

MeglioQuesto

Sector: Customer Experience Management (CXM)



Enhanced governance to relaunch MQSPA

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.

1H23 Revenues up, but margins and debt are suffering

1H23 Value of Production stood at €48.9mn, up 11% y/y on a l-f-l basis, with EBITDA Adj. at €8.3mn (-17% y/y vs. 1H22PF €9.9mn) due to business mix (human cx vs. digital), Eureweb negative performance and some costs inefficiencies. EBIT (-€7.0mn) also suffered from the ca. €8mn impairment of Eureweb goodwill and increasing D&A due to the halving of digital leads investments accrual period. Net Debt Adj. came out at €34.5mn (€30.3mn as of FY22), after significant capex for leads generation, NWC absorption and M&A (minorities buy-out).

Management changes to achieve planned targets

Over the last 6-8 months, MQSPA BoD has been determined to strengthen the Group corporate governance by establishing the Finance Committee, the Internal Audit function, and appointing Mr. Nitti and Mr. Tam as new Group CEO and CFO to guide an all-around reorganization plan aimed at boosting the economic and financial efficiency of the Group while innovating processes/products and aligning internal conduct to the best practices in terms of regulatory standards. This with the goal of bringing to fruition the 2023-2025 business plan targets outlined last March.

More cautious approach on 2H23, fine-tuning FY24E-25E

After the disclosure of 1H23 financials, and taking into account the deteriorating macroeconomic scenario, we are fine tuning downwards our 2023E-24E-25E estimates. In 2025E we now expect VoP at €128mn (14% CAGR_{22PF-25E}), EBITDA Adj. at €25.5mn (20% EBITDA Margin) and Net Debt Adj. at €22.2mn, after minorities buy-out.

Fair Value at €1.10 p/s (from €1.50 p/s)

MQSPA shares are trading at their all-time low level, on the back of the current scenario of low macro visibility, and pending the successful implementation of the reorganization effort. We update MQSPA fair value at €1.10 p.s. (from €1.50) based on peers' multiples analysis. At €1.10 p.s. MQSPA would trade at 1.1x-0.9x EV/Sales and 8.3x-5.8x EV/EBITDA 2023E-24E.

Marco Greco

marco.greco@value-track.com

Filippo Mazzoleni

filippo.mazzoleni@value-track.com

| | |
|----------------------------|-------------|
| Fair Value (€) | 1.10 |
| Market Price (€)(*) | 0.38 |
| Market Cap. (€m)(*) | 24.1 |

| KEY FINANCIALS (€mn) | 2022PF | 2023E | 2024E |
|----------------------|--------|-------|-------|
| VALUE OF PRODUCTION | 86.3 | 95.1 | 111.3 |
| EBITDA ADJ. | 15.1 | 16.0 | 20.3 |
| EBIT | 7.4 | -5.9 | 7.3 |
| NET PROFIT | 2.4 | -10.2 | 2.9 |
| ADJ. NET PROFIT | 2.4 | 1.2 | 5.8 |
| OpFCF a.t. | na | -2.8 | 8.2 |
| EQUITY | 33.3 | 31.7 | 35.0 |
| NET FIN. POSITION | -30.3 | -30.2 | -28.4 |

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

| KEY RATIOS (*) | 2022PF | 2023E | 2024E |
|----------------------------|--------|-------|-------|
| EBITDA ADJ. MARGIN (%) | 17.6 | 16.8 | 18.2 |
| EBIT MARGIN (%) | 8.6 | -6.2 | 6.6 |
| NET DEBT / EBITDA ADJ: (x) | 2.0 | 1.9 | 1.4 |
| NET DEBT / EQUITY (%) | 91.0 | 95.2 | 80.9 |
| ENTERPRISE VALUE (€mn) | 179.3 | 63.0 | 57.2 |
| EV/SALES (x) | 2.1 | 0.7 | 0.5 |
| EV/EBITDA ADJ. (x) | 11.8 | 3.9 | 2.8 |
| EV/EBIT (x) | 24.2 | nm | 7.8 |

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

STOCK DATA (*)

| | |
|--------------------|---------------------|
| FAIR VALUE (€) | 1.10 |
| MARKET PRICE (€) | 0.38 |
| SHS. OUT. (m) | 59.4 |
| MARKET CAP. (€m) | 24.1 |
| FREE FLOAT (%) | 29.8 |
| AVG. -20D VOL. (#) | 48,501 |
| RIC / BBG | MQSPA.MI / MQSPA IM |
| 52 WK RANGE | 0.38 – 2.09 |

Source: Stock Market Data, (*) Price as of 25.10 market close

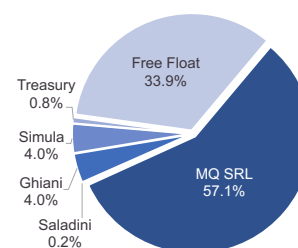
EQUITY RESEARCH PRODUCED ON BEHALF OF MIT SIM ACTING AS SPECIALIST ON MEGLIOQUESTO SHARES



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



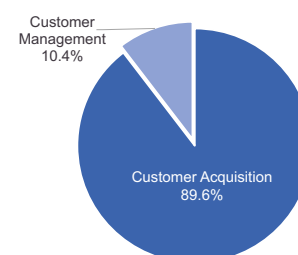
Source: MeglioQuesto

Key Financials

| Key Financials (€mn) | 2022PF | 2023E | 2024E | 2025E |
|---------------------------------|--------------|--------------|--------------|--------------|
| Value of Production | 86.3 | 95.1 | 111.3 | 128.0 |
| Chg. % YoY | 20.3% | 20.0% | 17.0% | 15.0% |
| EBITDA Reported | 13.8 | 13.1 | 17.8 | 23.0 |
| EBITDA Margin (%) | 16.0% | 13.8% | 16.0% | 18.0% |
| EBIT | 7.4 | -5.9 | 7.3 | 13.9 |
| EBIT Margin (%) | 8.6% | -6.2% | 6.6% | 10.9% |
| Net Profit | 2.4 | -10.2 | 2.9 | 7.8 |
| Chg. % YoY | -41.5% | -735.2% | -128.9% | nm |
| Adjusted Net Profit | 2.4 | 1.2 | 5.8 | 10.5 |
| Chg. % YoY | -41.5% | -64.0% | nm | 80.8% |
| Net Fin. Position | -30.3 | -30.2 | -28.4 | -22.2 |
| Net Fin. Pos. / EBITDA Rep. (x) | 2.0 | 2.3 | 1.6 | 1.0 |
| Capex | na | -7.0 | -6.0 | -6.0 |
| OpFCF b.t. | na | -1.6 | 9.8 | 13.9 |
| OpFCF b.t. as % of EBITDA | na | -12.4% | 55.1% | 60.1% |

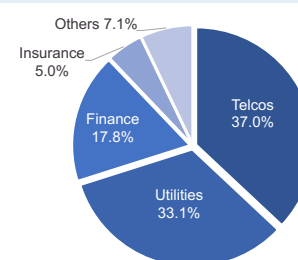
Source: MeglioQuesto (historical figures), Value Track (estimates)

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.

