

Keep Acting as a Market Consolidator

ADD | Fair Value: €9.00 (€8.54) | Current Price: €6.14 Upside: +47%

€ Million	FY18A	FY19A	FY20A	FY21A	FY22E	FY23E	FY24E
Value of Production	29.5	34.6	45.3	52.8	61.0	77.9	85.4
EBITDA	4.2	4.7	6.6	8.2	9.2	11.3	12.8
margin	14.2%	13.7%	14.6%	15.5%	15.0%	14.6%	15.0%
Net Profit	2.0	2.0	2.6	3.0	4.0	5.3	6.1
margin	6.8%	5.7%	5.7%	5.7%	6.6%	6.8%	7.2%
EPS	0.29	0.28	0.35	0.41	0.55	0.72	0.83
NFP/(Cash)	(2.7)	(1.6)	2.9	2.6	2.1	(0.3)	(3.0)

Source: Company data, KT&Partners' elaboration

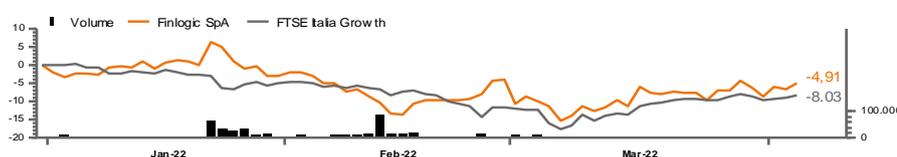
FY21 results: keep growing at double-digit pace. FNL-IT's management kept successfully executing its strategy, leading sales to grow by +18.2% YoY to €51.3mn. Business growth has been driven by the Labels division that increased by +19.3% YoY, accounting for ca. 65% of total sales. A positive performance was also recorded by the Technological Products (+16.7% YoY to €16.7mn) and the Technical Support divisions (+13.4% YoY to €1.4mn). Value of Production (VoP) stood at €52.8mn (+16.7% YoY) whereas EBITDA was up by 23.6% YoY to €8.2mn. EBITDA margin improved by 0.9pp YoY to 15.5% (0.6 pp above our estimates) thanks to economies of scales in OpEx that more than offset the -0.5pp YoY decrease of gross margin. Net income after minorities reached €3mn with a net margin of 5.7% (in line with FY20 figures but 0.4pp below our estimates mainly due to higher incidence of D&As and taxes). Finally, NFP improved by +€0.3mn YoY to €2.6mn, despite i) €1.5mn of dividend payment, ii) €2mn of investments and iii) an NWC/sales ratio almost stable compared to FY20, mainly due to a reduction in DPO and an increase in the inventory/sales ratio to cope with global shortage of raw materials. The BoD also proposed the distribution of €0.136 dividend per share, implying a 2.2% dividend yield.

Nine M&As since IPO. On April 2nd, 2022, FNL-IT announced to have signed an agreement for the acquisition of a 100% stake in Alfacod Srl, one of the most important system integrators within the Italian AIDC market, generating €11.4mn of revenue in 2020. The deal consideration (enterprise value) was set at €4.55mn or at 5.7x EV/EBITDA. Thanks to this acquisition - the ninth since the IPO - FNL-IT will: i) enrich the offer of all the three-business line with new solutions and services (i.e. solutions for logistics and geolocation, RTLS, artificial vision, augmented reality etc.); and ii) leverage on cross-selling activities to further boost growth. To accomplish this goal, FNL-IT has also hired Davide Guerra – who previously worked for Datalogic and Zebra Technology - as Chief of sales and marketing officer with the aim of reorganizing and integrating the commercial network with all the solutions offered by the companies of the Group.

Estimates review. We revised upwards our estimates factoring in FY21 results and the announcement of the acquisition of Alfacod. We note that for FY22 we consider 3-months contribution from Alfacod, assuming the closing of the deal will take place in September 2022. We expect VoP to grow at a CAGR21–24 of 17.4% (vs +8.3% of our previous estimates) amounting to €85.4mn in 2024. We now anticipate EBITDA to grow at a slower pace than VoP (+16.2% CAGR21-24 and +6pp on our previous projections) to factor in the lower profitability of Alfacod. Finally, we foresee FY22 net financial position at €2.1mn (€4mn above our previous estimates also following the cash-out for the acquisition of Alfacod), gradually improving and reaching a net cash position of €3mn in FY24.

Valuation. On the back of our current projections, we updated our valuation – based on both the DCF and multiples method – which returns an average equity value of €66.1mn or €9.00ps, +47% on the current market price. We note that valuation has been negatively impacted by higher WACC parameters due to the current uncertain market situation.

Relative Performance Chart YTD



Research Update

April 11, 2022 – 7.00 h

Equity Research Team
connect@ktepartners.com

Federica FIORENZA
ffiorenza@ktepartners.com

Mauro IACCINO
miaccino@ktepartners.com

Market Data

Main Shareholders	
BF Capital Srl	61.6%
Hydra SpA	10.4%
Italcode Srl	2.7%
Mkt Cap (€ mn)	45
EV (€ mn)	48
Shares out. (mn)	7.3
Free Float	25.3%

Market multiples	2021	2022	2023
EV/EBITDA			
FNL	5.9x	5.3x	4.3x
Comps median	5.6x	6.6x	5.0x
FNL vs Median	6%	-20%	-15%
P/E			
FNL	15.0x	11.2x	8.5x
Comps median	13.9x	15.5x	11.7x
FNL vs Median	8%	-27%	-27%

Stock Data:

52 Wk High (€)	7.24
52 Wk Low (€)	5.40
Avg. Daily Trading 90d	8,926
Price Change 1w (%)	0.33
Price Change 1m (%)	10.83
Price Change YTD (%)	-0.2

Key Figures – Finlogic S.p.A.

