

Italy - Software

The HARD Italian SOFTWARE leader

30 settembre 2015

INITIATION OF COVERAGE

RIC: PITE.MI
BBG: PITE IM

Piteco, the undisputed domestic leader in the treasury management software niche, raised € 11.5m in its recent IPO in order to aid the increment in sales and profitability. It offers top line visibility, substantial margins on the rise and value for shareholders from the acquisitions campaign.

Rating:

Buy

Price Target:

€ 3.90

Upside/(Downside): 16.0%

Last Price: € 3.37

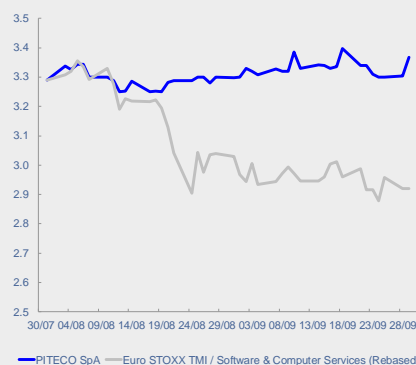
Market Cap.: € 61.05

1Y High/Low: € 3.46/€ 3.15

Free Float: 16.8%

Major shareholders:

Podini Family 74.6%
Management 8.6%



Stock price performance

	1M	3M	12M
Absolute	1.0%	n.a.	n.a.
Rel.to Milan AIM	3.0%	n.s.	n.s.
Rel.to EU Sector	5.5%	n.s.	n.s.

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Buy, PT € 3.90/s, upside potential of 16.0%

CFO Sim initiates coverage on Piteco with a BUY rating and a Price Target of € 3.90/s, upside potential of 16.0%. determined by a DCF. The stock trades at a discount vs. larger players' median at all levels considering EV multiples and PER. Compared to smaller players, although multiples range varies quite a while amongst the universe, it trades broadly in line at current PER and at discount at PER_{16e} with the same trend at EV/EBIT level, evidence of the higher growth on offer, not yet priced in.

Strong and well defensible competitive positioning

The business model of the company allows profitability to grow more than proportionately to top line evolution, thanks to the substantial weight (close to 50% of total) of high margins turnover linked to maintenance and services. 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. Alternatives out there are more expensive, limited, inflexible and less modulable, adjustable, specific and customizable.

EBIT and EPS CAGR_{14-17e} of 16.0% and 25.1% - € 10.1m cash positive in 2017e

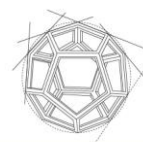
Piteco's focus on the niche of the treasury management software solutions is set to continue to ensure the group outperforms its core market. The growth of the top line is almost entirely seen driven by volume expansion, translating into a top line CAGR_{14-17e} of 9.9%. The evolution of personnel cost driven by a minor organic growth tied to the natural expansion of the business, the consolidation of Centro Data and the lower D&A are set to sustain profitability improvement. EBITDA and EBIT are expected to improve more than proportionately compared to top line: +11.8% and 16.0% CAGR_{14-17e}. The operating cash flow almost entirely translates into free cash flow: Piteco is projected € 10.1m cash positive in 2017e from a basically neutral position in 2015e.

Acquisitions might concretise soon - dividend already in 2015?

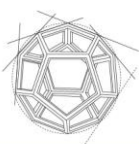
Momentum is seen to remain positive in the months to come. H1-15 figures corroborates the investment case, with a sustained margins growth, more than proportional to turnover's rise. Consistent with its expansion strategy, Piteco might concretise in the short/medium term a move aimed at bringing new products to the current selling proposition and companies with an accretive client portfolio, enhancing the cross-selling. In addition, the adoption one year in advance of IAS/IFRS could also result in the distribution of a dividend already in 2015.

Piteco, key financials and ratios

€ m	2013	2014	2015e	2016e	2017e
Sales	11.17	12.30	13.20	15.06	16.33
EBITDA	4.32	5.23	5.69	6.60	7.30
EBIT	3.63	4.53	5.38	6.31	7.06
Net profit	1.65	2.44	3.31	4.22	4.76
Net profit adjusted	1.63	2.43	3.56	4.22	4.76
EPS adjusted	0.11	0.16	0.20	0.23	0.26
EPS adj. growth	-	48.8%	25.6%	18.6%	12.9%
DPS ord. €/s	0.00	0.00	0.00	0.09	0.11
Dividend yield	0.0%	0.0%	0.0%	2.8%	3.2%
NFP (cash)/debt	11.26	10.03	0.19	(3.85)	(10.14)
Free Cash Flow Yield	4.7%	2.0%	4.9%	6.8%	7.7%
PER x	31.4	21.1	16.8	14.2	12.6
PCF x	18.3	34.4	18.9	13.9	12.4
EV/Sales x	6.4	5.7	4.5	3.7	3.0
EV/EBITDA x	16.4	13.4	10.6	8.5	6.8
EV/EBIT x	19.6	15.4	11.2	8.9	7.0



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1. Investment Summary

Piteco 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 large/mid enterprises operating in every industry except banking and public administration. **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 the product's modules) and **available for foreign markets**.

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

Piteco's focus on the niche of the treasury management software solutions has in the past and is set to continue to ensure **the group outperforms its core market**. The growth of the top line is almost entirely seen driven by volume expansion rather than price expansion. This leads to a top line CAGR of 9.9% in 2014-17e.

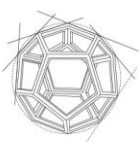
The evolution of personnel cost (40% of top line) driven by a minor organic growth tied to the natural expansion of the business and the consolidation of Centro Data, and the lower D&A are set to sustain profitability improvement: **EBITDA and EBIT are expected to improve more than proportionately compared to top line: +11.8% and 16.0% CAGR in 2014-17e**. Below EBIT in 2013-14 financial charges were mainly related to the expensive 6.5% LBO funding. As from 2015 its refinancing with Euribor+2% bank loans is anticipated to prompt a significant decline in interest charges. The € 325k costs related to the reimbursement and the refinancing are set to be charged in 2015. Adjusted EPS_{14-17e} CAGR is seen to the tune of 25.1%.

