

Italy – Industrial & MedTech

Margin improvement coupled with a solid CF generation

26th September 2024

H1-24 RESULTS RELEASE

RIC: VLT.MI
BBG: VLT IM

Valtecne reported a good set of interim results showing broadly unchanged top line coupled with a 50bps margin improvement, thanks to the ever-increasing weight of the more profitable Medical Devices division. In the short-term, M&A remains a top strategic priority in order to enrich the company's value proposition and the management is stepping up efforts to find the right fit.

Rating:

Buy

Price Target:

€ 7.70 (€ 7.50)

Upside/(Downside): 31.6%

Last Price: € 5.85

Market Cap.: € 35.9m

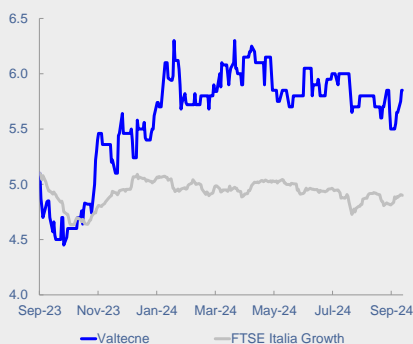
1Y High/Low: € 6.45 / € 4.42

Avg. Daily Turn. (3M, 6M): € 5k, € 8k

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
Absolute	2.6%	0.9%	14.7%
Rel.to FTSE IT Growth	3.1%	2.0%	18.6%
Rel.to Peers	4.1%	0.9%	13.4%

Analysts:

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

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

Chiara Francomacaro
+39 02 30343 394
chiara.francomacaro@cfosim.com

Estimates fine-tuned. New DCF-based PT at € 7.70 (€ 7.50), 31.6% upside. Buy

Following the H1-24 results release, we have fine-tuned our model by factoring in: 1) a higher progression of the Medical Devices division as well as a more pronounced decline in the Industrial division, 2) a lower level of increase in finished products, 3) a fine-tuning of D&A expenses and, 4) a modest decrease in tax rate, more aligned to the reported figures. The combined result is a 5.2%, 4.8% and 4.1% decline in Value of Production, Adjusted EBITDA and Net Profit in 2024-26, respectively. Moreover, we have updated our valuation criteria, bringing the risk-free rate up to date (3.80% vs prev. 4.18%). New DCF-based PT points to € 7.70/s (€ 7.50), largely attributable to a lower risk-free rate. Positive stance and Buy recommendation confirmed.

H1-24 sales at € 17.1m, almost unchanged YoY. Medical Devices division up 15.7%

Revenues came in at € 17.1m, broadly unchanged compared to € 17.0m posted in H1-23, once again driven by the brilliant performance of the Medical Devices division, which rose by 15.7% YoY to € 11.7m (€ 10.1m in H1-23), almost entirely offset by the weak performance of the Industrial division. The latter, in particular, declined by 21.9% YoY to € 5.4m (€ 6.9m registered in H1-23), continuing to be negatively impacted by a broad-based economic downturn affecting several end-markets it serves and, to a certain extent, by a partial deflationary effect on price lists. Value of Production decreased by 7.4% YoY to € 15.9m, mainly reflecting a decrease in WIP (Work-In-Progress).

A more lucrative product mix led to a 50bps EBITDA margin improvement

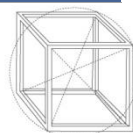
EBITDA came in at € 3.8m, 23.7% margin, down by 5.7% YoY compared to € 4.0m, 23.2% margin in H1-23. However, margin improved 50bps YoY as a result of the increased incidence on total revenues of the more profitable Medical Devices division and notwithstanding the operating deleverage effects caused by the sharp decline of the Industrial's production volumes and increase in personnel costs. Adjusted EBITDA reached € 4.4m, 27.7% margin compared to € 4.6m, 27.0% margin. EBIT totalled € 2.9m, 18.3% margin, vs € 3.3m, 19.1% margin in H1-23, reflecting slightly higher D&A expenses. Net Profit came in at € 2.2m, 13.8% margin, (€ 2.4m, 13.7% margin in H1-23), after positive net financial charges as well as lower tax expenses YoY.

NFP improved to € 4.4m cash from € 2.4m, underpinning the M&A strategy

NFP was € 4.4m cash, improving from € 2.4m cash recorded at year-end 2023, in light of Op.CF of € 3.4m, underpinned by a good profitability as well as a more favourable NWC dynamic (i.e. lower inventory levels), partially offset by Capex of approximately € 1.3m (€ 1.6m in H1-23 excluding listing costs). Adjusted NFP was € 1.6m cash from € 1.1m debt recorded in at year-end 2023, after € 2.8m of adjustments to factor in the IFRS-16 effect relative to lease liabilities.

