

COMPANY UPDATE



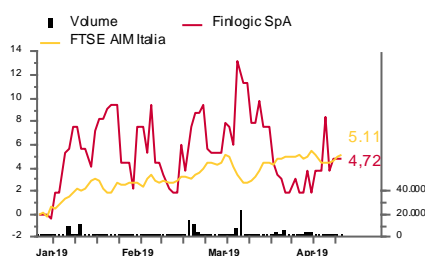
Fair Value: €7.24
(Prev. €7.11)

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Relative Performance Chart YTD



Market Data:

Current Price (€)	5.8
Fair Value (€)	7.24
Market Cap (€mn)	40.39
52 Wk High (€)	6.75
52 Wk Low (€)	4.94
Free Float (%)	25.00
Avg. Daily Trading 90d	2,792.31
Price Change 1w (%)	38.89
Price Change 1m (%)	40.93
Price Change YTD (%)	74.77
EV/EBITDA 2019E	7.57
EV/EBITDA 2020E	5.94
P/E 2019E	16.41
P/E 2020E	12.46

Strong 1H2019... investing in future growth

Overview. Finlogic (FNL) is one of the Italian leaders in label production and in thermal transfer ribbon distribution, the sole distributor of Sato printers in Italy, and an important benchmark in the world of barcodes and RFID technologies, offering high-performance thermal transfer and digital color printers, terminals and barcode readers for automatic and industrial identification.

1H19 results. In 1H19, FNL showed a strong performance, recording double-digit growth of top-line and main margins. Sales grew by 20.8%YoY, reaching €16.8mn (+4.8% then our expectations) thanks to the combined effects of: i) M&A activities carried out during 2018; ii) investments aimed at increasing machines' efficiency; and iii) the expansion of the commercial network. The main contribution came from the technological division, which amounted to €6.7mn (+25%YoY but 3.5% lower than our forecast), accounting for ca. 40% of sales. The 1H19 EBITDA increased by 15.6%YoY to €2.4mn, exceeding our estimates by 3.7%. The EBITDA margin came in at 13.8%, (60bps lower with respect to 1H18 and 20bps below our estimates), mainly as a consequence of a higher incidence of labor costs following the expansion of FNL's workforce to further boost revenue in the coming years. Net income (ex. minorities) was €1.1mn, +13.4% with respect 1H18 and 16% higher than our projections. Finally, net cash went from €2.7mn in FY18 to €2.9mn in 1H19 and it would have been €3.4mn without consideration of the impact of IFRS16.

M&A on track. On July 23, 2019, FNL acquired - through its subsidiary Tecmark - a 100% stake in System Code S.r.l., an Italian company active in the automatic identification and labeling system sector since 1997. This was the second M&A transaction closed since the beginning of the year and the sixth carried out in the last 2 years. System Code S.r.l was acquired for a consideration of €650k or at a 1.43x EV/EBITDA. Furthermore, in order to ensure continuity of management, the current management will remain involved in governance for at least 4 years.

Warrant exercise. On August 8, 2019, FNL carried out a €0.523mn capital increase following the exercise of 1.2mn warrants. After the conversion Hydra (Datalogic's main shareholder and FNL's second shareholder) increased its ownership from 10.25% to 10.78%.

Revised estimates. We revised upward our 2019-20 total revenue forecast - which we expect to grow at a 19.1% CAGR2018-20, reaching €41.9mn in 2020 - mainly on the back of the higher growth of the labeling division after the acquisition of System Code and factoring in the additional production capacity of 3 million square meters derived from a new plant recently acquired in *Acquaviva delle Fonti*. We slight revised downward FY19 EBITDA and EBITDA margin by ca. 2% and 70bps, respectively, on the back of the higher incidence of labor costs recorded in 1H19. We expect that 2019 investment aimed at expanding FNL's commercial network will further boost revenues starting from 2020, thus positively impacting the Group's EBITDA and profitability. We forecast net income excluding minorities to grow at a CAGR2018-20 of 27.0%, amounting to €3.2mn in FY20.

Fair Value fine-tuned at €7.24 from €7.11. Our valuation - based on both the DCF and Multiple method - returns an average equity value of €50.9mn or €7.24ps, showing a potential upside of 24.8% on the current market price.

