

RECOMMENDATION
BUY (from BUY)

Target Price
€ 10.73 (from € 11.66)

NEOSPERIENCE

Sector: Application Software
Bloomberg negotiation code: NSP IM
AIM Market
Price as of 29/10/2020
€ 4.73
Market Capitalisation: 35,419,432 €
Number of shares*: 7,488,252**
Shareholders Equity 30.06.2020: 15,119,208 €
Outstanding warrants (1:1)*: 951,448

(*) See page 4; (**) net of treasury shares

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Neosperience broadens its 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 experiences (Digital Customer Experience) capable of boosting the value of the promoted brand.
- In August the company signed a preliminary contract to acquire a controlling share (51%) in ADChange S.r.l., a Turin-based company with a consolidated presence in the Lead Generation sector.
- In October Neosperience announced the acquisition of 51% of the capital of Myti S.r.l., a company operating in the production of software projects and digital services for SMEs.
- Despite the negative economic impact of the Covid-19 pandemic, the Group ended the first half of the year with a value of production of 8.9 million Euro (up 51.8% on the first half of 2019) while EBITDA stood at 2.4 million Euro (up 5.7% on the first half of 2019).
- Taking account of the greater impact that the current macroeconomic situation will have on the Group's international sales, partly offset by its entry into new sectors, we have reviewed our estimates for the period 2019-2024.
- We estimate the value of production will grow at an average annual rate of 24.44% with average annual growth of gross operating income (EBITDA) at 37.90% and net income at 58.80%. Our recommendation remains to buy at a target price of €10.73 (previously €11.66).

Year to 31/12 (k €)	2019	2020E	2021E	2022E	2023E	2024E
Value of Production	17,508	19,891	24,386	30,780	40,123	52,253
Value Added	7,413	8,261	11,168	15,903	22,817	31,270
EBITDA	3,568	4,028	5,584	8,452	12,670	17,810
EBIT	1,117	740	1,656	3,976	8,095	13,382
Group net income	924	325	949	2,611	5,558	9,327
Equity	14,506	14,900	15,515	17,366	21,190	27,700
NFP	-1,212	-909	1,182	6,480	13,566	21,938
ROE	6.49	2.23	6.22	15.27	26.56	33.99

Source: Neosperience; Estimates: Banca Finnat

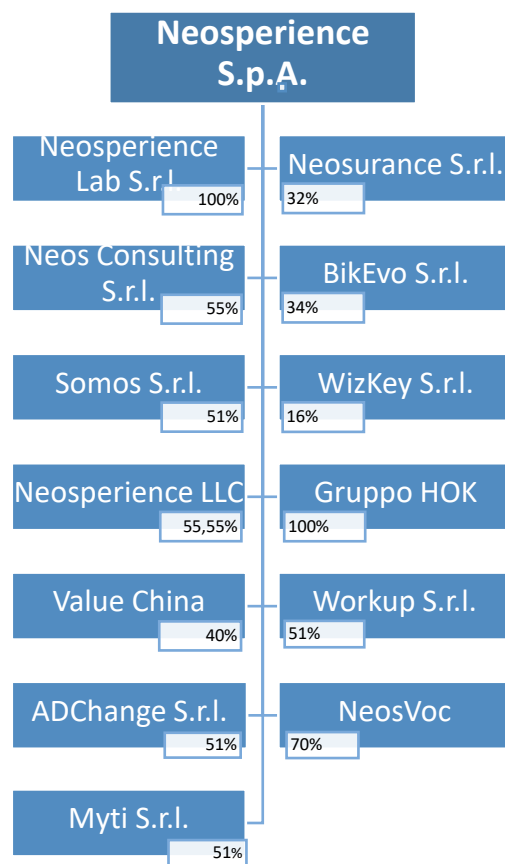
Activities and Strategies

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 Group is currently made up of:

- 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.
- 51% *Somos Srl* provides consultancy and applicative development with innovative technologies in web and IoT, with a focus on the transportation market.
- 55.55% *Neosperience LLC* is the American legal entity based in Seattle that aims to offer Neosperience's application solutions on the USA market.
- 32% *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.
- 34% *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% *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.
- 100% *HOK Group* operates in digital technologies and acts as a community tech and talent aggregator on the Italian software scene.
- 40% *Value China* targets the Chinese and Asian market for the supply of digital products and services, like market strategies, marketing solutions, consultancy and development of software and mini-apps on major digital platforms such as WeChat and Alipay, both for European businesses wishing to sell to the Chinese market and Chinese businesses wishing to bring their products and services to Europe.
- 51% *Workup Srl* operating in software production and digital services for e-commerce. It is renowned in Italy for its proprietary platform RubinRed, which now has over 300 cloud-based implementations for companies operating in the main industrial sectors.

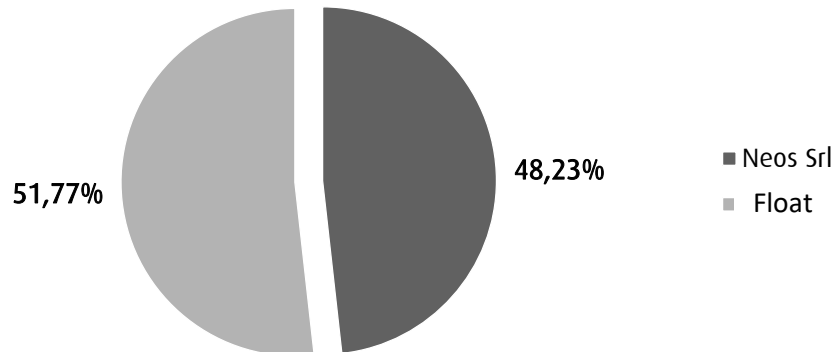
- 51% *ADChange Srl* Turin-based company with a consolidated presence in the Lead Generation sector.
- 70% *NeosVoc* provides a *Voice of Customer platform*, i.e. a set of methodologies, real-time listening tools and new analysis models that provide in-depth knowledge about customers and offer them more tailored experiences and products.
- 51% *Myti Srl*, based in Brescia, operates in the production of software projects and digital services for SMEs.



