

Italy - Software

Setting the pace in a challenging context

29th March 2021

FY-20 RESULTS RELEASE

RIC: PITE.MI
BBG: PITE IM

Piteco reported unchanged results in terms of top line and profitability in a year characterised by the pandemic. Piteco TMS showed strong resiliency in this difficult scenario. Recurring revenues amounted to 64% of total. EBITDA margin remained stably above 40%. Operating Cash Flow reached 46% of sales and 110% of EBITDA.

Rating:

Neutral (Buy)

Price Target:

€ 11.30

Upside/(Downside): 9.7%

Last Price: € 10.30

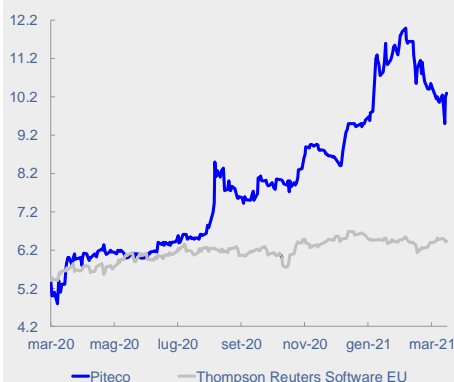
Market Cap.: € 207.3m

1Y High/Low: € 12.10/€ 5.10

Free Float: 25.9%

Major shareholders:

Podini Family 63.8%
Management 6.6%



Stock price performance

	1M	3M	12M
Absolute	-5.9%	8.4%	102.0%
Rel.to AIM Italia	-6.7%	2.7%	26.3%
Rel.to EU Sector	6.9%	10.3%	40.9%

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PT offers 9.7% upside: Rating downgraded to Neutral (Buy)

Piteco reported flat 2020 results in terms of top line and profitability, lower than our projections and consensus. We have fine-tuned our estimates: the result is a cut of 5%, 6% and 2% in top line, EBITDA and Net Profit respectively, on average, in 21-22. We have updated our DCF valuation criteria and postponed our first valuation projection by one year. The combined result is a PT unchanged at € 11.30/s, 9.7% upside. The limited upside to PT leads us to downgrade the rating to Neutral (Buy). After the stock's recent grueling rise following the valuation boost brought in by the RAD acquisition, the price of the stock could enter in a meditative phase, awaiting confirmation of the expected recovery in growth at the time of the next earnings release.

TMS unit drove top line progression

FY-20 turnover grew 2.8% to € 24.7m as a result of 1) +4.5% YoY recorded by the parent company Piteco SpA (Treasury Management Software) also thanks to the increase in recurring revenues, reaching 64% of total (60% in 2019); 2) € 0.7m stemming from the RAD contribution. This trend was only partially counterbalanced by 1) a 4.6% decline of Juniper due to the lack of new clients, since almost 100% of sales are represented by recurring fees and 2) a 15.4% drop of Myrios, due to difficulties in signing contracts related to complex projects without physical meetings. Organically revenues were flat.

EBITDA almost unchanged in a difficult year, margin stayed above 40%

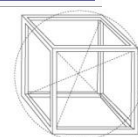
EBITDA was € 9.9m, down 3.0% YoY, lower than our € 11.5m forecast and consensus. Piteco TMS grew by 4.4% to € 6.9m, Juniper declined by 17.0% and Myrios dropped by 31.2%. The recently acquired RAD contributed for € 300k. Organically, EBITDA declined by 6.0%. The flatness of profitability is entirely due to the lack of top line growth. Bottom line soared to € 7.1m, vs. € 3.0m in 2019, better than our € 6.2m projection and sustained by higher pre-tax profit and a lighter tax rate.

Massive operating cash flow, 46% of sales and 110% of EBITDA

Operating Cash Flow was € 10.9m. Net Financial Position reached € 65.0m, compared to € 27.5m as at 31 December 2019, in line with our forecast. This increase is due to the two M&A operations carried out in 2020: 1) the purchase of Everymake and 2) the acquisition of the 70% majority stake of Rad Informatica Srl, paid for respectively € 0.5m and € 34.8m. In addition, the company distributed a € 2.7m dividend in 2020. Excluding the aforementioned options, NFP totalled € 40.3m. The BoD will propose to the next AGM a € 0.15/s dividend, corresponding to a 74% pay-out ratio and a 1.5% yield at current prices. In Q1-21 Piteco has launched the new version of the Piteco Evo 5.0 product on the market together with IDM, the new suite for data matching, confirming the soundness of the investments and strategies implemented.

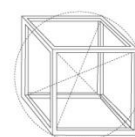
Piteco, key financials and ratios

€ m	2019	2020	2021e	2022e	2023e
Sales	24.0	24.7	37.3	40.1	43.1
EBITDA	10.2	9.9	17.7	19.4	21.3
EBITDA adjusted	10.2	9.9	17.7	19.4	21.3
EBIT	7.3	6.3	11.3	13.1	13.8
Net profit	3.0	7.1	9.4	11.1	11.8
Net profit adjusted	5.7	6.1	9.4	11.1	11.8
EPS adjusted	0.31	0.34	0.52	0.61	0.65
EPS adj. growth	12.4%	8.0%	53.1%	18.2%	6.0%
DPS ord. €/s	0.15	0.15	0.15	0.20	0.20
Dividend yield	1.5%	1.5%	1.5%	1.9%	1.9%
NFP (cash)/debt	27.5	65.0	47.8	33.1	17.5
Free Cash Flow Yield	3.4%	8.0%	9.6%	8.5%	9.4%
PER x	16.5	21.3	22.0	18.6	17.6
PCF x	12.4	5.4	9.8	11.0	9.9
EV/Sales x	5.0	7.9	6.8	6.0	5.2
EV/EBITDA x	11.9	19.7	14.4	12.4	10.6
EV/EBIT x	16.7	31.0	22.6	18.3	16.3





