

Company Update

Hold (from Buy)

30 March 2017 – 5:30PM

MARKET PRICE: EUR1.81

TARGET PRICE: EUR1.89 (from EUR2.32)

## Entertainment

### Data

Shares Outstanding (m):	27.7
Market Cap. (EURm):	50.5
Enterprise Value (EURm):	63.5
Free Float (%):	61.1%
Av. Daily Trad. Vol. (m):	0.001
Main Shareholder:	Founders 34.9%
	EXSY.M EXSY
Reuters/Bloomberg:	I IM
52-Week Range (EUR)	1.7 2.2

Source: Factset, UbiBanca estimates

### Performance

	1m	3m	12m
Absolute	3.0%	-4.3%	-12.8%
Rel. to FTSE	-4.5%	-9.7%	-21.1%

Source: Factset

### Graph area Absolute 12 M



Source: Factset

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## Weaker than expected 2016 results and challenging business plan

Expert System reported results below our expectations in the second half of 2016 with limited growth in value of production (+7.1% despite the full consolidation of Temis) and a negative EBITDA margin. The bottom line was negative for EUR8.5 million in the full year, much worse than our estimated loss of EUR5 million while net debt (the only better-than-expected data) improved due to lower NWC. The company presented a 2017-19 business plan focused on: 1) expansion abroad to 70% of sales, 2) increasing the offer of more standardized and recurring solutions, 3) economies of scale and 4) lowering NWC. While 2017 targets are well below our estimates, making 2017 another difficult year, 2018 and 2019 are, we believe, optimistic with strong projected growth in revenues (+24% and +36% respectively) and a challenging EBITDA margin (24.5% in 2019) both being undermined by low visibility on future contracts. Although we believe investors should consider the long-term potential of Expert System rather than its short-term results, the delivery of solid fundamentals is taking longer than expected while its attractiveness as a potential prey for large IT has been overshadowed. Given the downgrades to our estimates, we move to a Hold rating (from Buy) with a new target price of EUR1.89 per share (from EUR2.32), mostly in line with the current market price.

- > Following weaker than expected results for 2H16 and the presentation of the business plan, we have revised our estimates and lowered 2017-18 sales by 8% on average and value of production by 12%. EBITDA is now expected to be EUR3.6 million this year, and EUR6.7 million in 2018, while the net result is likely to remain negative. Operations should be fully regularly functioning in 2019 implying nearly EUR40 million of sales with an EBITDA margin >20% and a positive bottom line. Our new estimates are broadly in line with the business plan for 2017 but more conservative in 2018-19.
- > Our new target price of EUR1.89 per share (from EUR2.32) is based on the average of a DCF analysis (70% weight) and a relative valuation (30% weight). At target price the share would trade at 1.67x 2018 EV/Sales, which is below the median multiple of our sample of peers (2.65x), and at 9.5x EV/EBITDA, a slight discount to the median of peers (10.2x). Hold.

Financials	priced on 29 March 2017			
	2016	2017E	2018E	2019E
Revenues (EURm)	23.4	27.8	33.1	39.7
EBITDA (EURm)	-2.2	3.6	6.7	9.2
EBITDA margin (%)	-9.4%	13.1%	20.3%	23.3%
EBIT (EURm)	-8.5	-3.0	-0.1	2.2
EPS (EUR)	-0.31	-0.13	-0.03	0.04
CFPS (EUR)	-0.07	0.16	0.22	0.30
DPS (EUR)	0.0	0.0	0.0	0.0

Source: Company Data, UBI Banca Estimates

Ratios	priced on 29 March 2017			
	2016	2017E	2018E	2019E
P/E(x)	nm	nm	nm	25.2
P/CF(x)	-24.4	16.0	8.0	5.6
P/BV(x)	3.2	3.8	3.9	3.4
Dividend Yield	0.0%	0.0%	0.0%	0.0%
EV/EBITDA(x)	0.0	17.5	9.3	6.3
Debt/Equity (x)	0.7	0.8	0.8	0.4
Debt/EBITDA (x)	nm	3.1	1.5	0.6

