

**RECOMMENDATION
BUY**
**Target Price
€ 10.27**
**Placing price
€ 3.42**

NEOSPERIENCE

**Sector: Application Software
Bloomberg negotiation code: NSP IM
AIM Market**

Market Capitalisation:	€ 30,637,701
Number of shares:	6,463,650
Shareholders equity 30.06.2018:	€ 4,718,678
Outstanding warrants (1:1)*:	1,206,500
Capital raised in IPO:	€ 4,126,230

*See page 10

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The Digital Experience serving business

- Neosperience provides a software platform, called "Neosperience Cloud", which enables companies to know, involve and retain their customers using artificial intelligence to offer personalised, relevant experiences (Digital Customer Experience) capable of boosting the value of the promoted brand.
- This software consists of a set of application modules able to forge empathetic relationships that take account of the uniqueness of each customer.
- In 2016, the company was named "Italy's most innovative tech company in the mobile sector" by the President of the Italian Republic.
- The company has created the largest professional community in the digital experience sector, comprising approximately 208 thousand users.
- In the last two years, Neosperience has set up three start-ups, "Neosurance", "BikEvo" and "WizKey", operating in insurtech, cycling and credit trading with blockchain, respectively.
- For the forecast period 2018-2023 we estimate the value of production will grow at an average annual growth rate of 36.83%. The EBITDA should grow at a CAGR in 2017-2023 of 45.19% and the net income should rise from 652 thousand Euro in 2017 to an estimated 10.07 million Euro by the end of 2023.

Year to 31/12 (k €)	2017A	2018E	2019E	2020E	2021E	2022E	2023E
Value of Production	7,852	11,071	15,281	22,787	31,936	40,469	51,526
Value Added	4,329	6,493	7,869	10,635	14,973	17,857	23,902
EBITDA	1,542	3,244	3,661	5,024	7,473	9,486	14,443
EBIT	471	1,733	2,125	2,768	5,578	7,886	14,343
Group net income	652	1,474	2,028	1,887	3,877	5,520	10,075
Cash-flow	1,725	2,987	3,566	4,145	5,774	7,122	10,177
NFP	-2,261	-2,101	5,222	8,956	17,627	25,633	35,278
ROE	16.37	25.48	17.86	14.60	20.07	23.13	31.55

Source: Neosperience; Estimates: Banca Finnat

Reference Market

The reference market for Neosperience Spa is currently Italy. Over the course of 2019 the business is expected to expand into the USA and Western Europe with the opening of new sales premises.

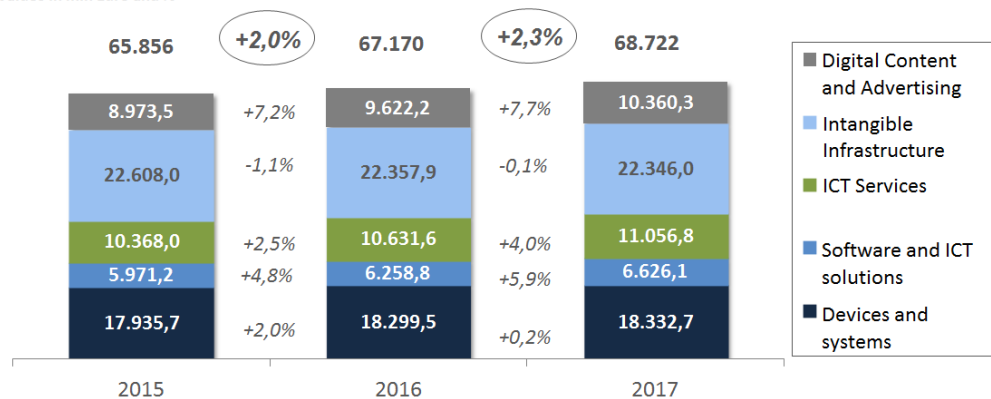
The company provides a software platform, called “Neosperience Cloud”, which enables companies to know, involve and retain their customers using artificial intelligence. AI enables companies to offer personalised, relevant experiences (Digital Customer Experience) capable of boosting the value of the promoted brand.

The reference market for the Neosperience offer is digital.

In Italy this market achieved sales of 68,722 million Euro in 2017, a 2.3% increase on 2016. Growth in the digital market was mainly driven by the “*Digital content and advertising*” sector (up 7.7% to 10,360.3 million Euro in sales), “*Software and ICT solutions*” (up 5.9% to 6,626.1 million Euro), “*ICT Services*” (up 4% to 11,056.8 million Euro) and “*Devices and systems*” (up 0.2% to 18,332.7 million Euro). However, the “*Intangible infrastructure*” sector fell (by 0.1% to 22,346 million Euro).

The digital market in Italy, 2015-2017

Values in mln Euro and %



The digital market in Italy 2018 - 28 June 2018

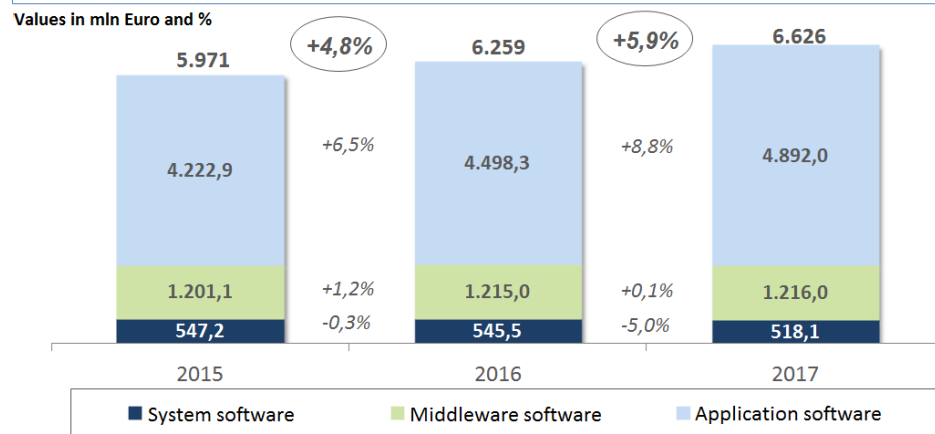
Source: Anitec-Assinform / NetConsulting cube, March 2018

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In the “Software and ICT solutions” sector, application software grew by 8.8% to 4,892 million Euro in sales; middleware software rose 0.1% to 1,216 million Euro while system software fell 5% (to 518.1 thousand Euro in sales).

The software market and ICT solutions on premise



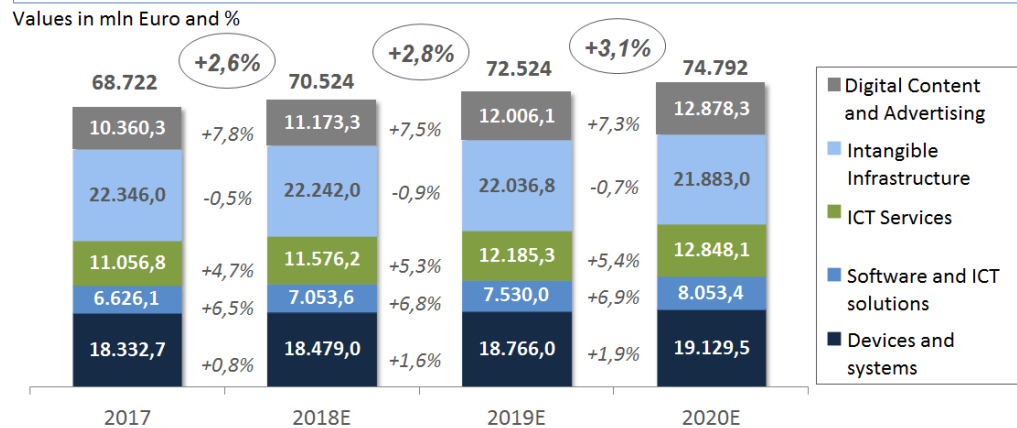
Source: Anitec-Assinform / NetConsulting cube, March 2018



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The digital market is expected to grow at an average annual rate of 2.86% in the period 2017-2020, reaching 74,792 million Euro by the end of the forecast period. In particular, the *Digital content and advertising* sector is estimated to grow at an average annual rate of 7.5% to 12,878.3 million Euro in sales by 2020. *ICT Services* is forecast to reach 12,848.1 million Euro in 2020 (CAGR 2017-2020 of 5.1%) while *Software and ICT solutions* is estimated to grow at an average annual rate of 6.7%, with sales of 8,053.4 million Euro at the end of the forecast period.

