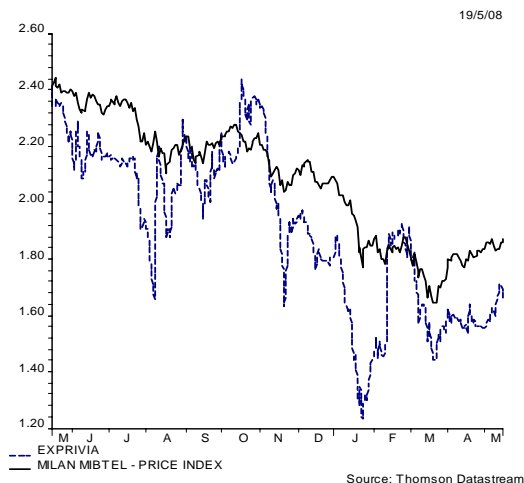


## 1Q08 Results & Change in Rating & TP

# EXPRIVIA

# REDUCE

Market price (ord): EUR 1.65



Company key data	2007A	2008E	2009E	2010E
Revenues (EUR M)	65.8	92.5	100.1	108.9
EBITDA (EUR M)	10.1	14.2	15.9	17.6
EBIT (EUR M)	7.9	11.1	12.5	13.9
Net Income (EUR M)	3.4	6.4	8.0	6.1
Dividend Ord. (EUR)	0.00	0.00	0.00	0.00
EPS adj (EUR)	0.08	0.15	0.19	0.14
EV/EBITDA (x)	10.23	6.92	6.01	5.14
P/E adj. (x)	20.68	10.90	8.71	11.43

A: actual, data taken from 2007 company financial report, and Intesa Sanpaolo Corporate Broking Research calculations; E: expected, Intesa Sanpaolo Corporate Broking Research estimates

**Banca IMI SpA is Specialist to Exprivia SpA**

See Pages 8 and 10 for Analyst Certification and Full Disclosures

### Company Data

Company Data	Ords
N. of Shares (M):	41.9
Market Price (EUR):	1.65
<b>Target Price (EUR):</b>	<b>1.48</b>
<b>Target Upside:</b>	<b>-12%</b>
Previous Target (EUR):	1.47

### Market Data

Market Cap (EUR M)	69.4
Free Float (%)	40
12 m Hi/Lo (EUR)	2.43/1.23
Average Volumes (k)	515.2

### Other Info

Sector	IT & Technology
Reuters Code	XPR.MI
Bloomberg Code	XPR IM
Mibtel Index	26276

Performance (%)	Abs	Rel
1 month	5.8	2.0
3 months	-10.7	-13.4
12 months	-32.6	-10.0

19 May 2008

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## 1Q08 Results above estimates

- Strong 1Q08 results.** Exprivia closed its 1Q08 with good results, exceeding our forecasts, due to the better than expected contribution from the two acquisitions (Svimservice and Wel.Network), finalised in August 2007. The top line jumped to EUR 22M (+102% yoy), EBITDA reached EUR 3.4M (up by 201% yoy) and EBIT more than tripled to EUR 2.9M (+311% yoy). The group also improved its relative performances: the EBITDA margin passed from 10% to 15%, while the EBIT margin reached 12.9% from 6% at the end of 1Q07. As a result, net profit was EUR 1.5M (+761%).
- 2008 targets confirmed; Estimates unchanged.** Following 1Q08 solid results, Exprivia confirmed its financial targets (2008 revenue between EUR 90M and EUR 95M and profitability above 2007). Therefore, we leave our estimates unchanged, although a potential slowdown in the IT spending in 2H08 remains likely on the back of bearish business outlook. We highlight that the Italian ICT market closed 1Q08 with a slowdown in growth (2.1% yoy vs. 3% at the end of 1Q07) and prices under pressure.
- Valuation.** Based on our DCF model and the updated multiples analysis, we set a **target price of EUR 1.48/share**, 12% below the current level. We therefore change **our rating** on the stock **from Sell to REDUCE**, also considering the better than expected 1Q08 performances.
- Key risks.** We believe that the main risks to our valuation come from a better than expected IT sector trend for the rest of the current year, a less difficult than forecasted integration with the newly acquired companies and the finalisation of an appealing new acquisition, as Exprivia confirmed the intention to continue its external growth, possibly starting the internationalisation.

