

BE

BUY

Price (Eu):

0.64

Target Price (Eu):

0.80

SECTOR: Industrials

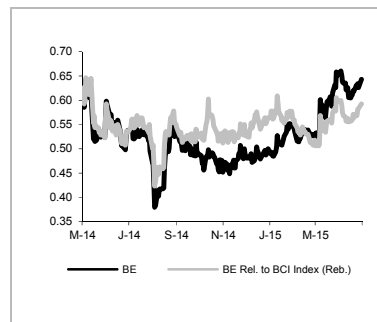
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Solid Set of Quarterly Results, Positive Outlook Ahead

- Solid 1Q15 results.** In 1Q15, BE reported a value of production of Eu25.0mn, up 19.3% YoY, mostly due to the contribution of Targit (we estimate around Eu3.3mn in 1Q15), driven by a healthy performance in both divisions. Business Consulting (around 61% of the total VoP), grew by 28.5% YoY thanks to Targit, while ICT Services increased by 4.7% YoY. Around 19.7% of VoP was generated outside Italy. EBITDA came to Eu3.4mn, up 11.9% YoY and 2.8% above our estimate; the margin on sales declined by 90bps YoY to 13.5% due to Targit dilution in 1Q15. EBIT came to Eu2.0mn and pre-tax profit Eu1.6mn, broadly in line with our forecasts and up sharply YoY, after lower depreciations and net financial charges YoY. Net debt increased to Eu21.0mn as at the end of March 2015 (in line with our estimate), from Eu17.0mn reported at the end of December 2014, due to seasonal working capital flows, but this trend is expected to reverse immediately in 2Q15.
- Positive company outlook.** The company is optimistic on *"the positive trend of profit and turnover increase for 2015, basing on the strategic lines stated in the industrial plan for the period 2015-17, such as the consolidation of the domestic perimeter and the development in foreign markets"*. Recently BE has confirmed a "Master Agreement" with one of the largest European banking groups for an ICT consultancy contract for at least Eu73mn over the 2015-17 period (effective from the beginning of January 2015).
- Estimates unchanged.** Following the release of 1Q15 results, we have left our 2015-17 estimates unchanged. For 2015 we expect the value of production to grow by 5.8% YoY to Eu104.1mn, with EBITDA of Eu15.1mn (14.5% of sales) and net profit of Eu3.6mn. Net debt is expected to land at Eu15.0mn in December. In 2017, our expectations are broadly aligned with company business plan targets. Value of production is forecast to arrive at Eu120.8mn (vs. BE's targets of over Eu120mn), EBITDA at Eu19.7mn (vs. BE's targets of over Eu20mn) and net profit Eu7.8mn (BE projects pre-tax profit of over Eu10mn). Finally, we project net debt of Eu6.1mn at the end of 2017 (vs. BE's target of under Eu13mn). We assume a 50% dividend pay-out rate.
- BUY reaffirmed, target price Eu0.80 reiterated.** Our positive recommendation is supported by: 1) high visibility on the top line, given that reference markets are expected to provide significant growth opportunities and BE will benefit from strong relationships with large financial service clients; 2) increasing profitability due to a focus on providing higher-margin services (business consulting); 3) strong FCF generation. At our target price (unchanged), the stock would be trading at 17.5x P/E and 6.8x EV/EBITDA based on 2016 estimates, at a reasonable premium to a group of European IT peers given BE's exposure to the more profitable consulting business.

BE - 12m Performance



RATING: Unchanged

TARGET PRICE (Eu): Unchanged

Change in EPS est:	2015E	2016E
	0.0%	0.0%

STOCK DATA

Reuters code: BET.MI
Bloomberg code: BET IM

Performance	1m	3m	12m
Absolute	-1.3%	18.0%	19.6%
Relative	-0.9%	6.7%	12.4%
12 months H/L:	0.66/0.38		

SHAREHOLDER DATA

No. of Ord. shares (mn):	135
Total No. of shares (mn):	135
Mkt Cap Ord (Eu mn):	87
Total Mkt Cap (Eu mn):	87
Mkt Float - ord (Eu mn):	31
Mkt Float (in %):	35.6%
Main shareholder:	
Data Holding 2007 Srl	33.4%

BALANCE SHEET DATA

	2015
Book value (Eu mn):	49
BVPS (Eu):	0.37
P/BV:	1.7
Net Financial Position (Eu mn):	-15
Enterprise value (Eu mn):	102

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on the last page of this report

Key Figures	2013A	2014A	2015E	2016E	2017E
Sales (Eu mn)	83	98	104	113	121
Ebitda (Eu mn)	11	13	15	18	20
Net profit (Eu mn)	0	1	4	6	8
EPS - New (Eu)	0.003	0.008	0.027	0.046	0.058
EPS - Old (Eu)	0.003	0.008	0.027	0.046	0.058
DPS (Eu)	0.000	0.006	0.013	0.023	0.029

