

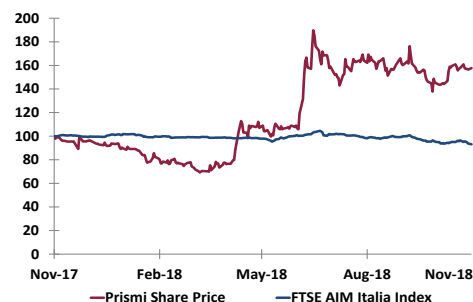


NEUTRAL

Current Share Price (€): 2.46

Target Price (€): 2.05

Prismi - 1Y Performance



Source: S&P Capital IQ - Note: 20/11/2017=100

Company data

ISIN number	IT0004822695
Bloomberg code	PRM IM
Reuters code	PRSM.MI
Share Price (€)	2.46
Date of Price	19/11/2018
Shares Outstanding (m)	9.8
Market Cap (€m)	24.0
Market Float (%)	66.0%
Daily Volume	4,680
Avg Daily Volume YTD	70,159
Target Price (€)	2.05
Upside (%)	-17%
Recommendation	NEUTRAL

Share price performance

	1M	3M	1Y
Prismi - Absolute (%)	9%	-7%	58%
FTSE AIM Italia (%)	-2%	-6%	-7%
1Y Range H/L (€)	2.96	1.08	
YTD Change (€) / %	1.01	70%	

Source: S&P Capital IQ

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Operations back on track, balance sheet stays heavy

Level up in revenues and recovered profitability in H1 2018, receivables and other working capital dynamics affect financial debt

In H1 2018 Prismi proved a remarkable progress on operating figures of the income statement. Revenues were up 60% on H1 2017 reaching €10.5m. EBITDA was €1.4m, 13% margin, compared to €(0.2)m in H1 2017, and EBIT was €0.6m. The period result was a €0.5m loss. Trade receivables continue to be a question mark and to burn cash. The overall stock reached over €26m as of June 2018, from €21m at December 2017, of which €8.3m overdue. Net debt as of June 2018 was €20.5m. In January 2018 a €10.5m bond program was approved to finance working capital, structured in monthly reimbursements consistent with cash flow needs; five tranches have been issued so far for €9.4m. Equity increased to €5.0m as of June, after the €3.2m paid-in capital completed in March.

Management operating targets at reach, estimates revised

We deem Management's revenue target of €21m in 2018 and €25m in 2020 at reach, thanks to €11m revenues generated in H1, and we have raised our revenue targets. On the operating profits side, the targets announced may be challenging in the short-term, thus our revised estimates are more conservative. On the balance sheet side, trade receivables keep being an issue and working capital still uses significant cash. The Company's financial health and value perspectives continue to be heavily dependent on the recovery of receivables.

Main strategic guidelines

- Continued investment in the salesforce of digital consultants
- Regular operations for Wellnet, including sales efforts on Crearevalore
- Lead generation for InGrandiMenti
- Development of operations on the Swiss market through the dedicated subsidiary

Target price €2.05 per share, rating NEUTRAL

We appreciate that Prismi has almost fully recovered the pre-crisis revenue level in 2017 and has made strong progress in the first half of 2018. The value estimated through DCF, which yields a Target Price of €2.05 per share, indicates a target equity value whose underlying condition is the progress on past due receivables recovery. The target price represents a discount of 17% on current share price. As a consequence, we assign a NEUTRAL rating on the stock.

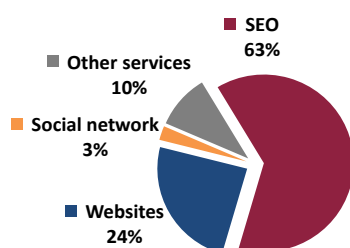
Key financials and estimates

€m	2017A	2018E	2019E	2020E
Revenues	14.8	21.2	23.3	25.6
EBITDA	0.9	3.3	4.1	5.2
<i>Margin</i>	<i>6.1%</i>	<i>15.3%</i>	<i>17.7%</i>	<i>20.4%</i>
EBIT	(1.2)	1.5	2.5	3.7
<i>Margin</i>	<i>-8.1%</i>	<i>7.0%</i>	<i>10.7%</i>	<i>14.5%</i>
Net Income (Loss)	(3.4)	(0.0)	0.6	1.5
Net Working Capital	18.3	21.8	21.6	20.8
Net (Debt) Cash	(19.1)	(19.2)	(18.4)	(16.3)
Equity	2.4	5.5	6.1	7.6

Source: Company data 2017A; EnVent Research 2018-20E

H1 2018: Brilliant sales and EBITDA, balance sheet still heavy

Sales by service, H1 2018



Source: Company data

Income Statement analysis

H1 2018 consolidated revenues were €10.5m, up 60% on H1 2017. Other income of €0.3m includes non-recurring revenues. Cost of sales increased by 46% in H1 2018, driven by the increase in new customers from 66% of total customers to 73%, which cause higher operating costs (renewals have no acquisition cost and lower salesforce fees).

Personnel increased by 35% on H1 2017, due to the increase in number of employees - from 103 to 130 - attributable to the acquired companies. G&A and other operating expenses, net of capitalized R&D costs, had a slight reduction. As a result, EBITDA was €1.4m, 13% margin, compared to €-0.2m in H1 2017. EBIT was €0.6m after €0.1m D&A and €0.6m writedown of overdue receivables. The period result was a €0.5m loss.

