![BANCA FINNAT]

RECOMMENDATION
BUY

Target Price
€ 11.00**

Price as of 18/04/2019
€ 5.16

NEOSPERIENCE

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

Market Capitalisation:	€ 33,352,434
Number of shares*:	6,463,650
Shareholders Equity 2018:	€ 4,512,672
Outstanding warrants (1:1)*:	1,206,500

*See page 9; **after dilution due to exercise of warrants*

**Equity Research
Department**

Gian Franco Traverso Guicciardi (AIAF)
Tel. +39 0669933.440
Tatjana Eifrig
Tel. +39 0669933.413
Stefania Vergati
Tel. +39 0669933.228
E-mail: ufficio.studi@finnat.it

New link between empathy and digital

- 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 Group has confirmed the opening of its first branch abroad, in the USA, by July 2019. Other sales branches are expected to open in the United Kingdom and Germany by the end of the year.
- Neosperience has been chosen as a "case study" by *Amazon Web Services* as one of its main clients using the *Kinesis Video Streams* service.
- The company launched new solutions at the beginning of the year, including *People Analytics*, *NeosVoc* and *Image Memorability*.
- 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 1.7 million Euro estimated for the end of 2019 to 10.2 million Euro 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	2,537	3,554	5,795	8,414	14,522
Group net income	421	1,703	2,443	4,035	5,893	10,201
Cash Flow	3,267	2,981	3,849	5,394	7,258	11,226
NFP	-3,465	3,620	5,309	9,514	16,813	26,355
ROE	9.48	15.91	20.39	26.64	29.89	38.13

*Source: Neosperience; Estimates: Banca Finnat*

Reference Market

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

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

The reference market for the Neosperience offer is digital.

In Italy this market achieved sales of 33,830 million Euro in the first half of 2018, a 2.5% increase on the same period of 2017. Growth in the digital market was mainly driven by the *"Digital content and advertising"* sector (up 8.1% to 4,405 million Euro in sales), *"Software and ICT solutions"* (up 8.4% to 3,292 million Euro), "*ICT Services*" (up 4.5% to 5,613 million Euro) and "*Devices and systems*" (up 1.7% to 8,904 million Euro). However, the *"Network services"* sector fell (by 1.4% to 11,616 million Euro).
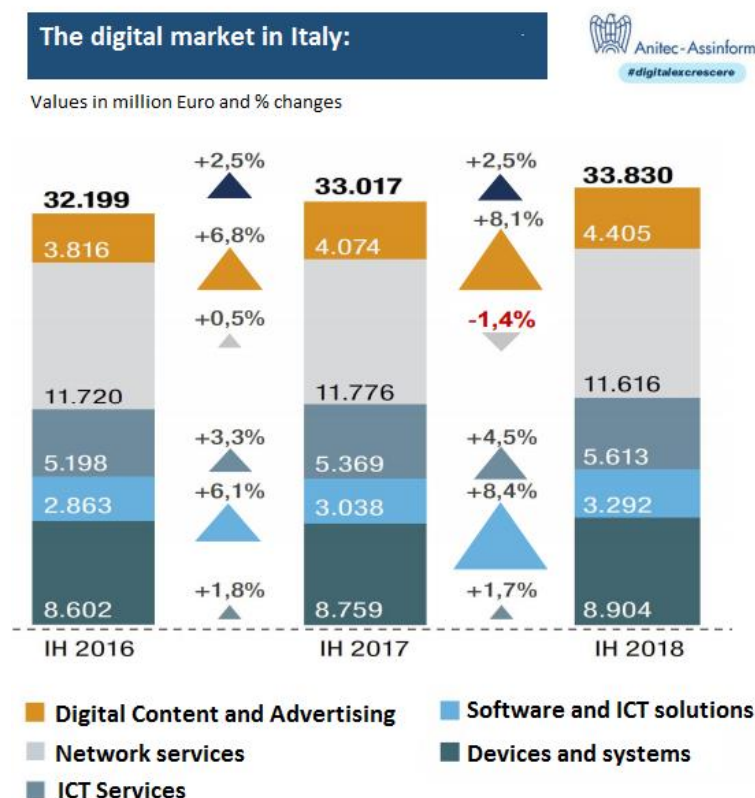
Source: NetConsulting cube, September 2018

The digital market is expected to grow at an average annual rate of 2.73% in the period 2017-2020, reaching 74,523 million Euro by the end of the forecast period. In particular, the *Digital content and advertising* sector is estimated to grow at an average annual rate of 7.7% to 12,956 million Euro in sales by 2020. *ICT Services* is forecast to reach 12,898 million Euro in 2020 (CAGR 2017-2020 of 5.3%) while *Software and ICT solutions* is estimated to grow at an average annual rate of 7.3%, with sales of 8,196 million Euro at the end of the forecast period.

Devices and systems is expected to rise to 19,544 million Euro in sales (CAGR 2017-2020 of 2.2%), while sales from *Network services* are expected to fall (CAGR 2017-2020 -2.2%) to 20,929 million Euro in 2020.

