**BANCA FINNAT**

RECOMMENDATION
**Buy** (from BUY)

Target Price
**€ 10.47** (from € 10.73)

Price as of 29/04/2021
€ 5.80 (price at market close)

(*) See page 8; (**) net of treasury shares

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# NEOSPERIENCE

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

| | |
|---|---|
| Market Capitalisation: | 44,121,772 € |
| Number of shares*: | 7,548,252** |
| Shareholders Equity 31.12.2020: | 16,738,084 € |
| Outstanding warrants (1:1)*: | 943,948 |

## Artificial Intelligence to fight COVID-19

- The Group successfully completed the DIMASDIA-COVID19 project, carried out by subsidiary Mikamai S.r.l. in collaboration with the Sacco Hospital in Milan, Istituto Auxologico Italiano, LoopTribe S.r.l. and CRS4. Thanks to this project, Neosperience Group has developed an artificial intelligence system for analysing the chest X-rays and echocardiographic images of COVID-19 patients.

- Neosperience announced the creation, in collaboration with corporate partners, of a new system for aiding COVID-19 infection diagnosis, using the artificial intelligence built into the *Neosperience Health Cloud* platform.

- In light of the 2020 results, which showed a considerable slowdown in the Group's international growth strategy, and taking account of the new sectors in which the company is preparing to operate, we have revised our estimates for the period 2021-2025.

- We now estimate the value of production will grow at an average annual rate of 25.66% with gross operating income (EBITDA) growing at an average annual rate of 32.05% and net income 106.66%.

- Our recommendation remains to buy at a target price of €10.47 (previously €10.73).

| Year to 31/12 (k €) | 2019 | 2020 | 2021E | 2022E | 2023E | 2024E | 2025E |
|---|---|---|---|---|---|---|---|
| Value of Production | 17,508 | 19,552 | 23,490 | 28,336 | 35,937 | 46,477 | 61,259 |
| Value Added | 7,413 | 11,394 | 12,891 | 16,447 | 21,597 | 28,872 | 39,496 |
| EBITDA | 3,568 | 4,830 | 5,577 | 7,149 | 9,693 | 13,460 | 19,391 |
| EBIT | 1,117 | 813 | 1,227 | 2,619 | 5,083 | 8,570 | 14,421 |
| Group net income | 924 | 260 | 428 | 1,346 | 3,119 | 5,633 | 9,808 |
| Equity | 14,506 | 16,738 | 17,434 | 18,331 | 20,591 | 24,641 | 31,365 |
| NFP | -1,212 | -5,387 | -7,075 | -6,756 | -2,429 | 6,130 | 14,260 |
| ROE | 6.49 | 1.62 | 2.56 | 7.63 | 15.68 | 23.53 | 31.98 |

*Source: Neosperience; Estimates: Banca Finnat*

# Reference Market

The reference market for Neosperience Spa is mainly Italy.
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.

In particular, the emergency forced company employees to work from home, breaking down many of the cultural barriers that had hindered its development in the past. This led to an acceleration in the plans to modernise applications and infrastructure, migration to the Cloud as a result of the need to ensure remote access to business software and, in particular, to videoconferencing tools, and increased adoption of Managed Services.

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.

Some 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 2020 the "Analytics" market in Italy grew by 6% to 1.815 billion Euro compared to 1.708 billion Euro in 2019, after the 23% increase recorded in 2018 and the 26% increase in 2019.



*Source: Big data & Business Analytics Observatory, 2020*
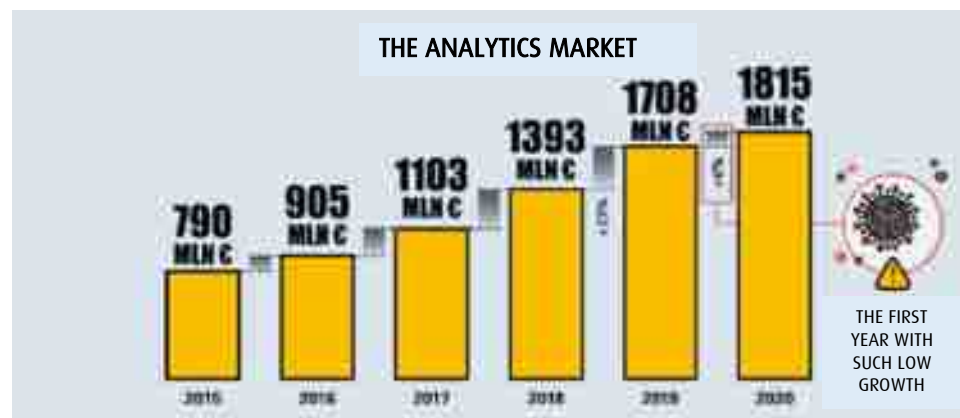
The COVID-19 emergency highlighted the importance of data in rapid decision-making and guaranteeing business continuity at times of crisis, but it also forced many businesses to rethink their investment plans.

The sectors that recorded significant use of analytics were Telco & Media and Insurance (+13%), Utilities (+12%), PA and Health (+9%), Banking and Manufacturing (+6%), while Large-scale distribution/Retail and Services recorded a fall, of 8% and 1% respectively.

Banking is the sector with the largest market share (28%), followed by manufacturing (24%), Telco & Media (14%), Services (8%), Large-scale distribution/Retail (7.5%), Insurance (7%), Utilities (6.5%), PA and Health (5%).



