

Italy - Software

Let's take a breather

30th March 2017

FY-16 RESULTS RELEASE

RIC: PITE.MI
BBG: PITE IM

Piteco reported FY-16 results last 23-Mar: bottom line came broadly in line with expectations thanks to a significantly favourable tax rate, top line lacked organic growth to a certain extent while profitability was affected by business development costs. Piteco is now cash positive and can chase even sizeable acquisition targets.

Rating:

Neutral (Buy)

Price Target:

€ 4.90

Upside/(Downside): -3.2%

Last Price: € 5.06

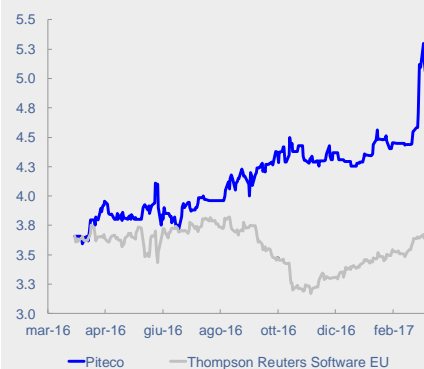
Market Cap.: € 92.11

1Y High/Low: € 5.35/€ 3.56

Free Float: 15.4%

Major shareholders:

Podini Family 70.7%
Management 8.6%
Otus Capital (free float) 5.3%



Stock price performance

	1M	3M	12M
Absolute	13.7%	15.8%	38.3%
Rel.to AIM Italia	12.2%	5.7%	7.7%
Rel.to EU Sector	3.2%	10.7%	-28.9%

Analyst:

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

Rating downgrade: Neutral (Buy), PT € 4.90/s unchanged

Following the publication of FY-16 results, we have updated our model, factoring in the more favorable tax rate in 2017-18 thanks to the adoption of the Patent Box tax scheme, a lower than projected organic growth and introducing 2019 estimates. The result is a downgrade of 7.0% in net profit in 2017-18. Moreover, we have updated DCF valuation criteria, rolling over the first year of estimates to 2017 and brought up-to-date the Free Risk Rate. The combined result is an unchanged target price of Piteco at € 4.90/s, 3.2% downside at current prices, thus downgrading recommendation to Neutral (Buy).

FY-16 revenues up 5.7%

Turnover increased 5.7% YoY mainly driven by sales linked to recurring maintenance & services fees (usually some 50% of total). Organically excluding Centrodatta, turnover remained basically unchanged. Slightly lower than recent years' average growth pace, there were 26 new clients in 2016, totaling 624 as of Dec-16, lower than our expectations. New name acquisition was particularly feeble in H2-16, with just 9 newcomers.

EBIT -2.0%, net profit +31.4%, broadly in line with expectation. Dividend yield 3.0%

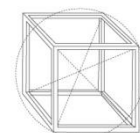
EBITDA declined 2.0% to € 5.6m, 39.7% margin, lower than our € 6.3m projection, as a result of 1) costs related to business developments in the USA and Mexico, 2) the launch of cloud solutions, 3) strengthening of the sales force structure for foreign growth and 4) ongoing listing costs not entirely present in FY-15. Lower financial charges linked to more favourable financing conditions and the benefit of the Patent Box legislation scheme boosted bottom line: net profit jumped 31.4% to € 4.5m, broadly in line with our projection. The BoD will propose the distribution of a dividend of € 0.15/share, yield of 3.0%.

New business developments to contribute in the medium term: let's take a breather

The business model of the company remains solid and allows profitability to grow more than proportionately to top line, thanks to the substantial weight (close to 50% of total) of high margin turnover linked to maintenance and services (almost 90% of margin comes from this business line). The new recent business developments, which impacted profitability are anticipated to sustain growth and returns in the medium term. The stock comes from a robust outperformance period to peers and to indexes, particularly at 3M and 1W. Piteco is now cash positive and can chase even sizeable acquisition targets.