Income statement (€ m)	2019	2020	2021e	2022e	2023e
Turnover	24.0	24.7	37.3	40.1	43.1
Raw Material	(0.1)	(0.4)	(0.4)	(0.3)	(0.3)
Services	(4.1)	(3.9)	(5.7)	(6.0)	(14.5)
Personnel expenses	(9.4)	(10.3)	(12.9)	(13.7)	(6.3)
Other Costs	(0.1)	(0.2)	(0.7)	(0.7)	(0.7)
EBITDA	10.2	9.9	17.7	19.4	21.3
EBITDA adj.	10.2	9.9	17.7	19.4	21.3
D&A	(3.0)	(3.6)	(6.4)	(6.3)	(7.5)
EBIT	7.3	6.3	11.3	13.1	13.8
Financial (charges)/income	(0.5)	(1.1)	(0.8)	(0.8)	(0.7)
Other costs & extraordinary & other	(0.4)	(1.0)	0.0	0.0	0.0
Pre-Tax profit	6.4	4.2	10.5	12.4	13.1
Income taxes	(0.7)	(0.2)	(1.0)	(1.2)	(1.3)
Net Profit	3.0	7.1	9.4	11.1	11.8
Net Profit Adjusted	5.7	6.1	9.4	11.1	11.8
Balance sheet (€ m)	2019	2020	2021e	2022e	2023e
Net Working Capital	5.5	4.6	7.9	8.5	9.2
Net Fixed Assets	60.9	124.4	119.5	114.5	108.4
Equity Investments	0.0	0.0	0.0	0.0	0.0
Other M/L Term A/L	(7.6)	(20.1)	(29.3)	(31.5)	(33.8)
Net Invested Capital	58.9	109.0	98.1	91.6	83.8
Net Financial Debt	27.5	65.0	47.8	33.1	17.5
Minorities	0.0	0.0	0.0	0.0	0.0
Group's Shareholders Equity	31.4	44.0	50.4	58.5	66.2
Financial Liabilities & Equity	58.9	109.0	98.1	91.6	83.8
Cash Flow statement (€ m)	2019	2020	2021e	2022e	2023e
Total net income	3.0	7.1	9.4	11.1	11.8
Depreciation	3.0	3.6	6.4	6.3	7.5
Other non-cash charges	2.7	12.5	8.8	2.1	2.3
Cash Flow from Oper. (CFO)	8.7	23.2	24.5	19.5	21.5
Change in NWC	(1.4)	0.9	(3.3)	(0.6)	(0.6)
FCF from Operations (FCFO)	7.3	24.1	21.2	19.0	20.9
Net Investments (CFI)	(0.1)	(67.2)	(1.4)	(1.4)	(1.4)
Free CF to the Firm (FCFF)	7.1	(43.0)	19.9	17.6	19.5
CF from financials (CFF)	(9.7)	51.1	(10.7)	(9.9)	(10.3)
Free Cash Flow to Equity (FCFE)	(2.5)	8.0	9.1	7.6	9.3
Financial ratios	2019	2020	2021e	2022e	2023e
EBITDA margin	42.6%	40.2%	47.4%	48.5%	49.3%
EBIT margin	30.2%	25.5%	30.3%	32.8%	32.0%
Net profit margin	12.6%	28.7%	25.2%	27.8%	27.4%
Tax rate	10.4%	3.7%	10.0%	10.0%	10.0%
Interest coverage x	0.1	0.2	0.1	0.1	0.0
Net Debt/Ebitda x	2.7	6.5	2.7	1.7	0.8
Debt-to-Equity x	0.9	1.5	0.9	0.6	0.3
ROIC	5.2%	8.5%	9.1%	11.7%	13.4%
ROCE	10.7%	4.7%	8.0%	9.1%	9.4%
ROACE	10.7%	6.2%	8.2%	9.2%	9.5%
ROE	9.6%	18.8%	19.9%	20.4%	18.9%
Payout ratio	95.6%	42.7%	32.2%	36.3%	34.2%
Per share figures	2019	2020	2021e	2022e	2023e
Final N. of shares # m	19.2	20.2	20.2	20.2	20.2
Final N. of shares (fully diluted) # m	19.2	20.2	20.2	20.2	20.2
Average N. of shares (fd) # m	18.7	19.7	20.2	20.2	20.2
EPS stated €	0.16	0.36	0.47	0.55	0.58
EPS adjusted €	0.16	0.36	0.47	0.55	0.58
EBITDA €	0.55	0.50	0.88	0.96	1.05
EBIT €	0.39	0.32	0.56	0.65	0.68
FCFO €	0.39	1.22	1.05	0.94	1.04
FCFF €	0.38	(2.18)	0.98	0.87	0.97
FCFE €	(0.14)	0.41	0.45	0.38	0.46
Dividend €	0.15	0.15	0.15	0.20	0.20



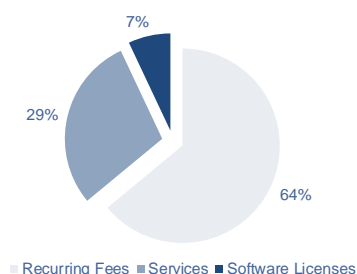


The company at a glance

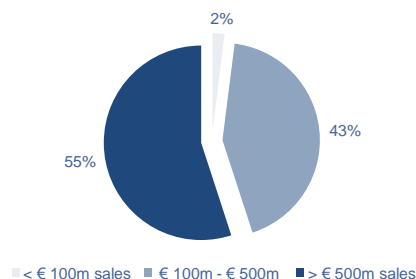
Piteco, more than 4x the size of its closest competitors, is the undisputed domestic leader in corporate treasury management and financial planning software. The company designs, develops and implements proprietary software and solutions for corporate cash and risk management. It focuses on large/mid enterprises operating in all industries except public administration. The Piteco software is 100% proprietary as well as modular (19 different modules), embeddable (it can work within Oracle, Sap or Microsoft environments), customisable (its open architecture allows several combinations of product modules) and available on foreign markets. The group is developing a challenging internationalisation and diversification process, boosted by the recent acquisitions: 1) Juniper Payments enables Piteco to penetrate the huge US market with a well-managed cash flow generative firm, paid for fairly cheaply; 2) Myrios widened the group's 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 services companies (40%).

FY-20 turnover grew 2.8% to € 24.7m, driven by the increase in recurring revenues and the contribution of the TMS unit and RAD for one month. EBITDA remained basically flat at € 9.9m vs € 10m in 2019, slightly lower than our estimates, mainly as a result of the weaker-than-anticipated performance of Juniper and Myrios. Piteco's client base currently comprises some 750 firms operating in over 40 countries: a significant number of them are listed, whereas 98% record a turnover of more than € 100m.

