



## PUBLICATIONS

30 March 2021

### EXPERT.AI

FY 2020 (=)

(Company)

#### A structuring year

The company published 2020 results in line with our expectations. Pre-announced on March 16, the turnover was established at 28.1M€ (vs 31M€ estimated), slightly below the initial forecasts of the Group, which were based on 33.3M€, mainly due to the postponement of some projects (in particular in the Italian public sector) because of the pandemic. In addition, Expert.ai's business is more resilient than ever, with more than 50% of revenues now recurring (vs. 40% at end 2019). As anticipated, the company focused more on growing its SaaS revenue with recurring license sales accounting for 89% of license sales in 2020 (vs. 76% at the end of 2019). Indirect sales increased from 10% of revenue in 2019 to 14% of revenue in 2020 reflecting a 32% annual growth.

EBITDA was €1.9M, slightly below our expectations (€1M estimated) and those of the Group (€2M) due to higher investments in sales & marketing in the US, where revenues jumped by 39% yoy. EBIT was -9.5M€ (vs. -2.9M€ at the end of 2019) due to an increase in depreciation and amortization (7.3M€) mainly related to the capitalization of R&D costs. The Group thus recorded a loss of €5.4M in 2020 compared to a loss of €1M in 2019. On the financial front, the Group's net debt is at a comfortable level of -€20.9M, including a total cash position of €54M following the €28M capital increase and the sale of its stake in CY4GATE for €5.3M.

The Group thus confirms the objectives of its 2020-2024 strategic plan, which foresees a tripling of its turnover by 2024 to €100M, including €80M of SaaS revenues. We believe that this objective is entirely achievable and that the Group's 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) the up-selling of high value-added solutions and (v) the development of indirect sales.

The current valuation (EV/Sales 2021 <4x) seems to us very attractive in view of the Group's growth prospects and we anticipate a strong re-rating once the market has identified Expert.ai as a real growth stock. We therefore remain very positive on the company with a target price maintained at €6.3.

Buy, TP of €6,3 - Alessandro Cuglietta : +33 1 78 95 71 64

Market Data	
Industry	Technology
Share Price (€)	3,0
Market Cap (€M)	150,3
Market Segment	AIM Italia
Bloomberg	EXSY IM

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

€M (31/12)	2020	2021	2022	2023
<b>Sales (€M)</b>	28,1	33,5	46,5	67,5
<i>Growth</i>	-11,2%	19,1%	38,8%	45,4%
<b>EBIT</b>	-9,5	-14,5	-11,4	-4,6
<i>EBIT Margin</i>	-33,9%	-43,2%	-24,5%	-6,9%
<b>Net income</b>	-5,4	-15,1	-12,2	-5,7
<b>EPS €</b>	-0,11	-0,30	-0,24	-0,11
<i>Growth</i>	334,9%	178,8%	-19,3%	-53,6%
<b>Dividend</b>	0,00	0,00	0,00	0,00
<i>Yield (%)</i>	0,0%	0,0%	0,0%	0,0%
<b>FCF</b>	-2,5	-13,6	-13,3	-7,5
<b>ROCE</b>				
<b>EV/Sales (x)</b>		3,9	2,8	1,9
<b>EV/EBIT (x)</b>				
<b>PE (x)</b>				
<b>Net Debt</b>	-20,9	-9,3	4,0	11,6
<i>Gearing net</i>	-15%	-6%	3%	8%

Midcap Partners estimates

Upcoming event : 29/04/2021 - AG

TOP Peers	Market Cap (€M)	EV/Sales 2021	EV/Sales 2022	EV/EBITDA 2021	EV/EBITDA 2022
Snowflake, Inc. Class A	41 700	52,5	32,1		
Veritone, Inc.	594	6,1	4,9		
BlackLine, Inc.	5 130	14,1	11,6	133,1	88,2

Source: FACTSET

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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](mailto:marketing@midcapp.com).

## Conflict of Interests

Company	Closing price (€)	Rating	Warning
BILENDI	12,4	Buy	G
EXPERT.AI	2,96	Buy	G
LDLC	52,6	Buy	G
OSAI AS	5,06	Buy	G

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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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