Piteco, key financials and ratios

€ m	2015	2016	2017e	2018e	2019e
Sales	13.37	14.14	15.07	16.19	17.44
EBITDA	5.72	5.61	6.17	6.85	7.51
EBIT	5.46	5.31	5.86	6.40	7.04
Net profit	3.43	4.50	4.76	5.23	5.78
Net profit adjusted	3.68	4.41	4.76	5.23	5.78
EPS adjusted	0.20	0.24	0.26	0.29	0.32
EPS adj. growth	30.1%	19.6%	8.0%	9.9%	10.6%
DPS ord. €/s	0.10	0.15	0.16	0.17	0.19
Dividend yield	2.0%	3.0%	3.2%	3.4%	3.8%
NFP (cash)/debt	0.35	(1.95)	(3.90)	(6.23)	(8.88)
Free Cash Flow Yield	3.2%	4.5%	5.1%	5.7%	6.3%
PER x	24.9	20.8	19.3	17.5	15.9
PCF x	29.0	20.4	18.6	16.7	15.2
EV/Sales x	6.9	6.4	5.9	5.3	4.8
EV/EBITDA x	16.2	16.1	14.3	12.5	11.1
EV/EBIT x	16.9	17.0	15.1	13.4	11.8



1. FY-16 results: net profit jump, slightly weak margins YoY

Piteco reported FY-16 numbers last 23-Mar: bottom line came in broadly in line with expectation thanks to a significantly favourable tax rate, top line lacked organic growth to a certain extent while profitability was affected by business development costs. Piteco is now cash positive and can chase even sizeable acquisition targets.

Table 1 – Piteco, FY-16 results summary

€ m	FY-16	FY-15	% YoY	FY-16e	% Diff.	H2-16	H2-15	% YoY	H2-16e	% Diff.
Turnover	14.1	13.4	5.7	15.1	(6.6)	7.4	7.3	2.1	8.4	(11.8)
Raw material	(0.2)	(0.0)		(0.1)		(0.1)	(0.0)		0.0	
Ch. in inventories	(0.0)	0.0		0.0		1.2	0.9		1.2	
Personnel	(6.0)	(5.4)		(6.2)		(3.0)	(2.9)		(3.3)	
Other	(2.4)	(2.2)		(2.3)		(2.4)	(2.2)		(2.3)	
EBITDA	5.6	5.7	(2.0)	6.6	(15.0)	3.1	3.1	0.7	4.1	(23.9)
% margin	39.7	42.8		43.6		42.3	42.9		49.0	
D&A	(0.3)	(0.3)		(0.3)		(0.2)	(0.2)		(0.1)	
EBIT	5.3	5.5	(2.8)	6.3	(16.2)	3.0	2.9	1.6	4.0	(25.6)
% margin	37.6	40.9		41.9		40.0	40.2		47.4	
Financials	(0.4)	(0.6)		(0.3)		(0.2)	(0.2)		(0.1)	
Extraordinary	0.1	(0.3)		0.0		0.2	(0.6)		0.1	
PreTax	5.1	4.6	10.9	6.0	(16.5)	3.0	2.1	45.1	4.0	(25.0)
Taxes	(0.5)	(1.1)		(1.3)		(0.1)	(0.6)		(0.9)	
Tax rate %	10.8	24.8		22.0		2.8	27.6		21.7	
Net profit	4.5	3.4	31.4	4.7	(4.5)	2.9	1.5	94.9	3.1	(6.9)
% margin	31.9	25.6		31.2		39.2	20.5		37.1	

Source: Company data, CFO Sim

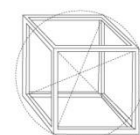
Turnover increased 5.7% YoY mainly driven by sales linked to recurring maintenance & service fees (usually some 50% of total). Organically excluding Centrodatta, turnover remained basically unchanged. Slightly lower than recent years' average growth pace, there were 26 new clients in 2016, totaling 624 as of Dec-16, lower than our expectations. New name acquisition was particularly weak in H2-16, with just 9 newcomers.

EBITDA declined 2.0% to € 5.6m, 39.7% margin, **lower than our € 6.3m projection**, as a result of 1) **costs related to business developments** in the USA and Mexico, 2) **the launch of cloud solutions**, 3) **strengthening of the sales force** structure for foreign growth and 4) **ongoing listing costs** not entirely present in FY-15. EBIT declined 2.8% to € 5.3m, 37.9% margin.

