

# RELATECH

Sector: Industrials

**BUY**

Price: Eu2.77 - Target: Eu4.40

## Digital Enabler Market Set to Remain Attractive

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### Stock Rating

**Rating:** Unchanged

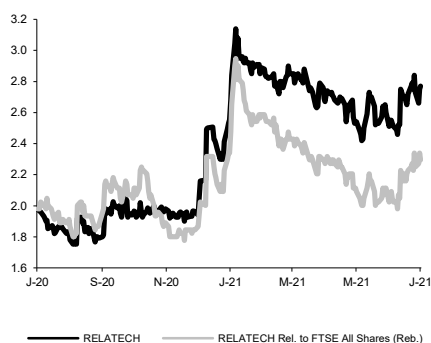
**Target Price (Eu):** from 3.90 to 4.40

	2021E	2022E	2023E
<b>Chg in Adj EPS</b>	-5.6%	1.6%	6.4%

### Next Event: 1H21 Results

Results Out 23 September

### RELATECH - 12M Performance



### Stock Data

Reuters code: RLT.MI

Bloomberg code: RLT IM

Performance	1M	3M	12M
Absolute	10.4%	3.7%	39.9%
Relative	13.2%	1.2%	19.7%
12M (H/L)	3.14/1.75		
3M Average Volume (th):	177.61		

### Shareholder Data

No. of Ord shares (mn):	38
Total no. of shares (mn):	38
Mkt Cap Ord (Eu mn):	105
Total Mkt Cap (Eu mn):	105
Mkt Float - Ord (Eu mn):	42
Mkt Float (in %):	39.7%
Main Shareholder:	
Pasquale Lambardi	53.2%

### Balance Sheet Data

Book Value (Eu mn):	16
BVPS (Eu):	0.45
P/BV:	6.1
Net Financial Position (Eu mn):	2
Enterprise Value (Eu mn):	102

■ **1H21 preliminary revenues up +43% YoY.** Preliminary 1H figures confirm the validity of the RLT business model based on the 3M Strategy. Consolidated revenues came in at Eu11.6mn and continue to show strong growth (+43% YoY) thanks to cross-selling activities and contributions from acquired companies (Mediatech and Xonne in 2020) and also thanks to a scalable business model based on RePlatform. Recurring revenues equated to ~28% of total sales revenues. The company closed 1H with a net cash position of Eu3mn, up from Eu2mn as at the end of March following: 1) the ~Eu3mn cash-out for M&A activities (Dialog Sistemi and Gruppo SIGLA); 2) the ~Eu0.6mn cash-out for the purchase of treasury shares; 3) the Eu4.3mn cash-in from the warrant exercise.

■ **Acquisition of Sigla Group at ~7.2x 2021 EBITDA.** On 12th May, Relatech signed a binding agreement for the purchase of 100% of Sigla (2019 revenues Eu5.6mn, EBITDA Eu0.7mn) a group active in the design and development of digital solutions for industrial automation, data analysis and cybersecurity. Relatech will pay Eu2.3mn for 60% of capital (Eu1.7mn in cash, the remainder in treasury shares), while the remaining 40% of capital will be purchased in two future tranches, with closing in 2023 and 2024 dependent on the fulfilment of certain conditions.

■ **Acquisition of Dialog Sistemi at ~6.2x 2021 EBITDA.** On 13th May, Relatech announced the signing of a binding agreement for the purchase of 60% of the capital of Dialog Sistemi (2020 revenues Eu1.12mn, EBITDA Eu0.15mn) a company that offers business performance management and data warehousing solutions based on a proprietary platform, with recurring revenues comprising c.40% of the total. The deal involves payment of Eu0.67mn for 60% of the capital (Eu0.44mn in cash and the remainder in treasury shares, valued at Eu3.20 per share).

■ **Raising estimates.** We are updating our estimates to include the contribution of the recently announced acquisitions, while confirming our estimates on the previous footprint (net revenues + 43%), supported by the first half data announced. We now assume 61.7% YoY growth for net revenues, with an EBITDA margin of 25.2%, down from 26.3% in 2020 due to the lower profitability of the acquired companies. We are raising total 2021/22 revenues by 10.5%/21.9%, expecting significant cross-selling synergies with acquired companies. In terms of profitability, we are lifting our EBITDA figures by 5.7%/13.5% for 2021/22, translating into upward revisions to net income of 8.7%/17.1% respectively. We note that the change to adj. EPS is due to the change in the number of outstanding shares following the warrant exercise, a dilution that was already included in our valuation.

■ **BUY Confirmed, TP up to Eu4.40.** We reiterate our positive view on the stock, as Relatech is expected to benefit from: 1) structural growth of the digital enabler market; 2) a flurry of investments from the NRRP for the digital sector; 3) intense cross-selling opportunities; 4) further accretive M&A deals to broaden the customer base and complete the product offering. Our target price rises from Eu3.90 to Eu4.40 to reflect our new estimates.

