

Keep Growing Through an In-Sane! M&A

ADD | Fair Value: €6.4 (€5.5) | Current Price: €3.2 | Upside: 98.5%

Research Update

November 28, 2022 – 7.00 h

Equity Research Team

connect@ktepartners.com

Maria Teresa DI GRADO

mdigrado@ktepartners.com

+39 331 631 0793

Mauro IACCINO

miaccino@ktepartners.com

+39 393 164 3804

€ Million	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
Total Revenues	5.9	8.5	9.8	20.6	23.3	26.0
EBITDA	1.6	2.5	2.8	5.1	6.0	7.0
margin	26.8%	29.1%	29.1%	24.9%	25.9%	26.9%
Net Profit	0.9	1.7	2.0	3.8	4.5	5.3
margin	16.0%	19.7%	20.1%	18.4%	19.3%	20.2%
EPS	n.a.	0.2	0.3	0.5	0.6	0.7
NFP	(0.8)	(2.8)	(2.2)	(7.1)	(11.8)	(17.4)

Source: Company data, KT&Partners' elaboration

Boosting its Growth Path through In-Sane! Acquisition. In November 2022, IDNTT announced the acquisition of the 60% of In-Sane! Srl's share capital, one of the five most important Italian talent management agencies active in influencer marketing, with a portfolio of more than 170 content creators, influencers, and gamers. The deal consideration, that was fixed at €2.1mn and was calculated as 60% of a 5x multiple of the In-Sane!'s FY22E EBITDA (estimated at €0.7mn), was entirely paid out at the announcement date. In addition, IDNTT holds a call option to acquire from Perseo Srl its remaining 15% share capital against a compensation that will be expressed within 2025 on the basis of In-Sane!'s future EBITDA.

Content Marketing and Influencer Marketing in a Unique Identity. Through this acquisition, IDNTT continues its growth path and expands its presence in the content-creation field, completing its core offering with a growing business, becoming one of the first Italian martech companies to have combined content marketing with the influencer marketing. This vision reflects indeed the careful IDNTT attention regarding the latest social trends, always more focused on entertainment content. Indeed, thanks to the In-Sane! acquisition, IDNTT will benefitting from numerous and different influencer's fan bases, increasing the audience of its content and thus the potential customer bases for IDNTT's client companies.

Change in Estimates. On the back of In-Sane! acquisition, we revised our IDNTT estimates upward. As In-Sane! will be consolidated from 2023E, we do not change our estimates for FY22E with the exception of the cash outflows resulting from the acquisition. Therefore, although IDNTT is still cash positive after the acquisition, we expect a FY22E NFP worsening from -€4.9mn to -€2.2mn, reaching -€17.4mn in 2025E. Looking at top line, in FY22E, we slightly decrease IDNTT's revenues to €9.8mn from the previous estimates at €11.2mn due to a slowdown in the public administration business following the change of the Italian government in the recent months. However, we revised our FY23E sales at €20.6mn (+42% upside change), while we expect in the following years a more marked growth than previously estimated at a CAGR2022E-2025E of 38.6% (vs. our old estimates of 16.3%) up to €26.0mn in FY25E, that will be mainly driven by IDNTT's business growth and the In-Sane!'s strategy aimed at monetizing from new social and technology trends. At the EBITDA level, although we revised upward the FY23E EBITDA from €4.6mn to €5.1mn, we have considered a decrease of IDNTT's marginality from 31.3% to 24.9% following the In-Sane! consolidation. Besides, given that we expect that the two companies will be always more integrated, we anticipate increasing economies of scales that will improve marginality until reaching an EBITDA of €7.0mn and EBITDA margin of 26.9% in FY25E. Finally, we also revised our bottom-line estimates. We now expect a FY23E net income of €3.8mn vs the €3.3mn of our old estimates (+14% upside change), with an increasing net income margin from 18.4% in FY23E to 20.2% in FY25E.

Valuation. We updated our valuation – based on both DCF and EV/EBITDA multiple models – following the new estimates. Therefore, we obtained an equity value of €48.0mn or €6.4ps, +98.5% on current market price.

Performance Chart – Since IPO



Market Data			
Main Shareholders			
Christian Traviglia			64.52%
Umanware srl			0.53%
Andrea Besana			2.27%
Alberto Costa			0.67%
Mkt Cap (€ mn)			24.6
EV (€ mn)			21.7
Shares out.			7.5
Free Float			32.01%
Market multiples	2021	2022	2023
EV/EBITDA			
IDNTT SA	8.8x	7.6x	4.2x
Comps Median	8.8x	7.7x	6.3x
IDNTT SA vs Median	0%	-1%	-33%
P/E			
IDNTT SA	14.6x	12.5x	6.5x
Comps Median	14.3x	12.6x	11.4x
IDNTT SA vs Median	2%	0%	-43%
Stock Data			
52 Wk High (€)			3.97
52 Wk Low (€)			2.49
Avg. Daily Trading 90d			6,254
Price Change 1w (%)			0.92
Price Change 1m (%)			11.56
Price Change YTD (%)			-3.81

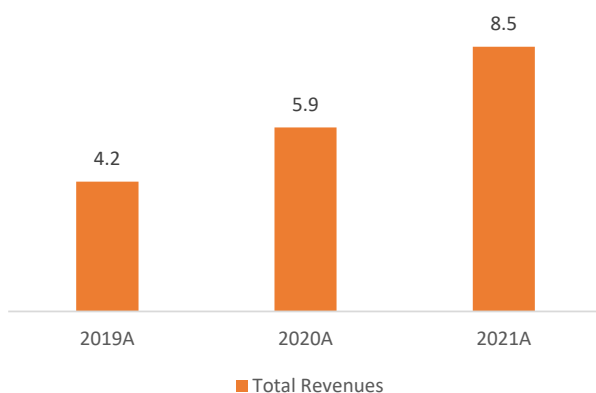
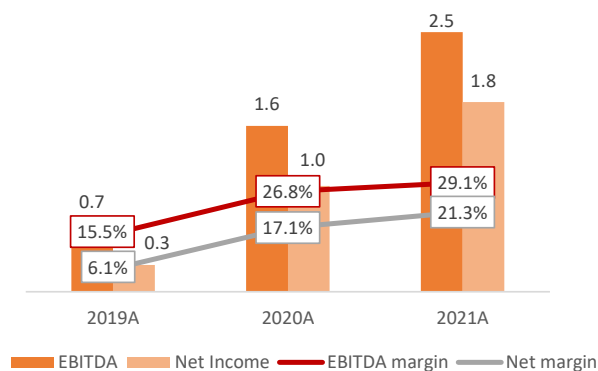
Key Figures – IDNTT SA

