

## Italy – Industrial & MedTech

## A strategic acquisition to enrich the value proposition

9th December 2024

### ACQUISITION OF UTILITÀ

RIC: VLT.MI  
BVG: VLT IM

The acquisition of Utilità clearly validates the management's strategy outlined at the time of the IPO, that is accelerating the growth trajectory of the Medical Devices division. The transaction is significantly accretive across all profitability metrics and the opportunity to take advantage of revenues synergies is huge, in light of a highly-complementary customer base and exposure to different subsegments of the MedTech industry.

#### Rating:

**Buy**

#### Price Target:

**€ 8.20 (€ 7.70)**

Upside/(Downside): **40.2%**

Last Price: € 5.85

Market Cap.: € 35.8 m

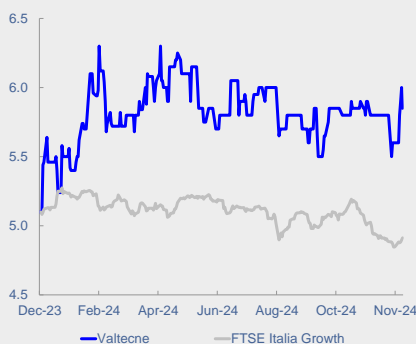
1Y High/Low: € 6.45 / € 5.10

Avg. Daily Turn. (3M, 6M): € 8k, € 6k

Free Float: 18.2%

#### 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>0.9%</b>	<b>2.6%</b>	<b>12.5%</b>
<b>Rel.to FTSE IT Growth</b>	<b>1.5%</b>	<b>4.0%</b>	<b>15.7%</b>
<b>Rel.to Peers</b>	<b>-0.1%</b>	<b>-2.0%</b>	<b>13.3%</b>

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#### Estimates updated. New PT points to € 8.20/s (€ 7.70). Buy recommendation reiterated

In the wake of the deal announcement, we have updated our model by factoring in: 1) the consolidation of Utilità as from Jan-25, 2) the related cash disbursement, assuming € 3m will be funded through credit lines and, 3) the withdrawal of our previous assumption of a dividend payment as from 2025. Furthermore, we left our FY-24 estimates unchanged. The combined result is an average 19.5% and 31.2% increase in Value of Production and Adjusted EBITDA in 2025-26, respectively. Moreover, we have updated our valuation criteria, bringing the risk-free rate up to date (3.70% vs prev. 3.80%). New DCF-based PT points to € 8.20/s (€ 7.70), 40.2% upside. Positive stance and recommendation confirmed, with the stock currently trading at attractive EV/Adj.EBITDA<sub>25e</sub> of 4.1x and PER<sub>25e</sub> of 9.2x.

#### Purchase of 60% of Utilità Srl for € 6.2m paid in cash, ca. 7.1x EV/Avg. EBITDA<sub>22-23</sub>

On 2<sup>nd</sup> December, Valtecne disclosed a binding agreement to acquire 60% of the share capital of Utilità Srl for € 6.2m, to be paid in cash, determined by taking into account the average normalised EBITDA of 2022-23. Based on the average reported data in 2022-23 and FY-23 NFP, the transaction corresponds to an EV/Sales and EV/EBITDA of 2.3x and 7.1x, respectively. Closing is anticipated within the first quarter of 2025. A Put option on the remaining 40% of the share capital was granted to the Selling Shareholders, to be exercised following the approval of the financial statements as from 2027 until 2029 at a price based on the same metrics previously used. Likewise, Valtecne was granted a Call option to be exercised at the approval of the 2029 financial statements.

#### A highly-complementary company with a remarkable growth path and profitability

Set up in 1996 and based in Costabissara (Vicenza), Utilità boasts almost 30 years of valuable experience as a contract manufacturer of high-precision components in several subsegments of the MedTech industry (such as dental, orthopaedics, spine and maxillofacial surgery). In addition, it specialises in high value-added micro mechanical processing in the industrial sector, having a focus on the Aerospace industry. Noteworthy, Utilità's revenues breakdown is similar to Valtecne's, as in FY-23 the contribution of medical devices stood at around 80% of the total. In 2023, Utilità reported Revenues of € 5.0m and EBITDA of € 1.5m, margin at c. 27%, and Net Profit of € 645k. NFP stood at € 1.9m debt. Moreover, in H1-24 top line was € 3.8m, with an EBITDA of € 1.5m, the same level achieved in FY-23.

#### Strong industrial rationale and considerable scope for revenues synergies

We welcomed this move as it allows Valtecne to purchase a highly-profitable business to considerably enhance its value proposition and consolidate its positioning, primarily by penetrating the buoyant Dental subsegment. Furthermore, the scope for revenues synergies is sizeable, reflecting a highly-complementary customer base and exposure to different subsegments of the MedTech industry.

