

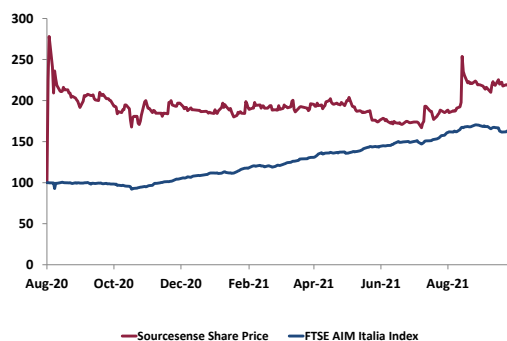


## OUTPERFORM

Current Share Price (€): 2.83

Target Price (€): 4.02

### Sourcesense - Performance since IPO



Source: S&P Capital IQ - Note: 08/12/2020=100

### Company data

ISIN number	IT0005417040
Bloomberg code	SOU IM
Reuters code	SOU.MI
Industry	ICT
Stock market	AIM Italia
Share Price (€)	2.83
Date of Price	06/10/2021
Shares Outstanding (m)	8.3
Market Cap (€m)	23.4
Market Float (%)	32.53%
Daily Volume	4,000
Avg Daily Volume YTD	29,485
Target Price (€)	4.02
Upside (%)	42%
Recommendation	OUTPERFORM

### Share price performance

	1M	3M	IPO
Sourcesense - Absolute (%)	-3%	26%	118%
FTSE AIM Italia (%)	-6%	8%	61%
Range H/L (€) since IPO	3.61	1.95	
YTD Change (€) / %	0.41	17%	

Source: S&P Capital IQ

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## Strong H1 21 performance, industry positive outlook also due to Next Generation EU, target price increased

### Nearly 50% sales up

Sourcesense experienced a strong growth of sales and EBITDA in H1 21 with respect to the same period in 2020, which positively impacted on cash flow evolution.

H1 21 main consolidated figures:

- Revenues €9.9m vs €6.7m in H1 20 (+47%)
- EBITDA €1.2m vs €0.8m in H1 20 (+57%)
- Net Cash €3.9m vs €2.1m in FY20

### Business update

Along H121, Sourcesense launched Joyce, a cloud native event-driven platform and Forge Cloud, an enterprise app available on Atlassian digital marketplace. The Company is also among the founding partners of "Consorzio Italia Cloud", a joint venture for cloud services which expressed its interest to support the Italian government in the implementation and management of PSN-Polo Strategico Nazionale as part of the Next Generation EU programme.

### Current trading: stock price at October 2020 level

After a stable trend between September 2020 and May 2021, a slight decrease between mid May and mid of July 2021, and a sharp rise in the last August, Sourcesense share price is now almost back to October 2020 level (€2.63 on October 6<sup>th</sup> 2020 vs €2.83 on October 6<sup>th</sup> 2021).

### Target Price €4.02 per share, OUTPERFORM rating confirmed

H1 21 figures along with industry positive outlook support confirmation of our 2021-23 estimates. Our overall valuation indicates a €4.02 target price (vs our previous €3.69), with a potential 42% upside on current share price.

### Consolidated key financials and estimates

€m	2018	2019	2020	2021E	2022E	2023E
<b>Total Revenues</b>	<b>12.9</b>	<b>15.5</b>	<b>17.2</b>	<b>19.8</b>	<b>24.6</b>	<b>29.5</b>
YoY %	na	20.2%	11.4%	14.9%	24.3%	19.6%
<b>EBITDA</b>	<b>0.8</b>	<b>1.6</b>	<b>2.1</b>	<b>2.7</b>	<b>3.9</b>	<b>4.9</b>
Margin	6.1%	10.2%	12.0%	13.4%	15.8%	16.6%
<b>EBIT</b>	<b>0.7</b>	<b>1.0</b>	<b>1.2</b>	<b>1.7</b>	<b>3.0</b>	<b>4.3</b>
Margin	5.2%	6.2%	7.0%	8.6%	12.3%	14.7%
<b>Net Income</b>	<b>0.5</b>	<b>0.5</b>	<b>0.9</b>	<b>1.2</b>	<b>2.2</b>	<b>3.1</b>
<b>Trade Working Capital</b>	<b>3.9</b>	<b>4.6</b>	<b>4.8</b>	<b>5.1</b>	<b>6.4</b>	<b>7.3</b>
<b>Net (Debt) Cash</b>	<b>(1.8)</b>	<b>(1.4)</b>	<b>2.1</b>	<b>3.3</b>	<b>4.3</b>	<b>6.2</b>
<b>Equity</b>	<b>1.1</b>	<b>1.7</b>	<b>6.1</b>	<b>7.3</b>	<b>9.5</b>	<b>12.6</b>

