

Data

Shares Outstanding (m):	50.7
Market Cap. (EURm):	57.3
Enterprise Value (EURm):	90.8
Free Float (%):	39.5%
Av. Daily Trad. Vol. (m):	0.231
Main Shareholder:	Abaco Systems (51.2%)
Reuters/Bloomberg:	XPR.MI XPR.IM
52-Week Range (EUR)	0.8 1.4

Performance

	1m	3m	12m
Absolute	-4.3%	-17.1%	31.1%
Rel. to FTSE IT	-6.3%	-19.2%	9.2%

Financials

	2008	2009E	2010E
Revenues (EURm)	90.3	88.8	93.0
EBITDA (EURm)	15.3	15.3	16.2
Net Profit(EURm)	6.9	5.7	6.3
EPS (EUR)	0.136	0.112	0.124
CFPS (EUR)	0.182	0.166	0.179
BVPS (EUR)	1.143	1.215	1.305
DPS (EUR)	0.040	0.035	0.040

Ratios

	2008	2009E	2010E
EBITDA margin	16.9%	17.2%	17.4%
ROI	12.9%	11.4%	11.6%
ROAE	13.3%	9.5%	9.9%
Debt/Equity	0.6	0.7	0.6
Debt/EBITDA	2.3	2.7	2.4

Valuation

	2008	2009E	2010E
P/E (x)	9.5	10.1	9.1
P/CF (x)	7.1	6.8	6.3
P/BV (x)	1.1	0.9	0.9
Dividend Yield	3.1%	3.1%	3.5%
EV/Sales (x)	1.0	1.0	1.0
EV/EBITDA (x)	6.1	6.0	5.5
EV/CE (x)	1.0	0.9	0.8

Source: Centrobanca estimates

A sound business mix and the “near shoring” development

We initiate coverage of Exprivia with a Buy recommendation and a target price of EUR1.30. Exprivia provides IT software, such as management and decision support applications, and IT services. Our positive view is based on the following: i) the group has a favourable business mix which could facilitate robust growth in sales in expansionary periods while protecting turnover in a downturn, ii) Exprivia has strong profitability which we believe could improve further through the development of remote management capabilities (“near shoring”) of the services provided and optimization of the recruitment policy; iii) we believe that the group will finalise new acquisitions or joint ventures, with particular attention to European developing markets, mainly by exploiting its skills in the health sector. These characteristics could help Exprivia to counteract the continuing uncertainty in the Italian IT market which could be impacted by i) the continuing challenging environment for new licence agreements and ii) the cultural gap relative to other European countries which could further weigh on the corporate propensity to invest. There are two main risks for Exprivia in our view: i) higher gearing than its peer group due to exposure to the public sector and ii) strict debt covenants which could be breached. At the current market price the stock trades at a P/E discount of ca. 15% which we believe to be unjustified given the higher profitability of the peer group but at an EV/EBITDA10 of 5.5x vs 5.1x for its peers that we attribute mainly to the higher net debt depending on the NWC. The stock pays a dividend with an expected yield of ca. 3.0%.

- The IT market in Italy is expected to decline by 7.4% YoY in FY09, while, over the next two years, the recovery could be gradual due to the pending enterprise budget lockdown and the general corporate reluctance to spend.
- Given its favourable business mix we believe that Exprivia could limit the decline in FY09 sales to -1.7%, but with EBITDA substantially unchanged. The EBITDA improvement we project for the next two years relies on the positive returns we expect from the development of the remote management of the IT services provided, which in coming years could help support the group’s profitability (expected to be 17.6% in 2011 vs 16.9% in FY08). Otherwise, the more modest improvement expected in net profit (2008-2011 CAGR of 0.2%) should derive from the higher tax burden strictly related to the labour intensive profile of the business mix. While the expected NWC trend could reflect the strong public sector related turnover, our forecast operating profit improvement could help reduce the group’s net debt.
- Our target price of EUR1.30 per share stems from the weighted average of a DCF valuation and a relative comparison based on P/E and EV/EBITDA. The DCF approach returns a fair value of EUR1.40 per share. Otherwise the relative approach delivers a fair value of EUR1.07 per share.

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Key Financials

(EURm)	2008	2009E	2010E	2011E
Revenues	90.3	88.8	93.0	97.8
EBITDA	15.3	15.3	16.2	17.2
EBIT	12.3	12.2	13.1	13.9
NOPAT	15.2	8.2	8.8	9.3
Free Cash Flow	-8.1	-3.4	3.3	3.7
Net Capital Employed	93.6	102.7	105.8	109.0
Shareholders' Equity	58.0	61.6	66.2	71.1
Net Financial Position	35.3	40.7	39.2	37.5

Source: Company data, Centrobanca estimates

Key Profitability Drivers

	2008	2009E	2010E	2011E
Capital Turnover	0.9	0.8	0.8	0.8
Financial Leverage	1.6	1.7	1.6	1.5
Net Profit Margin	7.6%	6.4%	6.8%	7.1%
NOPAT Margin	16.8%	9.2%	9.4%	9.5%
Free Cash Flow Margin	-9.0%	-3.8%	3.5%	3.8%
ROAE	13.3%	9.5%	9.9%	10.1%
ROI	12.9%	11.4%	11.6%	12.0%
ROCE	16.0%	7.7%	7.8%	8.0%

Source: Company data, Centrobanca estimates

Key Valuation Ratios

	2008	2009E	2010E	2011E
P/E (x)	9.5	10.1	9.1	8.2
P/BV (x)	1.1	0.9	0.9	0.8
P/CF (x)	7.1	6.8	6.3	5.9
Dividend Yield (%)	3.1%	3.1%	3.5%	3.9%
EV/Sales (x)	1.0	1.0	1.0	0.9
EV/EBITDA (x)	6.1	6.0	5.5	5.1
EV/EBIT (x)	7.6	7.4	6.8	6.3
EV/CE (x)	1.0	0.9	0.8	0.8

Source: Company data, Centrobanca estimates

Key Value Drivers

	2008	2009E	2010E	2011E
Payout	29.4%	31.2%	32.1%	32.1%
Cost of Equity	9.4%	9.4%	9.4%	9.4%
WACC	7.5%	7.4%	7.5%	7.6%
EP Spread	4.0%	0.1%	0.5%	0.8%
EVA Spread	10.1%	1.0%	0.9%	1.1%

