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TXT e-solutions: results for the 1st half of 2022

Mix of organic growth and M&A brings half-year revenues to € 63 million (+43% YoY), EBITDA Margin at 14.7%

- Revenues € 62.5 million (+43.1%), of which international revenues € 18.2 million;
- Organic revenue growth +20.0% (€ 8.6 million);
- EBITDA € 9.2 million (+62.3%), EBITDA margin 14.7% (+1.7 pp) thanks to synergies and after investments in R&D (€ 4.0 million) and commercial (€ 5.7 million);
- EBIT € 6.7 million (+92.2%);
- Net Profit € 3.5 million (+70.1%);
- Adjusted Net Financial Debt of € 2.3 million.

Milan, 3 August 2022 – 16.15

Today the Board of Directors of TXT e-solutions, chaired by Enrico Magni, approved the operational results as of June 30, 2022.

"The outstanding results of the first half of the year and the consolidation of the new acquisitions finalised in July see us heading into the second half of 2022 with ambitious goals," commented Chairman Enrico Magni. "We want to continue in the process of accelerated growth driven by strategic investments and in diversifying our technological offering in order to position ourselves more and more at the center of the digital transformation process of public and private customers, both in Italy and abroad".



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In the first half of 2022, the Group's results were as follows:

- **Revenues** were € 62.5 million, up 43.1% compared to € 43.7 million in the first half of 2021. On a like-for-like basis, excluding TeraTron GmbH acquired in July 2021, LBA Consulting and Novigo Consulting acquired in November 2021, and Quence acquired in December 2021, revenues grew by 20%. Software revenues in the first half of 2022 were € 4.7 million, up compared to € 4.2 million in the first half of 2021. Service revenues were € 57.9 million, up 46.5% compared the first six months of 2021.

Revenues from Aerospace & Aviation (A&A) Division were € 32.3 million, up +38.4% compared the first six months of 2021, of which € 5.5 million for the consolidation of TeraTron and € 3.4 million (+14.5%) from organic growth. Revenues from Fintech Division were € 30.3 million, up +48.5% compared to the first six months of 2021, of which € 4.7 million for the consolidation of LBA, Novigo and Quence, and € 5.2 million (+25.5%) from organic growth driven by the acquisition of new contracts in the public sector.

- **EBITDA** was € 9.2 million, up +62.3% compared the first six months of 2021 (€ 5.7 million), after increasing commercial (€ 6.2 million) and R&D (€ 4.0 million) investments. EBITDA margin was 14.7%, up compared to 13% in the first six months of 2021. Incidence of General & Administrative costs on revenues decreased from 8.9% in the first half of 2022 to 7.6% in the first half of 2022.
- **EBIT** (Operating profit) was € 6.6 million, up +92.2% compared to the first half of 2021 (€ 3.4 million). Depreciation & Amortization were € 2.5 million, up € 0.5 million compared to the first half of 2021 and the increase consisted mainly of the consolidation of new companies acquired in 2021. In the first half of 2022 were included € 0.1 million of non-recurring reorganization costs, amounting to € 0.3 million in the first half of 2021.
- **Net Financial (Charges)/Income** in the first half of 2022 has negative net balance of € 1.4 million compared to the positive net balance of € 0.2 million in the same period of the previous year, mainly due to the negative market performance recorded in the first half of 2022 to the different structure of the Group's net financial debt as of June 30, 2022.



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- **Net Profit** was € 3.5 million compared to € 2.1 million in the first half of 2021, with an incidence on revenues of 5.6% compared to 4.7% in the first of 2021. In the first half of 2022, tax rate was 32,2%.
- The consolidated **Adjusted Net Financial Debt** as of 30 June 2022, as shown in the table below in the press release, was € 2.3 million compared to € 6.4 million as of 31 December 2021, with a new decrease of € 4.1 million. The decrease is attributable to cash generation from operating activities partially offset by the purchase of treasury shares for € 3.3 million.
- The consolidated Net Financial Debt as of 30 June 2022 was € 4.2 million, € 1.9 million higher compared to the consolidated Adjusted Net Financial Debt as a result of the recognition of non-monetary liabilities related to the remaining share price to be transferred to the sellers in the context of the M&A deals concluded in December 2021.
- As of 30 June 2022, 1,264,995 treasury shares were held (1,243,372 as of 31 December 2021), accounting for 9.73% of shares outstanding, purchased at an average price of € 3.42 per share.

