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# TXT e-solutions: Results for the first 9 months of 2024

## Revenues €219.6 million (+37.8%)

## Strong organic revenue growth (+26.5%)

## EBITDA €28.0 million (+31.0%)

## Net profit €12.0 million (+22.2%)

- *Revenues €219.6 million (+37.8%), of which €43.9 million related to the Smart Solutions division, €30.7 million to the Digital Advisory division, and €145.0 million to the Software Engineering division. Organic revenue growth for the first nine months of 2024 was 26.5%.*
- *EBITDA €28.0 million (+31.0%), with an EBITDA margin of 12.8% after fully expensing €10.5 million in research and development investments tied to the growth of the Smart Solutions portfolio (+55.6%).*
- *Net profit €12.0 million (+22.2%) after depreciation and impairment costs totalling €8.7 million, including €2.8 million related to M&A Purchase Price Allocation, net financial charges of €2.6 million – of which €0.5 million refers to minority interests – and tax charges (€4.8 million).*
- *Adjusted Net Financial Position of €60.0 million as of September 30, 2024, with treasury shares in the portfolio valued at €25.1 million at the reference date's market price.*

Milan, 14 November 2024 – 14:15

Today, the Board of Directors of TXT e-solutions, chaired by Enrico Magni, approved the financial results as of September 30, 2024.

*"These results highlight growth, especially organic, above market averages. This growth is driven by the success of our diversification plan, the aggregation of complementary skills,*

*and the synergies developed between the Group companies."* Commented Daniele Misani, CEO of the TXT Group. *"I would like to underline the excellent work that the entire team is doing, which is proving to be increasingly cohesive and determined in achieving strategic objectives. Although we have recorded pressure on margins due to the investments needed to support growth and strengthen our market positioning, the forecasts for the last quarter show signs of recovery, and the outlook for next year remains positive. Our acquisition plan continues, aiming to strengthen our presence in currently less covered sectors and further consolidate our competitive position."*

The main economic and financial results for the first nine months of 2024 were as follows:

**Revenues** reached €219.6 million, an increase of 37.8% compared to €159.4 million in the first nine months of 2023. On a like-for-like basis, revenue grew by 26.5%, with acquisitions contributing €18.1 million. Total international revenue amounted to €56.7 million, representing 25.8% of the total revenue for the first nine months of 2024.

The Smart Solutions division had revenues of €43.9 million, an increase of 47.6% compared to the first nine months of 2023, with €5.6 million from organic growth (+18.7%) and €8.6 million from the consolidation of companies acquired in Q4 2023 and 2024.

The Digital Advisory division had revenues of €30.7 million, up 38.2% compared to the first nine months of 2023, with €6.2 million from organic growth (+28.0%) and €2.3 million from M&A.

The Software Engineering division had revenues of €145.0 million, up 35.0% compared to the first nine months of 2023, with €30.4 million from organic growth (+28.3%) and €7.2 million from M&A. Organic growth in this division includes approximately €10.0 million of non-core activities to benefit Group strategic positioning in the Telco market, with a margin below the Group average.

**EBITDA** was €28.0 million, an increase of 31.0% compared to the first nine months of 2023 (€21.4 million), after increasing R&D investments totalling €10.5 million fully expensed in the period (+55.6% compared to the first nine months of 2023), and after increased commercial and management costs of €18.7 million in the first nine months of 2024 (+20.8% compared to the same period in 2023). EBITDA margin was 12.8%, down by 60.6 basis points compared to 13.4% in the first nine months of 2023 due to investments supporting organic growth, lower margin on non-recurring activities acquired in 2024, and extraordinary M&A-related costs. General and administrative expenses as a percentage of revenue decreased from 8.2% in the first nine months of 2023 to 6.5% in the first nine months of 2024.

**Operating profit** (EBIT) was €19.3 million, up 37.6% compared to the first nine months of 2023 (€14.0 million) after amortization of intangible assets (€3.6 million, including €2.8 million related to M&A Purchase Price Allocation), tangible assets (€4.8 million), and impairments (€0.4 million).

