

COMPANY UPDATE



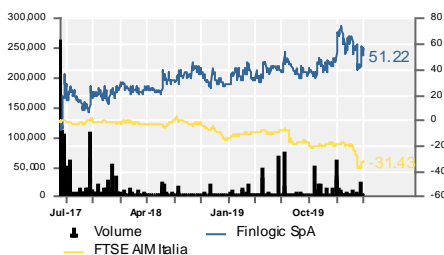
Fair Value: €7.94
(Prev. €8.70)

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Relative Performance Chart since IPO



Market Data:

Current Price (€)	6.1
Fair Value (€)	7.94
Market Cap (€mn)	43.21
52 Wk High (€)	7.30
52 Wk Low (€)	5.15
Free Float (%)	25.00
Avg. Daily Trading 90d	5,059.89
Price Change 1w (%)	-2.40
Price Change 1m (%)	-6.15
Price Change YTD (%)	-3.17
EV/EBITDA 2020E	6.95
EV/EBITDA 2021E	5.87
P/E 2020E	13.91
P/E 2021E	11.23

Facing COVID-19 with an “Essential” Company!

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. We appreciate FNL’s business resiliency and we expect a limited impact of the Coronavirus on the company performance. In our view this is partially reflected on the company stock price performance.

FY19 Results. FNL closed with €33mn of sales, +16%YoY but 2.2pp lower than our estimates. FY19 results confirmed FNL’s track record and strength in the label segment, which exceeded our estimates by +9.1pp, reaching €19.3mn (+19.7%YoY). The technological segment totaled €13.2mn (+12% vs 2018 but 12.8% below our expectations), whereas sales from customer support accounted for 2% of the total. FY19 EBITDA reached €4.7mn with an EBITDA margin of 13.7%, 60bps lower with respect to FY18. The EBITDA margin reduction is mainly the result of the strong workforce expansion carried out during 2019 to further boost revenue in the coming years. Excluding minorities, net income decreased by 2.1%YoY to €2.0mn due to higher minority interests. At the end of 2019, FNL registered a net cash position of €1.7mn - €1mn lower than FY18 - and it was mainly impacted by the €2.9mn of CAPEX, €1mn of dividend payments, and €0.5mn cash-in following the warrant exercise.

Impact of COVID-19 on FNL’s business. FNL’s activities have been recognized as “essential” by the Italian Government and therefore company operations are still ongoing during the lockdown period, though at a reduced level. To assess the COVID-19 impact on FNL’s results, we have developed analysis of three scenarios based on three variables: i) the lockdown duration; ii) % of revenues lost during the lockdown period; and iii) recovery rate of the revenues lost during the lockdown period. In the worst-case scenario, Revenues could fall by 10% with no expected recovery due to lower demand and commercial activities. In the base-case scenario (-5% in FY20 revenue) and in the best-case scenario (-3% in FY20 revenue), we assume that FNL will be able to recover at a higher pace, leveraging on its strengthened commercial workforce and cross-selling activities.

- **Worst-case scenario:** FY20 revenue at €47.1mn reaching €53.6mn in FY22;
- **Base-case scenario:** FY20 revenue at €50mn reaching €58.1mn in FY22;
- **Best-case scenario:** FY20 revenue at €51mn reaching €59.5mn in FY22.

Valuation. Factoring in estimates of the base-case scenario, our valuation - based on both the DCF and multiples method - returns an average equity value of €56.2mn or €7.94ps (+30% upside on current price and -9% on our latest update). Our fair value was also impacted by the peers’ multiple contraction mainly following the poor price performance of -32.1% recorded by peers since our latest update. We also carried out a what-if analysis to assess share value sensitivity to changes in the FY20 revenues reduction and in the recovery rate in 2021 of the revenues lost in 2020. According to the sensitivity, the share price will range from €7.26 per share in the worst-case scenario to €8.14 per share in the best-case scenario.

