

# Italian Tech Sector Update

Alkemy  
enabling evolution



CYBEROO

CY4  
GATE  
●●● ELETTRONICA GROUP

esprinet®

expert.ai

GPI

RELATECH®

REPLY

Sababa  
Security

SECO

seSa














TINEXTA

TXT

WIIT  
THE PREMIUM CLOUD

*Intermonte Research Team*

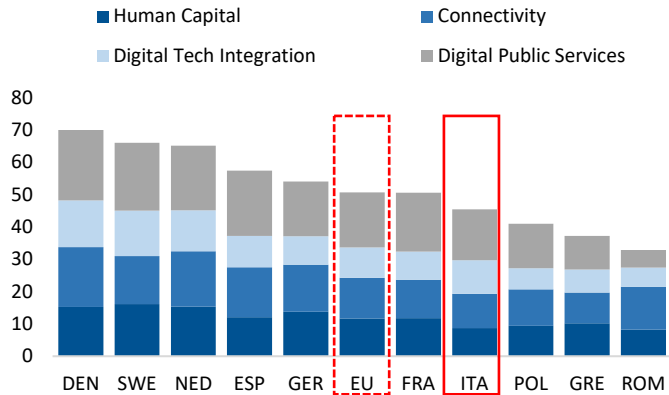
# Intermonte Mid/Small Cap Digital Selection

	Ticker	Company	Main Business	EUR mn	
				Sales FY21	Mkt Cap
	REY-IT	Reply	Consulting, Digital Innovation	1,484	3,924
	SES-IT	SeSa	Digital Transformation, ICT Distribution	2,037	1,845
	TNXT-IT	Tinexta	Digital Trust, Cybersecurity	375	1,006
	WIIT-IT	WIIT	Premium Cloud Services	77	544
	GPI-IT	GPI	Software and BPO for healthcare	327	241
	CY4-IT	Cy4Gate	Cyber Intelligence, Cybersecurity	18	225
	TXT-IT	TXT E-Solutions	Software, Consulting, Cloud	96	123
	ALK-IT	Alkemy	Digital Transformation	95	78
	CYB-IT	Cyberoo	Cyber Security, Managed Services	9	67
	EXAI-IT	Expert AI	Artificial Intelligence, Semantics technology	28	49
	SBB-IT	Sababa	Cyber Security	5	25
	PRT-IT	Esprinet	ICT Distribution	4,691	371
	RLT-IT	Relatech	Software, Cloud solutions	30	85

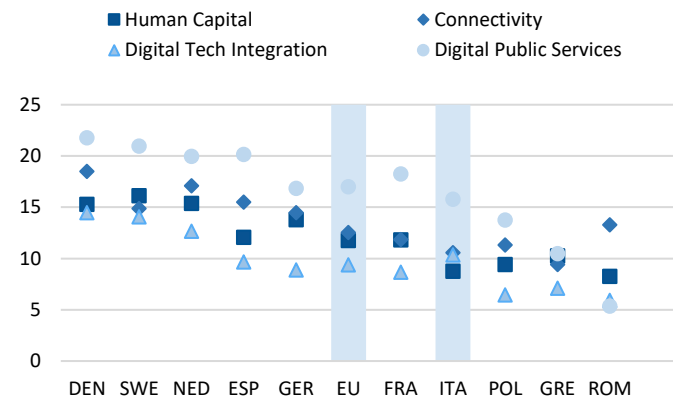
Source: Intermonte SIM

# Italy Still Lags European Neighbours, But Is Catching Up

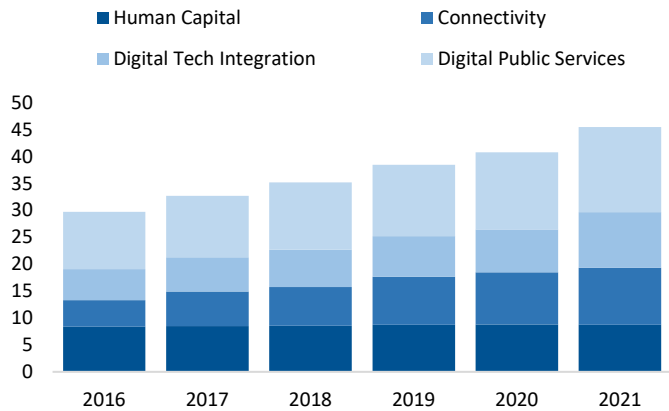
DESI Index 2021 - Italy vs European Neighbours



