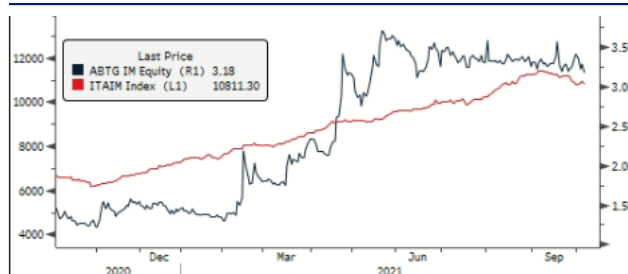


ABTG	Italy	FTSE AIM Italia	Educational Services
Rating: BUY	Target Price: € 7,25 (prev. € 5,00)	Update	Risk: Medium

Stock performance	1M	3M	6M	1Y
absolute	-3,64%	-9,14%	37,07%	133,82%
to FTSE AIM Italia	1,58%	-16,76%	12,04%	70,00%
to FTSE STAR Italia	4,40%	-12,56%	19,51%	86,25%
to FTSE All-Share	-0,72%	-10,55%	33,00%	101,78%
to EUROSTOXX	1,86%	-8,16%	36,01%	109,72%
to MSCI World Index	1,20%	-8,27%	32,20%	107,23%

Stocks performance relative to FTSE AIM Italia



Stock Data	
Price	€ 3,18
Target price	€ 7,25
Upside/(Downside) potential	128,1%
Bloomberg Code	ABTG IM EQUITY
Market Cap (€m)	14,53
EV (€m)	14,08
Free Float	49,80%
Share Outstanding	4.569.388
52-week high	€ 3,82
52-week low	€ 1,20
Average daily volumes (3m)	24.500

1H21A Results

Revenues amounted to € 7.21 million, compared to a value of € 5.03 million recorded in the first six months of last year. Revenues growth, also higher than pre-Covid results (43.2% vs 32% in 1H2019A), confirms the integration and positive performance of traditional and digital training courses EBITDA, equal to € 2.21 million, recorded a significant increase of 87.5% compared to € 1.18 million as of June 30, 2020. The EBITDA Margin, equal to 30.7%, also increased compared to 23.4% in the first half of last year. EBIT amounted to € 1.27 million (+161.1% compared to € 0.49 million as of June 30, 2020) after amortization and depreciation of € 0.94 million. Net profit amounted to € 0.79 million, with a net growth of 235.4% compared to for the first half of 2020 (€ 0.24 million).

Key Financials (€m)	FY20A	FY21E	FY22E	FY23E
Revenues	9,4	13,0	15,5	18,0
VoP	9,7	13,0	15,5	18,0
EBITDA	2,4	4,0	4,9	5,9
EBIT	1,2	2,3	3,2	4,0
Net Profit	0,7	1,5	2,2	2,7
EPS (€)	0,16	0,33	0,48	0,60
EBITDA margin	25,5%	31,0%	31,7%	32,6%
EBIT margin	12,9%	17,4%	20,8%	22,0%

Estimates Update

In the light of the results published in the half-yearly report for 1H21A, we modify our previous estimates both for the current year and for the coming years. In particular, we estimate FY21E revenues equal to € 13.00 million and EBITDA estimated equal of € 4.03 million, corresponding to a marginality of 31.0%. For subsequent years, we expect the revenues to increase up to € 18.00 million (CAGR 20A-23E: 24.05%) in FY23E, with EBITDA of € 5.86 million (corresponding to an EBITDA margin of 32.6%), up from € 2.40 million in FY20A (corresponding to an EBITDA margin of 25.5%). In terms of the Balance Sheet, we estimate a cash positive NFP value for 2023E equal to € 4.2 million.

Main Ratios	FY20A	FY21E	FY22E	FY23E
EV/EBITDA (x)	5,9	3,5	2,9	2,4
EV/EBIT (x)	11,6	6,2	4,4	3,6
P/E (x)	20,5	9,6	6,6	5,3

Valuation Update

We have carried out the valuation of ABTG's equity value based on the DCF methodology. The DCF method (which in the calculation of the WACC includes for prudential purposes also a specific risk of 2.5%) provides an equity value of € 33.15 million. The target price is, therefore, € 7.25 (prev. € 5.00), BUY rating and MEDIUM risk.

