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Oggetto : Alkemy SpA - FY 2020 results

<i>Testo del comunicato</i>

Vedi allegato.

ALKEMY S.P.A.: FY2020 NET PROFIT AT €M 1.8

ADJUSTED EBITDA + 23%, EBIT + 123%, OPERATING CASH FLOW AT € 9.6 MILLION

NFP AT €12.5 MILLION

2020 confirmed strong resilience of Alkemy's business, showing the first effects of the industrialization process in terms of profitability and cash flow.

In 2021, focus on the development of the top line and on increasing operating margins. A strong growth is expected in the market.

- 1. The Board of Directors today approves the draft Statutory Financial Statements and the Consolidated Financial Statements for 2020 financial year and the proposal for the allocation of profit for the year**
 - 2. The Board of Directors resolved to propose to the Shareholders' Meeting the authorization to the purchase of Treasury Shares**
 - 3. The Ordinary Shareholders' Meeting called on April 26th, 2021**
- **FY 2020 Consolidated Turnover** reaches **Euro 74.9 million**, -11.4% compared to Euro 84.5 million in the previous year (FY 2019), mainly due to the decrease in revenues of the Mexican subsidiary, more exposed to the travel and leisure industry, particularly affected by COVID-19. Resiliency of business in Italy.
 - **FY 2020 Adjusted EBITDA¹** is equal to **Euro 6.2 million, up by 23%** compared to the figure of Euro 5 million in FY 2019, as the first result of the efficiencies deriving from the industrialization of the business model and the Group's focus on high value-added projects. **EBITDA margin** is equal to **8.3%, +2.3 percentage** points compared to 6% in FY 2019. It is worth noting that no use was made of temporary layoffs nor other public support benefits for workers.
 - **FY 2020 Operating result (EBIT)** is equal to **Euro 3.1 million, up by 123%** compared to Euro 1.4 million in FY2019, mainly thanks to the better operating result.
 - **FY 2020 Consolidated pre-tax result (EBT)** is equal to **Euro 2.5 million, up by more than 10 times** FY 2019 figure of Euro 0.2 million, thanks to the better operating performance of the Group and to lower financial charges.
 - **FY 2020 Consolidated Net Income** is equal to **Euro 1.8 million**, considerably higher Euro -0.2 million in FY 2019, mainly due to the operating result for the year and to the efficiencies arising from the new organization.
 - **FY 2020 Operating Cash Flow**, is equal to **Euro 9.6 million**, compared to Euro 1.6 million in FY 2019, mainly thanks to FY 2020 Net Income.
 - **Net Financial Position** of the Group at December 31, 2020 is negative of **Euro 12.5 million**, strongly improving compared to NFP at December 31, 2019 negative of Euro 19.2 million. The positive variation is mainly due to the increase in cash and cash equivalents and the reduction in the value of put option payables.

Milan, March 22nd, 2021 – The Board of Directors of **Alkemy S.p.A.**, a leading company in the business model evolution of large and medium-sized companies listed on the Mercato Telematico Azionario (MTA) – STAR Segment of Borsa Italiana (ALK), today approved the draft Statutory Financial Statements and the Consolidated Financial Statements for the 2020 financial year which will be published within the terms provided for by the reference legislation. The Board of Directors also approved the consolidated non-financial declaration prepared pursuant to Legislative Decree 254/2016.

¹ Adjusted EBITDA: Net operating revenues minus operating costs excluding non-recurring expenses and income.

Considering the complexity and uncertainty of the context, FY 2020 saw a **resilient trend** for Alkemy's business, in particular in terms of **marginality's growth**, thanks to the strong **focus on customers**, **greater business efficiency** and new Go-to-Market strategy, focused on the development of large projects with greater value-added and greater profitability, continuing along the path of **industrialization** of its business model.

Despite decreasing revenues on foreign markets compared to FY 2019, and for a minor part also in Italy, Alkemy recorded a **positive Net profit** of **Euro 1.8 million** compared to Euro -0.2 million in FY 2019) and a **strong cash flow generation** (FY2020 operating cash flow at Euro 9.6 million compared to Euro 1.6 million in FY2019), thanks to a **substantial increase in marginality**, with an **Adjusted EBITDA** higher than the previous year by **23.2%** and **EBITDA margin** improvement of **2.3 percentage points**.

These results, thanks to the **flexibility of the Group's operating structure** and the consistency of the business, were achieved without resorting to temporary layoffs or other public support tools for workers, with full use of the available workforce.

