

Keep Growing at Double-Digit Pace!

ADD | Fair Value: €4.31 (€4.21) | Current Price: €2.60 | Upside: 65.8%

€ million	FY18A	FY19A	FY20A	FY21E PF	FY22E	FY23E
Value of production	14.9	21.3	24.3	38.6	46.2	56.3
EBITDA	2.5	4.9	5.9	8.9	11.2	14.1
margin	16.7%	23.1%	24.2%	23.2%	24.2%	25.0%
Net Profit	1.6	2.5	2.6	5.4	5.1	6.5
margin	10.5%	11.9%	10.5%	13.9%	11.1%	11.6%
Net Profit adjusted	1.6	3.0	3.2	5.1	6.1	7.5
margin	10.5%	14.0%	13.2%	13.3%	13.2%	13.3%
EPS	n.a.	0.27	0.23	0.15	0.14	0.17
EPS adj.	n.a.	0.32	0.31	0.14	0.16	0.20

Source: Company data, KT&Partners' elaboration.

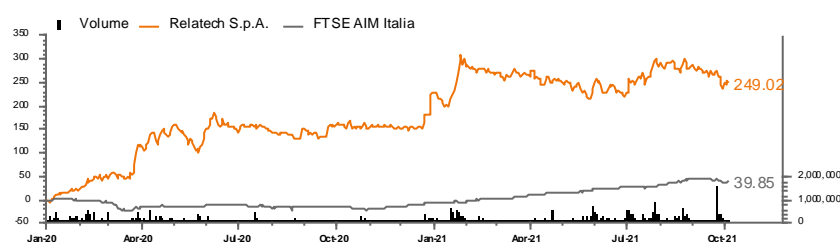
1H21 financial results confirm double-digit growth. RLT-IT achieved pro-forma revenues of €15.1mn, of which ca. €3.5mn was from Dialog Sistemi and Gruppo SIGLA (ca. €0.5mn and €3mn respectively). Value of Production increased by +41% YoY and came in almost in line with our estimates (-0.8%). Excluding contributions from recently acquired companies, RLT-IT's organic revenues soared to €11.6 (+42.5% vs 1H20). Recurring revenues leapt by +42% YoY, accounting for 28% of sales (+0.5pp vs 1H20), reaching ca. €3.2mn. In 1H21, foreign revenues increased by 10% YoY, reaching €6.8mn or 59% of total turnover (55% of pro-forma sales). Adj. EBITDA PF amounted to €3.8mn (+2.4% above our expectations) with a margin of 21.1%. Looking at the bottom line, on the pro-forma basis, adj. net income after minorities rose to €3.3mn in 1H21 from €2.3mn, benefitting from €1.2mn of tax credit following asset revaluation. Finally, RLT-IT closed 1H21 with a net cash position of €1.8mn from €55k in FY20, despite significant investment carried out over the period, including ca. €3mn related to the two M&As finalized in May and June 2021.

Big opportunities for the Blockchain, AI, IoT and Cybersecurity markets. According to Assinform, in 2020 the Italian digital enabler was worth ca. €15bn and it is expected to grow at +11.8% CAGR2020–24, reaching ca. €23bn in 2024. Looking at market segments, RLT-IT is increasingly investing in Blockchain, Artificial Intelligence (AI), Internet of Things (IoT) and Cybersecurity, which are the four biggest markets in terms of investments within the Horizon Europe and PNRR programs.

Estimates review. On the back of 1H21 financial results, we slightly revised our forecast, factoring in: i) higher contributions from other revenues and financial income; and ii) a tax credit related to asset revaluation in accordance with D.L. 104/2020. We now expect value of production to increase at a CAGR20PF–23E of 28.6%, reaching €56.3mn in FY23E. We left our EBITDA margin unchanged over the forecasted period, with EBITDA going from €8.9mn in FY21E PF to €14.1 by FY23E (+31.7% CAGR). Finally, we expect RLT-IT to remain cash positive, reaching a net cash position of €13.1mn in FY23E.

