

VALICA

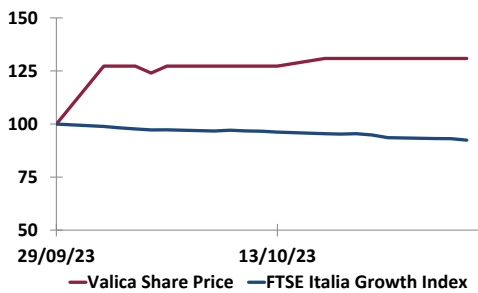
INSPIRE AND DISCOVER

OUTPERFORM

Current Share Price (€): 7.20

Target Price (€): 8.36

Valica - Performance since IPO



Source: S&P Capital IQ - Note: 29/09/2023 (IPO offer price)=100

Company data

ISIN number	IT0005562514
Bloomberg code	VLC IM
Reuters code	VCL.MI
Industry	Digital advertising
Stock market	Euronext Growth Milan
Share Price (€)	7.20
Date of Price	25/10/2023
Shares Outstanding (m)	2.0
Market Cap (€m)	14.7
Market Float (%)	16.4%
Daily Volume	0
Avg Daily Volume since IPO	654
Target Price (€)	8.36
Upside (%)	16%
Recommendation	OUTPERFORM

Share price performance

	IPO
Valica - Absolute (%)	31%
FTSE Italia Growth Index (%)	-8%
IPO Range H/L (€)	7.20 / 5.50
IPO Change (€) / %	1.70 / 31%

Source: S&P Capital IQ

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Digital advertising, mar-tech media and events on leisure and food & wine

We initiate coverage of Valica: **OUTPERFORM** rating, **Target Price €8.36 per share**. Valica, listed on Euronext Growth Milan since September 2023, is a provider of mar-tech solutions for advertisers and audiences in the travel and food & wine sectors. Born as digital publisher through websites and social networks, Valica has built communities of travel and food lovers. Its network includes own websites as Paesi Online, Turisti per caso, Ricette della nonna. Aimed at B2B and B2C leisure operators, its offering includes communication channels and tools, from online advertising and communication plans and operations, to mar-tech services for corporate clients, leveraging on tech know-how, content creation skills and wide audience on proprietary and licensed websites. Since 2019, Valica has introduced *phygital* food & wine event formats across Italy for B2C retail customers: Borgo diVino and Fiera dei Sapori.

Monetization by an integrated offer of digital advertising media, mar-tech and events through a business model vertically integrated around travel and food & wine. Over the years, growing organically and through acquisitions, Valica has developed as core competencies: tech know-how, audience and content factory skills. Monetization of digital and physical spaces is Valica core business. Valica network generates audience by its websites, which count over 30m webpage visits per month. The audience is key for online visibility and advertising campaigns effectiveness, also drives the attendance of food & wine events organized by Valica. The integrated business model and the B2B-B2C selling proposition are designed to diversify revenues and catch different market trends.

State-of-the-art technology. Fytur, late 2022 ad-tech partnership Valica and ExMarketPlace, Google Trusted Partner, is expected to expand audience, advertising clients, market recognition and quality of services by optimizing media sales on a proprietary platform used by over 100 publishers. Through Fytur, Valica know-how in digital advertising is complemented by ExMarketPlace technology and authorizations, reaching volumes, standards and authorizations to aggregate websites. Fytur is a turning point for Valica for monetization of publishers. With Fytur, Valica network has achieved a total of 70 websites, 10 of which are owned, with the remainder under exclusive right of use.

Target Price €8.36 per share, OUTPERFORM recommendation

Valica business model and selling proposition make it equipped to catch the increasing market demand linked to digital transformation of tourism, travel, food & wine companies. The value expectation counts on a boost in revenues, a perspective of scalability and operating leverage, depending on the ability to successfully carry out its growth strategy. We initiate Valica coverage with an OUTPERFORM rating and Target Price per share of €8.36, +52% on €5.50 IPO offer price and with a potential upside of 16% on current share price.

KEY FINANCIALS AND ESTIMATES (€m)	2022A	2023E	2024E	2025E
Revenues	2.8	6.0	9.0	13.3
EBITDA	0.2	0.9	1.5	2.6
Margin	9.2%	15.5%	17.5%	19.8%
Net Income (Loss)	(0.2)	0.4	0.8	1.4
Adj Net (Debt) Cash	(1.7)	0.1	1.1	3.1
Equity	0.9	3.2	3.9	5.4
KEY RATIOS AND MULTIPLES	2022A	2023E	2024E	2025E
Net Debt/EBITDA	7.2x	cash	cash	cash
EV/Revenues	na	2.4x	1.6x	1.1x
EV/EBITDA	na	15.9x	9.4x	5.7x

Source: Company data 2022A, EnVent Research 2023-25E

1. INVESTMENT CASE

Company

Valica SpA is a provider of mar-tech services for the tourism and food & wine industries. Valica as a publisher through a portfolio of websites and brands offers communication channels and tools to the widely populated and diversified B2B and B2C leisure market, from online advertising, communication plans and operations, to mar-tech services for corporate clients, leveraging on its tech know-how, content creation skills and wide audience on its proprietary and licensed websites. Since 2019, Valica has introduced food & wine events across Italy for B2C retail customers.

Main services:

- Digital advertising
- Mar-tech services
- Food & wine events organization

Key figures (FY22):

- Revenues: €2.6m
- EBITDA: €0.2m, 9% margin

Source: Company data

Vision

Digitally-enable tourism stakeholders to offer new experiences to final customers.

Mission

Valica aspires to be a reference player in the digital transformation of the Italian tourism and food & wine industry.

Drivers

Industry drivers

Digital transformation of businesses. The digital transformation is unfolding in the leisure industry, where the online presence is the first driver of visibility to reach audiences and customers.

Digital advertising, internet as first media. Internet continuing rise resulted in becoming the largest media channel of the advertising industry, its share of contribution above 40% surpassed television in 2020 and it is expected a further rise in next years (source: Politecnico di Milano, *Osservatorio Internet Media, 2022*)

Leisure travel leading the recovery of the tourism industry. Before 2020 the travel industry made up 10% of global GDP, after the pandemic the contribution was cut in half (source: Statista, *Share of travel and tourism's total contribution to GDP worldwide in 2019 and 2022, with a forecast for 2023, 2023*). A large share of the industry was related to business travel, which has become less frequent than before after pandemic due to new working patterns, ongoing flexible arrangements and increased use of technology. Instead, leisure travel has already recovered in 2022, with Europe at nearly 80% of pre-pandemic levels and 2023

following the same trend (source: UNWTO, *Tourism Set to Return to Pre-Pandemic Levels in Some Regions in 2023*, 2023).

Growing demand for experiential travel and food & wine tourism. Italian and foreign tourists are more and more interested in experiential travel to discover the Italian specialties. Food and winemaking, an integral part of the history and identity of most destinations in Italy, represent an opportunity to revitalize and diversify tourism and experiences.

Company drivers

Core competencies. Over the years, growing organically and through acquisitions, Valica has developed three core competencies: tech know-how, wide audience reach and content creation capabilities. These are key to operate as enabler and marketer for businesses going digital.

Audience monetization. Monetization of digital and physical spaces, through its competencies, is Valica core business. Valica network generates audience by its websites and events, which count over 30m webpages visited per month and 100k visitors (source: Company data). The audience is key for online visibility and advertising campaigns effectiveness, and also drives the attendance of food & wine events organized by Valica.

Tech know-how. Valica owns a proprietary data management platform to collect, organize and use website users' data. Fytur, established by Valica (55%), Zeus Media (30%) and Mora Gradient (15%) in late 2022, operates as ad-tech company through a proprietary platform, used by more than 100 publishers in Italy (source: Company data), and user licenses for the platforms of the main Over-the-top (OTT) media companies. With Fytur, Valica know-how in digital advertising has been complemented by the technology and authorizations of ExMarketPlace, Google-certified partner, reaching the necessary volumes, quality standards and authorizations to aggregate websites.

Creative content creation. Valica publishing to provide textual and visual content, carried out by both an internal team or in outsourcing, is addressed to businesses in the travel and food industries.

Business mix centered around travel, food & wine. Valica selling proposition of digital advertising, mar-tech and events organization services is built around the verticality in travel and wine & food industries: the integrated business model addressing B2B and B2C customers facilitates cross-selling opportunities.

Website portfolio, own and under management. The websites and brands portfolio includes proprietary websites such as turistipercaso.it, ricettedellanonna.it and paesionline.it, plus other licensed, conveying a wide audience.

Challenges

Technological change. Technology and services are in a continuous change and development. To be forefront and updating skills are crucial tasks in order to not being left behind.

Ad Fraud and Ad Blockers. Digital advertising faces challenges such as ad fraud, where deceptive techniques are used to generate illegitimate ad impressions or clicks. Ad blockers are also used by users to block or minimize exposure to digital ads, which can impact ad visibility and effectiveness.

Mature and highly competitive markets. The wide digital advertising market, despite continuing evolution, is mature, highly populated and competitive. In addition, when targeting B2C customers of food & wine events, Valica may encounter competition from other largest or more popular events and experiences.

Low barriers to entry. Digital marketing solutions have relatively low barriers to entry, new competitors can enter the market without significant obstacles. However, Google and other certifications may represent obstacles for newcomers.

High rank clients requiring sizeable agencies and mixed media. Domestic and international players offering advertising services across both traditional and digital media may be more attractive for clients requiring integrated advertising services across wider marketing channels.

2. PROFILE

Digital advertising, mar-tech and events

Valica digital advertising, mar-tech and food & wine event services are addressed to B2B and B2C customers through three dedicated BUs.

Valica network of websites dedicated to food and travel includes proprietary websites as Paesi Online, Turisti per caso and Ricette della nonna. Valica operates licensed websites too, through concession agreements with the publishers who own these websites.

The workforce consists of around 50 as employees or freelancers.

Core competencies:

- Technology
- Audience
- Content creation










Proprietary assets:

- Brands
- Websites
- Formats

Reference assets:

- Audience
- Social communities

History and key developments

Key milestones		
2016	<ul style="list-style-type: none"> • Establishment of Valica 	
2017	<ul style="list-style-type: none"> • Acquisition of the rights of use of the travel website Travelfool 	
2018	<ul style="list-style-type: none"> • Acquisition of the food website Ricette della Nonna • Acquisition of the rights of use (35 years) of the travel website Turisti per caso 	 
2019	<ul style="list-style-type: none"> • First B2C wine event Borgo diVino • First B2C food event Fiera dei Sapori 	 
2020	<ul style="list-style-type: none"> • Acquisition of Wantrek, experiential tourism platform • Development of a proprietary Data Management Platform 	
2022	<ul style="list-style-type: none"> • Partnership with ExMarketPlace, Google certified publishing partner to improve tech know-how • Establishment of Fytur, in partnership with ExMarketPlace, to provide ad-tech monetization services 	 
2023	<ul style="list-style-type: none"> • Listing on Euronext Growth Milan (September), IPO proceeds €1.8m 	

Source: Company data

Services

Main services

DIGITAL ADVERTISING

Standard

Rich media

Cross device

MAR-TECH

Captive market

Non-captive market

B2B

WINE & FOOD EVENTS

Ticketing

Exhibiting

Sponsorship

B2C

Source: Company data

Digital advertising and MAR-TECH services

Display advertising, the content is promoted through various formats shown on the webpages:

- Standard
- Rich media
- Cross device

MAR-TECH:

- “Captive”, special projects:
 - Development of tailored advertising and communication campaigns
 - Direct email marketing (DEM)
- “Non-captive”:
 - Website development and optimization
 - Search Engine Marketing (SEM)
 - Search Engine Optimization (SEO)
 - Brand and logo design

Food & wine events

Fiera dei Sapori d'Italia

Attendance: 8-25k +50 food specialties
 5-10 days +100 wines
 +90 food & wine +25 masterclass and
 operators activities



Borgo diVino

Attendance: + 30k +500 wineries
 45 days +1000 wines
 15 locations 

Source: Company data

Group proprietary and licensed websites



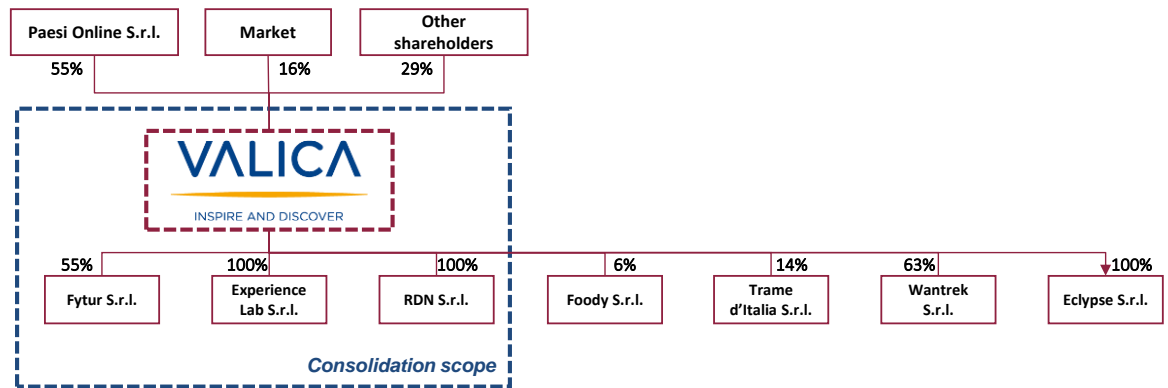
Source: Company data

Corporate clients

Institutions	
Airlines	
Extra Travel	
Food industry	
Other clients	

Source: Company data

Shareholders and group companies



Source: Company data - Note: Shareholders of Paesi Online Srl are Luca Cotichini (51%) and Emiliano D'Andrea (49%); rounded figures

