Piteco

FY18 trading update

Cash-generation engine powers onwards

Software & comp services

Piteco's traditional corporate treasury business returned to growth in FY18 after a flat FY17, with growth accelerating in H2 and momentum continuing in FY19. Juniper Payments, the group's US payments software business, recorded solid FY18 results while Myrios, acquired late in the 2018, recorded an impressive initial contribution. Consequently, the shares look increasingly attractive on c 11x our FY20e earnings.

Year end	Net sales revenue* (€m)	EBITDA** (€m)	EPS** (c)	DPS (c)	P/E (x)	Yield (%)
12/17	16.4	6.5	30.3	15.0	17.6	2.8
12/18	19.4	8.3	38.8	15.0	13.8	2.8
12/19e	24.0	10.7	45.5	17.5	11.8	3.3
12/20e	26.3	11.7	49.7	20.0	10.8	3.7

Note: *Excludes the capitalisation of development costs, change in work in progress and other revenues (largely expenses charged back to customers). **Normalised, excluding amortisation of acquired intangibles, exceptional items and share-based payments.

FY18 results: Corporate treasury returns to growth

FY18 net sales revenue grew by 18% to €19.4m including a full period from Juniper and an initial 2.5 months from Myrios. Corporate treasury signed 37 new clients, up from 30 in FY17, and grew net sales revenue by 3.5% to €14.0m, including 5.8% growth in H2. FY18 group EBITDA jumped by 28% to €8.3m, as the EBITDA margin rose by 300bp to 40.9%, and reached 44.2% in H2, helped by Myrios.

Acquisition of Myrios

In October 2018, Piteco completed the acquisition of 56% of Myrios, a small Italian software company, for an initial c €7.7m, along with an earnout and a put option over the 44% balance. Myrios has developed a risk solution aimed at the financial services industry and has reported strong growth since its formation in 2010.

Listing on MTA (Electronic Equity Market)

The company upgraded to a full listing late last year to boost liquidity and increase visibility, and hence create greater interest from institutional investors. The shares and convertible bonds began trading on the MTA market on 25 September.

Forecasts: Corporate Treasury eased, Myrios added

We have eased our Corporate Treasury forecasts by 3% in FY19 and 2% in FY20. We have added Myrios, and now expect net sales revenues to increase by 15% in FY19 and 16% in FY20. Our adjusted EPS estimates rise by 16% in FY19 and 18% and FY20. We forecast the group to end FY19 with net debt of €20.4m (previously €1.3m net cash), including acquisition liabilities. This falls to €8.6m (previously €5.9m net cash) at end-FY20 on the assumption the convertible bonds all convert.

Valuation: Single-digit P/E with growth and yield

The stock looks appealing, trading on c 12x our EPS in FY19e, falling to c 11x in FY20e and to c 10x in FY21e. Our DCF model suggests a valuation of 655c (previously 591c), which is 22% above the current price. Our calculation uses assumptions including a 5.8% CAGR in organic net sales revenue over 10 years, long-term operating margins of 40% of net sales and a WACC of 9%. We have also adjusted for the dilution impact of the convertible bonds.

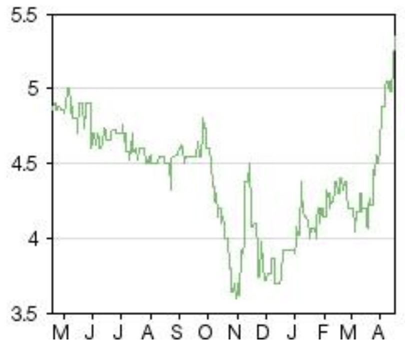
17 April 2019

Price	**€5.35**
Market cap	**€97m**

US$1.13/€

Net debt* (€m) at 31 December 2018 *Including put option	26.8
Shares in issue	18.1m
Free float	27.0%
Code	PITE
Primary exchange	Borsa Italiana
Secondary exchange	N/A

Share price performance



%	1m	3m	12m
Abs	27.4	32.4	10.1
Rel (local)	22.6	18.2	17.4
52-week high/low		€5.3	€3.6

Business description

Piteco is Italy's leading company in designing, developing and implementing software for treasury, finance and financial planning management.

Next events

AGM	30 April 2019
Interim results	27 September 2019

Analysts

Richard Jeans +44 (0)20 3077 5700

Katherine Thompson +44 (0)20 3077 5730

tech@edisongroup.com

Edison profile page

Piteco is a research client of Edison Investment Research Limited

Investment summary: Broadening horizons

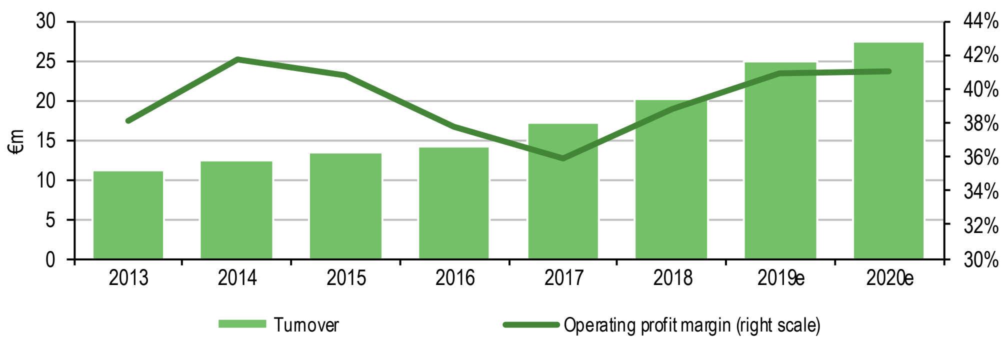
Company description: Leader in Italian TMS software

Piteco is the leading provider of treasury management software (TMS) solutions in Italy. Piteco has more than 600 mostly Italy-based TMS clients operating across 2,500 subsidiaries. Customers include many high-quality Italian names such as Fiat Chrysler Automotive, Lavazza, Leonardo, Moncler, Prada and Wind Tre. Clients also include GUESS, the American multinational clothing company, and major international groups operating in Italy, such as Allianz. Piteco offers its clients solutions from a range of 20 software modules. Piteco continues to expand its offerings through R&D and via acquisitions, including Myrios FM in 2018. Piteco also owns a US payments software provider, Juniper Payments, that operates in the niche area of correspondent banking.

Financials: Fat margins and growing recurring revenues

Piteco operates a traditional enterprise software business model, with an upfront perpetual software licence sale, professional services and ongoing maintenance. There is also a SaaS option and c 70% of Myrios' revenues are SaaS. Additionally, 90% of Juniper Payments' revenues are recurring in nature. In all, we estimate that 65% of FY19 group revenues are recurring. The business has strong EBITDA margins (40.9% in FY18 rising to 42.7% in FY19e) and is highly cash generative. FY18 operating cash flow before interest and tax was €7.2m with free cash flow estimated at €5.6m.

Exhibit 1: Turnover and margin trends



Source: Piteco (historicals), Edison Investment Research (forecasts)

Sensitivities: Slowing economic backdrop and EU/Brexit risks

Following the formation of a populist government in Italy, there may be periods of uncertainty about economic and fiscal policy. As for the typical enterprise software vendor, there is always the risk of budget cuts in an economic downturn and this is accentuated by the subdued economic environment in Italy and Europe. However, Piteco's typical client has a low default risk and the customer base is broadly spread across large enterprises. Exit barriers are high, as this would require a new project, and the software is embedded in its customers' systems. There is a risk that major enterprise software vendors might take a more proactive interest in the TMS sector. There is integration risk in the acquisition strategy and increasing currency risk as the company expands abroad. Juniper is exposed to a backdrop of declining number of financial institutions in the US.