2020 revenues and...



... and client profile (sales) breakdown



Shareholder structure

	%	# m
Podini Family	63.8%	12.9
Dedagroup S.p.A.	49.8%	10.1
Marco Podini	6.7%	1.4
Maria Luisa Podini	6.7%	1.4
Francesca Zanella	0.2%	0.1
Lillo S.p.A.	0.3%	0.1
Management	6.6%	1.3
Andrea Guido Guillermez	2.2%	0.4
Riccardo Veneziani	2.2%	0.4
Paolo Virenti	2.2%	0.4
Free Float	25.9%	5.2
Treasury shares	3.7%	0.7
Total	100.0%	20.2

Source: Company data

Peer group absolute performance

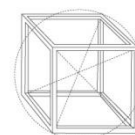
	1D	1W	1M	3M	6M	YTD
Intuit Inc	1.1	(1.2)	(3.5)	(1.2)	18.2	(0.9)
Microsoft Corp	1.8	2.7	1.8	6.2	13.8	6.3
Oracle Corp	2.4	6.0	8.9	8.1	17.5	8.6
Salesforce.com Inc	1.8	(1.5)	(3.4)	(7.4)	(13.9)	(6.0)
SAP SE	0.4	(0.7)	0.8	(0.8)	(20.8)	(4.0)
Median large players	1.8	(0.7)	0.8	(0.8)	13.8	(0.9)
Datalogic SpA	0.6	(4.3)	5.6	23.1	49.0	26.2
Digital Bros SpA	4.0	10.2	18.6	7.2	5.5	7.4
Expert System SpA	0.8	(0.2)	(9.6)	20.6	29.0	15.1
Exprivia SpA	(0.2)	(3.5)	1.2	4.5	30.9	3.7
Reply SpA	0.9	2.2	12.0	13.9	11.2	12.9
TXT e solutions SpA	1.7	13.9	10.0	4.5	4.1	(2.3)
Median small players	0.9	1.0	7.8	10.5	20.1	10.2
Piteco SpA	1.0	2.5	(5.9)	8.4	37.3	9.3

Source: Thomson Reuters Eikon

Peer 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	46.5	39.2	41.9	35.7	11.6	9.9	32.4	27.1	35.1	29.2
Microsoft Corp	32.0	29.6	26.5	24.0	10.5	9.3	22.2	19.5	26.1	23.2
Oracle Corp	15.2	14.8	13.5	13.1	5.8	5.8	11.5	11.4	12.5	12.5
Salesforce.Com Inc	57.4	45.5	30.3	25.2	7.2	6.0	24.9	20.3	41.5	32.6
SAP SE	22.8	21.8	17.9	17.4	4.9	4.6	14.8	14.2	17.9	16.8
Median large player	32.0	29.6	26.5	24.0	7.2	6.0	22.2	19.5	26.1	23.2
Datalogic SpA	30.3	22.4	16.8	13.5	n.a.	1.7	n.a.	11.2	n.a.	16.8
Digital Bros SpA	18.6	16.3	10.5	8.3	2.1	1.9	8.3	6.2	13.1	10.5
Expert System SpA	n.m.	n.m.	n.m.	n.m.	5.5	5.0	n.m.	n.m.	n.m.	n.m.
Exprivia SpA	n.m.	6.1	2.3	3.6	0.5	0.5	4.6	4.1	(7.9)	5.5
Reply SpA	30.8	27.2	22.7	20.7	2.6	2.3	15.9	13.9	19.8	17.0
TXT e solutions SpA	18.3	15.7	11.6	9.5	1.1	1.4	9.2	10.4	13.2	16.1
Median small player	24.5	16.3	11.6	9.5	2.1	1.8	8.7	10.4	13.1	16.1
Piteco SpA	22.0	18.6	13.1	11.9	6.8	6.0	14.4	12.4	22.6	18.3

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, over 4x larger than its closest competitors, 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 also operates in the digital payment and clearing house sectors** serving approximately 3,500 American banks.

The group has four business lines:

- 1) **Piteco** - A 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 on foreign markets.
- 2) **Myrios** - an Italian software house offering **treasury, risk management, capital markets and compliance software** to banks and large corporations. The firm has developed Myrios Financial Modelling, a software solution dedicated to the manufacturing and services industries (40% of the business line’s turnover) as well as to banks (60%). More than **50% of Myrios’ s 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 houses serving approximately 3,500 American banks and managing the settlement of Interbank financial flows (bank transfers and check 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.
- 4) **RAD** - an Italian software house which has developed a management tool that connects all those interested in the **operational management of NPL and litigation**, allowing information sharing, file work progress and all procedural aspects and cooperation in real time. The company, established twenty years ago thanks to the expertise and experience that the founding members had gained in the fields of credit management and software development, today boasts key know-how in the process of debt collection at legal and extrajudicial levels. **The company holds 70% of the Italian market** and employs a team of over 50 highly skilled analysts and developers.

Piteco's FY-20 turnover grew 2.8% to € 24.7m, driven by the increase in recurring revenues, the contribution of the TMS unit and RAD for one month. EBITDA remained basically flat at € 9.9m vs € 10m in 2019, slightly lower than our estimates, mainly as a result of the weaker-than-anticipated performance of Juniper and Myrios.

The client base currently comprises some 730 firms, a relevant number of which are listed on the Italian stock exchange, with turnover exceeding € 100m with regard to 98% of them, and operating in more than 40 countries. Piteco's long customer list and widespread presence in a large variety of industries **significantly reduce its dependence on a key client/sector.**

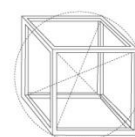
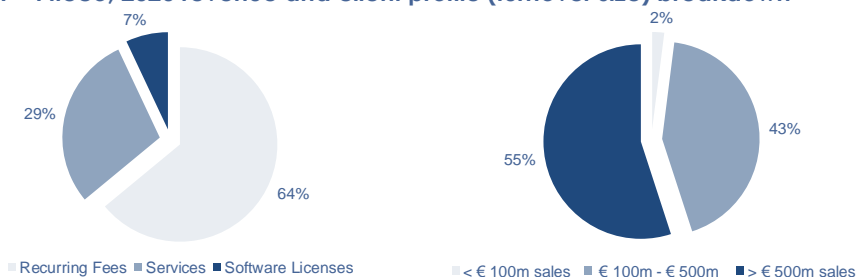