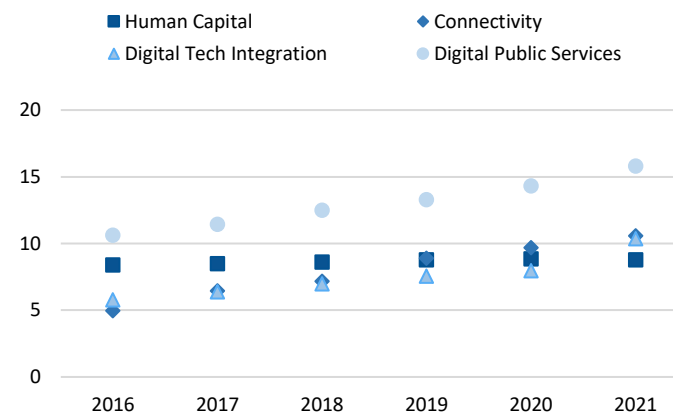
DESI Index 2021 by components - Italy vs Eu Neighbours



Italy - DESI Index evolution



Italy - DESI Index evolution by components

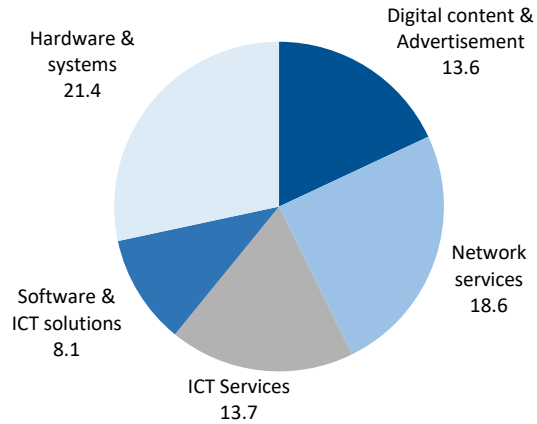


- Italy still lags its European neighbours in terms of integration and adoption of digital practises by individuals, corporations and government entities, a situation arising out of structural deficits and deeply-rooted behaviour
- Italy ranks bottom among EU countries on multiple indicators of digital adoption reflected in the Digital Economy and Society Index (DESI), which highlights the country's cumulative delay in digital tech adoption, digital skills, and use of connected features of digital technology
- However, the pandemic has been a wake-up call, putting digital transition under the spotlight. Indeed, in 2021 the country's DESI index rose +11.5% (vs the EU average of +9.6%), a material acceleration on 2020. The clearest progress was in Digital Tech Integration (+30.3% YoY), Digital Public Services (+10.3%) and Connectivity (+9.3%), while Human Capital remained the weak spot, down 0.8%

