

RECOMMENDATION
BUY
Target Price
€ 11.94**
Price as of 23/10/2019
€ 8.30

NEOSPERIENCE

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

Market Capitalisation:	58,159,345 €
Number of shares:	7,007,150*
Shareholders Equity 30.06.2019:	13,015,231 €
Outstanding warrants (1:1):	1,206,500*

(*) See page 8-9; (**) after dilution due to exercise of warrants

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The digital customer experience arrives in USA

- 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.
- The company launched new solutions at the beginning of the year, including *People Analytics*, *NeosVoc* and *Image Memorability*.
- The Group has begun operating on the American market through the newly-founded “Neosperience Llc”, a limited liability company registered in Delaware with operational offices in Seattle.
- Neosperience has obtained the approval of the Ministry of Economic Development and the Lombardy Region for 2.6 million Euro of funding to set up “Neosperience Cloud Tourism”, a platform for tour operators.
- In September it announced a collaboration with “Borgo Egnazia”, a luxury hotel in Puglia, to launch the first digital customer experience platform using artificial intelligence in the high-end tourism and hospitality sector.
- For the forecast period 2019-2023, we estimate an average annual growth for value of production of 33.52%. The EBITDA should grow at a CAGR in 2018-2023 of 35.78% and the net income should rise from the €956 thousand estimated for the end of 2019 to €10.2 million in 2023.

Year to 31/12 (k €)	2018	2019E	2020E	2021E	2022E	2023E
Value of Production	11,772	14,958	19,946	27,545	37,146	49,962
Value Added	5,744	7,925	10,809	13,916	18,075	24,871
EBITDA	3,367	3,807	4,951	7,145	9,769	15,538
EBIT	530	1,471	3,595	5,844	8,469	14,590
Group net income	421	956	2,472	4,069	5,932	10,249
FOCF	-	1,359	3,380	5,476	7,790	11,713
NFP	-3,465	6,152	8,306	12,877	19,346	27,939
ROE	9.48	6.95	16.41	22.29	25.96	34.24

Source: Neosperience; Estimates: Banca Finnat

Reference Market

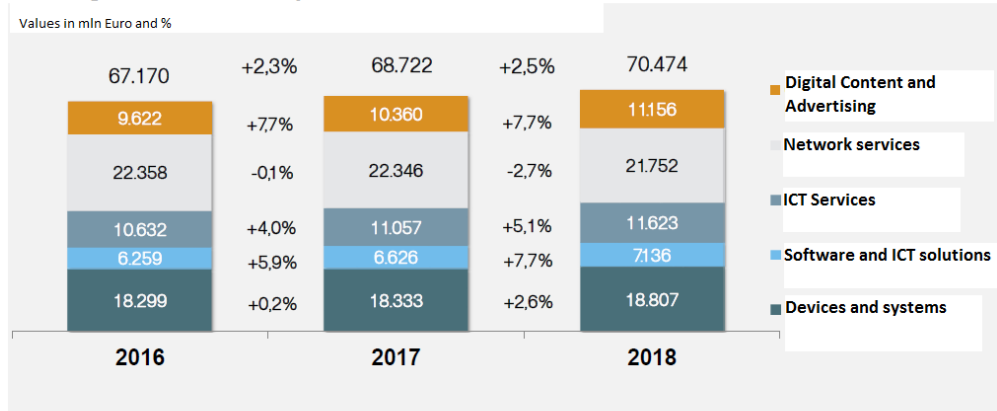
The reference market for Neosperience Spa is mainly Italy. A sales branch opened in the USA in August 2019.

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 70,474 million Euro in 2018, a 2.5% increase on 2017. Growth in the digital market was mainly driven by the *"Digital content and advertising"* sector (up 7.7% to 11,156 million Euro in sales), *"Software and ICT solutions"* (up 7.7% to 7,136 million Euro), *"ICT Services"* (up 5.1% to 11,623 million Euro) and *"Devices and systems"* (up 2.6% to 18,807 million Euro). However, the *"Network services"* sector fell (by 2.7% to 21,752 million Euro).

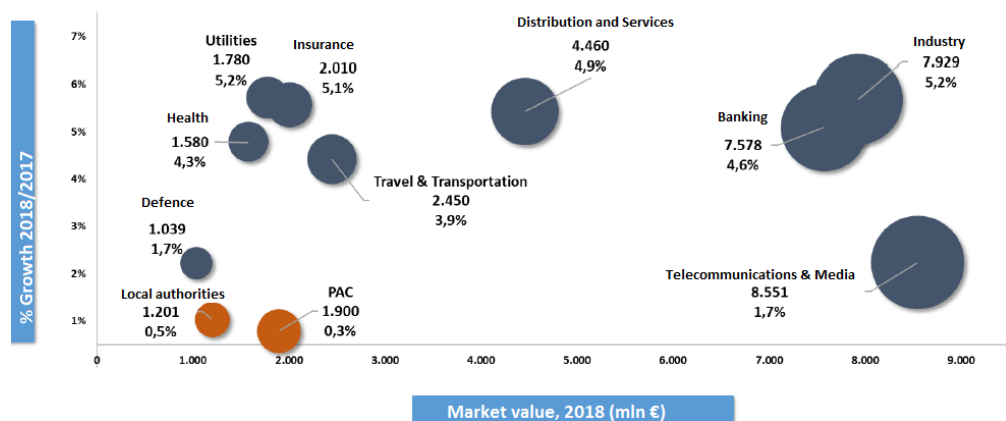
The Digital Market in Italy, 2016-2018



Fonte: Anitec-Assinform / NetConsulting cube, Marzo 2019

In relation to different sectors, the digital market in Italy grew in 2018 by 5.2% in the industrial sector (2018 market value at 7.9 million Euro), 4.6% in banking (7.6 million Euro), 5.2% in utilities (1.8 million Euro), 5.1% in insurance (2 million Euro), 3.9% in transportation (2.4 million Euro) and 4.9% in distribution (4.5 million Euro).

