

**AIM Italia**

**Target Price: € 3,90**

**Rating Buy**

Year	Sales €k	EBITDA €k	EBIT €k	Net Profit €k	Eps €	EV/Ebitda x	EV/Ebit x	P/E x
2014	13.054	2.339	609	89	0,028	18,4	70,7	80,0
2015 F	24.150	4.266	762	525	0,035	10,1	56,6	64,0
2016 F	28.981	6.078	1.153	840	0,053	7,1	37,4	42,3
2017 F	34.777	8.172	2.330	1.764	0,106	5,3	18,5	20,9

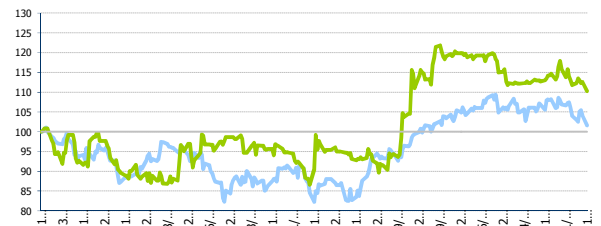
	Old	New
Rating	Buy	Buy
Risk Rating	Medium	Medium
Target Price	2,22	3,90

**Market Data (€)**

Close Price (€)	2,2
Share Outstanding (k)	21950
Market Cap (€m)	48728
Market Float (%)	41,9
Avg Daily Vol (n.)	35000
Past 12 Months	Max 2,57 Min 1,70

**Performance**

	3 M	12 M
Absolute	-7,4	5,2
Relative	-9,1	3,5



**TEMIS acquisition allows Expert System to become a world leader in cognitive computing. We estimate a value creation (through the operation) of € 31.1 million.** On May 27 Expert System signed a binding commitment for the acquisition of the entire stake in Temis S.A., with a strong presence in France, Germany and USA. Through this transaction, Expert System will reinforce its positioning in all major Western markets: United States, Great Britain Italy, France, Germany, Spain, Canada and Switzerland.

**The market:** One of the major trend that will drive the IT industry in the information processing sector next years is the so-called Big Data, consisting of the huge amount of unstructured information characterized by the "three V": Volume, Velocity, Variety. To switch from a set of raw data, with a limited use, to structured data, it is essential to implement new and efficient applications. Semantic analysis promises the best solution for all the component of unstructured information, representing 80% of total available information. The market is very fragmented and populated by small operators with limited capacity to aggregate competitors and to invest in acquisitions. We believe that Expert System can play the role of consolidator in this fast growing sector.

**The results of 2014.** During 2014 and in early 2015 Expert System has concentrated its efforts on the sales plan to further develop and cover the domestic market and set up a network of international partners. In 2014, Expert System has drawn up for the first time the consolidated financial statements and prepared a pro-forma comparison with FY13. 2014 marked a strong growth over FY13, although affected - in some components - by the commercial effort, especially in foreign markets. The value of production increased by 28% YoY to € 17.2 million, while EBITDA grew by 91% YoY to € 2.3 million. EBIT amounted to € 0.6 million (€ 0.1 million in FY13).

**Evaluation: Buy rating, target price € 3.9 (from 2.22), medium risk.** The acquisition of Temis and its subsequent full integration, lead to a strong growth of Expert System results. According to the new estimates, the equity value of Expert System, calculated on the basis of two methods (DCF and multiple), is worth € 3.9 per share (€2.22 per share).

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**Expert System**

## 2014 results

During 2014 and in early 2015 Expert System, has concentrated its efforts on the sales plan to further develop and cover the domestic market and to set up a network of international partners, system integrators or vendors, for the diffusion of Cogito line products in the American and European markets. Those are characterized by the presence of large private companies and governmental institutions, with a potential high interest in using advanced tools to manage big data, research and semantic text analytics.

Expert System presence in Western markets has been strengthened by the launch of Expert System's Cogito Ltd in UK, the enhancement of the US branch, the opening of a new office in Palo Alto (CA), and the acquisition of the ISOCO divisions ICM and iLab in Spain, that allowed a direct entry into the Spanish market and represents a way to access even the South American market.

Lastly, the JV initiative concerning CY4Gate, with a focus on foreign markets, and the binding agreement of 27 May to acquire TEMIS. Within about one year, the management has created a leading global player in the semantic technology for cognitive computing.

In 2014, Expert System has drawn up for the first time the consolidated financial statements at December 31, 2014, preparing a consolidated pro forma financial statements for FY13. The scope of consolidation includes, in addition Expert System SpA, Expert System USA Inc. (100%) and Expert System Cogito Ltd (100%).