Thanks to the almost complete absence of capex (€ 250k per annum in 2015e-17e), **the operating cash flow almost entirely translates in free cash flow**. The massive cash generation is consequently projected to boost Net Financial Position to € 10.1m cash positive in 2017e from a basically neutral position in 2015e.

We initiate coverage on Piteco with a BUY rating and a Target Price of € 3.90/s, potential upside of 16.0%, determined by a DCF. The business model of the company allows profitability to grow more than proportionately to top line evolution, thanks to the substantial weight (close to 50% of total) of high margins turnover linked to maintenance and services. CFO estimates almost 90% of margins comes from this business line.

Compared to a panel of peers, large global players and smaller local firms, Piteco presents **by far the highest value in terms of EBITDA margin**, lower only to Oracle, which however provides a different service. In addition, Piteco **offers top of the range growth** within peer groups, much higher than larger and smaller players' average at every level of P&L. In particular, considering EPS growth, Piteco offers **almost twice the growth**, on average, of its peers. On the other hand, Piteco is amongst the smaller firm in terms of market value and the less liquid (free float 17%, i.e. € 3.0m).

The principal investment risks in Piteco include: 1) impacts on economics and balance sheet profile triggered by a deep **decline in local and global economic growth**, 2) **Dilution on profitability** stemming from the acquisition campaign, in particular penetrating the large US market, 3) **Potential competition** arising from smaller local player, and 4) **The departure** of one of few key relevant people.



2. Piteco in a nutshell

Piteco, which stands for "Pianificazione Tesoreria Computerizzata" (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 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 environment), customizable (open architecture allows relevant combinations of the product's modules) and available for foreign markets.

PITECO has three product families. PITECO Evo, boasts an integrated solution for corporate finance management of and consists of 15 different modules; CBC meets the requirements of efficient management of the workflows of companies towards national and international banks and Match-It allows to manage large amount of data/flows.

Turnover reached € 12.3m in 2014, +10.2% YoY, and thanks to the operating leverage typical of software business, EBITDA grew more than proportionately to € 5.2m, 42.4% margin, + 21.0% YoY. CAGR 2011-14 is +7.2% and +13.8%, respectively. Client base comprises 550 firms, of which 75 listed in the Milan stock exchange, with turnover exceeding € 100m for 98% of them and operating in more than 40 countries. 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**.

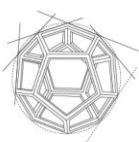
Chart 1 – Piteco, 2014 revenues and client profile (turnover size) breakdown



Source: Source: Kyriba, Association of Corporate Treasurers 2014

The group operates three locations (Milan – the headquarter - Rome and Padua), with 84 resources:

- 3 managers/founding partners: Paolo Virenti (CEO), Riccardo Veneziani (CFO) and Andrea Guillermez (Sales Director);
- 6 administrative;
- 2 in competence center (research), skilled resources in treasury & finance. People are dedicated to the study and design of new functions;
- 29 in delivery: skilled resources in treasury and finance with the focus of consulting and developing the project in accordance to customers' 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 at new clients development;



- 37 engineers in development. mainly technical resources with analysis and programming expertise, and knowledge of the main programming languages and the most sophisticated market technology. They also provide customer service.

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 had been **oversubscribed above 2x** the offer size.

Table 1 - PITECO, Shareholders structure details

	%	# m	€ m
Podini Family	74.60	13.52	44.62
Dedagroup S.p.A.	52.33	9.49	31.30
Sequenza S.p.A.	16.50	2.99	9.87
Marco Podini	2.89	0.52	1.73
Maria Luisa Podini	2.89	0.52	1.73
Management	8.58	1.56	5.13
Andrea Guido Guillermaz	2.86	0.52	1.71
Riccardo Veneziani	2.86	0.52	1.71
Paolo Virenti	2.86	0.52	1.71
Free Float	16.82	3.05	10.06
Treasury shares	-	-	-
Total	100.0	18.13	59.81

Source: CONSOB, updated 29 September 2015

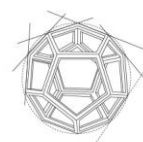
The current major shareholder is the **Podini family with 74.6%** of the share capital, the **management holds an 8.6%** stake and the **free float is 16.8%**. Dedagroup is a leading group in technology solutions for banks, corporations and public entities. With a turnover to the tune of € 200m, it operates 12 companies. Sequenza with a 77% stake is the major shareholder of Dedagroup. Sequenza mainly operates as an holding company in the field of integrated logistics and in the production of energy from renewable sources with two photovoltaic plants. The Podini family group has a consolidated turnover in the region of € 2bn, also with the contribution of their activity in the grocery retail business via Lillo Spa (MD and LD hard discount chains).

Marco Podini, Chairman: entrepreneur in the ICT sector. President and founder in 2001 of Dedagroup. Chairman of ICT companies: Dexit, Derga Consulting, DDWay, Sinergis and Piteco. CEO of Sequenza (logistic outsourcing). Major shareholder of Lillo, hard discount.

Paolo Virenti, CEO: founding partner of the company. Since Jan-04 General Manager, in 2006 becomes Chairman of the BoD and legal representative. Chief executive officer EO since 2012.

Riccardo Veneziani, CFO: founding partner, chief financial officer and customer account executive since Jan-04. Member of the BoD.

