

Ready to Fight Hard in the Second Semester

ADD | Fair Value: €2.86 (€2.97) | Current Price: €2.19 | Upside: +30.7%

Research Update

March 30, 2023 – 7.00 h

€ Million	FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
Value of Production	4.8	5.2	6.0	7.0	10.8	14.7	18.8
EBITDA	0.2	0.4	0.6	0.4	1.4	3.0	5.9
margin	3.4%	6.8%	9.3%	5.9%	13.4%	20.5%	31.4%
Net Profit	(0.9)	(0.1)	(0.4)	(1.1)	0.2	1.2	3.3
margin	-17.9%	-2.7%	-6.0%	-16.0%	2.1%	8.3%	17.3%
EPS	(0.1)	(0.0)	(0.0)	(0.1)	0.0	0.1	0.3
NFP	1.3	1.3	0.3	1.9	1.8	(0.0)	(4.2)

Source: Company data (2020-22), KT&Partners' elaboration (2023-26)

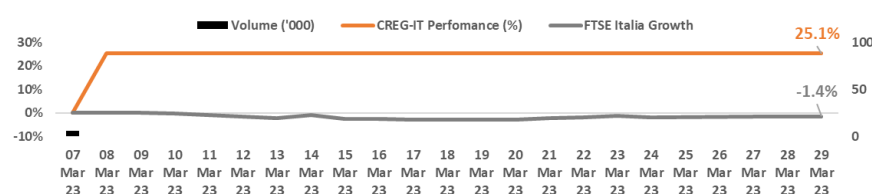
1H23 Financial Results: Value of Production growing at double digit. On March 27, 2023, CREG-IT announced 1H23 financial results with VoP at €2.9mn reporting an increase of 17.5% YoY, mainly driven by i) higher recurring revenues (63% of total revenues), and ii) an increasing Annual Recurring Revenues (ARR) of +42% YoY to ca. €4.4mn in 2022 from €1.3mn in 2021. Our estimates were 10.9% lower than Creatives' VoP results due to unexpected delay in recurring-services invoices. Looking at profitability, Creatives posted a lower EBITDA margin than the previous year, dropping to -13.5% in 1H23 from -9.5% in 1H22 and 3.7pp below our previous forecast, partly due to: i) the hiring of new key personnel to support business growth, ii) the strengthening of the technology structure (e.g., hosting and cybersecurity), and iii) strong marketing activities to increase Creatives' brand awareness. Looking at the bottom line, the Group experienced a net loss of €1.2mn (-€0.8mn of our estimate) following weaker-than-expected profitability and €0.3mn of extraordinary costs occurred for R&D grants' adjustment. Finally, the net financial position worsened by ca. €1.5mn than FY22A due to ca €0.7mn of CapEx referred to new development of platform features and to €1mn of factoring reduction linked to a delay in the billing of recurring.

Business development update. At the beginning of 2023, CREG-IT signed the "global collaboration agreement" with LKS Next, the brand of the consulting company Mondragon, the leading Basque industrial group and the seventh in Spain, with 260 companies and over 80,000 people. LKS Next has implemented the Creatives Center of Excellence in Spain and is deploying Creatives solutions worldwide for its global industrial client Acerinox. In parallel, joint go-to-market activities continued with current partners (NTT Data in Central and South America; KPMG in Belgium, France; and INDRA / Minsait in Spain), also continuing to develop new relations with other international partners.

Estimates review. We revised our 2023-24 forecast on the back of 1H23 financial results, factoring in lower-than-expected VoP due to unexpected delay in recurring services invoices, leading also to a weakening EBITDA. Starting from the top line, we revised downward FY23E and FY24E VoP to €7mn (vs prior seen €7.7mn) and to €10.8mn (vs prior €11mn), respectively. On the profitability side, we revised downward our FY23E and FY24E EBITDA margin projections as we expect it will also be negatively impacted by the lower expected level of recurring revenues in FY23E and FY24E, now seen at €0.4mn and €1.4mn respectively. Finally, we now expect a net debt of €1.9mn (from €0.8mn of our previous estimates).

Valuation update. Our valuation – based on both DCF and EV/Sales multiple models – returns an equity value of €35.2mn or €2.86ps, implying a potential upside of +30.7% on current market price.

Relative Performance Chart since IPO



Source: KT&Partners' elaboration on Borsa Italiana and Factset data

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Market Data

Main Shareholders	
Paolo Gamberoni	17.4%
Adriano Garibotto	17.4%
Add Value SpA	17.1%
Mkt Cap (€ mn)	26.9
EV (€ mn)	26.6
Shares out.	12.3
Free Float	18.3%

Market multiples	2022A	2023E	2024E	2025E
EV/Sales				
Creatives Group S.p.A.	4.1x	3.0x	2.1x	1.6x
Comps Median	4.5x	4.3x	4.0x	3.3x
Creatives Group S.p.A. vs Median	-9%	-30%	-47%	-52%

Stock Data

52 Wk High (€)	2.20
52 Wk Low (€)	1.99
Avg. Daily Trading 90d	400
Price Change 1w (%)	0.00
Price Change 1m (%)	n.a.
Price Change YTD (%)	25.14

Note: CREG-IT's EV/Sales multiples at time T are calculated by considering the average between VoP at time (T) + VoP at time (T+1) to avoid the bias of fiscal year versus its comparables.

Key Figures – Creatives Group S.p.A.

