

Company Update

Buy (maintained)

01 December 2011

MARKET PRICE: **EUR0.625** TARGET PRICE: **EUR1.00 (from EUR1.30)**

Data

Shares Outstanding (m):	51.9
Market Cap. (EURm):	32.4
Enterprise Value (EURm):	75.7
Free Float (%):	40.9%
Av. Daily Trad. Vol. (m):	0.125
Main Shareholder:	Abaco System (49.9%)
Reuters/Bloomberg:	XPR IM XRP.MI
52-Week Range	EUR0.54 EUR1.16

Performance

	1m	3m	12m
Absolute	-16.8%	-14.2%	-33.5%
Rel. to FTSE IT	-10.7%	-12.8%	-17.9%

Financials

(EURm)	2010	2011E	2012E
Revenues	96.7	116.8	131.8
EBITDA	15.3	12.3	15.5
Net Profit	4.9	2.0	3.4
EPS (EUR)	0.096	0.039	0.066
CFPS (EUR)	0.142	0.103	0.134
BVPS (EUR)	1.277	1.286	1.349
DPS (EUR)	0.040	0.008	0.026

Ratios

	2010	2011E	2012E
EBITDA margin	15.2%	10.0%	11.3%
ROI	10.5%	7.7%	9.4%
ROAE	7.8%	3.1%	5.0%
Debt/Equity	0.6	0.8	0.6
Debt/EBITDA	2.6	4.2	3.0

Valuation

	2010	2011E	2012E
P/E (x)	10.5	16.1	9.5
P/CF (x)	7.1	6.1	4.7
P/BV (x)	0.8	0.5	0.5
Dividend Yield	4.0%	1.3%	4.2%
EV/Sales (x)	0.9	0.6	0.5
EV/EBITDA (x)	5.5	6.2	4.5
EV/CE (x)	0.8	0.6	0.6

Source: Centrobanca estimates

Speed up of expansion affects profitability

Exprivia's sales rose 32% in 3Q11 but EBITDA fell 53.4% due to the acceleration of its growth strategy which in 3Q11 contributed ca. EUR6 million to total sales but affected profitability due to higher costs relating to the consolidation of new companies and enhancement of the workforce. We maintain our FY11-13 VoP estimates broadly unchanged but cut our EBITDA forecasts by 18.0% on average as we believe that the additional costs arising in 3Q11 could persist in 2012 then decline in 2013. We have slashed our average 2011-13 EPS estimates by ca. 46% due to the material revision of FY11 and FY12 figures and the projection of higher financial charges coming from higher interest rates and spreads. We have also increased our 2012-2013 net debt estimates by 3.0% on average. Our target price declines to EUR1.00 per share from EUR1.30 per share but we maintain our Buy recommendation as we believe that the potential of the organic and external growth underway (with increasing exposure to growing emerging markets) is not fully priced in.

➤ Exprivia total sales rose 32% in 3Q11 but EBITDA fell 53% (representing a margin of 6.8%, down from 19.2% in 3Q10) due to higher costs related to the full integration of new companies and an increase in the workforce of ca. 630 additional professionals (now 1,878). Top line growth was driven by the positive trend of each division which, apart from the health unit (down 10% due to lower sales of hardware and third-party software and the supply of fewer services) reported strong results. Higher financial charges led to a net loss of EUR0.48 million. Net debt was EUR46.8 million mostly due to the cash outflow related to the acquisition of Realtech and SisPa and the expansion of Prosap in Spain and LatAm.

➤ We believe that the accelerated expansion, the workforce enhancement and the poor performance of Realtech and Prosap (which may end FY11 almost at breakeven) could affect FY11 profitability. We expect an EBITDA margin of 10% from previous expectations of 13.1% (and 15.2% in 2010). We believe this poor trend could persist also in 2012 (when we expect an EBITDA margin of 11.3%) before improving in 2013 (13.8%) mostly due to synergies and increasing efficiency.

