

Italy - Software

The US acquisition enlarged recurring sales weight

21st March 2018

FY-17 RESULTS RELEASE

RIC: PITE.MI
BBG: PITE IM

The company reported figures with eight months of Juniper Payments consolidation. The acquisition boosted recurring revenue contributions and, with its EBITDA margin close to 40%, is seen to contribute massively to group cash flow generation.

Rating:

Buy (Neutral)

Price Target:

€ 6.00 (€ 5.60)

Upside/(Downside): 20.5%

Last Price: € 4.98

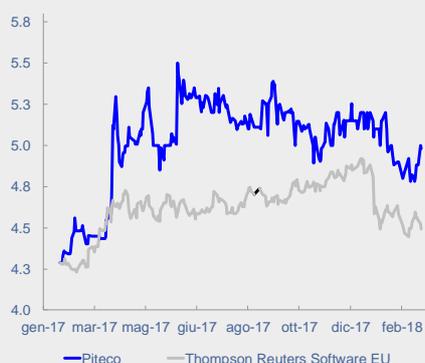
Market Cap.: € 90.3

1Y High/Low: € 5.60/€ 4.58

Free Float: 27.4%

Major shareholders:

Podini Family 64.0%
Management 8.6%



Stock price performance

	1M	3M	12M
Absolute	1.6%	-3.4%	8.7%
Rel.to AIM Italia	1.6%	-5.3%	-3.6%
Rel.to EU Sector	-2.4%	-5.8%	5.1%

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A 20.5% upside deserves a rating upgrade to Buy, PT € 6.00/s (€ 5.60/s)

Following the 2017 results release, we have updated our model: 1) fine-tuned the sales growth expectations for Piteco stand-alone (lower volumes), 2) updated the €/€ rate to 1.20 from 1.15, 3) reduced the cross-selling estimates for Juniper Payments and 4) introduced 2020 estimates. The result is a fine-tuning in 2018-19 EBITDA, down 1.6%, on average. Moreover, we have updated DCF valuation criteria, brought the Free Risk Rate up-to-date and rolled over the first year of estimates to 2018. The combined result is an upgrade in PT to € 6.00/s (€ 5.60/s), 20.5% upside, thus upgrading rating to Buy.

Revenues up 20.7%, recurring revenues up 48%

FY-17 turnover grew 20.7% to € 17.0m, slightly lower than our forecast, almost entirely driven by the eight months consolidation of Juniper Payments, acquired in Apr-17. Organically, Piteco reported almost unchanged revenues (up 0.2% YoY) due to the lack of significantly large new client tickets and to a certain extent market torpor. There were 30 new clients in 2017. Also thanks to the contribution of Juniper Payments, recurring revenues increased 48% and currently total almost 70% of group turnover.

EBITDA up 14.8%, EBITDA adj. increased by almost 20.0%

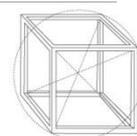
EBITDA increased 14.8% to € 6.5m, 37.9% margin vs. € 5.6m and 39.8% margin in FY-16, broadly in line with our projection. The data was affected by € 261k sales accounted as lower purchase consideration. Excluding this effect, EBITDA adj. increased 19.5%. EBIT declined 6.3% to € 5.0m, 29.2% margin. The increase in financial charges was entirely due to the € 1.1m forex loss stemming from the conversion into € of the \$ 10m intercompany loan required to acquire Juniper. Net Profit totalled € 3.4m, vs. € 4.5m last year. The BoD will propose the distribution of a dividend of € 0.15/s, 72% pay out, 3.1% yield, ex-dividend 23-Apr-18, record date 24-Apr-18 and payment 26-Apr-18.

New client tickets are small, but with a better mix

In the past, the business model allowed profitability to grow more than proportionately to top line, thanks to the substantial weight (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 for Piteco in Italy. It is worth noting that, though revenues remained stable, the mix improved with growing recurring fees and sales of software licences (+5.2% and +8.4% YoY, respectively) in relation to a reduction in revenues from services (-9.3%). The number of new clients acquired 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. Our estimates factor in a certain increase in the pace of growth in organic sales.

Piteco, key financials and ratios

€ m	2016	2017	2018e	2019e	2020e
Sales	14.13	17.05	19.87	22.12	24.64
EBITDA	5.62	6.46	7.83	8.69	9.91
EBITDA adjusted	5.62	6.72	7.83	8.69	9.91
EBIT	5.31	4.97	6.35	7.20	8.41
Net profit	4.50	3.39	4.63	5.34	6.25
Net profit adjusted	4.60	3.51	4.63	5.34	6.25
EPS adjusted	0.25	0.19	0.26	0.29	0.34
EPS adj. growth	45.2%	-23.7%	32.0%	15.4%	17.0%
DPS ord. €/s	0.15	0.15	0.16	0.18	0.21
Dividend yield	3.0%	3.0%	3.2%	3.5%	4.2%
NFP (cash)/debt	(1.95)	6.50	3.40	1.37	(3.00)
Free Cash Flow Yield	4.6%	5.0%	6.4%	7.3%	8.3%
PER x	19.6	25.7	19.5	16.9	14.4
PCF x	20.1	20.0	14.9	13.1	11.5
EV/Sales x	6.3	5.7	4.8	4.2	3.6
EV/EBITDA x	15.8	15.1	12.1	10.6	8.9
EV/EBIT x	16.8	19.6	14.9	12.8	10.5



Piteco in a nutshell

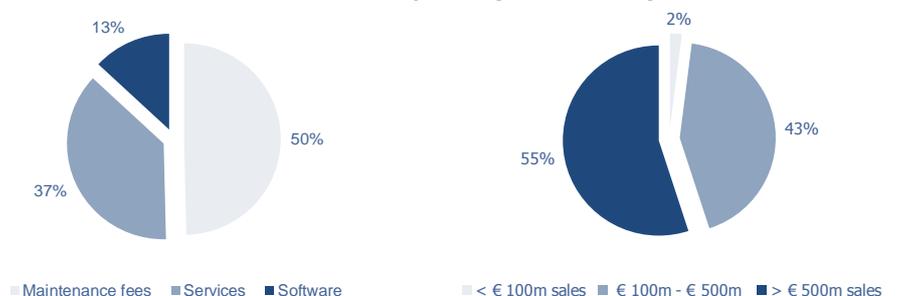
Piteco, which stands for “**P**ianificazione **T**esoreria **C**omputerizzata” (computerised treasury planning), is the undisputed domestic leader, with more than 4x the size of its closest competitor, in the niche of the corporate treasury management and financial planning software. The company designs, develops and implements proprietary software and solutions for corporate cash management. It focuses on large/mid enterprises operating in every industry except banks and public administration. Following the Apr-17 acquisition of Juniper Payments, the group operates also in the digital payment services and clearing house segments to approximately 3,500 American banks.

