Alkemy

FY2021 RESULTS

22.03.2022

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E-MARKET SDIR CERTIFIED

WE DESIGN BUSINESS EVOLUTION THROUGH DATA, TECHNOLOGY & CREATIVITY

Alkemy was founded in 2012 with the aim of supporting the **top management** of large companies in the **process of digitizing** their business model.

The market in which Alkemy insists is the **digital transformation market** which today is worth over **6 billion euros** in Italy and **grows** at a rate of between **9% per year**.

In this market, Alkemy has developed a **differentiated positioning** that has allowed it to grow with a **CAGR of 42%** (>2x the market), to move from the 23 starting resources to a team of over **700 people** and a turnover of **95M€** in 2021.

In these 8 years, Alkemy has **successfully** used the **M&A lever** (8 acquisitions) using the IPO proceeds in less than nine months, and the **EBITDA growth** of the four acquisitions made in Italy from 2013 to 2020 was between **70 and 500%.**

Alkemy has developed a **new organization** and a new Go-to-Market strategy that have laid the foundations for the **industrialization** and expansion of the business scale, resulting in **strong organic growth and higher marginality**.

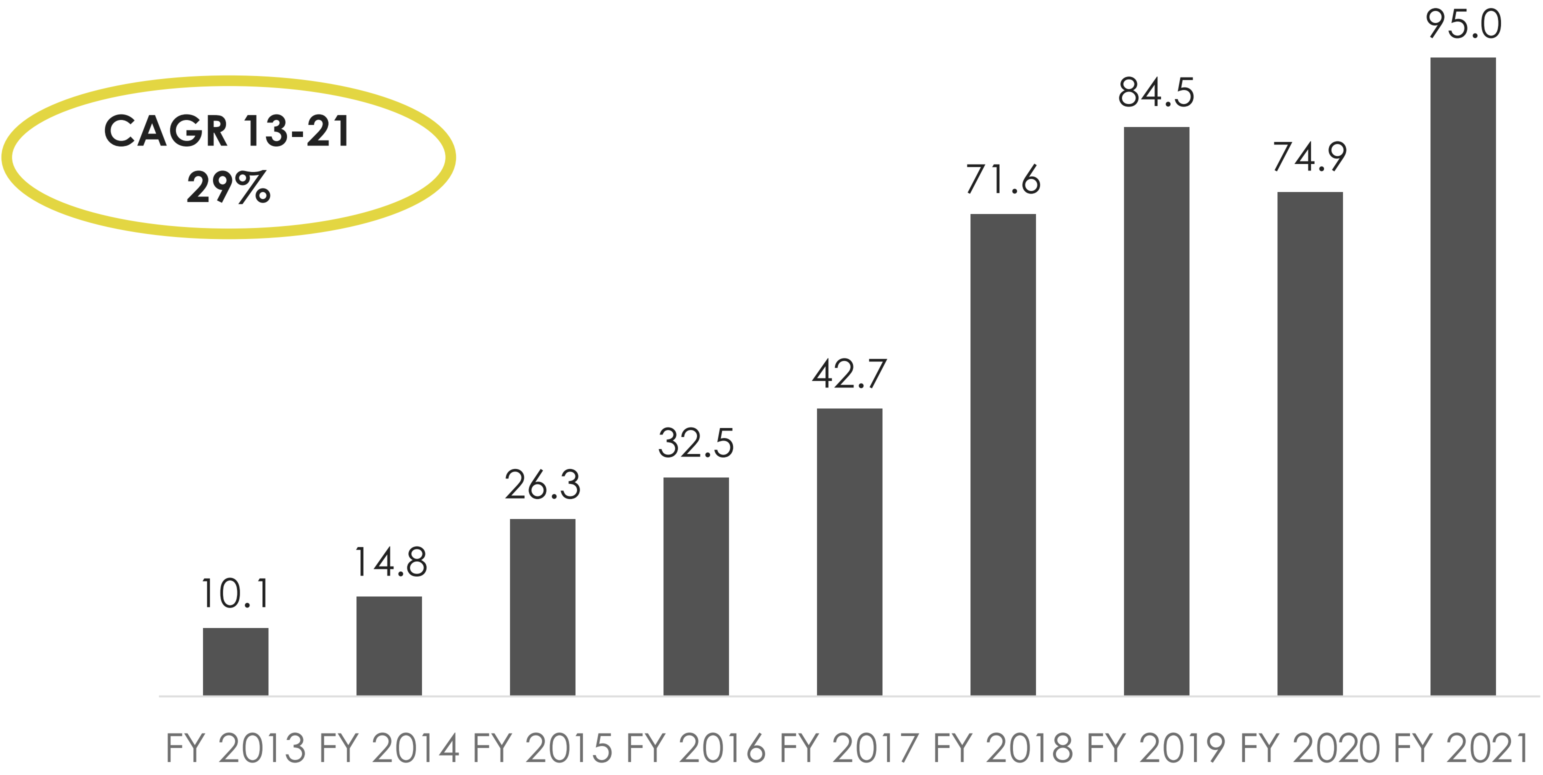
We help companies to evolve their business in the post-digital scenario

FINANCIAL HIGHLIGHTS

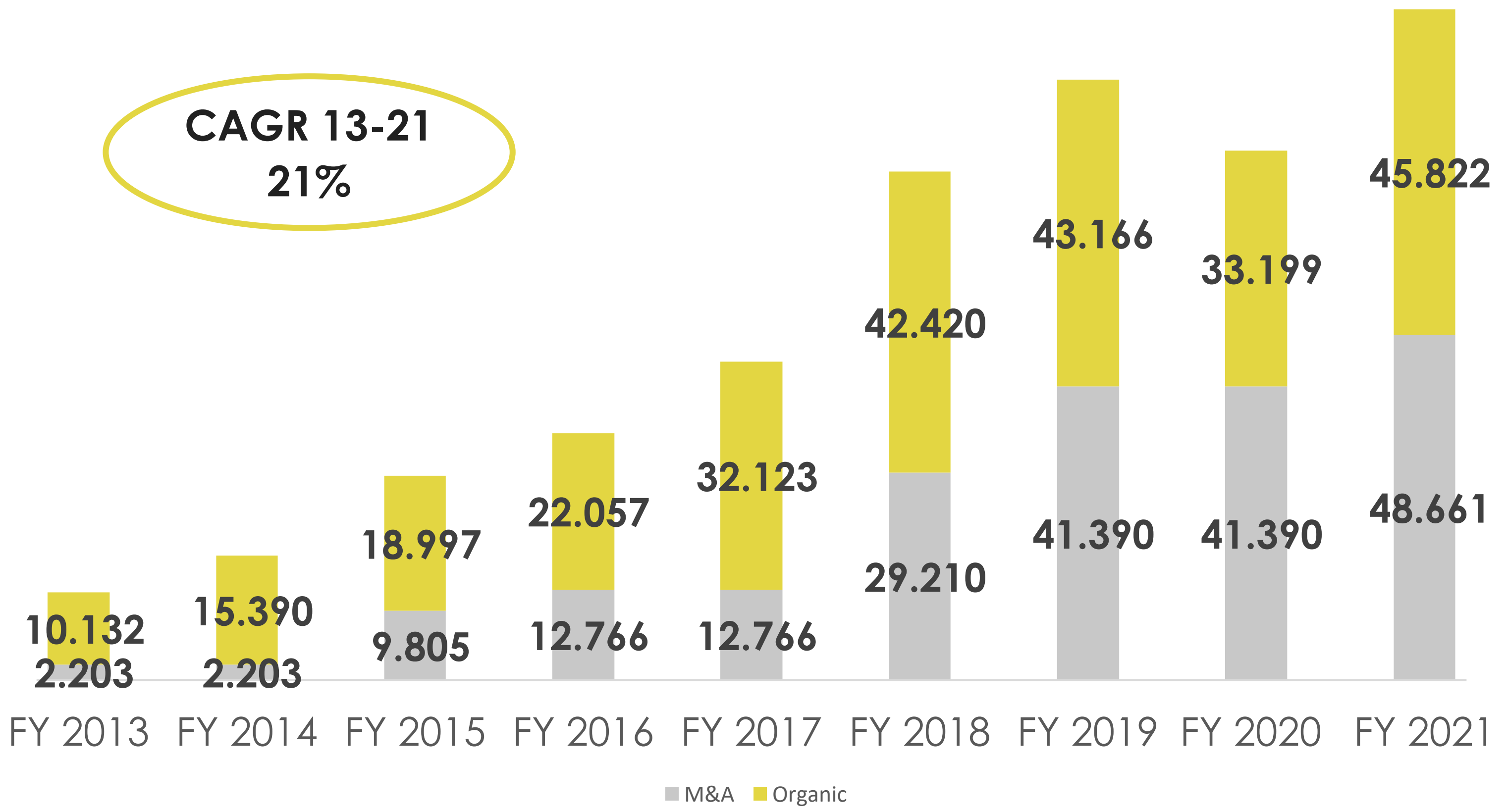
€M	FY 2021	FY 2020	
Turnover	95.2	74.9	> **+27% vs. FY 2020**, thanks to higher ARPC of main clients, better cross-selling of services, and resumption of new business activities, supported by new Go-to-Mkt
Adj. EBITDA	10.5	6.2	> **+70% vs. FY 2020**, thanks to, bigger projects, better mix and efficiencies arising from the new organization. Adj. EBITDA margin up by + 2.8 pps
EBIT	6.6	3.1	> **+110% vs. FY 2020**, thanks to the better operating result. EBIT margin up by +2.8 pps
EBT	5.8	2.5	> **+127% vs. FY 2020**, thanks to the better performance over the period, and lower financial charges. EBT margin up by +2.8 pps
Group Net Income	4.3	1.8	> **+134% vs. FY 2020**, thanks to better operating results, mostly of Italian companies
Operating Cash Flow	7.4	9.6	> **Decrease of €M 2.2 vs. FY 2020** mainly due to greater absorption by the NWC, because of lower collections from tax credit and subsidized finance, relating to R&Ds
NFP	-21.2	-12.4	> **Decrease since FY 2020 of €M 8.8** mainly due to the change in the Group perimeter

