

Keep Racing Amid COVID-19

ADD | Fair Value: €7.73 (€7.69) | Current Price: €6.00 | Upside: 28.8%

Research Update

April 8, 2021 – 7.00 h

€ Million	FY17A	FY18A	FY19A	FY20A	FY21E	FY22E	FY23E	FY24E
Value of Production	22.4	29.5	34.6	45.3	49.3	54.1	59.1	64.4
EBITDA	3.3	4.2	4.7	6.6	6.9	8.0	9.0	9.8
margin	14.7%	14.2%	13.7%	14.6%	14.0%	14.8%	15.2%	15.2%
Net Profit	1.7	2.0	2.0	2.6	2.7	3.3	3.8	4.6
margin	7.5%	6.8%	5.7%	5.7%	5.4%	6.1%	6.4%	7.1%
EPS	0.25	0.29	0.28	0.35	0.36	0.45	0.52	0.62

Source: Company Data, KT&Partners' Elaboration

COVID-19 confirmed the resilience of FNL's business model. In FY20, FNL kept posting sound results, experiencing a double-digit growth of sales and of main margins also following the acquisitions of STAF at the beginning of 2020. Broadly in line with our expectations, FY20 sales reached €43.4mn, up by 32% compared to 2019 (value of production came in at €45.3mn). The biggest contribution came from the Label segment (64% of sales), which increased by 44% YoY, reaching €27.8mn (+3% above our projections). EBITDA was up by 40%YoY to €6.6mn with a margin of 14.6%. EBITDA margin came in +1.8pp above our estimates, mainly benefiting from: i) higher incidence of the Label division, which shows higher marginality; and ii) higher than expected government grants. FY20 NFP stood at €2.9mn, after €4.6mn of investments in M&As, €1.0mn dividend payments and €1.2mn capital increase related to warrant exercise.

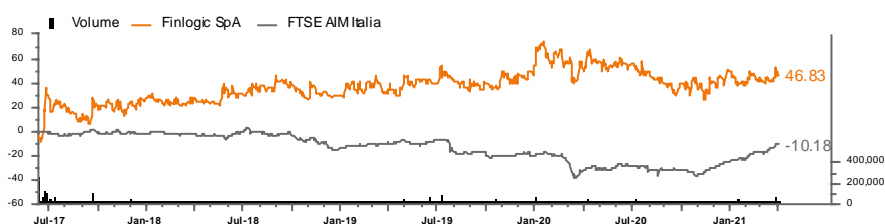
Dividend yield at +3.4%. FNL's board approved a €0.20 dividend per shares (for a total amount of €1.5mn and a pay-out ratio of ca. 60%), an increase of 38% since the IPO.

Market outlook remains positive. The COVID-19 pandemic has considerably boosted the demand for labels and AIDC products in the food, healthcare, personal care, and logistics sectors. Looking ahead, demands for greater traceability in the food and beverage, pharmaceutical and automotive component sectors are expected to continue to grow, driving the need for companies to identify products and key unique attributes about these products. According to VDC, between 2019 and 2024, the AIDC market is expected to post a CAGR of +3.8%, driving overall revenues to \$7.83 billion by 2024. Looking at the print label market, research by Mordor Intelligence projects a +4.2% CAGR over the 2021-26 period.

Estimates review. On the back of FY20 financial results, we revised upward our 2021-2023 top-line estimates, adding a year to our projection. We now expect value of production to grow at a CAGR2020-24 of +9%, reaching €64.4mn in FY24. Top-line growth will benefit from: i) increased production capacity as a result of investments carried out over the last two years; ii) up-and- cross selling activities; and iii) a strengthened commercial force. We left unchanged our EBITDA margin estimate, from 14% in FY21 (-60bps vs 2020 due to lower public contributions) to 15.2% in FY24.

Valuation. Our valuation – based on both the DCF and multiples method – returns an average equity value of €56.8mn or €7.73ps, +28.8% on the current market price.

