

## Company Update

Hold (maintained)

21 March 2013

MARKET PRICE: EUR0.656 TARGET PRICE: EUR0.72 (from EUR0.61)

### Data

Shares Outstanding (m):	51.9
Market Cap. (EURm):	34.0
Enterprise Value (EURm):	85.7
Free Float (%):	42.5%
Av. Daily Trad. Vol. (m):	0.079
Main Shareholder:	Abaco Systems (49.9%)
Reuters/Bloomberg:	XPR.MI XPR IM
52-Week Range	EUR0.5 EUR0.8

### Performance

	1m	3m	12m
Absolute	-11.5%	2.9%	-10.1%
Rel. to FTSE IT	-9.2%	4.3%	-5.3%

### Financials

(EURm)	2012	2013E	2014E
Revenues (VoP)	132.5	141.2	158.5
EBITDA	12.4	16.2	19.8
Net Profit	2.1	4.5	6.5
EPS (EUR)	0.041	0.089	0.127
CFPS (EUR)	0.110	0.165	0.214
BVPS (EUR)	1.321	1.416	1.532
DPS (EUR)	-	0.010	0.015

### Ratios

	2012	2013E	2014E
EBITDA margin	9.4%	11.5%	12.5%
ROI	5.9%	10.2%	12.2%
ROAE	3.1%	6.5%	8.6%
Debt/Equity	0.6	0.6	0.5
Debt/EBITDA	3.5	2.6	2.1

### Valuation

	2012	2013E	2014E
P/E (x)	16.0	7.4	5.2
P/CF (x)	6.0	4.0	3.1
P/BV (x)	0.5	0.5	0.4
Dividend Yield	-	1.5%	2.3%
EV/Sales (x)	0.7	0.6	0.5
EV/EBITDA (x)	7.0	5.3	4.2
EV/CE (x)	0.8	0.7	0.7

Source: Centrobanca estimates

## 4Q12 results weak. Structural rationalization ahead

4Q12 results were below our estimates, apart from net debt which benefited from better than expected NWC. 4Q12 VoP of EUR36 million was ca. 12% lower than our estimates as were EBITDA and net profit which were ca. 10% below our forecasts (the EBITDA margin was in line). The BoD announced the full reinvestment of net profit to support the group's ongoing growth strategy and the management outlook indicates further expansion outside Italy and rationalization of the existing organization to give strong support to profitability and create a structure to cope better with continued negative momentum in Italy (according to Assinform, the IT market declined by 4.0%YoY in FY12 and could remain negative in FY13). Exprivia aims to focus on margins recovery and cash generation in 2013 while revenues in Italy should stabilize. We have reduced our FY13 VoP by ca. 8.0% but leave our FY13 and FY14 EBITDA estimates broadly unchanged and raise our margin projections, increasing the FY13 EBITDA margin to 11.5% from our previous estimate of 10.8% and the FY14 EBITDA margin to 12.5% from 11.8%. Our revised estimates (lower VoP but EBITDA and net profit estimates broadly unchanged and higher profitability), rolled out projection to 2015 and some changes to our DCF assumptions, produce a new target price of EUR0.72 per share (from EUR0.61 per share) but we confirm our Hold recommendation as we believe that high exposure to the Italian market, PA and the Italian Health system could jeopardize ongoing efforts to recover competitiveness while, in our view, recent indications from the European Commission on a possible accelerated cash receipts from claims against the PA are unlikely to have positive effects in the short term but may represent a significant trigger for medium and long term share price performance.

- > The weakness of the Italian IT market prompts us to reduce our FY13 and FY14 sales and VoP estimates by ca. 7.0% while still assuming positive growth. We also assume that rationalization could lead to profitability in FY13 of ca. 11.5% which could rise to 12.5% in FY14 and 13.5% in FY15 also due to higher sales of high margin licenses in new markets.
- > Along with the better margin estimates, we are also improving our net debt projections, despite higher CAPEX to support growth. The potential benefit of the Late Payment Rule would be an attractive trigger for the share.
- > Our target price of EUR0.72 per share derives from a DCF and a relative valuation. The DCF method produces a fair value of EUR0.72 per share as the relative valuation which is based on a comparison of multiples (P/E, EV/EBITDA and EV/SALES).

