

COMPANY UPDATE



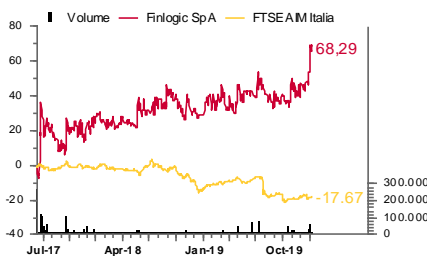
Fair Value: €8.70
(Prev. €7.24)

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Relative Performance Chart YTD



Market Data:

| | |
|------------------------|----------|
| Current Price (€) | 7.0 |
| Fair Value (€) | 8.70 |
| Market Cap (€mn) | 49.17 |
| 52 Wk High (€) | 7.15 |
| 52 Wk Low (€) | 5.20 |
| Free Float (%) | 25.00 |
| Avg. Daily Trading 90d | 6,071.10 |
| Price Change 1w (%) | 101.15 |
| Price Change 1m (%) | 102.31 |
| Price Change YTD (%) | 101.15 |
| EV/EBITDA 2019E | 10.56 |
| EV/EBITDA 2020E | 7.11 |
| P/E 2019E | 19.83 |
| P/E 2020E | 13.07 |

Finlogic: a Consolidator Label

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.

Eight M&As since the IPO. Since the IPO FNL has shown strong M&A execution capacity, carrying out eight acquisitions to date. On December 18th, 2019, FNL signed an agreement for the acquisition of its competitor, STAF Srl, reinforcing its leadership in the labeling market. Thanks to this acquisition FNL will further expand: i) its product offer to complex applications for the automotive, electronics and other sectors; and ii) its production capacity by ca. 12 million square meters to ca. 47 million square meters. STAF is an Italian company - based in Piacenza - which has been active in the labeling sector since 1994 and mainly serves the packaging industry. The deal consideration was fixed at €4.6mn or at a 6x EV/EBITDA Adjusted.¹ This is the seventh acquisition and the biggest one carried out since the IPO. At the end of 2018, STAF recorded €9.8mn of revenue, an EBITDA adjusted of €1mn and a PFN adjusted of €1.4mn. The current board members of STAF - Francesco Avogadro di Valdegno (STAF's CEO) and Cesare Filippazzi (STAF's Honorary Chairman) - and other key managers will remain in charge in order to ensure business continuity. Furthermore, on January 8th, 2020, FNL announced its eighth M&A deal: the acquisition of a 51% stake of Socialware Italy Srl by the end of January. Socialware is an Italian company active in the web and digital marketing sector and we expect it will allow the Group to increase the number of leads generated through the website channel. The deal consideration was arranged at €150k.

Revised estimates. Following the announcement of the two M&A deals, we revised upward our 2020-22 estimates. We now expect total revenue at a 23.8% CAGR2018-21, reaching €56.1mn in 2021, mainly thanks to the expansion of the labeling division after the acquisition of STAF. We expect EBITDA to follow the expected business growth, increasing at a CAGR18-21 of 27.1% to €8.6mn in FY21. We revised downward by ca. 1% to 14.2% our expectations for FY20 EBITDA margin, factoring in the lower marginality of STAF. We expect that EBITDA margin will be positively impacted by cost synergies from 2021 onwards, amounting to 15.4% in FY21. We forecast net income excluding minorities to grow at a CAGR2018-20 of 30.5%, amounting to €4.5mn in FY21. We project NFP to increase to €3.1mn in FY20 due M&A investments. We expect a FY21 NFP of €0.3mn thanks to the Group strong cash generation ability.

Fair value fine-tuned at €8.70 from €7.24. Our valuation - based on both the DCF and multiples method - returns an average equity value of €61.1mn or €8.70ps, showing a potential upside of 25.2% on the current market price. Currently, FNL is trading at 7.1x-6.1x 2020-2021 EV/EBITDA (with an 11.8% discount with respect to its peers) and 9.5x-7.9x 2020-2021 P/E (with a 24.4% discount with respect to its comps).

| € 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 | 52.37 | 7.46 | 14.2% | 5.59 | 3.74 | 7.1% | 0.53 |
| 2021E | 56.09 | 8.65 | 15.4% | 6.67 | 4.47 | 8.0% | 0.64 |

¹ STAF's EBITDA was adjusted by the impact of IFRS16 and cost savings which will result from the merger with FNL.