Key people

Name and role	Background
Co-Founder, CEO and Head of Advertising Emiliano D'Andrea	<ul style="list-style-type: none"> Co-founder and CEO since the establishment of Valica In 2006 founded PaesiOnline Srl, a digital advertising network for travel
Co-Founder, Head of B2C and publishing Luca Cotichini	<ul style="list-style-type: none"> Co-founder of Valica Since 2015 has developed food and wine event formats, such as BorgodiVino and Fieradeisapori Since 2011 has worked at the creation and launch of several websites such as Placesonline, Trueriders, Vitadaturista, Goodtrekking In 2001 created the website PaesiOnline.it and has worked for 10 years at its development and positioning among the top travel websites in Italy
CFO Sergio De Luca	<ul style="list-style-type: none"> CFO of Valica since 2022 2019-22 strategic consultancy and fundraising for startups 12 years experience in Atlantia Group, in business development

Source: Company data

IPO and stock market performance on Euronext Growth Milan

Valica on Euronext Growth Milan	
Stock market	Euronext Growth Milan
Bloomberg code	VLC IM
Reuters code	VCL.MI
IPO date	29/09/2023
Offer Price (€)	5.50
Money raised (€m)	1.8
Market Cap at IPO (€m)	11.2
Free float at IPO	16.4%
Ordinary shares - ISIN number	IT0005562514
Shares outstanding	2,041,880
Current Share Price (€)	7.20
Current Market Cap (€m)	14.7
Price Adjustment Shares (PAS)	
PAS outstanding	294,000
Threshold	EBITDA FY24 at €1.45m
Market Cap at IPO including PAS (€m)	12.8

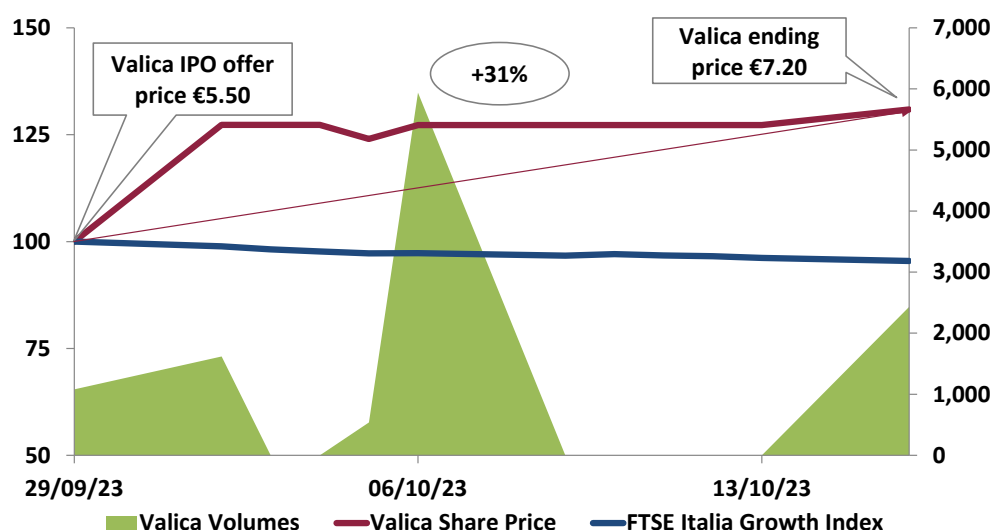
Source: Company data and S&P Capital IQ, update: 25/10/2023

Price Adjustment Shares mechanism

Total shares outstanding after the IPO are 2,335,880, of which 2,041,880 ordinary shares listed on Euronext Growth Milan and 294,000 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 €1.45m, 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: 29/09/2023 (IPO offer price)=100

3. INDUSTRY INSIGHTS, MARKET TRENDS AND OUTLOOK

Audience welcome ads in exchange for valuable contents...

On websites or other media platforms, the acceptance of advertisements by audiences becomes more favourable when users receive high-quality content. Quality content serves as a foundation for building trust and credibility with the audience. Visitors encountering valuable and engaging content are more likely to perceive the accompanying advertisements as relevant and worthwhile. By consistently providing informative articles, entertaining videos, or insightful podcasts, content creators establish a relationship with their audience, leading to a higher acceptance of ads. The audience recognizes that these ads when aligned with the content, can offer additional value or solutions that enhance their overall experience.

An ever-transforming industry

Traditionally, in advertising brands used to spread their messages through all kinds of media as a good strategy to reach their targets, but the rising use of internet has changed the game, with web-based cookies and other instruments allowing companies to monitor individuals online and customize their advertising for specific user segments. However, the increasing regulation on data protection in most countries has gradually made third-party cookies obsolete, leading to a transformation of the advertising landscape. According to McKinsey, for advertisers three strategies will create an advantage in the future: use their own consumer touchpoint to collect first-party data; create partnerships to leverage second-party data; contextual advertising, ads based on the content a user is viewing as interest-based advertising (source: McKinsey, *As the cookie crumbles, three strategies for advertisers to thrive*, 2022).

Technological advancements optimized ad buying and performances

Ad exchanges, real-time bidding and data analytics have had a significant impact on the efficiency and performance of online advertising. Ad exchanges platforms created a space for real-time auctions where advertisers can bid through automated auction systems on available ad inventory in multiple websites. Data analytics empowered advertisers and publishers to get insights about user behaviour, preferences and engagement patterns.

Key takeaways

Online advertising is a dynamic industry where:

- Quality content drives traffic and audience trust
- Regulatory framework impacts technology development
- There is continuous advancement and innovation in technologies

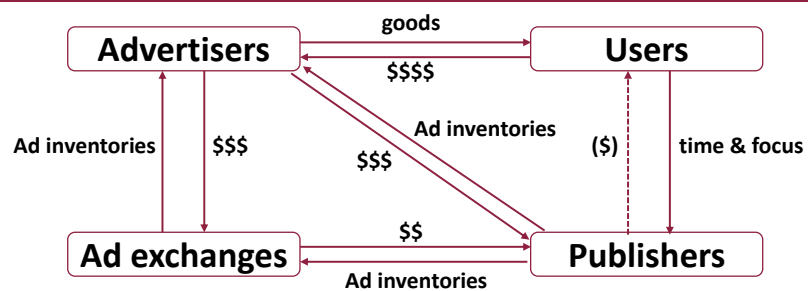
Industry ecosystem

The digital advertising ecosystem is based on the connection between four types of players:

- Advertisers
- Users
- Publishers
- Ad exchanges

Advertisers choose how to spend their client budget to buy ad inventories directly from publishers or indirectly from ad exchanges, which are intermediaries for the sell and buy of ad inventories from publishers. Users are reached in the publisher platform by the ads (source: Yuan, Abidin, Sloan & Wang, *Internet Advertising: An Interplay among Advertisers, Online Publishers, Ad Exchanges and Web Users*, 2012).

Digital advertising interplay



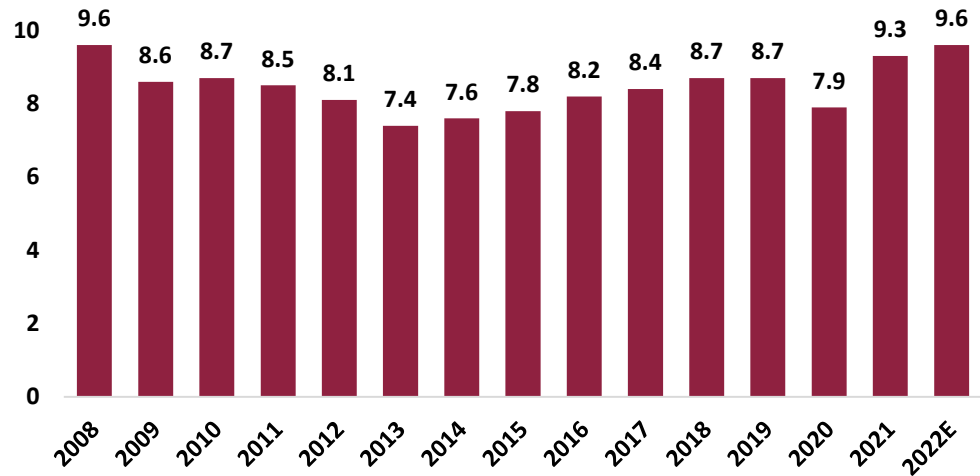
Source: Yuan, Abidin, Sloan & Wang, *Internet Advertising: An Interplay among Advertisers, Online Publishers, Ad Exchanges and Web Users*, 2012

Websites monetization

In the digital era publishers provide free content in websites, social media or apps. Their businesses in case of free access platforms generate revenues from ads placement, sponsorships or collaborations. Differently, some publishers provide exclusive content for which users need to pay subscription fees.

Digital advertising in Italy

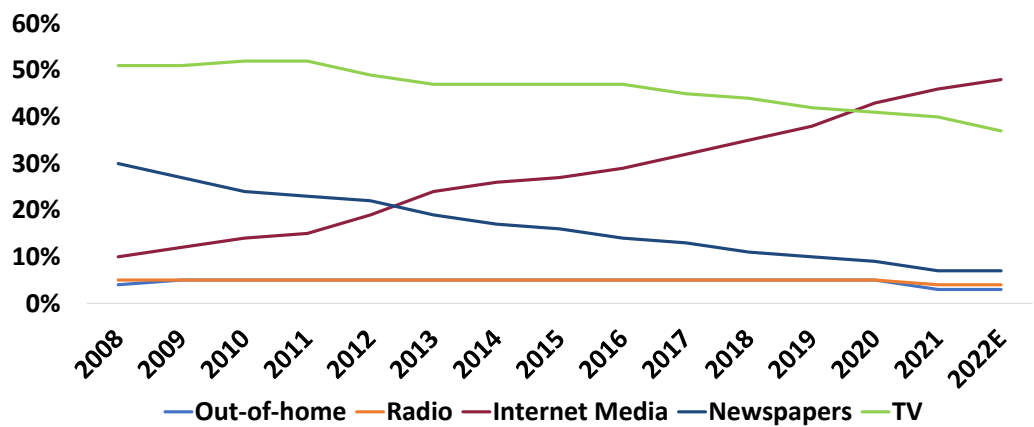
Advertising spending in Italy 2008-22E (€bn)



Source: Osservatorio Internet Media Politecnico di Milano, *La metamorfosi dei Media: i nuovi volti dell'advertising digitale*, 2022

In Italy, during the last 15 years advertising spending remained stable around €9bn. Television used to be the first channel, but along the years internet experienced an upsurge, also related to the spread of smartphones and tablets.

