

Italy - Software

Return to domestic organic growth

3rd April 2019

FY-18 RESULTS RELEASE

RIC: PITE.MI
BBG: PITE IM

The company reported FY-18 results, bang in line with our estimates. The figures include Juniper Payments, acquired in Apr-17, for the entire year, and 2.5 months of Myrios contributions, acquired last Oct-18. Piteco stand-alone has resumed its structural growth, thanks to the increase in recurring revenues and 37 new clients in 2018.

Rating:

Buy

Price Target:

€ 7.20 (€ 6.20)

Upside/(Downside): 56.5%

Last Price: € 4.60

Market Cap.: € 83.4

1Y High/Low: € 5.30/€ 3.50

Free Float: 25.9%

Major shareholders:

Podini Family 67.2%
Management 5.7%



Stock price performance

	1M	3M	12M
Absolute	9.5%	17.9%	-10.7%
Rel.to AIM Italia	9.3%	11.1%	-1.1%
Rel.to EU Sector	3.5%	15.8%	3.2%

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Buy recommendation confirmed, PT of € 7.20 (€ 6.20), 56.5% upside

Following the publication of 2018 results, we have left our model basically unchanged, from a business assumption point of view. We have updated DCF valuation criteria and brought the Free Risk Rate up-to-date and rolled over the first year of estimates to 2019. We have also introduced 2021 estimates. The combined result is an upgrade in PT to € 7.20/s (€ 6.20/s), 56.5% upside to current price. We confirm our Buy rating on the shares.

Revenues grew 18.6%, reaching € 20.2m

FY-18 turnover grew 18.6% to € 20.2m driven by 1) +4.5% YoY recorded by the parent company Piteco SpA thanks to 37 new clients (30 in FY-17) and the increase in recurring revenues, reaching 56% of total; 2) € 4.6m stemming from Juniper payments contribution for the entire year; 3) Myrios contribution for 2.5 months, for total € 0.8m. In particular, Myrios closed 2018 with an YoY sales growth of +10% and EBITDA growth of +17% (EBITDA margin 58%). In order to enter the European market, Myrios Switzerland SA, entirely controlled by Myrios SpA, was established in Feb-19, which will propose all the group's solutions to European corporate clients.

EBITDA margin to 40.9%, up 28.0% YoY

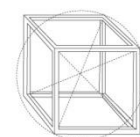
EBITDA soared by 28.0% to € 8.3m, 40.9% margin vs. € 6.5m and 37.9% margin in FY-17, bang in line with our projections. The parent company closed FY-18 with EBITDA of € 5.8m, 39.2% margin (+5.7% YoY). Profitability was sustained by the acquisition contributions too: Juniper reported EBITDA of € 1.9m (41% margin) and Myrios contributed for € 0.5m. Myrios EBITDA grew by 17% in 2018, a margin of 58%. The figure was affected by € 0.7m extraordinary items, mainly connected to the acquisition of Myrios and the transition to the MTA market. Excluding this effect, EBITDA adj. increased 41.9%, 44.4% margin. After a 8.1% tax rate, Net Profit totalled € 5.3m, vs. € 3.4m last year, and better than our estimates.

Massive operating cash flow, 32% on sales and 75% of EBITDA

Operating cash flow totalled € 6.2m, 32% on sales and 75% of EBITDA. After the € 7.7m payment for the acquisition of Myrios and the distribution of € 2.7m dividends, Net Financial Position was negative for € 15.3m, vs. € 6.5m at Dec-17. Including put options for the acquisitions of minority stakes of Juniper Payments and Myrios (€ 2.3m and € 9.2m respectively), the NFP reached € 26.8m. The BoD will propose to the AGM the distribution of a dividend of € 0.15/share, 59% pay out, yield of 3.6%, ex-dividend 20-May-19, record date 21-May-19 and payment 22-May-19.

Piteco, key financials and ratios

€ m	2017	2018	2019e	2020e	2021e
Sales	17.05	20.21	25.83	28.90	31.24
EBITDA	6.46	8.27	10.80	12.27	13.70
EBITDA adjusted	6.72	8.27	10.80	12.27	13.70
EBIT	4.97	6.40	8.65	10.27	11.38
Net profit	3.39	5.27	6.61	8.11	9.17
Net profit adjusted	3.51	4.60	6.61	8.11	9.17
EPS adjusted	0.19	0.25	0.36	0.45	0.51
EPS adj. growth	-23.7%	31.1%	43.8%	22.7%	13.0%
DPS ord. €/s	0.15	0.16	0.22	0.27	0.30
Dividend yield	3.3%	3.5%	4.8%	5.8%	6.6%
NFP (cash)/debt	6.50	26.77	22.12	16.68	10.79
Free Cash Flow Yield	5.4%	7.9%	10.2%	11.3%	12.9%
PER x	23.8	18.1	12.6	10.3	9.1
PCF x	18.5	12.1	9.0	8.2	7.2
EV/Sales x	5.3	5.5	4.1	3.5	3.0
EV/EBITDA x	13.9	13.3	9.8	8.2	6.9
EV/EBIT x	18.1	17.2	12.2	9.7	8.3



Piteco in a nutshell

Piteco, which stands for “**P**ianificazione **T**esoreria **C**omputerizzata” (computerised treasury planning), is the undisputed domestic leader, more than 4x the size of its closest competitor, in the niche of 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:

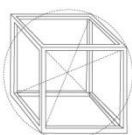
- 1) **Piteco** – The leading domestic software house for proprietary solutions to corporate cash management and financial planning, serving 650 large industrial groups active in a highly diversified number of sectors. **Piteco has over 30 years of track record** and covers all different links on the 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 environments), customisable (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 was established in Apr-17 to acquire the assets from LendingTools.com Inc., a US company established in 2000.