Valuation: Strong margins, growth, attractive risk profile

Our DCF model, (which assumes a long-term margin target of 40%, WACC of 9% and a terminal growth rate of 2%), values the stock at 655c, which is c 22% above the current share price. The acquisitions of Juniper and Myrios boost the growth prospects of the business, with potential growth rates of >10% and >20% respectively. However, these deals also add to the risk profile, especially as debt has been temporarily elevated. However, the group has strong operating margins and a track record of cash generation and, if targets are met, net debt should fall back quickly.

Company description: Italian financial software leader

The Piteco group has three business lines:

- **Corporate Treasury**, which encompasses the group's broad TMS activities. This business develops and delivers treasury and financial planning solutions, primarily to the Italian market, but it is also expanding internationally.
- **Digital Payment & Clearing House**, which represents Juniper Payments, a US payments software business focused on the correspondent banking space.
- **Myrios**, which offers highly sophisticated software solutions for the finance and risk management areas, targeted at banks (60% of revenue) and large corporates (40% of revenue).

The group's headquarters are in Milan, and it has additional corporate treasury offices in Padua, Rome, Turin and Geneva. Juniper is based in Wichita, Kansas, and also has an office in Nebraska.

Following the acquisition of Myrios late last year, the group now has more than 120 employees, including c 85 in the traditional Piteco treasury business, 20 with Juniper and 15 with Myrios. We note that historically, the group had very low staff turnover. Following the successful IPO in July 2015, the shares remain very tightly held with 27% free float (diluted basis) and management interests retain 75.4%. Chairman Marco Podini and his sister Maria Luisa Podini directly and indirectly hold nearly 66.8%, including via Dedagroup (55.4%), which is a large Italy-based information and communications technology (ICT) company. Additionally, the senior management (CEO, CFO and sales director), all of whom have been with the company for at least 15 years, each hold 2.86%.

Business model: Traditional enterprise software licence model

Piteco's treasury business operates a traditional enterprise software business model, with an upfront perpetual software licence sale, professional services (consulting, implementation and configuration) along with ongoing support and maintenance. The annual maintenance charge is 15–20% of the initial software licence and is billed on 1 January each year. Churn on the maintenance book is very low and hence customers have a long duration. Piteco's traditional treasury business also has a SaaS option, which is growing very quickly, albeit from a low base. Myrios operates a rental business model with long-term contracts (typically a minimum three- to five-year term). The Myrios software is always installed on premise and there is a high level of customisation.

Juniper operates on a SaaS basis, with 90% of revenue generated from contracted monthly billing, similar to a subscription service, and linked to volumes. Juniper provides the 'right to use' by end-users via its customer contracts and bills the customer directly while the customer bills the end-users. The remaining 10% of revenue is generated from upfront fees, customisation fees and technical consulting and support. The average initial contract term is five years and the average renewal term is four years. LT charges a one-time fee for the implementation, which typically takes four to six months. This fee is primarily determined by the modules chosen and the size of the deployment, but also covers the length of term and the amount of customisation required.

Overall, we estimate that 65% of the group's FY19e revenues are recurring in nature, with the balance in licence sales and professional services.

Strategy: Growing both in Italy and abroad

The group is expanding both domestically and internationally. There remains a huge opportunity to grow the customer base in Italy, with c 1,100 prospects, and through cross-selling to existing customers new solutions that have been developed internally, acquired or are partnership solutions. A SaaS solution has been added in recent years to provide customers with greater choice, and this offering has been growing quickly, albeit from a low base. The SaaS offering is a standardised solution that enables customers to reduce their total cost of ownership, notably saving on hardware costs, and secure a swift deployment. Piteco has established a partner network, which consists of systems integrators and value-added resellers, to extend the offering to smaller clients. This enables Piteco's sales team to focus on larger prospects, which involve a similar level of attention to convert. The acquisition of Juniper in 2017 was Piteco's first significant foray into the US marketplace. Piteco is seeking to hire an international sales director to drive the international sales with a focus on North America. We note that Piteco's software is already operating in the US, via US branches of some of its Italian customers and Piteco made a significant international sale to GUESS, the US multinational retailer, in 2018.

In February, the group set up a new subsidiary, Myrios Switzerland, based in Geneva, to target European corporates via Piteco's 56%-owned Myrios. The unit will offer all Piteco's software solutions for treasury management, digital payments and financial risk management. We see this as an attempt to drive Myrios's growth outside Italy, while also testing the appetite for the group's corporate treasury offerings in the broader European marketplace.

FY18 results: 37 new clients, up from 30 in FY17

Group turnover grew by 19% to €20.2m, while net sales revenue increased by 18% to €19.4m. This included a full period contribution from Juniper (eight months in FY17) and an initial 2.5 months contribution from Myrios. Corporate treasury grew net sales revenue by 3.5% to €14.0m (total sales grew by 4.5% to €14.8m), including 5.8% growth in H2. Juniper Payments recorded revenue of €4.6m and EBITDA of €1.9m (41% margin) while Myrios grew sales by 10% and EBITDA by 17%, generating revenue of €0.8m with a 58% EBITDA margin. The group operating cash flow, after interest and tax, expanded by 40% to €6.2m, representing 32% of net sales revenue and 75% of EBITDA. The group ended FY18 with net debt (including acquisition liabilities) of €26.8m, up from €9.0m a year earlier. This includes €11.5m put options on the minority interests in Juniper Payments (€2.3m) and Myrios (€9.2m).

The annual dividend was maintained at 15c, reflecting a 59% payout ratio. FY19 has started well with four new contracts signed in January and management says it expects to generate a general increase in results across the group in FY19, both in terms or revenues and margins.

Acquisition history: Three deals in four years

The company has expanded significantly via acquisitions, incorporating Centro Data in 2015, Juniper in 2017 and Myrios in 2018. The Centro Data acquisition added two modules to Piteco's solution suite: a tool for the matching of financial data, MATCH.IT; and a securities back-office application, AT.PRO. The Juniper acquisition brought to the group a US payments software provider that operates in the niche area of correspondent banking. Myrios, the latest acquisition, designs and implements high-value software solutions primarily focused on the Italian banking industry.

Exhibit 2: Acquisition history

Acquisition	Date	Price	Sales	EBITDA	Price/ sales (x)	Notes
Centrodata (asset deal)	Mid-2015	€1.085m	€1.35m	N/A	0.8	Provides solutions for financial transactions reconciliation and complex data matching.
Juniper (asset deal)*	Early-2017	$13m for initial 55%	$5m	$1.75m	2.6	Digital payment services and clearing house to c 3,300 American banks and manages the settlement of interbank financial flows for more than $3bn per day.
Myrios**	Late 2018	c €18.6m	€2.8m	€1.5m	6.6	Design and implementation of high-value software solutions dedicated to the financial services industry.

Source: Company announcements. *Agreement to purchase another 5% in FY19 and a put option over the remaining 40% in five years. **Has acquired 56%, with subsequent earnout and a put option over the remaining 44% in six to eight years.

Acquisition of Myrios: Even stronger margins than Piteco

In July 2018, Piteco announced the acquisition of Myrios, a small Italian software business. Myrios was established in Turin in 2010 by Marco Pecetto along with four other partners with the aim to deliver sophisticated risk solutions to large corporates. However, the target market soon evolved to the finance sector. Myrios has developed Myrios FM (Financial Modelling), which is a highly flexible and scalable software solution for the finance and risk management areas.

