

## Investment Research

Reason: Initiation of Coverage

9 January 2014

### Hold

Initiation of Coverage

**Share price: EUR 0.87**

closing price as of 08/01/2014

**Target price: EUR 0.93**

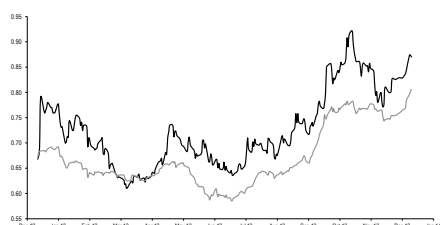
Reuters/Bloomberg

XPR.MI/XPR IM

|                                  |        |
|----------------------------------|--------|
| Daily avg. no. trad. sh. 12 mth  | 74,447 |
| Daily avg. trad. vol. 12 mth (m) | 65.06  |
| Price high 12 mth (EUR)          | 0.92   |
| Price low 12 mth (EUR)           | 0.61   |
| Abs. perf. 1 mth                 | 11.5%  |
| Abs. perf. 3 mth                 | 14.9%  |
| Abs. perf. 12 mth                | 30.3%  |

|                              |     |
|------------------------------|-----|
| Market capitalisation (EURm) | 45  |
| Current N° of shares (m)     | 52  |
| Free float                   | 43% |

| Key financials (EUR)       | 12/12 | 12/13e | 12/14e |
|----------------------------|-------|--------|--------|
| Sales (m)                  | 132   | 135    | 146    |
| EBITDA (m)                 | 12    | 13     | 18     |
| EBITDA margin              | 9.4%  | 9.6%   | 12.5%  |
| EBIT (m)                   | 7     | 8      | 13     |
| EBIT margin                | 5.5%  | 6.0%   | 9.2%   |
| Net Profit (adj.)(m)       | 2     | 2      | 6      |
| ROCE                       | 6.0%  | 6.9%   | 11.3%  |
| Net debt/(cash) (m)        | 44    | 39     | 35     |
| Net Debt Equity            | 0.6   | 0.5    | 0.4    |
| Net Debt/EBITDA            | 3.5   | 3.0    | 1.9    |
| Int. cover(EBITDA/Fin.int) | 4.1   | 4.3    | 7.3    |
| EV/Sales                   | 0.9   | 0.9    | 0.9    |
| EV/EBITDA                  | 9.7   | 9.7    | 6.8    |
| EV/EBITDA (adj.)           | 9.7   | 9.7    | 6.8    |
| EV/EBIT                    | 16.6  | 15.5   | 9.2    |
| P/E (adj.)                 | 15.0  | 18.4   | 8.2    |
| P/BV                       | 0.5   | 0.6    | 0.6    |
| OpFCF yield                | 18.7% | 13.8%  | 10.6%  |
| Dividend yield             | 3.6%  | 0.0%   | 0.0%   |
| EPS (adj.)                 | 0.04  | 0.05   | 0.11   |
| BVPS                       | 1.32  | 1.37   | 1.47   |
| DPS                        | 0.03  | 0.00   | 0.00   |



Shareholders: Abaco Spa 49%; Merula Srl 5%; Data Management Spa 2%; Own Shares 1.83%;

For company description please see summary table footnote

## Location and size matter

We initiate our coverage on Exprivia with a Hold Reco and TP of EUR 0.93. EXP is a medium-size Italian IT player, featuring a core software factory in the South of the country but with an international projection. The sector drivers are mobile and big data technologies, which should offset the underlying decline of legacy solutions and the persisting macro uncertainties. The stock drivers are in our view balance sheet repair, liquidity improvements and margin recovery through structural reorganization. In all, we rate the risk/reward balance appropriate as the current discount on sector ratios correctly reflects the underlying financial risk.

- ✓ Exprivia is an **Italian IT Group**, created in 2005 with the merger between the listed Co AISoftware (a developer of innovative technologies in finance, medical imaging, knowledge management) and Abaco (consulting on relational database and object-oriented SW which later evolved as a system integrator). Since then, Exprivia grew mainly through M&A at a CAGR of 17.4% to a EUR 132m revenues, 10% EBITDA margin in 2012. Based in Molfetta (Bari), Exprivia is now a group employing almost 2,000 people, through 10 subsidiaries in Italy and 6 abroad, including operations or offices in Spain, Mexico, Guatemala, Peru, Brazil and China. The **international activities** accounted for c 12% of the consolidated revenues in H1 2013.
- ✓ Exprivia **covers 6 main industries** including Finance, Energy & Utilities, Industry & Aerospace, Telco and Media, Healthcare and Public Administrations. Exprivia serves **2,000 clients in the corporate segment**, focussing on large and medium enterprises. Most of revenues are generated with consulting and system integration. The **location of the company** in the Puglia Region offers a competitive advantage with the access to skilled workforce and decent infrastructure at competitive cost, thus enabling a **price leadership strategy**.
- ✓ Exprivia is characterized by a **weak balance sheet** which puts it on a riskier position than the sector average and is also a constraint to its business perspectives. The M&A growth trajectory combined with the difficult conditions of its customers and the policy of PAs led an increase in net debt, which peaked at the end of 2012 at EUR 44m (>3x EBITDA) and only recently started to decline.
- ✓ The **Italian ICT market has been rather weak in the past few years**, affected by macro-economic factors, a secular decline in HW and renewed pressure in telcos. The bright spots are the consumer market and new technologies such as mobile computing, Big Data/analytics/CRM, and "Internet of Things". As a result, the software and consulting segments are keeping a modest growth of around 2% (vs. -4.3% for the whole ICT 2013e). For the next two years, current forecasts point to flattish trend also in 2014, following an improving trajectory going forward.
- ✓ EXP basically shares the same **drivers, risks and opportunities** of most of its domestic peers; which are all struggling with price pressure, cash collection issues the budget constraints of PAs and the difficulties in their customer base. The name of the game is intercepting the highest-growth segments and expanding abroad. The specific features of the Co vis-à-vis its peers are its peculiar geographic location and the established relationships with local institutions.
- ✓ The **DCF valuation** provides a FV in the range of EUR 0.9/1.0ps (g 1/2%, WACC 9/10%, terminal EBITDA mg 12.5%). **On a relative basis**, EXP trades at double-digit discount to Italian peers on forward EV/EBIT and P/E, in line on EV/EBITDA.

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## Company highlights and history

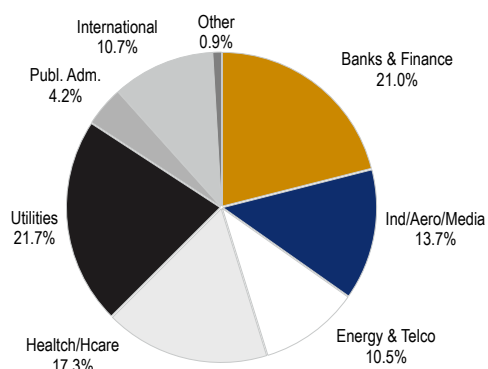
Exprivia is an Italian Information Technology Group, created in the year 2005 with the merger between the listed company AISoftware and Abaco, contributing almost EUR 25m each to the combined enterprise. The former, created in 1983 as Artificial Intelligence Technology, was a developer of highly innovative technologies in the vertical markets of finance and medical imaging, and a designer and integrator of knowledge management and business intelligence products. Abaco was created in 1987 as a consulting firm specialized on relational database and object-oriented SW and later evolved as a system integrator.

The renamed Exprivia grew mainly through M&A at a CAGR of 17.4% to 2012, reaching a size of c EUR 130m revenues, while the EBITDA margin after peaking at 17% in 2010, stood at just below 10% last year. This growth trajectory combined with the difficult conditions of its customers and the policy of Public Administration led an increase in net debt which peaked at the end of 2012 at EUR 44m and only recently started to decline.

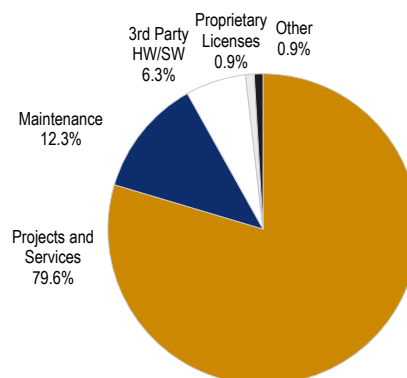
Headquartered in Molfetta (Bari), Exprivia is now a group employing almost 2,000 people, through 10 subsidiaries in Italy and 6 abroad, including operations or offices in Spain, Mexico, Guatemala, Peru, Brazil and China. The international activities accounted for around 12% of the consolidated revenues in H1 2013.

Exprivia covers 6 main vertical industries including Finance, Energy & Utilities, Industry & Aerospace, Telco and Media, Healthcare and Public Administrations. The solutions offered include healthcare, trading room, Credit & Risk management, Mobile, Information Infrastructure Monitoring, SAP suite, Security and Voice Recognition.

9m 2013 net sales by market



9m 2013 net sales by type



Source: Exprivia, Banca Akros estimates

The Group is led by Domenico Favuzzi, founder and general manager of Abaco, who after the merger entered the board of Exprivia (June 2005) and took over as a CEO (September the same year) and finally as Chairman (March 2008). Since January 2012, Mr Favuzzi has been supported by a second CEO in the person of Mr Pierfilippo Roggero, with management experience in Honeywell, Apple, Sun Microsystems and Fujitsu Siemens. Gianni Sebastiano, the new CFO since May 2012, comes from management experience in Italian and international providers of ERP and IT services.

Exprivia was listed in the Italian stock market in year 2000 and is now part of the STAR segment. Following the merger in 2005, the holding controlled by Mr Favuzzi (Abaco Innovazione) has become the largest shareholder and currently owns 48.55% of the capital. The reserved capital increases related to the acquisitions of Svimservice and Wel.Network (end-2007) resulted in 5% and 2.03% stakes now owned by Merula and Almeida respectively. The company owns around 2% of the capital as treasury shares.

### Growth mainly driven by M&A

Exprivia was created through the merger of former AISoftware and Abaco. We argue that the deal was probably driven by the need of AIS to grow a critical mass in terms of turnover and customer base, and strengthen its business model with a wider and more mainstream product/service offer; indeed while the two companies grossed around EUR 25m turnover each, Abaco contributed most of the pro-forma EBITDA 2005, along with 84% of the combined personnel.

Exprivia later undertook an intensive M&A campaign was driven by size considerations and by the three main strategic goals including Innovation (minority stakes in ACS), Industrialization of process (Datilog, Realtech) and Internationalization (Exprivia SI; ProSAP SI, ProSAP Peru, Visia do Brazil).

#### EXP M&A detail (EUR m)

| Date      | Target            | Segment             | Stake | Cost  | Detail  | Revenues* |
|-----------|-------------------|---------------------|-------|-------|---|-----------|
| 30 Nov 07 | Wel. Network      | Manuf/Energy/Telco  | 100%  | 9.5m  | EUR 7.125m, EUR 2.375m in new shares                      | EUR 18m   |
| 30 Nov 07 | Svimservice       | HealthCare/PA       | 100%  | 26m   | EUR 17m cash, EUR 6m in new shares, up to EUR 4m earn-out | EUR 25m   |
| 19 May 08 | Spegea            | Management school   | 60%   | 0.3m  | na  | EUR 1.7m  |
| 30 Jul 08 | Exprivia SI       | International (H/C) | 60%   | 0.1m  | Cash injection in the start-up                            | nm        |
| 5 Sep 08  | Infaber           | Manuf/Aero/Media    | 100%  | Na    | 50% in 08, up to 100% in June 12                          | na        |
| 31 Oct 08 | Network Services  | Manuf/Aero/Media    | 100%  | 1.3m  | Includes EUR 350k earn-out                                | EUR 1.9m  |
| 17 Nov 09 | Datilog           | Manuf/Aero/Media    | 52%   | 0.14m | EUR 138K + 6% stake p.a.                                  | EUR 0.78m |
| 26 Oct 10 | ProSAP SI         | International       | 51%   | 1.1m  | EUR 0.65m +2 instalments                                  | EUR 4m    |
| 31 May 11 | Realtech          | Multi-segment       | 51%   | 1.65m | EUR 3.45m total RV  | EUR 10.6m |
| 25 Jul 11 | Sispa             | Financials          | 100%  | 5.19m | Includes EUR 85K earn-out                                 | EUR 7.4m  |
| 27 Oct 11 | Visiant do Brazil | International       | 99%   | 0.75m | Includes EUR 0.25m earn-out                               | EUR 1.1m  |

Source: Company data, Banca Akros (\*) at the time of acquisition

We note the following:

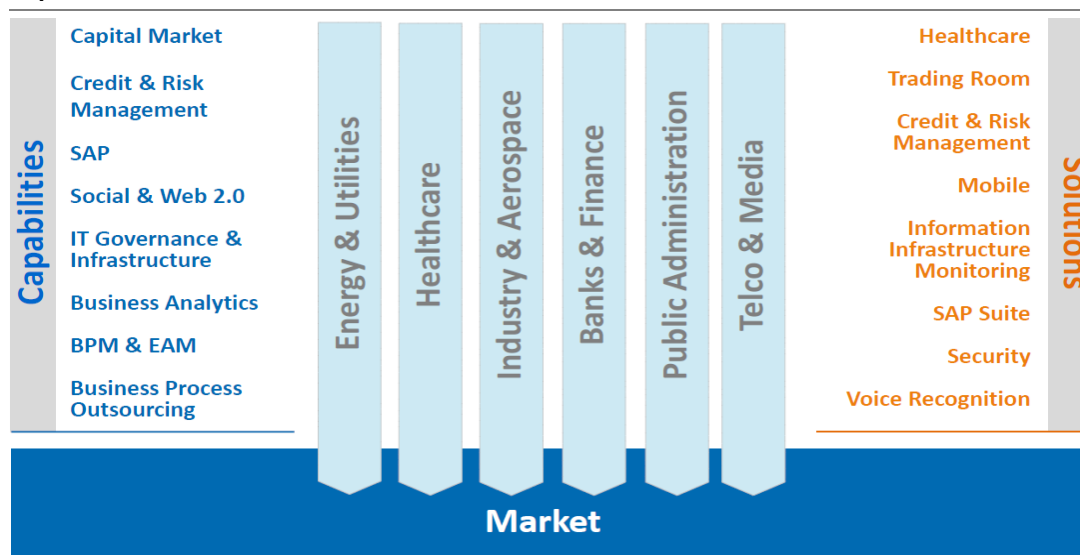
- The busiest year was 2007, with a total cost of EUR 35m in cash and stock, for two companies that added EUR 42m turnover in the following fiscal year.
- Following the AIS/Abaco merger, EXP used its own paper currency in the above two deals, implying the issue of 7% new shares. The sellers of both ventures (Merula and Almeida) remained as stable shareholders of EXP with 5% and 2% of the capital respectively.
- The M&A approach usually included the acquisition of the absolute majority earn-of the capital, followed by out provisions, deferred payments and instalments. The management of the acquired companies is usually retained.
- The international expansion started in mid-2008 with the creation of the JV Exprivia SI in Spain, followed by the acquisition of ProSAP in Q4 2012, which projected the group in LatAm with its SAP expertise and the creation of a start-up in Peru in 2011. EXP also established a presence in Brazil with the acquisition of Visiant at the beginning of 2012, also backed by the public venture vehicle SIMEST (assisting companies developing abroad), which was further reinforced in Nov 2013 with the acquisition of the business of Companhia de Sistemas.

## Exprivia offering and reference markets

Exprivia Group is an Italian company specialised in designing, developing and integrating innovative software solutions and services, based on a set of core competences developed over 20 years of expertise in the reference markets, serving over 2,000 customers across several different industrial sectors.

The business model adopted by the Group is based on a wide set of solutions both proprietary “capabilities” and developed by third parties, according to a market segmentation (as depicted below) focussed on 6 main industry groups.

## Exprivia business model



Source: Company presentation

**Banking and finance** is the largest business segment for Exprivia, which has built a reputation and expertise through above 25 years of partnerships with major Italian and foreign financial institutions

**Aerospace Industry and media** is mainly focussed on the implementation of ERP and CRM solutions; the company has been a partner of SAP since the early 2000s, boasts a widespread presence in Italy and offers innovative models for the provisions of services in near-shoring mode.

**Health care** includes two strong specialties namely the Clinic Software, ie the traditional business of AIS and the acquired business of Aurora in image and voice recognition, and the Public Healthcare Information System, which has been built on the public health management contracts acquired with Svmservice.

**Telecom and Utilities** address the administrative activities as well as sector specific processes, leveraging on the specific domains of knowledge built on 10yr+ partnerships with major industry players.

