



TXT

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**TXT e-solutions: New Board of Directors appointed.
Enrico Magni appointed Chairman, Daniele Misani appointed Chief
Executive Officer.**

First quarter 2023 results approved:

Revenues € 52.3 million (+71,4%)

Double-digit Organic revenue growth (+11,2%)

EBITDA € 6.8 million (+52,1%)

Net Profit € 2.9 million (+40,2%).

- Revenues € 52.3 million (+71,4%), of which €9.3 million related to the Smart Solutions division, € 6.6 million to the Digital Advisory division, and € 36.3 million to the Software Engineering division.
- EBITDA € 6.8 million (+52.1%) after significant investments in fully expensed research and development (€ 2.2 million, +15.8%) and increasing commercial and management investments (€ 4.6 million, +44.4%).
- Net profit € 2.9 million (+40.2%) net of depreciation and amortisation (€ 2.3 million), interest and financial charges net of financial income (€ 0.4 million) and tax expenses (€ 1.1 million).
- Adjusted Net Financial Debt of € 8.1 million, a decrease of € 11.9 million from 31 December 2022.

Milano, 11 May 2023 – 15:40

The first meeting of the Board of Directors of TXT e-solutions, appointed by the Shareholders' Meeting on 20 April 2023, was held today.

The newly elected Board of Directors appointed Enrico Magni as Chairman of the Board of Directors and Daniele Misani as Chief Executive Officer, after the approval of the Remuneration Committee and the Board of Statutory Auditors, giving continuity to the executive team that led the growth plan for the last triennial.



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The Board entrusted the Chairman, in coordination with the Chief Executive Officer, as far as the latter is concerned, with the task of handling institutional relations and related external relations, as well as promoting extraordinary operations for the international growth of TXT e-solutions. The Chief Executive Officer was granted extensive powers for the ordinary management and for the preparation of proposals for extraordinary operations of TXT e-solutions.

Enrico Magni, Chairman of TXT Group, commented: *"The confirmation of the Board of Directors allows us to give continuity to the process of evolution and accelerated growth of the TXT Group initiated and successfully implemented in the three-year period just ended. For the new three-year period, we have great ambitions for growth and the ability to significantly expand our position in the domestic and international digital market by leveraging continuous investments in innovation, acquisitions and synergies, with the constant goal of creating increasing value for all of the TXT Group's resources, customers and shareholders"*.

The Board of Directors also evaluated that the non-executive directors Paolo Lorenzo Mandelli, Antonella Sutti, Antonietta Arienti and Michela Costa meet the independence requirements of art.148 TUF and art. 3 of the Corporate Governance Code.

Following the audits carried out by the Board of Statutory Auditors, the Board of Directors has noted that all standing members of the Board, Francesco Maria Scornajenchi – Chairman, Franco Vergani, Giada D'Onofrio, meet the independence requirements of art.148 TUF and art. 3 of the Corporate Governance Code.

The Board of Directors also set up the following three committees, appointing their members as follows:

- Risks and Internal Controls Committee: Antonella Sutti (Chairman), Matteo Magni and Antonietta Arienti;
- Remuneration Committee: Michela Costa (Chairman), Antonella Sutti and Paolo Mandelli;
- Related Parties Committee: Antonietta Arienti (Chairman), Antonella Sutti and Michela Costa.

The Board of Directors of TXT e-solutions approved the operating results as of 31 March 2023.



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The main economic and financial results in the first quarter of 2023 were as follows:

Revenues of the first quarter were €52.3 million, a +71.4% growth, compared to €30.5 million in the first quarter of 2022. On a like-for-like basis, revenues grew by +11.2% and the acquisitions contributed €18.4 million. Total international revenues were € 9.7 million, representing 18.6% of total revenues of the first quarter 2023.

