

Company Update

Buy (from Hold)

08 May 2018 – 5:30PM

MARKET PRICE: EUR1.24

TARGET PRICE: EUR1.43 (from EUR1.03)

## IT Services

### Data

Shares Outstanding (m):	35.7
Market Cap. (EURm):	44.3
Enterprise Value (EURm):	59.3
Free Float (%):	70.8%
Av. Daily Trad. Vol. (m):	0.1
Main Shareholder:	Founders 25.2%
Reuters/Bloomberg:	EXSY.MI EXSY IM
52-Week Range (EUR)	1.2 2.0

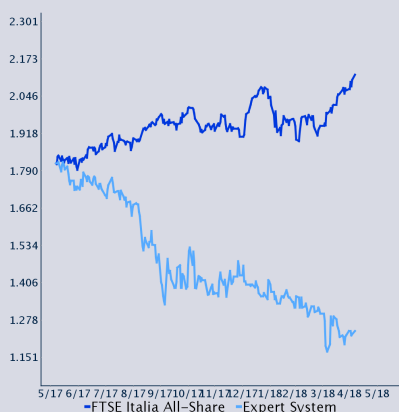
Source: Factset, UbiBanca estimates

### Performance

	1m	3m	12m
Absolute	6.0%	-8.8%	-30.1%
Rel. to FTSE IT	-0.7%	-14.2%	-38.4%

Source: Factset

### Graph area Absolute/Relative 12 M



Source: Factset

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## Turning point

In our view, the second half of 2017, and the last part of the year in particular, represented a turning point for Expert System: 1) sales finally recovered increasing by nearly 20% with significant growth outside Italy, 2) the company strongly improved its product mix by approaching new clients (mainly insurance companies) and shifting from perpetual license to annual license (now representing 26% of total sales vs. 15% in 2016), 3) despite EUR0.7 million of non-recurring costs, the EBITDA was positive totalling EUR5.0 million in 2H17 with a margin of 28.2% or the highest since 2014, 4) through two right issues Expert System raised EUR10.5 million of fresh financial resources. The shareholder dilution was 22.5% but the capital increase was needed to offset the current cash burn and imminent investments, 5) the management anticipated >10% sales growth for 2018 and >15% in 2019 with an EBITDA margin on VoP growing to >10% in 2018 and >15% in 2019: these targets are well below the original 2017-19 business plan but are now achievable in our view. Against this backdrop, the share continued to underperform (by >10% in the last month) making Expert System an attractive investment and a potential prey for large IT players. On the back of the positive momentum, we have upgraded our rating to Buy (from Hold) with a new target price of EUR1.43 per share (vs. EUR1.03 rebased for the new share number).

- > Following two years of uncertainty, the cognitive computing industry has started to grow rapidly and is now seen as a “must have” by a wider range of potential customers (for example insurance and banking companies). Expert System was able to exploit this trend and in 2H17 reported positive results, with significant profitability improvements. However, the net result was negative for EUR8.3 million in the full year, having been penalized by EUR1.6 million of unrealized forex losses.
- > The management updated the 2018-19 business plan, lowering both sales and profitability forecasts. The bottom line should remain negative but is progressively improving and we expect a breakeven in 2020. In our view, the business plan is now reliable and our estimates are now close to the management's indications.
- > Our new target price of EUR1.43 per share (from EUR1.03 rebased for the new share number) offers 15% upside. At the target price the share would trade at 9.9x EV/EBITDA in 2019, substantially in line to the median of peers (10.2x). Buy.

### Financials

	2017	2018E	2019E	2020E
Revenues (EURm)	26.1	29.1	33.9	38.2
EBITDA (EURm)	1.0	4.1	6.6	8.7
EBITDA margin (%)	4.0%	14.1%	19.5%	22.9%
EBIT (EURm)	-6.5	-3.6	-1.4	0.5
EPS (EUR)	-0.26	-0.11	-0.05	0.00
CFPS (EUR)	-0.10	0.05	0.19	0.23
DPS (EUR)	0.0	0.0	0.0	0.0

