

Italy - Software

Value adding acquisition in the US market

28th April 2017

LendingTools Acquisition

RIC: PITE.MI
BBG: PITE IM

Piteco buys LendingTools for 10.8x EBITDA. The move allows the penetration into the huge promising US market with a well-managed cash flow generative firm, paid fairly cheap. The acquisition, entailing significant synergies and cross-selling potentialities, adds value for shareholders.

Rating:

Buy (Neutral)

Price Target:

€ 6.10 (€ 4.90)

Upside/(Downside): 19.6%

Last Price: € 5.10

Market Cap.: € 92.70

1Y High/Low: € 5.35/€ 3.56

Free Float: 20.2%

Major shareholders:

Podini Family 71.2%
Management 8.6%



Stock price performance

	1M	3M	12M
Absolute	2.0%	17.2%	30.2%
Rel.to AIM Italia	-1.8%	7.4%	-1.7%
Rel.to EU Sector	2.5%	7.9%	2.1%

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Rating upgrade: Buy (Neutral), PT € 6.10/s (€ 4.90/s)

Following the acquisition of LendingTools, we have updated our model, factoring in the impact of its consolidation together with cross selling and synergies arising from the new size-scope entity. 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 definitely value accretive for shareholders too. The result is an 25% upgrade in the TP at € 6.10/s (€ 4.90/s), 19.6% upside at current prices, thus upgrading recommendation to BUY (Neutral). The stock comes from a slight recent retracement after robust outperformance period to large/small peers and to indexes. This move adds value to the stock, not yet priced in at current levels.

LendingTools develops software for inter-bank transaction and reporting systems

Headquartered in Wichita, Kansas, the firm is the largest non-bank third-party provider of inter-bank transaction and reporting systems in the US. The firm develops proprietary software as a service platform that has connections with thousands of banks and credit unions across the US. The system is utilised as a primary payments and reporting mechanism for the financial institutions that utilise the service. In an oligopoly rather fragmented and characterised by the lack of a unique standard for banks interconnection payment platform, LendingTools is the 4th player.

A well-managed cash flow generative firm paid 10.8x EBITDA

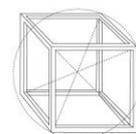
LendingTools reported \$ 5.0m revenues and some \$ 2.0m EBITDA in 2016 and presents net cash position of some \$ 2.2m. The firm is pretty similar to Piteco: more than 90% of the turnover is represented by recurring fees, the company is well managed, offers hefty returns and generates huge cash flows. Piteco outlays a total consideration of \$ 13m for 55% of LendingTools: \$ 3.0m for the equity and \$ 10m as inter-company loan. The remainder remains in the hands of two key managers. In addition, after two years, Piteco has an option to acquire an additional 5% at a price consideration of maximum \$ 1.5m and linked to economic performance of LendingTools. Piteco pays a fairly cheap 4.2x sales and 10.8x EBITDA 2017, vs. 5.8x and 14.3x 2017 multiples for Piteco prior the acquisition.

The right move to go to the US, with significant cross-selling and synergy potential

Piteco will build on the existing services and resources of LendingTools to diversify its product portfolio and generate international growth. Synergy potential is vast: Piteco can introduce to LendingTools clients products/services to their customers that might be utilized as springboard to distribute other additional services. This move, together with the new recent business developments, which impacted profitability are anticipated to sustain growth and returns in the medium long term.

