

EXPERT.AI
A Perfect Peer Goes Public! (+)

(Almawave)

On Wednesday 11 March, Almawave, a spin-off of Almaviva, was listed on the AIM Italia segment at €4.25/share (equity value pre-money c. €85m).

The company operates in the Artificial Intelligence sector and more specifically in the field of Natural Language Understanding (NLU), which positions it on the same market as Expert.ai, although their offers differ and do not address the same customers.

The deal was oversubscribed by 1.5x and Almawave is now valued at about €120m for an EV of c. €135m according to our estimates. Almawave's IPO perfectly illustrates investors' still strong appetite for companies in the AI sector, as we explained in our recent Expert.ai Analyst Focus.

It is a perfect match for Expert.AI, due to both its size and region (Italy).

This transaction confirms our view that EXSY is currently trading at very attractive levels with an EV/Sales 2021E of 4.0x. According to our estimates, Almawave is currently valued at about 5.5x revenue and 24.5x EBITDA.

We are reiterating our Buy rating and TP of €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)	155,1
Market Segment	AIM Italia
Bloomberg	EXSY IM

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

€M (31/12)	2019	2020	2021	2022
Sales (€M)	31,7	31,0	33,5	46,5
<i>Growth</i>	10,3%	-2,1%	8,0%	38,8%
EBIT	-2,9	-7,1	-14,5	-11,4
<i>Marge EBIT</i>	-9,1%	-23,0%	-43,4%	-24,5%
Net income	-1,0	-2,3	-15,2	-12,2
EPS €	-0,02	-0,05	-0,30	-0,24
<i>Growth</i>	-76,8%	87,3%	550,7%	-19,6%
Dividend	0,00	0,00	0,00	0,00
<i>Yield (%)</i>	0,0%	0,0%	0,0%	0,0%
FCF	-4,7	-0,9	-12,0	-13,3
ROCE				
EV/Sales (x)		4,3	4,0	2,9
EV/EBIT (x)				
PE (x)				
Net Debt	2,8	-24,5	-12,5	0,7
<i>Gearing net</i>	13%	n.m.	n.m.	4%

Midcap Partners estimates

Upcoming event : 29/03/2021 - 2020 Results
Consensus - Number of analysts : 4

	2021	2022	2023
Sales	33,5	46,5	67,5
EBIT	-14,5	-11,4	-3,7
Net income	-15,2	-12,2	-4,7

Source: FACTSET

TOP Peers	Market Cap (€M)	EV/Sales 2020	EV/Sales 2021	EV/EBITDA 2020	EV/EBITDA 2021
Snowflake, Inc. Class A	42 432	54,4	33,3		
Veritone, Inc.	875	9,9	8,0		
BlackLine, Inc.	5 465	15,3	12,6	144,0	95,4

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
EXPERT.AI	3,06	Buy	G
ITALIAN WINE BRANDS	24,4	Buy	G
LUMIBIRD	15,76	Buy	D,E,F,G
SOLUTIONS 30	10,7	Buy	G
STEF	82,4	Buy	Nil

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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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