Valtecne, key financials and ratios

€ m	2022PF	2023	2024e	2025e	2026e
Revenues	24.1	30.7	30.2	32.1	34.0
Value of Production	27.7	31.6	29.5	33.3	35.2
EBITDA	4.6	5.8	5.6	6.5	7.0
Adjusted EBITDA	5.5	7.2	6.8	7.7	8.2
EBIT	3.4	4.3	4.0	4.9	5.3
Net Profit	2.5	3.2	3.0	3.6	4.0
Adjusted NFP (cash)/debt	9.4	1.1	(2.3)	(3.8)	(6.0)
Adjusted EBITDA margin	19.9%	22.8%	23.0%	23.0%	23.3%
EPS stated FD €	-	0.52	0.49	0.60	0.65
EPS growth	-	-	-5.4%	21.0%	9.0%
ROCE	19.5%	17.2%	14.2%	15.6%	15.4%
NWC/Sales	41.2%	34.6%	33.1%	35.1%	35.1%
EV/Sales x	1.64	1.02	1.11	1.00	0.88
EV/EBITDA Adj. x	7.2	4.4	5.0	4.2	3.6
EV/EBIT x	11.7	7.2	8.4	6.6	5.7
PER x	12.2	9.5	11.9	9.9	9.0
Free Cash Flow Yield	-1.7%	6.3%	8.0%	5.9%	8.1%



The Company at a Glance

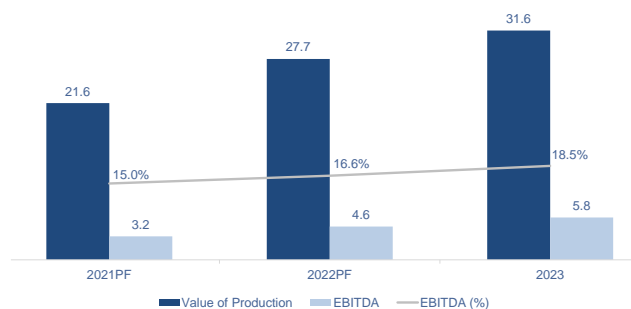
Established in 1983 by the Executive Chairman Vittorio Mainetti, Valtecne is a specialised contract manufacturer of high-precision components, operating as a first, second or third level supplier to Original Equipment Manufacturers (OEMs). The company runs its operations through two business lines, namely 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.

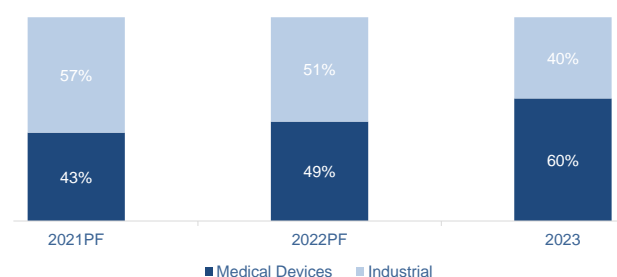
In the 2016-23 period, Value of Production showed a double-digit growth rate, i.e. CAGR₁₆₋₂₃ of 14.2%, prompted by the outstanding expansion of the Medical Devices division (CAGR₁₆₋₂₃ of 25.1%), and the steady progression of the Industrial business line (CAGR₁₆₋₂₃ of 5.5%). Indeed, the bulk of growth 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.

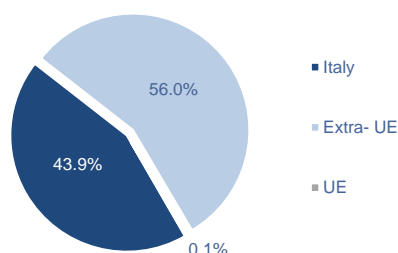
2021PF-23 VoP and EBITDA evolution



2021PF-23 top line evolution by business line



FY-23 top line breakdown by geography



Shareholder Structure

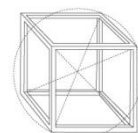
Shareholder	# m	%
KPM Srl (direct ownership)	3.76	61.6%
KPM Srl (bare ownership)	0.84	13.8%
Paolo Mainetti	0.39	6.4%
Other Shareholders (< 5.0%)	0.05	0.8%
Free Float	1.06	17.3%
Total	6.11	100.0%

Peer group multiples table

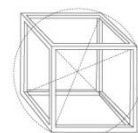
EV & PER multiples x	Sales FY1	Sales FY2	EBITDA FY1	EBITDA FY2	EBIT FY1	EBIT FY2	PER FY1	PER FY2
Integer Holdings Corp	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	22.7	19.8
Jabil Inc	0.49	0.49	6.1	5.9	8.9	8.9	12.5	13.9
Lisi SA	0.98	0.88	7.9	6.6	15.1	11.5	18.9	13.4
Scanfil Oyj	0.59	0.52	6.2	5.6	8.6	7.6	11.4	10.4
Vimi Fasteners SpA	0.60	0.53	4.7	4.3	12.3	10.5	8.6	7.8
West Pharmaceutical Services Inc	7.38	6.76	29.7	24.5	38.1	30.2	44.0	36.8
Median	0.60	0.53	6.2	5.9	12.3	10.5	15.7	13.6
Valtecne SpA	1.11	1.00	5.0	4.2	8.4	6.6	11.9	9.9

