

MATICA FINTEC

FY20 results confirming high profitability of the business

FY20 revenues and profitability above our estimates: MATICA FINTEC, innovative SME and leader in technological systems for the e-ID and digital payment sectors, released FY20 results that outperformed our estimates both in terms of sales and profitability. More in detail sales came in at Euro 12 m, -16% vs. previous year (Euro 14.3 m) and Euro 11.7 m as of our estimates. The results implied sales in 2H20 of Euro 6.6 m, -11% vs. 2H19 (Euro 7.4 m) and Euro 6.3 m of our forecast, pointing at a significant recovery compared to the first six months for the year. In line with last year, 95% of total FY20 revenues were realized outside of Italy.

In terms of profitability, 2H20 confirmed the good results recorded in 1H20 and FY20 EBITDA margin stood at 17% (21% in FY19) despite the inevitable drop in sales volume caused by the Covid-19 pandemic, again outperforming our estimates of 15%. This was according to Management achieved thanks to actions taken to contain costs, respond to shifts in market conditions and the optimization of the production process implemented over the last 24 months. FY20 EBITDA was of Euro 2.2 m (Euro 3.2 m of FY19 and Euro 1.8 m of our estimate) after an EBITDA in 2H20 of c. Euro 1.2 m vs. Euro 1.6 m of 2H19 and Euro 0.8 m of our forecast. EBIT came in at Euro 0.5 m, in line with Euro 0.7 m of previous year (Euro 0.1 m of our estimates). Net result was positive for approx. Euro 50 k and Net Debt stood at Euro 0.4 m, down from Euro 0.8 m in 1H20, thanks to good operating cash flow in the last six months of the year.

Business expected to benefit from market opportunities.

Management highlighted that over the last year the payment cards market has seen an increase in demand driven by a trend aiming at limiting human contacts and the use of cash to prevent the spread of Coronavirus. This in turn has led to a strong increase in demand of instantaneous emission systems both for bank branches and ATMs. The ID card market, on the other hand, is experiencing positive momentum driven by increased requirements for personal identification via smart card as governments adopt higher security standards to deal with any counterfeiting attempts and the increasing load of information on citizens. We believe that Matica is well positioned to exploit these market trends thanks to its technological positioning and ability to rapidly place new products in the market.

Positive outlook and FY21-22 estimates confirmed: We remain confident of the future prospects of the business which we expect to benefit from the above-mentioned market opportunities that should allow Matica to gain market share. Management has also confirmed growth strategies announced in the IPO based on R&D for an innovative product portfolio and external growth and optimization of the production process. Given the above and FY20 results we only slightly finetuned our assumptions for FY21-22.

Valuation: We set a target price of Euro 3.05 per share, (Euro 3.02 p.s. previously), providing for a +115% upside on current stock price and obtained by weighting equally the DCF and the multiple comparison analysis.

Key Figures (Euro m)	Revenues	Yoy %	EBITDA	EBITDA %	EBIT	EBIT %	Net Profit	Net Debt
2019A	15.0	-5%	3.2	21%	0.7	4%	0.3	(0.7)
2020A	12.7	-15%	2.2	17%	0.5	4%	0.1	0.4
2021E	15.1	+18%	2.9	19%	1.2	8%	0.6	(0.3)
2022E	16.9	+12%	3.5	21%	1.6	9%	0.9	(1.2)

Sector: Technology

Target Price (Euro)	3.05 (3.02 pr)
Market Price (Euro)	1.42
Market Cap (Euro m)	15
EV (Euro m)	16
<i>(as of March 23th, 2021)</i>	

Share Data

Market	AIM ITALIA
Bloomberg/Reuters	MFT:IM / MFTC.MI
ISIN	IT0005388449
N. of Shares	10,508,200
Free Float	38.39%
CEO and Chairman	Sandro Camilleri

