

Italy - Software

Treasury business consolidates recovery

30th September 2019

H1-19 RESULTS RELEASE

RIC: PITE.MI
BBG: PITE IM

Top notch numbers: sales progression was driven by the well-established rebound of the treasury management business (Piteco, Italy) and the consolidation of the Myrios (acquired in Oct-18). YTD new clients are 30, in excess to the company target of 30 new names per annum.

Rating:

Buy

Price Target:

€ 8.10 (€ 7.20)

Upside/(Downside): 57.3%

Last Price: € 5.15

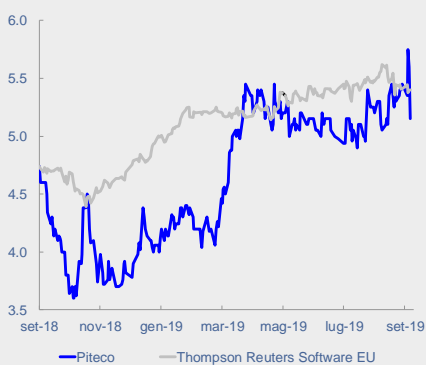
Market Cap.: € 93.4

1Y High/Low: € 5.90/€ 3.50

Free Float: 25.9%

Major shareholders:

Podini Family 67.2%
Management 5.7%



Stock price performance

	1M	3M	12M
Absolute	2.0%	2.0%	8.6%
Rel.to FTSE Italia	1.9%	7.1%	29.0%
Rel.to EU Sector	3.4%	3.5%	0.9%

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Buy recommendation reiterated, PT of € 8.10 (€ 7.20), 57.3% upside

Following the publication of 2019 interim results, we have left our model basically unchanged, from a business assumption point of view. We factored in the application of the IFRS 3 principle, Purchase Price Allocation (i.e. the allocation of the purchase price into various assets and liabilities acquired from the transaction): the effect is an increase of D&A which prompts to a decline of EBIT and Net Profit of 6.1% and 6.6% in 2019-2021, respectively. We have updated DCF valuation criteria, bringing the Free Risk Rate up-to-date. The result is an upgrade in PT to € 8.10/s (€ 7.20/s), 57.3% upside, mainly due to the retrenchment of the Free Risk Rate, down from 2.5% to 1.20% from our last publication.

Revenues up 22.8% to € 11.1m. 7.8% like-for-like

Sales soared 22.8% to € 11.1m, up 7.8% like-for-like. The recovery of the treasury management business in Italy is excellent news and substantiates the trend started in the last part of 2018 and is anticipated to keep growing. Myrios, consolidated in Oct-18, contributed with € 1.4m sales. Recurring fees increased by 18%, high margin stand-alone software sales were up 47% and turnover from services jumped 17%. YTD new clients were 30, once again well on-track to exceed the target of 30 new names per year.

EBITDA up 30.7% - EBITDA margin stands at 39.1%

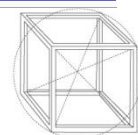
EBITDA jumped 30.7% to € 4.3m (margin of 39.1%), up 8.4% like-for-like. Myrios, consolidated as of Oct-18, contributed with € 0.7m EBITDA, margin of 51.2%. The temporary decline in EBITDA margin at Juniper is entirely due to a reinforcement of staff in order to develop new partnerships and software. Piteco stand-alone showed a solid 16.8% EBITDA improvement with a margin of 38.3%, +280bps. EBIT totalled € 2.9m, 26.5% margin, up 16.6% YoY. Net profit came in at € 2.0m. NFP stood at € 14.8m (vs. € 15.3m in FY-18), and Free Cash Flow was € 4.0m (91% of EBITDA).

The undisputed domestic leader, more than 4x the size of its closest competitor

Piteco is the undisputed domestic leader, more than 4x the size of its closest competitor, in the niche of corporate treasury management, financial planning and risk management software. The acquisitions of Juniper Payments (Apr-17) and Myrios (Oct-18) allows Piteco to 1) penetrate the huge US market with a well-managed cash flow generative firm, paid fairly cheap and 2) exploit the synergies promoting the innovative solution of Myrios on the corporate market using the existing sales networks. Furthermore, last 25-Feb Myrios Switzerland SA was established in Geneva. The choice to open the subsidiary in Geneva was strategically driven by the presence of many financial institutions in that area, which could be potential new clients for the group. It could be also an opportunity to penetrate the German market thanks to its proximity, supporting Piteco's internationalisation strategy.