To highlight TXT's new and broader positioning in the digital innovation market, the Group has structured itself into three divisions representative of the type of offering:

- i. Smart Solutions: proprietary software and solutions and related services to accelerate the digital transformation of customer offerings;
- ii. Digital Advisory: specialised consultancy services for the digital innovation of large enterprise and public sector processes;
- iii. Software Engineering: software engineering services for innovation and servitization of customer products driven by expertise on enabling technologies;

The Smart Solutions division had revenues of € 9.3 million, up +7.0% compared to 1Q2022, of which € 0.4 million came from organic growth (+4.2%) and € 0.2 million from the consolidation of new acquisitions.

The Digital Advisory division had revenues of € 6.6 million up +56.8% compared to Q1 2022, of which € 1.0 million from organic growth (+24.1%) and € 1.4 million related to M&A.

The Software Engineering division had revenues of € 36.3 million up +106.9% compared to Q1 2022, of which € 2.0 million from organic growth (+11.6%) and € 16.7 million from consolidation of new acquisitions.

Gross Margin, net of direct costs, increased from € 11.6 million in Q1 2022 to € 17.8 million in Q1 2023, an increase of 53.2%. Gross margin as a percentage of revenue in 1Q2023 was 34.0%, down 4.1 p.p. compared to 38.1% in 1Q2022 due to the different revenue/cost mix with a dilution of the Smart Solutions division's business related to proprietary software and solutions against the consolidation, starting from Q4-2022, of service companies with significant volumes compared to the Group's consolidated volumes and business model with lower gross margins compared to the average of the TXT divisions, but with lower indirect cost incidence.



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EBITDA amounted to € 6.8 million, up +52.1% compared to 1Q2022 (€ 4.5 million), after increasing commercial and management of € 4.6 million in 1Q2023 (+44.4% compared to 1Q2022), mainly due to the consolidation of new acquisitions, and after significant R&D investments fully expensed (€ 2.2 million, +15.8% YoY). The margin on sales was 13.1%, down 1.6 p.p. from 14.7% in Q1 2022, mainly due to a 4.1 p.p. decrease in gross margin, partially offset by lower indirect costs of consolidated service companies from Q4 2022 and operating efficiencies. General and administrative costs as a percentage of revenue increased from 6.7% in Q1 2022 to 8.0% in Q1 2023, maintaining a constant trend compared to prior quarters.

EBIT (Operating Profit) was € 4.5 million, up +39.1% from Q1 2022 (€ 3.2 million) after the amortisation of intangible assets (€ 0.9 million, of which € 0.7 million related to *Purchase Price Allocation*) and tangible assets (€ 1.3 million) and impairment losses (€ 0.1 million).

Financial expenses had a net negative balance of € 0.4 million compared to a net negative balance of € 0.3 million in 1Q2022.

Net Profit was € 2.9 million, an increase of +40.2% compared to € 2.1 million in 1Q2022, net of tax charges of € 1.2 million. Net Profit as a percentage of revenue was 5.6% in 1Q2023, - 1.2 p.p. compared to 1Q2022.

The consolidated Adjusted Net Financial Position as of 31 March 2023 was € 8.1 million, down € 11.9 million from € 20.0 million as of 31 December 2022 due to cash generation from operations and absorption of net working capital. Cash outflows included € 3.4 million related to the purchase of treasury shares.

The consolidated Unadjusted Net Financial Position as of 31 March 2023 was € 24.6 million, down € 16.5 million from Adjusted Net Financial Indebtedness due to the reclassification of TXT's investment in Banca del Fucino to fixed assets.

Treasury shares as of 31 March 2023 were 960,143 (906,600 as of 31 December 2022), representing 7.38% of the issued shares, at an average carrying value of € 2.95 per share.

"TXT Group's financial results for the first quarter of 2023 demonstrate the effectiveness of the Group's accelerated growth plan, which continues to consolidate itself as a leading player in the digital innovation market," comments CEO Daniele Misani, *"the expansion of the offering and diversification across market segments have been key factors for the Group's growth and profitability, which continues to record ambitious growth even*



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on a like-to-like basis, driven by synergies. In addition, the new organisation based on three divisions - Smart Solutions, Digital Advisory and Software Engineering - allows the TXT Group to increase operational efficiency and provide more comprehensive solutions to its customers. The constant pursuit of new investments and continuity in corporate governance demonstrate TXT's determination to consolidate its leading position in the digital innovation market and to always offer cutting-edge solutions to its customers".