**Public Administration** is a vast area which addresses most of the needs of local and central bodies in the design, creation and management of services

## Exprivia customer detail

| Market              | Segments                   | Customers                      | Expertise, Products and Services   |
|---------------------|----------------------------|--------------------------------|--|
| Banking and Finance | Finance                    | Banca Intesa, Unicredit, Murex | <ul style="list-style-type: none"> <li>Propose specific services and solutions for all the processes of the financial market.</li> <li>Innovative customised solutions to keep up with the continuously evolving market.</li> <li>Skills gained from the Murex technological platform.</li> </ul>  |
|                     | Credit and risk management | Bca Popolare Sondrio, SBA      | <ul style="list-style-type: none"> <li>Proprietary solutions for the various phases of the credit life cycle in both operating and decisional terms: screening and resolution, periodic monitoring and dispute management.</li> </ul>  |
|                     | Operational Management     | Banca Intesa, Amundi           | <ul style="list-style-type: none"> <li>Operating management of IT systems in the financial sectors provided in on-site and near-shoring mode, IT infrastructure optimisation services (project consultancy to architectural designs and their implementation).</li> </ul>  |
|                     | IT Security                | Unicredit, Banca Intesa        | <ul style="list-style-type: none"> <li>Extensive security-related technological expertise + Domain specific expertise.</li> </ul>  |
|                     | Inter-channel              | Fineco                         | <ul style="list-style-type: none"> <li>As support for marketing, sales and customer service, web 2.0 based services, solutions to manage unstructured information and mobile payment products.</li> </ul>  |
| Energy and TLC      | Energy                     | ENI, Saipem, Altran, API       | <ul style="list-style-type: none"> <li>Knowledge of the best practices in the IT sector with specific skills related to processes for the extraction, transportation, storage, refining and distribution of oil and natural gas. Partner for projects on both core (Work &amp; Asset Management, Engineering &amp; Automation) and noncore processes (AFC, HR, dematerialisation and storage).</li> </ul>  |
|                     | TLC                        | Vodafone                       | <ul style="list-style-type: none"> <li>Solutions for the core processes of mobile and landline network operators with a complete and innovative range of systems integration for both business support and operational support. The expertise includes design activities and the creation of customer care &amp; billing, pricing model configuration and CRM systems based on BPM methods. Solutions for the configuration and management of provisioning, order management, testing and quality control systems and the efficient management of network infrastructures, security, remote database management, configuration mgmt, network management and performance analysis. Cloud services, application mgmt, ERP, payment systems and others, in partnership with telecom providers.</li> </ul> |

| Market                               | Segments           | Customers   | Expertise, Products and Services   |
|--------------------------------------|--------------------|---|--|
| <b>Industry, Aerospace and media</b> | Large corporations | Selex, Siemens, Unilever, Pirelli, Prada, Gewiss, Prenatal                          | <ul style="list-style-type: none"> <li>From its expertise in the SAP sector, Exprivia is able to create integration projects through ERP, CRM, SCM, Business Intelligence and Analytics application and middleware platforms.</li> <li>Implementations based on Simatic IT, Siemens Industry Software and with Service Oriented architectures are created in the Manufacturing Execution System (MES) sector.</li> <li>In the Retail and Wholesale sector, solutions for any type of process (from back office to points of sale), for any reporting and analysis requirement and for any type of activity, B2B or B2C.</li> <li>Best Practices implementation for any market: Automotive, Aerospace, Consumer Products, Chemical &amp; Pharma, Engineering and Construction, Food, Manufacturing Discrete and Process.</li> </ul> |
|                                      | SMEs               | Fameccanica, Natuzzi, Kedrion   | <ul style="list-style-type: none"> <li>Tools for SMEs featuring advanced functions that cover all the main core processes of the enterprise in the financial, commercial and logistic sector. IT mgmt, service desk, server and desktop virtualisation services are also available to meet infrastructure needs.</li> <li>Structured offers with high SLA the Application Management field in Italy and abroad.</li> </ul>   |
|                                      | Media              | Messaggerie Libri   | <ul style="list-style-type: none"> <li>Solutions that support digital marketing by defining an integrated strategy that includes content management, Web 2.0 applications, search engines all the way to social media to obtain a synergy among contents, user profile and information programs.</li> </ul>  |
| <b>Public Administration</b>         |                    | Infocamere, Sogei, Comune di Bari, Milano, Prov Bari, Italia Lavoro                 | <ul style="list-style-type: none"> <li>Design, creation and mgmt of services: a) Products and services for the mgmt area of Regional Bodies; b) e-Government; c) e-Procurement; d) e-documents; e) planning and control using business intelligence platforms e business analytics; f) performance measurement systems in PA; g) solutions to support administrative processes for self-governance and cooperation between administrations based on the SOA paradigm; h) web based solutions for the information exchange among bodies, citizens and companies via a single access point; i) System integration, business continuity and disaster recovery.</li> </ul>   |
| <b>Health and HealthCare</b>         |                    | Regione Puglia, ASL Brindisi, Bari, Taranto, Asti, Foggia; Az Osp. Fatebenefratelli | <ul style="list-style-type: none"> <li>350 professionals and 30 years of experience in the healthcare segment.</li> <li>250 healthcare institutions and hospitals (20m assisted citizens).</li> <li><b>e4cure</b>, a suite of solutions that addresses all the needs of the healthcare market: from governance and control at regional level (Regions, Regional Agencies), to local care provided by local healthcare providers (ASL) and hospital care (hospitals, clinics and public and private healthcare facilities).</li> </ul>  |
| <b>Utilities</b>                     |                    | ENEL, Poste, Tema, Acquirente Unico Spa   | <ul style="list-style-type: none"> <li>Solutions for the development and mgmt of transversal and characteristic processes.</li> <li>Solutions aimed at ensuring an integrated mgmt of administrative processes, efficient operating processes, the quality of customer services, process performance and compliance with service levels.</li> </ul>  |

Source: Company data, Banca Akros estimates



## Financial evolution 2005/2013e

At a bird's eye view, Exprivia financial evolution since the creation in its current form, can be described according to the following lines:

a) **A double-digit revenue growth** since the creation of the group in 2005, mainly driven by acquisitions. The impact of M&A was particularly visible in FY 2007 and 2008 when Svmservice and Wel.Network were partially and then totally consolidated. The acquisitions of Realtech and Sistemi Parabancari mainly boosted FY 2011 and partially this year's performance. Indeed, lacking large deals, the 2013 is expected slightly Y/Y, with 9m at -2.3% in turnover.

b) **Double-digit EBITDA margin**, with an average of 13.4% in the past 7 years (excluding FY 2005 which reflected the integration costs of the two merging units). The profitability of the business is broadly in line with the Italian peers Reply (13.5%) and Engineering (12%).

c) **Volatile net result**. The original AISoftware had been in a loss until the merger in the FY 2005. From then on, the original upward movement culminated with EUR 7m net profit in FY 2008 but was followed by a consistent decline in the following 5 years.

d) **A balance sheet still under pressure**, as the net working capital requirement had inflated the net debt position to 3.5x EBITDA by the end of 2012.

e) **Modest shareholders' remuneration**. EX froze the dividend last year given its debt priority and we would not expect significant distributions soon. The company paid out EUR4c p.a. in 2008/2010, which was reduced to EUR 3.1c in 2011. The latter pay-out ratio was 47%; with a yield of almost 5% on the average share price in 2012.

### Exprivia Group: key financials (EUR m)

|                       | FY 05PF     | FY006       | FY007        | FY08        | FY 09       | FY10        | FY 11       | FY12        | FY013e      |
|-----------------------|-------------|-------------|--------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Sales Revenues        | 44.7        | 44.2        | 61.7         | 84.8        | 85.7        | 97          | 107         | 137         | 130         |
| Banks + Finance       | na          | 10.5        | 12.9         | 11.3        | 10.0        | 11.65       | 17.3        | 22.2        | 28.8        |
| Ind/ Aeros/Media      | na          | na          | na           | 11.5        | 11.6        | 13.10       | 18.2        | 19.7        | 17.5        |
| Energy & Telco        | na          | na          | na           | 16.0        | 12.8        | 11.87       | 14.3        | 14.2        | 13.3        |
| Healthcare            | na          | na          | 11.7         | 29.5        | 31.2        | 37.63       | 30.3        | 26.1        | 23.3        |
| Utilities             | na          | na          | 14.0         | 15.0        | 13.1        | 12.87       | 21.1        | 25.9        | 26.3        |
| PA                    | na          | na          | 3.53         | 5.93        | 4.57        | 4.42        | 4.68        | 6.76        | 6.10        |
| International         | na          | na          | 0            | 0           | 1.18        | 3.16        | 8.22        | 12.2        | 13.5        |
| <b>Total Turnover</b> | <b>47.6</b> | <b>47.0</b> | <b>65.8</b>  | <b>95.9</b> | <b>90.1</b> | <b>100</b>  | <b>120</b>  | <b>132</b>  | <b>135</b>  |
| Growth                | 3.6%        | -1.2%       | 40.0%        | 45.7%       | -6.1%       | 11.0%       | 20.2%       | 10.2%       | 2%          |
| EBITDA                | 2.5         | 5.6         | 10.1         | 15.2        | 14.6        | 15.3        | 13.5        | 12.4        | 13.0        |
| Margin                | 5.2%        | 11.8%       | 15.3%        | 15.9%       | 16.2%       | 15.2%       | 11.2%       | 9.4%        | 9.6%        |
| EBIT                  | -1.1        | 3.4         | 7.9          | 12          | 11          | 12          | 10          | 7.2         | 8.1         |
| Margin                | -2.5%       | 7.7%        | 12.7%        | 14.4%       | 13.0%       | 12.3%       | 9.8%        | 5.3%        | 6.2%        |
| EBT                   | nm          | 2.4         | 6.4          | 9.1         | 9.1         | 10.0        | 8.3         | 4.2         | 5.1         |
| Net Income            | -3.7        | 1.1         | 3.4          | 6.9         | 5.1         | 4.9         | 3.4         | 2.2         | 2.3         |
| Capex                 | nm          | -0.4        | -2           | -4.0        | -4.8        | -2.7        | -3.1        | -5.0        | -6.0        |
| D NWC                 | nm          | -7.4        | -3.2         | -11.8       | -4.5        | -4.4        | -2.2        | 2.5         | 4.4         |
| Tax                   | nm          | -1.2        | -2.9         | -2.2        | -4.1        | -5.0        | -5.1        | -1.8        | -2.5        |
| FCFF                  | nm          | -3.5        | 2.5          | -2.7        | 1.2         | 3.1         | 3.1         | 8.1         | 8.9         |
| Interests             | nm          | -1.1        | -1.3         | -3.0        | -2.1        | -1.9        | -2.2        | -3.0        | -3.0        |
| <b>FCFE</b>           | <b>nm</b>   | <b>-4.5</b> | <b>1.2</b>   | <b>-5.7</b> | <b>-0.9</b> | <b>1.2</b>  | <b>0.9</b>  | <b>5.1</b>  | <b>5.9</b>  |
| Acquisitions          | nm          | 0.0         | -35.2        | -2.4        | 0.0         | -2.2        | -4.6        | 0.9         | 0           |
| Dividend              | nm          | 0.0         | 0.0          | 0.0         | -2.0        | -2.0        | -2.1        | -1.61       | 0           |
| Capital increase      | nm          | 0           | 0            | 0           | 0           | 0           | 0           | 0           | 0           |
| Other                 | nm          | -1.0        | 17.0         | 7.0         | -1.0        | 3.0         | 1.0         | -4.0        | 0           |
| <b>Chg in Cash</b>    | <b>nm</b>   | <b>-5.5</b> | <b>-17.0</b> | <b>-1.1</b> | <b>-3.9</b> | <b>0.0</b>  | <b>-4.8</b> | <b>0.4</b>  | <b>5.9</b>  |
| <b>Net Debt</b>       | <b>10.8</b> | <b>16.8</b> | <b>34.0</b>  | <b>35.3</b> | <b>39.3</b> | <b>39.8</b> | <b>44.4</b> | <b>44.0</b> | <b>39.2</b> |

Source: Company data, Banca Akros estimates

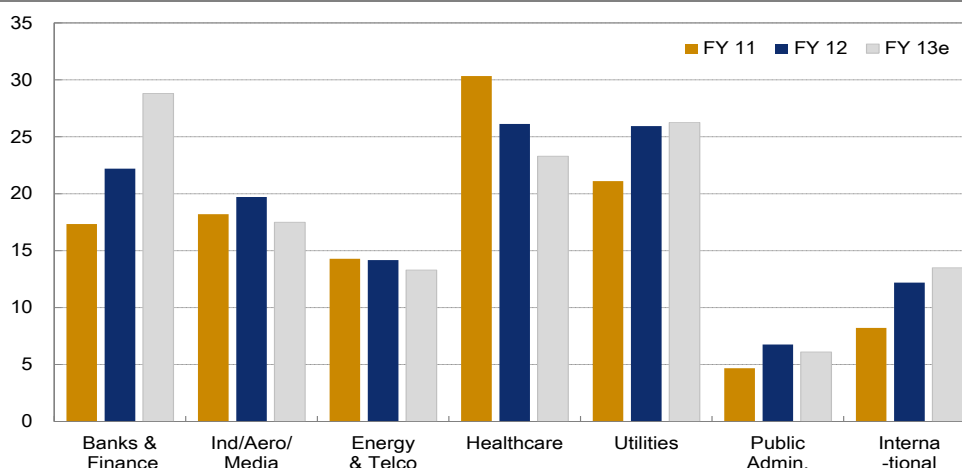


## DIVISIONAL ANALYSIS

As the company changed a few times its reporting structure, it is hard to accurately review the actual performance by market segment throughout the whole period of analysis. Focusing on the past three years, we note that:

- Banks and Finance** is once again the first contributor to the revenue line and to the EBITDA, also yielding the highest margin across EXP BLs. While the 2008/13 revenue CAGR is basically in line with the overall group, this BL has been the main growth engine in the past couple of years, also thanks to the consolidation of Sistemi Parabancari (acquired in July 2011) adding 33pp growth in 2011.
- Int'l activities**, launched in 2008 with a JV in Spain, have now reached 12% of group revenues, above the target of 10% set by the management in early 2011. Apart from a small loss in FY 2011, the business has been largely profitable for EXP, yielding an EBITDA mg in excess of 10% in FY 2012 (close to 20% in H1 2013).
- The Healthcare division** originates from the AIS business of medical records and image recognition (EUR 6m in 2005), later boosted by acquisition of Svimservice at the end of 2007 (and Auroraweb in 2009), which drove revenues to above EUR 30m in each of the following four years. The Information System business was originally built on a specific contract with the region of Puglia; the loss of a certain segment (Pharma) led to steep revenue decline in the past couple of years. As a result, the contribution to group sales is now 18% from 38% of FY 2010. EXP is now expanding to other regions.
- Industry Aerospace & Media**. Solutions and services for several non-finance sectors including large medium and small businesses. The offer is focussed on CRM and ERP systems, leveraging strong SAP expertise. The BL grew through M&A, including Wel.Network (EUR 25m revs, end-2007), Network Services, Datilog and Realtech (EUR 10m revs, mid-2011). The underlying business has been shrinking in the past couple of years, with FY 2013 revs seen at c EUR 18m. The impact of weak economy is more heavily felt by the medium and small firms which represent the bulk of the segment revs. Margins have also been down since 2010, to a negative EBITDA in H1 13.
- Utilities** was organized as a separate reporting entity starting from 2012 (previously included Central PA) given the renewed focus on the significant transformation of this industry and the increasing role of ICT. EXP achieved a 23% revenue growth last year and has been maintaining the revenue stable in the first 9m 2013.
- Public Administration** is just 5% of EXP revs (while the broad "public" sector is 25%) and includes both Local and Central PA (we estimate a ratio of 1.3 to 1). The segment revenue trend is largely dependent on the timing and size of tenders and reflects shrinking budgets of public bodies. The margin has been negative in the past 30 mo.

### Exprivia: divisional revenue trend 2011/2013e



Source: Company data, Banca Akros estimates

## STRUCTURAL REORGANIZATION

Following a string of acquisitions in the past few years, Exprivia has been implementing a streamlining project on its group structure, which was approved by the BoD in April 2013. Exprivia expects to obtain significant synergies deriving from the elimination of corporate and administrative duplications and overlapping, with consequent savings on overheads due to exercising a lower number of entrepreneurial activities in fewer locations.

**The initial phase, completed in H1**, consisted in the minority buy-out of Realtech SpA and Datilog S.r.l., in turning the juridical form into private limited company for all 100% owned companies, in concentrating their headquarters and in the possibility of appointing a single supervisory body as an alternative to the Board of Statutory Auditors.

**The second phase consists in three mergers.**

- Realtech Italia Srl and Datilog Srl were merged by incorporation into Wel.Network Srl (15 October 2013). Wel.Network Srl then changed its name to **Exprivia Enterprise Consulting Srl** and moved its registered office to Milan. We understand the unit will include all the ERP consulting activities and SAP competence center.
- Exprivia Solutions Srl and Infaber Srl were merged by incorporation into **Exprivia SpA** (October 28). The company will be mainly focused on manufacturing and logistics.
- Gruppo Soluzioni Tecnologiche Srl - GST was merged into Svimservice Srl (December 13, 2013). Svimservice Srl changes its name to **Exprivia Healthcare IT Srl** and transfers its registered office to Trento. The unit will include healthcare IT systems, speech recognition and will continue to operate in the field of IT systems and software applications for regional public administration.

**The third phase** includes the attribution of most of the operations of the parent company Exprivia Spa to the three operating companies Exprivia Finance Srl (now Sis.Pa Srl), Exprivia Healthcare IT Srl and Exprivia Enterprise Consulting Srl. Exprivia Spa will maintain the management of large accounts as well as system integration activities.

As a result, the Italian business will consist of 5 legal entities (from previous 10) characterized by the following economics.

### Exprivia: New Organizational Structure

|                              | Activity              | Revenues* | Capital Employed* | Employees      |
|------------------------------|-----------------------|-----------|-------------------|----------------|
| Exprivia Spa                 | System Integration    | 40        | 165               | 300 (from 750) |
| EX Finance Srl               | Banking/finance       | 22        | 16                | na             |
| EX Healthcare IT Srl         | Healthcare            | 27        | 45                | na             |
| EX Enterprise Consulting Srl | SAP                   | 27        | 16                | na             |
| EX Project                   | BPO                   | 8         | 4                 | 287            |
| Spegea                       | Training              | na        | nm                | 9              |
| Int'l activities             | Sys Integr./ SAP / HC | 12        | 7                 | 169            |

Source: Company data, Banca Akros estimates (\*) FY 2012a

We argue that the reorganization will provide several benefits to the Exprivia Group including revenues synergies (joint go-to-market approach), cost savings, as well as the company to attract more easily industrial partnership or new finance. We understand that none of the above companies is currently for sale.

## INVESTMENTS/ R&D PROJECTS

The business model in IT services implies low capital intensity, as the production requires just office equipment servers and PCs, along with the man-hours dedicated to the development of new SW applications or suites or specific projects not yet delivered to the client. Exprivia capitalizes this kind of R&D expenditures, which are however definitely lower than those of Software Vendors. Investments in intangibles have ranged between 1.5/2% of sales in the past few years (with 3% only in 2008).

Exprivia has been committed to several R&D activities, including multi-year research projects often co-funded by the region or Ministries, on a stand-alone basis or in consortium.

**The research framework project since 2010 has been the development of Città Digitale 2.0**, which “proposes the corporate vision for improving the quality of urban life through ICT- based services aimed at supporting and facilitating the daily life of citizens”. Exprivia signed in December 2010 a partnership with CISCO to develop this vision.

### The current main active projects include:

- a) SDI (Service Delivery Improvement) co-financed by Regione Puglia to implement Software as a Service and Cloud Computing, to be completed in Q1 2014.
- b) LOGIN (Logistica Integrata, part of “Industria 2015) to implement integrated logistic platform in the food industry. The project started in H2 2012 and will close in Mid-2015.
- c) A few activities financed by the Ministry of University (Miur), such as Vincente (web technologies to support local entrepreneurship), Puglia@Service (knowledge management) and LAB GTOTP (within the Biogene Consortium). These projects have been formally assigned during H1 2013.

### The main bids and forthcoming research projects include:

- a) Within the framework of the R&D plan of Exprivia, the company made a bid in November 2012 for the Miur national contract of “Smart Cities and Communities and Digital Innovation”, which is still being evaluated. Miur has allocated a total funding of EUR 655m (including EUR 170m grants, EUR 485m subsidized credit). At the regional level (with regional funding) the project Puglia 2.0 has been approved and funded in December 2013 with the goal to build the Exprivia's ideas for the Digital Cities (Città Digitale), the above mentioned framework of advanced IT services for improving the social and citizens quality of life. At the local level, the project “Bari Digitale” is experimenting with e-mobility.
- b) Exprivia secured the approval of five projects in a Miur bid for the definition of “National Technology Clusters”; in particular the “active aging at home” and “Intelligent Transportation System” will receive specific financing by the Ministry. The Cluster project is worth EUR 266m at national level (EUR 170m/EUR 96m split). The total resource pool available for the two clusters is EUR 21.6m (Source: Miur).
- c) New bids were filed for projects in Healthcare (DH-Bio Puglia district and Innovaal consortium), business services (S-Lab consortium) in public/private partnerships.

Exprivia is also investing in a the extension of its headquarter in Molfetta (which is composed by the four buildings for 5,000 sqm office space); the total cost of the project as announced in 2012 is EUR 10.4m (covered by a funding from the Puglia Region) including EUR 5.6m for a new four-storey building (2,500 sqm). As per September 30, 2013, Exprivia spent around EUR 1.8m.

## CAPITAL STRUCTURE AND FINANCIAL RISK ANALYSIS

A notable constraint for Exprivia industrial evolution and perspectives, and a key issue for the investment case, is related to the balance sheet.