The value of production increased by 28% YoY, reaching € 17.2 million, with revenues from sales and services amounting to € 11.9 million. The share of domestic revenues was € 9.3 million while the share of revenues from international sales was € 2.6 million. EBITDA grew more than proportionally (+ 91%) when compared to turnover, reaching € 2.3 million (EBITDA margin of 13.6%), while EBIT amounted to € 0.6 million (it was € 0.1 million in FY13). Net income reached a positive result with € 0.1 million (it was negative for € 0.6 million in FY13). The good results of FY14 do not fully incorporate yet the revenues arising from the commercial efforts for the internationalization of the group, but a major part of the costs.

Consolidated results report lower margins compared with those calculated for the single parent Expert System SpA, due to higher costs and investments belonging to the two foreign subsidiaries, the financial benefits of which will be reflected over the future years. The net financial position is positive and equal to Euro 1,300,000.

As for the parent company results, the value of production grew by 23.1% YoY to € 16.1 mln. Revenues from sales and services rose by 3.2% to € 10.9 million. Ebitda grew by 60.5% YoY to € 3.2 million, with an EBITDA margin reaching 20.0% (15.3% in FY13).

## Temis acquisition

On May 27 Expert System signed a binding commitment for the acquisition of the entire stake in Temis, with a strong presence in France, Germany and the United States of America. Temis leverage on the proprietary technology Luxid® for text analytics and has a consolidated presence in the Media and Publishing, Healthcare and Intelligence industries. We believe that thanks to the acquisition, combining cutting-edge technologies and strengthening the focus for the development of intelligent solutions to support the business, Expert System is able to further reinforce its positioning in the sector to become the world leader in cognitive computing.

The acquisition of Temis fits into the strategy of growth and internationalization of Expert System, announced during the IPO. The transaction combines two companies with highly complementary business, able to get along with market leadership in cognitive computing and assist companies and public administrations in the analysis, correlation, exploitation of the value of available knowledge, with particular reference to unstructured information.

### Temis 2014 results

Temis was founded in 2000. It leverages on the proprietary technology Luxid®. Among its customers includes major corporations such as BASF, BNP Paribas, Volkswagen, Bayer Schering Pharma, Novartis, Sanofi, Agence France Press, Thomson Reuters, The McGraw-Hill Companies, Editions Lefebvre-Sarrut, Elsevier, EMC, Bloomberg BNA, and International organizations such as the OECD (Organisation for Economic Co-operation and Development), the French government agency Invest in France Agency, and leading institutions including the US Department of Agriculture.

Temis' 2014 preliminary data (pro-forma and ITA GAAP) indicate revenues of approximately € 8.2 million (€ 7.1 million in 2013), EBITDA of € 1.5 million (estimate of € 0.4 million in 2013) and a net financial position of € 1.0 million. Following the operation, Temis' management team will be integrated into Expert System and will become part of the shareholding base.

### The acquisition

Thanks to this transaction, Expert System will reinforce its positioning on all major Western markets: United States, Great Britain Italy, France, Germany, Spain, Canada and Switzerland.

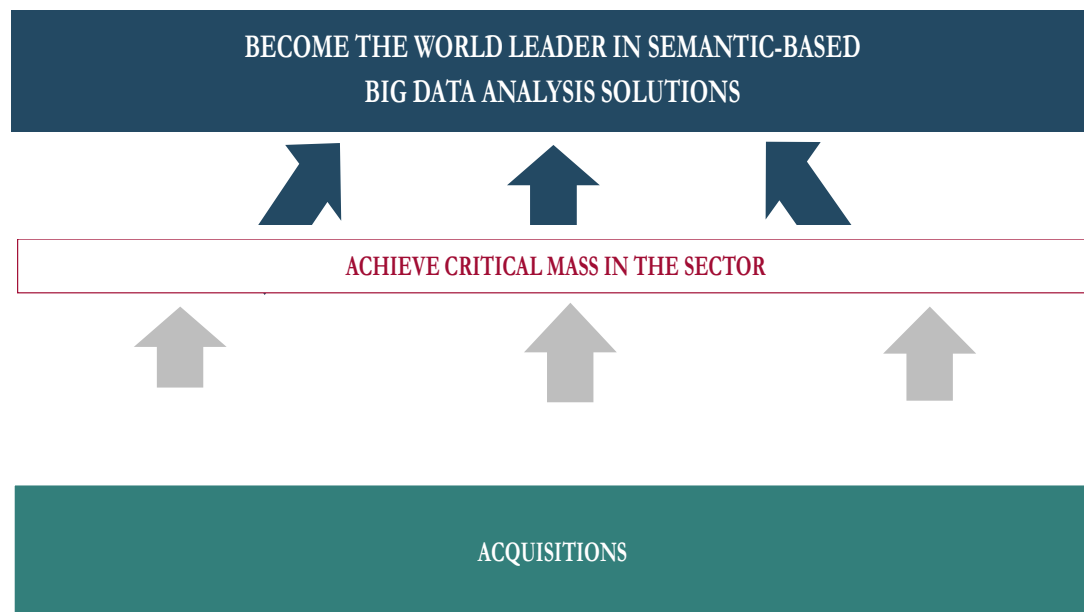
**Fig. 1 – Global positioning**



Source: Expert System and Integrae SIM

Through the acquisition born the world leader in semantic technologies, based on artificial intelligence algorithms, with a total value of production that exceed € 24 million, allowing Expert System to essentially double its size against the IPO occurred 15 months ago.

