

BE

1Q15 Results

BE - Key estimates and data					
Y/E December		2014A	2015E	2016E	2017E
Revenues	EUR M	98.47	107.5	113.8	120.9
EBITDA	EUR M	12.93	15.77	17.98	20.22
EBIT	EUR M	6.11	9.57	11.57	13.03
Net Income	EUR M	1.04	4.15	5.70	6.75
Dividend ord.	EUR	0.01	0.01	0.02	0.02
Adj. EPS	EUR	0.01	0.03	0.04	0.05
EV/EBITDA	x	6.1	6.3	5.6	4.8
Adj. P/E	x	59.1	20.4	14.8	12.5

A: actual; E: estimates; Source: Company data and Intesa Sanpaolo Research

- 1Q15A results.** BE's 1Q15A results confirm the group's positive top-line growth trend. Total revenues were EUR 25.0M, up 19.3% vs 1Q14A. In particular, the two business lines, 'Business Consulting' and 'ICT Services', recorded total revenues of EUR 15.3M and EUR 9.5M, respectively in 1Q15A (+28.5% and +4.7%). Moreover, the portion of revenues generated by foreign subsidiaries stood at around 19.7% in the first quarter of the year. EBITDA came in at EUR 3.4M, +11.9% yoy, which implies an EBITDA margin of 13.5%, down by around 90bps vs. 1Q14A. EBIT stood at EUR 2.0M vs. EUR 1.6M in the same period of last year. The group closed the period with a pre-tax profit of EUR 1.6M vs. EUR 1.0M in 1Q14A. Lastly, net debt increased to EUR 21.0M vs. EUR 17.0M at YE14.
- Recent events.** We recall that BE recently announced (on 1 April 2015) the signing of a 'Master Agreement' with a prominent European bank. The contract is worth EUR 73M for the three-year period (2015-17) and relates to the provision of ICT Consulting services in all European countries in which the bank operates. We positively view the agreement, which increases the visibility of the group's top line.
- Estimates and valuation.** In light of management's positive FY15 outlook, the good performance achieved by the group in 1Q15A, and the initiatives undertaken by the group to expand into new innovative business segments, we confirm our forecasts, which are broadly in line with management's targets. In particular, the main assumptions on which we based our estimates are: 1) an increase in the weighting of foreign activities (the company targeted revenues from abroad at 35% by 2017 vs. the current 20%); 2) a further increase of volumes from consulting services; and 3) an improvement in margins in ICT services. As a result, we confirm our **target price of EUR 0.91/share**, and, given the current 45% upside, **we also confirm our BUY recommendation on the stock**. We based our valuation for BE on a DCF model to reflect the group's specific long-term prospects.
- Key risks.** We view the main risks as: 1) an environment characterised by challenging competition from big international operators; and 2) a high client concentration, with around 75% of revenues deriving from financial institutions.

BE - 1Q15 results			
EUR M	1Q14A	1Q15A	yoy %
Total revenues	21.0	25.0	19.3
EBITDA	3.0	3.4	11.9
EBITDA margin %	14.4	13.5	
EBIT	1.6	2.0	28.4
EBIT margin %	7.6	8.2	
Group's pre-tax profit	1.0	1.6	65.7

A: actual; Source: Company data

See page 3 for full disclosures and analyst certification

5 May 2015

BUY

Target Price: EUR 0.91

Italy/IT System Integrators
Company Update

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Price performance, -1Y



Source: FactSet

Data priced on 30.04.2015

Target price (€)	0.91
Target upside (%)	45.55
Market price (€)	0.63
52Wk range (€)	0.66/0.38
Market cap (€M)	84.45
No. of shares	134.9
Free float (%)	35.3
Major shr	Data Holding 2007
(%)	33.4
Reuters	BET.MI
Bloomberg	BET IM
FTSE IT All Sh	24620

Performance %

	Absolute	Rel. to FTSE IT All
-1M	0.1	-1M 0.5
-3M	13.5	-3M 0.4
-12M	24.0	-12M 16.9