The digital market in Italy, 2017-2020E



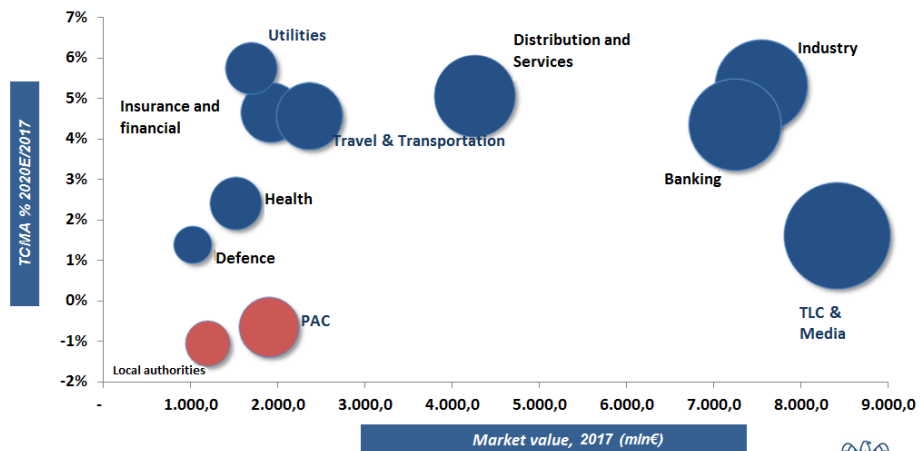
Source: Anitec-Assinform / NetConsulting cube, March 2018



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In relation to different sectors, the digital market in Italy is forecast to grow at an average annual rate (2017-2020) of 6% in the industrial sector (2017 market value at 7.6 million Euro), 4.6% in banking (7.3 million Euro), 5.8% in utilities (1.7 million Euro), 4.8% in insurance (2 million Euro), 4.9% in transportation (2.5 million Euro) and 5.2% in distribution (4.5 million Euro).

Forecast trend of digital market by sector



Source: Anitec-Assinform / NetConsulting cube

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Neosperience's business is also positioned in the new *“Digital Customer Experience”* market, defined as the customer's perception and related feelings arising from the interactions with a company through a smartphone and other digital devices. It begins with an analysis of data (*Big Data*) from purchasing behaviour and, using special analysis tools (*Business Analytics*) that take the endogenous and exogenous variables in purchasing behaviour into account, allows consumers to be accurately classified.

Content becomes more of an experience and is more relevant and personalised the more users interact and develop a relationship with the promoted brand. In a market context in which the boundaries between conventional industrial sectors have broken down - businesses are increasingly competing with operators offering alternative services - and in which blogs, social media, online reviews and video content enable users to gain information about products/services and prices more easily, placing them in a dominant position compared to suppliers, the *Digital Customer Experience* is an important element in differentiating and growing companies. The latter obtain major business advantages over their competitors.

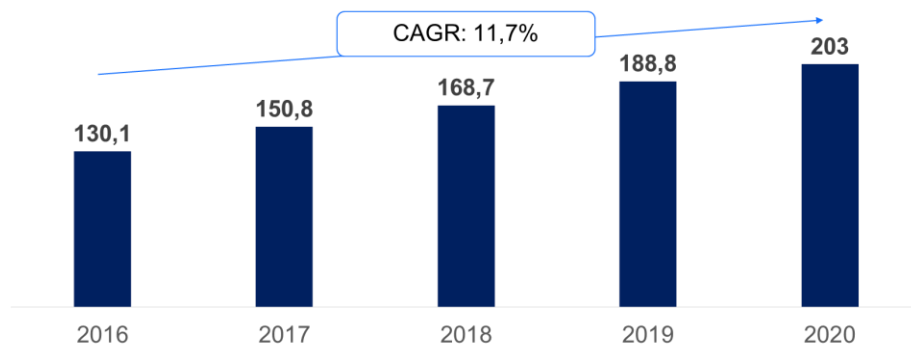


Source: Neosperience

Two of the competitive advantages generated by investments in the *Digital Customer Experience* are increased sales and customer retention; a reduction in customer losses and greater sales opportunities thanks to positive word of mouth. Analytics can aid automation in non-strategic decisions and interactions, boosting segmentation and micro-targeting activities in marketing and reducing the complexity of consent processes and the risks associated with each initiative.

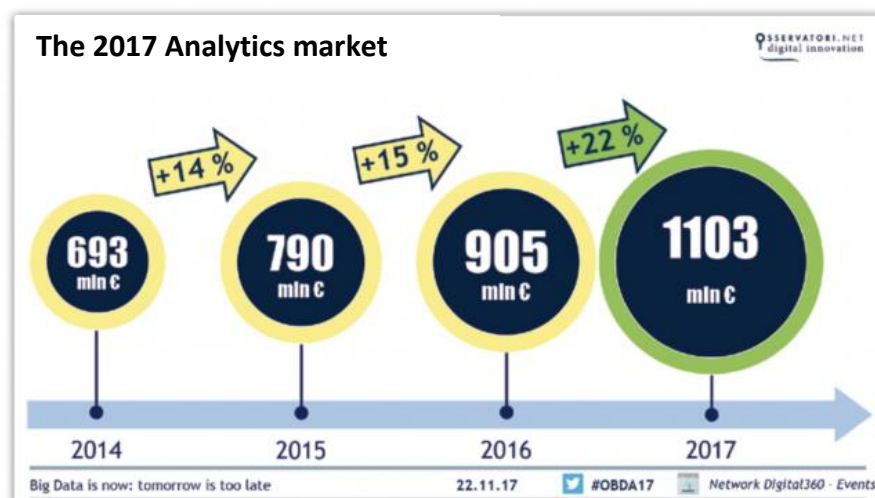
In the *Digital Customer Experience*, in 2017, revenues generated globally by “Big Data” and “Business Analytics” markets amounted to 150.8 billion dollars, which is estimated to rise to 203 billion dollars in 2020 with an average annual growth rate of 11.7% in 2016-2020.

Global revenue from Big Data and Business Analytics



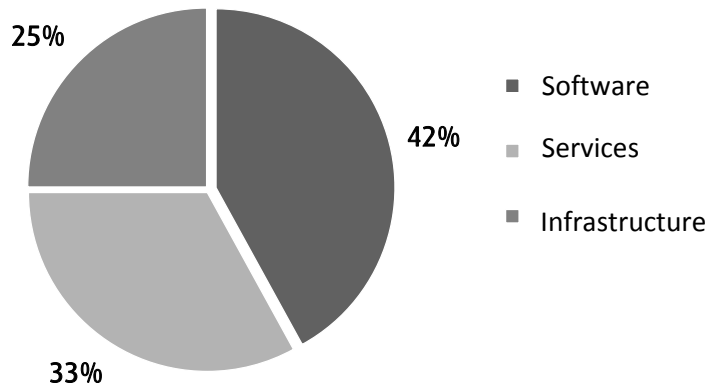
Source: Gartner 2018

In 2017 the “Big Data & Analytics” market in Italy grew by 22% to 1.1 billion Euro compared to 905 million Euro in 2016. This growth came on top of the positive growth rates recorded in 2016 (+15%) and 2015 (+14%).



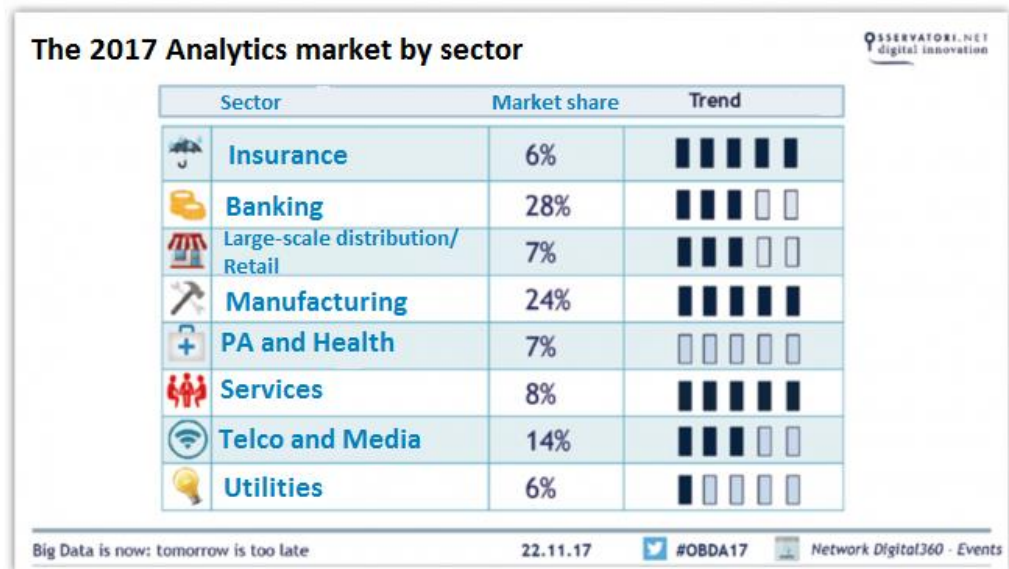
In particular, the sector was made up of 87% big businesses and the remaining 13% small and medium enterprises.