Valuation Update. We updated our valuation – based on both DCF and a market multiples model – mainly following peer's multiple expansions. Our valuation returns an average equity value of €162.7mn or €4.31ps, implying a potential upside of +65.8% on the current market price and +2.4% on our previous fair value.

Relative Performance Chart since January 2020



Research Update

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Market Data

Pasquale Lambardi	53.2%
Mkt Cap (€ mn)	98.1
EV (€ mn)	98.8
Number of shares (mn)	37.7
Shares outstanding (mn)	36.7
Free Float (%)	39.6

Market multiples	2021	2022	2023
EV/EBITDA			
RLT-IT	11.0x	8.8x	7.0x
Comps average	19.8x	14.9x	12.6x
RLT-IT vs Average	-44%	-41%	-44%
P/E			
RLT-IT	18.6x	15.9x	13.1x
Comps average	39.3x	32.4x	18.3x
RLT-IT vs Average	-53%	-51%	-29%

Stock Data

52 Wk High (€)	3.29
52 Wk Low (€)	1.86
Avg. Daily Trading 90d	206,928
Price Change 1w (%)	-2.99
Price Change 1m (%)	-10.03
Price Change YTD (%)	4.00

Key Figures – Relatech S.p.A.

	Current price (€)	Fair Value (€)	Sector							Free Float (%)
	2.60	4.31	Digital Innovation							39.6
Per Share Data	2017A	2018A	2019A	2020A	2020PF	2021E PF	2022E	2023E	2024E	
Number of shares (mn)	n.a.	n.a.	9.33	10.92	10.92	37.75	37.75	37.75	37.75	
Treasury shares (mn)	n.a.	n.a.	0.00	0.42	0.42	1.03	0.53	0.00	0.00	
Shares outstanding (mn)	n.a.	n.a.	9.33	10.50	9.66	36.72	37.22	37.75	37.75	
EPS	n.a.	n.a.	0.27	0.23	0.29	0.15	0.14	0.17	0.23	
EPS Adjusted	n.a.	n.a.	0.32	0.31	0.36	0.14	0.16	0.20	0.23	
Dividend per share (ord)	n.a.	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.	n.a.	
Profit and Loss (EUR million)										
Value of Production	11.6	14.9	21.3	24.3	26.5	38.6	46.2	56.3	65.5	
EBITDA	1.4	2.5	4.9	5.9	6.2	8.9	11.2	14.1	16.4	
EBIT	1.2	2.4	4.3	4.1	4.4	6.6	7.8	9.7	11.5	
EBT	1.2	2.4	3.8	3.4	3.6	5.5	6.7	8.7	11.8	
Taxes	(0.3)	(0.7)	(1.2)	(0.6)	(0.6)	0.1	(1.4)	(1.9)	(2.7)	
Tax rate	27%	32%	31%	19%	18%	-2%	21%	22%	23%	
Net Income	0.9	1.6	2.6	2.7	3.0	5.6	5.4	6.8	9.1	
Net Income attributable to the Group	0.9	1.6	2.5	2.6	2.8	5.4	5.1	6.5	8.8	
Net Income attributable to the Group Adjusted	0.9	1.6	3.0	3.2	3.5	5.1	6.1	7.5	8.8	
Balance Sheet (EUR million)										
Total fixed assets	0.4	2.8	6.9	13.5	13.5	20.0	22.3	24.6	27.3	
Net Working Capital (NWC)	0.9	2.1	3.1	3.1	3.1	4.9	5.9	6.8	6.7	
Provisions	(0.5)	(0.9)	(2.0)	(3.2)	(3.2)	(4.3)	(5.6)	(7.2)	(9.1)	
Total Net capital employed	0.8	4.0	8.0	13.4	13.4	20.6	22.6	24.2	24.8	
