

## Pursuing an In-Sane! Growth

ADD | Fair Value: €6.4 (€6.4) | Current Price: €3.0 | Upside: +111.9%

€ Million	FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
Total Revenues	5.9	8.5	9.9	21.9	24.0	26.2	28.6
EBITDA	1.6	2.5	2.7	4.0	5.1	6.1	6.9
margin	26.8%	29.1%	27.0%	18.1%	21.1%	23.2%	24.2%
Net Profit	0.9	1.7	1.4	2.8	3.6	4.4	5.1
margin	16.0%	19.7%	14.2%	12.7%	15.1%	16.9%	17.8%
EPS	n.a.	0.0	0.0	0.0	0.0	0.0	0.0
NFP	(0.8)	(2.8)	(1.9)	(1.8)	(5.4)	(9.8)	(15.0)

Source: Company Data (2020A-2022A), KT&amp;Partners' forecasts (2023E-2026E)

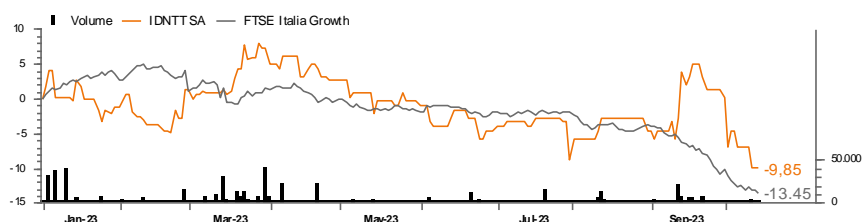
**1H23 Financial Results.** IDNTT SA released its 1H23 financial results, reporting sales revenues at €9.0mn (+92.9% YoY from €4.7mn in 1H22), almost in line with our estimate of €9.5mn. The extraordinary increase is mainly attributable to In-Sane (acquired in Novembre 2022) contribution (€3.7mn). However, IDNTT stand-alone registered a double-digit organic growth +12.8% YoY with €5.3mn of sales. The Group reported an EBITDA of €1.4mn in 1H23 (+12.8% YoY, €1.2mn in 1H22), slightly above our estimate of €1.3mn, with an EBITDA margin of 15.2%. Consequently, 1H23 EBIT stood at €1.2mn (+12.9% YoY), while the net income was in line with the result achieved a year prior, attaining to €0.7mn, just 1.6% lower than in 1H22 due to a slightly higher tax rate (21.6% in 1H23 vs. 19.5% in 1H22). Finally, the NFP went from a cash position of -€1.9mn in FY22 to -€1.3mn, with a cash outflow attributable to dividend payments made in 1H23, several shares' buybacks, the acquisition of Aldo Biasi Comunicazione's 20% stake in June 2023, and investments in tangible and intangible assets made during 1H23.

**IDNTT group is taking shape growing more and more.** Between June and July 2023, IDNTT has realized two M&A transactions that outline always more the growth path laid out by the company's management. Indeed, in June 2023, the Company acquired the 20% of Aldo Biasi Comunicazioni Srl (ABC), consulting and creative marketing company with a long-lasting legacy in the Italian advertising panorama. The deal aims to strengthen IDNTT's growth strategies by integrating new development opportunities and acquiring new skills with a strong heritage "brand" in the world of Italian and international communication. In July 2023, the Group increased its ownership stake in In-Sane by exercising its call option giving it the right to acquire another 15% of the influencer marketing agency to own 75% of its share capital.

**Change in Estimates.** In light of 1H23 results and given the seasonality that characterized IDNTT business with a stronger 2H we confirmed our previous estimates of IDNTT for the 2023E-26E period, projecting FY23 total revenues to be €21.9mn, growing at a CAGR22-26E of 30.2% to reach €28.6mn at the end of 2026E. We confirmed our estimates at the EBITDA level, projecting a FY23E EBITDA of €4.0mn. For the following years, we forecast the EBITDA to grow at a CAGR22A-26E of 26.8%, reaching €6.9mn in FY26E. We project the EBITDA margin to grow from 18.1% at the end of 2023 to 24.2% in FY26E as effect of expected increasing synergies between IDNTT and In-Sane!. At the bottom-line level, we confirmed our expectation of €2.8mn of net income in FY23, and we keep projecting a growth at a CAGR of 38% in the 2022A-26E period. Finally, we estimate FY23E NFP to attain at net cash position of -€1.8mn, forecasting further improvements over the next year, reaching -€15.0mn in 2026 by leveraging the Group's ability to generate cash.

**Valuation.** We maintained unchanged our valuation for the Company. We ran our valuation using both DCF and EV/EBITDA multiple models, obtaining an equity value of €48.2mn or €6.4ps, +111.9% on current market price.

## Performance Chart – YTD



## Research Update

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Equity Research Team

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## Market Data

Main Shareholders			
Christian Traviglia			58.91%
Andrea Besana			2.26%
Alberto Costa (tramite PPA Professional Partners)			0.67%
Azioni Proprie			1.41%
Mkt Cap (€ mn)			23.4
EV (€ mn)			20.5
Shares out.			7.5
Free Float			36.75%
<b>Market multiples</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>
EV/EBITDA			
IDNTT SA	5.2x	4.1x	3.4x
Comps Average	7.5x	6.6x	6.3x
IDNTT SA vs Average	-30%	-39%	-46%
P/E			
IDNTT SA	8.1x	6.2x	5.1x
Comps Average	15.0x	12.4x	10.7x
IDNTT SA vs Average	-46%	-50%	-52%

## Stock Data

52 Wk High (€)	3.65
52 Wk Low (€)	2.75
Avg. Daily Trading 90d	2,061
Price Change 1w (%)	-3.21
Price Change 1m (%)	-13.22
Price Change YTD (%)	-9.85

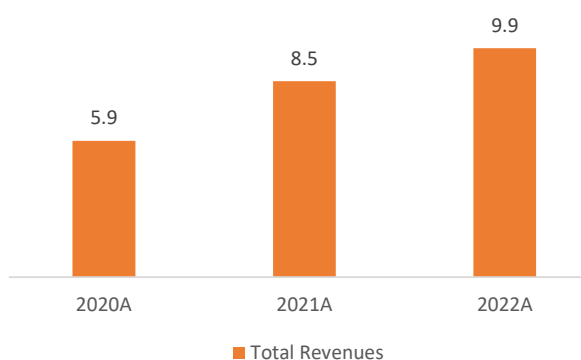
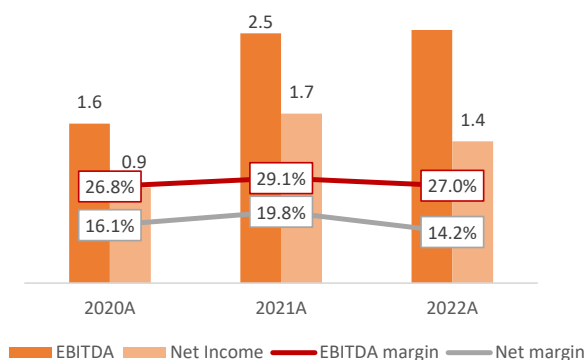
## Key Figures – IDNTT SA