Piteco, aiming at entering the Mexican market, signed a distribution agreement with PAGAFLEX, a company operating in the credit card industry for Mexican firms. This relationship has already contributed to the launch of a 'cloud' solution pilot project.

Lower financial charges linked to **more favourable financing conditions** (EURIBOR +2% vs. the old expensive 6.5% LBO funding) and the benefit of the Patent Box legislation scheme (tax rate of 10.8% vs. 24.8% in FY-15) **boosted bottom line**: net profit jumped 31.4% to € 4.5m, broadly in line with our projection. **The BoD will propose the distribution of a dividend of € 0.15/share**, 60% pay out, yield of 3.0%, ex-dividend 8-May-17, record date 9-May-17 and payment 10-May-17.

Net financial position was positive for € 2.0m, from € 0.3m negative in FY-15, broadly in line with CFO expectations, and it compares with € 1.9m positive of Jun-16. Also in 2016 the free cash flow generation was massive: the **company generated some € 4.1m Free Cash Flow**, with EBITDA/FCF conversion in excess of 74%.



2. Recent sector M&A: Tagetik bought at 5.3x sales

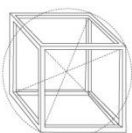
Wolters Kluwer entered into an agreement last 7-Mar to **acquire Tagetik Software for € 300m cash**. Founded in 1986 in Florence, Tagetik is a global leading supplier of software and services for corporate performance management supporting CFOs including budgeting, financial and operating planning, consolidating and end-of-the-period closure processes, financial modelling, analysis and reporting.

With more than 1,000 corporate clients and 75,000 users in over 35 countries, the modular and highly configurable Tagetik software suite can be integrated with many ERP systems including SAP, Oracle and Microsoft. The solution can be deployed on premise, cloud or hybrid mode.

Tagetik totalled sales of some € 54m in 2015 (€ 57m in 2016), of which 35% recurring. Most comes from Europe, North America and Asia Pacific. Current depressed profitability (**3.3% EBITDA margin in 2015**) reflects recent investments in product development and sales and marketing activities aimed at accelerating growth. The acquisition is expected to deliver a return on invested capital above Wolters Kluwer's after tax weighted average cost of capital of 8% in 3 to 5 years.

The acquisition company (Euronext WKL, mkt cap € 11.5bn, € 4bn revenues and 22.1% EBIT margin) is a global leader in information services and solutions for professionals in the health, tax, risk, compliance, financial and legal segments. Wolters Kluwer helps its clients daily to make complex decisions by providing solutions that combine industry knowledge, technology and services.

The total consideration of the transaction entails a **5.3x EV/Sales** price paid. Tagetik is similar to Piteco: a software house with a high degree of recurring revenues, focusing on financial department of corporations. However, we believe **Piteco should deserve a premium to the Tagetik appraisal due to the dramatically higher cash flow generation**, with current EBITDA margin close to 40.0%, compared to 3.3% of Tagetik. Apart from these assessment ruminations, **the deal is clear evidence of a certain increasing interest in the industry**, also considering the acquisition of NetSuite by Oracle announced last summer. Piteco ideally could be a target for a large software house or ERP developer, adding ultimately speculative appeal to the equity story.



3. Estimates, valuation and risks

Following the publication of FY-16 results, we have updated our model, factoring in the **more favorable tax rate in 2017-18** thanks to the full adoption of the Patent Box tax scheme, a **lower than projected organic growth and introducing 2019** estimates. The result is a downgrade of **7.0% in net profit in 2017-18**. Moreover, we have updated DCF valuation criteria, rolling over the first year of estimates to 2017 and brought the Free Risk Rate up-to-date.

The combined result is an **unchanged target price of Piteco at € 4.90/s**, 3.2% downside at current prices, thus **downgrading recommendation to NEUTRAL** (Buy). The stock comes from a robust outperformance period to large/small peers and to indexes, particularly at 3M and 1W. The business model of the company remains solid and allows profitability to grow more than proportionately to top line, thanks to the substantial weight (close to 50% of total) of high margin turnover linked to maintenance and services (almost 90% of margin comes from this business line). The new business developments, which impacted profitability are anticipated to sustain growth and returns in the medium term.

