

Company Update

Hold (maintained)

03 September 2012

MARKET PRICE: EUR0.58

TARGET PRICE: EUR0.61 (from EUR0.59)

Data

Shares Outstanding (m):	51.9
Market Cap. (EURm):	30.1
Enterprise Value (EURm):	85.0
Free Float (%):	40.9%
Av. Daily Trad. Vol. (m):	0.041
Main Shareholder:	Abaco Systems srl (49.9%)
Reuters/Bloomberg:	XPR.MI XPR.IM
52-Week Range	EUR0.5 EUR0.8

Performance

	1m	3m	12m
Absolute	13.3%	10.6%	-20.3%
Rel. to FTSE IT	4.8%	-4.5%	-18.0%

Financials

	2011	2012E	2013E
Revenues (EURm)	115.8	132.3	148.3
EBITDA (EURm)	13.9	13.0	16.5
Net Profit (EURm)	3.4	2.3	4.6
EPS (EUR)	0.066	0.045	0.090
CFPS (EUR)	0.120	0.105	0.146
BVPS (EUR)	1.298	1.313	1.381
DPS (EUR)	0.031	0.021	0.033

Ratios

	2011	2012E	2013E
EBITDA margin	11.5%	9.5%	10.8%
ROI	9.1%	7.9%	10.8%
ROAE	5.1%	3.5%	6.7%
Debt/Equity	0.6	0.7	0.6
Debt/EBITDA	3.2	3.5	2.7

Valuation

	2011	2012E	2013E
P/E (x)	13.3	12.9	6.5
P/CF (x)	7.3	5.5	4.0
P/BV (x)	0.7	0.4	0.4
Dividend Yield	3.6%	3.7%	5.7%
EV/Sales (x)	0.9	0.6	0.6
EV/EBITDA (x)	7.1	6.5	5.1
EV/CE (x)	0.9	0.7	0.7

Source: Centrobanca estimates

Profitability recovers but high exposure to Italy remains

After a poor first quarter, 2Q12 results showed a sound recovery in terms of profitability and a better than expected improvement in net debt due to higher margins and cash in of EUR3.4 million for the supply of a new system to computerise the health facilities in Puglia. We are leaving our full year sales and EBITDA estimates unchanged as we believe that they reflect the ongoing trend. However, our net profit estimate moves to EUR2.3 million from EUR1.3 million as we now assume that the benefits deriving from the application of the deductibility of IRAP from the IRES base could be higher than we had previously estimated. We believe that the recovery in profitability in the second quarter is sustainable for the remainder of the year and that the group could also benefit from the rebound we expect at Realtech (which in 2Q12 reported an EBITDA of EUR0.1 million corresponding to a margin of ca. 4% compared to a loss in 1Q12), lower integration costs and the continuous positive contribution of Sispa. This is despite still high labour costs tied to the group expansion and the ongoing reorganization to improve management of the increasing exposure to foreign markets. We confirm our Hold recommendation on the stock (with a new target price of EUR0.61 per share from EUR0.59 per share) as we believe that our estimates already reflect the improving margin momentum while the strong exposure to the Italian market, to the PA and to the Italian health system could jeopardize the future margin recovery.

- Exprivia closed 2Q12 with sales of EUR34.3 million (VoP of EUR35.4 million), EBITDA of EUR3.5 million and net profit of EUR0.87 million. Sales benefited from the positive sales trend of each unit in the quarter, which, apart from the health and local bodies division (down 13.5%), reported double digit increases. In 2Q12, additional sales from companies purchased in late 2010 and in 2011 were ca. EUR7.0 million and they added ca. EUR0.7 million to EBITDA. Net debt was EUR41.6 million due to both the recovery in profitability and the improvement in NWC and despite a lower recourse to factoring.
- Despite the reference market remain weak (the IT Italian market in 2011 was down 4.1% and could close 2012 with a further decline of 3.1%), we confirm our full year estimates for sales and margins as, in our view, they could also benefit from the launch of several projects in the second part of the year (in 1H12 they were impacted by uncertainties related to the government's spending review decisions).
- We believe the new measures under consideration in Italy (known as Agenda Digitale Italiana) to regain competitiveness are unlikely to have a positive effect in the short term but could represent an interesting trigger for stock performance in the medium and long term.

