

NEOSPERIENCE

Double-digit growth with strong improvement in profitability

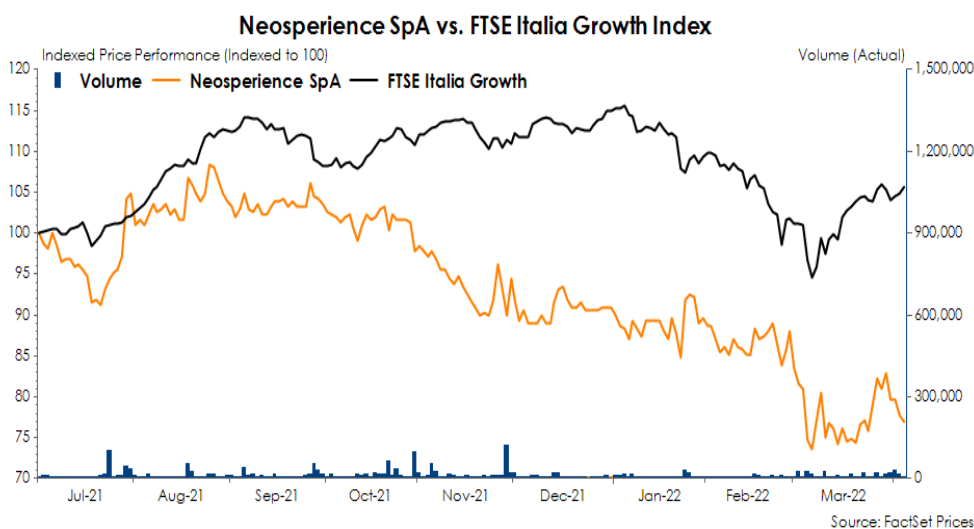
Sector: Technology

FY21 sales reached Euro 18.2 m, slightly below our expectations (+11% YoY). Neosperience, a leading Italian Tech Company specialized in Artificial Intelligence & Machine Learning, recently reported solid FY21 results, showing double-digit growth in top line and a more than proportional progression in margins. The Company delivered strong sales at Euro 18.2 m, up 11% YoY and slightly below our estimates (Euro 19.3 m), thanks to the acquisition of significant new customers, the contribution of new companies with expertise that have joined the Group and the increasing deployment of solutions based on the Neosperience Cloud platform.

Slightly increase in profitability despite significant capex during the year. EBITDA came in at Euro 5.9 m (vs. Euro 4.8 m in FY20) and EBITDA margin stood at 28.7%, in total correspondence with our projections and up 23% YoY: this significant improvement is largely due to the better use of the group's internal resources, which enhances the value of the acquisitions made and the consequent drop in external costs due to increased efficiency. EBIT was of Euro 1.5 m and recorded a substantial growth compared to previous year (+82%, vs. Euro 0.81 m). Net income, consequently, has grown by 90% (Euro 0.41 m in FY20) to Euro 0.78 m. On the balance sheet side, we see a Net Financial Position worst than expected (Euro 7.0 m vs. Euro 3.6 m estimated) mainly due to total investments of Euro 11.3 m and Euro 4.3 m cash-in from warrant conversion.

Continuing progression of "Empathy in Technology" mission. Of particular note, in the first few months of 2022, is the evolution of the system for detecting pathologies from the analysis of biometric data with Artificial Intelligence. The Group employs sophisticated Machine Learning techniques that are gradually being incorporated into the Neosperience Health Cloud platform. The latter, also thanks to the support of the NRRP plan, is destined to provide a key contribution to the world of public and private healthcare, assisting remote diagnosis and AI-assisted telemedicine, as well as improving the care of chronic patients and the elderly, reducing costs for the community.

Estimates revision and TP update. Given the above and on the back of FY21 results, we finetuned our revenue forecast now assuming Euro 23 m in FY22 (Euro 26.4 m previously) and slightly decrease our EBITDA margin (now 28% in FY22 and 29% in FY23 vs 28% and 30% previously). Based on our updated estimates and peers' multiple re-rating (c. -15% since our last report), we updated our target price to Euro 11.75 p.s. (11.66 pr.) providing for an upside on current stock price of 150%. The stock is currently trading at FY22E/23E EV/EBITDA multiples of 8.4x and 5.2x at an average discount of 25% to peers. At our target price the stock would be trading at 15.2x and 12.1x respectively.