Mattia Petracca

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1. Economics & Financials

Table 1 – Economics & Financials

INCOME STATEMENT (€/mIn)	FY19A	FY20A	FY21E	FY22E	FY23E
Revenues	12,17	9,43	13,00	15,50	18,00
Other Revenues	0,12	0,26	0,00	0,00	0,00
Value of Production	12,29	9,69	13,00	15,50	18,00
COGS	0,13	0,02	0,02	0,03	0,04
Use of assets owned by others	0,51	0,52	0,60	0,75	0,85
Services	8,92	5,60	6,95	8,25	9,50
Employees	1,70	1,04	1,15	1,25	1,40
Other Operating Expenses	0,27	0,10	0,25	0,30	0,35
EBITDA	0,76	2,40	4,03	4,92	5,86
<i>EBITDA Margin</i>	<i>6,2%</i>	<i>25,5%</i>	<i>31,0%</i>	<i>31,7%</i>	<i>32,6%</i>
D&A	1,87	1,19	1,77	1,70	1,90
EBIT	(1,11)	1,21	2,26	3,22	3,96
<i>EBIT Margin</i>	<i>-9,1%</i>	<i>12,9%</i>	<i>17,4%</i>	<i>20,8%</i>	<i>22,0%</i>
Financial Management	(0,08)	(0,03)	(0,20)	(0,18)	(0,15)
EBT	(1,19)	1,18	2,06	3,04	3,81
Taxes	0,01	0,47	0,55	0,85	1,07
Net Income	(1,20)	0,71	1,51	2,19	2,74

BALANCE SHEET (€/mIn)	FY19A	FY20A	FY21E	FY22E	FY23E
Fixed Assets	6,41	6,87	6,80	5,90	6,00
Account receivable	0,83	0,69	1,50	1,85	2,15
Inventories	0,02	0,10	0,10	0,10	0,10
Account payable	1,61	1,10	1,60	1,90	2,20
Operating Working Capital	(0,76)	(0,31)	0,00	0,05	0,05
Other receivable	2,57	1,24	2,40	2,20	2,25
Other payable	4,27	2,97	2,85	3,30	3,60
Net Working Capital	(2,46)	(2,05)	(0,45)	(1,05)	(1,30)
Severance Indemnities & Other Provisions	0,25	0,29	0,50	0,50	0,50
NET INVESTED CAPITAL	3,70	4,53	5,85	4,35	4,20
Share Capital	5,09	5,09	2,50	2,50	2,50
Reserves	0,35	(0,82)	2,00	2,48	3,17
Net Income	(1,20)	0,71	1,51	2,19	2,74
Equity	4,24	4,98	6,01	7,16	8,41
Cash & Cash Equivalent	1,09	1,11	1,16	3,56	4,76
Short Term Debt to Bank	0,12	0,00	0,00	0,00	0,00
M/L Term Debt to Bank	0,43	0,66	1,00	0,75	0,55
Net Financial Position	(0,54)	(0,45)	(0,16)	(2,81)	(4,21)
SOURCES	3,70	4,53	5,85	4,35	4,20

CASH FLOW (€/mIn)	FY19A	FY20A	FY21E	FY22E	FY23E
EBIT	(1,11)	1,21	2,26	3,22	3,96
Taxes	0,01	0,47	0,55	0,85	1,07
NOPAT	(1,12)	0,74	1,71	2,37	2,89
D&A	1,87	1,19	1,77	1,70	1,90
Change in receivable	(0,01)	0,14	(0,81)	(0,35)	(0,30)
Change in inventories	(0,02)	(0,08)	(0,00)	0,00	0,00
Change in payable	0,10	(0,51)	0,50	0,30	0,30
Change in others	1,47	0,03	(1,28)	0,65	0,25
<i>Change in NWC</i>	<i>1,54</i>	<i>(0,41)</i>	<i>(1,60)</i>	<i>0,60</i>	<i>0,25</i>
Change in provisions	0,04	0,04	0,21	0,00	0,00
OPERATING CASH FLOW	2,33	1,56	2,09	4,67	5,04
Capex	(1,22)	(1,64)	(1,70)	(0,80)	(2,00)
FREE CASH FLOW	1,11	(0,08)	0,39	3,87	3,04
Financial Management	(0,08)	(0,03)	(0,20)	(0,18)	(0,15)
Change in Debt to Bank	(0,31)	0,11	0,34	(0,25)	(0,20)
Change in Equity	0,00	0,03	(0,48)	(1,03)	(1,49)
FREE CASH FLOW TO EQUITY	0,72	0,02	0,05	2,41	1,20