1H23 Financials

On September 29th, 2023, MeglioQuesto BoD released the full set of 1H23 financials, which confirmed preliminary figures and followed the path of 1Q23 in terms of top line evolution even if coupled with weaker profitability and free cash flow generation, coming as a result of: (i) a more penalizing business mix, (ii) the impairment (ca. €8mn) of Eureweb acquisition, (iii) substantial capex for digital leads generation, (iv) intensive NWC absorption and (v) some M&A cash-out for increased stakes in MeglioQuesto Human (former OM Group) and MQ Digital (former Smart Contact).

Key Financials & Messages

More in details, for 1H23, we highlight:

- ◆ **Value of Production at €48.9mn**, +45% y/y vs. 1H22 and +11% y/y vs. 1H22 Pro-Forma;
- ◆ **EBITDA Adj. at €8.3mn** vs. €6.0mn in 1H22 (+38%) and vs. €9.9mn as for 1H22PF (-17%);
- ◆ **EBITDA Adj. Margin at 16.9%** vs. 17.8% in 1H22 and vs. 22.5% as for 1H22PF;
- ◆ **EBIT at -€7.0mn** vs. €4.0mn in 1H22 due to Eureweb goodwill impairment (ca. €8.0mn);
- ◆ **Net Debt Adj. at €34.5mn** (€40.8mn non-adj.) vs. €30.3mn (€41.1mn) as of December 2022.

MeglioQuesto: Key Financials 1H21-1H23

| (IAS, €mn) | 1H21 | 1H22 | 1H22PF | 1H23 | y/y | y/y (vs. PF) |
|-------------------------------|--------------|------------------|------------------|--------------|---------------|----------------|
| Value of Production | 28.4 | 33.8 | 44.0 | 48.9 | 45% | 11% |
| EBITDA Adj. | 4.7 | 6.0 | 9.9 | 8.3 | 38% | -17% |
| <i>EBITDA Adj. Margin (%)</i> | <i>16.6%</i> | <i>17.8%</i> | <i>22.5%</i> | <i>16.9%</i> | <i>-90bps</i> | <i>-560bps</i> |
| EBIT | 3.3 | 4.0 | 7.4 | -7.0 | nm | nm |
| Net Fin. Position Adj. | // | -30.3 (*) | -30.3 (*) | -34.5 | -4.2 | -4.2 |

Source: MeglioQuesto, Value Track Analysis, (*) FY22

From disclosed financials, we infer the following key messages:

- 1. Top line keeps growing**, triggered by physical/human customer acquisition, especially in utility and finance industries;
- 2. Profitability suffering** due to business mix, Eureweb weak performance and impairment;
- 3. Free cash flow generation postponed** due to leads generation capex, NWC and M&A.

Top line keeps growing thanks to utility and finance customer acquisition

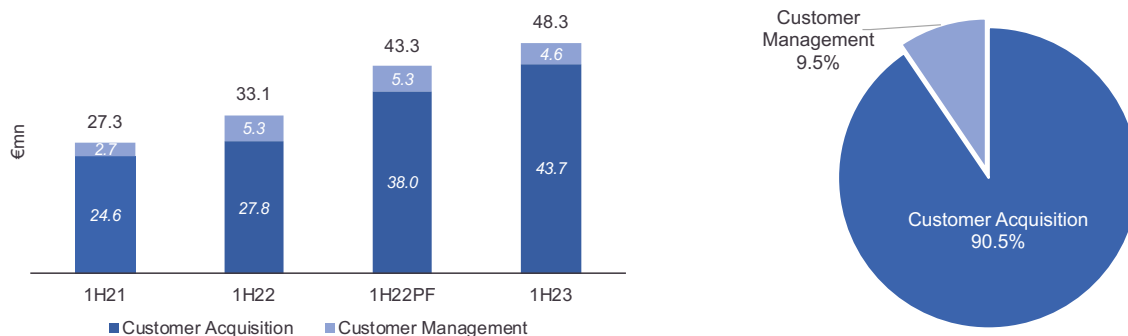
1H23 Revenues from Sales stood at **€48.3mn**, up 46% y/y vs. 1H22 €33.1mn (which included the full contribution from MQ Human, but only one month from Eureweb and no contribution from MQ Digital) and up 11% vs. 1H22PF €43.3mn.

Therefore, the result shows a positive low double-digit growth even on a like-for-like basis and seems to be in line with MQSPA business plan target for FY23 (€100mn-€105mn).

Top line increased thanks to the contribution from the **Customer Acquisition** business line (ca. €43.7mn vs. €38mn in 1H22PF), which more than offset lower revenues from **Customer Management** services (€4.6mn vs. 1H22/1H22PF €5.3mn).

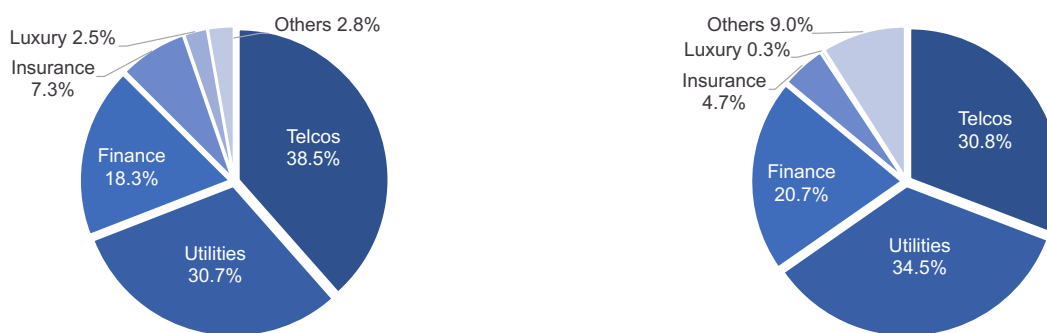
Industry-wise, we underline the strong performances of **Utilities** (becoming MQSPA main clients' sector) and **Finance** (undoubtedly the highest-growing market, also thanks to the strong results of MQ Human, highly specialized in customer acquisition activities in the financial sector).