Target Price **11.75 (11.66 pr.)**

Price (€ m) **4.7**

Market Cap (€ m) **42.3**

EV (€ m) **49.3**

As of April 11th, 2022

Share Data

Market	Euronext Growth Milan
Reuters/Bloomberg	NSP.MI/NSP:IM
ISIN	IT0005351496
N. of Shares	8,722,161
Free Float	54.81%
Main Shareholder	Neos S.r.l.

Financials

	2020A	2021A	2022E	2023E
Sales	16.4	18.2	23.0	28.5
YoY %	12%	11%	27%	24%
EBITDA	4.8	5.9	7.2	9.0
EBITDA %	25%	29%	28%	29%
EBIT	0.8	1.5	2.6	4.2
EBIT %	4.2%	7%	10%	14%
Net Income	0.4	0.8	1.5	2.7
Net Debt	5.5	7.0	4.8	0.4

Performance

	1M	3M	6M
Absolute %	0.4	-13.4	-25.5
Relative (FTSE Italia Growth)	-2.5	-12.6	-22.9
52-week High/Low (Eu)	6.9	/	4.4

Edoardo Fumagalli

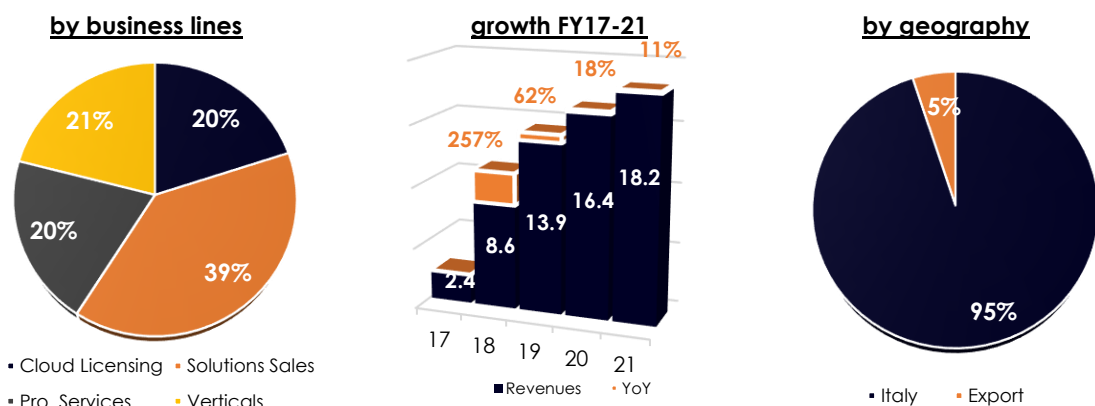
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KEY FINANCIALS