Source: Company Data, UBI Banca Estimates

### Ratios

priced on 7 May 2018

	2017 *	2018E	2019E	2020E
P/E(x)	nm	nm	nm	nm
P/CF(x)	nm	11.8	7.0	5.3
P/BV(x)	2.8	2.9	3.2	3.2
Dividend Yield	0.0%	0.0%	0.0%	0.0%
EV/EBITDA(x)	61.3	14.5	8.8	6.4
Debt/Equity (x)	0.5	0.9	0.9	0.7
Debt/EBITDA (x)	8.4	3.2	1.8	1.1

Source: UBI Banca Estimates \* Based on 2017 average price

**Key Financials**

(EURm)	2017	2018E	2019E	2020E
Revenues	26.1	29.1	33.9	38.2
EBITDA	1.0	4.1	6.6	8.7
EBIT	-6.5	-3.6	-1.4	0.5
NOPAT	-6.5	-3.6	-1.4	0.4
Free Cash Flow	-8.4	-4.3	1.0	2.4
Net Capital Employed	28.1	28.4	25.8	23.4
Shareholders' Equity	19.3	15.3	13.6	13.7
Net Financial Position	8.8	13.1	12.1	9.7

Source: Company data, UBI Banca estimates

**Key Profitability Drivers**

	2017	2018E	2019E	2020E
Net Debt/Ebitda (x)	8.4	3.2	1.8	1.1
Net Debt/Equity (x)	0.5	0.9	0.9	0.7
Interest Coverage (%)	-12.6	-10.3	-2.6	1.1
Free Cash Flow Yield (%)	-15.6%	nm	2.3%	5.5%
ROE (%)	-46.7%	-23.2%	-11.5%	0.9%
ROI (%)	-14.3%	-7.8%	-3.0%	1.3%
ROCE (%)	-23.4%	-12.9%	-5.0%	1.6%

Source: Company data, UBI Banca estimates

**Key Valuation Ratios**

	2017 *	2018E	2019E	2020E
P/E (x)	nm	nm	nm	nm
P/BV (x)	2.8	2.9	3.2	3.2
P/CF (x)	m	11.8	7.0	5.3
Dividend Yield (%)	0.0%	0.0%	0.0%	0.0%
EV/Sales (x)	2.0	1.7	1.5	1.2
EV/EBITDA (x)	61.3	14.5	8.8	6.4
EV/EBIT (x)	nm	nm	nm	nm
EV/CE (x)	2.3	2.1	2.3	2.4

Source: Company data, UBI Banca estimates

\* Based on 2017 average price

**Key Value Drivers**

(%)	2017	2018E	2019E	2020E
Payout	0.0%	0.0%	0.0%	0.0%
NWC/Sales	46.0%	47.4%	39.3%	35.0%
Capex/Sales	15.9%	17.9%	14.5%	12.9%

