Exprivia

Italy/ Software & Computer Services

Company update

ESN

Investment Research

Reason: Company Newsflow

13 September 2016

Accumulate

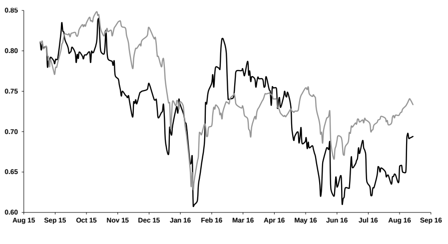
Recommendation unchanged

Share price: EUR	**0.69**
closing price as of 12/09/2016	
Target price: EUR	**0.81**
Target Price unchanged	

Reuters/Bloomberg	XPR.MI/XPR IM
Daily avg. no. trad. sh. 12 mth	43,731
Daily avg. trad. vol. 12 mth (m)	30.22
Price high 12 mth (EUR)	0.84
Price low 12 mth (EUR)	0.61
Abs. perf. 1 mth	6.0%
Abs. perf. 3 mth	4.9%
Abs. perf. 12 mth	-15.2%

Market capitalisation (EURm)	36
Current N° of shares (m)	52
Free float	43%

Key financials (EUR)	12/15	12/16e	12/17e
Sales (m)	145	145	156
EBITDA (m)	15	15	17
EBITDA margin	*10.6%*	*10.1%*	*11.0%*
EBIT (m)	10	9	11
EBIT margin	*6.9%*	*6.3%*	*7.3%*
Net Profit (adj.)(m)	5	3	5
ROCE	5.4%	4.9%	6.1%
Net debt/(cash) (m)	36	36	31
Net Debt Equity	*0.5*	*0.5*	*0.4*
Net Debt/EBITDA	2.4	2.4	1.8
Int. cover(EBITDA/Fin.int)	6.6	5.4	7.8
EV/Sales	0.6	0.6	0.5
EV/EBITDA	6.1	6.1	4.9
EV/EBITDA (adj.)	6.1	6.1	4.9
EV/EBIT	9.3	9.8	7.5
P/E (adj.)	8.7	13.2	7.5
P/BV	0.5	0.5	0.5
OpFCF yield	*-1.3%*	*7.8%*	*16.0%*
Dividend yield	*4.0%*	*3.1%*	*1.9%*
EPS (adj.)	0.09	0.05	0.09
BVPS	1.43	1.46	1.54
DPS	0.03	0.02	0.01



Source: Factset —EXPRIVIA —FTSE Italy SmallCaps (Rebased)

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

For company description please see summary table footnote

Ready for a quantum leap

Exprivia is negotiating the acquisition of the Italian telecom equipment/field service operator Italtel. The deal, which could be announced by the end of this month, will project XPR among the top-ten of Italian ICT companies and generate substantial strategic and industrial benefits. We update on XPR's trading conditions and on the available information on Italtel ahead of this likely transaction. We believe the deal, if well executed and cleverly engineered from a financial standpoint, will be a major catalyst for the stock, which could enter the radar screen of a wider parterre of investors. We reiterate our positive recommendation with an unchanged Target price of EUR 0.81.

- ✓ **Serious ambitions**. Exprivia has been growing in the past few years via M&A and organic development; the management has serious ambitions for further expansion, which were presented to the financial community in November 2015. The plan is built on three temporal stages, characterized by different focus and actions, implying acceleration of growth and international projection with 2/5/10% organic growth expected in the three periods respectively. The FY 2020 targets include EUR 360m revenues, EUR 44m EBITDA. While average organic growth was expected at 6%, M&A should provide further EUR 155m revenues in 6 years.

- ✓ **Trading conditions**. Q2 results were in line with our expectations at the top-line level (-9% Y/Y), definitely worse at the EBITDA (-52%) and better in terms of net financial position (EUR 5m de-leveraging from December 31, 2015). The performance by vertical was quite varied, as healthcare returned to Y/Y growth, finance was flattish and the international segment fell by 35% Y/Y. The trend should improve in H2 thanks to new contracts entering at full-steam and the consolidation of ACS (acquired on June 22). We have in any case cut our full-year estimates post-Q2 publication and we now expect a -2% organic revenue decline.

- ✓ **Market perspectives: slow growth expected for 2016/18**. The most recent forecasts by Assinform/Netconsulting point to further improvements in the next three years for the Italian digital market, which is however still in a slow-growth mode, peaking at +2% in 2018. The telecom sector should finally reach stability, while digital content/advertising should slow-down to below 5% growth in 2018.

- ✓ **Italtel: a large and strategic target.** On August 6, seven months since the first expression of interest, XPR announced that it made a non-binding offer to acquire Italtel and could make a binding offer by Sept-30. Italtel is the main national player in communication products and services, generating EUR 440m revenues last year, EUR 31m EBITDA. Italtel has a travailed industrial and financial history, given the progressive scaling back of its main client and former owner Telecom Italia and burdened by the debt generated in the LBO in 2001 by Private Equity firms and Cisco. Italtel has undergone a first restructuring in 2011 and a second in 2013 with a debt-for-equity swap. As a result, a few financial operators control 64% of the capital; Cisco owns 32.7% and 3% is still in the hands of TI, while net debt has been cut to EUR 173m. The deal would be highly strategic for XPR in terms of critical mass, technological capabilities, customer base and international projection. EXPR would basically achieve or exceed its 2020 EBITDA targets in a single step. The terms of the transaction are still unknown; press rumours suggested a limited cash contribution by XPR and independent management of the two companies.

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For important disclosure information, please refer to the disclaimer page of this report

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Upcoming Events Calendar

Date	Event Type	Description	Period
11/11/16	Results	Q3 2016 Results	2016Q3

Source: Precise

Latest results

The first part of 2015 was generally positive and in line with expectations, as the top-line reflected the positive contribution of M&A (auSystems, consolidated since April 2014) while EBITDA margin was up by 2.8pp Y/Y thanks to corporate restructuring and operating leverage. On the other hand, Q3 results were below our expectations on both revenues and margins, and unexpectedly down on a Y/Y basis, as the comparison was organic and the underlying trend disappointed on a couple of segments. The year 2015 closed in further deterioration with revenues down by 12% in Q4 as the oil and gas segment turned negative Y/Y and the international segment dropped by 46%. On the positive, we note that EBITDA margin improved by 0.8pp Y/Y in spite of a modest revenue decline. The net financial position as per December 2015 came worse than expected with EUR 5m increase in the last quarter. The company mentioned increasing in NWC in the still growing segments, coupled with delays in cash in from the public segment.

In the first quarter of 2016, Exprivia reported as expected declining revenues (-6.8%) EBITDA (-14%) and EBIT (-24%), but at least the top-line trend improved on a sequential basis vs. Q4. The EBITDA reflected the seasonally low margin of Q1 in the region of 5/6%, while net debt was stable Q/Q as expected. Finally, in Q2 2016, revenue trend slightly worsened and EBITDA came out below expectations. Net debt was better than expected and EUR 5m lower vs. December 2015.

FY 2015 and H1 2016 results (EUR m)

	FY 2014	FY 2015	Y/Y	H1 15a	H1 16a	Y/Y
Total Turnover	147.2	144.8	*-1.7%*	73.6	67.6	*-8.1%*
EBITDA	14.45	15.31	*5.9%*	6.90	4.05	*-41.3%*
Margin	*9.8%*	*10.6%*	*0.8%*	*9.4%*	*6.0%*	*-36.1%*
EBIT	9.86	9.99	*1.3%*	3.83	1.93	*-49.6%*
Margin	*6.7%*	*6.9%*	*0.2%*	*5.2%*	*2.9%*	*-45.2%*
EBT	6.97	7.66	*10.0%*	2.60	0.53	*-79.4%*
Net Income	3.50	4.51	*29%*	1.29	0.56	*-56.9%*
Net Debt (Cash)	29.7	36.3	*22.0%*	30.0	31.4	*4.7%*

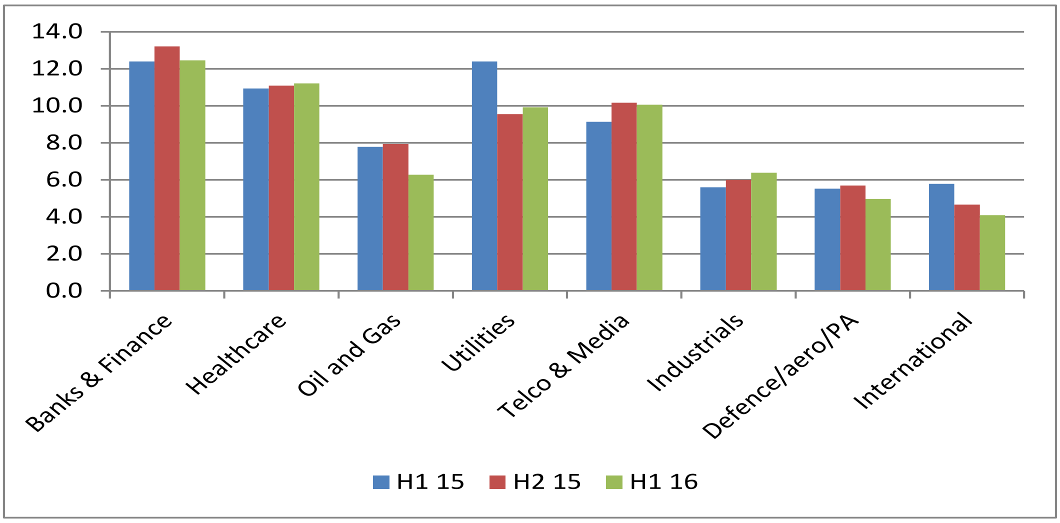
Source: Company data, Banca Akros estimates

The performance has been definitely differentiated across market segments,

- The main vertical of Banking and Finance stabilized in the past couple of quarters following a 10% Y/Y drop in H2 2015, which led to a -7% in the full year. The company blamed a drop in third party HW and Software, along with the initial turmoil in the credit sector. The H1 performance was not bad in spite of persisting concerns over the Italian financial system and the well-known events involving specific names. Exprivia suffered a 10% decline in the credit solution sub-segment but grew 2% in the finance/factoring area and especially by 8% in the digital sub-segment.
- The Utilities segment has been experiencing a double-digit decline for the past six quarters, with around -28% in the three quarters to March 2016, and still -11% in Q2. Exprivia said the performance reflected the trends in the reference sector, while in the BPO (Business Process Outsourcing) sub-segment a EUR 1m Y/Y (-33%) decline in H1 2016 was due to the loss of a contract. In the last quarter of 2015, XPR won two three-year contracts worth a total of EUR 60m, which alone should basically cover the current annual segment revenues. The first impact was already visible in Q2 with the start of the first contract, so that the recovery will be more visible in H2 2016.