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## Acquisitions again Drive Performances

### Strong 1Q08 results

Exprivia's 1Q08 results were particularly good in terms of both sales growth and profitability, thanks to the positive contribution from the newly acquired companies (Wel.Network and Svimservice). 1Q08 revenues were up by 102% yoy (on a like-for-like basis, the revenue improvement would have been 15% yoy), EBITDA more than doubled, while EBIT more than tripled on a year on year basis. The group also improved its relative performances: the EBITDA margin passed from 10% to 15%, while the EBIT margin reached 12.9% from 6% at the end of 1Q07. As a result, net profit rose to EUR 1.5M from EUR 0.2M at the end of 1Q07. 1Q figures were all above our estimates.

As shown in the table below, all the lines of business performed well. In detail, revenues from "Finance" vertical market grew by 6.3% yoy, mainly driven by the annual orders acquired in the group's traditional areas of expertise (finance solutions, capital market and credit management). Revenues from "Industry, Telecom and Media" vertical markets almost doubled, due to the Wel.Network's contribution (on a like for like basis, the growth was of 23% yoy). Revenues from "PA, Transportation & Utilities" rose by 63% yoy, thanks to the group's strategy to be more focused on final customers developing ad hoc solutions in the "business intelligence" field. Lastly, revenues from the "Healthcare" vertical market benefited from the positive contribution of Svimservice, specialised in the "medical imaging". It should to be pointed out that the "Healthcare" vertical market also performed above Exprivia's targets.

**Table 1: Exprivia – 1Q Results vs. Preview**

EUR k	1Q07A	1Q08A	chg. %	1Q08E	Diff. %
<b>Value of Production</b>	<b>11,110</b>	<b>22,449</b>	<b>102.1</b>	<b>15,613</b>	<b>43.8</b>
- Finance	2,510	2,667	6.3	NA	
- Industry, Telecom & Media	3,703	7,129	92.5	NA	
- PA; transportation & Utilities	3,143	5,132	63.3	NA	
- Healthcare	1,056	6,818	545.6	NA	
<b>EBITDA</b>	<b>1,139</b>	<b>3,431</b>	<b>201.2</b>	<b>1,601</b>	<b>NM</b>
<i>EBITDA Margin (%)</i>	<i>10.3</i>	<i>15.3</i>		<i>10.3</i>	
<b>EBIT</b>	<b>703</b>	<b>2,891</b>	<b>311.1</b>	<b>988</b>	<b>NM</b>
<i>EBIT Margin (%)</i>	<i>6.3</i>	<i>12.9</i>		<i>6.3</i>	
<b>Net Income</b>	<b>174</b>	<b>1,499</b>	<b>761.6</b>	<b>NA</b>	
NFP (*)	33,956	36,856	8.5	NA	
D/E	0.74	0.78			

(\*) Note: 1Q07NFP refers to 31.12.2007; A: actual, data taken from company financial reports, and Intesa Sanpaolo Corporate Broking Research calculations; E: expected, Intesa Sanpaolo Corporate Broking Research estimates; NA – Not Available

### Healthy financial profile

From the financial standpoint, NFP slightly worsened in absolute value by 8.5% compared with YE07, despite leverage remained broadly below 1.0x (0.78x vs. 0.74x), confirming the group's healthy financial profile.

During the quarter, Exprivia deliberated a capital increase for an amount of EUR 10M, partially already reflected in our 2008E estimates. We highlight that in January 2008 Exprivia increased its stake in ClinicHall by 4% to 44%, while in February 2008, the group increased its stake in G.S.T. Srl by 1.3% to 66.8%.

