

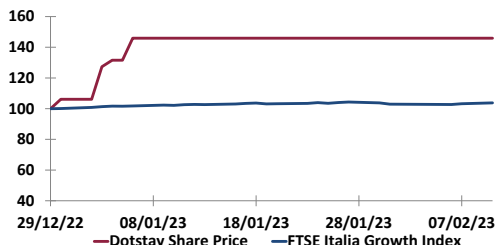


NEUTRAL

Current Share Price (€): 5.50

Target Price (€): 5.85

Dotstay - Performance since IPO



Source: S&P Capital IQ - Note: 29/12/2022 (IPO offer price)=100

Company data

ISIN number	IT000523839
Bloomberg code	DOT IM
Reuters code	DOT.MI
Industry	Real Estate
Stock market	Euronext Growth Milan-PRO
Share Price (€)	5.50
Date of Price	10/02/2023
Shares Outstanding (m)	2.5
Market Cap (€m)	13.9
Market Float (%)	20.2%
Daily Volume	0
Avg Daily Volume since IPO	1,833
Target Price (€)	5.85
Upside (%)	6%
Recommendation	NEUTRAL

Share price performance

	IPO	
Dotstay - Absolute (%)	46%	
FTSE Italia Growth Index (%)	4%	
IPO Range H/L (€)	5.50	3.77
IPO Change (€) / %	1.73	46%

Source: S&P Capital IQ

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Smart relocation

We initiate coverage of Dotstay: **NEUTRAL** rating, Target Price €5.85 per share

Dotstay, listed on Euronext Growth Milan - PRO since December 2022, is an early-stage company which provides a personally dedicated *Angel* to temporarily relocating people to promptly find their matching accommodation, thanks to local expertise and relationships. The value of Dotstay proposition is the combination of the market-gap filling of demand from professionals, executives, visitors, landing in a new town, and the takeover of the property management for homeowners.

Potential of the second homes market and optimization of property value for homeowners

The wide availability of second homes in Italy fills demand for rental, supported by growth in moving people, and leaves substantial room for property portfolio growth. Dotstay proposal is intended to improve the profitability of property rentals, through know-how, revenue management, dynamic pricing and occupancy maximization.

B2B agreements spreading Dotstay awareness

Connections with universities and corporates promote Dotstay services to relocating academics, students and professionals. Upcoming referrals and word of mouth, together with investments in marketing, will be major growth catalysts. Property and real estate markets are highly fragmented and competitive, and awareness is crucial to gain penetration among substitute service-providers.

Clear revenue model, limited investment

Revenues are generated through services to relocating customers and property management fees, and are driven by: homeowners shifting to rentals, penetration into relevant locations, the ability to manage occupancy and optimize revenue per listing. According to our projections, break-even is foreseen in the short/mid-term. Property acquisition is not embodied in the business model, while direct long-term rent of landlords properties for mid-term subrental to tenants is an option to optimize pricing, a model requiring limited investment.

Target Price €5.85 per share, NEUTRAL recommendation

Dotstay has built running operations and a proprietary technology platform. Dotstay aims to accelerate the expansion of the business, reaching coverage of major Italian cities. The value expectation depends on the ability of expanding through the appeal of its offer and achieving a fast market penetration. We believe that the increase of relationships with corporates and universities, and other to come, together with access into new markets, should drive revenue growth and a fast overheads coverage. Our valuation indicates a Target Price per share of €5.85, +55% on €3.77 IPO offer price and +6% on current share price. We initiate coverage of Dotstay with a NEUTRAL rating.

KEY FINANCIALS AND ESTIMATES

€k	2020	2021	2022E	2023E	2024E	2025E	2026E	2027E
Revenues	215	279	358	1,133	1,812	3,260	4,838	5,404
EBITDA	(259)	(17)	(131)	(27)	139	640	1,031	1,385
Margin	neg	neg	neg	-2%	8%	20%	21%	26%
EBIT	(272)	(18)	(214)	(148)	(9)	491	874	1,194
Margin	neg	neg	neg	-13%	0%	15%	18%	22%
Net Income (Loss)	(276)	(23)	(222)	(156)	(16)	348	625	855
Net (Debt) Cash	(192)	33	1,511	1,209	1,077	1,342	1,869	2,604
Equity	(226)	25	1,963	1,808	1,792	2,140	2,764	3,619

Source: Company data 2020-21A, EnVent Research 2022-27E

1. INVESTMENT CASE

Company

Dotstay SpA is a digital relocation specialist offering people temporarily moving to a new town an array of services to promptly find their right mid-term housing with the help of a local personally dedicated assistant, named *Angel*, who, based on its knowledge of the local market and housing opportunities, will accompany the customer and guide the search. Dotstay acts also as a property manager, matching demand with offer and providing homeowners a package of administrative and management services.

Mission

Dotstay aspires to be a reference point for professionals, executives, visitors, academics and students who need to find a matching accommodation in a new city in a quick and safe way, with the help of a local expert.

Opportunity

Over 200 million people around the world relocate each year for study or work reasons (Source: UN Population division report 2010). Thanks to increasingly dynamic and fluid job and study markets, the relocation industry, and consequently real estate, is expected to continue growing. Established relocation operators, often multinational companies, mostly use traditional channels rather than digital ones.

Value proposition

Dotstay wants to take advantage of the mobility pattern in place, by matching the gap between users and local real estate agencies through its platform for online booking, adding the value of a local expert person.

Key figures

- Revenues €0.3m (FY22 forecast)
- Team of 6 (as of December 2022)
- €1m raised through several funding rounds
- 20 properties in portfolio and over 30 users (current)
- One location in Italy, Milan

Drivers

Industry drivers

Growing potential market. Overall, the number of workers and students relocating globally each year is estimated in over 200 million, of which 45 million in Europe. Global mobility trends of most organizations and international exchanges for students and academics (i.e. the iconic EU program Erasmus which counts almost 1 million participants each year) are expected to drive growth in this market segment (Sources: UN Population division report

2010; European migration network report 2013; EU Erasmus annual report 2020).

Anti-cyclical real estate market niche. As opposed to the non-essential short-term vacation rental segment, which can be materially impacted by general economic conditions and other variables or events, as happened during the outbreak of Covid-19 pandemic causing low occupancy, the niche demand for mid/long-term rentals coming from international mobility and relocations, being for essential purposes (work or study) does not fluctuate with seasonal trends and should be more resilient to downturns than travel and tourism.

Dynamic second home market in Italy. The Italian second home market is among the largest in Europe. Figures show 5.5 million of available second homes in 2019, representing 17% of the total stock (Source: Agenzia delle Entrate, *Gli immobili in Italia - 2019, 2020*).

Home rental from DIY to professionalization. The home rental market is more and more becoming professionally managed. As long as homeowners discover short/mid/long-term rents as business opportunity, the demand for professional property management is likely to grow in the years to come.

Switching from short-term to mid-term rental. Covid-19 pandemic has disrupted the global travel and tourism industry and turned the vacation rental industry upside down, inducing property managers to reshape their business model from short-term to mid-term rental. Among reasons: people looking for mid-term rentals are more likely to be traveling or moving for essential purposes; reduced frequency of check-ins and cleaning, thus less property management; more respect of rules and neighbors.

Company drivers

Full-service proposition for relocation: a time-consuming and stressful task. Dotstay core service is the *Angel* tour, a visit of the town guided by the personal assistant across up to 5 apartments preselected according to customer requirements indicated at booking on the online platform. Additional services such as a local SIM card, an airport pickup service and support in administrative procedures (i.e. residence permit) turn Dotstay service into a comprehensive and turnkey offer for relocating people.

Hassle-free outsourcing service for homeowners. The key value of Dotstay service to homeowners is the takeover of the property management process on their behalf: search and selection of referenced tenants, home visits, administrative duties, check-in/out, maintenance and cleaning.

Riding the wave of PropTech real estate trend through the proprietary platform. Dotstay has developed inhouse a digital platform for the management of its activities, working as interface with users and homeowners. The platform technology and network are made of several modules and scalable and will be extended to become a marketplace for users, *Angels*, homeowners, real estate agencies and other relocation specialists. A database of registered users and records of services provided is also included in the platform.

B2B partnerships. Dotstay has been securing affiliations with universities and corporates to promote its services to relocating academics, students and professionals. Partnerships are crucial to spread awareness and increase the number of registered users.

Easily extendable operations. Operations have been designed in an efficient and versatile way, enabling rapid activation of a new location with the combination of local resources and supervision at a central level.

