Equity

IT Conference

Challenges & Opportunities for the Digital Market

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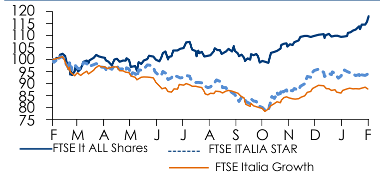

Source: FactSet

Report priced at market close on 22/02/2024 (except where otherwise indicated within the report).

In this report, we confirm the ratings and target prices assigned in the latest company reports (unless otherwise indicated)

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Catching up with European neighbours

The Italian market has historically lagged the rest of Europe in terms of digitalisation. Driven by corporate needs and transformation plans, however, growth rates are steady in the mid-single digit range (4.1% 2022-26 CAGR). This gap versus other comparable European countries could be the base for higher future growth, in our view. Note that in 2017-23 Italy showed a higher growth rate in the level of digitalisation than the EU27 average, closing the gap and supporting expectations for a further growth acceleration in the coming years.

Growth is driven by 'Digital Enablers'

Innovative technologies, such as Data Analytics, IoT, Cybersecurity, Cloud Computing, and Artificial Intelligence, are increasingly perceived as top priorities by domestic corporates, and they are therefore growing at a faster rate. Among the Digital Enablers, the Artificial Intelligence segment is the most promising one, with volumes now reaching a level that it will no longer be considered a niche market. The application of such technologies is vast and growing in popularity, also driven by the attention to Generative AI.

Italy's Recovery and Resilience Plan (NRRP): a golden opportunity to fill the gap

We recall that the NRRP reserved EUR 48Bn to digital transformation. Despite some delays, Italy has already achieved several digital measures, such as: 1) the reform 'Cloud First and Interoperability'; 2) the reform of ICT procurement; 3) streamlining and accelerating ICT procurement; 4) calls for expression of interest to select projects under the 'Important Projects of Common European Interest'; 5) the adoption of a National Plan for New Skills; and 6) some initiatives in connectivity. In November 2023, the government obtained the approval of the European Commission on the revision of the NRRP and the financing of the REPowerEU initiatives as well as the greenlight on the fourth instalment of EUR 16.5Bn. In general, the realisation of the NRRP represents, in our opinion, one of the main factors that will influence the trend of the digital market in the coming years.

Human resources: a challenge for the sector

One of the main challenges for technology/digital companies is the shortage of skilled workers, coupled with the limited availability of new ICT graduates. This factor is leading to strong competition in hiring among industry players and to wage and salary inflation. In this context, we believe that listed companies have shown a greater ability to attract and retain skilled personnel (due to higher visibility, transparency etc.).

Companies attending

On 27-28 February, we will hold our annual IT Conference event virtually, hosting 11 Italian players in the Digital/IT sector. The companies operating in the sector showed a greater resilience on average in 2020 and have enjoyed a solid growth profile in the last three years, with the exception of those with significant exposure to the consumer segment, characterised by a normalisation of demand after the pandemic period. M&A remains an important growth driver, crucial for the development of the sector and the acquisition of skilled personnel. Given the solid demand for digitalisation, we believe valuations remain attractive and offer investors a good entry point into some sector leaders.

See page 48 for full disclosure and analyst certification

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Contents

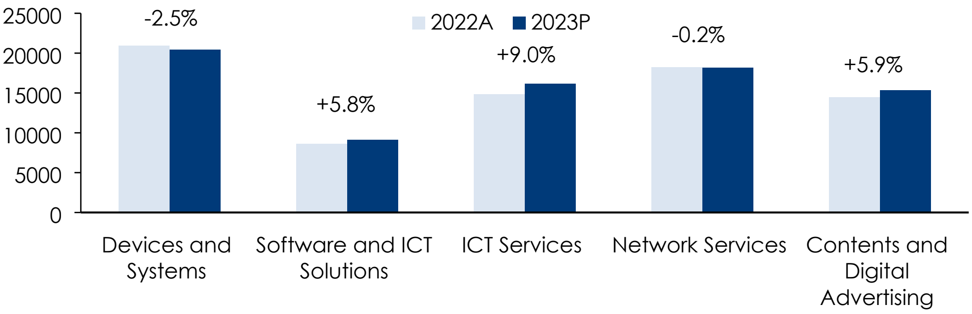
Intesa Sanpaolo is Corporate Broker to Alkemy, Growens, Gruppo MutuiOnline, SeSa and Tinexta, and Specialist to Digtal Value, Esprinet and Wiit.

A Quick Look at 2023

According to the Anitec-Assinform report (the main sector association of companies operating in the ICT world in Italy), the value of the digital market in Italy stood at EUR 38.1Bn in 1H23, an increase of 2.5% yoy (but slowing down from the 3% yoy growth of 1H22 vs. 1H21). Overall, the digital market was also affected by the negative economic scenario, and particularly inflation, which led to a more cautious attitude to investments by companies and purchases by consumers.

In a still uncertain macro environment, projections for FY23 confirm a growth of 2.8% yoy to EUR 79.2Bn (vs. EUR 77.1Bn in FY22), despite a slowdown in NRRP investments. Growth was broken down by segment.

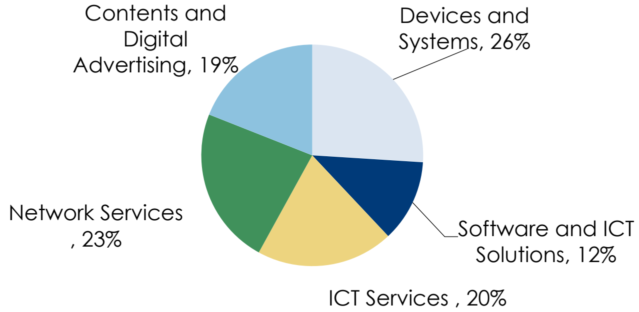
Growth by segment – 2023P vs 2022A



Source: NetConsulting cube, October 2023

- The Devices and Systems segment is expected to remain the weaker segment (-2.5% yoy), due to decreases in the segments of TV sets, PCs, both Desktop and Laptop, and Tablets;
- The ICT Software and Solutions segment is expected to grow by 5.8% yoy, mainly due to an increase in spending on middleware and infrastructure software purchases in the Big Data, Analytics and Artificial Intelligence segments and positively impacted by a price effect;
- The ICT Services market should grow by about 9% yoy, due to the steady growth of the Cloud market, Consulting and System Integration;
- Network Services are projected to remain almost flat yoy (-0.2%);
- The Contents and Digital Advertising segment is estimated to grow by 5.9%, with positive trends in Digital Advertising, Mobile Entertainment and Mobile Apps.

Digital market worth EUR 79.2Bn in 2023P – Breakdown by segment



Source: NetConsulting cube, October 2023

Italian Digital Market

Key drivers that power our optimism

We identify a set of supportive trends for the Italian digital sector, composed of both organic tailwinds and drivers powered by the NRRP:

- Changing digital habits of Italians, kick-started by the pandemic through the accelerated use of connected technologies (digital payments, e-ID, mobile e-commerce) and set to continue, in our view;
- Increasing digital adoption by Italian corporations and especially SMEs, as achieving digital transition is much needed in an increasingly connected international competitive landscape;
- Digital enablers (e.g. cloud computing, artificial intelligence, cybersecurity, data analytics), which we believe should continue to be the main drivers of digitalisation and for which inferior initial equipment usage rates vs. other European countries may offer superior growth prospects for the country;
- Digitalisation of government entities and services (including planned investments in government entities, healthcare, and education);
- Tax incentives for Transition 4.0 (and now Transition 5.0) and investment programmes to support greater digital inclusion for companies in multiple industries;
- Enhanced infrastructure development plans for both connectivity (fibre, 5G) and technical (cloud platforms, datacentres) infrastructure.

