

Italy - Software

Weak organic growth, positive impact of Juniper Payments

29th September 2017

H1-17 RESULTS RELEASE

RIC: PITE.MI
BBG: PITE IM

The company reported figures with two months of Juniper Payments contributions, acquired last Apr-17. Piteco lacks organic growth to a certain extent, with new clients consistent with the target of an increase of 30 every year but with tiny impact on sales. With its EBITDA margin close to 40%, Juniper Payments is seen to contribute massively to group cash flow generation.

Rating:

Neutral (Buy)

Price Target:

€ 5.60 (€ 6.10)

Upside/(Downside): 4.6%

Last Price: € 5.36

Market Cap.: € 96.7

1Y High/Low: € 5.60/€ 4.09

Free Float: 27.4%

Major shareholders:

Podini Family 64.0%
Management 8.6%



Stock price performance

	1M	3M	12M
Absolute	3.2%	1.2%	27.5%
Rel.to AIM Italia	4.3%	-2.4%	5.3%
Rel.to EU Sector	-0.8%	-1.1%	4.2%

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Rating downgraded to Neutral, PT € 5.60/s (€ 6.10/s)

We have updated our model: 1) downgraded top line growth and profitability expectations for Piteco stand-alone, 2) updated the €/€ exchange rate at 1.15 from 1.05 previously, 3) increased the D&A amount following the purchase of Juniper software and 4) factored in an even more favourable impact of the adoption of the Patent Box tax scheme on 2017-19 tax rate. The combined result is an average 14.4% cut in 2017-19 EBITDA forecasts. We have updated DCF valuation criteria and brought the Free Risk Rate up-to-date. The combined result is a downgrade in PT to € 5.60/s (€ 6.10/s), broadly in line with current prices: we downgrade rating to Neutral (Buy).

Figures lack organic growth: new client tickets are very small

In the past, the business model of the company allowed profitability to grow more than proportionately to top line, thanks to the substantial weight (close to 50% of the total) of high margin turnover linked to maintenance and services (almost 90% of margins come from this business line). However, it seems that some organic growth is missing here in the core business in Italy. The number of new clients is consistent with the company target of 30 new names per year, but the top line is not growing, evidence of a very small entry ticket, which potentially could entail higher revenues in the future.

Revenues up 13.2%, +1.2 like-for-like

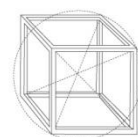
H1-17 turnover grew 13.2% to € 7.59m, almost entirely driven by the contribution of two months consolidation of Juniper Payments, acquired last Apr-17. Organically, Piteco showed slow growing revenues due to the lack of significantly large new client tickets and to a certain extent market torpor. Also thanks to Juniper Payments contributions, recurring revenues increased 28%. At 31-Aug turnover had grown 17% and new clients totalled 24 YTD vs. 21 last year. This prompts management to be confident in a second half of the year with growth in size and in profitability compared to H1-17.

EBITDA up 2.4%, EBITDA adj. increased 14%

EBITDA increased 2.4% to € 2.53m, 33.4% margin vs. € 2.47m and 36.9% margin in H1-16, mainly because some \$ 300k revenues have been accounted as lower purchase consideration. Excluding this effect, EBITDA adj. increased 14%. Organically, EBITDA declined 5.4%, since the 5.8% personnel cost growth was not counterbalanced by an increase in top line. D&A rose YoY due to the consolidation of Juniper Payments software, thus adding some € 350k. As a result, EBIT declined 12.3% to € 2.06m. After a 12.8% tax rate, Net Profit totalled € 1.01m, € 1.78m last year.

Piteco, key financials and ratios

€ m	2015	2016	2017e	2018e	2019e
Sales	13.37	14.14	17.69	20.91	22.92
EBITDA	5.72	5.61	6.52	7.93	8.85
EBITDA adjusted	5.72	5.61	7.00	7.93	8.85
EBIT	5.46	5.31	5.24	6.56	7.49
Net profit	3.43	4.50	3.19	4.68	5.03
Net profit adjusted	3.68	4.41	3.61	4.68	5.03
EPS adjusted	0.20	0.24	0.20	0.26	0.28
EPS adj. growth	30.1%	19.6%	-18.1%	29.8%	7.4%
DPS ord. €/s	0.10	0.15	0.17	0.16	0.17
Dividend yield	1.9%	2.8%	3.2%	2.9%	3.1%
NFP (cash)/debt	0.35	(1.95)	4.24	1.07	(0.62)
Free Cash Flow Yield	3.0%	4.3%	7.1%	6.5%	6.1%
PER x	26.3	22.0	26.9	20.7	19.3
PCF x	30.7	21.6	13.7	14.9	15.7
EV/Sales x	7.3	6.7	5.7	4.7	4.2
EV/EBITDA x	17.0	16.9	15.5	12.3	10.9
EV/EBIT x	17.8	17.9	19.3	14.9	12.8