Current price (€)	Fair Value (€)		Sector			Free Float (%)
3.2	6.4		Digital Marketing			32.01%
Per Share Data	2020A	2021A	2022E	2023E	2024E	2025E
Total shares outstanding (mn)	7.5	7.5	7.5	7.5	7.5	7.5
EPS	n.m.	0.22	0.26	0.51	0.60	0.70
Dividend per share (ord)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Dividend pay out ratio (%)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Profit and Loss (EUR million)	2020A	2021A	2022E	2023E	2024E	2025E
Total Revenues	5.9	8.5	9.8	20.6	23.3	26.0
EBITDA	1.6	2.5	2.8	5.1	6.0	7.0
EBIT	1.3	2.1	2.5	4.7	5.6	6.6
EBT	1.2	1.9	2.5	4.7	5.6	6.6
Taxes	(0.2)	(0.2)	(0.5)	(0.9)	(1.1)	(1.3)
Tax rate	20%	12%	20%	20%	20%	20%
Net Income	0.9	1.7	2.0	3.8	4.5	5.3
Net Income attributable to the Group	0.9	1.7	2.0	3.8	4.5	5.3
Balance Sheet (EUR million)	2020A	2021A	2022E	2023E	2024E	2025E
Total fixed assets	0.8	0.8	2.4	2.4	2.2	2.1
Net Working Capital (NWC)	(0.6)	0.9	2.0	1.5	1.8	2.2
Provisions	(0.2)	(0.2)	(0.5)	(0.9)	(1.4)	(1.9)
Total Net capital employed	(0.0)	1.4	4.0	2.9	2.7	2.4
Net financial position/(Cash)	(0.8)	(2.8)	(2.2)	(7.1)	(11.8)	(17.4)
Group Shareholder's Equity	0.8	4.3	6.2	10.0	14.5	19.7
Minorities	0.0	0.0	0.0	0.0	0.0	0.0
Total Shareholder's Equity	0.8	4.3	6.2	10.0	14.5	19.7
Cash Flow (EUR million)	2020A	2021A	2022E	2023E	2024E	2025E
Net operating cash flow	1.3	2.2	2.4	4.2	4.9	5.7
Change in NWC	1.3	(1.5)	(1.9)	0.5	(0.4)	(0.4)
Capital expenditure	(0.5)	(0.4)	(0.3)	(0.3)	(0.3)	(0.3)
Other cash items/Uses of funds	0.1	0.1	0.2	0.4	0.5	0.5
Free cash flow	2.3	0.4	0.4	4.9	4.7	5.5
Enterprise Value (EUR million)	2020A	2021A	2022E	2023E	2024E	2025E
Market Cap	n.m.	n.m.	24.2	24.2	24.2	24.2
Minorities	0.0	0.0	0.0	0.0	0.0	0.0
Net financial position/(Cash)	(0.8)	(2.8)	(2.2)	(7.1)	(11.8)	(17.4)
Enterprise value	n.m.	n.m.	22.0	17.1	12.3	6.8
Ratios (%)	2020A	2021A	2022E	2023E	2024E	2025E
EBITDA margin	26.8%	29.1%	29.1%	24.9%	25.9%	26.9%
EBIT margin	21.7%	25.0%	25.1%	23.0%	24.1%	25.3%
Gearing - Debt/equity	-105.1%	-66.3%	-35.9%	-71.0%	-81.7%	-87.9%
Interest cover on EBIT	0.9%	0.3%	0.1%	0.0%	0.0%	0.0%
NFP/EBITDA	-0.51x	-1.14x	-0.78x	-1.38x	-1.96x	-2.48x
ROCE	n.m.	148.4%	61.6%	163.1%	210.8%	275.6%
ROE	123.8%	39.5%	31.6%	37.9%	30.9%	26.6%
EV/Sales	3.62x	2.51x	2.19x	1.04x	0.92x	0.82x
EV/EBITDA	13.53x	8.63x	7.50x	4.15x	3.54x	3.05x
P/E	25.56x	14.40x	12.33x	6.38x	5.40x	4.60x
Free cash flow yield	0.11x	0.02x	0.02x	0.23x	0.22x	0.26x
Growth Rates (%)	2020A	2021A	2022E	2023E	2024E	2025E
Sales	39.7%	44.2%	14.9%	111.2%	12.8%	11.8%
EBITDA	141.8%	56.7%	15.0%	80.7%	17.3%	16.1%
EBIT	223.8%	66.3%	15.3%	93.3%	18.1%	17.3%
Net Income	269.9%	77.5%	16.7%	93.4%	18.1%	17.3%

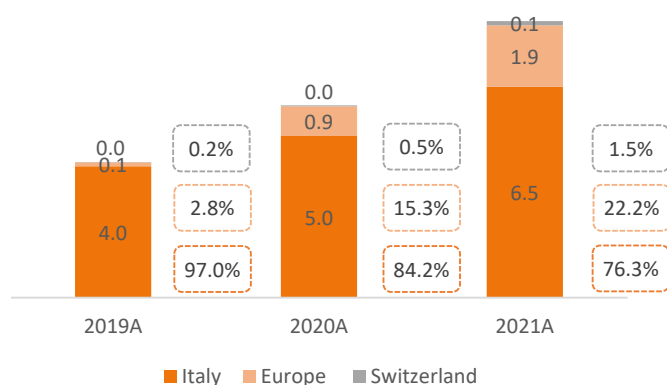
Source: Company Data (2020-2021), KT&Partners' forecasts (2022-2025)

Key Charts

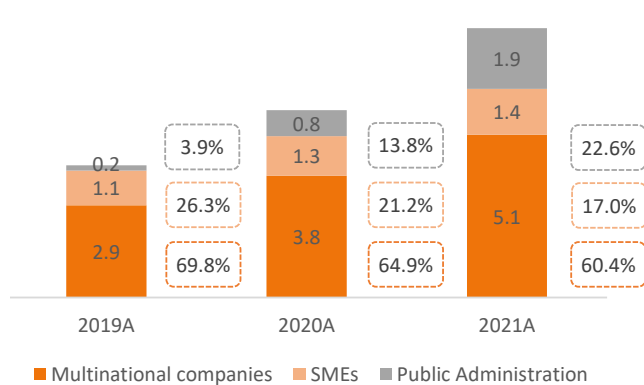
Total Revenues (€mn)

Gross Profit, EBITDA and Net Income (€mn, %)¹

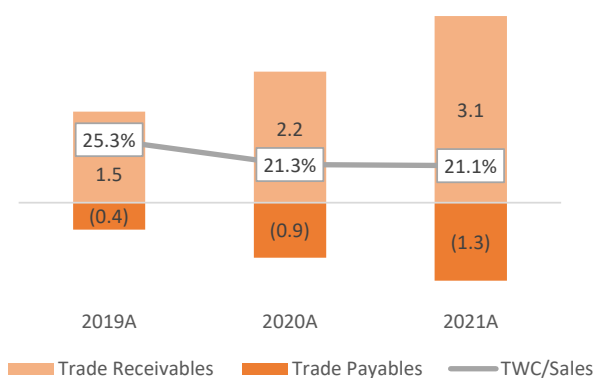
Sales Revenues Breakdown by Geographical Area (€mn)



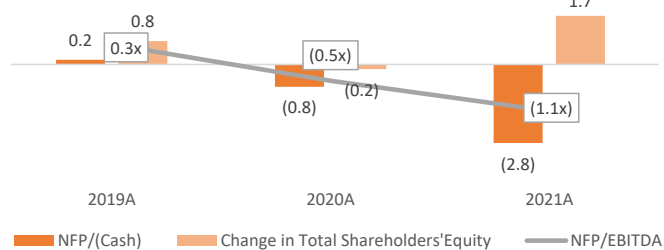
Sales Revenues Breakdown by Clients (€mn)



Trade Working Capital (€mn, %)



NFP, Change in Shareholders' Equity and NFP/EBITDA (€mn)

¹ Margins are calculated on Total Revenues

Overview

Company description

IDNTT is a Swiss-based Martech content factory founded in 2010, active in the production of daily, multichannel, data-driven content aimed at promoting interaction and leading the traffic on customers' social media channels, e-commerce, and physical stores; converting the content into online/offline sales; and increasing clients' brand awareness.