Challenges

Short operating history. Dotstay is still an early-stage company, with few years of running operations. Until now, it has set up operations, built its platform and invested in efforts to grow the homeowner base and the user community, incurring net losses since inception. Being still in an investment phase, Dotstay plans to continue making investments in business, personnel, platform and marketing.

Drive traffic to the digital platform. The increasing awareness of Dotstay among potential users and homeowners is a key factor to increase traffic on its platform and grow revenue. As such, effective sales and marketing efforts to drive user and homeowner acquisition, including performance and brand marketing, PR and communications, and especially spontaneous word of mouth, are fundamental for the growth strategy. The payback of the investment in marketing is however uncertain and also dependent on its size.

Growth of property portfolio under management. Dotstay business also depends on the ability to attract new rental homeowners to its platform and maintain relationships with the existing homeowner base. The expansion of the portfolio of properties available for mid/long-term rental in Italy, and abroad in the next future, could be slower than planned, due to the need of selecting high quality assets satisfying requirements of demanding customers, enabling occupancy maximization and thus the desired profitability.

Low/medium barriers to entry, high rivalry. The competitive playground of the market for relocation services and in general the property management market is quite fragmented and heterogeneous, populated by both multinational companies or domestic businesses. Barriers to entry are generally low/medium, however, scale and network may represent obstacles to new entrants. A full-proposition service is a differentiating factor compared to competition.

Occupancy risk. Occupancy management and optimization is a key task, given that Dotstay directly rents properties from landlords with long-term agreements for mid-term subrental to tenants, thus being exposed to real estate market fluctuations.

Picking the right locations. During the development, it will be crucial to identify as target locations the cities with a high supply rate of properties coming into the mid-term rental market and matching the needs of relocating people, thus expected to enjoy sound growth rates.

2. PROFILE

The digital relocation specialist

Dotstay is an Italian digital relocation and property management company.

Main services are:

- Mid/long-term housing research assisted by a local personal assistant called *Angel* to tenants looking for an accommodation in a new town through its web platform
- Property management and sublease to landlords who want to rent their properties without taking directly care of them

To date, Dotstay is running 20 properties and has over 30 users, with a team of 6.

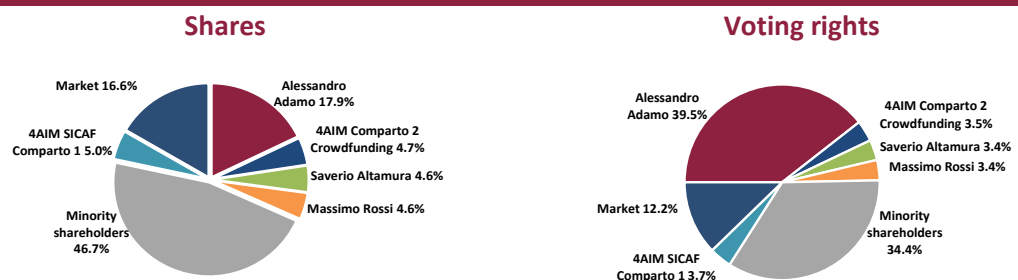
History and key developments

Founded in 2013, after a period of testing in the city of Milan, new locations were added, until that Covid-19 pandemic forced the closure of operations in these towns, while maintaining operations ongoing in Milan.

History milestones	
2013	<ul style="list-style-type: none"> • Foundation of Dotstay
2014	<ul style="list-style-type: none"> • €35k bootstrapping • Service testing in Milan
2016	<ul style="list-style-type: none"> • Angel financing round for €400k
2017	<ul style="list-style-type: none"> • New locations: Rome, Florence and Turin
2020	<ul style="list-style-type: none"> • Covid-19 pandemic: closure of new locations and focus on Milan
2021	<ul style="list-style-type: none"> • Seed financing round for €600k, of which €325k through crowdfunding
2022	<ul style="list-style-type: none"> • Setup of the fully owned captive subsidiary DS Real Estate providing typical real estate brokerage services, such as rental contract drafting • Listing on Euronext Growth Milan - PRO (December)

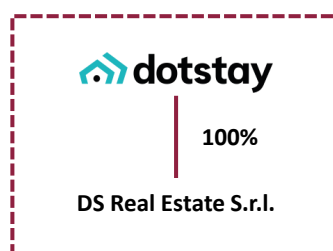
Source: Company data

Shareholders and group of companies



Note: Alessandro Adamo owns 548,657 non listed multiple-voting shares granting 3 voting rights per share

Source: Company data



Source: Company data

Key people	
Name and role	Background
Alessandro Adamo Founder and CEO	<ul style="list-style-type: none"> • Founder and CEO • Former interior designer at Artemide • Lecturer in Design and communication and Tutor Master at IED until 2010
Antonino Vacirca CFO	<ul style="list-style-type: none"> • Chief Financial Officer (since 2021) • Studio Vacirca founder and CEO (since 2003)

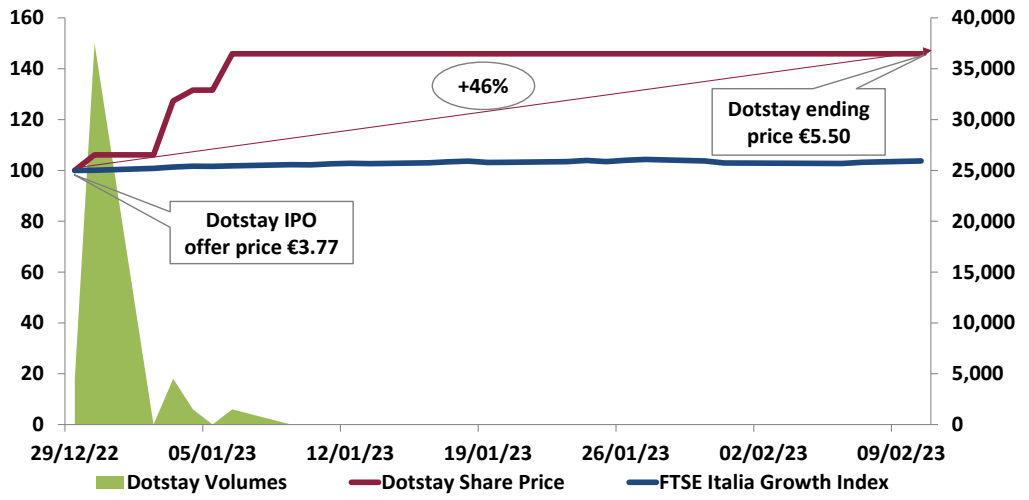
Source: Company data

IPO and stock market performance on Euronext Growth Milan - PRO

Dotstay on Euronext Growth Milan - PRO	
Stock market	Euronext Growth Milan - PRO
Bloomberg code	DOT IM
Reuters code	DOT.MI
IPO date	29/12/2022
Offer Price (€)	3.77
Money raised (€m)	2.2
Market Cap at IPO (€m)	9.5
Free float at IPO	26.3%
Ordinary shares - ISIN number	IT0005523839
Shares outstanding	2,524,343
Current Share Price (€)	5.50
Current Market Cap (€m)	13.9
Warrant - ISIN number	IT0005523821
Warrants outstanding	573,000
Current Warrant Price (€)	0.30

Source: Company data and S&P Capital IQ, update: 10/02/2023

Share price performance and volumes since IPO



Source: S&P Capital IQ - Note: 29/12/2022 (IPO offer price)=100

3. MARKET TRENDS

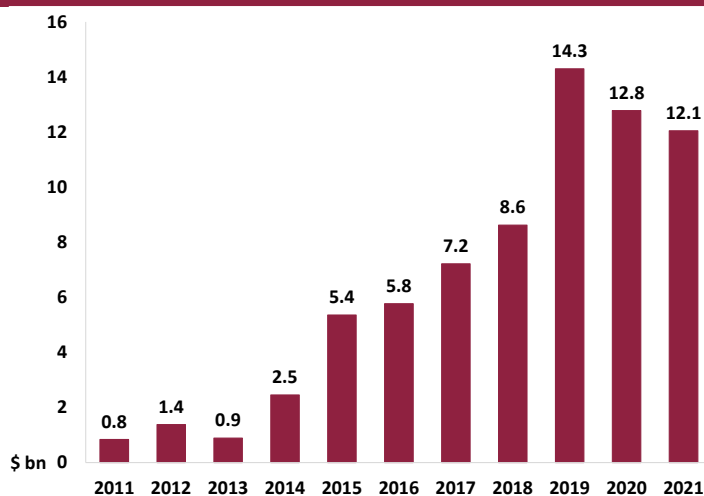
PropTech: the new frontier of Real Estate

PropTech stands for property technology, the ensemble of software and apps, platforms, tools, websites and other digital solutions employed by real estate players to improve efficiency and facilitate Real Estate activities (buying and selling, developing, managing, appraising and financing).