	2019A	2020A	2021A	2022E	2023E
Profit&Loss Statement					
Revenues (VoP)	17.5	19.6	20.7	25.5	31.0
EBITDA	3.6	4.8	5.9	7.2	9.0
EBIT	1.1	0.8	1.5	2.6	4.2
Financial Income (charges)	(0.1)	(0.1)	(0.4)	(0.4)	(0.4)
Pre-tax profit (loss)	1.0	0.9	1.1	2.2	3.8
Taxes	(0.0)	(0.5)	(0.3)	(0.6)	(1.2)
Net profit (loss)	0.9	0.4	0.8	1.5	2.7
Balance Sheet					
Net working capital (NWC)	3.4	4.4	5.6	6.1	6.4
Net fixed assets	13.0	19.0	25.9	23.9	22.4
M/L Funds	(0.6)	(1.1)	(1.3)	(1.3)	(1.3)
Net Capital Employed	15.8	22.3	30.2	28.9	27.6
Net Debt	1.3	5.5	7.0	4.8	0.4
Minorities	0.3	0.7	0.6	0.4	1.0
Equity	14.2	16.0	22.6	23.8	26.2
Cash Flow					
Net Profit	947.8	411.9	779.4	1,549.0	2,692.1
Non cash items	142.4	517.0	215.6	0.0	0.0
Change in Working Capital	(1,113.0)	(991.0)	(1,247.1)	(460.3)	(352.8)
Cash Flow from Operations	(22.8)	(62.1)	(252.1)	1,088.7	2,339.2
Capex	(9,289.0)	(9,972.0)	(11,351.1)	(2,594.4)	(3,373.0)
Operating Free Cash Flow	(9,311.8)	(10,034.1)	(11,603.2)	(1,505.7)	(1,033.8)
Acquisitions					
Dividend					
Other (equity)					
Free Cash Flow	(9,311.8)	(10,034.1)	(11,603.2)	(1,505.7)	(1,033.8)
Per Share Data					
Current Price	4.68				
Total shares out fully diluted (mn)	8.72				
EPS	0.1	0.0	0.1	0.2	0.3
FCF	(1,067.6)	(1,150.4)	(1,330.3)	(172.6)	(118.5)
Pay out ratio	0%	0%	0%	0%	100%
Ratios					
EBITDA margin	20.4%	24.7%	28.7%	28.2%	29.2%
EBIT margin	6.4%	4.2%	7.1%	10.1%	13.7%
Net Debt/Equity	9.3%	34.5%	30.9%	20.2%	1.5%
Net Debt/(Net Debt + Equity)	8.5%	25.6%	23.6%	16.8%	1.5%
Net Debt/EBITDA	0.37	1.14	1.17	0.67	0.04
Interest cover EBIT	10.67	7.85	3.90	6.45	10.61
ROE	6.7%	2.6%	3.4%	6.5%	10.3%
ROCE	7.3%	6.0%	6.0%	11.1%	19.6%
Free Cash Flow Yield	n.m.	n.m.	n.m.	n.m.	n.m.
Growth Rates					
Revenues (VoP)	-	12%	6%	23%	22%
EBITDA	-	35%	23%	21%	26%
EBIT	-	-27%	81%	74%	64%
Net Profit	-	-57%	89%	99%	74%

Source: Group Consolidated Data & PMI Capital Research Estimates

Revenue breakdown



Source: Consolidated Group datas

Estimate revision – Euro m

	2020A	2021A	2022E Old	2022E New	2023E Old	2023E New
Sales	16.4	18.2	26.4	23.0	34.3	28.5
yoy	+17%	+11%	+25%	+27%	+30%	+24%
Revenues (VoP)	19.6	20.7	29.4	25.5	37.3	31.0
yoy	+12%	+6%	+31%	+23%	+27%	+22%
EBITDA	4.8	5.9	8.2	7.2	11.1	9.0
yoy	+35%	+23%	+39%	+21%	+36%	+26%
EBIT	0.8	1.5	4.0	2.6	6.8	4.2
yoy	-27%	+81%	+128%	+74%	+72%	+64%
Pre tax profit	0.9	1.1	3.8	2.2	6.6	3.8
Net Profit	0.4	0.8	2.8	1.6	4.6	2.7

	2020A	2021A	2022E Old	2022 New	2023 Old	2023 New
Net Working Capital (NWC)	4.4	5.6	5.7	6.1	6.9	6.4
Fixed net assets	18.9	25.9	16.7	24.8	15.5	22.8
Funds	(1.1)	(1.3)	(1.2)	(1.3)	(1.2)	(1.3)
Net Capital Employed	22.3	30.2	21.2	29.6	21.3	27.9
Net Financial Position (Cash)	2.9	7.0	0.4	4.8	(4.2)	0.4
Total Equity	6.7	23.2	20.8	24.8	25.5	27.5
Sources	9.6	30.2	21.2	29.6	21.3	27.9

Source: Company Data and PMI Capital Research Estimates

VALUATION UPDATE

Valuation Summary

Method	Weight	Price (Eu p.s.)	Equity Value (Eu m)
Multiple analysis EV/EBITDA, P/E 22/23 and Peers	50%	14.85	129.52
DCF (WACC 8.1% and g 1.0%)	50%	8.65	75.479
Target Price	100%	11.75	102.5

