

## Italy – Digital Innovation

## M&As and brand-new modules to support expansion

26<sup>th</sup> May 2022

### GERMAN SPRING CONFERENCE

RIC: NSP.MI  
BBG: NSP IM

The company participated in the German Spring Conference held in Frankfurt. A full-day event during which the Chairman & CEO and the Investor Relator took part in virtual and in-person one-to-one meetings with eight European investors focused on small/mid-caps. Here are the main points worth remembering from the meetings:

#### Rating:

**Buy**

#### Price Target:

**€ 10.70**

Upside/(Downside): 154.8%

Last Price: € 4.20

Market Cap.: € 38.0m

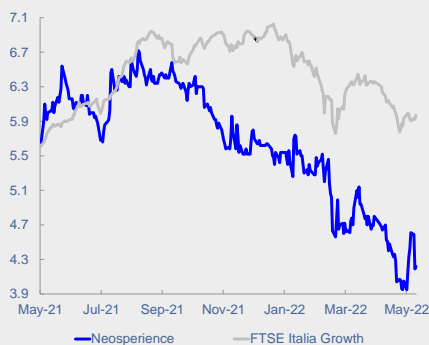
1Y High/Low: € 6.88 / € 3.90

Avg. Daily Turn. (3M, 6M): € 65k, € 60k

Free Float: 54.7%

#### Major shareholders:

Neos Srl 36.2%



#### Stock price performance

	1M	3M	12M
<b>Absolute</b>	-6.9%	-21.6%	-31.1%
<b>Rel.to FTSE IT Growth</b>	-4.2%	-17.6%	-36.2%
<b>Rel.to Sector</b>	1.2%	-11.9%	-30.0%

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#### New modules for different industries to strengthen the competitive positioning

Neosperience's strategy, organically, is focused on the following pillars: 1) strengthening its competitive positioning in Italy in order to become the reference partner for companies eager to increase the value of their brands, thanks to its unique AI-based services offer. The main effort will be placed in the indirect channel, namely web agencies and consultancy firms, to promote the group's solutions; 2) enrich the highly scalable Neosperience Cloud platform with new modules and features, which can both further meet the main needs of existing customers, and develop brand-new applications for other industries and sectors.

#### Strong R&D effort to develop the state-of-the-art Neosperience Cloud platform

The double-digit revenue growth recorded in 2021 was mainly ascribable to the acquisition of important customers and increasing sales stemming from SaaS solutions based on the Neosperience Cloud platform. The company invested over € 16m in the last few years to develop the innovative proprietary platform and is committed to investing up to € 4m per year in the next few years in order to develop new features and solutions. To date, the platform boasts 12 state-of-the-art modules including Rubin Red, a scalable and highly customisable solution for e-commerce platforms that counts more than 300 customers and Lead Champion, a cookieless solution dedicated to the B2B lead generation activity.

#### M&A deals under consideration to support internationalisation and gain market share

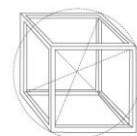
Management confirmed that it is currently assessing a couple of European M&A targets with proprietary software solutions suitable to be integrated in the Neosperience Cloud platform as well as companies operating in geographical areas not yet covered. It is worth noting that Neosperience has agreed a few credit line facilities in order to support the acquisition campaign. Furthermore, the group is increasingly focusing on Neosperience Health Cloud through the development of new features able to provide high-value added services to hospitals, polyclinics and clinical centres. The group is also exploring the idea of spinning-off the health division and pursuing a listing on the American stock market.

#### NSP trades at 5.2x and 3.8x EV/EBITDA<sub>22-23</sub>, with a significant discount to peers

According to our estimates, Neosperience is anticipated to grow with a CAGR<sub>21-24</sub> of 27.2% and a more than proportional progression in margins. NSP stock continues to trade at a huge discount to its peers while unveiling above-median expected growth: 5.2x and 3.8x EV/EBITDA in 2022-23, respectively, vs. 12.0x and 10.4x with regard to peers' median. Despite the unfavourable macroeconomic scenario, the group is poised to leverage its unparalleled know-how in order to grow both organically and via M&A as well as to benefit from the ever-increasing demand for digital transformation fostered by the fresh resourcing arising from the National Recovery and Resiliency Plan. Estimates, rating and PT confirmed.

