

Italy - Software

Well on track to meet medium/long term targets

4th February, 2016

PRELIMINARY FY-15 RESULTS

RIC: PITE.MI
BBG: PITE IM

Piteco, the undisputed domestic leader in the treasury management software niche, reported solid preliminary FY-15 results, in line with our forecasts. 599 clients as of Dec-15 and 5 new names just in Jan-16, lend weight to group strategy. Upside to PT faded, rating cut to Neutral. A few positive triggers not factored in CFO model.

Rating:

Neutral (Buy)

Price Target:

€ 4.00 (€ 3.90)

Upside/(Downside): 8.1%

Last Price: € 3.70

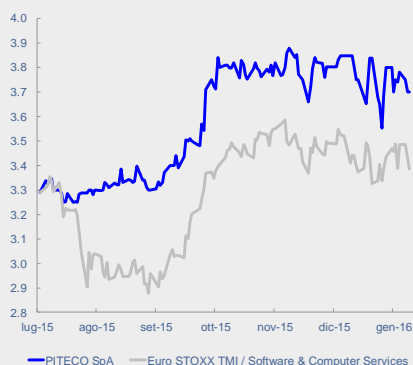
Market Cap.: € 67.06

1Y High/Low: € 3.88/€ 3.15

Free Float: 16.8%

Major shareholders:

Podini Family 74.6%
Management 8.6%



Stock price performance

	1M	3M	6M
Absolute	-3.8%	-2.9%	10.8%
Rel.to Milan AIM	2.7%	4.4%	19.0%
Rel.to EU Sector	0.0%	-0.7%	8.5%

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FY-15 net sales up 11% YoY, in line with CFO estimates

Revenues increased 11% to € 12.8m driven by high margin turnover linked to recurring maintenance & services fees (usually some 50% of total) and software sales. Total sales totaled € 13.40m, slightly higher than our € 13.20m projection. Piteco's focus on the niche of the treasury management software solutions is set to continue to ensure the group outperforms its core market. In the coming years, the growth of the top line is almost entirely seen driven by volume expansion, translating into a top line CAGR_{14-17e} of 9.9%.

NFP almost zeroed

Net financial position decreased to € 0.90m, from € 8.7m in H1-15, broadly in line with CFO expectation, and it compares with € 10.0m of dec-14. Taking into consideration the net IPO inflow of € 8.0m, the extraordinary costs linked to the IPO and the € 1.1m acquisition outlay for Centrodatta, the company generated some € 4m Free Cash Flow in FY-15.

30 new clients in FY-15, booming January 2016 with 5 new names

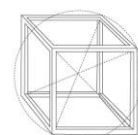
Consistently with last years' average growth pace, there were 30 new clients in 2015, totaling 599 as of Dec-15, in line with our expectations. In Jan-16 Piteco added 5 new names, twice the usual rate, with allegedly mid-large entry tickets, which lends weight on FY-16e projections.

Upside to PT faded: rating downgraded to Neutral (Buy), PT € 4.00/s (€ 3.90/s)

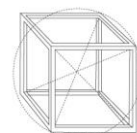
Piteco momentum is seen to remain positive in the months to come. Preliminary FY-15 figures corroborates the investment case. Shares proved to a certain extent to be resilient to market turmoil, stably outperforming the Milan AIM. Shares grew 10.8% in 6M, 12.1% since IPO: upside to PT faded. Updated DCF valuation criteria move PT to € 4.00/s (€ 3.90/s), with 8.1% upside to current price. We downgrade the stock to Neutral (Buy). However, we highlight that Piteco might concretize in the coming months a move/a couple of moves aimed at bringing new products to the current selling proposition and/or companies with an accretive client portfolio, enhancing cross-selling. In addition, the adoption of the Patent Box tax scheme, still under assessment by Piteco, might sustain solidly bottom line. These two triggers are not factored into our model, as well as the boost stemming from the penetration into the US market.

Piteco, key financials and ratios

€ m	2013	2014	2015e	2016e	2017e
Sales	11.17	12.30	13.40	15.06	16.33
EBITDA	4.32	5.23	5.69	6.60	7.30
EBIT	3.63	4.53	5.38	6.31	7.06
Net profit	1.65	2.44	3.31	4.22	4.76
Net profit adjusted	1.63	2.43	3.56	4.22	4.76
EPS adjusted	0.11	0.16	0.20	0.23	0.26
EPS adj. growth	-	48.8%	25.6%	18.6%	12.9%
DPS ord. €/s	0.00	0.00	0.07	0.09	0.11
Dividend yield	0.0%	0.0%	2.0%	2.5%	2.8%
NFP (cash)/debt	11.26	10.03	0.90	(5.18)	(11.46)
Free Cash Flow Yield	4.2%	1.8%	4.4%	6.0%	6.8%
PER x	35.2	23.7	18.9	15.9	14.1
PCF x	20.5	38.6	21.1	15.6	13.8
EV/Sales x	7.0	6.3	5.1	4.1	3.4
EV/EBITDA x	18.1	14.7	11.8	9.4	7.6
EV/EBIT x	21.6	17.0	12.5	9.8	7.9