Relative Performance Chart since IPO



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Market Data

Main Shareholders	
BF Capital Srl	61.6%
Hydra SpA	10.4%
Italcodes Srl	2.7%
Mkt Cap (€ mn)	44
EV (€ mn)	46
Shares out. (mn)	7.3
Free Float	25.3%

Market multiples	2020	2021	2022
EV/EBITDA			
FNL	7.2x	6.9x	6.0x
Comps median	6.6x	9.7x	13.8x
FNL vs Median	9%	-29%	-57%
P/E			
FNL	17.1x	16.5x	13.5x
Comps median	31.5x	18.2x	15.9x
FNL vs Median	-46%	-9%	-15%

Stock Data:

52 Wk High (€)	7.20
52 Wk Low (€)	5.00
Avg. Daily Trading 90d	6,356
Price Change 1w (%)	1.69
Price Change 1m (%)	3.45
Price Change YTD (%)	-2.4

Key Figures – Finlogic S.p.A.

	Current price (€)	Fair Value (€)							Free Float (%)
	6.00	7.73							25.30
Per Share Data	2017A	2018A	2019A	2020A	2021E	2022E	2023E	2024E	
Total shares outstanding (mn)	6.75	6.96	7.08	7.34	7.34	7.34	7.34	7.34	
EPS	0.25	0.29	0.28	0.35	0.36	0.45	0.52	0.62	
Dividend per share (ord)	0.15	0.14	0.14	0.20	0.20	0.27	0.31	0.37	
Dividend pay out ratio (%)	60%	50%	51%	57%	56%	60%	60%	60%	
Profit and Loss (EUR million)									
Revenues	21.4	28.4	33.0	43.4	47.8	52.4	57.3	62.4	
EBITDA	3.2	4.2	4.7	6.6	6.9	8.0	9.0	9.8	
EBIT	2.6	3.0	3.2	3.9	4.3	5.2	6.0	7.1	
EBT	2.4	3.0	3.2	3.7	4.0	4.9	5.7	6.8	
Taxes	(0.7)	(0.9)	(1.0)	(1.0)	(1.2)	(1.4)	(1.6)	(2.0)	
Tax rate	29%	30%	31%	26%	29%	29%	29%	29%	
Net Income (including minorities)	1.7	2.1	2.2	2.8	2.8	3.5	4.0	4.8	
Net Income attributable to the Group	1.7	2.0	2.0	2.6	2.7	3.3	3.8	4.6	
Balance Sheet (EUR million)									
Total fixed assets	2.3	4.3	7.1	15.4	14.0	12.4	10.5	9.0	
Net Working Capital (NWC)	6.1	8.2	8.5	12.6	13.6	14.7	15.8	17.4	
Provisions	(0.9)	(1.3)	(1.5)	(2.7)	(3.0)	(3.4)	(3.8)	(4.2)	
Total Net capital employed	7.5	11.2	14.1	25.3	24.6	23.7	22.6	22.2	
Net financial position (NFP)	(4.3)	(2.7)	(1.6)	2.9	0.8	(2.0)	(5.2)	(8.2)	
Group Shareholder's Equity	11.7	13.6	15.1	21.7	22.9	24.7	26.5	28.8	
Minorities	0.1	0.4	0.6	0.8	0.9	1.1	1.3	1.6	
Total Shareholder's Equity	11.8	13.9	15.6	22.5	23.8	25.8	27.8	30.4	
Cash Flow (EUR million)									
Net operating cash flow	2.5	3.3	3.7	5.4	5.8	6.5	7.2	7.7	
Change in NWC	(1.5)	(2.0)	(0.4)	(4.1)	(1.0)	(1.1)	(1.1)	(1.6)	
Capital expenditure	(0.4)	(0.7)	(3.3)	(7.0)	(1.0)	(1.0)	(0.9)	(0.9)	
Investments in intangible assets	(0.5)	(2.4)	(0.8)	(3.9)	(0.2)	(0.2)	(0.2)	(0.2)	
Other cash items/Uses of funds	0.0	0.3	0.0	1.0	0.3	0.3	0.4	0.4	
Free cash flow	0.1	(1.5)	(0.6)	(8.6)	3.9	4.5	5.4	5.4	
Enterprise Value (EUR million)									
Market Cap	32.7	36.6	40.2	44.1	44.1	44.1	44.1	44.1	
Minorities	0.1	0.4	0.6	0.8	0.9	1.1	1.3	1.6	
Net financial position	(4.3)	(2.7)	(1.6)	2.9	0.8	(2.0)	(5.2)	(8.2)	
Enterprise value	28.5	34.2	39.2	47.7	45.7	43.1	40.2	37.5	
Ratios (%)									
EBITDA margin	14.5%	14.2%	13.7%	14.6%	14.0%	14.8%	15.2%	15.2%	
EBIT margin	11.0%	10.3%	9.4%	8.6%	8.7%	9.6%	10.2%	11.1%	
Gearing - Debt/equity	-36.8%	-20.2%	-10.4%	13.2%	3.3%	-8.3%	-19.8%	-28.4%	
Interest cover on EBIT	1.7%	1.4%	2.1%	4.3%	8.0%	6.4%	5.3%	4.3%	
NFP/EBITDA	-133.2%	-65.1%	-33.1%	43.3%	10.9%	-25.6%	-58.6%	-83.4%	
ROCE	35.2%	27.3%	23.0%	15.4%	17.6%	22.0%	26.5%	32.0%	
ROE	14.2%	14.8%	13.1%	11.9%	11.6%	13.3%	14.4%	15.9%	
EV/Sales	2.23	1.68	1.45	1.10	1.00	0.91	0.83	0.76	
EV/EBITDA	14.72	11.34	10.07	7.22	6.89	5.96	5.33	4.87	
P/E	26.38	21.90	22.37	17.08	16.55	13.46	11.56	9.64	
Free cash flow yield	0.4%	-4.1%	-1.6%	-19.5%	9.0%	10.3%	12.2%	12.3%	
Growth Rates (%)									
Sales	19.1%	32.2%	17.1%	30.8%	9.0%	9.6%	9.3%	8.9%	
EBITDA	10.3%	29.8%	9.2%	12.5%	39.6%	4.7%	15.6%	12.0%	
EBIT	4.9%	23.7%	6.3%	20.6%	10.4%	20.9%	15.0%	18.6%	
Net Income	5.7%	20.5%	-2.1%	31.0%	3.2%	23.0%	16.4%	19.9%	