€ Million	Total Revenues	EBITDA	EBITDA Margin	EBIT	Finlogic Net Profit	Net Margin	EPS
2016A	18.76	2.94	15.7%	2.35	1.58	8.4%	0.23
2017A	22.35	3.29	14.7%	2.64	1.67	7.5%	0.25
2018A	29.55	4.21	14.2%	3.05	2.01	6.8%	0.29
2019E	35.28	5.02	14.2%	3.69	2.46	7.0%	0.35
2020E	41.91	6.40	15.3%	4.86	3.24	7.7%	0.46
2021E	45.63	7.34	16.1%	5.70	3.82	8.4%	0.54

Source: Company data, KT&Partners' estimates

Table 1: Finlogic S.p.A. - Key Figures

Current price (€)	Fair Value (€)									Free Float (%)
5.75	7.24									25.00
Per Share Data										
	2014A	2015A	2016A	2017A	2018A	2019E	2020E	2021E	2022E	
Total shares outstanding (mn)	n.m.	n.m.	n.m.	6.75	6.96	7.02	7.02	7.02	7.02	7.02
EPS	n.m.	n.m.	n.m.	0.25	0.29	0.35	0.46	0.54	0.63	
Dividend per share (ord)	n.a.	n.a.	n.a.	0.15	0.14	0.21	0.28	0.33	0.38	
Dividend pay out ratio (%)	n.a.	n.a.	n.a.	60%	50%	60%	60%	60%	60%	
Profit and Loss (EUR thousand)										
Revenues	13,540	16,083	18,763	22,351	29,546	35,282	41,911	45,632	49,027	
EBITDA	2,337	2,588	2,939	3,241	4,208	5,022	6,397	7,341	8,331	
EBIT	1,753	2,002	2,351	2,465	3,049	3,693	4,856	5,703	6,551	
EBT	1,744	1,988	2,327	2,421	3,006	3,618	4,766	5,616	6,472	
Taxes	(577)	(649)	(735)	(700)	(916)	(1,013)	(1,334)	(1,572)	(1,812)	
Tax rate	33%	33%	32%	29%	30%	28%	28%	28%	28%	
Net Income	0	2	12	51	78	143	189	222	256	
Net income attributable to the Group	1,167	1,338	1,580	1,670	2,012	2,461	3,243	3,821	4,404	
Balance Sheet (EUR thousand)										
Total fixed assets	1,689	2,102	2,043	2,265	4,328	6,405	6,614	6,726	6,696	
Net Working Capital (NWC)	2,281	3,566	4,638	6,133	8,154	8,311	9,831	10,297	10,938	
Provisions	(534)	(626)	(838)	(890)	(1,303)	(1,303)	(1,303)	(1,303)	(1,303)	
Total Net capital employed	3,437	5,042	5,844	7,508	11,179	13,413	15,142	15,720	16,331	
Net financial position (NFP)	(1,221)	(853)	(536)	(4,316)	(2,741)	(2,136)	(2,361)	(3,882)	(5,638)	
Group Shareholder's Equity	4,645	5,880	6,334	11,727	13,561	15,047	16,813	18,688	20,799	
Minorities	13	15	47	98	359	502	691	914	1,170	
Total Shareholder's Equity	4,658	5,895	6,380	11,824	13,920	15,549	17,504	19,602	21,969	
Cash Flow (EUR thousand)										
Net operating cash flow	n.a.	1,946	2,184	2,460	3,326	3,897	5,037	5,745	6,496	
Change in NWC	n.a.	(1,285)	(1,072)	(1,495)	(2,021)	(158)	(1,520)	(466)	(641)	
Capital expenditure	n.a.	(560)	(161)	(380)	(689)	(2,000)	(1,500)	(1,500)	(1,500)	
Investments in intangible assets	n.a.	(396)	(346)	(485)	(2,399)	(850)	(250)	(250)	(250)	
Other cash items/Uses of funds	n.a.	49	189	42	278	-	-	-	-	
Free cash flow	n.a.	(246)	794	143	(1,504)	889	1,768	3,529	4,105	
Enterprise Value (EUR thousand)										
Market Cap	n.a.	n.a.	n.a.	32,754	36,563	40,389	40,389	40,389	40,389	
Minorities	13	15	47	98	359	502	691	914	1,170	
Net financial position	(1,221)	(853)	(536)	(4,316)	(2,741)	(2,136)	(2,361)	(3,882)	(5,638)	
Enterprise value	n.a.	n.a.	n.a.	28,535	34,181	38,755	38,719	37,420	35,921	
Ratios (%)										
EBITDA margin	17.3%	16.1%	15.7%	14.5%	14.2%	14.2%	15.3%	16.1%	17.0%	
EBIT margin	12.9%	12.4%	12.5%	11.0%	10.3%	10.5%	11.6%	12.5%	13.4%	
Gearing - Debt/equity	-26.3%	-14.5%	-8.5%	-36.8%	-20.2%	-14.2%	-14.0%	-20.8%	-27.1%	
Interest cover on EBIT	0.5%	0.7%	1.0%	1.8%	1.4%	2.0%	1.9%	1.5%	1.2%	
NFP/EBITDA	-52.2%	-32.9%	-18.2%	-133.2%	-65.1%	-42.5%	-36.9%	-52.9%	-67.7%	
ROCE	51.0%	39.7%	40.2%	32.8%	27.3%	27.5%	32.1%	36.3%	40.1%	
ROE	25.1%	22.8%	25.0%	14.2%	14.8%	16.4%	19.3%	20.4%	21.2%	
EV/Sales	n.m.	n.m.	n.m.	1.68	1.27	1.07	0.90	0.83	0.77	
EV/EBITDA	n.m.	n.m.	n.m.	11.62	8.95	7.57	5.94	5.18	4.56	
P/E	n.m.	n.m.	n.m.	24.18	20.07	16.41	12.46	10.57	9.17	
Free cash flow yield	n.m.	n.m.	n.m.	0.4%	-4.1%	2.2%	4.4%	8.7%	10.2%	
Growth Rates (%)										
Sales	n.a.	18.8%	16.7%	19.1%	32.2%	19.4%	18.8%	8.9%	7.4%	
EBITDA	n.a.	10.7%	13.5%	10.3%	29.8%	9.2%	19.3%	27.4%	14.8%	
EBIT	n.a.	14.2%	17.4%	4.9%	23.7%	21.1%	31.5%	17.4%	14.9%	
Net Income	n.a.	14.7%	18.1%	5.7%	20.5%	22.3%	31.7%	17.8%	15.2%	

