

BE

BUY

Price (Eu):

0.49

Target Price (Eu):

0.85

SECTOR: Industrials

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Solid Results, New Business Plan Coming in September

- Solid 1H16 results.** BE's revenues grew by a strong 26% to Eu65.6mn in 1H16, thanks to the Business Consultancy segment, which posted a 47.5% YoY increase, while the ICT area was down by around 13% YoY. The Business Consultancy performance was boosted by the consolidation of recent acquisitions. EBITDA came to Eu8.0mn, +12.6% YoY. The margin on sales went from 13.4% in 1H15 to 12.2% in 1H16, mostly due to the lower profit margins of newly consolidated companies. Net income in 1H16 came in at Eu2.6mn, improving from Eu2.1mn in 1H15.
- 2Q16 results a touch below our estimates.** The company closed 2Q16 with revenues of Eu33.5mn, +22.6% YoY. EBITDA stood at Eu3.8mn, broadly in line with our estimate (Eu4.1mn). As regards cash generation, net debt at the end of June stood at Eu17.0mn, up from Eu15.6mn at the end of March, due to the seasonal working capital trend and the dividend payment.
- Positive outlook; new business plan coming in September.** Group CEO Stefano Achermann stated that the Business Consultancy division is acting as the primary engine of growth, triggering synergies and opportunities in various markets. He added that in the coming weeks the company will announce the start of consulting activities on the German market. In light of the positive results recorded by the company in the first half of the year, the management has confirmed its intention to publish new targets for the 2017-2019 period on 15 September 2016.
- Estimates unchanged.** On the back of 2Q16 results and ahead of the release of the new business plan, we have left our estimates unchanged. We estimate revenues will grow to Eu129.9mn in 2016 (+13.7% YoY) thanks to both organic growth and the contribution from newly acquired companies. We then expect EBITDA to reach Eu18.2mn, with an improvement in profitability of 100bps compared to 2015. Finally, we expect net debt to go down to Eu4.8mn at year's end, 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.

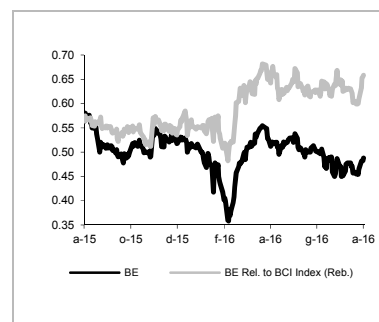
Key Figures	2014A	2015A	2016E	2017E	2018E
Sales (Eu mn)	98	115	130	137	142
Ebitda (Eu mn)	13	15	18	20	21
Net profit (Eu mn)	1	3	7	8	8
EPS - New (Eu)	0.008	0.026	0.049	0.060	0.062
EPS - Old (Eu)		0.026	0.049	0.060	
DPS (Eu)	0.006	0.011	0.025	0.030	0.031

Ratios & Multiples	2014A	2015A	2016E	2017E	2018E
P/E	63.2	19.1	10.0	8.1	7.9
Div. Yield	1.1%	2.3%	5.0%	6.2%	6.4%
EV/Ebitda	6.4	4.8	3.9	3.2	2.7
ROCE	9.5%	13.5%	21.4%	24.9%	26.5%

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Next event:
Business plan presentation: 15 Sept

BE - 12m Performance



RATING: Unchanged

TARGET PRICE (Eu): Unchanged

Change in EPS est:	2016E	2017E
	0.0%	0.0%

STOCK DATA

Reuters code: BET.MI
Bloomberg code: BET IM

Performance	1m	3m	12m
Absolute	3.9%	-6.1%	-13.4%
Relative	2.9%	1.8%	12.3%
12 months H/L:	0.58/0.36		

SHAREHOLDER DATA

No. of Ord. shares (mn):	135
Total No. of shares (mn):	135
Mkt Cap Ord (Eu mn):	66
Total Mkt Cap (Eu mn):	66
Mkt Float - ord (Eu mn):	27
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):	71