IDNTT offers a wide range of digital services based on a "full outsourcing" business model able to meet each customer's needs. The Company produces coherent, original, and smart content for e-commerce, online/offline sale, social media, In-Store TV, OTT TV, omnichannel customer care, and events on live streaming.

Thanks to its scalable and replicable business model, IDNTT in the precedent years has strengthened its international presence, opening new subsidiaries in Spain, Romania, and recently in the Netherlands. The Company, on the grounds of its multicultural and multilingual background, can boast a higher customer satisfaction than its competitors, since it is able to provide content that is not only in the local language, but that reflects the prevalent culture of the audience to which the content is targeted.

IDNTT is a Martech company active in the digital marketing industry, focusing on the production of omnichannel content for both the digital channels (e-commerce, social media, metaverse, etc.) and the traditional channels (stores, flyers, etc.). According to Emergen Research, the global Martech industry was worth \$245.6bn in 2021, with the digital market segment accounting for the largest revenue share in 2021. The Martech industry is expected to report a CAGR21–30 of +44.2%, reaching \$6,613bn by 2030, mainly driven by:

- The increasing attention on customer experience, based on the use of AI and customer data, requiring Martech solutions to provide content on different channels;
- Customers paying more attention to the use of personal data, so that companies are incentivized to delegate customer data management to Martech solutions that are able to ensure compliance with legislation and a more efficient use of the data;
- The rapid growth of the Internet and the recent technology developments that are affecting business models, ways of working, and customer behaviors. Thanks to Martech solutions, the companies provide the new experiences for which their customers are looking.

In the coming years, IDNTT has planned to consolidate its presence in its traditional markets (Italy, Spain, and Switzerland) and expand its business in Benelux and north Europe. Moreover, the Company has also projected to broaden its client portfolio entering into new industries such as Fashion & Luxury.

Investment Case

- **An ample omnichannel product portfolio** that includes hundreds of data-driven contents for e-commerce, social media, online/offline sales, In-Store TV, OTT TV, and event live streaming.
- **A high-standing and well-diversified client portfolio** that has included more than 5,000 clients belonging to several industries (telco, consumer electronics, food, services, sports) and composed of international and national companies known worldwide and with a strong brand recognition.
- **Impressive revenue growth, profitability, and cash flow generation.** Since 2019, IDNTT has registered a strong growth path, more than doubling its sales volume, peaking at €8.5mn in 2021 and reporting total revenues CAGR2019–21 of +42.0%. Moreover, it also improved significantly in terms of profitability: EBITDA grew at a double digit CAGR2019–2021 of +94.7% and the EBITDA margin increased from 15.5% to 29.1% in 2021.

- **A proactive and young environment** that stimulates ideas and innovation to create smart, modern, and effective digital content for its client base.
- **A smart, lean, and efficient organizational model.** IDNTT adopts an internal organizational model whereby each IDNTT employee is staffed in the most suitable position based on his/her skills and expertise.
- **Strong positioning in the digital marketing competitive arena.** IDNTT can boast a privileged position in the digital marketing international arena as it is one of the most complete martech companies in terms of digital services provided, even compared to larger international players. Moreover, IDNTT is also able to guarantee a higher profitability margin than its competitors with an EBITDA margin at 29.1% vs an average of 14.74% in its competitive arena.
- **A dynamic and fast-growing market** characterized by a strong M&A trend aggregation that in the following years will be driven by new martech technologies and innovations, increasing CX awareness, and massive governments' funds to digitalize public institutions.

Recent Developments

- **IDNTT SA announces the acquisition of the Italian talent agency In-Sane Srl.** On November 16, 2022, IDNTT announced having reached an agreement to acquire 60% of the shareholding's equity of In-Sane! Srl for an amount of €2.1mn, entirely paid out in cash at the announcement date. In-Sane! is a leading Italian talent agency company which boasts a portfolio composed of more than 170 content creators and influencers that will integrate IDNTT's content creation offering and will potentiate the Company's brand awareness.
- **AcomeA SGR believes in IDNTT.** In November 2022, the institutional investor AcomeA SGR, a primary player focused on high-potential growth companies listed on the EGM market, increased its stake of IDNTT's capital by acquiring 200,000 new shares at a price of €3.25ps from Aerre People Srl. Following the capital increase, IDNTT's free float increased from 29.34% to 32.01%, with AcomeA SGR becoming the second main shareholder, owning 7.56% of IDNTT's capital.
- **Second exercise period for "Warrant IDNTT SA 2021-2024."** During the second exercise period from the 14th of July to the 29th of July, 49,428 warrants have been exercised at a €2.21 strike price for total 16,476 new shares, representing a cash in of €36.4k. As a consequence, the free float increased from 25.97% to 29.34%.
- **Expansion of the shareholding base with a primary Italian institutional investor.** On July 2022, IDNTT announced having introduced in its shareholding base a primary Italian institutional investor mostly active on the EGM market, which acquired the 3.21% of the share capital (or 240k ordinary shares) at a price of €3.25 per share.
- **Implementation of the "Stock Option IDNTT 2022-2023 Plan."** In order to incentivize IDNTT's key figures and promote business growth, the Company on July announced its stock option plan denominated "SHARE GROWTH," which will remunerate IDNTT's key figures with a total of 186,750 ordinary shares.
- **New important commercial agreement in Benelux.** In July 2022, the Company signed an important three-year commercial agreement with an international e-commerce player for a value over €7mn. IDNTT will produce all omnichannel digital marketing content for the Benelux client's business.
- **Constitution of the Dutch subsidiary "IDNTT Nederland B.V."** on April 2022. IDNTT announced the constitution of a 100%-controlled new branch in Rotterdam (NL), with the aim to consolidate its presence in the Benelux and North Europe markets, characterized by a high-dynamism and strong potential growth.

Content Is Never Enough

Overview

On November 16th, 2022, IDNTT announced its first M&A operation, acquiring the 60% of In-Sane Srl, one of the five most important Italian talent management agencies, with a portfolio of more than 170 content creators, influencers, and gamers active on the main social media platforms (YouTube, TikTok, Instagram, and Twitch).