FY 2021 REVENUES

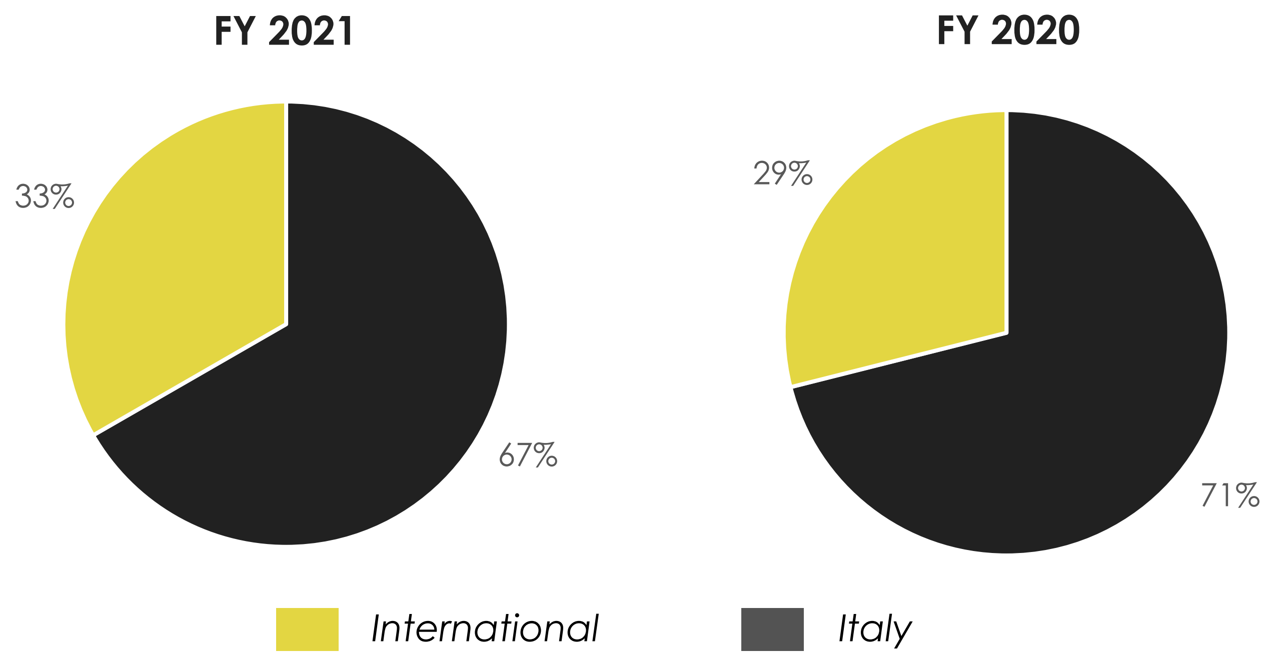
ALKEMY FY REVENUES(€M) – IAS /IFRS(1)



ALKEMY ORGANIC AND SCOPE (€000) – IAS /IFRS



ALKEMY INTERNATIONAL TURNOVER(%)