MeglioQuesto: 1H23 Revenues from Sales by Business Line



Source: MeglioQuesto Value Track Analysis

MeglioQuesto: 1H22-1H23 Revenues from Sales by Industry



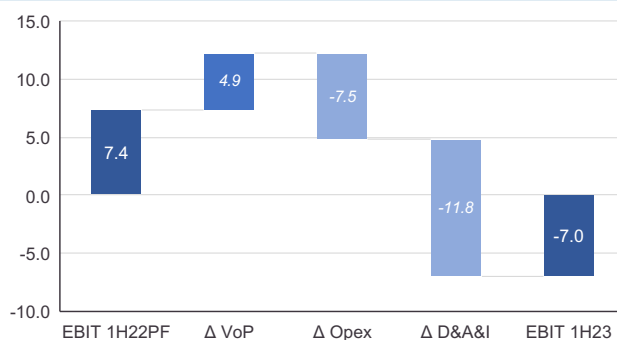
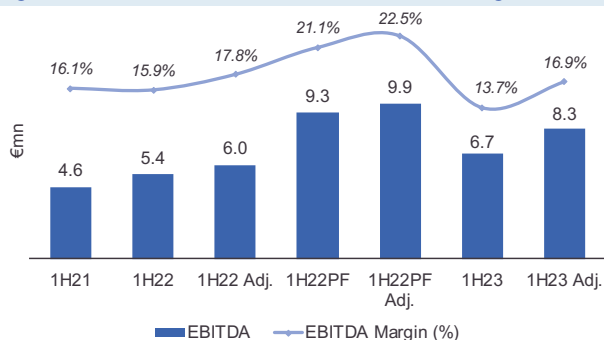
Source: MeglioQuesto Value Track Analysis

Profitability suffering due to business mix and Eureweb

At profitability level, we underline the following 1H23 results:

- ◆ **EBITDA at €6.7mn**, implying a 25% y/y growth vs. 1H22 (€5.4mn), but a -28% decline vs. 1H22 PF (€9.3mn). Adjusted for extraordinary expenses/income, non-deductible VAT and one-off components related to personnel and to the current reorganization plan, **EBITDA Adjusted** came out at **€8.3mn** vs. €6.0mn in 1H22 (+38% y/y) and vs. €9.9mn as for 1H22PF (-17% y/y).
- ◆ **EBITDA Margin** stood at **13.7% (16.9% adjusted)** vs. 21.1% in 1H22PF (22.5% adjusted), implying a profitability decrease y/y (a bit below business plan targets for FY23), as a result of (i) more adverse business mix (stronger contribution from physical/human customer experience vs. digital) and (ii) the negative performance of Eureweb, which did not achieve expected results.
- ◆ In terms of operating expenses breakdown, **Costs of Services** increased by almost €10mn y/y, with the main component being outsourced call center services (from €1.5mn to €7.0mn). Management is currently involved in an all-around reorganization plan that, among others, has the goal of achieving a substantial costs optimization;
- ◆ **EBIT at -€7.0mn** vs. €4.0mn in 1H22 and €7.4mn as for 1H22PF, burdened by (i) Eureweb goodwill impairment for €7.6mn and (ii) increasing D&A due to the halving (from 4 to 2 years) of digital leads investments accrual period to comply with latest best practices updates;
- ◆ **Net Profit at -€9.1mn**, after flat taxes vs. 1H22 (ca. €0.8mn), growing financial charges (€1.3mn vs. €0.9mn) and minorities at €0.3mn.

MeglioQuesto: EBITDA Evolution & EBIT Bridge 1H22PF-1H23



Source: MeglioQuesto Value Track Analysis

MeglioQuesto: P&L 1H21-1H23

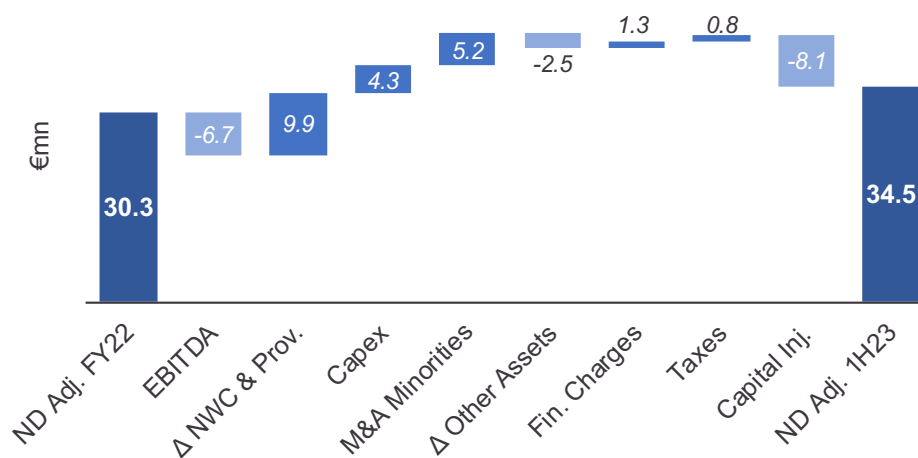
| (IAS, €mn) | 1H21 | 1H22 | 1H23 | y/y |
|-----------------------------------|--------------|--------------|---------------|----------------|
| Revenues from Sales | 27.4 | 33.1 | 48.3 | 46% |
| Other Revenues | 1.0 | 0.7 | 0.7 | -6% |
| Value of Production | 28.4 | 33.8 | 48.9 | 45% |
| Raw Materials (incl. Δ Inventory) | -1.8 | -1.7 | -1.9 | 13% |
| Costs of Services | -16.6 | -16.0 | -25.6 | 60% |
| Cost of Rent (Non-Leasing) | -0.4 | -1.3 | -2.1 | 58% |
| Labour Costs | -3.9 | -8.3 | -11.1 | 34% |
| G&A | -1.2 | -1.1 | -1.6 | 43% |
| EBITDA | 4.6 | 5.4 | 6.7 | 25% |
| <i>EBITDA Margin (%)</i> | <i>16.1%</i> | <i>15.9%</i> | <i>13.7%</i> | <i>-220bps</i> |
| EBITDA Adj. | 4.7 | 6.0 | 8.3 | 38% |
| <i>EBITDA Adj. Margin (%)</i> | <i>16.6%</i> | <i>17.8%</i> | <i>16.9%</i> | <i>-90bps</i> |
| D&A | -1.1 | -1.2 | -5.8 | nm |
| Impairments & Provisions | -0.1 | -0.2 | -8.0 | nm |
| EBIT | 3.3 | 4.0 | -7.0 | nm |
| <i>EBIT Margin (%)</i> | <i>11.6%</i> | <i>11.9%</i> | <i>-14.3%</i> | <i>nm</i> |
| Net Financial Charges | -0.8 | -0.9 | -1.3 | 41% |
| Taxes | -1.0 | -0.8 | -0.8 | -2% |
| Minorities | 0.0 | -0.4 | -0.3 | -33% |
| Net Profit | 1.5 | 1.9 | -9.3 | nm |

Source: MeglioQuesto Value Track Analysis

Free cash flow postponed due to capex for leads generation, NWC, M&A

Net Debt Adjusted worsened from €30.3mn to **€35.5mn** in 1H23 vs. FY22, as a result of:

- ◆ **Net Working Capital**, which, according to our calculations, absorbed ca. €10mn mainly due to the significant reduction of payables;
- ◆ **Capex** for ca. €4.3mn, out of which the most part dedicated towards leads generation activity;
- ◆ **M&A**, i.e. the acquisition of further stakes of MQ Human (additional 16.33% to get to 67% of the target share capital) for €2.3mn in cash and the remaining 49% of MQ Digital for €7.0mn in paper (therefore offset by an equity capital injection of the same amount). Since both the companies were already fully consolidated, the impact on the Group assets refers to goodwill.

