

Strong Double-Digit Organic Growth of All 1H22 Financial KPIs

ADD | Fair Value: €9.0 (€9.0) | Current Price: €6.52 Upside: +37.6%

Research Update

October 12, 2022 – 7.00 h

€ Million	FY18A	FY19A	FY20A	FY21A	FY22E	FY23E	FY24E
Value of Production	29.5	34.6	45.3	52.8	71.0	86.1	94.3
EBITDA	4.2	4.7	6.6	8.2	10.3	12.5	14.0
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	4.7	6.0	6.9
margin	6.8%	5.7%	5.7%	5.7%	6.6%	6.9%	7.3%
EPS	0.29	0.28	0.35	0.41	0.64	0.81	0.93
NFP/(Cash)	(2.7)	(1.6)	2.9	2.6	2.6	0.4	(2.5)

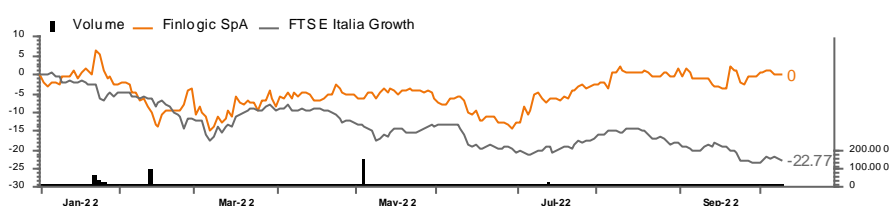
Source: Company Data, KT&Partners' Elaboration

1H21 financial results: keep growing at double-digit pace. In 1H22, Finlogic (FNL-IT) recorded a solid organic growth of all main financial indicators, despite macroeconomic uncertainties. Sales and Value of Production increased by +22.2% YoY to €30.9mn and €31.7mn, respectively, exceeding our estimates by ca. 10%. The label division hit €20.6mn of sales (+9.6% than our expectations), still accounting for the largest part of sales (over 65% of 1H22 sales). The label division also led the growth, increasing by ca. 29% despite the shortage and the extended delivery time for label materials caused mainly by the strikes in some paper mills in Northern Europe. The technological products business line came to €9.6mn (ca. 30% of total sales), up by +10.9% YoY and +13.4% our estimates whereas sales from technical support reached €0.7mn, +7.8% YoY but -6.5% compared to our estimates. Strong growth was also recorded at EBITDA level, which increased at a higher pace than revenue at 22.9%, reaching €5mn (+11.5% compared to our expectations). EBITDA margin came almost in line with 1H21 and with our estimates, factoring in a 1.5pp reduction of gross margin along with a higher incidence of service costs (+0.7pp YoY) that were offset by economies of scales in terms of labour costs and other operating costs. At the bottom line, net income after minorities amounted to €2.1mn (+36.4% YoY), in line with our expectations mainly due to higher-than-expected D&As costs. On the capital structure side, NFP went from €2.6mn in FY21 to €4mn, also factoring in €1mn dividend payment and the cash-out for the acquisition of Alfacod.

Estimates review. On the back of i) higher than expected 1H22 organic sales and ii) 1H22 EBITDA margin in line with our projections, we revised upwards our top-line estimates while leaving unchanged our marginality estimates. Therefore, we now expect VoP to grow at a CAGR21–24 of 21.3% amounting to €94.3mn in 2024. We estimated EBITDA to grow at +19.8% CAGR21–24 (vs +17% of our previous estimates) – a slower pace than VoP (+19.8% CAGR21–24) as a result of the lower profitability of Alfacod and ASE Srl – reaching €14mn in FY24. Finally, we foresee FY22 NFP at €2.6mn – also considering a higher cash absorption due to an increase in inventory to face the shortage of raw materials - gradually improving and reaching a net cash position of €2.5mn 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 €65.9mn or €9.0ps, +37.6% on the current market price. We note that, despite the upward revision of our estimates, valuation has been negatively impacted by higher WACC parameters due to the current uncertain market situation.