Ratios & Multiples	2013A	2014A	2015E	2016E	2017E
P/E	nm	83.2	23.8	14.0	11.2
Div. Yield	0.0%	0.9%	2.1%	3.6%	4.5%
EV/Ebitda	9.5	8.0	6.7	5.6	4.7
ROCE	6.6%	9.5%	14.2%	17.5%	20.0%

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BE - KEY FIGURES

		2013A	2014A	2015E	2016E	2017E
	Fiscal year end	31/12/2013	31/12/2014	31/12/2015	31/12/2016	31/12/2017
PROFIT & LOSS (Eu mn)	Sales	83	98	104	113	121
	EBITDA	11	13	15	18	20
	EBIT	4	6	9	12	14
	Financial income (charges)	(2)	(2)	(2)	(1)	(1)
	Associates & Others	0	0	0	0	0
	Pre-tax profit (Loss)	2	4	7	10	13
	Taxes	(2)	(3)	(3)	(4)	(4)
	Tax rate (%)	79.8%	67.2%	45.0%	35.0%	35.0%
	Minorities & discontinue activities	(0)	(0)	(0)	(1)	(1)
	Net profit	0	1	4	6	8
	Total extraordinary items	0	0	0	0	0
	Ebitda excl. extraordinary items	11	13	15	18	20
Ebit excl. extraordinary items	4	6	9	12	14	
Net profit restated	0	1	4	6	8	
PER SHARE DATA (Eu)	Total shares out (mn) - average fd	135	135	135	135	135
	EPS stated fd	0.003	0.008	0.027	0.046	0.058
	EPS restated fd	0.003	0.008	0.027	0.046	0.058
	BVPS fd	0.340	0.342	0.369	0.415	0.473
	Dividend per share (ord)	0.000	0.006	0.013	0.023	0.029
	Dividend per share (sav)	0.000	0.000	0.000	0.000	0.000
	Dividend pay out ratio (%)	0.0%	72.0%	50.0%	50.0%	50.0%
CASH FLOW (Eu mn)	Gross cash flow	6	8	10	13	14
	Change in NWC	8	(6)	(5)	(4)	(4)
	Capital expenditure	(2)	(2)	(2)	(2)	(2)
	Other cash items	(0)	5	0	0	0
	Free cash flow (FCF)	12	5	3	6	8
	Acquisitions, divestments & others	(4)	(3)	0	0	0
	Dividend	0	0	(1)	(2)	(3)
	Equity financing/Buy-back	5	0	0	0	0
Change in Net Financial Position	12	3	2	4	5	
BALANCE SHEET (Eu mn)	Total fixed assets	82	81	80	79	79
	Net working capital	(10)	(4)	1	5	9
	Long term liabilities	(7)	(13)	(15)	(17)	(18)
	Net capital employed	65	63	65	67	70
	Net financial position	(20)	(17)	(15)	(11)	(6)
	Group equity	46	46	50	56	64
	Minorities	0	0	0	0	0
Net equity	46	46	49	56	63	
ENTERPRISE VALUE (Eu mn)	Average mkt cap - current	87	87	87	87	87
	Adjustments (associate & minorities)	0	0	0	0	0
	Net financial position	(20)	(17)	(15)	(11)	(6)
	Enterprise value	106	104	102	97	93
RATIOS(%)	EBITDA margin*	13.6%	13.1%	14.5%	15.6%	16.3%
	EBIT margin*	5.2%	6.2%	8.7%	10.2%	11.3%
	Gearing - Debt/equity	42.5%	36.7%	30.1%	19.1%	9.6%
	Interest cover on EBIT	1.8	2.7	5.2	9.4	16.0
	Debt/Ebitda	1.74	1.31	0.99	0.61	0.31
	ROCE*	6.6%	9.5%	14.2%	17.5%	20.0%
	ROE*	0.9%	2.3%	7.7%	11.8%	13.1%
	EV/CE	1.6	1.6	1.6	1.5	1.4
	EV/Sales	1.3	1.1	1.0	0.9	0.8
	EV/Ebit	24.7	17.0	11.2	8.4	6.8
	Free Cash Flow Yield	13.8%	5.6%	3.1%	7.0%	8.9%
GROWTH RATES (%)	Sales	2.7%	19.3%	5.8%	8.1%	7.3%
	EBITDA*	20.1%	15.4%	16.8%	16.2%	12.1%
	EBIT*	4.3%	42.3%	49.0%	26.8%	18.3%
	Net profit	-46.1%	180.9%	249.3%	70.5%	25.3%
	EPS restated	-72.3%	180.9%	249.3%	70.5%	25.3%