Set to Grow at Mid-Single Digit by 2026

Italian ICT activities continue to benefit from the robust underlying growth potential, driven by the many structural factors that determine the intrinsic characteristics of the country's technology sector. Indeed, evolving habits point to greater use of (and openness to) digital tools and processes by both businesses and individuals, and should help close the peninsula's digital gap with other Western countries. We also believe that public investment and incentive plans should add to an already attractive intrinsic growth profile, either through planned direct public investment or other incentives, and potentially by reducing some entrenched bureaucratic barriers in public administration.

Indeed, growth forecasts for the digital sector point to a dynamic development in the coming years. According to the latest estimates by Anitec-Assinform (dated October 2023), the Italian digital sector should grow by 3.8% and 4.8% yoy in 2024 and 2025 (or at a 4.1% 2022A-26P CAGR).

Italian Digital – Projected growth 2022A-2026P by segment

EUR M	2022A	2023P	2024P	2025P	2026P	2022-26 CAGR %
Devices and Systems	20,924.8	20,411.8	20,525.5	20,994.9	21,547.1	0.7
Software and ICT Solutions	8,615.2	9,111.3	9,558.4	10,153.2	10,800.5	5.8
ICT Services	14,831.4	16,159.5	17,529.0	19,094.1	20,750.7	8.8
Network Services	18,245.1	18,200.1	18,481.8	19,023.0	19,655.9	1.9
Contents and Digital Advertising	14,469.1	15,326.2	16,120.7	16,886.6	17,686.8	5.1
Total Digital Market	**77,085.5**	**79,208.9**	**82,215.3**	**86,151.7**	**90,440.9**	**4.1**

Source: NetConsulting cube, October 2023 and Intesa Sanpaolo Research elaborations on NetConsulting cube data

All segments should contribute to market growth:

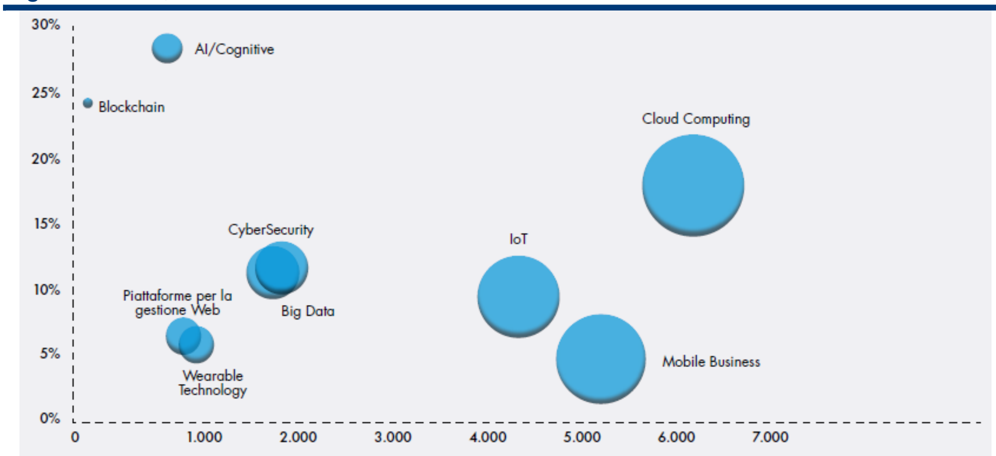
- **ICT services** are expected to grow at an 8.8% CAGR over the period, with growth mainly driven by cloud computing services and consulting/system integration activities, as seen in recent years;
- **Software and ICT solutions**: multiple growth drivers, with application software solutions performing well, while numerous innovative technologies should contribute to dynamic development, including web platforms (websites, e-commerce, and social media) and IoT. A positive influence should be the many projects made possible thanks to the funds and resources made available by the NRRP for digital transformation, especially in the public administration sector. The segment should show a 5.8% CAGR over the period;
- **Devices and systems** are expected to report the lowest growth (0.7% CAGR). The PC sector is still affected by the normalisation of demand after the pandemic period, when there was a growing need to organise and structure work and learning at a distance. A first round of technology refresh is expected in 2025, which should drive spending towards +2.3% in 2025 and +2.6% in 2026;
- **Network Services** should return to growth, reversing the trend of recent years, while **Contents and Digital advertising** are projected to grow at a mid-single digit growth rate.

Digital Enablers

The digital enablers for developments in the coming years are numerous, as discussed in the by Anitec-Assinform, which identifies three clusters of technologies:

- **Cloud Computing, Internet of Things, Mobile Business**: Technologies that have already reached a good level of development, with good prospects for the future as well;
- **Cybersecurity, Big Data**: Technologies that are expanding rapidly due to the need to manage, process and protect the ever-increasing amount of data available;
- **Web Platforms, Wearable Technology, Artificial Intelligence, Blockchain**: Technologies that are still niche but have a high potential for development, especially regarding Artificial Intelligence and Blockchain.

Digital Enablers, 2023-2026 forecasts



Note: on vertical axis, the growth rate 2023-26, on horizontal axis, the market value 2023; Source: NetConsulting cube, 2023

Brief focus on Artificial Intelligence

Artificial Intelligence is the most promising market segment in terms of prospects and its overall volumes are now approaching a level that should soon make it no longer a niche market. Generative AI, a category of AI that focuses on the generation of original content such as text, images, sounds, has grown in popularity over the past year, thanks to the possibility of exploiting a volume of data that was not easily accessible until a few years ago.

Revenues are expected to reach EUR 570M in 2023, up 31% yoy. A large part of this value comes from investments by large companies (telcos, media and insurance companies being the most sensitive sectors), while the remaining share is evenly distributed between small and medium-sized companies and public administration.

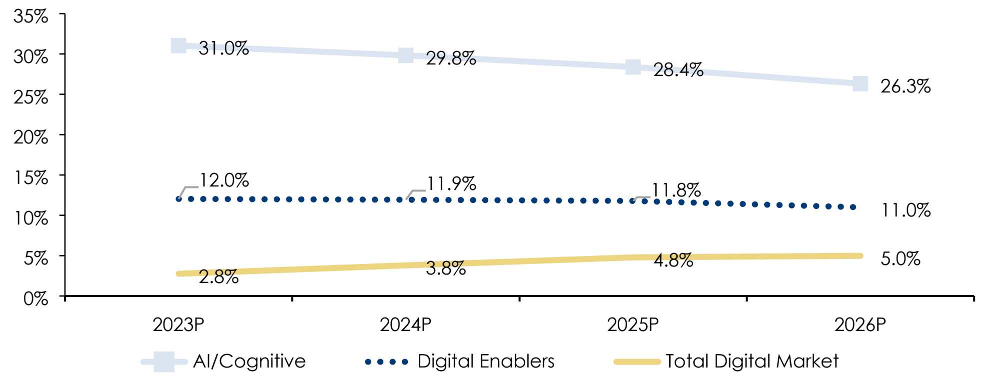
According to a study by the Artificial Intelligence Observatory of the School of Management of the Politecnico di Milano, only 11% of organisations can be defined as "avant-garde" in terms of AI, and only 60% of large companies have already launched at least one dedicated project; only two out of ten SMEs are already concretely active in AI, and there are still a large number of companies that do not have an IT infrastructure capable of managing large amounts of data.