In terms of investments in *Big Data & Analytics*, 42% went to software (databases, tools and applications for acquiring, viewing and analysing data), 33% to services (activities associated with the customisation of software, integration with company information systems and the redesign of processes) and the remaining 25% to infrastructure (investments in developing computing, server and storage capacity).



Source: Osservatorio Big Data Analytics & Business Intelligence

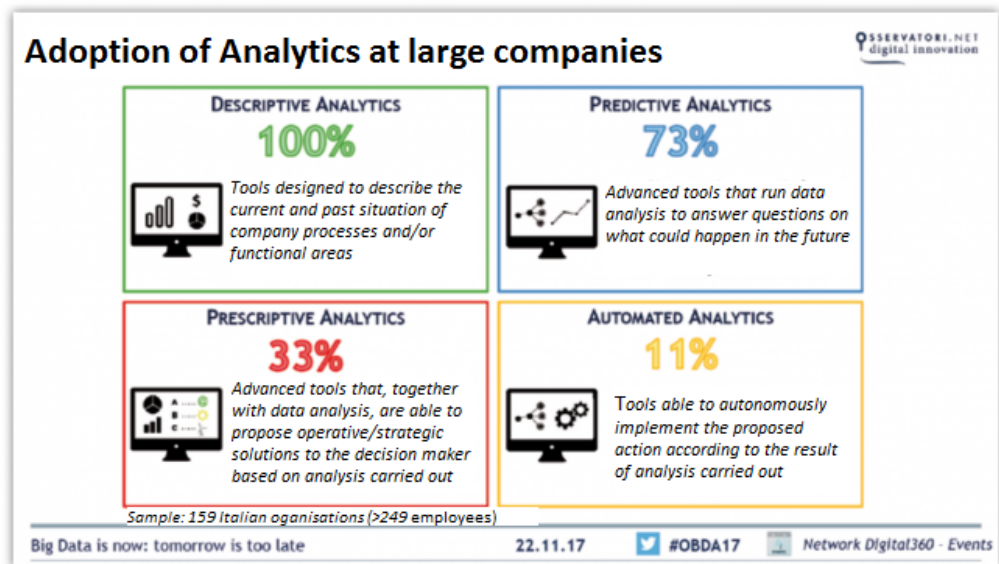
The main sectors resorting to *Big Data & Analytics* are banking (28%), manufacturing (24%), Telco and media (14%), services (8%), Public administration and health (7%), Large-scale distribution/Retail (7%), insurance (6%) and utilities (6%).



The most advanced geographical area in Italy in terms of the spread of *Big Data & Analytics* projects and tools is the North West (34%), followed by the Centre (15%) and the South and Islands (11%). The North East (9%) is the furthest behind.

The following types of analytics can be identified within the market:

- *Descriptive Analytics* covers the majority of companies using analytics tools designed to describe the current/past situation of company processes and/or functional areas. These tools allow data to be accessed and analysed and provide an overview of performance indicators.
- *Predictive Analytics* was developed with the spread of advanced data analysis tools and rising demand for forecasting and predictive models.
- *Prescriptive Analytics* relates to advanced tools that, together with data analysis, enable decision makers to propose operative and strategic solutions based on analysis carried out.
- *Automated Analytics* is for companies using tools that are able to autonomously implement the proposed action according to the result of analysis carried out.



Neosperience's business, in the evolution of the Digital Customer Experience of its clients, is based on the use of "Artificial Intelligence" (AI).

According to a study conducted by *Gartner* (a multinational strategic consultancy, research and analysis firm operating in Information Technology), in 2018 the AI market will reach a global turnover of 1,175 billion dollars, up 70% from 692 billion dollars in 2017.

In 2022 this market is estimated to reach 3,923 billion dollars with a delta of 467% compared to 2017.

Table 1. Forecast of Global AI-Derived Business Value (Billions of U.S. Dollars)

	2017	2018	2019	2020	2021	2022
Business Value	692	1,175	1,901	2,649	3,346	3,923
Growth (%)		70	62	39	26	17

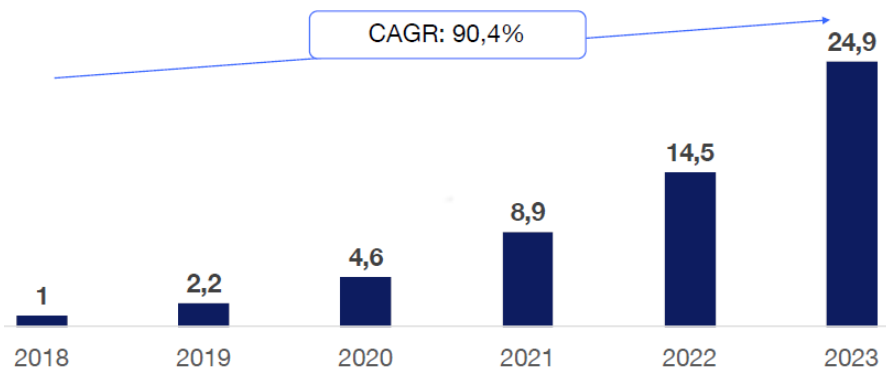
Source: Gartner (April 2018)

The expansion of AI will be driven by the following:

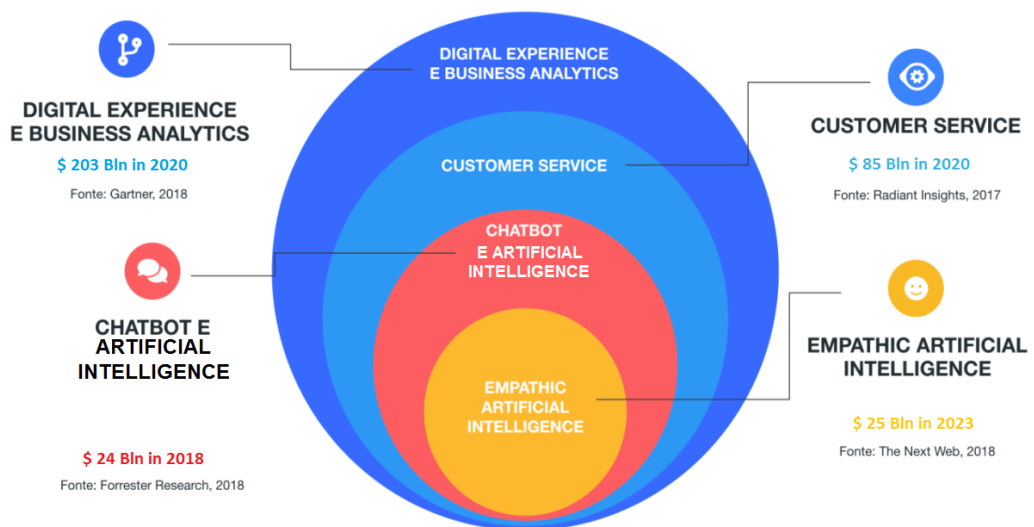
- The customer experience will enable companies to improve interactions with customers and aid acquisition and retention activities.
- The creation of new revenues with increased sales of existing products/services and the development of new products and services.
- Lower production or delivery costs.

In relation to the AI market, the new sector of *Empathic Artificial Intelligence* – Neosperience's key market – represents a further development in AI systems capable of interacting with the end customer by analysing their behaviour and emotions and guaranteeing a better *digital experience*. This market is estimated to grow at an average annual rate (CAGR 2018-2023) of 90.4% to 24.9 billion dollars by 2023.

Global revenue in the Empathic Artificial Intelligence segment (\$ bln)



Source: *The Next Web 2018*



Source: *Gartner, Forrester Research, Radiant Insights, The Next Web*

Activities and Strategies

Neosperience, an “innovative SME” founded in Brescia in 2006 and listed on the AIM market of Borsa Italiana since 20 February 2019 at a placing price of Euro 3.42, provides a software platform called “*Neosperience Cloud*”, which enables companies to know, involve and retain their customers using artificial intelligence. AI enables them to offer personalised, relevant experiences that boost the value of the promoted brand.

