Relatech S.p.A

Digital Innovation

Growing by *"Enabling Factory Automation"*

ADD | Fair Value: €4.40 (€4.31) | Current Price: €2.12 | Upside: +107.6%

€ million	FY18A	FY19A	FY20A	FY21A PF	FY22E	FY23E	FY24E
Value of production	14.9	21.3	24.3	37.2	61.6	73.4	84.7
EBITDA	2.5	4.9	5.9	7.3	12.1	15.6	18.9
margin	*16.7%*	*23.1%*	*24.2%*	*19.7%*	*19.7%*	*21.2%*	*22.3%*
Net Profit	1.6	2.5	2.6	3.7	5.2	6.7	9.2
margin	*10.5%*	*11.9%*	*10.5%*	*10.1%*	*8.4%*	*9.1%*	*10.9%*
Net Profit adjusted	1.6	3.0	3.2	5.4	6.1	7.6	9.2
margin	*10.5%*	*14.1%*	*13.2%*	*14.6%*	*10.0%*	*10.4%*	*10.9%*
EPS	n.a.	0.27	0.23	0.10	0.14	0.18	0.2
EPS adj.	n.a.	0.32	0.31	0.15	0.16	0.20	0.2
NFP	1.1	(0.7)	(0.0)	(1.7)	1.2	(4.0)	(12.1)

Source: Company data, KT&Partners' elaboration. Note FY21 data does not include EFA Automazione contribution
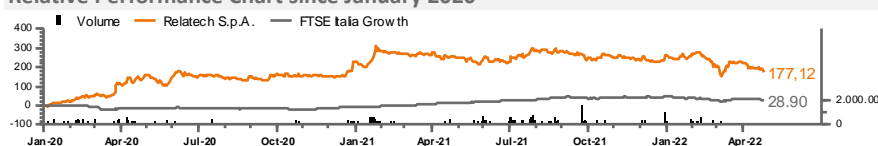
FY21 results. FY21 sales revenues soared by +52.9% YoY, going from €18.3mn in FY20 to €27.9mn in FY21, of which ca. €3mn came from the newly acquired companies Gruppo SIGLA and Dialog Sistemi. Recurring revenues leapt by +53% YoY, accounting for 27% of total sales, reaching ca. €7.5mn. Including the full-year contributions of Gruppo SIGLA and Dialog Sistemi, RLT-IT's pro-forma sales hit €31mn, -5.9% below our estimates mainly due to lower-than-expected organic growth. EBITDA adjusted stood at €6.9mn, up by 17.5% YoY with an EBITDA margin of 20.6%, -3.6pp compared to FY20 mainly due to a change in revenue mix following the acquisition of Mediatech. On a pro-forma basis, EBITDA adjusted came in at €7.3mn (-18.1% on our estimates) with an EBITDA margin of 19.7%, -3.5pp below our projections mainly due to a higher-than-expected incidence of labour (+2.9pp) and service costs (+1.4pp). FY21 adj. net income after minorities rose to €5.3mn (€5.4mn on pro-forma basis), up by 65.5% YoY. Finally, RLT-IT closed FY21 with a net cash position of €1.7mn from €55k in FY20, despite €11mn of investments, of which €5.6mn related to M&As. Indeed, in 2021 RLT-IT acquired a 60% stake in Gruppo SIGLA and Dialog Sistemi, a 51% stake in DtoK Lab Srl through its subsidiary Ithea Srl while anticipating the acquisition of the remaining 46.5% and 40% in Xonne and Mediatech, respectively.

Strengthening ReFab offer thanks to the acquisition of EFA Automazione. On February 21st, 2022, RLT announced the acquisition of 81.66% stake of EFA Automazione S.p.A.– a firm specialized in Industrial IoT - for €7.35mn or at ca. 6.1x EV/EBITDA (based on FY20 data). This is the sixth deal since IPO and the eleventh since RLT-IT foundation. Thanks to the acquisition of EFA, RLT-IT will integrate its ReFab offer by providing end-to-end solutions able to cover the entire Industry 4.0 supply chain from infrastructural and connectivity set-up of machines/plants to collection and data analysis solutions while ensuring data protection.

Estimates review. We revised our forecast on the back of FY21 financial results and the acquisition of EFA Automazione. We now expect value of production to increase at a CAGR21–24 of 31.6% (+10.8pp vs our previous estimates), reaching €84.7mn in 2024. On the profitability side, we revised downward by ca. 4.5pp our expectations for FY22E EBITDA margin, factoring in the lower marginality of EFA Automazione and the lower-than-expected profitability recorded in FY21. We expect that EBITDA margin will be positively impacted by cost synergies from 2022 onwards, amounting to 22.3% in FY24. We now expect a net cash position of €12.1mn in FY24E from a net debt of €1.2mn in FY22E.

Valuation Update. We updated our valuation – based on both DCF and a market multiples model – to factor in (i) estimates revision following FY21 results and the acquisition of EFA; and (ii) lower market multiples. Our valuation returns an average equity value of €166.2mn or €4.40ps, implying a potential upside of +107.6% on the current market price and +2.1% on our previous fair value.

Relative Performance Chart since January 2020

Equity Research Team
connect@ktepartners.com

Federica FIORENZA
ffiorenza@ktepartners.com

Mauro IACCINO
miaccino@ktepartners.com

Gabriele TRAPANI
gtrapani@ktepartners.com

Market Data		
Pasquale Lambardi		53.2%
Mkt Cap (€ mn)		79.8
EV (€ mn)		79.3
Number of shares (mn)		37.7
Shares outstanding (mn)		36.8
Free Float (%)		39.5

| Market multiples	2021A	2022E	2023E
EV/EBITDA			
RLT-IT	10.8x	6.5x	5.1x
Comps average	19.8x	12.7x	10.1x
RLT-IT vs Average	-45%	-49%	-50%
P/E			
RLT-IT	14.4x	12.9x	10.5x
Comps average	34.4x	26.3x	17.9x
RLT-IT vs Average	-58%	-51%	-41%

Stock Data	
52 Wk High (€)	3.18
52 Wk Low (€)	1.82
Avg. Daily Trading 90d	104,742
Price Change 1w (%)	-7.03
Price Change 1m (%)	-14.72
Price Change YTD (%)	-24.46

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

Key Figures – Relatech S.p.A.

