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Industrials

EQUITY RESEARCH



Fair Value: €6.85

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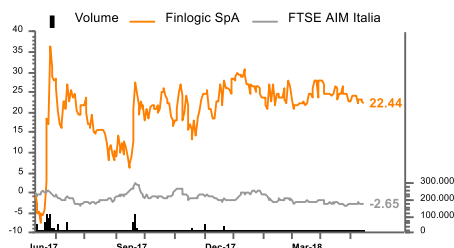
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Relative Performance Chart (since IPO)



Market Data:

Current Price (€)	5.02
Fair Value (€)	6.85
Market Cap (€/mn)	33.89
52 Wk High/Low (€)	3.76/6.14
Free Float (%)	23.06
Avg. Daily Trading 90d	2,422
Price Change 1 w (%)	0.79
Price Change 1 m (%)	4.15
Price Change YTD (%)	11.18
EV/EBITDA 2018E	6.20
EV/EBITDA 2019E	5.54
P/E 2018E	13.60
P/E 2019E	12.60

High-Quality Stock at an ILLOGICAL Price!

High-quality growth. Finlogic is one of the Italian reference players in the automatic identification and labeling system sector. The Group has a complete integrated offer ranging from label production to label printing and reading systems. Finlogic represents a high-quality company that over the period 2009-17 was able to match sustainable growth, +20.7% CAGR sales growth, with profitability, +29.4% CAGR EBITDA growth, and cash flow generation - the cash conversion ratio (FCFO/EBITDA) was on average +48.3%. The company demonstrated strong M&A deal-making and execution ability in the recent Tecmark and Multitec acquisition and in the 2016 Primetec acquisition. Moreover, we expect that the listing on AIM Italia, which occurred in June 2017, will boost the company's growth potential thanks to even higher brand-positioning and M&A firepower.

Strong positioning in a secular growing market. Offering integrated solutions for its Italian and European clients, Finlogic operates within the **Automatic Identification and Data Capture (AIDC)** market, whose size - in 2017 - was expected to reach app. \$43bn globally. **Over the 2017-2022 period, the overall AIDC market is forecast to reach \$71.7bn by 2022, thus growing at a +11.0% CAGR.¹** Such important growth will be mainly driven by: (i) the growing need to eliminate manual data capture, which leads to frequent entry errors; (ii) the rising legislative push to adopt AIDC technology, especially with respect to Food and Beverage and Pharmaceuticals goods; and (iii) the ongoing growth of the e-commerce industry.

Group figures and estimates. Finlogic's total revenues amounted to €21.40m in FY17 (+19.0% YoY), while EBITDA reached €3.39m (+14.7% YoY). Net Income grew by +8.1% YoY, reaching €1.72m. Finlogic enjoyed a €4.32m Net Cash position at the end of 2017 that has partially been used in January 2018 for the Multitec and Tecmark acquisition, acquired for a total consideration of €1.90mn or at 5.0x P/E2017. On a pro-forma basis, the Group's revenues reached €25.25mn (+40.4% compared with FY16), whereas EBITDA and Net Income grew by +31.1% and +29.5%, coming in at €3.85mn and €2.05mn, respectively. Considering the solid growth of the reference market and the recent acquisition and commercial agreement signed with Euroetik and Citizen, we expect total revenues to increase by +12.4% CAGR over the period 2017PF-2021E, reaching €42.22mn. On the other hand, EBITDA is expected to reach €6.90m in 2021E thanks to a +20.3% CAGR growth over the same period.

Valuation. Finlogic's stocks are currently trading on the market at 13.60x P/E2018 or a 36.6% discount to its peers. We consider such discount illogical given the company's high quality, track-record and growth prospects. On the back of our multiple valuation and DCF, we get a €6.85ps fair value or +36.4% upside on current market price.

€ Million	Total Revenues	EBITDA	EBITDA Margin	EBIT	Finlogic Net Profit	Net Margin	EPS
2015A	16.08	2.59	16.1%	2.00	1.34	8.3%	0.20
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
2018E	32.36	4.77	14.7%	3.88	2.49	7.7%	0.37
2019E	35.50	5.33	15.0%	4.08	2.69	7.6%	0.40
2020E	38.69	6.11	15.8%	5.13	3.39	8.8%	0.50
2021E	42.22	6.90	16.3%	5.51	3.66	8.7%	0.54

Source: Company data, KT&Partners' estimates

¹ Source: Research and Markets

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Table 1: Finlogic Group - Key Figures

Current price (€)	Fair Value (€)							Free Float (%)
5.02	6.85							23.06
Per Share Data	2014A	2015A	2016A	2017A	2018E	2019E	2020E	2021E
Total shares outstanding (mn)	n.m.	n.m.	n.m.	6.75	6.75	6.75	6.75	6.75
EPS	n.m.	n.m.	n.m.	0.25	0.37	0.40	0.50	0.54
Dividend per share (ord)	n.a.	n.a.	n.a.	0.15	0.22	0.24	0.30	0.33
Dividend pay out ratio (%)	n.a.	n.a.	n.a.	60%	60%	60%	60%	60%
Profit and Loss (EUR thousand)								
Revenues	13,540	16,083	18,763	22,351	32,364	35,504	38,691	42,222
EBITDA	2,337	2,588	2,939	3,294	4,772	5,334	6,106	6,900
EBIT	1,753	2,002	2,351	2,640	3,883	4,084	5,128	5,509
EBT	1,744	1,988	2,327	2,421	3,792	4,019	5,072	5,467
Taxes	(577)	(649)	(735)	(700)	(1,223)	(1,246)	(1,572)	(1,695)
Tax rate	33%	33%	32%	29%	32%	31%	31%	31%
Net Income	0	2	12	51	77	83	105	113
Net Income attributable to the Group	1,167	1,338	1,580	1,670	2,492	2,690	3,395	3,659
Balance Sheet (EUR thousand)								
Total fixed assets	1,689	2,102	2,043	2,265	4,526	4,526	4,548	4,408
Net Working Capital (NWC)	2,281	3,566	4,638	6,133	7,231	8,163	8,935	9,785
Provisions	(534)	(626)	(838)	(890)	(989)	(1,097)	(1,214)	(1,341)
Total Net capital employed	3,437	5,042	5,844	7,508	10,767	11,592	12,269	12,851
Net financial position (NFP)	(1,221)	(853)	(536)	(4,316)	(2,646)	(3,162)	(4,512)	(5,888)
Group Shareholder's Equity	4,645	5,880	6,334	11,727	13,227	14,422	16,203	17,825
Minorities	13	15	47	98	187	333	578	915
Total Shareholder's Equity	4,658	5,895	6,380	11,824	13,414	14,755	16,781	18,739
Cash Flow (EUR thousand)								
Net operating cash flow	n.a.	1,970	2,204	2,594	3,549	4,088	4,534	5,205
Change in NWC	n.a.	(1,285)	(1,072)	(1,495)	(1,098)	(932)	(771)	(850)
Capital expenditure	n.a.	(560)	(161)	(380)	(1,000)	(1,000)	(750)	(1,000)
Investments in intangible assets	n.a.	(396)	(346)	(485)	(2,150)	(250)	(250)	(250)
Other cash items/Uses of funds	n.a.	49	189	42	99	108	117	127
Free cash flow	n.a.	(222)	814	276	(600)	2,013	2,879	3,232
Enterprise Value (EUR thousand)								
Market Cap	n.a.	n.a.	n.a.	32,754	33,885	33,885	33,885	33,885
Minorities	13	15	47	98	187	333	578	915
Net financial position	(1,221)	(853)	(536)	(4,316)	(2,646)	(3,162)	(4,512)	(5,888)
Enterprise value	n.a.	n.a.	n.a.	29,666	31,425	31,056	29,951	28,912
Ratios (%)								
EBITDA margin	17.3%	16.1%	15.7%	14.7%	14.7%	15.0%	15.8%	16.3%
EBIT margin	12.9%	12.4%	12.5%	11.8%	12.0%	11.5%	13.3%	13.0%
Gearing - Debt/equity	-26.3%	-14.5%	-8.5%	-36.8%	-20.0%	-21.9%	-27.8%	-33.0%
Interest cover on EBIT	0.5%	0.7%	1.0%	1.7%	2.3%	1.6%	1.1%	0.8%
NFP/EBITDA	-52.2%	-32.9%	-18.2%	-131.0%	-55.5%	-59.3%	-73.9%	-85.3%
ROCE	51.0%	39.7%	40.2%	35.2%	36.1%	35.2%	41.8%	42.9%
ROE	25.1%	22.8%	25.0%	14.2%	18.8%	18.6%	21.0%	20.5%
EV/Sales	n.m.	n.m.	n.m.	1.33	0.97	0.87	0.77	0.68
EV/EBITDA	n.m.	n.m.	n.m.	9.01	6.59	5.82	4.90	4.19
P/E	n.m.	n.m.	n.m.	20.29	13.60	12.60	9.98	9.26
Free cash flow yield	n.m.	n.m.	n.m.	0.8%	-1.8%	5.9%	8.5%	9.5%
Growth Rates (%)								
Sales	n.a.	18.8%	16.7%	19.1%	44.8%	9.7%	9.0%	9.1%
EBITDA	n.a.	10.7%	13.5%	12.1%	16.9%	23.9%	11.8%	14.5%
EBIT	n.a.	14.2%	17.4%	12.3%	47.1%	5.2%	25.6%	7.4%
Net Income	n.a.	14.7%	18.1%	5.7%	49.2%	7.9%	26.2%	7.8%

Investment Case

Finlogic is one of the Italian reference players in the automatic identification and labeling system sector. The Group has a complete integrated offer ranging from label production to label printing and reading systems. The product portfolio is also leveraged with an extensive sales force, covering the entire Italian territory, backed by a real-time price provisioning tool for labels (the www.id-label.com website) and a dedicated technical support team. Finlogic is the only player in the Italian market which is able to provide its sales force with a real-time price provisioning tool and it is the only integrated group capable of offering consumables (labels and ribbon) and technological systems for traceability and identification purposes.

In January 2018, thanks to the listing on the AIM Italia market, the Volta family's presence, an exciting industrial project and a strong financial position, Finlogic was able to integrate its offer through the acquisition of Tecmark Srl and Multitec Srl. The deal consideration was €1.92mn or 5.0x PE2017. At the same time, Finlogic was able to engage Mr. Marco Roz, the founder and owner of Tecmark and Multitec, who invested €250,000 in Finlogic, buying shares from Vincenzo Battista.

The IPO, the Multitec and Tecmark acquisitions, the trade agreements with Citizen and Euroetik, and the engagement of Marco Roz and the Euroetik manager helped Finlogic to substantially enhance its offer and expertise. Nowadays, the Group is a leading Italian player covering every phase of the chain of the automatic identification and labeling systems.

Growing market. Offering integrated solutions for its Italian and European clients, Finlogic operates within the **Automatic Identification and Data Capture (AIDC)** market, whose size - in 2017 - was expected to reach app. \$43bn globally. **Over the 2017-2022 period, the overall AIDC market is forecast to reach \$71.7bn by 2022, thus growing at a +11.0% CAGR.²** Such important growth will be mainly driven by: (i) the growing need to eliminate manual data capture, which leads to frequent entry errors; (ii) the rising legislative push to adopt AIDC technology, especially with respect to Food and Beverage and Pharmaceuticals goods; and (iii) the ongoing growth of the e-commerce industry.