This software consists of a set of application modules able to forge empathetic relationships that take account of the uniqueness of each customer.

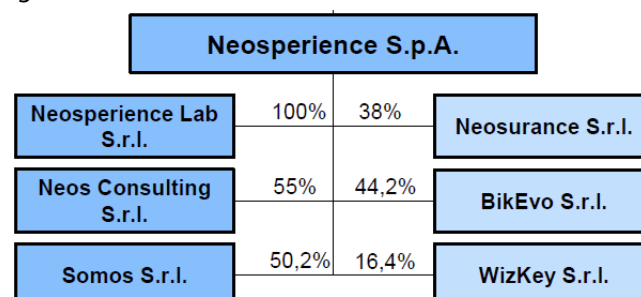
The application modules use artificial intelligence to get to know each customer and adapt the experience to his/her emotional characteristics.

The Group currently operates in Italy but is expecting to open sales branches in the USA, UK and Germany over the course of 2019.

In the Digital Experience field, Neosperience boasts a community of 208 thousand mainly professional users and operators in the sector.

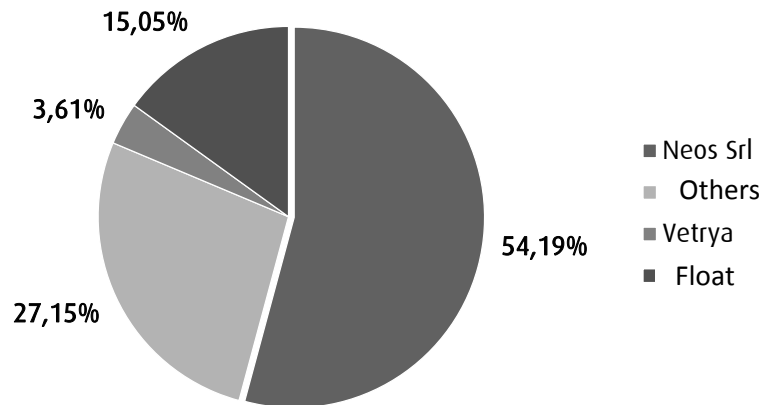
Neosperience Spa is currently made up of three subsidiaries and three affiliated companies:

- 100% *Neosperience Lab Srl* designs research and development projects and IT solutions for process and product innovation.
- 55% *Neos Consulting Srl* operates as an organisational and industrial consultancy firm and uses information systems as a platform to enable clients to manage the change and engineer their processes.
- 50.2% *Somos Srl* provides consultancy and applicative development with innovative technologies in web and IoT, with a focus on the transportation market.
- 38% *Neosurance Srl* is an *AI Insurance Platform* that offers innovative solutions for communities and insurance companies worldwide, enabling them to offer short-term micro-policies and a low unit cost.
- 44.2% *BikEvo Srl* is a community and app aimed at amateur cyclists that offers customised services such as “*Bike Personal Coach*”, a virtual coach on a par with professional trainers.
- 16.4% *WizKey Srl* is an application platform developed from the web console and from Neosperience Cloud's infrastructure modules for credit trading with blockchain designed to modernise the credit securitisation market through *smart contracts*.



Source: Neosperience

Neosperience's capital, currently equal to 646,365 Euro, is made up of 6,463,650 shares and is 54.19% owned by Neos Srl, 27.15% by other partners and 3.61% by Vetrya. The remaining 15.05% is floated on the market.



Source: Neosperience

The outstanding warrants ("Warrant Neosperience 2019-2021"), issued as part of the capital increase ahead of the IPO, amount to 1,206,500. Three exercise periods are envisaged with a ratio of 1:1:

- First exercise period: between 15 and 30 November 2019 at a subscription price for each converted share of 3.77 Euro.
- Second exercise period: between 15 and 30 November 2020 at a subscription price for each converted share of 4.15 Euro.
- Third exercise period: between 15 and 30 November 2021 at a subscription price for each converted share of 4.57 Euro.

Milestones:

Neosperience was founded in Brescia in 2006 by a team of professionals from "Inferentia DNM", a company co-founded by Dario Melpignano (CEO of Neosperience) that developed the first global mobile app engine, which would later become Neosperience Cloud.

The company began operating on the market in 2007. It partnered with Apple and began designing the first "Apps" for the European and South American markets. In 2008, with the launch of iPhone 3G in 22 countries, it worked alongside major IT content editors creating their first apps.

In 2009, Neosperience began working with Oracle to create the first "mobile loyalty" platform.

In 2011 the company won the "Gartner CRM" global prize for a project it carried out for Swedish Railways.

In 2012 Neosperience was chosen by "Walt Disney" to create a platform for managing digital publishing activities on iPad.

The same year, the company created the first mobile banking platform compatible with all smartphones, for “UBI Banca”.

In 2013 Gartner named Neosperience a “Cool Vendor”, the most prestigious global technological recognition.

In 2014-2016 the company won the “Red Herring Top 100” award both in Europe and around the world and was given the “Company of the Year” award as the best “Mobile Company” by the President of the Italian Republic.

In 2017 the “Neosperience Cloud” platform gained a customisation system based on artificial intelligence that processes the customer's personality traits.

2017 also saw the introduction of “Neosurance”, for InsurTech, and “Bikevo”, a cycling community and app.

In December 2017 Neosperience was named an “Innovative SME” by the Milan Chamber of Commerce.

In April 2018 Gartner named the company as a major player in the artificial intelligence sector applied to the Digital Experience alongside IBM, Adobe and Microsoft.

In July 2018 “WizKey”, a credit trading platform with blockchain, was introduced.

In February 2019 the company began trading its shares and warrants on the AIM segment of Borsa Italiana.

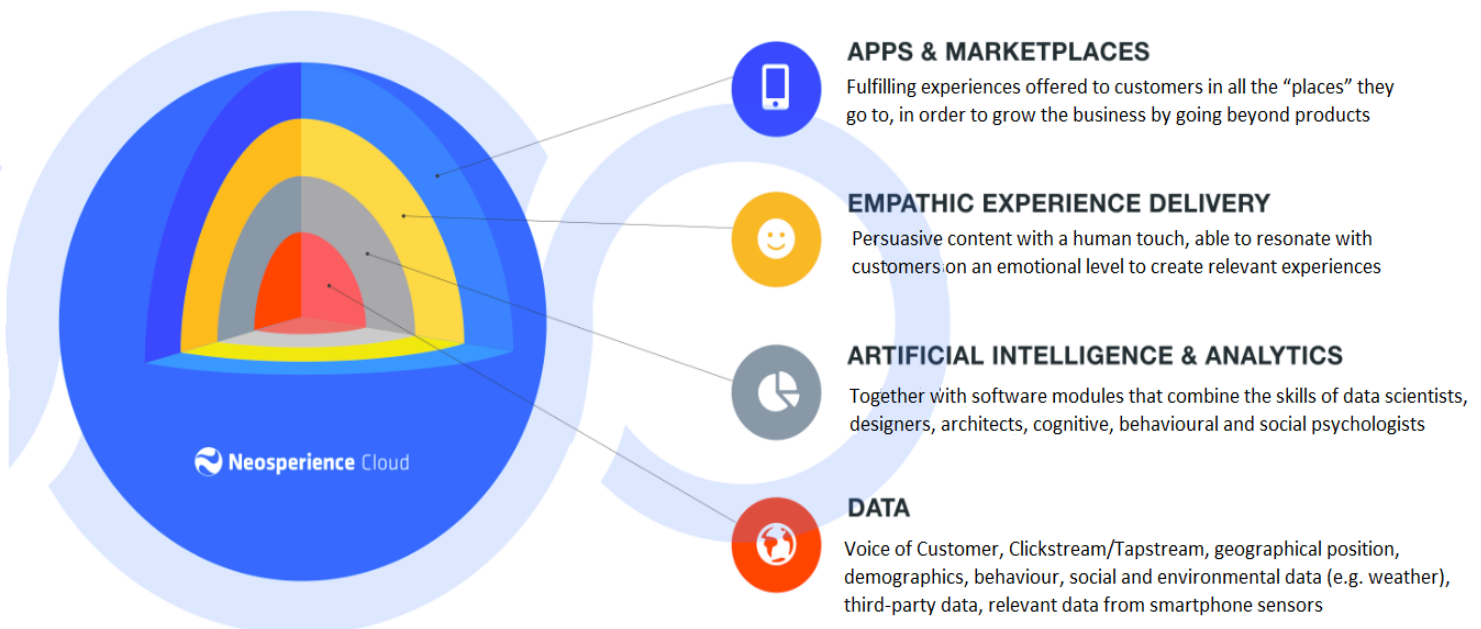
Business model

Neosperience Group founds its business model on three main pillars:

- 1**
UNDERSTAND
- 2**
ENGAGE
- 3**
GROW

Source: Neosperience

- *Understand:* listen to and understand its clients through all channels (voice of customer; clickstream/tapstream; location; demographics; behaviour; social data; environmental data; third-party data; smartphone sensors).
- *Engage:* offer bespoke experiences by interpreting behaviour (content and storytelling; call to action; product recommendations; offers and promotions; user interface; reminders and alerts; augmented, virtual and mixed reality; gamification dynamics).
- *Grow:* boost customer retention by increasing the value of the business through a series of actions, such as: improve engagement; increase customer value; facilitate the buying process; increase conversions; accelerate customer acquisition; generate recurring income through membership; offer self-service services; reinforce loyalty and retention; stimulate advocacy.