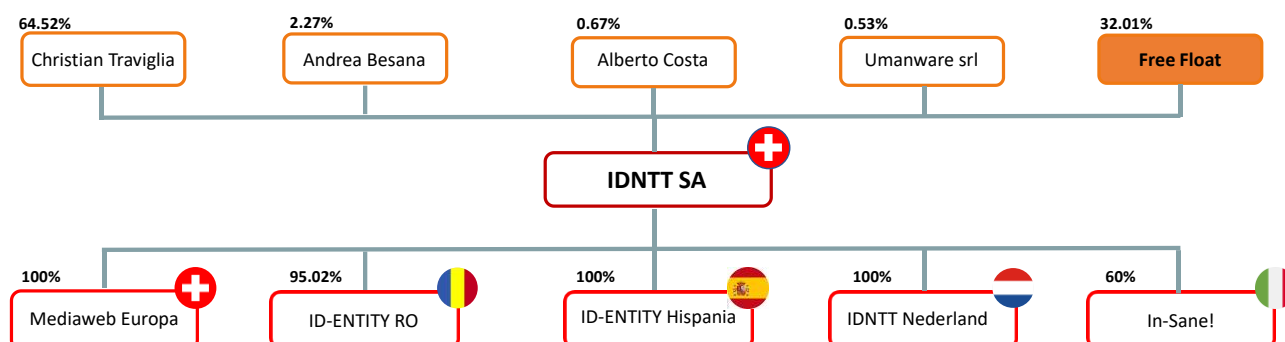
Operation Details

The transaction involves an upfront cash payment of €2.1mn, fully paid out at the announcement date to the In-Sane! shareholders "Perseo Srl" (50%) and "Sbabam Srl" (10%). The transaction value was preliminary calculated on the basis of an 2022E EBITDA of €0.7mn; however, the final cash out will be adjusted according to 2022 In-Sane!'s final results. In detail, the price will be determined as the sum of i) the 60% of a 5x multiple of the Company's 2022 EBITDA; and ii) the 60% of the half 2022 final NFP.

The agreement also provides an IDNTT call option to acquire the remaining 15% by Perseo Srl's share capital against a compensation that will be expressed on the basis of In-Sane!'s EBITDA within 2025.

In 2021, In-Sane! achieved €4.5mn of sales revenues, an EBITDA of €0.3mn, and a net income of €0.2mn, showing in 2022 a significant growth of several key financial parameters. The 2021 NFP is cash positive for ca. €1mn.

IDNTT's Group Structure



Source: KT&Partners' Elaboration on Company Data

In-Sane!'s Business Model

The Company is a talent management agency handling numerous production agreements, sponsorship, product placement, licensing, and events. The Company's core business is based on the concept of influencer marketing, a type of social media marketing that involves endorsement and product placement from influencers who have established a reputation for having an expert level of knowledge or social influence in their fields. Therefore, In-Sane! collaborates with content creators to ideate original marketing campaigns and assisting companies in the social media communication on the main platforms. The company's revenues model is thus articulated on three levels:

- **YouTube's Multi-channel Network (MCN).** In-Sane! owns one of the few YouTube's Multi-Channel Network agreements, a contract which provides to In-Sane! the faculty to aggregate revenues of more than 100 YouTube channels and managing them in a centralized way. Thanks to this more efficient talent management system, Google – the owner of YouTube – is able to optimize its advertising algorithms generating a greater volume of In-Sane!'s talents views. This increased volume of YouTube's traffic – that in 2021 reached more than 9 billion

views and beyond 60 million followers – meaning for In-Sane! higher revenues, as Google pays directly to the talent agency a fee per YouTube’s video view.

- **Product Placement.** In-Sane! realizes customized marketing campaigns aimed at promoting products or companies’ brand awareness, leveraging on its consolidated influencer marketing know-how. The Company creates promotional videos, spots, pre-roll videos, and ideates original social media content (IG stories, reels, posts, etc.) for the social media platforms of its talents. Therefore, In-Sane! generates revenues holding a percentage of the contract agreement between the influencer and the company client interested to collaborate with him/her.
- **Licensing.** As the influencer marketing is becoming always more a mainstream phenomenon, content creators started to promote branded products (e.g., merchandising), in order to attract their growing fan base. For instance, the most famous Italian gamer “Lyon” – assisted by In-Sane! – has launched in 2021 its branded easter eggs that achieved sales volume even higher of Chiara Ferragni’s easter eggs. For each merchandised products sold, In-sane! holds a determined percentage from the influencer’s fee.

The relationship between the influencer and the talent agency is thus an essential aspect in the In-Sane!’s business model as the talent represents the company’s core assets. In-Sane! has a dedicated team composed of 7 professionals active in the talent scouting, analyzing each day the relevant trends on social media in order to individuate growing topic fields (gaming, cooking, crime, etc.), and deciding accordingly which content creators have the higher potential. Once the talent has been individuated, In-Sane! proposes a full package that comprises both the management activity and the tax and legal assistance, with the possibility for the most popular influencers to be assisted 24/7 by a personal agent. The contract between In-Sane! and the content creators has usually a length of two/three years and provide a sharing out agreement according to a pre-determinate percentage based on the influencer’s popularity and the size of its fan base.

In-Sane!’s Strategy

In-Sane!’s business is constantly evolving as the social media platform and the influencer marketing is changing everyday consumer behavior and user engagements. The new generations are more inclined to base their spend decisions on products and services promoted by their favorite influencers or gamers. Indeed, this marketing strategy appears more unbiased to the viewers than the traditional content marketing, responding at the same time to an increased need of storytelling and entertainment. The possible future fields that In-Sane! would develop are indeed centered on the user’s engagement and on the entertainment, declining in the newly emerging technologies and social trends of the influencer marketing activity. Some of the future fields in which In-Sane! would expand its business are:

- **Metaverse.** A parallel universe where users can interact and engage with gamers and influencers living virtual experiences. In the metaverse, it is then possible to build customized sub-levels where an entry fee is demanded and purchasing gamers’ personalized items and downloadable content (DLC) to enhance the user’s experience.
- **Real Events.** As the influencers are becoming always more popular, expected is a growing demand of original events such as Meet&Greet, signing sessions, live-streaming, and real events to directly interact with the content creator. This activity will generate revenue from various channel among which the event ticketing.

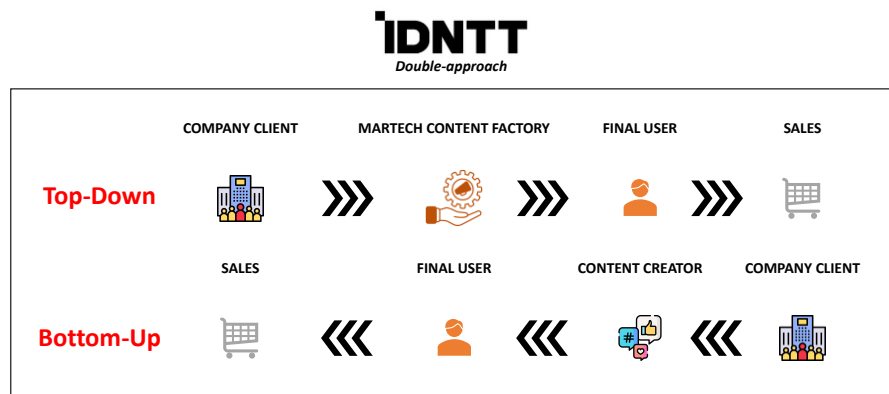
Synergies from the Acquisition

This acquisition is in line with IDNTT's strategy plan, which is aimed at expanding its presence in the content creation field. Thanks to In-Sane!'s experience, know-how, and its broad fan bases, IDNTT will be able to integrate its existing offering by exploiting a double-approach:

- Continuing to produce digital content aimed at converting user's engagement into online/offline sales (top down);
- Exploiting user-generated content (UGC) from a large and diversified network of influencers with different fan bases and thus different customer target audience (bottom-up).