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	30.2	32.1	34.0
Value of Production	27.7	31.6	29.5	33.3	35.2
Raw material and processing	(8.8)	(10.0)	(8.0)	(9.7)	(10.2)
Services	(4.5)	(4.4)	(4.2)	(4.8)	(4.9)
Personnel expenses	(8.0)	(9.2)	(9.7)	(10.2)	(10.8)
Other opex	(1.7)	(2.2)	(2.0)	(2.2)	(2.3)
EBITDA	4.6	5.8	5.6	6.5	7.0
D&A	(1.2)	(1.5)	(1.6)	(1.6)	(1.7)
EBIT	3.4	4.3	4.0	4.9	5.3
Financials	(0.1)	(0.0)	0.1	0.1	0.1
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	4.1	4.9	5.4
Income taxes	(0.8)	(1.1)	(1.1)	(1.3)	(1.4)
Minorities	0.0	0.0	0.0	0.0	0.0
Net Profit	2.5	3.2	3.0	3.6	4.0
Adjusted EBITDA	5.5	7.2	6.8	7.7	8.2
Balance sheet (€ m)	2022PF	2023	2024e	2025e	2026e
Net Working Capital	9.9	10.6	10.0	11.3	11.9
Net Fixed Assets	7.0	8.2	8.8	9.4	9.8
Equity Investments	0.4	0.4	0.4	0.4	0.4
Other M/L Term A/L	(1.3)	(1.8)	(1.7)	(2.0)	(2.1)
Net Invested Capital	16.0	17.4	17.5	19.0	20.1
Net Financial Debt	5.0	(2.4)	(5.2)	(6.7)	(8.9)
Minorities	0.0	0.0	0.0	0.0	0.0
Group's Shareholders Equity	11.0	19.7	22.7	25.8	29.0
Financial Liabilities & Equity	16.0	17.4	17.5	19.0	20.1
Adjusted Net Financial Debt	9.4	1.1	(2.3)	(3.8)	(6.0)
Cash Flow statement (€ m)	2022PF	2023	2024e	2025e	2026e
Net income before minorities	2.5	3.2	3.0	3.6	4.0
Depreciation	1.2	1.5	1.6	1.6	1.7
Other non-cash charges	0.3	0.9	(0.2)	0.3	0.1
Cash Flow from Oper. (CFO)	4.0	5.6	4.4	5.6	5.8
Change in NWC	(2.3)	(0.7)	0.6	(1.3)	(0.7)
FCF from Operations (FCFO)	1.7	4.9	5.1	4.3	5.1
Net Investments (CFI)	(2.2)	(7.1)	(2.2)	(2.2)	(2.2)
Free CF to the Firm (FCFF)	(0.5)	(2.2)	2.9	2.1	2.9
CF from financials (CFF)	(0.2)	4.6	0.0	(0.6)	(0.7)
Free Cash Flow to Equity (FCFE)	(0.7)	2.3	2.9	1.5	2.2
Financial ratios	2022PF	2023	2024e	2025e	2026e
Adjusted EBITDA margin	19.9%	22.8%	23.0%	23.0%	23.3%
EBIT margin	12.2%	13.7%	13.5%	14.6%	15.0%
Net profit margin	10.3%	10.4%	10.0%	11.3%	11.7%
Tax rate	24.4%	25.9%	26.0%	26.0%	26.0%
Op NWC/Sales	41.2%	34.6%	33.1%	35.1%	35.1%
Interest coverage x	36.3	163.0	(56.7)	(72.2)	(66.1)
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%	17.2%	19.1%	19.8%
ROCE	19.5%	17.2%	14.2%	15.6%	15.4%
ROACE	20.8%	20.4%	15.0%	16.4%	16.1%
ROE	22.6%	16.1%	13.2%	14.1%	13.7%
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	0.49	0.60	0.65
EBITDA €	-	0.96	0.91	1.06	1.15
EBIT €	-	0.71	0.65	0.79	0.87
BV €	-	3.23	3.72	4.22	4.75
FCFO €	-	0.80	0.83	0.71	0.84
FCFF €	-	(0.36)	0.47	0.35	0.48
FCFE €	-	0.38	0.47	0.25	0.36
Dividend €	-	0.00	0.10	0.12	0.13



H1-24 Results

Valtecne reported a good set of interim results characterised by a broadly unchanged top line, driven once again by **an impressive double-digit growth of the Medical Devices division**, although almost entirely offset by a sharp decrease in the Industrial division. The latter, in particular, was negatively affected by the harsh macroeconomic environment in the reference markets where it operates. **EBITDA came in only slightly lower and showed a 50bps margin improvement, resulting from a higher share on total revenues of the more profitable Medical Devices division** and notwithstanding the operating deleverage effects stemming from the Industrial division.

Moreover, a satisfactory profitability level coupled with more favourable NWC dynamics led to **a solid cash flow generation**.