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Key Financials

(EURm)	2011	2012E	2013E	2014E
Revenues	115.8	132.3	148.3	164.3
EBITDA	13.9	13.0	16.5	19.9
EBIT	10.9	9.8	13.6	16.6
NOPAT	7.3	6.6	9.1	11.1
Free Cash Flow	-3.0	0.4	2.2	2.2
Net Capital Employed	112.9	114.7	117.1	121.2
Shareholders' Equity	67.2	67.9	71.5	76.1
Net Financial Position	44.4	45.6	44.5	44.0

Source: Company data, Centrobanca estimates

Key Profitability Drivers

	2011	2012E	2013E	2014E
Capital Turnover	0.9	1.1	1.2	1.2
Financial Leverage	1.7	1.7	1.6	1.6
Net Profit Margin	2.8%	1.7%	3.0%	3.7%
NOPAT Margin	6.3%	5.0%	6.1%	6.8%
Free Cash Flow Margin	nm	0.3%	1.5%	1.3%
ROAE	5.1%	3.5%	6.7%	8.6%
ROI	9.1%	7.9%	10.8%	12.8%
ROCE	6.1%	5.3%	7.2%	8.6%

Source: Company data, Centrobanca estimates

Key Valuation Ratios

	2011	2012E	2013E	2014E
P/E (x)	13.3	12.9	6.5	4.7
P/BV (x)	0.7	0.4	0.4	0.4
P/CF (x)	7.3	5.5	4.0	3.1
Dividend Yield (%)	3.6%	3.7%	5.7%	6.0%
EV/Sales (x)	0.9	0.6	0.6	0.5
EV/EBITDA (x)	7.1	6.5	5.1	4.2
EV/EBIT (x)	9.1	8.6	6.2	5.0
EV/CE (x)	0.9	0.7	0.7	0.7

Source: Company data, Centrobanca estimates

Key Value Drivers

	2011	2012E	2013E	2014E
Payout	47.3%	47.1%	36.8%	28.6%
Cost of Equity	9.9%	9.9%	9.9%	9.9%
WACC	8.1%	8.1%	8.2%	8.2%
EP Spread	-4.8%	-6.4%	-3.2%	-1.3%
EVA Spread	-1.4%	-2.3%	-0.3%	1.1%

Source: Company data, Centrobanca estimates

Recent Developments

- Exprivia closed 2Q12 with sales of EUR34.3 million (up 15.3%) and EBITDA of EUR3.5 million (a margin of 10% compared to 3.0% in 1Q12 and in line with that reported in 2Q11 despite the additional charges for labour costs). Net income was EUR0.87 million from EUR0.97 million in 2Q11 due to higher taxes linked to the higher labour costs (the pre-tax profit was up ca. 24%).
- Net debt was EUR41.6 million and well below that of EUR49.1 million reported at the end of March. This was due to the recovery in profitability, the reduction in works in progress and the cash in of EUR3.4 million for the delivery of a new system to computerise the health facilities in Puglia.

2Q12 sales were EUR34.3 million (up 15.3%) and VoP was EUR35.4 million due to the very positive trend in the utility division (up ca. 33%YoY), the recovering trend in the financial unit (+67%) and the increased sales from Spain and Central America (up 45.5%). In the quarter, revenues from Prosap, Realtech, Sispa and Exprivia do Brazil were EUR7.0 million (ca. 20% of total sales).