According to a survey carried out by NetConsulting cube among the CIOs of major Italian companies, the use of AI is expected to grow, especially to optimise business processes, with a significant use in certain processes, such as sales, marketing and compliance management.

Not forgetting the impact that the new generation of automation tools will have on the world of work (according to a study by the Politecnico di Milano, 3.8M equivalent jobs could be replaced by machines in ten years' time, compared with a possible gap of 5.6M jobs resulting from the ageing of the working population).

Another important factor that will condition the development of AI is regulation. The European Commission is preparing a legal framework to regulate the development and use of artificial intelligence systems, called the AI Act, which will come into force between 2026 and 2027. An increasing number of companies and users throughout the production system will be called upon to ensure that their products comply with the Regulation, combining regulatory requirements with commercial and technical feasibility.

AI projected growth yoy vs. Digital Enablers and Total Digital Market



Source: Intesa Sanpaolo Research elaborations on NetConsulting cube data

IT Spending by Industry

Growth in the digital market over the next three years will be sustained across all sectors, except for Telco & Media, which will see a lower average annual growth rate than other sectors, such as banking and public administration (central and local), which will see growth rates above the market average.

Italian Digital Market by Industry

EUR M	2023P	2024P	2025P	2026P	24/23	25/24	26/25	2022/26 CAGR %
Industry	9,819.7	10,439.4	11,112.1	11,923.7	6.3	6.4	7.3	6.7
Banks	9,839.6	10,773.1	11,734.9	12,664.6	9.5	8.9	7.9	8.8
Insurance	2,625.2	2,814.1	3,016.4	3,233.3	7.2	7.2	7.2	7.2
PAC	3,766.3	4,101.7	4,471.2	4,848.3	8.9	9.0	8.4	8.8
PAL	1,892.1	2,060.1	2,194.7	2,345.4	8.9	6.5	6.9	7.4
Education	583.2	626.4	669.6	712.8	7.4	6.9	6.5	6.9
Healthcare	2,229.5	2,424.9	2,634.3	2,849.5	8.8	8.6	8.2	8.5
Utilities	2,225.9	2,360.1	2,487.1	2,640.8	6.0	5.4	6.2	5.9
Telco & Media	9,769.5	9,980.2	10,294.4	10,576.0	2.2	3.1	2.7	2.7
Retail	1,701.8	1,790.1	1,887.9	1,985.6	5.2	5.5	5.2	5.3
Travel & Transportations	2,687.8	2,811.6	2,939.5	3,057.8	4.6	4.5	4.0	4.4
Services	2,104.4	2,247.9	2,429.9	2,638.7	6.8	8.1	8.6	7.8
Consumer	29,963.9	29,785.7	30,279.7	30,964.4	-0.6	1.7	2.3	1.1
Total Digital Market	**79,208.9**	**82,215.3**	**86,151.7**	**90,440.9**	**3.8**	**4.8**	**5.0**	**4.5**

Source: NetConsulting cube, 2023

Banking sector

IT spending in the banking sector is expected to remain particularly strong over the 2023-26 period (a CAGR at 8.8%). The main drivers are expected to be:

- Investments to support the evolution of the distribution model and the customer relationship, which is increasingly based on the online channel;
- Reducing costs through increased automation of processes, including risk & compliance, which have historically been particularly burdensome for banks;
- Accelerating investment in cloud to enable greater flexibility and responsiveness to customer needs;
- The use of AI will be transversal in different areas, starting from the commercial area to support up-selling and cross-selling; in customer service, through chatbots and conversational AI solutions; in credit management, both in the disbursement phase and afterwards; and lastly in fraud prevention and cybersecurity;
- Cyber Security is to remain a key issue in managing risks posed by technology and digitalisation.

Public Administration

Over the years, the central public administration has progressively increased its digitalisation process. This is shown by the Digital Growth Strategy Plan and the NRRP, which in its 'Mission 1' provides for more than EUR 9Bn to be allocated to the digitisation and innovation of the PA. The expected average annual increase for the 2023-26 period is 8.8%, with a peak in 2024 and 2025, the years in which the implementation of NRRP-related projects is expected to be concentrated.

The same trend applies to local public administration, which is expected to grow by 8.9% yoy in 2024 and by 7.4% CAGR over the 2023-26 period.

Overall, the growth trend in the Italian public administration can be attributed to the numerous projects also supported by the NRRP, such as: digital identity, SPID, electronic invoicing, the single portal for public services, the tax drawer, and the promotion of open data to increase transparency and accountability, allowing citizens and businesses to easily access government data. Cybersecurity projects are also important, thanks to funding channelled via the National Cybersecurity Agency, which is committed to strengthening the PA's defences against cyber-attacks.

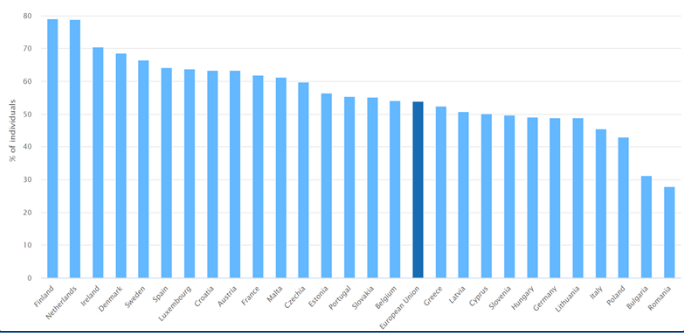
Italian Market vs. Other European Countries

Improving but still below the EU average…

Prior to the pandemic, Italy appeared to be a laggard compared to its European neighbours in terms of integration and adoption of digital practices by individuals, businesses and government agencies, a situation that stems from structural deficits and ingrained behaviour. Italy ranks below the EU average on several indicators of digital adoption, as reflected in the Digital Decade 2023 Country Report, which highlights the country's cumulative lag in the adoption of digital technologies, digital skills, and the use of connected features of digital technologies. However, the Covid-19 pandemic was a wake-up call and put the spotlight on the need to accelerate the digital transition.

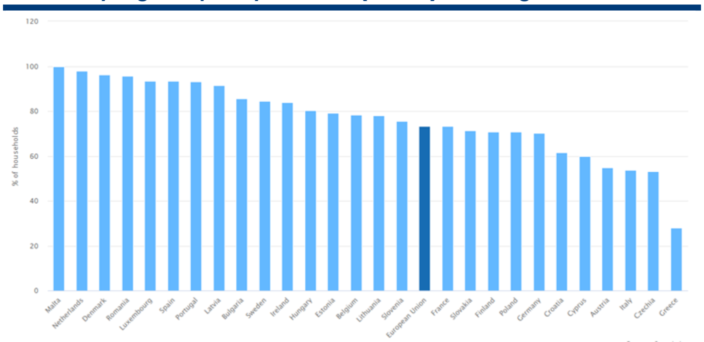
Indeed, Italy has made significant progress in recent years in terms of infrastructure but is still below the EU average in terms of skills and some aspects of the digitalisation of public services, according to the same report. The strategies adopted on cloud, blockchain, AI and, more recently, cybersecurity, together with the reforms and investments under the NRRP, create a solid framework for a sustainable and inclusive digital transformation.

