

Catching the Tenth M&A since IPO

ADD | Fair Value: €9.0 (€9.0) | Current Price: €5.7 Upside: +58.3%

Research Update

July 4, 2022 – 7.00 h

€ Million	FY18A	FY19A	FY20A	FY21A	FY22E	FY23E	FY24E
Value of Production	29.5	34.6	45.3	52.8	65.2	79.9	87.6
EBITDA	4.2	4.7	6.6	8.2	9.4	11.6	13.1
margin	14.2%	13.7%	14.6%	15.5%	14.4%	14.5%	14.9%
Net Profit	2.0	2.0	2.6	3.0	4.1	5.4	6.2
margin	6.8%	5.7%	5.7%	5.7%	6.3%	6.7%	7.1%
EPS	0.29	0.28	0.35	0.41	0.56	0.73	0.85
NFP/(Cash)	(2.7)	(1.6)	2.9	2.6	2.2	(0.1)	(2.9)

Source: Company data, KT&Partners' elaboration

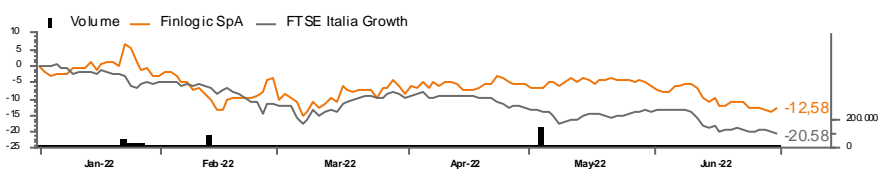
A bright 1Q22 to begin the year on the right foot. 1Q22 sales revenues reached €15.1mn, +19% YoY. This was driven by the Label division that increased by +26% YoY to €9.8mn (ca. 65% of total sales) mainly as result of the significant investments made to improve the company's production capacity. A positive performance was also recorded by the Technological Products division, up by +9% YoY to €4.9mn (ca. 32% of sales revenues). Alongside a growth in revenues, the order backlog increased compared to 1Q21, despite the macroeconomics uncertainties arising from the outbreak of the Russia-Ukraine war, the persisting pandemic crisis and increasing inflation. Moreover, thanks to a significant increase in inventories in the past few months, the company is currently able to keep its business going without being penalized by the shortage of raw materials that is affecting the label market.

Catching the tenth M&A since IPO. Following the acquisition announcement in April 2022, in June FNL-IT closed the acquisition of Alfacod. Considering a net cash position of €3.6mn at the closing date, the final deal consideration was fixed at €8.19mn, of which €7.14mn had already been paid at the closing date. Leveraging on its cash generation ability and strong balance sheet, on June 30th, 2022, FNL-IT acquired a 51% stake in ASE Srl, increasing to ten the number of acquisitions carried out since the IPO. ASE Srl is an Italian company active in the print-apply market, generating ca. €2mn of sales revenues in 2021. The deal consideration was fixed at €255k or at 5.3x EV/EBITDA. Thanks to this acquisition, and also leveraging on synergies with the recently acquired Alfacod, FNL-IT is expected to strengthen its technological products division, and in particular the print-apply offer, with new high-quality, customized and integrated solutions.

Estimates review. We revised our estimates upwards on the back of the acquisition of ASE Srl and the earlier than expected closing of the deal with Alfacod. We now anticipate VoP to grow at a CAGR21–24 of 18.4% amounting to €87.6mn in 2024. We foresee EBITDA to grow at a slower pace than VoP (+17% CAGR21–24) as a result of the lower profitability of ASE Srl, reaching €13.1mn in FY24. Finally, we foresee FY22 NFP at €2.2mn (considering both the postponement of part of the cash-out for the Alfacod acquisition and the cash-out for the acquisition of ASE Srl), gradually improving and reaching a net cash position of €2.9mn 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 €66.3mn or €9.0ps, +58.3% on the current market price. We note that, despite estimates upward revision the valuation has been negatively impacted by a reduction of peers valuation.