**Fig. 2 – The Strategy**



Source: Expert System and Integrae SIM

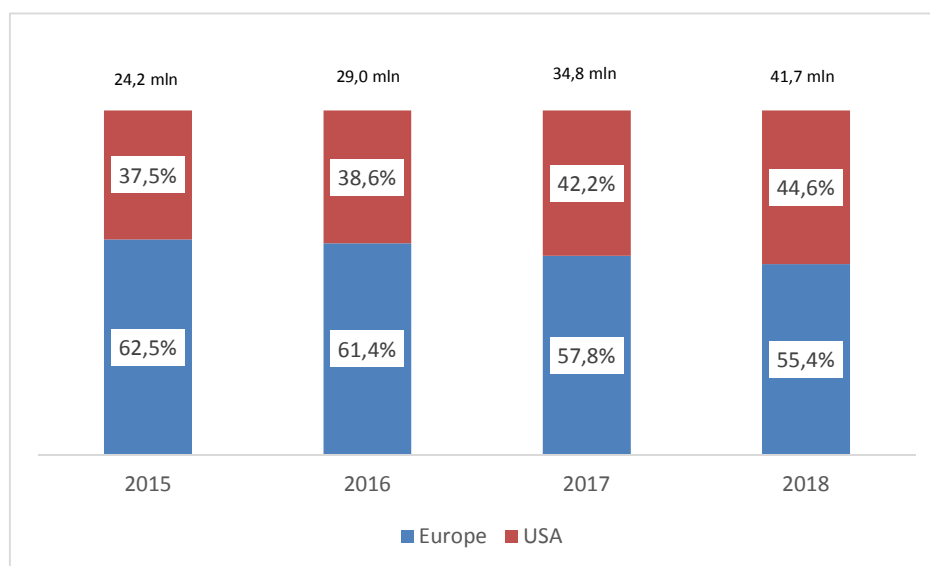
The different commercial offers of Expert System and Temis allow them to integrate and rapidly enhance the combined commercial offer, with very limited product overlap.

We believe that the competitive advantages gained by Expert System in term of products and processes will generate more than proportional benefits compared to the growth of the two stand alone companies thanks, in particular, to the enrichment of the commercial offer and the customer base.

The acquisition allows Expert System to expand geographically in areas not covered yet, to acquire new customers (for example in the scientific intelligence, and compliance) and to further strengthen its position in sectors currently served (intelligence, oil & gas and search CRM) with an enhanced offer. We believe that the acquisition allows Expert System to achieve a global leadership positioning in the field of semantic analysis. This market is characterized by high growth perspective and is composed of several small to medium companies operating in niche markets, with limited capacity to invest in acquisitions.

Thanks to the acquisition, Expert System is able to drive the expected consolidation of the industry, further strengthening its leadership role, both in Europe and the US.

**Fig. 3 - European and USA sales breakdown**



Source: Expert System and Integrae SIM

From a technological point of view, the intelligent systems developed by the two companies (Cogito, Expert System and Luxid, Temis) can be seamlessly integrated and can both be exploited to push cross-selling activities.

We are convinced that the full integration of the two companies will move on quickly, starting from the direct force (estimated to generate 65% of sales in FY18) and indirect sales force (estimated to generate 35% of sales in FY18). In addition:

- Expert System and Temis sales force will be integrated in order to push the penetration of different products to their customers;
- new sales force will be implemented gradually starting from the closing of operation.

By 2016, we believe that the two companies can be seamlessly integrated.

Our estimates for the period 2015-18F, include the above considerations and, conservatively, do not take into account possible cost synergies (overhead costs, rents, managers etc), that are likely to emerge. We estimate total investments of € 5.1 million on average per year for the period 2015-18F, mainly focused on strengthening the commercial positioning.

### **The transaction**

The enterprise value of the acquisition amounts to € 12 million (1.5x the expected turnover in 2014). The equity value of the company (estimated at € 11 million and subject to adjustment) will be paid to the sellers in the following ways:

- cash, for a value of € 4 million, of which € 3 million at closing and € 1 million over the next 3 years;
- stock for approximately € 7 million ,through newly issued ordinary shares of Expert System shares. The approval of the related capital increase, which will be executed without the right of option under Article 2441, paragraph 5, of the Italian Civil Code, limited to Temis shareholders, was proposed by the Board of Directors, which met on May 27, 2015, to the Expert System shareholders' meeting, which will take place by June 30, 2015.

