

Intense R&D Investments for Profitable Growth

ADD | Fair Value: €8.89 (€11.67) | Current Price: €4.98 | Upside: +78.5%

Research Update

October 19, 2023 – h 7.00

€ Million	FY19A	FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
Total Revenues	17.0	18.4	21.5	26.3	26.2	31.1	36.9	42.5
EBITDA	5.0	4.9	5.5	4.9	0.5	6.3	9.5	12.3
margin	29.4%	26.8%	25.4%	18.8%	1.8%	20.2%	25.8%	28.8%
Net Profit	1.7	0.9	1.8	1.2	(3.2)	0.5	2.5	4.3
margin	10.0%	5.1%	8.2%	4.7%	-12.4%	1.5%	6.9%	10.1%
EPS	0.24	0.13	0.22	0.14	n.m.	0.05	0.30	0.50
NFP/(Cash)	2.3	2.9	3.3	14.4	18.2	16.7	12.6	6.4

Source: Company data, KT&Partners' elaboration

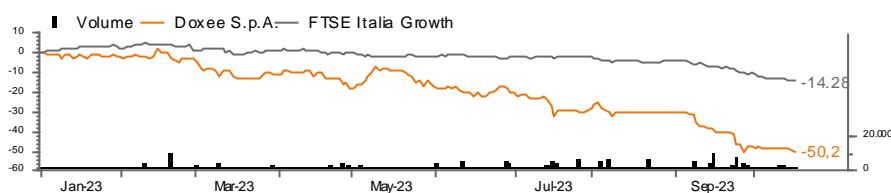
1H23 financial results. In 1H23, Doxee's sales amounted to €12.1mn, +10% YoY but ca. 16% below our expectations, factoring in the uncertain macroeconomic scenario that led many customers to postpone their technological investments in the digitization process. Looking at organic growth, the company's sales reached €10.3mn, vs €11.1mn of sales in 1H22. The bulk of sales came from the dx line, which reached €9.1mn, +19% YoY thanks to Infinica's contribution. The costs sustained to speed up the new Doxee Platform3 release, together with higher than expected costs for Infinica's integration, led to a temporary negative EBITDA at -€0.5mn (vs €1.5mn in 1H22 and €2.1mn expected). Moreover, in 1H23 the company invested ca. €3.3mn in R&D projects, of which ca. €1.8mn was noted in the R&D costs. The Group reported a €3.2mn loss, negatively impacted by higher than expected D&As and a higher incidence of financial expenses. Finally, NFP worsened from €14.4mn in FY22 to €18mn in 1H23 on the back of ca. €3.6mn of Capex and penalized by the negative EBITDA.

First 5% tranche exercise of Infinica GmbH call option. In July 2023, Doxee CEE GmbH – Doxee's Austrian subsidiary – which already owns 90% of Infinica GmbH, exercised the first tranche (i.e. 5% of Infinica's share capital) of the call option for the remaining 10% of Infinica's share capital, for a total consideration of approximately €1.1mn. The remaining 5% is subject to a put-call option agreement to be exercised in 2026, for a maximum additional value of €3.9mn.

Change in estimates. On the back of the 1H23 financial results and considering the persisting uncertainty at the macroeconomic level, we now anticipate FY23E total revenues to be almost in line with FY22 at €26.2mn, growing at a slower CAGR22–26 of 12.8% and reaching €42.5mn in FY26E. After a FY23E EBITDA at €0.5mn, penalized by business slowdown together with a higher incidence of all costs, EBITDA and profitability are expected to improve from 2024 thanks to: i) the Doxee Platform3 release and ii) the increase in cost synergies with Infinica. Therefore, we anticipate the FY24E EBITDA margin to be 20.2%, reaching 28.8% in FY26E. We forecast a €3.2mn loss in FY23E, turning positive in FY24E and reaching €4.3mn of net income in FY26E. Finally, we expect a NFP at €18.2mn in FY23E, mainly on the back of the lower forecasted profitability, gradually improving and reaching €6.4mn in FY26E, thanks to business growth and a reduction in R&D investments and in a lower reliance on outsourcing.

Valuation. Our valuation – based on the DCF model – returns an average equity value of €76.7mn or a fair value of €8.89ps, implying a potential upside of 78.5% on the current market price.

Relative Performance Chart – YTD



Market Data			
Main Shareholders			
P&S Srl			67.4%
Ipoc 5 Srl			5.2%
Eiffel Investment Group Srl			8.4%
Mkt Cap (€ mn)			42.9
EV (€ mn)			57.4
Shares out.			8.6
Free Float			19.0%
Market multiples			
	2022	2023	2024
EV/EBITDA			
Doxee	11.6x	n.m.	9.2x
Comps average	17.1x	11.5x	11.6x
Doxee vs average	-32%	n.m.	-21%
P/E			
Doxee	34.6x	n.m.	n.m.
Comps average	30.0x	28.9x	19.6x
Doxee vs average	15%	n.m.	n.m.
Stock Data			
52 Wk High (€)			10.45
52 Wk Low (€)			4.90
Avg. Daily Trading 90d			1,481
Price Change 1w (%)			-4.2
Price Change 1m (%)			-16.3
Price Change YTD (%)			-50.2

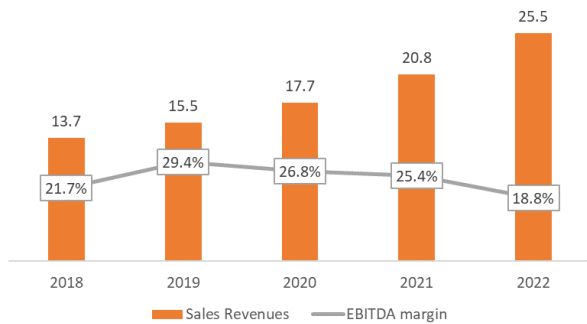
Key Figures – Doxee Group S.p.A.