Relative Performance Chart YTD



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Market Data

Market Data			
Main Shareholders			
BF Capital Srl			61.6%
Hydra SpA			10.4%
Italcodes Srl			2.7%
Mkt Cap (€ mn)			48
EV (€ mn)			56
Shares out. (mn)			7.3
Free Float			25.3%
Market multiples			
	2021	2022	2023
EV/EBITDA			
FNL	6.8x	5.4x	4.4x
Comps median	5.6x	5.5x	5.3x
FNL vs Median	20%	-3%	-16%
P/E			
FNL	15.9x	10.2x	8.0x
Comps median	13.3x	13.3x	11.9x
FNL vs Median	20%	-23%	-32%
Stock Data:			
52 Wk High (€)			7.24
52 Wk Low (€)			5.40
Avg. Daily Trading 90d			2,544
Price Change 1w (%)			-0.61
Price Change 1m (%)			0.93
Price Change YTD (%)			0.0

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

Key Figures – Finlogic S.p.A.

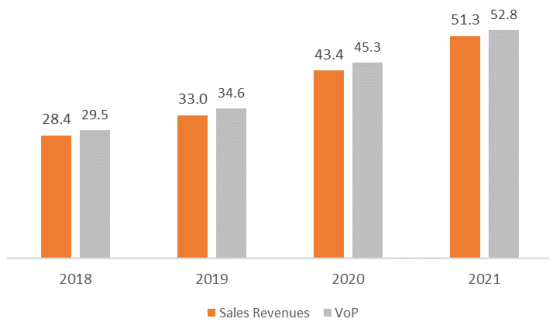
	Current price (€)	Fair Value (€)		Free Float (%)					
	6.5	9.0		25.26					
Per Share Data	2017A	2018A	2019A	2020A	2021A	2022E	2023E	2024E	2025E
Total shares outstanding (mn)	6.75	6.96	7.08	7.34	7.34	7.34	7.34	7.34	7.34
EPS	0.25	0.29	0.28	0.35	0.41	0.64	0.81	0.93	1.09
Dividend per share (ord)	0.15	0.14	0.14	0.20	0.20	0.14	0.49	0.56	0.66
Dividend payout ratio (%)	60%	50%	51%	57%	50%	21%	60%	60%	60%
Profit and Loss (EUR million)	2017A	2018A	2019A	2020A	2021A	2022E	2023E	2024E	2025E
Revenues	21.4	28.4	33.0	43.4	51.3	69.2	84.0	92.0	100.1
EBITDA	3.2	4.2	4.7	6.6	8.2	10.3	12.5	14.0	15.7
EBIT	2.6	3.0	3.2	3.9	5.0	7.2	9.1	10.5	12.2
EBT	2.4	3.0	3.2	3.7	4.8	7.1	9.0	10.3	12.1
Taxes	(0.7)	(0.9)	(1.0)	(1.0)	(1.6)	(2.0)	(2.6)	(3.0)	(3.5)
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	5.0	6.4	7.3	8.6
Net Income attributable to the Group	1.7	2.0	2.0	2.6	3.0	4.7	6.0	6.9	8.0
Balance Sheet (EUR million)	2017A	2018A	2019A	2020A	2021A	2022E	2023E	2024E	2025E
Total fixed assets	2.3	4.3	7.1	15.4	14.5	17.5	16.0	14.3	12.7
Net Working Capital (NWC)	6.1	8.2	8.5	12.6	15.0	18.4	21.1	24.0	26.4
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	30.9	31.5	31.9	31.9
Net financial position (NFP)	(4.3)	(2.7)	(1.6)	2.9	2.6	2.6	0.4	(2.5)	(6.2)
Group Shareholder's Equity	11.7	13.6	15.1	21.7	23.2	26.9	29.3	32.1	35.3
Minorities	0.1	0.4	0.6	0.8	0.8	1.4	1.8	2.3	2.8
Total Shareholder's Equity	11.8	13.9	15.6	22.5	24.0	28.3	31.1	34.3	38.1
Cash Flow (EUR million)	2017A	2018A	2019A	2020A	2021A	2022E	2023E	2024E	2025E
Net operating cash flow	2.5	3.3	3.7	5.4	6.9	7.9	9.8	11.0	12.2
Change in NWC	(1.5)	(2.0)	(0.4)	(4.1)	(2.4)	(1.2)	(2.8)	(2.9)	(2.5)
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)	(3.7)	(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	0.6	5.9	7.0	8.6
Enterprise Value (EUR million)	2017A	2018A	2019A	2020A	2021A	2022E	2023E	2024E	2025E
Market Cap	32.7	36.6	40.2	44.1	44.9	47.9	47.9	47.9	47.9
Minorities	0.1	0.4	0.6	0.8	0.8	1.4	1.8	2.3	2.8
Net financial position	(4.3)	(2.7)	(1.6)	2.9	2.6	2.6	0.4	(2.5)	(6.2)
Enterprise value	28.5	34.2	39.2	47.7	48.3	51.8	50.0	47.7	44.5
Ratios (%)	2017A	2018A	2019A	2020A	2021A	2022E	2023E	2024E	2025E
EBITDA margin	14.5%	14.2%	13.7%	14.6%	15.5%	14.4%	14.5%	14.9%	15.3%
EBIT margin	11.0%	10.3%	9.4%	8.6%	9.4%	10.2%	10.6%	11.1%	11.9%
Gearing - Debt/equity	-36.8%	-20.2%	-10.4%	13.2%	11.0%	9.6%	1.3%	-7.6%	-17.5%
Interest cover on EBIT	1.7x	1.4x	2.1x	4.3x	2.8x	2.1x	1.6x	1.3x	1.0x
NFP/EBITDA	-1.3x	-0.7x	-0.3x	0.4x	0.3x	0.3x	0.0x	-0.2x	-0.4x
ROCE	35.2%	27.3%	23.0%	15.4%	18.6%	23.4%	29.1%	32.9%	38.3%
ROE	14.2%	14.8%	13.1%	11.9%	13.0%	17.4%	20.4%	21.4%	22.8%
EV/Sales	2.6x	1.9x	1.7x	1.3x	1.1x	0.8x	0.7x	0.6x	0.6x
EV/EBITDA	17.0x	13.1x	11.7x	8.4x	6.8x	5.4x	4.4x	3.9x	3.5x
P/E	28.7x	23.8x	24.3x	18.6x	15.9x	10.2x	8.0x	7.0x	6.0x
Free cash flow yield	0.3%	-2.9%	-1.3%	-16.7%	4.7%	1.1%	11.5%	13.7%	16.8%
Growth Rates (%)	2017A	2018A	2019A	2020A	2021A	2022E	2023E	2024E	2025E
Sales	19.1%	32.2%	17.1%	30.8%	16.7%	34.6%	21.3%	9.5%	8.8%
EBITDA	10.3%	29.8%	9.2%	12.5%	39.6%	23.5%	25.7%	21.4%	12.6%
EBIT	4.9%	23.7%	6.3%	20.6%	26.8%	45.8%	26.6%	14.4%	16.7%
Net Income	5.7%	20.5%	-2.1%	31.0%	16.7%	55.9%	27.3%	14.8%	17.1%