H1-17 results

The company reported figures with two months of Juniper Payments contributions, acquired last Apr-17. Piteco lacks organic growth to a certain extent, with new clients consistent to the target of an increase of 30 every year but with tiny impact on sales. After the € 10.3m outlay for Juniper Payments and the distribution of € 2.7m dividends, Net Financial Position was negative for € 6.6m.

Table 1 – Piteco, H1-16 results summary

€ m	H1-17	H1-16	% YoY
Turnover	7.59	6.70	13.2
Raw material	(0.09)	(0.06)	
Services	(1.36)	(1.18)	
Personnel	(3.58)	(2.98)	
Other	(0.02)	(0.02)	
EBITDA	2.53	2.47	2.4
% margin	33.4	36.9	
EBITDA adj	2.80	2.47	13.2
% margin	36.9	36.9	
D&A	(0.47)	(0.12)	
EBIT	2.06	2.35	(12.3)
% margin	27.1	35.0	
Financials	(1.02)	(0.20)	
Extraordinary	0.12	0.10	
Pretax	1.15	2.25	(48.7)
Taxes	(0.15)	(0.46)	
Tax rate	12.8%	20.6%	
Net profit	1.01	1.78	(43.6)
% margin	13.2	26.6	

Source: company data

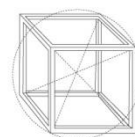
H1-17 turnover grew 13.2% to € 7.59m, almost entirely driven by the two months consolidation of Juniper Payments, acquired last Apr-17. Organically, Piteco showed slow growing revenues (up 1.2% YoY) due to the lack of significantly large new client tickets and to a certain extent market torpor. Also thanks to the contribution of Juniper Payments, recurring revenues increased 28%.

EBITDA increased 2.4% to € 2.53m, 33.4% margin vs. € 2.47m and 36.9% margin in H1-16, also because of some \$ 300k revenues accounted as lower purchase consideration. Excluding this effect, **EBITDA adj. increased 14%**. Organically, EBITDA declined 5.4%, since the 5.8% personnel cost growth was not counterbalanced by the increase in top line. D&A rose YoY due to the consolidation of Juniper Payments software, thus adding some € 350k. As a result, **EBIT declined 12.3% to € 2.06m, 27.1% margin**.

The increase in financial charges was mainly due to the € 0.6m forex loss stemming from the conversion into € of the \$ 10m intercompany loan required to acquire Juniper. Extraordinary items included some \$ 250k legal fees related to the acquisition in the US and € 300k related to excess tax paid in 2015-16 thanks to the Patent Box legislation scheme. After a 12.8% tax rate, **Net Profit totalled € 1.01m, vs. € 1.78m last year**.

Operating cash flow totalled € 3.77m, 51% on sales and 149% of EBITDA. After the € 10.3m payment for the acquisition of Juniper Payments and the distribution of € 2.7m dividends, **Net Financial Position was negative for € 6.6m**, vs. € 1.9m positive at Dec-16.

At 31-Aug turnover had grown 17% and new clients totalled 24 YTD vs. 21 last year. This prompts management to be confident in a second half of the year with growth in size and in profitability compared to H1-17.



Estimates, valuation and risks

Following the publication of 2017 interim results, we have updated our model: 1) downgraded the top line growth and profitability expectations for Piteco stand-alone (lower volumes), 2) updated the €/€ exchange rate to 1.15 from 1.05 previously, 3) increased the D&A amount following the purchase of Juniper Payments software and 4) factored in an even more favourable impact of the adoption of the Patent Box tax scheme on 2017-19 tax rate. The combined result is an **average 14.4% cut in 2017-19 EBITDA forecasts**. Moreover, we have updated DCF valuation criteria and brought the Free Risk Rate up-to-date. The combined result is a **downgrade in PT to € 5.60/s** (€ 6.10/s), broadly in line with current prices: we **downgrade rating to Neutral** (Buy).

