

A Significant Backlog to Lead the Growth

ADD | Fair Value: €4.89 (€5.13) | Current Price: €2.36 | Upside: +107.07%

€ Million	FY20A	FY21A	FY22	FY23E	FY24E	FY25E	FY26E
Total Revenues	57.5	40.1	91.3	89.6	98.4	106.9	116.2
EBITDA	6.8	2.0	5.5	7.2	9.2	11.3	13.4
margin	11.9%	5.1%	6.0%	8.0%	9.4%	10.6%	11.6%
Net Profit	4.3	1.4	3.2	3.3	4.7	6.8	8.6
margin	7.5%	3.4%	3.5%	3.6%	4.8%	6.4%	7.4%
NFP/ (Cash)	3.1	12.4	18.1	19.1	14.4	7.5	6.8

Source: Company Data (2020-2022), KT&Partners' Elaboration (2023-2026)

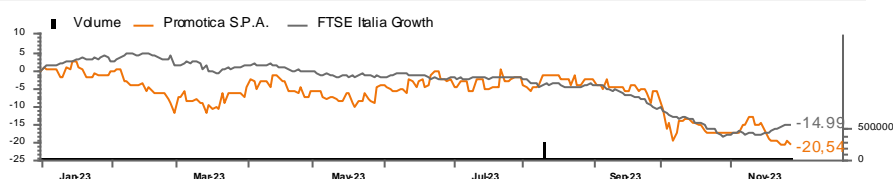
1H23 Financial Results. On 28th September 2023, Promotica reported 1H23 consolidated financial results including Mercati Srl acquired in July 2022. Revenues stood at €33.2mn, -26.5% YoY, missing our estimate of €47.6mn. The decrease in revenues is mainly due to the shift of important loyalty campaigns in the second half of the year. Considering €23.3mn of COGS for the storage of the prizes for the campaign in the second semester, Promotica reported a gross profit of €10.2mn, -14.2% YoY and -22.6pp below our prior forecast. The EBITDA stood at €0.6mn vs €2.8mn in the 1H22 and €2.9mn our prior expectation, following the increasing costs related to: i) service costs at €5.9mn (€5.6mn in the 1H22), reflecting the increase in shipping costs and related logistics expenses which had a higher impact on revenues (17.8% vs 12.3% in 1H22); and personnel costs at €2.9mn (€2.5mn in 1H22) following the strengthening of the organization and the establishment of the Promotica International division (1.7% the incidence on sales in 1H23 vs 1% in 1H22). Therefore, Promotica reported an EBITDA margin at almost 2%, lower than the 6% registered in the previous semester. The Group's net income stands at -€0.4mn, below the €1.3mn in the 1H22 following: i) €0.5mn of D&A and ii) €0.7mn of financial expenses, increasing from the €0.3mn in the 1H22 due to the increased interest rates. Finally, NFP increased at €26.9mn compared to the €18.1mn recorded as of December 31, 2022. This increase is mainly associated to the higher inventory (€30.4mn vs 1H22 €21mn) related to a significant campaign scheduled for the first weeks of October 2023.

The Significant Portfolio Orders Is Expect to Lead 2H23 Growth. On 6th Novembre 2023, Promotica announced a backlog of more than €53mn of loyalty campaigns with important national and international players active in the GDO and in the Energy sector. Of these, four campaigns were started from October, for a value of €44mn, while the remaining €9mn are expected to be launched in the first months of 2024.

Change in Estimates. On the back of 1H23 Promotica results lower than our expectations, we revised downward our estimates for the 2023E-2025E period. However, we still expect a stronger 2H23 given the significant Group portfolio order. Therefore, we now see FY23E almost unchanged compared to FY22 results at €89.6mn (-1.8% YoY) vs our old projection of €95.2mn, growing at a CAGR22A-26E at 6.2% to reach €116.2mn (almost unchanged compared to our previous estimate). We now expect EBITDA at €7.2mn vs €8.2mn prior seen with an EBITDA margin at 8%, only 0.6pp below our precedent estimate as we expect that the loyalty campaigns estimated to be delivered before the end of FY23, will be characterized by higher marginality, in line with Promotica strategy to be more focused on more profitable projects. Looking at net income we now expect €3.3mn, below our prior estimate of €4.7mn, also considering a higher incidence of financial expenses now seen at €1mn vs €0.2mn our prior projection, to take in consideration the increased cost of debt. Finally, we worsen the FY23E NFP at €19.1mn vs our old projection of €14.5mn, to take in consideration the higher cash NWC absorption and the new investment in intangible assets due to the implementation of Promotica International.