	Current price (€)	Fair Value (€)	Sector					Free Float (%)
	2.12	4.40	Digital Innovation					39.5

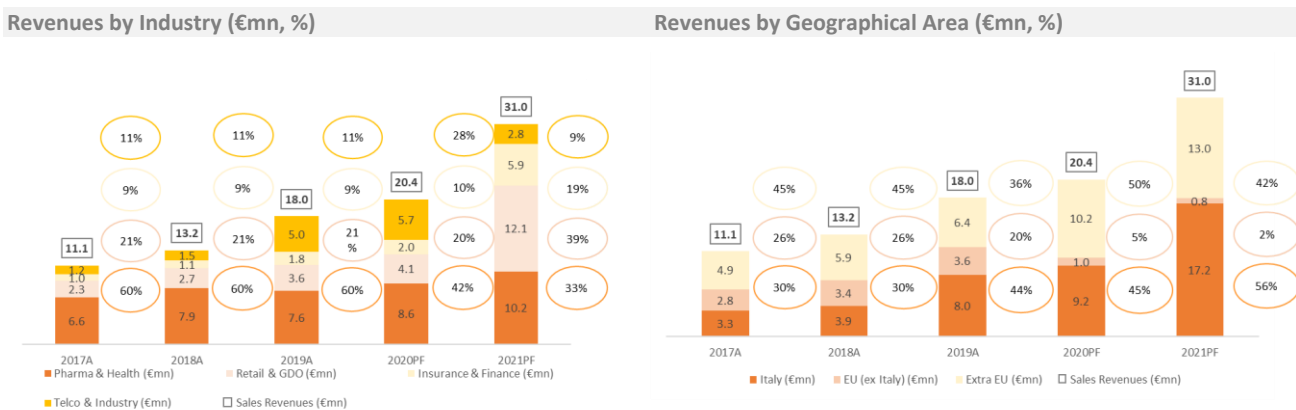| Per Share Data	2018A	2019A	2020A	2021A PF	2022E	2023E	2024E	2025E
Number of shares (mn)	n.a.	9.33	10.92	37.75	37.75	37.75	37.75	37.75
Treasury shares (mn)	n.a.	0.00	0.42	0.91	0.41	0.00	0.00	0.00
Shares oustanding (mn)	n.a.	9.33	10.50	36.84	37.34	37.75	37.75	37.75
EPS	n.a.	0.27	0.23	0.10	0.14	0.18	0.24	0.29
EPS Adjusted	n.a.	0.32	0.31	0.15	0.16	0.20	0.24	0.29
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	14.9	21.3	24.3	37.2	61.6	73.4	84.7	97.3
EBITDA	2.5	4.9	5.9	7.3	12.1	15.6	18.9	22.4
EBIT	2.4	4.3	4.1	4.1	8.1	10.1	12.7	14.9
EBT	2.4	3.8	3.4	3.3	6.9	8.9	12.5	14.8
Taxes	(0.7)	(1.2)	(0.6)	0.7	(1.4)	(1.8)	(2.7)	(3.2)
Tax rate	32%	31%	19%	-20%	20%	20%	22%	22%
Net Income	1.6	2.6	2.7	4.0	5.5	7.1	9.8	11.6
Net Income attributable to the Group	1.6	2.5	2.6	3.7	5.2	6.7	9.2	10.9
Net Income attributable to the Group Adjusted	1.6	3.0	3.2	5.4	6.1	7.6	9.2	10.9
Balance Sheet (EUR million)								
Total fixed assets	2.8	6.9	13.5	21.7	27.5	29.5	31.7	34.0
Net Working Capital (NWC)	2.1	3.1	3.1	6.7	11.8	13.5	15.0	16.7
Provisions	(0.9)	(2.0)	(3.2)	(5.8)	(7.3)	(9.1)	(11.1)	(13.4)
Total Net capital employed	4.0	8.0	13.4	22.5	32.0	33.9	35.6	37.4
Net financial position/(Cash)	1.1	(0.7)	(0.0)	(1.7)	1.2	(4.0)	(12.1)	(21.9)
Group Shareholder's Equity	2.8	8.5	12.7	23.1	29.3	36.0	45.2	56.1
Minorities	0.1	0.2	0.7	1.1	1.5	1.9	2.5	3.2
Total Shareholder's Equity	2.9	8.7	13.4	24.2	30.8	37.9	47.7	59.3
Cash Flow (EUR million)								
Net operating cash flow	1.7	3.6	5.3	7.8	10.4	13.4	16.2	19.1
Change in NWC	(1.3)	(1.0)	(0.0)	(3.6)	(1.2)	(1.7)	(1.5)	(1.8)
Capital expenditure	(2.6)	(3.1)	(8.4)	(9.1)	(13.8)	(7.4)	(8.5)	(9.8)
Other cash items/Uses of funds	0.5	1.1	1.2	0.5	1.5	1.8	2.0	2.3
Free cash flow	(1.6)	0.5	(1.9)	(4.3)	(3.1)	6.1	8.2	9.9
Enterprise Value (EUR million)								
Market Cap	n.a.	21.0	52.1	96.7	79.8	79.8	79.8	79.8
Minorities	0.1	0.2	0.7	1.1	1.5	1.9	2.5	3.2
Net financial position/(Cash)	1.1	(0.7)	(0.0)	(1.7)	1.2	(4.0)	(12.1)	(21.9)
Enterprise value	n.a.	20.5	52.8	96.1	82.5	77.8	70.2	61.1
Ratios (%)								
EBITDA margin	16.7%	23.1%	24.2%	19.7%	19.7%	21.2%	22.3%	23.0%
EBIT margin	16.2%	20.1%	16.9%	11.1%	13.1%	13.7%	14.9%	15.3%
Gearing - Debt/equity	40.1%	-8.2%	-0.4%	-7.4%	4.3%	-11.0%	-26.7%	-39.0%
Interest cover on EBIT	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
NFP/EBITDA	44.8%	-14.2%	-0.8%	-23.3%	10.3%	-25.5%	-63.8%	-97.9%
ROCE	59.7%	53.4%	30.6%	18.2%	25.2%	29.7%	35.5%	39.9%
ROE	56.4%	29.8%	20.1%	16.2%	17.7%	18.5%	20.4%	19.4%
EV/Sales	n.a.	3.7x	3.3x	2.1x	1.3x	1.1x	0.9x	0.8x
EV/EBITDA	n.a.	16.1x	13.4x	10.8x	6.5x	5.1x	4.2x	3.5x
P/E	n.a.	7.8x	6.9x	14.4x	12.9x	10.5x	8.7x	7.3x
Free cash flow yield	-3.0%	1.0%	-3.6%	-8.3%	-6.0%	11.6%	15.7%	18.9%
Growth Rates (%)								
Sales	28.0%	43.5%	14.2%	52.7%	65.7%	19.3%	15.4%	14.9%
EBITDA	82.0%	98.3%	19.6%	24.1%	65.4%	28.6%	21.6%	18.1%
EBIT	94.6%	78.5%	-4.3%	0.1%	96.5%	24.8%	25.5%	17.8%
Net Income	90.8%	59.0%	-10.8%	46.4%	39.0%	28.1%	38.3%	18.0%