Source: Company data, Centrobanca estimates

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I. Investment case

We initiate coverage of Exprivia, which provides IT software and services to the private, public and health sector, with a buy recommendation and a target price of EUR1.30 due to the following: i) a favourable business mix which protects turnover and operating margins during downturns, due to broad exposure to the PA, utility and health divisions (59.3% of 9M09 sales), but should also give positive returns in growth periods, due to the ca. 25% exposure to cyclical sectors. Most of group revenues (approximately 92%) come from consultancy and maintenance services mainly to public administration and the health sector, ii) a positive track record in acquisitions. Over the past two years the group has made several acquisitions which have strengthened its position in its core markets without absorbing much cash, iii) further expansion expected in and outside Italy. While we believe that in Italy the group will continue to make new acquisitions or joint ventures with public and private partners, outside Italy the group could try to replicate its positive Spanish experience either on a stand alone basis or, more probably, joining local companies, by exploiting its competitive skills in the health sector. In this way Exprivia could overcome one of its main weaknesses: its almost total exposure to the local market which, in term of capital expenditure and sales, lags well behind the main European countries. Furthermore, the group's DPS is sustainable, it benefits from good management and has a sound capital structure.

The IT market could return to growth gradually. In particular, in Italy, where FY09 could represent the bottom (-7.4% YoY), the enterprise budget lockdown and general corporate reluctance to spend could continue in coming years, when it might become difficult to sign new licence agreements. In this scenario, we believe that the group could benefit from its broad exposure to the PA, utility and health sectors which, while impacting negatively on NWC and net debt, should ensure steady returns, and so offset the weak trend expected for industrial activities. Services to the industrial sector, should also allow the group to benefit also from wider industrial recovery.

Given its favourable business mix, Exprivia's profitability is higher than many of its Italian and European peers, (FY08 EBITDA margin of 16.9% vs a market average of 9.9%). Restricting the comparison to Italian IT companies, the positive gap falls to 4.5% from 7.0% due to a much more comparable turnover mix. We expect the group to preserve this advantage due, amongst other things, to better management of costs achieved by remote management of services which could help restrain the increase in both logistic and labour costs. We believe that FY10 and FY11 sales growth, driven by the steady trend expected for the PA and the health sector related turnover could be supported by maintenance and consultancy services whereas third parties HW/SW and proprietary solutions could reflect a more moderate trend. Net profit could also benefit from facilitated lending that could help offset the tax burden relating to the labour intensive profile of the business mix. We expect FY09 leverage of 2.7x well above the 1.9x under revision covenant governing debt. According to our projections, leverage could fall to ca. 2.0x over the next two years.

Our EUR1.30 target price derives from the weighted average of a DCF and a relative valuation. At current market price the shares, trading at a ca. 15% discount on P/E10 are at a ca. 9% premium on EV/EBITDA10 that we attribute to the higher debt arising from substantial public related income.

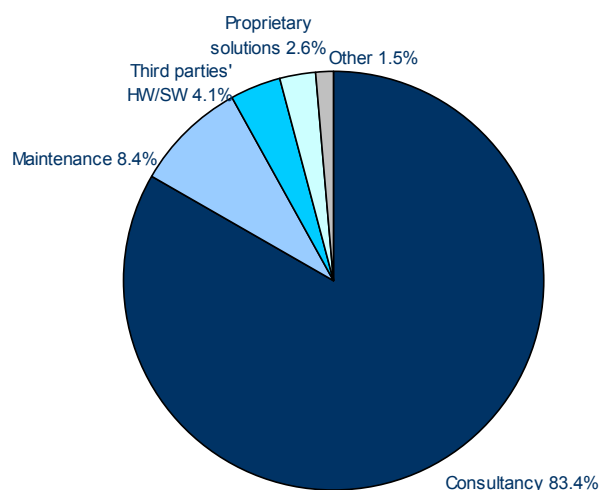
2. Company description

Exprivia is the product of the October 2005 merger of Abaco Information Service (the holding company which brought together the group's founders) and AISoftw@re (a high tech company established in late 1983) which provides IT software and services to the banking and finance, industry, telecommunication, utility, Oil & Gas, transport, public administration and health sectors. It develops and offers proprietary solutions, mainly to the banking and clinic-health sector, and solutions based on the main third party software platforms in the ERP (Enterprise Resource Planning), Business Intelligence, SOA (Service-Oriented Architecture), CRM (Customer relationship management) through project and application management models, carried out through specific organisational structures. In particular, Exprivia provides IT software, such as management and decision support applications, and IT services, such as system integration, consultancy, development and maintenance services, outsourcing and facilities management.

The group has 1,187 employees and 82 associates. While it is mainly exposed to Italy (approximately 100% of sales), Exprivia's revenues mainly come from consultancy and maintenance services (91.8% of 9M09 sales).

Exprivia has a customer base of ca. 400 clients. Its top 20 clients account for about 60% of its revenues. The group's top three clients account for about 25% of total sales.

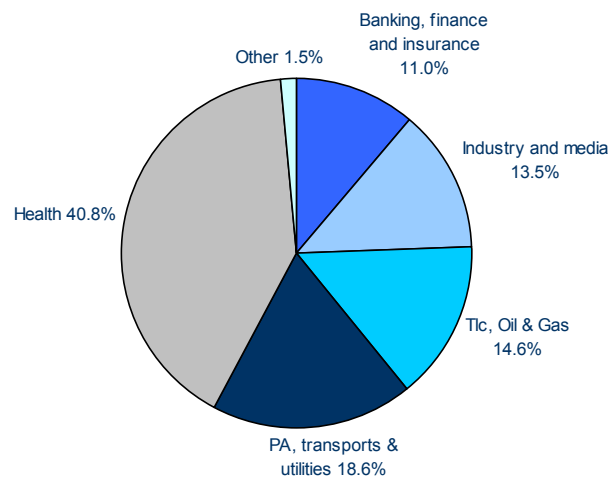
Figure 1. Exprivia – 9M09 sales by services



Source: Company data

The majority of Exprivia's revenues come from the health sector and Public Administration (including public utilities), which together account for ca. 60% of group sales. The high profitability business divisions are the health sector and the industry and the financial units which is strictly attributable to the provision of proprietary solutions.

Figure 2. Exprivia – 9M09 sales by business units



Source: Company data

Listed, as AISoftw@re, since 2000, Exprivia is controlled by Abaco Systems & Services srl (a company which brings together the group's founders).