Due to the above described capital increase, current Temis shareholders will hold a total interest in the share capital of Expert System amounting to approximately 12.4%, of which about 5.5% will be held by Luxid SA (currently Temis main shareholder).

Current Temis shareholders agreed to sign a lock-up on 90% of Expert System shares by these individually held for a period of 90 to 180 days.

Given the structure of the acquisition and the capital increase described above, the Board of Directors used a valuation report that estimated the market value of Temis as of December 31, 2014, prepared by an high standing independent expert by applying the principles, criteria and methods provided in article 2343 ter, paragraph 2, letter. b), of the Italian Civil Code.

Consistently with the valuation of this report, the subscription price of the new shares proposed at the Board met on May 27, 2015, was € 2.25 per share (inclusive of a share premium of € 2.24), calculated according to the weighted average market price of the 90 days prior to May 27, 2015.

In addition, in order to enable an incentive plan for Temis managers and employees to promote in the medium to long term the attainment of Expert System growth objectives, the Board of Directors approved a Stock Grant Plan 2015-2020, for a maximum consideration of € 2 mln, which will be submitted for approval at the shareholders' meeting.

This plan, which is subject to completion of Temis acquisition ,will be implemented:

- partly through free allocation of a number of Company shares, acquired or to be acquired by the Company;
- partly through a free capital increase as allowed by article 2349 of the Italian Civil Code, to be decided by the Board upon delegation of the Shareholders' meeting above mentioned. As part of this capital increase, a maximum of. 730,000 Expert System shares will be issued.

With the same objective to initiate an incentive plan for the commitment of managers and employees of the entire Expert System Group in the medium to long-term, in addition to what

already resolved on January 9, 2014, the Board approved the text of the Stock Option Plan 2015-2019.

The plan approval will be submitted at the upcoming Shareholders' Meeting, also for their authorization of a capital increase for the issue of a maximum of 1,250,000 Expert System shares.

The total value of the transaction results in 1.3x the turnover and 7.3x the EBITDA of Temis, being this way configured as "cheap" compared to the same multiple of Expert System (priced at the end of May 2015).

**Fig. 4 – Operation ratios**

	EXPERT SYSTEM		TEMIS	
	2014 (€ mln)	Implicit Multiples	2014 (€ mln)	Implicit Multiples
Revenues	13,0	3,8 x	8,2	1,3 x
Value of Production	17,2	2,9 x	10,0	1,1 x
EBITDA	2,3	21,5 x	1,5 <sup>(**)</sup>	7,3 x
Equity Value	49,5 <sup>(*)</sup>		11,0	

Source: Expert System and Integrae SIM. (\*) as of ES share closing price on May, 26th 2015. (\*\*) Italian GAAP Restated

As shown in the figure above, the multiples at which Temis was acquired are significantly lower than those of Expert System. With reference to the latter, and taking into account the increase in the number of shares (€ 3.11 million) following the operation, the creation of value results in € 31.1 million, with a potential increase in Expert System share price of 46.8% (calculated on the new share capital and other conditions unchanged).

Even if at a first glance the operation might result dilutive for Expert System, we believe that this should be assessed considering the method of payment. A large part (€ 7 million of € 11 million), in fact, is paid in Expert System shares and only a residual part in cash. It's clear that the acceptance by Temis shareholders of multiples that are lower than those at which Expert System is currently evaluated, is driven by their entry – at the average stock prices - into the "new Expert System" share capital. Unequivocal sign of Expert System value underestimation, considering its project to become the global leading player in the field of semantic technology applied to big data.

**Fig. 5 – Profit & Loss**

<b>Profit and Loss</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
Total revenues	13054,3	24150,5	28980,5	34776,7	41732,0
Change in Internal works	3041,4	4379,7	4467,3	4556,6	4647,8
Income from grants & other revenues	1077,1	1723,4	1982,0	2279,2	2324,8
<b>Value of production</b>	<b>17172,9</b>	<b>30253,6</b>	<b>35429,8</b>	<b>41612,5</b>	<b>48704,6</b>
COGS	-8248,9	-14386,8	-16174,4	-18427,0	-21351,8
Cost of work	-6584,8	-11600,5	-13177,8	-15013,0	-17396,0
<b>EBITDA</b>	<b>2339,2</b>	<b>4266,2</b>	<b>6077,7</b>	<b>8172,5</b>	<b>9956,7</b>
<i>Ebitda margin</i>	<i>17,9%</i>	<i>17,7%</i>	<i>21,0%</i>	<i>23,5%</i>	<i>23,9%</i>
Amort. Deprec. and prov.	-1729,8	-3504,4	-4924,8	-5842,1	-6837,7
<b>EBIT</b>	<b>609,4</b>	<b>761,8</b>	<b>1152,9</b>	<b>2330,4</b>	<b>3119,0</b>
<i>Ebit margin</i>	<i>4,7%</i>	<i>3,2%</i>	<i>4,0%</i>	<i>6,7%</i>	<i>7,5%</i>
Net financial charges	28,6	-32,5	14,0	120,0	200,0
Extraordinary items	59,3	0,0	0,0	0,0	0,0
<b>Pre-tax profit</b>	<b>697,3</b>	<b>729,3</b>	<b>1166,9</b>	<b>2450,4</b>	<b>3319,0</b>
Taxes	-608,8	-204,2	-326,7	-686,1	-929,3
<b>Net income</b>	<b>88,5</b>	<b>525,1</b>	<b>840,1</b>	<b>1764,3</b>	<b>2389,7</b>