1H19 Results Summary

In 1H19, FNL grew by 20.8%YoY with sales reaching ca. €17.0m (+4.8% than our estimates), thus pursuing its ongoing double-digit growth. The 1H19 performance is the result of the combined effects of: i) M&A activities carried out during 2018; ii) investments aimed at improving machines' efficiency; and iii) the expansion of the commercial network.

The main contribution to sales growth came from the technological segment, which amounted to €6.7mn (+25%YoY but 3.5% lower than our forecast), accounting for ca. 40% of sales. The labeling segment - FNL's core business - increased by 15.7%YoY (+9.8% above our estimates), reaching €9.6mn. Technical support was the fast-growing segment (+90.1%) and it was substantially influenced by cross-selling and 2018 M&A activities.

The 1H19 EBITDA increased by 15.6%YoY to €2.4mn, exceeding our estimates by 3.7%. The EBITDA margin came in at 13.8% and it was 60bps lower with respect to 1H18 (-20bps below our estimates), mainly affected by a higher incidence of labor costs following the expansion of FNL's workforce to further boost revenue in the coming years.

The 1H19 net income reached €1.2mn, registering a growth of 19.7% YoY and it was ca. €0.2mn above our expectations. Excluding minorities, net income was €1.1mn, +13.4% with respect to the previous year (16% above our projection).

Finally, net cash went from €2.7mn to €2.9mn, after €0.3mn of CAPEX and €1mn of dividend payments. It would have been €3.4mn without consideration of the impact of IFRS16.

Table 2: Finlogic 1H19 Results

€ thousand	1H16A	1H17A	1H18A	1H19A	YoY growth	1H19E	A vs E
Labels	6,507	7,153	8,288	9,593	15.7%	8,740	9.8%
Technological products	2,236	3,507	5,363	6,706	25.0%	6,946	-3.5%
Technical Support	167	140	272	517	90.1%	357	44.8%
Sales	8,911	10,799	13,923	16,816	20.8%	16,043	4.8%
Growth %		21.2%	28.9%	20.8%		-4.6%	
Other revenues	369	427	523	520	-0.6%	698	-25.5%
Changes in stocks of semi-finished and finished goods	58	86	5	101	1920.0%	(137)	-173.9%
Internally generated fixed assets				45	n.m.		
Total Revenues	9,338	11,312	14,452	17,481	21.0%	16,604	5.3%
Growth %		21.1%	27.8%	21.0%		-5.0%	
Cost of Goods Sold	(5,026)	(6,427)	(8,587)	(9,780)	13.9%	(9,773)	0.1%
Gross Profit	4,312	4,885	5,865	7,701	31.3%	6,831	12.7%
Gross Margin		43.2%	40.6%	44.1%	3.5%	41.1%	2.9%
Labour Cost	(1,425)	(1,758)	(2,060)	(2,712)	31.7%	(2,470)	9.8%
Services	(1,050)	(1,184)	(1,653)	(2,050)	24.0%	(1,848)	10.9%
Other Operating Costs	(263)	(168)	(70)	(533)	661.4%	(192)	178.0%
EBITDA	1,575	1,775	2,082	2,407	15.6%	2,321	3.7%
EBITDA margin	16.9%	15.7%	14.4%	13.8%	-0.6%	14.0%	-0.2%
Growth %		12.7%	17.3%	15.6%		-3.6%	
D&A	(282)	(392)	(558)	(630)	12.9%	(634)	-0.6%
EBIT	1,293	1,383	1,524	1,777	16.6%	1,687	5.3%
EBIT margin	13.8%	12.2%	10.5%	10.2%	-0.4%	10.2%	0.0%
Growth %		7.0%	10.2%	16.6%		-5.0%	
Financial Income and Expenses	(6)	(24)	(24)	(23)	-4.2%	(28)	-16.4%
Extraordinary items	0	0	0	0		0	
EBT	1,287	1,359	1,500	1,754	16.9%	1,660	5.7%
Taxes	(467)	(419)	(487)	(540)	10.9%	(648)	-16.6%
Net Income	820	941	1,014	1,214	19.7%	1,012	19.9%
Net margin	8.8%	8.3%	7.0%	6.9%	-0.1%	6.1%	0.8%
Growth %		14.8%	7.8%	19.7%		-16.6%	
Minorities	16	19	22	91	313.6%	43	111.0%
Net Income attributable to the Group	804	921	991	1,124	13.4%	969	16.0%
Group Net margin	8.6%	8.1%	6.9%	6.4%	-0.4%	5.8%	0.6%
Growth %		14.6%	7.6%	13.4%		-2.2%	