Source: Company data, KT&Partners' elaboration. Note FY21 data does not include EFA Automazione contribution
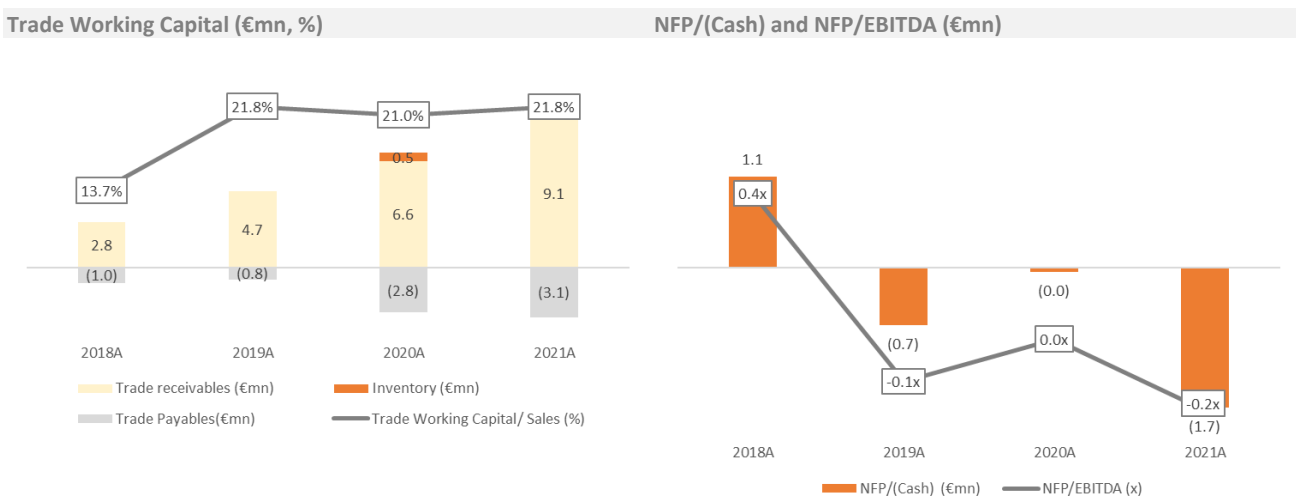
Key charts
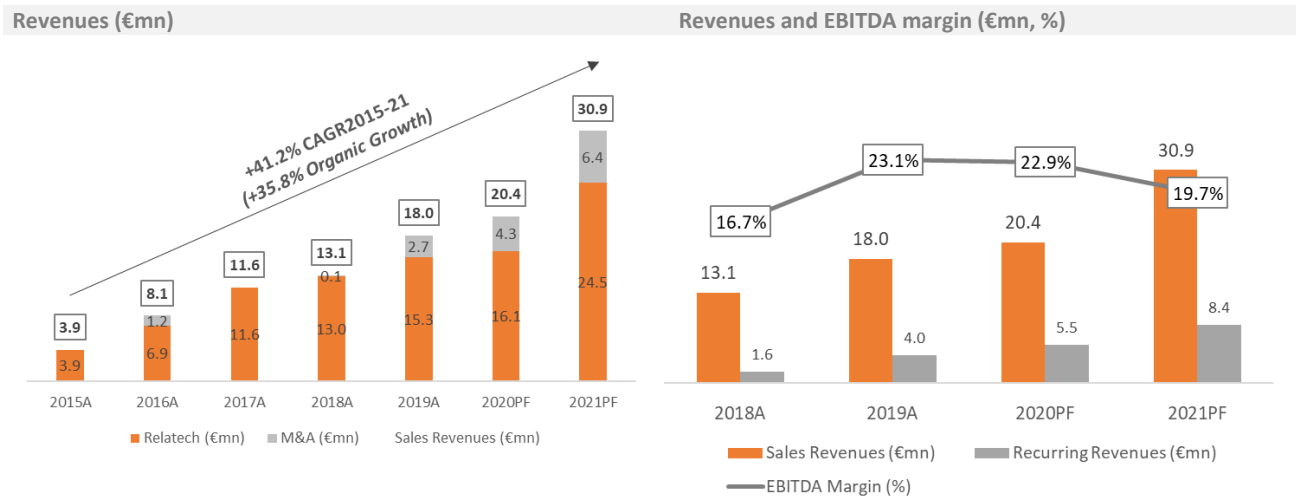
Revenues (€mn)

Source: Company data, KT&Partners' elaboration
Note: Pro-forma data refer to accrued and not accrued revenue of companies acquired in the year

Revenues and EBITDA margin (€mn, %)

Revenues by Industry (€mn, %)

Source: Company data, KT&Partners' elaboration
Note: Pro-forma data refer to accrued and not accrued revenue of companies acquired in the year

Revenues by Geographical Area (€mn, %)

Source: Company data, KT&Partners' elaboration

Trade Working Capital (€mn, %)

Source: Company data, KT&Partners' elaboration

NFP/(Cash) and NFP/EBITDA (€mn)

Source: Company data, KT&Partners' elaboration

Overview

Company description

Relatech (RLT) provides innovative services and digital solutions, enabling the digital innovation of enterprises. Group's offer is centered on RePlatform, an internally developed digital cloud-based platform that leverages on the next frontier technologies (i.e. Big Data, Artificial Intelligence (AI), Internet of Things (IoT), Cloud, Augmented and Virtual Reality, Cybersecurity, Blockchain). RePlatorm is based on five suites of software (ReYou, ReData, ReThing, ReSec, and ReHub) making RLT the only Italian player able to satisfy customers' technological needs with a unique comprehensive platform. RLT provides both "vertical solutions" (i.e. Rezone – an AI Customer Engagement Solution for the retail industry – and ReFab4.0 – an AIoT predictive maintenance solution for Industry 4.0) and "tailor-made solutions" for a wide range of end-markets (i.e. Pharma&Healthcare, Telco, Finance, Utilities, Distribution and Retail).

RLT went listed on Euronext Growth Milan (EGM) on June 28th, 2019, with an IPO market capitalization of €20mn and ca. €4.1mn of capital raised. IPO proceeds have been used to: i) grasp M&As opportunities; ii) develop scalable solutions while investing in new technologies; and iii) reinforce the management team and expand the commercial workforce to acquire new clients and enter new end-markets.

Investment case

- *A scalable business model with an increasing incidence of recurring revenues.* Over the years, RLT has enriched RePlatform with scalable solutions generating recurring revenues. In FY21, recurring revenues rose by +53% YoY to ca. €7.5mn, accounting for 27% of reported sales.

- *An ongoing focus on R&D.* RLT-IT is committed to continuously innovating its solutions with the aim of enriching RePlatform with new applications. Over the 2016-21 period, the Company has invested ca. +€15mn in R&D and ca. 18% of revenue in 2021. RLT has also embraced an open innovation approach, carrying out R&D also in collaboration with universities, academic spin-offs and research institutes (i.e. the NRC) to spot new trends.

- *Consolidate partnership with key IT vendors and system integrators.* Over the years RLT-IT have established long-lasting relationships with key IT vendors and system integrators (i.e. IBM, TechData, NTTData, Atos etc.) which in some cases are also RLT-IT's clients. Business partnerships have allowed RLT to: i) add value to its offer by integrating key enabling technologies and services provided by IT suppliers; and ii) expand its market coverage by leveraging on IT vendors' and system integrators' networks.

