



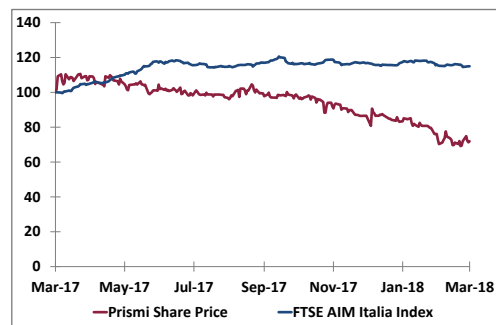
Capital stock increase in course

UNDER REVIEW

Current Share Price (€): 1.21

Target Price (€): Under Review

Prismi - 1Y Performance



Source: S&P Capital IQ - Note: 8/3/2017=100

Company data

ISIN code	IT0004822695
Bloomberg code	PRM IM
Reuters code	PRSM.MI
Share Price (€)	1.21
Date of Price	08/03/2018
Shares Outstanding (m)	7.2
Market Cap (€m)	8.7
Market Float (%)	73.5%
Daily Volume	14,520
Avg Daily Volume YTD	22,319
Target Price (€)	n.a.
Upside (%)	n.a.
Recommendation	UNDER REVIEW

Share price performance

	1M	3M	1Y
Prismi - Absolute (%)	-6%	-16%	-28%
FTSE AIM Italia (%)	0%	-2%	15%
1Y Range H/L (€)		1.86	1.16
YTD Change (€) / %		-0.21	-15%

Source: S&P Capital IQ

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Capital stock increase to refinance management plan

Management releasing FY17 pre-closing figures and 2018-20 business plan highlights

According to management, Prismi's (formerly Primi Sui Motori) FY17 consolidated key figures - unaudited - were revenues at €15.1m (+20% YoY, including capitalized costs within revenues), €1.2m EBITDA (8% margin, vs. 3% in FY16), net debt at year-end of €19.4m, from €13.5m as of June 30th, 2017.

Prismi's management revised some key figures of the 2017-21 business plan announced in February 2017. New forecasts for the 2018-20 business plan are consolidated revenues up to €21m in 2018 and EBITDA margin targeted at over 20% of revenues. For 2020, management expects €25m revenues and 30% EBITDA margin.

Our estimates to be restated

FY17 pre-closing revenues are below the Company's initial target (€20m revenues, then revised at €14-15m after H1 2017 results were released) and our previous estimates (€16m), but show that top-line growth progressed in 2017 and that the turnaround process is bearing its fruits. On the B/S side, we note a significant cash use and a further equity reduction, that both require actions to address the short-term financial stretching and capital stock reconstitution. We point out that the fully detailed year-end financial information are needed to conduct a more comprehensive analysis.

New warrants and €5m capital increase launched

The Board of Directors has approved:

- the issuance of 10,713,476 Warrant PRISMI 2018-2020, of which 7,158,276 to be offered to existing shareholders (1 warrant for each existing share) and 3,555,200 to be offered to bondholders PSM 2015-2021 Convertible bond (400 warrants for each convertible bond), to be exercised at €1.24 within 2019 and €1.36 within 2020
- a capital increase of maximum 4,017,552 new ordinary shares cum warrants (Warrant Prismi 2018-2020) at €1.24 per share, for total maximum €5m, to be subscribed between March 5th-28th, 2018, reserved to bondholders PSM 2015-2021 Convertible bond (3 new shares each 8 option rights)

Target Price and Recommendation Under Review

The Company has almost fully recovered the 2014 pre-crisis revenue level in 2017.

Due to the ongoing capital increase, together with the newly released figures and the changed scope of consolidation, which have no relation with the group's fundamentals, but may generate volatility on the share price in the short-term, we postpone our full analysis and estimates revision and wait for the outcome of the capital stock increase and the publication of FY17 annual report.

In the meantime, we put our target price and recommendation under review.

Management guidance: 2018-20 business plan

Prismi's management revised certain key figures of the 2017-21 business plan announced in February 2017. New targets for the 2018-20 business plan are consolidated revenues up to €21m and EBITDA margin at over 20% of revenues in 2018. For 2020, management foresees consolidated revenues at €25m and 30% EBITDA margin.