Source: Neosperience

In October the board of directors ruled on a capital increase of 23,550 Euro, over share premium, via the issue of 235,500 ordinary company shares without indication of the nominal value, regular dividend rights, with exclusion of the pre-emptive right. The issue price of the New Shares, including the share premium, has been set at Euro 6.15. In addition, the capital increase was released through the contribution of shares in kind.

Neosperience's capital, currently equal to €749,770.20, is made up of 7,497,702 shares and is 48.23% owned by Neos Srl, while the remaining 51.77% is floated on the market. The company holds 9,450 treasury shares.



Source: Neosperience

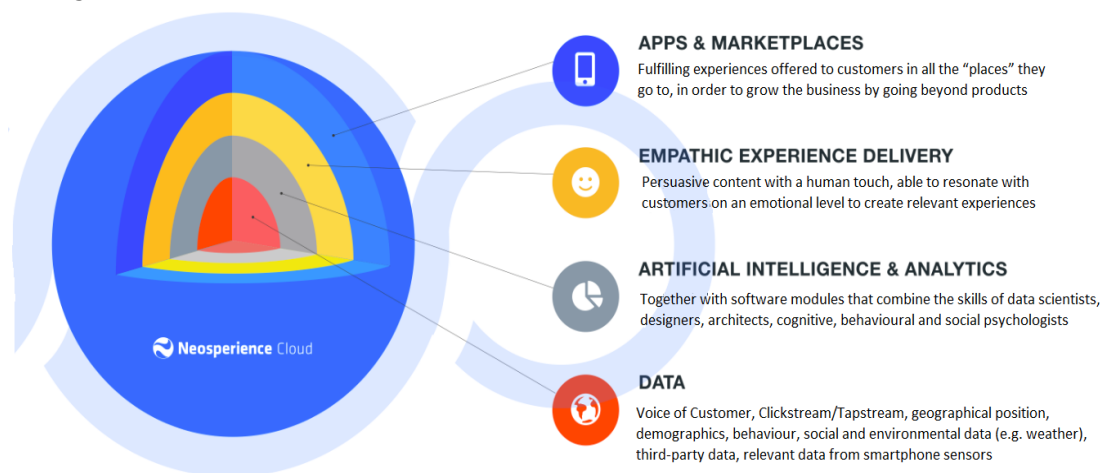
The outstanding warrants (“Warrant Neosperience 2019-2021”), issued as part of the IPO, amount to 951,448. They are expected to be exercised, in a ratio of 1:1, during two residual time periods:

- second exercise period: between 15 and 30 November 2020 at a subscription price of 4.15 Euro each.
- Third exercise period: between 15 and 30 November 2021 at a subscription price of 4.57 Euro each.

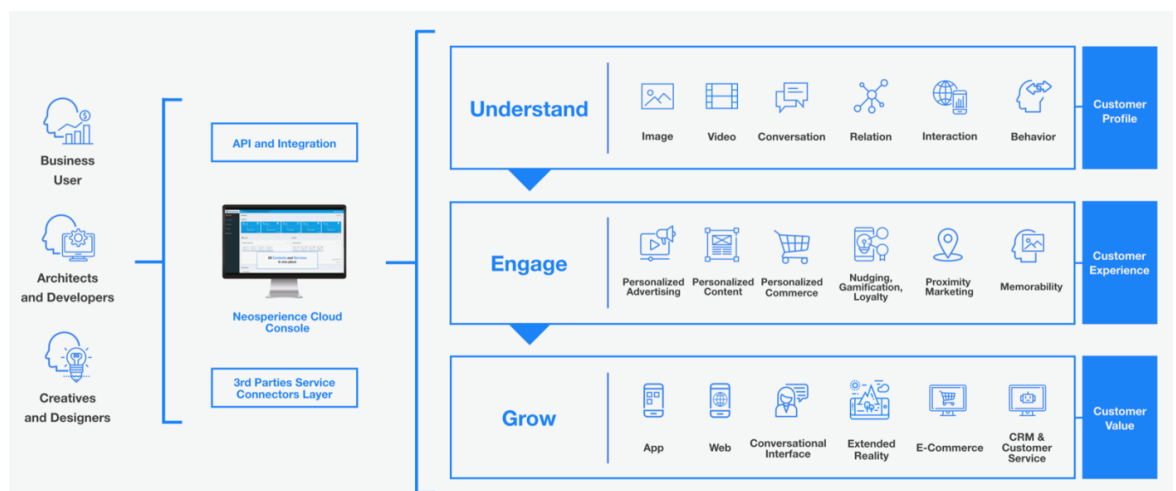
In July 2020 the Meeting authorised the board of directors to buy and sell treasury shares. The programme implementation method envisages that the purchase can be made, in one or more times, within 18 months of the ruling, up to a maximum number of treasury shares such as to not exceed 10% of the share capital, and in any event for a maximum amount of Euro 12,000,000 and maximum 500,000 shares.