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Figure 1. Exprivia – 4Q/FY12 results

4Q12 VoP of EUR36 million benefited from the improving trend of international sales (11% of FY12 VoP) and the overall positive trend of the group's divisions which, apart from the Healthcare and Health division, reported increasing sales. EBITDA of EUR5.0 million was ca. EUR1 million below that reported in 4Q11 (margin of 13.8% from 16.8% in 4Q11). Pre-tax profit was EUR1.8 million (from EUR4.4 million in 4Q11) but net profit (after minority interests) was EUR2.3 million (down just 10%YoY also due to the exceptional repayment of IRAP tied to the so-called Save-Italy Decree (Italian Legislative Decree 201/2011)). Net debt was EUR44.0 million from EUR46.8 million at end-September and our estimates of EUR45.6 million, due to better NWC.

(EURm)	4Q11A	4Q12A	% Chg.	4Q12E	delta vs CB	FY11A	FY12A	% Chg.
Revenues (VoP)	36.6	36.0	-1.8%	40.8	-11.7%	120.2	132.5	10.2%
EBITDA	6.2	5.0	-19.3%	5.5	-10.3%	13.5	12.4	-8.0%
EBITDA margin (%)	16.8%	13.8%		13.6%		11.2%	9.4%	
D&A	-0.93	-2.26	nm	-0.24	nm	-3.0	-5.2	73.0%
EBIT	5.2	2.7	-48.1%	5.3	-48.9%	10.5	7.2	-31.0%
EBIT margin (%)	14.2%	7.5%		13.0%		8.7%	5.5%	
Net Financial Charges	-0.80	-0.89	11.1%	-0.76	17.5%	-2.2	-3.0	36.9%
Pre-Tax Profit	4.4	1.8	nm	4.5	-60.0%	8.3	4.2	-49.1%
Taxes and minorities	-1.83	0.51	nm	-1.96	nm	-4.9	-2.1	-56.4%
Net Income	2.6	2.3	-10.2%	2.6	-9.7%	3.4	2.1	-38.5%
Net Debt	44.4	44.0	-0.8%	45.6	-3.4%	44.4	44.0	-0.8%

Source: Company data, Centrobanca estimates

Figure 2. Exprivia – 2013-2014 revised estimates and roll out to 2015

(EURm)	2012A	2013E		2014E		2015E
		Old	New	Old	New	
Net revenues	129.0	148.3	137.7	164.3	155.0	174.5
% change			-7.1%		-5.6%	
Revenues (VoP)	132.5	153.3	141.2	169.3	158.5	178.0
% change			-7.9%		-6.4%	
EBITDA	12.4	16.5	16.2	19.9	19.8	24.0
% change			-1.9%		-0.4%	
Net profit	2.1	4.6	4.5	6.3	6.5	8.9
% change			-2.5%		2.1%	
Net Debt	44.0	44.5	42.8	44.0	41.0	37.1
% change			-3.8%		-6.8%	
EPS	0.04	0.09	0.09	0.12	0.13	0.18
% Change			-1.1%		3.5%	

Source: Company data, Centrobanca estimates

**Income Statement**

(EURm)	2012	2013E	2014E	2015E
Net Revenues	129.0	137.7	155.0	174.5
Revenues (VoP)	132.5	141.2	158.5	178.0
EBITDA	12.4	16.2	19.8	24.0
EBITDA margin	9.4%	11.5%	12.5%	13.5%
EBIT	7.2	12.7	15.7	19.4
EBIT margin	5.5%	9.0%	9.9%	10.9%
Net financial income /expense	-2.9	-3.0	-3.0	-2.8
Associates & Others	-0.1	0.0	0.0	0.0
Profit before taxes	4.2	9.7	12.7	16.6
Taxes	-1.8	-4.8	-5.9	-7.3
Minorities & discontinued ops	0.3	0.3	0.3	1.3
Net Income	2.1	4.5	6.5	8.9