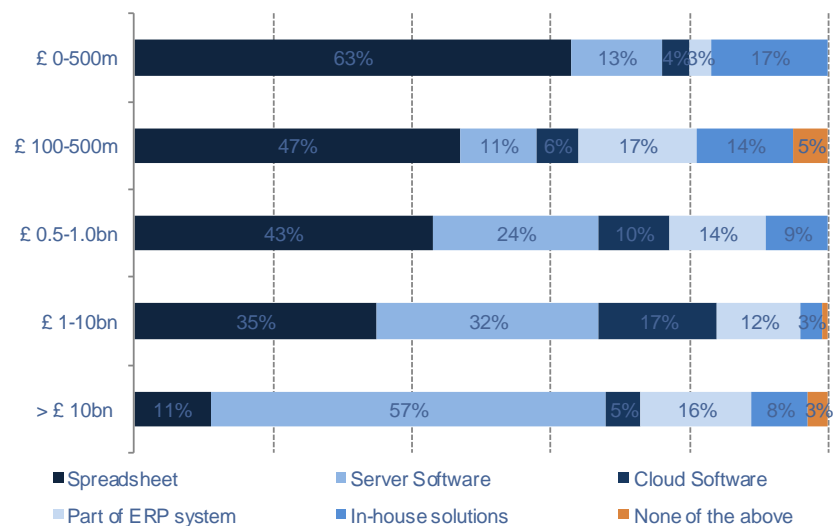
Andrea Guillermaz, Sales Director: founding partner, sales and marketing manager responsible for the acquisition of new customers, sales and marketing strategies. Member of the BoD.



3. The reference market

Piteco 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% CAGR13-18e**. Despite the needs of a more customized treasury management system, the majority of firms – namely 43% of UK universe (£500m-1bn revenues) still **operates 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 is the firm the lower is the percentage represented by unsophisticated treasury management tools** (11% in companies above £10bn turnover). In other words, applying the same breakdown to the domestic market, the upside growth potential is huge.

Chart 2 – Main tool used by firms for treasury management



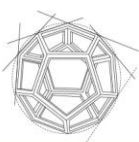
Source: Source: Kyriba, Association of Corporate Treasurers 2014

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	2017	2018	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 2014



4. Segment's competitive arena

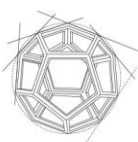
Piteco produces the vast majority of its top line **in the domestic market**, i.e. 85-90% of the € 12.3m 2014 turnover amount by final destination. Undoubtedly, the company here detains the **leading position**, with more than **4x the size of its closest competitor**. The market is characterized by 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 \$ 2.8bn 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 \$ 38m in 2013, 950 clients and some 300 employees.
- **Wallstreet** offers solutions to improve workflow, control and productivity to firm treasury, banking, FX trading and back office operations. 2013 revenues totalled \$ 105m, 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 purchasing decision process, **the price of the software tool is not a key issue** and, according to a 2015 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 worth the average value of a typical contract to the tune of € 65,000, cash on hands, o/w € 35,000 for software and € 30,000 for advisory. Then, the recurring annual maintenance fee values circa € 10,000 (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 total 19 modules, leading to a constant increase in the average maintenance fee.

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



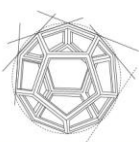
5. Group strategy

Piteco planned its IPO move with the aim to **boost its growth profile**. The IPO € 11.5m proceeds are set to be used for accelerating top line growth and profitability. We have identified a three pillars growth plan.

- **Evolution of actual product pipeline** – 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 have 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 also via group's controlling shareholder Dedagroup. It is worth to be mentioned 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.

In greater details, the € 11.5m IPO proceeds are anticipated to be destined in different projects, most of them aimed at concretizing external growth opportunities in Italy and abroad (the US).

- **€ 4.0m** (35% of the total funds raised) to the acquisition in Italy of few companies in the domestic market. Potential targets are firms bringing **new products** to the current selling proposition and companies with an **accretive client portfolio**, enhancing the cross-selling. According to Piteco, negotiations are in place at present with a target. Part of this project is the recent purchase of Centro Data for some € 1m, i.e. 6.0x EBITDA (4.5x EBITDA including synergies, straightforwardly achievable already in year one). Piteco **acts as an aggregator**, chasing modules and or clients.
- **€ 6.0m** (52% of the total) to acquisition in the **US market**. Proprietary software is ready to access the market, some corporations adopt it yet. However the right way to gain proper admission to this market is the acquisition of a local player, targeting companies with a sound and substantial client portfolio. Highly valuable **target detains contacts with the counterparts** playing an active role in the purchasing process of treasury management software tools, namely CFOs, treasurers and consultants.
- **€ 1.5m** to R&D investment for the **development of new modules** (on top of the existing 19), the reinforcement of the internal structure and the enlargement of the **cloud solution**.



6. 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.

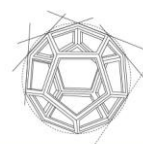
The treasury management software solutions niche in which Piteco operates is a business that can be labelled as **definitely attractive** and characterized by:

- **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



7. 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

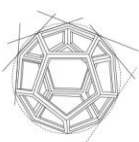
- ❑ Massive exposure to **domestic market**, heavy dependence from one single country
- ❑ Limited **size** in the international competitive arena

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



8. Recent results, H1-15

Table 2 – Piteco, H1-15 results summary

€ m	H1-15	H1-14	% YoY	FY-14	FY-13	% YoY
Turnover	6.09	5.60	8.8	12.30	11.17	10.2
Raw material	0.04	0.01		0.05	0.13	
Services	0.90	0.90		(0.03)	(0.02)	
Personnel	2.53	2.41		4.98	4.75	
Other	0.03	0.00		2.08	1.99	
EBITDA	2.60	2.29	13.4	5.23	4.32	21.0
% margin	42.6	40.8		42.5	38.7	
D&A	0.06	0.33		0.70	0.69	
EBIT	2.54	1.96	29.5	4.53	3.63	24.6
% margin	41.6	35.0		36.8	32.5	
Financial costs/(income)	0.37	0.54		1.01	1.19	
Extraordinary	0.32	0.01		0.02	0.03	
Pretax	1.84	1.41	30.6	3.50	2.42	44.8
Taxes	0.56	0.48		1.09	0.82	
Tax rate	30.4	34.2		30.8	33.1	
Net profit	1.28	0.93	38.3	2.41	1.60	50.8
% margin	21.1	16.6		19.6	14.3	

Source: Company data

Piteco reported a good set of result in the first half of 2015, characterized by a solid profitability rise - more than proportional to top line growth - and a 19 new clients. The FCF generation prompted to a decrease of € 1.3m in NFP vs. end-14.

