

## Italy – Industrial & MedTech

## Outstanding set of results with a strong cash flow generation

3<sup>rd</sup> April 2024

FY-23 RESULTS RELEASE

RIC: VLT.MI  
BBG: VLT IM

Valtecne reported record revenues driven by the strong growth of the Medical Devices division, also favoured by better dynamics related to certain supply agreements with key MedTech customers. As a consequence, profitability and cash flow generation were remarkable. 2024 is expected to be a year of consolidation, with M&A remaining a key pillar of growth to be leveraged thanks to a strong cash position.

Rating:

**Buy**

Price Target:

**€ 7.50 (€ 7.00)**

Upside/(Downside): 25.0%

Last Price: € 6.00

Market Cap.: € 36.6m

1Y High/Low: € 6.44 / € 4.30

Avg. Daily Turn. (3M, 6M): € 21k, € 15k

Free Float: 17.3%

Major shareholders:

KPM Srl (bare ownership)	61.6%
KPM Srl (direct ownership)	13.8%
Paolo Mainetti	6.4%



### Stock price performance

	1M	3M	12M
<b>Absolute</b>	<b>4.9%</b>	<b>7.5%</b>	<b>12.4%</b>
<b>Rel.to FTSE IT Growth</b>	<b>6.2%</b>	<b>10.6%</b>	<b>26.2%</b>
<b>Rel.to Peers</b>	<b>3.9%</b>	<b>-0.2%</b>	<b>3.1%</b>

Analysts:

Gianluca Mozzali  
+39 02 30343 396  
gianluca.mozzali@cfosim.com

Luca Solari  
+39 02 30343 397  
luca.solari@cfosim.com

### New DCF-based PT at € 7.50 (€ 7.00), 25.0% upside. Buy recommendation reiterated

Following the FY-23 results release, we have updated our model by factoring in: 1) a fine-tuning of revenues to reflect the higher 2023 starting base and considering a more pronounced decrease in the Industrial division to account for a more uncertain outlook, 2) a slight adjustment of operating costs and D&A expenses. Furthermore, we projected a DPS based on an arbitrary 20% payout ratio starting from 2024 (payment in 2025). The combined result is an almost unchanged revenues progression and a 2.6% decrease in adjusted EBITDA in 2024-25. Moreover, we have updated our valuation criteria, bringing the Risk-Free rate up to date and postponing the first estimated year to 2024. New DCF-based PT points to € 7.50/s (€ 7.00), 25.0% upside to current price levels. Buy rating reiterated.

### Brilliant performance of the Medical Devices division drove revenues up 27.5% YoY

Revenues rose by 27.5% YoY to € 30.7m, entirely driven by the impressive growth of the Medical Devices division which soared by 57.1% YoY to € 18.5m (€ 11.8m recorded in FY-22PF), as a result of higher volumes sustained by the increased production capacity as well as a higher outflow of products linked to the VMI agreements. The Industrial division totalled € 12.3m, broadly unchanged YoY, adversely affected by a general slowdown in several EU economies and a partial deflationary effect on prices. Top line came in above our projections whereas Value of Production (€ 31.6m, +14.2% YoY) was fairly aligned, mainly reflecting the abovementioned dynamic of products outflow.

### Adjusted EBITDA rose by 30.4% to € 7.2m, 22.8% margin. Record Net Profit of € 3.2m

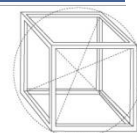
EBITDA came in at € 5.8m, 18.5% margin (vs € 4.6m, 16.6% margin in FY-22). The 190bps increase in margin was mainly driven by 1) increased revenues, 2) a more lucrative product mix as a result of a higher weigh of the Medical Devices division, and 3) lower energy costs. Adjusted EBITDA soared by 30.4% to € 7.2m, 22.8% margin (€ 5.5m, 19.9% margin in 2022) and came in fairly aligned with our projection. EBIT reached € 4.3m, 13.6% margin (€ 3.4m, 12.2% margin in FY-22) after D&A expenses of € 1.5m, which also includes the amortisation of the IPO listing costs. Net Profit soared to € 3.2m, 10.1% margin, also benefitting from a lower-than-expected tax rate.

### NFP turned positive for € 2.4m, favoured by better NWC dynamics and IPO proceeds

Net Financial Position turned positive for € 2.4m, from € 5.0m debt registered at year-end 2022, chiefly related to the IPO proceeds (€ 4.6m net of listing costs) and thanks to a robust CF generation, especially occurred in H2-23. The overall figure came in better than our estimate in light of 1) a lower than forecasted NWC absorption thanks to the more favourable dynamics of the VMI agreements and higher DPO, and 2) Capex of € 2.6m (vs € 3.2m expected). Adjusted NFP was € 1.1m, improving from € 9.4m at year-end 2022, after a € 3.5m adjustment to account for the IFRS-16 effect related to lease liabilities.

### Valtecne, key financials and ratios

€ m	2022PF	2023	2024e	2025e	2026e
Revenues	24.1	30.7	30.8	33.6	36.0
Value of Production	27.7	31.6	31.5	34.7	37.2
EBITDA	4.6	5.8	5.8	6.7	7.2
Adjusted EBITDA	5.5	7.2	7.2	8.1	8.6
EBIT	3.4	4.3	4.3	5.2	5.7
Net Profit	2.5	3.2	3.1	3.8	4.2
Adjusted NFP (cash)/debt	9.4	1.1	(1.4)	(3.0)	(5.0)
Adjusted EBITDA margin	19.9%	22.8%	22.7%	23.2%	23.0%
EPS stated FD €	-	0.52	0.52	0.62	0.68
EPS growth	-	-	-1.0%	19.7%	10.4%
ROCE	19.5%	17.2%	15.2%	16.4%	16.2%
NWC/Sales	41.2%	34.6%	34.3%	34.9%	34.8%
EV/Sales x	1.64	1.02	1.14	1.00	0.88
EV/EBITDA Adj. x	7.2	4.4	4.9	4.2	3.7
EV/EBIT x	11.7	7.2	8.2	6.5	5.6
PER x	12.2	9.5	11.6	9.7	8.8
Free Cash Flow Yield	-1.7%	6.1%	7.0%	5.9%	7.7%



## The Company at a Glance

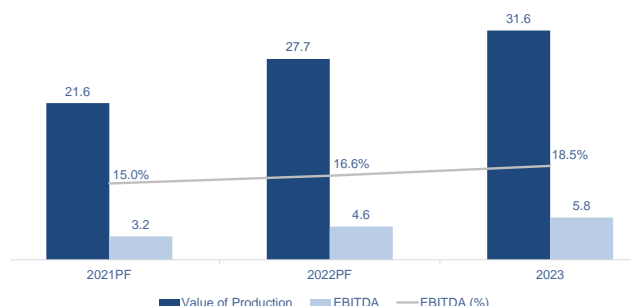
Established in 1983 by the Executive Chairman Vittorio Mainetti, Valtecne is a specialised contract manufacturer of high-precision components, operating as a first, second or third level supplier to Original Equipment Manufacturers (OEMs). The company runs its operations through two business lines, namely Medical Devices and Industrial. The former is dedicated to the production of instruments for orthopaedic surgery and implantable components, while the latter focuses on the manufacturing of mission-critical mechanical parts for industrial processing.

Over 40 years of experience and several investments in technology and machinery has enabled the company to develop undisputed technical know-how in highly complex processing. As of today, Valtecne stands out as a strategic and reliable partner for worldwide leading industrial and MedTech companies, providing its customers with a 'turn-key' service and an ever-expanding product portfolio for both business lines.

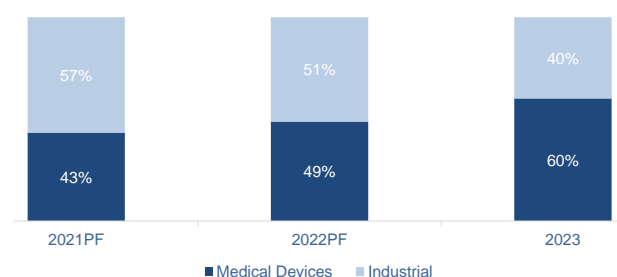
In the 2016-23 period, Value of Production showed a double-digit growth rate, i.e. CAGR<sub>16-23</sub> of 14.2%, prompted by the outstanding expansion of the Medical Devices division (CAGR<sub>16-23</sub> of 25.1%), and the steady progression of the Industrial business line (CAGR<sub>16-23</sub> of 5.5%). Indeed, the bulk of growth derived from the increased share of wallet from the Medical Devices division's existing customers, which managed to outperform the reference market. The growth of the Medical Devices division is driven by underlying long-term favourable trends, such as the aging population and ever-increasing effectiveness of surgical procedures.