	Current price (€)	Fair Value (€)	Sector				Free Float (%)
	2.19	2.86	Supply Chain Management				18.3
Per Share Data	2020A	2021A	2022A	2023E	2024E	2025E	2026E
Total shares outstanding (mn)	10.92	10.92	10.92	12.30	12.30	12.30	12.30
EPS	n.m.	-0.01	-0.03	-0.09	0.02	0.10	0.26
Dividend per share (ord)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Dividend payout ratio (%)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Profit and Loss (EUR million)	2020A	2021A	2022A	2023E	2024E	2025E	2026E
Value of Production	4.8	5.2	6.0	7.0	10.8	14.7	18.8
EBITDA	0.2	0.4	0.6	0.4	1.4	3.0	5.9
EBIT	(0.8)	(0.3)	(0.3)	(0.6)	0.3	1.7	4.5
EBT	(0.9)	(0.2)	(0.3)	(0.6)	0.2	1.6	4.5
Taxes	0.0	0.1	(0.0)	(0.5)	(0.0)	(0.4)	(1.2)
Tax rate	0%	n.m.	-10%	-82%	1%	25%	28%
Net Income	(0.9)	(0.1)	(0.4)	(1.1)	0.2	1.2	3.3
Net Income attributable to the Group	(0.9)	(0.1)	(0.4)	(1.1)	0.2	1.2	3.3
Balance Sheet (EUR million)	2020A	2021A	2022A	2023E	2024E	2025E	2026E
Total fixed assets	2.1	3.2	3.4	4.2	4.1	3.8	3.5
Net Working Capital (NWC)	1.2	0.9	(0.6)	0.3	0.8	0.8	0.6
Provisions	(0.4)	(0.6)	(0.6)	(0.8)	(1.1)	(1.5)	(1.8)
Total Net capital employed	2.9	3.5	2.2	3.7	3.8	3.2	2.3
Net financial position/(Cash)	1.3	1.3	0.3	1.9	1.8	(0.0)	(4.2)
Total Shareholder's Equity	1.7	2.2	1.8	1.7	2.0	3.2	6.4
Cash Flow (EUR million)	2020A	2021A	2022A	2023E	2024E	2025E	2026E
Net operating cash flow	0.2	0.4	0.5	0.6	1.4	2.6	4.7
Change in NWC	0.2	0.3	1.5	(0.9)	(0.5)	0.0	0.3
Capital expenditure	(1.2)	(1.7)	(1.0)	(1.8)	(1.0)	(1.1)	(1.1)
Other cash items/Uses of funds	0.3	0.1	(0.0)	0.2	0.3	0.3	0.3
Free cash flow	(0.5)	(0.8)	1.0	(1.9)	0.1	1.8	4.2
Enterprise Value (EUR million)	2020A	2021A	2022A	2023E	2024E	2025E	2026E
Market Cap	39.7	39.7	39.7	26.9	26.9	26.9	26.9
Minorities	-	-	-	-	-	-	-
Net financial position/(Cash)	1.3	1.3	0.3	1.9	1.8	(0.0)	(4.2)
Enterprise value	41.0	41.0	40.1	28.9	28.7	26.9	22.8
Ratios (%)	2020A	2021A	2022A	2023E	2024E	2025E	2026E
EBITDA margin	3.4%	6.8%	9.3%	5.9%	13.4%	20.5%	31.4%
EBIT margin	-16.0%	-5.4%	-4.4%	-8.3%	2.5%	11.4%	24.1%
Gearing - Debt/equity	76.7%	56.5%	17.8%	111.3%	92.6%	0.0%	-64.7%
Interest cover on EBIT	-12.2%	-23.2%	-23.3%	n.m.	14.3%	2.3%	0.9%
NFP/EBITDA	7.85x	3.58x	0.59x	4.68x	1.26x	0.00x	-0.71x
ROCE	-26.3%	-8.0%	-12.2%	-15.7%	7.2%	52.5%	199.7%
ROE	-52.0%	-6.2%	-19.5%	-64.5%	11.8%	38.4%	50.6%
EV/Sales	5.34x	4.76x	4.10x	3.00x	2.09x	1.59x	2.83x
EV/EBITDA	n.m.	n.m.	n.m.	64.68x	18.47x	8.83x	4.51x
P/E	n.m.	n.m.	n.m.	n.m.	n.m.	22.01x	8.27x
Free cash flow yield	-1.3%	-2.1%	2.7%	-4.9%	0.4%	4.7%	10.7%
Growth Rates (%)	2020A	2021A	2022A	2023E	2024E	2025E	2026E
Sales	89.3%	8.0%	16.1%	16.0%	54.6%	36.4%	27.9%
EBITDA	n.m.	n.m.	58.1%	-26.2%	250.2%	109.3%	95.8%
EBIT	-59.8%	-63.5%	-5.4%	-117.5%	n.m.	n.m.	n.m.
Net Income	-58.1%	-83.8%	n.m.	-88.4%	n.m.	n.m.	n.m.

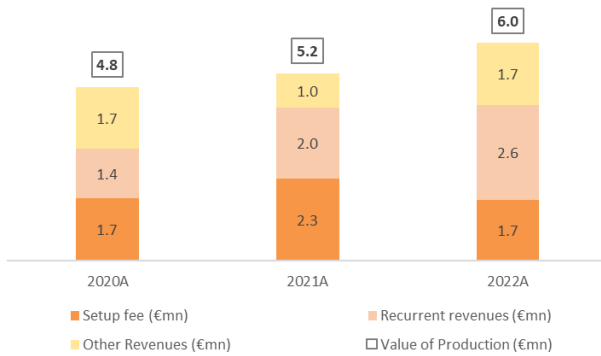
Source: Company data, KT&Partners' elaboration

Note 1: Market capitalization from 2020 to 2022 is referred to the Vienna MTF considering 10,920,000 shares outstanding

Note 2: CREG-IT's EV/Sales multiples at time T are calculated by considering the average between VoP at time (T) + VoP at time (T+1) to avoid the bias of fiscal year versus its comparables.