Please see important disclaimer
on the last page of this report

BE - KEY FIGURES

		2014A	2015A	2016E	2017E	2018E
	Fiscal year end	31/12/2014	31/12/2015	31/12/2016	31/12/2017	31/12/2018
PROFIT & LOSS (Eu mn)	Sales	98	115	130	137	142
	EBITDA	13	15	18	20	21
	EBIT	6	8	12	15	15
	Financial income (charges)	(2)	(2)	(1)	(1)	(1)
	Associates & Others	0	0	0	0	0
	Pre-tax profit (Loss)	4	6	11	13	14
	Taxes	(3)	(2)	(4)	(5)	(5)
	Tax rate (%)	67.2%	39.2%	35.0%	35.0%	35.0%
	Minorities & discontinue activities	(0)	(0)	(1)	(1)	(1)
	Net profit	1	3	7	8	8
	Total extraordinary items	0	0	0	0	0
	Ebitda excl. extraordinary items	13	15	18	20	21
Ebit excl. extraordinary items	6	8	12	15	15	
Net profit restated	1	3	7	8	8	
PER SHARE DATA (Eu)	Total shares out (mn) - average fd	135	135	135	135	135
	EPS stated fd	0.008	0.026	0.049	0.060	0.062
	EPS restated fd	0.008	0.026	0.049	0.060	0.062
	BVPS fd	0.342	0.365	0.403	0.439	0.471
	Dividend per share (ord)	0.006	0.011	0.025	0.030	0.031
	Dividend per share (sav)	0.000	0.000	0.000	0.000	0.000
Dividend pay out ratio (%)	72.0%	43.4%	50.0%	50.0%	50.0%	
CASH FLOW (Eu mn)	Gross cash flow	8	11	13	14	15
	Change in NWC	(3)	(1)	(0)	(4)	2
	Capital expenditure	(2)	(2)	(2)	(2)	(2)
	Other cash items	0	4	0	0	(2)
	Free cash flow (FCF)	3	11	10	9	13
	Acquisitions, divestments & others	(3)	0	(6)	0	0
	Dividend	0	(1)	(2)	(3)	(4)
	Equity financing/Buy-back	0	0	0	0	0
Change in Net Financial Position	3	10	2	5	8	
BALANCE SHEET (Eu mn)	Total fixed assets	78	78	78	77	77
	Net working capital	(3)	(2)	(1)	2	3
	Long term liabilities	(14)	(20)	(17)	(21)	(25)
	Net capital employed	63	56	59	59	54
	Net financial position	(17)	(7)	(5)	1	9
	Group equity	46	49	54	59	63
	Minorities	0	1	1	1	1
Net equity	46	48	54	58	63	
ENTERPRISE VALUE (Eu mn)	Average mkt cap - current	66	66	66	66	66
	Adjustments (associate & minorities)	0	0	0	0	0
	Net financial position	(17)	(7)	(5)	1	9
	Enterprise value	83	73	71	65	57
RATIOS(%)	EBITDA margin*	13.1%	13.0%	14.0%	14.8%	14.6%
	EBIT margin*	6.2%	7.0%	9.5%	10.7%	10.6%
	Gearing - Debt/equity	36.7%	14.4%	8.9%	-0.9%	-14.2%
	Interest cover on EBIT	2.7	4.4	8.8	12.2	12.5
	Debt/Ebitda	1.31	0.47	0.26	nm	nm
	ROCE*	9.5%	13.5%	21.4%	24.9%	26.5%
	ROE*	2.3%	7.3%	13.0%	14.6%	13.8%
	EV/CE	1.3	1.2	1.2	1.1	1.0
	EV/Sales	0.8	0.6	0.5	0.5	0.4
	EV/Ebit	13.6	9.0	5.7	4.5	3.8
Free Cash Flow Yield	5.0%	16.1%	15.4%	13.1%	19.1%	
GROWTH RATES (%)	Sales	19.3%	17.2%	12.6%	5.5%	3.7%
	EBITDA*	15.4%	16.4%	21.2%	11.6%	1.7%
	EBIT*	42.3%	32.1%	53.0%	18.8%	2.4%
	Net profit	180.9%	231.6%	91.4%	23.2%	2.8%
	EPS restated	180.9%	231.6%	91.4%	23.2%	2.8%