FY-23 results exhibited Value of Production of € 31.6m, EBITDA of € 5.8m, 18.5% margin, with Net Profit of € 3.2m, 10.1% margin. Net Financial Position stands at € 2.4m cash. Taking into account the IFRS-16 effect, adjusted EBITDA and NFP amounted to € 7.2m (22.8% margin) and € 1.1m (adj. NFP/EBITDA 0.2x), respectively.

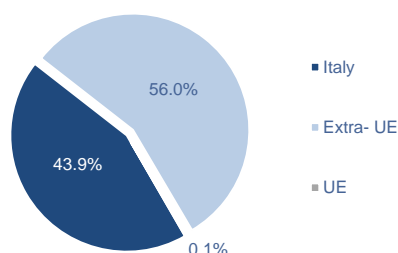
### 2021PF-23 VoP and EBITDA evolution



### 2021PF-23 top line evolution by business line



### FY-23 top line breakdown by geography



### Shareholder Structure

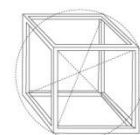
Shareholder	# m	%
KPM Srl (direct ownership)	3.76	61.6%
KPM Srl (bare ownership)	0.84	13.8%
Paolo Mainetti	0.39	6.4%
Other Shareholders (< 5.0%)	0.05	0.8%
Free Float	1.06	17.3%
<b>Total</b>	<b>6.11</b>	<b>100.0%</b>

### Peer group multiples table

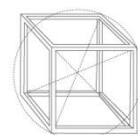
EV & PER multiples x	Sales FY1	Sales FY2	EBITDA FY1	EBITDA FY2	EBIT FY1	EBIT FY2	PER FY1	PER FY2
Integer Holdings Corp	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	22.5	18.6
Jabil Inc	0.65	0.58	8.2	7.1	11.9	10.1	16.8	14.9
Lisi SA	0.86	0.78	6.9	5.8	13.6	10.7	17.0	13.0
Scanfil Oyj	0.60	0.56	6.4	6.0	8.5	8.1	11.8	11.0
Vimi Fasteners SpA	0.72	0.60	5.7	4.7	17.6	11.1	11.3	8.0
West Pharmaceutical Services Inc	9.27	8.46	33.0	28.0	40.5	33.7	50.3	42.7
<b>Median</b>	<b>0.72</b>	<b>0.60</b>	<b>6.9</b>	<b>6.0</b>	<b>13.6</b>	<b>10.7</b>	<b>16.9</b>	<b>14.0</b>
<b>Valtecne SpA</b>	<b>1.14</b>	<b>1.00</b>	<b>4.9</b>	<b>4.2</b>	<b>8.2</b>	<b>6.5</b>	<b>11.6</b>	<b>9.7</b>

Sources: CFO SIM, Refinitiv Eikon

Multiples are calculated with EBITDA and NFP in accordance with IFRS-16



Income statement (€ m)	2022PF	2023	2024e	2025e	2026e
Revenues	24.1	30.7	30.8	33.6	36.0
Value of Production	27.7	31.6	31.5	34.7	37.2
Raw material and processing	(8.8)	(10.0)	(9.5)	(10.4)	(11.1)
Services	(4.5)	(4.4)	(4.4)	(4.8)	(5.1)
Personnel expenses	(8.0)	(9.2)	(9.9)	(10.6)	(11.4)
Other opex	(1.7)	(2.2)	(2.0)	(2.2)	(2.3)
EBITDA	4.6	5.8	5.8	6.7	7.2
D&A	(1.2)	(1.5)	(1.5)	(1.5)	(1.5)
EBIT	3.4	4.3	4.3	5.2	5.7
Financials	(0.1)	(0.0)	0.0	0.0	0.0
Re/(Devaluation) of financial assets	0.0	(0.0)	0.0	0.0	0.0
Forex gain/(loss)	0.0	0.0	0.0	0.0	0.0
Pre-Tax profit	3.3	4.3	4.3	5.2	5.7
Income taxes	(0.8)	(1.1)	(1.2)	(1.4)	(1.5)
Minorities	0.0	0.0	0.0	0.0	0.0
Net Profit	2.5	3.2	3.1	3.8	4.2
Adjusted EBITDA	5.5	7.2	7.2	8.1	8.6
Balance sheet (€ m)	2022PF	2023	2024e	2025e	2026e
Net Working Capital	9.9	10.6	10.6	11.7	12.6
Net Fixed Assets	7.0	8.2	8.8	9.5	10.1
Equity Investments	0.4	0.4	0.4	0.4	0.4
Other M/L Term A/L	(1.3)	(1.8)	(1.9)	(2.0)	(2.2)
Net Invested Capital	16.0	17.4	17.9	19.5	20.9
Net Financial Debt	5.0	(2.4)	(4.9)	(6.5)	(8.5)
Minorities	0.0	0.0	0.0	0.0	0.0
Group's Shareholders Equity	11.0	19.7	22.9	26.0	29.4
Financial Liabilities & Equity	16.0	17.4	17.9	19.5	20.9
Adjusted Net Financial Debt	9.4	1.1	(1.4)	(3.0)	(5.0)
Cash Flow statement (€ m)	2022PF	2023	2024e	2025e	2026e
Net income before minorities	2.5	3.2	3.1	3.8	4.2
Depreciation	1.2	1.5	1.5	1.5	1.5
Other non-cash charges	0.3	0.9	0.0	0.2	0.1
Cash Flow from Oper. (CFO)	4.0	5.6	4.7	5.5	5.9
Change in NWC	(2.3)	(0.7)	0.1	(1.1)	(0.8)
FCF from Operations (FCFO)	1.7	4.9	4.8	4.4	5.0
Net Investments (CFI)	(2.2)	(7.1)	(2.2)	(2.2)	(2.2)
Free CF to the Firm (FCFF)	(0.5)	(2.2)	2.6	2.2	2.8
CF from financials (CFF)	(0.2)	4.6	0.0	(0.6)	(0.8)
Free Cash Flow to Equity (FCFE)	(0.7)	2.3	2.6	1.5	2.1
Financial ratios	2022PF	2023	2024e	2025e	2026e
Adjusted EBITDA margin	19.9%	22.8%	22.7%	23.2%	23.0%
EBIT margin	12.2%	13.7%	13.6%	14.9%	15.2%
Net profit margin	10.3%	10.4%	10.2%	11.2%	11.6%
Tax rate	24.4%	25.9%	27.0%	27.0%	27.0%
Op NWC/Sales	41.2%	34.6%	34.3%	34.9%	34.8%
Interest coverage x	36.3	163.0	(190.5)	(1,551.2)	(127.2)
Adj. Net Debt /Adj. EBITDA x	1.71	0.16	n.m.	n.m.	n.m.
Net Debt-to-Equity x	0.46	n.m.	n.m.	n.m.	n.m.
ROIC	15.5%	18.3%	17.6%	19.3%	19.9%
ROCE	19.5%	17.2%	15.2%	16.4%	16.2%
ROACE	20.8%	20.4%	16.1%	17.3%	17.1%
ROE	22.6%	16.1%	13.8%	14.5%	14.2%
Payout ratio	0.0%	0.0%	20.0%	20.0%	20.0%
Per share figures	2022PF	2023	2024e	2025e	2026e
Number of shares # m	-	6.11	6.11	6.11	6.11
Number of shares Fully Diluted # m	-	6.11	6.11	6.11	6.11
Average Number of shares Fully Diluted # m	-	6.11	6.11	6.11	6.11
EPS stated FD €	-	0.52	0.52	0.62	0.68
EBITDA €	-	0.96	0.95	1.10	1.18
EBIT €	-	0.71	0.70	0.84	0.93
BV €	-	3.23	3.74	4.26	4.81
FCFO €	-	0.80	0.78	0.71	0.82
FCFF €	-	(0.36)	0.42	0.35	0.46
FCFE €	-	0.38	0.42	0.25	0.34
Dividend €	-	0.00	0.10	0.12	0.14



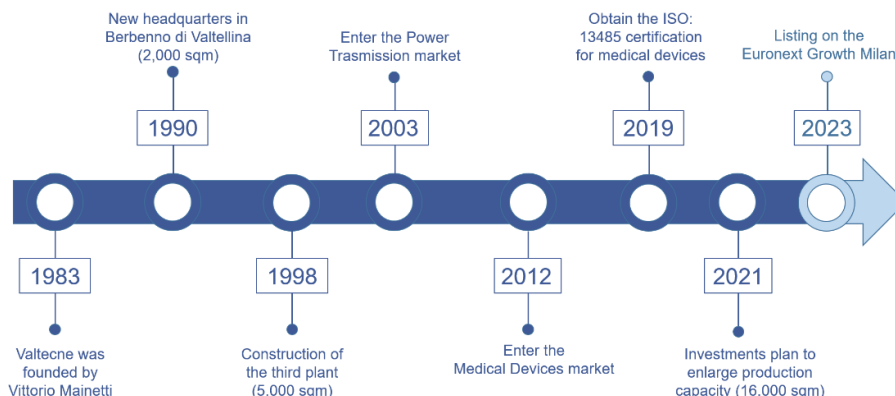
## Valtecne in a Nutshell

Established in 1983 by the Executive Chairman Vittorio Mainetti, Valtecne is a specialised **contract manufacturer** of high-precision components, operating as a first, second or third level supplier to Original Equipment Manufacturers (OEMs). **The company runs its operations through two business lines, namely Medical Devices and Industrial.** The former is dedicated to the production of instruments for orthopaedic surgery and implantable components, while the latter focuses on the manufacturing of mission-critical mechanical parts for industrial processing.