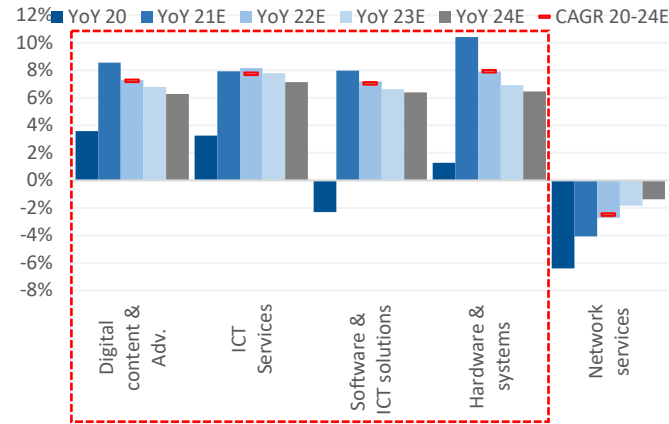
Source: EU Commission, DESI 2021

# Catch-Up on European Neighbours Offers Superior Growth Prospects

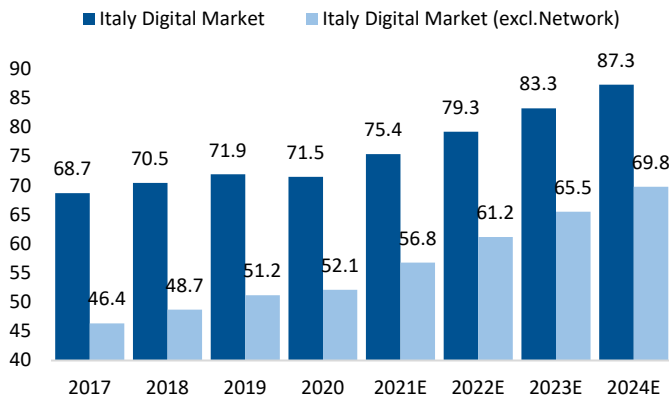
Italian ICT sector composition (2021E), Eu bn



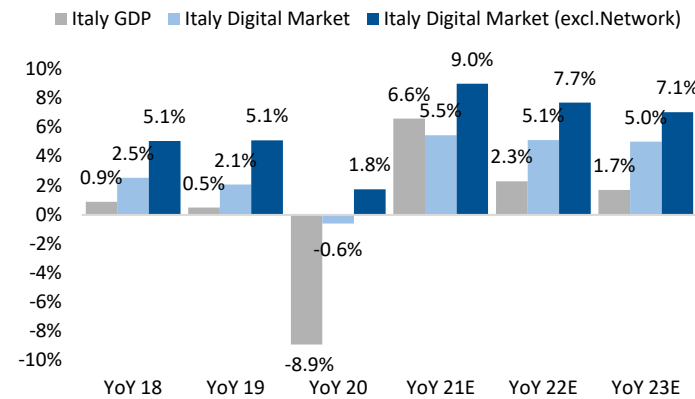
Italian ICT sector growth by component



Italian ICT sector growth (Eu bn)



Italian ICT sector vs GDP

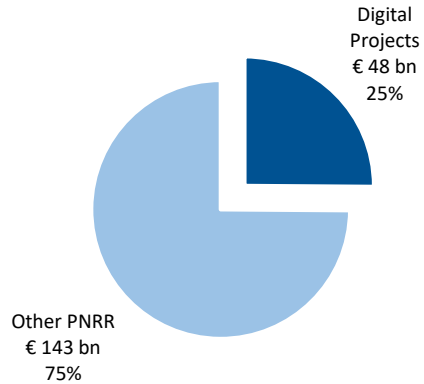


- Evolving habits, in part due to changes brought by the pandemic, point to **greater use of digital tools and processes by companies and individuals** and should contribute to closing Italy's digital gap with other western countries
- Indeed, Tech sector growth forecasts point to dynamic development in the coming years. ANITEC-ASSINFOM's latest estimates (October 2021) are that **the core Italian Digital sector will grow by +7.7% and +7.1% YoY overall in 2022 and 2023 respectively**, these figures are excluding the Network Services component, which is heavily burdened by the structurally declining fixed and mobile voice markets that are not part of the key activities for digital transformation
- This reflects **faster growth expectations than for other domestic activities**, as the latest IMF forecasts of Italy's GDP growth are +2.3% and +1.7% for 2022 and 2023. This stronger growth profile was also reflected in previous years, especially in 2020, when the tech sector lost only -0.6% (but grew +1.8% excluding network services), thus proving itself much **more resilient** than Italy's GDP, down -8.9% due to the pandemic

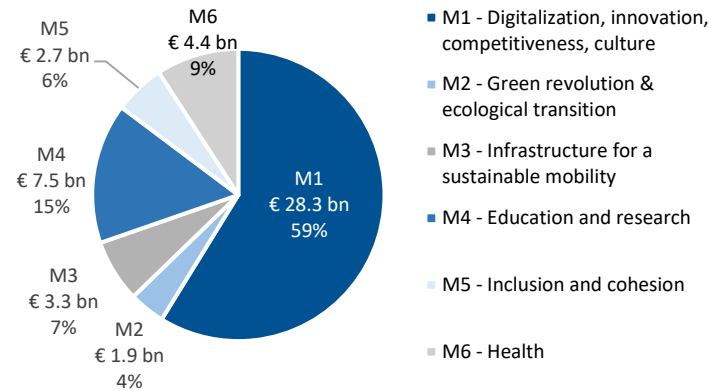
Source: ANITECASSINFOM Oct. 2021 report, IMF

