MeglioQuesto

Sector: Customer Experience Management (CXM)

VALUETRACK

Fast-growing player in customer interaction field

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MeglioQuesto (MQ) is a leading domestic player in outsourced omnichannel customer interaction / experience (CX) business, across several industries ranging from telco to financial services, from retail & e-Commerce to healthcare sector.

Helping B2C partners to acquire / manage clients

MQ provides two types of outsourced CX services: 1) **Customer Acquisition (CA)** ones, aimed at maximizing the conversion of leads into contracts; 2) **Customer Management (CM)** ones, aimed at retaining as long as possible the acquired customers through reliable inbound services. Worthy to note, MQ deploys its services on three integrated and synergic channels: voice, digital, human, thus engaging consumers at every touch point in their customer journey.

Plenty of opportunities to exploit

We see three main opportunities that MQ has to exploit going forward:

1. Domestic market growth. Italy is already at the forefront in the TLC vertical, but new sectors such as finance & insurance, logistic & e-Commerce and healthcare still have huge room to grow;

2. Domestic market consolidation. IPO proceeds and FCF generation grant MQ financial power to act as consolidator of a fragmented space;

3. Internationalization, maybe in partnership with some Tier 1 player, with whom relationship is already very strong.

We're just at the start of an appealing growth story

MQ has grown significantly over the last 5 years, in terms of both turnover (36% Sales CAGR) and customer base (fourfold since 2016). In the future we expect MQ to maintain its outstanding financial profile: 1) Top line and EBITDA up at 19% and 35% 2020PF-23E CAGR; 2) EBITDA margin in excess of 19% by 2023E; 3) OpFCF/EBITDA conversion rate b.t. at 68%, i.e. €17mn FCF generation; 4) Net Cash Position at ca. €17mn by 2023E.

€4.60 per share fair value

We initiate coverage on MQ with peers based **€4.60 fair Equity Value per share**, equalling 14.6x EV/EBITDA, 18.3x EV/EBIT and 30.9x P/E 2022E**.** Our fair value does not take into account (i) any dilution from outstanding warrants and bonus shares, and (i) any value creation deriving from possible M&A deals.

Fair Value (€)	**4.60**
Market Price (€)	**3.88**
Market Cap. (€m)	**203.0**

KEY FINANCIALS (€mn)	2020PF	2021E	2022E
TOTAL REVENUES (VoP)	55.8	68.7	85.6
EBITDA ADJ.	8.5	11.8	15.9
EBIT	5.4	9.5	12.7
NET PROFIT	2.2	5.4	7.8
ADJ. NET PROFIT	3.6	5.4	7.8
OpFCF a.t.	-5.2	4.9	6.4
EQUITY	6.8	29.4	37.2
NET FIN. DEBT	17.4	3.3	8.5

Source: MeglioQuesto (historical figures)
Value Track (2021E-22E estimates)

KEY RATIOS	2020PF	2021E	2022E
EBITDA MARGIN (%)	15.3	17.2	18.6
EBIT MARGIN (%)	11.6	13.7	14.8
NET PROFIT MARGIN (%)	6.4	7.8	9.1
ROIC b.t. (%, on avg. IC t-1,t)	20.2	36.1	44.2
ROE b.t. (%, on avg. BV t-1,t)	32.1	18.3	20.9
NET DEBT / EBITDA (x)	2.4	nm	nm
NET DEBT / EQUITY (%)	2.5	nm	nm

Source: MeglioQuesto (historical figures)
Value Track (2021E-22E estimates)

STOCK DATA	
FAIR VALUE (€)	4.60
MARKET PRICE (€)	3.88
SHS. OUT. (m)	52.3
MARKET CAP. (€m)	203.0
FREE FLOAT (%)	23.5
AVG. -20D VOL. (#)	164,930
RIC / BBG	1CALL.MI / 1CALL IM
52 WK RANGE	2.13-3.95

Source: Stock Market Data

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Investment Summary

MeglioQuesto: Leader in customer acquisition and management business

With €55.8mn 2020 pro-forma revenues and €7.4mn pro-forma EBITDA (€8.5mn on an adjusted basis), in its roughly 10 years of activity **MeglioQuesto ("MQ")** has become a **leading domestic player in outsourced omnichannel customer experience (CX) business**, across several industries ranging from telco to financial services, from retail & e-Commerce to healthcare sector.

The company has grown significantly over the last five years, in terms of:

- Total Revenues (**36% Value of Production CAGR**);
- Customer base (fourfold since 2016);
- Profitability margins (**EBITDA Margin at 13.2% in FY20PF or 15.3% adjusted**);

as a result of both organic business development and M&A-driven growth.

Omnichannel value proposition to better serve top tier clients

MQ engages consumers at every touch point in the consumer lifecycle, by applying expertise in digital marketing, sales, customer service, technical support and retention, deployed on three integrated channels:

- **Voice** – Telephone sales of services and customer support through trained and specialized consultants, providing several activities ranging from teleselling, telemarketing, market research, instant & welcome call, to customer care, satisfaction, and retention. This channel is the most widely utilized, especially for complex interactions;
- **Digital** – Generation and sale of services and products through digital channel including *i*) lead generation through SEO and display advertising activities, *ii*) customer engagement and *iii*) lead collection from organic traffic originated by meglioquesto.it;
- **Human** – Sale of services and hardware solutions in physical retail locations (24 stores and 9 mall kiosks spread across Italy), in the most important and high traffic areas.

Focus on customer acquisition, the most profitable side of the business

MQ provides two main types of outsourced CX services:

- **Customer Acquisition (CA)** services, accounting for ca. 94% of total 2020PF revenues, aimed at maximizing the conversion of leads into contracts;
- **Customer Management (CM)** ones, weighing for some 6% of total, aimed at retaining as long as possible the acquired customers through reliable inbound services.

These two branches of customer experience may be delivered through the same contact channels, ("voice", "digital" and "human" for Customer Acquisition, and "voice" and "digital" for Customer Management) but boast several differences in terms of *i*) Included activities, e.g. outbound, inbound, logistics, back-office, *ii)* contract "nature", that's to say variable vs. fixed compensation schemes, *iii*) performance drivers and *iv*) profitability margins for the service provider.

MQ historical focus on Customer Acquisition is explained by the higher profitability of this business, as clients transfer the risk of not attracting new customers to the contact center. On the contrary, Customer Management contracts expiring nature implies recurring procurements that usually involve a price reduction of ca. 3% every 3 years, thus a lower marginality.

MQ plans to continue focusing on the CA business but also to exploit opportunities in some promising and profitable niches regarding CM.

Historical focus on TLC, energy & multi-utility industry

So far, company's efforts were mostly addressed to telco and multi-utility markets, as results of important strategic agreements and long-lasting relationships mainly with multinational companies, above all **TIM and ENI**, by far the main customers in terms of loyalty and revenues contribution to consolidated figure. As a consequence, client base is pretty highly concentrated and dependent upon top-ten clients. However, loyalty is extremely high, with **retention rate close to 100%** (no churner since inceptions), and we note that customer acquisitions and sector diversification have progressively improved over the last five years, also thanks to the **recent acquisition of AQR**.

Now is time to "go-digital", and address new market verticals…

In our view, MQ boasts several interesting opportunities to exploit from both an economic and competitive point of view, be them either company specific or related to the overall market:

- Increasing outsource penetration rate across industries, still at 26%, albeit steadily increasing, with finance & insurance, logistic and e-Commerce, and lastly the healthcare sector, likely to experience favorable market dynamics in the short-medium term;
- Digitalization of CX activities. Indeed, digital CXM channel is growing at double digit rates vs. traditional voice-based customer services, which are generally growing at low single digit one;
- Lower and lower competition in the Italian CXM market coming from offshore players.
- Possibility for MQ to consolidate the market via M&A, replicating the successful acquisition of AQR group;
- Last but not least, the recent win of Serie A football TV rights from DAZN – TIM, that should unlock in the next three years a massive acquisition campaign of football lovers.

…anyway, some challenges have to be faced

In our opinion, five are the main concerns / risks MQ has to take under control "along the way": 1) regulatory scenario regarding the authorization and transfer of third parties' data, 2) changes to client's regulatory scenario, such as in the finance sector 3) possible higher competition in the domestic field, 4) dependency on few very important clients, and 5) necessity to invest a material amount of money upfront in order to foster the digital business.

Financial outlook: 2020PF-2023E CAGR of 19% Top line, 35% EBITDA

We expect Group Revenues to grow at a 19.2% CAGR in 2020PF-23E with EBITDA margin progressively increasing to 19.3% in 2023E. In absolute terms we foresee total turnover at €94.6mn, EBITDA at €18.3mn, while Net Profit to reach €8.8mn by 2023E.

Overall, we expect MQ to show a positive Net Cash Position by the end of 2021, clearly benefitting from the €17.2mn proceeds of the recent IPO (finalized in 2Q), but leaving this aside we expect the company to increase its cash position in the next three years, as an effect of steady Free Cash Flow generation.

Fair Equity Value at €4.60 per share

We calculate **€4.60 fair Equity Value per share**, obtained by averaging peers' market multiples, which would imply 14.6x EV/EBITDA, 18.3x EV/EBIT and 30.9x P/E fair multiples 2022E**.**

Our calculation doesn't consider any potential dilutive effects coming from conversion of deep in-the money warrants, GeToCollect warrants and bonus shares. Such conversion is due to take place not before the end of 1H22, and in a theoretical fully dilution case would impact our fair-value by ca. 20%.

At the same time, our valuation does not include any upside from possible M&A, even though we do not rule out potential M&A transactions, to accelerate the consolidation process in the CMX market, also considering management track-record in finalize value enhancing deals.

Valuation

We calculate **€4.60 fair Equity Value per share**, obtained by averaging peers' market multiples, which would imply 14.6x EV/EBITDA, 18.3x EV/EBIT and 30.9x P/E fair multiples 2022E**.**

Our calculation doesn't consider any potential dilutive effects coming from conversion of deep in-the money warrants, GeToCollect warrants and bonus shares. Such conversion is due to take place not before the end of 1H22, and in a theoretical fully dilution case would impact our fair-value by ca. 20%.

At the same time, our valuation does not include any upside from possible M&A, even though we do not rule out potential M&A transactions, to accelerate the consolidation process in the CMX market, also considering management track-record in finalize value enhancing deals.

Here below we provide a sensitivity analysis of possible MeglioQuesto stock trading multiples in an Equity Value range between €4.00 and €5.20.

MeglioQuesto: Sensitivity of implicit stock trading multiples between €4.00 and €5.20

Equity Value p/s	EV / Sales (x)		EV / EBITDA (x)		EV / EBIT (x)		P / E (x)	
	2022E	2023E	2022E	2023E	2022E	2023E	2022E	2023E
€ 4.00	2.3	2.0	12.6	10.5	15.8	13.6	26.9	23.8
€ 4.30	2.5	2.2	13.6	11.4	17.0	14.7	28.9	25.5
€ 4.60	**2.7**	**2.4**	**14.6**	**12.2**	**18.3**	**15.9**	**30.9**	**27.3**
€ 4.90	2.9	2.5	15.6	13.1	19.5	17.0	33.0	29.1
€ 5.20	3.1	2.7	16.6	13.9	20.7	18.1	35.0	30.9

Source: Value Track Analysis

Peers' Analysis

Peers' analysis leads to **a €4.60 fair Equity Value per share** based on 2.8x – 2.4x EV/Sales and 18.5x-14.9x EV/EBIT 2022E-23E fair trading multiples, in line with relative valuations currently displayed by Italian peers.

Choice of comparable(s)

MeglioQuesto (MQ) operates in a wide and fragmented competitive arena, where main players show various levels of geographic coverage, different sector diversification and communication channel (voice, human and digital), and business activities not equally split across customer acquisition and customer management, which inevitably affect growth expectations and profitability margins.

For this reason, it is not an easy exercise to identify listed peers with a business model strictly aligned to MQ, also given group short term strategy aimed at further strengthening the digital contact channel through a new integrated lead generated platform, powered by advanced technological tools.

Having said that, we have built two peer groups as follows:

- **Direct peers** – mature international organizations which represent the main players of the industry, (Teleperformance, TTEC Holding, Concentrix, Ibex and Sykes). Main differences relate to: (i) size and market coverage, (ii) sector diversification, with some peers focusing on specific end markets, (iii) communication channels, i.e. traditional voice-based customer service vs. integrated omnichannel approach, and (iv) incidence on sales of Customer Management and Customer Acquisition business lines;

- **ITA small-mid tech players focused on digital transformation**, ranging from marketing automation and advanced technology providers. We also include a few names companies with a well-defined focus on the CX digitalization (Doxee, Almawave and GPI), and the online comparator and BPO provider Gruppo MutuiOnline.

MeglioQuesto: Direct Peers' Business Profiles

TTEC Holdings, Inc. US-based company offering personalized customer experiences to organizations worldwide across every interaction channel and phase of the customer lifecycle as an end-to-end provider of customer engagement services, technologies and insights.

Teleperformance SE No. 1 worldwide in outsourcing and corporate consulting services for customer relation management. Teleperformance has a 6% market share, signalling a highly fragmented industry.

Concentrix Corporation Provider of technology infused CX solutions aimed at simplifying communication between its clients and their customers, providing analytics, process optimization, supports operations and back-office processing.

Ibex Ltd Global customer experience (CX) company. Through its integrated Customer Lifecycle Experience (CLX) platform, it provides solutions that span across customer lifecycle and range from broad-based offerings to customized solutions focused on.

Sykes Enterprises Engaged in providing outsourced customer contact management solutions and services in the business process outsourcing (BPO) arena on a global basis. Revenues by delivery channel (80% voice / 20% digital-non voice)

Source: Various, Value Track Analysis

MeglioQuesto: Italian Peers' Business Profiles

Doxee Italian leader in the Customer Communications Management (CCM) and on-cloud Digital Customer Experience (DCX) markets, delivering a powerful marketing tool for companies' business development.

Almawave Italian leading player in the AI field and in the analysis of natural language. Almawave provides both corporate and public administration with cutting-edge proprietary technologies to accelerate their digital transformation.

Gruppo MutuiOnline Independent operator specialized in high value-added services involving: i) online comparison and intermediation services operating with a portfolio of well-established on-line brands in the domestic market, and ii) provision of BPO services for verticals within the Italian financial services industry.

Growens Leading cloud-based marketing technology provider offering its solutions to several thousand customers worldwide, with a consolidated expertise on small to medium-sized enterprises.

GPI Leading player in the domestic market for ICT services for healthcare institutions (i.e. public and private hospitals). The company has two main business units: tech solutions (payments, automation, ICT, software) (51% of sales), Care, i.e. ancillary services of administrative-accounting nature (49% of sales).

Source: Various, Value Track Analysis

MQ vs. Peers: margins in line with average, higher growth and expected returns ahead

Comparing MQ's key financials with those of selected peers, we note that:

- **MQ boasts an EBITDA Margin in the 17-18% region,** above direct peers' average, lagging behind Teleperformance (margin close to ~21%), and slightly above a few names (TTEC Holdings and Concentrix). If compared to ITA players, MQ records a lower EBITDA margin, albeit higher than GPI, an undisputable leader in the BPO healthcare market;
- By looking at **EBIT Margin**, MQ shows a profitability ratio well above direct peers', and almost in line with domestic players, also thanks to lower incidence of D&A on Sales;
- **Capex** across direct peers is on average between 3-4% of Sales, while it is higher for ITA players, anyway annual data may be impacted by specific investment plans.

  MQ is expected to engage a €7mn capex plan 2021-23, mostly driven by digital platform and lead acquisition investments, together with a ca. 1% of Sales maintenance Capex;
- ROIC b.t. materially differs across the sample. Although MQ Invested Capital is affected by recent M&A-related goodwill, **ROIC is estimated at 36% in 2021E**, thus expected to overperform selected peers;
- MQ is expected to show a **positive Net Cash Position** by the end of 2021E, clearly benefitting from the €17.2mn proceeds of the recent IPO.

MeglioQuesto: Peers' key financial ratios

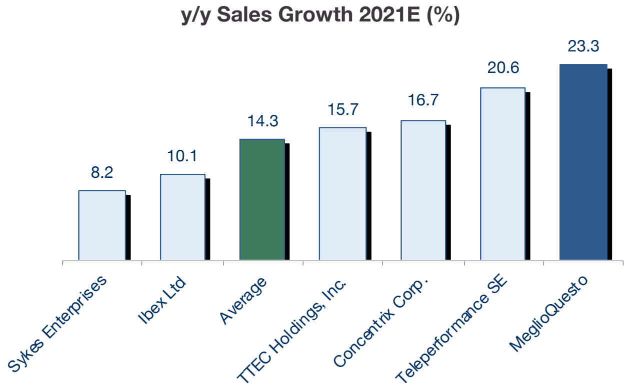
Company	EBITDA Margin (%)		EBIT Margin (%)		Capex/Sales (%)		ROIC b.t. (%)		Net Debt/EBITDA	
	2021E	2022E	2021E	2022E	2021E	2022E	2021E	2022E	2021E	2022E
TTEC Holdings, Inc.	15.6	15.7	10.6	11.1	2.8	3.0	21.9	25.0	1.7x	1.2x
Teleperformance SE	21.2	21.1	12.8	12.6	4.0	4.2	16.2	16.8	1.7x	1.4x
Concentrix Corp.	15.3	15.6	12.7	13.1	3.6	3.4	41.6	37.1	nm	nm
Ibex Ltd	14.1	14.3	3.0	8.1	4.6	3.6	10.2	27.9	0.7x	0.4x
Sykes Enterprises	11.5	11.8	8.7	9.0	2.7	2.6	10.7	10.8	nm	nm
Average – Direct peers	**15.5**	**15.7**	**9.6**	**10.8**	**3.5**	**3.4**	**20.1**	**23.5**	**1.4x**	**1.0**
Doxee	32.2	34.7	17.8	20.0	18.9	18.1	29.5	35.6	0.2x	nm
Almawave S.p.A.	24.1	24.0	14.9	14.8	16.4	16.2	18.1	19.6	nm	nm
Gruppo MutuiOnline	30.3	31.2	23.1	24.8	0.9	0.9	21.9	25.6	0.7x	0.1x
Growens	8.0	8.7	2.5	3.8	4.8	4.5	11.1	21.8	nm	nm
GPI S.p.A.	15.4	15.8	8.2	8.6	5.1	5.5	12.1	13.7	2.6x	2.1x
Average – ITA players	**22.0**	**22.9**	**13.3**	**14.4**	**9.2**	**9.0**	**18.5**	**23.3**	**1.2x**	**1.1x**
MeglioQuesto	**17.2**	**18.6**	**13.7**	**14.8**	**3.9**	**4.0**	**36.1**	**44.2**	**nm**	**nm**

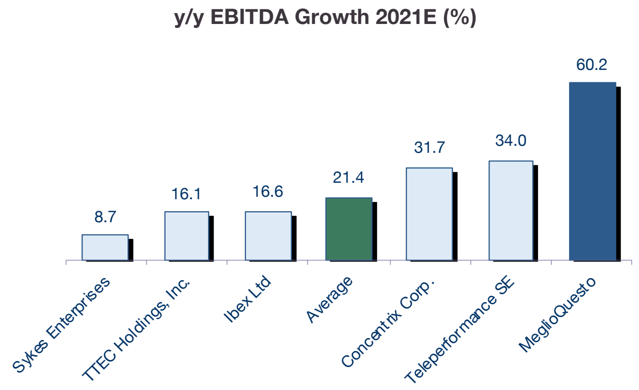
Source: Market Consensus, Value Track Analysis

Moving to growth expectations, we highlight:

- **We forecast MQ to experience the highest top-line and EBITDA growth in 2021E** (+23% y/y and +60% y/y) vs +14% and +21% of direct peers' average, driven by a steady acceleration in the digital channel, combined with the acquisition of new TIER1 clients and a further improvement in operating leverage;
- If compared to ITA small-mid tech players, MQ is likely to place in the high-end of peers' group, at both top-line and EBITDA level.