Finlogic generates 63.8% of its revenues within the European and Italian **labeling markets**. The Italian sector is very fragmented and is populated by 93 label producers, which generated a global turnover of €690mn during 2016.³ Within its reference market, Finlogic showed a growth rate which is higher than the average. Indeed, on average, the market turnover grew by +4.5% CAGR over the period 2014-2016, increasing from €631.60mn to €690.10mn. Over the same period, however, Finlogic's revenues from labels increased from €10.10mn to €12.73mn, **registering a CAGR 2014-2016 of +12.4%.**

Finlogic Group recorded €21.40mn net sales in 2017 (+19.0% YoY), principally due to the positive performance recorded by the new digital line (+323.1% YoY) introduced in the product portfolio in September 2016, after the acquisition of Primetec. As for the bottom line, Net Income after minority interests amounted to €1.67mn (+5.7% compared with FY16). The bottom line was negatively affected mainly by two nonrecurring items: €0.11mn IPO costs and €0.06mn

² Source: Research and Markets

³ Source: Osservatorio Economico GIPEA, VI Edition

credit devaluation. By not considering extraordinary costs, Finlogic reported a Net Income margin in line with FY16.

Finlogic represents a high-quality company able to match sustainable growth with profitability and cash flow generation, leveraging the strong growth of the reference market, the cross-selling capacity, the revenues visibility and operating efficiency. The company demonstrated strong M&A deal-making and execution ability in the recent Tecmark and Multitec acquisition and in the former Primetec acquisition. We expect that the recent listing on AIM Italia will boost the company's growth potential thanks to even higher brand-positioning and M&A firepower.

Company Overview

Group's History

From the establishment to...

Established in 2003 by **Vincenzo Battista**, Finlogic immediately started operating in the automatic identification and labeling system sectors, carrying out activities performed up to that moment by **Italcode Srl** (the company through which, in 1993, Vincenzo Battista started to produce and sell labels in the province of Bari). In the same year, the company launched its **id-label** website (www.id-label.com), an online tool able to give an automatic estimate of the price of any kind of neutral or printed label.

In 2008, Finlogic was awarded the “**Packaging Oscar**” by Politecnico di Milano for having produced a completely new product in the labeling market: the **multi-material** label.

In 2009, Finlogic introduced **SAP** as the company's ERP software in order to optimize the production process and maximize its marginality.

In 2010, the company signed a partnership (renewed in June 2017 for the next 20 years) with **SATO**, a world leader in thermal transfer printers, becoming the exclusive distributor in Italy.

In 2012, Finlogic was among **the first** group of companies to join the **ELITE** program, a Borsa Italiana initiative designed to help SMEs with high potential to create value through access to long-term financial opportunities.

In November 2014, Finlogic acquired **IDlog Srl** (a system integrator specialized in distributing printer and barcode scanner systems and providing technical support), with the aim of integrating and expanding its offer in the **product traceability** segment and reinforcing its leadership in the automatic identification sector.

The acquisition of IDlog was followed in 2016 by: i) the acquisition of **Primetec**, the Italian first mover in the distribution of digital printing systems for labels, which significantly contributed to boost the Group's revenues in 2017; and ii) the establishment, with two senior employees of a direct competitor, of **FDCode Srl** (distributor of labels and barcode products).

...the IPO in 2017...

After gaining the “**ELITE Certificate**”, on June 9th, 2017 Finlogic listed on the AIM Italia market, raising €6.3m with a market cap of €24.3m. At the IPO, the **Volta** family, Datalogic's founder and main shareholder, bought 2.87% of Finlogic. Afterwards, Datalogic's holding (**Hydra SpA**) increased its ownership



to 10.28%, becoming Finlogic's second shareholder, with the aim of supporting the industrial growth and internationalization path of the Group.

...till today...

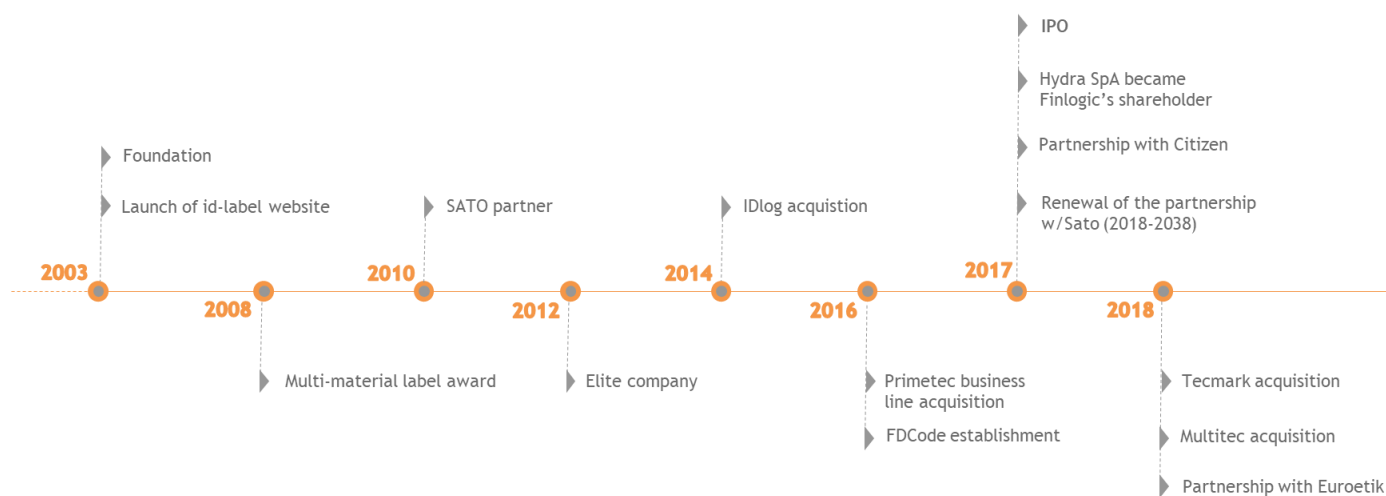
In December 2017, Finlogic became a distributor of Citizen System Europe's printers in Italy.

In January 2018, thanks to the listing on the AIM Italia market, the Volta family's presence, an exciting industrial project and a strong financial position, Finlogic was able to integrate its offer through the acquisition of Tecmark Srl and Multitec Srl. Tecmark is a system integrator specialized in the analysis and implementation of coding, reading and traceability systems also using RFID technology. On the other hand, Multitec Srl is a distributor of printers for the office and the industrial sector and a Toshiba-Tec brand distributor. The deal consideration was €1.92mn or 5.0x PE2017. At the same time, Finlogic was able to engage Mr. Marco Roz, founder and owner of Tecmark and Multitec, who invested €250,000 in Finlogic, buying shares from Vincenzo Battista.

In February 2018, the company signed an export agency agreement with Euroetik Automation Srl (an enterprise specialized in the design and manufacturing of labeling machinery, thermal printers and *pick&place* devices for flat products), hiring one of Euroetik's export agents as its export manager. Thanks to this agreement, the Group will expand its offer of labeling products and consumables to Euroetik clients.

Following the IPO, the Multitec and Tecmark acquisition, the trade agreements with Citizen and Euroetik, and the engagement of Marco Roz and the Euroetik manager, Finlogic has substantially enhanced its offer and expertise. Nowadays, the Group is a leading Italian player covering every phase of the chain of the automatic identification and labeling systems.

Figure 1: Milestones



Source: Company data

Finlogic Group

Finlogic 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 technologies⁴, offering top performance thermal transfer and digital color printers, terminals and barcode readers for Automatic and Industrial Identification.

With about 109 employees, the Group mainly operates in Italy through its:

- production plants in Bollate (Lombardy) and Acquaviva delle Fonti (Apulia), which have 6 and 21 production lines, respectively;
- 7 direct sale sites in Bollate, Busto Arsizio, Senago, Settimo Torinese, Rome and Bari;
- 31 sales agents.

Recently, Finlogic has expanded its presence in foreign countries such as France, Switzerland, Belgium and Spain, where in 2017 the Group generated 5.4% of revenues.

Finlogic is the Italian reference player in the automatic identification and labeling system sector. The Group has a complete integrated offer ranging from label production to label printing and reading systems. The product portfolio is also leveraged with an extensive sales force, covering the entire Italian territory, backed by a real-time price provisioning tool for labels (the www.id-label.com website) and a dedicated technical support team. Finlogic is the only player in the Italian market which is able to provide its sales force with a real-time price provisioning tool and it is the only integrated group capable of offering consumables (labels and ribbon) and technological systems for traceability and identification purposes.

Figure 2: Finlogic's Complete Label System



Source: Company presentation

Labels and ribbons generate recurring revenues since they have a short lifecycle and the highest marginality. On the other hand, thanks to the distribution of the technological products (readers and printers), Finlogic is able to lock in its relationship with customers. Indeed, knowing the printing and reading systems

⁴ RFID is an acronym for "Radio Frequency Identification" and refers to a technology whereby digital data encoded in RFID tags or smart labels are captured by a reader via radio waves and then stored in a database.

employed by its customers, the Group can better tailor its labels and ribbons offer and vice versa.

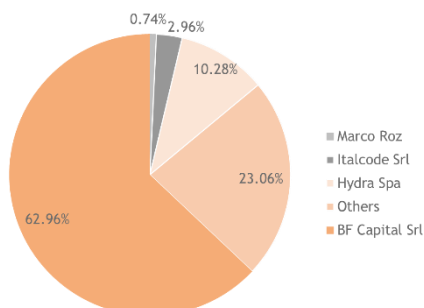
Ownership and Group Structure

Vincenzo Battista is Finlogic's main shareholder, controlling 66.66% of the company through BF Capital Srl (62.96%) and Italcode Srl (2.96%). Hydra SpA (the Volta family's holding and Datalogic's main shareholder) is the second shareholder, with a 10.28% stake. The stake recently acquired by Marco Roz (owner of Tecmark and Multitec) is 0.74%, while the remaining 23.05% is held by the market.

Finlogic Group is composed of the following companies:

- **Finlogic SpA** is an independent company leader in labeling production. With a registered office in Bologna, the company designs and manufactures its offer in the production plants of Acquaviva delle Fonti (Apulia) and Bollate (Lombardy);
- **IDlog Srl** is a system integrator specialized in providing solutions for warehouse management and traceability: barcode printers and scanners, RFID technology and software technical support. Headquartered in Senago (Lombardy), IDlog also operates in Rome, Turin and Bologna thanks to a network of about ten partners;
- **FDcode Srl** is based in Busto Arsizio (Lombardy) and operates as a distributor of label printers, mobile computers, ribbons and barcode readers in Italy;
- **Primetec**, based in Rome, is the digital printing business line of the Group. It is worth noting that, after one year from its integration, the Primetec line grew by more than **300%**, showing **Finlogic's ability to leverage on its client base and exploit its cross-selling opportunities**;
- **Tecmark Srl** is a system integrator headquartered in Settimo Torinese (Piedmont) and specialized in the analysis and implementation of coding, reading and traceability systems also using RFID technology. The acquisition of Tecmark allows Finlogic to expand its presence in the north of Italy;
- **Multitec Srl** is based in Settimo Torinese (Piedmont) and is a Toshiba-Tec distributor in the entire Italian territory, adding a new important brand in Finlogic's offer. It also distributes thermal transfer printers for the industrial sector and digital color printers for offices.

Chart 1: Group's Shareholders



Source: Company data

Chart 2: Group Structure



Source: Company data

Management Team

Costantino Natale - Chairman and CEO

Costantino Natale has been Chairman and CEO of Finlogic since 2008. After graduating *summa cum laude* in Business and Administration from the University of Bari in 2002, he worked as Cash Register Manager at Auchan (Rinascente Group). Prior to his appointment as Chairman and CEO, he joined the Group, starting as Sales Director of Italcode Srl and, afterwards, as Sales and Marketing Director of Finlogic SpA. Over the 2009-2014 period, he played an active role in Finlogic's growth plan, personally overseeing the starting up of the production plant in Lombardy and setting up a properly structured sales network, thus allowing Finlogic to double its turnover over that period. Currently, he is also a BoD member of the *BCC Cassano delle Murge e Tolve*, IDlog Srl and Tecmark Srl.