Source: PMI Capital Research Estimates

Multiples Comparison

International Peers	Ticker	Market Cap	Price	Sales 2022E	EBITDA 2022E %	2021A-2023E CAGR			
						Sales	EBITDA %	EBIT %	Net Income
Adobe Inc.	ADBE-US	188,376	398.7	16,384.5	38.8%	16.1%	14.9%	15.3%	13.8%
Salesforce.Com Inc.	CRM-US	177,568	179.4	29,446.9	20.5%	20.5%	20.6%	27.7%	15.4%
Gartner Inc.	IT-US	21,808	265.0	4,826.3	18.5%	14.7%	-1.0%	-0.8%	-4.7%
Digital360	DIG-IT	88	4.6	46.4	20.6%	21.0%	24.5%	35.6%	36.3%
SALTUX	304100-KR	101	9.9	n.a.	6.2%	n.a.	n.a.	n.a.	n.a.
Hubspot	HUBS-US	19,843	417.1	1,584.9	-1.3%	33.2%	38.8%	41.6%	42.9%
IFCA MSC	0023-MY	40	0.1	n.a.	19.2%	n.a.	n.a.	n.a.	n.a.
Reply SpA	REY-IT	5,361	143.3	1,737.7	15.1%	13.9%	11.4%	13.4%	13.8%
Entersoft	ENTER-GR	165	5.5	n.a.	33.6%	n.a.	n.a.	n.a.	n.a.
Appier Group, Inc.	4180-JP	760	7.5	127.8	-12.9%	34.0%	455.2%	n.a.	n.a.
Sidetrade SA	ALBFR-FR	192	133.5	38.7	7.8%	20.2%	3.2%	0.0%	-2.7%
Sema4 Holdings Corp	SMFR-US	587	2.4	248.5	-127.1%	46.1%	-0.2%	-16.1%	-2.4%
Sikri Holding AS	SIKRI-NO	185	9.8	87.2	21.8%	n.a.	n.a.	n.a.	n.a.
Average		31,929	121	5,453	5%	24.4%	63.0%	14.6%	14.1%
NEOSPERIENCE		42.28	4.7	22,964	28.2%	25.24%	23.36%	69.38%	85.86%

Source: FactSet data as of April 11th, 2022 and PMI Capital Research Estimates for NEOSPERIENCE

International Peers	EV/EBITDA			P/E		
	21A	22E	23E	21A	22E	23E
Adobe Inc.	40.7	23.9	20.8	34.8	31.8	27.0
Salesforce.Com Inc.	29.0	19.9	17.1	40.9	41.9	33.8
Gartner Inc.	24.3	25.8	22.7	31.3	40.3	34.1
Digital360	12.2	9.4	7.6	28.8	23.9	18.2
SALTUX	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Hubspot	187.6	95.3	69.8	249.8	190.0	134.5
IFCA MSC	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Reply SpA	24.7	17.3	15.8	35.7	30.7	27.4
Entersoft	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Appier Group, Inc.	2821.4	224.8	65.0	n.m.	n.m.	810.8
Sidetrade SA	30.6	47.9	28.7	40.2	88.1	42.3
Sema4 Holdings Corp	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.
Average	396.3	58.0	30.9	65.9	63.8	141.0
NEOSPERIENCE	9.86	8.39	5.18	74.3	27.0	15.5

Source: FactSet data as of April 11th, 2022 and PMI Capital Research Estimates for NEOSPERIENCE

EGM Peers	Ticker	Market Cap	Price	Sales 2022E	EBITDA 2022E %	2021A-2023E CAGR			
						Sales	EBITDA %	EBIT %	Net Income
Doxee	DOX-IT	96	12	29.2	24.5%	14.9%	23.2%	30.3%	29.0%
Expert.ai	EXAI-IT	69	1	40.8	-12.6%	32.9%	n.a.	-53.7%	-38.4%
Relatech	RLT-IT	85	2	45.0	12.2%	24.2%	29.1%	35.4%	26.5%
Defence Tech Holding SpA	DTH-IT	126	5	24.3	7.1%	22.7%	28.8%	27.4%	20.3%
Almawave SpA	AIW-IT	115	4	44.0	20.1%	27.5%	21.4%	20.2%	18.2%
Average		98	5	37	10%	24.4%	25.6%	11.9%	11.1%
NEOSPERIENCE		42.28	4.7	22,964	28.2%	25.24%	23.36%	69.38%	85.86%

Source: FactSet data as of April 11th, 2022 and PMI Capital Research Estimates for NEOSPERIENCE

EGM Peers	EV/EBITDA			P/E		
	21A	22E	23E	21A	22E	23E
Doxee	15.2	11.3	9.4	33.8	25.7	21.8
Expert.ai	n.a.	n.a.	9.0	n.a.	n.a.	n.a.
Relatech	11.0	8.4	6.6	18.5	16.0	12.8
Defence Tech Holding SpA	17.6	11.1	9.1	31.2	27.9	23.3
Almawave SpA	n.a.	n.a.	19.5	29.2	30.4	23.6
Average	14.6	10.3	10.7	28.2	25.0	20.4
NEOSPERIENCE	9.86	8.39	5.18	74.3	27.0	15.5

