

RECOMMENDATION
BUY (from BUY)

Target Price
5 € (from 6 €)

POWERSOFT

Sector: Electronic Equipment & Instruments
Bloomberg negotiation code: PWS IM
AIM Market
Price as of 29/10/2020
3.94 €
Market Capitalisation: 43,600,182 €

Number of shares: 11,066,036

Shareholders Equity 30.06.2020: 20,033,000 €

Outstanding warrants (1:1): 549,800[^]
^(^) See page 11

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- Powersoft is a global technological leader in compact, energy-efficient and high-power amplifiers for the professional audio sector. These amplifiers are designed either to be installed in large venues or used by major global touring companies (for live concerts and events).
- The Covid-19 pandemic has had a severe impact on the entire professional audio sector. While sales from installations (estimated 40% of sales) and the Asian markets have largely held up, the live events sector (estimated 30% of sales) has been particularly hard hit, especially in Europe and the Americas.
- At the end of the first half of 2020, sales revenue fell by 22% year on year, with gross operating income (EBITDA) down by 58% and net operating income (EBIT) down by 85%.
- In light of the challenging market context, a process of strategic repositioning has been launched to convert the company from a *Product Company* to a *Solution Provider*, expanding the business into sectors with broader potential, such as *Conferencing, Education for Corporate, Safety, Security and Gaming*, whilst reinforcing sales channels at the same time.
- By the end of 2020, sales should be approximately 19% down on 2019, with an EBITDA of 4 million Euro (down 37% on 2019). For the entire period 2019/2023, we estimate sales will grow at an average annual rate of 5.1%, with CAGR on EBITDA of 4.5% and net income growing by an average annual rate of 3.8%.
- We value the stock at € 5 (previously € 6). The recommendation is to buy.

Year to 31/12 (k €)

	2018	2019	2020E	2021E	2022E	2023E
Sales revenue	33467	36934	30000	33000	41000	45000
EBITDA	5353	6400	4050	4680	6935	7645
EBIT	3380	3977	1950	2380	4585	4945
Net Income	2520	3014	1940	1730	3285	3495
Cash-flow	4493	5438	4040	4030	5635	6195
Equity	15419	19046	20986	22716	26001	29496
NFP	8292	11000	10789	11819	14754	17850
ROE	16.3	15.8	9.2	7.6	12.6	11.8

Source: Powersoft; Estimates: Banca Finnat

Activities & Strategies

The company, founded in 1995 and based in Scandicci (Florence), heads a Group that operates globally in the design, manufacture and sale of compact, lightweight, energy-efficient and high-power amplifiers for the professional audio sector. Pioneers in the use of switched mode technology, Powersoft has developed and launched solutions that have gone on to become sector standards. The Powersoft Group operates mainly in the amplifiers sector, in electronics for active speakers, and in audio signal processing software, which is offered to a broad range of domestic and international clients. Powersoft has succeeded in introducing PWM (*pulse width modulation*) technology which, teamed with *power factor correction*, achieves previously unimaginable audio performance, and in developing amplification modules that can be built into speakers. The amplifiers manufactured by Powersoft can be applied in fixed installations for sports stadia, theme parks, resorts and hotels, airports, theatres, conference centres, shopping malls, museums and places of worship, company meeting rooms and home theatres, as well as being used by major global touring companies (for live concerts and events).

In light of the challenging market context, a process of strategic repositioning has been launched to convert the company from a *Product Company* to a *Solution Provider*, expanding the business into adjacent sectors such as *Conferencing, Education for Corporate, Safety, Security* and *Gaming*. In addition, the company will explore verticalization into specific client segments (Corporate, Educational, Government, Retail) and reinforce traditional sales channels whilst developing new ones, with a particular focus on e-commerce and creating commercial structures for customers requiring more ongoing support.