Source: Company Data, KT&Partners' Elaboration

FY20 Financial Results

Even during the COVID-19 pandemic, FNL has shown a strong business resilience and an ability to grow, posting double-digit growth of sales and of main margins also following the acquisitions of STAF at the beginning of 2020.

Broadly in line with our expectations, FY20 sales reached €43.4mn, up by 32% compared to 2019. The biggest contribution came from the Label segment (64% of total sales), which increased by 44% YoY, reaching €27.8mn (+3% above our projections). Sales from Technical Support soared by +128YoY, exceeding our estimates by 20% although its contribution to total sales is still low (3%).

EBITDA came in at €6.6mn, +40% YoY and +18% above our expectations. EBITDA margin stood at 14.6%, +0.9pp compared to FY19 and +1.8pp higher than expected, mainly thanks to: i) the greater incidence of the Label division that has high margin; and ii) higher than expected other revenue (mainly government grants related to the COVID-19 pandemic).

FY20 net income after minorities increased at the lower pace of +31% YoY – standing at €2.6mn (+15% above our expectations) – mainly due to a higher incidence of D&As costs.

Finally, NFP went from -€1.6mn in FY19 to €2.9mn (ca. €1mn above our estimates due to higher net working capital cash absorption) mainly after €4.6mn of investments in M&As, €1.0mn dividend payment and €1.2mn capital increase related to warrant exercise.

