

COMPANY HIGHLIGHTS

28 March 2012

EXPRIVIA

Sector: Packaged Software

TITLE: GROWING SALES OUTSIDE ITALY, SYNERGIES AND CROSS SELLING AHEAD (UPDATE)

MARKET PRICE (EUR): 0.71

MARKET CAP (EURM): 37.0

TARGET PRICE (EUR): 1.15 (FROM EUR1.00)

RATING: BUY (MAINTAINED)

We were impressed by 4Q11 results which revealed an improving trend compared to 3Q11 with sales rising 20% but EBITDA up 18.8% YoY. The sales increase was expected but we were positively surprised by the recovery in profitability. The EBITDA margin rose to 17.1% (from 6.8% in 3Q11) mostly due to the positive contribution of Realtech (EBITDA achieved break-even following operating losses in Q2 and Q3), and seasonal effects. We believe this trend could continue in 2012 when we believe EBITDA could rise to EUR16.5 million (with a margin of 12%). We have kept our 2013 sales estimates unchanged but we have fine-tuned EBITDA estimates by EUR1 million, as we believe that the ongoing growth could require a greater effort to contain operating costs. We have extended our forecasts to 2014 assuming a sales CAGR11-14E of 12.4% which raise to 19.5% for EBITDA as we believe that in 2014 synergies and cost efficiency could lift the EBITDA margin to 14%. Our 2012-2014 net profit estimates imply an even higher CAGR (38.3%) due to the positive effects we expect from the deductibility of IRAP from IRES tax base. Our new estimates underpin a new target price of EUR1.15 per share (from EUR1.0 per share), despite cautious assumptions for second stage of the DCF valuation to factor in the uncertain economic scenario. We confirm our Buy recommendation as we believe that the group could increasingly benefit from growing exposure outside Italy and increased synergies and cross selling activities.

- Exprivia's total sales rose 20.3% to EUR36.3 million in 4Q11 due to a positive contribution from each sector apart from the health division down 29.4% in the period due to i) lower sales of third parties hardware and software applications and ii) changes in some multi-year contracts. International sales contributed EUR2.2 million to total sales (representing 6.4% of the total). EBITDA was EUR6.2 million (up 18.8% YoY) despite additional operating costs of EUR5 million related to integration activities and high investment in personnel. The net profit of EUR2.54 million also benefited from a lower tax rate (ca. 43% from 45% in 4Q10), allowing a DPS of EUR0.031 per share (yield of 4.3%).

- Following publication of 4Q11/FY11 results we have increased our EBITDA 2012-2013 estimates by 6.6% to factor in the increasing contribution we expect from Realtech and additional gains related to lower integration costs. Our 2012 EBITDA margin estimate rises to 12.0% from our previous estimate of 11.3%. Our net profit estimate rises to EUR4.4 million from our previous estimate of EUR3.4 million due to the incorporation of a better tax rate.

- We reiterate our Buy recommendation as we strongly appreciate the ongoing growth process which successfully combines internal and external growth and increased visibility of sales despite the weak trend in the Italian market (in FY11 down 4.1% vs an average increase in Europe of 0.5%). The share trades at ca. 17% discount to peers.

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Key figures

KEY FINANCIALS

EUR million	2011	2012E	2013E	2014E
Revenues	115.8	132.3	148.3	164.3
EBITDA	13.9	16.5	19.9	23.7
EBIT	10.9	13.1	16.6	20.3
Net Profit	3.4	4.4	6.9	9.0
Net Debt	44.4	40.5	40.2	38.0
Shareholders Equity	67.0	70.1	75.2	82.2

EV/VALUATION RATIO

	2011	2012E	2013E	2014E
EV/EBITDA (x)	5.29	4.21	3.46	2.81
EV/EBIT (x)	6.75	5.29	4.16	3.27
EV/Sales (x)	0.63	0.52	0.46	0.41

PER SHARE/VALUATION RATIO

	2011	2012E	2013E	2014E
EPS (EUR)	0.07	0.09	0.13	0.17
P/E (x)	10.90	8.32	5.37	4.12
DPS (EUR)	0.03	0.03	0.04	0.04
Dividend Yield (%)	4.3%	4.8%	5.3%	5.6%
P/CF (x)	5.97	4.62	3.54	2.95
P/BV (x)	0.55	0.53	0.49	0.45

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