Piteco, key financials and ratios

€ m	2015	2016	2017e	2018e	2019e
Sales	13.37	14.14	18.78	22.26	24.45
EBITDA	5.72	5.61	7.60	9.27	10.36
EBIT	5.46	5.31	6.90	8.55	9.48
Net profit	3.43	4.50	5.12	6.23	6.99
Net profit adjusted	3.68	4.41	5.12	6.23	6.99
EPS adjusted	0.20	0.24	0.28	0.34	0.39
EPS adj. growth	30.1%	19.6%	16.2%	21.6%	12.2%
DPS ord. €/s	0.10	0.15	0.17	0.21	0.23
Dividend yield	2.0%	2.9%	3.3%	4.0%	4.5%
NFP (cash)/debt	0.35	(1.95)	6.38	3.22	1.09
Free Cash Flow Yield	3.2%	4.5%	5.2%	6.7%	7.9%
PER x	25.1	21.0	18.0	14.8	13.2
PCF x	29.3	20.6	18.1	14.2	12.2
EV/Sales x	7.0	6.4	5.3	4.3	3.8
EV/EBITDA x	16.3	16.2	13.0	10.4	9.1
EV/EBIT x	17.0	17.1	14.4	11.2	9.9



Piteco buys LendingTools for 10.8x EBITDA_{17e}

Piteco has announced the acquisition of the US company LendingTools. The LendingTools system is the private market standard for financial institution wholesale cash management in the US. Headquartered in Wichita, Kansas, the firm is the largest non-bank third-party provider of inter-bank transaction and reporting systems in the United States. The firm develops **proprietary software** as a service platform that has connections with thousands of banks and credit unions across the US. The system is utilised as a **primary payments and reporting mechanism** for the financial institutions that utilise the service. In an oligopoly rather fragmented and characterised by the lack of a unique standard for banks interconnection payment platform, **LendingTools is the 4th player.**

The company reported \$ 5.0m revenues and some \$ 2.0m EBITDA in 2016 and presents net cash position of some \$ 2.2m. Top line had been rather stable in the last years and has rooms to further develop. The target is pretty similar to Piteco: more than 90% of the turnover is represented by recurring fees (more than 50% for Piteco), the company is well managed, offers hefty returns and generates huge cash flows.

Piteco outlays a total consideration of \$ 13m for 55% of LendingTools: \$ 3.0m for the equity and \$ 10m as inter-company loan to the US vehicle to purchase the business unit LendingTools. The remainder remains in the hands of two key managers. In addition, after two years, **Piteco has an option to acquire an additional 5% at a price consideration of maximum \$ 1.5m** and linked to economic performance of LendingTools.

Piteco pays fairly cheap 4.2x sales and 10.8x EBITDA 2017, vs. 5.8x and 14.3x multiples for 2017 for Piteco prior the acquisition.

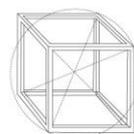
Piteco will build on the existing services and resources of LendingTools to diversify its product portfolio and generate international growth. Synergy potential is vast: Piteco can introduce to the bank clients of LendingTools products/services to their clients that might be utilized as springboards to distribute other additional services.

CFO expects LendingTools to show a **solid steady organic growth, to the tune of 10%** per annum in 2017-20. **EBITDA is anticipated to reach 40% of sales by 2019,** from the current 35% also thanks to the renewed management commitment. In addition, we forecast as of 2018 a few **cross selling and synergy benefits** arising from the addition of some Piteco modules.

Table 1 – Piteco, LendingTools P&L estimates

\$ m	2016	2017e*	2018e	2019e	2020e
Turnover	5.00	3.90	6.38	7.36	8.05
LendingTools stand alone	5.00	3.90	5.80	6.40	7.00
Cross selling		0.00	0.58	0.96	1.05
as a % of sales			10.0%	15.0%	15.0%
EBITDA	1.75	1.50	2.53	2.99	3.45
LendingTools stand alone	1.75	1.50	2.30	2.60	3.00
Synergies/cross selling	0.00	0.00	0.23	0.39	0.45
% margin	35.0	38.5	39.7	40.6	42.9
Net profit		0.90	1.59	1.89	2.21
% margin		23.5	24.6	25.4	27.1

Source: Company data, CFO Sim. * consolidated for 9/12



Estimates, valuation and risks

Following the acquisition of LendingTools, we have updated our model, factoring in the impact of its consolidation together with cross selling and synergies arising from the new size-scope entity. The acquisition is accretive for Piteco at EBITDA and Net Profit level. In addition, on the back of the cheap price paid, the move is definitely value accretive for shareholders too. The result is an average **upgrade of 16% in net profit in 2017-19**.