Business model

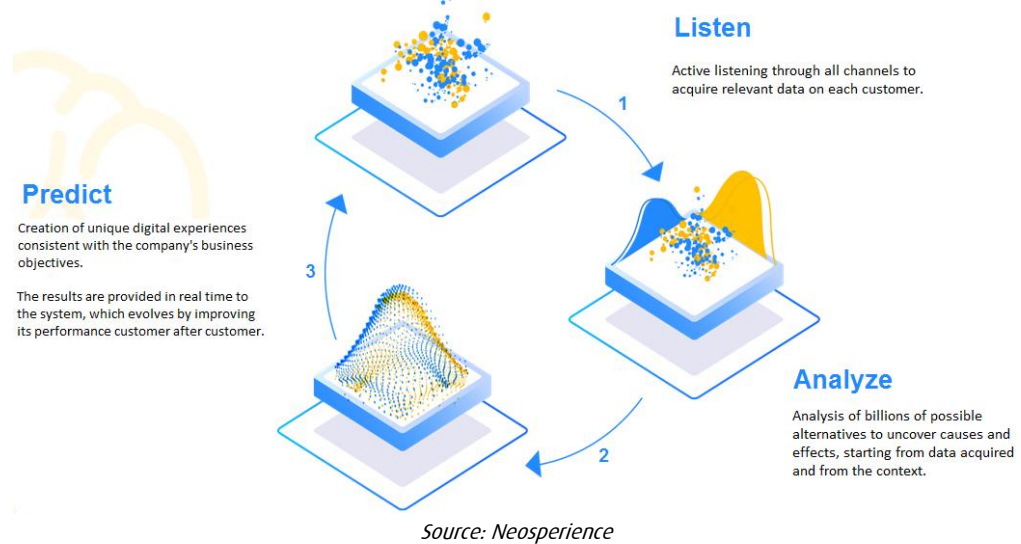
As a “Software Vendor”, Neosperience provides its clients (businesses) with a software platform called “Neosperience Cloud” in “Saas” mood (Software as a service, a model of application software distribution with which a software producer develops, operates and manages a web application that it makes 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.



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.



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.



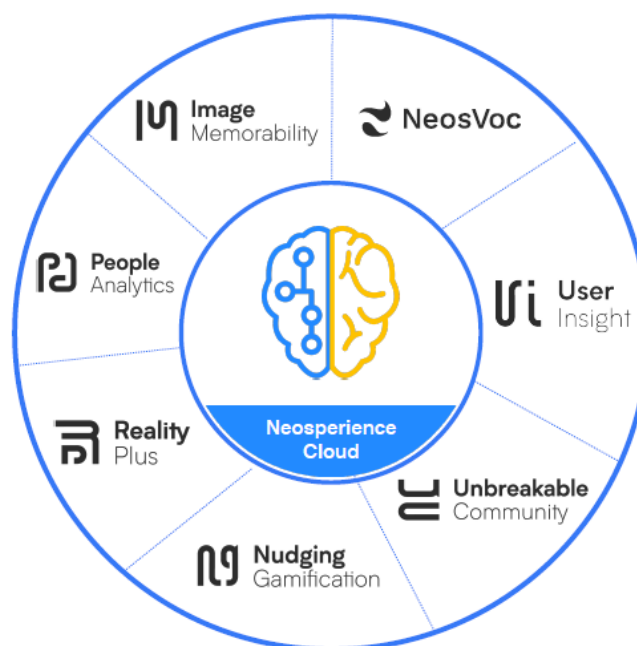
The “Neosperience Cloud” software platform mainly targets marketing directors, sales directors and digital managers, and can be used directly by the company/client via a web console (*Neosperience Cloud Console*) through which all customer engagement processes can be managed to involve and retain customers.

The 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. 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.

The main solutions launched by Neosperience include:

- *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.
- *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.

- *User Insight* is a tool providing insights into user behaviour on a website by collecting relevant information for a comprehensive understanding of the psychographic and behavioural characteristics of each visitor. This qualitative information then enables much more tailored content, products and experiences to be offered.
- *Unbreakable Community* integrates data collected from each touchpoint to identify the personal profile and category of each individual in the community and build one-to-one dialogue with each one. This solution builds long-lasting relationships by helping to integrate, involve and reward customers with personalised offers for better customer retention.
- *Nudging Gamification* is a system that offers its customers personalised experiences based on their characteristics. Through a user-friendly dashboard, Neosperience Nudging Gamification can be applied to online and offline touchpoints, encouraging customers to reach specific behavioural goals such as purchasing an item, downloading content or filling in a form.
- *Reality Plus* is a platform that rapidly develops products and solutions in Augmented Reality in order to offer customers more fulfilling experiences.
- *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.



Source: Neosperience

The Group's main clients include:

Fashion, Luxury & Beauty



Consumer Products, Retail & Distribution, Energy, Communications & Media



Automotive, Health, Industry & Services



Financial Services, Travel & Transportation, Government



Neosperience Group also activated (2019-2020) a number of strategic partnerships with major players in the sector, including:



Business & Technology Partner

- Business and technology partnerships and collaboration programs with the major software and cloud vendors complementary to Neosperience.



Official Global Reseller

- Offering of Tencent cloud products to integrate Neosperience solutions.
- Large-scale supply of the platform connecting serverless services on AWS and Tencent Cloud (digital West-East connection).



Exclusive Italian Partner for Digital Products & Projects

- Development of mini-programs for the major Italian cities.
- Full WeChat support to direct Chinese users to our mini-programs and promote them through WeChat platforms and channels in China.



Official Marketing Partner

- Support for Alipay, Tinaba and Pacypay customers to activate digital marketing campaigns.
- Agreement to promote Tinaba and Pacypay to the Group's clients.

In April, as part of the “DIMASDIA-Covid-19” project, Neosperience signed a collaboration agreement with ASST FBF Sacco and Auxologico di Milano - two of the largest and most closely involved health companies in Covid-19 emergency management - to set up a study based on artificial intelligence to analyse echocardiographic images, lung scans and lung radiographic images of suspected Covid-19 patients. Together with medical report information, the images will help build a useful dataset for latest-generation machine learning models capable of providing rapid, accurate diagnosis.