Source: NetConsulting cube, September 2018
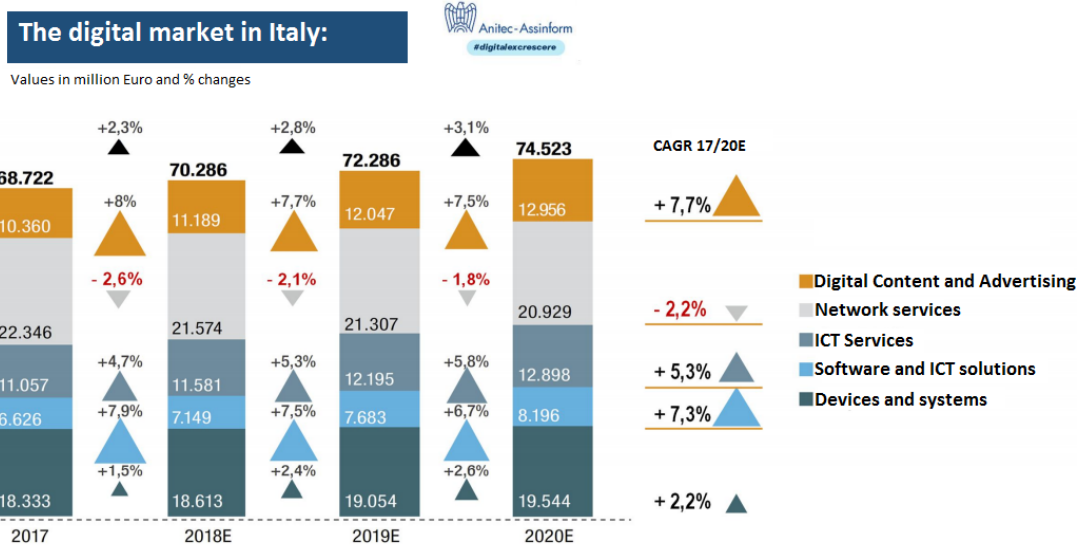
In relation to different sectors, the digital market in Italy is forecast to grow at an average annual rate (2017-2020) of 6% in the industrial sector (2017 market value at 7.6 million Euro), 4.6% in banking (7.3 million Euro), 5.8% in utilities (1.7 million Euro), 4.8% in insurance (2 million Euro), 4.9% in transportation (2.5 million Euro) and 5.2% in distribution (4.5 million Euro).

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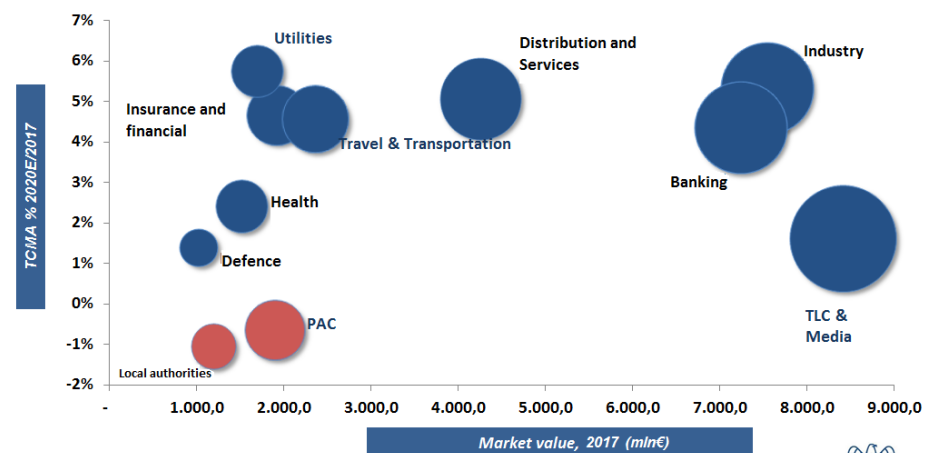
Neosperience's business is also positioned in the new *"Digital Customer Experience"* market, defined as the customer's perception and related feelings arising from the interactions with a company through a smartphone and other digital devices. It begins with an analysis of data *(Big Data)* from purchasing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

Content becomes more of an experience and is more relevant and personalised the more users interact and develop a relationship with the promoted brand.

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

1 Increase brand value

Companies must innovate the customer experience by overcoming the complexity and fragmentation of digital tools and channels

2 Reach the end customer directly

They must accelerate the transformation towards new marketing systems and processes and digital-driven sales.

3 Involve the customer

Consider the smartphone as the main channel in the relationship with customers

4 Customer retention

Identify and understand customer behaviour to interact effectively when and where necessary

5 Create empathy with AI and psychographics

Reinforce the relationship with the customer whilst complying with all privacy laws
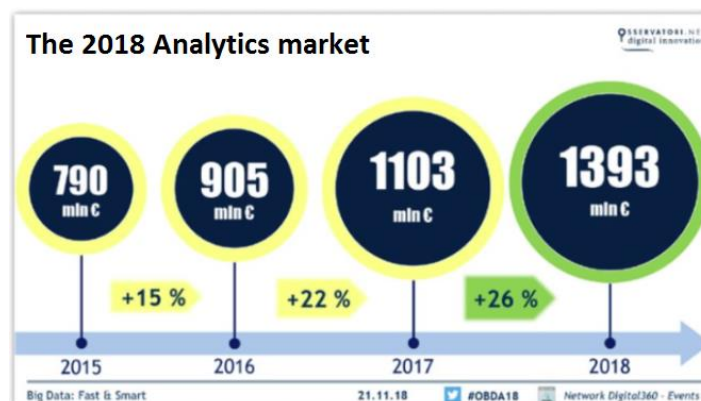
The Age of the Customer

Source: Neosperience

Two of the competitive advantages generated by investments in the Digital Customer Experience are increased sales and customer retention; a reduction in customer losses and greater sales opportunities thanks to positive word of mouth.

Analytics can aid automation in non-strategic decisions and interactions, boosting segmentation and micro-targeting activities in marketing and reducing the complexity of consent processes and the risks associated with each initiative.

In *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%).

