

MeglioQuesto

Sector: Customer Experience Management (CXM)



New industrial plan, new business model

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

FY22 Financials in line with preliminary and VT estimates

MeglioQuesto FY22 financials came out as follows:

- Value of Production €79.3mn (+27% y/y) and VoP Pro-Forma €86.3mn (+20% y/y), boosted by the acceleration of the digital channel, and by finance clients (+7x y/y);
- EBITDA €11.8mn (+12% y/y), EBITDA Pro-Forma €13.8mn (+27% y/y), the former being burdened by higher labour and G&A costs;
- Net Debt €30.3mn vs. €6.1mn in FY21, explained by M&A cash-out (ca. €21mn) and substantial investments towards lead generation.

“Together 2023-2025”: new industrial plan

MQSPA unveiled its new industrial plan and 3-year vision more focused on self-lead generation and aimed at becoming Phygital Marketplace leader, i.e. omnichannel one-stop shop of reference for customer experience, broadening its coverage with (i) media advertising services, (ii) new phygital touchpoints, (iii) e-commerce for the sale of ancillary HW products, (iv) installation services of clients' products and (v) AI tools for optimized Customer Management. In 2025E the plan targets VoP at €140mn, EBITDA at €32mn (23% margin) and Net Debt at €14mn.

Estimates broadly confirmed, new business mix

We fine-tuned our estimates, with all key financials benefitting from the contribution of the new initiatives outlined in the Bplan (high contribution from 2024E with higher profitability but higher Capex required).

We forecast VoP at €139mn, EBITDA at €28.6mn (20.6% margin) and Net Debt at 15.5mn in 2025E, a bit more cautious than MQSPA, but basically assuming a proper take-off of the new initiatives. We warn that visibility on such a proper take-off is quite low at the moment.

Fair Value at €2.29 p/s (from €2.22 p/s)

We are updating MeglioQuesto fair value at €2.29 p/s (from €2.22) averaging the outcome of our peers' analysis (€2.10 p/s) and DCF model (€2.48 p/s). At €2.29 p/s the stock would trade at 10.1x EV/EBITDA, 13.9x EV/EBIT, 21.0x P/E 2023E.

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| | |
|-------------------------|-------------|
| Fair Value (€) | 2.29 |
| Market Price (€) | 1.20 |
| Market Cap. (€m) | 71.3 |

| KEY FINANCIALS (€mn) | 2022PF | 2023E | 2024E |
|----------------------|--------|-------|-------|
| VALUE OF PRODUCTION | 86.3 | 103.1 | 120.6 |
| EBITDA ADJ. | 15.1 | 19.2 | 24.2 |
| EBIT | 7.4 | 13.5 | 16.4 |
| NET PROFIT | 2.4 | 6.5 | 9.1 |
| ADJ. NET PROFIT | 2.4 | 6.5 | 9.1 |
| OpFCF a.t. | n.a. | 5.1 | 5.5 |
| EQUITY | 32.8 | 43.0 | 59.6 |
| NET FIN. POSITION | -30.3 | -27.1 | -23.6 |

Source: MeglioQuesto (historical figures), Value Track (2023E-24E estimates)

| KEY RATIOS | 2022PF | 2023E | 2024E |
|----------------------------|--------|-------|-------|
| EBITDA ADJ. MARGIN (%) | 17.6 | 18.7 | 20.1 |
| EBIT MARGIN (%) | 8.6 | 13.1 | 13.6 |
| NET DEBT / EBITDA ADJ: (x) | 2.0 | 1.4 | 1.0 |
| NET DEBT / EQUITY (%) | 92.3 | 62.9 | 39.6 |
| ENTERPRISE VALUE (€mn)(*) | 128.1 | 122.5 | 112.0 |
| EV/SALES (x) | 1.5 | 1.2 | 0.9 |
| EV/EBITDA ADJ. (x) | 8.5 | 6.4 | 4.6 |
| EV/EBIT (x) | 17.3 | 9.1 | 6.8 |

Source: MeglioQuesto (historical figures), Value Track (2023E-24E estimates) (*) Incl. Minorities worth ca. €24mn-€17mn (23E-24E)

STOCK DATA

| | |
|--------------------|---------------------|
| FAIR VALUE (€) | 2.29 |
| MARKET PRICE (€) | 1.20 |
| SHS. OUT. (m) | 59.4 |
| MARKET CAP. (€m) | 71.3 |
| FREE FLOAT (%) | 29.8 |
| AVG. -20D VOL. (#) | 114,075 |
| RIC / BBG | MQSPA.MI / MQSPA IM |
| 52 WK RANGE | 0.99-3.01 |

Source: Stock Market Data

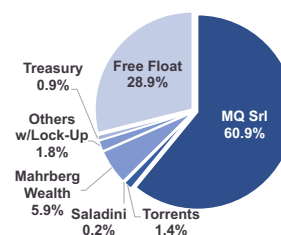
EQUITY RESEARCH PRODUCED ON BEHALF OF MIT SIM ACTING AS SPECIALIST ON MEGLIOQUESTO SHARES



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



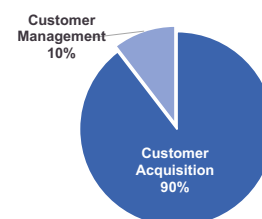
Source: MeglioQuesto

Key Financials

| Key Financials (€mn) | 2022PF | 2023E | 2024E | 2025E |
|---------------------------------|--------------|--------------|--------------|--------------|
| Value of Production | 86.3 | 103.1 | 120.6 | 138.7 |
| Chg. % YoY | 20.3% | 30.0% | 17.0% | 15.0% |
| EBITDA Reported | 13.8 | 18.5 | 23.5 | 28.6 |
| EBITDA Margin (%) | 16.0% | 18.0% | 19.5% | 20.6% |
| EBIT | 7.4 | 13.5 | 16.4 | 19.8 |
| EBIT Margin (%) | 8.6% | 13.1% | 13.6% | 14.3% |
| Net Profit | 2.4 | 6.5 | 9.1 | 11.6 |
| Chg. % YoY | -41.5% | nm | 40.6% | 27.4% |
| Adjusted Net Profit | 2.4 | 6.5 | 9.1 | 11.6 |
| Chg. % YoY | -41.5% | nm | 40.6% | 27.4% |
| Net Fin. Position | -30.3 | -27.1 | -23.6 | -15.5 |
| Net Fin. Pos. / EBITDA Rep. (x) | 2.0 | 1.5 | 1.0 | 0.5 |
| Capex | na | -8.7 | -8.7 | -8.7 |
| OpFCF b.t. | na | 8.9 | 10.4 | 20.0 |
| OpFCF b.t. as % of EBITDA | na | 48.2% | 44.4% | 69.9% |