Source: Company Data, UBI Banca Estimates

**Key Financials**

(EURm)	2016	2017E	2018E	2019E
Revenues	23.4	27.8	33.1	39.7
EBITDA	-2.2	3.6	6.7	9.2
EBIT	-8.5	-3.0	-0.1	2.2
NOPAT	-8.5	-3.0	-0.1	1.5
Free Cash Flow	-5.4	-0.2	1.4	4.2
Net Capital Employed	28.0	24.8	22.9	20.8
Shareholders' Equity	16.9	13.5	13.0	15.0
Net Financial Position	11.1	11.4	10.0	5.8

Source: Company data, UBI Banca estimates

**Key Profitability Drivers**

	2016	2017E	2018E	2019E
Net Debt/Ebitda (x)	nm	3.1	1.5	0.6
Net Debt/Equity (x)	0.7	0.8	0.8	0.4
Interest Coverage (%)	-10.4	-3.5	-0.1	3.7
Free Cash Flow Yield (%)	-10.0%	nm	2.8%	8.2%
ROE (%)	-50.3%	-25.7%	-3.7%	13.4%
ROI (%)	-18.2%	-7.1%	-0.3%	6.2%
ROCE (%)	-28.7%	-11.3%	-0.4%	6.8%

Source: Company data, UBI Banca estimates

**Key Valuation Ratios**

	2016	2017E	2018E	2019E
P/E (x)	nm	nm	nm	25.2
P/BV (x)	3.2	3.8	3.9	3.4
P/CF (x)	-24.4	16.0	8.0	5.6
Dividend Yield (%)	0.0%	0.0%	0.0%	0.0%
EV/Sales (x)	2.4	2.0	1.6	1.3
EV/EBITDA (x)	nm	17.5	9.3	6.3
EV/EBIT (x)	nm	nm	nm	26.3
EV/CE (x)	2.4	2.6	2.7	2.8

Source: Company data, UBI Banca estimates

**Key Value Drivers**

(%)	2016	2017E	2018E	2019E
Payout	0.0%	0.0%	0.0%	0.0%
NWC/Sales	25.2%	17.2%	14.6%	11.9%
Capex/Sales	12.9%	14.6%	12.8%	10.9%

Source: Company data, UBI Banca estimates

### Recent Developments

- > Expert System reported weaker than expected results in 2H16: sales rose by 36% (vs. +56% in the first half), partially due to the contribution of Temis (consolidated only in 4Q15), which boosted revenues outside Italy (72% in 2H16 and 61% of total in the full year compared with 57% in 2015) but value of production improved by just 7%, missing our expectation. EBITDA was negative for EUR0.2 million vs. our +EUR3 million estimate, penalised by higher personnel costs (EUR9.4 million, equal to 57% of value of production compared with 45% in 2H15). After EUR3.4 million of D&A costs (a strong increase due to goodwill amortization and higher capitalized R&D), EBIT was negative for EUR3.6 million (vs. our breakeven expectation) leading to a net loss of EUR3.5 million. The only positive news came from net debt which declined to EUR11.1 million (EUR13.9 at June-16), beating our forecast, we believe due to a reduction in NWC tied to lower receivables (as terms of payment are shorter outside Italy).
- > Full year revenues increased by 43%, broadly in line with our estimate, but EBITDA was negative for EUR2.2 million (+EUR1.8 million in 2015 on a pro-forma basis) generating an operating loss of EUR8.5 million (EUR3.5 million in 2015) leading to a negative bottom line of EUR8.5 million (17% of the current market capitalization). In other words, 2016 was well below our original expectations. We understand the repercussions of the effort to develop the company abroad, in particular the US, attracting new clients, and higher G&A costs linked to the larger size of the company but, clearly, the increase of fixed costs to set up new subsidiaries and hiring new experienced people has not been offset by a proportionate increase in turnover (sales per employee are around EUR70k, a very low level) which may also be due to some delays in winning new contracts that has been detrimental to sales growth. In Italy VoP reached EUR15.7 million (+12% vs. 2015) with a 8.3% EBITDA margin but in EU & UK the company reported a negative EBITDA for EUR2.5 million (it was positive for EUR0.6 million in 2015) despite the sharp growth of VoP (+61% at EUR7.9 million due to the consolidation of Temis). In the US VoP was up 43% but EBITDA was negative for EUR1 million vs. substantial breakeven in 2015.
- > Against this backdrop, Expert System presented its 2017-19 business plan: the company expects revenues to grow at 27% CAGR through to 2019 driven by the expansion in foreign markets /expected to represent 70% of sales vs. 43% in 2016), particularly in the US, and VoP at 22%. EBITDA is expected to rise as a consequence of a higher weight of software licences (the target is to reach 53% of sales in 2019 vs. around 40% in 2016) and more standardized solutions (which enjoy higher profitability), growing economies of scale, and fixed costs spread across a wider revenues base. The company anticipated an EBITDA of EUR3.6 million this year (12.8% margin) which is well below our EUR4.8 million forecast and net result negative for EUR3.4 million (vs. our EUR1.5 million). In 2018 business plan is broadly in line with our old estimates, which could be challenging considering that 2017 is below expectations. 2019 is expected to accelerate with 36% sales growth and an EBITDA margin of 24.5%. We believe these targets, particularly for 2019, are optimistic and extremely difficult to reach despite being more conservative than the industry projections for the global analytics market. Capex is expected to rise to EUR4.7 million this year, EUR4.9 million in 2018 and EUR5 million in 2019, excluding new acquisitions. Net debt is expected to decline gradually to EUR5.5 million at end-19 thanks to higher gross cash flow and lower NWC, particularly receivables. The company did not rule out the issue of a convertible bond to sustain the growth.
- > The board appointed two new CEOs for the US (service to public companies,