Rosanna Battisa - CFO

After graduating in Economics and Business Administration from Bari University in 1998, Rosanna pursued a professional traineeship, becoming a Chartered Accountant. She has worked in Italcode Srl as Administrative Director since its constitution. Between 2003 and 2008, Rosanna worked as Administrative Director in Finlogic, supervising the Finance and Control department and managing the relationships with financial institutions and the Supervisory Board. In 2008, she was appointed CFO of Finlogic, and has held this position ever since.

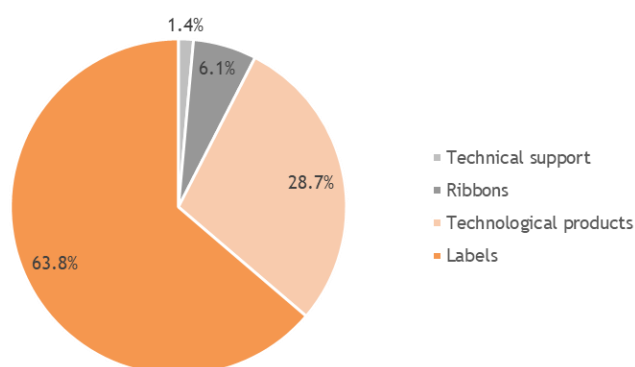
Giovanni Chiri - Internal Auditor and Risk Manager

After gaining a master's degree in Finance and Insurance from the University of Lecce, between 2007-2015 he worked as Supervising Senior Auditor at KPMG. Moreover, he has been a Chartered Accountant since 2015. In the same year, he joined Finlogic SpA as Head of Internal Audit. Currently, he is also responsible for Risk Management and Investor Relations within the company. In March 2018, he was appointed Tecmark's BoD member.

A Complete Label System

Looking at the product portfolio, Finlogic Group offers a wide range of products grouped into three main categories: labels, ribbons and technological products, which account respectively for 63.8%, 6.1% and 28.7% of total revenues. Moreover, in order to ensure a 360-degree offering, Finlogic provides technical assistance, whose impact on FY17 Group's revenues was 1.4%.

Chart 3: Product Breakdown



Source: Company data

Labels

This product line accounts for the bulk of the Group's revenues (63.8%) and it includes neutral and printed labels, adhesive labels and barcode labels. They are addressed to different end markets and are mainly used for traceability, security, tamper-proofing and data storage purposes. In order to guarantee a tailored offer, different materials and formats are employed: matte or glossy-coated paper, thermal paper or plastic materials (i.e. polypropylene, polyester silver) are used in combination with different types of adhesives (i.e. permanent, extra-strong, for frozen food, Fasson S2045 or removable).

Figure 3: Label Applications



Source: Company presentation

The Group is also very active in “smart labeling” production, **coupling an RFID tag with any kind of label**. RFID technology allows the detection not only of quantitative but also qualitative elements of products, providing constant monitoring of their state of integrity. RFID is an acronym for “Radio Frequency Identification” and refers to a technology whereby digital data encoded in RFID tags or smart labels are captured by a reader via radio waves and then stored in a database. This aspect is particularly relevant for pharmaceutical/medical and foodstuffs applications, where different factors could affect the products’ integrity during their transport.

Figure 4: Smart Labels



Source: Company website

In the wake of the increasing investments in Automatic Identification and Data Capture technologies for hospitals, arising from a request for care quality and safety improvement in the healthcare sector, Finlogic also provides medical field solutions. In detail, Finlogic’s product portfolio for the healthcare sector includes: barcode or RFID hospital wristbands for patient identification, and labels for test-tubes, phials and blood bags. The application of AIDC technologies allows hospitals to prevent the consequences of a patient misidentification, which in some cases may result in incorrect diagnosis and treatment.

Figure 5: Medical Field Solutions



Source: Company website

Barcode or RFID wristbands present potential applications in other sectors such as tourism and entertainment. Indeed, these technologies allow better identification of guests and tracking of admissions to special areas in gyms, tourism resorts and nightclubs.

Ribbons

Ribbon or thermal transfer ribbon is a thin band of material made up of wax and/or resin which is used to print labels. In particular, thermal printers work by applying heat to a ribbon melting wax/resin into the label surface, creating an image. In 2017, this product line represented 6.1% of Group total revenues (6.1%).

Finlogic offers three categories of ribbons in a wide range of colors, each serving a different purpose:

- **Full wax** ribbons are the most common types and are low-cost solutions used for shipping, shelf, retail and warehouse labels;
- **Wax/resin** ribbons contain some resin and they have the characteristic of being resistance to some solvents. They are mainly employed for foodstuffs, barcode, shipping, horticulture and prescription pharmaceutical labels. Besides, Finlogic offers **near-edge wax/resin** ribbons, which are used only on printers with near-edge print heads;
- **Full resin** ribbons are made of pure resin ensuring long durability and resistance to most chemical agents (i.e. alcohol, oil etc.), abrasion, water, extreme temperature changes and UV exposure. They are mainly used and suitable for labeling medical applications, textile labels, automotive labels and flexible packaging.

Figure 6: Ribbon Ranges

Standard Ribbon



Original Sato Ribbon



Color Ribbon



Source: Company website

Technological Products

This product line allows clients to streamline daily operations, automating manufacturing activities, quality control and handling processes, with several advantages in terms of time savings, error reduction and increased productivity. The Group engages in the distribution of three main technological products, which in 2017 accounted for 28.7% of total revenues:

- i. **Printers.** Finlogic's printers offer comprises **thermal transfer** and **digital color printers**. Both types of printers are employed by clients in the label overprinting process in order to add text, images, logos and barcodes. In particular, thermal transfer printers are mainly employed in the production of barcode and **monochrome** labels, guaranteeing high-quality printing and a degree of flexibility in the application. On the other hand, digital color printers ensure rapid and low-cost printing of **color** labels, allowing companies to reduce label stock and better respond to market demand;

Figure 7: Thermal Transfer and Digital Color Printers



Source: Company presentation

- ii. **Barcode readers.** These are input devices which capture, read and translate information in a barcode into an electronic code that is sent to a computer or database for further processing and information. Finlogic distributes fixed, handheld and automatically activated barcode scanners;

Figure 8: Barcode Readers



Source: Company presentation

- iii. **Terminals.** Computers equipped with a built-in scanner which, unlike barcode readers, allow direct access to information after every scan. The Group supplies barcode laser mobile computers, manufactured by companies with wide experience in the sector (i.e. Intermec, Honeywell, Motorola and Symbol and Opticon), for a full range of applications. In particular, these terminals are suitable for inventory control and in shopping centers.

Figure 9: Terminals



Source: Company presentation

Value Chain

Finlogic Group operates throughout the entire value chain, from lead generation to technical support, passing through labeling production and distribution of technological products.

Lead generation and order placement

Customer acquisitions are developed through outbound and inbound contacts. Indeed, in some cases the Group reaches its clients by participating at label expos and using direct marketing channels: digital campaigns or its call center. In other cases, the client contacts the Group directly by phone or online form.

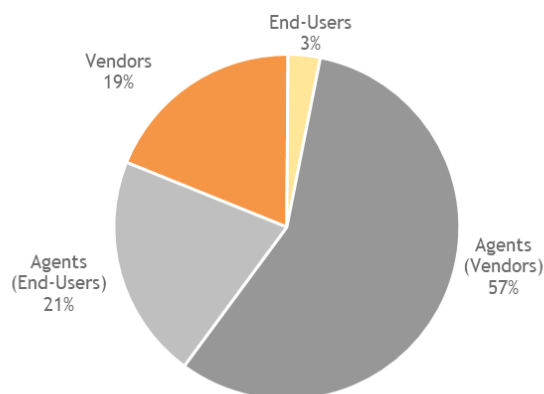
Once the contact with the client is established, orders are placed through two channels:

- **Direct**, through which orders are placed directly with the Group's sales force;
- **Indirect**, which comprises a network of dealers who operate in the entire Italian territory.

Finlogic's website (Id-label.com) is an extremely important factor in the clients' engagement process. This online tool, available in four different languages, gives an automatic and immediate estimate to clients of the price of any kind of neutral or printed labels, thus allowing them significant time savings and product customization. It represents a relevant competitive advantage for the Group, as Finlogic is the only player with such a system and ca. 80% of labels turnover is generated through this platform.

Products are distributed to end users and vendors through either direct channels or a network of 31 agents. In 2017, direct sales accounted for 22% of total revenues, of which 19% were to vendors and 3% to end users. Nevertheless, the network of agents generated the bulk of the Group's revenues (78%), of which 57% came from sales to vendors and the remaining 21% from sales to end users.

Chart 4: Revenues Breakdown by Distribution Channel



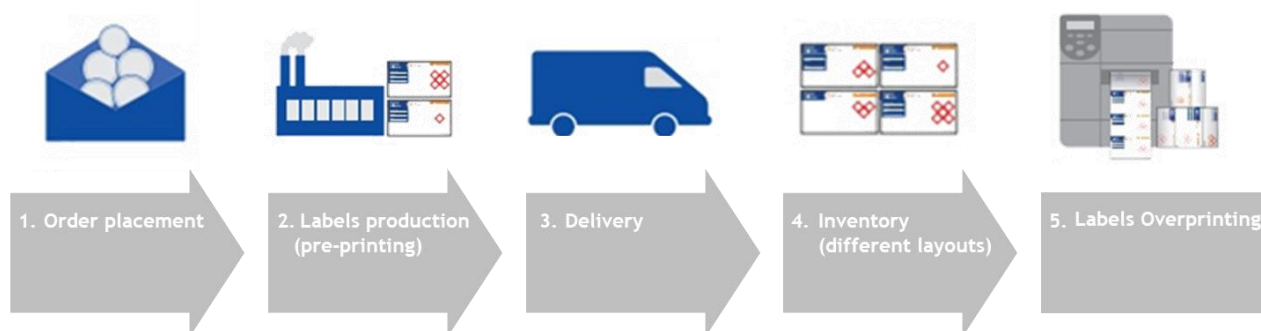
Source: Company data

Label production and delivery

Labeling production is a partially vertically integrated process, since Finlogic is not a paper producer and it processes the raw material cut in large part by third-party companies. The entire process requires less than one day until **pre-printed** labels are available and subjected to control testing. Once the quality

control and packaging phases are completed, pre-printed labels are delivered in no more than ten days by specialized contractors. Afterwards, the client overprints text, images and barcodes by using thermal transfer or digital color printers.

Figure 10: Label Printing and Distribution Process



Source: Company data

Technological products

As for technological products, Finlogic Group operates as a distributor of several brands throughout Italy, relying on specialized contractors. Finlogic Group provides its clients with after-sales assistance, thus ensuring a 360-degree offer. After-sales services comprise management of returns, restoration and substitution of damaged or faulty products. Technical support, installation and maintenance service for printers and barcode readers are features which distinguish Finlogic from other B2B/B2C distributors of ICT products such as Esprinet and Amazon.

Customer Portfolio

The Group serves more than 3,000 customers in Italy and abroad, with which it has a long-standing relationship. Most of the company turnover is recurrent, with an average yearly order of less than €1,500. Finlogic has a limited concentration risk since its most important client accounts for less than 3% of the Group's total revenues. Thanks to its vast base of recurring clients and an integrated and tailored labeling system for detectability and traceability, which comprises consumables, hardware and technical support, Finlogic Group boasts strong cross-selling capacity.

Finlogic Group is a key supplier of several public hospitals and leading companies, many of which belong to the retail (i.e. Conad) and industrial segment. End markets served by the Group, such as healthcare, foodstuffs, logistics and retail, are among those which are increasingly adopting AIDC technologies. The implementation of AIDC technologies is necessary to meet new regulation requirements and the increasing demand for traceability of industrial operations, goods and patient recovery. With its 360-degree offer, Finlogic Group helps its clients in pursuing their traceability needs, enhancing efficiency as well as reducing errors and costs.

