

Italy – Digital Innovation

Highly scalable SaaS solutions lead to margin improvement

30<sup>th</sup> September 2021

H1-21 RESULTS RELEASE

RIC: NSP.MI  
BBG: NSP IM

Neosperience reported growing revenues on the back of the increasing sales of more lucrative SaaS solutions. Thus, EBITDA soared more than proportionately to top line. Furthermore, the group is working on a few M&A opportunities, looking at companies with proprietary cutting-edge software solutions able to enrich the group's offer.

Rating:

**Buy**

Price Target:

**€ 10.00**

Upside/(Downside): 54.8%

Last Price: € 6.46

Market Cap.: € 48.7m

1Y High/Low: € 6.90 / € 4.60

Avg. Daily Turn. (3M, 6M): € 78k, € 81k

Free Float: 49.7%

Major shareholders:

Neos Srl 44.7%



Stock price performance

	1M	3M	12M
<b>Absolute</b>	<b>0.9%</b>	<b>4.2%</b>	<b>33.9%</b>
<b>Rel.to AIM Italia</b>	<b>4.3%</b>	<b>-4.6%</b>	<b>-29.5%</b>
<b>Rel.to Sector</b>	<b>1.9%</b>	<b>-8.0%</b>	<b>-44.9%</b>

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Estimates, Rating and PT confirmed

In H1-21, Neosperience unveiled double-digit sales growth and a more than proportional rise in margins. Considering the level of revenues achieved in H1-21, Neosperience will have to post fairly sustainable implicit sales growth to the tune of 12.5% in H2-21 in order to reach our forecast for FY-21. Consequently, we left our estimates unchanged. Moreover, we have updated our DCF model by bringing the free risk rate up to date, which has remained broadly stable since our Initiation of Coverage. Thus, we confirmed our DCF-based PT of € 10.00/s, 54.8% upside. Buy recommendation reiterated.

Revenues grew by 23.0% YoY to € 8.8m...

Sales were € 8.8m, up by 23.0% YoY as a result of the increasing number of clients coupled with the consolidation of Myti Srl and ADChange Srl as from H2-20. The Covid-19 pandemic definitely changed consumer habits and behaviours, namely increasing the need of remote working, home delivery and digital commerce. As a consequence, businesses had to adapt to the new environment by accelerating the digital transformation of their processes and adopting innovative technological solutions in order to enhance efficiency and productivity.

...EBITDA rose more than proportionately to revenues

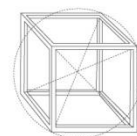
EBITDA stood at € 3.1m, 30.2% margin, +280 bps YoY thanks to the increasing sales of more lucrative highly scalable SaaS solutions. In particular, sales stemming from solution licensing based on the proprietary platform grew almost 50% YoY. D&As rose to € 1.9m on the back of significant R&D investment aimed at improving the Neosperience Cloud platform as well as developing new Solutions. Furthermore, D&As include goodwill amortisation stemming from the massive acquisition campaign carried out by Neosperience in the last few years. As a consequence, EBIT totalled € 1.2m, 11.6% margin. Group Net Profit was € 0.2m, 2.3% margin, up 24.4% YoY. NFP stood at € 5.9m, vs € 5.4m at the end of 2020, on the back of € 2.1m of operating cash flow, more than counterbalanced by capex of € 2.4m, mainly related to the capitalisation of development costs due to the platform evolutions.

Strengthening of competitive positioning goes on. Further M&As under discussion

In H1-21, the group continued strengthening its competitive positioning in the reference market, especially in Italy, thanks to the state-of-the-art Neosperience Cloud platform. In particular, Neosperience developed some activities in the Healthcare sector in order to promote digital transformation in hospitals and polyclinics through the innovative Neosperience Health Cloud solution. On the other hand, international expansion was temporarily slowed down by the pandemic, mainly with regard to those projects dedicated to Chinese tourists developed together with Tencent. Finally, the group should definitely benefit from the National Recovery and Resilience Plan in the next years, as almost € 50bn will be dedicated to the digital transformation of businesses and public administrations.