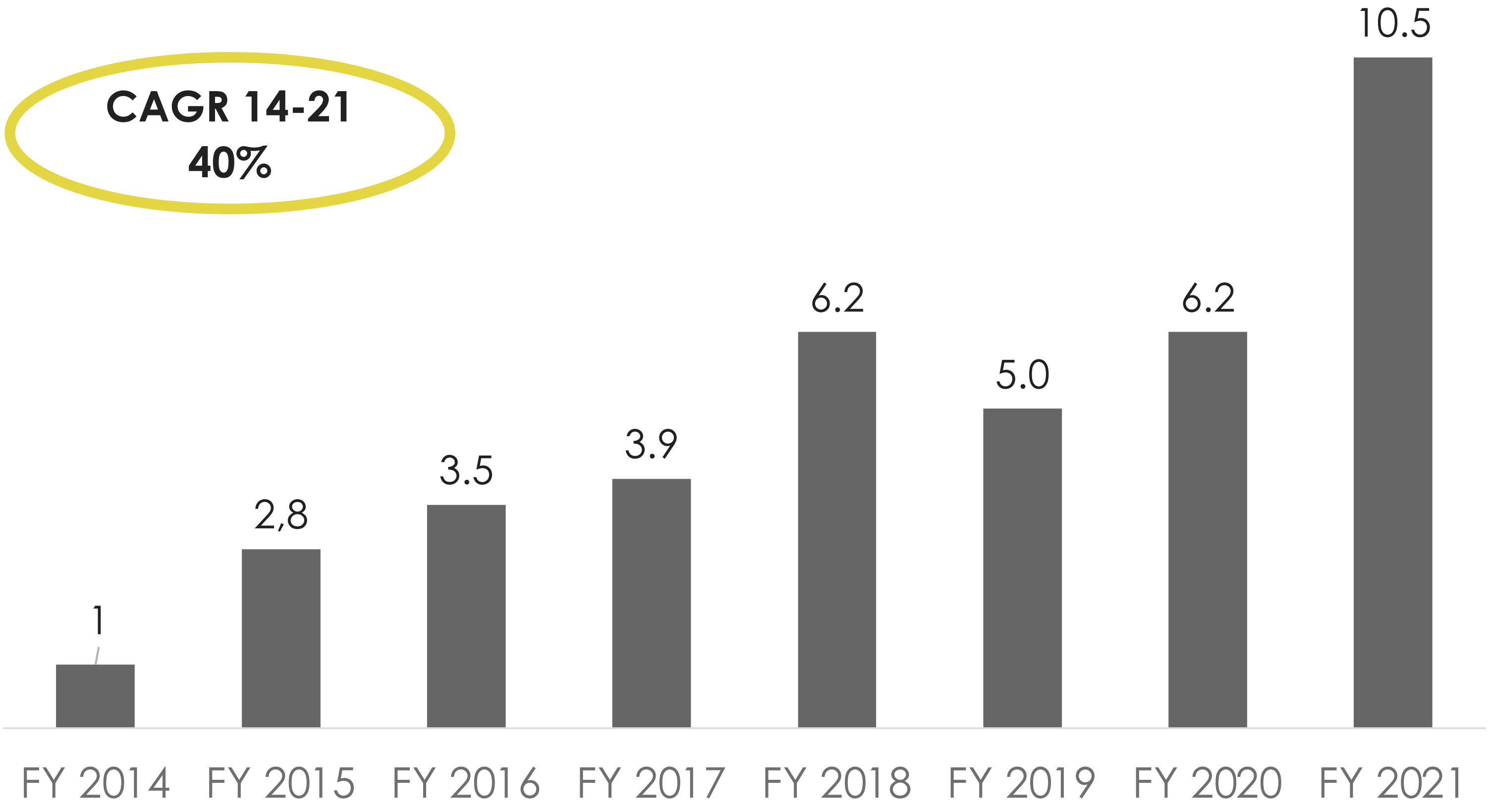


- FY 2020 revenues are about €M 95.2 +27% vs. €M 74.9 in FY2020, of which +17% organic, thanks to the resumption of new business activity and the increase in main customers' average turnover, supported by the new GTM strategy.
- Italian companies recorded higher-than-expected growth yoy, thanks to scope growth resulting from the acquisition of DGI and XCC, and the strong focus on current customers.
- Foreign companies in FY 2021 recorded strong growth, mainly thanks to Mexico and Spain, marking an important recovery of the top-line, heavily impacted by the Covid-19 emergency over 2020. Int'l turnover is 33% of Group revenues, (29% in FY 2020).

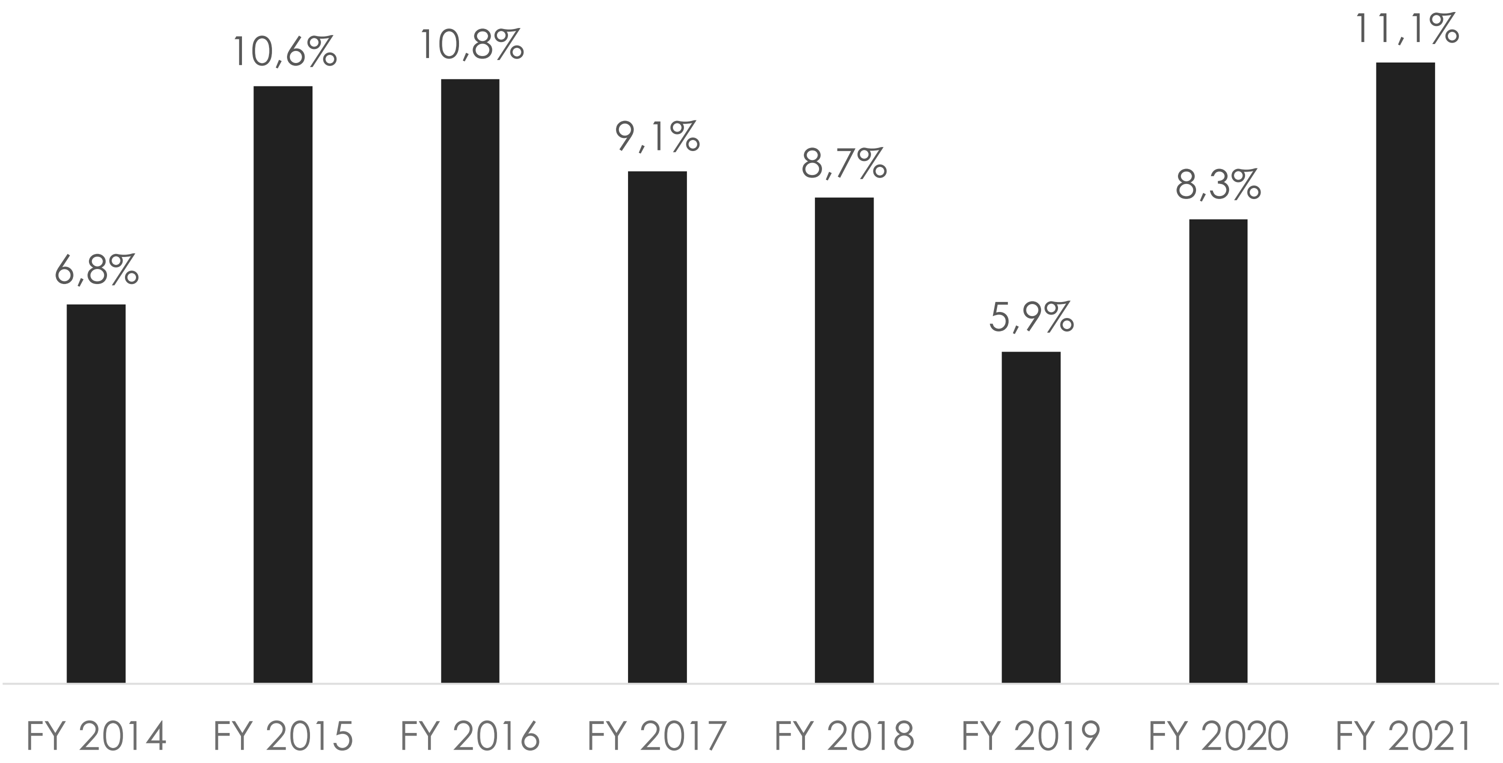
(1)Revenues 2013-14-15-16 are Management estimates and *are not audited*, following the introductions of IFRS in 2018.
(2)Ebitda margin is calculated relating the EBITDA to the revenues of the period.

FY 2021 ADJUSTED EBITDA

ALKEMY FY ADJ. EBITDA (€M) – IAS /IFRS



ALKEMY FY ADJ. EBITDA MARGIN (%) – IAS /IFRS (2)



