

Italy - Software

A potential software STAR

21st May 2019

GERMAN SPRING CONFERENCE

RIC: PITE.MI
BBG: PITE IM

In Frankfurt for a two-day investor event with the Chairman, meeting almost twenty key European investors in one-to-one meetings and additional professionals in a one-to-few presentation. Main points to take away from the meetings:

Rating:

Buy

Price Target:

€ 7.20

Upside/(Downside): 38.5%

Last Price: € 5.20

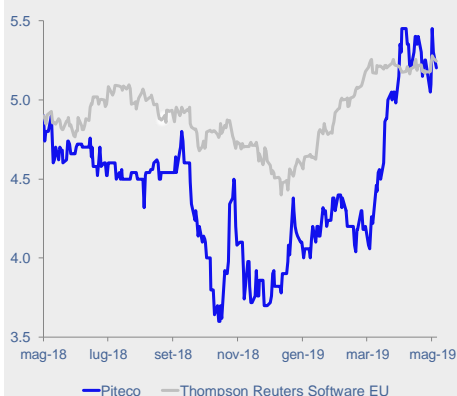
Market Cap.: € 94.2

1Y High/Low: € 5.60/€ 3.50

Free Float: 25.8%

Major shareholders:

Podini Family 67.3%
Management 5.7%



Stock price performance

	1M	3M	12M
Absolute	-4.6%	18.2%	6.1%
Rel.to AIM Italia	-4.8%	12.8%	18.2%
Rel.to EU Sector	1.2%	6.2%	7.1%

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Potential transition to STAR segment in 2020, after bond conversion

In our opinion, in 2020 there could be the opportunity to move to the STAR segment of Borsa Italiana, improving the visibility and liquidity of the stock. As a matter of fact, in 2020 the convertible bond "Piteco Convertible 4.50% 2015-2020" will expire and, if all outstanding bonds will be converted into ordinary shares, the free float will reach some 30%. The 35% minimum free float required for the STAR segment could be reached via a liquidity event or a share disposal.

Myrios Switzerland: an opportunity to grow in Europe

Last 25-Feb Myrios Switzerland SA was established in Geneva. The company is entirely controlled by Myrios Srl and will propose all the group's solutions to European corporate clients. The choice to open the subsidiary in Geneva was strategically driven by the presence of many financial institutions in that area, which could be potential new clients for the group. It could be also an opportunity to penetrate the German market thanks to its proximity, supporting the internationalisation strategy of the group. At a consolidated level, CFO SIM forecasts 27.8% and 30.7% YoY increase in Sales and EBITDA in 2019, also thanks to contribution of Myrios for the entire year (only two and a half months in 2018). After two flat years, in 2018 Piteco resumed its organic growth (+4.5% compared to the previous year), thanks to a constant increase in recurring revenues and adding 37 new clients to its portfolio.

The undisputed domestic leader, more than 4x the size of its closest competitor

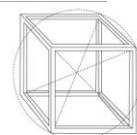
Piteco is the undisputed domestic leader, more than 4x the size of its closest competitor, in the niche of corporate treasury management, financial planning and risk management software. The acquisitions of Juniper Payments (Apr-17) and Myrios (Oct-18) allows Piteco to 1) penetrate the huge US market with a well-managed cash flow generative firm, paid fairly cheap and 2) exploit the synergies promoting the innovative solution of Myrios on the corporate market using the existing sales networks.

Shares trade at a discount vs. larger players' median: 10.8x EBITDA₁₉ vs. 17.3x

CFO SIM confirms estimates and stock valuation via DCF based methodology: PT is € 7.20/share, with an upside of 38.5% at current prices. Shares continue to trade at a discount vs. larger players median: 10.8x and 9.0x EBITDA₁₉₋₂₀ vs. 17.3x and 14.9x of comparables. We reiterate our Buy rating on the shares.

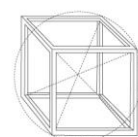
Piteco, key financials and ratios

€ m	2017	2018	2019e	2020e	2021e
Sales	17.05	20.21	25.83	28.90	31.24
EBITDA	6.46	8.27	10.80	12.27	13.70
EBITDA adjusted	6.72	8.27	10.80	12.27	13.70
EBIT	4.97	6.40	8.65	10.27	11.38
Net profit	3.39	5.27	6.61	8.11	9.17
Net profit adjusted	3.51	4.60	6.61	8.11	9.17
EPS adjusted	0.19	0.25	0.36	0.45	0.51
EPS adj. growth	-23.7%	31.1%	43.8%	22.7%	13.0%
DPS ord. €/s	0.15	0.15	0.22	0.27	0.30
Dividend yield	2.9%	2.9%	4.2%	5.2%	5.8%
NFP (cash)/debt	6.50	26.77	22.12	16.68	10.79
Free Cash Flow Yield	4.8%	7.0%	8.1%	10.0%	11.4%
PER x	26.9	20.5	14.3	11.6	10.3
PCF x	20.9	13.7	11.3	9.3	8.2
EV/Sales x	5.9	6.0	4.5	3.8	3.4
EV/EBITDA x	15.6	14.6	10.8	9.0	7.7
EV/EBIT x	20.2	18.9	13.5	10.8	9.2