Piteco, key financials and ratios

€ m	2017	2018	2019e	2020e	2021e
Sales	17.05	20.21	25.83	28.90	31.24
EBITDA	6.46	8.27	10.80	12.27	13.70
EBITDA adjusted	6.72	8.27	10.80	12.27	13.70
EBIT	4.97	6.40	8.00	9.52	10.99
Net profit	3.39	5.27	6.05	7.47	8.86
Net profit adjusted	3.51	4.60	6.05	7.47	8.86
EPS adjusted	0.19	0.25	0.33	0.41	0.49
EPS adj. growth	-23.7%	31.1%	31.5%	23.4%	18.6%
DPS ord. €/s	0.15	0.15	0.20	0.25	0.29
Dividend yield	2.9%	2.9%	3.9%	4.8%	5.7%
NFP (cash)/debt	6.50	26.77	22.03	16.14	9.80
Free Cash Flow Yield	4.8%	7.1%	8.3%	10.2%	11.6%
PER x	26.6	20.3	15.4	12.5	10.5
PCF x	20.7	13.6	11.0	9.1	8.0
EV/Sales x	5.9	5.9	4.5	3.8	3.3
EV/EBITDA x	15.5	14.5	10.7	8.9	7.5
EV/EBIT x	20.1	18.8	14.4	11.5	9.4



Solid recovery in Italy and generous Myrios contribution

H1-19 top line growth was driven by the solid rebound of the treasury management business (Piteco stand-alone) and the consolidation of Myrios. Margin improvement, was achieved thanks to the operating leverage sustained by higher volumes and the consolidation of the highly profitable Myrios (EBITDA in excess of 50%). YTD new clients were 30, once again in excess to the target of 30 new names per annum.

Table 1 – Piteco, H1-19 results summary

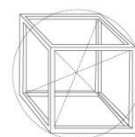
€ m	H1-19	H1-18	% YoY
Turnover	11.1	9.0	22.8
Piteco (treasury management)	7.4	6.8	8.3
Juniper (banking)	2.3	2.2	2.4
Myrios (risk management)	1.4	-	-
Raw material	(0.2)	(0.2)	
Services	(2.0)	(1.6)	
Personnel	(4.6)	(3.9)	
Other	(0.1)	(0.0)	
EBITDA	4.3	3.3	30.7
% margin	39.1	36.7	
Piteco (treasury management)	2.8	2.4	16.8
% margin	38.3	35.5	
Juniper (banking)	0.8	0.9	(14.1)
% margin	34.1	40.7	
Myrios (risk management)	0.7	-	-
% margin	51.2	-	
D&A	(1.4)	(0.8)	
EBIT	2.9	2.5	16.6
% margin	26.5	27.9	
Financials	(0.5)	0.1	
Extraordinary	(0.1)	(0.1)	
Pretax	2.3	2.5	(10.0)
Taxes	(0.2)	(0.3)	
Tax rate	9.7	12.2	
Minorities	0.0	0.0	
Net profit	2.0	2.2	(7.5)
% margin	18.5	24.5	
NFP (debt)	14.8	15.3	(3.2)
NFP incl. PUT options (debt)	26.4	26.8	(1.4)

Source: company data

Revenues soared 22.8% to € 11.1m, up 7.8% like-for-like. The recovery of the treasury management business in Italy (Piteco stand-alone) is excellent news and substantiates the trend started in the last part of 2018 and is anticipated to keep growing. Myrios, consolidated as of Oct-18, contributed with € 1.4m revenues. Recurring fees increased by 18%, high margin one-shot software sales were up 47% and turnover from services jumped 17%.

EBITDA jumped 30.7% to € 4.3m (margin of 39.1%), up 8.4% like-for-like. Myrios, consolidated as of Oct-18, contributed with € 0.7m EBITDA, margin of 51.2%. The temporary decline in EBITDA margin at Juniper (banking solutions) is entirely due to a reinforcement of staff in order to develop new partnerships and software. Piteco stand-alone showed a solid 16.8% EBITDA enlargement with a margin of 38.3%, +280bps.

EBIT totalled € 2.9m, 26.5% margin, up 16.6%. The D&A increase is mainly linked to the acquisition of Myrios, which brought in € 467k additional D&A o/w € 332k stemming from the application of the IFRS 3 principle, Purchase Price Allocation (i.e. the allocation of the purchase price into various assets and liabilities acquired from the transaction).

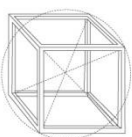


Net profit came in at € 2.0m down vs. € 2.2m in H1-18 as a result of 1) higher financial charges linked to the two put options (Juniper and Myrios) and 2) lower forex gain related to the dollar denominated debt of Juniper.