Figure 3. Exprivia - Shareholders' structure

Shareholders	Capital (%)
Abaco Systems & Services srl	51.2%
Di Paola Domenico	6.7%
Almeid SA	2.6%
Free float	39.5%
Total	100.0%

Source: Consob

3. SWOT analysis

Strengths

i) The group is mainly exposed to anti-cyclical sectors, mainly represented by PA, utility and health sector. At the end of 9M09, both health, PA and utility related sales accounted for 59.3% of total turnover (vs. 55.5% of last year). Even though the strong reliance on these sales in the upturn could partially limit expected revenue growth, should the negative economic trend continue, we expect stable revenues which could defend group sales from a strong decline due also to lower exposure to downpricing, particularly evident in the industrial sector.

ii) The group's revenues mainly come from consultancy services (more than 80% of total revenues). Although profitability is lower because of its labour intensive profile, this activity is less tied to the economic trend than the high margin sale of licences. This should support the FY09 EBITDA margin (expected to be ca. 17.2% compared with 16.9% for FY08) and help sustain group margins which we expect could be strengthened through improved management of the services provided through the so called "near shoring" or remote management of the IT services.

iii) The group has sound profitability compared to its competitors in the IT sector. Despite the difficult economic environment, Exprivia closed 9M09 with total revenues down 2.2% YoY. 9M09 EBITDA was quite unchanged (-0.5% YoY), due to i) 3Q09 increased revenues from the PA and utility business unit (vs the steady trend recorded in 3Q09 by the health division), and ii) cost efficiencies arising from the development of the remote management of the services provided. We expect this trend to continue in coming months.

iv) The group's activity relies on the excellent technical skills of the labour force, which is mainly composed of graduates (ca. 90% of total).

Weaknesses

i) High exposure to the health and the PA sector implies longer term of payments with negative implications for net working capital. This could overshadow group net debt and the FY09 leverage, which we expect to be 2.7x from 2.3x in 2008 and well above the Net Debt/EBITDA current covenant of 1.9x.

ii) Exprivia is currently mainly exposed to the domestic market; Italy is the European country with the worst IT demand trend. Consequently, while closing the gap that has built up relative to other European countries could represent a potential opportunity, we fear that in the short term it represents a weakness, which could be mitigated by expansion abroad.

Opportunities

i) The group aims to strengthen its presence in strategic sectors. This goal has already been pursued by acquisitions and joint ventures favoured by the group's ability to combine small companies with good growth opportunities which otherwise would not be achievable. The latest being the acquisition of Datilog, which could be completed in IQ10, to expand further in the industrial sector. Datilog is an Italian company which provides WMS (warehouse management system) solutions in favour of the big warehouses and distribution centres (typical for large companies). Due to its 2007 and 2008 expansion strategy, the group has rapidly improved its market position. While in 2007, it was the 51st Italian company in terms of revenues, in 2008 it gained twelve places to be 39th.

ii) Further development in the public administration, where it still supplies companies like Poste Italiane, Enel, Anas and Sogei and in the health sector, where the group would like to offer its services also in regions other than Puglia.

iii) Developing remote management of IT services which imply strong cost efficiency strictly tied to the lower labour and structural costs required.

iv) Further development outside Italy, with particular attention to European developing markets where Exprivia could form joint ventures to exploit its skills in the health sector, repeating the positive Spanish experience, where, together with some local companies, the group has recently established a new company named Exprivia SL, which provides IT solutions and systems for the health sector.

Threats

i) The group operates in an extremely competitive market which is dominated by a relatively small number of large international companies.

ii) The group operates in a market that is largely dependant on economic growth. Consequently it could face the risk of a further postponement in IT expenditure in both the private and public sectors. Although the negative IT market trend is expected to peak this year, should the economy experience a more gradual recovery, further deferrals could negatively impact on the group's industry related income.

iii) Covenants breach. On May 2008, the group signed a medium term loan for EUR20.5 million with a pool of banks led by BNL. This loan is governed by strict covenants which could be breached. Fixed before the economic downturn of the past two years, these commitments are quite compelling. However it is worth noting that the recent FCF/DS covenant breach did not lead to requests for early repayment, thus confirming the company's sound banking relationships. While we believe that covenants could imminently be revised, should this review fail, the group could be forced to pay back the current residual credit line of EUR17.5 million.

Figure 4. Exprivia – Covenants governing the mid-term loan for EUR20.5 million signed on May2008

Date	Net debt/ EBITDA(x)	Net debt/ Equity (x)	Free cash flow/debt service* (x)	Total investments (EUR)
31.12.2008	2.3	0.6	1.0	3,5
30.06.2009	2.3	0.6	1.0	3,5
31.12.2009	1.9	0.5	1.0	3,5
30.06.2010	1.9	0.5	1.0	3,5
31.12.2010	1.6	0.5	1.0	3,5
30.06.2011	1.6	0.5	1.0	3,8
31.12.2011	1.2	0.5	1.0	3,8
30.06.2012	1.2	0.5	0.9	3,8
31.12.2012	1.0	0.5	0.9	3,8
30.06.2013	1.0	0.5	0.9	4,2
31.12.2013	1.0	0.5	1.0	4,2
30.06.2014	1.0	0.5	1.0	4,2
31.12.2014	1.0	0.5	1.0	4,2
30.06.2015	1.0	0.5	1.0	4,2
31.12.2015	1.0	0.5	1.0	4,2

Source: Company data; *Debt service in the sum of interests and principals

Figure 5. Exprivia – Leverage and gearing at 30 June 2009 and our projections

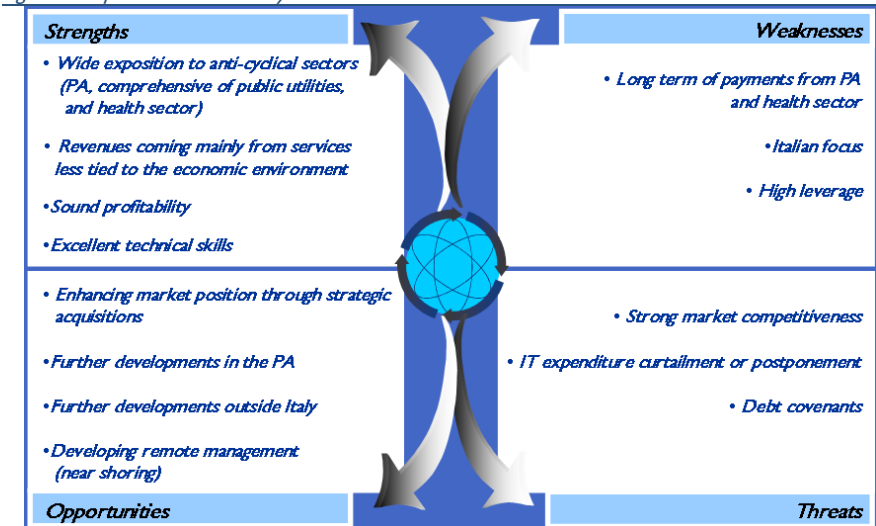
While under revision, the breach of the FCF/IDS covenant which happened in April did not result in requests for the early repayment of debt.