Income statement (€ m)	2017	2018	2019e	2020e	2021e
Total revenues	17.05	20.21	25.83	28.90	31.24
Material expenses	0.27	0.31	0.39	0.44	0.47
Change in inventories	0.00	0.00	0.00	0.00	0.00
Personnel expenses	7.42	8.12	9.73	10.60	10.91
Other operating expenses/(income)	2.90	3.52	4.91	5.59	6.14
EBITDA	6.46	8.27	10.80	12.27	13.70
EBITDA adj.	6.72	8.27	10.80	12.27	13.70
D&A	1.48	1.87	2.16	2.00	2.33
EBIT	4.97	6.40	8.65	10.27	11.38
Financial charges/(income)	1.64	(0.05)	1.04	0.95	0.83
Other costs & extraordinaries & other	(0.13)	0.72	0.00	0.00	0.00
Pre-Tax profit	3.46	5.73	7.60	9.33	10.54
Income taxes	0.07	0.47	0.99	1.21	1.37
Net Profit	3.39	5.27	6.61	8.11	9.17
Net Profit Adjusted	3.51	4.60	6.61	8.11	9.17
Balance sheet (€ m)	2017	2018	2019e	2020e	2021e
Net Working Capital	3.35	4.14	5.25	5.87	6.35
Net Fixed Assets	38.90	60.40	58.98	57.75	56.20
Equity Investments	0.00	0.00	0.00	0.00	0.00
Other M/L Term A/L	(5.84)	(6.63)	(7.98)	(8.67)	(9.18)
Net Invested Capital	36.41	57.91	56.25	54.96	53.37
Net Financial Debt	6.50	26.77	22.12	16.68	10.79
Minorities	0.00	0.00	0.00	0.00	0.00
Group's Shareholders Equity	29.92	31.14	34.13	38.28	42.58
Financial Liabilities & Equity	36.41	57.91	56.25	54.96	53.37
Cash Flow statement (€ m)	2017	2018	2019e	2020e	2021e
Total net income	3.39	5.27	6.61	8.11	9.17
Depreciation	1.48	1.87	2.16	2.00	2.33
Other non-cash charges	(0.46)	0.52	1.61	0.69	0.51
Cash Flow from Oper. (CFO)	4.41	7.65	10.38	10.81	12.01
Change in NWC	0.10	(0.79)	(1.11)	(0.62)	(0.48)
FCF from Operations (FCFO)	4.51	6.87	9.27	10.18	11.54
Net Investments (CFI)	(10.23)	(23.26)	(0.74)	(0.78)	(0.78)
Free CF to the Firm (FCFF)	(5.72)	(16.40)	8.53	9.41	10.76
CF from financials (CFF)	0.01	16.81	(6.88)	(6.90)	(7.51)
Free Cash Flow to Equity (FCFE)	(5.72)	0.42	1.66	2.50	3.25
Financial ratios	2017	2018	2019e	2020e	2021e
EBITDA margin	37.9%	40.9%	41.8%	42.5%	43.9%
EBIT margin	29.2%	31.7%	33.5%	35.5%	36.4%
Net profit margin	19.9%	26.0%	25.6%	28.1%	29.4%
Tax rate	2.1%	8.1%	13.0%	13.0%	13.0%
Interest coverage x	0.33	(0.01)	0.12	0.09	0.07
Net Debt/Ebitda x	1.01	3.24	2.05	1.36	0.79
Debt-to-Equity x	0.22	0.86	0.65	0.44	0.25
ROIC	10.2%	11.2%	11.6%	14.6%	16.9%
ROCE	11.6%	9.5%	12.7%	14.8%	15.9%
ROACE	11.7%	11.6%	12.7%	14.9%	16.2%
ROE	10.9%	17.2%	20.3%	22.4%	22.7%
Payout ratio	80.4%	68.7%	60.0%	60.0%	60.0%
Per share figures	2017	2018	2019e	2020e	2021e
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 €	0.19	0.29	0.36	0.45	0.51
EPS adjusted €	0.19	0.29	0.36	0.45	0.51
EBITDA €	0.36	0.46	0.60	0.68	0.76
EBIT €	0.27	0.35	0.48	0.57	0.63
FCFO €	0.25	0.38	0.51	0.56	0.64
FCFF €	(0.32)	(0.90)	0.47	0.52	0.59
FCFE €	(0.32)	0.02	0.09	0.14	0.18
Dividend €	0.15	0.16	0.22	0.27	0.30