* Excluding extraordinary items

Source: Intermonte SIM estimates

Results

BE – Quarterly results

(Eu mn)	1Q14A	1Q15A	YoY	1Q15E	A vs E
Value of production	21.0	25.0	19.3%	25.1	-0.2%
Cost of services	(7.2)	(9.3)		(9.2)	
Labour costs	(10.9)	(12.6)		(12.3)	
Other income (costs)	0.2	0.3		(0.3)	
EBITDA	3.0	3.4	11.9%	3.3	2.8%
<i>EBITDA margin</i>	<i>14.4%</i>	<i>13.5%</i>		<i>13.1%</i>	
D&A	(1.4)	(1.3)		(1.3)	
Provisions	(0.0)	(0.0)		(0.1)	
EBIT	1.6	2.0	28.4%	1.9	7.7%
<i>EBIT margin</i>	<i>7.6%</i>	<i>8.2%</i>		<i>7.6%</i>	
Financial Income (Charges)	(0.6)	(0.4)		(0.4)	
Associates	0.0	0.0		0.0	
Pretax	1.0	1.6	61.9%	1.5	8.9%
Net Debt	(25.0)	(21.0)		(21.3)	-1.4%

Source: Company Data and Intermonte SIM estimates

Change In Estimates

BE – Change In Estimates

(Eu mn)	2014A	2015E	2016E	2017E	CAGR 14-17
Value of Production new	98.5	104.1	112.6	120.8	7.1%
YoY%		5.8%	8.1%	7.3%	
Value of Production old		104.1	112.6	120.8	
% change		0.0%	0.0%	0.0%	
EBITDA new	12.9	15.1	17.5	19.7	15.0%
YoY%		16.8%	16.2%	12.1%	
EBITDA old		15.1	17.5	19.7	
% change		0.0%	0.0%	0.0%	
EBIT new	6.1	9.1	11.5	13.7	
EBIT old		9.1	11.5	13.7	
% change		0.0%	0.0%	0.0%	
Net profit reported new	1.0	3.6	6.2	7.8	95.4%
Net profit reported old		3.6	6.2	7.8	
% change		0.0%	0.0%	0.0%	
Net debt new	(17.0)	(15.0)	(10.7)	(6.1)	
Net debt old		(15.0)	(10.7)	(6.1)	
% change		0.0%	0.0%	0.0%	

Source: Company Data and Intermonte SIM estimates

Valuation

BE – Valuation

Target price calculation	Eu per share	Weight
DCF	0.83	70%
Multiples	0.72	30%
Target price	0.80	
Current Price	0.64	
Mkt Cap (Eu mn)	86.7	
% upside	24.4%	

Source: Company Data and Intermonte SIM estimates

BE – Multiples At Target Price

	2014A	2015E	2016E	2017E
PE	103.9x	29.8x	17.5x	13.9x
EV/SALES	1.3x	1.2x	1.1x	1.0x
EV/EBITDA	9.8x	8.2x	6.8x	5.9x
EV/EBIT	20.7x	13.6x	10.4x	8.4x

Source: Company Data and Intermonte SIM estimates

BE Peer Group - Absolute Performances

Stock	Price	Ccy	Mkt cap	1M	3M	6M	YTD	1Y	2Y
BE	0.6	EUR	86.7	-1.3%	18.0%	42.1%	31.9%	19.6%	220.1%
ALTRAN TECHNOLOGIES	10.0	EUR	1,730.3	6.2%	21.8%	29.4%	27.0%	23.1%	69.0%
AUBAY	12.9	EUR	167.3	6.3%	15.1%	35.4%	26.7%	9.6%	131.4%
CAD IT	4.4	EUR	39.1	-5.8%	7.5%	14.6%	16.9%	-14.0%	-12.0%
CAPGEMINI	80.0	EUR	12,995.9	4.0%	22.6%	56.1%	34.5%	56.9%	110.4%
DEVOTEAM	22.9	EUR	186.8	-0.3%	33.7%	75.3%	51.0%	22.9%	133.3%
ENGINEERING	55.5	EUR	693.8	-3.0%	23.9%	43.2%	48.0%	11.4%	79.0%
EXPRIVIA	0.8	EUR	42.4	-4.0%	0.6%	25.0%	15.5%	-9.3%	27.2%
GFI INFORMATIQUE	6.1	EUR	332.6	3.9%	4.8%	22.3%	16.1%	0.7%	90.7%
GROUPE STERIA	---	EUR	---	---	---	---	---	---	---
IBS GROUP	---	EUR	---	---	---	---	---	---	---
INFOVIDE MATRIX	4.3	PLN	54.0	-6.9%	14.2%	45.3%	39.7%	15.2%	-33.4%
ORDINA	1.7	EUR	155.8	-7.0%	4.3%	34.4%	33.9%	-19.8%	34.3%
REPLY	94.2	EUR	880.6	3.7%	37.2%	65.9%	54.6%	43.9%	224.1%
TIETO OYJ	21.5	EUR	1,573.4	-3.5%	-0.7%	8.6%	-0.1%	9.2%	30.2%
TXT e-solutions	9.3	EUR	110.0	-7.9%	6.8%	19.5%	19.1%	-3.2%	115.0%
Mean performance				-1.1%	15.0%	36.9%	29.6%	11.9%	87.1%
Italy Fixed	23,217.2	EUR	313,620	-0.4%	10.9%	22.6%	22.1%	6.6%	37.2%