Source: Company data 2018-20A, EnVent Research 2021-23E

### Key ratios

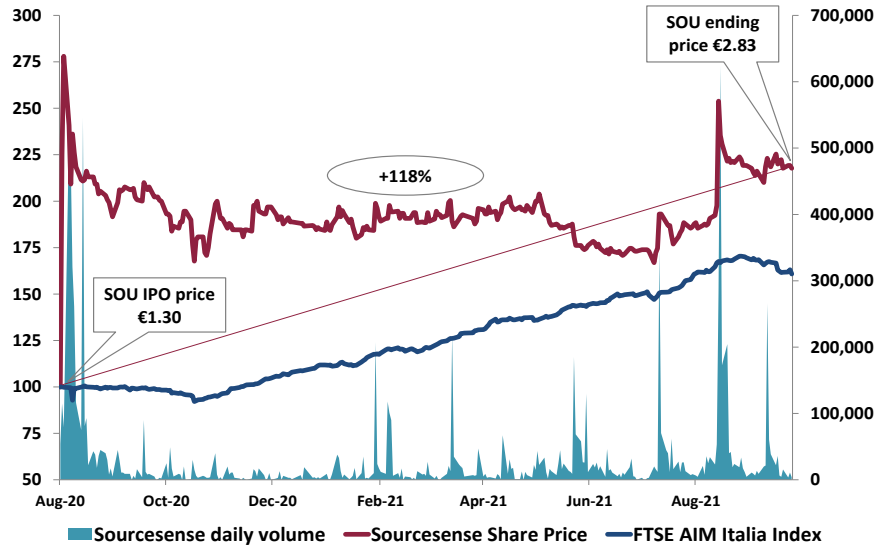
	2018	2019	2020	2021E	2022E	2023E
ROE	46%	33%	15%	17%	23%	25%
ROS (EBIT/Sales)	5%	7%	7%	9%	13%	16%
DSO	150	157	163	155	150	140
DPO	106	123	135	135	130	120
TWC/Sales	32%	32%	30%	28%	28%	26%
NWC/Sales	27%	23%	24%	22%	23%	23%
Net Debt/EBITDA	2.3x	0.9x	cash	cash	cash	cash
Net Debt/Equity	1.6x	0.8x	cash	cash	cash	cash
Net Debt/(Net Debt+Equity)	0.6x	0.4x	cash	cash	cash	cash
Operating cash flow before capex/EBITDA	na	80%	74%	78%	54%	65%
Per-capita sales (€k)	101	110	113	136	146	158
Per-capita costs (€k)	48	50	45	53	56	58
Earnings per Share (€)	n.a.	n.a.	0.1	0.1	0.3	0.4

## Market update

Trading price range €1.30- 3.61 per share

Stable price between September 2020 and May 2021, decrease until July 2021 and then sharp increase in August 2021, in line with most of listed peers.  
Performance above AIM index

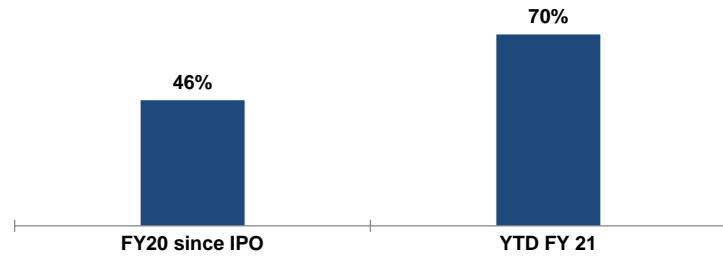
### Sourcesense - Share price performance and trading volumes since IPO



Source: EnVent Research on S&P Capital IQ - Note: 12/08/2020=100

### Sourcesense - Liquidity analysis and velocity turnover

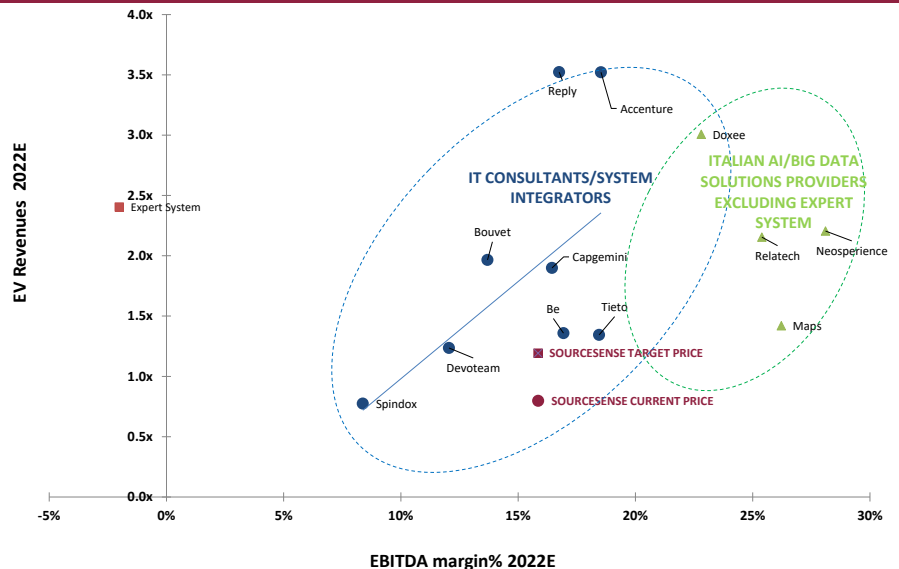
Velocity turnover in 2021 to date higher with respect to 2020 months after IPO



Source: EnVent Research on S&P Capital IQ - Note: Velocity turnover on total shares: ratio of total traded shares to total ordinary shares in a given period

### Peer group - Regression analysis and Sourcesense target positioning

Sourcesense target price closer to core of Consultants/System integrators peers with respect to current market price



Source: EnVent Research on S&P Capital IQ, October 2021

## Sales and EBITDA strong growth along H1 21

H1 21 consolidated figures highlights:

- Revenues €9.9m vs €6.7m in H1 20 (+47%)
- EBITDA €1.2m vs €0.8m in H1 20 (+57%)
- Net Cash €3.9m vs €2.1m in FY20
- Equity €6.8m vs €6.1m in FY20