	Current price (€)	Fair Value (€)		Free Float (%)					
	6.14	9.00		25.26					
	2017A	2018A	2019A	2020A	2021A	2022E	2023E	2024E	2025E
Per Share Data									
Total shares outstanding (mn)	6.75	6.96	7.08	7.34	7.34	7.34	7.34	7.34	7.34
EPS	0.25	0.29	0.28	0.35	0.41	0.55	0.72	0.83	0.98
Dividend per share (ord)	0.15	0.14	0.14	0.20	0.20	0.14	0.43	0.50	0.59
Dividend payout ratio (%)	60%	50%	51%	57%	50%	25%	60%	60%	60%
Profit and Loss (EUR million)									
Revenues	21.4	28.4	33.0	43.4	51.3	59.4	75.8	83.1	90.5
EBITDA	3.2	4.2	4.7	6.6	8.2	9.2	11.3	12.8	14.4
EBIT	2.6	3.0	3.2	3.9	5.0	6.2	8.1	9.3	10.9
EBT	2.4	3.0	3.2	3.7	4.8	6.0	7.9	9.2	10.8
Taxes	(0.7)	(0.9)	(1.0)	(1.0)	(1.6)	(1.7)	(2.3)	(2.7)	(3.1)
Tax rate	29%	30%	31%	26%	32%	29%	29%	29%	29%
Net Income (including minorities)	1.7	2.1	2.2	2.8	3.3	4.3	5.6	6.5	7.7
Net Income attributable to the Group	1.7	2.0	2.0	2.6	3.0	4.0	5.3	6.1	7.2
Balance Sheet (EUR million)									
Total fixed assets	2.3	4.3	7.1	15.4	14.5	17.0	15.6	14.0	12.4
Net Working Capital (NWC)	6.1	8.2	8.5	12.6	15.0	17.3	19.4	21.9	24.1
Provisions	(0.9)	(1.3)	(1.5)	(2.7)	(2.9)	(4.8)	(5.5)	(6.2)	(7.0)
Total Net capital employed	7.5	11.2	14.1	25.3	26.6	29.4	29.5	29.6	29.5
Net financial position (NFP)	(4.3)	(2.7)	(1.6)	2.9	2.6	2.1	(0.3)	(3.0)	(6.4)
Group Shareholder's Equity	11.7	13.6	15.1	21.7	23.2	26.2	28.4	30.8	33.7
Minorities	0.1	0.4	0.6	0.8	0.8	1.1	1.4	1.8	2.2
Total Shareholder's Equity	11.8	13.9	15.6	22.5	24.0	27.3	29.8	32.6	35.9
Cash Flow (EUR million)									
Net operating cash flow	2.5	3.3	3.7	5.4	6.9	7.2	9.0	10.1	11.2
Change in NWC	(1.5)	(2.0)	(0.4)	(4.1)	(2.4)	(0.3)	(2.2)	(2.5)	(2.2)
Capital expenditure	(0.4)	(0.7)	(3.3)	(7.0)	(1.8)	(2.0)	(1.5)	(1.5)	(1.5)
Investments in intangible assets	(0.5)	(2.4)	(0.8)	(3.9)	(0.3)	(3.5)	(0.2)	(0.2)	(0.2)
Other cash items/Uses of funds	0.0	0.3	0.0	1.0	(0.0)	(0.0)	0.5	0.6	0.6
Free cash flow	0.1	(1.5)	(0.6)	(8.6)	2.4	1.3	5.7	6.5	7.8
Enterprise Value (EUR million)									
Market Cap	32.7	36.6	40.2	44.1	44.9	45.1	45.1	45.1	45.1
Minorities	0.1	0.4	0.6	0.8	0.8	1.1	1.4	1.8	2.2
Net financial position	(4.3)	(2.7)	(1.6)	2.9	2.6	2.1	(0.3)	(3.0)	(6.4)
Enterprise value	28.5	34.2	39.2	47.7	48.3	48.3	46.2	43.9	40.9
Ratios (%)									
EBITDA margin	14.5%	14.2%	13.7%	14.6%	15.5%	15.0%	14.6%	15.0%	15.5%
EBIT margin	11.0%	10.3%	9.4%	8.6%	9.4%	10.1%	10.4%	10.9%	11.7%
Gearing - Debt/equity	-36.8%	-20.2%	-10.4%	13.2%	11.0%	8.1%	-0.9%	-9.7%	-19.0%
Interest cover on EBIT	1.7%	1.4%	2.1%	4.3%	2.8%	2.5%	1.8%	1.4%	1.1%
NFP/EBITDA	-133.2%	-65.1%	-33.1%	43.3%	31.3%	23.1%	-2.4%	-23.2%	-44.6%
ROCE	35.2%	27.3%	23.0%	15.4%	18.6%	21.0%	27.4%	31.4%	37.0%
ROE	14.2%	14.8%	13.1%	11.9%	13.0%	15.3%	18.7%	19.9%	21.4%
EV/Sales	2.3x	1.7x	1.5x	1.1x	0.9x	0.8x	0.6x	0.6x	0.5x
EV/EBITDA	14.9x	11.5x	10.2x	7.3x	5.9x	5.3x	4.3x	3.8x	3.4x
P/E	27.0x	22.4x	22.9x	17.5x	15.0x	11.2x	8.5x	7.4x	6.3x
Free cash flow yield	0.3%	-3.3%	-1.4%	-19.0%	5.3%	3.0%	12.6%	14.4%	17.4%
Growth Rates (%)									
Sales	19.1%	32.2%	17.1%	30.8%	16.7%	15.6%	27.7%	9.6%	8.9%
EBITDA	10.3%	29.8%	9.2%	12.5%	39.6%	23.5%	12.4%	23.6%	13.1%
EBIT	4.9%	23.7%	6.3%	20.6%	26.8%	24.5%	31.0%	15.2%	17.3%
Net Income	5.7%	20.5%	-2.1%	31.0%	16.7%	33.3%	31.9%	15.6%	17.7%