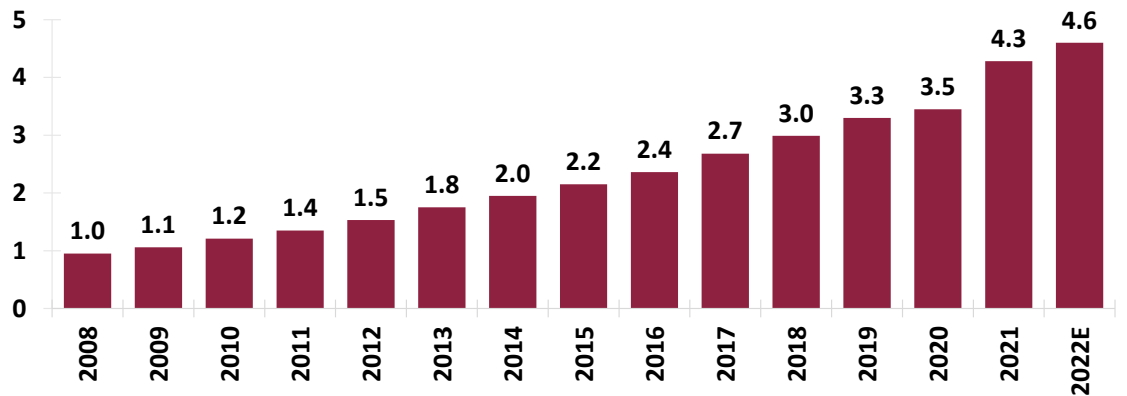
Advertising spending by media type, %



Source: Osservatorio Internet Media Politecnico di Milano, *La metamorfosi dei Media: i nuovi volti dell'advertising digitale*, 2022

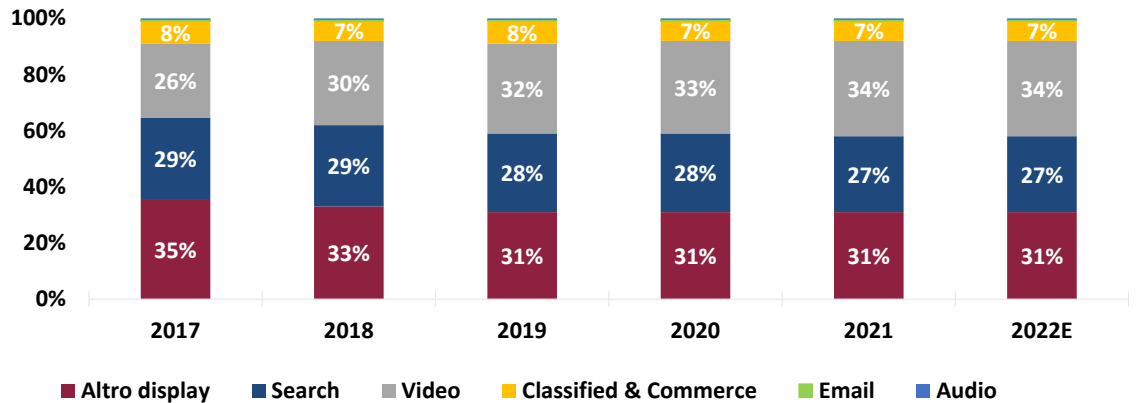
Internet upsurged as the first media channel, while television is in a decreasing trend consistent with the rising of video on demand as Netflix, Youtube, etc. Those digital video platforms are experiencing significant growth in market share as they extend their reach from mobile devices to consumers' living rooms. Many of these platforms are now adopting hybrid models, offering various tiers that span from ad-supported options to ad-free subscriptions (source: Bain & Company, *Changing Channel: Broadcasters Switch to Digital TV Advertising*, 2022).

Internet advertising market in Italy (€bn)



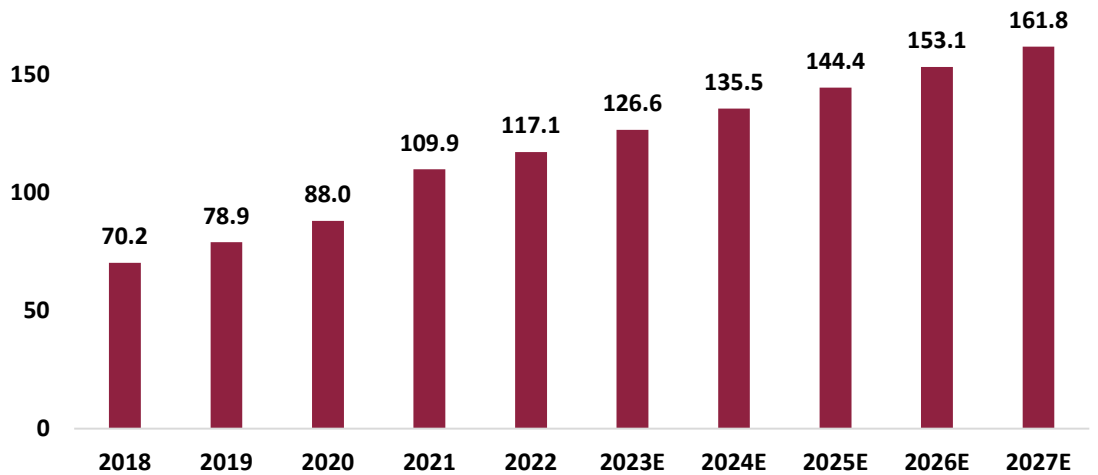
Source: Osservatorio Internet Media Politecnico di Milano, *La metamorfosi dei Media: i nuovi volti dell'advertising digitale*, 2022

Italian market by segment 2017-22E, %



Source: Osservatorio Internet Media Politecnico di Milano, *La metamorfosi dei Media: i nuovi volti dell'advertising digitale*, 2022

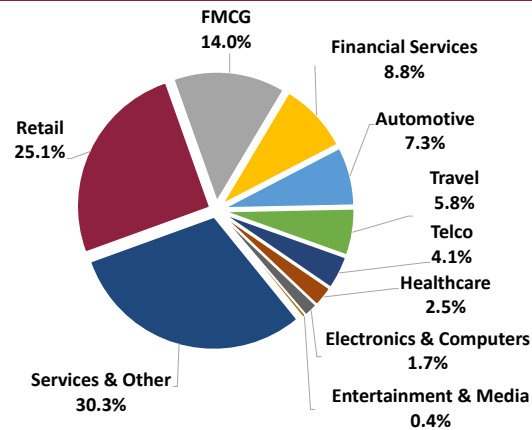
Ad spending per internet user Italy 2018-27E, \$



Source: Statista, *Ad spending per internet user of the digital advertising market in Italy from 2018 to 2027*, 2023

According to Statista, the average ad spending per internet user (ARPU) in Italy is expected to increase up to 28% between 2023E and 2027E.

Digital advertising in Italy by industry 2021, %

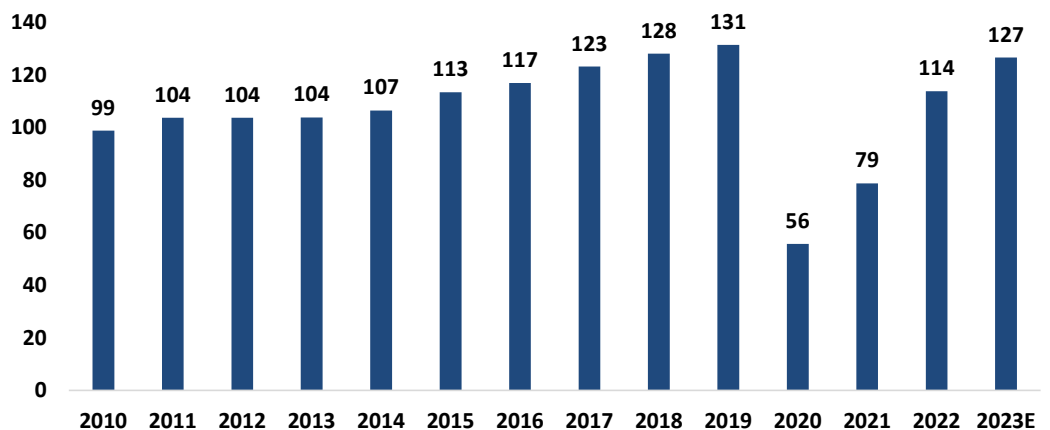


Source: Statista, *Distribution of digital advertising spending in Italy in 2021, by industry, 2021*

Tourism industry focus

The tourism industry encompasses travel, hospitality and other leisure activities. According to the World Travel & Tourism Council, the industry along 2014-19 accounted for 20% of new jobs created globally and around the 10% of global GDP in 2019 (source: Statista, *Share of travel and tourism's total contribution to GDP worldwide in 2019 and 2022, with a forecast for 2023, 2023*). The impact of COVID-19 pandemic led to significant shifts and challenges. However, as travel restrictions eased in many parts of the world, the travel industry is gradually recovering. After recovery in 2022, with Europe at nearly 80% of pre-pandemic levels, 2023E could see international tourist arrivals reaching up to 95% of pre-pandemic levels in Europe based on UNWTO's forecasts (source: UNWTO, *Tourism Set to Return to Pre-Pandemic Levels in Some Regions in 2023, 2023*). Demand from the US is continuing to push flows towards Europe. In addition, the lifting of travel restrictions in China as of early 2023 has marked the return of tourists abroad. In this scenario, Italy is among the most desirable destinations, hosting a record high over last 10 years of over 442m overnight stays in tourist accommodations (+12% YoY) and 127m tourist arrivals in 2023 (+11% YoY), almost recovering the 2019 level (source: Demoskopika, *Tourism forecast 2023, 2023*).

Tourist arrivals in Italy, 2010-23E (millions)



Source: Demoskopika, *Tourism Forecast 2023, 2023*

Food & wine tourism

Food & wine is a “niche” of the wider tourism industry. According to the World Food Travel Association, food tourism is “the act of traveling for a taste of place in order to get a sense of place”, including both foreigners and local residents that want to make an experience in a particular area. Benefits of the industry include: promotion of visitor arrivals; enhance destination brands; driving exportation of local food and beverage. Culinary tourism globally in 2022 reached a value around \$980bn (source: Futuremarketinsights, *Culinary Tourism Market Outlook*, 2022).

Wine tourism worldwide leading countries, index score 2021

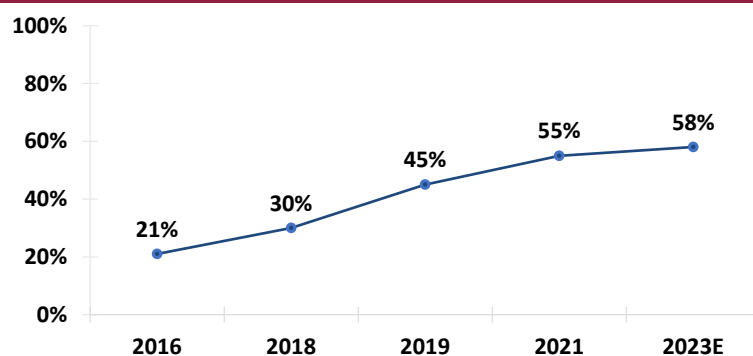
Italy	8.28
Portugal	7.88
Spain	7.16
France	6.86
New Zealand	5.53
Greece	5.24
Chile	5.01
Argentina	4.65
Australia	4.54
Hungary	4.23

Source: Statista, *Leading countries for wine tourism worldwide, 2021*

Italy

Italy is renowned for its rich culinary traditions and represents one of the top destinations for food & wine tourism, being characterized by regional diversity that generates a wide set of flavors, high-quality ingredients and traditional dishes. Culinary tourism in 2022 attained a value of \$35bn and is expected to reach \$144bn by 2032E (source: Futuremarketinsights, *Italy culinary tourism market*, 2022).

Food & wine tourist growth in Italy



Source: R. Garibaldi, *Rapporto sul turismo enogastronomico italiano tendenze e scenari 2023, 2023*

There has been a notable surge in interest and participation in food & wine types of experiences. With the growing emphasis on gastronomy and cultural exploration, individuals are increasingly drawn to food & wine events that offer a unique blend of culinary discovery and regional immersion. Approximately 60% of Italian tourists have participated in at least one

food and wine event within the past three years. For those specifically interested in food & wine experiences, this percentage increases to around 70% (R. Garibaldi, *Rapporto sul turismo enogastronomico italiano tendenze e scenari 2023*, 2023).

Last three years participation in wine and food experiences

	Food & Wine tourists	Total Italian tourists
Culinary experiences in restaurants	97%	94%
Visits to production sites	85%	74%
Food & Wine events	70%	60%
Active Food & Wine experiences	68%	53%
Thematic tours and itineraries	63%	48%
Other Food & Wine experiences	68%	65%

Source: R. Garibaldi, *Rapporto sul turismo enogastronomico italiano tendenze e scenari 2023*, 2023

According to the European Travel Commission, more than 20m people are interested in traveling where wine, food and local specialties are key elements. The demand is high and it is now key for the businesses to develop a high quality and unique offer and to promote it through an innovative a diversified communication (source: Associazione Italiana Turismo Enogastronomico, *Rapporto sul turismo enogastronomico italiano*, 2023).

Information sources for wine & food experiences by age group

	18-24	25-34	35-44	45-54	55-64	>65
Word-of-mouth	56%	49%	55%	55%	55%	56%
Tourism websites	21%	29%	22%	31%	33%	31%
TV and movies	19%	26%	23%	27%	29%	26%
Facebook	16%	25%	27%	25%	17%	17%
Instagram	47%	39%	19%	18%	8%	4%
Food & Wine guides	15%	21%	19%	19%	20%	21%
Travel magazine / newspaper	12%	15%	16%	21%	24%	23%
Tripadvisor	24%	15%	15%	23%	14%	20%
Food & Wine magazines / newspaper	14%	16%	13%	12%	16%	14%
YouTube	22%	14%	10%	14%	11%	12%
Tour operator guides or websites	14%	15%	12%	12%	12%	12%
Google Maps	11%	12%	10%	15%	9%	8%
Tik Tok	17%	8%	5%	3%	3%	1%
Virtual tour	4%	5%	2%	5%	4%	5%
Digital tastings	3%	4%	2%	4%	4%	2%
Twitch	1%	2%	1%	1%	0%	0%
Other social media	4%	2%	2%	3%	2%	2%

Source: R. Garibaldi, *Rapporto sul turismo enogastronomico italiano tendenze e scenari 2023*, 2023

Word-of-mouth and tourism websites leading sources across all age groups...

