Exprivia

BANCA IMI

Sales Growth Still Missing.

Italy - IT & Technology

Equity Research

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1Q07 results.

1Q07 results (1Q06-FY07E).

EUR M	1Q06	1Q07	yoy %	2006	2007E	yoy %
Value of production	11.60	11.11	-4.2	47.03	51.85	10.2
EBITDA	1.05	1.14	8.1	5.55	7.27	30.9
EBITDA margin (%)	9.1	10.2		11.8	14.0	
EBIT	0.60	0.70	17.3	3.42	4.98	45.6
EBIT margin (%)	5.2	6.3		7.3	9.6	
Pre-tax profit	0.36	0.47	31.4	2.36	4.03	71.2
Net profit	0.03	0.19	NM	1.09	2.61	138.5

Source: Company data and Banca IMI estimates.

Exprivia's 1Q07 results confirmed the trend showed during 2006, with a poor top-line performance, but an improvement in profitability. In particular, value of production declined by 4.2% to EUR 11.1M. By business segment, the bank & finance and the PA & utilities divisions' sales grew by 2.2% and 2.3%, respectively. By contrast, revenue of the healthcare division dropped by 8.2% to EUR 1.06M, due to the delay in several contracts. In particular, in 1Q07 Exprivia won three tender bids for a total value of EUR 0.5M that should allow a top-line recovery for the rest of the year. Lastly, sales of the industry & telecom division declined by 7.5% to EUR 3.7M, due to lower business from several customers. Despite the revenue decline, EBITDA advanced by 8%, with the EBITDA margin improving from 9.1% in 1Q06 to 10.2% in 1Q07. EBIT improved accordingly, reaching EUR 0.7M (+17.3% yoy), and net profit reached EUR 0.19M from breakeven in 1Q06. Net debt remained substantially stable at EUR 16.7M.

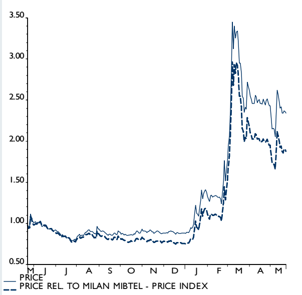
Catalysts.

According to management, 1Q07 results were in line with the FY budget. We recall the group recently reaffirmed its targets for 2008 (a top line at EUR 60M with a 15% EBITDA margin), which would imply a top-line growth in 2007 of approx. 13%. We acknowledge that the trend in 2H07 should be better, thanks to a number of new contracts (in particular in the healthcare sector). Nonetheless, we believe the targets of the group to be very tough to achieve. Our 2007E estimates are more conservative, pointing to a 10% revenue growth and a 14.0% EBITDA margin. We confirm our forecasts, but we believe that our projections could also be slightly optimistic, in light of 1Q07 results. We recall that the group's business plan entails external growth. We positively view any possible acquisitions that could boost the top-line growth, which is the major weakness of the group, in our view. Exprivia is expected to ask the admission to be listed on the STAR index of the Milan stock exchange.

Valuation.

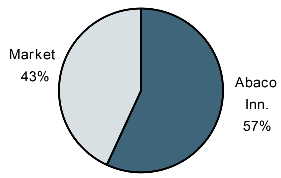
We maintain our DCF model, based on the following main assumptions: 1) mid-term estimates on revenue growth declining from approx. 8% in 2009E to 2% in 2014E, a level that we set as the perpetuity growth rate; 2) a mid-term EBITDA margin to remain stable at 16%; 3) tax benefits from losses carried forward to 2009E and full taxation (IRES+IRAP) from 2010E; and 4) a WACC of 8.1%, based on the 2006 D/E ratio. Our model continues to point to a fair value of EUR 1.20/share. Based on a peer comparison analysis, the stock is currently trading at 2007E-08E EV/EBITDA multiples that are double than the sector average (12.7x and 11.0x vs. 6.4x and 5.7x, respectively).

Price performance, -1Y.



Source: Datastream.

Shareholder structure.



Source: Company data.

Basic figures.