3.1. 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%
Inf. 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)	0.83
Required ROE	8.1%

Source: CFO Sim

Table 3 - Piteco, DCF model

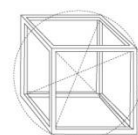
€ m	2017e	2018e	2019e	2020e	2021e	Term. Val.
EBIT	5.86	6.40	7.04	7.36	7.68	
Tax rate	15.0%	15.0%	15.0%	15.0%	15.0%	
Operating profit (NOPAT)	4.98	5.44	5.99	6.26	6.53	
Change working capital	(0.20)	(0.30)	(0.34)	(0.36)	(0.38)	
Depreciation	0.31	0.45	0.46	0.30	0.25	
Investments	(0.25)	(0.25)	(0.25)	(0.25)	(0.25)	
Free Cash Flows	4.84	5.34	5.86	5.95	6.15	94.45
Present value	4.56	4.66	4.73	4.44	4.25	65.19
WACC	8.1%	8.1%	8.1%	8.1%	8.1%	
Long-term growth rate	1.5%					

Source: CFO Sim

Table 4 – Piteco, DCF per share derived from:

Total EV present value € m	87.82
<i>thereof terminal value</i>	74.2%
NFP last reported FY-16 € m	1.95
Pension provision last reported	(1.19)
Equity value € m	88.57
Shares # m	18.13
Discounted CF €/s	4.90
<i>Upside/(downside)</i>	-3.2%

Source: CFO Sim



The application of the model produces an equity value of € 88.57m, which corresponds to **€ 4.90/s, with a potential downside of 3.2%**.

The following tables illustrate that sensitivity 1) compared to changes in the terminal growth rate produces an equity value per share of between € 4.40 – 5.60 (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 € 4.40–5.60 (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 € 3.90-6.50 (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	22.63	22.63	22.63	22.63	22.63	22.63	22.63	22.63	22.63
PV of terminal value	56.06	58.11	60.30	62.66	65.19	67.92	70.87	74.07	77.56
Total value	78.69	80.74	82.94	85.29	87.82	90.55	93.50	96.71	100.20
NFP FY-16A	1.95	1.95	1.95	1.95	1.95	1.95	1.95	1.95	1.95
Pension provision	(1.19)	(1.19)	(1.19)	(1.19)	(1.19)	(1.19)	(1.19)	(1.19)	(1.19)
Equity value	79.45	81.50	83.69	86.04	88.57	91.30	94.25	97.46	100.95
Equity value €/s	4.40	4.50	4.60	4.70	4.90	5.00	5.20	5.40	5.60

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	23.09	22.98	22.86	22.75	22.63	22.52	22.41	22.29	22.18
PV of terminal value	76.83	73.62	70.62	67.82	65.19	62.72	60.40	58.21	56.15
Total value	99.92	96.59	93.48	90.56	87.82	85.24	82.80	80.50	78.33
NFP FY-16A	1.95	1.95	1.95	1.95	1.95	1.95	1.95	1.95	1.95
Pension provision	(1.19)	(1.19)	(1.19)	(1.19)	(1.19)	(1.19)	(1.19)	(1.19)	(1.19)
Equity value	100.68	97.35	94.23	91.32	88.57	85.99	83.56	81.26	79.08
Equity value €/s	5.60	5.40	5.20	5.00	4.90	4.70	4.60	4.50	4.40

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	23.61	23.36	23.11	22.87	22.63	22.40	22.17	21.94	21.72
PV of terminal value	93.69	84.86	77.33	70.84	65.19	60.23	55.85	51.95	48.46
Total value	117.30	108.22	100.44	93.71	87.82	82.63	78.01	73.89	70.18
NFP FY-16A	1.95	1.95	1.95	1.95	1.95	1.95	1.95	1.95	1.95
Pension provision	(1.19)	(1.19)	(1.19)	(1.19)	(1.19)	(1.19)	(1.19)	(1.19)	(1.19)
Equity value	118.06	108.97	101.20	94.46	88.57	83.38	78.77	74.64	70.93
Equity value €/s	6.50	6.00	5.60	5.20	4.90	4.60	4.30	4.10	3.90

Source: CFO Sim

3.2. 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 **adequate growth** within peer groups, broadly in line with larger and smaller players' average at every level of P&L. On the other hand, Piteco is amongst the **smaller** firm in terms of market value and **the least liquid** (free float 15%, i.e. € 3.0m).