Materials (related to customers' subscriptions) and Services costs trend with respect to Sales consistent with: i) increasing demand of subscriptions and ii) swap from people intensive and less scalable Consulting to more scalable and more profitable Cloud Services and Enterprise Apps business units

### Consolidated Profit and Loss

€m	H1 2020	2020	H1 2021
Sales	6.7	16.1	9.9
Capitalization of R&D costs	0.1	0.6	0.4
Other income	0.3	0.5	0.0
<b>Total Revenues</b>	<b>7.1</b>	<b>17.2</b>	<b>10.4</b>
YoY %	22.2%	11.4%	45.1%
Materials	(2.0)	(6.5)	(4.4)
Services	(1.1)	(2.2)	(1.2)
Personnel	(3.2)	(6.4)	(3.6)
Other operating costs	(0.0)	(0.1)	(0.0)
Operating costs	(6.4)	(15.2)	(9.1)
<b>EBITDA</b>	<b>0.8</b>	<b>2.1</b>	<b>1.2</b>
Margin	10.8%	12.0%	11.8%
D&A	(0.3)	(0.9)	(0.2)
<b>EBIT</b>	<b>0.5</b>	<b>1.2</b>	<b>1.0</b>
Margin	6.5%	7.0%	9.5%
Interest	(0.1)	(0.1)	(0.0)
Write-down of equity investments	0.0	(0.0)	0.0
<b>EBT</b>	<b>0.4</b>	<b>1.1</b>	<b>1.0</b>
Margin	5.4%	6.6%	9.3%
Income taxes	(0.1)	(0.2)	(0.3)
<b>Net Income (Loss)</b>	<b>0.3</b>	<b>0.9</b>	<b>0.7</b>
Margin	4.0%	5.3%	6.6%

Source: Company data

Lower Trade Receivables and Payables, decreasing Net Working Capital

### Consolidated Balance Sheet

€m	H1 2020	2020	H1 2021
Trade receivables	6.5	8.8	6.4
Trade payables	(2.7)	(4.0)	(2.7)
Trade Working Capital	3.8	4.8	3.7
Other assets (liabilities)	(0.8)	(1.0)	(1.2)
<b>Net Working Capital</b>	<b>3.0</b>	<b>3.8</b>	<b>2.5</b>
Intangible assets	0.8	1.2	1.4
Goodwill	0.1	0.4	0.3
Property, plant and equipment	0.1	0.1	0.1
Equity investments and financial assets	0.0	0.0	0.0
<b>Non-current assets</b>	<b>1.0</b>	<b>1.7</b>	<b>1.9</b>
<b>Provisions</b>	<b>(1.3)</b>	<b>(1.5)</b>	<b>(1.5)</b>
<b>Net Invested Capital</b>	<b>2.7</b>	<b>4.0</b>	<b>2.9</b>
Financial debt	1.8	1.3	2.3
Lease liability	0.0	0.0	0.0
Cash and equivalents	(1.0)	(3.4)	(6.2)
<b>Net Debt (Cash)</b>	<b>0.8</b>	<b>(2.1)</b>	<b>(3.9)</b>
<b>Equity</b>	<b>1.9</b>	<b>6.1</b>	<b>6.8</b>
<b>Sources</b>	<b>2.7</b>	<b>4.0</b>	<b>2.9</b>

Source: Company data

**H1 21 cash flow from P&L operations and capex in line with H1 20, strong impact of NWC evolution on operating and net cash flow**

### Consolidated Cash Flow

€m	H1 2020	2020	H1 2021
<b>EBIT</b>	<b>0.5</b>	<b>1.2</b>	<b>1.0</b>
Current taxes	(0.1)	(0.2)	(0.3)
D&A	0.3	0.9	0.2
Provisions	0.0	0.2	0.0
<b>Cash flow from P&amp;L operations</b>	<b>0.7</b>	<b>2.0</b>	<b>1.0</b>
Trade Working Capital	0.8	(0.2)	1.1
Other assets and liabilities	(0.5)	(0.2)	0.2
<b>Operating cash flow before capex</b>	<b>1.0</b>	<b>1.5</b>	<b>2.3</b>
Capex	(0.3)	(1.5)	(0.5)
<b>Operating cash flow after working capital and capex</b>	<b>0.7</b>	<b>0.0</b>	<b>1.8</b>
Interest	(0.1)	(0.1)	(0.0)
Write-down of equity investments	0.0	(0.0)	0.0
Equity investments and financial assets	(0.0)	0.0	(0.0)
Paid-in Capital	0.0	3.5	0.0
<b>Net cash flow</b>	<b>0.6</b>	<b>3.4</b>	<b>1.8</b>
Net (Debt) Cash - Beginning	(1.4)	(1.4)	2.1
Net (Debt) Cash - End	(0.8)	2.1	3.9
<b>Change in Net (Debt) Cash</b>	<b>0.6</b>	<b>3.4</b>	<b>1.8</b>

Source: Company data

**DSO and DPO down**

### Ratio analysis

	H1 2020	2020	H1 2021
ROE	29%	15%	20%
ROS (EBIT/Sales)	7%	7%	10%
DSO	142	163	95
DPO	126	135	72
TWC/Sales	28%	30%	19%
NWC/Sales	23%	24%	13%
Net Debt/EBITDA	0.5x	cash	cash
Net Debt/Equity	0.4x	cash	cash
Net Debt/(Net Debt+Equity)	0.3x	cash	cash
Operating cash flow before capex/EBITDA	128%	74%	187%
Per-capita sales (€k)	96	113	138
Per-capita costs (€k)	46	45	50