Population with at least basic digital skills



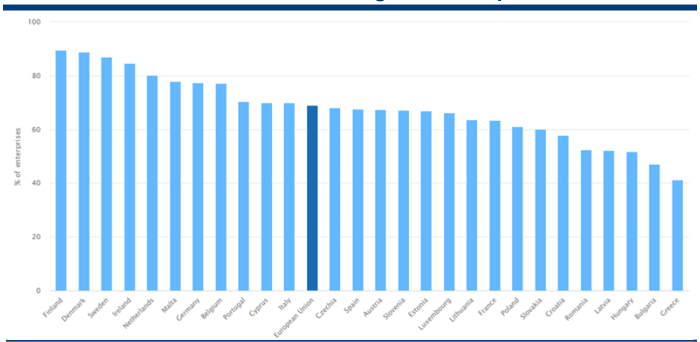
Source: European Commission; DESI (Digital Economy and Society Index) period 2023

Fixed very high-capacity network (VHCN) coverage



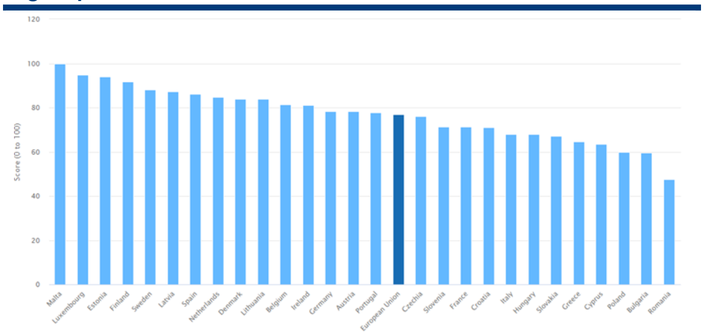
Source: European Commission; DESI (Digital Economy and Society Index) period 2023

SMEs with at least a basic level of digital intensity



Source: European Commission; DESI (Digital Economy and Society Index) period 2023

Digital public services for citizens



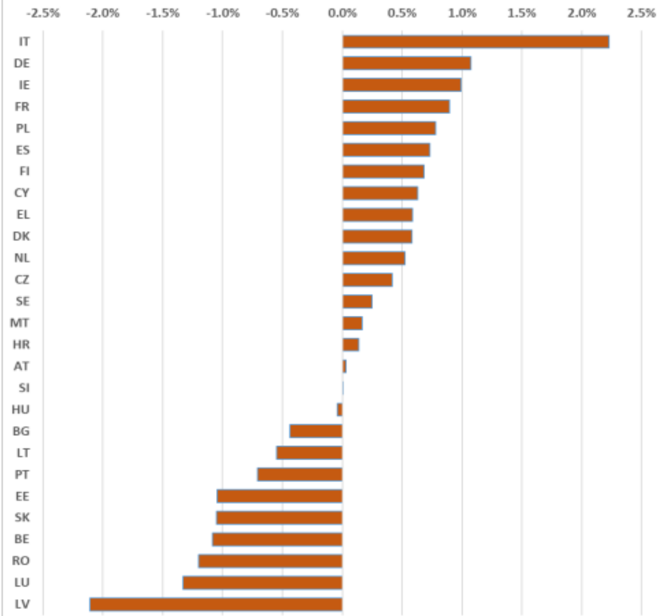
Source: European Commission; DESI (Digital Economy and Society Index) period 2023

… which could imply superior upside potential

In our view, Italy has started to close its digital gap and the initial lag in digital adoption and equipment may indeed offer superior growth prospects. We believe that this change in mindset should add to the country's already existing digital transition momentum, with further tailwinds coming from policy support, as embodied by Italy's ambitious digital adoption targets, backed by multi-billion public investment projects earmarked for digitalisation in the NRRP.

The chart below ranks the outperforming and underperforming countries according to their distance from the convergence curve. Italy is the best performer in the top group, growing at a pace that is significantly higher than expected between 2017 and 2022.

Outperforming and underperforming Member States (2017-2022)



Source: DESI 2022, European Commission

Update on Italy's NRRP

We recall that the Italian Recovery and Resilience Plan allocates EUR 48Bn to the digital transformation.

The report 'Il Digitale in Italia 2023 - Anitec-Assinform' shows that, of the more than 219,000 projects funded, around 75,000 are in the field of digitalisation (including projects related to training and digital citizenship).

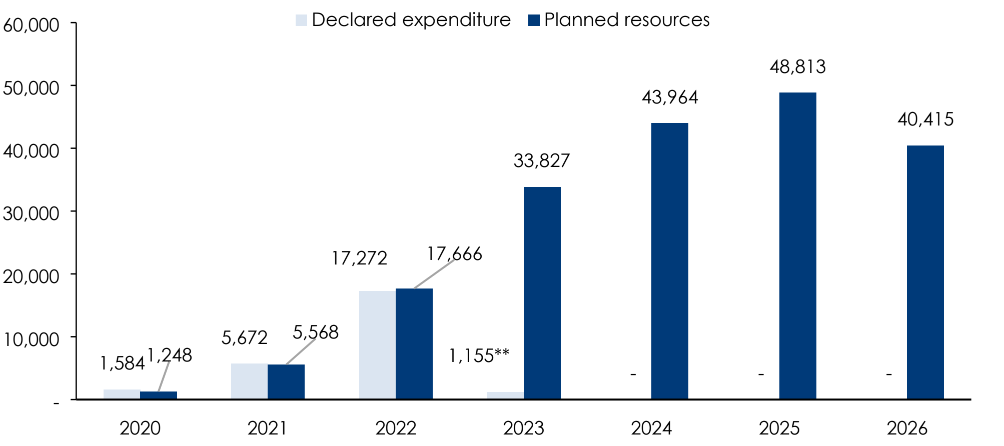
The impact on digitalisation investment is expected to be in the private sector (Transition 4.0 and 5.0 for businesses), but above all in the public sector, which will absorb more than two-thirds of the expenditure envisaged by the NRRP for the direct digitisation of the management and delivery of public services or for the construction of public infrastructure.

Italy has already implemented several digital measures, such as: 1) the 'Cloud First and Interoperability' reform; 2) the ICT procurement reform; 3) the streamlining and acceleration of ICT procurement; 4) calls for expression of interest to select projects under the 'Important Projects of Common European Interest'; 5) the adoption of a National Plan for New Skills; and 6) some initiatives regarding connectivity.

Despite these achievements, it should be noted that the Corte dei Conti (Court of Auditors) reports several delays in the implementation of projects and thus in the transformation of investments into actual expenditure.

Again, according to the data published by the Corte dei Conti with reference to the entire NRRP, the value of the expenditure incurred was around EUR 27Bn (as of 7 November 2023). The chart below highlights the slowdown in expenditure in the first half of 2023 and, consequently, the slowdown in the progress of the plan.