Relative Performance Chart YTD



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Market Data

Main Shareholders	
BF Capital Srl	61.6%
Hydra SpA	10.4%
Italcode Srl	2.7%
Mkt Cap (€ mn)	42
EV (€ mn)	49
Shares out. (mn)	7.3
Free Float	25.3%

Market multiples	2021	2022	2023
EV/EBITDA			
FNL	6.0x	5.2x	4.3x
Comps median	5.7x	6.1x	4.8x
FNL vs Median	5%	-15%	-11%
P/E			
FNL	13.9x	10.1x	7.8x
Comps median	12.4x	14.1x	10.8x
FNL vs Median	12%	-28%	-28%

Stock Data:

52 Wk High (€)	7.24
52 Wk Low (€)	5.40
Avg. Daily Trading 90d	4,473
Price Change 1w (%)	-1.72
Price Change 1m (%)	-8.36
Price Change YTD (%)	-7.3

Note: we adjust NFP for the cash-out related to the acquisition of ASE and Alfacod

Key Figures – Finlogic S.p.A.

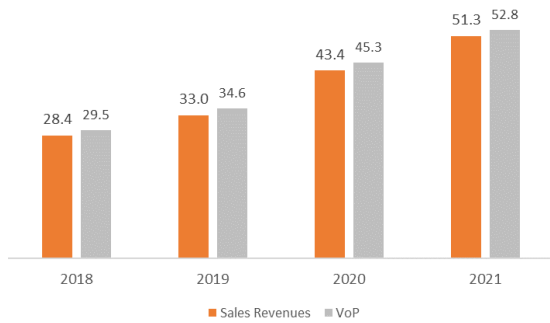
	Current price (€)	Fair Value (€)		Free Float (%)					
	5.7	9.0		25.26					
	2017A	2018A	2019A	2020A	2021A	2022E	2023E	2024E	2025E
Per Share Data									
Total shares outstanding (mn)	6.75	6.96	7.08	7.34	7.34	7.34	7.34	7.34	7.34
EPS	0.25	0.29	0.28	0.35	0.41	0.56	0.73	0.85	1.00
Dividend per share (ord)	0.15	0.14	0.14	0.20	0.20	0.14	0.44	0.51	0.60
Dividend pay out ratio (%)	60%	50%	51%	57%	50%	24%	60%	60%	60%
Profit and Loss (EUR million)									
Revenues	21.4	28.4	33.0	43.4	51.3	63.6	77.9	85.4	93.0
EBITDA	3.2	4.2	4.7	6.6	8.2	9.4	11.6	13.1	14.7
EBIT	2.6	3.0	3.2	3.9	5.0	6.4	8.3	9.5	11.2
EBT	2.4	3.0	3.2	3.7	4.8	6.2	8.1	9.4	11.1
Taxes	(0.7)	(0.9)	(1.0)	(1.0)	(1.6)	(1.8)	(2.4)	(2.7)	(3.2)
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	4.4	5.8	6.7	7.8
Net Income attributable to the Group	1.7	2.0	2.0	2.6	3.0	4.1	5.4	6.2	7.3
Balance Sheet (EUR million)									
Total fixed assets	2.3	4.3	7.1	15.4	14.5	17.2	15.8	14.1	12.6
Net Working Capital (NWC)	6.1	8.2	8.5	12.6	15.0	17.6	20.0	22.6	24.9
Provisions	(0.9)	(1.3)	(1.5)	(2.7)	(2.9)	(5.0)	(5.7)	(6.4)	(7.2)
Total Net capital employed	7.5	11.2	14.1	25.3	26.6	29.8	30.1	30.3	30.2
Net financial position (NFP)	(4.3)	(2.7)	(1.6)	2.9	2.6	2.2	(0.1)	(2.9)	(6.4)