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	28,103	4,674	1,783	38.2%	9.3%	19.6%	20.3%	13.7%	(0.2)
Microsoft Corp	USA	469,925	89,965	34,462	38.3%	10.6%	19.5%	19.8%	10.2%	(0.9)
Oracle Corp	USA	170,152	34,842	15,536	44.6%	3.9%	7.4%	11.5%	6.6%	(0.4)
Salesforce.Com Inc	USA	54,137	9,421	2,077	22.0%	17.9%	66.4%	251.1%	33.6%	(0.9)
SAP SE	Germany	112,382	23,692	7,708	32.5%	6.9%	8.8%	9.8%	7.9%	0.2
Median large player		112,382	23,692	7,708	38.2%	9.3%	19.5%	19.8%	10.2%	(0.4)
Datalogic SpA	Italy	1,432	619	99	16.0%	6.1%	11.3%	11.4%	8.4%	(0.1)
Digital Bros SpA	Italy	178	121	16	13.3%	12.7%	7.9%	3.9%	33.8%	(0.1)
Expert System SpA	Italy	50	30	3	11.1%	n.a.	n.a.	n.a.	n.a.	5.5
Exprivia SpA	Italy	42	149	17	11.4%	n.a.	n.a.	n.a.	n.a.	1.9
Reply SpA	Italy	1,390	868	122	14.0%	n.a.	n.a.	n.a.	n.a.	0.2
TXT e solutions SpA	Italy	134	75	9	11.8%	7.8%	11.0%	12.3%	n.a.	(0.7)
Median small player		156	135	17	12.5%	7.8%	11.0%	11.4%	21.1%	0.0
Piteco SpA CFO		92	15	6	40.9%	7.2%	10.2%	9.9%	10.2%	(0.6)

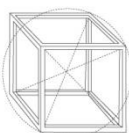
Source: Thomson Reuters Eikon, CFO Sim

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	28.5	24.6	22.6	20.2	6.0	5.4	15.6	13.6	18.2	15.6
Microsoft Corp	21.7	20.1	15.9	14.4	4.9	4.4	12.7	11.1	16.5	14.6
Oracle Corp	16.7	15.6	15.4	14.4	4.7	4.5	10.6	9.8	11.2	10.4
Salesforce.Com Inc	62.4	46.8	34.4	27.8	5.6	4.4	25.2	19.2	38.2	27.6
SAP SE	22.4	20.5	18.7	17.1	4.8	4.4	14.8	13.3	17.0	15.3
Median large player	22.4	20.5	18.7	17.1	4.9	4.4	14.8	13.3	17.0	15.3
Datalogic SpA	22.6	20.4	17.6	16.1	2.3	2.2	14.4	13.0	17.6	15.8
Digital Bros SpA	18.8	14.8	11.1	9.3	1.5	1.2	11.0	6.6	18.6	9.3
Expert System SpA	n.s.	n.s.	9.2	n.a.	2.3	n.a.	20.4	n.a.	(30.7)	n.a.
Exprivia SpA	8.3	10.4	3.8	4.2	0.5	0.5	4.3	4.1	6.7	6.3
Reply SpA	18.1	16.2	16.0	14.5	1.6	1.5	11.6	10.6	12.6	11.5
TXT e solutions SpA	22.5	19.3	18.1	15.7	1.7	1.6	14.4	13.0	17.2	15.5
Median small player	18.4	16.2	13.6	14.5	1.7	1.5	13.0	10.6	14.9	11.5
Piteco SpA CFO	19.3	17.6	18.2	16.2	5.9	5.3	14.3	12.5	15.1	13.4
(Disc.)/prem. to large players	-13.5%	-14.2%	-2.6%	-5.4%	19.9%	19.6%	-3.1%	-5.7%	-11.2%	-12.1%
(Disc.)/prem. to small players	5.2%	8.6%	33.7%	11.7%	252.7%	250.5%	10.0%	18.2%	0.9%	17.1%

Source: Thomson Reuters Eikon, CFO Sim

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



3.3. 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 consistently outperformed larger players and indexes.