Through this acquisition, IDNTT completes its core offering with a growing business, becoming one of the first Italian companies to have combined content marketing with influencer marketing. This vision indeed reflects the careful IDNTT attention regarding the latest social trends, always more interested in entertainment content.

IDNTT's Digital Content Creation Double-Approach



Source: KT&Partners' Elaboration on Company Data

Change in Estimates

On the back of the In-Sane! Acquisition, we updated our 2023E-2025E estimates. We note that we consider In-Sane! contribution in terms of revenues and margins from 2023 onward.

Looking at FY22E, we slightly decrease IDNTT's revenues to €9.8mn from the previous estimates at €11.2mn due to a slowdown in the public administration business following the change of government in the recent months. However, we revised upward our top-line estimates from 2023E to 2025E in order to include In-Sane!'s expected sales. We anticipated In-Sane!'s FY23E sales at €5.0mn, considering an increase of +10% YoY, and we foresee for the following years a growth at a CAGR22E-25E of 20.8% up to €8.8mn in FY25E, mainly driven by i) In-Sane!'s strategy aimed at monetizing from the new social and technology trends and ii) from synergies with IDNTT. Therefore, at a Group level, we anticipated FY23E sales at €20.6mn vs. our old estimates of €14.6mn (+41.8% upside change), while we expected a growth at a CAGR22-25E of 38.6% (vs. our old estimates of 16.3%) that will lead at €26.0mn of revenues at the end of FY25E.

At the EBITDA level, in 2022, following the PA business partial slowdown, we revised our estimates, expecting an EBITDA at €2.8mn (vs previous €3.4mn) with a margin perfectly in line with the preceding year at 29.1%. However, including an In-Sane! contribution, we revised upward our EBITDA estimates for FY23E (increasing from €4.6mn to €5.1mn), even though we have considered a decrease of IDNTT's marginality from 31.3% to 24.9% following the In-Sane! consolidation that currently has a lower marginality. Further, in the following years, we expect constant improvements until reaching an EBITDA of €7.0mn with an EBITDA margin of 26.9% in FY25E, as we believe that the Group will exploit increased synergies and economies of scales. Therefore, we expect a higher EBITDA growth at a CAGR22E-25E of 35.0% (+14.9pp vs. our old estimates).

We also revised our bottom-line estimates, expecting a FY23E net income of €3.8mn vs €3.3mn of our old estimates (+14.1%), with an increasing net income margin from 18.4% in FY23E to 20.2% in FY25E.

Finally, we foresee a FY22E NFP cash positive at -€2.2mn (vs -€4.9mn before) as we factored in the cash-out for the acquisition of €2.1mn (based on an expectation of In-Sane!'s FY22 EBITDA). In the following years, we estimate that IDNTT's NFP is expected to progressively improve, benefitting from business growth and a better NWC management. We thus estimate a FY25E NFP at -€17.4mn.

Change in Estimates

€ Millions	2022E	2022E	Change	2023E	2023E	Change	2024E	2024E	Change	2025E	2025E	Change	CAGR	CAGR
	Old	New		Old	New		Old	New		Old	New		2022-25 Old	2022-25
Revenues	11.2	9.8	-12.9%	14.6	20.6	41.8%	16.4	23.3	42.0%	17.7	26.0	47.2%	16.3%	38.6%
YoY Change (%)	32.0%	14.9%		29.7%	111.2%		12.6%	12.8%		7.9%	11.8%			
EBITDA	3.4	2.8	-16.3%	4.6	5.1	12.9%	5.3	6.0	13.9%	5.9	7.0	18.9%	20.1%	35.0%
YoY Change (%)	37.5%	15.0%		34.0%	80.7%		16.2%	17.3%		11.2%	16.1%			
EBITDA Margin	30.3%	29.1%		31.3%	24.9%		32.3%	25.9%		33.3%	26.9%			
EBIT	3.0	2.5	-18.5%	4.2	4.7	14.1%	4.9	5.6	15.2%	5.5	6.6	20.4%	21.9%	38.9%
YoY Change (%)	41.5%	15.3%		38.1%	93.3%		17.0%	18.1%		12.2%	17.3%			
EBIT Margin	26.8%	25.1%		28.6%	23.0%		29.7%	24.1%		30.9%	25.3%			
Net Income	2.4	2.0	-18.5%	3.3	3.8	14.1%	3.9	4.5	15.2%	4.4	5.3	20.4%	21.9%	38.9%
YoY Change (%)	43.2%	16.7%		38.1%	93.4%		17.0%	18.1%		12.2%	17.3%			
Net Margin	21.4%	20.1%		22.8%	18.4%		23.7%	19.3%		24.7%	20.2%			
NFP	(4.9)	(2.2)	2.7	(7.9)	(7.1)	0.8	(11.9)	(11.8)	0.1	(16.5)	(17.4)	(0.9)		

Source: Company data, KT&P's Elaborations.

Valuation

Following our projections of IDNTT's future financials, we carried out the valuations by applying the DCF and market multiples methods (we based our valuation on 7.5mn shares).

1. EV/EBITDA multiple, which returns an equity value of €31.0mn or a fair value €4.1ps;
2. P/E, multiple which returns an equity value of €36.0mn or a fair value of €4.8ps;
3. DCF analysis based on WACC of 10.2% and 1.5% perpetual growth, returns an equity value of €62.5mn or a fair value of €8.3ps.

The average of the two methods yields a fair value of €6.4ps or an equity value of €48.0mn.

Valuation Recap

	Equity Value €mn	Value per share €
EV/EBITDA	31.0	4.1
P/E	36.0	4.8
Average - multiples	33.5	4.5
DCF	62.5	8.3
Average	48.0	6.4

Source: FactSet, KT&Partners' elaboration

Market Multiples Valuation

Following our comps analysis, we evaluated the company by using the 2022–24 EV/EBITDA and P/E market multiples of the peer sample. Our valuation also includes a 15% liquidity/size discount and takes into account our estimates of IDNTT's EBITDA and Net Income for 2022, 2023, and 2024. We also considered FY22 NFP at €-2.2mn (cash positive). We end up with our IDNTT's equity value of €31.0mn for EV/EBITDA and of €36.0mn through the P/E method.