On **March 12, 2023**, at **11:00 (CEST)** the **conference call** will be held during which the CEO Daniele Misani will present, and comment on the Q1 2023 results. The registration form for the conference call is available on the Company website www.txtgroup.com inside the section "Financial News & Calendar".

Subsequent Events and Business Outlook

During the first quarter of 2023 TXT is successfully proceeding with an organic business growth and integration within the TXT ecosystem of newly acquired companies. During the second quarter of 2023 and for subsequent quarters of the year, TXT's management expects growth, both organically across all operating divisions, and through further M&A that are already at an advanced stage of valuation.

In the Smart Solutions division, after a first quarter of 2023 that recorded reduced organic growth compared to the Group average due to the seasonality of the business, from the second half of the year management expects accelerated growth driven by new multi-year licensing contracts related to proprietary platforms for accelerating the digital transformation of customer offerings across multiple sectors, with particular focus on the ESG software segment already sold to major European and North American airlines for route optimisation, the MES software and Industry 4.0, and on the digital payments and Regtech segment.

In the Digital Advisory division, after a first quarter of 2023 that recorded sustained organic growth of 24%, TXT's management expects the growth rates recorded in the first quarter of the year to continue for the rest of this year and for the following two years, thanks to the numerous important public contracts related to PNRR awarded by the subsidiary HSPI, which guarantee growing volumes and new up-selling and cross-selling opportunities to the numerous clients in the public administration sector acquired through the awarding



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of public tenders. The strategic acquisitions concluded in 2022 are already generating significant synergies fostered by strong technological competences in cybersecurity and process innovation in specific sectors such as space and healthcare, both public and private.

In the Software Engineering division, which saw its revenues more than double in Q1 2023 compared to the same period of the previous year due to the consolidation of the companies acquired during 2022, new opportunities for accelerated growth are related to up-selling and cross-selling in new markets reached through M&A that will benefit from the TXT Group's innovative skills in enabling technologies such as AI, Data Analytics, VR/AR/XR and Quality Assurance skills that show a growing demand in an increasingly wide range of sectors. With reference to the division's organic growth of 11.2% in the first quarter of the year, management expects to maintain double-digit growth rates thanks to leadership positions in strategic and historical segments such as defence, industrial and banking.

In relation to the M&A 2023 plan, following what was previously communicated, the TXT Group plans to continue with its acquisition plan aimed at integrating new technologies, specialised digital skills and excellence in markets that are already proprietary or adjacent to the current ones. The financing of the acquisition transactions will be done through the liquidity already available in the TXT Group's treasury, the opening of new credit lines and using treasury shares in the portfolio.

On 13 April 2023, TXT signed the agreement for the capital investment in Simplex Human Tech Srl ("Simplex"). This investment is reserved to TXT, which involves an increase in capital to the value of € 3.0 million, which represents 15.0% of TXT's shareholding of Simplex, a start-up company born from the vision of former Managers within the Banking & Insurance sector. Their experience in senior roles in major national groups enables the ambitious goal of creating the insurance industry's leading independent distribution structure, focusing on the Protection and Wealth Management insurance sectors, through the implementation of a smart solution that enables the optimisation and total control of sales processes and the consequent drastic reduction of transactional costs. As part of the investment project, TXT will be a key figure in the development, implementation, and technological evolution of the Insurtech platform of Simplex, leveraging a contract for the provision of services and licenses for a value higher than € 2 million for the next five year, excluding expected extensions.



