

Italy - Software

Piteco shines as a solid defensive player

24<sup>th</sup> March 2020

FY-19 RESULTS RELEASE

RIC: PITE.MI  
BBG: PITE IM

A good set of results, characterised by significant top line and margin growth and massive operating cash flow generation, 32% on sales and 71% of EBITDA. In the current market havoc, Piteco confirms as a medium-long term defensive player, thanks to its business model based on recurring fees (over 60% of revenues).

Rating:

**Buy**

Price Target:

**€ 7.00 (€ 8.10)**

Upside/(Downside): 45.8%

Last Price: € 4.80

Market Cap.: € 87.9

1Y High/Low: € 7.00/€ 4.30

Free Float: 26.0%

Major shareholders:

Podini Family 66.4%  
Management 5.6%



Stock price performance

|                          | 1M     | 3M     | 12M    |
|--------------------------|--------|--------|--------|
| <b>Absolute</b>          | -19.3% | -22.6% | 13.7%  |
| <b>Rel.to AIM Italia</b> | 17.4%  | 14.4%  | 48.2%  |
| <b>Rel.to EU Sector</b>  | -33.2% | -34.7% | -26.5% |

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**Buy recommendation confirmed, PT of € 7.00 (€ 8.10), 45.8% upside**

The current severe restrictions on people mobility in order to contain the dramatic rapid expansion of COVID-19 will certainly have a significant impact on production, trade and consumption. We confirm the Buy: in this market turmoil, Piteco represents a highly defensive player due to its business model based on recurring fees and focus on very large clients. Even if market volatility remains high and outlook visibility remains low in the short term. Our model now conservatively factors in only 15 new clients in 2020 (half of the usual annual average), the majority of which already achieved in the first two months of 2020. In 2021 we expect business growth to gradually return to normality. The result is a 17.5% downgrade in EBITDA in 2020-21. We updated DCF criteria. The combined result is a downgrade in PT to € 7.00/s (€ 8.10/s), 45.8% upside.

**Revenues grew 18.9%, reaching € 24.0m also driven by 40 new clients**

FY-19 turnover grew 18.9% to € 24.0m driven by 1) +7.1% YoY recorded by the parent company Piteco SpA also thanks to 40 new clients (37 in FY-18) and the increase in recurring revenues, reaching 60% of total; 2) € 4.6m stemming from Juniper payments contribution; 3) Myrios very strong € 3.6m contribution for the entire year (2.5 months in 2018). Juniper flattish performance is ascribable to the lack of new clients, since almost 100% of sales are represented by recurring fees.

**EBITDA up 22.9% YoY, margin to 42.6% + 150bps**

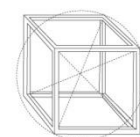
EBITDA soared by 23.9% to € 10.2m, 42.6% margin vs. € 8.3m and 40.9% margin in FY-19, slightly lower than our projection. The parent company closed FY-19 with EBITDA of € 6.6m, 41.6% margin (+11.3% YoY). Profitability was sustained by the acquisition contributions too: Juniper reported EBITDA of € 1.6m (34.7% margin) and Myrios contributed for € 2.1m, margin of 57.1%. The decline at Juniper was due to the lack of new client addition and the costs related to the development of technological innovation of payment system. The major increase of financials is mainly due to the adjustment of the fair value of the put options related to the earn-out of the acquisition of Myrios. Net profit adj. stands at € 5.7m, up 12.4% YoY and it is slightly lower than our € 6.1m projection.

**Massive operating cash flow, 32% on sales and 71% of EBITDA**

Operating cash flow totalled € 7.3m, 32% on sales and 71% of EBITDA. After the € 2.9m second tranche for the acquisition of Myrios and the dividend distribution, NFP was negative for € 14.6m, vs. € 15.3m at Dec-18. Including the put options for the acquisitions of minority stakes of Juniper Payments and Myrios for € 1.7m and € 11.1m respectively, NFP reached € 27.5m. The BoD will propose to the next AGM an € 0.15/s dividend, corresponding to 91% pay-out ratio and 3.1% dividend yield at current price.

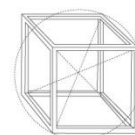
**Piteco, key financials and ratios**

| € m                  | 2018  | 2019  | 2020e | 2021e | 2022e |
|----------------------|-------|-------|-------|-------|-------|
| Sales                | 20.21 | 24.04 | 24.97 | 26.06 | 27.57 |
| EBITDA               | 8.27  | 10.24 | 10.36 | 11.04 | 12.06 |
| EBITDA adjusted      | 8.27  | 10.24 | 10.36 | 11.04 | 12.06 |
| EBIT                 | 6.40  | 7.26  | 7.39  | 8.10  | 9.11  |
| Net profit           | 5.27  | 3.02  | 5.44  | 6.14  | 7.10  |
| Net profit adjusted  | 5.07  | 5.69  | 5.44  | 6.14  | 7.10  |
| EPS adjusted         | 0.28  | 0.31  | 0.30  | 0.34  | 0.39  |
| EPS adj. growth      | 44.5% | 12.4% | -4.4% | 12.8% | 15.7% |
| DPS ord. €/s         | 0.15  | 0.15  | 0.18  | 0.20  | 0.24  |
| Dividend yield       | 3.1%  | 3.1%  | 3.8%  | 4.3%  | 4.9%  |
| NFP (cash)/debt      | 26.77 | 27.46 | 22.88 | 17.79 | 12.24 |
| Free Cash Flow Yield | 8.0%  | 8.1%  | 8.9%  | 9.5%  | 10.4% |
| PER x                | 16.4  | 16.5  | 16.2  | 14.3  | 12.4  |
| PCF x                | 12.0  | 13.0  | 10.3  | 9.7   | 8.9   |
| EV/Sales x           | 5.4   | 5.0   | 4.4   | 4.1   | 3.6   |
| EV/EBITDA x          | 13.3  | 11.9  | 10.7  | 9.6   | 8.3   |
| EV/EBIT x            | 17.2  | 16.7  | 15.0  | 13.0  | 11.0  |