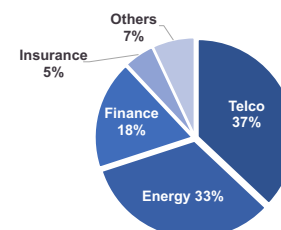
Source: MeglioQuesto (historical figures), Value Track (estimates)

Revenues from Sales by Business Line



Source: MeglioQuesto, FY22

Revenues from Sales by Industry



Source: MeglioQuesto, FY22

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.

FY22 Financials

Audited FY22 financial results confirm preliminary data. MeglioQuesto reported solid results at top line and EBITDA level (in line with our estimates) but lower-than-expected figures for EBIT and Net Profit, affected by burdening D&A (related to lead capitalized costs) and higher financial charges. As already explained in our last report, MQ Net Debt was affected by M&A cash-out and substantial investments towards lead generation.

Key Financials

More in details, for FY22, we highlight:

- ◆ **Value of Production at €79.3mn**, +27% y/y, and **Pro-Forma at €86.3mn**, +20 y/y;
- ◆ **EBITDA at €11.8mn** (15% EBITDA margin) vs. €10.6mn in FY21 (17% EBITDA margin);
- ◆ **EBITDA Pro-Forma at €13.8mn** (16% EBITDA Margin) vs. €10.9mn (15% margin) in FY21;
- ◆ **Net Profit at €2.1mn** vs. €3.9mn in FY21; **Pro-Forma at €2.4mn** vs. €4.1mn in FY21;
- ◆ **Net Debt at €30.3mn** vs. €22.6mn at 9M22 and €6.1mn at FY21.

MeglioQuesto: Key Financials FY21-FY22

| (IT GAAP, €mn) | 2021A | 2022A | y/y | 2021PF | 2022PF | y/y |
|------------------------|-------|-------|---------|--------|--------|-------|
| Value of Production | 62.5 | 79.3 | 27% | 71.7 | 86.3 | 20% |
| EBITDA | 10.6 | 11.8 | 12% | 10.9 | 13.8 | 27% |
| EBITDA Margin (%) | 16.9% | 14.9% | -200bps | 15.2% | 16.0% | 80bps |
| Group Net Profit | 3.9 | 2.1 | -47% | 4.1 | 2.4 | -41% |
| Net Financial Position | -6.1 | -30.3 | -24.2 | -6.1 | -30.3 | -24.2 |

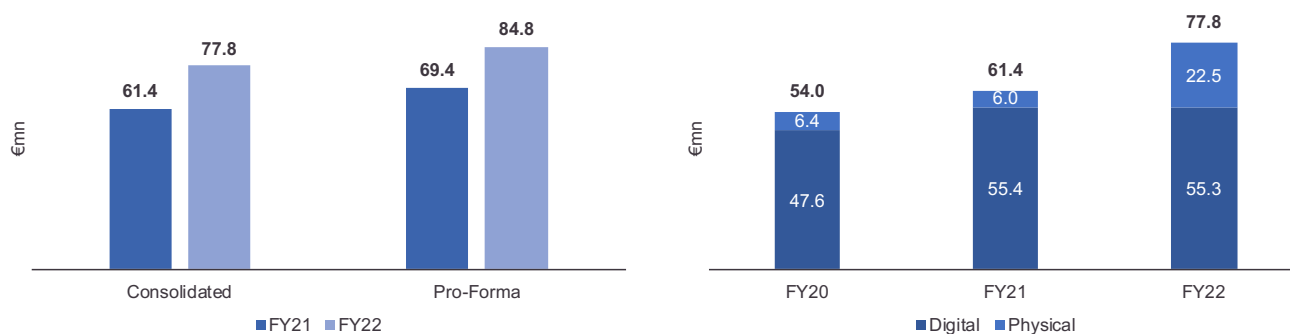
Source: MeglioQuesto, Value Track Analysis

Profit & Loss

MeglioQuesto experienced a solid double-digit top line growth, with **Revenues from Sales** at:

- ◆ **Consolidated: €77.8mn**, +27% y/y (+15% y/y organic growth), the bulk of which generated through Digital channels at 71% of total despite the booming growth of the Physical channel;
- ◆ **Pro-Forma: €84.8mn**, +22% y/y, considering Eureweb and Smart Contact as if they contributed to MQ as of January 1st, 2022.

MeglioQuesto: Revenues from Sales by Perimeter and by Channel

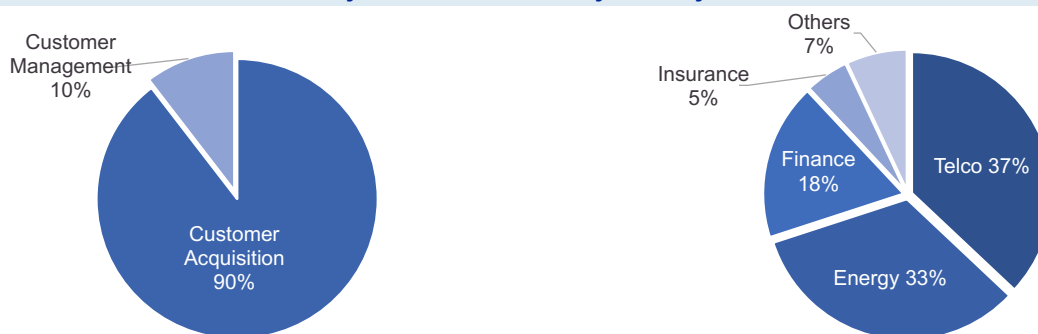


Source: MeglioQuesto Value Track Analysis

Consolidated Revenues from Sales increased thanks to the contribution of both business lines, with **Customer Acquisition** at **€69.7mn** (+27% y/y vs. €54.9mn in FY21) and **Customer Management** at **€8.1mn** (+25% y/y vs. €6.5mn in FY21).