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

| Current price (€) | Fair Value (€) | | | | | | | | | Free Float (%) |
|--|----------------|---------|---------|---------|---------|---------|---------|---------|---------|----------------|
| 7.00 | 8.70 | | | | | | | | | 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 | 0.53 | 0.64 | 0.72 | 0.72 |
| Dividend per share (ord) | n.a. | n.a. | n.a. | 0.15 | 0.14 | 0.21 | 0.32 | 0.38 | 0.43 | 0.43 |
| Dividend pay out ratio (%) | n.a. | n.a. | n.a. | 60% | 50% | 60% | 60% | 60% | 60% | 60% |
| Profit and Loss (EUR thousand) | | | | | | | | | | |
| Revenues | 13,540 | 16,083 | 18,763 | 22,351 | 29,546 | 35,282 | 52,365 | 56,086 | 59,481 | 59,481 |
| EBITDA | 2,337 | 2,588 | 2,939 | 3,241 | 4,208 | 5,022 | 7,456 | 8,649 | 9,528 | 9,528 |
| EBIT | 1,753 | 2,002 | 2,351 | 2,465 | 3,049 | 3,693 | 5,591 | 6,670 | 7,552 | 7,552 |
| EBT | 1,744 | 1,988 | 2,327 | 2,421 | 3,006 | 3,618 | 5,491 | 6,567 | 7,467 | 7,467 |
| Taxes | (577) | (649) | (735) | (700) | (916) | (1,013) | (1,537) | (1,839) | (2,091) | (2,091) |
| Tax rate | 33% | 33% | 32% | 29% | 30% | 28% | 28% | 28% | 28% | 28% |
| Net Income | 0 | 2 | 12 | 51 | 78 | 143 | 217 | 260 | 296 | 296 |
| Net Income attributable to the Group | 1,167 | 1,338 | 1,580 | 1,670 | 2,012 | 2,461 | 3,736 | 4,468 | 5,080 | 5,080 |
| Balance Sheet (EUR thousand) | | | | | | | | | | |
| Total fixed assets | 1,689 | 2,102 | 2,043 | 2,265 | 4,328 | 6,405 | 9,890 | 8,611 | 7,335 | 7,335 |
| Net Working Capital (NWC) | 2,281 | 3,566 | 4,638 | 6,133 | 8,154 | 8,311 | 12,524 | 12,895 | 13,432 | 13,432 |
| Provisions | (534) | (626) | (838) | (890) | (1,303) | (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 | 21,111 | 20,203 | 19,465 | 19,465 |
| Net financial position (NFP) | (1,221) | (853) | (536) | (4,316) | (2,741) | (2,136) | 3,085 | (310) | (3,743) | (3,743) |
| Group Shareholder's Equity | 4,645 | 5,880 | 6,334 | 11,727 | 13,561 | 15,047 | 17,306 | 19,533 | 21,932 | 21,932 |
| Minorities | 13 | 15 | 47 | 98 | 359 | 502 | 720 | 980 | 1,276 | 1,276 |
| Total Shareholder's Equity | 4,658 | 5,895 | 6,380 | 11,824 | 13,920 | 15,549 | 18,026 | 20,513 | 23,208 | 23,208 |
| Cash Flow (EUR thousand) | | | | | | | | | | |
| Net operating cash flow | n.a. | 1,946 | 2,184 | 2,460 | 3,326 | 3,897 | 5,891 | 6,781 | 7,414 | 7,414 |