#### Valtecne, key financials and ratios

€ m	2022PF	2023	2024e	2025e	2026e
Revenues	24.1	30.7	30.2	38.1	40.6
Value of Production	27.7	31.6	29.5	39.8	42.1
EBITDA	4.6	5.8	5.6	8.5	9.4
Adjusted EBITDA	5.5	7.2	6.8	10.0	10.9
EBIT	3.4	4.3	4.0	5.8	6.6
Net Profit	2.5	3.2	3.0	3.9	4.4
Adjusted NFP (cash)/debt	9.4	1.1	(2.3)	5.2	0.9
Adjusted EBITDA margin	19.9%	22.8%	23.0%	25.1%	25.8%
EPS stated FD €	-	0.52	0.49	0.64	0.72
EPS growth	-	-	-5.4%	29.3%	13.7%
ROCE	19.4%	17.2%	14.2%	16.5%	16.5%
NWC/Sales	41.2%	34.6%	33.1%	35.1%	34.4%
EV/Sales x	1.64	1.02	1.11	1.09	0.91
EV/EBITDA Adj. x	7.2	4.4	4.9	4.1	3.4
EV/EBIT x	11.7	7.2	8.4	7.1	5.7
PER x	12.2	9.5	11.9	9.2	8.1
Free Cash Flow Yield	-1.7%	6.3%	8.0%	4.1%	12.0%



## The Company at a Glance

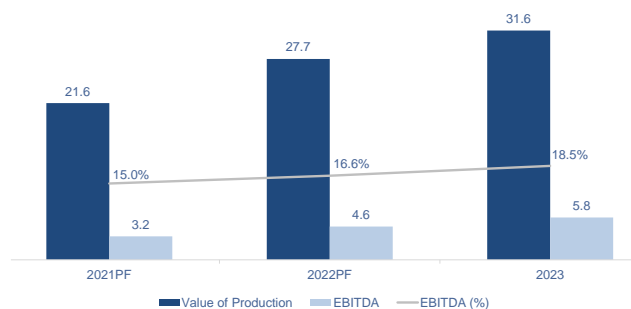
Established in 1983 by the Executive Chairman Vittorio Mainetti, Valtecne is a specialised contract manufacturer of high-precision components, operating as a first, second or third level supplier to Original Equipment Manufacturers (OEMs). The company runs its operations through two business lines, namely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

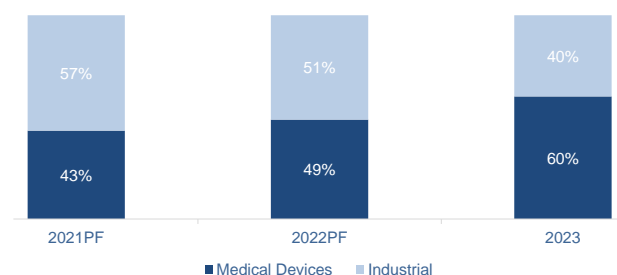
In the 2016-23 period, Value of Production showed a double-digit growth rate, i.e. CAGR<sub>16-23</sub> of 14.2%, prompted by the outstanding expansion of the Medical Devices division (CAGR<sub>16-23</sub> of 25.1%), and the steady progression of the Industrial business line (CAGR<sub>16-23</sub> of 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.

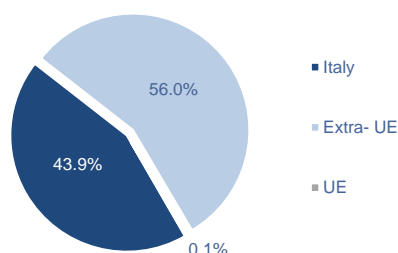
### 2021PF-23 VoP and EBITDA evolution



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



### FY-23 top line breakdown by geography



### Shareholder Structure

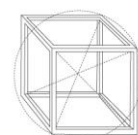
Shareholder	# m	%
KPM Srl (direct ownership)	3.76	61.6%
KPM Srl (bare ownership)	0.84	13.8%
Paolo Mainetti	0.39	6.4%
Free Float	1.11	18.2%
<b>Total</b>	<b>6.11</b>	<b>100.0%</b>

### Peer group multiples table

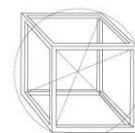
EV & PER multiples x	Sales FY1	Sales FY2	EBITDA FY1	EBITDA FY2	EBIT FY1	EBIT FY2	PER FY1	PER FY2
Integer Holdings Corp	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	26.5	22.0
Jabil Inc	0.58	0.53	7.5	6.7	10.9	9.5	16.1	14.7
Lisi SA	0.86	0.79	7.1	6.1	13.9	11.2	16.4	12.4
Scanfil Oyj	0.71	0.61	7.4	6.4	10.2	8.7	12.9	11.4
Vimi Fasteners SpA	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
West Pharmaceutical Services Inc	8.25	7.70	33.2	28.1	42.2	35.1	48.6	42.4
<b>Median</b>	<b>0.78</b>	<b>0.70</b>	<b>7.4</b>	<b>6.5</b>	<b>12.4</b>	<b>10.3</b>	<b>16.4</b>	<b>14.7</b>
<b>Valtecne SpA</b>	<b>1.11</b>	<b>1.09</b>	<b>4.9</b>	<b>4.1</b>	<b>8.4</b>	<b>7.1</b>	<b>11.9</b>	<b>9.2</b>