Valuation. Our valuation – based on DCF method – returns an equity value of €82.89mn or a fair value of €4.89ps, implying an upside of +107.07% on the current price.

Performance Chart – YTD



Company Update

November 29th, 2023 – 7.00h

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Market Data

Main Shareholders	
Dieci.Sette S.r.l.	76.20%
Di Silvio Guglielmo	5.93%
Giochi Preziosi S.p.A.	2.95%
Grazioli Holding S.r.l.	1.03%
Mkt Cap (€ mn)	40.0
EV (€ mn)	58.2
Shares out. (mn)	17.0
Free Float	13.9%

Market multiples	2022	2023	2024
EV/EBITDA			
Promotica S.p.A.	10.6x	8.1x	6.3x
P/E			
Promotica S.p.A.	12.4x	12.3x	8.4x

Stock Data	
52 Wk High (€)	3.11
52 Wk Low (€)	2.26
Avg. Daily Trading 90d	2,642
Price Change 1w (%)	-1.67
Price Change 1m (%)	-4.07
Price Change YTD (%)	-20.54

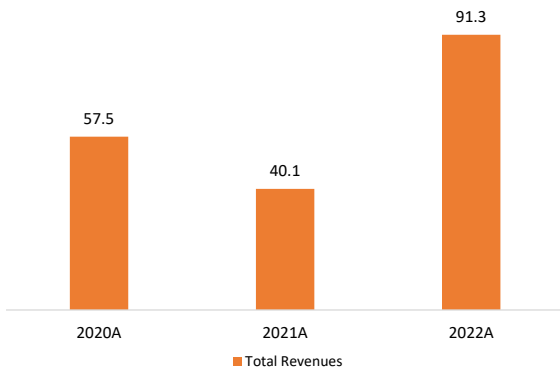
Key Figures – Promotica SpA

	Current price (€)	Fair Value (€)	Sector				Free Float (%)
	2.36	4.89	Loyalty Program				13.9%
Per Share Data	2020A	2021A	2022A	2023E	2024E	2025E	2026E
Total shares outstanding (mn)	16.0	16.0	17.0	17.0	17.0	17.0	17.0
EPS	0.27	0.09	0.19	0.19	0.28	0.40	0.51
Dividend per share (ord)	2%	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Dividend pay out ratio (%)	22%	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Profit and Loss (EUR million)	2020A	2021A	2022A	2023E	2024E	2025E	2026E
Total Revenues	57.5	40.1	91.3	89.6	98.4	106.9	116.2
EBITDA	6.8	2.0	5.5	7.2	9.2	11.3	13.4
EBIT	6.3	1.5	4.2	5.3	7.2	9.9	12.2
EBT	6.0	1.6	3.7	4.3	6.3	9.1	11.4
Taxes	-1.7	-0.2	-0.4	-1.1	-1.6	-2.3	-2.9
Tax rate	28%	11%	12%	25%	25%	25%	25%
Net Income	4.3	1.4	3.2	3.3	4.7	6.8	8.6
Net Income attributable to the Group	4.3	1.4	3.2	3.3	4.7	6.8	8.6
Balance Sheet (EUR million)	2020A	2021A	2022A	2023E	2024E	2025E	2026E
Total fixed assets	2.8	8.8	11.1	10.5	9.7	9.1	8.5
Net Working Capital (NWC)	12.7	17.3	26.8	32.1	33.6	34.6	35.1
Provisions	-0.6	-1.2	-1.5	-2.0	-2.6	-3.2	-3.8
Total Net capital employed	14.8	24.8	36.4	40.6	40.7	40.6	39.9