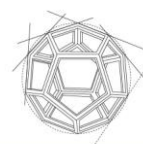
H1-15 turnover grew 8.8% to € 6.09m, mainly driven by maintenance fees, software licenses and services. The number of new client totaled 19 in the first part of the year, in **more than half-way** compared to our estimates of 31 new customers at end-15e.

EBITDA increased to € 2.6m, +13.4% YoY, margin of 42.6% i.e. +180bps, thanks to the **lower-than-proportional progression of direct costs** (personnel and services) compared to the evolution of volumes and prices.

At operating level, the decrease in D&A (tied to the expiration in 2014 of the depreciation of its proprietary software - € 500k/y) contributed to boost profitability: **EBIT rise almost 30%** to € 2.54m, 41.6% margin +660bps.

Consistently to the evolution of operating performance and exacerbated by the decrease of financial charges linked to **new more favourable financing conditions** (EURIBOR + 2% vs. the old expensive 6.5% LBO funding), bottom line reached € 1.28m, +38.3% YoY.

Free cash flow totaled € 2.06m, 34.8% of sales and 79.5% of EBITDA. Net financial position, thanks to the **substantial cash generation**, was € 8.7m, with € 1.3m improvement vs. € 10.0m of FY-14. Piteco provided unaudited end-Aug figure of circa € 1.0m, including IPO right issue proceeds to the tune of € 8.5m.



9. Financials

Piteco's focus on the niche of the treasury management software solutions has in the past and is set to continue to ensure the group **outperforms its core market**. This segment is characterised by relatively low volumes, a low competitive environment and limited price pressures. The growth of the top line is almost entirely seen **driven by volume expansion** rather than price expansion.

CFO expects an improvement of 31, 33 and 34 new clients per annum in 2015-17, consistent with last years' average growth pace, with year-end total number of clients increasing from 569 to 670 in 2014-17.

Table 3 – Piteco, 2013-17e top line growth evolution breakdown

€ m	FY-13	FY-14	FY-15e	FY-16e	FY-17e	CAGR ₁₄₋₁₇
Maintenance fees	5.50	5.73	6.00	6.44	6.90	6.4%
Pure maintenance	4.65	4.88	5.12	5.45	5.79	5.8%
Application management	0.85	0.85	0.88	0.99	1.11	9.5%
Additional services	3.64	4.31	4.55	4.88	5.22	6.6%
Software	1.65	1.51	1.44	1.54	1.61	2.2%
Other	0.38	0.75	0.70	0.70	0.70	(2.5)%
Acquisitions	-	-	0.50	1.50	1.90	n.s.
Centro Data	-	-	0.50	1.50	1.90	n.s.
Total revenues	11.17	12.30	13.20	15.06	16.33	9.9%
Existing clients	508	538	569	602	636	
New clients	30	31	31	33	34	
Total clients year-end #	538	569	600	635	670	

Source: Company data, CFO Sim estimates

In the last two years, 73% of Piteco's costs have been fixed (D&A and personnel), and the remaining 27% variable. Piteco presents operating leverage in the last two years of 2.9x: **10% growth in sales generates EBIT growth of 29%** assuming all costs are steady except for COGS. In other words, every additional unit increase in volumes impacts less on fixed costs and more on profitability.

The most relevant cost is personnel, 40% of top line in 2014. Its evolution is driven by a tiny organic growth and the consolidation of Centro Data, 13 units in H2-15.

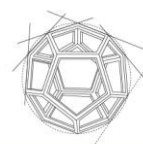
D&A are seen to diminish significantly as of 2015: in 2008 the company applied a mark to market valuation to its software of € 3.5m (depreciation of € 500k/y), expired in 2014.

As a result, **EBITDA and EBIT are expected to grow more than proportionately to top line:** +11.8% and 16.0% CAGR in 2014-17, vs. 9.9% of turnover.

Table 4 - Piteco, 2013-17e profitability evolution

€ m	FY-13	FY-14	FY-15e	FY-16e	FY-17e	CAGR ₁₄₋₁₇
Total revenues	11.17	12.30	13.20	15.06	16.33	9.9%
Material expenses	0.13	0.05	0.06	0.07	0.07	
Change in inventories	(0.02)	(0.03)	(0.03)	(0.03)	(0.03)	
Personnel expenses	4.75	4.98	5.43	6.17	6.68	
Year-end employees #		70	83	86	92	
Average employees #		69	77	85	89	
€/employee		72,106	71,000	73,000	75,000	
Other operating expenses/(income)	1.99	2.08	2.05	2.26	2.31	
EBITDA	4.32	5.23	5.69	6.60	7.30	11.8%
% margin	38.7	42.5	43.1	43.8	44.7	
D&A	0.69	0.70	0.31	0.29	0.24	
EBIT	3.63	4.53	5.38	6.31	7.06	16.0%
% margin	32.5	36.8	40.7	41.9	43.2	

Source: Company data, CFO Sim estimates



Below EBIT in 2013-14 financial charges were mainly related to the expensive 6.5% LBO funding. As from 2015 its refinancing with Euribor+2% bank loans is anticipated to prompt a significant decline in interest charges. The € 325k costs related to the reimbursement and the refinancing are set to be charged in 2015.