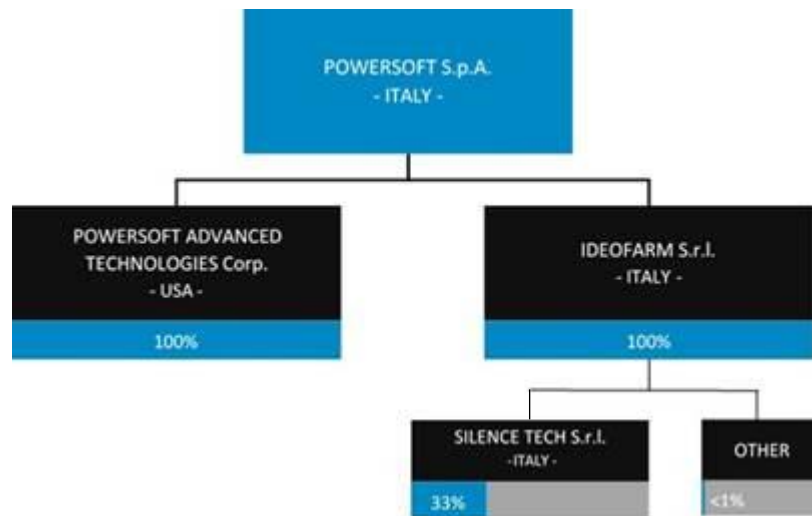
Production is carried out by subcontractors at four sites in Gorizia, Bologna, Cortona and Shenzhen, while two product lines, more technologically complex and higher added value, are “worked on” at company headquarters in Scandicci (assembly and testing of electronic cards for amplifiers). Currently, over 65% of production is assembled in-house, with a clear advantage for boosting margins.

Powersoft has always focused closely on environmental sustainability, adopting a “green” policy as the basis for the production of all its products. *Green Audio Power* is a trademark registered by Powersoft to identify its “environmentally friendly” products.

Powersoft products are distributed in 138 countries (91% of sales is generated on foreign markets); on the US market distribution is through the 100% owned company Powersoft Advanced Technologies Corp., while in other countries (Canada, South America – especially Brazil and Mexico - Asia, Europe, Middle East and Africa) it is carried out by a network of 66 multi-brand distributors and through direct clients (especially for Modules, Transducers and Deva multimedia units). Distribution is backed by 33 technical support centres worldwide. The company recently set up a Customer Services Division to provide value added cloud-based services for remote device diagnostic analysis and maintenance.

Group Structure

The company has been listed on the AIM segment of Borsa Italiana since 17 December 2018 at a placing price of € 3.6. The reference shareholder of Powersoft Group, with an 85.66% share of the capital, is Evolve S.r.l. - owned by Luca Lastrucci (45%), Claudio Lastrucci (45%) and Antonio Peruch (10%). 14.34% of the stock is floated on the market.