Alkemy, as an **independent leading company in the digital transformation** industry in the geographies of reference, offers the range of services necessary for companies that want to emerge from the crisis and be competitive in tomorrow's market. The recent developments related to the COVID-19 emergency have in fact imposed on companies an even faster ability to adapt and transform, digitalizing their business models and rethinking their relationship with the new consumers.

*"Over the course of FY 2020, we showed **strong resiliency** of the services we offer, that, together with the **process of industrialization and efficiency** of our business model started in 2019, resulted in a strong improvement of marginality, that will continue in the future" **commented the CEO Duccio Vitali**. "Over the course of 2021 we will pivot on the industrial enhancement achieved to support a new growth phase, which results will show already starting from 1Q 2021".*

*"The expansion of the health emergency phase, the evolution of the consumer habits and of the market confirm the **centrality of digitization** in the evolution of the entire economic production system" **added the Chairman of the Board of Directors Alessandro Mattiacci**. "The moment we are experiencing and the options for industrial policy intervention are indeed a great opportunity over the next months to **accelerate digital transformation** in Europe in the geographies in which we operate, in which companies are relatively late. We expect a renewed centrality of our industry, for which Alkemy increasingly has a consistent structure and offer, as confirmed by the **recent acquisition of the 51% of the share capital of XCC, a Salesforce Gold Partner**".*

Data Analysis

The Group's **consolidated revenues** in FY 2020 amounted to Euro 74.9 million, compared to Euro 84.5 million in FY 2019, with a decrease of 11%. This result is mainly attributable to the Mexican subsidiary, which was most affected by the pandemic, due to the predominant exposure to the travel and leisure industry.

FY 2020 Revenues in Italy in 2020, equal to Euro **53.2 million** (Euro 57.1 million in FY 2019) showed greater resiliency of the business, recording a contraction of 6.8%, mainly relating to the "Other revenues and income" component, related to the lower government grants and tax credit inherent to the Research and Development activities carried out over the period.

The result of the Italian companies is mainly the positive effect of the new Go-to-Market strategy, focused on the strong presence of the main customers (the top 50 during the period **increased their average turnover by about 10.0%**), and the strong resilience of existing contracts which were only partially affected by the lockdown.

Abroad revenues amounted to **Euro 21.7 million**, decreasing by -21% from Euro 27.4 million in FY 2019. This decrease is mainly attributable to the Mexican subsidiary, which, following COVID-19, was significantly affected by the lower investments in the Media by customers in the tourism-hotel sector to which it is exposed, without generating an impact on margins. On the other hand, there was a

strong recovery in the turnover of the Spanish subsidiaries in the last months of 2020, thanks to the recovery of the business and the signing of new contracts.

FY 2020 Adjusted EBITDA was equal to **Euro 6.2 million, up by 23.2%** compared to Euro 5.0 million in FY 2019, mainly thanks to the **efficiencies** deriving from the implementation of the new organization, which supports the Group in the **industrialization** of its business model, and the new Go-to-Market strategy focused on the development of projects with greater value-added.

FY 2020 Adjusted EBITDA Margin² was **8.3%, up 2.3 percentage points** from FY 2019 (6.0%), as the first result of the **efficiencies** of the **new organization**, to the **internalization of some activities in the technological area**, which were outsourced before, with a reduction in the incidence of services costs on turnover by 6 percentage points. The cost of labor, despite the average number of employees increased from 512 units in FY 2019 to 531 in FY 2020, fell by 2.2% thanks to the rationalization of the personnel costs of the Italian companies, without benefiting from reductions related to the recourse to social safety nets or other available facilities, as they are not necessary, given the full use of the staff in force.

FY 2020 margin net media is equal to **9.7%**, up by **2.3 percentage points** compared to 7.4% in FY 2019.

FY 2020 Operating Result (EBIT) is equal to **Euro 3.1 million**, up by more than double (+ 123.5%) compared to Euro 1.4 million in 2019 and is mainly attributable to the companies operating on the Italian market. Financial income and expenses for the year amounted to Euro 0.7 million, compared to Euro 1.2 million in FY 2019, with a reduction of Euro 0.5 million, mainly attributable to lower interest on payables for put options (Euro 0.3 million, compared to Euro 0.8 million in 2019).

FY 2020 consolidated pre-tax result (EBT) is equal to **Euro 2.5 million**, up more than 10 times compared to Euro 0.2 million in FY 2019.

FY 2020 consolidated result is equal to **Euro 1.8 million**, compared to the negative figure of Euro -0.2 million in 2019, mainly thanks to the better operating result for the year and the efficiencies resulting from the new organization.