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

Source: Company data

Main strategic guidelines:

- Investment in the salesforce of digital consultants (currently 150 people)
- Regular operations for the subsidiary Wellnet, born from the corporate reorganization, with up-selling and cross-selling on target mid-sized and large corporate customers plus public administration
- Sales efforts on Crearevalore brand
- Lead generation for the recently acquired InGrandiMenti
- Development of operations on the Swiss market through dedicated subsidiary
- Further strategic M&A

New warrants and €5m capital increase launched

On February 27th, 2018, the Board of Directors approved:

- the issuance of 10,713,476 Warrants PRISMI 2018-2020, of which 7,158,276 to be offered to existing shareholders (1 warrant for each existing share) and 3,555,200 to be offered to bondholders PSM 2015-2021 (400 warrants for convertible bond), to be exercised at €1.24 within 2019 and €1.36 within 2020
- a share capital increase of maximum 4,017,552 new ordinary shares cum warrants (Warrant Prismi 2018-2020) at €1.24 per share, for total maximum €5m, to be subscribed March 5th-28th, 2018, reserved to bondholders PSM 2015-2021 Convertible bond (3 new shares each 8 option rights)

The newly released Company's 2018-20 business plan includes €2m proceeds from the capital increase, based on a preliminary commitment received by some existing shareholders to subscribe new shares.

FY17 pre-closing figures

Prismi's management announced some FY17 pre-closing unaudited figures. According to management, in FY17 Prismi reported consolidated revenues at €15.1m (+20% YoY, including capitalized costs within revenues), with EBITDA of

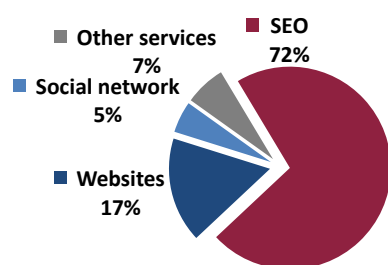
€1.2m (8% margin, vs. 3% in FY16). Net debt at year-end 2017 increased to €19.4m from €13.5m as of June 30th, 2017.

H1 2017 results

Income Statement analysis

H1 2017 consolidated net sales were €6.6m, vs. €6.8m in H1 2016, a 3% decrease, explained by the nature of the customer portfolio, which was mainly formed by old contracts close to expiry dates. Compared to year-end 2016, in H1 2017 there was a decrease in carryforward customers, from 48% of total customers to 34%, with the average contract value decreasing from €6,100 to €5,100. Given the expiry of old contracts, the Company focused on acquiring new customers, which cause higher operating costs (renewals have no acquisition cost and lower salesforce fees). As such, operating costs connected to revenues increased from €3.0m to €3.5m. At the same time, there was an increase in new customers, from 52% of total customers to 66%, while the average contract value decreased from €4,300 to €4,200. Other income of €0.3m refers to non-recurring operating revenue. H1 2017 EBITDA was negative (€-0.2m) compared to €0.6m in H1 2016. The decrease in profitability is consistent with lower revenues, the different mix between new and existing customers and increasing operating cost and personnel. The latter increased by 10% vs. H1 2016, for number of employees (from 96 to 103) and wages. Other operating costs net of capitalized cost for €0.3m.

Sales by service, H1 2017



Source: Company data

34% of revenues from additional sales to continuing customers and 66% from new customers

Sales close to H1 2016 (-3%), increasing compared to H2 2016 (€5.1m; +30%)

Cost of sales up, loss at bottom line

Consolidated Profit and Loss

€m	H1 2016	H1 2017
Net sales	6.8	6.6
Other income	0.5	0.3
Revenues	7.3	6.9
YoY %	53.0%	-5.6%
Cost of sales	(3.0)	(3.5)
Gross Profit	4.3	3.4
Margin	58.6%	48.9%
Personnel	(2.2)	(2.3)
G&A	(0.9)	(0.9)
Other operating costs	(0.5)	(0.4)
EBITDA	0.6	(0.2)
Margin	8.6%	-3.6%
D&A	(0.4)	(0.4)
Goodwill amortization	(0.2)	(0.1)
Writedown of overdue receivables	(0.6)	(0.3)
EBIT	(0.5)	(1.0)
Margin	-7.5%	-15.0%
Interest	(0.8)	(0.8)
EBT	(1.3)	(1.8)
Margin	-18.1%	-26.1%
Income taxes	(0.0)	0.1
Net Income (Loss)	(1.4)	(1.7)
Margin	-18.6%	-24.7%

