

MeglioQuesto

Sector: Customer Experience Management (CXM)



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OM Group, value accretive acquisition

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.

OM Group acquisition at a glance

A few days ago, MQ has acquired a 51% stake of Omicron Servizi S.r.l. (OM Group from now on), Italian leader in the field marketing and field sales area towards business clients active in the financial sector and in the rail transport one. We calculate MQ to have finalised the acquisition of such stake of OM Group at ca. 6x-7x EV/EBITDA multiple, as:

- 1) it has agreed to pay €5.6mn (€2mn cash already settled at closing and the remaining part to be deferred and subject to possible adjustments);
- 2) we estimate OM Group in 2021FY to report some €9mn Revenues, €1.7mn EBITDA and ca. €1.1mn Reported Net Debt position, which should turn into ca. €0.4mn Net Cash when some receivables are cashed in.

In addition, MQ has call options to increase its OM Group stake at 100% to be exercised in the next three years (see next pages for more details on this).

Sound underlying economic and financial rationale

We appreciate the industrial rationale of the acquisition, that is clearly aimed at strengthening MQ competitive positioning in the “human” channel and at generating material cross selling synergies, as MQ and OM Group client bases have no overlap. Indeed, from now on it should be possible to:

- 1) provide to former OM Groups’ clients those CA and CM services that are core to MQ value proposition;
- 2) provide to former MQ’s clients a widespread “human based” commercial network spanning across the country.

Even not taking into account any cross-selling synergies for the time being, we calculate the deal to be value accretive to MQ’s EPS_{22E-23E} by ca. 13%.

Impact on EPS and Fair value

We’re fine tuning our 2021E-23E estimates not only to include OM Group but also to take into account of different mix among TLC clients and utility ones. As far as valuation is concerned, we update at **€4.80 (from previous €4.60) our fair Equity Value per share**, implying 14.7x EV/EBITDA, 18.2x EV/EBIT and 31.0x P/E 2022E. Our fair value does not take into account any dilution from outstanding warrants and bonus shares.

Fair Value (€)	4.80
Market Price (€)	3.50
Market Cap. (€m)	183.1

KEY FINANCIALS (€mn)	2020PF	2021E	2022E
TOTAL REVENUES (VoP)	55.8	64.4	94.7
EBITDA ADJ.	7.4	11.3	17.4
EBIT	4.9	9.0	14.0
NET PROFIT	2.2	5.1	8.1
ADJ. NET PROFIT	3.3	5.1	8.1
OpFCF a.t.	-5.3	6.5	8.0
EQUITY	24.2	29.3	31.1
NET FIN. POSITION	6.8	26.0	34.6

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

KEY RATIOS	2020PF	2021E	2022E
EBITDA MARGIN (%)	13.2%	17.5%	18.4%
EBIT MARGIN (%)	8.7%	14.0%	14.8%
NET DEBT / EBITDA (x)	2.4	0.3	nm
NET DEBT / EQUITY (%)	254%	13%	0%
EV/SALES (x)	3.6	3.0	2.0
EV/EBITDA (x)	27.1	17.1	10.8
EV/EBIT (x)	41.1	21.5	13.4
P/E (x)	55.1	36.1	22.6

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

STOCK DATA	
FAIR VALUE (€)	4.80
MARKET PRICE (€)	3.50
SHS. OUT. (m)	52.3
MARKET CAP. (€m)	183.1
FREE FLOAT (%)	23.5
AVG. -20D VOL. (#)	91,697
RIC / BBG	1CALL.MI / 1CALL IM
52 WK RANGE	2.01-4.39

Source: Stock Market Data

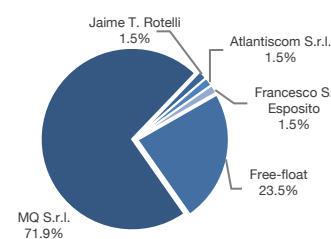
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Business Description

MeglioQuesto (“MQ”) is 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. MQ provides two types of outsourced CX services: 1) Customer Acquisition (CA), i.e. convert leads into contracts; 2) Customer Management (CM), i.e. retain as long as possible acquired customers. MQ engages consumers at every touch point in the consumer lifecycle, deployed on three integrated channels: voice, digital and human.

Shareholders Structure



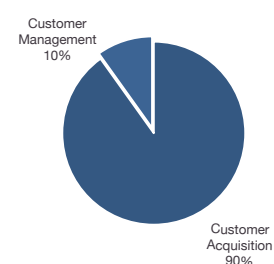
Source: MeglioQuesto SpA

Key Financials

€mn	2020A	2021E	2022E	2023E
Total Revenues	55.8	64.4	94.7	106.8
Chg. % YoY	5.0%	15.6%	46.9%	12.8%
EBITDA	7.4	11.3	17.4	20.7
EBITDA Margin (%)	13.2%	17.5%	18.4%	19.4%
EBIT	4.9	9.0	14.0	16.2
EBIT Margin (%)	8.7%	14.0%	14.8%	15.2%
Net Profit	2.2	5.1	8.1	9.8
Chg. % YoY	45.6%	nm	59.3%	21.5%
Adjusted Net Profit	3.3	5.1	8.1	9.8
Chg. % YoY	35.3%	52.9%	59.3%	21.5%
Net Fin. Position	-17.4	-3.3	3.5	11.1
Net Fin. Pos. / EBITDA (x)	2.4	0.3	nm	nm
Capex	-2.7	-2.6	-3.5	-3.6
OpFCF b.t.	-3.8	9.0	12.2	15.8
OpFCF b.t. as % of EBITDA	-51.9%	79.6%	70.0%	76.2%