Table 1 – Valtecne, H1-24 results

€ m	H1-24	H1-23	% YoY
<i>Medical Devices</i>	11.7	10.1	15.7
<i>Industrial</i>	5.4	6.9	(21.9)
Revenues	17.1	17.0	0.4
Increase in finished products	(1.8)	(0.3)	
Other revenues	0.6	0.4	
Value of Production	15.9	17.1	(7.4)
Raw material and processing	(4.1)	(5.1)	
Services	(2.2)	(2.2)	
Personnel expenses	(4.8)	(4.6)	
Other opex	(1.1)	(1.1)	
EBITDA	3.8	4.0	(5.7)
% margin	23.7	23.2	
D&A	(0.8)	(0.7)	
EBIT	2.9	3.3	(11.1)
% margin	18.3	19.1	
Financials	0.0	(0.0)	
Pre-Tax profit	2.9	3.2	(9.0)
% margin	18.5	18.9	
Income taxes	(0.7)	(0.9)	
Tax rate	25.5%	27.1%	
Minorities	0.0	0.0	
Net Profit	2.2	2.4	(7.0)
% margin	13.8	13.7	
Adjusted EBITDA	4.4	4.6	(5.0)
% margin	27.7	27.0	
NFP debt/(cash) *	(4.4)	(2.4)	n.m.
Adjusted NFP debt/(cash) *	(1.6)	1.1	n.m.

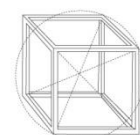
Source: Company data, * compared to FY-23

Revenues came in at € 17.1m, broadly unchanged compared to € 17.0m posted in H1-23, once again driven by the brilliant performance of the **Medical Devices division, which rose by 15.7% YoY to € 11.7m** (€ 10.1m in H1-23), almost entirely offset by the weak performance of the Industrial division. The latter, in particular, **declined by 21.9% YoY to € 5.4m** (€ 6.9m registered in H1-23), continuing to be negatively impacted by a broad-based economic downturn affecting several end-markets it serves and, to a certain extent, by a partial deflationary effect on price lists.

Table 2 – Valtecne, H1-24 revenues breakdown by business line

€ m	H1-24	% on tot.	H1-23	% on tot.
<i>Medical Devices</i>	11.7	68.3	10.1	59.3
<i>Industrial</i>	5.4	31.7	6.9	40.7
Revenues	17.1	100.0	17.0	100.0

Source: Company data



Consequently, **the Medical Devices division now exceeds two-thirds of total revenues**, increasingly becoming Valtecne's core business, consistent with the management's strategy laid out at the time of the IPO.

Value of Production decreased by 7.4% YoY to € 15.9m, mainly reflecting a decrease in WIP (Work-in-Progress).

EBITDA came in at € 3.8m, 23.7% margin, down by 5.7% YoY compared to € 4.0m, 23.2% margin in H1-23. **However, margins improved 50bps YoY** as a result of the increased incidence on total revenues of the more profitable Medical Devices division and notwithstanding the operating deleverage effects caused by the sharp decline of the Industrial's production volumes and increase in personnel costs due to the renewal of the national collective-bargaining agreements. **Adjusted EBITDA reached € 4.4m, 27.7% margin** compared to € 4.6m, 27.0% margin, mirroring a similar trend to that of the reported figure.

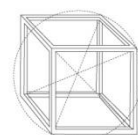
EBIT totalled € 2.9m, 18.3% margin, vs € 3.3m, 19.1% margin in H1-23, reflecting slightly higher D&A expenses (€ 0.8m vs € 0.7m in H1-23) on the back of the investments to enlarge production capacity. **Net Profit came in at € 2.2m, 13.8% margin**, (€ 2.4m, 13.7% margin in H1-23), after positive net financial charges ascribable to Valtecne's solid net cash position as well as lower tax expenses YoY.

Net Financial Position stood at € 4.4m cash, improving from € 2.4m cash recorded at year-end 2023, in light of Op.CF of € 3.4m, underpinned by a good profitability as well as a more favourable NWC dynamic (i.e. lower inventory levels), partially offset by Capex of approximately € 1.3m (€ 1.6m in H1-23 excluding listing costs). **Adjusted NFP was € 1.6m cash from € 1.1m debt recorded at year-end 2023**, after € 2.8m of adjustments to take into account the IFRS-16 effect relative to lease liabilities.

Table 3 – Valtecne, H1-24 Op. NWC dynamics

€ m	H1-24	FY-23	Δ (€ m)
<i>Inventories</i>	9.3	11.5	(2.2)
<i>Receivables</i>	8.2	8.7	(0.5)
<i>Payables</i>	(4.6)	(6.9)	2.2
Op. NWC	12.9	13.4	(0.5)

Source: Company data



Estimates, Outlook, Valuation and Risks

Valtecne reported a good set of interim results showing broadly unchanged top line, fairly aligned with our FY expectations, although comprising a quite different revenues mix. Indeed, **the Medical Devices division 's double-digit YoY growth was outstanding and confirms the goodness of the management's strategy** to concentrate efforts and investments to increase its presence in this highly profitable industry. On the contrary, the Industrial division still faces prolonged headwinds owed to an economic slowdown affecting several EU economies where it operates. **The downward trend of the Industrial division could have bottomed in H1, although a reversal is not to be expected before 2025.** The company's management stated that intends to develop new products featuring higher margins or less cyclical and possibly dispose of segments with unsatisfactory profitability.