€ Million	Total Revenues	EBITDA	EBITDA Margin	EBIT	Finlogic Net Profit	Net Margin	EPS
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
2019A	34.59	4.73	13.7%	3.24	1.97	5.7%	0.28
2020E	49.97	6.94	13.9%	4.88	3.11	6.2%	0.44
2021E	54.73	8.21	15.0%	6.03	3.85	7.0%	0.54
2022E	58.14	9.19	15.8%	7.03	4.50	7.7%	0.63

Source: Company data, KT&Partners’ estimates

Finlogic S.p.A. - Key Figures

Current price (€)	Fair Value (€)										Free Float (%)
6.10	7.94										25.00
Per Share Data	2014A	2015A	2016A	2017A	2018A	2019A	2020E	2021E	2022E	2023E	
Total shares outstanding (mn)	n.m.	n.m.	n.m.	6.75	6.96	7.08	7.08	7.08	7.08	7.08	
EPS	n.m.	n.m.	n.m.	0.25	0.29	0.28	0.44	0.54	0.63	0.70	
Dividend per share (ord)	n.a.	n.a.	n.a.	0.15	0.14	0.14	0.26	0.33	0.38	0.42	
Dividend pay out ratio (%)	n.a.	n.a.	n.a.	60%	50%	51%	60%	60%	60%	60%	
Profit and Loss (EUR thousand)											
Revenues	13,540	16,083	18,763	22,351	29,546	34,589	49,968	54,729	58,139	61,586	
EBITDA	2,337	2,588	2,939	3,241	4,208	4,735	6,936	8,214	9,190	9,988	
EBIT	1,753	2,002	2,351	2,640	3,049	3,240	4,881	6,027	7,025	7,732	
EBT	1,744	1,988	2,327	2,421	3,006	3,173	4,790	5,936	6,934	7,641	
Taxes	(577)	(649)	(735)	(700)	(916)	(995)	(1,503)	(1,862)	(2,176)	(2,397)	
Tax rate	33%	33%	32%	29%	30%	31%	31%	31%	31%	31%	
Net Income (including minorities)	1,167	1,340	1,592	1,721	2,090	2,178	3,287	4,073	4,759	5,244	
Net Income attributable to the Group	1,167	1,338	1,580	1,670	2,012	1,969	3,106	3,849	4,497	4,956	
Balance Sheet (EUR thousand)											
Total fixed assets	1,689	2,102	2,043	2,265	4,328	7,069	10,364	8,877	7,412	5,857	
Net Working Capital (NWC)	2,281	3,566	4,638	6,133	8,154	8,514	13,308	14,268	15,049	15,693	
Provisions	(534)	(626)	(838)	(890)	(1,304)	(1,510)	(2,113)	(2,758)	(3,427)	(4,118)	
Total Net capital employed	3,437	5,042	5,844	7,508	11,178	14,072	21,559	20,386	19,034	17,432	
Net financial position (NFP)	(1,221)	(853)	(536)	(4,316)	(2,741)	(1,569)	3,630	248	(3,553)	(7,700)	
Group Shareholder's Equity	4,645	5,880	6,334	11,727	13,561	15,069	17,176	19,161	21,349	23,606	
Minorities	13	15	47	98	359	571	752	976	1,238	1,526	
Total Shareholder's Equity	4,658	5,895	6,380	11,824	13,920	15,640	17,928	20,137	22,586	25,132	
Cash Flow (EUR thousand)											
Net operating cash flow	n.a.	1,946	2,184	2,460	3,326	3,748	5,404	6,323	6,986	7,562	
Change in NWC	n.a.	(1,285)	(1,072)	(1,495)	(2,021)	(360)	(2,862)	(959)	(782)	(644)	
Capital expenditure	n.a.	(560)	(161)	(380)	(689)	(2,704)	(2,632)	(700)	(700)	(700)	
Investments in intangible assets	n.a.	(396)	(346)	(485)	(2,399)	(812)	(3,250)	-	-	-	
Other cash items/Uses of funds	n.a.	49	189	42	279	44	603	645	669	691	
Free cash flow	n.a.	(246)	794	143	(1,504)	(85)	(2,737)	5,309	6,173	6,908	
Enterprise Value (EUR thousand)											
Market Cap	n.a.	n.a.	n.a.	32,739	36,575	39,990	43,212	43,212	43,212	43,212	
Minorities	13	15	47	98	359	571	752	976	1,238	1,526	
Net financial position	(1,221)	(853)	(536)	(4,316)	(2,741)	(1,569)	3,630	248	(3,553)	(7,700)	
Enterprise value	n.a.	n.a.	n.a.	28,521	34,193	38,992	47,595	44,436	40,898	37,038	
Ratios (%)											
EBITDA margin	17.3%	16.1%	15.7%	14.5%	14.2%	13.7%	13.9%	15.0%	15.8%	16.2%	
EBIT margin	12.9%	12.4%	12.5%	11.0%	10.3%	9.4%	9.8%	11.0%	12.1%	12.6%	
Gearing - Debt/equity	-26.3%	-14.5%	-8.5%	-36.8%	-20.2%	-10.4%	21.1%	1.3%	-16.6%	-32.6%	
Interest cover on EBIT	0.5%	0.7%	1.0%	1.7%	1.4%	2.1%	1.9%	1.5%	1.3%	1.2%	
NFP/EBITDA	-52.2%	-32.9%	-18.2%	-133.2%	-65.1%	-33.1%	52.3%	3.0%	-38.7%	-77.1%	
ROCE	51.0%	39.7%	40.2%	35.2%	27.3%	23.0%	22.6%	29.6%	36.9%	44.4%	
ROE	25.1%	22.8%	25.0%	14.2%	14.8%	13.1%	18.1%	20.1%	21.1%	21.0%	
EV/Sales	n.m.	n.m.	n.m.	2.16	1.63	1.39	0.96	0.88	0.83	0.78	
EV/EBITDA	n.m.	n.m.	n.m.	14.88	11.46	10.18	6.95	5.87	5.25	4.83	
P/E	n.m.	n.m.	n.m.	23.95	21.48	21.94	13.91	11.23	9.61	8.72	
Free cash flow yield	n.m.	n.m.	n.m.	0.4%	-4.1%	-0.2%	-6.3%	12.3%	14.3%	16.0%	
Growth Rates (%)											
Sales	n.a.	18.8%	16.7%	19.1%	32.2%	17.1%	44.5%	9.5%	6.2%	5.9%	
EBITDA	n.a.	10.7%	13.5%	10.3%	29.8%	9.2%	12.5%	46.5%	18.4%	11.9%	
EBIT	n.a.	14.2%	17.4%	4.9%	23.7%	6.3%	50.6%	23.5%	16.6%	10.1%	
Net Income	n.a.	14.7%	18.1%	5.7%	20.5%	-2.1%	57.7%	23.9%	16.8%	10.2%	

