

Company Update

Neutral

from Accumulate

Share price: EUR 1.04

closing price as of 04/04/2017

Target price: EUR 1.00

from Target Price: EUR 0.81

Upside/Downside Potential -3.4%

Reuters/Bloomberg XPR.MI/XPR IM

Market capitalisation (EURm) 54

Current N° of shares (m) 52

Free float 43%

Daily avg. no. trad. sh. 12 mth 89

Daily avg. trad. vol. 12 mth (m) 3,289.24

Price high/low 12 months 0.59 / 1.04

Abs Perfs 1/3/12 mths (%) 27.94/31.18/31.51

Key financials (EUR)

| | 12/15 | 12/16e | 12/17e |
|----------------------------|-------|--------|--------|
| Sales (m) | 145 | 142 | 151 |
| EBITDA (m) | 15 | 13 | 16 |
| EBITDA margin | 10.6% | 9.0% | 10.8% |
| EBIT (m) | 10 | 8 | 11 |
| EBIT margin | 6.9% | 5.5% | 7.3% |
| Net Profit (adj.)(m) | 5 | 3 | 5 |
| ROCE | 5.4% | 4.2% | 6.0% |
| Net debt/(cash) (m) | 36 | 36 | 31 |
| Net Debt/Equity | 0.5 | 0.5 | 0.4 |
| Net Debt/EBITDA | 2.4 | 2.8 | 1.9 |
| Int. cover(EBITDA/Fin.int) | 6.6 | 4.2 | 7.4 |
| EV/Sales | 0.6 | 0.6 | 0.7 |
| EV/EBITDA | 6.1 | 6.8 | 6.2 |
| EV/EBITDA (adj.) | 6.1 | 6.8 | 6.2 |
| EV/EBIT | 9.3 | 11.2 | 9.1 |
| P/E (adj.) | 8.7 | 12.7 | 11.7 |
| P/BV | 0.5 | 0.5 | 0.7 |
| OpFCF yield | -1.3% | 15.8% | 9.2% |
| Dividend yield | 2.7% | 2.1% | 0.0% |
| EPS (adj.) | 0.09 | 0.05 | 0.09 |
| BVPS | 1.43 | 1.46 | 1.55 |
| DPS | 0.03 | 0.02 | 0.00 |

Shareholders

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



Analyst(s)

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Reason: Company Newsflow

5 April 2017

Serious ambitions, Fair Valuation

The publication of the full financial accounts and the STAR presentation provided more confidence on Exprivia's business perspectives. We increase our Target Price to EUR 1.0, based on DCF valuation. The stock price shot up in the past few days and the historical discount to the peer Reply has halved. We move our reco to Neutral. We continue to 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.

- ✓ **Trading conditions.** FY 2016 results were broadly in line with our estimates on an underlying basis, excluding exceptional costs of EUR 1.3m included in EBITDA and related to the Italtel negotiations and a fiscal dispute. Indeed, with the publication of Q3 results, the company had warned that revenues would have been lower Y/Y and gross operating margin would have been around 10%. The first half was weak with 8% Y/Y revenue decline and -40% at the EBITDA level, while in H2 these figures came back to growth with +4% and +20% respectively, thanks to the full contribution of the acquired company ACS as well as improvements in the underlying business trends. ACS was consolidated since July 1, and generated in the 12 months EUR 8.8m revenues (+14% Y/Y) and EUR 1.89m EBITDA (-3%, 20.9% margin). Net income was better than expected thanks to lower fiscal charges. Net debt was broadly in line with estimates and down by EUR 5.2m in Q4.
- ✓ **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. In spite of the slow-down of 2016, the management confirms the expected organic growth in the next few years, which was set at 5% in 2017/18 and 10% in 2019/20. M&A should add further EUR 155m revenues by 2020, margin is expected to expand to above 12% from the current 10% (adjusted) level.
- ✓ **Market perspectives: steady growth expected for 2017/18.** Following a 1.4% decline in 2014 the Italian digital market was back to a modest growth in 2015; in 2016, while the GDP growth edged up by just 0.1pp to 0.9%, ICT accelerated to almost 2%. The forecasts by Assinform/Netconsulting published in July 2016 pointed to further improvements in the next couple of years, with +1.7% in 2017 and +2% in 2018. In March 2017, Assinform released the updated forecast only for 2017, which is some EUR 600m higher than the previous one, given the higher starting point in 2016 and a better growth outlook this year (+2.3%).
- ✓ **Italtel deal should be finalized soon.** The actual announcement of the deal has been delayed a few times and the last deadline has been set by the end of May 2017. Italtel is the main national player in communication products and services, generating EUR 440m revenues in FY 2016 with EUR 31m EBITDA. The deal would be highly strategic for XPR in terms of critical mass, technological capabilities, customer base and international projection. With this acquisition, XPR would exceed its 2020 EBITDA targets in a single step. The terms of the transaction are still unknown; rumors suggest a limited cash contribution by XPR based on a valuation of around EUR 200m.

Latest results

FY 2016 results were broadly in line with our estimates on an underlying basis, excluding exceptional costs of EUR 1.3m included in EBITDA and related to the Italtel negotiations and a fiscal dispute. Indeed, with the publication of Q3 results, the company had warned that revenues would have been lower Y/Y and gross operating margin would have been around 10%. The first half was weak with 8% Y/Y revenue decline and -40% at the EBITDA level, while in H2 these figures came back to growth with +4% and +20% respectively, thanks to the full contribution of the acquired company ACS as well as improvements in the underlying business trends. ACS was consolidated since July 1, and generated in the 12 months EUR 8.8m revenues (+14% Y/Y) and EUR 1.89m EBITDA (-3%, 20.9% margin). Net income was better than expected thanks to lower fiscal charges. Net debt was broadly in line with our estimates and down by EUR 5.2m in the last quarter. The net debt/EBITDA was 2.8x on a reported basis, 2.5x on adjusted basis, vs. the bank covenants of 3.7x for 2016 (which decline to 2.0x 2017 onwards). Exprivia also due to the ongoing negotiation for the potentially onerous Italtel acquisition will not pay a dividend on FY 2016 results.

FY 2016 results (EUR m)

| | FY 2014 | FY 2015 | FY 2016e | FY 2016a | Y/Y |
|-----------------|---------|---------|----------|----------|--------|
| Total Turnover | 147.2 | 144.8 | 141.1 | 141.8 | -2.1% |
| EBITDA | 14.45 | 15.31 | 14.1 | 12.8 | -16.4% |
| Margin | 9.8% | 10.6% | 10.0% | 9.0% | -1.5% |
| EBIT | 9.86 | 9.99 | 8.59 | 7.79 | -22.0% |
| Margin | 6.7% | 6.9% | 6.1% | 5.5% | -1.4% |
| EBT | 6.97 | 7.66 | 5.89 | 4.77 | -37.8% |
| Net Income | 3.50 | 4.51 | 2.37 | 2.82 | -37.5% |
| Net Debt (Cash) | 29.7 | 36.3 | 37.6 | 35.8 | -1.4% |