intelligence and security) and for Germany, that we believe could be key to developing these attractive markets.

> Last December, Intesa group selected Cogito for its internet banking web site (amount of the contract unknown). Expert System has also entered in ECSO (European Cyber Security Organization); this agency has the target to develop a cyber security strategy for all European countries, and therefore could be a springboard for Expert Systems's products.

Figure 1 – 2016 results

(EURm)	2015°	2015A Pro-forma	2016	% Chg. Vs. Pro-forma	2016E UBI	% Chg.
Sales total	16.39	22.00	23.40	6.4%	23.71	-1.3%
VoP	22.65	30.00	29.60	-1.3%	32.67	-9.4%
<b>EBITDA</b>	<b>1.20</b>	<b>1.80</b>	<b>(2.19)</b>	<b>nm</b>	<b>1.03</b>	<b>nm</b>
<b>% margin</b>	<b>7.3%</b>	<b>8.2%</b>	<b>-9.4%</b>		<b>4.3%</b>	
EBIT	(4.03)	(3.50)	(8.49)	nm	(4.84)	nm
% margin	-24.6%	-15.9%	-36.3%		-20.4%	
Pre tax	(3.56)		(9.16)	nm	(5.50)	nm
<b>Net attributable result</b>	<b>(3.29)</b>	<b>(2.30)</b>	<b>(8.51)</b>	<b>nm</b>	<b>(5.05)</b>	<b>nm</b>
Net debt/(cash)	10.51	10.51	11.10	5.6%	12.57	-11.7%

Source: Company data, UBI Banca estimates

Figure 2 – 2H16 results

(EURm)	2H15A	2H16A	% Chg.	2H16E UBI	% Chg.
Sales total	10.89	14.83	36.2%	15.14	-2.0%
VoP	15.36	16.45	7.1%	19.52	-15.7%
<b>EBITDA</b>	<b>2.69</b>	<b>-0.24</b>	<b>nm</b>	<b>2.98</b>	<b>nm</b>
<b>% margin</b>	<b>24.7%</b>	<b>-1.6%</b>		<b>19.7%</b>	
EBIT	-1.51	-3.60	nm	0.06	nm
% margin	-13.9%	-24.3%		0.4%	
Pre tax	-1.04	-3.77	nm	-0.11	nm
<b>Net attributable result</b>	<b>-1.21</b>	<b>-3.46</b>	<b>nm</b>	<b>0.00</b>	<b>nm</b>
Net debt/(cash)	10.51	11.10	5.6%	12.57	-11.7%

Source: Company data, UBI Banca estimates

Figure 3 – New 2017-19 business plan vs. our estimates of Oct-16

The new business plan anticipates EBITDA 25% below our estimates of Oct-16 and a net loss more than double our estimate. On the contrary, 2018 targets are broadly in line with our old estimates.