Figure 11: Main Customers



Source: Company presentation

Partner Portfolio

As the sole distributor of SATO thermal transfer printers in Italy, Finlogic has recently signed a commercial agreement with Citizen Systems Europe, thus expanding its list of brands and technological products distributed. It is worth noting that thanks to the acquisition of Multitec Srl, Finlogic became a Toshiba-Tec distributor.

Figure 12: Brands Distributed by Finlogic



Source: Company presentation

Zebra Technologies is an American company with €4.00bn revenues that designs and sells printing devices for labels, plastic cards, tickets, and receipts. The company also offers related labeling supplies, thermal ink ribbons, and software for label design and printer network management. Its Zebra Location Solutions unit provides asset tags, call tags, sensors, exciters, and software, all

of which use passive Radio Frequency Identification (RFID) to help companies track and manage assets. With offices around the world, Zebra Technologies serves government customers and many corporate clients belonging to different industries, including healthcare, manufacturing and retail.

Sato is a Japanese company with €900mn revenues developing, manufacturing and distributing data collection systems (i.e. RFID equipment, scanners, and handy-terminals) and labeling products in Japan and internationally. In 1981, the company invented the world's first thermal transfer printer for POS systems.

Seiko Epson is a Japanese company with €8.8bn revenues that engages in the development, manufacture and sale of information equipment. It operates through the following business segments: Printing Solutions, Visual Communications and Wearable & Industrial Products. The Printing Solutions segment offers inkjet printers, serial impact dot matrix printers, page printers, color image scanners, large-format inkjet printers, industrial inkjet printing systems, printers for use in POS systems, label printers and related consumables, office papermaking systems, personal computers and others.

Citizen System Europe GmbH is a €25mn company primarily engaged in the manufacture of thermal label and barcode printers, dot matrix printers, mini and POS printers, receipt and kiosk mechanism printers, portable printers and a wide range of calculators. The company markets its products throughout Europe (including Russia), the Middle East and all of Africa (EMEA). The company aims to provide the highest quality products and services. To ensure this, Citizen maintains the highest standards in corporate social responsibility, including environmentally friendly manufacturing processes. The company's CLP and CL-S family of direct thermal and thermal transfer label printers are designed to suit various applications including healthcare, manufacturing, warehousing, retail and baggage handling. The company is a major player in the thermal portable printer market, producing a range of ultra-portable, innovative products. The company offers infrared and Bluetooth interfaces, as well as more traditional cable interface options. In addition, the company manufactures an extensive selection of impact printers.

Toshiba is a Japanese company, whose product portfolio includes personal and professional computers (PCs, point-of-sale systems), telecommunications and medical equipment (LCDs for mobile devices, Xray machines), industrial machinery (power plant reactors, elevators), consumer appliances (air conditioners, Blu-ray Disc recorders), electronic components (electron tubes, batteries), and semiconductors. Its portfolio also includes air traffic control and railway transportation systems. Customers outside Japan account for 55% of Toshiba's revenues.

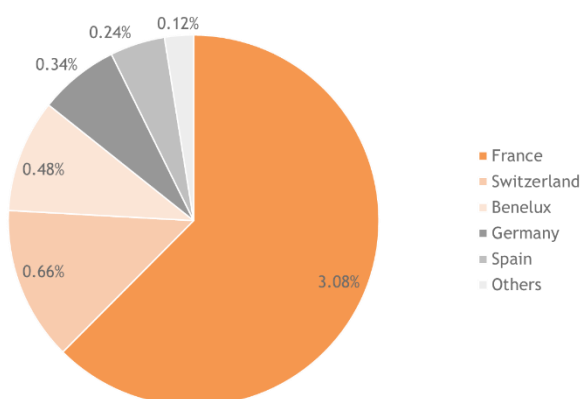
Geographical Presence

Focusing on geographical coverage, currently the Group is highly exposed to the Italian market, which in 2017 accounted for 94.9% of its total revenues.

In recent years, Finlogic has started a process of internationalization, trying to increase its presence in the most important European countries. France represents the leading foreign market, where Finlogic exported 3.08% of its total revenues in 2017, while the remaining 1.9% is distributed among Switzerland (0.7%), Benelux (0.5%), Germany (0.3%), Spain (0.2%) and Others (0.1%).

In the coming years, Finlogic Group will benefit from the agency agreement recently signed with Euroetik, enhancing its presence in France, Spain, Benelux and Switzerland.

Chart 5: Geographical Breakdown of Revenues (Foreign Countries)



Source: Company data

Market Overview and Group Positioning

Historical Trend and Market Outlook

Offering integrated solutions for its Italian and European clients, Finlogic operates within the **Automatic Identification and Data Capture (AIDC)** market, whose size - in 2017 - was expected to reach app. \$43bn globally.

The overall Automatic Identification and Data Capture market is expected to experience significant growth over the next years: **over the 2017-2022 period, the AIDC market is forecast to reach \$71.7bn by 2022, thus growing at a +11.0% CAGR.**⁵ Such important growth will mainly be driven by:

- The growing need to eliminate manual data capture, which leads to frequent entry errors;
- The rise in government legislation on the use of AIDC technology, especially with respect to food and beverage and pharmaceuticals goods;
- Continuous technological advancements;
- Ongoing growth of the e-commerce industry.

Within this market, the segment of **Healthcare Automatic Identification and Data Capture** is expected to stand out. Indeed, it is forecast to reach \$3.1bn by 2022, growing at a +15.4% CAGR over the period 2017-2022.⁶ This important growth not only promotes error-free data collection, but improves patient safety; in particular, the main drivers of this segment's growth are:

- The rising need to reduce medical malpractice;
- Overall increase in health expenditure;
- A growing focus on patient safety;
- Technological revolution;
- Increasing government legislation on the use of barcodes and RFID technology.

Operating in the Automatic Identification and Data Capture sector, Finlogic generates 63.8% of its revenues within the European and Italian **labeling markets**.

In 2016, the EU28 labeling sector production totaled €5.5bn, slightly decreased from the previous year (-2.5% YoY). Considering all the countries, we notice that the lion's share of the EU28 market belongs to Germany (19.7%), followed by the UK (17.1%), and France (14.4%). **With an overall market share of 12.5%, Italy represents the fourth largest label producer in the EU, with production of €689mn.**⁷

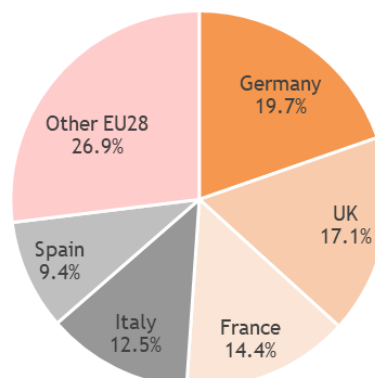
By looking at the growth rates, positive performances were recorded by the European countries where Finlogic operates. Spanish label production grew by +8.3%, taking the lion's share among the European countries. Italian label production increased by +7.1% YoY and French production by +1.3%.

⁵ Source: Research and Markets

⁶ Source: BioPortfolio

⁷ Source: Assografici

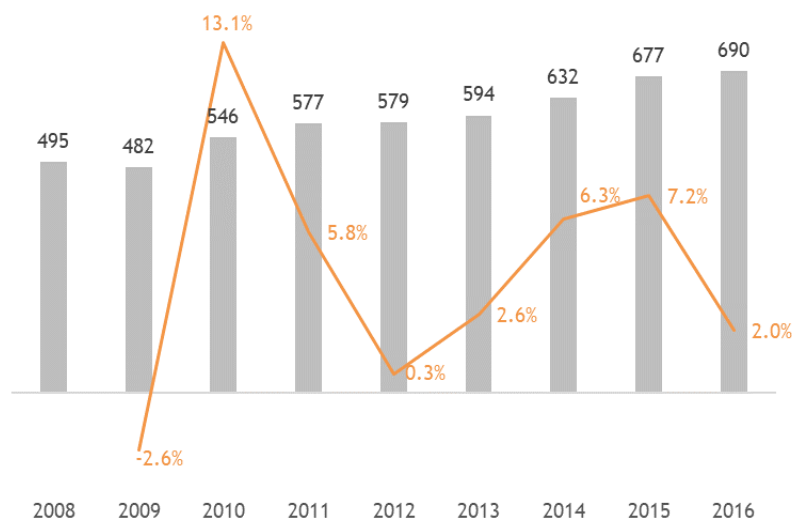
Chart 6: Labeling Market Shares in Europe



Source: Assografici on Eurostat data

Looking more closely at the Italian market, the labeling sector generated global revenues of €690mn during 2016, up by +2.0% with respect to the previous year.

Chart 7: Historical Turnover in the Italian Labeling Sector



Source: Osservatorio Economico GIPEA, VI Edition

In terms of growth, the Italian labeling market showed a significant result: over the 2012-2016 period, the total turnover moved from €579mn to €690mn, increasing by ca. €110mn and recording a CAGR of +4.5%.

The lively growth experienced by the labeling market over the 2012-2016 period might not be a surprise, as it was mainly driven by:

- The increasing demand for traceability of processes and goods;
- New regulations, especially in the food and beverage and pharmaceuticals sectors.

Indeed, the ongoing globalization process and the development of e-commerce are pushing industrial companies to adopt traceability systems on a national and international basis to address increasing needs to track all the industrial

operations, from production to logistics. The healthcare sector is among those which are increasingly adopting and implementing new Automatic Identification and Data Capture technologies with the ultimate aim of improving the security, comfort and efficiency in all phases of patient stays. In particular, labels, barcodes and RFID technology are used to reduce errors and simplify processes, such as:

- (i) **Patient identification.** Barcodes and printed labels, in place of handwritten tags, can significantly reduce the risk of typing errors, thus leading to security improvement and a decrease in the number of cases of mistaken identity.
- (ii) **Laboratory sample identification.** Using barcodes and barcode scanners can automate the transfer of patient data onto the sample's label, thus improving the efficiency of this process and reducing risks of errors.
- (iii) **Medicine administration.** By using barcode labels and scanners, the hospital pharmacist can tag medicines for in-patients, thus avoiding significant waste of time and improving efficiency.
- (iv) **Blood transfusion.** By using printed labels and barcodes, it is possible to guarantee a higher level of security for patients, ensuring that the right blood bag is used for the right patient and avoiding, consequently, potentially fatal errors.


A significant incentive for the labeling sector came from regulatory authorities. In particular, at EU level, the **Falsified Medicine Directive** (2011/62/EU) came into force in 2013; this directive contains several measures to increase the security of the medicinal supply chain. In particular, starting from November 2017, manufacturers have to label medicines with a "Unique Identifier" containing four key elements to check their authenticity and prevent counterfeits: manufacturer product code, unique serial number, expiration date and batch number. Another European directive which positively impacted on the labeling sector was **Regulation (EU) No. 1169/2011 on the provision of food information to consumers**, which entered into force on December 2014. The regulations set several requirements for packaged food, among which are: (i) listing potential food allergens in prepacked food among the ingredients; (ii) mandatory allergen information for non-prepacked food, including restaurants and cafes; (iii) mandatory origin information for fresh meat from pigs, goats, sheep and poultry; (iv) labeling requirements for online, distance selling or buying in a shop.

In the light of the strong linkage with the above-mentioned regulatory landscape and the consolidation of the tracing trend within the different industrial sectors, it is fair to expect the labeling market to grow over the next period at a significant pace.