Neosperience, key financials and ratios

€ m	2019	2020	2021e	2022e	2023e
Revenues	13.9	16.4	19.2	24.3	31.9
Value of Production	17.5	19.6	22.2	27.4	34.9
EBITDA	3.6	4.8	5.1	6.8	9.3
EBIT	1.1	0.8	0.9	2.6	5.1
Net Profit	0.9	0.3	0.3	1.4	3.1
NFP (cash)/debt	1.2	5.4	4.4	2.4	(0.3)
EBITDA margin	20.4%	24.7%	22.9%	24.7%	26.5%
EBIT margin	6.4%	4.2%	4.1%	9.4%	14.5%
EPS stated FD €	0.11	0.03	0.03	0.17	0.36
EPS growth	-	-72.3%	8.7%	388.0%	118.2%
ROCE	6.2%	2.7%	3.0%	8.0%	14.3%
NWC/Sales	10.4%	21.2%	20.0%	19.1%	18.2%
Free Cash Flow Yield	-14.0%	-8.1%	2.0%	4.0%	5.5%
PER x	59.5	153.1	169.6	34.5	15.8
EV/Sales x	3.21	2.31	2.40	1.87	1.39
EV/EBITDA x	15.7	9.4	10.5	7.6	5.3
EV/EBIT x	50.1	55.6	59.1	19.9	9.6

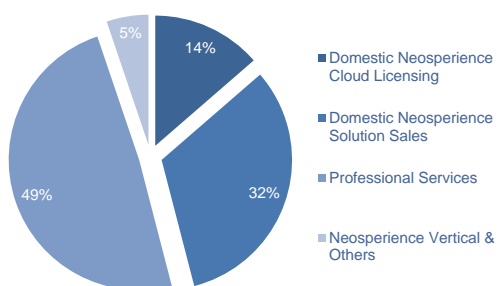


## The Company at a Glance

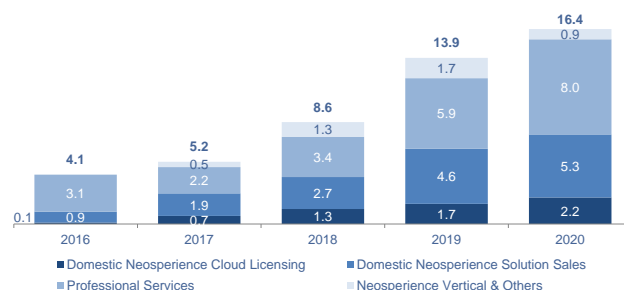
Set up in Brescia by Dario Melpignano and Luigi Linotto in 2006, today Neosperience is a leading software vendor operating in the digital customer experience & customer analytics sector. Thanks to its deep knowledge of software and app developing, the group internally designed Neosperience Cloud, an innovative cutting-edge Customer Data Platform based on Artificial Intelligence helping businesses to acquire new clients and increase the value of existing ones. Neosperience's 'empathy in technology' vision perfectly explains the peculiarity of the group's offer: by applying machine learning to the results of decades of research in cognitive, social, and behavioural psychology, organisations can provide their clients with a customised and optimised experience based on customer personality.

The company reported a 41.0% sales CAGR<sub>16-20</sub> mainly driven by the increase in sales of solutions based on its proprietary Neosperience Cloud platform as well as by the strategic acquisition of a few small companies operating in the digital customer experience arena. FY-20 figures show revenues of € 16.4m, value of production of € 19.6m, EBITDA of € 4.8m, 24.7% margin and Net Profit of € 0.3m. Net Financial Position was € 5.4m, corresponding to 1.1x NFP/EBITDA.