Source: Company data - Note: H1 KPIs estimated on inertial 12 months projection

### Period facts

- New products:
  - Joyce: a new cloud native event-driven platform
  - Forge Cloud: a new enterprise app available on Atlassian digital marketplace
- Sourcesense and other partners established “Consorzio Italia Cloud”, a joint venture aiming at promoting and coordinating new initiatives regarding cloud services which expressed its interest to support the Italian government in the implementation and management of PSN–Polo Strategico Nazionale as part of the Next Generation EU programme.
- Start of trading of 8.3m circa of “Warrant Sourcesense 2021-24”

### Outlook and estimates: maintaining our guidance

Sector positive outlook is confirmed by analysts’ consensus. Next Generation EU programme implementation is expected to impact positively business of Sourcesense and other IT consultants supporting digital transformation of both

large businesses and public institutions customers.

This M/L term forecast, along with Short term impact of the Company H1 21 results and positive portfolio evolution, induces confidence on our previous 2021-23 estimates which are therefore confirmed.

## Financial projections

### Consolidated Profit and Loss

€m	2018	2019	2020	2021E	2022E	2023E
Sales	12.1	14.5	16.1	18.5	23.2	27.8
Capitalization of R&D costs	0.1	0.5	0.6	0.7	0.9	1.1
Other income	0.7	0.5	0.5	0.5	0.5	0.5
<b>Total Revenues</b>	<b>12.9</b>	<b>15.5</b>	<b>17.2</b>	<b>19.8</b>	<b>24.6</b>	<b>29.5</b>
YoY %	na	20.2%	11.4%	14.9%	24.3%	19.6%
Materials	(3.9)	(4.8)	(6.5)	(7.2)	(8.8)	(10.6)
Services	(2.1)	(2.2)	(2.2)	(2.6)	(3.0)	(3.6)
Personnel	(5.8)	(6.6)	(6.4)	(7.2)	(8.8)	(10.3)
Other operating costs	(0.3)	(0.2)	(0.1)	(0.1)	(0.1)	(0.1)
Operating costs	(12.1)	(13.9)	(15.2)	(17.2)	(20.7)	(24.6)
<b>EBITDA</b>	<b>0.8</b>	<b>1.6</b>	<b>2.1</b>	<b>2.7</b>	<b>3.9</b>	<b>4.9</b>
Margin	6.1%	10.2%	12.0%	13.4%	15.8%	16.6%
D&A	(0.1)	(0.6)	(0.9)	(0.9)	(0.9)	(0.5)
<b>EBIT</b>	<b>0.7</b>	<b>1.0</b>	<b>1.2</b>	<b>1.7</b>	<b>3.0</b>	<b>4.3</b>
Margin	5.2%	6.2%	7.0%	8.6%	12.3%	14.7%
Interest	(0.2)	(0.1)	(0.1)	(0.0)	(0.0)	(0.0)
Write-down of equity investments	0.0	(0.0)	(0.0)	0.0	0.0	0.0
<b>EBT</b>	<b>0.4</b>	<b>0.8</b>	<b>1.1</b>	<b>1.7</b>	<b>3.0</b>	<b>4.3</b>
Margin	3.4%	5.5%	6.6%	8.5%	12.3%	14.7%
Income taxes	0.1	(0.3)	(0.2)	(0.5)	(0.8)	(1.2)
<b>Net Income (Loss)</b>	<b>0.5</b>	<b>0.5</b>	<b>0.9</b>	<b>1.2</b>	<b>2.2</b>	<b>3.1</b>
Margin	3.9%	3.5%	5.3%	6.2%	8.9%	10.6%

Source: Company data 2018-20; EnVent Research 2021-23E

### Consolidated Balance Sheet

€m	2018	2019	2020	2021E	2022E	2023E
Trade receivables	6.1	7.6	8.8	9.6	11.6	13.0
Trade payables	(2.2)	(3.0)	(4.0)	(4.5)	(5.2)	(5.7)
Trade Working Capital	3.9	4.6	4.8	5.1	6.4	7.3
Other assets (liabilities)	(0.6)	(1.2)	(1.0)	(1.0)	(1.0)	(1.0)
<b>Net Working Capital</b>	<b>3.3</b>	<b>3.3</b>	<b>3.8</b>	<b>4.1</b>	<b>5.4</b>	<b>6.3</b>
Intangible assets	0.7	0.8	1.2	1.0	1.1	1.8
Goodwill	0.2	0.2	0.4	0.3	0.3	0.3
Right-of-use assets	0.0	0.0	0.0	0.0	0.0	0.0
Property, plant and equipment	0.0	0.0	0.1	0.2	0.3	0.4
Equity investments and financial assets	0.0	0.0	0.0	0.0	0.0	0.0
<b>Non-current assets</b>	<b>0.9</b>	<b>1.0</b>	<b>1.7</b>	<b>1.5</b>	<b>1.7</b>	<b>2.5</b>
<b>Provisions</b>	<b>(1.3)</b>	<b>(1.3)</b>	<b>(1.5)</b>	<b>(1.7)</b>	<b>(2.0)</b>	<b>(2.4)</b>
<b>Net Invested Capital</b>	<b>2.9</b>	<b>3.0</b>	<b>4.0</b>	<b>4.0</b>	<b>5.1</b>	<b>6.4</b>
Financial debt	2.4	1.8	1.3	0.6	0.6	0.6
Lease liability	0.0	0.0	0.0	0.0	0.0	0.0
Cash and equivalents	(0.6)	(0.5)	(3.4)	(3.8)	(4.9)	(6.8)
<b>Net Debt (Cash)</b>	<b>1.8</b>	<b>1.4</b>	<b>(2.1)</b>	<b>(3.3)</b>	<b>(4.3)</b>	<b>(6.2)</b>
<b>Equity</b>	<b>1.1</b>	<b>1.7</b>	<b>6.1</b>	<b>7.3</b>	<b>9.5</b>	<b>12.6</b>
<b>Sources</b>	<b>2.9</b>	<b>3.0</b>	<b>4.0</b>	<b>4.0</b>	<b>5.1</b>	<b>6.4</b>