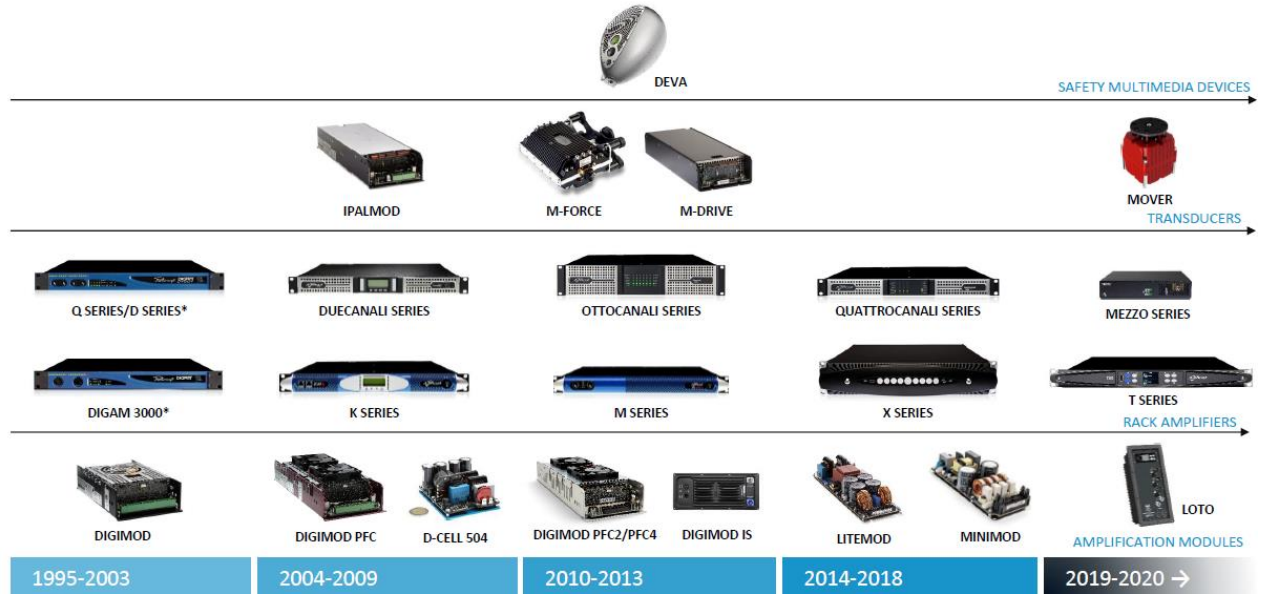


Source: Powersoft

- Powersoft Advanced Technologies Corp. USA distributes Powersoft products on the US market.
- Ideofarm S.r.l. is an in-house incubator that enables engineers, designers and all new potential employees of Powersoft to develop innovative ideas into concrete action. Ideofarm supports the research and development of innovative technologies, mainly (but not necessarily) for the Digital Audio/Video sector, involving mechatronics, electroacoustics, innovative materials and software for complex systems.
- Silence Tech S.r.l. (33% owned alongside partners K-Array and B&C Speakers) develops active noise cancelling systems.

The Group operates on the professional audio market, offering four specific product lines: (i) Rack amplifiers for touring and fixed installations; (ii) Transducers; (iii) Amplification modules; (iv) Multimedia units.

Product lines



* OUT OF ORDER PRODUCTS

Source: Powersoft

The main product lines are:

- Rack amplifiers for touring and fixed installations



Performance and high power coupled with compact size for easy portability and logistics.

➤ Transducers (M-System, Mover)



Innovative, high-efficiency transducers for low frequencies (e.g. sound emphasis). Transducers convert an electrical signal to a high-power acoustic signal (a loudspeaker is a type of transducer). The main application is gaming (vibrating floors and chairs for immersive experiences).

➤ Amplification modules



Devices designed to provide highly compact amplifiers and high configurability for easier integration into third-party products (speakers).

➤ Multimedia units (Deva)



A compact multimedia device (audio, video, light, wireless connectivity, UMTS), energy-efficient, providing audio messaging (promotional/music) and equipped with a camera, remote-controllable for outdoor applications and capable of working without an internet connection thanks to its solar-powered internal battery. With its multiple built-in functions (high-resolution camera, LED spotlight for illuminating monitored area, audio amplifier and various sensors), easy installation and remote control, DEVA could be the ideal solution for monitoring and controlling public and private spaces, supporting the measures implemented to contain the ongoing Covid-19 pandemic. Thanks to its image recognition technology, DEVA is able to identify the number of people in a given area, measure the length of a queue and the distance between people, and trigger alarms in the event of unauthorised access to restricted areas. If rules are not being complied with, it can issue alerts and warnings locally and send information to a remote control centre via Wi-Fi or 4G mobile network. DEVA can also be paired with a body temperature measurement system for monitoring visitors and employees, automatically providing proof, blocking access and sending information and data remotely. Initiatives have begun to sell this device to different types of clients in the public and private sectors.

The Group has also developed a proprietary software program to manage, monitor and remote control its entire product range, called *Armonia Pro Audio Suite*. This software, which enables complex audio systems to be easily set and controlled thanks to its highly user-friendly interface, ensures higher quality standards and makes the audio system more secure and better-performing. This is especially true when used in combination with DSP technology (Digital Signal Processing), which integrates digital processing inside the amplifiers. The Group uses this technology to create a series of scalable, standardised products. In particular, with *Armonia Pro Audio Suite*, system designers and users have a unique tool to significantly improve the system's audio performance and reliability.

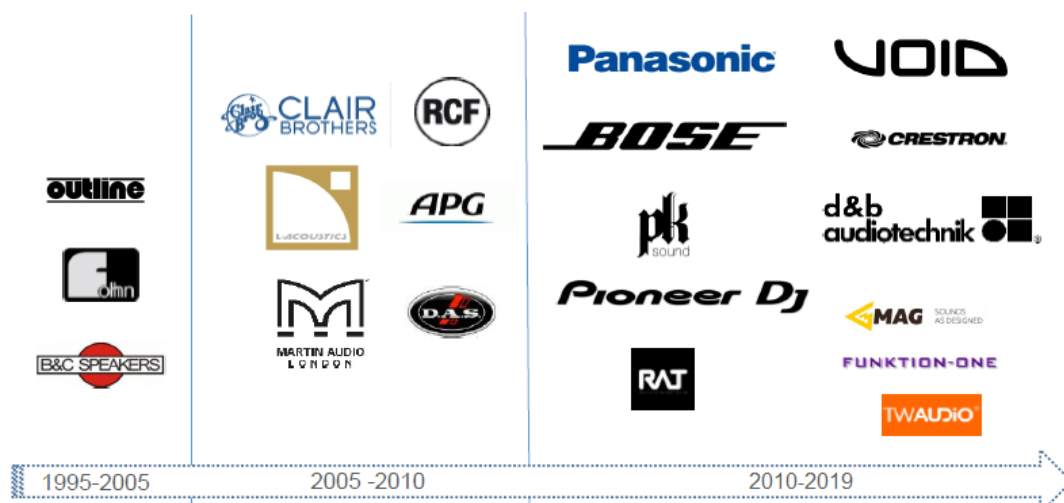
The latest release of the software, *Armonia Plus*, includes major new functions and was named best software platform for managing and monitoring professional audio systems.