Net financial position/(Cash)	(0.7)	1.1	(0.7)	(0.0)	(0.0)	(3.6)	(7.9)	(13.1)	(21.6)	
Group Shareholder's Equity	1.5	2.8	8.5	12.7	12.7	23.2	29.3	35.9	44.6	
Minorities	-	0.1	0.2	0.7	0.7	1.0	1.2	1.4	1.8	
Total Shareholder's Equity	1.5	2.9	8.7	13.4	13.4	24.1	30.5	37.3	46.4	
Cash Flow (EUR million)										
Net operating cash flow	-	1.7	3.6	5.4	5.4	8.7	9.5	11.9	13.8	
Change in NWC	-	(1.3)	(1.0)	(0.0)	(0.0)	(0.5)	(0.9)	(0.9)	0.1	
Capital expenditure	-	(2.6)	(3.1)	(8.4)	(8.4)	(9.2)	(5.8)	(6.6)	(7.6)	
Other cash items/Uses of funds	-	0.5	1.1	1.2	1.2	0.2	1.3	1.6	1.9	
Free cash flow	-	(1.6)	0.5	(1.8)	(1.8)	(0.8)	4.1	5.9	8.2	
Enterprise Value (EUR million)										
Market Cap	n.a.	n.a.	21.0	52.1	52.1	98.1	98.1	98.1	98.1	
Minorities	-	0.1	0.2	0.7	0.7	1.0	1.2	1.4	1.8	
Net financial position/(Cash)	(0.7)	1.1	(0.7)	(0.0)	(0.0)	(3.6)	(7.9)	(13.1)	(21.6)	
Enterprise value	n.a.	n.a.	20.5	52.8	52.8	95.5	91.4	86.5	78.4	
Ratios (%)										
EBITDA margin	11.8%	16.7%	23.1%	24.2%	23.2%	23.2%	24.2%	25.0%	25.1%	
EBIT margin	10.6%	16.2%	20.1%	16.9%	16.4%	17.0%	16.9%	17.3%	17.5%	
Gearing - Debt/equity	-48.2%	40.1%	-8.2%	-0.4%	-0.4%	-15.4%	-27.1%	-36.6%	-48.4%	
Interest cover on EBIT	0.0%	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%	-0.8%	-39.9%	-71.0%	-93.3%	-131.4%	
ROCE	155.3%	59.7%	53.3%	30.6%	32.5%	31.9%	34.5%	40.2%	46.1%	
ROE	59.2%	56.4%	29.7%	20.1%	22.0%	23.2%	17.5%	18.2%	19.6%	
EV/Sales	n.a.	n.a.	4.6	4.0	3.7	2.6	2.1	1.8	1.5	
EV/EBITDA	n.a.	n.a.	20.0	16.7	16.0	11.0	8.8	7.0	6.0	
P/E	n.a.	n.a.	9.6	8.5	7.3	18.6	15.9	13.1	11.2	
Free cash flow yield	0	0.0	0.0	0.0	0.0	0.0	0.1	0.1	0.2	
Growth Rates (%)										
Sales	n.a.	28.0%	43.4%	14.2%	24.2%	58.4%	19.7%	21.9%	16.4%	
EBITDA	n.a.	82.0%	97.9%	19.8%	25.0%	51.5%	25.1%	25.8%	16.8%	
EBIT	n.a.	94.6%	78.1%	-4.1%	1.8%	59.6%	18.7%	25.1%	17.7%	
Net Income	n.a.	90.8%	58.6%	-10.5%	14.7%	105.8%	-4.4%	27.4%	33.8%	

Source: Company data, KT&Partners' elaboration

1H21 Financial Results

1H21 pro-forma sales – including the half-year contributions of Gruppo Sigla and Dialog Sistemi, acquired in May and June 2021 – hit €15.1mn, up by +50.9% vs 1H20PF but -3.9% below our estimates. The contributions from the newly acquired companies amounted to €3.5mn (€3mn from Gruppo Sigla and ca. €0.5mn from Dialog Sistemi Srl). Value of Production came almost in line with our estimates (-0.8%), reaching €17.8mn (+41 YoY), of which €1.5mn was from capitalized R&D costs and €1.1mn from R&D public grants and tax credits.

