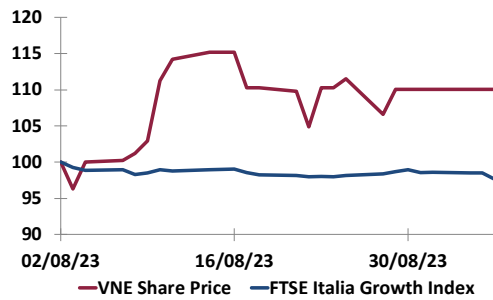




OUTPERFORM

Current Share Price (€): 4.49
Target Price (€): 5.77

VNE - Performance since IPO



Source: S&P Capital IQ - Note: 02/08/2023 (IPO offer price)=100

Company data

ISIN number	IT0005556110
Bloomberg code	VNE IM
Reuters code	VNE.MI
Industry	Manufacturing
Stock market	Euronext Growth Milan
Share Price (€)	4.49
Date of Price	06/09/2023
Shares Outstanding (m)	3.1
Market Cap (€m)	14.0
Market Float (%)	24.4%
Daily Volume	0
Avg Daily Volume since IPO	3,164
Target Price (€)	5.77
Upside (%)	28%
Recommendation	OUTPERFORM

Share price performance

	IPO	1M
VNE - Absolute (%)	10%	10%
FTSE Italia Growth Index (%)	-2%	-1%
IPO Range H/L (€)	4.70	3.93
IPO Change (€) / %	0.41	10%

Source: S&P Capital IQ

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Self-checkout *product-as-a-service*

We initiate coverage of VNE: OUTPERFORM rating, Target Price €5.77 per share

VNE, listed on Euronext Growth Milan since August 2023, designs, engineers and produces cash handling and automated checkout machines for *phygital* stores. In-house R&D and product development are at the core of VNE business model, with a team of over 50 including engineers and specialized technicians. VNE sells and rents through direct sales for multistore customers, plus partners and distributors; 22% of revenues are made abroad, mostly in Europe, and technical assistance is ensured in any served country. End markets include retail stores and networks, food chains, ticketing and gaming. Both devices' sales and rentals are associated with ongoing fees for platform, maintenance and assistance services.

Hardware and software integration. Machines are easily customized according to customer needs, with a wide choice of configurations, and are connected to a self-developed highly scalable cloud platform, through which VNE provides captive and external services. Machines also interface with merchants' ERP systems, providing data and analytics, and collect and send data on their operating status as technical support, offering a unique combination of monitoring and analytics features.

Product-as-a-service. Core proposition is the combination of devices rental with own platform and maintenance services: for a fixed monthly subscription, VNE customers can access an integrated ecosystem of payment services. This *product-as-a-service* business model offers key advantages for both providers and customers: flexibility, all-in pricing, easy updating and hassle-free integration with enterprise systems.

Automation for Smart stores. Despite e-commerce and consumer behaviors evolution, emotional factors play a role in shopping decisions and only physical stores can fulfill consumers' need such as products touching and human assistance. Retailers are looking for new technologies to improve shopping experience, evolving traditional stores into *Smart stores*. Consumers expect a user-friendly and logical shop path, from easy walk-in to fast checkout: self-checkout devices improve in-store experience and automation trend is quickening their adoption in physical shops. Nearly half of consumers would switch online purchases to stores with automated technologies, according to Capgemini. Automation is expected to attract €10.5bn investment by 2030 in Europe according to McKinsey.

Target Price €5.77 per share, OUTPERFORM recommendation

VNE is an industry-specialized manufacturer, with superior service quality reputation in a highly fragmented arena. We see room for growth, as market size and lack of coverage imply endless opportunities driven by automation trend. VNE industry focus, product portfolio, service capability and market reach are key drivers to ride the increasing demand. We initiate VNE coverage with an OUTPERFORM rating and Target Price per share of €5.77, +41% on €4.08 IPO offer price and with a potential upside of 28% on current share price.

KEY FINANCIALS AND ESTIMATES

€m	2020	2021	2022PF	2023E	2024E	2025E
Revenues	8.7	10.2	15.2	18.5	23.3	28.0
YoY %	-44.0%	16.8%	48.6%	22.1%	26.0%	20.0%
EBITDA	1.9	1.5	2.3	3.2	5.0	6.0
Margin	22.7%	17.4%	15.5%	18.8%	22.8%	23.0%
EBIT	0.4	0.4	0.8	1.2	2.4	3.0
Margin	2.9%	3.9%	0.8%	6.3%	10.4%	10.8%
Net Income (Loss)	0.2	0.0	(0.0)	0.8	1.6	2.0
Trade Working Capital	9.9	8.8	9.8	10.3	11.9	14.4
Net (Debt) Cash	(4.7)	(5.3)	(4.0)	(1.0)	(0.4)	0.3
Equity	11.2	11.4	13.3	17.1	18.8	20.8

Source: Company data 2020-22PF, EnVent Research 2023-25E

1. INVESTMENT CASE

Company

VNE SpA is an Italian producer of self-checkout automated machines for cash and digital payment transactions in physical points of sale. Self-checkouts, installed at merchants' premises, deliver payment services through interaction with a centralized multiservice IT platform owned and operated by VNE. In addition, self-checkouts automatically interface with merchants' operation systems providing data and analytics. End-markets are commercial enterprises with contact with public and visiting customers, like stores, retailers and chains in various industry segments, willing to use digitalization to evolve into *smart phygital* premises, to offer an improved customer experience and more efficient points of sale management.

Key figures:

- FY22: Sales €14.6m, Revenues €15.2m
- Geographical breakdown: Italy 78%, International 22% (mainly Spain, France, UK)
- Over 100k machines installed
- Over 50 employees

Drivers

Industry drivers

Self-checkouts driven by digitalization, benefits both for consumers and retailers. Global self-checkout systems are driven by digitalization, automation and technology advancements, as crucial transformative factors across many sectors. Increased automation in physical commerce is spreading the use of self-checkout systems in shop operations. Digital transformation puts consumers first and helps them shop faster and easier, while retailers optimize the efficiency of processes and employees. Real-time data support monitoring stocks and sales movements, helping to anticipate changes and make proactive business decisions.

Nowadays emotional buying experience implies *phygital* stores. Apart from very basic food and utility goods, most goods and services offer a wide variety of options and prices, which per se implies a role played by emotional and personality factors when deciding a purchase. In turn this means that physical stores, the places where interactions are possible, are essential and cannot be substituted by e-commerce, over a certain extent. Equally, technology must be part of the equation, since the people entering a physical store do not want to give up advantages and opportunities of the digital environment they are used to live in.

Self-checkout machines keep up with evolution of payment methods. The evolution of payment methods such as cash, cards, mobile wallet and QR, offering simple and fast ways for end-customers to buy and pay, requires continuous update of support by self-checkout machines. The evolving market needs imply focus shifting from product quality to service-oriented software and customization.

Platform-as-a-service interfacing management system is what everyone will be compelled to bring in. Industry segment enterprise software, network analytics, customer relationship management and others are the core info tools to monitor and manage a business. The self-checkout systems are a serious opportunity to speed up operations and information at the same time. Sooner or later nearly all stores and commercial networks will be compelled to bring in their own management and data collecting systems. As soon as a pioneering portion of competitors in any industry segment will adopt system interfaced self-checkout platforms-as-a-service, most others will run to follow.

Saving of resources and time. Solutions for the speed up of checkout times offers to both store owners and consumers significant savings in terms of resources and time. Lower cost of dedicated checkout staff for retailers and reduction of human errors/thefts complete the picture of benefits for store owners. Moreover, consumers may be provided with a full array of options, like self-exploration or staff attendance, use of cash or digital payment, traditional or self-checkout, whichever would be their preference.

Company drivers

Superior service, a smart business model. A major VNE competitive claim is leverage on connectivity to offer a unique combination of monitoring and analytics features to the users of its machines. The partnership agreements established with major providers of enterprise management software systems designed, tailored and updated to fill the needs of a wide variety of independent retailers or specialized networks, are the foundation of a higher quality and reliability perception of VNE versus most competitors. The higher positioning is summarized by the equation: higher service – higher reliability – higher pricing – higher customer value.

Customization, aptitude and skills. Design and development abilities, product quality and timeliness of delivery are essential requirements for serving large customers. VNE's ability to identify and meet customer requirements through a wide choice of machines configurations and interface with operational software is proof of servicing capabilities.

Renting, product-as-a-service. Core proposition is the combination of devices rental with own platform and maintenance, which means selling services and outcomes their products can provide: for a fixed monthly fee VNE customers can access an integrated ecosystem of payments services. The concept of *product-as-a-service* is a way to boost both customers and VNE profitability, improve customer engagement and design customized solutions diversified by industry or industry segment.

Visibility of revenues. Both devices' sales and rentals are associated with recurring revenues from ongoing fees for IT and maintenance services, providing a clear view on mid-term revenue and profitability.

Flexible business model based on teamwork and partnerships with customers. VNE business model relies on R&D and new product development, also in partnership with larger corporate customers, meeting their automation and analytics service needs.

In-house design, development, innovation and manufacturing. VNE leads the full production process, from conceptual design to assembly. R&D, innovation and new product development are at the core of VNE business model.

On site immediate assistance as a safety measure for customer business. VNE products are designed and equipped to monitor the product remotely and apply predictive analytics to the captured data to identify and address functioning problems, whose purpose is to provide customers with a timely technical support by selected distributors in any served country as after sale service. Assistance is a major reliability factor, which would in itself be a purchase decision catalyst, given that a machine failure or malfunctioning may cause immediate disturbance or damages on the customer operation flow and thus reputation.

International network prepare for further expansion. 22% of VNE's revenues are generated outside Italy, mainly in UK, Spain and France. Selection of technically skilled distributors, in proximity of local customers, is part of VNE efforts to provide a superior service.

Platform scalability. The flexibility and adaptability of the platform allows machines to be brought to market through relatively limited promotional efforts. As already done in the UK, Spain and France, other geographies are at reach after identification of the key partners. The modular nature of the platform facilitates customization according to different kinds of customer requirements or operational software.

Relationships with selected B2B and B2C customers. In an industry where up-to-date technology content, reliability, technical support and responsive customer service are key competitive factors, fast growing market penetration proves that VNE has competitive advantages among competitors.

Challenges

Keep up the market pace and international exposure. The effort to design, maintain or introduce innovations in the marketplace and enter developing and emerging markets could introduce different competitive requirements and imply material investments.

Intensity of competition. VNE operates in an intensely competitive technology industry niche, which like most other industry segments is facing rapidly changing technologies, innovations, evolving standards, frequent new product introductions, price and cost reduction. The diffusion of cashless, other payment services and automated shopping may intensify competition from other technology companies.

Global and powerful competitors. VNE has a smaller size than other global digital players: external competitive pressures, such as consolidation and entry of new competitors and technologies into the present market and geographies could challenge the actual and target market shares.

Digital payments channels proliferation. The proliferation of new payment technologies and channels, or other new payment method preferences by consumers, could reduce the general population's need or demand for cash and negatively impact VNE products transaction volumes in the future.

Cybersecurity protection and impact. VNE services in facilitating money transactions, give access, collect and transmit data of customers and end-users. Intrusion, theft or other breaches could result in unauthorized access harming the security of these data, which could result in claims, costs and reputational harm.

2. PROFILE

Customizable self-checkout machines specialist

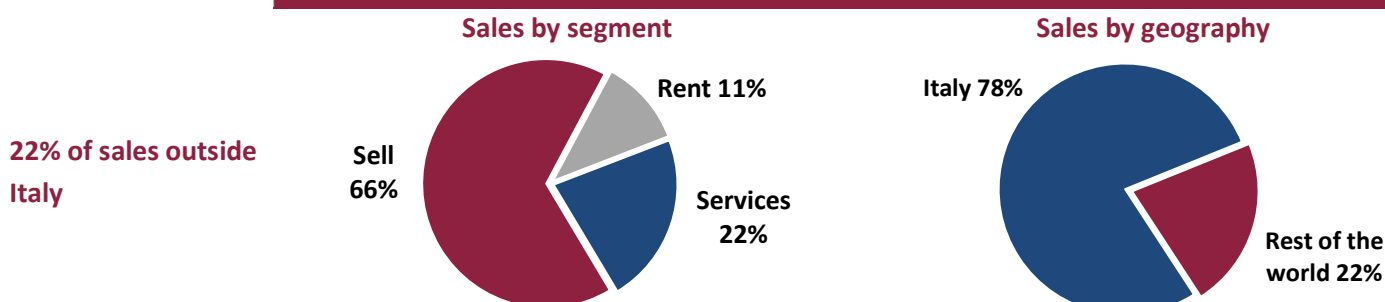
VNE, based in Italy, produces hardware and software for the management of banknotes, coins and more generally payments and transactions through cash and cashless systems, offering a wide range of customized products. VNE designs and produces its machines internally thanks to a team of over 50 employees including programmers, engineers and specialized technicians, integrating their machines to any local or remote server or system. VNE products and services are available in several countries through a specialized network of distributors. The service subscription terms include as a key feature maintenance and technical assistance anywhere on every type of machine, within two hours in case of breakdowns. End-markets include shops and retail networks, restaurant chains, gaming, ticketing, and wherever there is a need to manage payments or automated transactions.