Source: Expert System and Integrae SIM

**Fig. 6 – Assets & Liabilities**

<b>Assets and Liabilities</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
Total assets	8051,0	23452,9	23392	22726,7	22620,9
Working capital	9264,6	5796,1	2898,1	3477,7	4173,2
Total funds	-1690,0	-1900,0	-2050,0	-2500,0	-2700,0
<b>Invested capital</b>	<b>15625,7</b>	<b>27349,0</b>	<b>24240,1</b>	<b>23704,4</b>	<b>24094,1</b>
Equity	16957,9	24100,0	24940,1	26704,4	29094,1
Net debt (Cash)	-1332,2	3249,0	-700,0	-3000,0	-5000,0
<b>Total funds</b>	<b>15625,7</b>	<b>27349,0</b>	<b>24240,1</b>	<b>23704,4</b>	<b>24094,1</b>

Source: Expert System and Integrae SIM



## The market

Semantic technologies within the IT market are defined as all the resources, methodologies and tools needed to interpret and give a representation of what exists in the physical and social world.

The Web, as well as large public and private organizations, is getting increasingly crowded in documents, text, images, video and other storage formats of knowledge and experience, and needs semantic technologies to promote the access and sharing of information assets to all users, private companies or public authorities. According to Martin Hilbert's estimates, professor at Anneberg Hilbert of Southern California University, in 2000 about 25% of the information recorded in the world was in digital format, while 75% were analog on paper, film, plastic magnetized etc. In 2013 about 98% of the information in the world was recorded in digital format.

One of the major changes driving the IT industry in the processing of information concerns the so-called "Big Data", or any information marked by the "three V":

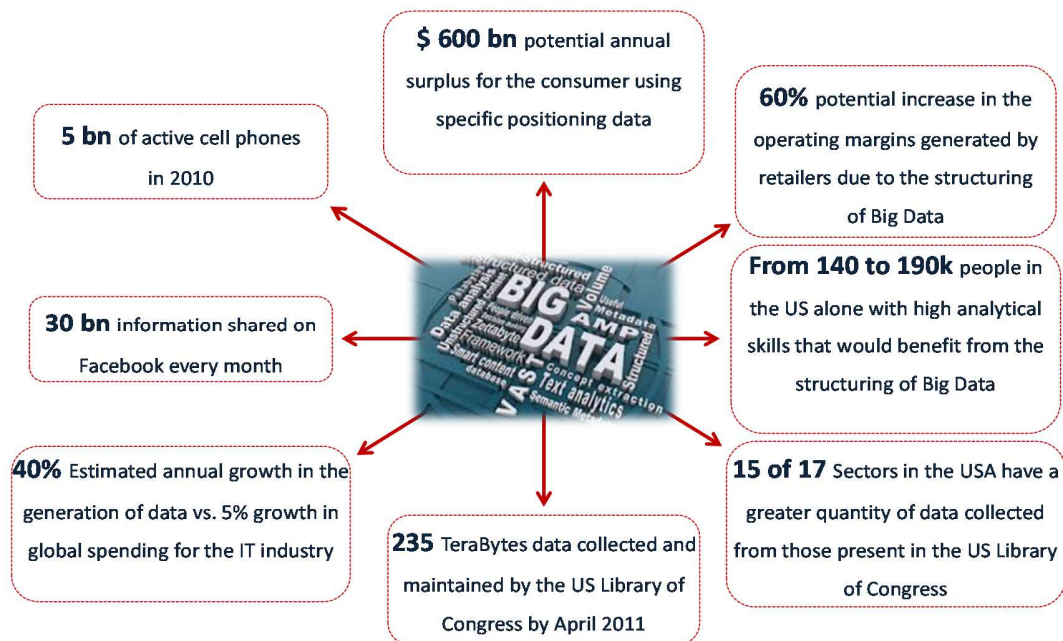
- Volume: large amounts of data that, as such, can not be managed with traditional databases;
- Velocity: data that need to be processed in real time or in any case within a few minutes;
- Variety: unstructured data having different nature (not only text but also video, audio, etc.) and originated from different devices (PC, mobile phones, sensors, etc.).

