

Italy - Software

TMS business and RAD consolidation drove results

1<sup>st</sup> October 2021

H1-21 RESULTS RELEASE

RIC: PITE.MI  
BBG: PITE IM

Piteco reported a good set of interim results, consolidating the growing trend of the treasury management business and confirming the remarkable share of recurring revenues. Margin improvement was achieved thanks to the operating leverage and the consolidation of the highly profitable RAD.

Rating:

**Neutral**

Price Target:

**€ 12.00 (€ 11.30)**

Upside/(Downside): 4.3%

Last Price: € 11.50

Market Cap.: € 232.4m

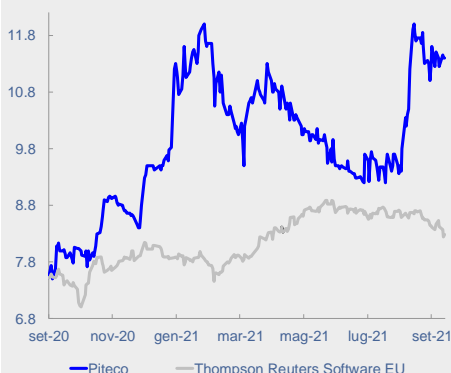
1Y High/Low: € 12.20 / € 7.64

Avg. Daily Turn. (3M, 6M): € 132k, € 110k

Free Float: 25.9%

Major shareholders:

Podini Family 63.8%  
Management 6.6%



**Stock price performance**

	1M	3M	12M
<b>Absolute</b>	-1.7%	22.3%	43.0%
<b>Rel.to FTSE Italia</b>	3.2%	23.6%	13.4%
<b>Rel.to EU Sector</b>	-2.4%	1.6%	35.2%

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**Estimates broadly unchanged, PT up to € 12.00**

Interim results were characterised by the massive impact stemming from the consolidation of RAD and the confirmation of Piteco's TMS business as the leading domestic solution for treasury management. Following H1-21 results we have fine-tuned our estimates, leaving top line progression and profitability assumptions unchanged and factoring in 1) the 2021 € 7.6m one-off tax savings on the back of the tax realignment of Piteco's parent company's goodwill value, and 2) its effect on the balance sheet. We have updated our DCF valuation criteria and brought the Free Risk Rate up to date. The combined result is a new PT at € 12.00/s (€ 11.30/s), broadly in line with current prices. Neutral.

**TMS unit drove top line progression together with the consolidation of RAD**

H1-21 revenues grew by 52% YoY to € 18.2m, mainly driven by the consolidation of RAD, which contributed € 5.9m. Organically, sales increased by 5.5%. As of Jun-21, recurring revenues increased by 23% YoY accounting for 54% of total revenues. Piteco's sales (treasury management) grew by 8.1% YoY to € 8.9m, also thanks to the launch of a new solution called Piteco Evo 5.0, and a new suite dedicated to Intelligence Data Matching, called IDM. Juniper Payments (banking) reported revenues of € 1.9m, down from € 2.3m in H1-20 as no new clients were acquired in H1-21 mainly because of a general slowdown in projects caused by the pandemic. Myrios's revenues (risk management) totalled € 1.5m, up 2.9% YoY, still impacted by the aforementioned project slowdown.

**EBITDA sustained by RAD, margin grown to 41.1%**

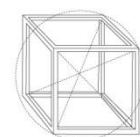
EBITDA increased by 54% to € 7.5m, 41.1% margin (vs. € 4.8m, 40.5% margin in H1-20), thanks to operating costs grown less than proportionally to the top line and as a result of the consolidation of RAD which boasts an EBITDA margin close to 50%. Piteco's TMS unit grew by 1.7% to € 3.6m, Juniper declined by 24.1% and Myrios dropped by 10.0%. The recently acquired RAD contributed € 2.8m. Organically, EBITDA remained basically unchanged at € 4.7m. Net profit was € 10.2m, from € 2.3m in the same period of last year, as a result of the tax realignment of Piteco's parent company's goodwill value, which generated tax savings of € 7.6m, recorded in 2021.

**Significant operating cash flow, 84% of EBITDA**

Operating cash flow totalled € 6.2m, 84% of EBITDA. After 1) the distribution of dividends for € 3.7m and 2) the payments of an additional 10% stake in RAD for € 5.2m, Net financial Position was negative by € 40.7m and compares with € 40.3m at Dec-20. Including the put options for the acquisitions of the minority stakes in Juniper Payments, Myrios and RAD, NFP reached € 64.7m, o/w at least 50% of the value of Myrios put option, to be paid via Piteco shares.