Revenues +60%

Profitability recovered

Loss at bottom line

Consolidated Profit and Loss

€m	H1 2017	H1 2018
Revenues	6.6	10.5
Other income	0.3	0.3
Total Revenues	6.9	10.8
YoY %	-5.6%	57.1%
Cost of sales	(3.5)	(5.1)
Gross Profit	3.4	5.7
Margin	48.9%	52.4%
Personnel	(2.2)	(3.0)
G&A	(0.7)	(0.8)
Other operating costs	(0.7)	(0.5)
EBITDA	(0.2)	1.4
Margin	-3.3%	12.6%
D&A	(0.3)	(0.1)
Writedown of overdue receivables	(0.3)	(0.6)
EBIT	(0.8)	0.6
Margin	-11.9%	5.5%
Interest	(0.8)	(0.8)
EBT	(1.6)	(0.2)
Margin	-24.0%	-1.6%
Income taxes	0.1	(0.3)
Net Income (Loss)	(1.6)	(0.5)
Margin	-22.9%	-4.5%

Source: Company data

Reported EBITDA and EBITDA calculated by EnVent Research as per international practice

Reconciliation (€m)	H1 2017	H1 2018
Reported EBITDA	0.3	2.0
Contingent operating charges	(0.5)	(0.7)
EBITDA as per EnVent Research	(0.2)	1.4

Source: EnVent Research - Note: Contingent operating charges include provisions and operating costs statistically incurred in most accounting periods

Balance sheet analysis

The overall stock of receivables reached over €26m as of June 2018, from €21m at December 2017, of which €8.3m overdue. In H1 2018 the Company sold €2.3m current trade receivables through securitization agreements. The lower use of securitization is matched by a corporate bond program to finance working capital needs, structured in monthly reimbursements consistent with cash flow needs. Trade payables increased by 4%. TWC as a percentage of revenues was 31% rolling June 2018. Including overdue and long-term receivables, TWC on revenues would be over 100%. Other liabilities include payables to personnel and overdue tax and social contributions, partly covered by agreements for deferred payments. Net debt as of June 2018 was €20.5m (€19.1m at year-end 2017). Equity increased to €5.0m, as a result of the €3.2m paid-in capital completed in March.

Receivables keep being a question mark

Consolidated Balance Sheet

€m	2017	H1 2017	H1 2018
Current trade receivables	7.3	6.5	9.7
Trade payables	(2.6)	(2.3)	(2.8)
Trade Working Capital	4.7	4.2	7.0
Long-term and overdue trade receivables	13.6	10.3	16.6
Other assets (liabilities)	(0.0)	(0.8)	(1.4)
Net Working Capital	18.3	13.8	22.1
Intangible assets	1.3	1.1	1.5
Goodwill	2.8	2.4	2.8
Fixed assets	0.2	0.2	0.2
Financial investments	0.4	0.2	0.3
Non-current assets	4.6	3.9	4.8
Provisions	(1.4)	(1.2)	(1.4)
Net Invested Capital	21.4	16.5	25.6
Cash and cash equivalents	(0.6)	(0.2)	(1.7)
Bonds	17.7	10.5	21.0
Bank debt	1.3	1.7	0.6
Other financial debt	0.6	0.8	0.6
Net Debt (Cash)	19.1	12.8	20.5
Equity	2.4	3.7	5.0
Sources	21.4	16.5	25.6

Source: Company data

Consolidated Cash Flow

€m	H1 2017	H1 2018
EBIT	(0.8)	0.6
Current taxes	0.1	(0.3)
D&A	0.3	0.1
Cash flow from operations	(0.4)	0.4
Trade Working Capital	(0.0)	(2.3)
Long-term and overdue trade receivables	(2.2)	(3.0)
Other assets and liabilities	(0.3)	1.4
Capex	(0.2)	(0.4)
Cash flow minus capex and investments	(3.1)	(3.8)
Interest	(0.8)	(0.8)
Paid-in capital	3.1	3.2
Net cash flow	(0.9)	(1.4)
Net (Debt) Cash - Beginning	(12.0)	(19.1)
Net (Debt) Cash - End	(12.8)	(20.5)
Change in Net (Debt) Cash	(0.9)	(1.4)

Source: Company data

WC major use of cash

Ratio analysis

KPIs	2017	H1 2017	H1 2018
ROE	-144.0%	n.m.	n.m.
Net Income (Loss) / Market Cap	-42%	-14%	-4%
ROS (EBIT/Revenues)	-8.1%	-11.9%	5.5%
ROIC (NOPAT/Invested Capital)	-6.7%	-10.6%	5.0%
DSO - current receivables	158	148	137
DSO - total receivables	470	326	371
DPO	48	71	64
TWC / Revenues	30.0%	34.5%	31.1%
Tot. TWC (overdues included) / Revenues	123.5%	109.8%	111.8%
Net Debt / EBITDA	21.3x	n.m.	7.5x
Net Debt / Equity	8.1x	3.5x	4.1x
Debt / (Debt+Equity)	89%	78%	80%
Cash flow from operations / EBITDA	-85%	n.m.	31%
FCF / EBITDA	n.m.	neg.	neg.

Source: Company data - Note: H1 KPIs calculated on respective percentage of full year revenues

Overdue receivables

In H1 2018 overdue receivables were stable compared to year-end 2017. As of June 30th, 2018, the provision for doubtful receivables was €2.3m.

Aging of overdue trade receivables

€m / Days	180	360	540	720	>720	Total	Avg. DSO on sales
2013	1.2	1.0	1.3	1.2	5.0	9.5	408
2014	0.9	0.7	0.7	1.1	5.2	8.6	327
2015	0.9	0.5	0.5	0.4	5.7	8.0	490
2016	0.5	0.5	0.6	0.5	5.9	8.0	358
2017	1.0	0.4	0.3	0.4	6.2	8.3	452
H1 2018	0.8	0.9	0.3	0.3	6.1	8.3	369

Source: Company data - Note: not consolidated figures

Period facts

100% stake in InGrandiMenti

June 2018: Acquisition of 49% of InGrandiMenti Srl, web agency specialized in the training of LinkedIn sales navigators, after €100k paid by Prismi to cover losses and reconstitute share capital.

Minority shareholding in Hyro sold, patent acquired

May 2018: Wellnet, Prismi's subsidiary, sold its 18.76% stake in Hyro Srl and concurrently acquired Hyro's patent connected with the project Hyro Safe One, an in-built GPS tracker to be integrated in shoes for the localization of people with dementia / Alzheimer or children.