Source: ABTG and Integrae SIM estimates

1.1 1H21A Results

Table 2 – 1H21A vs 1H20A

€/mln	Revenues	EBITDA	EBITDA %	EBIT	Net Income	NFP
FY20A	7,21	2,21	30,7%	1,27	0,79	(0,97)
FY20E	5,03	1,18	23,4%	0,49	0,24	(0,45)*
Change	43,2%	87,5%	7,2%	161,1%	235,4%	N.A

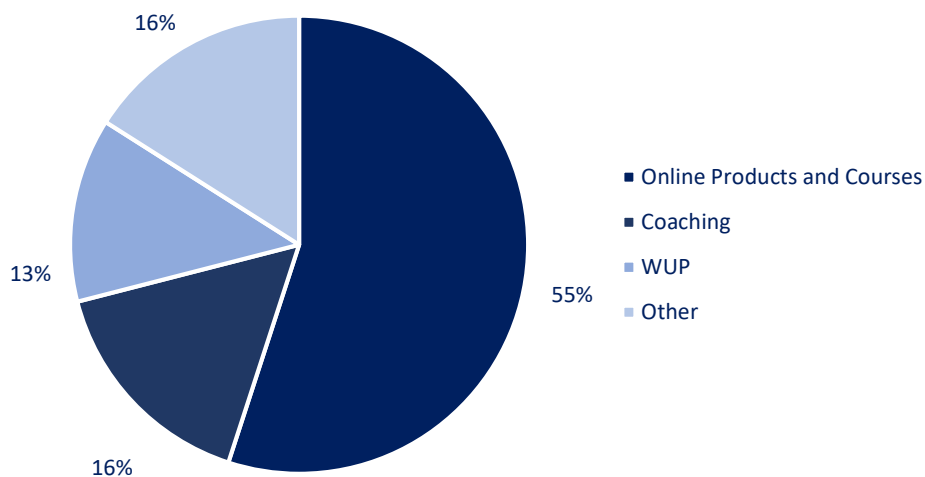
*NFP as of 31/12/2020

Source: Integrae SIM

Through a press release, the Company, commenting on the half-yearly results, states: *"In the first half of 2021, we started a series of operations and implemented the Group's growth strategies. Even in a not completely normalized context due to the pandemic and despite the energies dedicated to the launch of extraordinary projects, we have managed to achieve excellent economic-financial results, well above even the pre-covid levels. Revenues and marginality grow, the net financial position improves and we close the period with a net profit of € 0.8 million, higher than the entire previous year. The new business model focused on digital has made it possible to create efficiencies and significantly increase our marginality; we will continue to follow this model by exporting it to other Group companies. We are confident that this growth trend will continue in the second half of the year in compliance with the budget and we will continue to work to increase the turnover of all Group companies".*

Revenues amounted to € 7.21 million, compared to a value of € 5.03 million recorded in the first six months of last year. Revenues growth, also higher than pre-Covid results (43.2% vs 32% in 1H2019A), confirms the integration and positive performance of traditional and digital training courses, in particular with online courses representing 55% of revenues compared to 37% in the first half of 2020. Overall, compared to the first half of 2020, the Parent Company's revenues grew by 36% and those of the subsidiary AGL by 87%, despite the impact for the latter of the closure of the judicial auctions until September 2021 due to the pandemic offset by the results of the affiliations. The results of the Spanish subsidiary also grew, amounting to € 0.127 million.

Chart 1 – Revenues Breakdown by Segment



Source: ABTG

The main source of revenue, during the first six months of the year, derives from the sale of online courses and products that generated a share of revenues equal to 55%. The remaining revenues are generated by coaching (16%) and WUPs (13%). Other revenues (16%) mainly include contracts and monthly fees of partners.

