

Piteco

Consolidation after international expansion

IR TOP RESEARCH

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COMPANY DESCRIPTION

Piteco Group is an important player in the *financial software* industry with an ambitious internationalisation and diversification project driven by 2 business lines:

- Piteco, with over 30 years of market history, is the leading Italian Software House for proprietary solution to Corporate Cash Management and Financial Planning.
- Juniper Payments is a Software House leader in the US with proprietary solutions for digital payment services and clearing house.

The Group has about 650 corporate clients in 40 different countries, 3,500 financial institutions clients in the US market and 105 employees distributed in Italy and US. The Group's Business Model distinguishes itself for the high level of visibility of revenues (recurring fees approximately 60% of total), high profitability (2016 EBITDA margin of 40%) and high cash flow generation (2016 FCF of 4.3 Eu m).

MARKET AND STRATEGY

Italian "Software and ICT solutions" trend (Assinform):

- 6.3 Eu b in 2016 (+4.8% CAGR 2014-16)
- 1.5 Eu b in 1Q17 (+5.8% vs 1Q16)
- +6.5% CAGR for 2017-2019E

Global *Treasury Management System (TMS)* trend (Bloomberg):

- prosperous potential market
- in North America only 40% of companies use TMS
- growing trend to use a TMS via Cloud platform

Piteco will continue to grow through:

- Consolidation of market position in Italy and abroad and focus on new segment of mid-market clients (50 – 100 Eu m turnover) with new cloud solution
- Continue to invest in R&D to offer new modules on top of the existing to boost turnover
- M&A: given the good cash position, Management will consider opportunities with right strategic features
- Moving to MTA in 2018

AIM POSITIONING

Compared to average value of AIM "Technology" Sector, Piteco shows:

- lower Revenue growth rates
- higher EBITDA margin and cash position
- higher capitalisation and liquidity

Performance from IPO is positive and above average.

2017-2019 ESTIMATES

2017-2019 Revenues CAGR of +13% based on:

- Piteco CAGR of +8% in line with historical trend
- Juniper Payments CAGR of +35% thanks to advantageous market position

EBITDA CAGR +15% based on increase in volumes. Net Profit CAGR of +15%.

NFP as of December 31st, 2019 is expected at 1.0 Eu m.

VALUATION

We set a 5.79 Eu p.s. target price, derived from a relative valuation using the EV/EBITDA discounted by 24.75% to a peer group consisting of Large Cap Technology companies, as of AIM Positioning (5.12 Eu p.s.) and a DCF model (6.45 Eu p.s., wacc 8.2%, g 1.5%).

Please, read important disclaimer on the last page of this report.

SHARE DATA

Market	AIM Italia
Reuters/Bloomberg	PITE.MI/PITE IM
ISIN	IT0004997984
N. of Shares	18,132,500
Free Float	27%
Main Shareholder	(Dedagroup S.p.A. 55.44%)
Chairman	Marco Podini

Target Price (Eu)	5.79
Market Price (Eu)	5.10
Capitalisation (Eu m)	93
Enterprise Value (Eu m)	99
<i>(as of November 3rd, 2017)</i>	

AIM Positioning

FY 2016 (Eu m)	Company	AIM Sector*	AIM Italia
Revenues	14	18	39
Revenues YoY	+6%	+31%	+18%
EBITDA Margin	40%	17%	15%
NFP (Cash)	(2.0)	3.1	10.1
NFP/EBITDA	-0.3	0.2	3.2
Market Data (Eu m)	Company	AIM Sector*	AIM Italia
Capitalisation	93	45	60
Perf. from IPO	+55%	-9%	+7%
Free Float	27%	33%	35%
ADTT YTD (Eu)	87,405	69,907	121,945

Source: Factset Data and Osservatorio AIM Italia - *Technology

Results & Estimates

Key Figures (Eu m)	15A	16A	17E	18E	19E
Revenues	13.4	14.1	17.8	21.1	22.9
YoY growth	+9%	+6%	+26%	+19%	+9%
EBITDA	5.7	5.6	7.0	8.5	9.4
EBITDA%	42.7%	39.7%	39.5%	40.4%	41.0%
EBIT	5.5	5.3	5.9	6.9	7.7
EBIT%	40.8%	37.6%	33.3%	32.8%	33.7%
Net Profit	3.4	4.5	4.1	4.9	5.4
NFP (Cash)	0.3	(2.0)	6.0	3.7	1.0
EPS	0.19	0.25	0.22	0.27	0.30

Source: Company Data for 2015-16 (IAS-IFRS) and IR Top Estimates for 2017-19 consolidated results

Peers Comparison

EV/EBITDA (x)	17E	18E	19E
Piteco	14.1	11.6	10.5
Technology Peers	18.4	15.8	13.7
Discount/Premium to Peers	-24%	-26%	-23%

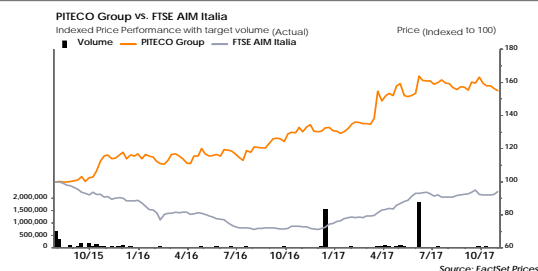
P/E (x)	17E	18E	19E
Piteco	22.6	18.8	17.1
Technology Peers	33.1	28.4	24.6
Discount/Premium to Peers	-32%	-34%	-31%

Source: IR Top Estimates for Piteco and Factset data for comparables

Performance

	1M	3M	1Y
Absolute	-2.7%	-2.5%	+18.9%
Relative (FTSE AIM Italia)	-4.1%	-5.7%	-8.1%
52-week High/Low (Eu)	5.50/3.25		

Source: Factset data



AIM ITALIA

Dimension

88 companies
5.3 Eu b of capitalisation

Growth

50 IPOs in 2015-17
2.3 Eu b of capital raised since 2009

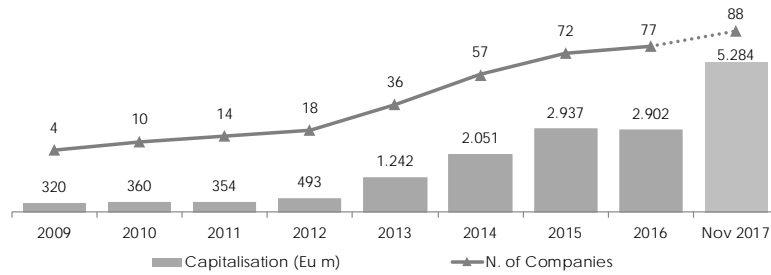
Performance YTD

FTSE AIM Italia +26% YTD

Improved liquidity after the introduction of PIR

AIM Italia, the equity capital market for small growing companies, has grown significantly since 2013: as of November 3th, 2017 the listed companies are 88 for a total capitalisation of 5.3 Eu b.