NRRP - Declared expenditure vs Planned resources EUR M (2020-2026)

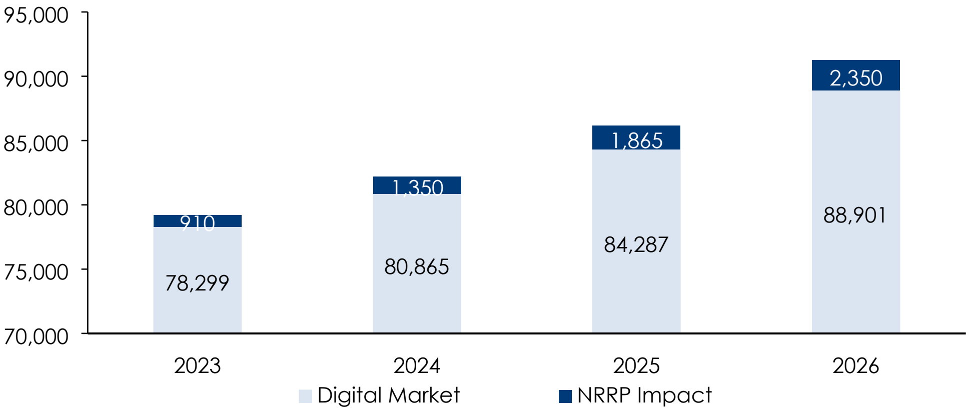


** data refers to 1H23; Source: Corte dei Conti on Regis data, May 2023

In November 2023, the government received the approval of the European Commission for the revision of the NRRP and the financing of the REPowerEU initiatives, as well as the greenlight on the fourth tranche of EUR 16.5Bn.

More generally, we believe that the implementation of the NRRP will be one of the main factors influencing the development of the digital market in the coming years. In this context, the report 'Il Digitale in Italia 2023 - Anitec-Assinform' has tried to quantify the additional contribution of the NRRP to the estimated growth of the Italian digital market (see chart below).

Impact of NRRP of total Digital Market (2023-26)

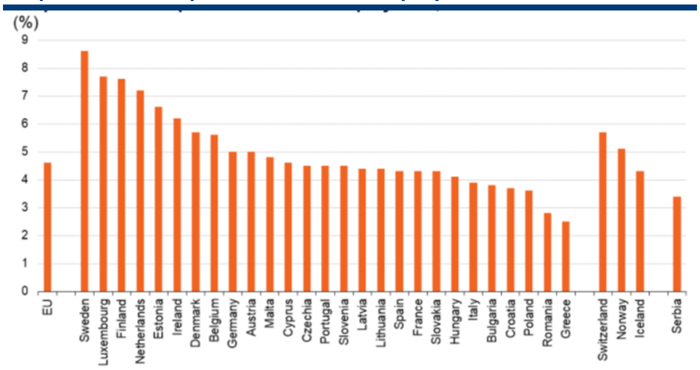


Source: NetConsulting cube 2023

Shortage of Skilled Workers

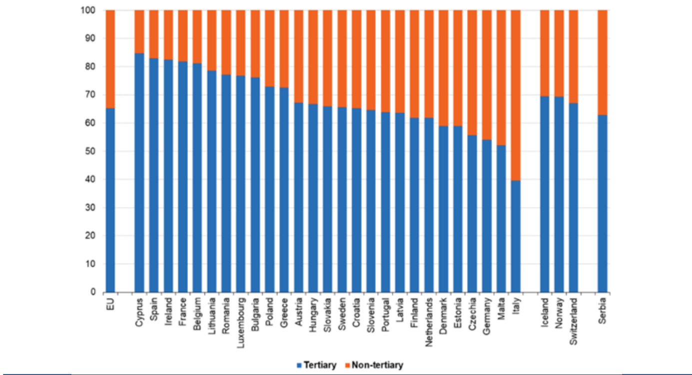
One of the main challenges for technology/digital companies is the shortage of skilled workers, coupled with the limited availability of new ICT graduates. This factor leads to strong recruitment competition among industry players and to wage inflation. In 2022, almost 9M people in the EU worked as ICT professionals, representing 4.6% of the total EU workforce. The share of ICT professionals in the EU has been growing over the last decade, increasing by 1.4% since 2012.

Proportion of ICT specialists in total employment, 2022



Source: EuroStat

Distribution of ICT specialists by education attainment level, 2022



Source: EuroStat

Overall, we believe that ensuring an adequate number of ICT specialists is critical to successful digital transformation. As the reliance on digital technology increases, the workforce must keep pace with evolving skill requirements and the goal of regaining leadership. While the number of ICT professionals employed in the EU is growing, so is the number of companies operating in the ICT sector, and the majority of companies looking for ICT professionals continue to report significant recruitment difficulties. According to the '2023 Report on the state of the Digital Decade', the lack of available staff with the right skills is a barrier to investment for 85% of EU companies, with SMEs more likely to struggle to fill ICT vacancies.

Looking at Italy, the number of ICT graduates remains well below the targets set for the EU's Digital Decade, as the country is unable to meet business demand for skilled professionals. Although the supply of training is evolving, with new flexible training opportunities focusing on STEM, the share of ICT graduates remains insufficient at 1.5%, well below the EU average of 4.2%. In addition, women account for 16% of ICT professionals, well below the EU average of 18.9%.

In this context, we believe that publicly-traded companies have demonstrated a greater ability to attract and retain talent (due to greater visibility, transparency, etc.). M&A has been another important driver for increasing and improving headcount and skills.

A Glance at Our Covered Companies

We remain positive on the Italian digital/IT sector, as we believe the market fundamentals remain sound. However, the sector's growth will depend on the full implementation of the investments envisaged in the NRRP, which will also require skilled human capital, a key factor for the sector's development and one that Italy is already facing a shortage of. As shown in the tables below, our IT/digital universe has shown a solid growth profile on average in recent years, and this trend is expected to continue in 2024 and beyond.

2020A-25E revenues trend for companies attending event

EUR M	2020A	2021A	yoy %	2022A	yoy %	2023E	yoy %	2024E	yoy %	2025E	yoy %
Alkemy	74.9	95.2	27	106.6	12	119.0	12	128.4	8	137.8	7
Digital Value	442.3	557.8	26	708.5	27	849.5*	20	943.4	11	1,087.6	15
Esprinet	4,491.6	4,690.9	4	4,684.2	0	4,000.0*	-15	4,250.0	6	NA	NA
Growens	63.7	64.7	2	102.0	58	72.1	-29	82.1	14	91.2	11
Gruppo MutuiOnline	259.4	313.5	21	310.8	-1	391.9	26	421.7	8	444.4	5
SeSa#	2,037.2	2,389.8	17	2,907.6	22	3,289.7	13	3,507.2	7	3,729.9	6
Tinexta	269.0	375.4	40	357.2	-5	402.0	13	460.8	15	512.0	11
Wiit	52.5	77.1	47	118.8	54	131.0	10	144.0	10	154.5	7

*) Preliminary figures; #) Note that SeSa's fiscal year ends in April (e.g. 2023E corresponds to SeSa's FY23/24E); NA: not available; A: actual; E: estimates; Source: Company data and Intesa Sanpaolo Research