The acquisition, if on one side exposes Piteco to the \$/€ exchange rate fluctuation risk, is unquestionably **the right move to penetrate the US market**: a good managed firm, with key managers long-term involved with a 40% stake on stream, with significant growth perspectives boosted by cross selling and synergies potentialities, which might result higher than our projections.

The result is an 25% upgrade in the **TP of Piteco at € 6.10/s** (€ 4.90/s), 19.6% upside at current prices, thus **upgrading recommendation to BUY** (Neutral). The stock comes from a slight recent retracement after robust outperformance period to large/small peers and to indexes. This move adds value to the stock, not yet priced in at current levels.

DCF

In the valuation via the DCF method explicit estimates until 2021 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	7.0%
Risk-free (10Y Gov. Bond 2W average)	2.30%
Beta levered (x)	0.85
Required ROE	8.3%

Source: CFO Sim

Table 3 - Piteco, DCF model

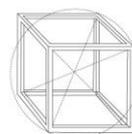
€ m	2017e	2018e	2019e	2020e	2021e	Term. Val.
EBIT	6.90	8.55	9.48	9.91	10.34	
Tax rate	15.0%	15.0%	15.0%	15.0%	15.0%	
Operating profit (NOPAT)	5.87	7.27	8.06	8.42	8.79	
Change working capital	(1.47)	(0.99)	(0.62)	(0.66)	(0.69)	
Depreciation	0.70	0.72	0.87	0.30	0.25	
Investments	(0.25)	(0.25)	(0.25)	(0.25)	(0.25)	
Free Cash Flows	4.85	6.74	8.06	7.82	8.10	129.78
Present value	4.61	5.94	6.59	5.92	5.69	91.18
WACC	7.8%	7.8%	7.8%	7.8%	7.8%	
Long-term growth rate	1.5%					

Source: CFO Sim

Table 4 – Piteco, DCF per share derived from:

Total EV present value € m	119.92
<i>thereof terminal value</i>	76.0%
NFY FY-16 + LendingTools acquisition cost	(8.51)
Pension provision last reported	(1.19)
Equity value € m	110.22
Shares # m (ex. Treasury shares)	18.13
Discounted CF €/s	6.10
<i>Upside/(downside)</i>	19.6%

Source: CFO Sim



The application of the model produces an equity value of € 110.22m, which corresponds to **€ 6.10/s, with a potential upside of 19.6%**.

The following tables illustrate that sensitivity 1) compared to changes in the terminal growth rate produces an equity value per share of between € 5.40 – 7.10 (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 € 5.40–7.00 (free risk range of between 3.10% and 1.50%) and 3) compared to changes in the risk premium, including small size premium results into an equity value/s of € 4.70-8.30 (risk premium range of between 9.00% and 5.0%).

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	28.74	28.74	28.74	28.74	28.74	28.74	28.74	28.74	28.74
PV of terminal value	77.97	80.92	84.09	87.50	91.18	95.16	99.48	104.19	109.34
Total value	106.71	109.67	112.84	116.25	119.92	123.91	128.23	132.94	138.09
NFP FY-16A adj.	(8.51)	(8.51)	(8.51)	(8.51)	(8.51)	(8.51)	(8.51)	(8.51)	(8.51)
Pension provision	(1.19)	(1.19)	(1.19)	(1.19)	(1.19)	(1.19)	(1.19)	(1.19)	(1.19)
Equity value	97.01	99.96	103.13	106.54	110.22	114.20	118.52	123.23	128.38
Equity value €/s	5.40	5.50	5.70	5.90	6.10	6.30	6.50	6.80	7.10