FY-18 turnover grew 18.6% to € 20.2m, bang in line with our forecast, driven by the increase in recurring revenues and new clients, the Juniper payments contribution for the entire year and Myrios contribution for 2.5 months. EBITDA increased 28.0% to € 8.3m, 40.9% margin vs. € 6.5m and 37.9% margin in FY-17. Client base currently comprises some 650 firms, of which a relevant number 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, 2018 revenues and client profile (turnover size) breakdown



Source: Company data



The group operates in five sites (Milan, Rome, Padua, Turin and Wichita US), with 114 operatives:

- 4 managers/founding partners: Paolo Virenti (CEO Piteco), Riccardo Veneziani (CFO Piteco), Andrea Guillermaz (Sales Director Piteco) and Marco Pecetto (CEO Myrios);
- 6 administrative;
- 4 in competence centre (research), skilled resources in treasury & finance. These people are dedicated to the study and design of new functions;
- 30 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;
- 8 in sales & marketing, focused on new client development;
- 45 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.
- 20 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 by more than 2x** the offer size.

The current major shareholder is the **Podini family with 67.2%** of the share capital, the **management holds a 5.7%** stake and the **free float is 25.9%**.

Table 1 - PITECO, Shareholders structure details

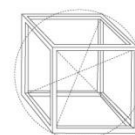
	%	# m
Podini Family	67.24	12.19
Dedagroup S.p.A.	55.44	10.05
Marco Podini	5.68	1.03
Maria Luisa Podini	5.68	1.03
Francesca Zanella	0.21	0.04
Lillo S.p.A.	0.22	0.04
Management	5.72	1.04
Andrea Guido Guillermaz	1.91	0.35
Riccardo Veneziani	1.91	0.35
Paolo Virenti	1.91	0.35
Free Float	25.86	4.69
Ennismore Fund Management	7.77	1.41
Treasury shares	1.19	0.22
Total	100.00	18.13

Source: Company data, updated 03 April 2019

Acquisition of Myrios

As already analysed in the CFO Sim report dated 9th July, Piteco recently acquired Myrios. **The acquisition is accretive for Piteco at EBITDA and Net Profit level.** In addition, on the back of the fairly cheap price paid, **the move is value accretive for shareholders.**

The firm has developed a software solution dedicated to the manufacturing and service industries as well as to banks for the Finance & Risk Management areas. More than 90% of turnover is represented by recurring fees, granting relevant cash-flow visibility. The company is well managed, offers hefty returns (even higher than those of Piteco) and generates huge visible cash flows. With its acquisition, Piteco aims to exploit the synergies and to promote the innovative solution of Myrios on the corporate market using existing sales networks. Myrios was consolidated as from Oct-18.



In 2018 **Myrios revenues reached € 3.0m (+10% YoY), EBITDA totalled € 1.7m (+17% YoY, 58% margin)**. Piteco paid € 7.3m for a 56% stake by 15-Oct which corresponds to 8.75x EBITDA17. The deal envisages a further two tranches following an “earn out” mechanism respectively at the approval of 2018 and 2019 accounts, according to a formula considering EBITDA growth, at the same multiple paid for the first tranche. There is also a put option by Myrios shareholders for the remaining 44% stake (Apr-21/Apr-25), with at least 50% of the price paid in Piteco shares.

Move to the MTA

Last 21-Sep Commissione Nazionale per le Società e la Borsa (“CONSOB”), the Italian watchdog, approved the prospectus for the admission to listing of Piteco ordinary shares and convertible bonds on the Mercato Telematico Azionario, organised and managed by Borsa Italiana. As of 25-Sep shares and convertible bonds have been traded in the main market of Borsa Italiana. The move, in our view, is set to produce **tangible benefits in terms of liquidity and visibility**, thus **zeroing the AIM Italia discount** investors need to apply before evaluating the investment in Piteco.

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 growth is mainly driven by substitution or upgrade necessities, the segment in which Piteco manoeuvres is worth \$ 2.3bn worldwide and is **projected to grow at a 4.8% CAGR_{13-18e}**. Despite the need for a more customized treasury management system, the majority of firms – for example, 43% of the 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.

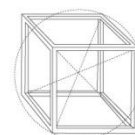
Geographically, **the bulk of growth comes from Asia Pacific & Japan** (7.0% CAGR in 2013-18), the Americas are set to progress by 5.2% and EMEA by 3.6%. In terms of shares, APJ area is expected to reach 15.5% of the total (from 14.0%), Americas 44.6% (+120bps) and EMEA 39.8% (-240bps).