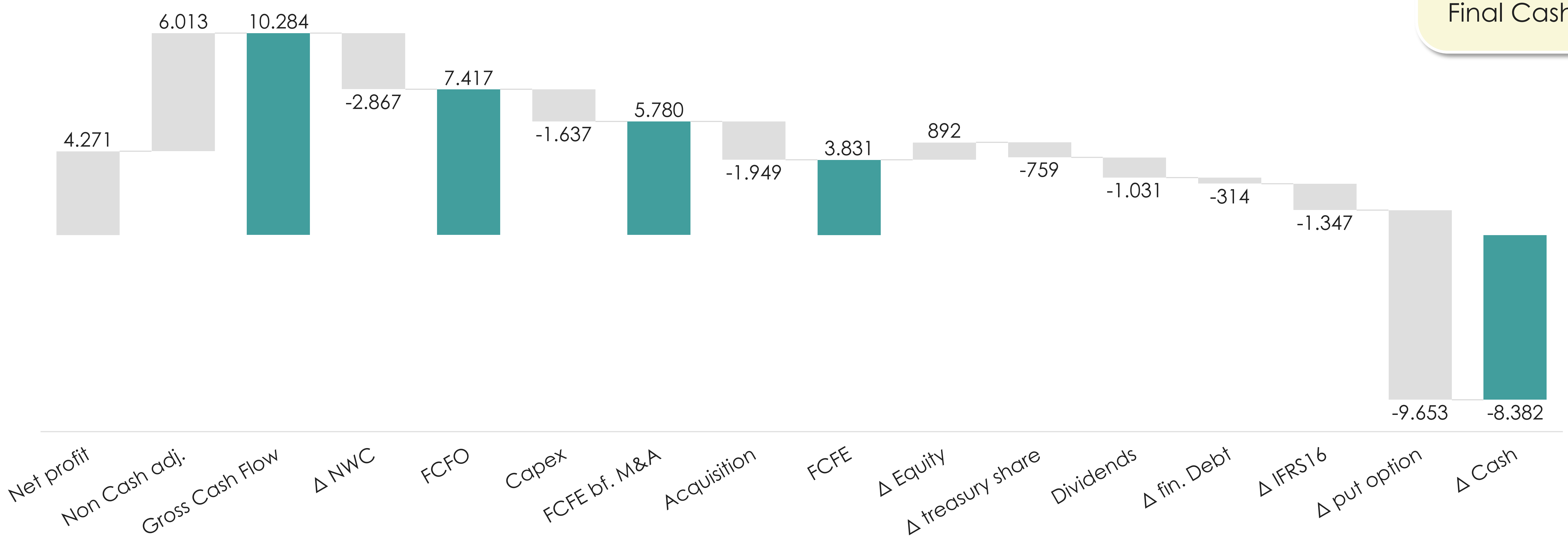
- FY 2021 Adjusted EBITDA stood at €M 10.5 +70% vs. €M 6.2 in FY 2020, mainly thanks to the implementation of the new organization, which supports the Group in the industrialization of its business model, and thanks to the new Go-to-Market strategy focused on the development of greater projects with greater added value, implying a better selling mix.

- FY 2021 EBITDA Margin is 11.1%, +2.8 pps vs. 8.3% in FY 2020.
- Part of revenues coming from the integration of Ontwice Group (Spanish and Mexican markets, consolidated since 2H 2018) is related to Media (i.e. purchase and sale of Digital media spaces) which is structurally a pass-through business
- This effect had a negative impact on EBITDA margin since 2H 2018.

(2) Ebitda margin is calculated relating the EBITDA to the revenues of the period.

FY 2021 CASH FLOW

FY 2021 Cash Flow generation - (€000)