The group has two business lines:

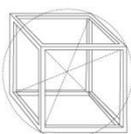
- 1) **Piteco** – The leading domestic software house for proprietary solutions to corporate cash management and financial planning serving 650 large industrial groups active in a highly diversified number of sectors. **Piteco has over 30 years of track record** and covers all different links on the software value chain: R&D, project, development, implementation, sales and assistance. **The software is 100% proprietary** and is modular (19 different modules), integrable (can work within Oracle, Sap or Microsoft environment), customizable (open architecture allows relevant combinations of product modules) and available for foreign markets.
- 2) **Juniper payments** – a leading US software house, with proprietary solutions for digital payment services and clearing house to approximately 3,500 American Banks, managing the settlement of Interbank financial flows (bank transfers and checks collection) for over \$ 3bn/day. It can be considered one of the largest US interbank networks. JUNIPER has been established in Apr-17 to acquire the assets from LendingTools.com Inc., a US company established in 2000.

FY-17 turnover grew 20.7% to € 17.0m, slightly lower than our forecast, almost entirely driven by the eight months consolidation of Juniper Payments, acquired in Apr-17, whilst EBITDA increased 14.8% to € 6.5m, 37.9% margin vs. € 5.6m and 39.8% margin in FY-16. The data was affected by € 261k sales accounted as lower purchase consideration. Excluding this effect, EBITDA adj. increased 19.5%. CAGR 2014-17 is +11.5% and +8.7%, respectively. Client base currently comprises 654 firms, of which almost 80 listed 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.**

Chart 1 – Piteco, 2016 revenues and client profile (turnover size) breakdown



Source: Company data



The group operates in four sites (Milan, Rome, Padua and Wichita US), with 103 units:

- 3 managers/founding partners: Paolo Virenti (CEO), Riccardo Veneziani (CFO) and Andrea Guillermaz (Sales Director);
- 6 administrative;
- 2 in competence center (research), skilled resources in treasury & finance. These people are dedicated to the study and design of new functions;
- 28 in delivery: skilled resources in treasury and finance with the focus of consulting and developing the project in accordance to customer needs. In addition, they are involved in the sale of additional services to existing customers, with an average 180 days/y spent with the customers;
- 7 in sales & marketing, focused on new client development;
- 41 engineers in development. Technical resources with analysis and programming skills, and knowledge of the main programming languages and the most sophisticated market technology. They also provide customer services.
- 19 in the Juniper Payments subsidiary, Wichita, Kansas, US.

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. The offer was almost entirely represented by new shares (€ 8.5m), existing shares on sale from Sequenza (€ 1.5m, excluding the green-shoe) and € 5m of convertible bond (2015-20, 4.5%, strike at € 4.20/s). The book was **oversubscribed above 2x** the offer size.

The current major shareholder is the **Podini family with 64.0%** of the share capital, the **management holds an 8.6%** stake and the **free float is 27.5%**.

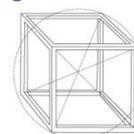
Table 1 - PITECO, Shareholders structure details

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

Source: Company data, updated 15 March 2018

The reference market

The group operates in the **treasury management applications segment**, part of the wider enterprise resource planning (ERP) market, in turn part of the application software industry. Within a rather mature market where the growth is mainly driven by substitution or upgrade necessities, the segment in which Piteco maneuvers is worth \$ 2.3bn worldwide and is **projected to grow at a 4.8% CAGR_{13-18e}**. Despite the needs for a more customized treasury management system, the majority of firms – namely 43% of UK universe (£500m-1bn revenues) still **operate with spreadsheets as the main tools**. Server-installed treasury workstations represent the second solution with 26%, 12% use their IRP treasury module and 10% utilize a cloud/software-as-a-service based resolution. This means, **the larger the firm, the lower the percentage represented by unsophisticated treasury management tools** (11% in firms above £10bn sales). In other words, applying the same breakdown to the domestic market, the upside growth potential is huge.



Geographically, **the bulk of the growth comes from Asia Pacific & Japan** (7.0% CAGR in 2013-18), Americas are set to progress by a 5.2% and EMEA by 3.6%. In terms of shares, APJ area is expected to reach 15.5% of the total (from 14.0%), Americas 44.6% (+120bps) and EMEA 39.8% (-240bps).

Table x – World treasury and risk management applications turnover by area

\$ m	2013	2014	2015	2016	2017e	2018e	CAGR
Americas	922	960	1,002	1,060	1,124	1,189	5.2
EMEA	887	901	949	969	1,004	1,061	3.6
APJ	294	309	317	352	382	413	7.0
Total	2,103	2,170	2,268	2,381	2,510	2,663	4.8
YoY growth	4.3%	3.2%	4.5%	5.0%	5.4%	6.1%	

Source: Kyriba, Association of Corporate Treasurers 2016

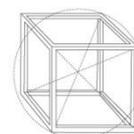
In addition, with the acquisition of Juniper Payments, the group is present in the private market standard for financial institution wholesale cash management in the US. Headquartered in Wichita, Kansas, the firm is the largest non-bank third-party provider of inter-bank transaction and reporting systems 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 payment and reporting mechanism** for the financial institutions that utilise the service. In a rather fragmented and characterised oligopoly by the lack of a unique standard for banks interconnection payment platform, **Juniper Payments is the 4th actor in the US arena.**

Segment's competitive arena

Piteco produces the vast majority of its top line **in the domestic market**, i.e. some 80% of the 2017 turnover amount by final destination. Undoubtedly, the company here detains the **leading position**, with more than **4x the size of its closest competitor**. The market is characterized by a relatively small size and quite a few peculiarities in terms of payment procedures and relationships with the banking establishment. That's why larger global actors are rather deterred to penetrate domestic market. According to the figures provided by the company, we **believe less than 1% of annual turnover** on average has been vanished due to competition.