Current price (€)	Fair Value (€)		Sector				Free Float (%)
3.0	6.4		Digital Marketing				36.75%
Per Share Data	2020A	2021A	2022A	2023E	2024E	2025E	2026E
Total shares outstanding (mn)	7.5	7.5	7.5	7.5	7.5	7.5	7.5
EPS	n.m.	0.22	0.19	0.37	0.49	0.59	0.68
Dividend per share (ord)	n.a.	n.a.	2%	n.a.	n.a.	n.a.	n.a.
Dividend pay out ratio (%)	n.a.	n.a.	8%	n.a.	n.a.	n.a.	n.a.
Profit and Loss (EUR million)	2020A	2021A	2022A	2023E	2024E	2025E	2026E
Total Revenues	5.9	8.5	9.9	21.9	24.0	26.2	28.6
EBITDA	1.6	2.5	2.7	4.0	5.1	6.1	6.9
EBIT	1.3	2.1	2.3	3.6	4.7	5.7	6.5
EBT	1.2	1.9	1.7	3.5	4.5	5.5	6.4
Taxes	(0.2)	(0.2)	(0.3)	(0.7)	(0.9)	(1.1)	(1.3)
Tax rate	20%	12%	19%	20%	20%	20%	20%
Net Income	0.9	1.7	1.4	2.8	3.6	4.4	5.1
Net Income attributable to the Group	0.9	1.7	1.4	2.8	3.6	4.4	5.1
Balance Sheet (EUR million)	2020A	2021A	2022A	2023E	2024E	2025E	2026E
Total fixed assets	0.8	0.8	2.6	2.5	2.4	2.3	2.2
Net Working Capital (NWC)	(0.6)	0.9	1.3	4.8	5.6	6.3	7.0
Provisions	(0.2)	(0.2)	(0.1)	(0.7)	(1.3)	(2.0)	(2.7)
Total Net capital employed	(0.0)	1.4	3.7	6.6	6.6	6.6	6.5
Net financial position/(Cash)	(0.8)	(2.8)	(1.9)	(1.8)	(5.4)	(9.8)	(15.0)
Group Shareholder's Equity	0.8	4.3	5.7	8.3	12.0	16.4	21.5
Minorities	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Shareholder's Equity	0.8	4.3	5.7	8.3	12.0	16.4	21.5
Cash Flow (EUR million)	2020A	2021A	2022A	2023E	2024E	2025E	2026E
Net operating cash flow	1.3	2.2	2.2	3.3	4.1	4.9	5.6
Change in NWC	1.3	(1.5)	(2.2)	(3.5)	(0.8)	(0.7)	(0.7)
Capital expenditure	(0.5)	(0.4)	(0.5)	(0.3)	(0.3)	(0.3)	(0.3)
Other cash items/Uses of funds	0.1	0.1	0.0	0.6	0.6	0.7	0.7
Free cash flow	2.3	0.4	(0.4)	0.0	3.7	4.6	5.3
Enterprise Value (EUR million)	2020A	2021A	2022A	2023E	2024E	2025E	2026E
Market Cap	n.m.	n.m.	25.1	22.6	22.6	22.6	22.6
Minorities	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net financial position/(Cash)	(0.8)	(2.8)	(1.9)	(1.8)	(5.4)	(9.8)	(15.0)
Enterprise value	n.m.	n.m.	23.1	20.8	17.3	12.8	7.6
Ratios (%)	2020A	2021A	2022A	2023E	2024E	2025E	2026E
EBITDA margin	26.8%	29.1%	27.0%	18.1%	21.1%	23.2%	24.2%
EBIT margin	21.7%	25.0%	23.2%	16.3%	19.4%	21.7%	22.8%
Gearing - Debt/equity	-105.1%	-66.3%	-34.3%	-21.4%	-44.8%	-59.9%	-69.8%
Interest cover on EBIT	0.9%	0.3%	0.4%	0.0%	0.0%	0.0%	0.0%
NFP/EBITDA	-0.51x	-1.14x	-0.73x	-0.45x	-1.06x	-1.62x	-2.17x
ROCE	n.m.	148.4%	61.8%	54.6%	70.6%	86.3%	100.3%
ROE	123.8%	39.5%	24.8%	33.3%	30.4%	27.0%	23.7%
EV/Sales	3.51x	2.43x	2.08x	0.94x	0.86x	0.79x	0.72x
EV/EBITDA	13.09x	8.35x	7.71x	5.21x	4.07x	3.40x	2.99x
P/E	23.90x	13.47x	16.09x	8.15x	6.21x	5.10x	4.44x
Free cash flow yield	11%	2%	-2%	0%	18%	22%	26%
Growth Rates (%)	2020A	2021A	2022A	2023E	2024E	2025E	2026E
Sales	39.7%	44.2%	16.7%	120.5%	9.7%	9.0%	9.1%
EBITDA	141.8%	56.7%	8.2%	48.2%	27.9%	19.8%	13.7%
EBIT	223.8%	66.3%	8.3%	55.4%	30.5%	21.5%	14.7%
Net Income	269.9%	77.5%	-16.4%	97.5%	31.1%	21.9%	14.9%

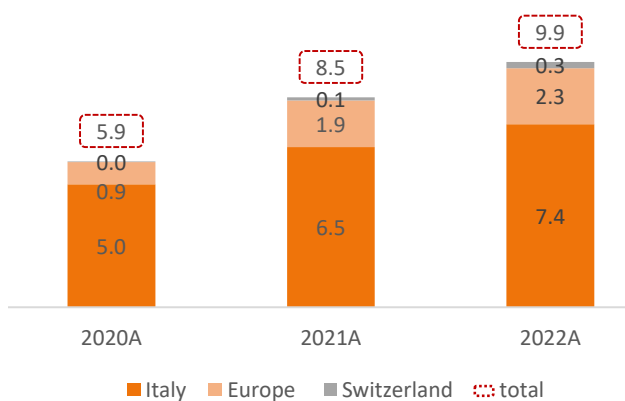
Source: Company Data (2020A-2022A), KT&amp;Partners' forecasts (2023E-2026E)