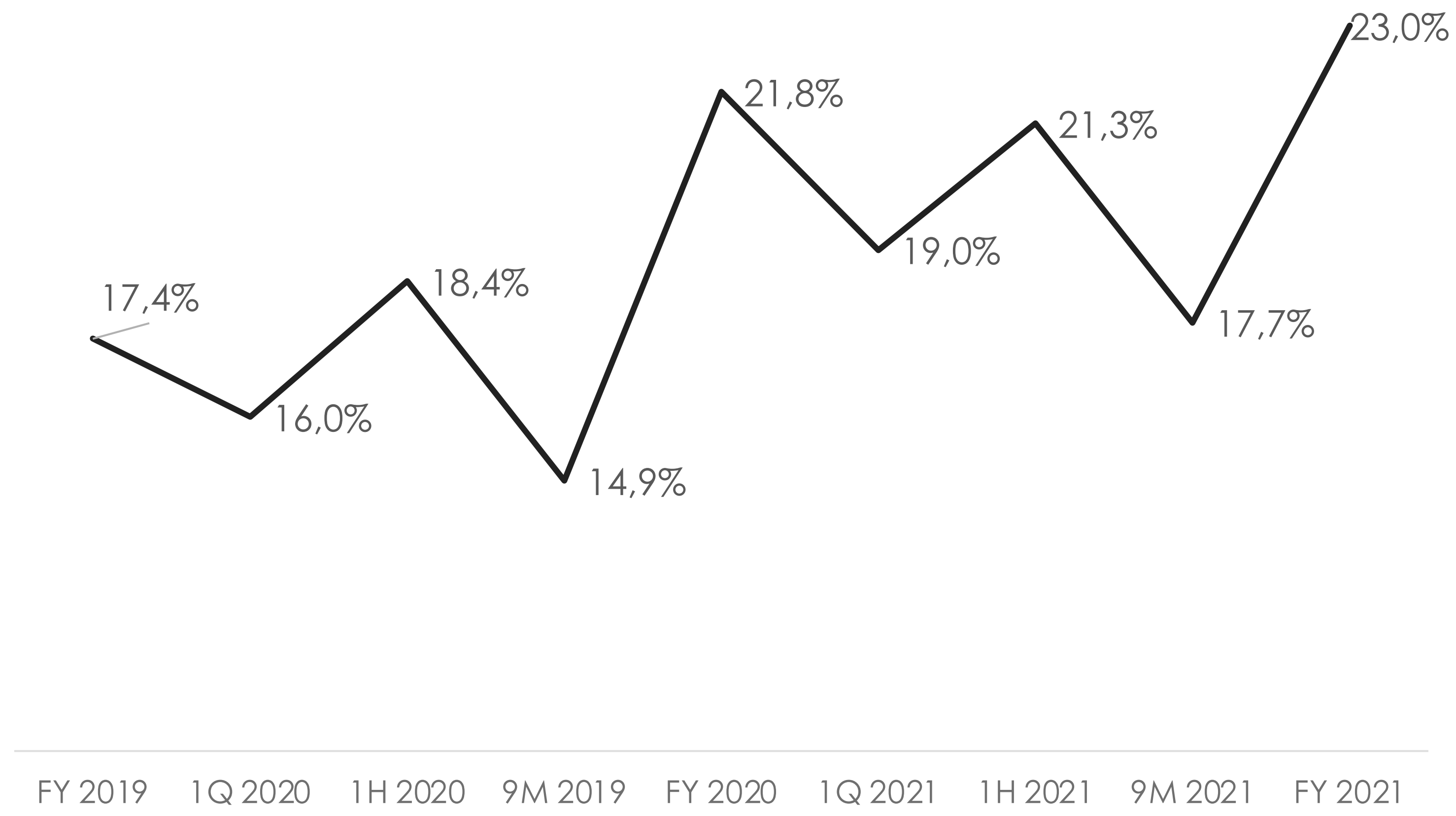


Initial Cash	18.8 €M
Delta Cash	-8.4 €M
Final Cash	10.5 €M

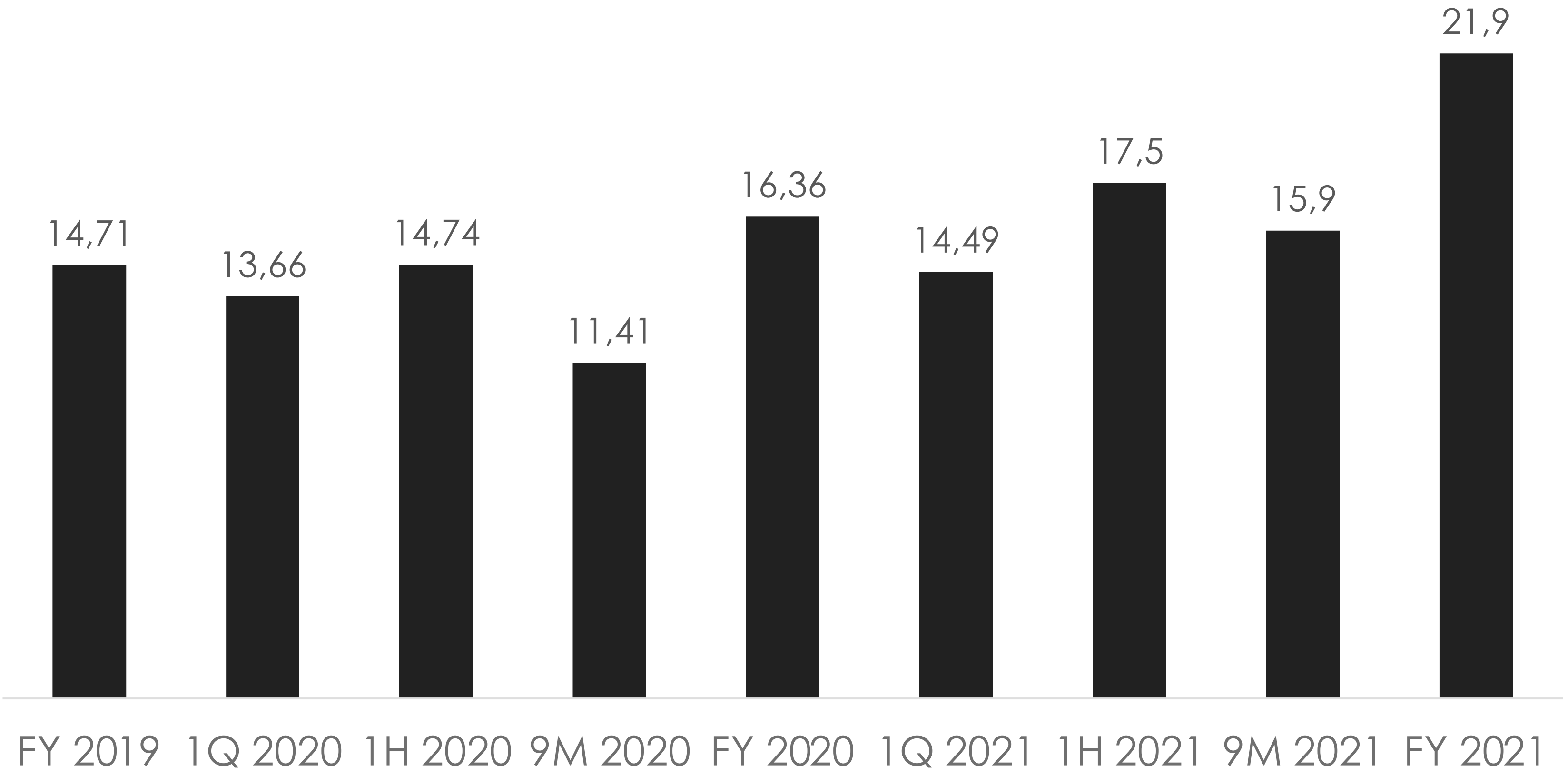
- FY 2021 Gross Cash Flow at €M 10.3, +57% yoy thanks to higher positive result non-cash adjustments.
- FCFO at €M 7.4, equal to 70% of Adj. EBITDA, but lower than FY 2020, due to greater absorption by the net working capital, and in particular lower tax credit and subsidized finance, relating to R&Ds.
- Capex are 6x higher than FY 2020, and are equal to 2% of revenues.
- Change in cash over FY 2021 is €M -8.4, mostly due to change in Group perimeter and in particular to M&A put options payments occurred over the period.

NET TRADE WORKING CAPITAL DYNAMICS

Net Trade Working Capital over Last 12 Months Revenues (%)

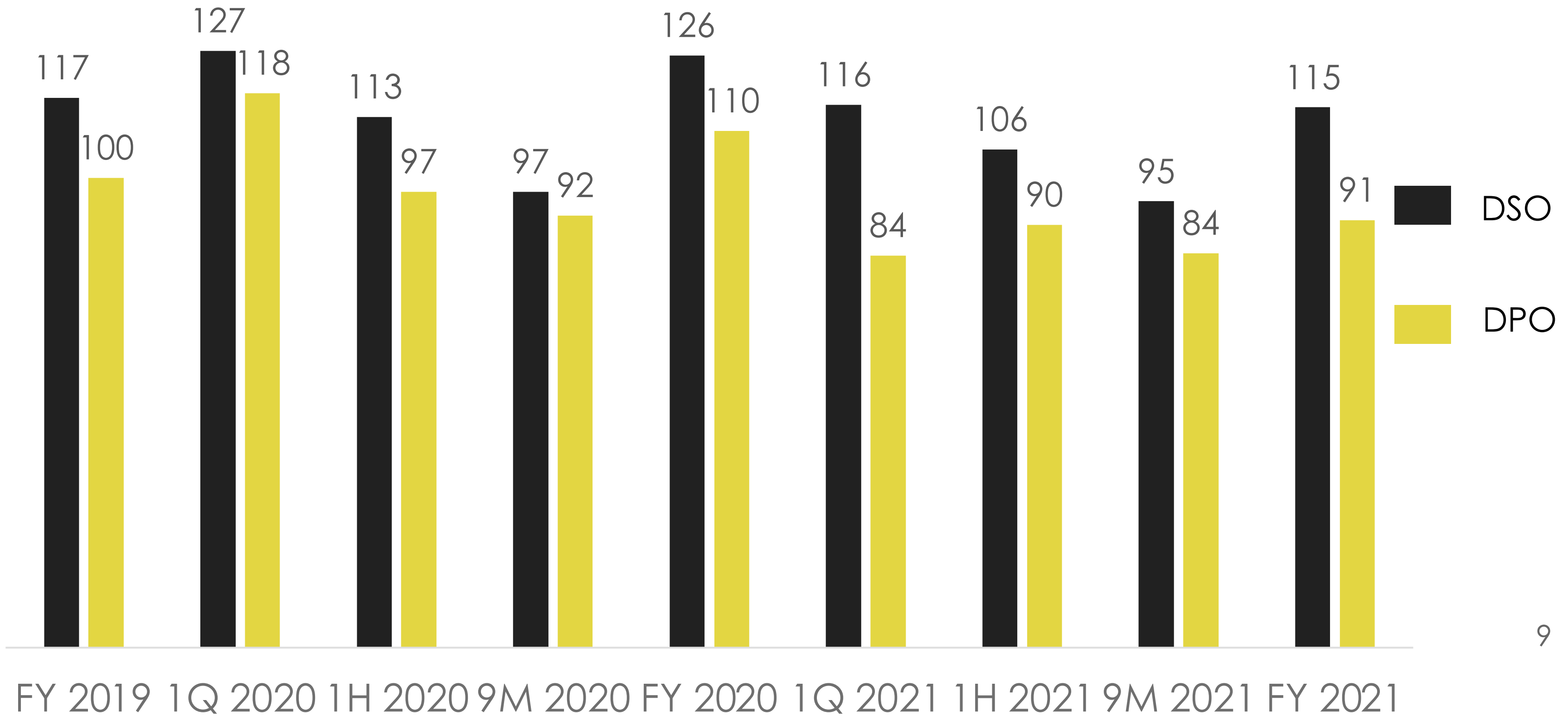


Net Trade Working Capital (€M)