2020A-25E profitability trend for companies attending event

	EBITDA											EBITDA margin %					
EUR M	2020A	2021A	yoy %	2022A	yoy %	2023E	yoy %	2024E	yoy %	2025E		2020A	2021A	2022A	2023E	2024E	2025E
Alkemy	6.0	9.5	59	11.1	16	12.3	11	15.1	23	17.2		8.0	10.0	10.4	10.3	11.8	12.5
Digital Value	45.4	57.5	27	73.6	28	87.7	19	101.7	16	121.0		10.3	10.3	10.4	10.6	10.8	11.1
Esprinet	69.1	86.1	25	88.0	2	34.0*	-61	77.4	128	NA		1.5	1.8	1.9	0.9	1.8	NA
Growens	5.1	5.2	2	4.1	-21	1.0	-75	1.3	28	1.5		8.0	8.0	4.0	1.4	1.6	1.6
Gruppo MutuiOnline	76.6	92.6	21	88.6	-4	103.0	16	115.4	12	128.0		29.5	29.5	28.5	26.3	27.4	28.8
SeSa#	126.0	167.7	33	209.4	25	247.8	18	267.0	8	288.2		6.2	7.0	7.2	7.5	7.6	7.7
Tinexta	77.9	93.0	19	86.3	-7	96.4	12	113.1	17	130.8		29.0	24.8	24.2	24.0	24.5	25.6
Wiit	16.3	23.3	43	39.8	71	48.6	22	57.4	18	61.6		31.0	30.2	33.5	37.1	39.9	39.9

*) Preliminary figures; #) Note that SeSa's fiscal year ends in April (e.g. 2023E corresponds to SeSa's FY23/24E); NA: not available; A: actual; E: estimates; Source: Company data and Intesa Sanpaolo Research

2024E-25E Market multiples of companies attending event

x	EV/sales		EV/EBITDA		EV/EBIT		Adj. P/E	
	2024E	2025E	2024E	2025E	2024E	2025E	2024E	2025E
Alkemy	0.7	0.6	6.1	4.9	8.4	6.3	9.4	7.4
Digital Value	0.6	0.5	5.6	4.4	7.7	5.6	12.0	9.4
Esprinet	0.1	NA	4.6	NA	6.2	NA	8.0	NA
Growens	0.4	0.4	26.7	26.2	Neg.	Neg.	Neg.	Neg.
Gruppo MutuiOnline	3.5	3.1	12.9	10.9	17.8	14.7	23.6	19.0
SeSa#	0.5	0.5	6.8	6.0	9.8	8.4	13.8	12.5
Tinexta	2.3	2.0	9.5	7.8	14.6	11.3	16.0	13.0
Wiit	5.1	4.6	12.7	11.6	23.9	20.5	28.1	24.4

*) Preliminary figures; #) Note that SeSa's fiscal year ends in April (e.g. 2023E corresponds to SeSa's FY23/24E); NA: not available; Priced at market close of 22/02/2024; A: actual; E: estimates; Source: Company data and Intesa Sanpaolo Research

Key drivers for attending companies

Although the stock prices of Italian IT companies have started to rebound in the last few months, in light of the still solid demand for digitalisation, we believe valuations look attractive, offering investors a good entry point into some of the sector leaders. M&A remains an important growth driver, crucial for the development of the sector and to acquire skilled personnel.

IT Conference key drivers

Company	Key drivers
Alkemy	Alkemy remains strongly focused on implementing initiatives aimed at strengthening organic growth, focusing on the client portfolio development, including the acquisition of new key customers, and improving profitability through three levers: 1) increasing the gross margin through greater efficiency (working on productivity, saturation and synergies); 2) G&A scalability, thanks to business growth; and 3) the new go-to-market, focused on larger projects with higher profitability. Overall, we consider Alkemy to have the right portfolio of services, competences and go-to-market approach to capture the opportunities arising from the ongoing digital transformation trend in Italy. We also appreciate a steady increase in average revenue generated by key account, driven by the new go-to-market strategy.
Digital Value	We believe that despite the recent rebound in the share price (+11% over last 3 months), Digital Value still trades at attractive multiples. 2024E EV/EBITDA is currently 5.6x, implying an average discount of around 40% to peers, despite an above-average growth profile, a positive outlook (the commercial pipeline is strong) and a resilient business model.
Esprinet	FY23 preliminary results were below the company's guidance for EBITDA, but better than expected for NFP. In a still weak market environment for consumer products, the group accelerated its strategy to gradually shift towards higher value-added business lines, leading to a significant improvement in gross margin. However, the increase in product margins did not fully offset the loss in volumes, which continued to decline in December, mainly due to the lack of restocking by retail customers. Lower volumes, combined with an upward trend in operating expenses (impacted by inflation and the adjustment of the national collective labour agreement) affected the EBITDA performance. We appreciate the significant reduction in invested working capital, thanks to ongoing inventory cuts.
Growens	We had recently updated our FY23E-25E forecasts to reflect the group's new perimeter, after the completion of the disposal of the ESP business and Datatrics. We continue to believe that the main catalyst for the stock would be its ability to reinvest the cash raised from the recent divestments in the development of Beefree (for which we expect an around 30% CAGR in FY22A-25E), along with potential new M&A to improve its offering.
Gruppo MutuiOnline	We believe MOL's mortgage-related business could have reached a bottom in FY23, while insurance-related business should continue to grow, increasing its weighting in total revenues. The International newly-acquired companies show potential to progressively improve profitability. Thanks to its diversification strategy, MOL's mortgage-related business accounts for around 30% of total revenues, which reduces the group's risk profile and makes it less dependent on a single market by geography and sector.
SeSa	Despite the ongoing macroeconomic challenges, SeSa continues to show no signs of slowing down. Consequently, organic growth is expected to continue at a strong pace in the coming months. The core market fundamentals remain solid on the back of the ongoing digitalisation secular trend. We continue to appreciate the group's ability to outperform the market and gain market share during periods of economic slowdown.
Tinexta	The stock trades at 16x 2024E P/E, significantly lower than its peak of 30x at end-2021. Considering the positive momentum of its Digital Trust and Business Innovation units, together with the increased visibility on Cybersecurity's performance, we think that the current multiple would be an appealing 'entry point'. The new business plan to be presented on 7 March 2024 could be a further potential catalyst for the stock.
Wiit	We believe the deleveraging trend and improving organic growth trend in Germany could be the main catalysts for a re-rating of the stock (currently trading at 15.3x 2023E EV/EBITDA vs. a historical average in the range of 18x-20x). Overall, we think Wiit remains a story with high earnings and margin visibility and good cash generation in 2023-24. M&A remains another strong catalyst for the stock.

Source: Intesa Sanpaolo Research elaboration

INTESA SANPAOLO

Equity

MID CORPORATE

Growens

Let's Make Room for Beefree

27 February 2024: 7:52 CET
Date and time of production

BUY

Target Price: EUR 7.0

We had recently updated our FY23E-25E forecasts to reflect the group's new perimeter, after the completion of the disposal of the ESP business and Datatrics. We continue to believe that the main catalyst for the stock would be its ability to reinvest the cash raised from the recent divestments in the development of Beefree (for which we expect an around 30% CAGR in FY22A-25E), along with potential new M&A to improve its offering.

Beefree-centric strategy and the focus on Agile Telecom margins

After the closing of the ESP business in July (around EUR 72M net inflow), Growens announced in October the closing of the sale of 100% of Datatrics' share capital to a Dutch player in marketing automation. The available cash would help the company to invest heavily in marketing and R&D, but also to grow through external lines to accelerate Beefree's international expansion. 1H23 and 9M23 results confirmed this strategy and the focus on improving Agile Telecom's profitability.