History and key developments

Key milestones	
1977	<ul style="list-style-type: none"> Company establishment
2005	<ul style="list-style-type: none"> First cash handling machine produced
2011	<ul style="list-style-type: none"> In house R&D department Over 50 employees
2012	<ul style="list-style-type: none"> Full-service rent machines
2021	<ul style="list-style-type: none"> Branches in Spain and Colombia
2023	<ul style="list-style-type: none"> Listed on Euronext Growth Milan (August), IPO proceeds €3.1m

Source: Company data

FY22 Sales breakdown



Source: Company data

Product portfolio

Automatic payment machine



Automatic cash and cashless payments machine, all global currencies may be accepted.

Services: remote control activity, reporting, condition monitoring, various bills and tax payment.

Self-Service kiosk



Automatic machine managing the entire products/services purchase process, from customers choice to payments via cash or cards.

Services: remote control activity, sales reporting, payment of postal bills, tax forms, utilities, phone top-ups and pay-per-view.

Coin change machine



Machine which changes banknotes in coins and vice versa.

Services: management of virtual gaming accounts including loading and withdrawals funds from e-wallets or prepaid cards and utilities payment.

Casino machine



Machine for casino winnings with user identification and withdrawal operations in compliance with regulations.

Services: remote control activity, reporting and condition monitoring.

Source: Company data

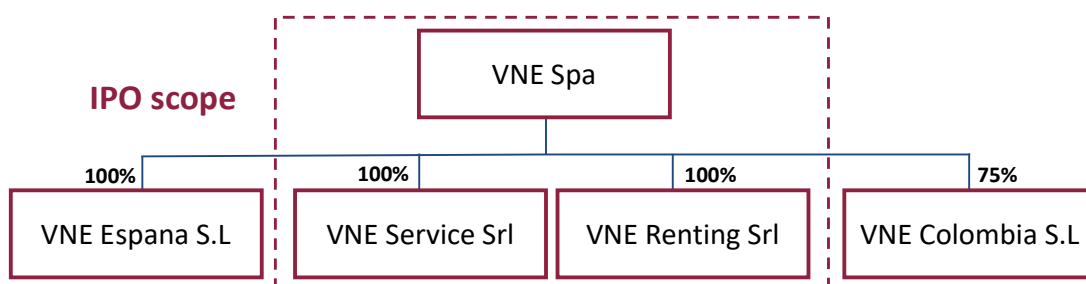
VNE machines: key features

VNE machines interface with the customers' ERP softwares. Payment services are provided - through the machines installed in the point of sale - via a centralized multi-service IT platform owned by VNE. Key machines's features are:

- **Simplification:** one machine for a number of services (payment of receipts, bills, fines, tickets for winnings, purchasing products)
- **Customization:** tailor-made solution to specific customer needs
- **Technology:** services delivered through connection with the proprietary VNE IT platform, which also provides statistics
- **Safety:** VNE machines prevent the operator from touching money or physical payment instruments, avoiding the potential transmission of pathogens
- **Law compliance:** guarantee compliance with the regulations concerning cash and cashless payments, in particular regarding amounts transacted, flows traceability, certain identification of the operators and anti-money laundering legislation

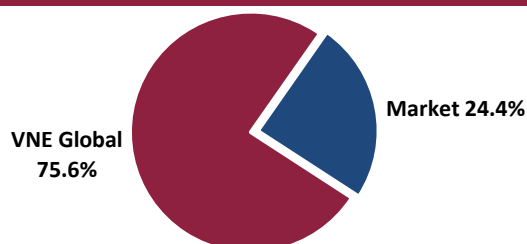
Over 100k installed machines

Group companies



Source: Company data

Shareholders



Source: Company data - Note: VNE Global is fully owned by VNE Holding, owned by Verona family (100%)

Key people

Name and role	Background
Lorenzo Verona CEO	<ul style="list-style-type: none"> • Currently CEO • Joined VNE in 2005 • Degree in Business Management
Andrea Fiaschi CFO	<ul style="list-style-type: none"> • In VNE since 2019, after serving in other companies as finance and administration officer • Degree in Banking and Finance

Source: Company data

IPO and stock market performance on Euronext Growth Milan

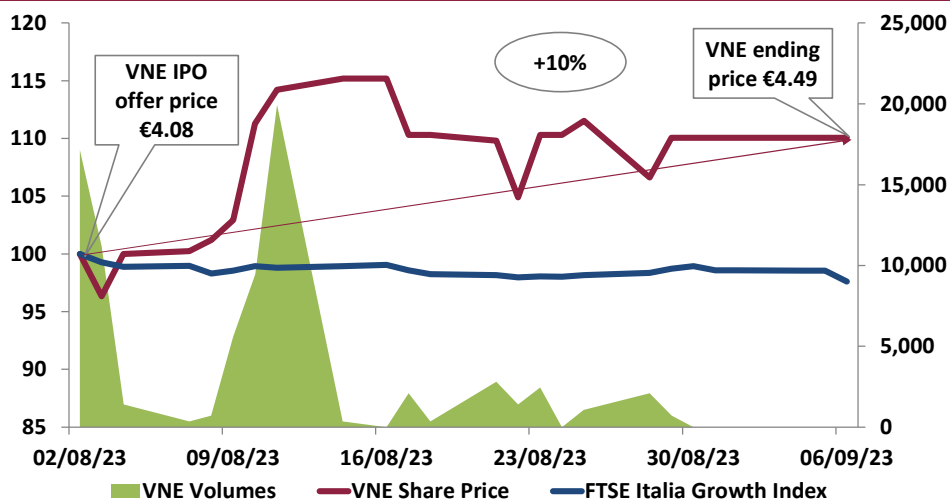
VNE on Euronext Growth Milan	
Stock market	Euronext Growth Milan
Bloomberg code	VNE IM
Reuters code	VNE.MI
IPO date	02/08/2023
Offer Price (€)	4.08
Money raised (€m)	3.1
Market Cap at IPO (€m)	12.7
Free float at IPO	24.4%
Ordinary shares - ISIN number	IT0005556110
Shares outstanding	3,108,300
Current Share Price (€)	4.49
Current Market Cap (€m)	14.0
Price Adjustment Shares (PAS) outstanding	588,000
PAS Treshold	EBITDA FY24 at €4.5m
Market Cap at IPO including PAS (€m)	15.08

Source: Company data and S&P Capital IQ, update 06/09/2023

**Price Adjustment
Shares mechanism**

Total shares outstanding after the IPO are 3,696,300, of which 3,108,300 ordinary shares listed on Euronext Growth Milan and 588,000 Price Adjustment Shares (PAS) not listed on EGM, owned by pre-existing shareholders. The mechanism underlying PAS is: in case of achieved FY24 target EBITDA of €4.5m, PAS will be converted into ordinary shares after approval of FY24 financial statements; in case of unmet financial targets, PAS will be cancelled.

Share price performance and volumes since IPO



Source: S&P Capital IQ - Note: 02/08/2023 (IPO offer price)=100

3. INDUSTRY INSIGHTS

Self-checkout: a must have solution for stores globally

Practical versus emotional spending

In the most developed economies the trend of discretionary spending has gradually added up to tangible needs, to the point of spreading a shift from rationality to emotionalism accompanying the reach of a wealthier condition. The easier, richest and faster communication enacted by the digital revolution and the surge and huge success of e-commerce have multiplied suggestions, options and opportunities. Now in the wealthiest countries the combination of these trends is impacting consumer behaviors. They at the same time may feel shaped by the need to address their emotional needs and may take advantage from breadth of products, favorable pricing and time saving connected with e-commerce.

Digital revolution and e-commerce radically changing consumers behaviors...

In the digitalized age retailers across the world are facing destructive attacks from e-commerce players and have to deal with radically changing consumer behaviours, with ever changing experiences and expectations. Physical stores are impacted in many ways, one of the most challenging being a general perception of excessive time spent in reaching the store and within the store versus substantial time saving opportunities offered by the online commerce and home deliveries. A following implication is the subconscious expectation of also physical stores offering in some way a digital efficiency too.

...but physical stores are here to stay

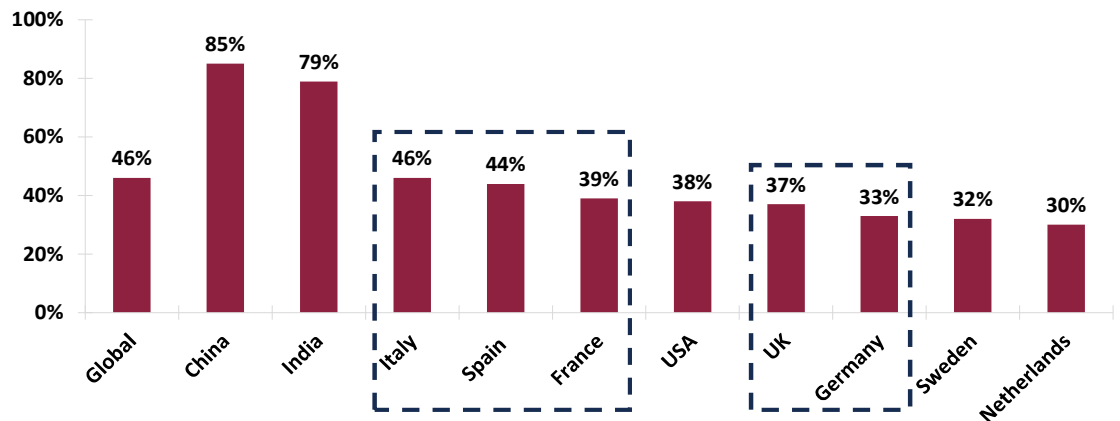
However, customer experience concept is not fading, rather is an ever-changing concept, keeps evolving also driven by the speed of e-commerce growth, urbanization and new products development. A serious challenge to the industries involved and especially for now hybrid global distribution systems where consumers increasingly may choose between online and physical channels, and also hybrid solutions.

Nonetheless, both for practical and emotional reasons, it is a common understanding that a significant portion of physical stores is and will be here to stay, while technology is a non-dismissible step to continue or begin to be attractive destinations and maintain or gain the status of a permanent and competitive alternative to e-commerce.

Automation, a “must have”

While large traditional retailers, like food or apparel chains, are responding by introducing several digital solutions and some automation in their physical stores, among smaller or individual operators the digitalization is generally limited to the payment systems and platforms. While, according to Capgemini (source: Capgemini, *Smart Stores*, 2019), nearly half of consumers state that they would prefer stores with automated technologies. By matching this general aspiration with the fact that long checkout lines are per se a major time-consuming concern for those customers who must - or may consider - go to a physical store, it would be a logical consequence the great diffusion potential of self-checkout applications.

Consumers who prefer shopping in automated physical stores and not e-commerce (%)



Source: The European House Ambrosetti, *Il mercato dei sistemi di self-checkout*, 2023 on data from Capgemini (2020)

Why Brick & Mortar must further digitalize to cope with digital consumers

The Kiosk technology exists since long time. Digital payments have spread globally and seamlessly to keep the pace with the fintech revolution. Hospitality, Restaurant, Parking, Ticketing, are major examples of physical places where people is and will be physically going and experiencing the quality of service.

Automation helps consumers in a number of ways, to facilitate the “real thing” experience, like having contact materially with products in a reasonable time and without excessive effort or struggle or waste of time. This implies quick and easy walk-in stores, seeking, watching, touching or flavouring products, have human interaction and assistance with experts.