Industry-wise, we underline once again the predominance of **Telco** and **Energy** clients, at **37%** and **33%** of the Group consolidated Revenues. However, **Finance** is the fastest-growing (and most profitable) vertical, making up to **18%** of Sales from just above 3% in FY21, also thanks to the smooth integration of Omicron (acquired during FY21 and specialized towards finance clients).

MeglioQuesto: Revenues from Sales by Business Line and by Industry

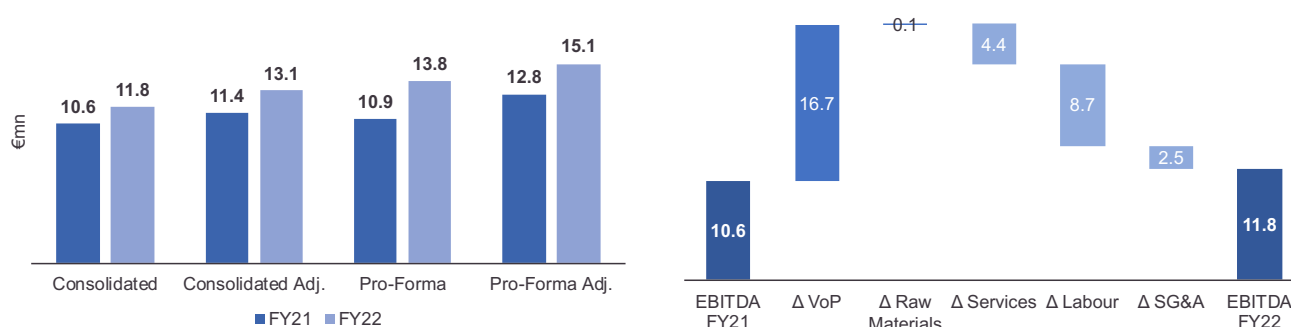


Source: MeglioQuesto Value Track Analysis

At EBITDA level we underline a double-digit growth pace, but also lower margins y/y due to Energy clients' challenges over 2H22, strongly reducing their budgets and leaving no time for MQSPA to adapt its cost structure. As a consequence, for FY22 the Group reported:

- ◆ **EBITDA at €11.8mn** (14.9% EBITDA margin) vs. FY21 €10.6mn (16.9% EBITDA margin);
- ◆ **EBITDA Adj. at €13.1mn** (16.6% EBITDA margin) vs. FY21 at €11.4mn (18.2% EBITDA margin). It is adjusted for extraordinary items and non-deductible VAT;
- ◆ **EBITDA Pro-Forma at €13.8mn** (16.0% EBITDA margin) vs. FY21 €10.9mn (15.2% margin);
- ◆ **EBITDA Pro-Forma Adj. at €15.1mn** (17.6% margin) vs. FY21 €12.8mn (17.9% margin);

MeglioQuesto: EBITDA and EBITDA Adj. By Perimeter (lhs) and EBITDA bridge FY21-FY22 (rhs)



Source: MeglioQuesto Value Track Analysis

EBIT (€6.6mn) and **Net Profit (€1.6mn)** came out lower than our estimates as a consequence of surging D&A (€4.7mn vs €2.4mn in FY21) related to lead generation capitalized costs and due to €1.7mn more Net Financial Charges vs. FY21 linked to the newly issued bond, one-off compensations to River Rock funds and mortgages and derivatives expenses.

MeglioQuesto: P&L FY20-FY22

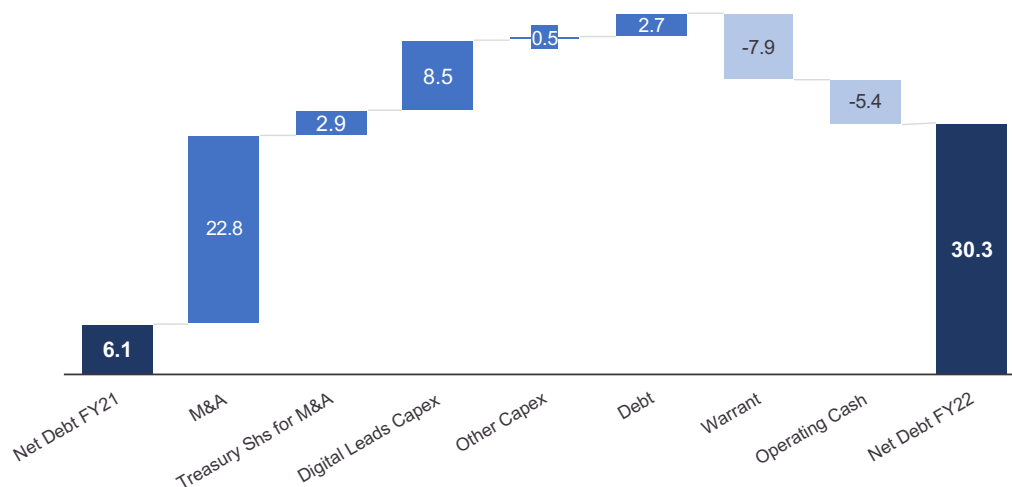
| IT GAAP, €mn | FY20 | FY21 | FY22 | y/y |
|-----------------------------------|--------------|--------------|--------------|----------------|
| Revenues from Sales | 54.0 | 61.4 | 77.8 | 27% |
| Others | 1.8 | 1.1 | 1.5 | 30% |
| Value of Production | 55.8 | 62.5 | 79.3 | 27% |
| Raw Materials (incl. Δ Inventory) | -3.4 | -3.8 | -3.7 | -3% |
| Costs of Services | -34.7 | -36.5 | -40.9 | 12% |
| Labour Costs | -7.0 | -8.9 | -17.5 | 97% |
| G&A | -3.3 | -2.8 | -5.3 | 88% |
| EBITDA | 7.4 | 10.6 | 11.8 | 12% |
| <i>EBITDA margin (%)</i> | <i>13.2%</i> | <i>16.9%</i> | <i>14.9%</i> | <i>-200bps</i> |
| D&A | -1.9 | -2.4 | -4.7 | 94% |
| Impairments & Provisions | -0.6 | -0.1 | -0.5 | 356% |
| EBIT | 4.9 | 8.0 | 6.6 | -18% |
| <i>EBIT margin (%)</i> | <i>8.7%</i> | <i>12.8%</i> | <i>8.3%</i> | <i>-450bps</i> |
| Net Financial Charges | -1.2 | -1.7 | -2.4 | 40% |
| Taxes | -1.5 | -2.4 | -2.1 | -11% |
| Minorities | 0.0 | 0.0 | -0.5 | nm |
| Net Profit | 2.2 | 3.9 | 1.6 | -59% |