The 2018 Analytics market

790 mln €	905 mln €	1103 mln €	1393 mln €
2015	2016	2017	2018
	+15 %	+22 %	+26 %

Big Data: Fast is Smart   21.11.18   #OBDA18   Network Digital360 - Events

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.
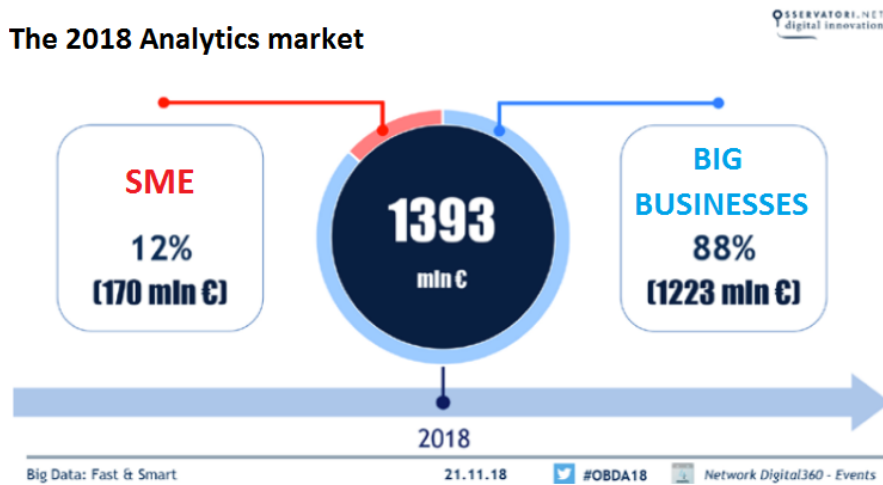

In terms of investments in *Big Data & Analytics,* 45% went to software (databases, tools and applications for acquiring, viewing and analysing data), 34% to services (activities associated with the customisation of software, integration with company information systems and the redesign of processes) 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%).
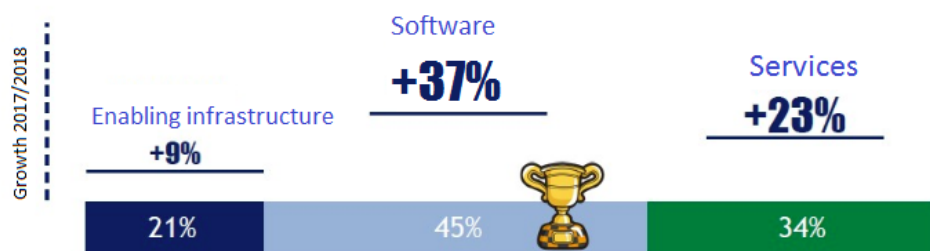
Source: Osservatorio Big Data Analytics & Business Intelligence, 2018

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 2018 Analytics market by sector
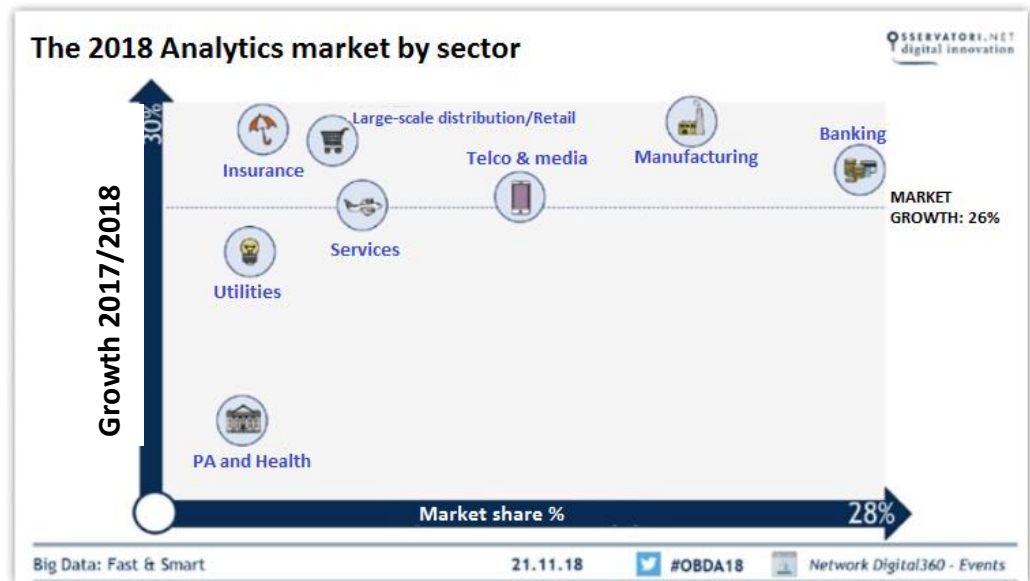
The implementation of the new GDPR *(General Data Protection Regulation,* the new EU regulation on personal data processing and privacy introduced in 2018*)* had an impact on *Big Data & Analytics* in terms of action taken by companies and implications on projects and on new internal policies for data 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 the Empathic Artificial Intelligence segment
($ bln)
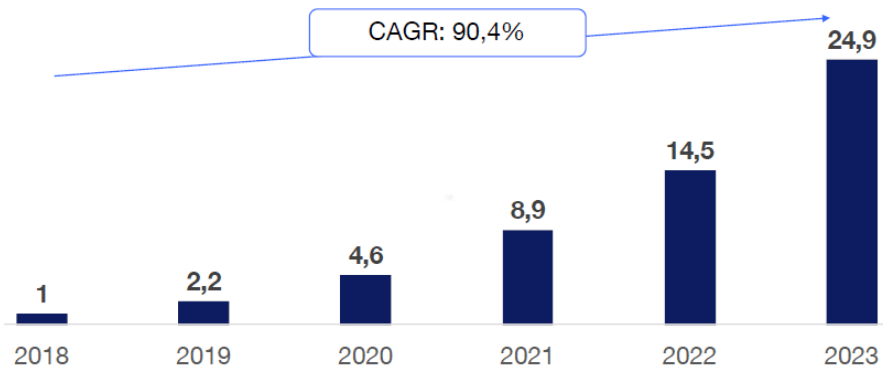
Source: The Next Web 2018

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 price of Euro 3.42, provides a software platform called "*Neosperience Cloud*", which enables companies to know, involve and retain their customers using artificial intelligence. AI enables them to offer personalised, relevant experiences that boost the value of the promoted brand.
This software consists of a set of application modules able to forge empathetic relationships that take account of the uniqueness of each customer.
The application modules use artificial intelligence to get to know each customer and adapt the experience to his/her emotional characteristics.