Date	Net debt/EBITDA	Net debt/Equity
30.06.2009	2.9	0.6
31.12.2009e	2.7	0.7
31.12.2010e	2.4	0.6
31.12.2011e	2.2	0.5

Source: Company data; Centrobanca estimates

This mid term debt is also governed by other limitations such as an interdiction on any payout higher than 50%. According to our projections the payout could fluctuate around 30%.

Figure 6. Exprivia - SWOT analysis



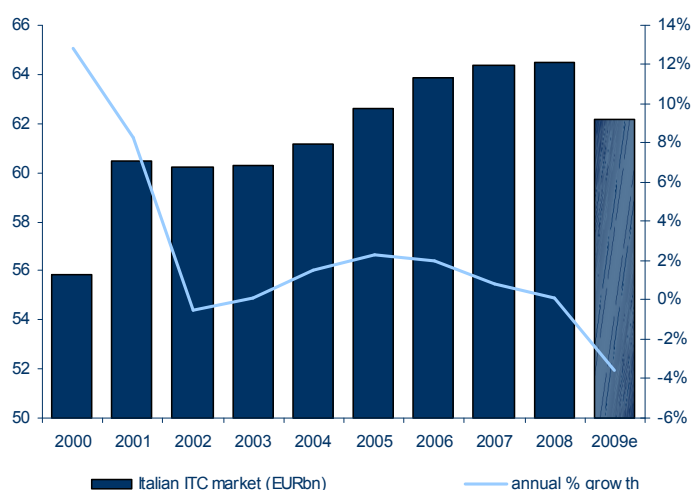
Source: Centrobanca

4. Market scenario

Exprivia is active in the IT market which is widely exposed to the broader economic environment. The Italian IT market, in the context of a weak broader economic environment, following the feeble increase recorded in 2008, closed 1H09 with a 9.0% YoY demand decline. ITC fell by 4.5% YoY. The decline was driven by the fall in hardware applications demand (down by 15.7% YoY) followed by IT services (down by 7.3% YoY) and software (down by 4.1% YoY).

The global economic downtrend is expected to have its greatest impact on the enterprise application software market this year, when, according to Assinform, IT demand could fall by ca. 7.4% YoY. The most severe decline could be experienced by hardware applications (-11.9% YoY) while services and software applications could limit the decrease to 6.7% and 3.6% YoY, respectively.

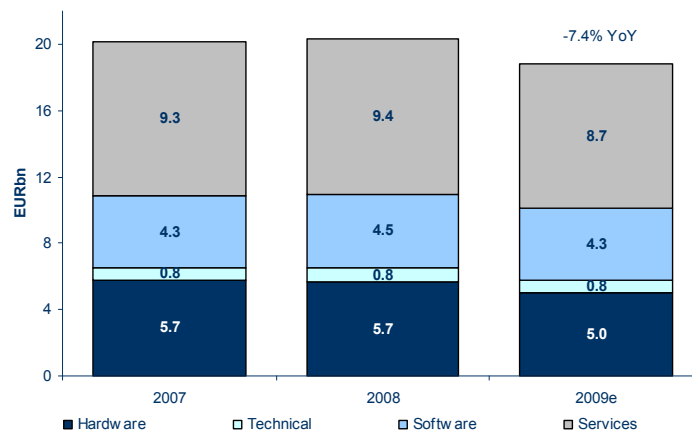
Figure 7. Exprivia – The Italian ITC market



Source: Assinform

Given the uncertainty of any economic recovery, the enterprise budget lockdown and the general corporate reluctance to spend could continue in coming years, when new licence agreements could be still challenging.

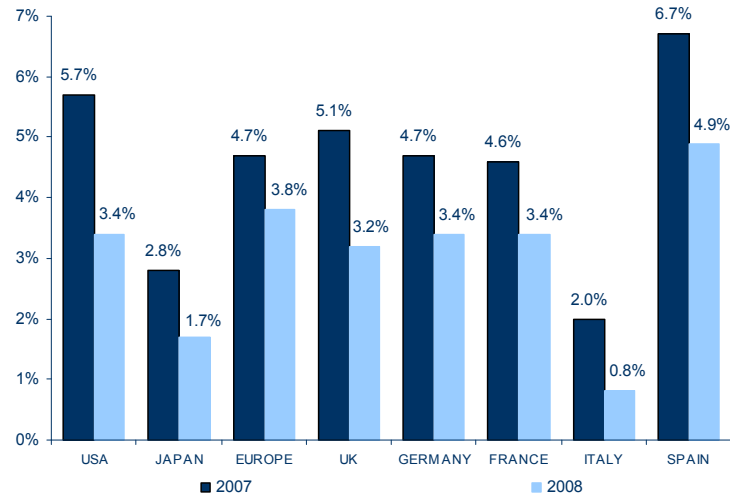
Figure 8. Exprivia – The Italian IT sales development by application



Source: Assinform

Due to the low IT capital expenditure (in 2008, only 2% of total GDP), the 2008 Italian IT performance was the worst of the main European and global markets.

Figure 9. Exprivia – IT sales development in main countries



Source: Assinform/NetConsulting

Proprietary solutions and third parties' hardware and software solutions are not the main drivers of the group sales which otherwise derives most of its revenues from consultancy and maintenance services. We believe that this product mix could protect the group's top line from a sharp drop.

High exposure to the PA, utility and health sectors should stabilize group revenues although it exposes the group to higher receivables.

In summary, we expect the decline in FY09 sales to be lower than the market (1.7% YoY vs 7.4% YoY expected for the market).