Table 10 - Piteco, peers group absolute performance

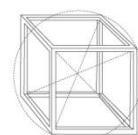
	1D	1W	1M	3M	6M	YTD	1Y
Intuit Inc.	(0.1)	(2.7)	(5.3)	2.1	7.0	2.9	14.9
Microsoft Corporation	0.3	0.7	0.8	3.9	12.8	5.4	19.7
Oracle Corporation	(0.4)	(0.6)	3.7	15.1	12.9	15.8	9.4
salesforce.com, inc.	0.3	0.6	(1.7)	19.2	15.0	20.3	13.9
SAP SE	0.5	0.7	1.9	10.1	12.0	10.0	28.6
Median large players	0.3	0.6	0.8	10.1	12.8	10.0	14.9
Datalogic S.p.A.	0.0	1.0	22.4	31.9	27.5	30.6	44.8
Digital Bros S.p.A.	0.6	6.1	4.8	(7.8)	43.7	(6.0)	199.1
Expert System SpA	(0.9)	(0.7)	2.0	(5.4)	(2.2)	(4.4)	(13.3)
Exprivia S.p.A.	(0.6)	0.9	1.5	15.9	26.0	15.9	3.2
Reply S.p.A.	0.5	7.2	15.6	24.1	23.3	25.4	15.4
TXT e-solutions S.p.A.	0.1	5.8	19.9	37.6	43.1	36.8	33.5
Median small players	0.0	3.4	10.2	20.0	26.8	20.6	24.4
PITECO SpA	(2.0)	7.7	13.7	15.8	20.5	17.4	38.3
Piteco relative to large players	(2.3)	7.0	12.9	5.7	7.7	7.4	23.3
small players	(2.1)	4.3	3.5	(4.2)	(6.3)	(3.2)	13.8
FTSE AIM Italia	(2.5)	6.5	12.2	5.7	7.5	17.4	7.7
EU sector	(2.2)	7.5	10.5	5.1	23.1	(2.9)	36.7

Source: Thomson Reuters Eikon

4.4. Risks

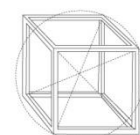
The principal investment **risks** in Piteco include:

- 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.