## Earnings Outlook

### ***We leave our forecasts unchanged***

We maintain our estimates unchanged, despite the better than expected 1Q08 results, as we have considered the negative macroeconomic scenario, which should affect IT sector's demand, and the company's most recent indications on 2008 outlook. We highlight that our forecasts are in line with the group's targets already disclosed at end-2007, which were confirmed at the end of 1Q08. In detail:

- We leave our 2008E revenues estimates unchanged. Note that management gave a 2008 revenues target of EUR 90-95M, excluding acquisitions (in line with our forecast of EUR 93M). The company also confirmed its intention to continue to grow through acquisitions, with an eye to becoming one of the top ten Italian players in the sector and possibly starting internationalisation (Eastern Europe is considered an appealing target);
- We also maintain our margins unchanged, despite management being confident of improving the group's profitability as of 2008. We prefer to be conservative, especially on possible synergies and cost savings from the integration of the recently-acquired companies. Should the integration be more successful, the group's profitability could be higher than expected;
- We continue to believe that a 2008 NFP of around EUR 29M (D/E 0.5x vs. 0.7x at end-2007) should be sustainable, also considering that the group recently deliberated a capital increase for an amount of EUR 10M (of which EUR 5M, covered by a deposit that Abaco Innovazione made in November 2007, was already included in our estimates);
- We also leave our 2009E-10E forecasts unchanged. Our forecasts reflect a sustainable revenues' growth (considering the IT software & services sector trend and the group's current domestic market share) and a steady increase at the margins level (as we believe is justified by the group's profitability results achieved during the last two years).

**Table 2: Exprivia – Key Financial Figures (2007A-10E)**

EUR K	2007A	2008E	2009E	2010E	2008E-10E CAGR (%)
Value of Production	65.8	92.5	100.1	108.9	8.48
EBITDA	10.1	14.2	15.9	17.6	11.34
<i>EBITDA margin (%)</i>	15.3	15.3	15.9	16.2	
EBIT	7.9	11.1	12.5	13.9	12.14
<i>EBIT margin (%)</i>	11.9	11.9	12.5	12.8	
Net Profit	3.4	6.4	8.0	6.1	-2.36
NFP	34.0	28.8	26.3	21.0	-14.53
D/E (x)	0.74	0.50	0.42	0.32	

A: actual, data taken from 2007 company financial report, and Intesa Sanpaolo Corporate Broking Research calculations; E: expected, Intesa Sanpaolo Corporate Broking Research estimates

## Valuation

### DCF updated valuation

Our DCF update gives a fair value of EUR 1.60/share, 3.3% below the current level. Our model is based on the following assumptions: a 7.53% WACC (4.5% risk free rate, 4.5% equity risk premium, beta of 1), an explicit forecast period to 2010E and a terminal value growth of 0%, given the current uncertain scenario.

**Table 3: Exprivia - DCF Calculation**

EUR k	2007A	2008E	2009E	2010E	LT
EBIT	7,864	11,052	12,513	13,899	13,899
Taxes	-2,970	-2,443	-2,643	-6,251	-6,251
Tax Rate (%)	46.41	27.73	24.91	50.74	
<b>NOPAT</b>	<b>4,894</b>	<b>8,608</b>	<b>9,870</b>	<b>7,647</b>	<b>7,647</b>
D&A	2,235	3,141	3,398	3,696	3,696
<b>Operating Cash Flow</b>	<b>7,129</b>	<b>11,749</b>	<b>13,267</b>	<b>11,343</b>	<b>11,343</b>
Chg. in WC	-2,676	-5,088	-5,189	-770	-770
Capex	-34,882	-4,258	-3,299	-1,747	-1,747
<b>FCF</b>	<b>-30,429</b>	<b>2,403</b>	<b>4,780</b>	<b>8,826</b>	<b>8,826</b>
WACC (%)	7.53				
TV Growth	0.00				
Sum	13,466				
TV	87,621				
<b>EV</b>	<b>101,088</b>				
NFP 2007A	33,956				
<b>Equity</b>	<b>67,132</b>				
Fair Value (EUR/share)	1.60				