AIM Positioning

FY 2019	Company	Tech	AIM Italia
VoP (Eu m)	14	36	40
Yoy	6%	19%	19%
EBITDA %	22%	17%	14%
ND/EBITDA (x)	(0.2)	1.2	2.1

Market Data	Company	Tech	AIM Italia
Mkt Cap um	13	79	49
Perf. IPO	-25%	44%	13%
Free Float	38%	31%	31%
ADTT YTD Euk	67	255	131
Perf YTD	-8%	9%	10%

Credit Risk Profile

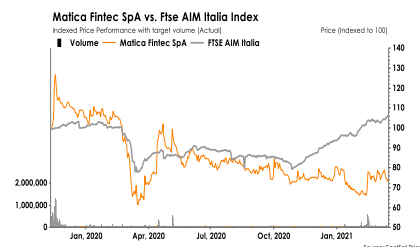
	Matica Finted	Italian PMII Av
Wiserfunding Bond Rating Equivalent	B	B+

Performance

	1M	3M	1Y
Absolute	-7.6%	+10.4%	-1.4%
Relative	+3.1%	-5.0%	-22.0%
52-week H/L (Eu)	1.87		1.10

IR TOP RESEARCH

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KEY FIGURES

Profit & Loss Statement	2019A	2020A	2021E	2022E
Revenues	15.0	12.7	15.1	16.9
EBITDA	3.2	2.2	2.9	3.5
EBIT	0.7	0.5	1.2	1.6
Financial Income (charges)	(0.3)	(0.3)	(0.3)	(0.3)
Extraordinary items	0.3	(0.0)	0.0	0.0
Pre-tax profit (loss)	0.7	0.2	0.9	1.3
Taxes	(0.4)	(0.2)	(0.3)	(0.4)
Net profit (loss)	0.3	0.1	0.6	0.9

Balance Sheet				
Net working capital (NWC)	2.6	3.7	3.9	4.5
Net fixed assets	4.7	5.0	4.5	4.0
M/L Funds	(0.5)	(0.6)	(0.6)	(0.6)
Net Capital Employed	6.8	8.1	7.9	7.9
Net Debt	(0.7)	0.4	(0.3)	(1.2)
Equity	7.5	7.7	8.2	9.1

Cash Flow				
EBIT	0.7	0.5	1.2	1.6
D&A	2.5	1.6	1.7	1.9
Tax	(0.4)	(0.2)	(0.3)	(0.4)
Change in M/L Funds	(0.1)	0.1	(0.0)	0.1
Gross Cash Flow	2.7	2.1	2.6	3.1
Change in NWC	(3.0)	(1.2)	(0.2)	(0.6)
Operating Cash Flow	(0.2)	1.0	2.4	2.6
Capex	(1.2)	(1.7)	(1.0)	(1.0)
Change in other non-current asset	1.5	(0.3)	(0.3)	(0.3)
Financial Income (charges)	(0.3)	(0.3)	(0.3)	(0.3)
Free Cash Flow	(0.2)	(1.3)	0.7	0.9
Dividend	0.0	0.0	0.0	0.0
Change in Equity	4.7	0.1	0.0	0.0
Change in Net debt	4.5	(1.2)	0.7	0.9

Per Share Data				
Current Price	1.42			
Total shares out fully diluted (mn)	10.5			
EPS	0.0	0.0	0.1	0.1
DPS	0.0	0.0	0.0	0.0
FCF	(0.0)	(0.1)	0.1	0.1
Pay-out ratio	0%	0%	0%	0%