In the past, the business model of the company allowed profitability to grow more than proportionately to top line, thanks to the substantial weight (close to 50% of the total) of high margin turnover linked to maintenance and services (almost 90% of margins come from this business line). However, **it seems that some organic growth is missing** here in the core business for Piteco in Italy. The number of new clients is consistent with 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**.

Piteco is in the process of nominating the legal consultant and the Sponsors for **the transition from the AIM Italia Alternative Investment Market to the 'Mercato Telematico Azionario' (MTA)** organised and managed by Borsa Italiana. Piteco plans to **progress to the MTA in H1-18**. 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.

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)	2.10%
Beta levered (x)	0.85
Required ROE	8.1%

Source: CFO Sim

Table 3 - Piteco, DCF model

€ m	2017e	2018e	2019e	2020e	2021e	Term. Val.
EBIT	5.24	6.56	7.49	8.01	8.53	
Tax rate	13.0%	13.0%	13.0%	13.0%	13.0%	
Operating profit (NOPAT)	4.56	5.70	6.51	6.97	7.42	
Change working capital	0.05	(0.41)	(0.72)	(0.01)	(0.01)	
Depreciation	1.29	1.38	1.36	1.00	0.25	
Investments	(0.25)	(0.25)	(0.25)	(0.25)	(0.25)	
Free Cash Flows	5.65	6.42	6.90	7.71	7.41	119.56
Present value	5.54	5.84	5.83	6.04	5.39	86.90
WACC	7.8%	7.8%	7.8%	7.8%	7.8%	
Long-term growth rate	1.5%					

Source: CFO Sim

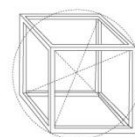


Table 4 – Piteco, DCF per share derived from:

Total EV present value € m	115.54
<i>thereof terminal value</i>	75.2%
NFP last reported	(6.60)
Pension provision last reported	(1.13)
Juniper minorities valued @ 20x PER	(6.97)
Equity value € m	100.83
Shares # m (ex. Treasury shares)	18.13
Discounted CF €/s	5.60
<i>Upside/(downside)</i>	4.6%

Source: CFO Sim

The application of the model produces an equity value of € 100.83m, which corresponds to **€ 5.60/s, with a potential upside of 4.6%**.

The following tables illustrate that sensitivity 1) compared to changes in the terminal growth rate produces an equity value per share of between € 4.90 – 6.50 (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 € 4.90–6.40 (free risk range of between 2.90% and 1.30%) and 3) compared to changes in the risk premium, including small size premium results into an equity value/s of € 4.30-7.70 (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	28.64	28.64	28.64	28.64	28.64	28.64	28.64	28.64	28.64
PV of terminal value	74.24	77.07	80.10	83.37	86.90	90.72	94.87	99.39	104.34
Total value	102.88	105.71	108.74	112.01	115.54	119.36	123.51	128.03	132.98
NFP last reported	(6.60)	(6.60)	(6.60)	(6.60)	(6.60)	(6.60)	(6.60)	(6.60)	(6.60)
Pension last reported	(1.13)	(1.13)	(1.13)	(1.13)	(1.13)	(1.13)	(1.13)	(1.13)	(1.13)
Juniper minorities	(6.97)	(6.97)	(6.97)	(6.97)	(6.97)	(6.97)	(6.97)	(6.97)	(6.97)
Equity value	88.18	91.00	94.04	97.31	100.83	104.65	108.80	113.33	118.28
Equity value €/s	4.90	5.00	5.20	5.40	5.60	5.80	6.00	6.30	6.50

Source: CFO Sim

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

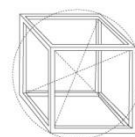
€ m	1.30%	1.50%	1.70%	1.90%	2.10%	2.30%	2.50%	2.70%	2.90%
Present value of CF	29.10	28.98	28.87	28.75	28.64	28.52	28.41	28.30	28.19
PV of terminal value	102.01	97.84	93.95	90.31	86.90	83.70	80.68	77.84	75.16
Total value	131.11	126.82	122.82	119.06	115.54	112.22	109.09	106.14	103.35
NFP last reported	(6.60)	(6.60)	(6.60)	(6.60)	(6.60)	(6.60)	(6.60)	(6.60)	(6.60)
Pension last reported	(1.13)	(1.13)	(1.13)	(1.13)	(1.13)	(1.13)	(1.13)	(1.13)	(1.13)
Juniper minorities	(6.97)	(6.97)	(6.97)	(6.97)	(6.97)	(6.97)	(6.97)	(6.97)	(6.97)
Equity value	116.40	112.12	108.11	104.36	100.83	97.52	94.39	91.44	88.65
Equity value €/s	6.40	6.20	6.00	5.80	5.60	5.40	5.20	5.00	4.90