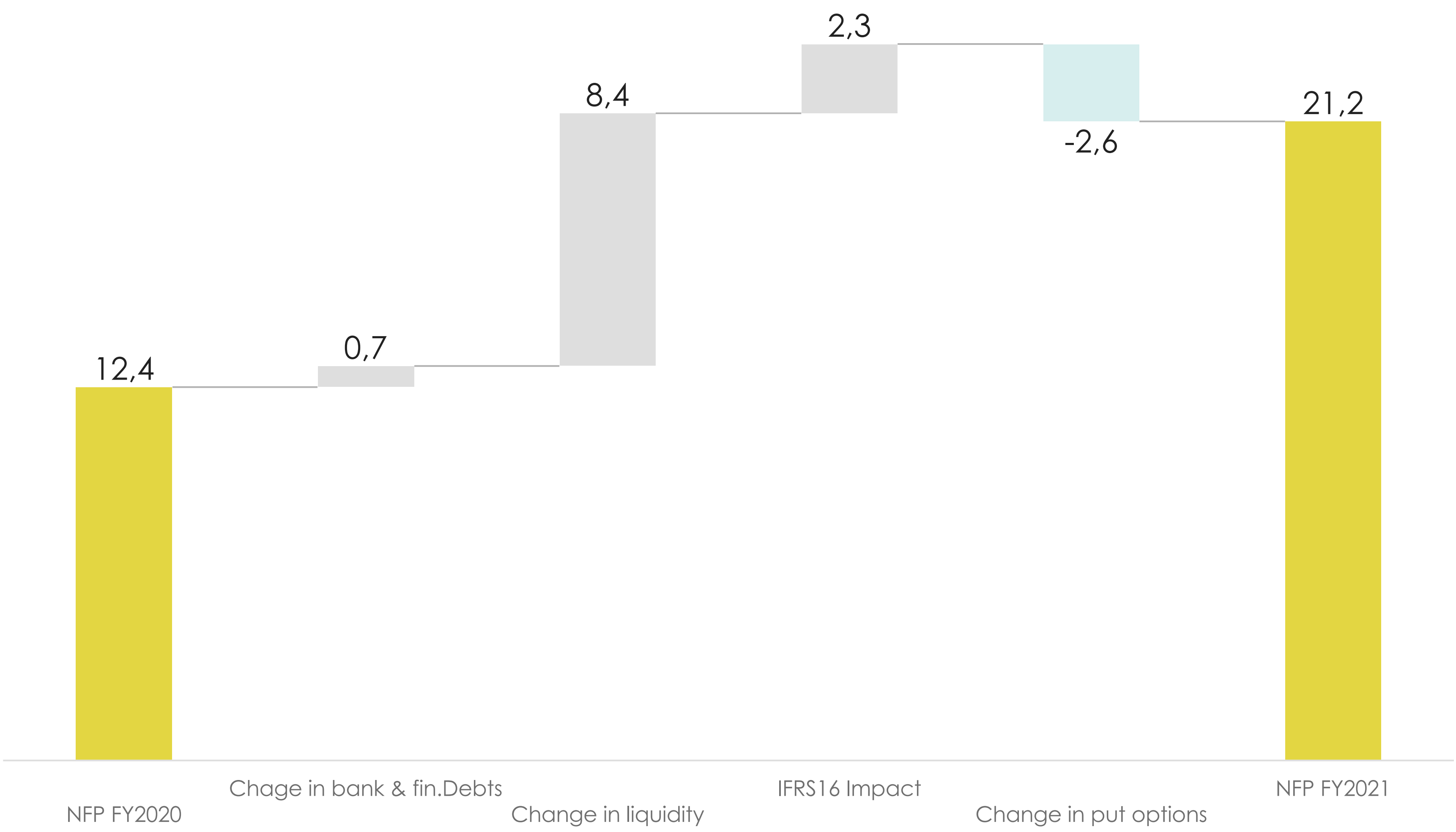
- FY 2021 Trade working capital over revenues was higher compared to history
- The cash outflow from Net Trade Working Capital increase was up 20% in comparison to FY 2020, due higher revenues growth. The increase was less than proportional compared to revenues increase (+20%), thanks to better payable dynamics

Cash Conversion Cycle Details (days)



FY 2021 NFP BRIDGE AND BREAK DOWN

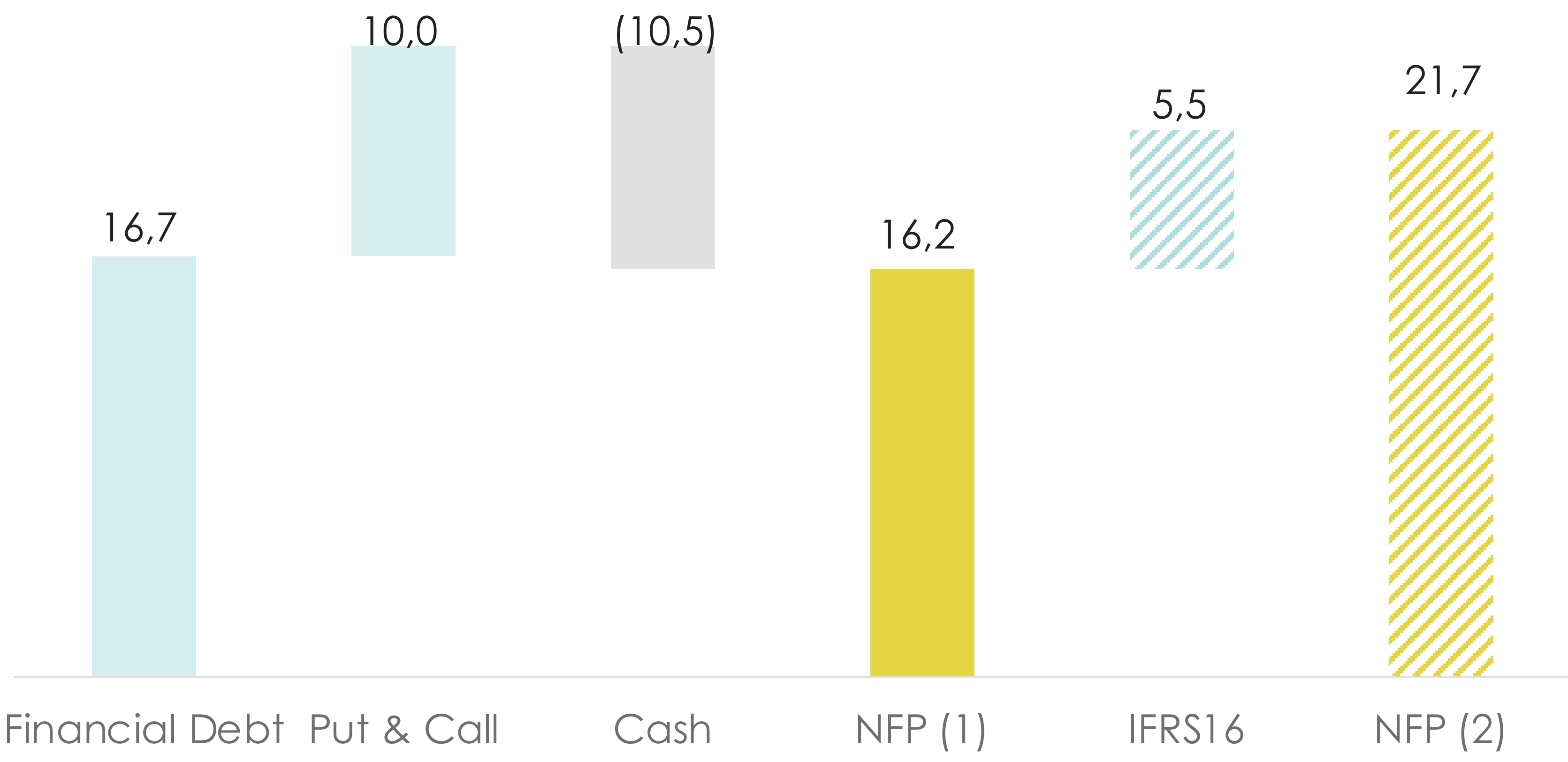
Net Financial Position Bridge FY 2021 (€M)



- Net Financial Position NFP (2) at December 31st 2021 was €M -21.2 with a decrease of €M 8.8 compared to €M -12.4 at December 31st, 2020
- Variation mainly due to: decrease in liquidity on bank accounts (€M -8.4), increase financial debt (€M -0.7), decrease of put option debt (€M +2.6), increase of leasing financial debt (IFRS 16) (€M -2.3).