Paid-in capital

March 2018: €3.2m paid-in capital completed.

New technologies: artificial intelligence and machine learning

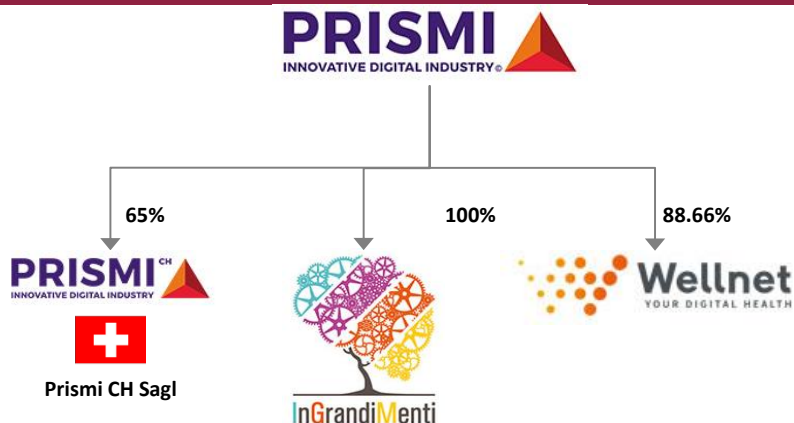
March 2018: Wellnet has launched the first Italian SEO platform based on artificial intelligence and machine learning in partnership with an Italian SEO professional.

Bonds issue

January 2018: New bond program PRISMI 85 2018-2023 approved up to €10.5m, 5% interest rate, of which five tranches have been issued for total €9.4m.

The updated group structure is:

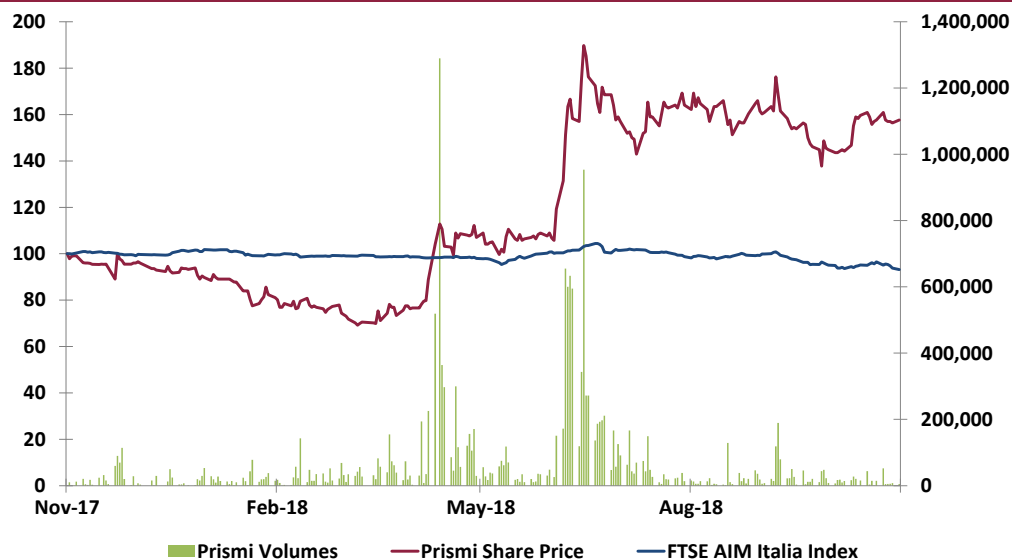
Prismi - Group structure



Source: Company data - Update: November 2018

Trading update

Prismi - 1Y share price performance and trading volumes



Source: EnVent Research on S&P Capital IQ - Note: 20/11/2017=100

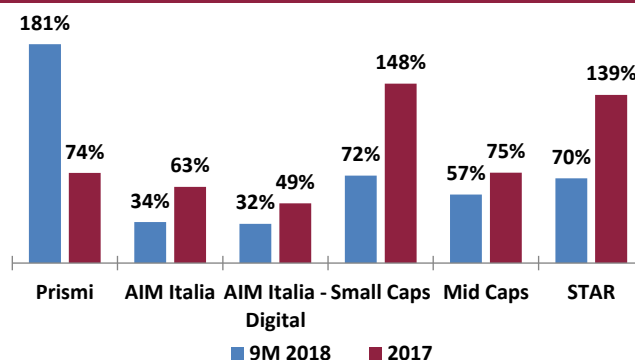
Prismi's shares in the last 12 months traded in the range €1-3, with beginning price at €1.56 and ending at €2.46, a 58% increase

In the same period, the FTSE AIM Italia Index decreased by 7%

During last year Prismi's stock increased by 58% from €1.56 to current €2.46. We believe that sudden last 12 months price fluctuations within the range €1-3 and isolated peaks in trading volumes are likely to have little if none relation with the Company's fundamentals or business scope.

Prismi - Liquidity analysis and velocity turnover

Prismi's liquidity in 9M 2018 overperforming all considered segments



Source: EnVent Research on Bloomberg - Note: The velocity turnover is the ratio of total traded shares to total ordinary shares in a given period

Management guidance

We recall that in February 2018, Prismi's Management announced the revision of certain key figures of the business plan. New targets are consolidated revenues up to €21m and EBITDA margin at over 20% of revenues in 2018. For 2020, Management foresees consolidated revenues at €25m, with 30% EBITDA margin.

BP 2018-20 (€m)	2018E	2020E
Revenues	21.2	25.0
<i>EBITDA Margin</i>	23%	30%

Source: Company data

Estimates revision

During the capital increase ongoing in March 2018, we had postponed our full analysis and estimates revision. The outcome of the capital stock increase approved up to €5m was a €3.2m capital raised, which allowed a partial capital stock reconstitution after the significant cash use in 2017.