Source: Company data, UBI Banca estimates

### Recent Developments

- > The second half of 2017 saw a sharp sales acceleration (+19.6%) driven by Europe (the UK in particular), which was up 90%, and the US (+58%), while Italy was weak once again declining by 23%. The value of production, up 28%, benefitted from higher grants and contributions (expected). The EBITDA was positive for EUR5.0 million vs. our EUR1.0 million estimate, thanks to lower labour costs (EUR9.6 million, equal to 45% of value of production compared with 57% in 2H16 and 83% in 1H17), the product mix improvement (greater amount of revenues generated by recurring licenses rather than perpetual licenses) and cost cuts. After EUR4.2 million of D&A costs, the EBIT was positive for EUR0.8 million (vs. our EUR2.3 million operating loss expectation) but the bottom line remained negative (for EUR0.7 million), also due to forex losses. Net debt decreased to EUR8.8 million (EUR15.2 at June-17), but was above our EUR6.7 million forecast due to the increase in NWC, which reached 46% of sales in the full year, tied to higher receivables (as revenues strongly accelerated in the last part of the year).
- > Full year revenues increased by 11.9%, 10% above our estimates and the company's guidance, and the EBITDA reached EUR1.0 million (vs. a loss of EUR2.2 million in 2016) including EUR0.7 million of non-recurring cost to incentivise staff turnover. After EUR7.5 million of D&A costs (of which EUR2.3 million for goodwill amortization), the EBIT was negative for EUR6.5 million (EUR8.5 million in 2016) whilst the EUR1.6 million of unrealized forex losses (EUR0.5 million in the second half of the year) led to a net loss of EUR8.3 million, or 32% of sales. Net invested capital remained broadly stable allowing an improvement of the capital turnover now at 0.85x vs. 0.78x in 2016.
- > Expert System held two rights issues in November and December 2017 for a total of EUR10.6 million: the first, with share option rights, was fully subscribed (2 new shares for every 15 old shares at EUR1.30 per share) while the second rights issue was reserved for institutional investors through an accelerated book-building process and was likewise fully subscribed at EUR1.30 per share. The rights issues have been helped by the company's classification as an innovative small company since investors who subscribed the rights will benefit from the 30% tax credit. Following the two rights issues the share number increased to 35.72 million (vs. 27.67 million before) with a dilution of 22.5%. The three main shareholders, who are the founders of the company, only partially subscribed the rights issues and were consequently diluted to 25.2% of the total capital vs. 29.5% before the capital increase. As a result, free float is now 70.8% (65.3% before the rights issues).
- > Against this backdrop, Expert System updated its 2018-19 business plan considering the changes in the cognitive computing industry, the differences in the markets where the company operates, the adoption of a different business model based on recurring fees rather than the sale of perpetual licenses and the several cost cutting measures already implemented (standardisation of business procedures, staff reductions and a common commercial approach), which should reduce costs by around EUR2.5-3 million in 2018. Expert System expects value of production to reach EUR35.5-37 million this year and EUR39.8-41.3 million in 2019 driven by the expansion in foreign markets, in particular the US, Germany and France.
- > The EBITDA is expected to rise as a consequence of a higher weight of software licences and more standardized solutions (which enjoy higher profitability), growing economies of scale and fixed costs spread across a wider revenue base. The company anticipated an EBITDA of EUR4.0-5.0 million this

year (11.3%-13.5% margin), which is around 38% below the previous business plan but well above our old estimates. The net result should remain negative for EUR3.9-4.6 million. 2019 is expected to accelerate with EUR39.8-41.3 million value of production (an increase of >10%) and an EBITDA margin of 17.6-19.4%. We believe these targets are now achievable, even though forecasts for 2019 might be optimistic and difficult to achieve. Net debt is expected to grow in 2018 due to a higher capex (EUR6.3 million expected) and NWC absorption and slightly decline to EUR12-13.0 million at end-19.

> Expert System signed several contracts with international insurance companies in order to supply its “Cogito” solution. We highlight Lloyd’s of London, Zurich Insurance and Generali Assicurazioni.

Figure 1 – 2017 results

(EURm)	2016A	2017A	% Chg.	2017E UBI	% Chg.
Sales total	23.37	26.14	11.9%	23.70	10.3%
VoP	29.55	32.81	11.0%	29.74	10.3%
<b>EBITDA</b>	<b>(2.25)</b>	<b>1.01</b>	<b>nm</b>	<b>(3.00)</b>	<b>-133.7%</b>
<b>% margin</b>	<b>-9.6%</b>	<b>3.9%</b>		<b>-12.7%</b>	
EBIT	(8.55)	(6.50)	-24.0%	(9.62)	-32.4%
% margin	-36.6%	-24.9%		-40.6%	
Pre tax	(8.70)	(8.69)	-0.2%	(11.42)	-23.9%
<b>Net attributable result</b>	<b>(8.13)</b>	<b>(8.34)</b>	<b>2.6%</b>	<b>(9.70)</b>	<b>-14.1%</b>
Net debt/(cash)	11.10	8.79	-20.8%	6.73	30.6%

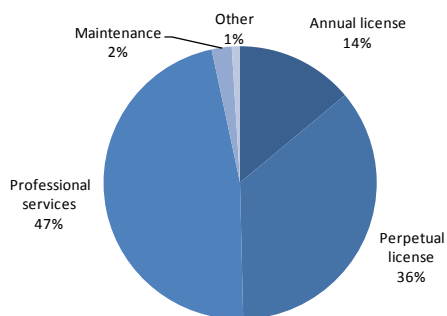
Source: Company data, UBI Banca estimates

