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MIDCAP

# EQUITY RESEARCH

## EXPERT.AI

NEWS

**HOLD**

**TP 1.40€**

**Up/Downside: 0%**

## €20mn Capital Increase and New Acquisition

**Capital increase of up to €19.99mn, divided into three tranches, with €5mn already guaranteed by GUM Group, the reference shareholder. The transaction is also aimed at financing the acquisition of 100% of ISED S.p.A. for an equity value of €4.8mn. The initial subscription price is set at €1.27/share, with a 10% discount compared to the market price. The transaction aims to strengthen expert.ai's positioning in the Public Administration and digital healthcare sectors.**

The Board of Directors fully exercised its delegation by approving a paid-in, divisible capital increase, with exclusion of pre-emptive rights, for a maximum amount of €19,999,999.37 (of which €157,480 to capital and €19,842,519 to share premium). Up to 15,748,031 new ordinary shares will be issued at a minimum price of €1.27/share, corresponding to the six-month average, with a potential 10.5% discount if subscription occurs after July 31.

The increase is structured in three tranches: (1) GUM Group: up to €4.999mn (3,937,007 shares), with an additional discretionary availability of €3mn. (2) ISED Investors: reinvestment of €2.139mn (1,683,936 shares), subject to a 36-month lock-up. (3) Other selected investors: up to €12.86mn (10,127,088 shares), identified among institutional and strategic investors. The transaction pursues three objectives: (i) fulfilling the commitments towards former ISED shareholders; (ii) strengthening the capital structure for future acquisitions; (iii) attracting medium/long-term investors to support the industrial plan.

At the same time as the capital increase announcement, expert.ai finalized the acquisition of 100% of ISED S.p.A., a Rome-based software house specialized in mission-critical solutions for Public Administration and digital healthcare. Key figures of ISED (FY24): Revenues: €8.8mn, EBITDA: €1.0mn (EBITDA margin 11%), ND: net cash position of €1.8mn. ISED's long-standing presence in local Public Administration and digital healthcare, combined with expert.ai's AI technology, offers strong complementarity both in terms of product offering and market access.

We update our estimates (which already partially included pre-announced acquisitions) to incorporate both the capital increase and the acquisition.

**TP at 1,40€ ps and HOLD confirmed.**

| Key data | |
|---|---|
| Price (€) | 1.4 |
| Industry | Packaged Software |
| Ticker | EXAI-IT |
| Shares Out (m) | 90.880 |
| Market Cap (m €) | 127.4 |
| Average trading volumes (k shares / day) | 58.324 |

Source: FactSet

| Ownership (%) | |
|---|---|
| Ergo s.r.l. | 8.1 |
| GUM SpA | 7.4 |
| Marco Varone | 5.2 |
| Free float | 74.3 |

Source: TPICAP Midcap estimates

| EPS (€) | 12/25e | 12/26e | 12/27e |
|---|---|---|---|
| Estimates | 0.03 | 0.04 | 0.07 |
| Change vs previous estimates (%) | 29.46 | -9.91 | 11.55 |

Source: TPICAP Midcap estimates

| Performance (%) | 1D | 1M | YTD |
|---|---|---|---|
| Price Perf | -1.1 | -2.6 | 5.4 |
| Rel FTSE Italy | -0.6 | -0.9 | -9.0 |




Source: FactSet

| TP ICAP Midcap Estimates | 12/24 | 12/25e | 12/26e | 12/27e |
|---|---|---|---|---|
| Sales (m €) | 27.3 | 40.0 | 47.8 | 49.9 |
| Current Op Inc (m €) | -3.9 | 2.2 | 3.6 | 7.2 |
| Current op. Margin (%) | na | 5.4 | 7.4 | 14.4 |
| EPS (€) | -0.11 | 0.03 | 0.04 | 0.07 |
| DPS (€) | 0.00 | 0.00 | 0.00 | 1.00 |
| Yield (%) | 0.0 | 0.0 | 0.0 | 71.3 |
| FCF (m €) | -8.9 | -1.4 | 0.5 | 6.6 |

| Valuation Ratio | 12/25e | 12/26e | 12/27e |
|---|---|---|---|
| EV/Sales | 2.8 | 2.3 | 2.1 |
| EV/EBITDA | 11.5 | 10.1 | 7.2 |
| EV/EBIT | na | 30.9 | 14.5 |
| PE | 48.1 | 34.8 | 20.7 |

Source: TPICAP Midcap

| Consensus FactSet - Analysts:na | 12/25e | 12/26e | 12/27e |
|---|---|---|---|
| Sales | 40.0 | 47.8 | 0.0 |
| EBIT | 2.2 | 3.6 | 0.0 |
| Net income | 1.9 | 3.1 | 0.0 |