**Over 40 years of experience and several investments in technology and machinery has enabled the company to develop undisputed technical know-how in highly complex processing.** As of today, Valtecne stands out as a strategic and reliable partner for worldwide leading industrial and MedTech companies, providing its customers with a 'turn-key' service and an ever-expanding product portfolio for both business lines.

The company runs a **16,000 sqm manufacture facility** in Berbenno di Valtellina (Sondrio), **equipped with 62 CNC machines able to manufacture 500,000+ components per year**, and employs more than 200 staff carefully organised into several teams to efficiently oversee the entire value chain.

Chart 1 – Valtecne, Company history



Source: CFO SIM's elaboration on company data

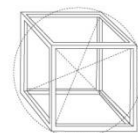
Valtecne organises its operations in two distinct business lines:

- **Medical Devices (60.1% of FY-23 revenues):** in 2012, Valtecne entered the buoyant MedTech market. The company specialises in the **manufacture of orthopaedic surgical instruments and implants**, mainly intended for joint replacement of hips and knees, extremities, and spine. Moreover, as from 2024, the company entered in the Trauma segment of the market. Orthopaedic components are smaller in size and usually require more sophisticated realisation techniques than those of the Industrial division.

Here, **Valtecne acts as a Tier-1 supplier** for leading Italian and European MedTech companies.

- **Industrial (39.9% of FY-23 revenues):** Valtecne's historical business consists of third-party manufacturing of **mission-critical components for power transmission**, such as planetary gear carriers, flanged hubs, or plates. Moreover, the company provides mechanical parts for sports cars, trucks, and hydrogen-powered vehicles, along with gas-powered turbine blades for energy generation. **The Industrial division generally offers a 1-year visibility**, coupled with relatively low volatility.

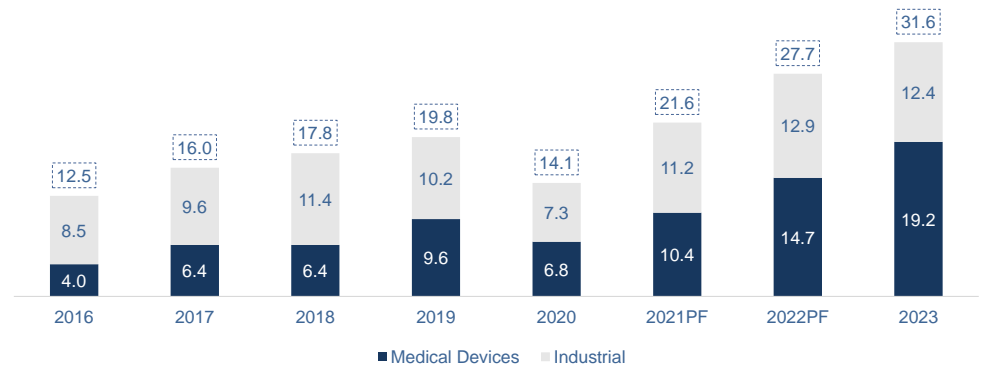
With regard to this business line, **Valtecne operates as a Tier-2 or 3 supplier for Italian industrial groups** which, in turn, directly serve leading global companies in industries such as Automotive, Heavy Machinery and Oil & Gas.



FY-23 results exhibited **Value of Production of € 31.6m, EBITDA of € 5.8m, 18.5% margin,** with **Net Profit of € 3.2m, 10.1% margin. Net Financial Position stands at € 2.4m cash.**

Taking into account the IFRS-16 effect, **adjusted EBITDA and NFP** amounted to **€ 7.2m (22.8% margin) and € 1.1m (adj. NFP/EBITDA 0.2x),** respectively.

**Chart 2 – Valtecne, 2016-23 Value of Production evolution by business line – € m**

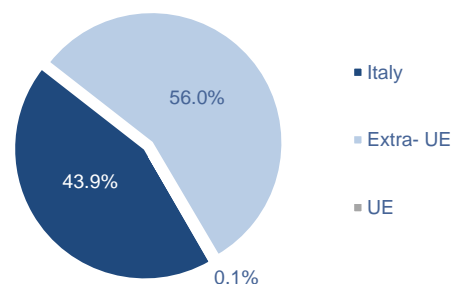


Source: CFO SIM's elaboration on company data

In the 2016-23 period, **Value of Production showed a double-digit growth rate, i.e. CAGR<sub>16-23</sub> of 14.2%,** prompted by the outstanding expansion of the Medical Devices division, which exhibited remarkable organic growth (CAGR<sub>16-23</sub> of 25.1%), and the steady progression of the Industrial business line (CAGR<sub>16-23</sub> of 5.5%). Indeed, **the bulk of growth derived from the increased share of wallet from the Medical Devices division's existing customers,** which managed to outperform the reference market. It is worth mentioning that the growth of the Medical Devices division is driven by underlying long-term favourable trends, such as 1) the aging population in developed countries, 2) a greater use of joint reconstruction surgery in emerging ones and, 3) the ever-increasing effectiveness of surgical procedures, as a result of technological innovation.

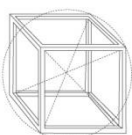
Steady top line growth was accompanied by high profitability: **FY-23 EBITDA reached € 5.8m, 18.5% margin,** mainly thanks to a steady shift of the product mix towards the more profitable Medical Devices division, along with enhanced operational efficiencies.

**Chart 3 – Valtecne, 2023 revenues breakdown by geography**



Source: CFO SIM's elaboration on company data

From a geographical standpoint, **Valtecne generates revenues in two main countries,** namely Italy and Switzerland. In particular, the key customers of the Medical Devices division are leading global MedTech companies based in the above mentioned nations, while those of the Industrial division are Italian industrial groups with an international footprint, serving multiple end-industries.



## Business Model

Valtecne is a specialised **contract manufacturer** of high-precision mechanical components and assemblies, operating as a first, second or third level supplier to Original Equipment Manufacturers (OEMs). **Over 40 years of experience has enabled the company to develop undisputed technical know-how in highly complex processing**, which makes it a strategic and reliable partner for worldwide leading industrial and MedTech companies. The company manufactures mechanical components based upon its customers' designs and guidelines, even if, occasionally, it actively participates in the design and development of new products.

Valtecne provides its clients with a **'turn-key' service**, as the whole production process, from raw materials procurement to logistics and shipment, is carried out internally. The company runs a **16,000 sqm manufacture facility in Berbenno di Valtellina** (Sondrio) and employs **more than 200 staff, carefully organised into several teams** (in the Sales, Technical, Purchasing, Production, Quality Control departments), able to efficiently oversee the entire value chain.

**Chart 4 – Valtecne, Business Model**



Source: CFO SIM's elaboration based on company data

Valtecne organises its operations in two distinct business lines:

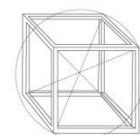
- **Medical Devices (60.1% of FY-23 revenues):** leveraging on the technical know-how gained in the industrial division, in 2012 Valtecne entered the buoyant MedTech market. The company specialises in the manufacture of **orthopaedic surgical instruments and implants**, mainly intended for joint replacement of hips and knees as well as, to a lesser extent, extremities (shoulders in particular), and spine. Orthopaedic components are smaller in size and usually require more sophisticated realisation techniques than those of the Industrial division.

Here, **Valtecne acts as a Tier-1 supplier** for leading Italian and European medical devices companies.

It is worth pointing out the remarkable growth path of the division over the last 11 years, since it accounted just 2% of revenues in 2013 whereas it exceeded 60% of total at year-end 2023. Moreover, Valtecne **went public with the clear mission to accelerate the growth of the Medical Devices division**, given its better long-term growth drivers, profitability and barriers to entry.

- **Industrial (39.9% of FY-23 revenues):** Valtecne's historical business consists of third-party manufacturing of **mission-critical components for power transmission**, such as planetary gear carriers, flanged hubs, and plates. Moreover, the company provides mechanical parts for sports cars, trucks, and hydrogen-powered vehicles, along with gas-powered turbine blades for energy generation. Noteworthy, the Industrial division is broken down into Power Transmission, Automotive and Energy, the former of which is by far the largest contributor, accounting for more than 80% of the division's revenues. Additionally, the Industrial division generally offers a 1-year visibility, coupled with relatively low volatility on a historical basis.