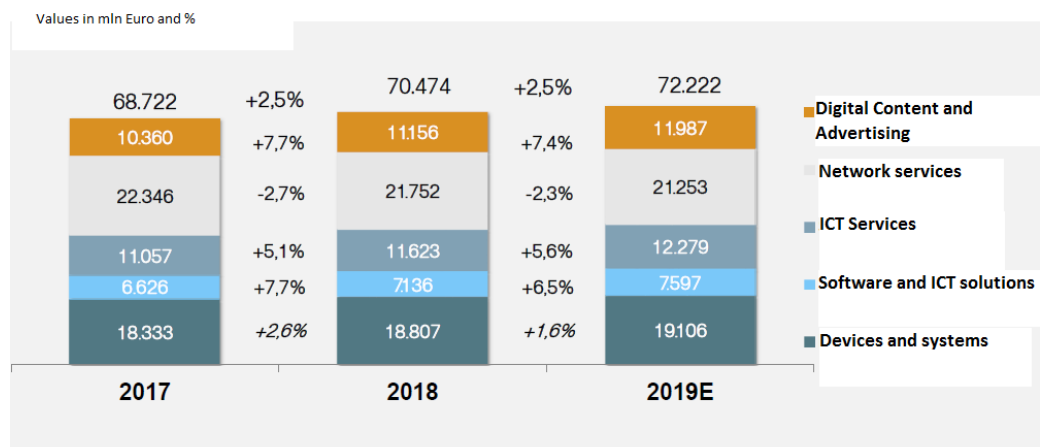
Digital Market Trend by sector



Fonte: Anitec-Assinform / NetConsulting cube, Marzo 2019

The digital market is expected to grow in 2019 by 2.5%, reaching 72,222 million Euro. In particular, the *Digital content and advertising* sector is estimated to grow at a rate of 7.4% to 11,987 million Euro in sales. *ICT Services* is forecast to reach 12,279 million Euro in 2019 (up 5.6%) while *Software and ICT solutions* is estimated to grow by 6.5%, with sales of 7,597 million Euro at the end of 2019. *Devices and systems* is expected to rise to 19,106 million Euro in sales (up 1.6%), while sales from *Network services* are expected to fall (by 2.3%) to 21,253 million Euro in 2019.

The Digital Market in Italy, 2017-2019E



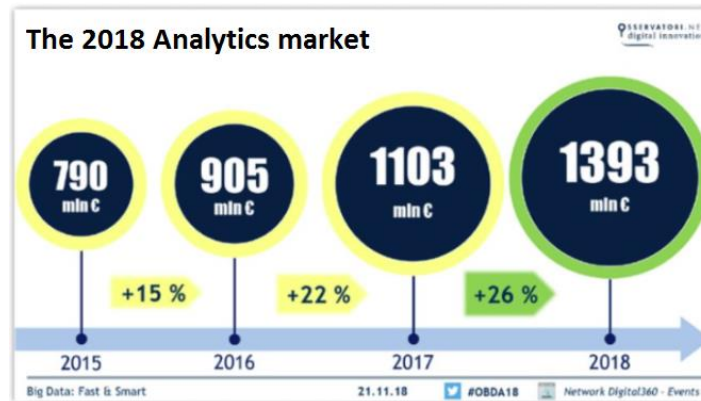
Fonte: Anitec-Assinform / NetConsulting cube, Marzo 2019

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.

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.

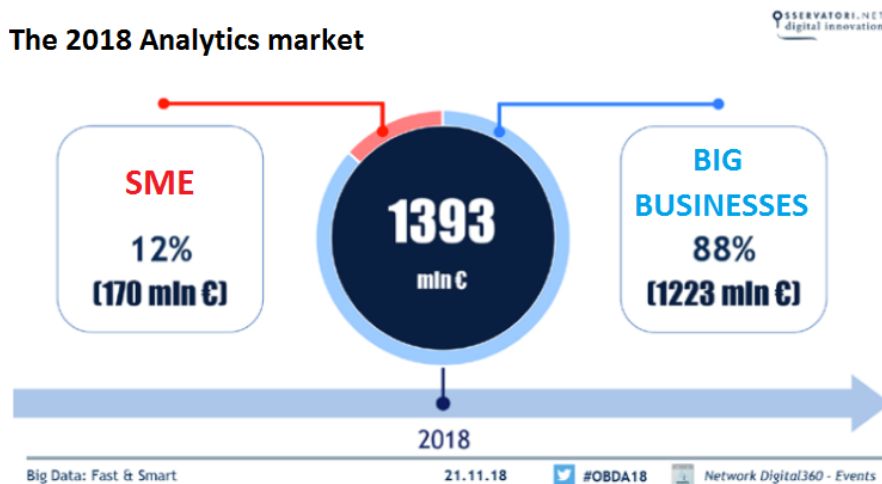
In *Digital Customer Experience*, in 2018, revenues generated globally by "Big Data" and "Business Analytics" markets amounted to 166 billion dollars, a 10% rise on 2017 (*Statista 2019*).

In 2018 the "Big Data & Analytics" market in Italy grew by 26% to 1.393 billion Euro compared to 1.103 billion Euro in 2017. This growth came on top of the positive growth rates recorded in 2017 (+22%) and 2016 (+15%).



In particular, the sector was made up of 88% big businesses (1.223 billion Euro) and the remaining 12% (170 million Euro) small and medium enterprises.