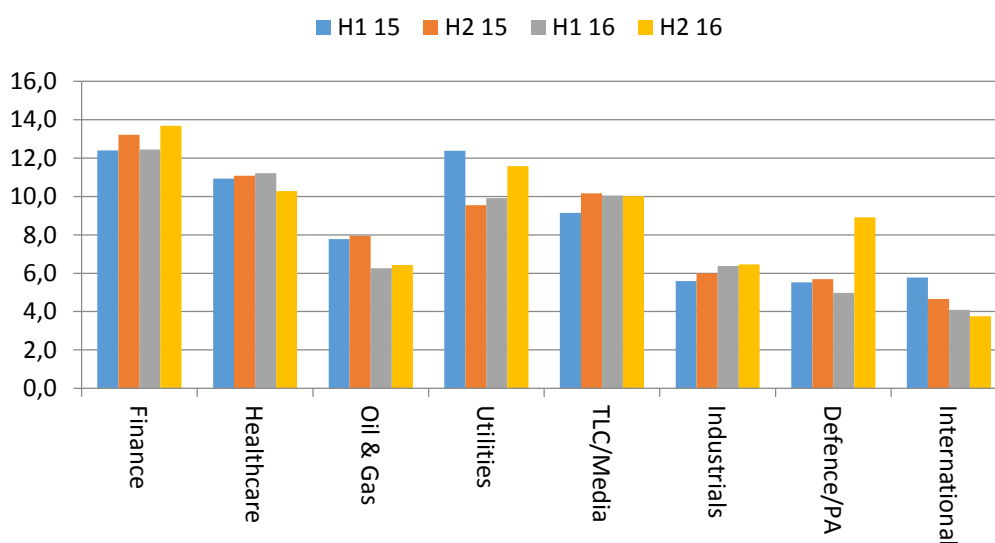
Source: Company data

By business line,

- Banking and Finance was still the largest in size with 19% of total revenues and closed with a modest positive performance of +2.1% broadly stable across the quarters. Exprivia said that the fast growing activity was finance with +8%, factoring was up by 2%, while "credit solutions" was down by 6.7% (-10% in H1, Q4 reversing to +33%).
- The Utilities segment (15.7% of total revenues) suffered a double-digit decline for six quarters until June 2016 (-20% Y/Y) in H1, followed by a strong rebound (+20%) in the second half of last year. The 2016 performance was mainly due to the delays in the implementation of a BPO (Business Process Outsourcing) contract which started contributing in Q4 (+EUR 1m Y/Y) while on a full-year basis it explained EUR 1.2m lower revenues. The other activities in this vertical grew by 5%.
- The Oil and Gas segment (9.3%) 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. XPR had said that at the end of the second quarter 2016 it had acquired certain multi-year contracts which would have contributed to group revenues starting from October 2016. In Q4 the revenue trend improved by almost 4pp sequentially but remained deeply negative with -16% Y/Y. The company stressed the fact that it has not lost its competitive position; on the contrary it had expanded its business scope.
- The Industry segment (9.4%) kept growing in 2016, with +14% in H1 and +8% in H2, reflecting the positive investment trend of the reference sector (driven by macro-recovery and technological innovation) 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 Tlc/Media segment was boosted by 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 market while in H2 it was slightly down (-1.5%).
- The Healthcare segment represents along with utilities the second-largest contributor to group revenues (15.7%) 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%. XPR said that a key client, the Puglia region, internalized part of the outsourced booking activities while an important tender in the Marche region had been delayed. Q1 2016 revenues stabilized while Q2 was up by 6% as some new works acquired at the end of last year have been initiated. Exprivia said that some important order were acquired in H2 2016 however the contribution was not yet visible at the top-line which was down by 7% in period.
- The Aerospace segment doubled Y/Y to EUR 6.6m and now accounts for c 5% of revenues (>7% pro-forma) thanks to the acquisition of ACS (satellite systems). The market trend was still weak due to investment cuts reviews of the main organizations.
- The Public Sector was down almost 10%, as both the central PA (EUR 4.7m), is implementing a "spending review" and local PA (EUR 2.6m) is not investing.
- The International segment (5.7%) continued in a severe downward trend, with -25% in FY 2016 following a -18% in FY 2015. The revenue drop was concentrated in Spain (-55% to EUR 2.3m) and Mexico (-26% to EUR 3.2m) while in Brazil the business was almost stable (EUR 1.3m) and the new offices in Shanghai contributed EUR 1.4m.

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

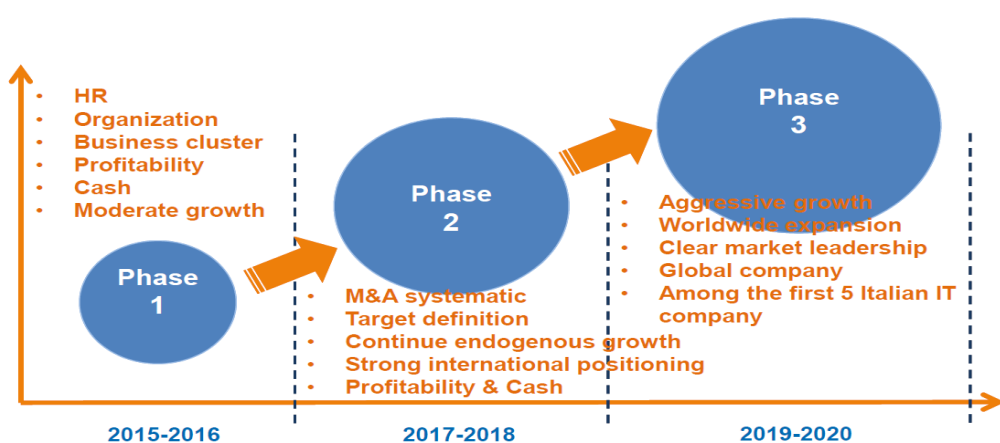


Source: Company Data

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 should have contributed above EUR 10m revenue on a 12m basis.
- EBITDA ambition EUR 44m, implying 12% margin vs. the 9.8% of FY 2014. 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. Exprivia is not paying a dividend out of FY 2016 results.

Plan Update

In the Star Presentation held on March 22, the management commented on the actual performance of the past couple of years, which fell below the original expectations. Indeed, the top-line was slightly negative in both FY 2015 and FY 2016, in spite of the ACS acquisition in the latter, while the EBITDA margins were 0.6pp and 1.2pp (on adjusted basis) below the targets respectively.

The management referred to a "very difficult first couple of years" which were characterized by significant delays in the BPO activities (recently solved with the acquisition of the Almagora contract) and in the healthcare segment as well as by the spending cuts in the oil & gas industry. The long discussions over Italtel have also taken significant management time and focus and have also directly affected the strategy abroad, Exprivia said that the international operations have been cooled down pending a combination with the foreign activities of Italtel (which generate c EUR 200m revenues). The combination with Italtel would obviously allow Exprivia to exceed its target size in one step.

In any case, Exprivia said that it confirms in principle its 2017 targets on a stand-alone basis, which include c 5% organic growth, based on the positive outlook of the IT market (see later paragraph) and on the recovery in the activities which were delayed last year.

The management showed a list of activities currently ongoing which involve several industries (financial, industrial, oil and gas, healthcare, telecommunications) and technologies/applications (human resource management, SAP, digital marketing, big data).

Exprivia: main projects ongoing

- **HRM processes digitalization and Health and Security web-based solutions** for workers protection in risk working areas for a major Italian energy company
- **Digital marketing and Digital Communication** solutions for a big Gas&Electricity provider
- **Big Data Ingestion** solutions for big Italian banks
- New generation network (**NGN**) evolution for the major Italian Telco operators
- **SAP Mobile, SAP PLM** projects for SMEs and Large Enterprises in several industrial sectors
- **Air Traffic** management solutions
- Ground Segments for Sentinel-3 Satellite Program
- On board instruments monitoring for European satellite Earthcare
- **RIS-PACS** systems for a major national public health-insurance company and several public and private hospitals and healthcare organizations
- **Public Health Management System** for big Italian Regions