### Solvency Risk

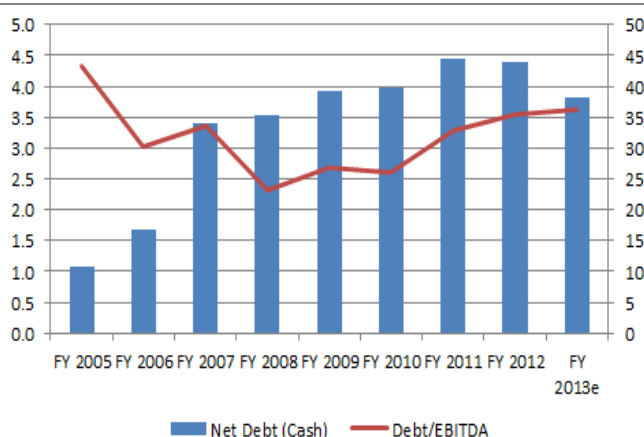
Following the merger between AIS and Abaco, the NewCo Exprivia closed the year 2005 with a net debt of EUR 11m, which was appropriate for a forward EBITDA of EUR 5.6m. The debt position doubled in 2007 the company paid EUR 24m cash for two acquisitions; the debt/EBITDA ratio kept however at a reasonable 2.3x in 2008 (from a nominal 3.2x in 2007) when the units were fully consolidated.

Net debt kept increasing in the following three years, mainly driven by the increase in Net Working Capital. In absolute level, the NFP peaked at EUR 49m at the end of March 2012 (or a EUR 14m increase vs. December 2008), as NWC rose by the same amount. In relative terms, although net debt slightly decreased during 2012 thanks to a tighter NWC management, the leverage ratio peaked at 3.3x due to last year's EBITDA decline.

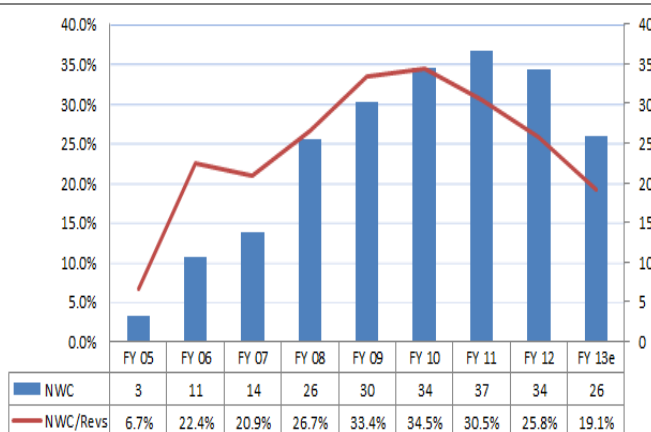
The management has clearly focused on cash protection during this year (also using factoring), with both NWC and Net Debt down by EUR 8m in the 12m to September 2013. The latter is expected at or below EUR 40m, implying still above 3x the EBITDA.

The stretched financial position is clearly reflected in the **actual cost of debt**, which averaged 6.5/7% in FY 2012 and H1 2013, vs. 5 to 5.5% in the previous three years.

Exprivia Debt Evolution



Exprivia NWC evolution



Source: Company data, Banca Akros estimates

### Liquidity Risk

Exprivia gross debt stands at EUR 43m (as per September 30, 2013) involving 18 different counterparties including national and international (Deutsche Bank, Caja Madrid) banks, factoring and leasing institutions and Italian Ministries.

In May 2008, Exprivia secured a Medium-Term financing package from a pool of banks including BNL, Centrobanca, Unicredit and Banca Antonveneta, for a total amount of EUR 20.5m. The package, aimed at financing the acquisition of Svimservice and Wel.Network, had a duration of 90 months to November 30, 2015 and included EUR 2.5m revolving line which was completely repaid by December 2010.

The financing agreement was regulated by a series of covenants to be verified starting from December 2008 and every six months, including gliding paths on EV/EBITDA (starting with <2.2x), gearing (<0.5x through the period), FCF to serve debt >=90% (100% from June 2013), Capex <= EUR 4.2m from FY 2013 (<= EUR 3.8m in FY 2012).

With the first test on FY 2012 results, Exprivia was in breach of some covenants (eg ND/EBITDA exceeded 3x), so that, according to IAS 1 (par 74), it had to reclassify the remaining EUR 5.4m of the M/T Financing as current debt.

The breach of covenants could in theory trigger the early repayment of this debt. We understand Exprivia is actively negotiating a re-definition of the covenants described above. We would expect some news to come soon in this respect.

#### Exprivia: NFP (EUR m)

|                           | FY 08 | FY 09 | FY 10 | FY 11 | FY 12 | H1 13a |
|---------------------------|-------|-------|-------|-------|-------|--------|
| Net financial debt        | 10.8  | 16.8  | 34.0  | 35.3  | 39.3  | 39.2   |
| Cash and mktbl securities | -2.0  | -1.5  | -6.0  | -6.2  | -6.0  | -6.0   |
| Financial short term debt | 9.6   | 14.0  | 19.3  | 21.9  | 26.5  | 38.5   |
| Financial l/m term debt   | 3.1   | 4.3   | 20.7  | 19.6  | 18.8  | 6.7    |
| Net financial debt        | 10.8  | 16.8  | 34.0  | 35.3  | 39.3  | 39.2   |

Source: Company data, Banca Akros estimates

**Exchange Rate risk.** Exprivia runs 88% of its business in Italy, and most of its International activities are (Exprivia SL, ProSAP) are still in the Eurozone (Spain). We estimate the portion of revenues generated in LatAm is less 3% of group total. We understand that given the limited volume of such business, Exprivia does not actively manage currency risk at the moment. Net losses from currency exchanges were EUR 77K in FY 2012 (3.6% of net income) and EUR 130K in 9m 2013 (3.8%).

**Interest Rate Risk.** We calculate that (as per Dec 2012) around EUR 22.5m of Exprivia gross debt was variable rate, linked to Euribor 1/3/6months, with spreads ranging from 0.9pp to 4.0pp. We rate the interest risk as low taking into account the low duration, the current and likely trend of short-term rates and the existing hedging (EUR 5.7m).

**Credit Risk.** Exprivia has a diversified customer base, with the first six clients accounting for 36% of revenues. The collection cycle is however a critical issue for the company, exacerbating a generalized issue of the industry. Public Administrations are in particular a late payer in most of the cases; the large increase in the overdue receivables affecting the Parent Co Exprivia Spa during 2010 can be probably related to the 40% increase in PA receivables. We note that the PA contribution is now limited to just 5% of revenues. The international expansion has also absorbed capital. Risk funds account for around 6% of gross receivables, the provisions account for below 1% of revenues.

#### Exprivia: focus on receivables (EUR m)

|                              | FY 08       | FY 09       | FY 10       | FY 11       | FY 12       | H1 13a      |
|------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Italian Clients              | 34.0        | 43.0        | 40.4        | 43.4        | 48.8        | 43.1        |
| Foreign clients              | 2.2         | 0.9         | 1.6         | 4.7         | 5.4         | 6.7         |
| <b>Public Administration</b> | <b>12.1</b> | <b>10.1</b> | <b>14.3</b> | <b>14.3</b> | <b>12.2</b> | <b>9.7</b>  |
| Subtotal                     | 48.2        | 54.0        | 56.3        | 62.4        | 66.3        | 59.5        |
| Less risk fund               | -3.4        | -3.6        | -4.3        | -4.3        | -3.7        | -3.5        |
| <b>Net Receivables</b>       | <b>44.9</b> | <b>50.4</b> | <b>52.0</b> | <b>58.2</b> | <b>62.6</b> | <b>56.0</b> |
| <b>% of sales</b>            | <b>53%</b>  | <b>59%</b>  | <b>54%</b>  | <b>54%</b>  | <b>46%</b>  | <b>nm</b>   |
| Overdue Receivables *        | na          | 13.8%       | 26.7%       | 23.8%       | 27.5%       | nm          |

Source: Company data, Banca Akros estimates (\*) Parent Company

## Current trading conditions

**Q3 2013 results: flattish revenues, margins up.** Q3 was a solid quarter for EXP, characterized by stabilization in revenues (vs. a decline in H1) a continuing improvement in margins and further EUR 1.1m de-leveraging.

Per business line, banking and finance accelerated on the on-going growth trajectory (+30%) thanks to the new projects coming into production; Industry/Aerospace/Media was heavily down in Q3 turning into double-digit 9m revenue decline as the macro weakness added to sector-specific (aerospace) issues; Tlc were also down in Q3 while utilities bounced up with +19% Y/Y. Healthcare continued declining although at a slower pace, following the expiration of important regional contracts, while the PA business lost EUR 0.6m Y/Y in Q3 or above one third of the volumes, given the combination of budget constraints, unification policies of public bodies and the uncertainties over the future of provinces.

The profitability further improved in Q3, mainly as a consequence of a deliberate company policy in contract acquisition, focussing on margins and cash collection rather than growth; also reflecting the on-going rationalization effort on the group organization started at the end of last year, implying lower structural and governance costs.

**FY 2013 Outlook.** In October 2010, Exprivia management based on the evolution of the two phases of the short company history namely 2005/2008 (merger and consolidation of two large deals) and 2008/2010 (consolidation of existing products/markets along with international expansion) set the guidelines for a new expansion phase.

The financial targets included, on organic basis, EUR 140m revenues, EUR 22.5m EBITDA (>16% margin) EUR 19.3m EBIT and EUR 9.5m net income. With planned acquisitions, FY 2013 was seen up to EUR 200m revs, EUR 30m EBITDA (15% mg), EUR 13.1m net income. Based on a stable dividend policy (implying c EUR 2m p.a.) but assuming an improvement of NWC, the Net Debt was seen declining by EUR 10m in the period on an organic basis. The additional EUR 60m revenues would have been acquired at a cost of EUR 40m additional debt by end-2013. The implied EV/EBITDA of the planned M&A was c 5.3x, however gross of cash generated by the acquired businesses and potential minorities.

### TME 9m 2013 results and FY 2013 estimate (EUR m)

|                 | Q3 2012 | Q3 2013a | Y/Y    | 9m 2012 | 9m 2013a | Y/Y    | FY 2012 | FY 2013e | Y/Y    |
|-----------------|---------|----------|--------|---------|----------|--------|---------|----------|--------|
| Sales Revenues  | 29      | 31       | 5.9%   | 98      | 90       | -7.9%  | 137     | 130      | -5.1%  |
| Total Turnover  | 30      | 31       | 2.1%   | 97      | 94       | -2.3%  | 132     | 135      | 2.2%   |
| EBITDA          | 3       | 4        | 17.6%  | 7       | 8        | 13.7%  | 12      | 13       | 5.0%   |
| Margin          | 9.9%    | 11.4%    | 1.5%   | 7.7%    | 9.0%     | 1.3%   | 9.4%    | 9.6%     | 0.3%   |
| EBIT            | 2.0     | 2.4      | 22.0%  | 4.5     | 5.4      | 20.1%  | 7.2     | 8.1      | 12%    |
| Margin          | 6.7%    | 7.7%     | 1.0%   | 4.6%    | 6.0%     | 1.4%   | 5.3%    | 6.2%     | 1.0%   |
| EBT             | 1.2     | 1.7      | 36.7%  | 2.4     | 3.3      | 35.7%  | 4.2     | 5.1      | 22%    |
| Net Income      | 0.4     | 0.8      | 118.7% | -0.2    | 1.1      | nm     | 2.2     | 2.3      | 8.5%   |
| Net Debt (Cash) | 46.8    | 38.1     | -18.5% | 46.8    | 38.1     | -18.5% | 44.0    | 39.2     | -11.0% |

Source: Company data, Banca Akros estimates

The actual development of the business has been definitely more modest than the initial management forecasts, given the combination of a weaker than expected macro environment, a cautious approach from central and local public administration and the unexpected loss of part of the healthcare contract with the Puglia Region. The heavy balance sheet and the loan provisions also conditioned the M&A campaign. As a result, we calculate that EXP will achieve just above EUR 110m organic revenues at a 10% EBITDA margin. The externally acquired revenues should add around EUR 20m in FY 2013 with a cost below EUR 5m on the balance sheet.



## The reference market

### Current trends

Exprivia operates in software and IT services market, with 88% of its revenues still generated in Italy and the rest in Spain and LatAm.

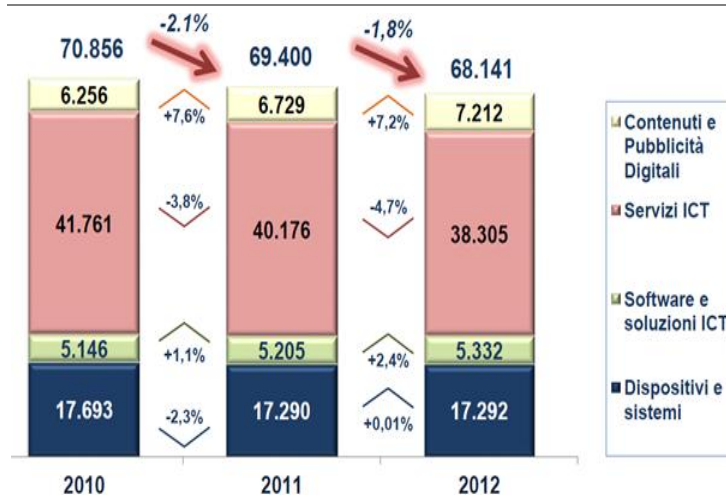
Exprivia is ranked as the 20<sup>th</sup> domestic group in the 2011/2012 Data Manager TOP 100 survey (it was 24<sup>th</sup> in 2009/2010), and is the number ten of the Italian-owned players.

The Italian market is assessed by several domestic and international trade organizations and research institutes including respectively Assinform (the digital branch for industry association), Assintel (commerce), Sirmi and IDC, Gartner and EITO among the others.

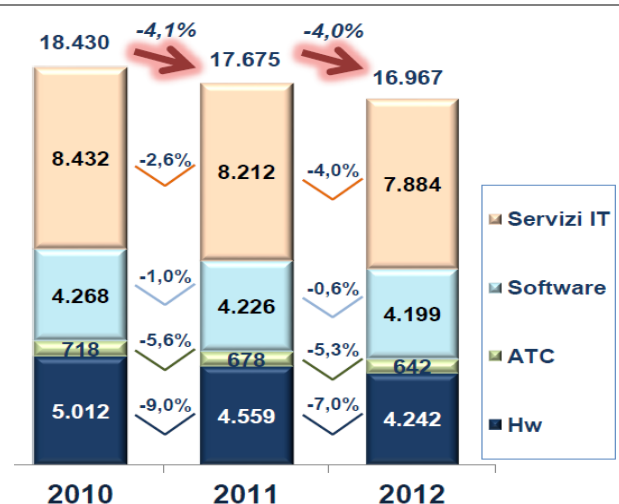
Such observers have generally redefined the scope of the markets, in order to account for the innovative business models and emerging revenue streams in a wider “global digital market” (GDM) including mobile applications, new devices, digital advertising, cloud computing and Software as a Service.

In spite of these positive add-ons, the underlying trend of the GDM has been negative in the past three years, with 2013 likely to post a steeper decline.

Italian Global Digital market (EUR m) 2010/2012



Italian IT market 2010/2012



Source: Assinform

Indeed, the last published Assinform figures report a **4.3% Y/Y decline in H1 2013** in the GDM (vs. -1.3% posted in the H1 2012), in spite of the acceleration of content and digital advertising and innovative IT solutions (+4.9% and +4.5% respectively). Most the decline is however due to the telecom component, which is down by 7.2% (and still accounts for 57% of the GDM) driven by regulation and price wars.

In another type of segmentation, a more encouraging picture emerges, with the component of “SW and ICT solutions” still growing by 2.2% in H1 2013 in line with the trend of last year.

**For the full-year 2013**, Assinform expects the H1 trend to be confirmed, with a 4.3% Y/Y decline, as the telecom component is seen accelerating downward (-7.9%), the innovative components surpassing 5% growth. The SW and ICT solution segment should keep around 2.5% growth, reaching a turnover of c EUR 5.47bn.

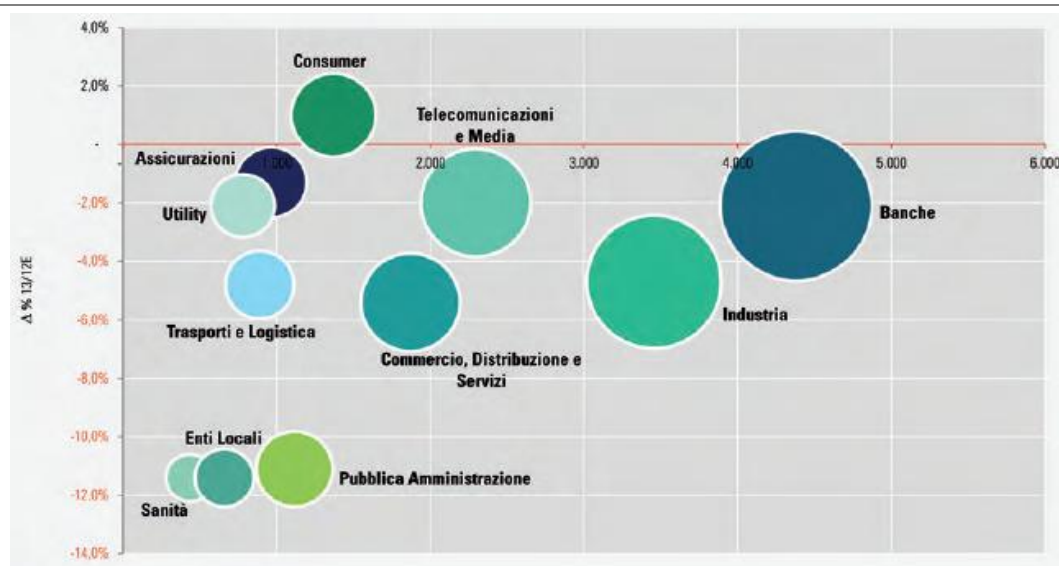


## Segment dynamics

The last report from Assintel (Oct-2013) provides a detailed analysis of the IT industry by market segment, customer size (top, large, medium, medium/small, small), type of activity (maintenance, technological/regulatory compliance, development, extension/transformation of existing systems, new projects/investments in innovation) and macro area (IT Infrastructure, Application Software, IT Services and Information Security Management).

The analysis of the segment breakdown represented below as well as the past dynamics and the new market definitions (Assintel estimates on 2013 according to a new larger perimeter) suggests the following considerations:

## Italian IT market by industries



Source: Assintel

- Following a 3.2% decline in the Italian IT sector in 2012, Assintel predicts (under the old business perimeter) a further deterioration, **with 4.0% decline expected in 2013** (broadly in line with Assinform predictions).
- The **new business perimeter** adds c EUR 5.9bn to the IT market definition, or +32%. The extent of the increase is c 25% for all the verticals, apart from the Consumer segment (which includes Smartphones and Apps) which grows by 117% (explaining EUR 1.6bn increase). The main add-ons to the industry definition include extended Cloud Computing (EUR 1.0bn), Internet of Things (EUR 0.72bn in HW, EUR 0.13bn in Middleware, EUR 0.43bn in Application SW, EUR 0.31bn in services), Digital Marketing (EUR 0.11bn in Application SW, EUR 0.23bn in services). In all, the perimeter re-definition adds c EUR 3.7bn in HW, EUR 0.69bn in SW and EUR 0.57bn in IT services.
- Per segment**, the largest vertical is represented by the financial industry, which accounts for 28% of the total including Banks (EUR 5.5bn) and Insurance (EUR 1.2bn). Network Services (Telco/Utilities/Transportations) account for 20%, Manufacturing 18%. Services represent around 10%, Public Administrations (local + central) around 9%. Healthcare is the smallest vertical with just EUR 435m size and 2.3% of the total.
- The **performance across sectors** has been rather consistent in 2012 and 2013. Indeed, not sector improved in its trend, just one sector (consumer) remained positive although growth halved (from +1.8% to +1%); Insurance and Telcos both turn from slightly positive growth in 2012 to slight decline in 2013; Manufacturing and Commerce and Logistics keep a Mid-Single-Digit decline trend also this year. Central and local PA keeps a c 10% decline trend. HealthCare trend worsened from -6% to -11%.