	Current price (€)	Fair Value (€)	Sector							Free Float (%)
	4.98	8.89	Digital Transformation							19.0%
	2018A	2019A	2020A	2021A	2022A	2023E	2024E	2025E	2026E	
Per Share Data										
Total shares outstanding (mn)	n.m.	7.19	7.20	7.97	8.62	8.62	8.62	8.62	8.62	
EPS	n.m.	0.24	0.13	0.22	0.14	n.m.	0.05	0.30	0.50	
Dividend per share (ord)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	
Dividend payout ratio (%)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	
Profit and Loss (EUR million)										
Revenues	14.5	17.0	18.4	21.5	26.3	26.2	31.1	36.9	42.5	
EBITDA	3.1	5.0	4.9	5.5	4.9	0.5	6.3	9.5	12.3	
EBIT	1.0	2.3	2.2	1.9	1.8	3.4	1.7	4.4	6.6	
EBT	1.0	2.1	1.5	2.0	1.6	4.5	0.6	3.5	5.9	
Taxes	(0.4)	(0.4)	(0.6)	(0.2)	(0.4)	1.2	(0.2)	(0.9)	(1.6)	
Tax rate	40%	19%	39%	12%	23%	27%	27%	27%	27%	
Net Income	0.6	1.7	0.9	1.7	1.2	3.3	0.5	2.6	4.3	
Net Income attributable to the Group	0.6	1.7	0.9	1.8	1.2	3.2	0.5	2.5	4.3	
Balance Sheet (EUR million)										
Total fixed assets	7.4	8.6	10.9	12.4	29.6	31.6	31.0	29.4	27.1	
Net Working Capital (NWC)	1.4	1.7	0.1	1.4	0.0	(1.3)	(1.7)	(1.5)	(1.0)	
Provisions	(1.0)	(1.5)	(1.3)	(1.7)	(1.8)	(1.9)	(2.0)	(2.1)	(2.2)	
Total Net capital employed	7.7	8.8	9.6	12.1	27.8	28.4	27.2	25.7	23.9	
Net financial position/(Cash)	7.3	2.3	2.9	3.3	14.4	18.2	16.7	12.6	6.4	
Group Shareholder's Equity	0.4	6.5	6.7	8.8	13.4	10.1	10.6	13.1	17.4	
Minorities	-	-	0.0	0.0	0.0	(0.0)	(0.0)	0.0	0.0	
Total Shareholder's Equity	0.4	6.5	6.7	8.8	13.4	10.1	10.6	13.2	17.5	
Cash Flow (EUR million)										
Net operating cash flow	2.7	4.6	4.1	5.2	4.5	1.4	5.8	8.3	10.5	
Change in NWC	(0.5)	(0.4)	1.7	(1.4)	1.4	1.3	0.4	(0.2)	(0.5)	
Capital expenditure	(2.4)	(3.9)	(4.9)	(5.2)	(20.3)	(5.9)	(3.9)	(3.5)	(3.3)	
Other cash items/Uses of funds	0.1	0.5	0.1	0.5	0.1	0.1	0.1	0.1	0.1	
Free cash flow	(0.1)	0.8	1.0	(0.8)	(14.3)	(3.0)	2.4	4.7	6.7	
Enterprise Value (EUR million)										
Market Cap	n.a.	27.2	25.2	98.9	86.2	42.9	42.9	42.9	42.9	
Minorities	-	-	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Net financial position/(Cash)	7.3	2.3	2.9	3.3	14.4	18.2	16.7	12.6	6.4	
Enterprise value	n.a.	29.5	28.1	102.2	100.7	61.2	59.6	55.6	49.4	
Ratios (%)										
EBITDA margin	21.7%	29.4%	26.8%	25.4%	18.8%	1.8%	20.2%	25.8%	28.8%	
EBIT margin	7.2%	13.3%	11.7%	8.9%	6.9%	-13.0%	5.4%	11.9%	15.6%	
Gearing - Debt/equity	n.m.	35.4%	42.7%	37.9%	107.9%	180.0%	157.2%	95.9%	36.6%	
Interest cover on EBIT	1.8%	7.2%	29.8%	-3.1%	9.6%	-31.2%	62.5%	20.0%	10.9%	
NFP/EBITDA	2.3x	0.5x	0.6x	0.6x	2.9x	38.9x	2.7x	1.3x	0.5x	
ROCE	13.4%	25.7%	22.5%	15.7%	6.5%	-12.0%	6.1%	17.0%	27.8%	
ROE	141.5%	26.0%	14.0%	20.1%	9.3%	-32.0%	4.3%	19.4%	24.7%	
EV/Sales	4.2x	3.7x	3.2x	2.8x	2.3x	2.3x	1.9x	1.6x	1.4x	
EV/EBITDA	18.2x	11.4x	11.6x	10.5x	11.6x	n.m.	9.2x	6.0x	4.7x	
P/E	71.2x	25.3x	45.7x	24.4x	34.6x	n.m.	n.m.	16.9x	10.0x	
Free cash flow yield	-0.2%	1.4%	1.7%	-1.4%	-25.0%	-5.3%	4.1%	8.2%	11.7%	
Growth Rates (%)										
Sales	n.m.	17.5%	8.1%	16.6%	22.3%	-0.3%	18.5%	18.7%	15.4%	
EBITDA	n.m.	59.4%	-1.6%	10.5%	-9.5%	-90.5%	n.m.	51.8%	29.0%	
EBIT	n.m.	118.4%	-5.0%	-11.6%	-5.5%	n.m.	n.m.	161.8%	51.6%	
Net Income	n.m.	181.3%	-45.4%	87.8%	-28.2%	n.m.	n.m.	n.m.	68.8%	

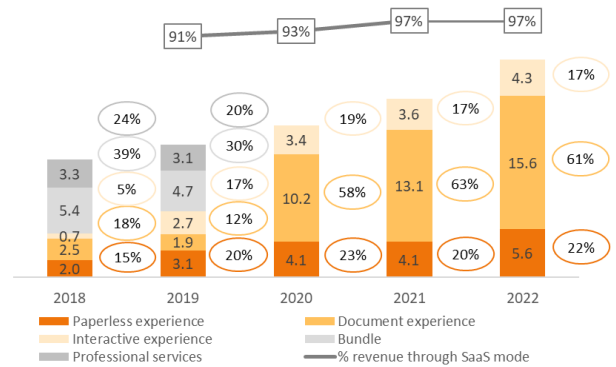
Source: Company data, KT&Partners' elaboration

