

BE

BUY

Price (Eu):

0.64

Target Price (Eu):

0.90

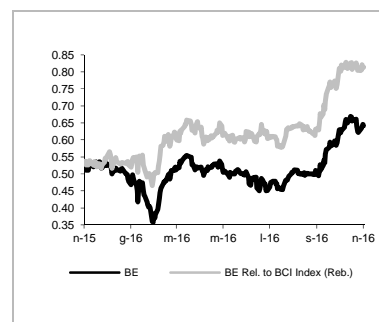
SECTOR: Industrials

Carlo Maritano +39-02-77115.358
e-mail: carlo.maritano@intermonte.itJacopo Tagliaferri +39-02-77115.230
e-mail: jacopo.tagliaferri@intermonte.it

Solid Quarterly Results Underpin Business Plan Targets

- Quarterly results show consistent revenue growth and higher margins.** The company closed 3Q16 with revenues of Eu31.7mn, +20.5% YoY and 2.7% above our estimates. By division, the Business Consultancy segment posted a >30% revenue growth (partially due to the consolidation of recent acquisitions), the ICT segment was almost flat YoY. EBITDA stood at Eu3.1mn, broadly in line with our estimate (Eu3.0mn). The margin on sales went YoY from 8.9% to 9.8%. Pre-tax profit came to Eu1.3mn, improving from Eu0.5mn in 3Q15. Finally, net debt at the end of September stood at Eu21.3mn, up from Eu17.0mn at the end of June, due to the typical seasonal working capital trend.
- Key 9M facts.** Revenues grew by 24% to Eu97.1mn driven by the Business Consultancy segment (+41.1% to Eu72.6mn). EBITDA stood at Eu11.1mn, 17.7% YoY; the margin on sales decreased from 11.9% to 11.3% due to Eu1.0mn of non-recurrent costs related to the Operations segment. Pre-tax profit came to Eu4.8mn, from Eu3.5mn in 3Q15.
- Execution of the business plan on track.** CEO Stefano Achermann remarked that in 9M16 revenues generated abroad were 40% of total (moving towards the 50% target set in the business plan for 2019), and operating margins improved YoY. He expects good result in 4Q16 and possible further extension of the corporate perimeter to new geographies and/or business areas. The targets for the period 2017-2019 are confirmed.
- Estimates cut in 2016 due to non-recurrent costs.** On the back of 3Q16 results we have adjusted our 2016 estimates, mostly to factor in Eu1.0mn of non-recurrent costs. Changes stand at: +4.9% for revenues, -8.7% for EBITDA, -23.2% for net profit. We now estimate revenues will grow to Eu136.3mn in 2016 (+18.0% YoY) thanks to both organic growth and the contribution from newly acquired companies. We then expect EBITDA to reach Eu16.7mn. Profitability, net of non-recurrent costs, would have been flat YoY. Finally, we also revised our forecast for net debt at year end to Eu8.3mn from Eu4.8mn. Looking forward, our 2019 estimates (almost unchanged) are slightly higher than the targets set by the company (once M&A is taken out of the equation). We forecast 2019 revenues of Eu170.8mn, EBITDA of Eu23.5mn and a net cash position of Eu15.9mn.
- BUY reiterated; target price kept at Eu0.90.** Our positive recommendation is supported by: 1) good visibility on business plan targets, given that reference markets are expected to provide significant top line growth opportunities; 2) very strong relationships with large clients; 3) consistently high FCF generation (we assume average FCF of around Eu9.5mn in the 2016-19 period). At our target, unchanged at Eu0.90 per share, the stock would be trading at 11.5x P/E and 4.3x EV/EBITDA on 2019 numbers.
- Upside from M&A.** By the end of the plan the company plans to invest Eu20mn in M&A, targeting highly specialised boutiques or promising start-ups whose core competencies are in line with those of BE in the financial services industry. According to the business plan, changes to the consolidation base should contribute Eu38mn to the value of production in 2019. We note that BE's management has a strong track record in M&A and in successfully integrating acquired companies. Prudentially, we have not factored external growth opportunities into either our model or our valuation.