EBITDA, equal to € 2.21 million, recorded a significant increase of 87.5% compared to € 1.18 million as of June 30, 2020. The EBITDA Margin, equal to 30.7%, also increased compared to 23.4% in the first half of last year. The growth in marginality derives from the Group's new digital model both on the commercial offer side and on the organizational structure side, increasing the efficiency of business flexibility and operating marginality.

EBIT amounted to € 1.27 million (+161.1% compared to € 0.49 million as of June 30, 2020) after amortization and depreciation of € 0.94 million. Net profit amounted to € 0.79 million, with a net growth of 235.4% compared to for the first half of 2020 (€ 0.24 million).

The NFP is cash positive and equal to € 0.97 million, an improvement compared to the figure as of June 30, 2020 (cash positive for € 0.45 million).

1.2 FY21E – FY23E Estimates

Table 3 – Estimates Updates FY21E-23E

€/mln	FY21E	FY22E	FY23E
Revenues			
New	13,0	15,5	18,0
Old	13,0	15,5	18,0
Change	0,0%	0,0%	0,0%
EBITDA			
New	4,0	4,9	5,9
Old	3,5	4,2	5,8
Change	15,1%	17,1%	1,0%
EBITDA %			
New	31,0%	31,7%	32,6%
Old	26,9%	27,1%	32,2%
Change	4,1%	4,6%	0,3%
EBIT			
New	2,3	3,2	4,0
Old	1,8	2,5	3,9
Change	25,6%	28,8%	1,5%
Net Income			
New	1,5	2,2	2,7
Old	1,1	1,6	2,7
Change	37,3%	35,1%	3,5%
NFP			
New	(0,2)	(2,8)	(4,2)
Old	(0,2)	(1,9)	(3,3)
Change	N.A	N.A	N.A

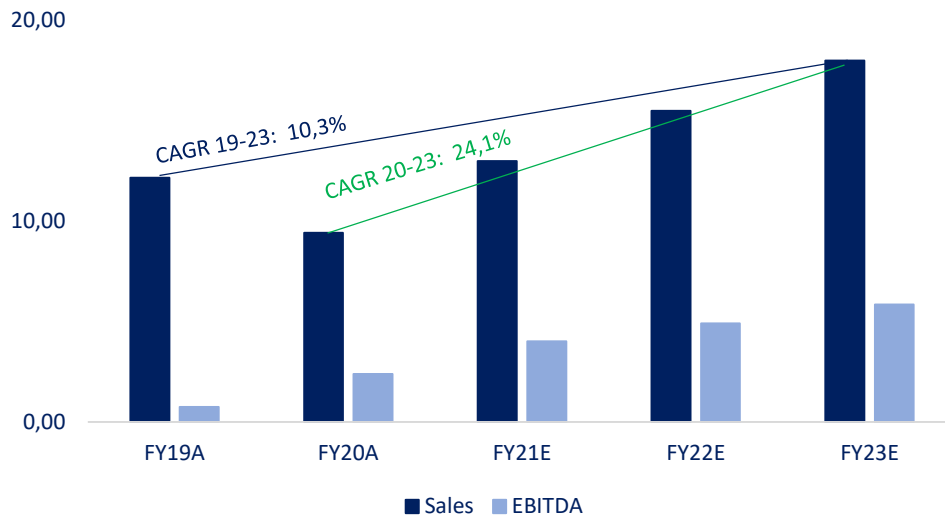
Source: Integrae SIM

In the light of the results published in the half-yearly report for 1H21A, we modify our previous estimates both for the current year and for the coming years.

In particular, we estimate FY21E revenues equal to € 13.00 million and EBITDA estimated equal of € 4.03 million, corresponding to a marginality of 31.0%. For subsequent years, we expect the revenues to increase up to € 18.00 million (CAGR 20A-23E: 24.05%) in FY23E, with EBITDA of € 5.86 million (corresponding to an EBITDA margin of 32.6%), up from € 2.40 million in FY20A (corresponding to an EBITDA margin of 25.5%).