Source: CFO Sim

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

€ m	1.50%	1.70%	1.90%	2.10%	2.30%	2.50%	2.70%	2.90%	3.10%
Present value of CF	29.30	29.16	29.02	28.88	28.74	28.61	28.47	28.34	28.20
PV of terminal value	106.81	102.51	98.49	94.72	91.18	87.85	84.72	81.76	78.96
Total value	136.11	131.67	127.51	123.60	119.92	116.46	113.19	110.09	107.16
NFP FY-16A adj.	(8.51)	(8.51)	(8.51)	(8.51)	(8.51)	(8.51)	(8.51)	(8.51)	(8.51)
Pension provision	(1.19)	(1.19)	(1.19)	(1.19)	(1.19)	(1.19)	(1.19)	(1.19)	(1.19)
Equity value	126.40	121.96	117.80	113.90	110.22	106.75	103.48	100.39	97.45
Equity value €/s	7.00	6.70	6.50	6.30	6.10	5.90	5.70	5.50	5.40

Source: CFO Sim

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

€ m	5.00%	5.50%	6.00%	6.50%	7.00%	7.50%	8.00%	8.50%	9.00%
Present value of CF	29.95	29.64	29.34	29.04	28.74	28.45	28.17	27.89	27.61
PV of terminal value	130.47	118.31	107.93	98.98	91.18	84.34	78.28	72.89	68.07
Total value	160.42	147.95	137.27	128.01	119.92	112.79	106.45	100.78	95.68
NFP FY-16A adj.	(8.51)	(8.51)	(8.51)	(8.51)	(8.51)	(8.51)	(8.51)	(8.51)	(8.51)
Pension provision	(1.19)	(1.19)	(1.19)	(1.19)	(1.19)	(1.19)	(1.19)	(1.19)	(1.19)
Equity value	150.72	138.24	127.56	118.31	110.22	103.08	96.75	91.08	85.98
Equity value €/s	8.30	7.60	7.00	6.50	6.10	5.70	5.30	5.00	4.70

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 smaller local actors. Size differs significantly amongst the panel, in particular between smaller and global firms, as well as profitability. Piteco presents by far the **highest value in terms of EBITDA margin**, 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** firm in terms of market value and **the least liquid** (free float 20%, i.e. some € 19.0m).

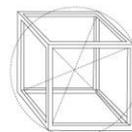


Table 8 - Piteco, peers group summary table

€ m	Country	Mkt Cap	Sales FY1	EBITDA FY1	EBITDA margin	Sales CAGR ₁₆₋₁₉	EBITDA CAGR ₁₆₋₁₉	EBIT CAGR ₁₆₋₁₉	EPS CAGR ₁₇₋₁₉	NFP /EBITDA
Intuit Inc	USA	29,654	4,665	1,775	38.1%	9.2%	19.5%	20.3%	12.1%	(0.2)
Microsoft Corp	USA	485,243	88,774	34,033	38.3%	10.1%	18.5%	19.4%	10.2%	(0.5)
Oracle Corp	USA	169,439	34,401	15,784	45.9%	3.4%	8.0%	8.6%	2.5%	(0.4)
Salesforce.Com Inc	USA	55,979	9,369	2,055	21.9%	17.6%	67.6%	250.3%	33.8%	(1.0)
SAP SE	Germany	113,775	23,810	7,756	32.6%	7.4%	9.0%	10.3%	10.0%	0.2
Median large player		113,775	23,810	7,756	38.1%	9.2%	18.5%	19.4%	10.2%	(0.4)
Datalogic SpA	Italy	1,444	619	99	16.0%	6.1%	9.5%	11.7%	9.5%	(0.1)
Digital Bros SpA	Italy	206	121	17	13.6%	12.7%	7.9%	3.9%	33.8%	(0.1)
Expert System SpA	Italy	50	30	3	10.6%	n.a.	n.a.	n.a.	n.a.	3.6
Exprivia SpA	Italy	54	151	16	10.6%	n.a.	n.a.	n.a.	n.a.	1.9
Reply SpA	Italy	1,475	868	122	14.0%	11.4%	13.7%	15.9%	17.7%	0.2
TXT e solutions SpA	Italy	138	76	9	11.7%	7.8%	11.0%	12.3%	n.a.	(0.7)
Median small player		172	136	16	12.7%	9.6%	10.2%	12.0%	17.7%	0.0
Piteco SpA CFO		93	19	8	40.5%	20.0%	22.7%	21.3%	16.8%	0.8

