SIM INTEGRÆ

Expert System

AIM Italia

Target Price: € 2,61							Rating Buy	
Year	**VoP** €k	**EBITDA** €k	**EBIT** €k	**Net Profit** €k	**Eps** €	**EV/Ebitda** x	**EV/Ebit** x	**P/E** x
2015PF	29.887	1.796	(3.532)	(2.314)	-0,105	30,0	nm	nm
2016 F	32.727	2.504	(2.827)	(3.267)	-0,149	22,1	nm	nm
2017 F	39.451	6.652	987	287	0,013	8,1	54,6	149,3
2018 F	44.606	8.547	2.841	1.455	0,066	6,1	18,2	29,4

	Old	New
Rating	Buy	Buy
Risk Rating	Medium	Medium
Target Price	2,90	2,61

Market Data (€)	
Close Price (€)	1,95
Share Outstanding (k)	21950
Market Cap (€m)	42802
Market Float (%)	41,9
Avg Daily Vol (n.)	25000
Past 12 Months	Max 2,28 Min 1,72

Performance	3 M	12 M
Absolute	-5,2	-7,4
Relative	3,8	25,6

FTSE MIB
Expert System SpA

EXPERT SYSTEM
SEMANTIC INTELLIGENCE

The FY15 consolidated turnover is in line with our estimates, but profitability is lower. The value of production grew by 31.8% YoY to € 22.6 million (€ 30 million pro-forma with the acquisition of Temis), but EBITDA has suffered a decline of 48.5% to € 1.2 million (€ 1.8 million pro forma); the EBITDA margin, subsequently fell to 7.3% (from 17.9% in FY14). Significant growth in personnel costs (from € 6.5 million in the FY14 to € 11.3 million in FY15), mainly technical and commercial, in Italy and in the rest of the group. Higher depreciation and amortization of strategic assets (from € 1.7 million in the FY14 to € 5.2 million of FY15) did not allow the achievement of a positive EBIT (€ -4.0 million and - € 3.5 million pro-form). The NFP has become negative for € 10.5 million (€ 1.3 million in cash for FY14) due to strong investments in research, commercial development and finance the acquisition.

The target market is growing fast: the evolution toward which tends the IT market growth covers the semantic analysis that promises the best solution for all the component of unstructured information, representing 85-90% of available. The firms have a limited size that does not allow them to grow through investments in acquisitions. We believe that Expert System can play the role of an aggregator in a strongly growing sector.

Down our FY15-18F estimates. We have revised the estimates based on the group born after the acquisition of Temis. The massive investments (approximately € 5 million per year) will benefit from the income statement as of FY17 and more in subsequent years. For FY16 we estimate an EBIT still negative, although an improvement compared to FY15 pro-forma. By FY18F onwards we estimate that the net profitability can be constantly improving.

Valuation: Buy rating, target price € 2.61 (from €2.9), medium risk. The transaction of acquisition of Temis and the subsequent complete integration, will enable strong growth of the results of Expert System from FY18F (with a shift of one year compared to our previous estimates).

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FY15 results and forecasts

Consolidated pro-forma results

The pro forma results take into account the acquisition of the French company Temis, which took place in September 2015, over a period of 12 months.

The value of production is a result of € 30 million with revenues from sales and services amounted to € 22 million (+ 84% compared to 2014) resulting from higher sales on foreign markets, in particular € 9.5 million from the new companies included in the scope of consolidation (former Temis and Iberia). The share of revenues from foreign sales is a result of € 12.8 million, corresponding to 58% of total revenues. We point out the important investment effort carried out in France, the US and Spain showing an increase of R & D of 79% compared to 2014.

EBITDA amounted to € 1.8 million, is related to the heavy investment in technical and sales personnel (+ 156% compared to 2014) carried out both in Italy and in the rest of the group. EBIT was a negative € 3.5 million, reports the amortization effect (+ 68% compared to 2014) of strategic assets.

Consolidated results

The value of production increased by 32% YoY, reaching € 22.6 million (€ 17.2 million at December 31, 2014). Revenues from sales and services rose 37% YoY to € 16.4 million. EBITDA declined by 48.6% YoY to € 1.2 million (€ 2.3 million at December 31, 2014) due to a significant strengthening of the organizational structure, in particular in support of international development. EBIT was negative for € 4.0 million (profit of € 0.6 million at 31 December 2014), after amortization and provisions amounted to € 5.2 million (€ 1.7 million at 31 December 2014).