Source: FactSet data as of April 11th, 2022 and PMI Capital Research Estimates for NEOSPERIENCE

INDUSTRY COMPARISON

Neosperience Spa (NSP-IT): PMI Capital Research estimates and Factset Data

EGM Sector: average data for listed on EGM included in the Technology sub sector: Almwave (AIW-IT), Circle (CIRC-IT), CY4gate (CY4-IT), Cyberoo (CYB-IT), Datrix (DATA-IT), Defence Tech Holding (DTH-IT), DHH (DHH-IT), Digital Value (DGV-IT), Doxee (DOX-IT), Eles (ELES-IT), Esautomotion (ESAU-IT), Expert.ai (EXAI-IT), Finlogic (FNL-IT), FOS (FOS-IT), Growens (GROW-IT), Jonix (JNX-IT), MAPS (MAPS-IT), Matica Fintec (MFT-IT), MeglioQuesto (1CALL-IT), Neosperience (NSP-IT), Neurosoft (NRST-IT), OSAI Automation System (OSA-IT), Powersoft (PWS-IT), Prismi (PRM-IT), REEVO (REEVO-IT), Relatech (RLT-IT), Reti (RETI-IT), Sofftec (YSFT-IT), Sourcesense (SOU-IT), Tecma Solutions (TCM-IT), Vantea Smart (VNT-IT), Vetrya (VTY-IT), Websolute (WEB-IT).

Industry Peers: average data for a selected group industrial peers (see tables above)

Euronext Growth Milan: average financial and market data for all the companies listed on EGM, reported price performance data are related to the FTSE Italia Growth Index.

	NSP-IT	Technology	XS0072	
	NEOSPERIENCE	EGM Sector	Peers Avg	FTSE Italia Growth
Key financials (Euro m)				
Revenues	18.2	44.4	7,450	36.0
EBITDA	5.9	6.4	2,615	4.2
EBITDA %	32.5%	14.4%	35.1%	11.7%
EBIT	1.5	4.2	2,010	7.9
EBIT %	8.2%	9.6%	27.0%	22.1%
Earnings	0.8	2.3	1,741	0.7
Earnings %	4.2%	5.2%	23.4%	1.8%
NFP	7.0	-0.4	176	3.4
NFP/EBITDA	1.2	-0.1	0.1	0.8
FY18-20 Revenues CAGR	38%	13%	35%	4%
FY20-22 Revenues CAGR	18%	26%	19%	28%
Market data				
Market Cap Euro m	41.8	81.4	12,597	57.5
EV Euro m	48.8	81.1	70,580	59.2
Free Float	54.81%	37.67%	81.96%	32.20%
ADTT YTD (Eu k)	60,825	65,724	1,273,492,699	60,787
Market Multiples				
EV/Sales 2022	2.1	2.2	6.6	1.7
EV/Sales 2023	1.7	1.7	5.6	1.4
EV/EBITDA 2022	8.4	10.1	32.0	13.7
EV/EBITDA 2023	5.2	8.6	25.7	7.9
EV/EBIT 2022	18.9	14.1	43.2	15.8
EV/EBIT 2023	11.5	10.2	33.2	9.4
P/E 2022	27.0	20.9	59.5	24.1
P/E 2023	15.5	14.7	45.7	18.2
Earnings Yield	3.7%	4.8%	1.7%	4.2%
Stock Performance				
1D	-3.1%	-0.3%	-1%	0.3%
1W	-5.9%	-0.6%	-4%	0.2%
1M	-2.3%	4.9%	5%	5.5%
3M	-14.2%	-10.2%	-8%	-7.1%
6M	-25.5%	-7.1%	-12%	-3.3%
YTD	-16.7%	-14.6%	-16%	34.0%
1Y	-25.5%	17.3%	14%	19.5%

Source: FactSet and PMI Capital data as of April 11th, 2022, Group data and PMI Capital Research estimates for NEOSPERIENCE

NEOSPERIENCE IN BRIEF

Group Description

Neosperience is a leading Italian Tech Company specialized in Artificial Intelligence & Machine Learning applied to Customer Analytics, to assist and improve decision making. The Company was founded in Brescia in 2006 by Dario Melpignano and Luigi Linotto, currently holding the positions of Chairman & CEO and Executive Vice President respectively. Over the last decade Neosperience developed the first AI-based customer data platform that uses Machine Learning and Deep Learning models: Neosperience Cloud is based on several, scalable and ready-to-use proprietary solutions, each of which responds to a specific need in the customers' digital transformation process, using psychographics to improve customer engagement.