MeglioQuesto: Adjusted Net Debt bridge FY22-1H23 (*)


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

MeglioQuesto: Balance Sheet FY21-1H23

| (IAS, €mn) | FY21 | 1H22 | FY22 | 1H23 |
|--|-------------|-------------|--------------|--------------|
| Net Fixed Assets | 25.4 | 50.7 | 61.3 | 54.6 |
| Net Working Capital | 7.8 | -11.8 | 5.7 | 15.7 |
| Provisions | 1.4 | 1.1 | 3.4 | 3.6 |
| Total Capital Employed | 31.9 | 37.7 | 63.6 | 66.8 |
| Group Net Equity | 25.8 | 37.7 | 33.3 | 32.3 |
| Adj. Net Fin. Pos. [i.e. Net Debt (-) Cash (+)] | -6.1 | 0.1 | -30.3 | -34.5 |

Source: MeglioQuesto, Value Track Analysis

MeglioQuesto: Reported and Adjusted Net Financial Position Structure FY21-1H23

| (IAS, €mn) | FY21 | 1H22 | FY22 | 1H23 |
|---|-------------|--------------|--------------|--------------|
| Cash & Equivalents (+) | 6.4 | 24.6 | 7.5 | 4.9 |
| Current Financial Assets (+) | 11.8 | 19.5 | 13.8 | 11.5 |
| Current Financial Debts (-) | -17.5 | -26.8 | -35.8 | -32.5 |
| Current Net Financial Position | 0.7 | 17.2 | -14.5 | -16.1 |
| Non-Current Financial Assets (+) | 0.0 | 0.0 | 0.0 | 0.0 |
| Non-Current Financial Debts (-) | -6.8 | -17.2 | -15.8 | -18.3 |
| Non-Current Net Financial Position | -6.8 | -17.2 | -15.8 | -18.3 |
| Adjusted Net Financial Position | -6.1 | 0.1 | -30.3 | -34.5 |
| Tax Receivables (-) | // | // | -4.4 | -4.3 |
| Down Payments to Suppliers (-) | // | // | -8.2 | -5.7 |
| Treasury Shares (-) | // | // | -1.1 | -1.4 |
| Accrued Tax Payables (+) | // | // | 2.9 | 2.8 |
| Expired Trade Payables (+) | // | // | 0.0 | 2.4 |
| Reported Net Financial Position | // | // | -41.1 | -40.8 |

Source: MeglioQuesto, Value Track Analysis

Business & Corporate Development

Over the last 6-8 months, MeglioQuesto Board of Directors has been determined to strengthen the Group corporate governance, which represents the essential step to be aligned with capital markets best practices and to provide the building blocks for a successful implementation of the Group business plan 2023-2025.

The appointment of the new CEO, the new organizational structure and all the other corporate developments described below, took place with the aim of bringing to fruition the business plan targets outlined last March (which we hint have been confirmed by the new top management) through the development of cost and revenue efficiencies that, as evidenced by 1H23 financial and economic data, have not been achieved yet.

Business Development

Business Plan “Together 2023-2025”

On March 29th 2023, MeglioQuesto unveiled its new industrial plan (“**Together 2023-2025**”) to analysts and investors, entailing a deep evolution of the business model and of economic and financial KPIs (more details in the Appendix and in previous reports).

Corporate Development

March 16th - Finance Committee

On March 16th 2023, MQSPA BoD established the **Finance Committee**, with the goal of strengthening the oversight of the Group finance function (ordinary and extraordinary) and promoting sustainable finance strategies aimed at creating long-term value for shareholders and all Group stakeholders. The committee is also pointing at the integration of ESG criteria into MQSPA business strategies.

May 31st - Alessandro Nitti New BoD Executive Chairman

On May 31st 2023, the Board of Directors appointed **Alessandro Nitti** (already independent advisor) to the position of Executive Chairman, also delegating him powers in the areas of communication, ESG development plan and management of relations with investors and with the financial community. The aim is always to strengthen MQSPA international footprint and corporate governance by maximizing the Group value to the market and supporting the implementation of the business plan.

Jaime Torrents, who accompanied the Group in the listing process and in the development path that brought to the acquisitions of OM Group, Eureweb and Smart Contact, took the position of deputy vice president.

August 1st - Francesco Tam New CFO and IR Manager

On August 1st 2023, MQSPA BoD appointed **Francesco Tam** as new Group CFO, who later also took the role of Investor Relations Manager.

September 7th - Group Internal Audit

On September 7th 2023, the Board of Directors established the Internal Audit function to further strengthen the governance structure of the Group, whose responsibility was entrusted to **Federica Biondi** (previously active in the Group as Head of Sales Support).

September 29th - Alessandro Nitti New CEO and New Group Structure

On September 29th 2023, the Board of Directors appointed as new CEO the previous Executive Chairman **Alessandro Nitti**, who took over the position from Felice Saladini (together with all the powers previously conferred on him) with the mandate of strengthening MQSPA competitive positioning as a leading Italian player in customer experience with an incremental focus on high value-added services offering and data mining & data management.

This move comes together with the commitment to increase the Group managerialisation and financial control, while also focusing on innovation and ensuring protection for all stakeholders.

We hint that Mr. Nitti has already started an all-around reorganization plan, aimed at improving the financial efficiency of the Group, at innovating products / services offered to clients, and at aligning internal processes to the best practices in terms of regulatory standards.