| Income statement (€ m)                 | 2018    | 2019   | 2020e  | 2021e  | 2022e  |
|--|---------|--------|--------|--------|--------|
| Total revenues                         | 20.21   | 24.04  | 24.97  | 26.06  | 27.57  |
| Material expenses                      | 0.31    | 0.15   | 0.15   | 0.16   | 0.17   |
| Change in inventories                  | 0.00    | 0.00   | 0.00   | 0.00   | 0.00   |
| Personnel expenses                     | 8.12    | 9.37   | 9.91   | 10.01  | 10.11  |
| Other operating expenses/(income)      | 3.52    | 4.28   | 4.55   | 4.85   | 5.23   |
| EBITDA                                 | 8.27    | 10.24  | 10.36  | 11.04  | 12.06  |
| EBITDA adj.                            | 8.27    | 10.24  | 10.36  | 11.04  | 12.06  |
| D&A                                    | 1.87    | 2.98   | 2.97   | 2.94   | 2.95   |
| EBIT                                   | 6.40    | 7.26   | 7.39   | 8.10   | 9.11   |
| Financial charges/(income)             | (0.05)  | 3.15   | 1.13   | 1.04   | 0.94   |
| Other costs & extraordinary & other    | 0.72    | 0.43   | 0.00   | 0.00   | 0.00   |
| Pre-Tax profit                         | 5.73    | 3.68   | 6.26   | 7.06   | 8.17   |
| Income taxes                           | 0.47    | 0.66   | 0.81   | 0.92   | 1.06   |
| Net Profit                             | 5.27    | 3.02   | 5.44   | 6.14   | 7.10   |
| Net Profit Adjusted                    | 5.07    | 5.69   | 5.44   | 6.14   | 7.10   |
| Balance sheet (€ m)                    | 2018    | 2019   | 2020e  | 2021e  | 2022e  |
| Net Working Capital                    | 4.14    | 5.55   | 5.45   | 5.54   | 5.86   |
| Net Fixed Assets                       | 60.40   | 60.92  | 59.22  | 57.06  | 54.89  |
| Equity Investments                     | 0.00    | 0.02   | 0.02   | 0.02   | 0.02   |
| Other M/L Term A/L                     | (6.63)  | (7.61) | (7.71) | (7.86) | (8.14) |
| Net Invested Capital                   | 57.91   | 58.88  | 56.99  | 54.76  | 52.64  |
| Net Financial Debt                     | 26.77   | 27.46  | 22.88  | 17.79  | 12.24  |
| Minorities                             | 0.00    | 0.00   | 0.00   | 0.00   | 0.00   |
| Group's Shareholders Equity            | 31.14   | 31.42  | 34.10  | 36.98  | 40.40  |
| Financial Liabilities & Equity         | 57.91   | 58.88  | 56.99  | 54.76  | 52.64  |
| Cash Flow statement (€ m)              | 2018    | 2019   | 2020e  | 2021e  | 2022e  |
| Total net income                       | 5.27    | 3.02   | 5.44   | 6.14   | 7.10   |
| Depreciation                           | 1.87    | 2.98   | 2.97   | 2.94   | 2.95   |
| Other non-cash charges                 | 0.52    | 2.67   | 0.07   | 0.12   | 0.23   |
| Cash Flow from Oper. (CFO)             | 7.65    | 8.67   | 8.48   | 9.20   | 10.28  |
| Change in NWC                          | (0.79)  | (1.41) | 0.10   | (0.09) | (0.32) |
| FCF from Operations (FCFO)             | 6.87    | 7.26   | 8.58   | 9.10   | 9.96   |
| Net Investments (CFI)                  | (23.26) | (0.13) | (1.28) | (0.78) | (0.78) |
| Free CF to the Firm (FCFF)             | (16.40) | 7.13   | 7.31   | 8.33   | 9.19   |
| CF from financials (CFF)               | 16.81   | (9.65) | (5.88) | (6.08) | (6.21) |
| Free Cash Flow to Equity (FCFE)        | 0.42    | (2.53) | 1.43   | 2.25   | 2.98   |
| Financial ratios                       | 2018    | 2019   | 2020e  | 2021e  | 2022e  |
| EBITDA margin                          | 40.9%   | 42.6%  | 41.5%  | 42.4%  | 43.7%  |
| EBIT margin                            | 31.7%   | 30.2%  | 29.6%  | 31.1%  | 33.0%  |
| Net profit margin                      | 26.0%   | 12.6%  | 21.8%  | 23.6%  | 25.8%  |
| Tax rate                               | 8.1%    | 18.0%  | 13.0%  | 13.0%  | 13.0%  |
| Interest coverage x                    | (0.01)  | 0.43   | 0.15   | 0.13   | 0.10   |
| Net Debt/Ebitda x                      | 3.24    | 2.68   | 2.21   | 1.61   | 1.02   |
| Debt-to-Equity x                       | 0.86    | 0.87   | 0.67   | 0.48   | 0.30   |
| ROIC                                   | 11.2%   | 5.2%   | 9.4%   | 11.0%  | 13.2%  |
| ROCE                                   | 9.5%    | 10.7%  | 11.0%  | 12.0%  | 13.3%  |
| ROACE                                  | 11.6%   | 10.7%  | 11.0%  | 12.0%  | 13.4%  |
| ROE                                    | 17.2%   | 9.6%   | 16.6%  | 17.3%  | 18.4%  |
| Payout ratio                           | 51.7%   | 91.4%  | 60.0%  | 60.0%  | 60.0%  |
| Per share figures                      | 2018    | 2019   | 2020e  | 2021e  | 2022e  |
| Final N. of shares # m                 | 18.1    | 18.4   | 18.4   | 18.4   | 18.4   |
| Final N. of shares (fully diluted) # m | 18.1    | 18.4   | 18.4   | 18.4   | 18.4   |
| Average N. of shares (fd)# m           | 18.1    | 18.4   | 18.4   | 18.4   | 18.4   |
| EPS stated €                           | 0.29    | 0.16   | 0.30   | 0.33   | 0.39   |
| EPS adjusted €                         | 0.29    | 0.16   | 0.30   | 0.33   | 0.39   |
| EBITDA €                               | 0.46    | 0.56   | 0.56   | 0.60   | 0.66   |
| EBIT €                                 | 0.35    | 0.39   | 0.40   | 0.44   | 0.50   |
| FCFO €                                 | 0.38    | 0.39   | 0.47   | 0.50   | 0.54   |
| FCFF €                                 | (0.90)  | 0.39   | 0.40   | 0.45   | 0.50   |
| FCFE €                                 | 0.02    | (0.14) | 0.08   | 0.12   | 0.16   |
| Dividend €                             | 0.15    | 0.15   | 0.18   | 0.20   | 0.24   |



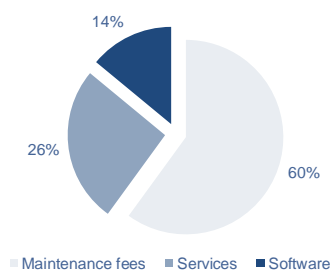


## The company at a glance

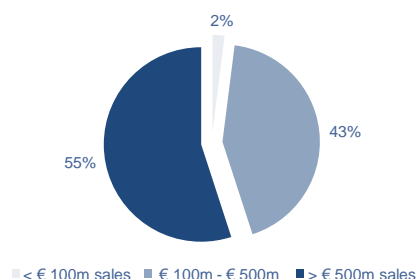
Piteco is the undisputed domestic leader, more than 4x the size of its closest competitor, in the niche of corporate treasury management and financial planning software. The company designs, develops and implements proprietary software and solutions for corporate cash and risk management. It focuses on large/mid enterprises operating in every industry except public administration. The Piteco software is 100% proprietary and is modular (19 different modules), embeddable (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 group is developing a challenging internationalisation and diversification process, boosted by the recent acquisitions: 1) Juniper Payments allows Piteco to penetrate the huge US market with a well-managed cash flow generative firm, paid fairly cheap; 2) Myrios enlarged the group offer with a risk management, capital markets and compliance software dedicated to banks (60% of the business line turnover) as well as to large manufacturing and service industries (40%).

FY-19 turnover grew 18.9% to € 24.0m, driven by the increase in recurring revenues, 40 new clients and the Myrios contribution for the entire year. EBITDA declined 5.2% to € 10.2m, 42.6% margin, slightly lower than our estimates, mainly as a result of the flat performance of Juniper. Client base currently comprises some 730 firms, of which a relevant number are listed on the Italian stock exchange, with turnover exceeding € 100m for 98% of them and operating in more than 40 countries.

## 2019 revenues and...



## ... and client profile (sales) breakdown



## Shareholder structure

|                           | %             | # m         |
|---------------------------|---------------|-------------|
| <b>Podini Family</b>      | <b>66.4%</b>  | <b>12.2</b> |
| Dedagroup S.p.A.          | 54.7%         | 10.1        |
| Marco Podini              | 5.6%          | 1.0         |
| Maria Luisa Podini        | 5.6%          | 1.0         |
| Francesca Zanella         | 0.3%          | 0.1         |
| Lillo S.p.A.              | 0.2%          | 0.0         |
| <b>Management</b>         | <b>5.6%</b>   | <b>1.0</b>  |
| Andrea Guido Guilleramaz  | 1.9%          | 0.3         |
| Riccardo Veneziani        | 1.9%          | 0.3         |
| Paolo Virenti             | 1.9%          | 0.3         |
| <b>Free Float</b>         | <b>26.1%</b>  | <b>4.8</b>  |
| Ennismore Fund Management | 7.7%          | 1.4         |
| <b>Treasury shares</b>    | <b>1.9%</b>   | <b>0.4</b>  |
| <b>Total</b>              | <b>100.0%</b> | <b>18.4</b> |

