

Italy - Software

Massive impact of the highly profitable US subsidiary

1st October 2018

H1-18 RESULTS RELEASE

RIC: PITE.MI
BBG: PITE IM

The company reported figures driven by the US subsidiary Juniper Payments, acquired in Apr-17. Piteco has already matched its client target of 30 new names this year, and is expected to significantly outperform it by year end. Piteco confirms its status as a massive cash-flow generative firm.

Rating:

Buy

Price Target:

€ 6.20 (€ 5.80)

Upside/(Downside): 34.8%

Last Price: € 4.60

Market Cap.: € 83.4

1Y High/Low: € 5.46/€ 4.32

Free Float: 27.4%

Major shareholders:

Podini Family 64.0%
Management 8.6%



Stock price performance

	1M	3M	12M
Absolute	0.0%	-2.1%	-14.1%
Rel.to AIM Italia	0.5%	-3.6%	-24.0%
Rel.to EU Sector	-1.0%	0.8%	-4.2%

Analyst:

Luca Arena
+39 02 30343 395
luca.arena@cfosim.com

Buy recommendation confirmed, PT of € 6.20 (€ 5.60), 34.8% upside

We have left our model basically unchanged. The adoption of the anticipated acquisition method, prompted an average 10% increase in Net Profit in 2018-20. However, our previous appraisal of group minorities was higher than the discounted put values, thus with a positive effect on valuation. We have updated DCF and 1) brought the Free Risk Rate up-to-date and 2) lowering by 100bps to 6.0% the Risk Premium on the back of the move to the MTA market. The combined result is an upgrade in PT to € 6.20/s (€ 5.80/s), 34.8% upside to current price. We confirm our Buy recommendation.

Revenues up 19.1%, driven by the US subsidiary

H1-18 turnover grew 19.1% to € 9.04m, almost entirely driven by the full consolidation for six months of Juniper Payments, acquired in Apr-17. In H1-17 Juniper Payment was consolidated for just two months. Also in this period, organically, Piteco showed slow growing revenues (up some 1.0% YoY) due to the lack of significant new large client tickets and to a certain extent market torpor. Also thanks to the contribution of Juniper Payments, recurring revenues increased 34% (+5% at Piteco stand-alone). At 31-Aug new clients totalled 26 YTD vs. 24 last year.

EBITDA up 31.0% - EBITDA margin stands at 36.7%

EBITDA increased 31.0% to € 3.32m, 36.7% margin vs. € 2.54m and 33.4% margin in H1-17. Organically, EBITDA was up by some 3.5%, thanks to operating costs as a percentage of sales down 100bps. The consolidation of Juniper Payments is definitely accretive on consolidated margins. EBIT rose 31.3% to € 2.52m, 27.9% margin, notwithstanding D&A on the rise YoY due to the full consolidation of Juniper Payments software. After lower financial charges Net Profit totalled € 2.21m, vs. € 1.01m in the same period of last year. Operating cash flow totalled € 5.40m, 60% on sales and 170% of EBITDA. Net Financial Position was negative for € 7.5m, vs. € 8.9m at Dec-17, including the value of the put option related to the acquisition of Juniper minorities.

Now the stock trades on the MTA segment of Borsa Italiana

Last 21-Sep, Commissione Nazionale per le Società e la Borsa ("CONSOB"), the Italian watchdog, approved the prospectus for the admission to listing of Piteco ordinary shares and convertible bonds on the Mercato Telematico Azionario, organized and managed by Borsa Italiana. As from 25-Sep shares and convertible bonds have been traded in the main market of Borsa Italiana. The move, in our view, is set to produce tangible benefits in terms of liquidity and visibility, thus zeroing the AIM Italia discount investors need to apply before evaluating the investment in Piteco. In addition, the recently acquired and highly profitable Myrios, will have its full impact on P&L as of 2019 whilst impacting the balance sheet already in 2018.

Piteco, key financials and ratios

€ m	2016	2017	2018e	2019e	2020e
Sales	14.13	17.05	20.67	25.83	28.90
EBITDA	5.62	6.46	8.26	10.80	12.27
EBITDA adjusted	5.62	6.72	8.26	10.80	12.27
EBIT	5.31	4.97	6.41	8.66	10.14
Net profit	4.50	3.39	4.63	6.66	8.03
Net profit adjusted	4.60	3.51	4.63	6.66	8.03
EPS adjusted	0.25	0.19	0.26	0.37	0.44
EPS adj. growth	45.2%	-23.7%	31.9%	43.8%	20.7%
DPS ord. €/s	0.15	0.15	0.16	0.22	0.27
Dividend yield	3.2%	3.2%	3.4%	4.6%	5.6%
NFP (cash)/debt	(1.95)	6.50	25.98	20.84	15.33
Free Cash Flow Yield	5.0%	5.4%	7.5%	10.0%	11.4%
PER x	18.7	24.5	18.6	12.9	10.7
PCF x	19.1	19.1	13.2	9.5	8.4
EV/Sales x	5.8	5.3	5.3	4.0	3.4
EV/EBITDA x	14.5	13.9	13.2	9.7	8.0
EV/EBIT x	15.3	18.1	17.1	12.0	9.7



H1-18 results driven by the US subsidiary

The company reported figures driven by the full consolidation of Juniper Payments, acquired in Apr-17. Once again, Piteco stand-alone growth is only moderate, whilst profitability is on the rise. YTD 30 new client names are superior to the target of an increase of 30 every year but with tiny impact on sales, for the time being. After the distribution of € 2.7m dividends, Net Financial Position was negative for € 7.5m.