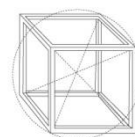
**Piteco, key financials and ratios**

€ 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	16.3	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	1.3%	1.3%	1.3%	1.7%	1.7%
NFP (cash)/debt	27.5	65.0	55.8	42.3	27.9
Free Cash Flow Yield	3.1%	8.0%	5.1%	7.1%	7.9%
PER x	16.5	21.3	24.7	20.9	19.7
PCF x	12.3	5.4	17.6	13.0	11.8
EV/Sales x	5.0	7.9	7.7	6.9	6.0
EV/EBITDA x	11.9	19.7	16.3	14.1	12.2
EV/EBIT x	16.7	31.0	25.5	20.9	18.9





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)	5.9	(1.2)	(1.3)
Net Profit	3.0	7.1	16.3	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	8.3	9.0	9.6
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)	(14.8)	(15.9)	(17.1)
Net Invested Capital	58.9	109.0	113.1	107.7	101.0
Net Financial Debt	27.5	65.0	55.8	42.3	27.9
Minorities	0.0	0.0	0.0	0.0	0.0
Group's Shareholders Equity	31.4	44.0	57.3	65.4	73.1
Financial Liabilities & Equity	58.9	109.0	113.1	107.7	101.0
Cash Flow statement (€ m)	2019	2020	2021e	2022e	2023e
Total net income	3.0	7.1	16.3	11.1	11.8
Depreciation	3.0	3.6	6.4	6.3	7.5
Other non-cash charges	2.7	12.5	(5.7)	1.0	1.1
Cash Flow from Oper. (CFO)	8.7	23.2	16.9	18.5	20.4
Change in NWC	(1.4)	0.9	(3.7)	(0.6)	(0.7)
FCF from Operations (FCFO)	7.3	24.1	13.2	17.8	19.7
Net Investments (CFI)	(0.1)	(67.2)	(1.4)	(1.4)	(1.4)
Free CF to the Firm (FCFF)	7.1	(43.0)	11.8	16.5	18.3
CF from financials (CFF)	(9.7)	51.1	(10.7)	(9.9)	(10.3)
Free Cash Flow to Equity (FCFE)	(2.5)	8.0	1.1	6.5	8.1
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%	43.7%	27.8%	27.4%
Tax rate	10.4%	3.7%	-56.0%	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	3.2	2.2	1.3
Debt-to-Equity x	0.9	1.5	1.0	0.6	0.4
ROIC	5.2%	8.5%	14.7%	10.1%	11.3%
ROCE	10.7%	4.7%	8.1%	9.2%	9.5%
ROACE	10.7%	6.2%	8.2%	9.3%	9.6%
ROE	9.6%	18.8%	32.2%	18.1%	17.0%
Payout ratio	95.6%	42.7%	18.6%	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	0.81	0.55	0.58
EPS adjusted €	0.16	0.36	0.81	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	0.65	0.88	0.98
FCFF €	0.38	(2.18)	0.59	0.82	0.91
FCFE €	(0.14)	0.41	0.06	0.32	0.40
Dividend €	0.15	0.15	0.15	0.20	0.20



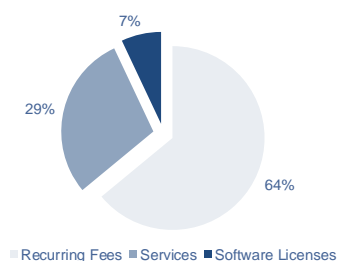


## The company at a glance

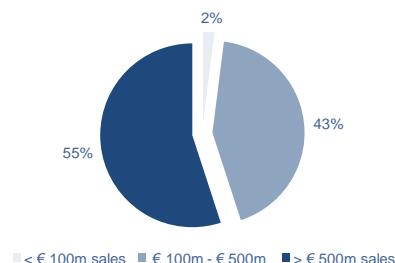
Piteco, more than 4x the size of its closest competitors, is the undisputed domestic leader in corporate treasury management and financial planning software. The company designs, develops and implements proprietary software and solutions for corporate cash and risk management. It focuses on large/mid 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%) and 3) RAD is the leading domestic software house for the management of the credit recovery process, managing approximately 2/3 of the aggregate amount of Italian NPLs.