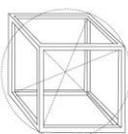
Source: Thomson Reuters Eikon, CFO Sim

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	29.1	25.9	24.2	21.3	6.3	5.7	16.5	14.4	18.7	16.5
Microsoft Corp	22.6	20.9	16.7	15.1	5.3	4.7	13.8	12.0	17.8	15.6
Oracle Corp	16.7	15.7	14.8	14.2	4.8	4.5	10.4	9.7	11.3	10.5
Salesforce.Com Inc	64.9	48.6	35.9	28.9	5.8	4.6	26.3	20.1	39.8	28.9
SAP SE	22.7	20.7	18.6	17.0	4.8	4.4	14.9	13.2	17.3	15.4
Median large player	22.7	20.9	18.6	17.0	5.3	4.6	14.9	13.2	17.8	15.6
Datalogic SpA	23.2	20.8	18.0	16.5	2.3	2.2	14.5	13.2	17.8	15.9
Digital Bros SpA	21.6	16.5	12.5	10.4	1.7	1.4	12.4	7.4	21.5	10.3
Expert System SpA	(338.2)	n.s.	9.5	n.a.	2.0	n.a.	19.3	n.a.	(27.8)	n.a.
Exprivia SpA	10.7	10.7	5.4	5.4	0.6	0.5	5.3	4.6	7.7	6.5
Reply SpA	19.2	17.2	17.0	15.4	1.7	1.6	12.3	11.2	13.4	12.1
TXT e solutions SpA	22.8	19.9	18.5	16.2	1.7	1.7	14.9	13.4	17.7	16.0
Median small player	20.4	17.2	14.7	15.4	1.7	1.6	13.4	11.2	15.5	12.1
Piteco SpA CFO	18.1	14.9	15.9	13.3	5.3	4.3	13.0	10.4	14.4	11.2
(Disc.)/prem. to large players	-20.3%	-28.7%	-14.6%	-21.3%	-0.2%	-7.3%	-12.4%	-21.5%	-19.1%	-28.3%
(Disc.)/prem. to small players	-11.3%	-13.5%	8.0%	-13.4%	204.5%	168.6%	-3.0%	-7.9%	-7.6%	-7.6%

Source: Thomson Reuters Eikon, CFO Sim

Piteco **trades at a discount** vs. larger players' median considering EV/EBIT and EBITDA multiples and PER/PCF. Compared to smaller players, although multiples range varies quite a while amongst its peers, it trades at discount at PER, the same trend at EBITDA and EBIT.



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 € 5.35/s on 27-Mar and a minimum of € 3.56 on 25-May. The stock comes from a slight recent retracement after robust outperformance period to large/small peers and to indexes.