Figure 2 – 2H17 results

(EURm)	H2-16A	H2-17A	% Chg.	2H17E UBI	% Chg.
<b>Sales total</b>	<b>14.80</b>	<b>17.69</b>	<b>19.6%</b>	<b>15.26</b>	<b>16.0%</b>
<b>VoP</b>	<b>16.40</b>	<b>21.06</b>	<b>28.4%</b>	<b>17.99</b>	<b>17.1%</b>
<b>EBITDA</b>	<b>(0.29)</b>	<b>4.99</b>	<b>nm</b>	<b>0.98</b>	<b>nm</b>
<b>% margin</b>	<b>-2.0%</b>	<b>28.2%</b>		<b>6.5%</b>	
EBIT	(3.65)	0.80	nm	(2.32)	nm
% margin	-24.7%	4.5%		-15.2%	
Pre tax	(3.32)	(0.05)	nm	(2.78)	-98.1%
<b>Net attributable result</b>	<b>(3.08)</b>	<b>(0.74)</b>	<b>nm</b>	<b>(2.10)</b>	<b>-65.0%</b>
Net debt/(cash)	11.10	8.79	-20.8%	6.73	30.6%

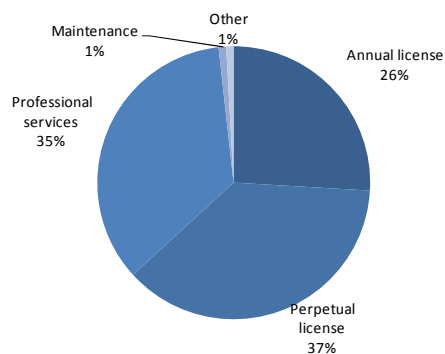
Source: Company data, UBI Banca estimates

Figure 3 – 2016 revenues breakdown by type



Source: Company data, UBI Banca estimates

Figure 4 – 2017 revenues breakdown by type



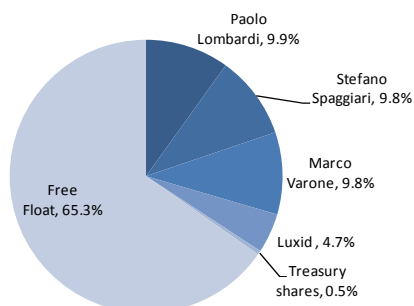
Source: Company data, UBI Banca estimates

Figure 5 – New 2018-19 business plan compared to the previous version

(EURm)	2017A	New BP		Old BP		% Change *	
		2018E	2019E	2018E	2019E	2018E	2019E
Total Sales	26.1	28,5-30	33-34.5	34.9	47.4	-16.2%	-28.8%
VoP	32.8	35.5-37	39.8-41.3	41.4	54.0	-12.4%	-24.9%
<b>EBITDA</b>	<b>1.0</b>	<b>4.0-5.0</b>	<b>7.0-8.0</b>	<b>7.3</b>	<b>11.6</b>	<b>-38.4%</b>	<b>-35.3%</b>
% Margin	3.1%	11.3%-13.5%	17.6%-19.4%	20.9%	24.5%		
EBIT	(6.5)	(3.7) - (2.7)	(1.1) - (0.1)				
% Margin	-19.8%	-10.4% -7.3%	-2.8% -0.2%				
<b>Net Profit</b>	<b>(8.3)</b>	<b>(4.6) - (3.9)</b>	<b>(4.6) - (3.9)</b>	<b>0.1</b>	<b>2.7</b>		
Net Debt/(Cash)	8.8	13.6-12.9	13.0-12.0	9.7	5.5	36.6%	127.3%

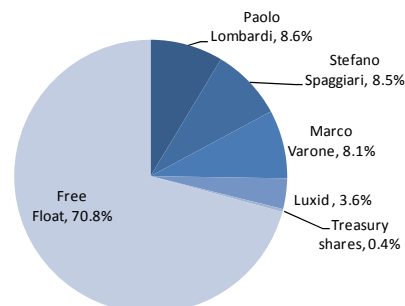
Source: Company data \* Based on the average between the two indications of the new business plan