2015 was a year of strong evolution that brought the Expert System to become the largest market realities in Europe in the field of cognitive computing and Artificial Intelligence. Markets are going through a period of intense vitality.

Also thanks to the growth of R & D, in 2015 Expert System has been included in the "top 10" Forrester for the analysis of big data, after a rigorous selection process which involved more than 200 international companies.

Investments in research were made for the expansion of Cogito through the implementation of new languages including Japanese, Chinese and Korean, and the development of new markets to strengthen and expand the global positioning. Were also inaugurated two laboratories in the USA (Palo Alto, Silicon Valley, and in the greater Washington), who will work in synergy with the other 5 "Cogito Lab", today located in Modena, Rovereto, Naples, Grenoble and Madrid , to increase the "intelligent" functions of all the applications.

Another important frontier on which Expert System has invested in combining semantic analysis, natural language processing and deep learning to improve the automatic understanding of big data and language, exploiting the most innovative artificial intelligence techniques.

The development strategies through acquisitions, after acquisitions in France and Spain, have helped it grow, in just over two years, from about 100 employees to over 230 today, and to preside over all the western market, the US, Great Britain , Italy, France, Germany, Spain, Canada and Switzerland, increasing the turnover deriving from abroad, carried out in 15 countries, from 17%

to 58%. Simultaneously, important milestones have been achieved: Expert System is among the few Premier Technology Partner of Google, with which it collaborates in research is to stimulate the development of semantic intelligence solutions through the Google Cloud Platform. E 'it was also reinforced its coverage in USA, structured today with two companies dedicated to the public sector and the private sector, and extended the business to new industries, such as insurance, pharmaceutical and industrial.

In order to support the further development and seize new growth opportunities, the extraordinary general meeting authorized the Board to perform an increase in the share capital, for a maximum total amount of € 5 million, including any premium, by means the issue of ordinary shares without nominal value, with the same characteristics as those outstanding and normal dividend rights, to be offered to shareholders pursuant to art. 2441, first paragraph, Civil Code, and the issuing of warrants attached free of charge to the ordinary shares deriving from the capital.

New organization in US

October 9 Expert System announced a reorganization plan in the US, aimed at a more effective supervision of the market.

Following the recent acquisition of TEMIS, the group has consolidated the objectives of the two subsidiaries in the USA designed to expand and better characterize the offer of Expert System for the private sector and the public sector. The need for cognitive systems for advanced content analysis and activity reporting, in fact, has taken a leading role in solving some of the major problems related to the management of the data that are facing organizations of all kinds. However, the needs and priorities that emerge in the public sector differ significantly from those that are evident within the private companies. To meet these different needs, the company Expert System will be organized as follows:

- Expert System USA, Inc., Expert System in the US active in the US market since 2008, will be completely dedicated to developing solutions for public organizations, including those operating in the fields of defense, intelligence, and law enforcement;

- TEMIS USA will be renamed "Enterprise Expert System" and will pay attention to the large market of private companies, with specific focus on some vertical sectors (Banking and Insurance, Publishing and Media, Energy, Oil & Gas, Healthcare).

The reorganization meets different customers functional and operational requirements of Expert System's clients: the first public and the second private.

Before acquiring Temis the strategic US reorganization was obviously not planned, nor were they provided the related investments. Investments that, in the case of Expert System USA Inc., we believe will be important. We believe that equally important could be in the medium term returns of income related to the investments.

2016-18 Forecast

As a result of the lower results than our estimates and taking into account the investments made, and value in the coming years (about € 5 million a year up to 2021F), we have reduced our estimates with respect to the note of October 12, 2015. Investments that begin to benefit from the income statement in 2017F, but will be fully visible from 2018 onwards. The 2016F and 2017F in part we believe may still be years in which the high overhead costs and above all the personnel (from € 6.5 million to € 11.3 million in the FY14 and FY15 of € 17.5 million of pro-forma of FY15),

more than doubled as a result of Temis and operation in US, combined with the growth of depreciation charges to the growth of the structure to the increase in capitalized to be amortized costs, will not allow the full expression of profitability.

In the period under review, however we estimate an EBITDA margin growth expected to reach 7.7% (6% in FY15 pro-forma) to 16.9% in FY17F.

Still negative, albeit an improvement on FY15, EBIT (€ -2.8 million); positive in FY17F € 1.0 million.

As for the net financial debt, we estimate that the maximum peak exposure can be achieved in FY16F (€ 12.5 mln our estimate) and that from FY17F but with greater intensity in the following years, they can gradually shrink.