| Change in NWC | n.a. | (1,285) | (1,072) | (1,495) | (2,021) | (158) | (2,627) | (371) | (538) | (538) |
| Capital expenditure | n.a. | (560) | (161) | (380) | (689) | (2,000) | (2,285) | (700) | (700) | (700) |
| Investments in intangible assets | n.a. | (396) | (346) | (485) | (2,399) | (850) | (3,250) | - | - | - |
| Other cash items/Uses of funds | n.a. | 49 | 189 | 42 | 278 | - | - | - | - | - |
| Free cash flow | n.a. | (246) | 794 | 143 | (1,504) | 889 | (2,272) | 5,710 | 6,176 | 6,176 |
| Enterprise Value (EUR thousand) | | | | | | | | | | |
| Market Cap | n.a. | n.a. | n.a. | 32,739 | 36,575 | 49,169 | 49,169 | 49,169 | 49,169 | 49,169 |
| Minorities | 13 | 15 | 47 | 98 | 359 | 502 | 720 | 980 | 1,276 | 1,276 |
| Net financial position | (1,221) | (853) | (536) | (4,316) | (2,741) | (2,136) | 3,085 | (310) | (3,743) | (3,743) |
| Enterprise value | n.a. | n.a. | n.a. | 28,521 | 34,193 | 47,184 | 52,623 | 49,488 | 46,350 | 46,350 |
| Ratios (%) | | | | | | | | | | |
| EBITDA margin | 17.3% | 16.1% | 15.7% | 14.5% | 14.2% | 14.2% | 14.2% | 15.4% | 16.0% | 16.0% |
| EBIT margin | 12.9% | 12.4% | 12.5% | 11.0% | 10.3% | 10.5% | 10.7% | 11.9% | 12.7% | 12.7% |
| Gearing - Debt/equity | -26.3% | -14.5% | -8.5% | -36.8% | -20.2% | -14.2% | 17.8% | -1.6% | -17.1% | -17.1% |
| Interest cover on EBIT | 0.5% | 0.7% | 1.0% | 1.8% | 1.4% | 2.0% | 1.8% | 1.5% | 1.1% | 1.1% |
| NFP/EBITDA | -52.2% | -32.9% | -18.2% | -133.2% | -65.1% | -42.5% | 41.4% | -3.6% | -39.3% | -39.3% |
| ROCE | 51.0% | 39.7% | 40.2% | 32.8% | 27.3% | 27.5% | 26.5% | 33.0% | 38.8% | 38.8% |
| ROE | 25.1% | 22.8% | 25.0% | 14.2% | 14.8% | 16.4% | 21.6% | 22.9% | 23.2% | 23.2% |
| EV/Sales | n.m. | n.m. | n.m. | 2.37 | 1.80 | 1.50 | 1.01 | 0.95 | 0.89 | 0.89 |
| EV/EBITDA | n.m. | n.m. | n.m. | 16.37 | 12.60 | 10.56 | 7.11 | 6.13 | 5.57 | 5.57 |
| P/E | n.m. | n.m. | n.m. | 29.44 | 24.44 | 19.83 | 13.07 | 10.92 | 9.61 | 9.61 |
| Free cash flow yield | n.m. | n.m. | n.m. | 0.4% | -4.1% | 1.8% | -4.6% | 11.6% | 12.6% | 12.6% |
| Growth Rates (%) | | | | | | | | | | |
| Sales | n.a. | 18.8% | 16.7% | 19.1% | 32.2% | 19.4% | 48.4% | 7.1% | 6.1% | 6.1% |
| EBITDA | n.a. | 10.7% | 13.5% | 10.3% | 29.8% | 9.2% | 19.3% | 48.5% | 16.0% | 16.0% |
| EBIT | n.a. | 14.2% | 17.4% | 4.9% | 23.7% | 21.1% | 51.4% | 19.3% | 13.2% | 13.2% |
| Net Income | n.a. | 14.7% | 18.1% | 5.7% | 20.5% | 22.3% | 51.8% | 19.6% | 13.7% | 13.7% |