Competitive Landscape and Market Share

The Italian sector is populated by 93 label producers, which generated a global turnover of €690mn during 2016.⁸

Table 2: Italian Labeling Sector (2016)



Class (€mn of turnover)	# of Companies	%	Turnover by class (€mn)	%
> 10	17	18%	344	50%
5 - 10	31	33%	225	33%
2.5 - 10	24	26%	94	14%
< 2.5	21	23%	27	4%
Total	93	100%	690	100%

Source: Osservatorio Economico GIPEA, VI Edition

By looking at this sector, we note that the 48 biggest companies by turnover (i.e. those with a total turnover higher than €5.0mn) generated 83% of the overall Italian turnover: to put it in other words, app. 52% of the Italian label producers generated more than 80% of the revenues of 2016.

With total revenues from labels of €12.7mn in 2016, Finlogic belongs to the group of 17 companies with the highest level of revenues on the market, which, globally, generated 50% of market turnover. Moreover, considering that the total market turnover in 2016 was €690mn, we can conclude that the **market share of Finlogic in 2016 was 1.8%**.

Within its reference market, **Finlogic showed a growth rate which is higher than the average. Indeed, on average, the market turnover grew by +4.5% CAGR over the period 2014-2016, increasing from €631.6mn to €690.1mn.** Over the same period, however, Finlogic's revenues from labels increased from €10.1mn to €12.7mn, **registering a CAGR 2014-2016 of +12.4%.**

Table 3: Market Growth and Finlogic Growth

Turnover (€mn)	2014	2015	2016	CAGR 2014-2016
Italian Market	631.6	676.8	690.1	4.5%
Finlogic	10.1	11.1	12.7	12.4%

Source: Osservatorio Economico GIPEA, VI Edition

Finally, since the sector in which Finlogic operates is populated by many small and mid-size players, we present here only the main competitors of the company.

⁸ Source: Osservatorio Economico GIPEA, VI Edition

Table 4: Finlogic's Main Competitors

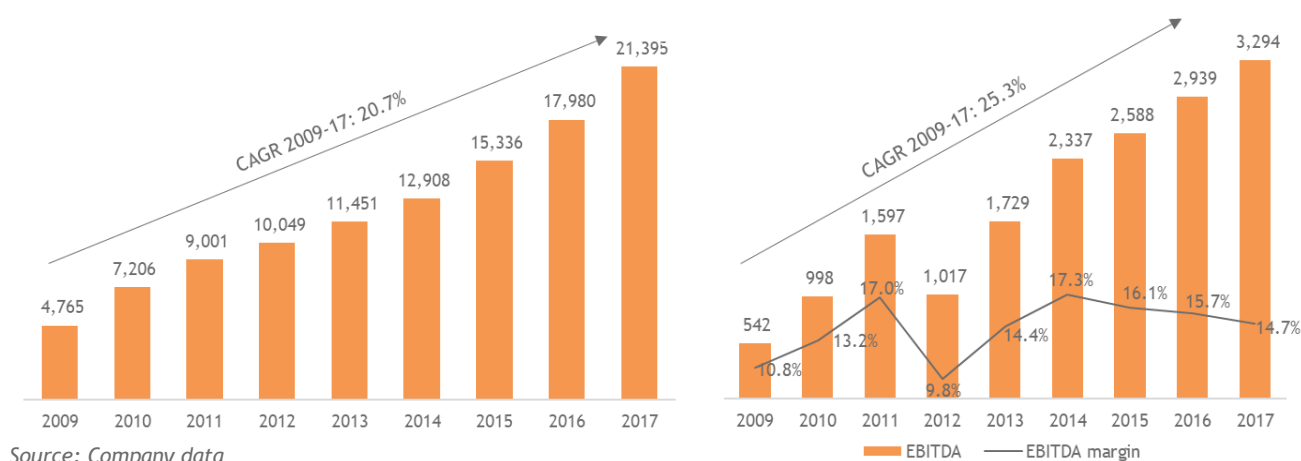
Company	Business	Employees (2015)	Turnover (2015)
Nuceria Adesivi S.r.l.	<ul style="list-style-type: none">• Self-adhesive labels• Packaging solutions	250	€58.6mn
Open Data S.r.l.	<ul style="list-style-type: none">• Labels and accessories• Bar codes, printers, pricing machines	56	€22.5mn
Aro S.p.A.	<ul style="list-style-type: none">• Labels and special labels (Ink-Jet, Screen printing)	46	€9.3mn
Ario S.r.l.	<ul style="list-style-type: none">• Labels, sleeve and ribbon for thermal transfer printing	27	€8.9mn
Pilot Italia S.p.A.	<ul style="list-style-type: none">• Combined printing	110	€23.0mn
Industria Grafica Eurostampa S.p.A.	<ul style="list-style-type: none">• Labels for Food and Beverage and Cosmetics	800+	€131.0mn

Source: Company's management

Historical Financials

Over the period 2009-2017, Finlogic Group experienced a significant increase in revenues and marginality. In particular, Group sales recorded a +20.7% CAGR growth, whereas EBITDA grew at a higher pace of +29.4% CAGR. In 2012, marginality was negatively affected by the recognition of inventory and credits devaluations following the beginning of auditing activity carried out by KPMG. Since 2012, EBITDA has shown a constant improvement.

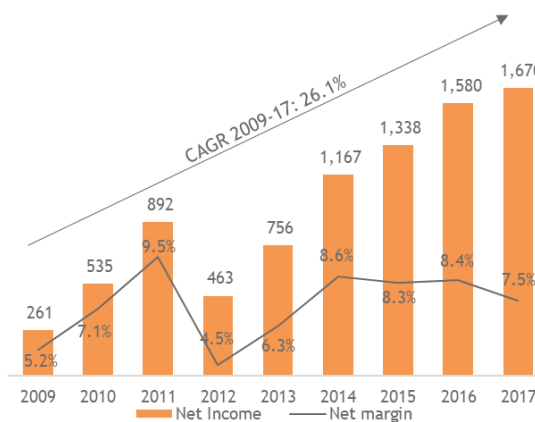
Chart 8: Revenues and EBITDA 2009-17 CAGR



EBITDA margin peaked at 17.3% in 2014 and decreased to 14.7% in 2017. The reduction in marginality was principally due to a higher incidence of the distribution of technological products and the 75% increase in the Group's workforce. Indeed, the Group's Gross Margin went down by 180bps and the incidence of personnel costs increased by 107bps over the period 2014-2017. The incidence of service costs, on the other hand, decreased by 34bps.

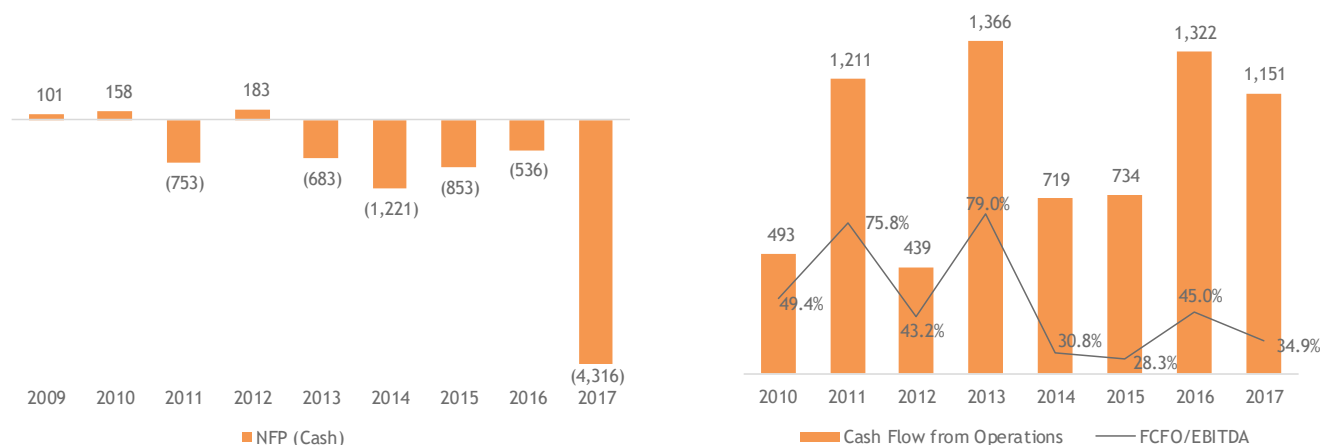
Net Income grew by +30.4% CAGR over the period 2009-2017. In 2014, Net Income margin was 9.0% in 2014 and decreased to 7.8% in 2017.

Chart 9: Net Income and EBITDA 2009-17 CAGR



Finlogic was able to grow significantly and profitably without increasing its Net Financial Position. Over the period 2009-2017, the Net Financial Position improved from €0.1mn in 2009 to -€0.54mn in 2017 thanks to the company's strong cash conversion. On average, Finlogic recorded a cash conversion ratio (FCFO/EBITDA) of 48.3%.

Chart 10: Net Income and EBITDA 2009-17 CAGR



Source: Company data

FY 2017 Financial Results

Key Highlights

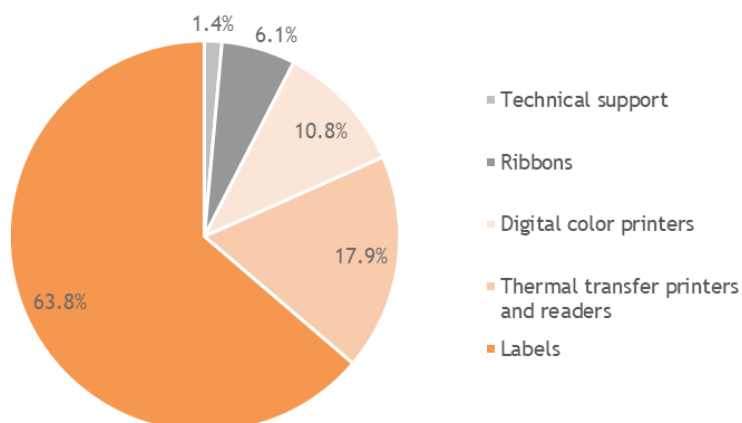
Compared with FY16, FY17 recorded significant growth in terms of revenues, margins and bottom line and highlighted a strong cash generation capacity. Extraordinary costs amounted to €0.17mn, due to Finlogic's listing and a credit devaluation. Here are the key FY17 financial results⁹:

- Sales at €21.40mn vs €17.98mn in FY16, up 19.0% YoY;
- EBITDA at €3.29mn vs €2.94mn in FY16, up 12.8% YoY;
- EBIT at €2.64mn vs €2.35mn in FY16, up 12.31% YoY;
- Net Income €1.72mn vs €1.59mn in FY16, up 8.1% YoY;
- Net Financial Position (Cash) came in at -€4.32mn vs -€0.54mn in FY16.

Finlogic Group recorded €21.40mn net sales in 2017 (+19.0% YoY), principally due to the positive performance recorded by the new digital line (+323.1% YoY) introduced in the product portfolio in September 2016, after the acquisition of Primetec.

Looking at the FY17 products breakdown, the major contribution came from labels (63.8% of total revenues), followed by thermal transfer printers and readers (17.9% of total revenues). The weighting of the digital line on the Group's revenues was 10.8%, whereas the remaining 7.5% was generated by ribbons and technical support.

Chart 11: FY17 Products Breakdown



Source: Company data

As for the bottom line, the Group reported €1.72mn Net Income, up by 8.1% compared with the previous year. This translates into an 80bps decrease of net margin, which totaled 7.7%. Net of minority interests, Net Income amounted to €1.67mn (+5.7% compared with FY16). The bottom line was negatively affected mainly by two nonrecurring items: €0.113mn IPO costs and a €0.061mn credit

⁹ Given their nonrecurring nature, we considered €0.113mn IPO costs and the €0.061mn credit devaluation as extraordinary items, thus classifying them below EBIT.

devaluation. By not considering extraordinary costs, Finlogic reported a Net Income margin in line with FY16.