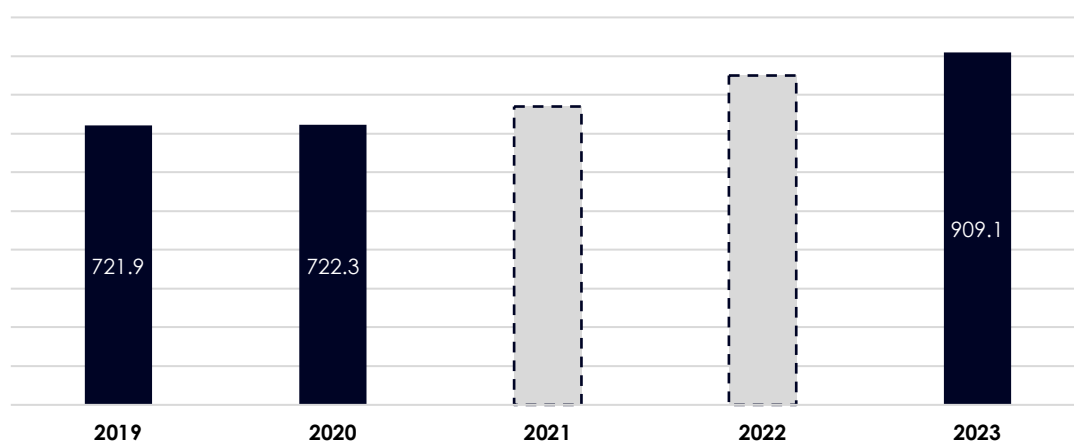
Ratios				
EBITDA margin (on revenues)	21.2%	17.0%	19.3%	20.6%
EBIT margin (on revenues)	4.3%	4.2%	7.7%	9.3%
Net Debt/Equity	-9.7%	5.8%	-3.7%	-13.6%
Net Debt/ (Net Debt + Equity)	-10.8%	5.5%	-3.8%	-15.7%
Net Debt/EBITDA	-0.23	0.21	-0.10	-0.36
Interest cover EBIT	2.46	1.85	3.88	5.22
ROE	4.1%	0.7%	7.1%	9.5%
ROCE	15.2%	8.6%	18.1%	25.1%
Free Cash Flow Yield	n.m.	n.m.	5.0%	6.3%

Growth Rates				
Revenues	-5%	-15%	18%	12%
EBITDA	12%	-32%	34%	20%
EBIT	254%	-17%	115%	35%
Net Profit	232%	-83%	1052%	47%

REFERENCE MARKET

Both Matica Fintec's reference markets (e-ID and Digital Payment) are expected to grow rapidly in the next years. More in detail, according to "The Business research Company" (April 2020), the global card and digital payments market is estimated to have reached \$ 722.4 b in 2020 and is estimated to grow with a 2021-2023 CAGR of 9%, reaching \$ 909.1 b in 2023. Asia Pacific area represents the largest region in the global card and payments market with 33% of the market in 2019; Western Europe follows with 23%. In line with the statistics, about half of Matica Fintec's 2020 sales come from Europe (26%) and Asia (25%). Management highlighted that the market has seen a rapid increase in the adoption of EMV technology (Europay, MasterCard and VISA) which ensures a higher level of data security.

Cards and Payments Global Market (\$/m)



Source: Cards and Payments Market – Global Forecast to 2023. The Business Research Company (April 2020)

According to Management, also the outlook for the eID market remains positive and growth is expected to be driven mainly by new regulations. On this we recall that the EU regulation 2019/1157 grants two years to the EU States to implement the security standards of identity cards in line with those currently used for passports. According to Acuity Market Intelligence the number of eID in circulation will reach 3.6 b citizens by 2021.

BUY-BACK PLAN

With the announcement of FY20 results, Management also announced a buyback plan of up to 20%, of the share capital, or a maximum of Euro 2.0 m, to be perused over the next 18 months. Management stated that the Company intends to start the buyback as soon as it has been approved by the Shareholders' Meeting.

MANAGEMENT OUTLOOK AND STRATEGIC GUIDELINES

As for Coronavirus, Management highlights that is still difficult to assess any potential effects on the Company's FY21 financials, however the Company has implemented and continues to maintain all the measures required by the Government and aimed, on the one hand, at protecting staff from the risk of COVID-19 contagion and, on the other, at continuing production activities.