- The Industry segment presented a definitely different pattern, with revenues starting to grow already in the second half of 2015, against a persistent negative trend in the previous few years. The growth accelerated to +14% in H1 2016, reflecting the positive investment trend of the reference sector and the revamped offer of software vendors, including the Hana platform (SAP), mobile and analytics which complement the traditional ERP and CRM solutions provided by XPR.
- The Oil and Gas segment was growing double-digit in 2014 (+14%) and for most of 2015, until the fourth quarter where the trend reversed to -6%. In H1 2016, the top–line was down by around 20% following the slump in commodity prices and subsequent investment cuts by the industry players. As a consequence, XPR also suffered a drop in EBITDA margin from 14% of H1 2015 to 5%. XPR said that at the end of the second quarter it acquired certain multi-year contracts which should contribute to group revenues starting from October 2016.
- The Telecom/Media segment has been strengthened with the acquisition of Ausystem in April 2014, and grew by above 33% Y/Y in H2 2015 in organic terms. In H1 2016, the segment kept a 10% growth in spite of a flattish target market.
- The Healthcare segment represents the second-largest contributor to group revenues (17%) and showed an erratic trend in the past few years and quarters; the FY 2014 reversed three years of double-digit revenue decline with a +7%, while FY 2015 was down by almost 10%. EXP said that a key client, the Puglia region, internalized part of the outsourced booking activities while an important tender in the March region had been delayed. Q1 2016 revenues stabilized and Q2 was finally up by 6% as some new works acquired at the end of last year have been initiated.
- The Public Sector is now disaggregated from the Defence sector, and was down by 11.5% in H1, mainly due to the local PA, whereas the central PA has slowed down as a consequence of the ongoing "spending review". Exprivia said that new regulations have caused a sharp drop in the public tenders.
- The International segment continued in a severe downward trend, close to 30% decline in H1 following a -18% in FY 2015. The strong depreciation of LatAm currencies also played a role, along with the weak macro environment in Brazil.

Exprivia 2015/16 results: revenues by segment (EUR m)

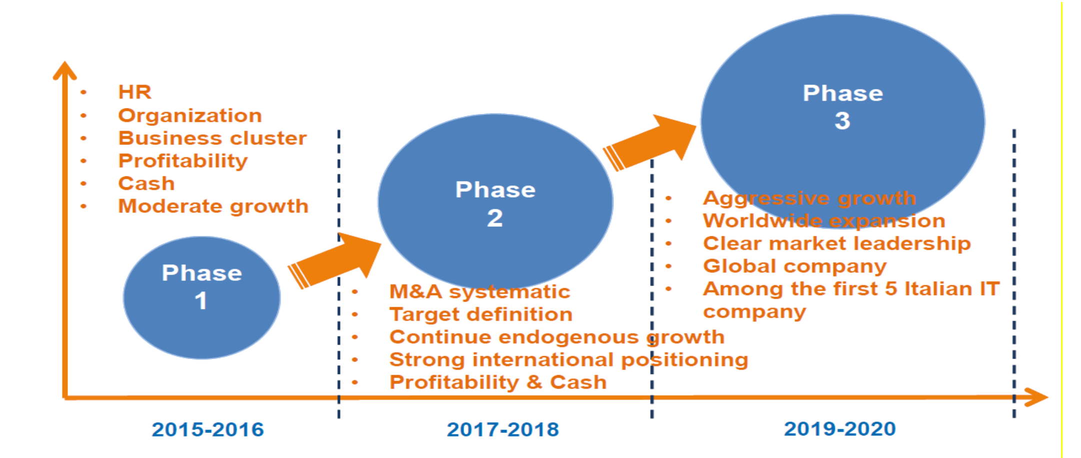


Source: Company Data

Business plan targets

In November 2015, Exprivia presented its 2015/2020 industrial plan, which consists of three two-year phases; the first step, which is currently ongoing, is based on management actions to streamline the corporate structure, strengthen the balance sheet and improve profitability and cash generation. Growth should be reinstated in "phase 2" also on the back of "selective M&A", likely in the already covered geographies. The 2020 ambitions should push Exprivia among the Italian top-5 (it was number 21 in FY 2014 according to Data Manager) and project the group to a worldwide presence.

Exprivia: strategic guidelines



Source: Company Presentation/Star Conference March 2015

The quantitative framework includes:

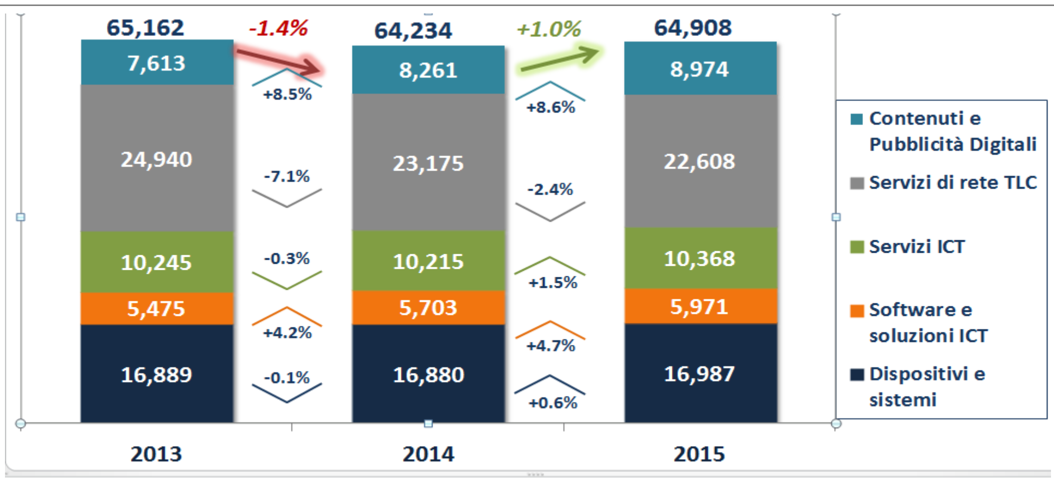
- Revenue ambition EUR 360m in FY 2020. Exprivia expects organic growth to accelerate throughout the three phases, from 2% to 5% to 10%, contributing around EUR 58m from the FY 2014 level (EUR 147m). The M&A should add further EUR 155m in six years. Note that the plan was prepared before the ACS acquisition, which contributes above EUR 10m revenue on a 12m basis.
- EBITDA ambition EUR 44m, implying 12% margin vs. the 9.8% of FY 2014 and expected 10.4% of the current year. This target includes the contribution of new M&A, while the "as is" profitability should achieve 13.3% at the end of the forecast period. These new targets are more conservative than the previous 5-year plan which entailed a 15% margin (more in line with the 2008/10 performance) while they are more in line with the actual profitability of 2011. The organic improvements are driven by 1/1.5pp increase in gross profit (in spite of incentives plan) and operating leverage, as SG&A will be flat in 2015/16 and growing less than revenues (75%) in 2017/20.
- Capex EUR 1.5/1.7m pa (1% capital intensity with the current business perimeter). This capex is related to just intangible assets, especially in the finance and medical areas.
- Net Financial Position: 2 times EBITDA by the end of FY 2015 and improving going forward, keeping DSO at 175 throughout the period and NWC/sales below 20% (18% at the end of 2014 starting from 2017. The dividend policy is not specified; Exprivia has historically paid out 40% of its net income, with EUR 1.5m cash payment in the calendar year 2015, down to 21% and EUR 1.1m respectively in 2016.

Market trends

MODEST IMPROVEMENTS IN 2015

The Italian digital market was back to a modest growth in FY 2015, following a 1.4% decline in the previous year; all the sub-segments improved and most of them turned positive. The only negative performance in 2015 was related to telecom services, which however recovered 4.7pp and were responsible for most of the improvement of the digital market as a whole. The highest growth remains with digital content and advertising, while software kept a healthy growth close to 5%.