Key charts

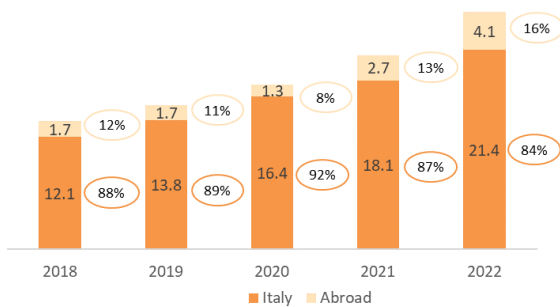
Sales Revenues and EBITDA Margin¹ (€mn)



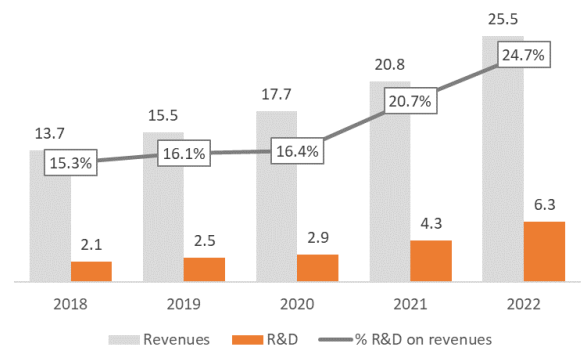
Sales Revenues by Solution (€mn, %)



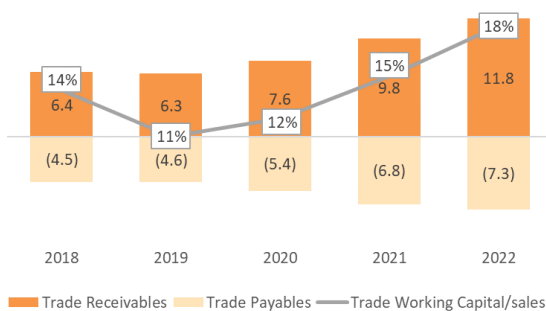
Sales Revenues by Geographical Area (€mn, %)



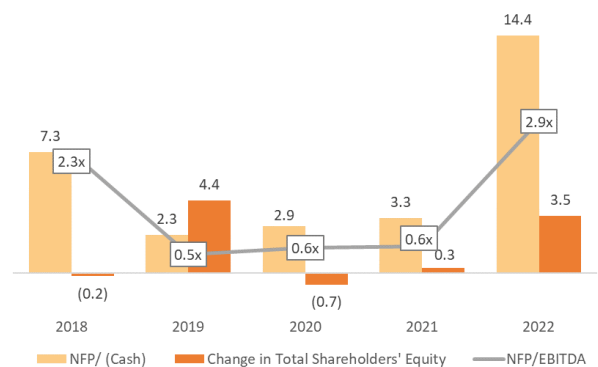
R&D Investments on Revenues (€mn, %)



Trade Working Capital (€mn, %)



NFP and NFP/EBITDA (€mn)



¹ EBITDA margin is calculated on total revenues.

Overview

Company description

Doxee is a tech vendor operating in the fields of digital transformation and customer communications management, offering three integrated product lines – dx, px, and ix – through the Doxee cloud-native platform. Doxee helps companies to: i) innovate their client communication processes (dx); ii) digitize invoice management and the archiving of documents (px); and iii) set up personalized and interactive communications with their customers (ix). The company leverages on state-of-the-art technologies – developed thanks to intense long-term R&D investments. In October 2022, Doxee acquired a 90% stake in Infinica GmbH – a Vienna-based software developer active in the Customer Communication Management (CCM) market – then increasing its stake to 95% in July 2023, enabling a reduction by ca. 18 months in the time to market of Doxee Platform's new solutions.

Doxee went listed on Euronext Growth Milan (EGM) on December 19th, 2019, with €5mn of capital raised (greenshoe option included). Thanks to the IPO, the company could leverage on greater visibility in terms of higher brand awareness and easier access to new customers and markets. The company has recorded an outstanding stock performance since IPO (+313% at the end of FY21) with +254% YoY registered only in FY21, which enabled Doxee to rank second in the FY21 return among the companies listed on the EGM market. To date, the company's stock has still registered an upside of +66% since the IPO date.

The group aims to strengthen and widen its offer through: i) entry in new sectors and markets, such as the digital experience agency market in Italy or the SME market through the development of new paperless products, ii) consolidation of its positioning in existing markets, leveraging on up- and cross-selling strategies, and iii) internationalization, expanding its presence both in European markets, with e-invoicing products, and in the LATAM market, mainly in the Telco and Utilities sectors.

Investment case

- **Proprietary Cloud-Native Platform** to help companies in the digitization of mission-critical customer communications processes and in the automatic production, distribution and archiving of documents.
- **Three integrated product lines** to increase potential customer acquisition and cross-selling opportunities.
- **8000 new leads** in 2022, of which ca. 30% came from digital channels and ca. 70% came from in-person events and webinars.
- **20+ years** of experience and know-how in technology innovation in the Enterprise market.
- **More than 13%** on average of value of production invested in research and development since 2010.
- **Internationally validated** by the main worldwide IT analysts such as Forrester, IDC, Aspire, Celent, Gartner and Quadrant Knowledge Solutions, and **five patents** owned.
- **Long-lasting relationships** with its customer base (serving 200+ clients), resulting in a very low churn rate – 1.5% on revenues – and in high recurring revenues – more than 70% each year.
- **Market leader in Italy for the Reg-Tech sector**, with 200mn of e-invoices produced in 2022.



Focus ESG

Doxee is always committed to doing business in a sustainable way, alongside its aim to improve the stakeholders' engagement, and in September 2023 Doxee achieved another milestone in its Corporate Social Responsibility path, obtaining the **B Corp certification**. Doxee gained the renowned acknowledgement after having passed the B Impact Assessment,

satisfying all the requirements in the Governance, Workers, Community, Environment and Customers fields. The B Corp certification – which has to be renewed every three years – followed the attainment in July 2021 of the **Benefit Company status**, confirming its involvement as a stakeholder company.

The strong integration of ESG issues into company's strategy is also backed by the first release of its Sustainability Report in 2021, with the third one published in June 2023 (on FY22 data). In 2022, Doxee generated an economic value of €28.7mn (vs €23.6mn in 2021), of which €24.4mn was distributed outside the company (85% of total generated value). The group keeps monitoring its sustainable approach through national and international ratings, improving its Ecovadis score since 2021 and receiving the "Silver" rating. It has also obtained the highest, three-stars legality rating by the Italian Competition Authority (AGCM).

