

COMPANY UPDATE



Fair Value: €7.08
(Prev. €6.85)

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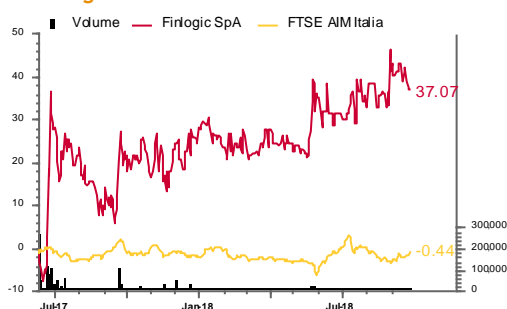
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Finlogic Relative Performance Chart YTD



Market Data:	
Price (€)	5.68
Market Cap (€/mn)	37.7
Free Float (%)	23.06
52 Wk. High/Low (€)	6.06/4.65
Avg. Daily Vol. 90-day	2,217
Price Change YTD (%)	10.27%
Price Change 6M (%)	10.69%
Price Change 1Y (%)	6.23%
P/E 2018	16.33x
P/E 2019	15.69x

2018: Growth on track and Sound M&As...

Finlogic closed 1H18 with a strong increase in the top line and significant growth in EBITDA and net income:

- Revenues at €13.9mn vs €10.8mn in 1H17, up 29% YoY;
- EBITDA at €2.1mn vs €1.8mn in 1H17, up 17% YoY;
- Net income at €1.0mn vs €0.9mn in 1H17, up 8% YoY;
- Net financial position came in -€2.7mn vs -€ 3.4mn in FY17.

Results summary. Finlogic's total revenues amounted to €14.5mn, up by 27.8% compared with 1H2017 and 9.5% below our projections. The technological product division experienced a +53% YoY increase while the labels division experienced a +16% YoY increase. The technological division's growth, however, is basically due to the Tecmark and Multitec acquisition, which contributed €2.0mn to the company's revenues; without this contribution the division was flat. EBITDA came in at €2.1mn, up by 17.3% YoY but 9.6% below our estimates as a result of a lower than expected increase in revenues. EBITDA margin was 14.7% in line with our expectation. Also as we expected, the bottom line moved from €0.9mn to €1.0mn, growing by 7.6% YoY, whereas net margin was 0.6% above our projections. During the first half of 2018 Finlogic invested €1.6mn in M&A, €0.37mn in CAPEX and paid €1.0mn in dividends. The business, however, confirmed its high level of cash generation; indeed, at the end of the 1H2018 net cash was €2.7mn, down by only €1.6mn with respect to the end of 2017.

Sound M&As continue with international ambitions... So far Finlogic has closed 4 acquisitions during 2018: Tecmark and Multitec at the beginning of the year and Iride Italia and Mobile Project in 3Q2018. Iride Italia Srl, with €3.0mn revenues, is a system integrator specialized in the analysis and implementation of coding, reading and traceability systems also using RFID technology, while Mobile Project Srl is a €0.4mn software house specialized in Warehouse Management Systems (WMS). In both cases Finlogic acquired the majority stakes at below 4x EV/EBITDA. Moreover, with the Mobile Project acquisition, Finlogic added software to its hardware and consumables offer. Now, after having consolidated and expanded its offer, Finlogic is aiming to expand its geographical reach in Spain.

Estimates review. We slightly increase our 2018 forecast for the company revenues after taking into account for the full year the 2 recent acquisitions of Iride Italia and Mobile Project and considering the weaker than expected 1H2018 top line. For the coming years, we have slightly revised downward our top-line expectations. Moreover, we have revised downward our FY18-FY20 EBIT estimates due to an increase in D&A following the higher investments related to the recent acquisitions. In detail, we foresee a reduction of 3.1% in FY18 EBIT, which is expected to amount to €4.5mn in 2020.

Fair Value fine-tuned from €6.85 to €7.08. We slightly increased the Fair Value to €7.08 ps from €6.85 ps on the back of the multiple expansion of the peer group. Indeed, the average EV/EBITDA(18-19) multiple after discount increased from the 8.05x of our previous research to 8.68x, while the average P/E(18-19) multiple after discount increased from the 15.53x of our previous research to 19.31x.

€ 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	32.53	4.80	14.8%	3.76	2.39	7.4%	0.34
2019E	35.21	5.29	15.0%	3.89	2.49	7.1%	0.36
2020E	38.20	6.02	15.8%	4.43	2.86	7.5%	0.41
2021E	39.74	6.47	16.3%	5.11	3.39	8.5%	0.49

Source: Company data, KT&Partners' estimates.