Group Shareholder's Equity	11.7	13.6	15.1	21.7	23.2	26.4	28.5	31.0	33.9
Minorities	0.1	0.4	0.6	0.8	0.8	1.3	1.7	2.1	2.7
Total Shareholder's Equity	11.8	13.9	15.6	22.5	24.0	27.7	30.2	33.2	36.6
Cash Flow (EUR million)									
Net operating cash flow	2.5	3.3	3.7	5.4	6.9	7.3	9.2	10.3	11.4
Change in NWC	(1.5)	(2.0)	(0.4)	(4.1)	(2.4)	(0.2)	(2.4)	(2.6)	(2.3)
Capital expenditure	(0.4)	(0.7)	(3.3)	(7.0)	(1.8)	(2.5)	(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	1.0	5.6	6.6	8.0
Enterprise Value (EUR million)									
Market Cap	32.7	36.6	40.2	44.1	44.9	41.9	41.9	41.9	41.9
Minorities	0.1	0.4	0.6	0.8	0.8	1.3	1.7	2.1	2.7
Net financial position	(4.3)	(2.7)	(1.6)	2.9	2.6	2.2	(0.1)	(2.9)	(6.4)
Enterprise value	28.5	34.2	39.2	47.7	48.3	45.3	43.5	41.1	38.1
Ratios (%)									
EBITDA margin	14.5%	14.2%	13.7%	14.6%	15.5%	14.4%	14.5%	14.9%	15.4%
EBIT margin	11.0%	10.3%	9.4%	8.6%	9.4%	9.8%	10.3%	10.9%	11.7%
Gearing - Debt/equity	-36.8%	-20.2%	-10.4%	13.2%	11.0%	8.2%	-0.3%	-9.3%	-18.8%
Interest cover on EBIT	1.7%	1.4%	2.1%	4.3%	2.8%	2.4%	1.8%	1.4%	1.1%
NFP/EBITDA	-1.3x	-0.7x	-0.3x	0.4x	0.3x	0.2x	0.0x	-0.2x	-0.4x
ROCE	35.2%	27.3%	23.0%	15.4%	18.6%	21.4%	27.4%	31.5%	37.0%
ROE	14.2%	14.8%	13.1%	11.9%	13.0%	15.7%	18.9%	20.1%	21.6%
EV/Sales	2.3x	1.7x	1.5x	1.1x	1.0x	0.8x	0.6x	0.6x	0.5x
EV/EBITDA	15.2x	11.7x	10.4x	7.4x	6.0x	5.2x	4.3x	3.8x	3.4x
P/E	25.1x	20.8x	21.3x	16.2x	13.9x	10.1x	7.8x	6.7x	5.7x
Free cash flow yield	0.3%	-3.3%	-1.4%	-19.0%	5.3%	2.3%	12.3%	14.6%	17.7%
Growth Rates (%)									
Sales	19.1%	32.2%	17.1%	30.8%	16.7%	23.6%	22.5%	9.6%	8.9%
EBITDA	10.3%	29.8%	9.2%	12.5%	39.6%	23.5%	15.2%	22.9%	13.1%
EBIT	4.9%	23.7%	6.3%	20.6%	26.8%	28.8%	29.6%	15.2%	17.3%
Net Income	5.7%	20.5%	-2.1%	31.0%	16.7%	37.3%	30.4%	15.6%	17.7%

Source: Company data, KT&Partners' elaboration

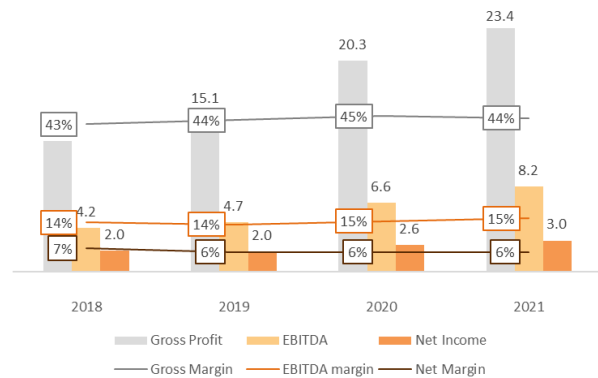
Note: we calculate EV/Sales and EV/EBITDA multiple by adjusting FY21 NFP for the cash-out related to the acquisition of Alfacod and ASE