FY19 Results Summary

A strongly positive performance was also registered in FY19: sales reached €33mn with double-digit growth of 16% (2.2pp lower than our estimates). The major contribution came from the label segment, which increased by +19.7%YoY, exceeding our estimates by 9.1pp and accounting for 58% of FNL's sales. This was mainly the result of investments carried out during the period to improve production capacity and machines' efficiency. The technological segment totaled €13.2mn (+12% vs 2018 but 12.8% below our expectations), whereas sales from customer support accounted for 2% of the total.

FY19 gross margin improved by +1.1% to 43.7% (+1.1pp higher than expected) as a result of the greater incidence of the label division that has high margin. FY19 EBITDA was up by +12.5%YoY to €4.7mn, whereas EBITDA margin decreased by 60bps YoY to 13.7% (50bps lower with respect to FY18 and our estimates). This was mainly due to the strong workforce expansion carried out during 2019 to further boost revenue in the coming years. D&As were €1.5mn or €0.2mn higher than our estimates due to higher than expected investments.

The bottom line reached €2.2mn, +4.2% YoY but 16.4% below our estimates. Excluding minorities, net income was €2.0mn, down by 2.1% with respect to FY18 due to higher minority interests and 20.0% lower than our projection.

Finally, net cash went from €2.7mn in FY18 to €1.7mn in FY19. It was mainly influenced by: i) the high level of CAPEX carried out during the period (€2.9mn); ii) €1mn of dividend payments; and iii) €0.5mn cash-in following the warrant exercise.