Table 1 – Piteco, H1-18 results summary and implied H1-18e

€ m	H1-18	H1-17	% YoY	H2-18e	H2-17	% YoY
Turnover	9.04	7.59	19.1	10.83	9.46	14.5
Raw material	(0.16)	(0.10)		(0.15)	(0.17)	
Services	(1.62)	(1.34)		1.62	1.34	
Personnel	(3.92)	(3.59)		(4.43)	(3.84)	
Other	(0.02)	(0.03)		(3.37)	(2.87)	
EBITDA	3.32	2.54	31.0	4.51	3.92	14.9
% margin	36.7	33.4		41.6	41.5	
D&A	(0.80)	(0.62)		(0.67)	(0.87)	
EBIT	2.52	1.92	31.3	5.18	4.79	8.1
% margin	27.9	25.3		47.8	50.6	
Financials	0.12	(0.88)		(0.58)	(0.76)	
Extraordinary	(0.12)	(0.22)		0.12	0.34	
Pretax	2.52	0.82	207.9	5.64	5.21	8.4
Taxes	(0.31)	0.19		(0.46)	(0.26)	
Tax rate	12.2%	n.m.		8.1%	5.0%	
Minorities	0.00	0.00		0.00	0.00	
Net profit	2.21	1.01	120.1	6.10	5.47	11.6
% margin	24.5	13.3		56.3	57.8	

Source: company data, CFO Sim estimates

H1-18 turnover grew 19.1% to € 9.04m, almost entirely driven by the full consolidation for six months of Juniper Payments, acquired in Apr-17. In H1-17 Juniper Payment was consolidated for just two months. Also in this period, organically, Piteco showed slow growing revenues (up some 1.0% YoY) due to the lack of significantly large new client tickets and to a certain extent market torpor. Also thanks to the contribution of Juniper Payments, recurring revenues increased 34% (+5% at Piteco stand-alone).

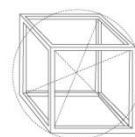
EBITDA increased 31.0% to € 3.32m, 36.7% margin vs. € 2.54m and 33.4% margin in H1-17. Organically, EBITDA was up by some 3.5%, thanks to operating costs as a percentage of sales down 100bps. **The consolidation of Juniper Payments is definitely accretive** on consolidated margins. **EBIT rose 31.3% to € 2.52m, 27.9% margin**, notwithstanding D&A on the rise YoY due to the full consolidation of Juniper Payments software.

The decline in financial charges was mainly due to: 1) financial income for approximately € 126k related to the mark-to-market of the value of the PUT relating to the purchase of the remaining 40% of Juniper Payments and 2) unrealized exchange gains for € 255k stemming from the conversion into € of the \$ 10m intercompany loan required to acquire Juniper. Piteco sustained extraordinary expenses for some € 121k related to part of the costs for the listing on the MTA market.

Net Profit totalled € 2.21m, vs. € 1.01m in the same period of last year.

Operating cash flow totalled € 5.40m, 60% on sales and 170% of EBITDA. After the distribution of € 2.7m dividends, **Net Financial Position was negative for € 7.5m**, vs. € 8.9m at Dec-17. These figures include the value of the put option related to the acquisition of the remaining 40% of Juniper Payments.

New clients totalled 30 YTD vs. 24 at end-August last year. Noteworthy, Dolce & Gabbana, Guess and Marcegaglia Group. This together with the first months of H2-18, prompt management to be confident in growth in the second half of the year.



Acquisition of Myrios

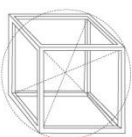
As already analysed in the CFO Sim report dated 9th July, Piteco recently acquired Myrios. **The acquisition is accretive for Piteco at EBITDA and Net Profit level.** In addition, on the back of the fairly cheap price paid, **the move is value accretive for shareholders.**

The firm has developed a software solution dedicated to the manufacturing and service industries as well as to banks for the Finance & Risk Management areas. More than 90% of turnover is represented by recurring fees, granting relevant cash-flow visibility. The company is well managed, offers hefty returns (even higher than those of Piteco) and generates huge visible cash flows. With its acquisition, Piteco aims to exploit the synergies and to promote the innovative solution of Myrios on the corporate market using existing sales networks. Myrios will be consolidated as from Oct-18 and its figures are already included in our estimates.

In 2017 **Myrios revenues reached € 2.8m (+27% YoY), EBITDA totalled € 1.5m (+58% YoY, 55% margin)** and NFP was positive for € 0.5m. Piteco is paying € 7.3m for a 56% stake by 15-Oct which corresponds to 8.75x EBITDA17. The deal envisages a further two tranches following an “earn out” mechanism respectively at the approval of 2018 and 2019 accounts, according to a formula considering EBITDA growth, at the same multiple paid for the first tranche. There is also a put option by Myrios shareholders for the remaining 44% stake (Apr-21/Apr-25), with at least 50% of the price paid in Piteco shares.