Peer Comparison – Market Multiples 2021–24

	Exchange	Market Cap	EV/SALES 2021	EV/SALES 2022	EV/SALES 2023	EV/SALES 2024	EV/EBITDA 2021	EV/EBITDA 2022	EV/EBITDA 2023	EV/EBITDA 2024	EV/EBIT 2021	EV/EBIT 2022	EV/EBIT 2023	EV/EBIT 2024	P/E 2021	P/E 2022	P/E 2023	P/E 2024
S4 Capital plc	London	1,289	1.8x	1.3x	1.1x	0.9x	12.9x	10.4x	7.9x	6.3x	30.4x	11.4x	8.6x	6.8x	n.m	16.1x	12.6x	10.3x
Avidly Plc	OMX Helsinki	32	1.1x	0.9x	0.9x	0.8x	21.5x	22.3x	13.5x	8.0x	n.m	23.6x	19.5x	12.7x	n.m	28.2x	22.1x	15.2x
SYZYGY AG	XETRA	66	1.0x	0.9x	0.8x	0.8x	5.0x	5.1x	4.7x	4.5x	14.4x	9.7x	8.1x	7.3x	16.1x	16.6x	14.1x	12.3x
Next Fifteen Communications Group PLC	London	1,214	2.4x	2.0x	1.8x	1.6x	12.8x	8.8x	7.7x	7.1x	19.1x	10.1x	8.9x	8.2x	n.m	13.4x	11.9x	10.9x
Septent Holdings Co., Ltd.	Tokyo	598	2.6x	2.2x	1.6x	1.5x	12.4x	10.1x	8.0x	7.6x	15.9x	10.8x	8.9x	7.9x	17.1x	12.9x	12.6x	11.4x
ISPD Network	Euronext Paris	59	n.a.	0.6x	0.6x	0.6x	n.a.	7.1x	5.7x	5.1x	n.a.	12.1x	8.1x	6.6x	n.a.	13.9x	9.0x	7.4x
Alkermis SpA	Milan	63	0.8x	0.8x	0.7x	0.6x	8.4x	6.9x	5.7x	5.1x	11.2x	9.5x	7.1x	6.1x	14.6x	11.4x	8.8x	7.3x
DigiTouch SpA	Milan	33	1.0x	0.8x	0.7x	0.7x	7.2x	5.4x	4.5x	4.2x	24.2x	8.6x	7.3x	7.0x	n.m	14.8x	12.4x	11.8x
Doree S.p.A.	Milan	79	3.8x	2.9x	2.1x	1.8x	17.3x	13.9x	9.0x	6.8x	n.m	27.8x	14.0x	9.7x	48.5x	n.m	24.0x	14.9x
Average peer group		382	1.8x	1.4x	1.1x	1.0x	12.2x	10.0x	7.4x	6.1x	19.2x	13.7x	10.1x	8.0x	24.1x	15.9x	14.2x	11.3x
Median peer group		66	1.5x	0.9x	0.9x	0.8x	12.6x	8.8x	7.7x	6.3x	17.5x	10.8x	8.6x	7.3x	16.6x	14.3x	12.6x	11.4x
IDNTT SA	Milan	24	2.5x	2.2x	1.0x	0.9x	8.6x	7.5x	4.2x	3.5x	10.0x	8.7x	4.5x	3.8x	14.4x	12.3x	6.4x	5.4x

Source: FactSet, KT&Partners' elaboration

EV/EBITDA Multiple Valuation

Multiple Valuation (€mn)	2022E	2023E	2024E
EV/EBITDA Comps	8.8x	7.7x	6.3x
IDNTT SA EBITDA	2.8	5.1	6.0
Enterprise value	25.1	39.6	38.1
IDNTT SA FY22E Net Debt	(2.2)	(2.2)	(2.2)
IDNTT SA FY22E Minorities	0.0	0.0	0.0
Equity Value	27.3	41.9	40.3
Average Equity Value			36.5
Liquidity/Size Discount			15%
Equity Value Post-Discount			31.0
Number of shares (mn)			7.5
Value per Share €			4.1

Source: FactSet, KT&Partners' elaboration

P/E Multiple Valuation

Multiple Valuation (€mn)	2022E	2023E	2024E
P/E Comps	14.3x	12.6x	11.4x
IDNTT SA Net Income	2.0	3.8	4.5
Equity Value	28.1	47.7	51.1
Average Equity Value			42.3
Liquidity/Size Discount			15%
Equity Value Post-Discount			36.0
Number of shares (mn)			7486.5
Value per Share €			4.8

DCF Valuation

We have also conducted our valuation using a four-year DCF model, based on 13.8% cost of equity, 3.0% cost of debt, and a D/E ratio of 46% (based on the industry advertising). The cost of equity is a function of the risk-free rate of 3.97% (vs. 3.35% of our last update, Italian 10y BTP, last three months average), 4.95% equity risk premium (Damodaran for a mature market) and a premium for size and liquidity of 4.35% (source: Duff&Phelps). We, therefore, obtained 10.2% WACC.

We discounted 2022E–25E annual cash flow and considered a terminal growth rate of 1.5%; then we carried out a sensitivity analysis on the terminal growth rate (+/- 0.25%) and on WACC (+/- 0.25%).

DCF Valuation

€ Millions	2022E	2023E	2024E	2025E
EBIT	2.5	4.7	5.6	6.6
Taxes	(0.5)	(0.9)	(1.1)	(1.3)
D&A	0.4	0.4	0.4	0.4
Change in Net Working Capital	(1.9)	0.5	(0.4)	(0.4)
Change in Funds	0.2	0.4	0.5	0.5
Net Operating Cash Flow	0.7	5.2	5.0	5.8
Capex	(0.3)	(0.3)	(0.3)	(0.3)
M&A Capex	(1.0)	-	-	-
FCFO	(0.6)	4.9	4.7	5.5
g	1.5%			
Wacc	10.2%			
FCFO (discounted)	(0.6)	4.4	3.9	4.1
Discounted Cumulated FCFO	11.8			
TV	64.7			
TV (discounted)	47.9			
Enterprise Value	59.7			
NFP FY2021A	(2.8)			
Equity Value	62.5			
Current number of shares (mn)	7.5			
Value per share (€)	8.35			

Source: Company data, KT&Partners' elaboration

Sensitivity Analysis

€ Millions	WACC					
		10.7%	10.4%	10.2%	9.9%	9.7%
Terminal growth Rate	1.0%	56.6	58.1	59.6	61.3	63.0
	1.3%	57.8	59.4	61.0	62.8	64.6
	1.5%	59.1	60.8	62.5	64.3	66.2
	1.8%	60.5	62.2	64.0	66.0	68.0
	2.0%	61.9	63.7	65.7	67.7	69.9

Source: Company data, KT&Partners' elaboration

Appendix

Peer Comparison

In order to define IDNTT's peer sample, we carried out an in-depth analysis of Italian and internationally-listed companies active in the digital marketing sector. In selecting potential peers, we consider IDNTT's offering and revenue mix, business model, growth, and profitability profile.