The Group currently operates in Italy but is expecting to open its first branch in the USA by July 2019. Other sales branches are expected to open in the United Kingdom and Germany by the end of the year.

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

- 100% *Neosperience Lab Srl* designs research and development projects and IT solutions for process and product innovation.

- 55% *Neos Consulting Srl* operates as an organisational and industrial consultancy firm and uses information systems as a platform to enable clients to manage the change and engineer their processes.

- 50.2% *Somos Srl* provides consultancy and applicative development with innovative technologies in web and IoT, with a focus on the transportation market.

- 38% *Neosurance Srl* is an *AI Insurance Platform* that offers innovative solutions for communities and insurance companies worldwide, enabling them to offer short-term micro-policies and a low unit cost.

- 40.4% *BikEvo Srl* is a community and app aimed at amateur cyclists that offers customised services such as "*Bike Personal Coach*", a virtual coach on a par with professional trainers.

- 16.4% *WizKey Srl* is an application platform developed from the web console and from Neosperience Cloud's infrastructure modules for credit trading with blockchain designed to modernise the credit securitisation market through *smart contracts*.
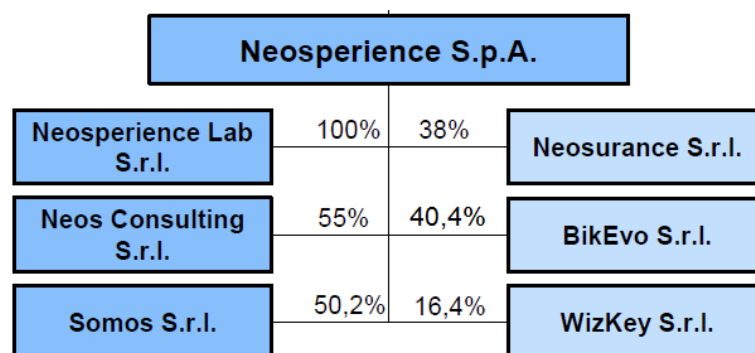
Source: Neosperience

Neosperience's capital, currently equal to 646,365 Euro, is made up of 6,463,650 shares and is 54.19% owned by Neos Srl, 26.86% by other partners and 3.61% by Vetrya. The remaining 15.05% is floated on the market. The company also holds 0.29% treasury shares (18,950 shares).
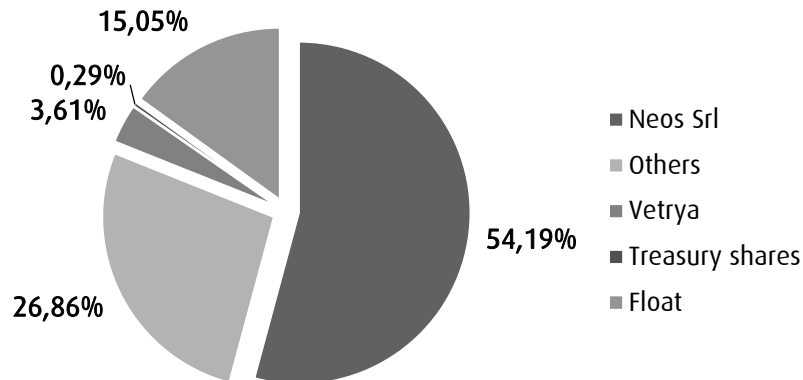
Source: Neosperience

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:
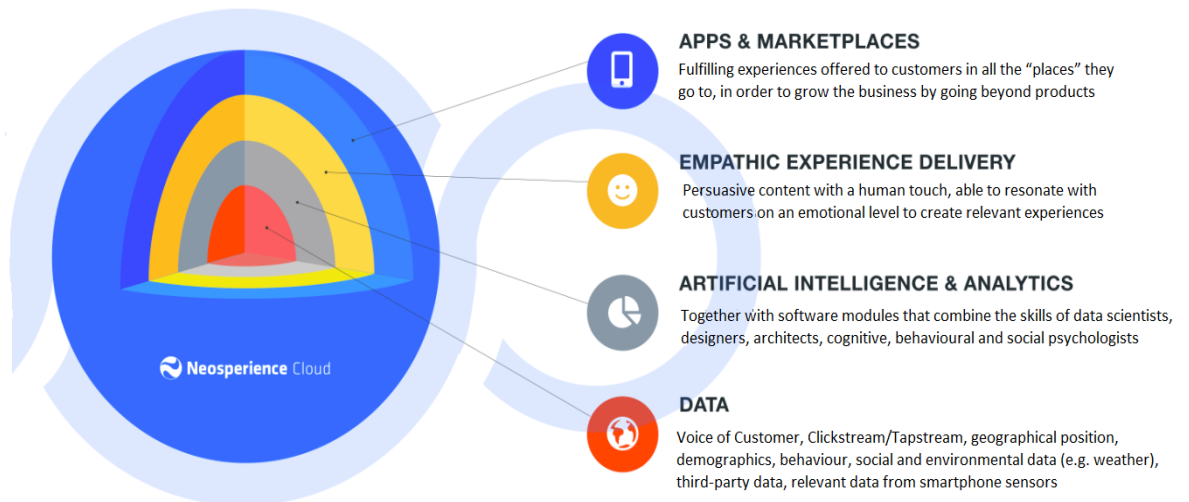
- First exercise period: between 15 and 30 November 2019 at a subscription price for each converted share of 3.77 Euro.
- Second exercise period: between 15 and 30 November 2020 at a subscription price for each converted share of 4.15 Euro.
- Third exercise period: between 15 and 30 November 2021 at 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 warrants) can be exercised at the end of November 2019. Therefore, following this assumption, Neosperience's capital should rise by Euro 1,516,169.
We therefore hypothesise a total number of shares "diluted" after the exercise of warrants of 6,865,817.