Income statement (€ m)	2015	2016	2017e	2018e	2019e
Total revenues	13.40	14.14	15.07	16.19	17.44
Material expenses	0.05	0.16	0.17	0.19	0.20
Change in inventories	(0.01)	0.02	0.02	0.02	0.02
Personnel expenses	5.43	5.98	6.40	6.73	7.22
Other operating expenses/(income)	2.19	2.37	2.31	2.40	2.50
EBITDA	5.75	5.61	6.17	6.85	7.51
D&A	0.26	0.30	0.31	0.45	0.46
EBIT	5.49	5.31	5.86	6.40	7.04
Financial charges/(income)	0.58	0.36	0.26	0.25	0.24
Other costs & extraordinary & other	0.32	(0.11)	0.00	0.00	0.00
Pre-Tax profit	4.58	5.05	5.60	6.15	6.81
Income taxes	1.13	0.55	0.84	0.92	1.02
Net Profit	3.45	4.50	4.76	5.23	5.78
Net Profit Adjusted	3.68	4.41	4.76	5.23	5.78
Balance sheet (€ m)	2015	2016	2017e	2018e	2019e
Net Working Capital	4.24	3.89	4.10	4.40	4.74
Net Fixed Assets	29.94	29.99	29.93	29.73	29.52
Equity Investments	0.01	0.01	0.01	0.01	0.01
Other M/L Term A/L	(3.92)	(3.82)	(3.87)	(3.97)	(4.11)
Net Invested Capital	30.28	30.08	30.16	30.17	30.16
Net Financial Debt	0.90	(1.95)	(3.90)	(6.23)	(8.88)
Minorities	0.00	0.00	0.00	0.00	0.00
Group's Shareholders Equity	29.38	32.02	34.06	36.39	39.04
Financial Liabilities & Equity	30.28	30.08	30.16	30.17	30.16
Cash Flow statement (€ m)	2015	2016	2017e	2018e	2019e
Total net income	3.43	4.50	4.76	5.23	5.78
Depreciation	0.26	0.30	0.31	0.45	0.46
Other non-cash charges	0.41	(0.65)	0.05	0.10	0.14
Cash Flow from Oper. (CFO)	4.10	4.15	5.13	5.78	6.39
Change in NWC	(0.94)	0.35	(0.20)	(0.30)	(0.34)
FCF from Operations (FCFO)	3.16	4.50	4.92	5.48	6.04
Net Investments (CFI)	(1.30)	(0.35)	(0.25)	(0.25)	(0.25)
Free CF to the Firm (FCFF)	1.86	4.15	4.67	5.23	5.79
CF from financials (CFF)	6.49	(3.48)	(3.16)	(3.32)	(3.54)
Free Cash Flow to Equity (FCFE)	8.35	0.67	1.51	1.90	2.25
Financial ratios	2015	2016	2017e	2018e	2019e
EBITDA margin	42.9%	39.7%	40.9%	42.3%	43.1%
EBIT margin	41.0%	37.6%	38.9%	39.6%	40.4%
Net profit margin	25.8%	31.9%	31.6%	32.3%	33.2%
Tax rate	24.6%	10.8%	15.0%	15.0%	15.0%
Interest coverage x	0.11	0.07	0.04	0.04	0.03
Net Debt/Ebitda x	0.16	(0.35)	(0.63)	(0.91)	(1.18)
Debt-to-Equity x	0.03	(0.06)	(0.11)	(0.17)	(0.23)
ROIC	11.8%	14.9%	15.8%	17.3%	19.2%
ROCE	13.3%	12.5%	13.4%	14.0%	14.7%
ROACE	15.0%	12.7%	13.6%	14.3%	15.1%
ROE	14.5%	14.7%	14.4%	14.8%	15.3%
Payout ratio	52.9%	60.4%	60.9%	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	0.26	0.29	0.32
EPS adjusted €	0.19	0.25	0.26	0.29	0.32
EBITDA €	0.32	0.31	0.34	0.38	0.41
EBIT €	0.30	0.29	0.32	0.35	0.39
FCFO €	0.17	0.25	0.27	0.30	0.33
FCFF €	0.10	0.23	0.26	0.29	0.32
FCFE €	0.46	0.04	0.08	0.10	0.12
Dividend €	0.10	0.15	0.16	0.17	0.19

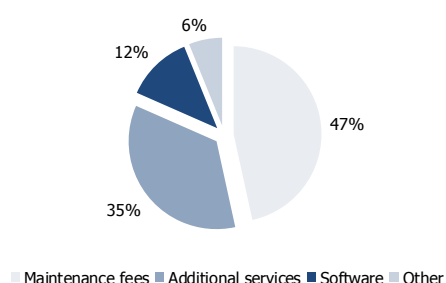


The company at a glance

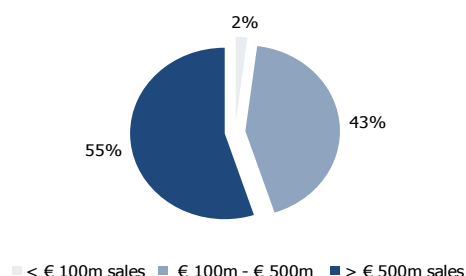
Piteco is the undisputed domestic leader, more than 4x the size of its closest competitor, in the niche of the corporate treasury management and financial planning software. The company designs, develops and implements proprietary software and solutions for corporate cash management. It focuses large/mid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