Sources: CFO SIM, Refinitiv Eikon

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



<b>Income statement (€ m)</b>	<b>2022PF</b>	<b>2023</b>	<b>2024e</b>	<b>2025e</b>	<b>2026e</b>
Revenues	24.1	30.7	30.2	38.1	40.6
Value of Production	27.7	31.6	29.5	39.8	42.1
Raw material and processing	(8.8)	(10.0)	(8.0)	(11.1)	(11.7)
Services	(4.5)	(4.4)	(4.2)	(5.7)	(5.9)
Personnel expenses	(8.0)	(9.2)	(9.7)	(11.9)	(12.4)
Other opex	(1.7)	(2.2)	(2.0)	(2.6)	(2.7)
EBITDA	4.6	5.8	5.6	8.5	9.4
D&A	(1.2)	(1.5)	(1.6)	(2.6)	(2.8)
EBIT	3.4	4.3	4.0	5.8	6.6
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	5.7	6.5
Income taxes	(0.8)	(1.1)	(1.1)	(1.5)	(1.7)
Minorities	0.0	0.0	0.0	(0.3)	(0.4)
Net Profit	2.5	3.2	3.0	3.9	4.4
Adjusted EBITDA	5.5	7.2	6.8	10.0	10.9
<b>Balance sheet (€ m)</b>	<b>2022PF</b>	<b>2023</b>	<b>2024e</b>	<b>2025e</b>	<b>2026e</b>
Net Working Capital	9.9	10.6	10.0	13.4	14.0
Net Fixed Assets	7.0	8.2	8.8	17.0	17.0
Equity Investments	0.4	0.4	0.4	0.4	0.4
Other M/L Term A/L	(1.3)	(1.8)	(1.7)	(2.4)	(2.5)
Net Invested Capital	16.0	17.4	17.5	28.4	28.9
Net Financial Debt	5.0	(2.4)	(5.2)	1.4	(2.9)
Minorities	0.0	0.0	0.0	2.1	2.5
Group's Shareholders Equity	11.0	19.7	22.7	24.8	29.2
Financial Liabilities & Equity	16.0	17.4	17.5	28.4	28.9
Adjusted Net Financial Debt	9.4	1.1	(2.3)	5.2	0.9
<b>Cash Flow statement (€ m)</b>	<b>2022PF</b>	<b>2023</b>	<b>2024e</b>	<b>2025e</b>	<b>2026e</b>
Net income before minorities	2.5	3.2	3.0	4.2	4.8
Depreciation	1.2	1.5	1.6	2.6	2.8
Other non-cash charges	0.3	0.9	(0.2)	0.7	0.1
Cash Flow from Oper. (CFO)	4.0	5.6	4.4	7.6	7.7
Change in NWC	(2.3)	(0.7)	0.6	(3.4)	(0.6)
FCF from Operations (FCFO)	1.7	4.9	5.1	4.2	7.1
Net Investments (CFI)	(2.2)	(7.1)	(2.2)	(10.9)	(2.8)
Free CF to the Firm (FCFF)	(0.5)	(2.2)	2.9	(6.6)	4.3
CF from financials (CFF)	(0.2)	4.6	0.0	3.0	(0.5)
Free Cash Flow to Equity (FCFE)	(0.7)	2.3	2.9	(3.6)	3.8
<b>Financial ratios</b>	<b>2022PF</b>	<b>2023</b>	<b>2024e</b>	<b>2025e</b>	<b>2026e</b>
Adjusted EBITDA margin	19.9%	22.8%	23.0%	25.1%	25.8%
EBIT margin	12.2%	13.7%	13.5%	14.7%	15.6%
Net profit margin	10.3%	10.4%	10.0%	10.2%	10.9%
Tax rate	24.4%	25.9%	26.0%	26.0%	26.0%
Op. NWC/Sales	41.2%	34.6%	33.1%	35.1%	34.4%
Interest coverage x	36.3	163.0	(56.7)	51.9	128.6
Adj. Net Debt /Adj. EBITDA x	1.71	0.16	n.m.	0.52	0.08
Net Debt-to-Equity x	0.46	n.m.	n.m.	0.06	n.m.
ROIC	15.5%	18.3%	17.2%	13.7%	15.3%
ROCE	19.4%	17.2%	14.2%	16.5%	16.5%
ROACE	20.8%	20.4%	15.0%	18.4%	17.4%
ROE	22.6%	16.1%	13.2%	15.7%	15.1%
Payout ratio	0.0%	0.0%	0.0%	0.0%	0.0%
<b>Per share figures</b>	<b>2022PF</b>	<b>2023</b>	<b>2024e</b>	<b>2025e</b>	<b>2026e</b>
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	0.64	0.72
EBITDA €	-	0.96	0.91	1.39	1.53
EBIT €	-	0.71	0.65	0.96	1.07
BV €	-	3.23	3.72	4.41	5.20
FCFO €	-	0.80	0.83	0.69	1.16
FCFF €	-	(0.36)	0.47	(1.09)	0.71
FCFE €	-	0.38	0.47	(0.60)	0.62
Dividend €	-	0.00	0.00	0.00	0.00



## Acquisition of a 60% stake of Utilità

On 2<sup>nd</sup> December, Valtecne disclosed a **binding agreement to acquire 60% of the share capital of Utilità Srl**, a company operating as a contract manufacturer of high-precision semi-finished components in the **MedTech** and **Aerospace** industry. The deal enables Valtecne to broaden the value proposition and technological offering in both its business units, by entering 1) the Dental subsegment of the Medical Devices industry, and 2) the Aerospace industry, characterised by attractive margins.