For peer analysis, we built a sample of ten companies, which includes:

- **Avidly:** listed on OMX Helsinki Stock Exchange with a market capitalization of €31.6mn, Avidly is a fully integrated Martech service provider engaged in the digital marketing industry, offering data-driven sales, strategic marketing, technology, and creative designs with its proprietary technology. In FY21A, the Company achieved €30.0mn of sales revenues.
- **SYZGY:** listed on Xetra Stock Exchange with a market capitalization of €65.9mn, SYZGY assists companies to improve customer experience with sales and provides them digital solutions in performance and media marketing. The firm is focused on the creation and design of digital solutions and products for brands, companies, and people. In FY21A, the Company achieved €60.1mn of sales revenues.
- **Next Fifteen Communications Group:** listed on the London Stock Exchange with a market capitalization of €1.2bn, Next Fifteen Communications Group provides a broad range of communications services. It is active in the production of digital and technology services and products, spanning digital content, online marketing, marketing communications, market research, and public and media relations. In FY21A, the Company achieved €549.8mn of sales revenues.
- **Septeni Holdings:** listed on the Tokyo Stock Exchange with a market capitalization of €597.9mn, Septeni Holdings is engaged in the provision of digital marketing and social media platform services. The Company offers digital marketing transformation of companies, providing solutions utilizing data and artificial intelligence. In FY21A, the Company achieved €166.4mn of sales revenues.
- **ISPD Network (Antevenio):** listed on Euronext Paris Stock Exchange with a market capitalization of €59.3mn, ISPD Network engages in online advertising and interactive marketing. The Company's offering includes services such as web advertising, performance marketing, affiliate marketing, mobile marketing, and email marketing. In FY21A, the Company achieved €105.7mn of sales revenues.
- **Alkemy:** listed on Borsa Italiana Stock Exchange with a market capitalization of €63.1mn, Alkemy engages in marketing and information technology consulting services. The Company utilizes a data-driven approach to maximize a marketing mix. Its digital marketing offering includes content marketing, SEO/SEM, influencer marketing, CRO, lead generation, and media audit. In FY21A, the Company achieved €94.0mn of sales revenues.
- **DigiTouch:** listed on Borsa Italiana Stock Exchange with a market capitalization of €33.4mn, DigiTouch engages in digital advertising, technology, and e-commerce business. The Company utilizes a full-funnel approach to assist enterprises along all the phases of the customer journey, adopting an integrated marketing strategy that includes content e-social marketing, influencer marketing, event planning, UX writing, omnichannel media planning, marketing automation, and performance marketing. In FY21A, the Company achieved €37.3mn of sales revenues.
- **Doxee:** listed on Borsa Italiana Stock Exchange with a market capitalization of €79.3mn, Doxee provides technology solutions for customer communication management and digital customer experience business systems. The Company

helps enterprises to innovate their client communication processes, to digitize invoice management and the archiving of documents, and to set up personalized and interactive communication with their customers. In FY21, the Company achieved €20.9mn of sales revenues.

- **S4 Capital:** listed on the London Stock Exchange with a market capitalization of €1.3bn, S4 Capital Plc engages in the provision of digital advertising and marketing services. It operates through the Content Practice, and Data and Digital Media segments. The Content Practice segment includes creative content, campaigns, and assets for paid, social, and earned media from digital platforms and apps to brand activations that aim to convert consumers at every possible touchpoint. The Data and Digital Media segment encompasses full-service campaign management analytics, creative production and ad serving, platform and systems integration and transition, and training and education. In FY21, the Company achieved €798.9mn of sales revenues.
- **Perion Network:** listed on NASDAQ with a market capitalization of 1.3bn, Perion Network engages in the provision of advertising solutions to brands, agencies, and publishers. It operates through the following geographical segments: North America (mainly US), Europe, and Other. The firm solutions include Publisher Platform, Search Monetization, SORT-Cookieless Targeting, High Impact Creative, and Actionable Monitoring. In FY21, the Company achieved €404.8mn of sales revenues.

Peers Comparison – Sales and EBITDA Growth 2020-24

Company Name	Sales		YoY 20- 21	Sales			CAGR 2021-'24
	2020	2021		2022	2023	2024	
S4 Capital plc	385.5	798.9	<i>n.m.</i>	1,119.9	1,335.9	1,612.6	26.4%
Avidly Plc	25.0	30.0	20.0%	34.8	36.8	39.6	9.8%
SYZGY AG	55.5	60.1	8.3%	70.4	76.0	81.3	10.6%
Next Fifteen Communications Group PLC	362.5	549.8	51.7%	653.7	745.9	796.9	13.2%
Septeni Holdings Co., Ltd.	148.6	166.4	12.0%	200.7	275.1	301.6	21.9%
ISPD Network	54.4	105.7	94.2%	110.3	115.4	120.1	4.3%
Alkemy SpA	73.9	94.0	27.1%	104.1	114.2	122.6	9.3%
DigiTouch SpA	31.3	37.3	19.4%	46.5	52.4	56.7	15.0%
Perion Network Ltd	287.8	404.8	40.7%	609.4	702.3	782.3	24.6%
Doxee S.p.A.	17.7	20.9	18.0%	28.0	37.6	44.5	28.7%
Peers Average	144.2	226.8	57.3%	297.8	349.2	395.8	20.4%
IDNTT SA	5.9	8.5	43.9%	9.8	20.6	23.3	40.0%

Company Name	EBITDA		YoY 20- 21	EBITDA			CAGR 2021-'24
	2020	2021		2022	2023	2024	
S4 Capital plc	66.9	113.9	70.2%	140.6	184.4	232.1	26.8%
Avidly Plc	1.5	1.5	5.0%	1.5	2.4	4.1	38.8%
SYZGY AG	7.6	12.5	64.7%	12.2	13.3	13.9	3.6%
Next Fifteen Communications Group PLC	58.8	102.2	74.0%	148.5	170.0	185.1	21.9%
Septeni Holdings Co., Ltd.	28.4	35.5	25.0%	43.2	55.1	57.9	17.7%
ISPD Network	0.6	6.4	<i>n.m.</i>	10.1	12.6	14.1	30.2%
Alkemy SpA	4.4	9.5	<i>n.m.</i>	11.5	13.9	15.7	18.2%
DigiTouch SpA	4.5	5.3	17.8%	7.2	8.5	9.2	19.8%
Perion Network Ltd	19.5	47.2	<i>n.m.</i>	117.5	134.1	149.5	46.8%
Doxee S.p.A.	4.2	5.3	27.1%	5.8	8.9	11.8	30.5%
Peers Average	19.6	33.9	72.9%	49.8	60.3	69.3	26.9%
IDNTT SA	1.6	2.5	56.7%	2.8	5.1	6.0	34.6%

Source: FactSet, KT&P's elaboration

DISCLAIMER

THIS DOCUMENT WAS PREPARED BY MARIA TERESA DI GRADO – SENIOR ANALYST – AND MAURO IACCINO – ASSOCIATE – ON BEHALF OF KT&PARTNERS S.R.L., WITH REGISTERED OFFICE AT VIA DELLA POSTA 10, MILAN, ITALY, MILAN COMPANY REGISTER NO. 1926922, SPECIALIZING IN FINANCIAL RESEARCH AND ANALYSIS (HEREINAFTER, “KT&PARTNERS”).