Management also confirmed the strategic guidelines announced during the IPO:

- R&D activity to anticipate technological evolution in the market;
- Optimization of the production process;
- M&A activity.

Regarding M&A Management specified that the Company is currently targeting players active in security, PKI, EMV software, transaction security software, digital ID and Biometrics, and with an international presence.

FY 2020 RESULTS

High profitability despite lower revenues caused by coronavirus pandemic. MATICA FINTEC recently released FY20 results with sales of Euro 12.0 m, outperforming our estimates of Euro 11.7 m (+2%) and compared with Euro 14.3 m (-16%) of previous year. These results implied sales in 2H20 of Euro 6.6 m, -11% vs. 2H19 (Euro 7.4 m) and Euro 6.3 m of our forecast, pointing at a significant recovery compared to the first six months for the year. 95% of sales were realized abroad (97% in FY19), confirming the international call of the Company.

Sales from "Consumables & Spare Parts", which are to be considered recurring revenues, stood at 25% of total sales while 19% was attributable to "Central Issuance" solutions and the remaining 56% was related to "Financial Instant Issuance".

In terms of profitability, 2H20 confirmed the good results recorded in 1H20 and FY20 EBITDA margin stood at 18% (22% in FY19) despite the inevitable drop in sales volume caused by the Covid-19 pandemic, again outperforming our estimates of 15%. This was, according to Management, achieved thanks to actions taken by the Management to contain costs and respond to shifts in market conditions. FY20 EBITDA (adjusted for Euro 45 k for extraordinary items), was of Euro 2.2 m (Euro 3.2 m of FY19 and Euro 1.8 m of our estimate) after an EBITDA in 2H20 of c. Euro 1.2 m vs. Euro 1.6 m of 2H19 and Euro 0.8 m of our forecast.

At the end of the year, EBIT reached Euro 0.5 m compared with Euro 0.7 m of FY19 and Euro 0.1 m of our forecast. FY20 D&As were of Euro 1.6 m compared to Euro 2.5 m in FY 19. FY20 ends with a net profit of Euro 50 k (Euro 0.3 m in FY19).

2H20 also shows a good generation of operating cash flow (approx. Euro 0.6 m) with a decrease in Net Debt, that moved from to Euro 0.8 m of June 2020 to Euro 0.4 m in December 2020 with a Net Debt / EBITDA ratio of 0.12x and Net Debt / Equity of 0.06x. Net Debt adjusted for the overdue tax payables amounted to Euro 2.1 m (compared to 2.3 m of 1H20).

ESTIMATES REVISION

Despite uncertainties regarding the COVID-19 pandemic, we believe that Matica is well positioned to exploit growth opportunities in the market thanks to its technological positioning and ability to rapidly place new products in the market. Given the above and FY20 results we only slightly finetuned our assumptions for FY21-22.

Income Statement – Euro m

	2020A	2021E Old	2021E New	2022E Old	2022E New
Sales	12.0	14.7	14.7	16.4	16.5
yoy	-16.1%	+22.3%	+22.3%	+12.0%	12.0%
Revenues (VoP)	12.7	15.1	15.1	16.9	16.9
yoy	-14.9%	+18.5%	+18.5%	+12.0%	12.0%
EBITDA	2.2	2.9	2.9	3.5	3.5
margin	18.0%	19.8%	19.8%	21.1%	21.1%
EBIT	0.5	0.9	1.2	1.5	1.6
margin	4.2%	6.1%	7.7%	8.7%	9.3%
Pre-tax profit	0.2	0.7	0.9	1.3	1.3
Net Profit	0.1	0.5	0.6	0.9	0.9

Source: Company data (IAS/IFRS) for FY 2020, IR Top Research estimates for FY 2021-2022