Myrios FM's key areas of functionality cover deal management across a broad range asset classes (forex, debt, commodities and securities), hedge accounting and risk analysis. Myrios competes with Murex, a large French provider of technology solutions for trading, treasury, risk, and post-trade operations for financial markets.

Details on the acquisition are provided in the prospectus issued for the listing on MTS.

Piteco knew Myrios well, as the two companies had a collaboration agreement for several years. The companies have a similar culture and Piteco had been trying to acquire the business for two years. Myrios was subscale and needed to find a larger organisation to help it manage its growth. Piteco's management believes the potential for Myrios is very strong and that it acquired it for an attractive price and hence we believe it is very satisfied with the acquisition.

Myrios has performed tremendously well since its inception in 2010, growing at c 20% pa, with very attractive margins. In FY16, it grew revenue by 27% to €2.8m, generating EBITDA of €1.5m for a 55% EBITDA margin. Myrios has 30–40 clients and 70% of revenues are recurring rental revenue, with the balance in professional services (methodological-functional advisory).

The acquisition significantly boosts Piteco's exposure to the financial services sector, an area in which Piteco has previously been weak. We note Piteco's parent company, Dedagroup, has c 30% exposure to the banking sector.

There are c 150 large and medium-sized banks in Italy and c 200 small banks. Piteco believes Myrios can make a significant inroad into this addressable market, aided by the backing of Piteco's infrastructure and management. In addition, Piteco is seeking to expand Myrios into the international markets, and in February it established a Swiss office.

Piteco paid an initial €6.9m plus net financial position (c €0.5m) for 56% of Myrios. There is an earnout based on 8.75x the average EBITDA over FY18–19 less what has already been paid (estimated additional cost €3.5m over FY19 and FY20). There is a put option on the last 44% over 2020–24 based on 8.75x to 10.5x EBITDA, depending on the revenue CAGR, with 10.5x payable if revenue CAGR exceeds 20%. Of the 44% minority, half will be paid in shares with the balance in either shares or cash, and the put option was valued at €9.2m at end-FY18. The initial 44% was funded by a €7m loan by ICCREA BancaImpresa.

Listing on MTA (Electronic Equity Market)

Piteco upgraded to a full listing late last year to boost liquidity and increase its profile. The free float (diluted basis) has increased from 17% to 27% and the shares and convertible bonds began trading on the MTA market on 25 September 2018.

A major reason for transferring the listing to MTA was to boost liquidity and hence encourage greater interest in the shares from institutional investors. Further, investors are no longer bound to a minimum number of 500 shares, and can buy or sell any amount.

AirPlus and Ebury partnerships add important functionality

Piteco believes its TMS can play an important role in the integration of services offered by fintech companies. Piteco's goal is to offer its customers an integrated platform for managing their treasury functions in an innovative way. The collaborations with AirPlus and Ebury are the first fintech companies integrated and Piteco anticipates adding more in due course. The key solutions of AirPlus and Ebury have been integrated into Piteco Evolution (Piteco Evo) to add additional important B2B functionality to the core solution. These solutions add highly attractive functionality for treasurers and CFOs, particularly of SMEs, in bringing efficiencies to travel expenses and foreign exchange transactions. Consequently, this provides an added selling point for Piteco Evo.

Piteco signed an agreement with AirPlus International, a Lufthansa company that specialises in the provision of payment solutions to the global travel industry, for the integration of Piteco Evo with A.I.D.A. of AirPlus. A.I.D.A. is a virtual credit card platform operated in association with MasterCard.

The A.I.D.A. solution involves the creation of a single-use virtual credit number, eg, for shopping on the internet on certain market places, that is linked to a corporate account. This generates significant efficiencies, due to integration and automisation of business processes for the increasingly numerous purchases made on the internet by corporates. As A.I.D.A. is already completely integrated with Piteco Evo, this saves the customer from having to integrate A.I.D.A. with another business solution. The customer also benefits from an additional line of credit and improved cash flow through 55–58 days of free credit.

Ebury is a UK fintech foreign exchange broker that enables SMEs to make and receive payments in foreign currencies at more favourable exchange rates than offered by a traditional bank. Through its cloud-based platform Ebury provides payments in more than 140 currencies. The availability of minor currencies is particularly attractive to some of Piteco’s clients who need to make regular payments to employees and/or suppliers, eg in North Africa. Small transactions are completely automated and with real time pricing.

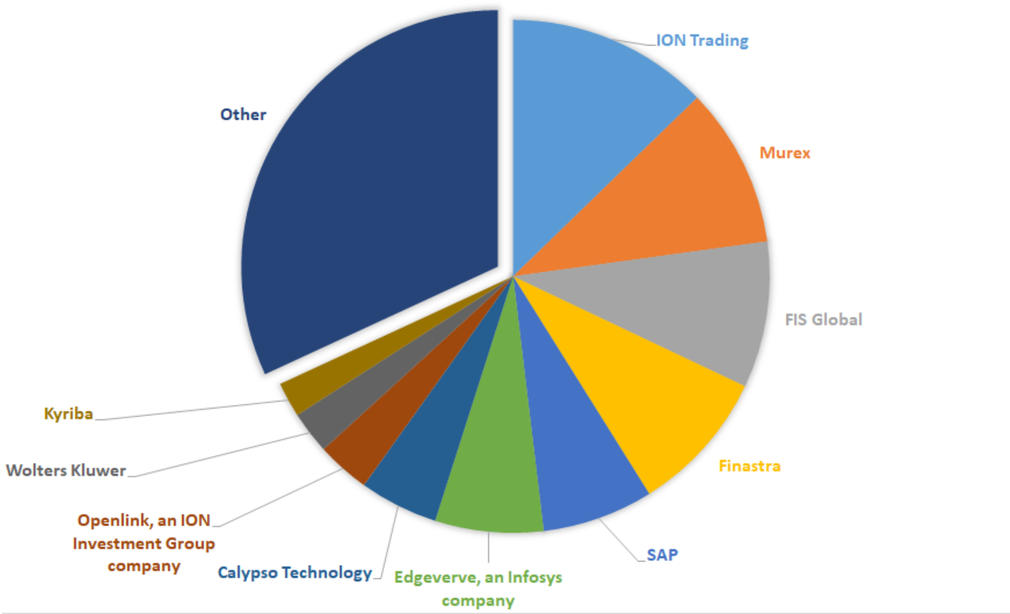
Market environment: Many still use spreadsheets for TMS

Treasury management systems (TMS) are software solutions used by corporate treasuries and finance departments to manage transactions and support their decision making. A TMS typically covers front, middle and back-office processes. In other words, the TMS processes a transaction, handles settlement and generates accounting entries. Further, a TMS provides analysis, risk management and reporting of the transactions and the ongoing positions. Historically, these functions were to a large degree handled by spreadsheets, but as with elsewhere in the software world, these are gradually being replaced by purpose-built specialist applications using modern technologies. Nearly all large enterprises have a TMS, while, as you move down the scale to smaller companies, a much greater proportion are still using spreadsheets.

Apps Run the World forecasts the treasury and risk management (TRM) applications market to reach $3.9bn by 2022, compared with $3.3bn in 2017 at a compound annual growth rate of 3.5%. Meanwhile IDC forecasts the worldwide treasury and risk management applications market to grow by 4.9% to reach $2.7bn in 2022. These numbers understate the potential size of the market, given the large number of enterprises at the lower end of the market that still use spreadsheets.