Following the analysis of newly released figures on current trading in H1 2018, we appreciate that Prismi has almost fully recovered the 2014 pre-crisis revenue level in 2017 and has made a strong progress in the first six month of 2018, with revenues up 60% and operating margins improved.

Our previous estimates released in July 2017 are outdated and no longer valid, given the changed scope of consolidation and the progress made on income statement in H1 2018.

We deem Management's revenue target of €21m in 2018 at reach, thanks to €11m revenues generated in H1, and the 2020 target of €25m looks closer. As such, we have raised our revenue targets for 2018 and 2019. We have added a year to projections.

On the operating profits side, we still believe that the targets announced may be

challenging to reach in the short-term, thus our revised estimates are more conservative and envisage a more gradual path towards profit margins aligned to industry benchmarks.

On the balance sheet side, we note that trade receivables keep being a question mark and working capital still uses significant cash. While significant progress has been made on operations and economics, the Company's financial health is still dependent on the recovery of overdue and long-term receivables.

Change in estimates

€m	Revised				Previous			Change % (Rev. vs. Prev.)		
	2017A	2018E	2019E	2020E	2017E	2018E	2019E	2017A	2018E	2019E
Revenues	13.9	20.8	22.9	25.2	16.0	18.4	22.7	-13%	13%	1%
Gross Profit	7.4	11.8	13.3	14.9	9.0	10.3	12.7	-17%	15%	4%
<i>Margin</i>	54%	57%	58%	59%	56%	56%	56%			
EBITDA	0.9	3.3	4.1	5.2	1.7	2.5	4.5	-47%	32%	-9%
<i>Margin</i>	6%	16%	18%	21%	11%	13%	20%			
EBIT	(1.2)	1.5	2.5	3.7	0.7	1.4	3.4	-270%	7%	-26%
<i>Margin</i>	-9%	7%	11%	15%	4%	8%	15%			
Net Income	(3.4)	(0.0)	0.6	1.5	(0.1)	0.4	1.9	3162%	-102%	-68%
Net (Debt) Cash	(19.1)	(19.2)	(18.4)	(16.3)	(12.7)	(11.6)	(9.5)	50%	66%	93%
<i>Net Debt / EBITDA</i>	21.3x	5.9x	4.5x	3.1x	7.5x	4.7x	2.1x			

Source: EnVent Research

Financial projections

Assumptions

Revenues	<ul style="list-style-type: none"> • Revenues +50% in 2018E, +10% YoY in 2019-20E • Other income set at €0.5m per year
Operating costs	<ul style="list-style-type: none"> • Cost of sales (fee expenses paid to agents, services, IT and marketing costs) slightly decreasing as a percentage of sales, in the region of 45-43% of revenues • Personnel at the H1 level in 2018E, then stable • G&A flat • Other operating costs include provisions, writedown of current receivables and non-budgeted expenses • Writedown of overdue receivables consistent with H1 level in 2018E, then set at €1m per year
Income taxes	<ul style="list-style-type: none"> • Corporate tax (IRES) 24% • Regional tax IRAP 3.9%
Working capital	<ul style="list-style-type: none"> • TWC estimated by: <ul style="list-style-type: none"> - DSO - short-term receivables gradually decreasing from 140 to 120 - DPO gradually decreasing from 80 to 70 • Other working capital stable, €1m yearly repayment of tax debt
Capex	<ul style="list-style-type: none"> • Intangible assets capex flat at €600k a year • Fixed assets capex negligible (less than €50k a year)

Source: EnVent Research

Consolidated Profit and Loss

€m	2017A	2018E	2019E	2020E
Revenues	13.9	20.8	22.9	25.2
Other income	0.9	0.5	0.5	0.5
Total Revenues	14.8	21.2	23.3	25.6
YoY %	17.0%	43.4%	9.8%	9.8%
Cost of sales	(7.4)	(9.4)	(10.0)	(10.7)
Gross Profit	7.4	11.8	13.3	14.9
Margin	50.2%	55.7%	57.0%	58.1%
Personnel	(4.7)	(6.0)	(6.0)	(6.0)
G&A	(1.4)	(1.6)	(1.6)	(1.6)
Other operating costs	(0.4)	(0.9)	(1.5)	(2.0)
EBITDA	0.9	3.3	4.1	5.2
Margin	6.1%	15.3%	17.7%	20.4%
D&A	(0.6)	(0.5)	(0.6)	(0.5)
Writedown of overdue receivables	(1.5)	(1.3)	(1.0)	(1.0)
EBIT	(1.2)	1.5	2.5	3.7
Margin	-8.1%	7.0%	10.7%	14.5%
Interest	(1.8)	(1.4)	(1.6)	(1.6)
Non-recurring costs	(0.2)	0.0	0.0	0.0
EBT	(3.2)	0.1	0.9	2.1
Margin	-21.8%	0.3%	3.9%	8.4%
Income taxes	(0.2)	(0.1)	(0.3)	(0.7)
Net Income (Loss)	(3.4)	(0.0)	0.6	1.5
Margin	-22.9%	0.0%	2.5%	5.8%

Source: Company data 2017A; EnVent Research 2018-20E

Consolidated Balance Sheet

€m	2017A	2018E	2019E	2020E
Current trade receivables	7.3	9.7	10.3	10.1
Trade payables	(2.6)	(3.2)	(3.3)	(3.4)
Trade Working Capital	4.7	6.5	7.0	6.7
Long-term and overdue trade receivables	13.6	15.7	14.0	12.5
Other assets (liabilities)	(0.0)	(0.4)	0.6	1.6
Net Working Capital	18.3	21.8	21.6	20.8
Intangible assets	1.3	1.4	1.4	1.5
Goodwill	2.8	2.8	2.8	2.8
Fixed assets	0.2	0.2	0.1	0.1
Financial investments	0.4	0.3	0.3	0.3
Non-current assets	4.6	4.6	4.6	4.7
Provisions	(1.4)	(1.7)	(1.7)	(1.7)
Net Invested Capital	21.4	24.7	24.5	23.9
Net Debt (Cash)	19.1	19.2	18.4	16.3
Equity	2.4	5.5	6.1	7.6
Sources	21.4	24.7	24.5	23.9