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	29.64	29.38	29.13	28.88	28.64	28.40	28.16	27.92	27.69
PV of terminal value	125.10	113.20	103.09	94.42	86.90	80.32	74.52	69.36	64.76
Total value	154.74	142.58	132.22	123.30	115.54	108.71	102.67	97.29	92.46
NFP last reported	(6.60)	(6.60)	(6.60)	(6.60)	(6.60)	(6.60)	(6.60)	(6.60)	(6.60)
Pension last reported	(1.13)	(1.13)	(1.13)	(1.13)	(1.13)	(1.13)	(1.13)	(1.13)	(1.13)
Juniper minorities	(6.97)	(6.97)	(6.97)	(6.97)	(6.97)	(6.97)	(6.97)	(6.97)	(6.97)
Equity value	140.04	127.88	117.52	108.60	100.83	94.01	87.97	82.59	77.75
Equity value €/s	7.70	7.10	6.50	6.00	5.60	5.20	4.90	4.60	4.30

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 **EBITDA margin** amongst the **highest value**, 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 27%, i.e. some € 27.0m).

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	30,997	4,767	1,820	38.2%	9.5%	17.0%	18.9%	10.9%	(0.4)
Microsoft Corp	USA	482,829	88,548	33,371	37.7%	8.5%	15.0%	17.6%	10.5%	(1.4)
Oracle Corp	USA	170,265	33,668	16,103	47.8%	3.4%	8.4%	12.2%	7.0%	(0.7)
Salesforce.Com Inc	USA	56,476	8,688	1,911	22.0%	16.9%	65.7%	236.4%	32.4%	(1.2)
SAP SE	Germany	112,850	23,737	7,531	31.7%	7.3%	8.1%	10.9%	10.6%	0.3
Median large player		112,850	23,737	7,531	37.7%	8.5%	15.0%	17.6%	10.6%	(0.7)
Datalogic SpA	Italy	1,716	617	101	16.4%	6.2%	9.9%	13.3%	13.7%	(0.0)
Digital Bros SpA	Italy	186	123	18	14.6%	17.4%	26.1%	37.4%	85.5%	(0.5)
Expert System SpA	Italy	42	30	3	10.8%	26.6%	n.a.	n.a.	-44.4%	3.6
Exprivia SpA	Italy	85	154	17	11.0%	6.3%	11.5%	20.7%	18.3%	1.9
Reply SpA	Italy	1,892	888	125	14.1%	10.3%	11.7%	13.4%	11.2%	(0.6)
TXT e solutions SpA	Italy	148	75	9	11.4%	7.8%	11.0%	12.3%	n.a.	(0.8)
Median small player		167	139	18	12.7%	9.0%	11.5%	13.4%	13.7%	(0.3)
Piteco SpA		97	18	7	36.9%	17.5%	16.4%	11.8%	41.0%	0.7