Chart 1 – Piteco, 2020 revenue and client profile (turnover size) breakdown



Source: Company data

The group operates in seven sites (Milan, Rome, Padua, Turin, Salerno, Geneva and Wichita US), with 156 staff members:

- 6 managers/founding partners: Paolo Virenti (CEO Piteco), Riccardo Veneziani (CFO Piteco), Andrea Guillermaz (Sales Director Piteco), Marco Pecetto (CEO Myrios), Corrado Costa (CEO RAD) and Vanes Bolandri (General Manager RAD);
- 8 administration staff;
- 6 staff members employed in competence centre (research), skilled resources in treasury & finance. These people are involved in the study and design of new functions;
- 40 staff members in delivery: skilled resources in treasury and finance with focus on 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 customers;
- 9 staff members in sales & marketing, focusing on new client development;
- 68 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.
- 19 staff members in the subsidiary Juniper Payments, Wichita, Kansas, US.

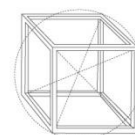
Piteco was listed on the **Milan AIM** (Alternative Investment Market) **on 31-Jul-15** at € 3.30/share, corresponding to a post-money market capitalization of € 58.9m. The offer was almost entirely represented by new shares (€ 8.5m), existing shares on sale from Sequenza (€ 1.5m, excluding the green-shoe) 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 owning 63.8%** of the share capital, whereas **management holds a 6.6%** stake and the **free float is 25.9%**.

Table 1 - Piteco, Shareholder structure details

	%	# m
Podini Family	63.8%	12.9
Dedagroup S.p.A.	49.8%	10.1
Marco Podini	6.7%	1.4
María Luisa Podini	6.7%	1.4
Francesca Zanella	0.2%	0.1
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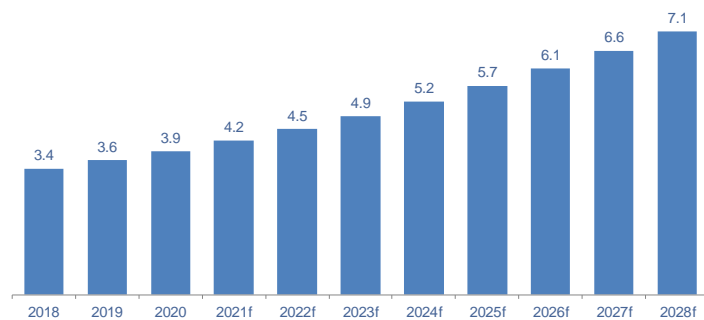
Source: Company data



The reference market

The group operates in the **treasury management applications segment**, included in 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 operates is **projected to grow at a 7.6% CAGR_{18-28e}**, reaching \$ 7.1bn by 2028.

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

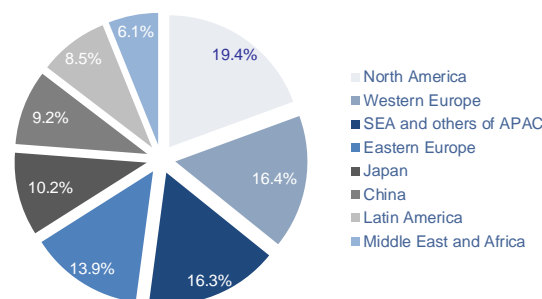


Source: CFO Sim elaboration on Future Market Insight data

Despite the need for a more customised treasury management system, most firms still **operate with spreadsheets as the main tool**. According to a survey published by Bloomberg in Apr-16, only 51% of surveyed companies already use 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 that **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.

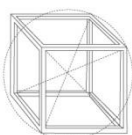
Geographically, **in 2020, North America represented 19.4% of the global treasury and risk management application market**, followed by **Western Europe (16.3%)**, SEA and others of APAC (16.3%), Eastern Europe (13.9%) and Japan (10.1%).

Chart 3 – 2020 global treasury and risk management application market by country



Source: CFO Sim elaboration on Future Market Insight data

In addition, with the acquisition of Juniper Payments, the group is present on the US wholesale cash management private market for financial institutions. 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 make use of this service. In a rather fragmented oligopoly, characterised by the lack of a single standard for bank interconnection payment platforms, **Juniper Payments is the 4th actor in the US arena**.



The competitive arena

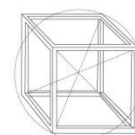
Piteco produces the vast majority of its top line **in the domestic market**, i.e. some 80% of the 2020 turnover. Undoubtedly, the company here holds the **leading position**, being more than **4x larger than its closest competitor**. The market is relatively small and featuring quite a few peculiarities in terms of payment procedures and relationships with the banking system. 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, dealing with significant time consumption issues and risks of losing data. In the treasury software market, six players are noteworthy worldwide.

- **Sungard** is amongst the global leading players in 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 software in the industry with cloud solutions, with 2,000 clients and some 400 employees. In 2019, the company was acquired for \$ 1.2bn by Bridgepoint, a private equity fund based in UK.
- **Wallstreet** offers solutions to improve workflow, control and productivity to company treasury, banking, FX trading and back-office operations.
- **Bellin** operates in several areas, including 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, it represents just 10% of the 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 that 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 about € 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.

The alternatives 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 performing and flexible** than the Piteco tool. Additionally, spreadsheets, still extensively used amongst small firms, are time consuming and entailing a high risk of misplacing data.



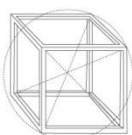
Group strategy

Piteco went public with the aim to **boost its growth profile**. The IPO proceeds amounting to € 11.5m were 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 firms 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 spread 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, 2) Myrios, 3) EveryMake and 5) RAD Software.
- **Foreign markets expansion** - Piteco is already present in Europe, Asia and America through foreign subsidiaries of multinational customers. **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's 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 serving 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 60s/70s 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 margin expansion

WEAKNESSES

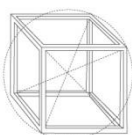
- ❑ More than 80% of revenues come from the **domestic market**, heavy dependence on one single country
- ❑ Limited **size** in the international competitive arena

OPPORTUNITIES

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

THREATS

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



FY-20 results

Piteco reported flattish results in terms of top line and profitability, lower than our projections. The TMS unit showed strong resiliency in this difficult scenario. Myrios and Juniper were affected by the pandemic and suffered YoY. EBITDA margin remained stably parked above 40%.

