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**Sourcesense** *Italy* **FTSE AIM Italia** **IT**

**Rating: BUY** (unch.) **Target Price: € 5,00** (prev €5,00) **Update** **Risk: Medium**

Stock performance	1M	3M	6M	1Y
absolute	-1,44%	N/A	N/A	N/A
to FTSE AIM Italia	-0,97%	N/A	N/A	N/A
to FTSE STAR Italia	-3,86%	N/A	N/A	N/A
to FTSE All-Share	1,22%	N/A	N/A	N/A
to EUROSTOXX	0,36%	N/A	N/A	N/A
to MSCI World Index	2,18%	N/A	N/A	N/A

**Stock Data**

Price	€ 2,73
Target price	€ 5,00
Upside/(Downside) potential	83,2%
Bloomberg Code	SOU IM Equity
Market Cap (€m)	€ 22,59
EV (€m)	€ 23,95
Free Float	32,53%
Share Outstanding	8.275.500
52-week high	€ 3,88
52-week low	€ 1,95
Average daily volumes (1m)	20.000

Key Financials (€m)	FY19A	FY20E	FY21E	FY22E
Revenues	14,5	16,1	19,0	21,5
VoP	15,5	17,0	19,5	22,0
EBITDA	1,7	2,0	2,4	2,9
EBIT	1,0	1,2	1,8	2,2
Net Profit	0,5	0,7	1,1	1,5
EBITDA margin	10,8%	11,8%	12,1%	13,2%
EBIT margin	6,2%	6,8%	9,0%	10,0%
Net Profit margin	3,5%	3,9%	5,8%	6,7%

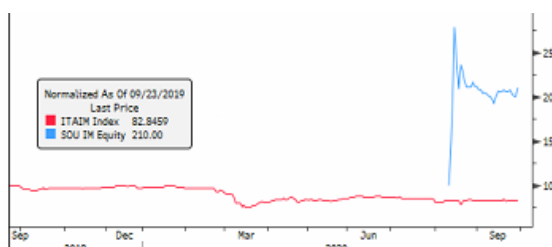
Main Ratios	FY19A	FY20E	FY21E	FY22E
EV/EBITDA (x)	14,3	12,0	10,2	8,3
EV/EBIT (x)	24,9	20,8	13,7	10,9
P/E (x)	41,4	33,9	19,9	15,4

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**Stocks performance relative to FTSE AIM Italia**



**1H20A Results**

Il primo semestre del 2020, come noto, è stato caratterizzato da condizioni macroeconomiche globali fortemente negative. Nonostante questo, i risultati semestrali della Società risultano positivi ed in forte crescita rispetto allo scorso anno. Il valore della produzione, pari a € 7,14 mln, mostra una crescita del 22% rispetto ai dati semestrali dello scorso anno (€ 5,85 mln al 30 giugno 2019), in crescita anche i ricavi che passano da € 5,7 mln a € 6,7 mln. L'EBITDA mostra una crescita del 107,8%, attestandosi a quota € 0,77 mln (€ 0,37 mln al 30 giugno 2019) con EBITDA Margin pari al 10,8%.

**Estimates Update**

Alla luce dei risultati pubblicati nella relazione semestrale, confermiamo le stime sia per l'anno in corso sia per i prossimi anni. In particolare, confermiamo valore della produzione 2020E pari a € 17,0 mln ed un EBITDA pari a € 2,0 mln, corrispondente ad una marginalità del 11,8%. Per gli anni successivi, ci aspettiamo che il valore della produzione possa aumentare fino a € 22,0 mln (CAGR 19A-22E: 12,44%) nel 2022E, con EBITDA pari a € 2,90 mln (corrispondente ad una marginalità del 13,2%), in crescita rispetto a € 1,68 mln del 2019A (corrispondente ad un EBITDA margin del 10,8%).

**Valuation Update**

Abbiamo condotto la valutazione dell'equity value di Sourcesense sulla base della metodologia DCF e dei multipli di un campione di società comparabili. Il DCF method (che nel calcolo del WACC include a fini prudenziali anche un rischio specifico pari al 2,5%) restituisce un equity value pari a €46,0 mln. L'equity value di Sourcesense utilizzando i market multiples risulta essere pari €36,8 mln (incluso un discount pari al 25%). Ne risulta un equity value medio pari a circa € 41,4 mln. Il target price è di € 5,00, rating BUY e rischio MEDIUM.

