

RESEARCH UPDATE



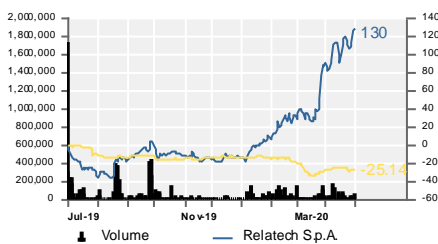
Fair Value: €7.50
(Prev. €7.24)

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Relative Performance Chart since IPO



Market Data:

Current Price (€)	5.98
Fair Value (€)	7.50
Market Cap (€mn)	55.82
52 Wk High (€)	5.60
52 Wk Low (€)	1.80
Free Float (%)	16.4
Avg. Daily Trading 90d	46797
Price Change 1w (%)	6.41
Price Change 1m (%)	21.79
Price Change YTD (%)	160.57
EV/EBIT 2019A	11.20
EV/EBITDA 2020E	9.77
P/E 2019A	21.62
P/E 2020E	15.67

Resilience & Innovation to Face COVID19

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, insight-driven decision-making, proximity marketing, supply-chain efficiency and industrial automation. The offer is protected by a security system vertically responsible for data and privacy protection that is 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.

Snapshot of the market at the time of COVID-19. The COVID-19 crisis has placed the entire world under pressure, calling for innovative thinking and ways to face the challenges of the pandemic as well as the future recovery. There is more widespread awareness of the benefits coming from digital solutions which, in this challenging time, have allowed businesses, citizens and public administrations to continue their activities. Innovation is now more than ever a critical asset for companies, and it is expected that even those more traditional sectors will accelerate their innovation path. Specialized in the next frontier technologies - such as Cloud, Cybersecurity, Artificial Intelligence and Big Data - RLT has supported its clients to maintain business continuity during this emergency. RLT is already conducting part of its business internationally (more than 50% of revenues) and its total addressable market is currently valued at \$772bn and is expected to reach \$2tn in 2024, growing at a CAGR2018-2024 of 17.8%.

1Q20 unaudited results. With double-digit growth of 16%YoY, RLT's revenues reached €4mn as of March 31st, 2020. This was mainly the result of: i) upselling and cross-selling activities; and ii) the acquisition of new clients active in the telco, logistics and pharma sectors. Recurring revenues accounted for 26% (22% in FY19) or €1.1mn, up by +31%YoY. In 1Q20, RLT kept expanding its international business: foreign revenues increased by 10%YoY, representing 56% of total turnover. The growth recorded in the first quarter of 2020 confirms the strength of RLT's business model in a challenging macroeconomic scenario and its ability to generate cash. Indeed, net of the buyback of €1.3mn, cash generated in 1Q20 was €0.8mn. RLT closed 1Q20 with a net cash position of €0.2mn vs €0.7mn as of December 2019, mainly due to the purchase of treasury shares during this period.

Stock Performance. Listed in June 2019, with a market capitalization of €20mn, RLT has shown a remarkable performance of +130% since the IPO, overperforming the FTSE AIM Italia by 155%. Furthermore, the stock has shown good resilience in a weakening global market, ranking among the top-performing AIM companies since the beginning of the year (+161% YTD performance) and since the spread of COVID-19 (+70% since February 20th, 2020).

RLT's growth strategy. RLT will use the IPO's proceeds to support its growth strategy, which is based on the following pillars: i) development of scalable solutions; ii) client acquisition and penetration; iii) entering new markets; iv) investment in technology; and v) strategic acquisitions.

Fair value from €7.24ps to €7.50ps. We leave our estimates unchanged for the time being, whereas we slightly revised our fair value mainly following peers' multiple expansion. Our fair value of €7.50ps or an equity value of €70mn - based on DCF and market multiples methods - implies a +25% upside on current price. The strong 1Q2020 top-line growth and cash generation, and the confident view of the management coupled with the increased investment in IR are a significant support for a potential upside revision over the coming months. RLT for sure must be followed closely.