FY20 Income Statement

€ million	FY16A	FY17A	FY18A	FY19A	FY20A	YoY growth	FY20E	A vs E
Labels	12.7	13.6	16.1	19.3	27.8	44.4%	27.0	3.2%
Technological products	5.0	7.4	11.8	13.2	14.3	8.8%	14.4	0.0%
Technical Support	0.3	0.3	0.6	0.5	1.2	128.2%	1.0	19.9%
Sales	18.0	21.4	28.4	33.0	43.4	31.5%	42.3	2.5%
Growth %		19.0%	32.9%	16.0%	31.5%		97.9%	
Other revenues	0.7	0.8	1.0	1.2	1.8	56.8%	1.3	43.1%
Changes in stocks of semi-finished and finished goods	0.0	0.1	(0.0)	0.1	(0.1)	-197.6%	0.1	-210.8%
Internally generated Fixed assets			0.1	0.3	0.2	-49.1%	0.0	
Value of Production	18.8	22.4	29.5	34.6	45.3	30.8%	43.7	3.5%
Cost of Goods Sold	(10.4)	(12.7)	(17.0)	(19.5)	(25.0)	28.1%	(24.8)	0.6%
Gross Profit	8.4	9.6	12.6	15.1	20.3	34.4%	18.9	7.4%
Gross Margin	44.7%	43.1%	42.6%	43.7%	44.9%	1.2%	43.3%	1.6%
Labour Cost	(2.9)	(3.5)	(4.3)	(5.5)	(7.2)	30.7%	(7.2)	0.1%
Services	(2.5)	(2.8)	(4.0)	(4.7)	(6.3)	32.4%	(5.9)	5.5%
Other Operating Costs	(0.1)	(0.1)	(0.1)	(0.1)	(0.2)	69.5%	(0.2)	32.1%
EBITDA	2.9	3.3	4.2	4.7	6.6	39.5%	5.6	17.9%
EBITDA margin	15.7%	14.7%	14.2%	13.7%	14.6%	6.6%	12.8%	1.8%
D&A&Write-Down	(0.6)	(0.7)	(1.2)	(1.5)	(2.7)	80.6%	(2.1)	31.5%
EBIT	2.4	2.6	3.0	3.2	3.9	20.5%	3.5	10.0%
EBIT margin	12.5%	11.8%	10.3%	9.4%	8.6%	-7.9%	12.0%	
Financial Income and Expenses	(0.0)	(0.0)	(0.0)	(0.1)	(0.2)	148.4%	(0.1)	85.0%
Extraordinary items		(0.2)						n.m.
EBT	2.3	2.4	3.0	3.2	3.7	17.8%	3.5	8.1%
Taxes	(0.7)	(0.7)	(0.9)	(1.0)	(1.0)	-1.8%	(1.1)	-10.0%
Tax Rate	31.6%	28.9%	30.5%	31.4%	26.1%		32.3%	
Net Income	1.6	1.7	2.1	2.2	2.8	26.8%	2.4	16.3%
Net margin	8.5%	7.7%	7.1%	6.3%	6.1%	-3.1%	5.4%	12.4%
Minorities	0.0	0.1	0.1	0.2	0.2	-12.6%	0.1	39.4%
Net Income attributable to the Group	1.6	1.7	2.0	2.0	2.6	31.0%	2.2	15.0%
Group Net margin	8.4%	7.5%	6.8%	5.7%	5.7%	0.1%	5.1%	11.1%
NFP (Cash)	(0.5)	(4.3)	(2.7)	(1.6)	2.9		1.7	66.7%

Source: Company Data

Change in Estimates

On the back of FY20 financial results, we revised upward our 2021-2023 top-line estimates. We now expect value of production to grow at a CAGR2020-23 of 9.3%, reaching €59.1mn in FY23. Top-line growth will benefit from:

- i. an increased production capacity as a result of investments carried out over the last two years. We expect the Label division to grow at +13% CAGR2020-23, accounting for ca. 70% of FNL's FY23 sales;
- ii. up-and- cross selling activities on existing clients and on clients of the recently acquired company STAF, by providing a 360-degree offer;
- iii. a strengthened commercial force to further penetrate the label market.

Following our top-line revision, we now expect EBITDA to go from €6.9mn in 2021 to €9mn in 2023, increasing at a CAGR2020-23 of 10.7%. We foresee EBITDA margin to progressively improve from 14.0% in 2021 (-60bps below with respect to FY20 mainly due to lower public contributions) to over 15% in 2023 mainly thanks to cost synergies.

At the bottom line, we expect net income almost in line with previous estimates as we now anticipate a higher level of investments (ca. €3.5mn), and therefore D&As, over the forecasted period. Net income is expected to grow at a CAGR2020-23 of 13.9%, reaching €3.8mn in FY23.

Finally, we expect NFP position to gradually improve, reaching a net cash position of €5.2mn by 2023.