Without considering new acquisitions (reported data), RLT closed 1H21 with a remarkable increase in sales revenues of +42.5 YoY, reaching €11.6mn (vs €8.2mn in 1H20). Recurring revenues rose by +42% YoY to ca. €3.2mn, accounting for 28% of reported sales. Orders from new customers amounted to €1.2mn, representing 10% of the backlog. Looking at the breakdown of revenue by sector, the top contributor was Pharma & Health with €4.9mn, followed by Telco & Industry, Retail & GDO, and Insurance & Finance with €3.3mn, €2.4mn and €1.1mn, respectively. In 1H21, RLT kept expanding its international business: foreign revenues increased by +10% YoY, reaching €6.8mn or 59% of total turnover (55% of reported sales).

Adj. EBITDA PF recorded a +29.3% YoY growth, reaching €3.8mn – slightly above our expectations (+2.4%) – with an EBITDA margin of ca. 21.1% (ca. -2pp YoY). Excluding the contribution from Gruppo Sigla and Dialog Sistemi, adj. EBITDA reported rose to €3.1mn (+19.7 YoY) with EBITDA margin decreasing by 1pp vs 1H20, penalized by the lower profitability of Mediatech acquired in 2020.

As for the bottom line, on a pro-forma basis, net income after minorities reached €2.6mn, up by +32.3% and €1.4mn above our estimates – despite higher-than-expected D&As – mainly benefitting from: i) a €1.2mn tax shield related to revaluation of assets in accordance with D.L. 104/2020; and ii) €0.3mn financials income. By adjusting for extraordinary items mainly related to the stock grant plan, net income should have been €3.3mn with a margin of 18.8%. Furthermore, without considering €1.2mn tax credit, net income adjusted would have been €2.2mn (+€0.25mn or +13.2% above our estimates).

On the capital structure side, fixed assets went from €13.5mn in FY20 to €18.6mn in 1H21, mainly following the capitalization of R&D costs (in 1H21, R&D costs amounted to €2mn, of which ca. 75% were capitalized) and M&A investments (ca. €3mn).

At the end of 1H21, RLT's net cash position came in at €1.8mn, from €50k in FY20, despite €7.5mn of investments (including M&A) and €0.6mn cash-out for the acquisition of treasury shares (as of September 22nd, 2021, the number of treasury shares held by the company was 1,029,186, equal to 2.73% of the share capital).