*Source: Big data & Business Analytics Observatory, 2020*

In terms of investments in *Big Data & Analytics,* 52% went to software (databases, tools and applications for acquiring, viewing and analysing data), 28% to services (activities associated with the customisation of software, integration with company information systems and the redesign of processes) and the remaining 20% to infrastructure (investments in developing computing, server and storage capacity).

The health emergency reduced the resources and skills available to SMEs but did not stop the move to Big data analytics that had begun in 2019. In 2020, one SME in two invested in data analysis or expected to do so by the end of the year, while 8% had to halt planned investments due to the emergency.

Furthermore, the economic crisis brought on by the COVID-19 pandemic has led to the rise of new requirements such as real-time Descriptive Analytics, Data and Data Science Governance, greater visibility for Data Science functions and a focus on Data Literacy.



*Source: Big data & Business Analytics Observatory, 2020*

# 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.

- 51% *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 a 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.

Neosperience also holds stakes in:

- 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% *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% *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.

In December 2020 the board of directors voted to proceed with the merger by incorporation of the 100% owned HoK (House of Key S.r.l.) and Mikamai S.r.l. into Neosperience S.p.A..
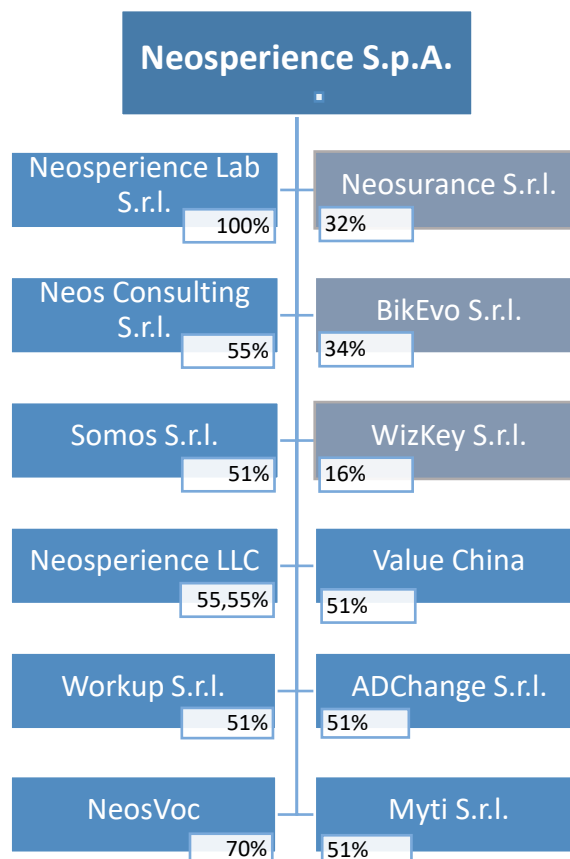


Source: Neosperience

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.

Neosperience's capital, currently equal to €760,720.20, is made up of 7,607,202 shares and is 46.04% owned by Neos Srl, while the remaining 53.96% is floated on the market. The company holds 58,950 treasury shares.



53,96%     46,04%

■ Neos Srl
■ Float
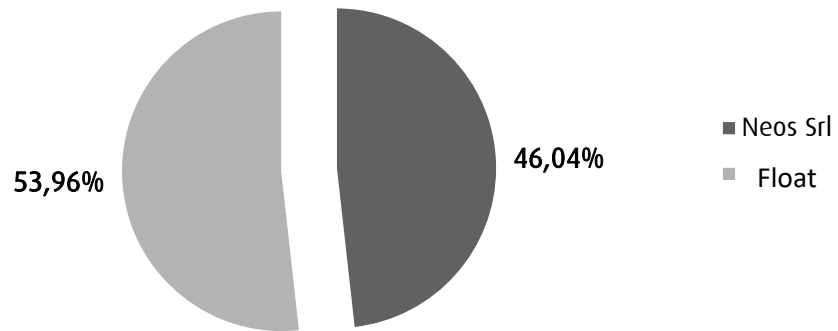
*Source: Neosperience*

The outstanding warrants ("Warrant Neosperience 2019-2021"), issued as part of the IPO, amount to 943,948. They are expected to be exercised, in a ratio of 1:1, during one residual time period:

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

During the second exercise period "Warrant Neosperience S.p.A. 2019-2021", concluded on 27 November 2020, 7,500 Warrants were exercised and 7,500 Neosperience S.p.A. converted shares were assigned, at a price of Euro 4.15 per share, for an overall equivalent of Euro 31,125.

## 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.

The specific goal of the Neosperience Cloud platform is to provide application solutions for businesses looking to make digital innovations both in relations with markets and the client base and in internal operational processes.



*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*

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.

Neosperience Cloud is made up of two types of technological products: functional Modules and Solutions that use artificial intelligence to come into contact with end customers.

Modules are function packages that provide services in specific domains associated with a set of processes (e.g. user registration and management with social networks, personalised user experience based on socio-demographic and behavioural profile, machine intelligence for correlating purchases to relevant, though not intuitive, metrics, proactive proposition of purchase opportunities, customer service and support, and so on).

The functional modules therefore enable purchasers 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.

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.

Solutions are complete digital solutions, i.e. preconfigured compositions of functional modules that implement ready to use, end-to-end application processes.

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 Solutions are updated over time based on use, testing and feedback from business clients. They meet marketing and sales requirements in the main industrial sectors: fashion and luxury, retail, healthcare, manufacturing and financial services.