Balance Sheet – Euro m

	2020A	2021E Old	2021E New	2022E Old	2022E New
Net Working Capital (NWC)	3.7	3.5	3.9	3.6	4.5
Fixed net assets	5.0	4.0	4.5	3.4	4.0
Funds	(0.6)	(0.6)	(0.6)	(0.6)	(0.6)
Net Capital Employed	8.1	7.0	7.9	6.5	7.9
Net Financial Position (Cash)	0.4	(1.0)	(0.3)	(2.4)	(1.2)
Equity	7.7	8.1	8.2	8.9	9.1
Sources	8.1	7.0	7.9	6.5	7.9

Source: Company data (IAS/IFRS) for FY 2020, IR Top Research estimates for FY 2021-2022

VALUATION

We have updated our valuation for MATICA FINTEC and in particular:

- the DCF to include the new estimates and up-to-date risk-free rate and ERP;
- the relative valuation to reflect current market multiples.

We set a Target price of Matica Fintec of Euro 3.05 p.s. (Euro 3.02 p.s. previously) providing for an upside on current share price of +115%. Our valuation of Matica Fintec is based on a DCF and Multiple comparison, weighted equally. At our TP, the stock would be trading at 20-21 EV/EBITDA multiples of 18.5x and 13.8x respectively.

Valuation Summary

Method	Weight	Price (Euro)
Multiple Comparison	50%	2.85
DCF	50%	3.25
Target Price	100%	3.05

International Peers Group

Companies	Country	Market Cap	Price	Sales 2020E	Sales YoY 20/19	EBITDA % 2020E	EBIT % 2020E	NI % 2020E
Zebra	USA	21,256.7	397.6	3,672.1	-7%	21%	19%	12%
Evolis	France	156.6	30.0	n.a.	n.a.	n.a.	n.a.	n.a.
Rambus Inc.	USA	1,951.3	17.5	346.5	73%	52%	-11%	-11%
Illinois Tool Works Inc.	USA	58,493.9	184.7	10,456.1	-17%	26%	23%	18%
IPG Photonics Corporation	USA	9,748.4	182.1	990.8	-16%	25%	17%	14%
Assa Abloy AB	Sweden	24,658.8	23.4	8,687.0	-2%	18%	14%	10%
3D System	USA	3,360.0	27.1	462.0	-19%	5%	0%	-28%
Median		9,748.40	30	2331.45	-12%	23%	16%	11%
Matica Fintec	ITA	13	1.28	12.7	-15%	18%	4.2%	0.4%

Source: IR Top estimates for MATICA FINTEC and FactSet data for peers as of March 23th, 2021

Companies	EV/EBITDA			P/E		
	20A	21E	22E	20A	21E	22E
Zebra	28.2	22.6	20.2	36.1	29.9	27.0
Evolis	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Rambus Inc.	9.4	8.1	7.2	n.a.	16.0	14.9
Illinois Tool Works Inc.	22.4	19.0	17.8	32.7	27.4	25.0
IPG Photonics Corporation	34.4	20.9	17.1	68.9	38.8	31.2
Assa Abloy AB	18.3	16.3	14.8	31.4	26.2	23.5
3D System	108.7	46.2	36.7	n.a.	118.6	70.2
Median	25.3	19.9	17.4	34.4	28.7	26.0
Matica Fintec	7.1	4.5	3.6	n.a.	14.2	8.9
Premium/Discount to Peers	-72%	-77%	-79%	-	-50%	-66%

Source: IR Top estimates for MATICA FINTEC and FactSet data for peers as of March 23th, 2021

DCF model

Our DCF model yields a fair value of Euro 3.25 per share and was run using our FCF estimates of for the 2021E-24E explicit period and based on the following assumptions:

WACC calculation	
Perpetual growth rate	1.0%
WACC	7.61%
Risk free rate (BTP 10Y 24 months average)	1.33%
β unlevered	0.9
Equity risk premium	6.85%
Ke	12.2%
Cost of debt	4%
Tax rate	24%
Kd	3.04%