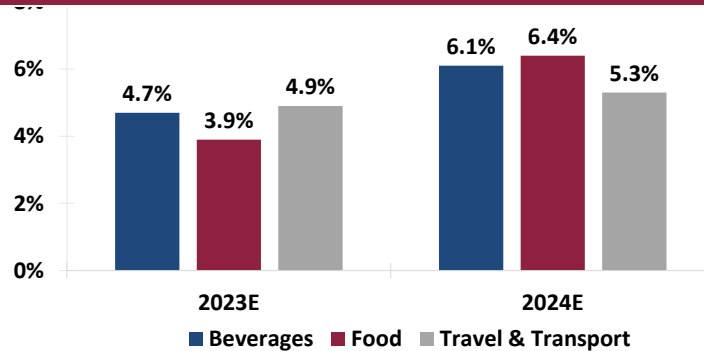
Millennials and Gen Z are increasingly relying on social media

Outlook

Digital advertising: global budgets set to increase

According to the international advertising company Dentsu, a promising growth trend in global advertising expenditure is expected to continue in the next years despite the economic uncertainty, with digital advertising spending expected to grow by 6.6% three-year CAGR to 2025E (Source: Dentsu, *Global Ad Spend Forecasts*, 2023).

Global advertising expenditure by industry (YoY% change, 2023-24E)



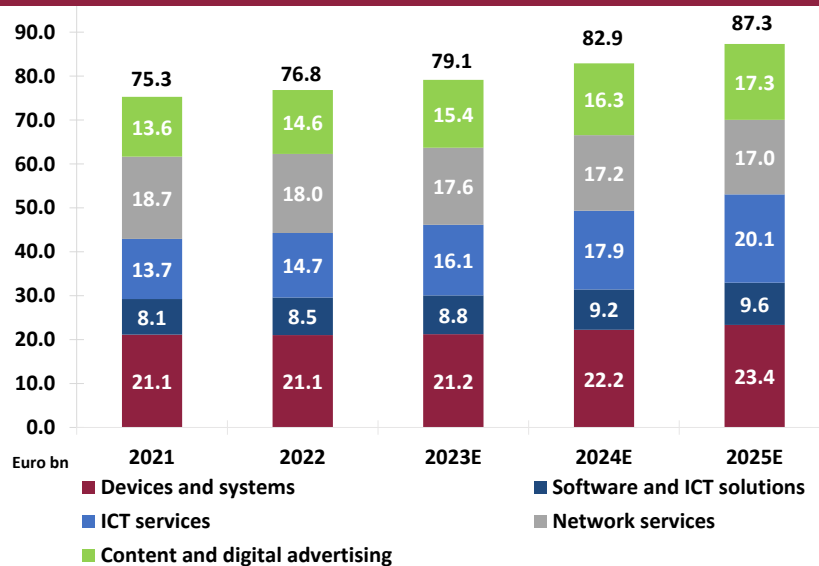
Source: Dentsu, *Global Ad Spend Forecasts*, 2023

For the next two years, Dentsu estimates increase advertising spending in beverages, food and travel & transport industry, due to increasing budgets in marketing campaigns (Source: Dentsu, *Global Ad Spend Forecasts*, 2023).

Italian digital market increasingly driven by content and digital advertising

The Italian digital market grew by 2% in 2022, reaching €77bn, driven by ICT services, content and digital advertising, software and ICT solutions segments (Source: NetConsulting cube, *Digitale in Italia*, 2022).

The Italian digital market (€bn)



Source: NetConsulting cube, *Digitale in Italia*, 2022

The Italian digital market is expected to reach €79bn in 2023E (+3% YoY) and €87bn in 2025E, with ICT services and digital advertising experiencing the highest growth at +6% CAGR in the period 2023E-25E (Source: NetConsulting cube, *Digitale in Italia*, 2022).

Tourism: Italy could break record in 2023

In 2023E Italy could record the highest number of both arrivals and overnight stays, putting the sector's recovery ahead of pace in Europe as a whole. According to market-research institute Demoskopika, summer holidays in Italy await over 68m tourists (+4.3% YoY and +3.7% on 2019) and 267m overnight stays (+3.2% YoY and +2.6% on 2019). Italy will be the holiday destination for 35.3m foreign travelers (Source: Demoskopika, *Tourist forecast summer 2023*, 2023).

4. BUSINESS MODEL

Monetizing a direct audience through a business model vertically integrated around travel and food & wine

With over 15 years of creating content for proprietary and licensed websites about travel and food & wine, Valica has developed its industry knowledge and expertise to offer a full and integrated portfolio of services for B2B and B2C customers, covering from traditional advertising agency services to special projects and mar-tech consulting for tourism operators. Since 2019 Valica also organizes food & wine events, transitioning the business model to a *phygital* approach. We deem that the business model strategy consists in the diversification and leveraging of Valica know-how and its audience, also representing part of the potential attendance for food & wine events.

Fytur contribution

The establishment of Fytur, ad-tech partnership between Valica and ExMarketPlace to optimize media sales, operating through a proprietary platform used by more than 100 publishers (source: Company data), is expected to expand audience, advertising clients, market recognition and quality of services. With Fytur, Valica know-how in digital advertising has been complemented by the technology and authorizations of ExMarketPlace, Google-certified partner, reaching the necessary volumes, quality standards and authorizations to aggregate websites.

Revenue model

Valica generates revenues from three streams:

- direct or indirect monetization of websites through media sales to advertisers - B2B
- service fees for digital and content creation services to corporate clients - B2B
- events ticketing, exhibiting and sponsorship - B2C

Audience monetization

Valica business model is based on the monetization of assets including websites and their related audience supported by content creation and technology.

Websites monetization is performed through the placement of advertising; the fee received for the placement depends on the website traffic and the user engagement, so the audience represents the main driver for monetization.

Content creation is the way to attract the audience of the various thematic websites and to offer specific campaigns design and strategic advisory to corporate clients to enhance the online promotion of their products, services and brand.

Valica technological platforms and know-how support the quality of services for corporate clients, to enhance the efficiency of advertising campaigns, to analyse results and provide marketing strategies.

Historical websites growth

	2016	2018	2020	2022A	2023
Proprietary websites	4	6	7	7	10
Licensed websites	4	12	13	13	+70
Total websites	8	18	20	20	+80



Source: Company data - Note: 2023 current data

Valica audience

Target audience	Proprietary and licensed sites	Monthly visitors (millions)
Travel lovers		+ 9
Food lovers		+ 13.5
Other publishers		+ 150

Source: Company data

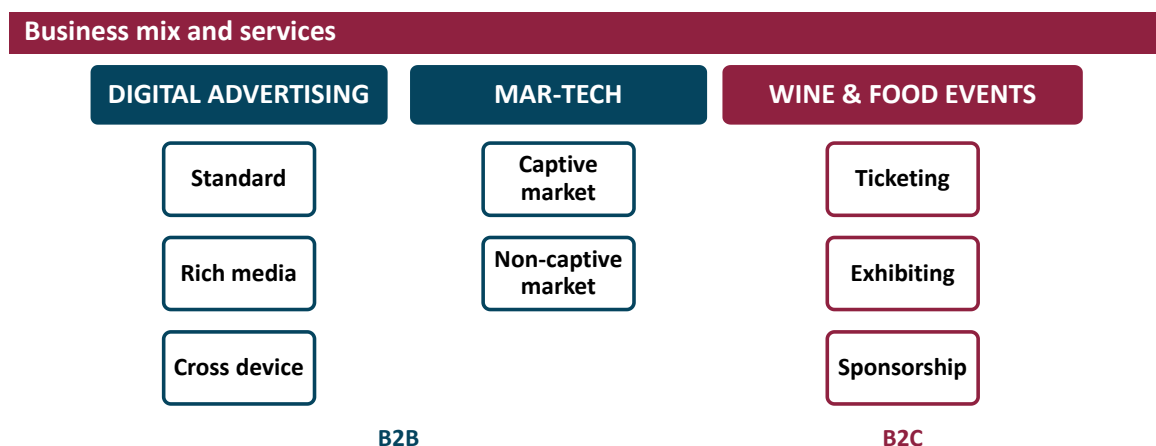
Clients

The main clients of Valica are in the tourism and food industries, contracted both directly and through agencies or media sales or buyer agencies. The media buyer agency is an advertising and media market expert to which companies delegate their online and offline advertising budgets, while the sales agency is engaged by one or several publishers as market expert to optimize the revenues generated by their available ad space. Agreements with media involve the provision of advertising formats for clients who turn to media buyers to place orders. These services are generally regulated based on orders placed with Valica and/or Fytur on behalf of clients.

Other B2B clients include:

- airlines
- tour operators
- hotel chains
- shipping companies
- travel insurance companies
- online travel agencies (OTAs)
- consortia
- wineries

- public administration entities



Source: Company data

Digital advertising - B2B

Fytur services include:

- Technological infrastructure solutions, the technological platforms used allow the user to display the advertising message in formats and methods aligned with the browsing habits of the target user
- Web marketing solutions, to analyse the issues of websites to reach an audience and make the most of the website's functionality to improve its ranking
- Content development support, to publishers in need of creating content without expanding their staff, by connection with content provider companies

Automated advertising

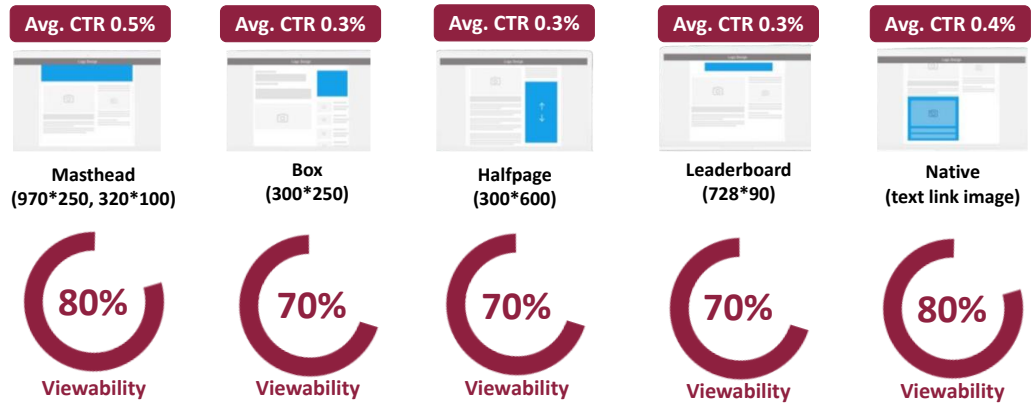
This revenue line is based on the use of AdManager platforms within search engines and social networks which address promote sale of media space on Valica websites. Terms and conditions are based on agreement between Valica and the AdManager.

Direct channel reservation

This service line manages directly with the client the design of the advertising campaign and the placing on the group websites.