Move to the MTA

Last 21-Sep Commissione Nazionale per le Società e la Borsa (“CONSOB”), the Italian watchdog, approved the prospectus for the admission to listing of Piteco ordinary shares and convertible bonds on the Mercato Telematico Azionario, organised and managed by Borsa Italiana. As of 25-Sep shares and convertible bonds have been traded in the main market of Borsa Italiana. The move, in our view, is set to produce **tangible benefits in terms of liquidity and visibility**, thus **zeroing the AIM Italia discount** investors need to apply before evaluating the investment in Piteco.



Estimates, valuation and risks

Following the publication of 2018 interim results, we have left our model basically unchanged, from a business assumption point of view. According to IFRS, under the *anticipated acquisition method*, the interests of the non-controlling shareholders are derecognised when the group's liability relating to the purchase of their shares is recognised. In other words, the value of the put options related to the acquisition of the remaining stakes in Juniper Payments and Myrios, are included in the net debt, whilst no minorities interests are left on the balance sheet and profit & loss schemes. **The result of this adoption, is an average 10% increase in Net Profit in 2018-20** and a consequent worsening of the net debt. Moreover, our previous appraisal of group minorities was higher than the discounted put values, with sustaining positive effect of stock valuation.

We have updated DCF valuation criteria and 1) brought the Free Risk Rate up-to-date and 2) lowering by 100bps to 6.0% the Risk Premium, including the small size premium on the back of the move to the main market of Borsa Italiana. The combined result is **an upgrade in PT to € 6.20/s** (€ 5.80/s), 34.8% upside to current price. **We confirm our Buy recommendation on the shares.**

Once again, **it seems that some organic growth is missing** here in the core business for Piteco in Italy. The number of new clients is superior to the company target of 30 new names per year, but top line is not growing, evidence of a **very small entry ticket**, which potentially could entail **higher revenues in the future**.

DCF

In the valuation via the DCF method explicit estimates until 2022 and a long term growth of 1.5% were used. Cash flows were discounted back at an weighted average cost of capital calculated according to the following parameters:

Table 2 - WACC derived from:

Interest costs, pre-tax	2.5%
Tax rate	25.0%
Int. costs, after taxes	1.9%
Risk premium, incl. small size premium	6.0%
Risk-free (10Y Gov. Bond 2W average)	3.00%
Beta levered (x)	0.98
Required ROE	8.9%

Source: CFO Sim

Table 3 - Piteco, DCF model

€ m	2018e	2019e	2020e	2021e	2022e	Term. Val.
EBIT	6.41	8.66	10.14	11.15	11.26	
Tax rate	13.0%	13.0%	13.0%	13.0%	13.0%	
Operating profit (NOPAT)	5.58	7.53	8.82	9.70	9.80	
Change working capital	(0.85)	(1.05)	(0.62)	(0.01)	(0.01)	
Depreciation	1.85	2.14	2.13	1.00	0.25	
Investments	(23.26)	(0.74)	(0.78)	(0.78)	(0.78)	
Free Cash Flows	(16.69)	7.89	9.55	9.92	9.26	164.48
Present value	(16.39)	7.23	8.16	7.90	6.89	122.28
WACC	7.2%	7.2%	7.2%	7.2%	7.2%	
Long-term growth rate	1.5%					

Source: CFO Sim

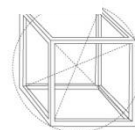


Table 4 – Piteco, DCF per share derived from:

Total EV present value € m	136.07
<i>thereof terminal value</i>	89.9%
NFP last reported H1-18 adj.	(23.19)
Pension provision last reported	(1.18)
Equity value € m	111.70
Shares # m (ex. Treasury shares)	18.13
Discounted CF €/s	6.20
<i>Upside/(downside)</i>	34.8%

Source: CFO Sim

The application of the model produces an equity value of € 111.70m, which corresponds to **€ 6.20/s, with a potential upside of 34.8%**.

The following tables illustrate that sensitivity 1) compared to changes in the terminal growth rate produces an equity value per share of between € 5.10 – 7.67 (perpetuity range of between 0.50% and +2.50%), while 2) compared to changes in the free risk rate produces an equity value/s of € 5.34–7.18 (free risk range of between 3.75% and 2.15%) and 3) compared to changes in the risk premium, including small size premium results into an equity value/s of € 4.40-9.17 (risk premium range of between 8.00% and 4.00%).