Source: Company data

## Peer group absolute performance

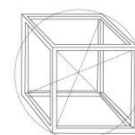
|                             | 1D           | 1W           | 1M            | 3M            | 6M            | YTD           |
|-----------------------------|--------------|--------------|---------------|---------------|---------------|---------------|
| Intuit Inc                  | (3.5)        | (12.8)       | (32.0)        | (26.9)        | (27.6)        | (25.7)        |
| Microsoft Corp              | (1.0)        | 0.4          | (20.4)        | (13.6)        | (2.3)         | (13.8)        |
| Oracle Corp                 | (3.2)        | 3.4          | (16.1)        | (17.7)        | (18.2)        | (16.6)        |
| Salesforce.com Inc          | 0.8          | 13.0         | (24.4)        | (14.2)        | (9.1)         | (13.6)        |
| SAP SE                      | 1.0          | 2.7          | (24.0)        | (23.7)        | (14.8)        | (23.4)        |
| <b>Median large players</b> | <b>(1.0)</b> | <b>2.7</b>   | <b>(24.0)</b> | <b>(17.7)</b> | <b>(14.8)</b> | <b>(16.6)</b> |
| Datalogic SpA               | (1.1)        | 8.9          | (28.3)        | (37.1)        | (21.4)        | (37.3)        |
| Digital Bros SpA            | 1.0          | 6.0          | (18.1)        | (29.9)        | (3.3)         | (27.8)        |
| Expert System SpA           | 6.5          | 23.3         | (24.5)        | (39.2)        | (42.3)        | (38.6)        |
| Exprivia SpA                | 2.1          | 8.4          | (21.6)        | (34.1)        | (33.9)        | (30.2)        |
| Reply SpA                   | 0.3          | (9.0)        | (31.4)        | (33.1)        | (7.1)         | (31.7)        |
| TXT e solutions SpA         | 6.0          | 13.0         | (37.8)        | (45.7)        | (35.4)        | (45.1)        |
| <b>Median small players</b> | <b>1.6</b>   | <b>8.7</b>   | <b>(26.4)</b> | <b>(35.6)</b> | <b>(27.7)</b> | <b>(34.5)</b> |
| <b>Piteco SpA</b>           | <b>(5.9)</b> | <b>(7.7)</b> | <b>(19.3)</b> | <b>(22.6)</b> | <b>(11.9)</b> | <b>(24.4)</b> |

Source: Thomson Reuters Eikon

## Peers group multiples table

| Price & EV multiples x     | PER FY1     | PER FY2     | PCF FY1     | PCF FY2     | Sales FY1  | Sales FY2  | EBITDA FY1  | EBITDA FY2  | EBIT FY1    | EBIT FY2    |
|----------------------------|-------------|-------------|-------------|-------------|------------|------------|-------------|-------------|-------------|-------------|
| Intuit Inc                 | 25.5        | 22.6        | 22.8        | 20.4        | 6.3        | 5.5        | 17.0        | 14.8        | 18.6        | 16.0        |
| Microsoft Corp             | 23.7        | 21.4        | 18.3        | 16.6        | 6.8        | 5.9        | 14.7        | 13.1        | 18.4        | 16.4        |
| Oracle Corp                | 10.8        | 10.6        | 10.4        | 10.0        | 3.9        | 3.8        | 8.5         | 8.3         | 8.8         | 8.6         |
| Salesforce.com Inc         | 42.4        | 33.1        | 22.8        | 19.0        | 5.6        | 4.5        | 18.5        | 14.7        | 30.9        | 23.3        |
| SAP SE                     | 17.6        | 15.7        | 14.5        | 12.8        | 4.1        | 3.7        | 12.1        | 10.6        | 14.0        | 12.4        |
| <b>Median large player</b> | <b>23.7</b> | <b>21.4</b> | <b>18.3</b> | <b>16.6</b> | <b>5.6</b> | <b>4.5</b> | <b>14.7</b> | <b>13.1</b> | <b>18.4</b> | <b>16.0</b> |
| Datalogic SpA              | 12.0        | 10.8        | 8.2         | 7.8         | 1.0        | 0.9        | 6.4         | 5.8         | 8.7         | 7.5         |
| Digital Bros SpA           | 12.9        | 12.6        | 7.8         | 7.4         | 1.0        | 0.9        | 6.7         | 5.9         | 9.6         | 9.0         |
| Expert System SpA          | n.s.        | n.s.        | 11.9        | 11.8        | 2.6        | 2.3        | 16.3        | 12.3        | n.s.        | n.s.        |
| Exprivia SpA               | n.s.        | 6.0         | 1.7         | 1.2         | 0.5        | 0.4        | 7.3         | 5.0         | 16.4        | 8.9         |
| Reply SpA                  | 15.5        | 14.2        | 11.7        | 10.8        | 1.3        | 1.1        | 8.1         | 7.0         | 10.0        | 8.5         |
| TXT e solutions SpA        | 14.4        | n.a.        | 10.6        | n.a.        | n.a.       | n.a.       | n.a.        | n.a.        | n.a.        | n.a.        |
| <b>Median small player</b> | <b>13.6</b> | <b>11.7</b> | <b>9.4</b>  | <b>7.8</b>  | <b>1.0</b> | <b>0.9</b> | <b>7.3</b>  | <b>5.9</b>  | <b>9.8</b>  | <b>8.7</b>  |
| <b>Piteco SpA</b>          | <b>16.2</b> | <b>14.3</b> | <b>10.5</b> | <b>9.7</b>  | <b>4.4</b> | <b>4.1</b> | <b>10.7</b> | <b>9.6</b>  | <b>15.0</b> | <b>13.0</b> |

Source: CFO Sim, Thomson Reuters Eikon



## Piteco in a nutshell

**Piteco**, which stands for “**P**ianificazione **T**esoreria **C**omputerizzata” (computerised treasury planning), is the undisputed domestic leader, more than 4x the size of its closest competitor, in the niche of corporate treasury management and financial planning software. The company designs, develops and implements proprietary software and solutions for corporate cash and risk management. It focuses on large/mid enterprises operating in every industry except public administration. **The group operates also in the digital payment services and clearing house segments** to approximately 3,500 American banks.

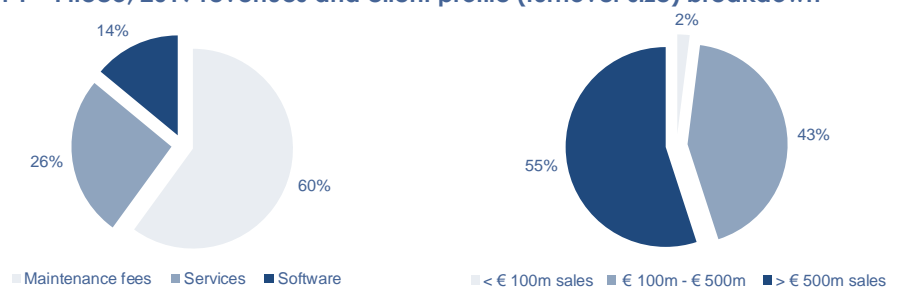
The group has three business lines:

- 1) **Piteco** – The leading domestic software house for proprietary solutions to corporate cash management and financial planning, serving 650 large industrial groups active in a highly diversified number of sectors. **Piteco has over 30 years of track record** and covers all different links on the software value chain: R&D, project, development, implementation, sales and assistance. **The software is 100% proprietary** and is modular (19 different modules), embeddable (can work within Oracle, Sap or Microsoft environments), customisable (open architecture allows relevant combinations of product modules) and available for foreign markets.
- 2) **Myrios** – an Italian software house offering **treasury, risk management, capital markets and compliance software** to banks and large corporates. The firm has developed Myrios Financial Modelling, a software solution dedicated to the manufacturing and service industries (40% of the business line turnover) as well as to banks (60%). More than **50% of the Myrios turnover is represented by recurring fees**, granting relevant cash-flow visibility.
- 3) **Juniper payments** – a leading US software house, with proprietary solutions for digital payment services and clearing house to approximately 3,500 American banks, managing the settlement of Interbank financial flows (bank transfers and checks collection) for over \$ 3bn/day. It can be considered one of the largest US interbank networks. JUNIPER was established in Apr-17 to acquire the assets from LendingTools.com Inc., a US company established in 2000.

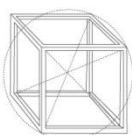
FY-19 turnover grew 18.9% to € 24.0m, driven by the increase in recurring revenues, 40 new clients and the Myrios contribution for the entire year (only 2.5 months in 2018). EBITDA declined 5.2% to € 10.2m, 42.6% margin vs. € 10.8m and 40.9% margin in FY-18, slightly lower than our estimates, mainly as a result of the flat performance of Juniper.

Client base currently comprises some 730 firms, of which a relevant number listed are on the Italian stock exchange, with turnover exceeding € 100m for 98% of them and operating in more than 40 countries. The numerosity of the customer list and the widespread presence in a vast variety of industries, **narrows significantly the dependency on a key client/sector.**

Chart 1 – Piteco, 2019 revenues and client profile (turnover size) breakdown



Source: Company data



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

- 4 managers/founding partners: Paolo Virenti (CEO Piteco), Riccardo Veneziani (CFO Piteco), Andrea Guillermaz (Sales Director Piteco) and Marco Pecetto (CEO Myrios);
- 6 administrative;
- 4 in competence centre (research), skilled resources in treasury & finance. These people are dedicated to the study and design of new functions;
- 30 in delivery: skilled resources in treasury and finance with the focus of consulting and developing the project in accordance to customer needs. In addition, they are involved in the sale of additional services to existing customers, with an average 180 days/y spent with the customers;
- 8 in sales & marketing, focused on new client development;
- 45 engineers in development. Technical resources with analysis and programming skills, and knowledge of the main programming languages and the most sophisticated market technology. They also provide customer services.
- 20 in the Juniper Payments subsidiary, Wichita, Kansas, US.

