

PUBLICATIONS

29 September 2020

EXPERT SYSTEM

H1 2020 Results (=)

(Company press release)

Expert System released its H1 2020 results on Monday after trading, landing slightly below our expectations.

Production value was €13.7m compared to €15.4m in H1 2019. Revenue declined by 19.2% yoy to €9.6m due to the Covid-19 pandemic, which forced the group to postpone certain projects.

EBITDA was -€4.6m (vs. €0.4m in H1 2019), a significant decline due to higher personnel costs and lower revenue. EBIT was -€7.8m compared with €4.2m in the same period last year. The sale of its stake in CY4GATE resulted in a gain of €4.6m, mitigating the H1 loss of -€3.1m (vs. €4m in H1 2019).

H2 has historically played a larger role in the group's yearly results. With the postponement of projects due to the health context, H2 should compensate for the slowdown in the first six months of the year.

Despite the difficulties encountered, ES successfully raised the funds required to implement its 2020-2024E plan during its capital increases. In addition, the company has repeatedly demonstrated the power and relevance of its technology by winning several prestigious awards (i.e., the AI Breakthrough Awards).

ES has also launched expert.ai, its first SaaS offering, which will soon be rebranded. Complementary products will be launched during 2020, until full delivery of the SaaS offering in March 2021. As a reminder, in its BP, Expert System plans to reach revenue of approximately €100m in 2024 by focusing on the U.S. and a SaaS service offer (recurring).

Expert System will hold a conference call today at 4:00 pm to comment on its half-year results.

We are reiterating our Buy rating and TP of €3.8.

Buy, TP of €3.8 - Alessandro Cuglietta : +33 1 78 95 71 64

Market Data

Industry	IA
Share Price (€)	2,3
Market Cap (€M)	116,1
Market Segment	EXSY IM
Bloomberg	AIM Italia

Ownership structure

Founders & mgmt	17,8%
Free Float	73,5%
ERGO	8,7%

€M (31/12)	2019	2020	2021	2022
Sales (€M)	31,7	31,0	33,5	46,5
Growth	10,3%	-2,0%	8,0%	38,8%
EBITDA	5,5	1,2	-5,2	-0,8
Marge	17,2%	3,8%	-15,6%	-1,7%
Net income	-1,0	-1,6	-12,7	-9,9
EPS (€)	-0,03	-0,04	-0,25	-0,20
EPS growth	n.m.	n.m.	n.m.	n.m.
Dividend	0,00	0,00	0,00	0,00
Yield (%)	0,0%	0,0%	0,0%	0,0%
FCF	0,0	-5,4	-13,9	-9,7
RoCE	-12,7%	-25,4%	-48,9%	-36,4%
EV/Sales (x)			3,1	2,5
EV/EBIT (x)			-20,1	-144,4
PE (x)			-9,2	-11,8
Net Debt	2,8	-25,1	-11,4	-1,8
Gearing	14%	-52%	-31%	-7%

Midcap Partners estimates

Upcoming event : TBD

Consensus - Number of analysts : 2

	2020	2021	2022
Sales	31,9	33,8	47,1
EBIT	-2,1	-8,5	-4,6
Net income	-1,3	-12,1	-9,1

Source: FACTSET

Top Peers (Ccy)	Market Cap (€M)	EV/Sales 2020	EV/Sales 2021	EV/EBITDA 2020	EV/EBITDA 2021
Atlassian Corp. Plc Class A	44 953	22,5	18,4	93,9	73,3
RingCentral, Inc. Class A	23 978	20,9	16,9	149,9	123,8
salesforce.com, inc.	220 893	10,5	9,0	35,3	30,0

Source: FACTSET

Disclaimer

This document may refer to valuation methods defined as follows:

1 - DCF method: discounting future cash flows generated by the business's operations. Cash flows are determined using the analyst's financial forecasts and models. The discount rate used is the weighted average cost of capital, defined as the weighted average cost of the company's borrowings and the theoretical cost of its equity as estimated by the analyst.

2 - Comparables method: application of stock-market valuation multiples, or multiples observed for recent transactions. These multiples may be used as benchmarks and applied to the company's financial aggregates to determine its valuation. The analyst builds the sample according to the company's characteristics (size, growth, profitability, etc). The analyst may also apply a premium/discount based on his perception of the company's characteristics.

3 - Asset-based method: estimation of the value of the equity on the basis of the revalued and corrected assets comprising the fair value of the liability.

4 - Discounted dividend method: discounted future value of estimated dividend flows. The discounting rate taken is general the cost of capital.

5 - The sum of the parts: this method consists in estimating a company's various activities by using the most appropriate evaluation method for each of them, then by adding them together.

Rating structure:

Buy: expected over-performance 10% greater than the market within 6 – 12 months

Hold: expected performance of between -10% and +10% compared to the market within 6 – 12 months

Sell: expected under-performance 10% greater than the market within 6 – 12 months

Company	Closing price (€)	Rating	Warning
BONDUELLE	19,8	Hold	Nil
DONTNOD	12,9	Buy	G
EXPERT SYSTEM	2,305	Buy	G
FNAC DARTY	38,46	Buy	Nil
SAFE ORTHOPAEDICS	0,36	Hold	D,G
STEF	71,1	Hold	Nil

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B The issuer holds more than 5% of the total shares issued by LOUIS CAPITAL MARKETS - MCP or any corporate entity related to it;

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G LOUIS CAPITAL MARKETS – MCP and the issuer agreed that the former should provide the latter with a service to produce and circulate the investment recommendation on the said issuer;

Stock rating distribution

At September 2020 the stock rating distribution issued by the LOUIS CAPITAL MARKETS - MCP Midcap research team is as follows:

Rating	Midcap Partners coverage universe	of which Investment banking services*
Buy	66%	75%
Hold	26%	21%
Sell	5%	2%
Under review	3%	2%

* Investment banking services provided by Midcap Partners in the previous 12 months

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