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

Current price (€)	Fair Value (€)								Free Float (%)
5.68	7.08								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	6.96	6.96	6.96	6.96	6.96
EPS	n.m.	n.m.	n.m.	0.25	0.34	0.36	0.41	0.41	0.49
Dividend per share (ord)	n.a.	n.a.	n.a.	0.15	0.21	0.21	0.25	0.25	0.29
Dividend pay out ratio (%)	n.a.	n.a.	n.a.	60%	60%	60%	60%	60%	60%
Profit and Loss (EUR thousand)									
Revenues	13,540	16,083	18,763	22,351	32,533	35,209	38,201	39,736	
EBITDA	2,337	2,588	2,939	3,294	4,799	5,286	6,024	6,469	
EBIT	1,753	2,002	2,351	2,640	3,763	3,893	4,432	5,106	
EBT	1,744	1,988	2,327	2,421	3,600	3,721	4,269	5,059	
Taxes	(577)	(649)	(735)	(700)	(1,132)	(1,154)	(1,323)	(1,568)	
Tax rate	33%	33%	32%	29%	31%	31%	31%	31%	
Net Income	0	2	12	51	74	77	88	105	
Net Income attributable to the Group	1,167	1,338	1,580	1,670	2,395	2,491	2,857	3,386	
Balance Sheet (EUR thousand)									
Total fixed assets	1,689	2,102	2,043	2,265	5,050	5,007	4,764	4,751	
Net Working Capital (NWC)	2,281	3,566	4,638	6,133	7,269	8,095	8,821	9,205	
Provisions	(534)	(626)	(838)	(890)	(990)	(1,097)	(1,212)	(1,332)	
Total Net capital employed	3,437	5,042	5,844	7,508	11,329	12,005	12,373	12,625	
Net financial position (NFP)	(1,221)	(853)	(536)	(4,316)	(1,985)	(2,546)	(3,811)	(5,602)	
Group Shareholder's Equity	4,645	5,880	6,334	11,727	13,130	14,227	15,635	17,358	
Minorities	13	15	47	98	184	324	549	868	
Total Shareholder's Equity	4,658	5,895	6,380	11,824	13,314	14,551	16,184	18,226	
Cash Flow (EUR thousand)									
Net operating cash flow	n.a.	1,970	2,204	2,594	3,667	4,133	4,701	4,901	
Change in NWC	n.a.	(1,285)	(1,072)	(1,495)	(1,136)	(826)	(726)	(384)	
Capital expenditure	n.a.	(560)	(161)	(380)	(1,000)	(1,100)	(1,100)	(1,100)	
Investments in intangible assets	n.a.	(396)	(346)	(485)	(2,821)	(250)	(250)	(250)	
Other cash items/Uses of funds	n.a.	49	189	42	100	107	115	120	
Free cash flow	n.a.	(222)	814	276	(1,189)	2,063	2,740	3,286	
Enterprise Value (EUR thousand)									
Market Cap	n.a.	n.a.	n.a.	32,754	39,531	39,531	39,531	39,531	
Minorities	13	15	47	98	184	324	549	868	
Net financial position	(1,221)	(853)	(536)	(4,316)	(1,985)	(2,546)	(3,811)	(5,602)	
Enterprise value	n.a.	n.a.	n.a.	35,313	37,730	37,309	36,269	34,798	
Ratios (%)									
EBITDA margin	17.3%	16.1%	15.7%	14.7%	14.8%	15.0%	15.8%	16.3%	
EBIT margin	12.9%	12.4%	12.5%	11.8%	11.6%	11.1%	11.6%	12.8%	
Gearing - Debt/equity	-26.3%	-14.5%	-8.5%	-36.8%	-15.1%	-17.9%	-24.4%	-32.3%	
Interest cover on EBIT	0.5%	0.7%	1.0%	1.7%	1.7%	1.8%	1.4%	0.9%	
NFP/EBITDA	-52.2%	-32.9%	-18.2%	-131.0%	-41.4%	-48.2%	-63.3%	-86.6%	
ROCE	51.0%	39.7%	40.2%	35.2%	33.2%	32.4%	35.8%	40.4%	
ROE	25.1%	22.8%	25.0%	14.2%	18.2%	17.5%	18.3%	19.5%	
EV/Sales	n.m.	n.m.	n.m.	1.58	1.16	1.06	0.95	0.88	
EV/EBITDA	n.m.	n.m.	n.m.	10.72	7.86	7.06	6.02	5.38	
P/E	n.m.	n.m.	n.m.	23.67	16.51	15.87	13.84	11.68	
Free cash flow yield	n.m.	n.m.	n.m.	0.7%	-3.0%	5.2%	6.9%	8.3%	
Growth Rates (%)									
Sales	n.a.	18.8%	16.7%	19.1%	45.6%	8.2%	8.5%	4.0%	
EBITDA	n.a.	10.7%	13.5%	12.1%	16.9%	24.6%	10.2%	14.0%	
EBIT	n.a.	14.2%	17.4%	12.3%	42.5%	3.5%	13.8%	15.2%	
Net Income	n.a.	14.7%	18.1%	5.7%	43.4%	4.0%	14.7%	18.5%	