NFP was € 14.8m vs. € 15.3m in FY-18. Including the value of the put option related to the acquisition of Juniper and Myrios, NFP stand at € 26.4m vs. € 26.8m in H1-18.

Free Cash Flow was € 4.0m, 91.% of the EBITDA in the period.

Since the beginning of 2019 Piteco added 30 new clients, once again well on-track to exceed the company target of 30 new names per year



Estimates, valuation and risks

Following the publication of 2019 interim results, we have left our model basically unchanged, from a business assumption point of view. We factored in the application of the IFRS 3 principle, Purchase Price Allocation (i.e. the allocation of the purchase price into various assets and liabilities acquired from the transaction): the effect is an increase of D&A which prompts to a decline of EBIT and Net Profit to the tune of 6.1% and 6.6% in 2019-2021, respectively.

We have updated DCF valuation criteria, bringing the Free Risk Rate up-to-date. The combined result is **an upgrade in PT to € 8.10/s** (€ 7.20/s), 57.3% upside to current price, mainly as a result of the sharp retrenchment of the Free Risk Rate, down from 2.5% to 1.20% from our last publication.

We confirm our Buy recommendation on the shares.

After two flat years, in 2018 Piteco resumed its organic growth (+4.5% yoy), thanks to a constant increase in recurring revenues and adding 37 new clients to its portfolio in 2018 and already 30 new clients YTD. In the first half of 2019, this trend accelerated, with organic growth for Piteco stand-alone up 8.3%, with elements which can configure a highly likely continuation of this development.

DCF

In the valuation via the DCF method explicit estimates until 2023 and a long term growth of 1.5% were used. Cash flows were discounted back at an weighted average cost of capital calculated according to the following parameters:

Table 2 - WACC derived from:

Interest costs, pre-tax	2.5%
Tax rate	25.0%
Int. costs, after taxes	1.9%
Risk premium, incl. small size premium	7.0%
Risk-free (10Y Gov. Bond 2W average)	1.20%
Beta levered (x)	1.00
Required ROE	8.2%

Source: CFO Sim

Table 3 - Piteco, DCF model

€ m	2019e	2020e	2021e	2022e	2023e	Term. Val.
EBIT	8.00	9.52	10.99	10.99	10.99	
Tax rate	13.0%	13.0%	13.0%	13.0%	13.0%	
Operating profit (NOPAT)	6.96	8.28	9.56	9.56	9.56	
Change working capital	(2.02)	(0.62)	(0.49)	(0.32)	(0.34)	
Depreciation	2.81	2.76	2.72	0.80	0.78	
Investments	(0.74)	(0.78)	(0.78)	(0.78)	(0.78)	
Free Cash Flows	7.01	9.64	11.02	9.26	9.23	176.92
Present value	6.90	8.88	9.50	7.48	6.98	133.79
WACC	6.8%	6.8%	6.8%	6.8%	6.8%	
Long-term growth rate	1.5%					

Source: CFO Sim

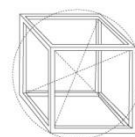


Table 4 – Piteco, DCF per share derived from:

Total EV present value € m	173.53
<i>thereof terminal value</i>	77.1%
NFP last reported adj.	(26.77)
Pension provision last reported	(1.29)
Equity value € m	145.47
Shares # m (ex. Treasury shares)	17.94
Discounted CF €/s	8.10
<i>Upside/(downside)</i>	57.3%

Source: CFO Sim

The application of the model produces an equity value of € 145.47m, which corresponds to **€ 8.10/s, with a potential upside of 57.3%**.

The following tables illustrate that sensitivity 1) compared to changes in the terminal growth rate produces an equity value per share of between € 6.86 – 9.93 (perpetuity range of between 0.50% and +2.50%), while 2) compared to changes in the free risk rate produces an equity value/s of € 7.13 – 9.34 (free risk range of between 2.00% and 0.40%) and 3) compared to changes in the risk premium, including small size premium results into an equity value/s of € 6.00 – 11.96 (risk premium range of between 9.00% and 5.00%).