1H21 Income Statement

€ million	1H19	1H20	1H21	YoY %	1H20 PF	1H21 PF	YoY %	1H21E PF	A vs E % based on PF Data
Sales Revenues	9.0	8.2	11.6	42.5%	10.0	15.1	50.9%	15.7	-3.9%
Other Revenues	1.4	2.5	2.7	5.1%	2.6	2.7	3.4%	2.2	21.5%
Value of production	10.4	10.7	14.3	33.6%	12.6	17.8	41.0%	17.9	-0.8%
Growth %		3.0%	33.6%			41.0%			
Products and Raw materials			(1.4)	n.m.	(1.2)	(1.6)	39.7%	(1.7)	-5.6%
Gross Profit	10.4	10.7	12.9	20.4%	11.4	16.2	41.2%	16.2	-0.2%
Gross Margin	100.0%	100.0%	90.1%	-9.7%	90.8%	90.8%	0.1%	90.4%	0.5%
Cost of Services	(3.2)	(3.3)	(4.1)	23.0%	(3.2)	(4.9)	55.3%	(5.0)	-1.1%
Personnel Expenses	(5.1)	(4.6)	(5.6)	21.3%	(5.2)	(7.4)	42.0%	(7.4)	0.2%
Other Operating Expenses	(0.2)	(0.1)	(0.0)	-72.4%	(0.1)	(0.1)	-59.0%	(0.1)	n.m.
EBITDA	1.9	2.6	3.1	19.7%	2.9	3.8	29.3%	3.7	2.4%
EBITDA margin	18.6%	24.5%	21.9%	-1.0%	23.0%	21.1%	-1.9%	20.5%	0.7%
D&A and Provisions	(0.3)	(0.6)	(1.1)	71.7%	(0.6)	(1.3)	109.3%	(1.1)	17.5%
EBIT	1.7	2.0	2.0	3.0%	2.3	2.4	6.5%	2.5	-4.4%
EBIT margin	15.9%	18.5%	14.3%	-5.8%	18.0%	13.6%	-4.4%	14.1%	-0.5%
Financial Income and Expenses	(0.0)	(0.0)	0.3	n.m.	(0.0)	0.3	-894.4%	(0.0)	n.m.
Extraordinary items	(0.4)	(0.4)	(0.7)	98.8%	(0.4)	(0.7)	99.0%	(0.7)	5.8%
EBT	1.2	1.6	1.6	1.9%	1.9	2.0	6.5%	1.8	9.5%
Taxes	(0.5)	(0.4)	0.9	n.m.	0.4	0.8	137.4%	(0.5)	n.m.
Tax Rate	44.3%	22.1%	-57.4%			-41.7%		27.4%	
Net Income	0.7	1.2	2.6	105.9%	2.2	2.8	27.2%	1.3	n.m.
Net margin	6.4%	11.7%	18.0%	5.9%	15.9%	15.9%	7.4%	8.5%	
Minorities	0.1	0.2	0.1	-44.6%	0.2	0.2	-17.8%	0.1	
Net Income after minorities	0.6	1.1	2.5	126.5%	2.0	2.6	32.3%	1.2	n.m.
Net margin	5.8%	10.3%	17.4%	5.5%	14.9%	14.9%	6.9%	7.9%	
Net Income after minorities Adjusted	1.0	1.4	3.2	119.8%	2.3	3.3	42.3%	1.9	n.m.
Net margin	9.9%	13.5%	22.3%	8.3%	18.6%	18.8%	0.2%	10.6%	8.2%

Source: Company data

1H21 Balance Sheet

€ million	FY20	1H21
Fixed Assets	13.5	18.6
Trade receivables	6.6	6.1
Inventory	0.5	0.2
Trade Payables	(2.8)	(2.4)
Trade Working Capital	4.3	3.9
Other assets and liabilities	(1.2)	0.6
Net Working Capital	3.1	4.5
Other Provisions	(3.2)	(3.5)
Net Capital Employed	13.4	19.6
Group shareholders' equity	12.7	20.7
Minority shareholders' equity	0.7	0.8
Total shareholders' equity	13.4	21.4
Short-term debt / Cash (-)	(6.6)	(7.9)
Long-term liabilities	6.6	6.0
Net Financial Position	(0.0)	(1.8)
Sources	13.4	19.6

Source: Company data

Change in Estimates

Anticipating a stronger 2H21 than the first half of the year, we left our sales estimates unchanged while waiting for 3Q21 preliminary results. On a stand-alone basis our sales estimates are aligned with company's guidance, while on a pro-forma basis they also consider the full-year contribution of the newly acquired companies Gruppo Sigla and Dialog Sistemi.

As the 1H21 R&D government grant was higher than our estimates, we slightly revised the contribution from other revenues. As a result, we now expect FY21E PF value of production (VoP) to be €38.6mn (+2.1% change), growing to €56.3mn in FY23.

Following the upwards revision of the VoP, we now anticipate FY21E PF EBITDA to be €8.9mn (+31.7% CAGR20PF-23), with the EBITDA margin forecast unchanged, going from 23.2% in FY21E PF to 25% in FY23E. Instead, we lowered our EBIT margin estimates to factor in higher than expected 1H21 investment and thus D&A, expecting EBIT margin to progressively improve, reaching 17.3% in FY23E PF.

