



# Neosperience S.p.A. (BIT:NSP) Looks Just Right

Simply Wall St August 11, 2020

Neosperience S.p.A.'s (BIT:NSP) price-to-earnings (or "P/E") ratio of 38.4x might make it look like a strong sell right now compared to the market in Italy, where around half of the companies have P/E ratios below 16x and even P/E's below 9x are quite common. Although, it's not wise to just take the P/E at face value as there may be an explanation why it's so lofty.

With earnings growth that's exceedingly strong of late, Neosperience has been doing very well. The P/E is probably high because investors think this strong earnings growth will be enough to outperform the broader market in the near future. If not, then existing shareholders might be a little nervous about the viability of the share price.

[Check out our latest analysis for Neosperience](#)



BIT:NSP Price Based on Past Earnings August 11th 2020

Although there are no analyst estimates available for Neosperience, take a look at this [free data-rich visualisation](#) to see how the company stacks up on earnings, revenue and cash flow.

## How Is Neosperience's Growth Trending?

In order to justify its P/E ratio, Neosperience would need to produce outstanding growth well in excess of the market.

Retrospectively, the last year delivered an exceptional 59% gain to the company's bottom line. Pleasingly, EPS has also lifted 777% in aggregate from three years ago, thanks to the last 12 months of growth. Accordingly, shareholders would have probably welcomed those medium-term rates of earnings growth.

Weighing that recent medium-term earnings trajectory against the broader market's one-year forecast for expansion of 0.9% shows it's noticeably more attractive on an annualised basis.

With this information, we can see why Neosperience is trading at such a high P/E compared to the market. Presumably shareholders aren't keen to offload something they believe will continue to outmanoeuvre the bourse.

## What We Can Learn From Neosperience's P/E?

It's argued the price-to-earnings ratio is an inferior measure of value within certain industries, but it can be a powerful business sentiment indicator.

We've established that Neosperience maintains its high P/E on the strength of its recent three-year growth being higher than the wider market forecast, as expected. Right now shareholders are comfortable with the P/E as they are quite confident earnings aren't under threat. If recent medium-term earnings trends continue, it's hard to see the share price falling strongly in the near future under these circumstances.

You need to take note of risks, for example - [Neosperience has 4 warning signs](#) (and 1 which is a bit unpleasant) we think you should know about.

If you're **unsure about the strength of Neosperience's business**, why not explore [our interactive list of stocks with solid business fundamentals](#) for some other companies you may have missed.

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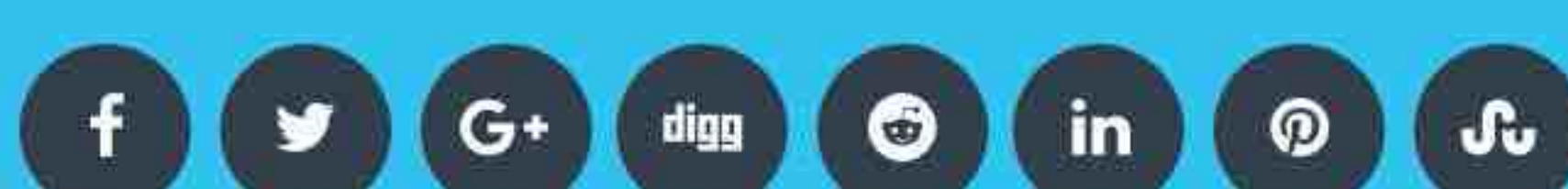
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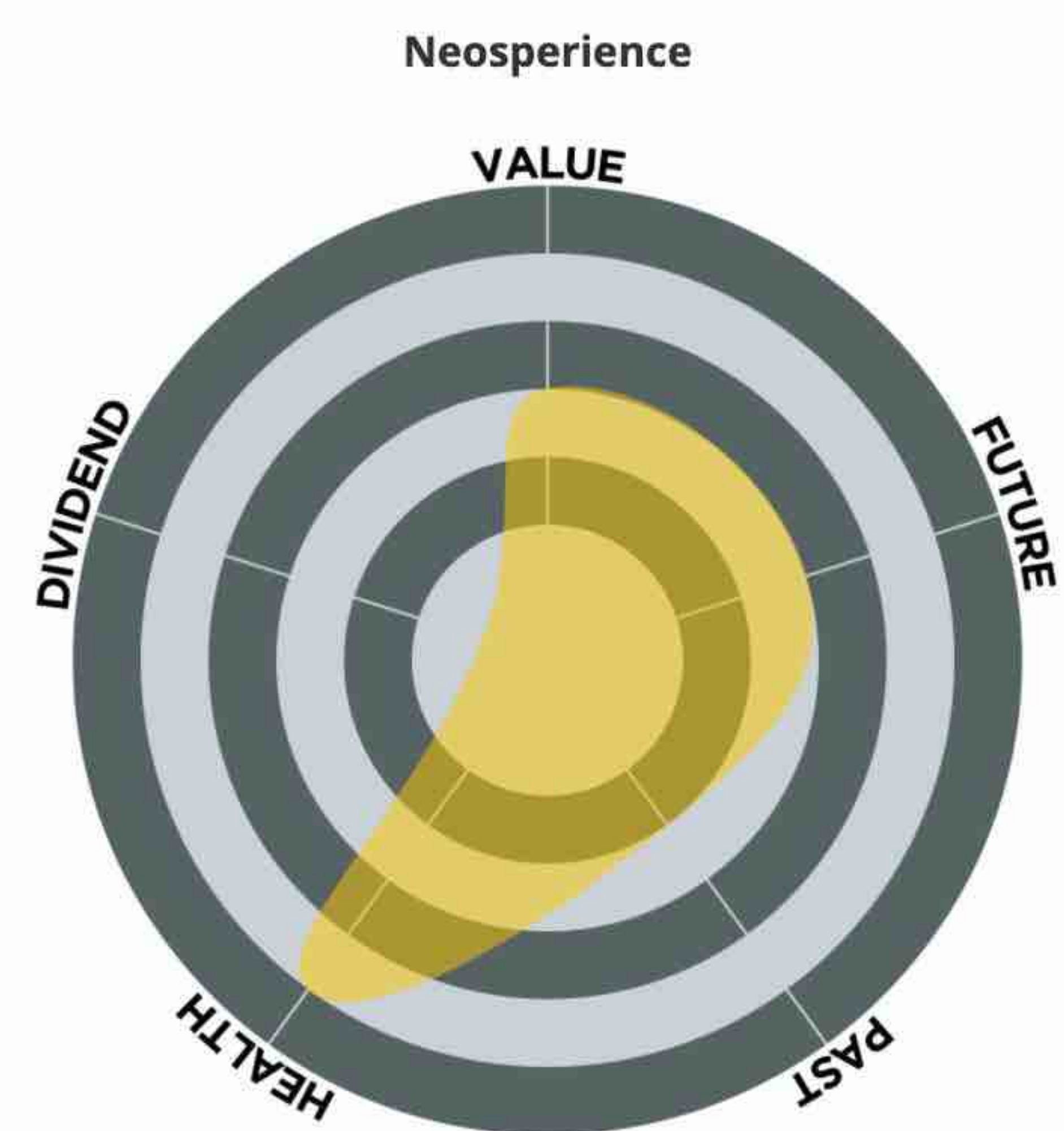
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