Source: Company data 2018-20; EnVent Research 2021-23E

### Consolidated Cash Flow

€m	2019	2020	2021E	2022E	2023E
<b>EBIT</b>	<b>1.0</b>	<b>1.2</b>	<b>1.7</b>	<b>3.0</b>	<b>4.3</b>
Current taxes	(0.3)	(0.2)	(0.5)	(0.8)	(1.2)
D&A	0.6	0.9	0.9	0.9	0.5
Provisions	0.1	0.2	0.2	0.4	0.3
<b>Cash flow from P&amp;L operations</b>	<b>1.3</b>	<b>2.0</b>	<b>2.4</b>	<b>3.4</b>	<b>4.0</b>
Trade Working Capital	(0.7)	(0.2)	(0.3)	(1.3)	(0.8)
Other assets and liabilities	0.7	(0.2)	0.0	0.0	0.0
<b>Operating cash flow before capex</b>	<b>1.3</b>	<b>1.5</b>	<b>2.1</b>	<b>2.1</b>	<b>3.2</b>
Capex	(0.7)	(1.5)	(0.8)	(1.1)	(1.3)
<b>Operating cash flow after working capital and capex</b>	<b>0.6</b>	<b>0.0</b>	<b>1.2</b>	<b>1.1</b>	<b>1.9</b>
Interest	(0.1)	(0.1)	(0.0)	(0.0)	(0.0)
Write-down of equity investments	(0.0)	(0.0)	0.0	0.0	0.0
Equity investments and financial assets	0.0	0.0	0.0	0.0	0.0
Paid-in Capital	0.0	3.5	0.0	0.0	0.0
<b>Net cash flow</b>	<b>0.5</b>	<b>3.4</b>	<b>1.2</b>	<b>1.0</b>	<b>1.9</b>
Net Debt Beginning	(1.8)	(1.4)	2.1	3.3	4.3
Net Debt End	(1.4)	2.1	3.3	4.3	6.2
<b>Change in (Net Debt) Cash</b>	<b>0.5</b>	<b>3.4</b>	<b>1.2</b>	<b>1.0</b>	<b>1.9</b>

Source: Company data 2019-20; EnVent Research 2021-23E

### Ratio analysis

	2018	2019	2020	2021E	2022E	2023E
ROE	46%	33%	15%	17%	23%	25%
ROS (EBIT/Sales)	5%	7%	7%	9%	13%	16%
DSO	150	157	163	155	150	140
DPO	106	123	135	135	130	120
TWC/Sales	32%	32%	30%	28%	28%	26%
NWC/Sales	27%	23%	24%	22%	23%	23%
Net Debt/EBITDA	2.3x	0.9x	cash	cash	cash	cash
Net Debt/Equity	1.6x	0.8x	cash	cash	cash	cash
Net Debt/(Net Debt+Equity)	0.6x	0.4x	cash	cash	cash	cash
Operating cash flow before capex/EBITDA	na	80%	74%	78%	54%	65%
Per-capita sales (€k)	101	110	113	136	146	158
Per-capita costs (€k)	48	50	45	53	56	58
Earnings per Share (€)	n.a.	n.a.	0.1	0.1	0.3	0.4

Source: Company data 2018-20; EnVent Research 2021-23E

## Valuation

We have updated our valuation models and we use DCF to estimate Sourcesense target price.

## Discounted Cash Flows

Updated assumptions:

- Risk free rate: 1.2% (Italian 10-year government bonds interest rate - 3Y average. Source: Bloomberg, October 2021)
- Market return: 12.4% (3Y average. Source: Bloomberg, October 2021)
- Market risk premium: 11.2%
- Beta: 0.9 (average of industry peers excluding Spindox, which was listed in July 2021. Source: Bloomberg)
- Cost of equity: 11.3%
- Cost of debt: 2.5%

- Tax rate: 24% IRES
- 35% debt/(debt + equity) as target capital structure
- WACC calculated at 8.0%, according to above data
- Perpetual growth rate after explicit projections 3.0%
- Terminal Value assumes EBITDA margin at 16.5%