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

€ m	0.50%	0.75%	1.00%	1.25%	1.50%	1.75%	2.00%	2.25%	2.50%
Present value of CF	39.74	39.74	39.74	39.74	39.74	39.74	39.74	39.74	39.74
PV of terminal value	111.43	116.33	121.65	127.45	133.79	140.77	148.47	157.03	166.58
Total value	151.17	156.06	161.38	167.18	173.53	180.51	188.21	196.77	206.31
NFP last reported	(26.77)	(26.77)	(26.77)	(26.77)	(26.77)	(26.77)	(26.77)	(26.77)	(26.77)
Pension last reported	(1.29)	(1.29)	(1.29)	(1.29)	(1.29)	(1.29)	(1.29)	(1.29)	(1.29)
Equity value	123.10	128.00	133.32	139.12	145.47	152.44	160.15	168.70	178.25
Equity value €/s	6.86	7.13	7.43	7.75	8.10	8.50	8.93	9.40	9.93

Source: CFO Sim

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

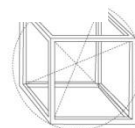
€ m	0.40%	0.60%	0.80%	1.00%	1.20%	1.40%	1.60%	1.80%	2.00%
Present value of CF	40.26	40.13	40.00	39.87	39.74	39.61	39.48	39.36	39.23
PV of terminal value	155.41	149.47	143.91	138.70	133.79	129.18	124.82	120.71	116.81
Total value	195.67	189.60	183.91	178.56	173.53	168.79	164.30	160.06	156.04
NFP last reported	(26.77)	(26.77)	(26.77)	(26.77)	(26.77)	(26.77)	(26.77)	(26.77)	(26.77)
Pension last reported	(1.29)	(1.29)	(1.29)	(1.29)	(1.29)	(1.29)	(1.29)	(1.29)	(1.29)
Equity value	167.60	161.53	155.84	150.50	145.47	140.72	136.24	132.00	127.98
Equity value €/s	9.34	9.00	8.69	8.39	8.10	7.84	7.59	7.36	7.13

Source: CFO Sim

Table 7 – Piteco, equity value sensitivity to changes in risk premium

€ m	5.00%	5.50%	6.00%	6.50%	7.00%	7.50%	8.00%	8.50%	9.00%
Present value of CF	41.06	40.72	40.39	40.06	39.74	39.42	39.11	38.80	38.49
PV of terminal value	201.59	179.77	161.76	146.65	133.79	122.73	113.12	104.70	97.26
Total value	242.65	220.50	202.15	186.71	173.53	162.15	152.23	143.50	135.75
NFP last reported	(26.77)	(26.77)	(26.77)	(26.77)	(26.77)	(26.77)	(26.77)	(26.77)	(26.77)
Pension last reported	(1.29)	(1.29)	(1.29)	(1.29)	(1.29)	(1.29)	(1.29)	(1.29)	(1.29)
Equity value	214.58	192.43	174.09	158.64	145.47	134.09	124.16	115.43	107.69
Equity value €/s	11.96	10.72	9.70	8.84	8.10	7.47	6.92	6.43	6.00

Source: CFO Sim



Market multiples

We have included 11 peer groups in the sample, operating in the software and digital technology worldwide arena. Our sample comprises larger global players and small local actors. Size differs significantly amongst the panel, in particular between smaller and global firms, as well as profitability. Piteco offers an **EBITDA margin** among the **highest values**, lower only than Oracle and Microsoft, which however provides a different service. In addition, Piteco offers **higher growth** compared to peer groups. On the other hand, Piteco is amongst the **smaller** firms in terms of market value and **the least liquid** (free float 26%, i.e. some € 24.0m).

Table 8 - Piteco, peers group summary table

€ m	Country	Mkt Cap	Sales FY1	EBITDA FY1	EBITDA margin	Sales CAGR ₁₈₋₂₁	EBITDA CAGR ₁₈₋₂₁	EBIT CAGR ₁₈₋₂₁	EPS CAGR ₁₉₋₂₁	NFP /EBITDA
Intuit Inc	USA	62,579	6,791	2,527	37.2%	10.4%	17.8%	20.0%	13.0%	(1.3)
Microsoft Corp	USA	961,438	126,808	55,606	43.9%	12.0%	14.0%	14.2%	12.9%	(1.2)
Oracle Corp	USA	162,325	36,399	17,213	47.3%	2.9%	7.0%	10.5%	4.3%	0.8
Salesforce.Com Inc	USA	118,873	15,290	3,440	22.5%	24.8%	56.8%	106.7%	24.5%	(1.0)
SAP SE	Germany	132,226	27,389	8,616	31.5%	8.9%	12.0%	14.8%	12.1%	1.1
Median large player		132,226	27,389	8,616	37.2%	10.4%	14.0%	14.8%	12.9%	(1.0)
Datalogic SpA	Italy	774	621	96	15.5%	2.0%	0.5%	1.4%	9.1%	(0.2)
Digital Bros SpA	Italy	135	133	19	14.3%	19.6%	n.a.	n.s.	n.a.	0.5
Expert System SpA	Italy	133	34	7	22.0%	15.2%	37.7%	n.a.	n.a.	1.1
Exprivia SpA	Italy	46	582	41	7.0%	n.a.	n.a.	n.a.	n.a.	5.4
Reply SpA	Italy	2,011	1,175	170	14.4%	10.2%	14.3%	12.0%	11.8%	(0.5)
TXT e solutions SpA	Italy	106	57	6	10.4%	n.a.	n.a.	48.2%	13.1%	n.a.
Median small player		134	358	30	14.4%	12.7%	14.3%	12.0%	11.8%	0.5
Piteco SpA		93	26	11	41.8%	15.6%	18.4%	19.7%	21.0%	2.0