Table 2 – 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 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 oligopoly, characterised by the lack of a unique standard for banks interconnection payment platforms, **Juniper Payments is the 4th actor in the US arena**.



Segment competitive arena

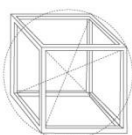
Piteco produces the vast majority of its top line **in the domestic market**, i.e. some 80% of the 2018 turnover amount by final destination. Undoubtedly, the company here holds the **leading position**, more than **4x the size of its closest competitor**. The market is characterised by a relatively small size and quite a few peculiarities in terms of payment procedures and relationships with the banking establishment. That is why larger global actors are rather deterred from penetrating the domestic market. According to figures provided by the company, we **believe less than 1% of annual turnover** on average has been lost to competition.

The largest competitor is actually the spreadsheet, widely used by smaller enterprises, with significant issues related to time consumption 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 on financial services, education and the public sector. In 2015 the company was acquired by FIS, a global leader in financial services technology.
- **Kyriba** is the premium product in the industry with cloud solutions, with 1,300 clients and some 400 employees.
- **Wallstreet** offers solutions to improve workflow, control and productivity to company treasury, banking, FX trading and back office operations.
- **Bellin** operates in several areas, consulting, software (liquidity management, intercompany reconciliation and credit management) and services. It boasts a peculiarly hybrid structure with a balanced offer positioned amongst risk, treasury and financial operations. Bellin has no clients in Italy.
- **GTreasury**, US based, offers treasury software solutions and services to banks and firms worldwide. The tool can be installed locally or managed via clouding and is modular. GTreasury has no clients in Italy.
- **DocFinance** is the only local actor in the Italian market, however it is focused on small caps (turnover < € 75m). The DocFinance product addresses a market of some 8,000 clients, with a ready-to-go profile. The coverage solution is much lower than Piteco as well as significantly less customisable.

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 just 10% of total motivation for the choice. 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 in hand, o/w € 35k for software and € 30k for advisory. Subsequently, the recurring yearly maintenance fee is worth circa € 11k (showing steady growth and inflation linked) and billed in advance at the beginning of the year. Generally, 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 modulable, adjustable, specific and customisable**. 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.



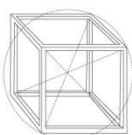
Group strategy

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 17 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 relative fragmentation of the Italian market offers several small targets. Piteco aims 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 subsidiaries 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 accounts. The acquisition of Juniper Payments goes in this direction.

The foreign expansion started in 2017 with the Juniper Payments acquisition, which allowed the Group to operate in the digital payment services and clearing house segments to approximately 3,500 American banks. Juniper can be considered one of the largest US interbank networks. It was established in Apr-17 to acquire the assets from LendingTools.com Inc., a US company established in 2000.

In order to enter the European market, **Myrios Switzerland SA**, entirely controlled by Myrios SpA, was established in Feb-19, which will propose all the group's solutions to European corporate clients.



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

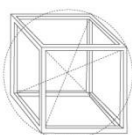
- ❑ 75% of revenues comes from the **domestic market**, heavy dependence on one single country
- ❑ Limited **size** in the international competitive arena

OPPORTUNITIES

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

THREATS

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



FY-18 results

The company reported FY-18 results, bang in line with our estimates. The figures include Juniper Payments, acquired in Apr-17, for the entire year, and 2.5 months of Myrios contributions, acquired last Oct-18. Piteco stand-alone has resumed its structural growth, thanks to the increase in recurring revenues and 37 new clients in 2018.

Table 3 – Piteco, FY-18 results summary

€ m	2018	2017	% YoY	2018e	% Diff.
Turnover	20.2	17.0	18.6	20.7	(2.2)
Raw material	(0.3)	(0.3)		(0.3)	
Personnel	(8.1)	(7.4)		(8.6)	
Other	(3.5)	(2.9)		(3.5)	
EBITDA	8.3	6.5	28.0	8.3	0.0
% margin	40.9	37.9		40.0	
D&A	(1.9)	(1.5)		(1.8)	
EBIT	6.4	5.0	28.6	6.4	(0.2)
% margin	31.7	29.2		31.0	
Financials	0.1	(1.6)		(1.1)	
Extraordinary	(0.7)	0.1		0.0	
Pre-Tax Profit	5.7	3.5	65.8	5.3	7.7
Income Taxes	(0.5)	(0.1)		(0.7)	
Tax rate %	8.1	2.1		13.0	
Net Profit	5.3	3.4	55.5	4.6	13.7
% margin	26.0	19.9		22.4	
EBITDA adj.	9.0	6.3	41.9	8.3	8.7
% margin	44.4	37.1		40.0	
Net Profit adj.	6.0	3.3	83.6	4.6	29.3
% margin	29.6	19.1		22.4	

Source: company data

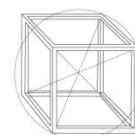
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EBITDA soared by 28.0% to € 8.3m, 40.9% margin vs. € 6.5m and 37.9% margin in FY-17, bang in line with our projection. The parent company closed FY-18 with EBITDA of € 5.8m, 39.2% margin (+5.7% YoY). Profitability was sustained by the acquisition contributions too: Juniper reported EBITDA of € 1.9m (41% margin) and Myrios contributed for € 0.5m. Myrios EBITDA grew by 17% in 2018, margin of 58%.