With regard to this business line, **Valtecne operates as a Tier-2 or 3 supplier** for Italian industrial groups with an international footprint, which, in turn, directly serve leading global companies in industries such as Automotive, Heavy Machinery and Oil&Gas.



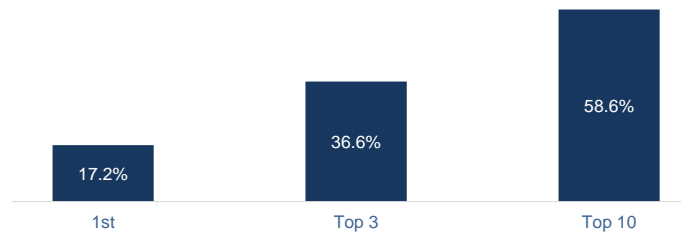
In detail, Valtecne's value chain is structured as follows:

- **Customer Acquisition:** in order to gain a new customer, Valtecne has to undertake a **thorough supplier accreditation process** whose completion, especially for the Medical division, could take **up to 12 months**. Notably, it envisages a meticulous analysis of certifications, along with in-depth inspection of manufacturing plants aimed at verifying compliance with the highest quality standards in terms of production equipment and procedures. Furthermore, even if compliant, a potential supplier such as Valtecne could be asked to revise certain production procedures in order to abide by stricter standards imposed by customer.

In order to be more attractive to potential customers, Valtecne earned two **key sectorial certifications**, i.e. **IATF:16949 (Automotive)** and **ISO:13485 (Medical Devices)**.

- **Procurement:** as Valtecne follows a **'make-to-order' approach**, production commences only when an order is received. Product drawings always contain the needed raw materials and, sometimes, the specific supplier imposed by the customer itself. The main raw materials used within the Industrial division include semi-finished products like cast iron, aluminium, stainless steel and carbon steel while, in the Medical Devices division, stainless steel, titanium, aluminium and biocompatible plastics.

**Chart 5 – Valtecne, Top 10 suppliers' concentration as at H1-23**



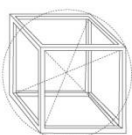
Source: CFO SIM's elaboration based on company data

As of Jun-23, the top 1, top 3 and top 10 suppliers accounted for 17.2%, 36.6% and 58.6%, respectively. The Industrial division's suppliers are mostly Italian, while those of the Medical Devices division are mainly located in Europe.

- **Engineering:** the Technical Department carries out an in-depth analysis of the technical documentation and specifications provided in the customer drawing, also with the help of 3D CAD models. Afterwards, it elaborates an **operative strategy by listing all the production phases**, flanked by all the information about the proper CNC machine and equipment to be used. **Here lies Valtecne's added value and strategic activity.**

Additionally, in the event of a completely new and unknown component, **Valtecne's and the customer's Technical Departments collaborate side by side in the co-design activity.** In this way, the customer can benefit from: 1) a detailed feasibility study by a trusted partner, 2) a continuously improved product design and, 3) reduced overall operating costs.

**Production:** Valtecne leverages on a state-of-the-art manufacturing process, on the back of considerable 'Industry 4.0' investments carried out over the last 10 years. In detail, **the company makes use of 62 CNC machines** (primarily intended for milling, turning, EDM and broaching), **entirely orchestrated by the internal ERP system**, running five days a week over three shifts. Valtecne performs all the critical and value-added activities in-house, while it entrusts certain phases, such as heat and surface treatment, to third-party suppliers.

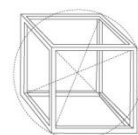


Production complexity differs between the two business lines:

- ✓ **Industrial:** almost every finished component starts from a monolithic piece and usually requires a limited number of processing;
  - ✓ **Medical Devices,** instead, features a high number of processing, **up to 20 phases in certain circumstances,** as well as more complex forms. In addition, these products are mostly made of distinct components that need to be manufactured first, and then assembled in order to obtain the result indicated in the customer's technical drawing. In this regard, Valtecne boasts a dedicated department, having a specialisation in micro-assembly of orthopaedic devices.
- **Quality Control & Logistics:** customer drawing and documentation only comprise information about product sizes and measurement to be respected, but they hardly ever state how control activities must be performed. In this regard, **the Quality Department prepares a 'control plan' for every single production stage,** with the aim of detailing sizes that need to be checked and, for each of them, the control frequency and the most appropriate measurement instruments. With respect to the Medical Devices division, **Valtecne carries out all the final tests before delivery on behalf of the customer,** in some cases according to a shared checklist.

**Quality-control equipment includes calibres, micrometres, altimeters, rugosimetres, as well as 5 CMMs** (Coordinate-Measuring Machines), entailing a best-in-class approach to ensure products' compliance with the highest quality standards, especially considering the stringent criteria imposed by Medical Devices customers.

Finally, logistics activities are managed through **four warehouses, two for each business line.** Noteworthy, Radio Frequency Identification (RFID) technology is used in the Medical Devices division's warehouse intended for finished products, enabling automatic and time efficient identification by taking advantage of magnetic fields.





## Strategy

In light of a steady growth path since its foundation in 1983 and the recent IPO, Valtecne's strategy is now focused on: 1) seizing M&A opportunities in the medical devices industry in order to gain new customers and technologies, 2) updating and strengthening its production capacity, and 3) reinforcing its competitive positioning as trusted strategic partner both in Italy and abroad.

**The IPO proceeds (€ 4.6m net of listing costs) will chiefly be used to take advantage of M&A opportunities**, in particular with the aim of accelerating growth in the more promising and profitable Medical Devices division.

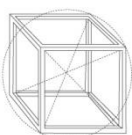
Valtecne's strategy is based on the following pillars, according to the business line:

### Medical Devices:

- ✓ **Enlarging the customer base:** leveraging on more than 10 years of know-how in complex medical devices solutions, Valtecne intends to add first-class players to its customer portfolio by strengthening its commercial structure as well as its go-to-market strategies;
- ✓ **Expanding the product portfolio of orthopaedic medical devices,** Valtecne plans to strengthen its product offering in markets segments where it already boasts an ample portfolio (Joint Replacement) or has a limited presence (Spine) by means of 1) targeted investments in production capacity for existing technologies and, 2) internalisation of other key production phases, such as surface finishing. Moreover, the company entered the Trauma segment as of the beginning of 2024 and focuses to strengthen its presence in the Spine segment, which it entered in 2018 and where it still has a limited presence.
- ✓ **Completing the value proposition via M&A:** Valtecne plans to acquire small players operating in other orthopaedic segments, especially those where it has a still limited presence, with the primary purpose of gaining new key customers in order to realise significant cross-selling synergies. **The screening of potential target companies is under way;**
- ✓ **Entering new MedTech subsegments:** in the medium-term, the company is evaluating expansion opportunities in neighbouring MedTech sectors not yet covered, such as Dental and Machinery, where the core mechanical technology and expertise employed are similar to those adopted by Valtecne for its operations.

### Industrial:

- ✓ **Diversification of the product mix:** the company's management is planning to diversify the product mix towards high-growth niche segments of the market, such as those related to energy transition and luxury cars, with the aim of mitigating the cyclicity of the division and improve overall profitability;
- ✓ **Improving production efficiency,** by replacing obsolete machinery with cutting-edge equipment in order to attract new potential customers and increase the share of wallet with existing ones;
- ✓ **Strengthening commercial activity:** Valtecne is planning to hire a highly-experienced Business Developer for the Industrial business line, as it did for the Medical Devices division.



## SWOT Analysis

The SWOT analysis, also known as SWOT Matrix, is a structured planning method used to evaluate the strengths, weaknesses, opportunities and threats involved in a project or in a business venture. A SWOT analysis can be carried out with regard to a product, place, industry or person. It involves specifying the objective of the business venture or project and identifying the internal and external factors that are favourable and unfavourable to achieving that objective.

- **Strengths:** characteristics of the business that give it an advantage over others.
- **Weaknesses:** characteristics that place the business at a disadvantage vs. others.
- **Opportunities:** elements that the project could use to its advantage.
- **Threats:** elements in the environment that could cause harm or be detrimental for the business or project.

The technique is credited to Albert Humphrey, who led a research project at Stanford University between the 60s/70s using Fortune 500 data.