DCF Valuation		
<i>Euro '000</i>		
Sum of PV 2021-24 FCFs	6,559	19.0%
Discounted terminal value	27,986	81.0%
Enterprise Value	34,545	100.0%
Net Debt / (Net Cash)	444	
Equity Value	34,102	
N. of outstanding shares (m)	10,508,200	
Fair Value p.s.	3.25	

DCF Sensitivity analysis

Euro m		WACC				
		6.61%	7.11%	7.61%	8.11%	8.61%
g	0.50%	3.61	3.31	3.06	2.84	2.64
	1.00%	3.88	3.54	3.25	3.00	2.78
	1.50%	4.20	3.80	3.46	3.18	2.94

MATICA FINTEC IN BRIEF

COMPANY PROFILE

Matica Fintec, is a registered Innovative SME and leader in technological systems for the e-ID and Digital Payment sectors. The Company is based in Milan (Italy) and specialized in the design, manufacturing and market of systems for the issuance of security documents (licenses, passports, identity card etc.) and financial cards (credit cards, debit cards etc.) mainly for Governmental and Financial Institutional clients. In FY 2020, total sales reached Euro 12.0 m (Euro 14.3 m in FY 2019), of which 95% (97% in FY 2019) were realized outside Italy in over 200 countries worldwide thanks to a capillary sales network.

STRATEGY

Matica Fintec intends to pursue its development and growth strategy through the following guidelines:

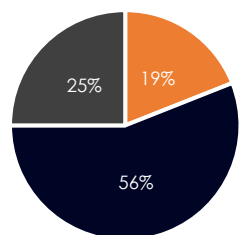
- R&D to anticipate technological evolution in the market;
- Optimization of the production process;
- M&A activity.

INNOVATION

Matica Fintec has obtained 9 patents and invested approx. 10% of total revenues in R&D for the development of cutting-edge, secure and reliable technologies. The Company's products are characterized by efficiency, reliability and high technological content including biometric systems, laser technology, and holographic application for identity documents.

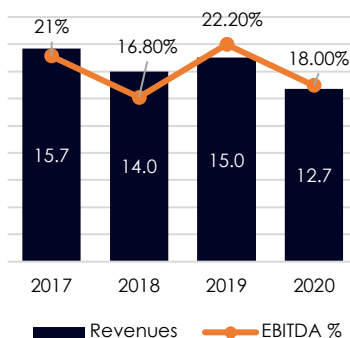
Focus on revenues

breakdown by product

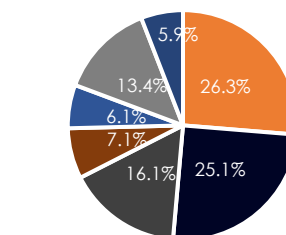


- Central Issuance
- Financial Instant Issuance
- Consumables & Spares

2017 – 2020 evolution



breakdown by geography



- Europe
- Asia
- LATAM
- North America
- Africa
- Middle East
- Italy

Source: Company data

OPPORTUNITIES

- **Research & Development:** Continuous investment in R&D (approx. 10% of revenues).
- **International footprint:** Widespread presence in principle foreign markets
- **Customer Care:** through the assistance and after-sales services.
- **e-ID and Digital Payment systems:** wide range of high-tech systems designed to provide customized solutions for specific needs.
- **Industry experience:** Over 10 years of experience and know-how.

RISKS

- **Risks related to the competitors: Competitive arena:** global competition with large-scale players
- **Rapidly changing technologies** which makes continuously update of products and services offered necessary
- **Costs in Euro vs. competitors in dollars**
- **Maintenance of high safety and technological standards:** R&D policy aimed at the creation and introduction in the market of highly specialized and innovative solutions
- Risks related to the **implementation of the strategic plan**

IPO

Listing Market: AIM Italia – Borsa Italiana SpA
Capital raised: Euro 6.9 m (Euro 6.0 m capital increase and Euro 0.9 m Greenshoe option)
Price: Euro 1.71 p.s.
Capitalisation: Euro 18 m