Net financial position/(Cash)	3.1	12.4	18.1	19.1	14.4	7.5	6.8
Group Shareholder's Equity	11.8	12.3	18.1	21.4	26.1	32.9	32.9
Minorities	0.0	0.1	0.2	0.2	0.2	0.2	0.2
Total Shareholder's Equity	11.8	12.4	18.3	21.5	26.3	33.1	33.1
Cash Flow (EUR million)	2020A	2021A	2022A	2023E	2024E	2025E	2026E
Net operating cash flow	5.1	1.9	5.0	5.9	7.4	8.8	10.4
Change in NWC	-2.7	-4.6	-9.5	-5.3	-1.5	-1.0	-0.5
Capital expenditure	1.9	-4.0	-3.8	-1.2	-1.0	-0.7	-0.5
Other cash items/Uses of funds	2.1	-2.0	0.6	0.4	0.4	0.4	0.5
Free cash flow	6.5	-8.7	-7.8	-0.3	5.4	7.6	9.8
Enterprise Value (EUR million)	2020A	2021A	2022A	2023E	2024E	2025E	2026E
Market Cap	25.6	49.4	50.4	40.0	40.0	40.0	40.0
Minorities	0.0	0.1	0.2	0.2	0.2	0.2	0.2
Net financial position/(Cash)	3.1	12.4	18.1	19.1	14.4	7.5	6.8
Enterprise value	28.7	62.0	68.6	59.3	54.6	47.7	47.0
Ratios (%)	2020A	2021A	2022A	2023E	2024E	2025E	2026E
EBITDA margin	11.9%	5.1%	6.0%	8.0%	9.4%	10.6%	11.6%
EBIT margin	10.9%	3.7%	4.6%	6.0%	7.4%	9.3%	10.5%
Gearing - Debt/equity	26.0%	100.7%	99.8%	89.5%	55.2%	22.7%	20.5%
Interest cover on EBIT	5.0%	-7.4%	12.2%	19.0%	12.6%	8.3%	6.1%
NFP/EBITDA	44.8%	607.3%	329.2%	265.2%	156.0%	65.9%	50.4%
ROCE	42.4%	6.0%	11.5%	13.2%	17.8%	24.5%	30.5%
ROE	36.5%	11.2%	17.6%	15.2%	18.2%	20.7%	26.0%
EV/Sales	1.01x	1.45x	0.64x	0.65x	0.59x	0.55x	0.50x
EV/EBITDA	8.54x	28.53x	10.61x	8.08x	6.31x	5.15x	4.34x
P/E	8.79x	26.46x	12.41x	12.31x	8.44x	5.87x	4.67x
Free cash flow yield	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.
Growth Rates (%)	2020A	2021A	2022A	2023E	2024E	2025E	2026E
Sales	54.1%	-30.2%	127.5%	-1.8%	9.7%	8.7%	8.7%
EBITDA	77.1%	-70.1%	168.9%	31.3%	28.1%	22.6%	18.5%
EBIT	79.2%	-76.2%	178.8%	28.1%	35.3%	37.1%	22.7%
Net Income	99.1%	-66.8%	126.0%	0.8%	45.9%	43.9%	25.6%

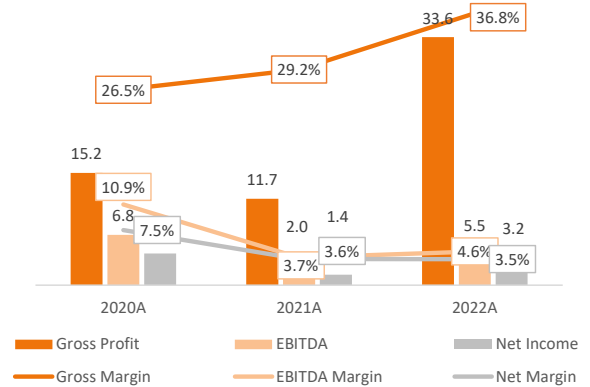
Source: Company Data (2020-2022), KT&Partners' forecasts (2023-2026)

Key Charts

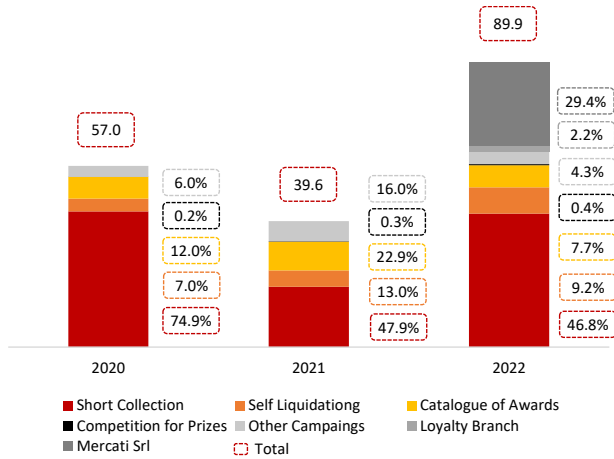
Total Revenues (€mn)