### S.W.O.T. ANALYSIS

#### STRENGTHS

- ❑ **Strong technical know-how** gained in over 40 years of proven experience in high-precision mechanic
- ❑ An **experienced and well-structured management team**
- ❑ **Long-standing relationships** with leading MedTech companies
- ❑ **Ever-increasing share of the more profitable Medical Devices division**

#### WEAKNESSES

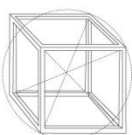
- ❑ **Sales department** needs to be strengthened
- ❑ The **Medical Devices division** relies on **few large-sized customers** with rather high bargaining power
- ❑ Especially for the Medical Devices division, **customer acquisition is a lengthy process**
- ❑ **Limited M&A track record**

#### OPPORTUNITIES

- ❑ **Riding long-term structural trends** (ageing population, development of emerging markets)
- ❑ **M&A opportunities** to enter new promising segments and internalise significant know-how
- ❑ **Updating production capacity and equipment** to entice new costumers
- ❑ **Vertical integration of upstream phases** could benefit margins

#### THREATS

- ❑ **New breakthrough technology** may disrupt current production processes
- ❑ **Regulatory changes in the supplier accreditation process** could slow down top line growth



## FY-23 Results

Valtecne reported an outstanding set of 2023 results, characterised by **soaring revenues (+27.5%) entirely driven by the impressive growth of the Medical Devices division**. As a consequence, the company's profitability grew more than proportionally, benefitting from a favourable product mix as a result of the ever-increasing weigh of the more profitable Medical Devices division.

Additionally, a higher profitability coupled with better dynamics with respect to the VMI – Vendor Managed Inventory agreements has resulted in **a robust cash flow generation, significantly higher than expected**.

**Table 1 – Valtecne, 2023-22 results summary**

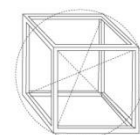
€ m	2023	2022PF	% YoY	2023e	Diff %
Medical Devices	18.5	11.8	57.1	16.2	13.9
Industrial	12.3	12.3	(0.7)	12.3	(0.7)
<b>Revenues</b>	<b>30.7</b>	<b>24.1</b>	<b>27.5</b>	<b>28.6</b>	<b>7.6</b>
Increase in finished products	(0.1)	2.8		1.8	
Other revenues	0.9	0.8		0.6	
<b>Value of Production</b>	<b>31.6</b>	<b>27.7</b>	<b>14.2</b>	<b>30.9</b>	<b>2.2</b>
Raw material and processing	(10.0)	(8.8)		(9.4)	
Services	(4.4)	(4.5)		(4.1)	
Personnel expenses	(9.2)	(8.0)		(9.4)	
Other opex	(2.2)	(1.7)		(1.9)	
<b>EBITDA</b>	<b>5.8</b>	<b>4.6</b>	<b>27.5</b>	<b>6.1</b>	<b>(3.9)</b>
% margin	18.5%	16.6%		19.7%	
D&A	(1.5)	(1.2)		(1.2)	
<b>EBIT</b>	<b>4.3</b>	<b>3.4</b>	<b>28.2</b>	<b>4.9</b>	<b>(10.9)</b>
% margin	13.7%	12.2%		15.7%	
Financials + Re(De)valuations	(0.0)	(0.1)		(0.1)	
<b>Pre-Tax profit</b>	<b>4.3</b>	<b>3.3</b>	<b>30.9</b>	<b>4.8</b>	<b>(10.1)</b>
% margin	13.6%	11.9%		15.5%	
Income taxes	(1.1)	(0.8)		(1.3)	
Tax rate	25.9%	24.4%		27.0%	
Minorities	0.0	0.0		0.0	
<b>Net Profit</b>	<b>3.2</b>	<b>2.5</b>	<b>28.3</b>	<b>3.5</b>	<b>(8.8)</b>
% margin	10.1%	9.0%		11.3%	
<b>Adjusted EBITDA</b>	<b>7.2</b>	<b>5.5</b>	<b>30.4</b>	<b>7.0</b>	<b>2.5</b>
% margin	22.8%	19.9%		22.7%	
<b>NFP debt/(cash)</b>	<b>(2.4)</b>	<b>5.0</b>	<b>n.m.</b>	<b>(0.8)</b>	<b>n.m.</b>
<b>Adjusted NFP debt/(cash)</b>	<b>1.1</b>	<b>9.4</b>	<b>(87.9)</b>	<b>3.2</b>	<b>(63.9)</b>

Source: Company data, CFO SIM estimates

**Revenues rose by 27.5% YoY to € 30.7m, entirely driven by the impressive growth of the Medical Devices division which soared by 57.1% YoY to € 18.5m** (€ 11.8m recorded in FY-22PF), as a result of higher volumes sustained by the increased production capacity as well as a higher outflow of products linked to the VMI agreements. On the contrary, the **Industrial division totalled € 12.3m**, broadly unchanged YoY, was adversely affected by a general macroeconomic slowdown in several EU economies as well as a partial deflationary effect on prices, given that its contracts are inflation-linked.

**Top line came in above our projections (especially as regards the Medical Devices division)**, whereas Value of Production (€ 31.6m, +14.2% YoY) was fairly aligned, mainly reflecting the higher-than-expected outflow of products linked to the VMI agreements, also prompted by a solid demand in the orthopaedics end-markets served by Valtecne.

**Noteworthy, Medical Devices division now accounts for more than 60% of total revenues (from 48.8% in FY-22)**, well ahead of both our estimates and the management expectations outlined at the time of the IPO.



**Table 2 – Valtecne, FY-23 top line by business line**

Revenues by business line - € m	FY-23	% on tot. 23	FY-22PF	% on tot. 22
Medical Devices	18.5	60.1	11.8	48.8
Industrial	12.3	39.9	12.3	51.2
<b>Revenues</b>	<b>30.7</b>	<b>100.0</b>	<b>24.1</b>	<b>100.0</b>

Source: Company data

**EBITDA came in at € 5.8m, 18.5% margin**, compared to € 4.6m, 16.6% margin, recorded in FY-22. The 190bps increase in the margin was mainly driven by 1) increased revenues, 2) a more lucrative product mix as a result of the higher weigh on total of the more profitable Medical Devices division, and 3) some deflationary effects on energy costs. **Adjusted EBITDA soared by 30.4% YoY to € 7.2m, 22.8% margin, (€ 5.5m, 19.9% margin in 2022)**. On a reported basis, EBITDA was slightly lower due to higher-than-expected opex while, on an adjusted basis, came in fairly aligned with our estimate due to a higher adjustment based on the IFRS-16 effects related to leases expenses.

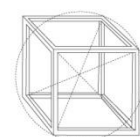
**EBIT reached € 4.3m, 13.6% margin** (€ 3.4m, 12.2% margin in FY-22) after D&A expenses for € 1.5m, which also includes the amortisation of the IPO listing costs. Following almost negligible financial charges, **Valtecne reported a record Net Profit equal to € 3.2m, 10.1% margin**, also benefitting from a lower-than-expected tax rate.

**Net Financial Position turned cash-positive for € 2.4m**, from € 5.0m debt registered at year-end 2022, chiefly related to the IPO proceeds (€ 4.6m net of listing costs) and thanks to a robust CF generation, which especially occurred in H2-23. The overall figure came in better than our estimate in light of 1) a lower-than-forecasted NWC absorption thanks to the more favourable dynamics related to the VMI agreements and higher DPO, and 2) Capex of € 2.6m (vs € 3.2m expected), comprising about € 1.0m of capitalised listing costs and tangible capex for € 1.6m. **Adjusted Net Financial Position was € 1.1m**, improving from € 9.4m at year-end 2022, after a € 3.5m adjustment to account for the IFRS-16 effect related to lease liabilities.

**Table 3 – Valtecne, 2023-22PF Op. NWC dynamics**

€ m	2023	2022PF	Δ
Inventories	11.5	9.3	2.3
Receivables	8.7	7.2	1.5
Payables	(9.6)	(6.5)	(3.1)
<b>Op. NWC</b>	<b>10.6</b>	<b>9.9</b>	<b>0.7</b>
<b>Op. NWC/Sales (%)</b>	<b>34.6%</b>	<b>41.2%</b>	<b>-660bps</b>

Source: Company data



## Estimates, Outlook, Valuation and Risks

**2023 marked a major turning point for Valtecne:** the decision to go public in March on the fortieth anniversary of the foundation coincided with a year of remarkable growth and record profitability, driven by the permanent overtake of the Medical Devices division, set up in 2012, over the historical Industrial division.

**In 2024 Valtecne expects the confirmation of growth of the Medical Devices division** in light of a solid order backlog from the historical customers coupled with opportunities in new segments (i.e. Trauma). On the contrary, **the Industrial division is facing some headwinds reflecting a certain slowdown in the main European markets** served by the company, which is anticipated to impact margins to a certain extent given lower operating leverage.

Furthermore, **M&A remains a key pillar of growth:** Valtecne's strong balance sheet, also considering the fresh resources stemming from the listing on EGM (€ 4.6m net of listing costs), opens several external growth opportunities to further complete its value proposition. Notably, the company aims to acquire a small player operating in some segments of the orthopaedic market where it still has a limited presence and where the potential for upselling and cross-selling synergies is sizeable. By considering a conservative 2.0x Adj.NFP/Adj. EBITDA<sub>24E</sub>, **M&A firepower could be around € 16m.** Noteworthy, our estimates do not take into account any external growth opportunity.