An insurance for relevance and reputation of retailers

The digital payment and automation technologies are helping traditional retailers to respond to the urgency of both digital native and digitally skilled elders as a significant portion of their customer base. The fintech and automation industries perspective and growth trends evidence an urgency to become conscious of a close risk of being driven into irrelevance while the vicinity competition may be already playing a different game.

Customer experience may have different needs or preferences

Long checkout line is likely to be a major customer hassle or discomfort point Customers may prefer different languages to check out and to communicate with cashiers or staff could be difficult or time consuming. The option of switching language makes it easier.

Customers who are in a hurry may prefer speedy checkout, while others may appreciate to visit the store and desire human interactions as a key feature of the shopping experience. The right approach of a modern *Smart Store* would be to provide customer with a full array of options, like self-exploration or staff attendance, use of cash or digital payment, traditional or self-checkout, whichever would be their preference.

All products are services?

A not new but still avant-garde concept is that any product is conceived, developed, proposed, purchased and used to provide a service. The ultimate theory being that there are non-products, but only services.

It is hard to find a difference between products and services in the connected world. The final perception of the activity and outcome on a physical but connected product is in most cases a customer experience. Many products have similar technical content and features, what makes a difference, especially in the developed economies, is the perception of intangible satisfaction deriving from tangible results. Intangible satisfaction may range from emotions, such as those coming from state-of-the-art products making happy a passionate consumer, to much more ordinary saving time and money or enjoying an hassle free working or living experience. In the wider payment systems and automation industry segments, the self-definition “software- and services-led enterprise technology provider” looks an effective way of representing that what customers are purchasing are a continuing service (source: NCR Corporation, Annual Report, 2022).

Retailers challenge: deal with emotionally driven customers

Any customer, for any type of purchase, has been getting used to the presence and effects of technology, online or in-store. Plenty of options, digital catalogues, virtual images, metadata, real time interactions have enriched the buying experience and have changed the perceptions of a “normal” experience, so raising the buyer expectations. Wherever or whatever purchasing, consumers expect a user-friendly path, a comprehensive information flow, a seamless interaction, a logical and fast payment procedure and an easy checkout. The message to retailers is: “people buying at the emotional level need to be engaged with at the emotional level” (NCR website, May 11, 2023, Retail Therapy) and this is something they have to deal with in the day-by-day activity. The present-day store must rethink its shape and must be equipped with the latest technology to cope with customer expectation about the practical aspects of its interaction, to dedicate most competence and efforts to the customer emotional interaction

Smart Store advantages

- A user-friendly self-checkout instead waiting for a cashier will make retailers to minimize the queue, lower waiting times and optimize staff work
- Lower number of cashiers for large stores means optimization of staff, by a better management of idle time in low traffic hours and crowded rush hours
- The real-time synchronization of the completed orders across the rest of the system ensures continuous update to correct sales, inventory, and customer information
- Staff can care about many customers at the same time. You can keep up with customer demand while your staff can focus on creating an excellent shopping experience.
- Self-checkout machines can help store staff to dedicate time to take on value added activities, like welcome and assist customers, speed up sales or reorganize merchandise
- Data collection may evidence customers options: trends of products purchased segmented by days of week or month, or different day hours.
- Information useful to rethink sales techniques and staff allocation.

- Directly or with the help of staff, a retailer may have more visibility on most frequent customer problems or attitudes.
- Safe and security of environment, by better monitoring to prevent thefts or employees not handling cash

Key takeaways

Self-checkout systems offer substantial benefits on:

- Customer experience, satisfaction and loyalty
- Customer downtime and staff idle time
- Store traffic bottlenecks
- Data collection and meaningfulness

4. MARKET TRENDS AND OUTLOOK

The global self-checkout systems market

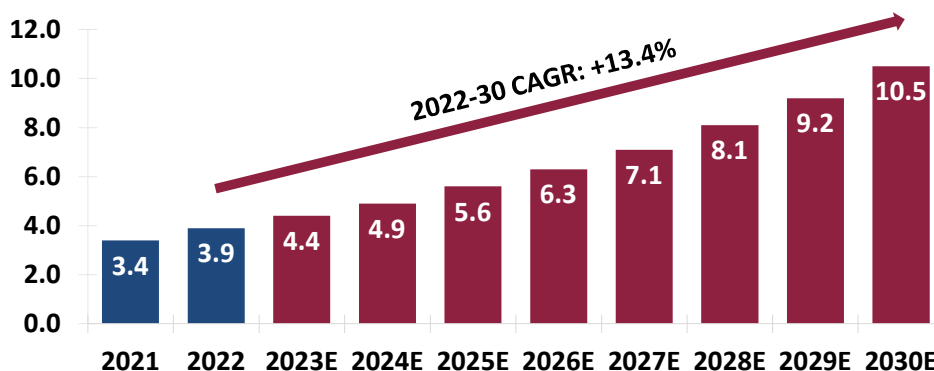
The self-checkout systems market includes automated machines adopted across retail and other sectors to support customers checkout and payments without dedicated staff. While self-checkout systems are not a recent development within retailing, in the last 10 years the velocity of development and adoption has quickened, especially in the grocery segment.

Drivers which are fueling growth are:

- lower cost for retailers, as automated machines reduce the number of employees
- faster checkouts, by reducing waiting time

In this scenario, self-checkout systems are being adopted across a wide range of store retailing, including grocery, fashion, convenience store, healthcare. The versatility of these systems allows retailers of different sizes and sectors to benefit the most from their implementation (Source: ECR Retail Loss, *Global study on self-checkout in retail*, 2022).

Global self-checkout systems market revenue (US\$ bn)



Source: The European House Ambrosetti, *Il mercato dei sistemi di self-checkout*, 2023 on data from Grand View Research, Research and Markets and DataBridge

Global market doubling in the next ten years

The global self-checkout market was worth \$3.9bn in 2022 and is expected at \$10.5bn in 2030 (+13.4% CAGR), according to global data collected from The European House Ambrosetti.

Main growth drivers are:

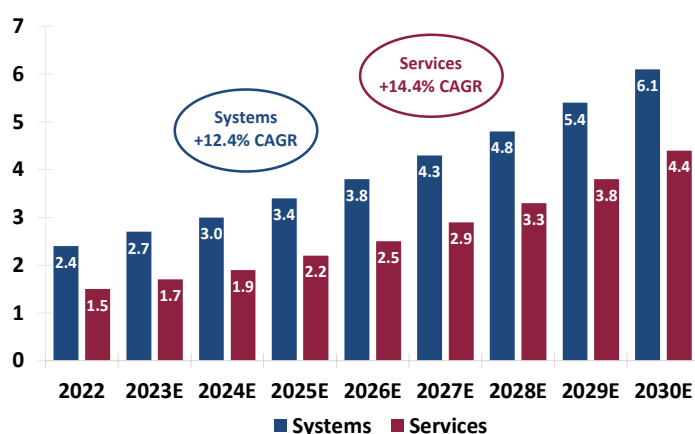
- technological progress and automation
- need for reduction of human errors/thefts
- store evolution with marketing/analytics needs and capabilities

According to consulting company Grand View Research, the supermarkets & hypermarkets segment accounted for the highest market share of 57% in 2022, with soaring labor cost and need to utilize floor space efficiently, enabling stores to adopt self-checkouts (Source: Grand View Research, *Self-checkout Systems Market Size, Share & Trends Analysis Report By Component, By Type, By Application, By Region, And Segment Forecasts, 2023–2030*, 2023).

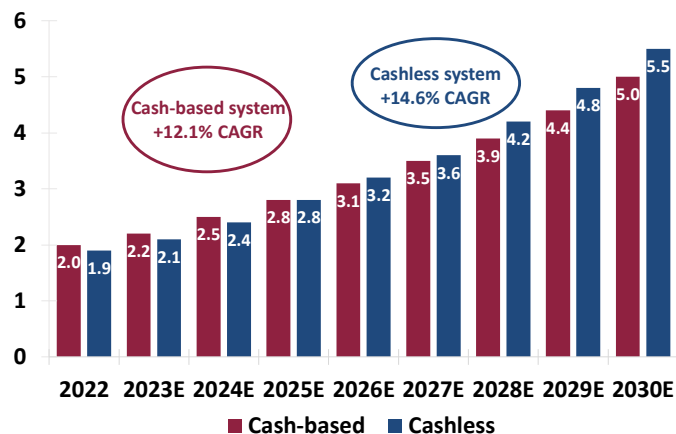
The market is equally weighted between cash-based and cashless systems, the latter growing more rapidly at a 14.6% 2022-30E CAGR compared to cash-based one (12.1%). Growing demand for paper-based transactions among small, medium, and large-sized retailers is the prominent factor driving growth for cash-based systems. Cashless self-checkout systems are gaining high traction due to the growing preference for digital payments and electronic transactions among consumers (Source: Grand View Research, *Self-checkout Systems Market Size, Share & Trends Analysis Report By Component, By Type, By Application, By Region, And Segment Forecasts, 2023–2030, 2023*).

Global self-checkout systems market

Revenue by segment (US\$ bn)



Revenues by payment type (US\$ bn)



Source: The European House Ambrosetti, *Il mercato dei sistemi di self-checkout, 2023* on data from Grand View Research, Research and Markets and DataBridge

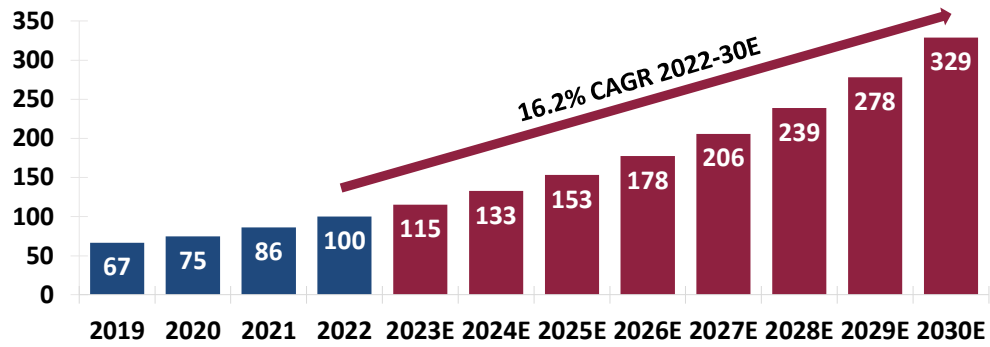
The larger size of the systems segment is attributable to the rising adoption of advanced technologies such as artificial intelligence and voice interface. The services segment is anticipated to become the fastest growing segment over the forecast period, fueled by increasing demand for effective systems to offer flexibility at the front-end of a store, faster processing and easy integration of systems and services in the traditional checkout systems. Additionally, the need for tailored systems in line with store layouts to drive the progression of retail in-store transformation also contributes to the segment’s growth (Source: Grand View Research, *Self-checkout Systems Market Size, Share & Trends Analysis Report By Component, By Type, By Application, By Region, And Segment Forecasts, 2023–2030, 2023*).

The Italian self-checkout systems market

In the Italian market, many supermarkets have been using automated checkouts systems as a payment method for several years. This type of payment is not only continuously expanding in large-scale retailers but also in different sectors such as clothing and furniture. In this framework, according to Ambrosetti, Italian self-checkout systems market is anticipated to grow at the highest CAGR in the period 2022-30 (+16.2%) compared to other European countries, respectively France (+11.3%), Spain (+14.7%), UK (+12.7%), Germany (+10.7%) (Source: The European House Ambrosetti, *Il mercato dei sistemi di self-checkout, 2023* on data from Grand View Research, Research and Markets and DataBridge).

Opportunity for Italian self-checkout systems market

Italian self-checkout systems market revenue (US\$ m)



Source: The European House Ambrosetti, *Il mercato dei sistemi di self-checkout*, 2023 on data from Grand View Research, Research and Markets and DataBridge

Innovations shift into physical stores

Industry outlook: looking for a frictionless checkout experience

Despite in the last years e-commerce has rapidly ascended to the peaks of the retail industry with Covid-19 pandemic accelerating the trend, over 85% of U.S retail sales in 2022 still happened in physical stores, according to payment news company PYMNTS. The way consumer spending has changed, and the growth in technology and digital innovation, have led to new ways to improve the shopping experience, causing retailers to accelerate the installation of self-checkout systems to secure their customer base (Source: PYMNTS, *Innovating the Retail Checkout Experience*, 2023).