#### Neosperience, key financials and ratios

€ m	2020	2021	2022e	2023e	2024e
Revenues	16.4	18.2	25.5	31.7	37.4
Value of Production	19.6	20.7	28.2	34.4	40.0
EBITDA	4.8	5.9	8.2	10.1	12.0
EBIT	0.8	1.5	3.2	5.1	7.0
Net Profit	0.3	0.6	1.7	3.1	4.3
NFP (cash)/debt	5.4	7.0	4.4	0.1	(5.7)
EBITDA margin	24.7%	28.7%	29.0%	29.5%	30.0%
EBIT margin	4.2%	7.1%	11.2%	15.0%	17.4%
EPS stated FD €	0.03	0.07	0.19	0.34	0.48
EPS growth	-72.3%	119.4%	173.8%	82.0%	39.7%
ROCE	2.7%	3.7%	7.5%	11.3%	13.9%
NWC/Sales	21.2%	26.8%	24.2%	22.9%	21.6%
Free Cash Flow Yield	-10.4%	-19.3%	6.8%	11.4%	15.1%
PER x	153.1	74.3	22.5	12.4	8.9
EV/Sales x	2.31	2.48	1.50	1.11	0.81
EV/EBITDA x	9.4	8.6	5.2	3.8	2.7
EV/EBIT x	55.6	34.7	13.4	7.4	4.6

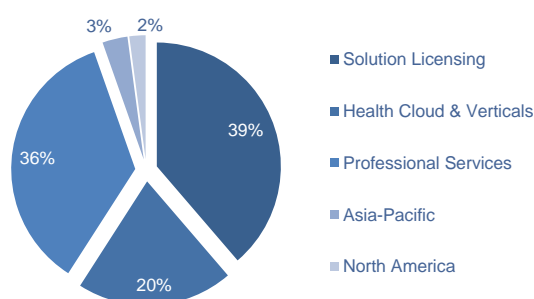


## The Company at a Glance

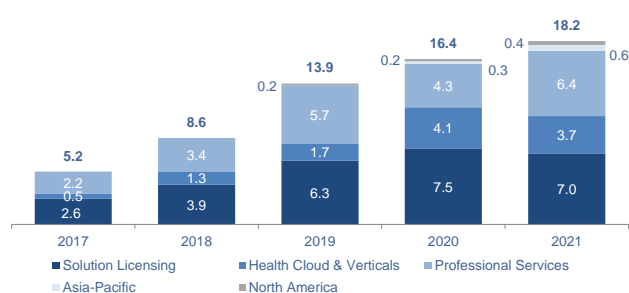
Set up in Brescia by Dario Melpignano and Luigi Linotto in 2006, today Neosperience is a leading software vendor operating in the digital customer experience & customer analytics sector. Thanks to its deep knowledge of software and app development, the group internally designed Neosperience Cloud, an innovative cutting-edge Customer Data Platform based on Artificial Intelligence helping businesses to acquire new customers and increase the value of existing ones. Neosperience's 'empathy in technology' vision perfectly explains the distinctiveness of the group's offer: by applying machine learning to the results of decades of research in cognitive, social, and behavioural psychology, organisations can provide their customers with a customised and optimised experience based on their personality.

The company reported a 36.5% sales CAGR<sub>17-21</sub> mainly driven by the increase in sales of solutions based on its proprietary Neosperience Cloud platform as well as by the strategic acquisition of a few small companies operating in the digital customer experience arena. FY-21 figures show revenues of € 18.2m, value of production of € 20.7m, EBITDA of € 5.9m, 28.7% margin and Net Profit of € 0.6m. Net Financial Position was € 7.0m, corresponding to 1.2x NFP/EBITDA.

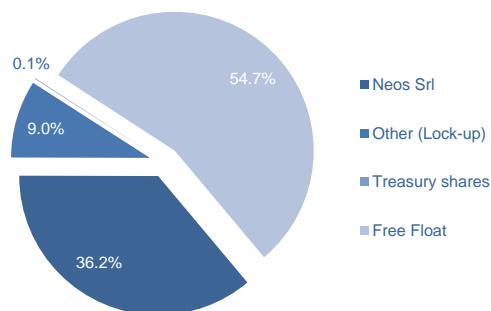
### 2021 Revenues breakdown by business line