Source: Company data, KT&Partners' estimates

Estimates Revision

Following the announcement of the two M&A deals, we revised our 2020-22 estimates, leaving unchanged our expectations for FY19. We increased our topline outlook factoring in the positive contribution of around €10mn which will come from STAF. Indeed, STAF has a plant in Emilia Romagna, thanks to which FNL will expand its product offer and its production capacity by ca. 12 million square meters. We now expect revenue to reach €52.4mn in 2020 and €56.1mn in 2021, growing at a CAGR2018-22 of 23.8%.

We foresee EBITDA and EBIT to follow the growing business, increasing in absolute terms by ca. €1mn each year from 2020 onwards. We revised downward our previous FY20 EBITDA margin projections as we expect it will be negatively impacted by the lower profitability of STAF. We now forecast EBITDA margin to stand at 14.2% in FY20 (110bps lower than our previous estimates) and we expect it will increase to 15.4% in FY21 thanks to cost synergies. We now foresee EBIT margin to amount to 10.7% in FY20 (-90bps below our previous estimates following the impact of higher D&A related to the latest two M&As), growing by 120bps to 11.9% in FY21.

Looking at the bottom line, we now expect net income (excluding minorities) to stand at €3.7mn in 2020 (15.2% above our previous estimates) and €4.5mn in 2021 (16.9% above our latest report).

We project NFP to increase to €3.1mn in FY20 following the acquisition carried out during the period, reaching €0.3mn of net cash in FY21 thanks to the Group strong cash generation ability.

The key points of our forecast are as follow:

- FY19E revenues at €35.3mn, reaching €56.1mn in FY21E (23.8% CAGR FY18E-FY21E);
- FY19E EBITDA at €5.0mn, reaching €8.6mn in FY21E (27.1% CAGR FY18E-FY21);
- FY19E Group net income at €2.5mn, reaching €4.5mn in FY21E (30.5% CAGR FY18E-FY20).

Table 2: Finlogic Estimates Revisions

| € thousand | 2018A | 2019E Old | 2019E New | Change | 2020E Old | 2020E New | Change | 2021E Old | 2021E New | Change |
|-------------------|---------|--------------|--------------|--------|--------------|--------------|--------|--------------|--------------|--------|
| Total Revenues | 29,546 | 35,282 | 35,282 | 0.0% | 41,911 | 52,365 | 24.9% | 45,632 | 56,086 | 22.9% |
| YoY Change (%) | | 19.4% | 19.4% | | 18.8% | 48.4% | | 8.9% | 7.1% | |
| EBITDA | 4,208 | 5,022 | 5,022 | 0.0% | 6,397 | 7,456 | 16.6% | 7,341 | 8,649 | 17.8% |
| YoY Change (%) | | 19.3% | 19.3% | | 27.4% | 48.5% | | 14.8% | 16.0% | |
| EBITDA Margin (%) | 14.2% | 14.2% | 14.2% | | 15.3% | 14.2% | | 16.1% | 15.4% | |
| EBIT | 3,049 | 3,693 | 3,693 | 0.0% | 4,856 | 5,591 | 15.1% | 5,703 | 6,670 | 17.0% |
| YoY Change (%) | | 21.1% | 21.1% | | 31.5% | 51.4% | | 17.4% | 19.3% | |
| EBIT Margin (%) | 10.3% | 10.5% | 10.5% | | 11.6% | 10.7% | | 12.5% | 11.9% | |
| Group Net Income | 2,012 | 2,461 | 2,461 | 0.0% | 3,243 | 3,736 | 15.2% | 3,821 | 4,468 | 16.9% |
| YoY Change (%) | | 22.3% | 22.3% | | 31.7% | 51.8% | | 17.8% | 19.6% | |
| Net Debt (Cash) | (2,741) | (2,136) | (2,136) | | (2,361) | 3,085 | | (3,882) | (310) | |
| YoY Change (%) | | -22.1% | -22.1% | | 10.6% | -244.4% | | 64.4% | -110.1% | |

Source: Company data, KT&Partners' elaborations

Valuation

Based on our estimates, we have carried out our valuation based on multiples and DCF and have taken the average price provided by these two models. This has led to a fair value of €8.7 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 €7.74 per share;
- DCF analysis, based on WACC of 9.0% and 1.5% perpetual growth, returns a value of €9.66 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 €84mn, 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 FY18, 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 €9.7bn, 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 FY18, 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 €1.0bn, 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 FY18, 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 €1.2bn, engages in the development and sale of packaging solutions, offering shrink sleeve labels, self-adhesive labels, spouted pouches and packaging machinery. The company reported ¥162bn revenues during FY18, with self-adhesive labels accounting for 15.3%, shrink labels accounting for 55.9% and other labels accounting for 0.96%;

5. **Lintec Corp.**, listed on the Tokyo Stock Exchange, with a market capitalization of €1.5bn, 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 ¥251bn revenues during FY18, ca. 49.0% 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 €1.0bn, is a global provider of automation identification and data capture solutions, which leverage on barcodes, QR codes, and RFID technologies. During the FY18, the company reported ¥116.2bn sales;
7. **ScanSource, Inc.**, listed on NASDAQ, with a market capitalization of €0.8bn, 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 FY18, 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 €5.3bn, engages in the development, production and sale of technology products through three 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 FY18, Seiko Epson Corp. recorded ¥1,024bn revenues, of which ¥737bn came from the printing solutions segment (66%);
9. **Zebra Technologies Corp.**, listed on NASDAQ, with a market capitalization of €12bn, 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 FY18, 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 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%.