Group reorganization is being achieved also via the set up of three new internal functions:

- ◆ **Distribution Networks Sales Department**, responsible for the full-integration of the Voice, Human and Digital offer to enable revenues synergies through the rationalization of the various Group companies. Mr. Calogero Branciforti, former Founder and CEO of MQ Human, is the head of this new business unit and will report directly to the CEO;
- ◆ **Group Staff Function**: including HR, Communications, Procurement and General Affairs, reporting directly to the CEO. The Head of Staff role has been entrusted to Mr. Geri Cacciato, an experienced manager with more than 20 years in the world of services to business networks of leading international companies, and former partner of MQ Human.
- ◆ **CTO-CFO Joint Function**: an integrated operational business unit designed to converge technological and financial expertise in-house and develop a management system capable of intercepting the most innovative international fintech trends that could support the development of MQSPA business plan. Andrea Pireddu (confirmed as Group CTO) is therefore working together with the finance function, led by Francesco Tam (Group CFO).

Forecasts 2023E-25E

Estimates Revision

After the disclosure of 1H23 financials, and taking into account the deteriorating macroeconomic scenario, we are fine tuning downwards our 2023E-24E-25E estimates. Nonetheless, we confirm the drivers that support both our forecasts and MQSPA business plan targets. In more details, we revised:

- ◆ **Value of Production** by 8% per year, given the weaker-than-expected performance of the digital services offer (impacted by Eureweb) and of the Media Advertising stream.

On the other hand, MQ Human should record a higher-than-predicted FY top line. New business plan initiatives (Media Advertising, Touchpoints, E-Commerce, Installation Services, AI Tools) should contribute more significantly starting from FY24 onwards;

- ◆ **EBITDA** by ca. 16% on average, affected by the adverse business mix and by Eureweb weaker performance outlook.

New management is surely taking efforts to build a much more efficient Group structure but we think the first substantial synergies should arise more prominently next year. Indeed, EBITDA Margin is confirmed between 15% and 20% over FY24E-FY25E;

- ◆ **EBIT** burdened by Eureweb impairment in FY23E and by the shorter accrual period of leads generation D&A over the whole forecasted period.

Still, we believe that lower leads investments should allow for a low double digit EBIT margin by the end of FY25E;

- ◆ **Net Debt Adj.** almost in line with our last forecasts, as the higher Net Working Capital absorption should be offset by lower Capex (slowing down after the ramp-up of 2H22-1H23) and Taxes.

We are still considering the residual buy-out of MQ Human (33% in 2 tranches by FY25E) and Eureweb (45% in 2 tranches by FY26E), albeit involving a lower cash-out due to estimates revision. The whole buy-out is now forecasted in cash and not through the issue of new shares.

MeglioQuesto: Value Track Old vs. New Estimates

| (IAS, €mn) | 2023E | | | 2024E | | | 2025E | | |
|-------------------------------|-------|-------|---------|-------|-------|---------|-------|-------|---------|
| | Old | New | Δ | Old | New | Δ | Old | New | Δ |
| Value of Production | 103.1 | 95.1 | -8% | 120.6 | 111.3 | -8% | 138.7 | 128.0 | -8% |
| EBITDA Adj. | 18.0 | 16.0 | -11% | 23.6 | 20.3 | -14% | 29.2 | 25.5 | -13% |
| <i>EBITDA Adj. Margin (%)</i> | 17.4% | 16.8% | -60bps | 19.6% | 18.2% | -140bps | 21.1% | 20.0% | -110bps |
| EBITDA | 15.5 | 13.1 | -15% | 21.1 | 17.8 | -16% | 27.7 | 23.0 | -17% |
| <i>EBITDA Margin (%)</i> | 15.0% | 13.8% | -120bps | 17.5% | 16.0% | -150bps | 20.0% | 18.0% | -200bps |
| EBIT | 10.2 | -5.9 | nm | 13.7 | 7.3 | -47% | 18.7 | 13.9 | -26% |
| <i>EBIT Margin (%)</i> | 9.9% | -6.2% | nm | 11.4% | 6.6% | -480bps | 13.5% | 10.9% | -260bps |
| Net Fin. Position Adj. | -31.1 | -30.2 | 0.9 | -27.6 | -28.4 | -0.8 | -20.3 | -22.2 | -1.9 |

Source: Value Track Analysis

New Forecasts

Key 2025E Estimates

- ◆ **Value of Production at €128mn**, growing at 14% CAGR_{22PF-25E} thanks to both traditional CX and new initiatives of the business plan;
- ◆ **EBITDA Adj. at €25.5mn** (20% EBITDA Margin), growing more than proportionately vs. top line thanks to increasing synergies and efficiencies;
- ◆ **Net Debt Adj. at €22.2mn**, thanks to a 60% OpFCF/EBITDA conversion rate and despite minorities buy-out.

Value Track vs. MQSPA Business Plan Key Estimates

Our estimates now embed a ca. 8% discount vs. MQSPA Value of Production targets, and ca. 20% at Adj. EBITDA level, translating into a worse Net Financial Position.

We are more cautious, but we still assume a proper take-off of the new initiatives to be launched by the company. At the same time, we warn that visibility on such a proper take-off is quite low at the moment and that uncertainties on GDP slowdown do not help visibility as well.

MeglioQuesto: Business Plan Targets vs. Value Track Estimates

| (IAS, €mn) | 2023E | | | 2024E | | | 2025E | | |
|-------------------------------|--------------|--------------|----------------|--------------|--------------|----------------|--------------|--------------|----------------|
| | MQSPA | VT | Δ | MQSPA | VT | Δ | MQSPA | VT | Δ |
| Value of Production | 102.5 | 95.1 | -7% | 121.3 | 111.3 | -8% | 140.0 | 128.0 | -9% |
| EBITDA Adj. | 19.0 | 16.0 | -16% | 25.5 | 20.3 | -20% | 32.0 | 25.5 | -20% |
| <i>EBITDA Adj. Margin (%)</i> | <i>18.5%</i> | <i>16.8%</i> | <i>-170bps</i> | <i>21.0%</i> | <i>18.2%</i> | <i>-280bps</i> | <i>22.9%</i> | <i>20.0%</i> | <i>-290bps</i> |
| Net Fin. Position Adj. | -25.0 | -30.2 | -5.2 | -19.5 | -28.4 | -8.9 | -14.0 | -22.2 | -8.2 |

