

## NEOSPERIENCE

Growth process continues, after the release of the new strategic plan

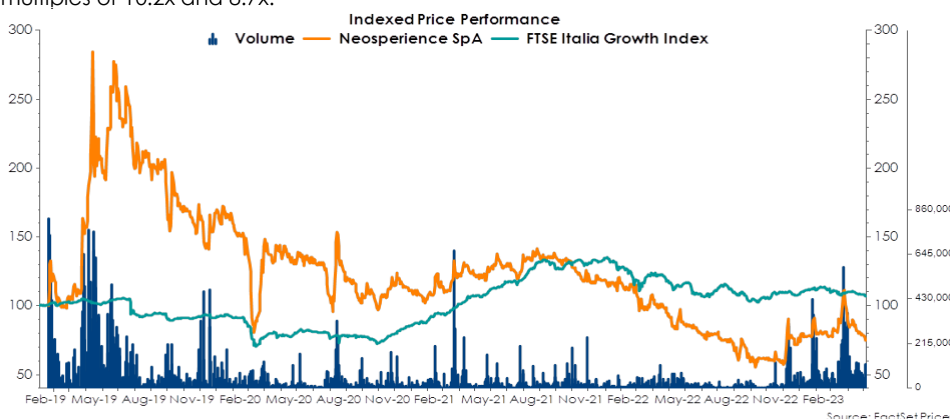
Sector: Technology Services

**FY22 sales at Euro 21.0 m with focus on the development of new vertical applications of the Neosperience Cloud Platform.** Neosperience, a leading Italian Tech Company specialized in Artificial Intelligence & Machine Learning, recently reported solid FY22 results but lower than our expectations. In a far from simple year, such as 2022, characterized by the aftermath of the Covid-19 pandemic, rising energy prices and the protracted conflict in Ukraine, Neosperience has continued its growth process by focusing on the reorganization of business activities, rationalization of the group structure and development of exciting new vertical solutions of the Neosperience Cloud platform in the "HealthTech", "LegalTech", "Tourism" and "Security & Safety" fields.

Getting to the point, revenues settled at Euro 21.0 m, up 16% from previous year (Euro 18.2 m) predominantly due to the cross-selling between the companies of the Group (see our first coverage for an in-depth understanding of all of them) and the increasing number of relevant customers. VoP is up from Euro 20.7 m in 2021 to Euro 25.2 m in 2022 (+22% YoY); this figure includes Euro 3.5 m of increase in internal works resulting from capitalized costs related to the evolution of the platform. Absolute margins are also growing, with EBITDA reaching Euro 6.4 m (vs. Euro 5.9 m in FY21), while EBITDA margin stood at 26% vs. 27% of our projections, due principally to lower sales volumes. EBIT came in at Euro 1.5 m, slightly in line with previous year's result, with a 6% marginality (always calculated on VoP), due to the effect of significant amortization of intangible assets: this aspect distinguishes NSP from most of the companies of the same business segment, demonstrating the Group's willingness to continue to invest in proprietary application solutions. Net income figure confirmed the growth process and totaled Euro 0.88 m, recording a significant YoY increase (+13%). Regarding the balance sheet side, net debt came in at Euro 11.6 m, in sharp increase from Euro 7.0 m, amply substantiated by Euro 12.5 m of significant investments done, with the aim of developing vertical applications of Neosperience Cloud platform in prominent market segments, as explicated above.

**Outlook remain positive with ongoing development activities.** The first months of 2023 saw an expansion of the company's client portfolio and increased penetration in the "HealthTech", "LegalTech", "Tourism" and "Security & Safety" business fields. The recent release of the 2023-2025 strategic plan emphasized the Group's guidelines and intentions to three pillars: 1) *Applicative focus*, concentrating the evolution of the platform on the industry-specific application differential, rather than encompassing the entire technology stack; 2) *Modularity*, thanks to a modular software architecture that can be easily integrated into any business ecosystem; 3) *Ease of adoption*, accompanying the customer on its evolutionary path, starting with the resolution of timely needs. After the close of FY2022, Neosperience continued to enhance the Neosperience Cloud platform by integrating emerging technologies, including Large Language Models and, in particular, GPT-4. This technological advancement has further increased the value generated for customers, reinforcing Neosperience's position as a leader in the field of AI applied to customer experience and operational processes, confirming the company's commitment to adopting the most innovative technologies to deliver extraordinary results for customers.

**Estimate revision and valuation.** Given the above we finetuned our revenues estimates, with the aim of confirming the growth process, making it more gradual and consistent. We now expect sales growth of 14% in FY23 (28% previously) and 23% in the years to follow and we also increased profitability to reflect the structural improvement in margins from 2023 onward. Updating our DCF and multiple based valuation model for new estimates and up-to-date market data, we obtain a target price of Euro 3.35 p.s. (Euro 4.30 p.s. previously), providing for a potential upside of 91%. At our TP the stock would be trading at FY23-24 EV/EBITDA multiples of 10.2x and 8.7x.



Target Price **3.35** (4.30 pr.)

Price (€) **1.75**

Market Cap (€ m) **33.76**

EV (€ m) **45.17**

As of May 08<sup>th</sup>, 2023

### Share Data

Market	Euronext Growth Milan
Reuters/Bloomberg	NSP.MI/NSP:IM
ISIN	IT0005351496
N. of Shares	19.183.322
Free Float	49.02%
Main Shareholder	Neos S.r.l

### Financials

	2022A	2023E	2024E	2025E
<b>Sales</b>	21.0	24.0	28.1	36.0
YoY %	+16%	+14%	+17%	+28%
<b>EBITDA</b>	6.4	7.4	8.7	11.4
EBITDA %	26%	28%	28%	29%
<b>EBIT</b>	1.5	2.1	3.4	6.0
EBIT %	6%	8%	11%	16%
<b>Net Income</b>	0.9	1.3	2.1	3.8
<b>Net Debt</b>	11.6	10.9	7.6	(1.9)

### Performance

	1M	3M	6M
Absolute %	-12.9	-7.4	20.1
Relative (FTSE Italia Growth)	-10.7	-3.2	17.3
52-week High/Low (Eu)	2.73	/	1.32

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