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## PRISMI (PRM-IT)

Strong set of 1H18 results. New VR €3.8-4.0

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Last (€)	2.6
Valuation Range (€)	<b>3.8-4.0</b>
<b>Recommendation</b>	<b>Buy</b>

- PRISMI released a strong set of 1H18 results, above our estimates, which confirm the positive effects of the growth and turnaround strategy. Revenues and EBITDA reported a strong increase, +64% YoY and +616% YoY respectively, while Net debt increased €1.4m vs. FY17 (€19.1m) in line with the company's business plan. Sales performance in 3Q should have confirmed the positive trend. CreareValore's business line is currently in line with expectations.
- We are updating our estimates for the 2018-2021 period, in light of the positive results reported in 1H18 and our increased confidence in the company's FY18 guidance. We have raised our FY18-FY20 estimates: FY18 Revenues by 13% (to €20.3m from previous €17.9m); FY18 EBITDA by 67% (to €4.2m, from previous €2.5m). FY20 numbers: Revenues flat (from €25.8m to €25.7m), EBITDA by 21% (from €6.1m to €7.4m). FY18 Net Debt almost in line vs. previous estimates. We confirm our Buy rating and set a new VR at €3.8-4.0 from previous €2.0-2.2. We remind that FY targets provided by the company during its '18-20 Business Plan are now in line with our estimates.**
- 1H18 in details:**
  - Tot. Revenues - Value of Production:** €11.3m, +64% YoY, vs. FidEst. €8m (+16.1% YoY);
  - EBITDA:** €2m, +616% YoY, vs. FidEst. €1.3m, vs. €0.3m in 1H17;
  - EBIT:** €0.9m, vs. FidEst. €0.1m, vs. -€0.7m in 1H17;
  - Net Income:** -€0.5m, vs. FidEst. -€0.8m, -1.7m in 1H17;
  - Net Debt:** €20.5m, vs. FidEst. €14m, vs. €19m in FY17.
- Highlights:**
  - The strong increase in Tot. Revenues, +64% YoY, is the result of **more effective commercial policies**, thanks to the reorganisation of the sales network (that has grown from 139 agents in FY17 to 158 in 1H18);
  - EBITDA increased +616% YoY thanks to a **reduction in variable costs** and the **strong operating leverage** of the business model;
  - The subsidiary InGrandiMenti** achieved results which were below budget forecasts (co. stated targets will be revisited); **PRISMI CH has started its activities** and marks a positive first half of the year. The numbers contributed at consolidated level by the two companies are not significant;
  - Wellnet** experienced the integration of the 3 companies that, with a consequent protracted start-up phase, together with the completion of development activities for the launch of new solutions, resulted in a delay in revenues and a postponement by six months of the Industrial Plan, which, however, can still be considered feasible;
  - The Company is continuing evaluating **potential targets** to additionally pursue external growth.
- PRISMI stated that it will continue to implement the '18-'20 Business Plan. Main guidelines were the following:**
  - Growth by internal lines: strengthening of PRISMI's sales network
  - Beginning of Wellnet's operations
  - Commercial strengthening of the CreareValore brand
  - Lead generation of InGrandiMenti: the company (consolidated as of 4Q17 2017) has launched a B2B training plan, taking advantage of the LinkedIn Sales Navigator
  - Entry into the Swiss market through the subsidiary PRISMI CH
  - Growth by external lines.

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## PRISMI - New FY18-FY20 Estimates

We are updating our estimates for the 2018-2021 period, in light of the positive results reported in 1H18 and our increased confidence in the company's FY18 guidance. We have raised our FY18-FY20 estimates: FY18 Revenues by 13% (to €20.3m from previous €17.9m); FY18 EBITDA by 67% (to €4.2m, from previous €2.5m). FY20 numbers: Revenues flat (from €25.8m to €25.7m), EBITDA by 21% (from €6.1m to €7.4m). FY18 Net Debt almost in line vs. previous estimates. We confirm our Buy rating and set a new VR at €3.8-4.0 from previous €2.0-2.2.

We expect more details on 2018 guidance between Nov. 19 and Nov. 23, as stated by the company. We remind that FY targets provided by the company during its '18-20 Business Plan are now in line with our estimates. No consensus is available.

### FY18 and FY19 outlook.

In details, **FY18 Guidance is set at:**

- Revenues: €21.2m, +41% YoY, vs. FidEst. €20.3m;
- Ebitda: €4.9m, 23% Ebitda margin, vs. FidEst. €4.2m;

'20 Guidance is set at:

- Revenues at €25m, vs. Fidentiis €21.5m;
- Ebitda €7.5m (30% Ebitda margin), vs. FidEst. €4.6m.