It is worth to point out that, **in the short-term, M&A remains a key pillar of growth to be leveraged in light of a strong balance sheet** and a robust cash flow generation. In particular, the management is actively **scouting several potential opportunities** to further enhance the value proposition of the Medical Devices division and penetrate new segments of the orthopaedics market providing considerable cross-selling and up-selling synergies.

Following the H1-24 results release, **we have fine-tuned our model by factoring in:** 1) a higher progression of the Medical Devices division as well as a more pronounced decline in the Industrial division, 2) a lower level of increase in finished products, 3) a fine-tuning of D&A expenses and, 4) a modest decrease in tax rate, more aligned to the reported figures. The combined result is **a 5.2%, 4.8% and 4.1% decline in Value of Production, Adjusted EBITDA and Net Profit in 2024-26, respectively.**

Table 4 – Valtecne, 2024e new/old estimates

€ m	New	Old	% Diff.	€ m Diff.
Value of Production	29.5	31.5	(6.5)	(2.1)
Adjusted EBITDA	6.8	7.2	(5.6)	(0.4)
% margin	23.0	22.7		
EBIT	4.0	4.3	(6.9)	(0.3)
% margin	13.5	13.6		
Net Profit	3.0	3.1	(4.4)	(0.1)
% margin	10.2	10.0		
Adjusted Net debt / (cash)	(2.3)	(1.4)	61.9	(0.9)

Source: CFO SIM

Table 5 – Valtecne, 2025e new/old estimates

€ m	New	Old	% Diff.	€ m Diff.
Value of Production	33.3	34.7	(3.8)	(1.3)
Adjusted EBITDA	7.7	8.1	(4.6)	(0.4)
% margin	23.0	23.2		
EBIT	4.9	5.2	(5.9)	(0.3)
% margin	14.6	14.9		
Net Profit	3.6	3.8	(3.4)	(0.1)
% margin	10.9	10.9		
Adjusted Net debt / (cash)	(3.8)	(3.0)	29.0	(0.9)

Source: CFO SIM

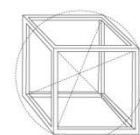


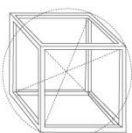
Table 6 – Valtecne, 2026e new/old estimates

€ m	New	Old	% Diff.	€ m Diff.
Value of Production	35.2	37.2	(5.3)	(2.0)
Adjusted EBITDA	8.2	8.6	(4.2)	(0.4)
% margin	23.3	23.0		
EBIT	5.3	5.7	(6.5)	(0.4)
% margin	15.0	15.2		
Net Profit	4.0	4.2	(4.6)	(0.2)
% margin	11.3	11.2		
Adjusted Net debt / (cash)	(6.0)	(5.0)	19.6	(1.0)

Source: CFO SIM

Moreover, we have updated our valuation criteria, bringing the risk-free rate up to date (3.80% vs prev. 4.18%). The combined result is a **DCF-based PT of € 7.70/s (€ 7.50)**, entailing a **31.6% upside potential** to current price levels.

We confirm our positive stance on Valtecne, given its increasing exposure to the orthopaedics market, characterised by favourable long-term trends and higher margins, as well as **a strong balance sheet to capitalise on M&A opportunities**. Additionally, the stock currently trades at undemanding valuations (EV/Adj. EBITDA_{24e} and PER_{24e} of 5.0x and 11.9x, respectively), thus **representing an attractive entry point**. **Buy recommendation 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 7 – WACC derived from:

Interest costs, pre-tax	3.5%
Tax rate	26.0%
Int. costs, after taxes	2.6%
Risk premium, incl. small size premium	9.0%
Risk-free (10Y Gov. Bond 200dd mov. avg.)	3.80%
Beta levered (x)	1.00
Required ROE	12.8%

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 8 – Valtecne, DCF model

€ m	2024e	2025e	2026e	2027e	2028e	TV
EBIT	4.0	4.9	5.3	5.6	6.0	
Tax rate	26.0%	26.0%	26.0%	26.0%	26.0%	
Operating profit (NOPAT)	3.0	3.6	3.9	4.1	4.4	
Change working capital	0.6	(1.3)	(0.7)	(0.4)	(0.1)	
Depreciation	1.6	1.6	1.7	2.0	2.3	
Investments	(2.2)	(2.2)	(2.2)	(2.3)	(2.3)	
Free Cash Flows	3.0	1.7	2.8	3.5	4.3	50.3
Present value	2.9	1.5	2.2	2.5	2.9	33.2
WACC	10.2%	10.2%	10.2%	10.2%	10.2%	
Long-term growth rate	1.5%					

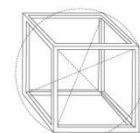
Source: CFO SIM

Table 9 – Valtecne, DCF derived from:

€ m	
Total EV present value € m	45.2
	<i>thereof terminal value</i>
NFP FY-23	2.4
Pension provision	(0.3)
Equity value € m	47.2
#m shares FD	6.11
Equity value €/s	7.70
<i>% upside/(downside)</i>	<i>31.6%</i>

Source: CFO SIM

The application of our DCF model generates an equity value of € 47.2m, € 7.70/s for Valtecne.