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.

- *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.

- *Skinnable App* is a back-end service and a generic app capable of taking on the form, colours and content of a specific economic operator, based on the end customer's selection. Once the generic app is launched, it reconfigures to become specific to the individual partner. For example, the end customer can select, automatically or manually, the preferred partner or point of sale and access personalised content.

- *Easy Voyager* is for creating personalised exploration experiences. Travellers find everything required for planning a trip in the app, while analytics save every action and provide the company with useful insights for developing content, offers and personalised messages.

- *Rubin Red* is a cutting-edge and highly scalable Digital Commerce Platform. This solution allows web applications of any nature and complexity to be set up (Marketplace, Digital Commerce WebApp, Website, etc.) in B2C or B2B environments that are customisable, extendable, high-performing and easily managed by clients.

- *Declaro* is for configuring or sizing any system, product or plant, of any size and complexity, for the design, cost estimation and sale of products and services. Declaro is aimed at all companies that make or distribute complex products and services.

- *Lead Champion* is a lead generation suite in SaaS that helps businesses acquire clients through their website. Lead Champion discover is aimed at B2B companies that need to increase their capacity for generating business opportunities through the web.

- *Lead Champion Customer Generator* is the solution that attracts ideal clients by analysing their behaviour using artificial intelligence. Proprietary algorithms are capable of providing key information on anonymous visitors to websites. The solution gives the user the firmographic score of visitors in order to identify the most promising ones. Data collected are organised on a latest generation Customer Data Platform (CDP) - based on Amazon Web Services – which can be integrated with the main ERP and CRM systems.

- *Bleen* is a search engine for businesses that enables them to access all company information and functions from a single software usability. Bleen uses cognitive algorithms, semantics and computer vision to "learn" from company systems: it extracts, indexes, aggregates and archives data, and also compares them with the web.

It cuts search times immediately, searches millions of pieces of content in a second, navigates quickly among aggregated results and associates them automatically. It displays, sends, edits and shares data by opening the file or the screen of the integrated management system.

The Group's main clients include:



In November 2020 the company completed its acquisition of a 51% stake 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 already paid as a cash deposit and 110,145 Euro in 21,500 Neosperience shares, delivered by December 2020 and subject to lock-up until 31 October 2021, as well as a final balance of 24,856 Euro. This final balance derives from the actual number of shares assigned to each vendor and calculated according to the average market price over the last 30 days prior to closing (Euro 5.123).

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%.

Also in November 2020, the Group successfully completed the DIMASDIA-COVID19 project, carried out by subsidiary Mikamai S.r.l. in collaboration with the Sacco Hospital in Milan, Istituto Auxologico Italiano, LoopTribe S.r.l. and CRS4, and funded by Regione Lombardia, European Regional Development Fund and Istituto Veronesi.
Thanks to DIMASDIA-COVID19, Neosperience Group, with the support of its partners, developed an artificial intelligence system for analysing the chest X-rays and echocardiographic images of COVID-19 patients.

In December 2020 Neosperience, through subsidiary Value China, signed a strategic partnership with ByteDance, the tech company behind TikTok and other successful apps. The purpose of the collaboration is to enable Italian companies to promote themselves effectively on the short video platforms most used by Chinese and other users.

Also in December the Group concluded the issue of a debenture loan with Hedge Invest SGR S.p.A. through the private debt fund HI CrescItalia PMI Fund. The 5-year debenture loan equivalent to 3 million Euro (1.2 million Euro of which assisted by guarantee instruments issued by Fondo Centrale di Garanzia through MCC S.p.A.) is distributed in 300 debentures with a nominal value of 10,000 Euro each, underwritten at par.
The financing will give the company the financial resources to strengthen its capital structure and pursue the Group's strategic objectives. In particular, Neosperience will use the resources for investments aimed at strengthening internal development, in order to continue with its acquisition operations and sustain working capital.

In December 2020 the Board of Directors set out the 2021 Incentive Plan for employees, co-workers, consultants and board members with delegated powers to Neosperience S.p.A. and its subsidiaries.
The board of directors decided to offer employees who had signed up for the 2020 Incentive Plan the right to waive the options offered in that plan (with a strike price of Euro 7.07) and sign up instead to the 2021 Incentive Plan (with a strike price of Euro 5.32), notwithstanding its 4-year duration and the quantity of options assigned to each employee/co-worker.
The 2021 Incentive Plan is aimed at 107 Group employees and co-workers from 1 January 2020 for a maximum of 460,000 options.

In January 2021, WizKey, the fintech company owned by Neosperience, which operates in credit trading based on cloud and blockchain technologies, entered into a partnership with SIA, a European hi-tech leader in payment services and infrastructure owned by CDP Equity, to launch an innovative platform for banks, funds and financial operators for credit trading with blockchain and facilitating greater liquidity for SMEs.

In February 2021 the board of directors voted on a reserved capital increase aimed at paying for the 51% stake in Myti S.r.l., which was completed last 29 October.
The acquisition contract envisaged a payment of Euro 175,000 to be paid on signing the contract and a further 525,000 Euro in the form of 102,000 Neosperience shares valued at Euro 5.123 each and set according to the trading volume-weighted average price of the 30 days before the date the contract was signed.
This contract envisages a price integration to be paid by July 2021 and based on the actual EBITDA recorded by Myti S.r.l. in 2020.