- *Grasping M&As opportunities to boost growth.* Since the IPO, RLT-IT has carried out 6 M&As (11 since its foundation) with the aim of: i) enriching its offer with new cutting-edge and complementary technologies/solutions; ii) expanding its customer base and partners portfolio (i.e. Microsoft, Oracle etc.); and ii) strengthening its positioning also by entering new markets.

- *Positioned in the digital enablers segment which is expected to keep driving the Italian digital market growth.* RLT-IT is active in the digital innovation market, especially in the Digital Enabler market, which has been the fastest growing segment of the ICT sector for several years. According to our estimates (based on Anitec Assinform report and PNRR data), in 2021 the Italian digital market is expected to worth ca. €75.4bn and it is expected to grow at +6.5% CAGR2021–24, reaching ca. €94bn in 2024. 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.

Recent developments

- **Discovering the Metaverse also through academic institutions.** IULM University has chosen RLT-IT as partner for "IULM AI LAB", a laboratory of scientific research on AI, with the aim to develop innovative solutions for private firms and PAs (i.e. Metaverse).

- **Welcome to ReSoc, the new RLT-IT's cybersecurity service.** Seizing the growing needs from the market, RLT-IT has developed the innovative ReSOC assistance service, leveraging on the high skills of the company Mediatech, the Group's aggregator pole for services and solutions in the cybersecurity and cloud.

- *External line growth.* On February 21st, 2022, RLT-IT announced the acquisition of 81.66% stake of EFA Automazione. On December 23rd, 2021, the Company announced the acquisition of a 51% stake of DtoK Lab Srl through its subsidiary Ithea Srl. Furthermore, on November 26th, 2021, RLT-IT anticipated the acquisition of the remaining 46.5% stake in Xonne whereas on June 30th, 2021, the company acquired the remaining 40% of Mediatech. In May and June of 2021, RLT-IT acquired a 60% stake in Dialog Sistemi and Gruppo SIGLA.

- *Warrant conversion.* On May 21st, 2021, the company announced that 3,321,306 warrants have been converted in 4,981,959 RLT-IT new shares, generating a cash-in of ca. €4.3mn.

- *Release of the first non-financial statement.* Based on GRI Standards, RLT has released its first ESG (Environmental, Social and Governance) report on 21 June 2021, with the aim to steer its business increasingly towards sustainable and cutting-edge systems.

- *Buyback program and Stock split.* In January 2021, the company announced i) a buyback plan for a maximum of € 1,500,000; and ii) a 3:1 ratio stock split of the total number of 10,922,507 ordinary shares.

FY21 Financial Results

FY21 reported sales revenues soared by +52.9% YoY reaching €27.9mn also benefiting from the contribution of Gruppo SIGLA and Dialog Sistemi (ca. €3mn) acquired in May and June 2021, respectively. Recurring revenues experiencing a remarkable +53% YoY growth, accounting for 27% of total reported sales. In 2021, RLT-IT kept expanding both its customers base (+70% YoY) and its international business (+53% YoY), while kept investing in R&D (ca. €5 million or 18% of sales revenues) to expand RePlatform's offering with new features and applications (e.g. Metaverse and IoT). Looking at the breakdown of revenue by sector, the top contributor was Pharma & Health with €11.7mn, followed by Telco & Industry, Retail & GDO, and Insurance & Finance with €7.8mn, €5.6mn and €2.8mn, respectively.

Including the full-year contributions of Gruppo SIGLA and Dialog Sistemi (ca. €6mn), RLT-IT's pro-forma sales hit €31mn but -5.9% below our estimates mainly due to lower-than-expected organic growth. As a result, PF Value of Production came below our estimates (-3.6%), reaching €37.2mn, of which €4.1mn was from capitalized R&D costs, €1.8mn from R&D public grants and tax credits and €0.2mn from change in partly finished and finished goods.

EBITDA adjusted stood at €6.9mn, up by 17.5% YoY with an EBITDA margin of 20.6%, -3.6pp compared to FY20 mainly due to a change in revenue mix following the acquisition of Mediatech which has led to a -3.8pp reduction in gross margin. On a pro-forma basis, EBITDA came in at €7.3mn (-18.1% on our estimates) with an EBITDA margin of 19.7%, -3.5pp below our projections mainly due to a higher-than-expected incidence of labour (+2.9pp) and service costs (+1.4pp) which more than offset better than expected gross margin (+0.7pp).

At the bottom line, net income after minorities reached €3.7mn, up by +43.3% YoY also benefitting from: i) €0.9mn of financial income mainly related to a fair value revaluation of financial assets; and ii) €1.2mn tax shield related to revaluation of assets in accordance with D.L. 104/2020. By adjusting for extraordinary items mainly related to the stock grant plan, net income should have been €5.3mn with a margin of 15.8%. Looking at pro-forma data, net income after minorities came in 30.4% below our estimates mainly following lower than expected EBITDA and higher D&As.

On the capital structure side, fixed assets went from €13.5mn in FY20 to €21.7mn in FY21, mainly following the capitalization of R&D costs (in FY21, R&D costs amounted to ca. €5mn, of which ca. 79% were capitalized) and M&A investments (ca. €5.6mn).

At the end of FY21, RLT's net cash position came in at €1.7mn, from €50k in FY20 also benefiting from a cash-in of ca. €4.3mn from warrant conversion and despite €11.1mn of investments (including M&A) and €1.1mn cash-out for the acquisition of treasury shares (as of December 31st, 2021, the number of treasury shares held by the company was 909,186, equal to 2.41% of the share capital). Net cash position was -€2mn below our expectations mainly following lower than expected profitability and higher CapEx.