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.

APPS & MARKETPLACES
Fulfilling experiences offered to customers in all the "places" they go to, in order to grow the business by going beyond products

EMPATHIC EXPERIENCE DELIVERY
Persuasive content with a human touch, able to resonate with customers on an emotional level to create relevant experiences

ARTIFICIAL INTELLIGENCE & ANALYTICS
Together with software modules that combine the skills of data scientists, designers, architects, cognitive, behavioural and social psychologists

DATA
Voice of Customer, Clickstream/Tapstream, geographical position, demographics, behaviour, social and environmental data (e.g. weather), third-party data, relevant data from smartphone sensors

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.
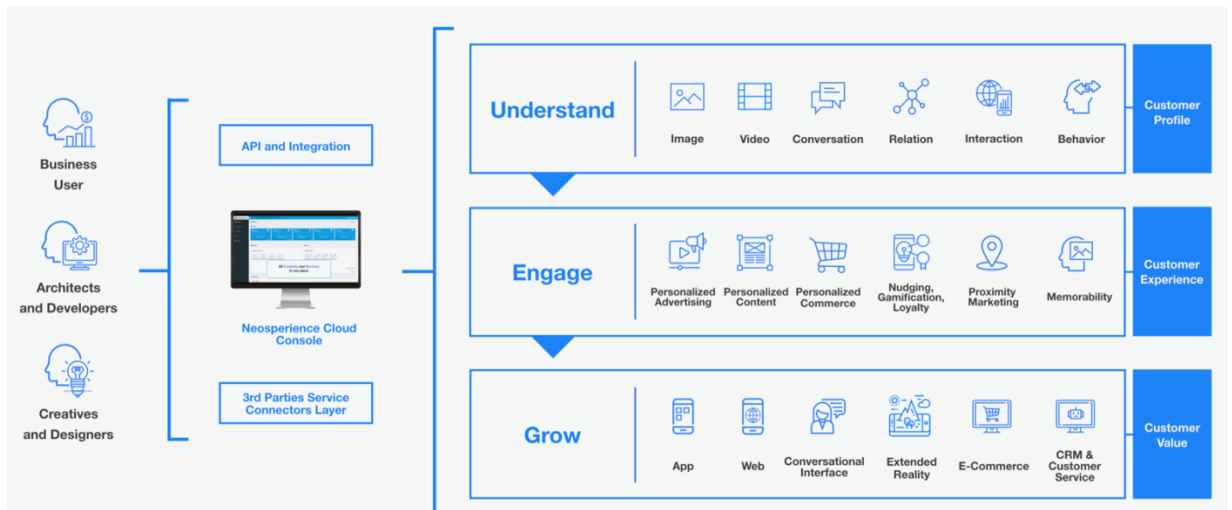
Source: Neosperience

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.
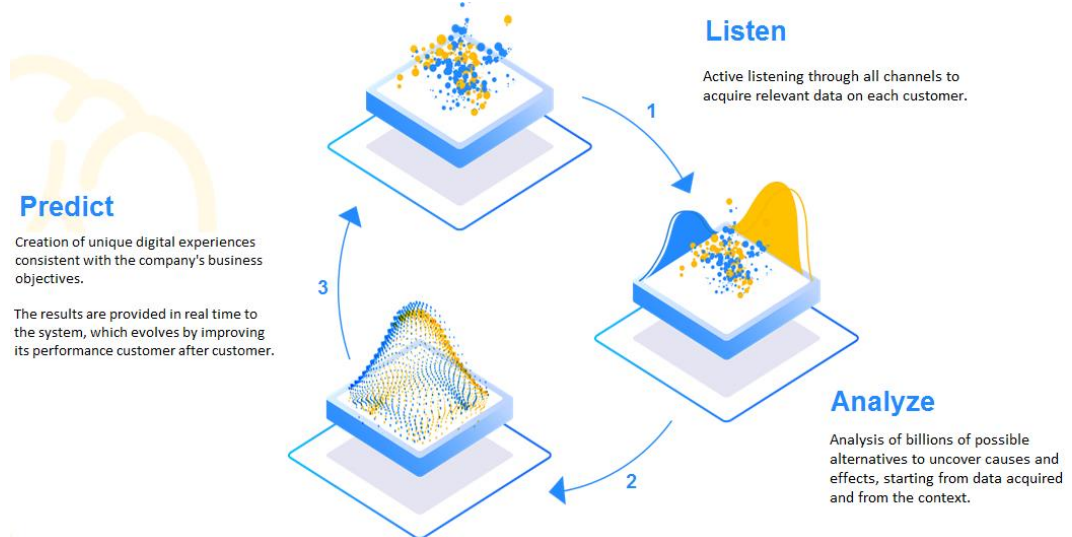
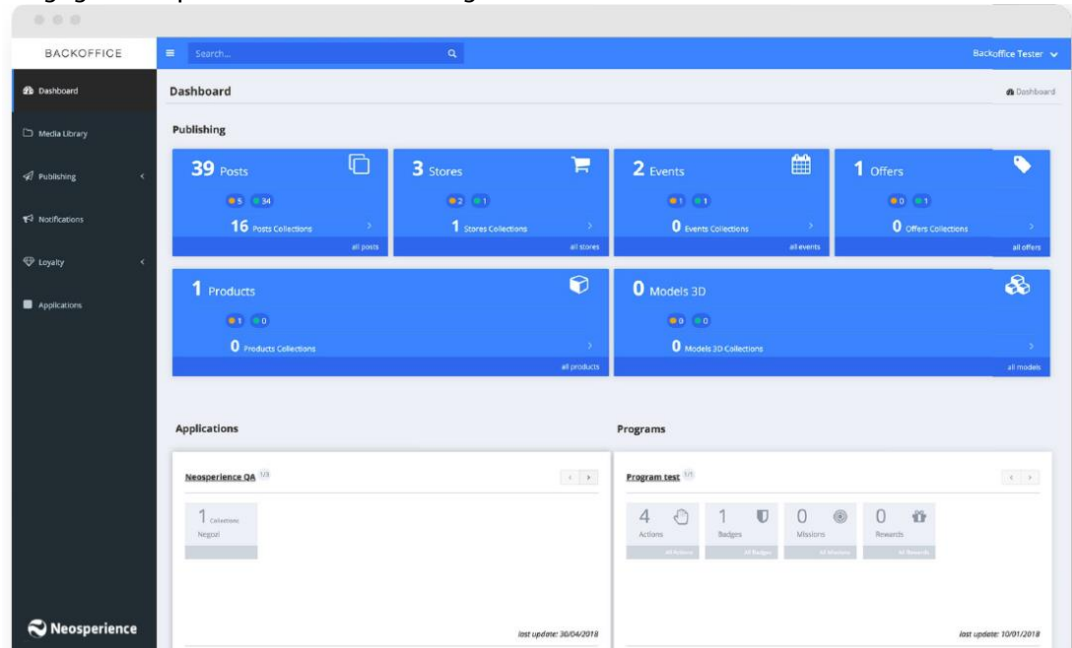
Source: Neosperience

