

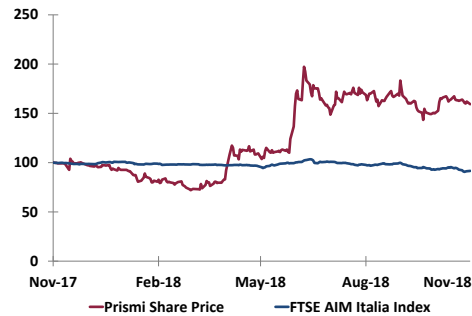


NEUTRAL

Current Share Price (€): 2.39

Target Price (€): 2.53

Prismi - 1Y Performance



Source: S&P Capital IQ - Note: 27/11/2017=100

Company data

ISIN number	IT0004822695
Bloomberg code	PRM IM
Reuters code	PRSM.MI
Share Price (€)	2.39
Date of Price	26/11/2018
Shares Outstanding (m)	9.8
Market Cap (€m)	23.4
Market Float (%)	66.0%
Daily Volume	21,120
Avg Daily Volume YTD	68,902
Target Price (€)	2.53
Upside (%)	6%
Recommendation	NEUTRAL

Share price performance

	1M	3M	1Y
Prismi - Absolute (%)	6%	-2%	59%
FTSE AIM Italia (%)	-1%	-6%	-8%
1Y Range H/L (€)	2.96	1.08	
YTD Change (€) / %	0.94	65%	

Source: S&P Capital IQ

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Management releases 2018E outlook, towards lower invested capital and financial debt from 2019E on

Management releasing FY18 pre-closing figures

According to management, Prismi's FY18 pre-closing consolidated key figures would be: revenues at €21.7-22.7m (+50% YoY, including capitalization of intangibles within revenues) and EBITDA margin at 15-18% (vs 6% in FY17). The pre-closing revenue figure is over the previous target of €21.2m announced last February.

Capital increase Nov. 26th-Dec. 19th 2018, stock grant plan 2019-21 approved

The Board of Directors has reopened a capital increase up to €1.7m, for the unexercised rights of the previous issue launched last February (up to €5m, of which €3.2m collected). Offer price at €2.40, between November 26th and December 19th 2018. Free warrants will be assigned to the shares, in the ratio 1:1. In addition, the Shareholders Meeting has approved the stock grant plan 2019-21 up to €0.25m, with the related capital increase.

Business scope expanded

Prismi has announced the acquisition of a 30% stake, plus an option for a further 21% stake, in Two Leaders, an Italian media barter company. The rationale is to access new sales channels and offer to the combined customer portfolios the opportunity to exchange products for digital services.

Organization and business model upgrade

- Redefinition of key management functions and hiring of new managers
- A total quality project
- Further acquisitions in 2019

New securitization agreement to lighten Prismi's balance sheet

Prismi has announced a new securitization agreement beginning in 2019, for the transfer of trade receivables. As a result, according to management, despite the increasing turnover, a drop in net debt is expected starting in 2019.

Estimates revised, impact on Prismi's risk profile, invested capital and valuation

We have raised our 2018 revenue estimate by 7%, based on the announced pre-closing figure, from €21.2m to €22.6m. The resulting EBITDA margin is consistent with Prismi's highly scalable business model and thus looks an achievable target. On the balance sheet side, we have simulated the effect of the securitization agreement on trade working capital by assuming a 20% lower DSO. The impact on cash flow would be significant and would bring 2020E net financial debt at €11.4m, from €16.3m in our prior estimates.

€m	2017A	2018E	2019E	2020E
Revenues	14.8	22.6	24.8	27.3
EBITDA	0.9	4.2	5.2	6.4
Margin	6.1%	18.7%	20.9%	23.5%
Net (Debt) Cash	(19.1)	(19.1)	(15.5)	(11.4)

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

Valuation updated, Target price €2.53 per share, rating NEUTRAL

The DCF model (10.3% WACC; 3% G) applied to our revised projections in two scenarios - one considering the sole effect of securitization and the other also the increase in revenues, indicates a pre-money equity value range of €2.31-2.76, average €2.53, per share. We raise our target price from €2.05 to €2.53, 6% premium on current share price, confirming the Neutral rating on the stock. We will monitor year-end actual results for fine-tuning of our estimates and rating.

Annex
Valuation - Discounted Cash Flows
DCF Valuation - Sensitivity on TWC

€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>	6.1%	15.3%	17.7%	20.4%	20.0%
EBIT	0.1	2.8	3.5	4.7	4.8
<i>Margin</i>	1.0%	13.0%	15.0%	18.4%	18.1%
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 trade receivables	(5.4)	(2.0)	2.8	2.5	0.0
Overdue trade receivables	(0.1)	(0.1)	0.8	0.0	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)	4.7	5.0	3.1
WACC	10.3%				
Long-term growth (G)	3.0%				
Discounted Cash Flows		(1.3)	4.2	4.1	
Sum of Discounted Cash Flows	7.1				
Terminal Value					43.9
Discounted TV	36.1				
Enterprise Value	43.2				
Net Debt as of 30/06/2018	(20.5)				
Minorities as of 30/06/2018	(0.1)				
Equity Value	22.6				

DCF - Implied multiples	2017A	2018E	2019E	2020E
EV/Revenues	2.9x	2.0x	1.9x	1.7x
EV/EBITDA	48.1x	13.3x	10.4x	8.2x

Source: EnVent Research

DCF Valuation - Sensitivity on TWC and Revenues

€m	2017A	2018E	2019E	2020E	Perpetuity
Revenues	14.8	22.6	24.8	27.3	28.1
EBITDA	0.9	4.2	5.2	6.4	5.6
<i>Margin</i>	6.1%	18.7%	20.9%	23.5%	20.0%
EBIT	0.1	3.7	4.6	5.9	5.1
<i>Margin</i>	1.0%	16.4%	18.4%	21.6%	18.2%
NOPAT	0.1	2.7	3.3	4.2	3.7
D&A	0.6	0.5	0.6	0.5	0.5
Cash flow from operations	0.7	3.2	3.9	4.8	4.2
Trade Working Capital	(0.4)	(2.4)	(0.5)	0.3	(0.3)
Long-term trade receivables	(5.4)	(2.0)	2.9	2.5	0.0
Overdue trade receivables	(0.1)	(0.1)	0.8	0.0	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)	(1.1)	5.5	5.9	3.4
WACC	10.3%				
Long-term growth (G)	3.0%				
Discounted Cash Flows		(1.1)	5.0	4.9	
Sum of Discounted Cash Flows	8.8				
Terminal Value					47.2
Discounted TV	38.8				
Enterprise Value	47.5				
Net Debt as of 30/06/2018	(20.5)				
Minorities as of 30/06/2018	(0.1)				
Equity Value	26.9				

DCF - Implied multiples	2017A	2018E	2019E	2020E
EV/Revenues	3.2x	2.1x	1.9x	1.7x
EV/EBITDA	53.0x	11.2x	9.1x	7.4x

Source: EnVent Research

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Date	Recommendation	Target Price (€)	Share Price (€)
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08/03/2018	UNDER REVIEW	n.a.	1.21
19/11/2018	NEUTRAL	2.05	2.46
26/11/2018	NEUTRAL	2.53	2.39

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