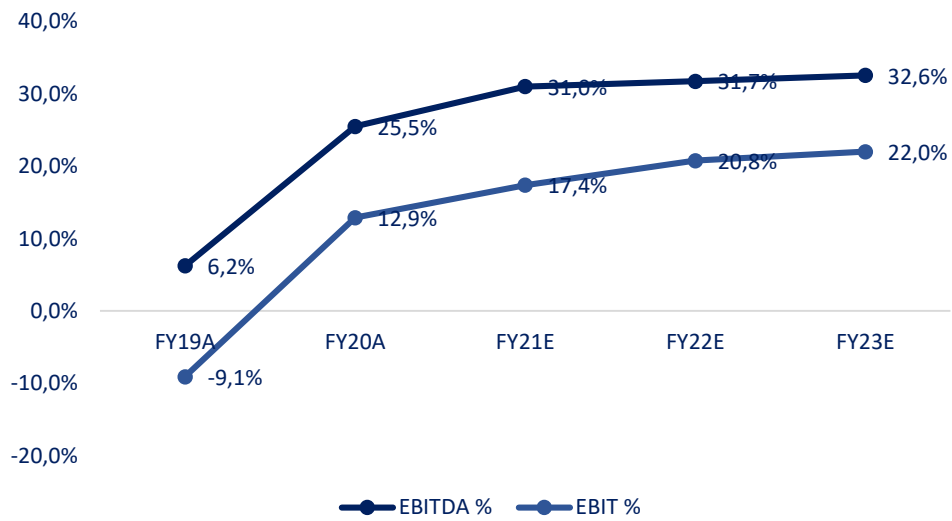
In terms of the Balance Sheet, we estimate a cash positive NFP value for 2023E equal to € 4.2 million.