€ 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	22.1	5.6	25.5%	4.8	3.3	15.0%
2021E	26.5	6.8	25.7%	5.7	3.9	14.7%
2022E	31.5	8.3	26.2%	6.8	4.7	14.8%
2023E	40.0	11.1	27.8%	9.3	6.4	16.0%

Source: Company data, KT&Partners' estimates

RLT - Key Figures

	Current price (€)	Fair Value (€)	Sector				Free Float (%)
	6.0	7.5	Digital Innovation				16.4
Per Share Data							
	2017A	2018A	2019A	2020E	2021E	2022E	2023E
Number of shares (mn)	n.m.	n.m.	9.33	9.33	9.33	9.33	9.33
Treasury shares (mn)	n.m.	n.m.	0.00	0.36	0.36	0.36	0.36
Shares outstanding (mn)	n.m.	n.m.	9.33	8.98	8.98	8.98	8.98
EPS	n.m.	n.m.	0.28	0.38	0.45	0.54	0.74
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	22.1	26.5	31.5	40.0
EBITDA	1.4	2.5	4.9	5.6	6.8	8.3	11.1
EBIT	1.2	2.4	4.3	4.8	5.7	6.8	9.3
EBT	1.2	2.4	3.8	4.8	5.6	6.7	9.2
Taxes	(0.3)	(0.7)	(1.2)	(1.3)	(1.6)	(1.9)	(2.6)
Tax rate	27%	32%	31%	28%	28%	28%	28%
Net Income	0.9	1.6	2.6	3.4	4.0	4.8	6.6
Net Income attributable to the Group	0.9	1.6	2.5	3.3	3.9	4.7	6.4
Balance Sheet (EUR million)							
Total fixed assets	0.4	2.8	6.9	8.4	9.6	10.4	10.8
Net Working Capital (NWC)	0.9	2.1	3.1	2.7	3.5	4.4	6.1
Provisions	(0.5)	(0.9)	(2.0)	(2.8)	(3.7)	(4.7)	(6.1)
Total Net capital employed	0.8	4.0	8.0	8.3	9.4	10.0	10.8
Net financial position/(Cash)	(0.7)	1.1	(0.7)	(3.8)	(6.9)	(11.2)	(17.2)
Group Shareholder's Equity	1.5	2.8	8.5	11.9	15.9	20.7	27.2
Minorities	-	0.1	0.2	0.3	0.4	0.6	0.8
Total Shareholder's Equity	1.5	0.0	0.0	0.0	0.0	0.0	0.0
Cash Flow (EUR million)							
Net operating cash flow	-	1.7	3.6	4.3	5.2	6.4	8.5
Change in NWC	-	(0.9)	(0.2)	0.4	(0.8)	(0.9)	(1.7)
Capital expenditure	-	(2.6)	(3.1)	(2.3)	(2.3)	(2.3)	(2.3)
Other cash items/Uses of funds	-	0.2	0.4	0.8	0.9	1.1	1.3
Free cash flow	-	(1.6)	0.6	3.2	3.0	4.2	5.9
Enterprise Value (EUR million)							
Market Cap	n.a.	n.a.	21.0	55.8	55.8	55.8	55.8
Minorities	-	0.1	0.2	0.3	0.4	0.6	0.8
Net financial position/(Cash)	(0.7)	1.1	(0.7)	(3.8)	(6.9)	(11.2)	(17.2)
Enterprise value	n.a.	n.a.	20	52	49	45	39
Ratios (%)							
EBITDA margin	11.8%	16.7%	23.1%	25.5%	25.7%	26.2%	27.8%
EBIT margin	10.6%	16.2%	20.1%	21.8%	21.3%	21.4%	23.1%
Gearing - Debt/equity	-48.2%	40.1%	-8.3%	-32.1%	-43.6%	-54.3%	-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%	-67.5%	-101.3%	-135.7%	-154.7%
ROCE	155.3%	59.7%	53.3%	57.9%	60.4%	67.5%	85.6%
ROE	59.2%	56.4%	29.8%	28.0%	24.6%	22.6%	23.5%
EV/Sales	n.a.	n.a.	2.6	2.5	2.1	1.7	1.4
EV/EBITDA	n.a.	n.a.	11.2	9.8	8.1	6.7	5.0
P/E	n.a.	n.a.	21.6	15.7	13.3	11.2	8.1
Free cash flow yield	0	0.0	0.0	0.1	0.1	0.1	0.1
Growth Rates (%)							
Sales	n.a.	28.0%	43.4%	3.9%	19.8%	18.8%	26.9%
EBITDA	n.a.	82.0%	97.9%	14.7%	20.9%	21.1%	34.4%
EBIT	n.a.	94.6%	78.1%	12.9%	17.2%	19.4%	37.0%
Net Income	n.a.	90.8%	58.6%	32.6%	17.5%	19.6%	37.4%