Piteco was listed on the **Milan AIM** (Alternative Investment Market) **on 31-Jul-15** at € 3.30/share, corresponding to a market capitalization post money of € 58.9m. The offer was almost entirely represented by new shares (€ 8.5m), existing shares on sale from Sequenza (€ 1.5m, excluding the green-shoe) and € 5m of convertible bond (2015-20, 4.5%, strike at € 4.20/s). The book was **oversubscribed by more than 2x** the offer size.

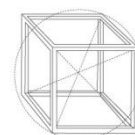
The current major shareholder is the **Podini family with 66.4%** of the share capital, the **management holds a 5.6%** stake and the **free float is 26.1%**.

**Table 1 - Piteco, Shareholders structure details**

|                           | %             | # m         |
|---------------------------|---------------|-------------|
| <b>Podini Family</b>      | <b>66.4%</b>  | <b>12.2</b> |
| Dedagroup S.p.A.          | 54.7%         | 10.1        |
| Marco Podini              | 5.6%          | 1.0         |
| Maria Luisa Podini        | 5.6%          | 1.0         |
| Francesca Zanella         | 0.3%          | 0.1         |
| Lillo S.p.A.              | 0.2%          | 0.0         |
| <b>Management</b>         | <b>5.6%</b>   | <b>1.0</b>  |
| Andrea Guido Guillermaz   | 1.9%          | 0.3         |
| Riccardo Veneziani        | 1.9%          | 0.3         |
| Paolo Virenti             | 1.9%          | 0.3         |
| <b>Free Float</b>         | <b>26.1%</b>  | <b>4.8</b>  |
| Ennismore Fund Management | 7.7%          | 1.4         |
| <b>Treasury shares</b>    | <b>1.9%</b>   | <b>0.4</b>  |
| <b>Total</b>              | <b>100.0%</b> | <b>18.4</b> |

Source: Company data

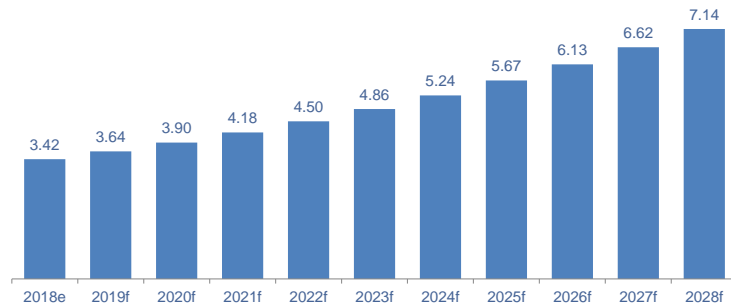
As of Sep-2018 shares and convertible bonds have been traded in the main market of Borsa Italiana. In our opinion, **2020 could be an opportunity for Piteco to move onto the STAR segment of Borsa Italiana**, improving the visibility and liquidity of the stock. As a matter of fact, in 2020 the convertible bond "Piteco Convertible 4.50% 2015-2020" will expire and, if all outstanding bonds will be converted into ordinary shares (max. 923k new shares), the free float will reach some 30%. The 35% minimum free float required for the STAR segment could be reached via a liquidity event or a minor share disposal.



## The reference market

The group operates in the **treasury management applications segment**, part of the wider enterprise resource planning (ERP) market, in turn part of the application software industry. Within a rather mature market where growth is mainly driven by substitution or upgrade necessities, the segment in which Piteco manoeuvres is **projected to grow at a 7.6% CAGR<sub>18-28e</sub>**, reaching \$ 7.1bn by 2028.

Chart 2 – global treasury and risk management application market trend (\$ bn)

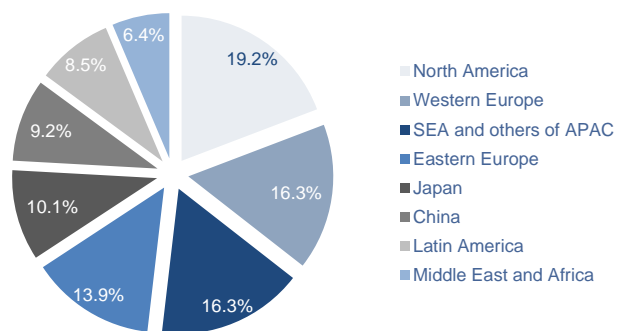


Source: Future Market Insight

Despite the need for a more customised treasury management system, the majority of firms still **operate with spreadsheets as the main tools**. According to a survey published by Bloomberg in Apr-16, only 51% of surveyed companies already uses a Treasury Management System (TMS). Furthermore, only 18% of companies with revenues less than \$ 250m installed a TMS vs. 44% of those with revenues between \$ 300m and \$ 999m. This means, **the larger the firm, the lower the percentage represented by unsophisticated treasury management tools**. In other words, applying the same breakdown to the domestic market, the upside growth potential is huge.

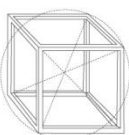
Geographically, **in 2019 North America represented 19.2% of the global treasury and risk management application market**, followed by **Western Europe (16.3%)**, SEA and others of APAC (16.3%), Eastern Europe (13.9%), Japan (10.1%), China (9.2%), Latin America (8.5%) and Middle East and Africa (6.4%).

Chart 3 – 2019 global treasury and risk management application market by country



Source: Future Market Insight

In addition, with the acquisition of Juniper Payments, the group is present in the private market for financial institution wholesale cash management in the US. Headquartered in Wichita, Kansas, the firm is the largest non-bank third-party provider of inter-bank transaction and reporting systems in the United States. The firm develops **proprietary software** as a service platform that has connections with thousands of banks and credit unions across the US. The system is utilised as a **primary payment and reporting mechanism** for the financial institutions that utilise the service. In a rather fragmented oligopoly, characterised by the lack of a unique standard for banks interconnection payment platforms, **Juniper Payments is the 4<sup>th</sup> actor in the US arena**.



## Segment competitive arena

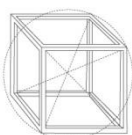
Piteco produces the vast majority of its top line **in the domestic market**, i.e. some 80% of the 2019 turnover. Undoubtedly, the company here holds the **leading position**, more than **4x the size of its closest competitor**. The market is characterised by a relatively small size and quite a few peculiarities in terms of payment procedures and relationships with the banking establishment. That is why larger global actors are rather deterred from penetrating the domestic market. According to figures provided by the company, we **believe less than 1% of annual turnover** on average has been lost to competition.

**The largest competitor is actually the spreadsheet**, widely used by smaller enterprises, with significant issues related to time consumption and risks of losing data. In the treasury software market six players are noteworthy worldwide.

- **Sungard** is amongst the global leading players in the software and technological services, focusing on financial services, education and the public sector. In 2015 the company was acquired by FIS, a global leader in financial services technology.
- **Kyriba** is the premium product in the industry with cloud solutions, with 2,000 clients and some 400 employees. In 2019 the company was acquired by Bridgepoint, a private equity fund based in UK, for \$ 1.2bn.
- **Wallstreet** offers solutions to improve workflow, control and productivity to company treasury, banking, FX trading and back office operations.
- **Bellin** operates in several areas, consulting, software (liquidity management, intercompany reconciliation and credit management) and services. It boasts a peculiarly hybrid structure with a balanced offer positioned amongst risk, treasury and financial operations. Bellin has no clients in Italy.
- **GTreasury**, US based, offers treasury software solutions and services to banks and firms worldwide. The tool can be installed locally or managed via clouding and is modular. GTreasury has no clients in Italy.
- **DocFinance** is the only local actor in the Italian market, however it is focused on small caps (turnover < € 75m). The DocFinance product addresses a market of some 8,000 clients, with a ready-to-go profile. The coverage solution is much lower than Piteco as well as significantly less customisable.