The largest competitor is actually the spreadsheet, widely used by smaller enterprises, with significant issues related to time consuming and risks of losing data. In the treasury software market six players are noteworthy worldwide.

- **Sungard** is amongst the global leading players in the software and technological services, focusing financial services, education and public sector. Turnover is \$ 2.9bn with over 16k clients in more than 100 countries and 13k employees. In Italy we think Sungard has no more than a couple of installations.
- **Kyriba** is the premium product in the industry with cloud solutions, with a turnover of \$ 40m in 2015, 990 clients and some 300 employees.
- **Wallstreet** offers solutions to improve workflow, control and productivity to firm treasury, banking, FX trading and back office operations. 2015 revenues totalled \$ 115m, with supposedly one single client in Italy.
- **Bellin** operates in several areas, consulting, software (liquidity management, intercompany reconciliation and credit management) and services. It boasts a peculiar hybrid structure with a balanced offer positioned amongst risk, treasury and financial operations. Bellin has no client in Italy.
- **GTreasury**, US based, offers treasury software solutions and services to banks and firms worldwide. The tool can be installed locally or managed in clouding and is modular. GTreasury has no client in Italy.



- **DocFinance** is the only local actor in the Italian market, however focused on small caps (turnover < € 75m). The product is DocFinance, addresses a market of some 8,000 clients, with a ready-to-go profile. The coverage solutions is much lower than Piteco as well as significantly less customizable.

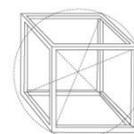
Piteco's competitive positioning is strong and well defensible: within its client size target its selling proposition is **the most complete and best performing**. Moreover, the rather limited size and the peculiarity of the domestic market, represent **barriers to larger global players**. Piteco is the brand in software for treasury management solutions. In the purchasing decision process, **the price of the software tool is not a key issue** and, according to a Deloitte survey addressing the drivers for choosing the treasury management software, represents 10% of the total. Potential customers primarily value (almost 75%) the match with their treasury management needs and the integration with their global ERP software already in place within the organization. Piteco states the average value of a typical contract to the tune of € 65k, cash on hands, o/w € 35k for software and € 30k for advisory. Then, the recurring yearly maintenance fee is worth circa € 10k (showing steady growth and inflation linked) and billed in advance at the beginning of the year. Reasonably, clients upgrade their tool with one or more of the current 19 modules, leading to a steady increase in the average maintenance fee.

Alternatives out there are **more expensive, limited, inflexible and less modifiable, adjustable, specific and customizable**. Even the treasury management module developed by **SAP is to a certain extent less performant and flexible** than the Piteco tool. Additionally, spreadsheets, still extensively used amongst small firms, are time consuming and with a high degree of misplacing data risk.

Group strategy

Piteco went public with the aim to **boost its growth profile**. The IPO € 11.5m proceeds are being used for accelerating top line growth and profitability. We have identified a three-pillar growth plan.

- **Evolution of actual product pipeline** – The current product portfolio comprises three families: Piteco EVO (tailored solution to match integrated corporate finance to the most common ERP, offering 15 modules to manage cash, funds source and application, financial and risk control and economic/financial planning), Piteco CBC (corporate banking communication) and Match-It (management of large amount of data/flows). The development of new modules will cover **new different functionalities and client needs**. Currently Piteco targets firm with a minimum turnover of € 100m. it has a plentiful pipeline of some 1,100 potential names with a turnover of € 50-100m.
- **Acquisition in the domestic market** – The fairly fragmentation of the Italian market offers several small targets. Piteco goals to become **an aggregator** of minute domestic firms offering **complementary and additional software modules** to further widespread its selling proposition.
- **Foreign markets expansion** – Piteco is already present via foreign subsidiary of multinational customers in Europe, Asia and America. **The US has been identified as a potential M&A target territory** due to the relevant presence of large corporations, i.e. great need of sophisticated solutions for treasury management, quite high selling prices for equivalent products sustaining profitability and its presence via the group's controlling shareholder Dedagroup. It is worth mentioning that Piteco software tools are already compliant with the stringent SOX (Sarbanes-Oxley Act) requirements. This law was approved in the US in 2002 in order to improve firms' corporate governance and ensure the transparency of the account. The acquisition of Juniper Payments goes in this direction.



Porter's 5 Forces

According to Michael Porter the competitive structure and the degree of attractiveness of an industry are a function of the **simultaneous interaction of the five forces**. Their analysis allows to evaluate the competitive position of a company within a given industry.

- **Competitors**, intensity of competition.
- **Suppliers**, bargaining power.
- **Customers**, bargaining power.
- Potential new **competitors**.
- **Substitute** products.

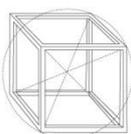
The treasury management software solutions niche in which Piteco operates is a business that can be labelled as **definitely attractive** and characterized by:

- **Rather narrow intensity level of competition, an oligopoly rather disciplined**. In particular in the domestic market, where the relatively limited size and the peculiarity in terms of payment procedures, deters larger global players to penetrate the market.
- **The almost entire absence of weighty suppliers**, since Piteco designs, develops and implements proprietary software and solutions for corporate cash management in-house. The most relevant cost item is represented by personnel, i.e. 40% of top line in 2014.
- **Pretty vast client base, with almost no bargaining power**. It is closely unmanageable for a customer to develop internally effective software solutions for its treasury management needs. And this is not the case of the Piteco's customer target in term of size. In addition, the pulverization of the customer list and the widespread presence amongst a vast variety of industries, narrows significantly the dependency from a key client/sector.
- **Barriers to entry represented by the peculiarity and the size of the niche** in the domestic market: too small related to the potentiality to attract larger global players, particularly focused or even generalist.
- **The substantial absence of significant threats of potential substitutes**: the software solutions developed by Piteco are substitutes to less effective/more dispersive solving of treasury management. Firm's developed software replaces excel sheets or basic software to a certain extent less linked to other enterprise resource planning solutions.