Table 5 - Piteco, 2013-17e figures evolution below EBIT

€ m	FY-13	FY-14	FY-15e	FY-16e	FY-17e	CAGR ₁₄₋₁₇
EBIT	3.63	4.53	5.38	6.31	7.06	16.0%
% margin	32.5	36.8	40.7	41.9	43.2	
Financial charges/(income)	1.19	1.01	0.33	0.29	0.26	
Other costs & extraordinary	(0.03)	(0.02)	0.33	0.00	0.00	
Pre-Tax profit	2.47	3.53	4.72	6.02	6.80	24.4%
% margin	22.2	28.7	35.8	40.0	41.7	
Income taxes	0.82	1.09	1.42	1.81	2.04	
Tax rate	33.1%	30.8%	30.0%	30.0%	30.0%	
Post tax results discontinued	0.00	0.00	0.00	0.00	0.00	
Net Profit	1.65	2.44	3.31	4.22	4.76	24.9%
% margin	14.8	19.9	25.1	28.0	29.2	

Source: Company data, CFO Sim estimates

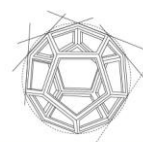
Thanks to the almost complete absence of capex (€ 250k per annum in 2015e-17e), the **operating cash flow almost entirely translates in free cash flow**. The massive cash generation is consequently projected to boost Net Financial Position to € 10.1m cash positive in 2017e from a basically neutral position in 2015e, which includes € 1.1m for Centro Data acquisition.

Table 6 - Piteco, 2013-17e Net Financial Position and financial solidity

€ m	FY-13	FY-14	FY-15e	FY-16e	FY-17e
Year-end NFP (Cash)/Debt	11.26	10.03	0.19	(3.85)	(10.14)
EBITDA	4.32	5.23	5.69	6.60	7.30
Shareholders' equity	19.10	21.40	32.71	36.93	43.37
Interest charges	1.16	0.99	0.65	0.29	0.26
Market Capitalisation	-	-	60.54	60.54	60.54
NFP/Equity	0.59	0.47	0.01	(0.10)	(0.23)
NFP/Mkt Cap	-	-	0.00	(0.06)	(0.17)
NFP/EBITDA	2.61	1.92	0.03	(0.58)	(1.39)
EBITDA/charges	3.72	5.26	8.71	23.13	28.19

Source: Company data, CFO Sim estimates

The company declared it will be distributing dividends (40% pay out) as from 2016e numbers, payment in 2017e. Piteco last 15-Sep decided to produce 2015 figures according to IFRS, one year in advance vs. the schedule: the adoption of IAS/IFRS could also make possible, **the distribution of a dividend already in 2015**.



10. Valuation & risks

We initiate coverage on Piteco with a **BUY recommendation and a Target Price of € 3.90/s, potential upside of 16.0%**, determined by a DCF. The business model of the company allows profitability to grow more than proportionately to top line, thanks to the substantial weight (close to 50% of total) of high margins turnover linked to maintenance and services. CFO estimates almost 90% of margins comes from this business line.

10.1. DCF

In the valuation via the DCF method explicit estimates until 2019 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 7 - WACC derived from:

Interest costs, pre-tax	2.5%
Tax rate	30.0%
Int. costs, after taxes	1.8%
Risk premium, incl. small size premium	7.0%
Risk-free (10Y Gov. Bond 2W average)	1.88%
Beta levered (x)	1.00
Required ROE	8.9%

Source: CFO Sim

Table 8 - Piteco, DCF model

€ m	2015e	2016e	2017e	2018e	2019e	Term. Val.
EBIT	5.38	6.31	7.06	7.77	8.54	
Tax rate	30.0%	30.0%	30.0%	30.0%	30.0%	
Operating profit (NOPAT)	3.76	4.42	4.94	5.44	5.98	
Change working capital	(0.54)	(0.54)	(0.37)	(0.39)	(0.41)	
Depreciation	0.31	0.29	0.24	0.25	0.25	
Investments	(0.25)	(0.25)	(0.25)	(0.25)	(0.25)	
Free Cash Flows	3.28	3.91	4.57	5.05	5.57	77.19
Present value	3.21	3.51	3.77	3.83	3.88	53.80
WACC	8.8%	8.8%	8.8%	8.8%	8.8%	
Long-term growth rate	1.5%					

Source: CFO Sim

Table 9 – Piteco, DCF per share derived from:

Total EV present value € m	71.99
<i>thereof terminal value</i>	74.7%
NFP adusted last reported Q2-15 € m	(0.47)
Pension provision last reported	(1.09)
Equity value € m	70.43
Shares # m	18.13
Discounted CF €/s	3.90
<i>Upside/(downside)</i>	16.0%

Source: CFO Sim

The application of the model produces an equity value of € 70.43m, which corresponds to **€ 3.90/s, with a potential upside of 16.0%**.

The following tables illustrate that sensitivity 1) compared to changes in the terminal growth rate produces an equity value per share of between € 3.50 – 4.40 (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 € 3.40–4.50 (free risk range of between 2.88% and 0.88%) and 3) compared to changes in the risk premium, including small size premium results into an equity value/s of € 3.00-5.40 (risk premium range of between 9.0%% and 5.0%).