Source: Company data 2017A; EnVent Research 2018-20E

Consolidated Cash Flow

€m	2017A	2018E	2019E	2020E
EBIT	(1.2)	1.5	2.5	3.7
Current taxes	(0.2)	(0.1)	(0.3)	(0.7)
D&A	0.6	0.5	0.6	0.5
Cash flow from operations	(0.8)	1.9	2.8	3.6
Trade Working Capital	(0.4)	(1.9)	(0.5)	0.3
Long-term and overdue trade receivables	(5.5)	(2.0)	1.7	1.5
Other assets and liabilities	(0.8)	0.7	(1.0)	(1.0)
Capex	(1.1)	(0.6)	(0.6)	(0.6)
Cash flow minus capex and investments	(8.7)	(1.9)	2.4	3.7
Interest	(1.8)	(1.4)	(1.6)	(1.6)
Non-recurring costs	(0.2)	0.0	0.0	0.0
Paid-in capital	3.6	3.2	0.0	0.0
Net cash flow	(7.1)	(0.1)	0.8	2.2
Net (Debt) Cash - Beginning	(12.0)	(19.1)	(19.2)	(18.4)
Net (Debt) Cash - End	(19.1)	(19.2)	(18.4)	(16.3)
Change in Net (Debt) Cash	(7.1)	(0.1)	0.8	2.2

Source: Company data 2017A; EnVent Research 2018-20E

Ratio analysis

KPIs	2017A	2018E	2019E	2020E
ROE	neg.	neg.	10.2%	21.7%
ROS (EBIT/Sales)	neg.	7.2%	10.9%	14.8%
ROIC (NOPAT/Invested Capital)	0.6%	8.6%	10.3%	14.0%
DSO - current trade receivables	158	140	135	120
DPO	86	80	75	70
TWC / Revenues	31.5%	30.8%	30.2%	26.3%
Net Debt (Cash) / EBITDA	21.3x	5.9x	4.5x	3.1x
Net Debt (Cash) / Equity	8.1x	3.5x	3.0x	2.1x
Debt / (Debt+Equity)	0.9x	0.8x	0.8x	0.7x
Cash flow from operations / EBITDA	neg.	59.0%	68.2%	68.3%
FCF / EBITDA	neg.	neg.	57.7%	71.3%

Source: Company data 2017A; EnVent Research 2018-20E

Valuation

The financial debt load generated by overdue and slow moving trade receivables implies a high financial risk and makes impracticable any comparison with other listed digital companies, disabling the assessment of Company's value through market multiples. Thus, we rely on the analytical DCF method, which we believe may capture better than other techniques the medium-term impact of Prismi's wished path.

Discounted Cash Flows

We have applied the DCF model to our projections with the following assumptions:

- Risk free rate: 1.8% (Italian 10-year government bonds interest rate - 3Y average. Source: Bloomberg, November 2018)
- Market return: 14.0% (3Y average. Source: Bloomberg, November 2018)
- Market risk premium: 12.2%
- Beta: Unlevered Beta 0.7; Re-levered Beta 1.5 (Median Beta of selected comps. Source: Bloomberg, November 2018)
- Cost of equity: 20.1%

- Cost of debt: 5% (Source: Recent rate of issued corporate bonds)
- Tax rate: 24% (IRES)
- 60% debt/(debt + equity) as target capital structure
- WACC 10.3%
- Perpetual growth rate after explicit projections: 3%
- Terminal Value assumes a 18% EBIT margin

DCF Valuation

€m	2017A	2018E	2019E	2020E	Perpetuity
Revenues	14.8	21.2	23.3	25.6	26.4
EBITDA	0.9	3.3	4.1	5.2	5.3
<i>Margin</i>	<i>6.1%</i>	<i>15.3%</i>	<i>17.7%</i>	<i>20.4%</i>	<i>20.0%</i>
EBIT	0.1	2.8	3.5	4.7	4.8
<i>Margin</i>	<i>1.0%</i>	<i>13.0%</i>	<i>15.0%</i>	<i>18.4%</i>	<i>18.1%</i>
NOPAT	0.1	2.0	2.5	3.4	3.4
D&A	0.6	0.5	0.6	0.5	0.5
Cash flow from operations	0.7	2.5	3.2	3.9	3.9
Trade Working Capital	(0.4)	(1.9)	(0.5)	0.3	(0.3)
Long-term and overdue trade receivables	(5.5)	(2.0)	1.7	1.5	0.0
Other assets and liabilities	(0.8)	0.7	(1.0)	(1.0)	0.0
Capex	(1.1)	(0.6)	(0.6)	(0.6)	(0.5)
Free cash flow	(7.2)	(1.3)	2.7	4.1	3.1
WACC	10.3%				
Long-term growth (G)	3.0%				
Discounted Cash Flows		(1.3)	2.5	3.3	
Sum of Discounted Cash Flows	4.5				
Terminal Value					43.9
Discounted TV	36.1				
Enterprise Value	40.6				
Net Debt as of 30/06/2018	(20.5)				
Minorities as of 30/06/2018	(0.1)				
Equity Value	20.0				

DCF - Implied multiples	2017A	2018E	2019E	2020E
EV/Revenues	2.7x	1.9x	1.7x	1.6x
EV/EBITDA	45.3x	12.5x	9.8x	7.8x

Source: EnVent Research

Implied multiples and target performance

Current EV based on capitalization

Market Cap (€m) - 19.11.2018	24.0
Net Debt (€m) - H1 2018	20.5
Minorities (€m) - H1 2018	0.1
Enterprise Value (€m)	44.6

Current capitalization implied multiples	2017A	2018E	2020E
Current Enterprise Value (€m)	44.6	44.6	44.6
Our estimates			
Revenues (€m)	14.8	21.2	25.6
EBITDA (€m)	0.9	3.3	5.2
<i>EBITDA Margin</i>	<i>6%</i>	<i>16%</i>	<i>20%</i>
EV/Revenues	3.0x	2.1x	1.7x
<i>Operating peers and Digital AIM Italia companies</i>	<i>0.0x</i>	<i>0.0x</i>	<i>n.a.</i>
EV/EBITDA	49.6x	13.5x	8.6x
<i>Operating peers and Digital AIM Italia companies</i>	<i>0.0x</i>	<i>0.0x</i>	<i>n.a.</i>

Source: EnVent Research

Target Price

The value estimated through DCF indicates a target equity value whose underlying condition is a fast progress on the past due receivables recovery.