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

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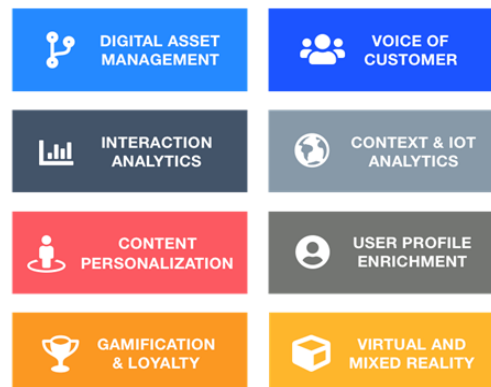
Source: Neosperience

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

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

Source: Neosperience

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

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

The company has created the largest professional community in the digital experience sector, comprising approximately 208 thousand users, 42% of whom are in the USA, UK and Canada. Via this community, subscribers gain up-to-date information on the digital experience market through a blog, a newsletter, a Linkedin group and webinars periodically organised by Neosperience.

The company works with IBM and SAP and with "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.

Neosperience has been chosen as a "case study" by *Amazon Web Services* as one of its main clients using the *Kinesis Video Streams* service (which allows frame by frame analysis of live video streams) for importing and archiving video into applications that boost industrial automation, safety monitoring and artificial intelligence.

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

Source: Neosperience

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.

Neosperience expects to accelerate its commercial development through partnerships capable of generating important synergies. In particular, in December 2018, the company signed a partnership agreement with Vetrya, an Italian group operating in the development of digital services, applications and broadband solutions, which will enable it to accelerate the global reach of its platform by exploiting markets in which Vetrya is already present, such as South America and Asia. Joint initiatives in telecommunications are currently being worked on with Vetrya.

The company has also begun expanding its sales network in Italy, recruiting two new people.

Neosperience has confirmed its decision to open a sales office in San Francisco, by July 2019, with a view to offering its application solutions to the USA both directly, with "sample" installations, and by rapidly establishing a network of partners/dealers, enabling it to cover the market in a scalable and effective way. In particular, the company aims to attack the American market with its *People analytics* and *Image memorability* solutions.

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

Results on 31.12.2018

EUR (K)	2017	2018	VAR %	FY 2018E
Sales revenue	**5,228**	**8,558**	*63.70*	**8,469**
Domestic Cloud Licensing	*670*	*1,368*	*104.18*	*1,151*
Domestic Solution Sales	*2,354*	*3,618*	*53.70*	*2,638*
Professional Services	*2,204*	*3,572*	*62.07*	*3,298*
Vertical & Strategic Project	*-*	*-*	*-*	*1,091*
International sales	*-*	*-*	*-*	*291*
Change in work in progress, semi-finished and finished products	*-*	370	*-*	*-*
Increased fixed assets for in-house work	1,611	1,739	*7.95*	1,552
Other revenues	1,015	1,105	*8.87*	1,050
VALUE OF PRODUCTION	**7,854**	**11,772**	*49.89*	**11,071**
Materials	81	47	*-41.98*	64
%	*1.03*	*0.40*		*0.58*
Services	3,257	5,823	*78.78*	4,242
%	*41.47*	*49.46*		*38.32*
Third-Party Goods	185	158	*-14.59*	272
%	*2.36*	*1.34*		*2.46*
VALUE ADDED	**4,331**	**5,744**	*32.63*	**6,493**
%	*55.14*	*48.75*		*58.65*
Labour Cost	2,516	2,130	*-15.34*	2,863
%	*32.03*	*18.09*		*25.86*
Other operating expenses	273	247	*-9.52*	386
%	*3.48*	*2.10*		*3.49*
EBITDA	**1,542**	**3,367**	*118.35*	**3,244**
%	*19.63*	*28.60*		*29.30*
Depreciation & Write downs	1,071	2,837	*164.89*	1,511
EBIT	**471**	**530**	*12.53*	**1,733**
%	*6.00*	*4.50*		*15.65*
Financial expenses (income)	108	72		97
Financial assets adjustments	(297)	-		-
PRE-TAX PROFIT	**660**	**458**	*-30.61*	**1,636**
%	*8.40*	*3.89*		*14.78*
Taxes	6	28		160
Tax rate (%)	*-*	*-*		*-*
NET INCOME	**654**	**430**	*-34.25*	**1,476**
Minorities	2	*9*		2
GROUP NET INCOME	**652**	**421**	*-35.43*	**1,474**
%	*8.30*	*3.58*		*13.31*
Cash Flow	1,725	3,267	*89.39*	2,987
NFP	-2,261	-3,465		-2,101
ROI	7.48	6.64		21.82
ROE	16.40	9.48		25.48