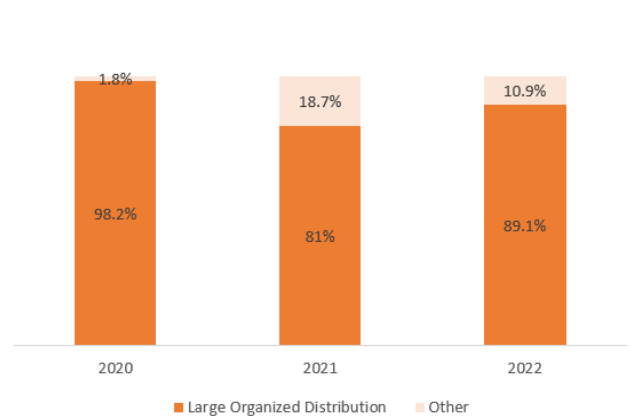
Gross Profit, EBITDA and Net Income (€mn, %)¹



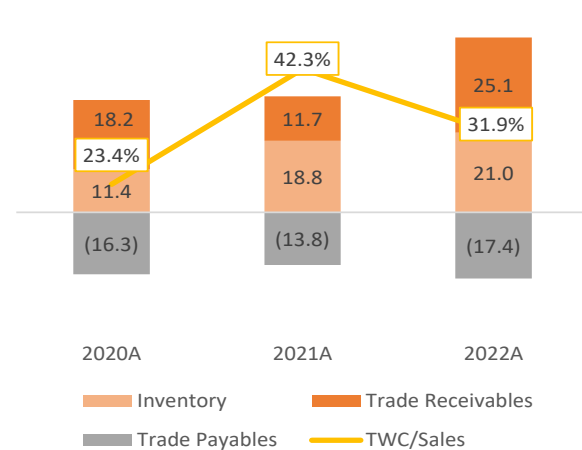
Sales Revenues breakdown per Loyalty Campaign (€mn, %)



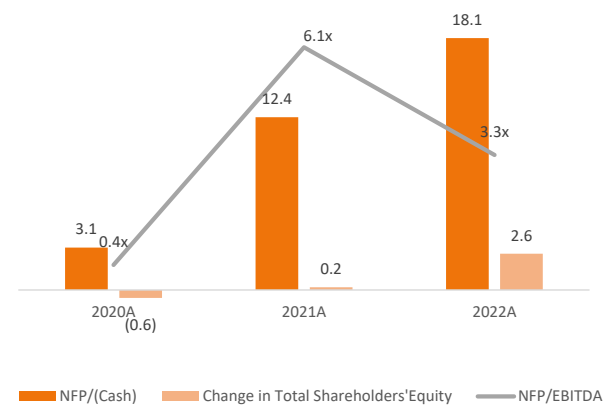
Sales Revenues breakdown per Industry (%)



Trade Working Capital (€mn, %)



NFP, Change in Shareholders' Equity and NFP/EBITDA (€mn)



¹ Margins are calculated on Total Revenues

Overview

Company Description

Promotica S.p.A., an Italian company established in 2003 in Desenzano del Garda (BS), is a leader in the Italian loyalty sector.

Promotica offers a 360° consultancy service dedicated to promotional planning and development, managing each phase: from the planning to the measurement of results and data management. Promotica, through its promotional campaigns, has the aim to increase its clients' sales: improving "brand advocacy," increasing wallet share, intensifying visitor frequency, and increasing spending volumes.

Promotica's main goal is to propose the most complete and suitable solution to its clients' needs, providing a portfolio of personalized campaigns based on specific customer requests and needs. Indeed, Group offers a range from short collection and self-liquidating campaigns to a catalogue of awards.

Over the years, Promotica has boosted its growth also thanks to its M&A track record. Indeed, over the last two years, the Company has completed three strategic acquisitions aimed at expanding its tailor-made offer: i) in 2020, Promotica acquired 100% of Kiki Lab - Ebeltoft Italy, a Company with a consolidated experience in the field of research, training, and services for the retail world; ii) in 2021, Promotica acquired 80% of Grani & Partners, one of the leading global players on the promotional market for products dedicated to children mainly in large-scale organized distribution; iii) in 2022, Promotica acquired the Incentive & Loyalty business unit owned by Giglio Group S.p.A., introducing the use of new software and platforms for data management and analysis; and iv) still in 2022, Promotica acquired Mercati S.r.l., an Italian company active in the production and import of household, personal, and leisure items.