BE - 12m Performance



RATING: Unchanged

TARGET PRICE (Eu): Unchanged

Change in EPS est: 2016E 2017E
-23.2% -10.1%

STOCK DATA

Reuters code: BET.MI
Bloomberg code: BET IM

Performance	1m	3m	12m
Absolute	1.9%	26.5%	19.4%
Relative	0.5%	27.1%	40.4%
12 months H/L:	0.67/0.36		

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):	35
Mkt Float (in %):	40.9%
Main shareholder:	
Tamburi	23.4%

BALANCE SHEET DATA

	2016
Book value (Eu mn):	52
BVPS (Eu):	0.39
P/BV:	1.6
Net Financial Position (Eu mn):	-8
Enterprise value (Eu mn):	95

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on the last page of this report

Key Figures	2014A	2015A	2016E	2017E	2018E
Sales (Eu mn)	98	115	136	147	158
Ebitda (Eu mn)	13	15	17	20	21
Net profit (Eu mn)	1	3	5	7	9
EPS - New (Eu)	0.008	0.026	0.038	0.054	0.064
EPS - Old (Eu)		0.026	0.049	0.060	0.066
DPS (Eu)	0.006	0.011	0.009	0.011	0.013

Ratios & Multiples	2014A	2015A	2016E	2017E	2018E
P/E	83.1	25.1	17.1	11.8	10.0
Div. Yield	0.9%	1.7%	1.3%	1.7%	2.0%
EV/Ebitda	8.0	6.2	5.4	4.5	3.7
ROCE	9.5%	13.5%	18.3%	22.8%	26.5%

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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	136	147	158
	EBITDA	13	15	17	20	21
	EBIT	6	8	11	14	16
	Financial income (charges)	(2)	(2)	(2)	(2)	(1)
	Associates & Others	0	0	0	0	0
	Pre-tax profit (Loss)	4	6	9	12	14
	Taxes	(3)	(2)	(3)	(4)	(5)
	Tax rate (%)	67.2%	39.2%	34.0%	34.0%	34.0%
	Minorities & discontinue activities	(0)	(0)	(1)	(1)	(1)
	Net profit	1	3	5	7	9
	Total extraordinary items	0	0	(1)	0	0
	Ebitda excl. extraordinary items	13	15	18	20	21
Ebit excl. extraordinary items	6	8	11	14	16	
Net profit restated	1	3	5	7	9	
PER SHARE DATA (Eu)	Total shares out (mn) - average fd	135	135	135	135	135
	EPS stated fd	0.008	0.026	0.038	0.054	0.064
	EPS restated fd	0.008	0.026	0.038	0.054	0.064
	BVPS fd	0.342	0.365	0.391	0.437	0.490
	Dividend per share (ord)	0.006	0.011	0.009	0.011	0.013
	Dividend per share (sav)	0.000	0.000	0.000	0.000	0.000
Dividend pay out ratio (%)	72.0%	43.4%	23.0%	20.0%	20.0%	
CASH FLOW (Eu mn)	Gross cash flow	8	11	12	14	15
	Change in NWC	(3)	(1)	(3)	(3)	(3)
	Capital expenditure	(2)	(2)	(2)	(2)	(2)
	Other cash items	0	4	0	0	0
	Free cash flow (FCF)	3	11	7	8	10
	Acquisitions, divestments & others	(3)	0	(6)	0	0
	Dividend	0	(1)	(2)	(1)	(1)
	Equity financing/Buy-back	0	0	0	0	0
Change in Net Financial Position	3	10	(1)	7	9	
BALANCE SHEET (Eu mn)	Total fixed assets	78	78	78	77	77
	Net working capital	(3)	(2)	1	4	7
	Long term liabilities	(14)	(20)	(17)	(21)	(25)
	Net capital employed	63	56	61	60	58
	Net financial position	(17)	(7)	(8)	(1)	8
	Group equity	46	49	53	59	66
	Minorities	0	1	1	1	1
Net equity	46	48	52	58	65	
ENTERPRISE VALUE (Eu mn)	Average mkt cap - current	87	87	87	87	87
	Adjustments (associate & minorities)	0	0	0	0	0
	Net financial position	(17)	(7)	(8)	(1)	8
	Enterprise value	104	94	95	88	79
RATIOS(%)	EBITDA margin*	13.1%	13.0%	13.0%	13.3%	13.5%
	EBIT margin*	6.2%	7.0%	7.9%	9.4%	9.9%
	Gearing - Debt/equity	36.7%	14.4%	15.7%	1.8%	-11.6%
	Interest cover on EBIT	2.7	4.4	5.4	9.2	12.6
	Debt/Ebitda	1.31	0.47	0.50	0.06	nm
	ROCE*	9.5%	13.5%	18.3%	22.8%	26.5%
	ROE*	2.3%	7.3%	10.1%	13.3%	14.0%
	EV/CE	1.6	1.6	1.6	1.4	1.3
	EV/Sales	1.1	0.8	0.7	0.6	0.5
	EV/Ebit	17.0	11.6	8.8	6.4	5.0
Free Cash Flow Yield	3.8%	12.3%	7.7%	9.7%	11.8%	
GROWTH RATES (%)	Sales	19.3%	17.2%	18.0%	7.9%	7.8%
	EBITDA*	15.4%	16.4%	17.3%	10.5%	9.7%
	EBIT*	42.3%	32.1%	33.4%	28.4%	13.7%
	Net profit	180.9%	231.6%	47.0%	44.2%	18.0%
	EPS restated	180.9%	231.6%	47.0%	44.2%	18.0%

