

2023: The Year of Integration

ADD | Fair Value: €4.01 (€4.20) | Current Price: €1.99 | Upside: +101.7%

€ Million	FY21A	FY22A	FY23A	FY24E	FY25E	FY26E	FY27E
Sales revenues	27.9	60.7	91.0	100.6	111.4	123.8	137.9
Value of production	33.7	70.0	98.5	108.3	119.3	131.8	146.0
EBITDA	6.9	13.2	16.1	19.6	22.9	26.8	31.4
margin	20.6%	18.8%	16.4%	18.1%	19.2%	20.3%	21.5%
Net Profit	3.7	1.7	3.6	8.6	10.6	13.2	16.2
margin	10.9%	2.4%	3.7%	7.9%	8.9%	10.0%	11.1%
EPS	0.10	0.04	0.09	0.20	0.25	0.31	0.38
NFP	(1.7)	9.5	21.9	14.1	3.8	(9.1)	(24.5)

Source: Company data, KT&Partners' elaborations.

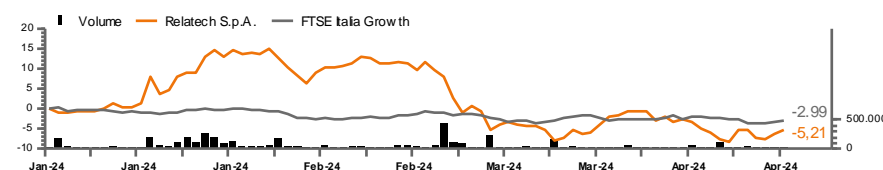
Sustainability Check. In the following update of RLT-IT equity research we included the Sustainability Check conducted in collaboration with ADvisory S.r.l.s. with the aim to identify ESG themes that are material for RLT-IT, and related risks and opportunities not identified and valued using traditional financial data. Based on our analysis, RLT-IT is strongly focused on ESG themes, particularly on the Social aspects that gain the full score (100%), compared to Governance (83%) and Environment (60%).

FY23 financial results. For RLT-IT 2023 has been a year of consolidation after acquiring four companies in FY22 and continuing its external growth path during 2023. Value of Production came in at €98.5mn, a >40% increase YoY, but falling behind our €103.9mn estimate, and also below FY22PF at €101mn - driven by lower than expected revenues at €91mn and some orders received at the end of the year that slipped to 2024 despite costs already registered in 2023. On a positive note, recurring revenues accounted for €35mn, equal to 38.5% of total Revenues and 4pp above 2022's figure. On marginality side, the increase in gross margin (reduction of COGS incidence after the peak in 2022) was offset by a reduction in profitability at EBITDA level. The EBITDA (Adjusted from non recurrent expenses and M&A related ones) stood at €16.1mn (16.4% margin) growing by 22% YoY, below our estimates of €18.0mn, and with personnel expenses increasing more than 80% YoY. At the bottom line, net income after minorities amounted to €3.6mn, increasing by 113% but 50% below our forecasts mainly due the mentioned extraordinary cost items and higher interest expenses. Net financial position worsened to €21.9mn in 2023 from €9.5mn in FY22, driven by: i) €12mn from extraordinary operations, ii) €1.8mn buy-back operations. Yet, FY23 NFP/EBITDA stood at an under-control level of 1.4x.

Change in estimates. Following FY23A Relatech results below our prior estimates, we downwardly revised our 2024-2026 value of production projections. We now anticipate the value of production to increase at a CAGR23A-27E of 10.4%, reaching €131.8mn in 2026 (previously €143.7mn), and €146.0mn in 2027 - believing that RLT-IT, through its enriched offer and the synergies among its group, benefit of a favourable positioning to seek future opportunities. Profitability side, we now expect FY24E EBITDA margin at 18.1% (19.0% previously) and we expect it will increase to 20.3% in FY26E (previously 20.7%) and 21.5% in 2027. On the bottom line, we now foresee net income adjusted for expenses related to the stock grant plan to grow at a CAGR23A-27E of 30.4%, amounting to €13.2mn in 2026, and €16.2mn in 2027. Finally NFP is forecasted in FY24 at €14.1mn, improving by c.€8mn, to reach at the end of 2027 a net cash position of €24.5mn, thanks to positive cashflows during the years and without any further M&A activity.

Valuation Update. We update our valuation - based on both DCF and a market multiples model - which returns an average equity value of €169.74mn or €4.01ps, implying a potential upside of +101.7% on the current market price.

Relative Performance Chart - YTD



Source: Factset.

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Research Update

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Market Data			
Pasquale Lambardi			52.4%
Treasury shares			2.4%
Other Shareholders			4.0%
Mkt Cap (€ mn)			89.1
EV (€ mn)			92.3
Number of shares (mn)			43.4
Shares outstanding (mn)			42.2
Free Float (%)			41.1%
Market multiples	2023	2024	2025
EV/EBITDA			
RLT-IT	5.4x	4.5x	3.8x
Comps median	12.0x	9.0x	7.7x
RLT-IT vs Median	-55%	-50%	-50%
P/E			
RLT-IT	15.0x	9.8x	7.9x
Comps median	25.8x	20.7x	16.6x
RLT-IT vs Median	-42%	-53%	-52%
Stock Data			
52 Wk High (€)			2.61
52 Wk Low (€)			1.91
Avg. Daily Trading 90d			72,548
Price Change 1w (%)			2.58
Price Change 1m (%)			0.00
Price Change YTD (%)			-5.69

Key Figures – Relatech S.p.A.