Looking the bottom line, we now expect FY21 net income at €5.4mn (vs €3.9mn of our previous estimates) mainly factoring tax shield related to asset revaluation (€1.2mn). Adjusting net income net income by extraordinary items related to the stock grant plan and tax shield following asset revaluation, we expect net income to amount to €5.1mn in FY21E PF or 3.6% above our previous estimates, mainly following lower financial costs, growing at CAGR20PF-23 of 29.4%.

Finally, we expect RLT-IT to remain cash positive over the forecasted period, reaching a net cash position of €13.1mn by FY23.

The key points of our forecast are as follow:

- FY21E VoP €38.6mn, reaching €56.3mn in FY23E (28.6% CAGR FY20A-FY23E);
- FY21E EBITDA at €8.9mn, reaching €14.1mn in FY23E (30.8% CAGR FY20A-23E);
- FY21E net income adjusted at €5.1mn, reaching €7.5mn in FY23E (29.4% CAGR FY20A-FY23E).

Change in Estimates

€ million	2020A Actual	2020PF Actual	2021E Old	2021E PF New	Change	2022E Old	2022E New	Change	2023E Old	2023E New	Change	CAGR 2020-23							
Value of Production	24.3	26.5	37.8	38.6	2.1%	45.2	46.2	2.0%	55.4	56.3	1.6%	28.6%							
YoY Change (%)	14.2%	24.2%	42.7%	45.7%		19.7%	19.7%		22.3%	21.9%									
EBITDA	5.9	6.2	8.8	8.9	1.9%	10.9	11.2	2.1%	13.8	14.1	1.8%	31.7%							
YoY Change (%)	19.8%	25.0%	42.5%	45.3%		24.9%	25.1%		26.2%	25.8%									
EBITDA Margin	24.2%	23.2%	23.2%	23.2%		24.2%	24.2%		25.0%	25.0%									
EBIT	4.1	4.4	6.5	6.6	1.2%	7.7	7.8	0.6%	9.7	9.7	0.6%	30.8%							
YoY Change (%)	-4.1%	1.8%	48.8%	50.5%		19.4%	18.7%		25.1%	25.1%									
EBIT Margin	16.9%	16.4%	17.1%	17.0%		17.1%	16.9%		17.5%	17.3%									
Net Income	2.6	2.8	3.9	5.4	37.6%	4.9	5.1	5.6%	6.3	6.5	3.4%	32.8%							
YoY Change (%)	0.7%	10.2%	39.8%	92.4%		24.6%	-4.4%		30.1%	27.4%									
Net Margin	10.5%	10.5%	10.3%	13.9%		10.8%	11.1%		11.4%	11.6%									
Net Income Adjusted	3.2	3.5	5.0	5.1	3.6%	5.9	6.1	2.8%	7.4	7.5	1.6%	29.4%							
YoY Change (%)	0.5%	8.1%	43.5%	48.6%		19.2%	18.3%		24.6%	23.1%									
Net Margin Adjusted	13.2%	13.1%	13.1%	13.3%		13.1%	13.2%		13.3%	13.3%									
NFP	-	0.0	-	0.0	-	3.4	-	3.6	-0.1	-	7.3	-	7.9	-0.7	-	12.2	-	13.1	-1.0

Source: FactSet, KT&Partners' elaboration

Valuation

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

1. EV/EBITDA and P/E multiples, which returns a value of €169.7mn or €4.49ps;
2. DCF analysis based on WACC of 6.8% and 2% perpetual growth, returns a value of €155.7mn or €4.13ps.

The average of the two methods yields a fair value of €4.31ps or an equity value of €162.7mn.