Figure 6 – Shareholders structure before the two rights issues performed in 2H17



Source: Company data, UBI Banca estimates

Figure 7 – Current shareholders structure



Source: Company data, UBI Banca estimates

**Financial Projections**

- > Following the difficulties experienced in 2016 and the first part of 2017, Expert System began to react by reducing costs and improving its internal organization but also by adopting a new and more focused strategic approach: more recurring fees and fewer perpetual licenses and professional services, higher product standardization and economies of scale, concentration on a selected number of large international clients, focus on specific markets (Italy, UK, US, Germany, France, Spain) and sectors (insurance, banking, media, healthcare, financial services, security intelligence, public agencies), strategic partnerships (for example with Blu Prism for developing RPA, or Robotic Process Automation, or with Eudata for the development of chatbot, or virtual assistants able to chat to customers with a human-like speaking) and partnerships with large IT vendors in order to supply its services through multinational and established vendors.
- > The preliminary results of the new strategy were already evident in 2H17 and we believe Expert System will be able to structurally increase its profitability. We have revised our 2018-19 estimates (and added 2020) with a significant upgrade to our EBITDA and bottom line.
- > Our new estimates are substantially aligned with the targets of Expert System's updated business plan 2018 but slightly below those for 2019. 2020 should see a solid improvement in the EBITDA margin (to 19.3%) and operations finally moving into the black, resulting in a bottom line at breakeven.
- > Net losses coupled with rising capex and NWC absorption could generate negative cash flow leading to an increase in net debt, which is now expected to reach EUR13.1 million at Dec-18 (vs. EUR8.8 million at Dec-17) but progressively decline in 2019 and 2020.
- > Based on our estimates, net equity would decline in 2018 and 2019 but we believe Expert System will not need any further rights issue.

Figure 8 – Old vs. New estimates

(EURm)	2017A	2018E		2019E		2020E
	New	Old	New	Old	New	
Total Sales	26.1	26.4	29.1	34.5	33.9	38.2
% change			10.3%		-1.9%	
VoP	32.8	32.4	35.7	41.9	40.4	45.5
% change			10.1%		-3.5%	
<b>EBITDA</b>	<b>1.0</b>	<b>1.6</b>	<b>4.1</b>	<b>5.6</b>	<b>6.6</b>	<b>8.8</b>
% change			158.4%		17.6%	
EBIT	(6.5)	(5.2)	(3.6)	(1.4)	(1.4)	0.6
% change			-30.4%		-3.0%	
<b>Net Profit</b>	<b>(8.3)</b>	<b>(4.9)</b>	<b>(4.0)</b>	<b>(1.7)</b>	<b>(1.7)</b>	<b>0.1</b>
% change			-17.7%		-1.4%	
Net Debt/(Cash)	8.8	18.7	13.1	19.3	12.1	9.7
<b>EBIT margin</b>	<b>-24.9%</b>	<b>-19.8%</b>	<b>-12.5%</b>	<b>-4.1%</b>	<b>-4.0%</b>	<b>1.5%</b>
<b>EBITDA margin</b>	<b>3.9%</b>	<b>6.0%</b>	<b>14.0%</b>	<b>16.3%</b>	<b>19.5%</b>	<b>23.0%</b>

Source: Company data, UBI Banca estimates

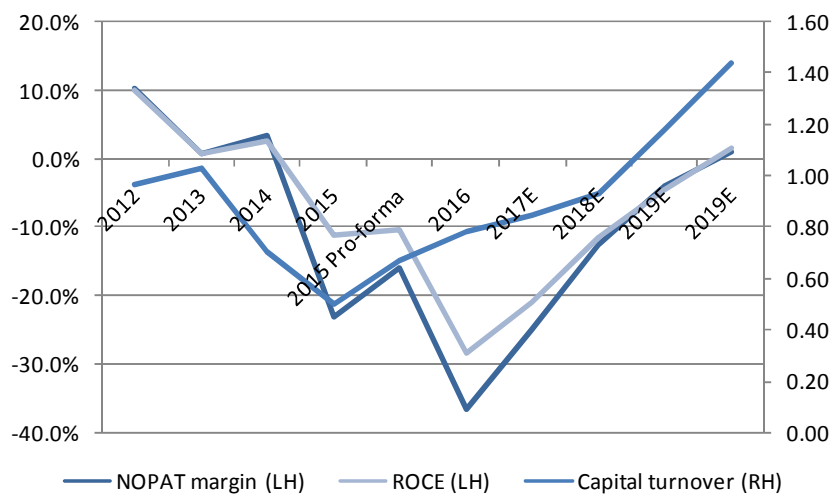
Figure 9 – New 2018-19 business plan compared to our new estimates

