

# RELATECH

Sector: Industrials

**BUY**

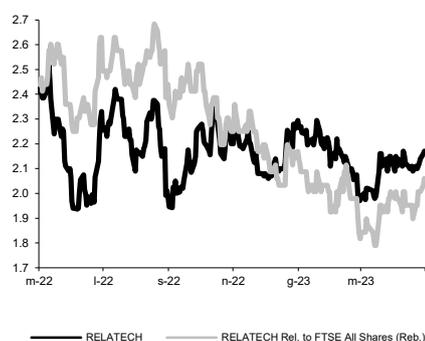
Price: Eu2.17 - Target: Eu4.40

## Poised to Seize Opportunities from Leap in Size

**Carlo Maritano +39-02-77115.358**  
 carlo.maritano@intermonte.it

Stock Rating			
Rating:	Unchanged		
Target Price (Eu):	Unchanged		
	2023E	2024E	2025E
Chg in Adj EPS	3.6%		

### RELATECH - 12M Performance



Stock Data			
Reuters code:	RLT.MI		
Bloomberg code:	RLT IM		
Performance	1M	3M	12M
Absolute	0.9%	-1.6%	-11.1%
Relative	3.0%	2.1%	-16.8%
12M (H/L)	2.52/1.94		
3M Average Volume (th):	49.71		

Shareholder Data	
No. of Ord shares (mn):	43
Total no. of shares (mn):	43
Mkt Cap Ord (Eu mn):	94
Total Mkt Cap (Eu mn):	94
Mkt Float - Ord (Eu mn):	41
Mkt Float (in %):	43.7%
Main Shareholder:	
Pasquale Lambardi	51.8%

Balance Sheet Data (2023E)	
Book Value (Eu mn):	41
BVPS (Eu):	0.98
P/BV:	2.2
Net Financial Position (Eu mn):	-8
Enterprise Value (Eu mn):	102

- 2022 marked by an intense M&A campaign...** 2022 was undoubtedly characterised by the large acquisition campaign through which RLT consolidated its presence in the IoT, Cloud and Cybersecurity businesses, entered the management advisory market, increased its international presence, and added highly skilled personnel. Overall, the company brought home ~Eu50mn in turnover, consolidating and diversifying its offering, and increasingly becoming a Group capable of offering end-to-end technological solutions. Remarkably, all these operations took place while maintaining financial discipline (5x to 6x EBITDA paid for larger deals) and are expected to generate significant value once synergies are extracted.
- ....aimed at exploiting the multiple tailwinds ahead.** Ongoing robust growth is expected for the digital sector in the coming years: in addition to multiple underlying structural factors, important contributions from public investment are expected via the funds allocated by the NRRP (see the dedicated paragraph in the note). Indeed, tech sector growth forecasts point to dynamic development in the coming years: ANITEC-ASSINFORM's latest estimates (dated November 2022) are for the Italian Digital sector growing at a +6.1% CAGR in the next three years, which rises to +8.6% if we focus on the company's core business (ICT Services expected to grow by 11% and Software and ICT Solution by 4.1% in the period).
- Figures expected to grow sizeably in the next three years...** Based on the strong growth expected in the core sector and the expectation that the company will be able to unleash the full potential of the companies acquired during 2022, we forecast an excellent 27.2% net revenue CAGR in the next three years (a sound 10% on an organic basis). Our growth estimates are supported by the robust indications provided alongside the trading update on May 10th, which show net revenues of ~Eu24mn, up ~130% YoY thanks both to organic growth and consolidation of acquired companies. On top of that, profitability is expected to enjoy more-than-proportional growth, again surpassing the 20% threshold by 2025 thanks to investments during the period, especially in personnel.
- ...boasting superior quality than in the past.** Not only are figures growing, they are also of higher quality than in the past thanks to the higher incidence of recurring revenues (37% in 1Q23 vs 22% in 2019), offering higher visibility, and lower dependence on the main clients (the top 10 have gone from 60% of turnover in 2019 to 30% in 2022), with the intention being to reduce reliance further, in particular through the new clients brought aboard by BTO.
- BUY confirmed; target Eu4.40:** 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) the exposure to a market embarking upon a structural upward trajectory, especially thanks to NRRP funds, ii) the possibility to extract material synergies with recently-acquired companies; 3) the company still having financial leeway to pursue further accretive M&A deals that can 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 Eu4.40, offering huge potential upside to the latest closing price and justifying our positive recommendation.

Key Figures & Ratios	2021A	2022A	2023E	2024E	2025E
Sales (Eu mn)	34	70	111	123	135
EBITDA Adj (Eu mn)	7	13	21	24	28
Net Profit Adj (Eu mn)	5	5	10	11	13
EPS New Adj (Eu)	0.141	0.124	0.221	0.259	0.308
EPS Old Adj (Eu)	0.118	0.166	0.213		
DPS (Eu)	0.000	0.000	0.000	0.000	0.000
EV/EBITDA Adj	14.5	8.3	4.9	4.0	3.1
EV/EBIT Adj	25.4	12.6	6.7	5.4	4.2
P/E Adj	15.4	17.5	9.8	8.4	7.0
Div. Yield	0.0%	0.0%	0.0%	0.0%	0.0%
Net Debt/EBITDA Adj	-0.2	0.7	0.4	0.0	-0.3