Source: Company Data, KT&Partners' Elaboration

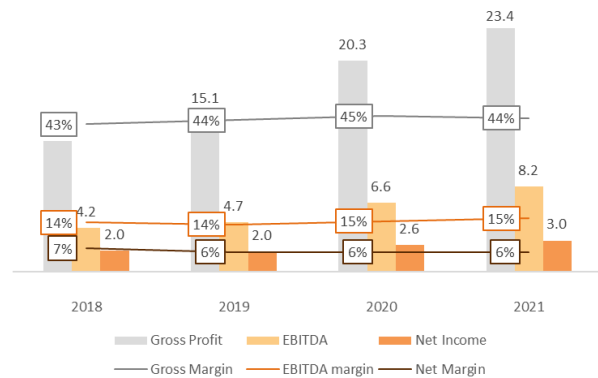
Note: we calculate EV/Sales and EV/EBITDA multiple by adjusting FY21 NFP for the cash-out related to the acquisition of Alfacod and ASE

Key Charts

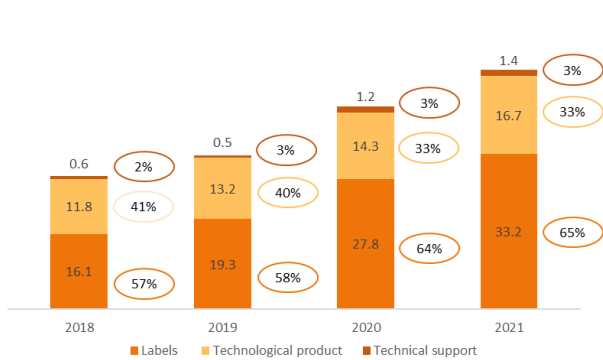
Sales Revenues and Value of Production (€mn)