Table 5 – Piteco, equity value sensitivity to changes in terminal growth rate

€ m	0.50%	0.75%	1.00%	1.25%	1.50%	1.75%	2.00%	2.25%	2.50%
Present value of CF	13.79	13.79	13.79	13.79	13.79	13.79	13.79	13.79	13.79
PV of terminal value	103.05	107.30	111.89	116.87	122.28	128.19	134.66	141.78	149.67
Total value	116.84	121.09	125.68	130.66	136.07	141.98	148.45	155.58	163.46
NFP last reported	(23.19)	(23.19)	(23.19)	(23.19)	(23.19)	(23.19)	(23.19)	(23.19)	(23.19)
Pension last reported	(1.18)	(1.18)	(1.18)	(1.18)	(1.18)	(1.18)	(1.18)	(1.18)	(1.18)
Equity value	92.47	96.72	101.31	106.29	111.70	117.61	124.08	131.21	139.09
Equity value €/s	5.10	5.33	5.59	5.86	6.20	6.49	6.84	7.24	7.67

Source: CFO Sim

Table 6 – Piteco, equity value sensitivity to changes in free risk rate

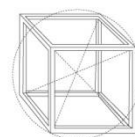
€ m	2.20%	2.40%	2.60%	2.80%	3.00%	3.20%	3.40%	3.60%	3.80%
Present value of CF	14.24	14.13	14.02	13.90	13.79	13.68	13.57	13.46	13.35
PV of terminal value	140.25	135.36	130.75	126.39	122.28	118.38	114.69	111.18	107.85
Total value	154.49	149.49	144.76	140.30	136.07	132.06	128.26	124.64	121.20
NFP last reported	(23.19)	(23.19)	(23.19)	(23.19)	(23.19)	(23.19)	(23.19)	(23.19)	(23.19)
Pension last reported	(1.18)	(1.18)	(1.18)	(1.18)	(1.18)	(1.18)	(1.18)	(1.18)	(1.18)
Equity value	130.13	125.12	120.39	115.93	111.70	107.70	103.89	100.28	96.84
Equity value €/s	7.18	6.90	6.64	6.39	6.20	5.94	5.73	5.53	5.34

Source: CFO Sim

Table 7 – Piteco, equity value sensitivity to changes in risk premium

€ m	4.00%	4.50%	5.00%	5.50%	6.00%	6.50%	7.00%	7.50%	8.00%
Present value of CF	14.92	14.63	14.35	14.07	13.79	13.52	13.25	12.99	12.73
PV of terminal value	175.75	159.06	144.92	132.79	122.28	113.09	104.99	97.81	91.39
Total value	190.67	173.69	159.26	146.85	136.07	126.61	118.25	110.80	104.12
NFP last reported	(23.19)	(23.19)	(23.19)	(23.19)	(23.19)	(23.19)	(23.19)	(23.19)	(23.19)
Pension last reported	(1.18)	(1.18)	(1.18)	(1.18)	(1.18)	(1.18)	(1.18)	(1.18)	(1.18)
Equity value	166.30	149.32	134.89	122.49	111.70	102.24	93.88	86.43	79.75
Equity value €/s	9.17	8.24	7.44	6.76	6.20	5.64	5.18	4.77	4.40

Source: CFO Sim



Market multiples

We have included 11 peer groups in the sample, operating in the software and digital technology worldwide arena. Our sample comprises larger global players and small local actors. Size differs significantly amongst the panel, in particular between smaller and global firms, as well as profitability. Piteco offers an **EBITDA margin** among the **highest values**, lower only than Oracle, which however provides a different service. In addition, Piteco offers **higher growth** compared to peer groups. On the other hand, Piteco is amongst the **smaller** firms in terms of market value and **the least liquid** (free float 27%, i.e. some € 23.0m).

Table 8 - Piteco, peers group summary table

€ m	Country	Mkt Cap	Sales FY1	EBITDA FY1	EBITDA margin	Sales CAGR ₁₇₋₂₀	EBITDA CAGR ₁₇₋₂₀	EBIT CAGR ₁₇₋₂₀	EPS CAGR ₁₈₋₂₀	NFP /EBITDA
Intuit Inc	USA	50,673	5,671	2,076	36.6%	10.3%	17.6%	21.2%	12.6%	(1.0)
Microsoft Corp	USA	755,521	104,714	44,708	42.7%	11.1%	14.1%	14.6%	15.6%	(1.3)
Oracle Corp	USA	168,281	34,148	16,285	47.7%	1.9%	5.6%	9.3%	4.0%	(0.1)
Salesforce.Com Inc	USA	103,668	11,316	2,614	23.1%	24.4%	72.3%	156.4%	20.6%	(0.8)
SAP SE	Germany	130,569	24,633	8,026	32.6%	7.0%	11.9%	14.3%	11.5%	0.2
Median large player		130,569	24,633	8,026	36.6%	10.3%	14.1%	14.6%	12.6%	(0.8)
Datalogic SpA	Italy	1,825	647	111	17.1%	6.5%	8.7%	10.3%	12.1%	(0.5)
Digital Bros SpA	Italy	136	163	30	18.4%	n.a.	n.a.	n.a.	n.a.	(0.1)
Expert System SpA	Italy	45	30	4	13.9%	14.1%	118.5%	n.s.	n.s.	3.1
Exprivia SpA	Italy	65	610	42	6.9%	60.0%	48.6%	41.2%	112.1%	5.3
Reply SpA	Italy	2,223	1,024	144	14.1%	11.4%	13.4%	14.0%	11.3%	(0.6)
TXT e solutions SpA	Italy	124	40	4	10.5%	11.7%	21.7%	23.2%	31.2%	17.4
Median small player		130	387	36	14.0%	11.7%	21.7%	18.6%	21.7%	1.5
Piteco SpA		83	21	8	40.0%	19.2%	22.2%	26.8%	31.7%	3.1