Source: Company data

Reconciliation of Reported EBITDA to EBITDA calculated by EnVent Research as per international practice

Reconciliation (€m)	H1 2016	H1 2017
Reported EBITDA	0.9	0.3
Contingent operating charges	(0.1)	(0.5)
Non-recurring personnel cost	(0.1)	0.0
EBITDA as per EnVent Research	0.6	(0.2)

Source: EnVent Research

Balance sheet analysis

The overall stock of receivables reached €17m as of June 30th, 2017 (+20% vs. year-end 2016), of which €7.9m overdues (Prismi SpA representing nearly the total), almost same level of year-end 2016. The increase in current receivables (200 DSO) is due to a lower use of securitization transactions. Trade payables decreased by over 10% in H1 2017.

TWC as a percentage of revenues increased in H1 2017 to 42% from 25% as of year-end 2016. Including overdues, TWC on revenues would be over 100%.

Net debt as of June 30th, 2017 was €13.5m (€12.7m as of year-end 2016).

Other liabilities include €3.8m of overdue tax and €1.6m social contributions, on which a deferred payment plan has been agreed with the tax and social security authorities and has already started. Other liabilities also include payables to personnel for €700k.

Equity as of June 30th, 2017 was €3.0m (Net Debt/Equity ratio of 4.5x).

Consolidated Balance Sheet

€m	2016	H1 2017
Current trade receivables	6.2	9.0
Trade payables	(2.6)	(2.3)
Trade Working Capital	3.6	6.6
Overdue trade receivables	8.0	7.9
Other assets (liabilities)	(0.6)	(1.0)
Net Working Capital	10.9	13.6
Intangible assets	1.8	1.8
Goodwill	2.2	2.0
Fixed assets	0.2	0.2
Financial investments	0.4	0.2
Non-current assets	4.5	4.2
Provisions	(1.2)	(1.2)
Net Invested Capital	14.3	16.6
Cash and cash equivalents	(0.7)	(0.2)
Bonds	10.1	11.2
Bank debt	2.3	1.7
Other financial debt	1.0	0.8
Net Debt (Cash)	12.7	13.5
Shareholders' Equity	1.2	2.7
Minority interest	0.4	0.3
Equity	1.6	3.0
Sources	14.3	16.6

Source: Company data

Receivables keep being a question mark

Illiquid invested capital including goodwill, capitalized R&D expenses, patents, trademarks and software user licenses

Consolidated Cash Flow

€m	H1 2016	H1 2017
EBIT	(0.5)	(1.0)
D&A	0.4	0.4
Goodwill amortization	0.2	0.1
Writedown of overdue receivables	0.6	0.3
Cash flow from operations	0.6	(0.2)
Trade Working Capital	(0.7)	(3.1)
Overdue trade receivables	(0.7)	(0.2)
Other assets (liabilities)	0.5	0.5
Capex	(0.3)	(0.2)
Cash flow minus capex and investments	(0.5)	(3.2)
Interest	(0.8)	(0.8)
Capital increase	2.1	3.1
Net cash flow	0.8	(0.8)
Net (Debt) Cash - Beginning	(10.6)	(12.7)
Net (Debt) Cash - End	(9.7)	(13.5)
Change in Net (Debt) Cash	0.8	(0.8)

Source: Company data

Ratio analysis

KPIs	H1 2016	H1 2017
ROE	n.m.	n.m.
Net Income (Loss) / Market Cap	-39%	-15%
ROS (EBIT/Revenues)	-7.5%	-15.0%
ROIC (NOPAT/Invested Capital)	-9.0%	-13.3%
DSO - current receivables	152	202
DSO - total receivables	328	381
DPO	114	71
TWC / Revenues	27.7%	41.7%
Tot. TWC (overdues included) / Revenues	97.3%	106.5%
Net Debt / EBITDA	7.8x	n.m.
Net Debt / Equity	4.0x	4.5x
Debt / (Debt+Equity)	80%	82%
Cash flow from operations / EBITDA	100%	n.m.
FCF / EBITDA	neg.	neg.