	Current price (€)	Fair Value (€)	Sector				Free Float (%)
	1.99	4.01	Digital Innovation				41.1%
Per Share Data	2021A	2022A	2023A	2024E	2025E	2026E	2027E
Number of shares (mn)	37.75	43.35	43.35	43.35	43.35	43.35	43.35
Treasury shares (mn)	0.91	1.11	1.11	1.06	1.06	1.06	1.06
Shares outstanding (mn)	36.84	42.24	42.24	42.30	42.30	42.30	42.30
EPS	0.10	0.04	0.09	0.20	0.25	0.31	0.38
EPS Adjusted	0.14	0.13	0.13	0.20	0.25	0.31	0.38
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)							
Sales revenues	27.9	60.7	91.0	100.6	111.4	123.8	137.9
Value of Production	33.7	70.0	98.5	108.3	119.3	131.8	146.0
EBITDA	6.9	13.2	16.1	19.6	22.9	26.8	31.4
EBIT	4.0	8.7	9.6	12.8	15.7	19.3	23.6
EBT	3.2	4.6	6.2	11.4	14.4	18.2	22.7
Taxes	0.7	(2.9)	(2.7)	(2.9)	(3.9)	(5.3)	(6.8)
Tax rate	-20%	62%	43%	26%	27%	29%	30%
Net Income	3.9	1.7	3.6	8.5	10.5	13.0	15.9
Net Income attributable to the Group	3.7	1.7	3.6	8.6	10.6	13.2	16.2
Net Income attributable to the Group Adjusted	5.3	5.4	5.6	8.6	10.6	13.2	16.2
Balance Sheet (EUR million)							
Total fixed assets	21.7	48.4	50.0	51.6	51.0	50.1	49.4
Net Working Capital (NWC)	6.7	11.5	16.4	17.5	19.9	22.6	25.6
Provisions	(5.8)	(16.0)	(8.0)	(10.1)	(11.7)	(13.4)	(15.3)
Total Net capital employed	22.5	43.9	58.4	59.0	59.2	59.3	59.8
Net financial position/(Cash)	(1.7)	9.5	21.9	14.1	3.8	(9.1)	(24.5)
Group Shareholder's Equity	23.1	33.1	35.8	44.4	55.0	68.2	84.3
Minorities	1.1	1.3	0.6	0.5	0.4	0.2	(0.0)
Total Shareholder's Equity	24.2	34.4	36.4	44.9	55.4	68.4	84.3
Cash Flow (EUR million)							
Net operating cash flow	6.1	10.1	12.6	16.1	18.5	21.1	24.3
Change in NWC	(3.6)	(4.8)	(4.9)	(1.1)	(2.4)	(2.7)	(3.1)
Capital expenditure	(9.1)	(29.8)	(8.4)	(8.4)	(6.6)	(6.6)	(7.1)
Other cash items/Uses of funds	0.5	8.8	(7.8)	2.1	1.6	1.7	1.9
Free cash flow	(6.0)	(15.7)	(8.5)	8.7	11.2	13.6	16.0
Enterprise Value (EUR million)							
Market Cap	96.7	92.9	89.1	84.2	84.2	84.2	84.2
Minorities	1.1	1.3	0.6	0.5	0.4	0.2	0.0
Net financial position/(Cash)	(1.7)	9.5	21.9	14.1	3.8	(9.1)	(24.5)
Enterprise value	96.1	103.7	111.7	98.8	88.3	75.3	59.6
Ratios (%)							
EBITDA margin	20.6%	18.8%	16.4%	18.1%	19.2%	20.3%	21.5%
EBIT margin	11.8%	12.5%	9.7%	11.8%	13.1%	14.6%	16.2%
Gearing - Debt/equity	-7.4%	28.7%	61.3%	31.8%	6.9%	-13.3%	-29.1%
Interest cover on EBIT	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
NFP/EBITDA	-0.2x	0.7x	1.4x	0.7x	0.2x	-0.3x	-0.8x
ROCE	17.6%	19.9%	16.4%	21.7%	26.5%	32.6%	39.5%
ROE	15.8%	5.1%	10.1%	19.4%	19.3%	19.3%	19.2%
EV/Sales	2.6x	1.2x	0.9x	0.8x	0.7x	0.7x	0.6x
EV/EBITDA	12.6x	6.6x	5.4x	4.5x	3.8x	3.3x	2.8x
P/E	13.8x	15.5x	15.0x	9.8x	7.9x	6.4x	5.2x
Free cash flow yield	-6.2%	-16.4%	-8.8%	9.0%	11.6%	14.1%	16.6%
Growth Rates (%)							
Sales	52.9%	117.1%	50.0%	10.5%	10.8%	11.1%	11.4%
Value of production	38.3%	107.9%	40.7%	10.0%	10.1%	10.5%	10.8%
EBITDA	17.5%	90.2%	22.4%	21.3%	16.9%	17.0%	17.2%
EBIT	-3.5%	120.7%	9.3%	34.0%	22.5%	23.2%	22.3%
Net Income	41.9%	-55.1%	105.6%	138.0%	23.2%	24.1%	22.8%

Source: Company data, KT&Partners' elaborations

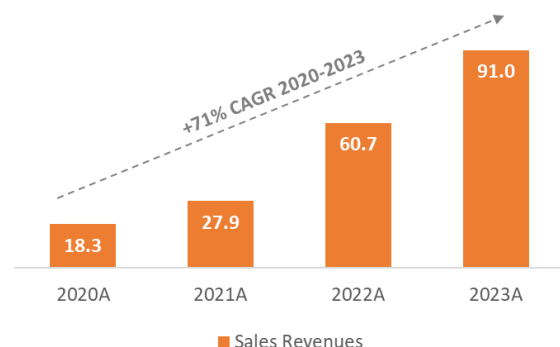
Note: EBITDA and EBIT data are reported on an adjusted basis (without considering extraordinary items) Shares outstanding also consider treasury shares used for the acquisition of a further stake in EFA Automazione and the numbers of treasury shares that will be used for the payment of BTO's earn-out

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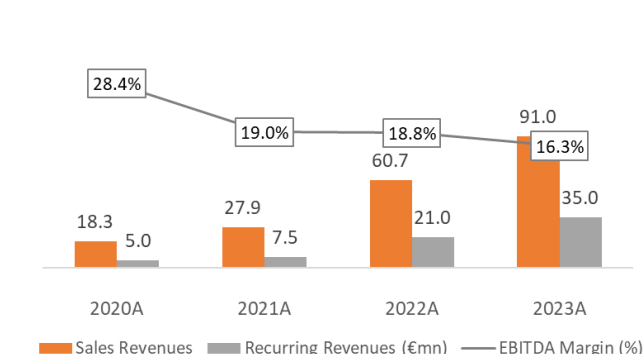
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Key Charts