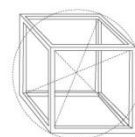
Source: Thomson Reuters Eikon, CFO Sim

Table 9 - Piteco, peers group multiples table

EV & Price multiples x	PER FY1	PER FY2	PCF FY1	PCF FY2	Sales FY1	Sales FY2	EBITDA FY1	EBITDA FY2	EBIT FY1	EBIT FY2
Intuit Inc	35.1	31.2	30.9	28.3	8.7	7.7	23.5	21.1	26.0	22.8
Microsoft Corp	26.4	23.4	19.8	17.6	7.1	6.3	16.1	14.1	20.6	18.0
Oracle Corp	13.8	13.3	12.5	11.7	4.8	4.8	10.2	9.7	11.0	10.7
Salesforce.Com Inc	53.9	45.0	37.9	36.3	7.5	5.9	33.5	27.8	45.9	32.9
SAP SE	24.0	21.3	20.7	18.5	5.2	4.7	16.5	14.4	18.3	15.9
Median large player	26.4	23.4	20.7	18.5	7.1	5.9	16.5	14.4	20.6	18.0
Datalogic SpA	14.3	13.3	10.2	9.8	1.2	1.1	7.9	7.2	10.1	9.1
Digital Bros SpA	15.0	13.4	8.5	n.a.	1.1	0.9	7.6	n.a.	11.8	8.7
Expert System SpA	n.s.	69.5	18.6	15.2	4.2	3.7	19.1	14.7	n.s.	52.0
Exprivia SpA	n.s.	9.3	2.1	1.9	0.5	0.4	6.6	5.4	13.5	9.7
Reply SpA	19.7	17.8	15.7	14.3	1.6	1.5	11.3	9.9	13.4	11.6
TXT e solutions SpA	29.6	26.2	17.6	15.8	2.7	2.4	26.4	20.4	n.a.	n.a.
Median small player	17.3	15.6	12.9	14.3	1.4	1.3	9.6	9.9	12.6	9.7
Piteco SpA	15.4	12.5	10.5	9.1	4.5	3.8	10.7	8.9	14.4	11.5
(Disc.)/prem. to large players	-41.4%	-46.6%	-49.0%	-50.6%	-36.7%	-35.5%	-35.1%	-37.8%	-29.8%	-36.1%
(Disc.)/prem. to small players	-11.0%	-19.8%	-18.5%	-36.2%	213.6%	192.2%	11.4%	-9.7%	14.8%	18.8%

Source: Thomson Reuters Eikon, CFO Sim

Piteco **trades at a discount** vs. larger players' median at all valuation metrics, as well as compared to smaller players but only in terms of PER and PCF, although multiple range varies quite a while amongst its peers.



Stock performance

Piteco was listed on the Milan AIM (Alternative Investment Market) on 31-Jul-15 at € 3.30/share, corresponding to a market capitalization post money of € 58.9m. As of Sep-18 shares and convertible bonds have been traded in the main market of Borsa Italiana. Piteco trades **well above the IPO price**, and reached 1Y intraday maximum of € 5.90/s on 26-Sep-19 and a minimum of € 3.50 on 26-Sep-18.