Rising investment in automation by 2030

According to McKinsey, technology remains a remarkable driver of value creation in the European retail industry, but it will require €10.5bn in additional investments by 2030. In this scenario, automation is expected to be one of the largest investment categories required to enable the digital transformation of grocery in Europe (Source: McKinsey, *State of grocery Europe 2023: Living with and responding to uncertainty*, 2023), with more than one-third of grocery retail tasks could be automated over next eight years (Source: McKinsey, *The State of Grocery Retail 2022: Europe*, 2023). Overall, the self-checkout systems market is expected to continue growing as retailers seek ways to enhance the customer experience, streamline operations and adapt to changing consumer preferences. The integration of technologies such as artificial intelligence and machine learning is expected to further enhance the capabilities and efficiency of self-checkout systems in the future (Source: The Brainy Insights, *Self-Checkout Systems Market Size to Surpass USD 13.54 Billion by 2030*, 2023).

5. BUSINESS MODEL AND STRATEGY

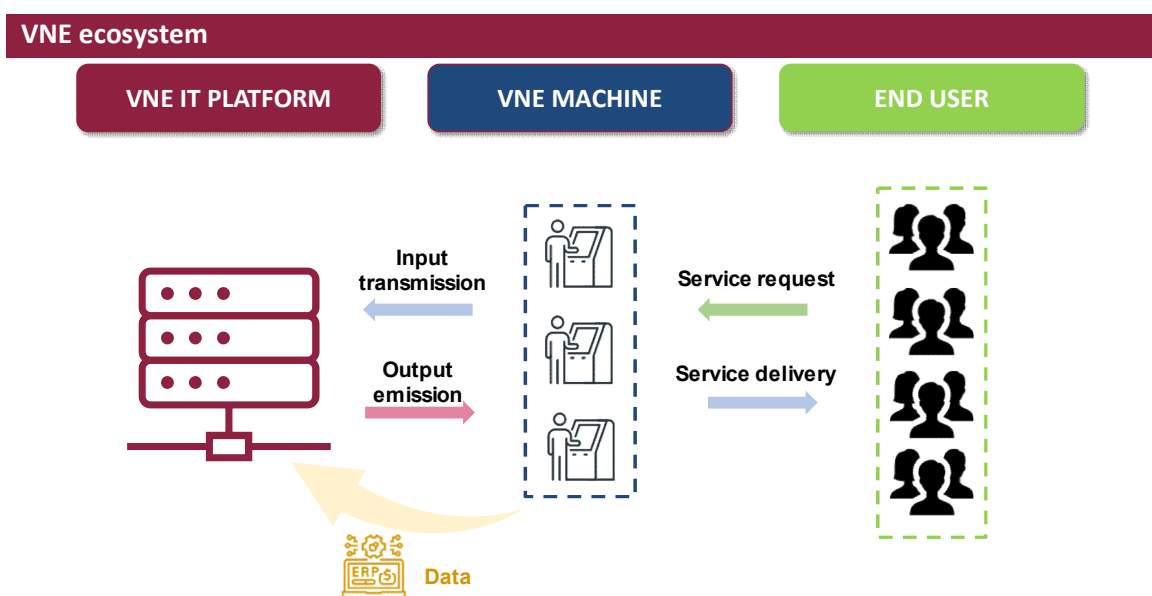
Digital enabler: bringing tech to the physical stores

Mission

To become a distinguished provider of *Products-as-a-Service* to merge retailers' digital and physical operations, switching to *smart stores*, boosting efficiency, and enhancing customers' experience.

Product-as-a-service

VNE offers cash handling and automated checkout solutions to improve end customers payment experience, delivering payment services through its plug-and-play machines connected with VNE centralized IT platform. Hardware and software are both developed in-house: R&D activities are focused on product design and software development, driven by client's needs and feedback.



Source: Company data

Hardware features

VNE offers a hassle-free solution to simplify and automate cash handling and checkout operations, enhancing shopping experiences for end customers but also saving money and time for merchants. Hardware and internal software are developed by VNE's internal R&D team in-house.

Machines could be easily customized according to merchants' needs, with over 50 possible configurations, and could support or replace the cashier, avoiding physical money transfer and thus payment process mistakes; compliance with current cash and cashless payments regulations is duly ensured (money flow traceability, users' identification and anti-money laundering).

A business model designed for scalability

Platform features: state of the art interface with ERP client system

Internal device software interfaces with both other VNE devices and partners’ ERP to create a fully integrated point-of-sale network. VNE machines are connected to a self-developed highly scalable platform, through which VNE provides captive services but could also be connected with third parties’ platforms to provide their services with a pay-as-you-go model through the VNEPay interface.

VNE services	VnePay services
<ul style="list-style-type: none"> • Cash flow control • Sales analytics and reports • Diagnostic and maintenance • Advertising 	<ul style="list-style-type: none"> • Postal orders • Tax statement and fines • Utilities, mobile phone top-ups and pay per view TV

Source: Company data

Maintenance diagnostic, assistance in 2 hours everywhere

Platform architecture and flexibility are conceived for easy IT system integration and to be connected to an unlimited number of devices. The full integration with partners’ ERP software allows machines to collect data, which are analyzed by the platform, providing merchants with business intelligence such as sales analytics and reports to enhance business management: looking into consumer behaviors is key to deliver a better payment experience. Devices could also collect and send data on their own maintenance status, sending requests for technical support autonomously if necessary: through this functionality and its distributors network, VNE offers and ensures remote and on-site assistance.

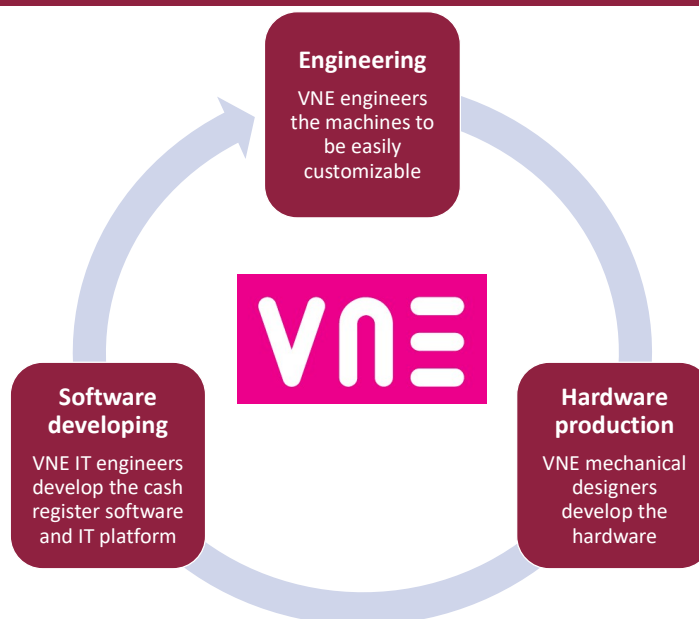
Full production cycle integration

In-house production

Production, research, marketing and logistics activities take place in the Company facility. Equipment includes a 3D printer to realize prototypes and plastic components. The plant is organized in a workshop and assembly department and a warehouse. The assembly and warehouse workforce is over 50 employees, of which around 15 engineers, developers and technicians. Testing is generally performed at clients’ premises. The present annual production is estimated to be in the region of 40-50% of full potential capacity.

Further capacity available

In house production



Source: Company data

Pushing on subscription model to generate premium recurring revenue

Besides direct sales, VNE employs a 36-60 months subscription-based pricing, which means selling services and outcomes their products can provide. One of the advantages, the concept of product-as-a-service is a way to boost both customers and VNE profitability, improve customer engagement and design customized solution diversified by industry or industry segment.

Both devices' sales and rental are associated with recurring revenues from ongoing fees for IT and maintenance services, carried out by local distributors. Core proposition is the combination of devices rental with VNE platform and maintenance fee: for a fixed monthly fee merchants of any scale can access a fully integrated ecosystem of payments services. An advantage will also be a clear view on the mid and long-term revenues and profitability.




Revenues visibility

VNE	Devices	
	Direct sales	Rental (36/60 months)
Services	VNE platform fee (36/60 months) + Pay-as-you-go for VNEPay	
	Maintenance fee: 36/60/96 months, fixed-fee including 4 on-site interventions and machines free replacement	

Source: Company data

Sales network and distribution

VNE operates in several countries through three sales channels. Main foreign markets are Spain and Portugal, France, United Kingdom and Germany.

Sales channels		
Sales partners	Partnership with ERP software houses through which VNE can access their customers network	
Distributors networks	Over 2k distributors, operating in Italy and abroad, who purchase and distribute VNE products	
Direct sales	Internal Business unit	

Source: Company data

Technical skills of distribution network

Network enterprises, target clients to achieve growth

Sales partners are mostly software houses which develop ERP and business management software, interested in offering an integrated solution as a winning combination. Resellers that constitute the distributor’s network are selected at international tradeshows or through direct approach, after a screening based on target market positioning and geographical position to offer the desired maintenance service. Sales partners and distributors are complementary to achieve wider market coverage: local partners propose to merchants their software solutions in bundle with VNE devices, offering the access to a wide and fully integrated digital ecosystem, while the established network of distributors is key for a wide geographical coverage. VNE currently has no exclusive agreements.

Direct sales are handled by top management to deal with larger customers as retail, hospitality, food and other networks, requiring customized machines in high volumes and value orders.

Why the “as-a-service” business model gives a competitive advantage

The “product as a service” business model has a superior value for both providers and customers: flexibility, assistance, all-in pricing, easy updating and hassle-free integration with present and future enterprise systems. A subscription might specify the maintenance and repair services the manufacturer will provide, or how data collections support customers business. Another mutual advantage would be the efficiency for both parties given by the possibility of extend service along the product / service lifecycle. On the provider side, since the advantages for customers come at a premium, the profit margin of a subscription is likely to be higher than that on equipment sales, the size of the subscription sales would be determinant for profitability, although at the expense of working capital investment.

Strategy: leveraging on service offer, quality and reputation to enter additional market segments

VNE's key strategy pillars:

- Geographies expansion, targeting new markets in Europe and overseas
- Extension of distributors network and new partnerships in the retail segment
- R&D and marketing investments
- Acquisition of technology and know-how

6. COMPETITION

A crowded arena where industry focus and service skills make the difference

A global industry

The self-payment and checkout machine industry is highly fragmented and varied, with several players offering products for different industries and purposes. The competitive arena is populated by US and European companies, both public and private, and by segments of Asian conglomerates, which also supply components to competitors. VNE faces competition from domestic and some international players.

Industry focus as a competitive advantage

Large corporations in the wider digital payment industry and especially in our selected panels of competitors and peers are mostly service oriented, while they were born as product-oriented organizations. Current portfolios typically include digital first software and services offerings for banking, as a major industry that since a long time has been automating as much as possible its money management business. Other industries heavily involved with high volumes of payments processing are Retail and restaurants networks. Reselling of specialized networking software products and interaction solutions are steps of the general trend of transition to software-as-a-service industry.