## Competitive analysis

The IT sector in Italy is characterized by the presence of a small group of large international operators, which account for a big slice of the market, against almost 200 much smaller and mainly domestic players. From the analysis of the Data Manager top 100 rankings in Software and IT services, complete with the revenue split by segment and combined with the Assintel figures other company sources, we summarize the following points:

### Italian SW and ICT services players: revenue break-down (FY 2012). Top 10 + Exprivia (20<sup>th</sup>)

| Aziende              | Total      | Manuf.    | Finance   | PA        | Distrib.  | Services  | % SW      | % IT Svcs  |
|----------------------|------------|-----------|-----------|-----------|-----------|-----------|-----------|------------|
| IBM Italia           | 1,595      | 340       | 589       | 432       | 27        | 207       | 28%       | 72%        |
| Accenture            | 959        | na        | na        | na        | na        | na        | 0%        | 100%       |
| HP Italy             | 945        | 47        | 262       | 372       | 12        | 251       | 7%        | 93%        |
| Microsoft Italia     | 885        | 229       | 88        | 155       | 160       | 252       | 93%       | 7%         |
| Engineering          | 720        | na        | na        | na        | na        | na        | 10%       | 90%        |
| Selex ELSAG          | 449        | 153       | 22        | 172       | 23        | 80        | 7%        | 93%        |
| Oracle Italia        | 435        | 82        | 18        | 177       | 27        | 131       | 84%       | 16%        |
| Reply                | 383        | 94        | 83        | 47        | na        | 159       | 0%        | 100%       |
| Almaviva             | 360        | 0         | 56        | 149       | 145       | 10        | 0%        | 100%       |
| Gruppo SIA           | 348        | 0         | 321       | 21        | na        | 6         | 0%        | 100%       |
| <b>Exprivia (20)</b> | <b>109</b> | <b>34</b> | <b>22</b> | <b>33</b> | <b>na</b> | <b>19</b> | <b>6%</b> | <b>94%</b> |

Source: Company data, Banca Akros est. (\*) Assintel

- **In all, the market can be still considered rather fragmented;** the 2012 Herfindahl Index (HHI) was 0.045 (from 0.047 in 2011). Against the five largest players generated EUR5.1bn, or 40.6% of the Top100 turnover, the remaining 95 firms cumulate EUR 7.4bn, with 18 firms between EUR 100/500m and 77 at below EUR 100m turnover.
- **The software segment is more concentrated (HHI 0.013) than the IT services segment (0.052),** as the 13 firms with a turnover >EUR 50m account for 80% of the total. The Software Segment is also the one characterized by a higher competitive pressure, as the HHI was 0.13 in 2010; a key factor here is cloud computing redefined the perimeter of the business and lowered the barriers to entry.
- **The structure of the markets include:** a) Global IT Vendors (IBM, HP, NTT, EMC) and Global Software Companies, which account for 22% and 13% of the market serving all business segments; b) International IT Service Companies (Accenture, Cap Gemini, ATOS, Altran) with 12%, c) Large captive players (including SIA and Cedacri) with almost 10% and d) Large Italian system integrators (among which Engineering and Elsag) generating EUR2bn cumulated turnover (15%).
- **The specific market intercepted by the Top100 ranking was still growing in 2012** (+2.2%) although with a slower pace vs. the previous year's trend (+4%). 16 firms grew double-digit, 14 from 5 to 10%, 28 below 5% while 40 firms posted declining revenues. Among the first ten, Reply grew by 12.8%, SIA +4.5%; the others were flattish to negative.

The exposure to in the different verticals includes:

- In Finance** SIA (92% of revenues), Cedacri (95%), Basilichi (90%); Iside, Wave, Phoenix (all w/100%), Cadit (44<sup>th</sup>, 94%), TAS (61<sup>st</sup>, 94%).
- In Manufacturing**, we find the highest exposure with Siemens (50<sup>th</sup>, 100%), Elmec (40<sup>th</sup>, 71%), Gruppo Data Management (58%), Cap Gemini (45%), and SAP (44%).
- The pure plays in **Public Administration** include Maggioli (33<sup>rd</sup>, 90%, Fiscal solutions), GPI Group (41<sup>st</sup>, healthcare), Dedalus (45<sup>th</sup>, healthcare) Noemalife (54<sup>th</sup> healthcare).
- The companies more exposed to **"Commerce and distribution"** are Almaviva (40% of sales), Zucchetti (37%), while in **Services** we mention Atos (79%) and Reply (42%).

## EXPRIVIA Competitive Position - Porter analysis

The Porter Analysis suggests Exprivia competitive position is relatively solid.

- **Existing competition (Medium).** We argue that the current competitive pressure has been already rather tough in the past couple of years, with heavy price pressure on professional tariffs and tough price wars in public tenders. Competition by litigation is also a common tool, often slowing down the award and the actual start of new jobs with PAs or large contracts. The existing players have also restructured their operations with active M&A and disposals of sub-scale or low-margin activities. The information in IT sector is imperfect given the customization of service offered and the combination of time and material and turnkey solutions. Exprivia has a diversified product offering across several industries, and entertains consolidated relationships with major players in each sector. The value proposition is mainly based on price leadership. Exprivia ranks 14<sup>th</sup> in the PA segment, 16<sup>th</sup> in manufacturing, 24<sup>th</sup> in services and 28<sup>th</sup> in finance.
- **Power of suppliers (Low).** Exprivia generates most of its revenues from IT services rather than software, so that the key input for its business is the human capital. The geographic location of the headquarters and of the main software factory represents an asset for the company given the availability of skilled workforce at a reasonable cost. In a broader sense, the company is dependent on large international software vendors (mainly SAP, Microsoft and Oracle) for the implementation of its projects. Exprivia has usually to comply with their technical and economic standards and terms also in the relationships with the final customer. In particular, the sale of ERP licenses is usually paid upfront by Exprivia to the vendor and cashed-in gradually from the customer as the project develops.
- **Power of clients (Medium/High).** Exprivia deals with hundreds of clients of different size in several industries. Customer concentration is not a big issue as just 36% of revenues are generated with the first 6 names (Regione Puglia, Banca Intesa, Enel, Finmeccanica, Poste Italiane and ENI). Although the relationships are normally long-term and consolidated, customers usually utilize a series of vendors and system integrators for the management of their IT infrastructure, are becoming increasingly cost-conscious in the current weak macro scenario and could switch provider for new projects. Assintel Survey found that customers are likely to assign the innovative projects to new providers in 24% (in the case of analytics) to 40% (IoT) of cases.
- **Potential new entrants (Low).** The entry of new players seems a minor risk in the IT Services sector, which is the main business of Exprivia. The required economies of scale, the need for a strong local identity and the limited growth opportunities are the main constraints which are pushing the international groups (see Getronics, Bull, T-System) sell or rationalize their activities in Italy.
- **Substitute goods (Medium).** The development of Cloud Computing, with Software as a Service and other remote service offering are actually reducing the barriers to entry in the IT segment. Such offerings are however more crossing the traditional business model of software vendors rather than system integrators, which would be more than ever required to implement cloud solutions.

## Future Perspectives

According to most industry observers, the perspectives for the Italian ICT market will remain still modest for the next couple of years, although improving vs. the 2012 and 2013 trends.

- a) **IDC** expects IT Services up by 0.9% in both 2014 and 2015, from +0.5% this year.
- b) **Sirmi** expects the contraction of the Italian IT and SW market to persist in the next couple of years, although at a declining rate vs. 2013. Cloud computing should continue adding c EUR 100m new revenues p.a., reaching EUR 1.1bn or 6% of the total market by 2015e (from EUR 0.8bn in 2013).

### Italian IT growth rates (as per November 2013)

| Growth rates                  | 2011          | 2012          | 2013e         | 2014e         | 2015e         |
|-------------------------------|---------------|---------------|---------------|---------------|---------------|
| Hardware                      | -7.3%         | -7.3%         | -5.2%         | -3.9%         | -2.0%         |
| Software                      | 1.5%          | 0.7%          | -2.1%         | -0.4%         | -0.1%         |
| Project Services              | -2.1%         | -3.2%         | -4.7%         | -2.7%         | -2.5%         |
| Management Services           | -3.5%         | -2.5%         | -3.7%         | -0.6%         | 0.0%          |
| <b>Total</b>                  | <b>-3.8%</b>  | <b>-3.8%</b>  | <b>-4.1%</b>  | <b>-2.1%</b>  | <b>-1.2%</b>  |
| <b>Italian IT Market Size</b> | <b>20,477</b> | <b>19,701</b> | <b>18,898</b> | <b>18,496</b> | <b>18,280</b> |

Source: Sirmi

- c) **Gartner** predicts a small growth in IT services in 2014, due to accelerate in the following three years. Consulting is the main driver in absolute and relative terms with EUR 250m added and 4% CAGR to 2017e, while Implementation will add EUR 180m but with just 1.2% CAGR. IT Outsourcing should grow by 0.8% thanks to Cloud Computing (+16%), BP Outsourcing should instead decline by a 0.8% CAGR, Product Support is due to remain stable with SW at +4% CAGR vs. HW -0.9%.

### Italian It Services 2012/2017e

|                   |                |                                       | 2012a         | 2013e         | 2014e         | 2015e         | 2016e         | 2017e         |
|-------------------|----------------|---------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Business Services | Consulting     | Consulting                            | 1,522         | 1,572         | 1,621         | 1,685         | 1,751         | 1,822         |
|                   | Implementation | Implementation                        | 3,728         | 3,711         | 3,731         | 3,781         | 3,832         | 3,896         |
|                   | IT Outsourcing | Cloud Services                        | 91            | 122           | 148           | 170           | 196           | 223           |
|                   |                | Infrastructure Outsourcing            | 2,871         | 2,852         | 2,834         | 2,826         | 2,829         | 2,846         |
|                   |                | Application Outsourcing               | 366           | 360           | 358           | 358           | 362           | 367           |
|                   | BPO            | Business Process as a service (BPaaS) | 379           | 361           | 348           | 342           | 345           | 349           |
|                   |                | Traditional BPO                       | 772           | 742           | 719           | 708           | 713           | 721           |
| Product Support   | SW support     | Software support                      | 815           | 854           | 890           | 926           | 962           | 1,000         |
|                   | HW support     | Hardware support                      | 1,256         | 1,248         | 1,240         | 1,230         | 1,219         | 1,203         |
|                   | <b>Total</b>   |                                       | <b>11,800</b> | <b>11,823</b> | <b>11,890</b> | <b>12,026</b> | <b>12,210</b> | <b>12,427</b> |
|                   | Y/Y            |                                       | 0.2%          | 0.2%          | 0.6%          | 1.1%          | 1.5%          | 1.8%          |

Source: Gartner

- A survey by the **Management Academy** (Politecnico di Milano) on 200 ICT managers, found that the expected stabilization in the IT budget for next year is a balance between a few modest growths (+0.3% for Finance, Media, Telco and Services) against negative trends to persist in Manufacturing and Utilities (-0.3% and -1.4% respectively). Business Intelligence, Analytics, management systems and ERP will represent the main areas of investment.

The underlying trends in the Italian IT industry are also evident from the Assintel analysis and surveys. The main points:

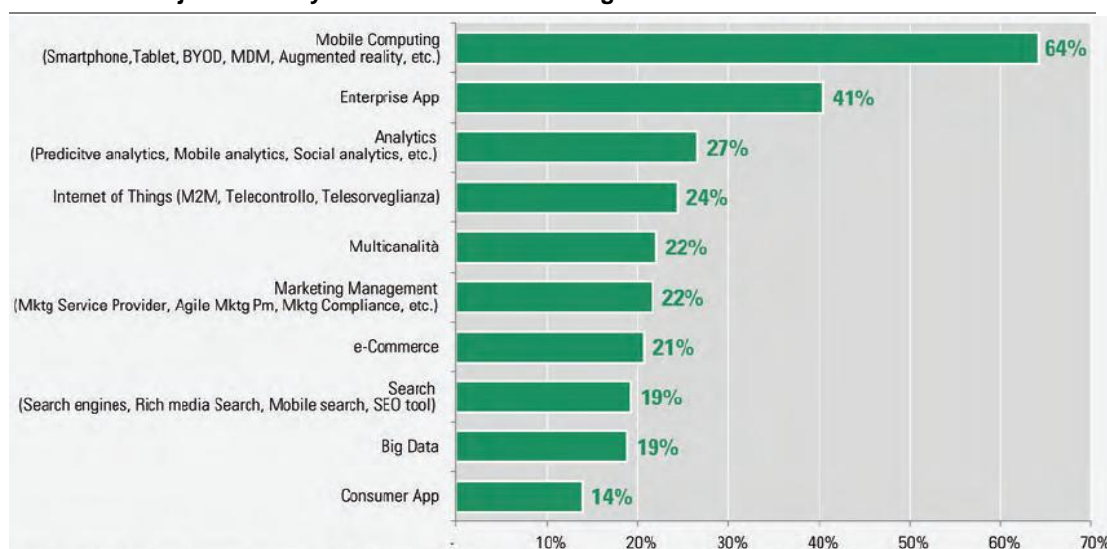
- The **attitude of IT managers** on the external budget remains cautious also this year, in a wait-and-see mode following a negative 2012. The proportion of expected budget decline was still 36% but coming from 43% last year. 35% of the respondents see stability, just 29% an increase.
- The **split of the IT budget** looks however promising, with 20% of the total devoted to innovative projects, and 21% committed to expand and transform existing systems. From the survey, it emerges that 48% of IT managers have increased the budget for the former, 39% for the latter destination.
- By industry, we note the innovative drive of the financial sector, along with commerce and distribution, while Tlc and utilities are more inclined to manage existing processes.
- There are **a few, cross-industry innovative projects** that will shape and drive the IT sector in the next few years, exploiting the boom of smartphone, tablets, connected objects and the availability of huge amounts of data.

#### Italian ITC industry: investment type and detail by industry

|                              | Size*         | Maintenance | Tec/Reg Compl. | Development Transform | New Projects | Innovation Projects in 2013/14 budget                          |
|------------------------------|---------------|-------------|----------------|-----------------------|--------------|--|
| Insurance                    | 1,210         | 37%         | 16%            | 26%                   | 21%          | Mobile Computing, Enterprise App, Mkt management, Multichannel |
| Banks and Finance            | 5,502         | 38%         | 20%            | 18%                   | 24%          | Big Data, IoT, Mobile Computing, Analytics                     |
| Commerce Distrib. & Services | 2,350         | 36%         | 15%            | 21%                   | 28%          | Enterprise App, Mobile Computing, E-Commerce, Analytics        |
| Local Administrations        | 828           | 45%         | 19%            | 25%                   | 11%          | Enterprise App, Mobile Comp., Analytics, IoT                   |
| Manufacturing                | 4,340         | 45%         | 15%            | 20%                   | 20%          | Mob. Comp., Ent App, Analytics, Big Data, IoT                  |
| HealthCare                   | 547           | 39%         | 18%            | 23%                   | 20%          | Mob Com, Enterprise App, Analytics, Multic.                    |
| Telecom/Media                | 2,883         | 50%         | 20%            | 14%                   | 16%          | Enterprise App, Mobile Comp., IoT, Big Data                    |
| Transport & Logistics        | 1,117         | 41%         | 17%            | 24%                   | 18%          | Mobile Computing, Search, e-Comm., IoT                         |
| Utilities                    | 979           | 45%         | 15%            | 20%                   | 20%          | Mobile Comp., IoT, Enterprise App, Big Data                    |
| <b>Total</b>                 | <b>21,158</b> | <b>40%</b>  | <b>19%</b>     | <b>21%</b>            | <b>20%</b>   | Mobile Comp., Enterprise App, Analytics                        |

Source: Assintel, Banca Akros est. (\*) New Perimeter

#### Innovation Projects already included in 2013/14 budgets



Source: Assintel



## Swot Analysis

Exprivia basically shares the same drivers, risks and opportunities of most of its domestic peers, which are all struggling with price pressure, cash collection issues and budget constraints of Public Administration and difficulties in their SMEs customer base. The name of the game is intercepting the highest-growth segments and expanding abroad. We argue that the specific features of the company vis-à-vis its peers are the geographic location of its headquarters and main software factory in the Puglia region, which benefits from the availability of highly skilled workforce and decent infrastructure at competitive costs and the established relationships with local PA. On the negative, Exprivia is characterized by a weaker balance sheet which puts it on a riskier position than the sector average and is also a constraint to its business perspectives.

## SWOT Analysis

| STRENGTHS  | WEAKNESSES  |
|--|---|
| <ul style="list-style-type: none"> <li>▪ “Strategic” geographic location</li> <li>▪ High quality and differentiated customer portfolio.</li> <li>▪ Price leadership</li> <li>▪ High quality product offering</li> <li>▪ Balanced vertical exposure</li> <li>▪ Experienced management team</li> </ul> | <ul style="list-style-type: none"> <li>▪ Still unbalanced capital structure.</li> <li>▪ Refinancing issues</li> <li>▪ Working capital dynamics</li> <li>▪ High fiscal pressure</li> <li>▪ Small size</li> </ul> |
| OPPORTUNITIES  | THREATS   |
| <ul style="list-style-type: none"> <li>▪ Further domestic expansion through acquisitions and partnership</li> <li>▪ International Expansion</li> <li>▪ Digital Agenda</li> <li>▪ Accelerate the payment of PA debts</li> </ul>   | <ul style="list-style-type: none"> <li>▪ Longer-than-expected path to macro-economic recovery</li> <li>▪ Increasing competition</li> <li>▪ Continuing price pressure</li> </ul>                                 |

Source: Banca Akros

## OPPORTUNITIES

- **Consolidation.** The tough market conditions have led to an on-going consolidation in the Italian ICT landscape; major IT names have already exited the market or disposed their local activities (see Getronics, Bull, T-Systems). Several financial institutions, large corporations and Public Administrations are also shedding their IT departments, back offices or at least part of their document management and transaction processing. A more concentrated market should reduce the pressure on professional tariffs and support the project margins. Such corporate action could also offer some interesting M&A opportunity for Exprivia itself (new markets, new clients or new skillsets).
- **International expansion.** EXP has undertaken an international expansion plan since 2008, with the creation of a JV in Spain, which was leveraged to enter in Latin America (Mexico and Peru). More recently, EXP has targeted Brazil with an acquisition and a partnership. The size and growth rate of these countries represent a significant opportunity, which is being managed carefully with a focus on net working capital and cash preservation. Last August, EXP also opened a Representation Office in Beijing.
- **New technologies.** The growth drivers of the IT industry are Mobile Computing, Cloud, “Big Data” and analytics, e-commerce and Internet of Things. Exprivia has developed a strong expertise in basically all of these domains with a cross-industry reach and a solid foundation on IT infrastructure, transaction management and mobile solutions.