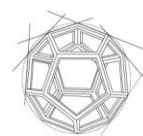


Table 10 – Piteco, equity value sensitivity to changes in terminal growth rate

€ m	0.50%	0.75%	1.00%	1.25%	1.50%	1.75%	2.00%	2.25%	2.50%
Present value of CF	18.20	18.20	18.20	18.20	18.20	18.20	18.20	18.20	18.20
PV of terminal value	46.87	48.44	50.11	51.89	53.80	55.83	58.02	60.37	62.91
Total value	65.06	66.63	68.31	70.09	71.99	74.03	76.22	78.57	81.11
NFP Adj. Q2-15A	(0.47)	(0.47)	(0.47)	(0.47)	(0.47)	(0.47)	(0.47)	(0.47)	(0.47)
Pension provision	(1.09)	(1.09)	(1.09)	(1.09)	(1.09)	(1.09)	(1.09)	(1.09)	(1.09)
Equity value	63.51	65.08	66.75	68.53	70.43	72.47	74.66	77.01	79.55
Equity value €/s	3.50	3.60	3.70	3.80	3.90	4.00	4.10	4.20	4.40

Source: CFO Sim

Table 11 – Piteco, equity value sensitivity to changes in free risk rate

€ m	0.88%	1.13%	1.38%	1.63%	1.88%	2.13%	2.38%	2.63%	2.88%
Present value of CF	18.60	18.49	18.39	18.29	18.20	18.10	18.00	17.91	17.81
PV of terminal value	64.71	61.66	58.84	56.23	53.80	51.53	49.42	47.44	45.58
Total value	83.30	80.16	77.24	74.52	71.99	69.63	67.42	65.34	63.39
NFP Adj. Q2-15A	(0.47)	(0.47)	(0.47)	(0.47)	(0.47)	(0.47)	(0.47)	(0.47)	(0.47)
Pension provision	(1.09)	(1.09)	(1.09)	(1.09)	(1.09)	(1.09)	(1.09)	(1.09)	(1.09)
Equity value	81.75	78.60	75.68	72.97	70.44	68.07	65.86	63.79	61.83
Equity value €/s	4.50	4.30	4.20	4.00	3.90	3.80	3.60	3.50	3.40

Source: CFO Sim

Table 12 – 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	19.01	18.80	18.60	18.39	18.20	18.00	17.81	17.63	17.44
PV of terminal value	79.82	71.60	64.71	58.84	53.80	49.42	45.58	42.19	39.19
Total value	98.83	90.40	83.30	77.24	71.99	67.42	63.39	59.82	56.63
NFP Adj. Q2-15A	(0.47)	(0.47)	(0.47)	(0.47)	(0.47)	(0.47)	(0.47)	(0.47)	(0.47)
Pension provision	(1.09)	(1.09)	(1.09)	(1.09)	(1.09)	(1.09)	(1.09)	(1.09)	(1.09)
Equity value	97.27	88.85	81.75	75.68	70.44	65.86	61.83	58.26	55.07
Equity value €/s	5.40	4.90	4.50	4.20	3.90	3.60	3.40	3.20	3.00

Source: CFO Sim

10.2. Market multiples

We have included 13 peer groups in the sample, operating in the software and digital technology worldwide arena. Our sample comprises larger global payers as well as 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 to Oracle, which however provides a different service. In addition, Piteco offers **top of the range growth** within peer groups, much higher than larger and smaller players' average at every level of P&L. In particular, considering EPS growth, Piteco offers **almost twice the growth**, on average, of its peers. On the other hand, Piteco is amongst the **smaller** firm in terms of market value and **the less liquid** (free float 17%, i.e. € 3.0m).

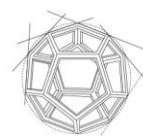


Table 13 - Piteco, peers group summary table

Local currency, m	Country	Price	Mkt Cap	Float	Sales FY1	EBITDA FY1	EBITDA %	Sales CAGR14-17	EBITDA CAGR14-17	EBIT CAGR14-17	EPS CAGR14-17
Intuit Inc.	USA	86.22	23,909	95%	4,567	1,642	35.9	8.1	10.7	11.1	12.7
Microsoft Corporation	USA	43.29	346,233	93%	91,967	33,136	36.0	4.2	7.2	5.9	7.9
NetSuite Inc.	USA	83.92	6,633	47%	744	48	6.5	31.4	24.3	31.0	28.9
Oracle Corporation	USA	35.44	151,138	74%	37,776	17,469	46.2	2.4	0.5	2.0	4.1
salesforce.com, inc.	USA	69.04	45,260	94%	6,621	1,344	20.3	20.7	24.7	36.4	33.6
SAP SE	GERMANY	56.79	69,767	75%	20,455	7,038	34.4	9.0	7.1	8.5	7.1
Median large player							35.2	8.5	9.0	9.8	10.3
Datalogic S.p.A.	ITALY	13.75	804	32%	529	73	13.9	8.1	8.4	10.3	13.3
Digital Bros S.p.A.	ITALY	12.29	173	27%	118	19	16.1	2.4	53.6	54.9	98.8
Engineering S.p.A.	ITALY	53.00	663	33%	864	106	12.3	1.6	1.2	6.1	8.8
Expert System SpA	ITALY	1.90	42	44%	24	4	17.7	38.6	51.7	56.4	87.8
Exprivia S.p.A.	ITALY	0.79	41	44%	155	16	10.0	3.6	6.7	9.0	21.2
Reply S.p.A.	ITALY	100.60	941	43%	701	95	13.5	8.6	10.2	8.4	9.6
TXT e-solutions S.p.A.	ITALY	7.37	96	49%	60	6	10.3	6.8	9.8	17.0	20.0
Median small player							13.5	6.8	9.8	10.3	20.0
PITECO	ITALY	3.37	60	17%	13	6	43.1	9.9	11.8	16.0	24.9