### DCF Valuation

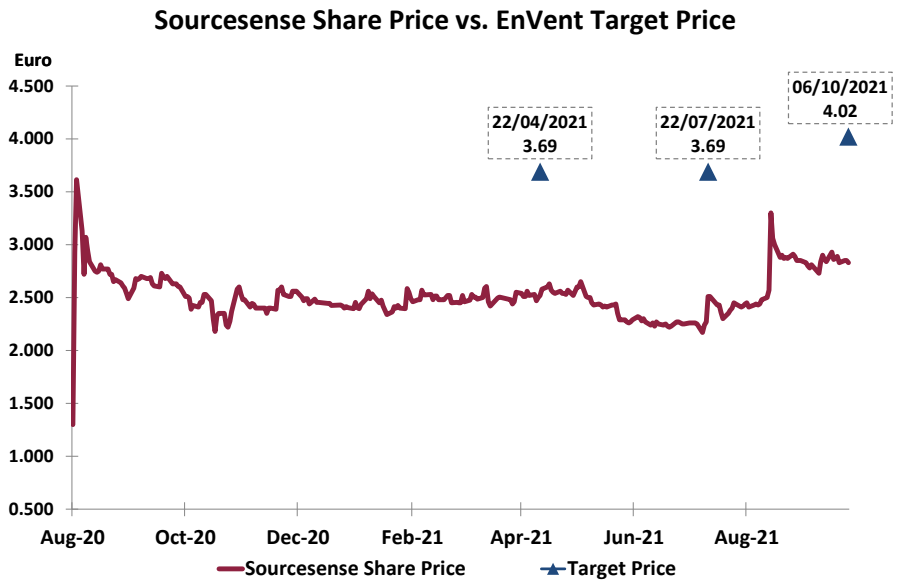
€m	2019	2020	2021E	2022E	2023E	Perpetuity
<b>Revenues</b>	<b>15.5</b>	<b>17.2</b>	<b>19.8</b>	<b>24.6</b>	<b>29.5</b>	<b>30.3</b>
<b>EBITDA</b>	<b>1.6</b>	<b>2.1</b>	<b>2.7</b>	<b>3.9</b>	<b>4.9</b>	<b>5.0</b>
<i>Margin</i>	<i>10.2%</i>	<i>12.0%</i>	<i>13.4%</i>	<i>15.8%</i>	<i>16.6%</i>	<i>16.5%</i>
<b>EBIT</b>	<b>1.0</b>	<b>1.2</b>	<b>1.7</b>	<b>3.0</b>	<b>4.3</b>	<b>3.5</b>
<i>Margin</i>	<i>6.2%</i>	<i>7.0%</i>	<i>8.6%</i>	<i>12.3%</i>	<i>14.7%</i>	<i>11.6%</i>
Taxes	(0.3)	(0.3)	(0.5)	(0.8)	(1.2)	(1.0)
<b>NOPAT</b>	<b>0.7</b>	<b>0.9</b>	<b>1.2</b>	<b>2.2</b>	<b>3.1</b>	<b>2.5</b>
D&A		0.9	0.9	0.9	0.5	1.5
Provisions		0.2	0.2	0.4	0.3	0.0
<b>Cash flow from operations</b>		<b>1.9</b>	<b>2.4</b>	<b>3.4</b>	<b>4.0</b>	<b>4.0</b>
Trade Working Capital		(0.2)	(0.3)	(1.3)	(0.8)	(0.9)
Capex		(1.5)	(0.8)	(1.1)	(1.3)	(1.5)
Other assets and liabilities		(0.2)	0.0	0.0	0.0	0.0
<b>Yearly Unlevered Free Cash Flows</b>		<b>(0.1)</b>	<b>1.2</b>	<b>1.1</b>	<b>1.9</b>	<b>1.6</b>
<b>- H1 Unlevered Free Cash Flows</b>			<b>(1.8)</b>			
<b>Free Cash Flows to be discounted</b>			<b>(0.6)</b>	<b>1.1</b>	<b>1.9</b>	<b>1.6</b>
WACC	8.0%					
Long-term growth (G)	3.0%					
<b>Discounted Cash Flows</b>			<b>(0.6)</b>	<b>0.9</b>	<b>1.6</b>	
Sum of Discounted Cash Flows	1.9					
<b>Terminal Value</b>						<b>33.3</b>
Discounted TV	27.5					
<b>Enterprise Value</b>	<b>29.4</b>					
Net (Debt) Cash as of 06/30/21	3.9					
Minorities as of 06/30/21	0.0					
<b>Equity Value</b>	<b>33.3</b>					

<b>DCF - Implied multiples</b>	<b>2020</b>	<b>2021E</b>	<b>2022E</b>	<b>2023E</b>
EV/Revenues	1.7x	1.5x	1.2x	1.0x
EV/EBITDA	14.2x	11.1x	7.5x	6.0x
EV/EBIT	24.3x	17.2x	9.7x	6.8x
P/E	36.6x	27.3x	15.2x	10.7x

<b>Current Market Price - Implied multiples</b>	<b>2020</b>	<b>2021E</b>	<b>2022E</b>	<b>2023E</b>
EV/Revenues	1.1x	1.0x	0.8x	0.7x
EV/EBITDA	9.4x	7.4x	5.0x	4.0x
EV/EBIT	16.2x	11.4x	6.4x	4.5x
P/E	25.8x	19.2x	10.7x	7.5x