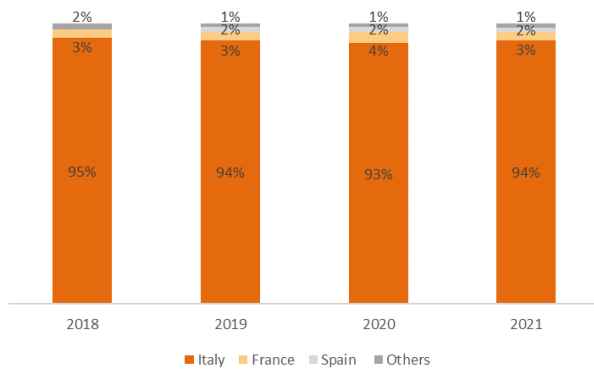
Gross Margin, EBITDA Margin, Net Margin (€mn, %)



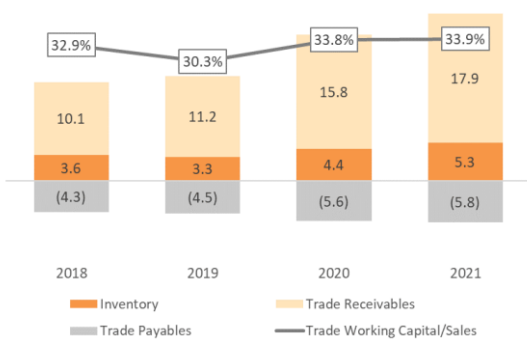
Sales Revenues by Business Line (€mn)



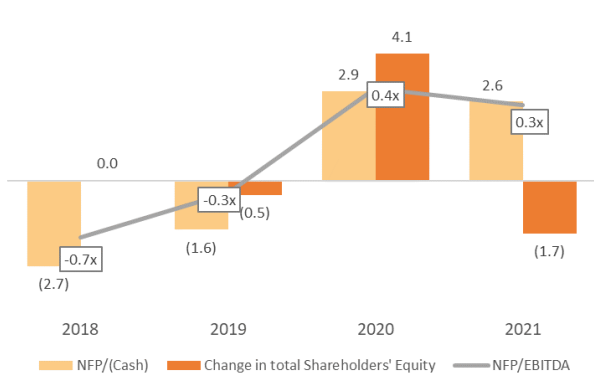
Sales Revenue by Geography (%)



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.

Since 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 ribbons), 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 that it had 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 of building 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%.

1H22 Financial Results

1H22 financial results confirm business model validity and double-digit growth path despite the uncertain macroeconomic scenario. 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.

The company closes the first half of the year with organic growth of 22.2% to €30.9mn (without considering the contribution from recently acquired companies – Alfacod and ASE - that will be consolidated starting from July 1st, 2022), exceeding our expectations by ca. 10%. Business growth was driven by the label division that increased by ca. +29% YoY to €20.6mn (9.6% above our forecast) despite the shortage and the extended delivery time for label materials caused mainly by the strikes in some paper mills in Northern Europe. The technological products business line came in at €9.6mn (ca. 30% of total sales), up by +10.9% YoY and ca. +13% our estimates whereas sales from technical support reached €0.7mn, +7.8% YoY and almost in line with our estimates.

Value of production increased by +22.2% as well amounting to €31.7mn, +10.5% on our estimates.

The increase in paper costs (partially mitigated thanks to higher selling prices), has led gross margin down by -1.5pp YoY to 43%, -1.3pp compared to our expectations. In absolute terms, gross profit grew by 18.2% YoY to €13.6mn, exceeding our estimates by 7.2%.

Despite the reduction of gross margin, EBITDA margin came in at 15.9%, almost in line with 1H21 figures and with respect to our previous estimates, thanks to a lower incidence OpEx. In absolute terms EBITDA increased at a higher pace than revenues (+22.9% YoY), amounting to €5mn (+11.5% on our estimates).

A good performance was also recorded at the bottom-line level as FNL's net income after minorities reached €2.1mn (almost in line with our estimates due to higher D&A and taxes), up by +36.4% YoY, with a net margin of 6.7% (+0.7pp YoY).