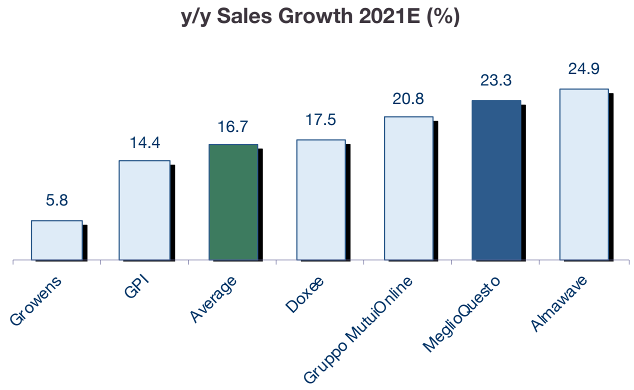
MeglioQuesto: Industrial performance vs. Direct peers

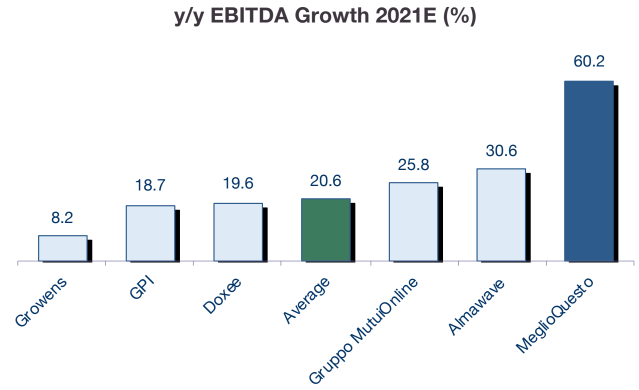




Source: Market Consensus, Value Track Analysis

MeglioQuesto: Industrial performance vs. ITA small-mid tech players





Source: Market Consensus, Value Track Analysis

Peers' stock multiples

A first look at the multiples reported below highlights the following key figures:

- Companies within the direct peer's cluster on average trade at 10.6x-10.0x EV/EBITDA, 22.6x-21.1x P/E based on 2022-23E. Teleperformance and TTEC show the highest values, while Ibex is currently trading at the lowest one;
- ITA small-mid tech segment highlights slightly higher EV/EBITDA multiples (11.2x and 9.5x in 2022E-23E), driven by higher EBITDA margins and expected growth rates linked to digital innovation and transformation trends.

MeglioQuesto: Peers' stock trading multiples

Company	Market Cap (mn)	EV / Sales (x)			EV / EBITDA (x)			EV / EBIT (x)			P / E (x)		
		2021E	2022E	2023E	2021E	2022E	2023E	2021E	2022E	2023E	2021E	2022E	2023E
TTEC Holdings, Inc.	USD - 5,037	2.5	2.2	1.8	16.0	14.1	11.3	23.5	19.9	14.5	30.7	26.2	21.3
Teleperformance SE	EUR - 22,008	3.6	3.3	3.0	16.8	15.6	13.9	27.8	26.2	22.8	34.2	32.4	28.8
Concentrix Corp.	USD - 8,820	1.4	1.3	nm	9.3	8.6	nm	11.3	10.2	nm	26.2	22.7	nm
Ibex Ltd	USD - 349	0.9	0.8	0.7	6.2	5.4	4.7	29.4	9.6	9.1	nm	13.7	13.2
Sykes Enterprises	USD - 2,149	1.1	1.1	nm	9.9	9.2	nm	13.1	12.1	nm	19.9	18.1	nm
Average – Direct peers		**1.5**	**1.7**	**1.8**	**11.7**	**10.6**	**10.0**	**21.0**	**15.6**	**15.5**	**27.8**	**22.6**	**21.1**
Doxee	EUR - 85	4.2	3.4	2.9	12.9	9.9	8.1	23.3	17.2	14.2	33.3	24.2	21.2
Almawave	EUR – 130	3.5	2.8	2.2	14.5	11.6	9.3	23.5	18.9	15.0	42.0	30.3	24.1
Gruppo MutuiOnline	EUR – 2,003	6.5	6.0	5.5	21.4	19.2	17.4	28.1	24.0	21.4	39.8	34.5	31.4
Growens	EUR – 68	0.9	0.8	0.6	11.7	8.8	6.8	nm	20.1	12.8	nm	32.9	23.2
GPI	EUR - 232	1.1	1.1	1.0	7.4	6.7	6.1	14.0	12.3	11.1	16.8	15.4	14.9
Average – ITA players		**2.9**	**2.8**	**2.4**	**13.6**	**11.2**	**9.5**	**22.2**	**18.5**	**14.9**	**33.0**	**27.5**	**23.0**
Overall Median		**2.0**	**1.8**	**2.0**	**12.3**	**9.6**	**8.7**	**23.5**	**18.1**	**14.4**	**32.0**	**25.2**	**22.2**

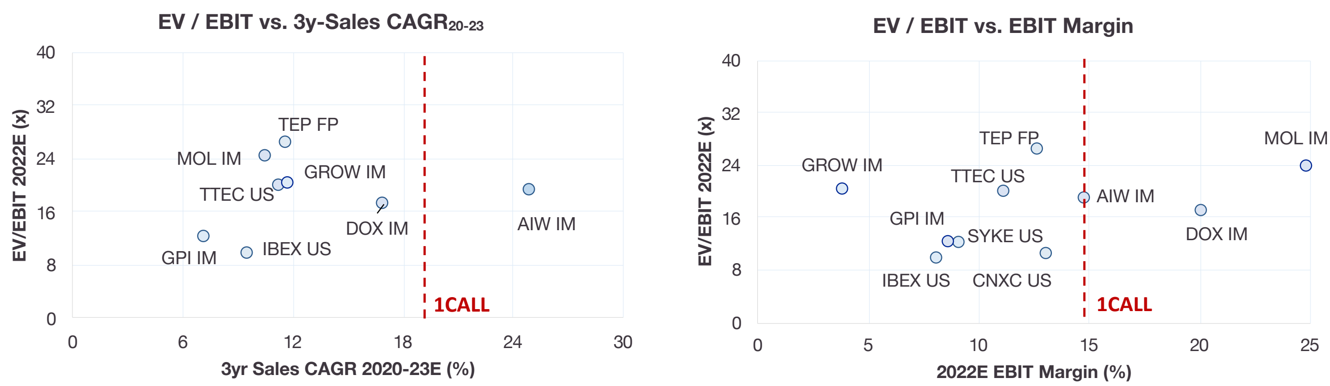
Source: Market Consensus, Value Track Analysis

MeglioQuesto "fair" multiples

Given the high dispersion of market multiples across direct peers, as well as the different level of capital expenditures expected by selected ITA players, we plot the following EV/EBIT vs. Sales Growth and EV/EBIT vs. EBIT Margins value maps, to not spot a too wide valuation range. We highlight:

- MQ relative valuation should inevitably embed some discount vs. leading players like Teleperformance and Gruppo MutuiOnline;
- MQ is fair to trade at similar multiples of domestic peers, given its similar size, the same reference market, and the strong positioning in sales growth, and profitability margin.

MeglioQuesto: Direct Peers' Value Maps



Source: Market Consensus, Value Track Analysis

That said, on the back of (i) above market multiples and highlighted value maps, (ii) the relative valuation of domestic players in terms of EV/Sales and EV/EBIT 2022E-23E, (iii) MeglioQuesto 2022E-23E financial estimates, and (iv) the current number of ordinary shares – i.e. net of potential dilutive effects coming from conversion of deep in-the money warrants, GeToCollect warrants and bonus shares – **we get a €4.60 equity fair value per share**.

Our valuation does not include any upside from possible M&A, even though we do not rule out potential M&A transactions, to accelerate the consolidation process in the CMX market, also considering management track-record in finalize value enhancing deals.

MeglioQuesto: Valuation at fair multiples

(EV/Sales)	2022E	2023E	(EV/EBIT)	2022E	2023E
Fair Multiple (x)	**2.8x**	**2.4x**	**Fair Multiple (x)**	**18.5x**	**14.9x**
MQ Sales (€mn)	85.6	94.6	MQ EBIT (€mn)	12.7	14.1
Fair EV (€mn)	240.1	230.2	Fair EV (€mn)	235.1	210.0
Net Cash Pos (€mn)	8.5	17.2	Net Cash Pos (€mn)	8.5	17.2
Adj. To EV (€mn)	0.0	0.0	Adj. To EV (€mn)	0.0	0.0
Fair Eq. Value (€mn)	**248.6**	**247.4**	**Fair Eq. Value (€mn)**	**243.6**	**227.2**
Outstanding NOSH (mn)	52.3	52.3	Outstanding NOSH (mn)	52.3	52.3
Fair Eq. Value (p/s) (€)	**4.75**	**4.73**	**Fair Eq. Value (p/s) (€)**	**4.66**	**4.34**

Source: Value Track Analysis

Corporate Profile

With €55.8mn 2020 pro-forma revenues and €7.4mn pro-forma EBITDA (€8.5mn on an adjusted basis), in its roughly 10 years of activity MeglioQuesto has become a leading Italian provider of customer engagement and multi-channel demand generation, serving more than 40 top tier corporates primarily in the energy and telco market. The company has grown significantly over the last 5 years, in terms of total turnover (36% Sales CAGR), customer base (fourfold since 2016), and profitability margins (EBITDA Margin at 13.2% in FY20PF or 15.3% adjusted), as results of both organic business development and M&A-driven growth.

MeglioQuesto: Key highlights

Profile

MeglioQuesto (MQ) is a **leading domestic player in outsourced omnichannel customer experience (CX) business**, serving more than 40 customers across several industries ranging from telco to financial services, from retail & e-Commerce to healthcare sector.

Through an omnichannel approach (voice / digital / human), MQ engages final users at every touch point in the customer lifecycle, including digital marketing and acquisition, sales expertise, customer service, technical support and retention.

The Group has recently acquired the total share capital of AQR, a customer interaction company specialized in multichannel (digital + voice) sales and customer relationship management active in the energy, telco, automotive, finance and insurance markets,

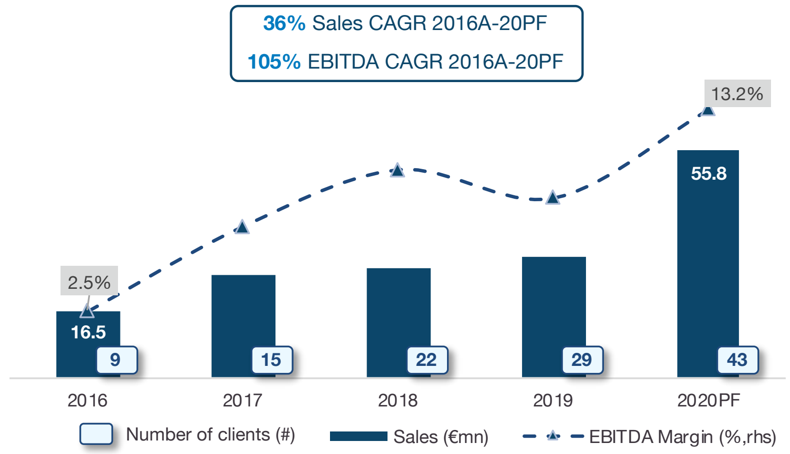
Headquartered in Milan, the Group holds 24 physical stores, 9 mall kiosks, and relies on ~270 headcounts, ~300 contractors and a network of ca. 2,000 CX consultants.

Historical financials

In FY20, the group has recorded €56mn total pro-forma revenues, out of which ca. €34mn on a stand-alone basis and €22mn coming from the recently acquired AQR.

2020PF EBITDA stood at €7.4mn (€8.5mn if adjusted for €1.1 non-recurring), corresponding to an EBITDA margin of 13.2% on revenues.

MeglioQuesto: Number of clients (#), Sales (€mn) and EBITDA Margin since FY16



Source: MeglioQuesto, Value Track Analysis

Historical milestones

Despite its relatively young age, in its 10 years of activity, MQ has achieved important results, becoming a domestic leader in outsourced customer acquisition & management services. Key milestones can be summarized as follows:

1. **2011-2017: Foundation and business expansion with key clients and M&A**

   The Group (through MeglioQuesto Sales) initially engages in the "voice" contact center business, signing contracts with clients like TIM (currently one of the main clients), Mediaset, Metlife.

   Very soon the MeglioQuesto Sales finalizes some M&A transaction, mainly aimed at adding the human channel:

   i. acquisition of Human Power, a small provider of call center services, thereafter, sold to third parties;

   ii. acquisition of a majority stake in Cover Store (with exit in 2019), a company involved in the market of mobile phone tools through its flagship stores;

   iii. the establishment of Sales Power, to consolidate strategic partnerships in the human delivery channel.

2. **2017-2021: Reinforced company structure and digital customer experience**

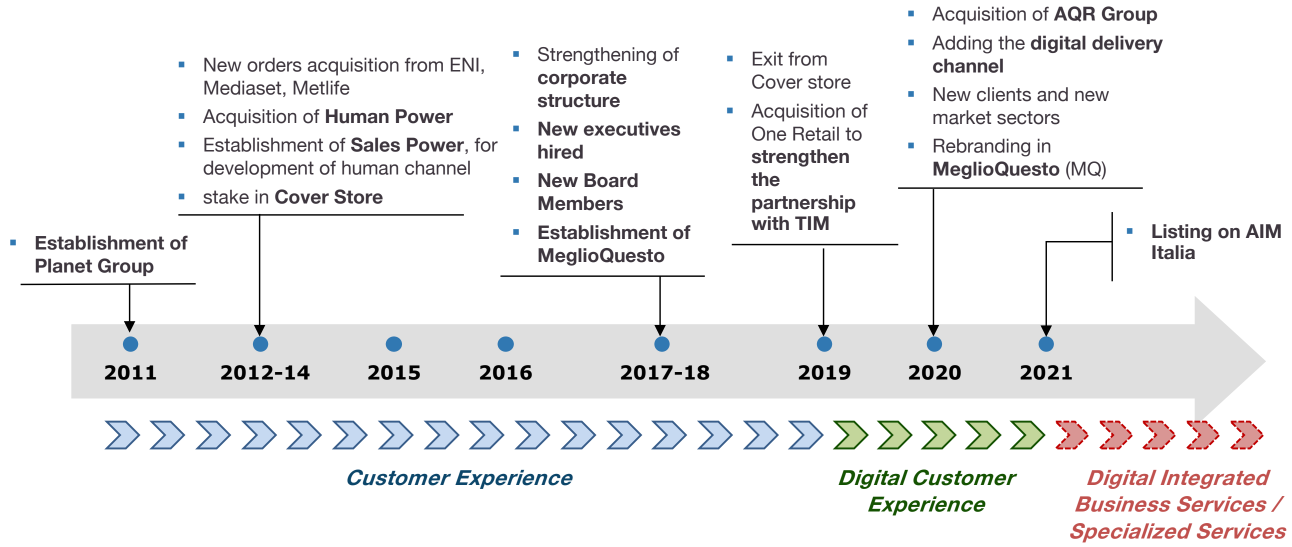
   In 2017 a corporate reorganization was carried out through the establishment of the Issuer and the development of the MeglioQuesto Group. In 2018-20, the company reinforces its organizational and managerial team, with the appointment of two top managers, out of which two are currently included in the BoD.

   Back in 2020, the group acquires 100% of AQR share capital, gaining benefits in terms of:

   - new leading clients in the telco and energy sector;
   - additional digital and tech skills, with the integration of the digital touchpoint;
   - engagement of key people with track record in specific market verticals.

   Last but not least, we remind the IPO recently finalized (end of June 2021).

MeglioQuesto: Key milestones & key achievements since foundation



Source: MeglioQuesto, Value Track Analysis

Shareholders / Management / Group structure

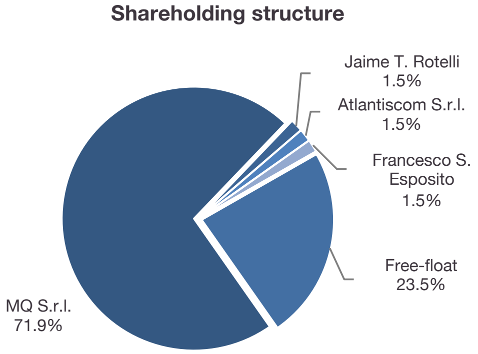
A majority stake equal to 71.9% of MeglioQuesto Spa, is currently held by MQ Srl, which in turn is controlled by Saladini family. Residual stakes are in the hands of top managers Jaime Torrents (1.5%), Francesco Esposito (1.5%) and of Atlantiscom Srl (1.5%), while free float stands at 23.5%.

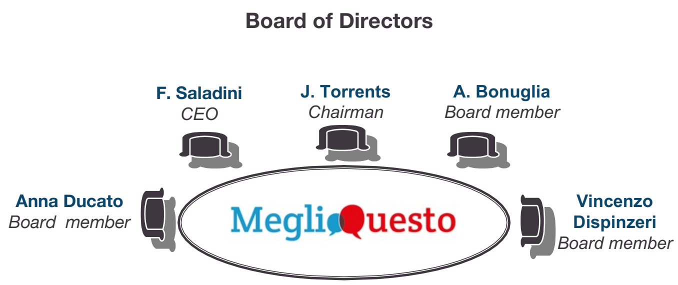
The Board of Directors is currently including:

- **Jaime Torrents – Chairman** at MQ since 2018. Former, he was Sales & Operations Director at Mediaset Premium, Sky and Infostrada, in addition to other important experiences in top management positions for Enel, Wind and Vodafone;
- **Felice Saladini – CEO and founder** of MQ, he relies on fifteen years of professional experience in the service sector, marketing consulting and multi-channel commercial services;
- **Antonello Bonuglia – Executive Director of MQ** since 2018, Head of Administration, Financial and Control area. Chartered accountant and auditor with decades of experience in the auditing sector;

with two additional members to be appointed in the next few weeks.