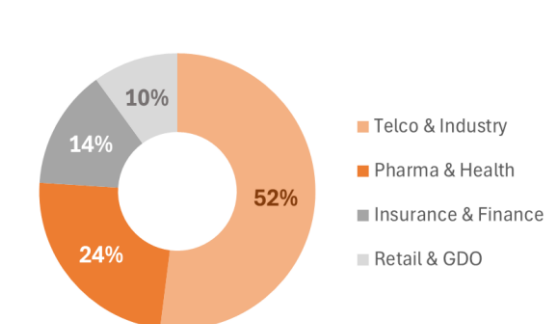
Sales Revenues (€mn)



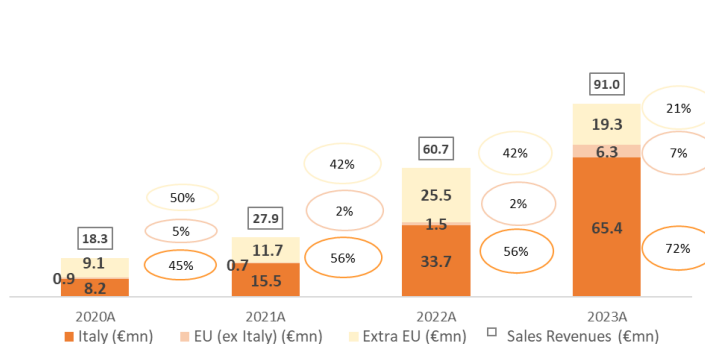
Revenues and EBITDA Margin (€mn, %)



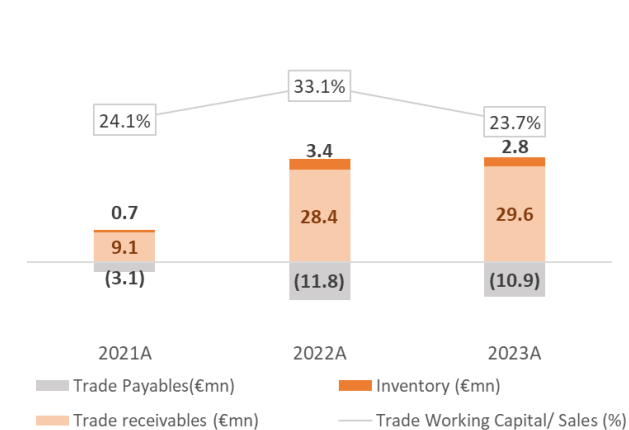
Revenues by Industry (%)



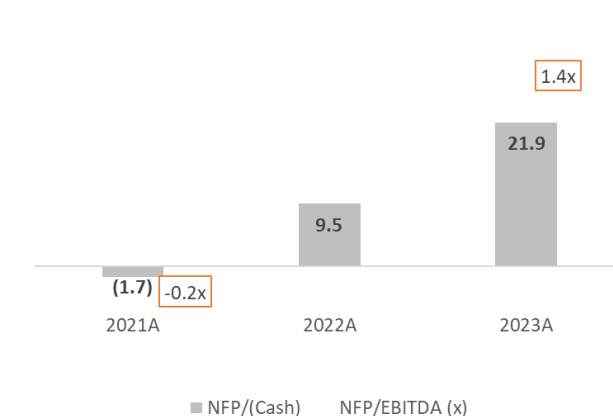
Revenues by Geographical Area (€mn, %)



Trade Working Capital (€mn, %)



NFP/(Cash) and NFP/EBITDA (€mn)



Overview

Company description

Relatech (RLT-IT), a Digital Enabler Solution Know-how (DESK) Company, provides innovative services and digital solutions, enabling the digital innovation of enterprises. The Group's offer is centered on the 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, and Blockchain). RePlatform is based on five modules of software (ReYou, ReData, ReThing, ReSec, and ReHub), making RLT-IT able to satisfy customers' technological needs with a unique comprehensive platform. RLT-IT provides "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), customized solutions and "innovation services" for a wide range of end markets (i.e., Pharma and Healthcare, TelCo, Finance, Utilities, Distribution, and Retail).

RLT-IT was listed on Euronext Growth Milan (EGM) on June 28, 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-IT has enriched RePlatform with scalable solutions generating recurring revenues. In FY23, recurring revenues rose by +67% accounting for 38% of reported sales revenues (+4pp vs FY22).
- **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 2016-23 period, the company has invested ca. +€25mn in R&D and ca. 6% of revenue in 2023. RLT-IT has also embraced an open innovation approach, carrying out R&D in collaboration with universities, academic spin-offs, and research institutes (e.g., the NRC) to spot new trends.
- **Consolidating partnerships with key IT vendors and system integrators.** Over the years, RLT-IT has established long-lasting relationships with key IT vendors and system integrators (e.g., IBM, TechData, NTTData, Atos, etc.), which in some cases are also RLT-IT's clients. Business partnerships have allowed RLT-IT 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 9 M&As (14 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 (e.g., Microsoft, Oracle, etc.); and ii) strengthening its positioning 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 NetConsulting Cube, in 2022 the Italian digital market was expected to be worth ca. €76.8bn and it is expected to grow at +4.4% CAGR2022–25, reaching ca. €87.3bn in 2025.