Source: Company data, KT&Partners' estimates

FY19 Financial Results

Strong Performances in FY19

RLT kept recording strong performances in FY19. Revenues were up by +43.4% YoY to €21.3mn, thanks to:

- organic growth as a result of the acquisition of new clients (+48% YoY), cross-selling and up-selling activities on existing clients;
- €2.7mn contribution coming from Con.nexò's branch.

FY19 Recurring Revenue Incidence at 22%

Recurring revenue rose to 22% of total revenue, amounting to €3.9mn (+148% YoY).

Adj. EBITDA¹ almost doubled with respect to FY18 (+97.9% YoY), reaching €4.9mn with an EBITDA margin of 23.1% (+6.4pp YoY). Adj. EBIT² increased to €4.3mn (+78.1 YoY) with a margin of 20.1%, +3.9pp YoY despite higher D&As.

Net Income Impacted by €0.5mn One-Off Items

Looking at the bottom line, net income came in at €2.6mn (+61.9% YoY). It should have been higher without considering the negative impact of: i) €0.3mn prudential provision for the ongoing legal dispute with a client of Con.nexò; and ii) €0.2mn of one-off costs related to Con.nexò's branch integration. Adjusting for these extraordinary items, net income after minorities should have been €2.9mn (+87.9% YoY) with an incidence on total revenue of 16.4%.

On the capital structure side, fixed assets went from €2.1mn in FY18 to €6.9mn in FY19, mainly due to the capitalization of listing costs and to the impact of IFRS16.

IPO's Proceeds Drove NFP Improvement

NFP improved benefiting from net IPO proceeds of €3.1mn. At the end of FY19, RLT showed a net cash position of €0.7mn. Adjusting for IFRS16, net cash position should have been €2.3mn. Total shareholders' equity increased by €5.8mn, mainly on the back of the capital raised through the IPO.

¹ EBITDA was adjusted by €0.2mn extraordinary costs related to the integration of Con.nexò's branch.

² EBIT was adjusted by €0.3mn prudential provision for the ongoing legal dispute with a client of Con.nexò.

FY19 Consolidated Income Statement

€ million	FY18	FY19	YoY %
Sales Revenues	13	18.0	36.0%
Other Revenues	1.6	3.3	103.0%
Total Revenues	14.9	21.3	43.4%
<i>Growth %</i>		43.4%	
Products and Raw materials	(0)	(0.0)	-46.3%
Gross Profit	15	21.3	43.8%
<i>Gross Margin</i>		99.9%	
Cost of Services	(6)	(6.0)	1.6%
Rental Costs	(0)	(0.3)	-27.0%
Personnel Expenses	(6)	(10.0)	67.3%
Other Operating Expenses	(0)	(0.1)	263.3%
EBITDA	2.5	4.9	97.9%
<i>EBITDA margin</i>	16.7%	23.1%	
D&A and Provisions	(0.1)	(0.6)	660.7%
EBIT	2.4	4.3	78.1%
<i>EBIT margin</i>	16.2%	20.1%	
Financial Income and Expenses	(0.0)	(0.1)	101.9%
Extraordinary items	0.0	(0.5)	n.m.
EBT	2.4	3.8	58.6%
Taxes	(0.7)	(1.2)	56.1%
<i>Tax Rate</i>	31.6%	31.1%	
Net Income	1.6	2.6	59.8%
<i>Net margin</i>	10.9%	12.1%	
Minorities	0.1	0.6	1060.7%
Net Income attributable to the Group	1.6	2.5	61.9%
<i>Net margin</i>	10.5%	11.9%	