AIM Italia: 2009-2017 market dimension trend

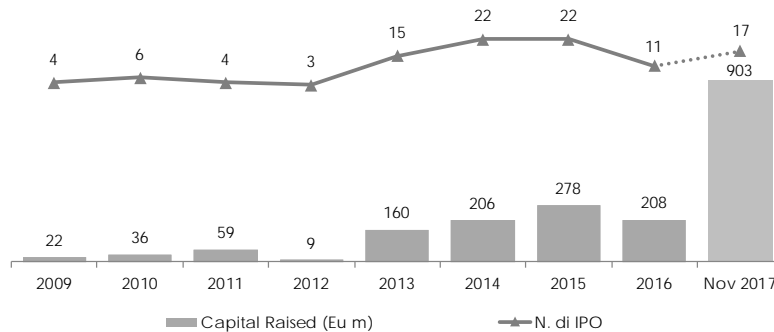


Since 2013 the number of IPO's and the amount raised increased considerably: in 2015 a peak was registered thanks to the listing of 22 new companies (278 Eu m of capital raised) but in 2017 capital raised is 903 Eu m.

AIM Italia is more dynamic than the main market (MTA): in 2015-2017, 50 companies listed on AIM Italia, 18 on MTA.

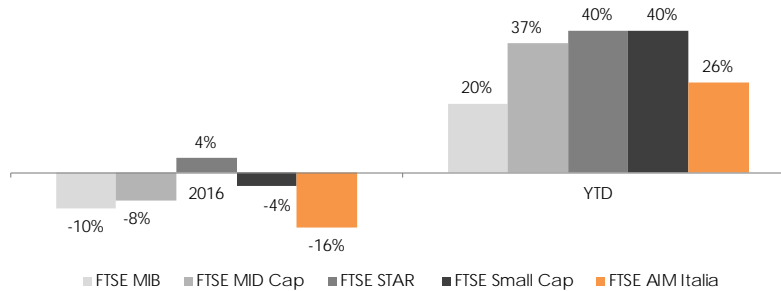
Since 2009, the total equity amount raised in IPO is 1.9 Eu b; including capital increases, warrant exercise and bond subscription, the capital raised is 2.3 Eu b.

AIM Italia: 2009-2017 market growth trend



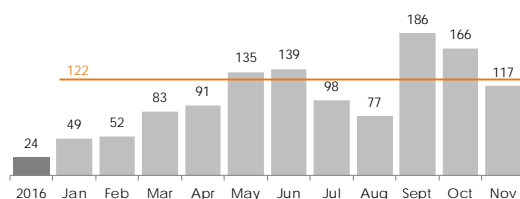
Thanks to the introduction of PIR (Piani Individuali di Risparmio, the Italian equivalent of UK Individual Savings Accounts), all the indices highlight positive trends: FTSE AIM Italia has grown by +26% so far in 2017.

FTSE Indices: 2016 vs. 2017 trend (post PIR)

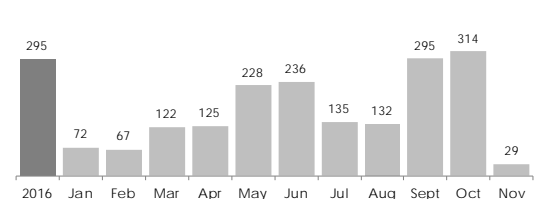


Improving market liquidity: Average Daily Traded Turnover (ADTT) constantly increased in 2017, with an average value of 122 Eu k (5.2x 24 Eu k in 2016). Total Traded Turnover (TTT) in 2017 amounted to 1.8 Eu b, 6.0x 295 Eu m in 2016.

Average Daily Traded Turnover (Eu k)



Total Traded Turnover (Eu m)



AIM ITALIA BY SECTOR

Finance is the main sector in terms of n. of companies (22%) and capitalisation (27%).

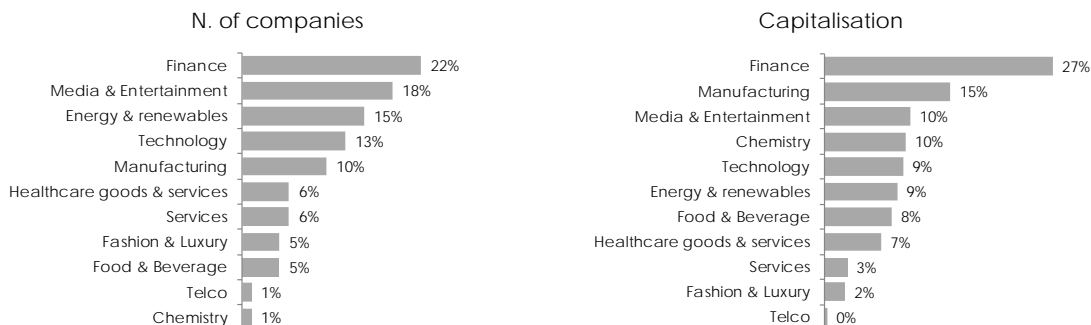
Best YTD performance: Services (+169%)

Best yoy 2016 Revenues growth: Healthcare goods & services (+32%)

Average AIM Italia EV/EBITDA multiple: 13.9x

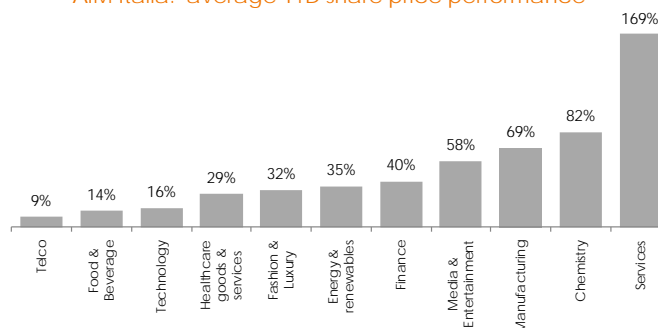
The most important sectors in terms of number of companies are: Finance (22%), Media & Entertainment (18%), and Energy & Renewables (15%); main sectors in terms of capitalisation are Finance (27% of total capitalisation), Manufacturing (15%) and Media & Entertainment (10%).