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The current global geopolitical environment which has been tense since 2022 mainly due to Russia's military aggression in Ukraine and the escalation of the trade war between China and the USA, which have led to high macroeconomic uncertainty and inflationary pressure followed by an immediate rise in interest rates, TXT's new Board of Directors which took office today, has currently identified risks that can be mitigated in the short term due to the TXT business's minimal and non-strategic exposure in the Russian and Ukrainian territories and sustainable financial exposure. The TXT Board constantly monitors risks related to the evolution of conflicts and macroeconomic instability.

Declaration of the manager in charge of drawing up the corporate accounting documents

The Manager in charge of drawing up the corporate accounting documents, Eugenio Forcinito, hereby declares, pursuant to art. 154-bis, paragraph 2 of Legislative Decree no. 58 of 24 February 1998, that the accounting information contained in this press release corresponds to the documented results, books and accounting records.

As 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 31 March 2023

€ thousand	Q1 2023	%	Q1 2022	%	Var %
REVENUES	52,312	100	30,520	100	71.4
Direct costs	34,505	66.0	18,893	61.9	82.6
GROSS MARGIN	17,807	34.0	11,627	38.1	53.2
Research and Development costs	2,210	4.2	1,908	6.3	15.8
Commercial costs	4,573	8.7	3,167	10.4	44.4
General and Administrative costs	4,189	8.0	2,059	6.7	103.4
EBITDA	6,835	13.1	4,493	14.7	52.1
Depreciation & Amortization	2,362	4.5	1,203	3.9	96.3
Riorganization and Non Recurrent Costs	-	0.0	(75)	(0.2)	n.a.
OPERATING PROFIT (EBIT)	4,473	8.6	3,215	10.5	39.1
Financial income (charges)	(439)	(0.8)	(287)	(0.9)	53.0
EARNINGS BEFORE TAXES (EBT)	4,034	7.7	2,928	9.6	37.8
Taxes	(1,125)	(2.2)	(854)	(2.8)	31.8
NET PROFIT	2,908	5.6	2,074	6.8	40.2



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Net Financial Debt as of 31 March 2023

€ thousand	31.12.2022	31.12.2022	Var
Cash	45,919	33,015	12,905
Trading securities at fair value	48,309	48,490	(180)
Total Cash & Cash Equivalent	94,229	81,505	12,724
Short term Financial Debts	(55,906)	(51,187)	(4,719)
Short term Financial Resources	38,323	30,318	12,724
Other Long Term Financial Assets	1,256	1,417	(161)
Non current Financial Debts - Lessors IFRS 16	(4,835)	(5,988)	1,153
Other Non current Financial Debts	(59,349)	(64,017)	4,668
Non current Net Financial Debts	(62,928)	(68,588)	5,660
Net Cash/(Debt)	(24,605)	(38,270)	13,665
Non-monetary debts for adjustment of the price of the 2021 acquisitions to be paid in TXT shares		1,750	(1,750)
Financial Investments	16,542	16,542	-
Net Cash/(Debt) Adjusted	(8,063)	(19,978)	11,915



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Consolidated Balance Sheet as of 31 March 2023

€ thousand	31.03.2023	31.12.2022	Change
Intangible assets	77,428	77,975	(547)
Tangible assets	19,491	18,293	1,198
Other fixed assets	19,234	19,360	(126)
Fixed Assets	116,152	115,628	524
Inventories	15,808	13,765	2,043
Trade receivables	57,364	73,115	(15,751)
Other short term assets	16,562	15,352	1,210
Trade payables	(21,350)	(20,643)	(707)
Tax payables	(8,526)	(7,958)	(568)
Other payables and short term liabilities	(35,753)	(36,834)	1,081
Net working capital	24,104	36,797	(12,693)
Severance and other non current liabilities	(4,987)	(4,772)	(215)
Capital employed - Continuing Operations	135,269	147,653	(12,384)
Shareholders' equity	110,647	109,366	1,281
Shareholders' equity - minority interest	17	17	0
Net financial debt	24,605	38,270	(13,665)
Financing of capital employed	135,269	147,653	(12,384)