Table 10 - Piteco, peers group absolute performance

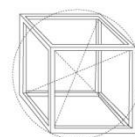
	1D	1W	1M	3M	6M	YTD	1Y
Intuit Inc.	(2.4)	(2.2)	(8.7)	0.7	0.7	33.7	18.1
Microsoft Corporation	(1.3)	(1.2)	(0.1)	2.8	16.8	35.6	20.4
Oracle Corporation	0.2	1.2	3.9	(5.1)	0.7	19.8	4.6
salesforce.com, inc.	(2.7)	(4.5)	(5.0)	(2.3)	(6.4)	8.2	(7.6)
SAP SE	0.3	(1.9)	(0.7)	(10.7)	4.7	24.0	0.0
Median large players	(1.3)	(1.9)	(0.7)	(2.3)	0.7	24.0	4.6
Datalogic S.p.A.	3.6	(4.5)	2.1	(23.9)	(36.3)	(35.0)	(58.3)
Digital Bros S.p.A.	(0.5)	(1.8)	23.4	43.9	68.4	124.6	(3.3)
Expert System SpA	4.4	1.2	27.5	(8.0)	121.2	186.7	166.1
Exprivia S.p.A.	0.9	2.3	1.0	(12.6)	(28.0)	8.4	(29.5)
Reply S.p.A.	4.4	3.0	0.2	(10.2)	(6.2)	22.2	(9.8)
TXT e-solutions S.p.A.	(0.8)	(1.2)	0.4	0.0	(9.0)	0.1	(14.5)
Median small players	2.2	0.0	1.5	(9.1)	(7.6)	15.3	(12.2)
PITECO SpA	(8.0)	(5.5)	2.0	2.0	14.4	32.1	8.6
Piteco relative to large players	(6.7)	(3.6)	2.7	4.3	13.7	8.0	4.0
small players	(10.3)	(5.5)	0.4	11.1	22.0	16.8	20.8
FTSE Italia All Shares	(8.2)	(4.0)	1.9	7.1	19.3	32.1	29.0
EU sector	(8.3)	(5.0)	(1.4)	(1.5)	11.7	13.1	7.8

Source: Thomson Reuters Eikon

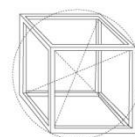
Risks

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

- impacts on economics and balance sheet profile triggered by a deep decline in local and global economic growth,
- Dilution on profitability stemming from the acquisition campaign, in particular penetrating the large US market,
- Potential competition arising from smaller local players,
- The departure of one of a few key relevant people,
- The impact of the \$/€ currency fluctuation.

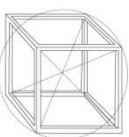


Income statement (€ m)	2017	2018	2019e	2020e	2021e
Total revenues	17.05	20.21	25.83	28.90	31.24
Material expenses	0.27	0.31	0.39	0.44	0.47
Change in inventories	0.00	0.00	0.00	0.00	0.00
Personnel expenses	7.42	8.12	9.73	10.60	10.91
Other operating expenses/(income)	2.90	3.52	4.91	5.59	6.14
EBITDA	6.46	8.27	10.80	12.27	13.70
EBITDA adj.	6.72	8.27	10.80	12.27	13.70
D&A	1.48	1.87	2.81	2.76	2.72
EBIT	4.97	6.40	8.00	9.52	10.99
Financial charges/(income)	1.64	(0.05)	1.04	0.93	0.80
Other costs & extraordinary & other	(0.13)	0.72	0.00	0.00	0.00
Pre-Tax profit	3.46	5.73	6.96	8.59	10.18
Income taxes	0.07	0.47	0.90	1.12	1.32
Net Profit	3.39	5.27	6.05	7.47	8.86
Net Profit Adjusted	3.51	4.60	6.05	7.47	8.86
Balance sheet (€ m)	2017	2018	2019e	2020e	2021e
Net Working Capital	3.35	4.14	6.15	6.77	7.26
Net Fixed Assets	38.90	60.40	58.33	56.35	54.41
Equity Investments	0.00	0.00	0.00	0.00	0.00
Other M/L Term A/L	(5.84)	(6.63)	(7.98)	(8.67)	(9.18)
Net Invested Capital	36.41	57.91	56.50	54.45	52.48
Net Financial Debt	6.50	26.77	22.03	16.14	9.80
Minorities	0.00	0.00	0.00	0.00	0.00
Group's Shareholders Equity	29.92	31.14	34.47	38.31	42.68
Financial Liabilities & Equity	36.41	57.91	56.50	54.45	52.48
Cash Flow statement (€ m)	2017	2018	2019e	2020e	2021e
Total net income	3.39	5.27	6.05	7.47	8.86
Depreciation	1.48	1.87	2.81	2.76	2.72
Other non-cash charges	(0.46)	0.52	1.61	0.69	0.51
Cash Flow from Oper. (CFO)	4.41	7.65	10.47	10.92	12.09
Change in NWC	0.10	(0.79)	(2.02)	(0.62)	(0.49)
FCF from Operations (FCFO)	4.51	6.87	8.45	10.30	11.60
Net Investments (CFI)	(10.23)	(23.26)	(0.74)	(0.78)	(0.78)
Free CF to the Firm (FCFF)	(5.72)	(16.40)	7.72	9.52	10.83
CF from financials (CFF)	0.01	16.81	(5.98)	(6.57)	(7.12)
Free Cash Flow to Equity (FCFE)	(5.72)	0.42	1.74	2.96	3.70
Financial ratios	2017	2018	2019e	2020e	2021e
EBITDA margin	37.9%	40.9%	41.8%	42.5%	43.9%
EBIT margin	29.2%	31.7%	31.0%	32.9%	35.2%
Net profit margin	19.9%	26.0%	23.4%	25.8%	28.4%
Tax rate	2.1%	8.1%	13.0%	13.0%	13.0%
Interest coverage x	0.33	(0.01)	0.13	0.10	0.07
Net Debt/Ebitda x	1.01	3.24	2.04	1.32	0.71
Debt-to-Equity x	0.22	0.86	0.64	0.42	0.23
ROIC	10.2%	11.2%	10.6%	13.5%	16.6%
ROCE	11.6%	9.5%	11.7%	13.7%	15.4%
ROACE	11.7%	11.6%	11.8%	13.8%	15.6%
ROE	10.9%	17.2%	18.4%	20.5%	21.9%
Payout ratio	80.4%	51.7%	60.0%	60.0%	60.0%
Per share figures	2017	2018	2019e	2020e	2021e
Final N. of shares # m	18.1	18.1	18.1	18.1	18.1
Final N. of shares (fully diluted) # m	18.1	18.1	18.1	18.1	18.1
Average N. of shares (fd)# m	18.1	18.1	18.1	18.1	18.1
EPS stated €	0.19	0.29	0.33	0.41	0.49
EPS adjusted €	0.19	0.29	0.33	0.41	0.49
EBITDA €	0.36	0.46	0.60	0.68	0.76
EBIT €	0.27	0.35	0.44	0.52	0.61
FCFO €	0.25	0.38	0.47	0.57	0.64
FCFF €	(0.32)	(0.90)	0.43	0.53	0.60
FCFE €	(0.32)	0.02	0.10	0.16	0.20
Dividend €	0.15	0.15	0.20	0.25	0.29