There are differing views over what constitutes a TMS as exemplified by these two market research companies, which include different companies in their respective surveys, eg, appsruntheworld.com includes ION (Wall Street Systems solution is focused on corporate finance and risk management, mainly in the financial sector) while the world’s largest corporate TMS provider, SunGard, is part of FIS.and does not compete with Piteco. We note that Murex and Finastra (which combines Misys and D+H) are focused on the financial sector, while the world’s largest corporate TMS provider, SunGard, is part of FIS.

Exhibit 3: Treasury and risk management applications market shares (2017)



Source: Apps Run The World, December 2018

The TMS target market

Piteco has traditionally focused on large- and mid-cap companies in Italy operating in the industrial and services segments. Its client base includes a substantial number of companies listed on the Italian Stock Exchange. Piteco does not target the banking sector, which is a very specialised market. Within its areas of focus, the customer base is diversified across many sectors, with its heaviest weightings in mechanics and steel, chemicals & pharma, services, consumer goods, food, fashion and utilities, which together represent 62% of the group TMS total. Piteco leads the TMS market in Italy, and does not have any significant competition in its home market. 55% of the c 600 corporations using Piteco's software have turnover exceeding €500m, while 98% have turnover exceeding €100m. Piteco's software is already in operation in more than 40 countries, via multinational companies, such as Leonardo, which is using Piteco's software in the UK and the US. The sales team will typically target a company's CFO or treasurer.

Competitive environment

Piteco is the leading player in the Italian TMS market. There are a number of small local competitors and Piteco has occasionally lost clients to them. DocFinance is a competitor, but it is focused on very small companies with revenues below €100m. Other Italian competitors include Formula, a general-purpose software house, offering the Sage XRT Treasury suite alongside Formula branded systems, and Albasoft, a small-sized company offering software treasury called GOLD directed to small businesses. Large international vendors find it a difficult market to penetrate although Piteco has seen a little more competition from Kyriba. We understand that SunGard has no strategy in Italy in the TMS segment. We also note that SAP, the ERP vendor, offers a TMS module, but we believe Piteco's module is less rigid, more cost effective with the key advantage of the high level of customisation in Piteco's solution.

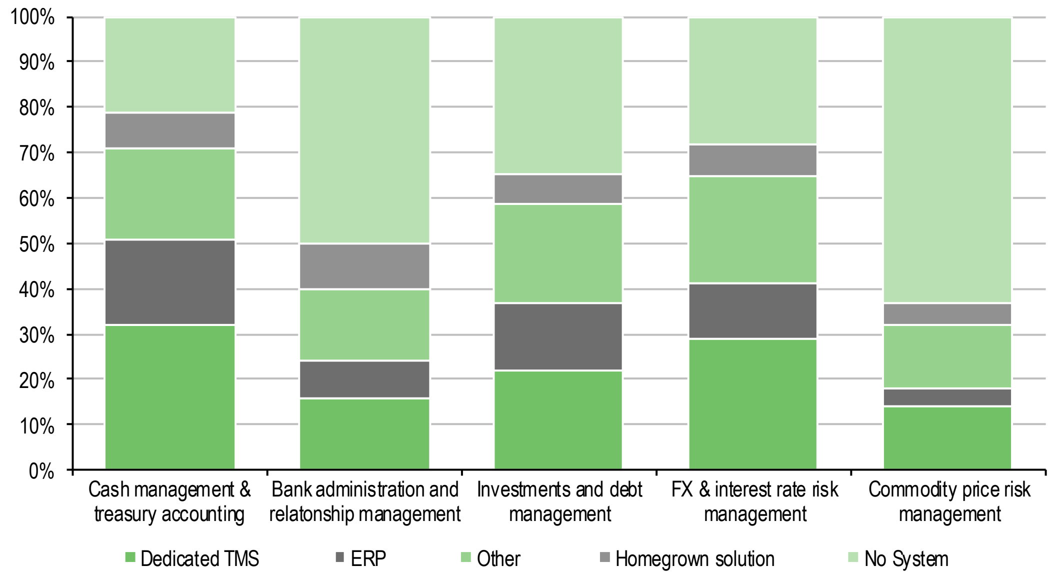
When new customers sign up, Piteco's software typically replaces one of the following:

- 40% – SAP TMS module
- 20% – another TMS solution
- 40% – spreadsheets

The main competitors in the US are software giant FIS (FIS Quantum, FIS Integrity, SunGard) which sells to large corporates and banks, ION (Reval, WallStreet Suite, IT2, Citi Financials) and Kyriba, a mid-sized multi-tenant SaaS company. ION's Wall Street Systems (Numerix) is not seen as a direct competitor, as its focus is more on corporate finance and risk management rather than cash management. Another US competitor, GTreasury, is smaller than Piteco. In our view, Oracle, the leading supplier of ERP systems in the US, does not have as strong a treasury management solution as SAP, with which Piteco competes in Italy.

The 2017 Deloitte survey of the global treasury community highlights the opportunity to replace spreadsheets since over 20% of each TMS functional area is still being managed in spreadsheets (ie no system in Exhibit 7). Operating TMS functions in spreadsheets leaves companies vulnerable to operational and fraud risks. According to Kyriba, in 2018, global treasury teams were wasting an average of 4,812 hours per year using traditional spreadsheets to manage their cash, payments and accounting operations.

Exhibit 4: Functional usage by TMS system type



Source: Piteco prospectus (from Deloitte survey of corporate treasurers, 2017)

Financials: Strong cash generation continues

FY18 results: EBITDA margin jumps by 300bp to 40.9%

FY18 net sales revenue grew by 18% to €19.4m including a full period from Juniper and an initial 2.5 months' contribution from Myrios. Corporate treasury grew net sales revenue by 3.5% to €14.0m (total sales grew by 4.5% to €14.8m), including 5.8% growth in H2. Recurring fees represented 56% of total sales, indicating the Maintenance and Hosted SaaS generated €8.3m of revenue. Juniper Payments recorded revenue of €4.6m and EBITDA of €1.9m (41% margin) while Myrios grew sales by 10% and EBITDA by 17%, generating revenue of €0.8m with a 58% EBITDA margin.

The group operating cash flow, after interest and tax, expanded by 40% to €6.2m, representing 32% of net sales revenue and 75% of EBITDA. The group ended FY18 with net debt of €26.8m, up from €9.0m a year earlier (including acquisition liabilities). This includes €11.5m put options on the minority interests in Juniper Payments (€2.3m) and Myrios (€9.2m).

Corporate treasury signed 37 new clients in FY18, up from 30 in FY17. Nine of the new customers were acquired through the partner channel. 31 of the new contracts were in traditional format and six were cloud, of which two were private cloud (customised for the customer) and four were SaaS (standard product on a shared platform). The two private cloud deals are with very large enterprises and averaged c €285k each over three to four years. The indirect network is not currently available on the cloud.

New customers included GUESS, which selected the Piteco solution for the realisation of an international treasury project covering the US, Europe, Canada, Mexico and the Far East. The Piteco solution was chosen over strong competition from major US and international TMS software players. The high level of customisation that Piteco offers and its significant level of experience in the fashion vertical were important factors in the win. In the Italian market, new customers included Dolce & Gabbana, Marcegaglia Group, SIA Spa and AC Milan.

The annual dividend was maintained at 15c, reflecting a 59% payout ratio, and indicating that management wants to focus on debt reduction in the short term.

FY19 has started well with four new contracts signed in January and management says it expects to generate a general increase in results across the group in FY19, both in terms or revenues and margins.