Source: Neosperience

As a “Software Vendor”, Neosperience provides its clients (businesses) with a software platform called “Neosperience Cloud” in “Saas” mood (*Software as a service*, a model of application software distribution with which a software producer develops, operates and manages a web application that it makes available to its clients via the Internet on a subscription basis). This software uses the “Amazon Web Services” (AWS) server, a cloud services platform (*server farm*) capable of offering processing power, database storage, content distribution and other functionalities to support business expansion and growth.

Neosperience Cloud is made up of a set of application modules that use artificial intelligence to come into contact with end customers.

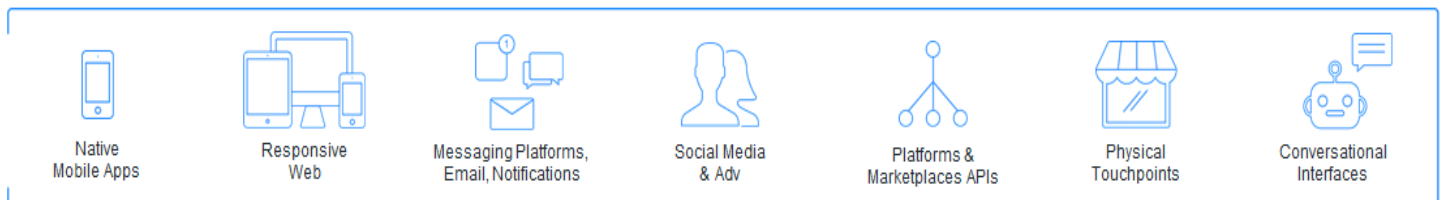
MODULI APPLICATIVI

ARTIFICIAL INTELLIGENCE



Source: Neosperience

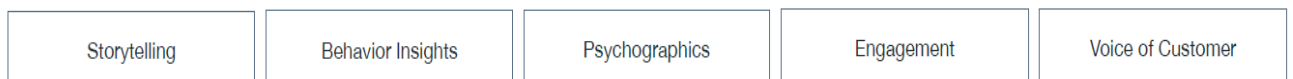
The application modules enable businesses purchasing the software platform to promote their brand/business by entering in direct contact with potential customers through a multitude of channels such as the web, apps, platforms, bricks-and-mortar points of sale, social media.



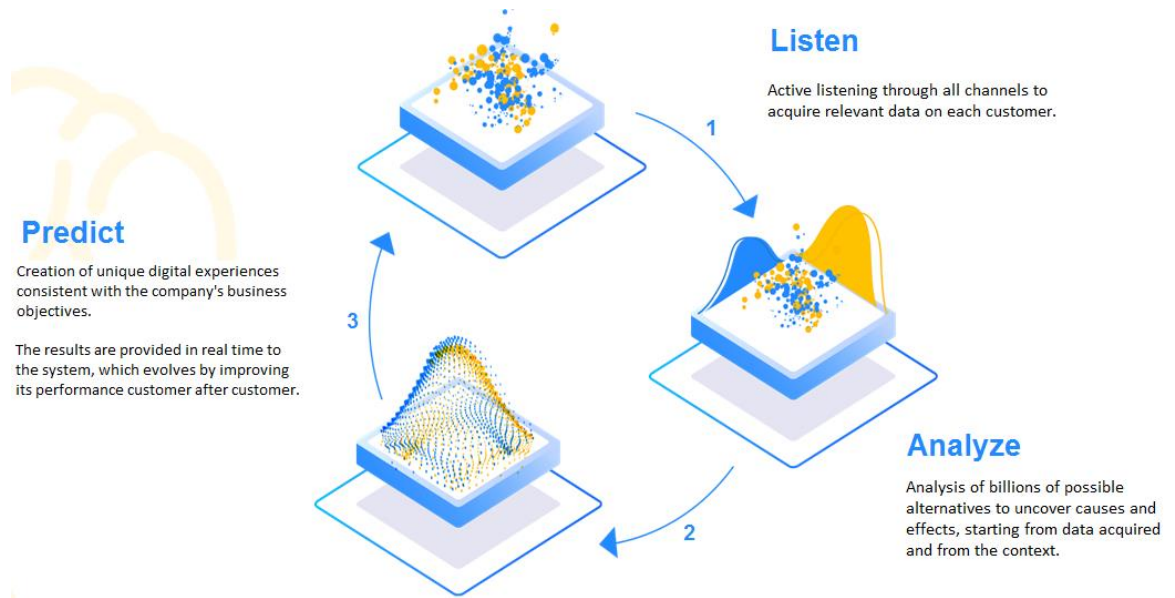
Source: Neosperience

Once the connection is established with a customer, his/her profile is processed by applying artificial intelligence to a set of information and data processed by data scientists and cognitive, behavioural and social psychologists.

EMPATHIC EXPERIENCE



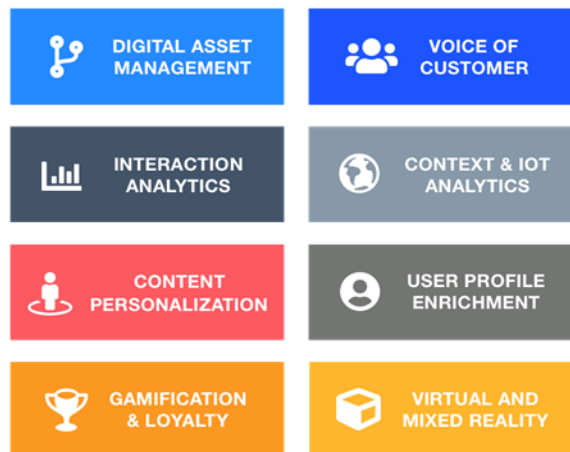
Source: Neosperience



Source: Neosperience

This process enables the companies using Neosperience's offer to:

- Increase customer engagement.
- Personalise storytelling and call-to-action.
- Increase customer value for the company.
- Suggest more suitable products and services.
- Accelerate on-boarding phases by increasing conversions.
- Generate recurring revenue through membership.
- Send personalised notifications with offers and promotions.
- Offer gamification dynamics.
- Provide experiences of brands and products in augmented reality.
- Promote word of mouth and advocacy.