Source: Company data and KT&Partners' elaborations

Estimates Revision

On July 23, 2019, FNL acquired **System Code** for €650k or at 1.43x EV/EBITDA, consolidating its leadership in the labeling market. In 2H19, the company also acquired a plant in *Acquaviva delle Fonti*, which will allow it to further expand its production capacity by ca. 3 million square meters.

We revised upward our 2019-20 total revenue forecast - which we expect to grow at a CAGR2018-20 of 19.1% - factoring in:

- i) the higher growth of the labeling division after the acquisition of System Code;
- ii) the additional production capacity derived from the new plant recently acquired;
- iii) the positive contribution coming from the expansion of the commercial network.

We slight revised downward FY19 EBITDA and EBITDA margin by ca. 2% and 70bps, respectively, on the back of the higher incidence of labor costs recorded in 1H19. We expect that 2019 investment aimed at expanding FNL's commercial network will further boost revenues starting from 2020, thus positively impacting the Group's EBITDA and profitability.

Looking at the bottom line, we now expect net income (excluding minorities) to stand at €2.5mn in 2019 (ca. 6% lower with our previous estimates) and €3.2mn in 2020 (-0.4% below our latest report).

The key points of our forecast are as follow:

- FY19E revenues at €35.8mn, reaching €41.9mn in FY20E (19.1% CAGR FY18E-FY20);
- FY19E EBITDA at €5.0mn, reaching €6.4mn in FY20E (23.3% CAGR FY18E-FY20);
- FY19E Group net income at €2.5mn, reaching €3.2mn in FY20E (27.0% CAGR FY18E-FY20).

Table 3: Finlogic Estimates Revisions

€ thousand	2018A	2019E		Change	2020E		Change
		Old	New		Old	New	
Total Revenues	29,546	34,263	35,282	3.0%	39,258	41,911	6.8%
YoY Change (%)		16.0%	19.4%		14.6%	18.8%	
EBITDA	4,208	5,121	5,022	-1.9%	6,301	6,397	1.5%
YoY Change (%)		21.7%	19.3%		23.0%	27.4%	
EBITDA Margin (%)	14.2%	14.9%	14.2%		16.1%	15.3%	
EBIT	3,049	3,889	3,693	-5.0%	4,838	4,856	0.4%
YoY Change (%)		27.6%	21.1%		24.4%	31.5%	
EBIT Margin (%)	10.3%	11.4%	10.5%		12.3%	11.6%	
Group Net Income	2,012	2,612	2,461	-5.8%	3,255	3,243	-0.4%
YoY Change (%)		29.8%	22.3%		24.6%	31.7%	
Net Debt (Cash)	(2,741)	(3,737)	(2,136)	-42.8%	(4,988)	(2,361)	-52.7%
YoY Change (%)		36.3%	-22.1%		33.5%	10.6%	

Source: Company data, KT&Partners' elaborations

Valuation

Based on our estimates, we have carried out our valuation on a multiples and DCF analysis basis and have taken the average price provided by these 2 models. This has led to a fair value of €7.24 per share.

Our fair value takes the average of the following methods:

- EV/EBITDA and P/E multiple, with a 10% liquidity discount, which returns a value of €5.63 per share.
- DCF analysis, based on WACC of 8.0% and 1.5% perpetual growth, returns a value of €8.86 per share.

Peer Comparison

We carried out an in-depth analysis of public companies that could potentially be considered as peers of Finlogic, considering its main business lines: label production and technological products distribution.

