

ABTG	Italy	Euronext Growth Milan	Educational Services
Rating: BUY	Target Price: € 8,20 (prev. € 8,20)	Update	Risk: Medium

Stock performance	1M	3M	6M	1Y
absolute	0,98%	-12,71%	-37,58%	-38,32%
to FTSE Italia Growth	6,56%	-7,68%	-22,05%	-20,03%
to Euronext STAR Milan	11,84%	0,35%	-14,04%	-6,22%
to FTSE All-Share	10,54%	-7,30%	-20,30%	-16,46%
to EUROSTOXX	9,62%	-8,25%	-24,53%	-20,48%
to MSCI World Index	13,58%	-5,75%	-17,86%	-16,89%

Stock Data

Price	€ 2,06
Target price	€ 8,20
Upside/(Downside) potential	298,0%
Bloomberg Code	ABTG IM EQUITY
Market Cap (€m)	€ 10,50
EV (€m)	€ 10,38
Free Float	52,53%
Share Outstanding	5.095.554
52-week high	€ 4,08
52-week low	€ 1,88
Average daily volumes (3m)	3.600

Key Financials (€m)	FY21A	FY22E	FY23E	FY24E
Revenues	13,7	15,5	18,0	22,0
VoP	14,1	15,5	18,0	22,0
EBITDA	3,8	3,2	4,5	6,0
EBIT	1,5	0,9	3,2	4,6
Net Profit	0,8	0,5	2,0	2,8
EPS (€)	0,16	0,11	0,39	0,55
EBITDA margin	27,8%	20,3%	25,0%	27,0%
EBIT margin	10,7%	6,1%	17,8%	20,7%

Main Ratios	FY21A	FY22E	FY23E	FY24E
EV/EBITDA (x)	2,7	3,3	2,3	1,7
EV/EBIT (x)	7,1	10,9	3,2	2,3
P/E (x)	12,7	19,1	5,2	3,7

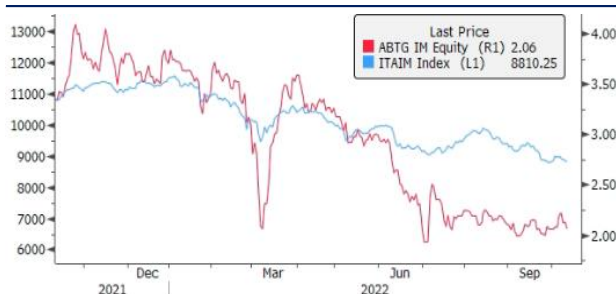
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Stocks performance vs FTSE Italia Growth



1H22A Results

Revenues amounted to € 7.34 million, essentially in line with the value of € 7.21 million recorded in the first six months of last year. EBITDA Adj. amounted to € 1.73 million, with a marginality of 23.3%, compared to 1H21A of € 2.36 million (corresponding to a marginality of 32.6%). EBIT, after amortization and depreciation of € 1.17 million, amounted to € - 0.30 million, compared to € 1.34 million as of 30 June 2021. Net profit amounted to € - 0.50 million, down compared to the first half of 2021, where it amounted to € 0.80 million. The NFP is cash positive and equal to € 0.75 million, an improvement compared to the figure of 30 June 2021 (cash positive for € 0.12 million).

Estimates Update

In the light of the results published in the half-yearly report for 1H22A, we modify our previous estimates both for the current year and for the coming years. In particular, we estimate FY22E revenues equal to € 15.50 million and EBITDA Adj. estimated equal of € 4.05 million, corresponding to a marginality of 26.1%. For subsequent years, we expect the revenues to increase up to € 22.00 million (CAGR 21A-24E: 17.05%) in FY24E, with EBITDA Adj. equal to € 6.65 million (corresponding to an EBITDA margin of 30.2%), up compared to € 3.82 million in FY21A (corresponding to an EBITDA margin of 27.0%). In terms of the Balance Sheet we estimate a cash positive NFP value for FY24E equal to € 5.42 million.