Key Figures & Ratios	2019A	2020A	2021E	2022E	2023E
Sales (Eu mn)	21	24	35	45	54
EBITDA Adj (Eu mn)	5	6	9	12	15
Net Profit Adj (Eu mn)	3	3	4	6	8
EPS New Adj (Eu)	0.077	0.094	0.118	0.166	0.213
EPS Old Adj (Eu)	0.077	0.094	0.125	0.163	0.201
DPS (Eu)	0.000	0.000	0.000	0.000	0.000
EV/EBITDA Adj	4.8	9.2	11.5	8.4	6.6
EV/EBIT Adj	5.6	13.2	15.8	11.1	8.4
P/E Adj	35.8	29.3	23.5	16.7	13.0
Div. Yield	0.0%	0.0%	0.0%	0.0%	0.0%
Net Debt/EBITDA Adj	-0.1	0.0	-0.2	-0.4	-0.6

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**RELATECH – Key Figures**

<b>Profit &amp; Loss (Eu mn)</b>	<b>2018A</b>	<b>2019A</b>	<b>2020A</b>	<b>2021E</b>	<b>2022E</b>	<b>2023E</b>
Sales	15	21	24	35	45	54
EBITDA	2	5	5	8	10	12
EBIT	2	4	3	5	7	9
Financial Income (charges)	-0	-0	-0	-0	-0	-0
Associates & Others	0	0	0	0	0	0
Pre-tax Profit	2	4	3	5	7	9
Taxes	-1	-1	-1	-1	-2	-2
Tax rate	31.6%	31.1%	19.0%	27.0%	27.0%	27.0%
Minorities & Discontinued Operations	-0	-0	-0	-0	-0	-0
Net Profit	2	3	3	4	5	6
EBITDA Adj	2	5	6	9	12	15
EBIT Adj	2	4	4	6	9	11
Net Profit Adj	2	3	3	4	6	8
<b>Per Share Data (Eu)</b>	<b>2018A</b>	<b>2019A</b>	<b>2020A</b>	<b>2021E</b>	<b>2022E</b>	<b>2023E</b>
Total Shares Outstanding (mn) - Average	33	33	33	38	38	38
Total Shares Outstanding (mn) - Year End	33	33	33	38	38	38
EPS f.d	0.048	0.077	0.078	0.098	0.131	0.165
EPS Adj f.d	0.048	0.077	0.094	0.118	0.166	0.213
BVPS f.d	0.089	0.266	0.410	0.454	0.585	0.750
Dividend per Share ORD	0.000	0.000	0.000	0.000	0.000	0.000
Dividend per Share SAV	0.000	0.000	0.000	0.000	0.000	0.000
Dividend Payout Ratio (%)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b>Cash Flow (Eu mn)</b>	<b>2018A</b>	<b>2019A</b>	<b>2020A</b>	<b>2021E</b>	<b>2022E</b>	<b>2023E</b>
Gross Cash Flow	3	4	6	6	8	9
Change in NWC	-2	-1	-0	-1	-0	-0
Capital Expenditure	-3	-5	-4	-4	-5	-5
Other Cash Items	0	0	0	0	0	0
Free Cash Flow (FCF)	-2	-1	2	1	3	4
Acquisitions, Divestments & Other Items	1	-1	-6	-3	0	-0
Dividends	0	-0	0	0	0	0
Equity Financing/Buy-back	0	4	3	4	0	0
Change in Net Financial Position	-1	2	-1	2	3	4
<b>Balance Sheet (Eu mn)</b>	<b>2018A</b>	<b>2019A</b>	<b>2020A</b>	<b>2021E</b>	<b>2022E</b>	<b>2023E</b>
Total Fixed Assets	3	8	19	23	25	26
Net Working Capital	2	3	3	4	4	5
Long term Liabilities	-1	-2	-3	-6	-6	-6
Net Capital Employed	4	8	13	15	17	20
Net Cash (Debt)	-1	1	0	2	5	9
Group Equity	3	9	13	17	22	28
Minorities	0	0	1	1	1	1
Net Equity	3	9	13	16	21	28
<b>Enterprise Value (Eu mn)</b>	<b>2018A</b>	<b>2019A</b>	<b>2020A</b>	<b>2021E</b>	<b>2022E</b>	<b>2023E</b>
Average Mkt Cap		24	54	105	105	105
Adjustments (Associate & Minorities)	0	0	0	0	0	0
Net Cash (Debt)	-1	1	0	2	5	9
Enterprise Value		24	54	102	100	96
<b>Ratios (%)</b>	<b>2018A</b>	<b>2019A</b>	<b>2020A</b>	<b>2021E</b>	<b>2022E</b>	<b>2023E</b>
EBITDA Adj Margin	16.7%	23.1%	24.2%	25.2%	26.2%	27.2%
EBIT Adj Margin	16.2%	20.1%	16.9%	18.2%	19.8%	21.4%
Gearing - Debt/Equity	38.2%	-8.1%	-0.4%	-12.5%	-22.6%	-31.0%
Interest Cover on EBIT	118.3	50.5	43.2	47.0	83.4	191.4
Net Debt/EBITDA Adj	0.4	-0.1	0.0	-0.2	-0.4	-0.6
ROACE*	119.3%	63.5%	32.1%	38.5%	44.6%	48.8%
ROE*	nm	44.8%	29.1%	30.5%	33.1%	32.9%
EV/CE		3.9	5.0	7.2	6.2	5.2
EV/Sales		1.1	2.2	2.9	2.2	1.8
EV/EBITDA Adj		4.8	9.2	11.5	8.4	6.6
EV/EBIT Adj		5.6	13.2	15.8	11.1	8.4
Free Cash Flow Yield	-2.2%	-1.1%	1.6%	1.2%	2.7%	3.8%
<b>Growth Rates (%)</b>	<b>2018A</b>	<b>2019A</b>	<b>2020A</b>	<b>2021E</b>	<b>2022E</b>	<b>2023E</b>
Sales	35.1%	43.4%	14.2%	45.6%	27.6%	18.4%
EBITDA Adj	38.2%	97.9%	19.8%	51.2%	32.9%	23.1%
EBIT Adj	nm	78.1%	-4.1%	57.5%	38.4%	27.8%
Net Profit Adj	11.8%	61.9%	0.7%	45.5%	33.0%	26.3%
EPS Adj	11.8%	61.9%	22.1%	24.6%	40.7%	29.0%
DPS						