# NRRP Supports Digital Projects to the Tune of €48bn

A material share of €48bn earmarked for projects under the “digital tag”

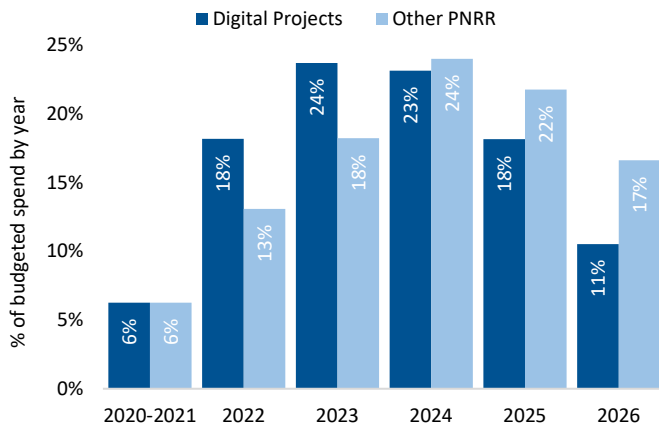


Most digital projects are aimed at digitalisation of the PA and business



- Digitalization is 25% of the NRRP budget and one of the three strategic pillars of the plan, together with ecological transition and social inclusion
- Direct investments are mainly for **government entity digitalization projects**, ICT infrastructure development, and strengthening digital capabilities and infrastructure in national education, research and healthcare systems
- **€11.1bn in “4.0” tax breaks to benefit corporations directly**, available on the purchase of tangible (€8.9bn) and intangible (€1.9bn) goods, supporting demand at companies in our digital selection
- Increased digitalization of government entities and other corporations is also set to boost demand at companies in our digital selection in the mid-run

Digital is a priority of the NRRP: planned roll-out of digital projects is faster

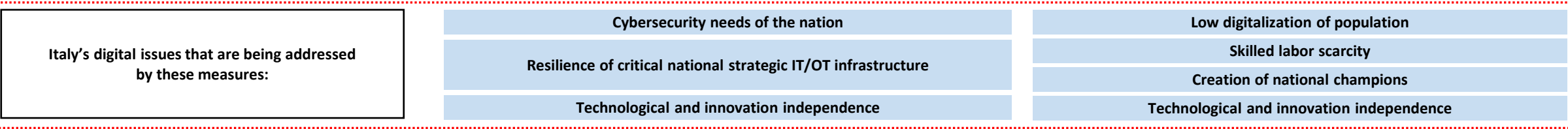
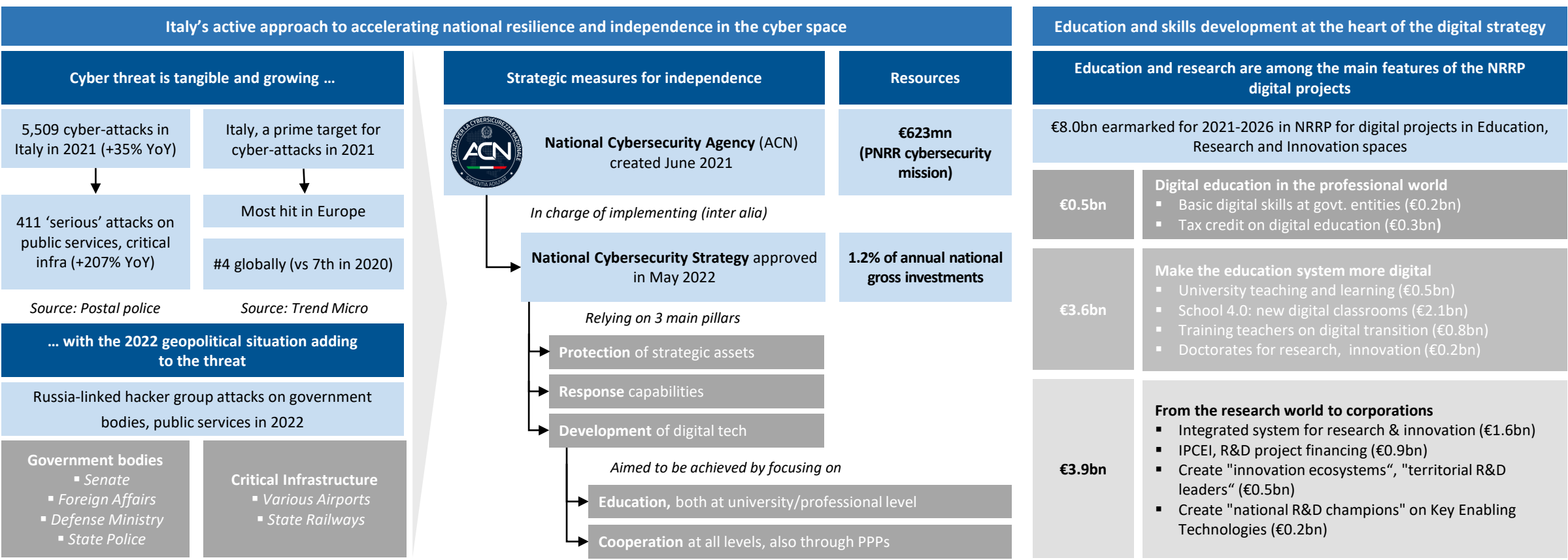


