

# BE

## 2Q/1H14A Results

BE - Key estimates and data					
Y/E December		2013A	2014E	2015E	2016E
Revenues	EUR M	84.42	94.77	106.92	112.40
EBITDA	EUR M	11.21	12.05	15.43	16.53
EBIT	EUR M	4.29	6.38	9.23	10.11
Net income	EUR M	0.37	1.40	3.51	4.36
Dividend ord.	EUR	0.00	0.00	0.00	0.00
Adj. EPS	EUR	0.00	0.01	0.03	0.03
EV/EBITDA	x	7.71	7.42	5.62	5.00
Adj. P/E	x	NM	47.81	19.07	15.34

NM: not meaningful; A: actual; E: estimates; Source: Company data and Intesa Sanpaolo Research

- 2Q/1H14A results.** Total operating revenues were up by 23.3% to EUR 46.2M. The revenue result was driven by the Business Consulting division, up by about 29%, mainly due to the contribution of Targit (the recently-acquired company), which was entirely consolidated in 1H14A. Value of production increased by 5.5% yoy, to EUR 46.6M (+2.5% in 2Q14A). We highlight that the value of production result in 1H13A was 'distorted' by a EUR 5.5M purchase price allocation, driven by the Central-Eastern Europe operation. 1H14A EBITDA was up by 1.8% to EUR 6.2M, while the EBITDA margin decreased to 13.3% vs. 13.8% in 1H13A (12.5% in 2Q14A vs. 17.6% in 2Q13A). EBIT was up by 22.5% to EUR 3.3M (EUR 1.7M in 2Q14A). The group reported a 1H14A net profit after minorities of EUR 0.6M, slightly below the EUR 0.7M posted in 1H13A. Net debt increased to EUR 24.7M in 1H14A vs. EUR 19.5M in FY13A (EUR 27M in 1Q14A), mainly reflecting a negative working capital effect.
- Recent events and outlook.** The group disclosed a positive outlook and expects further growth in 2014, also thanks to the recent initiatives undertaken to diversify its solutions offering and to increase the group's internationalisation. In particular: i) BE announced the launch of a new business line focused on the fields of digital marketing, "Advanced Analytics", "Big Data", mobility, social and cashless experience; and ii) following the signing of a contract (worth over EUR 4M) to develop the Internet Banking platform of the non-domestic banks of a leading multinational bank, BE has decided to establish a new branch in Bucharest, Romania.
- Admission to 'STAR'.** From 21 July 2014, BE's ordinary shares have been traded on the Segment for High Requirement Shares (STAR) of the Electronic Share Market (MTA) organised and managed by Borsa Italiana.
- Estimates revision.** Following the 1H14A results we downwards revised our FY14E estimates, while we only fine-tuned our 2015E-16E projections. We now expect a FY14E value of production at EUR 94.8M (with a contribution from Targit of around EUR 11.4M), EBITDA at EUR 12.0M, with an EBITDA margin on value of production at 12.7% vs. 13.3% in our previous estimates (we highlight that we assumed a Targit EBITDA margin of about 5% in FY14A). We expect the company to close the year with a net profit after minorities of EUR 1.4M.
- Valuation.** We based our valuation for BE on a DCF model to reflect the group's specific long-term prospects. Following our estimates revision and the update of our risk-free rate (down to 3.0% from 3.50%), **we derive a new target price at EUR 0.58/share** (from EUR 0.51/share), which implies an **ADD recommendation on the stock** (from Buy) **given the 17% upside.**
- Key risks.** We view the main risks as: 1) an environment characterised by a challenging competition from big international operators; and 2) a high client concentration, with around 75% of revenues deriving from financial institutions.

