



2018 Operations takeoff, receivables and debt push down

NEUTRAL

Current Share Price (€): 2.16

Target Price (€): 2.53

Prismi - 1Y Performance



Source: S&P Capital IQ - Note: 16/04/2018=100

Company data

ISIN number	IT0004822695
Bloomberg code	PRM IM
Reuters code	PRSM.MI
Share Price (€)	2.16
Date of Price	16/04/2019
Shares Outstanding (m)	10.5
Market Cap (€m)	22.7
Market Float (%)	72.4%
Daily Volume	720
Avg Daily Volume YTD	23,000
Target Price (€)	2.53
Upside (%)	17%
Recommendation	NEUTRAL

Share price performance

	1M	3M	1Y
Prismi - Absolute (%)	-5%	-4%	83%
FTSE AIM Italia (%)	1%	3%	-7%
1Y Range H/L (€)		2.96	1.18
YTD Change (€) / %		-0.29	-12%

Source: S&P Capital IQ

Analysts

Luigi Tardella - Co-Head of Research
tardellaresearch@advisory.envent.it

Viviana Sepe - vsepe@advisory.envent.it

EnVent Capital Markets Limited

42, Berkeley Square - London W1J 5AW (UK)

Phone +44 (0) 20 35198451

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Revenues and EBITDA up, receivables and financial charges turn down margins

In 2018 Prismi continued progress on operating figures of the income statement. Revenues were up 40% on 2017, reaching over €21m. EBITDA was €2.4m, 11% margin, compared to €0.9m in 2017. Writeoffs for €1.7m and financial charges for €1.9m led to a consolidated loss of €1.6m. Trade receivables continue to absorb cash, both for growing operations and bad debt recognition. The overall stock reached over €31, vs €26m of June 2018 and €21m at December 2017, of which €8.3m overdue. Year-end net debt was €25.4m, compared to June 2018 €20.5m. Equity, after €4.9m paid-in capital increase completed during 2018, at year-end was €5.9m.

Management operating target for 2018 met, while losses on receivables offset margins

Management's revenue target of €21m in 2018 has been reached, thus more ambitious targets make sense. On the operating profits side, the targets have been confirmed to be challenging in the short-term, also looking at our revised estimates that were more conservative. On the balance sheet side, trade receivables keep being an issue and working capital still uses significant cash. Prismi's financial health and value perspectives are confirmed by 2018 accounts to be still heavily dependent on the recovery of receivables.

Financing update

In December 2018 €1.7m was raised through a capital increase, bringing the 2018 paid-in capital to €4.9m. In January 2019 a €12m bond program was approved, of which three tranches have been issued for €4.3m. Prismi will enter into a securitization agreement up to €20m.

Management targets 2019-23: focus on Wellnet subsidiary value added services

Management has recently set updated revenue targets for 2019 to €27.2m, and reaching €47m by 2023. Target EBITDA are €5.3m for 2019 and €13.4m in 2023. Through the next five years a key role is assigned to the subsidiary Wellnet, which provides digital marketing services. We maintain our revenue targets, while keeping more conservative on the bottom lines.

Target Price €2.53 per share, rating NEUTRAL (unchanged)

Prismi has fully recovered the pre-crisis revenue level and has made progress in 2018. The updated DCF yields a Target Price of €2.53 per share, unchanged compared to our prior note, 17% premium on current share price. We confirm the NEUTRAL rating.