## 1. Economics & Financials

**Table 1 – Economics & Financials**

<b>CONSOLIDATED INCOME STATEMENT (€/mln)</b>	<b>FY18A</b>	<b>FY19A</b>	<b>FY20E</b>	<b>FY21E</b>	<b>FY22E</b>
Revenues	12,13	14,45	16,10	19,00	21,50
Other Revenues	0,74	1,02	0,90	0,50	0,50
<b>Value of Production</b>	<b>12,87</b>	<b>15,48</b>	<b>17,00</b>	<b>19,50</b>	<b>22,00</b>
COGS	3,87	4,85	5,20	6,10	6,85
Services	1,71	1,91	2,00	2,30	2,50
Use of assets owned by others	0,36	0,33	0,35	0,40	0,45
Employees	5,82	6,61	7,40	8,30	9,25
Other Operating Expenses	0,30	0,10	0,05	0,05	0,05
<b>EBITDA</b>	<b>0,83</b>	<b>1,68</b>	<b>2,00</b>	<b>2,35</b>	<b>2,90</b>
<i>EBITDA Margin</i>	<i>6,4%</i>	<i>10,8%</i>	<i>11,8%</i>	<i>12,1%</i>	<i>13,2%</i>
D&A	0,16	0,71	0,85	0,60	0,70
<b>EBIT</b>	<b>0,67</b>	<b>0,96</b>	<b>1,15</b>	<b>1,75</b>	<b>2,20</b>
<i>EBIT Margin</i>	<i>5,2%</i>	<i>6,2%</i>	<i>6,8%</i>	<i>9,0%</i>	<i>10,0%</i>
Financial Management	(0,23)	(0,12)	(0,13)	(0,12)	(0,09)
<b>EBT</b>	<b>0,44</b>	<b>0,85</b>	<b>1,02</b>	<b>1,63</b>	<b>2,11</b>
Taxes	-0,07	0,30	0,35	0,50	0,65
<b>Net Income</b>	<b>0,51</b>	<b>0,55</b>	<b>0,67</b>	<b>1,13</b>	<b>1,46</b>

<b>CONSOLIDATED BALANCE SHEET (€/mln)</b>	<b>FY18A</b>	<b>FY19A</b>	<b>FY20E</b>	<b>FY21E</b>	<b>FY22E</b>
<b>Fixed Assets</b>	<b>0,92</b>	<b>1,00</b>	<b>1,20</b>	<b>1,05</b>	<b>0,80</b>
Account receivable	5,78	7,15	7,25	8,40	9,50
Account payable	1,93	2,56	2,00	2,20	2,40
<b>Operating Working Capital</b>	<b>3,85</b>	<b>4,58</b>	<b>5,25</b>	<b>6,20</b>	<b>7,10</b>
Other receivable	1,38	1,09	1,10	0,30	0,30
Other payable	1,40	2,34	2,20	2,05	2,10
<b>Net Working Capital</b>	<b>3,84</b>	<b>3,34</b>	<b>4,15</b>	<b>4,45</b>	<b>5,30</b>
Severance Indemnities & Other Provisions	1,25	1,32	1,65	1,95	2,35
<b>NET INVESTED CAPITAL</b>	<b>3,50</b>	<b>3,01</b>	<b>3,70</b>	<b>3,55</b>	<b>3,75</b>
Share Capital	0,56	0,56	0,83	0,83	0,83
Reserves	0,05	0,56	3,85	4,51	5,65
Net Income	0,51	0,55	0,67	1,13	1,46
<b>Equity</b>	<b>1,11</b>	<b>1,66</b>	<b>5,34</b>	<b>6,48</b>	<b>7,94</b>
Cash & Cash Equivalent	0,59	0,48	3,89	4,83	5,04
Short Term Debt to Bank	2,26	1,45	1,85	1,60	0,60
M/L Term Debt to Bank	0,71	0,38	0,40	0,30	0,25
<b>Net Financial Position</b>	<b>2,39</b>	<b>1,35</b>	<b>(1,64)</b>	<b>(2,93)</b>	<b>(4,19)</b>
<b>SOURCES</b>	<b>3,50</b>	<b>3,01</b>	<b>3,70</b>	<b>3,55</b>	<b>3,75</b>