Exhibit 5: Half-by-half analysis

€000s		2017			2018		2019e
	H1	H2	FY	H1	H2	FY	FYe
Corporate treasury	6,582	6,918	13,500	6,655	7,319	13,974	15,133
Digital payment and clearing house	809	2,065	2,874	2,176	2,424	4,600	5,209
Myrios					800	800	3,700
Net sales Revenue	7,391	8,983	16,374	8,831	10,543	19,374	24,042
Other income	192	515	707	200	740	940	915
Change in work in progress	8	(43)	(35)	6	(106)	(100)	0
Total revenue	7,591	9,455	17,046	9,037	11,177	20,214	24,956
Operating costs before depreciation	(5,056)	(5,533)	(10,589)	(5,716)	(6,232)	(11,948)	(14,290)
EBITDA	2,535	3,922	6,457	3,321	4,945	8,266	10,666
EBITDA Margin	33.4%	41.5%	37.9%	36.7%	44.2%	40.9%	42.7%
Depreciation	(48)	(299)	(347)	(67)	(352)	(419)	(443)
Adjusted operating profit	2,487	3,623	6,110	3,254	4,593	7,847	10,223
Net financial income	(243)	(294)	(537)	(132)	(208)	(340)	(750)
Edison Profit Before Tax (norm)	2,244	3,329	5,573	3,122	4,385	7,507	9,473
Exceptional items & FX gains	(666)	(494)	(1,160)	117	(444)	(327)	0
Amortisation of ac'q intangibles	(424)	(532)	(956)	(717)	(731)	(1,448)	(1,448)
Profit before tax (FRS 3)	1,153	2,304	3,457	2,522	3,210	5,732	8,025
Income tax	(147)	75	(72)	(308)	(159)	(467)	(1,232)
Net income	1,006	2,379	3,385	2,214	3,051	5,265	6,794

Source: Piteco, Edison Investment Research

Juniper Payments recorded revenue of €4.6m compared with €2.9m for an eight-month period in FY17. The growth reflected a c 4.5% currency headwind – the average 2018 exchange rate was c $1.18/€, but the dollar has since strengthened to $1.13/€, which provides a tailwind for FY19.

It was an intense year at Juniper, focused on account management with the company working side by side with clients to ensure everyone was happy. The team has been working on broadening the offering to sell more products to the customer base. Additionally, Piteco has been working with Dedagroup, Piteco's major shareholder, to integrate the Juniper offering into Dedagroup's core banking offering with a goal to improve client servicing. Dedagroup is a leading Italian ICT group owned by the Podini family and Dedagroup's EPL business unit provides proprietary core banking systems to American credit unions.

The group had a pilot operating in the Mexico, but this has been put on the back burner following the acquisition of Juniper. Piteco is now looking for an international sales director to focus on generating new business, primarily in North America.

Forecasts: Adding Myrios, cutting Services revenues on H1

We have added Myrios to our forecasts. We have also consolidated Myrios in the balance sheet, which includes the put option over the 44% minority interest, which is added to net debt. We forecast Myrios will generate 16% revenue growth in FY19, falling to 15% in FY19 and 13% in FY21. Growth for Myrios could exceed 20% if it meets more aggressive objectives to acquire Italian bank customers. Within Corporate Treasury, we have cut services revenues as the business lacked a large high-services deal in FY18, and we have increased SaaS revenues, albeit from a low base. We forecast Corporate Treasury to grow 8% in FY19 and FY20. We forecast Juniper to grow 13% in FY19, aided by a stronger dollar, which falls to 10% in FY20 and 9% in FY21.

In all, our group net sales revenue forecasts rise by 15% in FY19 to €24.0m and by 16% in FY20 to €26.3m. Excluding Myrios, we have eased net sales revenues by 3% in FY19 and by 2% in FY20. Adjusted EBITDA rises by 19% in FY19 and FY20, which reflects the addition of the high-margin Myrios. We have also moved up depreciation while net interest charge rises sharply due to the increased debt position.

We now forecast the group to end FY19 with net debt of €20.4m (previously €1.3m net cash). This is after including the outstanding acquisition liabilities for Juniper and Myrios. The net debt also includes c €5.3m debt component on the convertible bonds, which convert at 420c up until July 2020. This net debt position, including acquisition liabilities, falls to €8.6m (previously €5.9m net cash) at end-FY20 on our assumption that all outstanding convertible bonds convert in FY20.

Exhibit 6: Forecast changes

	2018e	2018e	Change	2019e	2019e	Change	2020e	2020e	Change	2021e
	Old	Actual	(%)	Old	New	(%)	Old	New	(%)	New
Revenues (€'000s)										
Software	2,772	N/A	N/A	3,162	3,078	(2.6)	3,453	3,490	1.1	3,729
Services	4,027	N/A	N/A	4,340	3,777	(13.0)	4,614	4,158	(9.9)	4,450
Maintenance and Hosted SaaS	7,784	N/A	N/A	8,123	8,277	1.9	8,496	8,643	1.7	9,054
Corporate treasury	14,582	13,974	(4.2)	15,625	15,133	(3.2)	16,563	16,291	(1.6)	17,233
Juniper Payments	4,737	4,600	(2.9)	5,329	5,209	(2.3)	5,995	5,730	(4.4)	6,217
Myrios		800	N/A		3,700	N/A		4,255	N/A	4,798
Net sales revenue	19,319	19,374	0.3	20,954	24,042	14.7	22,558	26,276	16.5	28,247
Capitalisation of dev'ment costs	386	387	0.3	419	481	14.7	451	526	16.5	565
Change in work in progress	0	(100)	N/A	0	0	N/A	0	0	N/A	0
Other revenues	424	553	30.3	453	434	(4.1)	477	467	(2.3)	493
Turnover	20,130	20,214	0.4	21,825	24,956	14.3	23,486	27,268	16.1	29,305
Growth (%)	18.1	18.6	2.7	8.4	23.5	178.5	7.6	9.3	21.7	7.5
Operating expenses before depn	(12,171)	(11,948)	(1.8)	(12,829)	(14,290)	11.4	(13,675)	(15,591)	14.0	(17,005)
Capitalisation of dev costs (net)	236	87	(63.0)	100	158	57.7	99	157	58.3	150
EBITDA	7,959	8,266	3.9	8,997	10,666	18.6	9,812	11,677	19.0	12,300
Depreciation	(115)	(119)	3.6	(100)	(120)	20.0	(90)	(110)	22.2	(93)
Amortisation of development costs	(150)	(300)	100.0	(319)	(323)	1.3	(352)	(368)	4.7	(415)
Depreciation & amortisation	(265)	(419)	58.2	(419)	(443)	5.7	(442)	(478)	8.2	(508)
Adjusted operating profit	7,694	7,847	2.0	8,578	10,223	19.2	9,370	11,199	19.5	11,792
Operating margin (%)	38.2	38.8	1.6	39.3	41.0	4.2	39.9	41.1	2.9	40.2
Growth (%)	25.9	28.4	9.7	11.5	30.3	163.6	9.2	9.5	3.3	5.3
Net interest	(450)	(340)	(24.4)	(300)	(750)	150.0	(200)	(600)	200.0	(550)
Profit before tax norm	7,244	7,507	3.6	8,278	9,473	14.4	9,170	10,599	15.6	11,242
Amortisation of acq'd intangibles*	(956)	(1,448)	51.5	(956)	(1,448)	51.5	(956)	(1,448)	51.5	(1,448)
Exceptional items (net of tax)	0	(327)	N/A	0	0	N/A	0	0	N/A	0
Profit before tax	6,288	5,732	(8.8)	7,322	8,025	9.6	8,214	9,151	11.4	9,794
Taxation	(724)	(467)	(35.5)	(1,159)	(1,232)	6.3	(1,559)	(1,590)	2.0	(1,911)
Minority interest	0	0	N/A	0	0	N/A	0	0	N/A	0
Net income	5,563	5,265	(5.4)	6,163	6,794	10.2	6,655	7,561	13.6	7,883
Statutory EPS	30.7	29.0	(5.4)	34.0	37.5	10.2	36.7	41.7	13.6	43.5
Adjusted EPS (c)	36.0	38.8	8.0	39.3	45.5	15.8	42.0	49.7	18.4	51.5
P/E - Adjusted EPS		**13.8**			**11.8**			**10.8**		**10.4**

Source: Piteco, Edison Investment Research

Accounting changes: we expect the impact of IFRS 15 (revenue from contracts with customers) will be very small, while IFRS 16 (leases) will have a modest impact to EBITDA in the area of rental cars, as the company spends c €0.3m per year on rental cars.