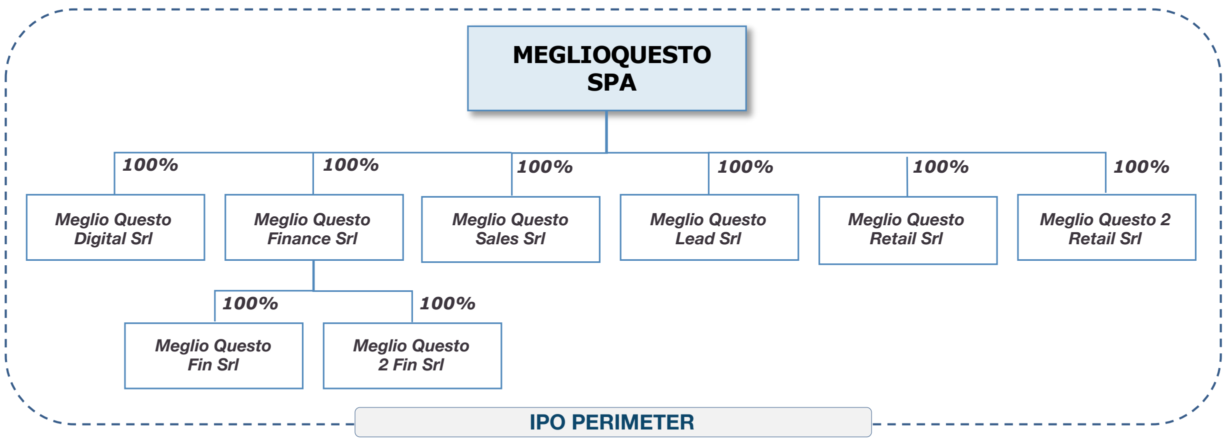
MeglioQuesto: Shareholding structure and Board of Directors





Source: MeglioQuesto, Value Track Analysis

MeglioQuesto: IPO consolidation perimeter



Source: MeglioQuesto, Value Track Analysis

Business Profile

MQ engages final users at every touch point in the customer lifecycle through an omnichannel approach: a) human, with 24 stores and 9 mall kiosks spread across Italy, b) voice, thanks to an extensive network of professional consultants, and lastly c) digital, through a lead generation system. MQ provides both Customer acquisition services (accounting for ca. 94% of total 2020PF revenues), and Customer management ones (weighing for some 6% of total).

So far, company's efforts were mostly addressed to telco and multi-utility markets, as results of important strategic agreements and long-lasting relationships mainly with multinational companies, above all TIM and ENI, by far the main customers in terms of loyalty and revenues contribution to consolidated figure. As a consequence, client base is pretty highly concentrated and dependent upon top-ten clients. However, loyalty is extremely high, with retention rate close to 100% (no churner since inceptions), and we note that customer acquisitions and sector diversification have progressively improved over the last five years, also thanks to the recent acquisition of AQR.

Nowadays, consumers continue to raise the bar on what they expect at every stage along the customer journey.

As a consequence, B2C corporates are adopting new strategies and new tools to deliver an improved Customer Experience, with the aim to gain trust and loyalty and, at the end of the day, to increase the lifetime value of their client base.

The increasing outsourcing penetration rate falls within this specific trend, further amplified by Covid-19, with many corporates unable to migrate their in-house operations to working-from-home in a timely and cost-efficient manner, thus starting to externalize non-core activities.

In such fast-changing environment, MeglioQuesto boasts important features that make it a key touchpoint where businesses can build strong connections:

1. Omnichannel offer complementing traditional contact channels (voice, human) with innovative ones (digital);
2. Focus on most important "verticals" such as TLC, Energy and Multiutilities;
3. Presence in both Customer Acquisition and Customer Management segments.

1. Omnichannel offer to provide the best service to B2C partners

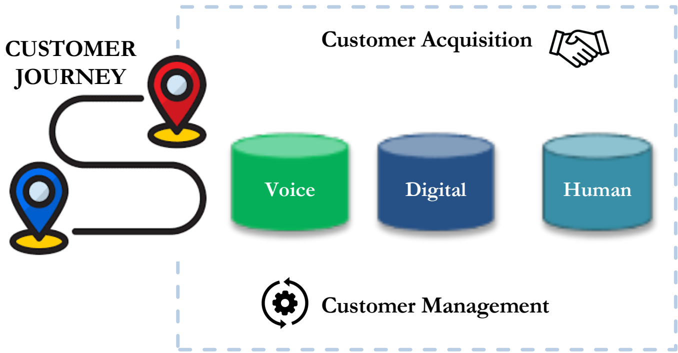
MQ engages consumers at every touch point in the consumer lifecycle, including digital marketing and acquisition, sales expertise, customer service, technical support and retention, by integrating three main channels: Voice, Digital, Human.

Voice, digital, human channels…

- **Voice** – Telephone sales of services and customer support through trained and specialized consultants, providing several activities ranging from teleselling, telemarketing, market research, instant & welcome call, to customer care, satisfaction, and retention.

  Voice channels continue to be the most used, especially for complex interactions;
- **Digital** – Generation and sale of services and products through digital channel including *i*) lead generation through SEO and display advertising activities, *ii*) customer engagement and *iii*) lead collection from organic traffic originated by meglioquesto.it;
- **Human** – Sale of services and hardware solutions in physical retail locations (stores, mall, booths inside the galleries of shopping centers), in the most important and high traffic areas.

MeglioQuesto: at every touch point in the customer lifecycle



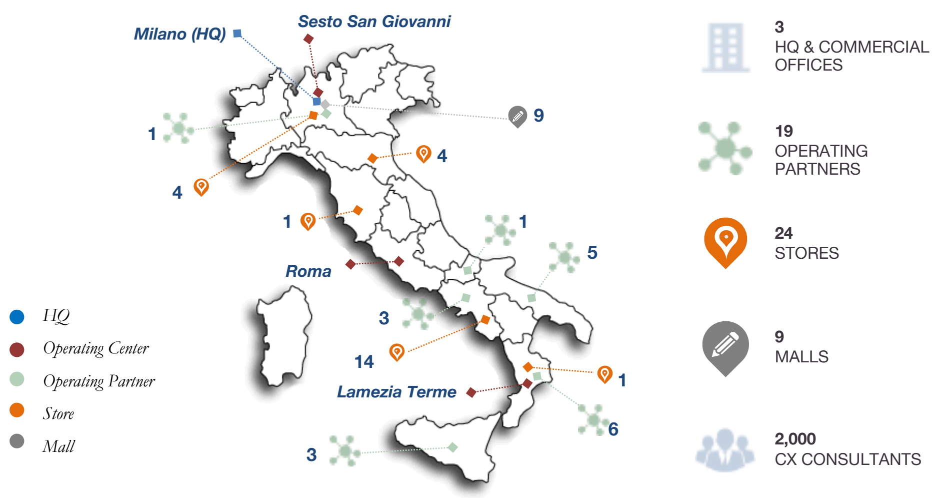
Source: MeglioQuesto

…managed by +2,000 CX professionals, 24 stores and 9 mall kiosks

MQ currently operates in +40 cities in the domestic arena, relying on **3 proprietary contact centers**, **19 operating partners** almost located in the South of Italy, an extensive network of professional consultants (+2,000 units), and an advanced lead generation system used in the digital channel. Despite the geographic location, MQ business operations aims at addressing all Italian citizens, either who agreed to process personal data for promotional and marketing purposes (outbound marketing), or helping people in addressing their day-to-day issues, with customer care supports (inbound marketing).

According to management data, **MQ processed roughly 30mn leads in 2020**, that means a huge numbers of Italian consumers approached by MQ, in name and on behalf of brands' partners. Scattered and consistent presence over the entire Italian territory rather than few larger contact centers in concentrated areas represents a key advantage for the Group, as it allows for find niches with scarce competition and reach a more extended customer base. Looking instead at the human channel, brick and mortar retailers – they do include **24 store and 9 mall kiosks** concentrated in high traffic areas, particularly across Lombardy, Emilia-Romagna and Campania regions.

MeglioQuesto: market coverage throughout Italy



Source: MeglioQuesto, Data as of March'21

Low employee turnover as a critical part of MQ value proposition

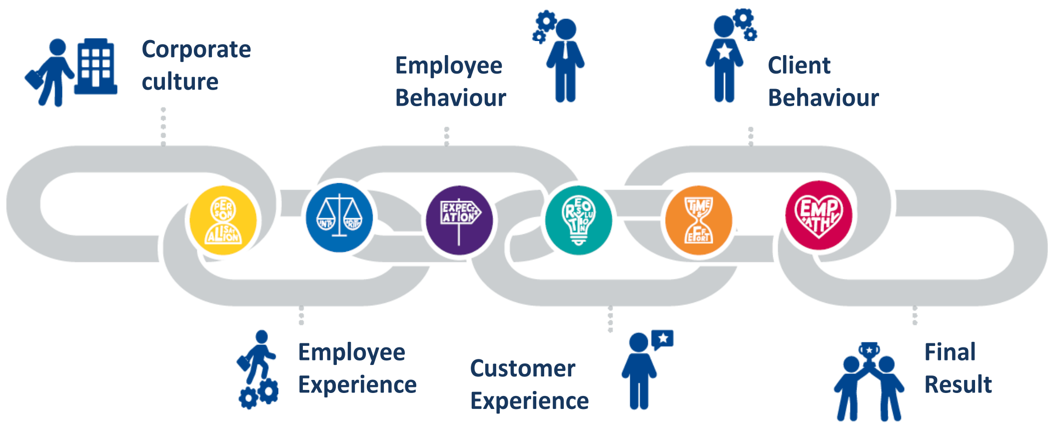
Being a customer experience company, **human resources are one of the most important assets for MQ business dynamics**, either they refer to in-house or contractors' people.

Anyway, regardless the actual allocation between in-house and outsourced resources, employee engagement is becoming increasingly important in driving the customer experience: a better employee experience (EX) should result in a more engaged workers, which in turn would translate in a better CX, and lastly in an improved operating result.

To this point, the good capacity of the Group of retaining its professionals, given by the 2.8% annual turnover – that is extremely low if compared to industry churn rate which generally lays in the 30-40% range – can be seen as an additional proxy measure of business performance, and represents a critical aspect of CX operational excellence.

Anyway, labour turnover only refers to in-house workforce, hence it does not include contractors, which had a turnover of 13% and 16% in 2019 and 2020 respectively, with a churn rate of 4.8%.

MeglioQuesto: A better EX should result in a better CX



Source: MeglioQuesto

2. Presence in both Customer Acquisition and Customer Management

Nowadays more and more firms, either small ones with lower budget and "deep pocket" medium-large ones, decide to outsource their customer acquisition and management services to MQ, as they do not possess the necessary operational competences (e.g., time, cost structures, soft skills, additional financial resources), in order to:

- Maximize the conversion of leads into contracts, that's to say Customer Acquisition activities;
- Retain as long as possible the acquired customers through reliable inbound services, that's to say Customer Management services.

These two branches of customer experience may be delivered through the same contact channels, ("voice", "digital" and "human" for Customer Acquisition and "voice" plus "digital" for Customer Management) but boast several differences in terms of:

- Included activities, e.g. outbound, inbound, logistics, back-office;
- Contract "nature", that's to say variable vs. fixed compensation schemes;
- Performance drivers;
- Profitability for the service provider.

Customer Acquisition

Customer Acquisition processes usually concern **outbound activities**, i.e. the contact center approaching the customer.

To generate new leads (i.e. new potential customers lists), the client decides on a monthly basis which marketing campaigns to be carried out and shares benchmark KPIs with the selected contact center.

Customers' list can be provided by the brand partner or generated by the company itself.

In the event that the lists are targeted on customers who have already expressed on other channels (e.g. client website) their willingness to conclude the transaction, a "**warm list**" is generated, vs. a "**cold list**" in the opposite case.

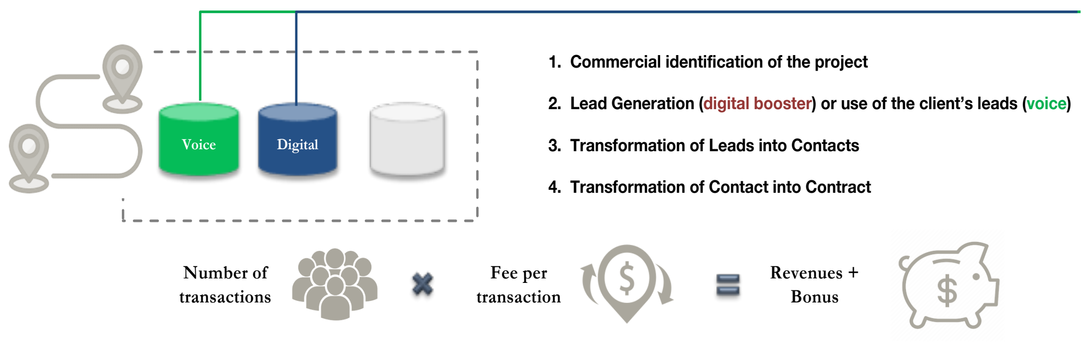
Customer Acquisition contracts (voice and digital) are generally featured by a **remuneration which is (by nature) almost variable**, and do not contain any volume obligations for any of the parties and are **regulated by service or agency contracts for an indefinite period of time**.

Said in a different way, the basic fee paid by clients is not price-driven, rather is closely linked to performance metrics based on those trigger events such as sales, call management, practical management, and so on.

More, on a monthly/quarterly basis, clients collect some statistics about the performance and volumes achieved in the period, that may generate extra compensations (bonus/malus).

Still, for some specific customer acquisition activities (e.g., pilot projects, proof of concept (POC), financial/insurance sectors), fixed components might prevail.

MeglioQuesto Voice + Digital: Customer Acquisition business model



Source: MeglioQuesto

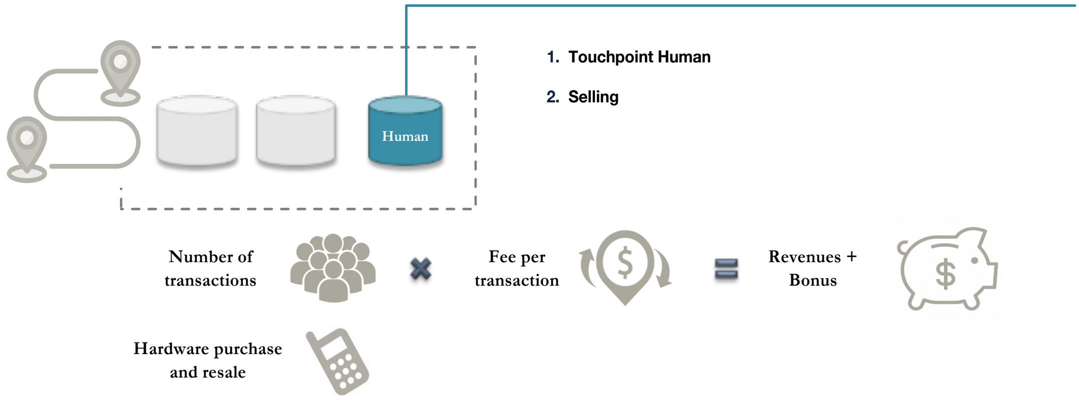
Since the average fee per transaction ranges between very far values (e.g., €30 for a sim card vs €330 for a broadband subscription just to make an example in the telco industry), the most significant **KPIs** for the customer acquisition market relate to the **hourly output per contract** and the **average hourly time spent per costumer**.

Interestingly, despite being the least developed delivery channel, MQ digital solutions already show the highest hourly outputs per contract compared to the same KPI for services delivered through the voice channel, anyway revenues from digital channel are still low on absolute value.

As regard the **human** delivery channel, this refers to **single-brand booths and flagship stores dedicated to retail**, and deals with both the customer acquisition and the physical sales of hardware (e.g. mobile telephony, accessories), with an almost variable remuneration.

During 2019 and 2020, revenue from the human channel amounted to €7.7mn and €6.4mn respectively, with a y/y contraction due to MQ decision to stop B2B mobile and accessories reselling activities (low margins) and the mandatory closure of stores caused by pandemic restrictions.

MeglioQuesto Human: Customer Acquisition and physical hardware sales business model



Source: MeglioQuesto

Customer Management

Moving to Customer Management (care) services – which basically refer to specific **inbound customer support requests** – the most important market variable (and maybe the only one), relates to the commercial proposal, being a **price-driven market** (i.e. management of existing customers is a costs for corporates).

Costumer Management contracts **usually entail a 3-year expiration date and a predominant fixed component**, with a smaller variable component depending on hours or calls spent on a customer or on the stage of progress for a specific task (e.g., claim management), with additional bonuses that could be unlocked for one call resolution or other quality services. For services including cross selling or upselling activities clients also provide extra fees.

We note **hourly output** to be the same **KPI** for the Customer Management branch as well, however being less significant given the fixed term "nature" of contracts.

Cross selling between the two businesses adds potentials

So far, MQ strategy was primarily focused on Customer Acquisition (ca. 94% of total revenues in FY20PF), while lower volumes were recorded in the Customer Management field (ca. 6% of total).

MQ historical focus on Customer Acquisition is explained by the **higher profitability of this business**, as clients transfer the risk of not attracting new customers to the contact center.

On the contrary, Customer Management contracts expiring nature implies recurring procurements that usually involve a price reduction of ca. 3% every 3 years, thus a continuous margin erosion.

Differently from MQ, most of Italian outsourced CXM providers are more exposed to customer management contracts, thus on the less profitable share of the market, with MQ therefore boasting an important competitive advantage in terms of profitability.

As far as the future is concerned, MQ plans to continue focusing on the CA business but also to exploit opportunities in some promising and profitable niches regarding CM, replicating the recent experience of a top tier TLC new entrant case.

Indeed, such top tier TLC new entrant represents the main client in customer management area, as recently decided to outsource its customer care to MQ, given its leading market position and significant know-how across telco end-market.