PropTech companies can be classified into four clusters:

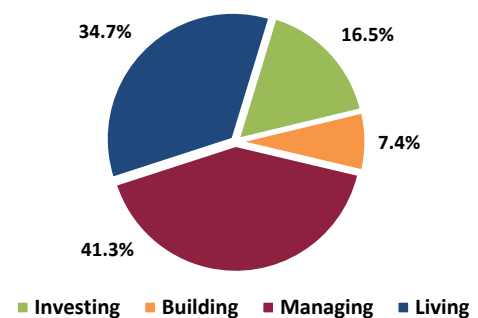
- Investing: companies providing investment services for real estate players, such as identifying and evaluating multiple investment opportunities and funding security
- Building: companies that provide construction management and indoor mapping services
- Managing: companies which provide search-related services for property rental and sales or property management platforms and related services
- Living: companies providing services to help tenants, owners and property managers to improve rental services quality

Investments in PropTech, 2011-21



Source: ESCP, *PropTech Global Trends 2021 Annual Barometer*, 2022

PropTech investment by cluster, 2021

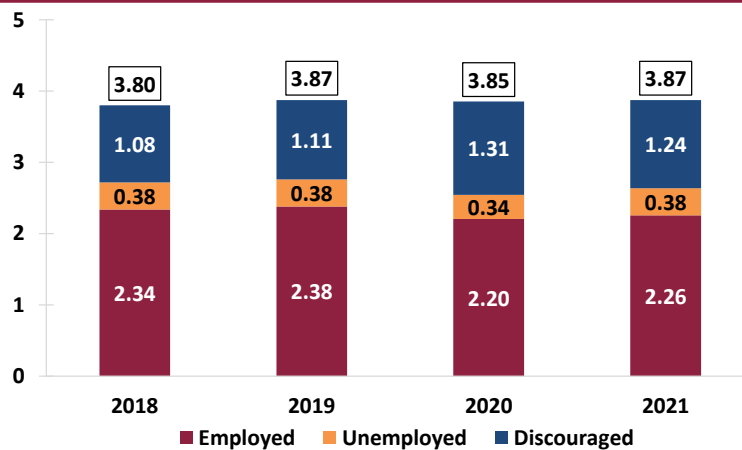


According to the “PropTech Global Trends 2021 Annual Barometer” elaborated by the European Business School ESCP, in the period from July 2020 to June 2021 around 1,800 investors from 66 countries funded PropTech companies with \$12bn. Last 10 years showed a consistent upward investing trend, with a peak in 2018-19 (\$14.3bn), interrupted by Covid-19 pandemic, but currently well above 2017-18 level. Managing and Living companies are considered as the most interesting by investors, attracting respectively 41% and 35% of total investments. Investments are expected to increase by more than 50% YoY in 2022, still not reaching the pre-pandemic level, with significant increase for the two largest categories Managing and Living.

Foreign workers and students in Italy

Global mobility is the process of people moving around the world for business, work and study purposes. Mobile workers can relocate permanently, be on long or short-term assignments in another country or regularly cross international borders. In a world continuously more connected where national economies are increasingly globalized, there is greater scope for companies to grow across the world and the work-from-anywhere culture is unlocking new potential. Leadership skills develop more quickly, deeply, and effectively living and working in another country. In the “War for Talent” workers have to grow these skills to survive and are pushed to relocate. In this framework, students are also looking for higher education to broaden their work’ horizons: by pursuing high level studies abroad, students can expand their language knowledge, get in touch with a different culture and better equip themselves for the increasing globalized labor market.

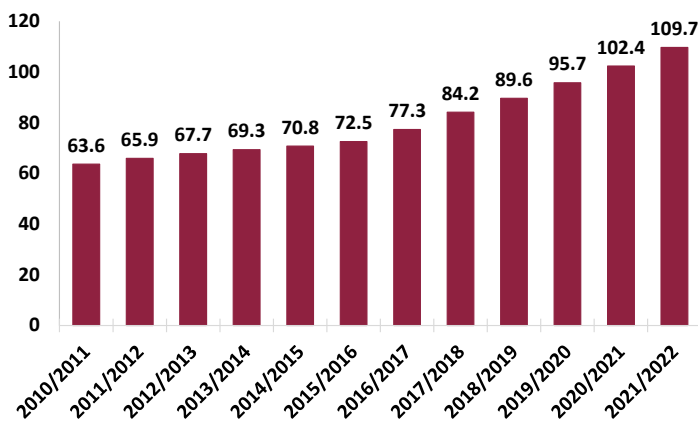
Foreign workers in Italy (m)



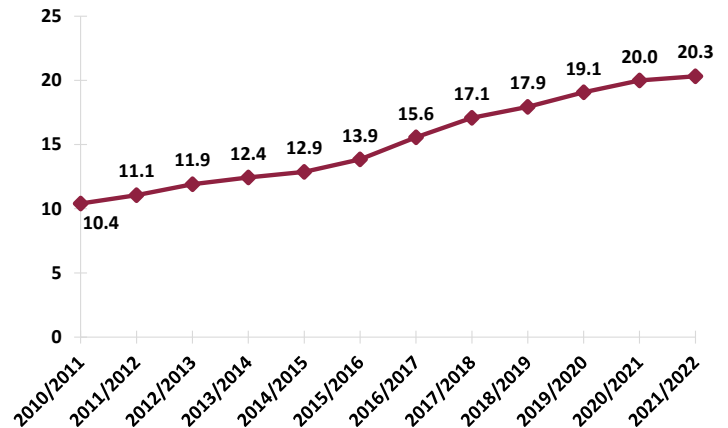
Source: Ministero del Lavoro e delle Politiche Sociali, XII Rapporto annuale - Gli stranieri nel mercato del lavoro in Italia, 2022

Relocation choices are influenced by labor market dynamism perception and by urban context appeal. In Italy, relocating workers are moving in main province capitals and metropolitan areas of northern and central Italy, where universities and business districts are more concentrated, such as Milan, Rome, Florence, Bologna and Turin. According to the XII Annual report on foreign workers in Italy, foreign citizens in Italy grew from 5m in 2020 to 5.2m in 2021, +2.6% YoY, and foreign workers increased from 2.2m to 2.3m, +2.9% YoY, but still lower than 2019 (2.4m) due to Covid-19 pandemic.

Foreign students in Italy (k)



Foreign students in Milan (k)



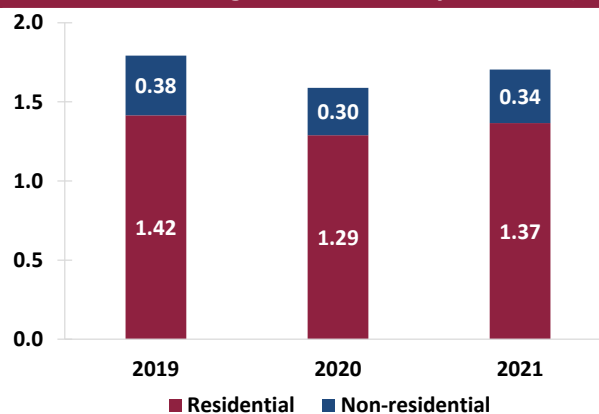
Source: EnVent Research on MIUR open data

Italy has always been an attractive country for international students, being home of ancient and historically recognized universities but also a reference point for culture, art, history and lifestyle. Despite Covid-19 pandemic, the number of enrolled international students continued to increase, reaching 110k in 2021, almost doubling in ten years. Milan is the leading city for international students in Italy, with an uninterrupted growth trend in the last 10 years despite a slowdown in recent years due to pandemic.

Italian rental market

According to “Rapporto immobiliare 2022 - Il settore residenziale” prepared by the Italian tax agency, the Italian residential market was severely hit by the pandemic: residential rental declined from 1.42m new contracts in 2019 to 1.29m in 2021 (-8.9% YoY). In 2021 the rental market partially recovered to 1.37m (+5.9% YoY), but still below pre-pandemic level.