Key financials and estimates

€m	2017A	2018A	2019E	2020E
Revenues	14.8	21.1	24.8	27.3
EBITDA	0.9	2.4	4.6	5.4
Margin	6.1%	11.4%	18.5%	19.7%
EBIT	(1.2)	0.7	3.2	4.0
Margin	-8.1%	3.2%	13.0%	14.6%
Net Income (Loss)	(3.4)	(1.6)	0.9	1.5
Net Working Capital	18.3	30.2	27.9	25.1
Net (Debt) Cash	(19.1)	(25.4)	(22.5)	(18.3)
Equity	2.4	5.9	6.8	8.3

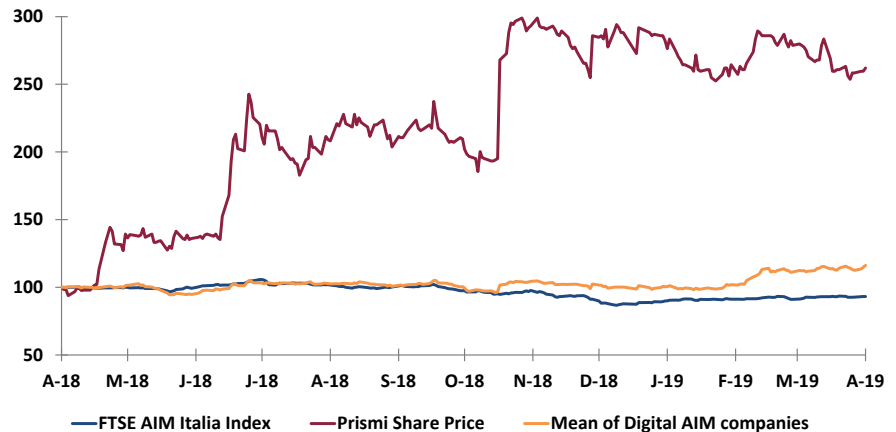
Source: Company data 2017-18A; EnVent Research 2019-20E

Market update

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

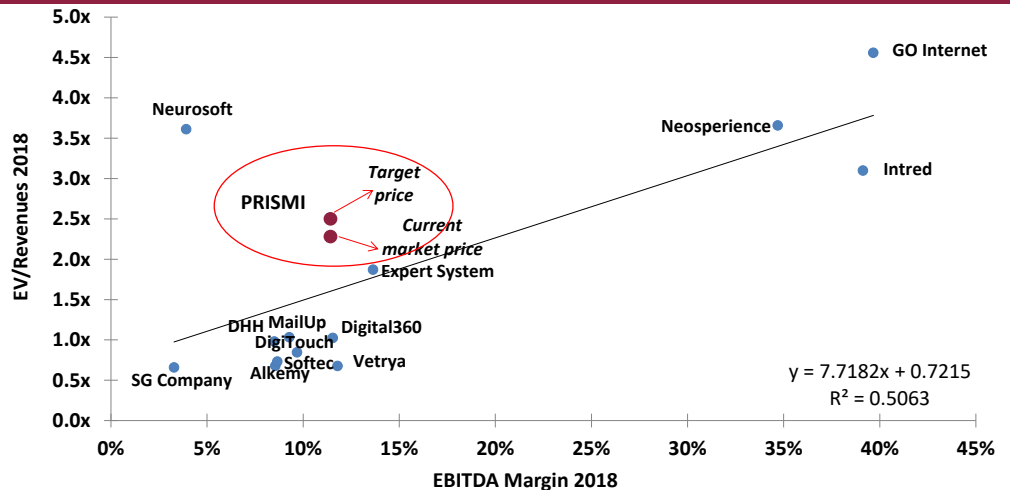
The trend of Digital AIM Italia companies was consistent with the overall FTSE AIM Italia Index