1H2018 Results Summary

Company Description

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 kept recording positive growth in 1H2018, in terms of both revenues and margins. In particular, Finlogic total revenues amounted to €14.5mn, up by 27.8% compared with 1H2017 and 9.5% below our projections.

EBITDA came in at €2.1mn, up by 17.3% YoY but 9.6% below our estimates as a result of a lower than expected increase in revenues. Nevertheless, in line with our expectations EBITDA margin stood at 14.4%.

As we expected, the bottom line moved from €0.9mn to €1.0mn, growing by 7.6% YoY, whereas net margin was 0.6% above our projections.

Table 2: Finlogic 1H2018 Results

€ thousand	1H16A	1H17A	1H18A	YoY growth	1H18E	A vs E
Labels	6,507	7,153	8,288	15.9%	8,352	-0.8%
Technological products	2,236	3,507	5,363	52.9%	6,530	-17.9%
Technical Support	167	140	272	94.3%	277	-1.7%
Sales	8,911	10,799	13,923	28.9%	15,158	-8.1%
Growth %		21.2%	28.9%		40.4%	
Other revenues	369	427	523	22.5%	681	-23.2%
Changes in stocks of semi-finished and finished goods	58	86	5	-94.2%	126	-96.0%
Total Revenues	9,338	11,312	14,452	27.8%	15,965	-9.5%
Cost of Goods Sold	(5,026)	(6,427)	(8,587)	33.6%	9,134	-6.0%
Gross Profit	4,312	4,885	5,865	20.1%	6,831	-14.1%
Gross Margin		43.2%	40.6%		42.8%	
Labour Cost	(1,425)	(1,758)	(2,060)	17.2%	(2,469)	-16.6%
Services	(1,050)	(1,184)	(1,653)	39.6%	(1,719)	-3.9%
Other Operating Costs	(263)	(168)	(70)	-58.3%	(341)	-79.5%
EBITDA	1,575	1,775	2,082	17.3%	2,302	-9.6%
EBITDA margin	16.9%	15.7%	14.4%		14.4%	-0.1%
D&A	(282)	(392)	(558)	42.3%	474	17.8%
EBIT	1,293	1,383	1,524	10.2%	1,828	-16.7%
EBIT margin	13.8%	12.2%	10.5%		11.5%	
Financial Income and Expenses	(6)	(24)	(24)	0.0%	(31)	-23.6%
Extraordinary items	0	0	0		0	
EBT	1,287	1,359	1,500	10.4%	1,797	-16.5%
Taxes	(467)	(419)	(487)	16.2%	(754)	-35.4%
Net Income	820	941	1,014	7.8%	1,043	-2.8%
Net margin	8.8%	8.3%	7.0%		6.5%	
Minorities	16	19	22	15.8%	45	-50.9%
Net Income attributable to the Group	804	921	991	7.6%	998	-0.7%
Group Net margin	8.6%	8.1%	6.9%		6.3%	

Source: Company Data and KT&Partners' elaborations

Estimates Revision

After the 2 acquisitions finalized at the beginning of the year, Finlogic continues to show great M&A deal-making and execution ability in the second half of 2018. Indeed, with the aim of integrating its offer in the fragmented labeling market and in the Automatic Identification sector, the company acquired a 51% stake in Iride Italia Srl and in Mobile Project Srl for a total consideration of €671k¹.