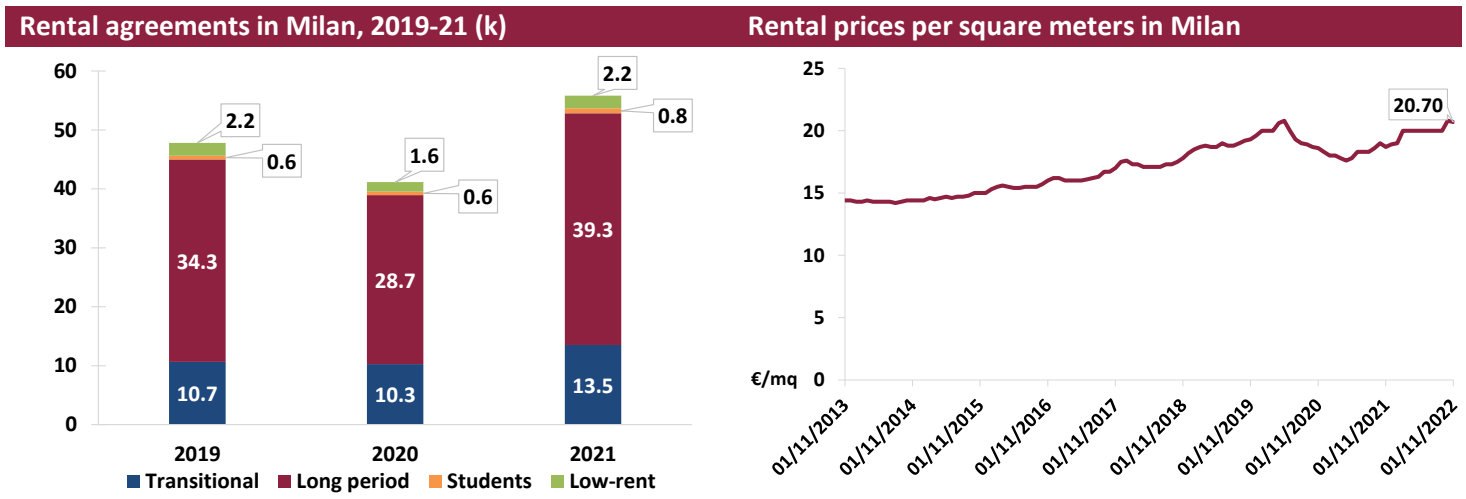
Residential and non-residential rental agreements in Italy, 2019-21 (m)



Source: Agenzia delle Entrate, *Rapporto immobiliare 2022 - Il settore residenziale*, 2022

The effects of the pandemic and post-pandemic trends are amplified in more dynamic rental markets such as in Milan: Covid-19 led to 13.9% YoY drop in 2020, while in 2021 the 35.7% rebound resulted in a number of rental agreements even higher than 2019 (55.8k in 2021 vs 47.8k in 2019). The current positive trend is more visible looking at average rental prices:

according to data available on the real estate sales platform Idealista, if during the pandemic period prices per square meter plummeted by 14.6% (April 2020-April 2021), latest available monthly data show a 10.7% growth (November 2021), in line with pre-pandemic level.



Source: Agenzia delle Entrate, *Rapporto immobiliare 2022 - Il settore residenziale*, 2022

Source: EnVent Research on data from Idealista website

Key takeaways

- Investments in PropTech are recovering pre-pandemic level. Large digital players will emerge in the near future and challenge incumbents: PropTech companies are expected to bring the real estate sector into a new digital era, impacting how real estate players make decisions towards greater efficiency and sustainability
- Workers and student relocation trend seems unstoppable: more and more people are moving to Italy, especially in Milan, looking for a mid-term accommodation, and rental demand rebound is pushing up rent prices

4. BUSINESS MODEL AND STRATEGY

A time-saving full-service offer for the medium/long-term rental

Dotstay relocation and property management services address both landlords and tenants, matching medium/long-term rental supply and demand. On the supply side, Dotstay manages or sublets properties on behalf of landlords; through its fully-owned subsidiary DS Real Estate, it also provides paperwork and real estate brokering services. On the other side, prospective tenants are the users of Dotstay web platform who need relocation services.

The underlying assumption is that the do-it-yourself approach in most cases proves to fail to deliver good occupancy rates and revenue streams to homeowners and a fulfilling accommodation for the tenant.

Customers

- Users/tenants:
 - Undergraduate or graduate students, with high income, mainly attending private universities, 19-26. Average stay: 6-12 months
 - Professionals, 30-55 years old. Average stay: 1-2 years
- Landlords:
 - Private owners of one or more residential properties
 - Real estate companies, often specialized in Buy-to-Rent or Rent-to-Rent of residential properties

To date, Dotstay database records more than 14k registered users and over 1.6k services provided.

Services to users

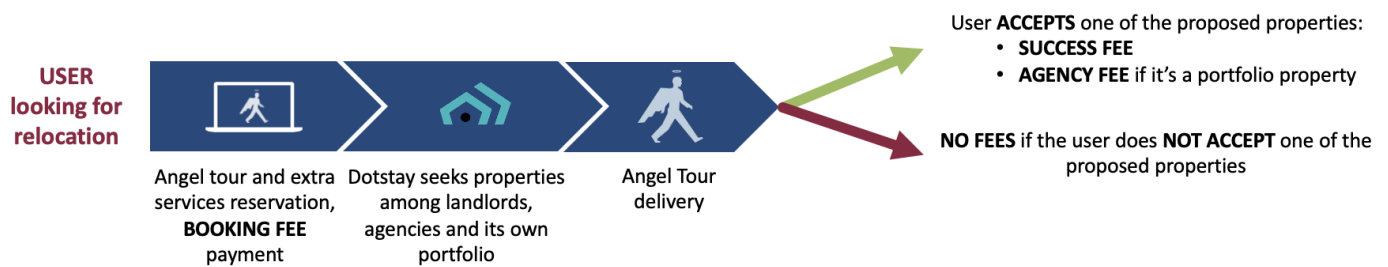
Users are people who need to relocate in a new city. Through Dotstay web platform, users indicate the desired accommodation features (i.e. price, room numbers, facilities) and book the *Angel tour*, a visit to selected properties organized by a local personal assistant. Based on the user requirements, the Dotstay team selects up to 5 rental solutions, among properties under management and properties listed by real estate agencies and private landlords. The *Angel tour* could be:

- 1 day tour with private transfer, success fee €800
- 3 days tour using public transport with 2 hours' notice, success fee €600
- 7 days tour using public transport, success fee €400

Users pay a booking fee of €89 when they book the *Angel tour* and a success fee if they choose one of the rental opportunities presented by Dotstay; in the last instance, if the chosen accommodation is sublet or managed by Dotstay, users pay a fee (15% guideline) on the annual rent fee. Users could also add paid extra services such as a local SIM card with internet connection, an airport pickup or help with documentation and visa.

Angel tour

The Angel operations flow



Source: EnVent Research on Company data

Services to landlords

Property management

Dotstay enters into a property management agreement with the landlords, which provides:

- Finding and selection of tenants
- Check-in and check-out
- Rental agreement support
- Tenant assistance and supervision during rental period
- Ordinary and extraordinary maintenance
- Reporting

In the agreement the landlord defines a minimum annual rent threshold on which Dotstay collects an 8% +VAT property management fee. On top of this, extra services and a 50% +VAT fee in case of rent above the agreed threshold are also charged.

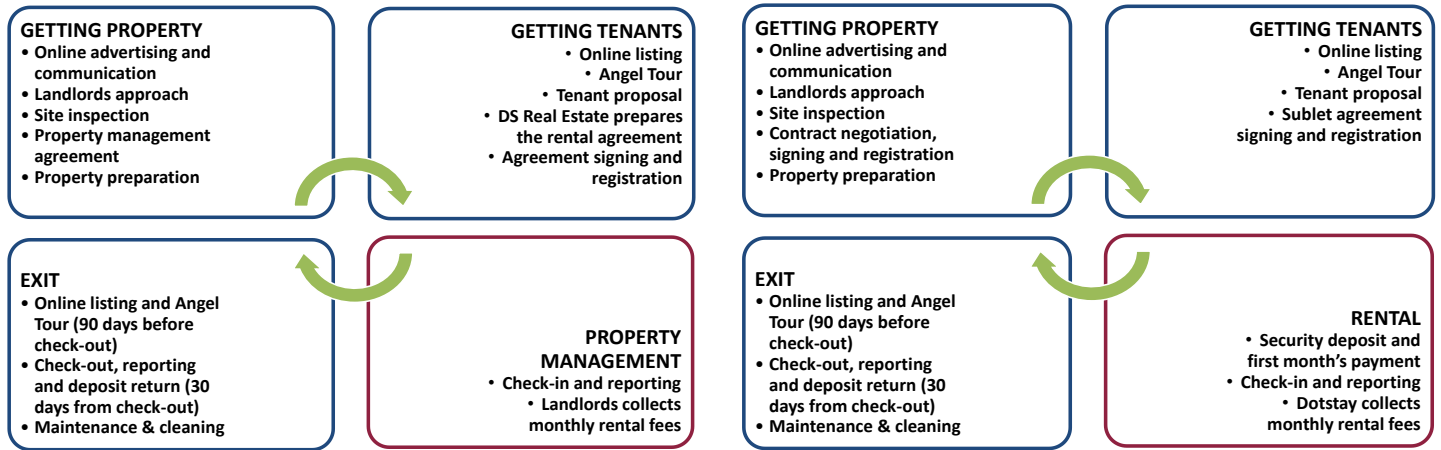
Dotstay offers the landlord a guarantee of one month's rent (with a cap of €1,000 and in any case not exceeding the management fee) if the property is unrented for 30 days (extended to 70 days at specific year period).