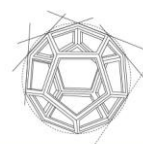
Source: FactSet, CFO Sim

Table 14 - 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.	25.1	20.1	15.3	13.1	4.94	4.41	13.7	11.4	15.4	12.9
Microsoft Corporation	16.2	14.2	11.3	10.1	2.97	2.72	8.2	7.5	9.6	8.5
NetSuite Inc.	399.6	204.7	69.4	56.3	8.78	6.65	135.3	86.6	325.1	182.7
Oracle Corporation	13.6	12.3	11.4	10.3	3.66	3.44	7.9	7.4	8.4	7.7
salesforce.com, inc.	95.9	72.4	31.7	26.5	6.71	5.37	33.1	25.6	55.3	40.2
SAP SE	15.5	14.2	15.1	12.8	3.70	3.36	10.8	9.6	12.1	10.9
Median large player	20.6	17.1	15.2	12.9	4.32	3.92	12.3	10.5	13.7	11.9
Datalogic S.p.A.	17.6	16.0	11.0	10.9	1.57	1.42	11.3	9.8	15.4	12.5
Digital Bros S.p.A.	17.1	11.7			1.50	1.29	9.3	6.8	11.0	7.7
Engineering S.p.A.	13.7	13.1	8.4	8.3	0.60	0.57	4.9	4.6	6.2	5.7
Expert System SpA	54.3	35.9			1.86	1.42	10.5	6.8	59.1	35.6
Exprivia S.p.A.	9.0	7.6	4.4	3.9	0.45	0.40	4.5	3.8	6.6	5.4
Reply S.p.A.	16.9	14.9	16.2	15.1	1.31	1.17	9.7	8.5	10.6	9.3
TXT e-solutions S.p.A.	21.4	16.4			1.58	1.49	15.4	12.7	17.7	14.0
Median small player	17.1	14.9	9.7	9.6	1.50	1.29	9.7	6.8	11.0	9.3
PITECO	16.8	14.2	18.9	13.9	4.55	3.72	10.6	8.5	11.2	8.9
PITECO @TGT	19.9	16.8	22.3	16.5	5.37	4.44	12.5	10.1	13.2	10.6

Source: FactSet, CFO Sim

Piteco **trades at a discount** vs. larger players' median at all levels considering EV multiples and PER. Compared to smaller players, although multiples range varies quite a while amongst its peers, it trades broadly in line at current PER and at discount at PER16e the same trend at EV/EBIT, evidence of the higher growth on offer, not yet priced in.



10.3. 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 **above the IPO price**, and reached the maximum of € 3.46/s on 11-Sep and the minimum of € € 3.15 on 24-Aug. The stock outperformed smaller and larger players.

Table 15 - Piteco, peers group absolute performance

	1D	1W	1M	3M	6M	1Y	YTD
Intuit Inc.	0.7	(0.0)	0.7	(14.0)	(10.5)	(5.8)	(5.8)
Microsoft Corporation	0.3	(1.0)	(1.1)	(2.1)	6.0	(6.5)	(6.5)
NetSuite Inc.	(0.3)	(5.7)	(8.6)	(7.8)	(10.4)	(23.4)	(23.4)
Oracle Corporation	0.2	(1.9)	(5.2)	(12.1)	(16.7)	(21.0)	(21.0)
salesforce.com, inc.	(1.0)	(4.6)	(2.7)	(2.3)	2.7	15.3	15.3
SAP SE	(0.0)	0.4	(5.6)	(10.8)	(14.4)	(2.5)	(2.5)
Median large players	0.1	(1.5)	(3.9)	(9.3)	(10.5)	(6.1)	(6.1)
Datalogic S.p.A.	0.9	(1.2)	3.6	5.2	32.6	56.0	56.0
Digital Bros S.p.A.	(5.2)	(7.0)	3.8	32.5	95.1	265.2	265.2
Engineering S.p.A.	(3.0)	3.2	(2.7)	(10.7)	(8.5)	37.1	37.1
Expert System SpA	0.7	4.1	(11.3)	(15.5)	(18.8)	1.5	1.5
Exprivia S.p.A.	(0.5)	0.5	(4.0)	5.9	(8.3)	9.7	9.7
Reply S.p.A.	(1.1)	0.1	4.3	7.2	13.1	63.4	63.4
TXT e-solutions S.p.A.	0.3	(4.0)	(4.9)	2.1	(21.0)	4.2	4.2
Median small players	(0.5)	0.1	(2.7)	5.2	(8.3)	37.1	37.1
PITECO SpA	0.9	(0.2)	1.0	-	-	-	-
Piteco relative to large players	0.8	1.3	5.0	-	-	-	-
small players	1.4	(0.3)	3.8	-	-	-	-

Source: FactSet

Table 16 – Piteco, indexes and Italian Market performances

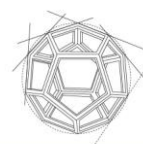
	1D	1W	1M	3M	6M	1Y	YTD
S&P Computer Software Industry	(1.0)	(5.3)	(4.7)	(10.0)	(5.1)	0.7	0.7
iBoxx Eurodollar Software & Comp.	0.0	0.0	0.6	0.6	(3.1)	(1.9)	(1.9)
Euro STOXX TMI / Soft. & Computer	(0.5)	(0.4)	(4.4)	(8.1)	(9.5)	3.8	3.8
FTSE AIM All Share	(0.9)	(1.4)	(2.0)	(4.6)	0.4	2.6	2.6
FTSE MIB - Price	(0.2)	(1.5)	(5.8)	(8.2)	(9.8)	9.0	9.0

Source: FactSet

10.4. Risks

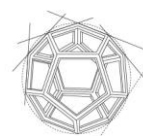
The principal investment **risks** in Piteco include:

- 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 player,
- The departure of one of few key relevant people.