Finlogic 2019 Results

€ thousand	FY16A	FY17A	FY18A	FY19A	YoY growth	FY19E	A vs E
Labels	12,728	13,640	16,100	19,276	19.7%	17,667	9.1%
Technological products	5,001	7,447	11,777	13,189	12.0%	15,126	-12.8%
Technical Support	251	308	554	528	-4.7%	957	-44.8%
Sales	17,980	21,395	28,431	32,993	16.0%	33,750	-2.2%
Growth %		19.0%	32.9%	16.0%		57.8%	
Other revenues	738	830	1,043	1,158	11.1%	1,422	-18.5%
Changes in stocks of semi-finished and finished goods	45	127	(23)	118	-612.5%	110	7.4%
internally generated Fixed assets			95	321	237.4%	0	
Total Revenues	18,763	22,351	29,546	34,590	17.1%	35,282	-2.0%
Cost of Goods Sold	(10,381)	(12,722)	(16,957)	(19,481)	14.9%	(20,261)	-3.9%
Gross Profit	8,382	9,630	12,589	15,109	20.0%	15,020	0.6%
Gross Margin	44.7%	43.1%	42.6%	43.7%	1.1%	42.6%	1.1%
Labour Cost	(2,934)	(3,461)	(4,334)	(5,510)	27.1%	(5,333)	3.3%
Services	(2,453)	(2,824)	(3,983)	(4,722)	18.5%	(4,463)	5.8%
Other Operating Costs	(57)	(50)	(64)	(142)	121.2%	(203)	-30.1%
EBITDA	2,939	3,294	4,208	4,736	12.5%	5,022	-5.7%
EBITDA margin	15.7%	14.7%	14.2%	13.7%	-0.6%	14.2%	-0.5%
D&A&Write-Down	(588)	(654)	(1,159)	(1,495)	29.0%	(1,329)	12.5%
EBIT	2,351	2,640	3,049	3,240	6.3%	3,693	-12.3%
EBIT margin	12.5%	11.8%	10.3%	9.4%	-1.0%	12.0%	-2.6%
Financial Income and Expenses	(24)	(45)	(43)	(68)	57.3%	(75)	-10.3%
Extraordinary items		(174)			n.m.		n.m.
EBT	2,327	2,421	3,006	3,173	5.6%	3,618	-12.3%
Taxes	(735)	(700)	(916)	(995)	8.7%	(1,013)	-1.8%
Net Income	1,592	1,721	2,090	2,178	4.2%	2,605	-16.4%
Net margin	8.5%	7.7%	7.1%	6.3%	-0.8%	7.4%	-1.1%
Minorities	12	51	78	208	166.6%	143	-45.4%
Net Income attributable to the Group	1,580	1,670	2,012	1,969	-2.1%	2,461	-20.0%
Group Net margin	8.4%	7.5%	6.8%	5.7%		7.0%	
NFF (Cash)	(536)	(4,316)	(2,741)	(1,569)	-42.8%	(2,136)	-26.6%

Source: Company data and KT&Partners' elaborations

Estimates Revision

COVID-19 is becoming the biggest challenge that the global economy has faced since the 2008 Great Financial Depression. It is a global symmetric shock affecting economies and business activities with significant negative short-term impact and unclear long-term effects. We developed a model in order to assess COVID-19's effect on FNL's results through a scenario analysis which is basically dependent on three variables:

- 1) Lockdown duration;
- 2) % of revenues lost during the lockdown period;
- 3) Recovery rate of the revenues lost during the lockdown period, assuming the recovery is concentrated in FY21.

Before going deeper into our model, it is worth noticing that FNL's activities have been recognized as "essential" by the Italian Government's Prime Ministerial Decree of March 22, 2020, and therefore company operations are still ongoing during the lockdown period, though at a reduced level.