Key Charts

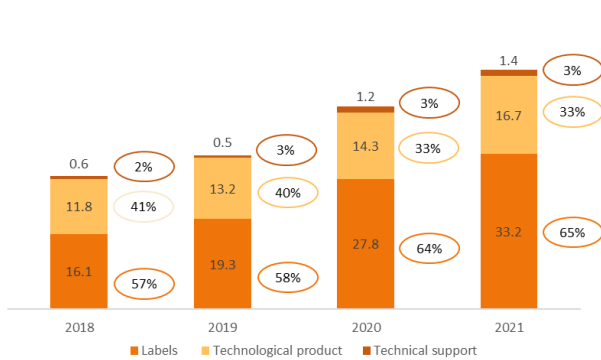
Sales Revenues and Value of Production (€mn)



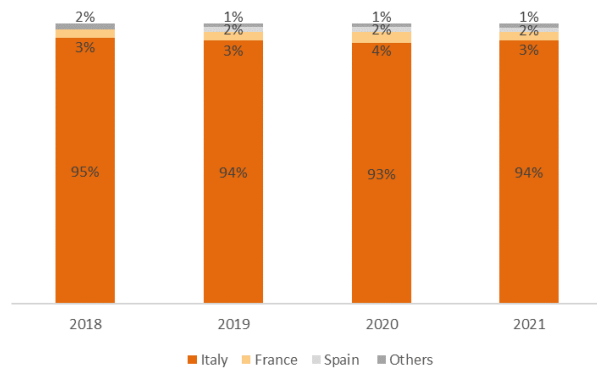
Gross Margin, EBITDA Margin, Net Margin (€mn, %)



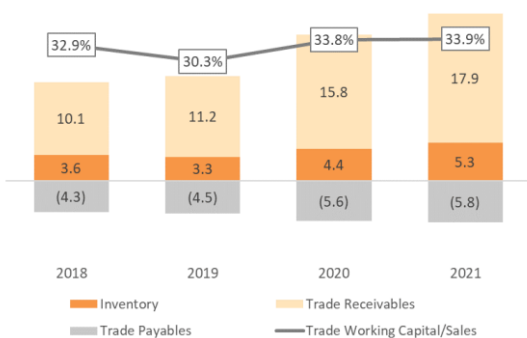
Sales Revenues by Business Line (€mn)



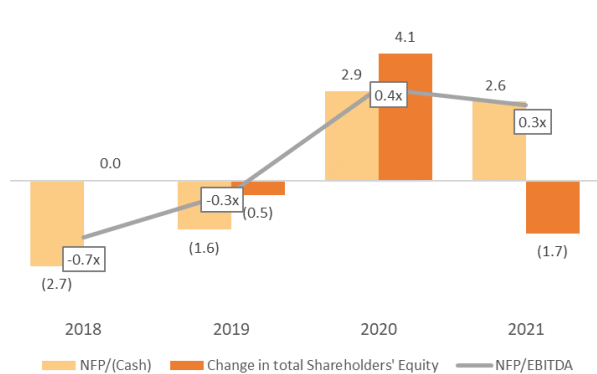
Sales Revenue by Geography (%)



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 are 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 opportunities for external lines. The company is committed to 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 company, 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 the company was able to match sustainable sales growth (+24% CAGR) – thanks to both organic and external lines – with profitability growth, +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 2017–22 period, FNL-IT has closed ten M&A deals (Multitec, Tecmark, Iride Italia, Mobile Project, Smart Lab Industrie 3d, System Code, STAF, Socialware Italy Srl, Alfacod and ASE Srl), integrating 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

- On June 30th, 2022 FNL-IT announced to have closed the acquisition of a **51% stake in ASE Srl** – active in the print-apply market – for a total consideration of €255k.
- In June 2022, FNL-IT announced that it had acquired 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 by Datalogic and Zebra Technology – as **Chief of Sales and Marketing Officer** to strengthen the 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 it had completed activities aimed to strengthen the production capacity of its plant in Acquaviva delle Fonti (Bari), which it 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%.