List of main projects (by amount) under the digital tag included in the NRRP

Mission	Project	EUR bn	%digital
M1	Transition 4.0 (corporate tax break)	11.1	23%
M1	Ultra broadband, 5G	6.7	14%
M3	ERTMS railway traffic system	3.0	6%
M4	School 4.0	2.1	4%
M1	Digital administrative services	2.0	4%
M5	Labor policy, professional training	1.8	4%
M6	Healthcare data analysis upgrade	1.7	3%
M4	Research & innovation infrastructure	1.6	3%
M1	Stellites and space economy	1.5	3%
M6	Hospital technological/digital park	1.5	3%
M2	Smart grid Strengthening	1.4	3%
M6	Telemedicine, healthcare at home	1.3	3%
M1	Cloud access for local PA	1.0	2%

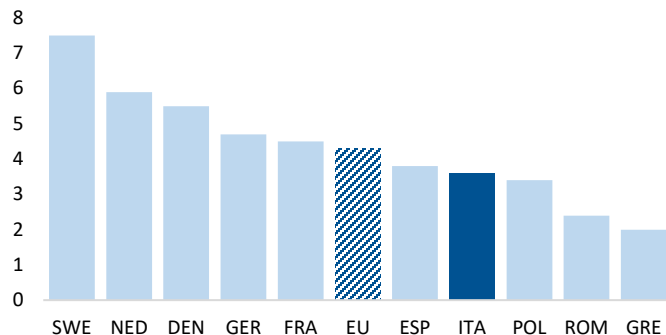
Source: Intermonte SIM on open data from italiadomani.gov.it

# Strategic Priority: Ensuring National Independence in the Digital/Cyber Space

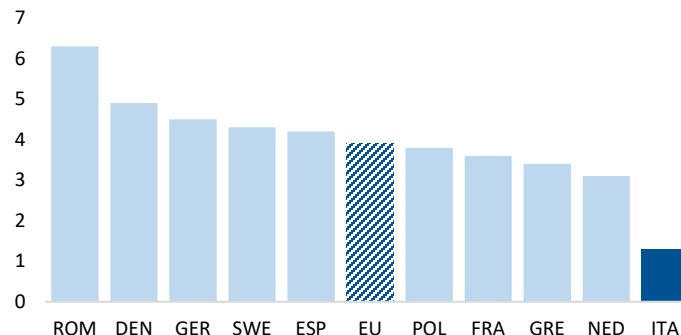


# Shortage of Skilled Workers: a Challenge Overcome by Our Selection

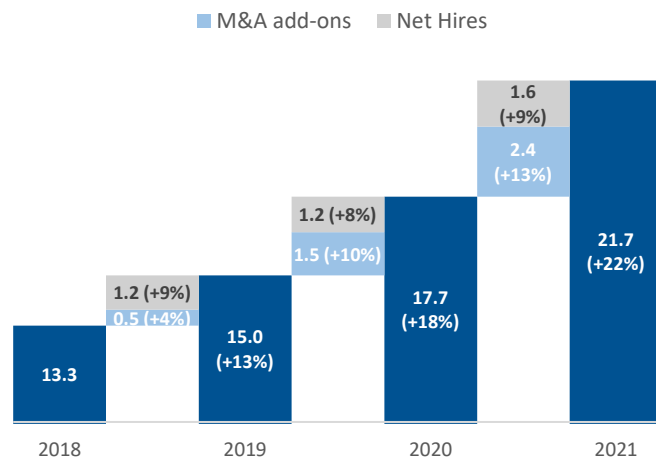
ICT Specialist as a % total employment - DESI 2021