\*Excluding extraordinary items

Source: Intermonte SIM estimates

## Relatech in Brief

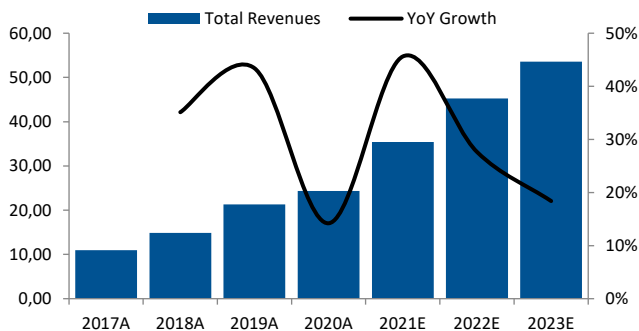
### Company description

**Relatech** is a Digital Enabler Solution Knowledge (D.E.S.K.) company that provides support for corporate digital transformation. The group's value proposition focuses on its depth of experience as a digital enabler (CX, Big Data, AI, Blockchain, IoT, Cloud). The group provides its customised digital solutions through RePlatform, a proprietary cloud-based platform that consists of five modules.

### Strengths/Opportunities

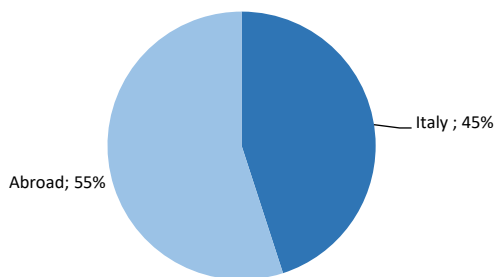
- Highly specialized workforce
- Scalable business model based on RePlatform
- Increasing incidence of recurring revenues (27% in FY20)
- Solid financial structure and M&A track record
- Solid technological partnership
- Geographical expansion and product diversification
- Acceleration of digital services among Italian companies

### Revenues Evolution: Historical and Forecast



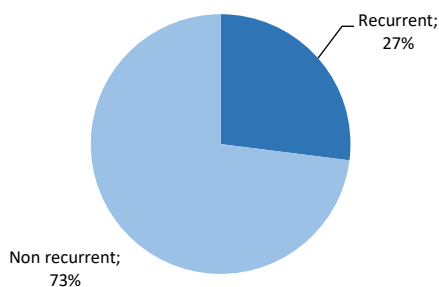
Source: Company data & Intermonte SIM Estimates

### Revenue Breakdown by Geography (2020A)



Source: Company data & Intermonte SIM

### Recurrent vs Non-Recurrent Revenues (2020A)



Source: Company data & Intermonte SIM

### Management

**CEO:** Pasquale Lambardi  
**Chairman:** Pasquale Lambardi  
**Vice-Chairman:** Gianni Franco Papa  
**CFO:** Gianluca Rossi  
**COO:** Silvio Cosoleto

**Next BoD renewal:** April, 2022

**BoD independent members:** 1/5

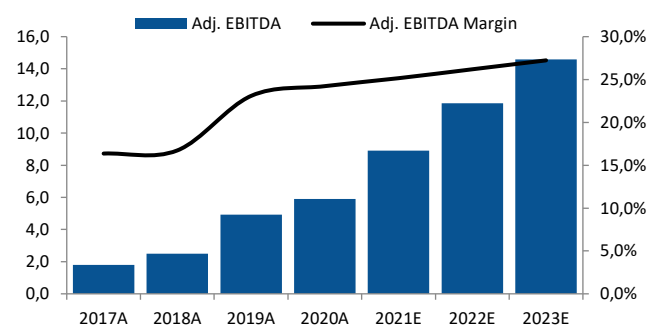
### Shareholders

Pasquale Lambardi	53.2%
Lock-up shares	4.5%
Treasury Shares	2.6%
Free Float	39.7%

### Weaknesses/Threats

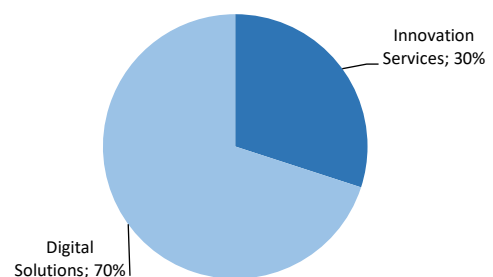
- High level of competition in the digital sector
- High client concentration
- Limited geographical diversification
- Limited size compared to large competitors
- Dependence on key managerial figures
- New entrants in the sectors and fierce competition
- Demand for more advanced technological skills

### Adj. EBITDA and Margins Evolution: Historical and Forecast



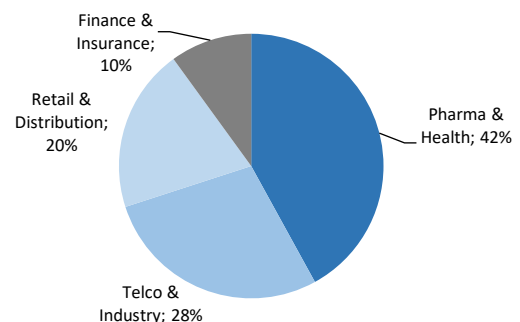
Source: Company data & Intermonte SIM Estimates

### Revenue Breakdown by Business Segment (2020A)



Source: Company data & Intermonte SIM

### Revenue Breakdown by Market Segment



Source: Company data & Intermonte SIM

## First half Results and 3M Strategy

**1H21 preliminary revenues up +43% YoY.** Yesterday Relatech released first half revenues and the NFP. Preliminary first half results confirm the validity of RLT's business model based on the **3M Strategy** (Merge, Management, Margin) able to guarantee a growing share of recurring revenues and cash generation. Consolidated revenues came in at Eu11.6mn and continue to show strong growth (+43% YoY) thanks to cross-selling activities and contributions from acquired companies (Mediatech and Xonne in 2020) and also thanks to a scalable business model based on RePlatform. **Recurring revenues** equated to ~28% of total sales revenues. The company closed 1H with a **net cash position** of Eu3mn, up from Eu2mn as at the end of March following: 1) the cash-out for M&A activities, ~Eu3mn for Dialog Sistemi and Gruppo SIGLA; 2) the cash-out for the purchase of treasury shares, ~Eu0.6mn; 3) the cash-in from the warrant exercise, ~Eu4.3mn.