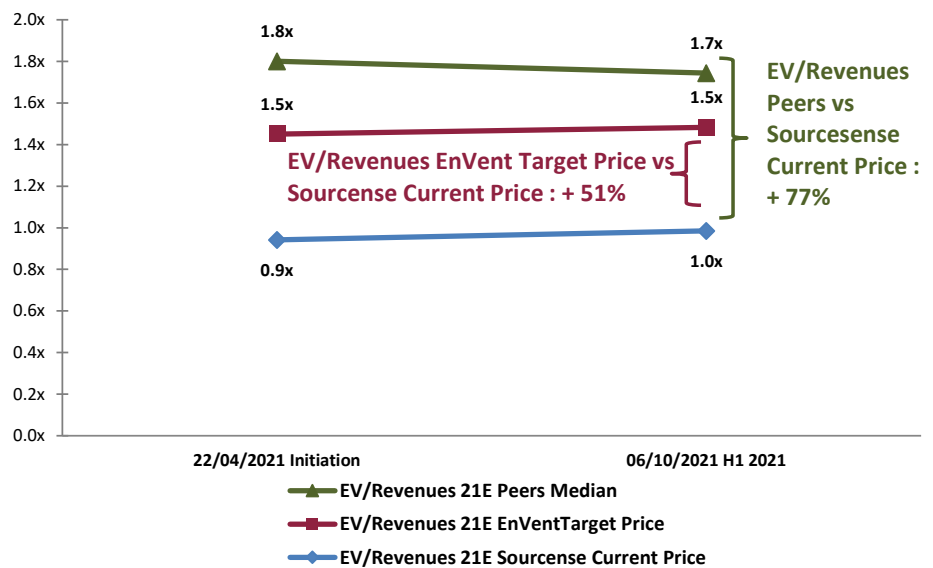
Source: EnVent Research

## Target Price



Source: EnVent Research

## Sourcesense implied EV/Revenues vs. industry median multiples



**EnVent Target Price implies multiples more consistent to market metrics with respect to the Company current share price.**

Source: EnVent Research

Our valuation of Sourcesense is €4.02 per share, with a potential upside of 42% on the current share price. Thus, we confirm an **OUTPERFORM** recommendation on the stock.

Sourcesense Price per share	€
<b>Target Price</b>	4.02
Current Share Price (06/10/2021)	2.83
<b>Premium (Discount)</b>	<b>42%</b>

Source: EnVent Research

Please refer to important disclosures at the end of this report.



## Annex

### Peer Group - Market Multiples

Company	EV/REVENUES			EV/EBITDA			EV/EBIT			P/E		
	2020	2021E	2022E	2020	2021E	2022E	2020	2021E	2022E	2020	2021E	2022E
<b>International IT consultants/system integrators</b>												
Accenture plc	3.6x	4.1x	3.5x	21.8x	21.8x	19.0x	24.2x	26.9x	23.0x	31.7x	36.8x	31.6x
Be Shaping The Future S.p.A.	1.1x	1.5x	1.4x	6.7x	8.9x	8.0x	13.0x	15.4x	13.3x	23.8x	22.4x	19.7x
Bouvet ASA	2.9x	2.2x	2.0x	20.8x	15.4x	14.4x	22.1x	18.6x	17.3x	30.3x	24.9x	23.1x
Capgemini SE	1.7x	2.0x	1.9x	13.9x	12.5x	11.6x	16.8x	15.9x	14.5x	22.3x	20.5x	18.1x
Devoteam SA	0.9x	1.3x	1.2x	9.2x	11.3x	10.3x	9.8x	12.5x	11.4x	18.7x	23.3x	20.7x
Reply S.p.A.	2.7x	3.9x	3.5x	19.2x	23.3x	21.0x	20.6x	28.7x	25.5x	28.8x	41.4x	36.9x
TietoEVRY Oyj	1.5x	1.4x	1.3x	15.2x	7.4x	7.3x	22.9x	10.2x	9.4x	33.7x	11.2x	10.7x
Spindox S.p.A.	na	1.0x	0.8x	na	12.4x	9.2x	na	16.6x	11.2x	na	27.8x	17.8x
Mean	2.0x	2.2x	2.0x	15.3x	14.1x	12.6x	18.5x	18.1x	15.7x	27.0x	26.0x	22.3x
Median	1.7x	1.7x	1.6x	15.2x	12.5x	10.9x	20.6x	16.3x	13.9x	28.8x	24.1x	20.2x
<b>Sourcesense - Current Price and Consensus Estimates</b>												
	1.0x	1.0x	0.8x	8.7x	7.3x	5.0x	14.9x	11.5x	6.5x	22.1x	19.7x	10.7x
<b>Sourcesense - EnVent Target Price and Updated Estimates</b>												
	1.0x	1.5x	1.2x	8.7x	11.1x	7.5x	14.9x	17.2x	9.7x	22.1x	27.3x	15.2x

Source: S&P Capital IQ, October 2021

### Peer Group - Key Data

Company	Total Revenues	YoY	Tot Rev. CAGR	Tot. Rev. CAGR	2020 Total Revenues	EBITDA %	EBITDA %	EBITDA %	EBITDA %
	2020 (€m)	'20 on '19	2017-20	2020-23E	per capita (€k)	2020	Avg. 5Y	Min 5Y	Max 5Y
Sourcesense S.p.A.	17	11%	16%	20%	121	12%	9%	6%	12%
<b>International IT consultants/system integrators</b>									
Accenture plc	37,080	-6%	7%	13%	72	16%	16%	16%	16%
Be Shaping The Future S.p.A.	179	17%	11%	10%	133	16%	15%	12%	17%
Bouvet ASA	229	6%	12%	14%	138	14%	11%	9%	14%
Capgemini SE	15,848	12%	8%	8%	59	12%	13%	12%	13%
Devoteam SA	760	0%	14%	8%	100	10%	11%	10%	12%
Reply S.p.A.	1,270	5%	12%	12%	140	14%	14%	13%	16%
TietoEVRY Oyj	2,790	61%	22%	2%	118	10%	11%	10%	13%
Spindox S.p.A.	57	10%	20%	21%	80	7%	5%	3%	7%
Mean		14%	12%	10%	109	13%	13%	12%	14%
Median		6%	12%	10%	118	14%	13%	12%	14%
<b>Italian providers of AI/Big Data solutions or other digital solutions/applications</b>									
Expert System S.p.A.	35	-8%	3%	24%	133	-5%	4%	-8%	14%
Maps S.p.A.	17	2%	11%	28%	140	20%	20%	13%	24%
Doox S.p.A.	23	9%	19%	13%	178	25%	17%	9%	25%
Neosperience S.p.A.	18	15%	39%	21%	125	26%	26%	22%	31%
Relatech S.p.A.	23	13%	28%	33%	97	16%	15%	9%	23%
Mean		6%	20%	24%	135	16%	16%	9%	24%
Median		9%	19%	24%	133	20%	17%	9%	24%