Customer Acquisition and Customer Management: key facts and figures

	Customer Acquisition (CA)	Customer Management (CM)
Delivery Channel	Voice, Digital, Human	Voice, Digital
Main Performance Driver	Service Quality, Trigger Events	Price
Contracts Nature	Almost Variable	Almost Fixed
KPIs	Hourly Output, Avg. Time per Customer	Hourly Output, others
Type of Activities	Mainly Outbound	Mainly Inbound
Profitability	Higher	Lower
Incidence on MQ Revenue (%)	~ 94%	~ 6%
MQ Clients (#)	~45	4

Source: MeglioQuesto, Value Track Analysis

3. Main verticals: so far, focus on energy & telco

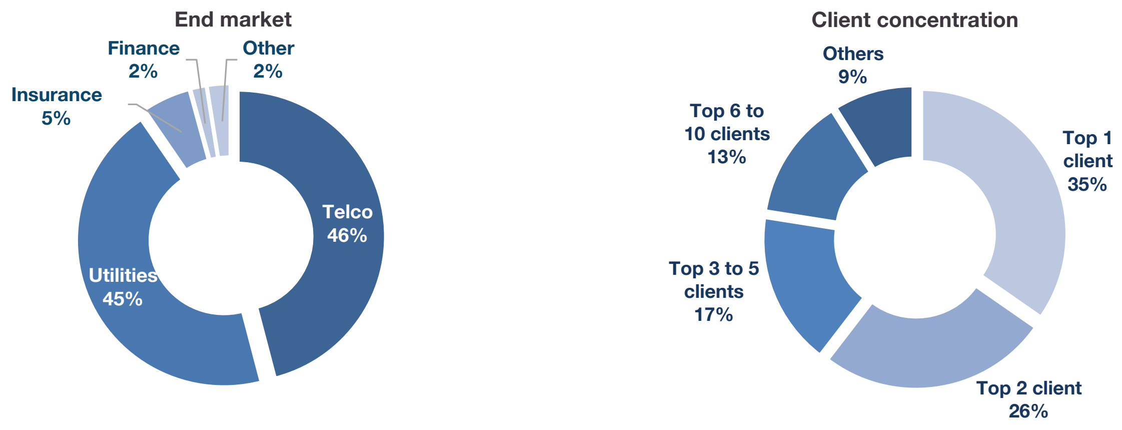
Focus on TLC, energy & multi-utility industry… leading to pretty high concentration of turnover structure

So far, MQ operations were mainly focused on telco, energy & multi-utility industry, (totaling ca. 92% of 2020PF Sales), as the increase in BPO penetration rate by telco and energy service providers has been instrumental in driving the growth of the market, particularly at domestic level.

Being TLC and energy / multi-utility sectors polarized around few huge market players, it's not a surprise that **MeglioQuesto turnover structure has been historically quite concentrated**, albeit this concentration is progressively decreasing y/y.

Overall, top ten clients account for ca. 91% of revenues in 2020PF, (99% in 2019), with the most important one accounting for ca. 35% of total.

MeglioQuesto 2020PF: Revenues by end-market and Client concentration



Source: MeglioQuesto

Top tier client base, including almost every market leader in its sector

MQ has built important relationships with multinational companies active in the telco and energy space such as TIM, Iliad, Wind3, Fastweb, ENI, Acea Energia, A2A, Iberdrola, and so on.

Out of the above-mentioned actors, a special role is played by **TIM** and **ENI**, **by far the main customers in terms of loyalty and revenues contribution** to consolidated figure (~60% of total).

However, we note that not only TIM and ENI, but all clients are very loyal. Indeed, **retention is close to 100%**, as MQ lost just one client in ten years of activity (Mediaset Premium), simply because this client shut down its related services.

MeglioQuesto: Main clients broken down by sector

Source: MeglioQuesto, Data as of March'21

Several opportunities ahead

Digitalization of CXM activities is for sure one of the main opportunities that market players have to exploit in order to improve customer satisfaction, and enhance employee experience, providing a virtuous feedback loop. Indeed, digital CXM channel is growing at double digit rates across the industry vs. traditional voice-based customer services, which are generally growing at low single digit one. Other opportunities may arise from: 1) increasing outsourcing penetration rate across industries, still at 26%, albeit steadily increasing over the last decade; 2) lower and lower competition in the Italian CXM market coming from offshore players; 3) possibility to consolidate the market via M&A; 4) recent win of Serie A football TV rights from DAZN – TIM.

In our view, MeglioQuesto boasts several interesting opportunities to exploit from both an economic and competitive point of view, be them either company specific or related to the overall market. The most relevant ones, in our view, are:

 # 1 key opp. – CXM business is going digital and MQ has a well defined strategy on this;

 # 2 key opp. – Room for higher outsourcing penetration in the Italian CXM market;

 # 3 key opp. – Lower and lower competition in the Italian CXM market from offshore players;

 # 4 key opp. – MQ has M&A skills to act as market consolidator;

 # 5 key opp. – Supporting TIM to acquire "online" football viewers.

1 key opportunity – CXM business is going digital and MQ has a well defined strategy on this

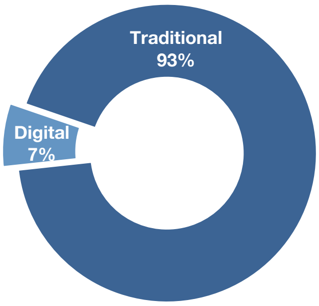
The increasing trend towards the utilization of cloud-based / remote digital solutions in the CXM business is unlocking material business scalability for those players able to exploit it.

Indeed, the growth of the outsourced CXM market is being driven by such **CXM digital tools**, expected to surge at a **high-double digit 2019A-22E CAGR of 42%**, compared to a moderate CAGR of ca. 2% for "traditional" segment.

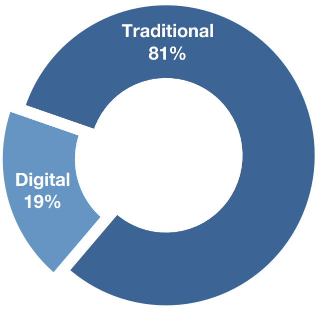
As a consequence, already as of 2022E, digital solutions should account for 19% of market share, increasing from the 7% of 2019.

Outsourced CXM Market Size (2019A vs. 2022E))

Market Size by Contact Channel (2019A)



Market Size by Contact Channel (2022E)



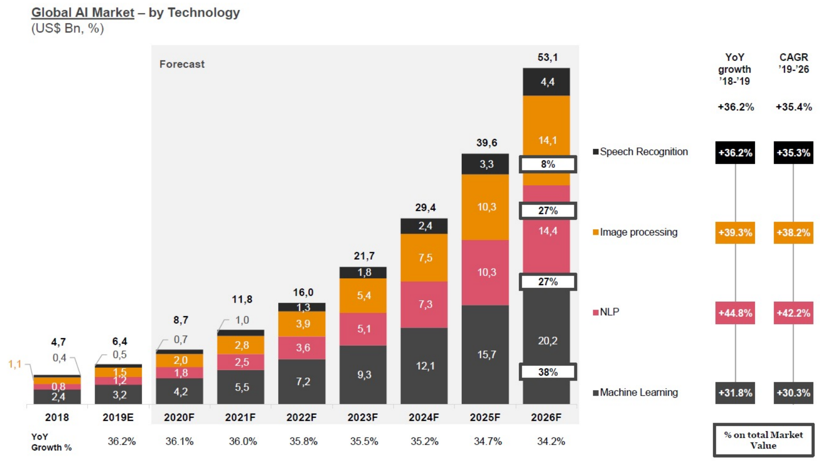
Source: Everest Group, Teleperformance Annual Report, Value Track Analysis

Among the most important digital tools / trends that are revamping the CXM business, both on the revenue and cost side, we flag:

1. Artificial Intelligence (AI) based virtual assistants and chatbots;
2. AI powered speech recognition and natural language processing (NLP) technologies;
3. Remotization / migration to cloud of contact centers activities;
4. Self-provisioning / generation of "warm leads" trough digital platforms.

Such technologies are often interlinked between each other. For instance, while chatbots allow to face customer needs in real time, NLP technologies may better understand client problems and drive targeted customer follow up retention actions with lower time and operational resources involved.

Artificial Intelligence Market Size and Expected Growth



Source: PwC "Artificial Intelligence Evolution – main trends"

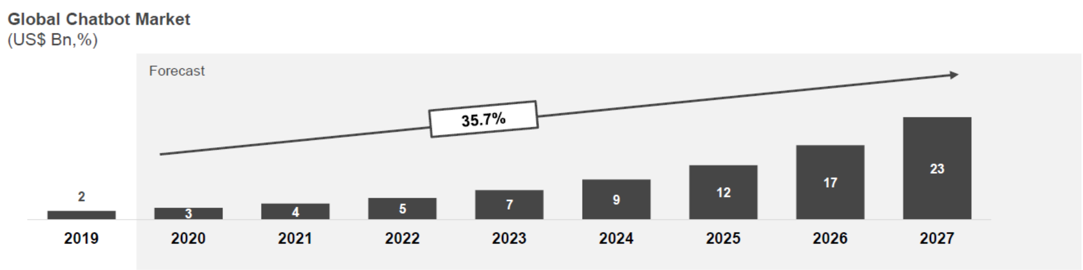
1. Virtual assistants / chatbots

Chatbots are Artificial Intelligence powered automated programs used in messaging apps and web sites interacting with customers like a human would.

The main benefit is related to the possibility to improve the customers engagement process and operational efficiency by severely reducing the typical cost of customer service.

The **chatbot market** (a segment of the broader intelligent virtual assistant (IVA) market) **is predicted to reach $23bn in 2027, i.e. 35.7% 2019A-27E CAGR.**

Chatbots Market Size and Expected Growth



Source: PwC "Artificial Intelligence Evolution – main trends"

Among others, key growth drivers of chatbots relate to:

- Increasing smartphone penetration and customer engagement through social networks;
- Rising adoption in the healthcare (patient management) and travel & hospitality (improve passenger experience) industries;
- Covid-19 acting as further accelerator for conversational AI.

Worthy to note, for the time being just a 13% of contact center organizations reported a fully deployed virtual assistants/chatbots strategy (*Source*: Deloitte, Global Contact Server Survey, May'19).

2. AI powered speech recognition and natural language processing (NLP) technologies

Call centers around the globe generate annually exabytes of Voice data, much of which isn't being analyzed as well as it could be or at all. Indeed, despite the rise of digital customer engagement channel, voice interactions are still the primary method for engaging with customers.

Automatic Speech Recognition technology, by enabling the accurate conversion of voice audio into meaningful text, **unlocks rich and invaluable insights from Voice call data** allowing organizations to understand the mood, sentiment, and tone of customer conversations. Some use cases are:

- Monitoring specific trigger words, such as "termination" or "reimbursement";
- Identification of angry callers, with the possibility to deploy remedies already in the short term;
- Quality control of the effectiveness, attentiveness and responsiveness of a customer agent.
- Automated conflict and disputes resolutions, thereby increasing efficiency and saving time.

3. Remotization / migration to cloud of contact centers activities

Contact centers have been recently migrating to hybrid on-premise / remote-cloud models to exploit several advantages embedded by the underlying technology, such as:

- Efficiency improvement and cost reduction;
- Higher flexibility / scalability of the business;
- Higher employees' engagement.

Covid-19 related-crisis has obviously accelerated such migration trend, as contact centers needed to ensure business continuity to their clients even during lockdown periods.

Indeed, a survey conducted by Calabrio (State of Contact Center 2021), highlights an impressive migration towards cloud-based contact centers recorded during pandemic, as ~40% of its contact center pool (worldwide spread) are currently fully-cloud based, up from the 10% recorded one year before.

MQ as well is adjusting the structure of its contact center accordingly, through:

- the rationalization of the spaces to reduce corporate fixed costs;
- the transformation of contact centers into multifunctional spaces, that is i) a selling & customer care human touchpoint, and ii) a talent garden for personnel training activities.

In this way, MQ aims to achieve a widespread physical presence, cost saving on contact centers, and lastly a greater commitment and loyalty of resources, which will benefit from a better work-life balance.

Self-provisioning / generation of "warm leads" trough digital platforms

With the increasing amount of time spent by consumers online for infotainment purposes, it is becoming mandatory for CXM to capture users data directly on the internet thanks to appropriate "call to actions" such as a form to fill in order to subscribe to a newsletter or to receive a quote for some kind of product / service.

We refer to these ways to generate leads online as **lead generation platforms** that are, indeed, becoming an essential tool for improving sales and marketing operations.

MeglioQuesto, as well, is starting to generate through its website (Meglioquesto.it) an increasing number of leads, which can be transferred ("warm list") to brands' partners or that can be used to exploit additional cross-selling opportunities.

Anyway, numbers are still low– we use as a proxy the ca. 160K views in organic traffic recorded over the last six months – but data monetization would inevitably unlock business opportunities for MQ.

MeglioQuesto has a well-defined strategy on how to profit from digitalization

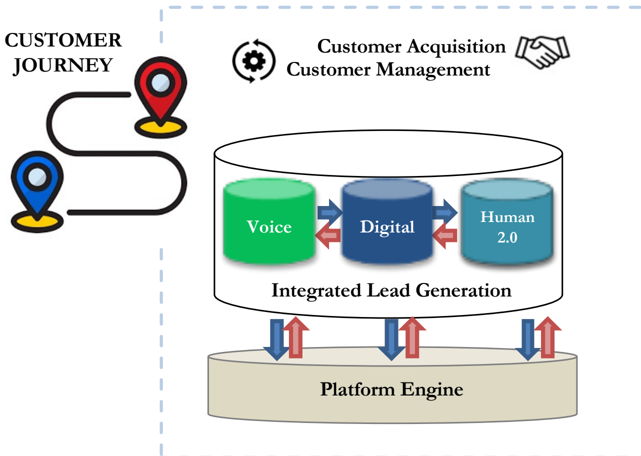
As far as MQ strategy to profit from the current digitalization trend, **MQ plans to improve its value-proposition** by:

1. strengthening in-house IT and Project Management capabilities, through the hiring of dedicated resources with expertise in digital innovation projects, and roll out a totally integrated lead generation platform engine;
2. developing commercial and technological partnerships with system integrators.

1. Roll out of totally integrated lead generation platform engine

From an industrial point of view, management short-term efforts would be addressed to the establishment of an integrated platform engine based on CRM, CMS, ERP, able to collect data (data gathering), analyze and rationalize them (data analytics), acting as a customer data platform (CDP).

MeglioQuesto: Customer acquisition & management feed by a platform engine



Source: MeglioQuesto,

Thanks to this technological boost and skills, web marketing campaigns can be optimized, and interactions can be partially directed on non-human intensive channels. Going more into details, main changes of a gradual evolution towards a platform engine and integrated lead generation, can be summarized as follows:

- the current digital and human channels should gradually become a single hybrid cluster, in which the operator will become a personal consultant at the service of the end customer;
- all sales channels should become lead generators and feed the platform engine;

- the personal assistant should have access to the integrated database, the collected info about the final user, as well as to all engine recommendations (i.e. predictive marketing);
- the various channels should access to the same integrated database, maximizing the use of the data generated.

More, the company website (MeglioQuesto.it) would acta as a price comparator thus representing one of the main data gathering channels that will feed the platform engine, notwithstanding the conclusion of any transaction.

We note that MQ approach to this price comparation activity should be:

- Neutral with respect to all offers displayed;
- Complete, i.e. reporting all the offers of the industry even if not subject to a contract agreement;
- Focused on consumer needs, as they should take benefit from the presence of blogs, communities, tutorials and all info needed to improve the customer experience.

2. Tech partnerships to unlock distribution opportunity

As described above, MQ short-term strategy aims at implementing digital innovation processes in the field of customer acquisition and management, that means transforming or integrating customer care activities from a digital perspective. In doing so, management believes that the in-depth business knowledge is somehow more strategic than the technology itself, allowing for competitive advantages.

To this point, MQ intends to focus on projects that optimize operational processes, thus providing customers with tailor-made and high added value solutions, leveraging on long-lasting experience along the CMX market, and third-party technologies.

Indeed, the quality and quantity of tech suppliers play a key role in terms of quality service provided to clients, and the development of new relationship, may accelerate the path and the penetration in most appealing end-markets.

The Group has already identified a business partnership with a tech player (Relatech, a digital enabler company already listed on AIM Italia), in which MQ would deal with the marketing of digital solutions across different end-markets, while the preferred partner would focus on the technological content, personalization and integration.

2 key opportunity – Room for higher outsourcing penetration in the Italian CXM market

Outsourced CXM: A global market worth $75-87bn

As of 2019, the **global Customer Experience Management (CXM) market,** that's to say the aggregate of all services related to the customer lifecycle, including acquisition and sales expertise, customer service, technical support and retention, was worth ca. **$330-$360bn**, growing at ca. 2% CAGR since 2010, mainly thanks to growth trends in digitalization and omnichannel interactions resulting from:

- Rapid adoption of mobile devices;
- Steady development of non-voice contact channels (e.g., messaging, email, social media);
- Expansion of new online services (IoT, Cloud) to assist consumers in day-to-day needs.

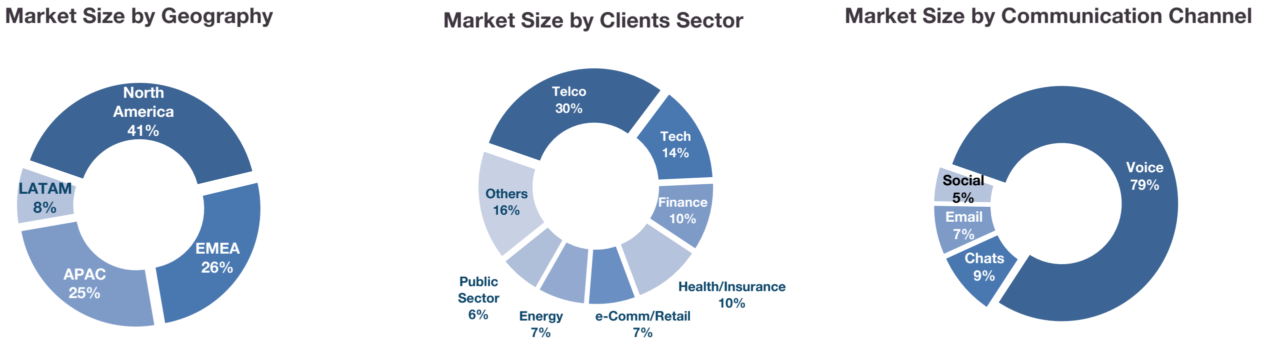
Out of this amount, some **26% of the CXM market is outsourced to specialized companies** operating in a global competitive arena worth approximately **$75-$87bn** in 2019 (*Source*: Teleperformance FY20 Annual Report, Everest, Frost & Sullivan, Nelson Hall).

As far as this outsourced CXM market is concerned, we note that:

- **Geographic breakdown**. Some 45% revenues are generated in North America, with EMEA and APAC at 33% and 12% respectively, while LATAM following back at 10%;
- **Sector breakdown**. Telco (including internet and pay TV) and technology (consumer electronics) sectors account for 30% and 14% of global outsourced CXM in 2020, respectively;

- **Channel breakdown**. "Voice" interactions account for the majority, with a 79% incidence on the global outsourced CXM market size, while the remaining 21% is almost equally split among messaging/chats (9%), email (7%) and social networks (5%).

Outsourced CXM Market Size (2020E)



Source: Teleperformance SE FY20 Annual Report, Everest, Frost & Sullivan, Nelson Hall

The trend of increasing outsourcing penetration should continue in the future…

We already noted how non-specialized CXM firms sometimes lack the required operational and financial capabilities to offer a professional customer experience to their clients, and how digitalization requires further skills which are not core to several companies.

In such a framework, **outsourcing CXM activities is seen more and more as a solution**, with advantages such as:

- **Service quality improvement** – thanks to the availability of a dedicated team of professionals providing in-depth knowledge about all facets of lead generation;
- **Access to multiple digital engagement platforms** – through a holistic approach based on a multi-channel support system (email, web, chat, social media, smartphone application);
- **Cost reduction potential** – that is corporates do not have to spend time and money on hiring or training contact center staff, either on providing the necessary infrastructure;
- **Focus on core business areas** – corporates can focus on their competences and hand over critical but non-core activities.