In the **second quarter of 2022** revenues were € 32.0 million, up 44.1% compared to second quarter of 2021 (€ 22.2 million), and revenues from M&A contributed for € 5.1 million. EBITDA was € 4.7 million, up +58.8% compared to second quarter of 2021 (€ 3.0 million). The EBITDA margin was 14.7% compared to 13.3% in Q2 2021. The growth in EBITDA was due for € 1.0 million to the contribution of M&A. Operating Income (EBIT) was € 3.4 million, up 98.4% compared to Q2 2021 (€ 1.7 million). Net Income was € 1.4 million compared to € 0.8 million in Q2 2021.

"The excellent first half of the year confirms the consistency of our accelerated growth plan." Comments Daniele Misani, CEO of TXT Group. "The high specialization and increased offer of the TXT Group companies place us in an ever more remarkable position in the digital innovation market. Organic growth is driven by the synergies between the excellencies of our ecosystem. Profitability benefits from the contributions of software platform revenues and economies of scale on general services. The year-end forecast on a comparable basis confirms the current positive trends. Further benefits will come from consolidation and synergies with Ennova, DM and new acquisitions that we will complete."



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On **August 4, 2022** at **11:00 (CEST)** a **conference call** will be held during which CEO Daniele Misani will present and comment on the results for the first half of 2022. The registration form for the conference call is available on the Company's website www.txtgroup.com under the page "Financial news & calendar".

Subsequent events and business outlook

During the second half of 2022 TXT is successfully proceeding with the accelerated growth process recorded in the first half of the year thanks to a mix of organic growth and the contribution of the new acquisitions already closed and communicated in July 2022.

In the Aerospace Aviation & Automotive Division, which includes the digital offering for industrial sector, after a first half of the year that recorded organic growth of 15% and an M&A contribution of € 5.5 million, for the second half of the year the management of TXT expects a similar positive trend; in the civil aviation segment, on July 6, 2022, TXT Group through its subsidiary PACE America Inc. signed, with a leading North American cargo operator, a recurring subscription-based contract with an initial term of three years for the supply of the proprietary platform for real time flight routes optimization, with revenues expected at \$0.5 million for 2022 and a ramp-up of software installations that will lead to expected recurring revenues forecasted of approximately \$2.5 million at full capacity. In the Defense segment, the positive trend recorded over the past three years is confirmed by the constant acquisition of major new contracts with customers, both domestically and in the rest of Europe. In the Industrial segment, double-digit revenue growth is expected favored by the consolidation of the newly acquired DM Management & Consulting Srl (annual revenue € 1.5 million) and the growth of the smart devices business and value-added engineering and digital services business offered by the German subsidiary TeraTron GmbH and TXT, respectively. During the third quarter, the TXT Group has been awarded with prestigious funded research projects that will contribute to the development of competencies and proprietary platforms.



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For the Fintech Division, which includes the digital offering for the public sector, after a first half year period of consolidation and integration of the companies acquired in the fourth quarter of 2021, the management of TXT expects a second half of sustained revenue growth with positive effects on the division's margins thanks to technological and commercial synergies and thanks to the increased efficiency of the organizational structure. Contributing to the division's growth are the awarding of multi-year CONSIP (i.e., purchasing center of the Italian public administration) public tenders secured by the subsidiary HSPI for a significant value, the signing of new recurring subscription-based contracts for the supply of proprietary AML platform FARADAY worth € 0.3 million recurrent per year, and the consolidation of the domestic leadership position in the Quality Assurance field for the financial market.