(EURm)	Business Plan			Our old estimates		Delta vs. UBI	
	2017E	2018E	2019E	2017E	2018E	2017E	2018E
Total Sales	28.2	34.9	47.4	30.7	35.2	-8.1%	-0.8%
% growth	20.5%	23.8%	35.8%	31.2%	14.6%		
VoP	34.5	41.4	54.0	40.2	45.2	-14.1%	-8.4%
% growth	16.5%	20.0%	30.4%	35.7%	12.5%		
<b>EBITDA</b>	<b>3.6</b>	<b>7.3</b>	<b>11.6</b>	<b>4.8</b>	<b>7.2</b>	<b>-25.3%</b>	<b>1.8%</b>
<b>% Margin</b>	<b>12.8%</b>	<b>20.9%</b>	<b>24.5%</b>	<b>15.7%</b>	<b>20.4%</b>		
Net Profit	-3.4	0.1	2.7	-1.5	0.2	nm	-51.9%
Net Debt/(Cash)	9.8	9.7	5.5	10.8	13.0	-9.0%	-25.4%

Source: Company data, UBI Banca estimates

### Financial Projections

- > Following weak 2H16 results and the presentation of the 2017-19 business plan, it is clear that 2017 could be another transition year for Expert System: Investments for the development of the commercial network abroad will continue as implied in the business plan, the risk of delays seems likely to remain high and the operating result deeply negative. The postponement of a full recovery - with breakeven at the net level unlikely before 2018 - is somewhat worrying, in our view. Also, the sharp improvement of fundamentals anticipated by the company for 2019 (sales +36%, EBITDA margin at 24.5% and net debt halved) seems challenging, considering the low visibility on existing and future contracts and the risk of a new technological breakthrough that would make "Cogito" obsolete, causing a potential write down of existing intangible assets (EUR18.4 million at Dec-16).
- > We have reduced our 2017 sales estimates by 9.4% and those of value of production by 14.1%. For 2018-19, we expect organic growth of 18-20%, which should allow the company to approach EUR40 million of revenues in 2019 and a value of production of EUR48 million.
- > The forecast 2017 EBITDA margin could again be adversely impacted by the company's high fixed cost base (mostly labour costs - now estimated at 52% of value of production vs. 62.4% in 2016). Our new EUR3.6 million EBITDA estimate for 2017 (down from the previous figure of EUR4.8 million) implies an EBITDA margin of 13.1% and is in line with the business plan. Adding higher D&A costs (linked to the augmented capital spending program for 2017-19), we estimate a negative bottom line of EUR3.5 million in 2017 vs. our previous forecast of a net loss of EUR1.5 million. We have also cut our 2018 EBITDA expectations (by 6%) postponing breakeven in the net result to 2019. Our new 2019 estimates, even implying a solid improvement in the EBITDA margin (to 23.3%) and a positive net result, are more conservative than the business plan.
- > Expert System reported a flat net debt at Dec-16 compared with 2015 due to cash inflow from the recent rights issue (EUR4.7 million). In coming years, operating cash flow generation should improve substantially but rising capex could limit the extent to which net debt can be reduced.

Figure 4 – Old vs. New estimates

(EURm)	2016A	2017E		2018E		2019E
		Old	New	Old	New	New
Total Sales	23.4	30.7	27.8	35.2	33.1	39.7
% change			-9.4%		-6.1%	
VoP	29.6	40.2	34.5	45.2	40.5	48.1
% change			-14.1%		-10.4%	
<b>EBITDA</b>	<b>(2.2)</b>	<b>4.8</b>	<b>3.6</b>	<b>7.2</b>	<b>6.7</b>	<b>9.2</b>
<b>% change</b>			<b>-24.5%</b>		<b>-6.4%</b>	
EBIT	(8.5)	(1.3)	(3.0)	0.7	(0.1)	2.2
<b>Net Profit</b>	<b>(8.5)</b>	<b>(1.5)</b>	<b>(3.5)</b>	<b>0.2</b>	<b>(0.5)</b>	<b>2.0</b>
<b>% change</b>			<b>nm</b>		<b>nm</b>	
Net Debt/(Cash)	11.1	10.8	11.4	13.0	10.0	5.8
<b>EBIT margin</b>	<b>-36.3%</b>	<b>-4.4%</b>	<b>-10.7%</b>	<b>2.0%</b>	<b>-0.3%</b>	<b>5.6%</b>
<b>EBITDA margin</b>	<b>-9.4%</b>	<b>15.7%</b>	<b>13.1%</b>	<b>20.4%</b>	<b>20.3%</b>	<b>23.3%</b>