…and Italy has room to grow higher than peers as it is currently underpenetrated

We believe that **the Italian Outsourced CXM market is underdeveloped and has a lot of upside potential**, if properly exploited. Indeed:

- The Italian Outsourced CXM market, is worth some €2.1bn, (ca. $2.5bn), that's to say a poor 3% of worldwide one;
- Looking at the broader Business Process Outsourcing ("BPO") market, out of which Outsourced CXM one is a sub-segment, we note that no matter what type of ratio of market penetration we take into account, be it based on GDP or population, Italy stands out as underpenetrated if compared to other European mature countries (e.g., Spain, France, UK, Germany);
- The Italian outsourced CXM market is still miss verticals like retail, tech, healthcare and financial services and is developed only on telco, energy and utility segments.

  To this point, and according with Nelson Hall market research, we highlight how retail & e-Commerce, healthcare & financial services are the most promising market sectors, expected to grow at CAGR of 7.9%, 5.7% and 5.7%, respectively in the 2020-2024 projection period.

At the same time, we note how market revenues from TLC are expected to reduce going forward, and a similar path – despite a possible peak expected by 2022 due to the end of protected market – is expected as well in the utility market, at least as far as the basic services are concerned. On the contrary, new opportunities may arise in the utility market from the upselling of innovative service and products, such as IoT home sensors, charging stations for EV, and so on.

BPO and Outsourced CXM Market: A European Overview

Country	BPO Mkt Size ($bn)	GDP ($tn)	No. of Countries w/ Same Language	Population # (mn)	BPO/GDP	BPO/Pop.
World	276.2	83.8	N/M	7,861.7	0.33%	35.1
Europe	82.1	14.9	N/M	748.0	0.55%	109.8
	105.3	20.8	63	331.0	0.51%	318.0
	20.1	2.6	63	67.9	0.76%	295.7
	12.1	3.8	8	83.8	0.32%	144.6
	10.3	2.6	40	65.3	0.40%	157.4
	5.2	0.9	8	17.2	0.59%	303.0
	4.9	1.2	19	46.5	0.39%	104.8
	**4.8**	**1.8**	**5**	**60.4**	**0.26%**	**79.3**

Source: Statista, CustomerServ, Everest Group, Value Track Analysis

Implications for MeglioQuesto

As far as MeglioQuesto is concerned, we believe that the Group has the skills and the chance to expand its share across market verticals outside the telco and energy sectors.

In particular, we see key diversification opportunities across those markets where MQ has only a marginal presence so far, and likely to experience an acceleration in outsourcing penetration rate ahead, being mainly:

- **Finance & Insurance** – sector digitalization is resulting in a significant cut of many bank branches, together with the rising adoption of online banking. More, banks and insurance companies have been forced to migrate operations across all channels, and the current crisis and the containment measures made the benefits of digital solutions even more tangible.

  A recent survey on the digital banking (*Source*: KPMG) unveils the important role of contact center – along with mobile banking apps and websites – as it represents one of the main preferred channels used to support requests, but also to process, monitor and track financial transactions. On the contrary, the retail channel is mainly used to finalize more complex operations. In addition, the Italian operating and distribution model is still centered on a physical network, and the penetration of the online banking is still low, if compared to other European countries.

  Similar findings come from the *Rapporto ABI lab, 2020,* with contact centers expected to cover a key role, as they represent the perfect mix between information support and consultancy services. In this fast-changing environment, skills development is crucial and go beyond the tradition technical and assistance component, rather it requires specially trained staff to handle the promotion of financial services and products remotely.

  To this point, despite its still low contribution to consolidated revenues (7% based on pro-forma revenues in FY20), the Group has already established some business units specifically involved in the finance and insurance market vertical, relying on ca. 40 professional consultants. The Group aims at offering interesting new services related to the fintech and digital payments environment, which result in a significant opportunity to exploit upselling and cross-selling activities.

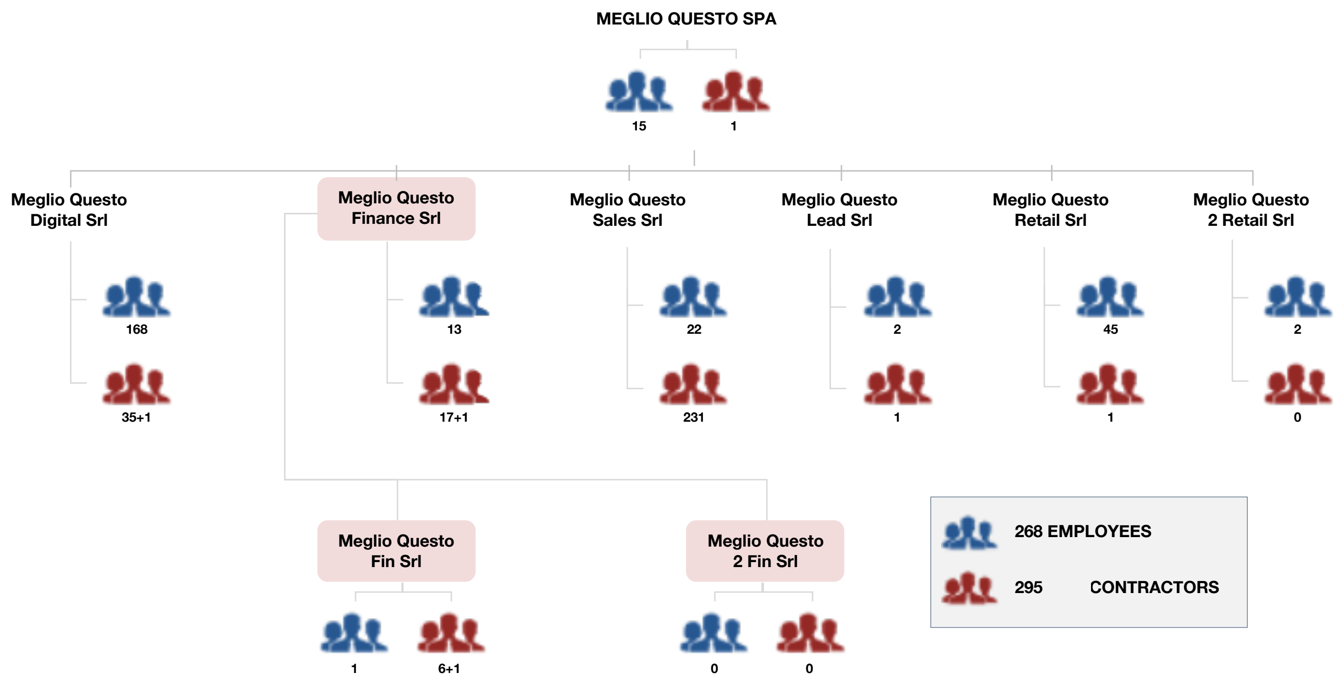
- **Logistic and e-Commerce** – these represent a new entry for the Group, albeit it has recently acquired as new customer a leading player in third-party logistics services (DHL). Such industries are extremely attractive in terms of growth prospects, as the increasing outsourcing penetration rate will continue in the years ahead.

  e-Commerce and retail companies are becoming more and more common, and as a result, customer care and management, which typically include call center as well as digital tools and self-service channels, are expected to play an integral role in the CX transformation: while new e-Commerce trends are emerging, customer service outsourcing remains one of the most influential business practices.

- **HealthCare** – attractive trends are emerging as pandemic accelerates digital innovation, with healthcare customer services seen as an essential tool to gain a competitive advantage in the healthcare domain: from hospital and clinics to pharmaceutical and consumer health companies, to pharmacies and others. This sector is expected growing also in the post pandemic, with investments also supported by the upcoming National Recovery and Resilience Plan. Critical point is to get a way into potential large customers in a highly concentrated market, therefore potential M&A activities could represent the best solution in this vertical as well.

  The Group currently holds just one client in the healthcare field, providing initial telephone assistance to cardiac pacemakers' patients, anyway some contract extensions towards 24h/7d multilingual assistance is expected in the short-term.

MeglioQuesto: Employees composition by business unit



Source: MeglioQuesto

3 key opportunity – Lower and lower competition in the Italian CXM market from offshore players

Outsourced CXM is structurally highly polarized both in Italy and abroad…

Global outsourced CXM market is structurally highly polarized, with a few huge players dominating a very fragmented space. Worldwide, Teleperformance is the market leader with a 7.7% share in 2020 (over 1,000 corporate clients spread in ca. 80 countries), followed by Concentrix (5.6%), and TTEC Holdings (2.3%). We spot strong diversification both regarding end-markets and geography-wise. For instance, Teleperformance sales are uniformly spread across all the verticals and locations, signaling how a strong diversification strategy could be a desirable path for success.

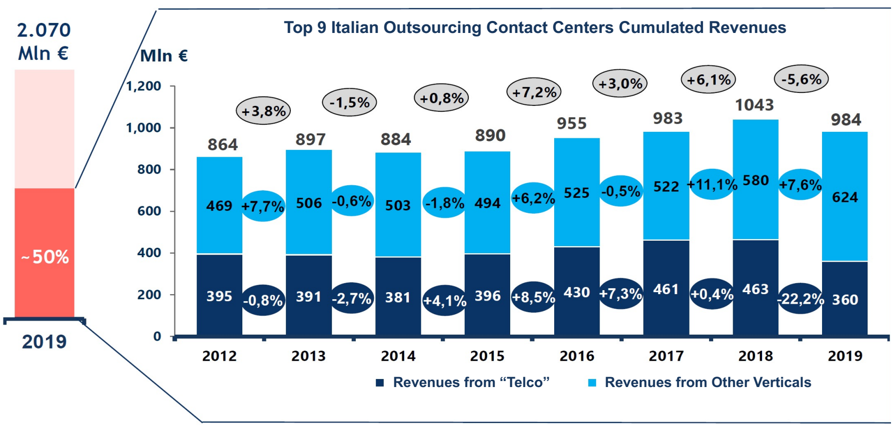
Outsourced Customer Experience Management Market: International Competitors

Company	Sales ($mn)	Market Share (%)	Geography Coverage	Nr of Countries (#)	Nr of Clients (#)	Main Verticals					
						Telco	Tech	Fin. / Ins.	Health	e-Commerce	Others
Teleperformance	6,908 (*)	7.7%	EWAP, CEMEA, LATAM, India, Middle East.	83	+1,000	✓	✓	✓	✓	✓	✓
Concentrix	4,720	5.6%	NA, EMEA, APAC, LATAM	+40	+650	✓	✓	✓	✓	✓	✓
ttec	1,949	2.3%	NA, APAC, LATAM, EMEA	+80	+300	✓	✓	✓	✓		✓
Sykes	1,710	2.0%	EMEA, Americas	21	n/a	✓	✓	✓			✓
Webhelp	1,650	2.0%	EMEA	~40	+1,000	✓	✓	✓	✓	✓	✓
Atento	1,412	1.7%	Brazil, Americas, EMEA	14	+400	✓	✓	✓			✓
ibex.	405	< 1.0%	NA	7	+100	✓	✓	✓	✓	✓	✓

Source: Value Track Analysis (*) Converted from EUR on April 20th, 2021

The **Italian Outsourced CXM market is extremely polarized as well**, with the first nine operators weighting for ca. 50% of the total (Comdata by far, the leading player with the highest market share, ~15%), and other smaller companies (ca. 300 in 2018) covering the remaining half.

MeglioQuesto: Top 9 Italian Outsourcing Contact Centers Cumulated Revenues (€mn)



Source: AssTel Report 2019

MeglioQuesto: Main competitors in the Italian market

Company	Sales (€mn)	Market Share (%)	Geography Coverage	End – market Coverage					
				Telco	Energy / Utilities	Finance & Insurance	HealthCare	e-Commerce & Retail	Others
Comdata	309	15%	EUR	✓	✓	✓	✓	✓	✓
Covisian	131	6%	EUR / US/ LATAM	✓	✓	✓		✓	
Almaviva	122	6%	EUR / LATAM	✓		✓			✓
Abramo	96	5%	EUR / LATAM	✓	✓	✓		✓	✓
Teleperformance	94	4%	GLOBAL	✓	✓	✓	✓	✓	✓
network contacts	80	4%	ITA	✓	✓	✓			✓
Transcom	76	4%	GLOBAL	✓	✓			✓	
MeglioQuesto	**55**	**3%**	**ITA**	**✓**	**✓**	**✓**			

Source: MeglioQuesto, Value Track Analysis

…but reshoring should wipe away smaller players competing only on price

Such very high fragmentation of second tier market players has been exacerbated in the past by the possibility to provide outsourced CXM services (voice in particular) directly from low-cost countries, achieving operating costs savings and material competitive advantages even if service quality was not always "first class" one.

This has been true with French speaking services being provided by North African players, or Italian speaking services being provided by players based in Albania or Romania.

More recently, it seems that **reshoring CXM activities is gaining back popularity**, driven by:

- **Government incentives** as a consequence of a positive impact on domestic economy by bringing back job positions.

  Just an example, some years ago the Italian government approved a specific law ("Decreto Dignità") to discourage offshore activities with specific fines to companies that decided to relocate after taking domestic government incentives;
- **Privacy regulation**, forcing contact centers to give an alternative to the final user whether to talk with a domestic or offshore agent, with users tending to avoid cultural/language barriers.

Reshoring is, in our view, a positive trend that could potentially improve the appeal and growth prospects of the whole CXM market and, more in particular, of players such as MQ for which we highlight three main advantages:

1. **Current prices are not discounting any offshoring/nearshoring activity** and allow to retain key clients in major industries;
2. Potential reshoring processes should **increase MQ competitiveness**, as competitors would rebalance market prices, or alternatively join lower margins to ensure the same price;
3. **Higher volumes** for MQ, as competitors in reshoring processes would have to restart from scratch some activities with new operational methods for customer acquisition.

4 key opportunity – MQ has M&A skills to act as market consolidator

As already seen before, MQ operates in a fragmented industry, with ca. 300 players outside top-ten positions, counting for a 50% market at domestic level, leaving room to possible M&A transactions aimed at consolidating market shares outside telco and multi-utility end-markets, as well as to mitigate client concentration risk.

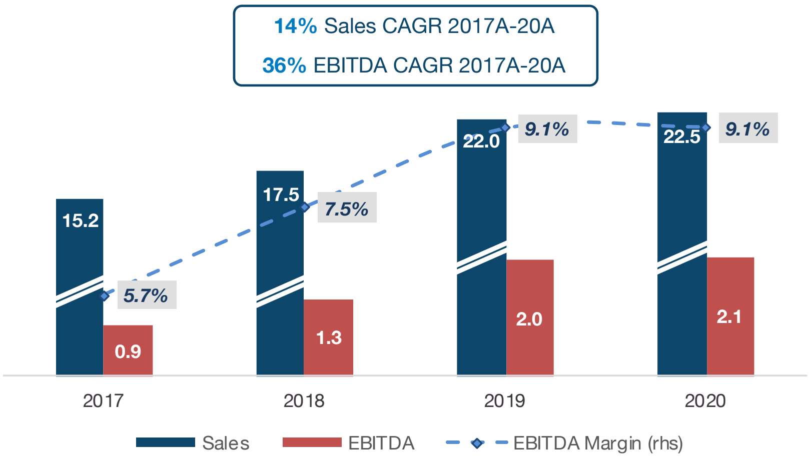
IPO fresh money should make it easier, and MQ management do not rule out potential M&A to fuel overall Group growth, as already started with the recent acquisition of AQR Group.

AQR – key figures and financials

AQR is a Milan based customer interaction company specialized in the multichannel sales and customer relationship management on behalf of energy, telco, automotive, finance and insurance corporates. It provides several activities ranging from teleselling, telemarketing, customer care and retention activities, to digital marketing and online comparator services, to market research and back-office services.

The company reported a €22.5mn topline, and €2.1mn EBITDA, growing at double-digit pace since 2017. It counts roughly 1,000 CX consultants, helping B2C multinational companies like Tim, Wind, Iliad, Eolo, Fastweb, Metlife, Compass, Groupama, in optimizing the lifetime value of customers, thus building on their behalf a CX that attracts, converts and retains customers.

AQR: Key Financials evolution 2017FY-20FY



Source: MeglioQuesto, Value Track Analysis (2020 VT estimate) // as

MQ paid €8mn for 100% AQR, based on a free-debt assumption. As for the financing of the acquisition, the Group has received a €8.5mn acquisition finance (€8mn + €0.5mn interest expenses) released by Riverrock, with a 30% capital repayment after 2 years and the remaining 70% to be reimbursed at maturity, expiring as of May 2025.

Interest rate computed given by a combination of 5% cash interest and 6% payment in kind (totaling 11%), to be paid on an annual basis on the respective repayment days. An early termination clause has been set, meaning the company may call for an early termination in the first 2-years, after paying a penalty.

On a pro-forma basis, following AQR acquisition, consolidated Net Financial Debt stood €17.4mn, featured by a lower short-term net exposure (€2.9mn), and €14.4mn longer-term maturity. Plain-vanilla Net Debt / EBITDA ratio was ~2.4x as of Dec’20.

MeglioQuesto: Deal impact on Adj. NFP FY20 PF

Adj. Net Financial Position Breakdown	€mn
Cash & Cash equivalent (+)	2.3
Current financial assets	3.1
Short term debt (-)	(2.0)
Other current debt	(6.3)
Current Financial Position	**(2.9)**
Long-term debt (-)	(5.9)
Acquisition finance (Riverrock) (-)	(8.5)
Non-Current Financial Position (	**(14.4)**
Adj. Net Fin. Position [Net debt (-) / Cash (+)]	**(17.4)**

Source: MeglioQuesto, Value Track Analysis

5 key opportunity – Helping TIM to acquire "online" football viewers

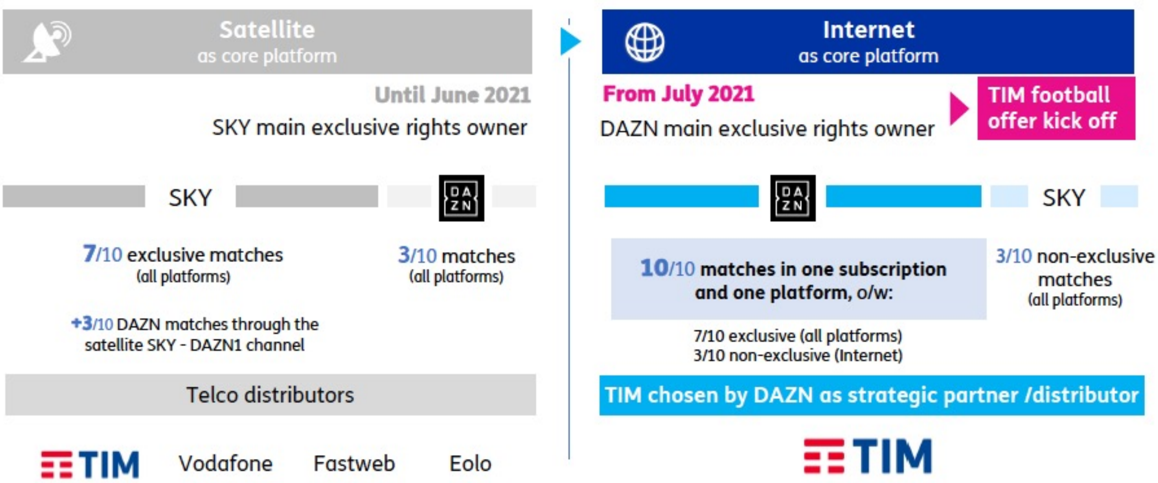
According to data released by TIM (Source: TIM analysis on ItMedia Consulting and other), the Italian video football market currently accounts for ~5mn households, that's to say nearly 22% of total. Up to now, satellite-based Pay-TV platform SKY has been the main distribution channel of Italian football matches with a share on paying customer base greater than 80%, and this was mainly due to exclusive rights owned on 7/10 matches per week.