In May Bikevo, a company owned by Neosperience which created the first virtual cycling coach, has become the official Training Partner of Italian Cycling Federation.

In June Neosperience launched “WeChat Tourism” alongside the Chinese Tencent Holding. The project aims to relaunch and promote Italian tourism in China backed by ENIT (Italian National Tourism Agency).

Also in June the Group acquired the controlling share (51%) in Workup S.r.l., a company operating in the Digital Commerce sector and renowned in Italy for its proprietary platform RubinRed, which now has over 300 cloud-based implementations for companies operating in the main industrial sectors.

The operation envisaged the initial acquisition of 51% of Workup for 1,100,621 Euro, including 376,121 Euro in cash and 724,500 Euro in 80,500 NSP shares deliverable by October 2020 and subject to lock-up until 31 August 2021. The remaining 49% is expected to be acquired by July 2022 for an amount calculated according to the actual average adjusted EBITDA of Workup in 2019, 2020 and 2021.

Both Neosperience and the Workup selling shareholders own call and put options, respectively, in the remaining 49%.

In October payment for a 45.9% share in Workup S.r.l. was finalised, the contract of which, signed last June relating to 51% of the company, envisaged a part cash payment (settled on closing) and part Neosperience shares valued at 9 Euro and with a correction mechanism in case the security falls in the 12 months after the date of the contract. Agreement has been reached with three of the four selling shareholders holding 45.9% of the capital to modify the original contract to pay the amount due in shares at a Neosperience share value more in line with current trends. With the fourth shareholder, who holds the remaining 5.1%, the pre-existing payment commitments remain, and were honoured in October as laid down in the contract.

In July Neosperience was included by Gartner in the report “Hype Cycle for Business Process Services 2020” as the only Italian company among the global innovative technology providers and “on the rise” in the Customer Psychographics sector.

In August the company signed a preliminary contract to acquire a controlling share (51%) in ADChange S.r.l., a Turin-based company with a consolidated presence in the Lead Generation sector. The equivalent of the operation is equal to 255,000 Euro, including 120,000 Euro by way of cash deposit and 113,000 Euro in Neosperience shares, deliverable by December 2020 and subject to lock-up until 31 October 2021, as well as a final balance of 20/25,000 Euro. The operation is expected to close by 31 October 2020.

The remaining 49% of the capital is expected to be acquired by July 2023 for an amount calculated according to the actual average EBITDA of ADChange in 2021 and 2022. This amount will all be assigned in newly-issued Neosperience shares.

Both Neosperience and the ADChange selling shareholders own call and put options, respectively, in the remaining 49%.

In September Neosperience, through its subsidiary Jack Magma Srl, won the tender to create the digital platform of POLI.design, a consortium company of Milan Polytechnic for post-graduate training.

Also in September the company, in collaboration with Bikevo, made its technology available for organising and managing the non-competitive event 2+MILIONIKM. Its goal is to raise funds for Dynamo Camp, a charity offering free recreational therapy to children and young adults suffering from serious and chronic health conditions, and more broadly for youth cycling with Italian Cycling Federation.

In October the acquisition was finalised for the remaining 49% of House of K S.r.l. ("HOK"), in which Neosperience already owned a 51% stake.

Also in October QNT Simple Booking, a software house in the verticalized Zucchetti group in technological solutions for hospitality, and Value China, a startup in the Neosperience Group that supplies digital services and products to the Chinese and Asian market, signed a partnership to inject systemic innovation into the relationship between European hotel owners and Chinese travellers. Thanks to the dynamic integration with WeChat, hospitality businesses on Zucchetti group's booking engine will be able to sell their rooms directly to Chinese travellers.

Neosperience and the innovative startup SOMOS S.r.l. – 51% owned by Neosperience Group and specialised in the development of application solutions for transport, logistics and industry 4.0 – announced the launch of the SmartCampus app, an innovative platform designed in collaboration with CalTek S.r.l. and DLVSystem S.r.l. for the University of Calabria and designed to help the university monitor and trace contacts between students within its public spaces.

In October Neosperience announced the acquisition of a controlling share (51%) in Myti S.r.l., a Brescia-based company operating in the production of software projects and digital services for SMEs.

The operation envisaged the initial acquisition of 51% of Myti by NSP for 700,000 Euro, including 175,000 Euro in cash and 525,000 Euro in 102,000 NSP shares deliverable by January 2021 and subject to lock-up until 31 December 2021. In July 2021 selling shareholders will receive any price integration based on a formula linked to the actual EBITDA achieved in 2020.

Selling shareholders are also expected to receive a further Euro 399,000 divided into six instalments over the three-year period 2021-2023.

The option to buy the remaining 49% will be available by June 2024 for an amount calculated according to the actual average adjusted EBITDA of Myti in 2022 and 2023. This amount will all be assigned in newly-issued NSP shares.

Both NSP and the Myti selling shareholders own call and put options, respectively, in the remaining 49%.

This acquisition is part of the Group's growth plan and strengthens Neosperience's skills in Machine Learning, Data Analytics and Big Data for the digital transformation of its businesses, and broadens the clients portfolio and opportunities for cross-selling and upselling, both by exploiting Neosperience solutions and integrating the client base and products portfolio of all the Group's companies.