In 2022, the group provided 4,145 training hours (vs 3,928 in 2021) to its employees, and introduced smart-working as an employee benefit, enabling a better work-life balance. Furthermore, the company is planning to realize a Home-Work Commute Plan (HWCP), to be completed in 2023, to promote alternative and more sustainable ways to reach the workplace. In this regard, the Group increased the use of hybrid cars by 30% YoY with the aim to reduce the environmental impact of the company's travel.

Finally, after the implementation of ISO 14001 in 2021 and the consequent reporting of waste produced, in 2022 the company registered a 48% reduction in waste generated, coupled with an increase in the percentage of energy consumed coming from renewable sources, resulting in a reduction of 22% in CO₂ emissions.

Recent developments

- **Strengthening the Group organizational structure for a successful growth.** In October 2023 Doxee's BoD appointed new managers and assigned strategic roles to its founders, in order to strengthen its executive team. Indeed, the company identified Paolo Cavicchioni to lead and supervise the entire organizational structure, while Sergio Muratori Casali has been appointed as Group's sales structure supervisor to catch new business opportunities. Doxee also introduced the Group Chief Revenue Officer, to ensure the effectiveness of the structure, while confirmed Herbert Liebl as Chief Product Manager. The new appointments are expected to support the Group in positioning as a leading European One Company in CCM and CXM markets, while enabling a sustainable and profitable growth.
- **New grants from the Emilia Romagna region.** In June 2023, Doxee SpA obtained the public grants of €479k for research and experimental development projects from the Emilia Romagna region, for which they had submitted a tender. The company's total expenditure for the project was €1.0mn. The funded project is part of the development plan for data economy within the companies and is aimed at further enhancing – through the Babelee platform – the Doxee Group's technological expertise aimed at video customization.
- **Supporting INPS' digital transformation with Doxee PVideo®.** In June 2023, Doxee SpA was awarded, as part of a Temporary Grouping of Companies (RTI) together with Postel SpA – part of the Poste Italiane Group – the INPS tender for the provision of personalized and interactive videos. The tender – within a 4-year framework agreement – is aimed at facilitating Pas' digital transformation by exploiting National Recovery and Resilience Plan funds. The development of the tailor-made solutions will be based on the Doxee Pvideo® proprietary technology, to be sold through the PostelVIDEO solution. The total award amount – to be divided between Postel and Doxee according to the conclusion of the framework agreement – was fixed at €1.8mn, of which €300k was for 2023, and €600k was for both 2024 and 2025 and the remaining €300k was for 2026.
- **Entering the Customer Data Platform market.** In March 2023, the MISE approved the R&D project submitted by Doxee in May 2022. The project – focused on artificial intelligence and robotics – is expected to enable Doxee to enter the Customer Data Platform (CDP) market, developing an innovative Customer Data Management Hub

(CDMH) based on cloud and machine learning technologies for the identification of new business needs and trends and for the better management of personal communications. MISE attributed a value of €5.3mn to the project, for potential access to €2.9mn of grants (of which €1.9mn would be a non-repayable loan).

- **Transition to international accounting standards IAS/IFRS.** In March 2023, Doxee approved the adoption of IAS/IFRS principles, starting from the FY22 financial statement data. The main differences with respect to OIC standards can be summarized as follows: i) for R&D costs and Capex, the possibility to include in the income statement only the stake related to personnel costs, and not the R&D costs attributable to external consultancies, ii) a higher value of leased assets and financial liabilities in accordance with IFRS16, with an impact on the income statement side at the D&As level, instead of at the level of services costs, and iii) recognition of the put-call option held by Doxee among its financial liabilities.
- **“Babelee” call option exercise.** In February 2023, Doxee exercised the call option for the remaining 8.93% stake in the subsidiary Babelee and now holds a 100% stake in the company, having become the sole shareholder. Babelee (previously Littlesea Srl) was acquired in 2020 for a total consideration of €0.3mn.
- **Agreement with SIMEST to support international expansion.** In January 2023, Doxee closed an investment agreement with SIMEST to support Doxee’s internationalization path through its subsidiary Doxee CEE GmbH, confirming the growth potential of the DACH area. The agreement involved: i) the acquisition by SIMEST of a 42% stake in Doxee CEE GmbH, for a total consideration of €2mn, and ii) €2mn funding with a six-year duration, of which €1mn is subject to a variable rate, and the remaining €1mn at a fixed rate. We note that Doxee SpA and SIMEST signed a put-call option on the 42% of Doxee CEE GmbH, with the aim of Doxee buying back the 42% by 2030.
- **Doxee Platform: an evolving proprietary technology.** Pursuing the planned roadmap, in 2022 Doxee released new core features for the Doxee Platform, which are expected to start bringing benefits in terms of efficiency and scalability from 2023. The new features implemented will enable massive document production, up to a total of 9bn documents per year. Moreover, 2022 also saw the integration of Doxee Pvideo in the new platform, and the launch of Doxee Booster, enabling companies to manage the data lifecycle, defining communications workflow in a customized way.
- **Warrant exercise.** In December 2022, Doxee announced the closing of the third and last window for the warrant exercise. After the exercise of 3.2mn of warrants, 649k of new shares were issued at a price of €3.99ps, for a total cash-in of €2.6mn. The newly issued shares led Doxee’s free float to increase from 18.1% to 19%.
- **Acquisition of a 90% stake in Infinica GmbH.** In September 2022, Doxee acquired 90% of the share capital of Infinica GmbH, a software developer based in Vienna and active in the Customer Communication Management (CCM) market with its proprietary technology. The deal consideration was fixed at €9.5mn (or ca. 3.1x EV/Sales) paid at the closing date. Thanks to Infinica’s team, which is composed of: i) 30+ high-skilled people, ii) an international presence in 10 countries with 40+ clients, and iii) strategic access to the Salesforce marketplace, Doxee estimates significant inbound synergies. This should result in a benefit that will cover almost half of the price paid, enabling the company to accelerate the release of the Doxee Platform, reducing the time to market of new solutions by ca. 18 months.
- **Innovative enterprise status.** In July 2022, Doxee obtained the qualification “innovative enterprise” from Banque Publique d’Investissement (BPI) France. Its inclusion among companies that put innovation first in their growth strategy will allow Doxee to obtain grants from the French Fund for Innovation.
- **A challenging roadmap to be prepared for M&A integrations.** In 2021, the company experienced an acceleration in its development roadmap that resulted in: i) a strengthened workforce and Sales, Service Operations and R&D structure, by hiring ca. 30 new talents, and ii) a boost in R&D investments (more than 20% on revenues vs an historical average of ca. 15%).