Source: Company data, UBI Banca estimates

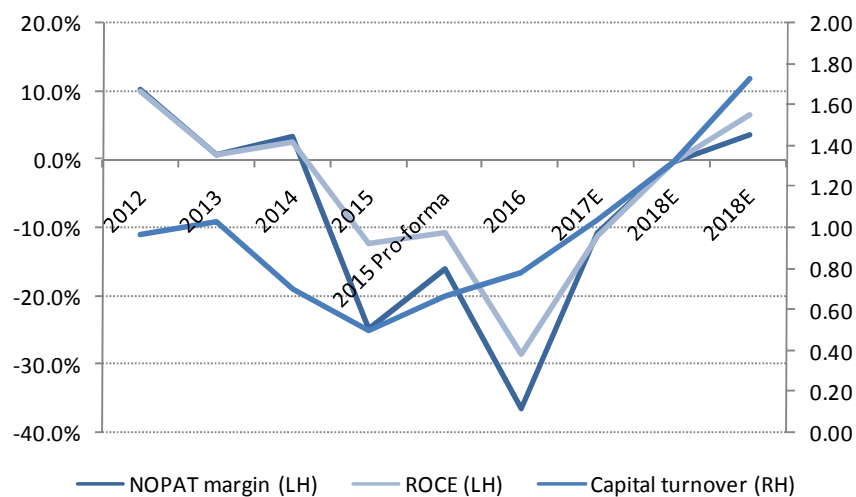
Figure 5 – 2017-19 business plan compared to our new estimates

(EURm)	Business Plan			Our new estimates			Delta vs. UBI		
	2017E	2018E	2019E	2017E	2018E	2019E	2017E	2018E	2019E
Total Sales	28.2	34.9	47.4	27.8	33.1	39.7	1.4%	5.6%	19.5%
% growth	20.5%	23.8%	35.8%	18.8%	18.9%	20.0%			
VoP	34.5	41.4	54.0	34.5	40.5	48.1	0.0%	2.3%	12.4%
% growth	16.5%	20.0%	30.4%	16.6%	17.3%	18.7%			
EBITDA	3.6	7.3	11.6	3.6	6.7	9.2	-1.0%	8.8%	25.7%
% Margin	12.8%	20.9%	24.5%	13.1%	20.3%	23.3%			
Net Profit	(3.4)	0.1	2.7	(3.5)	(0.5)	2.0	-1.6%	nm	34.5%
Net Debt/(Cash)	9.8	9.7	5.5	11.4	10.0	5.8			

Source: Company data, UBI Banca estimates

Figure 6 – NOPAT margin, Capital Turnover and ROCE trend

The negative NOPAT margin in 2016 resulted in negative ROCE. In coming years, the recovery in the NOPAT margin, coupled with the expected increase in capital turnover, should lead to a positive ROCE (6.5% in 2019).



Source: Company data, UBI Banca estimates

**Valuation**

- > Given the downgrade in our estimates, our DCF valuation has fallen to EUR1.77 per share (from EUR2.28), also due to a higher free risk rate (now at 2.5% vs. 2% before) while our relative valuation has declined to EUR2.02 per share from EUR2.41 per share. Our target price, therefore, has been cut by 20% to EUR1.89 per share (vs. EUR2.32 previously) based on the average of a DCF analysis (70% weight) and a relative valuation (30% weight). We gave a higher weighting to the DCF analysis as Expert System is still in a transition phase following the acquisition of Temis and its sizeable investments to develop the commercial network (mainly in the US) that should bear fruit only in the long-term. Given the minimal upside of the share to our target price, we adopt a Hold rating (from Buy).
- > It should be noted that our valuation does not include ADMantX, which is not consolidated but has a book value of EUR4.2 million. ADMantX reported net equity of EUR1.9 million at Dec-15 and a net loss of EUR1.4 million for the full year 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 EUR2.40 in October 2017 and at EUR2.70 in October 2018) are currently out of the money.
- > At our EUR1.89 per share target price, Expert System would trade at 1.82x 2018 EV/Sales, which is below the median multiple of our sample of peers (2.54x), and at 10.6x EV/EBITDA, a slight premium to the median of peers (9.6x).