The DCF valuation model yields a Target Price of €2.05 per share, a discount of 17% on the current share price. As a consequence, we assign a NEUTRAL recommendation on the stock.

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

Prismi Price per Share	€
Target Price	2.05
Current Share Price (19/11/2018)	2.46
Premium (Discount)	-17%

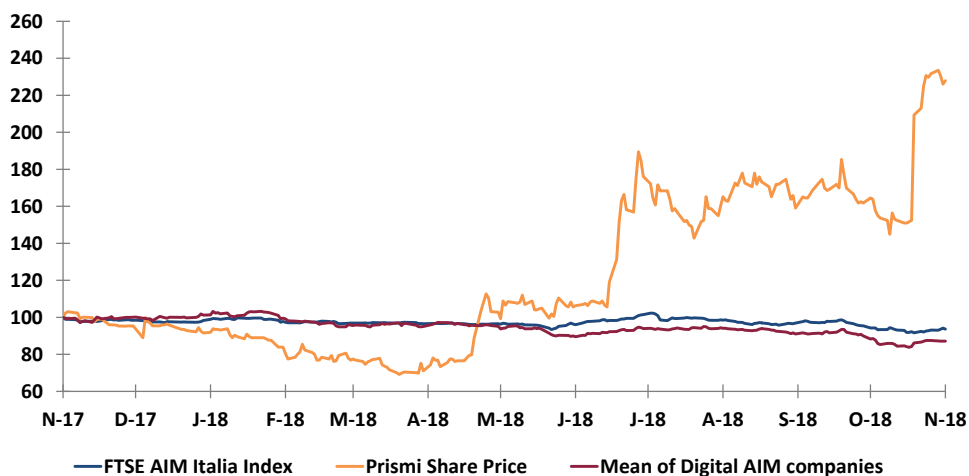
Source: EnVent Research

Market update

AIM Italia Digital companies - Market performance

Prismi overperformed the FTSE AIM Italia Index and Digital AIM companies since May 2018

The trend of Digital AIM Italia companies was in line with the overall FTSE AIM Italia Index



Source: EnVent Research on S&P Capital IQ - Note: 08/11/2017=100

Peer Group - Performances

Stock	Mkt Cap (€m)	1M	3M	6M	YTD	1Y
Prismi	24.0	0.8%	-3.5%	44.5%	69.0%	56.9%
AIM Italia Digital companies						
DigiTouch	18.3	5.2%	-5.4%	-9.6%	-13.5%	7.1%
Expert System	45.0	-3.8%	4.5%	-3.1%	-11.6%	-15.2%
MailUp	34.8	7.4%	11.8%	6.5%	-2.5%	-4.8%
Softec	6.9	-1.8%	-7.4%	-6.1%	-15.6%	-13.6%
DHH	7.9	-6.7%	-4.3%	-18.4%	-27.9%	-30.6%
Vetrya	42.9	-6.1%	-10.9%	-16.4%	-17.4%	-10.1%
Digital 360	19.0	-6.0%	-10.3%	-3.7%	-6.9%	-6.4%
WIIT	87.7	-19.8%	-31.3%	-29.9%	-41.4%	-41.8%
Intred	41.1	-6.7%	0.3%			
Alkemy	57.1	-3.3%	-9.8%	-11.2%	-15.9%	
Neurosoft	35.1	-21.3%	-39.4%	-40.4%	-34.8%	-34.3%
SG Company	26.5	-7.2%	-5.3%			
GPI	133.6	-3.4%	-10.6%	-19.2%	-20.2%	-22.4%
GO Internet	18.4	-5.5%	0.7%	-6.2%	-4.5%	-17.0%
Mean		-5.6%	-8.4%	-13.1%	-17.7%	-17.2%
Weighted average		-6.9%	-11.2%	-14.6%	-18.4%	-17.0%
Industry players						
Italiaonline	234.1	-2.9%	-18.9%	-30.7%	-34.3%	-39.0%
Solocal	385.7	-31.8%	-40.1%	-34.2%	-20.3%	-22.5%
Wix.com	4,295.4	2.4%	-4.5%	22.2%	85.4%	71.5%
Endurance	1,070.9	-0.7%	-7.1%	-2.4%	6.4%	7.1%
GoDaddy	9,793.3	-11.2%	-12.1%	0.7%	39.9%	41.3%
Mean		-8.8%	-16.5%	-8.9%	15.4%	11.7%
Weighted average		-7.2%	-10.5%	5.0%	47.4%	44.4%

Source: S&P Capital IQ, update: 08/11/2018 - Note: Weighted average on market cap