Table 3 – Piteco, FY-20 result summary

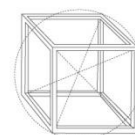
€ m	2020	2019	% YoY	2020e	% Diff.
Turnover	24.7	24.0	2.8	26.6	(7.1)
Piteco (TMS)	16.6	15.9	4.5	17.5	(5.4)
Juniper (Banking)	4.4	4.6	(4.6)	4.6	(4.6)
Myrios (Risk Management)	3.0	3.6	(15.4)	3.6	(15.4)
RAD (NPLs)	0.7	-	-	0.9	(19.8)
Raw material	(0.4)	(0.1)		(0.2)	
Services & other costs	(4.1)	(4.3)		(4.7)	
Personnel	(10.3)	(9.4)		(10.3)	
EBITDA	9.9	10.2	(3.0)	11.5	(13.5)
% margin	40.2	42.6		43.1	
Piteco (TMS)	6.9	6.6	4.4	7.3	(6.1)
% margin	41.5	41.6		41.9	
Juniper (Banking)	1.3	1.6	(17.0)	1.6	(18.2)
% margin	30.2	34.7		35.2	
Myrios (Risk Management)	1.4	2.1	(31.2)	2.0	(29.6)
% margin	46.4	57.1		55.8	
RAD (NPLs)	0.3	-	-	0.5	(39.7)
% margin	43.0	-		57.2	
D&A	(3.6)	(3.0)		(3.1)	
EBIT	6.3	7.3	(13.0)	8.4	(24.7)
% margin	25.5	30.2		31.5	
Financials income/(charges)	1.9	(3.1)		(1.3)	
Extraordinary	(1.0)	(0.4)		0.0	
Pre-Tax Profit	7.3	3.7	97.2	7.1	2.2
Income taxes	(0.2)	(0.7)		(0.9)	
Tax rate	2.2	18.0		13.0	
Net Profit	7.1	3.0	135.3	6.2	14.9
% margin	42.8	19.0		35.2	
NFP incl. PUT	65.0	27.5	136.6	64.2	1.2

Source: company data

FY-20 turnover grew 2.8% to € 24.7m as a result of 1) +4.5% YoY recorded by the parent company Piteco SpA (Treasury Management Software) also thanks to the increase in **recurring revenues, reaching 64% of total** (60% in 2019); 2) € 0.7m stemming from the RAD contribution. This trend was only partially counterbalanced by 1) the 4.6% decline of Juniper due to the lack of new clients, since almost 100% of sales are represented by recurring fees and 2) the 15.4% drop of Myrios, due to the less resilient business profile of its clients. **Organically revenues were flat.**

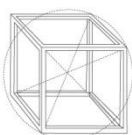
EBITDA is basically unchanged at € 9.9m, down 3.0% YoY, lower than our € 11.5m forecast. **EBITDA margin remained above 40%**. Piteco TMS grew by 4.4% to € 6.9m, Juniper declined by 17.0% and Myrios dropped by 31.2%. The recently acquired RAD contributed for € 300k. Organically, EBITDA declined by 6.0%. **The flatness of profitability is entirely due to the lack of top line growth.**

Pre-tax profit totalled € 7.3m, up 97% compared to € 3.7m in 2019: the increase is attributable for approximately € 3m to financial income deriving from the fair value valuation under IFRS of the PUT options on minority stakes in subsidiaries. **Bottom line soared to € 7.1m**, vs. € 3.0m in 2019, better than our € 6.2m projection and was sustained by higher pre-tax profit and a lighter tax rate. **Operating Cash Flow was € 10.9m**, corresponding to **46% and 110% sales and EBITDA** cash conversion.



Net Financial Position reached € 65.0m, compared to € 27.5m as at 31 December 2019, in line with our forecast. This increase is due to the two M&A operations carried out in 2020: 1) the purchase of Everymake and 2) the acquisition of the 70% majority stake of Rad Informatica Srl, paid for respectively € 0.5m and € 34.8m. In addition, the company distributed a € 2.7m dividend in 2020. As for the put options related to the purchase of the minority stakes in Myrios and RAD (respectively € 9m and € 15.6m), it is worth remembering that at least € 4.5m (some 50% of the Myrios put option) will be settled through an exchange with Piteco shares. **Excluding the aforementioned options, NFP totalled € 40.3m**

The BoD will propose to the next AGM scheduled for April 29, 2021 a **€ 0.15/s ordinary dividend**, corresponding to a € 2.8m outlay, a 74% pay-out ratio and a 1.5% dividend yield at current prices: ex-dividend date is set on May 10, 2021, the record date on May 11, 2021 and the payment date on May 12, 2021.



Recent developments: RAD acquisition

RAD, established twenty years ago thanks to the expertise and experience that the founding members had gained in the fields of credit management and software development, today boasts important know-how in the process of debt collection at legal and extrajudicial levels. **The company holds 70% of the market** and employs a team of over 50 analysts and developers with consolidated knowledge in the fields of credit recovery and both banking and insurance litigation. In greater details, **RAD has developed a knowledge management tool that connects all those interested in the operational management of NPL and litigation**, allowing information sharing of, file work progress and all procedural aspects and cooperation in real time. The company is well managed, offers hefty returns, generates huge visible cash flows and is fast growing.

Piteco bought the asset transferred by RAD Holding to RAD, a newly established vehicle. In 2019, RAD generated **revenues to the tune of € 10.3m, EBITDA of € 5.9m, 57.3% margin and NFP was zero.**

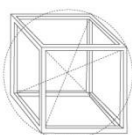
The market is growing. According to Banca IFIS' s projections, in the hypothesis of a timid macroeconomic recovery in 2021, the default rate, i.e. the performing loans that switch to non-performing, should be 2.8% compared to 1.3% of 2019. The total stock, adding together bad loans (NPL) and unlikely to pay loans (UTP) still present in the bank balance sheet and those already sold, is estimated to reach € 338bn in 2020 (+5% YoY), while in 2021 impaired exposures could rise to € 385bn and undergo a further increase in 2022.