Source: Neosperience; Reprocessed by: Banca Finnat

Neosperience Group ended 2018 with consolidated net income 63.70% (8.6 million Euro) higher than the corresponding period in the previous year (5.2 million Euro, we estimated 8.5 million Euro). This growth was driven mainly by "Domestic Cloud Licensing" (+104.18%) and "Professional Services" (+62.07%).

The value of production rose to 11.8 million Euro (we estimated 11.1 million Euro), a 49.89% increase on the comparison period.

A rise in costs for services (+78.78%), partly offset by the fall in costs for leases and rentals (-14.59%) and labour costs (-15.34%), did not prevent the EBITDA rising to 3.4 million Euro from 1.5 million Euro in 2017 (+118.35%, we estimated 3.24 million Euro).

The margin, calculated on the value of production, rose from 19.63% to 28.60%.

A 165% rise in depreciation did not prevent the net operating income (EBIT) rising to 530 thousand Euro (we estimated 1.73 million Euro), up 12.53% from 471 thousand Euro at 31.12.2017. The profit margin in relation to the value of production fell from 6% at the end of 2017 to 4.50% at the end of 2018.

In terms of Group net income, Neosperience ended 2018 with a net income of 421 thousand Euro (we estimated 1.47 million Euro) compared to the 652 thousand Euro recorded at the end of 2017.

Net debt was 3.5 million Euro compared to 2.3 million Euro at 31.12.2017.

The capital collected at the IPO was 4,126,230 Euro.

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**
Domestic Cloud Licensing	*1,368*	*1,723*	*2,277*	*3,151*	*4,302*	*5,532*	*32.24*
Domestic Solution Sales	*3,618*	*4,775*	*6,175*	*7,666*	*8,079*	*8,295*	*18.05*
Professional Services	*3,572*	*4,976*	*5,643*	*6,236*	*7,128*	*7,424*	*15.76*
Vertical & Strategic Project	*-*	*1,989*	*2,476*	*2,969*	*3,466*	*3,958*	*-*
International sales	*-*	*497*	*3,126*	*7,523*	*14,171*	*24,753*	*-*
Change in work in progress, semi-finished and finished products	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	9.78
%	*0.40*	*0.45*	*0.35*	*0.27*	*0.22*	*0.15*	
Services	5,823	6,541	8,507	12,886	18,250	24,017	32.76
%	*49.46*	*43.73*	*42.65*	*46.78*	*49.13*	*48.07*	
Third-party goods	158	425	560	669	739	999	44.61
%	*1.34*	*2.84*	*2.81*	*2.43*	*1.99*	*2.00*	
VALUE ADDED	5,744	7,925	10,809	13,916	18,075	24,871	34.06
%	*48.79*	*52.98*	*54.19*	*50.52*	*48.66*	*49.78*	
Labour Cost	2,130	3,570	5,036	5,801	7,188	8,144	30.76
%	*18.09*	*23.87*	*25.25*	*21.06*	*19.35*	*16.30*	
Other operating expenses	247	547	822	970	1,118	1,189	36.93
%	*2.10*	*3.66*	*4.12*	*3.52*	*3.01*	*2.38*	
EBITDA	3,367	3,807	4,951	7,145	9,769	15,538	35.78
%	*28.60*	*25.45*	*24.82*	*25.94*	*26.30*	*31.10*	
Depreciation & Write downs	2,837	1,270	1,396	1,350	1,356	1,016	-18.56
EBIT	530	2,537	3,554	5,795	8,414	14,522	93.89
%	*4.50*	*16.96*	*17.82*	*21.04*	*22.65*	*29.07*	
Financial expenses (income)	72	92	51	18	(18)	(64)	
PRE-TAX PROFIT	458	2,445	3,503	5,777	8,432	14,586	99.81
%	*3.89*	*16.35*	*17.56*	*20.97*	*22.70*	*29.19*	
Taxes	28	734	1,051	1,733	2,530	4,376	
Tax rate (%)	*-*	*30.00*	*30.00*	*30.00*	*30.00*	*30.00*	
NET INCOME	430	1,712	2,452	4,044	5,902	10,210	88.41
Minorities	9	9	9	9	9	9	
GROUP NET INCOME	421	1,703	2,443	4,035	5,893	10,201	89.18
%	*3.58*	*11.38*	*12.25*	*14.65*	*15.86*	*20.42*	
Cash Flow	3,267	2,981	3,849	5,394	7,258	11,226	
NFP	-3,465	3,620	5,309	9,514	16,813	26,355	
Equity	4,513	10,771	12,057	15,219	19,788	26,823	
NIC	7,978	7,150	6,748	5,706	2,975	468	
ROI	6.64	35.48	52.67	-	-	-	
ROE	9.48	15.91	20.39	26.64	29.89	38.13	

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, *International Sales* will produce revenues from 2019 (one year later than previous forecasts) after the USA branch opens (by July), to be followed by the opening of sales branches in the UK and German markets. 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% and *Domestic Solutions Sales* (i.e. specific modules for individual product sectors) at a rate of 18.05%.