Source: Company data

FY19 Consolidated Balance Sheet

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

Group Strategy

IPO proceeds of €3mn (net of listing costs) will support RLT's organic and external growth. Furthermore, as a public company, RLT will benefit from an improved brand awareness, enhancing its ability to attract new clients and talents.

RLT's growth strategy is based upon the following pillars:

- **Development of innovative solutions with high scalability** aiming at increasing recurring revenues which now account for 22% of FY19 total revenue. New solutions will be developed thanks to internal R&D activities as well as in collaboration with third parties;
- **Client acquisition and penetration.** RLT aims to: i) acquire new clients by reinforcing its sales workforce; and ii) penetrate existing clients thanks to up-selling and cross-selling activities. Moreover, RLT plans to broaden its global presence, addressing new geographic areas through direct sales and strategic partnerships;
- **Entering new markets.** RLT is currently covering interesting end-markets and is planning to enter new areas which offer interesting opportunities as well (e.g. agrifood, Industry 4.0 and healthcare). This strategy also has the aim of reducing the current revenue concentration on historical clients;
- **Investment in technology.** RLT will continue to invest in innovative technology like AI, blockchain, and IoT to address evolving markets;
- **Selective acquisitions.** RLT will continue to pursue strategic acquisitions of new companies or strategic assets which will add new skills/know-how, clients, and partnerships with IT vendor/system integrators to its existing portfolio.

Future Financials

Deconstructing Forecasts

Our financial projections over the 2020-23 period consider RLT's business model and strategy. No impact from future M&As has been taken into account.

We expect RLT's top line will experience a +17.0% CAGR2019A-23E, reaching €40.0mn in FY23. Revenue growth will be mainly driven by:

- Retention of current clients thanks to up-selling and cross-selling activities;
- RePlatform's enrichment with scalable solutions, aimed at different end-markets and needs. This will allow RLT to: i) broaden and diversify its customer base, lowering current client concentration; and ii) increase recurring revenue streams generated by subscription fees for licenses for software usage and maintenance services.