Chart 4 – Porter's 5 forces industry summary

Rivalry amongst competitors	Low	An oligopoly more than decently disciplined with a low price pressure Niche market: Piteco is the undisputed market leader, with a share in excess of 50% Piteco offers tailored solutions to match integrated corporate finance to the most spread ERP	+	+
Bargaining power of suppliers	Low	Almost entire absence of suppliers, the key cost item is personnel, i.e. 40% of turnover in 2014 Providers do not detain key technology assets/expertise at all No possibility for suppliers to vertically integrate	+	+
Bargaining power of customers	Low	Very low customers concentration: the first 10 clients produces 10% of top line No material interest to clients to integrate in the treasury management software business No dependency from a single client	+	+
Threats of new entrants	Medium	Barriers represented by the size and the peculiarity of the niche Small players could ideally develop to a certain extent similar solutions	-	+/-
Threats of potential substitutes	Low	Not really other alternatives to software for treasury solutions management Piteco offers substitute to less effective/more dispersive solutions of treasury management	+	+

Source: CFO Sim, Company data



SWOT Analysis

The SWOT analysis, also known as SWOT Matrix, is a structured planning method used to evaluate the strengths, weaknesses, opportunities and threats involved in a project or in a business venture. A SWOT analysis can be carried out for a product, place, industry or person. It involves specifying the objective of the business venture or project and identifying the internal and external factors that are favourable and unfavourable to achieve that objective.

- **Strengths:** characteristics of the business or project that give it an advantage over others.
- **Weaknesses:** characteristics that place the business or project at a disadvantage relative to others.
- **Opportunities:** elements that the project could exploit to its advantage.
- **Threats:** elements in the environment that could cause trouble or be detrimental for the business or project.

The technique is credited to Albert Humphrey, who led a research project at Stanford University between the 60's/70's using Fortune 500 data.

S.W.O.T. ANALYSIS

STRENGTHS

- ❑ Undisputed **leading positioning** in Italy, the Brand in treasury management software segment
- ❑ Substantial cash flow generation and sound balance sheet allow **noteworthy external growth opportunities**
- ❑ Pronounced **visibility** of top line and margins expansion

WEAKNESSES

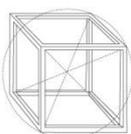
- ❑ 75% of revenues comes from the **domestic market**, heavy dependence from one single country
- ❑ Limited **size** in the international competitive arena

OPPORTUNITIES

- ❑ Consolidation **opportunities** in domestic market
- ❑ Relevant **growth potential:** use of spreadsheet still high and cloud opportunities
- ❑ Foreign markets **expansion**

THREATS

- ❑ Expansion via external growth might erode to a certain extent **marginality**
- ❑ Few key relevant people represent **vital asset** for the company



FY-17 results

The company reported figures with eight months of Juniper Payments contributions, acquired last Apr-17. Piteco stand-alone lacked organic growth to a certain extent, with new clients in line with the target of an increase of 30 every year but with tiny impact on sales. EBITDA, excluding one-off items, increased by 19.5% YoY. After the € 10.3m outlay for Juniper Payments and the distribution of € 2.7m dividends, Net Financial Position was negative for € 6.5m.

Table 1 – Piteco, FY-17 results summary

€ m	FY-17	FY-16	% YoY	FY-17e	% Diff.	H2-17	H2-16	% YoY
Turnover	17.0	14.1	20.7	17.7	(3.7)	9.5	7.4	27.4
Raw material	(0.3)	(0.2)		(0.2)		(0.2)	(0.1)	
Services	0.0	0.0		(0.0)		1.4	1.2	
Personnel	(7.4)	(6.0)		(7.0)		(3.8)	(3.0)	
Other	(2.9)	(2.4)		(3.9)		(2.9)	(2.3)	
EBITDA	6.5	5.6	14.8	6.5	(1.0)	3.9	3.1	24.6
% margin	37.9	39.8		36.9		41.5	42.4	
EBITDA adj	6.7	5.6	19.5	7.0	(4.1)	3.9	3.1	24.4
% margin	39.4	39.8		39.6		41.4	42.4	
D&A	(1.5)	(0.3)		(1.3)		(1.0)	(0.2)	
EBIT	5.0	5.3	(6.3)	5.2	(5.0)	2.9	3.0	(1.5)
% margin	29.2	37.6		29.6		30.8	39.9	
Financials	(1.6)	(0.4)		(1.2)		(0.6)	(0.2)	
Extraordinary	0.1	0.1		0.0		0.0	0.0	
Pretax	3.5	5.1	(31.5)	4.1	(14.9)	2.3	2.8	(17.8)
Taxes	(0.1)	(0.5)		(0.5)		0.1	(0.1)	
Tax rate	2.1	10.8		13.0		(3.3)	3.0	
Net profit	3.4	4.5	(24.8)	3.5	(4.2)	2.4	2.7	(12.5)
% margin	19.9	31.9		20.0		25.2	36.6	

Source: company data

FY-17 turnover grew 20.7% to € 17.0m, slightly lower than our forecast, almost entirely driven by the eight months consolidation of Juniper Payments, acquired in Apr-17. Organically, Piteco reported almost unchanged revenues (up 0.2% YoY) due to the lack of significantly large new client tickets and to a certain extent market torpor. It is worth noting that, though revenues remained stable, **the mix improved** with growing recurring fees and sales of software licences (+5.2% and +8.4% YoY, respectively) in relation to a reduction in revenues from services (-9.3%). New clients were 30 in 2017. Also thanks to the contribution of Juniper Payments, recurring revenues increased 48% and currently total almost 70% of group turnover.

EBITDA increased 14.8% to € 6.5m, 37.9% margin vs. € 5.6m and 39.8% margin in FY-16, broadly in line with our projection. The data was affected by some \$ 300k (€ 261k) revenues accounted as lower purchase consideration. Excluding this effect, **EBITDA adj. increased 19.5%**. Organically, reported EBITDA declined 2.1%, also due to the 2.4% personnel cost growth 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 6.3% to € 5.0m, 29.2% margin**.