Source: Company Presentation/Star Conference March 2017

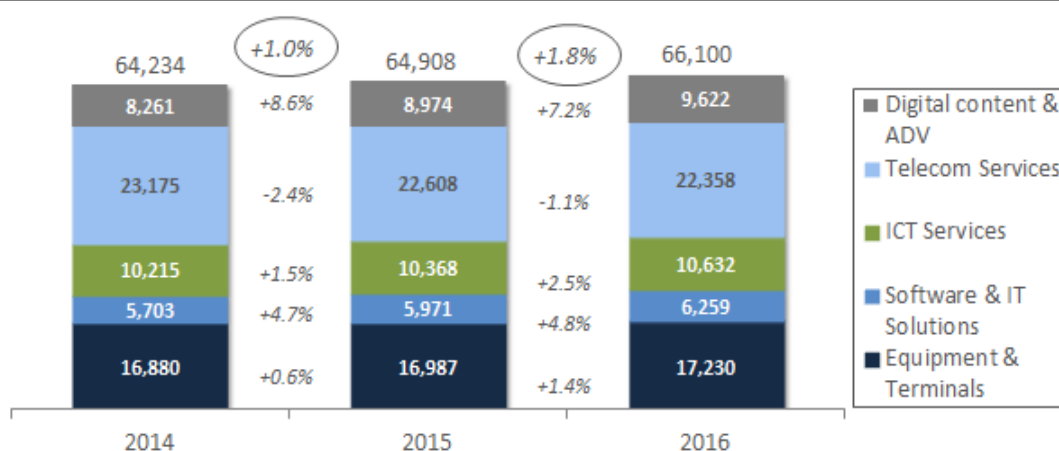
In Finance, Exprivia mentioned the acquisition of new clients and an increasing pipeline, along with the expected growth in the sector's expenditures. In the utilities segment, growth will be driven by the BPO contracts acquired in Q1 2016, worth some EUR 60m in three years vs. just EUR 6m generated in 2016 (and compared to EUR 16m other activities). In Oil & Gas, Exprivia disclosed a backlog for 2017/18 in excess of EUR 15m, which covers 118% of last year's revenues. In the Industry segment, Exprivia sees positive perspectives especially coming from SAP with the implementation of Hana and the migration to the cloud. In Telecoms, the main driver will be Next Generation Networks, which are being deployed by the incumbent, Enel Open Fibre and other alternative operators (Fastweb). In Healthcare, Exprivia has acquired in H2 new contracts for 2017/19 worth EUR 16.8, which represent 78% of last year's revenues. In the PA market, Exprivia acquired new contracts with INAIL and the MEF, which should start generating revenues in Q2 2017.

Market trends

Italian ICT market accelerated in 2016

Following a 1.4% decline in 2014 the Italian digital market was back to a modest growth in 2015; all the sub-segments improved and most of them turned positive. In 2016, while the GDP growth edged up by just 0.1pp to 0.9%, ICT accelerated to close to 2%, and outperformed the Assinform expectations (+1.3% as per October 2016, which had been actually revised down from original +1.5%). Since H1 was already growing at +2% Y/Y, we assume Assinform was expecting in the final part of the year a significant slow-down which did not actually materialize. The only negative performance in 2016 was once again related to tlc services, which however further improved and are now close to stability. The highest growth is in digital content / advertising, while software kept a healthy growth close to 5%.

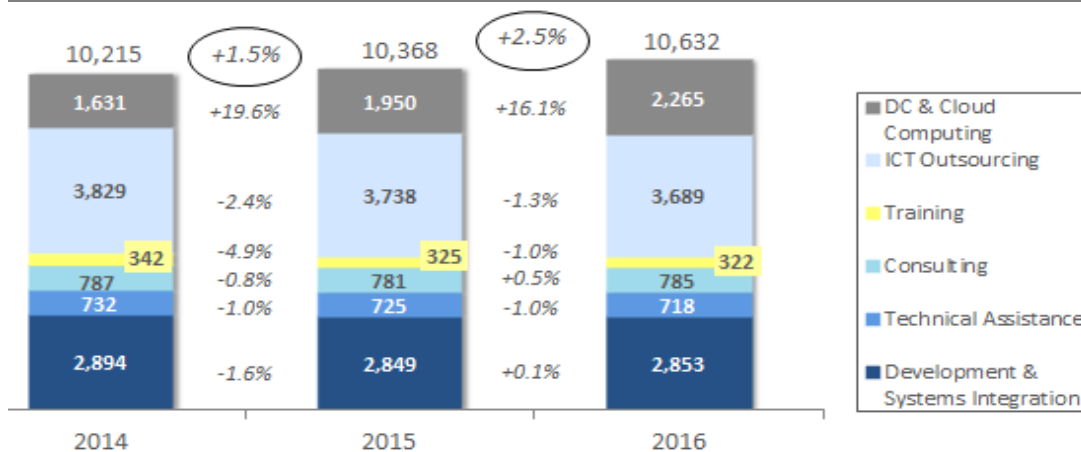
Italian digital market 2014/2016



Source: Assinform presentation March 2017

ICT services also accelerated, to +2.5% (still, below the original expectation of +2.8%) with all the increase related to the Cloud, up by 16% (+EUR 315m), following +20% in 2015. On the other hand, all the "on-premises" activities (see below) were still down in 2016 (-0.6%), although improving vs. the previous year's trends (-1.9%). Software revenues were also driven by the Cloud (+25.7% in 2016, vs. +30.8% the previous year) which now accounts for 16% of the total, while "on premises" SW grew by just 1.5% Y/Y (from +1.9%).

Italian digital market 2014/2016

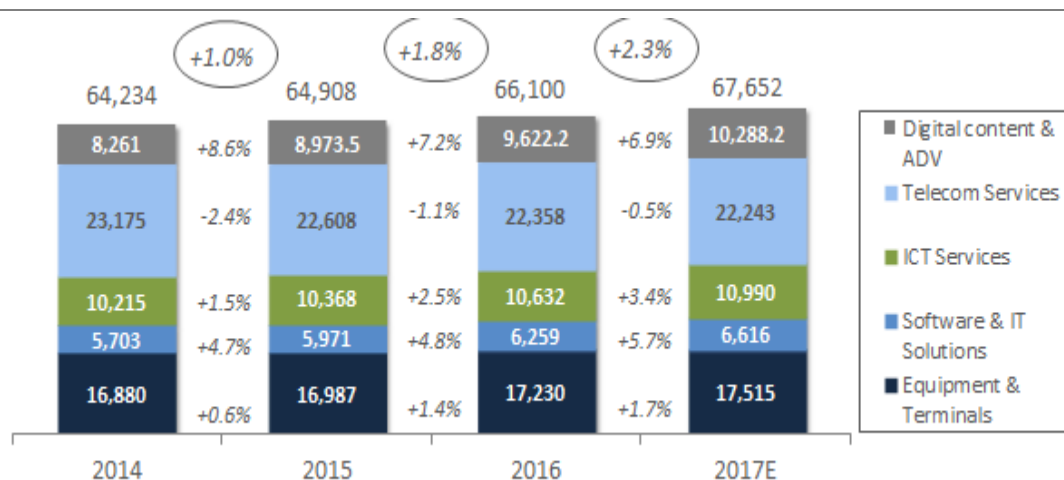


Source: Assinform presentation March 2017

Modest but steady growth should continue in 2017/18

The recent forecasts by Assinform/Netconsulting published in July 2016 pointed to further improvements the Italian digital market in the next couple of years, with +1.7% in 2017 and +2% in 2018. The telecom sector was expected to stabilize in 2018, SW and IT services to improve by 0.4pp and 0.6pp respectively in the two years, while digital content/advertising should slow-down to below 5% growth in 2018. In March 2017, Assinform released the updated forecast only for 2017, which is some EUR 600m higher than the previous one, given the higher starting point in 2016 and a better growth outlook this year. We note that the forecast for ICT services was kept basically unchanged (from +3.5% to +3.4%) while all the other segments have been upgraded.

Italian Digital market 2014/2017e



Source: Assinform/Netconsulting July 2016

Sirmi provides a different breakdown of the market, which excludes telecom services and equipment, a narrower perimeter of software (which excludes IT solutions) and a distinction between project and management services. The outlook is more conservative with below 1% growth in 2017 and a similar rate the following year. Cloud services basically explain all of the market increase with >20% growth each year. Software stand-alone will not grow, while management services should keep a growth rate in excess of 3%.