* Excluding extraordinary items

Source: Intermonte SIM estimates

Results

BE – Results

(Eu mn)	2Q15A	2Q16A	YoY	2Q16E	A vs E	1H15A	1H16A	YoY
Value of production	27.8	34.0	22.1%	32.9	3.1%	52.9	66.2	25.3%
EBITDA	3.7	3.8	2.3%	4.1	-6.4%	7.1	8.0	12.6%
<i>EBITDA margin</i>	<i>13.3%</i>	<i>11.2%</i>		<i>12.3%</i>		<i>13.4%</i>	<i>12.1%</i>	
D&A	(1.3)	(1.3)		(1.3)		(2.7)	(2.6)	
Provisions	(0.2)	(0.0)		0.0		(0.2)	(0.2)	
EBIT	2.2	2.5	11.6%	2.7	-9.4%	4.3	5.2	23.0%
<i>EBIT margin</i>	<i>8.0%</i>	<i>7.3%</i>		<i>8.3%</i>		<i>8.1%</i>	<i>7.9%</i>	
Financial Income (Charges)	(0.5)	(0.3)		(0.3)		(0.9)	(0.9)	
Associates	0.0	0.0		0.0		0.0	0.0	
Pretax	1.8	2.2	24.3%	2.4	-8.3%	3.4	4.3	26.8%
Net Debt	(22.9)	(17.0)		(16.4)	3.8%	(22.9)	(17.0)	

Source: Company Data and Intermonte SIM estimates

Estimates

BE – Change in estimates

(Eu mn)	2015A	2016E	2017E	2018E
Value of Production new	115.4	129.9	137.1	142.2
YoY%	17.2%	12.6%	5.5%	3.7%
Value of Production old		129.9	137.1	
% change		0.0%	0.0%	
EBITDA new	15.0	18.2	20.4	20.7
YoY%	16.4%	21.2%	11.6%	1.7%
EBITDA old		18.2	20.4	
% change		0.0%	0.0%	
EBIT new	8.1	12.3	14.7	15.0
EBIT old		12.3	14.7	
% change		0.0%	0.0%	
Net profit reported new	3.5	6.6	8.1	8.4
Net profit reported old		6.6	8.1	
% change		0.0%	0.0%	
Net debt new	(7.1)	(4.8)	0.5	9.0
Net debt old		(4.8)	0.5	
% change		0.0%	0.0%	

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	0.93	30%
Target price	0.85	
Current Price	0.48	
Mkt Cap (Eu mn)	70.1	
% upside	77.1%	

Source: Company Data and Intermonte SIM estimates

BE – Multiples At Target Price

	2015A	2016E	2017E	2018E
PE	33.2x	17.3x	14.1x	13.7x
EV/SALES	1.1x	0.9x	0.8x	0.7x
EV/EBITDA	8.1x	6.6x	5.6x	5.0x
EV/EBIT	15.2x	9.7x	7.8x	6.6x