Valuation Update

We have conducted the valuation of ABTG's equity value based on the DCF methodology. The DCF method (which in the calculation of the WACC includes for prudential purposes also a specific risk of 2.5%) provides an equity value of € 41.8 million. The target price is, therefore, € 8.20 (prev. € 8.20), BUY rating and MEDIUM risk.

1. Economics & Financials

Table 1 – Economics & Financials

CONSOLIDATED INCOME STATEMENT (€/mIn)	FY20A	FY21A	FY22E	FY23E	FY24E
Revenues	9,43	13,72	15,50	18,00	22,00
Other Revenues	0,26	0,41	0,00	0,00	0,00
Value of Production	9,69	14,13	15,50	18,00	22,00
COGS	0,02	0,03	0,05	0,05	0,05
Use of assets owned by others	0,52	0,69	0,75	0,85	1,00
Services	5,60	8,23	8,90	10,30	12,50
Employees	1,04	1,18	1,25	1,40	1,60
Other Operating Expenses	0,10	0,19	0,50	0,20	0,20
EBITDA Adj.	2,40	3,82	4,05	5,20	6,65
<i>EBITDA Adj. Margin</i>	<i>24,8%</i>	<i>27,0%</i>	<i>26,1%</i>	<i>28,9%</i>	<i>30,2%</i>
Lead Generation Expenses	0,00	0,00	0,90	0,70	0,70
EBITDA	2,40	3,82	3,15	4,50	5,95
<i>EBITDA Margin</i>	<i>24,8%</i>	<i>27,0%</i>	<i>20,3%</i>	<i>25,0%</i>	<i>27,0%</i>
D&A	1,19	2,35	2,20	1,30	1,40
EBIT	1,21	1,47	0,95	3,20	4,55
<i>EBIT Margin</i>	<i>12,9%</i>	<i>10,7%</i>	<i>6,1%</i>	<i>17,8%</i>	<i>20,7%</i>
Financial Management	(0,03)	(0,06)	(0,05)	(0,05)	(0,05)
EBT	1,18	1,41	0,90	3,15	4,50
Taxes	0,47	0,59	0,35	1,15	1,70
Net Income	0,71	0,82	0,55	2,00	2,80
CONSOLIDATED BALANCE SHEET (€/mIn)	FY20A	FY21A	FY22E	FY23E	FY24E
Fixed Assets	6,83	6,62	6,00	6,20	6,30
Account receivable	0,76	1,39	1,55	1,80	2,20
Inventories	0,10	0,10	0,10	0,10	0,10
Account payable	1,10	1,11	1,20	1,40	1,70
Operating Working Capital	(0,24)	0,38	0,45	0,50	0,60
Other receivable	1,16	1,07	1,20	1,40	1,70
Other payable	2,86	2,43	2,65	3,05	3,70
Net Working Capital	(1,93)	(0,98)	(1,00)	(1,15)	(1,40)
Severance Indemnities & Other Provisions	0,40	0,65	0,65	0,70	0,80
NET INVESTED CAPITAL	4,49	4,99	4,35	4,35	4,10
Share Capital	5,09	2,50	2,50	2,50	2,50
Reserves	(0,86)	1,78	2,44	2,82	4,22
Net Income	0,71	0,82	0,55	2,00	2,80
Equity	4,94	5,10	5,49	7,32	9,52
Cash & Cash Equivalent	1,11	1,36	2,74	4,97	8,02
Short Term Debt to Bank	0,00	0,20	0,40	0,60	0,80
M/L Term Debt to Bank	0,66	1,05	1,20	1,40	1,80
Net Financial Position	(0,45)	(0,12)	(1,14)	(2,97)	(5,42)
SOURCES	4,49	4,99	4,35	4,35	4,10
CONSOLIDATED CASH FLOW (€/mIn)	FY21A	FY22E	FY23E	FY24E	
EBIT	1,47	0,95	3,20	4,55	
Taxes	0,59	0,35	1,15	1,70	
NOPAT	0,88	0,60	2,05	2,85	
D&A	2,35	2,20	1,30	1,40	
Change in receivable	(0,63)	(0,16)	(0,25)	(0,40)	
Change in inventories	(0,00)	0,00	0,00	0,00	
Change in payable	0,01	0,09	0,20	0,30	
Change in others	(0,34)	0,09	0,20	0,35	
<i>Change in NWC</i>	<i>(0,96)</i>	<i>0,02</i>	<i>0,15</i>	<i>0,25</i>	
Change in provisions	0,25	0,00	0,05	0,10	
OPERATING CASH FLOW	2,53	2,82	3,55	4,60	
Capex	(2,14)	(1,58)	(1,50)	(1,50)	
FREE CASH FLOW	0,39	1,24	2,05	3,10	
Financial Management	(0,06)	(0,05)	(0,05)	(0,05)	
Change in Debt to Bank	0,58	0,35	0,40	0,60	
Change in Equity	(0,66)	(0,17)	(0,16)	(0,60)	
FREE CASH FLOW TO EQUITY	0,25	1,37	2,24	3,05	