We built a 10-company sample, which includes:

1. **AstroNova Inc.**, listed on NASDAQ, with a market capitalization of €100mn, is a global leader in developing and applying data visualization technologies in products serving industrial, packaging, aerospace and defense markets. In particular, through one of its business lines, AstroNova provides labeling solutions ranging from tabletop label printers to industrial label presses. During FY2018, the company had \$136.7mn revenues, 63% of which came from the product identification business segment;
2. **Avery Dennison Corp.**, listed on the NYSE, with a market capitalization of €8.7bn, engages in the provision of labeling and packaging products and solutions for several industries, ranging from consumer-packaged goods to medical and healthcare, from automotive to apparel. During FY2017, the company recorded \$7.2bn revenues, \$4.8bn of which came from the labeling and graphic business unit (68%);
3. **Datalogic SpA**, listed on the Milan Stock Exchange, with a market capitalization of €0.8bn, is a global technology leader in the Automatic Data Capture and process automation markets, specialized in the designing, production and distribution of barcode readers, mobile computers, scanners, RFID systems etc. In particular, Datalogic offers its solutions to the retail, manufacturing, healthcare and transportation industries. During FY2018, Datalogic reported revenues of €631mn, 93% of which came from the main business unit (data capture and process automation);
4. **Fuji Seal International Inc.**, listed on the Tokyo Stock Exchange, with a market capitalization of €1.4bn, engages in the development and sale of packaging solutions, offering shrink sleeve labels, self-adhesive labels, spouted pouches and packaging machinery. The company reported ¥123bn revenues during the first 9 months of the fiscal year, with self-adhesive labels accounting for 15.4% and shrink labels accounting for 64.3%;

5. **Lintec Corp.**, listed on the Tokyo Stock Exchange, with a market capitalization of 1.4bn, develops and sells pressure-sensitive materials, specialty paper products and films. In particular, through its “printing and variable information-related products”, it offers adhesive papers and films for seal and labels, barcode label supplies and digital label printing machines. Lintec Corp. reported ¥249bn revenues during FY2018, ca. 48.9% of which came from the “printing and variable industrial materials products”;
6. **Sato Holdings Corp.**, listed on the Tokyo Stock Exchange, with a market capitalization of €0.9bn, is a global provider of automation identification and data capture solutions, which leverage on barcodes, QR codes, and RFID technologies. During the first 3 quarters of the fiscal year, the company reported ¥86.7bn revenues;
7. **ScanSource, Inc.**, listed on NASDAQ, with a market capitalization of €0.7bn, is a global leader in offering automatic identification and data capture technologies, providing barcode scanners, digital printers and selling technology products such as Epson, Honeywell, Toshiba and Zebra products. During FY2018, ScanSource Inc. reported \$3.8bn net sales, with a 68% contribution coming from the barcode, networking and security business unit;
8. **Seiko Epson Corp.**, listed on the Tokyo Stock Exchange, with a market capitalization of €5.2bn, engages in the development, production and sale of technology products through 3 segments: printing solutions, visual communications and wearable products and industrial solutions. Specifically, the printing solution segment offers, among others, inkjet printers, scanners and label printers. During FY2018, Seiko Epson Corp. recorded ¥829bn revenues, of which ¥737bn came from the printing solutions segment (66%);
9. **Zebra Technologies Corp.**, listed on NASDAQ, with a market capitalization of €10bn, is a global leader in the automatic identification and data capture market, designing, manufacturing and selling a broad range of products, including: barcode scanners, RFID readers, printers for barcode labeling identification, and self-adhesive labels. During FY2018, the company generated \$4.2bn revenues.

Secondly, we analyzed the peers by considering their marginalities and historical growth rates.

The peers have a level of marginality which is virtually in line with Finlogic’s: the average EBITDA margin in 2018 recorded by the peers was 12.4%, whereas Finlogic’s margin registered in the same period was 14.2%. At net income level, the peers’ average net margin was equal to 5.5%, while Finlogic’s was 6.8%.

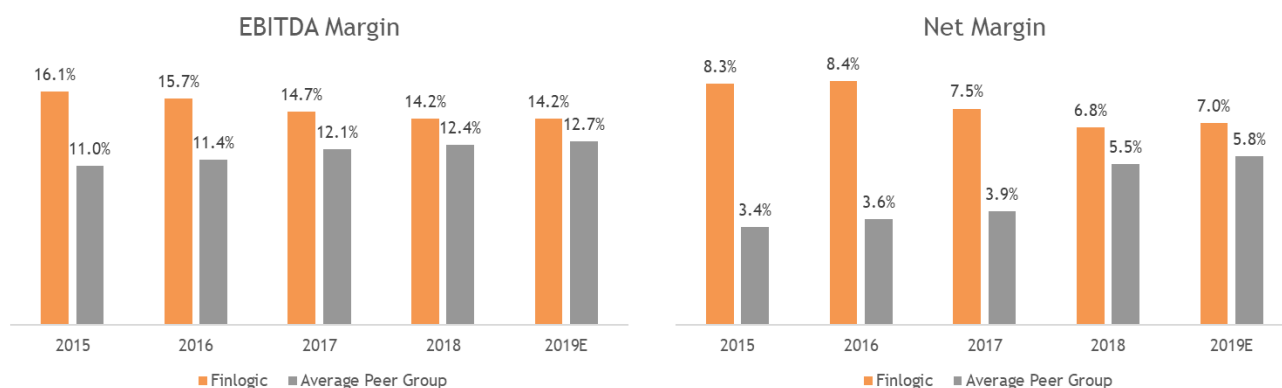
Table 4: Marginalities and Growth Rates Analysis