Notwithstanding the economic slowdown due to the COVID-19 pandemic, thanks to its management strategy focused on i) expanding Group's product portfolio; ii) broadening its customer base, and iii) innovating constantly its services, since 2017, the Group has showed a constant and considerable sales growth and profitability. Indeed, Promotica Group's sales grew at a CAGR17-21 of 28%, reaching its record in FY22A with €90mn.

Investment Case

A consolidated leader in the Loyalty market... With almost 20 years of experience, Promotica is one of the Italian leading companies active in the loyalty sector. Promotica offers a 360° consultancy service dedicated to promotional planning and development, aiming to improve its clients' sales through consumer loyalty, increasing: "brand advocacy," wallet share, visitors' frequency, and spending volumes.

...gaining new market share through its M&A activities... Nonetheless the Italian loyalty program industry is becoming even more competitive. In recent years, Promotica gained significant market share thanks to its last four strategic acquisitions, which had also the aim to strengthen the Group offer: i) in 2020, Promotica acquired 100% of Kiki Lab - Ebeltoft Italy, a company with consolidated experience in research, training, and services related to the retail world; ii) in November 2021, it acquired 80% of Grani & Partners S.r.l, one of the main players at a global level in the promotional market for products dedicated to children; iii) in March 2022, Promotica acquired the Incentive & Loyalty Business Unit owned by Giglio Group S.p.A. to further consolidate its position in the loyalty sector, with new expertise in the Martech area; iv) in June 2022, Promotica continues to strengthen its value chain through the acquisition of the 100% of Mercati S.r.l, specialized in the creation, design, and import of items for the home, person and leisure, conceived in an innovative and cosmopolitan way with the right relationship between style and practicality.

...in a growing Industry... Promotica is active in the loyalty program industry, which is known to be a highly attractive market given its durable demand. Indeed, according to Research and Markets, the global loyalty management market is estimated at \$8.07bn in 2023 and is expected to reach \$13.1bn by 2028, growing at a CAGR23-28 of 10.2%. Moreover, in the survey conducted by Antavo, it emerged that Loyalty programs will be a lifeline during the financial crisis. Indeed, Companies view loyalty programs as a valuable investment during the potentially upcoming recession, with the 55.9% of respondents envision the role of customer loyalty as essential or very valuable in overcoming the inflation crisis and a potential recession.

... offering a wide range of tailor-made services and activities... Promotica's main goal is to propose the most completed and suitable solution to its clients' needs, providing a portfolio of personalized campaigns based on specific customer requests.

...to its high standing clients... Promotica's customer portfolio includes leading brands active mainly in large-scale distribution, industrial, pharmaceutical, financial, and oil sectors and widely known internationally. Over the years, Promotica strengthened strong relationship with its customers, proposing campaigns designed and planned on their specific needs, anticipating market trends.

...all while being a sustainable and inclusive ESG Company. Promotica pays strong attention to create a welcoming and people-oriented work environment, constantly striving to enhance and develop each employee's professional skills. For Promotica, people are the heart of Group's business, as the Group believes that, thanks to capable and motivated people, the Company can achieve excellent goals and produce successful products. Moreover, Promotica is strongly committed to environmental responsibility. Indeed, in the coming years, the Group is aimed at improving energy efficiency through the construction of the new zero energy impact headquarters, powered by geothermal energy, equipped with a photovoltaic system, with charging points for electric cars and bicycles. Furthermore, the Group's objectives also include its intention to purchase 100% of its energy consumption from certified renewable sources and to reach carbon neutrality.

Statement of risks. One of the main services that Promotica offers to its customers is the returns policy of any unclaimed prizes at the end of each campaign, having a potential impact in the management of Promotica's warehouse. However, thanks to proprietary algorithms, the Company seeks to minimize unredeemed premiums from consumers and the consequent

returns at the end of the campaign (historically with an average <10%), also planning their reuse in new campaigns. Moreover, given the higher concentration of large-scale distribution clients, Promotica aims to expand its customer base by entering into new markets (such as Food Delivery) and consolidating its position in markets where the Company is already active, such as Pharmaceutical and Petroleum. Finally, given the key role that suppliers play in Promotica's business model, the Company, thanks to its long-standing relationships, is used to stipulate medium-long term procurement contracts, guarantying thus a minimum volume of products to be delivered.