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
<b>Podini Family</b>	<b>63.8%</b>	<b>12.9</b>
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
<b>Management</b>	<b>6.6%</b>	<b>1.3</b>
Andrea Guido Guillermez	2.2%	0.4
Riccardo Veneziani	2.2%	0.4
Paolo Virenti	2.2%	0.4
<b>Free Float</b>	<b>25.9%</b>	<b>5.2</b>
<b>Treasury shares</b>	<b>3.7%</b>	<b>0.7</b>
<b>Total</b>	<b>100.0%</b>	<b>20.2</b>

Source: Company data

## Peer group absolute performance

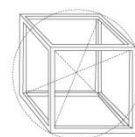
	1D	1W	1M	3M	6M	YTD
Intuit Inc	(1.4)	(6.6)	(3.6)	9.9	36.5	42.0
Microsoft Corp	(0.7)	(5.9)	(6.4)	3.8	16.3	26.8
Oracle Corp	(4.5)	(2.6)	(3.0)	9.5	21.3	34.7
Salesforce.com Inc	0.3	(2.4)	2.7	10.7	24.0	21.9
SAP SE	(0.8)	(4.9)	(7.1)	(1.3)	9.5	9.0
<b>Median large players</b>	<b>(0.8)</b>	<b>(4.9)</b>	<b>(3.6)</b>	<b>9.5</b>	<b>21.3</b>	<b>26.8</b>
Datalogic SpA	(0.7)	(6.7)	(13.9)	(12.3)	0.0	24.9
Digital Bros SpA	7.4	11.2	19.3	33.7	29.5	53.5
Expert System SpA	(1.7)	(14.7)	(17.3)	(19.3)	(20.9)	(8.5)
Exprivia SpA	(0.8)	(9.2)	(15.8)	35.9	122.2	129.4
Reply SpA	1.3	(12.5)	(8.5)	11.8	42.3	67.3
TXT e solutions SpA	0.3	0.6	(5.9)	11.8	14.9	10.7
<b>Median small players</b>	<b>(0.2)</b>	<b>(7.9)</b>	<b>(11.2)</b>	<b>11.8</b>	<b>22.2</b>	<b>39.2</b>
<b>Piteco SpA</b>	<b>0.9</b>	<b>0.9</b>	<b>(1.7)</b>	<b>22.3</b>	<b>8.5</b>	<b>22.1</b>

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	47.7	41.8	44.5	38.0	13.1	11.2	33.6	28.8	35.4	31.0
Microsoft Corp	32.0	28.1	26.4	23.2	10.5	9.2	21.8	18.9	25.7	22.2
Oracle Corp	18.4	17.6	15.7	14.6	6.7	6.5	13.4	13.0	15.0	14.9
Salesforce.Com Inc	62.5	56.5	37.0	33.5	10.1	8.2	34.1	27.5	54.6	41.6
SAP SE	21.0	24.1	17.7	20.5	5.5	5.2	16.6	16.2	19.4	18.3
<b>Median large player</b>	<b>32.0</b>	<b>28.1</b>	<b>26.4</b>	<b>23.2</b>	<b>10.1</b>	<b>8.2</b>	<b>21.8</b>	<b>18.9</b>	<b>25.7</b>	<b>22.2</b>
Datalogic SpA	25.5	20.5	14.6	12.4	n.a.	1.6	n.a.	10.5	n.a.	15.8
Digital Bros SpA	21.6	19.0	10.9	8.4	2.9	2.6	8.9	6.5	15.7	13.1
Expert System SpA	n.m.	n.m.	n.m.	n.m.	4.3	2.7	n.m.	n.m.	n.m.	n.m.
Exprivia SpA	10.6	7.3	6.0	4.8	0.8	0.7	5.6	4.4	8.0	5.9
Reply SpA	41.7	37.0	31.4	28.5	3.9	3.4	23.2	20.6	28.6	25.0
TXT e solutions SpA	19.2	15.1	11.4	10.1	1.2	1.2	8.8	9.0	13.3	12.2
<b>Median small player</b>	<b>21.6</b>	<b>19.0</b>	<b>11.4</b>	<b>10.1</b>	<b>2.9</b>	<b>2.1</b>	<b>8.8</b>	<b>9.0</b>	<b>14.5</b>	<b>13.1</b>
<b>Piteco SpA</b>	<b>24.7</b>	<b>20.9</b>	<b>14.7</b>	<b>13.3</b>	<b>7.7</b>	<b>6.9</b>	<b>16.3</b>	<b>14.1</b>	<b>25.5</b>	<b>20.9</b>

Sources: CFO Sim, Thomson Reuters Eikon



## H1-21 results

Piteco reported a good set of interim results, consolidating the growing trend of the treasury management business and confirming the relevant share of recurring revenues. Margin improvement was achieved thanks to the operating leverage and the consolidation of the highly profitable RAD.

