

MeglioQuesto

Sector: Customer Experience Management (CXM)



Working to achieve turnaround

MeglioQuesto (MQ) is a leading domestic player in outsourced omnichannel customer interaction / experience (CX) business, across several industries.

FY23 financial KPIs worse than expected

MQSPA released some preliminary FY23 KPIs, which are worse than our expectations, partly due to industrial reasons and partly to accounting ones.

- ◆ VoP €87mn/€89mn, (VT exp. €95mn) ca. +11% y/y (+2% vs. FY22PF);
- ◆ EBITDA Adj. €5mn/€6mn (VT exp. €16mn) vs. €13.1mn in FY22, (€15.1mn FY22PF), and EBITDA Reported €2.0mn/€3.5mn (VT exp. €13.1mn) vs. €11.8mn in FY22, (€13.8mn in FY22PF);
- ◆ Net Debt €31mn/€33mn (VT exp. €30.2mn) vs. €30.3mn in Dec. '22.

Industrial wise, Top line was affected by worsening macro scenario, while profitability also suffered by a poor planning of structural costs (to sustain an initially estimated top line of €100mn).

Accounting wise, we estimate that the restatement of some past revenue / cost items and the adoption of new accounting policies on leads generation investments (now 100% expensed) negatively impacted FY23 EBITDA by ca. €5mn-€6mn. Net Debt improved vs. September despite a long cash conversion cycle and a slowdown in the integration of acquired entities.

Based on preliminary figures, we calculate Net Debt / EBITDA ratio FY23 at ca. 10x, by the way well above the covenant of "MeglioQuesto 4.75% 2022-2026" bond ($\leq 3.5x$).

At work to improve financial and industrial performance

2024 priorities are twofold: 1) On the industrial side to accelerate the current growth of Financial and Energy / Utilities clients and to finalize the cost cutting effort in order to gain back higher operating profitability; 2) On the financial one to: a) achieve better working capital management, b) cut the cash out for minorities acquisition (e.g. the legal dispute with OM Group, minority shareholder in MQ Human Srl), c) renegotiate bond covenants, in the interest of all Group's stakeholders.

Estimates and Fair Value Under Review (from €1.10 p/s)

Pending the full disclosure of FY23 financials, we put under review our estimates and fair value on MQSPA.

Marco Greco

marco.greco@value-track.com

Filippo Mazzoleni

filippo.mazzoleni@value-track.com

Fair Value (€)

U/R

Market Price (€)

0.35

Market Cap. (€m)

22.2

KEY FINANCIALS (€mn, U/R)	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 (U/R)	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	61.1	55.4
EV/SALES (x)	2.1	0.6	0.5
EV/EBITDA ADJ. (x)	11.8	3.8	2.7
EV/EBIT (x)	24.2	nm	7.5

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

STOCK DATA

FAIR VALUE (€)	U/R
MARKET PRICE (€)	0.35
SHS. OUT. (m)	63.4
MARKET CAP. (€m)	22.2
FREE FLOAT (%)	41.9
AVG. -20D VOL. (#)	140,466
RIC / BBG	MQSPA.MI / MQSPA IM
52 WK RANGE	0.35 - 0.62

Source: Stock Market Data

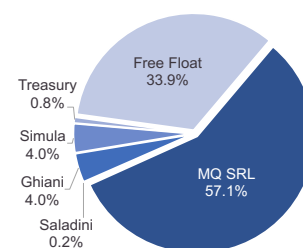
EQUITY RESEARCH PRODUCED ON BEHALF OF MIT SIM ACTING AS SPECIALIST ON MEGLIOQUESTO SHARES



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



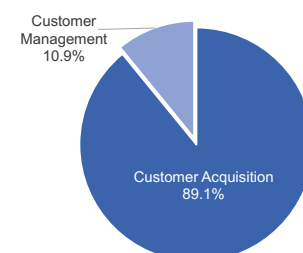
Source: MeglioQuesto

Key Financials (Under Review)

Key Financials (€mn)	2022PF	2023E	2024E	2025E
Value of Production	86.3	95.1	111.3	128.0
y/y (%)	20.3%	10.3%	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
y/y (%)	nm	nm	nm	nm
Adjusted Net Profit	2.4	0.6	5.4	10.3
y/y (%)	nm	-78.0%	nm	88.7%
Net Fin. Position	-30.3	-30.2	-28.4	-22.2
Net Fin. Pos. / EBITDA Rep. (x)	2.2	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%