In the medium term (2018-2021F) our estimates are based both on the investments that the company has carried out and will carry out in the coming years, both on the expected growth of the market, both the positions and the achieved market recognition.
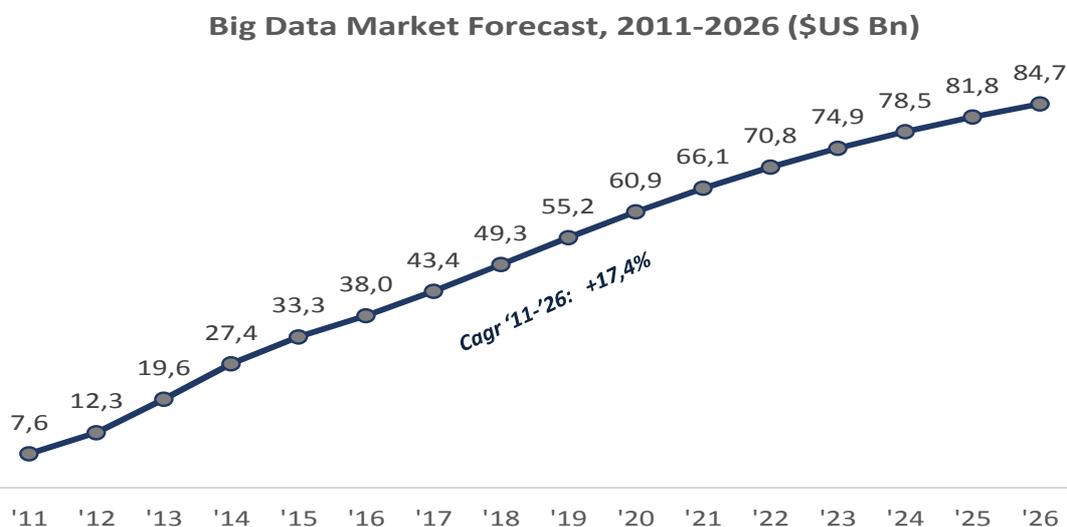
In order to better understand the scope of change that will have the management of big data in the coming years, we report the Wikibon data (Big Data Research) and Accenture (Big Data Survey, April 2014) is related to the market as a whole, both to single text analysis (Enterprise and global market).

Fig. 1 – The impact of Big Data management on the organization of enterprises within the next five years
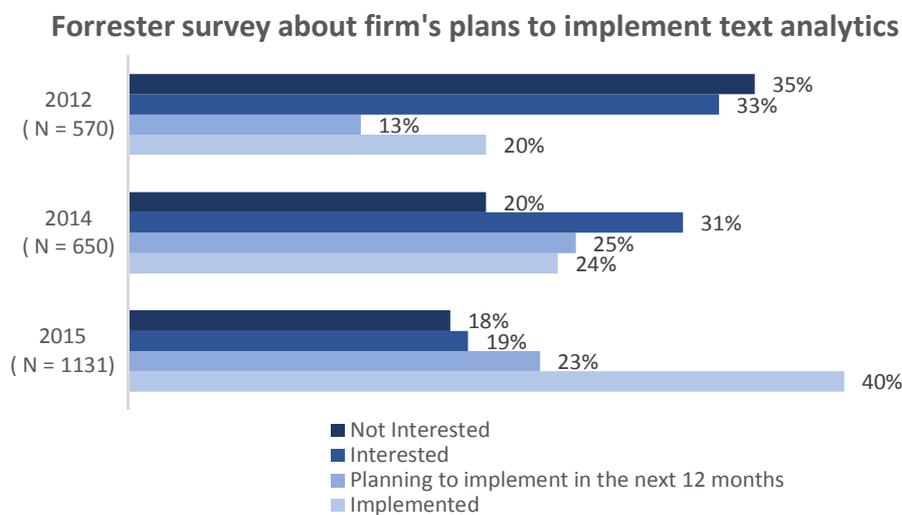
... survey about Where will big data have the biggest impact on your organization in the next five years?