AIM Italia Digital companies - 1Y Market performance



Source: EnVent Research on S&P Capital IQ - Note: 11/04/2018=100

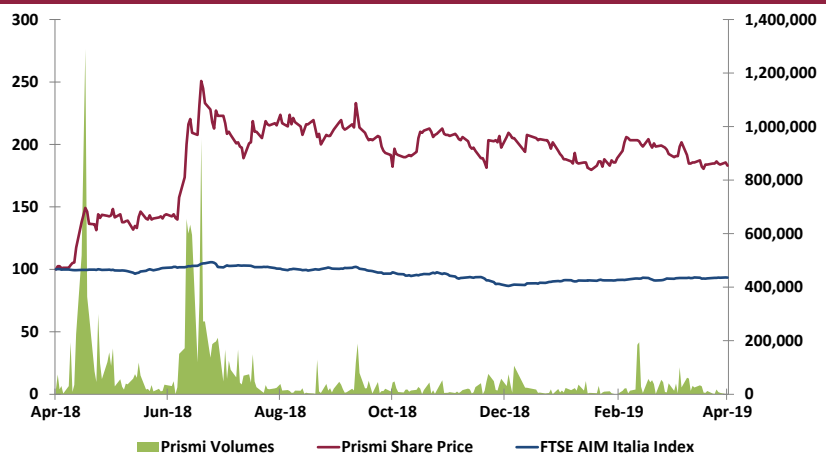
AIM Italia Digital companies - Regression analysis and Prismi target positioning



Source: EnVent Research on S&P Capital IQ, April 2019

EV/Revenues inconsistent with EBITDA for overweight of financial debt added to market cap

Prismi - 1Y Share price performance and trading volumes



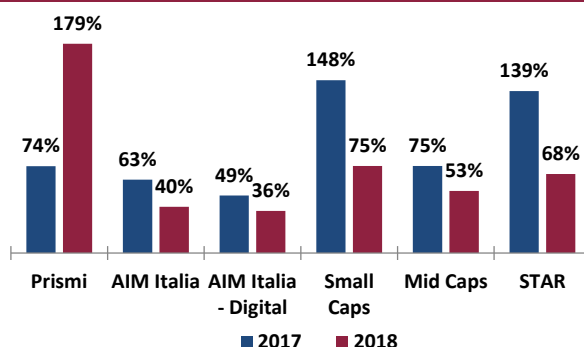
Prismi's shares in the last 12 months traded in the range €1-3, with beginning price at €1.18 and ending at €2.16, 83% increase

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

Source: EnVent Research on S&P Capital IQ - Note: 16/04/2018=100

Prismi's liquidity in 2018 overperforming all segments

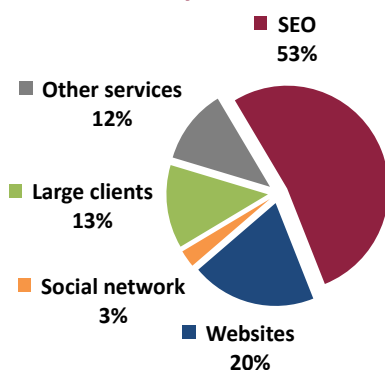
Prismi - Liquidity analysis and velocity turnover



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

Revenues up 40% in 2018, rebuilding profitability

Revenues by service, 2018



Source: Company data

Income Statement analysis

2018 consolidated revenues were €20m, +44% YoY. Other income of €1.2m includes mainly non-recurring revenues. Cost of sales increased by 38%, personnel increased by 29%, G&A doubled. EBITDA was €2.4m, 11% margin, compared to €0.9m in 2017 (6% margin). EBIT was €0.7m, after €0.4m D&A and €1.4m writedown of overdue receivables and provisions. The €1.6m net loss came after €1.9m financial charges and €0.4m other non-operating charges, vs €3.4m loss in 2017.

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

Reconciliation (€m)	2017	2018
Reported EBITDA	0.9	2.8
Other charges and provisions	(0.1)	(0.4)
EBITDA as per EnVent Research	0.9	2.4

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

Balance sheet analysis

The overall stock of receivables reached €31.4m at year-end 2018, from over €26m as of June 2018 and €21m at December 2017. Receivables are split half in current and half in long-term/overdue. Trade payables increased by 17%. TWC as a percentage of revenues was 60%. Including overdue and long-term receivables, TWC on revenues would be over 140%.

Net debt as of December 2018 was €25.4m (from €20.5m at June 2018 and €19.1m at year-end 2017).

Equity increased to €5.9m, as a result of the €4.9m paid-in capital in March and December 2018.

Overdue receivables

At year-end 2018 overdue receivables unchanged compared to year-end 2017.