Also in February, Neosperience announced that the subsidiary Value China s.r.l. – an innovative startup providing digital products and services on the Chinese and Asian market - was awarded the "China Award" for its investments in building Italy-China relations.

In March 2021, the company announced the creation, together with corporate partners, of a new system for helping COVID-19 diagnoses, using the artificial intelligence built into the Neosperience Health Cloud platform. By analysing short audio recordings of people talking or coughing, the system can identify if they have the tell-tale signs of a COVID-19 infection.

## Growth strategies

With regard to growth strategies, Neosperience Group envisages:

1. _Strengthening business and skills_, i.e.:
- Boost cross-selling mainly in Italy.
- 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. 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).

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.

# ESG Highlights: *Environmental, Social, Governance*

Non-financial information on businesses and, in particular, information on Environmental, Social and Governance factors (ESG) attracts increasing attention from investors [corporations] as part of their investment processes. This information is more accessible to the market with regard to large market capitalization companies, thanks in part to valuations or certifications from specialised bodies, than it is for Small or Micro Cap companies. Banca Finnat has chosen to include in its Equity Company Notes information on the ESG policies and actions adopted by the listed companies subject to Analyst Coverage, and will include this information in a separate section. The information is summarised in the panels below as it is provided by the Company in the course of meetings and interviews with the Bank's analysts, in preparation for the release of the Equity Company Note, and based on a questionnaire drawn up by the Bank's Equity Research Department.

**ESG**

- Neosperience Group has adopted measures to reduce water consumption: in particular, signs guarding against waste are displayed on its premises. No water is used in the production cycle. Water access sources are fitted with water-saving flow meters.
- Wastewater, as per municipal regulations, is purified through public plants.
- Suppliers are chosen responsibly.
- The company incurred total R&D expenses of 5 million Euro in 2020.

**ESG**

- The company has set up a committee and a support service aimed at protecting and preventing gender abuse.
- The company does not create any problems for personnel on maternity leave and tries to find solutions to temporary absence.
- The company is GDPR-compliant as required by legislation.
- The company is ISO 9001 certified.
- Neosperience has developed a "Health cloud" division that focuses on personal services.

**ESG**

- The company has a traditional governance model with 6 members on its board of directors, 3 members on its board of auditors and a company entrusted with the legal auditing of accounts.
- The company meets regularly with investors and stakeholders to keep up-to-date and to discuss future steps.
- An Independent Director attends board meetings on a regular basis.

*Source: information taken from the ESG questionnaire compiled by the company*

# Results on 31.12.2020

| EUR (K) | 2019 | 2020 | VAR % | 2020E |
|---|---|---|---|---|
| **Sales revenue** | **13,949** | **16,367** | *17.33* | **16,041** |
| *Solution Licensing* | *6,320* | *7,524* | *19.05* | *-* |
| *Professional Services* | *7,449* | *7,998* | *7.37* | *-* |
| *Health Cloud & Verticals* | *-* | *370* | *-* | *-* |
| *International sales* | *180* | *475* | *163.89* | |
| Inventory var. for products under development | - | 94 | | - |
| Increased fixed assets for in-house work | 2,010 | 2,082 | *3.58* | 3,850 |
| Other revenues | 1,549 | 1,009 | *-34.84* | - |
| **VALUE OF PRODUCTION** | **17,508** | **19,552** | *11.68* | 19,891 |
| Materials | 59 | 62 | *5.38* | 53 |
| *%* | *0.34* | *0.32* | | *0.27* |
| Services | 9,680 | 7,065 | *-27.02* | 10,879 |
| *%* | *55.29* | *36.13* | | *54.69* |
| Third-Party Goods | 306 | 557 | *81.95* | 698 |
| *%* | *1.75* | *2.85* | | *3.51* |
| Inventory var. for raw mat., subsid. and consumption | 50 | 474 | | - |
| **VALUE ADDED** | **7,413** | **11,394** | *53.71* | 8,261 |
| *%* | *42.34* | *58.28* | | *41.53* |
| Labour costs | 3,440 | 5,677 | *65.02* | 3,785 |
| *%* | *19.65* | *29.003* | | *19.03* |
| Other operating expenses | 405 | 888 | *119.24* | 448 |
| *%* | *2.31* | *4.54* | | *2.25* |
| **EBITDA** | **3,568** | **4,830** | *35.36* | 4,028 |
| *%* | *20.38* | *24.70* | | *20.25* |
| Depreciation & Write downs | 2,451 | 4,016 | *63.87* | 3,288 |
| **EBIT** | **1,117** | **813** | *-27.19* | 740 |
| *%* | *6.38* | *4.16* | | *3.72* |
| Financial expenses (income) | 101 | 104 | | 205 |
| Financial assets adjustments | 33 | (214) | | - |
| **PRE-TAX PROFIT** | **983** | **923** | *-6.07* | 535 |
| *%* | *5.61* | *4.72* | | *2.69* |
| Taxes | 36 | 514 | | 161 |
| *Tax rate* | *3.66* | *55.70* | | *30.00* |
| **NET INCOME** | **947** | **409** | *-56.81* | 375 |
| Minorities | 23 | 149 | | 50 |
| **GROUP NET INCOME** | **924** | **260** | *-71.84* | 325 |
| *%* | *5.28* | *1.33* | | *1.63* |
| NFP | -1,212 | -5,387 | | -909 |
| Equity | 14,506 | 16,738 | | 14,900 |
| ROI | 7.11 | 3.68 | | 4.68 |
| ROE | 6.49 | 1.62 | | 2.23 |

*Source: Neosperience*

Neosperience ended 2020 with sales revenues of €16.4 million (+17.33%) compared to the €13.9 million recorded at the end of 2019 and the €16.04 million we estimated.

