

EQUITY RESEARCH

EXPERT.AI
NEWS
Gartner

BUY
TP 1.3€
Up/Downside: 94%

While ChatGPT Boosts Investments in AI, Expert.ai Has Added Alan Packer to its BoD

According to Gartner research, ChatGPT has inspired 45% of the 2,500 executive directors surveyed to increase AI investments, 70% of the companies have begun generative AI research and 19% have already launched pilot projects.

Gartner research, conducted between April and May 2023, clearly shows that the world of AI is currently in the spotlight. Although the sample surveyed cannot be considered a global benchmark, it appears that main investments in generative AI have been geared towards improving customer experience/loyalty (38%), increasing sales (26%), and optimising costs (only 17%).

Expert.ai, with its proprietary platform, has been in the natural language processing and knowledge market for over 30 years; the group is able to offer ad-hoc AI generative services on demand in addition to its proprietary technology. We believe that the market's optimism will benefit the company's revenue in Italy (where ChatGPT is once again available to all citizens) and especially in the US.

Expert.ai also confirmed yesterday the full year 2022 results published on 30 March, with no quantitative changes, as well as announcing the appointment of Alan Packer as a new member of its Board of Directors.

The new BoD member worked at Amazon for about four years as a team leader on the Alexa natural language understanding (NLU) platform, at Facebook for three years as an engineering manager on various projects (including leading the language technology, machine translation, language recognition and NLU team), and worked for more than 12 years as an engineering manager at Microsoft, including work on the Cortana project for Bing, language recognition and NLU.

We believe that Mr. Packer's arrival will provide excellent opportunities for strategic and technological development in a market environment that has never been so favourable, and which we hope will support growth despite the recent reductions in personnel costs.

We are reiterating both our Buy rating and TP of €1.3.

Key data

Price (€)	0.7
Industry	Packaged Software
Ticker	EXAI-IT
Shares Out (m)	62.000
Market Cap (m €)	41.5
Average trading volumes (k shares / day)	21.959

Ownership (%)

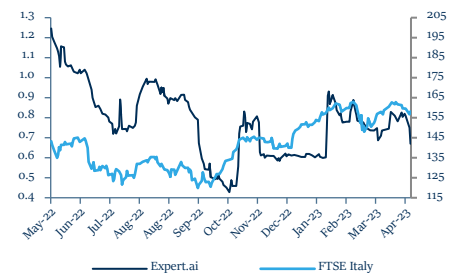
Ergo s.r.l.	7.2
Marco Varone	5.6
Stefano Spaggiari	5.5
Free float	77.7

EPS (€)

	12/23e	12/24e	12/25e
Estimates	-0.09	-0.00	0.03
Change vs previous estimates (%)	na	na	0.00

Performance (%)

	1D	1M	YTD
Price Perf	-10.7	-5.6	8.6
Rel FTSE Italy	-11.5	-5.8	-3.9



TP ICAP Midcap Estimates	12/22	12/23e	12/24e	12/25e	Valuation Ratio	12/23e	12/24e	12/25e	Consensus FactSet - Analysts:na	12/23e	12/24e	12/25e
Sales (m €)	31.6	34.8	38.4	42.2	EV/Sales	1.8	1.4	1.1	Sales	34.8	38.4	42.2
Current Op Inc (m €)	0.0	0.0	0.0	0.0	EV/EBITDA	11.2	5.5	3.9	EBIT	-3.5	0.9	3.4
Current op. Margin (%)	0.0	0.0	0.0	0.0	PE	na	na	19.3	Net income	-4.5	-0.1	1.8
EPS (€)	-0.47	-0.09	-0.00	0.03								
DPS (€)	0.00	0.00	0.00	0.00								
Yield (%)	0.0	0.0	0.0	0.0								
FCF (m €)	-16.8	-4.9	7.8	8.2								