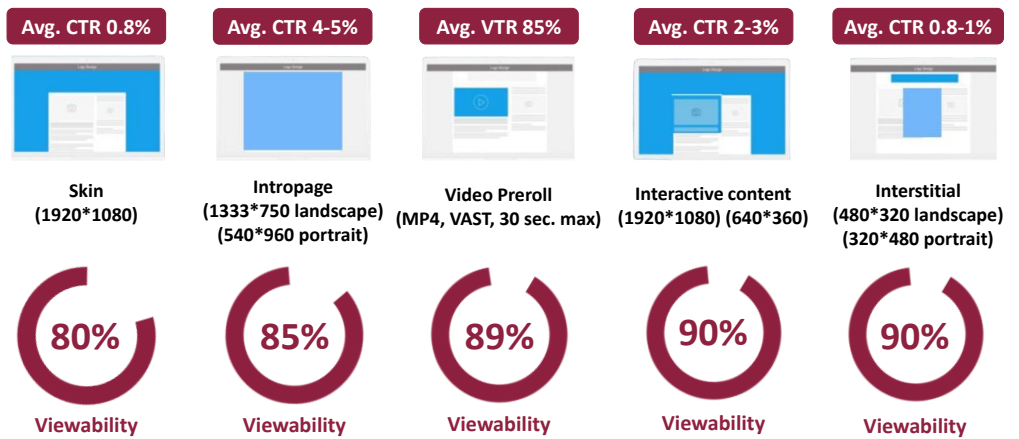
Monetization tools

ADV standard formats



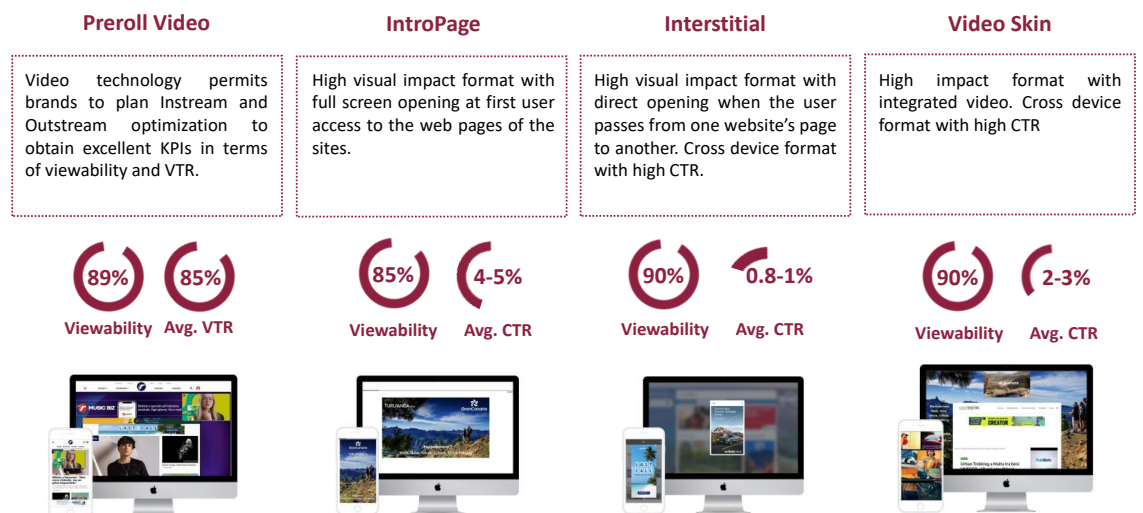
Source: Company data

ADV Rich Media formats



Source: Company data

ADV cross device formats



Source: Company data

Mar-tech - B2B

Mar-tech services to promote digitally products and services as: website creation and browsing optimization; web marketing strategy development; marketing automation; video content creation and editing; brand and logo design and promotion; social media management.

Special projects - captive market

Additional services for display advertising clients to exploit Valica technological and content creation skills and audience.

Two service lines:

- Direct Email Marketing campaigns
- Publishing

Non-captive market:

- Website design
- SEO & SEM
- Promotional campaign and pay-per-click
- Social media marketing
- Revenue management

Food & wine events - B2C

Food & wine event organization in Italy for B2C retail customers. Valica performs ticketing, exhibiting and sponsorship.

Two event formats:

- “Borgo diVino”, an itinerant event that offers participants the opportunity to taste local wines and discover the excellences of the hosting territory. In 2023 were planned at least 15 events.
- “La Fiera dei Sapori d’Italia”, an event that celebrates and promotes the gastronomic diversity of Italian regions, highlighting typical products and supporting Italian producers, restaurateurs and chefs. The goal is to offer visitors a culinary adventure through Italy, presenting a wide selection of traditional dishes, fine wines, and craft beers, all enriched with workshops, guided tastings, and show-cooking

The events are organized in partnership with the association “I Borghi più belli d’Italia”, which has relationships with local public administrations and manages the authorization procedures. In the event organization wineries and other sponsors purchase ads and physical locations to showcase and sell their products.

Technological landscape of Valica network

Valica conducts its operations through Fyturn licensed platforms and technological services:

- Google AdManager, Google platforms that makes publishers ad inventory available for advertisers. It includes in its functionalities “AdExchange” and tailored “Header bidding”
- AdExchange - Scaled Partner Management, platform for programmatic advertising, real time sell and buy of ad inventory

- Open bidding, open market platforms for advertisers to buy ad inventory bidding with other advertisers
- Header bidding, it allows multiple demand sources as AdExchange platforms to bid simultaneously for ad inventory before the ad is served
- AdFraud protection, set of technologies and systems certified by TAG (Trustworthy Accountability Group), which through verification systems can confirm that ads are sent to desired sites

Strategy: consolidate and increasing the market share

Valica's key strategy pillars:

- new websites, both proprietary and licensed (with exclusivity agreements through Fytur)
- increasing number of events and experiences
- franchising project for food & wine event formats
- acquisition of new technologies

5. COMPETITION

Based on Valica business mix and model, to provide an overview of the competitive arena we analyzed three clusters:

- Publishers
- Digital advertising companies
- Events

Mapping the landscape in the Italian wider digital advertising industry

The digital advertising industry in Italy is highly fragmented and varied, with several players performing different activities. The market is populated by:

- advertising agencies, whose offering includes services of ad campaigns planning, ad space buying and management, design of online advertising strategies, campaign optimization
- media buying agencies, which select the proper combination of ad spaces among various media to optimize the effectiveness of a campaign
- media sales agencies, which are engaged by publishers to market their media advertising space available
- online advertising platforms, which enable advertisers to create and publish ads across digital channels
- publishers, managing websites, blogs, or other platforms, providing media space for monetization through ads that may be sold directly or through media sales agencies
- ad networks, connecting publishers with advertisers, enhancing the distribution of ads through a network of affiliate websites
- programmatic advertising platforms, which allow advertisers to automate the buying and selling of ad spaces
- social media platforms, allowing advertisers and contributors to reach a wide audience and to utilize advanced targeting tools
- media companies, such as traditional TV broadcaster and radio stations, which have adapted to the digital era and offer advertising opportunities on their digital channels
- startups and tech companies, which develop advanced technologies as AI, augmented reality, video advertising or advanced targeting solutions

Competition factors: quality content and technology

While audience, as the number of visitors for a website or other platforms, represents the primary performance metric in general and also for the potential visibility for the adv placed, quality content creation is essential to a continuing audience engagement, which would generate more interactions and sharing, audience enlargement, brand recognition and valorization. Over time alignment with the audience interests is needed to create a long-lasting engagement.

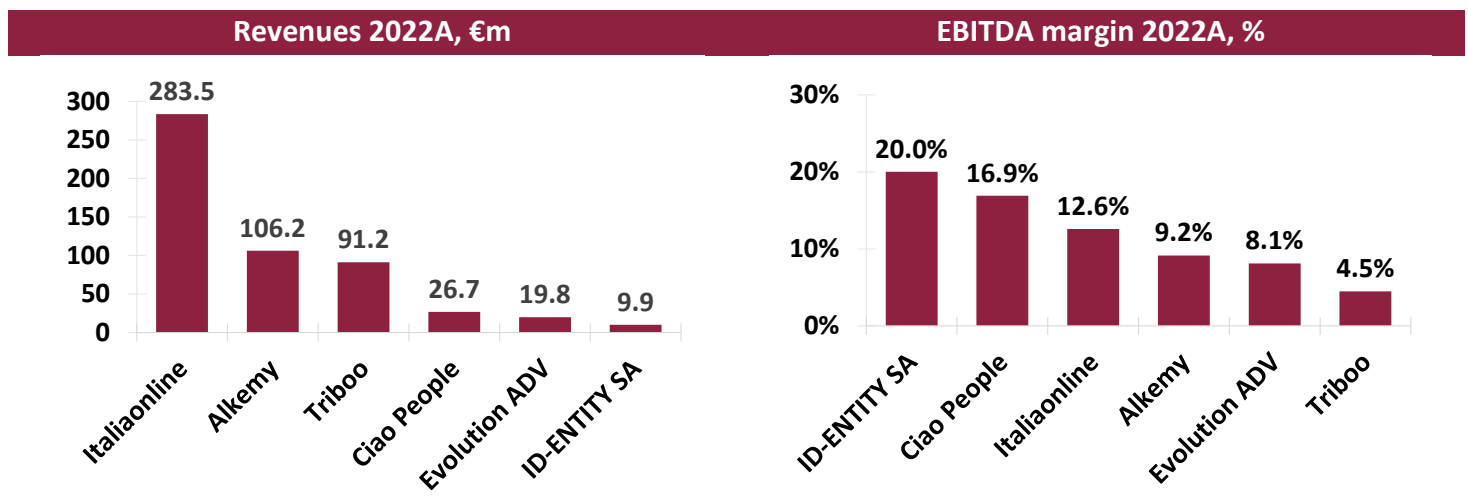
Technology is the key factor to provide a full portfolio of services to plan, execute and optimize advertising campaigns across channels. Access to advertising platforms enables a wide range of

additional services to enlarge the audience on websites, to target and to segmentate the right audience, to automate the buying and selling of media space and to analyze data to make informed decision and improve advertising strategies.

Publishers usually are owners of websites or other platforms where they share their content; those sites are monetized through ads placement, as banners, pop-ups, native ads etc.

Overview of digital advertising players in Italy

The Italian market includes a wide set of digital advertising companies, each with a distinctive range of services.



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

Publishers' competition

The competitive arena is populated by a massive number of tourism, travel and food websites. In order to analyze the audience, we observed the number of visitors in a month, June 2023, and the number of followers on the main social media as Instagram and Facebook.

Travel

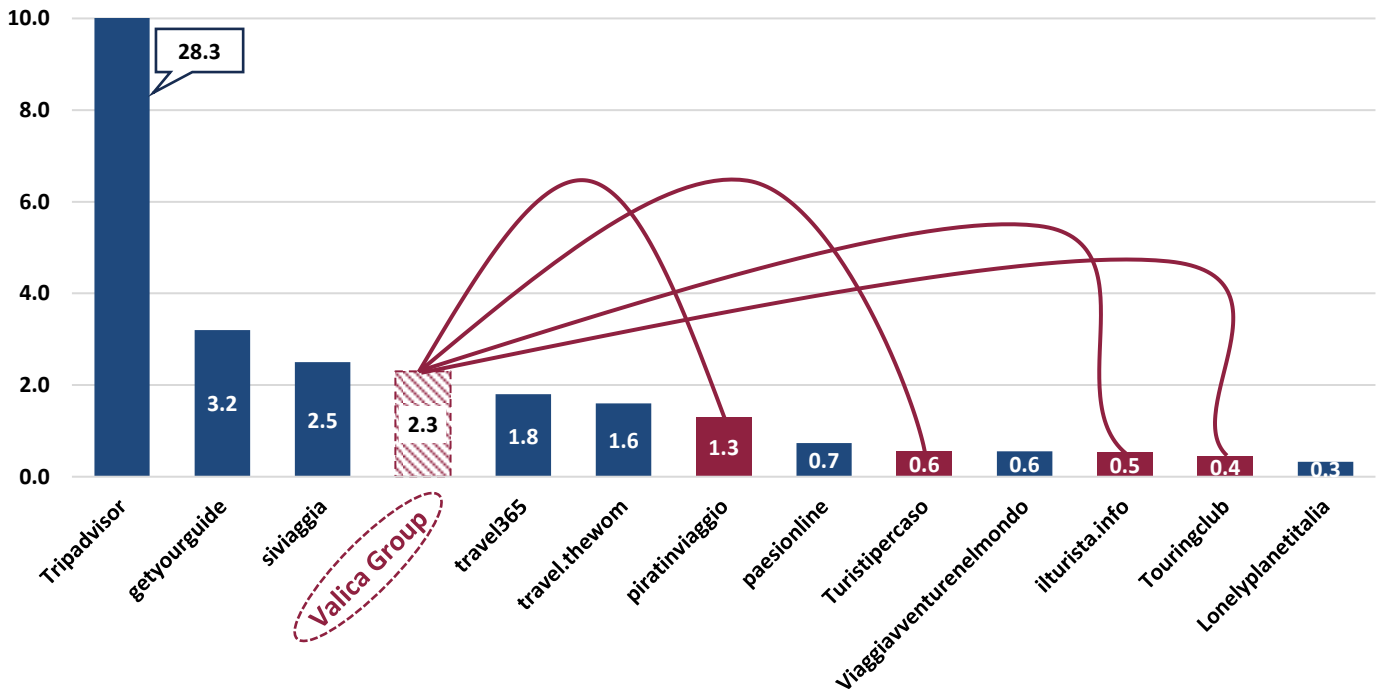
Travel websites strongly diverge in content and services offered and most of the sites are part of international groups. Valica websites are dedicated to travelers searching for information, advice and experiences about target destinations. As a consequence, the analysis excludes websites generating revenues from transaction fees as offering flight bookings, hotel reservations, vacation packages, etc..