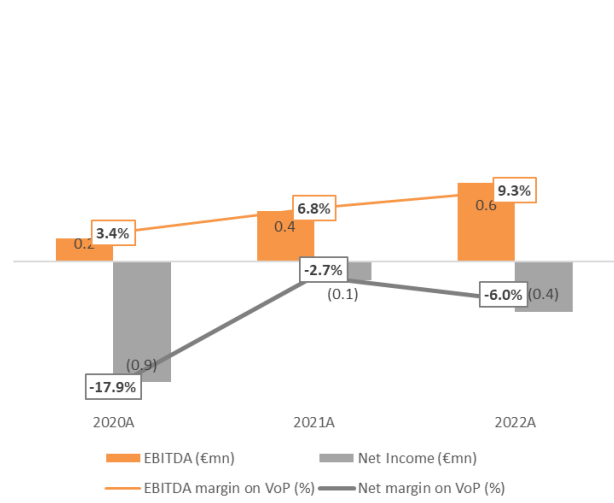
Key Charts

Value of Production (€mn, %)



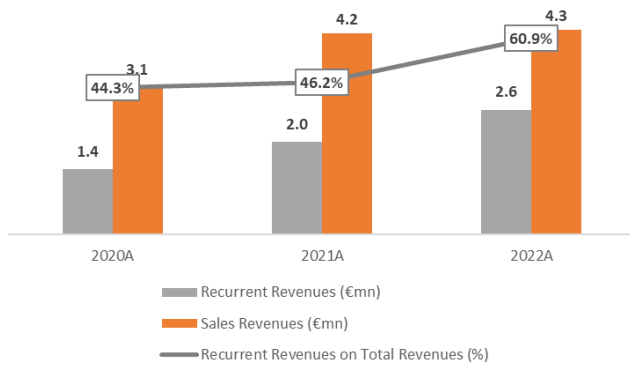
Source: Company data, KT&Partners' elaboration

Profitability Evolution (€mn, %)



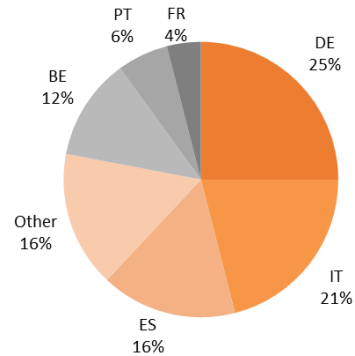
Source: Company data, KT&Partners' elaboration

Recurrent Revenues (€mn, %)



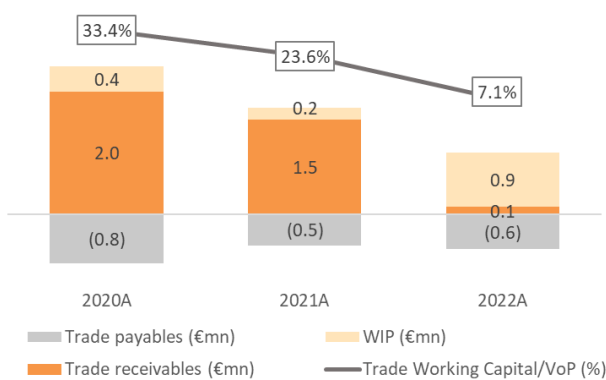
Source: Company data, KT&Partners' elaboration

2022 Sales Revenues Breakdown by Geography (%)



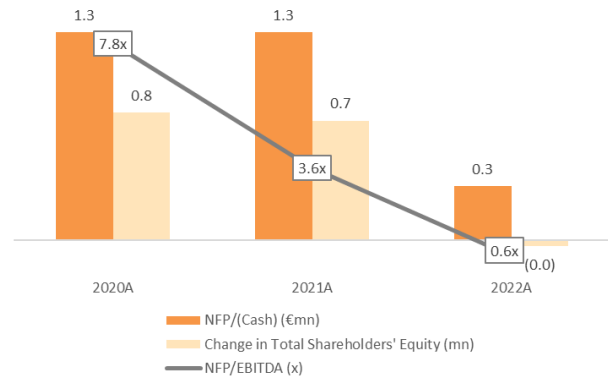
Source: Company data, KT&Partners' elaboration

Trade Working Capital (€mn, %)



Source: Company data, KT&Partners' elaboration

NFP and Change in Total Shareholders' Equity (€mn, x)



Source: Company data, KT&Partners' elaboration

Overview

Company description

Creatives is an innovative PMI that provides AI-backed solutions for supply chain and procurement digitalization. The Company is considered the first Italian mover simultaneously active in global supply chain management, digital transformation, big data, and AI. Leveraging on the biggest worldwide reusable industrial knowledge base (Vanessa) in more than 25 languages, Creatives' AI-powered solutions: i) deliver, validate, and maintain the highest data quality outcomes; ii) automate the end-to-end data quality governance and the optimization processes of the enterprises.

CREG-IT was listed on Euronext Growth Milan (EGM) PRO market on March 7, 2023, with an IPO market capitalization of €21mn and ca. €1mn of capital raised. The management announced that IPO represents the opportunity to seize firepower useful to: i) accelerate its growth strategy through new software developments, SAP integration, and marketing activities also aimed at expanding the partners' network; ii) improve internal processes and support working-capital needs.