* Excluding extraordinary items

Source: Intermonte SIM estimates

Results

BE- Quarterly Results

(Eu mn)	3Q15A	3Q16A	YoY	3Q16E	A vs E	9M15A	9M16A	YoY	2015A	2016E	YoY
Value of production	26.3	31.7	20.5%	30.9	2.7%	79.2	97.9	23.7%	115.4	136.3	18.0%
EBITDA	2.3	3.1	33.0%	3.0	3.6%	9.4	11.1	17.7%	15.0	16.7	10.7%
EBITDA margin	8.9%	9.8%		9.7%		11.9%	11.3%		13.0%	12.2%	
D&A	(1.3)	(1.3)		(1.3)		(4.0)	(3.9)		(5.3)	(5.3)	
Provisions	(0.0)	0.0		(0.0)		(0.2)	(0.1)		(1.6)	(0.6)	
EBIT	1.0	1.8	80.1%	1.7	8.7%	5.3	7.1	34.0%	8.1	10.8	33.4%
EBIT margin	3.8%	5.7%		5.4%		6.7%	7.2%		7.0%	7.9%	
Financial Income (Charges)	(0.5)	(0.5)		(1.1)		(1.4)	(1.5)		(1.8)	(2.0)	
Associates	0.0	0.0		0.0		0.0	0.0		0.0	0.0	
Pretax	0.5	1.3	168.3%	0.6	109.2%	3.9	5.6	44.3%	6.2	8.8	40.1%
Net Debt	(21.7)	(21.3)		(20.0)	6.6%				(7.1)	(8.3)	