### Relatech - 3M Strategy: Strategic Guidelines



Source: Company presentation

## Effervescent M&A activities in 2Q21

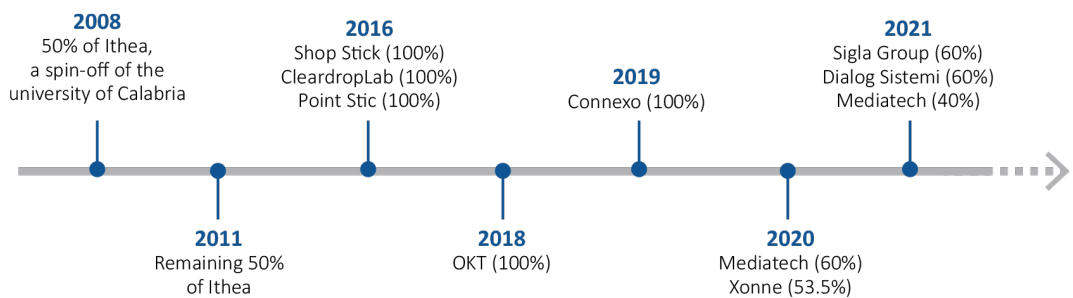
In 2Q21 Relatech carried out two strategic acquisitions: Sigla Group and Dialog Sistemi. The purchases will allow the company to strengthen its offer as well as expanding its customer base and launching intense cross-selling and upselling activity on new and existing clients. Additionally, Dialog's proprietary platform will be incorporated into RePlatform and drive an increase in recurring revenues thanks to a scalable modular solution.

In March the company signed a multi-year agreement (12 years) for a digital innovation project with ITRIGHTS, a major independent Italian firm with activities in Italy and worldwide in the market for interpretation and executive rights involving artists and producers of recorded material. The accord takes Relatech into the market for rights management solutions thanks to full verticalisation on all RePlatform modules, thus strengthening its offering. We note that the partnership with ITRIGHT will generate significant recurring revenues, helping grow the overall percentage each year.

Furthermore, on 30<sup>th</sup> June the company announced the early closing of the acquisition of 100% of the share capital of Mediatech, the company specialised in Cloud and Cybersecurity solutions and services that became part of Relatech group in June 2020.

Over the years the company's management has built up a solid track record in M&A as shown in the chart below. The company's acquisition strategy is to look for targets that will strengthen and integrate with the proprietary platform. In 2021, the company plans to continue to grow in the Italian market through acquisitions, before focusing on an internationalisation strategy at a later date.

### Relatech – M&A track record



Source: Intermonte SIM

### Binding agreement for purchase of Sigla Group

On 12<sup>th</sup> May Relatech signed a binding agreement for the purchase of **100% of Sigla**, a Genoa-based group operating for over 25 years in the design and development of **digital solutions for industrial automation, data analysis and cybersecurity**. The Sigla group closed 2019 with revenues of Eu5.6mn from sales, EBITDA of Eu0.7mn and a net financial position of Eu1.2mn. Relatech will pay Eu2.3mn for 60% of the capital (Eu1.7mn in cash, the remainder in treasury shares), while the remaining 40% of the capital will be purchased in two future tranches, with closing in 2023 and 2024 dependent on the fulfilment of certain conditions. This purchase is consistent with the company's external growth strategy and is of strategic importance to Relatech, as it will not only allow it to consolidate and expand its offer, it will also enable expansion of the customer base, with the acquisition of international clients, and penetration of new market sectors. The multiple paid (~7.2x EV/EBITDA 2021) appears particularly attractive and is lower than the multiple at which Relatech is currently trading (~10x EV/EBITDA 2021). Based on preliminary estimates, the acquisition would be 8% EBITDA-accretive, without including potential synergies, which could be significant. We also underline that the treasury shares were valued at Eu3.838 per share in the deal, well above the current market price, on the one hand reflecting the company's value as recognised by the new shareholders, and on the other the rationale for using treasury shares in acquisitions.

## Relatech: M&A - Gruppo Sigla

ACQUISITION OF **60%**

**GRUPPO SIGLA AT A GLANCE**

- ACTIVE IN ITALY FOR OVER 25 YEARS
- 56 M€ REVENUE 2019
- INTERNATIONAL CUSTOMERS ACTIVE IN INDUSTRY AUTOMATION, TRANSPORTATION, LOGISTICS

**BUSINESS VALUE FOR RELATECH**

- STRENGTHENING R&D AREA
- OFFER CONSOLIDATION IN THE INDUSTRY AUTOMATION, DATA ANALYSIS AND CYBERSECURITY AREA
- CUSTOMER BASE EXPANSION AND ENTRY IN NEW MARKET SECTOR

