



PUBLICATIONS

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EXPERT.AI

Preliminary results 2020 (=)

(Company press release)

Towards an Acceleration of Growth in 2021

Last Friday, the company released preliminary 2020 results that landed in line with our expectations.

Revenue fell between €30-31m, also in line with our expectations (€31m estimated) and slightly below the group's initial forecast of €33.3m. This variance is mainly due to the Covid-19 pandemic which slowed down some projects, especially in the Italian public sector. As expected, Covid's impact remained relatively contained thanks to the business' resilience. In addition, the share of recurring revenue has increased by about 8% compared to 2019 and more than 85% of 2020 sales were made on recurring licences. The momentum is particularly strong in the US where revenue jumped 35% yoy thanks to the signing of new customers such as AEGIS, Patra and The Associated Press.

EBITDA landed between -€1m and -€2m slightly below our expectations (€1m estimated); the group's Business Plan (€2m), due to higher investments in sales & marketing in the US, landed in line with the strong revenue growth.

On the financial front, the group's net debt is comfortable at about -€21m, with a total cash position of €54m following the €28m capital increase and the sale of its stake in CY4GATE for €5.3m.

The group confirms its ambitions as set out in its strategic plan. We believe that Expert.ai's BP, which forecasts a tripling of revenue by 2024 to €100m (including €80m of recurring SaaS revenue), is reachable and that growth should accelerate in 2021 thanks to (i) the launch of the SaaS platform, (ii) the launch of new products and functionalities, (iii) the exponential penetration of the US market, (iv) up-selling of high value-added solutions, and (v) the development of indirect sales.

We are therefore strongly reiterating our Buy rating and TP of €6.3.

Buy, TP of €6.3 - Alessandro Cuglietta : +33 1 78 95 71 64

Market Data	
Industry	Technology
Share Price (€)	3,1
Market Cap (€M)	155,4
Market Segment	AIM Italia
Bloomberg	EXSY IM

Ownership structure	
Ergo	8,8%
Founders & Management	17,6%
Free float	73,5%

€M (31/12)	2019	2020	2021	2022
Sales (€M)	31,7	31,0	33,5	46,5
<i>Growth</i>	10,3%	-2,1%	8,0%	38,8%
EBIT	-2,9	-7,1	-14,5	-11,4
<i>EBIT Margin</i>	-9,1%	-23,0%	-43,4%	-24,5%
Net income	-1,0	-2,3	-15,2	-12,2
EPS €	-0,02	-0,05	-0,30	-0,24
<i>Growth</i>	-76,8%	87,3%	550,7%	-19,6%
Dividend	0,00	0,00	0,00	0,00
<i>Yield (%)</i>	0,0%	0,0%	0,0%	0,0%
FCF	-4,7	-0,9	-12,0	-13,3
ROCE				
EV/Sales (x)		4,3	4,0	2,9
EV/EBIT (x)				
PE (x)				
Net Debt	2,8	-24,5	-12,5	0,7
<i>Gearing net</i>	13%	-53%	-40%	4%

Midcap Partners estimates

Upcoming event : 29/03/2021 - FY 2020

Consensus - Number of analysts : 4			
	2020	2021	2022
Sales	33,6	46,5	67,5
EBIT	-14,5	-11,4	-3,7
Net income	-15,2	-12,2	-4,7

Source: FACTSET

TOP Peers	Market Cap (€M)	EV/Sales 2020	EV/Sales 2021	EV/EBITDA 2020	EV/EBITDA 2021
Snowflake, Inc. Class A	44 471	57,1	35,0		
Veritone, Inc.	868	9,8	7,9		
BlackLine, Inc.	5 494	15,3	12,6	144,5	95,8

Source: FACTSET

DISCLAIMER

This document may mention evaluation methods defined as follows:

1. DCF method: discounting of future cash flows generated by the company's operations. Cash flows are determined by the analyst's financial forecasts and models. The discount rate used corresponds to the weighted average cost of capital, which is defined as the weighted average cost of the company's debt and the theoretical cost of its equity as estimated by the analyst.
2. Comparable method: application of market valuation multiples or those observed in recent transactions. These multiples can be used as references and applied to the company's financial aggregates to deduce its valuation. The sample is selected by the analyst based on the characteristics of the company (size, growth, profitability, etc.). The analyst may also apply a premium/discount depending on his perception of the company's characteristics.
3. Assets and liabilities method: estimate of the value of equity capital based on revalued assets adjusted for the value of the debt.
4. Discounted dividend method: discounting of estimated future dividend flows. The discount rate used is generally the cost of capital.
5. Sum of the parts: this method consists of estimating the various activities of a company using the most appropriate valuation method for each of them, then realizing the sum of the parts.

Rating structure

- ☑ Buy: expected to outperform the market by more than 10% over a 6 - 12 months horizon
- ☑ Hold: expected performance between -10% and +10% compared to the market in a 6 - 12 months horizon
- ☑ Sell: expected to underperform the market by more than 10% over a 6 - 12 months horizon

The history of ratings and the target price for the Issuers covered in this report are available on request at marketing@midcapp.com.

Conflict of Interests

Company	Closing price (€)	Rating	Warning
EXPERT.AI	3,06	Buy	G
MAISONS DU MONDE	17,85	Buy	Néant
MR BRICOLAGE	10,3	Buy	D,F,G

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Rating distribution

As of 01/03/2021, the ratings issued by the Midcap research team were as follows:

Rating	Midcap Partners coverage universe	of which Investment banking services*
Buy	74%	79%
Hold	20%	17%
Sell	2%	0%
Under review	1%	0%
Tender	3%	4%

* "Corporate" Issuers: Issuers to whom Midcap has provided Investment Services over the last 12 months

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