**Piteco's competitive positioning is strong and well defended:** within its client size target its selling proposition is **the most complete and high performing**. Moreover, the rather limited size and the peculiarity of the domestic market, represent **barriers to larger global players**. Piteco is the brand in software for treasury management solutions. In the purchasing decision process, **the price of the software tool is not a key issue** and, according to a Deloitte survey addressing the drivers for choosing the treasury management software, represents just 10% of total motivation for the choice. Potential customers primarily value (almost 75%) the match with their treasury management needs and the integration with their global ERP software already in place within the organisation. Piteco states the average value of a typical contract equates to € 65k, cash in hand, o/w € 35k for software and € 30k for advisory. Subsequently, the recurring yearly maintenance fee is worth circa € 11k (showing steady growth and inflation linked) and billed in advance at the beginning of the year. Generally, clients upgrade their tool with one or more of the current 19 modules, leading to a steady increase in the average maintenance fee.

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



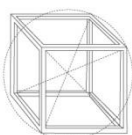
## Group strategy

Piteco went public with the aim to **boost its growth profile**. The IPO € 11.5m proceeds are being used for accelerating top line growth and profitability. We have identified a three-pillar growth plan.

- **Evolution of actual product pipeline** – The current product portfolio comprises three families: Piteco EVO (tailored solution to match integrated corporate finance to the most common ERP, offering 17 modules to manage cash, funds source and application, financial and risk control and economic/financial planning), Piteco CBC (corporate banking communication) and Match-It (management of large amount of data/flows). The development of new modules will cover **new different functionalities and client needs**. Currently Piteco targets firm with a minimum turnover of € 100m. Thanks to the recently developed cloud solution, the group has a plentiful pipeline of some 1,100 potential names with a turnover of € 50-100m.
- **Acquisition in the domestic market** – The relative fragmentation of the Italian market offers several small targets. Piteco aims to become **an aggregator** of minute domestic firms offering **complementary and additional software modules** to further widespread its selling proposition. The group has a **solid domestic M&A track record**, thanks to the acquisition of 1) Match.IT asset from Centro Data and 2) Myrios.
- **Foreign markets expansion** – Piteco is already present via foreign subsidiaries of multinational customers in Europe, Asia and America. **The US has been identified as a potential M&A target territory** due to the relevant presence of large corporations, i.e. great need of sophisticated solutions for treasury management, quite high selling prices for equivalent products sustaining profitability and its presence via the group's controlling shareholder Dedagroup. It is worth mentioning that Piteco software tools are already compliant with the stringent SOX (Sarbanes-Oxley Act) requirements. This law was approved in the US in 2002 in order to improve firms' corporate governance and ensure the transparency of accounts. The acquisition of Juniper Payments goes in this direction.

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

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





## SWOT Analysis

The SWOT analysis, also known as SWOT Matrix, is a structured planning method used to evaluate the strengths, weaknesses, opportunities and threats involved in a project or in a business venture. A SWOT analysis can be carried out for a product, place, industry or person. It involves specifying the objective of the business venture or project and identifying the internal and external factors that are favourable and unfavourable to achieve that objective.

- **Strengths:** characteristics of the business or project that give it an advantage over others.
- **Weaknesses:** characteristics that place the business or project at a disadvantage relative to others.
- **Opportunities:** elements that the project could exploit to its advantage.
- **Threats:** elements in the environment that could cause trouble or be detrimental for the business or project.

The technique is credited to Albert Humphrey, who led a research project at Stanford University between the 60's/70's using Fortune 500 data.

### S.W.O.T. ANALYSIS

#### STRENGTHS

- ❑ Undisputed **leading positioning** in Italy, the Brand in treasury management software segment
- ❑ Substantial cash flow generation and sound balance sheet allow **noteworthy external growth opportunities**
- ❑ Pronounced **visibility** of top line and margins expansion

#### WEAKNESSES

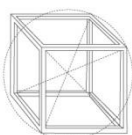
- ❑ 80% of revenues comes from the **domestic market**, heavy dependence on one single country
- ❑ Limited **size** in the international competitive arena

#### OPPORTUNITIES

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

#### THREATS

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



## FY-19 results

A good set of results, with consolidated EBITDA margin at 42.6% from 40.9% in 2018. The core treasury management business reported 40 new clients and recurring revenues at 60% of total. Myrios confirms as an excellent cash flow generator with a 57.1% EBITDA margin. All in all figures were only slightly lower than our estimates, mainly as a result of the flat performance of Juniper.

**Table 3 – Piteco, FY-19 results summary**

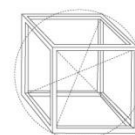
| € m                        | 2019        | 2018        | % YoY         | 2019e       | % Diff.       |
|----------------------------|-------------|-------------|---------------|-------------|---------------|
| <b>Turnover</b>            | <b>24.0</b> | <b>20.2</b> | <b>18.9</b>   | <b>25.8</b> | <b>(6.9)</b>  |
| <b>Treasury Management</b> | <b>15.9</b> | <b>14.8</b> | <b>7.1</b>    | <b>16.3</b> | <b>(2.4)</b>  |
| <b>Banking</b>             | <b>4.6</b>  | <b>4.6</b>  | <b>0.3</b>    | <b>5.9</b>  | <b>(22.1)</b> |
| <b>Risk Management</b>     | <b>3.6</b>  | <b>0.8</b>  | <b>n.m.</b>   | <b>3.7</b>  | <b>(2.7)</b>  |
| Raw material               | (0.1)       | (0.3)       |               | (0.4)       |               |
| Services & other           | (4.3)       | (3.5)       |               | (4.9)       |               |
| Personnel                  | (9.4)       | (8.1)       |               | (9.7)       |               |
| <b>EBITDA</b>              | <b>10.2</b> | <b>8.3</b>  | <b>23.9</b>   | <b>10.8</b> | <b>(5.2)</b>  |
| % margin                   | 42.6        | 40.9        |               | 41.8        |               |
| <b>Treasury Management</b> | <b>6.6</b>  | <b>5.9</b>  | <b>11.3</b>   | <b>5.8</b>  |               |
| % margin                   | 41.6        | 40.0        |               | 35.8        |               |
| <b>Banking</b>             | <b>1.6</b>  | <b>1.9</b>  | <b>(15.2)</b> | <b>2.4</b>  |               |
| % margin                   | 34.7        | 41.1        |               | 40.6        |               |
| <b>Risk Management</b>     | <b>2.1</b>  | <b>0.5</b>  | <b>n.m.</b>   | <b>2.0</b>  |               |
| % margin                   | 57.1        | 55.7        |               | 55.0        |               |
| D&A                        | (3.0)       | (1.9)       |               | (2.8)       |               |
| <b>EBIT</b>                | <b>7.3</b>  | <b>6.4</b>  | <b>13.4</b>   | <b>8.0</b>  | <b>(9.3)</b>  |
| % margin                   | 30.2        | 31.7        |               | 31.0        |               |
| Financials                 | (3.1)       | 0.1         |               | (1.0)       |               |
| Extraordinary              | (0.4)       | (0.7)       |               | 0.0         |               |
| <b>Pretax</b>              | <b>3.7</b>  | <b>5.7</b>  | <b>(35.8)</b> | <b>7.0</b>  | <b>(47.1)</b> |
| Taxes                      | (0.7)       | (0.5)       |               | (0.9)       |               |
| Tax rate                   | 18.0        | 8.1         |               | 13.0        |               |
| Minorities                 | 0.0         | 0.0         |               | 0.0         |               |
| <b>Net profit</b>          | <b>3.0</b>  | <b>5.3</b>  | <b>(42.7)</b> | <b>6.1</b>  | <b>(50.1)</b> |
| % margin                   | 12.6        | 26.0        |               | 23.4        |               |
| <b>Net profit adj.</b>     | <b>5.7</b>  | <b>5.1</b>  | <b>12.4</b>   | <b>6.1</b>  | <b>(5.9)</b>  |
| <b>NFP (ex. Put)</b>       | <b>14.6</b> | <b>15.3</b> | <b>(4.5)</b>  |             |               |
| <b>NFP (debt)</b>          | <b>27.5</b> | <b>26.8</b> | <b>2.6</b>    | <b>22.0</b> | <b>24.6</b>   |

Source: company data

**FY-19 turnover grew 18.9% to € 24.0m** driven by 1) +7.1% YoY recorded by the parent company Piteco SpA also thanks to 40 new clients (37 in FY-18) and the increase in recurring revenues, reaching 60% of total; 2) € 4.6m stemming from Juniper payments contribution; 3) Myrios € 3.6m contribution for the entire year (2.5 months in 2018). Juniper flattish performance is ascribable to the lack of new clients, since almost 100% of sales are represented by recurring fees.