**Valtecne will acquire 60% of Utilità's share capital from Utilità Group for € 6.2m**, to be **paid in cash**, determined by taking into account the average normalised EBITDA of 2022-23. Based on the average reported Sales and EBITDA of Utilità in 2022-23 and FY-23 NFP, the transaction corresponds to an **EV/Sales and EV/EBITDA of 2.3x and 7.1x**, respectively, comprising an eventual adjustment based on Utilità's NFP at closing. Moreover, the deal provides for a further consideration based on the average normalised EBITDA over the 2024-26 period. Closing is indicatively anticipated to occur within the **first quarter of 2025**.

The transaction is subject to the fulfilment of a few conditions precedent, including the spin-off of some of Utilità's buildings. Moreover, **a Put option on the remaining 40% of the share capital was granted to the Selling Shareholders**, to be exercised following the approval of the financial statements as from 2027 until 2029 at a price based on the same metrics previously used. Likewise, **Valtecne was granted a Call option** to be exercised at the approval of the 2029 financial statements.

## A highly-complementary company with outstanding profitability

Founded in 1996 and based in Costabissara (Vicenza), **Utilità boasts almost 30 years of valuable experience as a contract manufacturer of high-precision components** in several subsegments of the MedTech industry (such as dental, orthopaedics, spine and maxillofacial surgery). In addition, **it specialises in high value-added micro mechanical processing** for the Industrial sector, having a focus on the Aerospace industry. Noteworthy, Utilità's revenues breakdown is similar to Valtecne's, as the contribution of **medical devices stood at around 80% of the total in 2023**. The **largest share of revenues is generated in Italy** (c. 80%) while the remainder comes from abroad.

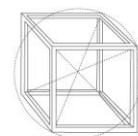
In 2023, **Utilità reported Revenues of € 5.0m and EBITDA of € 1.5m**, thus exhibiting an EBITDA margin to the tune of 27% on VoP, and bottom line of € 645k. NFP stood at € 1.9m debt (a healthy 1.3x NFP/EBITDA). Moreover, **in H1-24 the company's top line was € 3.8m, with an impressive EBITDA of € 1.5m, the same level achieved in FY-23**. Thus, Utilità has embarked on a remarkable growth path over the last years (CAGR<sub>21-23</sub> of 19.6%), with a more than proportional improvement across all profitability metrics.

By conservatively **assuming an EBITDA of approximately € 1.9m in FY-24 and an unchanged NFP**, the transaction would imply an **EV/EBITDA<sub>24e</sub> of c. 6.6x**.

**Table 1 – Valtecne, Utilità FY-23/H1-24 financial KPIs**

€ m	2021	2022	2023	H1-24
<b>Revenues</b>	<b>3.5</b>	<b>5.8</b>	<b>5.0</b>	<b>3.8</b>
YoY (%)	-	64.3%	-13.0%	-
<b>Value of Production</b>	<b>3.6</b>	<b>6.1</b>	<b>5.6</b>	-
<b>EBITDA</b>	<b>0.9</b>	<b>1.9</b>	<b>1.5</b>	<b>1.5</b>
% margin	26.1%	31.3%	26.7%	-
<b>Net Profit</b>	<b>0.3</b>	<b>0.8</b>	<b>0.6</b>	-
% margin	9.6%	13.1%	11.4%	-
<b>NFP debt / (cash)</b>	<b>2.3</b>	<b>2.2</b>	<b>1.9</b>	-

Source: AIDA, Bureau Van Dijk



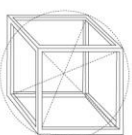
Utilità's former controlling shareholders, Messrs. Andrea Zamberlan and Nicola Zamberlan, **will remain in the company for at least three years since closing** both serving as CEOs, ensuring an efficient and speedy integration. **The BoD will be enlarged by 2 additional members appointed by Valtecne**, one of whom will be appointed as Chairman granted with the decisive vote's faculty in case of parity.

During the conference call held to illustrate the deal, the management underscored that the potential for the realisation of synergies is sizeable, in particular **cross-selling and up-selling synergies**, reflecting:

- ✓ **a highly-complementary customer base**, which will also allow to lessen the overall customer concentration risk;
- ✓ **exposure to different subsegments** of the MedTech industry, since Utilità's Medical Devices division is largely focused on semi-finished components for the Dental subsegment.

Moreover, although of a minor impact, Valtecne will take advantage of cost synergies relating to:

- ✓ the **internalisation of some of the processing** currently entrusted by Utilità to third-parties;
- ✓ **shared purchasing management**.



## Estimates, Valuation and Risks

The acquisition of Utilità **clearly validates management's strategy outlined at the time of the IPO**, that is making use of the IPO proceeds to accelerate the growth trajectory of the Medical Devices division.

