

# MeglioQuesto

Sector: Customer Experience Management (CXM)



## New industrial plan, new business model

MeglioQuesto (MQ) is a leading domestic player in outsourced omnichannel customer interaction / experience (CX) business, across several industries ranging from telco to financial services, retail & e-commerce.

### FY22 Financials in line with preliminary and VT estimates

MeglioQuesto FY22 financials came out as follows:

- Value of Production €79.3mn (+27% y/y) and VoP Pro-Forma €86.3mn (+20% y/y), boosted by the acceleration of the digital channel, and by finance clients (+7x y/y);
- EBITDA €11.8mn (+12% y/y), EBITDA Pro-Forma €13.8mn (+27% y/y), the former being burdened by higher labour and G&A costs;
- Net Debt €30.3mn vs. €6.1mn in FY21, explained by M&A cash-out (ca. €21mn) and substantial investments towards lead generation.

### “Together 2023-2025”: new industrial plan

MQSPA unveiled its new industrial plan and 3-year vision more focused on self-lead generation and aimed at becoming Phygital Marketplace leader, i.e. omnichannel one-stop shop of reference for customer experience, broadening its coverage with (i) media advertising services, (ii) new phygital touchpoints, (iii) e-commerce for the sale of ancillary HW products, (iv) installation services of clients' products and (v) AI tools for optimized Customer Management. In 2025E the plan targets VoP at €140mn, EBITDA at €32mn (23% margin) and Net Debt at €14mn.

### Estimates broadly confirmed, new business mix

We fine-tuned our estimates, with all key financials benefitting from the contribution of the new initiatives outlined in the Bplan (high contribution from 2024E with higher profitability but higher Capex required).

We forecast VoP at €139mn, EBITDA at €28.6mn (20.6% margin) and Net Debt at 15.5mn in 2025E, a bit more cautious than MQSPA, but basically assuming a proper take-off of the new initiatives. We warn that visibility on such a proper take-off is quite low at the moment.

### Fair Value at €2.29 p/s (from €2.22 p/s)

We are updating MeglioQuesto fair value at €2.29 p/s (from €2.22) averaging the outcome of our peers' analysis (€2.10 p/s) and DCF model (€2.48 p/s). At €2.29 p/s the stock would trade at 10.1x EV/EBITDA, 13.9x EV/EBIT, 21.0x P/E 2023E.

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<b>Fair Value (€)</b>	<b>2.29</b>
<b>Market Price (€)</b>	<b>1.20</b>
<b>Market Cap. (€m)</b>	<b>71.3</b>

KEY FINANCIALS (€mn)	2022PF	2023E	2024E
VALUE OF PRODUCTION	86.3	103.1	120.6
EBITDA ADJ.	15.1	19.2	24.2
EBIT	7.4	13.5	16.4
NET PROFIT	2.4	6.5	9.1
ADJ. NET PROFIT	2.4	6.5	9.1
OpFCF a.t.	n.a.	5.1	5.5
EQUITY	32.8	43.0	59.6
NET FIN. POSITION	-30.3	-27.1	-23.6

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

KEY RATIOS	2022PF	2023E	2024E
EBITDA ADJ. MARGIN (%)	17.6	18.7	20.1
EBIT MARGIN (%)	8.6	13.1	13.6
NET DEBT / EBITDA ADJ. (x)	2.0	1.4	1.0
NET DEBT / EQUITY (%)	92.3	62.9	39.6
ENTERPRISE VALUE (€mn)(*)	128.1	122.5	112.0
EV/SALES (x)	1.5	1.2	0.9
EV/EBITDA ADJ. (x)	8.5	6.4	4.6
EV/EBIT (x)	17.3	9.1	6.8

Source: MeglioQuesto (historical figures), Value Track (2023E-24E estimates) (\*) Incl. Minorities worth ca. €24mn-€17mn (23E-24E)

### STOCK DATA

FAIR VALUE (€)	2.29
MARKET PRICE (€)	1.20
SHS. OUT. (m)	59.4
MARKET CAP. (€m)	71.3
FREE FLOAT (%)	29.8
AVG. -20D VOL. (#)	114,075
RIC / BBG	MQSPA.MI / MQSPA IM
52 WK RANGE	0.99-3.01