A: actual, data taken from 2007 company financial report, and Intesa Sanpaolo Corporate Broking Research calculations; E: expected, Intesa Sanpaolo Corporate Broking Research estimates; LT – Long Term

**Table 4: Exprivia - WACC calculation**

	%
Free Risk	4.50
Risk Premium	4.50
Beta	1.00
Cost of Capital	9.00
Cost Net of Debt	5.56
Gearing 07	0.43
<b>WACC</b>	<b>7.53</b>

Source: Intesa Sanpaolo Corporate Broking Research estimates

**Table 5: Exprivia- Sensitivity Analysis**

WACC (%)	Perpetuity Growth Rate (%)				
	0.00	0.50	1.00	1.50	2.00
6.5	2.02	2.47	2.77	3.12	3.57
7.0	1.80	2.17	2.41	2.70	3.05
7.5	<b>1.60</b>	1.92	2.12	2.36	2.64
8.0	1.43	1.71	1.87	2.07	2.30
8.5	1.28	1.52	1.66	1.83	2.02

Source: Intesa Sanpaolo Corporate Broking Research estimates

### Multiples analysis

In terms of multiples, we have considered, as usual, the two Italian system integrators (Engineering and Reply), more similar to Exprivia in terms of business model. As shown in the table below, Exprivia still trades at multiples above its peers.

**Table 6: Exprivia - Multiples comparison**

x	Price	Mkt Cap EUR M	EV/Sales		EV/EBITDA		P/E	
			2008E	2009E	2008E	2009E	2008E	2009E
Engineering	22.15	276.87	0.50	0.44	5.10	3.85	11.27	7.33
Reply	22.70	206.11	0.60	0.51	4.07	3.45	10.08	9.14
<b>Total Average</b>			<b>0.55</b>	<b>0.47</b>	<b>4.59</b>	<b>3.65</b>	<b>10.68</b>	<b>8.24</b>
<b>Exprivia*</b>	<b>1.65</b>	<b>56.15</b>	<b>1.06</b>	<b>0.96</b>	<b>6.92</b>	<b>6.01</b>	<b>10.90</b>	<b>8.71</b>
<i>Vs Total Average (%)</i>			93.9	101.7	50.9	64.7	2.1	5.7

E: Expected, \*Intesa Sanpaolo Corporate Broking Research estimates; JCF Consensus; prices at 16.05.2008

In our multiples' analysis, we have opted to use EV/EBITDA and P/E multiples to value Exprivia's assets.

**Table 7: Exprivia - Multiples valuation**

	EV/EBITDA		P/E	
	2008E	2009E	2008E	2009E
<b>Peer Average Multiples</b>	<b>4.59</b>	<b>3.65</b>	<b>10.68</b>	<b>8.24</b>
Exprivia EV	65	58		
NFP	29	26		
Equity Value	36	32		
<b>Value per share (EUR/share)</b>	<b>1.19</b>	<b>1.04</b>	<b>1.62</b>	<b>1.57</b>
<b>Average</b>	<b>1.35</b>			

E: Expected, Intesa Sanpaolo Corporate Broking Research estimates

**Target price of  
EUR 1.48/share**

Based on our DCF model and the multiples analysis, we set a **target price** at **EUR 1.48 /share**, 12% below the current level. We therefore change **our rating** on the stock **from Sell to REDUCE**, also considering the better than expected 1Q08 performances.