AIM Italia: breakdown by Sector



Services is the sector with the best YTD performance (+169%), followed by Chemistry (+82%) and Manufacturing (+69%).

AIM Italia: average YTD share price performance



Food & Beverage had the highest level of Revenues (238 Eu m), followed by Manufacturing (97 Eu m). The best growth yoy was realized by Healthcare goods & services (+32%). Energy & Renewables was the sector that registered the highest level of Indebtedness (27.6 Eu m).

AIM Italia: average 2016 Financial data

Sector	Revenues (Eu m)	yoy	EBITDA %	NFP (Cash) (Eu m)
Chemistry	5	-40%	16%	-3.3
Energy & Renewables	38	26%	17%	27.6
Fashion & Luxury	37	-4%	2%	3.7
Food & Beverage	238	4%	10%	18.6
Healthcare goods & services	65	32%	19%	5.8
Manufacturing	97	4%	10%	15.7
Media & Entertainment	23	20%	18%	6.5
Services	11	30%	13%	0.3
Technology	18	31%	17%	3.1
Telco	6	21%	39%	2.4
AIM Italia	39	18%	15%	10.2

Excluding Chemistry (represented by 1 company), the first sector in terms of average capitalisation is Food & Beverage (106 Eu m), followed by Manufacturing (87 Eu m). In terms of EV/EBITDA multiples Services shows the highest value (26.6x) followed by Technology (16.6x).

AIM Italia: average market data

Sector	N. of companies	Capitalisation (Eu m)	Free Float	ADTI YTD (Eu)	EV/EBITDA 2016
Chemistry	1	507	37%	1,184,030	n.m.
Energy & Renewables	13	35	24%	53,382	16.1
Fashion & Luxury	4	33	23%	38,253	8.7
Finance	19	76	62%	137,967	n.m.
Food & Beverage	4	106	46%	208,834	9.0
Healthcare goods & services	5	71	28%	110,537	10.4
Manufacturing	9	87	25%	142,872	12.7
Media & Entertainment	16	34	28%	82,963	10.7
Services	5	30	21%	231,349	26.6
Technology	11	46	33%	69,907	16.6
Telco	1	17	39%	94,343	7.8
AIM Italia	88	60	35%	121,945	13.9

EV as of November 3rd, 2017

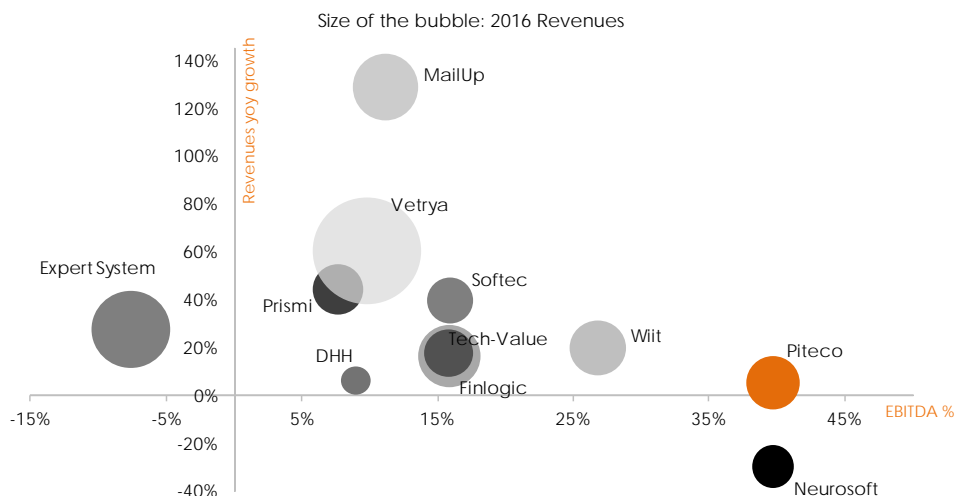
AIM POSITIONING

Piteco Group is an important player in the financial software industry with an internationalisation and diversification project driven by 2 business lines: Piteco SpA and Juniper Payments LLC.

Compared to average values of AIM Italia "Technology" Sector, Piteco shows:

- lower Revenues growth rates but higher EBITDA margin
- cash position

AIM Italia "Technology" Sector



2016 Data (Eu m)	Revenues	yoy	EBITDA%	NFP (Cash)	EV/EBITDA	NFP/EBITDA
DHH	4	7%	9%	(3.2)	23.0	-9.0
Expert System	30	28%	-8%	11.1	n.m.	n.m.
Finlogic	19	16%	16%	(0.5)	11.1	-0.2
MailUp	22	129%	11%	(1.0)	15.0	-0.4
Neurosoft	9	-30%	40%	(2.3)	14.7	-0.6
Piteco	14	6%	40%	(2.0)	16.1	-0.3
Prismi	13	44%	8%	12.7	24.6	13.1
Softec	11	40%	16%	3.1	5.8	1.8
Tech-Value	11	18%	16%	(2.3)	5.9	-1.3
Vetrya	57	61%	10%	9.4	10.1	1.7
Wiit	15	20%	27%	8.9	39.2	2.2
Technology	18	31%	17%	3.1	16.6	0.2
AIM Italia	39	18%	15%	10.2	13.9	3.2

Source: Osservatorio AIM Italia, EV as of November 3rd, 2017

Piteco is trading in line in terms of EV/EBITDA compared to average AIM Italia "Technology" Sector.