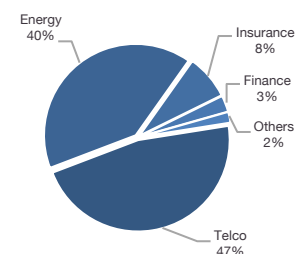
Source: MeglioQuesto SpA (historical figures), Value Track (estimates)

1H21 Revenues by business line



Source: MeglioQuesto SpA

1H21 Revenues by sector



Source: MeglioQuesto SpA

Investment case

Strengths / Opportunities

- ◆ Increasing trend towards digitalization of CXM activities (virtual assistants / chatbot / NLP / remote-cloud contact center)
- ◆ Higher outsource penetration rate across several industries;
- ◆ Important M&A skills and strong partnerships with Tier 1 clients.

Weaknesses / Risks

- ◆ Regulatory scenario about the authorization and transfer of third parties' data (Do Not Call Registry);
- ◆ Competition in low-end segments of Italian outsourced CXM market;
- ◆ Dependency on few very important clients.

Stock multiples @ €4.80 Fair Value

	2022E	2023E
EV / SALES (x)	2.7	2.3
EV / EBITDA (x)	14.7	11.9
EV / EBIT (x)	18.2	15.1
EV / CAP.EMP. (x)	8.2	7.3
OpFCF Yield (%)	4.8	6.4
P / E (x)	31.0	25.5
P / BV (x)	7.4	5.7
Div. Yield. (%)	0.0	0.0

Source: Value Track

OM Group acquisition

The deal at a glance

As of end of December 2021 MeglioQuesto (MQ) has acquired 51% of the share capital of Omicron Servizi S.r.l. (OM Group from now on), a group of companies that in the latest 15 years have gained a leading position towards business clients active in the financial sector, (particularly in the credit card segment, e.g. American Express) and in the rail transport (e.g. Italo) by providing:

- ◆ Support in the design, development and management of sales networks (so called field marketing / field sales);
- ◆ Sales training services delivered both in-person and via a proprietary e-learning platform.

OM Group achieved the following results as at 31 December 2020 and 30 June 2021, respectively:

- ◆ Sales revenues at ca. €7.5mn and € 4.9 mn;
- ◆ Adjusted EBITDA at ca. €1.02mn and €1.25 mn;
- ◆ Net Financial Debt at ca €1.77mn and €1.13mn.

As far as 2021E full year figures are concerned, we estimate some €9mn Revenues, €1.7mn EBITDA and ca. €1.1mn Net Debt (Net Cash by ca. €0.4mn if we adjust for some €1.5mn trade receivables estimated to be cashed in soon).

Terms of the deal

We calculate MQ to have finalised the acquisition of 51% stake of OM Group at ca. 6x-7x EV/EBITDA multiple.

Indeed, MQ has agreed to pay €5.6mn for the purchase of 51% of OM Group share capital to be settled as follows:

- ◆ €2.0mn cash on the date of the closing that took place at the end of December;
- ◆ The remaining €3.6mn portion deferred upon calculation of the actual Adjusted Net Financial Position, out of which up to €600k to be paid in kind by transferring to the Seller some MQ's treasury shares valued at the higher of the:
 - average of the last 30 trading days prior to the date of payment of the shares plus 10% and;
 - highest price per share resulting from published research plus 10%;
 and to be bound by a specific 10 months lock-up commitment.

In addition, MQ and the Seller have agreed mutual put / call options relating to the transfer of the residual 49% share capital, the purpose of which being MQ to acquire 100% of OM Group share capital in three different instalments of equal amount, each to be exercised following approval of the financial statements for FYs 2022, 2023 and 2024, respectively. Overall, we estimate that the multiple paid by MQ on the entire 100% capital of OM Group could be in the 6.5x EV/EBITDA range.

Our view on the deal

We appreciate the industrial rationale of the acquisition, that is clearly aimed at strengthening MQ's competitive positioning and generating material cross selling synergies. Indeed, from now on it should be possible to:

- ◆ Provide to former OM Groups' clients (none of which was already client to MQ) the multi-channel (voice and digital above all) Customer Acquisition and Customer Management services core to MQ value proposition;
- ◆ Provide to former MQ's clients (none of which was already client to OM Group) a widespread "human based" commercial network spanning across the country.

We underline once again that, with the deal, MQ has acquired a totally new clients base and new skills / know how in the "human" channel.