Investment case

- **Proven business model supported by a strong international partnership network.** In its twenty-year history, Creatives is trusted by big international corporate clients (e.g., ABInBev, Airbus, Danone, Enel, Siemens, and many more) and supported by international partners (e.g., KPMG, NTT Data, Indra, and SAS Institute), boasting several worldwide recognitions (e.g., ProcureTech100 – the 100 pioneering digital procurement solutions).
- **Boasting an outstanding international footprint.** In the last years, Creatives expanded its geographical presence through i) a subsidiary in Frankfurt (Germany) with the aim of strengthening relationships with Creatives' most important clients (e.g., 25% of sales revenues in 2022 have been generated in Germany); and ii) two commercial branches in Madrid (Spain) and Paris (France), with the aim of further expanding the Company's international footprint. Confirming its international vocation, only 21% of sales revenues are generated in Italy, while the remaining 79% (+3pp YoY) is attributable to foreign countries.
- **Remarkable business and profitability growth path.** The Group enjoyed a revenue CAGR_{2017–22} of 14.3%, increasing to €4.3mn of sales revenues in 2022 from €2.6mn in 2017. Despite the halt in business growth that occurred in 2020, the business expansion achieved in 2017–22 was driven by i) the customer base increase through direct and indirect channels; and ii) the transition to the SaaS business model, resulting in an increase in recurring revenues, which are characterized by high profitability. Indeed, in 2022, recurrent revenues had increased to €2.6mn from €1.4mn in 2017, increasing its incidence on sales revenues by 25.5pp to 60.9% in 2022 from 35.4% in 2017. As result, the Group enjoyed great profitability improvement, reaching a 9.3% EBITDA margin in FY22A from 3.4% in 2020, also thanks to the high business scalability leveraging on the outstanding reusable cross-geographical and sectoral knowledge base and to the network of qualified international partners.
- **Strong positioning in a double-digit growth industry.** To overcome the supply chain disruptions resulting from the uncertain geopolitical and health context, companies are integrating intelligent workflow into their supply chains to better support business operations. Indeed, global spending on the digital transformation market is expected to grow at CAGR_{2020–25} of 16.4%, driven by smart procurement and sourcing, which is one of the largest categories represented on the SCM market in 2020. The latter is expected to reach almost \$31bn by 2026, and to grow at double-digit CAGR_{2020–26E} of +11.8% driven by a growing need for working capital optimization offered through SaaS (+14% of CAGR_{2020–27}) and powered by big-data analysis (+14.9% of CAGR_{2020–26}) and AI (+42.2% of CAGR_{2020–27}).

Recent developments

- **IPO rationale & performance.** On March 7, 2023, Creactives dual-listed to the EGM PRO market with an IPO price of €1.75, raising €1mn. To date, stock price showed +25.1% return since IPO, reaching ca. €27mn market capitalization. CREG-IT's listing represents the opportunity to: i) accelerate its growth strategy through new software developments, SAP integration, and marketing activities also aimed at expanding the partners' network; ii) improve internal processes and support working capital needs.
- **ISO9001 certification confirmed.** In December 2022, Creactives achieved ISO/IEC 9001:2015 (ISO9001) certification, with a very positive outcome of the three-year renewal audit by BSI, confirming Creactives' concrete adoption of high-quality management system.

1H23 Financial Results

Looking at the top line, Creatives posted 1H23 financial results with VoP at €2.9mn, reporting an increase of 17.1% YoY mainly driven by i) higher recurring revenues (63% of total revenues), and ii) an increasing Annual Recurring Revenues (ARR) of +42% YoY to ca. €4.4mn in 2022 from €1.3mn in 2021. Our estimates were 10.9% lower than Creatives' VoP results, due to an unexpected delay in recurring services invoices. Moreover, Creatives confirmed its international footprint with the 87% of total revenues coming from foreign sales, of which 32% is attributable to Germany.

Focusing on profitability, despite a higher level of recurring revenues, Creatives experienced a weakening margin than the previous year, dropping to -13.5% in 1H23 from -9.5% in 1H22 and 3.7pp below our previous forecast, partly due to: i) the hiring of new key personnel to support business growth, ii) the strengthening of the technology structure (e.g., hosting and cybersecurity), and iii) strong marketing activities to increase Creatives' brand awareness. In absolute terms, 1H23 EBITDA decreased by 68.3% YoY to -€0.4mn (from -€0.2mn in 1H22), ending 23.1% below our estimates.

Looking at the bottom line, Creatives showed a decrease in 1H23A net margin of 14.5pp YoY, resulting in a net income of €1.2mn (-81.1% YoY) and 56.5% below our estimates, also due to unexpected €0.3mn of extraordinary costs occurred over the year for R&D grants' adjustment.

Looking at the main net capital employed figures, fixed assets increased by ca. €0.3mn because of CapEx for ca. €0.7mn referred to new development of platform features. Looking at the trade working capital, its incidence on revenue went from 9.9% in 2022 to 10.6% in 1H23, mainly due to an increase in trade receivables almost offset by increasing trade payables. As a result, trade working capital and net working capital were almost stable compared to the previous period.

Over the same period, the NFP worsened by €1.5mn, amounting to a net debt position of €1.8mn in 1H23 from €0.3mn of net debt position in FY22A. The change in NFP was mainly due to: i) ca. €0.7mn of CapEx; ii) ca. €1mn of factoring reduction linked to a delay in the billing of recurring.

1H23A Income Statement (€mn)

€ Millions	1H22A	1H23A	YoY %	1H23E	A vs E %
Sales Revenues	1.6	2.3	47.3%	2.6	-13.0%
Other Revenues	0.9	0.6		0.6	
Value of Production	2.5	2.9	17.5%	3.2	-10.9%
Products and Raw materials	(0.0)	(0.0)		(0.0)	
Gross Profit	2.5	2.9	17.4%	3.2	-24.0%
<i>Gross Margin</i>	99.9%	99.9%	0.0%	99.7%	
Cost of Services	(1.2)	(1.4)		(1.7)	-29.1%
Rental Costs	(0.1)	(0.2)		(0.4)	-62.6%
Personnel Expenses	(1.3)	(1.6)		(1.5)	-8.6%
Other Operating Expenses	(0.0)	(0.0)		(0.0)	-19.4%
EBITDA	(0.2)	(0.4)	-68.3%	(0.3)	-23.1%
<i>EBITDA margin</i>	-9.5%	-13.5%	-4.1%	-9.8%	-3.7%
D&A and Provisions	(0.4)	(0.4)		(0.5)	
EBIT	(0.6)	(0.8)	-33.0%	(0.8)	-7.3%
<i>EBIT margin</i>	-25.5%	-28.9%	-3.4%	-24.0%	-4.9%
Financial Income and Expenses	(0.0)	(0.0)		(0.0)	
Extraordinary items	-	-		-	
EBT	(0.7)	(0.9)	-30.9%	(0.8)	-7.7%
Taxes	-	(0.3)		0.0	
<i>Tax Rate</i>	0.0%	-38.3%		4.8%	
Net Income	(0.7)	(1.2)	-81.1%	(0.8)	-56.5%
<i>Net margin</i>	-26.8%	-41.4%	-14.5%	-23.6%	-17.8%