On the contrary, from July 2021 – and up to June 2024 – DAZN will be the main exclusive right owner, with 10/10 weekly matches of the Italian Major League (Serie A).

Within this new scenario, TIM has been chosen by DAZN as strategic partner and distributor, thus opening new opportunities (FTTF, Fiber to the Football), and new revenue streams.

MQ, being in turn a relevant partner for TIM customer acquisition activities should take significant benefits at least over the next 3-years. Indeed, we estimate that the new DAZN-TIM partnership would unlock ca. €4mn cumulated revenues up to 2023E for MQ.

Italian Football goes on fiber: TIM becoming the only distributor



Source: TIM Investor Presentation, May 2021

Challenges to face

In our view, MeglioQuesto has to face some challenges / risks which relates to both the reference market and the Group itself such as: 1) regulatory scenario regarding the authorization and transfer of third parties' data, 2) changes to client's regulatory scenario, such as in the finance sector 3) possible higher competition in the domestic field, 4) dependency on few very important clients, and 5) necessity to invest a material amount of money upfront in order to foster the digital business.

Among the main challenges that MeglioQuesto has to face, we believe that a few are not to be underestimated, such as:

1. Regulatory scenario regarding the authorization and transfer of third parties' data;
2. Changes to client's regulatory scenario, such as in the finance sector;
3. Intense competition in lower value-added segments of Italian outsourced CXM market;
4. Dependency on few very important clients;
5. Necessity to invest upfront high amount of money in order to build a proprietary database of leads whose profitability might be unclear.

#1 Challenge: Authorization and transfer to third parties of customer data: what's ahead?

Italian Law no. 5/2018: "Do Not Call Registry" becoming effective soon

Since 2010, the Italian legislation (D.P.R n. 178/2010) provides for "**Registro Pubblico delle Opposizioni" (RPO)**, a public telephone directory designed to protect individuals who wish not to receive unsolicited telemarketing calls or postal mails any longer.

On January 11th, 2018, the law no. 5 set the framework to extend the RPO to all the national telephone numbers, including landlines and mobiles, not only including numbers listed on the public phone books (as previously established). Still, without an implementational decree, the law has not become effective yet, but the draft regulation (AG 234) is now ready and waiting for the final approval from the President of the Italian Republic. More specifically, the main differences between the soon-to-become-effective regulation and the previous decree are:

1. **Extension to landlines and mobile** phone numbers not necessarily included in public books;
2. **Ban on registered customers' data transfer to third parties**, i.e. a client cannot provide listed phone numbers to its outsourced partners;
3. **Pre-existing contracts** are **exempt** from the regulation. The contact center can still approach existing customers for upselling/cross-selling activities even if the phone number is on the RPO;
4. **Cancellation of all the previously given consents**, however, new given permissions after registry enrollment prevails on the RPO;
5. Creation of a **unique national area code** for telemarketing communications;
6. **Introduction of fees** to consult the registry on a recurring basis.

The final approval of the draft is expected to take place between the last quarter of 2021 and the first months of 2022, as the involved technicality requires a significant amount of time.

USA and Australia case studies – A large share of population enrolled in the registry

During 2003 and 2006 respectively, the US and Australian governments approved very similar laws to the RPO Italian regulation.

Interestingly, as of September 2020, the **USA** "Do Not Call" list counts over 241mn of individuals, (*Source*: Federal Trade Commission), that is, assuming 1 phone number per resident, ca. 75% of US citizens are currently enrolled to the registry (as of 2007 a survey affirmed that 72% of the US population had registered on the list). More, according to FDC database, the American registry experienced a decreasing trend in terms of access requests of telemarketing companies, with only 12,928 entities in 2020 compared to 66,485 in 2006, suggesting strategy shifts towards other communication channels and a further market consolidation.

In **Australia**, an analogue registry has been established in 2006 and now counts ca. 11.7 million numbers, with a national population of 25.5 million individuals.

In the **UK,** there is a similar register, called **Telephone Preference Service (TPS)**, allowing people and businesses to opt out of unsolicited live sales and marketing calls.

At EU level, GDPR acts as the general framework for such legislations, anyway, we spot attempts to regulate aggressive marketing campaigns (cold calling) also in Spain and France through the adoption of similar registries that allow individuals to opt out from telemarketing communications.

Possible implications on MeglioQuesto business model

The introduction of a RPO on the domestic market would inevitably generate negative implications for the CXM market, particularly for the voice communication channel. As also seen on the US and Australian market, the establishment of a "Do Not Call Registry" might:

- **Reduce employment**, i.e. shorter lists require fewer operators;
- **Decline market efficiency** due to reduction in competition, information and innovation, thus representing a potential barrier to entry;
- **Loss of revenues** for contact centers and outsourced partners.

Conversely, the only advantage is represented by productivity gains linked to the reduced number of unwanted calls to customers (eliminating the "cold list" and focusing on an enhanced "warm list").

In such challenging environment, however, we spot **that 85% of MQ customer acquisition revenues** ("voice" contact channel) **are generated from pre-existing contracts**, thus customers that could be contacted for upselling or cross-selling propositions, even if they decide to enroll in the RPO. Hence, **negative effects of the new regulation might impact only the remaining 15% of revenues** that arise from customer without contracts in place.

MQ business could also benefit from the regulation as it would allow for a more oriented lead generation, and more profitable users.

#2 Challenge: Regulation / Deregulation in the banking & finance market

Going aside from the legal issue linked to the RPO introduction, a particular topic refers to marketing activities which regard the offer of financial products, currently not subject to a strict regulation. Indeed, **contact center dedicated to financial clients are under the supervisory of OAM** *(Organismo Agenti e Mediatori*), who assesses the requirements for financial agents and brokers.

Yet, given the complex structure and the intrinsic risk component, investments in financial instruments may result not suitable for a part of retail investors, and aggressive marketing activities may affect investment decisions.

A more stringent regulation of such activities could become a risk for outsourced CXM market, contingent on the potential introduction of stricter rules for the promotion of financial services. **Regulation might introduce mandatory requirements for financial agents, as well as the need of a bank license**, leading MQ to comply with the fulfilments of new standards, as well as to sustain higher costs at corporate level.

However, there are no indications that major changes are likely in the short term, even if the risk that contact center operators would be compliant with new regulations cannot be ruled out.

On the other hand, regulation could become also an opportunity, as stricter rules may also benefit the highly qualified contact centers relative to the lower quality ones.

We would also highlight, that MQ has already established a business unit exclusively focused on the finance market, with ca. 40 professional consultants, which are currently OAM compliant.

#3 Challenge: Intense competition in lower value added segments of Italian outsourced CXM market

As stated above, the Italian outsourced CXM market was worth some €2.1bn in 2019, including inbound, outbound and back-office activities, with top 9 companies owning half of the total share.

As far as CXM historical growth and profitability trend is concerned, we assess that:

1. **Historical low single-digit CAGR denotes some market maturity;**
2. **Profitability margins are experiencing a continuous downturn trend.**

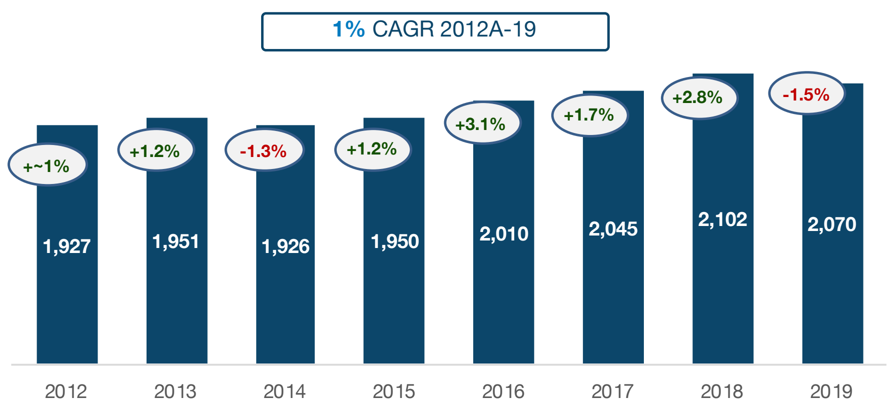
Nonetheless, MQ seems to have found the right levers to pull, as already in 2019 was displaying higher-than-average growth rates and EBITDA margin, with a further increase by 2020.

Market growing at low-single digit pace

The Italian outsourced CXM market already amounted to €1.9bn back in 2012, thus suggesting a 1.0% CAGR over the last 7 years. Picking MQ top competitors in the Italian arena, we notice a similar 0.7% average annual growth from 2017 and 2019, with Covisian and Transcom ITA being the only two companies slightly improving their top line.

At the same time, MQ sales grew at ~10% organic $CAGR_{17-20}$, also including the l-f-l turnover growth of AQR, denoting a reliable and resilient business model.

The Italian Outsourced CXM Market: revenues growth since 2012 (€mn)



Source: Value Track Analysis

Downturn trend in profitability

Additionally, the market is experiencing a clear downward trend in terms of profitability, with the top 9 Italian contact centers EBITDA margin at ca. 3.4% in 2019 vs 9.9% in 2012, according to the latest available report released by Asstel (2019).

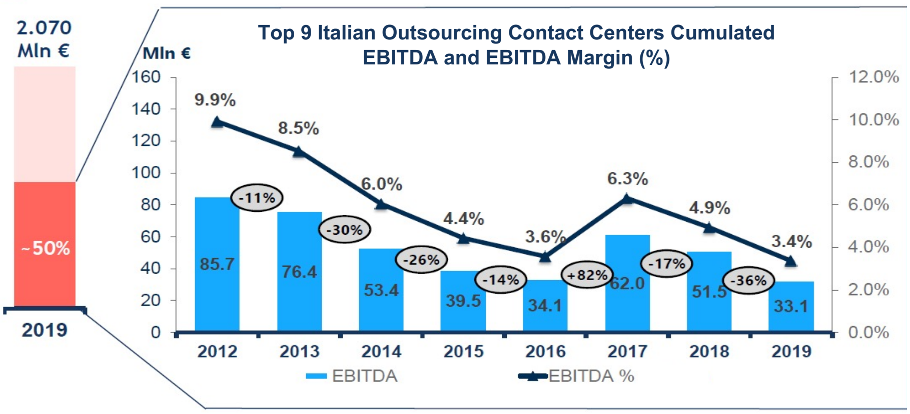
Such profitability dilution can be explained by several drivers, being:

- Strong **revenue concentration in the customer management/care area**, featured by lower margins, driven almost entirely by prices compared to the customer acquisition area. MQ competitors participate in large public procurements for the cheapest prices;
- A gradual **decrease from landlines and mobile gross revenues in the telco industry**, the main end-market for outsourcing CXM providers, which caused some brakes on market demand and pressure on margins;
- Unbalanced operational structure, **too much focused on in-house models** (insourcing);
- A slight and **steady increase in labour costs**, for both FTE and contractors (i.e. co-co-co).

Conversely, MQ – also benefitting from some cost synergies achieved through AQR acquisition – was able to enhance its EBITDA margin up to ca. 13.8% in 2020, from a 9.2% of 2019 that was already almost 3x the overall market margin. Indeed, MQ differentiated its strategy from competitors by focusing more on customer acquisition activities rather than customer care, participating in profitable procurements and outsourcing a large share of its activities.

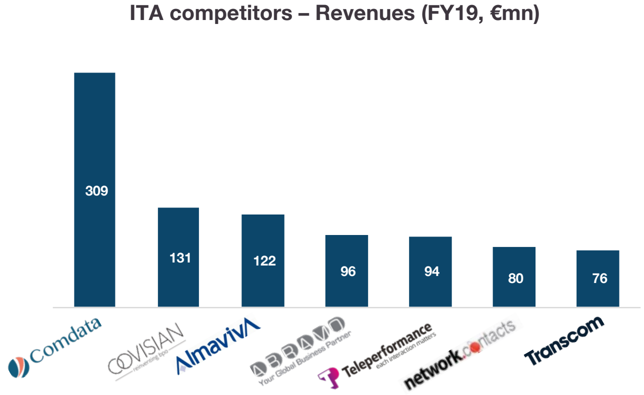
More, looking at competitor figures, we spot some negative margins in 2019A for ca. ½ of selected companies, no matter their relative size (in terms of sales), with none of them able to deliver a profitability margin in line with 9.2% and 13.8% EBITDA Margin achieved by MQ in FY19 and FY20.

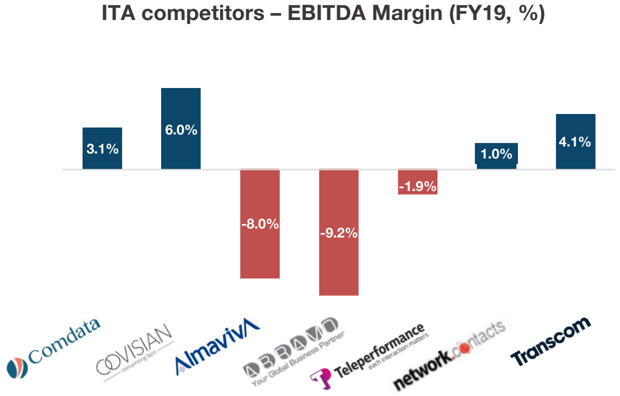
The Italian Outsourced CXM Market: EBITDA and EBITDA Margin



Source: MeglioQuesto

Italian competitors: Revenues and EBITDA Margin in FY19





Source: MeglioQuesto, Value Track Analysis

#4 Challenge: Dependency on few very important clients

As seen in previous sections, **MQ revenues are still concentrated towards two main clients, i.e. TIM and ENI**, that recorded roughly 60% of total revenues as of 2020, albeit slightly improving from 66% of 2019 on a like for like basis, and from 75% before the AQR acquisition.

Despite revenues from other clients have been steadily growing over the last years, revenues from top-2 clients experienced a sound increase in the same period (it is quite possible they double since 2016). In our view, this factor is clearly an element of potential risk for the Group, even if it is mitigated by few elements:

- Revenues spread across different contracts (customer acquisition and management), and communication channels (voice, digital and human);
- MQ has shown outstanding capabilities in retaining customers (basically zero churn rate);
- MQ relies on a flexible cost structure, given by the ability to manage and coordinate several outsource operators, a strategic choice not so usual across competitors;
- Brands' partners are among major spenders in customer acquisition, i.e. they are likely to outsource customer acquisition activities to several suppliers (at least 5/10), given the KPI-linked remuneration.

#5 Challenge: Necessity to invest upfront high amount of money in order to build a proprietary database of leads whose profitability might be unclear

We saw before that MQ aims at rolling out a totally integrated lead generation and management platform. A big part of this strategy relies on the acquisition of leads online with appropriate call to actions. In order to generate such leads, higher and higher amount of online traffic on MQ online properties has to be generated and this has, inevitably, a cost.

Indeed, MQ plans to invest some €12-13mn in the next five years (with the aim to raise some 1mn warm leads (€7.6 acquisition cost per lead). It is still unclear how much profit will be possible to generate by cross the monetization of the acquired leads. However, just to give an idea of such business opportunity, it follows a brief simulation of €1mn investment in lead acquisition, assuming a 2yr lifetime value of the lead, capable to generate cumulated revenues of €1.5mn, while Opex assumed to be ~10% of total investments, and proportional to annual revenues.

MeglioQuesto: P&L and CFs simulation of €1mn investment in warm leads

P&L ('000)	Year 1	Year2	Cumulated
Revenues from generated leads	**900**	**600**	**1,500**
Operating expenses	(60)	(40)	(100)
Amortization of Intangibles	(500)	(500)	(1,000)
Operating Profit	**340**	**60**	**400**
Operating Margin (%)	*38%*	*10%*	*27%*

Cash Flows ('000)	Year 1	Year2	Cumulated
Operating Profit	340	60	400
Amortization of Intangible	500	500	1,000
Capex	(1,000)	--	(1,000)
Cash-in (Cash-out)	**(160)**	**560**	**400**

Source: MeglioQuesto, Value Track Analysis

Historical Financials

Looking at Pro-Forma 2019-20 financial figures we note how MeglioQuesto has been capable to grow at double digit rate despite Covid-19 outbreak while maintaining its costs base stable in absolute terms. As a consequence, Adjusted EBITDA grew some 52.1% y/y at €8.5mn, that's to say some 15.7% margin on sales, up by more than 500bps y/y. The business model confirmed not to be capital intensive, but worsening Trade Receivables / Payables evolution determined a negative Free Cash Flow driving Net Debt at €17.4mn, i.e. 2.4x Net Debt / EBITDA ratio.

Introduction

MeglioQuesto consolidated financials for 2019-2020 fiscal years are built in accordance with **IAS/IFRS accounting principles** and give a snapshot of pro-forma data of Essegroup SpA and AQR Srl as if they were merged in MeglioQuesto SpA starting from January 1st, 2019. However, the acquisition took place only in May 2020, hence the following figures are just a simulation of Group's historical financials. For the sake of a better understanding, we also report 2019 consolidated data.

Key 2019-20 financials at a glance

We highlight:

- **Value of Production of €55.8mn**, with a y/y mid-single-digit growth pace driven by new significant accounts added in the Customer Acquisition business line;
- **Adj. EBITDA.at €8.5mn**, up more than proportionally with respect to the top line (+52.1% y/y), thanks to a better revenue mix (higher share in the more profitable digital channel) and an efficient operating expense management;
- **Adj. EBITDA margin at 15.3%,** up by 480bps y/y;
- **Net Debt at €17.4mn,** worsening by €5.6mn due to Net Working Capital expansion.

