

A Pioneering Partnership to Empower Supply Chain Management

HOLD | Fair Value: €2.66 (€2.86) | Current Price: €2.50 | Upside: +6.39%

€ Million	FY20A	FY21A	FY22A	FY23A	FY24E	FY25E	FY26E
Value of Production	4.8	5.2	6.0	7.0	8.9	12.2	16.2
EBITDA	0.2	0.4	0.6	0.4	0.6	1.8	4.6
margin	3.4%	6.8%	9.3%	6.1%	7.2%	15.2%	28.5%
Net Profit	(0.9)	(0.1)	(0.4)	(1.1)	(0.4)	0.4	2.4
margin	-17.9%	-2.7%	-6.0%	-15.3%	-4.0%	3.4%	14.7%
EPS	(0.1)	(0.0)	(0.0)	(0.1)	(0.0)	0.0	0.2
NFP	1.3	1.3	0.3	0.5	1.2	0.1	(3.0)

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

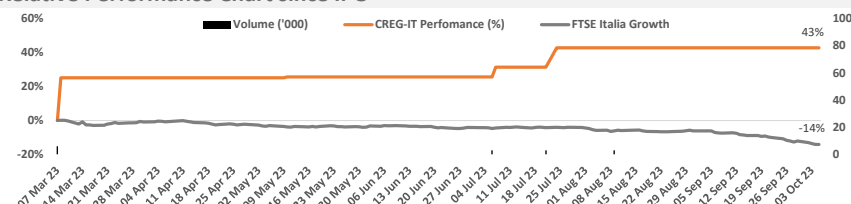
**FY23 Financial Results.** On September 22, 2023 Creatives Group's reported its FY23 financial results with sales at €5.3mn showing a remarkable increase from the €4.3mn reported in FY22 (+23.5% YoY) nonetheless the challenges posed by the macroeconomic environment. Our estimates were 10.9% lower than Creatives' sales results as an agreement with a partner has been subject to a delay and its contribution is now expected from the beginning of 2024. Looking at sales breakdown, the Recurring revenues accounted for the 60% of sales with €3.2mn (+21.1% YoY), whereas the Setup Fee reported €2.1mn of revenues (+27.3% YoY). However, given the higher-than-expected other revenues that are mostly related to R&D capitalizations, Creatives end-up with VoP at €7mn, perfectly in line with our prior projection. Focusing on profitability, Creatives posted a lower EBITDA than the previous year (-23.6% YoY) at €0.4mn, in line with our estimate with a margin at 6.1% (-2.5pp YoY). The EBITDA decrease is mainly attributable to higher personnel costs to support the Group's growth (+16.6% YoY) and to increasing costs of services (+32.2% YoY). Looking at the bottom line, the Group experienced a net loss of €1.1mn, in line with our estimate, worsening from the -€0.4mn in FY22, also influenced by higher D&A and an adjustment related to tax credits related to previous years of ca €320k. Finally, NFP stood at €0.5mn vs €0.1mn in 1H23.

**Signing a new groundbreaking partnership.** On September 21, 2023 Creatives has announced the strategic partnership with Accenture to empower clients to harness Creatives AI technology, enabling them to unlock value from their data at an accelerated pace. In today's fiercely competitive corporate landscape, data quality and reliability stand as imperatives for enterprises seeking to maximize their investments in technology and gain a decisive edge over their rivals. The union of forces between Accenture and Creatives represents a significant step forward in addressing these challenges, particularly in crucial domains such as Procurement, SCM, and the transition to modern information systems.

**Estimates review.** We revised our FY24-26E forecast on the back of FY23 financial results, factoring in lower-than-expected sales due to unexpected delay in the agreement with a partner that caused a shifted in sales in the following years. Thus, we now forecast revenues in FY24 at €8mn vs prior €9.8 to reach €16.6mn in FY27E. Looking at the marginality, the lower estimated sales combined with higher services and personnel costs we now see an EBITDA at €0.6mn (7.2% the margin) below our prior estimate of €1.4mn with a 13.4% of margin. Finally, we now expect FY24E NFP of €1.8mn to turn in cash in FY26E with -€3mn.

**Valuation update.** Our valuation – based on both DCF and EV/Sales multiple models – returns an equity value of €32.70mn or €2.66ps, implying a potential upside of +6.39% on current market price.