Growth compared to 2019 was mainly driven by the acquisition of major new clients, by the new companies joining the Group and by the growing spread of the solutions offered on the Neosperience Cloud platform.

Due to investments into the development of new solutions, the significant contributions from the Ministry of Economic Development and the European Commission for research and development activities and the relative accrued tax credits, the value of production rose to €19.5 million, up 11.7% on the €17.5 million recorded in 2019 and slightly below our estimate of €19.9 million.

Despite higher labour costs (+65.02%), other expenses (+119.24%) and the costs for leases and rentals (+81.95%), arising from the broader scope of the consolidation and partly offset by falling costs for services (-27.2%), the gross operating income (EBITDA) rose by 35.36% to €4.8 million (we estimated €4.02 million) from €3.6 million at 31.12.2019, with a margin, calculated on the value of production, up from 20.38% to 24.7%.

Greater depreciation (+97.52%), arising from the considerably higher intangible fixed assets linked to business development, led to a reduction in net operating income (EBIT) from €1.1 million at the end of 2019 to €813 thousand (-27.20%), though this is 10% higher than the figure we estimated (€740 thousand). Net operating margin as a function of the value of production consequently fell from 6.38% to 4.16%.

Higher taxes (€514 thousand), as opposed to the tax credits received in 2019, had an impact on Group net income, which was €260 thousand compared to €924 thousand at 31.12.2019 (-71.8%) and our estimate of €325 thousand.

Shareholders equity rose to €16.7 million from €14.5 million in the previous year, while net debt rose to €5.4 million from €1.2 million at 31.12.2019 as a result of the acquisitions completed during the year and for which €6.4 million worth of mortgages were taken on in 2020 and a €3 million minibond was underwritten to accelerate growth.

# Outlook 2021-2025

*Old 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** |
| *Domestic Cloud Licensing* | *1,685* | 1,765 | 1,906 | 1,957 | 1,873 | 2,008 | *3.56* |
| *Domestic Solution Sales* | *4,635* | 4,492 | 6,141 | 8,385 | 11,236 | 14,554 | *25.72* |
| *Professional Services* | *5,929* | 7,138 | 8,470 | 9,224 | 10,487 | 9,536 | *9.97* |
| *Vertical & Strategic Project* | *1,700* | 1,765 | 2,117 | 2,516 | 2,996 | 3,513 | *15.62* |
| *International sales* | - | 561 | 1,694 | 3,634 | 6,367 | 12,045 | - |
| *Health cloud* | - | 321 | 1,059 | 2,516 | 4,869 | 8,532 | - |
| 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 |
| *%* | *0.34* | *0.27* | *0.24* | *0.20* | *0.17* | *0.14* | |
| Services | 9,680 | 10,879 | 12,413 | 14,023 | 16,406 | 20,027 | 15.65 |
| *%* | *55.29* | *54.69* | *50.90* | *45.56* | *40.89* | *38.33* | |
| Third-party goods | 306 | 698 | 747 | 792 | 831 | 881 | 23.56 |
| *%* | *1.75* | *3.51* | *3.06* | *2.57* | *2.07* | *1.69* | |
| 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 |
| *%* | *42.34* | *41.53* | *45.80* | *51.67* | *56.87* | *59.84* | |
| Labour costs | 3,440 | 3,785 | 5,124 | 6,959 | 9,565 | 12,750 | 29.95 |
| *%* | *19.65* | *19.03* | *21.01* | *22.61* | *23.84* | *24.40* | |
| Other operating expenses | 405 | 448 | 461 | 492 | 582 | 711 | 11.90 |
| *%* | *2.31* | *2.25* | *1.89* | *1.60* | *1.45* | *1.36* | |
| **EBITDA** | 3,568 | 4,028 | 5,584 | 8,452 | 12,670 | 17,810 | 37.93 |
| *%* | *20.38* | *20.25* | *22.90* | *27.46* | *31.58* | *34.08* | |
| 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 |
| *%* | *6.38* | *3.72* | *6.79* | *12.92* | *20.18* | *25.61* | |
| 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 |
| *%* | *5.61* | *2.69* | *5.56* | *12.12* | *19.79* | *25.50* | |
| Taxes | 36 | 161 | 407 | 1,119 | 2,382 | 3,997 | |
| *Tax rate (%)* | - | *30.00* | *30.00* | *30.00* | *30.00* | *30.00* | |
| **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 |
| *%* | *5.28* | *1.63* | *3.89* | *8.48* | *13.85* | *17.85* | |
| 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 | |
| Capex | - | 4,074 | 3,200 | 2,750 | 2,495 | 2,265 | |