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

Balance Sheet & Cash Flow Statement

To support the evolution and the development of the business model and make it ready for the next -three-years' period "digital expansion", MeglioQuesto deployed a significant amount of cash over FY22. More in details;

- ◆ **M&A:** net of issued shares and buyback, we calculate ca. **€21.4mn** spent for the acquisitions of 55% of Eureweb and 100% of Smart Contact (more details can be found in our previous updates);
- ◆ **Capex over €10mn**, i.e. over 12% of Revenues, of which €8.5mn dedicated to lead generation investments (new Customer Acquisition leg based on self-generated leads, different from traditional activity provided by clients);
- ◆ **Net Working Capital** reclassified at €3.7mn thanks to (i) MQ vendor loans for recent M&A accounted as short-term payables in NWC and (ii) advance payments to outsourced partners (aimed at helping them to offset longer payment time by end clients) accounted as cash equivalents (€13.7mn) and not as NWC. Gross of these two effects, the NWC absorption would be of ca. **€12mn**.
- ◆ **Group Net Equity** at €32.8mn, benefitting from FY22 Net Profit and €8.3mn capital injection from warrant conversion.

MeglioQuesto: Net Debt bridge FY21-FY22


Source: MeglioQuesto, Value Track Analysis

MeglioQuesto: Balance Sheet FY20-FY22

| (IT GAAP, €mn) | FY20 | FY21 | FY22 |
|---|--------------|-------------|--------------|
| Net Fixed Assets | 15.4 | 25.4 | 60.8 |
| Net Working Capital | 9.7 | 7.5 | 3.7 |
| Provisions | 1.0 | 1.1 | 1.4 |
| Total Capital Employed | 24.2 | 31.9 | 63.1 |
| Group Net Equity | 6.8 | 25.8 | 32.8 |
| Net Fin. Position [i.e. Net Debt (-) Cash (+)] | -17.4 | -6.1 | -30.3 |

Source: MeglioQuesto, Value Track Analysis

MeglioQuesto: Net Financial Position Structure FY20-FY22

| (IT GAAP, €mn) | FY20 | FY21 | FY22 |
|---|--------------|-------------|--------------|
| Cash & Equivalents (+) | 2.3 | 7.3 | 7.7 |
| Current Financial Assets (+) | 3.1 | 10.9 | 13.7 |
| Current Financial Debts (-) | -2.1 | -17.5 | -35.8 |
| Current Net Financial Position | 3.2 | 0.7 | -14.5 |
| Non-Current Financial Assets (+) | 0.0 | 0.0 | 0.0 |
| Non-Current Financial Debts (-) | -20.6 | -6.8 | -15.8 |
| Non-Current Net Financial Position | -20.6 | -6.8 | -15.8 |
| Net Fin. Position [i.e. Net Debt (-) Cash (+)] | -17.4 | -6.1 | -30.3 |

Source: MeglioQuesto, Value Track Analysis

“Together 2023-2025”: New Business Plan

On March 29th 2023, MeglioQuesto presented its new industrial plan to analysts and investors, entailing a significant evolution of the business model and of economic and financial KPIs.

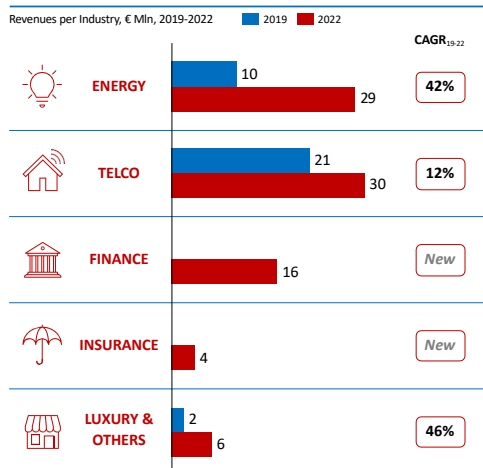
The starting point

The definition of MQSPA new industrial plan started from the assessment of recent years evolution. MQSPA new industrial plan started from the assessment of recent years evolution, being centered on:

- ◆ **Double digit growth**, (37% Pro-Forma Value of Production CAGR19-22 and 39% Pro-Forma EBITDA CAGR19-22), driven by both organic and M&A efforts;
- ◆ **Top tier client / partner base**, i.e. MeglioQuesto serves clients who are leaders of the most important Italian industries;
- ◆ **Exposure to secular trends**, such as channels digitalization, enhanced and omnichannel customer experience, and AI.

MeglioQuesto: Market Leader Partners

MEGLIOQUESTO GROWTH IN EACH INDUSTRY



Source: MeglioQuesto

MEGLIOQUESTO MAIN PARTNERS



The brand new vision and growth strategy

MeglioQuesto new three-year vision is to become leader of the “**Phygital Audience**”, addressing the maximum number of users through omnichannel products and services in various industries.