<b>CONSOLIDATED CASH FLOW (€/mln)</b>	<b>FY18A</b>	<b>FY19A</b>	<b>FY20E</b>	<b>FY21E</b>	<b>FY22E</b>
EBIT		0,96	1,15	1,75	2,20
Taxes		0,30	0,35	0,50	0,65
<b>NOPAT</b>		<b>0,66</b>	<b>0,80</b>	<b>1,25</b>	<b>1,55</b>
D&A		0,71	0,85	0,60	0,70
Change in receivable		(1,37)	(0,10)	(1,15)	(1,10)
Change in payable		0,64	-0,56	0,20	0,20
Change in others		1,23	-0,15	0,65	0,05
<i>Change in NWC</i>		<i>0,50</i>	<i>-0,81</i>	<i>-0,30</i>	<i>-0,85</i>
Change in provisions		0,07	0,33	0,30	0,40
<b>OPERATING CASH FLOW</b>		<b>1,95</b>	<b>1,17</b>	<b>1,85</b>	<b>1,80</b>
Capex		(0,8)	(1,1)	(0,5)	(0,5)
<b>FREE CASH FLOW</b>		<b>1,15</b>	<b>0,11</b>	<b>1,40</b>	<b>1,35</b>
Financial Management		(0,12)	(0,13)	(0,12)	(0,09)
Change in Debt to Bank		(1,14)	0,41	(0,35)	(1,05)
Change in Equity		(0,00)	3,02	0,00	0,00
<b>FREE CASH FLOW TO EQUITY</b>		<b>(0,10)</b>	<b>3,41</b>	<b>0,94</b>	<b>0,21</b>

Source: Sourcesense and Integrae SIM

## 1.1 1H20A Results

**Table 2 – 1H20A vs 1H19A**

(€/mln)	VoP	EBITDA	EBITDA %	EBIT	Net Income	NFP
<b>1H20A</b>	<b>7,14</b>	<b>0,77</b>	<b>10,8%</b>	<b>0,47</b>	<b>0,28</b>	<b>0,78</b>
1H19A	5,85	0,37	6,4%	0,34	0,10	1,35*
YoY	22,2%	107,8%	4,5%	38,3%	197,9%	N/A

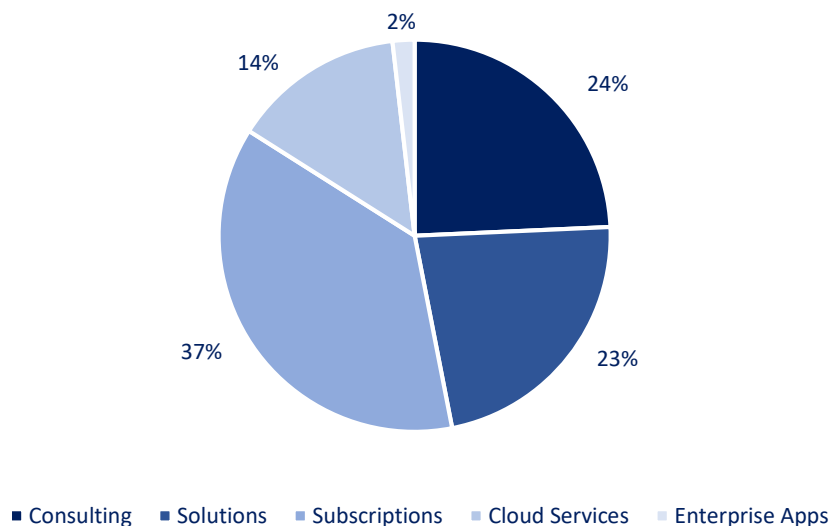
\*Dato full year 2019A

Source: Sourcesense

Il primo semestre del 2020, come noto, è stato caratterizzato da condizioni macroeconomiche globali fortemente negative. Nonostante questo, i risultati semestrali della Società risultano positivi ed in forte crescita rispetto allo scorso anno. Infatti, secondo quanto dichiarato tramite comunicato stampa *“Chiudiamo il primo semestre 2020 con risultati decisamente positivi, sia in termini di crescita che di marginalità. Questi rappresentano un concreto e positivo riscontro della strategia che abbiamo portato avanti da inizio anno consolidando le Service Line Consulting e Solution e incentivando la crescita delle altre linee di business con marginalità superiori.”*.