Company Name	FY2018 Sales (€mn)	FY2019E Sales (€mn)	YoY growth	FY2018 EBITDA Margin	FY2019E EBITDA Margin	YoY growth	FY2018 Net Margin	FY2019E Net Margin	YoY growth
AstroNova, Inc.	116	127	9.0%	10.9%	11.4%	0.6%	4.2%	4.0%	-0.2%
Avery Dennison Corporation	6,068	6,482	6.8%	13.8%	14.2%	0.4%	6.5%	7.8%	1.3%
Datalogic S.p.A.	631	621	-1.7%	16.1%	15.4%	-0.7%	9.9%	8.4%	-1.4%
Fuji Seal International, Inc.	1,316	1,421	7.9%	13.5%	14.1%	0.6%	5.1%	5.2%	0.1%
Lintec Corporation	1,955	2,087	6.7%	11.9%	10.7%	-1.2%	5.2%	4.5%	-0.6%
Sato Holdings Corporation	905	1,016	12.2%	11.5%	12.0%	0.5%	3.2%	4.2%	1.0%
ScanSource, Inc.	3,226	3,535	9.6%	3.6%	3.8%	0.2%	0.9%	1.5%	0.6%
Seiko Epson Corp.	8,490	9,279	9.3%	11.6%	10.7%	-1.0%	4.9%	3.7%	-1.3%
Zebra Technologies Corporation Class A	3,564	4,113	15.4%	18.8%	21.8%	3.0%	10.0%	13.1%	3.1%
Average Peer Group	2,919.12	3,186.62	8.4%	12.4%	12.7%	0.3%	5.5%	5.8%	0.3%
Finlogic SpA	30	35	19.4%	14.2%	14.2%	0.0%	6.8%	7.0%	0.2%

Source: Company data and FactSet data

Over the 2015-18 period, on average, FNL reported an EBITDA margin higher than comps average (15.2% vs 11.7%), as well as higher net income margin (7.8% vs 4.1%). We expect that FNL's FY19 EBITDA margin and net income margin will exceed comps average by 1.6pp and 1.2pp, respectively.

Chart 1: Marginality Comparison



Source: Company data and FactSet data

Looking at the growth rates, we highlighted the same trend for both the past and expected growth rates.

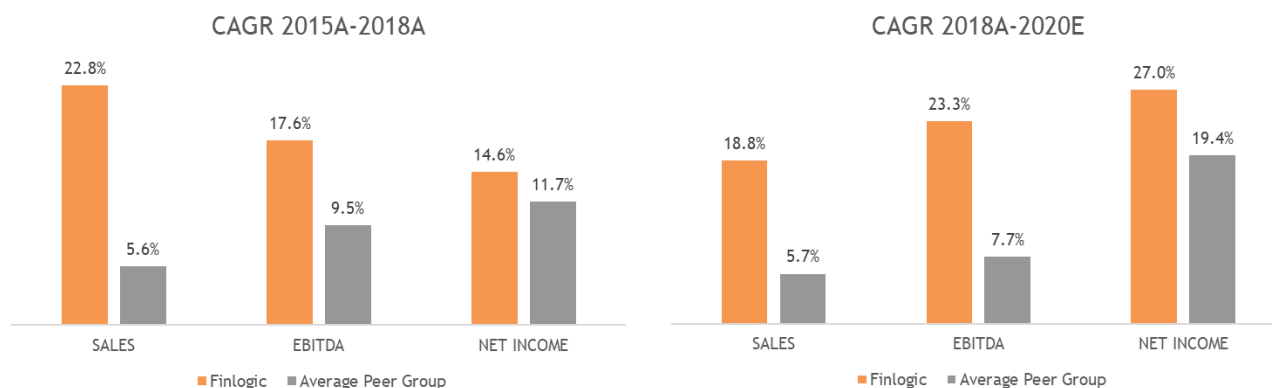
Indeed, over the 2015-18 period, FNL's financials grew at a higher CAGR than the comparables':

- sales: +22.8% vs +5.6%;
- EBITDA: +17.6% vs +9.5%;
- net income: +14.6% vs +11.75%.

Moreover, we expect that also over the 2018-20 period FNL's financials will record a higher CAGR with respect to its peers average:

- sales: 18.8% vs 5.7%;
- EBITDA: 23.3% vs 7.7%;
- net income: +27.0% and +19.4.

Chart 2: Growth Rates Comparison



Source: Company data, FactSet data and KT&Partners' estimates

Market Multiples Valuation

Following the comparables analysis, we proceeded with the definition of market multiples of the peer group, focusing on 2019 and 2020 data.