Big Data consist in an enormous amount of information that need to be structured in order to facilitate its collection and use. The digital data are doubling every three years and are constantly increasing the people who make extensive use of digital technology (2.5 million in 2013).

To switch from a set of raw data with limited use to structured data, it is essential to implement new and efficient applications. It is therefore necessary to leverage on a technology that can provide answers consistent with the three "V". Semantic analysis promises the best solution for all the component of unstructured information, representing 80% of total available information.

To get an idea of the enormous amount of data that requires to be processed, we report in the following figure some examples about the number of active mobile phones in the world, the information shared each month on Facebook, etc.

Fig. 7 – Some Big Data figure

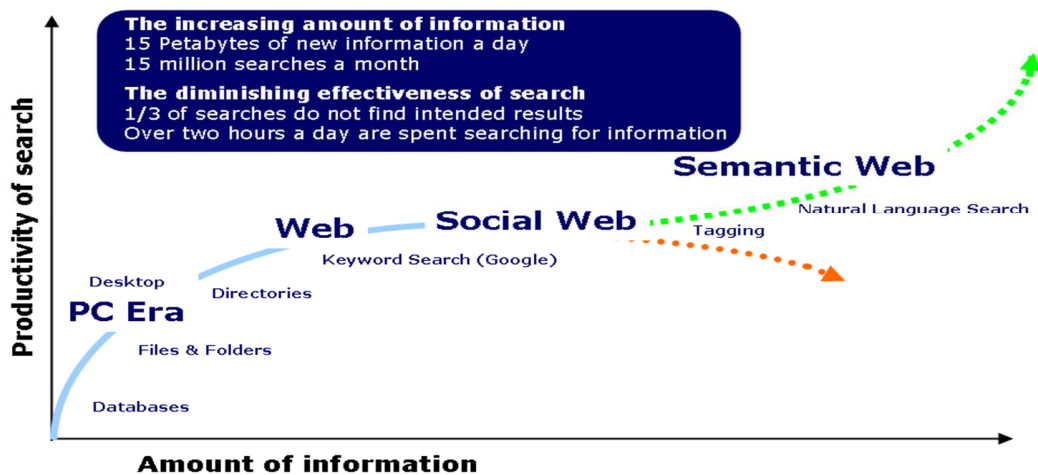


Source: Based on Integrae SIM on Mckinsey Global Institute - Big Data: The next frontier for innovation, competition, and productivity - May 2011.

It seems obvious that the evolution of the web will pass through the structuring of all unstructured information available.

Fig. 8 – WEB evolution

**Semantic technology overcomes inherent limitation of keyword search**



Source: Expert System

Even some of the most influential leaders of social media, researchers and industry analysts agree that semantic search will become more and more part of our lives. Let us quote just few examples:

**Eric Schmidt, Google CEO:** *Google needs to move “from words to meaning.” In other words, Google needs to understand queries better, and return results that best match the real meaning of a query. “We have to get from the sort of casual use of asking, querying...to “what did you mean?”;*

**McKinsey Global Institute – Big Data: The next frontier for innovation, competition, and productivity – 2011, June:** *“there is strong evidence that big data can play a significant economic role to the benefit not only of private commerce but also of national economies and their citizens. Our research finds that data can create significant value for the world economy, enhancing the productivity and competitiveness of companies and the public sector and creating substantial economic surplus for consumers.*

According to some studies led by the McKinsey Global Institute, there are different ways to extract value from the management of Big Data, in the diversified sectors of the world economy. The analysis suggest that the size and variety of the changes expected for the Big Data, have come to a breaking point.

We already have the first evidence of this phenomenon: different technological trends, developed in diversified areas, will shortly converge supporting the growth of the industry.

**Fig. 9 – Big Data financial value**

**Big data can generate significant financial value across sectors**



SOURCE: McKinsey Global Institute analysis

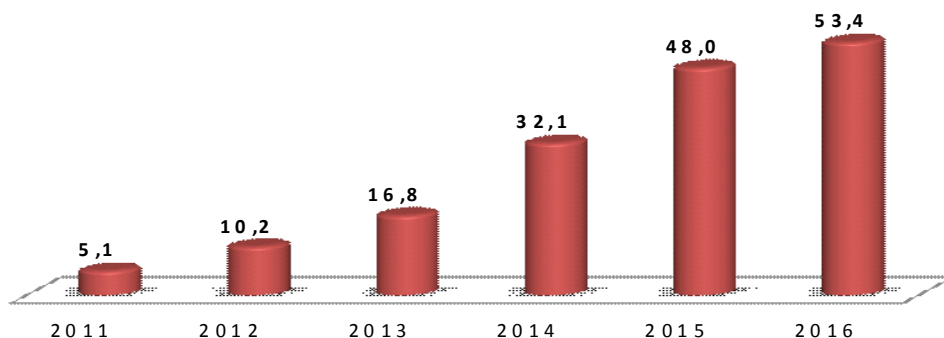
Another trend that will further increase the phenomenon of Big Data comes from the greatest amount of information being exchanged thanks to the growing diffusion of portable devices, that enable an easier access to the information shared and / or that can be shared.