Figure 7 – Valuation summary

(EUR)		% Weight	14 October-16	Delta
DCF Valuation	1.77	70.0%	2.28	-22.3%
Relative Valuation	2.02	30.0%	2.41	-16.4%
<b>Target Price</b>	<b>1.89</b>		<b>2.32</b>	<b>-20.4%</b>
Current price	1.81		2.02	-10.5%
Potential upside	4.8%		15.2%	

Source: UBI Banca estimates

Figure 8 – DCF Valuation

**Our model incorporates a WACC of 6.1%, a terminal growth rate of 2% and an operating margin of 6.5% at terminal value. Our DCF valuation implies 5.8x EV/EBITDA at terminal value.**

	(EUR m)	(% weight)
Sum of PV 2017-25 FCF	19.3	31%
Terminal value	42.4	69%
<b>Total Enterprise value</b>	<b>61.7</b>	<b>100%</b>
- minorities	0.0	
- Pension Provision	(1.6)	
- Net cash (debt)	(11.1)	
<b>Total Equity value</b>	<b>49.0</b>	
Number of shares outstanding (m)	27.7	
<b>Fair value per share (EUR)</b>	<b>1.77</b>	

Source: UBI Banca estimates

Figure 9 – Peer comparison based on multiples priced on 29 March 2017

Company	Market Cap (EURm)	P/E		EV/EBITDA		EV/Sales		Share performance	
		2017E	2018E	2017E	2018E	2017E	2018E	1M	3M
Nuance Communications	4,616	10.8 x	10.2 x	9.1 x	8.3 x	3.19 x	2.89 x	-1.2%	11.8%
Open Text Corporation	8,290	16.8 x	14.0 x	12.8 x	10.3 x	4.36 x	3.70 x	1.3%	6.4%
Trend Micro Incorporated	5,759	27.0 x	24.6 x	11.4 x	10.1 x	3.76 x	3.43 x	-0.8%	21.6%
Verint Systems Inc.	2,536	16.1 x	14.2 x	12.1 x	10.6 x	2.69 x	2.42 x	13.9%	20.1%
Splunk	7,918	nm	70.5 x	53.1 x	36.9 x	6.02 x	4.70 x	0.5%	18.2%
Teradata Corporation	3,777	21.3 x	21.4 x	8.5 x	7.9 x	1.64 x	1.57 x	-1.4%	11.1%
CommVault Systems	2,084	44.5 x	36.5 x	18.1 x	14.1 x	2.56 x	2.26 x	4.1%	-4.6%
PRGX Global	128	60.0 x	63.0 x	6.2 x	5.1 x	0.81 x	0.69 x	-0.4%	0.8%
<b>Average</b>		<b>28.1 x</b>	<b>31.8 x</b>	<b>16.4 x</b>	<b>12.9 x</b>	<b>3.13 x</b>	<b>2.71 x</b>	<b>2.0%</b>	<b>10.6%</b>
<b>Median</b>		<b>21.3 x</b>	<b>23.0 x</b>	<b>11.7 x</b>	<b>10.2 x</b>	<b>2.94 x</b>	<b>2.65 x</b>	<b>0.1%</b>	<b>11.4%</b>
<b>Expert System current market multiples</b>	50	<b>nm</b>	<b>nm</b>	<b>17.3 x</b>	<b>9.2 x</b>	<b>1.95 x</b>	<b>1.61 x</b>	<b>0.2%</b>	<b>-7.2%</b>
<b>Premium (discount) to Average</b>				<b>5.7%</b>	<b>-28.8%</b>	<b>-37.6%</b>	<b>-40.6%</b>		

Source: Factset, UBI Banca estimates

Figure 10 – Implicit multiples based on our EUR1.89 target price

(x)	2017E	2018E	2019E
P/E	nm	nm	26.0 x
EV/EBITDA	18.0 x	9.5 x	6.5 x
EV/Sales	2.02 x	1.67 x	1.30 x
P/BV	3.9 x	4.0 x	3.5 x
P/CF	11.7 x	8.3 x	5.7 x
EV/ Capital employed	2.44 x	2.56 x	2.61 x

Source: UBI Banca estimates



**Income Statement**

(EURm)	2016	2017E	2018E	2019E
Net Revenues	27.2	32.2	38.3	46.0
EBITDA	-2.2	3.6	6.7	9.2
EBITDA margin	-9.4%	13.1%	20.3%	23.3%
EBIT	-8.5	-3.0	-0.1	2.2
EBIT margin	-31.2%	-9.2%	-0.3%	4.8%
Net financial income /expense	-0.7	-0.7	-0.6	-0.5
Associates & Others	0.1	0.1	0.1	0.1
Profit before taxes	-9.2	-3.7	-0.7	1.8
Taxes	0.6	0.2	0.2	0.2
Minorities & discontinuing ops	0.0	0.0	0.0	0.0
Net Income	-8.5	-3.5	-0.5	2.0