Sublease

Dotstay also directly rents out from landlords fully furnished properties with long-term contracts (4+4), for medium-term sublease. This service ensures a monthly fee to the landlord with no tenant insolvency risk. Dotstay runs the property as in a property management agreement (except for extraordinary maintenance), but directly collects the monthly rent from tenants, with a 30% margin on the monthly fee paid to landlords.

Services to landlords - Property management

Services to landlords - Rental and sublease



Source: EnVent Research on Company data

Revenue model



Source: Company data

Customer	Revenue	Amount
Users	Booking fee	€89
	Success fee	€400/600/800
	Agency fee	15% on annual rent
Landlords	Property management fee	8% + VAT on annual rent 50% + VAT on extra rent Extra services
	Sublease rental margin	Average 30%

Source: Company data

Quick operating cycle, limited insolvency risk

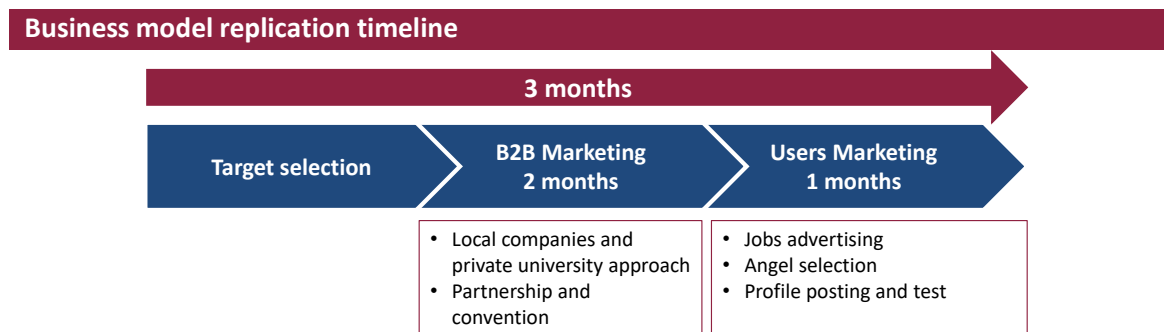
The booking fee and the property management fee are collected in advance by Dotstay, thus operating with a permanent level of cash balance.

Strategy

New properties

Dotstay expansion of properties for medium/long-term rental will be in Italy, targeting locations such as Florence, Rome, Turin, Venice, Bologna, Naples, Bari and Palermo. In addition, Dotstay is planning to expand also by managing apartments outside Italy.

Dotstay business model is easily and quickly replicable in new locations, usually within 3 months during which Dotstay hires local resources coordinated by Milan headquarter and establishes agreements with local universities and companies. Each location should ideally be covered by 3-5 *Angels*.



Source: Company data

The ultimate goal of Dotstay is to become the first digital relocation network, evolving its platform into a global online marketplace for individual relocators and relocation companies.

Technology

Dotstay application system is modular, scalable and easy to maintain, based on open-source code and nimbly modifiable on future needs. The website is designed as a Progressive Web App, nullifying the differences between operating systems and between past and current devices.

Upcoming developments:

- Management software to handle lease deadlines and payments, reporting, contracts and security deposits
- Research software to collaborate with real estate agencies, which can monitor in real time properties searched by Dotstay users and submit their own availability

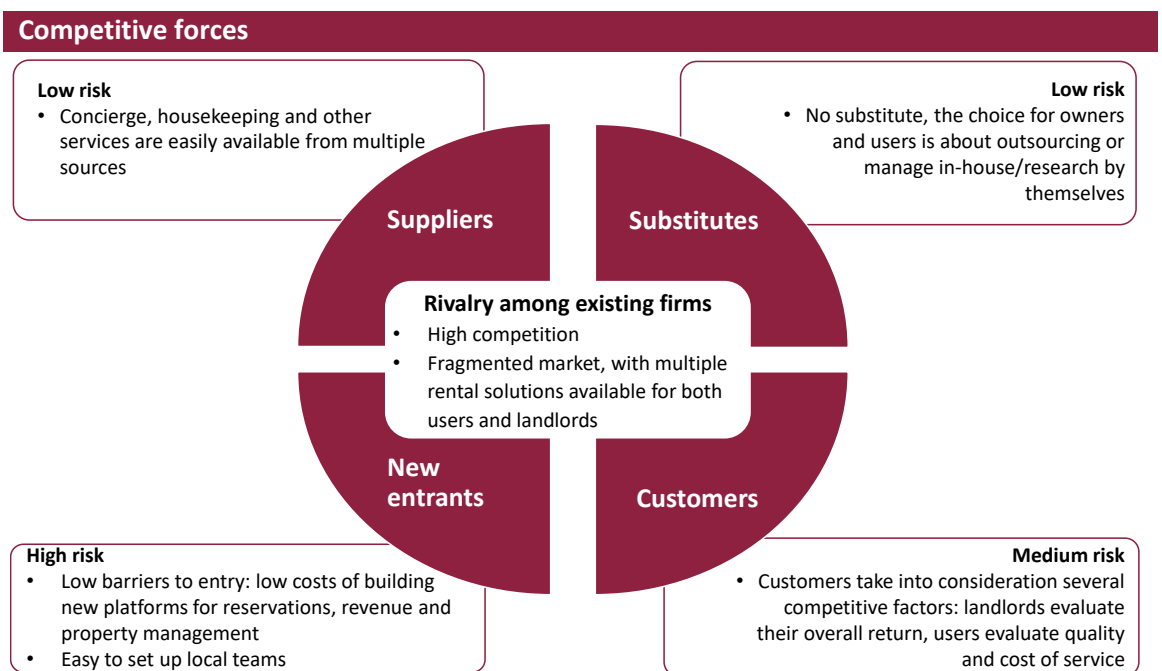
The current platform is designed to become a relocation marketplace, where agencies and individual relocators will offer their services to users. The system will monitor and control listings, and manage payments.

5. COMPETITION

Populated and competitive medium-term rental arena

House renting has evolved over the years: the mere relationship between landlords and tenants has been disrupted by sharing economy, especially in big cities attractive for students and workers, with a proliferation of online platforms offering access to a wide range of rent solutions and services, for both landlords and tenants.

Focusing on medium/long-term rents, new specialized property and rental management companies, tech-enabled real estate agencies and relocation companies have emerged to help landlords outsource all or some of their operations and tenants in moving to other locations.