The data was affected by € 0.7m extraordinary items, mainly connected to the acquisition of Myrios and the transition to the MTA market. Excluding this effect, **EBITDA adj. increased 41.9%** to € 9.0m, 44.4% margin.

The positive effect of financial income was entirely due to the € 0.4m forex gain stemming from the conversion into € of the \$ 10m intercompany loan required to acquire Juniper. After a 8.1% tax rate, **Net Profit totalled € 5.3m, vs. € 3.4m last year**, and better than our estimates. **The BoD will propose to the AGM the distribution of a dividend of € 0.15/share**, 59% pay out, yield of 3.6%, ex-dividend 20-May-19, record date 21-May-19 and payment 22-May-19.

Operating cash flow totalled € 6.2m, 32% on sales and 75% of EBITDA. After the € 7.7m payment for the acquisition of Myrios and the distribution of € 2.7m dividends, Net Financial Position was negative for € 15.3m, vs. € 6.5m at Dec-17. **Including put options for the acquisitions of minority stakes of Juniper Payments and Myrios** (€ 2.3m and € 9.2m respectively), **the NFP reached € 26.8m.**



Estimates, valuation and risks

Following the publication of 2018 results, we have left our model basically unchanged, from a business assumption point of view. Bear in mind that according to IFRS, under the anticipated acquisition method, the interests of the non-controlling shareholders are derecognised when the group's liability relating to the purchase of their shares is recognised. In other words, the value of the put options related to the acquisition of the remaining stakes in Juniper Payments and Myrios, are included in the net debt, whilst no minorities interests are left on the balance sheet and profit & loss schemes.

We have updated DCF valuation criteria and brought the Free Risk Rate up-to-date and rolled over the first year of estimates to 2019. We have also introduced 2021 estimates. The combined result is an upgrade in PT to € 7.20/s (€ 6.20/s), 56.5% upside to current price. We confirm our Buy recommendation on the shares.

After at least two flat years, in 2018 Piteco resumed its organic growth (+4.5% yoy), thanks to a constant increase in recurring revenues and adding 37 new clients to its portfolio. In 2019 the figures will be positively impacted by the full consolidation of Myrios (accounted only for 2.5 months in 2018).

DCF

In the valuation via the DCF method explicit estimates until 2023 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 4 - WACC derived from:

Interest costs, pre-tax	2.5%
Tax rate	25.0%
Int. costs, after taxes	1.9%
Risk premium, incl. small size premium	7.0%
Risk-free (10Y Gov. Bond 2W average)	2.50%
Beta levered (x)	1.00
Required ROE	9.5%

Source: CFO Sim

Table 5 - Piteco, DCF model

€ m	2019e	2020e	2021e	2022e	2023e	Term. Val.
EBIT	8.65	10.27	11.38	11.49	11.60	
Tax rate	13.0%	13.0%	13.0%	13.0%	13.0%	
Operating profit (NOPAT)	7.52	8.94	9.90	10.00	10.10	
Change working capital	(1.11)	(0.62)	(0.48)	(0.01)	(0.01)	
Depreciation	2.16	2.00	2.33	1.00	0.78	
Investments	(0.74)	(0.78)	(0.78)	(0.78)	(0.78)	
Free Cash Flows	7.83	9.54	10.97	10.21	10.09	166.59
Present value	7.41	8.39	8.96	7.75	7.11	117.42
WACC	7.6%	7.6%	7.6%	7.6%	7.6%	
Long-term growth rate	1.5%					

Source: CFO Sim

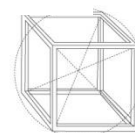


Table 6 – Piteco, DCF per share derived from:

Total EV present value € m	157.04
<i>thereof terminal value</i>	74.8%
NFP last reported FY-18	(26.77)
Pension provision last reported	(1.29)
Equity value € m	128.97
Shares # m (ex. Treasury shares)	17.92
Discounted CF €/s	7.20
<i>Upside/(downside)</i>	56.5%

Source: CFO Sim

The application of the model produces an equity value of € 128.97m, which corresponds to **€ 7.20/s** (€ 6.20), with a potential upside of 56.5%.

The following tables illustrate that sensitivity 1) compared to changes in the terminal growth rate produces an equity value per share of between € 6.23 – 8.55 (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 € 6.42 – 8.15 (free risk range of between 3.30% and 1.70%) and 3) compared to changes in the risk premium, including small size premium results into an equity value/s of € 5.48 – 10.03 (risk premium range of between 9.0% and 5.0%).