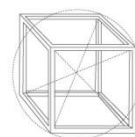
Source: Thomson Reuters Eikon, CFO Sim

Table 9 - Piteco, peers group multiples table

EV & Price multiples x	PER FY1	PER FY2	PCF FY1	PCF FY2	Sales FY1	Sales FY2	EBITDA FY1	EBITDA FY2	EBIT FY1	EBIT FY2
Intuit Inc	34.8	30.9	30.8	27.8	8.6	7.6	23.4	20.8	25.8	22.6
Microsoft Corp	26.8	23.5	19.5	17.2	6.6	5.9	15.6	13.5	20.3	17.5
Oracle Corp	14.8	14.2	13.4	12.5	4.9	4.6	10.2	9.3	11.0	10.3
Salesforce.Com Inc	62.1	55.2	43.5	39.0	9.0	7.3	38.8	30.6	53.4	40.3
SAP SE	25.6	22.8	20.9	18.7	5.4	4.8	16.5	14.5	19.2	16.8
Median large player	26.8	23.5	20.9	18.7	6.6	5.9	16.5	14.5	20.3	17.5
Datalogic SpA	26.3	22.9	20.4	18.3	2.7	2.5	16.0	14.0	19.5	16.8
Digital Bros SpA	8.0	7.1	5.7	5.2	0.8	0.7	4.5	3.5	5.8	4.4
Expert System SpA	n.s.	n.s.	11.0	6.9	1.9	1.7	14.0	7.9	n.s.	n.s.
Exprivia SpA	32.3	9.2	2.9	2.4	0.5	0.4	6.8	5.8	13.1	10.0
Reply SpA	23.8	21.1	20.8	18.6	2.1	1.8	14.8	12.8	16.3	14.0
TXT e solutions SpA	54.7	41.3	36.1	26.6	4.9	4.3	47.1	33.5	65.5	46.9
Median small player	26.3	21.1	15.7	12.6	2.0	1.7	14.4	10.4	16.3	14.0
Piteco SpA	18.0	12.5	12.9	9.5	5.3	4.0	13.2	9.7	17.1	12.0
(Disc.)/prem. to large players	-32.6%	-46.6%	-38.4%	-49.3%	-20.4%	-31.5%	-19.7%	-33.3%	-16.1%	-31.2%
(Disc.)/prem. to small players	-31.4%	-40.7%	-18.1%	-24.6%	162.5%	131.0%	-8.2%	-6.8%	4.3%	-13.9%

Source: Thomson Reuters Eikon, CFO Sim

Piteco **trades at a discount** vs. larger players' median at all valuation metrics, as well as compared to smaller players but only in terms of PER and PCF, although multiple range varies quite a while amongst its peers.



Stock performance

Piteco was listed on the Milan AIM (Alternative Investment Market) on 31-Jul-15 at € 3.30/share, corresponding to a market capitalization post money of € 58.9m. Piteco now trades **well above the IPO price**, and reached 1Y maximum of € 5.46/s on 29-Sep-17 and a minimum of € 4.32 on 22-Aug-18.

Table 10 - Piteco, peers group absolute performance

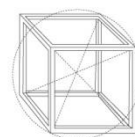
	1D	1W	1M	3M	6M	YTD	1Y
Intuit Inc.	2.1	3.2	3.6	11.3	31.2	44.1	59.8
Microsoft Corporation	(0.0)	0.1	1.8	16.0	25.3	33.7	54.8
Oracle Corporation	(0.3)	0.9	6.1	17.0	12.7	9.1	7.2
salesforce.com, inc.	(0.9)	2.3	4.2	16.6	36.7	55.6	71.7
SAP SE	(1.7)	1.8	2.3	7.1	24.7	13.4	15.0
Median large players	(0.3)	1.8	3.6	16.0	25.3	33.7	54.8
Datalogic S.p.A.	(2.0)	(2.0)	(3.0)	(1.6)	22.4	1.1	5.7
Digital Bros S.p.A.	(3.2)	(5.1)	(3.3)	2.6	(3.3)	(12.3)	(27.4)
Expert System SpA	(1.2)	(0.8)	8.3	(0.8)	(4.6)	(13.3)	(16.6)
Exprivia S.p.A.	(1.9)	(3.7)	6.3	(2.4)	(13.1)	(17.5)	(24.3)
Reply S.p.A.	(0.8)	1.9	3.9	1.8	32.1	28.3	16.7
TXT e-solutions S.p.A.	(0.7)	(2.0)	(3.3)	(9.9)	(4.9)	6.6	(10.2)
Median small players	(1.5)	(2.0)	0.5	(1.2)	(3.9)	(5.6)	(13.4)
PITECO SpA	(3.0)	1.3	0.0	(2.1)	(10.7)	(10.7)	(14.1)
Piteco relative to large players	(2.7)	(0.5)	(3.6)	(18.1)	(36.0)	(44.4)	(68.9)
small players	(1.4)	3.3	(0.5)	(0.9)	(6.7)	(5.1)	(0.7)
FTSE AIM Italia	(3.2)	1.4	0.5	(3.6)	(19.0)	(10.7)	(24.0)
EU sector	(2.7)	2.0	1.0	(2.9)	(8.4)	(66.2)	(9.9)

Source: Thomson Reuters Eikon

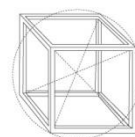
Risks

The principal investment **risks** in Piteco include:

- impacts on economics and balance sheet profile triggered by a deep decline in local and global economic growth,
- Dilution on profitability stemming from the acquisition campaign, in particular penetrating the large US market,
- Potential competition arising from smaller local players,
- The departure of one of a few key relevant people,
- The impact of the \$/€ currency fluctuation.