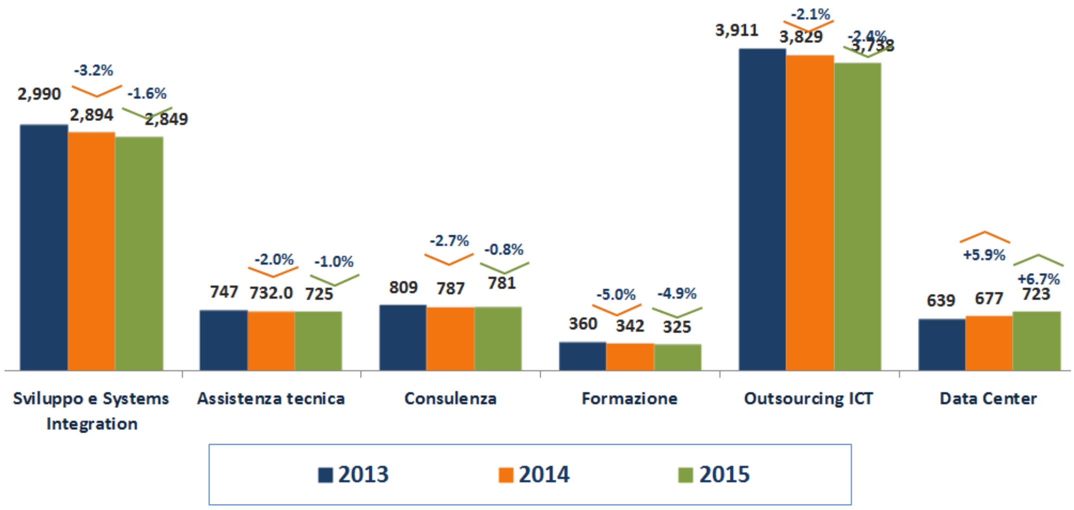
Italian digital market 2013/2015



Source: Assinform presentation March 2016

ICT services were up by just 1.5%, with all the increase related to the Cloud, up by 29% (+EUR 274m) in 2015, following +21% in the previous year. The related data centre business was also up. On the other hand, all the "on-premises" activities (see below) were still down in 2015, although improving vs. the previous year's trends.

Italian digital market 2013/2015

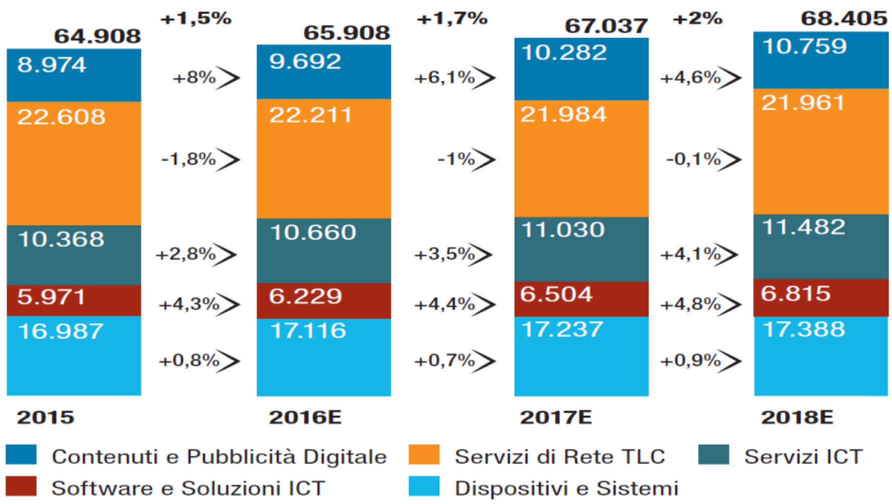


Source: Assinform presentation March 2016

SLOW GROWTH EXPECTED FOR 2016/18

The most recent forecasts by Assinform/Netconsulting point to further improvements in the next three years for the Italian digital market, which is however still in a slow-growth mode, peaking at +2% in 2018. The telecom sector should finally reach stability, while digital content/advertising should slow-down to below 5% growth in 2018.

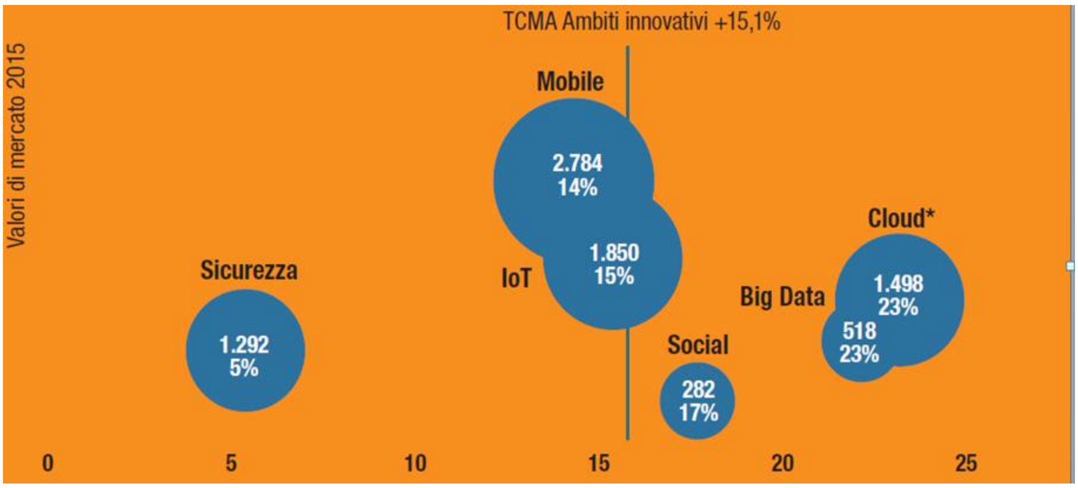
Italian Digital market 2015/2018e



Source: Assinform/Netconsulting July 2016

The main drivers will be the Cloud, big data, "Internet of Things" – IOT, as the Italian corporate sector is building the digital infrastructure to realize the "Industry 4.0" paradigm.

Innovative trends in the Italian digital market (2015/18e CAGR)

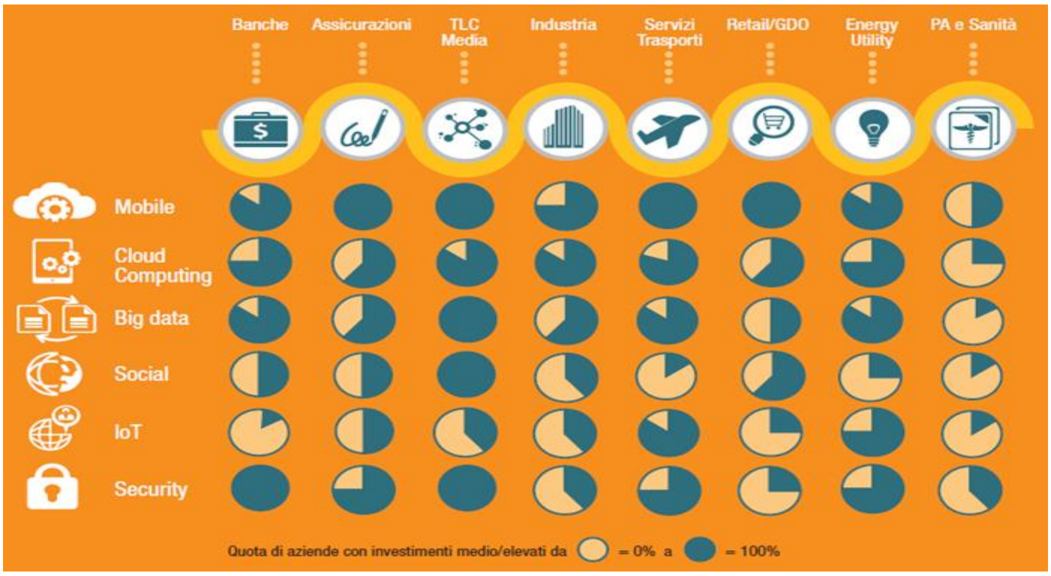


Source: Assinform/Netconsulting July 2016

The digital commitment is however still very low among small businesses, which should grow by just 0.6% Y/Y in 2016e, while medium-sized ones should grow by 1.7% and large corporates by 2.8%. The central public administration is seen up by 1.6%, local PA should decline by 2% this year.

These digital drivers have also different adoption rates across industries, with banks/finance and telecoms clearly more receptive to new technological developments, the manufacturing segment most interested to Cloud and Mobile and the PA definitely beyond the curve.

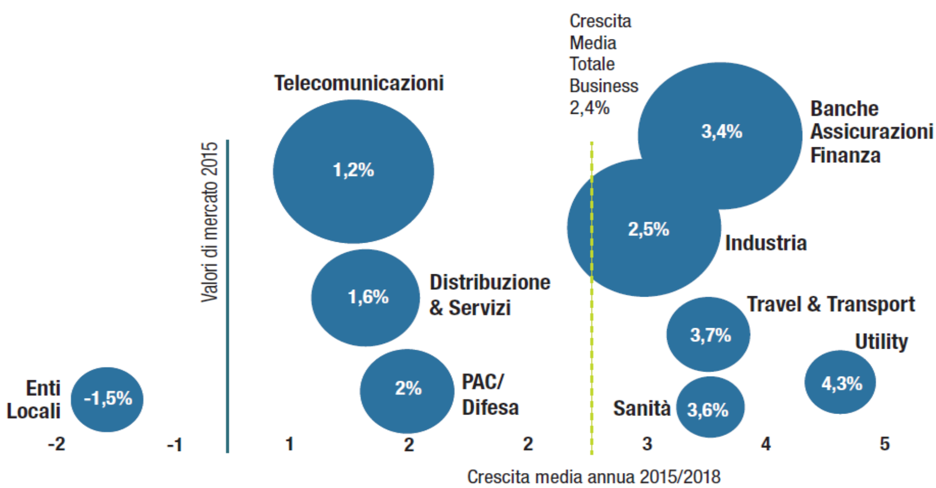
Italian digital market: technology adoption by industry segment



Source: Assinform/Netconsulting July 2016

In quantitative terms and on a three-year basis, Netconsulting sees the financial segment (already the largest with close 30% of total IT investments) growing by +3.4% CAGR, slightly below utilities, transportation and healthcare. The manufacturing segment (18% of the total) is also expected to growth nicely with +2.5% pa, while Telecoms are seen increasing at a modest 1.2% CAGR, probably due to the current higher adoption rates.