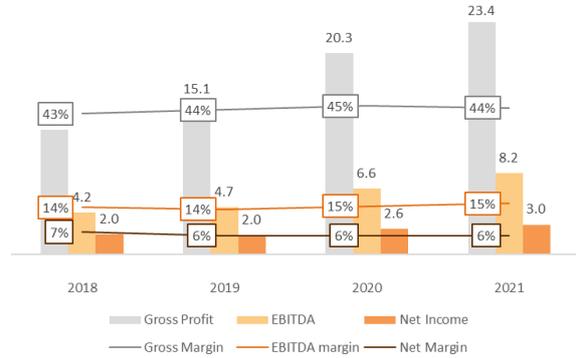
Source: Company data, KT&Partners' elaboration

Key charts

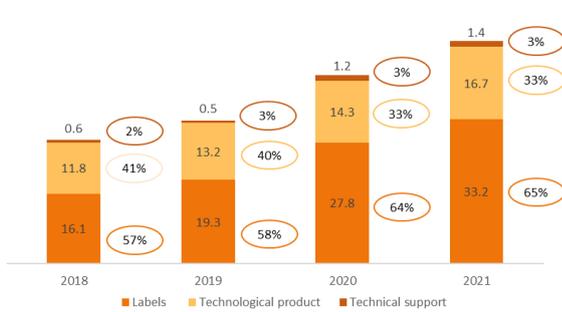
Sales Revenues and Value of Production (€mn)



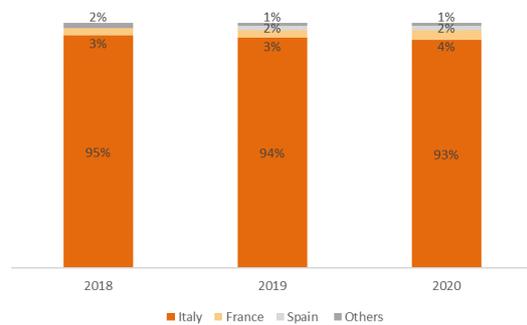
Gross Margin, EBITDA Margin, Net Margin (€mn, %)



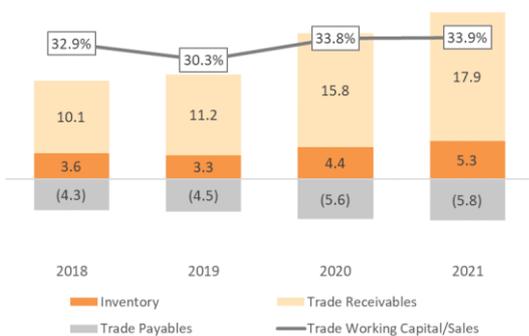
Sales Revenues by Business Line(€mn)



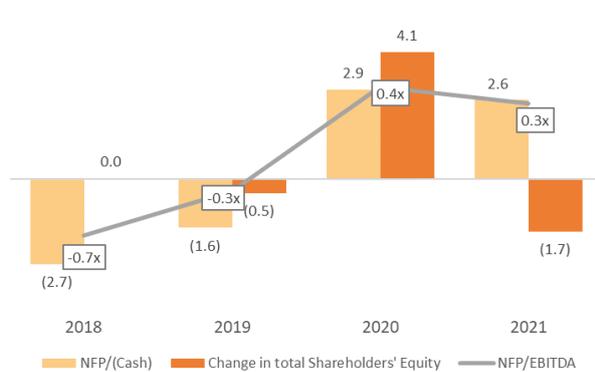
Sales Revenue by Geography (%)



Trade Working Capital (€mn, %)



NFP, NFP/EBITDA and Change in Total Shareholders' Equity



Overview

Company description

Finlogic (FNL-IT) is one of the main Italian reference players in the automatic identification and labeling system sector. The Group has a complete integrated offer - including labels (also based on RFID technologies), label printers and reading systems - distributed by an extensive sales force, covering the entire Italian territory. Clients' services and retention is ensured by a dedicated technical support team.

After listing on EGM Market, on June 9th, 2017 – with a capital raise of €6.3mn – FNL-IT has pursued an ambitious strategy based on both organic growth and external lines opportunities. The company is committed in consolidating its national presence to become a leading player in a very fragmented and easily scalable market.

At the IPO, the Volta family, Datalogic's founder and main shareholder, acquired a 2.87% stake of FNL-IT through the holding Hydra SpA. Afterwards, Hydra SpA increased its ownership to 10.78%, becoming FNL-IT's second shareholder, with the aim of supporting the industrial growth and internationalization path of the Group.

Investment case

- **A high-quality company.** Over the period 2017-21 was able to match sustainable growth +24% CAGR sales growth (thanks to both organic and external lines), with profitability, +25% CAGR EBITDA growth, and cash flow generation, the cash conversion ratio (OCF/EBITDA) was on average +47%.
- **Cross selling opportunities based on an integrated offer.** Thanks to the integrated offer, which comprises consumables (labels and ribbon), hardware (labels printers and barcode readers) and technical support, the Group boasts strong cross-selling capacity.
- **A consolidator in the Italian labeling and Automatic Identification market.** Over the 2017-2022 period, FNL-IT has closed ninth M&A deals (Multitec, Tecmark, Iride Italia, Mobile Project, Smart Lab Industrie 3d, System Code, STAF, Socialware Italy Srl and Alfacod) integrating both its labels and technology business. We think that over the coming years FNL-IT could leverage on its cash generation ability and strong balance sheet to further accelerate its growth through external lines.

Recent developments

- In April 2022, FNL-IT announced to have signed an agreement for the acquisition of a **100% stake in Alfacod Srl** – a leading system integrator within the Italian AIDC market – for a total consideration of €4.55mn.
- FNL-IT appointed **Davide Guerra** – previously employed in Datalogic and Zebra Technology – as **Chief of sales and marketing officer** to strengthen company's marketing and commercial structure.
- In September 2021, FNL-IT signed a binding agreement for the **acquisition of the remaining 49% stake in Mobile Project Srl** – engaged in software development in the automatic identification segment – with the aim to build an in-house software division.
- In July 2021, FNL-IT announced to have completed activities aimed to strengthen the production capacity of its plant in Acquaviva delle Fonti (Bari), acquired in 2019, for a total amount of €2.4mn over the 2019–21 period. Thanks to the purchase of the latest generation machinery and a 30% increase in surface area, production capacity increased by 20%.
- In 2020, FNL-IT signed partnership agreements with three multinational players active in the Auto-ID & Data Capture sector – **Datalogic, TSC Auto ID Technology Emea** and **Custom** – and with **EPSON** for the first automatic print&apply system for color labels suitable for any production chain.