Figure 1. Exprivia - 2Q/1H12 sales breakdown

(EURm)	2Q11A	2Q12A	% Chg.	1H11A	1H12A	% Chg.
Bank, Finance and Insurance	3.1	5.3	66.9%	5.5	9.9	79.8%
Industry and Media	4.6	4.6	0.3%	7.8	9.1	17.3%
Oil, Gas and Telco	3.7	3.9	5.8%	6.6	7.4	13.0%
PA, Transports & Utilities	6.9	9.1	32.6%	10.9	16.0	47.3%
Health and Local Bodies	8.7	7.5	-13.5%	17.1	15.3	-10.4%
Spain and Central America	2.3	3.3	45.5%	4.3	5.7	34.6%
Other	0.5	0.6	27.3%	0.9	1.1	22.2%
Sales	29.7	34.3	15.3%	53.0	64.6	22.0%

Source: Company data

Driven by the increase in sales, 2Q12 EBITDA was EUR3.5 million (with a margin in line with that of 2Q11 and our estimates but better than the weak figure of 3.0% in 1Q12). Lower D&A pushed EBIT up to EUR3.0 million and pre-tax profit up to EUR2.33 million despite higher financial charges.

Figure 2. Exprivia - 2Q12 results

(EURm)	2Q11A	2Q12A	% Chg.	2Q12E	delta vs CB	1H11A	1H12A	% Chg.
Sales	29.7	34.3	15.3%	34.0	0.9%	53.0	64.6	22.0%
VoP	31.4	35.4	12.6%	34.7	2.0%	55.9	66.4	18.8%
EBITDA	3.1	3.5	13.2%	3.4	2.8%	5.7	4.5	-22.1%
EBITDA margin (%)	10.0%	10.0%		9.9%		10.3%	6.7%	
D&A	-0.74	-0.52	-28.7%	-0.63	-16.8%	-1.4	-1.8	26.1%
EBIT	2.39	3.02	26.1%	2.82	7.2%	4.3	2.7	-37.7%
EBIT margin (%)	7.6%	8.5%		8.1%		7.8%	4.1%	
Net Financial Charges	-0.52	-0.69	32.2%	-0.73	-6.1%	-0.8	-1.4	69.7%
Pre-Tax Profit	1.87	2.33	24.4%	2.08	11.8%	3.5	1.3	-62.3%
Taxes and minorities	-0.90	-1.46	62.1%	-1.46	-0.1%	-2.2	-1.9	-14.2%
Net Income	0.97	0.87	-10.3%	0.82	7.0%	1.2	-0.6	nm
Net Debt	44.8	41.6	-7.2%	46.7	-10.9%	44.8	41.6	-7.2%

Source: Company data, Centrobanca estimates

Financial Projections

- Following 2Q/IH12 results, we have left our 2012 sales and EBITDA estimates unchanged as we believe that our full-year projections reflect the recovering trend expected in profitability and the positive momentum of sales which could also benefit in the second half from the disappearance of uncertainties concerning the government spending review, which in IH12 delayed the start of some projects.
- However, we have increased our net profit estimate to EUR2.3 million from EUR1.3 million due to a change in the tax projections. We are now assuming FY12 taxes of ca. EUR4.7 million (from the previous estimate of EUR5.7 million), due to the better impact we expect from the deductibility of IRAP from the IRES tax base.
- Apart from a fine tuning of our net debt estimates (which derives from an estimated slight improvement in NWC and some changes to our DPS assumptions), our FY13 and FY14 estimates remain broadly unchanged.

As already stated, the recovery in terms of profitability could depend on several factors that we believe are i) the full year contribution of Sispa, which has a margin of ca. 20% and, in our view, could add ca. EUR1.4 million to EBITDA12, ii) the improving performance of Realtech, which in 2Q12 reported an EBITDA of EUR0.1 million (a margin of ca. 4.0%) compared to a net loss in IQ12 and could add ca. EUR0.2 million to EBITDA12 and iii) some efficiency gains related to lower integration costs. We confirm our FY12 EBITDA margin estimate of 9.5%, which remains below that of 11.5% reported by the group in FY11 due to the higher labour costs for the ongoing reorganization (which requires the employment of skilled persons) and the implementation of some projects developed in recent years (e.g. "Edotto" the health information system to computerise the health facilities of the Puglia region) which require the recruitment and training of new technicians.