Source: ABTG and Integrae SIM estimates

1.1 1H22A Results

Table 2 – 1H22A vs 1H21A

€/mln	Revenues	EBITDA Adj.	EBITDA Adj. %	EBIT	Net Income	NFP
1H22A	7,34	1,73	23,3%	-0,30	-0,50	(0,75)
1H21A	7,21	2,36	32,6%	1,34	0,80	(0,12)*
Change	1,8%	-26,8%	-9,3%	N.A.	N.A.	N.A.

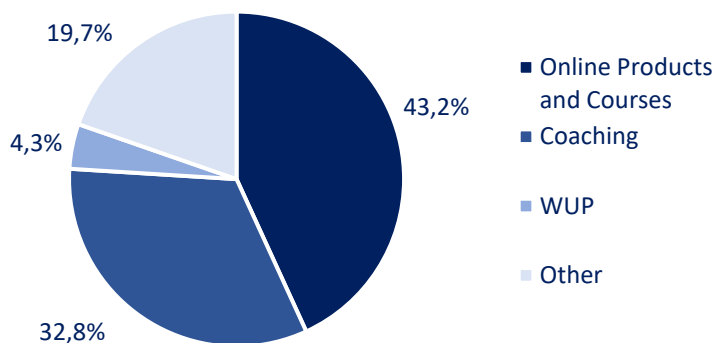
*NFP as of 31/12/2022

Source: Integrae SIM

Through a press release, the Group, commenting on the half-yearly results, stated: *"The results of this half-yearly report reflect the efforts made to relaunch and expand the subsidiaries: AGL, SBL, ABTG Spain. We expect a greater contribution in the coming months both on marginality and on the group's revenues."*

Revenues amounted to € 7.34 million, essentially in line with the value of € 7.21 million recorded in the first six months of last year. Compared to the first half of 2021, the revenues of the subsidiary AGL grew by 10.0%, showing an increase in monthly fees due to the presence of multiple partners, while those of the subsidiary ABTG Espana marked an increase of 82.0%.

Chart 1 – Revenues Breakdown by Segment



Source: ABTG

The main source of revenue, during the first six months of the year, derives from the sale of online courses and products, which generated a share of revenues equal to 43.2%. The remaining revenues are generated by coaching (32.8%) and WUPs (4.3%). Other revenues (19.7%) mainly include contracts and monthly fees of partners.

EBITDA Adj. amounted to € 1.73 million, with a marginality of 23.3%, compared to 1H21A of € 2.36 million (corresponding to a marginality of 32.6%). EBITDA, equal to € 0.87 million, registers a negative change of 61.9% compared to € 2.28 million on 30 June 2021. This decrease is attributable to the recognition in the Income Statement of costs related to lead generation, the hiring of new qualified resources, and the expansion of the marketing and sales area. The EBITDA margin, equal to 11.8%, also decreased compared to 31.6% in the first half of last year.