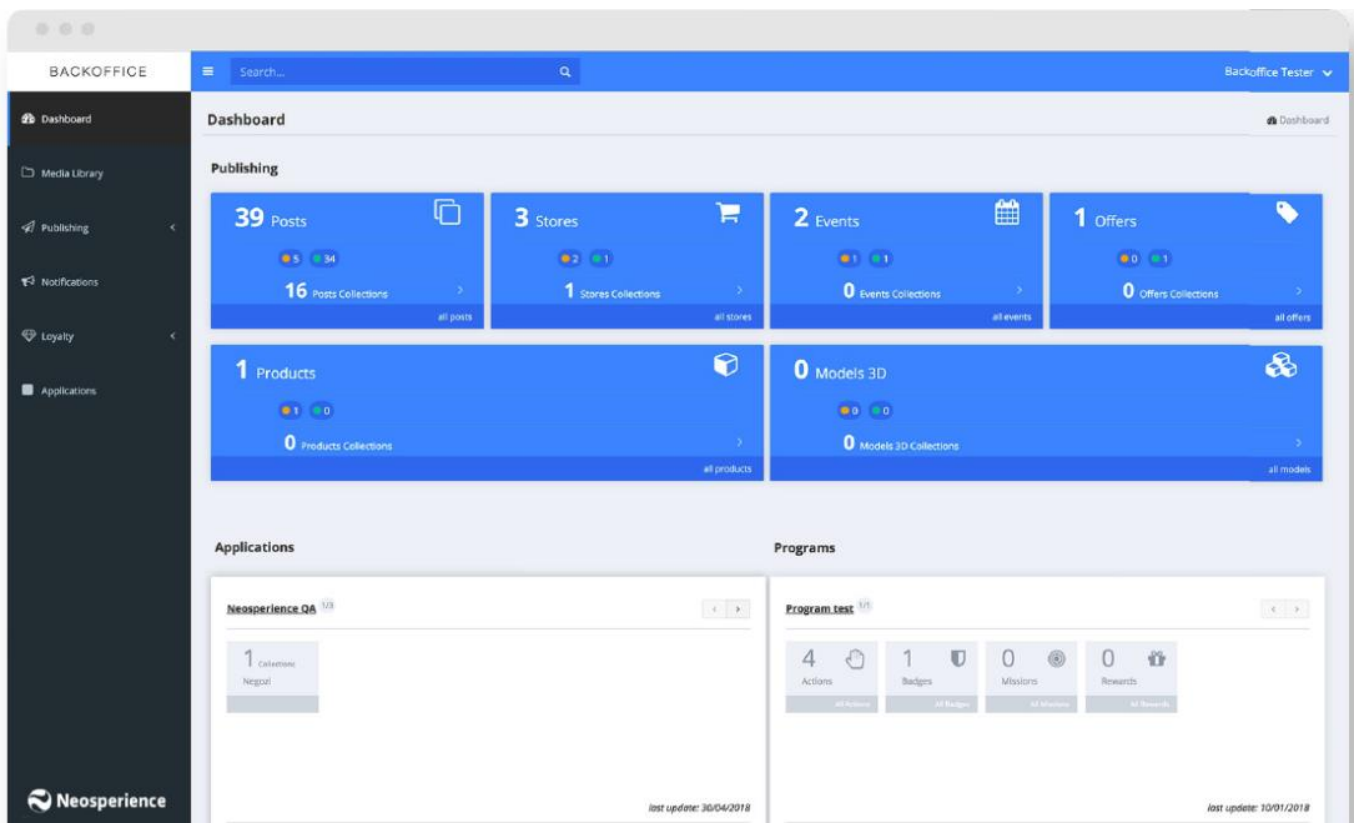
Source: Neosperience

Therefore, the software platform uses artificial intelligence to identify users' personal characteristics and create personalised experiences. This data is used by companies to launch digital marketing activities that put the customer in contact with their brands.

Neosperience Cloud enables companies to create various versions of the same app/website depending on the profile of the customer being targeted.

The technological approach of Neosperience Cloud involves a platform and “as a service” solutions that are versatile and scalable and allow the rapid generation of vertical applicative solutions dedicated to specific industrial sectors. This way the platform is further enhanced, creating new opportunities for developing the model.

The “Neosperience Cloud” software platform mainly targets marketing directors, sales directors and digital managers, and can be used directly by the company/client via a web console (*Neosperience Cloud Console*) through which all customer engagement processes can be managed to involve and retain customers.



Source: Neosperience

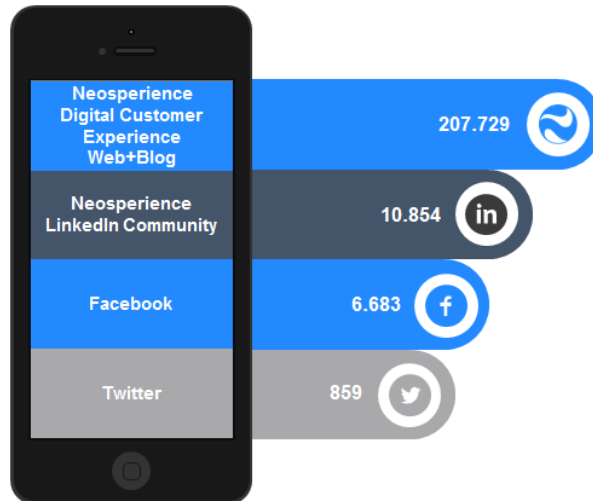
Neosperience Group provides its companies/clients with the necessary training for using the web console. The latter is automatically updated at regular intervals.

The platform is licensed, either directly by Neosperience personnel or indirectly by a network of partners, on payment of an annual subscription, which varies depending on the modules acquired:

- €14,400 for a single module;
- €58,800 for the standard platform;
- €117,600 for the extended platform version (including more advanced solutions).

The company has created the largest professional community in the digital experience sector, comprising approximately 208 thousand users, 42% of whom are in the USA, UK and Canada.

Via this community, subscribers gain up-to-date information on the digital experience market through a blog, a newsletter, a LinkedIn group and webinars periodically organised by Neosperience.



Source: Google Analytics, LinkedIn, Facebook, Twitter on 1 November 2018

Of its major partnerships, the company works with “Salesforce.com”, one of the USA’s largest cloud computing companies with a market capitalisation of over 55 billion dollars, with IBM and with SAP.

The Neosperience Cloud platform is offered as a supplement to these vendors’ products.

Neosperience Group works with clients from a variety of industrial sectors, such as:



Source: Neosperience

Development Strategies

- *Technology:* the company intends to consolidate its *Neosperience Cloud* technology and create additional functions for it. It is also expected to set up new start-ups in sectors such as Healthcare, Fintech and Industry 4.0.
- *Increasing focus on Italian commercial development,* not only through a direct sales network but also through new partnerships with complementary companies that have a consolidated client base but lack specific skills in digital.

This distribution model enables Neosperience to attack new market segments without having to significantly increase the size of its organisation. Typical partners are often advertising agencies, web agencies or software houses who are already suppliers of the potential client company.

To that end, Neosperience expects to accelerate its commercial development through partnerships capable of generating important synergies. In particular, in December 2018, the company signed a partnership agreement with Vetrya, an Italian group operating in the development of digital services, applications and broadband solutions, which will enable it to accelerate the global reach of its platform by exploiting markets in which Vetrya is already present, such as South America and Asia. The two companies also intend, through the network of investees, to strengthen their skills in the insurtech and blockchain sectors.

- *Launching the foreign commercial development programme.* In 2019 Neosperience aims to open a sales office in San Francisco with a view to offering its application solutions to the USA both directly, with “sample” installations, and by rapidly establishing a network of partners/dealers, enabling it to cover the market in a scalable and effective way.

In addition to the USA, Neosperience also aims to open sales branches in the UK and German markets in 2019.

The company also intends to enter other interesting markets, such as Northern Europe, South America and the Far East, particularly China and Japan, where contacts have been made to forge partnerships with consolidated local players.



Source: Neosperience

Neosperience Group intends to use the proceeds of the IPO to expand its business in the USA and Western Europe in order to promote and sell its platform abroad. In particular, the platform license and solutions with sector-specific modules are expected to be sold abroad.

Market operators

Neosperience's reference market, expected to grow rapidly, is characterised by numerous large and small and medium-sized operators. This market is estimated to reach a consolidation phase by 2022.

SWOT Analysis

- **Strengths**

- Thorough knowledge of the sector.
- Market expected to grow.
- Strong positioning on local market with highly customisable solutions.

- **Weaknesses**

- Sales structure needs reinforcing.
- Organisation not yet fully structured.

- **Opportunities**

- Considerable reach of digital systems.
- Growing customer focus.
- Strong development of artificial intelligence.

- **Threats**

- Dominance of big players in the sector.
- Fragmented market.