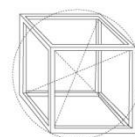
Source: Thomson Reuters Eikon, CFO Sim

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	28.7	25.8	24.0	21.3	6.3	5.8	16.6	14.7	18.8	16.8
Microsoft Corp	23.0	20.5	17.1	15.5	4.9	4.5	13.1	11.5	16.7	14.5
Oracle Corp	15.9	14.9	14.4	13.4	4.7	4.3	9.8	8.9	10.6	9.6
Salesforce.Com Inc	69.1	51.8	39.0	31.9	6.2	5.0	28.3	22.2	42.3	31.1
SAP SE	22.8	20.9	19.1	17.2	4.8	4.5	15.2	13.4	17.5	15.5
Median large player	23.0	20.9	19.1	17.2	4.9	4.5	15.2	13.4	17.5	15.5
Datalogic SpA	27.3	23.5	21.3	18.6	2.8	2.6	16.9	15.0	20.5	18.1
Digital Bros SpA	27.3	8.9	12.1	6.5	1.4	1.0	9.8	4.7	18.6	6.0
Expert System SpA	(48.1)	39.1	7.3	32.6	1.8	1.5	16.6	80.0	(15.6)	119.0
Exprivia SpA	17.0	14.1	8.5	7.1	0.8	0.7	6.9	5.8	9.7	8.4
Reply SpA	24.8	22.1	21.6	19.4	2.0	1.8	14.5	12.7	16.0	13.8
TXT e solutions SpA	25.6	22.1	21.5	18.0	1.9	1.8	16.6	14.7	19.1	17.4
Median small player	25.2	22.1	16.7	18.3	1.8	1.6	15.6	13.7	17.3	15.6
Piteco SpA	26.8	20.7	19.8	16.0	5.7	4.7	15.5	12.3	19.3	14.9
(Disc.)/prem. to large players	16.8%	-1.0%	3.5%	-7.4%	15.7%	4.2%	1.5%	-8.0%	10.3%	-3.8%
(Disc.)/prem. to small players	6.5%	-6.5%	18.1%	-12.8%	209.7%	186.8%	-0.5%	-10.0%	11.7%	-4.5%

Source: Thomson Reuters Eikon, CFO Sim

Piteco **trades at a discount** vs. larger players' median only considering PCF and EV/EBITDA in 2018, as well as compared to smaller players, although multiples 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 € 5.60/s on 8-Jun and a minimum of € 4.09 on 30-Sept-16. The stock comes from a slight recent retracement after robust outperformance as of 1M vs. large/small peers and to indexes.

Table 10 - Piteco, peers group absolute performance

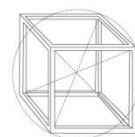
	1D	1W	1M	3M	6M	YTD	1Y
Intuit Inc.	(1.4)	(1.5)	0.6	6.9	23.1	24.2	29.2
Microsoft Corporation	0.0	(0.5)	(1.2)	7.9	12.4	18.9	27.3
Oracle Corporation	(0.2)	0.2	(4.5)	(4.2)	7.6	25.0	21.9
salesforce.com, inc.	(0.7)	(2.4)	(3.0)	6.7	12.2	35.3	29.3
SAP SE	0.6	0.5	4.6	1.4	0.9	11.3	13.3
Median large players	(0.2)	(0.5)	(1.2)	6.7	12.2	24.2	27.3
Datalogic S.p.A.	1.6	(0.0)	6.5	23.9	20.2	57.6	54.0
Digital Bros S.p.A.	0.9	(1.1)	(2.0)	7.9	5.1	(2.2)	49.5
Expert System SpA	0.9	(6.0)	(10.4)	(13.8)	(16.2)	(20.6)	(18.8)
Exprivia S.p.A.	(0.1)	(1.8)	21.9	39.0	107.2	137.5	158.3
Reply S.p.A.	(0.4)	(0.5)	5.5	25.3	36.8	72.0	69.2
TXT e-solutions S.p.A.	(2.0)	5.1	(0.8)	6.6	13.3	52.5	59.6
Median small players	0.4	(0.8)	2.4	15.9	16.8	55.1	56.8
PITECO SpA	(0.6)	5.8	3.2	1.2	7.1	24.2	27.5
Piteco relative to large players	(0.5)	6.3	4.4	(5.5)	(5.1)	0.1	0.2
small players	(1.1)	6.6	0.8	(14.7)	(9.7)	(30.8)	(29.3)
FTSE AIM Italia	(1.1)	5.0	4.3	(2.4)	(0.7)	24.2	5.3
EU sector	(0.6)	5.9	4.0	2.3	(0.1)	(11.0)	23.3

Source: Thomson Reuters Eikon

Risks

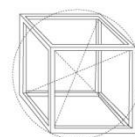
The principal investment **risks** in Piteco include:

- 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.