Source: Company data and Intermonte SIM

Estimates

BE- Change In Estimates

(Eu mn)	2016E	2017E	2018E	2019E
Value of Production new	136.3	147.0	158.4	170.8
Value of Production old	129.9	140.4	151.5	163.7
% change	4.9%	4.7%	4.5%	4.3%
EBITDA new	16.7	19.5	21.4	23.5
EBITDA old	18.2	19.8	21.4	23.1
% change	-8.7%	-1.5%	0.2%	1.9%
EBIT new	10.8	13.8	15.7	17.8
EBIT old	12.3	14.3	15.7	17.4
% change	-12.8%	-3.2%	0.3%	2.5%
Net profit reported new	5.1	7.3	8.6	10.1
Net profit reported old	6.6	8.1	8.9	10.0
% change	-23.2%	-10.1%	-2.8%	0.9%
Net debt new	(8.3)	(1.1)	7.7	15.9
Net debt old	(4.8)	2.7	10.2	19.0
% change	71.7%	n.m.	-24.9%	-16.3%

Source: Intermonte SIM

Valuation

Our valuation model, based on a weighted average of a DCF calculation (70%) and a peer comparison (30%), yields a target price of Eu0.90. We used a 30% weighting for the peer comparison because the peer group is skewed towards IT services providers, whereas BE is increasingly focusing on consultancy activities (75% of company EBITDA in 2019).

BE- Valuation Summary

Target price calculation	Eu per share	Weight
DCF	0.89	70%
Multiples	0.91	30%
Target price	0.90	
Current Price	0.65	
Mkt Cap (Eu mn)	87.7	
% upside	38.5%	

Source: Intermonte Estimates

Investment Case

Our positive recommendation is supported by: 1) **good visibility on business plan targets**, given that reference markets are expected to provide significant top line growth opportunities; 2) **very strong relationships with large clients**; 3) **consistently high FCF generation**.

Additionally, various opportunities may arise for the company to grow further through acquisitions, which could help the group to speed up execution of its strategy and to expand abroad.

At our target, unchanged at Eu0.90 per share, the stock would be trading at 11.5x P/E and 4.3x EV/EBITDA on 2018 numbers.

BE- Implied Multiples At Target Price

	2016E	2017E	2018E
PE	20.9x	14.9x	13.2x
EV/SALES	0.9x	0.8x	0.7x
EV/EBITDA	7.2x	5.8x	4.8x
EV/EBIT	10.8x	8.0x	6.4x

Source: Intermonte Estimates

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- Discounted cash flow (DCF) model or similar methods such as a dividend discount model (DDM)
- Comparison with market peers, using the most appropriate methods for the individual company analysed: among the main ratios used for industrial sectors are price/earnings (P/E), EV/EBITDA, EV/EBIT, price/sales.
- Return on capital and multiples of adjusted net book value are the main methods used for banking sector stocks, while for insurance sector stocks return on allocated capital and multiples on net book value and embedded portfolio value are used
- For the utilities sector comparisons are made between expected returns and the return on the regulatory asset base (RAB)

Some of the parameters used in evaluations, such as the risk-free rate and risk premium, are the same for all companies covered, and are updated to reflect market conditions. Currently a risk-free rate of 2.5% and a risk premium of 5.0% are being used.

Frequency of research: quarterly.

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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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BUY:	14.71 %
OUTPERFORM:	47.06 %
NEUTRAL:	33.33 %
UNDERPERFORM:	03.92 %
SELL:	00.98 %

The distribution of stock ratings for companies which have received corporate finance services from Intermonte in the last 12 months (44 in total) is as follows:

BUY:	22.73 %
OUTPERFORM:	54.55 %
NEUTRAL:	22.72 %
UNDERPERFORM:	00.00 %
SELL:	00.00 %

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IKF	0.57	SHORT
OLIDATA	0.89	SHORT
STEFANEL	0.6	SHORT
WASTE ITALIA	0.91	SHORT
ZEPHYRO SPA	1.38	LONG

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BE Peer Group - Absolute Performances