FY21 Financial Results

In FY21, FNL-IT kept growing at double-digit pace both in terms of topline and margins, consolidating its positioning within the label and AIDC industry.

Sales were up +18.2 YoY to €51.3mn thanks to the positive performance recorded by all business lines. The main contribution came from the Label division that increased by 19.3% YoY, generating 64.7% of total revenues (€33.2mn), also thanks to a strengthened production capacity in the plant in Acquaviva delle Fonti and a reinforced commercial workforce. The Technological Product division generated €16.7mn of revenues, increasing by 16.7%, whereas sales from technical support amounted to €1.4mn (+13.4% YoY).

Value of production increased at a slower pace than revenue (+16.7% YoY to €52.8mn) following lower government grants compared to FY20.

The lower contribution from government grants coupled with the increase in paper costs (partially mitigated thanks to higher selling prices), has led gross margin down by -0.5pp YoY. In absolute terms, gross profit grew by 15.4% YoY to €23.4mn.

The decrease in gross margin was more than offset by economies of scales in OpEx, leading EBITDA margin to increase by 0.9pp YoY to 15.5%, beating our estimates by +0.6 pp. EBITDA grew at higher pace than revenue of 23.6% YoY, amounting at €8.2mn.

FY21 EBIT came in at €5mn, +26.8% YoY, with a margin of 9.4%, up by 0.8pp YoY but -0.4pp below our projections mainly due to higher incidence than expected of D&As.

A good performance was also recorded at the bottom-line level as FNL's net income after minorities reached €3mn, up by +16.7% YoY, with a net margin in line with FY20 at 5.7% (0.4pp below our estimates mainly due to higher taxes and minorities).

Finally, NFP went from €2.9mn in FY20 to €2.6mn (0.3x NFP/EBITDA), ca. +€1.5mn higher than expected mainly due to a strong reduction in DPO. We note that NFP was also impacted by €1.5mn of dividend payment.

FY21 Income Statement

€ million	FY18A	FY19A	FY20A	FY21A	YoY %	FY21E	A vs E
Labels	16.1	19.3	27.8	33.2	19.3%	33.2	0.1%
Technological products	11.8	13.2	14.3	16.7	16.7%	16.7	0.1%
Technical Support	0.6	0.5	1.2	1.4	13.4%	1.4	0.1%
Sales	28.4	33.0	43.4	51.3	18.2%	51.2	0.1%
Growth %	32.9%	16.0%	31.5%	18.2%			
Other revenues	1.0	1.2	1.8	1.4	-23.5%	1.3	6.4%
Changes in stocks of semi-finished and finished goods	(0.0)	0.1	(0.1)	(0.0)	-78.3%	0.0	n.m.
Internally generated Fixed assets	0.1	0.3	0.2	0.1	-20.2%	0.2	-27.5%
Value of Production	29.5	34.6	45.3	52.8	16.7%	52.7	0.1%
Growth %	32.2%	17.1%	30.8%	16.7%		44.8%	
Cost of Goods Sold	(17.0)	(19.5)	(25.0)	(29.4)	17.7%	(29.2)	0.7%
Gross Profit	12.6	15.1	20.3	23.4	15.4%	23.6	-0.6%
Gross Margin	42.6%	43.7%	44.9%	44.4%	-0.5%	44.7%	-0.3%
Labour Cost	(4.3)	(5.5)	(7.2)	(8.1)	12.2%	(8.2)	-1.4%
Services	(4.0)	(4.7)	(6.3)	(6.9)	10.3%	(6.8)	1.8%
Other Operating Costs	(0.1)	(0.1)	(0.2)	(0.3)	17.1%	(0.8)	-63.4%
EBITDA	4.2	4.7	6.6	8.2	23.6%	7.8	4.2%
EBITDA margin	14.2%	13.7%	14.6%	15.5%	0.9%	14.9%	0.6%
D&A and Write-Down	(1.2)	(1.5)	(2.7)	(3.2)	18.8%	(2.7)	19.0%
EBIT	3.0	3.2	3.9	5.0	26.8%	5.1	-3.6%
EBIT margin	10.3%	9.4%	8.6%	9.4%	0.8%	9.7%	-0.4%
Financial Income and Expenses	(0.0)	(0.1)	(0.2)	(0.1)	148.4%	(0.3)	-59.4%
Extraordinary items							n.m.
EBT	3.0	3.2	3.7	4.8	28.8%	4.8	0.4%
Taxes	(0.9)	(1.0)	(1.0)	(1.6)	59.8%	(1.4)	12.3%
Net Income	2.1	2.2	2.8	3.3	17.8%	3.4	-4.4%
Net margin	7.1%	6.3%	6.1%	6.2%	0.1%	6.5%	-0.3%
Minorities	0.1	0.2	0.2	0.2	33.5%	0.2	45.7%
Net Income attributable to the Group	2.0	2.0	2.6	3.0	16.7%	3.2	-7.0%
Group Net margin	6.8%	5.7%	5.7%	5.7%	0.0%	6.1%	-0.4%
NFP (Cash)	(2.7)	(1.6)	2.9	2.6	(0.3)	1.1	1.5

Source: Company data

Acting as Market Consolidator

On April 2nd, 2022, FNL-IT announced its ninth acquisition since IPO demonstrating great M&A deal-making and execution. The Company signed an agreement to acquire a 100% stake of Alfacod Srl, one of the main system integrators in the Italian AIDC market. The deal consideration (enterprise value) was fixed at €4.55mn (5.7x EV/EBITDA) of which €4mn will be paid at the closing data (expected between 15 June 2022 and 30 September 2022), €275k by 30 June 2023 and €275k by 30 June 2024. In 2020, Alfacod generated €11.4mn of revenues, reporting an adjusted EBITDA of €0.8mn and a net cash position of €2.4mn.