On July 19, 2022, TXT signed the agreement for the acquisition of 100% of the share capital of the company DM Management & Consulting Srl ("DM"), an Italian small enterprise specialising in the consultancy and sale of proprietary MES/MOM software for factory management, which will complement the TXT Group's IoT offering; TXT will consolidate its results from 20 July 2022. DM was founded in Parma (Italy) in 2011 by the company's current directors and in 2013 it launched the first version of its proprietary MES/MOM DMP platform on the market, then sustained a constant process of investment in R&D that led to new software releases and continuous business growth fostered by the acquisition of many important customers, both domestic and international. In 2021, DM reported ARR of about € 0.5 million (on Adj Sales Revenues of € 1.2 million) and EBITDA margin of 25% with an expected annual revenue growth rate (CAGR) of 30% in the three-year period 2022-2024, also due to group synergies. The amount for the purchase of 100% of DM ("Enterprise Value") was agreed between the parties at € 1.7 million paid at the closing, of which € 1.4 million (82%) was paid in cash and € 0.3 million (18%) was paid in TXT's treasury shares transferred at a price corresponding to the average price of TXT's shares for the 30 business days prior to the date of the closing.

On July 19, 2022, TXT finalised the acquisition of 78.56% of Ennova S.p.A., an Italian specialist in the digitisation of processes and products of large customers and SMEs; TXT will consolidate Ennova's results upon completion of its new governance structure, expected by the end of the third quarter of 2022. Ennova was founded in 2010 in the Innovative Companies Incubator of the Polytechnic of



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Turin as a startup for the development of services and solutions for the management of the entire lifecycle of the digital transformation of enterprises; throughout its history, Ennova has recorded a fast and constant growth process that has led it to consolidate revenues in strong growth, from € 18 million in 2015 to € 40 million in 2017, up to over € 60 million in 2021. The EBITDA Adjusted recorded in 2021 is € 5.3 million and the forecast for 2022 is improving. The acquisition of Ennova represents a key milestone in the TXT Group's accelerated growth project thanks to a number of strategic factors such as the extensive specialised technological expertise (AI, chatbots, etc.), the numerous resources employed in the software factory or project activities, and the significant business volumes generated with large corporations, industry leaders and SMEs operating in telco & media, utilities, finance and gaming that will expand the perimeter of the TXT market; the acquisition generates high growth ambitions fostered by technological, commercial and territorial synergies and by the up-sell and cross-sell strategies of TXT and Ennova solutions and competences in favor of the large consolidated customer base. The sum for the purchase of 78.56% of Ennova, representing the shares held by the non-operating shareholders with urgent exit requirements, was agreed between the parties in the amount of € 8.9 million, which will be paid in cash at closing. The price paid to the selling shareholders discounts the payment of the portion of Ennova's adjusted net financial debt outstanding at 31 December 2021 in the amount of € 6.5 million.

For the second half of 2022, in line with what has been previously communicated, the TXT Group plans to continue its M&A plan with the consolidation of established businesses and smaller but high-potential realities, with the aggregation of new technologies, specialised skills and excellence in markets that are already proprietary or adjacent to the current ones, with ambitious growth targets. New acquisitions will be financed through the cash already available in TXT's bank accounts and the treasury shares (1,264,995 shares as of June 30, 2022).

In the current global geopolitical environment marked by the military conflict in Ukraine, TXT's management and independent directors have not currently identified any near-term risks due to the TXT business' minimal and non-strategic exposure in the Russian and Ukrainian territories. TXT's management continually monitors the evolution of the conflict and related macroeconomic instability



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Declaration of the Manager responsible for preparing corporate accounting documents

The Manager responsible for preparing corporate accounting documents, Eugenio Forcinito, declares, pursuant to art. 154-bis, paragraph 2 of Legislative Decree no. 58 of 24 February 1998, that the accounting information provided in this press release matches the information reported in the company's documents, books and accounting records.

From today, this press release is also available on the Company's website www.txtgroup.com.

TXT is an international IT Group, end-to-end provider of consultancy, software services and solutions, supporting the digital transformation of customers' products and core processes. With a proprietary software portfolio and deep expertise in vertical domains, TXT operates across different markets, with a growing footprint in Aerospace, Aviation, Defense, Industrial, Government and Fintech. TXT is headquartered in Milan and has subsidiaries in Italy, Germany, the United Kingdom, France, Switzerland and the United States of America. The holding company TXT e-solutions S.p.A, has been listed on the Italian Stock Exchange, STAR segment (TXT.MI), since July 2000.