MeglioQuesto: Key Financials PF19-PF20

€mn	FY19	FY19 PF	FY20 PF	Change y/y
Value of Production	33.3	53.1	55.8	5.0%
Adj. EBITDA	**2.2**	**5.6**	**8.5**	**52.1%**
Adj. EBITDA margin (%)	**6.7%**	**10.5%**	**15.3%**	**+480bps**
EBIT.	1.6	3.7	5.4	43.7%
EBIT margin (%)	4.9%	7.0%	9.6%	+260bps
Net Profit.	**0.8**	**1.5**	**2.2**	**45.6%**
Group Net Equity	2.4	3.2	6.8	n.m.
Net Fin. Position [i.e. Net Debt (-) Cash (+)]	**-3.4**	**-11.8**	**-17.4**	**n.m.**

Source: MeglioQuesto, Value Track Analysis

P&L Analysis

Few but large new clients allow for top line double digit growth

In 2020FY MeglioQuesto **Pro-Forma Value of Production grew some 5.0% y/y, reaching €55.8mn.** However, we note how, on an adjusted basis, the yearly increase gets to 15.6%, as in 2019 we report non-recurring revenue items amounting to €4.9mn, divided in:

- €2.7mn one-off bonus from TIM, unlikely to be recorded again in the future;
- €2.2mn una-tantum B2B mobile and accessories reselling activities.

Double-digit growth has been achieved thanks to the addition of few but large new clients in both the Customer acquisition and Customer management businesses. Specifically:

- Adjusted figures for CA increased by 12.1% y/y, adding new clients such as Iberdrola (Energy) and Supermoney (Price comparison website). The voice channel grew by ca. 6% while digital more than doubled y/y at €3.8mn (7% of total revenues);
- Adjusted CM revenue from sales doubled at €3.2mn vs. €1.6mn in 2019, with new TLC client active for the whole year and accounting for over 90% of CM PF20 figure.

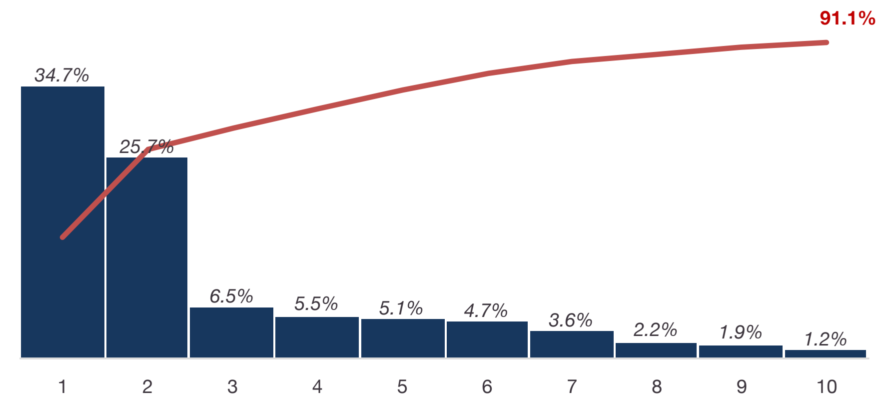
MeglioQuesto: Adjusted Revenues from Sales

€mn	MQ PF19	MQ PF20	Change y/y
CA – Voice	38.1	40.5	*6.3%*
CA - Digital	1.7	3.8	*123.5%*
CA - Human	5.5	6.4	*16.4%*
Revenues from Customer Acquisition	**45.3**	**50.8**	***12.1%***
CM - Voice	1.6	3.2	*103.6%*
Revenues from Customer Management	**1.6**	**3.2**	***103.6%***
Other Revenues	**1.3**	**1.8**	***34.4%***
Adjusted Value of Production	**48.2**	**55.8**	***15.6%***
Non-recurring items	4.9	0.0	*n.m.*
Value of Production	**53.1**	**55.8**	***5.0%***

Source: MeglioQuesto, Value Track Analysis

Worthy to note, also thanks to AQR acquisition MQ was also able to reduce its client concentration, with the first 5 clients now accounting for 77.5% of sales vs. 92.4% in 2019 (on a stand-alone basis).

MeglioQuesto: Client Concentration on Revenue from Sales PF20



Source: MeglioQuesto, Value Track Analysis

Cost Structure highly dependent on labour force

MeglioQuesto business model is very labour intensive. Indeed, we calculate that the sum of both costs for services (that includes outsourcing/collaborators costs) and labour costs accounts for ca 75% of PF20 total revenues and for 86% of total operating expenses for the same year.

Interesting to note, the largest part of direct and indirect labour costs relates to contracting that, by definition, can be seen as a variable cost item. This allows MQ's cost structure to remain very flexible.

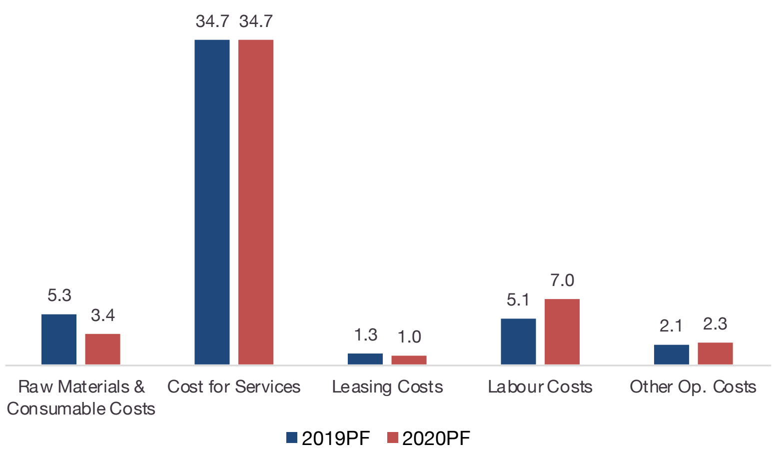
As far as the evolution of operating costs is concerned, we underline that in 2020PF they remained flat y/y. In details:

- **Costs for Services** include outsourced partners (€24.7mn in 2020 vs €24.1mn in 2019), collaborators (Co.Co.Co., €3.8mn in 2020 vs. €5.3mn in 2019) for customer acquisition activities, SG&A expenses and other variable costs related to lead acquisitions, phone and marketing fees. Overall they remained flat y/y at €34.7mn, despite the increased top line.

  MQ decision to dispose four of its contact centers and move the related business in outsourcing, lowered the number of collaborators needed but slightly increased outsourcing costs in absolute values;
- **Labour Costs**, totaled €7.0mn (€4.6mn for direct personnel, which is focused on CM and counts 221 individuals, €2mn for indirect personnel, which counts 47 individuals of the holding MeglioQuesto Srl, and €0.4mn of non-recurring items).

  Overall, labour costs increased by 38.5% y/y with 42 new units added in 2020;
- **Raw Materials & Consumables Costs** decreased by €1.9mn, as MQ deciding to stop the mobile and accessories reselling business due low profitability involved (ca. 6%) and because of pandemic restrictions forcing to close stores;
- **Leasing Costs** diminished by 18.3% y/y to €1.0mn as a consequence of stores closure;
- **Other operating expenses** remained almost flat y/y (€2.3mn in 2020 vs. €2.1mn in 2019).

MeglioQuesto: PF 19-PF20 Operating Expenses Breakdown



Source: MeglioQuesto, Value Track Analysis

VALUETRACK

Adj. EBITDA growing high-double-digit at 52.1%

Top line growth coupled with better revenue mix (higher share in the more profitable digital channel) and OpEx stability drove a more than proportional increase at the EBITDA level, at €7.4mn.

Adjusting for non-recurring expenses (former Managing Director salary of ca. €424k and net write-downs for ca. €717k), we calculate **2020PF Adjusted EBITDA at €8.5mn, up +52.1% y/y with a 15.3% margin on VoP** to be compared with 10.5% in 2019PF.

Below the EBITDA line, we note:

- **D&A&Impairments** for €2.0mn vs €0.9mn in 2019, with capitalized lead costs amortization growing the most;
- **EBIT** increasing by 43.7% to €5.4mn, with an EBIT margin at 9.6% compared to 7.0% for PF19;
- **Net financial charges** at €1.2mn;
- **Net Profit** at €2.2mn, +45.6% y/y;
- **Adjusted Net Profit** at €3.56mn, +27.3% y/y.

MeglioQuesto: P&L

€mn	FY19	FY19PF	FY20PF	Change y/y (%)
Revenues from Sales	32.6	51.8	54.0	*4.2%*
Other Revenues	0.7	1.3	1.8	*34.4%*
Value of Production	**33.3**	**53.1**	**55.8**	***5.0%***
Raw Materials and Consumables Costs	-6.0	-5.3	-3.4	*-36.9%*
Costs for Services	-21.0	-34.7	-34.7	*-0.3%.*
Leasing Costs	-0.5	-1.3	-1.0	*-18.3%*
Labour Costs	-1.8	-5.1	-7.0	*38.5%*
Other OpEx	-1.7	-2.1	-2.3	*10.5%.*
EBITDA	**2.2**	**4.6**	**7.4**	***58.9%***
EBITDA margin (%)	*6.7%*	*8.7%*	*13.2%*	+450bps
D&A & Impairments	-0.6	-0.9	-2.0	*n.m.*
EBIT	**1.6**	**3.7**	**5.4**	***43.7%***
EBIT margin (%)	*4.9%*	*7.0%*	*9.6%*	+260bps
Net Financial Income (charges)	0.8	0.7	-1.2	*n.m.*
Non-Operating items	0.0	-0.6	-0.6	*n.m.*
Pre-Tax Profit	**2.5**	**3.9**	**3.6**	***-6.1%***
Taxes	-1.7	-2.4	-1.5	*n.m.*
Net Profit	**0.8**	**1.5**	**2.2**	***45.6%l***
Net Profit margin (%)	*2.3%*	*2.8%*	*3.9%*	+110bps
Adjusted Net Profit		**2.8**	**3.6**	**27.3%**

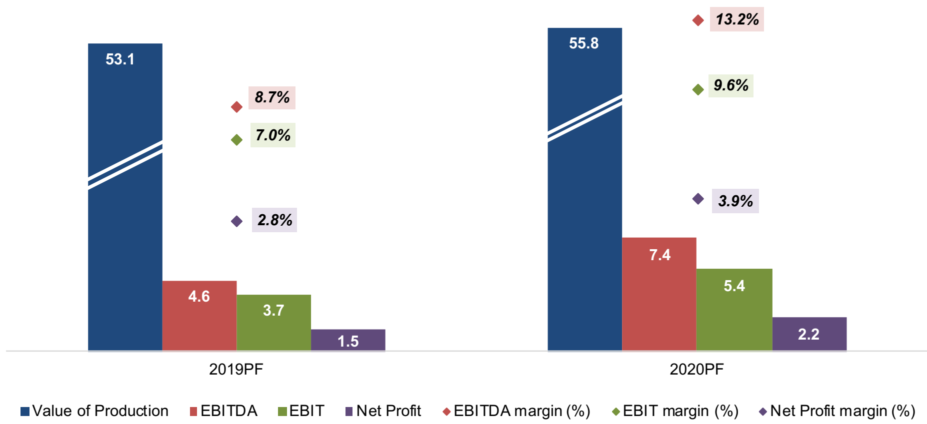
Source: MeglioQuesto, Value Track Analysis

MeglioQuesto: Adjusted EBITDA reconciliation

€mn	FY19	FY19PF	FY20PF	Change y/y (%)
EBITDA	**2.2**	**4.6**	**7.4**	***58.9%***
EBITDA margin (%)	*6.7%*	*8.7%*	*13.2%*	*+450bps*
One-off items	0.0	+0.9	+1.1	*n.m.*
Adj. EBITDA	**2.2**	**5.6**	**8.5**	***52.1%***
Adj. EBITDA margin (%)	*6.7%*	*10.5%*	*15.3%*	*+480bps*

Source: MeglioQuesto, Value Track Analysis

MeglioQuesto: P&L key figures PF19-PF20



Source: MeglioQuesto, Value Track Analysis

Balance sheet & Cash Flow analysis

Sound results in terms of top line and operating profitability were not replicated at the cash flow level, with MQ experiencing a rough erosion due to high Net Working Capital requirements.

As a consequence, Net Debt stands at €17.4mn at the end of 2020, vs €11.8mn in 2019.

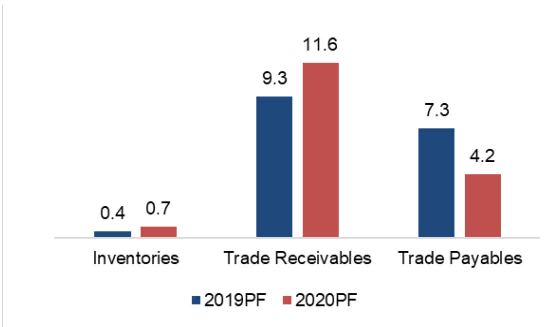
Cash generation

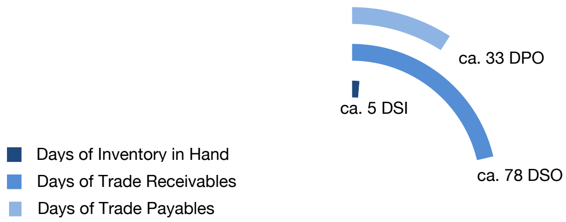
In 2020 **Net Debt increased by €5.5mn to €17.4mn**, as a direct outcome of:

- **NWC requirements** soaring at €9.7mn from €1.0mn in 2019, completely offsetting EBITDA generation.

  The cash conversion cycle is ca. 50 days, with DTR at around 78 days vs. DTP at ca 33 days;
- **Net Investment** standing at €2.7mn or ca. 5% of revenues and **cash taxes** totaling €1.5mn;
- **Net financial charges** at €1.2mn.

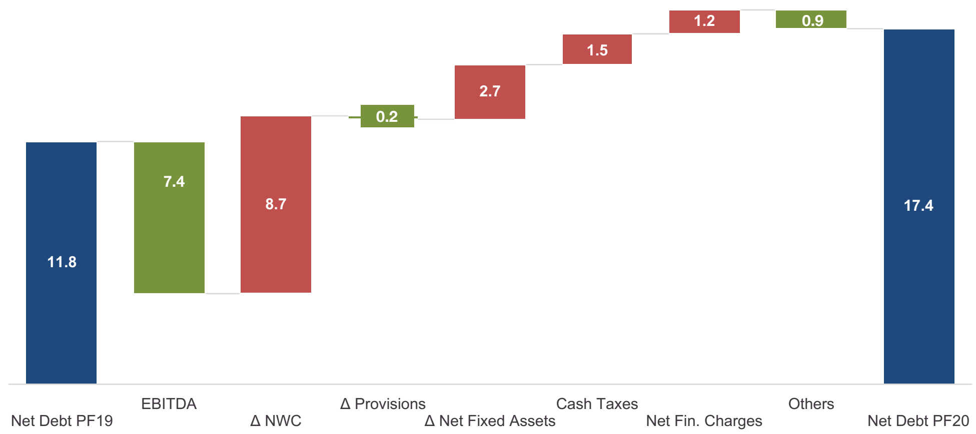
MeglioQuesto: Operational Net Working Capital (lhs, PF19-PF20) and Cash Conversion Cycle (rhs, PF20)





Source: MeglioQuesto, Value Track Analysis

MeglioQuesto: PF19-PF20 Cash Flow Bridge



Source: MeglioQuesto, Value Track Analysis

Balance sheet and capital structure

As a consequence of Free Cash Flow absorption, Net Debt stands at €17.4mn at the end of 2020, vs €11.8mn in 2019, with Net Debt/EBITDA multiple at 2.4x in 2020PF vs. 2.5x in 2019PF and Net Debt/Total Capital Employed ratio at 72% in 2020PF vs 79% in 2019.

We underline once again how the business model so far has not been capital intensive.

MeglioQuesto: Balance Sheet

€mn	FY19	FY19PF	FY20PF
Tangible Assets	1.5	1.7	1.6
Intangible Assets	4.5	12.9	13.8
Financial Assets	1.0	0.0	0.0
Net Fixed Assets	**7.0**	**14.7.**	**15.5**
Inventories	0.5	0.4	0.7
Trade Receivables	4.4	9.3	11.6
Trade Payables	4.5	7.3	4.2
Operating Net Working Capital	**0.4**	**2.5**	**8.1**
Other Receivables	0.5 (*)	3.2	4.7
Other Payables		4.6	3.0
Net Working Capital	**0.9**	**1.0**	**9.7**
As a % of Revenues	*2.7%*	*2.0%*	*18.0%*
Severance pay and other funds	**2.1**	**0.7**	**1.0**
Total Capital Employed	**5.8**	**15.0**	**24.2**
Group Net Equity	**2.4**	**3.2**	**6.8**
Net Debt	**3.4**	**11.8**	**17.4**
Net Debt/EBITDA (x)	**1.5x**	**2.5x**	**2.4x**

Source: MeglioQuesto, Value Track Analysis *(Net of "Other Payables")*

Forecasted Financials 2021E-23E

We expect Group revenues to grow at a 19.2% CAGR in 2020PF-23E with EBITDA margin progressively increasing to 19.3% in 2023E. In absolute terms we foresee VoP at €94.6mn and EBITDA at €18.3mn in 2023E. Overall, we expect MQ to increase Net Cash Position up to €17mn over the next three years, as result of €17.2mn IPO proceeds and roughly €17mn cumulated FCF in the projection period.

Introduction

As far as MeglioQuesto 2021E-23E financial forecasts are concerned, we note that our estimates are:

- Built in accordance with IAS-IFRS principles;
- Based on 2020 year-end consolidation perimeter, that's to say taking into account the recent acquisition of AQR Srl, while not considering any potential future M&A deal.

2021E-23E Estimates at a glance

For the next three fiscal periods, we forecast:

- **Revenues** to grow at ca. **19.2% CAGR$_{20PF-23E}$**, up to €94.6mn in 2023E, with a higher-than-average growth of the digital channel and of the most promising verticals of the CXM market;
- **EBITDA margin at 19.3% in 2023E,** progressively growing y/y as the higher profitability of the digital channel should be only partially offset by the growing incidence of Customer management business line;
- **EBIT at €14.1mn**, growing at a proportional 38% CAGR$_{20PF-23E}$ as a consequence of flat incidence of D&A expenses on sales, despite a significant cumulated investment plan involving ca. €9.5mn over the next 3 years, out of which the bulk devoted to fostering the online lead generation platform;
- **Net Cash Position to €17mn as of 2023E,** as result of €17.2mn IPO proceeds and roughly €17mn cumulated FCF in the projection period.