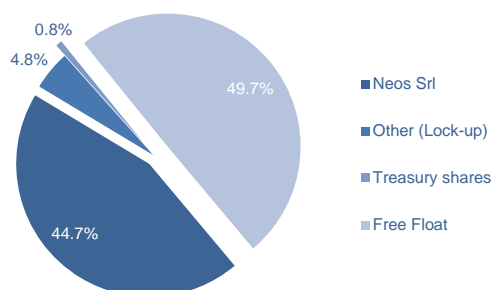
### 2020 Revenues breakdown by business line



### Top line 2016-20 evolution



### Shareholder structure



### Peer group absolute performance

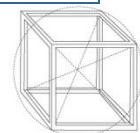
%	1D	1W	1M	3M	6M	YTD
Accenture PLC	1D	1W	1M	3M	6M	YTD
Adobe Inc	(0.2)	(3.3)	(4.3)	9.7	17.1	23.9
Alkemy SpA	(0.2)	(7.7)	(13.2)	(1.4)	21.5	15.5
Be Shaping the Future SpA	(0.8)	(1.6)	16.6	24.8	86.0	162.7
Digital360 SpA	(0.9)	(3.9)	(3.9)	27.2	42.0	50.0
dotDigital Group PLC	7.7	2.9	17.5	95.6	89.5	165.8
Gartner Inc	0.2	(4.1)	(16.6)	5.2	45.5	51.9
Growens SpA	1.3	(2.7)	(0.5)	27.1	68.6	92.2
HubSpot Inc	0.5	1.1	1.1	0.5	2.5	1.8
Kaleyra Inc	1.4	(4.2)	(0.6)	16.9	50.0	71.8
Maps SpA	(2.3)	1.2	(10.9)	(9.9)	(21.8)	11.9
Reply SpA	(1.2)	10.3	13.2	53.5	88.7	84.6
Salesforce.Com Inc	0.1	(12.3)	(8.9)	13.6	45.9	65.2
TechTarget Inc	(0.7)	4.4	0.8	10.7	27.7	21.6
<b>Median</b>	<b>(1.2)</b>	<b>(3.8)</b>	<b>(1.4)</b>	<b>8.1</b>	<b>20.6</b>	<b>41.7</b>
<b>Neosperience SpA</b>	<b>(0.2)</b>	<b>(3.0)</b>	<b>(1.0)</b>	<b>12.2</b>	<b>43.8</b>	<b>50.9</b>

Source: Thomson Reuters Eikon

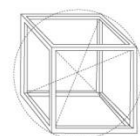
### Peer group multiples table

Price & EV multiples x	Sales FY1	Sales FY2	EBITDA FY1	EBITDA FY2	EBIT FY1	EBIT FY2	PER FY1	PER FY2
Accenture PLC	3.65	3.34	19.6	18.0	23.8	21.6	33.4	30.4
Adobe Inc	17.26	14.72	34.5	29.9	38.0	32.6	46.3	40.8
Alkemy SpA	1.42	1.22	13.8	10.6	17.7	13.6	23.5	18.2
Be Shaping the Future SpA	1.37	1.22	8.4	7.2	14.5	11.8	26.7	22.9
Digital360 SpA	2.72	1.99	13.5	10.3	23.5	17.5	35.9	25.8
dotDigital Group PLC	11.95	10.51	35.8	32.8	51.2	47.5	61.7	60.0
Gartner Inc	6.04	5.25	23.6	26.9	28.1	32.2	37.9	46.6
Growens SpA	0.97	0.87	12.2	9.4	40.3	20.4	67.8	31.1
HubSpot Inc	24.91	19.31	206.7	150.5	291.5	199.8	382.2	257.1
Kaleyra Inc	2.14	1.33	35.4	13.7	n.m.	881.0	n.m.	n.m.
Maps SpA	2.24	1.69	8.7	6.4	15.0	10.9	17.4	13.9
Reply SpA	3.88	3.42	23.0	20.4	28.4	24.8	41.4	36.8
Salesforce.Com Inc	10.05	8.18	34.0	27.4	54.4	41.5	62.3	56.3
TechTarget Inc	9.38	7.90	25.1	20.7	27.7	25.6	35.9	32.1
<b>Median</b>	<b>3.76</b>	<b>3.38</b>	<b>23.3</b>	<b>19.2</b>	<b>28.1</b>	<b>25.2</b>	<b>37.9</b>	<b>32.1</b>
<b>Neosperience SpA</b>	<b>2.40</b>	<b>1.87</b>	<b>10.5</b>	<b>7.6</b>	<b>59.1</b>	<b>19.9</b>	<b>169.6</b>	<b>34.5</b>