5. Recent developments

5.1. 9M09 results

Despite the continuing weak economic environment, Exprivia limited the decline in 9M09 sales to 2.3% YoY (vs an organic decline of approximately of 4.7%). This result was possible due to the positive trend recorded by the Health sector (up 10% YoY) and the positive improvement experienced by the PA, Transport and utilities division which, down 6% at the end of 9M09, revealed a 19% improvement in 3Q09 which stemmed from some long term deals beginning to generate revenues.

This 3Q09 positive result offset the decline experienced by the high cyclical sectors (-11.0% YoY). In particular, while the industrial and the TLC division (up 2.2% in 9M09) in 3Q09 were negatively impacted by the ongoing decline in IT expenditure (-7.3% YoY), the Bank & Finance division suffered from the new IT expenditure postponement relating delays in budget decisions (-7.8% drop in 3Q09, vs a cumulative 9M09 decline of 17.0%).

Figure 10. Exprivia – 9M09 sales breakdown by application and business unit

EURm	Sales 9M09	%	% chg YoY	Sales 9M08	%
Consultancy	50.7	83.4%	-5.2%	53.5	86.0%
Maintenance	5.1	8.4%	48.3%	3.4	5.5%
Third parties' HW/SW	2.5	4.1%	-6.9%	2.7	4.3%
Proprietary solutions	1.6	2.6%	-22.0%	2.0	3.2%
Other	0.9	1.5%	56.0%	0.6	1.0%
Total sales	60.8	100%	-2.3%	62.2	100%
Banking, finance and insurance	6.7	11.0%	-17.0%	8.1	13.0%
Industry and media	8.2	13.5%	2.2%	8.0	12.9%
PA, transports & utilities	11.3	18.6%	-5.7%	12.0	19.2%
Oil & Gas, TLC	8.9	14.6%	-18.9%	10.9	17.6%
Health	24.8	40.8%	9.7%	22.6	36.3%
Other	0.9	1.5%	56.0%	0.6	1.0%
Total sales	60.8	100%	-2.3%	62.2	100%

Source: Company data

Due to operating cost containment achieved by rationalising the operative network started in 1Q09 through the remote management of the services provided (near shoring), the group ended 9M09 with EBITDA in line with the same period of last year (-0.5% YoY), and a margin of 15.6% vs. 15.4% of last year.

Although EBIT (down 5.2%YoY) suffered from an increase in D&A related to 2008 capital expenditure, improved financial management limited the decline in pre-tax profit to 1.2%, but the EUR2.5 million taxes (equal to a tax rate of ca. 43% due to the labour intensive profile of the business mix) pushed the net profit down to EUR3.2 million (-32.1% YoY).

Despite the positive operating cash generation (ca. EUR2 million), the 9M09 net debt rose to EUR40.4 million following investments totalling EUR5.2 million (including the acquisition of AuroraWeb) and the dividend distribution of EUR2 million.

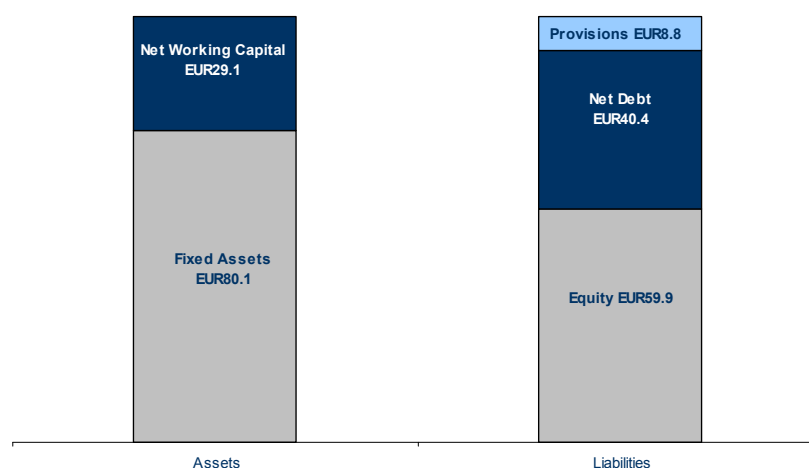
Figure 11. Exprivia – 9M09 P&L

EURm	9M09	% chg YoY	9M08
Sales	60.8	-2.3%	62.2
Other revenues and income	3.0	0.3%	3.0
Total Revenues	63.8	-2.2%	65.2
Raw materials	2.8	-3.5%	2.9
Labour costs	38.3	8.8%	35.2
Others	13.1	-24.9%	17.5
Total Costs	54.3	-2.5%	55.6
EBITDA	9.5	-0.5%	9.6
<i>EBITDA margin (%)</i>	<i>15.6%</i>	-	<i>15.4%</i>
D&A	-2.2	19.4%	-1.8
EBIT	7.3	-5.2%	7.7
<i>EBIT margin (%)</i>	<i>12.1%</i>	-	<i>12.4%</i>
Net financial charges	1.7	-0.2%	2.0
Pre-tax profit	-5.7	-1.2%	-5.7
Taxes	-2.5	nm	-1.0
Net profit/loss	3.2	-32.1%	4.7
<i>Net margin (%)</i>	<i>5.3%</i>	-	<i>7.6%</i>

Source: Company data

The majority of group net debt (ca. 67%) is represented by mid-term loans or concessional fundings. The group has long term debt of EUR20.5 million with a pool of banks headed by BNL governed by covenants.

Figure 12. Exprivia – 9M09 balance sheet structure



Source: Company data

5.2. Recent acquisitions

Over the past two years the group has strengthened its structure through several acquisitions. In particular the purchase of 100% of Wel.Network (a company with considerable experience in the provision of IT services mainly to the Industrial and Oil & Gas sectors), and that of Svimservice, a leading ITC company in the health sector which also provides development and management services to local public administration entities, which took place in August 2007.

The group completed three new acquisitions in 2008: Spegea and Exprivia SL, which were consolidated from 1 June 2008 and Network Services srl (from 1 November 2008).

Exprivia SL, is based in Madrid, and is dedicated to the development of IT solutions and systems for the health sector in the Spanish market. Exprivia has a controlling stake of 60%. The remaining 40% is held by Apotema BPM, a company which groups together a number of managers with international experience in IT management in the health sector.

Spegea, is a management school based in Bari, which organises and manages seminars and training courses for companies and public administration, in which Exprivia holds a controlling 60% stake. Spegea delivers an MBA master accredited by ASFOR.