Current price (EUR)	2.34
Market cap. (EUR M)	79.4
No. of shares (M)	33.9
52-week range (EUR)	3.5-0.8
Major shareholder (%)	Abaco Inn., 57.0
Free float (%)	43.0
Reuters	XPR.MI
Bloomberg	XPR IM
Mibtel	34035

Performance %			
Absolute		Rel. to Mibtel	
-1M	-5.7	-1M	-6.4
-3M	55.4	-3M	50.6
-12M	146.3	-12M	99.1

Source: Company data, Datastream.

BANCA IMI

Exprivia: Financials.

Exprivia – Key figures (2005-09E).					
Price (EUR)	2.34				
No. of shares (M)	33.9				
Market capitalisation (EUR M)	79.4				
Enterprise value (EUR M)	92.3				
Values per share (EUR)	**2005**	**2006**	**2007E**	**2008E**	**2009E**
EPS	-0.11	0.03	0.08	0.12	0.18
CEPS	-0.02	0.09	0.13	0.17	0.23
BVPS	0.81	0.84	0.92	1.04	1.23
DPS	0.00	0.00	0.00	0.00	0.00
Payout (%)	0.0	0.0	0.0	0.0	0.0
Stock market ratios (x)	**2005**	**2006**	**2007E**	**2008E**	**2009E**
EV/sales	2.1	2.0	1.8	1.7	1.5
EV/EBITDA	36.2	16.6	12.7	11.0	9.9
EV/EBIT	NM	27.0	18.5	14.7	11.3
EV/FCF	NM	NM	24.3	20.7	18.5
P/E	NM	72.7	30.5	19.5	12.8
P/CE	NM	25.6	18.1	13.9	10.1
P/BV	2.9	2.8	2.5	2.2	1.9
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0
Free cash flow yield (%)	-29.3	-6.6	4.1	4.8	5.4
Income statement (EUR M)	**2005**	**2006**	**2007E**	**2008E**	**2009E**
Total revenue	43.0	47.0	51.8	55.8	60.1
EBITDA	2.6	5.6	7.3	8.4	9.4
EBIT	-0.6	3.4	5.0	6.3	8.2
Pre-tax income	-1.7	2.4	4.0	5.6	7.9
Net income	-2.7	1.1	2.6	4.1	6.2
Balance sheet (EUR M)	**2005**	**2006**	**2007E**	**2008E**	**2009E**
Net fixed asset	39.0	38.5	38.5	38.8	39.0
Net working capital	4.5	11.6	10.7	10.4	11.7
Other L/T liabilities	-5.4	-4.8	-5.1	-5.4	-5.7
Net invested capital	38.1	45.3	44.2	43.8	45.1
Net debt/-cash	10.8	16.8	13.0	8.5	3.5
Shareholders' equity	27.2	28.4	31.0	35.1	41.2
Minorities	0.1	0.2	0.2	0.3	0.3
Cash flow (EUR M)	**2005**	**2006**	**2007E**	**2008E**	**2009E**
Cash income	-0.5	3.1	4.4	5.7	7.9
Change in NWC and provisions	7.0	-7.5	1.2	0.6	-1.0
Total capex	-33.6	-1.8	-1.8	-1.9	-1.9
Free cash flow	-27.1	-6.1	3.8	4.5	5.0
Capital increase	22.6	0.0	0.0	0.0	0.0
Dividend payment	0.0	0.0	0.0	0.0	0.0
Other	0.4	0.1	0.0	0.0	0.0
Change in NFP	-4.0	-6.0	3.8	4.5	5.0
Profitability and financial ratios (%)	**2005**	**2006**	**2007E**	**2008E**	**2009E**
EBITDA margin	5.9	11.8	14.0	15.1	15.5
EBIT margin	-1.4	7.3	9.6	11.3	13.6
Net margin	-6.3	2.3	5.0	7.3	10.3
ROI	-2.7	8.2	11.1	14.3	18.4
ROE	-19.0	3.9	8.7	12.2	16.1
D/E	39.3	58.7	41.5	24.0	8.4
Growth rates (%)	**2005**	**2006**	**2007E**	**2008E**	**2009E**
Sales	85.9	9.5	10.2	7.7	7.7
EBITDA	NM	117.4	30.9	15.8	11.1
EBIT	-87.7	NM	45.6	26.2	30.1
Net income	-65.9	NM	138.5	56.0	52.1

Source: Company data and Banca IMI estimates.

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BANCA IMI

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