

MeglioQuesto

Sector: Customer Experience Management (CXM)



Higher investments in digital leads

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.

FY22P VoP in line with estimates, EBITDA a bit lower

MeglioQuesto reported some FY22 preliminary data:

- ◆ Value of Production at €78mn-€81mn (VT forecast: €76mn), +25%/30% y/y, and Pro-Forma Value of Production at €84mn-€87mn (VT forecast: €86mn);
- ◆ EBITDA at €11.5mn-€12.5mn (VT forecast: €13mn) and EBITDA Adj. (for extraordinary items and non-deductible VAT) at €13mn-€14mn (VT forecast: €14.5mn), ca. 17% margin vs. 18% of FY21.
- ◆ Net Debt at €30mn-€32mn (VT forecast: €24.7mn).

Pivoting of business model for CA activities has a cost

Top Line and EBITDA are respectively a bit higher / lower than our forecasts, but the wider difference is related to Net Debt, affected by higher-than-expected investments dedicated to lead generation.

We estimate MQ to have deployed at least €6mn Capex in 2H22 alone, almost all dedicated to lead generation, accelerating the evolution of its business model by adding a new Customer Acquisition (CA) “leg” based on self-generated leads, to the traditional CA activity based on leads provided by clients. MQ aim is to foster its medium/long term growth and profitability potential, now that the digital “engine” is finalized (also thanks to M&A). However, there’s an initial cost to pay, as this new model is much more capital intensive, with a ROI that should be visible only 6 months after the initial investments.

As a result, we are modifying our 2023E-24E forecasts by confirming top line at €102mn-€120mn, reducing EBITDA by ca. €1mn p.a., increasing Capex (ca. €7mn per year on avg.), with Net Debt deleveraging by ca. €2mn-€2.5mn annually to €26.5mn in 2024E.

We warn that MQ will release full FY22 results and a new Industrial Plan at the end of March, so our forecasts might change again.

Fair Value at €2.22 (down from €2.52)

Pending more visibility on the new Industrial Plan, we adjust fair Equity Value p/s at €2.22 (down from €2.52), taking into account the lower forecasted EBITDA (ca. €1mn p.a.), the higher Net Debt (ca. €8mn), and 9x EV/EBITDA sector multiple for 2023E. Warrants are currently out of the money, so we retain from a fully-diluted valuation.

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Fair Value (€)	2.22
Market Price (€)	1.58
Market Cap. (€m)	93.8

KEY FINANCIALS (€mn)	2021A	2022E	2023E
TOTAL REVENUES (VoP)	62.5	79.0	102.3
EBITDA ADJ.	11.4	13.5	18.7
EBIT	8.0	8.5	13.6
NET PROFIT	3.9	3.6	6.8
ADJ. NET PROFIT	4.7	3.6	6.8
OpFCF a.t.	7.1	-6.3	6.0
EQUITY	25.8	43.6	51.6
NET FIN. POSITION	-6.1	-31.1	-28.6

Source: MeglioQuesto (historical figures), Value Track (2022E-23E estimates)

KEY RATIOS	2021A	2022E	2023E
EBITDA ADJ. MARGIN (%)	18.2	17.1	18.3
EBIT MARGIN (%)	12.8	10.8	13.3
NET DEBT / EBITDA ADJ. (x)	0.6	2.3	1.5
NET DEBT / EQUITY (%)	23.8	71.3	55.4
ENTERPRISE VALUE (€mn)(*)	93.7	146.0	142.3
EV/SALES (x)	1.5	1.8	1.4
EV/EBITDA ADJ. (x)	8.2	10.8	7.6
EV/EBIT (x)	11.7	17.2	10.4

Source: MeglioQuesto (historical figures), Value Track (2022E-23E estimates) (*) In 2022-23 it includes minorities worth ca. €20mn

STOCK DATA

FAIR VALUE (€)	2.22
MARKET PRICE (€)	1.58
SHS. OUT. (m)	59.4
MARKET CAP. (€m)	93.8
FREE FLOAT (%)	30.3
AVG. -20D VOL. (#)	18,526
RIC / BBG	1CALL.MI / 1CALL.IM
52 WK RANGE	3.38-1.40

Source: Stock Market Data

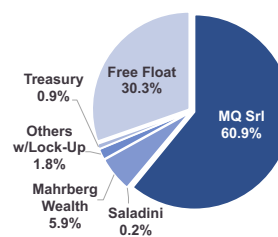
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Business Description