Relative Performance Chart since IPO



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

Research Update

October 6, 2023 – 7.00 h

Equity Research Team  
connect@ktepartners.com

Maria Teresa DI GRADO  
mdigrado@ktepartners.com  
+39 331 631 0793

Market Data

Main Shareholders	
Paolo Gamberoni	17.4%
Adriano Garibotto	17.4%
Add Value SpA	17.1%
Mkt Cap (€ mn)	30.7
EV (€ mn)	30.7
Shares out.	12.3
Free Float	18.3%

Market multiples	2023A	2024E	2025E
EV/Sales			
Creatives Group S.p.A.	3.9x	2.9x	2.2x
Comps Median	4.4x	4.1x	3.8x
Creatives Group S.p.A. vs Median	-12%	-29%	-42%

Stock Data

52 Wk High (€)	3.00
52 Wk Low (€)	1.99
Avg. Daily Trading 90d	136
Price Change 1w (%)	0.00
Price Change 1m (%)	0.00
Price Change YTD (%)	42.86

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 – Creactives Group S.p.A.

	Current price (€)	Fair Value (€)	Sector				Free Float (%)	
	2.50	2.66	Supply Chain Management				18.3	
<b>Per Share Data</b>		<b>2020A</b>	<b>2021A</b>	<b>2022A</b>	<b>2023A</b>	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>
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	-0.03	0.03	0.19
Dividend per share (ord)		n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Dividend pay out ratio (%)		n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
<b>Profit and Loss (EUR million)</b>		<b>2020A</b>	<b>2021A</b>	<b>2022A</b>	<b>2023A</b>	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>
Value of Production		4.8	5.2	6.0	7.0	8.9	12.2	16.2
EBITDA		0.2	0.4	0.6	0.4	0.6	1.8	4.6
EBIT		(0.8)	(0.3)	(0.3)	(0.6)	(0.6)	0.5	3.3
EBT		(0.9)	(0.2)	(0.3)	(0.7)	(0.6)	0.5	3.3
Taxes		0.0	0.1	(0.0)	(0.3)	0.2	(0.1)	(0.9)
Tax rate		0%	n.m.	-10%	-48%	40%	16%	27%
Net Income		(0.9)	(0.1)	(0.4)	(1.1)	(0.4)	0.4	2.4
Net Income attributable to the Group		(0.9)	(0.1)	(0.4)	(1.1)	(0.4)	0.4	2.4
<b>Balance Sheet (EUR million)</b>		<b>2020A</b>	<b>2021A</b>	<b>2022A</b>	<b>2023A</b>	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>
Total fixed assets		2.1	3.2	3.4	4.1	3.7	3.3	3.0
Net Working Capital (NWC)		1.2	0.9	(0.6)	(0.8)	0.3	0.3	0.2
Provisions		(0.4)	(0.6)	(0.6)	(0.8)	(1.1)	(1.4)	(1.7)
Total Net capital employed		2.9	3.5	2.2	2.6	3.0	2.3	1.5
Net financial position/(Cash)		1.3	1.3	0.3	0.5	1.2	0.1	(3.0)
Total Shareholder's Equity		1.7	2.2	1.8	2.1	1.8	2.2	4.6
<b>Cash Flow (EUR million)</b>		<b>2020A</b>	<b>2021A</b>	<b>2022A</b>	<b>2023A</b>	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>
Net operating cash flow		0.2	0.4	0.5	0.1	0.6	1.8	4.6
Change in NWC		0.2	0.3	1.5	0.2	(1.0)	(0.0)	0.1
Capital expenditure		(1.2)	(1.7)	(1.0)	(1.6)	(0.8)	(0.9)	(1.1)
Other cash items/Uses of funds		0.3	0.1	(0.0)	0.1	0.3	0.3	0.3
Free cash flow		(0.5)	(0.8)	1.0	(1.2)	(1.0)	1.2	4.0
<b>Enterprise Value (EUR million)</b>		<b>2020A</b>	<b>2021A</b>	<b>2022A</b>	<b>2023A</b>	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>
Market Cap		39.7	39.7	39.7	30.7	30.7	30.7	30.7
Minorities		-	-	-	-	-	-	-
Net financial position/(Cash)		1.3	1.3	0.3	0.5	1.2	0.1	(3.0)
Enterprise value		41.0	41.0	40.1	31.2	31.9	30.8	27.7
<b>Ratios (%)</b>		<b>2020A</b>	<b>2021A</b>	<b>2022A</b>	<b>2023A</b>	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>
EBITDA margin		3.4%	6.8%	9.3%	6.1%	7.2%	15.2%	28.5%
EBIT margin		-16.0%	-5.4%	-4.4%	-8.8%	-6.2%	4.3%	20.2%
Gearing - Debt/equity		76.7%	56.5%	17.8%	21.5%	68.3%	4.0%	-66.4%
Interest cover on EBIT		-12.2%	-23.2%	-23.3%	n.m.	-5.5%	5.7%	0.6%
NFP/EBITDA		7.85x	3.58x	0.59x	1.07x	1.89x	0.05x	-0.65x
ROCE		-26.3%	-8.0%	-12.2%	-23.9%	-18.8%	23.1%	213.9%
ROE		-52.0%	-6.2%	-19.5%	-50.3%	-20.0%	19.1%	52.2%
EV/Sales		6.16x	5.49x	4.74x	3.87x	2.92x	2.17x	3.80x
EV/EBITDA		n.m.	n.m.	n.m.	71.99x	48.18x	16.64x	6.66x
P/E		n.m.	n.m.	n.m.	n.m.	n.m.	73.98x	12.93x
Free cash flow yield		-1.2%	-2.0%	2.6%	-2.9%	-2.4%	3.0%	10.0%
<b>Growth Rates (%)</b>		<b>2020A</b>	<b>2021A</b>	<b>2022A</b>	<b>2023A</b>	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>
Sales		89.3%	8.0%	16.1%	15.8%	28.0%	36.3%	33.2%
EBITDA		n.m.	n.m.	58.1%	-23.5%	49.4%	189.5%	149.9%
EBIT		-59.8%	-63.5%	-5.4%	-132.1%	n.m.	n.m.	n.m.
Net Income		-58.1%	-83.8%	n.m.	-119.6%	n.m.	n.m.	n.m.