Food

The top visited food websites in Italy are food/recipe websites, those may be divided in two groups:

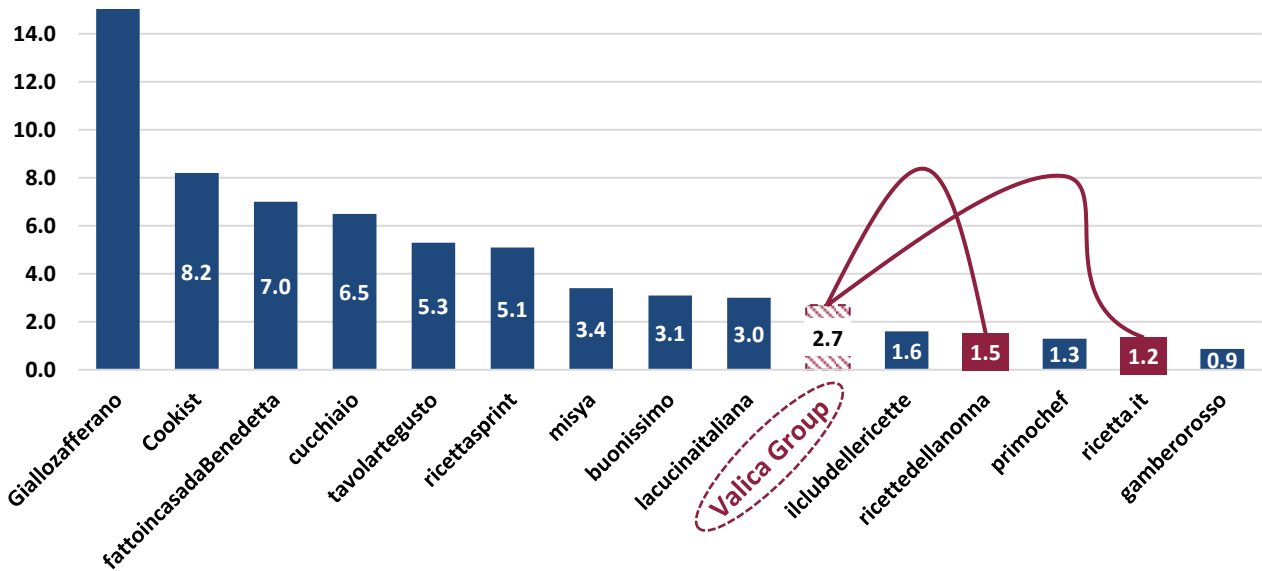
- magazines that digitalized their content
- food bloggers that created their audience through television and social media

Travel websites monthly visitors (millions)



Source: EnVent Research on publicly available information
Note: Number of visitors in June 2023

Food websites monthly visitors (millions)



Source: EnVent Research on publicly available information
Note: Number of visitors in June 2023

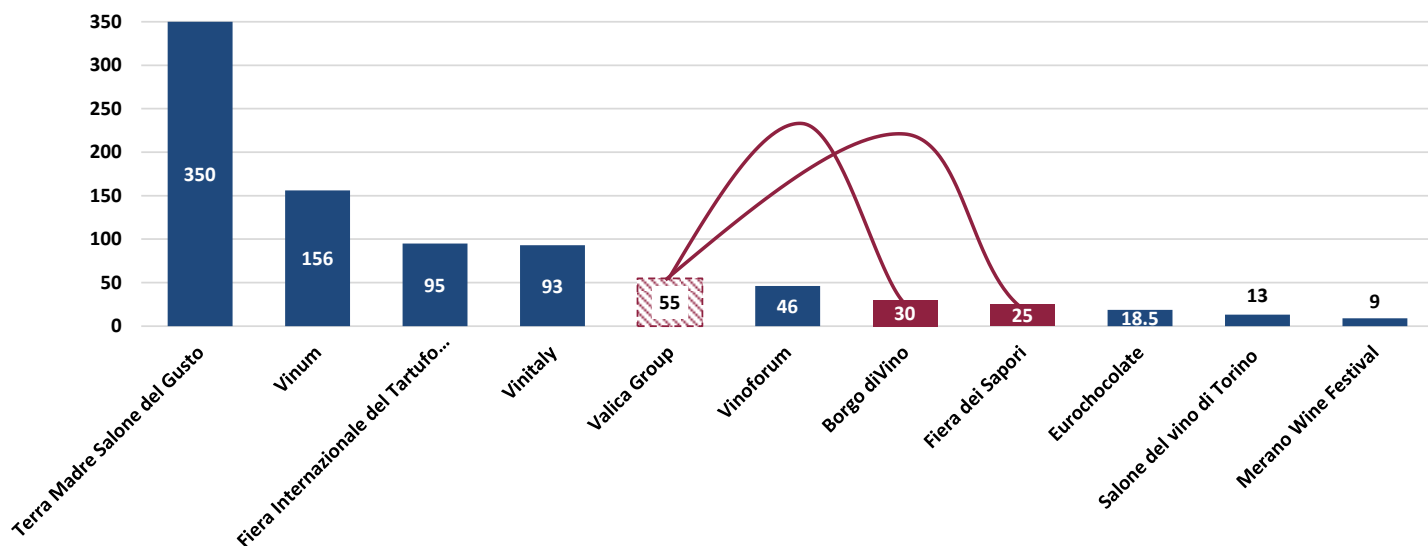
Food & wine events competition

Italy is renowned for its gastronomic delights and viticultural traditions: the country hosts a wide set of food & wine events throughout the year from regional specialties festivals to refined wine tastings. Those events serve even as platforms that showcase the unique places and cultural heritage of Italy.

Food & wine events may differ in:

- Size
- Duration
- Activities
- Free access or by ticket
- Number of locations
- Recurrence

Food & Wine events attendance, thousand



Source: EnVent Research on publicly available information

Competitive forces and risk assessment

Competitive forces		Risk map
Forces	Factors	
Competitive rivalry	<ul style="list-style-type: none"> Intense competition, fragmented market Competition on product/service quality Dominant role of large global tech firms 	<p>The risk map is a 2x2 grid with 'Higher risk' at the top and 'Lower risk' at the bottom, and 'Lower impact' on the left and 'Higher impact' on the right. Three red circles representing 'Substitutes', 'New entrants', and 'Competitive rivalry' are clustered in the top-right quadrant (high risk, high impact). Two circles, a green one for 'Customers' and a yellow one for 'Suppliers', are in the bottom-left quadrant (low risk, low impact). The text 'Overall risk profile MEDIUM-HIGH' is located in the bottom-right area of the grid.</p>
Substitutes	<ul style="list-style-type: none"> Continuous generation of new products/services, technologies, media channels 	
Customers	<ul style="list-style-type: none"> Low power Regulatory framework may introduce different protection of user rights 	
Suppliers	<ul style="list-style-type: none"> Medium/low power, higher for international technology suppliers Low entry barriers, represented by technology and certifications 	
New entrants	<ul style="list-style-type: none"> Mitigant: takes time and skills to build up a loyal audience 	

Source: EnVent Research

6. MARKET METRICS

Market value of listed companies

Selection criteria

Key factors:

- Revenue model based on audience monetization
- Business mix including digital advertising, mar-tech and events
- Portfolio of websites and digital communities
- Proprietary technology
- Target clients B2B, B2C

Comparability assessment: no pure comparable listed player

Based on the above factors, most industry players do not match the business mix and model. We have analyzed, as a wider scope, several companies sharing with Valica some characteristics:

- audience monetization
- range of services including digital advertising and mar-tech
- tech-driven businesses
- industry specializations through verticals
- reference markets and underlying industry logics

However, in addition to business model features, there are some main differences among the selected players, such as size, geographical scope of operations, stage of maturity and financial performance.

Industry segmentation

Varied companies subject to the same monetization industry logics and trends

We have segmented the selected public companies into clusters to detect possible performance consistencies and to understand the key market metrics for the industry:

- **Community websites** - publishers whose business model is based on audience monetization through ads placing - Profiles below, as monetization-oriented companies with a certain degree of comparability
- **Digital advertising** - marketing agencies offering digital services to corporate clients

Profiles - Community websites

IAC (US) - 2022 Revenues: €4.9bn - Comparability: Medium-low

Portfolio of Internet companies including: Angi (84% stake), community for home improvement jobs; Dotdash Meredith, leading US digital and print publisher; Care.com, platform for family care jobs; Mosaic Group, owner of +40 award-winning apps.

Gannett (US) - 2022 Revenues: €2.8bn - Comparability: Low

Mass media holding owner of 218 media brands such as USA Today, first US newspaper publisher and news broadcasting company, local publications and specialty content.

Tripadvisor (US) - 2022 Revenues: €1.4bn - Comparability: Medium

Travel platform for review of accommodations, restaurants, travel and experiences. Portfolio of travel media websites, as TheFork, CruiseCritic, Bokun, Flipkey, VacationHomerentals etc..

Sanoma (Finland) - 2022 Revenues: €1.3bn - Comparability: Medium-low

Media company of learning products. Portfolio of brands including newspapers, magazines, radios and TV channels.

Yelp (US) - 2022 Revenues: €1.1bn - Comparability: Medium

Online platform for crowd-sourced reviews about restaurants and businesses.

TX Group (Switzerland) - 2022 Revenues: €0.9bn - Comparability: Low

Network of platforms, owner of +50 brands including newspapers of Tamedia, free media and advertising companies.

Reach (UK) - 2022 Revenues: €0.7bn - Comparability: Low

Commercial news publisher, portfolio of +130 brands about news, entertainment and sport both printed and online.

Reworld (France) - 2022 Revenues: €0.5bn - Comparability: Medium

Publisher owner of 81 media brands, first national press editor and fourth digital player in thematic media.

Polaris Media (Norway) - 2022 Revenues: €0.3bn - Comparability: Low

Publisher owner of +70 media brands in Norway and Sweden, including printed and digital newspapers, radio and TV operations.

New Work (Germany) - 2022 Revenues: €0.3bn - Comparability: Medium

Operates professional networking platforms and marketing services.

Società Editoriale Il Fatto (Italy) - 2022 Revenues: €28m - Comparability: Medium-low

Publisher of newspapers, books and magazines. Also operates television content production and sale. Listed on Euronext Growth Milan.

Bright Mountain Media (US) - 2022 Revenues: €18m - Comparability: Medium-high

Media company with a portfolio of websites, providing advertising services and technologies.

Gambero Rosso (Italy) - 2022 Revenues: €18m - Comparability: Medium

Publisher specialized in travel and food & wine sectors offers guides, books, education, broadcasting services and event organization. Listed on Euronext Growth Milan.

Key data comparison

Company	Revenues				EBITDA Margin %			EBIT Margin %		
	2022A (€m)	YoY % change '22A vs. '21A	2012-18A CAGR %	2022A-25E CAGR %	2022A	2024E	Average 2018-22A	2022A	2024E	Average 2018-22A
Community websites										
IAC	4,899	51%	25%	-1%	-1%	10%	3%	-9%	1%	-3%
Gannett	2,756	-2%	24%	-3%	10%	11%	11%	4%	5%	5%
Tripadvisor	1,396	76%	16%	13%	9%	19%	-2%	7%	9%	-6%
Sanoma	1,298	4%	-15%	3%	19%	27%	22%	9%	12%	11%
Yelp	1,117	23%	41%	9%	7%	25%	5%	6%	11%	2%
TX Group	933	1%	1%	5%	10%	20%	13%	3%	14%	5%
Reach	683	-6%	-1%	-3%	18%	21%	22%	15%	18%	19%
Reworld Media	506	8%	nm	4%	13%	13%	12%	12%	11%	9%
Polaris Media	343	-6%	-8%	na	5%	na	7%	2%	na	4%
New Work	334	9%	24%	1%	25%	30%	24%	23%	18%	22%
Società Editoriale Il Fatto	28	-28%	n.a.	11%	25%	6%	13%	4%	3%	0%
Bright Mountain Media	18	61%	77%	na	-15%	na	nm	-23%	na	nm
Gambero Rosso	18	35%	8%	na	26%	na	22%	15%	na	7%
Mean		17%	17%	4%	12%	18%	13%	5%	10%	6%
Median		8%	16%	4%	10%	20%	12%	6%	11%	5%

Digital advertising

Dentsu Group	8,826	6%	-12%	0%	19%	18%	18%	13%	12%	11%
Criteo	1,887	-5%	40%	-15%	6%	29%	10%	2%	12%	5%
MGI	353	28%	nm	2%	24%	29%	17%	10%	19%	5%
The Mission Group	206	13%	4%	na	5%	na	5%	4%	na	4%
Alkemy	106	12%	55%	9%	9%	12%	7%	8%	8%	6%
Ebiquity	86	14%	3%	6%	-3%	19%	5%	-8%	16%	2%
DigiTouch	42	9%	30%	13%	15%	17%	13%	10%	11%	6%
YOC	24	24%	-7%	22%	9%	14%	7%	9%	9%	6%
Softlab	24	22%	na	na	17%	na	na	16%	na	na
Websolute	23	16%	16%	7%	9%	20%	12%	-1%	11%	5%
IDNTT	10	17%	na	38%	20%	20%	na	17%	18%	na
Mean		14%	16%	9%	12%	20%	11%	7%	13%	6%
Median		14%	10%	7%	9%	19%	10%	9%	12%	5%