Category	Top Impact	Top 3 Impact
Impacting customer relationships	37%	63%
Redefining product development	26%	58%
Changing the way we organize operations	15%	56%
Making the business more data-focused	8%	48%
Optimizing the supply chain	9%	47%
Fundamentally changing the way we do business	5%	27%

Source: Accenture Big Success with Big Data Survey, April 2014

Fig. 2 – Big Data market growth

Big Data Market Forecast, 2011-2026 ($US Bn)

Cagr '11-'26: +17,4%

| '11 | '12 | '13 | '14 | '15 | '16 | '17 | '18 | '19 | '20 | '21 | '22 | '23 | '24 | '25 | '26 |

7,6 12,3 19,6 27,4 33,3 38,0 43,4 49,3 55,2 60,9 66,1 70,8 74,9 78,5 81,8 84,7

Source: Wikibon Big Data Research

Fig. 3 – Forrester survey about firm's plans to implement text analytics

Forrester survey about firm's plans to implement text analytics

2012
(N = 570)
35%
33%
13%
20%

2014
(N = 650)
20%
31%
25%
24%

2015
(N = 1131)
18%
19%
23%
40%

■ Not Interested
■ Interested
■ Planning to implement in the next 12 months
■ Implemented

Source: Forrester's Global Business Technographics® Data And Analytics Survey, 2015-2014-2013

Whereas, according to World Text Analytics Market (Opportunities and Forecast 2013-2020), the fastest growing market will be North American, Expert System has invested and will continue to invest in the coming years in that market.

Fig. 4 – Global Text Analytics Market ($ US Bn).

Global Text Analytics Market ($US Bn)
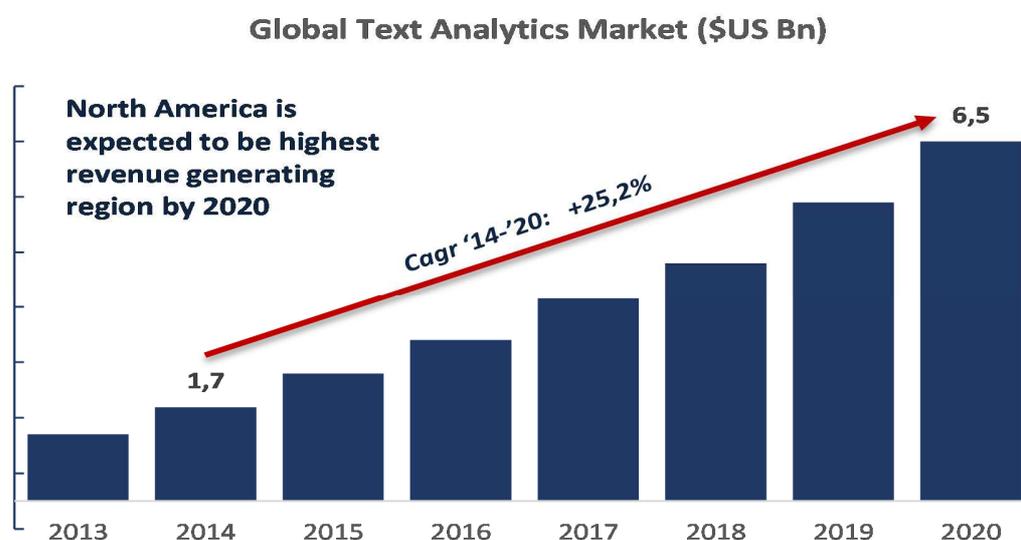
Source: World Text Analytics Market - Opportunities and Forecasts, 2013 - 2020

Thanks to investments in research and development Expert System has been included in the "Forrester WaveTM". The sample analyzed by Forrester Wave has about 200 suppliers in the Text Analytics Big Data market segment. The first 10 providers of Forrester included in this research are the top 5% of the market. Although the competitive landscape includes multinational groups with a significant critical mass, Expert System is one of the Top 10 in the "Big Data Analytics Platform Text" sector globally.

Our new consolidated estimates and taking into account the acquisition of Temis were made on the basis of the following assumptions:

- sales force. Strong attention to foreign markets, particularly the United States and Germany, thanks also to the solutions sold to governmental institution. Build-up of an indirect sales force, dedicated to the sale of the Cogito to third party distributors, such as system integrators and OEM and integration of the sales structure of Expert System and Temis, in order to strengthen the Group's position on new customers, with the aim of increase market penetration;

- costs. We estimated a significant increase in personnel costs (direct sales) in order to increase the potential in the market. The focus of research and development in the coming years will be directed to the standardization of products, in order also to reduce the integration activities carried out directly. By FY16 Expert System should increase the sales force with the addition of international sales (US, Spain and Germany) and project managers / developers software.