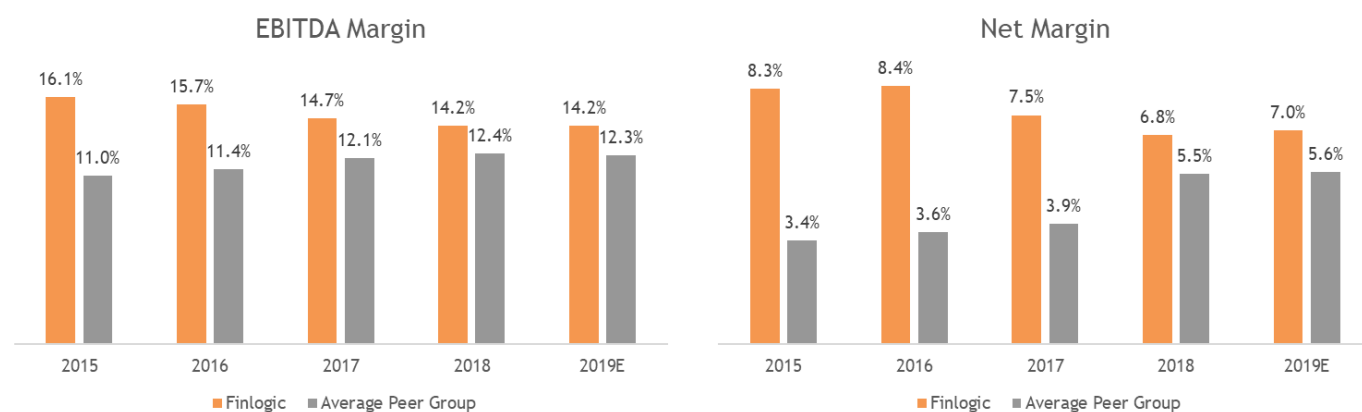
Table 3: Marginalities and Growth Rates Analysis

| 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 | 123 | 5.9% | 10.9% | 9.8% | -1.1% | 4.2% | 2.8% | -1.4% |
| Avery Dennison Corporation | 6,068 | 6,375 | 5.1% | 13.8% | 14.2% | 0.3% | 6.5% | 7.9% | 1.3% |
| Datalogic S.p.A. | 631 | 623 | -1.3% | 16.1% | 15.5% | -0.6% | 9.9% | 8.5% | -1.4% |
| Fuji Seal International, Inc. | 1,264 | 1,318 | 4.3% | 13.5% | 13.4% | 0.0% | 5.1% | 5.1% | 0.0% |
| Lintec Corporation | 1,955 | 1,962 | 0.3% | 11.9% | 10.2% | -1.7% | 5.2% | 3.9% | -1.2% |
| Sato Holdings Corporation | 905 | 989 | 9.2% | 11.5% | 12.0% | 0.5% | 3.2% | 5.0% | 1.7% |
| 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 | 8,771 | 3.3% | 11.6% | 10.1% | -1.5% | 4.9% | 3.0% | -1.9% |
| Zebra Technologies Corporation Class A | 3,564 | 4,043 | 13.4% | 18.8% | 22.0% | 3.2% | 10.0% | 12.8% | 2.8% |
| Average Peer Group | 2,913.30 | 3,082.09 | 5.5% | 12.4% | 12.3% | -0.1% | 5.5% | 5.6% | 0.1% |
| 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 the comps' average (15.2% vs 11.7%), as well as a higher net income margin (7.8% vs 4.1%). We expect that FNL's FY19 EBITDA margin and net income margin will exceed the comps' average by 1.9pp and 1.4pp, 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.