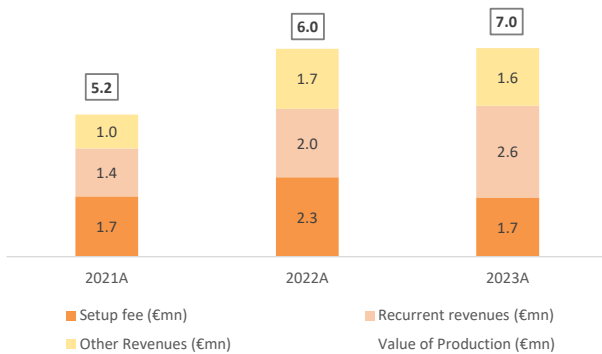
Source: Company data, KT&Partners' elaboration

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.

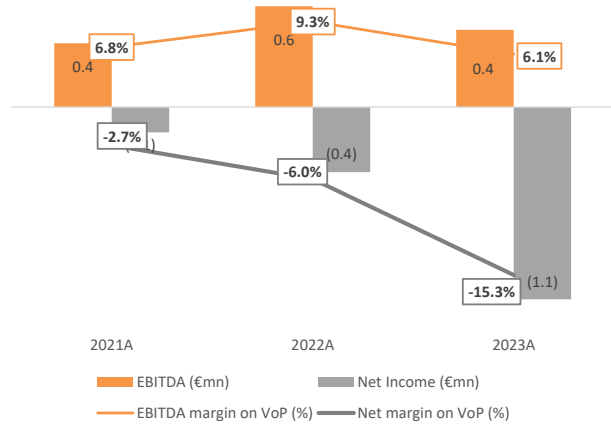
## Key Charts

Value of Production (€mn, %)



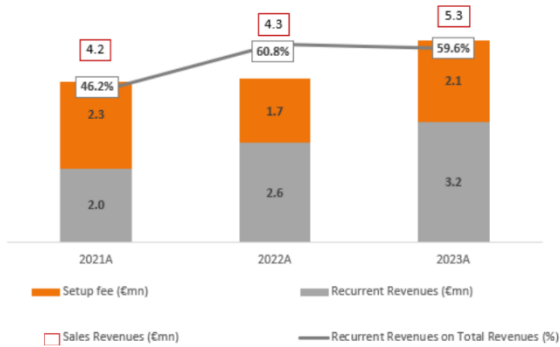
Source: Company data, KT&Partners' elaboration

Profitability Evolution (€mn, %)



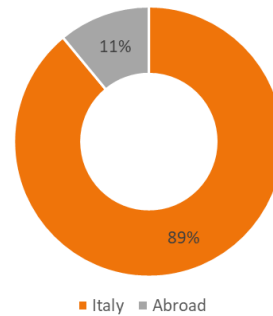
Source: Company data, KT&Partners' elaboration

Recurrent Revenues (€mn, %)



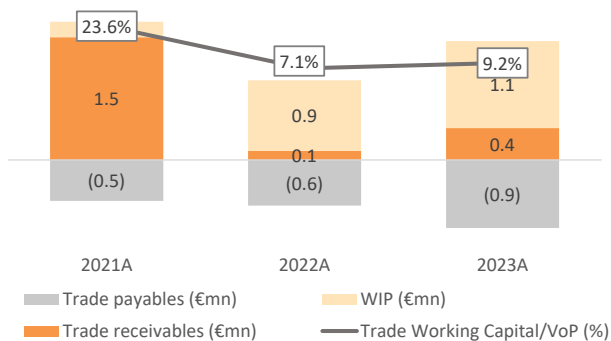
Source: Company data, KT&Partners' elaboration