Table 7 – 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	39.62	39.62	39.62	39.62	39.62	39.62	39.62	39.62	39.62
PV of terminal value	100.00	103.88	108.05	112.55	117.42	122.70	128.44	134.72	141.61
Total value	139.62	143.50	147.67	152.17	157.04	162.32	168.06	174.34	181.23
NFP last reported	(26.77)	(26.77)	(26.77)	(26.77)	(26.77)	(26.77)	(26.77)	(26.77)	(26.77)
Pension last reported	(1.29)	(1.29)	(1.29)	(1.29)	(1.29)	(1.29)	(1.29)	(1.29)	(1.29)
Equity value	111.55	115.43	119.61	124.11	128.97	134.25	140.00	146.28	153.16
Equity value €/s	6.23	6.44	6.68	6.93	7.20	7.49	7.81	8.16	8.55

Source: CFO Sim

Table 8 – Piteco, equity value sensitivity to changes in free risk rate

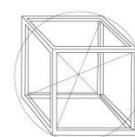
€ m	1.70%	1.90%	2.10%	2.30%	2.50%	2.70%	2.90%	3.10%	3.30%
Present value of CF	40.23	40.08	39.92	39.77	39.62	39.47	39.32	39.17	39.02
PV of terminal value	133.79	129.36	125.17	121.19	117.42	113.83	110.42	107.18	104.08
Total value	174.02	169.44	165.09	160.96	157.04	153.30	149.74	146.35	143.10
NFP last reported	(26.77)	(26.77)	(26.77)	(26.77)	(26.77)	(26.77)	(26.77)	(26.77)	(26.77)
Pension last reported	(1.29)	(1.29)	(1.29)	(1.29)	(1.29)	(1.29)	(1.29)	(1.29)	(1.29)
Equity value	145.95	141.37	137.02	132.90	128.97	125.24	121.68	118.28	115.04
Equity value €/s	8.15	7.89	7.65	7.42	7.20	6.99	6.79	6.60	6.42

Source: CFO Sim

Table 9 – 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	41.18	40.78	40.39	40.00	39.62	39.24	38.87	38.51	38.15
PV of terminal value	166.62	151.46	138.47	127.23	117.42	108.78	101.12	94.30	88.17
Total value	207.81	192.24	178.86	167.23	157.04	148.03	140.00	132.81	126.32
NFP last reported	(26.77)	(26.77)	(26.77)	(26.77)	(26.77)	(26.77)	(26.77)	(26.77)	(26.77)
Pension last reported	(1.29)	(1.29)	(1.29)	(1.29)	(1.29)	(1.29)	(1.29)	(1.29)	(1.29)
Equity value	179.74	164.18	150.79	139.17	128.97	119.96	111.93	104.74	98.26
Equity value €/s	10.03	9.16	8.42	7.77	7.20	6.70	6.25	5.85	5.48

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 an **EBITDA margin** amongst the **highest**, 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 25.9%, i.e. € 21.6m).

Table 10 - Piteco, peers group summary table

€ m	Country	Mkt Cap	Sales FY1	EBITDA FY1	EBITDA margin	Sales CAGR ₁₈₋₂₁	EBITDA CAGR ₁₈₋₂₁	EBIT CAGR ₁₈₋₂₁	EPS CAGR ₁₉₋₂₁	NFP /EBITDA
Intuit Inc	USA	61,406	5,947	2,164	36.4%	12.4%	20.1%	22.5%	13.2%	(1.0)
Microsoft Corp	USA	814,436	109,307	46,264	42.3%	12.5%	16.1%	16.1%	13.6%	(1.1)
Oracle Corp	USA	166,371	35,068	16,363	46.7%	2.5%	6.0%	9.3%	3.1%	0.6
Salesforce.Com Inc	USA	110,836	14,175	3,439	24.3%	20.5%	57.6%	106.5%	29.8%	(1.2)
SAP SE	Germany	126,593	27,118	8,478	31.3%	8.7%	11.7%	13.7%	12.1%	0.9
Median large player		126,593	27,118	8,478	36.4%	12.4%	16.1%	16.1%	13.2%	(1.0)
Datalogic SpA	Italy	1,224	664	109	16.4%	5.1%	6.0%	9.4%	9.9%	(0.6)
Digital Bros SpA	Italy	80	88	9	10.2%	n.a.	n.a.	n.a.	n.a.	0.9
Expert System SpA	Italy	55	34	7	21.4%	18.1%	128.9%	n.a.	n.a.	2.3
Exprivia SpA	Italy	64	625	48	7.7%	n.a.	n.a.	n.a.	n.a.	4.3
Reply SpA	Italy	2,143	1,167	163	14.0%	10.1%	11.9%	12.2%	10.7%	(0.8)
TXT e solutions SpA	Italy	119	46	5	11.1%	n.a.	n.a.	n.a.	n.a.	11.4
Median small player		100	357	29	12.5%	10.1%	11.9%	10.8%	10.3%	1.6
Piteco SpA		83	26	11	41.8%	15.6%	18.4%	21.1%	17.8%	2.0