4 August 2014

**ADD** (from Buy)

Target Price: EUR 0.58  
(from EUR 0.51)

**IT & Technology  
Company Update**

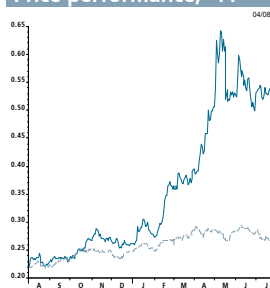
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**Price performance, -1Y**



Source: Thomson Reuters

**Data priced on 01.08.2014**

Target price (€)	0.58
Target upside (%)	16.91
Market price (€)	0.50
52-week range (€)	0.6/0.2
Market cap (€M)	66.92
No. of shares (M)	134.90
Free float (%)	34.6
Major shareholder	Data Holding
(%)	2007, 34.2
Reuters	BET.MI
Bloomberg	BET IM
FTSE It All Shares	21588

Performance %			
	Absolute	Rel. to FTSE All Sh	
-1M	-6.6	-1M	-0.9
-3M	-1.8	-3M	5.3
-12M	125.5	-12M	104.7

Source: Intesa Sanpaolo Research estimates and Thomson Reuters

## 2Q/1H14A Results

Total operating revenues were up by 23.3% to EUR 46.2M. The revenue result was driven by the Business Consulting division, up by about 29%, mainly due to the contribution by Targit (the recently-acquired company), which was entirely consolidated in 1H14A. In particular, the two business lines, Management Consulting and IT Services, recorded total revenues of EUR 28.4M and EUR 16.5M, respectively (vs. EUR 22.0M and EUR 16.3M in 1H13A).

Overall, BE's consolidated value of production increased by 5.5% yoy, to EUR 46.6M (+2.5% in 2Q14), showing a positive development of the group's operations generated abroad, which accounted for around 18% of total revenues in 1H14A. On the other hand, according to the company, the Italian market showed a slowdown, especially in segments with greater added value. We highlight that the value of production in 1H13A was 'distorted' by a EUR 5.5M purchase price allocation, driven by the Central-Eastern Europe operation.

1H14A EBITDA was up by 1.8% to EUR 6.2M, while the EBITDA margin decreased to 13.3% vs. 13.8% in 1H13A (it was 12.5% in 2Q14A vs. 17.6% in 2Q13A).

EBIT was up by 22.5% to EUR 3.3M (EUR 1.7M in 2Q14A). The group reported a 1H14A net profit after minorities of EUR 0.6M, slightly below the EUR 0.7M posted in 1H13A.

Net debt increased to EUR 24.7M in 1H14A vs. EUR 19.5M in FY13A (EUR 27M in 1Q14A), mainly reflecting a negative working capital effect.

BE - 2Q/1H14A results						
EUR M	2Q13A	2Q14A	% chg.	1H13A	1H14A	% chg.
Value of production	24.7	25.3	2.5	44.2	46.6	5.5
EBITDA	4.3	3.2	-27.0	6.1	6.2	1.8
EBIT	1.9	1.7	-11.7	2.7	3.3	22.5
Pre-tax profit	1.3	1.1	-13.9	1.5	2.1	45.6
Group's net profit	NA	NA		0.7	0.6	-7.9
EBITDA margin %	17.6	12.5		13.8	13.3	
EBIT margin %	7.7	6.7		6.1	7.0	
Pre-tax margin %	5.2	4.4		3.3	4.6	
Net profit margin %	NA	NA		1.6	1.4	

A: actual; Source: Company data

### Recent events and outlook

The group disclosed a positive outlook and expects further growth in 2014, also thanks to the recent initiatives undertaken to diversify its solutions offering and to increase the group's internationalisation.

Indeed, BE announced the launch of a new business line focused on the fields of digital marketing, "Advanced Analytics", "Big Data", mobility, social and cashless experience. According to the company, the group's English branch will aggregate the experience and expertise already present in some of the group's specialised companies and will offer new solutions under a new brand.

#### New business line

Furthermore, BE announced that, following the signing of a contract (worth over EUR 4M) to develop the Internet Banking platform of the non-domestic banks of a leading multinational bank, it has decided to establish a new branch in Bucharest, Romania. The new company will develop the group's "near-shoring" operations, involving high complexity projects in the System Integration area.

#### New branch in Romania

## Estimates Revision

Following 1H14A results we revised our FY14E estimates, while we only fine-tuned our 2015E-16E projections.

We now expect a FY14E value of production at EUR 94.8M (with a contribution from Targit of around EUR 11.4M), EBITDA at EUR 12.0M, with an EBITDA margin on value of production at 12.7% vs. 13.3% in our previous estimates (we highlight that we assumed a Targit EBITDA margin of about 5% in FY14A). We expect the company to close the year with a net profit after minorities of EUR 1.4M.