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
2018	1.1	0.6	0.7	0.3	5.6	8.3	470

Source: Company data - Note: not consolidated figures

Period facts

Paid-in capital

In December 2018 a capital increase for unexercised rights of the February issue resulted in €1.7m capital raised, bringing the 2018 paid-in capital to €4.9m.

Bonds issue

New bond program PRISMI 85 2019-27 approved in January 2019 up to €12m, 5% interest rate, of which three tranches have been already issued for €4.3m.

Securitization of trade receivables

Prismi has announced that in 2019 will enter into a securitization agreement without recourse up to €20m.

Business plan 2019-23

In February 2019, Prismi's Management announced the revision of certain key figures of the business plan.

Securitization of trade receivables

New targets are consolidated revenues up to €27m and EBITDA margin of €5m in 2019. For 2023, Management foresees consolidated revenues at €47m, with €13m EBITDA, whose increase is foreseen thanks to scalability effect.

An improvement in net debt is also envisaged, through the securitization program. Net debt/revenues would move, according to management, from 1.15 in 2018 to 0.36 in 2023, while net debt/EBITDA from 7 in 2018 to 4.12 in 2019, to 1.27 in 2023.

Main action guidelines:

- Wider service offering, through the update of best and long sellers and through the launch of new products
- Improvement in project delivery, through a structured customer care program
- Extension of the sales network
- Optimization of overheads through the merger of InGrandiMenti into Prismi
- Wellnet's growth, even through acquisitions - Targets are considered innovation-driven companies with revenues over €2.5m

Estimates revision

Following the analysis of 2018 accounts, we appreciate that Prismi has fully recovered the pre-crisis revenue level in 2018, making strong progress with revenues up 40% and sound operating margins.

We have maintained our prior revenue targets for 2019 and 2020, which are more conservative than new Management targets announced in March 2019, and realigned costs and margins accordingly.

Financial debt of over €25m at 2018 year-end exceeded our estimate by €6m, mainly due to receivables. Our model ends at €22.6m in 2019 and €18.6m in 2020.

Change in estimates

							Change % (Rev. vs. Prev.)		
€m	2018A	2019E	2020E	2018E	2019E	2020E	2018E	2019E	2020E
Revenues	21.1	24.8	27.3	22.6	24.8	27.3	-7%	0%	0%
EBITDA	2.4	4.6	5.4	4.2	5.2	6.4	-43%	-12%	-16%
Margin	11%	19%	20%	19%	21%	23%			
EBIT	0.7	3.2	4.0	2.5	3.6	4.9	-72%	-10%	-18%
Margin	3%	13%	15%	11%	14%	18%			
Net Income (Loss)	(1.6)	0.9	1.5	0.7	1.4	2.3	-332%	-31%	-36%
Net (Debt) Cash	(25.4)	(22.5)	(18.3)	(19.1)	(15.5)	(11.4)			
Net Debt / EBITDA	10.5x	4.9x	3.4x	4.5x	3.0x	1.8x			

Source: EnVent Research

Projections

Consolidated Profit and Loss

€m	2017A	2018A	2019E	2020E
Revenues	13.9	20.0	24.4	26.8
Other income	0.9	1.2	0.5	0.5
Total Revenues	14.8	21.1	24.8	27.3
<i>YoY %</i>	17.0%	42.6%	17.7%	9.8%
Cost of sales	(7.4)	(10.2)	(11.8)	(12.5)
Gross Profit	7.4	10.9	13.1	14.8
<i>Margin</i>	50.2%	51.7%	52.7%	54.2%
Personnel	(5.4)	(7.0)	(7.0)	(7.0)
G&A	(0.7)	(1.4)	(1.4)	(1.4)
Other operating costs	(0.4)	(0.1)	(0.1)	(1.0)
EBITDA	0.9	2.4	4.6	5.4
<i>Margin</i>	6.1%	11.4%	18.5%	19.7%
D&A	(0.6)	(0.4)	(0.4)	(0.4)
Writedown of overdue receivables and provisions	(1.5)	(1.4)	(1.0)	(1.0)
EBIT	(1.2)	0.7	3.2	4.0
<i>Margin</i>	-8.1%	3.2%	13.0%	14.6%
Interest	(1.8)	(1.9)	(1.8)	(1.8)
Non-recurring costs	(0.2)	(0.4)	0.0	0.0
EBT	(3.2)	(1.7)	1.4	2.2
<i>Margin</i>	-21.8%	-7.9%	5.6%	8.0%
Income taxes	(0.2)	0.1	(0.5)	(0.7)
Net Income (Loss)	(3.4)	(1.6)	0.9	1.5
<i>Margin</i>	-22.9%	-7.6%	3.8%	5.5%