Source: Stock Market Data

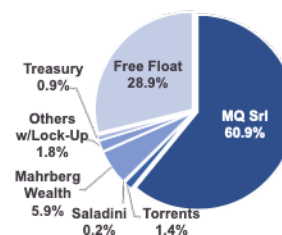
EQUITY RESEARCH PRODUCED ON BEHALF OF MIT SIM ACTING AS SPECIALIST ON MEGLIOQUESTO SHARES



## Business Description

MeglioQuesto (“MQ”) is a leading domestic player in outsourced omnichannel customer experience (CX) business, across several industries ranging from telco to financial services, from retail & e-Commerce to healthcare sector. MQ provides two types of outsourced CX services: 1) Customer Acquisition (CA), i.e. convert leads into contracts; 2) Customer Management (CM), i.e. retain as long as possible acquired customers. MQ engages consumers at every touch point in the consumer lifecycle, deployed on three integrated channels: voice, digital and human.

### Shareholders Structure



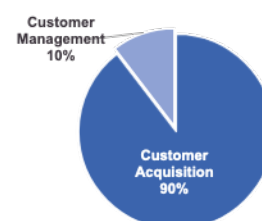
Source: MeglioQuesto

## Key Financials

Key Financials (€mn)	2022PF	2023E	2024E	2025E
<b>Value of Production</b>	<b>86.3</b>	<b>103.1</b>	<b>120.6</b>	<b>138.7</b>
Chg. % YoY	20.3%	30.0%	17.0%	15.0%
<b>EBITDA Reported</b>	<b>13.8</b>	<b>18.5</b>	<b>23.5</b>	<b>28.6</b>
EBITDA Margin (%)	16.0%	18.0%	19.5%	20.6%
<b>EBIT</b>	<b>7.4</b>	<b>13.5</b>	<b>16.4</b>	<b>19.8</b>
EBIT Margin (%)	8.6%	13.1%	13.6%	14.3%
<b>Net Profit</b>	<b>2.4</b>	<b>6.5</b>	<b>9.1</b>	<b>11.6</b>
Chg. % YoY	-41.5%	nm	40.6%	27.4%
<b>Adjusted Net Profit</b>	<b>2.4</b>	<b>6.5</b>	<b>9.1</b>	<b>11.6</b>
Chg. % YoY	-41.5%	nm	40.6%	27.4%
<b>Net Fin. Position</b>	<b>-30.3</b>	<b>-27.1</b>	<b>-23.6</b>	<b>-15.5</b>
Net Fin. Pos. / EBITDA Rep. (x)	2.0	1.5	1.0	0.5
Capex	na	-8.7	-8.7	-8.7
<b>OpFCF b.t.</b>	<b>na</b>	<b>8.9</b>	<b>10.4</b>	<b>20.0</b>
OpFCF b.t. as % of EBITDA	na	48.2%	44.4%	69.9%

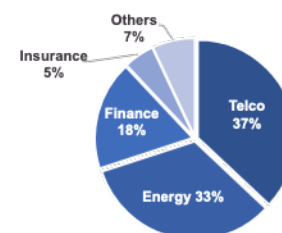
Source: MeglioQuesto (historical figures), Value Track (estimates)

### Revenues from Sales by Business Line



Source: MeglioQuesto, FY22

### Revenues from Sales by Industry



Source: MeglioQuesto, FY22

## Investment case

### Strengths / Opportunities

- ◆ Increasing trend towards digitalization of CXM activities (virtual assistants/voicebot/NLP/remote-cloud contact center);
- ◆ Higher outsource penetration rate across several industries;
- ◆ Important M&A skills and strong partnerships with Tier 1 clients.

### Weaknesses / Risks

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

## FY22 Financials

Audited FY22 financial results confirm preliminary data. MeglioQuesto reported solid results at top line and EBITDA level (in line with our estimates) but lower-than-expected figures for EBIT and Net Profit, affected by burdening D&A (related to lead capitalized costs) and higher financial charges. As already explained in our last report, MQ Net Debt was affected by M&A cash-out and substantial investments towards lead generation.