## Key Charts

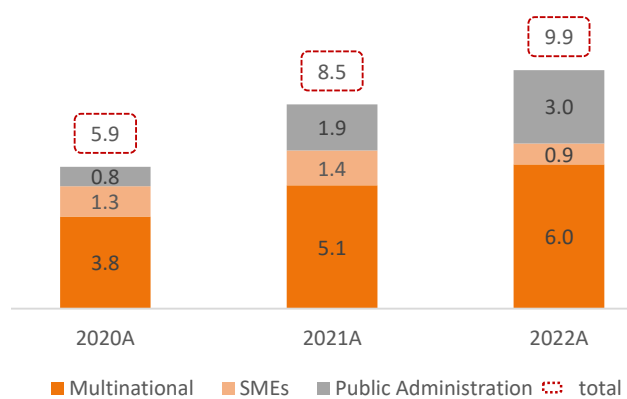
Total Revenues (€mn)

EBITDA and Net Income (€mn, %)<sup>1</sup>

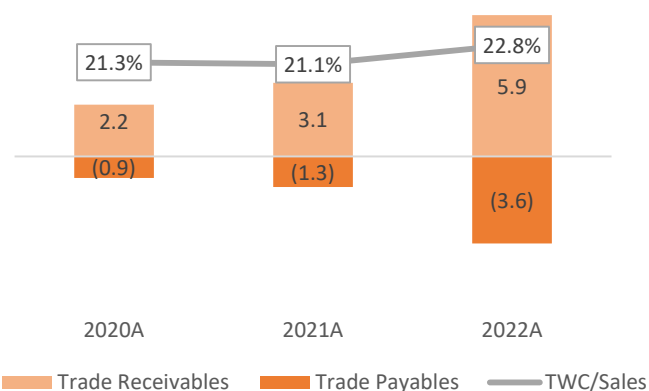
Sales Revenues Breakdown by Geographical Area (€mn)



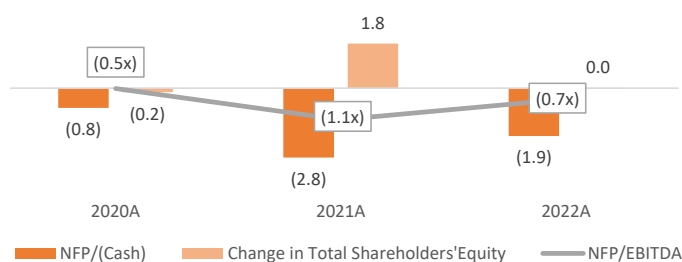
Sales Revenues Breakdown by Clients (€mn)



Trade Working Capital (€mn, %)



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

<sup>1</sup> 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.

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 announced the acquisition of 75% 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. 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.

### 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 revenues growth, profitability, and cash flow generation**. Since 2019, IDNTT has registered a strong growth path, more than doubling its sales volume, peaking at €9.9mn in 2022 reporting total revenues CAGR2019–22 of +33.6%. Moreover, it also improved significantly in terms of profitability: EBITDA grew at a double digit CAGR2019–2022 of +60.1% and the EBITDA margin increased from 15.5% to 27% in 2022.
- **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 27% vs an average of 16.7% 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.

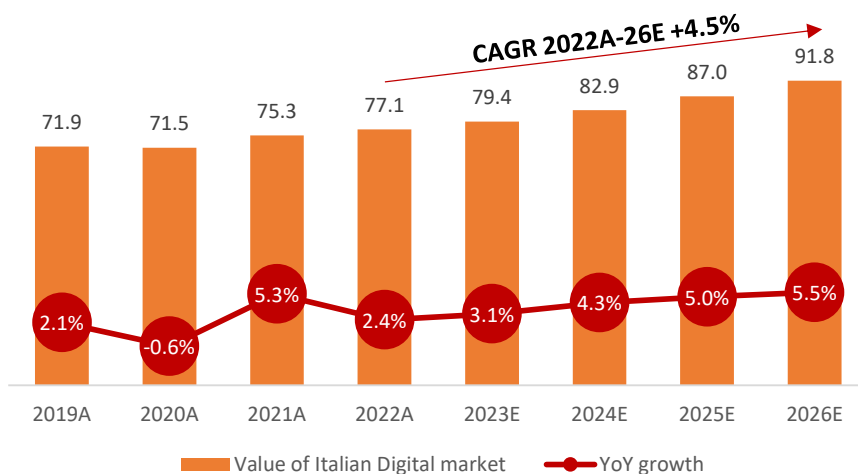
**Recent Developments**

- **Warrant IDNTT SA 2021-2024.** On July 28, 2023, IDNTT closed the second window period of its warrant programme releasing that was exercised 75,969 warrants (remaining 1,564,603 unvested warrants) at a strike price of €2,43ps, issuing thus 25,323 shares (3:1 exchange ratio) for a total capital raised of €61k.
- **IDNTT signed a partnership with RCS MediaGroup for the management of GdS's Twitch channel.** On July 24, 2023, IDNTT communicated to have signed a partnership with RCS MediaGroup for the management and development of the Twitch channel of La Gazzetta dello Sport (GdS), the most important sports newspaper in Italy.
- **IDNTT exercised the call option buying another 15% of In-Sane!'s equity.** On July 3, 2023, IDNTT announced that it has exercised its call option giving it the right to acquire another 15% of In-Sane!, influencer marketing agency with more than 150 content creators under management. The monetary consideration, equal to €360k, is based on an EBITDA multiple of In-Sane! adjusted for the FY22A NFP of the company. Through this transaction, IDNTT increases its stake in In-Sane! to own 75% of its share capital.
- **IDNTT purchased 20% of Aldo Biasi Comunicazione Srl's equity.** On June 13, 2023, IDNTT announced that it has entered into an M&A agreement with Aldo Biasi Comunicazione Srl (ABC Srl) to acquire a minority stake equal to 20% of the share capital. The agreement provides that Mr. Aldo Biasi will become Creative Art Director of IDNTT, bringing to the Group more than 50 years of expertise in the media and advertising sector.
- **IDNTT SA received secondary listing admission on Frankfurt Stock Exchange.** On June 12, 2023, IDNTT SA unveiled to have been admitted on Frankfurt Stock Exchange for a secondary listing on the *Open Market* segment of the *Quotation Board*, which includes companies already listed on other international or domestic trading venues. The dual listing was effective starting the day after, June 13, 2023.

## Market Update

As reported by Anitec-Assinform in the latest industry report released in June 2023<sup>2</sup>, the Italian digital sector grew by 2.4% in 2022, reaching €77.1bn value (which accounts for around 4% of Italy's GDP in 2022), and is expected to further rise by 3.1% in 2023. However, in the following years, the Italian digital market is expected to continue to grow at a higher pace with a CAGR 2022A-2026E of 4.5%, to reach €91.8bn by the end of 2026.