FY21 Income Statement

€ Million	FY18	FY19	FY20A	FY21A	YoY	FY21A PF	FYE21 PF	A vs E % based on PF Data
Sales Revenues	13.2	18.0	18.3	27.9	52.9%	31.0	32.9	-5.9%
Other Revenues	1.6	3.3	6.1	5.7	-5.7%	6.2	5.6	9.7%
Value of production	**14.9**	**21.3**	**24.3**	**33.7**	**38.3%**	**37.2**	**38.6**	**-3.6%**
Products and Raw materials	(0.1)	(0.0)	(1.3)	(3.0)	139.5%	(3.2)	(3.6)	-10.9%
Gross Profit	**14.8**	**21.3**	**23.1**	**30.7**	**32.8%**	**33.9**	**34.9**	**-2.9%**
Gross Margin	*99.6%*	*99.9%*	*94.8%*	*91.0%*	*-3.8%*	*91.3%*	*90.6%*	*0.7%*
Cost of Services	(5.9)	(6.0)	(7.2)	(10.3)	42.9%	(10.7)	(10.5)	1.4%
Rental Costs	(0.4)	(0.3)	(0.2)	(0.2)	-8.3%	(0.3)	(0.4)	23.9%
Personnel Expenses	(6.0)	(10.0)	(9.6)	(13.1)	36.3%	(15.5)	(14.9)	-3.3%
Other Operating Expenses	(0.0)	(0.1)	(0.2)	(0.2)	-10.7%	(0.2)	(0.2)	9.4%
EBITDA	**2.5**	**4.9**	**5.9**	**6.9**	**17.5%**	**7.3**	**8.9**	**-18.1%**
EBITDA margin	*16.7%*	*23.1%*	*24.2%*	*20.6%*	*-3.6%*	*19.7%*	*23.2%*	*-3.5%*
D&A and Provisions	(0.1)	(0.6)	(1.8)	(3.0)	65.7%	(3.2)	(2.4)	-25.9%
EBIT	**2.4**	**4.3**	**4.1**	**4.0**	**-3.5%**	**4.1**	**6.6**	**-37.3%**
EBIT margin	*16.2%*	*20.1%*	*16.9%*	*11.8%*	*-5.1%*	*11.1%*	*17.0%*	*-5.9%*
Financial Income and Expenses	(0.0)	(0.1)	(0.1)	0.9	n.m.	0.9	0.3	-70.6%
Extraordinary items	-	(0.5)	(0.7)	(1.7)	150.4%	(1.7)	(1.3)	-21.3%
EBT	**2.4**	**3.8**	**3.4**	**3.2**	**-4.4%**	**3.3**	**5.5**	**-39.4%**
Taxes	(0.7)	(1.2)	(0.6)	0.7	n.m.	0.7	0.1	-84.4%
Tax Rate	*31.6%*	*31.1%*	*19.0%*	*-20.3%*		*-19.5%*	*-1.9%*	
Net Income	**1.6**	**2.6**	**2.7**	**3.9**	**41.9%**	**4.0**	**5.6**	**-28.9%**
Net margin	*10.9%*	*12.2%*	*11.2%*	*11.5%*	*0.3%*	*10.7%*	*14.5%*	*-3.8%*
Minorities	0.1	0.0	0.2	0.2	21.7%	0.2	0.2	-7.8%
Net Income attributable to the Group	**1.6**	**2.5**	**2.6**	**3.7**	**43.3%**	**3.7**	**5.4**	**-30.4%**
Net margin	*10.5%*	*11.9%*	*10.5%*	*10.9%*	*0.4%*	*10.1%*	*13.9%*	*-3.9%*
Net Income attributable to the Group Adjusted	**1.6**	**3.0**	**3.2**	**5.3**	**65.5%**	**5.4**	**5.1**	**5.2%**
Net margin	*10.5%*	*14.1%*	*13.2%*	*15.8%*	*2.6%*	*14.6%*	*13.3%*	*1.2%*

Source: Company data

FY21 Balance Sheet

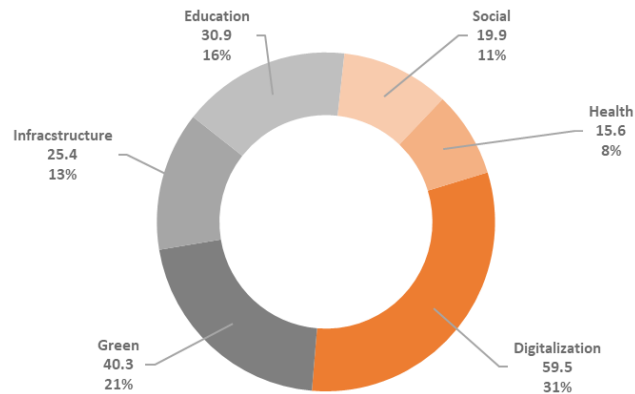| € Million	FY18A	FY19A	FY20A	FY21A
Intangible	2.6	5.0	11.6	17.6
Tangible (including ROU Assets -IFRS16)	0.3	1.9	1.9	2.0
Other LT Assets	0.0	0.0	0.0	2.1
Fixed Assets	**2.8**	**6.9**	**13.5**	**21.7**
Trade receivables	2.8	4.7	6.6	9.1
Inventory	-	-	0.5	0.7
Trade Payables	(1.0)	(0.8)	(2.8)	(3.1)
Trade Working Capital	**1.8**	**3.9**	**4.3**	**6.7**
Other assets and liabilities	0.3	(0.8)	(1.2)	(0.0)
Net Working Capital	**2.1**	**3.1**	**3.1**	**6.7**
Other Provisions	**(0.9)**	**(2.0)**	**(3.2)**	**(5.8)**
Net Capital Employed	**4.0**	**8.0**	**13.4**	**22.5**
Group shareholders' equity	2.8	8.5	12.7	23.1
Minority shareholders' equity	0.1	0.2	0.7	1.1
Total shareholders' equity	**2.9**	**8.7**	**13.4**	**24.2**
Short-term debt / Cash (-)	(0.5)	(3.1)	(6.6)	(8.4)
Long-term liabilities	1.6	2.4	6.6	6.7
Net Financial Position	**1.1**	**(0.7)**	**(0.0)**	**(1.7)**
Sources	**4.0**	**8.0**	**13.4**	**22.5**

Source: Company data

Italian Digital Market Update

Forecasts on the digital market over the next three years are conditioned not only by the extent of an endogenous economic recovery, but also by the contributions from the PNRR for the digital transformation of the Public Administration and enterprises, for which, however, it is not yet possible to fully predict the effects.

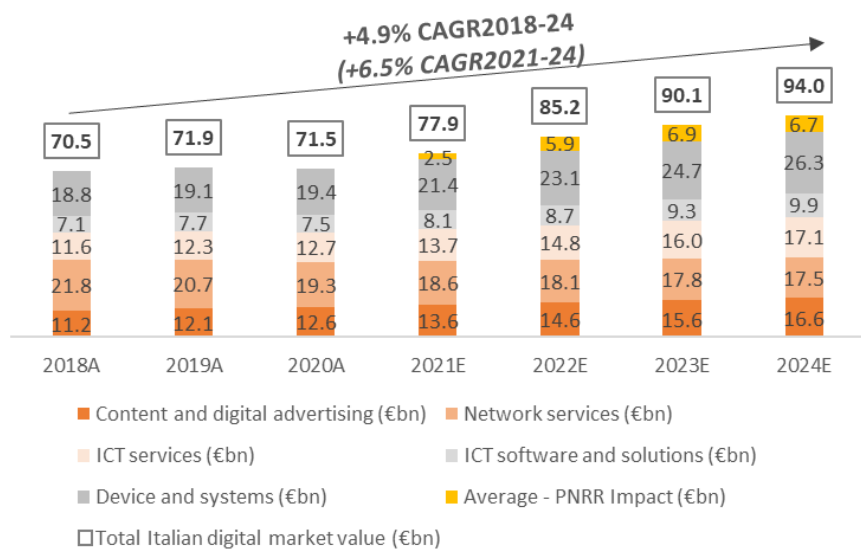According to PNRR presented by the Italian government, the fund destined to the digital market will be €59.5bn over the 2021-2026 period.