2023 Sales Revenues Breakdown by Geography (%)



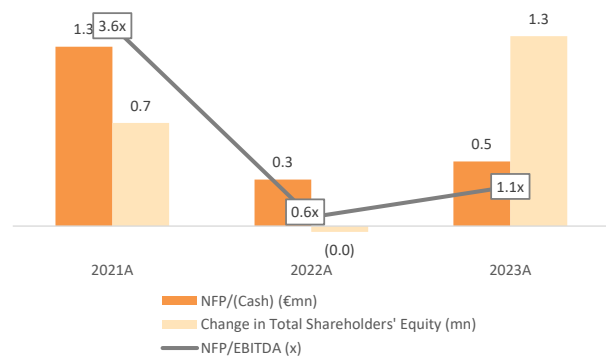
Source: Company data, KT&Partners' elaboration

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<sub>2017–22</sub> 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<sub>2020–25</sub> 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<sub>2020–26E</sub> of +11.8% driven by a growing need for working capital optimization offered through SaaS (+14% of CAGR<sub>2020–27</sub>) and powered by big-data analysis (+14.9% of CAGR<sub>2020–26</sub>) and AI (+42.2% of CAGR<sub>2020–27</sub>).

**Recent developments**

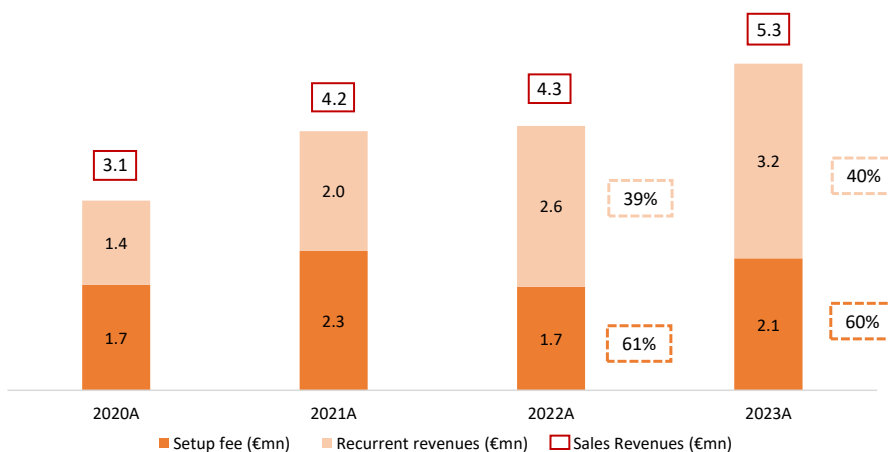
- **Signing a new groundbreaking partnership.** On September 21, 2023 Creatives has announced the strategic partnership with Accenture to empower clients to harness Creatives AI technology, enabling them to unlock value from their data at an accelerated pace. In today's fiercely competitive corporate landscape, data quality and reliability stand as imperatives for enterprises seeking to maximize their investments in technology and gain a decisive edge over their rivals. The union of forces between Accenture and Creatives represents a significant step forward in addressing these challenges, particularly in crucial domains such as Procurement, SCM, and the transition to modern information systems.
- **IPO rationale & performance.** On March 7, 2023, Creatives 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, Creatives achieved ISO/IEC 9001:2015 (ISO9001) certification, with a very positive outcome of the three-year renewal audit by BSI, confirming Creatives' concrete adoption of high-quality management system.

## FY23 Financial Results

On September 22, 2023, Creatives Group reported its FY23 financial results, with sales totaling €5.3mn. This represents a remarkable increase from the €4.3 million reported in FY22 (+23.5% YoY), despite the challenges posed by the macroeconomic environment. However, the Group reported sales 10.9% below our estimate as an agreement with a partner has been subject to a delay and its contribution is now expected from the beginning of FY24.

Breaking down the sales figures, Recurrent Revenues accounted for the majority, totaling €3.2 million (+34.2% YoY), making up 60% of FY23 sales. The remaining 40% is attributable to revenue generated from Set Up fees (€2.1 million; +27.3% YoY)

FY20-23 Revenues Breakdown



Source: Company data, KT&Partners' elaborations

It should be noted that Annual Recurring Revenues showed an increase of +31% YoY standing at €4.8mn. Furthermore, the company confirmed its international presence, with 89% of its revenues coming from international clients.

In FY23 Creatives reported a Value of Production at €7mn (+16.1% YoY), perfectly in line with our estimates, given the higher-than-expected contribution of other revenues that are mostly related to R&D capitalizations.