Peer Group - Market Multiples

Comparables	EV/REVENUES				EV/EBITDA			
	2017	2018E	2019E	2020E	2017	2018E	2019E	2020E
Prismi	2.0x	2.1x	1.9x	1.7x	n.m.	13.7x	10.8x	8.5x
Industry players								
Italiaonline	0.8x	0.5x	0.5x	0.5x	6.6x	2.2x	2.1x	2.0x
Solocal	1.1x	1.0x	1.1x	1.1x	4.0x	4.2x	3.7x	3.4x
Wix.com	5.6x	6.7x	5.3x	4.3x	neg.	35.8x	22.6x	16.2x
Endurance	2.6x	2.6x	2.6x	2.6x	10.8x	9.0x	9.3x	9.3x
GoDaddy	4.0x	4.6x	4.1x	3.7x	n.m.	17.9x	16.1x	13.8x
Mean	2.8x	3.1x	2.7x	2.4x	7.1x	13.8x	10.8x	8.9x
Median	2.6x	2.6x	2.6x	2.6x	6.6x	9.0x	9.3x	9.3x
AIM Italia Digital companies								
DigiTouch	0.8x	0.6x	0.5x	0.4x	n.m.	4.1x	3.1x	2.5x
Expert System	1.7x	1.7x	1.4x	1.2x	neg.	10.9x	6.7x	4.9x
MailUp	1.1x	0.8x	0.6x	0.5x	9.9x	7.3x	5.5x	4.0x
DHH	1.5x	0.8x	0.7x	0.6x	16.5x	7.7x	6.3x	4.7x
Vetrya	0.7x	0.6x	0.5x	0.5x	10.2x	5.1x	4.5x	4.0x
Digital360	1.6x	1.0x	0.9x	0.8x	19.3x	7.9x	6.2x	5.4x
WIIT	7.0x	3.4x	2.8x	2.5x	18.6x	8.3x	6.3x	5.4x
Alkemy	1.1x	0.7x	0.5x	0.5x	14.6x	6.2x	4.2x	3.7x
Intred	0.3x	2.7x	2.3x	2.0x	0.7x	7.7x	5.9x	4.8x
SG Company	n.a.	0.7x	0.6x	0.5x	n.a.	9.4x	6.9x	5.8x
GPI	1.2x	1.0x	1.0x	1.0x	10.8x	7.1x	6.6x	6.2x
GO internet	3.0x	2.6x	2.1x	1.7x	8.5x	6.5x	5.2x	4.0x
Mean	1.8x	1.4x	1.2x	1.0x	12.1x	7.3x	5.6x	4.6x
Mean w/out extremes	1.4x	1.3x	1.1x	0.9x	12.7x	7.3x	5.7x	4.7x
Median	1.2x	0.9x	0.8x	0.7x	10.8x	7.5x	6.0x	4.7x

Source: S&P Capital IQ, update: 13/11/2018

Investment case

Nerd in the game of search

Pioneer in SEO

- Among the main providers of Search Engine Optimization (SEO) services to microbusinesses and Small and Medium-sized Enterprises (SMEs) in Italy
- Pioneer in the web marketing industry, with a track record of over 15 years
- Over 5,000 customers
- Salesforce of 158 digital consultants (as of June 2018)

Mission

Filling the digital gap of Italian SMEs

To provide Italian micro-enterprises and SMEs with low-cost digital services to establish, build and increase online presence and visibility, in order to enhance business productivity.

Key milestones

- 2007 -> Establishment of Primi Sui Motori
- 2009 -> A professional investor acquires a 20% stake in Primi Sui Motori
-> Highest turnover since inception: €8.7m (+191% vs 2008)
- 2012 -> IPO on AIM Italia
- 2013 -> Acquisition of three media agencies: 3ding Consulting, 2ThePoint PSM, Crearevalore
- 2014 -> Peak turnover: €14.8m
- 2017 -> Re-branding from Primi Sui Motori to Prismi; several acquisitions

Industry drivers

Nearly 4.5m of SMEs in Italy: the engine of growth

Internet for SMEs. Micro-enterprises and SMEs are the backbone of the economy, representing over 99% of Italian companies and generating 70% of total turnover (Source: ISTAT). Despite large businesses are usually the big online advertising spenders, microbusinesses and SMEs represent an unexploited segment to serve. Thus, Prismi has significant growth opportunities through the development of their digital business.

Digital is disrupting the advertising market

Online advertising is replacing traditional media advertising. The market potential is still untapped and the level of penetration in the markets where web usage is more intense represents a reliable indicator of the market's growth potential.

Huge market potential with SMEs going digital

Internet penetration, especially among micro and small enterprises is still low: 30% of small enterprises in Italy did not have a website or homepage in 2015; 50% of micro-enterprises with less than 10 employees did not have a website in 2011; 85% of enterprises with 1 or 2 employees did not have a website in 2011 (Source: European Commission, *Digital Scoreboard*, 2016 and Eurisko reported by the BCG).

Increasing e-commerce sales. Consumers will continue to spend online. Online sales in Western Europe will increase from €319bn in 2013 to €525bn in 2018, at a 10.5% CAGR (Source: eMarketer, *Worldwide Retail Ecommerce Sales 2013–2018*,

January 2015).

Local SEO to gain grounds. Local SEO helps businesses stand out in search engine results pages, by using ranking factors like name, address, phone number and customer reviews. Local search results are changing very rapidly and are expected to go stronger over the next few years, forcing businesses to focus on a local base, thus opening new opportunities for Prismi.

Fragmented competition arena: room to increase market share. With few large players and some thousands of small local web agencies, also based on industry growth expectations, there is wide room for Prismi to increase its market share (currently less than 1%) and figures like 2-3% are not unrealistic.

Company drivers

In the short-list of market leaders in Italy. Prismi is in the short-list of market leaders in Italy for web presence and SEO digital products to SMEs and is positioned as the third player in terms of revenues. Prismi has built a nationwide salesforce of over 150 digital consultants to reach its target customer base - micro-enterprises and SMEs - which have a significant growth potential. Going forward, Prismi is enriching its offer with integrated digital services to build a complete product suite.

Long-lasting customer relationships. Prismi's digital consultants propose themselves as long-term coaches to assist SMEs in their online presence and marketing activities. SEO consultancy contracts usually last two years.

New digital services. Launch of new customized digital services for SMEs and large businesses, such as social networks applications to increase web visibility and business productivity.

Capital-free business model. Prismi, as most digital service companies, is an asset-light business.

Economies of scale. Every new customer increases marginal profitability of the in-house developed SEO platform.