PNRR Italy – Financial Overview

Education
30.9
16%

Social
19.9
11%

Health
15.6
8%

Infrastructure
25.4
13%

Digitalization
59.5
31%

Green
40.3
21%

Source: Italia Domani, "Piano Nazionale di Ripresa e Resilienza"

According to Anitec-Assinform report *"Il Digitale in Italia 2021",* the Italian digital market is expected to grow by 5.4% to €75.4bn in 2021 mainly driven by disruptive technologies (i.e. AI, Big Data, Cloud Computing, Cybersecurity and IoT). Factoring the average of the best- and worst-case scenarios of the Anitec-Assinform report, we found that the Italian digital market will grow by 6.5% CAGR2021-24, reaching ca. €94bn in 2024 from €77.9bn in 2021.

Italian digital market value evolution (€bn)

+4.9% CAGR2018-24
(+6.5% CAGR2021-24)

	2018A	2019A	2020A	2021E	2022E	2023E	2024E
Total	70.5	71.9	71.5	77.9	85.2	90.1	94.0
Average - PNRR Impact				2.5	5.9	6.9	6.7
Device and systems	18.8	19.1	19.4	21.4	23.1	24.7	26.3
ICT software and solutions	7.1	7.7	7.5	8.1	8.7	9.3	9.9
ICT services	11.6	12.3	12.7	13.7	14.8	16.0	17.1
Network services	21.8	20.7	19.3	18.6	18.1	17.8	17.5
Content and digital advertising	11.2	12.1	12.6	13.6	14.6	15.6	16.6

- Content and digital advertising (€bn)
- Network services (€bn)
- ICT services (€bn)
- ICT software and solutions (€bn)
- Device and systems (€bn)
- Average - PNRR Impact (€bn)
- Total Italian digital market value (€bn)

Source: Anitec-Assinform report "Il Digitale in Italia 2021"

Pursuing an outstanding M&A Activity

On February 21st, 2022, RLT-IT announced the acquisition of 81.66% stake of EFA Automazione, a leading company in the industrial automation market, for a total consideration of €7.35mn or at 6.1x EV/EBITDA (based on FY20). RLT-IT has the option to acquire the remaining 18.34% stake under determined conditions.

EFA Automazione is active in the industrial Internet-of-Things market, acting as an exclusive reseller of solutions which allow communication and connectivity of machines and plants. In FY20, the company reported €13.5mn of revenues (€12.7mn in 9M21) with an EBITDA margin of 11% (14% in 9M21) and a net cash position of €40k (€1.2mn in 9M21).

Thanks to the acquisition of EFA, RLT-IT will integrate its ReFab offer providing to the industrial automation industry end-to-end solutions able to cover the entire Industry 4.0 supply chain from infrastructural and connectivity set-up of machines/plants to collection and data analysis solutions while ensuring data protection. In doing so, RLT-IT will leverage on its technological assets and skills in the Augmented/Virtual Reality, Cybersecurity, Cloud and Mobile field. Furthermore, the acquisition will allow the Group to expand its customer base, also reaching important new international clients.

We believe that EFA represents a key driver for RLT-IT's future growth, also factor in the opportunities deriving from the process of automation/digitalization of the Italian industry, which will be further boosted by the PNRR.

EFA is the eleventh acquisition carried out over the last six years, the sixth since IPO. Over the years RLT-IT has showed strong M&A execution ability, acting as a consolidator in a high fragmented and competitive market. In FY21, the Company carried out the acquisition of:

- a 60% stake in Dialog Sistemi - an Italian SME specialized in solutions for performance management and data warehousing - and Gruppo SIGLA - an Italian tech SME specialized in industrial automation, data analysis and cybersecurity;
- a 51% stake in DtoK Lab Srl – an university spin-off focused on the development of big-data analysis solutions on cloud platforms and high-performance computing platforms (i.e. sentiment analysis, trajectory discovery and data journalism) - through Ithea Srl;
- the remaining 40% and 46.5% in Mediatech and Xonne, respectively.

According to our estimates, M&A carried out after the IPO have a median 6.3x EV/EBITDA acquisition multiple for a total cash out of ca. 15mn.

RLT's M&A deals since IPO

Company Name	Announcement date	Acquisition Stake	Deal Value (€mn)	Cash (€mn)	Payment in Kind (€mn)	Revenues (€mn)	EBITDA (€mn)	NFP (€mn)	EV/Sales	EV/EBITDA
Mediatech Srl	giu-20	60.0%	1.50	1.00	0.50	3.58	0.44	0.26	0.8x	6.2x
Xonne Srl	lug-20	53.5%	0.32	0.16	0.16	0.71	-0.02	0.09	1.0x	n.m
SIGLA Srl	mag-21	60.0%	2.30	1.73	0.57	4.99	0.70	1.20	1.0x	7.2x
Dialog Sistemi Srl	mag-21	60.0%	0.94	0.70	0.23	1.12	0.15	-0.60	0.9x	6.4x
Mediatech Srl	giu-21	40.0%	1.70	0.38	1.32	3.37	0.33	n.a.	n.a.	n.a.
Xonne Srl	nov-21	46.5%	0.49	0.00	0.49	0.94	-0.01	-0.10	1.0x	n.m
DtoK Lab Srl	dic-21	51.0%	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
E.F.A. Automazione SpA*	feb-22	81.7%	7.35	7.35	0.00	13.62	1.47	0.00	0.7x	6.1x
Average			**2.08**	**1.62**	**0.47**	**4.05**	**0.44**	**0.14**	**0.9x**	**6.5x**
Median			**1.50**	**0.70**	**0.49**	**3.37**	**0.33**	**0.04**	**0.9x**	**6.3x**
Total			**14.59**	**11.32**	**3.27**					

Source: Leanus, KT&Partners' elaboration
Note: Revenues, EBITDA and NFP are related to the previous fiscal years of the announcement date.
*= KT&Partners' FY20 financials

Change in Estimates

We updated our estimates to factor in:

a. FY21 financial results mainly to factor in lower than expect organic sales and profitability mainly due to higher incidence of labour and service costs;

b. the acquisition in February 2022 of 81.66% stakes in EFA Automazione.

We now anticipate value of production to increase at a CAGR21–24 of 31.6% (+10.8 pp vs our previous research), reaching €84.7mn in 2024.

On the profitability side, we revised downward our FY22E EBITDA margin projection as we expect it will be also negatively impacted by the lower profitability of EFA Automazione. We now forecast FY22E EBITDA margin at 19.7% (4.6pp lower than our previous estimates) and we expect it will increase to 22.3% in FY24E (lower than our previous projections by ca. 115bps) thanks to OpEx's economies of scale between group's companies. We expect EBITDA to grow from €12.1mn in 2022 to €18.9mn in 2024 (+37.3% CAGR2021–24 or +6.4pp above our previous estimates).