- **Digital Agenda.** The development of the digital ecosystem is a clear focus of the European Commission (European Digital Agenda 2020), which calls for a co-ordinated effort in Member States to support the industry through incentives to supply and demand. In October 2012, the Italian Government approved the “Digitalia package” which included a wide and varied series of measure to speed-up the roll-out of communication infrastructure and push for the digitalization of most public services, including census, certified electronic mail, transportation tickets, education (e-learning, e-books, digital curriculum), healthcare (digital medical record, digital prescription), e-payment, judiciary system, e-communities, support for R&D projects. While the strategy is definitely sensible and the specific goals would look generally achievable, the actual realization of these targets are conditioned by the availability of required funds (still not allocated in most cases) and a political stability as a necessary condition to implement wide-ranging and long-term actions.
- **PA payment conditions.** In April 2013, the Italian government approved a decree to accelerate the payments of Public Administrations debt towards private companies. Central, local PA and public healthcare institutes are supposed to reimburse some EUR 40bn out of the above EUR 90bn which was due at the end of 2012. Our conversations with Italian IT companies suggest the move has not really affected the cash flow in the past couple of quarters; however the adoption could speed up in the next few months. The actual impact is also reduced by the already large recourse to factoring instruments to manage PA receivables. In the case of Exprivia, the receivables from PA accounted for c EUR 10m as per June 2013, implying 16% of the total. The evolution of the other LoBs led in any case to a declining contribution of Public Administrations to the P&L to just 5% of the total in 9m 2013.

#### WEAKNESSES/RISKS

- **Human Capital Risk.** The loss of key personnel, both management and leading technician is a common risk in knowledge-intensive industries. EXP has reinforced its mgmt structure with the entry of a second CEO to support the chairman Mr Favuzzi, a CFO and the creation of two Commercial Divisions, and adopts retention strategies which include both short-term and long-term incentive plans the mgmt of acquired cos is also usually retained. Exprivia has kept the turnover low (we est. 6% in FY 2012) among its technical personnel; the co benefits from its status as a listed player in its geographical area, which is rich in skilled graduates but poor in quality workplaces.
- **Financial risks** (see above). The main financial risk for EXP is related to the structure of its capital and the terms and conditions of its debt position (liquidity and solvency risk). Interest rate risk is modest given the low duration of the debt and hedging adopted. Exchange rate risk is also modest given the still low ex-EURO volumes.
- **Customer risk.** Customer concentration is not a significant risk (see Porter analysis above) given the wide and varied portfolio. The current customer base is also relatively stable given the presence of multi-year framework contracts and the high switching costs generally attached to changing providers.
- **Country risk.** EXP still generates 88% of revenues in the domestic market, which is still characterized by adverse macro conditions, competitive pressure and payment issues. However, such balance should also be seen as an opportunity for geographic diversification, a strategy that the company is actively pursuing.
- **Size.** In comparison with larger HW and Software vendors, IT services providers and system integrators Exprivia is still a rather small player. Even in its key verticals (such as finance and healthcare) it suffers a wide gap vs. market leaders.



## Our Estimates

**FY 2013.** The actual development of the business has been definitely more modest than the initial management forecasts, given the combination of a weaker than expected macro environment, a cautious approach from central and local public administration and the unexpected loss of part of the healthcare contract with the Puglia Region. The heavy balance sheet and the loan provisions also conditioned the M&A campaign. We expect the company has closed the year with flattish revenues, 10% EBITDA margin and a net debt slightly below the EUR 40m level, also given a lower recourse to factoring vs. last year.

**FY 2014/2016.** We expect EXP management to present a mid-term plan during the first months of next year, as the budgeting process has been delayed by the corporate moves implemented in the last part of 2013. Based on a mix of top-down and bottom-up analysis, we forecast a mid-single-digit revenue growth for the next three years, with EBITDA margin on the trajectory to 15% by 2016. We model no dividend for the FY 2013, back to EUR 4c DPS from next year. Excluding cash M&A, we estimate that net debt could decrease to a level of EUR 30m by December 2015.

### EXP: 2013/2016 estimates (EUR m)

|                 | FY 12 | FY 13e | FY 14e | FY 15e | FY 16e |
|-----------------|-------|--------|--------|--------|--------|
| Total Turnover  | 132   | 135    | 146    | 153    | 158    |
| Growth          | 10.2% | 2.2%   | 8.0%   | 4.8%   | 3.0%   |
| EBITDA          | 12    | 13.0   | 18.3   | 21.1   | 22.7   |
| Margin          | 9.4%  | 9.6%   | 12.5%  | 13.8%  | 14.4%  |
| EBIT            | 7     | 8.1    | 13.5   | 16.1   | 17.4   |
| Margin          | 5.3%  | 6.2%   | 9.5%   | 10.8%  | 11.3%  |
| EBT             | 4.2   | 5.1    | 11.0   | 13.9   | 15.9   |
| Net Income      | 2.2   | 2.3    | 5.5    | 7.7    | 8.0    |
| Capex           | -5.0  | -6.0   | -6.0   | -7.5   | -8.0   |
| Net Debt (Cash) | 44.0  | 39.2   | 34.8   | 31.0   | 22.3   |

Source: Company data, Banca Akros estimates

Among the company-specific factors, we mention:

**Contract Renewals.** In May 2013, Exprivia secured again a three-year contract with **Poste Italiane** for the management and development of the Human Resources Module within its SAP ERP system. Poste Italiane is among the six main customers of Exprivia; the contract is relevant in terms of complexity and resources involved, as Poste employs 160K people in 14K locations (post offices).

**New contract wins.** On October 22, Exprivia was awarded in a joint contract with other entities for the development of the accounting and administrative information system of SO.RE.SA, (**Regional Healthcare Company of Campania Region**). The project involves the design and development of an integrated information system (based on SAP platform) for centralized management of administrative processes and the entire accounting purchasing process of the regional health service entities. The total contract amount is EUR 1.9m in 36 months, 70% of which is in charge of Exprivia. On December 13, Exprivia secured a contract with the Marche region for the supply of a Radiology Information System and tele-consulting regional system. The project is worth EUR 1.3m in three years.

**International Expansion.** Our estimates are based on the current geographic footprint, assuming a double-digit organic growth rate for the American activities. The impact on 2014 is also boosted by the contribution of the business activities of Companhia de Sistemas (announced in Nov 2013).

In all, we expect the top-line growth will be driven by the Finance division also in 2014; the Healthcare should definitely reverse its trend during the year given the roll-out of an already acquired contract. Utilities are assumed stable Y/Y, sustained by the BPO activities, while the SAP segment will probably decline, as a consequence of macro impact on the addressable market and company-specific issues at Realtech which are still being fixed. The PA segment is also due to growth strongly (although modest in absolute terms) thanks to a new contract roll-out.

**Structural reorganization.** Given the implementation timeline, most of the savings will start materializing in 2014, as the governance structures are streamlined and the G&A costs reduced. We estimate a positive impact in the region of EUR 1/1.5m, implying c 1pp on the EBITDA margin.

**Sustainable Profitability.** We expect Exprivia to post just above 10% EBITDA margin in FY 2013, or around 1pp improvement Y/Y but compared to the >15% achieved in the 2007/2010 period. We model an improving profitability in the coming five years, sustained by increasing productivity rates, better product mix and the above-said cost savings. We note that Exprivia could increase the productivity of its workforce, since the turnover/employee is 30% below the average of its peers, while the unitary cost is around 20% lower.

## Valuation

We value Exprivia with a combination of Discounted Cash Flow and Peers' Comparison analysis. The company is characterized by a higher-than-average financial risk, due to the significant leverage and the unbalanced duration of its gross debt. Such factors need to be taken into account in both the intrinsic and relative valuation exercise.

### DCF analysis

Our analysis is based on the following assumptions:

- Detail forecast period for the five years to 2018. Terminal EBITDA margin of 12.5%, taken as the average between the current level and the original floor target of 15%.
- Terminal growth (g): 1/2.0%, o/w 1% real growth, 1% expected long-term inflation rate.
- WACC of 9.5%. We adopt a beta of 1.5 to account for the financial risk of the company which is assumed to stabilize by the terminal year. We assume the leveraged terminal capital structure will provide a fiscal benefit, in presence of recurring positive profit.
- We consider the value of minorities to add-up to EUR 5m, including 49% of Grupo ProSAP, 47% of Exprivia do Brazil and 40% of Exprivia SL. We consider earn-outs and deferred payments as reported by the company in its H1 2013 accounts, namely EUR 1.7m, totally related to ProSAP. Associates (mainly ACS) are valued at EUR 1m.
- A normative tax rate of 44%.

The Fair Value comes in the range of EUR 0.9/1ps. We note the strong sensitivity to the discount rate, as the terminal value accounts for 85% of the total Enterprise Value.

#### EXP valuation. DCF detail (EUR m)

| CASH FLOW (EUR m)                 | 2012        | 2013        | 2014        | 2015        | 2016        | 2017        | 2018        |
|-----------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Net Sales                         | 137.4       | 130.5       | 141.8       | 148.9       | 153.5       | 157.3       | 159.6       |
| <b>EBITDA</b>                     | <b>12.4</b> | <b>13.0</b> | <b>18.3</b> | <b>21.1</b> | <b>22.7</b> | <b>23.2</b> | <b>22.8</b> |
| Margin                            | 9.0%        | 10.0%       | 12.9%       | 14.2%       | 14.8%       | 14.8%       | 14.3%       |
| <b>EBITA</b>                      | <b>7.2</b>  | <b>8.1</b>  | <b>13.5</b> | <b>16.1</b> | <b>17.4</b> | <b>17.6</b> | <b>16.8</b> |
| Taxes                             | -3.2        | -3.6        | -5.9        | -7.1        | -7.7        | -7.8        | -7.4        |
| <b>NOPLAT</b>                     | <b>4.1</b>  | <b>4.6</b>  | <b>7.5</b>  | <b>9.0</b>  | <b>9.7</b>  | <b>9.9</b>  | <b>9.4</b>  |
| Depreciation & other provisions   | 5.2         | 4.9         | 4.8         | 5.0         | 5.4         | 5.6         | 6.0         |
| <b>Gross Operating Cash Flow</b>  | <b>9.2</b>  | <b>9.5</b>  | <b>12.3</b> | <b>14.0</b> | <b>15.1</b> | <b>15.5</b> | <b>15.4</b> |
| Capex                             | -5.0        | -6.0        | -6.0        | -5.0        | -5.4        | -5.6        | -6.0        |
| Change in Net Working Capital     | 2.5         | 4.4         | 0.2         | 0.9         | 0.4         | 0.4         | 0.4         |
| <b>Cash Flow to be discounted</b> | <b>0.0</b>  | <b>7.9</b>  | <b>6.5</b>  | <b>9.9</b>  | <b>10.2</b> | <b>10.3</b> | <b>9.9</b>  |

|                                 |             |                                    |             |
|---------------------------------|-------------|------------------------------------|-------------|
| Cumulated DCF                   | 35.5        | - Net financial position           | (39.2)      |
|                                 |             | - Minorities est. value (MTV)      | (5.0)       |
| Perpetual Growth Rate (g)       | 1.5%        | + Associates                       | 1.0         |
| Normalised Annual CF            | 7.4         | - Pension underfunding             | Nm          |
| Terminal Value @ 12/2020        | 93.3        | - Off-balance sheet items          | -1.         |
| Disc. Rate of Terminal Value    | 0.59        |                                    |             |
| Discounted Terminal Value       | 54.6        | <b>Equity Value (EUR m)</b>        | <b>48.5</b> |
| Financial assets                | 3.2         | Number of shares (m)               | 51.89       |
| <b>Enterprise Value (EUR m)</b> | <b>93.4</b> | <b>Fair Value per share (EURc)</b> | <b>0.93</b> |

Source: Banca Akros estimates (\*) sav shares taken at zero discount

**Exprivia DCF valuation: sensitivity to WACC and terminal growth rate**

| WACC  | Perpetual growth rate (g) |      |      |      |      |      |      |
|-------|---------------------------|------|------|------|------|------|------|
|       | 0.0%                      | 0.5% | 1.0% | 1.5% | 2.0% | 2.5% | 3.0% |
| 8.0%  | 1.04                      | 1.12 | 1.21 | 1.32 | 1.44 | 1.59 | 1.77 |
| 8.5%  | 0.93                      | 1.00 | 1.08 | 1.17 | 1.28 | 1.40 | 1.54 |
| 9.0%  | 0.84                      | 0.90 | 0.97 | 1.05 | 1.13 | 1.24 | 1.36 |
| 9.5%  | 0.76                      | 0.81 | 0.87 | 0.93 | 1.01 | 1.10 | 1.20 |
| 10.0% | 0.68                      | 0.73 | 0.78 | 0.84 | 0.90 | 0.98 | 1.06 |
| 10.5% | 0.61                      | 0.65 | 0.70 | 0.75 | 0.81 | 0.87 | 0.94 |
| 11.0% | 0.55                      | 0.59 | 0.63 | 0.67 | 0.72 | 0.78 | 0.84 |

**Exprivia DCF valuation: sensitivity to WACC and Normalised EBITDA Margin**

| WACC  | Normalised EBITDA Margin |       |       |       |       |       |       |
|-------|--------------------------|-------|-------|-------|-------|-------|-------|
|       | 11.0%                    | 11.5% | 12.0% | 12.5% | 13.0% | 13.5% | 14.0% |
| 8.0%  | 0.88                     | 0.96  | 1.03  | 1.11  | 1.18  | 1.26  | 1.33  |
| 8.5%  | 0.83                     | 0.90  | 0.97  | 1.05  | 1.12  | 1.19  | 1.26  |
| 9.0%  | 0.78                     | 0.85  | 0.92  | 0.99  | 1.06  | 1.12  | 1.19  |
| 9.5%  | 0.74                     | 0.81  | 0.87  | 0.93  | 1.00  | 1.06  | 1.13  |
| 10.0% | 0.70                     | 0.76  | 0.82  | 0.88  | 0.95  | 1.01  | 1.07  |
| 10.5% | 0.66                     | 0.72  | 0.78  | 0.84  | 0.90  | 0.96  | 1.02  |
| 11.0% | 0.62                     | 0.68  | 0.74  | 0.79  | 0.85  | 0.91  | 0.96  |

Source: Banca Akros estimates

**Peers comparison**

The IT sector is well represented in the Italian stock market with a dozen listed companies, whose business models include Software & IT Services and Value Added Distribution in several verticals. We note that a few listed pure distributors (CDC, Open Gate, TC Sistema and Tecnodiffusione) have suffered distress and exited the market a few years ago; a major software developer (Finmatica) also went bankrupt.

We can compare EXP against its peers along a few dimensions, including International exposure; Size; Product Mix (software, services) and Industry exposure. In terms of economics, we consider the top-line growth rate reported and organic; underlying profitability and financial solidity as measured by debt/EBITDA ratio.

**Italian IT players: KPIs scorecard**

|             | Market | %    | REVENUE BY TYPE |          | REVENUE BY VERTICAL |       |        |         |       |
|-------------|--------|------|-----------------|----------|---------------------|-------|--------|---------|-------|
|             | Cap    | Intl | % SW            | %IT Svcs | Fin                 | PA/HC | Manufg | Tlc/Utl | Other |
| Exprivia    | 45.1   | 10%  | 6%              | 94%      | 21%                 | 21%   | 14%    | 32%     | 12%   |
| Engineering | 577    | 10%  | 10%             | 90%      | 18%                 | 32%   | 21%    | 30%     | 0%    |
| Reply       | 535    | 25%  | 0%              | 100%     | 25%                 | 7%    | 31%    | 36%     | 0%    |
| TXT         | 109    | 52%  | 33%             | 67%      | 16%                 | 0%    | 51%    | 0%      | 33%   |
| Be          | 39.5   | 0%   | 0%              | 100%     | 84%                 | 1%    | 16%    | 0%      | 0%    |
| Cad.it      | 42.1   | 0%   | 31%             | 69%      | 95%                 | 0%    | 5%     | 0%      | 0%    |
| Noemalife   | 27.9   | 42%  | 58%             | 42%      | 0%                  | 100%  | 0%     | 0%      | 0%    |
| TAS         | 20.5   | 20%  | 42%             | 58%      | 100%                | 0%    | 0%     | 0%      | 0%    |

Source: BANCA AKROS estimates, Bloomberg, FactSet

**SIZE.** The Italian IT/SW players include two medium cap (Engineering and Reply) with c EUR 0.5bn market cap, along with several micro-caps (size <EUR 100m). The three IT distribution companies have very different sizes ranging from EUR 10m for IT Way to EUR 0.3bn for Esprinet (which in any case generated EUR 1.9bn turnover).

**BUSINESS MODEL.** The main activity is generally IT services/consulting, working on specific projects for the customer base, rather than developing standard software products. Based on the Data Manager classification, the closest to a SW vendor model is Noemalife, which has developed solutions for diagnostics and clinical services. The proportion is 40% for TXT while TAS and Cad.it, both dedicated to the financial sector, generate around one third of revenues with SW sales. Exprivia, like Reply and Engineering, is by large an IT services company. We also consider in a larger sample the ICT distributors Esprinet, SeSa and IT Way, which are exposed to the wider Italian (and partially European) IT market, including consumers, top and SMEs, and reflect the state of the channel and the underlying trends in technologies and the strengths of vendors. Such players are also adding more and more services to their offerings including training, maintenance, some limited system integration and even cloud-based solutions.

**VERTICAL EXPOSURE.** We note that Exprivia as long as the three largest players are well diversified among industries (the actual market definition is not always comparable); the telecom/media and utilities segment accounts for an average of one third of revenues. Such markets are not relevant for smaller players, which are more specialized or entirely devoted (TAS, Cad.it) to the financial sector. TXT is mainly exposed to the retail/fashion industry; Engineering is also strong in Public Administration. Noemalife is basically a pure play in the healthcare sector.

**GEOGRAPHIC EXPOSURE.** The most **international company** is **TXT**, which generates above half of its revenues abroad; the “Perform” unit focussed on the retail segment, is 85% exposed to international markets, including 21% to North America. Noemalife is also significantly projected abroad, with around 40% turnover, and the international growth almost offset the 10% domestic drop in the 9m 2013. **Reply** is rapidly expanding abroad, mainly in Germany and the UK with several start-ups and small acquisitions, and is now looking at Brazil where it bought a small IT player. LatAm seems a destination of choice for Italian IT players as also Engineering has clearly targeted for new potential deals in the area and Exprivia has been building a presence recently. The large addressable market, favourable demographics, economic perspectives and IT adoption trends, along with the consolidated presence of several Italian groups (including Fiat, Pirelli and Telecom Italia) make the area attractive. ICT distributors also have an international projection, with IT Way active in several European countries and Esprinet generating one fifth of turnover in Spain.

**FINANCIAL STRUCTURE:** Exprivia is characterized by a still weak financial structure, including high leverage and potential liquidity pressure. Within the sector, we see the largest players Reply, Esprinet and TXT as rather solid in spite of active M&A policy. On the other hand, we note the critical positions of IT Way and TAS, both exceeding 4x EBITDA. We note in any case that several players have reinforced their balance sheet with capital increases (Bee; Noemalife), or an outright restructuring (CAD.IT, with EUR 50m debt waiver from the banks). At the European level, the median leverage is zero, as several companies are cash positive.

**ECONOMICS.** In terms of revenues, the sample below reported in 2012 on average a flat organic performance, which is likely have modestly improved in the current year. On a reported basis, the median is mid-single digit increase, thanks to further smaller deals. 2014 should see a further improvement on an underlying basis, while the impact of new potential M&A is not captured yet in market estimates. The profitability is basically clustered around 12% for the SW/System integrators-with no clear distinctions between the two categories, below 5% for the IT distributors. Esprinet is characterized by the lowest EBITDA margin as its business model of an efficient “box movers” that manages EUR 2bn of commodity-like HW and SW leveraging on its logistic capabilities and NWC control.