Income Statement 2018A-23E

€ thousand	FY18	FY19	FY20E	FY21E	FY22E	FY23E	CAGR 19A-23E
Sales Revenues	13.2	18.0	19.3	23.3	27.9	36.0	19.0%
Other Revenues	1.6	3.3	2.9	3.3	3.6	4.0	4.4%
Total Revenues	14.9	21.3	22.1	26.5	31.5	40.0	17.0%
Products and Raw materials	- 0.1	- 0.0	- 0.0	- 0.0	- 0.0	- 0.1	19.0%
Gross Profit	14.8	21.3	22.1	26.5	31.5	39.9	17.0%
<i>Gross Margin</i>	99.6%	99.9%	99.8%	99.8%	99.8%	99.8%	
Cost of Services	- 5.9	- 6.0	- 5.8	- 6.9	- 8.1	- 10.1	13.7%
Rental Costs	- 0.4	- 0.3	- 0.3	- 0.4	- 0.5	- 0.6	19.0%
Personnel Expenses	- 6.0	- 10.0	- 10.3	- 12.3	- 14.5	- 18.0	16.0%
Other Operating Expenses	- 0.0	- 0.1	- 0.1	- 0.1	- 0.1	- 0.1	19.0%
EBITDA	2.5	4.9	5.6	6.8	8.3	11.1	22.6%
<i>EBITDA margin</i>	16.7%	23.1%	25.5%	25.7%	26.2%	27.8%	
<i>Growth %</i>	82.0%	97.9%	14.7%	20.9%	21.1%	34.4%	
D&A and Provisions	- 0.1	- 0.6	- 0.8	- 1.2	- 1.5	- 1.9	30.2%
EBIT	2.4	4.3	4.8	5.7	6.8	9.3	21.3%
<i>EBIT margin</i>	16.2%	20.1%	21.8%	21.3%	21.4%	23.1%	
<i>Growth %</i>	94.6%	78.1%	12.9%	17.2%	19.4%	37.0%	
Financial Income and Expenses	- 0.0	- 0.1	- 0.1	- 0.1	- 0.1	- 0.1	-1.4%
Extraordinary items	-	0.5	-	-	-	-	-100.0%
EBT	2.4	3.8	4.8	5.6	6.7	9.2	25.1%
Taxes	- 0.7	- 1.2	- 1.3	- 1.6	- 1.9	- 2.6	
<i>Tax Rate</i>	31.6%	31.1%	28.0%	28.0%	28.0%	28.0%	
Net Income	1.6	2.6	3.4	4.0	4.8	6.6	26.5%
<i>Net margin</i>	10.9%	12.1%	15.5%	15.2%	15.3%	16.5%	
<i>Growth %</i>	78.1%	59.8%	32.6%	17.5%	19.6%	37.4%	
Minorities	0.1	0.0	0.1	0.1	0.2	0.2	44.7%
Net Income attributable to the Group	1.6	2.5	3.3	3.9	4.7	6.4	26.1%
<i>Net margin</i>	10.5%	11.9%	15.0%	14.7%	14.8%	16.0%	
<i>Growth %</i>	72.5%	61.9%	30.9%	17.5%	19.6%	37.4%	

Source: Company data and KT&Partners' elaboration

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 EBITDA margin to progressively improve, reaching 27.8% by FY23. We expect EBITDA to grow at a CAGR2019A-23E of 22.6%, amounting to €11.1mn in FY23.

We expect EBIT to grow at a slower pace (+21.3% CAGR2019A-23E) given a higher incidence of D&As related to recent acquisitions and R&D capitalized costs, reaching €9.3mn in FY23 with an incidence on revenues of 23.1%.

Looking at the bottom line, we expect FY20 net income to reach €3.3mn with a margin of 15.0%. At the end of 2023 we foresee net income to reach €6.4mn, growing at a CAGR2019A-23E of 26.1%.

Capex is expected to be in the region of €2.0mn per year due to further investments to enrich RePlatform with new solutions. We expect that low NWC requirements coupled with the IPO cash-in will allow RLT to remain cash-positive over the 2020-23 period. The company is expected to generate increasingly strong and positive FCFO over the coming years resulting in a net cash position of €17.2mn in FY23.

Balance Sheet 2018A-23E

€ thousand	FY18A	FY19E	FY20E	FY21E	FY22E	FY23E
Intangible	2.6	5.0	6.6	7.8	8.8	9.4
Tangible (including ROU Assets -IFRS16)	0.3	1.9	1.8	1.7	1.5	1.3
Other LT Assets	0.0	0.0	0.0	0.0	0.0	0.0
Fixed Assets	2.8	6.9	8.4	9.6	10.4	10.8
Trade receivables	2.8	4.7	4.7	5.7	6.8	8.8
Inventory	0.0	0.0	0.0	0.0	0.0	0.0
Trade Payables	-1.0	-0.8	-1.2	-1.4	-1.7	-2.0
Trade Working Capital	1.8	3.9	3.5	4.3	5.1	6.7
Other assets and liabilities	0.3	-0.8	-0.8	-0.8	-0.7	-0.6
Net Working Capital	2.1	3.1	2.7	3.5	4.4	6.1
Other Provisions	-0.9	-2.0	-2.8	-3.7	-4.7	-6.1
Net Capital Employed	4.0	8.0	8.3	9.4	10.0	10.8
Group shareholders' equity	2.8	8.5	11.9	15.9	20.7	27.2
Minority shareholders' equity	0.1	0.2	0.3	0.4	0.6	0.8
Total shareholders' equity	2.9	8.7	12.2	16.3	21.2	28.0
Short-term debt / Cash (-)	-0.5	-3.1	-6.2	-9.3	-13.6	-19.6
Long-term liabilities	1.6	2.4	2.4	2.4	2.4	2.4
Net Financial Position	1.1	-0.7	-3.8	-6.9	-11.2	-17.2
Sources	4.0	8.0	8.3	9.4	10.0	10.8