On the bottom line, we now foresee net income adjusted to grow at a CAGR21–24 of 19.4% (+2pp of our previous projections), amounting to €9.2mn in 2024.

Finally, in FY22E we forecast a net debt of €1.2mn (from -€9.2mn of our previous estimates) also factoring in the cash-out for the acquisition of EFA Automazione We forecast RLT-IT to reach a net cash position of €12.1mn by FY24E.

Change in Estimates

€ Million	2020A Actual	2021PF Actual	2022E Old KT&P	2022E New KT&P	Change	2023E Old KT&P	2023E New KT&P	Change	2024E Old KT&P	2024E New KT&P	Change	CAGR Old 2021-24	CAGR New 2021-24
Value of Production	24.3	37.2	46.2	61.6	33.4%	56.3	73.4	30.6%	65.5	84.7	29.4%	20.8%	31.6%
YoY Change (%)		52.7%	24.2%	65.7%		21.9%	19.3%		16.4%	15.4%			
EBITDA	5.9	7.3	11.2	12.1	8.3%	14.1	15.6	10.7%	16.4	18.9	15.3%	30.9%	37.3%
YoY Change (%)		24.1%	52.7%	65.4%		25.8%	28.6%		16.8%	21.6%			
EBITDA Margin	24.2%	19.7%	24.2%	19.7%		25.0%	21.2%		25.1%	22.3%			
EBIT	4.1	4.1	7.8	8.1	3.7%	9.7	10.1	3.5%	11.5	12.7	10.5%	40.7%	45.5%
YoY Change (%)		0.1%	89.4%	96.5%		25.1%	24.8%		17.7%	25.5%			
EBIT Margin	16.9%	11.1%	16.9%	13.1%		17.3%	13.7%		17.5%	14.9%			
Net Income	2.6	3.7	5.1	5.2	1.1%	6.5	6.7	1.7%	8.8	9.2	5.2%	32.8%	35.0%
YoY Change (%)		46.6%	37.4%	39.0%		27.4%	28.1%		33.8%	38.3%			
Net Margin	10.5%	10.1%	11.1%	8.4%		11.6%	9.1%		13.4%	10.9%			
Net Income Adjusted	3.2	5.4	6.1	6.1	1.0%	7.5	7.6	1.5%	8.8	9.2	5.2%	17.4%	19.4%
YoY Change (%)		68.2%	12.4%	13.5%		23.1%	23.8%		16.8%	21.0%			
Net Margin Adjusted	13.2%	14.6%	13.2%	10.0%		13.3%	10.4%		13.4%	10.9%			
NFP	-	0.0 -	1.7 -	7.9	1.2	9.2 -	13.1 -	4.0	9.1 -	21.6 -	12.1	9.5	

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 €151.6mn or €4.02ps;

2. DCF analysis based on WACC of 6.8% and 2% perpetual growth, returns a value of €180.7mn or €4.79ps.

The average of the two methods yields a fair value of €4.40ps or an equity value of €166.2mn.

Valuation Recap

	Equity Value €mn	Value per share €
DCF	180.74	4.79
EV/EBITDA	144.14	3.82
P/E	159.09	4.21
Average Multiples	**151.62**	**4.02**
Total Average	**166.18**	**4.40**

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 2021–24 data.

Peer Comparison – Market Multiples 2021–24

Company Name	Exchange	Market Cap	EV/SALES 2021	EV/SALES 2022	EV/SALES 2023	EV/SALES 2024	EV/EBITDA 2021	EV/EBITDA 2022	EV/EBITDA 2023	EV/EBITDA 2024	EV/EBIT 2021	EV/EBIT 2022	EV/EBIT 2023	EV/EBIT 2024	P/E 2021	P/E 2022	P/E 2023	P/E 2024
Reply S.p.A.	Milan	5,088	3.3x	2.8x	2.5x	2.3x	19.9x	16.4x	15.0x	13.6x	24.8x	19.9x	18.0x	16.1x	34.4x	29.6x	26.4x	23.7x
Cyberoo S.p.A.	Milan	76	8.6x	4.2x	2.7x	1.9x	30.8x	12.6x	5.0x	3.0x	n.m	12.6x	5.4x	3.2x	n.m	21.0x	8.4x	4.9x
Neosperience SpA	Milan	41	2.6x	1.9x	1.5x	1.2x	8.7x	6.4x	5.0x	3.8x	n.m	17.1x	10.0x	6.2x	n.m	24.4x	13.5x	8.0x
Eurotech S.p.A.	Milan	118	1.8x	1.3x	1.1x	1.0x	n.m	8.9x	5.5x	5.4x	n.m	14.1x	7.2x	7.9x	n.m	15.0x	7.6x	10.8x
Expert.ai S.p.A.	Milan	66	2.0x	1.4x	1.0x	0.8x	n.m	n.m	13.4x	3.7x	n.m	n.m	n.m	13.3x	n.m	n.m	n.m	41.1x
WIIT SpA	Milan	713	10.8x	7.0x	6.4x	6.0x	19.3x	16.8x	15.2x	n.m	34.4x	27.4x	23.9x	n.m	41.6x	33.5x	28.4x
Average peer group		1,017	4.8x	3.1x	2.5x	2.2x	19.8x	12.7x	10.1x	7.5x	24.8x	19.6x	13.6x	11.8x	34.4x	26.3x	17.9x	19.5x
Median peer group		97	3.0x	2.3x	2.0x	1.5x	19.9x	12.6x	9.5x	4.6x	24.8x	17.1x	10.0x	10.6x	34.4x	24.4x	13.5x	17.2x
Relatech S.p.A.	Milan	80	2.1x	1.3x	1.1x	0.9x	10.8x	6.5x	5.1x	4.2x	19.3x	9.8x	7.9x	6.3x	14.4x	12.9x	10.5x	8.7x

Source: FactSet, KT&Partners' elaboration

We decide to base our valuation upon: i) 2022, 2023 and 2024 multiples; and ii) our estimates of RLT's EBITDA and net income adjusted for 2022, 2023 and 2024. We also consider NFP adjusted for the cash-out following the acquisition of EFA Automazione.