## EXP: Peers comparison

|                                | NFP      | ND/EBITDA |       |       | Sales growth |       |       | EBITDA Margin |       |       | EBIT Margin |       |       |
|--------------------------------|----------|-----------|-------|-------|--------------|-------|-------|---------------|-------|-------|-------------|-------|-------|
|                                | Dec 2012 | 2012      | 2013e | 2014e | 2012o        | 2013e | 2014e | 2012          | 2013e | 2014e | 2012        | 2013e | 2014e |
| <b>SW/IT Service Providers</b> |          |           |       |       |              |       |       |               |       |       |             |       |       |
| <b>Exprivia</b>                | (44.0)   | 3.55      | 2.38  | 2.65  | 10.2%        | 2.3%  | 4.4%  | 9.4%          | 9.7%  | 11.4% | 6.1%        | 6.7%  | 8.9%  |
| Engineering                    | (28.6)   | 0.31      | -0.20 | -0.27 | -0.5%        | 7.0%  | 4.7%  | 12.0%         | 12.2% | 11.6% | 8.3%        | 9.2%  | 9.6%  |
| Reply                          | (0.4)    | 0.01      | 0.07  | 0.03  | +9.5%        | 10.3% | 9.2%  | 12.6%         | 13.5% | 12.3% | 10.6%       | 11.9% | 12.3% |
| TXT                            | (3.2)    | 0.61      | 0.75  | 1.05  | 15.8%        | 11.1% | 8.9%  | 11.4%         | 11.9% | 10.9% | 9.1%        | 9.6%  | 10.3% |
| Be                             | (31.6)   | 3.40      | 2.23  | 1.77  | -9.6%        | 7.5%  | 4.0%  | 11.6%         | 13.0% | 13.5% | 5.1%        | 5.6%  | 6.2%  |
| Cad.it                         | 3.9      | -0.42     | 0.47  | 0.63  | -1.1%        | 3.0%  | 2.8%  | 17.9%         | 17.5% | 17.0% | 10.7%       | 8.8%  | 10.4% |
| Noemalife                      | (29.8)   | 3.20      | 3.17  | 2.50  | Nm           | -3.7% | 0.0%  | 13.8%         | 10.7% | 12.5% | -1.0%       | -3.6% | -1.1% |
| TAS                            | (13.9)   | nm        | 3.22  | 2.55  | -10%         | 6.1%  | 5.0%  | -0.8%         | 7.7%  | 8.6%  | neg         | -2.5% | -1.1% |
| <b>IT Distributors</b>         |          |           |       |       |              |       |       |               |       |       |             |       |       |
| Esprinet                       | 61.1     | -1.53     | 0.55  | 0.73  | -7.8%        | 4.4%  | 4.3%  | 2.1%          | 1.9%  | 1.8%  | 1.9%        | 1.8%  | 1.9%  |
| SeSa                           | (20.7)   | 0.47      | 0.47  | 0.26  | 2.5%         | 3.0%  | 2.0%  | 5.3%          | 5.2%  | 5.2%  | 4.2%        | 4.1%  | 4.3%  |
| IT Way                         | (23.4)   | 12.63     | 6.53  | 5.88  | 1.1%         | 2.6%  | 8.0%  | 1.8%          | 3.0%  | 2.7%  | 1.1%        | 2.4%  | 2.9%  |

Source: Company data, Banca Akros estimates

EXP trades at double-digit discount to the average ratios of Italian IT and SW providers on EV/EBIT and P/E, with a more significant discount emerging just in 2015, where the forecast's reliability is definitely low. The EV/EBITDA ratios are broadly in line.

Looking at the broader European picture (ESN sample) we find higher ratios with forward EV/EBITDA and P/E at 6.5x and 13x. We argue in any case that the Italian sample is more appropriate given the consistency in business model, underlying market and financials.

## EXP: Peers comparison

|                                | EV/Sales   |            |            | EV/EBITDA  |            |            | EV/EBIT    |            |            | P/E         |             |             |
|--------------------------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|-------------|-------------|-------------|
|                                | 2013e      | 2014e      | 2015e      | 2013e      | 2014e      | 2015e      | 2013e      | 2014e      | 2015e      | 2013e       | 2014e       | 2015e       |
| <b>SW/IT Service Providers</b> |            |            |            |            |            |            |            |            |            |             |             |             |
| <b>Exprivia</b>                | <b>0.6</b> | <b>0.6</b> | <b>0.5</b> | <b>6.5</b> | <b>5.2</b> | <b>4.3</b> | <b>9.5</b> | <b>6.7</b> | <b>5.3</b> | <b>16.5</b> | <b>10.4</b> | <b>7.2</b>  |
| Engineering                    | 0.6        | 0.5        | 0.4        | 4.6        | 4.3        | 3.4        | 6.0        | 5.2        | 4.3        | 12.0        | 12.6        | 11.4        |
| Reply                          | 0.9        | 0.8        | 0.7        | 6.7        | 6.4        | 4.9        | 7.6        | 6.4        | 5.4        | 15.3        | 13.4        | 12.4        |
| TXT                            | 1.8        | 1.6        | 1.4        | 15.1       | 14.5       | 10.8       | 18.8       | 15.3       | 12.1       | 25.5        | 24.1        | 19.8        |
| Be                             | 0.6        | 0.6        | 0.5        | 5.0        | 4.4        | 3.6        | 10.9       | 8.6        | 6.4        | 32.3        | 14.2        | 9.3         |
| Cad.it                         | 0.8        | 0.8        | 0.8        | 4.8        | 4.7        | 3.7        | 9.6        | 7.7        | 6.1        | 19.1        | 14.5        | 11.4        |
| Noemalife                      | 0.8        | 0.7        | 0.4        | 7.2        | 4.9        | 2.3        | neg        | nm         | 7.6        | neg         | nm          | 17.5        |
| TAS                            | 0.7        | 0.7        | 0.6        | 9.2        | 7.7        | 6.5        | neg        | neg        | nm         | neg         | neg         | nm          |
| <b>Median</b>                  | <b>0.7</b> | <b>0.7</b> | <b>0.6</b> | <b>6.6</b> | <b>5.1</b> | <b>4.0</b> | <b>9.5</b> | <b>7.2</b> | <b>6.1</b> | <b>17.8</b> | <b>13.8</b> | <b>11.4</b> |
| <b>IT Distributors</b>         |            |            |            |            |            |            |            |            |            |             |             |             |
| Esprinet                       | 0.10       | 0.03       | 0.03       | 5.3        | 1.8        | 1.5        | 5.5        | 1.8        | 1.5        | 13.0        | 11.7        | 10.8        |
| SESA                           | 0.15       | 0.17       | 0.15       | 2.9        | 3.2        | 2.9        | 3.7        | 3.9        | 3.7        | 8.4         | 8.4         | 7.0         |
| IT Way                         | 0.28       | 0.24       | nm         | 9.5        | 8.9        | nm         | 11.7       | 8.4        | nm         | 10.8        | 7.0         | nm          |

Source: BANCA AKROS estimates, Bloomberg, Datastream

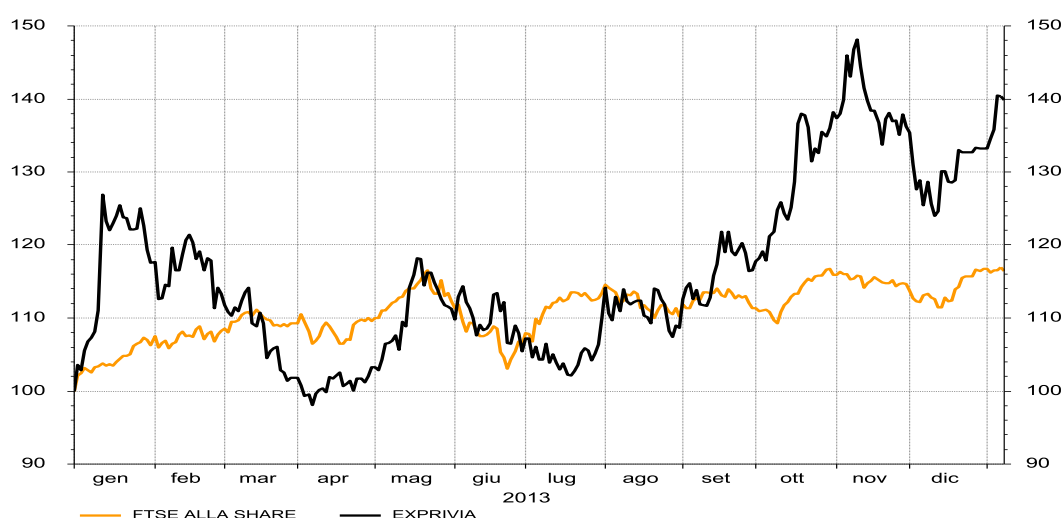
## Conclusions

EXP shares have been outperforming the Italian index in 2013 (+17%) with a solid +32% Year to Date, and from March it has clearly beaten the Italian Small Cap Index.

We note in any case a generally positive sentiment on the sector, as the market leader Engineering and Reply were up by >65% and >170% respectively, while TXT rose by 188%. IT services also moved positively in Europe with Cap Gemini at +50% and Atos +24%. On the other hand, the large vendors SAP and Software AG were closed flattish (+3%) and with -21% respectively.

We also note that, on a three-year basis, the performance remains negative, with -13%. Furthermore, current market cap is basically unchanged since the stock has been trading with the current name in 2007. At that time, revenues were one third lower than now, but EBITDA margin was peaking at above 17% and debt was slightly below the current level.

### EXP: stock performance vs. FTSE All share



Source: Thomson Reuters Datastream

We value initiate our coverage on **Exprivia with a Hold recommendation and EUR 0.93 target price** to account for the following elements:

- Limited upside potential on the intrinsic value as assessed by DCF.
- Around 10% upside potential based on peers' comparison, especially against Italian IT services and Software providers. We argue in any case that the market prices of these players are already incorporating strong assumptions on business development.
- Lack of a new formal guidance, as the original FY 2013 targets have basically been dropped. Other competitors (TXT, Be, TAS) have provided medium-term targets, while Engineering should update on its 2014 outlook early next year.
- Persisting liquidity risk, in presence of a high although declining leverage.

As a consequence, a potential further re-rating should take-place once the business and financial risk of the company materially declines, with the announcement of refinancing agreements.



## Exprivia: Summary tables

| PROFIT & LOSS (EURm)                              | 12/2010      | 12/2011       | 12/2012       | 12/2013e     | 12/2014e     | 12/2015e     |
|---|--------------|---------------|---------------|--------------|--------------|--------------|
| <b>Sales</b>                                      | <b>100</b>   | <b>120</b>    | <b>132</b>    | <b>135</b>   | <b>146</b>   | <b>153</b>   |
| Cost of Sales & Operating Costs                   | -84.8        | -107          | -120          | -122         | -128         | -132         |
| Non Recurrent Expenses/Income                     | 0.0          | 0.0           | 0.0           | 0.0          | 0.0          | 0.0          |
| <b>EBITDA</b>                                     | <b>15.3</b>  | <b>13.5</b>   | <b>12.4</b>   | <b>13.0</b>  | <b>18.3</b>  | <b>21.1</b>  |
| <b>EBITDA (adj.)*</b>                             | <b>15.3</b>  | <b>13.5</b>   | <b>12.4</b>   | <b>13.0</b>  | <b>18.3</b>  | <b>21.1</b>  |
| Depreciation                                      | -2.9         | -2.8          | -4.3          | -4.1         | -4.0         | -4.2         |
| <b>EBITA</b>                                      | <b>12.4</b>  | <b>10.7</b>   | <b>8.1</b>    | <b>8.9</b>   | <b>14.3</b>  | <b>16.9</b>  |
| <b>EBITA (adj)*</b>                               | <b>12.4</b>  | <b>10.7</b>   | <b>8.1</b>    | <b>8.9</b>   | <b>14.3</b>  | <b>16.9</b>  |
| Amortisations and Write Downs                     | 0.0          | 0.0           | 0.0           | 0.0          | 0.0          | 0.0          |
| <b>EBIT</b>                                       | <b>11.9</b>  | <b>10.5</b>   | <b>7.2</b>    | <b>8.1</b>   | <b>13.5</b>  | <b>16.1</b>  |
| <b>EBIT (adj.)*</b>                               | <b>11.9</b>  | <b>10.5</b>   | <b>7.2</b>    | <b>8.1</b>   | <b>13.5</b>  | <b>16.1</b>  |
| Net Financial Interest                            | -1.9         | -2.2          | -3.0          | -3.0         | -2.5         | -2.2         |
| Other Financials                                  | 0.0          | 0.0           | 0.0           | 0.0          | 0.0          | 0.0          |
| Associates  | 0.0          | 0.0           | 0.0           | 0.0          | 0.0          | 0.0          |
| Other Non Recurrent Items                         | 0.0          | 0.0           | 0.0           | 0.0          | 0.0          | 0.0          |
| <b>Earnings Before Tax (EBT)</b>                  | <b>10.0</b>  | <b>8.3</b>    | <b>4.2</b>    | <b>5.1</b>   | <b>11.0</b>  | <b>13.9</b>  |
| Tax   | -5.0         | -5.1          | -1.8          | -2.5         | -5.2         | -5.9         |
| <i>Tax rate</i>                                   | <i>50.5%</i> | <i>61.3%</i>  | <i>42.6%</i>  | <i>48.7%</i> | <i>47.1%</i> | <i>42.6%</i> |
| Discontinued Operations                           | 0.0          | 0.0           | 0.0           | 0.0          | 0.0          | 0.0          |
| Minorities  | 0.0          | 0.2           | -0.3          | -0.3         | -0.3         | -0.3         |
| <b>Net Profit (reported)</b>                      | <b>4.9</b>   | <b>3.4</b>    | <b>2.2</b>    | <b>2.3</b>   | <b>5.5</b>   | <b>7.7</b>   |
| <b>Net Profit (adj.)</b>                          | <b>4.9</b>   | <b>3.4</b>    | <b>2.2</b>    | <b>2.3</b>   | <b>5.5</b>   | <b>7.7</b>   |
| CASH FLOW (EURm)                                  | 12/2010      | 12/2011       | 12/2012       | 12/2013e     | 12/2014e     | 12/2015e     |
| Cash Flow from Operations before change in NWC    | 8.3          | 6.2           | 7.6           | 7.5          | 10.6         | 13.0         |
| Change in Net Working Capital                     | -4.4         | -2.2          | 2.5           | 4.4          | 0.2          | 0.9          |
| <b>Cash Flow from Operations</b>                  | <b>3.9</b>   | <b>4.0</b>    | <b>10.1</b>   | <b>11.9</b>  | <b>10.8</b>  | <b>13.9</b>  |
| Capex   | -4.9         | -7.7          | -4.1          | -6.0         | -6.0         | -7.5         |
| Net Financial Investments                         | 0.0          | 0.0           | 0.0           | 0.0          | 0.0          | 0.0          |
| <b>Free Cash Flow</b>                             | <b>-1.0</b>  | <b>-3.7</b>   | <b>6.0</b>    | <b>5.9</b>   | <b>4.8</b>   | <b>6.4</b>   |
| Dividends   | -2.0         | -2.1          | -1.6          | 0.0          | 0.0          | -2.1         |
| Other (incl. Capital Increase & share buy backs)  | 2.5          | 1.2           | -4.1          | -1.1         | -0.3         | -0.5         |
| <b>Change in Net Debt</b>                         | <b>-0.5</b>  | <b>-4.6</b>   | <b>0.3</b>    | <b>4.8</b>   | <b>4.4</b>   | <b>3.8</b>   |
| NOPLAT  | 11.9         | 10.5          | 7.2           | 8.1          | 13.5         | 16.1         |
| BALANCE SHEET & OTHER ITEMS (EURm)                | 12/2010      | 12/2011       | 12/2012       | 12/2013e     | 12/2014e     | 12/2015e     |
| Net Tangible Assets                               | 10.6         | 10.9          | 11.7          | 13.6         | 15.6         | 18.9         |
| Net Intangible Assets (incl. Goodwill)            | 68.8         | 73.5          | 74.1          | 74.1         | 74.1         | 74.1         |
| Net Financial Assets & Other                      | 3.2          | 3.2           | 4.5           | 4.5          | 4.5          | 4.5          |
| <b>Total Fixed Assets</b>                         | <b>82.7</b>  | <b>87.6</b>   | <b>90.3</b>   | <b>92.2</b>  | <b>94.2</b>  | <b>97.5</b>  |
| Inventories                                       | 0.2          | 0.1           | 0.2           | 0.2          | 0.2          | 0.2          |
| Trade receivables                                 | 52.0         | 58.2          | 62.6          | 59.3         | 64.5         | 67.7         |
| Other current assets                              | 32.3         | 44.5          | 28.7          | 28.0         | 24.8         | 22.3         |
| Cash (-)  | -7.3         | -7.5          | -5.3          | -5.8         | -6.3         | -6.8         |
| <b>Total Current Assets</b>                       | <b>91.7</b>  | <b>110</b>    | <b>96.8</b>   | <b>93.4</b>  | <b>95.8</b>  | <b>97.1</b>  |
| <b>Total Assets</b>                               | <b>174</b>   | <b>198</b>    | <b>187</b>    | <b>186</b>   | <b>190</b>   | <b>195</b>   |
| Shareholders Equity                               | 66.6         | 68.5          | 68.7          | 71.0         | 76.5         | 82.1         |
| Minority  | 0.8          | 1.3           | 1.5           | 1.8          | 2.0          | 2.2          |
| Total Equity                                      | 67.4         | 69.8          | 70.2          | 72.8         | 78.5         | 84.3         |
| Long term interest bearing debt                   | 23.0         | 13.8          | 9.6           | 8.7          | 8.0          | 7.3          |
| Provisions  | 7.7          | 8.6           | 8.7           | 8.5          | 8.9          | 9.2          |
| Other long term liabilities                       | 2.2          | 1.5           | 1.6           | 1.5          | 1.7          | 1.7          |
| <b>Total Long Term Liabilities</b>                | <b>33.0</b>  | <b>23.9</b>   | <b>19.9</b>   | <b>18.7</b>  | <b>18.5</b>  | <b>18.3</b>  |
| Short term interest bearing debt                  | 24.0         | 38.1          | 39.8          | 36.3         | 33.1         | 30.5         |
| Trade payables                                    | 11.4         | 19.6          | 18.3          | 18.6         | 19.3         | 19.8         |
| Other current liabilities                         | 38.6         | 46.6          | 39.0          | 39.1         | 40.5         | 41.7         |
| <b>Total Current Liabilities</b>                  | <b>74.0</b>  | <b>104</b>    | <b>97.1</b>   | <b>94.0</b>  | <b>93.0</b>  | <b>92.0</b>  |
| <b>Total Liabilities and Shareholders' Equity</b> | <b>174</b>   | <b>198</b>    | <b>187</b>    | <b>186</b>   | <b>190</b>   | <b>195</b>   |
| <b>Net Capital Employed</b>                       | <b>117</b>   | <b>124</b>    | <b>125</b>    | <b>122</b>   | <b>124</b>   | <b>126</b>   |
| <b>Net Working Capital</b>                        | <b>34.5</b>  | <b>36.7</b>   | <b>34.2</b>   | <b>29.8</b>  | <b>29.6</b>  | <b>28.7</b>  |
| GROWTH & MARGINS                                  | 12/2010      | 12/2011       | 12/2012       | 12/2013e     | 12/2014e     | 12/2015e     |
| <i>Sales growth</i>                               | <i>11.0%</i> | <i>20.2%</i>  | <i>10.2%</i>  | <i>2.2%</i>  | <i>8.0%</i>  | <i>4.8%</i>  |
| <b>EBITDA (adj.)* growth</b>                      | <b>4.7%</b>  | <b>-11.6%</b> | <b>-8.0%</b>  | <b>5.0%</b>  | <b>40.0%</b> | <b>15.6%</b> |
| <i>EBITA (adj.)* growth</i>                       | <i>7.5%</i>  | <i>-13.8%</i> | <i>-23.6%</i> | <i>9.8%</i>  | <i>59.5%</i> | <i>18.5%</i> |
| <i>EBIT (adj.)* growth</i>                        | <i>6.3%</i>  | <i>-11.6%</i> | <i>-31.0%</i> | <i>12.3%</i> | <i>65.4%</i> | <i>19.5%</i> |