New M&A Deals to Strengthen FNL-IT's Growth Path

On June 30th, 2022, FNL-IT acquired a 51% stake in ASE Srl, an Italian company boasting 20+ years of experience in the print-apply market with a focus on label printing, application and reading solutions. In FY21, ASE Srl generated ca. €1.9mn of sales revenues in FY21 with an EBITDA margin of 6%. The deal consideration was fixed at €255k (of which €205k are expected to be paid at the closing date, with the remaining €50k by the end of June 2023) or at 5.3x EV/EBITDA. This is the tenth M&A since IPO and the second carried out in 2022, showing FNL-IT's management's strong M&A execution skills, acting as one of the main market consolidators in Italy. FNL-IT will leverage on synergies between ASE, Alfacod and the FNL-IT's print-apply offering to strengthen its technological product division.

Moreover, in June 2022 the company finalized the acquisition of Alfacod (announced in April 2022). The final deal consideration was fixed at €8.19mn, considering the adjustment for the net cash position of €3.6mn at the closing date (vs €2.4mn that we considered at the date of announcement). At the closing date FNL-IT paid €7.14mn (€3.54mn net of NFP), while it is expected the remaining €1.05mn will be paid:

- €275k by 30 June 2023;
- €275k by 30 June 2024.
- The remaining €505k will only be paid when and if some collection conditions are fulfilled. We estimate a cash-out of ca. €250k in 2022 and 2023.

Alfacod Deal Data

	Announcement	Closing
Deal consideration	6.95	8.19
Alfacod NFP	-2.40	-3.60
Enterprise Value	4.55	4.59

	2022		2023		2024		Total	
	Announcement	Closing	Announcement	Closing	Announcement	Closing	Announcement	Closing
Cash-out	6.40	7.39	0.28	0.53	0.28	0.28	6.95	8.19
Net cash-out	4.00	3.79	0.28	0.53	0.28	0.28	4.55	4.59

Source: Company data, KT&P's elaborations

According to our calculations and estimates, the cash-out of all M&A deals carried out since IPO should be ca. €16.7mn, with an average EV/EBITDA acquisition multiple of 3.8x.

FNL-IT M&A's Track Record

Target	Year	Announced Date	Closing Date	Stake	Transaction Value	Enterprise Value	Revenues	EBITDA	NFP	EV/EBITDA
1 Multitec*	2018	dec-17	jan-18	100%	0.05	0.02	0.2	n.a.	0.0	n.a.
2 Tecmark	2018	dec-17	jan-18	100%	1.87	1.69	3.5	0.5	-0.2	3.4x
3 Iride Italia	2018	jul-18	jul-18	51%	0.55	0.83	3.0	0.4	-0.3	2.2x
4 Mobile Project	2018	jul-18	jul-18	100%	0.13	0.18	0.4	0.1	0.0	3.5x
5 Smart Lab Industrie 3d **	2019	dec-18	feb-19	51%	0.08	0.15	0.1	0.0	0.0	5.3x
6 System Code	2019	jul-19	jul-19	100%	0.65	0.60	1.2	0.4	-0.1	1.4x
7 STAF	2020	dec-19	jan-20	100%	4.60	6.00	9.8	1.0	1.4	6.0x
8 Socialware Italy Srl	2020	jan-20	feb-20	51%	0.15	0.16	0.3	0.1	-0.1	1.8x
9 Mobile Project	2021	dec-21	dec-21	49%	0.17	0.18	0.7	0.1	-0.2	3.5x
10 Alfacod	2022	apr-22	jun-22	100%	8.19	4.59	11.4	0.8	-3.6	5.7x
11 ASE Srl **	2022	jun-22	jun-22	51%	0.26	0.52	1.9	0.1	0.0	5.3x
Total					16.69	14.90	32.42	3.41	-2.96	n.m.
Average					1.52	1.35	2.95	0.34	-0.27	3.8x

* financials data refer to FY17. Source: Leanus

** Source for EBITDA: Leanus

Source: Company data, Leanus, KT&P's elaborations

Change in Estimates

We revised upwards our estimates to factor in:

- the contribution of ASE Srl. We note that for 2022 we consider a six-month contribution from the target;
- the six-month contribution of Alfacod for 2022 vs three-month contribution of our previous estimates, as the deal was closed three months earlier than expected.