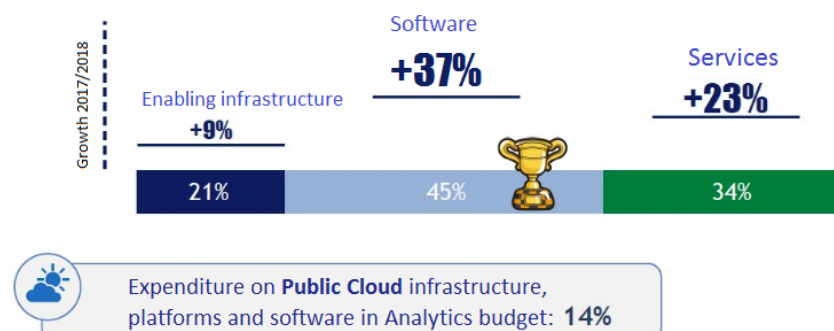
The 2018 Analytics market



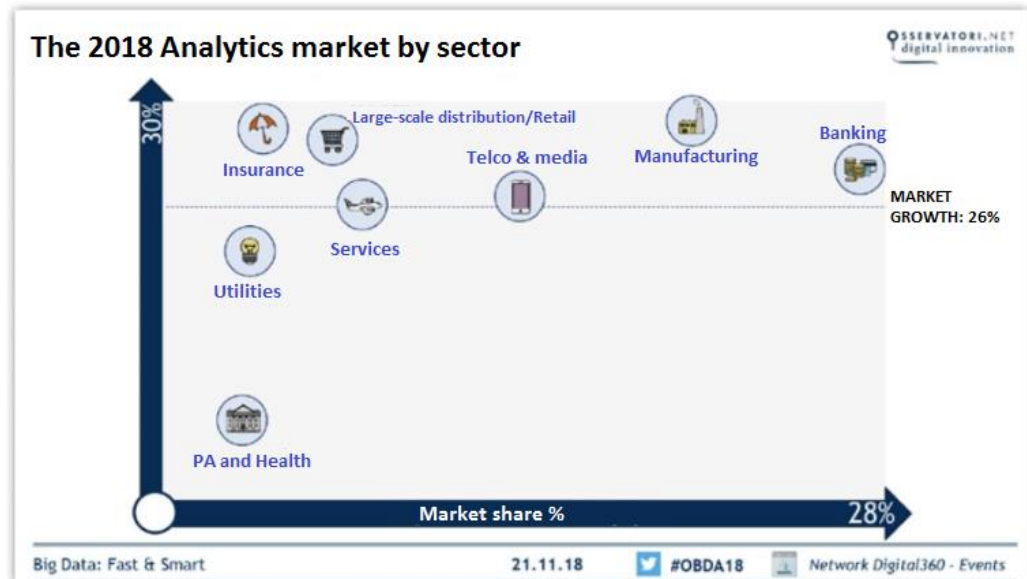
In terms of investments in *Big Data & Analytics*, 45% went to software (databases, tools and applications for acquiring, viewing and analysing data), 34% to services (activities associated with the customisation of software, integration with company information systems and the redesign of processes) and the remaining 21% to infrastructure (investments in developing computing, server and storage capacity).

The software market showed the highest growth (+37%) followed by services (+23%) and infrastructural resources (+9%).

Expenditure in Analytics



The main sectors resorting to *Big Data & Analytics* are banking (28%), manufacturing (25%), Telco and media (14%), services (8%), Public administration and health (6%), Large-scale distribution/Retail (7%), insurance (6%) and utilities (6%).



The implementation of the new GDPR (*General Data Protection Regulation*, the new EU regulation on personal data processing and privacy introduced in 2018) had an impact on *Big Data & Analytics* in terms of action taken by companies and implications on projects and on new internal policies for data access (62%) and storage (55%). 43% of big companies have added information on Analytics to their new privacy notices for customers, while 24% has invested in specific technologies.

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).

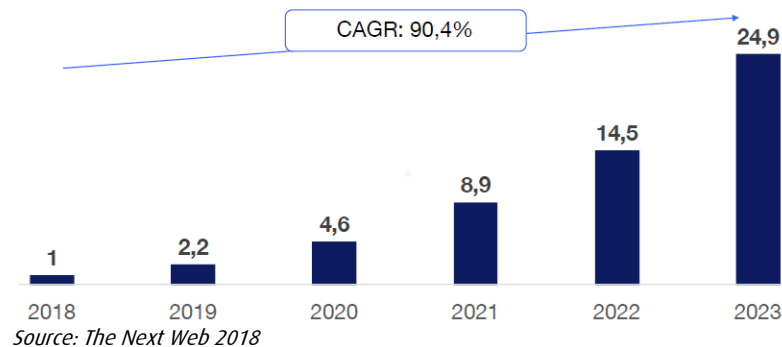
According to a study by *IDC* (a global market research, consultancy and events firm operating in the IT and digital innovation sector), global spending on AI systems in 2018 amounted to 24.86 billion dollars. This figure is expected to rise to 35.8 billion dollars (+44%) in 2019 and to 79.2 billion dollars in 2022.