**Table 1 – Piteco, H1-21 result summary**

€ m	H1-21	H1-20	% YoY
<b>Turnover</b>	<b>18.2</b>	<b>12.0</b>	<b>51.9</b>
Raw material	(0.5)	(0.1)	
Services & other costs	(3.2)	(2.0)	
Personnel	(7.0)	(5.0)	
<b>EBITDA</b>	<b>7.5</b>	<b>4.8</b>	<b>54.1</b>
% margin	41.1	40.5	
D&A	(2.8)	(1.7)	
<b>EBIT</b>	<b>4.7</b>	<b>3.1</b>	<b>50.5</b>
% margin	25.7	25.9	
Financials	(0.2)	(0.3)	
Extraordinary	(0.3)	0.0	
<b>Pretax</b>	<b>4.2</b>	<b>2.8</b>	<b>49.4</b>
Taxes	6.0	(0.5)	
Tax rate	n.m.	17.4	
Minorities	0.0	0.0	
<b>Net profit</b>	<b>10.2</b>	<b>2.3</b>	<b>341.7</b>
% margin	56.2	19.3	
NFP ex. PUT	40.7	11.5	n.m.
<b>NFP incl. PUT</b>	<b>64.7</b>	<b>24.4</b>	<b>164.9</b>

Source: company data

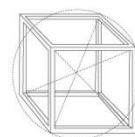
**H1-21 revenues grew by 52% YoY to € 18.2m, mainly driven by the consolidation of RAD**, which contributed for € 5.9m. Organically, sales increased by 5.5%. As of Jun-21, recurring revenues increased by 23% YoY accounting for 54% of total revenues.

Piteco's sales (treasury management) grew by 8.1% YoY to € 8.9m, also thanks to the launch of the new solution, Piteco Evo 5.0, and the new suite for Intelligence Data Matching, IDM, Juniper Payments (banking) reported revenues of € 1.9m, down from € 2.3m in H1-20 as no new clients were acquired in the first half of 2021 mainly because of a general slowdown in projects caused by the pandemic. Myrios's revenues (risk management) totalled € 1.5m, up 2.9% YoY, still impacted by the aforementioned project slowdown.

**Table 2 – Piteco, H1-21 revenues by business**

€ m	H1-21	H1-20	% YoY
<b>Turnover</b>	<b>18.2</b>	<b>12.0</b>	<b>51.9</b>
Piteco (treasury mngmt)	8.9	8.2	8.1
Juniper (banking)	1.9	2.3	(16.4)
RAD (NPL mngmt)	5.9	-	-
Myrios (risk mngmt)	1.5	1.5	2.9
<b>% on total</b>			
<b>Turnover</b>	<b>100.0</b>	<b>100.0</b>	
Piteco (treasury mngmt)	48.7	68.4	
Juniper (banking)	10.5	19.0	
RAD (NPL mngmt)	32.3	-	
Myrios (risk mngmt)	8.5	12.5	

Source: company data



**EBITDA increased by 54% to € 7.5m, 41.1% margin** (vs. € 4.8m, 40.5% margin in H1-20), thanks to operating costs grown less than proportionally to the top line and as a result of the consolidation of RAD which boasts an EBITDA margin close to 50%.

**Table 3 – Piteco, H1-21 EBITDA by business**

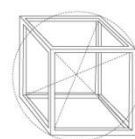
€ m	H1-21	H1-20	% YoY
<b>EBITDA</b>	<b>7.5</b>	<b>4.8</b>	<b>54.1</b>
Piteco (treasury mngmt)	3.6	3.5	1.7
Juniper (banking)	0.5	0.7	(24.1)
RAD (NPL mngmt)	2.8	0.0	-
Myrios (risk mngmt)	0.6	0.7	(9.9)
<b>% margin</b>			
<b>EBITDA</b>	<b>41.1</b>	<b>40.5</b>	
Piteco (treasury mngmt)	40.1	42.7	
Juniper (banking)	26.0	28.6	
RAD (NPL mngmt)	47.5	-	
Myrios (risk mngmt)	40.7	46.5	
<b>% on total</b>			
<b>EBITDA</b>	<b>100.0</b>	<b>100.0</b>	
Piteco (treasury mngmt)	47.6	72.2	
Juniper (banking)	6.6	13.4	
RAD (NPL mngmt)	37.4	-	
Myrios (risk mngmt)	8.4	14.4	

Source: company data

**Net profit was € 10.2m**, from € 2.3m in the same period of last year, as a result of the tax realignment of Piteco's parent company's goodwill value, which generated tax savings of € 7.6m, recorded in 2021 according to the IAS/IFRS accounting principles.

**Operating cash flow totalled € 6.2m**, 84% of EBITDA. After 1) the distribution of dividends for € 3.7m and 2) the payments of an additional 10% stake in RAD for € 5.2m, Net Financial Position was negative by € 40.7m and compares with € 40.3m at Dec-20.

Including the put options for the acquisitions of the minority stakes in Juniper Payments, Myrios and RAD, NFP reached € 64.7m, o/w at least 50% of the value of Myrios put option, to be paid via Piteco shares.