Table 10 - Piteco, peers group absolute performance

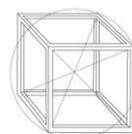
	1D	1W	1M	3M	6M	YTD	1Y
Intuit Inc.	8.5	6.2	8.6	6.0	17.1	9.6	21.4
Microsoft Corporation	0.6	4.2	3.9	6.2	13.6	9.9	34.0
Oracle Corporation	0.2	0.5	0.2	11.6	17.1	16.4	9.6
salesforce.com, inc.	1.1	2.1	4.0	10.1	14.9	25.4	13.4
SAP SE	(0.1)	2.2	1.1	8.6	14.4	11.5	29.9
Median large players	0.6	2.2	3.9	8.6	14.9	11.5	21.4
Datalogic S.p.A.	3.4	4.5	0.5	29.0	32.4	31.8	54.1
Digital Bros S.p.A.	(0.1)	1.2	15.6	22.9	27.8	7.6	168.5
Expert System SpA	(1.0)	(2.2)	1.5	(3.8)	(9.1)	(3.9)	(13.9)
Exprivia S.p.A.	(0.7)	0.9	30.1	26.2	57.5	49.2	40.6
Reply S.p.A.	2.9	5.6	6.0	32.2	36.8	33.3	25.8
TXT e-solutions S.p.A.	2.0	8.7	5.0	15.0	37.5	41.3	39.1
Median small players	1.0	2.8	5.5	24.6	34.6	32.5	39.9
PITECO SpA	0.0	1.6	2.0	17.2	19.1	18.3	30.2
Piteco relative to large players	(0.6)	(0.6)	(1.9)	8.6	4.2	6.8	8.9
small players	(1.0)	(1.2)	(3.5)	(7.3)	(15.5)	(14.2)	(9.6)
FTSE AIM Italia	(0.2)	(0.2)	(1.8)	7.4	2.2	18.3	(1.7)
EU sector	0.1	(0.9)	(0.5)	9.3	11.8	(7.1)	28.1

Source: Thomson Reuters Eikon

Risks

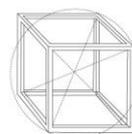
The principal investment **risks** in Piteco include:

- 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)	2015	2016	2017e	2018e	2019e
Total revenues	13.40	14.14	18.78	22.26	24.45
Material expenses	0.05	0.16	0.22	0.26	0.28
Change in inventories	(0.01)	0.02	0.02	0.02	0.02
Personnel expenses	5.43	5.98	7.01	7.99	8.54
Other operating expenses/(income)	2.19	2.37	3.94	4.73	5.26
EBITDA	5.75	5.61	7.60	9.27	10.36
D&A	0.26	0.30	0.70	0.72	0.87
EBIT	5.49	5.31	6.90	8.55	9.48
Financial charges/(income)	0.58	0.36	0.42	0.42	0.41
Other costs & extraordinaries & other	0.32	(0.11)	0.00	0.00	0.00
Pre-Tax profit	4.58	5.05	6.48	8.13	9.07
Income taxes	1.13	0.55	0.97	1.22	1.36
Net Profit	3.45	4.50	5.51	6.91	7.71
Net Profit Adjusted	3.68	4.41	5.12	6.23	6.99
Balance sheet (€ m)	2015	2016	2017e	2018e	2019e
Net Working Capital	4.24	3.89	5.36	6.36	6.98
Net Fixed Assets	29.94	29.99	41.00	40.53	41.33
Equity Investments	0.01	0.01	0.02	0.02	0.02
Other M/L Term A/L	(3.92)	(3.82)	(4.56)	(5.10)	(5.41)
Net Invested Capital	30.28	30.08	41.81	41.79	42.91
Net Financial Debt	0.90	(1.95)	6.38	3.22	1.09
Minorities	0.00	0.00	1.00	1.00	1.00
Group's Shareholders Equity	29.38	32.02	34.43	37.57	40.82
Financial Liabilities & Equity	30.28	30.08	41.81	41.79	42.91
Cash Flow statement (€ m)	2015	2016	2017e	2018e	2019e
Total net income	3.43	4.50	5.12	6.23	6.99
Depreciation	0.26	0.30	0.70	0.72	0.87
Other non-cash charges	0.41	(0.65)	0.74	0.54	0.31
Cash Flow from Oper. (CFO)	4.10	4.15	6.57	7.49	8.17
Change in NWC	(0.94)	0.35	(1.47)	(0.99)	(0.62)
FCF from Operations (FCFO)	3.16	4.50	5.10	6.50	7.55
Net Investments (CFI)	(1.30)	(0.35)	(10.71)	(0.25)	(1.68)
Free CF to the Firm (FCFF)	1.86	4.15	(5.61)	6.25	5.87
CF from financials (CFF)	6.49	(3.48)	(3.16)	(3.51)	(4.14)
Free Cash Flow to Equity (FCFE)	8.35	0.67	(8.78)	2.74	1.73
Financial ratios	2015	2016	2017e	2018e	2019e
EBITDA margin	42.9%	39.7%	40.5%	41.6%	42.4%
EBIT margin	41.0%	37.6%	36.7%	38.4%	38.8%
Net profit margin	25.8%	31.9%	29.3%	31.0%	31.5%
Tax rate	24.6%	10.8%	15.0%	15.0%	15.0%
Interest coverage x	0.11	0.07	0.06	0.05	0.04
Net Debt/Ebitda x	0.16	(0.35)	0.84	0.35	0.11
Debt-to-Equity x	0.03	(0.06)	0.19	0.09	0.03
ROIC	11.8%	14.9%	15.3%	16.5%	18.2%
ROCE	13.3%	12.5%	15.3%	17.9%	18.7%
ROACE	15.0%	12.7%	15.8%	18.4%	19.2%
ROE	14.5%	14.7%	16.6%	19.2%	19.7%
Payout ratio	52.9%	60.4%	60.1%	60.0%	60.0%
Per share figures	2015	2016	2017e	2018e	2019e
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	0.25	0.30	0.38	0.43
EPS adjusted €	0.19	0.25	0.30	0.38	0.43
EBITDA €	0.32	0.31	0.42	0.51	0.57
EBIT €	0.30	0.29	0.38	0.47	0.52
FCFO €	0.17	0.25	0.28	0.36	0.42
FCFF €	0.10	0.23	(0.31)	0.34	0.32
FCFE €	0.46	0.04	(0.48)	0.15	0.10
Dividend €	0.10	0.15	0.17	0.21	0.23