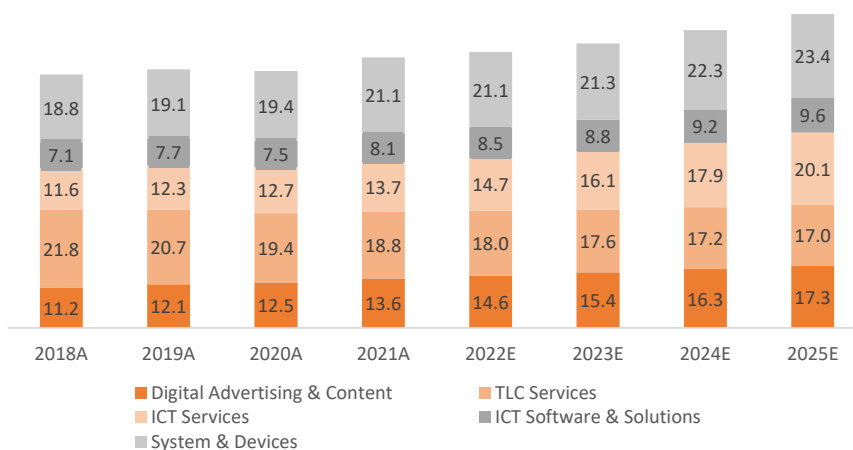
2018A-2025E Italian Digital Market (€bn, %)



Source: KT&Partners' Elaboration on Anitec-Assinform report

Looking at IDNTT's core business, the Digital Advertising & Content Industry showed an increase of 6.3% in 2022, reaching a €14.6bn in 2022, making up 19% of the total Digital Market Italian industry. In the following years, the Digital Advertising & Content segment is expected to show the second highest growth after ICT Services with a CAGR22E-25E of 5.9%, reaching €17.3mn at the end of FY25E.<sup>3</sup>

2018A-2025E Italian Digital Market Breakdown by Category (€bn, %)



Source: KT&Partners' Elaboration on Anitec-Assinform report

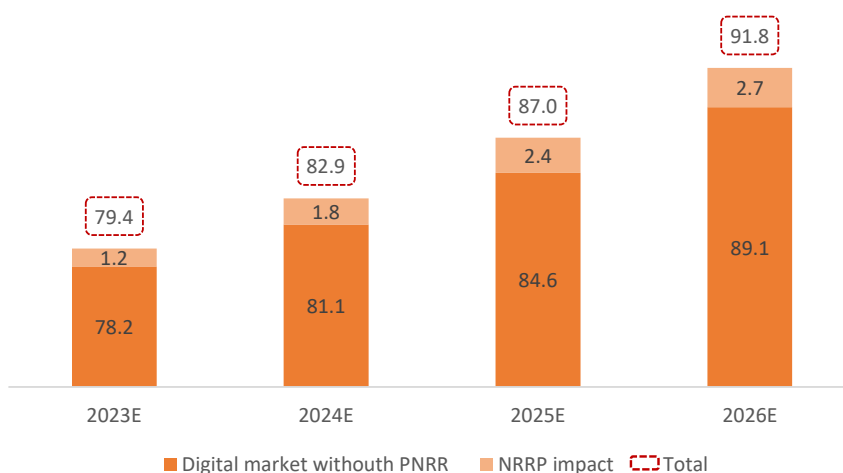
According to the Anitec-Assinform report, the National Recovery and Resilience Plan (NRRP) may have a significant effect on the digital market over the 2023-2026 period: by accounting

<sup>2</sup> Anitec-Assinform – Il Digitale in Italia 2023 Vol.1

<sup>3</sup> Anitec-Assinform – Il Digitale in Italia 2022 Vol.2

the impact of the NRRP into the digital market value estimates, the expected growth rate for the 2023E-26E period rises from 4.4% to 4.9%. Furthermore, the NRRP estimated impact over incidence of the digital market size is anticipated to increase progressively, from 1.5% in 2023 to 2.9% of the market value in 2026E with €2.7bn. The estimates of NRRP impact take into account the delays in presenting eligible projects, as well as the likely implementation and execution issues, which may arise from bureaucratic constraints and considering the sheer size of the measures that have to be carried. The plan has allocated €15.2bn toward investments in the digital sector, of which a substantial share is aimed at efforts to digitalize the National Public Administration, feeding a sector that represents a primary target market for IDNTT services.

#### NRPP's Effect on Digital Market Estimates (€bn)

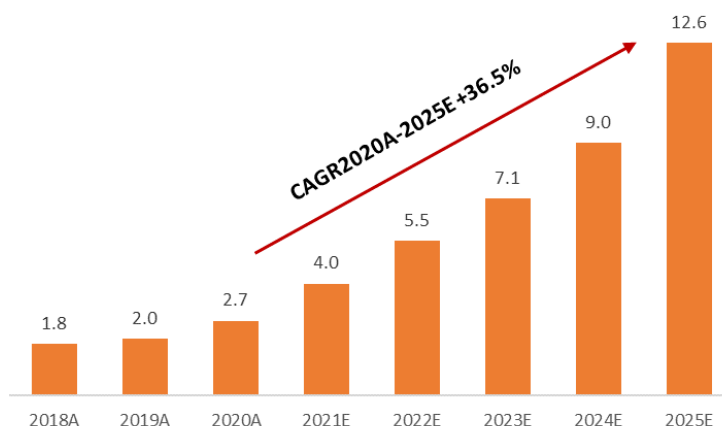


Source: KT&Partners' Elaboration on Anitec-Assinform report

#### Metaverse

With the acquisition of In-Sane! company, IDNTT has broadened its core offering with services that can be directly performed in the metaverse. According to McKinsey<sup>4</sup>, this market could be worth \$5tn by 2030, with consumers engaging in 5 main activities: gaming, socializing, fitness, commerce, and distance learning. Thanks to the numerous gamers and streamers under contract with In-Sane!, users can interact with them living, purchasing gamers' personalized items, and downloadable content (DLC) to enhance the user's experience.