**RESEC**  
PROTECTION OF VALUE  
Solution and infrastructure based on Cyber Security technology

**RePlatform**

**RETHING**  
**PHYGITAL INTERACTION**  
Solution for the data management (acquisition, monitoring and analysis)

**REDATA**  
Digital solution for the acquisition of a large amounts of data

Source: Company presentation

## Binding agreement for purchase of Dialog Sistemi

On 13<sup>th</sup> May Relatech announced the signing of a binding agreement for the purchase of 60% of the capital of **Dialog Sistemi**, a company that offers **business performance management** and **data warehousing solutions** based on a proprietary platform. Under the agreement, the remaining 40% of the capital will be purchased by 2024 when certain conditions have been fulfilled. Dialog closed 2020 with revenues of Eu1.12mn, EBITDA of Eu0.15mn and cash of Eu0.6mn. Around 40% of the company's revenues are recurring, and it has a consolidated customer base in the pharmaceutical, F&B, telecoms, supermarket and retail sales sectors. The deal involves payment of Eu0.67mn for 60% of the capital (Eu0.44mn in cash and the remainder in treasury shares, valued at Eu3.20 per share). The multiple paid is 6.2x 2021 EV/EBITDA.

This is the second M&A deal in 2021 and is consistent with the company's external growth strategy. The purchase will not only allow Relatech to strengthen its business model in Innovation Services, but also to expand its customer base and launch intense cross-selling and upselling activity on new and existing clients. Dialog's proprietary platform will be incorporated into RePlatform and drive an increase in recurring revenues thanks to a scalable modular solution.

## Relatech: M&A – Gruppo Dialog

ACQUISITION OF **60%**

**DIALOG AT A GLANCE**

- SET UP IN ITALY IN 1991
- 1.12 M€ REVENUE (2020)
- 40% RECURRING REVENUES (2020)
- OWN MODULAR & SCALABLE PLATFORM FOR BUSINESS PERFORMANCE MANAGEMENT AND DATA WAREHOUSING

**BUSINESS VALUE FOR RELATECH**

- STRENGTHENING THE INNOVATION SERVICES AREA
- EMPOWER REDATA MODULE
- ENLARGE THE CUSTOMER BASE, STRENGTH GROUP PRESENCE IN THE INDUSTRY AND DISTRIBUTION MARKET FIELD

**INNOVATION SERVICES**

- BUSINESS SERVICES
- TECHNICAL SERVICES

**RePlatform**

**RETHING**  
**PHYGITAL INTERACTION**  
Solution for the data management (acquisition, monitoring and analysis)

**REDATA**  
Digital solution for the acquisition of a large amounts of data

Source: Company presentation

## Long-term agreement for rights management innovation solutions with ITSRIGHTS

On 17<sup>th</sup> May Relatech finalised the basic terms of a **multi-year agreement (12 years)** for an estimated overall amount of c.Eu1.8mn for a digital innovation project with **ITSRIGHTS**, a major independent Italian firm with activities in Italy and worldwide in the market for interpretation and executive rights involving artists and producers of recorded material.

The agreement foresees the implementation of an integrated solution for:

- the development of the rights management platform;
- the creation of a portal for recording works;
- digitalisation of the mandate acquisition phase.

The project will be developed using various modules of the proprietary cloud-based RePlatform and in particular of the ReData modules, with Machine Learning and Big Data technology. Through the ReSec module based on Blockchain technology, certification will benefit from the highest levels of security, while with the ReYou module, it will be possible to optimise the engagement of web users, simplifying mandate assignment and content upload activities. The most innovative Cloud and Cybersecurity technologies guarantee the flexibility and scalability of the entire project within a robust and secure infrastructure for the protection of information.

The agreement takes Relatech into the market for rights management solutions thanks to full verticalisation on all RePlatform modules, thus strengthening its offering. The partnership with ITSRIGHTS will generate significant recurring revenues, helping grow the overall percentage each year.

## Early closing of the Mediatech acquisition and full integration two years in advance

On 30<sup>th</sup> June, the company announced the early closing of the acquisition of 100% of the share capital of Mediatech, the company specialised in Cloud and Cybersecurity solutions and services that became part of Relatech group in June 2020.

Relatech has purchased the remaining 40% of the share capital of Mediatech for ~Eu1.7mn, of which Eu0.37mn in cash and the remainder through the transfer of a total of 330,000 RLT treasury shares valued at Eu4 each.

The operation, which was expected to be completed in 2023, has been brought forward by two years following in-depth evaluations by the management of Relatech and Mediatech, who consider this area strategic and wanted to accelerate completion of the acquisition in order to benefit fully from cost synergies and have greater flexibility in terms of investment plans.

## Warrant exercise and change in the shareholding structure

On 21 May, Relatech announced the closure of the second exercise period (period 2, 10-21 May) of the “Warrant Relatech 2019-2022”.

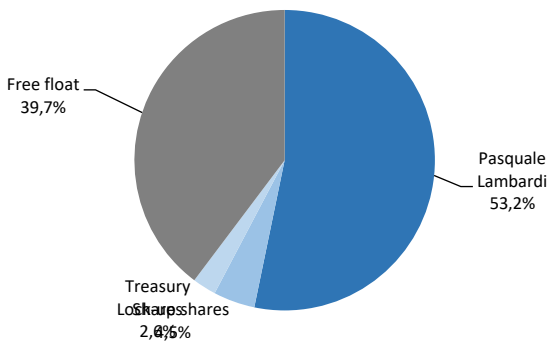
During this period, **3,321,306 warrants were exercised** and consequently **4,981,959 newly issued shares** were subscribed at **Eu0.86ps** (conversion ratio of 3 shares per 2 warrants) for a **total value of Eu4.3mn**.

As a result of the warrant exercise, there are currently **3,072,180 warrants outstanding** and the **share capital** consists of **37,749,780 ordinary shares**. Current outstanding warrants are eligible for exercise between 9-20 May 2022 (period 3, at Eu0.95).