Starting from the top-line, we now anticipate FY22 Sales revenues at €63.6mn, growing at a CAGR21–24 of +16% (vs +17.5% on our previous estimates) and amounting to €85.4mn in FY24. The technical support division is expected to register the highest growth (+33.3% CAGR21–24), while the main contribution to total sales is always expected to come from the Label division (58% on FY24 sales revenues, +13% CAGR21–24). We now expect FY22 VoP to be €65.2mn, growing at a +18.4% CAGR21–24, reaching €87.6mn in FY24.

On the profitability side, we slightly lowered our EBITDA margin estimates, factoring in the lower profitability of ASE Srl that will impact on the Group's profitability. As a result, we now foresee FY22 EBITDA margin at 14.4% reaching 14.9% in FY24. In absolute terms, we expect EBITDA to grow at +17.0% CAGR21–24 (+0.8pp compared to our previous estimates), going from €9.2mn in FY22 to €13.1mn in FY24.

At the bottom line, we project FY22 net income to be €4.1mn in FY22, amounting to €6.2mn in FY24, experiencing a CAGR21–24 of 27.5% (+0.8pp above our previous estimates).

Finally, we expect a FY22 NFP at €2.2mn (almost in line with our latest research), factoring in the postponement of part of the cash-out for the Alfacod acquisition initially foreseen in 2022 following the fulfillment of some conditions, which is expected to offset the cash-out for the acquisition of ASE Srl. We foresee NFP gradually improving, reaching a net cash position of €2.9mn in FY24.

Change in Estimates

€ million	2020A	2021A	YoY	2022E		Change	2023E		Change	2024E		Change	CAGR 2021-24 Old	CAGR 2021-24 New
		New		Old	New		Old	New		Old	New			
Value of Production	45.3	52.8	16.7%	61.0	65.2	6.9%	77.9	79.9	2.6%	85.4	87.6	2.6%	17.4%	18.4%
YoY Change (%)	30.8%	16.7%		15.6%	23.6%		19.4%	22.5%		6.9%	9.6%			
EBITDA	6.6	8.2	23.5%	9.2	9.4	2.5%	11.3	11.6	2.0%	12.8	13.1	2.0%	16.2%	17.0%
YoY Change (%)	39.6%	23.5%		12.4%	15.2%		20.5%	22.9%		10.9%	13.1%			
EBITDA Margin (%)	14.6%	15.5%		15.0%	14.4%		14.6%	14.5%		15.0%	14.9%			
EBIT	3.9	5.0	26.8%	6.2	6.4	3.4%	8.1	8.3	2.3%	9.3	9.5	2.4%	23.4%	24.4%
YoY Change (%)	20.6%	26.8%		24.5%	28.8%		26.6%	29.6%		12.5%	15.2%			
EBIT Margin (%)	8.6%	9.4%		10.1%	9.8%		10.4%	10.3%		10.9%	10.9%			
Group Net Income	2.6	3.0	16.7%	4.0	4.1	3.0%	5.3	5.4	1.8%	6.1	6.2	1.9%	26.7%	27.5%
YoY Change (%)	31.0%	16.7%		33.3%	37.3%		28.1%	30.4%		13.5%	15.6%			
Net Debt (Cash)	2.9	2.6	-0.3	2.1	2.2	0.0	(0.3)	(0.1)	0.2	(3.0)	(2.9)	0.1		

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 €6.5 per share.
- DCF analysis, based on WACC of 9.6% and 1.5% perpetual growth, returns a value of €11.5 per share.