In detail, Iride Italia Srl is a system integrator specialized in the analysis and implementation of coding, reading and traceability systems also using RFID technology. The newly acquired company operates primarily in Tuscany and it has a strong presence in the luxury sector. Iride Italia, acquired for a consideration of €550k, will allow Finlogic to expand its presence in the center of Italy and to increase its revenue by ca. €3.0mn annually and its EBITDA by ca. €0.3mn annually.

On the other hand, with the acquisition of Mobile Project Srl, a software house specialized in WMS, Finlogic integrates its product portfolio by adding software to its current consumables and hardware offer. Mobile Project was acquired for €120k or at a 3.5x EV/EBITDA and in 2017 it realized €0.4mn of revenues and an EBITDA Adjusted of €0.05mn.

We have slightly increased our 2018 forecast for the company revenues after taking into account for the full year the 2 recent acquisitions of Iride Italia and Mobile Project and considering the weaker than expected 1H2018 top line, while we have slightly revised downward our top-line estimates for the coming years.

In terms of EBIT, we have revised downward our FY18 and FY20 estimates due to an increase in D&A following the higher investments related to the recent acquisitions. In detail, we foresee a reduction of 3.1% in FY18 EBIT, which is expected to amount to €4.5mn in 2020.

With regard to the bottom line, we projected €2.4mn in 2018 (-3.9% with respect our previous estimates), reaching €2.9mn by the end of 2020.

The key points of our forecast are as follow:

- FY18E total revenues at €32.5mn, reaching €38.2mn in FY20 (21.3% CAGR FY17A-FY20);
- FY18E EBITDA at €4.8, reaching €6.02mn in FY20 (22.3% CAGR FY17A-20);
- FY18E Group net income at €2.4mn, reaching €2.9mn in FY20 (20.1% CAGR FY17A-FY20).

¹ In order to ensure continuity of management, the current will remain involved in the governance

Table 3: Finlogic Estimates Revisions

€ thousand	2017A	2018E Old	2018E New	Change	2019E Old	2019E New	Change	2020 Old	2020 New	Change
Total revenues	21,395	32,364	32,533	0.5%	33,875	33,594	-0.8%	38,691	38,201	-1.3%
YoY Change (%)		51.3%	52.1%		4.7%	3.3%		14.2%	13.7%	
EBITDA	3,294	4,772	4,799	0.6%	5,334	5,286	-0.9%	6,106	6,024	-1.3%
YoY Change (%)		44.9%	45.7%		11.8%	10.2%		14.5%	14.0%	
EBIT	2,640	3,883	3,763	-3.1%	4,084	3,893	-4.7%	5,128	4,432	-13.6%
YoY Change (%)		n.a.	42.5%		5.2%	3.5%		25.6%	13.8%	
Group Net Income	1,670	2,492	2,395	-3.9%	2,690	2,491	-7.4%	3,395	2,857	-15.8%
YoY Change (%)		49.2%	43.4%		7.9%	4.0%		26.2%	14.7%	
Net Debt	(4,316)	(2,646)	(1,985)	-25.0%	(3,162)	(2,546)	-19.5%	(4,512)	(3,811)	-15.5%
YoY Change (%)		-38.7%	-54.0%		19.5%	28.3%		42.7%	49.7%	

Source: Company data, KT&Partners' elaborations.

Valuation

Based on our estimates, we have carried out our valuation on a multiple and DCF analysis basis and have taken the average price provided by these 2 models. This has led to a fair value of €7.08 per share.

Our fair value takes the average of the following methods:

- EV/EBITDA and P/E multiple, with a 10% liquidity discount, which returns a value of €7.18 per share.
- DCF analysis, based on WACC of 8.5% and 1.5% perpetual growth, returns a value of €6.98 per share.

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, 72% of which 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, \$4.5bn of which came from the Labeling and Graphic business unit (68%);
3. **Datalogic SpA**, listed on the Milan Stock Exchange, with a market capitalization of €1.7bn, 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 of €606mn, 93% of which came 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, ca. 27% of which 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 3 segments: printing solutions, visual communications and wearable products and industrial solutions. Specifically, the printing solution segment offers, among others, inkjet printers, scanners and label printers. During 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 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.