SHARES (as of March 23th, 2021)

Code: MFT
Bloomberg: MFT:IM
Reuters: MFTC.MI
ISIN: IT0005388449
Share: 10,508,200
Price: Euro 1.42
Performance from IPO: -17%
Capitalisation: Euro 15 m
Free Float: 38.39%
NomAd and Global Coordinator: Integrae Sim
Auditing firm: Nexia Audirevi

WARRANTS (as of March 23th, 2021)

Name: "Warrant Matica 2019-2022"
Alphanumeric code: WMFT22
ISIN: IT0005388381
Issued warrants: 4,033,800
Exercise ratio: 1 ordinary share every 10 warrants held

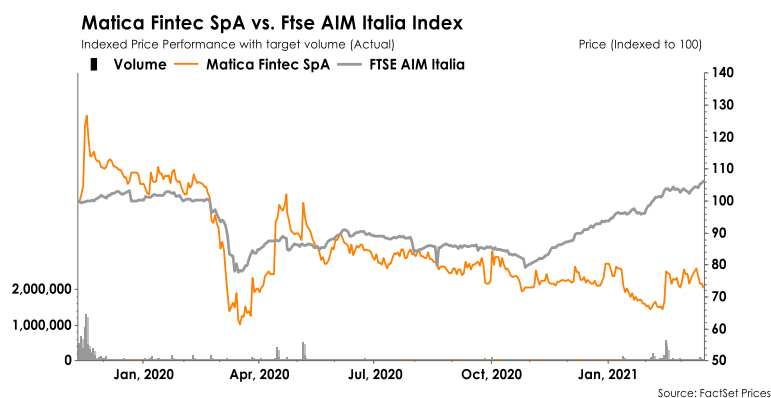
n.	Exercise period	Exercise price (Euro)	n. of warrant converted
1 st	11/16/2020 – 11/30/2020	1.881	No warrants were converted
2 nd	11/15/2021 – 11/30/2021	2.069	-
3 rd	11/15/2022 – 11/30/2022	2.276	-

Number of outstanding Warrant at March 23th, 2021: 4,033,800.

The share capital subscribed and paid up is Euro 5,254,100, made up by n. 10,508,200 ordinary shares. Free float is 38.39%.

Shareholder	N° of shares	%
Matica Technologies AG	6,474,400	61.61%
Market	4,033,800	38.39%
Total	10,508,200	100.00%

Source: Company data as of March 23th, 2021



DISCLAIMER

UPDATES: This Research is an update coverage made by IR Top Consulting S.r.l. (IR Top) on MATICA FINTEC (the "Company"). Update frequency might depend on circumstances considered to be important (corporate events and changes of recommendation, etc.) or on further advisory commitment. Last Research on the same Company was released on October 1st, 2020. Opinions and estimates of this Research are as the date of this material and are subject to change. Information and opinions have been obtained from sources public and believed to be reliable, but no warranty is made as to their accuracy or correctness. Past performances of the Company are not guarantee of future results. During the last 12 months, the following indications have been disseminated:

	Date	Target Price	Market Price	Validity Time
	March 24 th , 2021	3.05	1.42	12 months
	October 1 st , 2020	3.02	1.31	12 months
	April 29 th , 2020	3.88	1.58	12 months
	November 13 th , 2019	3.62	1.75	12 months

VALUATION METHODOLOGY (HORIZON: 12M): IR Top obtained a fair value using different valuation methodologies including Discounted Cash Flow method and Multiple-based models. Moreover, IR Top used a proprietary model, "AIM Positioning rating", which incorporates a number of variables selected by IR Top based on research of "Osservatorio AIM Italia", managed by IR Top and focused on research about performance of Companies listed on AIM Italia. Detailed information about the valuation or methodology and the underlying assumptions and information about the proprietary model used is accessible at IR Top premises.

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No other people or companies participated or anyhow 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.

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