Depreciation and amortisation: we forecast amortisation of acquired intangibles of €1.448m across the forecast period. In FY19, we forecast normal depreciation of €0.1m and amortisation of development costs of €0.3m for total depreciation and amortisation of €1.9m.

Interest: this includes the convertible bonds' annual interest of €225k and the new loan to finance the Myrios acquisition. We have increased our net interest forecast by €450k in FY19 and €400k in FY20.

Taxation: the group continues to benefit from 'patent box' tax rules in Italy. And we forecast a tax rate of 13% in FY19 rising to 15% in FY20% and to 17% in FY21.

Cash flow and balance sheet

The group generated a healthy cash position with limited short-term financial liabilities. Assuming the convertible bonds convert in FY20, net debt is forecast to decline quickly, given the group's strong cash generation.

Exhibit 7: Balance sheet position

	FY17	FY18	If all bonds convert
Cash & banks receivables	(5,154)	(5,572)	(5,572)
Current financial assets		(262)	(262)
Cash & investments	(5,154)	(5,834)	(5,834)
Short-term bank borrowings	1,133	1,960	1,960
Long-term bank borrowings	4,696	9,685	9,685
Convertible bonds	4,658	5,352	0
Put options after 12 months	2,427	11,512	11,512
Debts to other lenders within 12 months	1,192	4,119	4,119
Total financial liabilities	14,106	32,628	27,276
Net financial debt	8,952	26,794	21,442
Shareholders' equity	29,916	31,136	36,488
Net debt/equity	29.9%	86.1%	58.8%

Source: Piteco, Edison Investment Research

Sensitivities: Slowing economic backdrop and rising political risks in Italy

Following the formation of a populist government in Italy, there may be periods of uncertainty about economic and fiscal policy. As for the typical enterprise software vendor, there is always the risk of budget cuts in an economic downturn. However, Piteco's typical client has a low default risk, the customer base is broadly spread across large enterprises and the bad debts charge is typically less than 0.5% of turnover. We also note the global financial crisis did not adversely affect the group. In fact, the financial crisis has highlighted the importance that enterprises need to have an effective TMS in place to ensure strong internal controls and risk management capabilities. Further, exit barriers are high, as switching systems would require a new project. The software is embedded in its customers' systems and the annual maintenance charge is a relatively small cost for its customers. We highlight the following sensitivities:

- Economic risk – financial sector IT budgets are subject to pressure in any period of economic slowdown.
- Competitive environment – products are at risk of being surpassed by competitors. Existing competitor rivalry may put pressure on pricing. However, we note that less than 1% of Piteco's turnover has been lost to switching over the last four years. There is a risk that major enterprise

software vendors might take a more proactive interest in the TMS sector. Juniper is exposed to a backdrop of declining number of financial institutions in the US.

- Acquisition risk – implementation risk in the acquisition strategy and risks associated with expanding into new territories.
- Moving into new countries – while this increases opportunities, it also increases complexity and potential liabilities, and adds currency exposure.
- Political risk – following the formation of a populist government in Italy, there may be periods of uncertainty about economic and fiscal policy
- Stock overhang and liquidity– the chairman's family owns a significant stake in the company and may wish to reduce its stake further. The undiluted free float remains tight at 22%.

Valuation: High margins, attractive risk profile

Piteco has built up an excellent track record of delivering steady revenue growth, healthy margins and strong cash generation, despite having had to cope with a very challenging economic backdrop. The group's turnover growth has outpaced Italian GDP in each of the 10 years to FY18, and its turnover doubled over the period when Italian GDP has declined. Piteco has a strong pipeline and growing brand awareness and is accelerating its growth prospects through strategic acquisitions and international expansion. The investment profile is attractive, with a resilient maintenance book and c 65% recurring revenues, and with healthy growth prospects from the pipeline, cross-selling, a broadening end market (geographically and into smaller businesses) and via acquisitions.

- **Cash flow:** Piteco generated €5.7m operating cash flow (before interest and tax) in FY17 and €7.2m in FY18. Free cash flow (FCF) in the respective years was €4.4m and an estimated €5.6m. We forecast the group to generate FCF of €9.1m in FY19, rising to €9.6m in FY20 and to €9.9m in FY21. These forecasts translate into FCF yields of 11.2%, 11.7% and 12.1%.
- **Discounted cash flow valuation:** our DCF model (which assumes a conservative 5.8% pa growth in net sales revenue over 10 years, a long-term operating margin (against net sales revenues) target of 40%, a WACC of 10% and terminal growth rate of 2%) values the stock at 655c, 22% above the current share price. In calculating this number, we have included the dilution impact from exercising the convertible bonds and reversed them from the adjusted net debt, which in aggregate reduces the valuation by 10c from 672c to 655c.

Exhibit 8: DCF Scenario analysis (valuation of equity, before the fundraising, under a range of scenarios)

		WACC 8%			WACC 9%			WACC 10%		
		Long-term operating margin targets								
Revenue scenarios (see notes below)		30.0%	40.0%	45.0%	30.0%	40.0%	45.0%	30.0%	40.0%	45.0%
	Out-performance	707c	948c	1069c	587c	788c	889c	498c	669c	754c
	Base scenario	584c	790c	893c	484c	655c	741c	409c	554c	627c
	Under-performance	453c	619c	703c	373c	512c	582c	314c	432c	491c

Revenue scenarios as follows:

Out-performance	Out-performance. Compound group net sales revenue growth of 7.5% over FY18–FY28, fading thereafter as with base scenario.
Base Scenario	Compound group net sales revenue growth of 5.8% over FY18–FY28 and growth fading thereafter to 2%.
Under-performance	Compound group net sales revenue growth of 3.5% over FY18–FY28, fading thereafter as with base scenario.

Source: Edison Investment Research. Note: WACC is weighted average cost of capital. Long-term operating margin targets are against net sales revenue (equivalent margins against turnover, for the above 30%, 40% and 45% are 28.9%, 38.5% and 43.3%)

- **DCF scenario analysis.** in Exhibit 11, we show the sensitivity of valuations to changes in WACCs, margins and growth assumptions. Starting from our base scenario (5.8% total net sales revenue growth), a WACC of 10% and operating margin of 40%, the table shows that a 5% increase in the margin assumption increases the valuation by 13% from 655c to 741c, while a 1.7% rise in the growth assumption increases the valuation by 20% to 788c, and a 1% reduction in the WACC boosts the valuation by 21% to 790c. The Corporate Treasury recovery in FY18, along with the acquisitions of Juniper and Myrios, provides a strong foundation for a return to the 7% trend growth rate, while the Myrios acquisition has boosted the pro forma margin by c 300bp.