Compared to average AIM Italia "Technology" Sector, Piteco shows:

- higher capitalisation
- lower free float
- higher average daily traded turnover (ADTT)

Performance from IPO is positive and broadly above average.

Company	Capitalisation (Eu m)	Free Float	Perf. from IPO	ADTT YTD (Eu)
DHH	11	30%	-20%	10,423
Expert System	43	70%	-15%	118,904
Finlogic	34	27%	38%	88,751
MailUp	37	34%	36%	81,233
Neurosoft	53	12%	-73%	48,960
Piteco	93	27%	55%	87,405
Prismi	11	78%	-93%	32,530
Softec	7	7%	-80%	22,048
Tech-Value	13	22%	-1%	15,766
Vetrya	47	18%	18%	86,938
Wiit	153	37%	32%	176,013
Technology	46	33%	-9%	69,907
AIM Italia	60	35%	7%	121,945

Source: Osservatorio AIM Italia, market data as of November 3rd, 2017

Main activities of AIM Italia "Technology" Sector companies: DHH (Web Hosting services), Expert System (Cognitive computing and text analytics), Finlogic (Codification and Automatic identification), MailUp (Cloud Computing), Neurosoft (Software), Piteco (Financial Software), Prismi (Digital Marketing), Softec (Digital Platform), Tech-Value (IT services and PLM solutions), Vetrya (Digital services, application and broadband solutions), Wiit (Cloud Computing).

SOFTWARE MARKET

Software and ICT Solutions sector CAGR 2017-19 +6.5%

Italian Digital Market Growth trend by sector

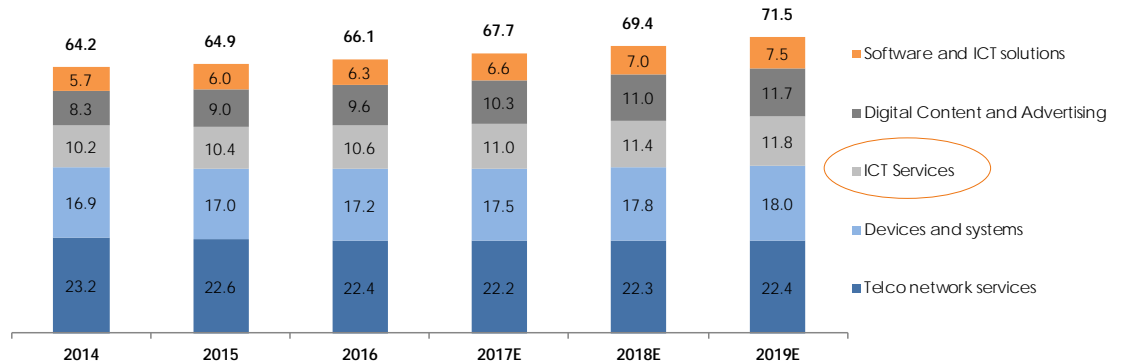
ITALIAN DIGITAL MARKET TREND

The estimated value of the Italian Digital Market in 2016 was 66.1 Eu b (CAGR 2014-16 +1.4%), registering a yoy **growth above the Italian GDP** in the last 2 years:

- +1.0% IDM vs +0.8% GDP in 2015
- +1.8% IDM vs +0.9% GDP in 2016

According to the Report “Il Digitale in Italia 2017” elaborated by Assinform, the Italian Digital Market will continue to grow in the next two years at a CAGR of +2.8%, with a 2019 target of 71.5 Eu b.

The total value of the sub-sector **Software and ICT solutions** was 6.3 Eu b in 2016 registering a yoy growth of +4.8%, in line with the performance in recent years : CAGR 2014-16 +4.8%. The Market analysis made by Assinform estimate a 2017-19 CAGR of +6.5%.



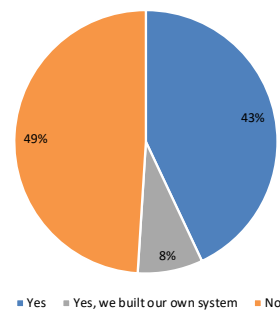
Source: Il Digitale in Italia, Assinform July 2017

The Software Market is composed by:

- **SYSTEM SOFTWARE:** software which guarantees basic functions (OS, e.g. MAC OS or Windows)
- **INFRASTRUCTURE SOFTWARE:** set of programs that act as intermediaries between different applications and software components.
- **APPLICATION SOFTWARE:** programs used for office automation (e.g. Word, Excel), particular professional needs and assets (ie. the treasury, warehouse management), creation of software, and optimisation of computer processes.

Piteco operates in the *Application Software* sector, in particular in the **Management Application Software** sub sector composed by 5 product categories: Accounting Software, Storage Software, Production Software, Budgeting Software, **Management & Financial Analysis Software**. In the last category is located the niche market of Treasury Software.

Piteco operates in niche market of Treasury Software



GLOBAL TREND IN TREASURY MANAGEMENT SYSTEM – TMS

TMS are usually **automated systems or software packages** that allow companies and their treasury departments to communicate and/or interface with banking partners, vendors and customers in real time. TMS are available in a variety of forms. It could be an installed TMS, a system delivered as “software-as-a-service” - SaaS/ASP - purchased from a bank or another vendor, or a module within an enterprise resource planning (ERP) system.

The majority of TMS are installed systems. Still, slightly over a quarter are delivered as (SaaS)/ASP; Companies that have resisted adopting a TMS use spreadsheets (usually Excel) for various key processes, primarily cash forecasting, cash positioning and bank account management.

According to *2016 AFP TMS Survey by Bloomberg* 3/4 of organizations that utilize a TMS have had their systems for at least 3 years and 54% of organizations with a TMS currently use the most recent version.

Only 51% of the surveyed companies already uses a Software to manage their Treasury (TMS).

Prosperous potential market: only 18% of companies with annual revenues of less than 250 \$ m use a TMS and only 44% of companies with annual revenues between 300 \$ m and 1 \$ b use a TMS.

A certain maturity of the European market (63% uses TMS) in comparison to the north American one (only 40% uses TMS).