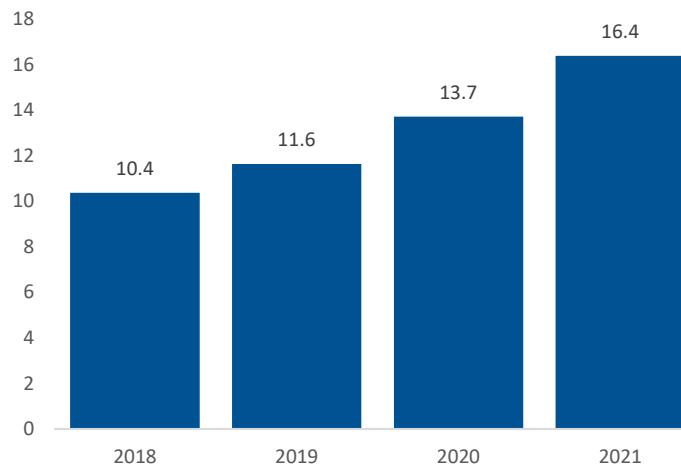
ICT Graduates as a % total graduates - DESI 2021



Intermonte digital selection – tech staff evolution (in '000s)



Intermonte digital selection – Italy headcount (in '000s)

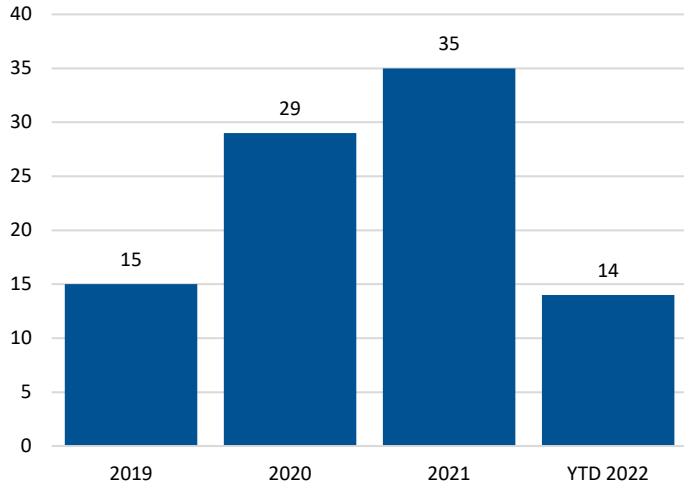


- One of the main challenges for Italian tech companies is the **shortage of qualified workers combined with scant availability of new, specialist ICT graduates** (Italy ranks bottom among EU states with only 1.3% of new graduates specialized in ICT vs. the EU average of 3.9%)
- As highlighted on the previous slide, Italy is investing heavily to close the gap with other EU countries by earmarking around **€8bn of the NRRP for education & skills development**
- Companies in our digital selection have shown their ability to attract and retain skilled personnel**, benefitting from the advantages of a market listing (greater visibility, transparency etc.). In the period, the total workforce at companies in our selection has increased organically by 4 thousand units.
- M&A has been another important catalyst for increasing personnel and skills** (4.4 thousand total units added thanks to acquisitions over the last 3 years).

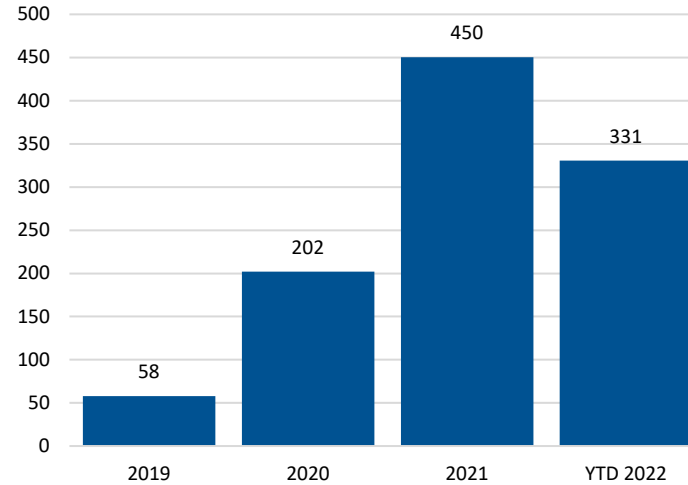
Source: European Commission - DESI 2021 and Intermonte SIM on company data