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

Overdue receivables

In H1 2017 overdue receivables decreased by €0.1m vs. year-end 2016.

As of June 30th, 2017, the provision for doubtful receivables was €2.1m.

Aging of overdue trade receivables

€m / Days	180	360	540	720	>720	Total	Avg. DSO on total 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
H1 2017	0.5	0.4	0.4	0.5	6.1	7.9	381

Source: Company data - Note: not consolidated figures

In H1 2017 the Company has sold €1.6m trade receivables through securitization agreements, less than half the amount transferred in H1 2016 (€3.8m).

Securitization					
Securitization (€m)	2014	2015	2016	H1 2016	H1 2017
Receivables transferred	5.2	3.1	7.9	3.8	1.6
Cash-in	4.1	2.2	5.2	2.6	n.a.
as a % of face value	78%	70%	65%	68%	n.a.
Securitization expense	1.2	0.6	0.5	0.3	0.2
% expense	22%	20%	6%	8%	11%
Receivables pending with recourse	0.0	0.3	2.3	0.9	n.a.
as a % of face value	0%	11%	29%	24%	n.a.

Source: Company data

The lower use of securitization is matched by the PSM 90 corporate bond program announced in February 2017, dedicated to finance working capital needs, structured with a monthly reimbursement plan consistent with cash flow needs. The bond proceeds cover 90% of the credit collection of the 60 days prior to each installment expiry date. As of today, €9.4m bonds have been issued within the PSM 90 2017-2023 program.

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 PSM 90 2017-2021 - Tranche A	9.5	2.2	-	1.9	23/10/2021	5.5%
Bond PSM 90 2017-2022 - Tranche B	-	3.2	-	2.9	01/08/2022	5.5%
Convertible bond reserved to a single investor	3.5	0.7	0.7	0.0	-	1.0%
Bond PRISMI 5% 2017-2019	1.0	0.6	-	0.6	08/05/2019	5.0%
Bond PSM 90 2017-2022 - Tranche C	-	1.9	-	1.9	01/01/2022	5.5%
Bond PSM 90 2017-2023 - Tranche D	-	2.1	-	2.1	01/04/2023	5.5%
Bond PRISMI 85 2018-2023 - Tranche A	10.5	1.2	-	1.2	01/04/2023	5.0%
Total	46.4	28.3	5.6	19.8		

Source: Company data - Update: February 2018

In January 2018 Prismi announced a new corporate bond program PRISMI 85 2018-2023 up to €10.5m, with a 5% interest rate, of which a first tranche for €1.2m (Tranche A) has been issued in February 2018.

Capital increases

Capital increase	Date	Approved	Shares subscribed	Price (€)	Amount subscribed (€m)
IPO	2012	275,000 shares	159,866	22.0	3.5
<i>Newly issued shares</i>			127,929	22.0	2.8
<i>Vendor placing</i>			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		12,411	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	0.05
Bond conversion into shares	2018		38,738	1.29	0.05
Total (not including vendor placing)					14.7

Source: Company data - Update: February 2018 - Note: the number of shares subscribed in 2016 and 2017 does not include non-cash underwritings

Acquisitions and recent group changes in 2017

In October and November 2017, Prismi announced the acquisition of:

- InGrandiMenti Srl (51%), an Italian web agency. This deal was financed through own funds.
- Wellnet Srl (80%), an Italian ICT company supporting the digital transformation of enterprises and institutions - FY16 sales €0.8m

In addition Prismi increased its shareholdings in the following group companies:

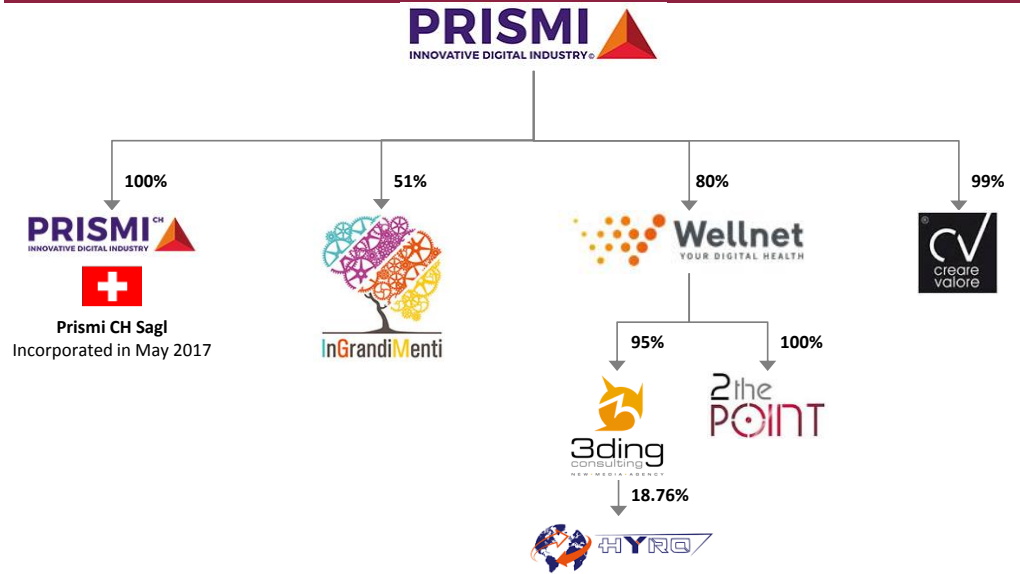
- 3ding Consulting Srl, reaching a shareholding of 95%
- 2ThePoint PSM Srl, reaching a shareholding of 100%

The total consideration for the three deals (Wellnet, 3ding Consulting and 2ThePoint PSM) was approximately €0.7m and was mainly financed by the €0.6m bond PRISMI 5% 2017-2019.

In December 2017, 3ding Consulting and 2ThePoint PSM were merged into Wellnet.

The updated group structure after the acquisitions completed in 2017 is:

Prismi - Group structure



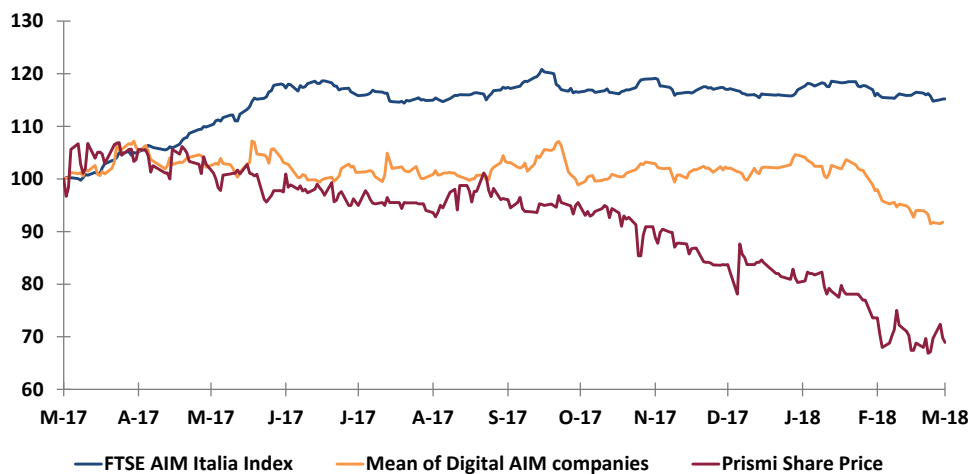
Source: Company data - Update: January 2018

Market update

AIM Italia Digital companies, Prismi included, underperformed the FTSE AIM Italia Index since May 2017