The Group has also developed *Armonia Pro Manager* software, which speaker manufacturers can use to initialize their products in a proprietary manner whilst showing information on branding, name, and serial number of the loudspeaker system, the product name and series, product images and a brief description. This software ensures a high level of customisation and greater visibility.

The Group also develops solutions for different markets, from professional audio to solution development:

- Mover (Tactile Sound Transducer): a compact yet powerful transducer, launched on the market in the first quarter of 2019, usable both as a linear motor/shaker and as an additional element in audio systems, which amplifies the Group's market potential. Mover technology is patented by Powersoft, designed and developed for gaming chairs, industrial applications, aquatic effects for swimming pools, fountains and pools and for those wishing to add a new dimension to their sound experience. It is designed for 4D cinema, theme parks or locations with vibrating floors and walls that, through haptic perception, gives the audience a multisensory immersive experience.
- Wipod (Wireless Energy): a wireless low-power, medium-distance system for transferring energy to mobile or fixed devices such as audio reproduction devices, emergency lights, smoke and movement detectors, and more generally, for IoT use and the architectural/home automation sector.
- Silence (Active Acoustic Treatment): an active noise cancelling system for strongly reverberating environments such as recording studios, control rooms, acoustically critical industrial environments.
- MeMo: a bundle comprising an amplifier (Mezzo) and a shaker (Mover). MeMo is designed for Gaming and Home Cinema.

Over the years, major global brands in the audio sector have chosen to use Powersoft amplifiers for installations and live events, or Powersoft modules in their active speaker products. Bose and Pioneer sell Powersoft rack amplifiers with Powersoft branding, while other brands use Powersoft amplification modules inside their active speakers, with Powered by Powersoft stated on the product.



Source: Powersoft

Source: Powersoft



Powersoft's innovative, high-performing solutions have been awarded a number of prizes.



Source: Powersoft

Powersoft launched 8 new solutions for the audio sector in 2019:

- i) the new T Series, a latest generation multichannel rack amplifier for live applications. Powerful, lightweight and easy to carry, it is designed for companies that provide audio systems for small and medium-sized concerts;
- ii) the new X4L amplifier, designed to control subwoofer speakers for live applications; it is the most powerful amplifier in the sector and offers state-of-the-art signal processing;
- iii) the new modular processing platform, called LOTO, designed for speaker manufacturers wishing to integrate the amplifier into their products;
- iv) a new version of the DSP-Lite signal processing board for amplifier modules with Ethernet interface for online connection and control;
- v) the Snapshot Selector mobile app for selecting an amplifier from your smartphone and setting it up locally through USB cable;
- vi) a lower-powered line of amplifiers, called MEZZO, specifically designed for the audio-video market. This line is designed for new installations requiring flexibility, design and reliability as well as compact size and low energy consumption;
- vii) a compact yet powerful transducer, called MOVER, usable both as a linear motor/shaker and as an additional element in audio systems;
- viii) a line of control panels, Wall Mounts panels, designed for the installations market, particularly conference rooms, lecture theatres, stores and small venues, for managing and distributing audio signals from different sources.

In the first half of 2020, to broaden its client portfolio and consolidate its entry on other markets, the following have been presented:

- new versions of the Quattrocanali and Duecanali series;
- “MeMo” - a bundle comprising an amplifier (Mezzo) and a shaker (Mover). MeMo is designed for Gaming and Home Cinema.

Confirming its role as a global technological leader in compact, energy-efficient and high-power amplifiers for the professional audio sector, the Group received the following awards in the first half of the year:

- Installation at New England’s Cathedral of the Holy Cross awarded in the “House of Worship” category by Mondo dr (Mondo dr Awards);
- T Series recognised as Most Innovative Touring Amplifier by “Front of House” (Gold Star Product Awards);
- T Series awarded in the Power Amplifier section by “ProSoundWeb & Live Sound International” (Reader’s Choice Awards).