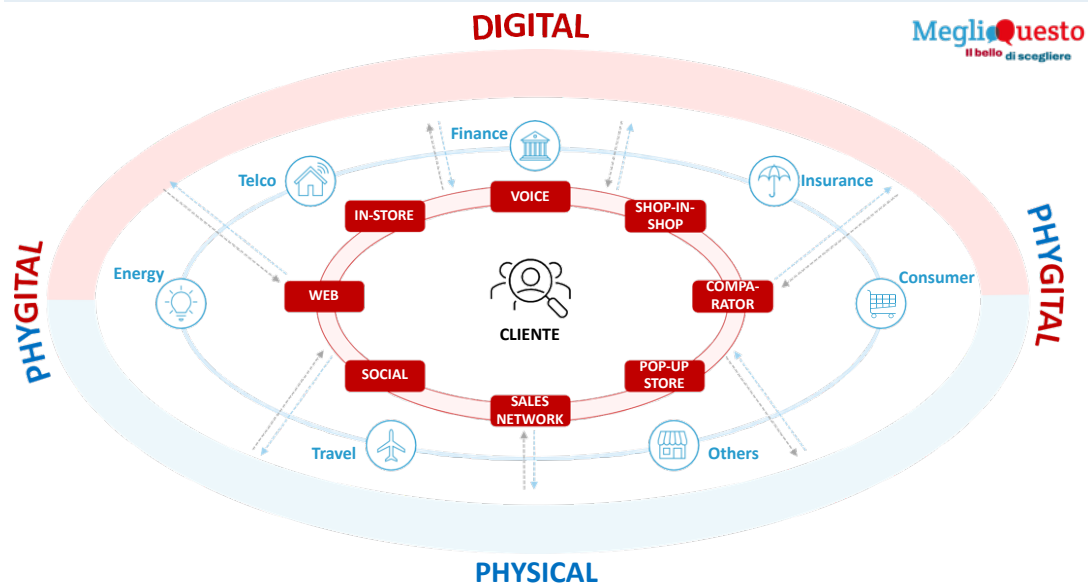
Indeed, MQSPA wants to establish itself as the only **Phygital Marketplace** capable of offering services by perfectly integrating physical and digital channels.

The new business model should give priority to self-generated leads rather than rely on the traditional activity based on leads provided by clients. To do so, MeglioQuesto aims to broaden its offer at every step of the customer’s purchasing process, from generation of the specific need to after sale services.

The new strategy can be summarized in the following key points:

1. Fully exploit the Group commercial and operational synergies;
2. Integrate upstream and downstream the areas of need on which MQSPA intervenes;
3. Strengthening the positioning on already served industries and accessing new sectors;
4. Create new phygital touchpoints;
5. Establish as Phygital Marketplace.

MeglioQuesto: Phygital Audience



Source: MeglioQuesto

MeglioQuesto: Current needs coverage and intended enrichment

| NEEDS | CURRENT COVERAGE | INTENDED ENRICHMENT |
|---------------------|----------------------------------|---|
| NEEDS GENERATION | Non-covered need | Media Advertising Services |
| INFORMATION SEARCH | Physical and digital touchpoints | Shop-in-shop and new industries covered |
| SALE | Customer Acquisition | New touchpoints and covered industries, e-commerce |
| DELIVERY | Non-covered need | Installations, technical delivery, traditional delivery |
| AFTER SALE SERVICES | Customer Management | Artificial Intelligence |

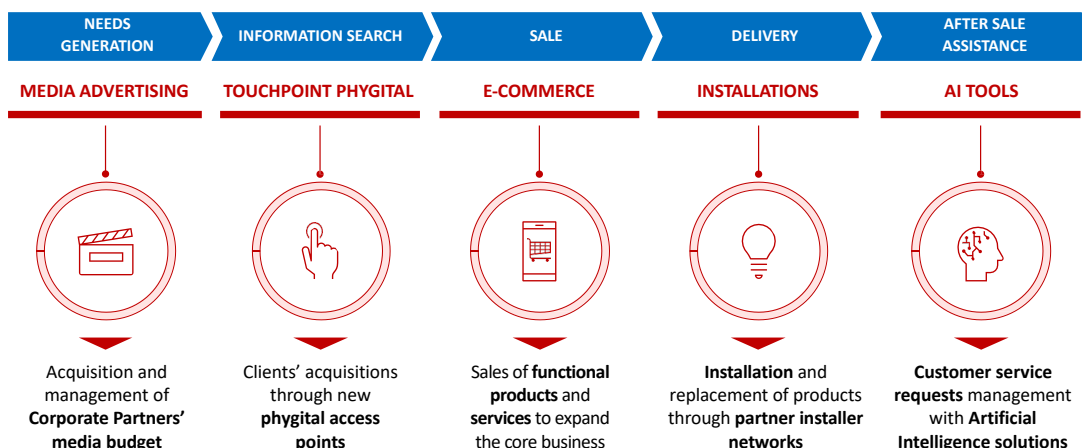
Reference partner for consumers and companies looking for a complete, high-quality, innovative service, efficient and always accessible through both digital and physical channels.

Source: MeglioQuesto

To deliver the above-mentioned vision, MQSPA aims to broaden its portfolio of offered services by launching the following key initiatives:

1. **Media Advertising services:** acquisition and management of corporate partners' media budgets for the self-generation of leads;
2. **Phygital Touchpoints:** new MQSPA-labeled touchpoints for customer acquisition activities;
3. **E-Commerce:** sales of functional/ancillary products accessible from all touchpoints (refurbished telephones, smart-home appliances, household appliances, others);
4. **Installation services** of clients' products such as photovoltaic systems, HVAC, optical fiber systems through third parties networks (network of 2,500 installators);
5. **AI Tools:** customer management activities will use Artificial Intelligence solutions for after-sale assistance.

MeglioQuesto: New Strategic Initiatives



Source: MeglioQuesto

Key Financial Targets

MQSPA has announced the following **2025E financial targets**: **Value of Production** at ca. **€140mn** (17.5% CAGR22A-25E), **EBITDA Adj. Margin** growing by over 500bps up to ca. **23%** and **Net Financial Position** reducing by over a half to ca. **€14mn**.

This should be achieved mainly thanks to:

1. Significant contribution of new initiatives already from 2024E;
2. Higher profitability of new “digital-engine” initiatives vs. traditional business (e.g., self-generated leads, e-commerce, media advertising services based on fees) and integration of recently acquired subsidiaries (such as Eureweb);
3. Heavy capex plan devoted on self-generated leads being offset by Working Capital normalization, hence boosting Operating Free Cash Flow generation.