Finally, NFP went from €2.6mn in FY21 to €4mn in 1H22 mainly following €1mn of dividend payment and the cash-out for the acquisition of Alfacod.

1H22 Financial Results

€ million	1H19A	1H20A	1H21A	1H22A	YoY growth	1H22E	A vs E
Labels	9.6	13.6	16.0	20.6	28.9%	18.8	9.6%
Technological products	6.7	6.7	8.6	9.6	10.9%	8.4	13.4%
Technical Support	0.5	0.5	0.7	0.7	7.8%	0.8	-6.5%
Sales	16.8	20.8	25.3	30.9	22.2%	28.0	10.3%
<i>Growth %</i>	20.8%	23.6%	21.7%	22.2%			
Other revenues	0.5	0.6	0.6	0.7	19.5%	0.6	21.0%
Changes in stocks of semi-finished	0.1	(0.0)	(0.0)	0.0	-196.2%	0.0	n.m.
Internally generated fixed assets	0.0	0.1	0.1	0.1	-31.2%	0.1	-33.7%
Value of Production	17.5	21.4	25.9	31.7	22.2%	28.7	10.5%
<i>Growth %</i>	21.0%	22.3%	21.2%	22.2%			
Cost of Goods Sold	(9.8)	(12.7)	(14.4)	(18.0)	25.4%	(16.0)	13.1%
Gross Profit	7.7	8.7	11.5	13.6	18.2%	12.7	7.2%
<i>Gross Margin</i>	44.1%	40.7%	44.5%	43.0%	-1.5%	44.4%	-1.3%
Labour Cost	(2.7)	(3.5)	(4.0)	(4.5)	12.6%	(4.4)	1.9%
Services & Rental Costs	(2.1)	(2.6)	(3.0)	(3.9)	29.4%	(3.6)	8.6%
Other Operating Costs	(0.5)	0.2	(0.4)	(0.1)	-66.2%	(0.1)	-1.8%
EBITDA	2.4	2.7	4.1	5.0	22.9%	4.5	11.5%
<i>EBITDA margin</i>	13.8%	12.7%	15.8%	15.9%	0.1%	15.7%	0.1%
D&A	(0.6)	(1.2)	(1.5)	(1.6)	7.3%	(1.4)	10.9%
EBIT	1.8	1.5	2.6	3.5	31.6%	3.1	11.8%
<i>EBIT margin</i>	10.2%	6.9%	10.1%	10.9%	0.8%	10.8%	0.1%
Financial Income and Expenses	(0.0)	(0.1)	(0.1)	(0.1)	-19.0%	(0.1)	2.5%
EBT	1.8	1.4	2.5	3.4	33.1%	3.0	12.0%
Taxes	(0.5)	(0.5)	(0.9)	(1.1)	31.8%	(1.0)	17.8%
Net Income	1.2	0.9	1.7	2.3	33.8%	2.1	9.3%
<i>Net margin</i>	6.9%	4.0%	6.5%	7.1%	0.6%	7.2%	
Minorities	0.1	0.1	0.1	0.1	3.8%	0.1	21.9%
Net Income attributable to the Group	1.1	0.7	1.6	2.1	36.4%	2.0	8.4%
<i>Group Net margin</i>	6.4%	3.5%	6.0%	6.7%	0.7%	6.8%	-0.1%

Source: Company Data

Change in Estimates

On the back of:

- i) higher than expected 1H22 organic sales;
- ii) 1H22 EBITDA margin in line with our projections;

we revised our top-line estimates upwards while leaving our marginality estimates unchanged. We note that in our previous estimates we had already taken into account the six-month contribution of Alfacod and ASE Srl.

We now anticipate FY22 Sales revenues at €69.2mn, growing at a CAGR21-24 of 21.5%, amounting to €92mn in FY24. Following the acquisition of Alfacod, we expect the technical support division to record the highest growth of 43.5% CAGR21-24, amounting to €4.4mn in FY24 (ca. 4% of total revenue). We expect that the main contribution to sales will continue to come from the Label division, generating ca. 60% of sales in FY24 (€53.5mn, +17.2% CAGR21-24), followed by the technological products division that we expect will account for ca. 38% of FY24 sales (€34.5mn, +27.3% CAGR21-24).

Following sales revision, we now expect FY22 VoP at €71mn, growing by +21.3% CAGR21-24 (+2.9pp on our previous estimates), reaching €94.3mn in FY24.