# M&A Still an Important Tool for Growth in the Tech Space

Number of M&A deals realized by our selection of digital companies



Sum of EV of M&A deals realized by our selection of digital companies (€mn)



- **M&A continues to be an important growth driver** for mid/small cap Italian tech companies, as reflected by the growing deal activity of our digital selection, with 29/35 deals realized in 2020/2021 for increasing amounts
  - *So far in 2022 the dynamic trend has held up*
- **SeSa, Reply and Tinexta** are the most active companies in our selection, with an aggregate 63 deals (c.70% of deals in the charts on the left) for a total EV of €0.6bn (c.60% of group deals total)
- **M&A remains important for acquiring skilled personnel**, a scarce resource in the tech/digital space
  - *As shown in the previous slide, we estimate that M&A enabled more than half of the new staff additions over the last 3 years at companies in our selection*

## Italian mid/small cap tech companies as targets of recent deals: Retelit and BE



**Retelit:** acquired and de-listed by Marbles, a company controlled by Spanish infrastructure fund Asterion, following a first offer on 30 May 2021 at an 11% premium to the market price. Equity valuation €0.51bn



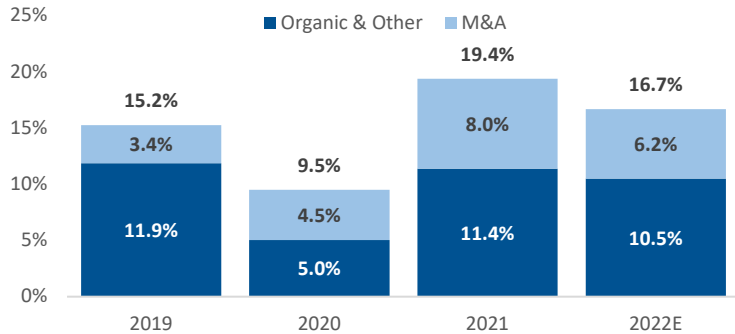
**BE:** Italian private tech group Engineering SpA made a bid in February 2022 for a 43.2% stake from shareholders Tamburi Investment Partners and Stefano and Carlo Achermann at €3.45 p.s. (+31% premium to the previous close). Equity valuation €0.47bn