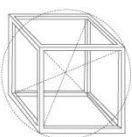




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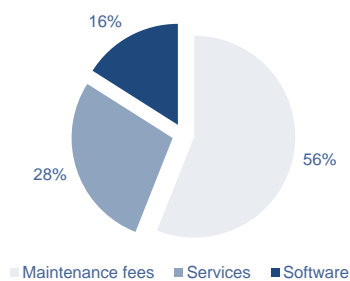


The company at a glance

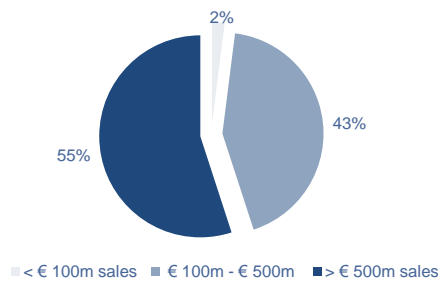
Piteco is the undisputed domestic leader, more than 4x the size of its closest competitor, in the niche of corporate treasury management and financial planning software. The company designs, develops and implements proprietary software and solutions for corporate cash management. It focuses on large/mid enterprises operating in every industry except banks and public administration. The software is 100% proprietary and is modular (19 different modules), integrable (can work within Oracle, Sap or Microsoft environments), customisable (open architecture allows relevant combinations of the product's modules) and available for foreign markets. The recent acquisition of Juniper Payments allows Piteco to penetrate the huge US market with a well-managed cash flow generative firm, paid fairly cheap.

FY-18 turnover grew 18.6% to € 20.2m, bang in line with our forecast, driven by the increase in recurring revenues and new clients, the Juniper payments contribution for the entire year and Myrios contribution for 2.5 months. EBITDA increased 28.0% to € 8.3m, 40.9% margin vs. € 6.5m and 37.9% margin in FY-17. Client base currently comprises some 650 firms, of which a relevant number listed on the Italian stock exchange, with turnover exceeding € 100m for 98% of them and operating in more than 40 countries. The numerosity of the customer list and the widespread presence in a vast variety of industries, narrows significantly the dependency on a key client/sector.

2018 revenues and...