Italian digital market: growth by industry segment



Source: Assinform/Netconsulting July 2016

Estimates Review

We made some adjustments to our estimates:

a) Worse-than-expected Q2 performance prompted a cut in oil and gas international revenues and more modest estimates in the telecom/media division. The full-year EBITDA was also cut by above 10% in 2016.

b) The acquisition of ACS contributes around EUR 5m in H2 2106 revenues, at a margin comparable to Exprivia group and implies EUR 6.2m investment.

c) We are below the company's targets as provided in the November 2015 business plan, as we expect 3.9% organic growth (CAGR) for 2017/2018 vs. the 5% guided by Exprivia. We also expect a similar organic growth rate for the following two years. We believe the company expects a kind of "virtuous cycle" of organic growth (to 10%) as it builds on new product lines and new geographies also acquired through M&A. The gap between short-term performance and long-term ambitions is too wide to adopt strong growth assumptions for the time being.

d) At the EBITDA level, the target profitability appears realistic, based on sound assumptions on gross margin development and operating leverage, and not far from actual performance of the company in the average year. The previous 15% margin target was definitely too ambitious even assuming significant top-line growth.

EXP: 2015/2020e estimates (EUR m)

	FY 13a	FY 14a	FY 15a	FY 16e	FY 17e	FY 18e	FY 19e	FY 20e
Revenues	127	142	139	141	152	158	163	168
Total Turnover	131	147	145	145	156	162	167	172
Growth	-1.0%	12.3%	-1.7%	0.1%	7.7%	3.5%	3.1%	2.9%
EBITDA	13.1	14.5	15.3	14.6	17.1	18.2	20.3	21.6
Margin	*10.0%*	*9.8%*	*10.6%*	*10.1%*	*11.0%*	*11.3%*	*12.2%*	*12.6%*
EBIT	8.7	9.9	10.0	9.1	11.3	12.0	14.1	15.4
Margin	*6.8%*	*7.0%*	*7.2%*	*6.4%*	*7.5%*	*7.6%*	*8.7%*	*9.2%*
EBT	6.0	7.0	7.7	6.4	9.1	10.2	12.6	15.4
Net Income	2.4	3.5	4.5	2.7	4.8	5.5	7.4	9.5
Capex	-4.9	-3.9	-6.3	-6.0	-2.5	-2.5	-2.5	-3.0
Net Debt (Cash)	37.4	29.7	36.3	35.6	31.0	26.5	17.9	8.5

Source: Company data, Banca Akros estimates

A transformational deal: Italtel acquisition

On August 6, Exprivia stated in a press release that it made a non-binding offer to acquire a control stake, up to 100%, of Italtel. Exprivia signed an exclusivity period which involves the presentation of a binding offer by September 30, 2016. The two companies have been negotiating since the beginning of the year; indeed the first interest was announced by XPR on January 20. Italtel is the main national player in communication products and services, generating EUR 440m revenues last year. The deal would be highly strategic for XPR in terms of critical mass, technological capabilities, customer base and international projection. EXPR would basically achieve or exceed its 2020 targets in terms of EBITDA in a single step. The terms of the transaction are still unknown; press rumours suggested a limited cash contribution by Exprivia and independent management of the two companies.

Italtel: an historic operator with a troubled history

Italtel is an important player in the Italian and international markets of telecom equipment and field services. The company has a long and interesting industrial story dating back to the 19th century as the Italian manufacturing activities of Siemens. It evolved through the production of telecom equipment, electro-mechanics and later electronic switchboards and terminals. The company was seized by the Italian government during the WWII and conferred to the telecom holding company STET in the Fifties. It grew to 30,000 employees in the following 30 years with the building and digitalization of the Italian incumbent's network (basically its only customer). It was renamed Italtel in 1980 and under a new management undertook a customer diversification and international projection. Telecom Italia got the 100% control during 1999 and in December 2000 it sold an 80% stake to the US Private Equity Fund Clayton, Dubilier & Rice and Cisco System for EUR 800m. Post-deal, the PE funds owned 50.1% of Italtel, Cisco and TI 19% each and Italtel was burdened with EUR 454m net debt (December 2011). Revenues which peaked at EUR 980m in the FY 2010 started to contract due to market trends, business disposal and focus on profitability of the new management and were down by 45% by 2004. At the same time, net debt was cut by EUR 178m between 2002 and 2003, to a level of EUR 234m or 2.3 times that year's EBITDA. In the following three years, revenues were pretty stable in the region of EUR 540m and EBITDA margin remained comfortably above 20%. The sub-prime financial crisis contributed to a 30% revenue drop between 2007/2009 (to EUR 406m) with EBITDA margin falling to below 9%. The top-line kept the EUR 400m level in the following two years and margin improved to 12%, while debt was cut to EUR 230m by the end of 2010 following EUR 70m new equity injected by the shareholders Cisco and TI.

In 2011, Italtel appointed as CEO the former head of TI's fixed line network Stefano Pileri, while the business from the incumbent fell by 15% and revenue from OLOs by 20%. The increase in the enterprise and international segments helped contain the revenue decline to 4%, but net debt increased by EUR 60m. The revenues contraction accelerated in 2012 as all the segments declined and TI cut its purchases by further EUR 20m. As a consequence, adjusted EBITDA reached a trough at just EUR 11m.

An industrial and financial recovery path has been in place since 2013, which saw a double-digit revenue increase with TI's business picking up, cost optimization leading to 8.7% EBITDA margin and the restructuring of the debt position. In particular, the company and its shareholders agreed in March 2013 the issue of equity instrument for a total of EUR 153m in favour of a few financial operators (mainly Unicredit, GE Capital and BPM) which took effective control the majority of the capital with a 64% stake. The industrial partners Cisco owns 32.7% while a residual 3% is still in the hands of TI.

The positive trajectory continued into 2014 and 2015 supported by an increase of TI's business and further international growth.

Italtel: FY 2010/2015 financials

	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Revenues	**422**	**405**	**331**	**374**	**400**	**441**
O/w TI	133	113	89.6	108	134	130
O/w Other OLO	88.8	71.4	58.8	51.3	37.2	41.1
O/w Enterprise/PA	60.4	65.0	45.0	59.1	54.3	71.9
O/w International	140	156	138	156	175	198
EBITDA adj	Na	na	10.8	32.6	33.8	31.3
Margin	*Nm*	*nm*	*3.3%*	*8.7%*	*8.4%*	*7.1%*
EBITDA rep	**50.5**	**51.2**	**33.4**	**11.6**	**23.2**	**30.2**
Margin	*12.0%*	*12.6%*	*10.1%*	*3.1%*	*5.8%*	*6.8%*
EBIT	7.1	-120	1.52	-14.2	0.64	10.4
Net result	-13.5	-145	-12.2	-32.7	-15.1	-18.8
Capex	-27.1	-28.1	-23.6	-19.3	-16.5	-18.3
Net Debt	**230**	**290**	**266**	**182**	**183**	**173**
Personnel	1,867	1,806	1,720	1,628	1,334	1,366

Source: Company data, Banca Akros estimates

…with strong strategic and industrial fit for Exprivia

The financial players owning control of Italtel were willing to monetize their investment and had appointed JP Morgan to lead the disposal process during the Spring of 2015. According to rumours, there had been several parties interested in acquiring Italtel, including foreign industry players (Tech Mahindra), international private equity funds and the Italian national turnaround fund ("Fondo Salvaimprese"). As of November 2015, it appeared that just one fund was still in the bid along with two Italian industrial players. The press suggested that Exprivia is the best positioned to secure the deal having the most convincing industrial plan. In January 2016, Exprivia stated in a press release that it had presented "an expression of interest (non-binding-offer) for the acquisition of the control share quota, up to 100% of the share capital of Italtel Spa". We have argued since the first rumours that the deal would have a strong strategic and industrial sense, in that:

a) Critical mass. The combined group will have c EUR 580m aggregated revenues, tripling the size of Exprivia and projecting it among the top ten of Italian ICT companies. Exprivia would also surpass with one move the 2020 target of EUR 360m revenue and reach or surpass the EBITDA target (EUR 44m). A large employee base with 2,097 units at Exprivia and 1,366 at ITT.

b) Technological capabilities. Italtel is focussed on Next Generation Networks and is moving more and more towards the software components of cloud, virtualization (SDN), Internet of Things and Cybersecurity and services such as system integration. XPR has a presence in this segment with the former Ausystem (250 employees) and covers network integration and transformation. The knowledge and expertise developed in the different verticals can also be used to make Italtel's performance more effective in the enterprise segment (16% of ITT revenues). In this regard, the two companies had already announced a commercial partnership back in May 2015.

c) Business Mix. The combination of XPR and Italtel would have a varied business mix among the verticals of telecoms (pro-forma two thirds of combined revenues), finance, manufacturing, utilities Healthcare and Public Administration. The weight of TI would be just above 22% (vs. 30% of Italtel stand-alone). We also note that the software and services component of the two companies are broadly comparable, as Italtel sells EUR 0.2bn of Cisco components annually (Exprivia's HW sales is 2% of the total).

d) International projection. Italtel has strengthened its international business to around EUR 200m revenues (+13% Y/Y, 45% of the total) of which 70% in the LatAm region, generated through 260 employees abroad. XPR is mainly covering the LatAm area, where it is trying to reverse a declining revenue trend.