Growth strategies

With regard to growth strategies, Neosperience Group envisages:

1. Strengthening business and skills, i.e.:
 - Further implement the scalable platform and the range of solutions offered. To this end Neosperience intends to consolidate its *Neosperience Cloud* technology and create additional functions for it. As such, a variety of new solutions have been launched, i.e. modules suited to individual product sectors that the company makes available to its clients in the specific sector.
 - Integrate further software ecosystems to accelerate the development strategy on the market with an indirect channel model.
 - Expand Neosperience Cloud's market by also reaching SMEs with an innovative model of corporate startup.
2. International expansion, i.e.:
 - Continue the current internationalisation process (United States and China).
 - Create a new Asian hub through Value China, capitalising on the relationship developed with Tencent (WeChat).
3. M&A through:
 - Acquisition of complementary companies aligned with Neosperience's growth strategy.
 - Expand the solutions portfolio with a focus on Chinese customers based in Europe and on post-Coronavirus services to people.

Results 1H 2020

EUR (K)	1H 2019	1H 2020	VAR %	2019
Sales revenue	5,069	7,126	40.58	13,949
<i>Domestic Cloud Licensing</i>	<i>762</i>	<i>1,776</i>	<i>133.07</i>	<i>1,685</i>
<i>Domestic Solution Sales</i>	<i>1,854</i>	<i>1,816</i>	<i>-2.05</i>	<i>4,635</i>
<i>Professional Services</i>	<i>1,879</i>	<i>3,213</i>	<i>71.00</i>	<i>5,929</i>
<i>Vertical & Strategic Project</i>	<i>574</i>	<i>321</i>	<i>-44.08</i>	<i>1,700</i>
Inventory var. for products under development	-	69		-
Increased fixed assets for in-house work	164	1,104		2,010
Other revenues	650	634		1,549
VALUE OF PRODUCTION	5,884	8,933	51.82	17,508
Materials	21	22	2.79	59
%	0.37	0.25		0.34
Services	2,308	2,753	19.28	9,680
%	39.22	30.82		55.29
Third-Party Goods	122	197	62.19	306
%	2.07	2.21		1.75
Inventory var. for raw mat., subsid. and consumption	-	440		50
VALUE ADDED	3,433	5,520	60.82	7,413
%	58.34	61.79		42.34
Labour cost	874	2,535	190.07	3,440
%	14.85	28.38		19.65
Other operating expenses	244	539	120.52	405
%	4.15	6.03		2.31
EBITDA	2,314	2,447	5.71	3,568
%	39.33	27.39		20.38
Depreciation & Write downs	583	1,792	207.48	2,451
Provisions	1,100	-		-
EBIT	631	654	3.64	1,117
%	10.73	7.33		6.38
Financial expenses (income)	88	48		101
Financial assets adjustments	-	-		33
PRE-TAX PROFIT	544	607	11.57	983
%	9.25	6.79		5.61
Taxes	(32)	242		36
<i>Tax rate</i>	<i>-</i>	<i>39.90</i>		<i>-</i>
NET INCOME	576	365	-36.69	947
Minorities	109	177		23
GROUP NET INCOME	467	188	-59.86	924
%	7.94	2.10		5.28
Equity	14,506*	15,119		14,506
NFP	-1,212*	-2,806		-1,212
ROI	4.01	3.65		7.11
ROE	3.21	1.24		6.49

Source: Neosperience; (*) data valid on 31/12/2019

Despite the negative economic impact of the Covid-19 pandemic, Neosperience Group ended the first half of 2020 with consolidated revenues of €7.1 million, a 40.6% increase on the €5.1 million recorded in the first half of 2019.

This growth was mainly driven by *Domestic Cloud Licensing* (+133.07%) and *Professional Services* (+71%), which benefited from both the acquisition of new clients brought in by the recent acquisitions and the broader spread of solutions on the Neosperience Cloud platform.

The value of production rose by 51.82%, to €8.9 million from €5.9 million on 30.06.2019, benefiting from increased fixed assets for in-house work on the Neosperience Tourism Cloud platform and from other implementations in IoT and Machine Learning.

Despite the considerably higher sales, increased costs for services (+19.28%), labour costs (+190.07%) and other expenses (+120.52%), arising from the broader scope of the consolidation, limited growth in gross operating income (EBITDA) to 5.71%, up from €2.3 million Euro in the first half of 2019 to €2.4 million Euro. The margin, calculated on the value of production, fell sharply from 39.33% to 27.39% in part due to business slowing as a result of Covid-19 in the second half of the half-year period and in part to falling profitability as a result of new acquisitions.

Considerable growth in depreciation on intangible fixed assets (+207.48%), arising from substantial investments in the Neosperience platforms, had an impact on net operating income (EBIT), which, at the end of the first half, stood at €654 thousand, up from €631 thousand on 30.06.2019 (+3.64%). Net operating margin as a function of the value of production consequently fell from 10.73% to 7.33%.

Higher taxes (€242 thousand), as opposed to the tax credits received in the previous half, had an impact on Group net income, which was €188 thousand compared to €467 thousand on 30.06.2019.

Net debt rose from €1.2 million on 31.12.2019 to €2.8 million; this increase is partly down to the acquisitions made in the period, the outlay for which was also financed through new medium-term credit lines.

Shareholders equity rose from €14.5 million on 31.12.2019 to €15.1 million.