(EURm)	2017A	New BP		Our estimates		% Change *	
		2018E	2019E	2018E	2019E	2018E	2019E
Total Sales	26.1	28.5-30	33-34.5	29.1	33.9	0.5%	-0.3%
VoP	32.8	35.5-37	39.8-41.3	35.7	40.4	1.5%	0.3%
<b>EBITDA</b>	<b>1.0</b>	<b>4.0-5.0</b>	<b>7.0-8.0</b>	<b>4.1</b>	<b>6.6</b>	10.1%	13.7%
% Margin	3.1%	11.3%-13.5%	17.6%-19.4%	11.4%	16.3%		
EBIT	(6.5)	(3.7) - (2.7)	(1.1) - (0.1)	(3.6)	(1.4)	-12.2%	-56.1%
% Margin	-19.8%	-10.4% -7.3%	-2.8% -0.2%	-10.2%	-3.4%		
<b>Net Profit</b>	<b>(8.3)</b>	<b>(4.6) - (3.9)</b>	<b>(4.6) - (3.9)</b>	<b>(4.0)</b>	<b>(1.7)</b>	6.1%	17.3%
Net Debt/(Cash)	8.8	13.6-12.9	13.0-12.0	13.1	12.1	0.8%	2.9%

Source: Company data \* Based on the average between the two indications of the new business plan

Figure 10 – NOPAT margin, Capital Turnover and ROCE trend

The recovery in the NOPAT margin in 2018-20 and the expected increase in capital turnover should lead to a positive ROCE in 2020.



Source: Company data, UBI Banca estimates

**Valuation**

- > Despite initial signs of recovery and the remarkable improvement in fundamentals reported in 2H17, with results that have beaten the market consensus, Expert System has continued to underperform and is now down 13% since the beginning of the year (vs. +8.3% of FTSE Italia PIR Benchmark Index and +11.1% of FTSE Italia All-Share Index).
- > As a result, we believe the current market price does not reflect the fair value of the share nor the positive earnings momentum and we have therefore upgraded Expert System to a Buy rating (from Hold) with a new target price of EUR1.43 per share (compared with EUR1.03 rebased on the new share number after the two rights issues in November and December) which offers >15% upside. Our DCF valuation has grown to EUR1.32 per share from EUR1.01, while our relative valuation has increased to EUR1.54 per share from EUR1.05 per share. Our target price is based on the average of a DCF analysis and a relative valuation.
- > It should be noted that our valuation does not include ADmantX, which is not consolidated but has a book value of EUR4.6 million at Dec-17. ADmantX reported net equity of EUR0.4 million at Dec-17 and a net loss of EUR0.7 million for full year 2017 and, therefore, we prudently decided not to include ADmantX in our valuation.
- > The outstanding warrants (4 warrants give the right to subscribe to one new share at EUR2.70 in October 2018) are currently out of the money.
- > At our EUR1.43 per share target price, Expert System would trade at 1.63x 2019 EV/Sales, which is well below the median multiple of our sample of peers (2.79x), and at 9.9x EV/EBITDA, substantially in line to the median of peers (10.2x).

Figure 11 – Valuation summary

(EUR)		% Weight	16 Oct-17 rebased on new share number		16 Oct-17
DCF Valuation	1.32	50.0%	1.01	30.9%	1.30
Relative Valuation	1.54	50.0%	1.05	47.4%	1.35
<b>Target price</b>	<b>1.43</b>		<b>1.03</b>	<b>34.9%</b>	<b>1.32</b>
Current price	1.24		1.11	12.0%	1.43
Potential upside	15.2%		-7.3%		-7.3%

Source: UBI Banca estimates



Figure 12 – DCF Valuation

Our model incorporates a WACC of 7.2%, a terminal growth rate of 2% and an operating margin of 8.0% at terminal value. Our DCF valuation implies an EV/EBITDA of 5.1x at terminal value.