- working capital. We expect the continuation of government support for research and development (the estimated collection for the biennium 2016-17F and around € 5 mln), combined with a progressive decrease of the absorption working mainly related to the strong increase in sales expected to ' foreign (we estimated the decline between DPO and DSO) in 10 days;

- investments, equal annual R & D for the period 2016-21F (approximately € 5 mln per year), in order to improve and align the quality levels of language (with a focus on Chinese, Japanese and Korean) and continue to develop the Cogito technology and its features. Furthermore we estimate the further development of international support organization for market penetration and foreign patents. In the estimates we have not considered external growth assumptions.

We do not rule out future acquisitions in order to increase the customer base and / or enter new markets.

Fig. 5 – Profit & Loss

Consolidated Profit & Loss (€/000)	2015 PF	2016F	2017F	2018F	2019F	2020F	2021F
Total Sales	22.196	26.091	32.492	37.724	42.467	45.900	48.111
VALUE OF PRODUCTION	29.887	32.727	39.451	44.606	49.348	52.856	55.144
Growth YoY	*n.m.*	*9,5%*	*20,5%*	*13,1%*	*10,6%*	*7,1%*	*4,3%*
Total Costs	(28.090)	(30.223)	(32.799)	(36.059)	(39.548)	(41.850)	(43.430)
EBITDA	1.796	2.504	6.652	8.547	9.800	11.006	11.714
Ebitda margin %	*6,0%*	*7,7%*	*16,9%*	*19,2%*	*19,9%*	*20,8%*	*21,2%*
Depreciation & Amortization	(5.329)	(5.331)	(5.665)	(5.706)	(5.461)	(3.305)	(3.500)
EBIT	(3.532)	(2.827)	987	2.841	4.339	7.701	8.214
Ebit margin %	*-11,8%*	*-8,6%*	*2,5%*	*6,4%*	*8,8%*	*14,6%*	*14,9%*
NET INCOME	(2.314)	(3.267)	287	1.455	2.390	4.443	4.785
Profit margin %	*-7,7%*	*-10,0%*	*0,7%*	*3,3%*	*4,8%*	*8,4%*	*8,7%*

Ebitda, Ebit and Profit margin are calculated on Value of Production

Source: Expert System and Integrae SIM

Fig. 6 – Assets & Liabilities

Consolidated Balance Sheet (€/000)	2015 PF	2016F	2017F	2018F	2019F	2020F	2021F
Total Assets	24.073	24.055	23.723	23.379	23.311	25.429	27.381
Working Capital	10.122	7.763	7.279	7.299	8.217	8.836	8.992
Total Provisions	(1.443)	(1.907)	(2.165)	(2.466)	(2.784)	(3.025)	(3.216)
INVESTED CAPITAL	32.751	29.912	28.837	28.212	28.745	31.239	33.157
Equity	(21.679)	(17.451)	(17.738)	(19.193)	(21.583)	(26.026)	(30.811)
Net Debt	(11.072)	(12.460)	(11.099)	(9.019)	(7.161)	(5.213)	(2.346)
	-						
TOTAL FUNDS	(32.751)	(29.912)	(28.837)	(28.212)	(28.745)	(31.239)	(33.157)

Source: Expert System e Integrae SIM

Fig. 7 – Cash Flow

Consolidated Cash Flow (€/000)	2016F	2017F	2018F	2019F	2020F	2021F
EBITDA	2.504	6.652	8.547	9.800	11.006	11.714
Change in Net working capital	(473)	(1.213)	100	(896)	(713)	(168)
Change in Grants receivables/liabilities	1.891	1.697	(120)	(22)	94	13
Change in provision	384	178	222	238	162	110
Extraordinary income/expense						
Taxes	136	(191)	(970)	(1.593)	(2.962)	(3.190)
Cash flow from Operating activities	**4.442**	**7.122**	**7.779**	**7.526**	**7.587**	**8.478**
(Inc.)/Decrease in Intangible Asset	(4.778)	(5.063)	(5.063)	(5.063)	(5.063)	(5.063)
(Inc.)/Decrease in Tangible Asset	(110)	(190)	(220)	(250)	(280)	(310)
(Inc.)/Decrease in Financial Asset	(367)					
Cash flow from Investing activities	(5.255)	(5.253)	(5.283)	(5.313)	(5.343)	(5.373)
Net cash flow from Operating activities	**(812)**	**1.870**	**2.496**	**2.213**	**2.245**	**3.105**
Cash flow before financing activities	(812)	1.870	2.496	2.213	2.245	3.105
Change in Equity		()				
Financial income/expense	(576)	(509)	(416)	(355)	(297)	(238)
Inc./(Decrease) long term loans	(3.305)	(4.964)	(3.595)	(3.136)	(3.088)	(1.594)
Inc./(Decrease) other financial debt	(389)	(201)	(108)	1		
Cash flow from Financing activities	**(4.270)**	**(5.674)**	**(4.119)**	**(3.491)**	**(3.384)**	**(1.832)**
Net Increase / (Decrease) in Cash	(5.082)	(3.804)	(1.622)	(1.278)	(1.139)	1.273
Cash at the beginning of the period	**12.595**	**7.512**	**3.708**	**2.086**	**808**	**(331)**
Final cash position	**7.512**	**3.708**	**2.086**	**808**	**(331)**	**942**