Source: S&P Capital IQ, 25/10/2023

Market multiples

Company	EV/REVENUES				EV/EBITDA				EV/EBIT				P/E			
	2022A	2023E	2024E	2025E	2022A	2023E	2024E	2025E	2022A	2023E	2024E	2025E	2022A	2023E	2024E	2025E
Community websites																
IAC	1.1x	1.1x	1.1x	1.0x	neg	15.2x	10.7x	8.6x	neg	neg	nm	31.7x	neg	8.1x	nm	18.0x
Gannett	0.5x	0.6x	0.6x	0.6x	5.6x	5.2x	5.5x	5.2x	13.5x	13.0x	12.0x	9.1x	neg	13.2x	8.7x	5.7x
Tripadvisor	1.6x	1.0x	0.9x	0.9x	17.8x	6.1x	4.9x	4.2x	24.1x	17.1x	10.5x	7.9x	nm	13.9x	9.9x	8.1x
Sanoma	1.9x	1.4x	1.3x	1.3x	9.8x	5.8x	5.1x	4.8x	20.0x	12.2x	10.9x	9.9x	21.0x	14.0x	13.0x	11.0x
Yelp	1.4x	1.9x	1.8x	1.7x	19.3x	8.1x	7.2x	6.5x	23.6x	27.4x	15.8x	11.9x	nm	14.0x	11.4x	10.2x
TX Group	1.7x	1.2x	1.2x	1.2x	16.6x	7.2x	5.8x	5.4x	nm	9.7x	8.2x	7.1x	neg	na	na	na
Reach	0.5x	0.5x	0.5x	0.5x	2.8x	2.3x	2.3x	2.3x	3.3x	2.8x	2.7x	2.6x	5.6x	3.2x	3.3x	3.2x
Reworld Media	0.9x	0.5x	0.5x	0.5x	6.5x	4.7x	4.0x	3.6x	7.0x	5.2x	4.6x	4.1x	7.5x	5.1x	3.7x	3.1x
Polaris Media	1.0x	na	na	na	20.7x	na	na	na	na	nm	na	na	na	na	na	na
New Work	2.5x	1.2x	1.1x	1.0x	9.9x	4.2x	3.7x	3.4x	10.8x	7.1x	6.2x	5.6x	19.8x	10.7x	9.6x	8.5x
Società Editoriale Il Fatto	0.3x	0.3x	0.3x	0.2x	n.m	6.6x	4.4x	3.3x	6.7x	30.7x	9.2x	5.4x	2.7x	nm	9.7x	5.6x
Bright Mountain Media	2.8x	na	na	na	neg	na	na	na	neg	na	na	na	neg	na	na	na
Gambero Rosso	0.8x	na	na	na	3.2x	na	na	na	5.5x	na	na	na	3.7x	na	na	na
Mean	1.3x	1.0x	0.9x	0.9x	11.2x	6.5x	5.4x	4.7x	12.7x	13.9x	8.9x	9.5x	10.1x	10.3x	8.6x	8.2x
Median	1.1x	1.1x	1.0x	0.9x	9.9x	6.0x	5.0x	4.5x	10.8x	12.2x	9.2x	7.5x	6.6x	11.9x	9.6x	8.1x
Digital advertising																
Dentsu Group	1.0x	1.0x	0.9x	0.9x	5.4x	6.1x	5.2x	4.6x	7.8x	9.9x	7.4x	6.5x	18.3x	na	na	na
Criteo	0.6x	1.4x	1.3x	1.2x	10.2x	5.0x	4.5x	3.9x	34.8x	15.7x	10.7x	8.2x	nm	9.0x	8.0x	6.7x
MGI	1.5x	1.7x	1.5x	1.4x	6.4x	6.0x	5.3x	4.7x	14.8x	9.5x	8.2x	7.1x	neg	8.0x	5.4x	3.4x
The Mission Group	0.3x	0.5x	0.5x	0.4x	6.8x	5.0x	3.4x	3.1x	8.3x	8.1x	4.9x	4.3x	na	4.4x	1.9x	1.7x
Alkemy	0.7x	0.5x	0.5x	0.4x	8.1x	4.5x	4.0x	3.5x	9.6x	7.0x	5.6x	4.9x	10.9x	9.0x	5.8x	4.8x
Ebiquity	1.0x	0.8x	0.8x	0.8x	neg	4.7x	4.2x	3.7x	neg	5.5x	4.8x	4.3x	neg	6.1x	5.1x	4.6x
DigiTouch	0.9x	0.8x	0.6x	0.6x	6.0x	4.6x	3.5x	3.3x	9.0x	7.6x	5.3x	5.0x	13.1x	na	na	na
YOC	1.9x	1.2x	1.0x	0.8x	21.3x	8.8x	7.0x	5.5x	21.8x	13.9x	10.7x	8.4x	19.7x	13.1x	10.1x	8.2x
Softlab	1.3x	na	na	na	7.9x	na	na	na	8.3x	na	na	na	9.6x	na	na	na
Websolute	1.0x	0.9x	0.8x	0.7x	12.2x	4.8x	4.1x	3.3x	neg	10.9x	7.3x	5.2x	neg	16.0x	10.6x	7.1x
IDNTT	2.3x	1.0x	0.9x	0.8x	11.7x	5.2x	4.3x	3.7x	13.6x	5.8x	4.7x	4.0x	17.8x	8.3x	6.4x	5.2x
Mean	1.2x	1.0x	0.9x	0.8x	9.6x	5.5x	4.5x	3.9x	14.2x	9.4x	7.0x	5.8x	14.9x	9.2x	6.7x	5.2x
Median	1.0x	0.9x	0.8x	0.8x	8.0x	5.0x	4.2x	3.7x	9.6x	8.8x	6.5x	5.1x	15.5x	8.6x	6.1x	5.0x
Combined Mean	1.2x	1.0x	0.9x	0.8x	10.4x	6.0x	5.0x	4.3x	13.5x	11.5x	7.9x	7.7x	12.5x	9.8x	7.7x	6.8x
Combined Median	1.0x	1.0x	0.9x	0.8x	9.0x	5.2x	4.5x	3.8x	10.2x	9.7x	7.4x	6.0x	12.0x	9.0x	8.4x	5.7x

Source: S&P Capital IQ, 25/10/2023

7. FINANCIAL ANALYSIS AND PROJECTIONS

Audience monetization driving growth

Consolidated financial statements for Valica (including 100% of RDN and Experience Lab) have been prepared for the first time in FY22, without comparison for 2021. The subsidiary Fytur has been included in the consolidation scope starting from H1 2023.

Standalone accounts for Valica reported revenues around €2-2.5m in 2021A and 2022A, with EBITDA margin at 17-18% of revenues.

Revenue and profitability analysis

Valica generated €2.6m consolidated revenues in 2022A; €2.8m value of production also including capitalization of R&D and other income.

Most of revenues were from customers advertising on group media; food & wine events accounted for €0.2m in 2022A.

Services and media production cost were 66% of revenues, personnel was over 20% of revenues, other operating costs below 10%.

EBITDA was €0.2m, 9% on revenues, EBITA (before goodwill amortization) at breakeven. Net loss €(0.2)m.

Balance sheet analysis

On the balance sheet side, accounts receivable were €1.7m (66% of revenues) and payable €1m. Non-current assets of €2.1m are mainly made of: intangibles €1m and goodwill €0.2m.

As of year-end 2022A, net financial debt was €1.3m, with breakdown: €0.7m bank debt, €0.6m other financial debt (Invitalia and Simest), €0.1m cash, with net debt to EBITDA ratio of 5x. We acknowledge €0.4m overdue tax and social security liabilities as of year-end 2022A, which would result in an adjusted net debt of €1.7m. Equity is €0.9m, minorities reflect Fytur initial share capital portion.

Source: Company data

Current trading in H1 2023

Valica H1 2023 figures, consolidating also the accounts of the recently established subsidiary Fytur, show €2.2m revenues, reaching 82% of FY22, driven by the digital advertising business of Fytur which accounted for €1.7m revenues. EBITDA was €0.3m, 14% of revenues and net income at breakeven. Net financial debt as of June 2023 was €1.2m, from €1.3m as of year-end 2022. Adjusted for overdue tax and social security liabilities net debt would be €1.6m, from €1.7m as of year-end 2022A.

Consolidated Profit and Loss

€m	H1 2023
Revenues	2.2
Other income	0.0
Total Revenues	2.3
Services and cost of sales	(1.1)
Personnel	(0.2)
Other operating costs	(0.6)
Operating costs	(2.0)
EBITDA	0.3
<i>Margin</i>	<i>13.6%</i>
D&A	(0.3)
EBIT	0.0
<i>Margin</i>	<i>1.2%</i>
Interest	(0.0)
EBT	0.0
<i>Margin</i>	<i>0.7%</i>
Income taxes	0.0
Net Income (Loss)	0.0
<i>Margin</i>	<i>0.9%</i>

Source: Company data

Consolidated Balance Sheet

€m	2022A	H1 2023
Accounts receivable	1.7	2.3
Accounts payable	(1.0)	(1.2)
Working Capital	0.7	1.1
Other assets (liabilities)	0.1	0.1
Net Working Capital	0.8	1.2
Intangible assets	1.6	1.5
Goodwill	0.2	0.2
Fixed assets - equipment	0.1	0.1
Equity investments and financial assets	0.1	0.2
Non-current assets	2.1	1.9
Provisions	(0.2)	(0.2)
Net Invested Capital	2.7	2.9
Bank debt	0.7	0.6
Other financial debt	0.6	0.6
Overdue tax and social security liabilities	0.4	0.4
Cash and equivalents	(0.1)	(0.1)
Adj Net Debt (Cash)	1.7	1.6
Equity	0.9	1.3
Sources	2.7	2.9

Consolidated Cash Flow

€m	H1 2023
EBIT	0.0
Current taxes	0.0
D&A	0.3
Provisions	0.0
Cash flow from P&L operations	0.3
Trade Working Capital	(0.3)
Other assets and liabilities	(0.0)
Capex	(0.1)
Operating cash flow after WC and capex	(0.2)
Interest	(0.0)
Paid-in Capital	0.4
Changes in Equity	(0.1)
Net cash flow	0.1
Net (Debt) Cash - Beginning	(1.7)
Net (Debt) Cash - End	(1.6)
Change in Net (Debt) Cash	0.1

Source: Company data

Ratio analysis

KPIs	H1 2023
ROE	3%
ROS (EBIT/Revenues)	1%
DSO	179
DPO	124
WC/Revenues	24%
Net Debt/EBITDA	2.6x
Net Debt/Equity	1.2x
Cash flow from P&L operations/EBITDA	103%
FCF/EBITDA	neg.
Per-capita revenues (€k)	119
Per-capita costs (€k)	13

Our estimates

Use of market data

- The outlook for the Italian digital market envisages for content and digital advertising the highest growth (6% CAGR 2022A-25E) among segments (Industry insights, Market trends and Outlook)

- The current and future market trends of tourism indicate growing demand for experiential travel and food & wine tourism
- Industry peers market metrics tell that consensus on growth expectation indicators mostly falls within the 4-10% range (Market metrics)

Key growth drivers and risk profile

- Technology contribution of Fytur to advertising business
- Audience monetization
- Expansion of the portfolio of websites under management
- New locations and frequency of food & wine events
- Scalability, flexible cost structure with high share of variable costs

In the framework of our *medium-high* risk profile as competitive assessment, Valica looks positioned in an industry segment where rivalry is high and growth is subject to seasonality and market fluctuations.

Estimates construction

Our analysis of markets, competition, Valica present profile, stage of growth and business model lead to growth assumptions for 2023E-25E.