**EBITDA soared by 23.9% to € 10.2m, 42.6% margin** vs. € 8.3m and 40.9% margin in FY-19, slightly lower than our projection. The parent company closed FY-19 with EBITDA of € 6.6m, 41.6% margin (+11.3% YoY). Profitability was sustained by the acquisition contributions too: Juniper reported EBITDA of € 1.6m (34.7% margin) and Myrios contributed for € 2.1m, margin of 57.1%. The decline at Juniper was due to the aforementioned lack of new client addition and the costs related to the development of technological innovation of payment system.

The significant increase of financial charges is primarily due to the adjustment of the fair value of the put options related to the earn-out of the acquisition of Myrios. In 2019 this item amounts to € 2.7m and it is evidence of the better than anticipated performance of Myrios.



**Net profit adjusted stands at € 5.7m, up 12.4% YoY** and it is slightly lower than our € 6.1m projection. Net profit reported is € 3.0m.

**Operating cash flow totalled € 7.3m (€ 6.2m in 2018), 32% on sales and 71% of EBITDA.** After the € 2.9m second tranche for the acquisition of Myrios (the first payment was € 7.7m in 2018) and the distribution of € 2.7m dividends, Net Financial Position was negative for € 14.6m, vs. € 15.3m at Dec-18.

**Including the put options for the acquisitions of minority stakes of Juniper Payments and Myrios** for € 1.7m and € 11.1m respectively (they were € 2.3m and € 9.2m in 2018), **NFP reached € 27.5m**, o/w at least € 5.6m, or 50% of the value of Myrios put option, to be paid via Piteco shares.

The BoD will propose to the next AGM scheduled for April 29, 2020 an **€ 0.15/s ordinary dividend**, corresponding to € 2.8m outlay, 91% pay-out ratio and 3.0% dividend yield at current price: ex-dividend date May 15, 2020, record date on May 26, 2020 and with payment on May 27, 2020.

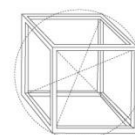
## Recent developments: Everymake acquisition

**Piteco on the 19<sup>th</sup> March announced the asset acquisition of Everymake**, an Italian company specialised in data matching solutions. The closing is scheduled for next March 31<sup>st</sup> with the simultaneous payment of the **first tranche of the price consideration, equal to € 0.55m**. The remainder will be paid according to an earn out mechanism on the occasion of the approval of the financial statements as of December 31, 2022 according to a formula that takes into account the growth of the EBITDA of the Business Unit. **The price consideration corresponds to some 1.0x sales** and favourably values the relatively new firm still in an early stage of development, especially from a commercial point of view.

In our opinion this is **a small but well focused move** in a promising segment with sales and costs potential synergies and developing opportunities with Match-it, Piteco module dedicated to big data matching solutions.

The business unit acquired includes **cloud software products for financial figures data matching**, offering vertical solutions **for utilities, financial, consumer credit, leasing and factoring companies and other similar sectors**.

In 2019 the asset purchased of Everymake generated revenues of € 0.5 million, mainly represented by recurring fees. Everymake has a customer base comprising mainly domestic utilities and totalling 23 customers served.



## Estimates, valuation and risks

The first two months of 2020 confirmed the 2019 growth trend. The parentco acquired several new customers and Myrios Switzerland gained its first customer, the Swiss coffee company Cofiroaster. Myrios in Italy is working on a few new customers acquired. Juniper is committed to develop innovative solutions for bank communication.

Nonetheless, the current necessary severe restrictions on people mobility in order to contain the dramatic rapid expansion of COVID-19 will certainly have a **significant impact on production, trade and consumption**. The damage caused by the epidemic will be **serious and widespread** and a reconstruction plan will be needed at local level but above all at European level. However, since operating in a **sector that is rather defensive and resilient** to short-term downturn events, Piteco should be **less impacted** by current market uncertainties compared to other stocks and should **offer to a certain extent protection to investor portfolios**.

On the back of the relevant degree of **recurring revenues, services and software sales on captive clients**, Piteco should not be particularly affected by this current unexpected weak scenario. Our **model now factors in 15 new clients in 2020** (half of the usual annual average target of Piteco), the majority of which already achieved in the first two months of the year. **Then in 2021 we expect business to gradually return to normality**. We have also introduced 2022 estimates and factored in the recent acquisition of Everymake in our new numbers. The result is a 17.5% downgrade in EBITDA in 2020-21. We have updated DCF valuation criteria and brought the Free Risk Rate up-to-date and rolled over the first year of estimates to 2020. The combined result is a downgrade in PT to € 7.00/s (€ 8.10/s), 45.8% upside to current price. **We confirm the Buy:** in this market turmoil, Piteco represents a defensive player even if market condition volatility remains high and outlook visibility low in the short term.

## DCF

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

**Table 4 - WACC derived from:**

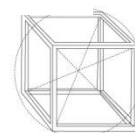
|  |             |
|--|-------------|
| Interest costs, pre-tax                | 2.5%        |
| Tax rate                               | 25.0%       |
| <b>Int. costs, after taxes</b>         | <b>1.9%</b> |
| Risk premium, incl. small size premium | 7.0%        |
| Risk-free (10Y Gov. Bond 2W average)   | 1.30%       |
| Beta levered (x)                       | 1.00        |
| <b>Required ROE</b>                    | <b>8.3%</b> |

Source: CFO Sim

**Table 5 - Piteco, DCF model**

| € m                             | 2020e       | 2021e       | 2022e       | 2023e       | 2024e       | Term. Val.    |
|---------------------------------|-------------|-------------|-------------|-------------|-------------|---------------|
| EBIT                            | 7.39        | 8.10        | 9.11        | 9.38        | 9.67        |               |
| Tax rate                        | 13.0%       | 13.0%       | 13.0%       | 13.0%       | 13.0%       |               |
| <b>Operating profit (NOPAT)</b> | <b>6.43</b> | <b>7.05</b> | <b>7.93</b> | <b>8.16</b> | <b>8.41</b> |               |
| Change working capital          | 0.10        | (0.09)      | (0.32)      | (0.32)      | 0.00        |               |
| Depreciation                    | 2.97        | 2.94        | 2.95        | 1.00        | 0.78        |               |
| Investments                     | (1.28)      | (0.78)      | (0.78)      | (0.78)      | (0.78)      |               |
| <b>Free Cash Flows</b>          | <b>8.22</b> | <b>9.12</b> | <b>9.78</b> | <b>8.07</b> | <b>8.41</b> | <b>161.11</b> |
| Present value                   | 7.81        | 8.11        | 8.15        | 6.30        | 6.15        | <b>117.70</b> |
| WACC                            | 6.8%        | 6.8%        | 6.8%        | 6.8%        | 6.8%        |               |
| <b>Long-term growth rate</b>    | <b>1.5%</b> |             |             |             |             |               |

Source: CFO Sim



**Table 6 – Piteco, DCF per share derived from:**

|                                  |               |
|----------------------------------|---------------|
| Total EV present value € m       | 154.22        |
| <i>thereof terminal value</i>    | 76.3%         |
| NFP last reported FY-18          | (26.77)       |
| Pension provision last reported  | (1.29)        |
| <b>Equity value € m</b>          | <b>126.15</b> |
| Shares # m (ex. Treasury shares) | 18.03         |
| <b>Discounted CF €/s</b>         | <b>7.00</b>   |
| <i>Upside/(downside)</i>         | 45.8%         |

Source: CFO Sim

The application of the model produces an equity value of € 154.22m, which corresponds to **€ 7.00/s** (€ 8.10), **with a potential upside of 45.8%**.

The following tables illustrate that sensitivity 1) compared to changes in the terminal growth rate produces an equity value per share of between € 5.91 – 8.60 (perpetuity range of between 0.50% and 2.50%), while 2) compared to changes in the free risk rate produces an equity value/s of € 6.13 – 8.09 (free risk range of between 2.10% and 0.50%) and 3) compared to changes in the risk premium, including small size premium results into an equity value/s of € 5.13 – 10.39 (risk premium range of between 9.0% and 5.0%).