The increase in financial charges was entirely due to the € 1.1m 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 final adoption. After a 2.1% tax rate, **Net Profit totalled € 3.4m, vs. € 4.5m last year. The BoD will propose the distribution of a dividend of € 0.15/share**, 72% pay out, yield of 3.1%, ex-dividend 23-Apr-18, record date 24-Apr-18 and payment 26-Apr-18.

Operating cash flow totalled € 6.3m, 37% on sales almost 100% 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 € 6.5m**, vs. € 1.9m positive at Dec-16.



Estimates, valuation and risks

Following the publication of 2017 results, we have updated our model: 1) fine-tuned the sales growth expectations for Piteco stand-alone (lower volumes), 2) updated the €/€ exchange rate to 1.20 from 1.15 previously, 3) reduced the cross-selling estimates for Juniper Payments and 4) introduced 2020 estimates. The result is a fine-tuning of estimates in 2018-19 (EBITDA down 1.6%, on average). Moreover, we have updated DCF valuation criteria, brought the Free Risk Rate up-to-date and rolled over the first year of estimates to 2018. The combined result is **an upgrade in PT to € 6.00/s** (€ 5.60/s), with a 20.5% upside to current prices, thus **upgrading rating to Buy** (Neutral).

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. It is worth noting that, though revenues remained stable, **the mix improved** with growing recurring fees and sales of software licences (+5.2% and +8.4% YoY, respectively) in relation to a reduction in revenues from services (-9.3%). The number of new clients acquired 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**. Our estimates factor in a certain increase in the pace of growth in organic sales.

Piteco nominated 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 by the end of H1-18**. The move, in our view, is set to produce **tangible benefits in terms of liquidity and visibility**, thus **zeroing the AIM discount** investors need to apply before evaluating the investment in Piteco.

DCF

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

Table 2 - WACC derived from:

Interest costs, pre-tax	2.5%
Tax rate	25.0%
Int. costs, after taxes	1.9%
Risk premium, incl. small size premium	7.0%
Risk-free (10Y Gov. Bond 2W average)	1.90%
Beta levered (x)	0.85
Required ROE	7.9%

Source: CFO Sim

Table 3 - Piteco, DCF model

€ m	2018e	2019e	2020e	2021e	2022e	Term. Val.
EBIT	6.35	7.20	8.41	8.91	9.45	
Tax rate	13.0%	13.0%	13.0%	13.0%	13.0%	
Operating profit (NOPAT)	5.53	6.26	7.32	7.76	8.22	
Change working capital	(0.69)	(0.46)	(0.51)	(0.01)	(0.01)	
Depreciation	1.47	1.49	1.50	1.00	0.25	
Investments	(0.25)	(1.68)	(0.25)	(0.25)	(0.25)	
Free Cash Flows	6.06	5.61	8.05	8.50	8.21	135.86
Present value	5.72	4.92	6.56	6.43	5.78	95.58
WACC	7.6%	7.6%	7.6%	7.6%	7.6%	
Long-term growth rate	1.5%					

Source: CFO Sim

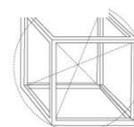


Table 4 – Piteco, DCF per share derived from:

Total EV present value € m	125.00
<i>thereof terminal value</i>	76.5%
NFP last reported FY-17	(6.50)
Pension provision last reported	(1.18)
Juniper minorities valued @ 19x PER	(9.40)
Equity value € m	107.92
Shares # m (ex. Treasury shares)	18.13
Discounted CF €/s	6.00
<i>Upside/(downside)</i>	20.5%

Source: CFO Sim

The application of the model produces an equity value of € 107.9m, which corresponds to € 6.00/s, with a potential upside of 20.5%.

The following tables illustrate that sensitivity 1) compared to changes in the terminal growth rate produces an equity value per share of between € 5.17 – 7.04 (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 € 5.17–6.95 (free risk range of between 2.70% and 1.10%) and 3) compared to changes in the risk premium, including small size premium results into an equity value/s of € 4.48-8.49 (risk premium range of between 9.00% and 5.00%).

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

€ m	0.50%	0.75%	1.00%	1.25%	1.50%	1.75%	2.00%	2.25%	2.50%
Present value of CF	29.42	29.42	29.42	29.42	29.42	29.42	29.42	29.42	29.42
PV of terminal value	81.37	84.53	87.94	91.61	95.58	99.88	104.57	109.70	115.32
Total value	110.79	113.95	117.36	121.03	125.00	129.30	133.99	139.12	144.74
NFP last reported	(6.50)	(6.50)	(6.50)	(6.50)	(6.50)	(6.50)	(6.50)	(6.50)	(6.50)
Pension last reported	(1.18)	(1.18)	(1.18)	(1.18)	(1.18)	(1.18)	(1.18)	(1.18)	(1.18)
Juniper minorities	(9.40)	(9.40)	(9.40)	(9.40)	(9.40)	(9.40)	(9.40)	(9.40)	(9.40)
Equity value	93.71	96.88	100.28	103.95	107.92	112.23	116.92	122.04	127.66
Equity value €/s	5.17	5.34	5.53	5.73	6.00	6.19	6.45	6.73	7.04

Source: CFO Sim

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

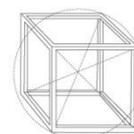
€ m	1.10%	1.30%	1.50%	1.70%	1.90%	2.10%	2.30%	2.50%	2.70%
Present value of CF	30.03	29.87	29.72	29.57	29.42	29.27	29.12	28.98	28.83
PV of terminal value	113.14	108.28	103.75	99.53	95.58	91.88	88.40	85.13	82.06
Total value	143.17	138.15	133.47	129.10	125.00	121.15	117.52	114.11	110.89
NFP last reported	(6.50)	(6.50)	(6.50)	(6.50)	(6.50)	(6.50)	(6.50)	(6.50)	(6.50)
Pension last reported	(1.18)	(1.18)	(1.18)	(1.18)	(1.18)	(1.18)	(1.18)	(1.18)	(1.18)
Juniper minorities	(9.40)	(9.40)	(9.40)	(9.40)	(9.40)	(9.40)	(9.40)	(9.40)	(9.40)
Equity value	126.09	121.08	116.40	112.02	107.92	104.07	100.45	97.03	93.81
Equity value €/s	6.95	6.68	6.42	6.18	6.00	5.74	5.54	5.35	5.17