### Key Financials

More in details, for FY22, we highlight:

- ◆ **Value of Production at €79.3mn**, +27% y/y, and **Pro-Forma at €86.3mn**, +20 y/y;
- ◆ **EBITDA at €11.8mn** (15% EBITDA margin) vs. €10.6mn in FY21 (17% EBITDA margin);
- ◆ **EBITDA Pro-Forma at €13.8mn** (16% EBITDA Margin) vs. €10.9mn (15% margin) in FY21;
- ◆ **Net Profit at €2.1mn** vs. €3.9mn in FY21; **Pro-Forma at €2.4mn** vs. €4.1mn in FY21;
- ◆ **Net Debt at €30.3mn** vs. €22.6mn at 9M22 and €6.1mn at FY21.

### MeglioQuesto: Key Financials FY21-FY22

(IT GAAP, €mn)	2021A	2022A	y/y	2021PF	2022PF	y/y
Value of Production	62.5	79.3	27%	71.7	86.3	20%
EBITDA	10.6	11.8	12%	10.9	13.8	27%
EBITDA Margin (%)	16.9%	14.9%	-200bps	15.2%	16.0%	80bps
Group Net Profit	3.9	2.1	-47%	4.1	2.4	-41%
Net Financial Position	-6.1	-30.3	-24.2	-6.1	-30.3	-24.2

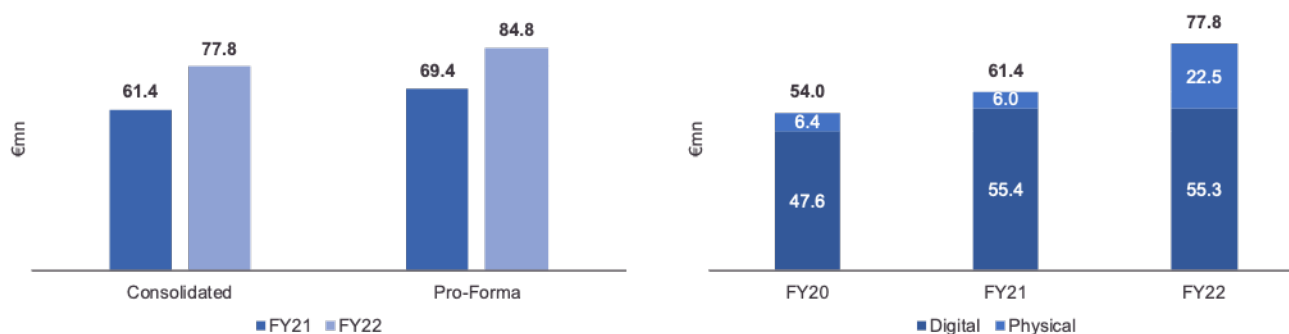
Source: MeglioQuesto, Value Track Analysis

### Profit & Loss

MeglioQuesto experienced a solid double-digit top line growth, with **Revenues from Sales** at:

- ◆ **Consolidated: €77.8mn**, +27% y/y (+15% y/y organic growth), the bulk of which generated through Digital channels at 71% of total despite the booming growth of the Physical channel;
- ◆ **Pro-Forma: €84.8mn**, +22% y/y, considering Eureweb and Smart Contact as if they contributed to MQ as of January 1<sup>st</sup>, 2022.

### MeglioQuesto: Revenues from Sales by Perimeter and by Channel

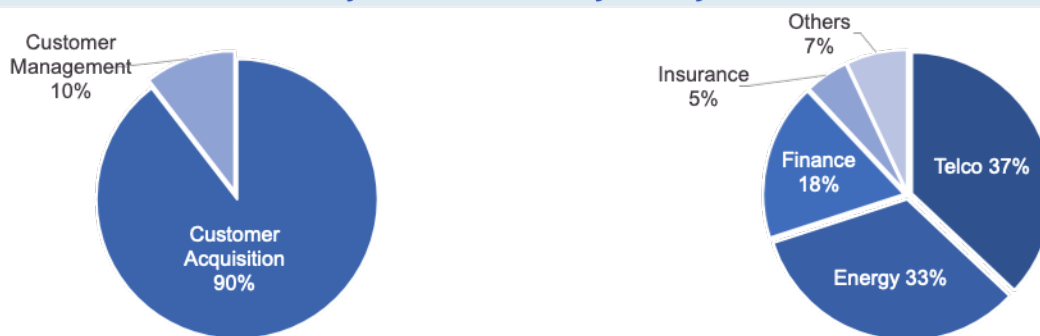


Source: MeglioQuesto Value Track Analysis

Consolidated Revenues from Sales increased thanks to the contribution of both business lines, with **Customer Acquisition** at **€69.7mn** (+27% y/y vs. €54.9mn in FY21) and **Customer Management** at **€8.1mn** (+25% y/y vs. €6.5mn in FY21).