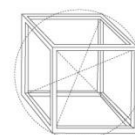
Source: Thomson Reuters Eikon, CFO Sim

Table 11 - 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	40.4	35.9	35.7	32.0	10.6	9.6	27.4	24.0	30.2	26.2
Microsoft Corp	27.0	24.0	20.0	17.8	7.7	7.0	16.5	14.4	21.3	18.6
Oracle Corp	14.5	14.3	13.3	12.8	5.1	5.0	10.7	10.4	11.5	11.3
Salesforce.Com Inc	56.2	43.8	39.3	32.2	8.0	6.7	31.1	24.4	41.2	31.1
SAP SE	23.3	20.5	20.3	17.8	4.9	4.5	15.9	13.8	17.6	15.3
Median large player	27.0	24.0	20.3	17.8	7.7	6.7	16.5	14.4	21.3	18.6
Datalogic SpA	17.9	16.2	14.2	13.5	1.9	1.9	10.7	9.5	12.7	10.9
Digital Bros SpA	80.3	11.5	6.7	5.7	0.9	0.7	9.8	5.8	(44.2)	9.9
Expert System SpA	(83.9)	55.4	7.5	7.3	1.6	1.5	9.9	8.0	(96.5)	26.0
Exprivia SpA	10.7	7.2	2.5	2.2	0.1	0.1	5.7	4.9	9.7	8.0
Reply SpA	20.3	18.4	17.8	16.1	1.9	1.8	12.3	10.7	13.6	11.8
TXT e solutions SpA	43.7	36.2	27.5	24.4	2.6	2.5	34.8	30.5	50.8	42.0
Median small player	19.1	17.3	10.9	10.4	1.8	1.6	10.3	8.7	11.2	11.4
Piteco SpA	12.6	10.3	9.5	8.3	4.1	3.5	9.8	8.2	12.2	9.7
(Disc.)/prem. to large players	-53.2%	-57.2%	-53.0%	-53.6%	-47.1%	-48.2%	-40.8%	-43.2%	-42.6%	-47.5%
(Disc.)/prem. to small players	-34.1%	-40.5%	-12.6%	-20.7%	131.1%	112.4%	-4.9%	-6.7%	8.7%	-14.3%

Source: Thomson Reuters Eikon, CFO Sim

Piteco **trades at a discount** vs. larger players' median considering every metric in 2019 and 2020. Compared to smaller players, although the multiples range varies quite a bit amongst its peers, Piteco trades at a discount considering PER, PCF 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 a 1Y maximum of € 5.30/s on 3-Apr-18 and a minimum of € 3.50 on 16-Oct-18. The stock comes from a YTD absolute uptrend, also outperforming indexes.

Table 12 - Piteco, peers group absolute performance

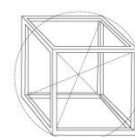
	1D	1W	1M	3M	6M	YTD	1Y
Intuit Inc.	1.7	4.7	6.7	35.0	16.7	35.0	53.3
Microsoft Corporation	0.9	1.2	6.0	17.2	2.9	17.2	30.4
Oracle Corporation	1.6	3.5	4.9	20.9	5.4	20.9	19.3
salesforce.com, inc.	1.8	0.2	1.7	17.7	0.8	17.7	38.6
SAP SE	0.0	4.4	8.8	18.5	(3.4)	18.5	21.2
Median large players	1.6	3.5	6.0	18.5	2.9	18.5	30.4
Datalogic S.p.A.	0.7	4.4	(9.2)	2.6	(35.0)	2.6	(17.7)
Digital Bros S.p.A.	0.0	0.9	14.9	33.4	(41.4)	33.4	(42.6)
Expert System SpA	2.3	(7.2)	(4.3)	32.6	21.7	32.6	18.8
Exprivia S.p.A.	0.2	(0.3)	(5.6)	50.7	1.0	50.7	(13.1)
Reply S.p.A.	(0.3)	1.8	3.2	29.9	(4.8)	29.9	27.7
TXT e-solutions S.p.A.	1.7	3.2	(5.2)	11.9	(3.2)	11.9	(8.5)
Median small players	0.4	1.3	(4.8)	31.2	(4.0)	31.2	(10.8)
PITECO SpA	2.2	3.1	9.5	17.9	0.0	17.9	(10.7)
Piteco relative to large players	0.6	(0.3)	3.5	(0.5)	(2.9)	(0.5)	(41.1)
small players	1.8	1.8	14.3	(13.3)	4.0	(13.3)	0.1
FTSE AIM Italia	2.2	1.1	9.3	11.1	16.7	17.9	(1.1)
EU sector	2.6	2.7	6.1	2.1	(5.2)	0.3	(13.9)

Source: Thomson Reuters Eikon

Risks

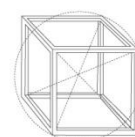
The principal investment **risks** in Piteco include:

- 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.