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	30.73	30.40	30.06	29.74	29.42	29.10	28.79	28.49	28.19
PV of terminal value	140.34	126.27	114.41	104.30	95.58	87.98	81.31	75.42	70.17
Total value	171.07	156.66	144.48	134.04	125.00	117.09	110.11	103.91	98.36
NFP last reported	(6.50)	(6.50)	(6.50)	(6.50)	(6.50)	(6.50)	(6.50)	(6.50)	(6.50)
Pension last reported	(1.18)	(1.18)	(1.18)	(1.18)	(1.18)	(1.18)	(1.18)	(1.18)	(1.18)
Juniper minorities	(9.40)	(9.40)	(9.40)	(9.40)	(9.40)	(9.40)	(9.40)	(9.40)	(9.40)
Equity value	154.00	139.59	127.40	116.96	107.92	100.01	93.03	86.83	81.29
Equity value €/s	8.49	7.70	7.03	6.45	6.00	5.52	5.13	4.79	4.48

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 and similar to Microsoft, 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 27.4%, i.e. € 24.9m).

Table 8 - Piteco, peers group summary table

€ m	Country	Mkt Cap	Sales FY1	EBITDA FY1	EBITDA margin	Sales CAGR ₁₇₋₂₀	EBITDA CAGR ₁₇₋₂₀	EBIT CAGR ₁₇₋₂₀	EPS CAGR ₁₈₋₂₀	NFP /EBITDA
Intuit Inc	USA	37,276	4,654	1,749	37.6%	8.6%	15.7%	18.6%	14.4%	(0.3)
Microsoft Corp	USA	585,849	87,079	35,093	40.3%	9.4%	17.0%	19.8%	10.0%	(1.5)
Oracle Corp	USA	159,124	32,528	15,304	47.0%	1.3%	6.9%	9.9%	6.5%	(0.5)
Salesforce.Com Inc	USA	74,775	10,350	2,260	21.8%	20.7%	66.9%	151.4%	31.2%	(1.8)
SAP SE	Germany	105,711	24,394	7,868	32.3%	6.4%	11.2%	13.6%	10.7%	(0.0)
Median large player		105,711	24,394	7,868	37.6%	8.6%	15.7%	18.6%	10.7%	(0.5)
Datalogic SpA	Italy	1,917	617	105	17.0%	6.5%	12.6%	15.0%	14.1%	(0.3)
Digital Bros SpA	Italy	141	105	9	8.6%	n.a.	n.a.	n.a.	n.a.	(2.0)
Expert System SpA	Italy	48	25	(2)	-6.0%	n.a.	n.a.	n.a.	n.a.	(2.8)
Exprivia SpA	Italy	77	165	19	11.5%	n.a.	n.a.	n.a.	n.a.	1.8
Reply SpA	Italy	1,859	979	142	14.5%	n.a.	n.a.	n.a.	n.a.	(0.6)
TXT e solutions SpA	Italy	142	39	4	9.3%	n.a.	n.a.	n.a.	n.a.	(12.3)
Median small player		142	135	14	10.4%	6.5%	12.6%	15.0%	14.1%	(1.3)
Piteco SpA		91	20	8	39.4%	13.1%	13.8%	19.1%	16.2%	0.4

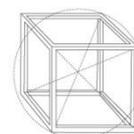
Source: Thomson Reuters Eikon, CFO Sim

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	33.0	27.9	28.1	24.2	7.9	7.0	21.0	18.4	23.7	20.6
Microsoft Corp	25.6	24.0	18.6	17.4	6.1	5.5	15.2	13.3	20.1	17.5
Oracle Corp	15.0	14.0	13.7	12.8	4.7	4.4	9.9	9.2	10.6	9.9
Salesforce.Com Inc	57.8	44.9	39.1	32.0	6.8	5.5	31.3	24.4	43.1	32.2
SAP SE	21.0	18.9	17.3	15.7	4.3	3.9	13.4	12.0	15.5	13.8
Median large player	25.6	24.0	18.6	17.4	6.1	5.5	15.2	13.3	20.1	17.5
Datalogic SpA	30.4	26.3	22.9	20.7	3.0	2.8	17.9	15.7	22.3	18.9
Digital Bros SpA	(140.8)	8.3	(70.4)	3.7	1.2	0.7	13.6	2.6	12.3	5.0
Expert System SpA	(12.1)	(39.7)	324.4	14.8	2.1	1.9	(34.6)	18.3	(9.3)	(38.8)
Exprivia SpA	12.9	11.0	6.4	6.4	0.7	0.6	5.9	5.5	8.6	7.4
Reply SpA	20.3	18.3	18.0	16.4	1.8	1.6	12.5	11.2	13.6	12.1
TXT e solutions SpA	63.3	71.2	50.8	49.1	2.5	1.4	27.2	14.4	32.1	18.4
Median small player	16.6	14.7	20.5	15.6	1.9	1.5	13.1	12.8	12.9	9.8
Piteco SpA	19.6	17.0	14.9	13.3	4.8	4.2	12.1	10.6	14.9	12.8
(Disc.)/prem. to large players	-23.1%	-29.0%	-20.1%	-23.3%	-22.6%	-24.2%	-20.8%	-20.3%	-26.0%	-26.6%
(Disc.)/prem. to small players	18.4%	16.1%	-27.2%	-14.8%	144.9%	175.5%	-7.7%	-16.9%	14.8%	31.2%

Source: Thomson Reuters Eikon, CFO Sim

Piteco **trades at a discount** vs. larger players' median considering every metrics in 2018 and 2019. Compared to smaller players, although multiples range varies quite a while amongst its peers, Piteco trades at discount considering P/CF and EV/EBITDA.



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. The stock comes from a slight 1W absolute uptrend after underperformance till 1M vs. large/small peers and to indexes.