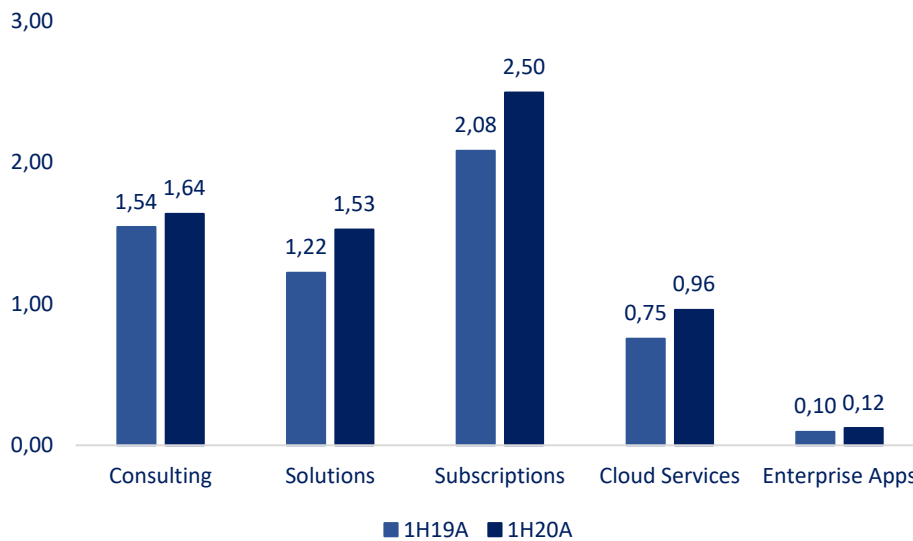
Il valore della produzione, pari a € 7,14 mln, mostra una crescita del 22% rispetto ai dati semestrali dello scorso anno (€ 5,85 mln al 30 giugno 2019), in crescita anche i ricavi che passano da € 5,7 mln a € 6,7 mln.

**Chart 1 – Revenues by Business Line 1H20A**



Source: Sourcesense

La principale fonte di ricavo della Società è rappresentata dalla linea Subscriptions, con una quota pari al 37% dei ricavi complessivi, le linee Consulting, Solutions e Cloud Services rappresentano rispettivamente: il 24%, il 23% e il 14%. Infine, la linea Enterprise Apps genera una quota pari al 2% dei ricavi complessivi.

**Chart 2 – Revenues by Business Line 1H19A vs 1H20A**


Source: Sourcesense

La crescita osservabile dei ricavi è stata trainata dalla crescita di tutte le linee di business, la linea Consulting ha registrato una crescita del 6%, inferiore ai tassi di crescita registrati sulle altre business line. Infatti, le altre business line hanno mostrato tassi di crescita intorno al 20%: Solutions 25%, Subscriptions 20%, Cloud Services 27% ed Enterprise Apps 28%.

L'EBITDA mostra una crescita del 107,8% rispetto allo scorso anno, attestandosi a quota € 0,77 mln (€ 0,37 mln al 30 giugno 2019) con EBITDA Margin pari al 10,8%, tale crescita è stata possibile grazie al progressivo spostamento verso business line in grado di generare marginalità più elevate.

L'EBIT è pari a € 0,47 mln (€ 0,34 mln al 30 giugno 2019), con un incremento degli ammortamenti legate alle importanti attività di ricerca e sviluppo svolte e, in particolare, agli ammortamenti del progetto "LogOn". L'Utile si attesta a € 0,28 mln rispetto a € 0,10 registrato al 30 giugno 2019.