## Estimates, valuation and risks

Piteco reported a good set of interim results, consolidating the growing trend of the treasury management business, proving itself again to be a leading domestic player, and confirming the remarkable share of recurring revenues. Margin improvement was achieved thanks to the operating leverage and to a greater extent to the consolidation of the highly profitable RAD.

We have fine-tuned our estimates, leaving top line progression and profitability assumptions unchanged and factoring in 1) the 2021 € 7.6m one-off tax savings on the back of the tax realignment of Piteco's parent company's goodwill value of and 2) its effect on the balance sheet.

**Table 4 – Piteco, 2021e new/old estimates**

€ m	New	Old	% Diff.	€ m Diff.
<b>Net Sales</b>	<b>37.3</b>	<b>37.3</b>	0.0	<b>0.0</b>
<b>EBITDA</b>	<b>17.7</b>	<b>17.7</b>	0.0	<b>0.0</b>
% margin	47.4	47.4		
<b>EBIT</b>	<b>11.3</b>	<b>11.3</b>	0.0	<b>0.0</b>
% margin	30.3	30.3		
<b>Net Profit</b>	<b>16.3</b>	<b>9.4</b>	73.3	<b>6.9</b>
% margin	43.7	25.2		
<b>Y/E net debt (net cash)</b>	<b>55.8</b>	<b>47.8</b>	16.8	<b>8.0</b>

Source: CFO Sim

**Table 5 – Piteco, 2022e new/old estimates**

€ m	New	Old	% Diff.	€ m Diff.
<b>Net Sales</b>	<b>40.1</b>	<b>40.1</b>	0.0	<b>0.0</b>
<b>EBITDA</b>	<b>19.4</b>	<b>19.4</b>	0.0	<b>0.0</b>
% margin	48.5	48.5		
<b>EBIT</b>	<b>13.1</b>	<b>13.1</b>	0.0	<b>0.0</b>
% margin	32.8	32.8		
<b>Net Profit</b>	<b>11.1</b>	<b>11.1</b>	(0.0)	<b>(0.0)</b>
% margin	27.8	27.8		
<b>Y/E net debt (net cash)</b>	<b>42.3</b>	<b>33.1</b>	27.6	<b>9.1</b>

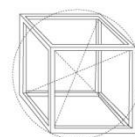
Source: CFO Sim

**Table 5 – Piteco, 2023e new/old estimates**

€ m	New	Old	% Diff.	€ m Diff.
<b>Net Sales</b>	<b>43.1</b>	<b>43.1</b>	0.0	<b>0.0</b>
<b>EBITDA</b>	<b>21.3</b>	<b>21.3</b>	0.0	<b>0.0</b>
% margin	49.3	49.3		
<b>EBIT</b>	<b>13.8</b>	<b>13.8</b>	0.0	<b>0.0</b>
% margin	32.0	32.0		
<b>Net Profit</b>	<b>11.8</b>	<b>11.8</b>	0.0	<b>0.0</b>
% margin	27.4	27.4		
<b>Y/E net debt (net cash)</b>	<b>27.9</b>	<b>17.5</b>	59.0	<b>10.4</b>

Source: CFO Sim

We have updated our DCF valuation criteria and brought the Free Risk Rate up to date. The combined result is a new **PT at € 12.00/s (€ 11.30/s)**, broadly in line with current prices. Neutral.



## DCF

In applying the DCF valuation 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%
<b>Int. costs, after taxes</b>	<b>2.3%</b>
Risk premium, incl. small size premium	7.0%
Risk-free (10Y Gov. Bond 200 days simple moving average)	0.71%
Beta levered (x)	1.00
<b>Required ROE</b>	<b>7.7%</b>

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%
<b>Operating profit (NOPAT)</b>	<b>10.18</b>	<b>11.81</b>	<b>12.41</b>	<b>13.03</b>	<b>13.71</b>
Change working capital	(3.7)	(0.6)	(0.7)	(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)
<b>Free Cash Flows</b>	<b>11.4</b>	<b>16.1</b>	<b>17.8</b>	<b>14.6</b>	<b>13.7</b>
Present value	11.3	15.0	15.6	12.0	10.7
WACC	6.1%	6.1%	6.1%	6.1%	6.1%
<b>Long-term growth rate</b>	<b>1.5%</b>				

Source: CFO Sim

**Table 8 – Piteco, DCF per share derived from:**

Total EV present value € m	301.4
<i>thereof terminal value</i>	78.6%
NFP last reported	(65.0)
Pension provision last reported	(2.4)
<b>Equity value € m</b>	<b>234.0</b>
Shares # m (ex. Treasury shares)	19.44
<b>Discounted CF €/s</b>	<b>12.00</b>
<i>Upside/(downside)</i>	4.3%

Source: CFO Sim

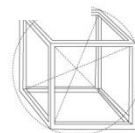
The application of the model produces an equity value of € 234.0m, which corresponds to **€ 12.00/s** (€ 11.30/s), **with a potential upside of 4.3%**.