Source: Company data 2017-18A; EnVent Research 2019-20E

Consolidated Balance Sheet

€m	2017A	2018A	2019E	2020E
Current trade receivables	7.3	15.5	15.1	13.3
Trade payables	(2.6)	(3.1)	(3.3)	(3.5)
Trade Working Capital	4.7	12.4	11.8	9.8
Long-term trade receivables	5.4	7.6	8.4	6.5
Overdue trade receivables	8.3	8.3	7.2	7.2
Other assets (liabilities)	(0.0)	1.9	0.6	1.6
Net Working Capital	18.3	30.2	27.9	25.1
Intangible assets	1.3	1.7	2.0	2.3
Goodwill	2.8	2.8	2.8	2.8
Fixed assets	0.2	0.3	0.2	0.2
Financial investments	0.4	0.3	0.3	0.3
Non-current assets	4.6	5.1	5.4	5.6
Provisions	(1.4)	(4.0)	(4.0)	(4.0)
Net Invested Capital	21.4	31.3	29.3	26.7
Net Debt (Cash)	19.1	25.4	22.5	18.3
Equity	2.4	5.9	6.8	8.3
Sources	21.4	31.3	29.3	26.7

Source: Company data 2017-18A; EnVent Research 2019-20E

Consolidated Cash Flow

€m	2017A	2018A	2019E	2020E
EBIT	(1.2)	0.7	3.2	4.0
Current taxes	(0.2)	0.1	(0.5)	(0.7)
D&A	0.6	0.4	0.4	0.4
Cash flow from P&L operations	(0.8)	1.1	3.1	3.7
Trade Working Capital	(0.4)	(7.7)	0.6	2.0
Long-term trade receivables	(5.4)	(2.3)	(0.7)	1.9
Overdue trade receivables	(0.1)	0.0	1.1	0.0
Other assets and liabilities	(0.8)	0.7	1.3	(1.0)
Capex	(1.1)	(0.9)	(0.6)	(0.6)
Cash flow minus capex and working capital	(8.7)	(9.1)	4.7	5.9
Interest	(1.8)	(1.9)	(1.8)	(1.8)
Non-recurring costs	(0.2)	(0.4)	0.0	0.0
Paid-in capital	3.6	4.9	0.0	0.0
Equity adjustments	0.0	0.2	0.0	0.0
Net cash flow	(7.1)	(6.3)	2.9	4.1
Net (Debt) Cash - Beginning	(12.0)	(19.1)	(25.4)	(22.5)
Net (Debt) Cash - End	(19.1)	(25.4)	(22.5)	(18.3)
Change in Net (Debt) Cash	(7.1)	(6.3)	2.9	4.1