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



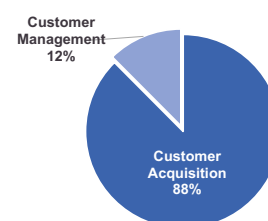
Source: MeglioQuesto

Key Financials

Key Financials (€mn)	2021A	2022E	2023E	2024E
Total Revenues / Value of Production	62.5	79.0	102.3	120.1
Chg. % YoY	12.2%	26.3%	29.5%	17.5%
EBITDA Reported	10.6	12.0	18.7	22.8
EBITDA Margin (%)	16.9%	15.2%	18.3%	19.0%
EBIT	8.0	8.5	13.6	16.3
EBIT Margin (%)	12.8%	10.8%	13.3%	13.6%
Net Profit	3.9	3.6	6.8	9.8
Chg. % YoY	78.3%	-7.6%	88.4%	44.3%
Adjusted Net Profit	4.7	3.6	6.8	9.8
Chg. % YoY	42.2%	-24.0%	88.4%	44.3%
Net Fin. Position	-6.1	-31.1	-28.6	-26.5
Net Fin. Pos. / EBITDA Rep. (x)	0.6	2.6	1.5	1.2
Capex	-3.3	-7.0	-8.0	-6.0
OpFCF b.t.	9.6	-4.0	9.7	17.1
OpFCF b.t. as % of EBITDA	90.5%	-33.7%	52.0%	74.7%

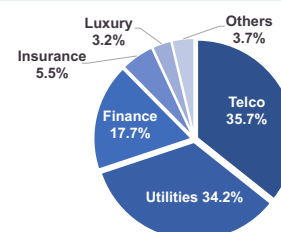
Source: MeglioQuesto (historical figures), Value Track (estimates)

Revenues by Business Line



Source: MeglioQuesto, 9M22

Revenues by Sector



Source: MeglioQuesto, 9M22

Investment case

Strengths / Opportunities

- ◆ Increasing trend towards digitalization of CXM activities (virtual assistants/voicebot/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;
- ◆ Competition in low-end segments of Italian outsourced CXM market.

Preliminary Financials FY22

MeglioQuesto: FY22P Key Financials vs. Value Track Estimates

(IT GAAP, €mn)	VT 2022E	1CALL 2022P	Change (%)
Value of Production Pro-Forma	86.0	84 / 87	-2% / +1%
Value of Production	76.4	78 / 81	+2% / +6%
EBITDA	13.0	11.5 / 12.5	-13% / -4%
EBITDA Margin (%)	17.0%	14.7% / 15.4%	-230bps / -160bps
EBITDA Adj.	14.5	13 / 14	-10% / -3%
EBITDA Adj. Margin (%)	18.9%	16.7% / 17.3%	-220bps / -160bps
Net Financial Position	-24.7	-32 / -30	-7.3 / -5.3

Source: MeglioQuesto, Value Track Analysis

MeglioQuesto: FY21-FY22P Key Financials by Semester

(IT GAAP, €mn)	1H21	2H21	FY21	1H22	2H22P	FY22P
Value of Production	28.4	34.2	62.5	33.8	44.2 / 47.2	78 / 81
y/y (%)				19%	29% / 38%	25% / 30%
EBITDA	4.6	6.0	10.6	5.4	6.1 / 7.1	11.5 / 12.5
y/y (%)				18%	2% / 18%	8% / 18%
EBITDA Margin (%)	16%	18%	17%	16%	14% / 15%	15%
Net Financial Position	-1.4	-6.1	-6.1	0.1	-32 / -30	-32 / -30

Source: MeglioQuesto, Value Track Analysis

Forecasts 2022E-24E

Estimates Revision

MeglioQuesto: New vs. Old Estimates

IT GAAP, €mn	2022E			2023E			2024E		
	Old	New	Δ (%)	Old	New	Δ (%)	Old	New	Δ (%)
Value of Production	76.4	79.0	3.4%	102.2	102.3	0.1%	120.0	120.1	0.1%
EBITDA	13.0	12.0	-7.4%	19.8	18.7	-5.6%	23.8	22.8	-4.0%
EBITDA Margin (%)	17.0%	15.2%	-176bps	19.4%	18.3%	-110bps	19.8%	19.0%	-80bps
EBIT	9.7	8.5	-12.0%	14.8	13.6	-8.1%	18.0	16.3	-9.2%
EBIT Margin (%)	12.6%	10.8%	-188bps	14.5%	13.3%	-119bps	15.0%	13.6%	-139bps
Net Profit	4.4	3.6	-17.6%	7.5	6.8	-10.1%	10.8	9.8	-10.0%
Net Margin (%)	5.7%	4.5%	-115bps	7.4%	6.6%	-75bps	9.0%	8.1%	-91bps
Net Financial Position	-24.7	-31.1	-6.4	-21.0	-28.6	-7.6	-20.2	-26.5	-6.3