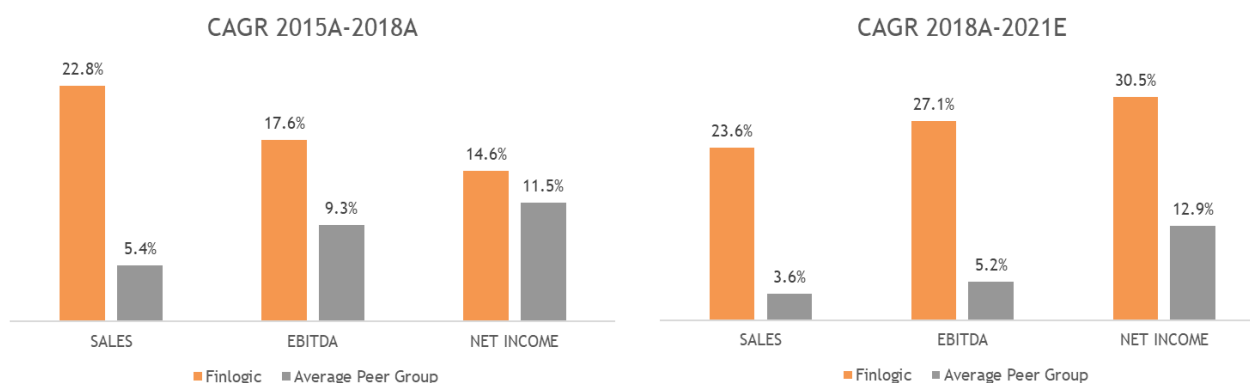
Indeed, over the 2015-18 period, FNL's financials grew at a higher CAGR than the comparables':

- Sales: +22.8% vs +5.4%;
- EBITDA: +17.6% vs +9.3%;
- Net income: +14.6% vs +11.5%.

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: +23.6% vs +3.6%;
- EBITDA: +27.1% vs 5.2%;
- Net income: +30.5% and +12.9%.

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, 2020 and 2021 data.

Table 4: Peer Group Valuation Table - 2019-20 Multiples

| Company Name | Exchange | Market Cap | EV/SALES 2019 | EV/SALES 2020 | EV/SALES 2021 | EV/EBITDA 2019 | EV/EBITDA 2020 | EV/EBITDA 2021 | EV/EBIT 2019 | EV/EBIT 2020 | EV/EBIT 2021 | P/E 2019 | P/E 2020 | P/E 2021 |
|--|--------------|--------------|---------------|---------------|---------------|----------------|----------------|----------------|---------------|---------------|---------------|---------------|---------------|---------------|
| AstroNova, Inc. | NASDAQ | 84 | 0.85x | 0.81x | n.a. | 8.67x | 7.44x | n.a. | 22.77x | 16.03x | n.a. | 24.83x | 18.80x | n.a. |
| Avery Dennison Corporation | NYSE | 9,682 | 1.75x | 1.70x | 1.65x | 12.37x | 11.80x | 11.10x | 15.12x | 14.34x | 13.41x | 19.68x | 18.22x | 16.60x |
| Datalogic S.p.A. | Milan | 1,001 | 1.57x | 1.53x | 1.47x | 10.13x | 9.70x | 9.37x | 13.69x | 13.04x | 12.20x | 18.32x | 17.40x | 16.01x |
| Fuji Seal International, Inc. | Tokyo | 1,180 | 0.92x | 0.89x | 0.87x | 6.83x | 6.48x | 6.27x | 11.46x | 10.59x | 10.11x | 16.58x | 13.90x | 13.26x |
| Lintec Corporation | Tokyo | 1,524 | 0.60x | 0.57x | 0.55x | 5.82x | 5.16x | 4.79x | 10.16x | 8.34x | 7.42x | 18.69x | 14.45x | 12.95x |
| Sato Holdings Corporation | Tokyo | 968 | 0.98x | 0.93x | 0.89x | 8.19x | 7.37x | 6.74x | 13.68x | 11.34x | 9.91x | 19.11x | 18.34x | 16.14x |
| ScanSource, Inc. | NASDAQ | 818 | 0.32x | 0.34x | 0.33x | 8.29x | 8.79x | 8.27x | 11.31x | 11.65x | 10.53x | 10.69x | 11.91x | 10.28x |
| Seiko Epson Corp. | Tokyo | 5,317 | 0.58x | 0.58x | 0.57x | 5.72x | 5.40x | 5.48x | 14.00x | 12.63x | 11.62x | 17.57x | 15.50x | 14.22x |
| Zebra Technologies Corporation Class A | NASDAQ | 11,972 | 3.30x | 3.11x | 2.97x | 14.99x | 14.17x | 13.14x | 16.20x | 15.32x | 14.50x | 18.93x | 17.49x | 15.86x |
| Average peer group | | 3,616 | 1.21x | 1.16x | 1.16x | 9.00x | 8.48x | 8.15x | 14.26x | 12.59x | 11.21x | 18.27x | 16.22x | 14.41x |
| Median peer group | | 1,180 | 0.92x | 0.89x | 0.88x | 8.29x | 7.44x | 7.51x | 13.69x | 12.63x | 11.08x | 18.69x | 17.40x | 15.04x |
| Finlogic SpA | Milan | 49 | 1.50x | 1.01x | 0.95x | 10.56x | 7.11x | 6.13x | 14.36x | 9.49x | 7.95x | 19.83x | 13.07x | 10.92x |