Source: Company data, KT&Partners' elaborations

1H23A Balance Sheet (€mn)

€ Millions	FY22A	1H23A
Fixed Assets	3.4	3.7
Trade receivables	0.1	0.4
WIP	0.9	0.8
Trade Payables	(0.6)	(0.8)
Trade Working Capital	0.4	0.5
Other assets and liabilities	(1.0)	(1.0)
Net Working Capital	(0.6)	(0.6)
Other Provisions	(0.6)	(0.7)
Net Capital Employed	2.2	2.4
Total shareholders' equity	1.8	0.7
Short-term debt / Cash (-)	(1.0)	0.6
Long-term liabilities	1.3	1.2
Net Financial Position	0.3	1.8
Sources	2.2	2.4

Source: Company data, KT&Partners' elaborations

Change in Estimates

Following 1H23 financial results' announcement, we downward revised our estimates for FY23E and FY24E (leaving unchanged FY25E- FY26E) to factor:

- lower-than-expected VoP due to unexpected delay in recurring services invoices
- weaker-than-expected profitability due to lower-than-expected recurring revenues
- €0.3mn of extraordinary costs occurred over the year for R&D grants' adjustment.

Starting from the top line, we downward revised FY23E VoP at €7mn from €7.7mn of our previous projection, factoring delay in signing new contracts. As a result, we also expect a slight negative impact on FY24E VoP, decreasing by 1.5pp to €10.8mn from €11mn. Therefore, we now anticipate VoP to increase at a CAGR22–26 of 33.0% (unchanged vs our previous research), reaching €18.8mn in 2026.

On the profitability side, as well as VoP, we revised downward our FY23E and FY24E EBITDA projections' reaching €0.4mn (vs prior €0.8mn) and €1.4mn (vs prior €1.5mn)' respectively. Therefore, we now forecast FY23E and FY24E EBITDA margin at 5.9% (4.9pp lower than our previous estimates) and 13.4% (0.5pp vs our previous projection), respectively, expecting to reach 31.4% in FY26E (unchanged compared to our prior estimates), thanks to OpEx's economies of scale. As a result, we expect EBITDA to grow from €0.6mn in FY22A to €5.9mn in 2026 (+80.4% CAGR22–26E).

On the bottom line, we now foresee FY23E net loss at €1.1mn vs €0.1mn of our previous research, also due to unexpected costs for R&D grants' adjustment. Similarly, FY24E net income forecast decreased by 16.1pp below our previous projection to €0.2mn, factoring the lower level of recurring revenues and higher taxes. We left unchanged our expectation for the next years, projecting a net income at €3.3mn in FY26E.

Finally, in FY23E we forecast a net debt of €1.9mn (from €0.8mn of our previous estimates). Given its strong cash-generation power, we forecast CREG-IT to achieve a net cash position by 2025 and to reach €4.2mn in FY26E.

Change in Estimates

€ Millions	2022A	2023E	2023E	Change	2024E	2024E	Change	2025E	2025E	Change	2026E	2026E	Change	CAGR2022-26	CAGR2022-26
	Actual	Old	New		Old	New		Old	New		Old	New		Old	New
Value of Production	6.0	7.7	7.0	-9.8%	11.0	10.8	-1.5%	14.7	14.7	0.0%	18.8	18.8	0.0%	33.0%	33.0%
YoY Change (%)	16.1%	28.5%	16.0%		57.0%	54.6%		34.3%	36.4%		28.0%	27.9%			
EBITDA	0.6	0.8	0.4	-50.9%	1.5	1.4	-5.3%	3.0	3.0	0.0%	5.9	5.9	0.0%	80.4%	80.4%
YoY Change (%)	58.1%	50.1%	-26.2%		269.9%	250.2%		98.1%	109.3%		95.9%	95.8%			
EBITDA Margin	9.3%	10.8%	5.9%		13.9%	13.4%		20.5%	20.5%		31.4%	31.4%			
EBIT	(0.3)	(0.2)	(0.6)	n.m.	0.3	0.3	-18.6%	1.7	1.7	0.0%	4.5	4.5	0.0%	n.m.	n.m.
YoY Change (%)	-5.4%	-40.2%	117.5%		n.m.	n.m.		397.8%	511.6%		171.4%	171.4%			
EBIT Margin	-4.4%	-2.0%	-8.3%		3.1%	2.5%		11.4%	11.4%		24.1%	24.1%			
Net Income	(0.4)	(0.1)	(1.1)	n.m.	0.3	0.2	-16.1%	1.2	1.2	0.0%	3.3	3.3	0.0%	n.m.	n.m.
YoY Change (%)	157.9%	-61.0%	210.7%		n.m.	n.m.		344.6%	430.0%		166.2%	166.2%			
Net Margin	-6.0%	-1.8%	-16.0%		2.5%	2.1%		8.3%	8.3%		17.3%	17.3%			
NFP	0.3	0.8	1.9	1.1	0.5	1.8	1.3	(1.3)	(0.0)	1.3	(5.2)	(4.2)	1.0		

Source: FactSet, KT&Partners' elaboration

Valuation

Following our projections of Creatives' future financials, we carried out the valuations of the company by applying the DCF and market multiples methods:

1. EV/Sales, which returns an equity value of €35.78mn or €2.91ps;
2. DCF analysis based on WACC of 11.6% and 2% perpetual growth, returns an equity value of €34.62mn or €2.82ps.