Piteco paid € 35m for a 70% stake which corresponded to 8.5x EBITDA₁₉ and 4.9x Sales₁₉. The price was paid in two instalments: € 4m for an 8% stake at the time of the deal announcement (15-Oct) and € 31m for the remainder at the end of Nov-20. The deal envisages a put/call option mechanism by RAD Holding' s shareholders for the remaining 30% stake to be exercised in various time windows following the approval of RAD's financial statements for the years 2023, 2024 and 2025.

Piteco financed this move via 1) new **6Y 2.5% bank facilities for a total consideration of € 27m**, and 2) a **capital increase of € 8m reserved for directors and shareholders Marco Podini and Maria Luisa Podini.**

We liked the announced move very much. The acquisition makes a lot of sense and represents an important opportunity for the group to increase and develop its business from a strategic, industrial and managerial perspective. The acquisition is aimed at consolidating the role of Piteco as a domestic and international leader in the financial software sector, with a distinctive competitive positioning in the sector and significant prospects for growth and value creation. Piteco' s external growth strategy is still in place, envisaging the aggregation with leading software producers.

Now, the selling proposition of Piteco comprises 1) Treasury Management Software with Piteco, the group' s historical core business (47% of consolidated revenues for 2021e), 2) **Payment Service Software**, dedicated to banks via Juniper Payments (12% of consolidated revenues for 2021e), 3) **Risk Management software** solutions with Myrios (10% of consolidated revenues for 2021e) and **NPL software services** with RAD (31% of consolidated revenues for 2021e).



Estimates, valuation and risks

Piteco reported flattish 2020 results in terms of top line and profitability, lower than our projections and consensus. Piteco TMS showed strong resiliency in this difficult scenario. Myrios and Juniper were affected by the pandemic and suffered YoY. The first months of 2021, although characterized by the persistence of the Covid-19 pandemic, confirmed the soundness of the investments and strategies implemented:

- **Piteco** parent co. (Treasury Management Software) has launched the new version of the Piteco Evo 5.0 product on the market together with IDM, the new suite for data matching, and pushed its commercial staff towards the sale of its cloud solutions.
- **Myrios** has continued to develop its solutions, also taking advantage of the opportunities for integration with Piteco's products in order to penetrate the market of Italian industrial corporations, and a new solution is being launched primarily on the Swiss market through the subsidiary Myrios Switzerland: trade finance risk management.
- **RAD**, the recently acquired company, is working to grasp synergies arising from the integration in the group as of 2021.
- **Juniper Payments** continues in its market scouting activities and in the development of new instant payment solutions specifically aimed at the US market.

We have fine-tuned our estimates, factoring in a slowdown in growth compared to our previous projections for 2021. Then, **in 2022, we expect business to return to normal**. We have also introduced estimates for 2023. The result is a downgrade of 5%, 6% and 2% in top line, EBITDA and Net Profit respectively, on average, in 21-22.

Table 4 – Piteco, 2021e new/old estimates

€ m	New	Old	% Diff.	€ m Diff.
Net Sales	37.3	39.0	(4.3)	(1.7)
EBITDA	17.7	18.6	(5.2)	(1.0)
% margin	47.4	47.9		
EBIT	11.3	12.8	(11.8)	(1.5)
% margin	30.3	32.9		
Net Profit	9.4	9.5	(0.8)	(0.1)
% margin	25.2	24.3		
Y/E net debt (net cash)	47.8	49.6	(3.7)	(1.8)

Source: CFO Sim

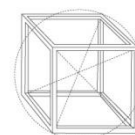
Table 5 – Piteco, 2022e new/old estimates

€ m	New	Old	% Diff.	€ m Diff.
Net Sales	40.1	42.2	(5.0)	(2.1)
EBITDA	19.4	20.7	(5.9)	(1.2)
% margin	48.5	49.0		
EBIT	13.1	14.8	(11.6)	(1.7)
% margin	32.8	35.2		
Net Profit	11.1	11.5	(3.5)	(0.4)
% margin	27.8	27.3		
Y/E net debt (net cash)	36.3	11.4	218.9	24.9

Source: CFO Sim

We have updated our DCF valuation criteria, brought the Free Risk Rate up-to-date and postponed our first valuation projection by one year. The combined result is a **PT unchanged at € 11.30/s**, 9.7% upside to current prices. **The limited upside to PT leads us to downgrade our rating to Neutral** (Buy).

After the stock's recent grueling rise following the valuation boost brought in by the RAD acquisition, the price of the stock could enter in a meditative phase, awaiting confirmation of the expected recovery in growth at the time of the next earnings release.



DCF

In the valuation via the DCF method explicit estimates until 2025 and long-term growth of 1.5% were used. Cash flows were discounted back at a weighted average cost of capital calculated according to the following parameters:

Table 6 - WACC derived from:

Interest costs, pre-tax	2.5%
Tax rate	10.0%
Int. costs, after taxes	2.3%
Risk premium, incl. small size premium	7.0%
Risk-free (10Y Gov. Bond 200 days simple moving average)	0.86%
Beta levered (x)	1.00
Required ROE	7.9%

Source: CFO Sim

Table 7 - Piteco, DCF model

€ m	2021e	2022e	2023e	2024e	2025e Term. Val.
EBIT	11.3	13.1	13.8	14.5	15.2
Tax rate	10.0%	10.0%	10.0%	10.0%	10.0%
Operating profit (NOPAT)	10.18	11.81	12.41	13.03	13.71
Change working capital	(3.3)	(0.6)	(0.6)	(0.1)	(0.0)
Depreciation	6.4	6.3	7.5	3.0	1.4
Investments	(1.4)	(1.4)	(1.4)	(1.4)	(1.4)
Free Cash Flows	11.9	16.2	17.9	14.6	13.7
Present value	11.3	14.5	15.1	11.6	10.3
WACC	6.2%	6.2%	6.2%	6.2%	6.2%
Long-term growth rate	1.5%				

Source: CFO Sim

Table 8 – Piteco, DCF per share derived from:

Total EV present value € m	286.4
<i>thereof terminal value</i>	78.0%
NFP last reported	(65.0)
Pension provision last reported	(2.4)
Equity value € m	219.0
Shares # m (ex. Treasury shares)	19.44
Discounted CF €/s	11.30
<i>Upside/(downside)</i>	9.7%

Source: CFO Sim

The application of the model produces an equity value of € 219.0m, which corresponds to **€ 11.30/s, with a potential upside of 9.7%**.