Source: FactSet data and KT&Partners' estimates

We based our evaluation upon 2020 and 2021 median EV/EBITDA and P/E multiples and our estimates of Finlogic's EBITDA and net income for 2020 and 2021. Additionally, considering the existing differences in terms of liquidity between Finlogic and its comparables, we applied a 10% liquidity discount on the median multiples. From our multiples analysis, we derive a value of €7.74ps.

Table 5: Multiple Valuation

| Multiple Valuation (€mn) | 2020E | 2021E |
|---|-------------|-------|
| <u>EV/EBITDA multiple comparison</u> | 7.44 | 7.51 |
| Peer Group EV/EBITDA netted from 10% liquidity discount | 6.70 | 6.76 |
| Finlogic EBITDA | 7.46 | 8.65 |
| Enterprise value | 49.94 | 58.43 |
| FY19E NFP* | 3.86 | 3.86 |
| Equity Value | 46.70 | 54.35 |
| Number of shares (mn) | 7.02 | 7.02 |
| Value per share | 6.65 | 7.74 |
| Fair Value - € ps | 7.19 | |
| <hr/> | | |
| Multiple Valuation (€mn) | 2020E | 2021E |
| <u>P/E multiple comparison</u> | 17.40 | 15.04 |
| Peer Group P/E netted from 10% liquidity discount | 15.66 | 13.54 |
| Finlogic earnings | 3.74 | 4.47 |
| Equity Value | 56.73 | 59.57 |
| Number of shares (mn) | 7.02 | 7.02 |
| Value per share | 8.08 | 8.48 |
| Fair Value (Avg.) - € ps | 8.28 | |
| Fair Value (Avg.) - € ps | 7.74 | |

* Note: FY19E NFP was adjusted by €4.6mn investment related to the acquisition of STAF and €1.4mn of STAF's NFP.

Source: FactSet data and KT&Partners' estimates

DCF Model

We also conduct our valuation using a four-year DCF model based on 10.1% 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.² We, therefore, obtained 9.0% WACC.³

By discounting 2020E-22E annual cash flows and considering a terminal growth rate of 1.5%, we derive a fair value of €9.66ps.

Table 6: Cash Flow Estimates

| € million | 2020E | 2021E | 2022E |
|--------------------------------|--------------|-------------|-------------|
| EBIT | 5.59 | 6.67 | 7.55 |
| Taxes | -1.57 | -1.87 | -2.11 |
| D&A | 1.86 | 1.98 | 1.98 |
| Change in Net Working Capital | -2.63 | -0.37 | -0.54 |
| Net Operating Cash Flow | 3.26 | 6.41 | 6.88 |
| Capex | -5.54 | -0.70 | -0.70 |
| FCFO | -2.27 | 5.71 | 6.18 |
| g | 1.5% | | |
| Wacc | 9.0% | | |
| Discounted Cumulated FCFO | 7.50 | | |
| TV | | | 83.04 |
| TV (discounted) | 64.19 | | |
| Enterprise Value | 71.69 | | |
| FY19E NFP* | 3.86 | | |
| Equity Value | 67.86 | | |
| Current number of shares | 7.02 | | |
| Value per share (€) | 9.66 | | |

* Note: FY19E NFP was adjusted by €4.6mn investment related to the acquisition of STAF and €1.4mn of STAF's NFP.

Source: FactSet data and KT&Partners' estimates.

² Source: Damodaran's website.

³ Further inputs include: (i) 0.90 beta; (ii) 1.38% risk-free rate; (iii) 5.67% market risk premium (source: Damodaran's website); and (iv) 3.0% premium for size.

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