We developed three scenarios assessing how the situation may develop in 2020, the recovery path and related Government measures to support firms¹:

1. **Worst-Case Scenario.** Our worst-case scenario assumes: i) a lockdown period of three months; ii) a 10% decline in FY20 sales, factoring in a company operation level of 70% for the first month and of 60% for the remaining two months; iii) no recovery of the lost revenues during the quarantine period in the following year. Indeed, lower demand and commercial activities will lead total revenue to grow at +15.7% CAGR2019-22 or 4.0% lower than previously expected in a no-COVID-19 world. We still consider reasonable €53.6mn revenues in FY2022;
2. **Base-Case Scenario.** In our base-case scenario, we assume: i) a two-month lockdown period; ii) a 5% drop in 2020 annual sales considering an operation rate of 90% during the first month and of 60% for the remaining month; and iii) a 50% catch-up effect in FY21 of the sales lost during 2020, thanks to a recovery in both commercial and cross-selling activities. We forecast total revenues to increase at a +18.9% CAGR2019-22 (vs a +19.8% CAGR2019-22 from our previous research), reaching €58.1mn in FY22;
3. **Best-Case Scenario.** In the optimistic scenario, we consider: i) a quarantine period of two months; ii) a slight drop in FY20 sales of 3% based on the assumption that two months' activities will be carried out with a 90% operation rate for the first month and a lower rate of 80% in the following month; and iii) a 100% recovery rate in FY21 of the sales lost during 2020 led by higher demand and stronger commercial and cross-selling activities. Total revenues are expected to resume growth at 19.8% CAGR2019-22, meeting our previous target of more than €59mn in FY22.

¹ In all the scenarios we also worsened DSO and DPO with respect to our previous update to take into consideration a possible worsening of the quality of credit and debit in a COVID-19 world.

Worst-Case Scenario

€ thousand	2019A	2020E		Change Post-COVID	2021E		Change Post-COVID	2022E		Change Post-COVID	CAGR 2019-'22 Old	CAGR 2019-'22 Post-COVID
		Old	New Post-COVID		Old	New Post-COVID		Old	New Post-COVID			
Total Revenues	34,589	52,365	47,112	-10.0%	56,086	50,479	-10.0%	59,481	53,626	-9.8%	19.8%	15.7%
YoY Change (%)		51.4%	36.2%		7.1%	7.1%		6.1%	6.2%			
EBITDA	4,735	7,456	6,508	-12.7%	8,649	7,533	-12.9%	9,528	8,432	-11.5%	26.3%	21.2%
EBITDA Margin (%)	13.7%	14.2%	13.8%		15.4%	14.9%		16.0%	15.7%			
EBIT	3,240	5,591	4,454	-20.4%	6,670	5,345	-19.9%	7,552	6,267	-17.0%	32.6%	24.6%
EBIT Margin (%)	9.4%	10.7%	9.5%		11.9%	10.6%		12.7%	11.7%			
Group Net Income	1,969	3,736	2,829	-24.3%	4,468	3,408	-23.7%	5,080	4,005	-21.2%	37.1%	26.7%
YoY Change (%)		89.7%	43.7%		19.6%	20.4%		13.7%	17.5%			
Net Debt (Cash)	(1,569)	3,085	3,144		(310)	(254)		(3,743)	(3,808)			

Source: Company data, KT&Partners' elaborations

Base-Case Scenario

€ thousand	2019A	2020E		Change Post-COVID	2021E		Change Post-COVID	2022E		Change Post-COVID	CAGR 2019-'22 Old	CAGR 2019-'22 Post-COVID
		Old	New Post-COVID		Old	New Post-COVID		Old	New Post-COVID			
Total Revenues	34,589	52,365	49,968	-4.6%	56,086	54,729	-2.4%	59,481	58,139	-2.3%	19.8%	18.9%
YoY Change (%)		51.4%	44.5%		7.1%	9.5%		6.1%	6.2%			
EBITDA	4,735	7,456	6,936	-7.0%	8,649	8,214	-5.0%	9,528	9,190	-3.6%	26.3%	24.7%
EBITDA Margin (%)	13.7%	14.2%	13.9%		15.4%	15.0%		16.0%	15.8%			
EBIT	3,240	5,591	4,881	-12.7%	6,670	6,027	-9.6%	7,552	7,025	-7.0%	32.6%	29.4%
EBIT Margin (%)	9.4%	10.7%	9.8%		11.9%	11.0%		12.7%	12.1%			
Group Net Income	1,969	3,736	3,106	-16.9%	4,468	3,849	-13.9%	5,080	4,497	-11.5%	37.1%	31.7%
YoY Change (%)		89.7%	57.7%		19.6%	23.9%		13.7%	16.8%			
Net Debt (Cash)	(1,569)	3,085	3,630		(310)	248		(3,743)	(3,553)			