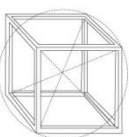


Income statement (€ m)	2016	2017	2018e	2019e	2020e
Total revenues	14.13	17.05	20.67	25.83	28.90
Material expenses	0.17	0.27	0.32	0.40	0.45
Change in inventories	0.00	0.00	0.00	0.00	0.00
Personnel expenses	5.98	7.42	8.57	9.73	10.60
Other operating expenses/(income)	2.35	2.90	3.52	4.90	5.58
EBITDA	5.62	6.46	8.26	10.80	12.27
EBITDA adj.	5.62	6.72	8.26	10.80	12.27
D&A	0.31	1.48	1.85	2.14	2.13
EBIT	5.31	4.97	6.41	8.66	10.14
Financial charges/(income)	0.37	1.64	1.09	1.01	0.91
Other costs & extraordinary & other	(0.11)	(0.13)	0.00	0.00	0.00
Pre-Tax profit	5.05	3.46	5.32	7.65	9.23
Income taxes	0.55	0.07	0.69	0.99	1.20
Net Profit	4.50	3.39	4.63	6.66	8.03
Net Profit Adjusted	4.60	3.51	4.63	6.66	8.03
Balance sheet (€ m)	2016	2017	2018e	2019e	2020e
Net Working Capital	3.45	3.35	4.20	5.25	5.87
Net Fixed Assets	29.99	38.90	60.32	58.91	57.55
Equity Investments	0.01	0.00	0.00	0.00	0.00
Other M/L Term A/L	(3.37)	(5.84)	(6.71)	(8.02)	(8.76)
Net Invested Capital	30.08	36.41	57.81	56.14	54.67
Net Financial Debt	(1.95)	6.50	25.98	20.84	15.33
Minorities	0.00	0.00	0.00	0.00	0.00
Group's Shareholders Equity	32.02	29.92	31.82	35.30	39.34
Financial Liabilities & Equity	30.08	36.41	57.81	56.14	54.67
Cash Flow statement (€ m)	2016	2017	2018e	2019e	2020e
Total net income	4.50	3.39	4.63	6.66	8.03
Depreciation	0.31	1.48	1.85	2.14	2.13
Other non-cash charges	(1.11)	(0.46)	0.87	1.30	0.74
Cash Flow from Oper. (CFO)	3.70	4.41	7.35	10.10	10.91
Change in NWC	0.80	0.10	(0.85)	(1.05)	(0.62)
FCF from Operations (FCFO)	4.50	4.51	6.50	9.06	10.28
Net Investments (CFI)	(0.35)	(10.23)	(23.26)	(0.74)	(0.78)
Free CF to the Firm (FCFF)	4.15	(5.72)	(16.77)	8.32	9.51
CF from financials (CFF)	(3.48)	0.01	15.30	(6.15)	(6.66)
Free Cash Flow to Equity (FCFE)	0.67	(5.72)	(1.46)	2.17	2.84
Financial ratios	2016	2017	2018e	2019e	2020e
EBITDA margin	39.8%	37.9%	40.0%	41.8%	42.5%
EBIT margin	37.6%	29.2%	31.0%	33.5%	35.1%
Net profit margin	31.9%	19.9%	22.4%	25.8%	27.8%
Tax rate	10.8%	2.1%	13.0%	13.0%	13.0%
Interest coverage x	0.07	0.33	0.17	0.12	0.09
Net Debt/Ebitda x	(0.35)	1.01	3.14	1.93	1.25
Debt-to-Equity x	(0.06)	0.22	0.82	0.59	0.39
ROIC	14.9%	10.2%	9.8%	11.7%	14.5%
ROCE	12.5%	11.6%	10.2%	13.7%	15.7%
ROACE	12.7%	11.7%	12.1%	13.7%	15.9%
ROE	14.7%	10.9%	15.0%	19.8%	21.5%
Payout ratio	60.4%	80.4%	68.7%	60.0%	60.0%
Per share figures	2016	2017	2018e	2019e	2020e
Final N. of shares # m	18.1	18.1	18.1	18.1	18.1
Final N. of shares (fully diluted) # m	18.1	18.1	18.1	18.1	18.1
Average N. of shares (fd)# m	18.1	18.1	18.1	18.1	18.1
EPS stated €	0.25	0.19	0.26	0.37	0.44
EPS adjusted €	0.25	0.19	0.26	0.37	0.44
EBITDA €	0.31	0.36	0.46	0.60	0.68
EBIT €	0.29	0.27	0.35	0.48	0.56
FCFO €	0.25	0.25	0.36	0.50	0.57
FCFF €	0.23	(0.32)	(0.92)	0.46	0.52
FCFE €	0.04	(0.32)	(0.08)	0.12	0.16
Dividend €	0.15	0.15	0.16	0.22	0.27