The **trend to use a TMS via Cloud platform** is growing over time (but only 27% of the companies are actually using it). However, there is a higher penetration in the US market, where already 39% of the implementations is in cloud mode.

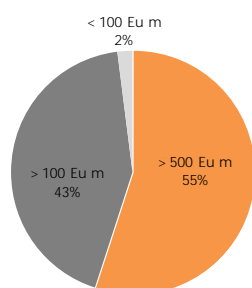
Source: 2016 AFP Treasury Management System Survey, Bloomberg and AFP, April 2016

US market is not ripe

GROUP PROFILE

Leading Italian Software House

Client breakdown by Revenues



Significant recurring revenues (52% of total)

Business model strengths

M&A track record

Piteco GROUP is an important player in the *financial software* industry with an ambitious internationalization and diversification project driven by 2 business lines.

PITECO

Piteco SpA is the **leading** Italian Software House for proprietary solutions to Corporate Cash Management and Financial Planning in terms of size, number of resources, range of services offered and managed customers.

The company has over 30 years of market history and covers the whole **value chain** of software: R&D, design, implementation, sales and service.

The **software** is entirely proprietary, integrable with leading corporate information systems (Oracle, SAP, Microsoft, etc.) and customizable to customer needs.

The Company presents 4 **product families (20 modules)**:

- Piteco EVO, presents an integrated solution for the management of corporate finance and consists of 17 different modules;
- CBC, meets the requirements of efficient management of the workflows of companies towards national and international banks;
- MATCH.IT, dedicated to analysis and matching of complex data flows;
- AT.PRO, designed for middle and back office management of securities portfolio.

Piteco has a large customer base: about **650 corporate clients** in **40 different countries**, active in a highly diversified number of business **sectors** (Banks and P.A. excluded), mainly medium to large companies (98% records more than 100 Eu m revenues).

The customer base is characterised by very high retention rate and a constant growth: approximately 30 new clients per year on average.

The **potential market** includes all industrial companies that consider treasury management important to oversee and enhance the treasury function in case they increase their revenues and need to track their cash flows.

The typical **client lifecycle** consists mainly of 3 phases:

- *acquisition*: sale of Piteco software and customization to client's needs,
- *maintenance*: recurring annual maintenance fee (inflation linked) and invoiced in advance,
- *upgrading*: additional cross-selling of the current 20 software modules which are part of total Piteco offer. The upgrading leads to a constant increase in the average annual maintenance fee.

Eu m	2016 FY	2015 FY	2014 FY	2013 FY
Recurring fees	7.1	6.5	5.8	5.5
Services	5.0	4.7	4.3	3.6
Software	1.4	1.7	1.5	1.6
Revenues	13.5	12.8	11.5	10.8

Source: Company Data

Software sales (1.4 Em in 2016, 11% of total) allows Piteco to generate **significant recurring revenues from maintenance fees (7.1 Eu m in 2016, 52%, steadily increasing yoy)** and services with high added value (5.0 Eu m in 2016, 37%).

The large client portfolio and the business model based on recurring fees allow Piteco to have:

- visibility on expected turnover
- high profitability
- high cash flow generation.

In 2015 Piteco acquired the Business Assets from **Centro Data Srl** (with effect from 1 July 2015) providing solutions for financial transactions reconciliation and complex data matching (MATCH.IT software). This acquisition has allowed the Company to add new software modules to its offer, in areas corresponding the current core business and about 50 new clients mainly in areas not completely covered as insurance and consumer credit.

JUNIPER PAYMENTS

Juniper Payments LLC (that is a *Special Purpose Vehicle*) was established in April 2017 to acquire the business assets from LendingTools.com Inc.

Juniper Payments is a Software House leader in US (more than 15 years of successful operation) 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 **3 \$ b per day**.

Juniper can be considered one of the largest US interbank networks; no other third-party service provider connects more financial institutions with the exception of the Federal Reserve. Juniper is currently the third player in the US market behind Fedline Advantage, owned by Federal Reserve, and another player owned by other banks. The two market leaders are both much bigger in size than Juniper, that presents itself with a high quality low price offer. This puts Juniper Payments in an advantageous position to gain market share.

The Company operates through SaaS Model: all products and support are provided as service utilizing Internet as delivery system. Products and sub-products can be enabled as modules to any customer based on what it has been purchased.

2016 FY Data:

- 5 \$ m Turnover
- 2 \$ m EBITDA
- 1.75 \$ m EBT
- 20 Employees

The **business model** is based on **recurring fees** thanks to long-term contracts signed with US Banks and **fully predictable costs**, thus generating a minimum guaranteed marginality. 90% of annual revenues are based on contracts in a SaaS environment. Juniper Payments provides the 'right to use' by end-users via principal customer contracts. The remaining 10% is due to customization fees and technical advisory and support. An **average contract generally lasts 5 years or more** and is characterized by **very high retention rate**.

In April 2017 Piteco North America Corp. (owned 100% by Piteco SpA) acquired 55% of Juniper Payments LLC for 13 \$ m (3 \$ m equity and 10 \$ m 10 years intercompany loan): the transaction involves not only the acquisition of all strategic business assets, but also net working capital of 2.25 \$ m (mainly cash liquidity) and the temporary setting aside of a part of the total outlay (0.95 \$ m) in a deposit account to guarantee successive checks. Piteco financed the transaction through a bank loan of 7 Eu m and partial use of current cash.

A shareholders' agreement foresees, inter alia, for Piteco North America Corp. the obligation to acquire 2.5% of shares from 2 managing shareholders (currently owning 22.5% each), at the end of the first 2 fiscal years. The operation will have a total value ranging from 1 \$ to 1.5 \$ m according to the achievements of certain economic results set for 2017 FY and 2018 FY.

Entry into US *digital payment services and clearing house* growing market

Advantageous positioning

Interesting acquisition considering JP's recurring revenues, high profit margins and growth perspectives

Further details

STRATEGY

Moving to MTA in 2018

Consolidating market position

Piteco SpA will consolidate its market position in Italy and continue its internationalisation process through its current sales channels. Target new segment of mid-market clients (50 – 100 Eu m turnover) with new cloud solution. Juniper Payments will focus on gaining market share in the US market.

R&D

Continuous investment in R&D to offer other modules on top of the existing to boost revenues.