Table 10 - Piteco, peers group absolute performance

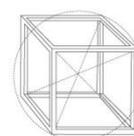
	1D	1W	1M	3M	6M	YTD	1Y
Intuit Inc.	1.4	0.3	2.6	11.4	22.6	12.9	44.4
Microsoft Corporation	0.3	(1.4)	0.4	8.5	23.4	8.9	43.4
Oracle Corporation	(9.4)	(10.5)	(5.7)	(1.6)	(2.1)	(0.5)	4.0
salesforce.com, inc.	0.1	(1.3)	9.4	20.0	31.2	22.4	50.9
SAP SE	(0.5)	(2.3)	1.1	(12.0)	(7.1)	(8.6)	(6.2)
Median large players	0.1	(1.4)	1.1	8.5	22.6	8.9	43.4
Datalogic S.p.A.	4.5	4.3	4.5	8.3	8.8	5.6	35.1
Digital Bros S.p.A.	1.7	2.3	0.8	(10.7)	(24.8)	(9.4)	(18.5)
Expert System SpA	0.0	(0.7)	(3.3)	(6.5)	(14.3)	(7.4)	(26.8)
Exprivia S.p.A.	(0.5)	(3.5)	2.6	(7.1)	(11.1)	(1.9)	85.7
Reply S.p.A.	(3.5)	(4.7)	(1.6)	1.0	(5.7)	6.8	47.2
TXT e-solutions S.p.A.	0.6	(1.3)	5.6	11.6	(0.6)	12.7	11.4
Median small players	0.3	(1.0)	1.7	(2.7)	(8.4)	1.8	23.2
PITECO SpA	(0.4)	3.8	1.6	(3.4)	(5.2)	(3.3)	8.7
Piteco relative to large players	(0.5)	5.1	0.6	(11.9)	(27.8)	(12.2)	(34.7)
small players	(0.7)	4.8	(0.1)	(0.7)	3.2	(5.1)	(14.5)
FTSE AIM Italia	0.5	3.9	1.6	(5.3)	(9.9)	(3.3)	(3.6)
EU sector	0.2	5.9	4.3	2.9	(1.1)	(25.7)	4.3

Source: Thomson Reuters Eikon

Risks

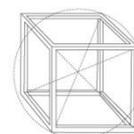
The principal investment **risks** in Piteco include:

- 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.

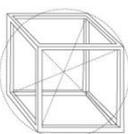




Income statement (€ m)	2016	2017	2018e	2019e	2020e
Total revenues	14.13	17.05	19.87	22.12	24.64
Material expenses	0.17	0.27	0.31	0.35	0.39
Change in inventories	0.00	0.00	0.00	0.00	0.00
Personnel expenses	5.98	7.42	8.35	8.82	9.49
Other operating expenses/(income)	2.35	2.90	3.38	4.27	4.85
EBITDA	5.62	6.46	7.83	8.69	9.91
EBITDA adj.	5.62	6.72	7.83	8.69	9.91
D&A	0.31	1.48	1.47	1.49	1.50
EBIT	5.31	4.97	6.35	7.20	8.41
Financial charges/(income)	0.37	1.64	0.46	0.45	0.45
Other costs & extraordinaries & other	(0.11)	(0.13)	0.00	0.00	0.00
Pre-Tax profit	5.05	3.46	5.89	6.75	7.96
Income taxes	0.55	0.07	0.77	0.88	1.04
Net Profit	4.50	3.39	4.63	5.34	6.25
Net Profit Adjusted	4.60	3.51	4.63	5.34	6.25
Balance sheet (€ m)	2016	2017	2018e	2019e	2020e
Net Working Capital	3.45	3.35	4.04	4.50	5.01
Net Fixed Assets	29.99	38.90	37.68	37.87	36.62
Equity Investments	0.01	0.00	0.00	0.00	0.00
Other M/L Term A/L	(3.37)	(5.84)	(6.49)	(7.00)	(7.59)
Net Invested Capital	30.08	36.41	35.22	35.36	34.03
Net Financial Debt	(1.95)	6.50	3.40	1.37	(3.00)
Minorities	0.00	0.00	0.00	0.00	0.00
Group's Shareholders Equity	32.02	29.92	31.83	33.99	37.03
Financial Liabilities & Equity	30.08	36.41	35.22	35.36	34.03
Cash Flow statement (€ m)	2016	2017	2018e	2019e	2020e
Total net income	4.50	3.39	4.63	5.34	6.25
Depreciation	0.31	1.48	1.47	1.49	1.50
Other non-cash charges	(1.11)	(0.46)	0.65	0.51	0.59
Cash Flow from Oper. (CFO)	3.70	4.41	6.76	7.34	8.34
Change in NWC	0.80	0.10	(0.69)	(0.46)	(0.51)
FCF from Operations (FCFO)	4.50	4.51	6.07	6.89	7.83
Net Investments (CFI)	(0.35)	(10.23)	(0.25)	(1.68)	(0.25)
Free CF to the Firm (FCFF)	4.15	(5.72)	5.82	5.21	7.58
CF from financials (CFF)	(3.48)	0.01	(3.30)	(3.74)	(3.73)
Free Cash Flow to Equity (FCFE)	0.67	(5.72)	2.52	1.47	3.85
Financial ratios	2016	2017	2018e	2019e	2020e
EBITDA margin	39.8%	37.9%	39.4%	39.3%	40.2%
EBIT margin	37.6%	29.2%	32.0%	32.5%	34.1%
Net profit margin	31.9%	19.9%	23.3%	24.1%	25.4%
Tax rate	10.8%	2.1%	13.0%	13.0%	13.0%
Interest coverage x	0.07	0.33	0.07	0.06	0.05
Net Debt/Ebitda x	(0.35)	1.01	0.43	0.16	(0.30)
Debt-to-Equity x	(0.06)	0.22	0.11	0.04	(0.08)
ROIC	14.9%	10.2%	12.9%	15.1%	18.0%
ROCE	12.5%	11.6%	14.4%	15.7%	17.5%
ROACE	12.7%	11.7%	14.6%	16.0%	17.9%
ROE	14.7%	10.9%	15.0%	16.2%	17.6%
Payout ratio	60.4%	80.4%	68.7%	60.0%	60.0%
Per share figures	2016	2017	2018e	2019e	2020e
Final N. of shares # m	18.1	18.1	18.1	18.1	18.1
Final N. of shares (fully diluted) # m	18.1	18.1	18.1	18.1	18.1
Average N. of shares (fd)# m	18.1	18.1	18.1	18.1	18.1
EPS stated €	0.25	0.19	0.26	0.29	0.34
EPS adjusted €	0.25	0.19	0.26	0.29	0.34
EBITDA €	0.31	0.36	0.43	0.48	0.55
EBIT €	0.29	0.27	0.35	0.40	0.46
FCFO €	0.25	0.25	0.33	0.38	0.43
FCFF €	0.23	(0.32)	0.32	0.29	0.42
FCFE €	0.04	(0.32)	0.14	0.08	0.21
Dividend €	0.15	0.15	0.16	0.18	0.21



