

BE

BUY

SECTOR: Industrials

Price (Eu):

0.50

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Target Price (Eu):

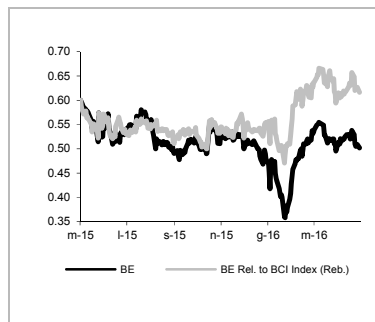
0.85

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Strong Start To The Year, Business Plan Update The Next Catalyst

- Strong start to the year.** The company closed 1Q16 with strong revenue growth (+29.8% YoY, Eu32.1mn) thanks to the Business Consultancy segment, which posted a 57.7% YoY increase, while the ICT area was flat YoY. EBITDA came in at Eu4.2mn, slightly higher than our estimate (Eu4.1mn), with a minimal drop in margins due to the lower profitability of newly consolidated companies. Finally, EBIT was also better than expected, closing the quarter at Eu2.8mn (our est. Eu2.7mn). As for cash generation, net debt at the end of March stood at Eu15.6mn, up from Eu7.1mn at the end of December and in line with our estimate, due to the seasonal working capital trend and new acquisitions finalised in the quarter.
- Positive outlook provided, Business plan update to be presented shortly.** Group CEO Stefano Achermann stated that management foresees further promising volumes in the coming months; as for external growth, the company will not stop exploring the market, with a particular focus on Germany. Based on the positive results recorded in the first quarter of 2016, it may reasonably be supposed that the revenue and margin growth for 2016 will be confirmed, in accordance with the 2015-2017 business plan. The company should provide an update to this business plan in the coming months, also to incorporate the recent acquisitions.
- Estimates unchanged.** After the release of 1Q16 results we have left our estimates unchanged. We estimate revenues will grow to Eu129.9mn in 2016 (+13.7% YoY) as a mix of organic growth and the contribution from newly acquired companies. We then expect EBITDA to reach Eu18.2mn, an improvement in profitability compared to 2015 (+100bps). Finally, we expect YE net debt to go down to Eu4.8mn, decreasing from Eu7.1mn in 2015, despite around Eu6.4mn being spent on new acquisitions.
- BUY reiterated; target price unchanged at Eu0.85.** Our positive recommendation is supported by: 1) good visibility on top line trends, 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. In our view, the presentation of the business plan is likely to be a positive catalyst for the stock as it will provide updated targets for the medium/long term. Furthermore, the company might have several opportunities to grow further through acquisitions, which could help the group to speed up execution of its strategy and to expand abroad. On April 21st, a CONSOB filing on significant stakes showed that Intesa Sanpaolo has reduced its stake substantially in BE to 4.4% of the capital, from 19.9% back in March 2015. We welcome Intesa Sanpaolo's winding down its stake, as this reduced overhang risk on the stock.

BE - 12m Performance



RATING: Unchanged

TARGET PRICE (Eu): Unchanged

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

STOCK DATA

Reuters code: BET.MI
Bloomberg code: BET IM

Performance	1m	3m	12m
Absolute	1.3%	23.0%	-17.1%
Relative	3.5%	17.6%	2.6%
12 months H/L:	0.60/0.36		

SHAREHOLDER DATA

No. of Ord. shares (mn):	135
Total No. of shares (mn):	135
Mkt Cap Ord (Eu mn):	68
Total Mkt Cap (Eu mn):	68
Mkt Float - ord (Eu mn):	28
Mkt Float (in %):	40.9%
Main shareholder:	
Tamburi	23.4%

BALANCE SHEET DATA

	2016
Book value (Eu mn):	54
BVPS (Eu):	0.40
P/BV:	1.2
Net Financial Position (Eu mn):	-5
Enterprise value (Eu mn):	73

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on the last page of this report