We welcomed this move as it allows Valtecne to purchase a highly-profitable business to **enhance the value proposition and strengthen** its presence in the MedTech industry, primarily by **penetrating the buoyant Dental subsegment**. Moreover, Utilità's exposure to the Aerospace industry, characterised by sophisticated realisation techniques, will unquestionably enable a strong technological improvement and raise the overall profitability of the Industrial division.

At the group's level, we estimated that the superior profitability of Utilità (EBITDA margin to the tune of 29%, on average, in 2022-23) leads to **a margin accretion on EBITDA by nearly 200bps** on conservative 2024 assumptions.

In the wake of the deal announcement, **we have updated our model by factoring in:** 1) the consolidation of Utilità as from Jan-25, 2) the related cash disbursement, assuming € 3m will be funded through credit lines and, 3) the withdrawal of our previous assumption of a dividend payment as from 2025. Furthermore, we left our FY-24 estimates unchanged. The combined result is **an average 19.5% and 31.2% increase in Value of Production and Adjusted EBITDA in 2025-26, respectively**.

**Table 2 – Valtecne, 2024e new/old estimates**

€ m	New	Old	Δ %	Δ € m
<b>Value of Production</b>	<b>29.5</b>	<b>29.5</b>	<b>0.0</b>	<b>0.0</b>
<b>Adjusted EBITDA</b>	<b>6.8</b>	<b>6.8</b>	<b>0.0</b>	<b>0.0</b>
% margin	23.0	23.0		
<b>EBIT</b>	<b>4.0</b>	<b>4.0</b>	<b>0.0</b>	<b>0.0</b>
% margin	13.5	13.5		
<b>Net Profit</b>	<b>3.0</b>	<b>3.0</b>	<b>0.0</b>	<b>0.0</b>
% margin	10.2	10.2		
<b>Adjusted Net debt / (cash)</b>	<b>(2.3)</b>	<b>(2.3)</b>	<b>0.0</b>	<b>0.0</b>

Source: CFO SIM

**Table 3 – Valtecne, 2025e new/old estimates**

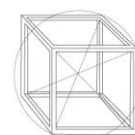
€ m	New	Old	Δ %	Δ € m
<b>Value of Production</b>	<b>39.8</b>	<b>33.3</b>	<b>19.4</b>	<b>6.5</b>
<b>Adjusted EBITDA</b>	<b>10.0</b>	<b>7.7</b>	<b>30.0</b>	<b>2.3</b>
% margin	25.1	23.0		
<b>EBIT</b>	<b>5.8</b>	<b>4.9</b>	<b>20.4</b>	<b>1.0</b>
% margin	14.7	14.6		
<b>Net Profit</b>	<b>3.9</b>	<b>3.6</b>	<b>6.8</b>	<b>0.2</b>
% margin	9.8	10.9		
<b>Adjusted Net debt / (cash)</b>	<b>5.2</b>	<b>(3.8)</b>	<b>n.m.</b>	<b>9.0</b>

Source: CFO SIM

**Table 4 – Valtecne, 2026e new/old estimates**

€ m	New	Old	Δ %	Δ € m
<b>Value of Production</b>	<b>42.1</b>	<b>35.2</b>	<b>19.6</b>	<b>6.9</b>
<b>Adjusted EBITDA</b>	<b>10.9</b>	<b>8.2</b>	<b>32.3</b>	<b>2.7</b>
% margin	25.8	23.3		
<b>EBIT</b>	<b>6.6</b>	<b>5.3</b>	<b>24.1</b>	<b>1.3</b>
% margin	15.6	15.0		
<b>Net Profit</b>	<b>4.4</b>	<b>4.0</b>	<b>11.4</b>	<b>0.5</b>
% margin	10.5	11.3		
<b>Adjusted Net debt / (cash)</b>	<b>0.9</b>	<b>(6.0)</b>	<b>n.m.</b>	<b>6.9</b>

Source: CFO SIM



Moreover, we have updated our valuation criteria, bringing the risk-free rate up to date (3.70% vs prev. 3.80%). The combined result is a **DCF-based PT of € 8.20/s (€ 7.70)**, entailing a **40.2% upside potential** to current price levels. **Buy recommendation reiterated.**

**We strongly confirm our positive stance on the stock**, given the clarity of the management's strategy and the ongoing execution since listing. Furthermore, in light of the robust organic expansion of the Medical Devices division (from 43.4% in FY-21 to 67.6% in FY-24e) and considering Utilità's revenues breakdown, **Valtecne should increasingly be assessed more as a high value-added MedTech contract manufacturer and less as an industrial player.**

## 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 5 – WACC derived from:**

Interest costs, pre-tax	4.5%
Tax rate	26.0%
<b>Inf. costs, after taxes</b>	<b>3.3%</b>
Risk premium, incl. small size premium	9.0%
Risk-free (10Y Gov. Bond 200dd mov. avg.)	3.70%
Beta levered (x)	1.00
<b>Required ROE</b>	<b>12.7%</b>