	(EUR m)	(% weight)
Sum of PV 2018-26 FCF	12.0	21%
Terminal value	45.7	79%
<b>Total Enterprise value</b>	<b>57.7</b>	<b>100%</b>
- minorities	0.0	
- Pension Provision	(1.9)	
- Net cash (debt)	(8.8)	
<b>Total Equity value</b>	<b>47.0</b>	
Number of shares outstanding (m)	35.7	
<b>Fair value per share (EUR)</b>	<b>1.32</b>	

Source: UBI Banca estimates

Figure 13 – Peer comparison based on multiples priced on 7 May 2018

Company	Market Cap (EURm)	P/E			EV/EBITDA			EV/Sales		
		2018E	2019E	2020E	2018E	2019E	2020E	2018E	2019E	2020E
Nuance Communications, Inc.	3,744	13.0 x	12.2 x	10.9 x	9.9 x	8.9 x	7.3 x	2.91 x	2.68 x	2.42 x
Open Text Corporation	8,181	14.3 x	13.1 x	12.4 x	11.6 x	10.3 x	9.5 x	4.26 x	3.86 x	3.66 x
Trend Micro Incorporated	6,962	30.5 x	27.4 x	25.2 x	14.4 x	13.0 x	12.3 x	4.68 x	4.29 x	4.01 x
Verint Systems Inc.	2,226	13.3 x	12.1 x	10.5 x	10.0 x	8.7 x	6.9 x	2.44 x	2.21 x	1.80 x
Splunk Inc.	13,378	nm	nm	54.1 x	62.6 x	43.3 x	29.9 x	9.06 x	7.06 x	5.48 x
Teradata Corporation	3,903	26.8 x	22.7 x	20.4 x	11.7 x	10.0 x	10.1 x	1.97 x	1.85 x	1.81 x
CommVault Systems, Inc.	2,592	45.3 x	33.6 x	26.4 x	27.2 x	15.6 x		3.89 x	2.90 x	
PRGX Global, Inc.	181	45.4 x	25.8 x		8.1 x	6.4 x		1.16 x	1.00 x	
<b>Average</b>		<b>26.9 x</b>	<b>21.0 x</b>	<b>22.8 x</b>	<b>19.4 x</b>	<b>14.5 x</b>	<b>12.7 x</b>	<b>3.79 x</b>	<b>3.23 x</b>	<b>3.20 x</b>
<b>Median</b>		<b>26.8 x</b>	<b>22.7 x</b>	<b>20.4 x</b>	<b>11.6 x</b>	<b>10.2 x</b>	<b>9.8 x</b>	<b>3.40 x</b>	<b>2.79 x</b>	<b>3.04 x</b>
<b>Expert System current market multiples</b>	<b>44</b>	<b>nm</b>	<b>nm</b>	<b>nm</b>	<b>14.5 x</b>	<b>8.8 x</b>	<b>6.4 x</b>	<b>1.68 x</b>	<b>1.46 x</b>	<b>1.24 x</b>
<b>Premium (discount) to Average</b>					<b>-25.3%</b>	<b>-39.1%</b>	<b>-49.9%</b>	<b>-55.6%</b>	<b>-54.9%</b>	<b>-61.3%</b>

Source: Factset, UBI Banca estimates

Figure 14 – Implicit multiples based on our EUR1.43 target price

(x)	2018E	2019E	2020E
P/E	nm	nm	nm
EV/EBITDA	16.8 x	9.9 x	7.1 x
EV/Sales	1.88 x	1.63 x	1.39 x
P/BV	3.3 x	3.8 x	3.7 x
P/CF	26.3 x	7.5 x	6.2 x
EV/ Capital employed	2.11 x	2.26 x	2.36 x

Source: UBI Banca estimates

**Income Statement**

(EURm)	2017	2018E	2019E	2020E
Net Revenues	26.1	29.1	33.9	38.2
EBITDA	1.0	4.1	6.6	8.7
EBITDA margin	4.0%	14.1%	19.5%	22.9%
EBIT	-6.5	-3.6	-1.4	0.5
EBIT margin	-20.5%	-10.3%	-3.4%	1.2%
Net financial income /expense	-0.5	-0.3	-0.5	-0.4
Associates & Others	-1.7	-0.5	0.0	0.0
Profit before taxes	-8.7	-4.4	-1.8	0.1
Taxes	0.3	0.4	0.2	-0.0
Minorities & discontinuing ops	0.0	0.0	0.0	0.0
Net Income	-8.3	-4.0	-1.6	0.1