Thanks to an experienced team of approximately 180 people including engineers, psychologists, computer scientists and data scientists, with an investment of time and resources of over 100 years/man and over 20 years of experience in AI technologies, Neosperience support companies in their digital transformation with a proven set of technology solutions and services that are tailored to each client's needs and help to infuse empathy in relationship with customers, business partners distribution networks and thereby increase revenues and improves operations processes and profitability.

Innovation

- Over the last decade Neosperience has developed the first AI-based customer data platform that uses Machine Learning and Deep Learning models. Neosperience Cloud is based on several, scalable and ready-to-use proprietary solutions, each of which responds to a specific need in the customers' digital transformation process, using psychographics to improve customer engagement. The platform is offered to customers with an "as-a-service" licence, providing for an high level of recurring revenues and visibility. (c. Euro 10 m in FY20).
- Neosperience has decided to set up three distinct business units dedicated to Healthcare, Fintech and Industry 4.0 with focused staff. These units will be able to evolve into real autonomous companies if a partner expert in the specific sector is identified (like, i.e., "Neosurance Srl", "BikEvo Srl and WizKey Srl in 2018). Neosperience will be able to bring the technological knowledge and the partner will bring the know-how, the network of commercial contacts and the experience of the sector.

Strategy

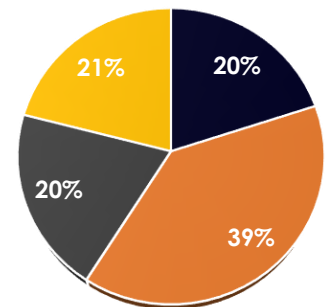
- Consolidation of the group's competitive positioning in the reference market:** as the Neosperience Cloud platform was developed on a state-of-the-art software architecture, it is strongly customisable and heavily scalable;
- International expansion:** as of today, the group generates almost 100% of its revenues in Italy. Neosperience plans to expand its business mainly in the US, the German-speaking area and the Asia-Pacific region (mainly China) where the market of software solutions supporting digital transformation is buoyant;
- M&A opportunities:** the reference market is highly fragmented with a plethora of micro and small-sized actors;
- Establishment of start-ups in selected niches:** Neosperience has identified several promising industries where the Digital Customer Experience is a crucial competitive edge, such as Healthcare, Fintech, Insuretech, Legaltech, Sportech and Industry 4.0.

Management & Group Structure

The board of Directors is composed of 6 members, one of who is an independent director:

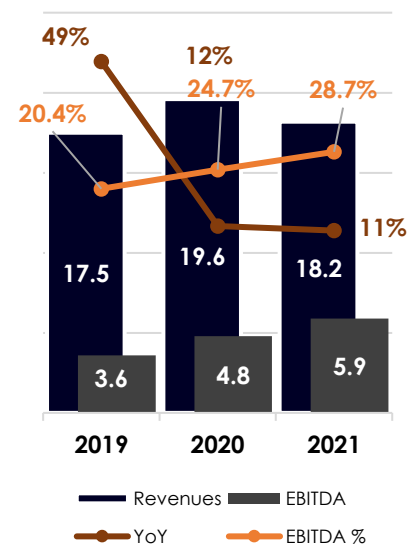
- Dario Melpignano** - Founder, President and CEO
- Luigi Linotto** - Founder and Executive Vice President
- Lorenzo Scaravelli** - Investor Relations and Corporate Development
- Severino Meregalli** - Independent Director
- Matteo Linotto** - Director
- Laura Patrini** - Director

Revenues breakdown by segment



- Cloud Licensing
- Solutions Sales
- Pro. Services
- Verticals

Revenues & EBITDA evolution



NEOSPERIENCE ON EURONEXT GROWTH MILAN

IPO

Trading Market: Euronext Growth Milan
Date: February 20th, 2019
Price: Euro 3,42
Capital raised: Euro 4,1 m
Capitalisation: Euro 22,11 m