Income statement (€ m)	2013a	2014a	2015e	2016e	2017e
Total revenues	11.17	12.30	13.20	15.06	16.33
Material expenses	0.13	0.05	0.06	0.07	0.07
Change in inventories	(0.02)	(0.03)	(0.03)	(0.03)	(0.03)
Personnel expenses	4.75	4.98	5.43	6.17	6.68
Other operating expenses/(income)	1.99	2.08	2.05	2.26	2.31
EBITDA	4.32	5.23	5.69	6.60	7.30
D&A	0.69	0.70	0.31	0.29	0.24
EBIT	3.63	4.53	5.38	6.31	7.06
Financial charges/(income)	1.19	1.01	0.33	0.29	0.26
Other costs & extraordinary & other	(0.03)	(0.02)	0.33	0.00	0.00
Pre-Tax profit	2.47	3.53	4.72	6.02	6.80
Income taxes	0.82	1.09	1.42	1.81	2.04
Net Profit	1.65	2.44	3.31	4.22	4.76
Net Profit Adjusted	1.63	2.43	3.56	4.22	4.76
Balance sheet (€ m)	2013a	2014a	2015e	2016e	2017e
Net Working Capital	3.32	3.30	3.85	4.39	4.76
Net Fixed Assets	32.35	31.92	32.94	32.90	32.91
Equity Investments	0.17	0.18	0.19	0.19	0.19
Other M/L Term A/L	(5.49)	(3.97)	(4.07)	(4.41)	(4.62)
Net Invested Capital	30.36	31.44	32.90	33.07	33.24
Net Financial Debt	11.26	10.03	0.19	(3.85)	(10.14)
Minorities	0.00	0.00	0.00	0.00	0.00
Group's Shareholders Equity	19.10	21.40	32.71	36.93	43.37
Financial Liabilities & Equity	30.36	31.44	32.90	33.07	33.24
Cash Flow statement (€ m)	2013a	2014a	2015e	2016e	2017e
Total net income	1.65	2.44	3.31	4.22	4.76
Depreciation	0.69	0.70	0.31	0.29	0.24
Othr non-cash charges	0.01	0.12	0.10	0.34	0.21
Cash Flow from Oper. (CFO)	2.35	3.26	3.72	4.84	5.21
Change in NWC	0.46	(1.77)	(0.54)	(0.54)	(0.37)
FCF from Operations (FCFO)	2.81	1.49	3.17	4.30	4.84
Net Investments (CFI)	(0.02)	(0.27)	(1.34)	(0.25)	(0.25)
Free CF to the Firm (FCFF)	2.79	1.22	1.84	4.05	4.59
CF from financials (CFF)	(0.78)	(2.41)	8.86	1.80	2.91
Free Cash Flow to Equity (FCFE)	2.01	(1.20)	10.70	5.85	7.51
Financial ratios	2013a	2014a	2015e	2016e	2017e
EBITDA margin	38.7%	42.5%	43.1%	43.8%	44.7%
EBIT margin	22.2%	28.7%	35.8%	40.0%	41.7%
Net profit margin	14.8%	19.9%	25.1%	28.0%	29.2%
Tax rate	33.1%	30.8%	30.0%	30.0%	30.0%
Interest coverage x	0.33	0.22	0.06	0.05	0.04
Net Debt/Ebitda x	2.61	1.92	0.03	(0.58)	(1.39)
Debt-to-Equity x	0.59	0.47	0.01	(0.10)	(0.23)
ROIC	5.5%	7.9%	10.3%	12.8%	14.4%
ROCE	10.5%	13.1%	11.5%	12.0%	11.7%
ROACE	10.5%	13.1%	13.2%	12.7%	12.5%
ROE	8.7%	12.1%	12.2%	12.1%	11.9%
Payout ratio	0.0%	0.0%	0.0%	40.0%	40.0%
Per share figures	2013a	2014a	2015e	2016e	2017e
Final N. of shares # m	15.6	15.6	18.1	18.1	18.1
Final N. of shares (fully diluted) # m	15.6	15.6	18.1	18.1	18.1
Average N. of shares (fd)# m	15.6	15.6	18.1	18.1	18.1
EPS stated €	0.11	0.16	0.18	0.23	0.26
EPS adjusted €	0.11	0.16	0.18	0.23	0.26
EBITDA €	0.28	0.34	0.31	0.36	0.40
EBIT €	0.23	0.29	0.30	0.35	0.39
FCFO €	0.18	0.10	0.17	0.24	0.27
FCFF €	0.18	0.08	0.10	0.22	0.25
FCFE €	0.13	(0.08)	0.59	0.32	0.41
Dividend €	0.00	0.00	0.00	0.09	0.11



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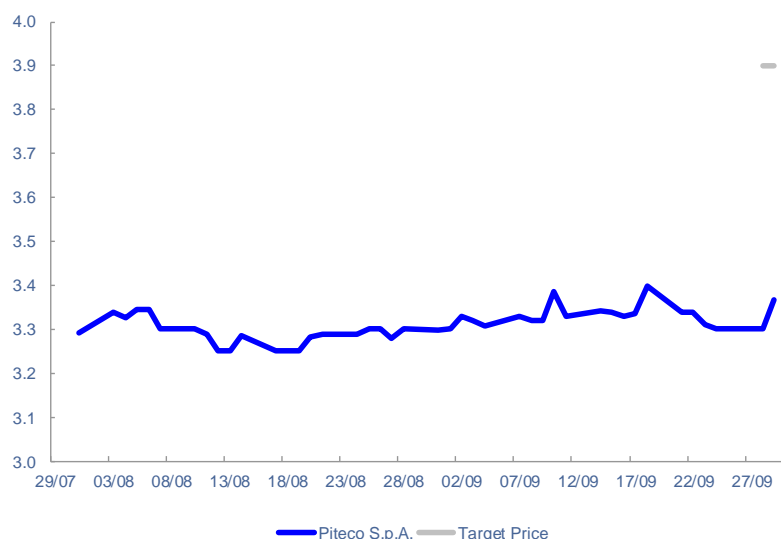
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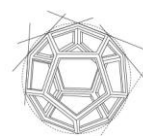
DATE	TARGET PRICE	RATING
30/09/15	€ 3.90	BUY

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