Recent developments

- **Best M&A Award.** In November 2023 during the AssoNext Awards sponsored by Euronext, Relatech was awarded the prize “Best M&A 2021-2023” and recognized as one of the EGM-listed companies with the most significant external growth path.
- **Strategic Partnership with Autotrasporti De Girolami S.p.A.** In September 2023, the two companies signed an agreement for the renovation of the carrier business model through the RePlatform suite.
- **Partnership with CREDEMTel S.p.A.** In June 2023, Relatech signed a partnership with CREDEMTel SpA, part of CREDEM Group, for the cybersecurity management through the proprietary solution ReSOC.
- **Strengthening business partnerships.** During the first months of 2023, RLT-IT strengthened its business partnerships through: i) the renewal of the partnership with Oracle NetSuite, world market leader of ERP systems, for the implementation in cloud of Oracle NetSuite ERP business application, supporting companies and organizations on their digitization process (April 18, 2023); ii) the signing of a collaboration with IT Impresa (March 16, 2023), a company specialized in the provision of IT services, to implement the suite of cybersecurity services and solutions (an integral part of the Group's offerings).
- **Introduction of the increased votes.** In January 2023, the Extraordinary Shareholders' Meeting approved the introduction of shares with increased voting rights. Following the change in the Statute of the Company and the exercise of the redemption rights by some shareholders, RLT-IT will re-purchase 394,340 shares at a price of €2.19 for a total amount of €864k, leading treasury shares at 1.5mn
- **Opening IULM AI LAB partnered by Relatech.** In January 2023, IUM AI Lab chose RLT-IT as partner for a laboratory of scientific research on AI, with the aim of developing innovative solutions for private firms and PAs (i.e., Metaverse).
- **Industrial agreement with Ascot Industrial S.r.l.** In October 2022, RLT-IT signed an industrial agreement with Ascot Industrial aiming at developing a platform as a service (PAAS) that will be extended to Ascot's entire installation network (ca. 34k installations).
- **Growth Champions Award.** According to a rating published by the German Institute of Quality and Finance, over the 2018-2021 period, RLT-IT was among the 800 companies in Italy with the highest growth rate.
- **Partnership with NIO Cocktails.** In July 2022, RLT-IT started a collaboration with NIO Cocktails to optimize management, accounting, logistics, and production processes. RLT-IT's solution was implemented with Oracle NetSuite team support.
- **ESG report 2021.** In June 2022, RLT-IT published its second ESG report prepared in accordance with the "GRI standards: Core option."

M&A Summary

- **Dialog Sistemi Srl.** In April 2024, Relatech bought the remaining 40% stake in Dialog Sistemi for €1.15mn, paid immediately in cash. The initial 60% stake was acquired in May 2021, for €0.72mn.
- **BTO Research.** In November 2022, Relatech closed its ninth deal since IPO, acquiring an 80% stake in Exeo S.p.A., holding of BTO S.p.A. for a total consideration of €13mn (4.4x EV/EBITDA). On January 18, 2023, RLT-IT announced the closing of the reverse merger of Exeo into BTO. Following the merger, RLT-IT holds 80% of BTO's capital. With 300 professionals and an international presence (with branches in Munich, Luxembourg and Vienna), BTO is an Italian group that offers advisory services – also leveraging on its research hub – helping enterprises to innovate their business. Thanks to the acquisition of BTO, RLT-IT is expected to provide an end-to-end offer that will be the result of advisory services combined with technology solutions, covering each phase of the innovation process: feasibility, project and change management, and implementation of new technologies. Furthermore, leveraging on the strong ties of BTO with the academic

community, the company will strengthen both its open innovation approach and the recruitment of new talents.

- **Venticento.** In September 2022, RLT-IT acquired a further 9.71% stake in Venticento – a firm specialized in cloud and cybersecurity – reaching the controlling stake (51%) for €0.35mn or at ca. 12.4x P/E (based on FY21 data). Moreover, RLT-IT has the right to acquire the remaining 49% stake through put-and-call options. Venticento is an Italian SME founded in Milan, active in several industries, with international branches in New York and Hong Kong. The company specializes in Cybersecurity and Cloud solutions for enterprises, and it will allow RLT-IT to enhance ReHub (Cloud) and ReSec (Cybersecurity) solutions.
- **IoT Catalyst (ex. Fair Wind Digital).** RLT-IT acquired a 100% stake of IoT Catalyst – a firm based in Rome specialized in IoT edge computing – for a total consideration of €0.31mn or at 0.3x EV/EBITDA and 5.3x P/E (based on FY21 figure). The acquisition of a 75% stake was carried out in September 2022 and the remaining 25% was acquired in October 2022. IoT Catalyst is an Italian start-up specializing in IoT edge computing through proprietary platform and tailor-made solutions and active in several sectors, such as industrial IoT, telecommunications, energy, and smart city. Thanks to this acquisition, RLT-IT has enriched Replatform's offer, expanding the Company's customer base toward PAs with a new office in Rome.
- **EFA Automazione SpA.** In February 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 5.7x EV/EBITDA (based on FY20). RLT-IT has the option to acquire the remaining 18.34% stake under determined conditions. On March 29, 2023, RLT-IT announced the acquisition of a further 8% stake in EFA Automazione for €0.72mn. EFA Automazione is active in the industrial IoT market, acting as an exclusive reseller of solutions that allow communication and connectivity of machines and plants. Thanks to the acquisition of EFA, RLT-IT has integrated its ReFab offer providing to the industrial automation industry end-to-end solutions able to cover the entire Industry 4.0 supply chain from infrastructure and connectivity set-up of machines/plants to collection and data analysis solutions, while ensuring data protection. Furthermore, the acquisition has allowed the Group to expand its customer base, also reaching important new international clients.
- **DtoK Lab Srl.** In December 2021, RLT-IT acquired – through Ithea Srl – a 51% stake in DtoK Lab Srl – a 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).
- **Dialog Sistemi Srl.** In May 2021, RLT acquired a 60% stake in Dialog Sistemi – an Italian SME specialized in solutions for performance management and data warehousing – for €0.67mn. The remaining 40% stake has been acquired in April 2024, for €1.15mn. Dialog Sistemi developed a property platform expected to enrich the ReData module of RLT-IT, leading to a higher level of recurring revenue (in FY20 ca. 40% of Dialog's revenues were recurring). Scaling cross-selling activities on Gruppo Sigla's clients, RLT-IT is also expected to diversify its customer base by also entering new end-markets, like steel, metallurgy, petrochemicals, and energy sectors.
- **Sigla Srl.** In June 2021, RLT-IT acquired a 60% stake in Gruppo Sigla – an Italian tech SME specialized in industrial automation, data analysis and cybersecurity – for €2.3mn. In July 2023 the company acquired the remaining 40% share capital for an overall consideration of €0.7mn and reached the 100% ownership of the company. Pursuing an open innovation approach, Gruppo Sigla develops its solutions by leveraging on a strong collaboration between its internal R&D team and an ecosystem of scientific partnerships. RLT-IT is expected to benefit from scientific partnerships with technological districts and poles, particularly on the topics of cybersecurity, Industry 4.0, Internet of Things and Cloud Architectures.
- **Xonne Srl.** In June 2020, RLT-IT acquired a 53.6% stake in Xonne Srl, a company specialized in virtual and augmented reality solutions and mobile technologies, for

€0.32mn. In November 2021, RLT-IT acquired the remaining 46.50% for €0.49mn and in June 2022 announced the closing of the merger through incorporation between Relatech Consulting Srl and Xonne Srl.