Industry-wise, we underline once again the predominance of **Telco** and **Energy** clients, at **37%** and **33%** of the Group consolidated Revenues. However, **Finance** is the fastest-growing (and most profitable) vertical, making up to **18%** of Sales from just above 3% in FY21, also thanks to the smooth integration of Omicron (acquired during FY21 and specialized towards finance clients).

**MeglioQuesto: Revenues from Sales by Business Line and by Industry**

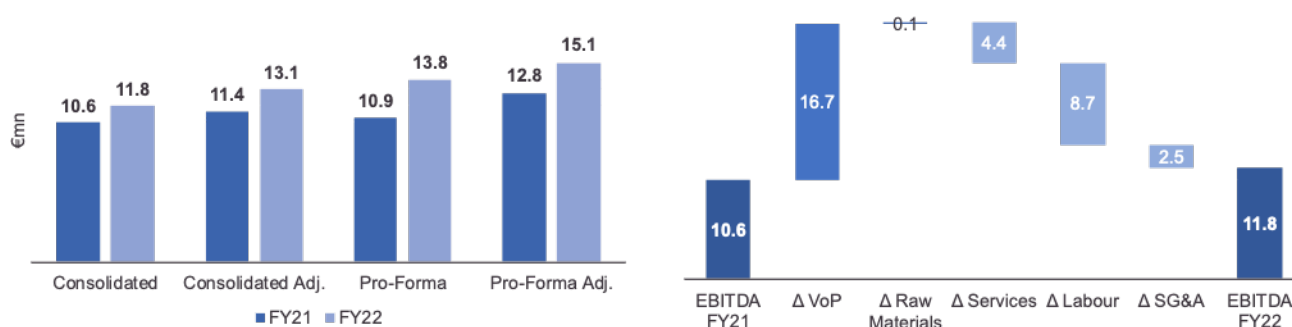


Source: MeglioQuesto Value Track Analysis

At EBITDA level we underline a double-digit growth pace, but also lower margins y/y due to Energy clients' challenges over 2H22, strongly reducing their budgets and leaving no time for MQSPA to adapt its cost structure. As a consequence, for FY22 the Group reported:

- ◆ **EBITDA at €11.8mn** (14.9% EBITDA margin) vs. FY21 €10.6mn (16.9% EBITDA margin);
- ◆ **EBITDA Adj. at €13.1mn** (16.6% EBITDA margin) vs. FY21 at €11.4mn (18.2% EBITDA margin). It is adjusted for extraordinary items and non-deductible VAT;
- ◆ **EBITDA Pro-Forma at €13.8mn** (16.0% EBITDA margin) vs. FY21 €10.9mn (15.2% margin);
- ◆ **EBITDA Pro-Forma Adj. at €15.1mn** (17.6% margin) vs. FY21 €12.8mn (17.9% margin);

**MeglioQuesto: EBITDA and EBITDA Adj. By Perimeter (lhs) and EBITDA bridge FY21-FY22 (rhs)**



Source: MeglioQuesto Value Track Analysis

**EBIT (€6.6mn)** and **Net Profit (€1.6mn)** came out lower than our estimates as a consequence of surging D&A (€4.7mn vs €2.4mn in FY21) related to lead generation capitalized costs and due to €1.7mn more Net Financial Charges vs. FY21 linked to the newly issued bond, one-off compensations to River Rock funds and mortgages and derivatives expenses.