MeglioQuesto: Business Plan KPIs

| | 2022A | 2023E | 2025E |
|----------------------------|----------------------|-------------------------|----------------------|
| VALUE OF PRODUCTION | 86,3 € Mln | 100-105 € Mln | ~140 € Mln |
| EBITDA ADJ. | 15,1 € Mln | 18-20 € Mln | ~32 € Mln |
| EBITDA ADJ. MARGIN | 17,6 % | 18-19 % | ~23 % |
| PFN | 30,3 € Mln | 24-26 € Mln | ~14 € Mln |

Source: MeglioQuesto

Forecasts 2023E-25E

Estimates Revision

In light of FY22 results and of the new released targets, we fine-tuned our 2023E-24E estimates, that are however broadly confirmed and aligned to MQSPA business plan. Our new key assumptions are:

- ◆ **Value of Production** starting to benefit from new initiatives already from 2023E but more importantly from 2024E and close to €20mn in 2025E (15% of the total);
- ◆ **EBITDA** enhanced (especially from 2024E onwards) by the superior profitability of media advertising (we estimate a 50% EBITDA margin out of the 5% commission MQSPA should be rewarded with from clients' budgets) and e-commerce businesses, and also thanks to the synergies arising from the integration of Eureweb and Smart Contact;
- ◆ **Net Financial Position** to benefit from the sound EBITDA-OpFCF conversion rate despite ca. €9mn of Capex per year (o/w €6.5mnp per year tied to lead investments) but thanks to Operating Working Capital reducing its incidence on Sales from 25% in 2022A to 17% in 2025E. Also, our estimates include the acquisition of Eureweb and Omicron minorities, partly in paper (offset by related capital injections in the schemes below), partly in cash.

MeglioQuesto: New vs. Old Estimates

| (IT GAAP, €mn) | 2023E | | | 2024E | | |
|------------------------|-------|-------|--------|-------|-------|--------|
| | Old | New | Δ | Old | New | Δ |
| Value of Production | 102.3 | 103.1 | 0.8% | 120.1 | 120.6 | 0.4% |
| EBITDA | 18.7 | 18.5 | -0.9% | 22.8 | 23.5 | 3.0% |
| EBITDA Margin (%) | 18.3% | 18.0% | -30bps | 19.0% | 19.5% | 50bps |
| EBIT | 13.6 | 13.5 | -1.2% | 16.3 | 16.4 | 0.6% |
| EBIT Margin (%) | 13.3% | 13.1% | -26bps | 13.6% | 13.6% | 3bps |
| Net Profit | 6.8 | 6.5 | -4.2% | 9.8 | 9.1 | -6.7% |
| Net Margin (%) | 6.6% | 6.3% | -33bps | 8.1% | 7.6% | -57bps |
| Net Financial Position | -28.6 | -27.1 | 1.5 | -26.5 | -23.6 | 2.9 |

Source: Value Track Analysis

MeglioQuesto Business Plan vs. Value Track New Estimates

Our estimates now also include for the first time FY2025, so that we can perform a better comparison with MQSPA new business plan. Overall, we are a bit more cautious on EBITDA, but mainly because of the execution risk that the Group may incur in successful developing all the new initiatives outlined.

MeglioQuesto: MQSPA Business Plan vs. VT Estimates

| (IT GAAP, €mn) | 2023E | | | 2024E | | | 2025E | | |
|------------------------|-------|-------|-------|-------|-------|--------|-------|-------|---------|
| | MQSPA | VT | Δ | MQSPA | VT | Δ | MQSPA | VT | Δ |
| Value of Production | 102.5 | 103.1 | 0.5% | 121.3 | 120.6 | -0.6% | 140.0 | 138.7 | -1.0% |
| EBITDA Adj. (*) | 19.0 | 19.2 | 1.3% | 25.5 | 24.2 | -5.1% | 32.0 | 29.3 | -8.6% |
| EBITDA Adj. Margin (%) | 18.5% | 18.7% | 14bps | 21.0% | 20.1% | -95bps | 22.9% | 21.1% | -175bps |
| Net Financial Position | -25.0 | -27.1 | -2.1 | -19.5 | -23.6 | -4.1 | -14.0 | -15.5 | -1.5 |

Source: Value Track Analysis, (*) We estimated €0.7mn of Adjustments per year for non-deductible VAT

Value Track Key Assumptions

In terms of 2023E-25E Revenues breakdown, we highlight:

- ◆ **Traditional “Phygital” Customer Experience** business forecasted to grow at 12% CAGR_{22PF-25E} to **€119.2mn in 2025E**, with the “Pure” Digital business rising at a sound 17% rate;
- ◆ **New Initiatives** to get to **€18mn in 2025E** and at 13% of total Revenues, with the majority being generated by the Media Advertising business, followed by Touchpoints and other services.