Competition drivers

The main competitive factors are service features:

- Customization and functionalities
- Integration with customers management software
- Sales network
- Industry focus
- Reliability, maintenance and customer services
- Pricing

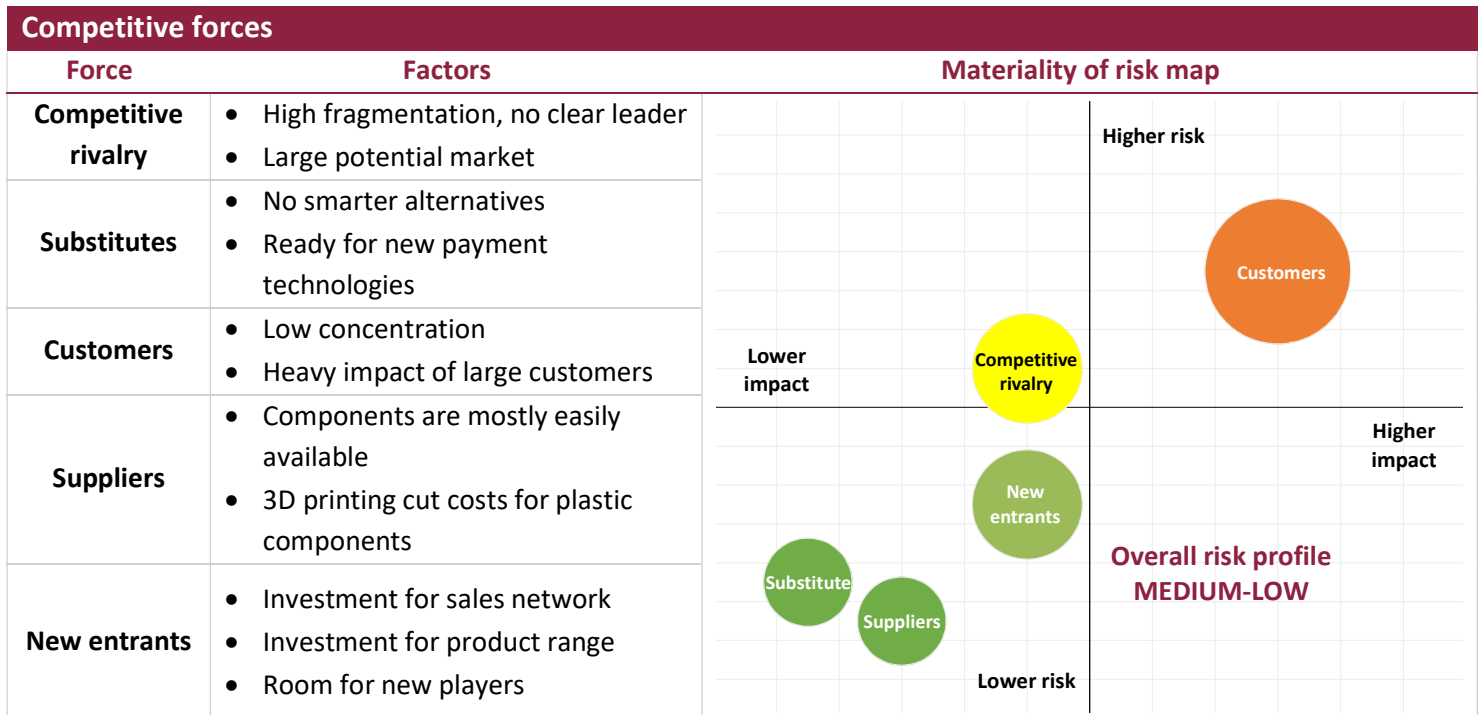
Superior service by industry focus, customization and integration of systems builds competitive advantages

The ability of developing appropriate IT and customization skills is a key competitive advantage: end-customers are diversified, ranging from large retail and hospitality chains to small stores, each of these looking for specific features, and typically value functionalities, reliability and after sale support more than pricing.

Determinants of risk profile

- Entry barriers are medium-low: investments to establish a sales network and to develop a comprehensive range of products are required to reach a relevant market share, while the potential future market larger size offers room to new competitors
- Customers have medium-high power: if small customers are easy to replace, large chains may have a significant impact on revenues; concentration of revenues is medium
- Components are mostly easily available from global suppliers, few strategical suppliers
- 3D printing technology enables design and manufacturing of ad hoc components with lower cost
- Substitute risk low: there is no smarter alternative to self-payment machines as they are complementary to cashier and changes in payments method and habits are not an issue as self-payment machines are adaptable to new technologies
- The competitive rivalry is medium, with several players competing for a large potential market.

The mix of such factors leads to consider the overall risk profile as medium.



Source: EnVent Research

Industry focus

Kiosks and self-payment machines target industries are:

- Retail
- Hospitality and Restaurants
- Luxury chains
- Gaming&Betting
- Banking and financial services
- Government services
- Healthcare
- Tourism and events
- Museums and education

Examples of industry services are:

- Retail: solutions to connect retail operations for customer's operations, payments, inventory management, fraud and loss prevention, loyalty and consumer engagement
- Hospitality: solutions to improve operational efficiency, increase customer satisfaction, streamline order and transaction processing and reduce operating costs
- Digital and self-service Banking: platform for account opening, account management, transaction processing, imaging, and branch services, end-to-end-ATM channels

Key competitors and their segmentation

We focus our analysis on Retail, Gaming&Betting and Banking as those are the largest industries and the ones covered by the most competitors through direct sales. We have identified 3 clusters in the market arena:

- Cash handling machine manufacturers, mostly Italian and European players serving markets similar to VNE targets
- Gaming machine specialists, European companies covering the gaming industry needs, including cash handling and checkout terminals
- Global players and conglomerates, larger USA and Asian companies or conglomerates' business unit offering a wider range of products and services

VNE priorities are Retail networks and Gaming&Betting, focusing on small stores or chains and gambling halls, industry where there is a steady demand for the cash management and payments IT services and where the subscription model offer have more appeal.

The first cluster is composed mainly by European companies which are direct competitors of VNE. Besides Glory, those companies have revenues lower than €200m and mostly target Retail and Gaming markets. In the Gaming cluster, the two giants Gauselmann and Novomatic manufacture terminals for their own casinos and gambling halls, so their products can be classified as captive and of little interest for other industry competitors. The companies belonging to the third cluster are major players of global scale and business units of international conglomerates, with a wider range of products and markets covered compared to the first group, mostly focused on various retail segments and Banking.

High competition in Retail, larger players covering Banking

Self-payment machine manufacturers

Company	Status	Country	Revenues (€m)	Retail	G&B	Banking
Cash handling machine						
Glory Global Solutions	Public	Japan	1,763	●	●	●
Azkoyen	Public	Spain	170.8	●		
StrongPoint	Public	Norway	130.3	●		
Cima	Private	Italy	46.3	●	●	●
VNE	Private	Italy	13.3	●	●	
365 Retail Markets Slabb Kiosks	Private	USA	11.0	●	●	●
Custom System Retail	Private	Italy	10.3	●		
Ditronetwork	Private	Italy	6.4	●		
CashDro	Private	Spain	na	●		
Cashmatic	Private	San Marino	na	●		
Gaming specialists						
Gauselmann GeWeTe Geldwechsel HESS Cash Systems	Private	Germany	1,830	●	●	●
Novomatic	Private	Austria	1,708		●	
Alberici	Private	Italy	5.8		●	
Nazionale Elettronica	Private	Italy	3.5		●	
CountR	Private	Germany	na		●	
Gistra	Private	Spain	na		●	
Global players and conglomerates						
Fujitsu	Public	Japan	26,590	●		●
Toshiba	Public	Japan	25,115	●		●
NCR	Public	USA	7,340	●		●
Diebold Nixdorf	Public	USA	3,238	●		●
Crane NXT	Public	USA	1,254	●	○	●
ECR Software Corporation	Private	USA	na	●		

Note: 2022 revenues for public companies, 2021 for private companies

Source: EnVent Research on Aida (Italian companies), S&P Capital IQ (public companies) and free available data for Slabb Kiosk

Retail is the most competitive segment also because numerous players from different industries produce self-cash out machines like totems and kiosks. With few exceptions, Banking segment is almost exclusively covered by larger traditional players, competing on their own and leaving no spaces for newcomers. Most of these companies do not only produce self-payment devices, adding outside products strictly related to retail activities (such as POS, cash registers, printers, scales, turnstiles, etc.) or components; some players are also developers of software solutions to automate daily business activities.

Being VNE a smaller Italian producer of self-payments machines, focused on a small package of industry segments and on customization of few products as opposed to product diversification, for a fair comparison we select a narrower sample, following comparability criteria:

Low-medium comparability:

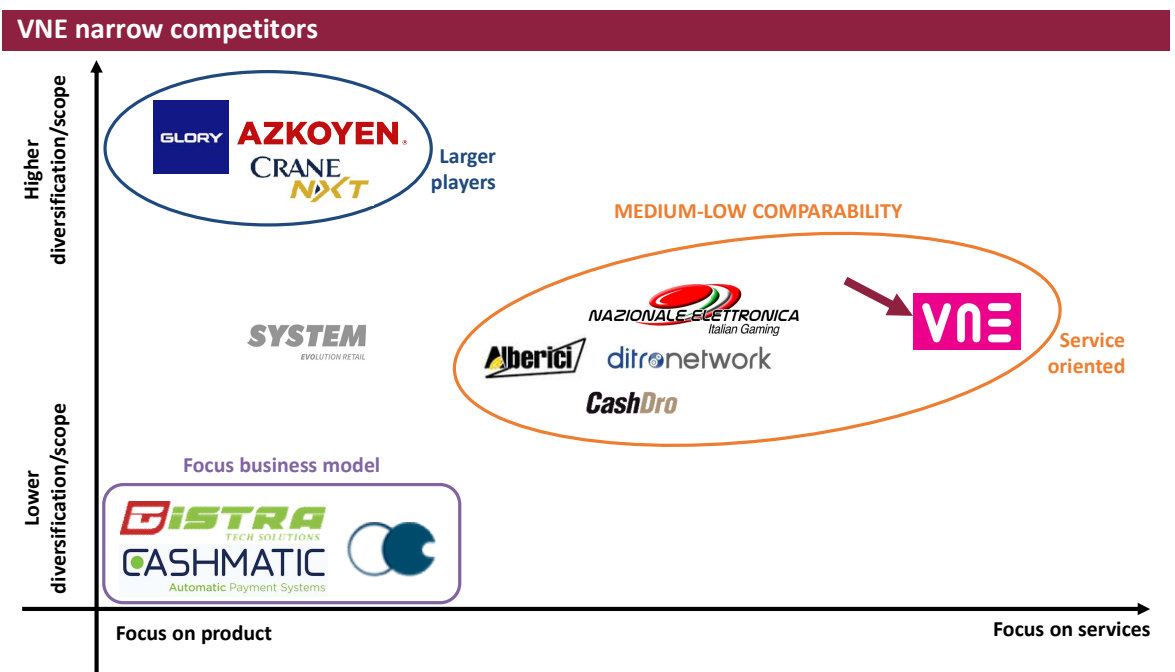
- Glory Global Solutions (Japan): focus on product range diversification and banking industry back-office equipment
- Azkoyen (Spain): single retail product, focus on OEM, diversification in vending and coffee machines, access control and time recording

- System Retail (Italy): 14 diversified ranges of retail suites, hardware and equipment, of which 2 for self-cashout machines and kiosks
- Alberici (Italy): focus on gaming, advanced coin machines and OEM
- Cashmatic (San Marino): self-cashout solutions exclusively for retailers, with limited services
- CountR (Germany) and Nazionale Elettronica (Italy): focus on gaming and VLT machine, advanced coin machines and gaming kiosks
- Gistra (Spain): advanced coin machines and kiosks for gaming
- Crane NXT (USA): through its subsidiary CPI, provider of payment technology components, self-service and cash processing solutions

Medium comparability:

- Ditronetwork: retail hardware and software provider, including self-cashout machines and related software
- CashDro: cash handling and self-cashout, diversification with hardware for retails

The very diversified products and scope of practices of industry players make difficult to navigate the competition landscape and compare business model and performances. We assumed as a simplification exercise that major comparison factors could be found into the product categories (kiosks, terminals, self-checkout machines), scope of practices (including equipment, OEM and no money related hardware) and provision of software-as-a-service (VNE core business) or product-as-a-service. The following chart intend to give a simplified picture based on relative positioning of a narrower group of competitors.



Source: EnVent Research on companies' website

The Italian producers cluster

Being VNE a small Italian producer of self-payments machines, for a fair comparison we select a restricted sample of similar Italian companies, and we compare services offered: as shown in the next chart, VNE business model is one of the most service oriented.