### MeglioQuesto: P&L FY20-FY22

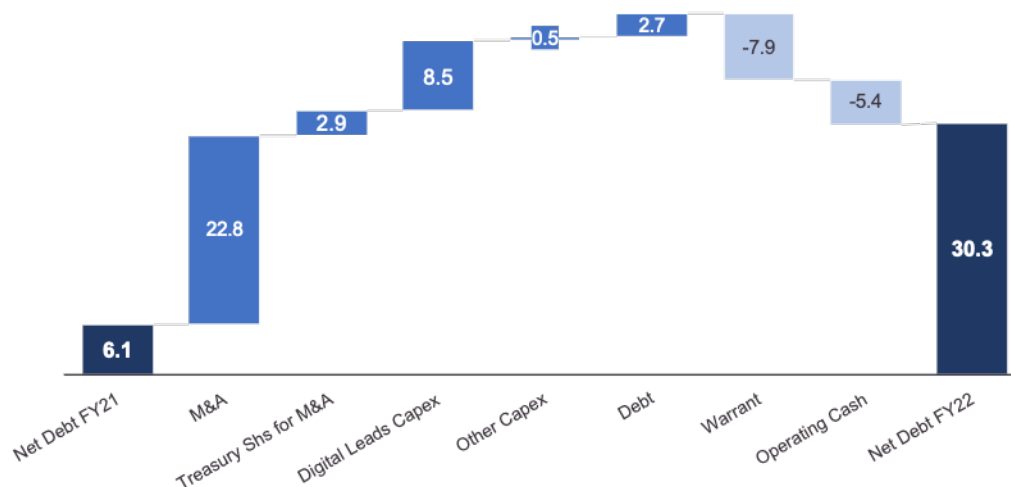
IT GAAP, €mn	FY20	FY21	FY22	y/y
<b>Revenues from Sales</b>	<b>54.0</b>	<b>61.4</b>	<b>77.8</b>	<b>27%</b>
Others	1.8	1.1	1.5	30%
<b>Value of Production</b>	<b>55.8</b>	<b>62.5</b>	<b>79.3</b>	<b>27%</b>
Raw Materials (incl. Δ Inventory)	-3.4	-3.8	-3.7	-3%
Costs of Services	-34.7	-36.5	-40.9	12%
Labour Costs	-7.0	-8.9	-17.5	97%
G&A	-3.3	-2.8	-5.3	88%
<b>EBITDA</b>	<b>7.4</b>	<b>10.6</b>	<b>11.8</b>	<b>12%</b>
<i>EBITDA margin (%)</i>	<i>13.2%</i>	<i>16.9%</i>	<i>14.9%</i>	<i>-200bps</i>
D&A	-1.9	-2.4	-4.7	94%
Impairments & Provisions	-0.6	-0.1	-0.5	356%
<b>EBIT</b>	<b>4.9</b>	<b>8.0</b>	<b>6.6</b>	<b>-18%</b>
<i>EBIT margin (%)</i>	<i>8.7%</i>	<i>12.8%</i>	<i>8.3%</i>	<i>-450bps</i>
Net Financial Charges	-1.2	-1.7	-2.4	40%
Taxes	-1.5	-2.4	-2.1	-11%
Minorities	0.0	0.0	-0.5	nm
<b>Net Profit</b>	<b>2.2</b>	<b>3.9</b>	<b>1.6</b>	<b>-59%</b>

Source: MeglioQuesto (historical figures), Value Track Analysis (forecasts)

### Balance Sheet & Cash Flow Statement

To support the evolution and the development of the business model and make it ready for the next -three-years' period "digital expansion", MeglioQuesto deployed a significant amount of cash over FY22. More in details;

- ◆ **M&A:** net of issued shares and buyback, we calculate ca. **€21.4mn** spent for the acquisitions of 55% of Eureweb and 100% of Smart Contact (more details can be found in our previous updates);
- ◆ **Capex over €10mn**, i.e. over 12% of Revenues, of which €8.5mn dedicated to lead generation investments (new Customer Acquisition leg based on self-generated leads, different from traditional activity provided by clients);
- ◆ **Net Working Capital** reclassified at €3.7mn thanks to (i) MQ vendor loans for recent M&A accounted as short-term payables in NWC and (ii) advance payments to outsourced partners (aimed at helping them to offset longer payment time by end clients) accounted as cash equivalents (€13.7mn) and not as NWC. Gross of these two effects, the NWC absorption would be of ca. **€12mn**.
- ◆ **Group Net Equity** at €32.8mn, benefitting from FY22 Net Profit and €8.3mn capital injection from warrant conversion.