EV/EBITDA Multiple Valuation

Multiple Valuation (€mn)	2022E	2023E	2024E
EV/EBITDA Comps	12.7x	10.1x	7.5x
Relatech SpA EBITDA	12.1	15.6	18.9
Enterprise value	**153.9**	**157.6**	**141.1**
Relatech SpA FY21 Net Debt Adjusted	5.6	5.6	5.6
Relatech SpA FY21 Minorities	1.1	1.1	1.1
Equity Value	**147.2**	**150.9**	**134.4**
Average Equity Value		**144.1**	
Liquidity Discount		*0%*	
Equity Value Post-Discount		**144.14**	
Number of shares (mn)		**37.75**	
Value per Share €		**3.82**	

Source: FactSet, KT&Partners' elaboration

P/E Multiple Valuation

Multiple Valuation (€mn)	2022E	2023E	2024E
P/E Comps	26.3x	17.9x	19.5x
Relatech SpA Net Income Adjusted	6.1	7.6	9.2
Equity Value	**161.7**	**136.1**	**179.5**
Average Equity Value		159.1	
Liquidity Discount		*0%*	
Equity Value Post-Discount		**159.09**	
Number of shares (thousand)		**37.75**	
Value per Share €		**4.21**	

Source: FactSet, KT&Partners' elaboration

DCF Valuation

We have also conducted our valuation using a four-year DCF model, based on 7.3% cost of equity, 2% cost of debt and a D/E ratio of 9.3% (Damodaran for Software, System & Application). The cost of equity is a function of the risk-free rate of 2.3% (Italian 10y BTP), 4.6% equity risk premium (Damodaran – June ERP T12 m with sustainable payout) and a premium for size and liquidity of 1.74% (source: Duff&Phelps). We, therefore, obtained 6.8% WACC.

We discounted 2022E–25E 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	2022E	2023E	2024E	2025E
EBIT	**8.1**	**10.1**	**12.7**	**14.9**
Taxes	(1.7)	(2.1)	(2.8)	(3.3)
D&A	4.0	5.5	6.3	7.5
Change in Net Working Capital	(1.2)	(1.7)	(1.5)	(1.8)
Change in Funds	1.5	1.8	2.0	2.3
Net Operating Cash Flow	**10.7**	**13.5**	**16.7**	**19.7**
Capex	(13.8)	(7.4)	(8.5)	(9.8)
FCFO	**(3.1)**	**6.1**	**8.2**	**9.9**
g	*2.0%*			
Wacc	*6.8%*			
FCFO (discounted)	(3.0)	5.4	6.9	7.7
Discounted Cumulated FCFO	17.1			
TV	208.0			
TV (discounted)	163.1			
Enterprise Value	**180.2**			
FY21 NFP	(1.7)			
FY21 Minorities	1.1			
Equity Value	**180.74**			
Current number of shares (mn)	37.75			
Value per share (€)	**4.79**			

Source: Company data, KT&Partners' elaboration

Sensitivity Analysis

€ Million		WACC				
		7.3%	7.1%	6.8%	6.6%	6.3%
Terminal growth Rate	1.5%	149.6	156.8	164.7	173.4	183.0
	1.8%	155.8	163.7	172.3	181.9	192.5
	2.0%	162.7	171.3	180.7	191.2	203.0
	2.3%	170.2	179.6	190.1	201.7	214.8
	2.5%	178.5	188.9	200.4	213.4	228.1

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, ReHub, ReThing and ReSec), which includes:

- Reply S.p.A. (REY-IT): listed on the Borsa Italiana stock exchange with a market capitalization of €5.1bn, 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 FY21, REY reached ca. €1.5bn of sales;

- Cyberoo S.p.A. (CYB-IT): listed on the Borsa Italiana stock exchange with a market capitalization of €76mn, 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 FY21, CYB reached €8.8mn of sales;

- Neosperience (NSP-IT): listed on the Borsa Italiana stock exchange with a market capitalization of €41mn, NSP provides digital customers with experience services through its cloud-based platform named "Neosperience Cloud". The company offers AI proprietary models to enhance brand and product experience. In FY21, NSP reached €18mn of sales;

- Eurotech S.p.A. (ETH-IT): listed on the Borsa Italiana stock exchange with a market capitalization of €118mn, ETH is a multinational that designs, develops, and supplies IoT services, software, and hardware to leasing systems integrators, and large and small companies. In FY21, ETH reached €63mn of sales;

- Expert System S.p.A. (EXSY-IT): listed on the Borsa Italiana stock exchange with a market capitalization of €66mn, 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 FY21, EXSY reached €28mn of sales;

- WIIT S.p.A. (WIIT-IT): listed on the Borsa Italiana stock exchange with a market capitalization of €713mn, 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 FY21, WIIT reached €76mn of sales.

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

Company Name	RePlatform	Sales				YoY 20-21	Sales			CAGR 21-24
		2018	2019	2020	2021		2022	2023	2024	
Reply S.p.A.	Innovation Services	1,036	1,183	1,250	1,484	18.7%	1,738	1,925	2,151	13.2%
Neosperience SpA	ReYou	9	14	16	18	10.9%	25	32	40	30.6%
Expert.ai S.p.A.	ReData	29	32	28	28	-0.2%	40	53	72	37.3%
Cyberoo S.p.A.	ReSec	5	6	6	9	57.9%	18	28	40	n.m.
Eurotech S.p.A.	ReThing	79	102	69	63	-8.8%	86	105	112	21.1%
WIIT SpA	ReHub	24	34	52	76	46.6%	118	128	138	21.8%
Peers Average		**197**	**228**	**237**	**280**	**18.1%**	**337**	**378**	**426**	**15.0%**
Relatech SpA		**15**	**21**	**26**	**37**	**40.3%**	**62**	**73**	**85**	**31.6%**

Source: FactSet, KT&Partners' elaboration

Peers Comparison – EBITDA Margin, EBIT Margin and Net Margin

Company Name	EBITDA Margin					EBIT Margin					Net Margin				
	2020	2021	2022	2023	2024	2020	2021	2022	2023	2024	2020	2021	2022	2023	2024
Reply S.p.A.	15.1%	16.5%	17.1%	16.9%	16.6%	11.7%	13.3%	14.1%	14.1%	14.0%	9.9%	10.2%	10.1%	10.1%	10.1%
Neosperience SpA	23.3%	30.3%	29.5%	30.1%	31.5%	neg	6.0%	11.0%	15.0%	19.2%	1.6%	3.3%	5.9%	9.3%	12.2%
Expert.ai S.p.A.	neg	neg	neg	7.8%	20.8%	neg	neg	neg	neg	5.7%	neg	neg	neg	neg	2.3%
Cyberoo S.p.A.	33.5%	27.9%	33.3%	53.6%	62.5%	3.4%	4.7%	33.3%	50.0%	60.0%	1.0%	2.0%	22.2%	32.1%	40.0%
Eurotech S.p.A.	9.9%	neg	14.6%	19.2%	18.4%	4.1%	neg	9.2%	14.7%	12.6%	0.2%	neg	9.1%	14.8%	9.6%
WIIT SpA	31.0%	30.5%	36.1%	38.4%	39.2%	9.7%	6.7%	20.3%	23.5%	25.0%	3.1%	neg	12.2%	14.8%	16.5%
Peers Average	22.6%	26.3%	26.1%	27.7%	31.5%	7.2%	7.7%	17.6%	23.5%	22.8%	3.1%	5.1%	11.9%	16.2%	15.1%
Relatech SpA	22.9%	19.7%	19.7%	21.2%	22.3%	16.1%	11.1%	13.1%	13.7%	14.9%	10.2%	10.1%	8.4%	9.1%	10.9%

Source: FactSet, KT&Partners' elaboration

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