FY 2020 Operating Cash Flow is equal to **Euro 9.6 million**, with a positive increase of approximately Euro 8 million compared to Euro 1.6 million in 2019, thanks primarily to the best result for the year.

The Group's Net Financial Position at December 31st, 2020 was negative for **Euro 12.5 million**, compared to the negative NFP for Euro 19.2 million at December 31st, 2019, with an improvement over the year of Euro 6.7 million. This positive change is mainly attributable to:

- for Euro +9.3 million, to the increase in liquidity on bank accounts;
- for Euro +1.3 million to lower payables for put options, which, on the one hand, decreased during the year due to the exercise of those pertaining to them, with payment of Euro 2.6 million, and from other, they increased due to the updating of the valuations of the options expiring in future years (Euro 1.3 million);
- for + € 0.8 million to the decrease in short and medium term financial payables for leasing;
- for Euro -2.5 million to the increase in medium-term bank loans, contracted during the year;
- for Euro -2.2 million to the increase in the shares of short-term bank loans, mainly attributable to the new loans described in the previous point and at the end of the pre-amortization periods of some loans stipulated in 2019,

Outlook

² Adjusted EBITDA Margin: it is calculated by comparing the adjusted EBITDA to the total revenues and income.

As of the date of approval of this annual financial report as of December 31st, 2020, all the Italian and foreign companies of the Group still continue their work almost entirely remotely, also in line with the provisions of the various local governments on the prevention of the spread of the pandemic, in all the countries and regions where the offices of the various Group companies are located.

The Group's management continuously monitors the developments of the events related to the pandemic, in order to be able to promptly implement all the actions deemed necessary to limit any further impacts on the health and safety of workers and on the business.

The evolution of management during 2021 will depend mainly on exogenous factors related, as a priority, to the execution of the vaccination plan, as the only effective solution to overcome the difficulties generated by the pandemic and trigger the economic recovery of the country, and therefore to resilience. of client companies, government support in support of the economy in general and investments in the digitalization of companies.

Taking into account the results achieved in 2020 and in particular in the last quarter of the year, business current trading in the first months of 2021, except for the occurrence of further aggravating events that are not always foreseeable (like for example the continuation and tightening of the lockdown, delay of the vaccination plan), it is confirmed that the Group's expectation is to resume the path of organic growth, both in terms of revenues and margins, benefiting from the rationalization and efficiency work carried out in the previous year and currently underway.

In fact, the new Group organization, still in the process of being implemented and completed, was assessed as the most suitable, on the one hand, to best respond to the expected evolution of the domestic market, and on the other, to strengthen the integration of business both with the new realities that will enter the Group, and with Nunatac S.r.l. (data analytics) and with Design Group Italia S.r.l.; please note that the latter, by the end of the first half of 2021, will enter the consolidation perimeter of Alkemy, following the exercise of the put & call options provided for in the contract.

The Manager in charge of preparing the corporate accounting documents, Claudio Benasso, pursuant to paragraph 2 of article 154-bis of the Consolidated Law on Finance, declares that the accounting information contained in this press release corresponds to the documentary results, books and records accounting.

With reference to the accounting data shown in this press release, it should be noted that these are data for which the statutory audit activity by the Independent Auditors has not been completed. For more information, see the attachments to this press release.

Allocation of net profit for the year

The Company's Board of Directors resolved to propose to the Shareholders' Meeting the approval of the 2020 financial statements and the full allocation of the net profit for the year of Euro 823 thousand to the shareholders' equity item "Retained earnings" since the legal reserve was already entirely incorporated in accordance with the law.

Authorization for the purchase of treasury shares

The Board also resolved to propose to the Shareholders' Meeting to authorize the purchase of treasury shares for a maximum period of eighteen months, and in order to: (i) use their shares as an investment object for an efficient use of the liquidity generated by the characteristic activity of the Company; (ii) to be able to use own shares for the assignment to the beneficiaries of any stock option and / or stock grant plans approved by the competent corporate bodies; as well as (iii) to allow the use of treasury shares in the context of operations connected with the characteristic management or of projects consistent with the strategic lines that the Company intends to pursue, in relation to which the opportunity for share exchanges is realized with the objective main to finalize corporate integration operations with potential strategic partners (all as better indicated in the narrative), establishing that:

1. the purchase may be made up to a maximum amount of treasury shares which, also taking into account the shares held in the portfolio from time to time by the Company and its subsidiaries, does not exceed the limit of 15% overall (fifteen per cent) of the share capital (and in any case lower than the provisions of Article 2357, paragraph 3 of the Italian Civil Code, where the conditions for its application exist), at a consideration not less than, at least, 20% and not always 20% higher than the reference price that the share will have recorded in the trading session of the day preceding each individual transaction - except in cases in which the shares are subject to exchange, conferral, assignment or other deeds of non-cash disposition, in which the economic terms of the transaction will be determined, in compliance with current legislation, based on the nature and characteristics of the transaction - in any case at a price , per single transaction, which cannot be higher than the higher price between the price of the last independent transaction and the price of the highest current independent purchase offer in the trading venue where the purchase is made (even if the shares were traded in different trading venues) and in any case for a maximum value at any time of a total of € 250,000 and it being understood that the daily volume of purchases may in no case exceed 25% of the average daily volume of shares in the trading venue in which the purchase is made, determined according to the applicable provisions. The trading limits deriving from the applicable legislation will be considered automatically adjusted to any different limits introduced following the modification of the legislation in force;
2. the purchase may be made, in any case in compliance with the equal treatment of shareholders, in any of the following ways: (i) takeover or exchange offer; (ii) purchases made on the MTA market, according to market practices that do not allow the direct combination of purchase orders with certain sale orders, specifying that purchases will be also carried out in compliance with EU Regulation no. 596/2014 and the related implementing regulations, as applicable, as well as the "market practices" accepted by CONSOB or pursuant to the primary and secondary legislation applicable from time to time and as regards the purchase of treasury shares for the establishment of a securities warehouse also in compliance with the guidelines that will be established by the competent supervisory bodies;
3. the purchase, even in several tranches, must be made within the limits of the distributable profits and / or the available reserves resulting from the last financial statements duly approved at the time of the transaction, establishing a reserve for own shares and in any case proceeding with the necessary accounting entries in the manner and within the limits of the law;
4. only fully paid-up shares may be purchased;
5. the Company may dispose of the shares purchased, at any time, in whole or in part, in one or more times, even before having exhausted the purchases, of the treasury shares purchased on the basis of this resolution or in any case in the Company's portfolio, by alienation of the same on the market, in blocks or otherwise out of the market within the limits and with the modalities from time to time established by the sector regulations, or the transfer of any real and / or personal rights relating to the same (including, by way of example only , securities lending), it being understood that (a) the consideration for the transfer of the property right and any other real and / or personal right must not be less than 20% (twenty percent) of the market value of the transferred right on the day before each individual transfer; (b) the deeds of disposal carried out in the context of industrial projects or extraordinary finance operations, through exchange, exchange or contribution transactions or other methods that involve the transfer of treasury shares may take place at the price or value that will be congruous and in line with the transaction, also taking into account the market trend.

The Ordinary Shareholders' Meeting is called to approve the 2019 Financial Statements

The Company reminds that those entitled to attend and exercise the right to vote are called to the Ordinary Shareholders' Meeting of Alkemy S.p.A. ("**Alkemy**" or the "**Company**"), for the day April 26th, 2021 in single call, at the office of the Notary Chiara Clerici, in Milan, via Mario Pagano n. 65, to discuss and resolve the approval of the financial statements for 2020 and the allocation of the profit for the year. The Consolidated Financial Statements as at December 31st, 2020 will be presented to the Shareholders' Meeting.

The Assembly will also be called to:

- 1) to resolve about the amendments on the 2020/2023 Long-Term Incentive plan;
- 2) take a binding resolution on the first section of the Remuneration Report pursuant to art. 123-ter, paragraphs 3-bis and 3-ter, of the Consolidated Law on Finance, as well as a non-binding resolution on the second section of the Remuneration Report pursuant to art. 123-ter, paragraph 6, of the Consolidated Law on Finance.
- 3) resolve on the appointment of a new director following the resignation of Francesco Beraldi (who was replaced by Massimo Canturi by co-optation).
- 4) authorize the purchase and disposal of own shares as illustrated above.

For any information and further details on the items on the agenda of the Shareholders' Meeting, please refer to what is indicated in the Explanatory Reports on the agenda of the Shareholders' Meeting published on the Company's website at the following link: [https://www.alkemy.com / governance / # / shareholders' meeting](https://www.alkemy.com/governance/#/shareholders-meeting).

Participation in the Assembly will be permitted only through the representative appointed pursuant to art. 135-undecies of the Consolidated Finance Act.

The documentation relating to the items on the agenda of the Shareholders' Meeting will be made available at the registered office and on the website www.alkemy.com Corporate Governance section in accordance with the terms of the law.