#### AR-VR Visors Market size (\$bn)



Source: KT&Partners' Elaboration on Milano Finanza - "Metaverse: a guide to the next gen internet"

<sup>4</sup> McKinsey&Company - Value creation in the metaverse: The real business of the virtual world, June 2022

### Influencer Marketing

According to the latest Benchmark report from Influencer Marketing Benchmark<sup>5</sup>, the global influencer marketing industry was set to grow to approximately \$21bn at the end of 2023, showing a strong growth path after reaching \$16.4bn in 2022. According to the latest UPA's influencer marketing presentation, in 2021, global influencer marketing, In-Sane!'s main Industry, reached a value €14bn, growing at a double-digit growth from the €9.7bn reported in the preceding year. Also, in Italy influencer marketing is always more utilized by companies in their marketing and communication strategies. In 2022, 81% of the surveyed companies adopted influencer marketing strategies to promote their products on social-media platforms. Marketers started also to allocate an increasing share of their budgets to influencer marketing, + 8% YoY in 2022. In the next years, Italian influencer marketing is expected to continue to grow at a rate above that of the European average, considering also that in Italy there is a higher percentage of influencers on the total population compared to other European countries.

### Generative AI revenue projections

According to Bloomberg, the global Generative AI market could reach a \$1.3 trillion value by 2032, implying a CAGR of 42% from 2022, when the market had a size estimated to be \$40bn. The drivers which will contribute the most to the sector growth will be Generative AI IaaS which will be used to train Large Language Models (LLMs), projected to achieve \$247bn in revenues by 2032, followed by Generative AI driven Ad spending, whose revenues are posed to grow from \$57mn in 2022 to \$192bn in 2032, achieving an impressive CAGR 2022-32E of 125%.

#### Generative AI Revenue Projections 2022-32E (\$mn)

Generative AI Revenue Projections	2022	2027E	2032E	2022-32E CAGR
<b>Hardware</b>	<b>\$37,973</b>	<b>\$223,615</b>	<b>\$641,737</b>	<b>33%</b>
<b>Devices (Inference)</b>	\$4,128	\$82,965	\$168,233	45%
Computer Vision AI Products	\$1,032	\$22,124	\$60,564	50%
Conversational AI Products	\$3,096	\$60,841	\$107,669	43%
<b>Infrastructure (Training)</b>	\$33,845	\$140,650	\$473,505	30%
AI Server	\$22,563	\$49,641	\$133,817	19%
AI Storage	\$9,025	\$33,094	\$92,642	26%
Generative AI Infrastructure as a Service	\$2,256	\$57,915	\$247,046	60%
<b>Software</b>	<b>\$1,493</b>	<b>\$58,826</b>	<b>\$279,899</b>	<b>69%</b>
Specialized Generative AI Assistants	\$447	\$20,864	\$89,035	70%
Coding, DevOps and Generative AI Workflows	\$213	\$12,617	\$50,430	73%
Generative AI Workload Infrastructure Software	\$439	\$13,468	\$71,645	66%
Generative AI Drug Discovery Software	\$14	\$4,042	\$28,343	113%
Generative AI Based Cybersecurity Spending	\$9	\$3,165	\$13,946	109%
Generative AI Education Spending	\$370	\$4,669	\$26,500	53%
<b>Generative AI Based Gaming Spending</b>	<b>\$190</b>	<b>\$20,668</b>	<b>\$69,414</b>	<b>80%</b>
<b>Generative AI Driven Ad Spending</b>	<b>\$57</b>	<b>\$64,358</b>	<b>\$192,492</b>	<b>125%</b>
<b>Generative AI Focused IT Services</b>	<b>\$83</b>	<b>\$21,690</b>	<b>\$85,871</b>	<b>100%</b>
<b>Generative AI Based Business Services</b>	<b>\$38</b>	<b>\$10,188</b>	<b>\$34,138</b>	<b>97%</b>
<b>Total</b>	<b>\$39,834</b>	<b>\$399,345</b>	<b>\$1,303,551</b>	<b>42%</b>

Source: Bloomberg Intelligence, IDC, eMarketer, Statista

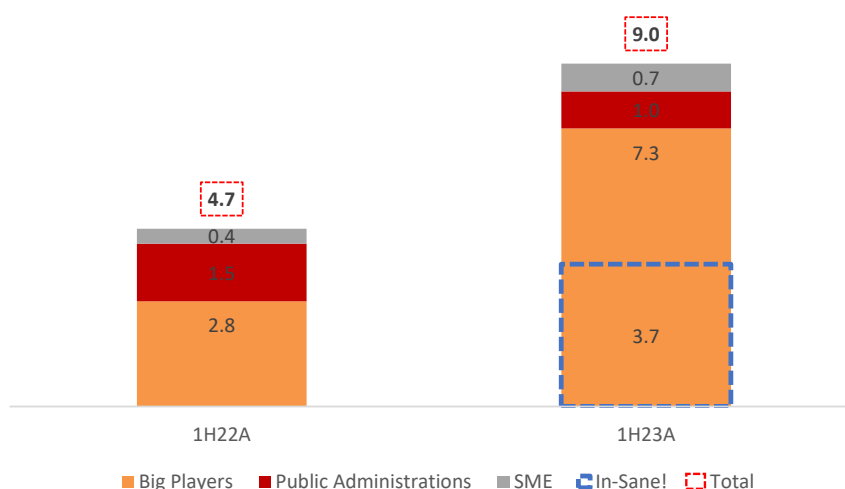
<sup>5</sup> Influencer Marketing Hub - The State of Influencer Marketing 2023: Benchmark Report, February 2023



## 1H23 Financial Results

IDNTT SA released its 1H23 financial results, reporting sales revenues at €9.0mn (+92.9% YoY from €4.7mn in 1H22), almost in line with our estimate of €9.5mn. The extraordinary increase is mainly attributable to In-Sane! (acquired in Novembre 2022) contribution (€3.7mn). However, IDNTT stand-alone registered a double-digit organic growth +12.8% YoY with €5.3mn of sales. Looking at the breakdown by Business unit, in 1H23 the Large clients unit achieved €3.6mn of revenues, up from €2.8mn in 1H22 (+28.9% YoY), or €7.3mn if In-Sane revenues are included (+164.2% YoY); meanwhile, the SME business unit generated €0.7mn (+87.4% YoY), whereas the PA business unit was the only one whose revenues declined, realizing €1.0mn down from €1.5mn in 1H22 (-35.9% YoY), mainly due to slowdown of projects related to the NRPP which are expected to produce sales in the second half of 2023.