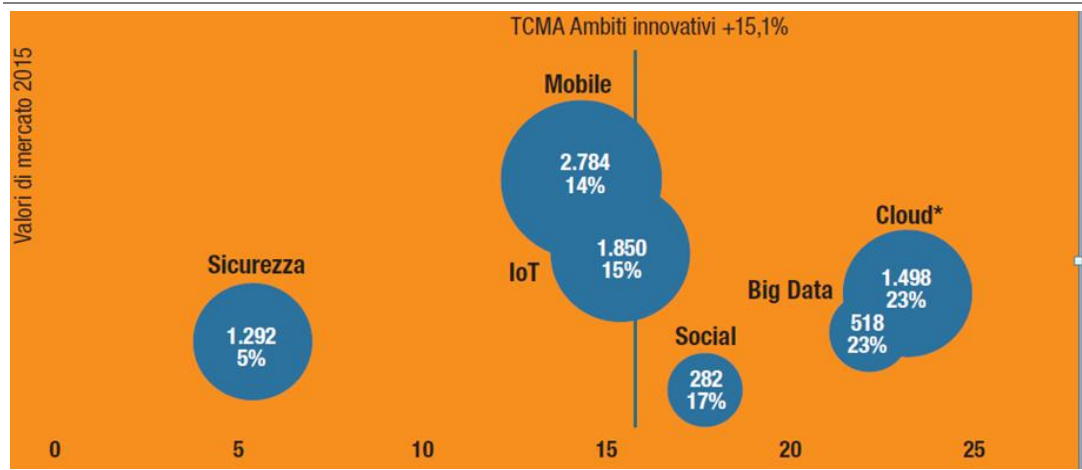
Italian IT Market 2015/2018e

| | 2013 | 2014 | Y/Y | 2015 | Y/Y | 2016 | Y/Y | 2017E | Y/Y | 2018E | Y/Y |
|---------------------|---------------|---------------|--------------|---------------|--------------|---------------|-------------|---------------|-------------|---------------|-------------|
| HW | 6,593 | 6,427 | -2.5% | 5,886 | -8.4% | 5,920 | 0.6% | 5,970 | 0.8% | 6,025 | 0.9% |
| SW | 3,951 | 3,881 | -1.8% | 3,857 | -0.6% | 3,841 | -0.4% | 3,823 | -0.5% | 3,808 | -0.4% |
| Project Services | 3,711 | 3,557 | -4.1% | 3,475 | -2.3% | 3,423 | -1.5% | 3,380 | -1.3% | 3,348 | -0.9% |
| Management Svcs | 4,764 | 4,751 | -0.3% | 4,970 | 4.6% | 5,130 | 3.2% | 5,299 | 3.3% | 5,466 | 3.2% |
| Total market | 19,019 | 18,616 | -2.1% | 18,188 | -2.3% | 18,314 | 0.7% | 18,472 | 0.9% | 18,647 | 0.9% |
| o/w Cloud | 789 | 954 | 20.9% | 1,228 | 28.7% | 1,480 | 20.5% | 1,811 | 22.4% | 2,224 | 22.8% |
| % Cloud | 4.1% | 5.1% | 1.0% | 6.8% | 1.6% | 8.1% | 1.3% | 9.8% | 1.7% | 11.9% | 2.1% |

Source: Sirmi

The main drivers "digital enablers" 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. The reported growth in 2016 was +24.2% for big data, +23% for cloud, +14.3% for IoT, +13.1% for mobile business and +11.1% for cybersecurity.

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

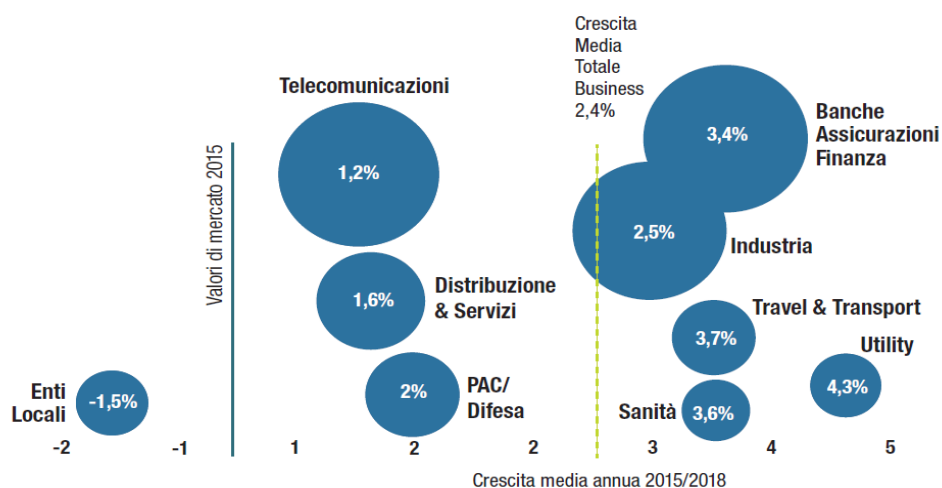


Source: Assinform/Netconsulting July 2016

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.

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

Valuation/Conclusions

The publication of the full financial accounts and the STAR presentation provided more confidence on Exprivia's business perspectives; the BPO activities should now be up and running and the pipeline in the other verticals looks interesting, from the management commentary. We would also expect the international business to stabilize soon. The reported growth will be also supported by the 12m consolidation of ACS, which should provide some EUR 4m to the top-line, with higher-than-average (>20%) EBITDA margin. We increase our estimates by 3.5% on average in 2017/2019 EBITDA.

We increase our Target Price to EUR 1.0, based on DCF valuation. We move our recommendation to Neutral. The stock price, on March 30 stood exactly at the same level of 12 months before, having lost 25% of its value in the 8 months to December 1, 2016 and recovering one third in the following month. The double-digit surge of the past few days leaves very little upside potential on our fundamental valuation, ceteris paribus. On a relative basis, Exprivia reduced its discount from the "local champion" Reply from almost 50% to around 26% on EV/EBITDA 2017e. We continue to 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 2021 (roll-over by one year). Terminal EBITDA margin at 11.5%, conservatively 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% | 1.07 | 1.18 | 1.31 | 1.46 | 1.63 | 1.84 | 2.09 |
| 8.0% | 0.95 | 1.04 | 1.15 | 1.28 | 1.42 | 1.59 | 1.80 |
| 8.5% | 0.84 | 0.92 | 1.02 | 1.12 | 1.24 | 1.39 | 1.55 |
| 9.0% | 0.75 | 0.82 | 0.90 | 0.99 | 1.09 | 1.21 | 1.35 |
| 9.5% | 0.66 | 0.72 | 0.79 | 0.87 | 0.96 | 1.06 | 1.18 |
| 10.0% | 0.58 | 0.64 | 0.70 | 0.77 | 0.85 | 0.94 | 1.04 |
| 10.5% | 0.52 | 0.56 | 0.62 | 0.68 | 0.75 | 0.82 | 0.91 |

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% | 0.89 | 0.99 | 1.10 | 1.20 | 1.30 | 1.40 | 1.50 |
| 8.0% | 0.83 | 0.93 | 1.03 | 1.12 | 1.22 | 1.31 | 1.41 |
| 8.5% | 0.78 | 0.87 | 0.96 | 1.05 | 1.14 | 1.24 | 1.33 |
| 9.0% | 0.73 | 0.81 | 0.90 | 0.99 | 1.08 | 1.16 | 1.25 |
| 9.5% | 0.68 | 0.76 | 0.84 | 0.93 | 1.01 | 1.10 | 1.18 |
| 10.0% | 0.63 | 0.71 | 0.79 | 0.87 | 0.95 | 1.03 | 1.11 |
| 10.5% | 0.59 | 0.67 | 0.74 | 0.82 | 0.90 | 0.97 | 1.05 |

Source: Banca Akros estimates

A transformational deal: Italtel acquisition

In August 2016, 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 last year; indeed the first interest was announced by XPR in January 2016. The actual announcement of the deal has been delayed a few times and the last deadline has been set by the end of May 2017.