1H23 Financial Results

In 1H23, Doxee's sales revenues amounted to €12.1mn, of which more than 70% were recurring, backed by the increased services' provision through the SaaS business model. The Group's sales revenues posted a +10% YoY growth, but were ca. 16% below our expectations, mainly factoring in the postponement of technological investments for digitization processes from several customers on the back of the uncertain macroeconomic scenario. The cautious behavior – which affected each end-customer category, from PAs to medium and big companies – led to a significant extension of the duration of the sales cycle, with a shift in revenues in 2H23 and, in some cases, even further.

Indeed, looking at organic growth, i.e. without considering the Infinica GmbH contribution (acquired in September 2022), Doxee reached ca. €10.3mn of sales revenues, decreasing by 6.4% YoY.

Looking at revenues by product line, the bulk of sales came from the dx line, which reached €9.1mn (+19% YoY), mainly boosted by Infinica's contribution that accounted on its own for €1.8mn. The ix line performed well, registering a +10% YoY growth at €1.7mn, while the px line was the one that suffered the most from the postponement of investments, with a reduction in sales of ca. 28% YoY at €1.3mn.

The increasing costs to support the acceleration of Doxee's development roadmap, alongside significant costs incurred for Infinica's integration process – expected to be completed in 2H23 – and the significant delays registered at the top-line level, resulted in a strong increase in all the main costs items, leading to a temporary negative EBITDA of -€0.5mn (vs €1.5mn in 1H22 and vs €2.1mn expected). The costs that experienced the highest increase in incidence were indirect costs (+8pp both YoY and on our estimates) and R&D costs (+5pp YoY and +6pp on our estimates, respectively).

Furthermore, the company maintained its purpose to innovate products and processes, investing ca. €3.3mn in R&D projects (in line with 1H22), corresponding to ca. 27% of sales (vs 29.7% in 1H22). We note that only €1.8mn of investments impacted on the income statement as R&D costs, while the remaining €1.5mn were included in the balance sheet within fixed assets.

Doxee reported a €3.2mn loss (vs €0.3mn of net income in 1H22 and vs €0.6mn of positive result expected), negatively impacted by: i) higher-than-expected D&As, following Infinica's consolidation and the beginning of the amortization period for certain intangibles, up to now recognized among assets under construction, and ii) a higher incidence of financial expenses (also including €0.2mn of potential exchange losses), on the back of a higher cost of debt.

Net debt worsened from €14.4mn in FY22 to €18.0mn in 1H23, on the back of ca. €3.6mn of Capex – most of which was attributable to the Doxee Platform's investments – coupled with lower profitability. On the other hand, the company improved its NWC absorption, thanks to renegotiation with its main suppliers that led to extended payment terms. We note that after the IFRS/IAS implementation, net debt also includes: i) leased assets according to IFRS 16, and ii) financial liabilities for the put-call option on Infinica GmbH (10% as of June, 2023, currently decreased to 5% after the exercise of the first 5% tranche in July 2023), Doxee USA Inc. (49%), and Doxee CEE GmbH (42%). We emphasize that the accounting of the 42% put-call option on Doxee CEE GmbH was offset by the cash-in following the acquisition of the same 42% stake by Simest that occurred in February 2023, leading to a nil impact on NFP.

1H22–1H23 Consolidated Income Statement

€ million	1H22	1H23A	YoY %	1H23E	A vs E %
Paperless experience	1.8	1.3	-28%	2.5	-48%
Document experience	7.7	9.1	19%	10.1	-10%
Interactive experience	1.5	1.7	10%	1.8	-3%
Sales Revenues	11.1	12.1	10%	14.4	-16%
Other Revenues	0.4	0.4	2%	0.3	38%
Total Revenues	11.4	12.5	10%	14.6	-15%
Direct Costs	(6.3)	(7.4)	17%	(7.8)	-6%
Gross Profit	5.1	5.1	0%	6.8	-25%
<i>Gross Margin</i>	<i>44.8%</i>	<i>41.0%</i>	<i>-4%</i>	<i>46.6%</i>	<i>-6%</i>
Indirect Costs	(3.8)	(5.1)	34%	(4.9)	4%
Capex	1.3	1.3	1%	1.4	-7%
R&D	(1.1)	(1.8)	72%	(1.2)	49%
Other Operating Expenses					
EBITDA	1.5	(0.5)	-133%	2.1	-124%
<i>EBITDA margin</i>	<i>13.4%</i>	<i>-4.0%</i>	<i>-17%</i>	<i>14.5%</i>	<i>-18%</i>
D&A and Provisions	(1.5)	(2.1)	41%	(1.4)	47%
EBIT	0.1	(2.6)	n.m.	0.7	n.m.
<i>EBIT margin</i>	<i>0.6%</i>	<i>-20.5%</i>	<i>-21%</i>	<i>4.9%</i>	
Financial Income and Expenses	0.2	(0.8)	n.m.	(0.2)	n.m.
Extraordinary items					
EBT	0.3	(3.3)	n.m.	0.6	n.m.
Taxes	(0.0)	0.1		(0.2)	
<i>Tax Rate</i>	<i>3.6%</i>	<i>2.1%</i>		<i>27.0%</i>	
Net Income	0.3	(3.2)	n.m.	0.4	n.m.
<i>Net margin</i>	<i>2.3%</i>	<i>-26.0%</i>	<i>-28%</i>	<i>2.8%</i>	<i>-29%</i>
Minorities	(0.0)	-			
Net Income attributable to the Group	0.3	(3.2)	n.m.	0.4	n.m.
<i>Net margin</i>	<i>2.4%</i>	<i>-26.0%</i>	<i>-28%</i>	<i>2.8%</i>	<i>-29%</i>