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 Empathic Artificial Intelligence sector
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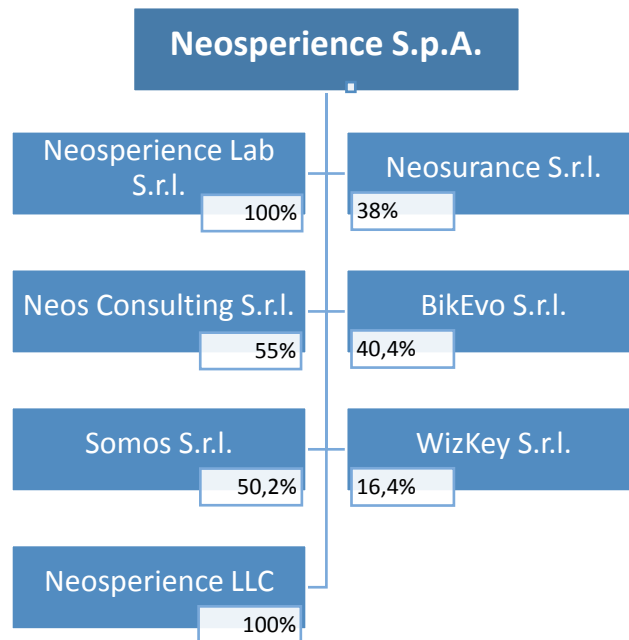
Activities and Strategies

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 €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.

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

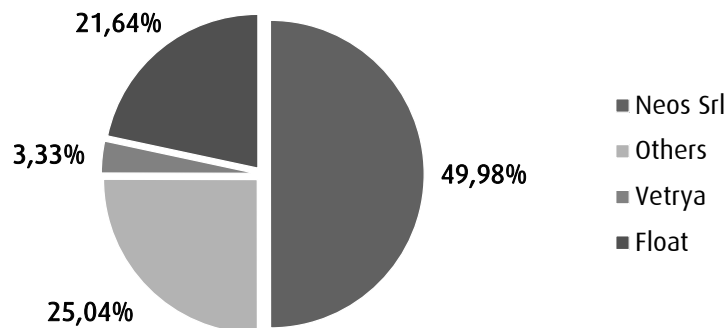
- 100% *Neosperience Lab Srl* designs research and development projects and IT solutions for process and product innovation.
- 55% *Neos Consulting Srl* operates as an organisational and industrial consultancy firm and uses information systems as a platform to enable clients to manage the change and 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.
- 100% *Neosperience LLC* is the American legal entity based in Seattle that aims to offer Neosperience's application solutions on the USA 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.
- 40.4% *BikeEvo 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

In May 2019 the subscription of a capital increase ruled on by the extraordinary general meeting of 30 October 2018 was completed for a nominal maximum of Euro 175,000, outside the premium account, via the issue of maximum 1,750,000 ordinary shares on IPO; the deadline for the subscription was set to 31 December 2019. Neosperience placed the remaining 543,500 newly-issued ordinary shares at a price of 7 Euro per share for an overall equivalent of 3.8 million Euro. On IPO the capital increase was subscribed for overall 1,206,500 shares for a value of 4.1 million Euro (3.42 Euro per share).

Neosperience's capital, currently equal to €700,715, is made up of 7,007,150 shares and is 49.98% owned by Neos Srl, 25.04% by other partners and 3.33% by Vetrya. The remaining 21.64% of the stock is floated on the market. The company also holds 0.29% treasury shares (18,950 shares).



Source: Neosperience

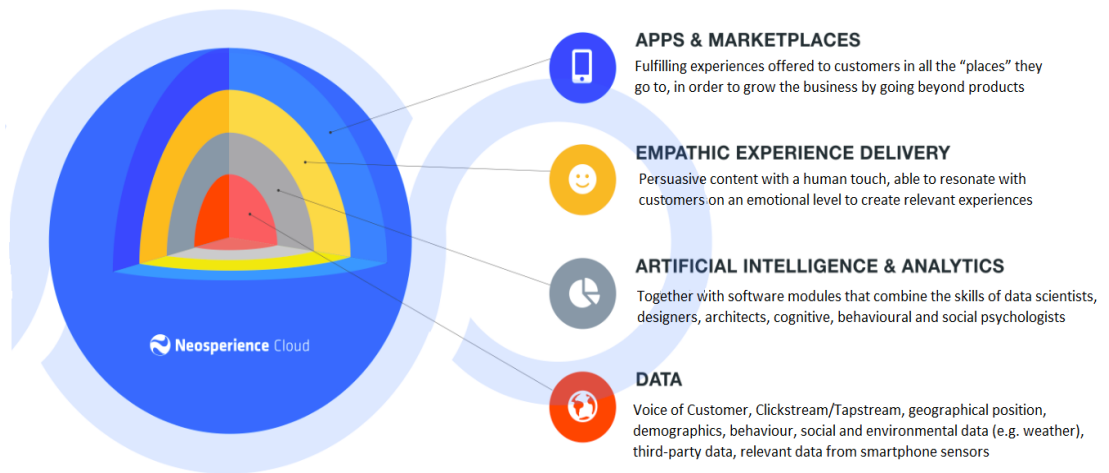
The outstanding warrants ("Warrant Neosperience 2019-2021"), issued as part of the capital increase ahead of the IPO, amount to 1,206,500. Three exercise periods are envisaged with a ratio of 1:1:

- 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.

Taking account of current market prices and the strike price of the warrants, established for the first period, we hypothesise that at least one third of the warrants in circulation (402,167) can be exercised at the end of November 2019. Therefore, following this assumption, Neosperience's capital could rise by Euro 1,516,169. We therefore hypothesise a total number of shares "diluted" after the exercise of warrants of 7,409,317.