The following tables illustrate that sensitivity, 1) compared to changes in the terminal growth rate, produces an equity value of € 7.27- 8.28 /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 € 7.27 - 8.26/s (risk-free range between 4.55% and 3.05%) and, 3) if compared to changes in the risk premium, including small size premiums, it results in an equity value of € 6.86 - 8.86 /s (risk premium range between 10.50% and 7.50%).

Table 10 – 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	12.1	12.1	12.1	12.1	12.1	12.1	12.1
PV of terminal value	30.3	31.2	32.2	33.2	34.2	35.4	36.5
Total value	42.4	43.3	44.2	45.2	46.3	47.4	48.6
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)
Equity value	44.4	45.3	46.2	47.2	48.3	49.4	50.6
Equity value/share €	7.27	7.41	7.57	7.70	7.90	8.09	8.28

Source: CFO SIM

Table 11 – Valtecne, equity value sensitivity to changes in free risk rate

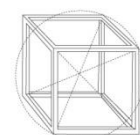
€ m	3.05%	3.30%	3.55%	3.80%	4.05%	4.30%	4.55%
Present value of CF	12.2	12.1	12.1	12.1	12.0	12.0	11.9
PV of terminal value	36.2	35.2	34.1	33.2	32.2	31.3	30.5
Total value	48.4	47.3	46.2	45.2	44.2	43.3	42.4
NFP FY-23	2.4	2.4	2.4	2.4	2.4	2.4	2.4
Pension provision	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)
Equity value	50.4	49.3	48.3	47.2	46.3	45.3	44.4
Equity value/share €	8.26	8.07	7.90	7.70	7.57	7.42	7.27

Source: CFO SIM

Table 12 – 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	12.3	12.2	12.1	12.1	12.0	11.9	11.8
PV of terminal value	39.8	37.3	35.2	33.2	31.3	29.7	28.1
Total value	52.1	49.6	47.3	45.2	43.3	41.5	39.9
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)
Equity value	54.1	51.6	49.3	47.2	45.3	43.6	41.9
Equity value/share €	8.86	8.45	8.07	7.70	7.42	7.13	6.86

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.

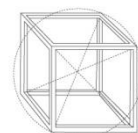
Our peer group encompasses the following companies:

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 exhibits a growth trend in Sales, Adjusted EBITDA and EBIT broadly aligned with peers' median** over the 2024-26 period, whereas **it offers a much higher profitability** as measured by the Adjusted EBITDA margin.

Table 13 – Valtecne, peer group summary table

€ m	Country	Mkt Cap	Sales FY1	EBITDA FY1	EBITDA margin	Sales CAGR ₂₃₋₂₆	EBITDA CAGR ₂₃₋₂₆	EBIT CAGR ₂₃₋₂₆	ROCE FY1	NFP/ EBITDA	
	US	3,847	1,624	338	20.8%	8.7%	17.3%	25.2%	n.a.	n.a.	
	US	11,560	25,549	2,049	8.0%	-7.0%	-3.2%	0.1%	22.0%	0.5	
	FR	1,250	1,802	223	12.4%	8.3%	14.8%	24.1%	5.1%	2.3	
	FI	477	798	76	9.5%	0.6%	2.1%	1.5%	15.6%	n.m.	
	IT	16	61	8	12.9%	5.0%	4.8%	11.3%	n.a.	2.6	
	US	19,766	2,662	663	24.9%	5.0%	5.3%	4.6%	n.a.	n.m.	
		2,549	1,713	281	12.7%	5.0%	5.0%	7.9%	15.6%	2.3	
	Valtecne SpA	IT	35.9	30.2	6.8	22.8%	3.4%	4.5%	6.9%	17.2%	n.m.

Sources: CFO SIM, Refinitiv Eikon

Table 14 – 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	0.49	0.49	0.44	6.1	5.9	5.4
Lisi SA	0.98	0.88	0.80	7.9	6.6	5.7
Scanfil Oyj	0.59	0.52	0.46	6.2	5.6	5.0
Vimi Fasteners SpA	0.60	0.53	0.44	4.7	4.3	3.7
West Pharmaceutical Services Inc	7.38	6.76	6.18	29.7	24.5	21.3
Median	0.60	0.53	0.46	6.2	5.9	5.4
Valtecne SpA	1.11	1.00	0.88	5.0	4.2	3.6
% premium/(discount) to peers	84.6	88.4	90.0	(20.6)	(29.8)	(32.4)