Challenges

Working capital dynamics and net debt position. Prismi has cumulated, prior to 2014, substantial overdue receivables, due to customers who interrupted monthly payments for various reasons, ranging from financial troubles to service complaints. The subsequent payment terms changes put the receivables issue under control, but negatively impacted sales. The right balance between effective sales promotion tools and sound receivables management has been and will continue to be a major challenge for Prismi.

Churn rate. Prismi's accounting system has not yet been structured to calculate the churn rate of its customer base. According to its annual reports, the number of customers over the last years was consistently at the level of 5,000. The size of overdue accounts is an indicator of a presumably high churn rate. As a consequence, sales growth and the financial recovery of the Company imply a high degree of success of customer retention and satisfaction. The growing follow-on business is a sign of better customer quality.

Competition from key peers. Italiaonline has a healthy financial structure and a larger turnover that could help to extend sales network and customer base. Axélero, who was Prismi main competitor and peer in Italy, is currently in troubled waters, after revenues decreased from €46m in 2016 (3x Prismi) to €29m in 2017, with a €29m net loss and €32m net financial debt. The Board of Directors has recently approved the filing of a composition with creditors.

Annex

Bonds

€m

Financial instrument	Issue size	Subscribed	Converted	Outstanding	Expiry	Rate
Bond Primi sui Motori 9% 2013-2016	2.6	2.6	1.4	0.0	08/08/2016	9.0%
Bond PSM 7% 2014-2017	3.0	3.0	1.8	0.0	09/05/2017	7.0%
Bond PSM 7% 2015-2020	6.4	2.1	1.8	0.3	09/07/2020	7.0%
Convertible bond PSM 2015-2021	9.9	8.9	-	8.9	06/12/2021	7.0%
Bond PRISMI 5% 2017-2019	1.0	0.6	-	0.6	08/05/2019	5.0%
Bond PSM 90	9.5	9.4	-	7.9	23/04/2023	5.5%
Bond PRISMI 85 2018-2023 - Tranche A	10.5	1.2	-	1.2	23/04/2023	5.0%
Bond PRISMI 85 2018-2023 - Tranche B	-	3.1	-	3.1	23/04/2023	5.0%
Bond PRISMI 85 2018-2023 - Tranche C	-	2.4	-	2.4	01/10/2023	5.0%
Bond PRISMI 85 2018-2023 - Tranche D	-	1.4	-	1.4	01/10/2023	5.0%
Bond PRISMI 85 2018-2023 - Tranche E	-	1.2	-	1.2	01/04/2024	5.0%
Total	42.9	35.8	4.9	27.0		

Source: Company data - Update: November 2018

Capital increases

Capital increase	Date	Approved	Shares subscribed	Price (€)	Capital raised (€m)
IPO	2012	275,000 shares	159,866	22.0	3.5
Newly issued shares			127,929	22.0	2.8
Vendor placing			31,937	22.0	0.7
Share capital increase	2012		31,223	22.0	0.7
Share capital increase	2013	144,894 shares	76,818	21.0	1.6
Share capital increase	2013		9,762	21.0	0.2
Warrant exercise PSM 2012-2015	2014		27,293	24.0	0.7
Warrant exercise PSM 2012-2015	2014		8,980	0.0	0.0
Share capital increase	2014	173,830 shares	21,992	22.5	0.5
Share capital increase	2014		900	0.0	0.0
Warrant exercise PSM 2012-2015	2015		107,250	16.0	1.7
Warrant exercise PSM 2012-2016	2015		40	11.5	0.0
Share capital increase	2016	2,813,709 shares	1,022,310	1.74	1.8
Share capital increase	2016		12,410	1.74	0.0
Share capital increase	2016		579,511	1.74	1.0
Share capital increase	2017	2,300,000 shares	1,116,999	1.74	1.9
Share capital increase	2017		637,983	1.74	1.1
Bond conversion into shares	2017		33,138	1.51	0.0
Bond conversion into shares	2017		33,138	1.51	0.0
Bond conversion into shares	2017		33,240	1.50	0.0
Bond conversion into shares	2017		132,960	1.50	0.2
Bond conversion into shares	2017		71,026	1.41	0.1
Bond conversion into shares	2017		118,090	1.27	0.1
Bond conversion into shares	2018		38,117	1.31	0.0
Bond conversion into shares	2018		38,738	1.29	0.0
Share capital increase	2018	4,017,552 shares	2,614,301	1.24	3.2
Total (not including vendor placing)					18.0

Source: Company data - Update: November 2018 - Note: the number of shares subscribed does not include non-cash underwritings

Securitization

Securitization (€m)	2014	2015	2016	2017	H1 2016	H1 2017	H1 2018
Receivables transferred	5.2	3.1	7.9	n.a.	3.8	1.6	2.3
Cash-in	4.1	2.2	5.2	n.a.	2.6	n.a.	1.6
as a % of face value	78%	70%	65%	n.a.	68%	n.a.	70%
Securitization expense	1.2	0.6	0.5	0.4	0.3	0.2	0.2
% expense	22%	20%	6%	n.a.	8%	11%	8%
Receivables pending with recourse	0.0	0.3	2.3	3.2	0.9	n.a.	3.7

Source: Company data

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OUTPERFORM: stocks are expected to have a total return of at least 20% in the mid-term;

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The stock price indicated is the reference price on the day indicated as “Date of Price” in the table on the front page of this publication.

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Number of companies covered:	10	OUTPERFORM	NEUTRAL	UNDERPERFORM	SUSPENDED	UNDER REVIEW	NOT RATED
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of which EnVentCM clients % *		100%	100%	0%	100%	0%	100%

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Date	Recommendation	Target Price (€)	Share Price (€)
06/03/2017	NOT RATED	n.a.	1.75
28/07/2017	NEUTRAL	1.94	1.70
08/03/2018	UNDER REVIEW	n.a.	1.21
19/11/2018	NEUTRAL	2.05	2.46

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