Focusing on profitability, Creatives posted an EBITDA in line with our estimate but lower than the previous year (-23.6% YoY) at €0.4mn, with a margin at 6.1% (-2.5pp YoY; 5.9% our estimate). The decrease in EBITDA is mainly attributed to i) higher personnel costs resulting from an increased workforce, growing from 51 to 56 employees to support the Group's growth (+16.6% YoY) and ii) increased service costs (+32.2% YoY), which include information technology expenses, third-party services resold, travel expenses, and consulting costs related to the company's listing and expansion.

Regarding the bottom line, the Group experienced a net loss of €1.1mn, in line with our estimate, worsening from the -€0.4mn in FY22. This was also influenced by higher depreciation and amortization (D&A) expenses and an adjustment related to tax credits from previous years, totaling approximately €320k.

Looking at the main figures of net capital employed, fixed assets increased by approximately €0.2mn due to CapEx of €1.7mn related to the development of new platform features and IPO costs. Looking at the trade working capital, its incidence on revenue went from 9.9% in 2022 to 12% in FY23, mainly due to an increase in trade receivables and WIP, partially offset by ab increase in trade payables.

Consequently, during the same period, the NFP improved from the €1.8mn in 1H23 to €0.5mn including net capital increase of listing expenses that brought in new resources of about €0.9mn.

**FY20-FY23 Income Statement (€mn)**

€ million	FY20	FY21	FY22	FY23	YoY %	FY23E	A vs E %
Setup fee	1.7	2.3	1.7	2.1	27.3%	1.9	13%
Recurrent revenues	1.4	2.0	2.6	3.2	21.1%	4.0	-21%
<b>Sales Revenues</b>	<b>3.1</b>	<b>4.2</b>	<b>4.3</b>	<b>5.3</b>	<b>23.5%</b>	<b>5.9</b>	<b>-10%</b>
Other Revenues	1.7	1.0	1.7	1.6	-3.8%	1.1	54%
<b>Value of Production</b>	<b>4.8</b>	<b>5.2</b>	<b>6.0</b>	<b>7.0</b>	<b>15.8%</b>	<b>7.0</b>	<b>0%</b>
Products and Raw materia	(0.0)	(0.0)	(0.0)	(0.0)		(0.0)	
<b>Gross Profit</b>	<b>4.8</b>	<b>5.2</b>	<b>6.0</b>	<b>7.0</b>	<b>15.8%</b>	<b>7.0</b>	<b>0%</b>
<i>Gross Margin</i>	<i>99.8%</i>	<i>99.9%</i>	<i>99.9%</i>	<i>99.9%</i>		<i>99.7%</i>	
Cost of Services	(2.0)	(2.0)	(2.1)	(2.8)	32.2%	(2.9)	
Rental Costs	(0.4)	(0.5)	(0.5)	(0.4)	-16.1%	(0.7)	
Personnel Expenses	(2.2)	(2.3)	(2.8)	(3.3)	16.6%	(3.0)	
Other Operating Expenses	(0.0)	(0.0)	(0.0)	(0.1)	93.3%	(0.0)	
<b>EBITDA</b>	<b>0.2</b>	<b>0.4</b>	<b>0.6</b>	<b>0.4</b>	<b>-23.6%</b>	<b>0.4</b>	<b>4%</b>
<i>EBITDA margin</i>	<i>3.4%</i>	<i>6.8%</i>	<i>9.3%</i>	<i>6.1%</i>	<i>2.5%</i>	<i>5.9%</i>	
<i>Growth %</i>	<i>-114.3%</i>	<i>118.7%</i>	<i>58.1%</i>	<i>-23.6%</i>		<i>-26.2%</i>	
D&A and Provisions	(0.9)	(0.6)	(0.8)	(1.0)		(1.0)	
<b>EBIT</b>	<b>(0.8)</b>	<b>(0.3)</b>	<b>(0.3)</b>	<b>(0.6)</b>	<b>n.m.</b>	<b>(0.6)</b>	<b>7%</b>
<i>EBIT margin</i>	<i>-16.0%</i>	<i>-5.4%</i>	<i>-4.4%</i>	<i>-8.8%</i>	<i>1.0%</i>	<i>-8.3%</i>	
<i>Growth %</i>	<i>-59.8%</i>	<i>-63.5%</i>	<i>-5.4%</i>	<i>132.4%</i>		<i>n.m.</i>	
Financial Income and Expense	(0.1)	(0.1)	(0.1)	(0.1)		(0.0)	
Extraordinary items	-	0.1	-	-		-	
<b>EBT</b>	<b>(0.9)</b>	<b>(0.2)</b>	<b>(0.3)</b>	<b>(0.7)</b>	<b>n.m.</b>	<b>(0.6)</b>	<b>17%</b>
Taxes	0.0	0.1	(0.0)	(0.3)		(0.5)	
<i>Tax Rate</i>	<i>0.2%</i>	<i>28.9%</i>	<i>-10.1%</i>	<i>-48.2%</i>		<i>-81.5%</i>	
<b>Net Income</b>	<b>(0.9)</b>	<b>(0.1)</b>	<b>(0.4)</b>	<b>(1.1)</b>	<b>n.m.</b>	<b>(1.1)</b>	<b>-5%</b>
<i>Net margin</i>	<i>-17.9%</i>	<i>-2.7%</i>	<i>-6.0%</i>	<i>-15.3%</i>	<i>-3.3%</i>	<i>-16.0%</i>	