The structure of the deal

To date, Exprivia has not disclosed any financial detail on the deal; in April 2016 the company obtained a seven-year, EUR 25m bank loan, however this was used to lengthen the debt's duration and reduce the financial cost. Exprivia's gross cash position actually increased by just EUR 8m in the last six months, to EUR 15m at the end of June. Among the covenants, Exprivia commits to limit the pay-out to 25% of net income, keep annual capex below EUR 3.6/4.2m and the leverage below 2x Debt/EBITDA until Dec 2022.

These covenants imply that Exprivia will have to engineer a clever financial structure to accommodate the deal; also the absence of competing bids and the peculiar situation of the company (just out of distress but still highly leveraged) suggest that the price tag would not be too onerous. We had initially pencilled a valuation (Enterprise Value) of EUR200/220m based on a 5/5.5x EV/EBITDA ratio (FY 2015).

An article on La Repubblica published last July illustrated a potential deal structure, which would include:

a) A NewCo would be created by Exprivia and Cisco to acquire a 100% of Italtel;

b) Exprivia and the NewCo would be managed independently and Mr Pileri would keep his role in Italtel.

c) The NewCo would be recapitalized with Exprivia and Cisco injecting EUR 25m and EUR 6m equity respectively; Cisco would also provide EUR 12m in debt instruments. The banks should convert further EUR 35m credits into other "participative instruments" maturing in 7 years.

d) The final shareholders structure would include Exprivia with 81%, Cisco with 19%.

e) The target leverage should be below 3x debt/EBITDA.

Based on the above assumptions, the enterprise value of ITT would be broadly in line with our guesstimate at just above EUR 200m including the EUR 173m net debt position at the end of December 2015. The cash outlay for Exprivia would be sustainable; however the Italtel debt would burden the balance sheet unless a different financial structure is set-up.

Valuation/Conclusions

We value Exprivia with a DCF analysis, with Peers' Comparison pointing to a clear undervaluation. We have kept our valuation parameters unchanged since our June 2015 review. We have cut our estimates and Target Price following lacklustre H1 2016 announcement and we have made further adjustments once the full financial statements were published. We are below the management's targets for the medium and long term.

We keep our TP of EUR 0.81 and Accumulate Reco. We believe that the likely Italtel deal if well executed and cleverly engineered from a financial standpoint, will be a major catalyst for the stock, which could enter the radar screen of a wider parterre of investors.

DCF analysis

Our analysis is based on the following assumptions: A) Detail forecast period for the five years to 2020 (see paragraph). Terminal EBITDA margin at 11.5% which is conservatively based on recent performance rather than on potential medium-term improvements and lower than the 12%-plus long-term target. B) Terminal growth (g): 1/2.0%, o/w 1% real growth, 1% expected long-term inflation rate. C) WACC of 9% (it was lowered from 9.5% in June 2015). We consider the lower company-specific financial risk and the better credit market conditions. We assume in any case a leveraged terminal capital structure, which will provide a fiscal benefit, in presence of recurring positive profit. D) Normative tax rate of 40%

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%
7.5%	0.89	0.99	1.12	**1.26**	1.43	1.63	1.87
8.0%	0.77	0.86	0.96	**1.08**	1.22	1.39	1.59
8.5%	0.67	0.74	0.83	**0.93**	1.05	1.19	1.35
9.0%	**0.57**	**0.64**	**0.72**	**0.81**	**0.91**	**1.02**	**1.15**
9.5%	0.49	0.55	0.62	**0.69**	0.78	0.88	0.99
10.0%	0.42	0.47	0.53	**0.60**	0.67	0.75	0.85
10.5%	0.35	0.40	0.45	**0.51**	0.57	0.65	0.73

Exprivia DCF valuation: sensitivity to WACC and Normalised EBITDA Margin

WACC	Normalised EBITDA Margin						
	10.0%	10.5%	11.0%	11.5%	12.0%	12.5%	13.0%
7.5%	0.71	0.81	0.91	**1.01**	1.10	1.20	1.30
8.0%	0.66	0.75	0.84	**0.93**	1.03	1.12	1.21
8.5%	0.60	0.69	0.78	**0.87**	0.96	1.04	1.13
9.0%	**0.55**	**0.64**	**0.72**	**0.81**	**0.89**	**0.97**	**1.06**
9.5%	0.51	0.59	0.67	**0.75**	0.83	0.91	0.99
10.0%	0.46	0.54	0.62	**0.69**	0.77	0.85	0.93
10.5%	0.42	0.50	0.57	**0.64**	0.72	0.79	0.87

Source: Banca Akros estimates

On a relative basis, Exprivia has clearly underperformed its reference sector with -15% in 12 months vs. around +25%. The Italian listed ICT leader Reply also grew by 25%. In our view, the respective paths of earnings reviews and different growth perspectives only partially justify these performances. As a result, at 5.0x EV/EBITDA 2016, Exprivia trades at 50% discount against the industry benchmark, Reply.

Exprivia: Summary tables

PROFIT & LOSS (EURm)	12/2013	12/2014	12/2015	12/2016e	12/2017e	12/2018e
Sales	**131**	**147**	**145**	**145**	**156**	**162**
Cost of Sales & Operating Costs	-118	-133	-130	-130	-139	-143
Non Recurrent Expenses/Income	0.0	0.0	0.0	0.0	0.0	0.0
EBITDA	**13.1**	**14.5**	**15.3**	**14.6**	**17.1**	**18.2**
EBITDA (adj.)*	**13.1**	**14.5**	**15.3**	**14.6**	**17.1**	**18.2**
Depreciation	-3.9	-3.9	-4.3	-4.6	-4.8	-5.2
EBITA	**9.2**	**10.5**	**11.0**	**10.1**	**12.4**	**13.0**
EBITA (adj)*	**9.2**	**10.5**	**11.0**	**10.1**	**12.4**	**13.0**
Amortisations and Write Downs	-0.5	-0.7	-1.0	-1.0	-1.0	-1.0
EBIT	**8.7**	**9.9**	**10.0**	**9.1**	**11.3**	**12.0**
EBIT (adj.)*	**8.7**	**9.9**	**10.0**	**9.1**	**11.3**	**12.0**
Net Financial Interest	-2.7	-2.9	-2.3	-2.7	-2.2	-1.8
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
Earnings Before Tax (EBT)	**6.0**	**7.0**	**7.7**	**6.4**	**9.1**	**10.2**
Tax	-3.2	-3.9	-3.1	-3.6	-4.3	-4.6
Tax rate	*52.7%*	*56.4%*	*40.0%*	*55.9%*	*46.9%*	*45.3%*
Discontinued Operations	0.0	0.0	0.0	0.0	0.0	0.0
Minorities	-0.4	0.5	-0.1	-0.1	-0.1	-0.1
Net Profit (reported)	**2.4**	**3.5**	**4.5**	**2.7**	**4.8**	**5.5**
Net Profit (adj.)	**2.4**	**3.5**	**4.5**	**2.7**	**4.8**	**5.5**

CASH FLOW (EURm)	12/2013	12/2014	12/2015	12/2016e	12/2017e	12/2018e
Cash Flow from Operations before change in NWC	7.3	7.6	9.9	8.4	10.6	11.8
Change in Net Working Capital	5.1	3.2	-4.1	5.4	-1.4	-3.1
Cash Flow from Operations	**12.3**	**10.8**	**5.8**	**13.8**	**9.3**	**8.7**
Capex	-4.9	-8.1	-6.3	-11.0	-3.5	-2.5
Net Financial Investments	0.0	0.0	0.0	0.0	0.0	0.0
Free Cash Flow	**7.4**	**2.7**	**-0.5**	**2.8**	**5.8**	**6.2**
Dividends	0.0	0.0	-1.5	-1.1	-0.7	-1.2
Other (incl. Capital Increase & share buy backs)	-0.8	4.9	-4.6	-1.0	-0.4	-0.5
Change in Net Debt	**6.6**	**7.6**	**-6.5**	**0.7**	**4.6**	**4.5**
NOPLAT	5.2	5.9	6.3	5.7	7.1	7.6