Source: Company data, KT&Partners' elaborations

Best-Case Scenario

€ thousand	2019A	2020E		Change Post-COVID	2021E		Change Post-COVID	2022E		Change Post-COVID	CAGR 2019-'22 Old	CAGR 2019-'22 Post-COVID
		Old	New Post-COVID		Old	New Post-COVID		Old	New Post-COVID			
Total Revenues	34,589	52,365	50,919	-2.8%	56,086	55,986	-0.2%	59,481	59,475	0.0%	19.8%	19.8%
YoY Change (%)		51.4%	47.2%		7.1%	10.0%		6.1%	6.2%			
EBITDA	4,735	7,456	7,078	-5.1%	8,649	8,416	-2.7%	9,528	9,414	-1.2%	26.3%	25.7%
EBITDA Margin (%)	13.7%	14.2%	13.9%		15.4%	15.0%		16.0%	15.8%			
EBIT	3,240	5,591	5,023	-10.2%	6,670	6,228	-6.6%	7,552	7,250	-4.0%	32.6%	30.8%
EBIT Margin (%)	9.4%	10.7%	9.9%		11.9%	11.1%		12.7%	12.2%			
Group Net Income	1,969	3,736	3,199	-14.4%	4,468	3,980	-10.9%	5,080	4,643	-8.6%	37.1%	33.1%
YoY Change (%)		89.7%	62.4%		19.6%	24.4%		13.7%	16.6%			
Net Debt (Cash)	(1,569)	3,085	3,793		(310)	390		(3,743)	(3,483)			

Source: Company data, KT&Partners' elaborations

Valuation

In valuing FNL we take into consideration estimates of the base-case scenario and we carried out our valuation using the multiples and DCF methods:

- EV/EBITDA and P/E multiple, with a 10% liquidity discount, which returns a value of €5.83 per share;
- DCF analysis, based on WACC of 9.0% and 1.5% perpetual growth, returns a value of €9.34 per share.

In order to take into account the resiliency of FNL's business and its high visibility we derived the company fair value through a weighted average of the DCF and multiple valuation models. We gave therefore a 60% weight to the price based on DCF, and a 40% weight to the price returned by the multiples method. The weighted average of the two methods yields a fair value of €7.94 per share with an equity value of €56.2mn.

We also carried out a what-if analysis to assess share value sensitivity to changes in the FY20 revenues reduction and in the recovery rate in 2021 of the revenues lost in 2020. According to the sensitivity, the share price will range from €7.26 per share in the worst-case scenario to €8.14 per share in the best-case scenario.

Sensitivity Analysis

	Recovery Rate					
	0%	25%	50%	75%	100%	
Revenue Reduction in FY20	-10%	7.26	7.45	7.63	7.82	8.00
	-8%	7.43	7.58	7.73	7.89	8.04
	-5%	7.77	7.85	7.94	8.02	8.11
	-4%	7.85	7.92	7.99	8.05	8.12
	-3%	7.94	7.99	8.04	8.09	8.14

Source: KT&Partners' elaboration

Market Multiples Valuation

Our multiple valuation model is based on a sample of nine public companies that could potentially be considered as peers of FNL, considering its main business lines: label production and technological products distribution.

We proceeded with the definition of market multiples of the peer group, focusing on 2020, 2021 and 2022 data.