Change in Estimates												
€ million	2019A	2020A	2021E	2021E	Change	2022E	2022E	Change	2023E	2023E	Change	CAGR
			Old	New		Old	New		Old	New		2020-23
Value of Production	34.6	45.3	47.7	49.3	3.4%	50.6	54.1	6.9%	53.5	59.1	10.5%	9.3%
YoY Change (%)		30.8%	5.5%	9.0%		6.0%	9.6%		5.7%	9.3%		
EBITDA	4.7	6.6	6.7	6.9	3.8%	7.5	8.0	7.0%	8.1	9.0	10.2%	10.7%
YoY Change (%)		39.6%	0.9%	4.7%		12.1%	15.6%		8.7%	12.0%		
EBITDA Margin (%)	13.7%	14.6%	14.0%	14.0%		14.8%	14.8%		15.2%	15.2%		
EBIT	3.2	3.9	4.5	4.3	-3.7%	5.3	5.2	-1.8%	5.9	6.0	2.2%	15.4%
YoY Change (%)		20.6%	14.6%	10.4%		18.5%	20.9%		10.5%	15.0%		
EBIT Margin (%)	9.4%	8.6%	9.4%	8.7%		10.5%	9.6%		11.0%	10.2%		
Group Net Income	2.0	2.6	2.8	2.7	-6.4%	3.4	3.3	-3.3%	3.7	3.8	1.7%	13.9%
YoY Change (%)		31.0%	10.3%	3.2%		18.9%	23.0%		10.7%	16.4%		
Net Debt (Cash)	(1.6)	2.9	(1.2)	0.8	2.0	(4.5)	(2.0)	2.4	(8.0)	(5.2)	2.8	

Source: FactSet, KT&Partners' Elaboration

Valuation

Based on our estimates, we have carried out our valuation on a multiples and DCF analysis basis:

- EV/EBITDA and P/E multiple, with a 10% liquidity discount, which returns a value of €6.42 per share.
- DCF analysis, based on WACC of 8.9% and 1.5% perpetual growth, returns a value of €9.04 per share.

The weighted average of the two methods yields a fair value of €7.73 per share, with an equity value of €56.8mn.

Valuation Recap

	Equity Value €mn	Value per share €
DCF	66.4	9.04
Multiples	47.2	6.42
Average	56.8	7.73

Source: FactSet, KT&Partners' Elaboration

Market Multiples Valuation

Following the comparables analysis, we proceeded with the definition of market multiples of the peer group, focusing on data for the three-year period 2020–22.

Peer Comparison – Market Multiples 2020–22

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	85	0.95x	0.92x	n.a.	13.15x	9.41x	n.a.	45.48x	24.99x	n.a.	75.69x	41.32x	n.a.
Avery Dennison Corporation	NYSE	13,485	2.47x	2.39x	2.30x	15.95x	15.30x	14.46x	19.69x	18.79x	17.61x	28.01x	24.23x	22.22x
Datalogic S.p.A.	Milan	1,022	2.06x	1.76x	1.61x	18.23x	12.82x	10.62x	38.77x	21.77x	16.58x	74.29x	29.79x	22.49x
Fuji Seal International, Inc.	Tokyo	1,123	0.79x	0.76x	0.74x	6.51x	6.20x	5.84x	10.86x	9.83x	8.89x	16.77x	14.35x	12.96x
Lintec Corporation	Tokyo	1,484	0.54x	0.53x	0.53x	4.65x	4.37x	4.10x	7.85x	6.91x	6.38x	17.26x	14.70x	13.42x
Sato Holdings Corporation	Tokyo	742	0.66x	0.62x	0.59x	6.75x	4.91x	4.20x	13.77x	8.89x	7.39x	9.09x	18.17x	15.23x
ScanSource, Inc.	NASDAQ	662	0.27x	0.29x	0.28x	8.10x	9.02x	7.44x	12.37x	11.74x	9.23x	n.m.	15.58x	11.55x
Seiko Epson Corp.	Tokyo	5,389	0.62x	0.60x	0.60x	5.48x	5.14x	5.16x	14.54x	12.04x	11.14x	34.90x	18.14x	16.53x
Zebra Technologies	NASDAQ	22,195	5.93x	5.42x	5.19x	31.58x	24.63x	22.70x	38.25x	25.88x	24.50x	50.59x	31.73x	28.69x
Average peer group		5,132	1.59x	1.48x	1.48x	12.27x	10.20x	9.32x	22.40x	15.65x	12.72x	38.33x	23.11x	17.89x
Median peer group		1,123	0.79x	0.76x	0.67x	8.10x	9.02x	6.64x	14.54x	12.04x	10.18x	31.46x	18.17x	15.88x
Finlogic SpA	Milan	44	1.10x	1.00x	0.91x	7.22x	6.89x	5.96x	12.21x	11.06x	9.15x	17.08x	16.55x	13.46x