BALANCE SHEET & OTHER ITEMS (EURm)	12/2013	12/2014	12/2015	12/2016e	12/2017e	12/2018e
Net Tangible Assets	13.1	17.3	13.8	20.2	19.0	16.3
Net Intangible Assets (incl.Goodwill)	74.3	72.3	72.3	72.3	72.3	72.3
Net Financial Assets & Other	4.3	2.1	5.0	5.0	5.0	5.0
Total Fixed Assets	**91.7**	**91.7**	**91.1**	**97.5**	**96.2**	**93.5**
Inventories	0.2	0.1	0.1	0.1	0.2	0.2
Trade receivables	56.2	62.3	58.1	56.9	61.4	63.6
Other current assets	29.3	22.7	21.8	19.3	20.5	20.9
Cash (-)	-7.3	-12.5	-7.0	-7.1	-7.8	-8.6
Total Current Assets	**93.0**	**97.6**	**87.1**	**83.5**	**89.8**	**93.2**
Total Assets	**185**	**189**	**178**	**181**	**186**	**187**
Shareholders Equity	71.2	74.6	74.2	75.8	79.9	84.2
Minority	1.9	1.6	0.8	0.9	0.9	1.0
Total Equity	73.1	76.2	75.0	76.7	80.8	85.2
Long term interest bearing debt	8.5	11.0	7.5	7.4	6.7	6.0
Provisions	8.7	10.2	9.2	9.2	9.7	10.2
Other long term liabilities	1.6	1.4	0.6	0.6	0.7	0.7
Total Long Term Liabilities	**18.8**	**22.6**	**17.3**	**17.2**	**17.1**	**17.0**
Short term interest bearing debt	36.1	31.2	35.9	35.4	32.1	29.0
Trade payables	20.5	22.5	17.1	17.8	19.3	19.2
Other current liabilities	36.1	36.7	32.9	33.9	36.8	36.5
Total Current Liabilities	**92.7**	**90.4**	**85.9**	**87.1**	**88.2**	**84.6**
Total Liabilities and Shareholders' Equity	**185**	**189**	**178**	**181**	**186**	**187**
Net Capital Employed	**121**	**118**	**121**	**122**	**122**	**123**
Net Working Capital	**29.1**	**25.9**	**30.0**	**24.6**	**26.0**	**29.1**

GROWTH & MARGINS	12/2013	12/2014	12/2015	12/2016e	12/2017e	12/2018e
Sales growth	*-1.0%*	*12.3%*	*-1.7%*	*0.1%*	*7.7%*	*3.5%*
EBITDA (adj.)* growth	***5.6%***	***10.3%***	***5.9%***	***-4.5%***	***17.1%***	***6.4%***
EBITA (adj.) growth*	*12.9%*	*14.6%*	*4.5%*	*-8.4%*	*22.6%*	*5.5%*
*EBIT (adj)*growth*	*20.2%*	*13.3%*	*1.3%*	*-9.2%*	*25.1%*	*6.0%*

Exprivia: Summary tables

GROWTH & MARGINS	12/2013	12/2014	12/2015	12/2016e	12/2017e	12/2018e
Net Profit growth	*12.3%*	*44.8%*	*28.9%*	*-39.5%*	*75.0%*	*15.5%*
EPS adj. growth	*12.3%*	*44.8%*	*28.9%*	*-39.5%*	*75.0%*	*15.5%*
DPS adj. growth	*n.m.*		*n.m.*	*-23.9%*	*-38.2%*	*75.0%*
EBITDA (adj) margin*	*10.0%*	*9.8%*	*10.6%*	*10.1%*	*11.0%*	*11.3%*
EBITA (adj) margin*	*7.0%*	*7.1%*	*7.6%*	*6.9%*	*7.9%*	*8.1%*
EBIT (adj) margin*	*6.6%*	*6.7%*	*6.9%*	*6.3%*	*7.3%*	*7.4%*
RATIOS	**12/2013**	**12/2014**	**12/2015**	**12/2016e**	**12/2017e**	**12/2018e**
Net Debt/Equity	0.5	0.4	0.5	0.5	0.4	0.3
Net Debt/EBITDA	2.9	2.1	2.4	2.4	1.8	1.5
Interest cover (EBITDA/Fin.interest)	4.9	5.0	6.6	5.4	7.8	10.1
Capex/D&A	110.9%	176.8%	118.5%	198.1%	60.5%	40.3%
Capex/Sales	3.7%	5.5%	4.4%	7.6%	2.2%	1.5%
NWC/Sales	22.2%	17.6%	20.7%	17.0%	16.6%	18.0%
ROE (average)	3.5%	4.8%	6.1%	3.6%	6.1%	6.7%
ROCE (adj.)	4.5%	5.1%	5.4%	4.9%	6.1%	6.4%
WACC	8.6%	8.6%	8.6%	8.6%	8.6%	8.6%
ROCE (adj.)/WACC	0.5	0.6	0.6	0.6	0.7	0.8
PER SHARE DATA (EUR)*	**12/2013**	**12/2014**	**12/2015**	**12/2016e**	**12/2017e**	**12/2018e**
Average diluted number of shares	51.9	51.9	51.9	51.9	51.9	51.9
EPS (reported)	0.05	0.07	0.09	0.05	0.09	0.11
EPS (adj.)	0.05	0.07	0.09	0.05	0.09	0.11
BVPS	1.37	1.44	1.43	1.46	1.54	1.62
DPS	0.00	0.00	0.03	0.02	0.01	0.02
VALUATION	**12/2013**	**12/2014**	**12/2015**	**12/2016e**	**12/2017e**	**12/2018e**
EV/Sales	0.8	0.6	0.6	0.6	0.5	0.5
EV/EBITDA	7.6	6.2	6.1	6.1	4.9	4.4
EV/EBITDA (adj.)*	**7.6**	**6.2**	**6.1**	**6.1**	**4.9**	**4.4**
EV/EBITA	10.9	8.5	8.5	8.8	6.9	6.2
EV/EBITA (adj.)*	**10.9**	**8.5**	**8.5**	**8.8**	**6.9**	**6.2**
EV/EBIT	11.5	9.1	9.3	9.8	7.5	6.7
EV/EBIT (adj.)*	**11.5**	**9.1**	**9.3**	**9.8**	**7.5**	**6.7**
P/E (adj.)	**17.8**	**10.6**	**8.7**	**13.2**	**7.5**	**6.5**
P/BV	0.6	0.5	0.5	0.5	0.5	0.4
Total Yield Ratio	0.0%	3.9%	3.1%	1.9%	3.3%	
EV/CE	0.9	0.8	0.8	0.8	0.7	0.7
OpFCF yield	17.3%	7.4%	-1.3%	7.8%	16.0%	17.2%
OpFCF/EV	7.4%	3.0%	-0.5%	3.2%	6.8%	7.7%
Payout ratio	0.0%	0.0%	32.2%	40.5%	14.3%	21.6%
Dividend yield (gross)	0.0%	0.0%	4.0%	3.1%	1.9%	3.3%
EV AND MKT CAP (EURm)	**12/2013**	**12/2014**	**12/2015**	**12/2016e**	**12/2017e**	**12/2018e**
Price** (EUR)	0.83	0.71	0.76	0.69	0.69	0.69
Outstanding number of shares for main stock	51.9	51.9	51.9	51.9	51.9	51.9
Total Market Cap	**43**	**37**	**39**	**36**	**36**	**36**
Net Debt	**37**	**30**	**36**	**36**	**31**	**27**
o/w Cash & Marketable Securities (-)	*-7*	*-12*	*-7*	*-7*	*-8*	*-9*
o/w Gross Debt (+)	*45*	*42*	*43*	*43*	*39*	*35*
Other EV components	**19**	**23**	**17**	**17**	**18**	**18**
Enterprise Value (EV adj.)	**100**	**90**	**93**	**89**	**85**	**81**

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 employes almost 2,000 peope, 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%), Manufaturing (13%), Telecoms and Energy (10%) and Public Administrations (5%).

European Coverage of the Members of ESN

Aerospace & Defense	Mem(*)
Airbus Group	CIC
Dassault Aviation	CIC
Latecoere	CIC
Leonardo	BAK
Lisi	CIC
Mtu	EQB
Ohb Se	EQB
Safran	CIC
Thales	CIC
Zodiac Aerospace	CIC

Airlines	Mem(*)
Air France Klm	CIC
Finnair	OPG
Lufthansa	EQB

Automobiles & Parts	Mem(*)
Bittium Corporation	OPG
Bmw	EQB
Brembo	BAK
Continental	EQB
Daimler Ag	EQB
Elringklinger	EQB
Faurecia	CIC
Ferrari	BAK
Fiat Chrysler Automobiles	BAK
Landi Renzo	BAK
Leoni	EQB
Michelin	CIC
Nokian Tyres	OPG
Norma Group	EQB
Piaggio	BAK
Plastic Omnium	CIC
Sogefi	BAK
Stern Groep	NIBC
Valeo	CIC
Volkswagen	EQB

Banks	Mem(*)
Aareal Bank	EQB
Abn Amro Group Nv	NIBC
Aktia	OPG
Alpha Bank	IBG
Banca Carige	BAK
Banca Mps	BAK
Banco Popolare	BAK
Banco Popular	GVC
Banco Sabadell	GVC
Banco Santander	GVC
Bankia	GVC
Bankinter	GVC
Bbva	GVC
Bcp	CBI
Bnp Paribas	CIC
Bper	BAK
Bpi	CBI
Caixabank	GVC
Commerzbank	EQB
Credem	BAK
Credit Agricole Sa	CIC
Creval	BAK
Deutsche Bank	EQB
Deutsche Pfandbriefbank	EQB
Eurobank	IBG
Ing Group	NIBC
Intesa Sanpaolo	BAK
Mediobanca	BAK
Merkur Bank	EQB
National Bank Of Greece	IBG
Natixis	CIC
Nordea	OPG
Piraeus Bank	IBG
Poste Italiane	BAK
Societe Generale	CIC
Ubi Banca	BAK
Unicredit	BAK

Basic Resources	Mem(*)
Acerinox	GVC
Altri	CBI
Arcelormittal	GVC
Corticeira Amorim	CBI
Ence	GVC
Europac	GVC
Metka	IBG
Metsä Board	OPG
Mytilineos	IBG
Outokumpu	OPG
Semapa	CBI
Ssab	OPG
Stora Enso	OPG
Surteco	EQB
The Navigator Company	CBI
Tubacex	GVC
Upm-Kymmene	OPG