Sources: CFO SIM, Refinitiv Eikon

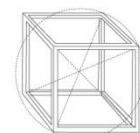


Table 15 – Valtecne, peer group EV & price multiple table

x	EBIT FY1	EBIT FY2	EBIT FY3	PER FY1	PER FY2	PER FY3
Integer Holdings Corp	n.a.	n.a.	n.a.	22.7	19.8	17.5
Jabil Inc	8.9	8.9	7.7	12.5	13.9	12.5
Lisi SA	15.1	11.5	9.5	18.9	13.4	11.0
Scanfil Oyj	8.6	7.6	6.6	11.4	10.4	9.4
Vimi Fasteners SpA	12.3	10.5	8.9	8.6	7.8	7.8
West Pharmaceutical Services Inc	38.1	30.2	25.9	44.0	36.8	32.3
Median	12.3	10.5	8.9	15.7	13.6	11.7
Valtecne SpA	8.4	6.6	5.7	11.9	9.9	9.0
% premium/(discount) to peers	(31.5)	(37.0)	(36.8)	(24.1)	(27.8)	(22.9)

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 of € 7.00/s**.

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 16 – Valtecne, equity assessment, 1#3

€ m	Sales FY1	Sales FY2	Sales FY3	EBITDA FY1	EBITDA FY2	EBITDA FY3
Valtecne metric	30.2	32.1	34.0	6.8	7.7	8.2
Median Peers (x)	0.60	0.53	0.46	6.2	5.9	5.4
Enterprise Value	16.4	15.3	14.2	38.1	41.1	39.8
Adjusted Net Financial Position	2.3	3.8	6.0	2.3	3.8	6.0
Pension Provision	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)
Valtecne Equity Value	18.3	18.8	19.8	40.0	44.6	45.4
Valtecne Equity Value € /s	3.00	3.10	3.20	6.60	7.30	7.40
% upside/(downside)	(48.7)	(47.0)	(45.3)	12.8	24.8	26.5

Sources: CFO SIM, Refinitiv Eikon

Table 17 – Valtecne, equity assessment, 2#3

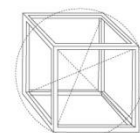
€ m	EBIT FY1	EBIT FY2	EBIT FY3	PER FY1	PER FY2	PER FY3
Valtecne metric	4.0	4.9	5.3	3.0	3.6	4.0
Median Peers (x)	12.3	10.5	8.9	15.7	13.6	11.7
Enterprise Value	44.1	45.8	42.5	42.6	44.7	41.9
Adjusted Net Financial Position	2.3	3.8	6.0			
Pension Provision	(0.3)	(0.3)	(0.3)			
Valtecne Equity Value	46.1	49.3	48.2	42.6	44.7	41.9
Valtecne Equity Value € /s	7.50	8.10	7.90	7.00	7.30	6.90
% upside/(downside)	28.2	38.5	35.0	19.7	24.8	17.9

Sources: CFO SIM, Refinitiv Eikon

Table 18 – Valtecne, equity assessment, 3#3

€	FY1	FY2	FY3
EV/Adjusted EBITDA	6.60	7.30	7.40
Weighting	50.0%	50.0%	0.0%
Equity Value	7.00		
% upside/(downside)	19.7%		

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 (+17%)**, and reached an intraday 1Y maximum price of € 6.45/s on 29-Apr-24 and a minimum level of € 4.42/s on 9-Oct-23.

Table 19 – Valtecne, peer group and index absolute performance

%	1D	1W	1M	3M	6M	YTD	1Y
Integer Holdings Corp	0.5	(0.5)	0.0	11.3	11.0	28.9	62.7
Jabil Inc	0.5	5.2	5.7	1.1	(16.6)	(11.0)	8.0
Lisi SA	0.4	3.5	(5.1)	14.3	13.6	13.3	21.9
Scanfil Oyj	0.0	(5.9)	(2.9)	(1.2)	(13.1)	(7.0)	(9.7)
Vimi Fasteners SpA	0.0	0.8	(6.3)	(11.8)	(9.8)	(5.5)	(5.5)
West Pharmaceutical Services Inc	(2.1)	(1.9)	1.9	(6.3)	(23.0)	(13.9)	(19.2)
Median	0.2	0.2	(1.4)	(0.1)	(11.5)	(6.3)	1.3
Valtecne SpA	0.0	5.4	2.6	0.9	(4.1)	11.6	14.7
MSCI World Index	(0.2)	1.8	1.8	5.0	7.5	16.6	29.9
EUROSTOXX	(0.2)	1.3	0.5	0.9	(2.1)	7.4	16.5
FTSE Italia All Share	(0.1)	0.5	(0.3)	0.7	(2.7)	10.8	20.2
FTSE Italia STAR	0.2	0.4	(1.8)	(3.3)	(5.4)	(4.2)	11.2
FTSE Italia Growth	(0.1)	0.6	(0.4)	(1.1)	(0.7)	(3.3)	(3.9)