On 17th June Pasquale Lambardi and Silvio Cosoleto sold respectively, 1,260,000 and 600,075 shares at the price of Eu2.20ps. The sale of the blocks were carried out in favour of institutional investors.

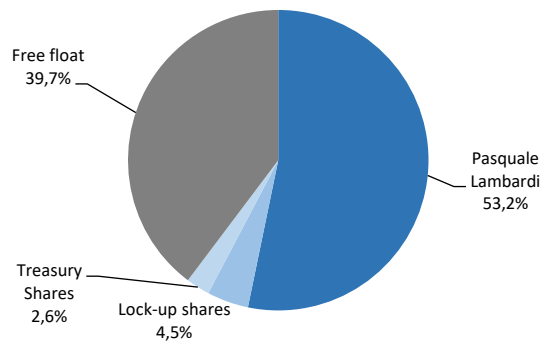
Exercise of the warrants (period 2, at Eu0.86) as well as the sold of shares to investors led to substantial change in the shareholding structure as illustrated in the charts below.

Relatech – Shareholding structure at 04/23/2021



Source: Intermonte SIM & Company data

Relatech – Shareholding structure at 12/07/2021



Source: Intermonte SIM & Company Data



## Changes to estimates

**Raising our estimates.** We are updating our estimates to include the contribution of the recently announced acquisitions, while confirming our estimates on the previous footprint (net revenues + 43%), supported by the first half data announced. We now assume 61.7% YoY growth for net revenues, with an EBITDA margin of 25.2%, down from 26.3% in 2020 due to the lower profitability of the acquired companies. We are raising total 2021/22 revenues by 10.5%/21.9%, expecting significant cross-selling synergies with acquired companies. In terms of profitability, we are lifting our EBITDA figures by 5.7%/13.5% for 2021/22, translating into upward revisions to net income of 8.7%/17.1% respectively. We note that the change to adj. EPS is due to the change in the number of outstanding shares following the warrant exercise, a dilution that was already included in our valuation.

### Relatech – Change to estimates

	New estimates			Old Estimates			Change		
	2021	2022	2023	2021	2022	2023	2021	2022	2023
<b>Value of production</b>	<b>35.448</b>	<b>45.247</b>	<b>53.569</b>	<b>32.088</b>	<b>37.129</b>	<b>42.986</b>	<b>10.5%</b>	<b>21.9%</b>	<b>24.6%</b>
YoY growth	45.6%	27.6%	18.4%	31.8%	15.7%	15.8%			
<b>EBITDA adjusted</b>	<b>8.917</b>	<b>11.852</b>	<b>14.589</b>	<b>8.436</b>	<b>10.440</b>	<b>12.415</b>	<b>5.7%</b>	<b>13.5%</b>	<b>17.5%</b>
% margin	25.2%	26.2%	27.2%	26.3%	28.1%	28.9%			
<b>EBIT adjusted</b>	<b>6.467</b>	<b>8.952</b>	<b>11.439</b>	<b>6.236</b>	<b>8.040</b>	<b>9.815</b>	<b>3.7%</b>	<b>11.3%</b>	<b>16.5%</b>
% margin	18.2%	19.8%	21.4%	19.4%	21.7%	22.8%			
<b>Net Income adjusted</b>	<b>4.442</b>	<b>6.249</b>	<b>8.059</b>	<b>4.085</b>	<b>5.336</b>	<b>6.575</b>	<b>8.7%</b>	<b>17.1%</b>	<b>22.6%</b>
<b>EPS Adj.</b>	<b>0.118</b>	<b>0.166</b>	<b>0.213</b>	<b>0.125</b>	<b>0.163</b>	<b>0.201</b>	<b>-5.6%</b>	<b>1.6%</b>	<b>6.4%</b>
<b>NFP</b>	<b>2.147</b>	<b>4.996</b>	<b>8.769</b>	<b>1.633</b>	<b>4.575</b>	<b>8.462</b>	<b>31.5%</b>	<b>9.2%</b>	<b>3.6%</b>

Source: Intermonte SIM Estimates

## ESG at a Glance

Although Relatech is not obliged to draw up a non-financial statement pursuant to Legislative Decree 254/2016, on 21 June 2021 it published its first ESG report on a voluntary basis according to GRI Standards (Global Reporting Initiative). The reporting scope includes Relatech, Relatech Consulting, Ithea, OKT, Mediatech, Xonne.

### Relatech and the culture of sustainability

Relatech has put ESG at the heart of its operations across the board and its relationships with a range of stakeholders, as shown in the ESG Statement published voluntarily. Due to way Relatech conducts its business as well as the relevance of goals to its mission and strategy, the sustainable development objectives that the company makes the largest contribution to achieving are the following four:



In line with best practice, the company carried out a materiality analysis via an online survey involving c.50 respondents from inside and outside the company (employees, clients, universities, research centres, suppliers, and company managers). The priorities that emerged from the materiality matrix are innovation and R&D, followed by human rights and personal development.

Moreover the Group's value proposition is characterized by in-depth experience on Digital Enablers, frontier digital technologies such as Big Data, Artificial Intelligence and Blockchain based on the cloud-based digital platform Replatform. In defining and implementing its strategy Relatech adopts an Open Innovation-oriented approach that allows the Group to fuel an innovative debate with research and academic institutes and increase internal skills on innovative technologies.

### Environmental

Relatech pays close attention to the management of its datacentres: the DATA4 centre in Milan in particular has adopted a social and environmental responsibility approach that aims to reduce the environmental impact over time via specific initiatives:

1. Long-term commitment to upgrading;
2. Adoption of 14001 and 50001 certification;
3. Reference to and alignment with advice from ASHRAE.<sup>1</sup>

In addition, the datacentres are located on a campus, enabling more efficient management of power consumption.