ANNEX

CONSOLIDATED P&L OF ALKEMY GROUP

Value expressed in thousands of euros

	Dec. 31, 2020	Dec. 30, 2019
Revenues from sales and services	73.925	81.284
Other Revenues	1.007	3.236
Total operating revenues	74.932	84.520
Costs for services, goods and other operating costs	(40.100)	(51.404)
- of which non recurrent	0	(1.192)
Personnel expenses	(28.861)	(29.635)
- of which non recurrent	(224)	(357)
Total operating costs	(68.961)	(81.039)
Gross operating result (EBITDA)	5.971	3.481
Adj. EBITDA	6.195	5.030
D&A	(1.749)	(1.738)
Provisions and write-downs	(1.077)	(336)
Operating result	3.145	1.407
Income (charges) from equity investments	96	33
Financial income	587	380
Financial charges	(1.284)	(1.574)
Profit (Loss) before taxes	2.544	246
Income taxes	(722)	(486)
Profit (loss) for the period	1.822	(240)
Attributable to		
- Group	1.792	(139)
- Minorities	30	(101)

CONSOLIDATED BALANCE SHEET OF ALKEMY GROUP

Values expressed in thousands of euros

Assets	Dec. 31, 2020	Dec. 31, 2019
Non current assets		
Tangible assets	855	980
Rights of use	3.122	3.907
Goodwill	31.755	31.752
Defined life intangible assets	650	971
Minorities	1.174	1.078
Non current financial assets	1.646	1.555
Deferred tax assets	1.470	1.203
Other non current assets	205	165
Total non current assets	40.877	41.611
Current assets		
Inventories	0	61
Trade receivables	31.044	31.791
Current financial assets	82	115
Fiscal credits	1.441	3.663
Other current assets	2.766	5.153
Cash and cash equivalents	18.840	9.581
Total current assets	54.173	50.364
Total assets	95.050	91.975
Liabilities and Group equity		
	31 Dec. 2020	31 Dec. 2019
Group Equity		
Equity	588	588
Reserves	28.762	31.274
Net Income (Loss)	1.792	(139)
Group Equity	31.142	31.723
Minorities	254	174
Total Equity	31.396	31.897
Non current liabilities		
Financial debts	11.439	8.968
Rights of use liabilities	2.415	3.103
Put & option debts	3.115	10.973
Employee's leaving entitlement	5.087	4.356
Provisions	222	44
Deferred Tax liabilities	84	17
Total non current liabilities	22.362	27.461
Current liabilities		
Financial debts	4.632	2.533
Rights of use liabilities	776	844
Put & option debts	8.923	2.369
Trade payables	14.688	17.142
Fiscal liabilities	1.688	1.617
Other liabilities	10.585	8.112
Total current liabilities	41.292	32.617
Total liabilities	63.654	60.078
Total liabilities and Total Equity	95.050	91.975

CONSOLIDATED CASH FLOW STATEMENT OF ALKEMY GROUP

	Values expressed in thousand of euros	
	Sep. 30, 2020	Sep. 30, 2019
Operating activities		
Net Income (Loss)	1.822	(240)
Financial Income	(587)	(380)
Loss (Income) from equity investments	(96)	(33)
Financial Charges	1.284	1.574
Income Taxes	722	486
D&A	1.749	1.738
Provisions and write-downs	1.077	337
Share-based compensation	564	382
Change in inventories	61	79
Change in trade receivables	244	592
Change in trade payables	(2.540)	(1.161)
Change in other current assets	4.107	(2.199)
Change in other current liabilities	2.038	1.548
Financial interests paid	(307)	(233)
Paid income taxes	(554)	(841)
Net cash flow generated (absorbed) by operating activities	9.584	1.649
Investments		
Capex	(325)	(580)
Change in financial assets	(91)	(227)
Change in acquisitions	0	(1.101)
Net cash flow generated (absorbed) by investment activity	(416)	(1.908)
Financing activities		
Change in financial debt	4.542	8.934
Change IFRS 16 financial liabilities	(950)	(1.119)
Change in treasury shares	(181)	(581)
Dividends to minorities	(667)	(668)
Other changes in equity	0	955
Capital increase	0	14
Exercise of put options	(2.652)	(7.794)
Net cash flow generated (absorbed) by financing activities	91	-259
Increase (decrease) of net cash position for the period	9.259	(518)
Cash at beginning of period	9.581	10.098
Cash at end of period	18.840	9.580

Alkemy S.p.A. works to improve the market positioning and competitiveness of large and medium-sized companies by stimulating the evolution of their business models in line with technological innovation and consumer behaviour. Alkemy integrates skills and expertise in the areas of Strategy, Communication, Design, Performance, Technology and Insights & Analytics, with an offering designed for our post-digital environment and covering the entire chain of value from strategy to implementation.

For further information

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