

CIRCLE

FY19: strong growth driven by M&A and proprietary products

FY 2019 Results: FY 2019 Results: CIRCLE, “innovative SME” specialized in the provision of innovative technological solutions for the optimization and digitalization of the supply chain for the port and intermodal logistic sector, recently released as strong set of FY 19 results with revenues of Euro 6.1 m, recoding a yoy growth of +27% (Euro 6.2 m as of our estimates). Growth was primarily driven by a sharp increase in revenues from proprietary products (+80% vs. FY 18) and in particular MasterSPED from the software house Progetto Adele acquisition in August 2019 and Milos. Good performance also for the international projects business line where revenues increased by +21%. EBITDA adjusted for non-recurring items stood at Euro 1.5 m, + 15% vs FY18 and largely in line with our estimates (Euro 1.6 m). Non adjusted EBITDA came in at Euro 1.2 m (20% of revenues). Net profit stood at Euro 0.5 m (Euro 0.6 m in FY 2018 and Euro 0.7 m as of our estimates). Despite investments in the period for a total of Euro 2.6 m, including M&A activity for a total of Euro 1.8 m, Circle continued to be cash positive, and close the year with Net Cash of Euro 0.3 m vs. Euro 2.1 m at year end 2018.

Delivery on IPO strategies in FY19 and focus on new market segments going forward: In line with IPO strategies, the Group continued to focus on the development of new products, geographic expansion and growth through M&A. Management stated that given the uncertainty regarding the spread of the COVID-19 it is still difficult and premature to make any assumptions on the effect on FY20 financials. However, it also confirmed that the positive growth trend of FY 2019 continued in the first two months of 2020 and that despite the current sanitarian emergency the Group is fully operational thanks to a business model already adapted for smart working. Going forward, Management anticipated that the new industrial plan will focus on the development of market segments added in 2019 as well as adding new ones, in order to boost growth. Given the above, we fine-tuned our revenue forecast for FY20 while maintaining growth rates for FY21. We also slightly adjusted our EBITDA margin to factor in the current economic situation and a strategy focusing on increasing volumes in the short term with a gradual recovery in margins. The overall effect is an average decrease in revenues and Net Profit of -10% and -46% respectively. Finally, we also added FY22 to our explicit forecast horizon.

Valuation: We set a target price of Euro 4.49 per share, (Euro 4.91 p.s. previously), providing for a +57% upside on current stock price and obtained by weighting equally the DCF and the multiple comparison analysis. Peers de-rating since our last report (September 2019) was of -6%.

Sector: Technology

Target Price (Euro) **4.49** (4.91 pr)
Market Price (Euro) 2.86
Market Cap (Euro m) 10
EV (Euro m) 10
(as of 20 April 2020)

Share Data

Market	AIM ITALIA
Bloomberg/Reuters	CIRC:IM / CIRC.MI
ISIN	IT0005344996
N. of Shares	3,470,115
Free Float	23.67%
CEO	Luca Abatello

Aim Positioning

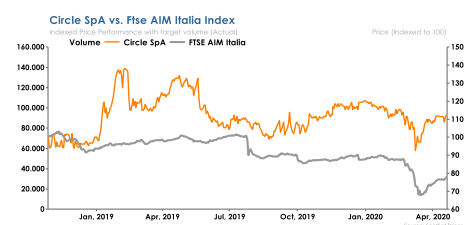
FY 2018	Company	AIM Italia
VoP (Eu m)	4.8	43.4
Yoy	18.3%	25.5%
EBITDA %	27.0%	14.2%
ND/EBITDA (x)	(1.6)	3.8
Market Data	Company	AIM Italia
Mkt Cap (Eu m)	9.7	44.9
Perf. YTD	-9.8%	-16.3%
Free Float	23.7%	33.6%
ADTT YTD (Eu k)	17,435	85,984

Performance

	1M	3M	6M
Absolute	4.4%	-4.0%	0.7%
Relative	-6.6%	10.8%	12.3%
52-week High/Low (Eu)	3.20 / 2.36		

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Key Figures (Euro m)	Revenue	Yoy %	EBITDA	EBITDA %	EBIT	EBIT %	Net Profit	Net Debt
2019A	6.1	+27%	1.2	20%	0.6	10%	0.5	(0.3)
2020E	8.2	+35%	1.5	19%	0.9	11%	0.7	(0.4)
2021E	9.4	+15%	1.9	21%	1.2	13%	1.0	(1.3)
2022E	10.9	+15%	2.4	22%	1.6	15%	1.3	(2.9)