Network Services srl, is totally owned by Exprivia, and it develops software projects and provides professional services.

In September 2008 the group approved the change of AEMEDIA srl, in which Exprivia originally held a 100% stake, to INFABER, a company which provides MES (Manufacturing Execution System) solutions. Due to the subsequent EUR0.1 million capital increase, underwritten by Exprivia for EUR0.045 million, the stake in INFABER fell from 100% to 50%.

In chronological terms (March 2009), the latest acquisition is AuroraWeb, the healthcare division of Siemens. This division, which has 21 employees, reported FY08 revenues of EUR3.6 million and an Ebitda margin of ca. 15%.

Otherwise, on 17 November, Exprivia signed a preliminary contract for the purchase of a 52% stake of Dalilog, a small company which supplies WMS (warehouse management system) solutions, with the aim of expanding further in the industrial market. Dalilog closed FY08 with revenues of EUR0.8 million (approximately 1% of FY08 Exprivia sales) and is expected to close FY09 with sales approximately down 4.4% YoY to ca. EUR0.78 million (o/w ca. 62% coming from maintenance services). This small acquisition could help the group strengthen its warehouse management business. Completion of this transaction is expected in 1Q10 for a consideration of EUR0.138 million.

Figure 13. Exprivia – Recent acquisitions main figures

The table below highlights the price paid and the main figures related to the period immediately prior to the acquisition.

	Date	Share %	Price paid (€m)	Sales	Ebitda	Ebit	Net profit	Net Debt
Wel.Network	08/2007	100%	9.5	21.7	1.8	1.4	0.4	2.30
Svimservice	08/2007	100%	22.0	19.8	4.4	3.8	1.5	-0.36
Spegea	05/2008	60%	0.30	1.7	-0.1	-0.2	-0.26	0.30
Exprivia SL	07/2008	60%	0.10	na	na	na	na	na
Infaber	09/2008	50%	0.05	na	na	na	na	na
Network Serv.	10/2008	100%	0.95	1.8	0.2	0.2	0.3	0.0
Aurora Web	05/2009	100%	2.16	3.6	0.5	na	na	na
Dalilog	11/2009*	52%	0.14	0.8	na	na	0.025	na

Source: Company data; * preliminary contract

6. Financial projections

Given that the majority of group revenues mostly arise in Italy and that the Italian IT market is the worst in Europe in terms of government expenditure and investments, we rule out any increase for the group FY09 sales which however could limit the decline to ca. 2% YoY (vs the 7.4% decline expected for the Italian market) due to i) broad exposure to the health and PA sector, ii) the lower weight of third parties' and proprietary solution related turnover widely offset by consultancy and maintenance sales, iii) a larger perimeter which we expect could positively augment FY09 sales by ca. EUR4.5 million.

Furthermore, due to low expectations of an IT recovery next year, we rule out a strong surge in sales for 2010 and 2011 (we forecast a CAGR for sales over 2008-2011 of 2.7%) but assume an increase of ca. 5.0% p.a. which stems from recent acquisitions, the recent successful completion of some tenders in the PA and steady growth in the health sector.

Furthermore, rapid economic recovery could help generate a higher increase in industrial sales which already benefit from customized relationships.

Due to tight cost controls and the development of remote management (which should ensure the control and provision of services from a central operational headquarters, thus reducing logistic and labour costs) we believe that the group could close FY09 with an EBITDA in line with 2008 and improving rapidly in coming years, together with a more careful recruitment policy both for employees and co-workers. Consequently, we believe that the EBITDA margin could rise from 16.9% in FY08 to 17.6% in 2011.

The steady trend expected for D&A and lower net financial charges, that we believe could come from the reduction of debt, should boost pre-tax profit. However, the tax burden, tied to the labour intense profile of the group's business mix, could limit the net profit improvement (2008-2011 e CAGR of 0.2%).

Driven by the higher capital expenditure tied to acquisition of AuroraWeb, and the payment of a dividend of EUR2 million, the FY09 net debt could rise by ca. 15% despite cash generation from operations of approximately EUR2.5 million.

In the coming years, the steady trend expected for NWC coupled with forecast lower capital expenditure and rising cash generation from operations could help lower net debt despite the expected payment of a dividend in each of the following two years of ca. EUR2 million.

The healthy cash generation expected in next two years should allow the company to make more acquisitions without damaging the financial structure.

Figure 14. Exprivia - 2009-2011 key consolidated sales

	2008	2009e	2010e	2011e
Consultancy	76.0	72.2	75.7	79.7
Maintenance	4.7	7.5	7.7	8.1
Third parties' HW/SW	5.7	5.5	5.8	6.0
Proprietary solutions	3.9	2.3	2.6	2.7
Other	0.0	1.3	1.3	1.4
Total sales	90.3	88.8	93.0	97.8
<i>% chg</i>	44.3%	-1.7%	4.8%	5.1%
Banking, finance and insurance	11.3	9.0	9.4	9.9
Industry and media	13.0	12.8	13.4	14.2
PA, transports & utilities	14.8	12.6	13.2	14.0
Oil and Gas and telecommunication	20.6	20.4	21.7	23.0
Health	29.6	32.7	34.0	35.3
Other	1.0	1.3	1.3	1.4
Total sales	90.3	88.8	93.0	97.8
Other revenues and income	5.6	5.6	5.6	5.6
Total revenues	96.0	94.5	98.6	103.4
<i>% chg</i>	47.8%	-1.6%	4.4%	4.8%

Source: Company data, Centrobanca

Figure 15. Exprivia - 2009-2011 key consolidated P&L figures

	2008	2009e	2010e	2011e
Total revenues	96.0	94.5	98.6	103.4
<i>% chg</i>	47.8%	-1.6%	4.4%	4.8%
Raw material	6.0	5.1	5.3	5.6
Labour costs	50.2	53.7	55.7	58.1
Other	24.6	20.4	21.4	22.5
Total costs	80.7	79.2	82.4	86.2
EBITDA	15.3	15.3	16.2	17.2
<i>EBITDA margin (%)</i>	16.9%	17.2%	17.4%	17.6%
D&A	3.0	3.1	3.1	3.3
EBIT	12.3	12.2	13.1	13.9
<i>EBIT margin (%)</i>	13.6%	13.7%	14.1%	14.3%
Financial income/charges	-3.2	-2.7	-2.6	-2.4
Pre-tax profit	9.1	9.5	10.5	11.6
Taxes	2.2	3.8	4.2	4.6
<i>Tax rate (%)</i>	24.0%	40.0%	40.0%	40.0%
Net profit/loss	6.9	5.7	6.3	6.9
<i>NET margin (%)</i>	7.6%	6.4%	6.8%	7.1%
Net debt	35.3	40.7	39.2	37.5
<i>Net debt/EBITDA</i>	2.3	2.7	2.4	2.2
<i>Net debt/Equity</i>	0.60	0.66	0.59	0.53

Source: Company data, Centrobanca; FY08 tax rate depends on past tax carry forward losses

7. Valuation

Our target price of EUR 1.30 per share is based on a the weighted average of a DCF and a relative valuation.