Source: Expert System e Integrae SIM

Valuation

We carried out Expert System evaluation on the basis of two methodologies: DCF and multiples of a sample of comparable companies.

Each valuation model is able to capture one or more aspects of a company's life: income, equity, based on cash flows, based on the comparison of "similar" listed companies. For this reason we believe that a proper mix between the different assessments is able to better get the "proper fair value" of a company like Expert System, that is characterized by some peculiarities (cash flows, management quality, track record, shareholders, managers, development high potential).

The DCF model

The results of the DCF model for the calculation of the equity value of a company, as known, are driven by the estimates. In addition to the equity value, it is particularly important to ensure the comparability of the results their own quality, depending on many variables, including the business developments visibility. In the case of Expert System, the visibility of business developments allows us to extend the time horizon up to 2021F. In this year, indeed, the profitability of projects started in 2013-15F and the effects of Temis acquisition, will be fully visible. For this reason we think that the DCF model can get some aspects of the company life that a ratio-based model would not be able to consider (also because consensus estimates available for peers reach the end of 2016, year in which the positive effects of the acquisition will not be fully visible yet).

The input data are reported below:

Fig. 8 – Input data

Wacc calculation	
Risk Free Rate	0,88%
Market Premium	8,84%
Beta Unlevered	1,00
Tax Rate (Ires + IRAP)	31,40%
D/E (average)	41,66%
Beta Relevered	1,49
Alfa (specific risk)	2,50%
Ke	16,55%
Wacc	10,80%

Source: Integrae SIM forecasts

We assumed the parameters of the preceding table on the basis of the following assumptions:

- the risk-free rate is the average gross yield Rendistato (Bank of Italy) of bonds maturing between four years and seven months and six years and six months related to the period June 2015 - May 2016;

- the market premium is calculated by Prof. A. Damodaran for Italy, representing 8.84% (Update May 2016);

- The unlevered Beta was determined based on the average Beta 5 years for the same sample of securities (where possible) comparable used for the equity value determination with multiple methodology, of 1.0. Please note that the choice of time period (five years) and the frequency of observations (weekly) was chosen as a function of maximizing the significance of linear regression expressed by the parameter R2. The Beta unlevered resulting from the linear regression (1.0) has been corrected on the basis of the following formula: Adjusted Beta = 1.0 * 0.67 * 0.33 + 1 (See EJ Elton, Gruber MJ, SJ Brown, WN Goetzmann - Modern Portfolio Theory and Investment Analysis - John Wiley & Sons, 2009), coming to determine the unlevered beta of 1.0. The same was then levereggiato based on the D / E average estimated for the years 2015-18F. Beta levered results to be of 1.49.

Fig. 9 – Unlevered Beta

Company	Unlevered Beta				
	1-Year	2-Year	3-Year	4-Year	5-Year
FleetMatics Group Ltd.	1,06	0,66	0,71	0,71	
Ellie Mae Inc.	0,91	0,87	0,95	0,88	0,74
NQ Mobile Inc.	1,62	0,58	0,91	1,01	1,08
Taomee Holdings Ltd.	0,07	0,05	0,00	-0,02	0,05
Tangoe Inc.	1,20	1,00	1,15	1,16	1,19
Imperva Inc.	1,80	1,91	2,03	1,79	1,78
Jive Software Inc.	0,83	0,60	0,55	0,72	1,02
Splunk Inc.	1,71	1,97	2,02	1,88	
Infoblox Inc.	1,61	1,85	1,51	1,43	
Proffpoint Inc.	1,28	1,43	1,37	1,31	
Exa Corp.	0,24	0,46	0,43	0,69	
Qualys Inc.	1,49	1,58	1,49	1,39	
Adobe Systems Incorporated	0,87	0,88	0,91	0,88	0,89
salesforce.com, inc.	1,17	1,37	1,25	1,27	1,38
Open Text Corporation	0,61	0,53	0,54	0,57	0,65
Alphabet Inc.	1,51	1,38	1,43	1,38	1,10
Oracle Corporation	1,20	1,24	1,23	1,27	1,10
Average	**1,13**	**1,08**	**1,09**	**1,08**	**1,00**