M&A

Given the good cash position, Management will consider opportunities with right strategic features:

- high marginality and profitability on stand alone basis
- business model similar to Piteco
- good commercial network

Piteco plans to move from AIM Italia to MTA in 2018

1H 2017 RESULTS

Results as of June 30th, 2017 are the first consolidated financial statements of Piteco Group and are reported with **2 months of Juniper Payments contributions** (May and June).

1H 2017 Revenues rose by +13% to 7.6 Eu m, including a 1% organic growth and 0.8 Eu m from Juniper which contributed for 2 months.

EBITDA of 2.5 Eu m was in line with last 1H 2016 results. Margins were however affected by several non recurring elements:

- about 0.3 \$ m of Revenues related to the first month activity of Juniper Payments were not calculated due to accounting issues and were instead booked as lower acquisition price (considering this adjustment EBITDA would have recorded a +14% growth compared to 1H 2016);
- extraordinary expenses of 0.24 \$ m for the LendingTools Business Unit acquisition;
- 0.64 \$ m of exchange rate losses (unrealized) related to the weakness of the USD at June 30th, 2017 compared to the 10 Eu m Intercompany loan.

NFP equal to 6.6 Eu m (-1.9 Eu m in FY 2016) due to:

- 10.3 Eu m paid for the acquisition of LendingTools assets.
- 2.7 Eu m distributed as dividends, corresponding to a payout of 60% (0.15 Eu p.s.)

Operating Cash Flow amounts to 3.8 Eu m (51% of net revenues) confirming the high cash conversion capability of the Company.

Eu m – IAS/IFRS	1H 2017	1H 2016	1H 2015	1H 2014
Revenues	7.6	6.7	6.1	5.6
YoY growth	13.2%	10.0%	8.8%	n.a.
EBITDA	2.5	2.5	2.6	2.3
EBITDA%	33.4%	36.9%	42.6%	40.8%
EBIT	1.9	2.3	2.5	2.0
EBIT%	25.3%	34.9%	41.6%	35.0%
Net Profit	1.0	1.8	1.3	0.9
NFP (Cash)	6.6	(1.9)	8.7	n.a.

Source: Company Data

FY 2016 RESULTS

Revenues grew by 5.5% to 14.1 Eu m, primarily related to the increase of recurrent maintenance fees (+9%) and services (+7%). EBITDA came to 5.6 Eu m (40% EBITDA margin), aligned with 2015 despite the investments carried out to address commercial activities in US and Mexico, launch of the “cloud” solution and the reinforcements of the internal structure.

Net Profit amounted to 4.5 Eu m, +31% compared to FY 2015 thanks to Patent Box regime effect.

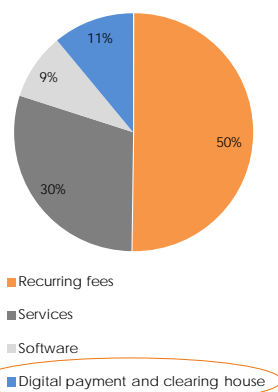
NFP amounted to -2.0 Eu m, improving thanks to the extremely positive dynamic of the operating cash flow.

Eu m – IAS/IFRS	FY 2016	FY 2015	FY 2014	FY 2013
Revenues	14.1	13.4	12.3	11.1
YoY growth	+6%	+9%	+11%	n.a.
EBITDA	5.6	5.7	5.2	4.3
EBITDA%	39.7%	42.7%	42.1%	38.4%
EBIT	5.3	5.5	4.5	3.6
EBIT%	37.6%	40.8%	36.4%	32.3%
Net Profit	4.5	3.4	2.4	1.6
NFP (Cash)	(2.0)	0.3	10.0	n.a.

Source: Company Data

RESULTS AND ESTIMATES

1H 2017 Revenues by Product



2.7 Eu m distributed as dividends (60% payout)

Record net profit in 2016 thanks to Patent Box regime effect

2017-2019E: Piteco can grow Revenues at a CAGR of +13% and maintain high levels of EBITDA margin

ESTIMATES

For 2017-2019 we believe that the Piteco Group will:

- 1) grow Revenues at a CAGR of 13% through:
 - Piteco CAGR of +8% in line with historical trend as the Company develops its international strategies
 - Juniper Payments CAGR of +35% thanks to advantageous market position.

The 2017 contribution of Juniper Payments is 8 months (from May to December).

- 2) Piteco can maintain a high EBITDA margin thanks to high market share and fully developed products. EBITDA can grow with at a CAGR of +15%, thanks to increasing volumes.
- 3) Piteco can generate high level of Cash Flow, carrying on the historical trend, given low level of investments. In 2016, Piteco invested 0.5 Eu m (of which 0.3 Eu m subscribed to the Balance Sheet as assets).
- 4) We have prudentially carried forward the 1H 2017 exchange rate losses to year end 2017, although unrealized. We estimate a tax rate of 15% for 2017 thereafter rising to 18% in 2019 and to 20% in 2020. Our estimates do not include M&A transactions.

MAIN FINANCIAL INDICATORS

Eu m		15A	16A	17E	18E	19E
Revenues		13.4	14.1	17.8	21.1	22.9
	yoy	+9%	+6%	+26%	+19%	+9%
EBITDA		5.7	5.6	7.0	8.5	9.4
	margin	42.7%	39.7%	39.5%	40.4%	41.0%
D&A		(0.2)	(0.3)	(1.1)	(1.6)	(1.7)
EBIT		5.5	5.3	5.9	6.9	7.7
	margin	40.8%	37.6%	33.3%	32.8%	33.7%
Net financial charges		(0.9)	(0.2)	(0.4)	(0.3)	(0.3)
Pre tax profit		4.6	5.1	4.9	6.6	7.4
Tax		(1.1)	(0.5)	(0.7)	(1.2)	(1.5)
Minority Interest				(0.1)	(0.5)	(0.5)
Group's Net Profit		3.4	4.5	4.1	4.9	5.4
	yoy	+44%	+31%	-9%	+20%	+10%
EPS		0.19	0.25	0.22	0.27	0.30