The group purchases electricity on the market and in 2020 its consumption (entirely from non-renewable sources) was 503 GJ, down 22% YoY, and leading to 50 tons of CO<sub>2</sub>e (vs. 62 tons of CO<sub>2</sub> in 2019).

### Social

#### Employees & training

As at year-end 2020, there were 230 employees (20% women), up 14% on 2019. All employees are on permanent contracts: 97% work full time, the rest part time.

By level of responsibility, 9% of employees are managers or senior managers, 91% are categorised as employees.

In 2020, 70% of employees were aged 30-50, and 18% under 30. The permanent workforce is supplemented by 57 external associates and interns.

All employees are on the national employment contract. 2020 saw 41 new hires (5 women, 36 men) and the entry turnover rate was 18%. The number leaving the company was 23 for an exit turnover rate of 10%.

No instances of discrimination were recorded in 2020.

<sup>1</sup> ASHRAE: American Society of Heating, Refrigerating and Air-Conditioning Engineers

### Health & Safety Policy

Relatech has implemented a system for health and safety management of the workforce. No workplace accidents were recorded in 2020, and just one in 2019. Neither 2019 nor 2020 saw any instance of professional illness. In 2020, 1,140 hours of health and safety training were given, flat compared to 2019.

### Employees' training

On average, each employee received 49.30 hours of training in 2020, 61% more than in 2019. Average training hours per female employee were 34.04 (+74 YoY) while the figure per male employee was 53.12 hours (+60% YoY).

All employees are scheduled to receive anti-corruption training in 2021.

### Governance

Relatech has a traditional system of governance comprising shareholder meetings, the board of directors, and the board of statutory auditors.

The board comprises 5 members of which one woman, who is also an independent director. Pasquale Lambardi is CEO and chairman.

Relatech has adopted an ethics code that lays down the commitments and responsibilities of the Group and covers anyone who works on a permanent or temporary basis for or on behalf of Relatech. Moreover, commercial partners and independent contractors (i.e. not contractually bound in similar manner to an employee) are required to behave in accordance with the ethics code in their dealings with Relatech.

## Valuation

### Summary

We are setting a target price of Eu4.40 per share for Relatech. This is obtained from the simple average of a DCF-based valuation (Eu4.10) and a peer comparison (ranging from Eu4.1 to Eu5.2). Our target price offers 56% upside to yesterday's close.

Given that the target price resulting from our analysis would be above the highest exercise price of the outstanding warrants, we assume full dilution from the warrants. As a consequence, the NOSH increases from 32,749,480 to 42,357,750, while the proceeds for the company will be ~Eu4.4mn.

#### Relatech – Valuation Summary

	Equity Value EUR mn	Weight	Weighted valuation
DCF valuation (WACC @ 7.0%, g @3.0%)	172.9	50%	86.5
EV/EBITDA 2022	173.2	17%	28.9
EV/EBIT 2022	193.0	17%	32.2
PE 2022	221.8	17%	37.0
SUM			184.5
NOSH fully diluted			42.4
<b>Target Price (Eu per share)</b>			<b>4.4</b>
Current Market Value			2.8
<b>Upside/(Downside)</b>			<b>56%</b>

Source: Intermonte SIM Estimates

## Peer comparison

### Relatech – Peer group performance

	Mkt Cap (Eu mn)	% Change YTD	% Change 1 Month	% Change 3 Month	% Change 6 Month	% Change 1 Year
<b>Relatech</b>	<b>103.81</b>	<b>10.8%</b>	<b>10.4%</b>	<b>3.7%</b>	<b>3.4%</b>	<b>39.9%</b>
<b>Bucket 1: Italian Tech Companies</b>						
Cy4Gate	128.70	1.0%	-5.9%	-9.1%	-4.4%	96.2%
Cyberoo	58.27	3.0%	2.3%	5.9%	5.9%	37.4%
Reply	5312.42	50.6%	1.8%	28.9%	40.5%	89.9%
Tinexta	1554.06	55.5%	0.0%	34.3%	54.8%	132.3%
Wiiit	527.91	14.4%	-0.9%	17.5%	18.7%	46.8%
Neosperience SpA	42.78	7.2%	-8.1%	-4.1%	11.4%	-8.4%
Eurotech S.p.A.	156.06	-14.4%	-6.9%	-12.9%	-6.1%	-14.8%
<b>Bucket 2: International Tech Companies</b>						
Generix Group SA	206.91	29.1%	-3.2%	13.6%	10.2%	14.4%
Axway Software SA	590.72	1.5%	6.2%	-8.7%	11.4%	40.9%
D4t4 Solutions plc	153.61	17.8%	-6.1%	6.1%	21.9%	49.5%
iomart Group plc	301.78	-25.8%	-12.2%	-17.0%	-27.1%	-32.1%
Fortinet, Inc.	36633.14	78.8%	11.6%	31.5%	77.3%	98.6%
Netcompany Group A/S	4950.60	20.9%	8.9%	16.7%	30.5%	57.9%
CANCOM SE	1871.51	10.8%	2.5%	-1.5%	4.3%	-0.5%
Bechtle AG	6827.10	-7.5%	10.4%	-2.2%	-9.0%	0.3%