The peers have a level of marginality which is virtually in line with Finlogic’s: the average EBITDA margin in 2017 recorded by the 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, when 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 2014-17 period was 1.7%,

whereas the peers' average EBITDA margin (excl. 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 4: Marginalities and Growth Rates Analysis

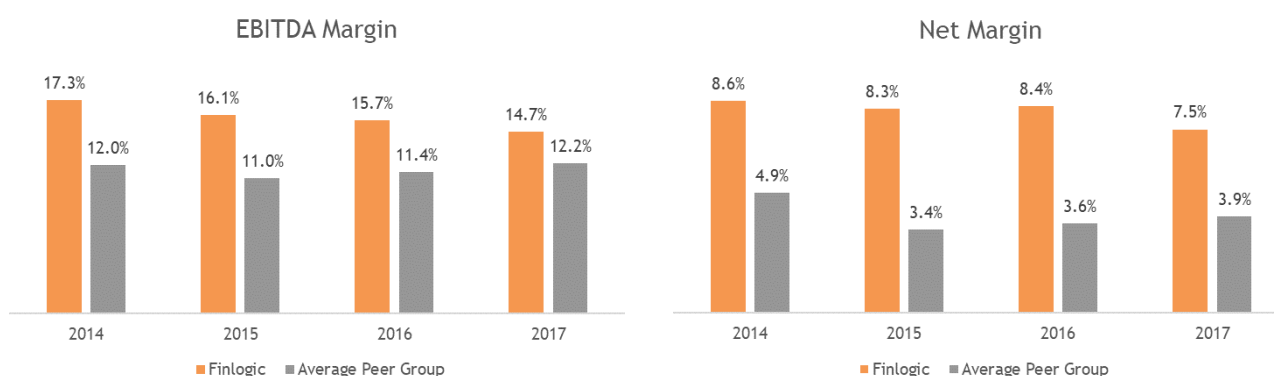
Company Name	FY2017 Sales (€mn)	FY2017 EBITDA Margin	FY2017 Net Margin
AstroNova, Inc.	99	9.4%	2.9%
Avery Dennison Corporation	5,864	13.8%	4.3%
Datalogic S.p.A.	606	16.6%	9.9%
Esprinet S.p.A.	3,217	1.3%	0.8%
Fuji Seal International, Inc.	1,179	14.2%	4.1%
Lintec Corporation	1,923	13.1%	4.5%
Sato Holdings 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 2014-17 period, Finlogic's EBITDA margins and net margins were significantly higher than the peers'. Over the 2014-17 period, on average, Finlogic reported a 15.9% EBITDA margin and an 8.2% net margin, whereas the peers' panel had an 11.6% EBITDA margin and a 4.0% net margin.

Chart 1: Marginality Comparison

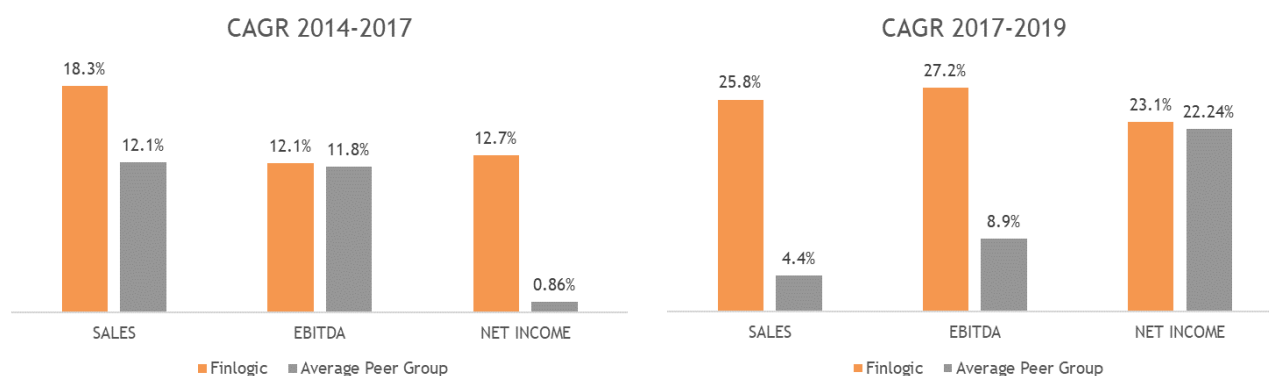


Source: Company data and FactSet data

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

Indeed, over the 2014-17 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 2017-19 period, we expect sales, EBITDA and net income to grow at +25.8%, +27.2% and +23.1% CAGR, respectively.

Chart 2: Growth Rates Comparison



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

Market Multiples Valuation

Following the comparables analysis, we proceeded with the definition of market multiples of the peer group, focusing on 2018 and 2019 data.