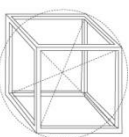


Income statement (€ m)	2015	2016	2017e	2018e	2019e
Total revenues	13.40	14.14	17.69	20.91	22.92
Material expenses	0.05	0.16	0.20	0.24	0.26
Change in inventories	(0.01)	0.02	0.02	0.02	0.02
Personnel expenses	5.43	5.98	7.01	7.99	8.54
Other operating expenses/(income)	2.19	2.37	3.94	4.73	5.26
EBITDA	5.75	5.61	6.52	7.93	8.85
EBITDA adj.	5.75	5.61	7.00	7.93	8.85
D&A	0.26	0.30	1.29	1.38	1.36
EBIT	5.49	5.31	5.24	6.56	7.49
Financial charges/(income)	0.58	0.36	1.17	0.46	0.95
Other costs & extraordinary & other	0.32	(0.11)	0.00	0.00	0.00
Pre-Tax profit	4.58	5.05	4.06	6.09	6.54
Income taxes	1.13	0.55	0.53	0.79	0.85
Net Profit	3.45	4.50	3.53	5.30	5.69
Net Profit Adjusted	3.68	4.41	3.61	4.68	5.03
Balance sheet (€ m)	2015	2016	2017e	2018e	2019e
Net Working Capital	4.24	3.89	3.84	4.25	4.97
Net Fixed Assets	29.94	29.99	38.79	37.71	38.01
Equity Investments	0.01	0.01	0.02	0.01	0.01
Other M/L Term A/L	(3.92)	(3.82)	(4.91)	(5.81)	(6.30)
Net Invested Capital	30.28	30.08	37.73	36.16	36.69
Net Financial Debt	0.90	(1.95)	4.24	1.07	(0.62)
Minorities	0.00	0.00	1.00	1.00	1.00
Group's Shareholders Equity	29.38	32.02	32.49	34.09	36.31
Financial Liabilities & Equity	30.28	30.08	37.73	36.16	36.69
Cash Flow statement (€ m)	2015	2016	2017e	2018e	2019e
Total net income	3.43	4.50	3.19	4.68	5.03
Depreciation	0.26	0.30	1.29	1.38	1.36
Other non-cash charges	0.41	(0.65)	2.55	0.86	0.51
Cash Flow from Oper. (CFO)	4.10	4.15	7.02	6.92	6.90
Change in NWC	(0.94)	0.35	0.05	(0.41)	(0.72)
FCF from Operations (FCFO)	3.16	4.50	7.08	6.50	6.18
Net Investments (CFI)	(1.30)	(0.35)	(10.55)	(0.25)	(1.68)
Free CF to the Firm (FCFF)	1.86	4.15	(3.47)	6.25	4.50
CF from financials (CFF)	6.49	(3.48)	(0.71)	(3.63)	(3.33)
Free Cash Flow to Equity (FCFE)	8.35	0.67	(4.18)	2.63	1.17
Financial ratios	2015	2016	2017e	2018e	2019e
EBITDA margin	42.9%	39.7%	36.9%	37.9%	38.6%
EBIT margin	41.0%	37.6%	29.6%	31.4%	32.7%
Net profit margin	25.8%	31.9%	20.0%	25.4%	24.8%
Tax rate	24.6%	10.8%	13.0%	13.0%	13.0%
Interest coverage x	0.11	0.07	0.22	0.07	0.13
Net Debt/Ebitda x	0.16	(0.35)	0.65	0.14	(0.07)
Debt-to-Equity x	0.03	(0.06)	0.13	0.03	(0.02)
ROIC	11.8%	14.9%	10.4%	14.4%	15.6%
ROCE	13.3%	12.5%	11.4%	14.0%	15.4%
ROACE	15.0%	12.7%	11.9%	14.1%	15.7%
ROE	14.5%	14.7%	11.0%	15.9%	16.2%
Payout ratio	52.9%	60.4%	96.7%	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	0.19	0.29	0.31
EPS adjusted €	0.19	0.25	0.19	0.29	0.31
EBITDA €	0.32	0.31	0.36	0.44	0.49
EBIT €	0.30	0.29	0.29	0.36	0.41
FCFO €	0.17	0.25	0.39	0.36	0.34
FCFF €	0.10	0.23	(0.19)	0.35	0.25
FCFE €	0.46	0.04	(0.23)	0.14	0.06
Dividend €	0.10	0.15	0.17	0.16	0.17



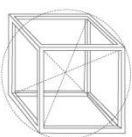


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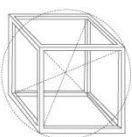




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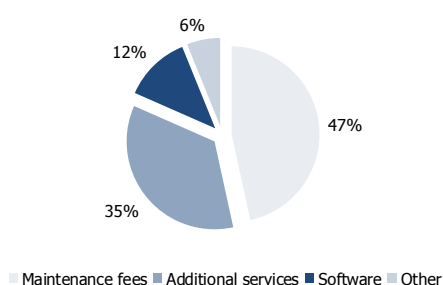