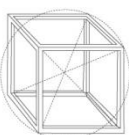




Income statement (€ m)	2017	2018	2019e	2020e	2021e
Total revenues	17.05	20.21	25.83	28.90	31.24
Material expenses	0.27	0.31	0.39	0.44	0.47
Change in inventories	0.00	0.00	0.00	0.00	0.00
Personnel expenses	7.42	8.12	9.73	10.60	10.91
Other operating expenses/(income)	2.90	3.52	4.91	5.59	6.14
EBITDA	6.46	8.27	10.80	12.27	13.70
EBITDA adj.	6.72	8.27	10.80	12.27	13.70
D&A	1.48	1.87	2.16	2.00	2.33
EBIT	4.97	6.40	8.65	10.27	11.38
Financial charges/(income)	1.64	(0.05)	1.04	0.95	0.83
Other costs & extraordinary & other	(0.13)	0.72	0.00	0.00	0.00
Pre-Tax profit	3.46	5.73	7.60	9.33	10.54
Income taxes	0.07	0.47	0.99	1.21	1.37
Net Profit	3.39	5.27	6.61	8.11	9.17
Net Profit Adjusted	3.51	4.60	6.61	8.11	9.17
Balance sheet (€ m)	2017	2018	2019e	2020e	2021e
Net Working Capital	3.35	4.14	5.25	5.87	6.35
Net Fixed Assets	38.90	60.40	58.98	57.75	56.20
Equity Investments	0.00	0.00	0.00	0.00	0.00
Other M/L Term A/L	(5.84)	(6.63)	(7.98)	(8.67)	(9.18)
Net Invested Capital	36.41	57.91	56.25	54.96	53.37
Net Financial Debt	6.50	26.77	22.12	16.68	10.79
Minorities	0.00	0.00	0.00	0.00	0.00
Group's Shareholders Equity	29.92	31.14	34.13	38.28	42.58
Financial Liabilities & Equity	36.41	57.91	56.25	54.96	53.37
Cash Flow statement (€ m)	2017	2018	2019e	2020e	2021e
Total net income	3.39	5.27	6.61	8.11	9.17
Depreciation	1.48	1.87	2.16	2.00	2.33
Other non-cash charges	(0.46)	0.52	1.61	0.69	0.51
Cash Flow from Oper. (CFO)	4.41	7.65	10.38	10.81	12.01
Change in NWC	0.10	(0.79)	(1.11)	(0.62)	(0.48)
FCF from Operations (FCFO)	4.51	6.87	9.27	10.18	11.54
Net Investments (CFI)	(10.23)	(23.26)	(0.74)	(0.78)	(0.78)
Free CF to the Firm (FCFF)	(5.72)	(16.40)	8.53	9.41	10.76
CF from financials (CFF)	0.01	16.81	(6.88)	(6.90)	(7.51)
Free Cash Flow to Equity (FCFE)	(5.72)	0.42	1.66	2.50	3.25
Financial ratios	2017	2018	2019e	2020e	2021e
EBITDA margin	37.9%	40.9%	41.8%	42.5%	43.9%
EBIT margin	29.2%	31.7%	33.5%	35.5%	36.4%
Net profit margin	19.9%	26.0%	25.6%	28.1%	29.4%
Tax rate	2.1%	8.1%	13.0%	13.0%	13.0%
Interest coverage x	0.33	(0.01)	0.12	0.09	0.07
Net Debt/Ebitda x	1.01	3.24	2.05	1.36	0.79
Debt-to-Equity x	0.22	0.86	0.65	0.44	0.25
ROIC	10.2%	11.2%	11.6%	14.6%	16.9%
ROCE	11.6%	9.5%	12.7%	14.8%	15.9%
ROACE	11.7%	11.6%	12.7%	14.9%	16.2%
ROE	10.9%	17.2%	20.3%	22.4%	22.7%
Payout ratio	80.4%	68.7%	60.0%	60.0%	60.0%
Per share figures	2017	2018	2019e	2020e	2021e
Final N. of shares # m	18.1	18.1	18.1	18.1	18.1
Final N. of shares (fully diluted) # m	18.1	18.1	18.1	18.1	18.1
Average N. of shares (fd)# m	18.1	18.1	18.1	18.1	18.1
EPS stated €	0.19	0.29	0.36	0.45	0.51
EPS adjusted €	0.19	0.29	0.36	0.45	0.51
EBITDA €	0.36	0.46	0.60	0.68	0.76
EBIT €	0.27	0.35	0.48	0.57	0.63
FCFO €	0.25	0.38	0.51	0.56	0.64
FCFF €	(0.32)	(0.90)	0.47	0.52	0.59
FCFE €	(0.32)	0.02	0.09	0.14	0.18
Dividend €	0.15	0.16	0.22	0.27	0.30



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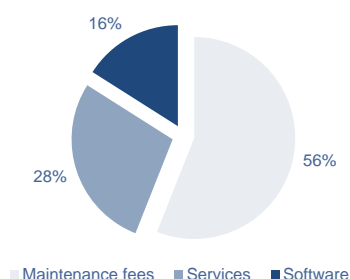


The company at a glance

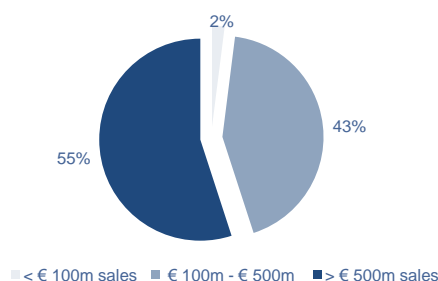
Piteco is the undisputed domestic leader, more than 4x the size of its closest competitor, in the niche of corporate treasury management and financial planning software. The company designs, develops and implements proprietary software and solutions for corporate cash management. It focuses on large/mid enterprises operating in every industry except banks and public administration. 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-18 turnover grew 18.6% to € 20.2m, bang in line with our forecast, driven by the increase in recurring revenues and new clients, the Juniper payments contribution for the entire year and Myrios contribution for 2.5 months. EBITDA increased 28.0% to € 8.3m, 40.9% margin vs. € 6.5m and 37.9% margin in FY-17. Client base currently comprises some 650 firms, of which a relevant number 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.