FY23E-25E estimates update under new perimeter

We had recently updated our FY23E-25E estimates mainly to embed in our model: 1) the new perimeter composed by Beefree and Agile Telecom (implying Datatrics' P/L deconsolidation for FY23 and its financial effects); 2) updated growth rates and margins for Beefree and Agile Telecom on the back of the latest reported data and ARR disclosed; and 3) the EUR 18M cash-out for the voluntary PTO (partial tender offer) on Growens' shares.

Valuation

Our target price of EUR 7.0 is obtained as the weighted average of our DCF model (EUR 6.5/sh., WACC 10.7%, g 2.5%) and SOP (EUR 7.8/sh.), with the latter at 40% weighting. **BUY rating.**

Italy/Information Technology

EGM

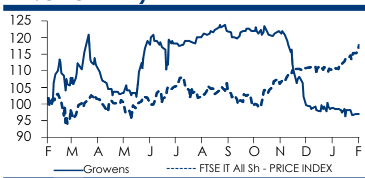
Growens - Key Data

Price date (market close)	22/02/2024
Target price (€)	7.0
Target upside (%)	34.10
Market price (€)	5.22
Market cap (EUR M)	80.35
52Wk range (€)	6.66/5.18

EPS – DPS changes

(€)	2023E EPS =	2024E EPS =	2023 chg%	2024 chg%
Curr.	-0.159	-0.010	0	0
Prev.	-0.159	-0.010	-	-
	DPS	DPS =	chg%	chg%
Prev.	-	0.000	-	-

Price Perf. (RIC: GROWE.MI, BB:GROW IM)



Source: FactSet and Intesa Sanpaolo Research estimates

Growens – Key data

Y/E Dec (EUR M)	2021A	2022A	2023E	2024E	2025E
Revenues	64.70	102.0	72.10	82.15	91.16
EBITDA	5.20	4.10	1.03	1.32	1.48
EBIT	1.13	-2.85	-0.67	-0.53	-0.52
Net income	0.37	-2.52	59.86	-0.15	-0.14
Adj. EPS (EUR)	-0.40	-0.07	-0.16	-0.01	-0.01
Net debt/-cash	-6.52	-0.07	-44.71	-42.03	-38.40
Adj P/E (x)	Neg.	Neg.	Neg.	Neg.	Neg.
EV/EBITDA (x)	11.7	17.6	31.8	26.7	26.2
EV/EBIT (x)	54.0	Neg.	Neg.	Neg.	Neg.
Div ord yield (%)	0	0	0	0	0
FCF Yield (%)	-38.7	-2.8	-3.0	-0.2	-0.2

Source: Company data and Intesa Sanpaolo Research estimates. Priced at 22/02/2024

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See page 48 for full disclosure and analyst certification
Intesa Sanpaolo is Corporate Broker to Growens

27 February 2024: 08:00 CET
Date and time of first circulation

IMI CORPORATE & INVESTMENT BANKING

Valuation and Key Risks

Valuation basis

Our target price of EUR 7.3/share is obtained as the weighted average of our DCF model (EUR 6.9/sh., WACC 10.2% vs. 9.7% previously, g 2.5%) and SOP (EUR 7.9/sh); the latter is weighted at 40%.

Key Risks

Company specific risks:

- Execution risk in the re-organization of Datatrics;
- Difficulty in hiring resources quickly;
- M&A risk.

Sector generic risks:

- Increasing competition in MarTech;
- Scarcity of talented personnel;
- Increasing regulatory requirements.

Company Snapshot

Company Description

Growens (ex-MailUp) is a vertically integrated player in the field of marketing technologies. The core activities are sending data-driven automated campaigns via email and SMS, which account for 90% of revenues. Predictive marketing automation (offered by the Datatrics company) and content design (provided by the BEE company) complete the range of services. The Group serves over 25,000 direct B2B customers in 115 countries. Approximately 30% of turnover is recurring sales generated by a subscription-based business model. It has around 450 employees. It was founded in Cremona in 2002 and has been profitable ever since. The company is controlled and managed by the 5 founders, who together control ca. 52% of Growens and entered into a 2021-2024 shareholders' agreement involving 45.1% of the capital. MailUp was admitted to trading on Euronext Growth Milan (former AIM Italia) in July 2014 at EUR 1.92 per share raising EUR 3M of fresh financial resources. In July 2017, the company completed a share capital increase of EUR 6M by issuing approximately 23% of the pre-money share capital at EUR 2.3 per share. It made 5 acquisitions since flotation.

Key data

Mkt price (€)	5.22	Free float (%)	36.8
No. of shares	15.39	Major shr	Founders
52Wk range (€)	6.66/5.18	(%)	52.2
Reuters	GROWE.MI	Bloomberg	GROW IM
Performance (%)	**Absolute**		**Rel. FTSE IT All Sh**
-1M	-1.9	-1M	-8.1
-3M	-20.4	-3M	-28.2
-12M	-3.0	-12M	-17.5

Estimates vs. consensus

EUR M (Y/E Dec)	2022A	2023E	2023C	2024E	2024C	2025E	2025C
Sales	102.0	72.10	75.00	82.15	81.90	91.16	89.90
EBITDA	4.10	1.03	1.00	1.32	1.80	1.48	2.20
EBIT	-2.85	-0.67	-2.50	-0.53	-2.00	-0.52	-1.60
Pre-tax income	-3.12	61.36	54.50	-0.23	-2.30	-0.22	-1.90
Net income	-2.52	59.86	55.50	-0.15	-1.40	-0.14	-1.20
Adj. EPS	-0.07	-0.16	-0.09	-0.01	-0.12	-0.01	-0.08

Source: Company data, Intesa Sanpaolo Research estimates and FactSet consensus data (priced at market close of 22/02/2024)

Feedback Corner

Potential questions to consider

- Any comments on the results of BEE's updated marketing strategy?
- As part of BEE's organic growth boost, how is the recruitment of new key people progressing (e.g. a new Head of Strategy & Community was recently hired)?
- What are the drivers behind the M&A strategy (e.g. in terms of size, geography and skills)?
- How is the competitive environment moving?
- How does AI affect the business?

Growens – Key Data

Rating	Target price (€/sh)		Mkt price (€/sh)		Sector
BUY	Ord 7.0		Ord 5.22		Information Technology