Key Figures	2013A	2014A	2015A	2016E	2017E
Sales (Eu mn)	83	98	115	130	137
Ebitda (Eu mn)	11	13	15	18	20
Net profit (Eu mn)	0	1	3	7	8
EPS - New (Eu)	0.003	0.008	0.026	0.049	0.060
EPS - Old (Eu)			0.026	0.049	0.060
DPS (Eu)	0.000	0.006	0.011	0.025	0.030

Ratios & Multiples	2013A	2014A	2015A	2016E	2017E
P/E	nm	65.0	19.6	10.2	8.3
Div. Yield	0.0%	1.1%	2.2%	4.9%	6.0%
EV/Ebitda	7.8	6.6	5.0	4.0	3.3
ROCE	6.6%	9.5%	13.5%	21.4%	24.9%

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BE - KEY FIGURES

		2013A	2014A	2015A	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	115	130	137
	EBITDA	11	13	15	18	20
	EBIT	4	6	8	12	15
	Financial income (charges)	(2)	(2)	(2)	(1)	(1)
	Associates & Others	0	0	0	0	0
	Pre-tax profit (Loss)	2	4	6	11	13
	Taxes	(2)	(3)	(2)	(4)	(5)
	Tax rate (%)	79.8%	67.2%	39.2%	35.0%	35.0%
	Minorities & discontinue activities	(0)	(0)	(0)	(1)	(1)
	Net profit	0	1	3	7	8
	Total extraordinary items	0	0	0	0	0
	Ebitda excl. extraordinary items	11	13	15	18	20
	Ebit excl. extraordinary items	4	6	8	12	15
Net profit restated	0	1	3	7	8	
PER SHARE DATA (Eu)	Total shares out (mn) - average fd	135	135	135	135	135
	EPS stated fd	0.003	0.008	0.026	0.049	0.060
	EPS restated fd	0.003	0.008	0.026	0.049	0.060
	BVPS fd	0.340	0.342	0.365	0.403	0.439
	Dividend per share (ord)	0.000	0.006	0.011	0.025	0.030
	Dividend per share (sav)	0.000	0.000	0.000	0.000	0.000
	Dividend pay out ratio (%)	0.0%	72.0%	43.4%	50.0%	50.0%
CASH FLOW (Eu mn)	Gross cash flow	6	8	11	13	14
	Change in NWC	8	(3)	(1)	(0)	(4)
	Capital expenditure	(2)	(2)	(2)	(2)	(2)
	Other cash items	(0)	0	4	0	0
	Free cash flow (FCF)	12	3	11	10	9
	Acquisitions, divestments & others	(4)	(3)	0	(6)	0
	Dividend	0	0	(1)	(2)	(3)
	Equity financing/Buy-back	5	0	0	0	0
Change in Net Financial Position	12	3	10	2	5	
BALANCE SHEET (Eu mn)	Total fixed assets	82	78	78	78	77
	Net working capital	(6)	(3)	(2)	(1)	2
	Long term liabilities	(11)	(14)	(20)	(17)	(21)
	Net capital employed	65	63	56	59	59
	Net financial position	(20)	(17)	(7)	(5)	1
	Group equity	46	46	49	54	59
	Minorities	0	0	1	1	1
Net equity	46	46	48	54	58	
ENTERPRISE VALUE (Eu mn)	Average mkt cap - current	68	68	68	68	68
	Adjustments (associate & minorities)	0	0	0	0	0
	Net financial position	(20)	(17)	(7)	(5)	1
	Enterprise value	87	85	75	73	67
RATIOS(%)	EBITDA margin*	13.6%	13.1%	13.0%	14.0%	14.8%
	EBIT margin*	5.2%	6.2%	7.0%	9.5%	10.7%
	Gearing - Debt/equity	42.5%	36.7%	14.4%	8.9%	-0.9%
	Interest cover on EBIT	1.8	2.7	4.4	8.8	12.2
	Debt/Ebitda	1.74	1.31	0.47	0.26	nm
	ROCE*	6.6%	9.5%	13.5%	21.4%	24.9%
	ROE*	0.9%	2.3%	7.3%	13.0%	14.6%
	EV/CE	1.3	1.3	1.3	1.3	1.1
	EV/Sales	1.1	0.9	0.6	0.6	0.5
EV/Ebit	20.3	13.9	9.3	5.9	4.6	
Free Cash Flow Yield	17.3%	4.9%	15.7%	15.0%	12.8%	
GROWTH RATES (%)	Sales	2.7%	19.3%	17.2%	12.6%	5.5%
	EBITDA*	20.1%	15.4%	16.4%	21.2%	11.6%
	EBIT*	4.3%	42.3%	32.1%	53.0%	18.8%
	Net profit	-46.1%	180.9%	231.6%	91.4%	23.2%
	EPS restated	-72.3%	180.9%	231.6%	91.4%	23.2%