Sources: CFO Sim, Thomson Reuters Eikon



Income statement (€ m)	2019	2020	2021e	2022e	2023e
Revenues	13.9	16.4	19.2	24.3	31.9
Value of Production	17.5	19.6	22.2	27.4	34.9
Raw material and processing	(0.1)	(0.5)	(0.6)	(0.7)	(0.9)
Services	(9.7)	(7.1)	(8.8)	(10.8)	(13.8)
Personnel expenses	(3.4)	(5.7)	(6.2)	(7.2)	(8.5)
Other opex	(0.7)	(1.4)	(1.6)	(1.9)	(2.4)
EBITDA	3.6	4.8	5.1	6.8	9.3
D&A	(2.5)	(4.0)	(4.2)	(4.2)	(4.2)
EBIT	1.1	0.8	0.9	2.6	5.1
Financials	(0.1)	(0.1)	(0.2)	(0.2)	(0.2)
Re/(Devaluation) of financial assets	(0.0)	0.2	0.0	0.0	0.0
Forex gain/(loss)	0.0	0.0	0.0	0.0	0.0
Pre-Tax profit	1.0	0.9	0.7	2.3	4.8
Income taxes	(0.0)	(0.5)	(0.2)	(0.7)	(1.4)
Minorities	(0.0)	(0.1)	(0.2)	(0.2)	(0.3)
Net Profit	0.9	0.3	0.3	1.4	3.1
Balance sheet (€ m)	2019	2020	2021e	2022e	2023e
Net Working Capital	1.8	4.1	4.4	5.2	6.4
Net Fixed Assets	12.1	18.0	16.8	15.6	14.4
Equity Investments	0.9	1.0	1.0	1.0	1.0
Other M/L Term A/L	0.9	(1.0)	(0.8)	(1.0)	(0.5)
Net Invested Capital	15.7	22.1	21.4	20.9	21.3
Net Financial Debt	1.2	5.4	4.4	2.4	(0.3)
Minorities	0.3	0.7	0.9	1.1	1.4
Group's Shareholders Equity	14.2	16.0	16.2	17.3	20.1
Financial Liabilities & Equity	15.7	22.1	21.4	20.9	21.3
Cash Flow statement (€ m)	2019	2020	2021e	2022e	2023e
Total net income	0.9	0.3	0.3	1.4	3.1
Depreciation	2.5	4.0	4.2	4.2	4.2
Other non-cash charges	(2.5)	2.0	(0.2)	0.2	(0.4)
Cash Flow from Oper. (CFO)	0.8	6.2	4.3	5.8	6.8
Change in NWC	1.3	(2.3)	(0.3)	(0.8)	(1.1)
FCF from Operations (FCFO)	2.1	3.9	4.0	5.0	5.7
Net Investments (CFI)	(8.9)	(7.9)	(3.0)	(3.0)	(3.0)
Free CF to the Firm (FCFF)	(6.8)	(3.9)	1.0	2.0	2.7
CF from financials (CFF)	8.4	8.9	(0.0)	0.0	0.0
Free Cash Flow to Equity (FCFE)	1.6	4.9	1.0	2.0	2.7
Financial ratios	2019	2020	2021e	2022e	2023e
EBITDA margin	20.4%	24.7%	22.9%	24.7%	26.5%
EBIT margin	6.4%	4.2%	4.1%	9.4%	14.5%
Net profit margin	5.3%	1.3%	1.3%	5.2%	8.8%
Tax rate	3.6%	55.7%	30.0%	30.0%	30.0%
Op NWC/Sales	10.4%	21.2%	20.0%	19.1%	18.2%
Interest coverage x	10.64	7.78	3.74	10.71	21.04
Net Debt/EBITDA x	0.34	1.12	0.87	0.36	n.m.
Debt-to-Equity x	0.09	0.34	0.27	0.14	n.m.
ROIC	5.9%	1.2%	1.3%	6.8%	14.5%
ROCE	6.2%	2.7%	3.0%	8.0%	14.3%
ROACE	Neg.	3.4%	3.0%	8.2%	15.0%
ROE	6.5%	1.6%	1.8%	8.2%	15.3%
Payout ratio	0.0%	0.0%	0.0%	0.0%	0.0%
Per share figures	2019	2020	2021e	2022e	2023e
Number of shares # m	7.26	7.51	7.61	7.61	7.61
Number of shares Fully Diluted # m	8.21	8.45	8.55	8.55	8.55
Average Number of shares Fully Diluted # m	8.21	8.33	8.50	8.55	8.55
EPS stated FD €	0.11	0.03	0.03	0.17	0.36
EPS adjusted FD €	0.11	0.03	0.03	0.17	0.36
EBITDA €	0.43	0.58	0.60	0.79	1.08
EBIT €	0.14	0.10	0.11	0.30	0.59
BV €	1.77	1.98	1.99	2.16	2.52
FCFO €	0.25	0.47	0.47	0.58	0.67
FCFF €	(0.83)	(0.47)	0.11	0.23	0.32
FCFE €	0.19	0.59	0.11	0.23	0.32
Dividend €	0.00	0.00	0.00	0.00	0.00