Based in Bologna, Alfacod is active in the AIDC market since 1986, becoming a reference player also thanks to the foundation in 2008 of the Italian Academy AIDC with the aim of spreading technological innovations in data capture and auto-id solutions. The company has also developed the “Alfacod Experience Center”, an exhibition space of over 300 square meters in which customers can see and touch the products, technologies and all the solutions developed.

Thanks to this acquisition FNL-IT will: i) integrate its offer with high-tech Automatic Identification solutions for logistics, geolocation, RTLS, robotics, augmented reality and industrial automation; ii) expand its market positioning, in particular reinforcing its presence in the North-East of Italy; and iii) leverage on cross selling opportunities to further boost growth.

According to our calculations and estimates, the cash out of all M&A deals carried out since IPO should be ca. €15.2mn with an average EV/EBITDA acquisition multiple of 3.6x.

Finlogic M&As Recap

Target	Year	Announced Date	Closing Date	Stake	Transaction Value	Enterprise Value	Revenues	EBITDA	NFP	EV/EBITDA
Multitec*	2018	dec-17	jan-18	100%	0.05	0.02	0.2	n.a.	0.0	n.a.
Tecmark	2018	dec-17	jan-18	100%	1.87	1.69	3.5	0.5	-0.2	3.4x
Iride Italia	2018	jul-18	jul-18	51%	0.55	0.83	3.0	0.4	-0.3	2.2x
Mobile Project	2018	jul-18	jul-18	100%	0.13	0.18	0.4	0.1	0.0	3.5x
Smart Lab Industrie 3d**	2019	dec-18	feb-19	51%	0.08	0.15	0.1	0.0	0.0	5.3x
System Code	2019	jul-19	jul-19	100%	0.65	0.60	1.2	0.4	-0.1	1.4x
STAF	2020	dec-19	jan-20	100%	4.60	6.00	9.8	1.0	1.4	6.0x
Socialware Italy Srl	2020	jan-20	feb-20	51%	0.15	0.16	0.3	0.1	-0.1	1.8x
Mobile Project	2021	dec-21	dec-21	49%	0.17	0.18	0.7	0.1	-0.2	3.5x
Alfacod	2022	apr-22	jun-22	100%	6.95	4.55	11.4	0.8	-2.4	5.7x
Total					15.20	14.34	30.55	3.31	-1.78	n.m.
Average					1.52	1.43	3.05	0.37	-0.18	3.6x

* financials data refer to FY17. Source: Leanus

** Source for EBITDA: Leanus

Source: Company Data, Leanus, KT&Partners' elaboration

To fully exploit cross-selling opportunities between its subsidiaries, FNL-IT has also hired Davide Guerra as Chief of sales and marketing officer. With 30+ years of experience in multinational companies such as Datalogic and Zebra Technologies, Davide Guerra will support FNL-IT in integrating its offer while expanding the commercial workforce also to enter foreign countries.

Change in Estimates

On the back of FY21 results and the announcement of the acquisition of Alfacod, we revised upwards our estimates. We note that for 2022 we prudentially consider 3-months contribution from the target, expecting the deal to be closed in September 2022. For FY23 onwards our projections factor in the full contribution of Alfacod.

We revised upwards our top-line estimates over the 2022–24 period, leaving unchanged organic growth while factoring in the contribution of the new target. We now anticipate FY22 Sales revenues at €59.4mn, growing at a CAGR21-24 of 17.5%, amounting to €83.1mn in FY24. Following the acquisition of Alfacod, we expect the technical support division to record the highest growth of 42.5% CAGR21-24, amounting to €4mn in FY24 (ca. 5% of total revenue). We expect that the main contribution to sales will continue to come from the Label division, generating ca. 70% of sales in FY24 (€58.1mn, +20.5% CAGR21-24), followed by the technological products division that we expect will account for ca. 25% of FY24 sales (ca. €21mn, + 7.9% CAGR21-24).

Following sales revision, we now expect FY22 VoP at €61mn, growing by +17.4% CAGR21-24 (+8.3pp on our previous estimates), reaching €85.4mn in FY24.

On the profitability side, we revised our EBITDA margin estimates to take into account: i) the higher-than-expected marginality recorded in FY21; ii) the persisting global shortage with an impact on costs of paper; iii) the lower profitability of Alfacod that will full impact group profitability in FY23, while improving in the following years also leveraging on costs synergies; and iv) an increase in labor costs incidence following the recruitment of Davide Guerra. As a result, we lowered our EBITDA margin estimates by 20bps in FY22 (to 15%) and by ca. 100bps in FY23 and FY24, reaching 15% in FY24

In absolute terms, we project EBITDA to grow at +16.2% CAGR21-24 (vs +10.2% CAGR21-24 of our previous estimates), going from €9.2mn in FY22 to €12.8mn in FY24.

Looking at the bottom line, we foresee net income to go from €4mn in FY22 to €6.1mn in FY24, increasing at a CAGR21–24 of 26.7% (+6.5pp above our previous estimates).

Finally, we expect the NFP to be €2.1mn in FY22, also factoring in €4mn of net cash out for the acquisition of Alfacod, to turn positive in 2023, reaching a net cash position of €3mn by 2024. We note that, following business growth, we also slight revised our CAPEX over the 2023-2024 period to factor in investments that could be carried out with the aim to expand production capacity.