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	€ m
Podini Family	75.99	13.77	69.69
Dedagroup S.p.A.	55.47	10.05	50.87
Sequenza S.p.A.	4.74	0.86	4.35
Marco Podini	5.24	0.95	4.81
María Luisa Podini	5.24	0.95	4.81
Fago60 srl	5.29	0.96	4.85
Management	8.58	1.56	7.87
Andrea Guido Guilleramaz	2.86	0.52	2.62
Riccardo Veneziani	2.86	0.52	2.62
Paolo Virenti	2.86	0.52	2.62
Free Float	15.43	2.80	14.16
Treasury shares	-	-	-
Total	100.0	18.13	91.72

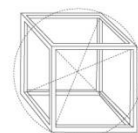
Peer group absolute performance

	1D	1W	1M	3M	6M	YTD
Intuit Inc	(0.1)	(2.7)	(5.3)	2.1	7.0	2.9
Microsoft Corp	0.3	0.7	0.8	3.9	12.8	5.4
Oracle Corp	(0.4)	(0.6)	3.7	15.1	12.9	15.8
Salesforce.com Inc	0.3	0.6	(1.7)	19.2	15.0	20.3
SAP SE	0.5	0.7	1.9	10.1	12.0	10.0
Median large players	0.3	0.6	0.8	10.1	12.8	10.0
Datalogic SpA	0.0	1.0	22.4	31.9	27.5	30.6
Digital Bros SpA	0.6	6.1	4.8	(7.8)	43.7	(6.0)
Expert System SpA	(0.9)	(0.7)	2.0	(5.4)	(2.2)	(4.4)
Exprivia SpA	(0.6)	0.9	1.5	15.9	26.0	15.9
Reply SpA	0.5	7.2	15.6	24.1	23.3	25.4
TXT e solutions SpA	0.1	5.8	19.9	37.6	43.1	36.8
Median small players	0.0	3.4	10.2	20.0	26.8	20.6
Piteco SpA	(2.0)	7.7	13.7	15.8	20.5	17.4

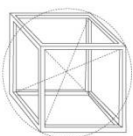
Peers group multiples table

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	28.5	24.6	22.6	20.2	6.0	5.4	15.6	13.6	18.2	15.6
Microsoft Corp	21.7	20.1	15.9	14.4	4.9	4.4	12.7	11.1	16.5	14.6
Oracle Corp	16.7	15.6	15.4	14.4	4.7	4.5	10.6	9.8	11.2	10.4
Salesforce.Com Inc	62.4	46.8	34.4	27.8	5.6	4.4	25.2	19.2	38.2	27.6
SAP SE	22.4	20.5	18.7	17.1	4.8	4.4	14.8	13.3	17.0	15.3
Median large player	22.4	20.5	18.7	17.1	4.9	4.4	14.8	13.3	17.0	15.3
Datalogic SpA	22.6	20.4	17.6	16.1	2.3	2.2	14.4	13.0	17.6	15.8
Digital Bros SpA	18.8	14.8	11.1	9.3	1.5	1.2	11.0	6.6	18.6	9.3
Expert System SpA	n.s.	n.s.	9.2	n.a.	2.3	n.a.	20.4	n.a.	(30.7)	n.a.
Exprivia SpA	8.3	10.4	3.8	4.2	0.5	0.5	4.3	4.1	6.7	6.3
Reply SpA	18.1	16.2	16.0	14.5	1.6	1.5	11.6	10.6	12.6	11.5
TXT e solutions SpA	22.5	19.3	18.1	15.7	1.7	1.6	14.4	13.0	17.2	15.5
Median small player	18.4	16.2	13.6	14.5	1.7	1.5	13.0	10.6	14.9	11.5
Piteco SpA CFO	19.3	17.6	18.2	16.2	5.9	5.3	14.3	12.5	15.1	13.4

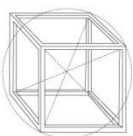
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DATE	TARGET PRICE	RATING
30/03/2016	€4.90	NEUTRAL
04/10/2016	€4.90	BUY
24/03/2016	€4.70	BUY
04/02/2016	€4.00	NEUTRAL
30/09/2015	€3.90	BUY

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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.