The average of the two methods yields a fair value of €2.86ps or an equity value of €35.2mn.

Valuation Recap

	Equity Value €mn	Value per share €
EV/Sales	35.78	2.91
DCF	34.62	2.82
Average	35.20	2.86

Source: FactSet, KT&Partners' elaboration

Peer Comparison

To define Creatives' peer sample, we carried out an in-depth analysis of listed companies active in technology procurement applied in the supply-chain market delivered through SaaS. In selecting potential peers, we consider Creatives' offering, business model, growth, and profitability profile.

Looking at the Italian market, we note that there are no listed companies active in technology procurement applied in the supply-chain market providing AI semantic cloud platform delivered through SaaS. Among Italian companies, we selected Almagest and Maps as, like Creatives, they have developed a business model which creates value from AI solutions with recurring revenues.

For peer analysis, we built a sample of eleven companies which includes:

- **Almagest S.p.A. (AIW-IT):** listed on the Milan Stock Exchange, with a market capitalization of ca. €132mn, the company develops software technologies for artificial intelligence, natural language analysis, and big-data management. The firm owns and distributes patented technologies that offer solutions for text and speech analytics, knowledge management, multi-channel contact management and virtual agents, and customer experience management under the platform brands Iride and Audioma. Its software products also feature automatic speech recognition under its platform brands Audioma, FlyScribe, and Verbamatic. The company was founded in October 2006 and is headquartered in Rome, Italy. In FY21A, the company's revenues amounted to €32.9mn.
- **Alteryx, Inc. Class A (AYX-US):** listed on the New York Stock Exchange, with a market capitalization of ca. €3.6bn, the company engages in the provision of self-service data-analytics software. Its subscription-based platform allows organizations to prepare, blend, and analyze data from a multitude of sources and benefit from data-driven decisions. The company was founded by Dean A. Stoecker, Olivia Duane-Adams, and Edward P. Harding, Jr. in March 1997 and is headquartered in Irvine, CA. In FY22A, the company's revenues amounted to €813.9mn.
- **Informatica, Inc. Class A (INFA-US):** listed on the New York Stock Exchange, with a market capitalization of ca. €4.9bn, it engages in the development of an intelligent data management cloud platform. Its software connects, manages, and unifies data across any multi-cloud hybrid system. The company was founded in 1993 and is headquartered in Redwood City, CA. In FY22A, the company's revenues amounted to €1.4bn.
- **Manhattan Associates, Inc. (MANH-US):** listed on NASDAQ, with a market capitalization of ca. €8.6bn, the company engages in designing, building, and delivering supply-chain commerce solutions by converging front-end sales with back-end supply chain. It operates through the following geographical segments: The Americas, Europe, the Middle East and Africa and Asia Pacific. The company was founded by Deepak Raghavan in October 1990 and is headquartered in Atlanta, GA. In FY22A, the company's revenues amounted to €729.9mn.
- **Maps SpA (MAPS-IT):** listed on the Milan Stock Exchange, with a market capitalization of ca. €41mn, the company engages in the design, production, and distribution of software solutions for business big-data analysis. It operates through the following business units: Large Enterprise, Healthcare Industry; and Gzoom. The Large Enterprise unit focuses on data integration solutions, semantic and predictive analysis under the Smartaggregator brand, and data-cloud-sharing systems under the Smartnebula brand of high-revenue companies of various industries. The Healthcare Industry unit offers software for managing patients within the facility, featuring health information and software for patient care and support. The Gzoom unit specializes in developing software for public administrations, which allows institutions to evaluate performance, goals, and achievement plans. The company

was founded in December 2001 and is headquartered in Parma, Italy. In FY21A, the company's revenues amounted to €24.1mn.

- **Oracle Corporation (ORCL-US):** listed on New York Stock Exchange, with a market capitalization of ca. €225.7bn, the company engages in the provision of products and services that address all aspects of corporate information technology environments. It operates through the following business segments: cloud and license, hardware, and services. The cloud-and-license segment markets, sells, and delivers applications, platform, and infrastructure technologies. The hardware segment provides hardware products and hardware-related software products, including Oracle Engineered Systems, servers, storage, industry-specific hardware, operating systems, virtualization, management and other-hardware related software, and related hardware support. The services segment offers consulting, advanced support, and education services. The company was founded by Lawrence Joseph Ellison, Robert Nimrod Miner, and Edward A. Oates on June 16, 1977, and is headquartered in Austin, TX. In FY21A, the company's revenues amounted to €37.2bn.
- **SAP SE (SAP-DE):** listed on the XETRA with a market capitalization of ca. €140.5bn, the company engages in the provision of enterprise application software and software-related services. It operates through the following segments: applications, technology, and services; intelligent-spend group; and qualtrics. The applications, technology, and services segment include software licenses, cloud subscriptions, and related services. The intelligent-spend group segment comprises cloud-based collaborative business networks, subscriptions to the cloud offering, and related professional and educational services. The qualtrics segment sells experience-management cloud solutions. The company was founded by Hasso Plattner, Klaus Tschira, Claus Wellenreuther, Dietmar Hopp, and Hans-Werner Hector in 1972 and is headquartered in Walldorf, Germany. In FY22A, the company's revenues amounted to €30.9bn.
- **SPS Commerce, Inc. (SPSC-US):** listed on NASDAQ with a market capitalization of ca. €5bn, the company provides cloud-based supply-chain-management services. The firm serves retailers, suppliers, grocers, distributors, and logistics firms to orchestrate the management of item data, order fulfillment, inventory control, and sales analytics across all channels. Its SPS Commerce cloud services platform offers trading partner community, fulfillment, assortment, analytics, sourcing, and other trading-partner solutions. The company was founded by Gary W. Anderson and Roger Anderson in January 1987 and is headquartered in Minneapolis, MN. In FY21A, the company's revenues amounted to €326mn.
- **TECSYS Inc. (TCS-CA):** listed on the Toronto Stock Exchange with a market capitalization of ca. €276mn, the company engages in the development and marketing of enterprise distribution software and related services. Its supply chain execution applications include warehouse-centric, warehouse, distribution, and transportation management, as well as financial management and analytics solutions. It operates through the following geographical segments: Canada, United States, Europe, and other. The company was founded by David Brereton in April 1983 and is headquartered in Montreal, Canada. In FY22A, the company's revenues amounted to €429mn.