Source: EnVent Research

Competitors overview

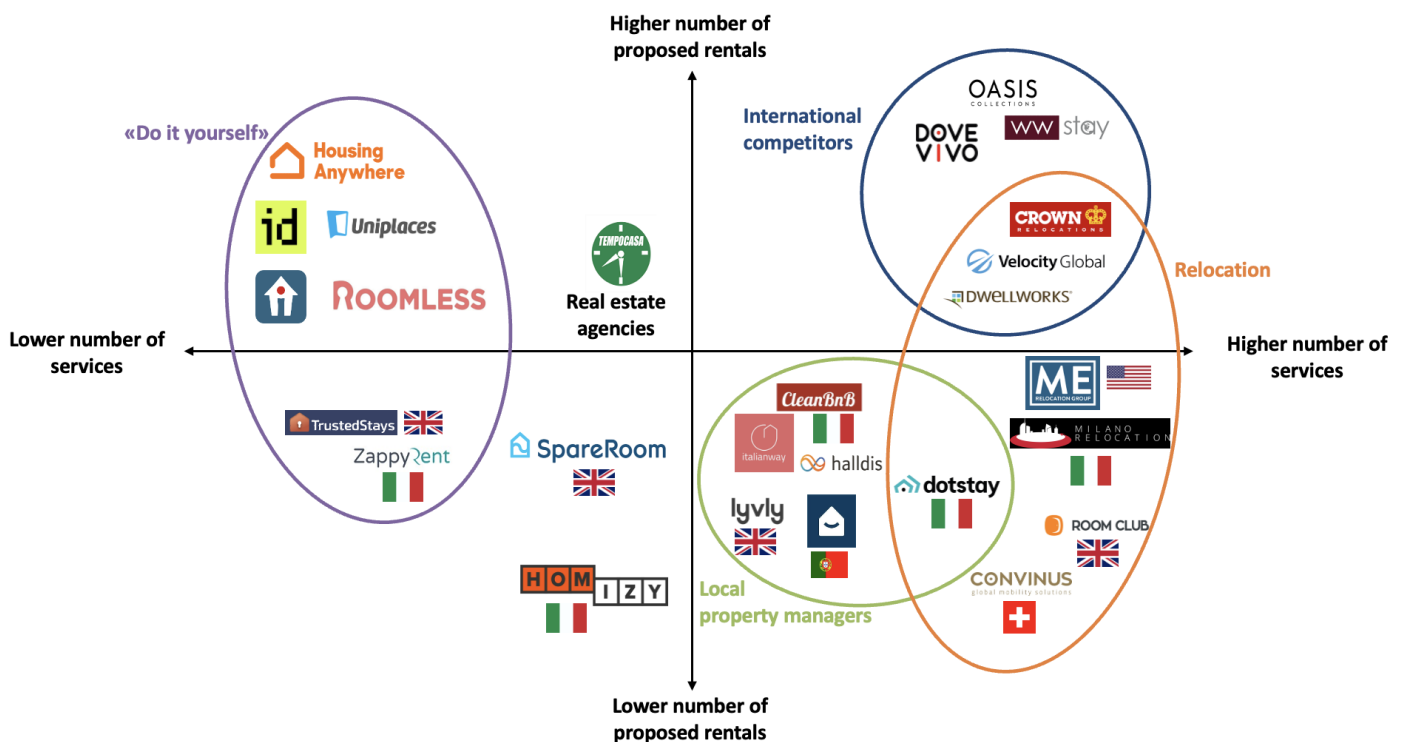
Key competitors' segmentation

Property and rental managers - Professional property and rental managers take care of a wide range of services such as property valuation and setup, listing, pricing, key delivery, housekeeping and maintenance, and the whole booking and scheduling process through their own platform or most used real estate research website. Some property managers buy or develop the properties in their portfolio, other rent them from private owners or real estate companies; rental managers, also known as concierges, help landlords renting their properties for a fee, also offering additional layers of service to tenants, and most of them have small geographical coverage, curtailed to attractive cities such as London or Milan.

Tech-enabled real estate agencies - Companies that make use of technology to facilitate rental listings and matching between tenants and landlords, who usually deal with doing the housing research by themselves. While some companies are traditional players switching to the digital world to reach more customers, others are tech companies which have built their own platform to list own or third parties' property adverts.

Relocation companies - Globalization is pushing workers to move from a country to another for new job opportunities. This implies not only looking for a new accommodation but also all the additional services required (documents and Visas, taxes, medical services, children education, etc.). International relocation companies help multinationals and their employees to settle for medium/long-term periods in other locations, providing a full range of services.

Competitive arena



Source: EnVent Research

Key takeaways

- Players in Italy are both Italian and foreign real estate companies
- Most property managers are small and operate local or regional businesses, offering mainly short-term rentals for travel and leisure
- Most tech rental companies are online platforms that allow traditional real estate agencies and owners to list their portfolio properties
- Relocation service is mostly provided by few international companies mainly targeting corporates and their workers
- High income individuals looking for a relocation service have a limited choice among providers of a full-service proposition, given that all DIY options do not fit their needs

6. MARKET METRICS

Market value of comparable listed companies

Selection criteria

Key factors:

- Business mix including: relocation services and property management of short and mid/long-term rentals
- Target customers: undergraduate students and professionals - age range 18-55; other categories of customers, including travelers and vacationers
- Business model: transaction-based
- Digital approach and proprietary technology tools

Comparability assessment

Industry players whose characteristics match the above criteria are not public companies. In view of the lack of listed pure players, we have analyzed short-term vacation rental property managers, sharing with Dotstay certain characteristics:

- business model
- industry logics
- online-driven businesses

However, we note as main differences among the analyzed players: stage of maturity, size, lack of relocation services, underlying market logics and reference market trends.

Profiles

CleanBnB (Italy) - 2021 Revenues: €4m - Comparability: Medium/High

Property manager in Italy for short/medium-term rentals powered by online reservation platforms such as Airbnb and Booking. The takeover of the entire property management process is the core service: CleanBnB on behalf of the hosts takes care of the revenue streams from online reservation platforms, directly collects guest fees and provides full hospitality services, such as check-in/out, cleaning and laundry, assistance and maintenance. Listed on Euronext Growth Milan.

G Rent (Italy) - 2021 Revenues: €2m - Comparability: Medium/High

Property manager for high-end short-term rentals. Business lines:

- Luxury houses: property management of short rent of luxury properties located in exclusive tourist locations. Target customers: High Net Worth Individuals.
- Corporate houses: property management of buildings located in major Italian cities available for short/medium/long-term rental. Target customers: corporate customers. The owners of the properties are banking and insurance groups, investment funds.
- Interior design

G Rent, under Gabetti Short Rent brand, is listed on Euronext Growth Milan and is part of Gabetti group (Euronext Milan).

Vacasa (USA) - 2021 Revenues: €782m - Comparability: Medium

Vacation rental management platform in North America, Belize and Costa Rica. Properties are available on vacasa.com and on distribution partners sites including Airbnb, Booking.com and Vrbo. Business model: Vacasa collects nightly rent on behalf of homeowners and earns most of the revenue from homeowner commissions and service fees paid by guests.

Sonder (USA) - 2021 Revenues: €205m - Comparability: Medium/Low

Operates and manages properties comprising apartments, villas, studios, as well as hotel rooms, for leisure travelers and families, digital nomads and professionals in North America, Europe and the Middle East. The focus is on design and technology of listings, together with a high standard guest experience.

Homizy (Italy) - 2021 Revenues: €0m - Comparability: Medium/Low

Subsidiary of Abitare In (Euronext Star Milan), operates in the build-to-rent property-based segment of the residential real estate market. Homizy designs, builds and manages residential co-living properties in the city of Milan. Properties (two projects currently in pipeline) will be acquired and managed by Homizy. Target customers are recent graduates and young professionals, with an age range between 20 and 35, looking for a mid-term housing solution for 9-12 months. At IPO on the Professional segment of Euronext Growth Milan, Homizy raised €10m, for a post-money valuation of €55m.

Key data comparison

Company	Foundation year	Geographic scope	Listings portfolio	Locations	Revenue CAGR		Revenues 2021 (€m)	Net (Debt) Cash H1 2022 (€m)	Market Cap current (€m)
					2019-21A	2021A-24E			
CleanBnB	2016	Italy	1,600	60	11%	56%	4	5	9
G Rent	2019	Italy, Spain, Greece, Carribean	380	50	na	86%	2	1	14
Vacasa	2021	North America, Costa Rica, Belize	37,000	400	71%	23%	782	120	327
Sonder	2020	North America, Europe, Middle-East	7,600	38	27%	52%	205	(1,100)	267
Homizy	2019	Italy	na	1 (Milan)	na	na	0	8	45

Source: EnVent Research on publicly available information and S&P Capital IQ, 10/02/2023

Market multiples

Company	EV/REVENUES				EV/EBITDA			
	2021	2022E	2023E	2024E	2021	2022E	2023E	2024E
CleanBnB	1.2x	0.5x	0.4x	0.3x	36.0x	19.2x	4.3x	2.3x
G Rent	9.1x	3.9x	2.7x	1.2x	neg	neg	neg	nm
Vacasa	3.6x	0.7x	0.7x	0.6x	neg	neg	nm	18.2x
Sonder	3.0x	3.2x	2.5x	1.9x	neg	neg	neg	nm
Mean	4.2x	2.1x	1.6x	1.0x	nm	nm	nm	nm

Source: EnVent Research on S&P Capital IQ, 10/02/2023

7. FINANCIAL ANALYSIS AND PROJECTIONS

Platform traffic driving financial performance

Key factors

- Dotstay is an early-stage company, as such organization, operating expenses and financial profile are typical of a company with a limited operating history. However, costs are easily adjustable to revenue trend and outstanding investments are limited.
- Revenues are driven by conversion of platform users into customers (relocating people who find the right accommodation and pay a success fee), properties brokered through the platform, penetration into new locations and the ability to manage occupancy
- Revenue generators are: booking and success fees paid by users, property management fees paid by landlords, rentals and agency fees paid by tenants for Dotstay properties
- Cooperation with universities and corporates, and the dissemination of word of mouth are major drivers for organic expansion. In this kind of business (online native) and given the target user profile, marketing investments are crucial for the initial awareness and business growth.