Prismi's performance too below the Index

AIM Italia Digital companies - Market performance



Source: EnVent Research on S&P Capital IQ - Note: 07/03/2017=100

Prismi's shares in the last 12 months traded in the range €1.20-1.90, with beginning price at €1.70 and ending at €1.20, a 30% decrease

In the same period, the FTSE AIM Italia Index increased by 15%

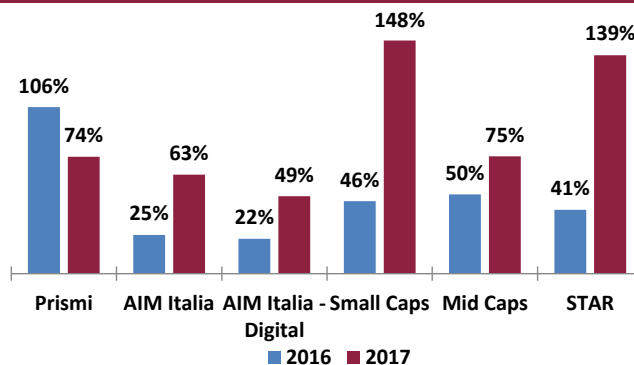
Prismi - 1Y share price performance and trading volumes



Source: EnVent Research on S&P Capital IQ - Note: 08/03/2017=100

Prismi's liquidity overperforming AIM Italia and the AIM Italia Digital segment in 2017

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

Key issues

Although we deem revenues and profitability targets at the Company's reach, the significant cash use in 2017 and further equity reduction, that both require actions to address the short-term financial stretching and capital stock reconstitution, introduce a picture of short-term concerns that would be better addressed after the outcome of the capital stock increase. Moreover, the financial debt foreseen at year end is likely to be higher than revenues. As a consequence we deem indispensable the availability of fully detailed year-end financial information to conduct a more comprehensive analysis.

We consider less reliable than usual the DCF models and of little significance any market multiple analysis, at least until the financing needs of the Company will be clearer and assisted by a complete information set and the outcome of management actions.

Implied multiples and target performance

Current EV based on capitalization

Market Cap (€m) - 8.3.2018	8.7
Net Debt (€m) - FY17	19.4
Minorities (€m) - H1 2017	0.3
Enterprise Value (€m)	28.4

Current capitalization implied multiples	2017E	2018E	2020E
Current Enterprise Value (€m)	28.4	28.4	28.4

	Company data		
Revenues (€m)	15.1	21.2	25.0
EBITDA (€m)	1.2	4.9	7.5
EBITDA Margin	8%	23%	30%
EV/Revenues	1.9x	1.3x	1.1x
<i>Operating peers and Digital AIM Italia companies</i>	1.2x	1.0x	n.a.
EV/EBITDA	23.7x	5.8x	3.8x
<i>Operating peers and Digital AIM Italia companies</i>	6.9x	5.3x	n.a.

Source: EnVent Research

Sources:

- 2017 key financials from pre-closing figures released by the Company; 2018-20E as estimated by the Company
- Net debt pre-closing figures released by the Company; minorities from H1 2017 financial statements
- Market cap at 8/3/2018 from S&P Capital IQ

Target Price

The Company has almost fully recovered the 2014 pre-crisis revenue level in 2017. Due to the ongoing capital increase, together with the newly released figures and the changed scope of consolidation, which have no relation with the group's fundamentals, but may generate volatility on the share price in the short-term, we postpone our full analysis and estimates revision and wait for the outcome of the capital stock increase and the publication of FY17 annual report.

In the meantime, we put our target price and recommendation under review.