La Posizione Finanziaria Netta, pari a € 0,78 mln, ha fatto registrare un miglioramento rispetto della fine del 2019A (€ 1,35 mln al 31 dicembre 2019), grazie ai flussi di cassa generati dalla gestione operativa.

## 1.2 Estimates FY20E-FY22E

**Table 3 – Estimates Updates FY20E-FY22E**

€/mln	FY2020E	FY2021E	FY2022E
<b>VoP</b>			
New	<b>17,0</b>	<b>19,5</b>	<b>22,0</b>
Old	17,0	19,5	22,0
Change	0,0%	0,0%	0,0%
<b>EBITDA</b>			
New	<b>2,0</b>	<b>2,4</b>	<b>2,9</b>
Old	2,0	2,4	2,9
Change	0,0%	0,0%	0,0%
<b>EBITDA %</b>			
New	<b>11,8%</b>	<b>12,1%</b>	<b>13,2%</b>
Old	11,8%	12,1%	13,2%
Change	0,0%	0,0%	0,0%
<b>EBIT</b>			
New	<b>1,2</b>	<b>1,8</b>	<b>2,2</b>
Old	1,2	1,8	2,2
Change	0,0%	0,0%	0,0%
<b>Net Income</b>			
New	<b>0,7</b>	<b>1,1</b>	<b>1,5</b>
Old	0,7	1,1	1,5
Change	0,0%	0,0%	0,0%
<b>NFP</b>			
New	<b>(1,6)</b>	<b>(2,9)</b>	<b>(4,2)</b>
Old	(1,6)	(2,9)	(4,1)
Change	N/A	N/A	N/A

Source: Integrae SIM

Alla luce dei risultati pubblicati nella relazione semestrale, confermiamo le stime sia per l'anno in corso sia per i prossimi anni. In particolare, confermiamo valore della produzione 2020E pari a € 17,0 mln ed un EBITDA pari a € 2,0 mln, corrispondente ad una marginalità del 11,8%.

Per gli anni successivi, ci aspettiamo che il valore della produzione possa aumentare fino a € 22,0 mln (CAGR 19A-22E: 12,44%) nel 2022E, con EBITDA pari a € 2,90 mln (corrispondente ad una marginalità del 13,2%), in crescita rispetto a € 1,68 mln del 2019A (corrispondente ad un EBITDA margin del 10,8%). Per i prossimi anni, ci aspettiamo anche un significativo miglioramento della NFP.

## 2. Valuation

Abbiamo condotto la valutazione dell'equity value di Sourcesense sulla base della metodologia DCF e dei multipli di un campione di società comparabili.

### 2.1 DCF Method

**Table 4 – WACC**

<b>WACC</b>		<b>4,87%</b>
Risk Free Rate	0,28% $\alpha$ (specific risk)	2,50%
Market Premium	8,46% Beta Adjusted	0,79
D/E (average)	150,00% Beta Relevered	1,65
Ke	9,48% Kd	2,50%

Source: Integrae SIM

A fini prudenziali, abbiamo considerato un rischio specifico pari a 2,5%. Ne risulta quindi un WACC di 4,87%.

**Table 5 – DCF Valuation**

<b>DCF Equity Value</b>		<b>46,0</b>
FCFO actualized	5,9	12%
TV actualized DCF	41,5	88%
<b>Enterprise Value</b>	<b>47,3</b>	100%
NFP (FY19A)	1,4	

Source: Integrae SIM

Con i dati di cui sopra e, prendendo come riferimento le nostre stime ed assumptions, ne risulta un **equity value di € 46,0 mln.**

**Table 6 – Equity Value – Sensitivity Analysis**

€/mln		WACC						
		3,4%	3,9%	4,4%	4,9%	5,4%	5,9%	6,4%
<b>Growth Rate (g)</b>	<b>2,5%</b>	197,4	125,3	91,7	72,2	59,5	50,6	43,9
	<b>2,0%</b>	127,2	93,1	73,3	60,4	51,4	44,6	39,4
	<b>1,5%</b>	94,5	74,5	61,4	52,1	45,3	40,0	35,8
	<b>1,0%</b>	75,6	62,3	52,9	46,0	40,6	36,4	32,9
	<b>0,5%</b>	63,3	53,8	46,7	41,3	36,9	33,4	30,4
	<b>0,0%</b>	54,6	47,4	41,9	37,5	33,9	30,9	28,4
	<b>-0,5%</b>	48,2	42,5	38,1	34,4	31,4	28,8	26,6