BE – 2014E-16E estimates revision										
EUR M	2014E Old	2014E New	% chg.	2015E Old	2015E New	% chg.	2016E Old	2016E New	% chg.	
Value of production	102.1	94.8	-7.2	108.0	106.9	-1.0	112.7	112.4	-0.3	
EBITDA	13.5	12.0	-11.0	15.5	15.4	-0.7	16.7	16.5	-1.0	
EBITDA margin %	13.3	12.7		14.4	14.4		14.8	14.7		
EBIT	7.8	6.4	-18.6	9.3	9.2	-1.2	10.3	10.1	-1.6	
EBIT margin %	7.7	6.7		8.6	8.6		9.1	9.0		
Net profit	2.9	1.4	-51.4	3.8	3.5	-7.1	4.7	4.4	-6.5	
Net debt	19.4	22.4	15.6	18.0	19.8	10.1	14.0	15.7	12.7	

Source: Intesa Sanpaolo Research estimates

## Valuation

We based our valuation for BE on a DCF model to reflect the group's specific long-term prospects. We updated our DCF valuation after our estimates revision and the periodical revision of our risk-free rate to 3.0% (3.50% previously). We derive a new **target price at EUR 0.58/share** (vs. 0.51/share previously), and based on the 17% upside implies an **ADD recommendation on the stock** (from Buy).

The main assumptions in our three-stage DCF model are as follows:

### Key assumptions

- Explicit period until 2016E, assuming a 2013A-16E value of production CAGR of 10.0% and 2016 EBIT margin at 9.0%;
- In the 2017-22 period, which assumes sales CAGR of 4.5%, an average EBIT margin of 9.0%, a 3.7% capex/sales equal to D&A/sales and a stable net working capital to sales ratio at 7.4%;
- Terminal value at 2023, in which we assumed flat revenues compared with our 2022 assumption and an EBIT margin at 8.6% (in line with our previous assumptions). We cautiously set a 0% perpetuity growth rate;
- For the WACC calculations, we used our updated risk-free rate at 3.0%, a risk premium at 5.50%, a Beta of 1.0 (Source: Bloomberg) and a gearing ratio of 30%. As a result we derived a WACC of 6.85% (vs. 7.3% previously).

The table below summarises our DCF model.

BE - WACC calculation (%)		BE – 2013A-23E Key assumptions (%)	
Gearing ratio	30	Sales 2013A-23E CAGR	5.7
Risk-free rate	3.0	Perpetual growth rate	0.0
Risk premium	5.5	EBIT margin 2013A-23E avg.	8.4
Beta (x)*	1.0	EBIT 2013A-23E CAGR	11.4
Required return	8.5	Tax rate 2013A-23E avg.	39.9
WACC	6.85	Capex to sales 2013-23E avg.	4.7
		Working capital to sales 2013A-23E	5.4

Source: Intesa Sanpaolo Research estimates, \*Bloomberg

Source: Intesa Sanpaolo Research estimates

BE - DCF valuation (EUR M)	
<b>Forecast cashflow</b>	<b>36</b>
Terminal value	63
<b>Enterprise value</b>	<b>98</b>
Net cash (debt)@ 2013A	-19.5
Equity value	79
Number of shares (M)	134.9
<b>Equity value per share (EUR)</b>	<b>0.58</b>

Source: Intesa Sanpaolo Research estimates

BE – Sensitivity (EUR/share)					
Perpetual growth rate %	-1	-0.5	0	0.5	1
Discount rate %					
5.90%	0.64	0.68	0.72	0.78	0.85
6.40%	0.58	0.61	0.65	0.69	0.75
6.90%	0.53	0.55	<b>0.58</b>	0.62	0.66
7.40%	0.48	0.5	0.53	0.56	0.59
7.90%	0.44	0.46	0.48	0.51	0.54