Change in Estimates

€ million	2019A	2020A	2021A New	Change	2022E		Change	2023E		Change	2024E		CAGR 2021-24 Old	CAGR 2021-24 New
					Old	New		Old	New		Old	New		
Value of Production	34.6	45.3	52.8	16.7%	57.7	61.0	5.7%	63.0	77.9	23.7%	68.5	85.4	9.1%	17.4%
YoY Change (%)		30.8%	16.7%		9.3%	15.6%		9.2%	27.7%		8.8%	9.6%		
EBITDA	4.7	6.6	8.2	23.5%	8.8	9.2	4.5%	9.8	11.3	15.5%	10.9	12.8	10.2%	16.2%
YoY Change (%)		39.6%	23.5%		7.6%	12.4%		11.7%	23.6%		11.3%	13.1%		
EBITDA Margin (%)	13.7%	14.6%	15.5%		15.2%	15.0%		15.6%	14.6%		15.9%	15.0%		
EBIT	3.2	3.9	5.0	26.8%	5.8	6.2	5.9%	6.7	8.1	21.1%	8.0	9.3	17.6%	23.4%
YoY Change (%)		20.6%	26.8%		17.6%	24.5%		14.6%	31.0%		20.6%	15.2%		
EBIT Margin (%)	9.4%	8.6%	9.4%		10.1%	10.1%		10.6%	10.4%		11.7%	10.9%		
Group Net Income	2.0	2.6	3.0	16.7%	3.7	4.0	8.3%	4.3	5.3	23.4%	5.2	6.1	20.2%	26.7%
YoY Change (%)		31.0%	16.7%		23.2%	33.3%		15.7%	31.9%		21.9%	15.6%		
Net Debt (Cash)	(1.6)	2.9	2.6	-0.3	(1.9)	2.1	4.0	(4.9)	(0.3)	4.7	(8.3)	(3.0)		

Source: FactSet, KT&Partners' elaboration

Valuation

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

- EV/EBITDA and P/E multiple, with a 10% liquidity discount, which returns a value of €6.88 per share.
- DCF analysis, based on WACC of 9.6% and 1.5% perpetual growth, returns a value of €11.12 per share.

The weighted average of the two methods yields a fair value of €9.00 per share, with an equity value of €66.1mn.

Valuation Recap

	Equity Value €mn	Value per share €
DCF	81.6	11.12
Multiples	50.5	6.88
Average	66.1	9.00

Source: FactSet, KT&Partners' elaboration

Market Multiples Valuation

Following the comparables analysis, we proceeded with the definition of market multiples of the peer group, focusing on data for the three-year period 2021–23.

Peer Comparison – Market Multiples 2021–23

Company Name	Exchange	Market Cap	EV/SALES 2021	EV/SALES 2022	EV/SALES 2023	EV/EBITDA 2021	EV/EBITDA 2022	EV/EBITDA 2023	EV/EBIT 2021	EV/EBIT 2022	EV/EBIT 2023	P/E 2021	P/E 2022	P/E 2023
AstroNova, Inc.	NASDAQ	99	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	24.5x	28.6x	n.m.	n.m.	n.m.	n.m.
Avery Dennison Corporation	NYSE	13,113	2.2x	1.9x	1.8x	14.6x	12.0x	11.1x	18.0x	15.1x	13.8x	20.2x	18.1x	16.2x
Datalogic S.p.A.	Milan	547	0.9x	0.9x	0.8x	6.8x	9.0x	6.3x	11.3x	18.2x	9.8x	12.9x	24.6x	12.7x
Fuji Seal International, Inc.	Tokyo	739	0.5x	0.5x	0.5x	4.4x	4.1x	3.7x	7.2x	6.6x	5.7x	14.9x	12.8x	10.7x
Lintec Corporation	Tokyo	1,335	0.4x	0.4x	0.4x	3.1x	3.0x	2.8x	4.9x	4.6x	4.3x	10.2x	10.0x	9.1x
Seiko Epson Corp.	Tokyo	5,157	0.5x	0.5x	0.6x	3.5x	3.7x	3.6x	6.1x	6.4x	6.0x	9.5x	10.4x	9.8x
Zebra Technologies Corporation Class A	NASDAQ	20,353	4.4x	3.9x	3.6x	20.7x	16.6x	14.8x	24.6x	17.9x	16.2x	23.8x	21.2x	18.6x
Average peer group		5,906	1.5x	1.3x	1.3x	8.8x	8.1x	7.1x	13.8x	13.9x	9.3x	15.3x	16.2x	12.8x
Median peer group		1,335	0.7x	0.7x	0.7x	5.6x	6.6x	5.0x	11.3x	15.1x	7.9x	13.9x	15.5x	11.7x
Finlogic SpA		45	0.9x	0.8x	0.6x	5.9x	5.3x	4.3x	9.8x	7.9x	6.0x	15.0x	11.2x	8.5x

Source: FactSet, KT&Partners' elaboration

We based our evaluation upon 2022 and 2023 median EV/EBITDA and P/E multiples and our estimates of FNL's EBITDA and net income for 2022 and 2023. We also consider FY21 NFP (at €2.6mn) adjusted for cash-out following Alfacod acquisition. Additionally, considering the existing differences in terms of liquidity between FNL and its comparables, we applied a 10% liquidity discount on the median multiples.

Multiple Valuation

Multiple Valuation (€mn)	2022E	2023E
EV/EBITDA multiple comparison	6.6	5.0
Peer Group EV/EBITDA netted from 10% liquidity discount	5.9	4.5
Finlogic EBITDA	9.2	11.3
Enterprise value	54.2	51.2
Minorities	0.8	0.8
FY21 NFP Adj.	6.6	6.6
Equity Value	46.8	43.8
Number of shares (mn)	7.3	7.3
Value per share	6.4	6.0
Fair Value (Avg) - € ps	6.17	

Multiple Valuation (€mn)	2022E	2023E
P/E multiple comparison	15.46	11.68
Peer Group P/E netted from 10% liquidity discount	13.92	10.51
Finlogic earnings	4.01	5.29
Equity Value	55.85	55.63
Number of shares (mn)	7.3	7.3
Value per share	7.61	7.58
Fair Value (Avg) - € ps	7.59	
Fair Value (Avg.) - € ps	6.88	

Source: FactSet, KT&Partners' elaboration

DCF Valuation

We have also conducted our valuation using a four-year DCF model, based on 10.3% cost of equity (vs the previous at 9.5%), 3% cost of debt and a target capital structure with 10% of debt. The cost of equity is a function of the risk-free rate of 2.3% (Italian 10y BTP, from 1.37% in our previous research), 4.6% mature market expected return and a premium for size and liquidity of 3.1%. **We, therefore, obtained 9.6% WACC** (+0.8pp from the previous research at 8.8%).