EBIT, after amortization and depreciation of € 1.17 million, amounted to € - 0.30 million, compared to € 1.34 million as of 30 June 2021. Net profit amounted to € - 0.50 million, down compared to the first half of 2021, where it amounted to € 0.80 million.

The NFP is cash positive and equal to € 0.75 million, an improvement compared to the figure as of 30 June 2021 (cash positive for € 0.12 million).

1.2 FY22E – FY24E Estimates

Table 3 – Estimates Updates FY22E-24E

€/mln	FY22E	FY23E	FY24E
Revenues			
New	15,5	18,0	22,0
Old	15,5	18,0	22,0
Change	0,0%	0,0%	0,0%
EBITDA Adj.			
New	4,1	5,2	6,7
Old	4,4	5,2	6,7
Change	-7,3%	-0,2%	0,0%
EBITDA Adj. %			
New	26,1%	28,9%	30,2%
Old	28,2%	28,9%	30,2%
Change	-2,1%	-0,1%	0,0%
EBIT			
New	0,9	3,2	4,6
Old	2,2	3,0	4,4
Change	-56,2%	8,1%	4,6%
Net Income			
New	0,5	2,0	2,8
Old	1,5	2,1	3,1
Change	-63,8%	-2,9%	-9,7%
NFP			
New	(1,1)	(3,0)	(5,4)
Old	(1,6)	(3,7)	(6,8)
Change	N.A.	N.A.	N.A.

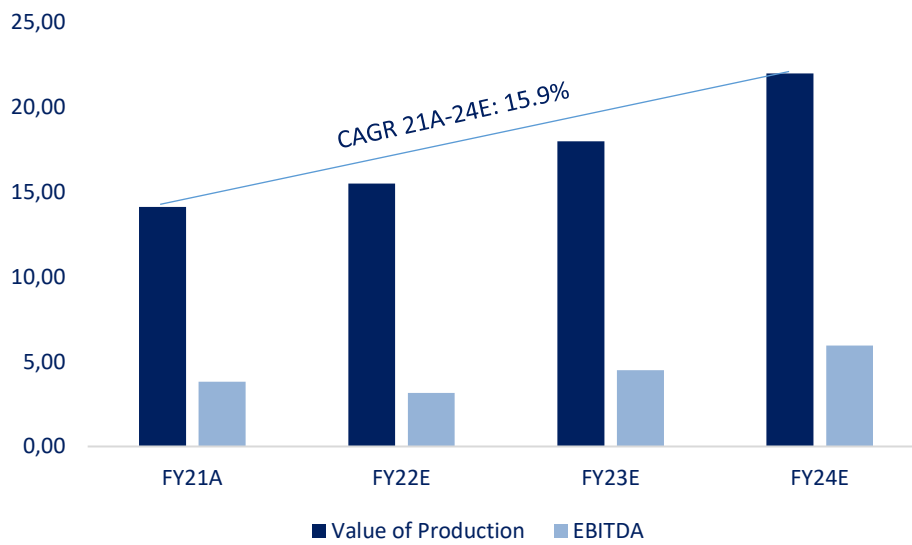
Source: Integrae SIM

In light of the results published in the half-yearly report for 1H22A, we modify our previous estimates both for the current year and for the coming years.

In particular, we estimate FY22E revenues equal to € 15.50 million and EBITDA Adj. estimated equal to € 4.05 million, corresponding to a marginality of 26.1%. For subsequent years, we expect the revenues to increase up to € 22.00 million (CAGR 21A-24E: 17.05%) in FY24E, with EBITDA Adj. equal to € 6.65 million (corresponding to an EBITDA margin of 30.2%), up compared to € 3.82 million in FY21A (corresponding to an EBITDA margin of 27.0%).