## Exprivia: Summary tables

| <b>GROWTH &amp; MARGINS</b>                     | <b>12/2010</b> | <b>12/2011</b> | <b>12/2012</b> | <b>12/2013e</b> | <b>12/2014e</b> | <b>12/2015e</b> |
|---|----------------|----------------|----------------|-----------------|-----------------|-----------------|
| Net Profit growth                               | -2.7%          | -31.2%         | -36.6%         | 8.5%            | 135.4%          | 39.4%           |
| EPS adj. growth                                 | -4.9%          | -31.2%         | -36.6%         | 8.5%            | 135.4%          | 39.4%           |
| DPS adj. growth                                 | 0.0%           | 0.0%           | -22.5%         | n.m.            |                 | n.m.            |
| EBITDA (adj)* margin                            | 15.2%          | 11.2%          | 9.4%           | 9.6%            | 12.5%           | 13.8%           |
| EBITA (adj)* margin                             | 12.4%          | 8.9%           | 6.1%           | 6.6%            | 9.7%            | 11.0%           |
| EBIT (adj)* margin                              | 11.9%          | 8.7%           | 5.5%           | 6.0%            | 9.2%            | 10.5%           |
| <b>RATIOS</b>                                   | <b>12/2010</b> | <b>12/2011</b> | <b>12/2012</b> | <b>12/2013e</b> | <b>12/2014e</b> | <b>12/2015e</b> |
| Net Debt/Equity                                 | 0.6            | 0.6            | 0.6            | 0.5             | 0.4             | 0.4             |
| Net Debt/EBITDA                                 | 2.6            | 3.3            | 3.5            | 3.0             | 1.9             | 1.5             |
| Interest cover (EBITDA/Fin.interest)            | 7.9            | 6.1            | 4.1            | 4.3             | 7.3             | 9.6             |
| Capex/D&A                                       | 145.8%         | 256.6%         | 78.4%          | 122.4%          | 125.0%          | 149.5%          |
| Capex/Sales                                     | 4.9%           | 6.4%           | 3.1%           | 4.4%            | 4.1%            | 4.9%            |
| NWC/Sales                                       | 34.5%          | 30.5%          | 25.8%          | 22.0%           | 20.3%           | 18.7%           |
| ROE (average)                                   | 7.7%           | 5.0%           | 3.1%           | 3.3%            | 7.5%            | 9.7%            |
| ROCE (adj.)                                     | 10.4%          | 8.7%           | 6.0%           | 6.9%            | 11.3%           | 13.2%           |
| WACC  | 9.5%           | 9.5%           | 9.5%           | 9.5%            | 9.5%            | 9.5%            |
| ROCE (adj.)/WACC                                | 1.1            | 0.9            | 0.6            | 0.7             | 1.2             | 1.4             |
| <b>PER SHARE DATA (EUR)***</b>                  | <b>12/2010</b> | <b>12/2011</b> | <b>12/2012</b> | <b>12/2013e</b> | <b>12/2014e</b> | <b>12/2015e</b> |
| Average diluted number of shares                | 51.9           | 51.9           | 51.9           | 51.9            | 51.9            | 51.9            |
| EPS (reported)                                  | 0.10           | 0.07           | 0.04           | 0.05            | 0.11            | 0.15            |
| EPS (adj.)                                      | 0.10           | 0.07           | 0.04           | 0.05            | 0.11            | 0.15            |
| BVPS  | 1.28           | 1.32           | 1.32           | 1.37            | 1.47            | 1.58            |
| DPS   | 0.04           | 0.04           | 0.03           | 0.00            | 0.00            | 0.04            |
| <b>VALUATION</b>                                | <b>12/2010</b> | <b>12/2011</b> | <b>12/2012</b> | <b>12/2013e</b> | <b>12/2014e</b> | <b>12/2015e</b> |
| EV/Sales  | 1.2            | 1.0            | 0.9            | 0.9             | 0.9             | 0.8             |
| EV/EBITDA                                       | 8.1            | 9.2            | 9.7            | 9.7             | 6.8             | 5.7             |
| <b>EV/EBITDA (adj.)*</b>                        | <b>8.1</b>     | <b>9.2</b>     | <b>9.7</b>     | <b>9.7</b>      | <b>6.8</b>      | <b>5.7</b>      |
| EV/EBITA  | 10.0           | 11.6           | 14.8           | 14.1            | 8.7             | 7.2             |
| <b>EV/EBITA (adj.)*</b>                         | <b>10.0</b>    | <b>11.6</b>    | <b>14.8</b>    | <b>14.1</b>     | <b>8.7</b>      | <b>7.2</b>      |
| EV/EBIT   | 10.4           | 11.8           | 16.6           | 15.5            | 9.2             | 7.5             |
| <b>EV/EBIT (adj.)*</b>                          | <b>10.4</b>    | <b>11.8</b>    | <b>16.6</b>    | <b>15.5</b>     | <b>9.2</b>      | <b>7.5</b>      |
| <b>P/E (adj.)</b>                               | <b>10.0</b>    | <b>10.1</b>    | <b>15.0</b>    | <b>18.4</b>     | <b>8.2</b>      | <b>5.9</b>      |
| P/BV  | 0.7            | 0.5            | 0.5            | 0.6             | 0.6             | 0.5             |
| Total Yield Ratio                               | 4.2%           | 4.7%           | 0.0%           | 0.0%            | 4.6%            |                 |
| EV/CE   | 1.1            | 1.0            | 1.0            | 1.1             | 1.0             | 1.0             |
| OpFCF yield                                     | -2.0%          | -10.8%         | 18.7%          | 13.8%           | 10.6%           | 14.2%           |
| OpFCF/EV  | -0.8%          | -3.0%          | 5.0%           | 4.7%            | 3.8%            | 5.3%            |
| Payout ratio                                    | 42.1%          | 61.2%          | 74.7%          | 0.0%            | 0.0%            | 27.1%           |
| Dividend yield (gross)                          | 4.2%           | 6.1%           | 3.6%           | 0.0%            | 0.0%            | 4.6%            |
| <b>EV AND MKT CAP (EURm)</b>                    | <b>12/2010</b> | <b>12/2011</b> | <b>12/2012</b> | <b>12/2013e</b> | <b>12/2014e</b> | <b>12/2015e</b> |
| Price** (EUR)                                   | 0.95           | 0.66           | 0.62           | 0.83            | 0.87            | 0.87            |
| Outstanding number of shares for main stock     | 51.9           | 51.9           | 51.9           | 51.9            | 51.9            | 51.9            |
| <b>Total Market Cap</b>                         | <b>49</b>      | <b>34</b>      | <b>32</b>      | <b>43</b>       | <b>45</b>       | <b>45</b>       |
| <b>Net Debt</b>                                 | <b>40</b>      | <b>44</b>      | <b>44</b>      | <b>39</b>       | <b>35</b>       | <b>31</b>       |
| <i>o/w Cash &amp; Marketable Securities (-)</i> | <i>-7</i>      | <i>-7</i>      | <i>-5</i>      | <i>-6</i>       | <i>-6</i>       | <i>-7</i>       |
| <i>o/w Gross Debt (+)</i>                       | <i>47</i>      | <i>52</i>      | <i>49</i>      | <i>45</i>       | <i>41</i>       | <i>38</i>       |
| <b>Other EV components</b>                      | <b>35</b>      | <b>45</b>      | <b>44</b>      | <b>44</b>       | <b>44</b>       | <b>45</b>       |
| <b>Enterprise Value (EV adj.)</b>               | <b>124</b>     | <b>124</b>     | <b>121</b>     | <b>126</b>      | <b>124</b>      | <b>121</b>      |

Source: Company, Banca Akros estimates.

### Notes

\* Where EBITDA (adj.) or EBITA (adj.) = EBITDA (or EBITA) +/- Non Recurrent Expenses/Income and where EBIT (adj.) = EBIT +/- Non Recurrent Expenses/Income - PPA amortisation

\*\*Price (in local currency): Fiscal year end price for Historical Years and Current Price for current and forecasted years

Sector: Software & Computer Services/Software

Company Description: Exprivia is an Italian player in the IT sector, created in 2005 through the merger of a listed SW vendor (AISoftware) with a IT service provider (Abaco). The Group employs almost 2,000 people, is headquartered in the South of Italy, has 10 offices across the country and has started an international expansion (foreign activities account for above 10% of sales). The group operates in several verticals including Finance (22% of FY 2013e sales), Utilities (20%), Healthcare (18%), Manufacturing (13%), Telecoms and Energy (10%) and Public Administrations (5%).

## European Coverage of the Members of ESN

|                                |        |                         |        |   |        |                             |        |                                  |        |
|--------------------------------|--------|-------------------------|--------|---|--------|-----------------------------|--------|----------------------------------|--------|
| <b>Aerospace &amp; Defense</b> | Mem(*) | Banco Sabadell          | BBO    | Stora Enso                              | POH    | Pkc Group                   | POH    | Hkscan                           | POH    |
| Aviation Latecoere             | CIC    | Banco Santander         | BBO    | Surteco                                 | EQB    | Rexel                       | CIC    | Ktg Agrar                        | EQB    |
| Bae Systems Plc                | CIC    | Bank Of Cyprus          | IBG    | Talvivaara Mining Co Plc                | POH    | Schneider Electric Sa       | CIC    | Lanson-Bcc                       | CIC    |
| Dassault Aviation              | CIC    | Bankinter               | BBO    | Thyssenkrupp                            | EQB    | Vacon                       | POH    | Laurent Perrier                  | CIC    |
| Eads                           | CIC    | Bbva                    | BBO    | Tubacex                                 | BBO    | Vaisala                     | POH    | Ldc                              | CIC    |
| Finmeccanica                   | BAK    | Bcp                     | CBI    | Upm-Kymmene                             | POH    | <b>Financial Services</b>   | Mem(*) | Lotus Bakeries                   | BDG    |
| Lisi                           | CIC    | Bes                     | CBI    | <b>Biotechnology</b>                    | Mem(*) | Ackermans & Van Haaren      | BDG    | Natra                            | BBO    |
| Mtu                            | EQB    | Bnp Paribas             | CIC    | 4Sc                                     | EQB    | Azimut                      | BAK    | Naturex                          | CIC    |
| Rheinmetall                    | EQB    | Boursorama              | CIC    | Bioalliance Pharma                      | CIC    | Banca Generali              | BAK    | Nestle                           | SNS    |
| Rolls Royce                    | CIC    | Bper                    | BAK    | Epigenomics Ag                          | EQB    | Banca Ifis                  | BAK    | Nutreco                          | SNS    |
| Safran                         | CIC    | Bpi                     | CBI    | Metabolic Explorer                      | CIC    | Bb Biotech                  | EQB    | Olvi                             | POH    |
| Thales                         | CIC    | Commerzbank             | EQB    | Neovacs                                 | CIC    | Bincbank                    | SNS    | Parmalat                         | BAK    |
| Zodiac                         | CIC    | Credem                  | BAK    | Transgene                               | CIC    | Bois Sauvage                | BDG    | Pernod-Ricard                    | CIC    |
| <b>Airlines</b>                | Mem(*) | Credit Agricole Sa      | CIC    | Wilex                                   | EQB    | Bolsas Y Mercados Espanoles | BBO    | Raisio                           | POH    |
| Air France Kim                 | CIC    | Creval                  | BAK    | Zeltia                                  | BBO    | Capman                      | POH    | Remy Cointreau                   | CIC    |
| Finnair                        | POH    | Deutsche Bank           | EQB    | <b>Chemicals</b>                        | Mem(*) | Cir                         | BAK    | Sipef                            | BDG    |
| Lufthansa                      | EQB    | Dexia                   | BDG    | Air Liquide                             | CIC    | Comdirect                   | EQB    | Ter Beke                         | BDG    |
| <b>Automobiles &amp; Parts</b> | Mem(*) | Efg Eurobank Ergasias   | IBG    | Akzo Nobel                              | SNS    | Corp. Financiera Alba       | BBO    | Unilever                         | SNS    |
| Autoliv                        | CIC    | Garanti Bank            | IBG    | Basf                                    | EQB    | Dab Bank                    | EQB    | Vidrala                          | BBO    |
| Bmw                            | EQB    | Halkbank                | IBG    | Dsm                                     | SNS    | Deutsche Boerse             | EQB    | Vilmorin                         | CIC    |
| Brembo                         | BAK    | Ing Group               | SNS    | Floridienne                             | BDG    | Deutsche Forfait            | EQB    | Viscofan                         | BBO    |
| Continental                    | EQB    | Intesa Sanpaolo         | BAK    | Fuchs Petrolub                          | EQB    | Financiere De Tubize        | BDG    | Vranken Pommery Monopole         | CIC    |
| Daimler Ag                     | EQB    | Kbc Group               | BDG    | Henkel                                  | EQB    | Gbl                         | BDG    | Wessanen                         | SNS    |
| Elringklinger                  | EQB    | Mediobanca              | BAK    | Holland Colours                         | SNS    | Gimv                        | BDG    | <b>Food &amp; Drug Retailers</b> | Mem(*) |
| Faurecia                       | CIC    | National Bank Of Greece | IBG    | K+S Ag                                  | EQB    | Grenkeleasing Ag            | EQB    | Ahold                            | SNS    |
| Fiat                           | BAK    | Natixis                 | CIC    | Kemira                                  | POH    | Hellenic Exchanges          | IBG    | Bim                              | IBG    |
| Landi Renzo                    | BAK    | Nordea                  | POH    | Lanxess                                 | EQB    | Kbc Ancora                  | BDG    | Carrefour                        | CIC    |
| Leoni                          | EQB    | Piraeus Bank            | IBG    | Linde                                   | EQB    | Luxempart                   | BDG    | Casino Guichard-Perrachon        | CIC    |
| Michelin                       | CIC    | Postbank                | EQB    | Nanogate Ag                             | EQB    | Mip                         | EQB    | Colruyt                          | BDG    |
| Nokian Tyres                   | POH    | Societe Generale        | CIC    | Recticel                                | BDG    | Patrizia Ag                 | EQB    | Delhaize                         | BDG    |
| Piaggio                        | BAK    | Ubi Banca               | BAK    | Solvay                                  | BDG    | <b>Food &amp; Beverage</b>  | Mem(*) | Dia                              | BBO    |
| Pirelli & C.                   | BAK    | Unicredit               | BAK    | Symrise Ag                              | EQB    | Acomo                       | SNS    | Jeronimo Martins                 | CBI    |
| Plastic Omnium                 | CIC    | Yapi Kredi Bank         | IBG    | Tessenderlo                             | BDG    | Agrarius Ag                 | EQB    | Kesko                            | POH    |
| Plastivolaire                  | CIC    | <b>Basic Resources</b>  | Mem(*) | Tikkurila                               | POH    | Anheuser-Busch Inbev        | BDG    | Marr                             | BAK    |
| Porsche                        | EQB    | Acerinox                | BBO    | Umicore                                 | BDG    | Atria                       | POH    | Rallye                           | CIC    |
| Psa Peugeot Citroen            | CIC    | Altri                   | CBI    | Wacker Chemie                           | EQB    | Baron De Ley                | BBO    | Sligro                           | SNS    |
| Renault                        | CIC    | ArcelorMittal           | BBO    | <b>Electronic &amp; Electrical Equi</b> | Mem(*) | Baywa                       | EQB    | Sonae                            | CBI    |
| Sogefi                         | BAK    | Crown Van Gelder        | SNS    | Agfa-Gevaert                            | BDG    | Berentzen                   | EQB    |                                  |        |
| Stern Groep                    | SNS    | Ence                    | BBO    | Alstom                                  | CIC    | Bonduelle                   | CIC    |                                  |        |
| Valeo                          | CIC    | Europac                 | BBO    | Areva                                   | CIC    | Campari                     | BAK    |                                  |        |
| Volkswagen                     | EQB    | Inapa                   | CBI    | Barco                                   | BDG    | Campofrio                   | BBO    |                                  |        |
| <b>Banks</b>                   | Mem(*) | Metka                   | IBG    | Euromicron Ag                           | EQB    | Coca Cola Hbc Ag            | IBG    |                                  |        |
| Aareal Bank                    | EQB    | Metsä Board             | POH    | Evs                                     | BDG    | Corbion                     | SNS    |                                  |        |
| Akbank                         | IBG    | Mytilineos              | IBG    | Gemalto                                 | CIC    | Danone                      | CIC    |                                  |        |
| Aktia                          | POH    | Nyrstar                 | BDG    | Ingenico                                | CIC    | Ebro Foods                  | BBO    |                                  |        |
| Alpha Bank                     | IBG    | Otokumpu                | POH    | Kontron                                 | EQB    | Enervit                     | BAK    |                                  |        |
| Banca Carige                   | BAK    | Portucel                | CBI    | Legrand                                 | CIC    | Fleury Michon               | CIC    |                                  |        |
| Banca Mps                      | BAK    | Rautaruukki             | POH    | Mobotix Ag                              | EQB    | Forfarmers                  | SNS    |                                  |        |
| Banco Popolare                 | BAK    | Salzgitter              | EQB    | Neways Electronics                      | SNS    | Greenyard Foods             | BDG    |                                  |        |
| Banco Popular                  | BBO    | Semapa                  | CBI    | Nexans                                  | CIC    | Heineken                    | SNS    |                                  |        |