Table 5: Finlogic Income Statement 2014A-2017A

€ thousand	FY14	FY15	FY16	FY17
Labels	10,080	11,104	12,728	13,640
Technological products	2,648	3,981	5,001	7,447
Technical Support	180	251	251	308
Sales	12,908	15,336	17,980	21,395
Growth %		18.8%	17.2%	19.0%
Other revenues	655	665	738	830
Changes in stocks of semi-finished and finished goods	(24)	82	45	127
Total Revenues	13,540	16,083	18,763	22,351
Growth %		18.8%	16.7%	19.1%
Cost of Goods Sold	(7,454)	(8,873)	(10,381)	(12,722)
Gross Profit	6,085	7,210	8,382	9,630
Gross Margin	44.9%	44.8%	44.7%	43.1%
Labour Cost	(1,951)	(2,382)	(2,934)	(3,461)
Services	(1,756)	(2,197)	(2,453)	(2,824)
Other Operating Costs	(40)	(43)	(57)	(50)
EBITDA	2,337	2,588	2,939	3,294
EBITDA margin	17.3%	16.1%	15.7%	14.7%
Growth %		10.7%	13.5%	12.1%
D&A	(584)	(586)	(588)	(654)
EBIT	1,753	2,002	2,351	2,640
EBIT margin	12.9%	12.4%	12.5%	11.8%
Growth %		14.2%	17.4%	12.3%
Financial Income and Expenses	(9)	(14)	(24)	(45)
Extraordinary items	0	0	0	(174)
EBT	1,744	1,988	2,327	2,421
Taxes	(577)	(649)	(735)	(700)
Tax Rate	33.1%	32.6%	31.6%	28.9%
Net Income	1,167	1,340	1,592	1,721
Net margin	8.6%	8.3%	8.5%	7.7%
Growth %		14.8%	18.9%	8.1%
Minorities	0	2	12	51
Net Income attributable to the Group	1,167	1,338	1,580	1,670
Net margin	8.6%	8.3%	8.4%	7.5%
Growth %		14.7%	18.1%	5.7%

Source: Company data and KT&Partners' elaborations

Looking at capital structure, shareholders' equity increased by €5.44mn to €11.82mn (including minority interests). This is mainly the result of the €6.3mn capital injection related to IPO, the periodical Net Income registration amounting to €1.67mn, the sale of own shares for €0.9mn and the €3.5mn dividend distribution.

Finlogic closed FY17 with a €3.78mn improvement in the Net Financial Position, which came in at -€4.32mn, continuing to demonstrate cash generation capacity. The increase in liquidity was positively affected by FCFO (€0.28mn) and changes in shareholders' equity of €7.22mn (which include a €6.3mn capital increase and €0.9mn coming from sale of own shares), whereas it was negatively affected by the €3.5mn dividend payment.

Table 6: Finlogic Summary Balance Sheet 2014A-2017A

€ thousand	FY14	FY15	FY16	FY17
Intangible fixed assets	151	408	630	921
Tangible fixed assets	1,534	1,689	1,409	1,329
Financial assets	5	5	5	15
Fixed Assets	1,689	2,102	2,043	2,265
Trade receivables	5,122	5,380	6,526	6,969
Trade payables	(2,275)	(1,994)	(2,356)	(2,202)
Inventory	807	1,240	1,678	2,224
Trade Working Capital	3,654	4,627	5,848	6,991
Other assets and liabilities	(1,373)	(1,060)	(1,210)	(858)
Net Working Capital	2,281	3,566	4,638	6,133
Provisions	(534)	(626)	(838)	(890)
Net Capital Employed	3,437	5,042	5,844	7,508
Group shareholders' equity	4,645	5,880	6,334	11,727
Minority shareholders' equity	13	15	47	98
Total shareholders' equity	4,658	5,895	6,380	11,824
Short-term debt / Cash (-)	(1,524)	(1,274)	(4,560)	(7,464)
Long-term liabilities	303	422	4,024	3,148
Net Financial Position	(1,221)	(853)	(536)	(4,316)

Source: Company data and KT&Partners' elaborations

Table 7: Finlogic Cash Flow Statement 2015A-2017A

€ thousand	FY15	FY16	FY17
EBITDA	2,618	2,939	3,294
Income taxes	(649)	(735)	(700)
Change in NWC	(1,285)	(1,072)	(1,495)
Total net investments	(955)	(507)	(875)
Investments in intangible assets	(396)	(346)	(485)
CAPEX	(560)	(161)	(380)
Investments in financial assets	-	-	(10)
Change in provision	49	189	52
FCFO	(222)	814	276
Net financial income/(expenses)	(14)	(23)	(44)
Gains and losses on foreign currency translation	1	0	0
Extraordinary Items	-	-	(174)
Change in total Shareholders' Equity	-	(1,107)	7,223
Dividend Paid	(133)	-	(3,500)
Cash Generated	(368)	(317)	3,780
Beginning NFP	(1,221)	(853)	(536)
Final NFP	(853)	(536)	(4,316)

Source: Company data and KT&Partners' elaborations

FY17: Pro-Forma Analysis

On January 24th, 2018 Finlogic completed the Tecmark and Multitec acquisition, which together realized €3.85mn in revenues in 2017, €0.56mn in EBITDA and €0.38mn in Net Income. Thus, on a pro-forma basis the Group's revenues reached €25.25mn (+40.4% compared with FY16), whereas EBITDA and Net Income grew by 31.1% and 29.5%, coming in at €3.85mn and €2.05mn, respectively.

Table 8: Finlogic 2017 Pro-Forma Income Statement

€ thousand	FY17	FY17PF
Sales	21,395	25,245
<i>Growth %</i>	19.0%	40.4%
EBITDA	3,294	3,852
<i>EBITDA margin</i>	14.7%	n.a.
<i>Growth %</i>	12.1%	31.1%
Net income	1,670	2,046
<i>Net margin</i>	7.5%	8.1%
<i>Growth %</i>	5.7%	29.5%

Source: Company data and KT&Partners' elaborations

Future Financials

Deconstructing Forecast

Considering Finlogic's business model, we built our forecast for the period 2018E-2021E. It is worth pointing out that, in our estimations, we factored in the M&A activity carried out by the Group during the first months of 2018, but we did not consider any M&A activity for the rest of the period.

Starting from the top line, we expect sales to grow up by +12.4% CAGR over the 2017PF-2021E period, totaling €40.29mn in 2021E. In particular:

- **Sales from labels**, representing the core business of Finlogic, are forecast to **increase at +6.2% CAGR over 2017PF-2021E, reaching €18.65mn by 2021E**. Our projections are based on assumptions on the overall production and the selling price. We expect the Group's label production to grow by +18.3% YoY during 2018E, and, for the following years, we forecast a growth rate of +5.0% yearly. As for the selling price in 2018, we project it to be approximately in line with 2017, showing a feeble reduction (-0.05%). We forecast this light deflation to be observed also over the following years.
- **Sales from technological products**, which, according to our estimates, represented 40.5% of 2017PF total sales, are expected to grow by +19.6% CAGR 2017PF-2021E, amounting to €20.89mn by the end of 2021E. In 2018E, sales from technological products are projected to reach €14.23mn. In particular, sales from ribbons will total €1.49mn and sales coming from digital and thermal printers will be €10.24mn, growing by +14.0% and +15.0%, respectively, in line with the market growth rates. Additionally, sales from technological products will be positively affected by the €1.50mn and €1.00mn contributions coming from the new commercial partnerships signed with Euroetik and Citizen.
- **Sales from technical support**, accounting for 1.5% of 2017PF total sales, are forecast to grow at +18.0% CAGR 2017PF-2021E, reaching €0.75 by the end of 2021E. This growth is completely driven by the digital and thermal printer distribution growth, since we assumed that technical support sales are directly related to digital products distribution sales. In 2018E, sales from technical support are expected to reach €0.5mn, growing by +32.1% YoY.

Over the 2017PF-2021E period, **Finlogic Group will not only experience a significant increase in revenue, but it will also experience a relevant change in the composition of revenue**. Indeed, at the end of 2017PF, labels generated 58.0% of sales, technological products 40.5% and technical support the remaining 1.5%. At the end of 2021E, however, technological products will gain the lion's share, accounting for 51.8% of total sales, whereas labels will account for 46.3% and technical support for 1.9%. This change in the composition of revenue is virtually driven by the difference in the growth rates for each business line. Indeed, we assumed Finlogic Group to leverage on the technological products distribution, as this business line has relevant and strategic connotations for the company. **Indeed, the offering of a complete distribution service system** (which ranges from client acquisition to the post-sales assistance) **allows Finlogic to continuously develop and enhance its relationship with its customers**.

Table 9: Finlogic Income Statement 2014A-2021E

€ thousand	FY14A	FY15A	FY16A	FY17A	Adj M&A	FY17PF	FY18E	FY19E	FY20E	FY21E	CAGR 17PF-21E
Labels	10,080	11,104	12,728	13,640	1,000	14,640	16,130	16,929	17,767	18,646	6.2%
Technological products	2,648	3,981	5,001	7,447	2,770	10,217	14,237	16,357	18,484	20,887	19.6%
Technical Support	180	251	251	308	80	388	512	589	666	752	18.0%
Sales	12,908	15,336	17,980	21,395	3,850	25,245	30,879	33,875	36,916	40,285	12.4%
Growth %		18.8%	17.2%	19.0%			22.3%	9.7%	9.0%	9.1%	
Other revenues	655	665	738	830	n.a.	n.a.	1,343	1,473	1,605	1,751	n.a.
Changes in stocks of semi-finished and finished goods	(24)	82	45	127	n.a.	n.a.	142	156	170	186	n.a.
Total Revenues	13,540	16,083	18,763	22,351	n.a.	n.a.	32,364	35,504	38,691	42,222	n.a.
Growth %		18.8%	16.7%	19.1%			44.8%	9.7%	9.0%	9.1%	
Cost of Goods Sold	(7,454)	(8,873)	(10,381)	(12,722)	n.a.	n.a.	(18,474)	(20,257)	(21,891)	(23,687)	n.a.
Gross Profit	6,085	7,210	8,382	9,630	n.a.	n.a.	13,890	15,247	16,800	18,534	n.a.
Gross Margin	44.9%	44.8%	56.5%	43.5%	n.a.	n.a.	42.9%	42.9%	43.4%	43.9%	
Labour Cost	(1,951)	(2,382)	(2,934)	(3,461)	n.a.	n.a.	(4,972)	(5,386)	(5,833)	(6,365)	n.a.
Services	(1,756)	(2,197)	(2,453)	(2,824)	n.a.	n.a.	(4,059)	(4,432)	(4,758)	(5,161)	n.a.
Other Operating Costs	(40)	(43)	(57)	(50)	n.a.	n.a.	(88)	(95)	(103)	(109)	n.a.
EBITDA	2,337	2,588	2,939	3,294	558	3,852	4,772	5,334	6,106	6,900	15.7%
EBITDA margin	17.3%	16.1%	15.7%	14.7%	n.a.	n.a.	14.7%	15.0%	15.8%	16.3%	
Growth %		10.7%	13.5%	12.1%			16.9%	23.9%	11.8%	14.5%	
D&A	(584)	(586)	(588)	(654)	n.a.	n.a.	(889)	(1,250)	(978)	(1,391)	n.a.
EBIT	1,753	2,002	2,351	2,640	n.a.	n.a.	3,883	4,084	5,128	5,509	n.a.
EBIT margin	12.9%	12.4%	12.5%	11.8%	n.a.	n.a.	12.0%	11.5%	13.3%	13.0%	
Growth %		14.2%	17.4%	12.3%			47.1%	5.2%	25.6%	7.4%	
Financial Income and Expenses	(9)	(14)	(24)	(45)	n.a.	n.a.	(91)	(65)	(56)	(42)	n.a.
Extraordinary items	0	0	0	(174)	n.a.	n.a.	0	0	0	0	n.a.
EBT	1,744	1,988	2,327	2,421	n.a.	n.a.	3,792	4,019	5,072	5,467	n.a.
Taxes	(577)	(649)	(735)	(700)	n.a.	n.a.	(1,223)	(1,246)	(1,572)	(1,695)	n.a.
Tax Rate	33.1%	32.6%	31.6%	28.9%	n.a.	n.a.	32.3%	31.0%	31.0%	31.0%	
Net Income	1,167	1,340	1,592	1,721	n.a.	n.a.	2,569	2,773	3,500	3,772	n.a.
Net margin	8.6%	8.3%	8.5%	7.7%	n.a.	n.a.	7.9%	7.8%	9.0%	8.9%	
Growth %		14.8%	18.9%	8.1%			49.3%	7.9%	26.2%	7.8%	
Minorities	0	2	12	51	n.a.	n.a.	77	83	105	113	n.a.
Net Income attributable to the Group	1,167	1,338	1,580	1,670	376	2,046	2,492	2,690	3,395	3,659	15.6%
Net margin	8.6%	8.3%	8.4%	7.5%	n.a.	n.a.	7.7%	7.6%	8.8%	8.7%	
Growth %		14.7%	18.1%	5.7%			22.5%	49.2%	7.9%	7.8%	
EPS	0.17	0.20	0.23	0.25	-	0.30	0.37	0.40	0.50	0.54	15.6%