Figure 3. Exprivia – Revised estimates

(EURm)	2011A	2012E		2013E		2014E	
		Old	New	Old	New	Old	New
Sales	115.8	132.3	132.3	148.3	148.3	164.3	164.3
% change			0.0%		0.0%		0.0%
VoP	120.6	137.3	137.3	153.3	153.3	169.3	169.3
% change			0.0%		0.0%		0.0%
EBITDA	13.9	13.0	13.0	16.5	16.5	19.9	19.9
% change			0.0%		0.0%		0.0%
Net profit	3.4	1.3	2.3	4.6	4.6	6.3	6.3
% change			78.6%		0.0%		0.0%
Net Debt	44.4	46.3	45.6	45.9	44.5	43.9	44.0
% change			-1.5%		-3.1%		0.1%
EPS (EUR)	0.07	0.03	0.05	0.09	0.09	0.12	0.12
% Change			78.6%		0.0%		0.0%

Source: Company data, Centrobanca estimates

Our FY12 expectations imply 2H12 total sales (or VoP) of EUR70.9 million (up 9.5%) and an EBITDA of EUR8.5 million, compared to EUR8.1 million in 2H11, despite higher labour costs. We estimate a 2H12 net profit of EUR2.9 million and net debt of EUR45.6 million. It should be noted that the lower tax estimate in 2012 compared to that of 2011 (despite higher labour costs) derives from the better impact on the tax rate that we expect from the deductibility of IRAP from the IRES tax base.

Figure 4. Exprivia – 2H/FY12 results preview

(EURm)	2H11A	2H12E	% Chg.	FY11A	FY12E	% Chg.
Sales	62.8	67.6	7.7%	115.8	132.3	14.3%
VoP	64.7	70.9	9.5%	120.6	137.3	13.8%
EBITDA	8.1	8.5	4.6%	13.9	13.0	-6.5%
EBITDA margin (%)	12.6%	12.0%		11.5%	9.5%	
D&A	-1.6	-1.4	-12.7%	-3.0	-3.2	5.4%
EBIT	6.6	7.1	8.8%	10.9	9.8	-9.7%
EBIT margin (%)	10.1%	10.1%		9.0%	7.2%	
Net Financial Charges	-1.4	-1.5	8.4%	-2.2	-2.9	30.9%
Pre-Tax Profit	5.2	5.6	8.9%	8.7	6.9	-20.0%
Taxes and minorities	-3.0	-2.7	-9.4%	-5.3	-4.6	-12.9%
Net Income	2.2	2.9	33.6%	3.4	2.3	-31.2%
Net Debt	44.4	45.6	2.7%	44.4	45.6	2.7%

Source: Company data, Centrobanca estimates

Valuation

- Our target price of EUR0.61 per share (from EUR0.59 per share) derives from a DCF method and a relative valuation. Our DCF method produces a fair value of EUR0.66 per share. Our relative valuation based on a multiple comparison (P/E and EV/EBITDA) delivers a fair value of EUR0.50 per share.
- We continue to attribute a weighting of 70% to the DCF fair value, compared to 30% for the fair value generated by the multiples comparison, due to the difficulties in comparing Exprivia to other companies due to its business mix.

Figure 5. Exprivia – Valuation map

Valuation	Fair value (EUR)
1 DCF - 70%	0.66
2 Relative valuation - 30%	0.50
Weighted Average	0.61
current market price	0.58
upside / (downside) potential	5.2%

Source: Centrobanca estimates for Exprivia, Factset consensus for competitors

DCF VALUATION

Figure 6. Exprivia – WACC and DCF assumptions

Risk-free rate based on the current yield of the 10-year Italian Government Bond	5.50%
Market risk premium	4.00%
Beta	1.10
Cost of Equity – K (E)	9.9%
Lending spread	2.5%
Debt	36.0%
Equity	64.0%
Tax rate	33.0%
Net Cost of Debt – K (D)	5.4%
Weighted Average Cost of Capital (WACC)	8.3%
Perpetuity growth rate	0.5%