We discounted 2022E–25E annual cash flows and considered a terminal growth rate of 1.5%, deriving a fair value of €11.12ps. Then we carried out a sensitivity analysis on the terminal growth rate (+/- 0.25%) and on WACC (+/- 0.25%).

DCF Valuation				
€ million	2022E	2023E	2024E	2025E
EBIT	6.2	8.1	9.3	10.9
Taxes	-2.0	-2.3	-2.7	-3.2
D&A	2.8	3.1	3.3	3.3
Change in Net Working Capital	-0.3	-2.2	-2.5	-2.2
Change in Funds	0.4	0.5	0.6	0.6
Net Operating Cash Flow	7.1	7.2	8.0	9.4
Capex	-5.5	-1.7	-1.7	-1.7
FCFO	1.6	5.5	6.3	7.7
g	1.5%			
Wacc	9.6%			
FCFO (discounted)	1.46	4.68	4.91	5.44
Discounted Cumulated FCFO	16.5			
TV	96.3			
TV (discounted)	68.5			
Enterprise Value	85.0			
FY21 NFP Adjusted	2.6			
Minorities	0.8			
Equity Value	81.6			
Current number of shares	7.3			
Value per share (€)	11.12			

Source: Company data, KT&Partners' elaboration

Sensitivity Analysis (€ps)

€mn	Long Term Growth Rate	WACC				
		10.6%	10.1%	9.6%	9.1%	8.6%
	0.5%	8.89	9.42	10.00	10.66	11.40
	1.0%	9.30	9.88	10.53	11.26	12.08
	1.5%	9.76	10.40	11.12	11.93	12.86
	2.0%	10.27	10.98	11.78	12.70	13.76
	2.5%	10.84	11.63	12.54	13.59	14.80

Source: Company data, KT&Partners' elaboration

Appendix

Peer Comparison

We built a seven-company sample, which includes:

1. AstroNova Inc., listed on NASDAQ, with a market capitalization of €100mn, is a global leader in developing and applying data visualization technologies in products serving industrial, packaging, aerospace and defense markets. In particular, through one of its business lines, AstroNova provides labeling solutions ranging from tabletop label printers to industrial label presses. During FY20, the company had \$133mn revenues, 66% of which came from the Product Identification business segment;
2. Avery Dennison Corp., listed on the NYSE, with a market capitalization of €13.1bn, 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 FY21, the company recorded \$7.0bn revenues, \$4.7bn of which came from the Labeling and Graphic business unit (68%);
3. Datalogic SpA, listed on the Milan Stock Exchange, with a market capitalization of €0.5bn, is a global technology leader in the automatic data capture and process automation markets, specialized in the designing, production and distribution of barcode readers, mobile computers, scanners, RFID systems etc. In particular, Datalogic offers its solutions to the retail, manufacturing, healthcare and transportation industries. During FY20, Datalogic reported revenues of €600mn;
4. Fuji Seal International Inc., listed on the Tokyo Stock Exchange, with a market capitalization of €0.7bn, engages in the development and sale of packaging solutions, offering shrink sleeve labels, self-adhesive labels, spouted pouches and packaging machinery. The company reported ¥160bn revenues during FY20, with self-adhesive labels accounting for 14.3%, shrink labels accounting for 56.3% and other labels accounting for 0.7%;
5. Lintec Corp., listed on the Tokyo Stock Exchange, with a market capitalization of €1.3bn, develops and sells pressure-sensitive materials, specialty paper products and films. In particular, through its “printing and variable information-related products”, it offers adhesive papers and films for seal and labels, barcode label supplies and digital label printing machines. Lintec Corp. reported ¥241bn revenues during FY20, ca. 51% of which came from the “printing and variable industrial materials products”;
6. Seiko Epson Corp., listed on the Tokyo Stock Exchange, with a market capitalization of €5.2bn, engages in the development, production and sale of technology products through three segments: printing solutions, visual communications and wearable products and industrial solutions. Specifically, the printing solution segment offers, among other items, inkjet printers, scanners and label printers. During FY20, Seiko Epson Corp. recorded ¥1,036bn sales, of which ¥708bn came from the printing solutions segment (68%);
7. Zebra Technologies Corp., listed on NASDAQ, with a market capitalization of €20.4bn, 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 FY21, the company generated \$4.7bn revenues.

DISCLAIMER

THIS DOCUMENT WAS PREPARED BY FEDERICA FIORENZA – SENIOR ANALYST – AND MAURO IACCINO – SENIOR ANALYST – ON BEHALF OF KT&PARTNERS S.R.L., WITH REGISTERED OFFICE AT VIA DELLA POSTA 10, MILAN, ITALY, MILAN COMPANY REGISTER NO. 1926922, SPECIALIZING IN FINANCIAL RESEARCH AND ANALYSIS (HEREINAFTER, “KT&PARTNERS”).

NO OTHER PEOPLE OR COMPANY CONTRIBUTED TO THE RESEARCH. NEITHER THE MEMBERS OF THE RESEARCH TEAM, NOR ANY PERSON CLOSELY ASSOCIATED WITH THEM HAVE ANY RELATIONSHIPS OR ARE INVOLVED IN CIRCUMSTANCES THAT MAY REASONABLY BE EXPECTED TO IMPAIR THE OBJECTIVITY OF THE RESEARCH, INCLUDING INTERESTS OR CONFLICTS OF INTEREST, ON THEIR PART OR ON THE PART OF ANY NATURAL OR LEGAL PERSON WORKING FOR THEM, WHO WAS INVOLVED IN PRODUCING THE RESEARCH.