Italtel is the main national player in communication products and services, with EUR 470/480m estimated revenues in FY 2016. The deal would be highly strategic for XPR in terms of critical mass, technological capabilities, customer base and international projection. XPR 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.

See our June 2016 report for a detailed commentary on Italtel.

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

We have argued since the first rumours that the deal would have a strong strategic and industrial sense, in that:

- Critical mass.** The combined group will have c EUR 600m 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.
- 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.
- 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 5.5m in the last year, to EUR 12.5m at the end of December. Among the covenants, XPR commits to a pay-out below 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 in July 2016 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 with Italtel CEO Mr Pileri keeping his role.
- 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. We imagine that, 8 months from the publication of this article, the terms have now changed.

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.

Exprivia : Summary tables

| PROFIT & LOSS (EURm) | 12/2013 | 12/2014 | 12/2015 | 12/2016e | 12/2017e | 12/2018e |
|---|----------------|----------------|----------------|-----------------|-----------------|-----------------|
| Sales | 131 | 147 | 145 | 142 | 151 | 157 |
| Cost of Sales & Operating Costs | -118 | -133 | -130 | -129 | -134 | -140 |
| Non Recurrent Expenses/Income | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| EBITDA | 13.1 | 14.5 | 15.3 | 12.8 | 16.2 | 17.3 |
| EBITDA (adj.)* | 13.1 | 14.5 | 15.3 | 12.8 | 16.2 | 17.3 |
| Depreciation | -3.9 | -3.9 | -4.3 | -4.4 | -4.6 | -5.2 |
| EBITA | 9.2 | 10.5 | 11.0 | 8.4 | 11.6 | 12.1 |
| EBITA (adj)* | 9.2 | 10.5 | 11.0 | 8.4 | 11.6 | 12.1 |
| Amortisations and Write Downs | -0.5 | -0.7 | -1.0 | -0.6 | -0.6 | -0.6 |
| EBIT | 8.7 | 9.9 | 10.0 | 7.8 | 11.0 | 11.5 |
| EBIT (adj.)* | 8.7 | 9.9 | 10.0 | 7.8 | 11.0 | 11.5 |
| Net Financial Interest | -2.7 | -2.9 | -2.3 | -3.0 | -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 | 4.8 | 8.8 | 9.7 |
| Tax | -3.2 | -3.9 | -3.1 | -1.9 | -4.2 | -4.5 |
| <i>Tax rate</i> | <i>52.7%</i> | <i>56.4%</i> | <i>40.0%</i> | <i>40.5%</i> | <i>48.0%</i> | <i>46.5%</i> |
| Discontinued Operations | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Minorities | -0.4 | 0.5 | -0.1 | 0.0 | 0.0 | 0.0 |
| Net Profit (reported) | 2.4 | 3.5 | 4.5 | 2.8 | 4.6 | 5.2 |
| Net Profit (adj.) | 2.4 | 3.5 | 4.5 | 2.8 | 4.6 | 5.2 |
| 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 | 7.8 | 9.8 | 11.0 |
| Change in Net Working Capital | 5.1 | 3.2 | -4.1 | 8.8 | -1.4 | -1.7 |
| Cash Flow from Operations | 12.3 | 10.8 | 5.8 | 16.7 | 8.4 | 9.3 |
| 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 | 5.7 | 4.9 | 6.8 |
| Dividends | 0.0 | 0.0 | -1.5 | -1.1 | 0.0 | -1.1 |
| Other (incl. Capital Increase & share buy backs) | -0.8 | 4.9 | -4.6 | -4.1 | 0.0 | -0.1 |
| Change in Net Debt | 6.6 | 7.6 | -6.5 | 0.5 | 4.9 | 5.6 |
| NOPLAT | 5.2 | 5.9 | 6.3 | 4.9 | 6.9 | 7.3 |
| 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 | 16.0 | 14.9 | 12.2 |
| Net Intangible Assets (incl. Goodwill) | 74.3 | 72.3 | 72.3 | 79.0 | 79.0 | 79.0 |
| Net Financial Assets & Other | 4.3 | 2.1 | 5.0 | 7.7 | 7.7 | 7.7 |
| Total Fixed Assets | 91.7 | 91.7 | 91.1 | 103 | 102 | 99.0 |
| Inventories | 0.2 | 0.1 | 0.1 | 1.0 | 1.1 | 1.1 |
| Trade receivables | 56.2 | 62.3 | 58.1 | 59.4 | 63.2 | 66.3 |
| Other current assets | 29.3 | 22.7 | 21.8 | 20.5 | 21.5 | 22.3 |
| Cash (-) | -7.3 | -12.5 | -7.0 | -12.5 | -13.5 | -14.8 |
| Total Current Assets | 93.0 | 97.6 | 87.1 | 93.4 | 99.3 | 105 |
| Total Assets | 185 | 189 | 178 | 196 | 201 | 204 |
| Shareholders Equity | 71.2 | 74.6 | 74.2 | 75.7 | 80.3 | 84.4 |
| Minority | 1.9 | 1.6 | 0.8 | 1.0 | 1.0 | 1.0 |
| Total Equity | 73.1 | 76.2 | 75.0 | 76.7 | 81.3 | 85.4 |
| Long term interest bearing debt | 8.5 | 11.0 | 7.5 | 24.6 | 22.6 | 20.4 |
| Provisions | 8.7 | 10.2 | 9.2 | 10.4 | 10.9 | 11.4 |
| Other long term liabilities | 1.6 | 1.4 | 0.6 | 1.1 | 1.1 | 1.2 |
| Total Long Term Liabilities | 18.8 | 22.6 | 17.3 | 36.1 | 34.7 | 33.0 |
| Short term interest bearing debt | 36.1 | 31.2 | 35.9 | 23.7 | 21.7 | 19.6 |
| Trade payables | 20.5 | 22.5 | 17.1 | 18.8 | 19.9 | 20.6 |
| Other current liabilities | 36.1 | 36.7 | 32.9 | 40.9 | 43.3 | 44.8 |
| Total Current Liabilities | 92.7 | 90.4 | 85.9 | 83.4 | 84.9 | 85.1 |
| Total Liabilities and Shareholders' Equity | 185 | 189 | 178 | 196 | 201 | 204 |
| Net Capital Employed | 121 | 118 | 121 | 124 | 124 | 123 |
| Net Working Capital | 29.1 | 25.9 | 30.0 | 21.2 | 22.6 | 24.3 |
| GROWTH & MARGINS | 12/2013 | 12/2014 | 12/2015 | 12/2016e | 12/2017e | 12/2018e |
| <i>Sales growth</i> | <i>-1.0%</i> | <i>12.3%</i> | <i>-1.7%</i> | <i>-2.1%</i> | <i>6.2%</i> | <i>4.5%</i> |
| EBITDA (adj.)* growth | 5.6% | 10.3% | 5.9% | -16.4% | 26.9% | 6.7% |
| <i>EBITA (adj.)* growth</i> | <i>12.9%</i> | <i>14.6%</i> | <i>4.5%</i> | <i>-23.5%</i> | <i>38.4%</i> | <i>4.3%</i> |
| <i>EBIT (adj)* growth</i> | <i>20.2%</i> | <i>13.3%</i> | <i>1.3%</i> | <i>-22.0%</i> | <i>41.4%</i> | <i>4.6%</i> |