The following tables illustrate that sensitivity 1) compared to changes in the terminal growth rate produces an equity value per share of between € 9.75 and € 15.60 (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 € 10.43 - 13.83 (free-risk range of between 1.51% and 0.00%) and 3), if compared to changes in the risk premium, including small size premiums, it results in an equity value/s of € 8.58 - 18.53 (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	64.6	64.6	64.6	64.6	64.6	64.6	64.6	64.6	64.6
PV of terminal value	192.4	201.9	212.4	224.0	236.8	251.1	267.2	285.4	306.1
<b>Total value</b>	<b>257.0</b>	<b>266.5</b>	<b>277.0</b>	<b>288.6</b>	<b>301.4</b>	<b>315.7</b>	<b>331.8</b>	<b>350.0</b>	<b>370.7</b>
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)
<b>Equity value</b>	<b>189.6</b>	<b>199.2</b>	<b>209.6</b>	<b>221.2</b>	<b>234.0</b>	<b>248.3</b>	<b>264.4</b>	<b>282.6</b>	<b>303.3</b>
<b>Equity value €/s</b>	<b>9.75</b>	<b>10.24</b>	<b>10.78</b>	<b>11.38</b>	<b>12.00</b>	<b>12.77</b>	<b>13.60</b>	<b>14.53</b>	<b>15.60</b>

Source: CFO Sim



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

€ m	0.00%	0.11%	0.31%	0.51%	0.71%	0.91%	1.11%	1.31%	1.51%
Present value of CF	65.2	65.1	64.9	64.8	64.6	64.4	64.2	64.0	63.8
PV of terminal value	271.1	265.2	255.1	245.7	236.8	228.5	220.7	213.3	206.3
<b>Total value</b>	<b>336.3</b>	<b>330.3</b>	<b>320.1</b>	<b>310.4</b>	<b>301.4</b>	<b>292.9</b>	<b>284.9</b>	<b>277.3</b>	<b>270.1</b>
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)
<b>Equity value</b>	<b>268.9</b>	<b>263.0</b>	<b>252.7</b>	<b>243.1</b>	<b>234.0</b>	<b>225.5</b>	<b>217.5</b>	<b>209.9</b>	<b>202.8</b>
<b>Equity value €/s</b>	<b>13.83</b>	<b>13.53</b>	<b>13.00</b>	<b>12.50</b>	<b>12.00</b>	<b>11.60</b>	<b>11.19</b>	<b>10.80</b>	<b>10.43</b>

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	66.5	66.0	65.5	65.0	64.6	64.1	63.7	63.2	62.8
PV of terminal value	361.2	320.7	287.6	260.1	236.8	216.9	199.7	184.7	171.5
<b>Total value</b>	<b>427.6</b>	<b>386.7</b>	<b>353.1</b>	<b>325.1</b>	<b>301.4</b>	<b>281.0</b>	<b>263.4</b>	<b>247.9</b>	<b>234.2</b>
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)
<b>Equity value</b>	<b>360.3</b>	<b>319.3</b>	<b>285.8</b>	<b>257.8</b>	<b>234.0</b>	<b>213.7</b>	<b>196.0</b>	<b>180.5</b>	<b>166.9</b>
<b>Equity value €/s</b>	<b>18.53</b>	<b>16.42</b>	<b>14.70</b>	<b>13.26</b>	<b>12.00</b>	<b>10.99</b>	<b>10.08</b>	<b>9.29</b>	<b>8.58</b>

Source: CFO Sim

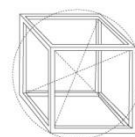
## Market multiples

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 group. On the other hand, Piteco is amongst the **smallest** firms in terms of market value and **liquidity** (free float 25.9%, i.e. € 60.0m).