The main projects forecast for the second half of 2020 are:

- New Powersoft Integrated Platform, called My Powersoft, a cloud-based IT system enabling Powersoft users to access a wide range of services: from remote control to predictive and diagnostic analysis of products to other value-added services;
- Major release of Armonia Plus (software environment developed by Powersoft for audio design clients) aimed at the installation sector;
- New accessories designed to complete the offering of systems for installations;
- Optimisation of the demand planning process, in part through the use of specialist software;
- Screening and exploration of target companies for future M&A operations;
- Development and expansion in American and Asian markets, with particular focus on China, identifying figures with high international standing with whom to collaborate to bring further added value to the Sales Team.

Warrants & Stock Options Plan

- The 549,800 Warrants currently in circulation (Powersoft Warrants 2018/2021) have a recognised conversion ratio of 1 converted share per 1 warrant presented for the exercise. As envisaged by the regulation, a single time window is left for conversion:
 - a) 01/10/2021 - 15/10/2021 at a price of €5.48
- A further 191,000 Warrants may be assigned to the shareholder Evolve S.r.l., calculated in the ratio of 1 warrant for every 50 ordinary shares held at the end of 30 days from the start of trading to be issued and assigned to Evolve S.r.l. by the tenth stock exchange trading day following that on which the market value of the share, for at least 5 consecutive stock exchange trading days, has been at least equal to the exercise price applicable to the relevant exercise period plus an amount equal to 50% of the placing price. The remaining time window is:
 - a) 01/10/2021 - 15/10/2021 at a price of €7.28
- A stock option plan in favour of executive directors, managers and key resources was also approved, which provides for the allocation of 764,000 options. These can be exercised, following approval of the 2020 financial statement and up to 19 December 2024, in the ratio of 1/1, at a strike price of €3.25 subject to the achievement of a minimum cumulative EBITDA for the 2018/2020 exercises at least equal to €16,271,000.

Results as of 30 June 2020

EUR (K)	1H 2019	1H 2020	VAR%	FY2019
Sales revenue	18095	14120	-22	36934
Other revenues	801	732	-8.6	1325
Total Revenues	18896	14852	-21.4	38259
Cost of Sales	9557	7790	-18.5	19755
%	52.8	55.2		53.5
Increases for internal projects	419	332	-20.8	855
%	2.3	2.4		2.3
Commercial Expenses	1002	985	-1.7	2310
%	5.5	7		6.3
Labour cost	4098	3815	-6.9	8150
%	22.6	27		22.1
Operating expenses	1261	1156	-8.3	2500
%	7	8.2		6.8
EBITDA	3397	1438	-57.7	6400
%	18.8	10.2		17.3
Depreciation & Provisions	1076	1080	0.4	2423
%	5.9	7.6		6.6
EBIT	2321	358	-84.6	3977
%	12.8	2.5		10.8
Financial expenses (income)	49	(29)	-	(36)
PRE-TAX PROFIT	2272	387	-83	4013
%	12.5	2.7		10.9
Taxes	646	(462)		999
Tax rate (%)	28.4			24.9
NET INCOME	1626	849	-47.8	3014
%	9	6		8.2
Cash Flow	2702	1929	-28.6	5437
%	14.9	13.7		14.7
NFP	8410	10156		11000
Equity	17113	20033		19046
ROE	19	8.5		15.8

Source: Powersoft

The spread of the Covid-19 pandemic has had a severe impact on the entire professional audio sector. While sales from installations and the Asian markets have largely held up, the live events sector, especially in Europe and the Americas, has been particularly hard hit by the restrictions imposed by national governments, which have largely banned mass gatherings and encouraged social distancing. Economic activity in the first half of the year was therefore negatively impacted by the current international health crisis. The drop in annual Group sales (down 22% from € 18.1 million on 30.06.2019 to € 14.1 million on 30.06.2020) was mainly focused on Europe (-22.2%), which generates 51.4% of sales revenue, and North America (-26.9%), which generates 18% of sales revenue, while the Asia Pacific region, responsible for 27% of Group sales, saw the drop in sales limited to just 3.6%. A less than proportional drop in operating costs, including a reduction in labour costs of approximately 7%, thanks in part to the use of income support measures such as the furlough scheme, as well as an 8% drop in operating expenses, led to an approximately 58% drop in gross operating income (EBITDA) to € 1.4 million on 30.06.2020 from € 3.4 million on 30.06.2019, with the profit margin down from the previous 18.8% to 10.2%. Depreciation and provisions were unchanged at € 1.1 million but made up a greater part of sales (up from 5.9% to 7.6%), resulting in a drop of almost 85% in net operating income (EBIT) from € 2.3 million at the end of June 2019 to € 358 thousand. Net operational efficiency (ROS) fell from the previous 12.8% to 2.5%. Tax benefits from the Patent box of € 462 thousand mitigated the drop in net income (48% down on the same period 2019) to € 849 thousand from € 1.6 million on 30.06.2019. Net financial position is positive at € 10.2 million, compared to € 11 million on 31.12.2019 and € 8.4 million on 30.06.2019, while shareholders equity stands at € 20 million, compared to € 19 million on 31.12.2019 and € 17.1 million on 30.06.2019.