Chart 2 – Sales and EBITDA FY19A-23E



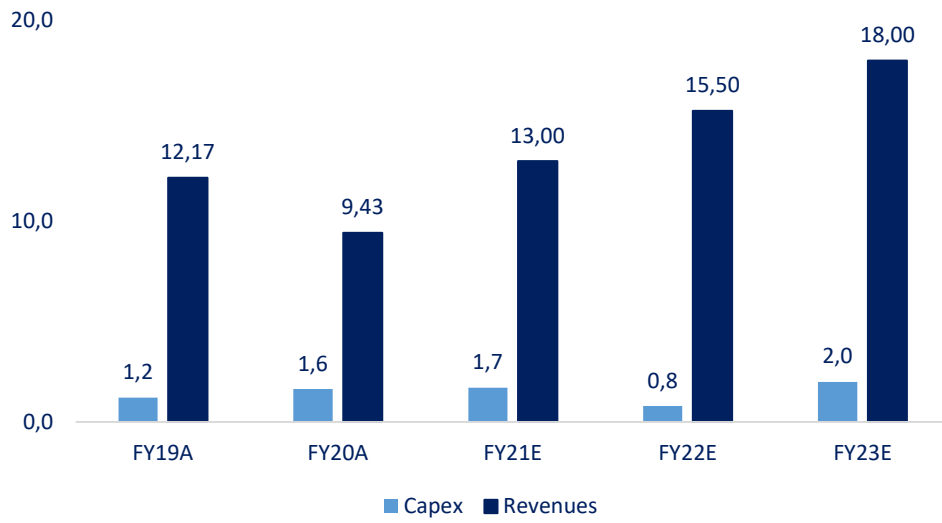
Source: Integrae SIM

Chart 3 – Margin FY19A-23E



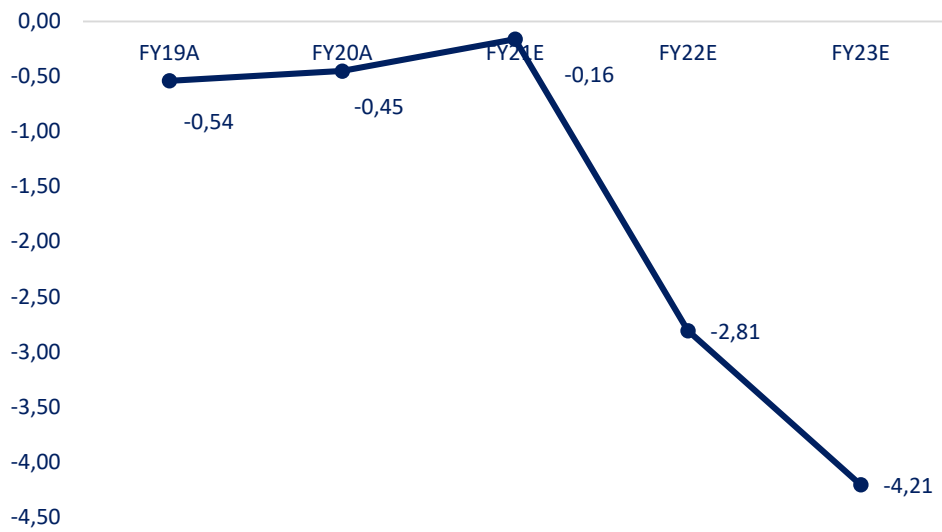
Source: Integrae SIM

Chart 4 – Capex FY19A-23E



Source: Integrae SIM

Chart 5 – NFP FY19A-23E



Source: Integrae SIM

2. Valuation

We have conducted the valuation of ABTG's equity value based on the DCF methodology.

2.1 DCF Method

Table 4 – WACC

WACC		8,54%
Risk Free Rate	-0,10% α (specific risk)	2,50%
Market Premium	6,85% Beta Adjusted	1,00
D/E (average)	11,11% Beta Relevered	1,08
Ke	9,25% Kd	3,00%

Source: Integrae SIM

For prudential purposes, we have included a specific risk of 2.5%. This results in a WACC of 8.54%.

Table 5 – DCF Valuation

DCF Equity Value		33,15
FCFO actualized	6,3	19%
TV actualized DCF	26,4	81%
Enterprise Value	32,7	100%
NFP (FY20A)	(0,5)	

Source: Integrae SIM

With the above data and taking as a reference our estimates and assumptions, the result is an **equity value of € 33.15 million. The target price is, therefore, € 7.25** (prev. €5.00). **We confirm BUY rating and MEDIUM risk.**

Table 6 – Equity Value – Sensitivity Analysis

€/mln	Growth Rate (g)	WACC						
		7,0%	7,5%	8,0%	8,5%	9,0%	9,5%	10,0%
2,5%		52,1	47,1	43,1	39,7	36,8	34,4	32,2
2,0%		47,6	43,5	40,1	37,2	34,7	32,5	30,7
1,5%		43,9	40,5	37,5	35,0	32,8	30,9	29,2
1,0%		40,9	37,9	35,4	33,15	31,2	29,5	28,0
0,5%		38,3	35,7	33,5	31,5	29,8	28,2	26,9
0,0%		36,0	33,8	31,8	30,1	28,5	27,1	25,9
-0,5%		34,1	32,1	30,3	28,8	27,4	26,1	25,0

Source: Integrae SIM

Table 7 – Target Price Implied Valuation Multiples

Multiples	FY20A	FY21E	FY22E
EV/EBITDA	13,6x	8,1x	6,6x
EV/EBIT	26,9x	14,5x	10,2x

Source: Integrae SIM

Table 8 – Current Price Implied Valuation Multiples

Multiples	FY20A	FY21E	FY22E
EV/EBITDA	5,9x	3,5x	2,9x
EV/EBIT	11,6x	6,2x	4,4x

Source: Integrae SIM

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02/11/2020	1,23	Buy	3,10	Medium	Initiation of Coverage
16/04/2021	2,22	Buy	5,00	Medium	Update

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Equity Total Return (ETR) for different risk categories			
Rating	Low Risk	Medium Risk	High Risk
BUY	ETR >= 7.5%	ETR >= 10%	ETR >= 15%
HOLD	-5% < ETR < 7.5%	-5% < ETR < 10%	0% < ETR < 15%
SELL	ETR <= -5%	ETR <= -5%	ETR <= 0%
U.R.	Rating e/o target price Under Review		
N.R.	Stock Not Rated		

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- It plays, or has played in the last 12 months, role of specialist financial instruments issued by ABTG SpA.