... and client profile (sales) breakdown



Shareholder structure

	%	# m
Podini Family	67.2	12.2
Dedagroup S.p.A.	55.4	10.1
Marco Podini	5.7	1.0
Maria Luisa Podini	5.7	1.0
Francesca Zanella	0.3	0.1
Lillo S.p.A.	0.2	0.0
Management	5.7	1.0
Andrea Guido Guilleramaz	1.9	0.3
Riccardo Veneziani	1.9	0.3
Paolo Virenti	1.9	0.3
Free Float	25.9	4.7
Ennismore Fund Management	7.8	1.4
Treasury shares	1.2	0.2
Total	100.0	18.2

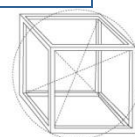
Peer group absolute performance

	1D	1W	1M	3M	6M	YTD
Intuit Inc	(2.4)	(2.2)	(8.7)	0.7	0.7	33.7
Microsoft Corp	(1.3)	(1.2)	(0.1)	2.8	16.8	35.6
Oracle Corp	0.2	1.2	3.9	(5.1)	0.7	19.8
Salesforce.com Inc	(2.7)	(4.5)	(5.0)	(2.3)	(6.4)	8.2
SAP SE	0.3	(1.9)	(0.7)	(10.7)	4.7	24.0
Median large players	(1.3)	(1.9)	(0.7)	(2.3)	0.7	24.0
Datalogic SpA	3.6	(4.5)	2.1	(23.9)	(36.3)	(35.0)
Digital Bros SpA	(0.5)	(1.8)	23.4	43.9	68.4	124.6
Expert System SpA	4.4	1.2	27.5	(8.0)	121.2	186.7
Exprivia SpA	0.9	2.3	1.0	(12.6)	(28.0)	8.4
Reply SpA	4.4	3.0	0.2	(10.2)	(6.2)	22.2
TXT e solutions SpA	(0.8)	(1.2)	0.4	0.0	(9.0)	0.1
Median small players	2.2	0.0	1.5	(9.1)	(7.6)	15.3
Piteco SpA	(8.0)	(5.5)	2.0	2.0	14.4	32.1

Peers group multiples table

Price & EV multiples x	PER FY1	PER FY2	PCF FY1	PCF FY2	Sales FY1	Sales FY2	EBITDA FY1	EBITDA FY2	EBIT FY1	EBIT FY2
Intuit Inc	35.1	31.2	30.9	28.3	8.7	7.7	23.5	21.1	26.0	22.8
Microsoft Corp	26.4	23.4	19.8	17.6	7.1	6.3	16.1	14.1	20.6	18.0
Oracle Corp	13.8	13.3	12.5	11.7	4.8	4.8	10.2	9.7	11.0	10.7
Salesforce.Com Inc	53.9	45.0	37.9	36.3	7.5	5.9	33.5	27.8	45.9	32.9
SAP SE	24.0	21.3	20.7	18.5	5.2	4.7	16.5	14.4	18.3	15.9
Median large player	26.4	23.4	20.7	18.5	7.1	5.9	16.5	14.4	20.6	18.0
Datalogic SpA	14.3	13.3	10.2	9.8	1.2	1.1	7.9	7.2	10.1	9.1
Digital Bros SpA	15.0	13.4	8.5	n.a.	1.1	0.9	7.6	n.a.	11.8	8.7
Expert System SpA	n.s.	69.5	18.6	15.2	4.2	3.7	19.1	14.7	n.s.	52.0
Exprivia SpA	n.s.	9.3	2.1	1.9	0.5	0.4	6.6	5.4	13.5	9.7
Reply SpA	19.7	17.8	15.7	14.3	1.6	1.5	11.3	9.9	13.4	11.6
TXT e solutions SpA	29.6	26.2	17.6	15.8	2.7	2.4	26.4	20.4	n.a.	n.a.
Median small player	17.3	15.6	12.9	14.3	1.4	1.3	9.6	9.9	12.6	9.7
Piteco SpA	15.4	12.5	10.5	9.1	4.5	3.8	10.7	8.9	14.4	11.5

Source: CFO Sim, Thomson Reuters Eikon



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DATE	TARGET PRICE	RATING
30/09/2019	€8.10	BUY
21/05/2019	€7.20	BUY
03/04/2019	€7.20	BUY
01/10/2018	€6.20	BUY

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- a **BUY** rating is assigned if the target price is at least 15% higher than the market price;
- a **SELL** rating is assigned if the target price is at least 15% lower than the market price;
- a **NEUTRAL** rating is assigned if the difference between the current price and target price lies within the +/-15% bands identified using the preceding criteria.

The rating is determined on the basis of the **expected absolute return 12 months forward** and not on the basis of the estimated out/underperformance relative to a market index. Thus, the rating can be directly linked with the estimated percentage difference between current price and target price. The prices of the financial securities mentioned in the report (also used for the calculation of market capitalisation and market multiples) are the reference prices of the stock market trading day preceding the publication date of the report, otherwise stated.