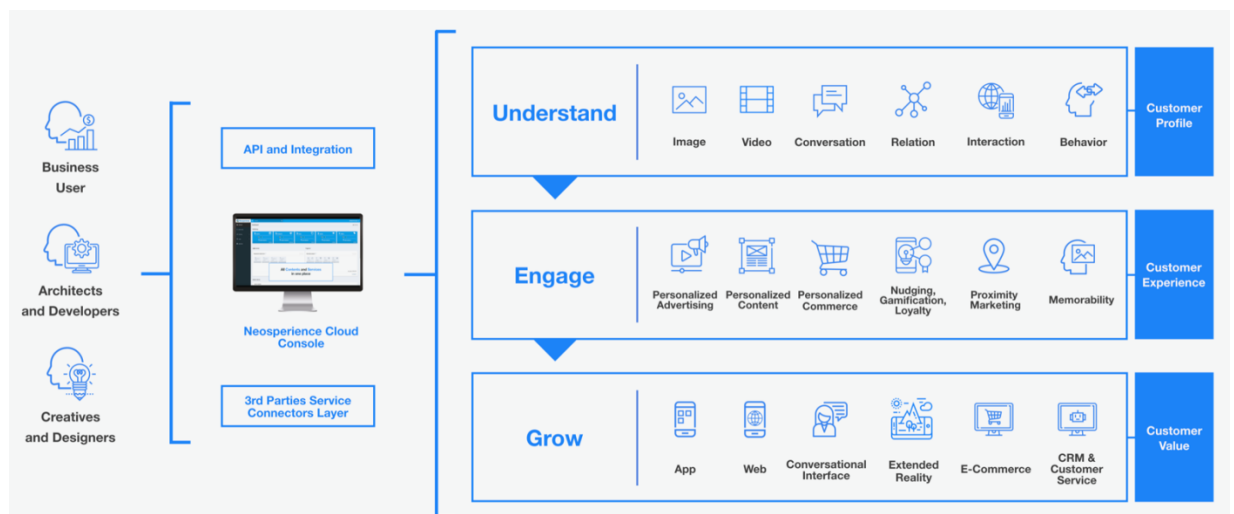
Business model

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.



Source: Neosperience

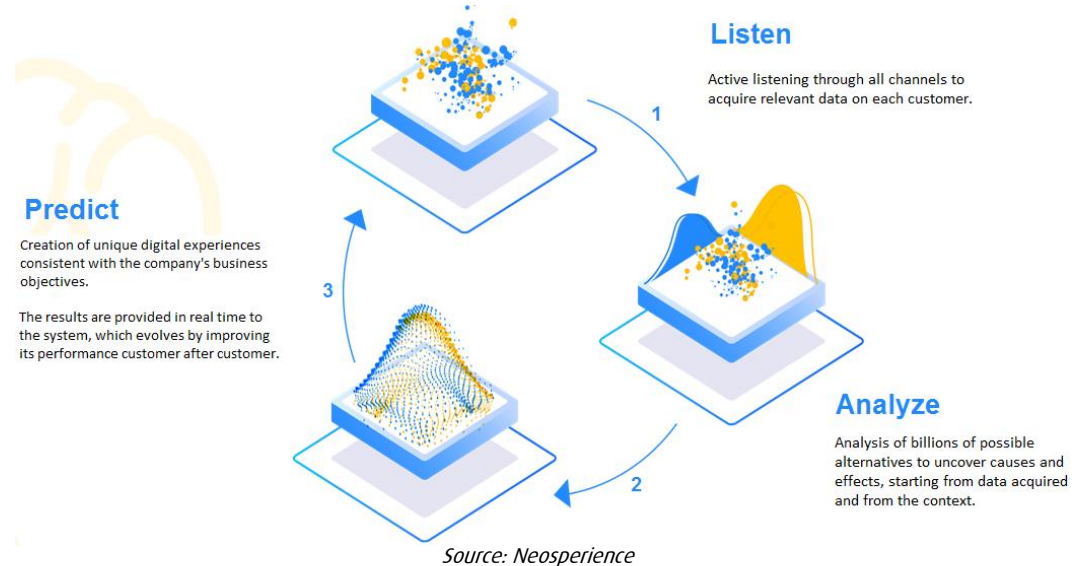
Neosperience Cloud is made up of a set of application modules that use artificial intelligence to come into contact with end customers. The application modules enable businesses purchasing the software platform to promote their brand/business by entering in direct contact with potential customers through a multitude of channels such as the web, apps, platforms, bricks-and-mortar points of sale, social media. 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.



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.



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

The technological approach of Neosperience Cloud involves a platform and "as a service" solutions that are versatile and scalable, which 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.

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.

The company works with IBM, SAP and “Salesforce.com”, one of the USA's largest cloud computing companies with a market capitalisation of over 55 billion dollars. The Neosperience Cloud platform is also offered as a supplement to these vendors' products.

In terms of company development strategies, Neosperience intends to consolidate its *Neosperience Cloud* technology and create additional functions for it. To that end, a variety of new solutions were launched at the beginning of the year, i.e. modules suited to individual product sectors that the company makes available to its clients in the specific sector:

- *People Analytics* is a system that, using artificial intelligence and machine learning, through camera vision, allows customers' movements and behaviour inside a point of sale to be monitored (whilst complying with privacy regulations). This information enables sales personnel to better monitor customers and understand their propensity to purchase.
- *NeosVoc* is a *Voice of Customer* platform, i.e. a set of methodologies, real-time listening tools and new analysis models that provide in-depth knowledge about customers and offer them more tailored experiences and products. With NeosVoc, data is collected and analysed simultaneously; information is gathered through web interviews and chatbots, as well as video interviews and video focus groups. Data is then collected and can be immediately viewed on a dashboard that shows real-time trends.
- *Image Memorability* is a system that uses artificial intelligence to process a “*memorability map*” of an image, i.e. identify the parts of an image that are most memorable to end customers/consumers. This system allows images to be ranked quickly and cheaply, enabling companies to choose the most effective in terms of sales.

These solutions operate using the Neosperience Cloud platform. This allows clients to “try out” some of the platform's functionalities and then buy individual modules, which are easy to integrate with one another since they use the same technology.

In August Neosperience began operating on the American market through the newly-founded “Neosperience LLC”, a limited liability company registered in Delaware with operational offices in Seattle. The aim is to offer its application solutions on the USA market 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 particular, the company aims to attack the American market with its *People analytics* and *Image memorability* solutions.