Table 5: Peer Group Valuation Table - 2019-20 Multiples

Company Name	Exchange	Market Cap	EV/SALES 2019	EV/SALES 2020	EV/EBITDA 2019	EV/EBITDA 2020	EV/EBIT 2019	EV/EBIT 2020	P/E 2019	P/E 2020
AstroNova, Inc.	NASDAQ	100	0.95x	0.91x	8.34x	7.90x	17.38x	15.74x	20.79x	18.78x
Avery Dennison Corporation	NYSE	8,677	1.57x	1.52x	11.04x	10.54x	13.52x	12.81x	17.21x	15.81x
Datalogic S.p.A.	Milan	775	1.21x	1.18x	7.87x	7.51x	10.78x	10.14x	14.44x	13.52x
Fuji Seal International, Inc.	Tokyo	1,368	0.98x	0.94x	6.98x	6.59x	11.20x	10.10x	17.48x	13.48x
Lintec Corporation	Tokyo	1,386	0.49x	0.48x	4.61x	4.13x	7.47x	6.47x	13.81x	11.75x
Sato Holdings Corporation	Tokyo	870	0.86x	0.82x	7.17x	6.46x	12.18x	10.13x	19.66x	12.54x
ScanSource, Inc.	NASDAQ	702	0.28x	0.29x	7.43x	7.91x	10.13x	9.83x	9.19x	10.18x
Seiko Epson Corp.	Tokyo	5,171	0.53x	0.52x	4.98x	4.70x	10.63x	9.55x	13.23x	11.73x
Zebra Technologies Corporation Class A	NASDAQ	9,994	2.76x	2.63x	12.67x	11.85x	13.76x	12.89x	15.76x	14.42x
Average peer group		3,227	1.07x	1.03x	7.90x	7.51x	11.90x	10.85x	15.73x	13.58x
Median peer group		1,368	0.95x	0.91x	7.43x	7.51x	11.20x	10.13x	15.76x	13.48x
Finlogic SpA	Milan	40	1.08x	0.91x	7.57x	5.94x	10.29x	7.83x	16.41x	12.46x

Source: FactSet data and KT&Partners' estimates

We based our evaluation upon 2019 and 2020 median EV/EBITDA and P/E multiples and our estimates of Finlogic's EBITDA and net income for 2019 and 2020. Additionally, considering the existing differences in terms of liquidity between Finlogic and its comparables, we applied a 10% liquidity discount on the median multiples.

Table 6: Multiple Valuation

Multiple Valuation (€mn)	2019E	2020E
EV/EBITDA multiple comparison	7.43	7.51
Peer Group EV/EBITDA netted from 10% liquidity discount	6.68	6.76
Finlogic EBITDA	5.02	6.40
Enterprise value	33.57	43.25
1H19 NFP*	-3.49	-3.49
Equity Value	37.06	46.74
Number of shares (mn)	7.02	7.02
Value per share	5.28	6.65
Fair Value - € ps	5.96	

Multiple Valuation (€mn)	2019E	2020E
P/E multiple comparison	15.76	13.48
Peer Group P/E netted from 10% liquidity discount	14.18	12.13
Finlogic earnings	2.46	3.24
Equity Value	34.91	39.34
Number of shares (mn)	7.02	7.02
Value per share	4.97	5.60
Fair Value (Avg) - € ps	5.29	
Fair Value (Avg.) - € ps	5.63	

* Note: 1H19 NFP was adjusted by the €0.542mn capital increase related to the warrant conversion.

Source: FactSet data and KT&Partners' estimates

From our multiples analysis, we derive a value of €5.63p.s., 12.7% below our previous estimate (€6.44p.s.) due to the peers' multiple contraction of:

- around 21% on EV/EBITDA 2019 and 7% on EV/EBITDA 2020;
- 9% on P/E 2019 and 10.4% on P/E 2020;

Peers' multiple reduction was mainly related to the price performance of almost all of companies in the sample over the last 6 months.

Table 7: 2019-20 Peers' Multiples Change (%)