Outlook 2020 – 2023

EUR (K)							<i>Old estimates</i>
	2018	2019	2020E	2021E	2022E	2023E	CAGR 19/23
Sales Revenue	33467	36934	31400	36110	41530	45683	5.5
Other Revenues	1794	1325	1000	800	800	800	
Total Revenues	35260	38259	32400	36910	42330	46483	
Cost of Sales	19337	19755	17100	19499	22219	24440	
%	57.8	53.5	54.5	54	53.5	53.5	
Increases for internal projects	886	855	700	867	1038	1142	
%	2.6	2.3	2.2	2.4	2.5	2.5	
Commercial Expenses	1710	2310	1500	1769	2076	2284	
%	5.1	6.3	4.8	4.9	5	5	
Labour cost	6952	8150	7900	8305	9344	10004	
%	20.8	22.1	25.2	23	22.5	21.9	
Operating expenses	2795	2500	2400	2528	2907	2969	
%	8.4	6.8	7.6	7	7	6.5	
EBITDA	5353	6400	4200	5675	6822	7927	5.5
%	16	17.3	13.4	15.7	16.4	17.3	
Depreciation & Provisions	1973	2423	2400	2550	2699	2741	
%	5.9	6.6	7.6	7.1	6.5	6	
EBIT	3380	3977	1800	3125	4122	5186	6.9
%	10.1	10.8	5.7	8.7	9.9	11.3	
Financial expenses (income)	(125)	(36)	15	15	15	15	
PRE-TAX PROFIT	3504	4013	1785	3110	4107	5171	6.5
%	10.5	10.9	5.7	8.6	9.9	11.3	
Taxes	984	999	-	933	1232	1551	
Tax rate (%)	28.1	24.9	-	30	30	30	
NET INCOME	2520	3015	1785	2177	2875	3620	4.7
%	7.5	8.2	5.7	6	6.9	7.9	
Cash Flow	4493	5438	4185	4727	5575	6361	
%	13.4	14.7	13.3	13.1	13.4	13.9	
NFP	8292	11000	8000	10644	13740	17945	
Equity	15419	19046	20831	23008	25012	27194	
ROI	47.4	49.4	14	25.3	36.6	56.1	
ROE	16.3	15.8	8.6	9.5	11.5	13.3	
CAPEX	1719	1507	1300	1500	1600	1600	
NWC	5630	4850	6400	6983	6991	6109	

Source: Powersoft; Estimates: Banca Finnat

New estimates

EUR (K)	2018	2019	2020E	2021E	2022E	2023E	CAGR 19/23
Sales Revenue	33467	36934	30000	33000	41000	45000	5.1
Other Revenues	1794	1325	1600	650	650	650	
Total Revenues	35260	38259	31600	33650	41650	45650	
Cost of Sales	19337	19755	16700	17820	21935	24075	
%	57.8	53.5	55.7	54	53.5	53.5	
Increases for internal projects	886	855	700	800	940	1050	
%	2.6	2.3	2.3	2.4	2.3	2.3	
Commercial Expenses	1710	2310	1800	1500	2070	2280	
%	5.1	6.3	6	4.5	5	5.1	
Labour cost	6952	8150	7650	8100	9250	9800	
%	20.8	22.1	25.5	24.5	22.6	21.8	
Operating expenses	2795	2500	2100	2350	2400	2900	
%	8.4	6.8	7	7.1	5.9	6.4	
EBITDA	5353	6400	4050	4680	6935	7645	4.5
%	16	17.3	13.5	14.2	16.9	17	
Depreciation & Provisions	1973	2423	2100	2300	2350	2700	
%	5.9	6.6	7	7	5.7	6	
EBIT	3380	3977	1950	2380	4585	4945	5.6
%	10.1	10.8	6.5	7.2	11.2	11	
Financial expenses (income)	(125)	(36)	150	50	50	50	
PRE-TAX PROFIT	3504	4013	1800	2330	4535	4895	5.1
%	10.5	10.9	6	7.1	11.1	10.9	
Taxes	984	999	(140)	600	1250	1400	
Tax rate (%)	28.1	24.9	-	25.75	27.56	28.6	
NET INCOME	2520	3015	1940	1730	3285	3495	3.8
%	7.5	8.2	6.5	5.2	8	7.8	
Cash Flow	4493	5438	4040	4030	5635	6195	
%	13.4	14.7	13.5	12.2	13.7	13.8	
NFP	8292	11000	10789	11819	14754	17850	
Equity	15419	19046	20986	22716	26001	29496	
ROI	47.4	49.4	19.1	21.8	40.8	42.5	
ROE	16.3	15.8	9.2	7.6	12.6	11.8	
CAPEX	1719	1507	1100	1600	1600	2300	
NWC	5630	4850	8000	9400	10500	11300	