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# FINANCIAL DATA

| Income Statement | 12/22 | 12/23 | 12/24 | 12/25e | 12/26e | 12/27e |
|---|---|---|---|---|---|---|
| Sales | 31.7 | 32.6 | 27.3 | 40.0 | 47.8 | 49.9 |
| Changes (%) | 1.9 | 3.0 | -16.2 | 46.3 | 19.5 | 4.4 |
| Gross profit | 29.3 | 30.6 | 25.7 | 37.7 | 45.1 | 47.2 |
| % of Sales | 92.5 | 93.7 | 94.0 | 94.2 | 94.3 | 94.5 |
| **EBITDA** | **-14.4** | **-0.2** | **3.4** | **9.6** | **10.9** | **14.5** |
| % of Sales | -45.4 | -0.7 | 12.4 | 23.9 | 22.8 | 29.0 |
| **Current operating profit** | **-23.1** | **-8.8** | **-3.9** | **2.2** | **3.6** | **7.2** |
| % of Sales | -72.9 | -27.0 | -14.2 | 5.4 | 7.4 | 14.4 |
| Non-recurring items | 0.0 | 0.0 | -1.1 | 0.0 | 0.0 | 0.0 |
| EBIT | -23.1 | -8.8 | -5.0 | 2.2 | 3.6 | 7.2 |
| Net financial result | -1.5 | -1.5 | -0.6 | -0.1 | -0.2 | -0.2 |
| Income Tax | 0.5 | -0.0 | -1.0 | -0.1 | -0.2 | -0.4 |
| Tax rate (%) | 2.0 | -0.1 | -11.6 | 5.5 | 6.0 | 5.4 |
| **Net profit, group share** | **-23.8** | **-9.9** | **-10.1** | **1.9** | **3.1** | **6.6** |
| EPS | na | na | na | 0.03 | 0.04 | 0.07 |

| Financial Statement | 12/22 | 12/23 | 12/24 | 12/25e | 12/26e | 12/27e |
|---|---|---|---|---|---|---|
| Goodwill | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Tangible and intangible assets | 21.1 | 20.0 | 17.8 | 18.9 | 18.6 | 18.1 |
| Right of Use | 1.7 | 1.2 | 1.2 | 1.2 | 1.2 | 1.2 |
| Financial assets | 0.5 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 |
| Working capital | 5.7 | 11.2 | 11.5 | 13.7 | 16.1 | 18.5 |
| Other Assets | 12.6 | 10.5 | 11.3 | 12.4 | 14.0 | 15.7 |
| Assets | 41.7 | 43.0 | 41.8 | 46.2 | 50.0 | 53.5 |
| Shareholders equity group | 17.5 | 12.2 | 30.7 | 53.7 | 58.0 | 65.1 |
| Minorities | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 1.0 |
| LT & ST provisions and others | 3.8 | 4.3 | 4.3 | 4.3 | 4.3 | 4.3 |
| Net debt | 15.9 | 21.4 | 1.7 | -16.9 | -17.4 | -22.9 |
| Other liabilities | 4.5 | 5.1 | 5.1 | 5.1 | 5.1 | 5.1 |
| Liabilities | 41.7 | 43.0 | 41.8 | 46.2 | 50.0 | 53.5 |
| Net debt excl. IFRS 16 | 15.9 | 21.4 | 1.7 | -16.9 | -17.4 | -22.9 |
| Gearing net | 0.9 | 1.7 | 0.1 | -0.3 | -0.3 | -0.3 |
| Leverage | -1.1 | -90.7 | 0.5 | -1.8 | -1.6 | -1.6 |

| Cash flow statement | 12/22 | 12/23 | 12/24 | 12/25e | 12/26e | 12/27e |
|---|---|---|---|---|---|---|
| CF after elimination of net borrowing costs and taxes | -17.7 | 0.2 | -2.8 | 10.5 | 11.6 | 15.4 |
| ΔWCR | 6.7 | -5.9 | -0.3 | -2.2 | -2.5 | -0.3 |
| Operating cash flow | -11.0 | -5.7 | -3.0 | 8.3 | 9.1 | 15.0 |
| Net capex | -15.7 | -5.3 | -5.8 | -9.7 | -8.7 | -8.5 |
| FCF | -26.2 | -10.2 | -8.9 | -1.4 | 0.5 | 6.6 |
| 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 | -2.0 | -4.7 | 0.0 | 0.0 | 0.0 | 0.0 |
| Dividends paid | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 1.0 |
| Repayment of leasing debt | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Equity Transaction | 9.7 | 4.7 | 28.5 | 20.0 | 0.0 | 0.0 |
| Others | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 1.0 |
| Change in net cash over the year | -18.5 | -10.2 | 19.6 | 18.6 | 0.5 | 7.6 |
| | | | | | | |
| ROA (%) | na | na | na | 4.1% | 6.3% | 12.3% |
| ROE (%) | na | na | na | 3.6% | 5.4% | 10.1% |
| ROCE (%) | na | na | na | 4.0% | 6.1% | 11.1% |

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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.