MeglioQuesto: Key Financials 2020PF-2023E

€mn	2020PF	2021E	2022E	2023E	2020PF-23E CAGR (%)
Value of Production	**55.8**	**68.7**	**85.6**	**94.6**	***19.2%***
EBITDA	**7.4**	**11.8**	**15.9**	**18.3**	***35.3%***
EBITDA margin (%)	*13.2%*	*17.2%*	*18.6%*	*19.3%*	*nm*
EBIT	**5.4**	**9.5**	**12.7**	**14.1**	***38.0%***
EBIT margin (%)	*9.6%*	*13.7%*	*14.8%*	*14.9%*	*nm*
Net Debt	**17.4**	**-3.3**	**-8.5**	**-17.2**	***nm***

Source: MeglioQuesto (historical figures), Value Track Analysis (forecasts)

Profit & Loss forecasts

Group Revenues following the trend of 2020

We forecast MQ to grow at double digit 19.2% **$CAGR_{20PF\text{-}23E}$**, up to €94.6mn in 2023E, driven by:

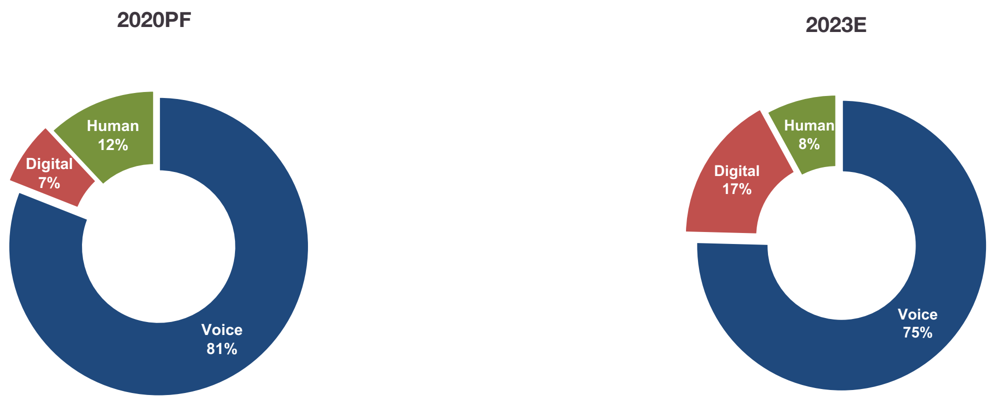
- Increasing focus on the **Customer management** business, that should almost grow fourfold its share on total revenues from sales from 6% to ca. 23% in 2023E thanks to the new large clients (Iliad, Unipol, Verti) in higher margins niches with respect to the whole CM universe. On Customer acquisition, we highlight TIM new partnership with DAZN to broadcast "Serie A" matches for the 2021-24 seasons to an audience of around 5 million households, thus contributing to MQ main client's consolidation and enlarging the addressable customer base;
- Higher than average **Digital contact channel**, expected to contribute to 17% of total revenues in 2023E vs. 7% of 2020, with a 60% $CAGR_{20PF\text{-}23E}$, mainly thanks to the development of the lead generation platform;
- Consolidation of established market verticals (i.e., Telco, Energy) and exploitation of growth opportunities in new ones such as **Finance and Insurance**. While for instance the total contribution of revenues from the Telco sector is expected to slight reduce from ca. 46% 2020 to 43% forecasted by 2023E, sales from Finance and Insurance should increase their incidence on total revenues from 7% to 28% over the same period. Sales from Energy-focused clients are seen to peak €26.7mn in 2022E, after which are expected to decline due to the end of the protected market.

MeglioQuesto: 2020PF-23E Value of Production Breakdown

€mn	2020PF	2021E	2022E	2023E	2020PF-23E CAGR (%)
Customer Acquisition	50.8	57.0	68.3	72.8	*12.7%*
Customer Management	3.2	11.4	17.0	21.3	*88.3%*
Other Revenues	1.8	0.3	0.4	0.5	*nm*
Value of Production	**55.8**	**68.7**	**85.6**	**94.6**	***19.2%***
Voice	43.7	55.9	68.5	71.0	*17.5%*
Digital	3.8	5.6	9.4	15.6	*60.1%*
Human	6.4	6.9	7.3	7.5	*5.2%*
Other Revenues	1.8	0.3	0.4	0.5	*nm*
Value of Production	**55.8**	**68.7**	**85.6**	**94.6**	***19.2%***
Telco	24.8	30.1	36.0	40.6	*17.9%*
Energy	24.0	24.8	26.7	25.2	*1.6%*
Insurance	2.9	9.2	12.3	14.4	*71.5%*
Finance	0.9	2.6	8.2	11.6	*132.7%*
Other Verticals	1.4	1.8	1.9	2.3	*17.1%*
Other Revenues	1.8	0.3	0.4	0.5	*n.m.*
Value of Production	**55.8**	**68.7**	**85.6**	**94.6**	***19.2%***
Change y/y (%)		***23.2%***	***24.6%***	***10.5%***	***nm***

Source: MeglioQuesto (historical figures), Value Track Analysis (forecasts)

MeglioQuesto: Total Revenues breakdown by contact channel in 2020PF and 2023E



Source: MeglioQuesto (historical figures), Value Track Analysis (forecasts)

Profitability evolution

We expect MQ to progressively improve its Reported EBITDA margin up to ca. 19.3% in 2023E, with **EBITDA growing in absolute value to €18.3mn in 2023E**, driven by:

- Previously mentioned revenues shift towards digitally-enabled solutions for the inbound and outbound contact center activities, that allow for higher margins than voice and human alternatives;
- Outsourcing rate slightly increasing with a parallel reduction of the other variable expenses incidence on sales. On the other hand, labour cost is expected to increase with respect to managerial staff progressively entering in the Group;
- Remote working adopted as a permanent solution for MQ direct personnel, acting as a labour cost containment measure;
- Higher incidence of Customer management business line partially offsetting profitability (CM featuring lower than average margins).

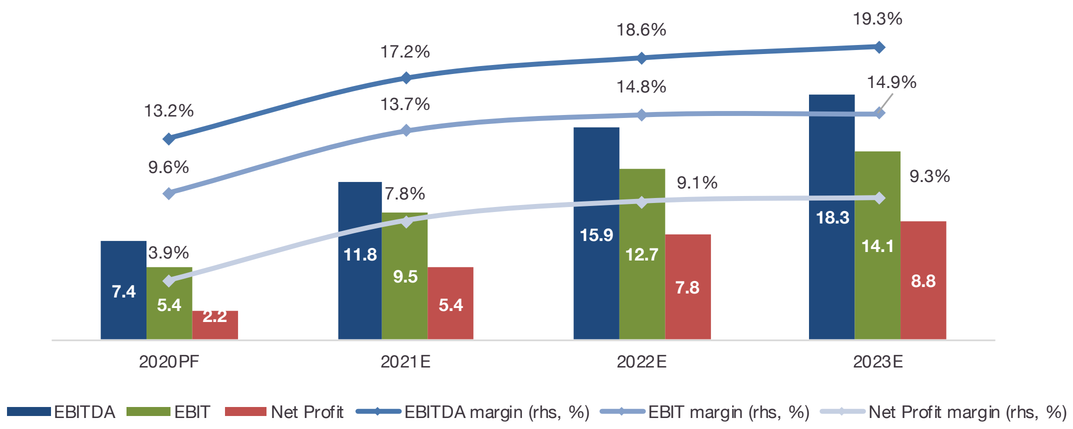
As far as the **EBIT** is concerned, we forecast it to grow at the same pace of EBITDA, i.e. **38% CAGR$_{20PF\text{-}23E}$** with EBIT margin expected to increase up to 14.9% by 2023E.

Below the EBIT line, we forecast:

- Cumulated net financial charges at €3.7mn for the period considered, with MQ obligation to repay the River Rock debt used to finance AQR acquisition.
- Tax rate at 32.5% flat over the next three years;

thus, allowing for a more than proportional **59% Net Profit CAGR$_{20PF\text{-}23E}$.**

MeglioQuesto: Total Revenues and profitability evolution 2020PF-2023E



Source: MeglioQuesto (historical figures), Value Track Analysis (forecasts)

MeglioQuesto: 2020PF-23E P&L Forecasts

€mn	2020PF	2021E	2022E	2023E	2020PF-23E CAGR (%)
Revenues from sales	54.0	68.4	85.2	94.1	*20.3%*
Other Revenues	1.8	0.3	0.4	0.5	*nm*
Value of Production	**55.8**	**68.7**	**85.6**	**94.6**	***19.2%***
Raw Materials & Consumable Costs	-3.4	-3.5	-3.7	-3.8	
Costs for Services	-34.7	-35.8	-42.8	-45.2	
Leasing Costs	-1.0	-1.7	-2.1	-2.4	
Labour Costs	-7.0	-13.2	-18.1	-21.9	
Other OpEx	-2.3	-2.7	-3.0	-3.1	
EBITDA	**7.4**	**11.8**	**15.9**	**18.3**	***35.3%***
EBITDA margin (%)	*13.2%*	*17.2%*	*18.6%*	*19.3%*	
Depreciation & Amortization	-1.9	-1.6	-2.3	-3.1	
Impairments & Provisions	-0.1	-0.8	-0.9	-1.0	
EBIT	**5.4**	**9.5**	**12.7**	**14.1**	***38.0%***
EBIT margin (%)	*9.60%*	*13.7%*	*14.8%*	*14.9%*	
Net Fin. Income (charges)	-1.2	-1.5	-1.2	-1.0	
Non-Operating items	-0.6	0.0	0.0	0.0	
Pre-tax Profit	**3.6**	**8.0**	**11.5**	**13.1**	***53.6%***
Taxes	-1.5	-2.6	-3.7	-4.2	
Tax rate (%)	*-40.1%*	-32.5%	-32.5%	-32.5%	
Group Net Profit	**2.2**	**5.4**	**7.8**	**8.8**	***58.8%***
Net Profit margin (%)	*3.9%*	*7.8%*	*9.1%*	*9.3%*	

Source: MeglioQuesto (historical figures), Value Track Analysis (forecasts)

Balance Sheet and Cash Flow forecasts

Overall, we expect MQ to show a positive Net Cash Position by the end of 2021, clearly benefitting from the €17.2mn proceeds of the recent IPO (finalized in 2Q), however leaving this aside, we expect the company to increase its cash position in the next three years, as an effect of steady Free Cash Flow generation.

Indeed, we expect the Group to generate ca. **€32mn of cumulated Operating Free Cash Flow before taxes in the 2021E-23E period**, i.e. ca 68% EBITDA conversion ratio as a consequence of:

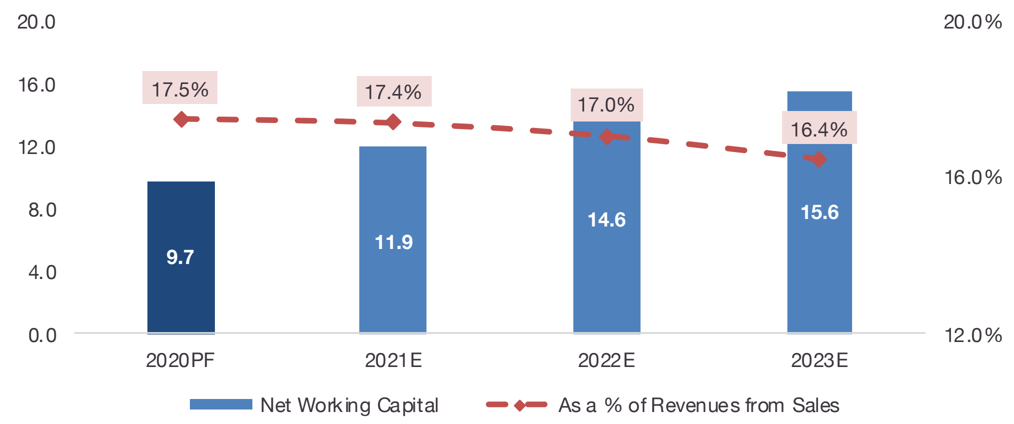
- **€9.5mn cumulated CapEx** plan, including both development (platform and lead generation) and maintenance expenditures;
- **Net Working Capital** average absorption of €1.9mn per annum, with NWC on Sales ratio slightly decreasing from the 17.5% recorded in 2020.

MeglioQuesto: 2020PF-23E Net Working Capital Forecasts

€mn	2020PF	2021E	2022E	2023E
Inventories	0.7	1.0	1.3	1.4
Trade Receivables	11.6	13.2	16.4	18.1
Trade Payables	4.2	4.7	6.1	7.3
Operating Net Working Capital	**8.1**	**9.5**	**11.6**	**12.2**
Other Receivables	4.7	5.8	7.3	8.0
Other Payables	3.0	3.4	4.3	4.7
Net Working Capital	**9.7**	**11.9**	**14.6**	**15.6**
As a % of Total Revenues (%)	***17.5%***	***17.4%***	***17.0%***	***16.4%***

Source: MeglioQuesto (historical figures), Value Track Analysis (forecasts)

MeglioQuesto: Net Working Capital Evolution 2020PF-2023E



Source: MeglioQuesto (historical figures), Value Track Analysis (forecasts)

Considering ca. €10.6mn cumulated taxes and €3.7mn cumulated net financial charges, in the 2020PF-23E we expect ca. **€17mn cumulated Free Cash Flow**, allowing Net Cash Position to reach ca. €17mn by the end 2023E.

MeglioQuesto: 2020PF-23E Cash Flow Statement

€mn	2020PF	2021E	2022E	2023E
EBITDA	**7.4**	**11.8**	**15.9**	**18.3**
NWC requirements	-8.7	-2.2	-2.6	-1.0
Capex (not incl. Fin. Inv.)	-2.7	-2.7	-3.5	-3.4
Change in provisions	0.2	0.5	0.3	0.2
OpFCF b.t.	**-3.8**	**7.5**	**10.1**	**14.0**
As a % of EBITDA	*-51%*	*63%*	*64%*	*77%*
Cash Taxes	-1.5	-2.6	-3.7	-4.2
OpFCF a.t.	**-5.2**	**4.9**	**6.4**	**9.8**
As a % of EBITDA	*-71%*	*41%*	*40%*	*54%*
Net Financial Charges	-1.2	-1.5	-1.2	-1.0
Others Sources/Uses	0.9	17.2	0.0	0.0
Change in Net Fin. Position	**-5.5**	**20.6**	**5.2**	**8.8**

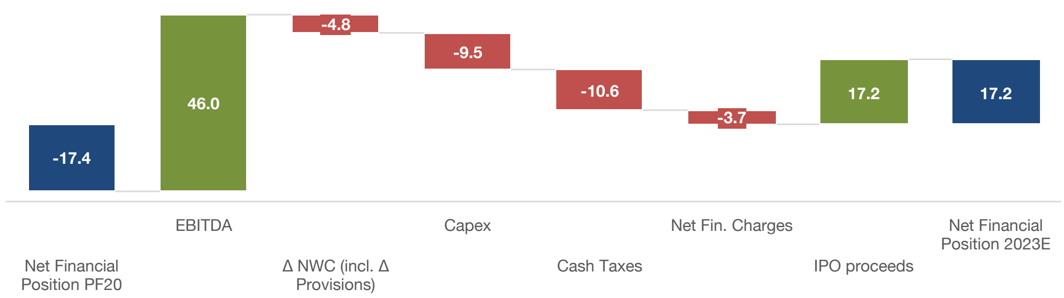
Source: MeglioQuesto, Value Track Analysis

MeglioQuesto: 2020PF-23E Balance Sheet

€mn	2020PF	2021E	2022E	2023E
Net Fixed Assets	15.5	15.8	16.0	15.3
Net Working Capital	9.7	11.9	14.6	15.6
Severance pay and other funds	1.0	1.6	1.9	2.1
Total Capital Employed	**24.2**	**26.2**	**28.8**	**28.8**
Group Net Equity	6.8	29.4	37.2	46.0
Net Debt	**17.4**	**-3.3**	**-8.5**	**-17.2**
Net Debt/EBITDA (x)	*2.4x*	*nm*	*nm*	*nm*

Source: MeglioQuesto, Value Track Analysis

MeglioQuesto: Bridge Net Financial Position 2020PF-2023E



Source: MeglioQuesto (historical figures), Value Track Analysis (forecasts)

Appendix 1 – Recap of the IPO structure

MeglioQuesto was listed back as of June 28th on AIM Italia – the multilateral trading platform organized and managed by Borsa Italiana – by issuing ca. 12.3mn ordinary shares (including 1.6mn from greenshoe option), corresponding to a capital increase of ca. €17.2mn.

As result of the successful Initial Public Offering (5x oversubscription), MQ outstanding shares amount to ca. 52.3mn, resulting in a free float of ca. 23.5%, while the remaining stake is owned by MQ Srl (71.9%) and by management (4.6%), all having signed 18-24 months lock up agreements.

More, the company has also issued additional financial instruments, as briefly described in the below table.

MeglioQuesto: Additional financial instruments issued at IPO

Warrant	- "**Warrant"** in the ratio of 1 warrant for every 2 ordinary shares subscribed/purchased in the context of the Offering, allocated on the first day of trading. **- Strike Period:** 2 calendar weeks for each window, June 2022, June 2023, June 2024, June 2025 **- Strike Ratio**: 1 newly issued **Ordinary Share** for every 1 **"Warrant"** **- Strike Price:** 1st window, IPO price + 10%; 2nd window, IPO price +40%; 3rd window, IPO price + 60%; 4th window, IPO price + 80% **- Expiry:** End of the last Strike Period (**June 2025**) Additional **"Warrant"** as Dividend in Kind will distributed in the ratio of 1 warrant for every 15 shares owned at ex-date (May 2022) Further 1.5mn **"Warrant" assigned to management / BoD**
Right of Assignment "GeToCollect Warrant"	- "**GeToCollect Warrants"** in the ratio of 1 Right of Assignment for every 1 ordinary share subscribed/purchased in the context of the Offering, allocated on the first day of trading. GeToCollect Warrants will give the right to receive **Warrants** (fungible with those issued in the IPO) according to the formula: (monthly average Price – Strike Price) / Threshold Price, where Max threshold Price = 300% IPO Price **- Strike Period:** until May 31, 2022 **- Strike Ratio**: max 0.75 newly issued **"Warrant"** for every 1 **"GTC Warrant"** **- Strike Price:** IPO Price **- Expiry:** End of Strike Period
Bonus Shares	- **"Bonus Shares"** in the ratio of 1 newly issued share for every 10 ordinary shares subscribed/purchased in the context of the Offering and possessed for 12 months continuously. Ordinary shares will be allocated 12 months after the IPO

Source: MeglioQuesto, Value Track Analysis

Use of proceeds

IPO money should be addressed to accelerate both organic and external growth. More precisely, the rationale of the operation should be to re-invest a great part of the proceeds in:

- IT infrastructure for digital channels;
- Lead generation reinforcement and CTI;
- Managerial structure build-up;
- Domestic and international M&A aimed at (i) acquiring additional know-how in verticals currently not addressed yet (healthcare / transportation & leisure / communications), (ii) strengthening existing verticals also offering industry specific solutions, and (iii) targeting new markets and delivery geographies.

Appendix 2 –1H21E preview

MQ will release 1H21 financial figures on September, 27th. We expect:

- Total Revenues at ca. €29mn. Indeed, historically there is some seasonality in the business with 1H accounting for roughly 40% of full year turnover and 2H accounting for the remaining 60%;
- EBITDA Margin close to 17%, definitely better than FY20PF 13.2% (or 15.3% if adjusted for non-recurring items), as result of the fast and successful integration of AQR, acquired back in May'20;
- Positive Net Financial Position (i.e. Net Cash), clearly benefiting from €17.2mn IPO proceeds.

MeglioQuesto: 1H21E VT financial expectations

€mn	1H21 – VT Forecasts
Total Revenues	28.7
EBITDA	**4.9**
EBITDA Margin (%)	*17.0%*
EBIT	3.8
Net Income	*13.2%*
Net Financial Position	**>0**

Source: Track Analysis

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