Service benchmark - Italian producers

Services		VNE	Alberici	Ditronetwork	Nazionale Elettronica	Cashmatic	System Evolution	CIMA
Own services	On-site maintenance	✓	✓	✓			✓	✓
	Remote control	✓	✓		✓	✓	✓	✓
	Sales report/Data analytics	✓		✓				
	Alarm / GPS monitoring	✓	✓		✓			
Payment service	Cashless payments	✓	✓	✓	✓	✓	✓	✓
	Postal orders	✓	✓		✓			✓
	Mobile phone top-ups	✓	✓	✓	✓			
	Back office collection							✓

Source: EnVent Research on publicly available and Ambrosetti data

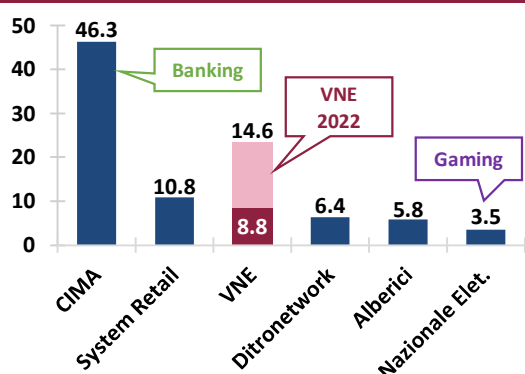
Benchmark on financial data

Financials comparison

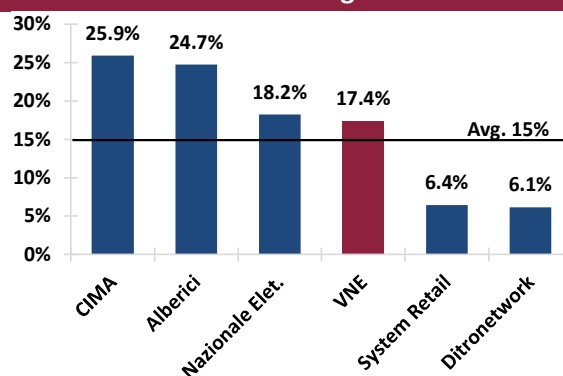
For Italy-based competitors, revenues are in the €3m-€46m range, while comparable revenues of international players and business units of conglomerates are in the wider €100m-€3bn and over range; operating profit range between 4 and 26%. Variability of performances might be read as depending on target industries and on business mix:

- CIMA is more focused on cash handling machine, mostly for banking industry
- System Retail, Ditronetwork and Alberici are not pure self-checkout manufacturers
- Nazionale Elettronica is focused on gaming

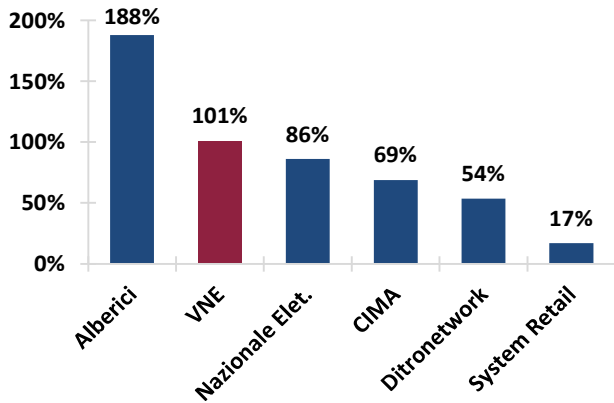
Italian cluster - 2021 sales (€m)



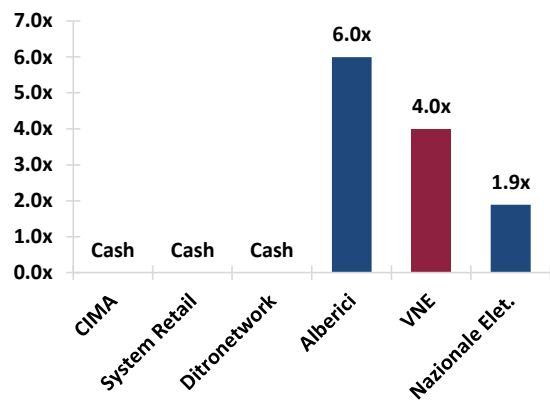
Italian cluster - 2021 EBITDA margin



Italian cluster - 2021 TWC/sales



Italian cluster - 2021 Net Debt/EBITDA



Source: EnVent Research on AIDA and Company data

Key takeaways

- Wide number of competitors, various business model
- Players are mostly focused on Retail segment
- Performance depends on industries covered and business mix

Competitive playground and summary positioning

The picture is that of a highly fragmented industry with larger public players and several smaller ones, with a predominance of US operators. Within the cash handling machine cluster only Glory, whose revenues are over €1bn, is positioned as leader in the segment. Key competitive factors are functionalities and reliability.

The industry segment historical financial analysis shows broad differences, reflecting diversity in business and product mix.

7. MARKET METRICS

Market value of comparable companies

Selection criteria of comparable listed companies

Key selection factors:

- Manufacturing of self-payment and self-checkout machines
- Specialization in retail industry
- Geographical scope: worldwide

Industry players segmentation

We have reviewed the listed companies whose characteristics match the above factors. The industry of self-payment automated machines includes enterprises ranging from medium-sized to large and diversified corporations. Within largest groups, often just a segment is to a certain extent comparable with VNE activity. We have clustered the analyzed companies in two fairly homogenous groups, in order to detect performance consistencies and understand key market metrics.

- **Producers, mostly retail segment**
- **Large and diversified corporations, with focus on banking**

Profiles - Producers, mostly retail segment

Crane NXT (USA) - FY22 Revenues €1.2bn

Payment and merchandising technologies, electronic equipment and associated software, including payment verification and authentication, as well as automation solutions.

Crane NXT was formed in 2023 by the separation of Crane Holdings into two separate public companies Crane NXT and Crane Company.

ITAB Shop Concept (Sweden) - FY22 Revenues €0.6bn

Solution design, customized shop fittings, checkouts and self-service systems, consumer flow solutions, professional lighting systems, and digitally interactive solutions for physical stores in Europe.

Posiflex Technology (Taiwan) - FY22 Revenues €0.4bn

Industrial computers and peripheral equipment, mobile point of sale (POS), POS terminals, kiosk products and other products.

End-markets: retail, catering, large-scale shopping centers, chain stores, entertainment venues, logistics, medical institutions, and e-commerce businesses

Azkoyen (Spain) - FY22 Revenues €0.3bn

Technological solutions through Time & Security, Coffee & Vending Systems, and Payment Technologies segments. The Payment Technologies segment designs, manufactures and markets automatic mechanisms for selection, packaging, return, counting, etc. of coins and

banknotes, as well as credit or debit card readers.

End-markets: food stores, pharmacies, and small and medium-sized hotels

StrongPoint (Norway) - FY22 Revenues €0.1bn

Integrated technology solutions for stores and e-commerce operations in Norway, Sweden, and internationally. Product portfolio includes also cash management systems and self-checkout solutions.

Firich Enterprises (Taiwan) - FY22 Revenues €0.1bn

Business-oriented computers and peripheral equipment, POS products, kiosks, charity and sport lottery vending machines, touch screen POS terminals for the catering and retail industry, and supermarkets.

Profiles - Large and diversified corporations, with focus on banking

NCR (USA) - FY22 Revenues €7.3bn

Managed services, including ATM-as-a-Service solutions for banks, digital banking solutions for financial institutions, self-service kiosks, POS terminals.

Segments: Retail, Hospitality, Digital Banking, Payments & Network, and Self-Service Banking

Diebold Nixdorf (USA) - FY22 Revenues €3.2bn

Cash recyclers and dispensers, deposit terminals, teller automation tools, kiosk technologies, mobile point of sale and self-checkout terminals, front-end applications for consumer connection points and back-end platforms.

Segments: Banking and Retail

In June 2023, Diebold Nixdorf filed a voluntary petition for reorganization under Chapter 11.

Glory (Japan) - FY22 Revenues €1.8bn

Cash handling machines and systems, teller cash recyclers, bank note/coin counters/sorters/dispensers, cash recycling systems, open teller systems, ticket vending machines, self-service kiosks.

Segments: Financial market, retail and transportation, amusement

End-markets: CIT, financial, gaming, OEM, restaurant, amusement, retail

GRG Banking Equipment (China) - FY22 Revenues €1bn

Financial self-service solutions, including cash dispensers and recyclers, automated teller machines (ATMs), retail dispensers, currency exchange machines, deposit machines, AI software solutions.

PAX Global Technology (Hong Kong) - FY22 Revenues €1bn

Electronic funds transfer point-of-sale products in Hong Kong, China, USA and Italy, such as e-payment terminals, smartPOS.

Source: EnVent Research on publicly available information and S&P Capital IQ

Summary comparability of selected peers: Low

- Lack of listed pure players with core business in self-payment and self-checkout machines
- Most of the listed players are large companies and conglomerates, whose businesses are diversified among activities, industries and applications
- Hybrid business models, erratic performances, hard to be analyzed, resulting in poor comparability

Key data comparison

Company	Revenues				EBITDA Margin %		Net income (loss)	Net (debt) cash	Market cap
	2022 (€m)	YoY % 2022 on '21	4Y CAGR 2019-22	3Y CAGR 2022-24E	2022	3Y avg	2022 (€m)	2022 (€m)	current (€m)
Producers, mostly retail segment									
Crane NXT	1,254	6%	7%	3%	na	na	na	na	3,039
ITAB Shop	616	4%	2%	-7%	9%	8%	15	-111	160
Posiflex Technology	365	25%	8%	-2%	15%	13%	26	-187	333
StrongPoint	130	33%	9%	9%	4%	5%	3	-7	69
Azkoyen	171	23%	5%	na	14%	14%	15	-35	140
Firich Enterprises	83	2%	-4%	na	6%	6%	10	-25	268
Mean		16%	5%	1%	10%	9%			
Median		15%	6%	0%	9%	8%			
Large and diversified corporations, with focus on banking									
NCR	7,340	17%	6%	3%	13%	11%	56	-5,210	3,944
Diebold Nixdorf	3,238	-6%	-6%	6%	4%	6%	-544	-2,256	610
Glory	1,763	5%	-2%	6%	5%	11%	0	-345	1,101
GRG Banking Equipment	1,021	9%	7%	12%	14%	16%	112	946	3,894
PAX Global Technology	968	19%	20%	0%	18%	17%	152	376	736
Mean		9%	5%	5%	11%	12%			
Median		9%	6%	6%	13%	11%			

Source: EnVent Research on publicly available information and S&P Capital IQ, 06/09/2023

Market multiples

Company	EV/Revenues			EV/EBITDA			EV/EBIT			P/E		
	2022	2023E	2024E	2022	2023E	2024E	2022	2023E	2024E	2022	2023E	2024E
Producers, mostly retail segment												
ITAB Shop	0.5x	0.5x	0.5x	5.8x	4.7x	4.3x	9.7x	7.7x	6.7x	14.1x	7.6x	6.2x
Posiflex Technology	1.5x	1.6x	1.5x	9.6x	9.7x	8.2x	11.7x	12.5x	10.7x	13.6x	20.2x	16.6x
StrongPoint	0.8x	0.6x	0.5x	nm	9.8x	5.5x	nm	18.1x	7.3x	33.5x	12.4x	7.6x
Azkoyen	1.1x	na	na	7.7x	na	na	8.9x	na	na	10.1x	na	na
Firich Enterprises	3.2x	na	na	nm	na	na	nm	na	na	25.4x	na	na
Mean	1.4x	0.9x	0.8x	7.7x	8.1x	6.0x	10.1x	12.8x	8.3x	19.3x	13.4x	10.1x
Mean w/out extremes	1.1x	0.6x	0.5x	7.7x	9.7x	5.5x	9.7x	12.5x	7.3x	17.7x	12.4x	7.6x
Median	1.1x	0.6x	0.5x	7.7x	9.7x	5.5x	9.7x	12.5x	7.3x	14.1x	12.4x	7.6x
Large and diversified corporations, with focus on banking												
NCR	1.1x	1.2x	1.1x	8.5x	6.1x	5.8x	13.6x	8.7x	8.2x	53.6x	8.3x	7.6x
Diebold Nixdorf	0.7x	0.4x	0.3x	17.8x	3.9x	3.2x	nm	4.5x	4.0x	neg	nm	5.1x
Glory	0.7x	0.6x	0.7x	12.9x	4.1x	5.9x	nm	5.8x	9.5x	na	na	na
GRG Banking Equipment	2.4x	2.7x	2.3x	16.5x	18.4x	16.4x	19.5x	16.2x	14.1x	29.8x	na	na
PAX Global Technology	0.5x	0.5x	0.4x	2.9x	2.5x	2.1x	3.0x	2.5x	2.1x	5.8x	5.2x	4.7x
Mean	1.1x	1.1x	1.0x	11.7x	7.0x	6.7x	12.0x	7.6x	7.6x	29.7x	6.7x	5.8x
Mean w/out extremes	0.8x	0.8x	0.7x	12.6x	4.7x	5.0x	13.6x	6.4x	7.2x	29.8x	na	5.1x
Median	0.7x	0.6x	0.7x	12.9x	4.1x	5.8x	13.6x	5.8x	8.2x	29.8x	6.7x	5.1x

Source: EnVent Research on S&P Capital IQ, 06/09/2023

8. FINANCIAL ANALYSIS AND PROJECTIONS

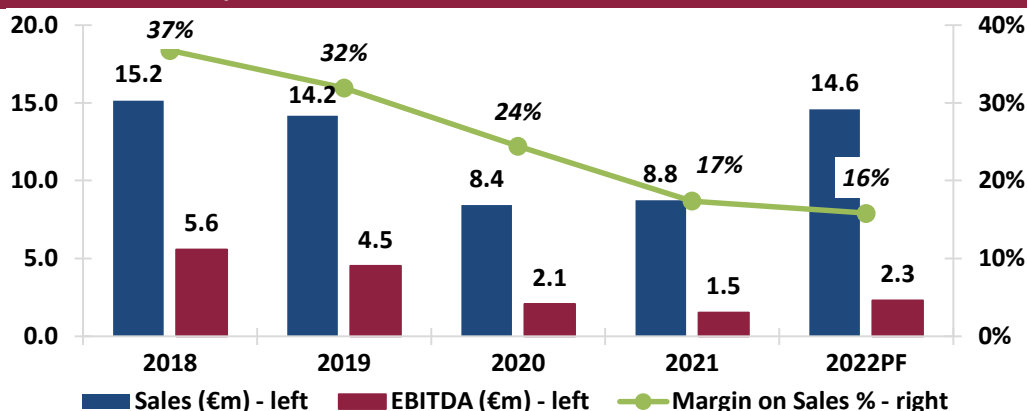
Building foundations for growth as a quality service leader

Over the last five years, sales for VNE have been consistently in the €14-15m range, except for 2020-21 impacted by Covid-19 global shutdowns. Operating profitability has historically been in the high teens, with EBITDA margin at 16-17% of sales in the last two years.