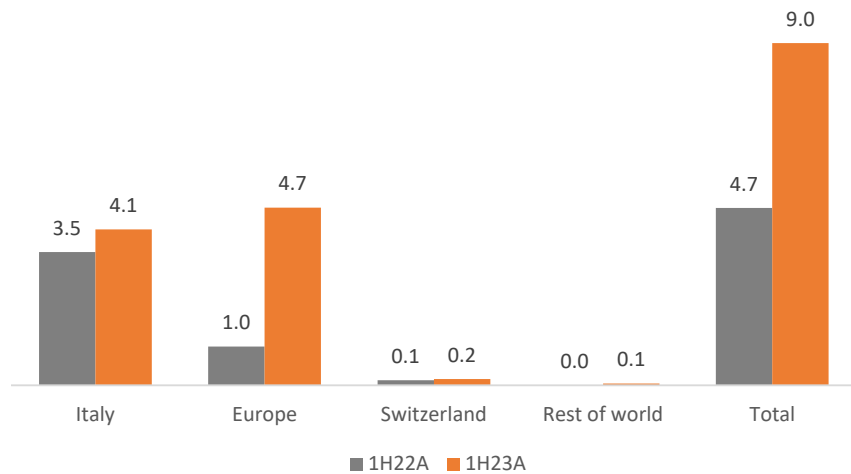
1H22-23 IDNTT's Sales Revenues Breakdown by Business Unit (€mn)



Source: KT&Partners' Elaboration on Company Data

Considering the sales' breakdown by geographic area, it can be noticed immediately how the Group increased its presence in foreign markets, which can be mostly attributed to the effects of the In-Sane acquisition made in November 2022 and to a commercial agreement signed in July 2022 with an international e-commerce player. In detail, Italian sales went from €3.5mn in 1H22 to €4.1mn in 1H23 (+17.0% YoY), whereas Europe sales climbed to €4.7mn, up from €1.0mn in 1H22 (+357.2%); sales in the Switzerland area increased by 24.1% YoY to €0.2m, while in the Rest of the world, the Group generated €0.1mn of revenues.

## 1H22-23 IDNTT's Sales Revenues Breakdown by Geography (€mn)



Source: KT&Partners' Elaboration on Company Data

The Group reported an EBITDA of €1.4mn in 1H23, up +12.8% YoY from €1.2mn realized in 1H22, exceeding our estimate of €1.3mn; on the marginality side, the EBITDA margin in 1H23 was 15.2%. Among the cost items impacting the EBITDA, the higher service costs stood out, which grew to €5.5mn from €1.8mn in 1H23, with an incidence on sales revenues of 61% vs. 39% in 1H22. The increase was ascribable almost entirely to production and consultancy services costs imputable to In-Sane.

Consequently, 1H23 EBIT stood at €1.2mn (+12.9% YoY), while the net income was in line with the result achieved a year prior and basically in line with our estimate, attaining to €0.7mn, just 1.6% lower than in 1H22 due to a slightly higher tax rate (21.6% in 1H23 vs. 19.5% in 1H22).

Finally, the NFP went from a cash position of -€1.9mn in FY22 to -€1.3mn, with a cash outflow attributable to dividend payments made in 1H23, several shares' buybacks, the acquisition of Aldo Biasi Comunicazione srl 20% stake in June 2023, and investments in tangible and intangible assets made during 1H23.

**1H21A–23A Income Statement vs 1H23 Estimates**

€ Millions	1H21A	1H22A	1H23A	YoY %	1H23E	A vs E %
Big Players	2.5	2.8	3.6	28.9%	2.6	37.2%
PA	0.5	1.5	1.0	-35.9%	1.5	-34.4%
SME	0.7	0.4	0.7	87.4%	0.3	128.8%
In-Sane!			3.7		5.1	-26.1%
<b>Sales Revenues</b>	<b>3.7</b>	<b>4.7</b>	<b>9.0</b>	<b>92.9%</b>	<b>9.5</b>	<b>-4.8%</b>
<i>Growth %</i>						
Other Revenues	0.0	0.0	0.0		0.0	
<b>Total Revenues</b>	<b>3.7</b>	<b>4.7</b>	<b>9.0</b>	<b>92.8%</b>	<b>9.5</b>	<b>-4.8%</b>
Cost of Services	(1.4)	(1.8)	(5.5)		(4.5)	
Personnel Expenses	(1.4)	(1.7)	(2.1)		(3.7)	
Other Operating Expenses	(0.0)	(0.0)	(0.0)		(0.0)	
<b>EBITDA</b>	<b>1.0</b>	<b>1.2</b>	<b>1.4</b>	<b>12.9%</b>	<b>1.3</b>	<b>8.1%</b>
<i>EBITDA margin</i>	<i>26.1%</i>	<i>25.9%</i>	<i>15.2%</i>		<i>13.4%</i>	
D&A and Provisions	(0.2)	(0.2)	(0.2)		(0.2)	
<b>EBIT</b>	<b>0.8</b>	<b>1.1</b>	<b>1.2</b>	<b>12.9%</b>	<b>1.1</b>	<b>8.2%</b>
<i>EBIT margin</i>	<i>22.0%</i>	<i>22.5%</i>	<i>13.2%</i>		<i>11.6%</i>	
Financial Income and Expenses	(0.0)	(0.0)	(0.0)		(0.0)	
Extraordinary items	(0.0)	(0.2)	(0.3)		(0.1)	
Other miscellaneous income and expenses					-	
<b>EBT</b>	<b>0.8</b>	<b>0.9</b>	<b>0.9</b>	<b>1.1%</b>	<b>1.0</b>	<b>-16.7%</b>
Taxes	(0.1)	(0.2)	(0.2)		(0.3)	
<i>Tax Rate</i>	<i>18.1%</i>	<i>19.5%</i>	<i>21.6%</i>		<i>-28.7%</i>	
<b>Net Income</b>	<b>0.6</b>	<b>0.7</b>	<b>0.7</b>	<b>-1.6%</b>	<b>0.7</b>	<b>-8.4%</b>
<i>Net margin</i>	<i>17.2%</i>	<i>14.8%</i>	<i>7.5%</i>		<i>7.8%</i>	
Minorities	-	-	-		-	
<b>Net Income attributable to the Group</b>	<b>0.6</b>	<b>0.7</b>	<b>0.7</b>	<b>-1.6%</b>	<b>0.7</b>	<b>-8.4%</b>
<i>Net margin</i>	<i>17.2%</i>	<i>14.8%</i>	<i>7.5%</i>		<i>7.8%</i>	

Source: KT&amp;Partners' Elaboration on Company Data

## Change in Estimates

We confirmed our prior estimate following 1H23 IDNTT revenues and considering Group seasonality with the second semester typically characterized by higher performance compared to the first half due to the increasing communication budgets during Q3 and Q4 in alignment with major marketing campaigns related to summer, back-to-school, Black Friday, and Christmas.