FOR THIS PURPOSE, THE MEMBERS OF THE RESEARCH TEAM CERTIFY THAT: (I) THEY HAVE NOT RECEIVED AND WILL NOT RECEIVE ANY DIRECT OR INDIRECT COMPENSATION IN EXCHANGE FOR ANY VIEWS EXPRESSED IN THE RESEARCH; (II) THEY DO NOT OWN ANY SECURITIES AND/OR ANY OTHER FINANCIAL INSTRUMENTS ISSUED BY THE COMPANY OR ANY FINANCIAL INSTRUMENT WHICH THE PRICE DEPENDS ON, OR IS LINKED TO ANY SECURITIES AND/OR ANY FINANCIAL INSTRUMENTS ISSUED BY THE COMPANY; (III) NEITHER THE ANALYSTS NOR ANY MEMBER OF THE ANALYST’S HOUSEHOLD SERVE AS AN OFFICER, DIRECTOR OR ADVISORY BOARD MEMBER OF THE COMPANY.

KT&PARTNERS HAS IN PLACE AN EQUITY RESEARCH POLICY, IN ORDER TO RULE RESEARCH SERVICES IN COMPLIANCE WITH PARLIAMENT REGULATION (EU) NO.596/2014 AND COMMISSION DELEGATED REGULATION (EU) NO. 958/2016 ON MARKET ABUSE. IN THIS POLICY, THERE ARE ALSO DESCRIBED THE ORGANIZATIONAL MECHANISMS ADOPTED BY KT&PARTNERS TO PREVENT AND PROFESSIONALLY MANAGE CONFLICTS OF INTEREST THAT MAY ARISE DURING THE PERFORMANCE OF THE RESEARCH. IN ANY CASE, CHINESE WALLS AND OTHER INFORMATION BARRIERS ARE IN PLACE TO AVOID THE EXCHANGE OF CONFIDENTIAL INFORMATION BETWEEN THE EQUITY RESEARCH DEPARTMENT AND OTHER SERVICES AREAS.

KT&PARTNERS PREPARED THIS DOCUMENT ON BEHALF OF FINLOGIC SPA ACCORDING TO AN AGREEMENT ENTERED WITH THE SAME AND ON THE BASIS OF THE DATA AND PUBLIC INFORMATION PROVIDED BY THE SAME OR DERIVED FROM SOURCES DEEMED SERIOUS AND RELIABLE ON THE FINANCIAL MARKET BUT WHOSE ABSOLUTE TRUSTWORTHINESS, COMPLETENESS, AND ACCURACY CANNOT BE GUARANTEED. THE FEES AGREED FOR THIS RESEARCH DO NOT DEPEND ON THE RESULTS OF THE RESEARCH.

KT&PARTNERS PUBLISHED A REPORT ON FINLOGIC ON JANUARY 28, 2022 WITH A FAIR VALUE OF €8.54 PER SHARE.

THIS DOCUMENT IS A SOURCE OF INFORMATION ONLY, AND IS NOT PART OF, AND IN NO WAY MUST BE CONSIDERED AN OFFER TO SELL, SUBSCRIBE OR TRADE, OR A SOLICITATION TO PURCHASE, SUBSCRIBE OR TRADE, FINANCIAL INSTRUMENTS/PRODUCTS, OR IN GENERAL TO INVEST, NOR MUST IT BE CONSIDERED ANY FORM OF CONSULTING FOR AN INVESTMENT IN FINANCIAL INSTRUMENTS.

THE INFORMATION PROVIDED IN THIS DOCUMENT MUST NOT BE UNDERSTOOD AS A REQUEST OR SUGGESTION TO CONDUCT OR CARRY OUT A SPECIFIC TRANSACTION.

EACH INVESTOR MUST FORM HIS/HER OWN OPINION BASED EXCLUSIVELY ON HIS/HER ASSESSMENT OF THE ADVISABILITY OF INVESTING. ANY INVESTMENT DECISION MADE ON THE BASIS OF THE INFORMATION AND ANALYSES IN THIS DOCUMENT IS THE EXCLUSIVE RESPONSIBILITY OF THE RECIPIENTS OF THIS DOCUMENT, WHO MUST CONSIDER THIS

DOCUMENT MERELY AS A SOURCE OF INFORMATION AND ANALYSIS TO SUPPORT SUCH DECISION.

ANY OPINIONS, FORECAST OR ESTIMATES CONTAINED HEREIN CONSTITUTE A JUDGEMENT AS AT THE DATE OF THIS DOCUMENT, AND THERE CAN BE NO ASSURANCE THAT THE FUTURE RESULTS OF THE COMPANY AND/OR ANY FUTURE EVENTS WILL BE CONSISTENT WITH ANY OF SUCH OPINIONS, FORECAST OR ESTIMATES.

KT&PARTNERS MAKES NO EXPLICIT OR IMPLICIT GUARANTEE WITH RESPECT TO PERFORMANCE OR THE OUTCOME OF ANY INVESTMENT OR PROJECTIONS MADE.

THEREFORE, KT&PARTNERS, ITS REPRESENTATIVES AND/OR EMPLOYEES WILL NOT BE LIABLE FOR ANY EFFECT DERIVING FROM THE USE OF THIS DOCUMENT, AND HEREBY DECLINE ALL LIABILITY FOR ANY DIRECT OR INDIRECT DAMAGES, FINANCIAL OR OTHERWISE, DERIVING FROM ANY USE OF THE INFORMATION IT CONTAINS.

KT&PARTNERS AIMS TO PROVIDE CONTINUOUS COVERAGE OF THE COMPANY IN CONJUNCTION WITH ANY EXCEPTIONAL EVENT THAT OCCURS AFFECTING THE ISSUER'S SPHERE OF OPERATIONS AND IN ANY CASE AT LEAST TWICE PER YEAR.

IN THIS STUDY DCF AND MULTIPLE VALUATION MODELS HAVE BEEN USED. RECOMMENDATIONS FOLLOW THE FOLLOWING RULES:

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



Via della Posta, 10 – Piazza Affari, 20123 Milano – Italy
Tel: +39.02.83424007 Fax: +39.02.83424011
segreteria@ktepartners.com