Financial Highlights – FY 2017 & 1H 2018

EUR (K)	2016	2017	VAR %	1H 2017	1H 2018	VAR %
Sales revenue	4,143	5,226	26.14	2,074	3,026	45.90
<i>Domestic Cloud Licensing</i>	<i>121</i>	<i>671</i>	<i>454.55</i>	<i>301</i>	<i>363</i>	<i>20.60</i>
<i>Domestic Solution Sales</i>	<i>910</i>	<i>1,905</i>	<i>109.34</i>	<i>837</i>	<i>1,053</i>	<i>25.81</i>
<i>Professional Services</i>	<i>3,112</i>	<i>2,200</i>	<i>-29.31</i>	<i>936</i>	<i>1,270</i>	<i>35.68</i>
<i>Vertical & Others</i>	<i>-</i>	<i>450</i>	<i>-</i>	<i>-</i>	<i>340</i>	<i>-</i>
Increased fixed assets for in-house work	1,398	1,611	15.24	700	853	21.86
Other revenues	695	1,015	46.04	667	504	-24.44
VALUE OF PRODUCTION	6,236	7,852	25.91	3,441	4,383	27.38
Services	1,856	3,257	75.48	866	1,340	54.73
%	29.76	41.48		25.17	30.57	
Raw Materials	59	81	37.29	36	17	-52.78
%	0.95	1.03		1.05	0.39	
Third-Party Goods	168	185	10.12	72	71	-1.39
%	2.69	2.36		2.09	1.62	
VALUE ADDED	4,153	4,329	4.24	2,467	2,955	19.78
%	66.60	55.13		71.69	67.42	
Labour cost	2,216	2,514	13.45	1,192	1,321	10.78
%	35.54	32.02		34.64	30.13	
Other operating expenses	346	273	-21.10	135	235	74.07
%	5.55	3.48		3.92	5.36	
EBITDA	1,591	1,542	-3.08	1,140	1,399	22.76
%	25.51	19.64		33.13	31.93	
Depreciation & Write downs	1,360	1,071	-21.25	516	529	2.52
EBIT	231	471	103.90	624	870	39.50
%	3.70	6.00		18.13	19.86	
Financial expenses (income)	123	108	-12.20	55	35	-36.36
Financial assets adjustments	-	(297)		-	-	
PRE-TAX PROFIT	108	660	511.11	569	835	46.83
%	1.73	8.41		16.54	19.06	
Taxes	37	6		98	125	
<i>Tax rate (%)</i>	<i>34.26</i>	<i>-</i>		<i>17.22</i>	<i>14.96</i>	
NET INCOME	71	654	821.13	471	710	50.84
Minorities	(6)	2		61	84	
GROUP NET INCOME	77	652	746.75	410	626	52.80
%	1.23	8.30		11.92	14.29	
Cash Flow	1,431	1,725	20.55	987	1,239	25.58
%	22.95	21.97		28.68	28.28	
NFP	-1,959	-2,261		-1,542	-2,866	
ROI	4.32	7.48		11.55	11.48	
ROE	2.31	16.37		10.98	13.70	

Source: Neosperience

FY 2017

Neosperience Group ended 2017 with a value of production of 7.8 million Euro, 25.91% higher than the 6.2 million Euro recorded in 2016. This growth was driven mainly by the improvement of the "Neosperience Cloud" software platform.

Rising costs for services (+75.48%) and labour costs (+13.45%) had a negative impact on the EBITDA, resulting in a 3.08% contraction on the previous year, falling to 1.54 million Euro from the 1.59 million Euro recorded in 2016.

Only a considerable reduction in depreciation (-21.25%) enabled the net operating income (EBIT) to grow by 103.9% to 471 thousand Euro (231 thousand Euro on 31.12.2016) accounting for 6% of the value of production, up from 3.7% in the comparison period.

Falling financial expenses (-12.20%) but above all positive financial assets adjustments of 297 thousand Euro, generated by the revaluation of investments in "Neosurance Srl", enabled the pre-tax profit to rise to 660 thousand Euro from the 108 thousand Euro recorded on 31.12.2016.

In terms of Group net income, Neosperience ended 2017 with a net income of 652 thousand Euro compared to the 77 thousand Euro recorded at the end of 2016.

Net debt rose from 2 million Euro on 31.12.2016 to 2.3 million Euro.

1H 2018

In the first half of the year, the Group recorded an increase in sales revenue of 45.90% to 3.03 million Euro, generated mainly by "Domestic Solution Sales" (+25.81%) and "Professional Services" (+35.68%).

The value of production rose to 4.38 million Euro, a 27.38% increase on the comparison period.

Considerable increases in costs for services (+54.73%) and labour costs (+10.78%) did not prevent the EBITDA from reaching 1.4 million Euro (1.14 million Euro on 30.06.2017) with an impact on the value of production of 31.93%.

Operating income (EBIT) rose to 870 thousand Euro from 624 thousand Euro on 30.06.2017. The ROS rose from 18.13% in the first half of 2017 to 19.86%.

Falling financial expenses (-36.36%) resulted in a 46.83% rise in pre-tax profit (to 835 thousand Euro from 569 thousand Euro).

Net of 84 thousand Euro of minorities, the Group recorded net income of 626 thousand Euro in the first half of 2018, up from 410 thousand Euro on 30 June 2017.

Cash flow rose to 1.24 million Euro (+25.58%) compared to the 987 thousand Euro recorded in the comparison period.

Net debt rose from 1.54 million Euro on 30.06.2017 to 2.87 million Euro at the end of June 2018.

Outlook 2018-2023

EUR (K)	2017A	2018E	2019E	2020E	2021E	2022E	2023E	CAGR 17/23
Sales revenue	5,226	8,469	14,783	22,545	31,936	40,469	51,526	46.43
<i>Domestic Cloud Licensing</i>	<i>671</i>	<i>1,151</i>	<i>1,951</i>	<i>3,201</i>	<i>4,159</i>	<i>4,972</i>	<i>5,952</i>	<i>43.88</i>
<i>Domestic Solution Sales</i>	<i>1,905</i>	<i>2,638</i>	<i>4,462</i>	<i>5,721</i>	<i>7,523</i>	<i>7,602</i>	<i>8,145</i>	<i>27.40</i>
<i>Professional Services</i>	<i>2,200</i>	<i>3,298</i>	<i>4,850</i>	<i>5,335</i>	<i>5,820</i>	<i>6,305</i>	<i>6,790</i>	<i>20.66</i>
<i>Vertical & Others</i>	<i>450</i>	<i>1,091</i>	<i>2,037</i>	<i>3,007</i>	<i>4,559</i>	<i>6,790</i>	<i>8,439</i>	<i>63.00</i>
<i>International sales</i>	<i>-</i>	<i>291</i>	<i>1,483</i>	<i>5,281</i>	<i>9,875</i>	<i>14,800</i>	<i>22,200</i>	<i>-</i>
Increased fixed assets for in-house work	1,611	1,552	498	242	-	-	-	
Other revenues	1,015	1,050	-	-	-	-	-	
VALUE OF PRODUCTION	7,852	11,071	15,281	22,787	31,936	40,469	51,526	36.83
Services	3,257	4,242	6,937	11,586	16,307	21,955	26,960	42.23
%	41.48	38.32	45.40	50.84	51.06	54.25	52.32	
Raw materials	81	64	67	71	75	74	79	-0.42
%	1.03	0.58	0.44	0.31	0.23	0.18	0.15	
Third-party goods	185	272	408	495	581	583	585	21.15
%	2.36	2.46	2.67	2.17	1.82	1.44	1.14	
VALUE ADDED	4,329	6,493	7,869	10,635	14,973	17,857	23,902	32.95
%	55.13	58.65	51.50	46.67	46.88	44.13	46.39	
Labour cost	2,514	2,863	3,672	4,927	6,629	7,382	8,390	22.25
%	32.02	25.86	24.03	21.62	20.76	18.24	16.28	
Other operating expenses	273	386	536	684	871	989	1,069	25.55
%	3.48	3.49	3.51	3.00	2.73	2.44	2.07	
EBITDA	1,542	3,244	3,661	5,024	7,473	9,486	14,443	45.19
%	19.64	29.30	23.96	22.05	23.40	23.44	28.03	
Depreciation & Write downs	1,071	1,511	1,536	2,256	1,895	1,600	100	-32.65
EBIT	471	1,733	2,125	2,768	5,578	7,886	14,343	76.71
%	6.00	15.65	13.91	12.15	17.47	19.49	27.84	
Financial expenses (income)	108	97	95	69	37	(3)	(52)	
Financial assets adjustments	(297)	-	-	-	-	-	-	
PRE-TAX PROFIT	660	1,636	2,030	2,699	5,541	7,889	14,395	67.15
%	8.41	14.78	13.28	11.84	17.35	19.49	27.94	
Taxes	6	160	-	810	1,662	2,367	4,319	
<i>Tax rate (%)</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>30.00</i>	<i>30.00</i>	<i>30.00</i>	<i>30.00</i>	
NET INCOME	654	1,476	2,030	1,889	3,879	5,522	10,076	57.74
Minorities	2	2	2	2	2	2	2	
GROUP NET INCOME	652	1,474	2,028	1,887	3,877	5,520	10,074	57.82
%	8.30	13.31	13.27	8.28	12.14	13.64	19.55	
Cash Flow	1,725	2,987	3,566	4,145	5,774	7,122	10,177	34.42
%	21.97	26.98	23.34	18.19	18.08	17.60	19.75	
NFP	-2,261	-2,101	5,222	8,956	17,627	25,633	35,278	
Total Equity	4,040	5,843	11,409	12,980	19,374	23,928	31,990	
NIC	6,301	7,944	6,187	4,024	1,747	-1,705	-3,288	
ROI	7.48	21.82	34.35	68.78	-	-	-	
ROE	16.37	25.48	17.86	14.60	20.07	23.13	31.55	

Source: Neosperience; Estimates: Banca Finnat

In the forecast period (2018-2023) we expect consolidated net revenues to rise at an average annual growth rate of 46.43%. These revenues will be driven mainly by *International Sales*, which will produce consistent revenues starting in 2019 with the opening of branches in the USA and Europe (Germany, UK) and by *Vertical & Others* (+63%) - demonstrating the platform's evolution towards sector-specific solutions.