- Gross debt is composed by €M 16.8 of financial debt (of which €M 5.5 mlt, €M11.3 st), €M 9.5 put options deriving from M&A (of which €M 3.0 st) and €M 5.5 IFRS16 financial leases
- FY 2021 NFP (1) ex IFRS16 is €M 15.7
- FY 2021 cash is €M 10.5

Net Financial Position Break Down FY 2021 (€M)



FY 2021 P&L – IAS/IFRS

Consolidated Profit & Loss

Profit and Loss (€000) - IAS/IFRS	FY 2020	FY 2021
Revenues	**74.932**	**95.185**
Service costs, consum. & goods	(40.100)	(46.825)
Personnel	(28.861)	(38.845)
EBITDA	**5.971**	**9.515**
% Revenues	**8,0%**	**10,0%**
Non recurrent costs	(224)	(1.020)
Adj. EBITDA	**6.195**	**10.535**
% Revenues	**8,3%**	**11,1%**
D&A	(1.749)	(2.408)
Bad debts/ claims/ provisions	(1.077)	(487)
EBIT	**3.145**	**6.620**
% Revenues	**4,2%**	**7,0%**
Financial charges	(601)	(851)
EBT	**2.544**	**5.769**
Taxes	(722)	(1.498)
% Tax rate	**28,4%**	**26,0%**
Net Profit (Loss)	**1.822**	**4.271**
o/w Minorities	30	8
o/w Group Net Profit (Loss)	**1.792**	**4.263**

- FY 2021 **Revenues** at **€M 95.2**, up by **27%** compared to €M 74.9 of FY 2020. The increase is mostly organic (+17%), attributable to the recovery of **New Business** activities and the strong focus on main clients, which ARPC increased. **Italian revenues up by 20%** yoy, is also related to the acquisitions of the majority stake in DGI and XCC (€M 7.4), and to the new Go-to-Market strategy, the holding of current customers and the acquisition of new contracts and customers **. Foreign turnover up by 43%**, mainly thanks to Spain and Mexico subsidiaries, which recovered from Covid-19 related loss in turnover in FY 2020.

- **Operative costs** reduced impact on revenues by 2.8 pps compared to FY 2020. **Services costs** increased by 17% yoy, but **reduced the impact on revenues by 4.4 pps**. This **efficiency** is mostly achieved thanks to the actions taken to internalize tech activities. **Personnel costs** increased incidence on revenues by 1.6 pp compared to FY 2020, attributable to the higher FTE for the period (from 531 in FY 2020 to 655 in FY 2021), as a confirmation of the **positive expectations of management on future business performances.**

- FY 2021 **Adj. EBITDA** at €M 10.5 +70% compared to €M 6.2 in FY 2020, with a margin increase of 2.8 pps (**EBITDA margin 11.1%). EBIT** is equal to €M 6.6 +110% compared to €M 3.1 in FY 2020.

- **Financial charges** decreased from €M 0.7 in FY 2020 to €M 0.6 in FY 2021. **EBT** €M 5.8 vs. €M 2.5 in FY 2030. **Group Net Profit** is €M 4.3 vs €M 1.8 in FY 2020.

FY 2021 BALANCE SHEET – IAS/ IFRS

Consolidated Balance Sheet

Balance Sheet (€000) - IAS/IFRS	FY 2020	FY 2021
Tangible assets	855	1.809
Intagible assets	7.093	10.014
o/w rights of use (IFRS16)	*3.122*	*5.332*
Goodwill	31.755	41.249
Financial assets	1.174	5
Fixed Assets	**40.877**	**53.077**
Inventories	0	0
Trade Receivables	31.044	36.040
Trade Payables	(14.688)	(14.184)
Net Trade Working Capital	**16.356**	**21.856**
Other Current Assets	4.207	4.159
Other Current Liabilities	(12.579)	(14.840)
Employees' leaving entitlement	(5.087)	(6.361)
Total Capital Invested	**43.774**	**57.891**
Total Equity	**31.396**	**36.699**
o/w Group Equity	31.142	36.376
o/w Minorities	254	323
Cash & current financial assets	(18.922)	(10.542)
Bank Debts	16.071	16.771
Put Option Liabilities	12.038	9.481
Other Financial Debts (IFRS16)	3.191	5.482
Net Debt (Cash)	**12.378**	**21.192**
Total Funds	**43.774**	**57.891**

- **Net Invested Capital** at €M 57.5 (€M 43.8 at FY 2020) and consisted of approx. € 21.9 million of **Net Trade Working Capital** (€M 16.4 FY 2020), €M 52.7 of fixed assets (€M 40.9 FY 2020) of which €M 41.2 of **Goodwill** (31.7 in FY 2020) and €M 5.5 of IFRS 16 **rights of use** (3.2 in FY 2020).
- **Shareholders' equity** increased in the period by €M 5.3 since 31 dec. 2020 (+17%), mainly thanks to the positive result of the period (€M +4.3), to the exercise of existing stock option plans (€M +0.9), the increase of LTIP reserve (€M +1.0), the dividends paid to minorities (€M -0.7), treasury shares buyback (€M –0.8), and increase of the fair value of payables for put options exercised after the end of the period (€M +0.3).
- **Net Financial Position** at December 31st, 2021 negative for €M -21.2 (ante-IFRS 16 at €M -15.7) with decreasing by €M -8.8 compared to FY 2020, mainly due to the change in the Group perimeter. More specifically the **variation** is mainly due to: (i)decrease in cash and equivalents (€M -8.4) due to higher absorption of NWC, two acquisitions, put options paid over the period, treasury shares buyback and dividends paid to minorities, (ii)increase in bank loans (€M -0.7), (iii) IFRS 16 impact due to change in Group perimeter (€M -2.3), (iv) decrease in put options liabilities mainly due to the two acquisitions in the period (€M +2.6).

FY 2021 CASH FLOW GENERATION – IAS/IFRS

Consolidated Cash Flow

Cash Flow Statement (€000) - IAS/IFRS	FY 2020	FY 2021
Net Profit (Loss)	**1.822**	**4.271**
Adjustments (cash tax, interest and other)	1.323	2.349
Non cash items	3.390	3.664
Gross Cash Flow	**6.535**	**10.284**
Change in inventories	61	0
Change in trade receivables	244	(2.008)
Change in trade payables	(2.540)	(678)
Total change in NTWC	**(2.235)**	**(2.686)**
Total change in other asset/liabilities	5.284	(181)
Operating Cash Flow	**9.584**	**7.417**
Capex	(325)	(1.940)
Free Cash Flow before Acquisition	**9.259**	**5.477**
Acquisitions and other financial assets	(91)	(1.646)
Free Cash Flow	**9.168**	**3.831**
Change in treasury shares	(181)	(759)
Dividends to minorities	(667)	(1.031)
Change in bank & fin. Debts	4.542	(314)
IFRS 16 effect	(950)	(1.347)
Changes in equity	(1)	892
Change in put/option	(2.652)	(9.653)
Change in Cash	**9.259**	**(8.381)**
Initial Cash	9.581	18.840
Final Cash	18.840	10.459

- FY 2021 **Gross Cash Flow** at **€M 10.3**, compared to €M 6.5 in FY 2020. The increase yoy is mostly due to higher positive result of the period and higher non-cash adjustments.
- FY 2021 **Operating cash flow** at **€M 7.4** compared to €M 9.6 of FY 2020. The negative variation of €M 2.2 is mainly due to the greater absorption by the net working capital, and in particular lower collections deriving from tax credit and subsidized finance, relating to R&Ds carried out in previous years. On the other hand, Net Trade working increased less than proportionally compared to turnover growth (+20%), thank to better payments terms.
- Ordinary **Capex** of the period is 6.0x higher than FY 2020, and it's mostly related to hardware&software equipment for the Group, and offices improvements. FY 2021 **Free Cash Flow before Acquisitions** is equal to **€M 5.5**, compared to €M 9.2 in FY 2020.
- FY 2021 **Free Cash Flow** is **€M 3.8**, compared to €M 9.2 in FY 2020. The variation is related to the **acquisition** of the majority stake in DGI S.r.l, and in XCC S.r.l. in the period (€M -1.6).
- Total change in **cash** for the period was **€M -8.4** compared to €M 9.2 in FY 2020. Cash decrease is mostly due to the two acquisitions, put options paid over the period, treasury shares buyback and dividends paid to minorities.