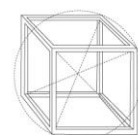
Source: CFO SIM, Refinitiv Eikon

**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 6 – Valtecne, DCF model**

€ m	2024e	2025e	2026e	2027e	2028e	TV
EBIT	4.0	5.8	6.6	7.3	7.8	
Tax rate	26.0%	26.0%	26.0%	26.0%	26.0%	
<b>Operating profit (NOPAT)</b>	<b>3.0</b>	<b>4.3</b>	<b>4.9</b>	<b>5.4</b>	<b>5.8</b>	
Change working capital	0.6	(3.4)	(0.6)	(0.3)	(0.1)	
Depreciation	1.6	2.6	2.8	2.9	3.0	
Investments	(2.2)	(10.9)	(2.8)	(2.9)	(3.0)	
<b>Free Cash Flows</b>	<b>3.0</b>	<b>(7.3)</b>	<b>4.2</b>	<b>5.0</b>	<b>5.7</b>	<b>65.4</b>
Present Value	3.0	(6.5)	3.5	3.7	3.8	<b>43.9</b>
WACC	10.4%	10.4%	10.4%	10.4%	10.4%	
<b>Long-term growth rate</b>	<b>1.5%</b>					

Source: CFO SIM



**Table 7 – Valtecne, DCF derived from:**

€ m		
<b>Total EV present value € m</b>		<b>51.3</b>
	<i>thereof terminal value</i>	85.5%
NFP FY-23		2.4
Pension provision		(0.3)
Minorities FY-25 @ 10x P/E		(3.5)
<b>Equity value € m</b>		<b>49.8</b>
#m shares		6.11
<b>Equity value €/s</b>		<b>8.20</b>

Source: CFO SIM

The application of our DCF model generates an equity value of € 49.8m, € 8.20/s for Valtecne.

The following tables illustrate the sensitivity of the equity value per share 1) compared to changes in **WACC** (range between 9.61% and 11.11%) and **terminal growth rate** (range between 0.75% and 2.25%), and 2) compared to changes in **risk-free rate** (range between 2.95% and 4.45%) and **Equity Risk Premium** (range between 8.25% and 9.75%).

**Table 8 – Valtecne, equity value sensitivity to changes in WACC and terminal growth rate**

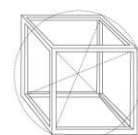
€ per share		Terminal growth rate						
		0.75%	1.00%	1.25%	1.50%	1.75%	2.00%	2.25%
<b>WACC</b>	9.61%	8.30	8.50	8.80	9.00	9.30	9.60	9.90
	9.86%	8.00	8.30	8.50	8.70	9.00	9.30	9.60
	10.11%	7.80	8.00	8.20	8.40	8.70	8.90	9.20
	<b>10.36%</b>	7.50	7.70	7.90	<b>8.20</b>	8.40	8.60	8.90
	10.61%	7.30	7.50	7.70	7.90	8.10	8.30	8.60
	10.86%	7.10	7.30	7.50	7.60	7.80	8.10	8.30
	11.11%	6.90	7.10	7.20	7.40	7.60	7.80	8.00

Source: CFO SIM

**Table 9 – Valtecne, equity value sensitivity to changes in risk-free rate and Equity Risk Premium**

€ per share		Equity Risk Premium						
		8.25%	8.50%	8.75%	9.00%	9.25%	9.50%	9.75%
<b>Risk-free</b>	2.95%	9.60	9.30	9.10	8.80	8.60	8.40	8.20
	3.20%	9.30	9.10	8.80	8.60	8.40	8.20	8.00
	3.45%	9.10	8.80	8.60	8.40	8.20	8.00	7.80
	<b>3.70%</b>	8.80	8.60	8.40	<b>8.20</b>	8.00	7.80	7.60
	3.95%	8.60	8.40	8.20	8.00	7.80	7.60	7.40
	4.20%	8.40	8.20	8.00	7.80	7.60	7.40	7.20
	4.45%	8.20	8.00	7.80	7.60	7.40	7.20	7.00

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.

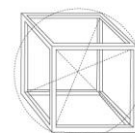
Our peer group encompasses the following companies:

**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.

**Table 10 – Valtecne, peer group summary table**

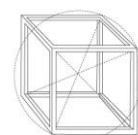
€ m	Country	Mkt Cap	Sales FY1	EBITDA FY1	EBITDA margin	Sales CAGR <sub>23-26</sub>	EBITDA CAGR <sub>23-26</sub>	EBIT CAGR <sub>23-26</sub>	ROCE FY1	NFP/EBITDA
Integer Holdings Corp	US	4,424	1,638	346	21.1%	9.0%	17.1%	26.0%	n.a.	n.a.
Jabil Inc	US	14,483	25,720	2,004	7.8%	1.1%	3.7%	5.4%	23.8%	0.3
Lisi SA	FR	1,019	1,782	217	12.2%	7.4%	12.8%	20.9%	6.4%	2.4
Scanfil Oyj	FI	524	778	75	9.6%	0.7%	2.5%	1.5%	15.4%	0.3
Vimi Fasteners SpA	IT	15	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
West Pharmaceutical Services Inc	US	22,100	2,650	659	24.9%	4.7%	5.1%	4.0%	n.a.	n.m.
<b>Median</b>		<b>2,721</b>	<b>1,782</b>	<b>346</b>	<b>12.2%</b>	<b>4.7%</b>	<b>5.1%</b>	<b>5.4%</b>	<b>15.4%</b>	<b>0.3</b>
<b>Valtecne SpA</b>	<b>IT</b>	<b>36</b>	<b>30</b>	<b>7</b>	<b>22.8%</b>	<b>9.7%</b>	<b>14.7%</b>	<b>14.9%</b>	<b>17.2%</b>	<b>n.m.</b>