Strong growth is expected in domestic sales of the *Neosperience Cloud* platform (+43.88%) and *Domestic Solutions* (+27.40%), i.e. modules suited to individual product sectors that the company makes available to its clients in the specific sector.

The Value of production is estimated to rise at a CAGR 2017-2023 of 36.83% (from 7.85 million Euro in 2017 to an estimated 51.53 million Euro by the end of 2023).

Despite considerably higher costs for services (CAGR 42.23%) and labour costs (CAGR 22.25%), the EBITDA should rise, by the end of 2023, to 14.44 million Euro (from 1.54 million Euro in 2017), at a CAGR 2017-2023 of 45.19% with a rising impact on the value of production from 19.64% in 2017 to 28.03% by the end of the forecast period.

The net operating income (EBIT) is estimated to grow at an average annual growth rate of 76.71% to 14.34 million Euro by the end of 2023, up from 471 thousand Euro in 2017.

The ROS should rise from 6% in 2017 to 27.84% by the end of the forecast period.

In 2018-2019 Neosperience should benefit from tax benefits obtained by carrying out particular research and development activities that qualify for such benefits.

Group net income should rise to 10.08 million Euro in 2023 from the 652 thousand Euro recorded in 2017 at an average annual growth rate of 57.82% and a margin, calculated using the value of production, up from 8.3% in 2017 to 19.55% by the end of the forecast period.

Taking account that no major investments are expected, the net financial position should continue to improve. We estimate that the Group will go from net debt of 2.26 million Euro at the end of 2017 to a positive net financial position of 35.3 million Euro at the end of 2023, despite a payout ratio rising progressively from 30% to 60% starting from the end of 2019.

The ROE should rise from 16.37% in 2017 to 31.55% by the end of the forecast period.

Valuation

For the purposes of valuation, we have used the Discounted Cash Flow methodology with the explicit forecast of cash flows generated in the period 2019/2023.

The perpetual growth rate was set at 1.25% and the WACC at 12.50%, with a Free Risk Rate of 2.75%, a Beta Coefficient equal to the unit and a Market Risk Premium of 9.75%.

We obtain an Enterprise Value of 65.14 million Euro and an **equity** value of **10.27 Euro per share** taking account of the Euro 4,126,230 capital raised in IPO. Our recommendation is "buy".

Cash Flow Model (K €)

	2019E	2020E	2021E	2022E	2023E
EBIT	2,125	2,768	5,578	7,886	14,343
Tax rate	-	30.00	30.00	30.00	30.00
NOPAT	2,125	1,938	3,905	5,520	10,040
D&A	1,536	2,256	1,895	1,600	100
Capex	600	350	100	100	100
CNWC	73	642	545	-563	941
FCFF	2,988	3,201	5,155	7,583	9,099

Estimates: Banca Finnat

DCF Model Valuation (k €)

Perpetual Growth Rate (%)	1.25
WACC (%)	12.50
Discounted Terminal Value	46,239
Cum. Disc. Free Operating Cash Flow	18,904
Enterprise Value	65,143
Net financial position as of 30/06/2018	-2,866
Capital raised in IPO	4,126
Equity Value	66,403
No. Shares	6,463,650
Value per share	10.27

Estimates: Banca Finnat

WACC Calculation (%)

Risk free rate	2.75
Market risk premium	9.75
Beta (x)	1
Cost of Equity	12.50
WACC	12.50

Estimates: Banca Finnat

Key to Investment Rankings (12 Month Horizon)

BUY: Upside potential at least 15%

HOLD: Expected to perform +/- 10%

REDUCE: Target achieved but fundamentals disappoint

SELL: Downside potential at least 15%

INCOME STATEMENT (Eur k)	2017A	2018E	2019E	2020E	2021E	2022E	2023E
Sales revenue	5,226	8,469	14,783	22,545	31,936	40,469	51,526
<i>Domestic Cloud Licensing</i>	671	1,151	1,951	3,201	4,159	4,972	5,952
<i>Domestic Solution Sales</i>	1,905	2,638	4,462	5,721	7,523	7,602	8,145
<i>Professional Services</i>	2,200	3,298	4,850	5,335	5,820	6,305	6,790
<i>Vertical & Others</i>	450	1,091	2,037	3,007	4,559	6,790	8,439
<i>International sales</i>	-	291	1,483	5,281	9,875	14,800	22,200
Increased fixed assets for in-house work	1,611	1,552	498	242	-	-	-
Other revenues	1,015	1,050	-	-	-	-	-
VALUE OF PRODUCTION	7,852	11,071	15,281	22,787	31,936	40,469	51,526
Services	3,257	4,242	6,937	11,586	16,307	21,955	26,960
Raw materials	81	64	67	71	75	74	79
Third-party goods	185	272	408	495	581	583	585
VALUE ADDED	4,329	6,493	7,869	10,635	14,973	17,857	23,902
Labour cost	2,514	2,863	3,672	4,927	6,629	7,382	8,390
Other operating expenses	273	386	536	684	871	989	1,069
EBITDA	1,542	3,244	3,661	5,024	7,473	9,486	14,443
Depreciation & Write downs	1,071	1,511	1,536	2,256	1,895	1,600	100
EBIT	471	1,733	2,125	2,768	5,578	7,886	14,343
Financial expenses (income)	108	97	95	69	37	(3)	(52)
Financial assets adjustments	(297)	-	-	-	-	-	-
PRE-TAX PROFIT	660	1,636	2,030	2,699	5,541	7,889	14,395
Taxes	6	160	-	810	1,662	2,367	4,319
<i>Tax rate (%)</i>	-	-	-	30.00	30.00	30.00	30.00
NET INCOME	654	1,476	2,030	1,889	3,879	5,522	10,076
Minorities	2	2	2	2	2	2	2
GROUP NET INCOME	652	1,474	2,028	1,887	3,877	5,520	10,074
Cash Flow	1,725	2,987	3,566	4,145	5,774	7,122	10,177
BALANCE SHEET (Eur k)	2017A	2018E	2019E	2020E	2021E	2022E	2023E
Group Shareholders Equity	3,983	5,786	11,352	12,923	19,317	23,871	31,933
Total Shareholders Equity	4,040	5,843	5,222	8,956	17,627	25,633	35,278
NFP	-2,261	-2,101	6,187	4,024	1,747	-1,705	-3,288
Net Invested Capital	6,301	7,944	11,352	12,923	19,317	23,871	31,933
FINANCIAL RATIOS (%)	2017A	2018E	2019E	2020E	2021E	2022E	2023E
EBITDA margin	19.64	29.30	23.96	22.05	23.40	23.44	28.03
EBIT margin	6.00	15.65	13.91	12.15	17.47	19.49	27.84
Net margin	8.30	13.31	13.27	8.28	12.14	13.64	19.55
ROI	7.48	21.82	34.35	68.78	-	-	-
ROE	16.37	25.48	17.86	14.60	20.07	23.13	31.55
GROWTH (%)	2017A	2018E	2019E	2020E	2021E	2022E	2023E
Value of Production	25.91	41.00	38.03	49.12	40.15	26.72	27.32
EBITDA	-3.08	110.38	12.85	37.23	48.75	26.94	52.26
EBIT	103.90	267.94	22.62	30.26	101.52	41.38	81.88
Net Profit	746.75	126.07	37.58	-6.95	105.46	42.39	82.49
Cash Flow	20.55	73.16	19.38	16.24	39.30	23.35	42.89
VALUATION METRICS	2017A	2018E	2019E	2020E	2021E	2022E	2023E
P/E	-	-	15.09	16.22	7.90	5.55	3.04
P/CF	-	-	8.59	7.39	5.31	4.30	3.01
P/BV	-	-	2.70	2.37	1.59	1.28	0.96
EV/SALES	-	-	1.72	0.96	0.41	0.12	-0.09
EV/EBITDA	-	-	6.94	4.32	1.74	0.53	-0.32
EV/EBIT	-	-	11.96	7.83	2.33	0.63	-0.32

Source: Neosperience; Estimates: Banca Finnat

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