Source: Company data, KT&P's Elaborations on 1H23E

FY22–1H23 Consolidated Balance Sheet

€ million	FY22A	1H23	Delta
Goodwill	7.7	7.7	-
Intangible	20.3	21.9	1.6
Tangible	1.6	1.5	(0.1)
Other LT Assets	0.0	0.0	(0.0)
Fixed Assets	29.6	31.1	1.5
Trade receivables	11.8	11.6	(0.2)
Inventory	-	-	-
Trade Payables	(10.4)	(12.0)	(1.6)
Trade Working Capital	1.4	(0.4)	(1.8)
Other assets and liabilities	(1.3)	(0.4)	0.9
Net Working Capital	0.0	(0.8)	(0.9)
Other Provisions	(1.8)	(2.0)	(0.1)
Net Capital Employed	27.8	28.3	0.5
Group shareholders' equity	13.4	10.3	(3.1)
Minority shareholders' equity	0.0		(0.0)
Total shareholders' equity	13.4	10.3	(3.1)
Short-term debt / Cash (-)	2.1	2.1	0.0
Long-term liabilities	12.3	15.9	3.6
Net Financial Position	14.4	18.0	3.6
Sources	27.8	28.3	0.5

Source: Company data

Change in Estimates

On the back of the 1H23 results, we lowered our top-line estimates, expecting the delays in technological investment registered in the first half of the year to partially persist even in 2H23, leading to FY23E total revenues almost in line with FY22 at €26.2mn. We cautiously forecast total revenues to grow at a CAGR22–26E of 12.8% (vs 19.8% previously expected), nevertheless expecting a double-digit growth starting from 2024 onward thanks to:

- i) the strengthening of the partnership with Poste Italiane coupled with the awarding of some tenders in the PA segment within the PNRR program (i.e. the one with INPS),
- ii) the focus on organic growth, increasing the contribution from Annual Recurring Revenues (ARR),
- iii) the expansion of services offered in the Finance markets following the launch of the new version of Doxee Platform3 – expected to be released by 1H24 – with the integration of Infinica’s interactive on-demand features.

We revised downward our EBITDA estimates to consider the slowdown in the company’s business alongside the accelerated investment plan to integrate Infinica’s technology and to speed up the release of the Doxee Platform’s latest version. We note that investments for Infinica’s integration are expected to enable significant cost savings for investments that the Group would have incurred anyway in the coming years for the internal development of the acquired technology. We now expect FY23E EBITDA to be €0.5mn (vs €6.9mn expected before), with an almost nil EBITDA margin.

From 2024, we project a progressive boost in Doxee’s profitability thanks to: i) the Doxee Platform3’s new innovative features, enabling a higher efficiency and a reduction in the configuration time for customers’ requests, together with a lower incidence of fixed costs (i.e. costs for technological infrastructure), and ii) the expected increase of cost synergies with Infinica, resulting in the internalization of the bulk of required expertise. We thus expect the EBITDA margin to be 20.2% in FY24E (3.8pp lower than before), reaching a profitability of 28.8% in 2026E (vs 29.7% previously projected). In absolute terms, EBITDA is expected to reach €12.3mn in FY26, growing at a CAGR22A–26E of 25.6% (vs 34.4% expected before).

At the bottom-line level, we foresee a significant impact of D&As on net income due to the strong focus on R&D investments in 2023E–24E, coupled with the recognition of Infinica’s intangible assets after the PPA process and the beginning of the amortization period for certain intangibles recognized among assets under construction. The higher D&As, alongside the higher impact of financial expenses, are expected to result in a FY23E loss of €3.2mn. The net result is expected to become positive in FY24E, reaching €4.3mn of net income in FY26E (CAGR22–26E of 36.4% vs 56.7% previously forecasted).

Finally, we foresee a FY23E net debt of €18.2mn (€4.3mn above our old forecasts), mainly factoring in a downward revision of profitability estimates, coupled with a higher cost of debt, only partially offset by lower NWC absorption. We note that the exercise of the 5% call option in Infinica GmbH that occurred in July 2023 did not impact on NFP, as the option was already included within FY22 NFP. Net debt is then expected to progressively improve, benefiting from business growth and, starting from 2024E, from a gradual reduction of R&D investments (also considering a lower reliance on outsourcing), reaching €6.4mn in FY26E.

Change in Estimates

€ Millions	2021A	2022E	2022A	Delta A vs E	2023E	2023E	Change	2024E	2024E	Change	2025E	2025E	Change	2026E	2026E	Change	CAGR22- 26E Old	CAGR22- 26E New
	Actual	Old	Actual		Old	New		Old	New		Old	New		Old	New		Old	New
Revenues	21.5	26.7	26.3	-1.4%	32.9	26.2	-20.5%	39.2	31.1	-20.8%	46.7	36.9	-21.1%	54.1	42.5	-21.4%	19.8%	12.8%
YoY Change (%)	16.6%	24.1%	22.3%		25.4%	-0.3%		19.0%	18.5%		19.1%	18.7%		15.8%	15.4%			
EBITDA	5.5	5.3	4.9	-7.2%	6.9	0.5	-93.2%	9.4	6.3	-33.5%	12.6	9.5	-24.4%	16.1	12.3	-23.8%	34.4%	25.6%
YoY Change (%)	10.5%	-2.5%	-9.5%		39.9%	-90.5%		36.5%	n.m.		33.5%	51.8%		27.8%	29.0%			
EBITDA Margin	25.4%	19.9%	18.8%		21.0%	1.8%		24.0%	20.2%		26.9%	25.8%		29.7%	28.8%			
EBIT	1.9	2.1	1.8	-15.5%	3.4	(3.4)	n.m.	5.2	1.7	-67.8%	7.8	4.4	-43.6%	10.6	6.6	-37.2%	55.7%	38.6%
YoY Change (%)	-11.6%	11.8%	-5.5%		90.9%	n.m.		51.5%	-149.2%		49.2%	161.8%		36.2%	51.6%			
Net income of the Group	1.8	1.4	1.2	-9.3%	2.2	(3.2)	n.m.	3.5	0.5	-87.0%	5.4	2.5	-52.8%	7.5	4.3	-42.6%	56.7%	36.4%
YoY Change (%)	87.2%	-22.2%	-29.4%		75.9%	n.m.		60.5%	-114.0%		53.6%	n.m.		39.0%	n.m.			
NFP	3.3	8.0	14.4	6.4	13.9	18.2	4.3	10.9	16.7	5.7	4.7	12.6	7.9	(3.7)	6.4	10.1		

Source: Company data, KT&P’s elaborations

Valuation

Following the projections of Doxee's future financials, we carried out the valuation of the company by applying the DCF method. Differently from our previous reports, we did not rely on multiples valuation, as we believe it does not capture Doxee's value. Indeed, in the period considered we expect that the company will not fully express its profitability potential, and Doxee's net income will be penalized by the remarkable investments required to ensure business growth and Infinica's integration.