- **Mediatech.** In June 2020, RLT-IT acquired a 60% stake in Mediatech Srl, an Italian SME specialized in cloud and Cyber Security technologies, for €1.5mn or at a 6.2x EV/EBITDA. In June 2021, RLT-IT acquired the remaining 40% for a total amount of €1.7mn. With 20 years of experience in the construction of infrastructures and data centers, Mediatech has a high specialization in the world of Cloud (private, hybrid, public, hyperconvergence), allowing RLT-IT to enrich its ReHub and ReSec modules. Based in Milan and Brescia, Mediatech has three data centers in Italy and a customer base of over 300 clients.

Relatech's M&A deals since IPO

Company Name	Announcement date	Closing date	Acquisition Stake	Deal Value (€mn)	Cash (€mn)	Payment in Kind (€mn)	Revenues (€mn)	EBITDA (€mn)	Net Income (€mn)	NFP (€mn)	EV/Sales	EV/EBITDA	P/E
Mediatech Srl	Jun-2020	Jun-2020	60.0%	1.50	1.00	0.50	3.58	0.44	0.19	0.26	0.8x	6.2x	12.9x
Xonne Srl	Jul-2020	Jul-2020	53.5%	0.32	0.16	0.16	0.71	-0.02	0.10	0.09	1.0x	n.m	6.1x
SIGLA Srl	May-2021	Jun-2021	60.0%	2.30	1.73	0.57	4.99	0.70	0.43	1.20	1.0x	7.2x	8.9x
Dialog Sistemi Srl	May-2021	May-2021	60.0%	0.94	0.70	0.23	1.12	0.15	0.11	-0.60	0.9x	6.4x	14.2x
Mediatech Srl	Jun-2021	Jun-2021	40.0%	1.70	0.38	1.32	3.37	0.33	0.30	n.a.	n.a.	n.a.	14.1x
Xonne Srl	Nov-2021	Nov-2021	46.5%	0.49	0.00	0.49	0.94	-0.01	0.08	-0.10	1.0x	n.m	13.9x
DtoK Lab Srl	Dec-2021	Dec-2021	51.0%	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
E.F.A. Automazione SpA*	Dec-2021	Feb-2022	81.7%	7.35	7.35	0.00	13.62	1.47	0.95	-0.59	0.6x	5.7x	9.5x
IoT Catalyst**	May-2022	Oct-2022	100%	0.31	0.31	0.00	2.54	0.47	0.06	-0.17	0.1x	0.3x	5.3x
Venticento Srl***	May-2022	Sep-2022	9.7%	0.35	n.a.	n.a.	10.00	0.71	0.29	-0.09	0.4x	5.0x	12.4x
BTO****	Oct-2022	Nov-2022	80.0%	13.00	1.23	5.60	19.50	3.50	0.62	1.20	0.8x	4.4x	23.0x
E.F.A. Automazione SpA*	Feb-2022	Mar-2023	8.0%	0.72	0.36	0.36	13.62	1.47	0.95	-0.59	0.6x	5.7x	9.5x
SIGLA Srl	July-2023	July-2023	40.0%	0.71	0.71	0.00	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Dialog Sistemi Srl	Apr-2024	Apr-2024	40.0%	1.15	1.15	0.00	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Average				2.37	1.26	0.77	6.73	0.84	0.37	0.06	0.7x	5.1x	11.8x
Median				0.94	0.71	0.30	3.58	0.47	0.29	-0.09	0.8x	5.7x	12.4x
Total				30.84	15.09	9.23							

*Financials are related to FY20

** ex Fair Wind Digital

*** KT&Part's EBITDA FY21 estimates

**** Deal value includes earn-out. EBITDA 2021 reported on an adjusted basis

Source: Leanus, KT&Partners' elaborations

Note: Revenues, EBITDA and NFP are related to the previous fiscal years of the announcement date. Furthermore, following the acquisition of a 9.7% stake in Venticento Srl in May 2022, RLT-IT reached the controlling stake of 51%.

Group Structure



Source: Company/presentation

FY23 Financial Results

2023 was a year of consolidation for RLT-IT, after acquiring four companies in FY22 (EFA Automazione, IoT Catalyst, Venticento and BTO). Nevertheless, management continued its growth path, completing the acquisition of a further 8% stake in E.F.A. Automazione SpA in March 2023 (following the 81.7% ownership acquired in Feb22), and the remaining 40% stake in SIGLA Srl in July 2023 (initial 60% acquired in 2021).

FY23 Value of Production at €98.5mn, a >40% increase YoY, but falling behind our €103.9mn estimate, and also below FY22PF at €101mn. This is driven by lower-than-expected revenues at €91mn (vs €92mn FY22PF and our FY23 expectation at €97mn), with a few end-of-year orders slipping to the new year, despite costs already registered in 2023. On the positive side, recurring revenues accounted for €35mn, equivalent to 38.5% of Total revenues, 4pp above 2022's figure, but also 1pp higher than FY22PF.

The increase in gross margin (reduction of COGS incidence after the peak in 2022) was offset by a reduction in profitability level at EBITDA level, with 2023 being a year of consolidation, after the significant M&A activity in 2022. FY23 EBITDA adjusted (from non-recurring expenses linked to the 2021-23 Stock Grant plan and from M&A related cost items) stood at €16.1mn with a 16.4% margin and growing by 22% compared to €13.2mn in FY22, below our estimates at €18mn and 17.4% margin, and with FY23 personnel expenses increasing more than 80% YoY also due to salaries increase.

At the bottom line, net income after minorities amounted to €3.6mn, increasing by 113% but 50% below our forecasts mainly due to €2mn extraordinary expenses due to stock grants and advisory costs on M&A, and also due to higher interest expenses. By adjusting for these extraordinary items, Net Income would have been €5.6mn, 30% below our estimates at €8.1mn.