Sources: CFO SIM, Refinitiv Eikon

**Table 11 – 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	0.58	0.53	0.53	7.5	6.7	6.6
Lisi SA	0.86	0.79	0.72	7.1	6.1	5.3
Scanfil Oyj	0.71	0.61	0.53	7.4	6.4	5.7
Vimi Fasteners SpA	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
West Pharmaceutical Services Inc	8.25	7.70	7.00	33.2	28.1	24.1
<b>Median</b>	<b>0.78</b>	<b>0.70</b>	<b>0.63</b>	<b>7.4</b>	<b>6.5</b>	<b>6.2</b>
<b>Valtecne SpA</b>	<b>1.11</b>	<b>1.09</b>	<b>0.91</b>	<b>4.9</b>	<b>4.1</b>	<b>3.4</b>
% premium/(discount) to peers	41.6	55.8	45.6	(33.4)	(36.7)	(44.5)

Sources: CFO SIM, Refinitiv Eikon



**Table 12 – 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.	26.5	22.0	19.6
Jabil Inc	10.9	9.5	9.4	16.1	14.7	14.9
Lisi SA	13.9	11.2	9.1	16.4	12.4	9.9
Scanfil Oyj	10.2	8.7	7.7	12.9	11.4	10.4
Vimi Fasteners SpA	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
West Pharmaceutical Services Inc	42.2	35.1	29.7	48.6	42.4	36.8
<b>Median</b>	<b>12.4</b>	<b>10.3</b>	<b>9.2</b>	<b>16.4</b>	<b>14.7</b>	<b>14.9</b>
<b>Valtecne SpA</b>	<b>8.4</b>	<b>7.1</b>	<b>5.7</b>	<b>11.9</b>	<b>9.2</b>	<b>8.1</b>
% premium/(discount) to peers	(32.5)	(31.6)	(38.8)	(27.5)	(37.2)	(45.8)

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 2024-25 estimates and weighting multiples at 50% for both years. As a result, we attained an **equity valuation of Valtecne of € 8.20/s**, fully aligned with our 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 13 – Valtecne, equity assessment, 1#3**

€ m	Sales FY1	Sales FY2	Sales FY3	EBITDA FY1	EBITDA FY2	EBITDA FY3
Valtecne metric	30.2	38.1	40.6	6.8	10.0	10.9
<b>Median Peers (x)</b>	<b>0.78</b>	<b>0.70</b>	<b>0.63</b>	<b>7.4</b>	<b>6.5</b>	<b>6.2</b>
<b>Enterprise Value</b>	<b>21.3</b>	<b>23.9</b>	<b>22.9</b>	<b>45.3</b>	<b>58.9</b>	<b>60.2</b>
Adjusted Net Financial Position	2.3	(5.2)	(0.9)	2.3	(5.2)	(0.9)
Pension Provision	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)
Minorities	0.0	(0.3)	(0.4)	0.0	(0.3)	(0.4)
<b>Valtecne Equity Value</b>	<b>23.3</b>	<b>18.0</b>	<b>21.3</b>	<b>47.2</b>	<b>53.0</b>	<b>58.5</b>
<b>Valtecne Equity Value € /s</b>	<b>3.80</b>	<b>2.90</b>	<b>3.50</b>	<b>7.70</b>	<b>8.70</b>	<b>9.60</b>
% upside/(downside)	(35.0)	(50.4)	(40.2)	31.6	48.7	64.1

Sources: CFO SIM, Refinitiv Eikon

**Table 14 – Valtecne, equity assessment, 2#3**

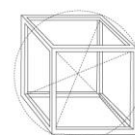
€ m	EBIT FY1	EBIT FY2	EBIT FY3	PER FY1	PER FY2	PER FY3
Valtecne metric	4.0	5.8	6.6	3.0	3.9	4.4
<b>Median Peers (x)</b>	<b>12.4</b>	<b>10.3</b>	<b>9.2</b>	<b>16.4</b>	<b>14.7</b>	<b>14.9</b>
<b>Enterprise Value</b>	<b>44.6</b>	<b>54.4</b>	<b>54.6</b>	<b>44.5</b>	<b>51.3</b>	<b>59.5</b>
Adjusted Net Financial Position	2.3	(5.2)	(0.9)			
Pension Provision	(0.3)	(0.3)	(0.3)			
Minorities	0.0	(0.3)	(0.4)			
<b>Valtecne Equity Value</b>	<b>46.6</b>	<b>48.5</b>	<b>52.9</b>	<b>44.5</b>	<b>51.3</b>	<b>59.5</b>
<b>Valtecne Equity Value € /s</b>	<b>7.60</b>	<b>7.90</b>	<b>8.70</b>	<b>7.30</b>	<b>8.40</b>	<b>9.70</b>
% upside/(downside)	29.9	35.0	48.7	24.8	43.6	65.8

Sources: CFO SIM, Refinitiv Eikon

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

€	FY1	FY2	FY3
EV/Adjusted EBITDA	7.70	8.70	9.60
Weighting	50.0%	50.0%	0.0%
<b>Equity Value</b>	<b>8.20</b>		
% upside/(downside)	40.2%		

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 € 5.10/s on 13-Dec-23.