Source: Centrobanca estimates

**Balance Sheet**

(EURm)	2012	2013E	2014E	2015E
Net working capital	32.7	35.7	39.8	44.5
Net Fixed assets	90.3	91.3	91.7	91.6
M/L term funds	-10.3	-10.3	-10.3	-10.3
Capital employed	112.7	116.7	121.2	125.8
Shareholders' equity	67.3	72.2	78.1	86.3
Minorities	1.3	1.7	2.0	2.4
Shareholders' funds	68.7	73.9	80.2	88.7
Net financial position/(cash)	44.0	42.8	41.0	37.1

Source: Centrobanca estimates

**Cash Flow Statement**

(EURm)	2012	2013E	2014E	2015E
NFP Beginning of Period	44.4	44.0	42.8	41.0
Group Net Profit	2.1	4.5	6.5	8.9
Minorities	0.3	0.3	0.3	0.3
D&A	3.3	3.6	4.1	4.6
Change in Funds & TFR	-0.2	0.0	0.0	0.0
Gross Cash Flow	5.6	8.4	10.9	13.9
Change In Working Capital	2.7	-3.0	-4.1	-4.7
Other	0.0	0.0	0.0	0.0
Operating Cash Flow	8.3	5.4	6.8	9.2
Capex	-4.8	-4.5	-4.5	-4.5
Other Investments	0.0	0.0	0.0	0.0
Disposals	-1.3	0.0	0.0	0.0
Free Cash Flow	2.3	0.9	2.3	4.7
Dividends Paid	-1.6	0.0	-0.5	-0.8
Other & Chg in Consolid. Area	0.0	0.0	0.0	0.0
Chg in Net Worth & Capital Incr.	-0.4	0.3	0.0	-0.0
Change in NFP	0.3	1.3	1.8	3.9
NFP End of Period	44.0	42.8	41.0	37.1

Source: Centrobanca estimates

**Financial Ratios**

	2012	2013E	2014E	2015E
Net Margin	1.6%	3.2%	4.1%	5.0%
ROE	3.1%	6.5%	8.6%	10.9%
ROIC - after tax	3.9%	6.8%	8.1%	9.7%
Net Fin. Debt/Equity	0.6	0.6	0.5	0.4
Net Fin. Debt/EBITDA	3.5	2.6	2.1	1.5
NOPAT (EURm)	4.9	8.5	10.5	13.0
ROACE	4.3%	7.4%	8.9%	10.5%

Source: Centrobanca estimates

**Per Share Data**

(EUR)	2012	2013E	2014E	2015E
EPS	0.041	0.089	0.127	0.175
DPS	-	0.010	0.015	0.020
Op. CFPS	0.163	0.106	0.133	0.180
Free CFPS	0.045	0.018	0.045	0.092
BVPS	1.321	1.416	1.532	1.692

Source: Centrobanca estimates

**Stock Market Ratios**

	2012	2013E	2014E	2015E
P/E	16.0	7.4	5.2	3.7
P/OpCFPS	4.0	6.2	4.9	3.6
P/Free CFPS	14.7	36.3	14.7	7.2
P/BVPS	0.5	0.5	0.4	0.4
Div. Yield	-	1.5%	2.3%	3.0%
Free Cash Flow Yield	6.8%	2.8%	6.8%	14.0%
EV (EURm)	86.9	85.7	84.0	80.2
EV/Sales	0.7	0.6	0.5	0.5
EV/EBITDA	7.0	5.3	4.2	3.3
EV/EBIT	12.0	6.8	5.3	4.1
EV/Capital Employed	0.8	0.7	0.7	0.6

Source: Centrobanca estimates

**Growth Rates**

	2012	2013E	2014E	2015E
Growth Group Net Sales	11.4%	6.8%	12.6%	12.6%
Growth EBITDA	-8.0%	30.8%	22.0%	21.3%
Growth EBIT	-31.0%	75.2%	23.8%	23.7%
Growth Net Profit	-38.5%	116.8%	42.8%	38.5%

Source: Centrobanca estimates

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 Hold: if the target price is 10% below or 10% above the market price.  
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 Sell: if the target price is 20% lower than the market price.

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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
03.09.2012	Hold	0.61	0.58