Therefore, we confirmed our revenues, profitability, and growth estimates for IDNTT, also on the back of its well-proven growth record as well as on the synergies that the Company is expected to produce following the acquisitions of In-Sane! and the minority stake of Aldo Biasi Comunicazione srl (ABC srl). Indeed, the Group aims to combine its own digital marketing expertise and know-how to the influencer marketing capabilities brought on by In-Sane!, leveraging its influencers and content creators' base to produce digital content specifically targeted to the younger generations. On the other hand, the deal with Aldo Biasi Comunicazione, has the aim to strengthen IDNTT's growth strategies by integrating new development opportunities and acquiring new skills with a strong heritage "brand" in the world of Italian and international communication. Indeed, IDNTT together with Aldo Biasi opens the way to the use of Generative AI for content and advertising production.

In terms of total revenues, in FY23 we expect €21.9mn, growing at a CAGR22-26E of 30.2% to reach €28.6mn at the end of 2026E.

We confirmed our estimates at the EBITDA level, projecting a FY23E EBITDA of €4.0mn. For the following years, we forecast the EBITDA to grow at a CAGR22A-26E of 26.8%, reaching €6.9mn in FY26E. Given the expected increasing synergies between IDNTT and In-Sane! in the following years, we project the EBITDA margin to grow from 18.1% at the end of 2023 to 24.2% in FY26E.

At the bottom-line level, we confirmed our expectation of €2.8mn of net income in FY23, and we keep projecting an expected growth at a CAGR of 38% in the 2022A-26E period.

Finally, we estimate FY23E NFP to attain at -€1.8mn. Such net cash position is expected to improve further over the next year, reaching -€15.0mn in 2026 by leveraging the Group's ability to generate cash.

## 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 €35.6mn or a fair value €4.8ps;
2. P/E multiple, which returns an equity value of €37.9mn or a fair value of €5.1ps;
3. DCF analysis based on WACC of 10.3% and 1.5% perpetual growth, returns an equity value of €59.7mn or a fair value of €8ps.

The average of the two methods yields an equity value of €48.2mn or a fair value of €6.4ps.

### Valuation Recap

	Equity Value €mn	Value per share €
EV/EBITDA	35.6	4.8
P/E	37.9	5.1
<b>Average - multiples</b>	<b>36.8</b>	<b>4.9</b>
DCF	59.7	8.0
<b>Average</b>	<b>48.2</b>	<b>6.4</b>

Source: FactSet, KT&Partners' elaboration

## Market Multiples Valuation

Following our comps analysis, we evaluated the company by using the 2023E–25E 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 2023, 2024, and 2025. We also considered FY22 NFP at €-1.9mn. We end up with our IDNTT's equity value of €35.6mn for EV/EBITDA and of €37.9mn through the P/E method.

### Peer Comparison – Market Multiples 2022A–2025E

Company name	Exchange	Market Cap	EV/SALES 2022	EV/SALES 2023	EV/SALES 2024	EV/SALES 2025	EV/EBITDA 2022	EV/EBITDA 2023	EV/EBITDA 2024	EV/EBITDA 2025	EV/EBIT 2022	EV/EBIT 2023	EV/EBIT 2024	EV/EBIT 2025	P/E 2022	P/E 2023	P/E 2024	P/E 2025
S4 Capital plc	London	1,063	1.0x	1.0x	0.9x	0.7x	8.3x	6.9x	5.7x	4.8x	n.m	7.5x	6.1x	5.1x	n.m	12.7x	9.8x	8.1x
SYZYGY AG	XETRA	75	1.0x	0.9x	0.9x	n.a.	6.2x	5.6x	5.2x	n.a.	n.m	9.5x	8.6x	n.a.	n.m	16.0x	14.1x	n.a.
Next Fifteen Communications Group PLC	London	939	1.6x	1.4x	1.3x	1.3x	7.1x	6.2x	5.7x	5.4x	8.0x	7.0x	6.5x	6.3x	10.5x	9.4x	8.7x	8.2x
Septentil Holdings Co., Ltd.	Tokyo	527	1.9x	1.4x	1.5x	1.4x	8.1x	13.0x	12.4x	9.5x	9.1x	10.4x	10.1x	7.9x	11.4x	13.5x	12.9x	10.6x
ISPD Network	Euronext Paris	60	0.7x	0.6x	0.6x	n.a.	6.9x	5.6x	5.1x	n.a.	11.8x	8.1x	6.6x	n.a.	14.5x	9.4x	7.8x	n.a.
Alkemy SpA	Milan	73	0.8x	0.8x	0.7x	0.7x	9.9x	6.5x	5.7x	5.1x	15.4x	8.8x	7.5x	6.5x	13.2x	11.0x	8.9x	7.7x
Digitouch SpA	Milan	38	n.a.	0.8x	0.8x	n.a.	n.a.	5.0x	4.6x	n.a.	n.a.	8.0x	7.8x	n.a.	16.9x	14.2x	13.5x	n.a.
Perion Network Ltd	Milan	1,695	2.2x	1.9x	1.7x	1.6x	11.1x	9.4x	8.3x	7.5x	12.5x	11.7x	10.1x	n.a.	17.3x	15.3x	14.1x	14.9x
Average peer group		505	1.5x	1.2x	1.1x	1.2x	9.2x	7.5x	6.6x	6.3x	11.4x	8.9x	7.8x	6.2x	14.0x	15.0x	12.4x	10.7x
Median peer group		77	1.3x	1.0x	0.9x	1.3x	8.2x	6.5x	5.7x	5.4x	11.8x	8.8x	7.5x	6.3x	13.9x	13.5x	12.9x	9.4x
IDNTT SA	Milan	23	2.1x	0.9x	0.9x	0.8x	7.7x	5.2x	4.1x	3.4x	9.0x	5.8x	4.4x	3.6x	16.1x	8.1x	6.2x	5.1x

Source: FactSet, KT&Partners' elaboration

### EV/EBITDA Multiple Valuation

Multiple Valuation (€mn)	2023E	2024E	2025E
EV/EBITDA Comps	7.5x	6.6x	6.3x
IDNTT SA EBITDA	4.0	5.1	6.1
<b>Enterprise value</b>	<b>29.7</b>	<b>33.6</b>	<b>38.1</b>
Average Enterprise Value		33.8	
Liquidity/Size Discount		15%	
<b>Enterprise Value Post-Discout</b>		<b>28.7</b>	
IDNTT SA FY22E Net Debt		(1.9)	
IDNTT SA FY22E Minorities		0.0	
<b>Equity Value</b>		<b>35.6</b>	
Number of shares (mn)		7.5	
<b>Value per Share €</b>		<b>4.8</b>	

Source: FactSet, KT&Partners' elaboration

### P/E Multiple Valuation

Multiple Valuation (€mn)	2023E	2024E	2025E
P/E Comps	15.0x	12.4x	10.7x
IDNTT SA Net Income	2.8	3.6	4.4
<b>Equity Value</b>	<b>41.5</b>	<b>45.0</b>	<b>47.4</b>
Average Equity Value		44.6	
Liquidity/Size Discount		15%	
<b>Equity Value Post-Discout</b>		<b>37.9</b>	
Number of shares (mn)		7.5	
<b>Value per Share €</b>		<b>5.1</b>	

## DCF Valuation

We have also conducted our valuation using a four-year DCF model, based on 14% cost of equity, 3% cost of debt, and a D/E ratio of 46% (based on the advertising industry). The cost of equity is a function of the risk-free rate of 4.20% (vs. 3.97% 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 10.3% WACC.