SHARES (as of April 11th, 2022)

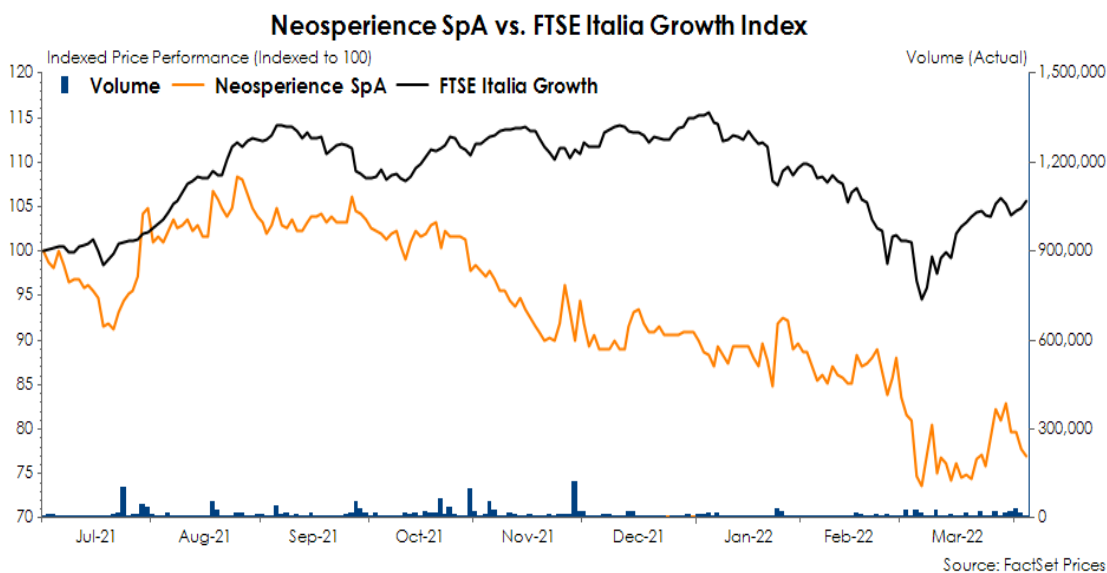
Code: NSP
Bloomberg: NSP:IM
Reuters: NSP.MI
ISIN: IT0005351496
Shares: 8.722.161
Price: Euro 4.70
Performance from IPO: +%
Capitalisation: Euro 42.28 m
Free Float: 54.81%
EGA: CFO Sim
Auditing firm: BDO Italia SpA

Shareholder	%
Neos S.r.l.*	39.01%
Lock-up Shares	6.18%
Free Float	54.81%
Total	100.00%

Source: Group website

*Company 50% owned by Dario Melpignano, 24.81% by Luigi Linotto and 25.19% by Matteo Linotto.

STOCK PERFORMANCE



DISCLAIMER

UPDATES: This Research is an update coverage made by IR Top Consulting S.r.l. (IR Top) on Neosperience SpA (the "Company"). Update frequency might depend on circumstances considered to be important (corporate events and changes of recommendation, etc.) or on further advisory commitment. Last Research on the same Company was released on 24 January 2021. Opinions and estimates of this Research are as the date of this material and are subject to change. Information and opinions have been obtained from sources public and believed to be reliable, but no warranty is made as to their accuracy or correctness. Past performances of the Company are not guarantee of future results. During the last 12 months, the following indications have been disseminated:

Date	Target Price	Market Price	Validity Time
11 April 2022	11.75	4.70	12 months
24 January 2022	11.66	5.40	12 months

VALUATION METHODOLOGY (HORIZON: 12M): IR Top obtained a fair value using different valuation methodologies including Discounted Cash Flow method and Multiple-based models. Moreover, IR Top used a proprietary model, "EGM Positioning rating", which incorporates a number of variables selected by IR Top based on research of "Osservatorio EGM", managed by IR Top and focused on research about performance of Companies listed on Euronext Growth Milan.

Detailed information about the valuation or methodology and the underlying assumptions and information about the proprietary model used is accessible at IR Top premises.

RESEARCH TEAM:

Edoardo Fumagalli (Analyst, AIAF Associated)

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