In light of the FY-23 results release, **we have updated our model by factoring in:** 1) a fine-tuning of revenues to reflect the higher 2023 starting base, especially as regards the Medical Devices division, and considering a more pronounced decrease in the Industrial division to account for a more uncertain outlook, 2) a slight adjustment of operating costs and D&A expenses. Furthermore, **we projected a dividend per share based on an arbitrary 20% payout ratio starting from 2024** (payment in 2025) and introduced our forecasts for 2026. The combined result is **an almost unchanged revenues progression and a 2.6% decrease in adjusted EBITDA in 2024-25.**

**Table 4 – Valtecne, 2024e new/old estimates**

€ m	New	Old	% Diff.	€ m Diff.
<b>Revenues</b>	<b>30.8</b>	<b>30.6</b>	<b>0.8</b>	<b>0.2</b>
<b>Adjusted EBITDA</b>	<b>7.2</b>	<b>7.5</b>	<b>(3.9)</b>	<b>(0.3)</b>
% margin	23.3	24.4		
<b>EBIT</b>	<b>4.3</b>	<b>5.2</b>	<b>(17.3)</b>	<b>(0.9)</b>
% margin	13.9	17.0		
<b>Net Profit</b>	<b>3.1</b>	<b>3.7</b>	<b>(15.6)</b>	<b>(0.6)</b>
% margin	10.2	12.2		
<b>Adjusted Net debt / (cash)</b>	<b>(1.4)</b>	<b>0.6</b>	<b>n.m.</b>	<b>(2.0)</b>

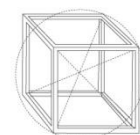
Source: CFO Sim

**Table 5 – Valtecne, 2025e new/old estimates**

€ m	New	Old	% Diff.	€ m Diff.
<b>Revenues</b>	<b>33.6</b>	<b>33.4</b>	<b>0.5</b>	<b>0.2</b>
<b>Adjusted EBITDA</b>	<b>8.1</b>	<b>8.2</b>	<b>(1.3)</b>	<b>(0.1)</b>
% margin	24.0	24.4		
<b>EBIT</b>	<b>5.2</b>	<b>5.7</b>	<b>(9.5)</b>	<b>(0.5)</b>
% margin	15.4	17.1		
<b>Net Profit</b>	<b>3.8</b>	<b>4.1</b>	<b>(9.0)</b>	<b>(0.4)</b>
% margin	11.2	12.4		
<b>Adjusted Net debt / (cash)</b>	<b>(3.0)</b>	<b>(2.4)</b>	<b>n.m.</b>	<b>(0.6)</b>

Source: CFO Sim

Moreover, we have updated our valuation criteria, bringing the risk-free rate up to date and postponing the first estimated year to 2024: the combined result is a **DCF-based PT of € 7.50/s (€ 7.00)**, comprising a **25.0% upside potential** to current price levels. Buy reiterated.



## DCF

In applying the DCF valuation method, we assess explicit estimates until 2028 and a long-term growth rate of 1.5%. Cash flows are discounted back at a weighted average cost of capital calculated according to the following parameters:

**Table 6 – WACC derived from:**

Interest costs, pre-tax	3.5%
Tax rate	27.0%
<b>Int. costs, after taxes</b>	<b>2.6%</b>
Risk premium, incl. small size premium	9.0%
Risk-free (10Y Gov. Bond 200dd mov. avg.)	4.18%
Beta levered (x)	1.00
<b>Required ROE</b>	<b>13.2%</b>

Source: CFO SIM, Refinitiv Eikon

**Risk premium at 9.0%** factors in the minute size of the company and basically all Euronext Growth Milan market segment related concerns and disquiet that an investor might have. The WACC is computed using a sustainable **25:75 debt/equity** balance-sheet structure and **Beta =1**.

**Table 7 – Valtecne, DCF model**

€ m	2024e	2025e	2026e	2027e	2028e	TV
EBIT	4.3	5.2	5.7	6.0	6.5	
Tax rate	27.0%	27.0%	27.0%	27.0%	27.0%	
<b>Operating profit (NOPAT)</b>	<b>3.1</b>	<b>3.8</b>	<b>4.1</b>	<b>4.4</b>	<b>4.8</b>	
Change working capital	0.1	(1.1)	(0.8)	(0.5)	(0.1)	
Depreciation	1.5	1.5	1.5	1.8	2.0	
Investments	(2.6)	(2.2)	(2.2)	(2.1)	(2.0)	
<b>Free Cash Flows</b>	<b>2.1</b>	<b>2.0</b>	<b>2.6</b>	<b>3.6</b>	<b>4.7</b>	<b>52.3</b>
Present value	2.0	1.7	2.0	2.5	2.9	<b>32.5</b>
WACC	10.5%	10.5%	10.5%	10.5%	10.5%	
<b>Long-term growth rate</b>	<b>1.5%</b>					

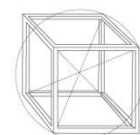
Source: CFO SIM

**Table 8 – Valtecne, DCF derived from:**

€ m	
<b>Total EV present value € m</b>	<b>43.5</b>
	<i>thereof terminal value</i>
NFP FY-23	2.4
Pension provision	(0.3)
<b>Equity value € m</b>	<b>45.5</b>
#m shares FD	6.11
<b>Equity value €/s</b>	<b>7.50</b>
<i>% upside/(downside)</i>	25.0%

Source: CFO SIM

The application of our DCF model generates an equity value of € 45.5m, € 7.50/s for Valtecne.



The following tables illustrate that sensitivity, 1) compared to changes in the terminal growth rate, produces an equity value of € 7.01-7.98/s (perpetuity range between 0.75% and 2.25%), while, 2) if compared to changes in the risk-free rate, it produces an equity value of € 6.99-7.97/s (risk-free range between 4.93% and 3.43%) and, 3) if compared to changes in the risk premium, including small size premiums, it results in an equity value of € 8.57-6.58/s (risk premium range between 10.50% and 7.50%).

**Table 9 – Valtecne, equity value sensitivity to changes in terminal growth rate**

€ m	0.75%	1.00%	1.25%	1.50%	1.75%	2.00%	2.25%
Present value of CF	11.0	11.0	11.0	11.0	11.0	11.0	11.0
PV of terminal value	29.8	30.7	31.6	32.5	33.5	34.6	35.7
<b>Total value</b>	<b>40.8</b>	<b>41.6</b>	<b>42.6</b>	<b>43.5</b>	<b>44.5</b>	<b>45.6</b>	<b>46.7</b>
NFP FY-23	2.4	2.4	2.4	2.4	2.4	2.4	2.4
Pension provision	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)
<b>Equity value</b>	<b>42.8</b>	<b>43.7</b>	<b>44.6</b>	<b>45.5</b>	<b>46.5</b>	<b>47.6</b>	<b>48.7</b>
<b>Equity value/share €</b>	<b>7.01</b>	<b>7.15</b>	<b>7.29</b>	<b>7.50</b>	<b>7.62</b>	<b>7.79</b>	<b>7.98</b>

Source: CFO SIM

**Table 10 – Valtecne, equity value sensitivity to changes in free risk rate**

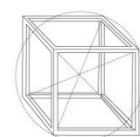
€ m	3.43%	3.68%	3.93%	4.18%	4.43%	4.68%	4.93%
Present value of CF	11.1	11.1	11.0	11.0	10.9	10.9	10.8
PV of terminal value	35.5	34.5	33.5	32.5	31.6	30.7	29.9
<b>Total value</b>	<b>46.7</b>	<b>45.6</b>	<b>44.5</b>	<b>43.5</b>	<b>42.5</b>	<b>41.6</b>	<b>40.7</b>
NFP FY-23	2.4	2.4	2.4	2.4	2.4	2.4	2.4
Pension provision	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)
<b>Equity value</b>	<b>48.7</b>	<b>47.6</b>	<b>46.5</b>	<b>45.5</b>	<b>44.5</b>	<b>43.6</b>	<b>42.7</b>
<b>Equity value/share €</b>	<b>7.97</b>	<b>7.79</b>	<b>7.62</b>	<b>7.50</b>	<b>7.29</b>	<b>7.14</b>	<b>6.99</b>

Source: CFO SIM

**Table 11 – Valtecne, equity value sensitivity to changes in risk premium**

€ m	7.50%	8.00%	8.50%	9.00%	9.50%	10.00%	10.50%
Present value of CF	11.3	11.2	11.1	11.0	10.9	10.8	10.6
PV of terminal value	39.0	36.6	34.5	32.5	30.7	29.1	27.6
<b>Total value</b>	<b>50.3</b>	<b>47.8</b>	<b>45.6</b>	<b>43.5</b>	<b>41.6</b>	<b>39.8</b>	<b>38.2</b>
NFP FY-23	2.4	2.4	2.4	2.4	2.4	2.4	2.4
Pension provision	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)
<b>Equity value</b>	<b>52.3</b>	<b>49.9</b>	<b>47.6</b>	<b>45.5</b>	<b>43.6</b>	<b>41.9</b>	<b>40.2</b>
<b>Equity value/share €</b>	<b>8.57</b>	<b>8.16</b>	<b>7.79</b>	<b>7.50</b>	<b>7.14</b>	<b>6.85</b>	<b>6.58</b>

Source: CFO SIM



## Market Multiples

Valtecne is as a contract manufacturer that operates as a first, second or third level supplier of high-precision mechanical parts for industrial processing as well as instruments for orthopaedic surgery and implantable components.

