

# RELATECH

Sector: *Industrials*
**BUY**
**Price: Eu2.30 - Target: Eu4.10**

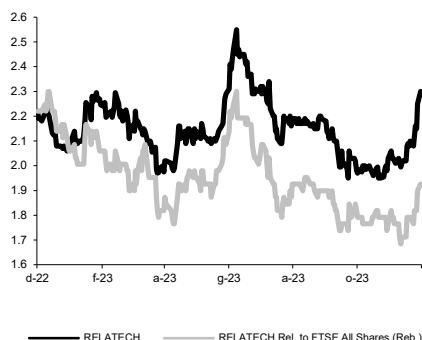
## Relatech Powers Forward with 73% Revenue Growth in 9M23

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### Stock Rating

<b>Rating:</b>	Unchanged		
<b>Target Price (Eu):</b>	from 4.40 to 4.10		
	<b>2023E</b>	<b>2024E</b>	<b>2025E</b>
<b>Chg in Adj EPS</b>	-20.9%	-11.2%	-5.0%

### RELATECH - 12M Performance



### Stock Data

Reuters code:	RLT.MI		
Bloomberg code:	RLT IM		
<b>Performance</b>	<b>1M</b>	<b>3M</b>	<b>12M</b>
Absolute	13.3%	5.5%	0.0%
Relative	9.1%	1.6%	-19.4%
12M (H/L)	2.55/1.95		
3M Average Volume (th):	42.96		

### Shareholder Data

No. of Ord shares (mn):	43
Total no. of shares (mn):	43
Mkt Cap Ord (Eu mn):	100
Total Mkt Cap (Eu mn):	100
Mkt Float - Ord (Eu mn):	44
Mkt Float (in %):	44.4%
Main Shareholder:	
Pasquale Lambardi	52.4%

### Balance Sheet Data

Book Value (Eu mn):	39
BVPS (Eu):	0.93
P/BV:	2.5
Net Financial Position (Eu mn):	-14
Enterprise Value (Eu mn):	114

■ **Recurring revenues keep on growing.** 1H results showed a continuation of the company's strong growth trajectory thanks to a combination of organic and external growth. Specifically, net revenues came to Eu47.9mn, in line with the preliminary figure announced in August, up 89% YoY. It should be noted that recurrent revenues grew even faster (+112%), taking them to 38% of the total, even higher than in previous periods (35% in FY22). Revenues from foreign clients were up 58%, and therefore accounted for 27% of overall revenues. As for profitability, adj. EBITDA was Eu8.0mn, below our Eu9.0mn estimate, as higher personnel costs (due to the strongly competitive environment that caused a general increase in salaries) and the embedded lower profitability of the companies acquired in 2022 led to a decrease in the margin from 18.9% to 15.7%. However, thanks to slightly lower D&A, financial charges and the tax rate, net profit came to Eu2.9mn, in line with our Eu3mn estimate and well above the previous year's Eu0.8mn. Finally, net debt was Eu14.8mn, slightly down on the figure as at the end of March of Eu15.5mn.

■ **9M sales confirm solid growth trajectory.** 9-month results substantially confirm the 1H trends, with 9M net sales coming to Eu66.5mn (+73% YoY), implying 3Q revenues of Eu18.6mn, up ~47% YoY. Recurring revenues continued to outperform total growth, with the incidence confirmed at 38% of the total for the 9 months (+88% YoY), a clear improvement on previous periods. Foreign revenues came to ~28% of the total, up 53% YoY in 9M. Finally, net debt stood at ~Eu17.5mn as at the end of September, slightly up on the Eu14.8mn recorded as at the end of June.

■ **Estimates update.** We are revising our 2023 estimates down to take account of lower-than-previously-expected top-line growth, albeit still seen sharply up YoY (+47% YoY), and higher personnel costs, leading to an EBITDA margin of 16.4%, down from 18.8%. As for '23/'24, we slightly increase our top-line growth thanks to a, ever more integrated product offering, but given the lower starting point, this translates into a ~6% cut in revenues. We still see a significant improvement in profitability in the next two years, as the company should start to benefit from the results of integrating the acquisitions completed in 2022 and previous years, thus we expect RLT to be able to go back above the 20% margin threshold by 2025. Finally, we have cut extraordinary costs in our estimates to zero (from ~2mn per year) as no acquisitions were completed during the year (and therefore no transaction related costs are expected) and because no stock grant plan has yet been approved.

■ **BUY confirmed; target Eu4.10.** We reaffirm our positive view on the stock, as we believe Relatech is in the right place at the right time to seize the opportunities arising in the digital sector. Our investment case is underpinned by i) exposure to a market embarking on a structural upward trajectory; ii) the possibility of extracting material synergies with recently-acquired firms; 3) RLT still having financial leeway to pursue further accretive M&A deals that could broaden the customer base and complete the product offering. Our valuation, the average of a DCF and a peer comparison, yields a target price of Eu4.1, down from Eu4.4 as a result of the lower estimates and higher risk-free rate adopted in our valuation models (4.5% from 4.0%).

Key Figures & Ratios	2021A	2022A	2023E	2024E	2025E
Sales (Eu mn)	34	70	103	114	128
EBITDA Adj (Eu mn)	7	13	17	21	26
Net Profit Adj (Eu mn)	5	5	8	10	13
EPS New Adj (Eu)	0.141	0.124	0.175	0.230	0.292
EPS Old Adj (Eu)	0.141	0.124	0.221	0.259	0.308
DPS (Eu)	0.000	0.000	0.000	0.000	0.000
EV/EBITDA Adj	14.5	8.3	6.7	5.1	3.8
EV/EBIT Adj	25.4	12.6	9.9	7.1	5.2
P/E Adj	16.3	18.5	13.1	10.0	7.9
Div. Yield	0.0%	0.0%	0.0%	0.0%	0.0%
Net Debt/EBITDA Adj	-0.2	0.7	0.8	0.3	-0.1