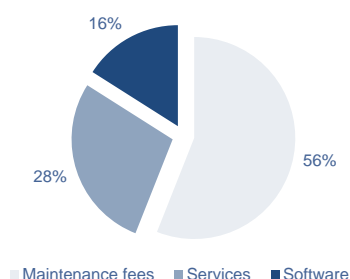


The company at a glance

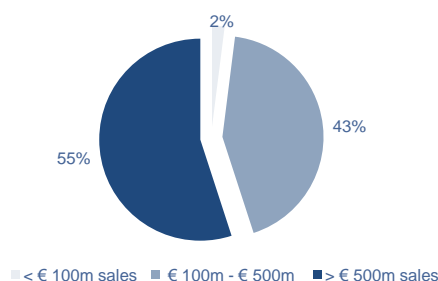
Piteco is the undisputed domestic leader, more than 4x the size of its closest competitor, in the niche of corporate treasury management and financial planning software. The company designs, develops and implements proprietary software and solutions for corporate cash management. It focuses on large/mid 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-18 turnover grew 18.6% to € 20.2m, bang in line with our forecast, driven by the increase in recurring revenues and new clients, the Juniper payments contribution for the entire year and Myrios contribution for 2.5 months. EBITDA increased 28.0% to € 8.3m, 40.9% margin vs. € 6.5m and 37.9% margin in FY-17. Client base currently comprises some 650 firms, of which a relevant number listed on 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.

2018 revenues and...



... and client profile (sales) breakdown



Shareholder structure

	%	# m
Podini Family	67.24	12.19
Dedagroup S.p.A.	55.44	10.05
Marco Podini	5.68	1.03
María Luisa Podini	5.68	1.03
Francesca Zanella	0.21	0.04
Lillo S.p.A.	0.22	0.04
Management	5.72	1.04
Andrea Guido Guillemaz	1.91	0.35
Riccardo Veneziani	1.91	0.35
Paolo Virenti	1.91	0.35
Free Float	25.86	4.69
Ennismore Fund Management	7.77	1.41
Treasury shares	1.19	0.22
Total	100.00	18.13

Source: Company data

Peer group absolute performance

	1D	1W	1M	3M	6M	YTD
Intuit Inc	(0.7)	2.9	(6.8)	4.4	22.3	23.8
Microsoft Corp	(1.4)	2.3	2.0	16.6	20.6	24.3
Oracle Corp	(1.5)	0.4	(1.8)	3.8	8.3	18.8
Salesforce.com Inc	0.9	1.8	(1.8)	(1.9)	28.9	13.9
SAP SE	(2.4)	1.8	11.4	18.8	25.8	28.7
Median large players	(1.4)	1.8	(1.8)	4.4	22.3	23.8
Datalogic SpA	(5.5)	2.9	(14.7)	(24.5)	(14.8)	(10.8)
Digital Bros SpA	1.9	(0.7)	(12.9)	11.5	(20.7)	42.2
Expert System SpA	4.5	28.0	47.1	35.9	90.1	98.3
Exprivia SpA	1.4	(9.5)	(11.0)	(11.0)	20.4	27.4
Reply SpA	(1.5)	7.2	(0.5)	8.1	29.3	30.9
TXT e solutions SpA	(0.4)	0.5	(11.9)	(15.8)	6.1	1.3
Median small players	0.5	1.7	(11.5)	(1.5)	13.3	29.2
Piteco SpA	(1.9)	2.0	(4.6)	18.2	26.8	33.3

Source: Thomson Reuters Eikon

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	36.7	32.5	32.4	29.1	9.1	8.1	24.8	21.6	27.3	23.6
Microsoft Corp	27.2	24.7	20.5	18.5	7.3	6.5	16.9	14.9	21.7	19.1
Oracle Corp	14.3	14.1	12.9	12.5	5.0	4.9	10.6	10.3	11.5	11.3
Salesforce.Com Inc	55.9	42.2	38.6	30.8	7.2	5.8	30.5	23.3	40.8	29.9
SAP SE	24.9	22.0	22.1	18.9	5.3	4.9	17.3	14.7	18.8	16.4
Median large player	27.2	24.7	22.1	18.9	7.2	5.8	17.3	14.9	21.7	19.1
Datalogic SpA	15.7	14.5	11.7	11.1	1.5	1.4	9.1	8.1	11.5	10.1
Digital Bros SpA	(106.8)	12.8	9.9	6.0	1.2	0.8	13.9	5.8	(43.2)	10.3
Expert System SpA	(83.3)	43.2	11.7	9.5	2.8	2.5	12.8	9.9	(143.3)	34.3
Exprivia SpA	10.9	6.8	2.1	1.9	0.5	0.4	6.7	4.9	12.1	8.1
Reply SpA	20.3	18.5	17.7	16.2	1.7	1.5	12.2	10.8	13.5	11.9
TXT e solutions SpA	28.7	25.2	20.3	18.1	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Median small player	13.3	16.5	11.7	10.3	1.5	1.4	12.2	8.1	11.5	10.3
Piteco SpA	14.2	11.6	10.7	9.3	4.5	3.8	10.8	9.0	13.5	10.8

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") and **GIANLUCA MOZZALI**, Equity Analyst of CFO SIM. This is to certify that the views expressed on the companies mentioned in this document reflect the analysts' personal opinions and that no direct or indirect recompense has been, or will be, received by the analyst further to the views expressed herein.

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DATE	TARGET PRICE	RATING
21/05/2019	€7.20	BUY
03/04/2019	€7.20	BUY
01/10/2018	€6.20	BUY
09/07/2018	€5.80	BUY

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- 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.