OUTLOOK

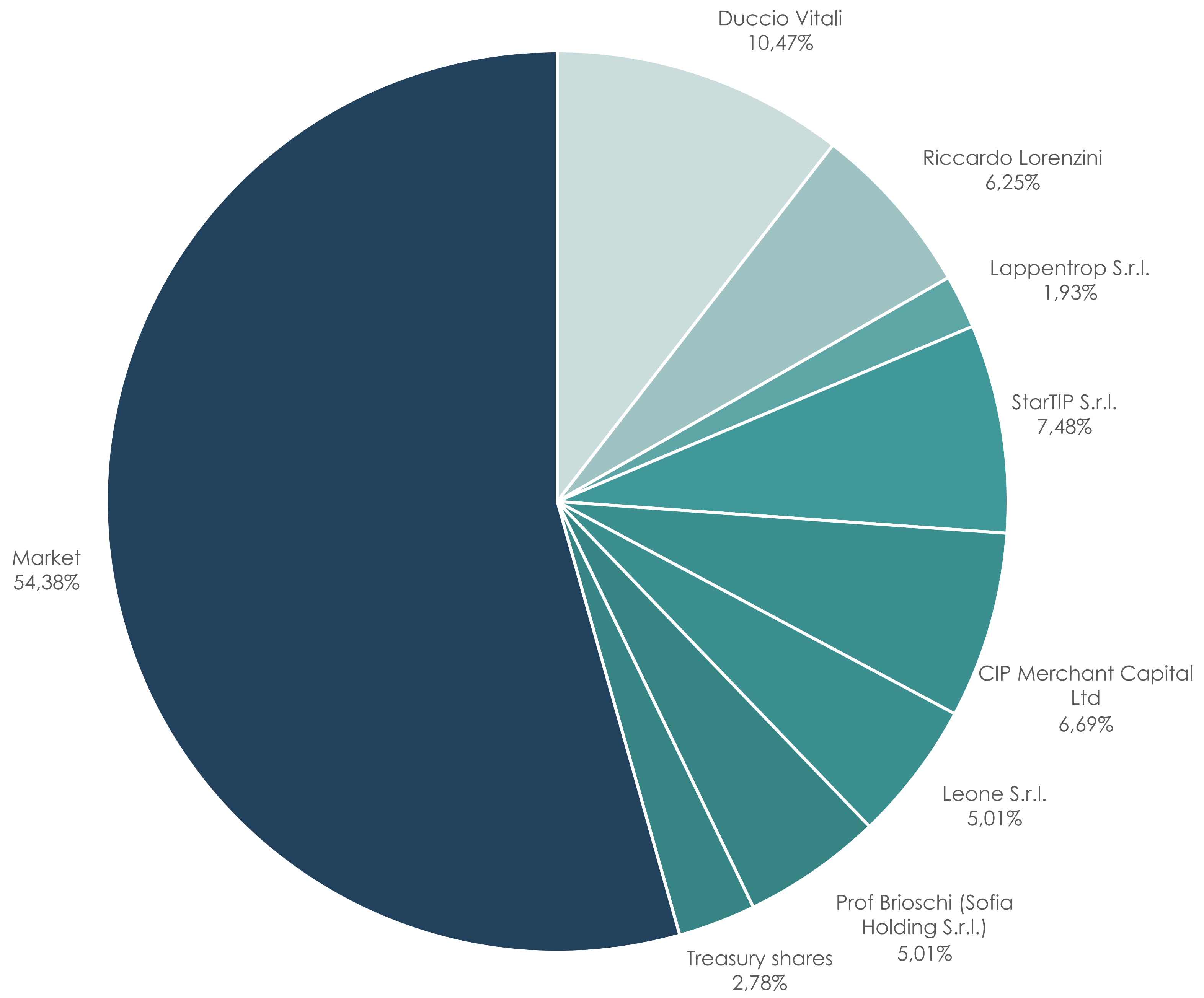
- Taking into account the results achieved in 2021 and business current trading, barring the occurrence of further aggravating events, currently not well foreseeable, it is confirmed that the Group's expectation is to continue organic growth, and margins consolidation, by fully benefiting from the effects of the new organization of the Group launched in 2021 which better integrates, especially in Italy, the business of Alkemy SpA with that of Nunatac S.r.l. (data analytics), by Design Group Italia ID S.r.l. (Product, Service & Space Design) and XCC S.r.l. (System integration).

A PUBLIC COMPANY LISTED ON MTA – STAR SEGMENT

Issuer & Tickers	• Alkemy S.p.A. (ALK) | ISIN: IT0005314635 • REUTERS ALK.MI | BLOOMBERG ALK.IM
Market	• Borsa Italiana, Euonext Milan – STAR
Specialist	• Intermonte
Analyst Coverage	• Intermonte • Banca Imi • Mediobanca

ALKEMY SHAREHOLDING STRUCTURE

As of March 22nd, 2022



Outstanding Shares 5.685.460

(1) Lappentrop Srl belongs to Alessandro Mattiacci
(2) Other Managers: Alkemy and founders of new acquired companies
(3) Buy Back plan was in place until November 2020

A GREAT OPPORTUNITY FOR ALKEMY

- **Solid Market** - Alkemy operates in a fast-growing market which only in Italy is worth over 6B€, and which generates half-billion of new business every year, and where the recent Covid-19 crisis has put further pressure for companies to invest.

- **Leadership Positioning** - Alkemy has developed a unique positioning with a fully integrated offering able to guide companies across all the phases of the Digital Transformation process.

- **Margin Expansion** – Since 2020, Alkemy started a process of industrialization aimed at increasing marginality, using three different levers:
  1. Increased gross margin through higher efficiency (working on productivity, saturation and synergies);
  2. G&A scalabilty thanks to business growth;
  3. New Go-to-Market, focused on bigger projects with higher marginality.

- **Consolidation Opportunity** - Over the years Alkemy has acted as aggregator in the market, which is still very fragmented and there are several local excellences that can be integrated in value (cybersecurity, machine learning,…).

A SOLID CORPORATE GOVERNANCE

BOARD OF DIRECTORS

Chairman	Alessandro Mattiacci
Chief Executive Officer	Duccio Vitali
Deputy Chairman	Vittorio Massone
General Manager	Massimo Canturi
Director	Riccardo Lorenzini
Independent Director	Giorgia Abeltino
Independent Director	Giulia Bianchi Frangipane
Independent Director	Andrea Di Camillo
Independent Director	Serenella Sala

BOARD OF STATUTORY AUDITORS

Chairman	Mauro Dario Bontempelli
Standing Auditor	Gabriele Gualeni
Standing Auditor	Daniela Bruno
Alternate Auditor	Marco Garrone
Alternate Auditor	Mara Sartori

Independent Audit Firm: KPMG S.p.A.

- The Board of Directors, the Board of Statutory Auditors and the Independent Audit Firm were appointed by the Shareholders' Meeting on June 25, 2017.
- Vittorio Massone was appointed by the Shareholders’ Meeting on April 24, 2020.
- Massimo Canturi was appointed by the Shareholders’ Meeting on April 26, 2021.

Alkemy enabling evolution

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INVESTOR RELATIONS

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