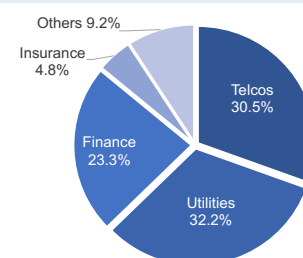
Source: MeglioQuesto (historical figures), Value Track (estimates)

Revenues from Sales by Business Line



Source: MeglioQuesto, FY23P

Revenues from Sales by Industry



Source: MeglioQuesto, FY23P

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

- ◆ Ongoing reorganization process;
- ◆ Regulatory scenario;
- ◆ Competition in low-end segments of Italian outsourced CXM market.

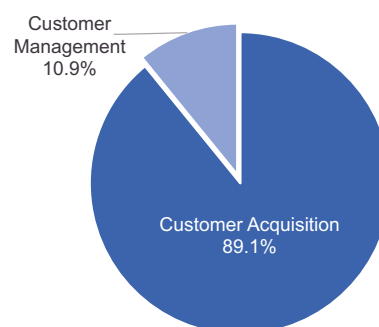
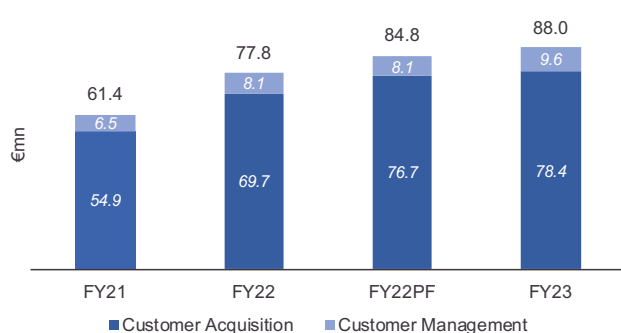
FY23 Preliminary KPIs

MeglioQuesto: Key Financials FY21-FY23

(IAS, €mn)	FY21	FY22	FY22PF	FY23	y/y	y/y (vs. PF)
Value of Production	62.5	79.3	86.3	ca. 88.0	ca. +11%	ca. +2%
EBITDA Adj.	11.4	13.1	15.1	ca. 5.5	ca. -58%	ca. -64%
EBITDA Adj. Margin (%)	18.2%	16.6%	17.6%	ca. 6.3%	nm	nm
EBITDA	10.6	11.8	13.8	ca. 2.8	ca. -77%	ca. -80%
EBITDA Margin (%)	16.9%	14.9%	16.0%	ca. 3.1%	nm	nm
Net Financial Position	-6.1	-30.3	-30.3	ca. -32.0	-1.7	-1.7

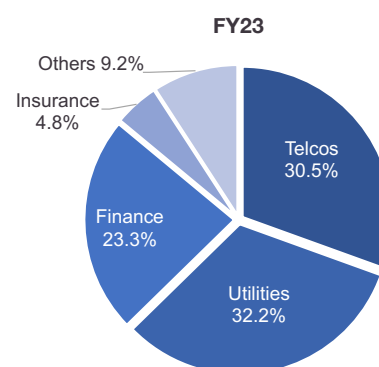
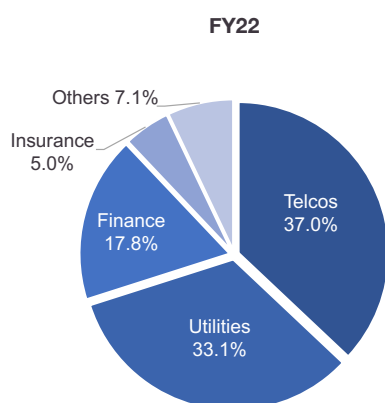
Source: MeglioQuesto, Value Track Analysis

MeglioQuesto: FY21-FY23 Revenues from Sales by Business Line



Source: MeglioQuesto Value Track Analysis

MeglioQuesto: FY22-FY23 Revenues from Sales by Industry



Source: MeglioQuesto Value Track Analysis

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. MEGLIOQUESTO IS / HAS BEEN CLIENT OF VALUE TRACK.

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.