Outlook 2020-2024

Old estimates

EUR (K)	2019	2020E	2021E	2022E	2023E	2024E	CAGR 19/24
Sales revenue	13,949	16,460	23,867	32,220	42,853	54,851	31.50
<i>Domestic Cloud Licensing</i>	<i>1,685</i>	<i>2,140</i>	<i>2,864</i>	<i>3,544</i>	<i>4,285</i>	<i>4,937</i>	<i>23.98</i>
<i>Domestic Solution Sales</i>	<i>4,635</i>	<i>4,609</i>	<i>6,444</i>	<i>8,377</i>	<i>10,713</i>	<i>13,164</i>	<i>23.22</i>
<i>Professional Services</i>	<i>5,929</i>	<i>6,090</i>	<i>8,115</i>	<i>9,505</i>	<i>10,713</i>	<i>11,245</i>	<i>13.66</i>
<i>Vertical & Strategic Project</i>	<i>1,700</i>	<i>1,811</i>	<i>2,864</i>	<i>4,189</i>	<i>5,999</i>	<i>8,228</i>	<i>37.08</i>
<i>International sales</i>	<i>-</i>	<i>1,811</i>	<i>3,580</i>	<i>6,605</i>	<i>11,142</i>	<i>17,278</i>	<i>-</i>
Increased fixed assets for in-house work	2,010	1,500	1,800	2,124	2,443	2,711	6.17
Other revenue and income	1,549	-	-	-	-	-	
VALUE OF PRODUCTION	17,508	17,960	25,667	34,344	45,295	57,563	26.88
Raw materials	59	54	64	71	77	82	6.88
%	0.34	0.30	0.25	0.21	0.17	0.14	
Services	9,680	7,771	10,518	13,349	14,844	18,501	13.83
%	55.29	43.27	40.98	38.87	32.77	32.14	
Third-party goods	306	334	364	396	432	471	9.00
%	1.75	1.86	1.42	1.15	0.95	0.82	
Inventory var. for raw mat., subsid. and consumption	50	-	-	-	-	-	
VALUE ADDED	7,413	9,801	14,721	20,528	29,942	38,508	39.03
%	42.34	54.57	57.35	59.77	66.10	66.90	
Labour cost	3,440	5,012	7,497	10,507	14,506	19,357	41.27
%	19.65	27.91	29.21	30.59	32.02	33.63	
Other operating expenses	405	403	484	551	634	724	12.32
%	2.31	2.25	1.89	1.60	1.40	1.26	
EBITDA	3,568	4,386	6,740	9,470	14,802	18,427	38.87
%	20.38	24.42	26.26	27.57	32.68	32.01	
Depreciation & Write downs	2,451	2,818	3,218	2,620	3,148	3,731	8.77
EBIT	1,117	1,568	3,522	6,850	11,654	14,696	67.43
%	6.38	8.73	13.72	19.95	25.73	25.53	
Financial expenses (income)	101	69	23	(23)	(77)	(134)	
Financial assets adjustments	33	-	-	-	-	-	
PRE-TAX PROFIT	983	1,499	3,499	6,873	11,731	14,830	72.08
%	5.61	8.35	13.63	20.01	25.90	25.76	
Taxes	36	450	1,050	2,062	3,519	4,449	
Tax rate (%)	-	30.00	30.00	30.00	30.00	30.00	
NET INCOME	947	1,049	2,449	4,811	8,212	10,381	61.43
Minorities	23	23	23	23	23	23	
GROUP NET INCOME	924	1,026	2,426	4,788	8,189	10,358	62.15
%	5.28	5.71	9.45	13.94	18.08	17.99	
NFP	-1,212	3,884	8,054	13,622	21,123	30,921	
Equity	14,506	15,555	17,254	20,854	26,864	35,079	
ROI	7.11	13.43	38.28	94.71	203.01	353.51	
ROE	6.49	6.72	14.30	23.28	30.81	29.75	