**Table 12 - Piteco, peers group summary table**

€ m	Country	Mkt Cap	Sales FY1	EBITDA FY1	EBITDA margin	Sales CAGR <sub>20-23</sub>	EBITDA CAGR <sub>20-23</sub>	EBIT CAGR <sub>20-23</sub>	EPS CAGR <sub>21-23</sub>	NFP /EBITDA
Intuit Inc	USA	127,222	9,457	3,694	39.1%	13.9%	26.1%	26.1%	14.1%	(0.8)
Microsoft Corp	USA	1,829,367	165,849	80,300	48.4%	13.8%	16.2%	15.0%	14.2%	(1.0)
Oracle Corp	USA	205,669	36,065	17,940	49.7%	5.8%	8.8%	10.4%	5.1%	1.9
Salesforce.Com Inc	USA	229,275	22,725	6,716	29.6%	22.1%	51.0%	140.7%	17.5%	(0.0)
SAP SE	Germany	143,761	27,405	9,070	33.1%	3.5%	3.1%	6.8%	-2.9%	0.8
<b>Median large player</b>		<b>205,669</b>	<b>27,405</b>	<b>9,070</b>	<b>39.1%</b>	<b>13.8%</b>	<b>16.2%</b>	<b>15.0%</b>	<b>14.1%</b>	<b>(0.0)</b>
Datalogic SpA	Italy	1,023	577	83	14.4%	11.6%	15.4%	21.8%	19.0%	0.2
Digital Bros SpA	Italy	473	148	49	33.1%	n.a.	n.a.	n.a.	n.a.	(0.8)
Expert System SpA	Italy	122	33	(5)	-13.7%	33.9%	n.m.	n.m.	n.m.	(4.4)
Exprivia SpA	Italy	95	175	24	13.7%	6.1%	13.1%	18.4%	33.3%	1.7
Reply SpA	Italy	5,971	1,465	247	16.9%	13.1%	13.6%	15.3%	12.5%	(1.0)
TXT e solutions SpA	Italy	114	91	12	13.1%	16.6%	20.6%	25.0%	16.2%	(0.7)
<b>Median small player</b>		<b>298</b>	<b>162</b>	<b>37</b>	<b>14.1%</b>	<b>13.1%</b>	<b>14.5%</b>	<b>20.1%</b>	<b>17.6%</b>	<b>(0.8)</b>
<b>Piteco SpA</b>	<b>Italy</b>	<b>232</b>	<b>37</b>	<b>18</b>	<b>47.4%</b>	<b>20.4%</b>	<b>28.9%</b>	<b>29.7%</b>	<b>11.9%</b>	<b>3.2</b>

Sources: 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	47.7	41.8	44.5	38.0	13.1	11.2	33.6	28.8	35.4	31.0
Microsoft Corp	32.0	28.1	26.4	23.2	10.5	9.2	21.8	18.9	25.7	22.2
Oracle Corp	18.4	17.6	15.7	14.6	6.7	6.5	13.4	13.0	15.0	14.9
Salesforce.Com Inc	62.5	56.5	37.0	33.5	10.1	8.2	34.1	27.5	54.6	41.6
SAP SE	21.0	24.1	17.7	20.5	5.5	5.2	16.6	16.2	19.4	18.3
<b>Median large player</b>	<b>32.0</b>	<b>28.1</b>	<b>26.4</b>	<b>23.2</b>	<b>10.1</b>	<b>8.2</b>	<b>21.8</b>	<b>18.9</b>	<b>25.7</b>	<b>22.2</b>
Datalogic SpA	25.5	20.5	14.6	12.4	n.a.	1.6	n.a.	10.5	n.a.	15.8
Digital Bros SpA	21.6	19.0	10.9	8.4	2.9	2.6	8.9	6.5	15.7	13.1
Expert System SpA	n.m.	n.m.	n.m.	n.m.	4.3	2.7	n.m.	n.m.	n.m.	n.m.
Exprivia SpA	10.6	7.3	6.0	4.8	0.8	0.7	5.6	4.4	8.0	5.9
Reply SpA	41.7	37.0	31.4	28.5	3.9	3.4	23.2	20.6	28.6	25.0
TXT e solutions SpA	19.2	15.1	11.4	10.1	1.2	1.2	8.8	9.0	13.3	12.2
<b>Median small player</b>	<b>21.6</b>	<b>19.0</b>	<b>11.4</b>	<b>10.1</b>	<b>2.9</b>	<b>2.1</b>	<b>8.8</b>	<b>9.0</b>	<b>14.5</b>	<b>13.1</b>
<b>Piteco SpA</b>	<b>24.7</b>	<b>20.9</b>	<b>14.7</b>	<b>13.3</b>	<b>7.7</b>	<b>6.9</b>	<b>16.3</b>	<b>14.1</b>	<b>25.5</b>	<b>20.9</b>
(Disc.)/prem. to large players	-22.9%	-25.7%	-44.1%	-42.7%	-23.3%	-16.5%	-25.0%	-25.1%	-0.6%	-5.6%
(Disc.)/prem. to small players	14.2%	9.8%	28.8%	32.0%	163.3%	226.1%	84.4%	57.4%	75.5%	59.8%

Source: Thomson Reuters Eikon, CFO Sim

Piteco **trades at a discount** compared to the median of larger players considering all metrics in 2021, 2022 and 2023.