On the profitability side, we still expect FY22 EBITDA margin at 14.4% (considering the lower profitability of the recently acquired companies), reaching ca. 15% by FY24 leveraging on costs synergies between the companies of the Group. In absolute terms, following the upwards revision of topline, we now project EBITDA to grow at +19.8% CAGR21-24 (vs +17% CAGR21-24 of our previous estimates), going from €10.3mn in FY22 to €14mn in FY24.

Looking at the bottom line, we foresee net income after minorities to go from €4.7mn in FY22 to €6.9mn in FY24, increasing at a CAGR21-24 of 31.6% (+4.1pp above our previous estimates).

Finally, we expect now expect NFP to be €2.6mn in FY22 – in line with FY21 and +€0.4mn compared to our previous estimates mainly due to higher NWC cash absorption – reaching a net cash position of €2.5mn by 2024.

Change in Estimates

€ million	2020A	2021A	YoY	2022E	2022E	Change	2023E	2023E	Change	2024E	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%	65.2	71.0	8.9%	79.9	86.1	7.8%	87.6	94.3	7.6%	18.4%	21.3%
YoY Change (%)	30.8%	16.7%		23.6%	34.6%		22.5%	21.3%		9.6%	9.5%			
EBITDA	6.6	8.2	23.5%	9.4	10.3	9.1%	11.6	12.5	7.7%	13.1	14.0	7.3%	17.0%	19.8%
YoY Change (%)	39.6%	23.5%		15.2%	25.7%		22.9%	21.4%		13.1%	12.6%			
EBITDA Margin (%)	14.6%	15.5%		14.4%	14.4%		14.5%	14.5%		14.9%	14.9%			
EBIT	3.9	5.0	26.8%	6.4	7.2	13.2%	8.3	9.1	10.7%	9.5	10.5	9.9%	24.4%	28.3%
YoY Change (%)	20.6%	26.8%		28.8%	45.8%		29.6%	26.6%		15.2%	14.4%			
EBIT Margin (%)	8.6%	9.4%		9.8%	10.2%		10.3%	10.6%		10.9%	11.1%			
Group Net Income	2.6	3.0	16.7%	4.1	4.7	13.5%	5.4	6.0	10.8%	6.2	6.9	10.0%	27.5%	31.6%
YoY Change (%)	31.0%	16.7%		37.3%	55.9%		30.4%	27.3%		15.6%	14.8%			
Net Debt (Cash)	2.9	2.6	-0.3	2.2	2.6	0.4	(0.1)	0.4	0.5	(2.9)	(2.5)	0.4		

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 €7.3 per share.
- DCF analysis, based on WACC of 10.9% (+1.3pp compared to our latest update) and 1.5% perpetual growth, returns a value of €10.6 per share.

The weighted average of the two methods yields a fair value of €9.0 per share, with an equity value of €65.9mn.

Valuation Recap

	Equity Value €mn	Value per share €
DCF	78.2	10.6
Multiples	53.6	7.3
Average	65.9	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	87	0.86x	1.0x	1.0x	n.a.	n.a.	n.a.	n.a.	n.a.	n.m.	n.m.	n.m.	14.5x	n.m.	n.m.
Avery Dennison Corporation	NYSE	13,850	2.65x	2.7x	2.4x	1.7x	1.7x	15.4x	11.2x	10.6x	19.0x	14.0x	13.1x	21.6x	16.8x	15.5x
Datalogic S.p.A.	Milan	407	0.81x	1.0x	0.8x	0.7x	0.7x	5.6x	7.1x	6.4x	9.2x	13.7x	11.4x	10.1x	16.5x	13.2x
Fuji Seal International, Inc.	Tokyo	671	0.39x	0.4x	0.4x	0.4x	0.4x	3.7x	3.9x	3.6x	6.6x	6.8x	5.8x	13.3x	12.6x	11.1x
Lintec Corporation	Tokyo	1,239	0.40x	0.4x	0.4x	0.4x	0.4x	n.m.	3.2x	3.0x	5.1x	5.5x	5.0x	9.6x	10.0x	9.4x
Seiko Epson Corp.	Tokyo	5,951	0.54x	0.6x	0.6x	0.5x	0.6x	4.0x	4.0x	4.1x	6.8x	6.7x	6.8x	7.6x	9.9x	10.2x
Zebra Technologies Corporation Class A	NASDAQ	13,804	4.02x	4.1x	3.4x	2.6x	2.3x	15.7x	11.9x	10.5x	18.6x	12.8x	12.0x	16.6x	14.1x	12.6x
Average peer group		5,144	1.38x	1.5x	1.3x	1.1x	1.0x	8.9x	6.9x	6.4x	10.9x	9.9x	9.0x	13.3x	13.3x	12.0x
Median peer group		1,239	0.81x	1.0x	0.8x	0.6x	0.6x	5.6x	5.5x	5.3x	8.0x	9.8x	9.1x	13.3x	13.3x	11.9x
Finlogic SpA		48			1.1x	0.8x	0.7x	6.8x	5.4x	4.4x	11.1x	7.6x	6.0x	15.9x	10.2x	8.0x