Recent Developments

- **A Significant Loyalty Campaign Backlog.** On 6th Novembre 2023, Promotica announced a backlog of more than €53mn of loyalty campaigns with important national and international players active in the GDO and in the Energy sector. Of these, four campaigns were started from October, for a value of €44mn, while the remaining €9mn are expected to be launched in the first months of 2024.
- **Launch of "Promotica International" Division.** Promotica International division will strengthen Group position and facilitate the penetration in new geographical markets.
- **Three New Loyalty Campaigns in the GDO Sector.** In July, Promotica announced three new loyalty campaigns in the GDO for a total value of €3.2mn:
 - The first Campaign is in partnership with Coop Alleanza 3.0 for the creation and management of "Qui da Noi," a short collection set to end on August 6, 2023. The collection focuses on Egan porcelain products, an Italian brand that brings a contemporary touch to color, design, and home accessories;
 - The second campaign involves Tatò Paride and features a short porcelain collection bearing the Egan signature. This collection was created in collaboration with the artist Romero Britto and ended on September 30th;
 - Lastly, Italmark has chosen Promotica to launch its campaign, which ended on September 20th. This campaign allows customers to collect Celly accessories adorned with Keith Haring graphics.
- **Italian Institutional Primary Investor Strengthens its Position in Promotica.** An Italian institutional primary investor, who was already a shareholder of the company, acquired, through an off-market block transaction, 300,000 ordinary shares of Promotica S.p.A. from Dieci.Sette S.r.l., Promotica's majority partner, representing approximately 1.77% of Promotica's share capital, at a price of €2.94 each, for a total consideration of €882k.
- **Management of the first IVECO loyalty program.** In April 2023, Promotica announced the new project with IVECO for the management of the international rewarding digital platform integrated with the "Easy Way App," the APP owned by IVECO accessible to all European drivers. The platform developed by Promotica allows IVECO drivers to accumulate points thanks to their virtuous driving style and kilometers travelled.
- **New Commercial Agreement with Selex.** In April 2023, Promotica confirmed for 2023 the collaboration started in January 2022 with Selex in the role of sole General Contractor for the conception and management of the national prize catalog for a total value of over €11mn.
- **Grani and Partners Stakeholding at 100%.** In January 2023, Promotica S.p.A signed the option contract for the purchase of the remaining 20% of Grani & Partners S.p.A. by La Portile S.r.l.

1H23 Financial Results

On 28th September 2023, Promotica reported 1H23 consolidated financial results including Mercati Srl acquired in July 2022.

Revenues stood at €33.2mn, -26.5% YoY, missing our estimate of €47.6mn. The decrease in revenues is mainly due to the shift of important loyalty campaigns in the second half of the year. Indeed, the Company already has a portfolio order of approximately €50mn of loyalty campaigns expected to be launched in the next months.

Considering €23.3mn of COGS for the storage of the prizes for the campaign in the second semester, Promotica reported a gross profit of €10.2mn, -14.2% YoY and -22.6pp below our prior forecast.

The EBITDA stood at €0.6mn vs €2.8mn in the 1H22 and €2.9mn our prior expectation, following the increasing costs related to: i) service costs at €5.9mn (€5.6mn in the 1H22), reflecting the increase in shipping costs and related logistics expenses reporting a higher incidence on revenues (17.8% vs 12.3% in 1H22); and personnel costs at €2.9mn (€2.5mn in 1H22) following the strengthening of the organization and the establishment of the Promotica International division (1.7% the incidence on sales in 1H23 vs 1% in 1H22). Therefore, Promotica reported an EBITDA margin at almost 2%, lower than the 6% registered in the previous semester.

The Group's net income stands at €-0.4mn, below the €1.3mn in the 1H22 following: i) €0.5mn of D&A and ii) €0.7mn of financial expenses, increasing from the €0.3mn in the 1H22 due to the increase in interest rates.

Moving to the balance sheet 1H23 analysis, intangible assets increased to €2.2mn from €1.7mn due to the implementation of Promotica International investments. Whereas the Net Financial Debt increased at €26.9mn compared to the €18.1mn recorded as of December 31, 2022. This increase is mainly associated to the higher inventory (€30.4mn vs 1H22 €21mn) related to a significant campaign scheduled for the first weeks of October 2023.