Source: Intesa Sanpaolo Research estimates

BE - Key figures

Sector	IT & Technology	Mkt price EUR/Share	Ordinary		Rating
REUTERS CODE	BET.MI	Target price EUR/Share	0.50		ADD
Values per share (EUR)	2012A	2013A	2014E	2015E	2016E
No. ordinary shares (M)	69.18	134.90	134.90	134.90	134.90
No. NC saving/preferred shares (M)	-	-	-	-	-
Total no. of shares (M)	69.18	134.90	134.90	134.90	134.90
Adj. EPS	0.01	0.00	0.01	0.03	0.03
CFPS	0.07	0.05	0.05	0.07	0.08
BVPS	0.48	0.34	0.35	0.37	0.41
Dividend Ord	-	-	-	-	-
Dividend SAV Nc	-	-	-	-	-
Income statement (EUR M)	2012A	2013A	2014E	2015E	2016E
Sales	80.4	84.4	94.8	106.9	112.4
EBITDA	9.3	11.2	12.0	15.4	16.5
EBIT	4.1	4.3	6.4	9.2	10.1
Pre-tax income	1.2	1.9	4.3	7.5	8.8
Net income	0.7	0.4	1.4	3.5	4.4
Adj. net income	0.7	0.4	1.4	3.5	4.4
Cash flow (EUR M)	2012A	2013A	2014E	2015E	2016E
Net income before minorities	0.5	0.4	1.5	3.7	4.6
Depreciation and provisions	4.1	6.0	5.4	5.9	6.0
Change in working capital	10.5	6.2	-7.6	-3.5	-3.1
Operating cash flow	15.0	12.5	-0.7	6.2	7.6
Capital expenditure	-4.2	-12.7	-2.3	-4.0	-4.0
Other (uses of Funds)	-2.9	1.2	0.1	0.5	0.5
Free cash flow	7.9	1.0	-2.9	2.6	4.0
Dividends and equity changes	-0.2	11.0	0.0	0.0	0.0
Net cash flow	7.7	12.1	-2.9	2.6	4.0
Balance sheet (EUR M)	2012A	2013A	2014E	2015E	2016E
Net capital employed	66.0	65.4	69.8	70.8	71.4
of which associates	-	-	-	-	-
Net debt/-cash	31.6	19.5	22.4	19.8	15.7
Minorities	1.3	0.3	0.4	0.5	0.8
Net equity	33.2	45.6	47.0	50.5	54.9
Market cap	34.3	66.9	66.9	66.9	66.9
Minorities value	-	-	-	-	-
Enterprise value (*)	65.9	86.4	89.3	86.7	82.7
Stock market ratios (x)	2012A	2013A	2014E	2015E	2016E
Adj. P/E	49.8	NM	47.8	19.1	15.3
P/CEPS	7.2	10.6	9.8	7.1	6.4
P/BVPS	1.0	1.5	1.4	1.3	1.2
Dividend yield (% ord)	0.0	0.0	0.0	0.0	0.0
Dividend yield (% sav)	-	-	-	-	-
EV/sales	0.8	1.0	0.94	0.81	0.74
EV/EBITDA	7.1	7.7	7.42	5.62	5.00
EV/EBIT	16.0	20.1	14.00	9.40	8.18
EV/CE	1.0	1.3	1.28	1.22	1.16
D/EBITDA	3.4	1.7	1.86	1.28	0.95
D/EBIT	7.7	4.5	3.51	2.14	1.56
Profitability & financial ratios (%)	2012A	2013A	2014E	2015E	2016E
EBITDA margin	11.6	13.3	12.7	14.4	14.7
EBIT margin	5.1	5.1	6.7	8.6	9.0
Tax rate	63.1	79.8	65.6	50.4	47.7
Net income margin	0.9	0.4	1.5	3.3	3.9
ROE	2.1	0.8	3.0	7.0	8.0
Debt/equity ratio	0.9	0.4	0.5	0.4	0.3
Growth (%)		2013A	2014E	2015E	2016E
Sales		5.0	12.3	12.8	5.1
EBITDA		20.1	7.5	28.1	7.1
EBIT		4.3	48.7	44.6	9.6
Pre-tax income		55.2	123.9	74.0	17.8
Net income		-46.2	277.3	150.8	24.3
Adj. net income		-46.2	277.3	150.8	24.3