We analyzed the peer companies by considering their average revenue and EBITDA growth and compared them to Creatives' historical and expected financials.

By looking at 2021–24 revenue growth, the peers' average is expected to grow by a CAGR21–25 of +29.9% while Creatives' revenues are expected to register a CAGR21–24 of 32.9%.

Looking at EBITDA, according to our financial projection, Creatives' EBITDA shows an expected +104.5% CAGR21–25, compared with expected growth of the peers' average of +39.7%.

Peers Comparison – Sales and EBITDA Growth 2020–25

Company Name	Sales						CAGR 2020-'23	CAGR 2021-'25
	2020	2021	2022	2023	2024	2025		
Almawave S.p.A.	27	33	49	56	67	73	27.9%	30.6%
Alteryx, Inc. Class A	434	454	814	915	1,068	1,255	28.2%	40.4%
Informatica, Inc. Class A	1,161	1,222	1,432	1,464	1,568	1,678	8.0%	11.2%
Manhattan Associates, Inc.	514	561	730	770	861	n.a.	14.4%	n.a.
Maps S.p.A.	20	24	28	31	34	37	15.0%	15.4%
Oracle Corporation	34,149	37,275	46,242	49,626	53,516	58,026	13.3%	15.9%
SAP SE	27,338	27,842	30,871	32,412	34,921	38,147	5.8%	11.1%
SPS Commerce, Inc.	274	326	429	488	560	n.a.	21.1%	n.a.
TECSYS Inc.	82	95	101	111	126	n.a.	10.7%	n.a.
Peers Average	7,111	7,537	8,966	9,541	10,302	16,536	10.3%	29.9%
Creatives Group S.p.A.	3	4	4	6	10	14	24.1%	47.9%

Company Name	EBITDA						CAGR 2020-'23	CAGR 2021-'25
	2020	2021	2022	2023	2024	2025		
Almawave S.p.A.	5	6	9	11	15	17	26.0%	37.8%
Alteryx, Inc. Class A	16	-87	-190	72	109	180	64.3%	-227.2%
Informatica, Inc. Class A	329	296	239	394	438	504	n.m.	19.4%
Manhattan Associates, Inc.	108	120	152	204	232	n.a.	23.7%	n.a.
Maps S.p.A.	3	5	6	7	8	9	31.6%	23.7%
Oracle Corporation	15,774	16,674	22,887	25,261	27,684	31,621	17.0%	23.8%
SAP SE	9,011	7,167	7,411	9,000	10,427	11,790	0.0%	18.0%
SPS Commerce, Inc.	60	68	95	143	168	n.a.	33.3%	n.a.
TECSYS Inc.	10	4	6	9	16	n.a.	-3.6%	n.a.
Peers Average	2,813	2,695	3,402	3,900	4,344	7,353	11.5%	39.7%
Creatives Group S.p.A.	0	0	1	0	1	3	36.6%	104.5%

Source: FactSet, KT&Partners' elaboration

Market Multiples Valuation

Following the comps analysis, we proceeded with the definition of market multiples for each peer group, focusing on 2021–25E data.

It worth pointing out that on February 28, 2023, Thoma Bravo LP acquired Coupa Software, Inc., for a total deal value of ca. \$8bn in stock or 9.1x EV/Sales (LTM). In detail, Coupa shareholders will receive \$81 per share under the deal, 30.5% higher than the stock's closing level on Friday and 77.2% above November 2022, when takeover interest in the company was first reported. Therefore, from February 28, 2023, Coupa Software shares were delisted from NASDAQ. As result, we have updated our peer sample by excluding Coupa Software, Inc.

Peer Comparison – Market Multiples 2021–25

Company Name	Exchange	Market Cap	EV/SALES 2021	EV/SALES 2022	EV/SALES 2023	EV/SALES 2024	EV/SALES 2025	EV/EBITDA 2021	EV/EBITDA 2022	EV/EBITDA 2023	EV/EBITDA 2024	EV/EBITDA 2025	P/E 2021	P/E 2022	P/E 2023	P/E 2024	P/E 2025
Almawave S.p.A.	Milan	132	3.7x	2.5x	2.2x	1.8x	1.7x	18.9x	12.9x	11.3x	7.9x	7.2x	35.9x	25.3x	24.0x	16.8x	14.2x
Alteryx, Inc. Class A	NYSE	3,649	9.3x	5.2x	4.6x	4.0x	3.4x	n.m	n.m	n.m	23.5x	n.m	n.m	n.m	n.m	n.m	39.6x
Informatica, Inc. Class A	NYSE	4,911	4.4x	3.7x	3.7x	3.4x	3.2x	18.2x	22.4x	13.6x	12.3x	10.7x	n.m	n.m	19.2x	17.3x	14.9x
Manhattan Associates, Inc.	NASDAQ	8,596	15.0x	11.5x	10.9x	9.8x	n.a.	n.m	n.m	n.m	n.a.	n.m	n.m	n.m	n.m	47.4x	20.1x
Maps S.p.A.	Milan	41	2.1x	1.8x	1.6x	1.5x	1.4x	10.7x	8.6x	7.4x	6.5x	5.6x	14.9x	14.3x	15.0x	13.7x	10.0x
Oracle Corporation	NYSE	225,720	8.2x	6.6x	6.1x	5.7x	5.2x	18.3x	13.3x	12.1x	11.0x	9.6x	39.3x	17.8x	16.1x	14.2x	12.7x
SAP SE	XETRA	140,492	5.0x	4.5x	4.3x	4.0x	3.7x	19.5x	18.8x	15.5x	13.4x	11.8x	25.5x	n.m	21.2x	18.3x	15.7x
SPS Commerce, Inc.	NASDAQ	4,956	14.6x	11.1x	9.8x	8.5x	n.a.	n.m	n.m	33.3x	28.4x	n.a.	n.m	n.m	n.m	46.2x	n.a.
TECSYS Inc.	Toronto	276	2.7x	2.6x	2.4x	2.1x	n.a.	n.m	n.m	29.8x	16.0x	n.a.	n.m	n.m	n.m	29.0x	n.a.
Average peer group		43,197	7.2x	5.5x	5.1x	4.5x	3.1x	17.1x	15.2x	13.6x	11.4x	28.9x	19.2x	19.1x	25.4x	18.2x	
Median peer group		4,911	5.0x	4.5x	4.3x	4.0x	3.3x	18.3x	13.3x	13.6x	12.3x	10.1x	30.7x	17.8x	19.2x	17.8x	14.9x
Creatives Group S.p.A.	Milan	27	4.8x	4.1x	3.0x	2.1x	1.6x	n.m	n.m	n.m	18.5x	8.8x	n.m	n.m	n.m	n.m	22.0x