Change in MQ 2021E-22E-23E estimates

We are changing our 2021E-22E-23E estimates to take into account of:

- ◆ OM Group line by line consolidation starting as of January 2022;
- ◆ Weaker 2021E contribution of TLC clients;
- ◆ Strong outlook for utility clients in 2022E, as the end of regulated market is in the next months.

As far as OM Group is concerned, its human based operations have been clearly impacted by covid-19 outbreak in 2020, so we expect 2021E-22E-23E to be years of sound recovery in terms of volumes, while profitability is already at outstanding level.

Even not taking into account any cross-selling synergies, we calculate the deal to be value accretive to MQ's EPS_{22E-23E} by ca. 13%.

OM Group: P&L 2020A-23E

€mn	2020A	1H21A	2H21E	2021E	2022E	2023E
Revenues	7.5	4.9	4.1	9.0	11.0	12.5
Adj. EBITDA	1.02	1.25	0.45	1.7	2.2	2.5
Net Fin. Pos. (Reported)	-1.77	-1.13	-1.13	-1.1	-0.5	0.5
Net Fin. Pos. (Adjusted)				-1.1	1.0	2.0

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

MQ: Change in 2021E estimates

	2021E Old	Chg. Est.	2021E New	Chg. %	OM Group	2021E New	Chg. %
Total Revenues	68.7	-4.3	64.4	-6.2%		64.4	0.0%
EBITDA	11.8	-0.5	11.3	-4.5%		11.3	0.0%
EBIT	9.5	-0.4	9.0	-4.6%		9.0	0.0%
Net profit	5.4	-0.3	5.1	-5.5%		5.1	0.0%
Net Financial Position	1.9	-0.2	1.7	nm	-5.0	-3.3	nm

Source: Value Track analysis

MQ: Change in 2022E estimates

	2022E Old	Chg. Est.	2022E New	Chg. %	OM Group	2022E New	Chg. %
Total Revenues	85.6	-1.9	83.7	-2.3%	11.0	94.7	13.1%
EBITDA	15.9	-0.7	15.2	-4.5%	2.2	17.4	14.5%
EBIT	12.7	-0.6	12.1	-4.8%	1.9	14.0	15.7%
Net profit	7.8	-0.7	7.1	-8.9%	1.0	8.1	14.1%
Net Financial Position	8.2	-0.3	7.9	nm	-4.4	3.5	nm

Source: Value Track analysis

MQ: Change in 2023E estimates

	2023E Old	Chg. Est.	2023E New	Chg. %	OM Group	2023E New	Chg. %
Total Revenues	94.6	-0.3	94.3	-0.3%	12.5	106.8	13.3%
EBITDA	18.3	-0.1	18.2	-0.5%	2.5	20.7	13.8%
EBIT	14.1	-0.1	14.0	-0.4%	2.2	16.2	15.7%
Net profit	8.8	-0.1	8.7	-0.9%	1.1	9.8	12.6%
Net Financial Position	17.1	-0.4	16.7	nm	-5.6	11.1	nm

Source: Value Track analysis

Valuation

We update our **fair Equity Value per MQ share to €4.80 (from previous €4.60)**, obtained by averaging peers' market multiples, which would imply 14.7x EV/EBITDA, 18.2x EV/EBIT and 31.0x 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%.

MeglioQuesto: Valuation at fair multiples

(EV/Sales)	2022E	2023E	(EV/EBIT)	2022E	2023E
Fair Multiple (x)	2.6x	2.3x	Fair Multiple (x)	18.1x	15.6x
MQ Sales (€mn)	94.7	106.8	MQ EBIT (€mn)	14.0	16.2
Fair EV (€mn)	245.1	246.2	Fair EV (€mn)	253.3	253.7
Net Cash Pos (€mn)	3.5	11.1	Net Cash Pos (€mn)	3.5	11.1
Adj. To EV (€mn)	-7.4	-5.2	Adj. To EV (€mn)	-7.4	-5.2
Fair Eq. Value (€mn)	241.2	252.2	Fair Eq. Value (€mn)	249.4	259.7
Outstanding NOSH (mn)	52.3	52.3	Outstanding NOSH (mn)	52.3	52.3
Fair Eq. Value (p/s) (€)	4.61	4.82	Fair Eq. Value (p/s) (€)	4.77	4.96

Source: Value Track Analysis

Here below we provide a sensitivity analysis of possible MeglioQuesto stock trading multiples in an Equity Value range between €4.40 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
€ 4.40	2.5	2.1	13.5	10.8	16.7	13.8	28.5	23.4
€ 4.60	2.6	2.2	14.1	11.4	17.5	14.5	29.8	24.5
€ 4.80	2.7	2.3	14.7	11.9	18.2	15.1	31.0	25.5
€ 5.00	2.8	2.4	15.3	12.4	19.0	15.7	32.3	26.6
€ 5.20	2.9	2.5	15.9	12.9	19.7	16.4	33.6	27.7

Source: Value Track Analysis

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