Peer Group Valuation Based on 2020-22 Multiples

Company Name	Exchange	Market Cap	EV/SALES 2020	EV/SALES 2021	EV/SALES 2022	EV/EBITDA 2020	EV/EBITDA 2021	EV/EBITDA 2022	EV/EBIT 2020	EV/EBIT 2021	EV/EBIT 2022	P/E 2020	P/E 2021	P/E 2022
AstroNova, Inc.	NASDAQ	47	0.62x	n.a.	n.a.	12.61x	n.a.	n.a.	n.m.	n.a.	n.a.	n.m.	n.a.	n.a.
Avery Dennison Corporation	NYSE	7,315	1.38x	1.33x	1.28x	9.90x	9.27x	8.63x	12.31x	11.38x	10.52x	14.79x	13.41x	12.01x
Datalogic S.p.A.	Milan	629	1.05x	0.97x	0.90x	7.31x	6.27x	6.08x	9.69x	8.40x	7.77x	14.11x	11.42x	10.07x
Fuji Seal International, Inc.	Tokyo	945	0.68x	0.66x	0.65x	5.14x	4.98x	4.95x	8.50x	8.12x	7.80x	11.18x	10.68x	10.48x
Lintec Corporation	Tokyo	1,423	0.51x	0.49x	n.a.	4.12x	3.87x	n.a.	7.10x	6.24x	n.a.	12.92x	11.13x	n.a.
Sato Holdings Corporation	Tokyo	598	0.59x	0.58x	n.a.	4.91x	4.39x	n.a.	8.89x	7.95x	n.a.	13.84x	12.48x	n.a.
ScanSource, Inc.	NASDAQ	461	0.24x	0.24x	0.23x	6.68x	5.97x	n.a.	8.89x	8.09x	7.73x	7.12x	6.49x	5.57x
Seiko Epson Corp.	Tokyo	3,695	0.39x	0.38x	0.39x	3.82x	3.70x	n.a.	9.61x	8.49x	6.51x	12.15x	10.75x	7.83x
Zebra Technologies Corporation Class A	NASDAQ	8,724	2.46x	2.26x	2.24x	11.77x	10.33x	10.21x	13.63x	11.70x	11.36x	14.69x	12.24x	11.64x
Average peer group		2,649	0.88x	0.86x	0.95x	7.36x	6.10x	7.47x	9.83x	8.80x	8.62x	12.60x	11.08x	9.60x
Median peer group		945	0.62x	0.62x	0.77x	6.68x	5.47x	7.36x	9.25x	8.26x	7.79x	13.38x	11.27x	10.28x
Finlogic SpA	Milan	43	0.96x	0.88x	0.83x	6.95x	5.87x	5.25x	9.88x	8.00x	6.86x	13.91x	11.23x	9.61x

Source: FactSet data and KT&Partners' estimates

We based our evaluation upon 2020, 2021 and 2022 median EV/EBITDA and P/E multiples and our estimates of FNL's EBITDA and net income for 2020, 2021 and 2022. Additionally, considering the existing differences in terms of liquidity between Finlogic and its comparables, we applied a 10% liquidity discount on the median multiples.

Multiple Valuation

Multiple Valuation (€mn)	2020E	2021E	2022E
EV/EBITDA multiple comparison	6.68	5.47	7.36
Peer Group EV/EBITDA netted from 10% liquidity discount	6.02	4.93	6.62
Finlogic EBITDA	6.94	8.21	9.19
Enterprise value	41.72	40.47	60.84
FY19E NFP*	4.43	4.43	4.43
Equity Value	37.29	36.04	56.41
Number of shares (mn)	7.08	7.08	7.08
Value per share	5.26	5.09	7.96
Fair Value - € ps	6.10		
<hr/>			
Multiple Valuation (€mn)	2020E	2021E	2022E
P/E multiple comparison	13.38	11.27	10.28
Peer Group P/E netted from 10% liquidity discount	12.04	10.15	9.25
Finlogic earnings	3.11	3.85	4.50
Equity Value	37.41	39.06	41.59
Number of shares (mn)	7.08	7.08	7.08
Value per share	5.28	5.51	5.87
Fair Value (Avg) - € ps	5.56		
Fair Value (Avg.) - € ps	5.83		

* 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

From our multiples analysis, we derive a value of €5.83ps, -25% below our previous estimates (€7.74ps) also due to the peers' multiple contraction of, on average, 19% on EV/EBITDA and 24% on P/E, mainly following the poor price performance of peers since our latest update (-32.1% average price performance of peers).