Our DCF valuation produces a fair value of EUR 1.40 per share, while the relative valuation based on the multiple comparison (P/E and EV/EBITDA) returns a fair value of EUR 1.07 per share. The lower weight we attribute to the relative valuation is due to the different business mix in comparison to that of Exprivia which is widely exposed to the public sector.

Figure 16. Exprivia – Valuation map

Valuation		Fair value (EUR)
1	DCF - 70%	1.40
2	Relative valuation - 30%	1.07
Weighted Average		1.30
	current market price	1.13
	upside / (downside) potential	+15.5%

Source: Centrobanca estimates for Exprivia, Factset consensus for competitors

7.1. DCF Valuation

Using our estimates, the DCF returns a fair value of EUR 1.40 per share.

Figure 17. Exprivia – WACC and DCF assumptions

Risk-free rate based on the current yield of the 10-year Italian Government Bond	4.30%
Market risk premium	4.00%
Beta	1.26
Cost of Equity – K (E)	9.4%
Lending spread	2.2%
Debt	25.0%
Equity	75.0%
Tax rate	33.0%
Net Cost of Debt – K (D)	4.4%
Weighted Average Cost of Capital (WACC)	8.1%
Perpetuity growth rate	1.0%

Source: Centrobanca estimates

Figure 18. Exprivia – DCF valuation

Free Cash Flow 2009E-2014E (EURm)	39.0
(A) Discounted free cash flow 2009E-2014E (EURm)	28.0
Free Cash Flow terminal year (EURm)	9.7
WACC	8.1%
Terminal Value (EURm)	136.9
(B) Discounted Terminal Value (EURm)	85.8
Value of Operating activities (A+B) (EURm)	113.8
Net Debt FY08 (EURm)	-35.3
Pension provisions (EURm)	-7.4
Minorities (EURm)	-0.4
Treasury shares (EURm)	0.4
Equity Value (EURm)	71.1
Number of shares (m)	50.7
Value per share (EUR)	1.40

Source: Centrobanca estimates

Figure 19. Exprivia – DCF sensitivity

	0.25%	0.50%	0.75%	1.00%	1.25%	1.50%	1.75%
7.4%	1.42	1.48	1.55	1.62	1.70	1.78	1.87
7.6%	1.36	1.41	1.48	1.54	1.61	1.69	1.77
7.9%	1.30	1.35	1.41	1.47	1.54	1.61	1.69
8.1%	1.24	1.29	1.35	1.40	1.46	1.53	1.60
8.4%	1.19	1.24	1.29	1.34	1.40	1.46	1.53
8.6%	1.14	1.18	1.23	1.28	1.33	1.39	1.45
8.9%	1.09	1.13	1.18	1.23	1.28	1.33	1.39

Source: Centrobanca estimates

7.2. Relative Valuation

The group which has a better than average profitability but higher leverage linked to its broad exposure to the public sector and the acquisitions completed in recent years, at current market price trades at a 5.5x EV/EBITDA10 vs 5.1x of peers that we believe is attributable to the higher net debt.

In Italy the main competitors of the group are NoemaLife, a company which aims to enhance clinical processes through the workflow automation and the process management, and Engineering which, with a market share of 11%, is the leading Italian company in the healthcare sector.

Figure 20. Exprivia – EBITDA margin vs main peers

(x)	EBITDA MARGIN (%)			NFP/EBITDA (x)			EPS CAGR
	2009e	2010e	2011e	2009e	2010e	2011e	08-11
Steria (Groupe)	8.9%	9.2%	9.8%	1.4	1.4	1.1	2.9%
Computacenter	3.5%	3.0%	3.4%	0.6	-0.1	-0.3	10.6%
Sopra Group	8.5%	8.7%	9.6%	1.7	1.7	1.3	0.6%
Ordina	6.6%	8.2%	8.9%	2.1	1.2	0.9	nm
GFI Informatique	5.0%	5.8%	6.4%	1.7	2.7	2.2	14.2%
Devoteam	7.1%	7.8%	8.6%	-0.8	-0.7	-0.9	5.6%
Tieto Oyj	8.9%	10.9%	12.0%	0.6	0.6	0.2	2.0%
Kewill	17.0%	18.2%	19.3%	-0.5	-1.4	-1.8	3.1%
Cap Gemini	9.2%	9.2%	9.8%	-0.9	-1.1	-1.4	nm
Atos Origin	9.4%	10.0%	10.8%	0.6	0.5	0.3	7.5%
Logica	8.4%	8.7%	9.0%	1.4	1.2	0.9	2.8%
Reply	12.3%	12.3%	12.9%	0.4	0.1	-0.3	1.3%
Engineering	12.1%	12.4%	12.9%	0.2	0.1	-0.1	16.1%
NoemaLife	18.9%	20.0%	20.5%	2.4	2.0	1.7	15.3%
TXT E Solutions	1.8%	13.8%	14.2%	nm	1.1	0.8	nm
Average ex-Exprivia	9.2%	10.6%	11.2%	1.1	0.6	0.3	5.8%
Exprivia	17.2%	17.4%	17.6%	2.7	2.4	2.2	0.2%

Source: Centrobanca estimates for Exprivia, TXT and Engineering, Factset for competitors

Figure 21. Exprivia – P/E and EV/EBITDA vs main peers

The group trades at an EV/EBITDA10 of 5.5x vs 5.1x for its peers which we attribute to the higher net debt coming from broad exposure to the PA, utility and health sectors. Otherwise we believe that the ca. 15% discount on P/E is not justified in the view of the group's higher profitability.