Source: Powersoft; Estimates: Banca Finnat

By the end of 2020 we estimate a 19% drop in sales compared to 2019, from € 36.9 million to € 30 million, with gross operating income (EBITDA) down 37% (from € 6.4 million on 31.12.2019 to € 4.05 million) and net operating income (EBIT) down 51% (from € 4 million on 31.12.2019 to € 1.95 million). We estimate net income will be € 1.9 million, down from € 3 million on 31.12.2019 (-36%). Medium and long-term forecasts for the audio-video sector seem to indicate a recovery, which is expected to be greater in the installations sector, while the outlook in the live events sector is less favourable. Over the course of 2021 the company expects to place greater emphasis on its presence on the American market, due to its importance in the reference sector, and the Asian market, due not only to this region unexpectedly holding up well but also because this area is expected to benefit from a more favourable economic recovery than more developed countries. For the three-year period 2021/2023 the company will focus on a strategic repositioning strategy to combat the uncertainty still affecting the live events sector (estimated 30% of sales). The Group aims to direct its development strategy towards installations in Conferencing and Education for companies whose reference market is expected to grow at an attractive rate, especially in view of the ongoing pandemic, but also move towards diversifying its offering to adjacent sectors with high potential such as Safety & Security, with the sale of its multimedia product Deva, and the Residential market, with its Mover and Mezzo products. A central focus of this "company paradigm shift" is the intention to serve clients not just as a simple manufacturer of audio systems but above all as a "Solution Provider" of advanced "turnkey" systems - advanced audio solutions that, through agreements between manufacturers, envisage integrating different products such as control systems, amplifiers, speakers and microphones.

We therefore estimate sales will recover by 10% in 2021 and 24% in 2022.

Sales revenue should rise from an estimated 30 million Euro by the end of 2020 to € 33 million by the end of 2021, € 41 million by the end of 2022, and reach € 45 by the end of the period (2023) with an average annual growth rate of 5.1% (2019/2023).

Gross operating income (EBITDA), forecast at € 4.05 million at the end of 2020, is estimated to rise to € 4.7 million at the end of 2021, € 6.9 million at the end of 2022, and reach € 7.6 million by the end of 2023 (with margin up from 13.5% at the end of 2020 to 17% by the end of 2023). EBITDA is expected to grow at an average annual rate of 4.5% over the period 2019/2023. Net operating income (EBIT) over the same period is expected to grow at an average annual rate of 5.6%, from € 1.95 million at the end of 2020 to € 4.95 million in 2023, with ROS rising from 6.5% at the end of 2020 to 11% by the end of 2023. Net income, estimated at € 1.9 million at the end of 2020 and expected to be € 1.7 million at the end of 2021, should rise to € 3.5 million by the end of 2023 (CAGR 2019/2023 of 3.8%).

Net financial position is expected to stay positive, from € 10.8 million at the end of 2020 to € 17.85 million by the end of 2023, while shareholders equity, € 21 million at the end of 2020, should rise to € 29.5 million by the end of the period.

Valuation

For the purposes of valuation, we use the Discounted Cash Flow methodology with the explicit forecast of cash flows generated in the period 2020/2023.

The perpetual growth rate is kept at 1.5% and the WACC is set at 7.95% (10.5% previously), with a Free Risk Rate of 1.2% (1.5% previously), a Beta Coefficient equal to 0.6 (source: Bloomberg) down from the previous 0.8 and a Market Risk Premium unchanged at 11.25%. The operating cash flows are negatively affected, compared to the previous valuation, by greater CAPEX and a less favourable working capital structure. We obtain an Enterprise Value of 44.8 million Euro and an **Equity Value of 5 Euro per share** (down from €6). Our recommendation is still to buy.

