

NEWS

14 April 2021

EXPERT.AI

Nuance Communication acquired by Microsoft at 14x revenue (+)
(Microsoft)

The acquisition of Nuance Communication by Microsoft for a total amount of \$19.7 billion (including debt) confirms the enthusiasm for Artificial Intelligence. The American giant will acquire the speech recognition company for about 14x its 2020E revenue, a 23% premium to its last closing price. Microsoft's interest in accelerating its growth in AI confirms our positive view on the sector.

The current valuation (EV/Sales 2021 4x) of Expert.ai 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 the company as a real growth stock.

Buy rating confirmed and 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 (€)	3,1
Market Cap (€M)	154,9
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
Sales (€M)	28,1	33,5	46,5	67,5
<i>Growth</i>	-11,2%	19,1%	38,8%	45,4%
EBITDA	-1,9	-4,4	-0,6	7,6
<i>EBITDA Margin</i>	-6,8%	-13,3%	-1,2%	11,2%
Net income	-5,4	-13,6	-11,0	-4,4
EPS €	-0,11	-0,27	-0,22	-0,09
<i>Growth</i>	334,9%	150,4%	-19,4%	-60,2%
Dividend	0,00	0,00	0,00	0,00
<i>Yield (%)</i>	0,0%	0,0%	0,0%	0,0%
FCFF	-11,6	-10,9	-12,2	-6,3
ROCE				
EV/Sales (x)		4,1	2,9	2,0
EV/EBITDA (x)				18,0
PE (x)				
Net Debt	-20,9	-9,5	3,3	10,2
<i>Gearing net</i>	-13%	-6%	2%	7%

Midcap Partners estimates

Upcoming event : 29/04/2021 - AG

Consensus - Number of analysts : 2

	2021	2022	2023
Sales	33,1	46,0	66,0
EBIT	-10,3	-5,0	2,9
Net income	-14,3	-10,6	-4,0

Source: FACTSET

TOP Peers	Market Cap (€M)	EV/Sales 2021	EV/Sales 2022	EV/EBITDA 2021	EV/EBITDA 2022
Snowflake, Inc. Class A	56 607	58,1	35,5		
Veritone, Inc.	665	7,2	5,8		
BlackLine, Inc.	5 543	15,4	12,7	145,4	96,4

Source: FACTSET

DISCLAIMER

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.

Conflict of Interests

Company	Closing price (€)	Rating	Warning
DELTA PLUS	79,8	Buy	D,G
EXPERT.AI	3,05	Buy	G
LUMIBIRD	17,6	Buy	D,E,F,G
PHARMANUTRA	37,6	Buy	G
SEB	144,8	Buy	Nil
WIIT	155,2	Buy	G

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Rating distribution

As of 01/04/2021, the ratings issued by the Midcap research team were as follows:

Rating	Midcap Partners coverage universe	of which Investment banking services*
Buy	75%	80%
Hold	19%	18%
Sell	3%	0%
Under review	1%	0%
Tender	2%	2%

* "Corporate" Issuers: Issuers to whom Midcap has provided Investment Services over the last 12 months

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