Stock	Price	Ccy	Mkt cap	1M	3M	6M	YTD	1Y	2Y
BE	0.64	EUR	87	1.9%	26.5%	27.1%	24.3%	19.4%	41.1%
ALTRAN TECHNOLOGIES	12.28	EUR	2,126	-4.6%	-4.8%	-2.5%	-0.5%	7.0%	59.9%
AUBAY	25.00	EUR	324	-2.0%	11.1%	24.4%	36.0%	53.4%	164.6%
CAD IT	3.35	EUR	30	-0.9%	-9.5%	-13.4%	-18.7%	-19.3%	-8.7%
CAPGEMINI	72.43	EUR	12,351	-12.7%	-15.8%	-11.3%	-15.4%	-11.3%	31.5%
DEVOTEAM	49.53	EUR	378	2.5%	15.0%	15.5%	47.9%	44.8%	216.7%
EXPRIVIA	0.64	EUR	32	-2.3%	-1.2%	-13.8%	-15.5%	-23.6%	2.2%
GFI INFORMATIQUE	7.67	EUR	509	-3.9%	-4.1%	-9.6%	-7.8%	22.7%	48.9%
ORDINA	1.90	EUR	177	-16.6%	17.3%	40.1%	79.0%	80.3%	44.5%
REPLY	112.50	EUR	1,052	-8.1%	-8.5%	-9.3%	-10.6%	-4.0%	102.2%
TIETO OYJ	23.98	EUR	1,766	-14.8%	-9.0%	2.9%	-3.0%	-0.8%	18.1%
TXT E-SOLUTIONS	7.84	EUR	102	9.6%	7.0%	3.4%	-3.6%	-5.4%	-0.6%
Mean performance				-4.3%	2.0%	4.5%	9.3%	13.6%	60.0%
Italy FTSE Mib	16,812.4	EUR	241,679	2.1%	-0.9%	-5.0%	-21.5%	-24.9%	-12.7%

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	0.64	EUR	87	0.7	0.6	5.4	4.5	8.8	6.4	17.1	11.8	1.3%	1.7%
ALTRAN TECHNOLOGIES	12.28	EUR	2,126	1.1	1.0	10.1	8.6	11.3	9.6	15.6	13.5	1.7%	1.9%
AUBAY	25.00	EUR	324	1.0	0.9	9.7	8.7	10.2	9.1	16.6	15.6	1.6%	1.7%
CAD IT	3.35	EUR	30	0.5	0.4	3.3	2.4	12.8	5.9	22.3	10.8	5.1%	6.0%
CAPGEMINI	72.43	EUR	12,351	1.1	1.0	8.4	7.5	9.8	8.8	13.9	12.8	2.0%	2.2%
DEVOTEAM	49.53	EUR	378	0.6	0.6	7.4	6.2	8.0	6.7	19.8	16.5	1.2%	1.6%
EXPRIVIA	0.64	EUR	32	0.5	0.4	4.7	3.8	7.6	5.7	12.2	7.0	3.3%	2.0%
GFI INFORMATIQUE	7.67	EUR	509	0.6	0.5	7.4	6.3	8.6	7.1	15.3	13.0	2.2%	2.5%
ORDINA	1.90	EUR	177	0.5	0.4	8.1	5.2	11.0	6.4	12.4	9.7	1.7%	3.0%
REPLY	112.50	EUR	1,052	1.3	1.2	9.8	8.4	10.7	9.3	16.9	14.9	1.0%	1.1%
TIETO OYJ	23.98	EUR	1,766	1.2	1.2	9.0	8.7	11.8	11.2	15.1	14.3	5.4%	5.6%
TXT E-SOLUTIONS	7.84	EUR	102	1.3	1.2	11.5	9.8	13.8	11.5	17.9	15.3	3.4%	3.6%
Median				1.0	0.9	8.4	7.5	10.7	8.8	15.6	13.5	2.0%	2.2%

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

DETAILS ON STOCKS RECOMMENDATION

Stock NAME	BE		
Current Recomm:	BUY	Previous Recomm:	BUY
Current Target (Eu):	0.90	Previous Target (Eu):	0.90
Current Price (Eu):	0.64	Previous Price (Eu):	0.51
Date of report:	14/11/2016	Date of last report:	16/09/2016