Source: FactSet, KT&Partners' elaboration

Note: CREG-IT's EV/Sales multiples at time T are calculated by considering the average between VoP at time (T) + VoP at time $(T+1)$ to avoid the bias of fiscal year versus its comparables.

Given Creatives' start-up phase, business model, and fiscal year (FY22A ended in June 2022), we based our evaluation upon our 2023-2025 estimates for Creatives' Value of Production (VoP). We calculated the 2023E VoP by taking into account the average of 2023E and 2024E VoP. As for 2023E, the 2024 VoP is based on the average of the 2024E and 2025E VoPs. Similarly, we calculated 2025 VoP by making the average between 2025E and 2026E VoPs. Furthermore, we adjusted NFP FY22A for IPO net proceeds referred to the listing on the EGM PRO market occurred in March 2023.

Through the EV/Sales method, we consider a liquidity/size discount at 20% for ending up with our Creatives' valuation at €2.91ps.

EV/Sales Market Multiples Valuation

Multiple Valuation (€mn)	2023E	2024E	2025E
EV/Sales Comps	4.3x	4.0x	3.3x
Creatives Group S.p.A. VoP*	8.9	12.8	16.8
Enterprise value	38.2	50.5	55.1
<i>Liquidity/Size Discount</i>		20%	
Enterprise Value Post-Discount	30.6	40.4	44.1
Creatives Group S.p.A. FY22 Net Debt Adjusted	(0.3)	(0.3)	(0.3)
Equity Value Post-Discount	30.9	40.7	44.4
Average Equity Value		35.8	
<i>Number of shares (mn)</i>		12.3	
Value per Share €		2.91	

Source: FactSet, KT&Partners' elaboration

DCF Valuation

We have also conducted our valuation using a four-year DCF model, based on 13.6% cost of equity (vs 12.3% of our previous research, the upside was mainly driven by a higher industry beta unlevered than before), 4.5% cost of debt and a D/E ratio of 25% (Damodaran for Software). The cost of equity is a function of the risk-free rate of 4.16% (Italian 10y BTP), 5.06% equity risk premium (12M Damodaran for a mature market) and a premium for size and liquidity of 4.0% (source: Duff&Phelps). We therefore obtained 11.6% WACC.

We discounted 2023E–26E annual cash flows and considered a terminal growth rate of 2%; then we carried out a sensitivity analysis on the terminal growth rate (+/- 0.25%) and on WACC (+/- 0.25%).

Finally, we adjusted NFP FY22A for IPO proceeds referred to the listing on the EGM PRO market occurred in March 2023.

DCF Valuation

€ Millions	2023E	2024E	2025E	2026E
EBIT	(0.6)	0.3	1.7	4.5
Taxes	0.2	(0.0)	(0.4)	(1.3)
D&A	1.0	1.2	1.3	1.4
Change in Net Working Capital	(0.9)	(0.5)	0.0	0.3
Change in Funds	0.2	0.3	0.3	0.3
Net Operating Cash Flow	(0.1)	1.2	2.9	5.3
Capex	(1.8)	(1.0)	(1.1)	(1.1)
FCFO	(1.9)	0.1	1.8	4.2
g	2.0%			
Wacc	11.6%			
FCFO (discounted)	(1.8)	0.1	1.4	2.9
Discounted Cumulated FCFO	2.7			
TV	44.7			
TV (discounted)	31.3			
Enterprise Value	33.9			
NFP FY2022A Adjusted	(0.7)			
Equity Value	34.62			
Current number of shares (mn)	12.3			
Value per share (€)	2.82			

Source: Company data, KT&Partners' elaboration

Sensitivity Analysis

€ Millions		WACC				
		12.1%	11.8%	11.6%	11.3%	11.1%
Terminal growth Rate	1.5%	31.1	32.0	32.9	33.9	35.0
	1.8%	31.8	32.8	33.8	34.8	35.9
	2.0%	32.6	33.6	34.6	35.7	36.9
	2.3%	33.4	34.4	35.5	36.7	37.9
	2.5%	34.3	35.4	36.5	37.7	39.0

Source: Company data, KT&Partners' elaboration

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- ADD - FOR A FAIR VALUE > 15% ON CURRENT PRICE
- HOLD - FOR A FAIR VALUE <15% o >-15% ON CURRENT PRICE
- REDUCE - FOR A FAIR VALUE < -15% ON CURRENT PRICE

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