Eu m		15A	16A	17E	18E	19E
Net Working Capital (NWC)		1.0	1.4	2.6	3.4	3.8
Fixed net assets		30.0	30.1	38.6	37.3	35.9
Funds		(1.3)	(1.4)	(1.4)	(1.5)	(1.5)
Net Capital Employed		29.7	30.1	39.8	39.3	38.2
Net Financial Position (Cash)		0.3	(1.9)	6.0	3.7	1.0
NFP/EBITDA		0.1	(0.4)	0.9	0.4	0.1
Group's Equity		29.4	32.0	33.8	35.6	37.2
Minority Interest				1.3	1.8	2.3
Sources		29.7	30.1	39.8	39.3	38.2
Change in NWC		(0.6)	(0.4)	(1.2)	(0.9)	(0.4)
Capex		(1.3)	(0.3)	(9.5)	(0.3)	(0.3)

Source: Company Data for 2015-16 (IAS-IFRS) and IR Top Estimates for 2017-19 consolidated results

OPPORTUNITIES

50% of revenues derives from recurring fees

High marginality and cash flow generation

Very specialized marketplace: Piteco has for years assumed a particularly important position in the domestic market which makes it less subject to competitive price tensions.

Piteco has been able to maintain a growing trend without experiencing particular slowdowns even in earnings performance, in spite of the unfavorable economic situation which had significant repercussions on the ICT market.

High marginality and cash flow generation: Piteco has had historically high level of EBITDA margin, thanks to low operating costs, high cash flow generation and low level of investments.

Strong pipeline: Piteco adds 30 new clients average per year (over 650 total clients) and approximately 60% of revenue derives from recurring fees and it's continuously growing. The Company's software is used in more than 40 countries in 5 different continents.

M&A on Italian market: the fragmentation of the national IT market offers numerous small business acquisition options.

MAIN RISKS

Fluctuation of Eu/USD exchange rate

Macroeconomic situation and evolution of Software and ICT solution market: the performance of the sector in which company operates is related to the general economic outlook and therefore any periods of recession can lead to a resulting in reduced demand for the products and services offered. The economic, patrimonial and financial situation of the Group is affected by macroeconomic framework.

Competitiveness risk: the sector in which Piteco operates is subject to strong competition, which is generally manifested in a tension on the selling prices of the products and services offered. Particularly there is a risk that major enterprise software vendors might take interest in the TMS sector.

Technological evolution: Software and ICT solutions market is characterized by rapid technological development and is affected by the competitive pressure resulting from the development of technology.

New markets: moving into new countries increase opportunities but it also increases liabilities and adds currency exposure.

Exchange rate fluctuation risk: especially related to Euro/Dollar exchange rate, after the enter in US market through Juniper Payments acquisition.

OWNERSHIP

Piteco is owned by the Podini Family (64% overall)

Piteco is owned by the Podini Family which holds overall 64% of outstanding shares.

The share capital subscribed and paid up is 18,154,900 Eu, made up by n. 18,132,500 ordinary shares.

Free float is 27.45%

On October 2nd, 2017 Dedagroup SpA, Fago60 Srl (both companies linked to Marco and Maria Luisa Podini), Paolo Virenti, Andrea Guido Guillermaz and Riccardo Veneziani - all in possession of n. 12,080,502 shares, equal to 66.62% of the share capital - entered a new shareholders' agreement in lieu of the one subscribed on May 14th, 2015.

Shareholder	n. of shares	%
Dedagroup SpA*	10,053,500	55.44%
Fago60 Srl*	472,000	2.60%
Marco Podini	537,749	2.97%
Maria Luisa Podini	537,749	2.97%
Andrea Guido Guillermaz**	518,334	2.86%
Riccardo Veneziani**	518,334	2.86%
Paolo Virenti**	518,334	2.86%
Ennismore Fund Management	1,263,500	6.97%
Other Shareholders (<5%)	3,713,000	20.48%
Total	18,132,500	100.00%

*Companies referring to the same beneficial owner: Marco Podini and Maria Luisa Podini
 ** Shareholder tied to shareholders' agreement with Dedagroup SpA

GOVERNANCE

7 board members, 1 Independent

List vote: 10%

The Board of Directors has 7 members, 1 of them is Independent.

Marco Podini – Chairman: Chairman of Dedagroup and of the following ICT companies: Dexit (outsourcing), Derga Consulting (SAP consulting), Cast (technology), Sinergis (geo-referencing), Piteco (corporate treasury). He is also CEO of Sequence, active in logistical outsourcing and renewable energy production, director in Elma S.p.A. and reference partner of Lillo S.p.a., a large distribution company active with the commercial formula of hard discount in Italy. He was from 1995 to 2001 Chief Financial Officer of Elma S.p.A. and of Pasubio S.p.A., financial and investment companies, through which they have gained extensive financial experience. Born in Bolzano in 1966, after graduating in German, he graduated with full marks and praise in Business Administration at Bocconi University. He speaks Italian, German and English. He is married and father of 3 children.

VALUATION

Our valuation yields a Target Price of 5.79 Eu per share

We value Piteco through 2 different approaches, equally weighted:

- Market multiples comparison
- Discounted Cash Flow (DCF) model.

AIM POSITIONING DISCOUNT/PREMIUM

When using market multiples to determine the fair value of an AIM Italia listed company, we apply a discount on the average peer multiple based on an algorithm that measures the positioning of the company compared to the AIM Italia market as a whole, and to the relevant AIM Sector .

In partnership with “Osservatorio AIM” (IR Top proprietary database) all companies listed on AIM Italia have been analysed over 4 dimensions:

1. Market Data (capitalisation, liquidity, free float)
2. Financials (growth and profitability)
3. Sustainability (ESG)
4. Transparency (strategic plan)

The Market Data establishes a base that runs from 20% to 30%. According to a scoring system the other 3 dimensions (Financials, Sustainability and Transparency) determine an additional discount/premium in a range of +/- 5%.

Applying the algorithm on Piteco we consider fair a discount of 24.75% to Technology Peers based on:

- Market Data discount of 25%
- A premium of 0.25% as a sum of the scoring for Financials, Sustainability and Transparency.

The below figure summarizes Piteco’s relative positioning for the items considered.