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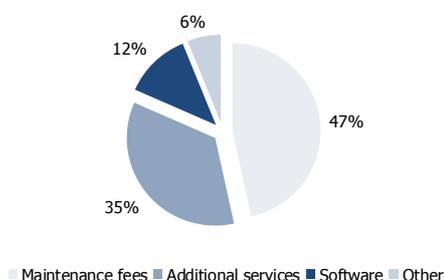


The company at a glance

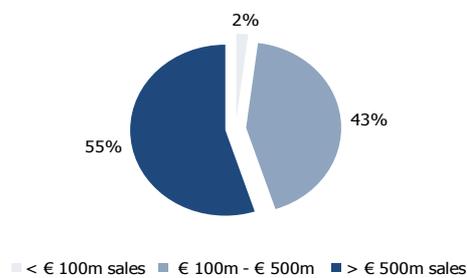
Piteco is the undisputed domestic leader, more than 4x the size of its closest competitor, in the niche of the corporate treasury management and financial planning software. The company designs, develops and implements proprietary software and solutions for corporate cash management. It focuses large/mid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

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

2016 revenues and...



... and client profile (sales) breakdown



Shareholder structure

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

Source: Company data

Peer group absolute performance

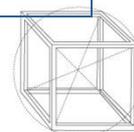
	1D	1W	1M	3M	6M	YTD
Intuit Inc	1.4	0.3	2.6	11.4	22.6	12.9
Microsoft Corp	0.3	(1.4)	0.4	8.5	23.4	8.9
Oracle Corp	(9.4)	(10.5)	(5.7)	(1.6)	(2.1)	(0.5)
Salesforce.com Inc	0.1	(1.3)	9.4	20.0	31.2	22.4
SAP SE	(0.5)	(2.3)	1.1	(12.0)	(7.1)	(8.6)
Median large players	0.1	(1.4)	1.1	8.5	22.6	8.9
Datalogic SpA	4.5	4.3	4.5	8.3	8.8	5.6
Digital Bros SpA	1.7	2.3	0.8	(10.7)	(24.8)	(9.4)
Expert System SpA	0.0	(0.7)	(3.3)	(6.5)	(14.3)	(7.4)
Exprivia SpA	(0.5)	(3.5)	2.6	(7.1)	(11.1)	(1.9)
Reply SpA	(3.5)	(4.7)	(1.6)	1.0	(5.7)	6.8
TXT e solutions SpA	0.6	(1.3)	5.6	11.6	(0.6)	12.7
Median small players	0.3	(1.0)	1.7	(2.7)	(8.4)	1.8
Piteco SpA	(0.4)	3.8	1.6	(3.4)	(5.2)	(3.3)

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	33.0	27.9	28.1	24.2	7.9	7.0	21.0	18.4	23.7	20.6
Microsoft Corp	25.6	24.0	18.6	17.4	6.1	5.5	15.2	13.3	20.1	17.5
Oracle Corp	15.0	14.0	13.7	12.8	4.7	4.4	9.9	9.2	10.6	9.9
Salesforce.Com Inc	57.8	44.9	39.1	32.0	6.8	5.5	31.3	24.4	43.1	32.2
SAP SE	21.0	18.9	17.3	15.7	4.3	3.9	13.4	12.0	15.5	13.8
Median large player	25.6	24.0	18.6	17.4	6.1	5.5	15.2	13.3	20.1	17.5
Datalogic SpA	30.4	26.3	22.9	20.7	3.0	2.8	17.9	15.7	22.3	18.9
Digital Bros SpA	(140.8)	8.3	(70.4)	3.7	1.2	0.7	13.6	2.6	12.3	5.0
Expert System SpA	(12.1)	(39.7)	324.4	14.8	2.1	1.9	(34.6)	18.3	(9.3)	(38.8)
Exprivia SpA	12.9	11.0	6.4	6.4	0.7	0.6	5.9	5.5	8.6	7.4
Reply SpA	20.3	18.3	18.0	16.4	1.8	1.6	12.5	11.2	13.6	12.1
TXT e solutions SpA	63.3	71.2	50.8	49.1	2.5	1.4	27.2	14.4	32.1	18.4
Median small player	16.6	14.7	20.5	15.6	1.9	1.5	13.1	12.8	12.9	9.8
Piteco SpA	19.6	17.0	14.9	13.3	4.8	4.2	12.1	10.6	14.9	12.8

Source: CFO Sim, Thomson Reuters Eikon



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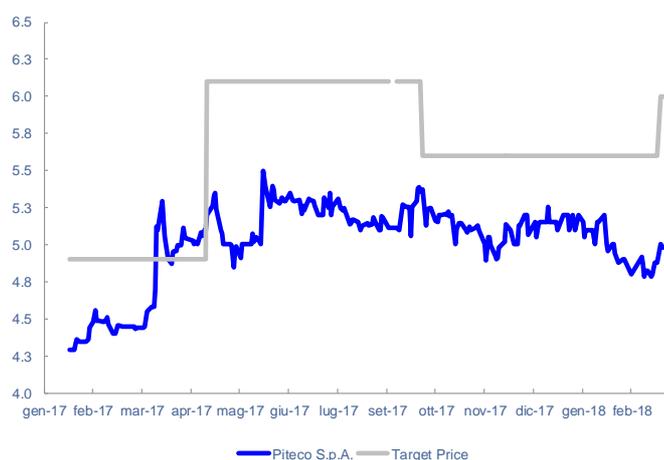
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DATE	TARGET PRICE	RATING
21/03/2018	€6.00	BUY
29/09/2017	€5.60	NEUTRAL
28/04/2017	€6.10	BUY
30/03/2017	€4.90	NEUTRAL

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- 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.