Source: Neosperience; Estimates: Banca Finnat

New estimates

EUR (K)	2019	2020E	2021E	2022E	2023E	2024E	CAGR 19/24
Sales revenue	13,949	16,041	21,386	28,230	37,828	50,188	29.18
<i>Domestic Cloud Licensing</i>	<i>1,685</i>	<i>1,765</i>	<i>1,906</i>	<i>1,957</i>	<i>1,873</i>	<i>2,008</i>	<i>3.56</i>
<i>Domestic Solution Sales</i>	<i>4,635</i>	<i>4,492</i>	<i>6,141</i>	<i>8,385</i>	<i>11,236</i>	<i>14,554</i>	<i>25.72</i>
<i>Professional Services</i>	<i>5,929</i>	<i>7,138</i>	<i>8,470</i>	<i>9,224</i>	<i>10,487</i>	<i>9,536</i>	<i>9.97</i>
<i>Vertical & Strategic Project</i>	<i>1,700</i>	<i>1,765</i>	<i>2,117</i>	<i>2,516</i>	<i>2,996</i>	<i>3,513</i>	<i>15.62</i>
<i>International sales</i>	-	<i>561</i>	<i>1,694</i>	<i>3,634</i>	<i>6,367</i>	<i>12,045</i>	-
<i>Health cloud</i>	-	<i>321</i>	<i>1,059</i>	<i>2,516</i>	<i>4,869</i>	<i>8,532</i>	-
Increased fixed assets for in-house work	2,010	3,850	3,000	2,550	2,295	2,066	0.55
Other revenue and income	1,549	-	-	-	-	-	
VALUE OF PRODUCTION	17,508	19,891	24,386	30,780	40,123	52,253	24.44
Raw materials	59	53	58	62	68	75	4.99
%	<i>0.34</i>	<i>0.27</i>	<i>0.24</i>	<i>0.20</i>	<i>0.17</i>	<i>0.14</i>	
Services	9,680	10,879	12,413	14,023	16,406	20,027	15.65
%	<i>55.29</i>	<i>54.69</i>	<i>50.90</i>	<i>45.56</i>	<i>40.89</i>	<i>38.33</i>	
Third-party goods	306	698	747	792	831	881	23.56
%	<i>1.75</i>	<i>3.51</i>	<i>3.06</i>	<i>2.57</i>	<i>2.07</i>	<i>1.69</i>	
Inventory var. for raw mat., subsid. and consumption	50	-	-	-	-	-	
VALUE ADDED	7,413	8,261	11,168	15,903	22,817	31,270	33.36
%	<i>42.34</i>	<i>41.53</i>	<i>45.80</i>	<i>51.67</i>	<i>56.87</i>	<i>59.84</i>	
Labour cost	3,440	3,785	5,124	6,959	9,565	12,750	29.95
%	<i>19.65</i>	<i>19.03</i>	<i>21.01</i>	<i>22.61</i>	<i>23.84</i>	<i>24.40</i>	
Other operating expenses	405	448	461	492	582	711	11.90
%	<i>2.31</i>	<i>2.25</i>	<i>1.89</i>	<i>1.60</i>	<i>1.45</i>	<i>1.36</i>	
EBITDA	3,568	4,028	5,584	8,452	12,670	17,810	37.93
%	<i>20.38</i>	<i>20.25</i>	<i>22.90</i>	<i>27.46</i>	<i>31.58</i>	<i>34.08</i>	
Depreciation & Write downs	2,451	3,288	3,928	4,476	4,575	4,428	12.56
EBIT	1,117	740	1,656	3,976	8,095	13,382	64.32
%	<i>6.38</i>	<i>3.72</i>	<i>6.79</i>	<i>12.92</i>	<i>20.18</i>	<i>25.61</i>	
Financial expenses (income)	101	205	300	245	155	58	
Financial assets adjustments	33	-	-	-	-	-	
PRE-TAX PROFIT	983	535	1,356	3,731	7,940	13,324	68.43
%	<i>5.61</i>	<i>2.69</i>	<i>5.56</i>	<i>12.12</i>	<i>19.79</i>	<i>25.50</i>	
Taxes	36	161	407	1,119	2,382	3,997	
<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	947	375	949	2,611	5,558	9,327	58.01
Minorities	23	50	-	-	-	-	
GROUP NET INCOME	924	325	949	2,611	5,558	9,327	58.79
%	<i>5.28</i>	<i>1.63</i>	<i>3.89</i>	<i>8.48</i>	<i>13.85</i>	<i>17.85</i>	
NFP	-1,212	-909	1,182	6,480	13,566	21,938	
Equity	14,506	14,900	15,515	17,366	21,190	27,700	
ROI	7.11	4.68	11.55	36.52	-	-	
ROE	6.49	2.23	6.22	15.27	26.56	33.99	
NWC	1,227	-1,158	135	-715	487	2,458	
Capex	-	4,074	3,200	2,750	2,495	2,265	

Source: Neosperience; Estimates: Banca Finnat

Given the Group's internationalisation process has been slowed by the Covid-19 pandemic, partly offset by its entry into new high-potential sectors such as healthcare, we have reviewed our estimates for the period 2020-2024.

Over the period 2020-2024 we estimate net sales will grow at average annual rate of 29.18%, from €16 million estimated for the end of 2020 to €50.2 million by the end of the forecast period. In more detail, we expect *Domestic Cloud Licensing* to grow at an average annual rate of 3.56%, while we expect *Domestic Solutions Sales* (i.e. specific modules designed for individual product sectors) to grow at an average annual rate of 25.72%.

Starting this year, the Group is expected to grow in the *Health Cloud* sector from €321 thousand forecast for 2020 to €8.5 million by the end of 2024.

Gross operating income (EBITDA) is estimated to grow at an average annual rate of 37.93% from €4 million estimated at the end of 2020 to €17.8 million at the end of 2024 with profit margin estimated to rise from 20.25% at the end of 2020 to 34.08% at the end of 2024.

Net operating income (EBIT) is expected to rise to €13.4 million in 2024 from €740 thousand estimated at the end of 2020, with average annual growth of 64.32% and net operational efficiency (ROS) rising to 25.61% by the end of 2024 from 3.72% estimated at the end of 2020.

By the end of the forecast period, the Group should be able to achieve net income of €9.3 million from €325 thousand at the end of 2020, with an average annual growth rate of 58.80%.

Net financial position is estimated to reach €22 million in 2024, from a position of net debt of €909 thousand at the end of 2020, while shareholders equity is estimated to reach €27.7 million in 2024 from €14.9 million by the end of 2020.

Valuation

For the purposes of valuation, we use the Discounted Cash Flow methodology with the explicit forecast of cash flows generated in the period 2020/2024.

We still set a perpetual growth rate of 1.25% but calculate a 12.45% WACC (previously 12.75%) as a result of a Free Risk Rate of 1.20% (previously 1.50%), a Beta Coefficient equal to the unit and Market Risk Premium unchanged at 11.25%.

We obtain an Enterprise Value of 83.2 million Euro and an **Equity Value of 10.73 Euro per share** (previously €11.66). Our recommendation is still to buy.

Cash Flow Model (K €)

	2020E	2021E	2022E	2023E	2024E
EBIT	740	1,656	3,976	8,095	13,382
Taxes	161	407	1,119	2,382	3,997
NOPAT	580	1,249	2,856	5,713	9,385
D&A	3,288	3,928	4,476	4,575	4,428
Capex	4,074	3,200	2,750	2,495	2,265
CNWC	693	748	1,721	1,182	-301
FOCF	487	2,725	6,303	8,975	11,247

Estimates: Banca Finnat

DCF Model Valuation (k €)

Perpetual Growth Rate (%)	1.25
WACC (%)	12.45
Discounted Terminal Value	62,369
Cum. Disc. Free Operating Cash Flow	20,822
Enterprise Value	83,191
Net financial position as of 30/06/2020	-2,806
Equity Value	80,385
No. Shares*	7,488,252
Value per share	10.73