Source: Company data, UBI Banca estimates

**Balance Sheet**

(EURm)	2016	2017E	2018E	2019E
Net working capital	6.9	5.6	5.6	5.5
Net Fixed assets	23.0	21.2	19.4	17.5
M/L term funds	-1.8	-1.9	-2.0	-2.2
Capital employed	28.0	24.8	22.9	20.8
Shareholders' equity	16.9	13.5	13.0	15.0
Minorities	0.0	0.0	0.0	0.0
Shareholders' funds	16.9	13.5	13.0	15.0
Net financial debt/(cash)	11.1	11.4	10.0	5.8

Source: Company data, UBI Banca estimates

**Cash Flow Statement**

(EURm)	2016	2017E	2018E	2019E
NFP Beginning of Period	10.5	11.1	11.4	10.0
Group Net Profit	-8.5	-3.5	-0.5	2.0
Minorities	0.0	0.0	0.0	0.0
D&A	6.3	6.6	6.8	7.0
Change in Funds & TFR	0.0	0.0	0.0	0.0
Gross Cash Flow	-2.2	3.2	6.3	9.0
Change In Working Capital	0.3	1.3	-0.0	0.1
Other	0.0	0.0	0.0	0.0
Operating Cash Flow	-1.9	4.5	6.3	9.2
Net Capex	-3.5	-4.7	-4.9	-5.0
Other Investments	0.0	0.0	0.0	0.0
Free Cash Flow	-5.4	-0.2	1.4	4.2
Dividends Paid	0.0	0.0	0.0	0.0
Other & Chg in Consolid. Area	0.1	0.0	0.0	0.0
Chg in Net Worth & Capital Incr.	4.7	0.0	0.0	0.0
Change in NFP	-0.6	-0.2	1.4	4.2
NFP End of Period	11.1	11.4	10.0	5.8

Source: Company data, UBI Banca estimates

**Financial Ratios**

(%)	2016	2017E	2018E	2019E
ROE	-50.3%	-25.7%	-3.7%	13.4%
ROI	-18.2%	-7.1%	-0.3%	6.2%
Net Fin. Debt/Equity (x)	0.7	0.8	0.8	0.4
Net Fin. Debt/EBITDA (x)	-5.0	3.1	1.5	0.6
Interest Coverage	-10.4	-3.5	-0.1	3.7
NWC/Sales	25.2%	17.2%	14.6%	11.9%
Capex/Sales	12.9%	14.6%	12.8%	10.9%
Pay Out Ratio	0.0%	0.0%	0.0%	0.0%

Source: Company data, UBI Banca estimates

**Per Share Data**

(EUR)	2016	2017E	2018E	2019E
EPS	-0.31	-0.12	-0.02	0.07
DPS	0.00	0.00	0.00	0.00
Op. CFPS	-0.07	0.16	0.23	0.33
Free CFPS	-0.20	-0.01	0.05	0.15
BVPS	0.61	0.49	0.47	0.54

Source: Company data, UBI Banca estimates

**Stock Market Ratios**

(x)	2016	2017E	2018E	2019E
P/E	nm	nm	nm	25.2
P/OpCFPS	-28.4	11.4	8.0	5.5
P/BV	3.2	3.8	3.9	3.4
Dividend Yield (%)	0.0%	0.0%	0.0%	0.0%
Free Cash Flow Yield (%)	-10.0%	nm	2.8%	8.2%
EV (EURm)	66.6	63.5	62.2	58.1
EV/Sales	2.4	2.0	1.6	1.3
EV/EBITDA	nm	17.5	9.3	6.3
EV/EBIT	nm	nm	nm	26.3
EV/Capital Employed	2.4	2.6	2.7	2.8

Source: Company data, UBI Banca estimates

**Growth Rates**

(%)	2016	2017E	2018E	2019E
Growth Group Net Sales	36.0%	18.5%	18.9%	20.0%
Growth EBITDA	nm	nm	84.6%	37.6%
Growth EBIT	nm	nm	nm	nm
Growth Net Profit	nm	nm	nm	nm

Source: Company data, UBI Banca estimates

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