The world market of Big Data is worth, to date, about \$ 11.4 .billion. In 2012 it grew by 100% over the previous year, and this trend is expected to remain unchanged in the coming years (Source Wikibon). The market has low barriers to entry for small and highly technological businesses,

such as Expert System, and is extremely fragmented: the 82% of the total market (HW, SW and Services) is held by companies with an individual market share below 5%.

**Fig. 10 – Big Data Forecast, 2011-2016**

**Big Data Market Forecast, 2011-2016 (\$ US billions)**

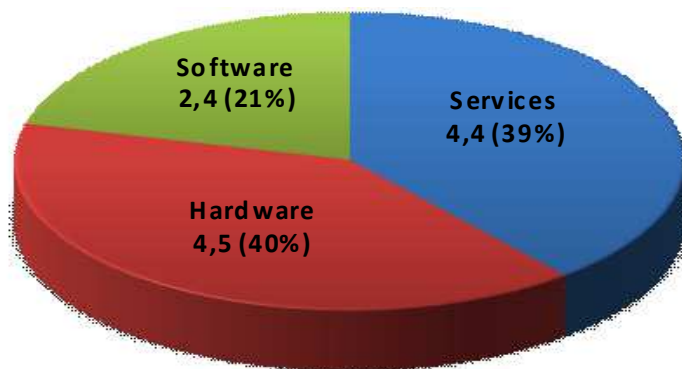


Source: Wikibon

The US textual analysis market is the largest and most promising (30% of the total). Expert System holds a small proportion (about 1%) of this, thanks to the 6 resources operating in Escogito INC.

**Fig. 11 – Big Data revenues breakdown**

**Big Data Revenue by Type, 2012 (\$US billions)**



Source: Wikibon

Expert System is the only Italian, and among the few companies in the world, to have been included in the prestigious Gartner Magic Quadrant focusing on technologies to access information (Magic Quadrant for Enterprise Search, Gartner Inc., July 16, 2014).

Expert System is a world leader along with HP, IBM and Google, and among the Top Ten Enterprise Search solutions.

In the context of the Magic Quadrant, Gartner has recognized Expert System capabilities in excellently manage every data set of information for intelligence purposes, appreciating in particular the scalability of the available solutions, the depth of analysis and level of expertise of the company allowing the development of "customized" solutions and projects.

## 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 2019F. 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. 12 – Input data**

Wacc calculation	
Risk Free Rate	2,31%
Market Premium	8,60%
Beta Unlevered	0,85
Tax Rate (Ires + IRAP)	31,40%
D/E (average)	50,00%
Beta Relevered	1,12
Alfa (specific risk)	2,50%
Ke	14,41%
Wacc	8,92%

Source: *Integrae SIM*

We assumed parameters in the table above on the basis of the following assumptions:

- the risk-free rate is the average gross yield "Rendistato" (source: Bank of Italy) for securities maturing between four years and seven months and six years and six months for the period June 2014 - May 2015;

- the market premium is calculated by Prof. A. Damodaran for Italy, equal to 8,60% (Update January 2015);
- The unlevered Beta was determined on the basis of the average 5 years Beta for the same sample of comparable securities (where possible) used to determine the equity value with the multiples method, and is equal to 0.78. Please note that the time period (5 years) and the frequency of observations (weekly) have been chosen according to the maximization of the significance of the linear regression expressed by the parameter R<sup>2</sup>. The unlevered Beta resulting from the linear regression (0.78) has been adjusted on the basis of the following formula: Adjusted Beta = 0.78 \* 0.67 \* 0.33 + 1 (see EJ Elton, Gruber MJ, SJ Brown, WN Goetzmann - Modern Portfolio Theory and Investment Analysis - John Wiley & Sons, 2009), resulting in the unlevered beta of 0.85. The same was then leveraged on the basis of the average D / E estimated for the years 2015-18F. The resulting levered Beta equals to 1.21.
- the growth rate "g" used to calculate the terminal value is conservatively set equal to 3%;
- Alfa, represents the additional specific risk, typical of equity investments in companies characterized by limited operating dimensions. The small cap additional risk has been assumed to be 2.5%, considering the average value among those suggested by major studies on this 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 Assets Any, third edition 2012, Guatri, Bini, New Treaty on the valuation of companies, 2009 p. 236);

The resulting WACC is 8.92%.