Biotechnology	Mem(*)
4Sc	EQB
Cytotools Ag	EQB
Epigenomics Ag	EQB
Wilex	EQB

Chemicals	Mem(*)
Air Liquide	CIC
Holland Colours	NIBC
Kemira	OPG
Tikkurila	OPG

Electronic & Electrical Equipment	Mem(*)
Alstom	CIC
Areva	CIC
Euromicron Ag	EQB
Kontron	EQB
Legrand	CIC
Neways Electronics	NIBC
Nexans	CIC
Pkc Group	OPG
Rexel	CIC
Schneider Electric Se	CIC
Vaisala	OPG
Viscom	EQB

Financial Services	Mem(*)
Anima	BAK
Athex Group	IBG
Azimut	BAK
Banca Generali	BAK
Banca Ifis	BAK
Banca Sistema	BAK
Bb Biotech	EQB
Binckbank	NIBC
Bolsas Y Mercados Espanoles Sa	GVC
Capman	OPG
Christian Dior	CIC
Cir	BAK
Comdirect	EQB
Corp. Financiera Alba	GVC
Deutsche Boerse	EQB
Deutsche Forfait	EQB
Eq	OPG
Euronext	CIC
Ferratum	EQB
Finecobank	BAK
Grenkeleasing Ag	EQB
Mlp	EQB
Ovb Holding Ag	EQB
Patrizia Ag	EQB
Rallye	CIC
Unipol Gruppo Finanziario	BAK

Food & Beverage	Mem(*)
Acomo	NIBC
Atria	OPG
Bonduelle	CIC
Campari	BAK
Coca Cola Hbc Ag	IBG
Corbion	NIBC
Danone	CIC
Ebro Foods	GVC
Enervit	BAK
Fleury Michon	CIC
Forfarmers	NIBC
Heineken	NIBC
Hkscan	OPG
La Doria	BAK
Lanson-Bcc	CIC
Laurent Perrier	CIC
Ldc	CIC
Naturex	CIC
Olvi	OPG
Parmalat	BAK
Pernod Ricard	CIC
Raisio	OPG
Refresco Group	NIBC
Remy Cointreau	CIC
Vidrala	GVC
Vilmorin	CIC
Viscofan	GVC
Vranken Pommery Monopole	CIC
Wessanen	NIBC

Food & Drug Retailers	Mem(*)
Ahold	NIBC
Carrefour	CIC
Casino Guichard-Perrachon	CIC
Dia	GVC
Jeronimo Martins	CBI
Kesko	OPG
Marr	BAK
Metro	CIC
Sligro	NIBC
Sonae	CBI

General Industrials	Mem(*)
2G Energy	EQB
Aalberts	NIBC
Accell Group	NIBC
Ahlstrom	OPG
Arcadis	NIBC
Aspo	OPG
Huhtamäki	OPG
Kendrion	NIBC
Nedap	NIBC
Pöyry	OPG
Prelios	BAK
Rubis	CIC
Saf-Holland	EQB
Saft	CIC
Serge Ferrari Group	CIC
Siegfried Holding Ag	EQB

LEGEND: BAK: Banca Akros; CIC: CM CIC Market Solutions; CBI: Caixa-Banca de Investimento; GVC: GVC Gaesco Beka, SV, SA; EQB: Equinet bank; IBG: Investment Bank of Greece, NIBC: NIBC Markets N.V: OPG: OP Corporate Bank:; as of 1st August 2016

General Retailers	**Mem(*)**	Osram Licht Ag	EQB	Delta Lloyd	NIBC	Uponor	OPG	Vicat	CIC
Banzai	BAK	Seb Sa	CIC	Generali	BAK	Vicat	CIC	Vinci	CIC
Beter Bed Holding	NIBC	Zumtobel Group Ag	EQB	Hannover Re	EQB	Vinci	CIC	Yit	OPG
Tkh Group	NIBC	De Longhi	BAK	Banca Mediolanum	BAK	Titan Cement	IBG	Repsol	GVC
Wendel	CIC	Fila	BAK	Cattolica Assicurazioni	BAK	Trevi	BAK	Total	CIC
Elumeo Se	EQB	**Industrial Engineering**	**Mem(*)**	Mapfre Sa	GVC	Yit	OPG	**Media**	**Mem(*)**
Fielmann	EQB	Accsys Technologies	NIBC	Munich Re	EQB	**Media**	**Mem(*)**	Ad Pepper	EQB
Folli Follie Group	IBG	Aixtron	EQB	Nn Group Nv	NIBC	Ad Pepper	EQB	Alma Media	OPG
Fourlis Holdings	IBG	Ansaldo Sts	BAK	Sampo	OPG	Alma Media	OPG	Atresmedia	GVC
Groupe Fnac Sa	CIC	Biesse	BAK	Talanx Group	EQB	Atresmedia	GVC	Axel Springer	EQB
Inditex	GVC	Cargotec Corp	OPG	Unipolsai	BAK	Axel Springer	EQB	Brill	NIBC
Jumbo	IBG	Cnh Industrial	BAK	**Materials, Construction & Infrastructure**	**Mem(*)**	Brill	NIBC	Cofina	CBI
Macintosh	NIBC	Danieli	BAK	Abertis	GVC	Cofina	CBI	Cts Eventim	EQB
Rapala	OPG	Datalogic	BAK	Acs	GVC	Cts Eventim	EQB	Editoriale L'Espresso	BAK
Stockmann	OPG	Deutz Ag	EQB	Aena	GVC	Editoriale L'Espresso	BAK	Gl Events	CIC
Healthcare	**Mem(*)**	Dmg Mori Seiki Ag	EQB	Aeroports De Paris	CIC	Gl Events	CIC	Havas	CIC
Amplifon	BAK	Duro Felguera	GVC	Astaldi	BAK	Havas	CIC	Impresa	CBI
Bayer	EQB	Emak	BAK	Atlantia	BAK	Impresa	CBI	Ipsos	CIC
Biotest	EQB	Exel Composites	OPG	Bilfinger Se	EQB	Ipsos	CIC	Jcdecaux	CIC
Diasorin	BAK	Gesco	EQB	Boskalis Westminster	NIBC	Jcdecaux	CIC	Lagardere	CIC
Fresenius	EQB	Ima	BAK	Buzzi Unicem	BAK	Lagardere	CIC	M6-Metropole Television	CIC
Fresenius Medical Care	EQB	Interpump	BAK	Caverion	OPG	M6-Metropole Television	CIC	Mediaset	BAK
Gerresheimer Ag	EQB	Kone	OPG	Cramo	OPG	Mediaset	BAK	Mediaset Espana	GVC
Korian	CIC	Konecranes	OPG	Eiffage	CIC	Mediaset Espana	GVC	Notorious Pictures	BAK
Merck	EQB	Kuka	EQB	Ellaktor	IBG	Notorious Pictures	BAK	Nrj Group	CIC
Oriola-Kd	OPG	Manz Ag	EQB	Eltel	OPG	Nrj Group	CIC	Publicis	CIC
Orion	OPG	Max Automation Ag	EQB	Ezentis	GVC	Publicis	CIC	Rcs Mediagroup	BAK
Orpea	CIC	Metso	OPG	Fcc	GVC	Rcs Mediagroup	BAK	Relx	NIBC
Pihlajalinna	OPG	Outotec	OPG	Ferrovial	GVC	Relx	NIBC	Rtl Group	EQB
Recordati	BAK	Pfeiffer Vacuum	EQB	Fraport	EQB	Rtl Group	EQB	Sanoma	OPG
Rhoen-Klinikum	EQB	Ponsse	OPG	Heidelberg Cement Ag	CIC	Sanoma	OPG	Solocal Group	CIC
Hotels, Travel & Tourism	**Mem(*)**	Prima Industrie	BAK	Heijmans	NIBC	Solocal Group	CIC	Spir Communication	CIC
Accor	CIC	Prysmian	BAK	Hochtief	EQB	Spir Communication	CIC	Syzygy Ag	EQB
Autogrill	BAK	Reesink	NIBC	Imerys	CIC	Syzygy Ag	EQB	Telegraaf Media Groep	NIBC
Beneteau	CIC	Smt Scharf Ag	EQB	Italcementi	BAK	Telegraaf Media Groep	NIBC	Teleperformance	CIC
Elior	CIC	Technotrans	EQB	Lafargeholcim	CIC	Teleperformance	CIC	Tf1	CIC
Europcar	CIC	Valmet	OPG	Lehto	OPG	Tf1	CIC	Ubisoft	CIC
I Grandi Viaggi	BAK	Wärtsilä	OPG	Lemminkäinen	OPG	Ubisoft	CIC	Vivendi	CIC
Ibersol	CBI	Zardoya Otis	GVC	Maire Tecnimont	BAK	Vivendi	CIC	Wolters Kluwer	NIBC
Intralot	IBG	**Industrial Transportation**	**Mem(*)**	Mota Engil	CBI	Wolters Kluwer	NIBC		
Kotipizza	OPG	Bollore	CIC	Obrascon Huarte Lain	GVC	**Oil & Gas Producers**	**Mem(*)**		
Melia Hotels International	GVC	Caf	GVC	Ramirent	OPG	Eni	BAK		
Nh Hotel Group	GVC	Ctt	CBI	Royal Bam Group	NIBC	Galp Energia	CBI		
Opap	IBG	Deutsche Post	EQB	Sacyr	GVC	Gas Plus	BAK		
Snowworld	NIBC	Hhla	EQB	Saint Gobain	CIC	Hellenic Petroleum	IBG		
Sodexo	CIC	Logwin	EQB	Salini Impregilo	BAK	Maurel Et Prom	CIC		
Sonae Capital	CBI	**Insurance**	**Mem(*)**	Sias	BAK	Motor Oil	IBG		
Trigano	CIC	Aegon	NIBC	Sonae Industria	CBI	Neste Corporation	OPG		
Household Goods	**Mem(*)**	Allianz	EQB	Srv	OPG	Petrobras	CBI		
Bic	CIC	Axa	CIC	Thermador Groupe	CIC	Qgep	CBI		