The following tables illustrate that sensitivity 1) compared to changes in the terminal growth rate produces an equity value per share of between € 9.15 and € 14.54 (perpetuity range of between 0.50% and 2.50%), while 2), if compared to changes in the free-risk rate, it produces an equity value/s of € 9.74 - 13.21 (free-risk range of between 1.66% and 0.06%) and 3), if compared to changes in the risk premium, including small size premium, it results in an equity value/s of € 7.97 - 17.37 (risk premium range of between 9.0% and 5.0%).

Table 9 – 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	62.9	62.9	62.9	62.9	62.9	62.9	62.9	62.9	62.9
PV of terminal value	182.3	191.2	200.9	211.6	223.5	236.7	251.5	268.1	287.1
Total value	245.2	254.1	263.8	274.5	286.4	299.6	314.4	331.0	350.0
NFP last reported	(65.0)	(65.0)	(65.0)	(65.0)	(65.0)	(65.0)	(65.0)	(65.0)	(65.0)
Pension last reported	(2.4)	(2.4)	(2.4)	(2.4)	(2.4)	(2.4)	(2.4)	(2.4)	(2.4)
Equity value	177.9	186.7	196.5	207.2	219.0	232.2	247.0	263.7	282.6
Equity value €/s	9.15	9.60	10.10	10.66	11.30	11.94	12.70	13.56	14.54

Source: CFO Sim

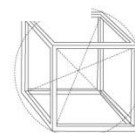


Table 10 – Piteco, equity value sensitivity to changes in free risk rate

€ m	0.06%	0.26%	0.46%	0.66%	0.86%	1.06%	1.26%	1.46%	1.66%
Present value of CF	63.8	63.6	63.4	63.1	62.9	62.7	62.5	62.2	62.0
PV of terminal value	260.4	250.2	240.7	231.8	223.5	215.6	208.2	201.2	194.6
Total value	324.2	313.8	304.1	295.0	286.4	278.3	270.7	263.5	256.7
NFP last reported	(65.0)	(65.0)	(65.0)	(65.0)	(65.0)	(65.0)	(65.0)	(65.0)	(65.0)
Pension last reported	(2.4)	(2.4)	(2.4)	(2.4)	(2.4)	(2.4)	(2.4)	(2.4)	(2.4)
Equity value	256.8	246.4	236.7	227.6	219.0	211.0	203.3	196.1	189.3
Equity value €/s	13.21	12.67	12.18	11.71	11.30	10.85	10.46	10.09	9.74

Source: CFO Sim

Table 11– 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	65.2	64.6	64.0	63.5	62.9	62.4	61.8	61.3	60.7
PV of terminal value	339.8	302.2	271.2	245.4	223.5	204.7	188.4	174.1	161.6
Total value	405.0	366.8	335.3	308.9	286.4	267.0	250.2	235.4	222.3
NFP last reported	(65.0)	(65.0)	(65.0)	(65.0)	(65.0)	(65.0)	(65.0)	(65.0)	(65.0)
Pension last reported	(2.4)	(2.4)	(2.4)	(2.4)	(2.4)	(2.4)	(2.4)	(2.4)	(2.4)
Equity value	337.6	299.4	267.9	241.5	219.0	199.7	182.9	168.1	155.0
Equity value €/s	17.37	15.40	13.78	12.42	11.30	10.27	9.40	8.64	7.97

Source: CFO Sim

Market multiples

In the sample we have included 11 peer groups, operating in the global software and digital technology arena. Our sample comprises larger global players and smaller local actors. Sizes differ significantly amongst the panel, in particular between smaller and global firms, and so does profitability. Piteco offers one of the highest **EBITDA margins**, lower only than those of Oracle and Microsoft, which however provide a different service. In addition, Piteco offers **higher earnings growth** compared to the peer groups. On the other hand, Piteco is amongst the **smallest** firms in terms of market value and **liquidity** (free float 25.9%, i.e. € 53.6m).

Table 12 - Piteco, peers group summary table

€ m	Country	Mkt Cap	Sales FY1	EBITDA FY1	EBITDA margin	Sales CAGR ₂₀₋₂₃	EBITDA CAGR ₂₀₋₂₃	EBIT CAGR ₂₀₋₂₃	EPS CAGR ₂₁₋₂₃	NFP /EBITDA
Intuit Inc	USA	87,421	7,364	2,646	35.9%	13.4%	20.0%	21.2%	16.9%	(0.7)
Microsoft Corp	USA	1,512,015	137,652	65,095	47.3%	10.5%	13.3%	14.0%	11.7%	(1.1)
Oracle Corp	USA	171,725	33,773	17,117	50.7%	0.5%	5.8%	8.4%	3.4%	1.4
Salesforce.Com Inc	USA	163,251	21,796	6,351	29.1%	20.4%	50.1%	152.6%	25.0%	(0.8)
SAP SE	Germany	126,045	27,174	8,942	32.9%	3.4%	4.0%	5.8%	6.9%	0.7
Median large player		163,251	27,174	8,942	35.9%	10.5%	13.3%	14.0%	11.7%	(0.7)
Datalogic SpA	Italy	1,030	560	75	13.4%	2.3%	1.3%	1.1%	23.7%	0.3
Digital Bros SpA	Italy	330	146	37	25.5%	5.2%	n.a.	6.1%	6.3%	(0.6)
Expert System SpA	Italy	151	31	2	5.0%	13.5%	-144.2%	203.6%	124.5%	12.8
Exprivia SpA	Italy	43	169	19	11.2%	-33.0%	-19.9%	-10.0%	n.m.	2.3
Reply SpA	Italy	4,015	1,442	234	16.2%	11.0%	10.5%	11.6%	12.0%	(1.3)
TXT e solutions SpA	Italy	100	85	11	12.4%	12.9%	6.6%	15.1%	13.1%	(0.2)
Median small player		240	157	28	12.9%	8.1%	1.3%	8.9%	13.1%	0.0
Piteco SpA		207	37	18	47.4%	20.4%	28.9%	29.7%	11.9%	2.7