At the end of FY23, RLT's net financial position worsened to €21.9mn in 2023 from €9.5mn in FY22, driven by: i) €12mn from extraordinary operations, ii) €1.8mn buy-back operations. Despite the increase in indebtedness in recent years, FY23 NFP/EBITDA stood at an under-control level of 1.4x, leaving firepower for future M&A, considering the company is cash-generative per se (stripping out M&A cash-flows).

FY23 Income Statement

€ Million	FY20A	FY21A	FY22A	FY23A	YoY	FY23E	A vs E %
Sales Revenues	18.3	27.9	60.7	91.0	50.0%	97.0	-6.1%
Growth %	1.6%	52.9%	117.1%	50.0%		60%	
Other Revenues	6.1	5.7	9.3	7.5	-20.2%	6.9	8.0%
Value of production	24.3	33.7	70.0	98.5	40.7%	103.9	-5.2%
Growth %	14.2%	38.3%	107.9%	40.7%		48.4%	
Products and Raw materials	(1.3)	(3.0)	(18.2)	(22.1)	21.6%	(25.2)	-12.4%
Gross Profit	23.1	30.7	51.8	76.4	47.4%	78.7	-2.9%
Gross Margin	94.8%	91.0%	74.0%	77.6%	3.5%	75.7%	1.8%
Cost of Services	(7.2)	(10.3)	(17.3)	(17.7)	2.2%	(21.7)	-18.5%
Rental Costs	(0.2)	(0.2)	(0.4)	(0.6)	40.2%	(0.7)	-12.3%
Personnel Expenses	(9.6)	(13.1)	(20.5)	(37.8)	83.9%	(37.6)	0.3%
Other Operating Expenses	(0.2)	(0.2)	(0.4)	(4.2)	1023.4%	(0.6)	602.8%
EBITDA	5.9	6.9	13.2	16.1	22.4%	18.0	-10.5%
EBITDA margin	24.2%	20.6%	18.8%	16.4%	-2.4%	17.4%	-1.0%
Growth %	19.6%	17.5%	-8.5%	22.4%		36.8%	
D&A and Provisions	(1.8)	(3.0)	(4.4)	(6.6)	48.2%	(6.0)	9.1%
EBIT	4.1	4.0	8.7	9.6	9.3%	12.0	-20.3%
EBIT margin	16.9%	11.8%	12.5%	9.7%	-2.8%	11.5%	-1.8%
Growth %	-4.3%	-3.5%	6.2%	9.3%		37.2%	
Financial Income and Expenses	(0.1)	0.9	(1.2)	(1.4)	9.5%	(0.9)	56.4%
Extraordinary items	(0.7)	(1.7)	(2.9)	(2.0)	-32.1%	(1.5)	32.1%
EBT	3.4	3.2	4.6	6.2	35.6%	9.6	-35.4%
Taxes	(0.6)	0.7	(2.9)	(2.7)	-7.0%	(2.2)	
Tax Rate	19.0%	-20.3%	62.2%	42.7%		22.7%	
Net Income	2.7	3.9	1.7	3.6	105.6%	7.4	-52.1%
Net margin	11.2%	11.5%	2.5%	3.6%	1.1%	7.2%	-3.5%
Growth %	4.9%	41.9%	-55.1%	105.6%		329.2%	
Minorities	0.2	0.2	0.0	(0.0)	-245.4%	0.1	-133.9%
Net Income attributable to the Group	2.6	3.7	1.7	3.6	112.7%	7.3	-50.4%
Net margin	10.5%	10.9%	2.4%	3.7%	1.2%	7.0%	-3.4%
Growth %	63.0%	43.3%	-53.5%	112.7%		329.2%	

Source: Company data and KT&Partners' elaboration

Note: EBITDA and EBIT data are reported on an adjusted basis (without considering extraordinary items)

FY23 Balance Sheet

€ Million	FY20A	FY21A	FY22A	FY23A
Goodwill	0.0	0.0	0.0	0.0
Intangible	11.6	17.6	40.9	42.3
Tangible (including ROU Assets -IFRS16)	1.9	2.0	4.0	4.4
Other LT Assets	0.0	2.1	3.4	3.2
Fixed Assets	13.5	21.7	48.4	50.0
Trade receivables	6.6	9.1	28.4	29.6
Inventory	0.5	0.7	3.4	2.8
Trade Payables	(2.8)	(3.1)	(11.8)	(10.9)
Trade Working Capital	4.3	6.7	20.1	21.5
Other assets and liabilities	(1.2)	(0.0)	(8.6)	(5.2)
Net Working Capital	3.1	6.7	11.5	16.4
Other Provisions	(3.2)	(5.8)	(16.0)	(8.0)
Net Capital Employed	13.4	22.5	43.9	58.4
Group shareholders' equity	12.7	23.1	33.1	35.8
Minority shareholders' equity	0.7	1.1	1.3	0.6
Total shareholders' equity	13.4	24.2	34.4	36.4
Short-term debt / Cash (-)	(6.6)	(8.4)	(21.2)	(1.4)
Long-term liabilities	6.6	6.7	30.7	23.3
Net Financial Position	(0.0)	(1.7)	9.5	21.9
Sources	13.4	22.5	43.9	58.4

Source: Company data

Change in Estimates

Following FY23A Relatech results below our prior estimates, we downwardly revised our 2024-2026 value of production projections, by c.7.1% on average. We now anticipate the value of production to increase at a CAGR23A–27E of 10.4%, reaching €131.8mn in 2026 (previously €143.7mn), and €146.0mn in 2027. We believe RLT-IT is well positioned to seize future opportunities as it can leverage on i) an enriched offer based on RePlatform able to satisfy customers' needs throughout their entire digitalisation process (end-to-end process) thanks to the strong bolt-on acquisition of the past few years; ii) synergies among all the companies within the group to carry out cross- and up-selling opportunities on its extended client base (1,000+ clients); and iii) >800 talents and strengthened partnerships with the academic and scientific world.

On the profitability, the FY23A EBITDA margin below our expectations made us outline the margin accretion profile (due to OpEx's economies of scale among the group's companies) from a lower starting point. We now expect FY24E EBITDA margin at 18.1% (19.0% previously) and we expect it will increase to 20.3% in FY26E (previously 20.7%) and 21.5% in 2027.