Source: S&P Capital IQ, October 2021

## Investment case

### Company

Sourcesense S.p.A. and its subsidiaries (“Sourcesense” or “Company”) are an Italian IT group mainly active in Italy and UK which supplies IT services and solutions to its customers - usually large businesses and public institutions - and supports them in their digital evolution choices and in the process of designing, integrating and developing systems and platforms. Sourcesense business lines are conceived and structured in order to exploit most of the opportunities associated with open source software solutions. The Company manages 100 different technologies. Sourcesense is networked with partners, among which there are some of the most important players in open source software development: Atlassian, Liferay, Red Hat, Alfresco, Cloudera, MongoDB, etc.

### Drivers

#### Industry drivers

**Digital transformation of businesses.** The digital transformation is unfolding in businesses, which become more and more data-driven and need to be organized in order to react immediately to changing market conditions. This asks for a new kind of IT consulting services, built on the drivers/pillars of current stage of digital transformation (Cloud Computing, Big Data and Analytics, Mobility and Social Business).

**From Proprietary to Open Source software.** ““Open source” does not mean something free of charge. Open source software programmers can charge money for the open source software they create or to which they contribute. But in some cases, because an open source license might require them to release their source code when they sell software to others, some programmers find that charging users money for software services and support (rather than for the software itself) is more lucrative. This way, their software remains free of charge, and they make money helping others install, use, and troubleshoot it” (Source: Opensource.com). Open source software was born and developed thanks to the idea that end users could be more attracted by the advantages of shared innovations and solutions rather than owning exclusive and specific solutions. Knowledge/innovations sharing better guarantees a company that once an innovation is introduced in business, this will more likely be adopted if technology, systems and processes have been implemented according to an “open source” approach. An increasing swap is expected from proprietary software to open source software (Source: Red Hat).

**The cloud: a cutting-edge industry.** Cloud services provide IT resources from remote sources and bring them directly to the user through internet. Cloud computing adoption has been increasing rapidly over the last years. However, despite the overall increased cloud investment, enterprise cloud adoption is maturing slowly and the average enterprise has achieved less than 20% public or private cloud adoption. As such, room for growth is still huge (Source: McKinsey). Cloud is another key driver for immediate sharing of innovations with respect to systems and solutions supplied by IT consultants.

## Company drivers

**Riding the wave.** With its 5 business lines, Sourcesense aims at supporting its customers in accelerating business transformation and digitalization processes. Solutions and services supported through open source technology allow technology management in “Agile” mode.

**Partnerships.** The Company developed strategic partnerships with the world’s leading open source software vendors in order to support its customers with innovative and integrated solutions and services. The rank of partnership (e.g. platinum) often becomes a crucial marketing issue in order to attract new customers interested in partners’ technology and aware that Sourcesense is the “bridge” to access it for Italian market. Partnerships aim at providing services in different technical areas (Enterprise Information Management, Application Lifecycle Management & DevOps, Big Data Search & Analytics, Cloud Services). Some partnerships are exclusive for the Italian market with no risk of competition.

**Growth of scalable Cloud Services and Enterprise Apps business units.** Sourcesense is active in 5 business units. A clear strategy aiming at growth in Cloud Service and Enterprise Apps is based on the intrinsic scalable nature of these business units (currently the most profitable ones) and the chance to supply them with less/without geographical constraints.

**Large company is the typical customer.** Sourcesense customer portfolio is made of almost 80 companies and public institutions in Italy and 35 abroad. Most of them are large corporations, traditionally showing in Italy a stronger inclination to ICT capex/opex with respect to SMEs.

**Long-lasting customer relationships giving way to stable and predictable sales and earnings.** Despite most of the customers are large corporations and institutions, customer loyalty is quite high and the implied low churn rate allows for continuity in the revenue stream.

**Capital-free business model.** As most of its peers, Sourcesense is an asset-light business.

**Industry experts, management-shareholders alignment of interests.** Key managers are also shareholders, directly involved in the Company’s operations and execution of the growth strategy, leveraging on their 20 years IT background and industry expertise.

## Challenges

**Competition.** IT consulting sector is quite fragmented and varied. Though Sourcesense occupies a sort of niche, due to its specific value proposition (based on open source technology), its size does not prevent or protect from decision of more traditional and probably “slower” traditional system integrators to attack its niche and/or to attract Company’s most talented professionals with incomparable economic offers

**Acquisition and integration risk.** Acquisitions could be value accretive or dilutive based on valuations paid and market trends. Unexpected integration costs may impact margins. Given Sourcesense present size, larger acquisitions may be targeted in order to be material to the growth of the business, but these can carry a greater integration risk.

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Date	Recommendation	Target Price (€)	Share Price (€)
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22/07/2021	OUTPERFORM	3.69	2.51
06/10/2021	OUTPERFORM	4.02	2.83

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