DCF analysis, based on WACC of XX% and 2% perpetual growth, yields a value of €8.89ps, or an equity value of €76.7mn.

DCF Valuation

We conducted our valuation using a four-year DCF model, based on 9% cost of equity, 4.5% cost of debt and a D/E ratio of 11.1% (Damodaran for Software, Systems, and Applications). The cost of equity is a function of the risk-free rate of 4.3% (Italian 10y BTP, last 3 months' average), 4.7% equity risk premium (Damodaran for a mature market), and a premium for size and liquidity of 2.3% (source: Duff&Phelps). We, therefore, obtained 8.4% WACC.

We discounted 2023E–26E annual cash flows and considered a terminal growth rate of 2%. Then we carried out a sensitivity analysis on the terminal growth rate (+/- 0.25%) and on WACC (+/- 0.25%).

DCF Valuation				
€ million	2023E	2024E	2025E	2026E
EBIT	(3.4)	1.7	4.4	6.6
Taxes	0.9	(0.5)	(1.2)	(1.8)
D&A	3.9	4.6	5.1	5.6
Change in Net Working Capital	1.3	0.4	(0.2)	(0.5)
Change in Funds	0.1	0.1	0.1	0.1
Net Operating Cash Flow	2.8	6.3	8.2	10.1
Capex	(5.9)	(3.9)	(3.5)	(3.3)
FCFO	(3.0)	2.4	4.7	6.7
g	2.0%			
Wacc	8.4%			
FCFO (discounted)	(3.0)	2.1	3.9	5.2
Discounted Cumulated FCFO	8.2			
TV	107.4			
TV (discounted)	82.9			
Enterprise Value	91.1			
NFP FY22	14.4			
Minorities FY22	0.0			
Equity Value	76.7			
Current number of shares (mn)	8.6			
Value per share (€)	8.89			

Source: Company data, KT&Partners' elaboration

Sensitivity Analysis

€ million	WACC					
	8.9%	8.7%	8.4%	8.2%	7.9%	
Terminal growth Rate	1.5%	64.0	67.0	70.3	73.8	77.6
	1.8%	66.6	69.9	73.4	77.2	81.2
	2.0%	69.4	72.9	76.7	80.7	85.2
	2.3%	72.5	76.2	80.3	84.7	89.4
	2.5%	75.7	79.8	84.1	88.9	94.1

Source: Company data, KT&Partners' elaboration

Appendix

Peer Comparison

In order to define Doxee's peer sample, we carried out an in-depth analysis of listed companies active in the digital transformation market. In selecting potential peers, we consider Doxee's offering, business model, growth, and profitability profile.

For peer analysis, we built a nine-company sample, which includes:

- **Heeros Oyj (HEEROS-FI):** listed on the OMX Helsinki stock exchange with a market capitalization of €17mn, Heeros Oyj provides cloud-based financial management solutions. It offers fully automated solutions for the purchase invoice workflow, invoice OCR processing, e-invoicing, e-archiving, SEPA payments, payable and receivable ledgers, general ledger accounting, and a mobile app. In FY22, Heeros Oyj reached €11mn of sales revenues.
- **Esker SA (ALESK-FR):** listed on the Euronext Paris stock exchange with a market capitalization of €707mn, Esker SA operates a cloud platform for finance and customer service professionals. It offers a cloud platform that helps to strengthen the relationship between suppliers and customers, by bringing value and visibility at work for finance and customer service professionals. The platform's artificial intelligence enables back-office departments to work with better visibility of all business operations, fostering collaboration between employees, customers and suppliers. In FY22, the company reached €159mn of revenues.
- **D4t4 Solutions Plc (D4T4-GB):** listed on the London Stock Exchange with a market capitalization of €79mn, D4t4 Solutions Plc provides data solutions through its Celebrus suite of products and services. It operates through the Product–Own IP, Product–3rd Party, Delivery Services and Support & Maintenance segments. The Product–Own IP segment creates, authors, markets and sells a software product, Celebrus, focused on the capture of customer data from all digital channels. The Product–3rd Party segment delivers data management using public and private cloud infrastructure. The Support & Maintenance segment consists of hosting, support services and maintenance. In FY22, the company reached €25mn of revenues.
- **Maps S.p.A. (MAPS-IT):** listed on the Borsa Italiana stock exchange with a market capitalization of €31mn, Maps is one of the main Italian digital transformation enablers focused on big data software solutions. It operates through the following business streams: Large Enterprise (focused on data integration solutions, semantic and predictive analysis and data cloud sharing systems), the Healthcare Industry (offering software for patient care and support); and Gzoom (specialized in developing software for PA). In FY22, Maps reached €25mn of sales revenues.
- **Digital Value S.p.A (DGV-IT):** listed on the Borsa Italiana stock exchange with a market capitalization of €442mn, Digital Value is an Information Technology solutions provider. The group supports the digital transformation of its customers through an offer of customized solutions and services. It offers data center and hybrid cloud computing, networking and intelligence networks, infrastructural enterprise software, information and communication technology security and cyber security, and digital business transformation. In FY22, Digital Value revenues amounted to €709mn.
- **Growens SpA (GROW-IT):** listed on the Borsa Italiana stock exchange with a market capitalization of €102mn, Growens engages in the provision of a digital platform for the professional management and sending of large quantities of electronic mail, professional newsletters, a short message service, and faxes without the need for software or hardware installation. It operates through the following business areas:

e-mail sending, text message sending and BEE Plugin and Other services. In FY22, Growens' revenues amounted to €103mn.