Source: Company data, KT&Partners' elaborations

**FY20-FY23 Income Statement (€mn)**

€ Millions	FY20A	FY21A	FY22A	FY23A
Goodwill	-	-	-	-
Intangible	2.0	3.1	3.4	4.1
Tangible	0.0	0.0	0.0	0.0
Other LT Assets	0.0	0.0	0.0	0.0
<b>Fixed Assets</b>	<b>2.1</b>	<b>3.2</b>	<b>3.4</b>	<b>4.1</b>
Trade receivables	2.0	1.5	0.1	0.4
WIP	0.4	0.2	0.9	1.1
Trade Payables	(0.8)	(0.5)	(0.6)	(0.9)
<b>Trade Working Capital</b>	<b>1.6</b>	<b>1.2</b>	<b>0.4</b>	<b>0.6</b>
Other assets and liabilities	(0.4)	(0.3)	(1.0)	(1.4)
<b>Net Working Capital</b>	<b>1.2</b>	<b>0.9</b>	<b>(0.6)</b>	<b>(0.8)</b>
<b>Other Provisions</b>	<b>(0.4)</b>	<b>(0.6)</b>	<b>(0.6)</b>	<b>(0.8)</b>
<b>Net Capital Employed</b>	<b>2.9</b>	<b>3.5</b>	<b>2.2</b>	<b>2.6</b>
<b>Total shareholders' equity</b>	<b>1.7</b>	<b>2.2</b>	<b>1.8</b>	<b>2.1</b>
Short-term debt / Cash (-)	(0.1)	0.1	(1.0)	(0.6)
Long-term liabilities	1.3	1.2	1.3	1.1
<b>Net Financial Position</b>	<b>1.3</b>	<b>1.3</b>	<b>0.3</b>	<b>0.5</b>
<b>Sources</b>	<b>2.9</b>	<b>3.5</b>	<b>2.2</b>	<b>2.6</b>

Source: Company data, KT&Partners' elaborations

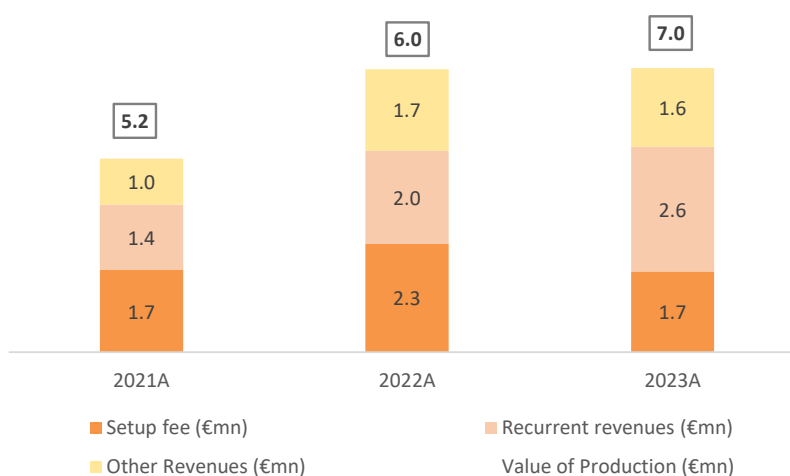
## Change in Estimates

Following FY23 sales below our estimates, mainly due to the unexpected delay in the agreement with a partner that caused a shift in revenues in the coming years, we have revised downward our FY24-26E projections and have added FY27E.

Therefore, we now see FY24 revenues at €8mn, down from the prior estimate of €9.8mn, with a projection to reach €16.6mn in FY27E, growing at a CAGR23A-27E of 32.9% mainly driven by recurrent revenues contribution that are expected to account for the 81% of total Group sale at the end of FY27E.

The value of production is now estimated at €8mn at the end of FY24E vs prior €9.8 to growth at a CAGR23A-27E of 26.7% to reach €16.6mn in FY27E.

### FY21-23 Value of Production Breakdown



Source: FactSet, KT&Partners' elaboration

Regarding profitability, the lower-than-expected sales, combined with higher service and personnel costs compared to FY23 levels, have resulted in an EBITDA of €0.6 million (with a 7.2% margin), which is below our previous estimate of €1.4 million (with a 13.4% margin).