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FINANCIAL DATA

Income Statement	12/20	12/21	12/22	12/23e	12/24e	12/25e
Sales	30.6	31.1	31.6	34.8	38.4	42.2
Changes (%)	-9.2	1.5	1.7	10.0	10.3	10.1
Gross profit	29.7	29.1	31.6	34.8	38.4	42.2
% of Sales	97.0	93.7	100.0	100.0	100.0	100.0
EBITDA	-4.6	-9.5	-14.4	5.5	10.0	12.2
% of Sales	-15.0	-30.5	-45.5	15.9	26.0	29.0
Current operating profit	0.0	0.0	0.0	0.0	0.0	0.0
% of Sales	0.0	0.0	0.0	0.0	0.0	0.0
Non-recurring items	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	-11.6	-17.2	-23.1	-3.5	0.9	3.4
Net financial result	3.1	-1.6	-1.1	-1.0	-1.0	-1.0
Income Tax	-0.8	0.1	-0.4	0.0	0.0	0.7
Tax rate (%)	0.0	0.0	0.0	0.0	0.0	0.0
Net profit, group share	-7.7	-15.7	-23.8	-4.5	-0.1	1.8
EPS	na	na	na	na	na	0.03
Financial Statement	12/20	12/21	12/22	12/23e	12/24e	12/25e
Goodwill	0.0	0.0	0.0	0.0	0.0	0.0
Tangible and intangible assets	18.5	19.2	21.1	13.4	6.7	1.3
Right of Use	0.0	2.5	1.7	1.7	1.7	1.7
Financial assets	0.1	7.9	13.1	13.1	13.1	13.1
Working capital	9.6	11.5	6.4	15.6	15.5	15.1
Other Assets	7.1	0.0	0.0	0.0	0.0	0.0
Assets	35.2	41.1	42.4	43.9	37.0	31.3
Shareholders equity group	46.9	32.0	17.4	12.9	12.8	14.5
Minorities	0.0	0.0	0.0	0.0	0.0	0.0
LT & ST provisions and others	0.0	0.1	0.0	2.4	2.4	2.4
Net debt	-19.1	-0.7	16.8	20.3	13.6	6.1
Other liabilities	7.4	9.7	8.2	8.2	8.2	8.2
Liabilities	35.2	41.1	42.4	43.9	37.0	31.3
Net debt excl. IFRS 16	-19.1	-0.7	16.8	20.3	13.6	6.1
Gearing net	-0.4	-0.0	1.0	1.6	1.1	0.4
Leverage	4.2	0.1	-1.2	3.7	1.4	0.5
Cash flow statement	12/20	12/21	12/22	12/23e	12/24e	12/25e
CF after elimination of net borrowing costs and taxes	-0.6	-8.0	-15.1	4.5	9.0	10.6
Δ WCR	-0.0	-1.8	5.0	-9.2	0.1	0.4
Operating cash flow	-0.7	-9.8	-10.0	-4.7	9.1	10.9
Net capex	-8.1	-6.7	-7.5	-1.3	-2.4	-3.5
FCF	-11.6	-18.0	-16.8	-4.9	7.8	8.2
Acquisitions/Disposals of subsidiaries	0.0	0.0	0.0	0.0	0.0	0.0
Other investments	0.0	0.0	0.0	0.0	0.0	0.0
Change in borrowings	13.3	-4.0	-2.0	0.0	0.0	0.0
Dividends paid	0.0	0.0	0.0	0.0	0.0	0.0
Repayment of leasing debt	0.0	0.0	0.0	0.0	0.0	0.0
Equity Transaction	27.9	0.0	0.0	0.0	0.0	0.0
Others	4.8	0.3	1.6	0.0	0.0	0.0
Change in net cash over the year	37.1	-20.2	-17.9	-5.9	6.7	7.5
ROA (%)	na	na	na	na	na	5.6%
ROE (%)	na	na	na	na	na	12.1%
ROCE (%)	na	na	na	na	na	12.1%

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Methodology

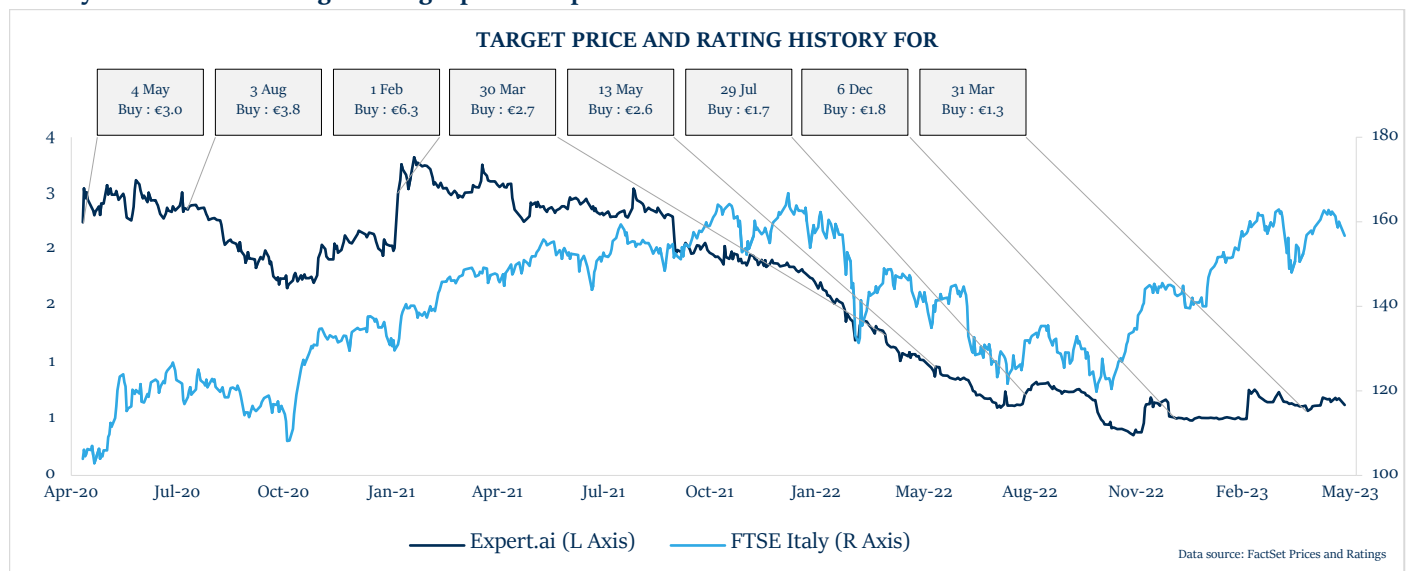
This Report may mention evaluation methods defined as follows:

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.

Conflict of Interests between TP ICAP Midcap and the Issuer

G. Midcap and the Issuer have agreed to the provision by the former to the latter of a service for the production and distribution of the investment recommendation on the said Issuer: Expert.ai

History of investment rating and target price – Expert.ai



Distribution of Investment Ratings

Rating	Recommendation Universe*	Portion of these provided with investment banking services**
Buy	82%	65%
Hold	16%	42%
Sell	1%	0%
Under review	1%	0%

Midcap employs a rating system based on the following:

Buy: Expected to outperform the markets by 10% or more over a 6 to 12 months horizon.

Hold: expected performance between -10% and +10% compared to the market over a 6 to 12 months horizon.

Sell: Stock is expected underperform the markets by 10% or more over a 6 to 12 months horizon.

The history of ratings and target prices for the Issuers covered in this report are available on request at <https://researchtpicap.midcapp.com/en/disclaimer>.

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