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

Peer Group - Performances

Stock	Currency	Price	Mkt Cap (m)	1M	3M	6M	YTD	1Y
Prismi	EUR	1.20	8.6	-6.3%	-17.6%	-27.0%	-15.4%	-31.1%
AIM Italia Digital companies								
axélero	EUR	2.14	29.0	-14.4%	-31.3%	-37.8%	-29.9%	-47.0%
DigiTouch	EUR	1.52	21.0	0.3%	-0.3%	12.6%	-0.4%	9.0%
Expert System	EUR	1.34	47.5	-2.9%	-7.4%	-19.1%	-6.7%	-25.5%
MailUp	EUR	2.36	33.3	-7.1%	-5.6%	-8.2%	-6.4%	37.0%
Softec	EUR	2.95	7.4	-3.0%	-3.3%	-15.7%	-9.5%	-31.1%
Triboo	EUR	2.19	62.9	-8.0%	-17.7%	-28.2%	-12.3%	-30.2%
DHH	EUR	7.15	10.2	-4.7%	-13.3%	-20.5%	-7.1%	-21.9%
Vetrya	EUR	7.72	50.8	-4.2%	3.8%	12.2%	-2.2%	22.9%
Mean				-5.5%	-9.4%	-13.1%	-9.3%	-10.9%
Weighted average				-6.0%	-9.6%	-13.3%	-9.3%	-8.9%

Source: S&P Capital IQ, update: 07/03/2018

Peer Group - Market Multiples

Comparables	EV/REVENUES				EV/EBITDA			
	2016	2017	2018E	2019E	2016	2017	2018E	2019E
Prismi	1.9x	2.0x	n.a.	n.a.	n.m.	n.m.	n.a.	n.a.
Operating peers								
axélero	1.2x	1.2x	n.a.	n.a.	19.2x	6.9x	n.a.	n.a.
Italiaonline	0.7x	0.9x	0.8x	0.7x	4.9x	4.3x	3.5x	3.1x
Solocal	1.3x	1.1x	1.4x	1.5x	5.1x	4.3x	5.4x	5.0x
Mean	1.1x	1.0x	1.1x	1.1x	9.8x	5.1x	4.5x	4.1x
Median	1.2x	1.1x	1.1x	1.1x	5.1x	4.3x	4.5x	4.1x
International industry players								
Wix.com	n.m.	5.6x	5.4x	4.3x	neg.	n.m.	n.m.	19.2x
Web.com	1.9x	2.2x	2.0x	1.9x	12.9x	8.8x	7.9x	7.3x
Endurance	2.3x	2.6x	2.5x	2.5x	14.2x	8.9x	8.8x	8.4x
GoDaddy	4.6x	3.9x	3.8x	3.4x	17.6x	15.0x	13.9x	12.0x
Mean	2.9x	3.6x	3.4x	3.0x	14.9x	10.9x	10.2x	11.7x
Median	2.3x	3.3x	3.2x	3.0x	14.2x	8.9x	8.8x	10.2x
AIM Italia Digital companies								
axélero	1.2x	1.2x	n.a.	n.a.	19.2x	6.9x	n.a.	n.a.
DigiTouch	0.9x	0.9x	0.7x	0.5x	7.2x	5.6x	4.5x	3.4x
Expert System	2.0x	2.5x	2.1x	2.0x	neg.	neg.	18.4x	9.8x
MailUp	1.5x	1.2x	1.0x	0.9x	8.1x	13.5x	8.5x	6.8x
Softec	0.9x	n.a.	n.a.	n.a.	4.5x	n.a.	n.a.	n.a.
Triboo	1.3x	1.1x	0.9x	0.8x	8.5x	7.6x	5.2x	4.1x
Mean	1.3x	1.4x	1.2x	1.1x	9.5x	8.4x	9.1x	6.0x
Mean w/out extremes	1.2x	1.2x	1.0x	0.9x	7.9x	7.2x	6.8x	5.5x
Median	1.3x	1.2x	1.0x	0.9x	8.1x	7.2x	6.8x	5.5x

Source: S&P Capital IQ, update: 27/02/2018

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 150 digital consultants (as of year-end 2017)

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 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 and recently new sales for present customers reached over 40% of total.

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 through the last years was consistently at the level of 5,000. The average salesmen turnover in the last four years was above 50%, a level sufficient to indicate that the balance of active customers might reflect material figures of contracts expired and not renewed and new contracts. Also, 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 and Axélero. These competitors have a healthy financial structure and a larger turnover that could help to extend their sales network and customer base, to further increase their market shares on the Italian market.

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Date	Recommendation	Target Price (€)	Share Price (€)
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28/07/2017	NEUTRAL	1.94	1.70
08/03/2018	UNDER REVIEW	n.a.	1.21

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