Figure 1: PRISMI – Income Statement 2018E – 2021E

(€m)	2016	2017	2018E	2019E	2020E	2021E
<b>Net Sales</b>	<b>11.8</b>	<b>13.9</b>	<b>19.1</b>	<b>22.8</b>	<b>24.6</b>	<b>26.8</b>
YoY growth (%)		17.0%	38.0%	19%	8%	9%
Other income	0.5	1.1	1.1	1.1	1.1	1.1
<b>Total Sales - Value of Production</b>	<b>12.3</b>	<b>15.0</b>	<b>20.3</b>	<b>23.9</b>	<b>25.7</b>	<b>27.9</b>
YoY growth (%)		21%	35%	18%	8%	9%
<b>Tot.Costs</b>	<b>-11.8</b>	<b>-14.0</b>	<b>-16.1</b>	<b>-17.4</b>	<b>-18.3</b>	<b>-18.7</b>
YoY growth (%)		19%	15%	8%	6%	2%
Costs of purchases	-0.6	-0.7	-0.7	-0.7	-0.7	-0.6
% on sales	-5.4%	-4.7%	-3.9%	-3.0%	-2.9%	-2.2%
Costs of services	-7.0	-8.6	-9.4	-9.6	-10.1	-9.6
% on sales	-59.3%	-62.3%	-49.0%	-42.0%	-41.0%	-36.0%
Costs of labour	-4.0	-4.7	-5.9	-7.0	-7.5	-8.4
% on sales	-33.9%	-33.6%	-29.0%	-29.5%	-29.0%	-30.0%
Other operating costs	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1
<b>EBITDA</b>	<b>0.6</b>	<b>0.9</b>	<b>4.2</b>	<b>6.5</b>	<b>7.4</b>	<b>9.2</b>
Margin (%)	4.8%	6.8%	21.8%	28.6%	30.0%	34.4%
D&A	-1.8	-2.1	-2.2	-2.2	-2.2	-2.2
% on sales	-16%	-15%	-12%	-10%	-9%	-8%
<b>EBIT</b>	<b>-1.3</b>	<b>-1.1</b>	<b>2.0</b>	<b>4.3</b>	<b>5.2</b>	<b>7.0</b>
Margin (%)	-11%	-8%	10%	19%	21%	26%
Net financial expenses	-1.8	-1.9	-1.9	-1.9	-1.9	-1.9
Other expenses	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2
<b>EBT</b>	<b>-3.3</b>	<b>-3.2</b>	<b>-0.1</b>	<b>2.2</b>	<b>3.1</b>	<b>4.9</b>
Taxes	0.2	-0.2	0.0	-0.5	-0.7	-1.2
tax rate (%)	6%	-5%	24%	24%	24%	24%
<b>Net Income / (Loss)</b>	<b>-3.1</b>	<b>-3.4</b>	<b>-0.1</b>	<b>1.7</b>	<b>2.3</b>	<b>3.7</b>
YoY growth (%)		10%	-97%	nm	nm	nm
Minorities	-0.1	0.0	0.0	0.0	0.0	0.0
<b>Group Net Income</b>	<b>-3.1</b>	<b>-3.4</b>	<b>-0.1</b>	<b>1.7</b>	<b>2.3</b>	<b>3.7</b>
EPS	-0.3	-0.3	0.0	0.2	0.2	0.4
n. shares		9.8	9.8	9.8	9.8	9.8