Source: Factset

### Relatech – Peer group multiples

	Price (Eu)	Mkt Cap (Eu mn)	EV/EBITDA			EV/EBIT			PE		
			2021E	2022E	2023E	2021E	2022E	2023E	2021E	2022E	2023E
<b>Relatech</b>	<b>2.77</b>	<b>104</b>	<b>10.8 x</b>	<b>7.9 x</b>	<b>6.1 x</b>	<b>14.8 x</b>	<b>7.8 x</b>	<b>0.0 x</b>	<b>21.6 x</b>	<b>15.3 x</b>	<b>11.9 x</b>
<b>Bucket 1: Italian Tech Companies</b>											
Cy4Gate*	8.69	129	16.4 x	9.9 x	7.8 x	24.4 x	13.8 x		36.7 x	36.7 x	21.3 x
Cyberoo*	6.14	58	13.9 x	5.4 x	2.7 x	27.4 x	6.8 x	3.2 x	41.4 x	41.4 x	11.6 x
Reply*	143.5	5,312	21.1 x	18.6 x	16.2 x	26.3 x	22.9 x	19.8 x	39.0 x	39.0 x	34.7 x
Tinexta*	32.66	1,554	17.0 x	14.1 x	11.7 x	24.4 x	19.0 x	15.1 x	29.5 x	29.5 x	24.1 x
Wiiit*	18.64	528	21.7 x	18.3 x	16.0 x	41.5 x	31.6 x	25.8 x	51.4 x	51.4 x	37.4 x
Neosperience SpA	5.66	43	6.3 x	5.0 x	4.1 x				73.8 x	28.5 x	13.0 x
Eurotech S.p.A.	4.412	156	19.0 x	9.3 x	5.8 x	62.8 x	19.4 x	9.2 x	73.8 x	15.2 x	9.3 x
<b>Bucket 2: International Tech Companies</b>											
Generix Group SA	9.0	207	18.2 x	15.8 x	14.1 x	25.0 x	21.5 x	18.5 x	41.5 x	36.6 x	32.6 x
Axway Software SA	27.4	591	16.3 x	13.8 x	11.4 x				33.1 x	27.7 x	22.6 x
D4t4 Solutions plc	4.0	154	37.3 x	23.6 x	17.0 x	42.4 x	25.6 x	18.0 x	56.5 x	35.5 x	25.8 x
iomart Group plc	2.8	302	7.1 x	6.9 x	6.9 x	14.0 x	13.5 x		16.0 x	15.9 x	16.7 x
Fortinet, Inc.	225.1	36,633	45.4 x	37.0 x	30.3 x	49.7 x	40.5 x	33.8 x	70.8 x	60.8 x	52.6 x
Netcompany Group A/S	101.2	4,951	39.9 x	32.9 x	27.7 x	44.5 x	36.9 x	30.7 x	53.8 x	44.9 x	37.3 x
CANCOM SE	50.3	1,872	11.7 x	9.8 x	8.5 x				32.4 x	26.0 x	21.9 x
Bechtle AG	165.1	6,827	17.3 x	15.7 x	14.2 x	22.6 x	20.1 x	17.7 x	32.4 x	29.5 x	26.8 x
<b>Median Italian peers</b>			<b>17.0 x</b>	<b>9.9 x</b>	<b>7.8 x</b>	<b>26.9 x</b>	<b>19.2 x</b>	<b>15.1 x</b>	<b>41.4 x</b>	<b>36.7 x</b>	<b>21.3 x</b>
<b>Median International peers</b>			<b>17.7 x</b>	<b>15.7 x</b>	<b>14.2 x</b>	<b>33.7 x</b>	<b>23.5 x</b>	<b>18.5 x</b>	<b>37.3 x</b>	<b>32.5 x</b>	<b>26.3 x</b>
<b>Median</b>			<b>17.3 x</b>	<b>14.1 x</b>	<b>11.7 x</b>	<b>26.9 x</b>	<b>20.8 x</b>	<b>18.3 x</b>	<b>41.4 x</b>	<b>35.5 x</b>	<b>24.1 x</b>

Source: Factset and Intermonte SIM proprietary estimates (\*). Prices as of 21/07/2021

DETAILS ON STOCKS RECOMMENDATION			
Stock NAME	RELATECH		
Current Recomm:	BUY	Previous Recomm:	BUY
Current Target (Eu):	4.40	Previous Target (Eu):	3.90
Current Price (Eu):	2.77	Previous Price (Eu):	2.79
Date of report:	22/07/2021	Date of last report:	01/04/2021

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- Discounted cash flow (DCF) model or similar methods such as a dividend discount model (DDM)
- Comparison with market peers, using the most appropriate methods for the individual company analysed: among the main ratios used for industrial sectors are price/earnings (P/E), EV/EBITDA, EV/EBIT, price/sales.
- Return on capital and multiples of adjusted net book value are the main methods used for banking sector stocks, while for insurance sector stocks return on allocated capital and multiples on net book value and embedded portfolio value are used
- For the utilities sector comparisons are made between expected returns and the return on the regulatory asset base (RAB)

Some of the parameters used in evaluations, such as the risk-free rate and risk premium, are the same for all companies covered, and are updated to reflect market conditions. Currently a risk-free rate of 2.5% and a risk premium of 5.0% are being used.

Frequency of research: quarterly.

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NEUTRAL: stock performance expected at between +10% and -10% compared to the market over a 12 month period;

UNDERPERFORM: stock expected to underperform the market by between -10% and -25% over a 12 month period;

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Prices: The prices reported in the research refer to the price at the close of the previous day of trading

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BUY:	16,94 %
OUTPERFORM:	52,42 %
NEUTRAL:	26,61 %
UNDERPERFORM	04,03 %
SELL:	00,00 %

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OUTPERFORM:	56,25 %
NEUTRAL:	16,67 %
UNDERPERFORM	00,00 %
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IKF	0,57	SHORT
OLIDATA	0,74	SHORT

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