**Table 7 – Piteco, equity value sensitivity to changes in terminal growth rate**

| € m                     | 0.50%         | 0.75%         | 1.00%         | 1.25%         | 1.50%         | 1.75%         | 2.00%         | 2.25%         | 2.50%         |
|-------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Present value of CF     | 36.51         | 36.51         | 36.51         | 36.51         | 36.51         | 36.51         | 36.51         | 36.51         | 36.51         |
| PV of terminal value    | 98.05         | 102.35        | 107.03        | 112.13        | 117.70        | 123.83        | 130.60        | 138.12        | 146.50        |
| <b>Total value</b>      | <b>134.56</b> | <b>138.87</b> | <b>143.54</b> | <b>148.64</b> | <b>154.22</b> | <b>160.35</b> | <b>167.12</b> | <b>174.63</b> | <b>183.02</b> |
| 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)        |
| <b>Equity value</b>     | <b>106.49</b> | <b>110.80</b> | <b>115.48</b> | <b>120.57</b> | <b>126.15</b> | <b>132.28</b> | <b>139.05</b> | <b>146.57</b> | <b>154.95</b> |
| <b>Equity value €/s</b> | <b>5.91</b>   | <b>6.15</b>   | <b>6.41</b>   | <b>6.69</b>   | <b>7.00</b>   | <b>7.34</b>   | <b>7.71</b>   | <b>8.13</b>   | <b>8.60</b>   |

Source: CFO Sim

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

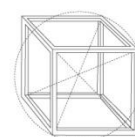
| € m                     | 0.50%         | 0.70%         | 0.90%         | 1.10%         | 1.30%         | 1.50%         | 1.70%         | 1.90%         | 2.10%         |
|-------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Present value of CF     | 37.07         | 36.93         | 36.79         | 36.65         | 36.51         | 36.38         | 36.24         | 36.10         | 35.97         |
| PV of terminal value    | 136.81        | 131.57        | 126.66        | 122.04        | 117.70        | 113.61        | 109.76        | 106.11        | 102.65        |
| <b>Total value</b>      | <b>173.88</b> | <b>168.50</b> | <b>163.45</b> | <b>158.70</b> | <b>154.22</b> | <b>149.99</b> | <b>145.99</b> | <b>142.21</b> | <b>138.62</b> |
| 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)        |
| <b>Equity value</b>     | <b>145.82</b> | <b>140.44</b> | <b>135.38</b> | <b>130.63</b> | <b>126.15</b> | <b>121.93</b> | <b>117.93</b> | <b>114.15</b> | <b>110.56</b> |
| <b>Equity value €/s</b> | <b>8.09</b>   | <b>7.79</b>   | <b>7.51</b>   | <b>7.25</b>   | <b>7.00</b>   | <b>6.76</b>   | <b>6.54</b>   | <b>6.33</b>   | <b>6.13</b>   |

Source: CFO Sim

**Table 9 – Piteco, equity value sensitivity to changes in risk premium**

| € m                     | 5.00%         | 5.50%         | 6.00%         | 6.50%         | 7.00%         | 7.50%         | 8.00%         | 8.50%         | 9.00%         |
|-------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Present value of CF     | 37.94         | 37.57         | 37.21         | 36.86         | 36.51         | 36.17         | 35.83         | 35.50         | 35.18         |
| PV of terminal value    | 177.44        | 158.28        | 142.42        | 129.07        | 117.70        | 107.91        | 99.38         | 91.90         | 85.29         |
| <b>Total value</b>      | <b>215.37</b> | <b>195.85</b> | <b>179.63</b> | <b>165.94</b> | <b>154.22</b> | <b>144.08</b> | <b>135.22</b> | <b>127.41</b> | <b>120.47</b> |
| 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)        |
| <b>Equity value</b>     | <b>187.31</b> | <b>167.79</b> | <b>151.57</b> | <b>137.87</b> | <b>126.15</b> | <b>116.01</b> | <b>107.15</b> | <b>99.34</b>  | <b>92.41</b>  |
| <b>Equity value €/s</b> | <b>10.39</b>  | <b>9.31</b>   | <b>8.41</b>   | <b>7.65</b>   | <b>7.00</b>   | <b>6.44</b>   | <b>5.94</b>   | <b>5.51</b>   | <b>5.13</b>   |

Source: CFO Sim



## Market multiples

We have included 11 peer groups in the sample, operating in the software and digital technology worldwide arena. Our sample comprises larger global players and small local actors. Size differs significantly amongst the panel, in particular between smaller and global firms, as well as profitability. Piteco offers an **EBITDA margin** amongst the **highest**, lower only than Oracle and Microsoft, which however provides a different service. In addition, Piteco offers **higher earnings growth** compared to peer groups. On the other hand, Piteco is amongst the **smaller** firm in terms of market value and **the least liquid** (free float 26.0%, i.e. € 22.9m).

Table 10 - Piteco, peers group summary table

| € m                        | Country | Mkt Cap        | Sales FY1     | EBITDA FY1    | EBITDA margin | Sales CAGR <sub>19-22</sub> | EBITDA CAGR <sub>19-22</sub> | EBIT CAGR <sub>19-22</sub> | EPS CAGR <sub>20-22</sub> | NFP /EBITDA  |
|----------------------------|---------|----------------|---------------|---------------|---------------|-----------------------------|------------------------------|----------------------------|---------------------------|--------------|
| Intuit Inc                 | USA     | 47,311         | 7,007         | 2,605         | 37.2%         | 11.8%                       | 18.0%                        | 21.0%                      | 12.3%                     | (1.2)        |
| Microsoft Corp             | USA     | 964,716        | 132,734       | 60,777        | 45.8%         | 13.2%                       | 15.2%                        | 18.1%                      | 10.6%                     | (1.1)        |
| Oracle Corp                | USA     | 129,985        | 37,107        | 16,885        | 45.5%         | 2.3%                        | 6.0%                         | 10.6%                      | 0.7%                      | 0.8          |
| Salesforce.Com Inc         | USA     | 117,308        | 19,698        | 5,923         | 30.1%         | 20.6%                       | 51.4%                        | 140.5%                     | 25.0%                     | (1.3)        |
| SAP SE                     | Germany | 112,910        | 29,486        | 10,038        | 34.0%         | 7.2%                        | 14.3%                        | 19.6%                      | 11.8%                     | 0.8          |
| <b>Median large player</b> |         | <b>117,308</b> | <b>29,486</b> | <b>10,038</b> | <b>37.2%</b>  | <b>11.8%</b>                | <b>15.2%</b>                 | <b>19.6%</b>               | <b>11.8%</b>              | <b>(1.1)</b> |
| Datalogic SpA              | Italy   | 617            | 605           | 91            | 15.1%         | 4.0%                        | 11.8%                        | n.a.                       | 8.9%                      | (0.3)        |
| Digital Bros SpA           | Italy   | 128            | 135           | 21            | 15.5%         | 22.9%                       | n.a.                         | 188.8%                     | 30.3%                     | 0.6          |
| Expert System SpA          | Italy   | 75             | 33            | 5             | 15.9%         | 13.1%                       | 24.9%                        | n.a.                       | n.a.                      | 2.1          |
| Exprivia SpA               | Italy   | 30             | 560           | 36            | 6.4%          | 1.8%                        | 6.1%                         | 12.2%                      | n.a.                      | 6.4          |
| Reply SpA                  | Italy   | 1,769          | 1,257         | 196           | 15.6%         | 7.9%                        | 6.9%                         | 7.6%                       | 8.9%                      | (0.9)        |
| TXT e solutions SpA        | Italy   | 69             | 65            | 8             | 12.3%         | n.a.                        | n.a.                         | n.a.                       | n.a.                      | n.a.         |
| <b>Median small player</b> |         | <b>102</b>     | <b>348</b>    | <b>29</b>     | <b>15.3%</b>  | <b>7.9%</b>                 | <b>9.3%</b>                  | <b>12.2%</b>               | <b>8.9%</b>               | <b>0.6</b>   |
| <b>Piteco SpA</b>          |         | <b>88</b>      | <b>25</b>     | <b>10</b>     | <b>41.5%</b>  | <b>4.7%</b>                 | <b>5.6%</b>                  | <b>7.9%</b>                | <b>14.2%</b>              | <b>2.2</b>   |