- **Objective Corporation Limited (OCL-AU):** listed on the Australia Stock Exchange with a market capitalization of €642mn, Objective Corporation Ltd engages in the supply of information technology software and services, providing content, collaboration and process management solutions through the following segments: Objective Content Management (ECM), Keystone, Connect, Trapeze, and Corporate. In FY22, the company reached €69mn of sales revenues.
- **Ansarada Group Ltd (AND-AU):** listed on the Australia Stock Exchange with a market capitalization of €80mn, Ansarada Group Ltd provides cloud-based software. The firm offers workflow, collaboration, project management and secure file-sharing solutions. It provides services to the legal accounting firms, corporate and financial advisers, financial instructions and listed or multinational companies. In FY22, the company reached €31mn of sales revenues.
- **WIIT SpA (WIIT-IT):** listed on the Borsa Italiana stock exchange with a market capitalization of €409mn, WIIT SpA is a holding company which engages in the provision of hosted private and hybrid cloud services. It offers cloud computing, critical applications, business continuity and disaster recovery, cyber security, technology migration, service desk, and digital transformation solutions. In FY22, WIIT's revenues amounted to €117mn.

Secondly, we compared the peers' historical marginalities with Doxee's historical financials.

The peer companies have a level of historical and expected profitability that is below Doxee's results and projections: the peers' average EBITDA margin for FY22 was 16.8%, compared with Doxee's EBITDA margin equal to 18.8%. The expected average EBITDA margin in FY25 is predicted to be 21.7% vs Doxee's forecasts at 25.8%.

Peer Comparison – EBITDA Margin, EBIT Margin and Net Margin

Company Name	EBITDA Margin				EBIT margin				Net margin			
	2022	2023	2024	2025	2022	2023	2024	2025	2022	2023	2024	2025
Heeros Oyj	3.0%	n.a.	n.a.	n.a.	neg	n.a.	n.a.	n.a.	neg	n.a.	n.a.	n.a.
Esker SA	20.3%	18.6%	19.7%	20.4%	13.6%	11.6%	13.2%	14.3%	11.2%	9.8%	10.8%	11.3%
D4t4 Solutions plc	17.6%	17.3%	18.7%	19.8%	15.9%	16.2%	17.3%	18.6%	15.0%	13.1%	14.5%	15.7%
Maps S.p.A.	21.0%	17.4%	22.4%	24.6%	10.9%	5.8%	11.3%	14.1%	10.2%	3.7%	8.5%	11.0%
Digital Value SpA	10.4%	10.6%	10.8%	11.1%	7.2%	7.0%	7.5%	8.0%	4.8%	4.5%	5.0%	5.4%
Growens S.p.A.	4.0%	1.9%	2.0%	2.4%	neg	neg	neg	neg	neg	77.2%	neg	0.1%
Objective Corporation Limited	28.8%	23.6%	37.3%	39.1%	23.6%	19.3%	31.0%	32.3%	18.4%	19.1%	28.0%	28.4%
Ansarada Group Ltd.	12.4%	16.4%	16.3%	17.5%	neg	neg	0.4%	4.1%	neg	neg	0.5%	4.1%
WIIT SpA	33.8%	36.8%	38.5%	38.9%	13.9%	19.4%	21.8%	23.0%	6.7%	8.2%	10.7%	12.0%
Peers Average	16.8%	17.8%	20.7%	21.7%	14.2%	13.2%	14.6%	16.3%	11.1%	19.4%	11.1%	11.0%
Doxee	18.8%	1.8%	20.2%	25.8%	6.9%	neg	5.4%	11.9%	4.8%	neg	1.5%	6.9%

Source: FactSet, KT&Partners' elaboration

Peer Comparison – Market Multiples 2022–25

Company Name	Exchange	Market Cap	EV/SALES				EV/EBITDA				EV/EBIT				P/E			
			2022	2023	2024	2025	2022	2023	2024	2025	2022	2023	2024	2025	2022	2023	2024	2025
Heeros Oyj	OMX Helsinki	17	1.6x	n.a.	n.a.	n.a.	n.m	n.a.	n.a.	n.a.	n.m	n.a.	n.a.	n.m	n.a.	n.a.	n.a.	
Esker SA	Euronext Paris	707	4.2x	3.7x	3.2x	2.8x	20.4x	19.7x	16.2x	13.6x	30.5x	31.5x	24.2x	19.4x	38.3x	38.6x	31.0x	25.5x
D4t4 Solutions plc	London	79	2.4x	1.6x	1.5x	1.4x	13.8x	9.4x	8.0x	7.0x	15.3x	10.0x	8.7x	7.5x	21.9x	16.8x	13.9x	12.0x
Maps S.p.A.	Milan	31	1.6x	1.6x	1.4x	1.3x	7.7x	9.1x	6.3x	5.1x	14.9x	27.6x	12.6x	8.9x	11.0x	31.9x	12.1x	8.2x
Digital Value SpA	Milan	442	0.6x	0.5x	0.5x	0.4x	6.0x	5.1x	4.3x	3.7x	8.7x	7.6x	6.3x	5.2x	12.9x	11.6x	9.3x	7.6x
Growens S.p.A.	Milan	102	1.0x	1.3x	1.1x	1.0x	25.0x	n.m	n.m	n.m	n.m	n.m	n.m	n.m	n.m	n.m	n.m	n.m
Objective Corporation Limited	ASX	642	8.9x	9.4x	8.5x	7.6x	30.8x	n.m	22.8x	19.4x	37.6x	n.m	27.4x	23.5x	47.9x	49.0x	30.4x	26.8x
Ansarada Group Ltd.	ASX	80	2.3x	2.3x	2.1x	1.8x	18.3x	14.0x	12.6x	10.1x	n.m	n.m	n.m	43.6x	n.m	n.m	n.m	49.9x
WIIT SpA	Milan	409	5.0x	4.3x	4.1x	3.8x	14.8x	11.8x	10.5x	9.8x	35.9x	22.3x	18.6x	16.5x	47.8x	25.8x	20.9x	18.1x
Average peer group		279	3.1x	3.1x	2.8x	2.5x	17.1x	11.5x	11.6x	9.8x	23.8x	19.8x	16.3x	17.8x	30.0x	28.9x	19.6x	21.2x
Median peer group		102	2.3x	2.0x	1.8x	1.6x	16.6x	10.6x	10.5x	9.8x	22.9x	22.3x	15.6x	16.5x	30.1x	28.8x	17.4x	18.1x
Doxee	Milan	43	2.3x	2.3x	1.9x	1.6x	11.6x	n.m	9.2x	6.0x	31.9x	n.m	34.3x	13.1x	34.6x	n.m	n.m	16.9x

Source: FactSet, KT&Partners' elaboration

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