### Top line 2017-21 evolution



### Shareholder structure



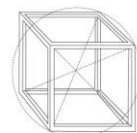
### Peer group absolute performance

%	1D	1W	1M	3M	6M	YTD
Accenture PLC	0.1	2.0	(7.7)	(10.7)	(22.8)	(32.5)
Adobe Inc	1.0	1.2	1.2	(6.3)	(39.8)	(29.0)
Alkemy SpA	(0.1)	(1.6)	(13.2)	(28.5)	(29.1)	(40.2)
Be SpA	(0.9)	(2.0)	(3.2)	(2.4)	23.7	18.2
Digital360 SpA	0.0	(0.5)	(3.0)	(7.8)	(5.6)	(14.3)
dotDigital Group	2.6	1.2	(8.5)	(47.2)	(54.8)	(60.7)
Gartner Inc	0.6	4.1	(13.5)	(8.7)	(23.4)	(25.3)
Growens SpA	0.0	(1.2)	(1.2)	2.3	(2.8)	(1.6)
HubSpot Inc	6.3	4.3	(11.3)	(31.6)	(59.2)	(50.3)
Kaleyra Inc	(3.9)	(11.7)	(48.5)	(64.1)	(73.7)	(70.7)
Maps SpA	(0.3)	(0.3)	(7.5)	(8.8)	(19.1)	(18.3)
Reply SpA	3.6	1.0	(13.0)	(15.8)	(28.4)	(32.8)
Salesforce.Com Inc	1.7	1.5	(8.6)	(16.2)	(44.8)	(37.2)
TechTarget Inc	0.9	1.5	(0.7)	(7.0)	(31.7)	(30.0)
<b>Median</b>	<b>0.4</b>	<b>1.1</b>	<b>(8.1)</b>	<b>(9.8)</b>	<b>(28.7)</b>	<b>(31.3)</b>
<b>Neosperience SpA</b>	<b>0.2</b>	<b>(2.6)</b>	<b>(6.9)</b>	<b>(21.6)</b>	<b>(26.3)</b>	<b>(25.5)</b>

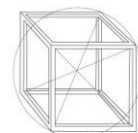
### Peer group multiples table

Price & EV multiples x	Sales FY1	Sales FY2	EBITDA FY1	EBITDA FY2	EBIT FY1	EBIT FY2	PER FY1	PER FY2
Accenture PLC	2.91	2.62	15.8	14.2	19.3	17.1	27.1	24.2
Adobe Inc	10.45	8.92	21.9	18.6	23.3	19.7	29.7	25.3
Alkemy SpA	0.91	0.78	7.9	6.5	10.2	8.0	12.4	10.1
Be Shaping the Future SpA	1.65	1.47	9.8	8.3	15.7	12.8	29.3	24.8
Digital360 SpA	1.62	1.35	8.5	6.7	14.1	10.0	21.9	16.5
dotDigital Group PLC	2.97	2.70	9.1	8.4	13.4	12.5	19.7	18.9
Gartner Inc	4.12	3.69	18.8	17.5	24.1	22.2	30.1	27.6
Growens SpA	0.75	0.61	9.1	6.6	25.7	13.0	45.6	24.0
HubSpot Inc	8.45	6.43	69.5	48.3	96.5	64.9	124.1	86.4
Kaleyra Inc	0.70	0.53	7.9	5.8	n.m.	n.m.	n.m.	n.m.
Maps SpA	1.84	1.45	7.8	5.7	19.8	11.3	15.0	13.7
Reply SpA	2.39	2.10	14.2	12.6	17.4	15.3	26.0	23.5
Salesforce.Com Inc	4.77	3.81	15.7	12.9	23.8	18.1	33.0	25.9
TechTarget Inc	6.14	5.09	15.2	12.4	17.5	14.3	22.8	19.2
<b>Median</b>	<b>2.65</b>	<b>2.36</b>	<b>12.0</b>	<b>10.4</b>	<b>19.3</b>	<b>14.3</b>	<b>27.1</b>	<b>24.0</b>
<b>Neosperience SpA</b>	<b>1.50</b>	<b>1.11</b>	<b>5.2</b>	<b>3.8</b>	<b>13.4</b>	<b>7.4</b>	<b>22.5</b>	<b>12.4</b>