Table 5: 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	126	1.24	11.10	25.76	38.58
Avery Dennison Corporation	NYSE	8,100	1.53	11.40	14.03	17.58
Datalogic S.p.A.	Milan	1,856	2.89	17.07	20.54	28.42
Fuji Seal International, Inc.	Tokyo	1,835	1.46	10.22	17.60	30.58
Lintec Corporation	Tokyo	1,676	0.67	5.20	7.53	14.00
Sato Holdings Corporation	Tokyo	998	1.04	9.22	16.44	30.52
ScanSource, Inc.	NASDAQ	883	0.33	8.71	10.13	31.16
Seiko Epson Corp.	Tokyo	5,859	0.59	4.83	8.24	12.77
Zebra Technologies Corporation Class A	NASDAQ	8,014	2.74	13.79	15.23	23.91
Average peer group		2,667	1.39	10.17	15.06	25.28
Median peer group		1,756	1.24	10.22	15.23	28.42
Finlogic SpA	Milan	39	1.07	7.25	9.25	16.33

Source: FactSet data and KT&Partners' estimates

Table 6: 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	129	1.15	9.48	20.76	26.17
Avery Dennison Corporation	NYSE	8,178	1.48	10.80	13.15	16.47
Datalogic S.p.A.	Milan	1,847	2.70	15.20	17.99	24.36
Fuji Seal International, Inc.	Tokyo	1,791	1.33	8.92	14.79	22.25
Lintec Corporation	Tokyo	1,622	0.61	4.58	6.42	11.99
Sato Holdings Corporation	Tokyo	966	0.94	8.02	13.25	23.51
ScanSource, Inc.	NASDAQ	870	0.31	8.38	9.42	12.04
Seiko Epson Corp.	Tokyo	5,696	0.55	4.17	6.84	10.99
Zebra Technologies Corporation Class A	NASDAQ	8,068	2.60	12.85	14.11	19.33
Average peer group		3,241	1.30	9.16	12.97	18.57
Median peer group		1,791	1.15	8.92	13.25	19.33
Finlogic SpA	Milan	40	1.00	6.63	8.95	15.69

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 €7.18 ps.

Table 7: Multiple Valuation

Multiple Valuation (€mn)	2018E	2019E
EV/EBITDA multiple comparison	10.17	9.29
Peer Group EV/EBITDA netted from 10% liquidity discount	9.15	8.36
Finlogic EBITDA	4.80	5.29
Enterprise value	43.93	44.22
Finlogic Net Debt (FY2017)	-4.32	-4.32
Equity Value	48.24	48.53
Number of shares (mn)	6.75	6.75
Value per share	7.15	7.19
Target Price - € ps	7.17	

Multiple Valuation (€mn)	2018E	2019E
P/E multiple comparison	25.28	18.93
Peer Group P/E netted from 10% liquidity discount	22.75	17.04
Finlogic earnings	2.39	2.50
Equity Value	54.48	42.56
Number of shares (mn)	6.75	6.75
Value per share	8.07	6.30
Fair Value (Avg) - € ps	7.19	
Target Price (Avg.) - € ps	7.18	

DCF Model

We also conduct our valuation using a 4-year DCF model based on 9.1% cost of equity, 3.0% cost of debt and a target capital structure with 15% of debt, in line with the average D/E ratios observed for listed companies operating in similar sectors². We, therefore, obtained 8.2% WACC³.

By discounting 2018E-21E annual cash flows and considering a terminal growth rate of 1.5%, we derive a fair value of €6.98 ps.

² Source: Damodaran's website.

³ 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 8: Cash Flow Estimates

€ million	2018E	2019E	2020E	2021E
EBIT	3.76	3.89	4.43	5.11
Taxes	-1.13	-1.15	-1.32	-1.57
D&A	1.04	1.39	1.59	1.36
Change in Net Working Capital	-1.14	-0.83	-0.73	-0.38
Change in Funds	0.10	0.11	0.12	0.12
Net Operating Cash Flow	2.63	3.41	4.09	4.64
Capex	-3.82	-1.35	-1.35	-1.35
FCFO	-1.19	2.06	2.74	3.29
g	1.5%			
Wacc	8.2%			
FCFO (discounted)	-1.08	1.73	2.12	3.29
Discounted Cumulated FCFO	6.05			
TV				49.50
TV (discounted)	38.24			
Enterprise Value	44.29			
NFP FY2017	-4.32			
Equity Value	48.61			
Current number of shares	6.96			
Value per share (€)	6.98			

Source: KT&P estimates

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