**MeglioQuesto: Net Debt bridge FY21-FY22**


Source: MeglioQuesto, Value Track Analysis

**MeglioQuesto: Balance Sheet FY20-FY22**

(IT GAAP, €mn)	FY20	FY21	FY22
Net Fixed Assets	15.4	25.4	60.8
Net Working Capital	9.7	7.5	3.7
Provisions	1.0	1.1	1.4
<b>Total Capital Employed</b>	<b>24.2</b>	<b>31.9</b>	<b>63.1</b>
<b>Group Net Equity</b>	<b>6.8</b>	<b>25.8</b>	<b>32.8</b>
<b>Net Fin. Position [i.e. Net Debt (-) Cash (+)]</b>	<b>-17.4</b>	<b>-6.1</b>	<b>-30.3</b>

Source: MeglioQuesto, Value Track Analysis

**MeglioQuesto: Net Financial Position Structure FY20-FY22**

(IT GAAP, €mn)	FY20	FY21	FY22
Cash & Equivalents (+)	2.3	7.3	7.7
Current Financial Assets (+)	3.1	10.9	13.7
Current Financial Debts (-)	-2.1	-17.5	-35.8
<b>Current Net Financial Position</b>	<b>3.2</b>	<b>0.7</b>	<b>-14.5</b>
Non-Current Financial Assets (+)	0.0	0.0	0.0
Non-Current Financial Debts (-)	-20.6	-6.8	-15.8
<b>Non-Current Net Financial Position</b>	<b>-20.6</b>	<b>-6.8</b>	<b>-15.8</b>
<b>Net Fin. Position [i.e. Net Debt (-) Cash (+)]</b>	<b>-17.4</b>	<b>-6.1</b>	<b>-30.3</b>

Source: MeglioQuesto, Value Track Analysis

## “Together 2023-2025”: New Business Plan

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

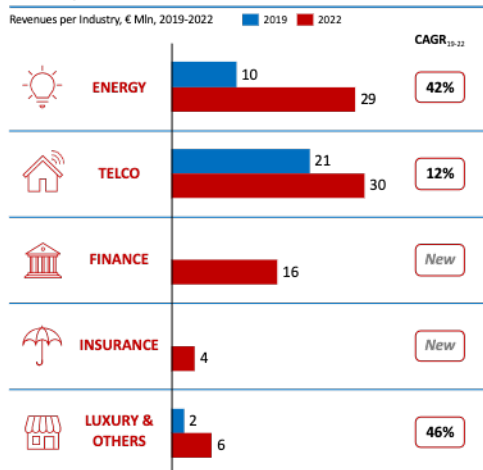
### The starting point

The definition of MQSPA new industrial plan started from the assessment of recent years evolution. MQSPA new industrial plan started from the assessment of recent years evolution, being centered on:

- ◆ **Double digit growth**, (37% Pro-Forma Value of Production CAGR19-22 and 39% Pro-Forma EBITDA CAGR19-22), driven by both organic and M&A efforts;
- ◆ **Top tier client / partner base**, i.e. MeglioQuesto serves clients who are leaders of the most important Italian industries;
- ◆ **Exposure to secular trends**, such as channels digitalization, enhanced and omnichannel customer experience, and AI.

### MeglioQuesto: Market Leader Partners

#### MEGLIOQUESTO GROWTH IN EACH INDUSTRY



Source: MeglioQuesto

#### MEGLIOQUESTO MAIN PARTNERS



### The brand new vision and growth strategy

MeglioQuesto new three-year vision is to become leader of the “**Phygital Audience**”, addressing the maximum number of users through omnichannel products and services in various industries.

Indeed, MQSPA wants to establish itself as the only **Phygital Marketplace** capable of offering services by perfectly integrating physical and digital channels.

The new business model should give priority to self-generated leads rather than rely on the traditional activity based on leads provided by clients. To do so, MeglioQuesto aims to broaden its offer at every step of the customer’s purchasing process, from generation of the specific need to after sale services.

The new strategy can be summarized in the following key points:

1. Fully exploit the Group commercial and operational synergies;
2. Integrate upstream and downstream the areas of need on which MQSPA intervenes;
3. Strengthening the positioning on already served industries and accessing new sectors;
4. Create new phygital touchpoints;
5. Establish as Phygital Marketplace.