Source: Company data, UBI Banca estimates

**Balance Sheet**

(EURm)	2017	2018E	2019E	2020E
Net working capital	12.0	13.8	13.3	13.4
Net Fixed assets	18.9	17.5	15.4	13.1
M/L term funds	-2.8	-2.9	-3.0	-3.1
Capital employed	28.1	28.4	25.8	23.4
Shareholders' equity	19.3	15.3	13.6	13.7
Minorities	0.0	0.0	0.0	0.0
Shareholders' funds	19.3	15.3	13.6	13.7
Net financial debt/(cash)	8.8	13.1	12.1	9.7

Source: Company data, UBI Banca estimates

**Cash Flow Statement**

(EURm)	2017	2018E	2019E	2020E
NFP Beginning of Period	11.1	8.8	13.1	12.1
Group Net Profit	-8.3	-4.0	-1.6	0.1
Minorities	0.0	0.0	0.0	0.0
D&A	7.5	7.7	8.0	8.2
Change in Funds & TFR	0.0	0.0	0.0	0.0
Gross Cash Flow	-0.8	3.7	6.3	8.3
Change In Working Capital	-2.5	-1.8	0.5	-0.1
Other	0.0	0.0	0.0	0.0
Operating Cash Flow	-3.3	2.0	6.8	8.2
Net Capex	-5.0	-6.3	-5.8	-5.8
Other Investments	0.0	0.0	0.0	0.0
Free Cash Flow	-8.4	-4.3	1.0	2.4
Dividends Paid	0.0	0.0	0.0	0.0
Other & Chg in Consolid. Area	-0.5	0.0	0.0	0.0
Chg in Net Worth & Capital Incr.	11.2	0.0	0.0	0.0
Change in NFP	2.3	-4.3	1.0	2.4
NFP End of Period	8.8	13.1	12.1	9.7

Source: Company data, UBI Banca estimates

**Financial Ratios**

(%)	2017	2018E	2019E	2020E
ROE	-46.7%	-23.2%	-11.5%	0.9%
ROI	-14.3%	-7.8%	-3.0%	1.3%
Net Fin. Debt/Equity (x)	0.5	0.9	0.9	0.7
Net Fin. Debt/EBITDA (x)	8.4	3.2	1.8	1.1
Interest Coverage	-12.6	-10.3	-2.6	1.1
NWC/Sales	38.0%	39.2%	33.3%	29.7%
Capex/Sales	15.9%	17.9%	14.5%	12.9%
Pay Out Ratio	0.0%	0.0%	0.0%	0.0%

Source: Company data, UBI Banca estimates

**Per Share Data**

(EUR)	2017	2018E	2019E	2020E
EPS	-0.26	-0.11	-0.05	0.00
DPS	0.00	0.00	0.00	0.00
Op. CFPS	-0.10	0.05	0.19	0.23
Free CFPS	-0.18	-0.19	-0.09	-0.02
BVPS	0.61	0.43	0.38	0.38

Source: Company data, UBI Banca estimates

**Stock Market Ratios**

(x)	2017 *	2018E	2019E	2020E
P/E	nm	nm	nm	nm
P/OpCFPS	-16.1	22.6	6.5	5.4
P/BV	2.8	2.9	3.2	3.2
Dividend Yield (%)	0.0%	0.0%	0.0%	0.0%
Free Cash Flow Yield (%)	-15.6%	-9.8%	2.3%	5.5%
EV (EURm)	64.1	59.3	58.2	55.8
EV/Sales	2.0	1.7	1.5	1.2
EV/EBITDA	61.3	14.5	8.8	6.4
EV/EBIT	nm	nm	nm	nm
EV/Capital Employed	2.3	2.1	2.3	2.4

Source: Company data, UBI Banca estimates

\* Based on 2017 average price

**Growth Rates**

(%)	2017	2018E	2019E	2020E
Growth Group Net Sales	11.9%	11.4%	16.3%	12.8%
Growth EBITDA	nm	290.7%	61.4%	33.2%
Growth EBIT	nm	nm	nm	nm
Growth Net Profit	nm	nm	nm	nm

Source: Company data, UBI Banca estimates

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16 October 2017	HOLD	1.32	1.43