Recent financial performance

Revenues in the last three years 2019-21 were in the region of €200-300k, with EBITDA close to breakeven in 2019 and 2021, and loss in 2020, as effect of reduced revenue volumes because of Covid impact. Net losses at bottom line. After a capital increase in 2021, at year-end 2021 and June 2022 Dotstay had net cash available.

In H1 2022 Dotstay generated around €100k revenues. Operating costs were €183k, mainly services and leases, as such EBITDA was a loss of €(77)k. Net loss of the period was €(116)k. However, we note that the 6-month P&L is of limited relevance considering the Covid tail in the first months of 2022 and also a seasonal effect for which most relocations historically occur in the second half of the year (September).

Dotstay P&L, in addition to revenues, is mainly made of leases, marketing expenses, personnel cost of employees and freelancers, external services (i.e. cleaning, maintenance) and G&A. The BS is light, with no issues on trade working capital (the advance collection revenue model makes working capital a cash generator). We acknowledge €245k overdue tax liabilities as of June 2022, of which €150k included among financial debt.

Our estimates

Sizing the market opportunity

- The number of workers and students relocating each year is estimated in over 200 million people globally, of which 45 million in Europe and 3 million in Italy (Sources: UN Population division report 2010; European migration network report 2013)
- There were 5.5 million of available second homes in 2019, representing 17% of the total stock of second homes (Source: Agenzia delle Entrate, *Gli immobili in Italia - 2019, 2020*)

Estimates construction

Our 2022-27E estimates cover a 5Y period to consider a first lifecycle for a Company that is about to start a substantial growth phase.

We assume the number of users and properties in 2022, first year after Covid, as a starting point for our mid-term projections. Our general assumption is that the relocation and property management markets are subject to changing trends and that Dotstay could benefit from an emerging room in those markets. We also believe that the continuous addition of tenants and landlords as customers and of universities and corporates as partners could underpin significant growth rates and thus result in a higher market penetration.

We have built our projections based on a development plan which envisages the reactivation of three locations in Italy in 2023 and additional five in 2025, assuming a time to market per city consistent with the local limited history but also with the deployment of a dedicated sales development team, while considering the inherent risk of the growth plan and occupancy restraints. As a result, we considered a start-up effect for each additional location.

Metrics and assumptions

Revenues	<ul style="list-style-type: none"> - Location expansion plan: 4 locations in 2023 (Milan, Rome, Turin, Florence), additional 5 in 2025 (Venice, Bologna, Naples, Bari, Palermo) - Number of users and properties drawn up by single location, considering an individual time to market - Revenue streams: <ul style="list-style-type: none"> - Booking and success fees of <i>Angel</i> service to users/tenants, with average fee per user set at €89+600 - Property management services to landlords, with average yearly fee of €3,000 - Rental service and agency fee to tenants for sublease of Dotstay rented properties, with average yearly fee in the region of €8,000-10,000 over the years
Operating costs	<ul style="list-style-type: none"> - Services: variable costs set at 20% of revenues, fixed costs growing at 2021A-27E CAGR of 20% - Leases: as a percentage of rental income, assuming 30% margin on sublease as per Company revenue model - Personnel: hiring of 6 employees in 2023 for the property hunting and sales development team, and additional 10 spread over 2024-27E to deal with the growing business and new locations, with cost per capita at €35-40k - Other operating costs: 5% of revenues in 2023-27E
Income taxes	<ul style="list-style-type: none"> - Corporate tax (IRES): 24% - Regional tax (IRAP): 3.90% - Loss carryforward: not considered
Working capital	<ul style="list-style-type: none"> - DSO 5, based on advanced payments of most fees - DPO 20, as per historical records - Other working capital: mainly tax liabilities, gradually decreasing for reimbursement plan

Capex	<ul style="list-style-type: none"> - One-off IPO cost of €460k in 2022 - Tax relief non factored in - €150k per year in online and offline marketing - €50k in technology platform development and maintenance - 3% of revenues for R&D
Equity	- €2.2m IPO proceeds in 2022

Source: EnVent Research

Estimates

Profit and Loss								
€k	2020	2021	2022E	2023E	2024E	2025E	2026E	2027E
Revenues	197	214	341	1,100	1,760	3,165	4,697	5,247
Capitalization of R&D costs	11	9	10	33	53	95	141	157
Other income	6	56	7	0	0	0	0	0
Total Revenues	215	279	358	1,133	1,812	3,260	4,838	5,404
YoY %	-49%	30%	28%	216%	60%	80%	48%	12%
Services	(204)	(133)	(204)	(383)	(531)	(902)	(1,263)	(1,437)
Leases	(177)	(116)	(153)	(372)	(634)	(982)	(1,617)	(1,550)
Personnel	(66)	(20)	(80)	(350)	(420)	(578)	(693)	(770)
Other operating costs	(27)	(27)	(52)	(55)	(88)	(158)	(235)	(262)
Operating costs	(474)	(296)	(490)	(1,160)	(1,674)	(2,620)	(3,808)	(4,020)
EBITDA	(259)	(17)	(131)	(27)	139	640	1,031	1,385
Margin	-121%	-6%	-37%	-2%	8%	20%	21%	26%
D&A	(12)	(1)	(83)	(121)	(147)	(149)	(156)	(191)
EBIT	(272)	(18)	(214)	(148)	(9)	491	874	1,194
Margin	-126%	-7%	-60%	-13%	0%	15%	18%	22%
Interest	(4)	(5)	(8)	(8)	(8)	(8)	(8)	(8)
EBT	(276)	(23)	(222)	(156)	(16)	483	867	1,186
Margin	-128%	-8%	-62%	-14%	-1%	15%	18%	22%
Income taxes	0	0	0	0	0	(135)	(242)	(331)
Net Income (Loss)	(276)	(23)	(222)	(156)	(16)	348	625	855
Margin	-128%	-8%	-62%	-14%	-1%	11%	13%	16%

Source: Company data 2020-21A, EnVent Research 2022-27E - Note: Given the negligible results in H1 of the fully-owned captive subsidiary DS Real Estate, set up in April 2022, H1 finstats were not consolidated. Our estimates as of 2022E have been built combining the results of Dotstay and DS Real Estate.

Balance Sheet								
€k	2020	2021	2022E	2023E	2024E	2025E	2026E	2027E
Account receivables	12	5	6	18	29	53	79	88
Account payables	(15)	(17)	(27)	(54)	(84)	(137)	(208)	(217)
Trade Working Capital	(2)	(12)	(22)	(36)	(54)	(84)	(130)	(130)
Other assets (liabilities)	(185)	(190)	(150)	(100)	(50)	(50)	(50)	(50)
Net Working Capital	(187)	(202)	(172)	(136)	(104)	(134)	(180)	(180)
Intangible assets	179	187	604	722	836	992	1,188	1,366
Fixed assets	16	15	21	25	27	27	25	24
Financial assets	0	22	19	19	19	19	19	19
Non-current assets	194	225	644	766	882	1,037	1,232	1,409
Provisions	(41)	(31)	(20)	(32)	(63)	(106)	(157)	(214)
Net Invested Capital	(34)	(8)	453	599	714	798	895	1,015
Net Debt (Cash)	192	(33)	(1,511)	(1,209)	(1,077)	(1,342)	(1,869)	(2,604)
Equity	(226)	25	1,963	1,808	1,792	2,140	2,764	3,619
Sources	(34)	(8)	453	599	714	798	895	1,015

Source: Company data 2020-21A, EnVent Research 2022-27E

Cash Flow

€k	2021	2022E	2023E	2024E	2025E	2026E	2027E
EBIT	(18)	(214)	(148)	(9)	491	874	1,194
Current taxes	0	0	0	0	(135)	(242)	(331)
D&A	1	83	121	147	149	156	191
Provisions	(10)	(12)	12	31	43	51	57
Cash flow from P&L operations	(27)	(143)	(15)	170	548	840	1,110
Working Capital	9	10	14	19	29	46	(0)
Capex	(9)	(45)	(243)	(263)	(305)	(351)	(367)
Other assets and liabilities	5	(40)	(50)	(50)	0	0	0
Operating cash flow after WC and capex	(22)	(218)	(294)	(124)	272	535	743
Interest	(5)	(8)	(8)	(8)	(8)	(8)	(8)
Financial assets	(22)	3	0	0	0	0	0
Capex - IPO cost	0	(460)	0	0	0	0	0
IPO proceeds	0	2,160	0	0	0	0	0
Paid-in capital	274	0	0	0	0	0	0
Net cash flow	225	1,477	(301)	(132)	264	527	735
Net (Debt) Cash - Beginning	(192)	33	1,511	1,209	1,077	1,342	1,869
Net (Debt) Cash - End	33	1,511	1,209	1,077	1,342	1,869	2,604
Change in Net (Debt) Cash	225	1,477	(301)	(132)	264	527	735