In September it announced a collaboration with “Borgo Egnazia”, a luxury hotel in Puglia, to launch the first digital customer experience platform using artificial intelligence in the high-end tourism and hospitality sector. The hotel will use the Neosperience Cloud platform and the “NeosVoc” *voice of customer* solution to collect guests' preferences and offer increasingly personalised experiences.

In October Neosperience obtained the approval of the Ministry of Economic Development and the Lombardy Region for the funding of a 6 million Euro project. This project aims to set up “Neosperience Cloud Tourism”, a platform for tour operators. The funding will be equal to 2,580,000 Euro, made up of 53.5% non-refundable and 46.5% in the form of a long-term subsidised loan.

Results as of 30 June 2019

EUR (K)	1H 2018	1H 2019	VAR %
Sales revenue	3,026	5,069	67.51
<i>Domestic Cloud Licensing</i>	<i>363</i>	<i>762</i>	<i>109.92</i>
<i>Domestic Solution Sales</i>	<i>1,053</i>	<i>1,854</i>	<i>76.07</i>
<i>Professional Services</i>	<i>1,270</i>	<i>1,879</i>	<i>47.95</i>
<i>Vertical & Strategic Project</i>	<i>340</i>	<i>574</i>	<i>68.82</i>
Increased fixed assets for in-house work	853	164	-80.77
Other revenues	504	650	28.97
VALUE OF PRODUCTION	4,383	5,883	34.22
Materials	17	22	29.41
%	0.39	0.37	
Services	1,340	2,308	72.24
%	30.57	39.23	
Third-Party Goods	71	122	71.83
%	1.62	2.07	
VALUE ADDED	2,955	3,431	16.11
%	67.42	58.32	
Labour Cost	1,321	874	-33.84
%	30.14	14.86	
Other operating expenses	235	244	3.83
%	5.36	4.15	
EBITDA	1,399	2,313	65.33
%	31.92	39.32	
Depreciation & Write downs	530	583	10.00
Provisions	-	1,100	
EBIT	869	630	-27.50
%	19.83	10.71	
Financial expenses (income)	35	88	
PRE-TAX PROFIT	834	542	-35.01
%	19.03	9.21	
Taxes	125	(32)	
NET INCOME	709	574	-19.04
Minorities	84	109	
GROUP NET INCOME	625	465	-25.60
%	14.26	7.90	
Equity	4,513*	13,016	
NFP	-3,465*	870	
ROI	6.64*	5.20	
ROE	9.48*	3.57	

Source: Neospirience; (*) data valid on 31/12/2018.

Neosperience Group ended the first half of 2019 with consolidated revenues of €5.1 million (up 67.5%), thanks mainly to the acquisition of new clients and the launch of new solutions.

The value of production rose by 34.2% (€5.9 million) from the €4.4 million recorded in the same period of the previous year.

Despite rising costs for services (+72.24%), partly offset by the fall in labour costs (-33.84%), the gross operating income (EBITDA) rose by 65.3% to €2.3 million from the €1.4 million recorded on 30.06.2018. The margin, calculated on the value of production, rose from 31.92% to 39.32%.

However, operating income (EBIT) fell to €630 thousand compared to the € 869 thousand recorded in the same period of 2018 due to higher provisions for risks and lock-ups of the company "GMT Last Mile" (indirectly owned through Neos Consulting).

Net profit margin fell from 19.83% in the first half of 2018 to 10.71% on 30.06.2019.

Neosperience ended the first half of 2019 with Group net income of €465 thousand, down 25.6% on the €625 thousand recorded on 30.06.2018.

The net financial position is positive at €870 thousand compared to a net debt of 3.5 million Euro on 31.12.2018, benefiting from €4.1 million collected on IPO.

The shareholders equity stands at €13 million (30.06.2019), up from €4.5 million on 31.12.2018, also benefiting from the IPO.