It is worth pointing 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	155.72	4.13
EV/EBITDA	172.16	4.56
P/E	167.18	4.43
Average Multiples	169.67	4.49
Total Average	162.70	4.31

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 2021–23 data.

Peer Comparison – Market Multiples 2021–23

Company Name	Exchange	Market Cap	EV/SALES 2021	EV/SALES 2022	EV/SALES 2023	EV/EBITDA 2021	EV/EBITDA 2022	EV/EBITDA 2023	EV/EBIT 2021	EV/EBIT 2022	EV/EBIT 2023	P/E 2021	P/E 2022	P/E 2023
Reply S.p.A.	Milan	5,702	3.8x	3.4x	3.0x	22.3x	19.9x	17.9x	27.5x	24.3x	21.7x	39.3x	34.8x	31.0x
Cyberoo S.p.A.	Milan	71	6.9x	3.8x	2.5x	n.m	8.8x	4.3x	n.m	12.5x	5.1x	n.m	20.3x	8.2x
Neosperience SpA	Milan	48	2.9x	2.3x	1.7x	10.8x	8.1x	5.9x	n.m	21.1x	10.8x	n.m	36.7x	17.3x
Eurotech S.p.A.	Milan	168	2.6x	2.0x	1.6x	n.m	14.7x	9.2x	n.m	25.1x	12.5x	n.m	37.5x	16.8x
Expert.ai S.p.A.	Milan	127	3.5x	2.5x	1.8x	n.m	n.m	17.5x	n.m	n.m	n.m	n.m	n.m	n.m
WIIT SpA	Milan	712	10.1x	9.0x	8.3x	26.4x	23.0x	20.8x	n.m	n.m	35.3x	n.m	n.m	n.m
Average peer group		1,138	4.9x	3.8x	3.1x	19.8x	14.9x	12.6x	27.5x	20.7x	17.0x	39.3x	32.4x	18.3x
Median peer group		148	3.6x	2.9x	2.1x	22.3x	14.7x	13.3x	27.5x	22.7x	12.5x	39.3x	35.8x	17.1x
Relatech S.p.A.	Milan	98	2.6x	2.1x	1.8x	11.0x	8.8x	7.0x	15.0x	12.7x	10.1x	18.6x	15.9x	13.1x

Source: FactSet, KT&Partners' elaboration

We decide to base our valuation upon: i) 2022 and 2023 multiples, as we did not consider 2021 multiples meaningful; and ii) our estimates of RLT's EBITDA and net income adjusted for 2022 and 2023. We also consider NFP adjusted for the cash-in deriving from the warrant exercise in May 2021, and cash-out following M&A transactions partially paid in kind.

EV/EBITDA Multiple Valuation

Multiple Valuation (€mn)	2022E	2023E
EV/EBITDA Comps	14.9x	12.6x
Relatech SpA EBITDA	11.2	14.1
Enterprise value	166.5	177.2
Relatech SpA FY20 Net Debt Adjusted	-0.3	-0.3
Equity Value	166.8	177.5
Average Equity Value	172.2	
Liquidity Discount	0%	
Equity Value Post-Discount	172.2	
Number of shares (mn)	37.7	
Value per Share €	4.6	

Source: FactSet, KT&Partners' elaboration

P/E Multiple Valuation

Multiple Valuation (€mn)	2022E	2023E
P/E Comps	32.4x	18.3x
Relatech SpA Net Income Adjusted	6.1	7.5
Equity Value	197.0	137.4
Average Equity Value	167.2	
Liquidity Discount	0%	
Equity Value Post-Discount	167.2	
Number of shares (thousand)	37.7	
Value per Share €	4.4	

Source: FactSet, KT&Partners' elaboration

DCF Valuation

We have also conducted our valuation using a four-year DCF model, based on 8.9% 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 0.9% (Italian 10y BTP), % 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 6.8% WACC. We also consider NFP adjusted for the cash-in deriving from the warrant exercise in May 2021, and cash-out following M&A transactions partially paid in kind.