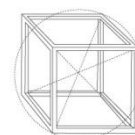
Source: Thomson Reuters Eikon, CFO Sim

Table 11 - Piteco, peers group multiples table

| EV & Price multiples x         | PER FY1     | PER FY2     | PCF FY1     | PCF FY2     | Sales FY1  | Sales FY2  | EBITDA FY1  | EBITDA FY2  | EBIT FY1    | EBIT FY2    |
|--------------------------------|-------------|-------------|-------------|-------------|------------|------------|-------------|-------------|-------------|-------------|
| Intuit Inc                     | 25.5        | 22.6        | 22.8        | 20.4        | 6.3        | 5.5        | 17.0        | 14.8        | 18.6        | 16.0        |
| Microsoft Corp                 | 23.7        | 21.4        | 18.3        | 16.6        | 6.8        | 5.9        | 14.7        | 13.1        | 18.4        | 16.4        |
| Oracle Corp                    | 10.8        | 10.6        | 10.4        | 10.0        | 3.9        | 3.8        | 8.5         | 8.3         | 8.8         | 8.6         |
| Salesforce.Com Inc             | 42.4        | 33.1        | 22.8        | 19.0        | 5.6        | 4.5        | 18.5        | 14.7        | 30.9        | 23.3        |
| SAP SE                         | 17.6        | 15.7        | 14.5        | 12.8        | 4.1        | 3.7        | 12.1        | 10.6        | 14.0        | 12.4        |
| <b>Median large player</b>     | <b>23.7</b> | <b>21.4</b> | <b>18.3</b> | <b>16.6</b> | <b>5.6</b> | <b>4.5</b> | <b>14.7</b> | <b>13.1</b> | <b>18.4</b> | <b>16.0</b> |
| Datalogic SpA                  | 12.0        | 10.8        | 8.2         | 7.8         | 1.0        | 0.9        | 6.4         | 5.8         | 8.7         | 7.5         |
| Digital Bros SpA               | 12.9        | 12.6        | 7.8         | 7.4         | 1.0        | 0.9        | 6.7         | 5.9         | 9.6         | 9.0         |
| Expert System SpA              | n.s.        | n.s.        | 11.9        | 11.8        | 2.6        | 2.3        | 16.3        | 12.3        | n.s.        | n.s.        |
| Exprivia SpA                   | n.s.        | 6.0         | 1.7         | 1.2         | 0.5        | 0.4        | 7.3         | 5.0         | 16.4        | 8.9         |
| Reply SpA                      | 15.5        | 14.2        | 11.7        | 10.8        | 1.3        | 1.1        | 8.1         | 7.0         | 10.0        | 8.5         |
| TXT e solutions SpA            | 14.4        | n.a.        | 10.6        | n.a.        | n.a.       | n.a.       | n.a.        | n.a.        | n.a.        | n.a.        |
| <b>Median small player</b>     | <b>13.6</b> | <b>11.7</b> | <b>9.4</b>  | <b>7.8</b>  | <b>1.0</b> | <b>0.9</b> | <b>7.3</b>  | <b>5.9</b>  | <b>9.8</b>  | <b>8.7</b>  |
| <b>Piteco SpA</b>              | <b>16.2</b> | <b>14.3</b> | <b>10.5</b> | <b>9.7</b>  | <b>4.4</b> | <b>4.1</b> | <b>10.7</b> | <b>9.6</b>  | <b>15.0</b> | <b>13.0</b> |
| (Disc.)/prem. to large players | -31.8%      | -33.2%      | -42.7%      | -41.5%      | -20.3%     | -9.8%      | -27.4%      | -27.1%      | -18.6%      | -18.7%      |
| (Disc.)/prem. to small players | 18.5%       | 22.1%       | 11.4%       | 24.2%       | 329.6%     | 332.0%     | 47.0%       | 61.3%       | 53.2%       | 49.6%       |

Source: Thomson Reuters Eikon, CFO Sim

Piteco **trades at a discount** vs. larger players' median considering every metric in 2020, 2021 and 2022.



## 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 now trades **well above the IPO price**, and reached a 1Y maximum of € 7.00/s on 16-Jan-20 and a minimum of € 4.20 on 25-Mar-19. The stock comes from a 1M/3M positive relative performance to indexes.

**Table 12 - Piteco, peers group absolute performance**

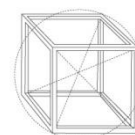
|   | 1D           | 1W            | 1M            | 3M            | 6M            | YTD           | 1Y            |
|---|--------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Intuit Inc.                             | (3.5)        | (12.8)        | (32.0)        | (26.9)        | (27.6)        | (25.7)        | (22.9)        |
| Microsoft Corporation                   | (1.0)        | 0.4           | (20.4)        | (13.6)        | (2.3)         | (13.8)        | 16.2          |
| Oracle Corporation                      | (3.2)        | 3.4           | (16.1)        | (17.7)        | (18.2)        | (16.6)        | (16.3)        |
| salesforce.com, inc.                    | 0.8          | 13.0          | (24.4)        | (14.2)        | (9.1)         | (13.6)        | (13.0)        |
| SAP SE                                  | 1.0          | 2.7           | (24.0)        | (23.7)        | (14.8)        | (23.4)        | (6.6)         |
| <b>Median large players</b>             | <b>(1.0)</b> | <b>2.7</b>    | <b>(24.0)</b> | <b>(17.7)</b> | <b>(14.8)</b> | <b>(16.6)</b> | <b>(13.0)</b> |
| Datalogic S.p.A.                        | (1.1)        | 8.9           | (28.3)        | (37.1)        | (21.4)        | (37.3)        | (47.0)        |
| Digital Bros S.p.A.                     | 1.0          | 6.0           | (18.1)        | (29.9)        | (3.3)         | (27.8)        | 58.6          |
| Expert System SpA                       | 6.5          | 23.3          | (24.5)        | (39.2)        | (42.3)        | (38.6)        | 12.6          |
| Exprivia S.p.A.                         | 2.1          | 8.4           | (21.6)        | (34.1)        | (33.9)        | (30.2)        | (54.1)        |
| Reply S.p.A.                            | 0.3          | (9.0)         | (31.4)        | (33.1)        | (7.1)         | (31.7)        | (16.3)        |
| TXT e-solutions S.p.A.                  | 6.0          | 13.0          | (37.8)        | (45.7)        | (35.4)        | (45.1)        | (41.1)        |
| <b>Median small players</b>             | <b>1.6</b>   | <b>8.7</b>    | <b>(26.4)</b> | <b>(35.6)</b> | <b>(27.7)</b> | <b>(34.5)</b> | <b>(28.7)</b> |
| <b>PITECO SpA</b>                       | <b>(5.9)</b> | <b>(7.7)</b>  | <b>(19.3)</b> | <b>(22.6)</b> | <b>(11.9)</b> | <b>(24.4)</b> | <b>13.7</b>   |
| <b>Piteco relative to large players</b> | <b>(4.9)</b> | <b>(10.3)</b> | <b>4.7</b>    | <b>(4.9)</b>  | <b>2.9</b>    | <b>(7.8)</b>  | <b>26.7</b>   |
| <b>small players</b>                    | <b>(7.4)</b> | <b>(16.3)</b> | <b>7.1</b>    | <b>13.0</b>   | <b>15.7</b>   | <b>10.1</b>   | <b>42.4</b>   |
| <b>FTSE Italia All Shares</b>           | <b>(1.5)</b> | <b>2.4</b>    | <b>17.4</b>   | <b>14.4</b>   | <b>20.7</b>   | <b>(24.4)</b> | <b>48.2</b>   |
| <b>EU sector</b>                        | <b>(4.8)</b> | <b>(11.5)</b> | <b>13.9</b>   | <b>12.1</b>   | <b>16.8</b>   | <b>9.3</b>    | <b>40.2</b>   |

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.



## ANALYST CERTIFICATION

This publication was prepared by **LUCA ARENA**, Head of the Equity Research Department of "Corporate Family Office SIM S.p.A." ("CFO SIM") and **GIANLUCA MOZZALI**, Equity Analyst of CFO SIM. This is to certify that the views expressed on the companies mentioned in this document reflect the analysts' personal opinions and that no direct or indirect recompense has been, or will be, received by the analyst further to the views expressed herein.

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| DATE       | TARGET PRICE | RATING |
|------------|--------------|--------|
| 24/03/2020 | €7.00        | BUY    |
| 17/10/2019 | €8.10        | BUY    |
| 30/09/2019 | €8.10        | BUY    |
| 21/05/2019 | €7.20        | BUY    |
| 03/04/2019 | €7.20        | BUY    |

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## RATING SYSTEM

- 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.