Source: Company Data and Intermonte SIM estimates

BE Peer Group - Absolute Performances

Stock	Price	Ccy	Mkt cap	1M	3M	6M	YTD	1Y	2Y
BE	0.49	EUR	66	3.9%	-6.1%	20.5%	-5.5%	-13.4%	3.5%
ALTRAN TECHNOLOGIES	---	EUR	2,211	7.3%	-0.7%	16.1%	3.5%	19.7%	68.7%
AUBAY	---	EUR	287	10.9%	8.0%	13.4%	20.2%	30.7%	115.6%
CAD IT	3.59	EUR	32	-1.0%	-7.8%	2.6%	-12.9%	-17.3%	-13.7%
CAPGEMINI	---	EUR	14,475	11.4%	6.0%	3.3%	-1.2%	-2.8%	58.0%
DEVOTEAM	---	EUR	331	0.5%	5.1%	19.4%	29.6%	65.4%	147.3%
EXPRIVIA	---	EUR	32	-2.2%	-14.6%	-11.2%	-17.0%	-22.6%	-13.6%
GFI INFORMATIQUE	---	EUR	531	-4.3%	-5.9%	-5.2%	-3.8%	28.0%	20.5%
ORDINA	---	EUR	148	2.7%	24.8%	76.1%	49.7%	27.6%	-11.8%
REPLY	124.50	EUR	1,164	8.2%	0.0%	10.5%	-1.1%	19.4%	119.6%
TIETO OYJ	---	EUR	1,885	3.9%	10.9%	5.3%	3.6%	9.0%	30.7%
TXT E-SOLUTIONS	7.39	EUR	96	-1.2%	-0.7%	-0.1%	-9.1%	-11.5%	-7.9%
Mean performance				3.3%	1.6%	12.6%	4.7%	11.0%	43.1%
Italy FTSE Mib	16,236.4	EUR	231,296	1.4%	-9.5%	-7.9%	-24.2%	-30.8%	-20.3%

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
				2016	2017	2016	2017	2016	2017	2016	2017	2016	2017
BE	0.49	EUR	66	0.5	0.5	3.9	3.2	5.7	4.5	10.0	8.1	5.0%	6.2%
ALTRAN TECHNOLOGIES	12.77	EUR	2,211	1.1	1.0	10.1	8.7	11.5	9.8	16.3	14.3	1.6%	1.9%
AUBAY	22.10	EUR	287	0.8	0.8	8.6	7.6	9.1	8.0	15.8	14.6	1.6%	1.8%
CAD IT	3.59	EUR	32										
CAPGEMINI	84.58	EUR	14,475	1.2	1.1	9.4	8.4	11.2	9.9	16.3	14.9	1.7%	1.9%
DEVOTEAM	43.42	EUR	331	0.6	0.5	6.7	5.6	7.3	6.0	18.9	16.1	1.4%	1.6%
EXPRIVIA	0.63	EUR	32	0.4	0.4	4.3	3.3	6.5	4.8	7.6	5.3	3.4%	3.7%
GFI INFORMATIQUE	8.00	EUR	531	0.6	0.5	7.4	6.8	8.6	7.8	18.2	15.4	2.1%	2.4%
ORDINA	1.59	EUR	148	0.4	0.4	8.9	5.6	13.6	7.5	10.0	8.8	1.8%	3.0%
REPLY	124.50	EUR	1,164	1.4	1.3	10.4	8.9	11.4	9.7	18.3	15.9	0.9%	1.0%
TIETO OYJ	25.60	EUR	1,885	1.3	1.2	9.5	8.8	12.0	11.4	15.5	14.7	5.0%	5.1%
TXT E-SOLUTIONS	7.39	EUR	96	1.2	1.1	11.5	9.3	13.5	10.5	17.5	14.0	3.6%	3.8%
Median				1.0	0.9	9.2	8.0	11.3	8.9	16.3	14.6	1.7%	2.1%

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;
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 The stock price indicated is the reference price on the day prior to the publication of the report.
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BUY: 22.22%
 OUTPERFORM: 46.67%
 NEUTRAL: 18.42%
 UNDERPERFORM: 0.00%
 SELL: 0.00%

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- o Intermonte SIM SpA provides investment banking services to RCS MediaGroup, also in connection with the share exchange offer promoted by Cairo Communication and with the public tender offer promoted by International Media Holding.

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):	0.49	Previous Price (Eu):	0.50
Date of report:	05/08/2016	Date of last report:	17/05/2016

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