Source: Company data 2017-18A; EnVent Research 2019-20E

Ratio analysis

KPIs	2017A	2018A	2019E	2020E
ROE	neg.	neg.	15%	20%
Net Income (Loss) / Market Cap	-35%	-7%	4%	6%
ROS (EBIT/Sales)	neg.	3%	13%	15%
ROIC (NOPAT/Invested Capital)	1%	6%	10%	13%
DSO - total receivables	452	470	376	301
DPO	93	79	75	70
TWC / Revenues	32%	43%	50%	40%
Tot. TWC (overdues included) / Revenues	132%	142%	112%	88%
Net Debt (Cash) / EBITDA	21.3x	10.5x	4.9x	3.4x
Net Debt (Cash) / Equity	8.1x	4.3x	3.3x	2.2x
Debt / (Debt+Equity)	0.9x	0.8x	0.8x	0.7x
Cash flow from P&L operations / EBITDA	neg.	46%	68%	69%
FCF / EBITDA	neg.	neg.	103%	110%

Source: Company data 2017-18A; EnVent Research 2019-20E

Financial risk**Valuation**

The persistence of 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 confirm reliance on the DCF method.

Discounted Cash Flows

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

- Risk free rate: 1.9% (Italian 10-year government bonds interest rate - 3Y average. Source: Bloomberg, April 2019)
- Market return: 13.9% (3Y average. Source: Bloomberg, April 2019)
- Market risk premium: 12.1%
- Beta: Unlevered Beta 0.7; Re-levered Beta 1.5 (Median Beta of selected comps. Source: Bloomberg, April 2019)
- Cost of equity: 20%
- 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	2018A	2019E	2020E	Perpetuity
Revenues	14.8	21.1	24.8	27.3	28.1
EBITDA	0.9	2.4	4.6	5.4	5.6
Margin	6.1%	11.4%	18.5%	19.7%	20.0%
D&A	(0.6)	(0.4)	(0.4)	(0.4)	(0.5)
Writedown of overdue receivables and provisions	(1.5)	(1.4)	(1.0)	(1.0)	0.0
EBIT	(1.2)	0.7	3.2	4.0	5.2
Margin	-8.1%	3.2%	13.0%	14.6%	18.4%
Taxes	0.3	(0.2)	(0.9)	(1.1)	(1.4)
NOPAT	(0.9)	0.5	2.3	2.9	3.7
D&A	0.6	0.4	0.4	0.4	0.5
Cash flow from operations	(0.3)	0.9	2.7	3.3	4.2
Trade Working Capital	(0.4)	(7.7)	0.6	2.0	(0.4)
Long-term trade receivables	(5.4)	(2.3)	(0.7)	1.9	0.0
Overdue trade receivables	(0.1)	0.0	1.1	0.0	0.0
Other assets and liabilities	(0.8)	0.7	1.3	(1.0)	0.0
Capex	(1.1)	(0.9)	(0.6)	(0.6)	(0.5)
Free cash flow	(8.2)	(9.3)	4.3	5.5	3.3
WACC	10.3%				
Long-term growth (G)	3.0%				
Discounted Cash Flows			4.3	5.0	
Sum of Discounted Cash Flows	9.3				
Terminal Value					47.1
Discounted TV	42.7				
Enterprise Value	52.0				
Net Debt as of 31/12/2018	(25.4)				
Minorities as of 31/12/2018	(0.1)				
Equity Value	26.5				
DCF - Implied multiples		2018A	2019E	2020E	
EV/Revenues		2.5x	2.1x	1.9x	
EV/EBITDA		21.6x	11.3x	9.7x	
EV/EBIT		76.8x	16.1x	13.1x	
Current market price - Implied multiples		2018A	2019E	2020E	
EV/Revenues		2.3x	1.9x	1.8x	
EV/EBITDA		20.0x	10.5x	9.0x	
EV/EBIT		71.2x	14.9x	12.1x	
Discount	7%				

Source: EnVent Research

Target Price

Our value estimate indicates - as in the recent past notes - a target equity value whose underlying condition is past due receivables recovery which as per 2018 statements did not go better nor worse.

The updated DCF model yields a Target Price of €2.53 per share, unchanged compared to our November 2018 note, a premium of 17% on the current share price. As a consequence, we confirm the NEUTRAL recommendation on the stock.