Piteco AIM Positioning	AIM Sector		AIM Italia		YES	NO
	<AVG	>AVG	<AVG	>AVG		
Market Data						
Capitalisation		X		X		
Liquidity (ADTT YTD)		X	X			
Free Float	X		X			
Financials	<AVG	>AVG				
YoY Revenues Growth	X					
EBITDA Margin		X				
Dividend Policy					X	
Sustainability (ESG)						
Independent Directors					X	
List vote					X	
Relevant Environmental Data						X
Relevant Social Data						X
Transparency						
Strategic Plan						X

MULTIPLES

We used a peer group consisting of technology Large Cap companies with business models comparable to Piteco. We considered EV/EBITDA as the most important tool to evaluate Piteco Group.

Eu m	Country	Capitalisation	Revenues 2016	yoy	EBITDA % 2016A	EBITDA % 2017E
Piteco	Italy	92	14	+6%	40%	40%
Datalogic	Italy	1,975	576	+8%	15%	17%
Intuit	USA	33,720	4,229	+19%	32%	38%
Oracle	USA	180,267	34,611	+4%	42%	47%
Reply	Italy	1,725	781	+11%	11%	14%
Sage	UK	9,255	2,005	+4%	30%	28%
salesforce.com	USA	63,540	7,600	+26%	8%	22%
SAP	Germany	121,438	22,062	+6%	29%	32%
Technology Peers		58,846	10,266	+11%	24%	28%

Source: Company Data and IR Top Estimates for Piteco and Factset Data for comparables.

EV/EBITDA (x)	17E	18E	19E
Piteco	14.1	11.6	10.5
Datalogic	18.9	16.6	14.9
Intuit	19.9	17.6	15.6
Oracle	10.5	9.5	8.8
Reply	13.3	11.5	10.2
Sage	19.0	16.4	14.7
salesforce.com	30.9	23.9	18.5
SAP	16.5	14.8	13.3
Technology Peers	18.4	15.8	13.7
Discount/Premium to Technology Peers	-24%	-26%	-23%

Source: IR Top estimates for Piteco and Factset Data for comparables.

Applying a 24.75% discount (as determined above) on average 2017 and 2018 EV/EBITDA multiples gives a fair value of 5.12 Eu per share.

DCF

Main assumptions are:
 - Perpetual growth: 1.5%
 - Risk Free interest rate: 2.00%
 - WACC: 8.2%

Sum of PV 2017-2023 FCF – Eu m	32.81
Terminal Value – Eu m	90.76
Total Enterprise Value – Eu m	123.57
Net Financial Position (Cash) – Eu m	6.54
Total Equity Value – Eu m	117.03
Number of outstanding shares – m	18.13
Fair Value per share – Eu	6.45

Source: Company Data and IR Top Estimates

Our DCF valuation yields a target price of 6.45 Eu per share.

VALUATION SUMMARY

Weighting the 2 approaches equally we set a target price of 5.79 Eu, implying an upside of 14% and an implicit EV/EBITDA 2017 and 2018 multiple of 15.8 x and 13.1 x respectively.

Method	Price (Eu)
DCF	6.45
Multiple analysis	5.12
Target Price	5.79

Piteco on AIM

+55% from IPO

IPO

Date: 31 July 2015
 Capital raised: 11.5 Eu m (included greenshoe option)
 Price: 3.30 Eu
 Capitalisation: 59.8 Eu m
 NomAd: Advance SIM
 Specialist: Corporate Family Office SIM

Piteco Convertible 4.50% 2015-2020

Code: PITE20
 ISIN: IT0005119083
 N. issued bonds: 1,189
 Nominal value or Issue Price of each bond: 4,200 Eu
 Issued Value: 5.0 Eu m
 Interest Rate: 4.50%
 Conversion Ratio: 1.000:1 (underlying shares: bonds)
 Conversion Price: 4.20 Eu
 Conversion Period: 31 July 2015 - 24 July 2020
 Maturity Date: 24 July 2020

As of November 3rd, 2017 outstanding n. 1,182 Convertible Bonds for a nominal value of 4,964,400 Eu.

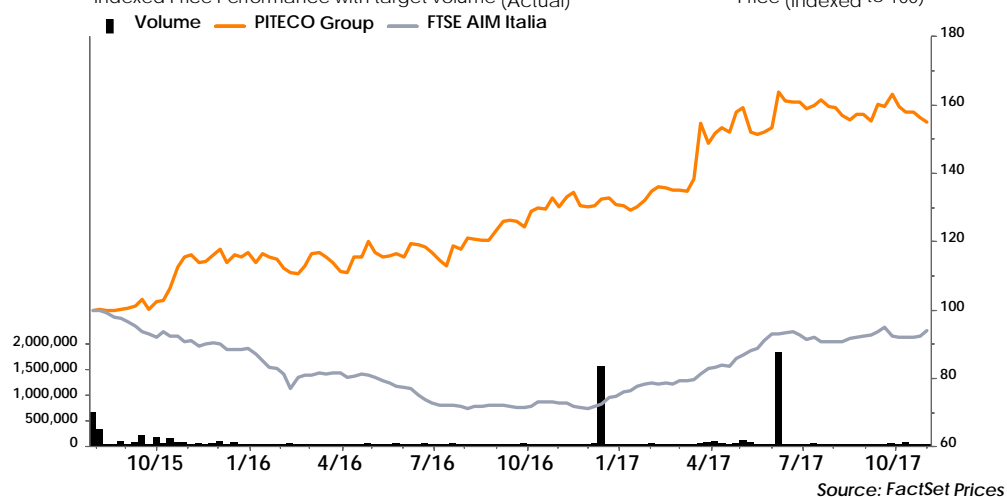
SHARES (as of November 3rd, 2017)

Code: PITE
 Bloomberg: PITE IM
 Reuters: PITE.MI
 ISIN: IT0004997984
 Share capital: 18,154,900 Eu
 Shares: 18,132,500
 Price: 5.10 Eu
 Performance from IPO: +55%
 Capitalisation: 92.5 Eu m

PITECO Group vs. FTSE AIM Italia

Indexed Price Performance with target volume (Actual)

Price (Indexed to 100)



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