Source: Company data and 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 7.86ps;
2. **DCF analysis** based on WACC of 10% and 2% perpetual growth, returns a value of €7.13ps.

The average of the two methods yields a fair value of €7.50ps or an equity value of €69.98mn.

Peer Comparison

We carried out an in-depth analysis of potential 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 five verticals.

We built a six-company sample, referring on RLT 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 €2.4bn, 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 €43mn, 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 €96mn, 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 €37mn, 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, Cyberoo 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 €215mn, 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 €302mn, 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 while showing marginalities broadly in line or above its competitors.

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

Company Name	RePlatform Module	Sales			YoY 18-19	Sales	
		2018	2019			2021	2022
Reply S.p.A.	Innovation Services	1,036	1,183	14.2%	1,254	1,376	
Neosperience SpA	ReYou	9	15	n.m.	20	28	
Expert System SpA	ReData	29	32	10.1%	35	38	
Cyberoo S.p.A.	ReSec	5	7	47.0%	9	13	
Eurotech S.p.A.	ReThing	79	102	28.9%	100	119	
WIIT SpA	ReHub	24	34	39.0%	48	52	
Peers Average		197	229	16.1%	244	271	
Relatech SpA		15	21	43.4%	22	27	

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%	15.3%	15.7%	16.0%	11.2%	11.1%	12.3%	11.2%	10.3%	9.6%	9.6%	8.7%	9.3%	9.3%
Neosperience SpA	ReYou	26.8%	25.5%	24.8%	25.9%	26.3%	neg	9.8%	18.0%	21.2%	22.8%	4.9%	6.4%	12.4%	14.8%	16.0%
Expert System SpA	ReData	11.5%	10.8%	16.1%	18.1%	n.a.	neg	neg	6.5%	5.9%	n.a.	neg	neg	neg	neg	n.a.
Cyberoo S.p.A.	ReSec	37.2%	36.5%	38.9%	44.9%	51.4%	19.7%	16.9%	26.7%	34.6%	43.5%	8.7%	10.5%	18.9%	24.4%	30.5%
Eurotech S.p.A.	ReThing	9.8%	19.7%	17.9%	21.5%	n.a.	7.2%	15.9%	14.0%	11.7%	n.a.	7.2%	18.9%	13.0%	14.2%	n.a.
WIIT SpA	ReHub	40.9%	38.9%	35.0%	38.2%	39.3%	19.1%	20.1%	20.2%	18.4%	17.2%	13.7%	19.6%	15.9%	18.9%	19.6%
Peers Average		23.1%	24.3%	24.7%	27.4%	33.2%	14.3%	14.7%	16.3%	17.2%	23.5%	8.8%	13.0%	13.8%	16.3%	18.9%
Relatech SpA		16.7%	23.1%	25.5%	25.7%	26.2%	16.2%	20.1%	21.8%	21.3%	21.4%	10.5%	11.9%	15.0%	14.7%	14.8%