NM: not meaningful; (\*) EV = Mkt cap+ Net Debt + Minorities Value - Associates A: actual; E: estimates; Source: Company data and Intesa Sanpaolo Research

## Notes

## Notes

## Notes



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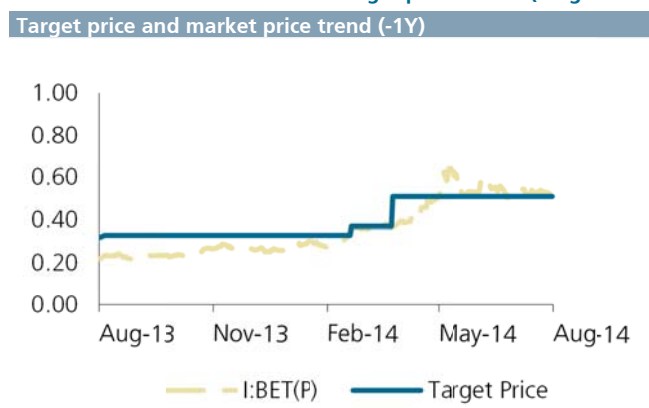
We obtain a fair value using a number of valuation methodologies including: discounted cash flow method (DCF), dividend discount model (DDM), embedded value methodology, return on allocated capital, break-up value, asset-based valuation method, sum-of-the-parts, and multiples-based models (for example PE, P/BV, PCF, EV/Sales, EV/EBITDA, EV/EBIT, etc.). The financial analysts use the above valuation methods alternatively and/or jointly at their discretion. The assigned target price may differ from the fair value, as it also takes into account overall market/sector conditions, corporate/market events, and corporate specifics (ie, holding discounts) reasonably considered to be possible drivers of the company's share price performance. These factors may also be assessed using the methodologies indicated above.

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Equity rating key (long-term horizon: 12M)	
Long-term rating	Definition
BUY	If the target price is 20% higher than the market price
ADD	If the target price is 10%-20% higher than the market price
HOLD	If the target price is 10% below or 10% above the market price
REDUCE	If the target price is 10%-20% lower than the market price
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TARGET PRICE	The market price that the analyst believes the share may reach within a one-year time horizon
MARKET PRICE	Closing price on the day before the issue date of the report, as indicated on the first page, except where otherwise indicated

### Historical recommendations and target price trends (long-term horizon: 12M)



Historical recommendations and target price trend (-1Y)			
Date	Rating	TP	Mkt Price
30-May-13	BUY	0.32	0.22
2-Aug-13	BUY	0.33	0.22
18-Feb-14	BUY	0.37	0.31
21-Mar-14	BUY	0.51	0.38

### Equity rating allocations (long-term horizon: 12M)

Intesa Sanpaolo Research Rating Distribution (at May 2014)					
Number of companies considered: 83	BUY	ADD	HOLD	REDUCE	SELL
Total Equity Research Coverage %	31	32	34	2	0
of which Intesa Sanpaolo's Clients % (*)	75	62	71	50	0

(\*) Companies on behalf of whom Intesa Sanpaolo and the other companies of the Intesa Sanpaolo Group have provided corporate and Investment banking services in the last 12 months; percentage of clients in each rating category

**Valuation methodology (short-term horizon: 3M)**

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**Equity rating key (short-term horizon: 3M)**

Equity rating key (short-term horizon: 3M)	
Short-term rating	Definition
LONG	Stock price expected to rise or outperform within three months from the time the rating was assigned due to a specific catalyst or event
SHORT	Stock price expected to fall or underperform within three months from the time the rating was assigned due to a specific catalyst or event

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- 1 The Intesa Sanpaolo Group has a conflict of interest inasmuch as it plans to solicit investment banking business or intends to seek compensation from the Company in the next three months.
- 2 One or more of the companies of the Intesa Sanpaolo Group have an equity stake of 20% or more in BE THINK,SOLVE,EXECUTE S.p.A.
- 3 One or more of the companies of the Intesa Sanpaolo Group have elected one or more members of the Board of Directors of BE THINK,SOLVE,EXECUTE S.p.A.
- 4 Banca IMI acts as Corporate Broker relative to securities issued by BE THINK,SOLVE,EXECUTE S.p.A.

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