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% | -37.5% | 62.0% | 13.4% |
| EPS adj. growth | 12.3% | 44.8% | 28.9% | -37.5% | 62.0% | 13.4% |
| DPS adj. growth | <i>n.m.</i> | | <i>n.m.</i> | -23.9% | <i>n.m.</i> | <i>n.m.</i> |
| EBITDA (adj)* margin | 10.0% | 9.8% | 10.6% | 9.0% | 10.8% | 11.0% |
| EBITA (adj)* margin | 7.0% | 7.1% | 7.6% | 5.9% | 7.7% | 7.7% |
| EBIT (adj)* margin | 6.6% | 6.7% | 6.9% | 5.5% | 7.3% | 7.3% |
| 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 | 2.8 | 1.9 | 1.5 |
| Interest cover (EBITDA/Fin.interest) | 4.9 | 5.0 | 6.6 | 4.2 | 7.4 | 9.6 |
| Capex/D&A | 110.9% | 176.8% | 118.5% | 219.9% | 67.0% | 43.0% |
| Capex/Sales | 3.7% | 5.5% | 4.4% | 7.8% | 2.3% | 1.6% |
| NWC/Sales | 22.2% | 17.6% | 20.7% | 15.0% | 15.0% | 15.4% |
| ROE (average) | 3.5% | 4.8% | 6.1% | 3.8% | 5.9% | 6.3% |
| ROCE (adj.) | 4.5% | 5.1% | 5.4% | 4.2% | 6.0% | 6.3% |
| WACC | 8.6% | 8.6% | 8.6% | 8.6% | 8.6% | 8.6% |
| ROCE (adj.)/WACC | 0.5 | 0.6 | 0.6 | 0.5 | 0.7 | 0.7 |
| 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 | 0.10 |
| EPS (adj.) | 0.05 | 0.07 | 0.09 | 0.05 | 0.09 | 0.10 |
| BVPS | 1.37 | 1.44 | 1.43 | 1.46 | 1.55 | 1.63 |
| DPS | 0.00 | 0.00 | 0.03 | 0.02 | 0.00 | 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 | 0.7 | 0.6 |
| EV/EBITDA | 7.6 | 6.2 | 6.1 | 6.8 | 6.2 | 5.5 |
| EV/EBITDA (adj.)* | 7.6 | 6.2 | 6.1 | 6.8 | 6.2 | 5.5 |
| EV/EBITA | 10.9 | 8.5 | 8.5 | 10.4 | 8.7 | 7.9 |
| EV/EBITA (adj.)* | 10.9 | 8.5 | 8.5 | 10.4 | 8.7 | 7.9 |
| EV/EBIT | 11.5 | 9.1 | 9.3 | 11.2 | 9.1 | 8.3 |
| EV/EBIT (adj.)* | 11.5 | 9.1 | 9.3 | 11.2 | 9.1 | 8.3 |
| P/E (adj.) | 17.8 | 10.6 | 8.7 | 12.7 | 11.7 | 10.4 |
| P/BV | 0.6 | 0.5 | 0.5 | 0.5 | 0.7 | 0.6 |
| Total Yield Ratio | 0.0% | 3.9% | 2.1% | 0.0% | 2.1% | 2.4% |
| EV/CE | 0.9 | 0.8 | 0.8 | 0.8 | 0.9 | 0.8 |
| OpFCF yield | 17.3% | 7.4% | -1.3% | 15.8% | 9.2% | 12.7% |
| OpFCF/EV | 7.4% | 3.0% | -0.5% | 6.5% | 4.9% | 7.2% |
| Payout ratio | 0.0% | 0.0% | 32.2% | 39.1% | 0.0% | 22.0% |
| Dividend yield (gross) | 0.0% | 0.0% | 2.7% | 2.1% | 0.0% | 2.1% |
| 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 | 1.04 | 1.04 |
| 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 | 54 | 54 |
| Net Debt | 37 | 30 | 36 | 36 | 31 | 25 |
| <i>o/w Cash & Marketable Securities (-)</i> | <i>-7</i> | <i>-12</i> | <i>-7</i> | <i>-12</i> | <i>-14</i> | <i>-15</i> |
| <i>o/w Gross Debt (+)</i> | <i>45</i> | <i>42</i> | <i>43</i> | <i>48</i> | <i>44</i> | <i>40</i> |
| Other EV components | 19 | 23 | 17 | 16 | 16 | 17 |
| Enterprise Value (EV adj.) | 100 | 90 | 93 | 87 | 101 | 96 |

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

| | | | | | | | |
|--------------------------------|---------------|--|---------------|---------------------------------|---------------|----------------------------------|---------------|
| Aerospace & Defense | Mem(*) | Bpi | CBI | Areva | CIC | Forfarmers | NIBC |
| Airbus Group | CIC | Caixabank | GVC | Euromicro n Ag | EQB | Heineken | NIBC |
| Dassault Aviation | CIC | Commerzbank | EQB | Legrand | CIC | Hkscan | OPG |
| Latecoere | CIC | Credem | BAK | Neways Electronics | NIBC | La Doria | BAK |
| Leonardo | BAK | Credit Agricole Sa | CIC | Nexans | CIC | Lanson-Bcc | CIC |
| Lisi | CIC | Creval | BAK | Pkc Group | OPG | Laurent Perrier | CIC |
| Ohb Se | EQB | Deutsche Bank | EQB | Rexel | CIC | Ldc | CIC |
| Safran | CIC | Deutsche Pfandbriefbank | EQB | Schneider Electric Se | CIC | Naturex | CIC |
| Thales | CIC | Eurobank | IBG | Vaisala | OPG | Olvi | OPG |
| Zodiac Aerospace | CIC | Intesa Sanpaolo | BAK | Viscom | EQB | Pernod Ricard | CIC |
| Alternative Energy | Mem(*) | Mediobanca | BAK | Financial Services | Mem(*) | Raisio | OPG |
| Daldrup & Soehne | EQB | Merkur Bank | EQB | Anima | BAK | Refresco Group | NIBC |
| Gamesa | GVC | National Bank Of Greece | IBG | Athex Group | IBG | Remy Cointreau | CIC |
| Automobiles & Parts | Mem(*) | Natixis | CIC | Azimut | BAK | Suedzucker | EQB |
| Bitium Corporation | OPG | Nordea | OPG | Banca Generali | BAK | Vidrala | GVC |
| Bmw | EQB | Piraeus Bank | IBG | Banca Ifis | BAK | Vilmorin | CIC |
| Brembo | BAK | Poste Italiane | BAK | Banca Sistema | BAK | Viscofan | GVC |
| Continental | EQB | Procredit Holding | EQB | Bb Biotech | EQB | Vranken Pommery Monopole | CIC |
| Daimler Ag | EQB | Rothschild & Co | CIC | Bolsas Y Mercados Espanoles Sa | GVC | Wessanen | NIBC |
| Eirringklinger | EQB | Societe Generale | CIC | Capman | OPG | Food & Drug Retailers | Mem(*) |
| Faurecia | CIC | Ubi Banca | BAK | Christian Dior | CIC | AholdDelhaize | NIBC |
| Ferrari | BAK | Unicredit | BAK | Cir | BAK | Carrefour | CIC |
| Fiat Chrysler Automobiles | BAK | Basic Resources | Mem(*) | Comdirect | EQB | Casino Guichard-Perrachon | CIC |
| Groupe Psa | CIC | Acerinox | GVC | Corestate Capital Holding S.A. | EQB | Dia | GVC |
| Landi Renzo | BAK | Altri | CBI | Corp. Financiera Alba | GVC | Jeronimo Martins | CBI |
| Leoni | EQB | ArceIormittal | GVC | Deutsche Boerse | EQB | Kesko | OPG |
| Michelin | CIC | Corticeira Amorim | CBI | Deutsche Forfait | EQB | Marr | BAK |
| Nokian Tyres | OPG | Ence | GVC | Eq | OPG | Metro | EQB |
| Norma Group | EQB | Europac | GVC | Euronext | CIC | Sligro | NIBC |
| Piaggio | BAK | Metka | IBG | Ferratum | EQB | Sonae | CBI |
| Plastic Omnium | CIC | Metsä Board | OPG | Finecobank | BAK | General Industrials | Mem(*) |
| Sogefi | BAK | Mytilineos | IBG | Grenke | EQB | 2G Energy | EQB |
| Stern Groep | NIBC | Outokumpu | OPG | Hypoport Ag | EQB | Aalberts | NIBC |
| Valeo | CIC | Semapa | CBI | Mlp | EQB | Accell Group | NIBC |
| Volkswagen | EQB | Ssab | OPG | Ovb Holding Ag | EQB | Ahlstrom | OPG |
| Banks | Mem(*) | Stora Enso | OPG | Patrizia | EQB | Arcadis | NIBC |
| Aareal Bank | EQB | Surteco | EQB | Rallye | CIC | Aspo | OPG |
| Aktia | OPG | The Navigator Company | CBI | Tip Tamburi Investment Partners | BAK | Huhtamäki | OPG |
| Alpha Bank | IBG | Tubacex | GVC | Unipol Gruppo Finanziario | BAK | Kendrion | NIBC |
| Banca Carige | BAK | Upm-Kymmene | OPG | Food & Beverage | Mem(*) | Nedap | NIBC |
| Banca Mps | BAK | Chemicals | Mem(*) | Acomo | NIBC | Pöyry | OPG |
| Banco Popular | GVC | Air Liquide | CIC | Atria | OPG | Prelios | BAK |
| Banco Sabadell | GVC | Fuchs Petrolub | EQB | Bonduelle | CIC | Saf-Holland | EQB |
| Banco Santander | GVC | Holland Colours | NIBC | Campari | BAK | Serge Ferrari Group | CIC |
| Bankia | GVC | Kemira | OPG | Coca Cola Hbc Ag | IBG | Tkh Group | NIBC |
| Bankinter | GVC | Kws Saat | EQB | Corbion | NIBC | Wendel | CIC |
| Bbva | GVC | Linde | EQB | Dano ne | CIC | | |
| Bcp | CBI | Siegfried Holding Ag | EQB | Ebro Foods | GVC | | |
| Bnp Paribas | CIC | Tikkurila | OPG | Enervit | BAK | | |
| Bper | BAK | Electronic & Electrical Equipment | Mem(*) | Fleury Michon | CIC | | |