Source: Value Track Analysis

Financial Statements 2022A-25E

MeglioQuesto: P&L 2022A-25E

| (IAS, €mn) | 2022A | 2023E | 2024E | 2025E |
|-------------------------------|--------------|--------------|--------------|--------------|
| Value of Production | 79.3 | 95.1 | 111.3 | 128.0 |
| Operating Expenses | -67.4 | -82.0 | -93.5 | -105.0 |
| EBITDA | 11.8 | 13.1 | 17.8 | 23.0 |
| <i>EBITDA Margin (%)</i> | <i>14.9%</i> | <i>13.8%</i> | <i>16.0%</i> | <i>18.0%</i> |
| EBITDA Adj, | 13.1 | 16.0 | 20.3 | 25.5 |
| <i>EBITDA Adj. Margin (%)</i> | <i>16.6%</i> | <i>16.8%</i> | <i>18.2%</i> | <i>20.0%</i> |
| D&A | -4.7 | -11.1 | -10.4 | -9.0 |
| Impairments & Provisions | -0.5 | -8.0 | -0.1 | -0.1 |
| EBIT | 6.6 | -5.9 | 7.3 | 13.9 |
| <i>EBIT Margin (%)</i> | <i>8.3%</i> | <i>-6.2%</i> | <i>6.6%</i> | <i>10.9%</i> |
| Net Financial Charges | -2.4 | -2.5 | -2.4 | -2.0 |
| Taxes | -2.1 | -1.2 | -1.6 | -3.9 |
| Minorities | -0.5 | -0.6 | -0.3 | -0.2 |
| Net Profit | 1.6 | -10.2 | 2.9 | 7.8 |

Source: MeglioQuesto, Value Track Analysis

MeglioQuesto: Balance Sheet 2022A-25E

| (IAS, €mn) | 2022A | 2023E | 2024E | 2025E |
|-------------------------------|--------------|--------------|--------------|--------------|
| Net Fixed Assets | 61.3 | 51.9 | 51.4 | 50.0 |
| Net Working Capital | 5.7 | 13.8 | 16.1 | 19.5 |
| Provisions | 3.4 | 3.8 | 4.1 | 4.3 |
| Total Capital Employed | 63.6 | 62.0 | 63.4 | 65.2 |
| Group Net Equity | 33.3 | 31.7 | 35.0 | 43.0 |
| Net Fin. Position Adj. | -30.3 | -30.2 | -28.4 | -22.2 |

Source: MeglioQuesto, Value Track Analysis

MeglioQuesto: Cash Flow Statement 2022A-25E

| (IAS, €mn) | 2022A | 2023E | 2024E | 2025E |
|--|--------------|--------------|--------------|--------------|
| EBITDA (Reported) | 11.8 | 13.1 | 17.8 | 23.0 |
| Δ NWC & Provisions | -10.2 | -7.8 | -2.0 | -3.2 |
| Capex | -10.1 | -7.0 | -6.0 | -6.0 |
| OpFCF b.t. | -8.5 | -1.6 | 9.8 | 13.9 |
| <i>As a % of EBITDA</i> | <i>-72%</i> | <i>-12%</i> | <i>55%</i> | <i>60%</i> |
| Taxes | -2.1 | -1.2 | -1.6 | -3.9 |
| Capital Injections | 8.3 | 8.1 | 0.0 | 0.0 |
| Net Financial Charges | -2.4 | -2.5 | -2.4 | -2.0 |
| Fin. Inv./Minorities Acquisitions/Others | -19.4 | -2.7 | -3.9 | -1.8 |
| Δ Net Financial Position | -24.2 | 0.1 | 1.9 | 6.1 |
| Net Fin. Position Adj. | -30.3 | -30.2 | -28.4 | -22.2 |

Source: MeglioQuesto, Value Track Analysis

Valuation

We update **MQSPA Fair Equity Value at €1.10 p/s** (from €1.50 p/s) entirely based on our relative valuation analysis, which embeds both the estimates revision previously outlined and the significant (and relentless) peers de-rating of latest months.

DCF model is used only as a cross-check, as we believe that it could be misleading in the current scenario of low visibility on macro evolution. Nonetheless, if the new management would be able to successfully implement the mentioned reorganization plan and properly execute the business plan, we are confident in a substantial re-rating of MQSPA, getting closer to the outcome of our DCF.

At €1.10 p/s, MQSPA would trade at **1.1x-0.9x EV/Sales and 8.3x-5.8x EV/EBITDA 2023E-24E**, in line vs. the implicit multiples of recent PTOs and M&A transactions in the customer experience sector.

MeglioQuesto: Multiples Sensitivity at Various Stock Price Levels

| Fair Equity Value p/s (€) | EV/Sales | | EV/EBITDA | | EV/EBIT | | P/E Adj. | |
|---------------------------|------------|------------|------------|------------|-----------|-------------|-----------|-------------|
| | 2023E | 2024E | 2023E | 2024E | 2023E | 2024E | 2023E | 2024E |
| € 0.35 | 0.6 | 0.5 | 4.7 | 3.1 | nm | 7.5 | 18.4 | 4.1 |
| € 0.60 | 0.8 | 0.6 | 5.9 | 4.0 | nm | 9.7 | nm | 7.0 |
| € 0.85 | 1.0 | 0.8 | 7.1 | 4.9 | nm | 11.9 | nm | 9.9 |
| € 1.10 | 1.1 | 0.9 | 8.3 | 5.8 | nm | 14.0 | nm | 12.8 |
| € 1.35 | 1.3 | 1.1 | 9.5 | 6.7 | nm | 16.2 | nm | 15.7 |
| € 1.60 | 1.5 | 1.2 | 10.7 | 7.6 | nm | 18.3 | nm | 18.6 |
| € 1.85 | 1.6 | 1.4 | 11.9 | 8.4 | nm | 20.5 | nm | 21.5 |

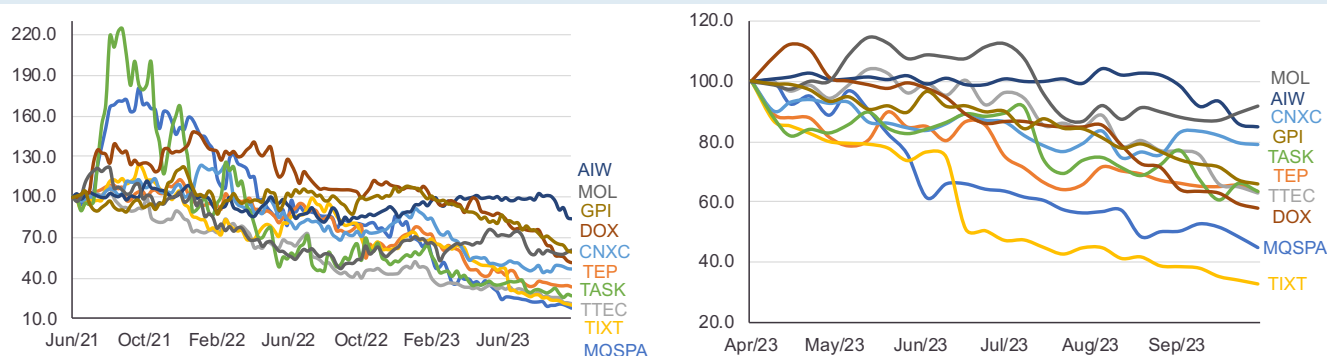
Source: Value Track Analysis

Peers Analysis

Over the last few weeks, MQSPA and peers continued to see their stock prices significantly derated. The rally of 2021 seems much further away than it is, with all customer experience stocks reporting a negative performance since June 2021 (MQSPA IPO), affected by increasing fears of macro slowdown.