Company Name	Exchange	EV/EBITDA 2019 old	EV/EBITDA 2019 new	Change %	EV/EBITDA 2020 old	EV/EBITDA 2020 new	Change %	P/E 2019 old	P/E 2019 new	Change %	P/E 2020 old	P/E 2020 new	Change %
AstroNova, Inc.	NASDAQ	10.1x	8.3x	-17.8%	n.a.	7.9x	n.a.	25.7x	20.8x	-19.1%	n.a.	18.8x	n.a.
Avery Dennison Corporation	NYSE	11.2x	11.0x	-1.0%	10.5x	10.5x	0.0%	17.3x	17.2x	-0.7%	15.7x	15.8x	1.0%
Datalogic S.p.A.	Milan	11.4x	7.9x	-31.1%	10.6x	7.5x	-29.4%	18.9x	14.4x	-23.6%	17.2x	13.5x	-21.4%
Fuji Seal International, Inc.	Tokyo	9.4x	7.0x	-25.5%	8.6x	6.6x	-23.6%	20.4x	17.5x	-14.1%	18.0x	13.5x	-25.2%
Lintec Corporation	Tokyo	5.1x	4.6x	-10.0%	4.8x	4.1x	-14.1%	13.4x	13.8x	3.2%	12.1x	11.7x	-2.7%
Sato Holdings Corporation	Tokyo	6.4x	7.2x	11.8%	5.7x	6.5x	13.0%	17.1x	19.7x	14.7%	14.4x	12.5x	-13.2%
ScanSource, Inc.	NASDAQ	7.9x	7.4x	-5.8%	7.5x	7.9x	5.7%	10.6x	9.2x	-13.6%	9.8x	10.2x	4.0%
Seiko Epson Corp.	Tokyo	5.0x	5.0x	-1.3%	4.7x	4.7x	0.7%	12.1x	13.2x	9.0%	11.0x	11.7x	6.5%
Zebra Technologies Corporation Class A	NASDAQ	14.2x	12.7x	-10.8%	13.4x	11.8x	-11.4%	17.8x	15.8x	-11.2%	16.5x	14.4x	-12.6%
Average Peer Group		9.0x	7.9x	-12.0%	8.2x	7.5x	-8.8%	17.0x	15.7x	-7.7%	14.3x	13.6x	-5.3%
Median peer group		9.4x	7.4x	-20.7%	8.1x	7.5x	-6.8%	17.3x	15.8x	-9.0%	15.1x	13.5x	-10.4%
Finlogic SpA	Milan	7.1x	7.6x	6.9%	5.8x	5.9x	3.3%	14.8x	16.4x	11.0%	11.9x	12.5x	5.0%

Source: FactSet data and KT&Partners' estimates

Table 8: Peers' Price Change (%)

Company Name	Price change % 3Month	Price change % 6Month	Price change % 1Year	Price change % YTD
AstroNova, Inc.	-39.7%	-23.5%	-27.8%	-16.9%
Avery Dennison Corporation	-2.5%	-0.2%	4.1%	25.6%
Datalogic S.p.A.	-24.9%	-37.1%	-58.0%	-35.8%
Fuji Seal International, Inc.	-17.2%	-31.8%	-32.2%	-29.7%
Lintec Corporation	-4.8%	-10.7%	-26.6%	-9.6%
Sato Holdings Corporation	6.7%	12.4%	-22.5%	11.8%
ScanSource, Inc.	-6.4%	-15.0%	-23.7%	-11.4%
Seiko Epson Corp.	-10.9%	-10.3%	-21.6%	-1.8%
Zebra Technologies Corporation Class A	-3.5%	-3.5%	14.3%	27.0%
Average	-11.5%	-13.3%	-21.5%	-4.5%
Median	-6.4%	-10.7%	-23.7%	-9.6%

Source: FactSet data

DCF Model

We also conduct our valuation using a 4-year DCF model based on 8.8% cost of equity, 3.0% cost of debt and a target capital structure with 15% of debt, in line with the average D/E ratios observed for listed companies operating in similar sectors.¹ We, therefore, obtained 8.0% WACC.²

By discounting 2019E-22E annual cash flows and considering a terminal growth rate of 1.5%, we derive a fair value of €8.86 p.s.

Table 9: Cash Flow Estimates

€ million	2019E	2020E	2021E	2022E
EBIT	3.69	4.86	5.70	6.55
Taxes	-1.13	-1.36	-1.60	-1.83
D&A	1.33	1.54	1.64	1.78
Change in Net Working Capital	-0.16	-1.52	-0.47	-0.64
Change in Funds	0.00	0.00	0.00	0.00
Net Operating Cash Flow	3.74	3.52	5.28	5.86
Capex	-2.85	-1.75	-1.75	-1.75
FCFO	0.89	1.77	3.53	4.11
g	1.5%			
Wacc	8.0%			
FCFO (discounted)	0.87	1.61	2.97	3.20
Discounted Cumulated FCFO	8.65			
TV				64.28
TV (discounted)	50.08			
Enterprise Value	58.73			
1H19 NFP*	-3.49			
Equity Value	62.21			
Current number of shares	7.02			
Value per share (€)	8.86			

* Note: 1H19 NFP was adjusted by the €0.542mn capital increase related to the warrant conversion.

Source: FactSet data and KT&Partners' estimates

¹ Source: Damodaran's website.

² Further inputs include: (i) 0.90 beta; (ii) 0.83% risk-free rate; (iii) 5.96% market risk premium (source: Damodaran's website); and (iv) 2.0% premium for size.

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