| | | | | | | | |
|-------------------------------|---------------|---|---------------|-------------------------|---------------|--------------------------------|---------------|
| General Retailers | Mem(*) | Duro Felguera | GVC | Ellaktor | IBG | Mediaset | BAK |
| Beter Bed Holding | NIBC | Emak | BAK | Eltel | OPG | Mediaset Espana | GVC |
| Elumeo Se | EQB | Exel Composites | OPG | Ezentis | GVC | Notorious Pictures | BAK |
| Fielmann | EQB | Gesco | EQB | Fcc | GVC | Nrj Group | CIC |
| Folli Follie Group | IBG | Ima | BAK | Ferrovia | GVC | Publicis | CIC |
| Fourlis Holdings | IBG | Interpump | BAK | Heidelberg Cement Ag | CIC | Rcs Mediagroup | BAK |
| Groupe Fnac Sa | CIC | Kone | OPG | Heijmans | NIBC | Relx | NIBC |
| Hornbach Holding | EQB | Konecranes | OPG | Imerys | CIC | Rtl Group | EQB |
| Inditex | GVC | Manz Ag | EQB | Lafargeholcim | CIC | Sanoma | OPG |
| Jumbo | IBG | Max Automation Ag | EQB | Lehto | OPG | Solocal Group | CIC |
| Rapala | OPG | Metso Corporation | OPG | Lemminkäinen | OPG | Spir Communication | CIC |
| Stockmann | OPG | Outotec | OPG | Maire Tecnimont | BAK | Syzygy Ag | EQB |
| Tokmanni | OPG | Pfeiffer Vacuum | EQB | Mota Engil | CBI | Telegraaf Media Groep | NIBC |
| Windeln.De | EQB | Ponsse | OPG | Obrascon Huarte Lain | GVC | Tf1 | CIC |
| Yoox Net-A-Porter | BAK | Prima Industrie | BAK | Ramirent | OPG | Ubisoft | CIC |
| Healthcare | Mem(*) | Prysmian | BAK | Royal Bam Group | NIBC | Vivendi | CIC |
| 4Sc | EQB | Smt Scharf Ag | EQB | Sacyr | GVC | Wolters Kluwer | NIBC |
| Amplifon | BAK | Technotrans | EQB | Saint Gobain | CIC | Oil & Gas Producers | Mem(*) |
| Bayer | EQB | Valmet | OPG | Salini Impregilo | BAK | Eni | BAK |
| Biotest | EQB | Wärtsilä | OPG | Sias | BAK | Galp Energia | CBI |
| Cytotools Ag | EQB | Zardoya Otis | GVC | Sonae Industria | CBI | Gas Plus | BAK |
| Diasorin | BAK | Industrial Transportation | Mem(*) | Srv | OPG | Hellenic Petroleum | IBG |
| Epigenomics Ag | EQB | Bollore | CIC | Tarkett | CIC | Maurel Et Prom | CIC |
| Genfit | CIC | Caf | GVC | Thermador Groupe | CIC | Motor Oil | IBG |
| Guerbet | CIC | Ctt | CBI | Titan Cement | IBG | Neste Corporation | OPG |
| Korian | CIC | Logwin | EQB | Trevi | BAK | Petrobras | CBI |
| Merck | EQB | Insurance | Mem(*) | Uponor | OPG | Qgep | CBI |
| Oriola-Kd | OPG | Allianz | EQB | Vicat | CIC | Repsol | GVC |
| Orion | OPG | Axa | CIC | Vinci | CIC | Total | CIC |
| Orpea | CIC | Banca Mediolanum | BAK | Yit | OPG | Oil Services | Mem(*) |
| Pihlajalinna | OPG | Cattolica Assicurazioni | BAK | Media | Mem(*) | Bourbon | CIC |
| Recordati | BAK | Generali | BAK | Ad Pepper | EQB | Cgg | CIC |
| Wilex | EQB | Hannover Re | EQB | Alma Media | OPG | Fugro | NIBC |
| Household Goods | Mem(*) | Mapfre Sa | GVC | Atresmedia | GVC | Rubis | CIC |
| Bic | CIC | Munich Re | EQB | Axel Springer | EQB | Saipem | BAK |
| De Longhi | BAK | Sampo | OPG | Axelero | BAK | Sbm Offshore | NIBC |
| Fila | BAK | Talanx Group | EQB | Brill | NIBC | Technip | CIC |
| Philips Lighting | NIBC | Unipolsai | BAK | Cairo Communication | BAK | Technipfmc Plc | CIC |
| Seb Sa | CIC | Materials, Construction & Infrastructure | Mem(*) | Cofina | CBI | Tecnicas Reunidas | GVC |
| Industrial Engineering | Mem(*) | Abertis | GVC | Cts Eventim | EQB | Tenaris | BAK |
| Accsys Technologies | NIBC | Acs | GVC | Digital Bros | BAK | Vallourec | CIC |
| Aixtron | EQB | Aena | GVC | Editoriale L'Espresso | BAK | Vopak | NIBC |
| Alstom | CIC | Aeroports De Paris | CIC | Gl Events | CIC | | |
| Ansaldo Sts | BAK | Astaldi | BAK | Havas | CIC | | |
| Biesse | BAK | Atlantia | BAK | Impresa | CBI | | |
| Cargotec Corp | OPG | Boskalis Westminster | NIBC | lol | BAK | | |
| Cnh Industrial | BAK | Buzzi Unicem | BAK | Ipsos | CIC | | |
| Danieli | BAK | Caverion | OPG | Jcdecaux | CIC | | |
| Datalogic | BAK | Cramo | OPG | Lagardere | CIC | | |
| Deutz Ag | EQB | Eiffage | CIC | M6-Metropole Television | CIC | | |