Weaker-than-expected financial results have caused MQSPA price to plummet, with the stock now trading in excess of 50% discount vs. peers. We believe that there is wide room for re-rating, especially with the implementation of the revenues and costs efficiencies that should be brought in by the reorganization plan and the implementation of the new business plan initiatives.

MeglioQuesto: Weekly Stock Performance since IPO (lhs) and L6M (rhs)



Source: MeglioQuesto Value Track Analysis

MeglioQuesto: Peers' Stock Trading Multiples

| Company | EV/Sales | | EV/EBITDA | | EV/EBIT | | P/E Adj. | |
|----------------------------|------------|------------|------------|------------|-------------|-------------|-------------|-------------|
| | 2023E | 2024E | 2023E | 2024E | 2023E | 2024E | 2023E | 2024E |
| International Peers | | | | | | | | |
| Teleperformance | 1.1 | 0.9 | 4.9 | 4.2 | 7.1 | 6.0 | 10.0 | 9.3 |
| TTEC Holdings | 0.7 | 0.7 | 6.1 | 5.7 | 11.6 | 10.0 | 19.5 | 13.7 |
| Telus International | 1.3 | 1.1 | 5.9 | 4.6 | 19.2 | 11.0 | 34.8 | 13.7 |
| Concentrix | 1.5 | 1.0 | 9.1 | 6.1 | 11.7 | 8.2 | 14.3 | 9.4 |
| Taskus | 1.0 | 0.9 | 4.2 | nm | 11.3 | 8.8 | 20.5 | 15.0 |
| Average | 1.1 | 0.9 | 6.0 | 5.2 | 12.2 | 8.8 | 19.8 | 12.2 |
| Median | 1.1 | 0.9 | 5.9 | 5.2 | 11.6 | 8.8 | 19.5 | 13.7 |
| Domestic Peers | | | | | | | | |
| Almawave | 1.8 | 1.5 | 9.0 | 5.6 | 14.5 | 7.8 | 22.7 | 12.7 |
| Doxee | 2.1 | 1.6 | nm | 7.1 | nm | 18.1 | nm | 32.4 |
| MutuiOnline | 3.4 | 3.0 | 12.9 | 10.8 | 19.6 | 14.9 | 26.1 | 19.3 |
| GPI | 1.4 | 1.2 | 7.7 | 6.2 | 14.3 | 10.4 | 15.5 | 9.3 |
| Average | 2.2 | 1.8 | 9.9 | 7.4 | 16.1 | 12.8 | 21.4 | 18.4 |
| Median | 2.0 | 1.6 | 9.0 | 6.7 | 14.5 | 12.7 | 22.7 | 16.0 |
| Total Average | 1.6 | 1.3 | 7.5 | 6.3 | 13.7 | 10.6 | 20.4 | 15.0 |
| Total Median | 1.4 | 1.1 | 6.9 | 5.9 | 13.0 | 10.0 | 20.0 | 13.7 |
| MeglioQuesto | 0.7 | 0.5 | 4.8 | 3.2 | nm | 7.8 | 20.0 | 4.2 |

Source: Market Consensus, Value Track Analysis

With fair multiples in line with the total average of international and domestic peers, our relative valuation analysis points at **€1.10 p/s Fair Equity Value**.

MeglioQuesto: Peers' based valuation analysis

| Fair Equity Value p/s (€) | EV/EBITDA | EV/EBIT | P/E Adj. |
|--------------------------------------|-------------|-------------|-------------|
| Fair 2024E Multiples (x) | 6.3 | 10.6 | 15.0 |
| MQSPA Financials 2024E (€mn) | 17.8 | 7.3 | 5.4 |
| Fair Enterprise Value (€mn) | 112.2 | 77.8 | // |
| Net Financial Position 2024E (€mn) | -28.4 | -28.4 | // |
| Adjustments (Minorities) 2024E (€mn) | -4.8 | -4.8 | // |
| Fair Equity Value (€mn) | 79.1 | 44.6 | 81.6 |
| NOSH (mn) | 63.4 | 63.4 | 63.4 |
| Fair Equity Value p/s (€) | | 1.10 | |

Source: MeglioQuesto, Value Track Analysis

Cross-check #1: DCF Model

Our DCF is based on 30% target capital structure (Net Debt/Total Capital Employed), 10.6% WACC and 2.0% “g”. The model returns a **Fair Equity Value of €2.05 p/s**. Our WACC assumptions are:

- ◆ 2.0% Risk-Free Rate, in line with inflation medium-term target;
- ◆ 6.5% Italian Equity Risk Premium (Damodaran data);
- ◆ 1.00 Unlevered Beta (in line with International Peers average), leading to 1.33 Levered Beta;
- ◆ 3.0% 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 2024E-2030E | 61.2 |
| Discounted Terminal Value @ 2030E with g=2.0% | 107.8 |
| Fair Enterprise Value | 168.9 |
| Net Fin. Position 2023E | -30.2 |
| Adjustments (Minorities, 2023E) | -8.7 |
| Fair Equity Value | 130.0 |
| NOSH (mn) | 63.4 |
| Fair Equity Value p/s (€) | 2.05 |

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 (%) | 9.6% | 2.18 | 2.30 | 2.44 | 2.59 | 2.77 |
| | 10.1% | 2.01 | 2.12 | 2.23 | 2.36 | 2.52 |
| | 10.6% | 1.86 | 1.95 | 2.05 | 2.16 | 2.29 |
| | 11.1% | 1.72 | 1.80 | 1.89 | 1.99 | 2.10 |
| | 11.6% | 1.60 | 1.67 | 1.75 | 1.83 | 1.93 |

Source: Value Track Analysis

Cross-check #2: Recent PTOs / M&A Transactions

Recent deals have been closed at average 7.8x EV/EBITDA FY1 (2023E), at a premium of ca. 30% with respect to the average of MQSPA international listed comparables.