Source: FactSet and Intesa Sanpaolo Research estimates

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BE - Key data							
Rating	Target price (EUR/sh)	Mkt price (EUR/sh)	Sector		Free float (%)	Reuters Code	
BUY	Ord 0.91	Ord 0.63	IT System Integrators		35.3	BET.MI	
Values per share (EUR)			2013A	2014A	2015E	2016E	2017E
No. ordinary shares (M)			134.9	134.9	134.9	134.9	134.9
No. NC saving/preferred shares (M)			0.00	0.00	0.00	0.00	0.00
Total no. of shares (M)			134.9	134.9	134.9	134.9	134.9
Market cap			29.94	61.57	84.45	84.45	84.45
Adj. EPS			0.00	0.01	0.03	0.04	0.05
CFPS			0.05	0.05	0.07	0.09	0.10
BVPS			0.34	0.34	0.38	0.41	0.45
Dividend ord			0	0.01	0.01	0.02	0.02
Income statement (EUR M)			2013A	2014A	2015E	2016E	2017E
Sales			84.42	98.47	107.5	113.8	120.9
EBITDA			11.21	12.93	15.77	17.98	20.22
EBIT			4.29	6.11	9.57	11.57	13.03
Pre-tax income			1.91	3.81	7.94	10.26	11.73
Net income			0.37	1.04	4.15	5.70	6.75
Adj. net income			0.37	1.04	4.15	5.70	6.75
Cash flow (EUR M)			2013A	2014A	2015E	2016E	2017E
Net income before minorities			0.4	1.2	4.4	6.0	7.1
Depreciation and provisions			6.9	6.8	6.2	6.4	7.2
Others/Uses of funds			0.3	-0.7	2.8	0.2	0.1
Change in working capital			6.2	0.3	-5.5	-7.5	-1.9
Operating cash flow			13.8	7.7	7.9	5.1	12.5
Capital expenditure			-12.7	-2.3	-4.0	-5.0	-5.0
Financial investments			0	0	0	0	0
Acquisitions and disposals			0	0	0	0	0
Free cash flow			1.1	5.4	3.9	0.1	7.5
Dividends			0	0	-0.8	-1.7	-2.4
Equity changes & Other non-operating items			11.0	-2.9	0	0	0
Net cash flow			12.1	2.5	3.1	-1.6	5.1
Balance sheet (EUR M)			2013A	2014A	2015E	2016E	2017E
Net capital employed			65.4	63.2	64.9	70.7	70.3
of which associates			0	0	0	0	0
Net debt/-cash			19.5	17.0	13.7	15.4	10.3
Minorities			0.3	0.5	0.6	0.9	1.2
Net equity			45.6	45.7	50.5	54.5	58.9
Minorities value			0	0	0	0	0
Enterprise value			49.6	79.2	99.1	101.1	96.4
Stock market ratios (x)			2013A	2014A	2015E	2016E	2017E
Adj. P/E			80.7	59.1	20.4	14.8	12.5
P/CFPS			4.7	8.7	8.4	7.1	6.2
P/BVPS			0.65	1.3	1.7	1.5	1.4
Payout (%)			0	40	40	40	40
Dividend yield (% ord)			0	1.2	2.1	2.8	3.4
FCF yield (%)			3.6	8.8	4.6	0.1	8.9
EV/sales			0.59	0.80	0.92	0.89	0.80
EV/EBITDA			4.4	6.1	6.3	5.6	4.8
EV/EBIT			11.6	13.0	10.4	8.7	7.4
EV/CE			0.76	1.3	1.5	1.4	1.4
D/EBITDA			1.7	1.3	0.87	0.85	0.51
D/EBIT			4.5	2.8	1.4	1.3	0.79
Profitability & financial ratios (%)			2013A	2014A	2015E	2016E	2017E
EBITDA margin			13.3	13.1	14.7	15.8	16.7
EBIT margin			5.1	6.2	8.9	10.2	10.8
Tax rate			79.8	67.2	45.0	41.6	39.4
Net income margin			0.4	1.1	3.9	5.0	5.6
ROCE			6.6	9.7	14.8	16.4	18.5
ROE			0.9	2.3	8.6	10.8	11.9
Interest cover			1.8	2.7	5.9	8.8	10.0
Debt/equity ratio			42.5	36.7	26.9	27.7	17.1
Growth (%)				2014A	2015E	2016E	2017E
Sales				16.6	9.2	5.9	6.2
EBITDA				15.4	22.0	14.0	12.4
EBIT				42.3	56.6	21.0	12.6
Pre-tax income				98.8	NM	29.3	14.3
Net income				NM	NM	37.3	18.5
Adj. net income				NM	NM	37.3	18.5

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

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Valuation methodology (long-term horizon: 12M)

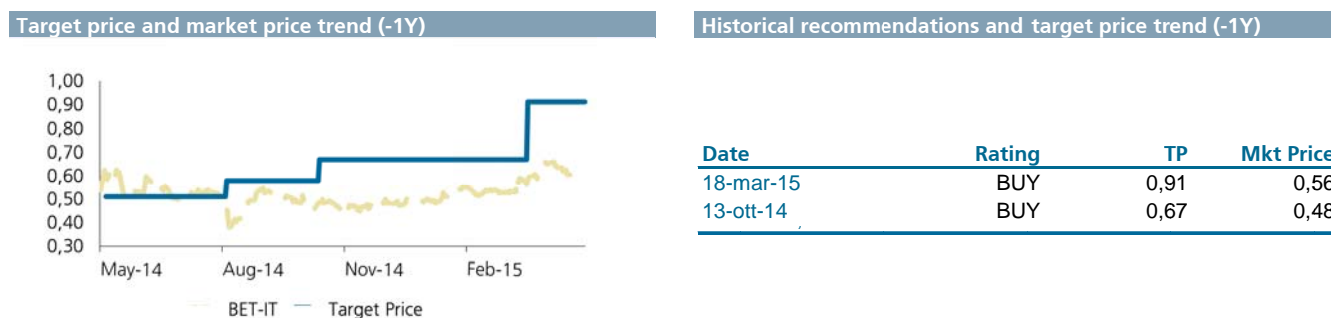
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Historical recommendations and target price trends (long-term horizon: 12M)



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(*) 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

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

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