Source: Value Track Analysis

Financial Statements 2022E-24E

MeglioQuesto: 2021A-24E P&L

IT GAAP, €mn	2021A	2022E	2023E	2024E
Value of Production	62.5	79.0	102.3	120.1
Operating Expenses	-52.0	-67.0	-83.5	-97.3
EBITDA	10.6	12.0	18.7	22.8
<i>EBITDA margin (%)</i>	<i>16.9%</i>	<i>15.2%</i>	<i>18.3%</i>	<i>19.0%</i>
D&A	-2.4	-2.9	-4.1	-5.5
EBIT	8.0	8.5	13.6	16.3
<i>EBIT margin (%)</i>	<i>12.8%</i>	<i>10.8%</i>	<i>13.3%</i>	<i>13.6%</i>
Net Financial Charges	-1.7	-1.8	-1.9	-1.3
Taxes	-2.4	-2.3	-3.8	-4.5
Minorities	0.0	-0.8	-1.2	-0.7
Net Profit	3.9	3.6	6.8	9.8

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

MeglioQuesto: 2021A-24E Balance Sheet

IT GAAP, €mn	2021A	2022E	2023E	2024E
Net Fixed Assets	25.4	59.3	63.7	72.3
Net Working Capital	7.5	16.9	18.2	18.0
Provisions	1.1	1.4	1.7	1.8
Total Capital Employed	31.9	74.7	80.2	88.6
Group Net Equity	25.8	43.6	51.6	62.1
Net Fin. Position [i.e. Net Debt (-) Cash (+)]	-6.1	-31.1	-28.6	-26.5

Source: MeglioQuesto, Value Track Analysis

MeglioQuesto: 2021A-24E Cash Flow Statement

IT GAAP, €mn	2021A	2022E	2023E	2024E
EBITDA	10.6	12.0	18.7	22.8
Δ NWC, Provisions	2.3	-9.0	-1.0	0.2
Capex	-3.3	-7.0	-8.0	-6.0
OpFCF b.t.	9.6	-4.0	9.7	17.1
<i>As a % of EBITDA</i>	<i>90%</i>	<i>-34%</i>	<i>52%</i>	<i>75%</i>
Taxes	-2.4	-2.3	-3.8	-4.5
Capital Injections	12.5	13.4	0.0	0.0
Net Financial Charges	-1.7	-1.8	-1.9	-1.3
Fin. Inv./Minorities Acquisitions/Other	-6.7	-30.3	-1.5	-9.1
Δ Net Financial Position	11.2	-25.0	2.5	2.1
Net Fin. Position [i.e. Net Debt (-) Cash (+)]	-6.1	-31.1	-28.6	-26.5

Source: MeglioQuesto, Value Track Analysis

Valuation

Multiples sensitivity

MeglioQuesto: Multiples Sensitivity at Various Stock Price Levels

Price p/s €	EV/Sales		EV/EBITDA		EV/EBIT		P/E Adj.	
	2023E	2024E	2023E	2024E	2023E	2024E	2023E	2024E
€ 1.92	1.6	1.3	8.7	6.6	11.9	9.3	16.9	11.7
€ 2.02	1.6	1.3	9.0	6.9	12.4	9.6	17.7	12.3
€ 2.12	1.7	1.4	9.3	7.1	12.8	10.0	18.6	12.9
€ 2.22	1.8	1.4	9.6	7.4	13.2	10.4	19.5	13.5
€ 2.32	1.8	1.5	10.0	7.7	13.7	10.7	20.4	14.1
€ 2.42	1.9	1.5	10.3	7.9	14.1	11.1	21.2	14.7
€ 2.52	1.9	1.6	10.6	8.2	14.5	11.5	22.1	15.3

Source: Value Track Analysis

Peers' Multiples

MeglioQuesto: Peers' Stock Trading Multiples

Company	EV/Sales		EV/EBITDA		EV/EBIT		P/E Adj.	
	2023E	2024E	2023E	2024E	2023E	2024E	2023E	2024E
TTEC Holdings	1.2	1.1	8.7	8.2	14.7	11.2	19.0	16.7
Teleperformance	1.9	1.7	9.1	7.8	13.0	11.0	20.2	17.5
Concentrix Corp.	1.1	1.1	6.8	6.3	7.9	7.3	17.1	14.6
Average - International Peers	1.4	1.3	8.2	7.4	11.9	9.8	18.8	16.3
Doxee	1.7	1.4	8.0	6.7	20.7	15.3	29.3	22.0
Almawave	2.2	1.8	10.9	7.2	18.6	10.8	22.9	14.8
MutuiOnline	3.5	3.0	12.6	10.5	16.0	12.9	20.1	17.0
Growens	0.3	0.3	9.0	7.2	nm	nm	nm	nm
GPI	1.0	0.9	6.0	5.6	12.1	12.3	13.8	14.3
Average - Domestic Peers	1.7	1.5	9.3	7.4	16.9	12.8	21.5	17.0
Total Average	1.6	1.4	8.9	7.4	14.7	11.6	20.3	16.7

Source: Market Consensus, Value Track Analysis

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