- **Peer analysis.** Noting that none of Piteco's direct competitors are quoted except the giants SAP and FIS, we have compared the company with quoted global ERP/accounting software providers, which are predominantly large companies, and with a selection of software companies quoted in Italy, which are small companies. We would expect Piteco to have a significantly higher rating than its Italy-quoted software peers, in terms of EV/sales and EV/EBITDA, given its healthy margins, strong track record of growth and cash generation, and its leading position in the Italian TMS market**.**

Exhibit 9: Peer analysis

	Share price	Market cap	Market cap	EV/sales (x)		EV/EBITDA (x)		P/E (x)	
	Local curr	Local curr (m)	€m	Year 1	Year 2	Year 1	Year 2	Year 1	Year 2
Piteco	**535.0**	**97**	**97**	**5.2**	**4.8**	**11.7**	**10.7**	**11.8**	**10.8**
A) Large global ERP/accounting software providers									
Microsoft	121.1	928,721	822,605	7.1	6.4	16.7	14.7	27.3	23.9
Oracle	54.6	186,706	165,373	5.2	5.0	11.0	10.6	15.9	14.4
SAP	99.5	122,199	108,237	4.6	4.3	15.6	13.3	21.0	18.9
Intuit	260.9	67,587	59,864	10.0	9.0	27.0	24.1	39.7	35.0
Workday	192.9	42,826	37,933	11.9	9.7	61.9	46.2	113.6	85.3
FIS	113.1	36,577	32,397	5.3	5.1	13.4	12.6	15.2	13.8
Sage	711.6	7,730	6,687	4.3	4.0	16.2	15.1	23.7	21.8
Xero	51.3	7,228	4,592	14.4	11.1	89.8	49.4	N/A	131.5
Averages				**6.5**	**6.0**	**19.3**	**17.2**	**24.2**	**24.2**
B) Small software companies quoted in Italy									
TXT e-solutions	932.0	121	121	1.3	1.2	12.0	10.4	39.8	33.0
Neurosoft	206.0	53	53	N/A	N/A	N/A	N/A	N/A	N/A
Expert System	158.5	57	57	1.9	1.7	8.6	6.7	N/A	25.1
Tas Tecnologia Avanzata dei Sistemi	158.5	132	132	N/A	N/A	N/A	N/A	N/A	N/A
Primi Sui Motori	216.0	23	23	N/A	N/A	N/A	N/A	N/A	N/A
Averages				**1.5**	**1.4**	**10.0**	**8.1**	**39.8**	**28.5**

Source: Refinitiv. Note: Prices at 16 April 2019.

Exhibit 10: Financial summary

€000s	2016	2017	2018	2019e	2020e	2021e
Year end 31 December	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS
PROFIT & LOSS						
Turnover	14,122	17,046	20,214	24,956	27,268	29,305
Net Sales Revenue	13,477	16,374	19,374	24,042	26,276	28,247
EBITDA	5,623	6,457	8,266	10,666	11,677	12,300
Adjusted Operating Profit	5,326	6,110	7,847	10,223	11,199	11,792
Amortisation of acquired intangibles	0	(956)	(1,448)	(1,448)	(1,448)	(1,448)
Exceptionals	89	(1,160)	(327)	0	0	0
Share based payments	0	0	0	0	0	0
Operating Profit	5,415	3,994	6,072	8,775	9,751	10,344
Net Interest	(365)	(537)	(340)	(750)	(600)	(550)
Profit Before Tax (norm)	4,962	5,573	7,507	9,473	10,599	11,242
Profit Before Tax (FRS 3)	5,050	3,457	5,732	8,025	9,151	9,794
Tax	(547)	(72)	(467)	(1,232)	(1,590)	(1,911)
Profit After Tax (norm)	4,415	5,501	7,040	8,242	9,009	9,331
Profit After Tax (FRS 3)	4,503	3,385	5,265	6,794	7,561	7,883
Average Number of Shares Outstanding (m)	18.1	18.1	18.1	18.1	18.1	18.1
EPS - normalised (c)	24.4	30.3	38.8	45.5	49.7	51.5
EPS - FRS 3 (c)	24.8	18.7	29.0	37.5	41.7	43.5
Dividend per share (c)	15.00	15.00	15.00	17.50	20.00	22.50
Gross Margin (%)	0.0	0.0	0.0	0.0	0.0	0.0
EBITDA Margin (%)	39.8	37.9	40.9	42.7	42.8	42.0
Op Margin (before GW and except.) (%)	37.7	35.8	38.8	41.0	41.1	40.2
BALANCE SHEET						
Fixed Assets	30,090	39,348	60,884	59,570	58,274	56,996
Intangible assets and deferred tax	28,626	37,834	58,763	57,473	56,182	54,884
Tangible Assets	1,365	1,486	2,098	2,074	2,069	2,089
Investments	99	28	23	23	23	23
Current Assets	15,531	9,526	11,171	17,108	26,271	29,843
Stocks	0	0	0	0	0	0
Debtors	4,524	4,096	4,808	5,663	5,887	6,025
Cash	10,870	5,154	5,834	10,916	19,856	23,289
Current Liabilities	(5,023)	(8,425)	(10,439)	(11,392)	(12,196)	(12,897)
Creditors	(3,304)	(6,100)	(4,360)	(5,313)	(6,117)	(6,818)
Short term borrowings	(1,719)	(2,325)	(6,079)	(6,079)	(6,079)	(6,079)
Long-term Liabilities	(8,576)	(10,533)	(30,480)	(29,168)	(26,355)	(23,543)
Long-term borrowings	(7,204)	(9,354)	(26,549)	(25,237)	(22,424)	(19,612)
Other long-term liabilities	(1,372)	(1,179)	(3,931)	(3,931)	(3,931)	(3,931)
Net Assets	32,022	29,916	31,136	36,118	45,995	50,399
CASH FLOW						
Operating Cash Flow	5,525	5,670	7,223	10,907	11,940	12,582
Net Interest	(365)	(538)	(336)	(750)	(600)	(550)
Tax	(661)	(309)	(648)	(467)	(1,137)	(1,484)
Capex	(347)	(400)	(624)	(577)	(631)	(678)
Acquisitions/disposals	0	(9,830)	(10,018)	(2,495)	(1,241)	0
Financing	0	0	0	0	0	0
Dividends	(1,860)	(3,094)	(2,700)	(2,719)	(3,172)	(3,625)
Net Cash Flow	2,293	(8,501)	(7,103)	3,899	5,160	6,245
Opening net debt/(cash)	347	(1,946)	6,525	26,794	20,400	8,647
Other	0	30	(13,166)	2,495	6,593	0
Closing net debt/(cash)	(1,946)	6,525	26,794	20,400	8,647	2,402

Source: Piteco accounts, Edison Investment Research. Note: *FY18 'Other' represents Myrios and Juniper acquisition liabilities. Acquisitions: FY18 – the initial payment for 56% Myrios, net of cash acquired. FY19 – payment for 5% of Juniper and second payment for 56% of Myrios, both reversed from acquisition liabilities. FY20: Third payment for 56% of Myrios, reversed from acquisition liabilities. FY20 'Other' also includes the assumed conversion of all outstanding convertible bonds. FY18 cash flow figures include estimates for capex, acquisitions and dividends.