Source: Intermonte SIM on company reporting

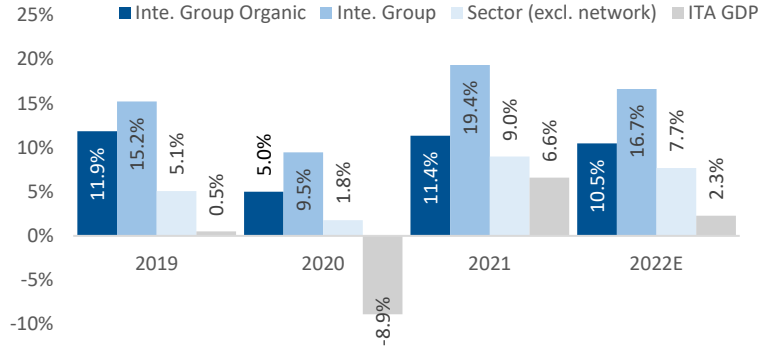


# Digital Companies Boast Superior Growth Profiles for Top Line and Profit

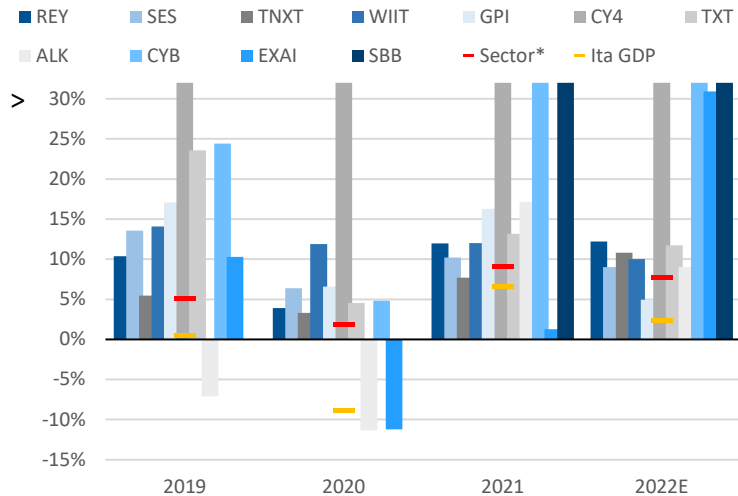
Intermonte digital selection: sales growth trend and breakdown



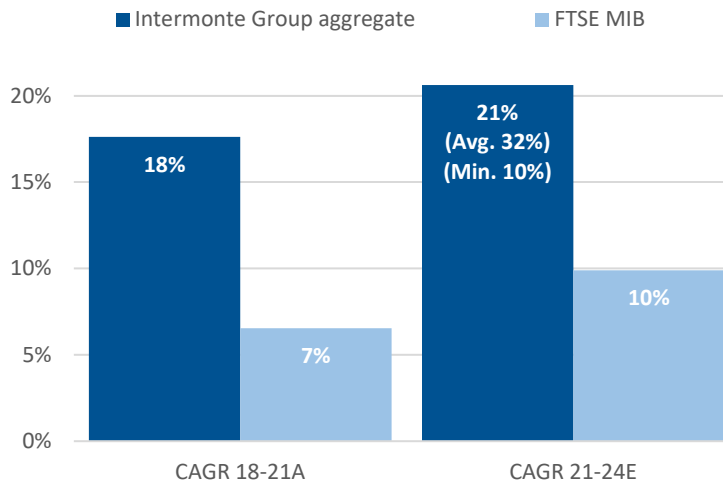
Robust growth by selection is above industry evolution and forecasts



Organic growth profiles for members of selection above sector trend



Digital selection net income growth still above FTSE MIB



- **Fast growth profile:** our digital selection boasts robust double-digit growth in the last few years, a trend expected to repeat in 2022 and beyond
- **Organic performance by our selection beats overall industry trends,** outperforming ANITEC-ASSINFORM digital industry market growth data for past and future years
- **M&A was and is an important growth component,** crucial for the fast development in the sector, adding to an already robust organic trend
- Such top-line growth strength is visible across all the components of our selection
- **The digital sector still boasts superior earnings growth prospects:** we expect net income for our mid/small cap digital selection to outpace FTSE-MIB companies

Source: Company data, Intermonte SIM estimates - Company data, Intermonte SIM estimates IMF, Anitec-Assinform - Intermonte SIM estimates

# The Italian Mid/Small Cap Digital Opportunity Persists

Intermonte analysis of Italian mid/small cap digital sector

Main topics

## Macro factors propelled the recent global tech/digital sector de-rating

- Reduced growth expectations amid geopolitical events and global supply chain bottlenecks
- Anticipation of interest rate rises hit tech/digital stocks

Management of supply chain and conflict evolutions

Impact of cost inflation

Access to and cost of debt financing

## Italian mid/small cap digital stocks still exposed to a multitude of tailwinds

- Italy's **structural lag in digitalization** still offers a superior growth potential for local players
- **Political willingness** to accelerate digitalization is reflected in the **roll-out of massive public investment plans**, such as the **NRRP** earmarking €48bn for digital projects aimed at fostering faster digitalization of government entities and corporations, as well as addressing structural issues such as education
- **Digital skills remain a scarce and valuable resource** in Italy, concentrated at tech players such as our selection of listed mid/small cap digital companies
- **M&A remains a core driver** to foster growth and bring together skills and capabilities in the digital sector

Technological competitive advantages

Materialization of NRRP-backed projects

Exposure to government clients

Skilled personnel: sourcing and retention strategy

Visibility on wage inflation

M&A: activity and strategy

# Thanks for the attention



Galleria de Cristoforis 7/8  
20122 Milan (Italy)



+39 02.771151



[www.intermonte.it](http://www.intermonte.it)



Intermonte