Prismi Price per Share	€
Target Price	2.53
Current Share Price (16/04/2019)	2.16
Premium (Discount)	17%

Source: EnVent Research

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

Peer Group - Market Multiples

Comparables	EV/REVENUES			EV/EBITDA			EV/EBIT		
	2018	2019E	2020E	2018	2019E	2020E	2018	2019E	2020E
Prismi	2.3x	2.0x	1.8x	20.1x	10.5x	9.0x	71.6x	15.0x	12.2x
Industry players									
Italiaonline	0.6x	0.6x	0.6x	4.6x	3.5x	2.9x	5.8x	10.5x	6.4x
Solocal	1.2x	1.2x	1.2x	4.7x	4.4x	4.2x	7.3x	6.3x	5.9x
Wix.com	9.9x	7.7x	6.3x	neg.	39.3x	31.2x	neg.	n.m.	54.4x
Endurance	2.4x	2.3x	2.3x	8.8x	8.6x	8.5x	17.2x	19.4x	18.5x
GoDaddy	6.0x	5.3x	4.7x	42.7x	19.9x	17.6x	n.m.	65.3x	45.2x
Mean	4.0x	3.4x	3.0x	15.2x	15.2x	12.9x	10.1x	25.4x	26.1x
Median	2.4x	2.3x	2.3x	6.7x	8.6x	8.5x	7.3x	15.0x	18.5x
AIM Italia Digital companies									
DigiTouch	0.7x	0.5x	0.4x	7.9x	3.3x	2.6x	30.3x	5.3x	3.8x
Expert System	1.9x	1.9x	1.6x	13.7x	8.5x	6.6x	neg.	neg.	18.6x
MailUp	1.0x	0.8x	0.7x	11.1x	8.6x	6.2x	21.9x	14.3x	9.2x
DHH	1.0x	0.8x	0.7x	11.5x	7.5x	5.6x	21.3x	10.6x	7.1x
Vetrya	0.7x	0.5x	0.4x	5.7x	4.3x	3.3x	10.6x	7.2x	4.8x
Digital360	1.0x	0.9x	0.8x	8.9x	6.2x	5.4x	n.m.	11.8x	9.1x
Neosperience	3.7x	2.4x	1.6x	10.5x	9.8x	7.1x	n.m.	16.9x	13.0x
Alkemy	0.7x	0.5x	0.5x	8.4x	6.3x	5.3x	12.5x	7.7x	6.2x
Intred	3.1x	2.6x	2.2x	7.9x	6.6x	5.3x	11.6x	10.5x	8.0x
SG Company	0.7x	0.5x	0.5x	20.0x	6.5x	5.5x	25.3x	6.7x	5.6x
GO internet	4.6x	3.8x	3.4x	11.5x	9.7x	8.2x	neg.	neg.	neg.
Mean	1.7x	1.4x	1.2x	10.7x	7.0x	5.6x	19.1x	10.1x	8.5x
Mean w/out extremes	1.5x	1.2x	1.0x	10.2x	7.1x	5.6x	18.5x	9.8x	7.9x
Median	1.0x	0.8x	0.7x	10.5x	6.6x	5.5x	21.3x	10.5x	7.6x

Source: S&P Capital IQ, update: 15/04/2019

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 4,000 customers
- Salesforce of 178 digital consultants (as of November 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
- 2017 -> Re-branding from Primi Sui Motori to Prismi; several acquisitions
- 2018 -> Peak turnover €20m

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 nearly 200 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.

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	9.9	-	9.9	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	-	6.7	23/04/2023	5.5%
Bond PRISMI 85	10.5	10.5	-	9.8	23/04/2024	5.0%
Bond PRISMI 85	12.0	4.3	-	4.3	23/04/2024	5.0%
Total	54.9	42.2	4.9	31.6		

Source: Company data - Update: April 2019

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
Share capital increase	2018		724,962	2.40	1.7
Total (not including vendor placing)					19.7

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

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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
26/11/2019	NEUTRAL	2.53	2.39
16/04/2019	NEUTRAL	2.53	2.16

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