Source: Neosperience; Estimates: Banca Finnat

## New estimates

| EUR (K) | 2020 | 2021E | 2022E | 2023E | 2024E | 2025E | CAGR 20/25 |
|---|---|---|---|---|---|---|---|
| **Sales revenue** | **16,367** | **19,640** | **25,336** | **32,937** | **43,477** | **58,259** | **28.91** |
| *Solution Licensing* | *7,524* | *8,053* | *9,881* | *12,187* | *15,217* | *19,225* | *20.64* |
| *Professional Services* | *7,998* | *9,035* | *10,388* | *11,857* | *13,478* | *13,982* | *11.82* |
| *Health Cloud & Verticals* | *370* | *1,178* | *2,280* | *4,282* | *7,391* | *12,234* | *101.31* |
| *International sales* | *475* | *1,375* | *2,787* | *4,611* | *7,391* | *12,817* | *93.29* |
| Increased fixed assets for in-house work | 2,082 | 3,850 | 3,000 | 3,000 | 3,000 | 3,000 | 7.58 |
| Other revenue and income | 1,009 | - | - | - | - | - | - |
| **VALUE OF PRODUCTION** | 19,552 | 23,490 | 28,336 | 35,937 | 46,477 | 61,259 | 25.66 |
| Raw materials | 62 | 63 | 65 | 66 | 67 | 70 | 2.37 |
| *%* | *0.32* | *0.27* | *0.23* | *0.18* | *0.14* | *0.11* | |
| Services | 7,065 | 9,924 | 11,157 | 13,560 | 16,780 | 20,897 | 24.22 |
| *%* | *36.13* | *42.25* | *39.37* | *37.73* | *36.10* | *34.11* | |
| Third-party goods | 557 | 612 | 668 | 714 | 757 | 795 | 7.38 |
| *%* | *2.85* | *2.61* | *2.36* | *1.99* | *1.63* | *1.30* | |
| Inventory var. for raw mat., subsid. and consumption | 474 | - | - | - | - | - | |
| **VALUE ADDED** | 11,394 | 12,891 | 16,447 | 21,597 | 28,872 | 39,496 | 28.23 |
| *%* | *58.28* | *54.88* | *58.04* | *60.10* | *62.12* | *64.47* | |
| Labour costs | 5,677 | 6,430 | 8,412 | 11,014 | 14,521 | 19,173 | 27.56 |
| *%* | *29.03* | *27.37* | *29.69* | *30.65* | *31.24* | *31.30* | |
| Other operating expenses | 888 | 884 | 887 | 889 | 891 | 932 | 0.98 |
| *%* | *4.54* | *3.76* | *3.13* | *2.47* | *1.92* | *1.52* | |
| **EBITDA** | 4,830 | 5,577 | 7,149 | 9,693 | 13,460 | 19,391 | 32.05 |
| *%* | *24.70* | *23.74* | *25.23* | *26.97* | *28.96* | *31.65* | |
| Depreciation & Write downs | 4,016 | 4,350 | 4,530 | 4,610 | 4,890 | 4,970 | 4.35 |
| **EBIT** | 813 | 1,227 | 2,619 | 5,083 | 8,570 | 14,421 | 77.73 |
| *%* | *4.16* | *5.22* | *9.24* | *14.14* | *18.44* | *23.54* | |
| Financial expenses (income) | 104 | 403 | 484 | 415 | 310 | 197 | |
| Financial assets adjustments | (214) | - | - | - | - | - | |
| **PRE-TAX PROFIT** | 923 | 824 | 2,135 | 4,668 | 8,260 | 14,224 | 72.80 |
| *%* | *4.72* | *3.51* | *7.53* | *12.99* | *17.77* | *23.22* | |
| Taxes | 514 | 247 | 640 | 1,400 | 2,478 | 4,267 | |
| *Tax rate (%)* | *55.70* | *30.00* | *30.00* | *30.00* | *30.00* | *30.00* | |
| **NET INCOME** | 409 | 577 | 1,494 | 3,268 | 5,782 | 9,957 | 89.35 |
| Minorities | 149 | 149 | 149 | 149 | 149 | 149 | |
| **GROUP NET INCOME** | 260 | 428 | 1,346 | 3,119 | 5,633 | 9,808 | 106.66 |
| *%* | *1.33* | *1.82* | *4.75* | *8.68* | *12.12* | *16.01* | |
| NFP | -5,387 | -7,075 | -6,756 | -2,429 | 6,130 | 14,260 | |
| Equity | 16,738 | 17,434 | 18,331 | 20,591 | 24,641 | 31,365 | |
| ROI | 3.68 | 5.01 | 10.44 | 22.08 | 46.30 | 84.31 | |
| ROE | 1.62 | 2.56 | 7.63 | 15.68 | 23.53 | 31.98 | |
| NWC | 4,382 | 7,394 | 9,865 | 10,247 | 8,931 | 11,709 | |
| Capex | 9,974 | 4,390 | 3,400 | 3,400 | 3,400 | 3,400 | |

*Source: Neosperience; Estimates: Banca Finnat*

In light of the 2020 results, which highlight a considerable slowdown in the Group's international growth strategy, and taking account of the new sectors (such as healthcare) that Neosperience has entered, and the extension of the corporate perimeter following acquisitions made, we have reviewed our estimates for the period 2021-2025.

For 2021-2025 we now estimate sales revenues will grow at an average annual rate of 28.9% (our previous estimate for 2024 was 29.2%), from €16.4 million in 2020 to €43.5 million by 2024 (our previous estimate for 2024 was €50.2 million) before reaching €58.3 million by the end of 2025.

This growth should be mainly driven by *"Health Cloud & Verticals"* (CAGR 2020-2025 101.31%), *"Solution Licensing",* i.e. modules suited to individual product sectors (CAGR 2020-2025 20.64%) and "*International Sales*" (CAGR 93.29%), which should rise from €475 thousand in 2020 to €12.8 million by 2025.