➤ Given our revised estimates and DCF assumptions (WACC of 8.1% from 7.5%) we have set a new target price of EUR1.00 per share from EUR1.30 per share but confirm our Buy recommendation as we believe Exprivia will increasingly benefit from expansion both in core and emerging markets.

Analyst

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Figure 1. Exprivia – 3Q11 results

(EURm)	3Q10	3Q11A	% Chg.	3Q11E	delta vs CB	9M10A	9M11A
Sales	21.16	27.97	32.2%	26.89	4.0%	67.61	80.95
VoP	21.56	28.43	31.9%	28.09	1.2%	69.77	84.34
EBITDA	4.15	1.93	-53.4%	2.71	-28.8%	10.03	7.66
Ebitda margin (%) (on VoP)	19.2%	6.8%		9.7%		14.4%	9.1%
D&A	-0.65	-0.66	1.0%	-0.70	-5.9%	-1.96	-2.05
EBIT	3.49	1.27	-63.6%	2.01	-36.8%	8.06	5.61
EBIT margin (%)	16.2%	4.5%		7.5%		11.6%	6.6%
Financial Charges	-0.44	-0.59	33.0%	-1.15	-48.6%	-1.31	-1.40
Pre-Tax Profit	3.05	0.68	-77.6%	0.86	-21.1%	6.75	4.21
Taxes and minorities	-1.43	-1.16	-19.0%	-0.82	40.6%	-3.52	-3.40
Net Income	1.62	-0.48	nm	0.04	nm	3.23	0.81
Net Debt	40.5	46.8	15.8%	49.4	-5.2%	40.5	46.8

Source: Company data, Centrobanca estimates

Figure 2. Exprivia – Revised estimates

(EURm)	2010A	2011E		2012E		2013E	
		Old	New	Old	New	Old	New
Sales	96.7	116.8	116.8	134.3	131.8	144.7	147.8
% change			0.0%		-1.8%		2.2%
VoP	100.0	122.6	122.3	140.1	137.3	150.5	153.3
% change			-0.2%		-2.0%		1.9%
EBITDA	15.3	16.1	12.3	20.3	15.5	22.5	21.2
% change			-23.6%		-24.0%		-6.2%
Net profit	4.9	5.5	2.0	7.6	3.4	8.5	6.9
% change			-63.1%		-55.0%		-18.8%
Net Debt	39.8	50.6	51.7	44.9	46.1	43.4	44.8
% change			2.2%		2.7%		3.4%
EPS	0.10	0.11	0.04	0.15	0.07	0.16	0.13
% Change			-63.1%		-55.0%		-18.8%

Source: Company Data, Centrobanca estimates

Income Statement

(EURm)	2010	2011E	2012E	2013E
Net Revenues	96.7	116.8	131.8	147.8
EBITDA	15.3	12.3	15.5	21.2
EBITDA margin	15.2%	10.0%	11.3%	13.8%
EBIT	11.9	9.5	12.2	17.9
EBIT margin	11.9%	7.8%	8.9%	11.7%
Net financial income /expense	-1.9	-1.9	-2.6	-3.0
Associates & Others	0.0	0.0	0.0	0.0
Profit before taxes	10.0	7.6	9.5	14.8
Taxes	-5.0	-5.1	-5.9	-7.6
Minorities & discontinued ops	-0.0	0.5	0.2	0.3
Net Income	4.9	2.0	3.4	6.9

Source: Centrobanca estimates

Balance Sheet

(EURm)	2010	2011E	2012E	2013E
Net working capital	33.7	42.8	40.9	45.8
Net Fixed assets	82.7	87.1	87.1	87.1
M/L term funds	9.9	10.6	10.8	11.0
Capital employed	106.4	119.4	117.2	121.8
Shareholders' equity	65.8	66.3	69.5	75.1
Minorities	0.8	1.4	1.6	1.9
Shareholders' funds	66.6	67.6	71.1	77.0
Net financial position/(cash)	39.8	51.7	46.1	44.8