We set up a **peer group of companies operating as contract manufacturers of high-precision components for several end-industries and medical devices**, or that have a division focused on these activities. It should be underlined that **currently there is not a proper peer of Valtecne listed on a stock exchange**. In fact, some of the following companies differ from Valtecne in terms of end-markets served and geographical reach. In addition, unlike Valtecne, they also deal with the component design phase.

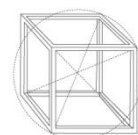
Our peer group encompasses the following companies:

**Integer Holdings Corp:** a US-based manufacturer of medical device components used by OEMs in the medical industry. The company also develops batteries used in non-medical applications in the energy, military, and environmental markets. The firm organizes itself into two business segments based on the product type: medical and non-medical. The medical segment uses the firm's technologies to produce components and finished medical devices, and it generates most of the revenue. The company earns more than half of its revenue in the United States.

**Jabil Inc:** a contract manufacturer located in the United States that offers design, production and product management services. It offers Fabrication and Assembly, Supply Chain Management, Fabrication and Assembly Supply Chain Management sourcing and procurement, integrated design and engineering, among others. Jabil caters to a wide range of industries, such as aerospace, automotive, consumer, defense, industrial, healthcare institutions, instrumentation, capital equipment, wearable technologies, medical, mobility and telecommunications, storage and printing industries.

**Lisi SA:** a France-based manufacturer of fasteners and assembly components for the Aerospace, Automotive, and medical implants industries. LISI designs and delivers parts, components, and high-tech devices for large international companies, such as Airbus, Boeing, BMW, CFAN, Mercedes, PSA, Renault, Safran, VW Group, and Stryker Corporation. Its business is structured in three main areas: LISI Aerospace, LISI Automotive and LISI Medical. The company's portfolio includes such products as fasteners, engine components and special parts for the aerospace industry; threaded fasteners, clipped solutions and mechanical safety components for the automotive industry, and dental components, orthopaedic implants and surgical instruments for the medical market. The company also operates through Termax LLC and Manoir Aerospace.

**Scanfil Oyj:** a Finland-based contract manufacturer and systems supplier in the telecommunications and electronics industries. The company's telecommunications products comprise equipment systems for mobile and telecommunications networks, network integration, as well as assemblies and testing of telecommunications modules. Additionally, Scanfil Oyj offers supply chain management services, such as sourcing and purchasing, planning of production processes and technologies, manufacture of prototype series, transfer to serial production, product testing, as well as logistics management. Its business is divided into two geographical areas: Asia, where two subsidiaries operate in China, and Europe, including Finland, Hungary, and Estonia.





**Vimi Fasteners SpA:** an Italy-based B2B provider for industrial companies, with a focus on mechanical components. It operates in the automotive, industrial engines and vehicles, oil and gas, aerospace, and motorsport markets. It provides a wide range of products and services for different applications, such as Engines, Turbochargers, Manifold and Exhaust Systems, Power Transmissions, Braking Systems, Suspensions and Wheels. The Engines offering includes design and production of fastener systems to assemble engine-critical components; Manifold and Exhaust Systems offers fasteners used in high temperature applications; Power Transmissions provides high fatigue resistance fastener systems; Braking Systems embraces braking system-related fastener systems developed in partnership with other companies. It mainly operates in Germany, US, and China.

**West Pharmaceutical Services Inc.:** a US-based manufacturer engaged in the design and production of integrated containment and delivery systems for injectable drugs and healthcare products. It operates through two segments: Proprietary Products and Contract-Manufactured Products. The Proprietary Products segment offers proprietary packaging, containment solutions, and drug delivery products, along with analytical lab services and other integrated services and solutions. The Contract-Manufactured Products segment serves as a fully-integrated business, focused on the design, manufacture, and assembly of complex devices, primarily for pharmaceutical, diagnostic, and medical device customers. This segment manufactures customer-owned components and devices used in surgical, diagnostic, ophthalmic, injectable, and other drug delivery systems.

Based on CFO SIM's estimates, comprising only organic growth, **Valtecne shows a much higher adjusted EBITDA margin in comparison with peers and broadly aligned ROCE and EBIT<sub>23-26</sub> CAGR**, whereas offers slightly lower growth in Sales and EBITDA over the 2023-26 period.

**Table 12 – Valtecne, peer group summary table**

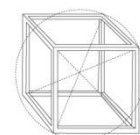
€ m	Country	Mkt Cap	Sales FY1	EBITDA FY1	EBITDA margin	Sales CAGR <sub>23-26</sub>	EBITDA CAGR <sub>23-26</sub>	EBIT CAGR <sub>23-26</sub>	ROCE FY1	NFP/ EBITDA
Integer Holdings Corp	US	3,556	1,615	334	20.7%	9.6%	15.3%	25.7%	n.a.	n.a.
Jabil Inc	US	15,895	26,249	2,080	7.9%	-3.5%	0.6%	4.5%	21.9%	0.6
Lisi SA	FR	1,098	1,774	223	12.6%	n.a.	n.a.	n.a.	5.6%	1.9
Scanfil Oyj	FI	537	884	82	9.3%	2.0%	3.2%	2.7%	17.4%	n.m.
Vimi Fasteners SpA	IT	19	59	8	12.7%	10.1%	15.5%	23.7%	n.a.	3.2
West Pharmaceutical Services Inc	US	26,371	2,787	783	28.1%	7.2%	10.4%	9.7%	n.a.	n.m.
<b>Median</b>		<b>2,327</b>	<b>1,694</b>	<b>278</b>	<b>12.6%</b>	<b>7.2%</b>	<b>10.4%</b>	<b>9.7%</b>	<b>17.4%</b>	<b>1.9</b>
<b>Valtecne SpA</b>	<b>IT</b>	<b>36.6</b>	<b>30.8</b>	<b>7.2</b>	<b>22.8%</b>	<b>5.4%</b>	<b>6.0%</b>	<b>9.4%</b>	<b>17.2%</b>	<b>n.m.</b>

Sources: CFO SIM, Refinitiv Eikon

**Table 13 – Valtecne, peer group EV multiple table**

x	Sales FY1	Sales FY2	Sales FY3	EBITDA FY1	EBITDA FY2	EBITDA FY3
Integer Holdings Corp	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Jabil Inc	0.65	0.58	0.54	8.2	7.1	6.5
Lisi SA	0.86	0.78	n.a.	6.9	5.8	n.a.
Scanfil Oyj	0.60	0.56	0.51	6.4	6.0	5.6
Vimi Fasteners SpA	0.72	0.60	0.55	5.7	4.7	4.1
West Pharmaceutical Services Inc	9.27	8.46	7.75	33.0	28.0	24.7
<b>Median</b>	<b>0.72</b>	<b>0.60</b>	<b>0.54</b>	<b>6.9</b>	<b>6.0</b>	<b>6.1</b>
<b>Valtecne SpA</b>	<b>1.14</b>	<b>1.00</b>	<b>0.88</b>	<b>4.9</b>	<b>4.2</b>	<b>3.7</b>
% premium/(discount) to peers	57.5	65.8	60.8	(28.6)	(30.7)	(39.0)

Sources: CFO SIM, Refinitiv Eikon



**Table 14 – Valtecne, peer group EV & price multiple table**

x	EBIT FY1	EBIT FY2	EBIT FY3	PER FY1	PER FY2	PER FY3
Integer Holdings Corp	n.a.	n.a.	n.a.	22.5	18.6	16.5
Jabil Inc	11.9	10.1	9.2	16.8	14.9	13.7
Lisi SA	13.6	10.7	n.a.	17.0	13.0	n.a.
Scanfil Oyj	8.5	8.1	7.4	11.8	11.0	10.5
Vimi Fasteners SpA	17.6	11.1	8.9	11.3	8.0	6.4
West Pharmaceutical Services Inc	40.5	33.7	30.1	50.3	42.7	38.3
<b>Median</b>	<b>13.6</b>	<b>10.7</b>	<b>9.1</b>	<b>16.9</b>	<b>14.0</b>	<b>13.7</b>
<b>Valtecne SpA</b>	<b>8.2</b>	<b>6.5</b>	<b>5.6</b>	<b>11.6</b>	<b>9.7</b>	<b>8.8</b>
% premium/(discount) to peers	(39.8)	(38.9)	(38.6)	(31.2)	(30.5)	(36.0)

Sources: CFO SIM, Refinitiv Eikon

We applied the medians of the peer group's EV/EBITDA multiples, discounted by an arbitrary 10%, to Valtecne's metrics using estimates for 2024-25 and weighted multiples at 50% for both years. As a result, we attained an **equity valuation of Valtecne equal to € 7.50/s, which fully corroborates the DCF-based valuation.**

As all companies included in the peer group draw up their financial statements in accordance with either IFRS or US GAAP, Valtecne's EBITDA and Net Financial Position figures are provided on an adjusted basis (i.e. compliant with the IFRS-16 accounting principle).