Outlook 2019-2023

EUR (K)	2018	2019E	2020E	2021E	2022E	2023E	CAGR 18/23
Sales revenue	8,558	13,960	19,696	27,545	37,146	49,962	42.32
<i>Domestic Cloud Licensing</i>	<i>1,368</i>	<i>1,723</i>	<i>2,277</i>	<i>3,151</i>	<i>4,302</i>	<i>5,532</i>	<i>32.24</i>
<i>Domestic Solution Sales</i>	<i>3,618</i>	<i>4,775</i>	<i>6,175</i>	<i>7,666</i>	<i>8,079</i>	<i>8,295</i>	<i>18.05</i>
<i>Professional Services</i>	<i>3,572</i>	<i>4,976</i>	<i>5,643</i>	<i>6,236</i>	<i>7,128</i>	<i>7,424</i>	<i>15.76</i>
<i>Vertical & Strategic Project</i>	-	<i>1,989</i>	<i>2,476</i>	<i>2,969</i>	<i>3,466</i>	<i>3,958</i>	-
<i>International sales</i>	-	<i>497</i>	<i>3,126</i>	<i>7,523</i>	<i>14,171</i>	<i>24,753</i>	-
Inventory var. for products under development	370	-	-	-	-	-	-
Increased fixed assets for in-house work	1,739	500	250	-	-	-	-
Other revenue and income	1,105	498	-	-	-	-	-
VALUE OF PRODUCTION	11,772	14,958	19,946	27,545	37,146	49,962	33.52
Raw materials	47	67	70	74	82	75	<i>9.78</i>
%	<i>0.40</i>	<i>0.45</i>	<i>0.35</i>	<i>0.27</i>	<i>0.22</i>	<i>0.15</i>	
Services	5,823	6,541	8,507	12,886	18,250	24,017	<i>32.76</i>
%	<i>49.46</i>	<i>43.73</i>	<i>42.65</i>	<i>46.78</i>	<i>49.13</i>	<i>48.07</i>	
Third-party goods	158	425	560	669	739	999	<i>44.61</i>
%	<i>1.34</i>	<i>2.84</i>	<i>2.81</i>	<i>2.43</i>	<i>1.99</i>	<i>2.00</i>	
VALUE ADDED	5,744	7,925	10,809	13,916	18,075	24,871	34.06
%	<i>48.79</i>	<i>52.98</i>	<i>54.19</i>	<i>50.52</i>	<i>48.66</i>	<i>49.78</i>	
Labour Cost	2,130	3,570	5,036	5,801	7,188	8,144	<i>30.76</i>
%	<i>18.09</i>	<i>23.87</i>	<i>25.25</i>	<i>21.06</i>	<i>19.35</i>	<i>16.30</i>	
Other operating expenses	247	547	822	970	1,118	1,189	<i>36.93</i>
%	<i>2.10</i>	<i>3.66</i>	<i>4.12</i>	<i>3.52</i>	<i>3.01</i>	<i>2.38</i>	
EBITDA	3,367	3,807	4,951	7,145	9,769	15,538	35.78
%	<i>28.60</i>	<i>25.45</i>	<i>24.82</i>	<i>25.94</i>	<i>26.30</i>	<i>31.10</i>	
Depreciation & Write downs	2,837	2,336	1,356	1,301	1,300	948	<i>-19.69</i>
EBIT	530	1,471	3,595	5,844	8,469	14,590	94.07
%	<i>4.50</i>	<i>9.83</i>	<i>18.02</i>	<i>21.22</i>	<i>22.80</i>	<i>29.20</i>	
Financial expenses (income)	72	92	51	18	(18)	(64)	
PRE-TAX PROFIT	458	1,379	3,544	5,826	8,487	14,654	100.00
%	<i>3.89</i>	<i>9.22</i>	<i>17.77</i>	<i>21.15</i>	<i>22.85</i>	<i>29.33</i>	
Taxes	28	414	1,063	1,748	2,546	4,396	
<i>Tax rate (%)</i>	-	<i>30.00</i>	<i>30.00</i>	<i>30.00</i>	<i>30.00</i>	<i>30.00</i>	
NET INCOME	430	965	2,481	4,078	5,941	10,258	88.59
Minorities	9	9	9	9	9	9	
GROUP NET INCOME	421	956	2,472	4,069	5,932	10,249	89.36
%	<i>3.58</i>	<i>6.39</i>	<i>12.39</i>	<i>14.77</i>	<i>15.97</i>	<i>20.51</i>	
FOCF	-	1,359	3,380	5,476	7,790	11,713	
NFP	-3,465	6,152	8,306	12,877	19,346	27,939	
Equity	4,513	13,828	15,134	18,325	22,927	30,001	
NIC	7,978	7,676	6,828	5,448	3,581	2,062	
ROI	6.64	19.16	52.64	-	-	-	
ROE	9.48	6.95	16.41	22.29	25.96	34.24	

Source: Neosperience; Estimates: Banca Finnat

For the entire forecast period (2019-2023), we estimate an average annual growth for net consolidated income of 42.32%. In particular, the *International Sales* segment will produce revenue from 2019 following the opening of the USA branch (in August). The *Vertical & Strategic Project* sector will also generate its first revenues in 2019 with an offering of strategic projects for specific companies. Domestic sales of the *Neosperience Cloud* platform are expected to grow at an average annual rate of 32.24%, while *Domestic Solutions Sales* (i.e. specific modules for individual product sectors) is expected to see 18.05% growth.

The value of production is estimated to rise from 11.8 million Euro in 2018 to 50 million Euro by the end of the forecast period (with a CAGR 2018-2023 of 33.52%).

Despite the forecast increase in costs for services (CAGR 32.76%), inclusive of quotation costs, labour costs (CAGR 30.76%) and other operating expenses (CAGR 36.93%), the EBITDA should rise from 3.4 million Euro in 2018 to 15.5 million Euro by the end of the forecast period (CAGR 35.78%). The effect of the gross margin on the value of production is estimated to rise from 28.60% in 2018 to 31.10% by the end of the forecast period.

Net operating income (EBIT) should rise to 14.6 million Euro in 2023 from 530 thousand Euro in 2018 with an average annual growth rate of 94.07%. ROS should rise from 4.5% in 2018 to 29.20% by the end of the forecast period (2023).

Group net income is estimated to rise at an average annual rate of 89.36%, reaching 10.2 million Euro in 2023 from 421 thousand Euro in 2018, with an increased margin of the value of production up from 3.58% in 2018 to 20.51% by the end of the forecast period.

In the period 2019-2023 the Group is expected to move from a position of net debt of 3.5 million Euro in 2018 to a positive net financial position of 28 million Euro by the end of 2023, benefiting from the €4,126,230 Euro capital increase on IPO (last February).

Return on equity (ROE) should rise to 34.2% by the end of the forecast period from 9.5% in 2018.

Valuation

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

The perpetual growth rate is set at 1.25% and the WACC at 12.25%, with a Free Risk Rate of 1.75%, a Beta Coefficient equal to the unit and a Market Risk Premium of 10.50%.

We obtain an Enterprise Value of 87.6 million Euro and an **equity** value – after exercising warrants - of **11.94 Euro per share**. Our recommendation is still to buy.