(x)	P/E			EV/EBITDA		
	2009e	2010e	2011e	2009e	2010e	2011e
Steria (Groupe)	11.3	9.8	8.8	5.4	4.9	4.1
Computacenter	10.9	10.1	9.0	4.7	5.1	4.6
Sopra Group	11.9	10.5	8.7	7.2	6.7	5.4
Ordina	11.0	10.4	9.0	7.7	6.4	5.1
GFI Informatique	nm	9.2	6.6	7.2	5.8	5.0
Devoteam	13.7	9.9	8.2	5.2	4.3	3.2
Tieto Oyj	13.6	11.8	10.0	7.6	5.6	4.7
Kewill	10.8	10.3	10.7	8.3	7.0	5.8
Cap Gemini	14.3	14.1	11.9	4.9	4.8	3.9
Atos Origin	12.0	10.6	9.0	4.7	4.2	3.4
Logica	10.7	10.1	9.3	7.4	6.9	6.1
Reply	8.8	8.3	7.8	3.6	3.1	2.5
TXT E Solutions	9.3	8.8	7.7	3.7	3.7	3.4
Engineering	13.4	11.0	11.2	5.3	4.4	3.9
NoemaLife	nm	14.9	11.2	nm	3.3	2.8
Average ex-Exprivia	11.7	10.7	9.3	5.9	5.1	4.3
Exprivia	10.1	9.1	8.2	6.0	5.5	5.1
premium/(discount)	-13.6%	-14.8%	-11.1%	0.9%	8.6%	19.7%

Source: Centrobanca estimates for Exprivia, TXT and Engineering, Factset for competitors

Figure 22. Exprivia – Exprivia vs the Italian peers



Source: Factset

Income Statement

(EURm)	2008	2009E	2010E	2011E
Net Revenues	90.3	88.9	93.0	97.8
EBITDA	15.3	15.3	16.2	17.2
EBITDA margin	16.9%	17.2%	17.4%	17.6%
EBIT	12.3	12.2	13.1	13.9
EBIT margin	13.6%	13.7%	14.1%	14.3%
Net financial income /expense	-3.0	-2.7	-2.6	-2.4
Associates & Others	-0.1	0.0	0.0	0.0
Profit before taxes	9.1	9.5	10.5	11.6
Taxes	-2.2	-3.8	-4.2	-4.6
Minorities & discontinued ops	0.0	0.0	0.0	0.0
Net Income	6.9	5.7	6.3	6.9

Source: Company data, Centrobanca estimates

Balance Sheet

(EURm)	2008	2009E	2010E	2011E
Net working capital	25.2	31.4	31.9	32.8
Net Fixed assets	77.0	80.0	82.7	85.2
M/L term funds	8.6	8.7	8.9	9.0
Capital employed	93.6	102.7	105.8	109.0
Shareholders' equity	58.0	61.6	66.2	71.1
Minorities	0.4	0.4	0.4	0.4
Shareholders' funds	58.3	62.0	66.5	71.5
Net financial debt/(cash)	35.3	40.7	39.2	37.5

Source: Company data, Centrobanca estimates

Cash Flow Statement

(EURm)	2008	2009E	2010E	2011E
NFP Beginning of Period	33.7	35.3	40.7	39.2
Group Net Profit	6.9	5.7	6.3	6.9
Minorities	-0.0	0.0	0.0	0.0
D&A	3.0	2.9	2.9	3.0
Change in Funds & TFR	-0.7	-0.1	-0.2	-0.2
Gross Cash Flow	9.2	8.4	9.1	9.8
Change In Working Capital	-12.1	-5.9	-0.2	-0.5
Other	0.0	0.0	0.0	0.0
Operating Cash Flow	-2.8	2.5	8.9	9.2
Capex	-5.3	-5.9	-5.6	-5.5
Other Investments	0.0	0.0	0.0	0.0
Disposals	0.0	0.0	0.0	0.0
Free Cash Flow	-8.1	-3.4	3.3	3.7
Dividends Paid	0.0	-2.0	-1.8	-2.0
Other & Chg in Consolid. Area	1.1	0.0	0.0	0.0
Chg in Net Worth & Capital Incr.	5.4	0.0	-0.0	0.0
Change in NFP	-1.6	-5.4	1.5	1.7
NFP End of Period	35.3	40.7	39.2	37.5

Source: Company data, Centrobanca estimates

Financial Ratios

(%)	2008	2009E	2010E	2011E
Net Margin	7.6%	6.4%	6.8%	7.1%
ROE	13.3%	9.5%	9.9%	10.1%
ROIC - after tax	16.0%	7.7%	7.8%	8.0%
Net Fin. Debt/Equity (x)	0.6	0.7	0.6	0.5
Net Fin. Debt/EBITDA (x)	2.3	2.7	2.4	2.2
NOPAT (EURm)	15.2	8.2	8.8	9.3
ROACE	17.6%	8.3%	8.4%	8.7%

Source: Company data, Centrobanca estimates

Per Share Data

(EUR)	2008	2009E	2010E	2011E
EPS	0.136	0.112	0.124	0.137
DPS	0.040	0.035	0.040	0.044
Op. CFPS	-0.056	0.049	0.175	0.182
Free CFPS	-0.160	-0.067	0.064	0.074
BVPS	1.143	1.215	1.305	1.402

Source: Company data, Centrobanca estimates

Stock Market Ratios

(x)	2008	2009E	2010E	2011E
P/E	9.5	10.1	9.1	8.2
P/OpCFPS	nm	nm	6.5	6.2
P/Free CFPS	nm	nm	17.6	15.3
P/BVPS	1.1	0.9	0.9	0.8
Div. Yield (%)	3.1%	3.1%	3.5%	3.9%
Free Cash Flow Yield (%)	nm	nm	5.7%	6.5%
EV (EURm)	93.8	90.8	89.1	87.2
EV/Sales	1.0	1.0	1.0	0.9
EV/EBITDA	6.1	6.0	5.5	5.1
EV/EBIT	7.6	7.4	6.8	6.3
EV/Capital Employed	1.0	0.9	0.8	0.8

Source: Company data, Centrobanca estimates

Growth Rates

(%)	2008	2009E	2010E	2011E
Growth Group Net Sales	44.3%	-1.7%	4.8%	5.1%
Growth EBITDA	65.8%	0.0%	6.4%	5.9%
Growth EBIT	76.0%	-0.4%	7.2%	6.5%
Growth Net Profit	174.7%	-17.7%	11.0%	10.1%

Source: Company data, Centrobanca estimates

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