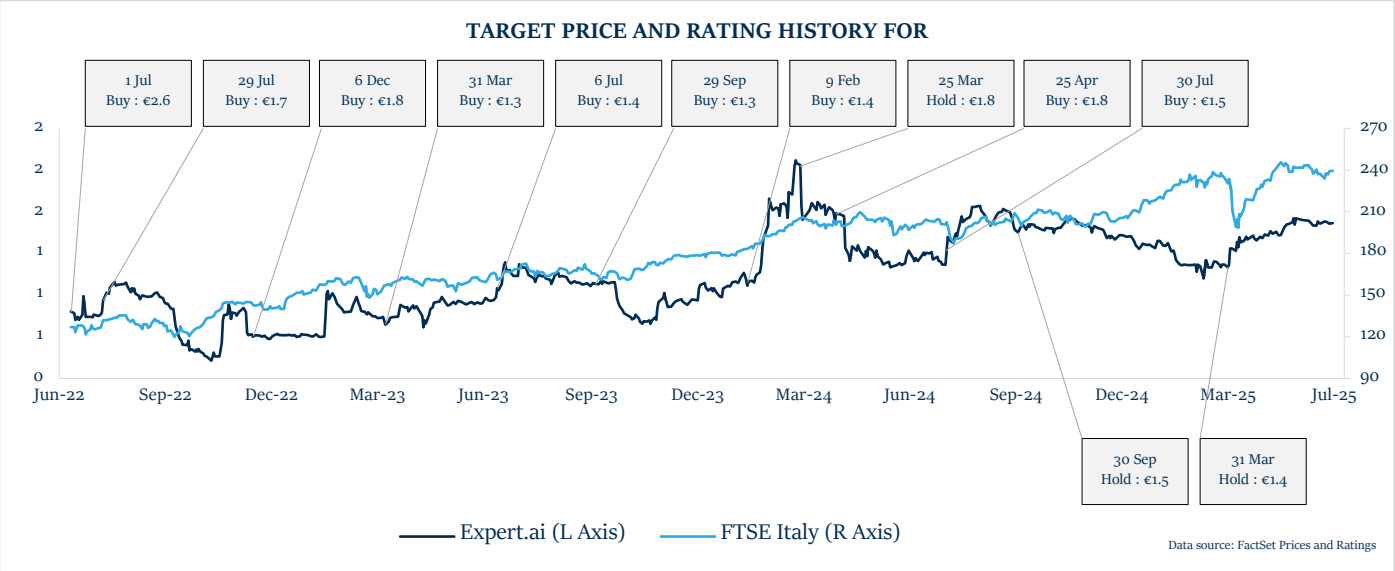
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G. Midcap and the Issuer have agreed to the provision by the former to the latter of a service for the production and distribution of the investment recommendation on the said Issuer: Expert.ai

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## History of investment rating and target price – Expert.ai




## Historical recommendations and target price (-1Y)

| Date | Analyst | Old Target Price | New Target Price | Closing Price | Old Recommendation | New Recommendation |
|---|---|---|---|---|---|---|
| 21 May 25 - 08:11:25 | Michele Mombelli | € 1.40 | € 1.40 | € 1.40 | Conserver | Hold |
| 18 May 25 - 22:12:47 | Michele Mombelli | € 1.40 | € 1.40 | € 1.33 | Conserver | Hold |
| 08 Apr 25 - 08:10:06 | Michele Mombelli | € 1.40 | € 1.40 | € 1.22 | Conserver | Hold |
| 30 Mar 25 - 13:43:11 | Michele Mombelli | € 1.50 | € 1.40 | € 1.12 | Conserver | Hold |
| 13 Mar 25 - 08:22:43 | Michele Mombelli | € 1.50 | € 1.50 | € 1.15 | Conserver | Hold |
| 02 Oct 24 - 08:15:38 | Davide Longo | € 1.50 | € 1.50 | € 1.36 | Conserver | Hold |
| 30 Sep 24 - 08:26:47 | Davide Longo | NA | € 1.50 | € 1.37 | NA | Hold |
| 30 Jul 24 - 08:36:10 | Davide Longo | € 1.80 | € 1.50 | € 1.12 | Achat | Buy |
| 05 Jul 24 - 08:08:42 | Davide Longo | € 1.80 | € 1.80 | € 1.17 | Achat | Buy |

## Distribution of Investment Ratings

| Rating | Recommendation Universe* | Portion of these provided with investment banking services** |
|---|---|---|
| Buy | 79% | 66% |
| Hold | 15% | 58% |
| Sell | 3% | 20% |
| Under review | 3% | 75% |

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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