|                            |        |                                     |        |                                  |        |   |       |                      |     |
|----------------------------|--------|-------------------------------------|--------|----------------------------------|--------|---|-------|----------------------|-----|
| <b>General Industrials</b> | Mem(*) | Fresenius Medical Care              | EQB    | Datalogic                        | BAK    | Ageas                                       | BDG   | Obrascon Huarte Lain | BBO |
| 2G Energy                  | EQB    | Gerresheimer Ag                     | EQB    | Delclima                         | BAK    | Allianz                                     | EQB   | Ramirent             | POH |
| Aalberts                   | SNS    | Grifols Sa                          | BBO    | Deutz Ag                         | EQB    | Axa   | CIC   | Royal Bam Group      | SNS |
| Accell Group               | SNS    | Korian                              | CIC    | Dmg Mori Seiki Ag                | EQB    | Delta Lloyd                                 | SNS   | Sacyr                | BBO |
| Advanced Vision Technology | EQB    | Laboratorios Rovi                   | BBO    | Duro Felguera                    | BBO    | Fondaria Sai                                | BAK   | Saint Gobain         | CIC |
| Ahlstrom                   | POH    | Medica                              | CIC    | Emak                             | BAK    | Generali                                    | BAK   | Sias                 | BAK |
| Analytik Jena              | EQB    | Merck                               | EQB    | Exel Composites                  | POH    | Hannover Re                                 | EQB   | Sonae Industria      | CBI |
| Arcadis                    | SNS    | Natraceutical Sa                    | BBO    | Faiveley                         | CIC    | Mapfre Sa                                   | BBO   | Srv                  | POH |
| Aspo                       | POH    | Novartis                            | CIC    | Gea Group                        | EQB    | Mediolanum                                  | BAK   | Thermador Groupe     | CIC |
| Azkoyen                    | BBO    | Oriola-Kd                           | POH    | Gesco                            | EQB    | Milano Assicurazioni                        | BAK   | Titan Cement         | IBG |
| Bekaert                    | BDG    | Orion                               | POH    | Haulotte Group                   | CIC    | Munich Re                                   | EQB   | Trevi                | BAK |
| Evolis                     | CIC    | Orpea                               | CIC    | Heidelberger Druck               | EQB    | Sampo                                       | POH   | Uponor               | POH |
| Frigoglass                 | IBG    | Recordati                           | BAK    | Ima                              | BAK    | Talanx Group                                | EQB   | Uzin Utz             | EQB |
| Huhtamäki                  | POH    | Rhoen-Klinikum                      | EQB    | Interpump                        | BAK    | Unipol                                      | BAK   | Vbh Holding          | EQB |
| Kendrion                   | SNS    | Roche                               | CIC    | Khd Humboldt Wedag Internatio    | EQB    | Zurich Financial Services                   | BAK   | Vicat                | CIC |
| Mifa                       | EQB    | Sanofi                              | CIC    | Kone                             | POH    | <b>Materials, Construction &amp; Mem(*)</b> | Vinci |                      | CIC |
| Nedap                      | SNS    | Sorin                               | BAK    | Konecranes                       | POH    | Abertis                                     | BBO   | Yit                  | POH |
| Neopost                    | CIC    | Stallergènes                        | CIC    | Krones Ag                        | EQB    | Acs   | BBO   |                      |     |
| Pöyry                      | POH    | Ucb                                 | BDG    | Kuka                             | EQB    | Adp   | CIC   |                      |     |
| Prelios                    | BAK    | <b>Hotels, Travel &amp; Tourism</b> | Mem(*) | Man                              | EQB    | Astaldi                                     | BAK   |                      |     |
| Resilux                    | BDG    | Accor                               | CIC    | Manitou                          | CIC    | Atlantia                                    | BAK   |                      |     |
| Saf-Holland                | EQB    | Autogrill                           | BAK    | Max Automation Ag                | EQB    | Ballast Nedam                               | SNS   |                      |     |
| Saft                       | CIC    | Beneteau                            | CIC    | Metso                            | POH    | Bilfinger Se                                | EQB   |                      |     |
| Skw Stahl                  | EQB    | Compagnie Des Alpes                 | CIC    | Outotec                          | POH    | Boskalis Westminster                        | SNS   |                      |     |
| Tkh Group                  | SNS    | Gtech                               | BAK    | Pfeiffer Vacuum                  | EQB    | Buzzi Unicem                                | BAK   |                      |     |
| Wendel                     | CIC    | I Grandi Viaggi                     | BAK    | Ponsse                           | POH    | Caverion                                    | POH   |                      |     |
| <b>General Retailers</b>   | Mem(*) | Ibersol                             | CBI    | Prima Industrie                  | BAK    | Cfe   | BDG   |                      |     |
| Beter Bed Holding          | SNS    | Intralot                            | IBG    | Prysmian                         | BAK    | Ciments Français                            | CIC   |                      |     |
| D'Ieteren                  | BDG    | Melia Hotels International          | BBO    | Reesink                          | SNS    | Cramo                                       | POH   |                      |     |
| Fielmann                   | EQB    | Nh Hoteles                          | BBO    | Sabaf                            | BAK    | Deceuninck                                  | BDG   |                      |     |
| Folli Follie Group         | IBG    | Opap                                | IBG    | Singulus Technologies            | EQB    | Eiffage                                     | CIC   |                      |     |
| Fourlis Holdings           | IBG    | Sonae Capital                       | CBI    | Smt Scharf Ag                    | EQB    | Ellaktor                                    | IBG   |                      |     |
| Inditex                    | BBO    | Trigano                             | CIC    | Ten Cate                         | SNS    | Ezentis                                     | BBO   |                      |     |
| Jumbo                      | IBG    | Tui                                 | EQB    | Valmet                           | POH    | Fcc   | BBO   |                      |     |
| Macintosh                  | SNS    | Wdf                                 | BAK    | Vossloh                          | EQB    | Ferrovial                                   | BBO   |                      |     |
| Rapala                     | POH    | Household Goods                     | Mem(*) | Wärtsilä                         | POH    | Fraport                                     | EQB   |                      |     |
| Stockmann                  | POH    | Bic                                 | CIC    | Zardoya Otis                     | BBO    | Gek Terna                                   | IBG   |                      |     |
| <b>Healthcare</b>          | Mem(*) | De Longhi                           | BAK    | <b>Industrial Transportation</b> | Mem(*) | Grontmij                                    | SNS   |                      |     |
| Ab-Biotics                 | BBO    | Elica                               | BAK    | Bollore                          | CIC    | Grupo San Jose                              | BBO   |                      |     |
| Almirall                   | BBO    | Indesit                             | BAK    | Bpost                            | BDG    | Heijmans                                    | SNS   |                      |     |
| Amplifon                   | BAK    | Seb Sa                              | CIC    | Caf                              | BBO    | Hochtief                                    | EQB   |                      |     |
| Arseus                     | BDG    | <b>Industrial Engineering</b>       | Mem(*) | Deutsche Post                    | EQB    | Holcim Ltd                                  | CIC   |                      |     |
| Bayer                      | EQB    | Accsys Technologies                 | SNS    | Gemina                           | BAK    | Imerys                                      | CIC   |                      |     |
| Biomerieux                 | CIC    | Aixtron                             | EQB    | Hes Beheer                       | SNS    | Impregilo                                   | BAK   |                      |     |
| Biotest                    | EQB    | Ansaldo Sts                         | BAK    | Hhla                             | EQB    | Italcementi                                 | BAK   |                      |     |
| Celesio                    | EQB    | Bauer Ag                            | EQB    | Logwin                           | EQB    | Joyou Ag                                    | EQB   |                      |     |
| Diasorin                   | BAK    | Biesse                              | BAK    | Postnl                           | SNS    | Lafarge                                     | CIC   |                      |     |
| Drägerwerk                 | EQB    | Cargotec Corp                       | POH    | Tnt Express                      | SNS    | Lemminkäinen                                | POH   |                      |     |
| Faes Farma                 | BBO    | Cnh Industrial                      | BAK    | <b>Insurance</b>                 | Mem(*) | Maire Tecnimont                             | BAK   |                      |     |
| Fresenius                  | EQB    | Danielli                            | BAK    | Aegon                            | SNS    | Mota Engil                                  | CBI   |                      |     |

| Media                          | Mem(*) | Cgg                            | CIC    | Vastned Retail                     | BDG    | RealdoImen                 | BDG    | Vodafone                | BAK    |
|--------------------------------|--------|--------------------------------|--------|------------------------------------|--------|----------------------------|--------|-------------------------|--------|
| Ad Pepper                      | EQB    | Fugro                          | SNS    | Vastned Retail Belgium             | BDG    | Reply                      | BAK    | <b>Utilities</b>        | Mem(*) |
| Alma Media                     | POH    | Saipem                         | BAK    | Vib Vermoegen                      | EQB    | Rib Software               | EQB    | A2A                     | BAK    |
| Atresmedia                     | BBO    | Technip                        | CIC    | Wdp                                | BDG    | Seven Principles Ag        | EQB    | Acciona                 | BBO    |
| Brill                          | SNS    | Tecnicas Reunidas              | BBO    | <b>Renewable Energy</b>            | Mem(*) | Tie Kinetix                | SNS    | Acea                    | BAK    |
| Cofina                         | CBI    | Tenaris                        | BAK    | Abengoa                            | BBO    | Tieto                      | POH    | Albioma                 | CIC    |
| Editoriale L'Espresso          | BAK    | Vallourec                      | CIC    | Daldrup & Soehne                   | EQB    | Tomtom                     | SNS    | E.On                    | EQB    |
| GI Events                      | CIC    | Vopak                          | SNS    | Deutsche Biogas                    | EQB    | Unit4                      | SNS    | Edp                     | CBI    |
| Havas                          | CIC    | <b>Personal Goods</b>          | Mem(*) | Enel Green Power                   | BAK    | Wincor Nixdorf             | EQB    | Edp Renováveis          | CBI    |
| Impresa                        | CBI    | Adidas                         | EQB    | Gamesa                             | BBO    | <b>Support Services</b>    | Mem(*) | Elia                    | BDG    |
| Ipsos                          | CIC    | Adler Modemaerke               | EQB    | Phoenix Solar                      | EQB    | Batenburg                  | SNS    | Enagas                  | BBO    |
| Jcdecaux                       | CIC    | Amer Sports                    | POH    | Sma Solar Technology               | EQB    | Brunel                     | SNS    | Endesa                  | BBO    |
| Kinepolis                      | BDG    | Basic Net                      | BAK    | Solar-Fabrik                       | EQB    | Bureau Veritas S.A.        | CIC    | Enel                    | BAK    |
| Lagardere                      | CIC    | Beiersdorf                     | EQB    | Solarworld                         | EQB    | Dpa                        | SNS    | Falck Renewables        | BAK    |
| M6-Metropole Television        | CIC    | Geox                           | BAK    | Solutronic                         | EQB    | Edenred                    | CIC    | Fluxys                  | BDG    |
| Mediaset                       | BAK    | Gerry Weber                    | EQB    | <b>Semiconductors</b>              | Mem(*) | Ei Towers                  | BAK    | Fortum                  | POH    |
| Mediaset Espana                | BBO    | Hugo Boss                      | EQB    | Asm International                  | SNS    | Fiera Milano               | BAK    | Gas Natural Fenosa      | BBO    |
| Nextradiotv                    | CIC    | Kering                         | CIC    | Asmi                               | SNS    | Intech                     | SNS    | Hera                    | BAK    |
| Nrj Group                      | CIC    | Loewe                          | EQB    | Besi                               | SNS    | Lassila & Tikanoja         | POH    | Iberdrola               | BBO    |
| Publicis                       | CIC    | Luxottica                      | BAK    | Okmetic                            | POH    | Prosegur                   | BBO    | Iren                    | BAK    |
| Rcs Mediagroup                 | BAK    | Marimekko                      | POH    | Roodmicrotec                       | SNS    | Randstad                   | SNS    | Public Power Corp       | IBG    |
| Reed Elsevier N.V.             | SNS    | Medion                         | EQB    | Stmicroelectronics                 | BAK    | Usg People                 | SNS    | Red Electrica De Espana | BBO    |
| Roularta                       | BDG    | Puma                           | EQB    | Suess Microtec                     | EQB    | <b>Telecom Equipment</b>   | Mem(*) | Ren                     | CBI    |
| Rtl Group                      | BDG    | Safilo                         | BAK    | <b>Software &amp; Computer Ser</b> | Mem(*) | Alcatel-Lucent             | CIC    | Rwe                     | EQB    |
| Sanoma                         | POH    | Salvatore Ferragamo            | BAK    | Affecto                            | POH    | Ericsson                   | POH    | Snam                    | BAK    |
| Solocal Group                  | CIC    | Sarantis                       | IBG    | Akka Technologies                  | CIC    | Gigaset                    | EQB    | Terna                   | BAK    |
| Spir Communication             | CIC    | Tod'S                          | BAK    | Alten                              | CIC    | Nokia                      | POH    |                         |        |
| Syzygy Ag                      | EQB    | Van De Velde                   | BDG    | Altran                             | CIC    | Teleste                    | POH    |                         |        |
| Talentum                       | POH    | Zucchi                         | BAK    | Amadeus                            | BBO    | <b>Telecommunications</b>  | Mem(*) |                         |        |
| Telegraaf Media Groep          | SNS    | <b>Real Estate</b>             | Mem(*) | Atos                               | CIC    | Acotel                     | BAK    |                         |        |
| Teleperformance                | CIC    | Aedifica                       | BDG    | Basware                            | POH    | Belgacom                   | BDG    |                         |        |
| Tf1                            | CIC    | Ascencio                       | BDG    | Beta Systems Software              | EQB    | Bouygues                   | CIC    |                         |        |
| Ti Media                       | BAK    | Atenor                         | BDG    | Bull                               | CIC    | Deutsche Telekom           | EQB    |                         |        |
| Ubisoft                        | CIC    | Banimmo                        | BDG    | Cenit                              | EQB    | Drillisch                  | EQB    |                         |        |
| Vivendi                        | CIC    | Befimmo                        | BDG    | Comptel                            | POH    | Elisa                      | POH    |                         |        |
| Wolters Kluwer                 | SNS    | Beni Stabili                   | BAK    | Digia                              | POH    | Eutelsat Communications Sa | CIC    |                         |        |
| <b>Oil &amp; Gas Producers</b> | Mem(*) | Citycon                        | POH    | Docdata                            | SNS    | Freenet                    | EQB    |                         |        |
| Eni                            | BAK    | Cofinimmo                      | BDG    | Ekinops                            | CIC    | Gowex                      | BBO    |                         |        |
| Galp Energia                   | CBI    | Corio                          | BDG    | Engineering                        | BAK    | Iliad                      | CIC    |                         |        |
| Gas Plus                       | BAK    | Deutsche Euroshop              | EQB    | Esi Group                          | CIC    | Jazztel                    | BBO    |                         |        |
| Hellenic Petroleum             | IBG    | Home Invest Belgium            | BDG    | Exact Holding Nv                   | SNS    | Mobistar                   | BDG    |                         |        |
| Maurel Et Prom                 | CIC    | Igd                            | BAK    | F-Secure                           | POH    | Orange                     | CIC    |                         |        |
| Motor Oil                      | IBG    | Intervest Offices & Warehouses | BDG    | Gameloft                           | CIC    | Ote                        | IBG    |                         |        |
| Neste Oil                      | POH    | Ivg Immobilien Ag              | EQB    | Gft Technologies                   | EQB    | Ses                        | CIC    |                         |        |
| Petrobras                      | CBI    | Leasinvest Real Estate         | BDG    | Guillemot Corporation              | CIC    | Telecom Italia             | BAK    |                         |        |
| Qgep                           | CBI    | Montea                         | BDG    | IFao Ag                            | EQB    | Telefonica                 | BBO    |                         |        |
| Repsol                         | BBO    | Realia                         | BBO    | Ict Automatisering                 | SNS    | Telenet Group              | BDG    |                         |        |
| Total                          | CIC    | Retail Estates                 | BDG    | Indra Sistemas                     | BBO    | Teliaso nera               | POH    |                         |        |
| Tupras                         | IBG    | Sponda                         | POH    | Novabase                           | CBI    | Tiscali                    | BAK    |                         |        |
| <b>Oil Services</b>            | Mem(*) | Technopolis                    | POH    | Ordina                             | SNS    | Turkcell                   | IBG    |                         |        |
| Bourbon                        | CIC    | Unibail-Rodamco                | BDG    | Psi                                | EQB    | United Internet            | EQB    |                         |        |

LEGEND: BAK: Banca Akros; BDG: Bank Degroof; BBO: Bankia Bolsa; CIC: CM CIC Securities; CBI: Caixa  
IBG: Investment Bank of Greece, POH: Pohjola Bank; SNS: SNS Securities

-Banca de Investimento; EQB: E quinnet bank;  
as of 3<sup>rd</sup> January 2014

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(\*\*) excluding: strategists, macroeconomists, heads of research not covering specific stocks, credit analysts, technical analysts





## ESN Recommendation System

The ESN Recommendation System is **Absolute**. It means that each stock is rated on the basis of a **total return**, measured by the upside potential (including dividends and capital reimbursement) over a **12 month time horizon**.

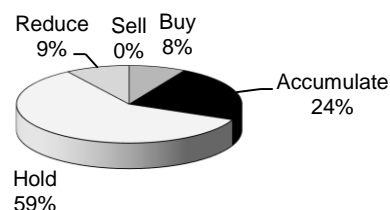
The ESN spectrum of recommendations (or ratings) for each stock comprises 5 categories: **Buy, Accumulate (or Add), Hold, Reduce and Sell (in short: B, A, H, R, S)**.

Furthermore, in specific cases and for a limited period of time, the analysts are allowed to rate the stocks as **Rating Suspended (RS)** or **Not Rated (NR)**, as explained below.

### Meaning of each recommendation or rating:

- **Buy:** the stock is expected to generate total return of **over 20%** during the next 12 months time horizon
- **Accumulate:** the stock is expected to generate total return of **10% to 20%** during the next 12 months time horizon
- **Hold:** the stock is expected to generate total return of **0% to 10%** during the next 12 months time horizon.
- **Reduce:** the stock is expected to generate total return of **0% to -10%** during the next 12 months time horizon
- **Sell:** the stock is expected to generate total return **under -10%** during the next 12 months time horizon
- **Rating Suspended:** the rating is suspended due to a capital operation (take-over bid, SPO, ...) where the issuer of the document (a partner of ESN) or a related party of the issuer is or could be involved or to a change of analyst covering the stock
- **Not Rated:** there is no rating for a company being floated (IPO) by the issuer of the document (a partner of ESN) or a related party of the issuer

### Banca Akros Ratings Breakdown

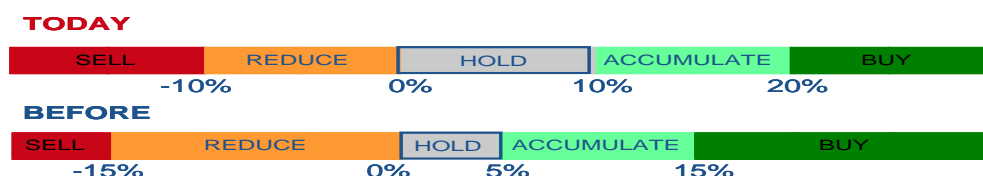


### History of ESN Recommendation System

**Since 18 October 2004**, the Members of ESN are using an Absolute Recommendation System (before was a Relative Rec. System) to rate any single stock under coverage.

**Since 4 August 2008**, the ESN Rec. System has been amended as follow.

- Time horizon changed to 12 months (it was 6 months)
- Recommendations Total Return Range changed as below:



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<http://www.bancaakros.it/media/990634/3-mktabuse-daf-sitointernet-conflitti-aggiornato-31-12-2013.pdf>.

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## Recommendation history for EXPRIVIA

| Date      | Recommendation | Target price | Price at change date |
|-----------|----------------|--------------|----------------------|
| 09-Jan-14 | Hold           | 0.93         | 0.87                 |

Source: Factset & ESN, price data adjusted for stock splits.

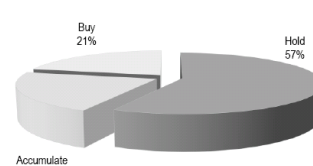
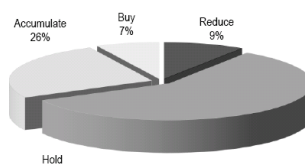
This chart shows Banca Akros continuing coverage of this stock; the current analyst may or may not have covered it over the entire period. Current analyst: Andrea Devita, CFA (since 09/01/2014)



## Percentuale delle raccomandazioni al 31 dicembre 2013

Tutte le raccomandazioni

Raccomandazioni su titoli in conflitto di interessi (\*)



(\*) Si informa che la percentuale degli emittenti in potenziale conflitto di interessi con Banca Akros è pari al 14% del totale degli emittenti oggetto di copertura



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