2018 revenues and...



... and client profile (sales) breakdown



Shareholder structure

	%	# m
Podini Family	67.24	12.19
Dedagroup S.p.A.	55.44	10.05
Marco Podini	5.68	1.03
María Luisa Podini	5.68	1.03
Francesca Zanella	0.21	0.04
Lillo S.p.A.	0.22	0.04
Management	5.72	1.04
Andrea Guido Guillemaz	1.91	0.35
Riccardo Veneziani	1.91	0.35
Paolo Virenti	1.91	0.35
Free Float	25.86	4.69
Ennismore Fund Management	7.77	1.41
Treasury shares	1.19	0.22
Total	100.00	18.13

Source: Company data

Peer group absolute performance

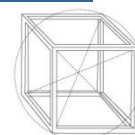
	1D	1W	1M	3M	6M	YTD
Intuit Inc	1.7	4.7	6.7	35.0	16.7	35.0
Microsoft Corp	0.9	1.2	6.0	17.2	2.9	17.2
Oracle Corp	1.6	3.5	4.9	20.9	5.4	20.9
Salesforce.com Inc	1.8	0.2	1.7	17.7	0.8	17.7
SAP SE	0.0	4.4	8.8	18.5	(3.4)	18.5
Median large players	1.6	3.5	6.0	18.5	2.9	18.5
Datalogic SpA	0.7	4.4	(9.2)	2.6	(35.0)	2.6
Digital Bros SpA	0.0	0.9	14.9	33.4	(41.4)	33.4
Expert System SpA	2.3	(7.2)	(4.3)	32.6	21.7	32.6
Exprivia SpA	0.2	(0.3)	(5.6)	50.7	1.0	50.7
Reply SpA	(0.3)	1.8	3.2	29.9	(4.8)	29.9
TXT e solutions SpA	1.7	3.2	(5.2)	11.9	(3.2)	11.9
Median small players	0.4	1.3	(4.8)	31.2	(4.0)	31.2
Piteco SpA	2.2	3.1	9.5	17.9	0.0	17.9

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	40.4	35.9	35.7	32.0	10.6	9.6	27.4	24.0	30.2	26.2
Microsoft Corp	27.0	24.0	20.0	17.8	7.7	7.0	16.5	14.4	21.3	18.6
Oracle Corp	14.5	14.3	13.3	12.8	5.1	5.0	10.7	10.4	11.5	11.3
Salesforce.Com Inc	56.2	43.8	39.3	32.2	8.0	6.7	31.1	24.4	41.2	31.1
SAP SE	23.3	20.5	20.3	17.8	4.9	4.5	15.9	13.8	17.6	15.3
Median large player	27.0	24.0	20.3	17.8	7.7	6.7	16.5	14.4	21.3	18.6
Datalogic SpA	17.9	16.2	14.2	13.5	1.9	1.9	10.7	9.5	12.7	10.9
Digital Bros SpA	80.3	11.5	6.7	5.7	0.9	0.7	9.8	5.8	(44.2)	9.9
Expert System SpA	(83.9)	55.4	7.5	7.3	1.6	1.5	9.9	8.0	(96.5)	26.0
Exprivia SpA	10.7	7.2	2.5	2.2	0.1	0.1	5.7	4.9	9.7	8.0
Reply SpA	20.3	18.4	17.8	16.1	1.9	1.8	12.3	10.7	13.6	11.8
TXT e solutions SpA	43.7	36.2	27.5	24.4	2.6	2.5	34.8	30.5	50.8	42.0
Median small player	19.1	17.3	10.9	10.4	1.8	1.6	10.3	8.7	11.2	11.4
Piteco SpA	12.6	10.3	9.5	8.3	4.1	3.5	9.8	8.2	12.2	9.7

Source: CFO Sim, Thomson Reuters Eikon



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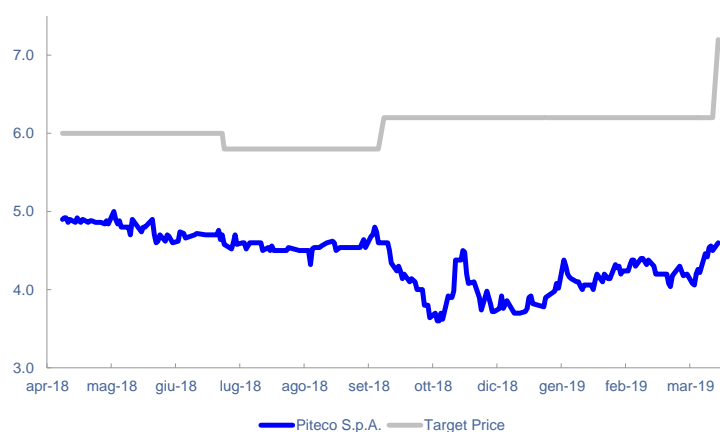
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DATE	TARGET PRICE	RATING
03/04/2019	€7.20	BUY
01/10/2018	€6.20	BUY
09/07/2018	€5.80	BUY

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