Source: Infinancials

- The growth rate "g" used to calculate the terminal value is conservatively set equal to 3%;

- Alfa, or additional specific risk, typical of equity investments in companies characterized by reduced operating dimensions. Being small, the small cap additional risk has been assumed to be 2.5%, average value among those suggested by major

studies on the subject (Massari, Zanetti, Financial Rating, McGraw-Hill, 2004, p. 145, A. Damodaran, cost of Equity and Small Cap Premium Investment Valuation, Tools and Techniques for Determining the Value of any Assets, third edition, 2012, Guatri, Bini, New Treaty on Companies rating, 2009 p. 236);

This results in a WACC of 10.8%.

Fig. 10 – DCF model

Cash Flow	2016	2017	2018	2019	2020	2021	2022	2023	TV
EBIT	- 2.827	987	2.841	4.339	7.701	8.214	9.857	11.828	
Operating Taxes	789	(275)	(793)	(1.211)	(2.149)	(2.292)	(2.750)	(3.300)	
NOPLAT	- 2.038	711	2.048	3.128	5.553	5.922	7.107	8.528	
Depreciations	5.331	5.665	5.706	5.461	3.305	3.500	3.640	3.785	
Δ NWC	(473)	(1.213)	100	(896)	(713)	(168)	100	100	
Investments	(4.888)	(5.253)	(5.283)	(5.313)	(5.343)	(5.373)	(3.000)	(2.500)	
FCFO	(2.068)	(89)	2.571	2.381	2.802	3.881	7.847	9.913	127.115
Discounted FCFO	(1.866)	(73)	1.890	1.580	1.678	2.098	3.828	4.365	55.965

FCFO actualized	13.500
TV actualized DCF	55.965
Enterprise Value	**69.465**
NFP (2015)	(11.072)
Equity Value	**58.393**

Source: Integrae SIM

With the data above and by referring to our estimates, this results in an equity value of Expert System of € 58.4 million.

Fig. 11 – Sensitivity Analysis (Wacc _ Long Term Growth)

		WACC						
		9,30%	9,80%	10,30%	10,80%	11,30%	11,80%	12,30%
	4,5%	105,2	91,9	80,9	71,7	63,9	57,3	51,5
	4,0%	95,6	84,2	74,7	66,6	59,7	53,7	48,5
	3,5%	87,7	77,8	69,4	62,2	56,0	50,6	45,8
TV	3,0%	81,0	72,3	64,9	58,4	52,7	47,8	43,4
	2,5%	75,3	67,6	60,9	55,0	49,9	45,3	41,2
	2,0%	70,4	63,5	57,4	52,0	47,3	43,1	39,3
	1,5%	66,2	59,8	54,3	49,4	45,0	41,1	37,5

Source: Integrae SIM

Ratios analysis

Our sample consists of companies operating in the same sector of Expert System with higher capitalization.

These companies with multiple for the period 2015-18F (Source Infinancials):