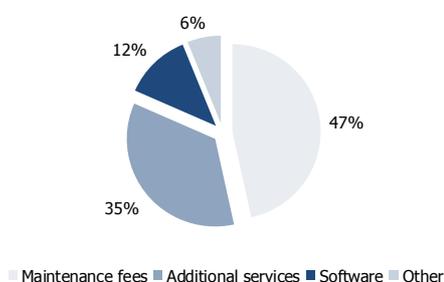


The company at a glance

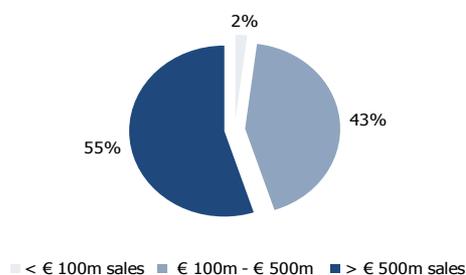
Piteco is the undisputed domestic leader, more than 4x the size of its closest competitor, in the niche of the corporate treasury management and financial planning software. The company designs, develops and implements proprietary software and solutions for corporate cash management. It focuses large/mid 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 LendingTools allows Piteco to penetrate the the huge US market with a well-managed cash flow generative firm, paid fairly cheap.

Turnover reached € 14.1m in 2016, +5.5% YoY, whilst EBITDA, affected by some business development costs, remained basically unchanged at € 5.6m, 39.7% margin. CAGR 2013-16 is +8.3% and +9.1%, respectively. Client base comprises 624 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.

2015 revenues and...