**Table 8: Exprivia – Valuation**

Valuation (EUR)	
DCF	1.60
Multiples	1.35
<b>Average</b>	<b>1.48</b>

Source: Intesa Sanpaolo Corporate Broking Research estimates

<b>EXPRIVIA</b>							19 May 2008
<b>Sector</b>	<b>IT &amp; Technology</b>			<b>Mkt price (EUR) Target (EUR)</b>		<b>Rating</b>	
				<b>1.65</b>	<b>1.48</b>	<b>REDUCE</b>	
Reuters Code	XPR.MI						
<b>Value per share (EUR M)</b>	<b>2005A</b>	<b>2006A</b>	<b>2007A</b>	<b>2008E</b>	<b>2009E</b>	<b>2010E</b>	
N. of Ordinary Shares (M)	33.90	33.90	41.93	41.93	41.93	41.93	
No. NC Saving/Preferred Shares (M)	0.00	0.00	0.00	0.00	0.00	0.00	
Total N. of equivalent shares (M)	33.90	33.90	41.93	41.93	41.93	41.93	
EPS Adjusted	-0.08	0.03	0.08	0.15	0.19	0.14	
CFPS	0.06	0.10	0.21	0.23	0.27	0.23	
BVPS	0.81	0.84	1.09	1.36	1.48	1.59	
Dividend Ord.	0.00	0.00	0.00	0.00	0.00	0.00	
Dividend SAV Nc	-	-	-	-	-	-	
<b>Income statement (EUR M)</b>	<b>2005A</b>	<b>2006A</b>	<b>2007A</b>	<b>2008E</b>	<b>2009E</b>	<b>2010E</b>	
Sales	43.0	47.0	65.8	92.5	100.1	108.9	
EBITDA	2.4	5.6	10.1	14.2	15.9	17.6	
EBIT	-0.8	3.4	7.9	11.1	12.5	13.9	
Pre-tax Income	-1.7	2.4	6.4	8.8	10.6	12.3	
Net Income	-2.7	1.1	3.4	6.4	8.0	6.1	
Adj. Net Income	-2.7	1.1	3.4	6.4	8.0	6.1	
<b>Cash flow (EUR M)</b>	<b>2005A</b>	<b>2006A</b>	<b>2007A</b>	<b>2008E</b>	<b>2009E</b>	<b>2010E</b>	
Net Income before Minorities	-2.7	1.1	3.4	6.4	8.0	6.1	
Depreciation and Provisions	4.7	2.4	5.3	3.1	3.4	3.7	
Change in Working Capital	3.8	-7.0	-2.7	-5.1	-5.6	-2.8	
Operating Cash Flow	5.8	-3.5	6.0	4.4	5.8	7.0	
Capital Expenditure	-6.1	-1.8	-1.4	-1.4	-1.5	-1.5	
Other (Uses of Funds)	-29.9	-0.7	-33.5	-2.9	-1.8	-0.2	
Free Cash Flow	-30.1	-6.0	-28.9	0.2	2.5	5.2	
Dividends & Equity Changes	26.1	0.0	11.6	0.0	0.0	0.0	
Net Cash Flow	-4.0	-6.0	-17.3	0.2	2.5	5.2	
<b>Balance sheet (EUR M)</b>	<b>2005A</b>	<b>2006A</b>	<b>2007A</b>	<b>2008E</b>	<b>2009E</b>	<b>2010E</b>	
Net Capital Employed	38.3	45.3	79.6	85.8	88.3	87.6	
Net Debt (Cash)	10.8	16.8	34.0	28.8	26.3	21.0	
Minorities	0.1	0.2	0.2	0.2	0.2	0.2	
Net Equity	27.3	28.4	45.7	57.0	62.1	66.5	
Market Cap	69.4	69.4	69.4	69.4	69.4	69.4	
Enterprise Value (*)	80.2	86.1	103.3	98.2	95.7	90.4	
<b>Stock Market Ratios</b>	<b>2005A</b>	<b>2006A</b>	<b>2007A</b>	<b>2008E</b>	<b>2009E</b>	<b>2010E</b>	
P/E adj	-20.7	51.3	20.7	10.9	8.7	11.4	
P/CEPS	27.7	16.0	8.0	7.3	6.1	7.1	
P/BVPS	2.1	2.0	1.5	1.2	1.1	1.0	
Dividend Yield (% Ord)	0.00	0.00	0.00	0.00	0.00	0.00	
EV/Sales	1.87	1.83	1.57	1.06	0.96	0.83	
EV/EBITDA	33.45	15.51	10.23	6.92	6.01	5.14	
EV/EBIT	-102.97	25.18	13.14	8.88	7.65	6.51	
D/EBITDA	4.49	3.02	3.36	2.03	1.65	1.20	
D/E	0.39	0.59	0.74	0.50	0.42	0.32	
<b>Profitability &amp; Financial Ratios</b>	<b>2005A</b>	<b>2006A</b>	<b>2007A</b>	<b>2008E</b>	<b>2009E</b>	<b>2010E</b>	
EBITDA Margin (%)	5.6	11.8	15.3	15.3	15.9	16.2	
EBIT Margin (%)	-1.8	7.3	11.9	11.9	12.5	12.8	
Tax Rate (%)	-54.6	52.8	46.4	27.7	24.9	50.7	
Net Income Margin (%)	-6.3	2.3	5.2	6.9	8.0	5.6	
ROE (%)	-9.8	3.9	7.5	11.2	12.8	9.1	
Debt/Equity Ratio	0.39	0.59	0.74	0.50	0.42	0.32	
<b>Growth</b>	<b>2005A</b>	<b>2006A</b>	<b>2007A</b>	<b>2008E</b>	<b>2009E</b>	<b>2010E</b>	
Sales (%)	85.9	9.5	40.0	40.5	8.2	8.8	
EBITDA (%)	-777.4	131.7	81.9	40.5	12.1	10.6	
EBIT (%)	-84.6	-539.5	129.8	40.5	13.2	11.1	
Net Income (%)	-65.9	-140.3	213.7	85.6	25.2	-23.8	
Adj Net Income (%)	-66.1	-141.5	208.3	85.6	25.2	-23.8	