**Table 15 – Valtecne, equity assessment, 1#3**

€ m	Sales FY1	Sales FY2	Sales FY3	EBITDA FY1	EBITDA FY2	EBITDA FY3
Valtecne metric	30.8	33.6	36.0	7.2	8.1	8.6
<b>Median Peers (x)</b>	<b>0.72</b>	<b>0.60</b>	<b>0.54</b>	<b>6.9</b>	<b>6.0</b>	<b>6.1</b>
<b>Enterprise Value</b>	<b>20.1</b>	<b>18.2</b>	<b>17.7</b>	<b>44.3</b>	<b>43.6</b>	<b>46.6</b>
Adjusted Net Financial Position	1.4	3.0	5.0	1.4	3.0	5.0
Pension Provision	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)
<b>Valtecne Equity Value</b>	<b>21.2</b>	<b>20.9</b>	<b>22.3</b>	<b>45.4</b>	<b>46.3</b>	<b>51.3</b>
<b>Valtecne Equity Value € /s</b>	<b>3.50</b>	<b>3.40</b>	<b>3.70</b>	<b>7.40</b>	<b>7.60</b>	<b>8.40</b>
% upside/(downside)	(41.7)	(43.3)	(38.3)	23.3	26.7	40.0

Sources: CFO SIM, Refinitiv Eikon

**Table 16 – Valtecne, equity assessment, 2#3**

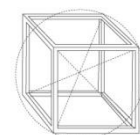
€ m	EBIT FY1	EBIT FY2	EBIT FY3	PER FY1	PER FY2	PER FY3
Valtecne metric	4.3	5.2	5.7	3.1	3.8	4.2
<b>Median Peers (x)</b>	<b>13.6</b>	<b>10.7</b>	<b>9.1</b>	<b>16.9</b>	<b>14.0</b>	<b>13.7</b>
<b>Enterprise Value</b>	<b>52.5</b>	<b>49.5</b>	<b>46.2</b>	<b>47.9</b>	<b>47.3</b>	<b>51.4</b>
Adjusted Net Financial Position	1.4	3.0	5.0			
Pension Provision	(0.3)	(0.3)	(0.3)			
<b>Valtecne Equity Value</b>	<b>53.6</b>	<b>52.1</b>	<b>50.9</b>	<b>47.9</b>	<b>47.3</b>	<b>51.4</b>
<b>Valtecne Equity Value € /s</b>	<b>8.80</b>	<b>8.50</b>	<b>8.30</b>	<b>7.80</b>	<b>7.70</b>	<b>8.40</b>
% upside/(downside)	46.7	41.7	38.3	30.0	28.3	40.0

Sources: CFO SIM, Refinitiv Eikon

**Table 17 – Valtecne, equity assessment, 3#3**

€	FY1	FY2	FY3
EV/Adjusted EBITDA	7.40	7.60	8.40
Weighting	50.0%	50.0%	0.0%
<b>Equity Value</b>	<b>7.50</b>		
% upside/(downside)	25.0%		

Sources: CFO SIM, Refinitiv Eikon



## Peer Stock Performance

Valtecne was listed on Euronext Growth Milan on 1-Mar-23 at € 5.00/share corresponding to a post-money market capitalisation of € 30.5m. **Valtecne now trades above the IPO price**, and reached an intraday 1Y maximum price of € 6.44/s on 8-Feb-24 and a minimum level of € 4.30/s on 21-Sep-23.

**Table 18 – Valtecne, peer group and index absolute performance**

%	1D	1W	1M	3M	6M	YTD	1Y
Integer Holdings Corp	(1.2)	0.3	1.9	16.7	47.0	15.7	51.9
Jabil Inc	(1.0)	2.2	(11.2)	4.7	5.2	5.3	53.4
Lisi SA	0.0	(1.5)	(0.2)	(0.6)	12.6	0.2	(2.3)
Scanfil Oyj	(1.3)	(0.5)	3.3	8.4	(0.1)	5.4	6.7
Vimi Fasteners SpA	(2.8)	3.0	0.0	7.0	8.7	7.9	2.2
West Pharmaceutical Services Inc	(2.0)	(0.1)	10.2	11.2	5.2	10.2	11.8
<b>Median</b>	<b>(1.2)</b>	<b>0.1</b>	<b>1.0</b>	<b>7.7</b>	<b>7.0</b>	<b>6.6</b>	<b>9.3</b>
<b>Valtecne SpA</b>	<b>(1.3)</b>	<b>2.7</b>	<b>4.9</b>	<b>7.5</b>	<b>24.0</b>	<b>14.5</b>	<b>12.4</b>
MSCI World Index	(0.6)	(0.3)	2.0	8.2	21.6	7.4	21.4
EUROSTOXX	(0.8)	(0.4)	3.2	8.9	19.7	8.9	13.1
FTSE Italia All Share	(1.2)	(0.1)	3.5	11.9	24.5	12.4	24.2
FTSE Italia STAR	(1.6)	0.8	3.8	0.8	14.8	(0.3)	(3.0)
FTSE Italia Growth	(0.3)	0.1	(1.3)	(3.0)	(1.0)	(2.6)	(13.9)

Source: Refinitiv Eikon

**Table 19 – Valtecne, relative performance**

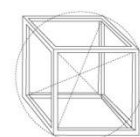
%	1D	1W	1M	3M	6M	YTD	1Y
to MSCI World Index	(0.7)	3.1	2.9	(0.7)	2.4	7.1	(9.0)
to EUROSTOXX	(0.5)	3.2	1.7	(1.4)	4.3	5.6	(0.7)
to FTSE Italia All Share	(0.1)	2.8	1.4	(4.3)	(0.5)	2.1	(11.9)
to FTSE Italia STAR	0.3	2.0	1.1	6.7	9.2	14.8	15.3
to FTSE Italia Growth	(1.0)	2.6	6.2	10.6	25.0	17.1	26.2
to Peers Median	(0.1)	2.6	3.9	(0.2)	17.0	7.9	3.1

Source: Refinitiv Eikon

## Risks

The principal investment **risks** associated with Valtecne include:

- regulatory changes in the supplier accreditation processes may slow down top line growth;
- a limited M&A track record;
- the rise of new breakthrough technology may disrupt current production processes;
- an adverse macroeconomic environment could have an impact on the group's performance, although the company's reference markets, especially orthopaedics, are rather anticyclical and enjoy long-term favourable trends.



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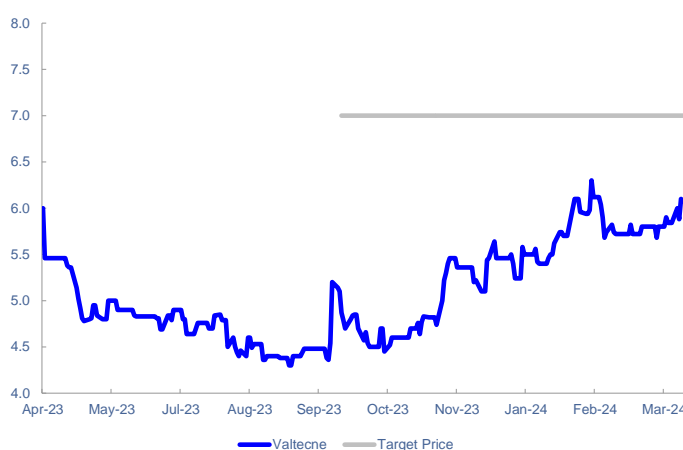
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DATE	TARGET PRICE	RATING
03/04/2024	€ 7.50	BUY
12/02/2024	€ 7.00	BUY
09/11/2023	€ 7.00	BUY
27/09/2023	€ 7.00	BUY

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- a **BUY** rating is assigned if the target price is at least 15% higher than the market price;
- a **SELL** rating is assigned if the target price is at least 15% lower than the market price;
- a **NEUTRAL** rating is assigned if the difference between the current price and target price lies within the +/- 15% range identified using the preceding criteria.

The rating is determined on the basis of the **expected absolute return over a 12-month period** and not on the basis of the estimated outperformance or underperformance relative to a market index. Thus, the rating can be directly linked to the estimated percentage difference between current and target prices. The prices of the financial securities mentioned in the report (also used for the calculation of market capitalisation and market multiples) are the reference prices of the stock market trading day preceding the publication date of the report, otherwise stated