5Y Historical financial performance

Sales recovery at pre-Covid level in 2022, almost 2x 2021 figure

Recent profitability impacted by higher production and transportation costs



Source: EnVent Research on Company data - Notes: 2018-21 aggregated figures; 2022PF assumes the consolidation of VNE, VNE Renting and VNE Service since beginning of year; Write-down of trade receivables are included in other operating costs, before EBITDA, as per international practice standards

Revenue and profitability analysis

VNE reported consolidated sales of €14.6m in 2022, almost 2x 2021 sales, whose drop was due to Covid-19 shutdowns. Italy accounted for 78% of sales, with foreign sales at 22%, mainly generated in UK, Spain and France.

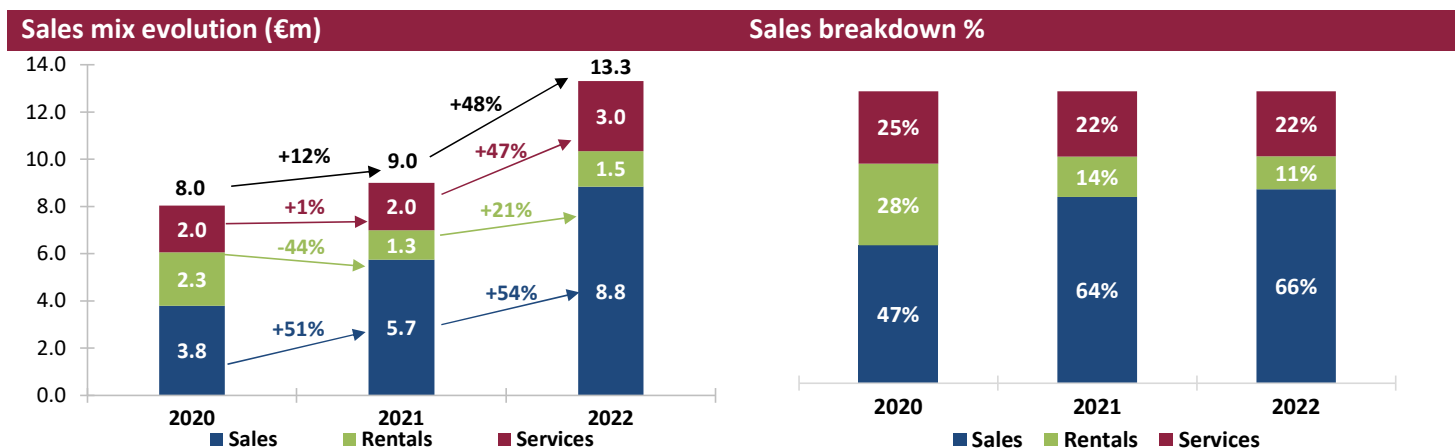
Cost of materials and components was in the region of 50% of sales, services and personnel around 15% of sales each, other operating costs below 10%.

EBITDA was €2.3m, 16% on sales. EBIT was €0.8m (5% margin), after €1.5m D&A. Net result at breakeven, after a one-off write-down of the investment in the subsidiary VNE Colombia. Adjusted for goodwill amortization and non-recurring items EBT would be in the region of €0.8m.

Segment performance

Over last three years the sales mix has become gradually weighted more towards sales of machines, which accounted for 47% of sales in FY20 and 66% in FY22, while the rental decreased from 28% of sales in FY20 to 11% in FY22, for the tax incentives within the national Industria 4.0 program in 2021-22. Services remained consistently in the region of 22-25% of sales over the 3-year period.

Double-digit profitability, transitional bottom-line



Source: Company data

Receivables and inventory towards normalization through expected sales progress

Balance sheet and cash flow analysis

On the balance sheet side, trade receivables were €11m (75% of sales), trade payables €4.5m and inventory €3.3m (in the region of 30% of sales excluding rentals). Trade Working Capital was 70% of sales. Non-current assets are made of: intangible assets €4.9m, of which goodwill €3m; equipment €2.2m, mainly accounting of machines for rental (€1.8m); €1m financial assets and equity investments.

As of year-end 2022, net financial debt was €4.0m, with breakdown: €9.7m bank debt, €5.8m cash and marketable securities. Net debt to EBITDA ratio was 1.8x. Equity was €13.3m.

Cash flow from P&L operations was 95% of EBITDA in 2022, offset by working capital and capex.

Our estimates

Use of market data

- The outlook for the global self-checkout systems market envisages continuing double-digit growth between 2022-30 (13% CAGR). Growth in some countries is expected to be higher, as for Italy with 16% and Spain 15% (source: The European House Ambrosetti - see Chapter Market trends and outlook)
- Industry peers market metrics tell that consensus on most growth expectation indicators falls within the 2-10% range (see Chapter Market metrics)
- Persisting domestic tax benefits to customers within Transizione 4.0 and Bonus investimenti Sud programs fueling market growth

Key growth drivers and risk profile

- Hassle-free and technologically advanced products
- Customer-centric approach, customization
- Continuity of relationships with distributors and corporate customers
- Scalable multi-service platform
- Revenue visibility thanks to recurring sales
- Presence in Europe, mainly concentrated in UK, Spain and France, suggests increasing

- geographical coverage and room for growth into new regions
- Access into new industry segments

In the framework of our *medium-low risk profile* assessment, we consider that according to the competitive positioning and competitive advantages, VNE perspective looks promising with room to penetrate new markets and industries, and gain market shares in its present reference market.

Estimates construction

Our analysis of industry trends and VNE business model and performance lead to continuity growth assumptions for 2023-25E.

Assumptions	
Revenues	Built per revenue stream: <ul style="list-style-type: none"> - Sales 25% 2022PF-25E CAGR - Rentals 30% 2022PF-25E CAGR - Services 10% 2022PF-25E CAGR - Other income stable
Operating charges	<ul style="list-style-type: none"> - COGS 60% of sales (net of change in materials), historical - Services 15-10% of revenues, historical - Personnel +25% YoY in 2023-24E, +20% YoY in 2025E - Other operating costs (including write-down of trade receivables) 5-3% of revenues, historical
Income taxes	<ul style="list-style-type: none"> - Corporate tax (IRES): 24% - Regional tax (IRAP): 3.90%
Working Capital	<ul style="list-style-type: none"> - Trade Working Capital consistent with recent level: <ul style="list-style-type: none"> - DOI 100 to 95, function of sales excluding rentals - DSO 200 to 180 - DPO 120 - Other assets (liabilities) historical
Capex	<ul style="list-style-type: none"> - €0.56m IPO costs - Tax relief non factored in - €1.7m per year in fixed assets, mainly machines available for rental - €0.1m per year in intangible assets
Equity	<ul style="list-style-type: none"> - IPO proceeds €3.1m - No dividend distribution

Source: EnVent Research

Financial projections

Profit and Loss						
€m	2020	2021	2022PF	2023E	2024E	2025E
Sales	8.4	8.8	14.6	16.9	21.7	26.2
Change in inventory	(0.2)	0.5	(0.5)	0.8	0.8	1.0
Other income	0.5	0.9	1.1	0.8	0.8	0.8
Revenues	8.7	10.2	15.2	18.5	23.3	28.0
YoY %	-44.0%	16.8%	48.6%	22.1%	26.0%	20.0%
COGS	(2.8)	(4.3)	(7.4)	(9.4)	(11.8)	(14.5)
Gross profit	6.0	5.9	7.8	9.1	11.5	13.5
<i>Margin on Sales</i>	70.8%	67.2%	53.5%	53.7%	53.0%	51.4%
Services	(1.7)	(1.6)	(2.2)	(2.3)	(2.6)	(2.8)
Personnel	(1.5)	(1.7)	(2.1)	(2.6)	(3.3)	(3.9)
Other operating costs	(0.7)	(1.0)	(1.2)	(0.9)	(0.7)	(0.7)
Operating charges	(3.9)	(4.4)	(5.5)	(5.9)	(6.5)	(7.5)
Adjusted EBITDA	2.1	1.5	2.3	3.2	5.0	6.0
<i>Margin on Sales</i>	24.4%	17.4%	15.8%	18.8%	22.8%	23.0%
Non-recurring items	(0.1)	0.0	(0.0)	0.0	0.0	0.0
EBITDA	1.9	1.5	2.3	3.2	5.0	6.0
<i>Margin on Sales</i>	22.7%	17.4%	15.5%	18.8%	22.8%	23.0%
D&A	(1.5)	(1.1)	(1.5)	(2.0)	(2.6)	(3.1)
EBIT	0.4	0.4	0.8	1.2	2.4	3.0
<i>Margin on Sales</i>	4.3%	4.4%	5.2%	7.1%	11.1%	11.3%
Interest	(0.1)	(0.0)	(0.1)	(0.1)	(0.1)	(0.1)
Write-down of equity investments and receivables	0.0	0.0	(0.5)	0.0	0.0	0.0
EBT	0.2	0.3	0.1	1.1	2.3	2.8
<i>Margin on Sales</i>	2.9%	3.9%	0.8%	6.3%	10.4%	10.8%
Income taxes	(0.1)	(0.3)	(0.2)	(0.3)	(0.6)	(0.8)
Net Income (Loss)	0.2	0.0	(0.0)	0.8	1.6	2.0
<i>Margin on Sales</i>	1.9%	0.6%	-0.3%	4.5%	7.5%	7.7%

Source: Company data 2020-22PF, EnVent Research 2023-25E - Notes: 2020-21 aggregated figures; 2022PF assumes the consolidation of VNE, VNE Renting and VNE Service since beginning of year; Write-down of trade receivables are included in other operating costs, before EBITDA, as per international practice standards

Balance Sheet

€m	2020	2021	2022PF	2023E	2024E	2025E
Inventory	1.8	2.6	3.3	4.1	4.9	5.9
Trade receivables	10.7	10.2	11.0	11.3	13.1	15.8
Trade payables	(2.6)	(4.0)	(4.5)	(5.1)	(6.1)	(7.2)
Trade Working Capital	9.9	8.8	9.8	10.3	11.9	14.4
Other assets (liabilities)	0.9	1.7	1.0	0.9	1.2	1.4
Net Working Capital	10.7	10.5	10.8	11.2	13.1	15.8
Intangible assets	3.6	3.5	4.9	5.2	5.0	4.7
Property, plant and equipment	2.3	2.8	2.2	2.3	1.9	1.0
Equity investments and financial assets	0.0	0.5	0.2	0.2	0.2	0.2
Non-current assets	5.9	6.8	7.2	7.7	7.1	5.9
Provisions	(0.7)	(0.7)	(0.7)	(0.8)	(1.0)	(1.2)
Net Invested Capital	16.0	16.7	17.3	18.1	19.1	20.5
Net Debt (Cash)	4.7	5.3	4.0	1.0	0.4	(0.3)
Equity	11.2	11.4	13.3	17.1	18.8	20.8
Sources	16.0	16.7	17.3	18.1	19.1	20.5

Source: Company data 2020-22PF, EnVent Research 2023-25E - Notes: 2020-21 aggregated figures; 2022PF assumes the consolidation of VNE, VNE Renting and VNE Service since beginning of year