Finally, our projected FY24E Net Financial Position (NFP) is €1.2mn (compared to the previous estimate of €1.8mn), with a turnaround to positive cash flow in FY26E, amounting to -€3mn.

### Change in Estimates

€ Millions	2022A	2023E	Change	2024E	2024E	Change	2025E	2025E	Change	2026E	2026E	Change	CAGR2023-26	CAGR2023-26
	Actual	Actual		Old	New		Old	New		Old	New			
Value of Production	6.0	7.0	-0.2%	10.8	8.9	-17.3%	14.7	12.2	-17.4%	18.8	16.2	-14.0%	28.2%	28.1%
YoY Change (%)	16.1%	15.8%		54.6%	28.0%		36.4%	36.3%		27.9%	33.2%			
EBITDA	0.6	0.4	3.7%	1.4	0.6	-55.8%	3.0	1.8	-38.8%	5.9	4.6	-21.9%	94.6%	69.6%
YoY Change (%)	58.1%	-23.5%		250.2%	49.4%		109.3%	189.5%		95.8%	149.9%			
EBITDA Margin	9.3%	6.1%		13.4%	7.2%		20.5%	15.2%		31.4%	28.5%			
EBIT	(0.3)	(0.6)	n.m.	0.3	(0.6)	n.m.	1.7	0.5	-68.7%	4.5	3.3	-27.7%	n.m.	n.m.
YoY Change (%)	-5.4%	132.1%		n.m.	n.m.		511.6%	-194.0%		171.4%	525.5%			
EBIT Margin	-4.4%	-8.8%		2.5%	-6.2%		11.4%	4.3%		24.1%	20.2%			
Net Income	(0.4)	(1.1)	n.m.	0.2	(0.4)	n.m.	1.2	0.4	-66.0%	3.3	2.4	-27.0%	n.m.	n.m.
YoY Change (%)	157.9%	195.8%		n.m.	n.m.		430.0%	-217.8%		166.2%	472.3%			
Net Margin	-6.0%	-15.3%		2.1%	-4.0%		8.3%	3.4%		17.3%	14.7%			
NFP	0.3	0.5	(1.5)	1.8	1.2	(0.6)	(0.0)	0.1	0.1	(4.2)	(3.0)	1.1		

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 €34.30mn or €2.79ps;
2. DCF analysis based on WACC of 11.4% and 2% perpetual growth, returns an equity value of €31.11mn or €2.53ps.

The average of the two methods yields a fair value of €2.66ps or an equity value of €32.7mn.

### Valuation Recap

	Equity Value €mn	Value per share €
EV/Sales	<b>34.30</b>	<b>2.79</b>
DCF	<b>31.11</b>	<b>2.53</b>
<b>Average</b>	<b>32.70</b>	<b>2.66</b>

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 2022–25E data.

### Peer Comparison – Market Multiples 2022–25

Company Name	Exchange	Market Cap	EV/SALES 2022	EV/SALES 2023	EV/SALES 2024	EV/SALES 2025	EV/EBITDA 2022	EV/EBITDA 2023	EV/EBITDA 2024	EV/EBITDA 2025	P/E 2022	P/E 2023	P/E 2024	P/E 2025
Almawave S.p.A.	Milan	130	2.5x	2.1x	1.8x	1.6x	12.2x	11.8x	8.6x	6.8x	22.9x	23.0x	16.1x	12.9x
Alteryx, Inc. Class A	NYSE	2,493	3.7x	3.4x	3.0x	2.7x	n.m	31.2x	20.1x	14.1x	n.m	n.m	33.2x	24.9x
Informatica, Inc. Class A	NYSE	6,605	4.6x	4.4x	4.1x	3.8x	27.8x	15.7x	14.1x	12.4x	n.m	24.6x	21.9x	18.3x
Manhattan Associates, Inc.	NASDAQ	11,683	15.8x	13.6x	12.2x	10.7x	n.m	n.m	n.m	n.m	n.m	n.m	n.m	40.6x
Maps S.p.A.	Milan	33	1.7x	1.7x	1.5x	1.3x	7.6x	9.6x	6.7x	5.4x	11.5x	33.1x	12.6x	8.5x
Oracle Corporation	NYSE	278,478	7.6x	6.8x	6.3x	5.8x	15.0x	13.6x	12.4x	11.0x	21.4x	19.2x	17.1x	14.9x
SAP SE	XETRA	150,934	4.6x	4.5x	4.2x	3.8x	19.0x	15.5x	13.5x	11.9x	n.m	24.0x	20.2x	17.2x
SPS Commerce, Inc.	NASDAQ	5,894	13.2x	11.2x	9.6x	8.4x	n.m	n.m	32.4x	27.0x	n.m	n.m	n.m	44.8x
TECSYS Inc.	Toronto TSE	279	2.5x	2.2x	1.9x	1.7x	n.m	33.1x	22.9x	12.8x	n.m	n.m	n.m	49.4x
Average peer group		50,725	6.2x	5.5x	5.0x	4.4x	16.3x	18.6x	16.3x	12.7x	18.6x	24.8x	24.3x	22.6x
Median peer group		5,894	4.6x	4.4x	4.1x	3.8x	15.0x	15.5x	13.8x	12.1x	21.4x	24.0x	20.2x	18.3x
Creatives Group S.p.A.	Milan	31	4.7x	3.9x	2.9x	2.2x	n.m	n.m	n.m	16.6x	n.m	n.m	n.m	n.m