Source: Centrobanca estimates

Cash Flow Statement

(EURm)	2010	2011E	2012E	2013E
NFP Beginning of Period	39.3	39.8	51.7	46.1
Group Net Profit	15.0	2.0	3.4	6.9
Minorities	0.0	0.5	0.2	0.3
D&A	3.4	3.4	3.5	3.5
Change in Funds & TFR	-1.0	-0.6	-0.2	-0.2
Gross Cash Flow	17.4	5.3	6.9	10.5
Change In Working Capital	-3.9	-9.1	1.9	-4.9
Other	0.0	0.0	0.0	1.0
Operating Cash Flow	13.4	-3.8	8.8	5.6
Capex	-4.9	-6.6	-3.0	-3.0
Other Investments	0.0	0.0	0.0	0.0
Disposals	0.0	0.0	0.0	0.0
Free Cash Flow	-1.5	-10.4	5.8	2.6
Dividends Paid	-2.0	-2.1	-0.4	-1.4
Other & Chg in Consolid. Area	0.0	0.0	0.0	0.0
Chg in Net Worth & Capital Incr.	3.0	0.5	0.2	0.0
Change in NFP	-0.5	-12.0	5.6	1.3
NFP End of Period	39.8	51.7	46.1	44.8

Source: Centrobanca estimates

Financial Ratios

	2010	2011 E	2012 E	2013 E
Net Margin	4.9%	1.7%	2.5%	4.5%
ROE	7.8%	3.1%	5.0%	9.6%
ROIC - after tax	7.0%	5.2%	6.3%	9.2%
Net Fin. Debt/Equity	0.6	0.8	0.6	0.6
Net Fin. Debt/EBITDA	2.6	4.2	3.0	2.1
NOPAT	8.0	6.4	8.2	12.0
ROACE	7.7%	5.6%	6.9%	10.0%

Source: Centrobanca estimates

Per Share Data

(EUR)	2010	2011 E	2012 E	2013 E
EPS	0.096	0.039	0.066	0.134
DPS	0.040	0.008	0.026	0.054
Op. CFPS	0.065	-0.074	0.171	0.109
Free CFPS	-0.029	-0.203	0.112	0.051
BVPS	1.277	1.286	1.349	1.457

Source: Centrobanca estimates

Stock Market Ratios

	2010	2011 E	2012 E	2013 E
P/E	10.5	16.1	9.5	4.7
P/OpCFPS	15.4	nm	3.7	5.8
P/Free CFPS	nm	nm	5.6	12.3
P/BVPS	0.8	0.5	0.5	0.4
Div. Yield	4.0%	1.3%	4.2%	8.6%
Free Cash Flow Yield	-2.9%	nm	17.9%	8.1%
EV	84.4	75.7	69.9	68.5
EV/Sales	0.9	0.6	0.5	0.5
EV/EBITDA	5.5	6.2	4.5	3.2
EV/EBIT	7.1	8.0	5.7	3.8
EV/Capital Employed	0.8	0.6	0.6	0.6

Source: Centrobanca estimates

Growth Rates

	2010	2011 E	2012 E	2013 E
Growth Group Net Sales	12.7%	20.9%	12.8%	12.1%
Growth EBITDA	4.0%	-19.6%	25.9%	37.0%
Growth EBIT	1.3%	-19.9%	28.1%	46.9%
Growth Net Profit	-2.2%	-59.0%	68.3%	103.7%

Source: Centrobanca estimates

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- > A conflict of interest exists for the UBI Group inasmuch as it holds business relations with Exprivia SpA;
- > A conflict of interest exists for the UBI Group inasmuch as Centrobanca acts as Specialist for Exprivia SpA.

On the basis of the checks carried out no other conflict of interest arose.

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Sell: if the target price is 10% lower than the market price.

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Exprivia – Historical target prices and recommendations

Date	Rating	Target Price (EUR)	Market Price (EUR)
02.12.2009	Buy	1.30	1.13
12.04.2010	Buy	1.38	1.17
01.09.2010	Buy	1.15	0.91
20.01.2010	Buy	1.25	0.94
15.03.2011	Buy	1.25	1.01
05.09.2011	Buy	1.30	0.79