Source: FactSet, KT&Partners' Elaboration

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

Multiple Valuation

Multiple Valuation (€mn)	2021E	2022E	Multiple Valuation (€mn)	2021E	2022E
EV/EBITDA multiple comparison	9.0	6.6	P/E multiple comparison	18.17	15.88
Peer Group EV/EBITDA netted from 10% liquidity discount	8.1	6.0	Peer Group P/E netted from 10% liquidity discount	16.35	14.29
Finlogic EBITDA	6.9	8.0	Finlogic earnings	2.66	3.27
Enterprise value	56.2	47.8	Equity Value	43.55	46.80
FY20 NFP	2.9	2.9	Number of shares (mn)	7.34	7.34
Equity Value	53.3	44.9	Value per share	5.93	6.37
Number of shares (mn)	7.3	7.3	Fair Value (Avg) - € ps	6.15	
Value per share	7.3	6.1			
Fair Value (Avg) - € ps	6.69				

Source: FactSet, KT&Partners' Elaboration

From our multiple analysis we obtain a fair value of €6.42p.s., -6.2% compared to our previous estimate (€6.82p.s.), mainly due to peers' multiple contraction (-2.8% for EV/EBITDA 2021 and -13.3% for EV/EBITDA 2022 estimates; -14.4% for P/E 2021 and -13.7% for P/E 2022 estimates). This reduction is mainly caused by an upward revision of EBITDA and Net Income

estimates for the companies in-sample. Particularly, for EBITDA we can notice an average increase in estimates for both 2021 and 2022 of more than 4%, while EPS estimates were revised on average by 14.5% and 10.6% for 2021 and 2022, respectively).

Peers' Change in estimates (%)

Company Name	EBITDA 2021 Old	EBITDA 2021 New	% Change	EBITDA 2022 Old	EBITDA 2022 New	% Change	EPS 2021 Old	EPS 2021 New	% Change	EPS 2022 Old	EPS 2022 New	% Change
AstroNova, Inc.	9.7	10.2	5.6%	n.a.	n.a.	n.a.	0.21	0.29	38.8%	n.a.	n.a.	n.a.
Avery Dennison Corporation	919.1	987.9	7.5%	980.1	1045.4	6.7%	6.16	6.70	8.8%	6.82	7.31	7.2%
Datalogic S.p.A.	75.4	77.0	2.0%	88.6	93.0	5.0%	0.61	0.59	-3.7%	0.79	0.78	-1.5%
Fuji Seal International, Inc.	165.5	161.6	-2.3%	171.7	171.6	-0.1%	1.25	1.30	3.7%	1.38	1.44	4.3%
Lintec Corporation	216.4	222.0	2.6%	231.0	236.7	2.4%	1.24	1.32	5.9%	1.39	1.44	3.7%
Sato Holdings Corporation	n.a.	110.1	n.a.	n.a.	128.5	n.a.	0.77	1.17	52.3%	0.93	1.40	50.7%
ScanSource, Inc.	77.6	83.1	7.1%	96.0	100.8	5.0%	1.60	1.67	4.2%	2.20	2.25	2.2%
Seiko Epson Corp.	882.6	910.0	3.1%	885.0	905.5	2.3%	0.67	0.74	11.1%	0.73	0.82	12.0%
Zebra Technologies Corporation Class A	861.0	941.5	9.4%	956.9	1021.6	6.8%	11.99	13.07	9.1%	13.62	14.46	6.2%
Average peer group	400.9	389.3	4.4%	487.0	462.9	4.0%	2.7	3.0	14.5%	3.48	3.74	10.6%
Median peer group	191.0	161.6	4.4%	231.0	204.1	5.0%	1.2	1.3	8.8%	1.39	1.44	5.3%