The weighted average of the two methods yields a fair value of €9.0 per share, with an equity value of €66.3mn.

Valuation Recap

	Equity Value €mn	Value per share €
DCF	84.6	11.5
Multiples	47.9	6.5
Average	66.3	9.0

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 2019	EV/SALES 2020	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	84	0.81x	1.0x	1.0x	n.a.	n.a.	n.a.	n.a.	n.a.	n.m.	n.m.	n.m.	14.0x	n.m.	n.m.
Avery Dennison Corporation	NYSE	12,652	2.44x	2.5x	2.2x	1.7x	1.6x	14.2x	11.2x	10.4x	17.5x	14.1x	13.0x	19.6x	16.7x	15.1x
Datalogic S.p.A.	Milan	414	0.82x	1.0x	0.8x	0.8x	0.6x	5.7x	8.5x	5.9x	9.4x	19.3x	9.6x	10.2x	23.2x	10.9x
Fuji Seal International, Inc.	Tokyo	624	0.35x	0.4x	0.4x	0.4x	0.4x	3.3x	3.4x	3.2x	5.9x	6.1x	5.2x	12.4x	12.6x	10.6x
Lintec Corporation	Tokyo	1,241	0.38x	0.4x	0.4x	0.4x	0.4x	n.m.	3.0x	2.8x	4.8x	4.9x	4.4x	9.6x	9.9x	9.1x
Seiko Epson Corp.	Tokyo	5,402	0.46x	0.5x	0.5x	0.5x	0.5x	3.4x	3.7x	3.7x	5.8x	6.3x	6.1x	6.9x	10.2x	9.9x
Zebra Technologies Corporation Class A	NASDAQ	14,765	3.97x	4.0x	3.3x	2.8x	2.6x	15.5x	12.5x	10.8x	18.4x	13.5x	12.1x	17.5x	15.5x	13.3x
Average peer group		5,026	1.32x	1.4x	1.2x	1.1x	1.0x	8.4x	7.1x	6.1x	10.3x	10.7x	8.4x	12.9x	14.7x	11.5x
Median peer group		1,241	0.81x	1.0x	0.8x	0.6x	0.6x	5.7x	6.1x	4.8x	7.6x	9.9x	7.8x	12.4x	14.1x	10.8x
Finlogic SpA		42			1.0x	0.8x	0.6x	6.0x	5.2x	4.3x	9.9x	7.7x	5.9x	13.9x	10.1x	7.8x

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-IT's EBITDA and net income for 2022 and 2023. We also adjust FY21 adjusted for the cash-out related to the Alfacod and ASE acquisitions. Additionally, considering the existing differences in terms of liquidity between FNL-IT and its comparables, we applied a 10% liquidity discount on the median multiples.

Multiple Valuation		
Multiple Valuation (€mn)	2022E	2023E
EV/EBITDA multiple comparison	6.1	4.8
Peer Group EV/EBITDA netted from 10% liquidity discount	5.5	4.3
Finlogic EBITDA	9.4	11.6
Enterprise value	52.0	49.7
Minorities	0.8	0.8
FY21 NFP Adj.	6.6	6.6
Equity Value	44.6	42.4
Number of shares (mn)	7.3	7.3
Value per share	6.1	5.8
Fair Value (Avg) - € ps	5.92	

Multiple Valuation (€mn)	2022E	2023E
P/E multiple comparison	14.09	10.77
Peer Group P/E netted from 10% liquidity discount	12.68	9.69
Finlogic earnings	4.13	5.39
Equity Value	52.40	52.25
Number of shares (mn)	7.3	7.3
Value per share	7.14	7.11
Fair Value (Avg) - € ps	7.12	
Fair Value (Avg.) - € ps	6.52	

Source: FactSet, KT&Partners' elaboration

From our multiple analysis we obtain a fair value of €6.52p.s., -5.2X% compared to our previous estimate (€6.88p.s.), mainly due to peers' multiple contraction (-7% for EV/EBITDA 2022 and -4.4% for EV/EBITDA 2023 estimates; -8.9% for P/E 2022 and -7.8% for P/E 2023 estimates). This reduction is mainly caused by a reduction of market capitalization of the companies in-sample. Particularly, since our latest update, FNL-IT's peers has lost on average ca. -10%.