Source: Centrobanca estimates

Figure 7. Exprivia – DCF valuation

Free Cash Flow 2012E-2017E (EURm)	32.5
(A) Discounted free cash flow 2012E-2017E (EURm)	23.9
Free Cash Flow terminal year (EURm)	7.9
WACC	8.3%
Terminal Value (EURm)	102.1
(B) Discounted Terminal Value (EURm)	63.4
Value of Operating activities (A+B) (EURm)	87.4
Net Debt FY11 (EURm)	-44.4
Pension provisions (EURm)	-8.6
Minorities (EURm)	-0.3
Treasury shares (EURm)	+0.09
Equity Value (EURm)	34.2
Number of shares (m)	51.9
Value per share (EUR)	0.66

Source: Centrobanca estimates

MULTIPLE COMPARISON

Figure 8. Exprivia – P/E and EV/EBITDA vs peers

(x)	P/E			EV/EBITDA		
	2012E	2013E	2014E	2012E	2013E	2014E
Groupe Steria	5.6	4.7	4.2	3.2	3.0	2.7
Computacenter	10.6	8.9	8.6	4.4	3.7	3.0
Sopra Group	7.2	6.5	6.1	5.6	4.9	4.4
Ordina	14.7	7.9	5.2	6.1	5.2	3.0
GFI Informatique	7.5	7.5	7.2	4.2	3.4	3.5
Devoteam	22.7	6.6	5.1	3.3	2.2	1.7
Tieto	10.8	9.5	9.0	4.9	4.4	4.0
Capgemini	11.0	10.1	8.8	4.1	3.6	3.0
ATOS	11.6	10.2	9.1	4.1	3.5	2.9
Logica	9.9	9.0	8.0	6.4	5.9	5.7
Invensys	11.8	10.5	9.5	5.0	4.6	4.2
Reply	6.0	5.4	4.8	2.7	2.2	1.7
Engineering	8.5	8.2	7.9	3.5	3.2	2.8
Noemalife	18.0	6.3	4.4	4.2	3.0	2.5
Average	11.1	7.9	7.0	4.4	3.8	3.2
Exprivia*	12.9	6.5	4.7	5.9	4.5	3.7
premium/(discount)	15.6%	-18.5%	-32.1%	33.1%	20.5%	16.6%

Source: Centrobanca estimates for Exprivia, Engineering and Noemalife; Factset for peers;

* EV calculated stripping out termination indemnity funds

Income Statement

(EURm)	2011	2012E	2013E	2014E
Net Revenues	115.8	132.3	148.3	164.3
EBITDA	13.9	13.0	16.5	19.9
EBITDA margin	11.5%	9.5%	10.8%	11.8%
EBIT	10.9	9.8	13.6	16.6
EBIT margin	9.0%	7.2%	8.9%	9.8%
Net financial income /expense	-2.2	-2.9	-3.1	-3.4
Associates & Others	0.0	0.0	0.0	0.0
Profit before taxes	8.7	6.9	10.5	13.2
Taxes	-5.5	-4.7	-5.9	-6.9
Minorities & discontinued ops	-0.2	0.0	0.0	0.0
Net Income	3.4	2.3	4.6	6.3

Source: Company data, Centrobanca estimates

Balance Sheet

(EURm)	2011	2012E	2013E	2014E
Net working capital	35.4	37.4	39.7	44.1
Net Fixed assets	87.6	87.7	88.0	87.9
M/L term funds	-10.2	-10.4	-10.6	-10.8
Capital employed	112.9	114.7	117.1	121.2
Shareholders' equity	67.2	67.9	71.5	76.1
Minorities	1.3	1.2	1.2	1.1
Shareholders' funds	68.5	69.2	72.6	77.2
Net financial debt/(cash)	44.4	45.6	44.5	44.0