**Net financial charges** in the first nine months of 2024 had a net balance of €2.6 million compared to €0.1 million in the same period of the previous year. Net interest and bank charges in the first nine months of 2024 were €2.1 million, while minority interests had a net negative balance of €0.5 million.

**Net profit** was €12.0 million, an increase of 22.2% compared to €9.8 million in the first nine months of 2023. Net profit as a percentage of revenue for the first nine months of 2024 was 5.5%.

The **consolidated Adjusted Net Financial Debt** as of September 30, 2024, stands at €60.0 million, an increase of €28.5 million compared to €31.4 million as of December 31, 2023. This increase is primarily due to cash outflows for acquisitions, net of the acquired net financial debt (totalling €19.2 million), accounting for earn-outs related to acquisitions during the period (€6.5 million), cash outflows associated with the buyback of treasury shares (€4.6 million), dividend payments (€2.9 million), and interest payments on loans (€2.1 million). These cash outflows were partially offset by cash generation from operations, which saw a slowdown in the third quarter due to a temporary delay in collecting trade receivables associated with business generated with one of the Group's key clients. The Adjusted Net Financial Debt as of September 30, 2024, includes €10.3 million of debt related to IFRS 16, consistent with December 31, 2023, and €12.5 million of debt for earn-outs and Put/Call options for the purchase of minority interests, an increase of €2.8 million compared to December 31, 2023.

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As of September 30, 2024, treasury shares totalled 920,797 (compared to 1,300,639 on December 31, 2023), representing 7.08% of issued shares, with a market value of €25.1 million, based on the share price of €27.55 on September 30, 2024. During the first nine months of 2024, 197,182 shares were purchased at an average price of €23.14, while 577,024 shares were sold at an average price of €21.21 as part of the M&A plan.

As of September 30, 2024, the **Unadjusted Consolidated Net Financial Debt** was €79.3 million, €19.3 million higher than the Adjusted Net Financial Debt on the same date. This difference is primarily due to the investment in Banca del Fucino, whose Fair Value of €17.8 million was reclassified from fixed assets to financial assets to calculate the Adjusted Net Financial Debt.

In the **third quarter** of 2024, revenues amounted to €81.4 million, an increase of 56.3% compared to the third quarter of 2023 (€52.1 million), with €10.7 million coming from acquisitions and €18.7 million from organic business growth (+35.8%). EBITDA for Q3 2024 was €10.5 million, up 40.8% from Q3 2023 (€7.5 million). The EBITDA margin was 12.9%, down from 14.4% in Q3 2023.

On **November 15, 2024, at 11:00 AM (CET),** a conference call will be held during, which CEO Daniele Misani will present and comment on the results for the first nine months of 2024. The registration form for the conference call is available on the Company's website, www.txtgroup.com, under the "Financial News & Calendar" section.

## Subsequent Events and Expected Management Developments

On October 2, 2024, TXT announced the acquisition of 100% of the share capital of Focus PLM S.r.l., an Italian boutique specialising in engineering services and products in factory digitalisation (link to the Press Release). Focus PLM was founded in Ferrara (Italy) in 2011 by the current managers and has around 15 highly specialised employees, with 2023 revenue of €2.5 million, an adjusted EBITDA margin of 13.5%, and double-digit growth expectations for the 2024-2027 period. The selling shareholders, currently Focus PLM's managers, will remain with the Company, with the acquisition agreement including retention, claw-back, and earn-out clauses to maximise their commitment to achieving the growth objectives shared with TXT management. This acquisition is a strategic investment that will strengthen TXT's Software Engineering capabilities for the Industrial and Manufacturing markets, integrating Focus PLM's offering into TXT's ecosystem, broadening TXT's customer base, and expanding its range of solutions.