Estimates: Banca Finnat; (*) net of treasury shares

WACC Calculation (%)

Risk free rate	1.20
Market risk premium	11.25
Beta (x)	1
Cost of Equity	12.45
WACC	12.45

Estimates: Banca Finnat

Historical recommendations and target price trend

Date	Rating	Target Price	Market Price
21.04.2020	Buy	11.66 €	6.28 €
24.10.2019	Buy	11.94 €	8.30 €
18.04.2019	Buy	11.00 €	5.16 €
21.02.2019	Buy	10.27 €	-

Key to Investment Rating (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)	2019	2020E	2021E	2022E	2023E	2024E
Sales revenue	13,949	16,041	21,386	28,230	37,828	50,188
<i>Domestic Cloud Licensing</i>	<i>1,685</i>	<i>1,765</i>	<i>1,906</i>	<i>1,957</i>	<i>1,873</i>	<i>2,008</i>
<i>Domestic Solution Sales</i>	<i>4,635</i>	<i>4,492</i>	<i>6,141</i>	<i>8,385</i>	<i>11,236</i>	<i>14,554</i>
<i>Professional Services</i>	<i>5,929</i>	<i>7,138</i>	<i>8,470</i>	<i>9,224</i>	<i>10,487</i>	<i>9,536</i>
<i>Vertical & Strategic Project</i>	<i>1,700</i>	<i>1,765</i>	<i>2,117</i>	<i>2,516</i>	<i>2,996</i>	<i>3,513</i>
<i>International sales</i>	-	<i>561</i>	<i>1,694</i>	<i>3,634</i>	<i>6,367</i>	<i>12,045</i>
<i>Health cloud</i>	-	<i>321</i>	<i>1,059</i>	<i>2,516</i>	<i>4,869</i>	<i>8,532</i>
Increased fixed assets for in-house work	2,010	3,850	3,000	2,550	2,295	2,066
Other revenue and income	1,549	-	-	-	-	-
VALUE OF PRODUCTION	17,508	19,891	24,386	30,780	40,123	52,253
Raw materials	59	53	58	62	68	75
Services	9,680	10,879	12,413	14,023	16,406	20,027
Third-party goods	306	698	747	792	831	881
Inventory var. for raw mat., subsid. and consumption	50	-	-	-	-	-
VALUE ADDED	7,413	8,261	11,168	15,903	22,817	31,270
Labour cost	3,440	3,785	5,124	6,959	9,565	12,750
Other operating expenses	405	448	461	492	582	711
EBITDA	3,568	4,028	5,584	8,452	12,670	17,810
Depreciation & Write downs	2,451	3,288	3,928	4,476	4,575	4,428
EBIT	1,117	740	1,656	3,976	8,095	13,382
Financial expenses (income)	101	205	300	245	155	58
Financial assets adjustments	33	-	-	-	-	-
PRE-TAX PROFIT	983	535	1,356	3,731	7,940	13,324
Taxes	36	161	407	1,119	2,382	3,997
<i>Tax rate (%)</i>	<i>3.66</i>	<i>30.00</i>	<i>30.00</i>	<i>30.00</i>	<i>30.00</i>	<i>30.00</i>
NET INCOME	947	375	949	2,611	5,558	9,327
Minorities	23	50	-	-	-	-
GROUP NET INCOME	924	325	949	2,611	5,558	9,327
BALANCE SHEET (Eur k)	2019	2020E	2021E	2022E	2023E	2024E
Group Shareholders Equity	14,245	14,589	15,254	17,105	20,929	27,439
NFP	-1,212	-909	1,182	6,480	13,566	21,938
FINANCIAL RATIOS (%)	2019	2020E	2021E	2022E	2023E	2024E
EBITDA margin	20.38	20.25	22.90	27.46	31.58	34.08
EBIT margin	6.38	3.72	6.79	12.92	20.18	25.61
Net margin	5.28	1.63	3.89	8.48	13.85	17.85
ROI	7.11	4.68	11.55	36.52	-	-
ROE	6.49	2.23	6.22	15.27	26.56	33.99
GROWTH (%)	2019	2020E	2021E	2022E	2023E	2024E
Value of production	48.73	13.61	22.60	26.22	30.35	30.23
EBITDA	5.97	12.90	38.62	51.36	49.92	40.57
EBIT	110.75	-33.73	123.71	140.09	103.62	65.31
Net income	119.48	-64.87	192.36	175.15	112.84	67.80
VALUATION METRICS*	2019	2020E	2021E	2022E	2023E	2024E
P/E	37.40	94.55	37.32	13.56	6.37	3.80
P/CF	10.42	9.67	7.26	5.00	3.50	2.58
P/BV	2.49	2.43	2.32	2.07	1.69	1.29
EPS	0.12	0.04	0.13	0.35	0.74	1.25
BVPS	1.94	1.99	2.07	2.32	2.83	3.70
CFPS	0.45	0.49	0.65	0.95	1.35	1.84
EV/SALES	2.63	2.26	1.60	1.03	0.58	0.27
EV/EBITDA	10.27	9.02	6.13	3.42	1.72	0.76
EV/EBIT	32.79	49.08	20.68	7.28	2.70	1.01

Source: Neosperience; Estimates: Banca Finnat; (*) net of treasury shares

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The research was conducted by **Stefania Vergati**, a financial analyst at Banca Finnat S.p.A. (“Banca Finnat” or “Bank”), authorised by Banca d’Italia to carry out banking activities pursuant to Leg. Dec. 385/1993 and provide investment services and activities pursuant to Leg. Dec. 58/1998. In carrying out its activities, Banca Finnat is subject to the regulation of Banca d’Italia and of CONSOB within their respective remits.

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