Source: Refinitiv Eikon

Table 19 – Valtecne, relative performance

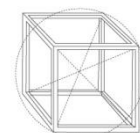
%	1D	1W	1M	3M	6M	YTD	1Y
to MSCI World Index	0.2	3.6	0.9	(4.1)	(11.6)	(5.0)	(15.2)
to EUROSTOXX	0.2	4.1	2.1	(0.0)	(2.0)	4.3	(1.8)
to FTSE Italia All Share	0.1	4.9	2.9	0.2	(1.4)	0.9	(5.5)
to FTSE Italia STAR	(0.2)	5.0	4.4	4.1	1.3	15.8	3.5
to FTSE Italia Growth	0.1	4.8	3.1	2.0	(3.4)	15.0	18.6
to Peers Median	(0.2)	5.2	4.1	0.9	7.4	17.9	13.4

Source: Refinitiv Eikon

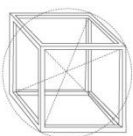
Risks

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

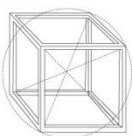
- regulatory changes in the supplier accreditation processes may slow down top line growth;
- a limited M&A track record;
- the rise of new breakthrough technology may disrupt current production processes;
- an adverse macroeconomic environment could have an impact on the group's performance, although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



This page has been intentionally left blank



This page has been intentionally left blank



ANALYST CERTIFICATION

This publication was prepared by Corporate Family Office SIM S.p.A. ("CFO SIM"), namely by **GIANLUCA MOZZALI, LUCA SOLARI, and CHIARA FRANCOMACARO** Equity Analysts. This is to certify that the views expressed on the companies mentioned in this document reflect the analysts' personal opinions and no direct or indirect remuneration has been, or will be, received by the analysts further to the views expressed herein.

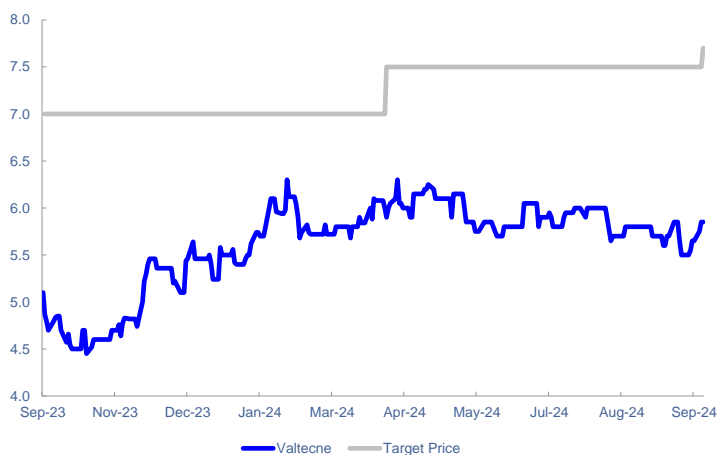
DISCLAIMER

This document has been drafted by CFO SIM, authorised by the Bank of Italy to provide investment services.

CFO SIM does not have a specific interest in either the issuer, the financial instruments or the transactions covered by the analysis.

The news and data used in this document come from information supplied to the public by the company concerned and/or from other documentation of public domain. CFO SIM is not liable for the accuracy, completeness, exactitude and impartiality of such news and data. This document has been drafted autonomously and independently and without the collaboration of the company analysed or of any company linked to the latter by shareholdings or control. This document has been prepared by the financial analysts of the Equity Research Department of CFO SIM, whose names are indicated therein. Gianluca Mozzali is an ordinary member of the Italian Association of Financial Analysts (AIAF). In no case can the company and the analysts, as authors of this document, be held liable (culpably or otherwise) for any damage resulting from use of the information or opinions set out therein. This document is for information purposes only. It cannot be reproduced directly or indirectly or redistributed to third parties, nor can it be published, either totally or in part, for any reason whatsoever. This document is not an invitation to purchase, nor is it intended to solicit the purchase or sale of the securities in question. The recipients of this document are formally bound to comply with the obligations indicated above.

CFO SIM wishes to provide ongoing coverage of the stocks mentioned in this document, as often as circumstances considered to be important dictate (corporate events, changes in recommendations, etc.). CFO SIM acts as Euronext Growth Advisor and Corporate Broker for Valtecne stock, listed on Euronext Growth Milan. The next table shows the ratings issued on the stock in the last 12 months. CFO SIM produces Equity Research documents on behalf of the Company's Specialist.



DATE	TARGET PRICE	RATING
26/09/2024	€ 7.70	BUY
31/07/2024	€ 7.50	BUY
03/04/2024	€ 7.50	BUY
12/02/2024	€ 7.00	BUY
09/11/2023	€ 7.00	BUY
27/09/2023	€ 7.00	BUY

This document is distributed via electronic mail and fax as from the date indicated in the document itself and addressed to some 300 Italian and non-Italian professional investors. The document is available in electronic format on CFO SIM's Internet site, to Italian and non-Italian institutional investors, and/or on Borsa Italiana's Internet site.

RATING SYSTEM

- 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