Source: Company data and KT&Partners' elaborations

Cost savings coming from the internalization of the production of adhesive paper are expected to lower the incidence of Cost of Goods Sold on total revenues during 2020E and 2021E. In detail, this is expected to result in a 50bps positive contribution on 2020E Gross Profit margin and an additional 50bps positive contribution on 2021E Gross Profit margin. At the end of 2018E, Gross Profit is expected to be €13.89mn.

We forecast EBITDA to grow at a higher pace than sales (+15.7% CAGR over the 2017PF-2021E period), reaching €6.90mn at the end of 2021E. Economies of scale in terms of personnel costs as well as the above-mentioned cost savings in COGS are expected to benefit the EBITDA margin, which is projected to increase over time, from 14.7% in 2017A to 16.3% in 2021E.

Looking at the Net Income, we projected it to grow by +15.6% CAGR 2017PF-2021E, reaching €3.66mn at the end of 2021E.

We also estimated the Balance Sheet of the company for the period 2018E-2021E. In our estimates, we factored in that the M&A activity occurred during the first months of 2018, mostly explaining the €1.89mn increase in 2018E Intangible Assets. Additionally, we assumed €1.00mn CAPEX in 2018E and €1.00mn CAPEX in 2019E related to the acquisition of new industrial machinery, which will allow the integration of the adhesive paper production process. As for 2020E and 2021E, we instead assumed the presence of constant CAPEX for conservation of the existing assets.

Table 10: Finlogic Balance Sheet 2014A-2021E

€ thousand	FY14A	FY15A	FY16A	FY17A	FY18E	FY19E	FY20E	FY21E
Intangible fixed assets	151	408	630	921	2,815	2,777	2,677	2,709
Tangible fixed assets	1,534	1,689	1,409	1,329	1,696	1,734	1,856	1,684
Financial assets	5	5	5	15	15	15	15	15
Fixed Assets	1,689	2,102	2,043	2,265	4,526	4,526	4,548	4,408
Trade receivables	5,122	5,380	6,526	6,969	8,029	9,033	9,844	10,743
Trade payables	(2,275)	(1,994)	(2,356)	(2,202)	(3,061)	(3,355)	(3,622)	(3,922)
Inventory	807	1,240	1,678	2,224	2,573	2,823	3,076	3,357
Trade Working Capital	3,654	4,627	5,848	6,991	7,541	8,501	9,298	10,178
Other assets and liabilities	(1,373)	(1,060)	(1,210)	(858)	(310)	(338)	(364)	(393)
Net Working Capital	2,281	3,566	4,638	6,133	7,231	8,163	8,935	9,785
Provisions	(534)	(626)	(838)	(890)	(989)	(1,097)	(1,214)	(1,341)
Net Capital Employed	3,437	5,042	5,844	7,508	10,767	11,592	12,269	12,851
Group shareholders' equity	4,645	5,880	6,334	11,727	13,227	14,422	16,203	17,825
Minority shareholders' equity	13	15	47	98	187	333	578	915
Total shareholders' equity	4,658	5,895	6,380	11,824	13,414	14,755	16,781	18,739
Short-term debt / Cash (-)	(1,524)	(1,274)	(4,560)	(7,464)	(5,794)	(6,310)	(7,660)	(9,036)
Long-term liabilities	303	422	4,024	3,148	3,148	3,148	3,148	3,148
Net Financial Position	(1,221)	(853)	(536)	(4,316)	(2,646)	(3,162)	(4,512)	(5,888)
Sources	3,437	5,042	5,844	7,508	10,767	11,592	12,269	12,851

Source: Company data and KT&Partners' elaborations

Looking at Net Working Capital, we forecast it to constantly increase over the period: this growth is completely driven by the increase in Trade Working Capital due to the development of production during this period and the increase in distribution.

Over 2018E-2021E, Shareholders' Equity changes will be mainly due to the registration of the periodical Net Income and the dividend payout. Indeed, for the 2018E-2021E period, we assume a 60% constant payout ratio, in line with the ratio observed during the last fiscal year. Therefore, only 40% of Net Income is retained yearly.

We expect Finlogic to generate positive cash flows over the 2018E-2021E period, with the only exception being 2018E, when we forecast a cash absorption linked to the M&A activity carried out at the beginning of the year. Therefore, we projected Finlogic's Net Financial Position to decrease over time, reaching -€5.89mn at the end of 2021E.

Table 11: Finlogic Cash Flow Statement 2015A-2021E

€ thousand	FY15A	FY16A	FY17A	FY18E	FY19E	FY20E	FY21E
EBITDA	2,618	2,939	3,294	4,772	5,334	6,106	6,900
Income taxes	(649)	(735)	(700)	(1,223)	(1,246)	(1,572)	(1,695)
Change in NWC	(1,285)	(1,072)	(1,495)	(1,098)	(932)	(771)	(850)
Total net investments	(955)	(507)	(875)	(3,150)	(1,250)	(1,000)	(1,250)
Investments in intangible assets	(396)	(346)	(485)	(2,150)	(250)	(250)	(250)
CAPEX	(560)	(161)	(380)	(1,000)	(1,000)	(750)	(1,000)
Investments in financial assets	-	-	(10)	(0)	-	-	-
Change in provision	49	189	52	99	108	117	127
FCFO	(222)	814	276	(600)	2,013	2,879	3,232
Net financial income/(expenses)	(14)	(23)	(44)	(91)	(65)	(56)	(42)
Gains and losses on foreign currency translation	1	0	0	-	-	-	-
Extraordinary Items	-	-	(174)	-	-	-	-
Change in total Shareholders' Equity	-	(1,107)	7,223	21	63	140	223
Dividend Paid	(133)	-	(3,500)	(1,000)	(1,495)	(1,614)	(2,037)
Cash Generated	(368)	(317)	3,780	(1,670)	516	1,350	1,376
Beginning NFP	(1,221)	(853)	(536)	(4,316)	(2,646)	(3,162)	(4,512)
Final NFP	(853)	(536)	(4,316)	(2,646)	(3,162)	(4,512)	(5,888)

Source: Company data and KT&Partners' elaborations

Following the assumptions that we made on the P&L and BS, we also built Finlogic's cash flow statement.

Focusing on 2018E, we forecast a €1.67mn cash absorption, mainly linked to the €1.90mn M&A activity - which has already been carried out over the first months of the current year - the €1.00mn CAPEX and the payment of €1.00mn dividend.

Nevertheless, by excluding the extraordinariness of 2018E and focusing on the 2019E-2021E period, the company is expected to generate increasingly strong and positive FCFO over the coming years, thanks to the increase in the EBITDA. The same growth pattern is projected to be seen also for the FCFE, even though we projected the dividend to grow as the Net Income grows. The continuous cash generation leads the company to improve its Net Financial Position, which is projected to be -€5.89mn at the end of 2021E.

External Growth

We believe that over the next years Finlogic Group might continue to integrate and expand its offer in the fragmented labeling market and in the Automatic Identification sector. Possible growth drivers might be:

- i. M&A operations of domestic system integrators, distributors and labeling producers;
- ii. the acquisition of a software house specialized in Warehouse Management Systems (WMS), which would allow Finlogic to add software to its current consumables and hardware offer;
- iii. the integration with a *pick&place* devices producer. Print and apply systems for self-adhesive labels allow application of labels immediately after printing on both stationary and moving products, thus ensuring time-saving;
- iv. a potential commercial agreement with Datalogic, which might allow the Group to enhance its penetration in those sectors in which the company controlled by the Volta family is a leading player (retail, industrials, transport & logistics and healthcare).

Figure 13: Pick&place Systems



As has happened for the past few years, we expect that the sound financial position generated will continue to support Finlogic in pursuing its external growth plan, thus allowing the consolidation of its leading position in the reference market. Besides, we believe that M&A activities will be carried out in the wake of the latest operations completed during the first months of 2018 (Multitec and Tecmark). In detail, companies will be acquired at interesting valuations, engaging the target's management team, which will also contribute to Finlogic's capital.

Valuation

Following the projections of Finlogic's future financials, we carried out the valuations of the company by applying two major methods: (i) **the market multiples analysis**; and (ii) **the DCF model**.

By applying two different evaluation methods, we derive two fair values, which are consistent with each other.

Ultimately, we averaged the target price arising from the market multiples method and the one arising from the DCF model, obtaining a €6.85ps fair value (+36.4% upside).

Peer Comparison

We carried out an in-depth analysis of potential public companies that could 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 \$128mn, 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 FY2017, the company had \$113.4mn revenues, of which 72% came from the Product Identification business segment;
2. **Avery Dennison Corp.**, listed on NYSE, with a market capitalization of \$9.2bn, 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 \$6.6bn revenues, of which \$4.5bn came from the Labeling and Graphic business unit (68%);
3. **Datalogic SpA**, listed on the Milan Stock Exchange, with a market capitalization of €1.7bn, 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 FY2017, Datalogic reported revenues for €606mn, of which 93% comes from the main business unit (data capture and process automation);
4. **Esprinet SpA**, listed on the Milan Stock Exchange, with a market capitalization of €230mn, engages in the B2B distribution of a wide range of technology products, among which printers, consumables (i.e. toner, ink cartridges etc.) are included. The company reported €3.2bn revenues during FY2017, with printers accounting for 3.6% and consumables for 6.6%;
5. **Fuji Seal International Inc.**, listed on the Tokyo Stock Exchange, with a market capitalization of ¥252bn, engages in the development and sale of packaging solutions, offering shrink sleeve labels, self-adhesive labels, spouted pouches and packaging machinery. The company

reported ¥142bn revenues during FY2017, with self-adhesive labels accounting for 16.5% and shrink labels accounting for 56.3%;

6. **Lintec Corp.**, listed on the Tokyo Stock Exchange, with a market capitalization of ¥250bn, 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 ¥206bn revenues during FY2017, of which ca. 27% came from the “Printing and variable information-related products”;
7. **Sato Holdings Corp.**, listed on the Tokyo Stock Exchange, with a market capitalization of ¥104bn, is a global provider of Automation Identification and Data Capture solutions, which leverage on barcodes, QR codes, and RFID technologies. During FY2017, the company reported ¥85bn revenues;
8. **ScanSource, Inc.**, listed on NASDAQ, with a market capitalization of \$930mn, 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 FY2017, ScanSource Inc. reported \$3.6bn net sales, with a 67% contribution coming from the barcode, networking and security business unit;
9. **Seiko Epson Corp.**, listed on the Tokyo Stock Exchange, with a market capitalization of ¥815bn, 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 FY2017, Seiko Epson Corp. recorded ¥1,025bn revenues, of which ¥737bn came from the printing solutions segment (72%);
10. **Zebra Technologies Corp.**, listed on NASDAQ, with a market capitalization of \$8.0bn, is a global leader in the of 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 FY2017, the company generated \$3.7bn revenues.