(\*) Note: EV = Mktcap + Net Debt + Minorities \* P/BV - Associates; A: actual, data taken from 2005-2007 company financial report, and Intesa Sanpaolo Corporate Broking Research calculations; E: expected, Intesa Sanpaolo Corporate Broking Research estimates

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## Valuation methodology

The Intesa Sanpaolo S.p.A. Equity Research Department values the companies for which it assigns recommendations as follows:

We obtain a fair value using a number of valuation methodologies including: discounted cash flow method (DCF), dividend discount model (DDM), embedded value methodology, return on allocated capital, break-up value, asset-based valuation method, sum-of-the-parts, and multiples-based models (for example PE, P/BV, PCF, EV/Sales, EV/EBITDA, EV/EBIT, etc.). The financial analysts use the above valuation methods alternatively and/or jointly at their discretion.

The assigned target price may differ from the fair value, as it also takes into account overall market/sector conditions, corporate/market events, and corporate specifics (ie, holding discounts) reasonably considered to be possible drivers of the company's share price performance. These factors may also be assessed using the methodology indicated above.

## Equity rating key

In its recommendations, Intesa Sanpaolo S.p.A. uses an "absolute" rating system, which is not related to market performance and whose key is reported below:

**BUY:** if the target price is 20% higher than the market price.

**ADD:** if the target price is 10%-20% higher than the market price.

**HOLD:** if the target price is 10% below or 10% above the market price.

**REDUCE:** if the target price is 10%-20% lower than the market price.

**SELL:** if the target price is 20% lower than the market price.

**TARGET PRICE:** the market price that the analyst believes the share may reach within a one-year time horizon.

**MARKET PRICE:** closing price on the day before the issue date of the report, as indicated on the first page.

**RATING SUSPENDED:** the rating and target price have been suspended temporarily to comply with applicable regulations and/or firm policies in certain circumstances, including when Intesa Sanpaolo Group is acting in an advisory capacity in a merger or strategic transaction involving the company.