Source: Company data, Fidentiis



**Figure 2: PRISMI – Balance Sheet 2018E-2021E**

(€m)	2016	2017	2018E	2019E	2020E	2021E
Trade receivables	14.2	20.9	24.3	27.5	28.3	29.3
% on sales		151.1%	120%	115%	110%	105%
Current trade receivables	6.2	12.9	17.6	22.0	24.0	26.3
% on sales	52%	93%	92%	97%	98%	98%
Inventories	0.0	0.0	0.0	0.0	0.0	0.0
% on sales	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%
Trade payables	-2.6	-2.6	-3.6	-4.3	-4.7	-5.1
% on sales	-22%	-19%	-19%	-19%	-19%	-19%
<b>Trade working capital</b>	<b>3.6</b>	<b>10.3</b>	<b>13.9</b>	<b>17.7</b>	<b>19.4</b>	<b>21.3</b>
Overdue trade receivables	8.0	8.0	6.8	5.5	4.3	3.0
Other assets and liabilities	-0.4	0.1	0.1	0.1	0.1	0.1
<b>Net working capital</b>	<b>11.1</b>	<b>18.4</b>	<b>20.8</b>	<b>23.3</b>	<b>23.8</b>	<b>24.4</b>
Tangible assets	0.2	0.2	0.3	0.4	0.5	0.6
Intangible assets	3.6	4.0	4.2	4.3	4.4	4.5
of which goodwill	2.5	2.8	2.8	2.8	2.8	2.8
Financial assets	0.2	0.2	0.2	0.2	0.2	0.2
Receivables from shareholders	0.3	0.0	0.0	0.0	0.0	0.0
<b>Fixed assets</b>	<b>4.2</b>	<b>4.4</b>	<b>4.7</b>	<b>4.9</b>	<b>5.1</b>	<b>5.3</b>
Funds and other provisions	-1.2	-1.4	-1.2	-1.2	-1.2	-1.2
<b>Net Invested Capital</b>	<b>14.1</b>	<b>21.4</b>	<b>24.3</b>	<b>27.0</b>	<b>27.7</b>	<b>28.5</b>
Net Financial Position	<b>11.9</b>	<b>19.0</b>	<b>18.8</b>	<b>19.8</b>	<b>18.2</b>	<b>15.2</b>
Shareholders' equity	2.2	2.4	5.5	7.2	9.5	13.2
<b>Net Invested Capital</b>	<b>14.1</b>	<b>21.4</b>	<b>24.3</b>	<b>27.0</b>	<b>27.7</b>	<b>28.5</b>

Source: Company data, Fidentiis

**Figure 3: PRISMI – Capex 2018E -2021E**

(€m)	2016	2017	2018E	2019E	2020E	2021E
Capex	1.1	1.1	0.6	0.6	0.6	0.6
% on sales	9%	8%	3%	3%	2%	6%

Source: Company data, Fidentiis

**Figure 4: PRISMI – Cash Flow Statement 2018E – 2021E**

(€m)	2016	2017	2018E	2019E	2020E	2021E
EBIT	-1.3	-1.1	2.0	4.3	5.2	7.0
D&A	1.8	2.1	2.2	2.2	2.2	2.2
Cash taxes	0.2	-0.2	0.0	-0.5	-0.7	-1.2
<b>Gross Cash Flow</b>	<b>0.8</b>	<b>0.8</b>	<b>4.2</b>	<b>6.0</b>	<b>6.6</b>	<b>8.0</b>
Capex	-1.1	-1.1	-0.6	-0.6	-0.6	-0.6
Change in Trade working capital	-7.3	-2.4	-2.5	-0.5	-0.6	-0.6
<b>Operating cash flow</b>	<b>-7.6</b>	<b>-2.7</b>	<b>1.1</b>	<b>4.9</b>	<b>5.4</b>	<b>6.9</b>
Change in Funds and Provisions	0.0	0.0	0.0	0.0	0.0	0.0
Others	0.0	0.0	0.0	0.0	0.0	0.0
<b>Free cash flow</b>	<b>-7.6</b>	<b>-2.7</b>	<b>1.1</b>	<b>4.9</b>	<b>5.4</b>	<b>6.9</b>
Financial items	0.0	0.0	0.0	0.0	0.0	0.0
Changes in equities	0.0	0.0	0.0	0.0	0.0	0.0
<b>Net cash flow</b>	<b>-7.6</b>	<b>-2.7</b>	<b>1.1</b>	<b>4.9</b>	<b>5.4</b>	<b>6.9</b>

Source: Company data, Fidentiis

**Figure 5: PRISMI – Change of estimates**

Change of estimates	2018E	2019E	2020E
<b>Sales new</b>	<b>20.3</b>	<b>23.9</b>	<b>25.7</b>
Sales old	17.9	22	<b>25.8</b>
Change	13%	11%	0%
<b>EBITDA new</b>	<b>4.2</b>	<b>6.5</b>	<b>7.4</b>
EBITDA Adj old	2.5	4.6	6.1
Change	67%	41%	21%
<b>EBIT new</b>	<b>2.0</b>	<b>4.3</b>	<b>5.2</b>
EBIT old	0.4	2.5	4.0
Change	n.m.	72%	29%
<b>Net income new</b>	<b>-0.1</b>	<b>1.7</b>	<b>2.3</b>
Net income old	-1.2	0.2	1.3
Change	n.m.	n.m.	80%
<b>Net debt new</b>	<b>18.8</b>	<b>19.8</b>	<b>18.2</b>
Net debt old	19.5	21.3	22.0
Change	-3%	-7%	-17%

Source: Fidentiiis



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