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Management Income Statement as of 30 June 2022

€ thousand	30.06.2022	%	30.06.2021	%	Var %
REVENUES	62,538	100	43,699	100	43.1
Direct costs	38,482	61.5	27,085	62.0	42.1
GROSS MARGIN	24,056	38.5	16,614	38.0	44.8
Research and Development costs	3,954	6.3	3,313	7.6	19.3
Commercial costs	5,719	9.1	3,757	8.6	52.2
General and Administrative costs	5,192	8.3	3,882	8.9	33.7
EBITDA	9,191	14.7	5,662	13.0	62.3
Depreciation	2,546	4.1	1,927	4.4	32.1
Riorganization and Non Recurrent Costs	75	0.1	316	0.7	(76.3)
OPERATING PROFIT (EBIT)	6,570	10.5	3,419	7.8	92.2
Financial income (charges)	(1,371)	(2.2)	271	0.6	(605.9)
EARNINGS BEFORE TAXES (EBT)	5,199	8.3	3,690	8.4	40.9
Taxes	(1,676)	(2.7)	(1,619)	(3.7)	3.5
NET PROFIT	3,523	5.6	2,071	4.7	70.1

Management Income Statement – Second Quarter of 2022

€ thousand	Q2 2022	%	Q2 2021	%	Var %
REVENUES	32,020	100	22,218	100	44.1
Direct costs	19,591	61.2	13,875	62.4	41.2
GROSS MARGIN	12,429	38.8	8,343	37.6	49.0
Research and Development costs	2,046	6.4	1,663	7.5	23.0
Commercial costs	2,552	8.0	1,245	5.6	105.0
General and Administrative costs	3,133	9.8	2,476	11.1	26.5
EBITDA	4,698	14.7	2,959	13.3	58.8
Depreciation	1,343	4.2	952	4.3	41.1
Riorganization and Non Recurrent Costs	0	0.0	(316)	(1.4)	(100.0)
OPERATING PROFIT (EBIT)	3,355	10.5	1,691	7.6	98.4
Financial income (charges)	(1,084)	(3.4)	15	0.1	n.a.
Non-recurrent financial income (charges)	0	0.0	0	0.0	n.a.
EARNINGS BEFORE TAXES (EBT)	2,271	7.1	1,706	7.7	33.1
Taxes	(822)	(2.6)	(873)	(3.9)	(5.8)
NET PROFIT	1,449	4.5	833	3.7	73.9



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Income Statement as of 30 June 2022

€ thousand	30.06.2022	30.06.2021
Revenues and other income	62,538,174	43,699,251
TOTAL REVENUES AND INCOME	62,538,174	43,699,251
Purchases of materials and services	(18,112,395)	(9,510,366)
Personnel costs	(34,779,647)	(28,584,762)
Other operating costs	(529,075)	(217,494)
Amortizations, depreciation and write downs	(2,546,761)	(1,967,316)
OPERATING RESULT	6,570,297	3,419,313
Financial income/(charges)	(1,386,793)	270,509
Net result of associated companies	15,112	-
PRE-TAX RESULT	5,198,615	3,689,822
Income Taxes	(1,676,046)	(1,618,931)
NET INCOME	3,522,569	2,070,891
Attributable to:		
Parent Company shareholders	3,522,569	2,087,886
Minority interests	-	(16,995)
PROFIT PER SHARE (Euro)	0.30	0.18
DILUTED PROFIT PER SHARE (Euro)	0.30	0.18
Number of shares	11,707,895	11,694,811

Consolidated Net Financial Debt as of 30 June 2022

(€ thousand)	30.06.2022	31.12.2021	Var
Cash and cash equivalents	(57,640)	(36,076)	(21,564)
Financial instruments at fair value	(47,325)	(48,869)	1,544
Liquid assets	(104,965)	(84,945)	(20,020)
Current financial debt (including debt instruments, but excluding the current portion of non-current financial debt)	19,439	31,355	(11,916)
Current portion of non-current financial debt	25,313	15,770	9,543
Current financial indebtedness	44,752	47,125	(2,373)
Current net financial indebtedness	(60,213)	(37,820)	(22,394)
Non-current financial debt (excluding current portion and debt instruments)	65,047	49,469	15,578
Current financial receivables	(648)	-	(648)
Non-current financial indebtedness	64,399	49,469	14,931
Net financial debt	4,186	11,649	(7,463)
Non-monetary debts for adjustment of the price of the 2021 acquisitions to be paid in TXT shares	(1,892)	(5,253)	3,361
Net Cash/(Debt) Adjusted	2,293	6,396	(4,103)