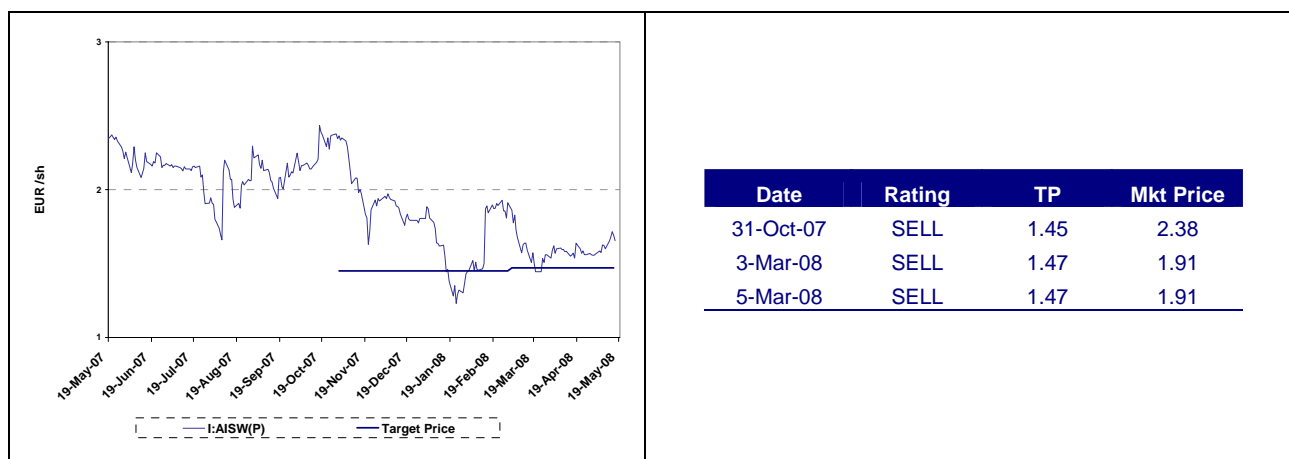
**NO RATING:** the company is or may be covered by the Research Department but no rating or target price is assigned.

## Coverage policy and frequency of research reports

The list of companies covered by the Research Department is available upon request. Intesa Sanpaolo S.p.A. aims to provide continuous coverage of the companies on the list in conjunction with the timing of periodical accounting reports and any exceptional event that affects the issuer's operations. The companies for which Banca IMI acts as sponsor or specialist are covered in compliance with regulations issued by regulatory bodies with jurisdiction.

In the case of a short note, we advise investors to refer to the most recent company report published by Intesa Sanpaolo S.p.A.'s Research Department for a full analysis of valuation methodology, earnings assumptions, risks and the historical of recommendation and target price. Research is available on IMI's web site ([www.bancaimi.it](http://www.bancaimi.it) or [www.caboto.it](http://www.caboto.it)) or by contacting your sales representative.

## Historical recommendations and target price



## SPECIFIC DISCLOSURES

Banca IMI discloses interests and conflicts of interest, as defined by: Articles 69-quater and 69-quinquies, of Consob Resolution No.11971 of 14.05.1999, as subsequently amended and supplemented; the NYSE's Rule 472 and the NASD's Rule 2711; the FSA Policy Statement 04/06 "Conflicts of Interest in Investment Research – March 2004 and the Policy Statement 05/03 "Implementation of Market Abuse Directive", March 2005.

The Intesa Sanpaolo Group maintains procedures and organisational mechanisms (Information barriers) to professionally manage conflicts of interest in relation to investment research.

We provide the following information on Intesa Sanpaolo Group's conflicts of interest:

1. The Intesa Sanpaolo Group has a conflict of interest inasmuch as it plans to solicit investment banking business or intends to seek compensation from the Company in the next three months;
2. Banca IMI is a specialist relative to securities issued by EXPRIVIA SpA;
3. Banca IMI was financial advisor for Exprivia in the acquisition of Svmservice SpA of August 2007.

#### INTESA SANPAOLO RESEARCH RATING DISTRIBUTION (as of 1 May 08)

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