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 (FY23A ended in June 2023), we based our evaluation upon our 2024-2025 estimates for Creatives' Value of Production (VoP). We calculated the 2024E VoP by taking into account the average of 2024E and 2025E VoP. As for 2024E, the 2025 VoP is based on the average of the 2025E and 2026E VoPs.

We also considered FY23A NFP at €0.5mn.

Through the EV/Sales method, we consider a liquidity/size discount at 20% for ending up with our Creatives' valuation at €2.79ps.

### EV/Sales Market Multiples Valuation

Multiple Valuation (€mn)	2024E	2025E
EV/Sales Comps	4.1x	3.8x
Creatives Group S.p.A. VoP*	10.5	14.2
<b>Enterprise value</b>	<b>43.4</b>	<b>53.4</b>
<i>Liquidity/Size Discount</i>	<i>20%</i>	
<b>Enterprise Value Post-Discount</b>	<b>34.8</b>	<b>42.7</b>
Creatives Group S.p.A. FY23 Net Debt	0.5	0.5
<b>Equity Value Post-Discount</b>	<b>34.3</b>	<b>42.2</b>
Average Equity Value	<b>34.3</b>	
<i>Number of shares (mn)</i>	<i>12.3</i>	
<b>Value per Share €</b>	<b>2.79</b>	

Source: FactSet, KT&Partners' elaboration

## DCF Valuation

We have also conducted our valuation using a four-year DCF model, based on 13.3% cost of equity (vs 13.6% 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 4.57% (Italian 10y BTP, average last 3M), 4.67% 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 11.4% WACC.

We discounted 2024E–27E 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 included the FY23A NFP at €0.5mn.

### DCF Valuation

€ Millions	2024E	2025E	2026E	2027E
<b>EBIT</b>	<b>(0.6)</b>	<b>0.5</b>	<b>3.3</b>	<b>4.0</b>
Taxes	-	-	-	(1.1)
D&A	1.2	1.3	1.3	1.4
Change in Net Working Capital	(1.0)	(0.0)	0.1	0.1
Change in Funds	0.3	0.3	0.3	0.4
<b>Net Operating Cash Flow</b>	<b>(0.1)</b>	<b>2.1</b>	<b>5.1</b>	<b>4.7</b>
Capex	(0.8)	(0.9)	(1.1)	(1.2)
<b>FCFO</b>	<b>(1.0)</b>	<b>1.2</b>	<b>4.0</b>	<b>3.6</b>
<b>g</b>	<b>2.0%</b>			
<b>Wacc</b>	<b>11.4%</b>			
Discounted Cumulated FCFO	5.5			
TV	38.9			
TV (discounted)	26.0			
<b>Enterprise Value</b>	<b>31.6</b>			
NFP FY2023A	0.5			
<b>Equity Value</b>	<b>31.11</b>			
Current number of shares (mn)	12.3			
<b>Value per share (€)</b>	<b>2.53</b>			

Source: Company data, KT&Partners' elaboration

### Sensitivity Analysis

€ Millions	Terminal growth Rate	WACC				
		11.9%	11.6%	11.4%	11.1%	10.9%
	1.5%	28.0	28.8	29.7	30.6	31.5
	1.8%	28.6	29.5	30.4	31.3	32.3
	2.0%	29.3	30.2	31.1	32.1	33.1
	2.3%	30.0	30.9	31.9	32.9	34.0
	2.5%	30.7	31.7	32.7	33.8	34.9

Source: Company data, 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. €130mn, 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 FY22A, the company's revenues amounted to €49mn.
- **Alteryx, Inc. Class A (AYX-US):** listed on the New York Stock Exchange, with a market capitalization of ca. €2.5bn, 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. €6.6bn, 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. €11.7bn, 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. €33mn, 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. €278.5bn, 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. €150.9bn, 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. €6bn, 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. €279mn, 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.

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KT&PARTNERS

Via della Posta, 10 – Piazza Affari, 20123 Milano – Italy  
Tel: +39.02.83424007 Fax: +39.02.83424011  
[segreteria@ktepartners.com](mailto:segreteria@ktepartners.com)