Values per share (EUR)	2020A	2021A	2022A	2023E	2024E	2025E
No. ordinary shares (M)	14.97	14.97	15.39	15.39	15.39	15.39
Total no. of shares (M)	14.97	14.97	15.39	15.39	15.39	15.39
Market cap (EUR M)	71.82	67.63	72.07	80.35	80.35	80.35
Adj. EPS	0.04	-0.40	-0.07	-0.16	-0.01	-0.01
BVPS	1.2	1.4	1.6	4.4	4.4	4.3
Dividend ord	0	0	0	0	0	0
Income statement (EUR M)	**2020A**	**2021A**	**2022A**	**2023E**	**2024E**	**2025E**
Revenues	63.70	64.70	102.0	72.10	82.15	91.16
EBITDA	5.10	5.20	4.10	1.03	1.32	1.48
EBIT	1.39	1.13	-2.85	-0.67	-0.53	-0.52
Pre-tax income	1.21	1.08	-3.12	61.36	-0.23	-0.22
Net income	0.58	0.37	-2.52	59.86	-0.15	-0.14
Adj. net income	0.58	0.37	-2.52	-2.44	-0.15	-0.14
Cash flow (EUR M)	**2020A**	**2021A**	**2022A**	**2023E**	**2024E**	**2025E**
Net income before minorities	0.6	0.4	-2.6	59.9	-0.2	-0.1
Depreciation and provisions	3.7	-4.1	-6.9	-1.7	-1.9	-2.0
Others/Uses of funds	1.0	3.8	0.6	-0.0	0	0
Change in working capital	-0.2	1.4	5.8	-3.1	-0.6	-1.4
Operating cash flow	5.0	1.5	-3.1	-7.2	-2.7	-3.5
Capital expenditure	-3.0	-4.1	-7.0	-2.9	-3.7	-4.1
Financial investments	-0.0	-0.0	-0.0	-0.0	0	0
Acquisitions and disposals	0	0	0	51.4	0	0
Free cash flow	2.0	1.5	-10.1	41.3	-6.3	-7.6
Dividends	0	0	0	0	0	0
Equity changes & Non-op items	-1.8	0	3.6	0	0	0
Net change in cash	0.2	1.5	-6.5	41.3	-6.3	-7.6
Balance sheet (EUR M)	**2020A**	**2021A**	**2022A**	**2023E**	**2024E**	**2025E**
Net capital employed	14.8	11.0	17.0	22.4	25.0	28.5
of which associates	0.1	0	0	3.0	3.0	3.0
Net debt/-cash	-2.5	-6.5	-0.1	-44.7	-42.0	-38.4
Minorities	0	-0.0	0	0	0	0
Net equity	17.3	17.5	17.1	67.2	67.0	66.9
Minorities value	0	-0.0	0	0	0	0
Enterprise value	69.2	61.1	72.0	32.7	35.3	39.0
Stock market ratios (x)	**2020A**	**2021A**	**2022A**	**2023E**	**2024E**	**2025E**
Adj. P/E	NM	Neg.	Neg.	Neg.	Neg.	Neg.
P/CFPS	14.7	Neg.	14.4	1.2	Neg.	Neg.
P/BVPS	4.2	3.2	2.8	1.2	1.2	1.2
Payout (%)	0	0	0	0	0	0
Dividend yield (% ord)	0	0	0	0	0	0
FCF yield (%)	2.6	-38.7	-2.8	-3.0	-0.2	-0.2
EV/sales	1.1	0.94	0.71	0.45	0.43	0.43
EV/EBITDA	13.6	11.7	17.6	31.8	26.7	26.2
EV/EBIT	49.7	54.0	Neg.	Neg.	Neg.	Neg.
EV/CE	4.7	5.6	4.2	1.5	1.4	1.4
D/EBITDA	Neg.	Neg.	Neg.	Neg.	Neg.	Neg.
D/EBIT	Neg.	Neg.	0.02	66.6	79.5	74.5
Profitability & financial ratios (%)	**2020A**	**2021A**	**2022A**	**2023E**	**2024E**	**2025E**
EBITDA margin	8.0	8.0	4.0	1.4	1.6	1.6
EBIT margin	2.2	1.7	-2.8	-0.9	-0.6	-0.6
Tax rate	52.5	NM	NM	NM	33.0	33.0
Net income margin	0.9	0.6	-2.5	83.0	-0.2	-0.2
ROCE	9.4	10.3	-16.7	-3.0	-2.1	-1.8
ROE	3.4	2.1	-14.5	142.1	-0.2	-0.2
Interest cover	7.8	-22.8	-10.4	-2.5	1.8	1.7
Debt/equity ratio	Neg.	Neg.	Neg.	Neg.	Neg.	Neg.
Growth (%)		**2021A**	**2022A**	**2023E**	**2024E**	**2025E**
Sales		1.6	57.7	-29.3	13.9	11.0
EBITDA		2.0	-21.2	-74.9	28.4	12.4
EBIT		-18.6	NM	76.4	21.2	2.6
Pre-tax income		-10.7	NM	NM	NM	5.9
Net income		-36.0	NM	NM	NM	5.9
Adj. net income		-36.0	NM	2.9	93.7	5.9

NM: not meaningful; NA: not available; Neg.: negative; A: actual; E: estimates; Source: Company data and Intesa Sanpaolo Research

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Valuation methodology (long-term horizon: 12M)

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We obtain a fair value using a number of valuation methodologies including: discounted cash flow method (DCF), dividend discount model (DDM), embedded value methodology, return on allocated capital, break-up value, asset-based valuation method, sum-of-the-parts, and multiples-based models (for example PE, P/BV, PCF, EV/Sales, EV/EBITDA, EV/EBIT, etc.). The financial analysts use the above valuation methods alternatively and/or jointly at their discretion. The assigned target price may differ from the fair value, as it also takes into account overall market/sector conditions, corporate/market events, and corporate specifics (i.e. holding discounts) reasonably considered to be possible drivers of the company's share price performance. These factors may also be assessed using the methodologies indicated above.

Equity rating key: (long-term horizon: 12M)

In its recommendations, Intesa Sanpaolo SpA uses an "absolute" rating system, whose key is reported below:

Equity Rating Key (long-term horizon: 12M)

Long-term rating	Definition
BUY	If the target price is 10% higher than the market price.
HOLD	If the target price is in a range 10% below or 10% above the market price.
SELL	If the target price is 10% lower than the market price.
RATING SUSPENDED	The investment rating and target price for this stock have been suspended as there is not a sufficient fundamental basis to determine an investment rating or target price. The previous investment rating and target price, if any, are no longer in effect for this stock.
NO RATING (NR)	The company is or may be covered by the Research Department but no rating or target price is assigned either voluntarily or to comply with applicable regulations and/or firm policies in certain circumstances.
TENDER SHARES (TS)	We advise investors to tender the shares to the offer.
TARGET PRICE	The market price that the analyst believes the share may reach within a 12M time horizon.
MARKET PRICE	Closing price on the day before the issue date of the report, as indicated on the first page, except where otherwise indicated.
Note	Intesa Sanpaolo assigns ratings to stocks on a 12M horizon based on a number of fundamental drivers including, among others, updates to earnings and/or valuation models; short-term price movements alone do not imply a reassessment of the rating by the analyst.

Historical recommendations and target price trends (12M)

This report is a compendium report or may include excerpts from previously published reports: in this report, we confirm the ratings and target prices assigned in the latest company reports (or alternatively such ratings and target prices may be placed Under Review). The 12M rating and target price history chart(s) for the companies included in this report can be found at Intesa Sanpaolo's website/Research/Regulatory disclosures: https://group.intesasanpaolo.com/en/research/RegulatoryDisclosures/tp-and-rating-history--12-months-. Intesa Sanpaolo changed its long-term 12M horizon rating key on 3 April 2023; please refer to the ISP Equity Rating Reconciliation Table for further details at the following link: https://group.intesasanpaolo.com/it/research/equity---credit-research

Equity rating allocations (long-term horizon: 12M)

Intesa Sanpaolo Research Rating Distribution (at January 2024)

Number of companies considered: 146	BUY	HOLD	SELL
Total Equity Research Coverage relating to last rating (%)*	72	28	0
of which Intesa Sanpaolo's Clients (%)**	69	49	0

* Last rating refers to rating as at end of the previous quarter; ** Companies on behalf of whom Intesa Sanpaolo and the other companies of the Intesa Sanpaolo Group have provided corporate and Investment banking services in the last 12 months; percentage of clients in each rating category

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