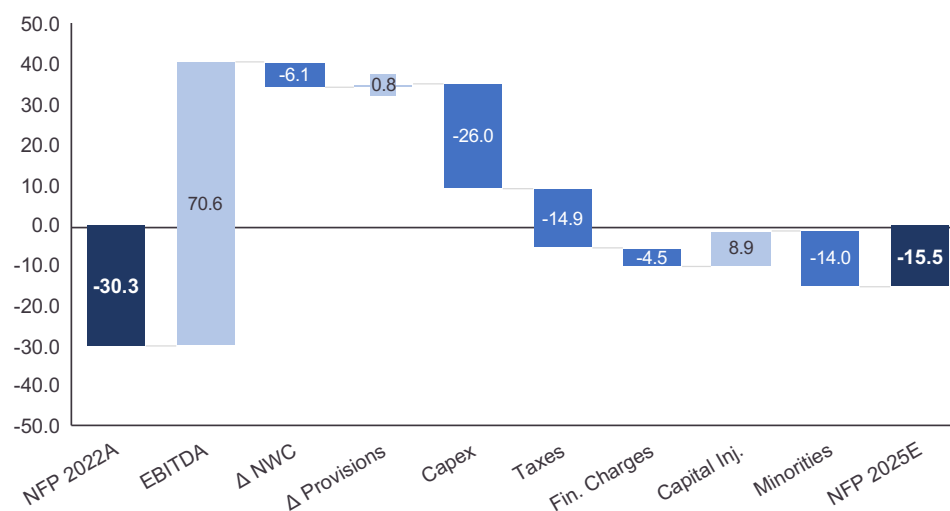
MeglioQuesto: Revenues Model 2022A-25E

| (IT GAAP, €mn) | 2022A | 2022PF | 2023E | 2024E | 2025E |
|---|-------------|-------------|--------------|--------------|--------------|
| Traditional CX | 77.8 | 84.8 | 99.1 | 109.1 | 119.2 |
| y/y (%) | 27% | 38% | 17% | 10% | 9% |
| Traditional CX / Revenues from Sales (%) | 100% | 100% | 98% | 92% | 87% |
| o/w Digital | 55.3 | 62.3 | 72.5 | 79.8 | 87.3 |
| o/w Pure Digital | 10.6 | 17.6 | 21.1 | 24.2 | 27.9 |
| o/w Voice | 44.7 | 44.7 | 51.4 | 55.5 | 59.4 |
| o/w Physical | 22.5 | 22.5 | 26.6 | 29.4 | 31.9 |
| New Initiatives | 0.0 | 0.0 | 2.5 | 10.0 | 18.0 |
| y/y (%) | nm | nm | nm | 300% | 80% |
| New Initiatives / Revenues from Sales (%) | 0% | 0% | 2% | 8% | 13% |
| o/w Media Advertising | 0.0 | 0.0 | 2.0 | 5.0 | 8.0 |
| o/w Phygital Touchpoints | 0.0 | 0.0 | 0.5 | 3.0 | 6.0 |
| o/w Others (E-commerce, Installations, AI) | 0.0 | 0.0 | 0.0 | 2.0 | 4.0 |
| Revenues from Sales | 77.8 | 84.8 | 101.6 | 119.1 | 137.2 |

Source: MeglioQuesto, Value Track Analysis, (*) Value Track Assumption

In terms of Debt deleverage, we forecast the new business model to drive higher Operating Free Cash Flow (calculated as EBITDA – ΔNWC – ΔProvisions – Capex) generation starting as of 2024E. Over the next three years, we estimate a cumulated **56% OpFCF / EBITDA conversion rate**.

MeglioQuesto: Net Financial Position bridge 2022A-25E



Source: MeglioQuesto

Financial Statements 2022A-25E

MeglioQuesto: P&L 2022A-25E

| (IT GAAP, €mn) | 2022A | 2023E | 2024E | 2025E |
|----------------------------|--------------|--------------|--------------|--------------|
| Value of Production | 79.3 | 103.1 | 120.6 | 138.7 |
| Operating Expenses | -67.4 | -84.5 | -97.1 | -110.1 |
| EBITDA | 11.8 | 18.5 | 23.5 | 28.6 |
| <i>EBITDA margin (%)</i> | <i>14.9%</i> | <i>18.0%</i> | <i>19.5%</i> | <i>20.6%</i> |
| D&A | -4.7 | -5.0 | -7.0 | -8.7 |
| Impairments & Provisions | -0.5 | -0.1 | -0.1 | -0.1 |
| EBIT | 6.6 | 13.5 | 16.4 | 19.8 |
| <i>EBIT margin (%)</i> | <i>8.3%</i> | <i>13.1%</i> | <i>13.6%</i> | <i>14.3%</i> |
| Net Financial Charges | -2.4 | -1.7 | -1.4 | -1.3 |
| Taxes | -2.1 | -3.9 | -4.9 | -6.1 |
| Minorities | -0.5 | -1.4 | -0.9 | -0.8 |
| Net Profit | 1.6 | 6.5 | 9.1 | 11.6 |

Source: MeglioQuesto, Value Track Analysis

MeglioQuesto: Balance Sheet 2022A-25E

| (IT GAAP, €mn) | 2022A | 2023E | 2024E | 2025E |
|---|--------------|--------------|--------------|--------------|
| Net Fixed Assets | 60.8 | 66.8 | 75.3 | 79.6 |
| Net Working Capital | 3.7 | 5.0 | 9.7 | 9.8 |
| Provisions | 1.4 | 1.7 | 1.8 | 1.9 |
| Total Capital Employed | 63.1 | 70.1 | 83.2 | 87.4 |
| Group Net Equity | 32.8 | 43.0 | 59.6 | 72.0 |
| Net Fin. Position [i.e. Net Debt (-) Cash (+)] | -30.3 | -27.1 | -23.6 | -15.5 |

Source: MeglioQuesto, Value Track Analysis

MeglioQuesto: Cash Flow Statement 2022A-25E

| (IT GAAP, €mn) | 2022A | 2023E | 2024E | 2025E |
|---|--------------|--------------|--------------|--------------|
| EBITDA | 11.8 | 18.5 | 23.5 | 28.6 |
| Δ NWC, Provisions | -11.4 | -0.9 | -4.4 | 0.1 |
| Capex | -10.1 | -8.7 | -8.7 | -8.7 |
| OpFCF b.t. | -9.7 | 8.9 | 10.4 | 20.0 |
| <i>As a % of EBITDA</i> | <i>-82%</i> | <i>48%</i> | <i>44%</i> | <i>70%</i> |
| Taxes | -2.1 | -3.9 | -4.9 | -6.1 |
| Capital Injections | 8.3 | 2.3 | 6.5 | 0.0 |
| Net Financial Charges | -2.4 | -1.7 | -1.4 | -1.3 |
| Fin. Inv./Minorities Acquisitions/Other | -18.2 | -2.4 | -7.1 | -4.4 |
| Δ Net Financial Position | -24.2 | 3.2 | 3.5 | 8.1 |
| Net Fin. Position [i.e. Net Debt (-) Cash (+)] | -30.3 | -27.1 | -23.6 | -15.5 |

Source: MeglioQuesto, Value Track Analysis

Valuation

We are updating **MeglioQuesto fair value at €2.29 p/s** (from €2.22) averaging the outcome of our peers' analysis and DCF model (that should offset short-term market swings that usually impact MQSPA reference verticals and peers' stock prices).

At €2.29 p/s the stock would trade at **10.1x EV/EBITDA, 13.9x EV/EBIT, 21.0x P/E 2023E**.

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 |
| € 1.99 | 1.6 | 1.3 | 9.1 | 6.8 | 12.6 | 9.7 | 18.2 | 13.0 |
| € 2.09 | 1.7 | 1.4 | 9.5 | 7.0 | 13.0 | 10.1 | 19.1 | 13.6 |
| € 2.19 | 1.8 | 1.4 | 9.8 | 7.3 | 13.5 | 10.4 | 20.1 | 14.3 |
| € 2.29 | 1.8 | 1.5 | 10.1 | 7.5 | 13.9 | 10.8 | 21.0 | 14.9 |
| € 2.39 | 1.9 | 1.5 | 10.4 | 7.8 | 14.4 | 11.1 | 21.9 | 15.6 |
| € 2.49 | 1.9 | 1.6 | 10.7 | 8.0 | 14.8 | 11.5 | 22.8 | 16.2 |
| € 2.59 | 2.0 | 1.6 | 11.1 | 8.3 | 15.2 | 11.9 | 23.7 | 16.9 |

Source: Value Track Analysis

Peers Analysis

MeglioQuesto is trading in excess of 30% discount with respect to its comparables. With fair multiples in line with the total average of international and domestic peers', our relative valuation analysis points at a **Fair Equity Value of €2.10 p/s**.