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

Peers have virtually a level of marginality which is in line with Finlogic's: the average EBITDA margin in 2017 recorded by peers was 11.1%, whereas Finlogic's margin registered in the same period was 14.7%. At Net Income level, the peers' average net margin was equal to 3.6%, while Finlogic's was 7.5%.

However, by considering each peer, we note that Esprinet SpA has a marginality that is significantly lower when compared with the other companies in the sample; this difference is much broader at the EBITDA level and is systematically observed even during the previous years. Indeed, the average EBITDA margin of Esprinet SpA for the 2014-2017 period was 1.7%, whereas the peers' average EBITDA margin (ex. Esprinet SpA) was 11.7% over the same period. On this basis, we decided to exclude Esprinet SpA from the peers' panel, due to the significant difference in the marginality levels.

Table 12: Marginalities and Growth Rates Analysis

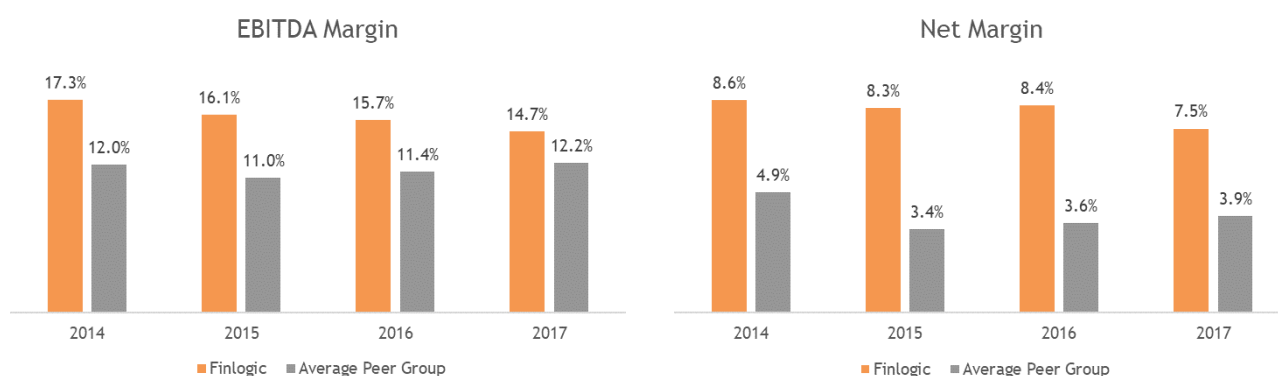
Company Name	FY2017 Sales (€mn)	FY2017 EBITDA Margin	FY2017 Net Margin
AstroNova, Inc.	99	9.4%	2.9%
Avery Dennison Corporation	5,864	13.8%	4.3%
Datalogic S.p.A.	606	16.6%	9.9%
Esprinet S.p.A.	3,217	1.3%	0.8%
Fuji Seal International, Inc.	1,179	14.2%	4.1%
Lintec Corporation	1,923	13.1%	4.5%
Sato Holdings Corporation	875	10.3%	3.6%
ScanSource, Inc.	3,273	3.4%	1.9%
Seiko Epson Corp.	8,509	11.3%	3.8%
Zebra Technologies Corporation Class A	3,307	17.7%	0.5%
Average Peer Group		11.1%	3.6%
Finlogic SpA	22	14.7%	7.5%

Note: data refers to FY2017

Source: Company data and FactSet data

Thereafter, we compared Finlogic's marginality and growth profiles with those of the final peers' panel. In particular, looking at the marginality, we note that, for the 2014-2017 period, Finlogic's EBITDA margins and net margins were significantly higher than the peers'. Over the 2014-2017 period, on average, Finlogic reported a 15.9% EBITDA margin and an 8.2% net margin, whereas the peers' panel had a 11.6% EBITDA margin and a 4.0% net margin.

Chart 12: Marginality Comparison

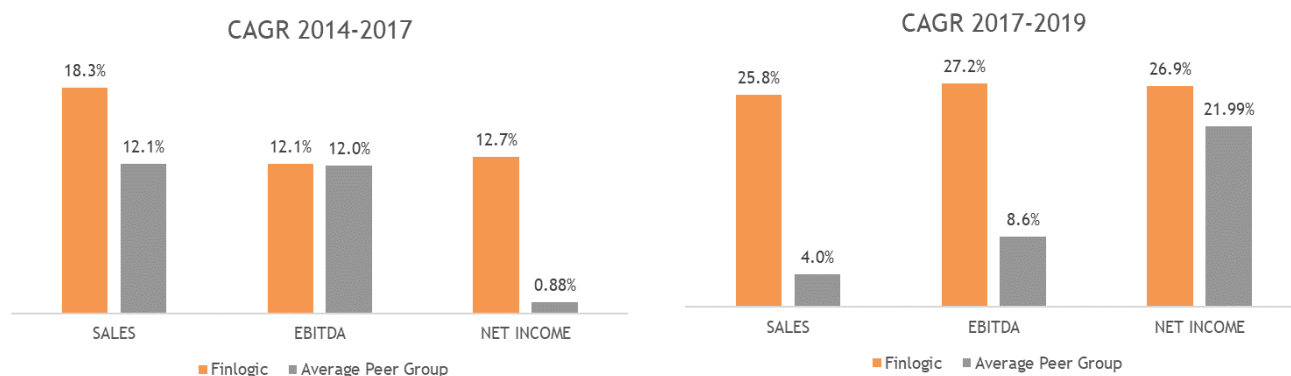


Source: Company data and FactSet data

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

Indeed, over the 2014-2017 period, Finlogic's financials grew at a higher pace than the comparables: sales, EBITDA and Net Income recorded a +18.3%, +12.1% and +12.7% CAGR over this period, respectively. Moreover, according to our projections, we expect Finlogic's financials to grow more than those of its peers. Indeed, over the 2017-2019 period, we expect sales, EBITDA and Net Income to grow at +25.8%, +27.2% and +26.9% CAGR, respectively.

Chart 13: 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 2018 and 2019 data.

Table 13: Peer Group Valuation Table - 2018 Multiples

Company Name	Exchange	Market Cap	EV/SALES 2018	EV/EBITDA 2018	EV/EBIT 2018	P/E 2018
AstroNova, Inc.	NASDAQ	111	n.a.	n.a.	n.a.	n.a.
Avery Dennison Corporation	NYSE	7,892	1.50	11.28	13.90	17.48
Datalogic S.p.A.	Milan	1,803	2.78	16.09	19.04	26.91
Fuji Seal International, Inc.	Tokyo	1,942	1.52	10.18	16.78	27.55
Lintec Corporation	Tokyo	1,940	0.77	5.98	8.75	16.70
Sato Holdings Corporation	Tokyo	819	0.87	7.92	13.98	23.69
ScanSource, Inc.	NASDAQ	788	0.31	8.26	11.15	26.07
Seiko Epson Corp.	Tokyo	6,242	0.58	4.72	7.78	13.04
Zebra Technologies Corporation Class A	NASDAQ	6,953	2.55	12.73	14.30	20.21
Average peer group		2,692	1.36	9.65	13.21	21.46
Median peer group		1,871	1.19	9.22	13.94	21.95
Finlogic SpA	Milan	34	0.91	6.20	7.62	13.60

Source: FactSet data and KT&Partners' estimates

Table 14: Peer Group Valuation Table - 2019 Multiples

Company Name	Exchange	Market Cap	EV/SALES 2019	EV/EBITDA 2019	EV/EBIT 2019	P/E 2019
AstroNova, Inc.	NASDAQ	111	n.a.	n.a.	n.a.	n.a.
Avery Dennison Corporation	NYSE	7,892	1.45	10.68	13.00	16.24
Datalogic S.p.A.	Milan	1,803	2.62	14.49	16.93	23.36
Fuji Seal International, Inc.	Tokyo	1,942	1.44	9.31	14.38	23.27
Lintec Corporation	Tokyo	1,940	0.74	5.64	8.08	15.29
Sato Holdings Corporation	Tokyo	819	0.83	7.11	12.19	20.42
ScanSource, Inc.	NASDAQ	788	0.30	7.98	9.80	11.96
Seiko Epson Corp.	Tokyo	6,242	0.56	4.25	6.87	11.63
Zebra Technologies Corporation Class A	NASDAQ	6,953	2.47	12.14	13.49	15.88
Average peer group		3,165	1.30	8.95	11.84	17.26
Median peer group		1,940	1.13	8.65	12.59	16.06
Finlogic SpA	Milan	34	0.83	5.54	7.24	12.60

Source: FactSet data and KT&Partners' estimates

We based our evaluation upon 2018 and 2019 average EV/EBITDA and P/E multiples and our estimates of Finlogic's EBITDA and net income for 2018 and 2019. Additionally, considering the existing differences in terms of liquidity between Finlogic and its comparables, we applied a 10% liquidity discount on the average multiples.

From our calculations, we derive a fair value of €6.77ps.

Table 15: Multiple Valuation

Multiple Valuation (€mn)	2018E	2019E
EV/EBITDA multiple comparison	9.65	8.95
Peer Group EV/EBITDA netted from 10% liquidity discount	8.68	8.05
Finlogic EBITDA	4.77	5.33
Enterprise value	41.43	42.96
Finlogic Net Debt (FY2017)	-4.32	-4.32
Equity Value	45.75	47.28
Number of shares (mn)	6.75	6.75
Value per share	6.78	7.00
Target Price - € ps	6.89	

Multiple Valuation (€mn)	2018E	2019E
P/E multiple comparison	21.46	17.26
Peer Group P/E netted from 10% liquidity discount	19.31	15.53
Finlogic earnings	2.49	2.69
Equity Value	48.12	41.77
Number of shares (mn)	6.75	6.75
Value per share	7.13	6.19
Fair Value (Avg) - € ps	6.66	
Target Price (Avg.) - € ps	6.77	

Source: FactSet data and KT&Partners' estimates

DCF Model

We also conduct our valuation using a four-year DCF model, based on 9.2% 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.¹⁰ We, therefore, obtained 8.3% WACC.¹¹

By discounting 2018E-2021E annual cash flows and considering a terminal growth rate of 1.5%, we derive a fair value of €6.92ps.

¹⁰ Source: Damodaran's website.

¹¹ Further inputs include: (i) 1.05 beta; (ii) 1.9% risk-free rate; (iii) 5.1% market risk premium (source: Damodaran's website); and (iv) 2.0% premium for size.

Table 16: 2018-2021 DCF Valuation

€ million	2018E	2019E	2020E	2021E
EBIT	3.88	4.08	5.13	5.51
Taxes	-1.22	-1.25	-1.57	-1.69
D&A	0.89	1.25	0.98	1.39
Change in Net Working Capital	-1.10	-0.93	-0.77	-0.85
Change in Funds	0.10	0.11	0.12	0.13
Net Operating Cash Flow	2.55	3.26	3.88	4.48
Capex	-3.15	-1.25	-1.00	-1.25
FCFO	-0.60	2.01	2.88	3.23
g	1.5%			
Wacc	8.3%			
FCFO (discounted)	-0.53	1.63	2.15	3.23
Discounted Cumulated FCFO	6.49			
TV				48.06
TV (discounted)	35.92			
Enterprise Value	42.41			
NFP FY2017	-4.32			
Equity Value	46.73			
Current number of shares	6.75			
Value per share (€)	6.92			

Source: FactSet data and KT&Partners' estimates

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