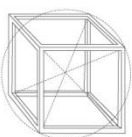




This page has been intentionally left blank



This page has been intentionally left blank



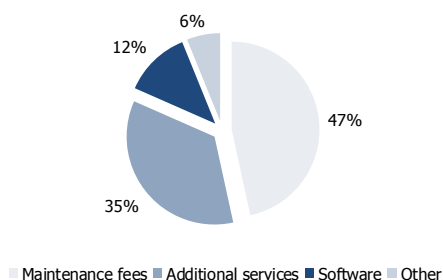


The company at a glance

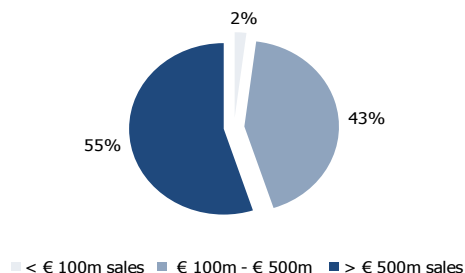
Piteco is the undisputed domestic leader, more than 4x the size of its closest competitor, in the niche of the corporate treasury management and financial planning software. The company designs, develops and implements proprietary software and solutions for corporate cash management. It focuses large/mid enterprises operating in every industry except banks and public administration. The software is 100% proprietary and is modular (19 different modules), integrable (can work within Oracle, Sap or Microsoft environments), customisable (open architecture allows relevant combinations of the product's modules) and available for foreign markets. The recent acquisition of Juniper Payments allows Piteco to penetrate the huge US market with a well-managed cash flow generative firm, paid fairly cheap.

FY-17 turnover grew 20.7% to € 17.0m, slightly lower than our forecast, almost entirely driven by the eight months consolidation of Juniper Payments, acquired in Apr-17, whilst EBITDA increased 14.8% to € 6.5m, 37.9% margin vs. € 5.6m and 39.8% margin in FY-16. The data was affected by € 261k sales accounted as lower purchase consideration: EBITDA adj. increased 19.5%. CAGR 2014-17 is +11.5% and +8.7%, respectively. Client base currently comprises 654 firms, of which almost 80 listed in the Italian stock exchange, with turnover exceeding € 100m for 98% of them and operating in more than 40 countries. The numerosity of the customer list and the widespread presence in a vast variety of industries, narrows significantly the dependency on a key client/sector.

2017 revenues and...



... and client profile (sales) breakdown



Shareholder structure

	%	# m
Podini Family	63.98	11.60
Dedagroup S.p.A.	55.44	10.05
Marco Podini	2.97	0.54
Maria Luisa Podini	2.97	0.54
Fago60 srl	2.60	0.47
Management	8.58	1.56
Andrea Guido Guilleramaz	2.86	0.52
Riccardo Veneziani	2.86	0.52
Paolo Virenti	2.86	0.52
Free Float	27.45	4.98
Treasury shares	-	-
Total	100.0	18.13

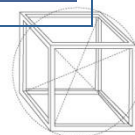
Peer group absolute performance

	1D	1W	1M	3M	6M	YTD
Intuit Inc	2.1	3.2	3.6	11.3	31.2	44.1
Microsoft Corp	(0.0)	0.1	1.8	16.0	25.3	33.7
Oracle Corp	(0.3)	0.9	6.1	17.0	12.7	9.1
Salesforce.com Inc	(0.9)	2.3	4.2	16.6	36.7	55.6
SAP SE	(1.7)	1.8	2.3	7.1	24.7	13.4
Median large players	(0.3)	1.8	3.6	16.0	25.3	33.7
Datalogic SpA	(2.0)	(2.0)	(3.0)	(1.6)	22.4	1.1
Digital Bros SpA	(3.2)	(5.1)	(3.3)	2.6	(3.3)	(12.3)
Expert System SpA	(1.2)	(0.8)	8.3	(0.8)	(4.6)	(13.3)
Exprivia SpA	(1.9)	(3.7)	6.3	(2.4)	(13.1)	(17.5)
Reply SpA	(0.8)	1.9	3.9	1.8	32.1	28.3
TXT e solutions SpA	(0.7)	(2.0)	(3.3)	(9.9)	(4.9)	6.6
Median small players	(1.5)	(2.0)	0.5	(1.2)	(3.9)	(5.6)
Piteco SpA	(3.0)	1.3	0.0	(2.1)	(10.7)	(10.7)