The company at a glance

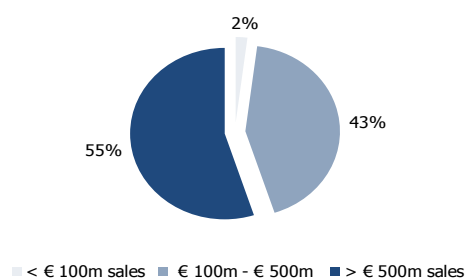
Piteco is the undisputed domestic leader, more than 4x the size of its closest competitor, in the niche of the corporate treasury management and financial planning software. The company designs, develops and implements proprietary software and solutions for corporate cash management. It focuses large/mid 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.

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.

2016 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
Maria 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

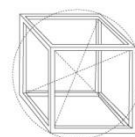
Peer group absolute performance

	1D	1W	1M	3M	6M	YTD
Intuit Inc	(1.4)	(1.5)	0.6	6.9	23.1	24.2
Microsoft Corp	0.0	(0.5)	(1.2)	7.9	12.4	18.9
Oracle Corp	(0.2)	0.2	(4.5)	(4.2)	7.6	25.0
Salesforce.com Inc	(0.7)	(2.4)	(3.0)	6.7	12.2	35.3
SAP SE	0.6	0.5	4.6	1.4	0.9	11.3
Median large players	(0.2)	(0.5)	(1.2)	6.7	12.2	24.2
Datalogic SpA	1.6	(0.0)	6.5	23.9	20.2	57.6
Digital Bros SpA	0.9	(1.1)	(2.0)	7.9	5.1	(2.2)
Expert System SpA	0.9	(6.0)	(10.4)	(13.8)	(16.2)	(20.6)
Exprivia SpA	(0.1)	(1.8)	21.9	39.0	107.2	137.5
Reply SpA	(0.4)	(0.5)	5.5	25.3	36.8	72.0
TXT e solutions SpA	(2.0)	5.1	(0.8)	6.6	13.3	52.5
Median small players	0.4	(0.8)	2.4	15.9	16.8	55.1
Piteco SpA	(0.6)	5.8	3.2	1.2	7.1	24.2

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	28.7	25.8	24.0	21.3	6.3	5.8	16.6	14.7	18.8	16.8
Microsoft Corp	23.0	20.5	17.1	15.5	4.9	4.5	13.1	11.5	16.7	14.5
Oracle Corp	15.9	14.9	14.4	13.4	4.7	4.3	9.8	8.9	10.6	9.6
Salesforce.Com Inc	69.1	51.8	39.0	31.9	6.2	5.0	28.3	22.2	42.3	31.1
SAP SE	22.8	20.9	19.1	17.2	4.8	4.5	15.2	13.4	17.5	15.5
Median large player	23.0	20.9	19.1	17.2	4.9	4.5	15.2	13.4	17.5	15.5
Datalogic SpA	27.3	23.5	21.3	18.6	2.8	2.6	16.9	15.0	20.5	18.1
Digital Bros SpA	27.3	8.9	12.1	6.5	1.4	1.0	9.8	4.7	18.6	6.0
Expert System SpA	(48.1)	39.1	7.3	32.6	1.8	1.5	16.6	80.0	(15.6)	119.0
Exprivia SpA	17.0	14.1	8.5	7.1	0.8	0.7	6.9	5.8	9.7	8.4
Reply SpA	24.8	22.1	21.6	19.4	2.0	1.8	14.5	12.7	16.0	13.8
TXT e solutions SpA	25.6	22.1	21.5	18.0	1.9	1.8	16.6	14.7	19.1	17.4
Median small player	25.2	22.1	16.7	18.3	1.8	1.6	15.6	13.7	17.3	15.6
Piteco SpA	26.8	20.7	19.8	16.0	5.7	4.7	15.5	12.3	19.3	14.9

Source: CFO Sim, Thomson Reuters Eikon



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DATE	TARGET PRICE	RATING
29/09/2017	€5.60	NEUTRAL
28/04/2017	€6.10	BUY
30/03/2017	€4.90	NEUTRAL
04/10/2016	€4.90	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.