Income Statement

€ Millions	1H21A	1H22A	FY22A	1H23A	YoY %	1H23E	A vs E %
Sales Revenues	23.4	45.2	89.9	33.2	-26.5%	47.6	-30.2%
Other Revenues	0.1	0.2	1.4	0.3		0.2	
Total Revenues	23.5	45.3	91.3	33.5	-26.1%	47.8	-29.9%
COGS	(16.1)	(33.4)	(57.7)	(23.3)		(34.5)	
		-74%		-70%			
Gross Profit	7.4	11.9	33.6	10.2	-14.2%	13.2	-22.6%
Gross Margin	0.0	26.4%	36.8%			27.7%	
EBITDA	3.5	2.8	5.5	0.6	-77%	2.9	-77.9%
EBITDA margin	14.7%	6.1%	6.0%	1.9%	-4.2%	6.0%	2.6%
D&A and Provisions	(1.1)	(0.6)	(1.3)	(0.5)		(2.3)	
EBIT	2.3	2.2	4.2	0.1	-96%	0.6	-86%
EBIT margin	9.9%	4.8%	4.6%	0.3%		1.3%	5.4%
EBT	2.2	1.9	3.7	(0.6)	-133%	0.7	-196%
Taxes	(0.6)	(0.6)	(0.4)	0.2			
Tax Rate	24.9%	33.3%	12.0%				
Net Income	1.7	1.3	3.2	(0.4)	-134%	0.7	-166%
Net margin	7.1%	2.8%	3.5%			1.4%	
Minorities		(0.1)	0.0	(0.0)			
Net Income attributable to the G	1.7	1.3	3.2	(0.4)	-132%	0.7	-165%
Net margin	7.1%	2.9%	3.5%			1.4%	

Source: Company data, KT&Partners' elaborations on 1H23E

Balance Sheet

€ Millions	1H21A	1H22A	FY22A	1H23
Fixed Assets	8.8	11.6	11.1	11.3
Trade receivables	11.7	30.2	25.1	22.4
Inventory	18.8	17.9	21.0	30.4
Trade Payables	(13.8)	(17.6)	(17.4)	(19.2)
Trade Working Capital	16.8	30.5	28.7	33.7
Other assets and liabilities	0.5	(2.5)	(1.9)	1.3
Net Working Capital	17.3	28.0	26.8	34.9
Other Provisions	(1.2)	(1.4)	(1.5)	(1.6)
Net Capital Employed	24.8	38.3	36.4	44.7
Total shareholders' equity	12.4	13.8	18.3	17.8
Short-term debt / Cash (-)	6.8	15.2	11.7	10.0
Long-term liabilities	5.6	9.3	6.3	16.9
Net Financial Position	12.4	24.5	18.1	26.9
Sources	24.8	38.3	36.4	44.7

Source: KT&Partners' elaborations on Company Data

Change in Estimates

On the back of 1H23 Promotica results lower than our expectations, we downward revised our estimates for the 2023E-2025E period. However, we still expect a stronger 2H23 given the Group portfolio order of €50mn of Loyalty Campaigns with the biggest one expected to be delivered at the end of October 2023.

Therefore, we now see FY23E revenues unchanged compared to FY22 results at €89.6mn (-1.8% YoY) vs our old projection of €95.2mn, growing at a CAGR22A-26E at 6.2% to reach €116.2mn (almost unchanged compared to our previous estimate).

We now expect EBITDA at €7.2mn vs €8.2mn prior seen with an EBITDA margin at 8%, only 0.6pp below our precedent estimate as we expect that the loyalty campaigns estimated to be delivered before the end of FY23, will be characterized by higher marginality, in line with Promotica strategy to be more focused on more profitable projects.

Looking at net income we now expect €3.3mn, below our prior estimate of €4.7mn, also considering a higher incidence of financial expenses now seen at €1mn vs €0.2mn our prior projection, to take in consideration the increased cost of debt.

Finally, we worsen the FY23E NFP at €19.1mn vs our old projection of €14.5mn, to take in consideration the higher cash NWC absorption and the new investment in intangible assets due to the implementation of Promotica International.