Cash Flow Model (K €)

	2019E	2020E	2021E	2022E	2023E
EBIT	1,471	3,595	5,844	8,469	14,590
Taxes	414	1,063	1,748	2,546	4,396
NOPAT	1,057	2,532	4,096	5,923	10,194
D&A	2,336	1,356	1,301	1300	948
Capex	600	350	100	100	100
CNWC	-1,434	-158	179	667	671
FOCF	1,359	3,380	5,476	7,790	11,713

Estimates: Banca Finnat

DCF Model Valuation (k €)

Perpetual Growth Rate (%)	1.25
WACC (%)	12.25
Discounted Terminal Value	66,478
Cum. Disc. Free Operating Cash Flow	21,135
Enterprise Value	87,613
Net financial position as of 30/06/2019	870
Equity Value	88,483
No. shares post warrant exercise	7,409,317
Value per share	11.94

Estimates: Banca Finnat

WACC Calculation (%)

Risk free rate	1.75
Market risk premium	10.50
Beta (x)	1
Cost of Equity	12.25
WACC	12.25

Estimates: Banca Finnat

Historical recommendations and target price trend

Date	Rating	Target Price	Market Price
18.04.2019	Buy	11.00 €	5.16 €
21.02.2019	Buy	10.27 €	-

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)	2018	2019E	2020E	2021E	2022E	2023E
Sales revenue	8,558	13,960	19,696	27,545	37,146	49,962
<i>Domestic Cloud Licensing</i>	<i>1,368</i>	<i>1,723</i>	<i>2,277</i>	<i>3,151</i>	<i>4,302</i>	<i>5,532</i>
<i>Domestic Solution Sales</i>	<i>3,618</i>	<i>4,775</i>	<i>6,175</i>	<i>7,666</i>	<i>8,079</i>	<i>8,295</i>
<i>Professional Services</i>	<i>3,572</i>	<i>4,976</i>	<i>5,643</i>	<i>6,236</i>	<i>7,128</i>	<i>7,424</i>
<i>Vertical & Strategic project</i>	-	<i>1,989</i>	<i>2,476</i>	<i>2,969</i>	<i>3,466</i>	<i>3,958</i>
<i>International sales</i>	-	<i>497</i>	<i>3,126</i>	<i>7,523</i>	<i>14,171</i>	<i>24,753</i>
Inventory var. for products under development	370	-	-	-	-	-
Other revenue and income	1,105	498	-	-	-	-
Increased fixed assets for in-house work	1,739	500	250	-	-	-
VALUE OF PRODUCTION	11,772	14,958	19,946	27,545	37,146	49,962
Raw materials	47	67	70	74	82	75
Services	5,823	6,541	8,507	12,886	18,250	24,017
Third-party goods	158	425	560	669	739	999
VALUE ADDED	5,744	7,925	10,809	13,916	18,075	24,871
Labour Cost	2,130	3,570	5,036	5,801	7,188	8,144
Other operating expenses	247	547	822	970	1,118	1,189
EBITDA	3,367	3,807	4,951	7,145	9,769	15,538
Depreciation & Write downs	2,837	2,336	1,356	1,301	1,300	948
EBIT	530	1,471	3,595	5,844	8,469	14,590
Financial expenses (income)	72	92	51	18	(18)	(64)
PRE-TAX PROFIT	458	1,379	3,544	5,826	8,487	14,654
Taxes	28	414	1,063	1,748	2,546	4,396
<i>Tax rate (%)</i>	-	<i>30.00</i>	<i>30.00</i>	<i>30.00</i>	<i>30.00</i>	<i>30.00</i>
NET INCOME	430	965	2,481	4,078	5,941	10,258
Minorities	9	9	9	9	9	9
GROUP NET INCOME	421	956	2,472	4,069	5,932	10,249
FOCF	-	1,359	3,380	5,476	7,790	11,713
BALANCE SHEET (Eur k)	2018	2019E	2020E	2021E	2022E	2023E
Group Shareholders Equity	4,441	13,756	15,062	18,253	22,855	29,929
Total Shareholders Equity	4,513	13,828	15,134	18,325	22,927	30,001
NFP	-3,465	6,152	8,306	12,877	19,346	27,939
Net Invested Capital	7,978	7,676	6,828	5,448	3,581	2,062
FINANCIAL RATIOS (%)	2018	2019E	2020E	2021E	2022E	2023E
EBITDA margin	28.60	25.45	24.82	25.94	26.30	31.10
EBIT margin	4.50	9.83	18.02	21.22	22.80	29.20
Net margin	3.58	6.39	12.39	14.77	15.97	20.51
ROI	6.64	19.16	52.64	-	-	-
ROE	9.48	6.95	16.41	22.29	25.96	34.24
GROWTH (%)	2018	2019E	2020E	2021E	2022E	2023E
Value of production	49.89	27.06	33.35	38.10	34.86	34.50
EBITDA	118.35	13.06	30.05	44.33	36.73	59.05
EBIT	12.53	177.49	144.41	62.58	44.92	72.27
Net profit	-35.43	127.10	158.50	64.65	45.78	72.77
FOCF	-	-	148.71	62.04	42.26	50.35
VALUATION METRICS*	2018	2019E	2020E	2021E	2022E	2023E
P/E	142.65	63.56	24.73	15.04	10.32	5.98
P/CF	-	45.14	18.15	11.20	7.87	5.24
P/BV	13.81	4.46	4.07	3.36	2.68	2.05
EV/SALES	7.57	3.95	2.69	1.76	1.13	0.67
EV/EBITDA	19.25	14.50	10.71	6.78	4.30	2.15
EV/EBIT	-	37.52	14.75	8.29	4.96	2.29

Source: Neosperience; Estimates: Banca Finnat; (*) after dilution due to exercise of warrants

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Banca Finnat Research Rating Distribution	(as of 24/10/2019)				
Number of companies covered: 20	BUY	HOLD	REDUCE	SELL	N.R.
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