Cash Flow Model (K €)

	2020E	2021E	2022E	2023E
EBIT	1950	2380	4585	4945
Taxes	(140)	600	1250	1400
NOPAT	2090	1780	3335	3545
D&A	2100	2300	2350	2700
Capex	1100	1600	1600	2300
CNWC	3150	1400	1100	800
FOCF	-60	1080	2985	3145

Estimates: Banca Finnat

DCF Model Valuation (k €)

Perpetual Growth Rate (%)	1.5
WACC (%)	7.95
Discounted Terminal Value	38842
Cum. Disc. Free Operating Cash Flow	5925
Enterprise Value	44767
Net financial position as of 30/06/2020	10156
Equity Value	54923
No. Shares	11,066,036
Value per share	4.96

Estimates: Banca Finnat;

WACC Calculation (%)

Risk free rate	1.2
Market risk premium	11.25
Beta (x)	0.6
Cost of Equity	7.95
WACC	7.95

Estimates: Banca Finnat

Historical recommendations and target price trend

Date	Rating	Target Price	Market Price
29.05.2020	BUY	6.00 €	4.14 €
15.10.2019	BUY	6.75 €	4.58 €
10.05.2019	BUY	6 €	4.78 €

Key to Investment Rating (12 Month Horizon)

BUY: Upside potential at least 15%

HOLD: Expected to perform +/- 10%

REDUCE: Target achieved but fundamentals disappoint

SELL: Downside potential at least 15%

INCOME STATEMENT (Eur k)	2018	2019	2020E	2021E	2022E	2023E
Sales Revenue	33467	36934	30000	33000	41000	45000
Total Revenues	35260	38259	31600	33650	41650	45650
Cost of Sales	19337	19755	16700	17820	21935	24075
Increases for internal projects	886	855	700	800	940	1050
Commercial Expenses	1710	2310	1800	1500	2070	2280
Labour cost	6952	8150	7650	8100	9250	9800
Operating expenses	2795	2500	2100	2350	2400	2900
EBITDA	5353	6400	4050	4680	6935	7645
Depreciation & Provisions	1973	2423	2100	2300	2350	2700
EBIT	3380	3977	1950	2380	4585	4945
Financial expenses (income)	(125)	(36)	150	50	50	50
PRE-TAX PROFIT	3504	4013	1800	2330	4535	4895
Taxes	984	999	(140)	600	1250	1400
NET INCOME	2520	3015	1940	1730	3285	3495
Cash Flow	4493	5438	4040	4030	5635	6195
BALANCE SHEET (Eur k)	2018	2019	2020E	2021E	2022E	2023E
Shareholders Equity	15419	19046	20986	22716	26001	29496
NFP	8292	11000	10789	11819	14754	17850
Net Invested Capital	7127	8046	10196	10896	11246	11646
FINANCIAL RATIOS (%)	2018	2019	2020E	2021E	2022E	2023E
EBITDA margin	16	17.3	13.5	14.2	16.9	17
EBIT margin	10.1	10.8	6.5	7.2	11.2	11
Net margin	7.5	8.2	6.5	5.2	8	7.8
ROI	47.4	49.4	19.1	21.8	40.8	42.5
ROE	16.3	15.8	9.2	7.6	12.6	11.8
GROWTH RATES (%)	2018	2019	2020E	2021E	2022E	2023E
Sales revenue	9.7	10.4	-19	10	24	10
EBITDA	11.8	19.6	-37	16	48	10
EBIT	3.3	17.7	-51	22	93	8
Net Profit	20.5	19.6	-36	-11	90	6
Cash Flow	24.6	21	-26	-	40	10
VALUATION METRICS	2018	2019	2020E	2021E	2022E	2023E
EPS	0.2	0.3	0.2	0.2	0.3	0.3
CFPS	0.4	0.5	0.4	0.4	0.5	0.6
BVPS	1.4	1.7	1.9	2	2.3	2.7
P/E	17.3	14.5	22.5	25.2	13.3	12.5
P/CF	9.7	8	10.8	10.8	7.7	7
P/BV	2.8	2.3	2.1	1.9	1.7	1.5
EV/SALES	1.1	0.9	1.1	1	0.7	0.6
EV/EBITDA	6.6	5.1	8.1	6.8	4.2	3.4
EV/EBIT	10.4	8.2	16.8	13.4	6.3	5.2

Source: Powersoft; Estimates: Banca Finnat

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