... and client profile (sales) breakdown



Shareholder structure

	%	# m
Podini Family	71.24	12.91
Dedagroup S.p.A.	55.47	10.05
Marco Podini	4.62	0.84
María Luisa Podini	4.62	0.84
Fago60 srl	6.53	1.18
Management	8.58	1.56
Andrea Guido Guillermez	2.86	0.52
Riccardo Veneziani	2.86	0.52
Paolo Virenti	2.86	0.52
Free Float	20.18	3.66
Treasury shares	-	-
Total	100.0	18.13

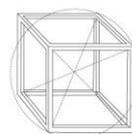
Peer group absolute performance

	1D	1W	1M	3M	6M	YTD
Intuit Inc	8.5	6.2	8.6	6.0	17.1	9.6
Microsoft Corp	0.6	4.2	3.9	6.2	13.6	9.9
Oracle Corp	0.2	0.5	0.2	11.6	17.1	16.4
Salesforce.com Inc	1.1	2.1	4.0	10.1	14.9	25.4
SAP SE	(0.1)	2.2	1.1	8.6	14.4	11.5
Median large players	0.6	2.2	3.9	8.6	14.9	11.5
Datalogic SpA	3.4	4.5	0.5	29.0	32.4	31.8
Digital Bros SpA	(0.1)	1.2	15.6	22.9	27.8	7.6
Expert System SpA	(1.0)	(2.2)	1.5	(3.8)	(9.1)	(3.9)
Exprivia SpA	(0.7)	0.9	30.1	26.2	57.5	49.2
Reply SpA	2.9	5.6	6.0	32.2	36.8	33.3
TXT e solutions SpA	2.0	8.7	5.0	15.0	37.5	41.3
Median small players	1.0	2.8	5.5	24.6	34.6	32.5
Piteco SpA	0.0	1.6	2.0	17.2	19.1	18.3

Peers group multiples table

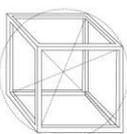
Price & EV multiples x	PER FY1	PER FY2	PCF FY1	PCF FY2	Sales FY1	Sales FY2	EBITDA FY1	EBITDA FY2	EBIT FY1	EBIT FY2
Intuit Inc	29.1	25.9	24.2	21.3	6.3	5.7	16.5	14.4	18.7	16.5
Microsoft Corp	22.6	20.9	16.7	15.1	5.3	4.7	13.8	12.0	17.8	15.6
Oracle Corp	16.7	15.7	14.8	14.2	4.8	4.5	10.4	9.7	11.3	10.5
Salesforce.Com Inc	64.9	48.6	35.9	28.9	5.8	4.6	26.3	20.1	39.8	28.9
SAP SE	22.7	20.7	18.6	17.0	4.8	4.4	14.9	13.2	17.3	15.4
Median large player	22.7	20.9	18.6	17.0	5.3	4.6	14.9	13.2	17.8	15.6
Datalogic SpA	23.2	20.8	18.0	16.5	2.3	2.2	14.5	13.2	17.8	15.9
Digital Bros SpA	21.6	16.5	12.5	10.4	1.7	1.4	12.4	7.4	21.5	10.3
Expert System SpA	(338.2)	n.s.	9.5	n.a.	2.0	n.a.	19.3	n.a.	(27.8)	n.a.
Exprivia SpA	10.7	10.7	5.4	5.4	0.6	0.5	5.3	4.6	7.7	6.5
Reply SpA	19.2	17.2	17.0	15.4	1.7	1.6	12.3	11.2	13.4	12.1
TXT e solutions SpA	22.8	19.9	18.5	16.2	1.7	1.7	14.9	13.4	17.7	16.0
Median small player	20.4	17.2	14.7	15.4	1.7	1.6	13.4	11.2	15.5	12.1
Piteco SpA CFO	18.1	14.9	15.9	13.3	5.3	4.3	13.0	10.4	14.4	11.2

Source: CFO Sim, Thomson Reuters Eikon



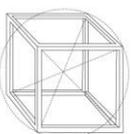


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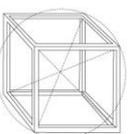


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DATE	TARGET PRICE	RATING
28/04/2017	€6.10	BUY
30/03/2017	€4.90	NEUTRAL
04/10/2016	€4.90	BUY
24/03/2016	€4.70	BUY
04/02/2016	€4.00	NEUTRAL
30/09/2015	€3.90	BUY

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