Source: Factset, KT&Partners' Elaboration

DCF Valuation

We have also conducted our valuation using a four-year DCF model, based on 9.6% cost of equity, 3.0% cost of debt and a target capital structure with 10% of debt. The cost of equity is a function of the risk-free rate of 0.7% (Italian 10y BTP), 5.39% mature market expected return and a premium for size and liquidity of 3.1%. **We, therefore, obtained 8.9% WACC.**

We discounted 2021E–24E annual cash flows and considered a terminal growth rate of 1.5%, then we carried out a sensitivity analysis on the terminal growth rate (+/- 0.25%) and on WACC (+/- 0.25%).

By discounting 2021E–24E annual cash flows and considering a terminal growth rate of 1.5%, we derive a fair value of €9.04p.s.

DCF Valuation

€ million	2021E	2022E	2023E	2024E
EBIT	4.3	5.2	6.0	7.1
Taxes	-1.1	-1.5	-1.7	-2.1
D&A	2.6	2.8	3.0	2.7
Change in Net Working Capital	-1.0	-1.1	-1.1	-1.6
Change in Funds	0.3	0.3	0.4	0.4
Net Operating Cash Flow	5.1	5.4	6.1	6.5
Capex	-1.2	-1.2	-1.1	-1.1
FCFO	3.9	4.2	5.0	5.4
g	1.5%			
Wacc	8.9%			
FCFO (discounted)	3.71	3.62	3.97	3.94
Discounted Cumulated FCFO	15.2			
TV	74.3			
TV (discounted)	54.0			
Enterprise Value	69.3			
FY20 NFP	2.9			
Equity Value	66.4			
Current number of shares	7.3			
Value per share (€)	9.04			

Source: Company Data, KT&Partners' Elaboration

Sensitivity Analysis (€ps)

€mn	Long Term Growth Rate	WACC				
		9.9%	9.4%	8.9%	8.4%	7.9%
	0.5%	7.19	7.62	8.10	8.65	9.27
	1.0%	7.53	8.01	8.54	9.16	9.86
	1.5%	7.91	8.44	9.04	9.74	10.53
	2.0%	8.34	8.93	9.62	10.40	11.33
	2.5%	8.82	9.50	10.28	11.19	12.27

Source: Company data, KT&Partners' elaboration

Appendix

Peer Comparison

We built a nine-company sample, which includes:

1. AstroNova Inc., listed on NASDAQ, with a market capitalization of €85mn, 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 FY20, the company had \$133mn revenues, 66% of which came from the Product Identification business segment;
2. Avery Dennison Corp., listed on the NYSE, with a market capitalization of €13.5bn, 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 FY20, the company recorded \$7.0bn revenues, \$4.7bn 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 €1bn, 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 FY20, Datalogic reported revenues of €480mn;
4. Fuji Seal International Inc., listed on the Tokyo Stock Exchange, with a market capitalization of €1.1bn, engages in the development and sale of packaging solutions, offering shrink sleeve labels, self-adhesive labels, spouted pouches and packaging machinery. The company reported ¥160bn revenues during FY20, with self-adhesive labels accounting for 14.3%, shrink labels accounting for 56.3% and other labels accounting for 0.7%;
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 ¥241bn revenues during FY20, ca. 51% 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 €0.8bn, is a global provider of automation identification and data capture solutions, which leverage on barcodes, QR codes, and RFID technologies. During FY20, the company reported ¥116.4bn sales;
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 FY20, ScanSource, Inc. reported \$3bn 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 €5.4bn, 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 other items, inkjet printers, scanners and label printers. During FY20, Seiko Epson Corp. recorded ¥1,036bn sales, of which ¥708bn came from the printing solutions segment (68%);
9. Zebra Technologies Corp., listed on NASDAQ, with a market capitalization of €22.2bn, 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 FY20, the company generated \$4.5bn revenues.

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- HOLD – FOR A FAIR VALUE < 15% AND > -15% ON CURRENT PRICE
- REDUCE – FOR A FAIR VALUE < -15% ON CURRENT PRICE

Finlogic S.p.A

Price: €6.00 | Fair Value: €7.73

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