* Excluding extraordinary items

Source: Intermonte SIM estimates

Results

BE – Quarterly results

(Eu mn)	1Q15A	1Q16A	YoY	1Q16E	A vs E
Value of production	25.0	32.3	28.8%	30.2	7.0%
EBITDA	3.4	4.2	23.9%	4.1	3.0%
<i>EBITDA margin</i>	<i>13.5%</i>	<i>13.0%</i>		<i>13.5%</i>	
D&A	(1.3)	(1.3)		(1.4)	
Provisions	(0.0)	(0.2)		0.0	
EBIT	2.0	2.8	35.4%	2.7	1.6%
<i>EBIT margin</i>	<i>8.2%</i>	<i>8.6%</i>		<i>9.0%</i>	
Financial Income (Charges)	(0.4)	(0.7)		(0.4)	
Associates	0.0	0.0		0.0	
Pretax	1.6	2.1	29.6%	2.4	-10.9%
Net Debt	(17.0)	(15.6)		(15.5)	0.7%

Source: Company Data and Intermonte SIM estimates

Valuation

Our valuation, based on the weighted average of a DCF model (70%) and a peer comparison (30%) yields a target price of Eu0.85 per share. At our target price, the stock would be trading at 14.1x P/E and 5.7x EV/EBITDA on 2017 estimates.

BE – Valuation

Target price calculation	Eu per share	Weight
DCF	0.85	70%
Multiples	0.84	30%
Target price	0.85	
Current Price	0.52	
Mkt Cap (Eu mn)	70.1	
% upside	64.2%	

Source: Company Data and Intermonte SIM estimates

BE – Multiples At Target Price

	2015A	2016E	2017E
PE	33.3x	17.4x	14.1x
EV/SALES	1.1x	0.9x	0.8x
EV/EBITDA	8.2x	6.6x	5.7x
EV/EBIT	15.2x	9.8x	7.9x

Source: Company Data and Intermonte SIM estimates

BE Peer Group - Absolute Performances

Stock	Price	Ccy	Mkt cap	1M	3M	6M	YTD	1Y	2Y
BE	0.50	EUR	68	1.3%	23.0%	-1.7%	-2.8%	-17.1%	-18.2%
ALTRAN TECHNOLOGIES	---	EUR	2,238	6.0%	26.5%	15.4%	4.8%	34.7%	73.6%
AUBAY	---	EUR	264	-4.6%	4.0%	30.0%	10.9%	63.0%	78.9%
CAD IT	3.80	EUR	34	-3.6%	2.2%	-8.7%	-7.8%	-14.6%	-19.6%
CAPGEMINI	---	EUR	13,804	0.4%	13.1%	-0.4%	-5.8%	-0.2%	65.3%
DEVOTEAM	---	EUR	323	3.8%	21.6%	33.3%	27.3%	82.0%	133.6%
ENGINEERING	65.95	EUR	824	0.8%	1.7%	17.5%	9.9%	13.8%	46.4%
EXPRIVIA	---	EUR	37	-4.4%	15.5%	-8.1%	-3.7%	-10.8%	-11.2%
GFI INFORMATIQUE	---	EUR	558	0.0%	0.5%	34.2%	1.9%	36.8%	40.2%
ORDINA	---	EUR	123	25.0%	71.9%	32.5%	24.9%	-21.8%	-31.2%
REPLY	121.80	EUR	1,139	-4.2%	7.5%	1.9%	-3.3%	29.8%	103.3%
TIETO OYJ	---	EUR	1,710	-1.5%	1.8%	-3.4%	-6.1%	8.6%	17.9%
TXT E-SOLUTIONS	7.48	EUR	97	-1.8%	-0.3%	-9.2%	-8.0%	-13.5%	-14.7%
Mean performance				1.3%	14.5%	10.3%	3.3%	14.7%	35.7%
Italy FTSE Mib	17,737.0	EUR	249,895	-2.8%	4.6%	-18.7%	-17.2%	-24.4%	-14.1%