Income statement (€ m)	2013a	2014a	2015e	2016e	2017e
Total revenues	11.17	12.30	13.40	15.06	16.33
Material expenses	0.13	0.05	0.06	0.07	0.07
Change in inventories	(0.02)	(0.03)	(0.03)	(0.03)	(0.03)
Personnel expenses	4.75	4.98	5.43	6.17	6.68
Other operating expenses/(income)	1.99	2.08	2.05	2.26	2.31
EBITDA	4.32	5.23	5.89	6.60	7.30
D&A	0.69	0.70	0.31	0.29	0.24
EBIT	3.63	4.53	5.58	6.31	7.06
Financial charges/(income)	1.19	1.01	0.33	0.29	0.26
Other costs & extraordinaries & other	(0.03)	(0.02)	0.33	0.00	0.00
Pre-Tax profit	2.47	3.53	4.93	6.02	6.80
Income taxes	0.82	1.09	1.42	1.81	2.04
Net Profit	1.65	2.44	3.51	4.22	4.76
Net Profit Adjusted	1.63	2.43	3.56	4.22	4.76
Balance sheet (€ m)	2013a	2014a	2015e	2016e	2017e
Net Working Capital	3.32	3.30	3.85	4.39	4.76
Net Fixed Assets	32.35	31.92	32.94	32.90	32.91
Equity Investments	0.17	0.18	0.19	0.19	0.19
Other M/L Term A/L	(5.49)	(3.97)	(3.37)	(4.41)	(4.62)
Net Invested Capital	30.36	31.44	33.61	33.07	33.24
Net Financial Debt	11.26	10.03	0.90	(5.18)	(11.46)
Minorities	0.00	0.00	0.00	0.00	0.00
Group's Shareholders Equity	19.10	21.40	32.71	38.25	44.70
Financial Liabilities & Equity	30.36	31.44	33.61	33.07	33.24
Cash Flow statement (€ m)	2013a	2014a	2015e	2016e	2017e
Total net income	1.65	2.44	3.31	4.22	4.76
Depreciation	0.69	0.70	0.31	0.29	0.24
Other non-cash charges	0.01	0.12	0.10	0.34	0.21
Cash Flow from Oper. (CFO)	2.35	3.26	3.72	4.84	5.21
Change in NWC	0.46	(1.77)	(0.54)	(0.54)	(0.37)
FCF from Operations (FCFO)	2.81	1.49	3.17	4.30	4.84
Net Investments (CFI)	(0.02)	(0.27)	(1.34)	(0.25)	(0.25)
Free CF to the Firm (FCFF)	2.79	1.22	1.84	4.05	4.59
CF from financials (CFF)	(0.78)	(2.41)	8.86	3.12	2.91
Free Cash Flow to Equity (FCFE)	2.01	(1.20)	10.70	7.17	7.51
Financial ratios	2013a	2014a	2015e	2016e	2017e
EBITDA margin	38.7%	42.5%	43.9%	43.8%	44.7%
EBIT margin	32.5%	36.8%	41.6%	41.9%	43.2%
Net profit margin	14.8%	19.9%	26.2%	28.0%	29.2%
Tax rate	33.1%	30.8%	28.8%	30.0%	30.0%
Interest coverage x	0.33	0.22	0.06	0.05	0.04
Net Debt/Ebitda x	2.61	1.92	0.15	(0.78)	(1.57)
Debt-to-Equity x	0.59	0.47	0.03	(0.14)	(0.26)
ROIC	5.5%	7.9%	10.8%	12.6%	14.4%
ROCE	10.5%	13.1%	11.5%	11.7%	11.5%
ROACE	10.5%	13.1%	13.2%	12.6%	12.2%
ROE	8.7%	12.1%	13.0%	11.9%	11.5%
Payout ratio	0.0%	0.0%	40.0%	40.0%	40.0%
Per share figures	2013a	2014a	2015e	2016e	2017e
Final N. of shares # m	15.6	15.6	18.1	18.1	18.1
Final N. of shares (fully diluted) # m	15.6	15.6	18.1	18.1	18.1
Average N. of shares (fd)# m	15.6	15.6	18.1	18.1	18.1
EPS stated €	0.11	0.16	0.19	0.23	0.26
EPS adjusted €	0.11	0.16	0.19	0.23	0.26
EBITDA €	0.28	0.34	0.32	0.36	0.40
EBIT €	0.23	0.29	0.31	0.35	0.39
FCFO €	0.18	0.10	0.17	0.24	0.27
FCFF €	0.18	0.08	0.10	0.22	0.25
FCFE €	0.13	(0.08)	0.59	0.40	0.41
Dividend €	0.00	0.00	0.07	0.09	0.11



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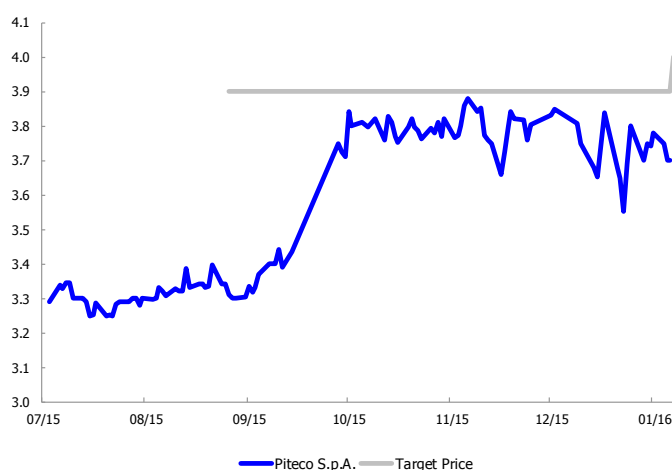
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DATE	TARGET PRICE	RATING
04/02/16	€ 4.00	NEUTRAL
30/09/15	€ 3.90	BUY

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- a **SELL** rating is assigned if the target price is at least 15% lower than the market price;
- a **NEUTRAL** rating is assigned if the difference between the current price and target price lies within the +/- 15% bands identified using the preceding criteria.

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