The value of production is estimated to rise from 11.8 million Euro in 2018 to 49.9 million Euro by the end of the forecast period (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.

The net operating income (EBIT) should rise to 14.5 million Euro in 2023 from 530 thousand Euro in 2018 with an average annual growth rate of 93.89%. The ROS should rise from 4.5% in 2018 to 29.07% by the end of the forecast period (2023).

Group net income is estimated to rise at an average annual rate of 89.18%, 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 20.42% by the end of the forecast period.

In the period 2019-2023 the Group is expected to move from position of net debt of 3.5 million Euro in 2018 to a positive net financial position of 26.3 million Euro by the end of 2023, benefiting, in 2019, from the 4,126,230 Euro capital increase from the IPO.

ROE should rise to 38.13% by the end of the forecast period from 9.48% 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 was set at 1.25% and the WACC at 12.50%, with a Free Risk Rate of 2.75%, a Beta Coefficient equal to the unit and a Market Risk Premium of 9.75%.
We obtain an Enterprise Value of 71.9 million Euro and an **equity** value – after exercising warrants - of **11.00 Euro per share**. Our recommendation is still to buy.

Cash Flow Model (K €)

	2019E	2020E	2021E	2022E	2023E
EBIT	2,537	3,554	5,795	8,414	14,522
Tax rate	*30.00*	*30.00*	*30.00*	*30.00*	*30.00*
NOPAT	1,776	2,488	4,057	5,890	10,165
D&A	1,270	1,396	1,350	1,356	1,016
Capex	600	350	100	100	100
CNWC	785	1,018	1,029	-383	585
FCFF	1,660	2,516	4,278	7,528	10,497

Estimates: Banca Finnat

DCF Model Valuation (k €)	
Perpetual Growth Rate (%)	1.25
WACC (%)	12.50
Discounted Terminal Value	54,295
Cum. Disc. Free Operating Cash Flow	17,590
Enterprise Value	71,885
Net financial position as of 31/12/2019E	3,620
Equity Value	75,505
No. shares post warrant exercise	6,865,817
Value per share	**11.00**

Estimates: Banca Finnat

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

Estimates: Banca Finnat

Historical recommendations and target price trend

Date	Rating	Target Price	Market Price
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%

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INCOME STATEMENT (Eur k)	2018	2019E	2020E	2021E	2022E	2023E
Sales revenue	8,558	13,960	19,696	27,545	37,146	49,962
Domestic Cloud Licensing	*1,368*	*1,723*	*2,277*	*3,151*	*4,302*	*5,532*
Domestic Solution Sales	*3,618*	*4,775*	*6,175*	*7,666*	*8,079*	*8,295*
Professional Services	*3,572*	*4,976*	*5,643*	*6,236*	*7,128*	*7,424*
Vertical & Strategic project	*-*	*1,989*	*2,476*	*2,969*	*3,466*	*3,958*
International sales	*-*	*497*	*3,126*	*7,523*	*14,171*	*24,753*
Change in work in progress, semi-finished and finished products	370	-	-	-	-	-
Other revenue and income	1,105	498	-	-	-	-
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VALUE OF PRODUCTION	11,772	14,958	19,946	27,545	37,146	49,962
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EBIT	530	2,537	3,554	5,795	8,414	14,522
Financial expenses (income)	72	92	51	18	(18)	(64)
PRE-TAX PROFIT	458	2,445	3,503	5,777	8,432	14,586
Taxes	28	734	1,051	1,733	2,530	4,376
Tax rate (%)	*-*	*30.00*	*30.00*	*30.00*	*30.00*	*30.00*
NET INCOME	430	1,712	2,452	4,044	5,902	10,210
Minorities	9	9	9	9	9	9
GROUP NET INCOME	421	1,703	2,443	4,035	5,893	10,201
Cash Flow	3,267	2,981	3,849	5,394	7,258	11,226

BALANCE SHEET (Eur k)	2018	2019E	2020E	2021E	2022E	2023E
Group Shareholders Equity	4,441	10,699	11,985	15,147	19,716	26,751
Total Shareholders Equity	4,513	10,771	12,057	15,219	19,788	26,823
NFP	-3,465	3,620	5,309	9,514	16,813	26,355
Net Invested Capital	7,978	7,150	6,748	5,706	2,975	468

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	16.96	17.82	21.04	22.65	29.07
Net margin	3.58	11.38	12.25	14.65	15.86	20.42
ROI	6.64	35.48	52.67	-	-	-
ROE	9.48	15.91	20.39	26.64	29.89	38.13

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	378.69	40.10	63.05	45.18	72.60
Net Profit	-35.43	304.40	43.51	65.15	46.05	73.10
Cash Flow	89.39	-8.75	29.10	40.15	34.56	54.68

VALUATION METRICS*	2018	2019E	2020E	2021E	2022E	2023E
P/E	175.11	43.99	30.70	18.62	12.76	7.37
P/CF	23.05	25.26	19.56	13.96	10.37	6.71
P/BV	16.95	7.04	6.28	4.97	3.82	2.81
EV/SALES	9.20	5.13	3.55	2.39	1.57	0.98
EV/EBITDA	23.39	18.83	14.14	9.21	5.99	3.15
EV/EBIT	148.61	28.25	19.69	11.35	6.95	3.37

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