Source: Integrae SIM

## 2.2 Market Multiples

Il nostro panel è formato da Società appartenenti allo stesso settore di Sourcesense, ma molte hanno capitalizzazione maggiore. Queste società sono le stesse utilizzate per il calcolo del Beta per il DCF method.

**Table 7 – Market Multiples**

Company Name	EV/Sales (x)			EV/EBITDA (x)		
	FY20E	FY21E	FY22E	FY20E	FY21E	FY22E
Accenture Plc	3,2	3,0	2,8	17,2	16,8	15,7
Bouvet ASA	2,2	2,0	1,9	13,9	12,9	11,8
Cloudera Inc.	3,3	3,0	2,8	14,1	11,5	9,8
Reply S.p.A.	2,7	2,4	2,2	17,4	15,1	13,6
WIIT S.p.A.	9,9	9,0	8,0	27,8	24,9	21,5
<b>Peer median</b>	<b>3,2</b>	<b>3,0</b>	<b>2,8</b>	<b>17,2</b>	<b>15,1</b>	<b>13,6</b>

Source: Infionals

**Table 8 – Market Multiples Valuation**

€/mln	2020E	2021E	2022E
<b>Enterprise Value (EV)</b>			
EV/Sales	50,7	57,0	59,6
EV/EBITDA	34,3	35,6	39,5
<b>Equity Value</b>			
EV/Sales	52,4	59,9	63,7
EV/EBITDA	36,0	38,5	43,7
<b>Equity Value post 25% discount</b>			
EV/Sales	39,3	44,9	47,8
EV/EBITDA	27,0	28,9	32,7
<b>Average</b>	<b>33,1</b>	<b>36,9</b>	<b>40,3</b>

Source: Integrae SIM

L'equity value di Sourcesense, utilizzando i *market multiples* EV/Sales ed EV/EBITDA, risulta essere pari a €49,0 mln. A questo valore, abbiamo applicato uno sconto del 25% in modo da includere nel prezzo anche la minore liquidità di Sourcesense rispetto ai comparables, oltre che ad una capitalizzazione più bassa. Pertanto, ne risulta **un equity value di €36,8 mln.**

## 2.3 Equity Value

**Table 9 – Equity Value**

<b>Average Equity Value (€/mln)</b>	<b>41,4</b>
Equity Value DCF (€/mln)	46,0
Equity Value multiples (€/mln)	36,8
<b>Target Price (€)</b>	<b>5,00</b>

Source: Integrae SIM

**L'equity value medio è pari a € 41,4 mln. Il target price è quindi di €5,00 (prev. €5,00). Confermiamo rating BUY e rischio MEDIUM.**

**Table 10 – Target Price Implied Valuation Multiples**

<b>Multiples</b>	<b>FY20E</b>	<b>FY21E</b>	<b>FY22E</b>
EV/EBITDA	21,4x	18,2x	14,7x
EV/EBIT	37,1x	24,4x	19,4x

Source: Integrae SIM

**Table 11 – Current Price Implied Valuation Multiples**

<b>Multiples</b>	<b>FY20E</b>	<b>FY21E</b>	<b>FY22E</b>
EV/EBITDA	12,0x	10,2x	8,3x
EV/EBIT	20,8x	13,7x	10,9x

Source: Integrae SIM



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Equity Total Return (ETR) for different risk categories			
Rating	Low Risk	Medium Risk	High Risk
BUY	ETR >= 7.5%	ETR >= 10%	ETR >= 15%
HOLD	-5% < ETR < 7.5%	-5% < ETR < 10%	0% < ETR < 15%
SELL	ETR <= -5%	ETR <= -5%	ETR <= 0%
U.R.	Rating and/or target price Under Review		
N.R.	Stock Not Rated		

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