Peers' Price Change (%)

Company Name	Price change % 3Month	Price change % 6Month	Price change % 1Year	Price change % YTD	Price change % From Latest Update (13.01.2020) to Date	Price change % From COVID spread in Italy (20.02.2020) to Date
AstroNova, Inc.	-47.1%	-53.6%	-66.0%	-47.2%	-45.0%	-42.3%
Avery Dennison Corporation	-25.7%	-12.2%	-15.0%	-26.5%	-26.7%	-29.9%
Datalogic S.p.A.	-34.2%	-8.9%	-46.6%	-33.6%	-36.7%	-33.4%
Fuji Seal International, Inc.	-24.9%	-32.8%	-54.1%	-24.9%	-22.4%	-12.8%
Lintec Corporation	-11.7%	0.0%	-12.2%	-11.7%	-10.0%	-14.6%
Sato Holdings Corporation	-43.4%	-33.6%	-25.6%	-43.4%	-40.7%	-27.0%
ScanSource, Inc.	-43.6%	-29.9%	-42.7%	-43.8%	-45.0%	-37.7%
Seiko Epson Corp.	-39.5%	-34.0%	-42.6%	-39.5%	-33.3%	-36.0%
Zebra Technologies Corporation Class A	-31.9%	-11.5%	-17.4%	-30.9%	-29.0%	-27.3%
Average	-33.5%	-24.1%	-35.8%	-33.5%	-32.1%	-29.0%
Median	-34.2%	-29.9%	-42.6%	-33.6%	-33.3%	-29.9%
Finlogic	-10.9%	6.1%	10.9%	-3.2%	-14.1%	-10.9%

Source: FactSet data

DCF Model

We also conducted our valuation using a four-year DCF model based on 10.3% cost of equity, 3.0% cost of debt, and a target capital structure with 20% 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 derived a fair value of €9.34ps.

Cash Flow Estimates

€ million	2020E	2021E	2022E	2023E
EBIT	4.88	6.03	7.03	7.73
Taxes	-1.53	-1.89	-2.20	-2.43
D&A	2.05	2.19	2.16	2.26
Change in Net Working Capital	-2.86	-0.96	-0.78	-0.64
Net Operating Cash Flow	2.54	5.36	6.20	6.92
Capex	-5.88	-0.70	-0.70	-0.70
FCFO	-3.34	4.66	5.50	6.22
g	1.5%			
Wacc	9.0%			
FCFO (discounted)	-3.13	4.01	4.34	4.50
Discounted Cumulated FCFO	9.72			
TV				84.11
TV (discounted)	60.88			
Enterprise Value	70.61			
FY19E NFP*	4.43			
Equity Value	66.18			
Current number of shares	7.08			
Value per share (€)	9.34			

* 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) 0.92 beta; (ii) 1.53% risk-free rate; (iii) 5.50% market risk premium (source: Damodaran's website); and (iv) 3.0% premium for size.

Appendix

Peer Comparison

We built a 9-company sample, which includes:

1. **AstroNova Inc.**, listed on NASDAQ, with a market capitalization of €47mn, 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 FY19, the company had \$137mn revenues, 63.5% of which came from the product identification business segment;
2. **Avery Dennison Corp.**, listed on the NYSE, with a market capitalization of €7.3bn, 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 FY19, the company recorded \$7.0bn revenues, \$4.7bn of which came from the labeling and graphic business unit (67%);
3. **Datalogic SpA**, listed on the Milan Stock Exchange, with a market capitalization of €0.6bn, 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 €613mn;
4. **Fuji Seal International Inc.**, listed on the Tokyo Stock Exchange, with a market capitalization of €0.9bn, 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 €1.4bn, 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 ¥251bn revenues during FY19, 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 €0.6bn, is a global provider of automation identification and data capture solutions, which leverage on barcodes, QR codes, and RFID technologies. During FY18, the company reported ¥116.2bn sales;
7. **ScanSource, Inc.**, listed on NASDAQ, with a market capitalization of €0.5bn, 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 €3.7bn, 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 FY19, Seiko Epson Corp. recorded ¥1,080bn sales, of which ¥723bn came from the printing solutions segment (6%);
9. **Zebra Technologies Corp.**, listed on NASDAQ, with a market capitalization of €8.7bn, 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 FY19, the company generated \$4.5bn revenues.

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