Fig. 12 – Peers

Company	EV/Ebitda				EV/Ebit				P/E			
	2015	2016	2017	2018	2015	2016	2017	2018	2015	2016	2017	2018
FleetMatics Group Ltd.	14,4	12,0	9,9	8,3	20,6	17,5	13,7	16,6	24,9	22,4	18,5	16,0
Ellie Mae Inc.	32,1	25,1	17,1	12,2	37,7	31,2	20,8		49,0	43,3	32,3	22,6
NQ Mobile Inc.						16,9			6,6	19,7		
Taomee Holdings Ltd.												
Tangoe Inc.	11,5	10,7	6,6		17,2	12,5	8,6		20,3	21,6	11,5	
Imperva Inc.	115,5	67,4	37,9	25,3	228,5	107,8	52,0	35,7	370,8	156,9	80,0	50,4
Jive Software Inc.	28,7	13,5	11,8	9,7	nm	87,0	26,8	16,5	nm	183,0	48,8	30,5
Splunk Inc.	128,5	79,9	52,0	33,4	227,2	128,4	74,2	36,7	283,2	182,0	105,1	68,9
Infoblox Inc.	20,3	13,4	11,4	8,5	27,2	16,9	12,8	9,5	45,9	41,5	29,1	23,3
Proofpoint Inc.	507,2	145,5	69,0	24,3	nm	nm	147,0	35,5	nm	nm	226,5	54,5
Exa Corp.	56,8	32,5	22,2		nm	198,0	65,7		nm	nm	167,8	
Qualys Inc.	14,6	13,0	10,7	7,5	19,5	17,4	14,0	9,5	41,2	36,5	31,0	21,7
Adobe Systems Incorporated	25,1	19,8	15,7	12,9	31,3	23,1	17,6	14,4	43,7	31,8	23,8	19,2
salesforce.com, inc.	38,4	30,4	24,1	18,9	62,7	47,2	34,1	25,0	101,4	78,6	57,2	44,5
Open Text Corporation	12,1	10,9	9,7		13,0	11,9	10,2		16,3	14,6	13,4	
Alphabet Inc.	13,2	11,2	9,6	8,1	16,0	13,4	11,5	9,7	23,0	20,3	17,2	14,5
Oracle Corporation	8,8	8,4	7,9	7,5	9,3	9,0	8,5	8,4	14,7	13,8	12,7	11,6
Average	**68,5**	**32,9**	**21,0**	**14,7**	**59,2**	**49,2**	**34,5**	**19,8**	**80,1**	**61,9**	**58,3**	**31,5**

Sources: Infinancials.

The equity value of Expert System calculated using the multiples method amounted to € 70.0 million. Similarly, we applied a 20% discount to reflect the lower liquidity, reaching an average value of € 56.0 million.

The valuation of the reasonableness of the discount was calculated with regard to lower liquidity than the comparables that, presumably, will feature the title post-listing. In this respect, account was taken also of the study by W. L. Silber (Discount on restricted stock: the impact of liquidity on stock prices in Financial Analysis Journal, vol. 47, 1997, pp 60-64, more recently confirmed by JD Finnerty, the impact of transfer restriction on stock prices, Working paper, Analysis Group / Economics, Cambridge, in October 2002, which identified an average variable discount of between 15% and 25%).

The cash discount, otherwise the discount minority, is not necessarily incorporated into market prices (T. Onesti, minority discounts and cash discounts, Cedam, 2001). Customers should note that this study, which has found great application in the United States, was also recently called up by science Italian business as a tool for the evaluation of the discount for "lack of marketability" for listed securities characterized by low trading volumes such as not to render efficient price formation (so-called thin titles) (See Landa, Zacchini, Onesti, evaluation of Companies, Giappichelli 2013, p.531 and ss.gg.).

The average equity value, which is our target price, amounted to € 57.2 million (from € 65.5 million of the note of October 12, 2015), ie € 2.61 (from € 2.9 action).

DisclosurePursuant to Article 69 ET SEQ. of Consob (Italian Securities Exchange Commission) Regulation No. 11971/1999

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Rating system (long term horizon: 12 months)

The BUY, HOLD and SELL ratings are based on the expected total return (ETR – absolute performance in the 12 months following the publication of the analysis, including the ordinary dividend paid by the company), and the risk associated to the share analyzed. The degree of risk is based on the liquidity and volatility of the share, and on the rating provided by the analyst and contained in the report. Due to daily fluctuations in share prices, the expected total return may temporarily fall outside the proposed range

	Equity Total Return (ETR) for different risk categories		
Rating	*Low Risk*	*Medium Risk*	*High Risk*
HOLD	ETR >= 7.5%	ETR >= 10%	ETR >= 15%
HOLD	-5% < ETR < 7.5%	-5% < ETR < 10%	0% < ETR < 15%
SELL	ETR <= -5%	ETR <= -5%	ETR <= 0%
U.R.	*Rating e/o target price Under Review*		
N.R.	*Stock Not Rated*		

Valuation methodologies (long term horizon: 12 months)

The methods that INTEGRAE SIM SpA prefers to use for value the company under analysis are those which are generally used, such as the market multiples method which compares average multiples (P/E, EV/EBITDA, and other) of similar shares and/or sectors, and the traditional financial methods (RIM, DCF, DDM, EVA etc). For financial securities (banks and insurance companies) Integrae SIM SpA tends to use methods based on comparison of the ROE and the cost of capital (embedded value for insurance companies).

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Price, target price and rating history (also see table above) in the last 12 months:

Conflict of interest

In order to disclose its possible interest conflict Integrae SIM states that:

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