Source: CFO Sim, Thomson Reuters Eikon



Income statement (€ m)	2020	2021	2022e	2023e	2024e
Revenues	16.4	18.2	25.5	31.7	37.4
Value of Production	19.6	20.7	28.2	34.4	40.0
Raw material and processing	(0.5)	(0.6)	(0.7)	(0.7)	(0.8)
Services	(7.1)	(6.9)	(9.9)	(11.7)	(13.6)
Personnel expenses	(5.7)	(7.0)	(8.6)	(11.0)	(12.6)
Other opex	(1.4)	(0.3)	(0.8)	(0.9)	(1.0)
EBITDA	4.8	5.9	8.2	10.1	12.0
D&A	(4.0)	(4.5)	(5.0)	(5.0)	(5.0)
EBIT	0.8	1.5	3.2	5.1	7.0
Financials	(0.1)	(0.4)	(0.4)	(0.3)	(0.3)
Re/(Devaluation) of financial assets	0.2	0.0	0.0	0.0	0.0
Forex gain/(loss)	0.0	0.0	0.0	0.0	0.0
Pre-Tax profit	0.9	1.1	2.8	4.8	6.7
Income taxes	(0.5)	(0.3)	(0.8)	(1.5)	(2.0)
Minorities	(0.1)	(0.2)	(0.3)	(0.3)	(0.4)
Net Profit	0.3	0.6	1.7	3.1	4.3
Balance sheet (€ m)	2020	2021	2022e	2023e	2024e
Net Working Capital	4.1	5.6	6.8	7.9	8.7
Net Fixed Assets	18.0	24.3	22.3	20.3	18.3
Equity Investments	1.0	1.3	1.3	1.3	1.3
Other M/L Term A/L	(1.0)	(0.9)	(1.1)	(1.4)	(1.6)
Net Invested Capital	22.1	30.3	29.3	28.1	26.6
Net Financial Debt	5.4	7.0	4.4	0.1	(5.7)
Minorities	0.7	0.6	0.9	1.2	1.6
Group's Shareholders Equity	16.0	22.6	24.1	26.8	30.7
Financial Liabilities & Equity	22.1	30.3	29.3	28.1	26.6
Cash Flow statement (€ m)	2020	2021	2022e	2023e	2024e
Total net income	0.3	0.6	1.7	3.1	4.3
Depreciation	4.0	4.5	5.0	5.0	5.0
Other non-cash charges	2.0	0.4	0.2	0.3	0.2
Cash Flow from Oper. (CFO)	6.2	5.4	6.9	8.4	9.5
Change in NWC	(2.3)	(1.4)	(1.3)	(1.1)	(0.8)
FCF from Operations (FCFO)	3.9	4.0	5.6	7.3	8.7
Net Investments (CFI)	(7.9)	(11.3)	(3.0)	(3.0)	(3.0)
Free CF to the Firm (FCFF)	(3.9)	(7.3)	2.6	4.3	5.7
CF from financials (CFF)	8.9	9.3	0.0	0.0	0.0
Free Cash Flow to Equity (FCFE)	4.9	2.0	2.6	4.3	5.7
Financial ratios	2020	2021	2022e	2023e	2024e
EBITDA margin	24.7%	28.7%	29.0%	29.5%	30.0%
EBIT margin	4.2%	7.1%	11.2%	15.0%	17.4%
Net profit margin	1.3%	2.9%	6.0%	8.9%	10.7%
Tax rate	55.7%	29.2%	30.0%	30.0%	30.0%
Op NWC/Sales	21.2%	26.8%	24.2%	22.9%	21.6%
Interest coverage x	7.78	3.90	8.11	16.51	22.34
Net Debt/EBITDA x	1.12	1.17	0.54	0.01	n.m.
Debt-to-Equity x	0.34	0.31	0.18	0.00	n.m.
ROIC	1.2%	2.0%	5.7%	10.9%	16.1%
ROCE	2.7%	3.7%	7.5%	11.3%	13.9%
ROACE	3.4%	4.2%	7.7%	11.7%	14.5%
ROE	1.6%	2.6%	7.0%	11.4%	13.9%
Payout ratio	0.0%	0.0%	0.0%	0.0%	0.0%
Per share figures	2020	2021	2022e	2023e	2024e
Number of shares # m	7.51	8.72	9.00	9.00	9.00
Number of shares Fully Diluted # m	8.45	9.00	9.00	9.00	9.00
Average Number of shares Fully Diluted # m	8.33	8.72	9.00	9.00	9.00
EPS stated FD €	0.03	0.07	0.19	0.34	0.48
EPS adjusted FD €	0.03	0.07	0.19	0.34	0.48
EBITDA €	0.58	0.68	0.91	1.13	1.33
EBIT €	0.10	0.17	0.35	0.57	0.77
BV €	1.98	2.59	2.77	3.12	3.59
FCFO €	0.47	0.46	0.62	0.81	0.97
FCFF €	(0.47)	(0.84)	0.29	0.48	0.64
FCFE €	0.59	0.23	0.29	0.48	0.64
Dividend €	0.00	0.00	0.00	0.00	0.00



#### ANALYST CERTIFICATION

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DATE	TARGET PRICE	RATING
26/05/2022	€10.70	BUY
01/04/2022	€10.70	BUY
15/12/2021	€10.50	BUY
30/09/2021	€10.00	BUY
29/07/2021	€10.00	BUY

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- a **SELL** rating is assigned if the target price is at least 15% lower than the market price;
- a **NEUTRAL** rating is assigned if the difference between the current price and target price lies within the +/-15% range identified using the preceding criteria.

The rating is determined on the basis of the **expected absolute return over a 12-month period** and not on the basis of the estimated outperformance or underperformance relative to a market index. Thus, the rating can be directly linked to the estimated percentage difference between current and target prices. The prices of the financial securities mentioned in the report (also used for the calculation of market capitalisation and market multiples) are the reference prices of the stock market trading day preceding the publication date of the report, otherwise stated