On the bottom line, we now foresee net income adjusted for expenses related to the stock grant plan to grow at a CAGR23A–27E of 30.4%, amounting to €13.2mn in 2026, and €16.2mn in 2027.

Finally, in FY24E we forecast a net financial position improving by c.€8mn to €14.1mn (including the €1.4mn M&A capex from the acquisition of the remaining stake in Dialog Sistemi in April 2024) , reaching a net cash position of €9.1mn in FY26E (previously €30.7mn net cash), and net cash of €24.5mn in 2027, thanks to positive free-cash-flows through the years, without modelling any further M&A activity.

Change in Estimates

€ Million	2023E	2023A	Change	2024E	2024E	Change	2025E	2025E	Change	2026E	2026E	Change	2027E	CAGR	CAGR
	Old	Actual		Old	New		Old	New		Old	New		New		
	KT&P	KT&P		KT&P	KT&P		KT&P	KT&P		KT&P	KT&P		KT&P	2023-26	2023-27
Value of Production	103.9	98.5	-5.2%	115.3	108.3	-6.0%	128.4	119.3	-7.1%	143.7	131.8	-8.3%	146.0	11.4%	10.4%
YoY Change (%)	48.4%	40.7%		11.0%	10.0%		11.4%	10.1%		11.9%	10.5%		10.8%		
EBITDA	18.0	16.1	-10.5%	21.9	19.6	-10.5%	25.8	22.9	-11.4%	29.7	26.8	-10.0%	31.4	18.1%	18.1%
YoY Change (%)	36.8%	22.4%		21.3%	21.3%		18.1%	16.9%		15.1%	17.0%		17.2%		
EBITDA Margin	17.4%	16.4%		19.0%	18.1%		20.1%	19.2%		20.7%	20.3%		21.5%		
EBIT	12.0	9.6	-20.3%	15.6	12.8	-17.9%	18.4	15.7	-14.8%	21.6	19.3	-10.8%	23.6	21.7%	25.4%
YoY Change (%)	37.2%	9.3%		30.0%	34.0%		18.1%	22.5%		17.6%	23.2%		22.3%		
Net Income	7.3	3.6	-50.4%	11.0	8.6	-21.9%	13.1	10.6	-19.0%	15.4	13.2	-14.8%	16.2	28.4%	45.4%
YoY Change (%)	329.2%	112.7%		51.2%	138.0%		18.7%	23.2%		18.1%	24.1%		22.8%		
Net Margin	7.0%	3.7%		9.6%	7.9%		10.2%	8.9%		10.8%	10.0%		11.1%		
Net Income Adjusted	8.1	5.6	-31.0%	11.0	8.6	-21.9%	13.1	10.6	-19.0%	15.4	13.2	-14.8%	16.2	24.0%	30.4%
NFP	11.2	21.9	10.7	(0.1)	14.1	14.2	(14.2)	3.8	18.0	(30.7)	(9.1)	21.6	(24.5)		

Source: FactSet, KT&Partners' elaboration

Note: EBITDA and EBIT data are reported on an adjusted basis (without considering extraordinary items)

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 €144.27mn or €3.41ps;
- 2. DCF analysis based on WACC of 8.7% and 2% perpetual growth, returns a value of €186.5mn or €4.62ps.

The average of the two methods yields a fair value of €4.01ps or an equity value of €169.74mn.

Valuation Recap

	Equity Value €mn	Value per share €
DCF	195.21	4.62
EV/EBITDA	114.49	2.71
P/E	174.04	4.11
Average Multiples	144.27	3.41
Total Average	169.74	4.01

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 2023–26 data.

Peer Comparison – Market Multiples 2023–26																		
Company Name	Exchange	Market Cap	EV/SALES 2023	EV/SALES 2024	EV/SALES 2025	EV/SALES 2026	EV/EBITDA 2023	EV/EBITDA 2024	EV/EBITDA 2025	EV/EBITDA 2026	EV/EBIT 2023	EV/EBIT 2024	EV/EBIT 2025	EV/EBIT 2026	P/E 2023	P/E 2024	P/E 2025	P/E 2026
Reply S.p.A.	Milan	4,605	2.1x	1.9x	1.7x	1.6x	12.5x	12.1x	11.0x	10.1x	15.8x	14.4x	12.8x	12.2x	25.2x	22.1x	19.7x	18.5x
CY4Gate SpA	Milan	140	2.3x	1.8x	1.7x	1.6x	13.2x	5.9x	5.2x	4.8x	n.m	11.9x	9.8x	8.8x	n.m	20.3x	15.0x	12.8x
Neosperience SpA	Milan	37	2.5x	2.0x	1.7x	1.5x	11.7x	8.1x	6.3x	5.1x	36.9x	30.5x	14.2x	9.3x	n.m	n.m	18.5x	10.4x
SECO S.p.A.	Milan	446	2.5x	2.2x	1.9x	1.7x	11.8x	9.4x	7.5x	6.6x	21.6x	14.6x	11.0x	9.2x	38.0x	21.7x	15.9x	12.4x
Almawave S.p.A.	Milan	131	2.2x	1.7x	1.5x	1.3x	9.4x	7.3x	6.3x	5.3x	14.3x	11.1x	9.3x	7.8x	14.2x	14.7x	11.0x	9.3x
WIIT SpA	Milan	436	4.8x	4.1x	3.8x	3.6x	13.2x	11.0x	9.8x	9.0x	31.8x	19.7x	16.4x	14.6x	n.m	24.8x	19.4x	16.7x
Average peer group		966	2.7x	2.3x	2.1x	1.9x	12.0x	9.0x	7.7x	6.8x	24.1x	17.0x	12.3x	10.3x	25.8x	20.7x	16.6x	13.3x
Median peer group		288	2.4x	2.0x	1.7x	1.6x	12.1x	8.8x	6.9x	5.9x	21.6x	14.5x	11.9x	9.2x	25.2x	21.7x	17.2x	12.6x
Relatech S.p.A.	Milan	84	1.0x	0.9x	0.8x	0.7x	5.4x	4.5x	3.8x	3.3x	9.1x	6.8x	5.6x	4.5x	15.0x	9.8x	7.9x	6.4x

Source: FactSet, KT&Partners’ elaboration

We decide to base our valuation upon i) 2024, 2025, and 2026 multiples; and ii) our estimates of RLT’s EBITDA and net income adjusted for 2024, 2025, and 2026. We also consider FY23A NFP adjusted for: i) €1.15mn spent for the remaining 40% stake in Dialog Sistemi, plus c.€0.25mn remaining fee from the first transaction in 2021.