Source: FactSet

BE Peer Group - Multiple Comparison

Stock	Price	Ccy	Mkt cap	EV/Sales	EV/Sales	EV/Ebitda	EV/Ebitda	EV/Ebit	EV/Ebit	P/E	P/E	Div Yield	Div Yield
				2015	2016	2015	2016	2015	2016	2015	2016	2015	2016
BE	0.6	EUR	86.7	1.0	0.9	6.7	5.6	11.2	8.4	23.8	14.0	2.1%	3.6%
ALTRAN TECHNOLOGIES	10.0	EUR	1,730.3	0.9	0.9	8.3	7.3	9.2	8.1	13.8	12.6	1.8%	2.0%
AUBAY	12.9	EUR	167.3	0.6	0.6	6.9	6.2	7.4	6.6	13.9	12.7	2.1%	2.2%
CAD IT	4.4	EUR	39.1	0.6	0.6	4.1	3.4	11.7	8.6	20.7	16.1	4.6%	5.7%
CAPGEMINI	80.0	EUR	12,995.9	1.0	0.9	8.7	7.6	10.8	9.3	18.9	16.8	1.7%	1.9%
DEVOTEAM	22.9	EUR	186.8	0.3	0.3	4.9	4.3	5.7	5.0	19.1	14.3	1.7%	1.7%
ENGINEERING	55.5	EUR	693.8	0.6	0.6	4.9	4.5	6.9	6.2	14.5	14.1	3.6%	3.8%
EXPRIVIA	0.8	EUR	42.4	0.5	0.4	4.7	4.1	7.2	6.4	17.2	15.5	3.4%	3.6%
GFI INFORMATIQUE	6.1	EUR	332.6	0.4	0.4	5.7	5.3	6.6	6.0	12.1	11.5	2.4%	2.7%
GROUPE STERIA		EUR											
IBS GROUP		EUR											
INFOVIDE MATRIX	4.3	PLN	54.0										
ORDINA	1.7	EUR	155.8	0.4	0.4	9.5	7.8	14.2	10.7	15.9	12.9	1.7%	2.2%
REPLY	94.2	EUR	880.6	1.2	1.0	8.7	7.3	9.5	7.9	16.4	14.0	1.2%	1.4%
TIETO OYJ	21.5	EUR	1,573.4	1.0	1.0	7.8	6.9	10.1	9.4	13.7	13.1	5.6%	6.0%
TXT e-solutions	9.3	EUR	110.0	1.5	1.4	14.6	11.1	18.0	12.7	25.0	18.5	2.2%	3.0%
Median				0.6	0.6	6.9	6.2	9.5	8.1	16.4	14.0	2.1%	2.7%

Source: Intermonte SIM estimates for covered companies, FactSet consensus estimates for peer group

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 OUTPERFORM: stock expected to outperform the market by between 10% and 25% over a 12 month period;
 NEUTRAL: stock performance expected at between +10% and -10% compared to the market over a 12 month period ;
 UNDERPERFORM: stock expected to underperform the market by between -10% and -25% over a 12 month period;
 SELL: stock expected to underperform the market by over 25% over a 12 month period.
 The stock price indicated is the reference price on the day prior to the publication of the report.

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 OUTPERFORM: 38.46%
 NEUTRAL: 31.69%
 UNDERPERFORM: 4.49%
 SELL: 0.64%

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BUY: 21.88%
 OUTPERFORM: 43.75%
 NEUTRAL: 34.37%
 UNDERPERFORM: 0.00%
 SELL: 0.00%

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DETAILS ON STOCKS RECOMMENDATION

Stock NAME	BE		
Current Recomm:	BUY	Previous Recomm:	BUY
Current Target (Eu):	0.80	Previous Target (Eu):	0.80
Current Price (Eu):	0.64	Previous Price (Eu):	0.59
Date of report:	05/05/2015	Date of last report:	13/03/2015

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