Peers group multiples table

Price & EV multiples x	PER FY1	PER FY2	PCF FY1	PCF FY2	Sales FY1	Sales FY2	EBITDA FY1	EBITDA FY2	EBIT FY1	EBIT FY2
Intuit Inc	34.8	30.9	30.8	27.8	8.6	7.6	23.4	20.8	25.8	22.6
Microsoft Corp	26.8	23.5	19.5	17.2	6.6	5.9	15.6	13.5	20.3	17.5
Oracle Corp	14.8	14.2	13.4	12.5	4.9	4.6	10.2	9.3	11.0	10.3
Salesforce.Com Inc	62.1	55.2	43.5	39.0	9.0	7.3	38.8	30.6	53.4	40.3
SAP SE	25.6	22.8	20.9	18.7	5.4	4.8	16.5	14.5	19.2	16.8
Median large player	26.8	23.5	20.9	18.7	6.6	5.9	16.5	14.5	20.3	17.5
Datalogic SpA	26.3	22.9	20.4	18.3	2.7	2.5	16.0	14.0	19.5	16.8
Digital Bros SpA	8.0	7.1	5.7	5.2	0.8	0.7	4.5	3.5	5.8	4.4
Expert System SpA	n.s.	n.s.	11.0	6.9	1.9	1.7	14.0	7.9	n.s.	n.s.
Exprivia SpA	32.3	9.2	2.9	2.4	0.5	0.4	6.8	5.8	13.1	10.0
Reply SpA	23.8	21.1	20.8	18.6	2.1	1.8	14.8	12.8	16.3	14.0
TXT e solutions SpA	54.7	41.3	36.1	26.6	4.9	4.3	47.1	33.5	65.5	46.9
Median small player	26.3	21.1	15.7	12.6	2.0	1.7	14.4	10.4	16.3	14.0
Piteco SpA	18.0	12.5	12.9	9.5	5.3	4.0	13.2	9.7	17.1	12.0

Source: CFO Sim, Thomson Reuters Eikon



ANALYST CERTIFICATION

This publication was prepared by **LUCA ARENA**, Head of the Equity Research Department of "Corporate Family Office SIM S.p.A." ("CFO SIM").

This is to certify that the views expressed on the companies mentioned in this document reflect the analyst's personal opinions and that no direct or indirect recompense has been, or will be, received by the analyst further to the views expressed herein.

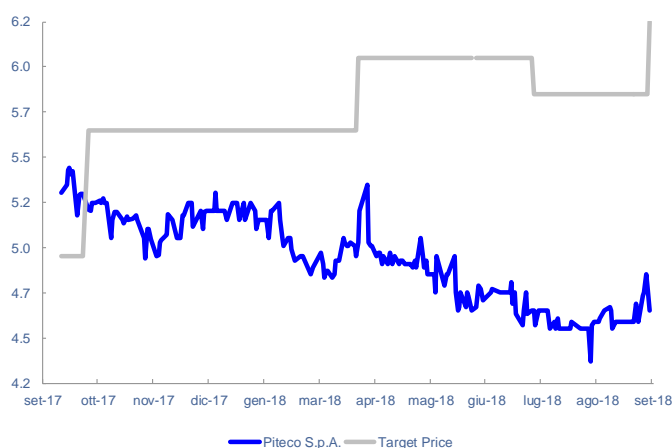
DISCLAIMER

This document has been drafted by CFO SIM, authorised by the Bank of Italy to provide investment services.

CFO SIM does not have a specific interest in either the issuer, the financial instruments or the transactions covered by the analysis.

The news and data used in this document come from information supplied to the public by the company concerned and/or from other documentation of public domain. CFO SIM is not liable for the accuracy, completeness, exactitude and impartiality of such news and data. This document has been drafted autonomously and independently and without the collaboration of the company analysed or of any company linked to the latter by shareholdings or control. This document has been prepared by the financial analysts of the Equity Research Department of CFO SIM, whose names are indicated therein. The analyst is an ordinary member of the Italian Association of Financial Analysts (AIAF). In no case can the company and the analysts, as authors of this document be held liable (culpably or otherwise) for damage stemming from use of the information or opinions set out therein. The purpose of this document is solely informative. The document cannot be reproduced directly or indirectly and redistributed to third parties, nor can it be published, either totally or in part, for any reason whatsoever. This document is not an invitation to purchase, nor is it intended to solicit the purchase or sale of the securities in question. The recipients of this document are formally bound to observe the constraints indicated above.

CFO SIM wishes to provide ongoing coverage of the stocks mentioned in this document, with a frequency depending on circumstances considered to be important (corporate events and changes of recommendation, etc.). CFO SIM acts as a Specialist for Piteco stock, listed on MTA. The next table shows the ratings issued on the stock in the last 12 months.



DATE	TARGET PRICE	RATING
01/10/2018	€6.20	BUY
09/07/2018	€5.80	BUY
21/03/2018	€6.00	BUY
29/09/2017	€5.60	NEUTRAL

This document is distributed via electronic mail and fax as from the date indicated in the document itself and addressed to some 300 Italian and non-Italian professional investors. The document is available in electronic format at CFO SIM's Internet site, to Italian and non-Italian institutional investors, and/or in Borsa Italiana's Internet site.

RATING SYSTEM

- a **BUY** rating is assigned if the target price is at least 15% higher than the market price;
- 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.

The rating is determined on the basis of the **expected absolute return 12 months forward** and not on the basis of the estimated out/underperformance relative to a market index. Thus, the rating can be directly linked with the estimated percentage difference between current price and target price. The prices of the financial securities mentioned in the report (also used for the calculation of market capitalisation and market multiples) are the reference prices of the stock market trading day preceding the publication date of the report, otherwise stated.