NO OTHER PEOPLE OR COMPANY CONTRIBUTED TO THE RESEARCH. NEITHER THE MEMBERS OF THE RESEARCH TEAM, NOR ANY PERSON CLOSELY ASSOCIATED WITH THEM HAVE ANY RELATIONSHIPS OR ARE INVOLVED IN CIRCUMSTANCES THAT MAY REASONABLY BE EXPECTED TO IMPAIR THE OBJECTIVITY OF THE RESEARCH, INCLUDING INTERESTS OR CONFLICTS OF INTEREST, ON THEIR PART OR ON THE PART OF ANY NATURAL OR LEGAL PERSON WORKING FOR THEM, WHO WAS INVOLVED IN PRODUCING THE RESEARCH.

FOR THIS PURPOSE, THE MEMBERS OF THE RESEACH TEAM CERTIFY THAT: (I) THEY HAVE NOT RECEIVED AND WILL NOT RECEIVE ANY DIRECT OR INDIRECT COMPENSATION IN EXCHANGE FOR ANY VIEWS EXPRESSED IN THE RESEARCH; (II) THEY DO NOT OWN ANY SECURITIES AND/OR ANY OTHER FINANCIAL INSTRUMENTS ISSUED BY THE COMPANY OR ANY FINANCIAL INSTRUMENT WHICH THE PRICE DEPENDS ON, OR IS LINKED TO ANY SECURITIES AND/OR ANY FINANCIAL INSTRUMENTS ISSUED BY THE COMPANY; (III) NEITHER THE ANALYSTS NOR ANY MEMBER OF THE ANALYST’S HOUSEHOLD SERVE AS AN OFFICER, DIRECTOR OR ADVISORY BOARD MEMBER OF THE COMPANY.

KT&PARTNERS HAS IN PLACE AN EQUITY RESEARCH POLICY, IN ORDER TO RULE RESEARCH SERVICES IN COMPLIANCE WITH PARLIAMENT REGULATION (EU) NO.596/2014 AND COMMISSION DELEGATED REGULATION (EU) NO. 958/2016 ON MARKET ABUSE. IN THIS POLICY, THERE ARE ALSO DESCRIBED THE ORGANIZATIONAL MECHANISMS ADOPTED BY KT&PARTNERS TO PREVENT AND PROFESSIONALLY MANAGE CONFLICTS OF INTEREST THAT MAY BE ARISE DURING THE PERFORMANCE OF THE RESEARCH. IN ANY CASE, CHINESE WALLS AND OTHER INFORMATION BARRIERS ARE IN PLACE TO AVOID THE EXCHANGE OF CONFIDENTIAL INFORMATION BETWEEN THE EQUITY RESEARCH DEPARTMENT AND OTHER SERVICES AREAS.

KT&PARTNERS PREPARED THIS DOCUMENT ON BEHALF OF IDNTT SA ACCORDING TO AN AGREEMENT ENTERED WITH THE SAME AND ON THE BASIS OF THE DATA AND PUBLIC INFORMATION PROVIDED BY THE SAME OR DERIVED FROM SOURCES DEEMED SERIOUS AND RELIABLE ON THE FINANCIAL MARKET BUT WHOSE ABSOLUTE TRUSTWORTHINESS, COMPLETENESS, AND ACCURACY CANNOT BE GUARANTEED. THE FEES AGREED FOR THIS RESEARCH DO NOT DEPEND ON THE RESULTS OF THE RESEARCH.

KT&PARTNERS PREVIOUSLY RELEASED IDNTT SA RESEARCH UPDATE ON 03/10/2022 WITH A FAIR VALUE OF €5.5PS.

THIS DOCUMENT IS A SOURCE OF INFORMATION ONLY, AND IS NOT PART OF, AND IN NO WAY MUST BE CONSIDERED AN OFFER TO SELL, SUBSCRIBE OR TRADE, OR A SOLICITATION TO PURCHASE, SUBSCRIBE OR TRADE, FINANCIAL INSTRUMENTS/PRODUCTS, OR IN GENERAL TO INVEST, NOR MUST IT BE CONSIDERED ANY FORM OF CONSULTING FOR AN INVESTMENT IN FINANCIAL INSTRUMENTS.

THE INFORMATION PROVIDED IN THIS DOCUMENT MUST NOT BE UNDERSTOOD AS A REQUEST OR SUGGESTION TO CONDUCT OR CARRY OUT A SPECIFIC TRANSACTION.

EACH INVESTOR MUST FORM HIS/HER OWN OPINION BASED EXCLUSIVELY ON HIS/HER ASSESSMENT OF THE ADVISABILITY OF INVESTING. ANY INVESTMENT DECISION MADE ON THE BASIS OF THE INFORMATION AND ANALYSES IN THIS DOCUMENT IS THE EXCLUSIVE RESPONSIBILITY OF THE RECIPIENTS OF THIS DOCUMENT, WHO MUST CONSIDER THIS

DOCUMENT MERELY AS A SOURCE OF INFORMATION AND ANALYSIS TO SUPPORT SUCH DECISION.

ANY OPINIONS, FORECAST OR ESTIMATES CONTAINED HEREIN CONSTITUTE A JUDGEMENT AS AT THE DATE OF THIS DOCUMENT, AND THERE CAN BE NO ASSURANCE THAT THE FUTURE RESULTS OF THE COMPANY AND/OR ANY FUTURE EVENTS WILL BE CONSISTENT WITH ANY OF SUCH OPINIONS, FORECAST OR ESTIMATES.

KT&PARTNERS MAKES NO EXPLICIT OR IMPLICIT GUARANTEE WITH RESPECT TO PERFORMANCE OR THE OUTCOME OF ANY INVESTMENT OR PROJECTIONS MADE.

THEREFORE, KT&PARTNERS, ITS REPRESENTATIVES AND/OR EMPLOYEES WILL NOT BE LIABLE FOR ANY EFFECT DERIVING FROM THE USE OF THIS DOCUMENT, AND HEREBY DECLINE ALL LIABILITY FOR ANY DIRECT OR INDIRECT DAMAGES, FINANCIAL OR OTHERWISE, DERIVING FROM ANY USE OF THE INFORMATION IT CONTAINS.

KT&PARTNERS AIMS TO PROVIDE CONTINUOUS COVERAGE OF THE COMPANY IN CONJUNCTION WITH ANY EXCEPTIONAL EVENT THAT OCCURS AFFECTING THE ISSUER'S SPHERE OF OPERATIONS AND IN ANY CASE AT LEAST TWICE PER YEAR.

IN THIS STUDY DCF AND MULTIPLE VALUATION MODELS HAVE BEEN USED. RECOMMENDATIONS FOLLOW THE FOLLOWING RULES:

- ADD - FOR A FAIR VALUE > 15% ON CURRENT PRICE
- HOLD - FOR A FAIR VALUE <15% o >-15% ON CURRENT PRICE
- REDUCE - FOR A FAIR VALUE < -15% ON CURRENT PRICE

IDNTT SA

Price: €3.2 | Fair Value: €6.4

KT&PARTNERS

KT&PARTNERS

Via della Posta, 10 – Piazza Affari, 20123 Milano – Italy
Tel: +39.02.83424007 Fax: +39.02.83424011
segreteria@ktepartners.com