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Oil & Gas Producers	**Mem(*)**
Eni	BAK
Galp Energia	CBI
Gas Plus	BAK
Hellenic Petroleum	IBG
Maurel Et Prom	CIC
Motor Oil	IBG
Neste Corporation	OPG
Petrobras	CBI
Qgep	CBI
Repsol	GVC
Total	CIC

Oil Services	**Mem(*)**
Bourbon	CIC
Cgg	CIC
Fugro	NIBC
Saipem	BAK
Sbm Offshore	NIBC
Technip	CIC
Tecnicas Reunidas	GVC
Tenaris	BAK
Vallourec	CIC
Vopak	NIBC

Personal Goods	**Mem(*)**
Adidas	EQB
Adler Modemaerkte	EQB
Amer Sports	OPG
Basic Net	BAK
Cie Fin. Richemont	CIC
Geox	BAK
Gerry Weber	EQB
Hermes Intl.	CIC
Hugo Boss	EQB
Interparfums	CIC
Kering	CIC
L'Oreal	CIC
Luxottica	BAK
Lvmh	CIC
Marimekko	OPG
Moncler	BAK
Puma	EQB
Safilo	BAK
Salvatore Ferragamo	BAK
Sarantis	IBG
Technogym	BAK
Tod'S	BAK

Real Estate	**Mem(*)**
Adler Real Estate	EQB
Beni Stabili	BAK
Citycon	OPG
Deutsche Euroshop	EQB
Grand City Properties	EQB
Hispania Activos Inmobiliarios	GVC
Igd	BAK
Lar España	GVC
Realia	GVC
Sponda	OPG
Technopolis	OPG
Vib Vermoegen	EQB
Wcm Ag	EQB

Renewable Energy	**Mem(*)**
Daldrup & Soehne	EQB
Gamesa	GVC

Software & Computer Services	**Mem(*)**
Affecto	OPG
Akka Technologies	CIC
Alten	CIC
Altran	CIC
Amadeus	GVC
Assystem	CIC
Atos	CIC
Basware	OPG
Cenit	EQB
Comptel	OPG
Ctac	NIBC
Digia	OPG
Docdata	NIBC
Econocom	CIC
Ekinops	CIC
Esi Group	CIC
Exprivia	BAK
F-Secure	OPG
Gft Technologies	EQB
Ict Group	NIBC
Indra Sistemas	GVC
Nemetschek Ag	EQB
Neurones	CIC
Nexus Ag	EQB
Novabase	CBI
Ordina	NIBC
Psi	EQB
Reply	BAK
Rib Software	EQB
Seven Principles Ag	EQB
Software Ag	EQB
Sopra Steria Group	CIC
Tie Kinetix	NIBC
Tieto	OPG
Tomtom	NIBC
Visiativ	CIC
Wincor Nixdorf	EQB

Support Services	**Mem(*)**
Asiakastieto Group	OPG
Batenburg	NIBC
Bureau Veritas S.A.	CIC
Cellnex Telecom	GVC
Dpa	NIBC
Edenred	CIC
Ei Towers	BAK
Fiera Milano	BAK
Lassila & Tikanoja	OPG
Openjobmetis	BAK

Technology Hardware & Equipment	**Mem(*)**
Asm International	NIBC
Asml	NIBC
Besi	NIBC
Elmos Semiconductor	EQB
Ericsson	OPG
Gemalto	CIC
Gigaset	EQB
Ingenico	CIC
Nokia	OPG
Roodmicrotec	NIBC
Slm Solutions	EQB
Stmicroelectronics	BAK
Suess Microtec	EQB
Teleste	OPG

Telecommunications	**Mem(*)**
Acotel	BAK
Deutsche Telekom	EQB
Drillisch	EQB
Elisa	OPG
Euskaltel	GVC
Freenet	EQB
Kpn Telecom	NIBC
Masmovil	GVC
Nos	CBI
Oi	CBI
Ote	IBG
Telecom Italia	BAK
Telefonica	GVC
Telia	OPG
Tiscali	BAK
United Internet	EQB
Vodafone	BAK

Utilities	**Mem(*)**
A2A	BAK
Acciona	GVC
Acea	BAK
Albioma	CIC
Direct Energie	CIC
Edp	CBI
Edp Renováveis	CBI
Enagas	GVC
Endesa	GVC
Enel	BAK
Eydap	IBG
Falck Renewables	BAK
Fortum	OPG
Gas Natural Fenosa	GVC
Hera	BAK
Iberdrola	GVC
Iren	BAK
Public Power Corp	IBG
Red Electrica De Espana	GVC
Ren	CBI
Snam	BAK
Terna	BAK

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

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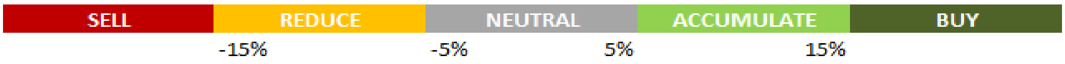
The ESN Recommendation System is **Absolute**. It means that each stock is rated on the basis of a **total return**, measured by the upside potential (including dividends and capital reimbursement) over a **12 month time horizon**.



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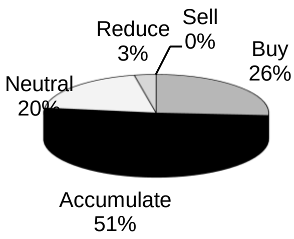
Furthermore, in specific cases and for a limited period of time, the analysts are allowed to rate the stocks as **Rating Suspended (RS)** or **Not Rated (NR)**, as explained below.

Meaning of each recommendation or rating:

- **Buy**: the stock is expected to generate total return of **over 15%** during the next 12 months time horizon
- **Accumulate:** the stock is expected to generate total return of **5% to 15%** during the next 12 months time horizon
- **Neutral**: the stock is expected to generate total return of **-5% to +5%** during the next 12 months time horizon
- **Reduce**: the stock is expected to generate total return of **-5% to -15%** during the next 12 months time horizon
- **Sell**: the stock is expected to generate total return **under -15%** during the next 12 months time horizon
- **Rating Suspended**: the rating is suspended due to a change of analyst covering the stock or 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
- **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

Certain flexibility on the limits of total return bands is permitted especially during higher phases of volatility on the markets

Banca Akros Ratings Breakdown



Il presente documento è stato redatto da Andrea Devita (socio AIAF) che svolge funzioni di analista presso Banca Akros SpA ("Banca Akros"), soggetto responsabile della produzione del documento stesso.

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Esso è distribuito dal giorno 13 settembre 2016 (disclosure time: 9:14 italiane).

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Banca Akros, nell’ultimo anno, ha pubblicato sulla società oggetto di analisi uno/tre studi in data 2,5 e 8 agosto 2016.

La Banca rende disponibili ulteriori informazioni, ai sensi delle disposizioni Consob di attuazione dell’art. 114, comma 8 del D.Lgs 58/98 (TUF) ed in particolare ai sensi dell’art. 69 quinquies, comma 2, del Regolamento Emittenti, presso il proprio sito internet, si veda:
http://www.bancaakros.it/menu-informativa/analisi-finanziaria-e-market-abuse.aspx.

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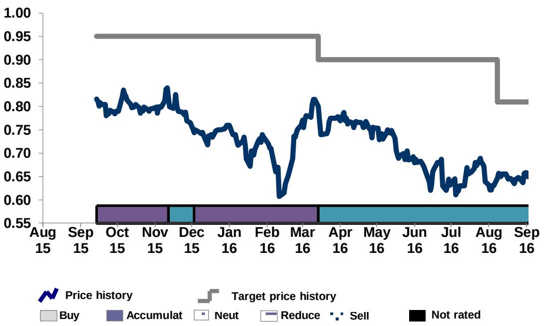
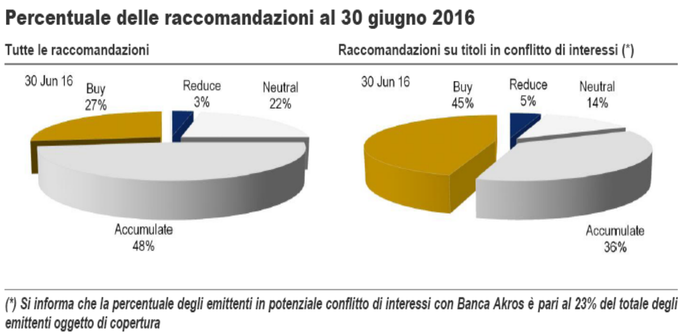
Recommendation history for EXPRIVIA

Date	Recommendation	Target price	Price at change date
08-Aug-16	Accumulate	0.81	0.65
14-Mar-16	Accumulate	0.90	0.80
03-Dec-15	Buy	0.95	0.74
12-Nov-15	Accumulate	0.95	0.82
16-Jun-15	Buy	0.95	0.76
09-Mar-15	Neutral	0.82	0.80
12-Nov-14	Accumulate	0.75	0.67
04-Aug-14	Neutral	0.81	0.73
09-Jan-14	Neutral	0.93	0.85

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)





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