Fig. 13 – DCF model

Cash Flow	2015	2016	2017	2018	2019	TV
EBIT	4.266	6.078	8.172	9.957	11.948	
Operating Taxes	(1.340)	(1.908)	(2.566)	(3.126)	(3.752)	
NOPLAT	2.927	4.169	5.606	6.830	8.196	
Depreciations	3.504	4.925	5.842	6.838	7.522	
Δ NWC	3.468	2.898	(580)	(696)	(700)	
Investments	(4.950)	(5.000)	(5.100)	(5.300)	(5.800)	
FCFO	4.950	6.992	5.769	7.673	9.218	107.172
Discounted FCFO	4.544	5.894	4.464	5.451	6.013	69.907
FCFO actualized	26.366					
TV actualized DCF	69.907					
<b>Enterprise Value</b>	<b>96.273</b>					
NFP (2015)	(3.249)					
<b>Equity Value</b>	<b>93.024</b>					

Source: Integrae SIM

According with the data above and with reference to our estimates, the resulting equity value of Expert System amount to € 93.0 mln.

Fig. 14 – Sensitivity Analysis (Wacc - Long Term Growth)

	WACC							
	7,42%	7,92%	8,42%	8,92%	9,42%	9,92%	10,42%	
4,5%	176,2	150,6	131,5	116,7	105,0	95,3	87,3	
4,0%	154,0	134,4	119,3	107,2	97,4	89,2	82,2	
3,5%	137,4	121,9	109,6	99,5	91,1	84,0	77,9	
<b>TV</b>	<b>3,0%</b>	124,6	112,0	101,6	93,0	85,8	79,5	74,1
	2,5%	114,4	103,8	95,0	87,6	81,2	75,7	70,8
	2,0%	106,1	97,1	89,5	82,9	77,3	72,3	67,9
	1,5%	99,2	91,4	84,7	78,9	73,8	69,3	65,4

Source: Integrae SIM



### Ratios methodology

The sample considered includes companies operating in the same sector of Expert System, with a larger market capitalization.

Below the companies and relative multiples considered for the period 2014-16F (Source Infincials):

**Fig. 15 – I peers**

Company	EV/EBITDA			EV/EBIT			P/E		
	2014	2015	2016	2014	2015	2016	2014	2015	2016
Trend Micro Inc	11,6	10,7	10,2	14,2	13,1	12,3	27,5	25,8	24,6
Glodon Software Co. Ltd.	68,1	47,0	35,8	70,3	48,3	36,3	64,3	44,9	33,9
Beijing Egova Co Ltd	165,3	102,3	78,8	223,4	132,0	95,1	203,5	127,0	95,6
Obic Business Consultants Co. Ltd.	10,3	10,6	9,9	10,6	10,7	9,7	23,1	22,9	21,4
Shenzhen Tianyuan DIC Information Tech Co. Ltd	82,3	42,9	31,8	186,2	70,6	56,1	200,1	75,1	61,9
Ellie Mae Inc	43,5	37,1	26,3	49,5	48,8	33,1	61,5	58,1	44,8
Microsoft Corporation	9,5	9,1	8,2	12,0	10,7	9,8	18,8	16,0	14,3
Sap AG	13,5	12,4	11,6	15,0	13,3	12,7	18,4	17,2	16,0
Nuance Communications Inc.	15,0	10,5	11,2	16,6	14,3	13,0	17,9	15,1	14,4
CommVault Systems Inc.	13,2	13,9	10,9	14,4	15,4	12,0	29,9	32,6	26,3
Blackbaud Inc	23,1	18,6	16,0	27,6	22,2	18,9	45,2	36,2	30,3
Open Text Corporation	10,2	9,7	9,0	11,1	10,4	9,9	13,2	12,7	11,6
<b>Average</b>	<b>38,8</b>	<b>27,1</b>	<b>21,6</b>	<b>54,2</b>	<b>34,1</b>	<b>26,6</b>	<b>60,3</b>	<b>40,3</b>	<b>32,9</b>

*Source: Infincials.*

The equity value of Expert System calculated using the multiple methodology amounts to € 79.6 mln.

The equity value is lower than the one calculated using the DCF methodology. We believe this is due to the temporal length considered for the estimates. Indeed, estimates for peers end in 2016, year in which the positive effects of Temis acquisition will not be completely visible yet.

The average equity value, which represents our target price, amount to € 86.3 million, ie € 3.9 per share (€ 2.22 in our note of September 10, 2014).

**Disclosure Pursuant to Article 69 ET SEQ. of Consob (Italian Securities Exchange Commission) Regulation  
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Equity Total Return (ETR) for different risk categories			
Rating	Low Risk	Medium Risk	High Risk
BUY	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)**

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