Cash Flow

€m	2021	2022PF	2023E	2024E	2025E
EBIT	0.4	0.8	1.2	2.4	3.0
Current taxes	(0.3)	(0.2)	(0.3)	(0.6)	(0.8)
D&A	1.1	1.5	2.0	2.6	3.1
Provisions	0.0	0.0	0.1	0.2	0.2
Cash flow from P&L operations	1.2	2.1	3.0	4.5	5.4
Trade Working Capital	1.0	(0.9)	(0.5)	(1.6)	(2.5)
Other assets and liabilities	(0.8)	0.7	0.1	(0.2)	(0.2)
Capex	(1.6)	(2.2)	(1.9)	(1.9)	(1.9)
Operating cash flow after WC and capex	(0.1)	(0.3)	0.6	0.7	0.8
Interest	(0.0)	(0.1)	(0.1)	(0.1)	(0.1)
Write-down of equity investments and receivables	0.0	(0.5)	0.0	0.0	0.0
Equity investments and financial assets	(0.5)	0.3	0.0	0.0	0.0
Paid-in capital	0.0	2.0	0.0	0.0	0.0
Changes in equity and adjustments	0.1	0.0	0.0	0.0	0.0
IPO Proceeds	0.0	0.0	3.1	0.0	0.0
Capex - IPO cost	0.0	0.0	(0.6)	0.0	0.0
Net cash flow	(0.6)	1.3	3.0	0.6	0.7
Net Debt (Beginning)	(4.7)	(5.3)	(4.0)	(1.0)	(0.4)
Net Debt (End)	(5.3)	(4.0)	(1.0)	(0.4)	0.3
Change in Net Debt (Cash)	(0.6)	1.3	3.0	0.6	0.7

Source: Company data 2021-22PF, EnVent Research 2023-25E - Notes: 2020-21 aggregated figures; 2022PF assumes the consolidation of VNE, VNE Renting and VNE Service since beginning of year

Ratio analysis

KPIs	2020	2021	2022PF	2023E	2024E	2025E
ROE	1%	0%	0%	4%	9%	10%
ROS	4%	4%	5%	6%	10%	11%
ROIC	2%	2%	4%	7%	13%	14%
DOI	117	115	106	100	95	95
DSO	380	349	225	200	180	180
DPO	159	177	127	120	120	120
TWC/Sales	117%	101%	67%	61%	55%	55%
NWC/Sales	127%	120%	74%	66%	60%	60%
Capex/Sales	na	18%	15%	11%	9%	7%
Net Debt/EBITDA	2.5x	3.5x	1.8x	0.3x	0.1x	0.0x
Net Debt/Equity	0.4x	0.5x	0.3x	0.1x	0.0x	0.0x
Cash flow from P&L operations/EBITDA	na	81%	95%	95%	91%	90%
FCF/EBITDA	na	neg	neg	20%	15%	13%

Source: Company data 2020-22PF, EnVent Research 2023-25E - Notes: 2020-21 aggregated figures; 2022PF assumes the consolidation of VNE, VNE Renting and VNE Service since beginning of year

10. VALUATION

Market reach and high growth potential

Valuation topics

VNE profile is that of an industry-specialized manufacturer of self-checkout automated machines, positioned as a service quality leader in a fragmented competitive arena. The European retail market, as well as other developed countries in the global market, is large and just at the beginning of a massive coverage, with endless opportunities driven by the pervasive digitalization trend. VNE advanced product portfolio, service capability and market reach in our view are the distinctive factors to capture the increasing market demand.

Value drivers

- Reputation of quality and service capability proven by sustained growth in target markets
- Penetration in key European markets prove competitive advantages of the product-service combination
- Revenue visibility from customers with mid/long-term contracts

Relevant market metrics and valuation issues

- Market and industry analyses suggest substantial growth expectations based on the gradual digitalization trend in industries where self-checkout is still occasional
- Entry barriers are low, in a market open to small specialists and giant “*as-a-service*” players
- The competitive framework with vivid rivalry may challenge market share and profitability growth
- Industry market multiples, mostly from large, diversified corporations, might be misleading as a source of valuable indications
- The historical performance of VNE, which shows steady revenues and profitability in the high-teens, is consistent with the higher-end of the industry

Valuation metrics

The valuation of VNE has been performed through:

- Discounted Cash Flows
- Market multiples
- Regression analysis

Discounted Cash Flows

We have applied the DCF model to our 2023-25E financial projections with the following metrics and assumptions:

- Risk free rate: 3.7% (Italian 10-year government bonds interest rate - last 30 days average. Source: Bloomberg, September 2023)
- Market return: 12% (last 30 days average. Source: Bloomberg, September 2023)
- Market risk premium: 8.3%
- Beta: 1.1 (judgmental)
- Cost of equity: 12.8%
- Cost of debt: 6%
- Tax rate: 24% IRES
- 30% debt/(debt + equity) as target capital structure
- WACC calculated at 10.3%, according to above data
- Perpetual growth rate after explicit projections (G): 3%
- Terminal Value assumes a 17.5% EBITDA margin

DCF valuation

€m	2020	2021	2022PF	2023E	2024E	2025E	Perpetuity
Revenues	8.7	10.2	15.2	18.5	23.3	28.0	28.8
EBITDA	1.9	1.5	2.3	3.2	5.0	6.0	5.0
<i>Margin on Sales</i>	22.7%	17.4%	15.5%	18.8%	22.8%	23.0%	17.5%
EBIT	0.4	0.4	0.8	1.2	2.4	3.0	3.0
<i>Margin on Sales</i>	4.3%	4.4%	5.2%	7.1%	11.1%	11.3%	10.6%
Taxes	(0.1)	(0.1)	(0.2)	(0.3)	(0.7)	(0.8)	(0.8)
NOPAT	0.3	0.3	0.5	0.9	1.7	2.1	2.2
D&A				2.0	2.6	3.1	2.0
Provisions				0.1	0.2	0.2	0.0
Cash flow from operations				3.0	4.5	5.4	4.2
Trade Working Capital				(0.5)	(1.6)	(2.5)	(0.5)
Other assets and liabilities				0.1	(0.2)	(0.2)	0.0
Capex				(2.5)	(1.9)	(1.9)	(2.0)
Unlevered free cash flow				0.0	0.7	0.8	1.7
WACC	10.3%						
Long-term growth (G)	3.0%						
Discounted Cash Flows				0.0	0.6	0.6	
Sum of Discounted Cash Flows	1.2						
Terminal Value							23.7
Discounted TV	17.7						
Enterprise Value	18.8						
Net debt as of 31/12/22	(4.0)						
IPO proceeds	3.1						
Equity Value	17.9						

Source: EnVent Research

DCF - Implied multiples	2022PF	2023E	2024E	2025E
EV/Revenues	1.2x	1.0x	0.8x	0.7x
EV/EBITDA	8.3x	5.9x	3.8x	3.1x
EV/EBIT	25.1x	15.7x	7.8x	6.3x
P/E	neg	23.7x	11.0x	8.8x

Source: EnVent Research

Market multiples assessment

Despite the low comparability of peers to VNE, for size, business model, sales mix, target industries and applications, as an assessment exercise, we have applied to our 2023-24E projections the multiples of the Producers cluster deriving from 2Y analyst consensus. The resulting range of values evidences an inherent inconsistency between Sales and EBITDA based values and those coming from EBIT and Net Income, whose reason is the heavy depreciation effect of rented machines accounted for as fixed assets, shifting a portion of cost of sales. As evidenced in the following table, the range of values resulting through EV/Revenues and EV/EBITDA mean multiples application would be in the same region of the analytical valuation.

Market multiples application

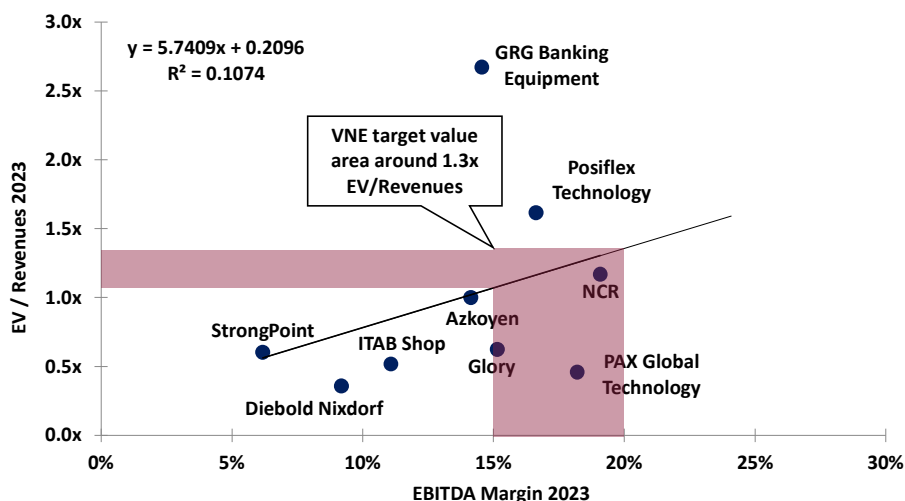
€m						
VNE (€m)		Market Multiples	EV	Net debt 31/12/22	IPO Proceeds	Equity value
2023E Sales	16.9	0.9x	15.4	(4.0)	3.1	14.5
2024E Sales	21.7	0.8x	18.0	(4.0)	3.1	17.1
Mean			16.7			15.8
2023E EBITDA Adj	3.2	8.1x	25.6	(4.0)	3.1	24.7
2024E EBITDA Adj	5.0	6.0x	29.6	(4.0)	3.1	28.7
Mean			27.6			26.7

Source: EnVent Research

Valuation derived from regression analysis

We investigated the correlation between EBITDA Margin and EV/Revenues of listed peers. Despite showing a low correlation, probably explained by the low comparability among peers, the regression analysis may help to visualize a suitable value area for VNE. Data show that with EBITDA Margin in the 15-20% range, the resulting EV/Revenues would be around 1.3x.

Regression analysis



Source: EnVent Research, September 2023

Valuation summary and Target price

In VNE valuation, we attribute higher significance and weight to fundamentals and thus to DCF methodology-based values. The €17.9m equity value is set as a suitable reference to evaluate VNE investment case, supported by technological foundations, market reach and high growth potential in a still uncovered market with endless opportunities. Consequently, we initiate the coverage of VNE with an OUTPERFORM rating, based on a Target Price per share of €5.77, +41% on €4.08 IPO offer price and with a potential upside of 28% on current share price.

Please refer to important disclosures at the end of this report.

VNE Price per Share	€
Target Price	5.77
Current Share Price (06/09/2023)	4.49
Premium (Discount)	28%

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The “OUTPERFORM”, “NEUTRAL”, AND “UNDERPERFORM” recommendations are based on the expectations within a 12-month period from the date of rating indicated in the front page of this publication.

Equity ratings and valuations are issued in absolute terms, not relative to market performance.

Rating system and rationale (12-month time horizon):

OUTPERFORM: stocks are expected to have a total return above 10%;

NEUTRAL: stocks are expected to have a performance between -10% and +10% consistent with market or industry trend and appear less attractive than Outperform rated stocks;

UNDERPERFORM: stocks are among the least attractive in a peer group, with the target price 10% below the current market price;

UNDER REVIEW: target price under review, waiting for updated financial data, or other key information such as material transactions involving share capital or financing;

SUSPENDED: no rating/target price assigned, due to material uncertainties or other issues that seriously impair our previous investment ratings, price targets and earnings estimates;

NOT RATED: no rating or target price assigned.

Some flexibility on the limits of the total return rating ranges is permitted, especially during high market volatility cycles.

The stock price indicated in the report is the last closing price on the day of Production.

Date and time of Production: 06/09/2023 h. 7.00pm

Date and time of Distribution: 07/09/2023 h. 6.30pm

DETAILS ON STOCK RECOMMENDATION AND TARGET PRICE

Date	Recommendation	Target Price (€)	Share Price (€)
07/09/2023	OUTPERFORM	5.77	4.49

ENVENT RECOMMENDATION DISTRIBUTION (September 07th, 2023)

Number of companies covered:	24	OUTPERFORM	NEUTRAL	UNDERPERFORM	SUSPENDED	UNDER REVIEW	NOT RATED
Total Equity Research Coverage %		83%	8%	0%	4%	4%	0%
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* Note: Companies to which corporate and capital markets services were supplied in the last 12 months.

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