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	5.5	5.3
Peer Group EV/EBITDA netted from 10% liquidity discount	5.0	4.7
Finlogic EBITDA	10.3	12.5
Enterprise value	51.1	59.1
Minorities Adj.	1.4	1.4
FY21 NFP Adj.	6.6	6.6
Equity Value	43.1	51.2
Number of shares (mn)	7.3	7.3
Value per share	5.9	7.0
Fair Value (Avg) - € ps	6.42	
Multiple Valuation (€mn)	2022E	2023E
P/E multiple comparison	13.34	11.87
Peer Group P/E netted from 10% liquidity discount	12.00	10.68
Finlogic earnings	4.69	5.97
Equity Value	56.32	63.82
Number of shares (mn)	7.3	7.3
Value per share	7.67	8.69
Fair Value (Avg) - € ps	8.18	
Fair Value (Avg.) - € ps	7.30	

Source: FactSet, KT&Partners' elaboration

DCF Valuation

We have also conducted our valuation using a four-year DCF model, based on 11.8% 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 3.6% (Italian 10y BTP, +1.2pp compared to our latest update), 5.1% mature market expected return (vs 4.61% of our latest update) and a premium for size and liquidity of 3.1%. **We, therefore, obtained 10.9% WACC** (+1.3pp compared 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	7.2	9.1	10.5	12.2
Taxes	-2.3	-2.7	-3.0	-3.5
D&A	2.9	3.1	3.4	3.3
Change in Net Working Capital	-1.2	-2.8	-2.9	-2.5
Change in Funds	0.4	0.5	0.6	0.6
Net Operating Cash Flow	7.0	7.4	8.5	10.1
Capex	-6.2	-1.7	-1.7	-1.7
FCFO	0.8	5.7	6.8	8.4
g	1.5%			
Wacc	10.9%			
FCFO (discounted)	0.79	5.05	5.44	6.03
Discounted Cumulated FCFO	17.3			
TV	90.6			
TV (discounted)	64.8			
Enterprise Value	82.1			
FY21 NFP	2.6			
Minorities Adj.	1.4			
Equity Value	78.2			
Current number of shares	7.3			
Value per share (€)	10.65			

Source: Company data, KT&Partners' elaboration

Sensitivity Analysis (€mn)

€mn	Long Term Growth Rate	WACC				
		11.9%	11.4%	10.9%	10.4%	9.9%
	1.0%	67.1	70.7	74.6	79.0	83.8
	1.5%	70.0	73.9	78.2	83.0	88.3
	2.0%	73.1	77.4	82.1	87.4	93.4
	2.5%	76.6	81.3	86.6	92.5	99.2

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 €87mn, 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 FY21, the company had \$117mn revenues, 77% of which came from the Product Identification business segment;
2. **Avery Dennison Corp.**, listed on the NYSE, with a market capitalization of €13.9bn, 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 \$8.4bn revenues, of which \$5.4bn came from the Labeling and Graphic business unit (65%);
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 FY21, 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 ¥170bn revenues during FY21, with self-adhesive labels accounting for 13.6% and shrink labels accounting for 58.6%;
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 ¥256bn revenues during FY21, ca. 52% 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 €6bn, 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 FY21, Seiko Epson Corp. recorded ¥1,121bn sales, of which ¥780bn came from the printing solutions segment (69.5%);
7. **Zebra Technologies Corp.**, listed on NASDAQ, with a market capitalization of €13.8bn, 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 \$5.6bn 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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