Contact details	Revenue by geography
Via Mercalli 16 - 20122 Milano Italy +39 02 3660931 www.pitecolab.it	N/A

Management team

Chairman: Marco Podini	CEO: Paolo Virenti
Mr Podini is a successful entrepreneur in the ICT sector and a partner of Piteco. He is president of Dedagroup, having founded this Italian ICT group in 2002. Along with Piteco, he is also chairman of ICT companies Dexit, Derga Consulting, DDWay and Sinergis. Mr Podini is CEO of Sequenza (logistic outsourcing) and, with his sister Maria Luisa Podini, is the majority shareholder in Lillo, the holding company for the Italian discount store chains LD Market and MD Discount.	Mr Virenti joined Piteco as general manager in January 2004. He became chairman of the board and its legal representative from 2006 and CEO in 2012. Prior to Piteco he was director of product development at Met Sogeda.
CFO: Riccardo Veneziani	**Sales director: Andrea Guillermaz**
Mr Veneziani has been chief financial officer and customer account executive of Piteco since January 2004. He is a member of the board of directors.	Mr Guillermaz joined Piteco in January 1996. As sales and marketing manager and adviser of Piteco, he is responsible for generating new business, sales strategies and marketing.

Principal shareholders	(%)
Dedagroup*	55.44
Ennismore Fund Management	7.77
Marco Podini*	5.68
Maria Luisa Podini*	5.68
Andrea Guido Guillermaz	2.86
Riccardo Veneziani	2.86
Paolo Virenti	2.86
Free float	22.2
Free float (diluted)	27.0

**Podini family interests.*

Companies named in this report

FIS, Microsoft, Oracle, SAP, Intuit, Workday, Netsuite, Sage, Xero, TXT e-solutions, Noemalife, Expert System, Neurosoft, Tas Tecnologia Avanzata dei Sistemi, Primi Sui Motori

General disclaimer and copyright

This report has been commissioned by Piteco and prepared and issued by Edison, in consideration of a fee payable by Piteco. Edison Investment Research standard fees are £49,500 pa for the production and broad dissemination of a detailed note (Outlook) following by regular (typically quarterly) update notes. Fees are paid upfront in cash without recourse. Edison may seek additional fees for the provision of roadshows and related IR services for the client but does not get remunerated for any investment banking services. We never take payment in stock, options or warrants for any of our services.

Accuracy of content: All information used in the publication of this report has been compiled from publicly available sources that are believed to be reliable, however we do not guarantee the accuracy or completeness of this report and have not sought for this information to be independently verified. Opinions contained in this report represent those of the Edison analyst at the time of publication. Forward-looking information or statements in this report contain information that is based on assumptions, forecasts of future results, estimates of amounts not yet determinable, and therefore involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of their subject matter to be materially different from current expectations.

Exclusion of Liability: To the fullest extent allowed by law, Edison shall not be liable for any direct, indirect or consequential losses, loss of profits, damages, costs or expenses incurred or suffered by you arising out or in connection with the access to, use of or reliance on any information contained on this note.

No personalised advice: The information that we provide should not be construed in any manner whatsoever as, personalised advice. Also, the information provided by us should not be construed by any subscriber or prospective subscriber as Edison's solicitation to effect, or attempt to effect, any transaction in a security. The securities described in the report may not be eligible for sale in all jurisdictions or to certain categories of investors.

Investment in securities mentioned: Edison has a restrictive policy relating to personal dealing and conflicts of interest. Edison Group does not conduct any investment business and, accordingly, does not itself hold any positions in the securities mentioned in this report. However, the respective directors, officers, employees and contractors of Edison may have a position in any or related securities mentioned in this report, subject to Edison's policies on personal dealing and conflicts of interest.

Australia

Edison Investment Research Pty Ltd (Edison AU) is the Australian subsidiary of Edison. Edison AU is a Corporate Authorised Representative (1252501) of Myonlineadvisers Pty Ltd who holds an Australian Financial Services Licence (Number: 427484). This research is issued in Australia by Edison AU and any access to it, is intended only for "wholesale clients" within the meaning of the Corporations Act 2001 of Australia. Any advice given by Edison AU is general advice only and does not take into account your personal circumstances, needs or objectives. You should, before acting on this advice, consider the appropriateness of the advice, having regard to your objectives, financial situation and needs. If our advice relates to the acquisition, or possible acquisition, of a particular financial product you should read any relevant Product Disclosure Statement or like instrument.

New Zealand

The research in this document is intended for New Zealand resident professional financial advisers or brokers (for use in their roles as financial advisers or brokers) and habitual investors who are "wholesale clients" for the purpose of the Financial Advisers Act 2008 (FAA) (as described in sections 5(c) (1)(a), (b) and (c) of the FAA). This is not a solicitation or inducement to buy, sell, subscribe, or underwrite any securities mentioned or in the topic of this document. For the purpose of the FAA, the content of this report is of a general nature, is intended as a source of general information only and is not intended to constitute a recommendation or opinion in relation to acquiring or disposing (including refraining from acquiring or disposing) of securities. The distribution of this document is not a "personalised service" and, to the extent that it contains any financial advice, is intended only as a "class service" provided by Edison within the meaning of the FAA (i.e. without taking into account the particular financial situation or goals of any person). As such, it should not be relied upon in making an investment decision.

United Kingdom

Neither this document and associated email (together, the "Communication") constitutes or form part of any offer for sale or subscription of, or solicitation of any offer to buy or subscribe for, any securities, nor shall it or any part of it form the basis of, or be relied on in connection with, any contract or commitment whatsoever. Any decision to purchase shares in the Company in the proposed placing should be made solely on the basis of the information to be contained in the admission document to be published in connection therewith.

This Communication is being distributed in the United Kingdom and is directed only at (i) persons having professional experience in matters relating to investments, i.e. investment professionals within the meaning of Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "FPO") (ii) high net-worth companies, unincorporated associations or other bodies within the meaning of Article 49 of the FPO and (iii) persons to whom it is otherwise lawful to distribute it. The investment or investment activity to which this document relates is available only to such persons. It is not intended that this document be distributed or passed on, directly or indirectly, to any other class of persons and in any event and under no circumstances should persons of any other description rely on or act upon the contents of this document (nor will such persons be able to purchase shares in the placing).

This Communication is being supplied to you solely for your information and may not be reproduced by, further distributed to or published in whole or in part by, any other person.

United States

The Investment Research is a publication distributed in the United States by Edison Investment Research, Inc. Edison Investment Research, Inc. is registered as an investment adviser with the Securities and Exchange Commission. Edison relies upon the "publishers' exclusion" from the definition of investment adviser under Section 202(a) (11) of the Investment Advisers Act of 1940 and corresponding state securities laws. This report is a bona fide publication of general and regular circulation offering impersonal investment-related advice, not tailored to a specific investment portfolio or the needs of current and/or prospective subscribers. As such, Edison does not offer or provide personal advice and the research provided is for informational purposes only. No mention of a particular security in this report constitutes a recommendation to buy, sell or hold that or any security, or that any particular security, portfolio of securities, transaction or investment strategy is suitable for any specific person.

Frankfurt +49 (0)69 78 8076 960
Schumannstrasse 34b
60325 Frankfurt
Germany

London +44 (0)20 3077 5700
280 High Holborn
London, WC1V 7EE
United Kingdom

New York +1 646 653 7026
1,185 Avenue of the Americas
3rd Floor, New York, NY 10036
United States of America

Sydney +61 (0)2 8249 8342
Level 4, Office 1205
95 Pitt Street, Sydney
NSW 2000, Australia