MeglioQuesto: Peers' Stock Trading Multiples

| Company | EV/Sales | | EV/EBITDA | | EV/EBIT | | P/E Adj. | |
|------------------------------------|------------|------------|-------------|------------|-------------|-------------|-------------|-------------|
| | 2023E | 2024E | 2023E | 2024E | 2023E | 2024E | 2023E | 2024E |
| Teleperformance | 1.7 | 1.5 | 8.1 | 6.9 | 11.4 | 9.7 | 17.7 | 15.5 |
| TTEC Holdings | 1.0 | 1.0 | 8.7 | 7.8 | 15.0 | 13.2 | 27.4 | 23.3 |
| Telus International | 2.1 | 1.8 | 8.8 | 7.3 | 18.9 | 14.9 | 30.6 | 22.2 |
| Concentrix | 1.0 | 0.9 | 6.0 | 5.5 | 6.9 | 6.4 | 14.4 | 12.6 |
| Ibex Limited | 0.9 | 0.8 | 6.2 | 5.5 | 14.6 | 10.1 | 13.9 | nm |
| Majorel Group | 0.9 | 0.8 | 5.3 | 4.6 | 7.8 | 6.8 | 11.5 | 10.6 |
| Taskus | 1.4 | 1.1 | 6.1 | 4.8 | 14.4 | 10.7 | 20.8 | 16.2 |
| International Peers Average | 1.3 | 1.1 | 7.0 | 6.1 | 12.7 | 10.3 | 19.5 | 16.7 |
| Almawave | 2.1 | 1.8 | 10.6 | 6.6 | 17.0 | 9.2 | 22.7 | 14.7 |
| Doxee | 1.9 | 1.6 | 8.4 | 6.0 | nm | 11.9 | nm | 17.9 |
| MutuiOnline | 3.4 | 3.0 | 13.0 | 11.0 | nm | 14.7 | 19.7 | 17.5 |
| Growens | 0.3 | 0.3 | 19.6 | 12.8 | nm | nm | nm | nm |
| GPI | 0.9 | 0.9 | 5.7 | 5.4 | 11.6 | 11.8 | 12.8 | 13.3 |
| Italian Peers Average | 1.8 | 1.5 | 11.5 | 8.4 | 14.3 | 11.9 | 18.4 | 15.9 |
| Total Average | 1.5 | 1.3 | 8.9 | 7.0 | 13.1 | 10.9 | 19.1 | 16.4 |
| MeglioQuesto | 1.2 | 0.9 | 6.6 | 4.8 | 9.1 | 6.8 | 11.0 | 7.8 |

Source: Market Consensus, Value Track Analysis

MeglioQuesto: Valuation @ Fair Multiples

| EV/EBIT | 2023E | P/E | 2023E |
|---------------------------------|--------------|---------------------------------|--------------|
| Fair Multiple (x) | 13.1 | Fair Multiple (x) | 19.1 |
| MQ EBIT (€mn) | 13.5 | MQ Net Profit (€mn) | 6.5 |
| Fair EV (€mn) | 176.1 | Fair Eq. Val. (€mn) | 124.1 |
| Net Fin. Pos. (€mn)(*) | -27.1 | | |
| Adj. To EV (€mn)(**) | -24.2 | | |
| Fair Eq. Value (€mn) | 124.9 | Fair Eq. Value (€mn) | 124.1 |
| Outstanding NOSH 2022E (mn) | 59.4 | Outstanding NOSH 2022E (mn) | 59.4 |
| Fair Eq. Value (p/s) (€) | 2.10 | Fair Eq. Value (p/s) (€) | 2.09 |

Source: Value Track Analysis, (*) Net Debt, (**) Mainly value of Minorities

DCF

Our DCF is based on 30% target capital structure (Net Debt/Total Capital Employed), 11.4% WACC and 2.0% “g”. The model returns a **Fair Equity Value of €2.48 p/s**. Our WACC assumptions are:

- ◆ 2.0% Risk-Free Rate, in line with inflation medium-term target;
- ◆ 8.1% Italian Equity Risk Premium (Damodaran data);
- ◆ 1.00 Unlevered Beta (in line with International Peers average), leading to 1.33 Levered Beta;
- ◆ 2.0% Small-Cap additional Risk Premium;
- ◆ 3.0% Credit Spread and 24% Tax Rate.

MeglioQuesto: DCF Model @ 30% Target Capital Structure

| DCF Model | €mn |
|---|--------------|
| Discounted Free Cash Flows 2023E-2030E | 80.4 |
| Discounted Terminal Value @ 2030E with g=2.0% | 123.5 |
| Fair Enterprise Value | 203.9 |
| Net Fin. Position 2022A | -30.3 |
| Minorities / Adjustments | -26.5 |
| Fair Equity Value | 147.1 |
| NOSH (mn) | 59.4 |
| Fair Equity Value p.s. (€) | 2.48 |

Source: Value Track Analysis

MeglioQuesto: DCF Model Sensitivity Analysis

| Equity Value p/s | | Perpetuity Growth (%) | | | | |
|------------------|-------|-----------------------|------|-------------|------|------|
| | | 1.0% | 1.5% | 2.0% | 2.5% | 3.0% |
| WACC (%) | 10.4% | 2.67 | 2.81 | 2.96 | 3.13 | 3.32 |
| | 10.9% | 2.46 | 2.57 | 2.70 | 2.85 | 3.02 |
| | 11.4% | 2.26 | 2.36 | 2.48 | 2.60 | 2.75 |
| | 11.9% | 2.08 | 2.17 | 2.27 | 2.38 | 2.51 |
| | 12.4% | 1.92 | 2.00 | 2.09 | 2.19 | 2.29 |

Source: Value Track Analysis

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