Source: Thomson Reuters Eikon, CFO Sim

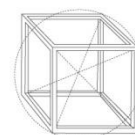


Table 13 - Piteco, peers group multiples table

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	46.5	39.2	41.9	35.7	11.6	9.9	32.4	27.1	35.1	29.2
Microsoft Corp	32.0	29.6	26.5	24.0	10.5	9.3	22.2	19.5	26.1	23.2
Oracle Corp	15.2	14.8	13.5	13.1	5.8	5.8	11.5	11.4	12.5	12.5
Salesforce.Com Inc	57.4	45.5	30.3	25.2	7.2	6.0	24.9	20.3	41.5	32.6
SAP SE	22.8	21.8	17.9	17.4	4.9	4.6	14.8	14.2	17.9	16.8
Median large player	32.0	29.6	26.5	24.0	7.2	6.0	22.2	19.5	26.1	23.2
Datalogic SpA	30.3	22.4	16.8	13.5	n.a.	1.7	n.a.	11.2	n.a.	16.8
Digital Bros SpA	18.6	16.3	10.5	8.3	2.1	1.9	8.3	6.2	13.1	10.5
Expert System SpA	n.m.	n.m.	n.m.	n.m.	5.5	5.0	n.m.	n.m.	n.m.	n.m.
Exprivia SpA	n.m.	6.1	2.3	3.6	0.5	0.5	4.6	4.1	(7.9)	5.5
Reply SpA	30.8	27.2	22.7	20.7	2.6	2.3	15.9	13.9	19.8	17.0
TXT e solutions SpA	18.3	15.7	11.6	9.5	1.1	1.4	9.2	10.4	13.2	16.1
Median small player	24.5	16.3	11.6	9.5	2.1	1.8	8.7	10.4	13.1	16.1
Piteco SpA	22.0	18.6	13.1	11.9	6.8	6.0	14.4	12.4	22.6	18.3
(Disc.)/prem. to large players	-31.2%	-37.0%	-50.4%	-50.6%	-5.6%	0.1%	-34.9%	-36.5%	-13.5%	-21.0%
(Disc.)/prem. to small players	-10.0%	14.3%	13.8%	25.7%	223.6%	231.9%	65.0%	19.0%	72.0%	13.6%

Source: Thomson Reuters Eikon, CFO Sim

Piteco **trades at a discount** vs. larger players' median considering every metric in 2021, 2022 and 2023.

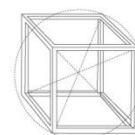
Stock performance

Piteco was listed on the Milan AIM (Alternative Investment Market) on 31-Jul-15 at € 3.30/share, corresponding to a post-money market capitalization of € 58.9m. Since Sep-18, shares and convertible bonds have been traded on the main market of Borsa Italiana. Piteco now trades **well above the IPO price**, after reaching a 1Y maximum price of € 12.10/s on 15-Feb-21 and a minimum price of € 5.10 on 26-Mar-20.

Table 14 - Piteco, peers group absolute performance

	1D	1W	1M	3M	6M	YTD	1Y
Intuit Inc.	1.1	(1.2)	(3.5)	(1.2)	18.2	(0.9)	51.6
Microsoft Corporation	1.8	2.7	1.8	6.2	13.8	6.3	51.5
Oracle Corporation	2.4	6.0	8.9	8.1	17.5	8.6	39.2
salesforce.com, inc.	1.8	(1.5)	(3.4)	(7.4)	(13.9)	(6.0)	35.1
SAP SE	0.4	(0.7)	0.8	(0.8)	(20.8)	(4.0)	(1.0)
Median large players	1.8	(0.7)	0.8	(0.8)	13.8	(0.9)	39.2
Datalogic S.p.A.	0.6	(4.3)	5.6	23.1	49.0	26.2	57.1
Digital Bros S.p.A.	4.0	10.2	18.6	7.2	5.5	7.4	148.1
Expert System SpA	0.8	(0.2)	(9.6)	20.6	29.0	15.1	31.0
Exprivia S.p.A.	(0.2)	(3.5)	1.2	4.5	30.9	3.7	22.1
Reply S.p.A.	0.9	2.2	12.0	13.9	11.2	12.9	96.0
TXT e-solutions S.p.A.	1.7	13.9	10.0	4.5	4.1	(2.3)	24.2
Median small players	0.9	1.0	7.8	10.5	20.1	10.2	44.0
PITECO SpA	1.0	2.5	(5.9)	8.4	37.3	9.3	102.0
Piteco relative to large players	(0.8)	3.2	(6.7)	9.3	23.5	10.2	62.8
small players	0.1	1.5	(13.7)	(2.1)	17.3	(0.8)	57.9
FTSE Italia All Shares	0.3	2.9	(6.7)	2.7	12.4	9.3	26.3
EU sector	0.3	1.6	(12.8)	(1.8)	7.9	(0.4)	61.0

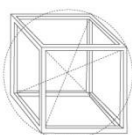
Source: Thomson Reuters Eikon



Risks

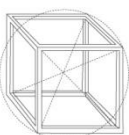
The principal investment **risks** associated with Piteco include:

- impact on P&L account and balance sheet profiles triggered by a sharp 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,
- Departure of one or a few of the key people,
- Impact of EUR/USD exchange rate fluctuations.

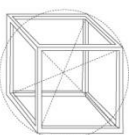




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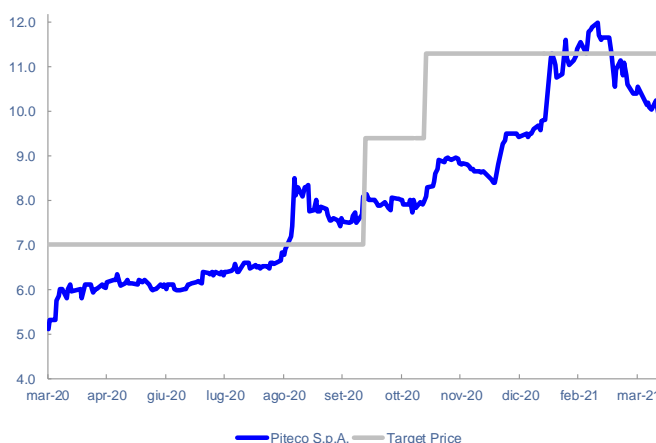
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DATE	TARGET PRICE	RATING
29/03/2021	€11.30	NEUTRAL
04/11/2020	€11.30	BUY
29/09/2020	€9.40	BUY
24/03/2020	€7.00	BUY
26/03/2021	€11.20	BUY

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- 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.