Change in Estimates

€ Millions	2020A	2021	2022	YoY	2023E	2023E	Change	2024E	2024E	Change	2025E	2025E	Change	2026E	2026E	CAGR	CAGR
	Actual	Actual	Actual		Old	New		Old	New		Old	New		Old	New		
Revenues	57.5	40.1	91.3	127.5%	95.2	89.6	-5.8%	101.7	98.4	-3.3%	108.7	106.9	-1.7%	116.3	116.2	6.3%	6.2%
YoY Change (%)	54.1%	-30.2%	127.5%		4.3%	-1.8%		6.9%	9.7%		6.9%	8.7%		7.0%	8.7%		
EBITDA	6.8	2.0	5.5	168.9%	8.2	7.2	-12.0%	9.7	9.2	-5.1%	11.5	11.3	-1.6%	13.2	13.4	24.5%	25.0%
YoY Change (%)	77.1%	-70.1%	168.9%		49.2%	31.3%		18.8%	28.1%		18.3%	22.6%		14.8%	18.5%		
EBITDA Margin	11.9%	5.1%	6.0%		8.6%	8.0%		9.6%	9.4%		10.6%	10.6%		11.4%	11.6%		
EBIT	6.3	1.5	4.2	178.8%	6.4	5.3	-16.5%	7.9	7.2	-8.1%	10.2	9.9	-3.2%	12.1	12.2	30.5%	30.7%
YoY Change (%)	79.2%	-76.2%	178.8%		53.3%	28.1%		47.2%	35.3%		30.2%	37.1%		18.0%	22.7%		
EBIT Margin	10.9%	3.7%	4.6%		6.7%	6.0%		7.7%	7.4%		9.4%	9.3%		10.4%	10.5%		
Net Income	4.3	1.4	3.2	126.0%	4.7	3.3	-30.2%	5.8	4.7	-17.7%	7.5	6.8	-9.5%	8.9	8.6	29.0%	27.7%
YoY Change (%)	99.1%	-66.8%	126.0%		44.4%	0.8%		77.3%	45.9%		30.9%	43.9%		18.4%	25.6%		
Net Margin	7.5%	3.6%	3.5%		4.9%	3.6%		5.7%	4.8%		6.9%	6.4%		7.7%	7.4%		
NFP	3.1	12.4	18.1	45.7%	14.5	19.1	4.6	7.9	14.4	6.5	0.2	7.5	7.2	0.1	6.8		

Source: KT&Partners' elaborations

Valuation

Overview

Following the projections of Promotica's future financials, we carried out the valuations of the company by applying the DCF valuation method that captures Promotica's business and the future Group synergies arising from the integration of the latest acquisitions.

We do not rely on Market Multiples model since there are no listed companies that have: i) a business model and ii) growth rates similar to Promotica.

According to our valuation method, our estimated fair value is equal to €82.89mn or €4.89ps.

DCF Valuation

We conducted our valuation using a four-year DCF model, based on 10.4% cost of equity and a target capital structure of 69% equity and 31% debt. The cost of equity is a function of the risk-free rate of 4.5% (Italian 10y BTP, last 3 months average), 5% equity risk premium (Damodaran for the mature market) and a premium for size and liquidity of 3.1%. We, therefore, obtained 10.4% 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				
€ Millions	2023E	2024E	2025E	2026E
EBIT	5.3	7.2	9.9	12.2
Taxes	(0.5)	(1.3)	(1.8)	(2.5)
D&A	1.2	1.7	1.9	1.3
Change in Net Working Capital	(9.5)	(5.3)	(1.5)	(1.0)
Net Operating Cash Flow	(3.2)	2.8	9.1	10.5
Capex	(3.8)	(1.2)	(1.0)	(0.7)
	-			
FCFO	(7.1)	1.6	8.1	9.8
g	2.0%			
Wacc	10.8%			
Discounted Cumulated FCFO	9.0			
TV	114.1			
TV (discounted)	92.2			
Enterprise Value	101.1			
NFP FY22	18.1			
Minorities FY2022A	0.2			
Equity Value	82.9			
Current number of shares (mn)	17.0			
Value per share (€)	4.9			

Source: Company Data, KT&Partners' Elaboration

Sensitivity Analysis – Growth rate and WACC – (€mn)

€ Millions	WACC					
	11.3%	11.0%	10.8%	10.5%	10.3%	
Terminal growth Rate	1.5%	72.1	74.7	77.5	80.4	83.5
	1.8%	74.5	77.2	80.1	83.2	86.4
	2.0%	77.0	79.8	82.9	86.1	89.5
	2.3%	79.6	82.6	85.8	89.2	92.9
	2.5%	82.3	85.5	88.9	92.6	96.4

Source: Company Data, KT&Partners' Elaboration

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

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

Promotica S.p.A.

Price: €2.36 | Fair Value: €4.89

KT&PARTNERS

KT&D

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