We discounted 2023E–26E 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	2023E	2024E	2025E	2026E
EBIT	3.6	4.7	5.7	6.5
Taxes	(0.7)	(0.9)	(1.1)	(1.3)
D&A	0.4	0.4	0.4	0.4
Change in Net Working Capital	(3.5)	(0.8)	(0.7)	(0.7)
Change in Funds	0.6	0.6	0.7	0.7
<b>Net Operating Cash Flow</b>	<b>0.3</b>	<b>4.0</b>	<b>4.9</b>	<b>5.6</b>
Capex	(0.3)	(0.3)	(0.3)	(0.3)
M&A Capex	-	-	-	-
<b>FCFO</b>	<b>0.0</b>	<b>3.7</b>	<b>4.6</b>	<b>5.3</b>
g	1.5%			
Wacc	10.3%			
FCFO (discounted)	0.0	3.4	3.9	4.0
Discounted Cumulated FCFO	11.3			
TV	60.8			
TV (discounted)	46.4			
<b>Enterprise Value</b>	<b>57.7</b>			
NFP FY2022A	(1.9)			
Minorities FY2021A	0.0			
<b>Equity Value</b>	<b>59.7</b>			
Current number of shares (mn)	7.5			
<b>Value per share (€)</b>	<b>8.0</b>			

<b>WACC ASSUMPTIONS</b>	<b>10.3%</b>
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Source: Company data, KT&Partners' elaboration

Sensitivity Analysis						
Terminal growth Rate	€ Millions	WACC				
		10.8%	10.6%	10.3%	10.1%	9.8%
	1.0%	54.2	55.5	57.0	58.5	60.1
	1.3%	55.3	56.8	58.3	59.9	61.6
	1.5%	56.6	58.1	59.7	61.4	63.2
	1.8%	57.9	59.5	61.2	62.9	64.8
	2.0%	59.2	60.9	62.7	64.6	66.6

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 nine companies, which includes:

- **SYZGY**: listed on Xetra Stock Exchange with a market capitalization of €75mn, 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 FY22A, the Company achieved €70.6mn of sales revenues.
- **Next Fifteen Communications Group**: listed on the London Stock Exchange with a market capitalization of €939mn, 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 FY22A, the Company achieved €638.7mn of sales revenues.
- **Septeni Holdings**: listed on the Tokyo Stock Exchange with a market capitalization of €527mn, 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 €214mn of sales revenues.
- **ISPD Network (Antevenio)**: listed on Euronext Paris Stock Exchange with a market capitalization of €60mn, 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 €105.9mn of sales revenues.
- **Alkemy**: listed on Borsa Italiana Stock Exchange with a market capitalization of €73mn, 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 FY22A, the Company achieved €105mn of sales revenues.
- **DigiTouch**: listed on Borsa Italiana Stock Exchange with a market capitalization of €38mn, 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 €77mn, 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 FY22, the Company achieved €25mn of sales revenues.

- **S4 Capital:** listed on the London Stock Exchange with a market capitalization of €1.1bn, 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 FY22, the Company achieved €1.2bn of sales revenues.
- **Perion Network:** listed on NASDAQ with a market capitalization of 1.7bn, 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 FY22, the Company achieved €609mn of sales revenues.

#### Peers Comparison – Sales and EBITDA Growth 2020A-25E

Company Name	Sales				Sales			CAGR 2022-'25
	2020	2021	2022	YoY 21-22	2023	2024	2025	
S4 Capital plc	385.5	798.9	1,253.5	56.9%	1,253.5	1,248.6	1,420.1	4.2%
SYZGY AG	55.5	60.1	70.6	17.4%	70.6	76.1	81.4	4.9%
Next Fifteen Communications Group PLC	362.5	549.8	638.7	16.2%	638.7	718.4	764.2	6.2%
Septeni Holdings Co., Ltd.	148.6	166.4	214.0	28.6%	214.0	272.5	249.8	5.3%
ISPD Network	54.4	105.7	105.9	0.2%	105.9	111.4	116.3	3.2%
Alkemy SpA	73.9	94.0	104.9	11.6%	104.9	117.7	127.7	6.8%
DigiTouch SpA	31.3	37.3	46.5	24.6%	46.5	52.4	56.7	6.8%
Perion Network Ltd	287.8	404.8	609.2	50.5%	609.2	671.2	752.3	7.3%
Doxee S.p.A.	17.7	20.9	25.5	21.8%	25.5	37.4	43.4	19.4%
<b>Peers Average</b>	144.2	226.8	341.0	50.3%	341.0	367.3	401.3	5.6%
<b>IDNTT SA</b>	5.9	8.5	9.9	16.8%	21.8	24.0	26.1	38.2%

Company Name	EBITDA				EBITDA			CAGR 2022-'25
	2020	2021	2022	YoY 21-22	2023	2024	2025	
S4 Capital plc	66.9	113.9	148.0	29.9%	177.3	215.3	255.8	20.0%
SYZGY AG	7.6	12.5	11.6	-7.0%	12.8	13.8	n.a.	n.a.
Next Fifteen Communications Group PLC	58.8	102.2	144.6	41.5%	164.0	178.1	190.1	9.5%
Septeni Holdings Co., Ltd.	28.4	35.5	47.7	34.7%	29.6	31.1	40.5	-5.3%
ISPD Network	0.6	6.4	10.1	58.4%	12.4	13.7	n.a.	n.a.
Alkemy SpA	4.4	9.5	9.0	-5.3%	13.8	15.7	17.6	25.0%
DigiTouch SpA	4.5	5.3	7.2	34.7%	8.5	9.2	n.a.	n.a.
Perion Network Ltd	19.5	47.2	117.0	n.m.	138.8	157.0	173.1	13.9%
Doxee S.p.A.	4.2	5.3	5.3	0.0%	8.5	11.3	14.6	40.2%
<b>Peers Average</b>	19.6	33.9	55.6	63.9%	62.9	71.7	115.3	27.5%
<b>IDNTT SA</b>	1.6	2.5	2.7	8.2%	4.0	5.1	6.1	31.4%

Source: FactSet, KT&P's elaboration



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