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				
€ million	2021E	2022E	2023E	2024E
EBIT	6.6	7.8	9.7	11.5
Taxes	(0.2)	(1.7)	(2.2)	(2.6)
D&A	2.4	3.4	4.3	5.0
Change in Net Working Capital	(0.5)	(0.9)	(0.9)	0.1
Change in Funds	1.1	1.3	1.6	1.9
Net Operating Cash Flow	9.3	9.9	12.5	15.8
Capex	(10.1)	(5.8)	(6.6)	(7.6)
FCFO	(0.8)	4.1	5.9	8.2
g	2.0%			
Wacc	6.8%			
FCFO (discounted)	(0.8)	3.8	5.1	6.6
Discounted Cumulated FCFO	14.7			
TV	174.0			
TV (discounted)	140.7			
Enterprise Value	155.4			
FY20 NFP Adjusted	(0.3)			
Equity Value	155.7			
Current number of shares (mn)	37.7			
Value per share (€)	4.13			

Source: Company data, KT&Partners' elaboration

Sensitivity Analysis

€ million	Terminal growth Rate	WACC				
		7.3%	7.1%	6.8%	6.6%	6.3%
	1.5%	129.1	135.2	141.9	149.2	157.3
	1.8%	134.5	141.1	148.4	156.5	165.5
	2.0%	140.4	147.7	155.7	164.6	174.5
	2.3%	146.9	154.9	163.8	173.6	184.7
	2.5%	154.1	162.9	172.7	183.8	196.3

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 €5.7bn, 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 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 €71mn, 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 €48mn, 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 €168mn, 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 €127mn, 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 €712mn, 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.

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%	1,459	1,637	1,822	13.4%	
Neosperience SpA	ReYou	14	16	17.3%	19	24	32	24.9%	
Expert.ai S.p.A.	ReData	32	28	-11.2%	33	46	66	33.0%	
Cyberoo S.p.A.	ReSec	6	6	-0.7%	10	18	28	n.m.	
Eurotech S.p.A.	ReThing	102	69	-32.1%	62	82	98	12.3%	
WIIT SpA	ReHub	34	52	54.5%	73	82	89	19.5%	
Peers Average		228	237	3.8%	276	315	356	14.5%	
Relatech SpA		21	26	24.2%	26	39	46	20.3%	

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%	15.1%	16.9%	16.9%	16.9%	11.1%	11.7%	13.7%	13.9%	14.0%	9.6%	9.9%	9.8%	9.8%	10.0%
Neosperience SpA	11.5%	23.3%	26.6%	28.0%	29.2%	neg	neg	4.7%	10.7%	16.0%	6.6%	1.6%	1.6%	5.8%	9.7%
Expert.ai S.p.A.	12.6%	neg	neg	neg	10.1%	neg	neg	neg	neg	neg	neg	neg	neg	neg	neg
Cyberoo S.p.A.	43.4%	33.5%	16.1%	43.5%	56.9%	20.2%	3.4%	neg	30.6%	48.5%	12.5%	1.0%	neg	22.2%	32.1%
Eurotech S.p.A.	19.7%	9.9%	0.6%	13.3%	17.9%	15.9%	4.1%	neg	7.8%	13.2%	18.9%	0.2%	neg	5.5%	10.2%
WIIT SpA	35.7%	31.0%	38.1%	39.1%	39.7%	15.5%	9.7%	19.8%	22.2%	23.4%	14.8%	3.1%	11.1%	13.9%	15.7%
Peers Average	22.9%	22.6%	19.7%	28.2%	28.4%	15.7%	7.2%	12.7%	17.0%	23.0%	12.5%	3.1%	7.5%	11.4%	15.5%
Relatech SpA	23.1%	23.2%	23.2%	24.2%	25.0%	20.1%	16.4%	17.0%	16.9%	17.3%	11.9%	10.5%	13.9%	11.1%	11.6%

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



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