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Consolidated balance sheet as of 30 June 2022

€ thousand	30.06.2022	31.12.2021
Intangible assets	54,107	55,182
Tangible assets	12,702	12,126
Other fixed assets	17,017	16,529
Fixed Assets	83,826	83,837
Inventories	15,796	7,810
Trade receivables	31,062	43,156
Other short term assets	9,223	8,864
Trade payables	(6,405)	(6,303)
Tax payables	(5,570)	(5,700)
Other payables and short term liabilities	(23,520)	(23,650)
Net working capital	20,586	24,177
Severance and other non current liabilities	(3,046)	(3,297)
Capital employed - Continuing Operations	101,366	104,717
Shareholders' equity	97,180	92,655
Shareholders' equity - minority interest	0	412
Net financial debt	4,186	11,649
Financing of capital employed	101,366	104,716



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Consolidated Cash Flow as of 30 June 2022

	30.06.2022	31.12.2021
Net Income (Euro)	3,522,569	7,839,422
Non cash costs for Stock Options	-	10,872
Financial interest paid	68,969	126,774
Variance Fair Value Financial Assets	956,079	(1,103,029)
Current income taxes	1,676,046	2,081,887
Variance in deferred taxes	67,632	(371,178)
Amortization, depreciation and write-downs	2,436,558	4,373,882
Other non cash costs	298,405	-
Cash flows generated by operations before working capital	9,026,258	12,958,630
(Increase) / Decrease in trade receivables	12,094,002	(3,916,798)
(Increase) / Decrease in inventories	(7,986,068)	(1,632,855)
Increase / (Decrease) in trade payables	101,887	1,701,458
Increase / (Decrease) in other current assets/liabilities	(2,167,352)	156,303
Increase / (Decrease) in severance and other personnel liabilities	(250,900)	104,459
Changes in working capital	1,791,569	(3,587,433)
Paid income taxes	-	(837,823)
CASH FLOW GENERATED BY OPERATIONS	10,817,827	8,533,374
	<i>of which related parties</i>	
Increase in tangible assets	(461,930)	(507,617)
Increase in intangible assets	(628,135)	(941,550)
Capitalization of development costs	(37,378)	(162,741)
Decrease in tangible & intangible assets	(49,029)	(363,136)
Net Cash flow from acquisition	27,460	30,145
Deconsolidation Reversal	(7,777,251)	(14,531,684)
Deconsolidation Reversal	(837,130)	-
(Increase) / Decrease in trading securities	-	(14,299,998)
(increase) / Decrease in other financial credits	587,556	20,000,000
(increase) / Decrease in other financial credits	(8,713,907)	(10,268,964)
	<i>of which related parties</i>	
Proceeds from borrowings	-	-
(Repayment) of borrowings	33,000,000	37,225,729
(Repayment) of Leasing liabilities	(12,517,023)	(10,310,058)
(Repayment) of Leasing liabilities	(1,811,826)	(1,635,639)
Increase / (Decrease) in other financial liabilities	-	-
Increase / (Decrease) in other financial credits	-	-
Dividends paid	-	(521,381)
Financial interests paid	(213,462)	(179,864)
Other changes in shareholders' equity	954,188	184,550
Net change in financial liabilities	-	(93,455)
(Purchase)/Sale of Treasury Shares	(161,453)	1,209,301
CASH FLOW GENERATED BY FINANCIAL ACTIVITIES	19,250,424	25,879,183
	<i>of which related parties</i>	
INCREASE / (DECREASE) IN CASH	21,354,345	24,143,594
Difference in Currency Translation	209,589	-
CASH AT THE BEGINNING OF THE PERIOD	36,076,104	11,932,508
CASH AT THE END OF THE PERIOD	57,640,038	36,076,104
Assets acquired with no effect on cash flow (first adoption IFRS 16)	(1,491,595)	(3,939,610)
Liabilities acquired with no effect on cash flow (first adoption IFRS 16)	1,491,595	3,939,610
	<i>of which related parties</i>	2,238,163