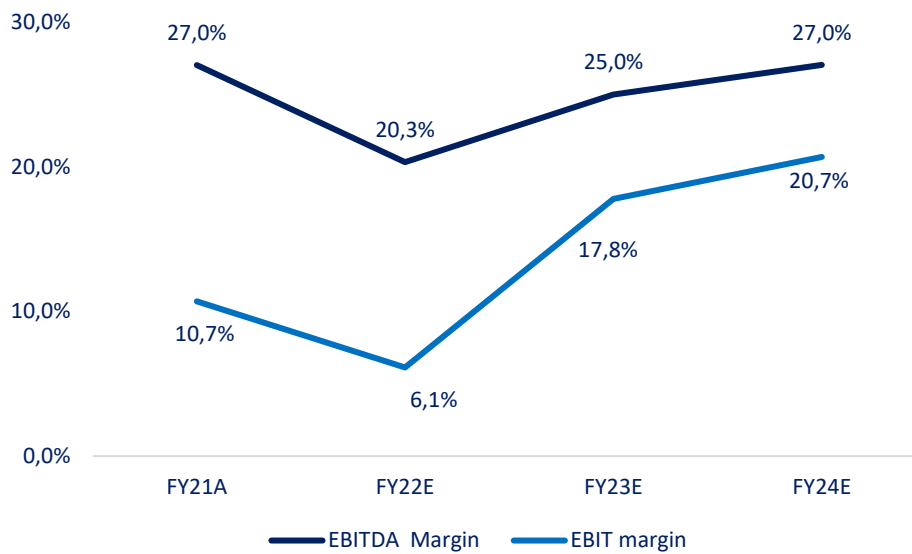
In terms of the Balance Sheet, we estimate a cash-positive NFP value for FY24E equal to € 5.42 million.