Assumptions

Revenues	Build-up per revenue stream: - Digital advertising over 70% 2022A-25E CAGR - Mar-tech services over 50% 2022A-25E CAGR - Events 65% 2022A-25E CAGR - Capitalization of R&D cost and other income €0.1-0.4m per year
Operating charges	- Services (including media production cost and G&A) 65-70% of revenues - Personnel 37% 2022A-25E CAGR, to cope with increasing needs - Other operating costs below 10% of revenues - No assumptions about possible additional charges deriving from Fytur assets and portfolio in absence of relevant information
Income taxes	- Corporate tax (IRES): 24% - Regional tax (IRAP): 3.90%
Working Capital	- Working Capital: - DSO gradually decreasing from 160 in 2023E to 120 in 2025E (over 200 in 2022A) - DPO gradually decreasing from 140 in 2023E to 120 in 2025E (around 150 in 2022A) - Other assets (liabilities): historical
Capex	- €0.3m per year in intangible assets - €0.6m one-off IPO costs in 2023 - Tax relief non factored in
Equity	- IPO proceeds €1.8m - No dividend distribution

Source: EnVent Research

Financial projections

Consolidated Profit and Loss

€m	2022A	2023E	2024E	2025E
Revenues	2.6	5.9	8.8	12.9
Capitalization of R&D costs	0.1	0.1	0.2	0.4
Total Revenues	2.8	6.0	9.0	13.3
YoY %	-	117.4%	48.9%	48.4%
Services and cost of sales	(1.3)	(4.1)	(5.9)	(8.6)
Personnel	(0.6)	(0.8)	(1.1)	(1.5)
Other operating costs	(0.6)	(0.3)	(0.5)	(0.6)
Operating costs	(2.5)	(5.1)	(7.4)	(10.8)
EBITDA	0.2	0.9	1.5	2.6
Margin	9.2%	15.5%	17.5%	19.8%
D&A	(0.2)	(0.3)	(0.4)	(0.5)
EBITA	0.0	0.6	1.1	2.1
Margin	1.2%	10.5%	12.8%	16.1%
Goodwill amortization	(0.1)	(0.1)	(0.1)	(0.1)
EBIT	(0.1)	0.5	1.0	1.9
Margin	-4.5%	7.9%	11.1%	15.0%
Interest	(0.0)	(0.1)	(0.1)	(0.1)
EBT	(0.2)	0.5	1.1	2.0
Margin	-5.6%	8.7%	11.7%	15.1%
Income taxes	(0.0)	(0.1)	(0.3)	(0.6)
Net Income (Loss)	(0.2)	0.4	0.8	1.4
Margin	-6.6%	6.2%	8.4%	10.9%

Source: Company data 2022A, EnVent Research 2023E-25E

Consolidated Balance Sheet

€m	2022A	2023E	2024E	2025E
Accounts receivable	1.7	3.1	4.1	5.2
Accounts payable	(1.0)	(2.0)	(2.8)	(3.7)
Working Capital	0.7	1.1	1.3	1.4
Other assets (liabilities)	0.1	(0.3)	(0.4)	(0.6)
Net Working Capital	0.8	0.8	0.9	0.8
Intangible assets	1.6	2.2	2.0	1.8
Goodwill	0.2	0.1	(0.1)	(0.2)
Fixed assets - equipment	0.1	0.1	0.1	0.2
Equity investments and financial assets	0.1	0.1	0.1	0.1
Non-current assets	2.1	2.5	2.2	1.9
Provisions	(0.2)	(0.2)	(0.3)	(0.4)
Net Invested Capital	2.7	3.0	2.8	2.3
Adj Net Debt (Cash)	1.7	(0.1)	(1.1)	(3.1)
Equity	0.9	3.2	3.9	5.4
Sources	2.7	3.0	2.8	2.3

Source: Company data 2022A, EnVent Research 2023E-25E

Consolidated Cash Flow

€m	2023E	2024E	2025E
EBIT	0.6	1.1	2.1
Current taxes	(0.1)	(0.3)	(0.6)
D&A	0.4	0.6	0.6
Provisions	0.0	0.1	0.1
Cash flow from P&L operations	1.0	1.5	2.2
Working Capital	(0.4)	(0.2)	(0.1)
Other assets and liabilities	0.4	0.1	0.2
Capex	(0.3)	(0.3)	(0.3)
Operating cash flow after WC and capex	0.7	1.1	2.0
Interest	(0.1)	(0.1)	(0.1)
IPO proceeds	1.8	0.0	0.0
Capex - IPO cost	(0.6)	0.0	0.0
Net cash flow	1.9	1.0	2.0
Net Debt (Beginning)	(1.7)	0.1	1.1
Net Debt (End)	0.1	1.1	3.1
Change in Net Debt (Cash)	1.9	1.0	2.0

Source: Company data 2022A, EnVent Research 2023E-25E

Ratio analysis

KPIs	2022A	2023E	2024E	2025E
ROE	neg	12%	19%	27%
ROS (EBIT/Revenues)	neg	8%	11%	15%
DSO	197	160	140	120
DPO	152	140	130	120
WC/Revenues	28%	19%	15%	11%
Net Debt/EBITDA	7.2x	cash	cash	cash
Net Debt/Equity	1.8x	cash	cash	cash
Cash flow from P&L operations/EBITDA	na	105%	96%	88%
FCF/EBITDA	na	74%	69%	79%
Per-capita revenues (€k)	139	294	313	322
Per-capita cost (€k)	31	38	38	38

Source: Company data 2022A, EnVent Research 2023E-25E

8. VALUATION

Building reference landing sites in the market of digital communication in the Italian tourism and food & wine industry

Blended selling proposition designed to diversify revenues and catch different market trends

Investment cycle

Valuation topics

Valica profile is that of an integrated ad-tech player, with a vertical specialization in tourism and food & wine industry and a blended selling proposition for B2B and B2C customers, supporting business diversification. Its business model makes Valica equipped to catch the increasing digital communication needs of leisure operators. The value expectation counts on a boost in revenues thanks to Fytur technology, a perspective of scalability and operating leverage, and depends on the ability to carry out its growth strategy, whose main pillars are expansion of websites portfolio, increasing number of B2C events and experiences and continuous acquisition of technologies.

Value drivers

- Business mix towards balance among different revenue streams
- Audience expansion
- Scalability and flexible operating model leading to operating leverage

Relevant market metrics and valuation issues

- Market and industry analyses suggest growth based on the pervasive technology in tourism and travel
- *Medium-high* risk profile as per competition analysis
- Entry barriers are low; the competitive framework with vivid rivalry may challenge market share and profitability growth
- Industry market multiples might be misleading as a source of valuable indications
- Our estimates for Valica, based on the present size and stage of development, are founded on the assumption of overperforming the expected market trends
- We are not in the position of evaluating additional charges related to technology and revenues expected from the Fytur partnership
- Working capital dynamics and overdue tax liabilities imply focus on cash flow metrics
- Net financial debt adjusted for overdue tax liabilities
- The valuation is run in a framework of volatility, including domestic and international turbulence and erratic inflation perspective: certain value determinants may be subject to judgmental adjustments

Valuation metrics

The valuation of Valica has been performed through:

- Discounted Cash Flows applied to 2023E-25E financial projections
- Market multiples

Discounted Cash Flows

Metrics and assumptions:

- Risk free rate: 4.0% (Italian 10-year government bonds interest rate - last 30 days average. Source: Bloomberg, October 2023)
- Market return: 12.5% (last 30 days average. Source: Bloomberg, October 2023)
- Market risk premium: 8.5%
- Beta: 1.2 (judgmental)
- Cost of equity: 14.2%
- Cost of debt: 5.5%
- Tax rate: 24% IRES
- 35% debt/(debt + equity) as target capital structure
- WACC calculated at 10.7%, according to above data
- Perpetual growth rate after explicit projections (G): 2.5%
- Terminal Value assumes a 17% EBITDA margin in the BASE case and 20% in the HIGH case
- Tax relief not factored in

DCF valuation - BASE case

€m	2022A	2023E	2024E	2025E	Perpetuity
Revenues	2.8	6.0	9.0	13.3	13.7
EBITDA	0.2	0.9	1.5	2.6	2.3
<i>Margin</i>	8.7%	15.1%	17.2%	19.2%	17.0%
EBIT	0.0	0.6	1.1	2.1	2.2
<i>Margin</i>	1.1%	10.2%	12.6%	15.6%	16.3%
Taxes	(0.0)	(0.2)	(0.3)	(0.6)	(0.6)
NOPAT	0.0	0.4	0.8	1.5	1.6
D&A	0.2	0.3	0.4	0.5	0.1
Provisions	0.0	0.0	0.1	0.1	0.0
Cash flow from operations	0.2	0.8	1.3	2.1	1.7
Trade Working Capital		(0.4)	(0.2)	(0.1)	(0.1)
Other assets and liabilities		0.4	0.1	0.2	0.0
Capex		(0.9)	(0.3)	(0.3)	(0.1)
Unlevered free cash flow		(0.1)	0.9	1.9	1.5
- H1 unlevered free cash flow		0.3			
Free cash flow to be discounted		0.3	0.9	1.9	1.5
WACC	10.7%				
Long-term growth (G)	2.5%				
Discounted Cash Flows		0.3	0.8	1.4	
Sum of Discounted Cash Flows	2.5				
Terminal Value					18.5
Discounted TV	14.4				
Enterprise Value	16.8				
Net debt adjusted as of 30/06/2023	(1.6)				
Minorities	(0.0)				
IPO proceeds	1.8				
Equity Value	17.1				
DCF - Implied multiples	2022A	2023E	2024E	2025E	
EV/Revenues	na	2.8x	1.9x	1.3x	
EV/EBITDA	na	18.5x	10.9x	6.6x	
EV/EBIT	na	27.4x	14.9x	8.1x	
P/E	na	45.6x	22.6x	11.8x	

Source: EnVent Research

DCF valuation - HIGH case

€m	2022A	2023E	2024E	2025E	Perpetuity
Revenues	2.8	6.0	9.0	13.3	13.7
EBITDA	0.2	0.9	1.5	2.6	2.7
<i>Margin</i>	<i>8.7%</i>	<i>15.1%</i>	<i>17.2%</i>	<i>19.2%</i>	<i>20.0%</i>
EBIT	0.0	0.6	1.1	2.1	2.6
<i>Margin</i>	<i>1.1%</i>	<i>10.2%</i>	<i>12.6%</i>	<i>15.6%</i>	<i>19.3%</i>
Taxes	(0.0)	(0.2)	(0.3)	(0.6)	(0.7)
NOPAT	0.0	0.4	0.8	1.5	1.9
D&A	0.2	0.3	0.4	0.5	0.1
Provisions	0.0	0.0	0.1	0.1	0.0
Cash flow from operations	0.2	0.8	1.3	2.1	2.0
Trade Working Capital		(0.4)	(0.2)	(0.1)	(0.1)
Other assets and liabilities		0.4	0.1	0.2	0.0
Capex		(0.9)	(0.3)	(0.3)	(0.1)
Unlevered free cash flow		(0.1)	0.9	1.9	1.8
- H1 unlevered free cash flow		0.3			
Free cash flow to be discounted		0.3	0.9	1.9	1.8
WACC	10.7%				
Long-term growth (G)	2.5%				
Discounted Cash Flows		0.3	0.8	1.4	
Sum of Discounted Cash Flows	2.5				
Terminal Value					22.1
Discounted TV	17.2				
Enterprise Value	19.6				
Net debt adjusted as of 30/06/2023	(1.6)				
Minorities	(0.0)				
IPO proceeds	1.8				
Equity Value	19.9				
DCF - Implied multiples	2022A	2023E	2024E	2025E	
EV/Revenues	na	3.3x	2.2x	1.5x	
EV/EBITDA	na	21.5x	12.8x	7.7x	
EV/EBIT	na	32.0x	17.4x	9.5x	
P/E	na	53.0x	26.3x	13.7x	

Source: EnVent Research

Market multiples

We applied to our 2024E-25E projections, envisaging a meaning critical mass, the median multiples of the *Community Websites* panel of industry peers deriving from 2Y analyst consensus. As evident in the table below, the resulting range of values is pretty wide and possibly impacted by the recent global derating of most stocks.

Multiples application

€m							
Valica (€m)		Market Multiples	EV	Net debt adj 30/06/23	Minorities 30/06/23	IPO proceeds	Equity value
2024E Revenues	8.8	1.0x	8.8	(1.6)	(0.0)	1.8	9.1
2025E Revenues	12.9	0.9x	11.9	(1.6)	(0.0)	1.8	12.2
Mean			10.4				10.6
2024E EBITDA	1.5	5.0x	7.7	(1.6)	(0.0)	1.8	7.9
2025E EBITDA	2.6	4.5x	11.5	(1.6)	(0.0)	1.8	11.8
Mean			9.6				9.9
2024E EBITA	1.1	9.2x	10.4	(1.6)	(0.0)	1.8	10.6
2025E EBITA	2.1	7.5x	15.6	(1.6)	(0.0)	1.8	15.8
Mean			13.0				13.2
2024E Earnings	0.8	9.6x					7.3
2025E Earnings	1.4	8.1x					11.7
Mean							9.5

EBITA before goodwill amortization effect

Source: EnVent Research

Valuation summary and Target price

Recalling the limited comparability with listed industry peers and the fluctuant market values trend, we attribute higher significance to fundamentals, better expressed by DCF methodology-based values on the conservative side to recognize the current multiples trend. Our DCF base case points to an equity value of €17m. We initiate the coverage of Valica with an OUTPERFORM rating, based on a Target Price per share of €8.36, +52% on €5.50 IPO offer price and with a potential upside of 16% on current share price.

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

Valica Price per Share	€
Target Price	8.36
Current Share Price (25/10/2023)	7.20
Premium (Discount)	16%

Source: EnVent Research

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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;

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

Date and time of Production: 25/10/2023 h. 6.15pm

Date and time of Distribution: 26/10/2023 h. 6.30pm

DETAILS ON STOCK RECOMMENDATION AND TARGET PRICE

Date	Recommendation	Target Price (€)	Share Price (€)
26/10/2023	OUTPERFORM	8.36	7.20

ENVENT RECOMMENDATION DISTRIBUTION (October 26th, 2023)

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