EV/EBITDA Multiple Valuation			
Multiple Valuation (€mn)	2024E	2025E	2026E
EV/EBITDA Comps	8.8x	6.9x	5.9x
Relatech SpA EBITDA	19.6	22.9	26.8
Enterprise value	171.3	158.1	158.9
Average Enterprise Value		162.8	
Liquidity/Size Discount		15%	
Enterprise value Post-Discount		138.3	
Relatech SpA FY23 Net Debt adj		23.3	
Relatech SpA FY23 Minorities Adj		0.5	
Equity Value		114.5	
Number of shares (mn)		42.3	
Value per Share €		2.71	

Source: FactSet, KT&Partners’ elaboration

P/E Multiple Valuation			
Multiple Valuation (€mn)	2024E	2025E	2026E
P/E Comps	21.7x	17.2x	12.6x
Relatech SpA Net Income Adjusted	8.6	10.6	13.2
Equity Value	186.4	182.3	165.8
Average Equity Value		174.0	
Liquidity Discount		15%	
Equity Value Post-Discount		174.0	
Number of shares (thousand)		42.3	
Value per Share €		4.11	

Source: FactSet, KT&Partners’ elaboration

DCF Valuation

We have also conducted our valuation using a four-year DCF model, based on 9.5% cost of equity, 5% cost of debt, and a D/E ratio of 15% (Damodaran for Software, System, and Application). The cost of equity is a function of the risk-free rate of 3.8% (Italian 10y BTP), 4.18% equity risk premium (Damodaran – March ERP T12 m with sustainable payout) and a premium for size and liquidity of 2.1% (source: Duff&Phelps). We, therefore, obtained 8.7% WACC.

We discounted 2024E–26E 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	2024E	2025E	2026E	2027E
EBIT	12.8	15.7	19.3	23.6
Taxes	(3.4)	(4.4)	(5.6)	(7.1)
D&A	6.8	7.2	7.5	7.8
Change in Net Working Capital	(1.1)	(2.4)	(2.7)	(3.1)
Change in Funds	2.1	1.6	1.7	1.9
Net Operating Cash Flow	17.1	17.7	20.2	23.1
Capex	(8.4)	(6.6)	(6.6)	(7.1)
FCFO	8.7	11.2	13.6	16.0
g	2.0%			
Wacc	8.7%			
FCFO (discounted)	8.2	9.7	10.8	11.8
Discounted Cumulated FCFO	40.5			
TV	242.8			
TV (discounted)	178.4			
Enterprise Value	218.9			
Adj. FY23 NFP	23.3			
Adj FY23 Minorities	0.5			
Equity Value	195.0			
Current number of shares (mn)	42.3			
Value per share (€)	4.61			

Source: Company data, KT&Partners’ elaboration

Sensitivity Analysis

€ Million		WACC				
Terminal growth Rate		9.2%	9.0%	8.7%	8.5%	8.2%
	1.5%	168.2	174.8	181.9	189.5	197.6
	1.8%	173.6	180.7	188.2	196.3	205.1
	2.0%	179.5	187.0	195.0	203.7	213.1
	2.3%	185.7	193.8	202.4	211.7	221.8
	2.5%	192.5	201.1	210.3	220.4	231.3

Source: Company data, KT&Partners’ elaboration

Appendix

Peer Comparison

We carried out an in-depth analysis of public companies that could be considered as peers of RLT, taking into account its offering, business model, growth, and profitability profile. Looking at the Italian market, we notice that selected companies – some of which are also RLT's competitors – do not provide a range of solutions for different technology needs like RLT but each one of them is focused on one of RLT's verticals.

We built a six-company sample, based on RLT's offer (Innovation Services, ReYou, ReData, ReHub, ReThing and ReSec), which includes:

- Reply S.p.A. (REY-IT): listed on the Borsa Italiana stock exchange with a market capitalization of €4.6bn, 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 FY23, REY-IT reached ca. €2.1bn of sales.
- CY4Gate S.p.A. (CY4-IT): listed on the Borsa Italiana stock exchange with a market capitalization of €140mn, CY4-IT engages in the design, development, and production of technologies, products, systems, and services to provide solutions for cyber intelligence, cyber security, and cyber electronic warfare. It operates through the Cyber Intelligence and Cyber Security business divisions. In FY23, CY4-IT reached ca. €68mn of sales.
- Neosperience (NSP-IT): listed on the Borsa Italiana stock exchange with a market capitalization of €37mn, 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 FY23, NSP-IT reached €21mn of sales.
- SECO S.p.A. (IOT-IT): listed on the Borsa Italiana stock exchange with a market capitalization of €446mn, IOT-IT designs and manufactures proprietary technological solutions for microcomputers and other integrated systems for personal computer miniaturization. It operates through the following product and service areas: Custom Edge Systems, Edge Platforms, and IoT Solutions. In FY23, IOT-IT reached €210mn of sales.
- Almwave S.p.A. (AIW-IT): listed on the Borsa Italiana stock exchange with a market capitalization of €131mn, AIW-IT develops software technologies for artificial intelligence, natural language analysis, and big-data management. The firm owns and distributes patented technologies that offer solutions for text and speech analytics, knowledge management, multi-channel contact management and virtual agent, and customer experience management under the platform brands Iride and Audioma. Its software products also feature automatic speech recognition under its platform brands Audioma, FlyScribe, and Verbamatic. In FY23, AIW-IT reached €57mn of sales.
- WIIT S.p.A. (WIIT-IT): listed on the Borsa Italiana stock exchange with a market capitalization of €436mn, WIIT-IT 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 FY23, WIIT reached €130mn of sales.

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