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 2019-22

Company Name	Exchange	Market Cap	EV/SALES 2019	EV/SALES 2020	EV/SALES 2021	EV/EBITDA 2019	EV/EBITDA 2020	EV/EBITDA 2021	EV/EBIT 2019	EV/EBIT 2020	EV/EBIT 2021	P/E 2019	P/E 2020	P/E 2021
Reply S.p.A.	Milan	2,387	1.9x	1.9x	1.7x	13.6x	12.3x	10.8x	17.5x	15.2x	15.2x	21.0x	22.6x	19.1x
Cyberoo S.p.A.	Milan	37	5.7x	4.3x	3.0x	15.7x	11.0x	6.8x	33.9x	16.0x	8.8x	53.1x	22.0x	12.1x
Neosperience SpA	Milan	43	2.9x	2.2x	1.6x	11.6x	8.9x	6.2x	30.0x	12.3x	7.5x	44.6x	17.3x	10.5x
Eurotech S.p.A.	Milan	215	2.0x	2.0x	1.7x	9.9x	11.2x	7.8x	12.4x	14.3x	14.3x	11.2x	16.5x	12.7x
Expert System SpA	Milan	109	3.5x	3.2x	2.9x	32.8x	20.1x	16.1x	n.m	n.m	n.m	n.m	n.m	n.m
WIIT SpA	Milan	302	8.8x	6.2x	5.7x	22.7x	17.8x	14.9x	n.m	31.0x	31.0x	45.5x	39.8x	30.5x
Average peer group		515	4.2x	3.3x	2.8x	17.7x	13.6x	10.4x	23.4x	17.8x	15.4x	35.1x	23.6x	17.0x
Median peer group		162	3.2x	2.7x	2.3x	14.6x	11.7x	9.3x	23.7x	15.2x	14.3x	44.6x	22.0x	12.7x
Relatech S.p.A.	Milan	56	2.6x	2.5x	2.1x	11.2x	9.8x	8.1x	11.4x	9.7x	8.2x	21.6x	15.7x	13.3x

Source: FactSet

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

EV/EBITDA Valuation

Multiple Valuation (€mn)	2020E	2021E
EV/EBITDA Comps	13.6x	10.4x
Relatech SpA EBITDA	5.6	6.8
Enterprise value	76.5	71.2
Relatech SpA FY19 Net Debt	-0.7	-0.7
Equity Value	77.2	71.9
Average Equity Value	74.5	
Number of shares (mn)	9.3	
Value per Share €	7.99	

Source: FactSet, KT&Partners' estimates

P/E Valuation

Multiple Valuation (€mn)	2020E	2021E
P/E Comps	23.6x	17.0x
Relatech SpA Net Income	3.3	3.9
Equity Value	78.4	66.2
Average Equity Value	72.3	
Number of shares (thousand)	9.3	
Value per Share €	7.7	

DCF Model

We have also conducted our valuation using a four-year DCF model, based on 13.2% cost of equity, 3.0% cost of debt, and a target capital structure with 40%. The cost of equity is a function of the risk-free rate of 1.8% (Italian 10y BTP), 6.2% mature market expected return, and a premium for size and liquidity of 2.5%. We, therefore, obtained 10% 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	4.8	5.7	6.8	9.3
Taxes	(1.4)	(1.6)	(1.9)	(2.6)
D&A	0.8	1.2	1.5	1.9
Change in Net Working Capital	0.4	(0.8)	(0.9)	(1.7)
Change in Funds	0.8	0.9	1.1	1.3
Net Operating Cash Flow	5.5	5.3	6.5	8.2
Capex	(2.3)	(2.3)	(2.3)	(2.3)
FCFO	3.2	3.0	4.2	5.9
g	2.0%			
Wacc	10.0%			
FCFO (discounted)	3.0	2.6	3.3	4.1
Discounted Cumulated FCFO	13.0			
TV	74.9			
TV (discounted)	52.9			
Enterprise Value	65.8			
NFP FY19	(0.7)			
Equity Value	66.5			
Current number of shares (k)	9334.9			
Value per share (€)	7.13			

Source: KT&Partners' elaborations

Sensitivity Analysis (€mn)

€ thousand		WACC				
		10.3%	10.1%	9.8%	9.6%	9.3%
Terminal growth Rate	1.5%	61	63	65	67	69
	1.8%	62	64	66	69	71
	2.0%	64	66	68	71	73
	2.3%	66	68	70	73	75
	2.5%	67	70	72	75	78

Source: KT&Partners' elaborations

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