Source: FactSet

BE Peer Group - Multiple Comparison

Stock	Price	Ccy	Mkt cap	EV/Sales		EV/Ebitda		EV/Ebit		P/E		Div Yield	
				2016	2017	2016	2017	2016	2017	2016	2017	2016	2017
BE	0.50	EUR	68	0.6	0.5	4.0	3.3	5.9	4.6	10.2	8.3	4.9%	6.0%
ALTRAN TECHNOLOGIES	12.93	EUR	2,238	1.1	1.0	10.1	8.8	11.3	9.7	16.4	14.7	1.6%	1.9%
AUBAY	20.39	EUR	264	0.8	0.7	8.6	7.4	8.6	7.5	15.0	13.8	1.9%	2.0%
CAD IT	3.80	EUR	34	0.5	0.5	3.8	3.5	14.4	11.8	27.1	22.4	4.5%	5.3%
CAPGEMINI	80.66	EUR	13,804	1.2	1.1	8.9	8.0	10.9	9.6	15.8	14.2	1.8%	1.9%
DEVOTEAM	42.64	EUR	323	0.5	0.5	7.5	6.0	6.9	5.7	17.8	15.2	1.4%	1.6%
ENGINEERING	65.95	EUR	824	0.7	0.6	5.7	5.1	7.9	7.0	15.8	15.1	0.0%	0.0%
EXPRIVIA	0.73	EUR	37	0.5	0.4	4.2	3.5	6.1	5.1	6.9	6.1	2.9%	3.2%
GFI INFORMATIQUE	8.48	EUR	558	0.6	0.5	7.7	6.9	8.9	7.9	17.6	15.7	1.7%	2.0%
ORDINA	1.33	EUR	123	0.3	0.3	6.8	4.5	9.8	5.9	9.2	7.5	0.5%	3.7%
REPLY	121.80	EUR	1,139	1.4	1.2	9.7	8.2	10.7	8.9	17.7	15.2	0.9%	1.1%
TIETO OYJ	23.22	EUR	1,710	1.2	1.1	8.7	8.1	11.2	10.5	14.3	13.5	5.6%	5.7%
TXT E-SOLUTIONS	7.48	EUR	97	1.2	1.1	11.7	9.5	13.7	10.6	17.7	14.2	3.5%	3.7%
Median				0.7	0.7	8.2	7.1	10.3	8.4	16.1	14.4	1.7%	2.0%

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

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BUY: stock expected to outperform the market by over 25% over a 12 month period;

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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Intermonte's distribution of stock ratings is as follows:

BUY: 19.46%

OUTPERFORM: 42.95%

NEUTRAL: 31.11%

UNDERPERFORM: 0.0%

SELL: 0.0%

The distribution of stock ratings for companies which have received corporate finance services from Intermonte in the last 12 months (45 in total) is as follows:

BUY: 22.22%

OUTPERFORM: 46.67%

NEUTRAL: 18.42%

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):	0.85	Previous Target (Eu):	0.85
Current Price (Eu):	0.50	Previous Price (Eu):	0.51
Date of report:	17/05/2016	Date of last report:	18/04/2016

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