MeglioQuesto: Recent PTOs / M&A Transactions

| Acquirer // Target | Date Announced | EV (bn) | EV/Sales FY1 (x) | EV/EBITDA FY1 (x) |
|------------------------------------|----------------|-----------|------------------|-------------------|
| Concentrix // WebHelp | 26-04-23 | €3.0 | 1.3 | 8.0 |
| Teleperformance // Majorel Group | 10-10-23 | \$0.2 | 0.6 | 5.8 |
| Capital Square Partners // Startek | 29-03-23 | \$4.8 | 1.6 | 9.7 |
| Average | nm | nm | 1.2 | 7.8 |

Source: MeglioQuesto, Value Track Analysis

Appendix – Business Plan 2023-2025

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

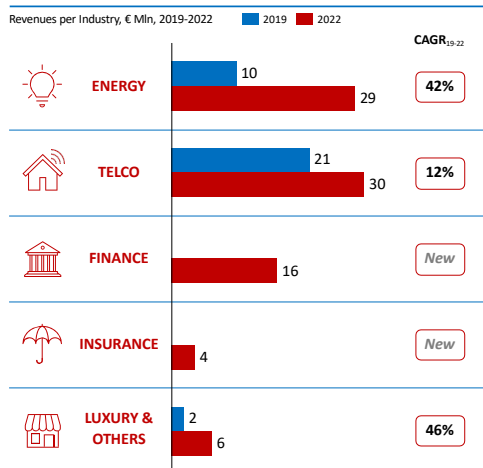
The starting point

The definition of MQSPA new industrial plan started from the assessment of recent years evolution, 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 aims 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.

To deliver the above-mentioned vision, MQSPA plans 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.





Key Financial Targets

As far as 2025E is concerned, MQSPA is targeting: **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

DISCLAIMER

THIS DOCUMENT IS PREPARED BY VALUE TRACK S.R.L. NEITHER THIS DOCUMENT NOR ANY COPY THEREOF MAY BE TAKEN OR TRANSMITTED OR DISTRIBUTED, DIRECTLY OR INDIRECTLY, INTO CANADA OR JAPAN OR AUSTRALIA TO ANY RESIDENT THEREOF OR INTO THE UNITED STATES, ITS TERRITORIES OR POSSESSIONS. THE DISTRIBUTION OF THIS DOCUMENT IN OTHER JURISDICTIONS MAY BE RESTRICTED BY LAW AND PERSONS INTO WHOSE POSSESSION THIS DOCUMENT COMES SHOULD INFORM THEMSELVES ABOUT, AND OBSERVE, ANY SUCH RESTRICTION. ANY FAILURE TO COMPLY WITH THESE RESTRICTIONS MAY CONSTITUTE A VIOLATION OF THE LAWS OF ANY SUCH OTHER JURISDICTION.

THIS DOCUMENT DOES NOT CONSTITUTE OR FORM PART OF, AND SHOULD NOT BE CONSTRUED AS, AN OFFER, INVITATION OR INDUCEMENT TO SUBSCRIBE FOR OR PURCHASE ANY SECURITIES OR MAKE RELATED INVESTMENTS, AND NEITHER THIS DOCUMENT NOR ANYTHING CONTAINED HEREIN SHALL FORM THE BASIS OF OR BE RELIED ON IN CONNECTION WITH OR ACT AS AN INVITATION OR INDUCEMENT TO ENTER INTO ANY CONTRACT OR COMMITMENT WHATSOEVER.

THIS DOCUMENT HAS BEEN PRODUCED ON BEHALF OF MIT SIM THAT IS ACTING AS SPECIALIST ON MEGLIOQUESTO SHARES

THIS DOCUMENT HAS BEEN PREPARED BY ITS AUTHORS INDEPENDENTLY OF MEGLIOQUESTO S.P.A. (THE “COMPANY”) AND ITS SHAREHOLDERS AND SUBSIDIARIES AND AFFILIATES, AND ANY FORECASTS, OPINIONS AND EXPECTATIONS CONTAINED HEREIN ARE ENTIRELY THOSE OF THE AUTHORS HEREOF AND ARE GIVEN AS PART OF ITS NORMAL RESEARCH ACTIVITY AND SHOULD NOT BE RELIED UPON AS HAVING BEEN AUTHORISED OR APPROVED BY ANY OTHER PERSON.

VALUE TRACK S.R.L. HAS NO AUTHORITY WHATSOEVER TO MAKE ANY REPRESENTATION OR WARRANTY ON BEHALF OF ANY SYNDICATE MEMBER, THE COMPANY, ITS SHAREHOLDERS, ANY OF ITS ADVISERS, ANY OF ITS SUBSIDIARIES, ITS AFFILIATES, OR ANY OTHER PERSON IN CONNECTION THEREWITH. WHILE ALL REASONABLE CARE HAS BEEN TAKEN TO ENSURE THAT THE FACTS STATED HEREIN ARE ACCURATE AND THAT THE FORECASTS, OPINIONS AND EXPECTATIONS CONTAINED HEREIN ARE FAIR AND REASONABLE, VALUE TRACK S.R.L. HAS NOT VERIFIED THE CONTENTS HEREOF AND ACCORDINGLY NONE OF VALUE TRACK S.R.L.,

THE COMPANY, ITS SUBSIDIARIES AND AFFILIATES ITS SHAREHOLDERS, ANY ADVISORS TO THE COMPANY OR ITS SHAREHOLDERS OR ANY OTHER PERSON IN CONNECTION THEREWITH NOR ANY OF THEIR RESPECTIVE DIRECTORS, OFFICERS OR EMPLOYEES, SHALL BE IN ANY WAY RESPONSIBLE FOR THE CONTENTS HEREOF AND NO RELIANCE SHOULD BE PLACED ON THE ACCURACY, FAIRNESS, OR COMPLETENESS OF THE INFORMATION CONTAINED IN THIS DOCUMENT. NO PERSON ACCEPTS ANY LIABILITY WHATSOEVER FOR ANY LOSS HOWSOEVER ARISING FROM THE USE OF THIS DOCUMENT OR OF ITS CONTENTS OR OTHERWISE ARISING IN CONNECTION THEREWITH. TO THE EXTENT PERMITTED BY LAW AND BY REGULATIONS, VALUE TRACK S.R.L. (OR ITS OFFICERS, DIRECTORS OR EMPLOYEES) MAY HAVE A POSITION IN THE SECURITIES OF (OR OPTIONS, WARRANTS OR RIGHTS WITH RESPECT TO, OR INTEREST IN THE SHARES OR OTHER SECURITIES OF) THE COMPANY AND MAY MAKE A MARKET OR ACT AS A PRINCIPAL IN ANY TRANSACTIONS IN SUCH SECURITIES.

THIS REPORT CONTAINS PROJECTIONS THAT PRESENT A POSSIBLE OUTCOME ON THE BASIS OF THE ASSUMPTIONS SET OUT HEREIN. THESE REPRESENT ONLY ONE POSSIBLE OUTCOME AND ARE THE INDEPENDENT VIEWS OF THE AUTHOR OF THIS REPORT ONLY. THESE PROJECTIONS ARE SUBJECT TO RISKS, UNCERTAINTIES AND ASSUMPTIONS AND FUTURE ACTUAL RESULTS COULD DIFFER MATERIALLY.