Despite higher costs for services (CAGR 2020-2025 24.22%) and labour costs (CAGR 27.56%), the gross operating income (EBITDA) is estimated to rise at an average annual rate of 32.05% (compared to our previous estimated CAGR 2020-2024 of 37.93%) from €4.8 million at the end of 2020 to €19.4 million by the end of the forecast period (compared to our previous estimate of €17.8 million by 2024).

The margin, calculated on the value of production, is expected to rise from 24.70% at the end of 2020 to 31.65% by the end of 2025.

Net operating income (EBIT) is expected to rise to €14.4 million by 2025 (compared to our previous estimate of €13.4 million by 2024) from €813 thousand at the end of 2020, with average annual growth of 77.73% and net operational efficiency (ROS) rising to 23.54% by the end of 2025 from 4.16% at the end of 2020.

By the end of the forecast period, the Group should be able to achieve net income of €9.8 million (compared to our previous estimate of €9.3 million by 2024) from €260 thousand at the end of 2020, with an average annual growth rate of 106.66%.

Net financial position is estimated to reach €14.3 million in 2025 from a position of net debt of €5.4 million at the end of 2020, while shareholders equity is estimated to rise from €16.7 million at the end of 2020 to €31.4 million by the end of the forecast period.

# Valuation

For the purposes of valuation, we use the Discounted Cash Flow methodology with the explicit forecast of cash flows generated in the period 2021/2025.

We still set a perpetual growth rate of 1.25% but calculate a 9.58% WACC (previously 12.45%) as a result of a Free Risk Rate of 1% (previously 1.20%), a Beta Coefficient equal to 0.88, from the Software sector (System & Application) for the European market from a sample of 310 companies (source: Damodaran), and Market Risk Premium at 9.75% (previously 11.25%).

We obtain an Enterprise Value of 84.4 million Euro and an **Equity Value** of **10.47 Euro per share** (previously €10.73). Our recommendation is still to buy.

**Cash Flow Model (K €)**

|          | 2021E   | 2022E   | 2023E   | 2024E   | 2025E   |
|----------|---------|---------|---------|---------|---------|
| EBIT     | 1,227   | 2,619   | 5,083   | 8,570   | 14,421  |
| Tax rate | *30%*   | *30%*   | *30%*   | *30%*   | *30%*   |
| NOPAT    | 859     | 1,833   | 3,558   | 5,999   | 10,095  |
| D&A      | 4,350   | 4,530   | 4,610   | 4,890   | 4,970   |
| Capex    | 4,390   | 3,400   | 3,400   | 3,400   | 3,400   |
| CNWC     | -3,012  | -2,471  | -382    | 1,316   | -2,778  |
| FOCF     | -2,193  | 492     | 4,386   | 8,805   | 8,887   |

*Estimates: Banca Finnat*

| DCF Model Valuation (k €)              |           |
|----------------------------------------|-----------|
| Perpetual Growth Rate (%)              | 1.25      |
| WACC (%)                               | 9.58      |
| Discounted Terminal Value              | 70,505    |
| Cum. Disc. Free Operating Cash Flow    | 13,881    |
| Enterprise Value                       | 84,386    |
| Net financial position as of 31/12/2020| -5,387    |
| Equity Value                           | 78,999    |
| No. Shares[*]                          | 7,548,252 |
| **Value per share**                    | **10.47** |

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

| WACC Calculation (%)   |      |
|------------------------|------|
| Risk free rate         | 1    |
| Market risk premium    | 9.75 |
| Beta (x)               | 0.88 |
| Cost of Equity         | 9.58 |
|                        |      |
| **WACC**               | **9.58** |