**Table 16 – Valtecne, peer group and index absolute performance**

%	1D	1W	1M	3M	6M	YTD	1Y
Integer Holdings Corp	0.1	(0.8)	1.9	8.1	15.1	40.7	56.8
Jabil Inc	(0.1)	(0.1)	(0.1)	34.2	19.1	6.5	16.5
Lisi SA	1.6	4.8	(5.0)	(21.8)	(20.5)	(7.4)	(5.0)
Scanfil Oyj	0.1	7.9	2.9	1.1	3.2	3.3	3.3
Vimi Fasteners SpA	(2.6)	3.7	10.8	(9.6)	(15.7)	(11.0)	(13.1)
West Pharmaceutical Services Inc	1.3	(1.0)	(0.5)	8.5	2.5	(8.4)	(5.5)
<b>Median</b>	<b>0.1</b>	<b>1.8</b>	<b>0.9</b>	<b>4.6</b>	<b>2.8</b>	<b>(2.0)</b>	<b>(0.8)</b>
<b>Valtecne SpA</b>	<b>(2.5)</b>	<b>4.5</b>	<b>0.9</b>	<b>2.6</b>	<b>0.9</b>	<b>11.6</b>	<b>12.5</b>
MSCI World Index	0.2	1.2	1.7	9.6	10.8	21.6	26.9
EUROSTOXX	0.4	3.0	3.0	4.3	(1.4)	8.4	9.8
FTSE Italia All Share	0.3	3.9	2.7	4.5	0.2	13.8	15.2
FTSE Italia STAR	0.5	2.5	3.4	3.1	(3.9)	(2.8)	4.8
FTSE Italia Growth	0.3	1.2	(0.6)	(1.3)	(5.2)	(6.4)	(3.2)

Source: Refinitiv Eikon

**Table 17 – Valtecne, relative performance**

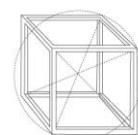
%	1D	1W	1M	3M	6M	YTD	1Y
to MSCI World Index	(2.7)	3.3	(0.8)	(6.9)	(10.0)	(10.0)	(14.4)
to EUROSTOXX	(2.9)	1.5	(2.2)	(1.7)	2.3	3.3	2.7
to FTSE Italia All Share	(2.8)	0.6	(1.9)	(1.8)	0.7	(2.2)	(2.7)
to FTSE Italia STAR	(3.0)	2.0	(2.5)	(0.5)	4.8	14.5	7.7
to FTSE Italia Growth	(2.8)	3.2	1.5	4.0	6.1	18.1	15.7
to Peers Median	(2.6)	2.7	(0.1)	(2.0)	(2.0)	13.7	13.3

Source: Refinitiv Eikon

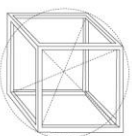
## Risks

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

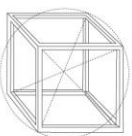
- regulatory changes in the supplier accreditation processes may slow down top line growth;
- a limited M&A track record;
- the rise of new breakthrough technology may disrupt current production processes;
- an adverse macroeconomic environment could have an impact on the group's performance, although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



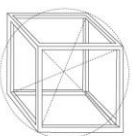
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## ANALYST CERTIFICATION

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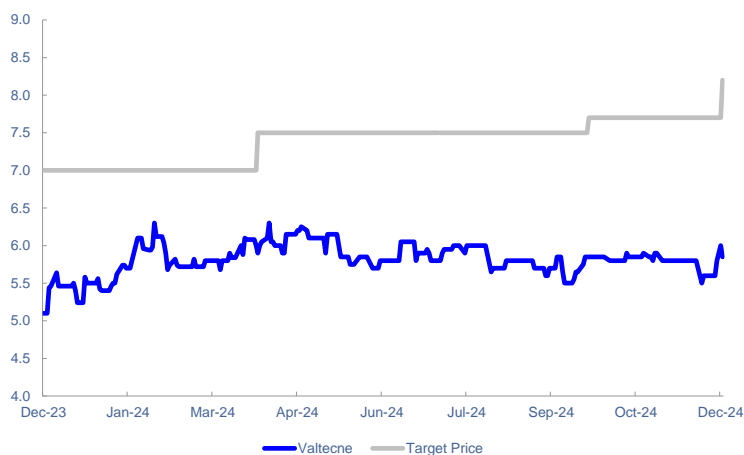
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DATE	TARGET PRICE	RATING
09/12/2024	€ 8.20	BUY
08/11/2024	€ 7.70	BUY
26/09/2024	€ 7.70	BUY
31/07/2024	€ 7.50	BUY
03/04/2024	€ 7.50	BUY
12/02/2024	€ 7.00	BUY

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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