Comps Performance since our Latest Update				
Company Name	Price change %	Price change %	Price change %	Price change %
	6Month	1Year	YTD	Apr 2022 - to Date
AstroNova, Inc.	-11.2%	-14.6%	-11.2%	-20.4%
Avery Dennison Corporation	-25.0%	-22.7%	-25.0%	-7.8%
Datalogic S.p.A.	-53.5%	-64.3%	-53.5%	-25.3%
Fuji Seal International, Inc.	-30.5%	-37.0%	-30.5%	-9.7%
Lintec Corporation	-12.6%	-5.0%	-12.6%	-3.6%
Sato Holdings Corporation	-16.0%	-31.8%	-16.0%	8.4%
ScanSource, Inc.	-12.1%	8.4%	-12.1%	-4.1%
Seiko Epson Corp.	-5.4%	0.9%	-5.4%	9.0%
Zebra Technologies Corporation Class A	-50.3%	-44.4%	-50.3%	-28.1%
Average	-24.1%	-23.4%	-24.1%	-9.1%
Median	-16.0%	-22.7%	-16.0%	-7.8%
Finlogic	-12.6%	-6.3%	-12.6%	-1.3%

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, 3% cost of debt and a target capital structure with 9% of debt. The cost of equity is a function of the risk-free rate of 2.4% (Italian 10y BTP), 4.61% mature market expected return and a premium for size and liquidity of 3.1%. **We, therefore, obtained 9.6% WACC** (in line with our previous research).

We discounted 2022E–25E annual cash flows and considered a terminal growth rate of 1.5%, deriving a fair value of €11.52ps. 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	6.4	8.3	9.5	11.2	
Taxes	-2.1	-2.4	-2.8	-3.2	
D&A	2.8	3.1	3.4	3.3	
Change in Net Working Capital	-0.2	-2.4	-2.6	-2.3	
Change in Funds	0.4	0.5	0.6	0.6	
Net Operating Cash Flow	7.3	7.1	8.1	9.5	
Capex	-6.1	-1.7	-1.7	-1.7	
FCFO	1.3	5.4	6.4	7.8	
	01/07/2022	31/12/2022	31/12/2023	31/12/2024	31/12/2025
t		0.50	1.50	2.50	3.50
g		1.5%			
Wacc		9.6%			
FCFO (discounted)		1.22	4.70	5.12	5.67
Discounted Cumulated FCFO		16.7			
TV		98.2			
TV (discounted)		71.3			
Enterprise Value		88.0			
FY21 NFP		2.6			
Minorities		0.8			
Equity Value		84.6			
Current number of shares		7.3			
Value per share (€)		11.52			

Source: Company data, KT&Partners' elaboration

Sensitivity Analysis (€ps)

€mn	WACC					
	10.6%	10.1%	9.6%	9.1%	8.6%	
Long Term Growth Rate	1.0%	10.91	10.91	10.91	10.91	10.91
	1.5%	11.52	11.52	11.52	11.52	11.52
	2.0%	12.21	12.21	12.21	12.21	12.21
	2.5%	13.00	13.00	13.00	13.00	13.00

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 €84mn, 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 €12.6bn, 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 €0.4bn, 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 €0.6bn, 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 €1.2bn, 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 seals 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 €5.4bn, engages in the development, production and sale of technology products through three segments: printing solutions, visual communications and wearable products and industrial solutions. Specifically, the printing solution segment offers, among other items, inkjet printers, scanners and label printers. During FY20, Seiko Epson Corp. recorded ¥1,036bn sales, of which ¥708bn came from the printing solutions segment (68%);
7. **Zebra Technologies Corp.**, listed on NASDAQ, with a market capitalization of €14.8bn, 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.

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



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