*Estimates: Banca Finnat*

| INCOME STATEMENT (Eur k) | 2020 | 2021E | 2022E | 2023E | 2024E | 2025E |
|---|---|---|---|---|---|---|
| **Sales revenue** | **16,367** | **19,640** | **25,336** | **32,937** | **43,477** | **58,259** |
| *Solution Licensing* | *7,524* | *8,053* | *9,881* | *12,187* | *15,217* | *19,225* |
| *Professional Services* | *7,998* | *9,035* | *10,388* | *11,857* | *13,478* | *13,982* |
| *Health Cloud & Verticals* | *370* | *1,178* | *2,280* | *4,282* | *7,391* | *12,234* |
| *International sales* | *475* | *1,375* | *2,787* | *4,611* | *7,391* | *12,817* |
| Increased fixed assets for in-house work | 2,082 | 3,850 | 3,000 | 3,000 | 3,000 | 3,000 |
| Other revenue and income | 1,009 | - | - | - | - | - |
| **VALUE OF PRODUCTION** | 19,552 | 23,490 | 28,336 | 35,937 | 46,477 | 61,259 |
| Raw materials | 62 | 63 | 65 | 66 | 67 | 70 |
| Services | 7,065 | 9,924 | 11,157 | 13,560 | 16,780 | 20,897 |
| Third-party goods | 557 | 612 | 668 | 714 | 757 | 795 |
| Inventory var. for raw mat., subsid. and consumption | 474 | - | - | - | - | - |
| **VALUE ADDED** | 11,394 | 12,891 | 16,447 | 21,597 | 28,872 | 39,496 |
| Labour costs | 5,677 | 6,430 | 8,412 | 11,014 | 14,521 | 19,173 |
| Other operating expenses | 888 | 884 | 887 | 889 | 891 | 932 |
| **EBITDA** | 4,830 | 5,577 | 7,149 | 9,693 | 13,460 | 19,391 |
| Depreciation & Write downs | 4,016 | 4,350 | 4,530 | 4,610 | 4,890 | 4,970 |
| **EBIT** | 813 | 1,227 | 2,619 | 5,083 | 8,570 | 14,421 |
| Financial expenses (income) | 104 | 403 | 484 | 415 | 310 | 197 |
| Financial assets adjustments | (214) | - | - | - | - | - |
| **PRE-TAX PROFIT** | 923 | 824 | 2,135 | 4,668 | 8,260 | 14,224 |
| Taxes | 514 | 247 | 640 | 1,400 | 2,478 | 4,267 |
| *Tax rate (%)* | *55.70* | *30.00* | *30.00* | *30.00* | *30.00* | *30.00* |
| **NET INCOME** | 409 | 577 | 1,494 | 3,268 | 5,782 | 9,957 |
| Minorities | 149 | 149 | 149 | 149 | 149 | 149 |
| **GROUP NET INCOME** | 260 | 428 | 1,346 | 3,119 | 5,633 | 9,808 |
| **BALANCE SHEET (Eur k)** | **2020** | **2021E** | **2022E** | **2023E** | **2024E** | **2025E** |
| Equity | 16,738 | 17,434 | 18,331 | 20,591 | 24,641 | 31,365 |
| NFP | -5,387 | -7,075 | -6,756 | -2,429 | 6,130 | 14,260 |
| **FINANCIAL RATIOS (%)** | **2020** | **2021E** | **2022E** | **2023E** | **2024E** | **2025E** |
| **EBITDA margin** | 24.70 | 23.74 | 25.23 | 26.97 | 28.96 | 31.65 |
| **EBIT margin** | 4.16 | 5.22 | 9.24 | 14.14 | 18.44 | 23.54 |
| **Net margin** | 1.33 | 1.82 | 4.75 | 8.68 | 12.12 | 16.01 |
| **Net debt/EBITDA (x)** | 1.11 | 1.27 | 0.94 | 0.25 | - | - |
| **Net debt/Equity (x)** | 0.32 | 0.41 | 0.37 | 0.12 | - | - |
| **ROI** | 3.68 | 5.01 | 10.44 | 22.08 | 46.30 | 84.31 |
| **ROE** | 1.62 | 2.56 | 7.63 | 15.68 | 23.53 | 31.98 |
| **GROWTH (%)** | **2020** | **2021E** | **2022E** | **2023E** | **2024E** | **2025E** |
| Value of production | 11.68 | 20.14 | 20.63 | 26.82 | 29.33 | 31.81 |
| EBITDA | 35.36 | 15.47 | 28.19 | 35.59 | 38.86 | 44.07 |
| EBIT | -27.19 | 50.83 | 113.48 | 94.10 | 68.59 | 68.28 |
| Net income | -71.84 | 64.40 | 214.55 | 131.80 | 80.61 | 74.12 |
| **VALUATION METRICS** | **2020\*** | **2021E\*** | **2022E\*** | **2023E\*** | **2024E\*** | **2025E\*** |
| EPS | 0.03 | 0.06 | 0.18 | 0.41 | 0.75 | 1.30 |
| BVPS | 2.22 | 2.31 | 2.43 | 2.73 | 3.26 | 4.16 |
| CFPS | 0.59 | 0.65 | 0.80 | 1.04 | 1.41 | 1.98 |
| P/E | - | 75.92 | 29.29 | 13.40 | 7.57 | 4.40 |
| P/CF | 9.89 | 8.89 | 7.27 | 5.56 | 4.10 | 2.93 |
| P/BV | 2.73 | 2.62 | 2.48 | 2.20 | 1.83 | 1.43 |
| EV/SALES | 3.00 | 2.59 | 1.99 | 1.40 | 0.87 | 0.51 |
| EV/EBITDA | 10.18 | 9.12 | 7.07 | 4.77 | 2.80 | 1.52 |
| EV/EBIT | 60.45 | 41.45 | 19.30 | 9.09 | 4.39 | 2.05 |

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

### Recommendations issued for NEOSPERIENCE securities in previous 12 months

| Date | Rating | Target Price | Market Price |
|---|---|---|---|
| 30.10.2020 | Buy | 10.73 € | 4.73 € |
| 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 € | - |

### Rating System (12-month time span)

**BUY:** if the target price is at least 15% higher than the current market price
**HOLD:** if the target price is within +/-15% of the current market price
**SELL:** if the target price is at least 15% lower than the current market price
**NO RATING:** lack of sufficient fundamentals to make a recommendation and/or target price

### Banca Finnat Research Rating Distribution        31/03/2021

| N° Research reports issued in last 12 months: 27 | BUY | HOLD | SELL | N.R. |
|---|---|---|---|---|
| Percentage of recommendations out of research total | 89% | 11% | 0% | 0% |
| Percentage of covered companies to which Banca Finnat offers investment services | 100% | 100% | - | - |

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[1] For information on all recommendations for financial instruments or issuer produced by Banca Finnat in the last 12 months (including the percentage of buy/hold/reduce/sell recommendations published and the percentage of issuers corresponding to each of these categories for which the Bank provided banking, investment or ancillary services), see the Equity Research Department section of the Bank's website.

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