| Personal Goods | Mem(*) | | | | | | |
|---|---------------|--|---------------|-----------------------------|---------------|-------------------------|-----|
| | | Digia | OPG | Roodmicrotec | NIBC | Acciona | GVC |
| Adidas | EQB | Docdata | NIBC | Slm Solutions | EQB | Acea | BAK |
| Adler Modemaerkte | EQB | Econocom | CIC | Stmicroelectronics | BAK | Albioma | CIC |
| Amer Sports | OPG | Ekinops | CIC | Suess Microtec | EQB | Direct Energie | CIC |
| Basic Net | BAK | Esi Group | CIC | Teleste | OPG | Edp | CBI |
| Cie Fin. Richemont | CIC | Exprivia | BAK | Va-Q-Tec | EQB | Edp Renováveis | CBI |
| Geox | BAK | F-Secure | OPG | Telecommunications | Mem(*) | Enagas | GVC |
| Gerry Weber | EQB | Gemalto | CIC | Acotel | BAK | Endesa | GVC |
| Hermes Intl. | CIC | Gft Technologies | EQB | Bouygues | CIC | Enel | BAK |
| Hugo Boss | EQB | Ict Group | NIBC | Deutsche Telekom | EQB | Erg | BAK |
| Interparfums | CIC | Indra Sistemas | GVC | Dna | OPG | Eydap | IBG |
| Kering | CIC | Nemetschek Se | EQB | Drillisch | EQB | Falck Renewables | BAK |
| L'Oreal | CIC | Neuronos | CIC | Elisa | OPG | Fortum | OPG |
| Luxottica | BAK | Nexus Ag | EQB | Euskaltel | GVC | Gas Natural Fenosa | GVC |
| Lvmh | CIC | Novabase | CBI | Freenet | EQB | Hera | BAK |
| Marimekko | OPG | Ordina | NIBC | Kpn Telecom | NIBC | Iberdrola | GVC |
| Moncler | BAK | Psi | EQB | Masmovil | GVC | Iren | BAK |
| Puma | EQB | Reply | BAK | Nos | CBI | Italgas | BAK |
| Safilo | BAK | Rib Software | EQB | Oi | CBI | Public Power Corp | IBG |
| Salvatore Ferragamo | BAK | Seven Principles Ag | EQB | Orange | CIC | Red Electrica De Espana | GVC |
| Sarantis | IBG | Software Ag | EQB | Ote | IBG | Ren | CBI |
| Technogym | BAK | Sopra Steria Group | CIC | Tele Columbus | EQB | Snam | BAK |
| Tod'S | BAK | Tie Kinetix | NIBC | Telecom Italia | BAK | Terna | BAK |
| Real Estate | Mem(*) | Tieto | OPG | Telefonica | | GVC | |
| Adler Real Estate | EQB | Tomtom | NIBC | Telefonica Deutschland | EQB | | |
| Beni Stabili | BAK | United Internet | EQB | Telia | OPG | | |
| Citycon | OPG | Visiativ | CIC | Tiscali | BAK | | |
| Demire | EQB | Wincor Nixdorf | EQB | Vodafone | BAK | | |
| Deutsche Euroshop | EQB | Support Services | Mem(*) | Travel & Leisure | Mem(*) | | |
| Grand City Properties | EQB | Amadeus | GVC | Accor | CIC | | |
| Hispania Activos Inmobiliarios | GVC | Asiakastieto Group | OPG | Air France Klm | CIC | | |
| Igd | BAK | Batenburg | NIBC | Autogrill | BAK | | |
| Lar España | GVC | Cellnex Telecom | GVC | Beneteau | CIC | | |
| Merlin Properties | GVC | Dpa | NIBC | Elior | CIC | | |
| Realia | GVC | Edenred | CIC | Europcar | CIC | | |
| Sponda | OPG | Ei Towers | BAK | Finnair | OPG | | |
| Technopolis | OPG | Enav | BAK | I Grandi Viaggi | BAK | | |
| Vib Vermoegen | EQB | Fiera Milano | BAK | Ibersol | CBI | | |
| Wcm Ag | EQB | Lassila & Tikanoja | OPG | Int. Airlines Group | GVC | | |
| Software & Computer Services | Mem(*) | Openjobmetis | BAK | Intralot | IBG | | |
| Affecto | OPG | Teleperformance | CIC | Kotipizza | OPG | | |
| Akka Technologies | CIC | Technology Hardware & Equipment | Mem(*) | Melia Hotels International | GVC | | |
| Alten | CIC | Asm International | NIBC | Nh Hotel Group | GVC | | |
| Altran | CIC | Asml | NIBC | Opap | IBG | | |
| Assystem | CIC | Besi | NIBC | Snowworld | NIBC | | |
| Atos | CIC | Ericsson | OPG | Sodexo | CIC | | |
| Basware | OPG | Gigaset | EQB | Sonae Capital | CBI | | |
| Cenit | EQB | Ingenico | CIC | Trigano | CIC | | |
| Comptel | OPG | Kontron | EQB | Utilities | Mem(*) | | |
| Ctac | NIBC | Nokia | OPG | A2A | BAK | | |

LEGEND: BAK: Banca Akros; CIC: CM CIC Market Solutions; CBI: Caixa-Banco de Investimento; GVC: GVC Gaesco Beksa, SV, SA; EQB: Equinet bank; IBG: Investment Bank of Greece, NIBC: NIBC Markets N.V.; OPG: OP Corporate Bank; as of 30th March 2017

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

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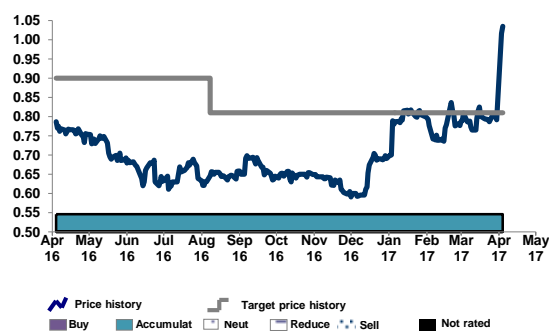
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Recommendation history for EXPRIVIA

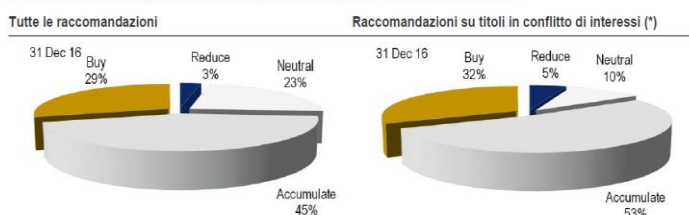
| Date | Recommendation | Target price | Price at change date |
|-----------|----------------|--------------|----------------------|
| 05-Apr-17 | Neutral | 1.00 | 1.04 |
| 08-Aug-16 | Accumulate | 0.81 | 0.65 |
| 14-Mar-16 | Accumulate | 0.90 | 0.80 |
| 03-Dec-15 | Buy | 0.95 | 0.74 |
| 12-Nov-15 | 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 |

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)



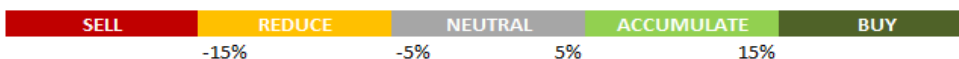
Percentuale delle raccomandazioni al 31 dicembre 2016



(*) Si informa che la percentuale degli emittenti in potenziale conflitto di interessi con Banca Akros è pari al 19% del totale degli emittenti oggetto di copertura

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

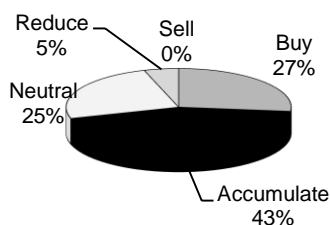
Furthermore, in specific cases and for a limited period of time, the analysts are allowed to rate the stocks as **Rating Suspended (RS)** or **Not Rated (NR)**, as explained below.

Meaning of each recommendation or rating:

- **Buy:** the stock is expected to generate total return of **over 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



For full ESN Recommendation and Target price history (in the last 12 months) please see ESN Website [Link](#)

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www.op.fi regulated by the Financial Supervision Authority

www.valores.gvcgaesco.es regulated by CNMV - Comisión Nacional del Mercado de Valores

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