Source: Company data 2021A, EnVent Research 2022-27E

Ratio analysis

KPIs	2020	2021	2022E	2023E	2024E	2025E	2026E	2027E
ROE	122%	-92%	-11%	-9%	-1%	16%	23%	24%
ROS	-138%	-9%	-63%	-13%	0%	16%	19%	23%
DSO	18	7	5	5	5	5	5	5
DPO	11	19	20	20	20	20	20	20
TWC/Revenues	-1%	-6%	-6%	-3%	-3%	-3%	-3%	-2%
NWC/Revenues	-95%	-94%	-50%	-12%	-6%	-4%	-4%	-3%
Net Debt/EBITDA	nm	nm	nm	nm	nm	nm	nm	nm
Net Debt/Equity	nm	nm	nm	nm	nm	nm	nm	nm
Net Debt/(Net Debt+Equity)	nm	nm	nm	nm	nm	nm	nm	nm
Cash flow from operations/EBITDA	na	157%	109%	55%	122%	86%	81%	80%
FCF/EBITDA	na	128%	166%	1094%	-90%	42%	52%	54%

Source: Company data 2020-21A, EnVent Research 2022-27E

8. VALUATION

Key valuation topics, value drivers and metrics

Valuation topics

The profile of Dotstay is that of an early-stage company trying to make its way in the crowded rental and property management markets. Having completed the development of basic functionalities of its platform and being in a growth phase of the business lifecycle, Dotstay will continue to invest in technology and dedicate marketing resources that are expected to spread awareness about Dotstay among target customers.

The value expectation depends on the growth pace of operations and on the ability to achieve a fast market penetration, becoming the reference digital platform for relocation and for the vast community of moving people.

Value drivers and relevant market data

- Past financial performance not significant
- Revenue model made of variable costs, lean organization
- Light balance sheet, advanced cash in, no receivables
- Niche market demand from high income students and professionals
- Proprietary technology platform and user database
- Low barriers to entry challenge to market share and profitability
- The key drivers of an analytical valuation, such as the WACC rate, assume the growth scenario and take into consideration the implied business risk
- Available market multiples come from a diversity of cases, as such we deem them as source of valuable indications and suggestions, but not as direct value metrics

Valuation metrics

The valuation of Dotstay has been performed through the Discounted Cash Flows applied to post-money 2022-27E financial projections, a time horizon justified by the opportunity to look at the Company in an advanced stage.

We consider that the DCF properly factors the Company's expected growth over the next five-plus years, however, we stress a strong emphasis on terminal value.

Discounted Cash Flows

Main metrics and assumptions:

- Risk free rate: 3.6% (Italian 10-year government bonds interest rate - last 30 days average. Source: Bloomberg, February 2023)
- Market return: 12.7% (last 30 days average. Source: Bloomberg, February 2023)
- Market risk premium: 9.1%
- Beta: 1 (judgmental)
- Cost of equity: 12.7%

- Cost of debt: 4%
- Tax rate: 24% IRES
- 40% debt/(debt + equity) as target capital structure
- WACC calculated at 8.8%, according to above data
- Perpetual growth rate after explicit projections (G): 3.5%
- Terminal Value assumes a 26% EBITDA margin
- Net cash adjusted for overdue tax liabilities

DCF valuation

€k	2020	2021	2022E	2023E	2024E	2025E	2026E	2027E	Perpetuity
Revenues	215	279	358	1,133	1,812	3,260	4,838	5,404	5,573
EBITDA	(259)	(17)	(131)	(27)	139	640	1,031	1,385	1,449
<i>Margin</i>	<i>-121%</i>	<i>-6%</i>	<i>-37%</i>	<i>-2%</i>	<i>8%</i>	<i>20%</i>	<i>21%</i>	<i>26%</i>	<i>26%</i>
EBIT	(272)	(18)	(214)	(148)	(9)	491	874	1,194	1,349
<i>Margin</i>	<i>-126%</i>	<i>-7%</i>	<i>-60%</i>	<i>-13%</i>	<i>0%</i>	<i>15%</i>	<i>18%</i>	<i>22%</i>	<i>24%</i>
Taxes	0	0	0	0	0	(135)	(242)	(331)	(376)
NOPAT	(272)	(18)	(214)	(148)	(9)	356	632	863	973
D&A	12	1	83	121	147	149	156	191	100
Provisions	0	(10)	(12)	12	31	43	51	57	12
Cash flow from P&L operations	(259)	(27)	(143)	(15)	170	548	840	1,110	1,085
Trade Working Capital	0	9	10	14	19	29	46	(0)	56
Capex	0	(9)	(505)	(243)	(263)	(305)	(351)	(367)	(100)
Other assets and liabilities	0	5	(40)	(50)	(50)	0	0	0	0
Yearly Unlevered Free Cash Flows	(259)	(22)	(678)	(294)	(124)	272	535	743	1,041
- H1 Unlevered Free Cash Flows			185						
Free Cash Flows to be discounted			(493)	(294)	(124)	272	535	743	1,041
WACC	8.8%								
Long-term growth (G)	3.5%								
Discounted Cash Flows			(472)	(259)	(101)	202	365	466	
Sum of Discounted Cash Flows	202								
Terminal Value									19,512
Discounted TV	12,250								
Enterprise Value	12,452								
Net cash as of 30/06/22	162								
IPO proceeds	2,160								
Equity Value	14,774								
Equity Value per share (€)	5.85								

DCF - Implied multiples	2020	2021	2022E	2023E	2024E	2025E	2026E	2027E
EV/Revenues	57.9x	44.6x	34.8x	11.0x	6.9x	3.8x	2.6x	2.3x
EV/EBITDA	neg	neg	neg	neg	89.7x	19.5x	12.1x	9.0x
EV/EBIT	neg	neg	neg	neg	neg	25.4x	14.2x	10.4x
P/E	neg	neg	neg	neg	neg	42.5x	23.7x	17.3x

Source: EnVent Research

DCF sensitivity to WACC and EBITDA margin

For a value sensitivity to long-term EBITDA margin and WACC, we have overweighted the conservative factors in view of challenging growth assumptions and intensity of competition.

		DCF - Equity Value Sensitivity analysis (€k)		
		Long-term EBITDA margin		
		20%	26%	28%
WACC	10.0%	9,765	11,961	12,510
	8.8%	11,936	14,774	15,484
	8.0%	14,191	17,700	18,577

Source: EnVent Research

Market multiples perspective

- The limited number of comparable companies, and their diversity, makes the application of market multiples *tout court* less reliable than usual
- The only multiple that can be used is EV/Revenues, because the selected comparable companies haven't been profitable in their first years, while investing heavily in growth

Proxy of a target market value in the mid-term, not a market multiple-based valuation

We have applied to our 2027E revenue forecast, as a full-running company, a 3x EV/Revenues, based on 2022E current multiples increased by 50% to factor in the recent multiples derating. We consider the following chart as an insight of industry metrics whose purpose is to indicate a general upside potential. As such, the figures calculated must be considered just a proxy of a target market value in the mid-term, not a market multiple-based valuation.

Market multiples application - proxy

€k						
Market Multiples		Multiple	EV	Net cash	Equity Value	Discounted Equity Value
2027E Revenues	5,247	3.0x	15,740	2,322	18,063	11,340

Source: EnVent Research

Valuation summary and Target Price

The value expectation of Dotstay may vary significantly, being driven by perceived service effectiveness, timing of achieving significant local market share and spreading of active locations. We consider the range of €10-18m appropriate for an early-stage business expected to become a leader of an unfilled real estate segment and we feel confident in identifying a target value in the region of €14m, as indicated by our DCF valuation and sensitivity, as a suitable reference to evaluate Dotstay investment case. We initiate coverage of Dotstay with a NEUTRAL rating based on a Target Price per share of €5.85, +55% on €3.77 IPO offer price and +6% on current share price.

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

Dotstay Price per share	€
Target Price	5.85
Current Share Price (10/02/2023)	5.50
Premium (Discount)	6%

Source: EnVent Research

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Date and time of Production: 10/02/2023 h. 7.00pm

Date and time of Distribution: 13/01/2023 h. 6.30pm

DETAILS ON STOCK RECOMMENDATION AND TARGET PRICE

Date	Recommendation	Target Price (€)	Share Price (€)
13/02/2023	NEUTRAL	5.85	5.50

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