## ANALYST CERTIFICATION

This publication was prepared by **LUCA ARENA**, Head of the Equity Research Department of "Corporate Family Office SIM S.p.A." ("CFO SIM") and **GIANLUCA MOZZALI**, Equity Analyst of CFO SIM. This is to certify that the views expressed on the companies mentioned in this document reflect the analysts' personal opinions and that no direct or indirect recompense has been, or will be, received by the analyst further to the views expressed herein.

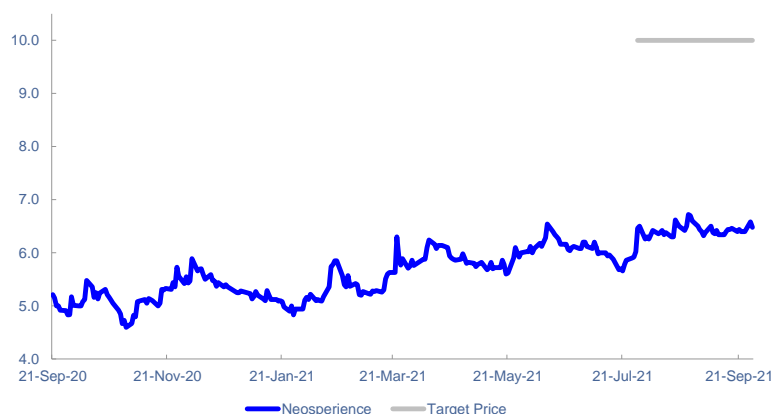
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DATE	TARGET PRICE	RATING
30/09/2021	€10.00	BUY
29/07/2021	€10.00	BUY

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- a **BUY** rating is assigned if the target price is at least 15% higher than the market price;
- a **SELL** rating is assigned if the target price is at least 15% lower than the market price;
- a **NEUTRAL** rating is assigned if the difference between the current price and target price lies within the +/- 15% bands identified using the preceding criteria.

The rating is determined on the basis of the **expected absolute return 12 months forward** and not on the basis of the estimated out/underperformance relative to a market index. Thus, the rating can be directly linked with the estimated percentage difference between current price and target price. The prices of the financial securities mentioned in the report (also used for the calculation of market capitalisation and market multiples) are the reference prices of the stock market trading day preceding the publication date of the report, otherwise stated.

