2%	25.5%	26.3%	26.7%	20.1%	16.4%	18.6%	18.4%	18.4%	11.9%	10.5%	10.8%	11.2%	11.7%

Source: FactSet, KT&Partners' elaboration

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- HOLD – FOR A FAIR VALUE <15% AND >-15% ON CURRENT PRICE
- REDUCE – FOR A FAIR VALUE < -15% ON CURRENT PRICE

KT&PARTNERS

Via della Posta, 10 – Piazza Affari, 20123 Milano – Italy
Tel: +39.02.83424007 Fax: +39.02.83424011
segreteria@ktepartners.com