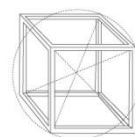
## Stock performance

Piteco was listed on the Milan Alternative Investment Market (AIM) 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 € 12.20/s on 30-Aug-21 and a minimum price of € 7.64 on 29-Oct-20.

**Table 14 - Piteco, peers group absolute performance**

	1D	1W	1M	3M	6M	YTD	1Y
Intuit Inc.	(1.4)	(6.6)	(3.6)	9.9	36.5	42.0	65.4
Microsoft Corporation	(0.7)	(5.9)	(6.4)	3.8	16.3	26.8	34.0
Oracle Corporation	(4.5)	(2.6)	(3.0)	9.5	21.3	34.7	45.9
salesforce.com, inc.	0.3	(2.4)	2.7	10.7	24.0	21.9	7.9
SAP SE	(0.8)	(4.9)	(7.1)	(1.3)	9.5	9.0	(12.0)
<b>Median large players</b>	<b>(0.8)</b>	<b>(4.9)</b>	<b>(3.6)</b>	<b>9.5</b>	<b>21.3</b>	<b>26.8</b>	<b>34.0</b>
Datalogic S.p.A.	(0.7)	(6.7)	(13.9)	(12.3)	0.0	24.9	46.5
Digital Bros S.p.A.	7.4	11.2	19.3	33.7	29.5	53.5	55.0
Expert System SpA	(1.7)	(14.7)	(17.3)	(19.3)	(20.9)	(8.5)	3.0
Exprivia S.p.A.	(0.8)	(9.2)	(15.8)	35.9	122.2	129.4	184.1
Reply S.p.A.	1.3	(12.5)	(8.5)	11.8	42.3	67.3	61.9
TXT e-solutions S.p.A.	0.3	0.6	(5.9)	11.8	14.9	10.7	18.5
<b>Median small players</b>	<b>(0.2)</b>	<b>(7.9)</b>	<b>(11.2)</b>	<b>11.8</b>	<b>22.2</b>	<b>39.2</b>	<b>50.7</b>
<b>PITECO SpA</b>	<b>0.9</b>	<b>0.9</b>	<b>(1.7)</b>	<b>22.3</b>	<b>8.5</b>	<b>22.1</b>	<b>43.0</b>
<b>Piteco relative to large players</b>	<b>1.6</b>	<b>5.7</b>	<b>1.9</b>	<b>12.8</b>	<b>(12.8)</b>	<b>(4.7)</b>	<b>9.0</b>
<b>small players</b>	<b>1.0</b>	<b>8.8</b>	<b>9.5</b>	<b>10.6</b>	<b>(13.7)</b>	<b>(17.1)</b>	<b>(7.7)</b>
<b>FTSE Italia All Shares</b>	<b>1.7</b>	<b>3.1</b>	<b>3.2</b>	<b>23.6</b>	<b>5.6</b>	<b>22.1</b>	<b>13.4</b>
<b>EU sector</b>	<b>1.0</b>	<b>2.6</b>	<b>0.7</b>	<b>20.7</b>	<b>3.7</b>	<b>5.6</b>	<b>7.9</b>

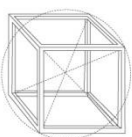
Source: Thomson Reuters Eikon



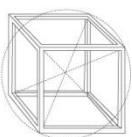
## Risks

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,
- Profit margin dilution stemming from the acquisition campaign, in particular penetrating the large US market,
- Potential competition 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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## ANALYST CERTIFICATION

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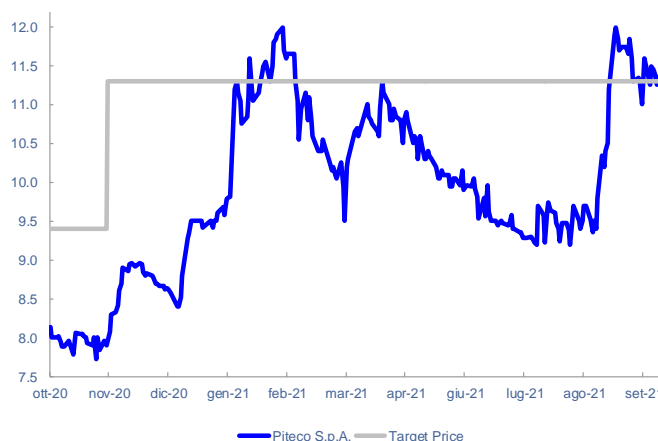
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DATE	TARGET PRICE	RATING
01/10/2021	€12.00	NEUTRAL
21/05/2021	€11.30	NEUTRAL
29/03/2021	€11.30	NEUTRAL
04/11/2020	€11.30	BUY
29/09/2020	€9.40	BUY

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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.