Chart 2 – Value of Production and EBITDA FY21A-24E



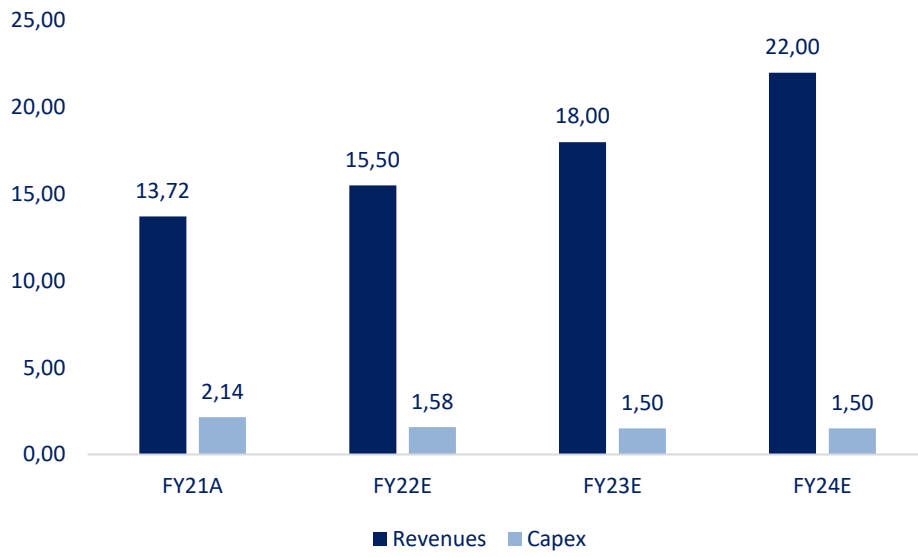
Source: Integrae SIM

Chart 3 – Margin FY21A-24E



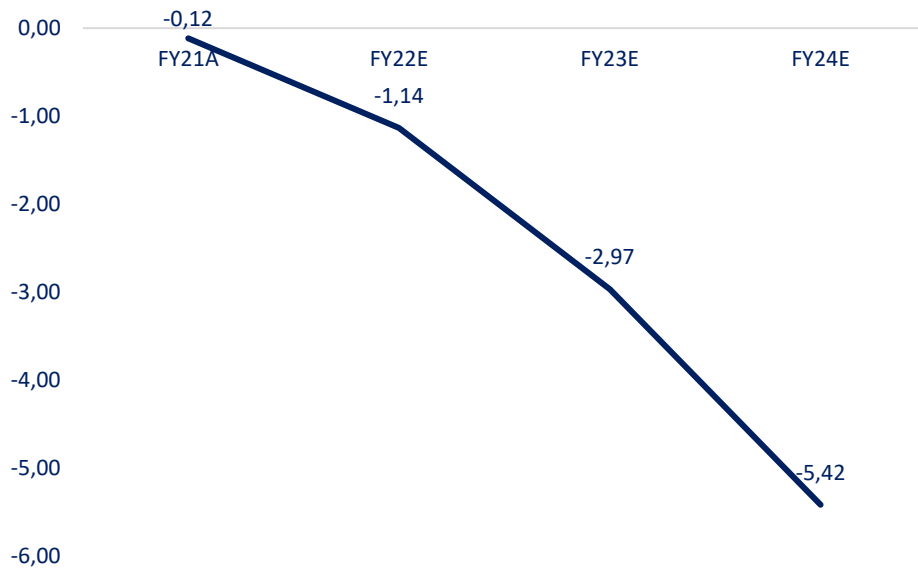
Source: Integrae SIM

Chart 4 – Capex FY21A-24E



Source: Integrae SIM

Chart 5 – NFP FY21A-24E



Source: Integrae SIM

2. Valuation

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

2.1 DCF Method

Table 4 – WACC

WACC		11,27%
Risk Free Rate	2,18% α (specific risk)	2,50%
Market Premium	9,08% Beta Adjusted	1,00
D/E (average)	25,00% Beta Relevered	1,18
Ke	13,73% Kd	2,00%

Source: Integrae SIM

For prudential purposes, we have included a specific risk of 2.5%. This results in a WACC of 11.27%.

Table 5 – DCF Valuation

DCF Equity Value		41,8
FCFO actualized	12,2	29%
TV actualized DCF	29,4	71%
Enterprise Value	41,7	100%
NFP (FY21A)	(0,1)	

Source: Integrae SIM

With the above data and taking as a reference our estimates and assumptions, the result is an **equity value of € 41.8 million**. **The target price is, therefore, € 8.20** (prev. €8.20). **We confirm BUY rating and MEDIUM risk.**

Table 6 – Equity Value – Sensitivity Analysis

€/mln		WACC						
		9,8%	10,3%	10,8%	11,3%	11,8%	12,3%	12,8%
Growth Rate (g)	2,5%	56,8	53,0	49,7	46,8	44,2	41,9	39,8
	2,0%	53,9	50,6	47,6	44,9	42,6	40,4	38,5
	1,5%	51,4	48,4	45,7	43,3	41,1	39,1	37,3
	1,0%	49,2	46,5	44,0	41,8	39,8	37,9	36,2
	0,5%	47,3	44,7	42,5	40,4	38,5	36,8	35,2
	0,0%	45,5	43,2	41,1	39,2	37,4	35,8	34,3
	-0,5%	43,9	41,8	39,8	38,0	36,4	34,9	33,5

Source: Integrae SIM

Table 7 – Target Price Implied Valuation Multiples

Multiples	FY21A	FY22E	FY23E	FY24E
EV/EBITDA	10,9x	13,2x	9,3x	7,0x
EV/EBIT	28,4x	43,9x	13,0x	9,2x
P/E	50,7x	76,0x	20,9x	14,9x

Source: Integrae SIM

Table 8 – Current Price Implied Valuation Multiples

Multiples	FY21A	FY22E	FY23E	FY24E
EV/EBITDA	2,7x	3,3x	2,3x	1,7x
EV/EBIT	7,1x	10,9x	3,2x	2,3x
P/E	12,7x	19,1x	5,2x	3,7x

Source: Integrae SIM

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07/10/2021	3,18	Buy	7,25	Medium	Update
07/04/2022	3,26	Buy	8,20	Medium	Update

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

Valuation methodologies (long term horizon: 12 months)

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