Source: Company data, Centrobanca estimates

Cash Flow Statement

(EURm)	2011	2012E	2013E	2014E
NFP Beginning of Period	39.8	44.4	45.6	44.5
Group Net Profit	3.4	2.3	4.6	6.3
Minorities	-0.2	0.0	0.0	0.0
D&A	3.2	3.4	3.2	3.5
Change in Funds & TFR	-0.2	-0.2	-0.2	-0.2
Gross Cash Flow	6.2	5.4	7.5	9.6
Change In Working Capital	-1.8	-2.0	-2.3	-4.4
Other	0.0	0.0	0.0	0.0
Operating Cash Flow	4.4	3.4	5.2	5.2
Capex	-7.4	-3.0	-3.0	-3.0
Other Investments	0.0	0.0	0.0	0.0
Disposals	0.0	0.0	0.0	0.0
Free Cash Flow	-3.0	0.4	2.2	2.2
Dividends Paid	-1.2	-1.6	-1.1	-1.7
Other & Chg in Consolid. Area	0.3	0.0	0.0	0.0
Chg in Net Worth & Capital Incr.	-0.7	-0.1	0.0	-0.0
Change in NFP	-4.6	-1.2	1.1	0.5
NFP End of Period	44.4	45.6	44.5	44.0

Source: Company data, Centrobanca estimates

Financial Ratios

(%)	2011	2012E	2013E	2014E
Net Margin	2.8%	1.7%	3.0%	3.7%
ROE	5.1%	3.5%	6.7%	8.6%
ROIC - after tax	6.1%	5.3%	7.2%	8.6%
Net Fin. Debt/Equity (x)	0.6	0.7	0.6	0.6
Net Fin. Debt/EBITDA (x)	3.2	3.5	2.7	2.2
NOPAT(EURm)	7.3	6.6	9.1	11.1
ROACE	6.7%	5.8%	7.9%	9.3%

Source: Company data, Centrobanca estimates

Per Share Data

(EUR)	2011	2012E	2013E	2014E
EPS	0.066	0.045	0.090	0.122
DPS	0.031	0.021	0.033	0.035
Op. CFPS	0.085	0.067	0.101	0.100
Free CFPS	-0.057	0.009	0.043	0.042
BVPS	1.298	1.313	1.381	1.471

Source: Company data, Centrobanca estimates

Stock Market Ratios

(x)	2011	2012E	2013E	2014E
P/E	13.3	12.9	6.5	4.7
P/OpCFPS	10.2	8.7	5.8	5.8
P/Free CFPS	nm	nm	13.5	13.8
P/BVPS	0.7	0.4	0.4	0.4
Div. Yield (%)	3.6%	3.7%	5.7%	6.0%
Free Cash Flow Yield (%)	nm	1.5%	7.4%	7.2%
EV (EURm)	99.0	85.0	84.1	83.8
EV/Sales	0.9	0.6	0.6	0.5
EV/EBITDA	7.1	6.5	5.1	4.2
EV/EBIT	9.1	8.6	6.2	5.0
EV/Capital Employed	0.9	0.7	0.7	0.7

Source: Company data, Centrobanca estimates

Growth Rates

(%)	2011	2012E	2013E	2014E
Growth Group Net Sales	19.8%	14.3%	12.1%	10.8%
Growth EBITDA	-9.0%	-6.5%	27.5%	20.2%
Growth EBIT	-8.3%	-9.7%	38.3%	22.0%
Growth Net Profit	-31.2%	-31.2%	98.6%	36.5%

Source: Company data, Centrobanca estimates

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Sell: if the target price is 10% lower than the market price.

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

Market price: closing price on the day before the issue date of the report, appearing on the first page.

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Exprivia – Historical target prices and recommendations

Date	Rating	Target Price (EUR)	Market Price (EUR)
02.12.2009	Buy	1.30	1.13
12.04.2010	Buy	1.38	1.17
01.09.2010	Buy	1.15	0.91
20.01.2010	Buy	1.25	0.94
15.03.2011	Buy	1.25	1.01
05.09.2011	Buy	1.30	0.79
01.12.2011	Buy	1.00	0.625
28.03.2012	Buy	1.15	0.71
25.05.2012	Hold	0.59	0.54