On November 8, 2024, TXT announced the signing of an investment agreement to acquire 84.1% of Webgenesys S.p.A. from Genesy Group, an ICT company founded in 2009 that now acts as a digital enabler, mainly for Public Administrations (link to the Press Release). In recent years, Webgenesys has experienced accelerated growth, supported by the award of major public tenders, increasing revenue from €15 million in 2021 to an expected €37 million in 2024, with an EBITDA margin above 22% and top-line solid growth prospects for 2025-2028. This is supported by over €200 million in public tenders already awarded, a robust order backlog, and synergies with TXT's other technological and commercial strengths. The transaction includes a co-investment by the "HAT Technology Fund 5," and the price for 100% of Webgenesys agreed upon for closing with Genesy Group, with TXT acquiring 84.1% and HAT Technology Fund 5 the remaining 15.9%, amounts to €63.0 million, net of earn-out and claw-back clauses linked to Webgenesys' EBITDA performance from 2024-2028. TXT's payment at closing will be €53.0 million, with €37.3 million in cash (70.0%) and €15.7 million in TXT shares (30.0%). The closing, subject to regulatory approvals, is expected by the end of 2024, and Webgenesys' results will be consolidated into TXT's Software Engineering division. With Webgenesys' consolidation, the total value of public contracts awarded to TXT for the 2025-2028 period will exceed €350 million, positioning TXT as a significant future player in its market.

Regarding expected organic business growth in Q4, TXT's management anticipates continued double-digit growth, albeit at slightly reduced rates compared to the first nine months of the year, driven mainly by digital offerings in Aerospace & Defence and the Public Sector. For Q4 2024, TXT's management expects an improved EBITDA margin relative to the first nine months, with the annual EBITDA margin expected to be slightly below the guidance provided at the start of the year. Higher-than-forecast top-line growth is expected to drive EBITDA above target levels. After a slowdown in cash conversion in Q3, Q4 is expected to show improvement.

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The MarTech market offering launched earlier in the year, following the acquisitions of I MILLE Group and Refine, is generating value through synergies and TXT's strategic positioning with large customers. Meanwhile, in Aerospace's Smart Solutions segment, ProSim's consolidation is enhancing TXT's offerings for the Training & Simulation segment, with optimistic forecasts for Q4 and the following three years due to new, innovative solutions developed in 2024. In Industrial & Automotive, which has grown slower over the last 24 months compared to the TXT Group average, the integration of Focus PLM at the start of Q4 is expected to accelerate synergetic growth in innovative digitalisation services and solutions slightly.

As for the 2024 M&A plan, following investments to launch the MarTech offering and the planned investment in Webgenesys, TXT will continue its acquisition plan, focusing on strategic investments in technologies and competencies complementary to its current capabilities, focusing on financial sustainability.

## 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, Telco and Fintech. TXT is headquartered in Milan and has subsidiaries in Italy, Germany, the United Kingdom, France, Switzerland, the United States of America, Canada and Singapore. 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 September 2024

| € thousand | 30.09.2024 | % | 30.09.2023 | % | Var % |
|---|---|---|---|---|---|
| REVENUES | **219,564** | **100** | **159,356** | **100** | **37.8** |
| Direct costs | 148,048 | 67.4 | 102,670 | 64.4 | 44.2 |
| GROSS MARGIN | **71,516** | **32.6** | **56,686** | **35.6** | **26.2** |
| Research and Development costs | 10,464 | 4.8 | 6,724 | 4.2 | 55.6 |
| Commercial costs | 18,683 | 8.5 | 15,466 | 9.7 | 20.8 |
| General and Administrative costs | 14,339 | 6.5 | 13,093 | 8.2 | 9.5 |
| EBITDA | **28,030** | **12.8** | **21,403** | **13.4** | **31.0** |
| Amortization, Depreciation & Write-offs | 8,719 | 4.0 | 7,372 | 4.6 | 18.3 |
| OPERATING PROFIT (EBIT) | **19,311** | **8.8** | **14,031** | **8.8** | **37.6** |
| Financial income (charges) | (2,585) | (1.2) | (101) | (0.1) | 2470.9 |
| EARNINGS BEFORE TAXES (EBT) | **16,726** | **7.6** | **13,930** | **8.7** | **20.1** |
| Taxes | (4,758) | (2.2) | (4,134) | (2.6) | 15.1 |
| NET PROFIT | **11,968** | **5.5** | **9,796** | **6.1** | **22.2** |

## Management Income Statement – Third Quarter of 2024

| € thousand | Q3 2024 | % | Q3 2023 | % | Var % |
|---|---|---|---|---|---|
| REVENUES | **81,370** | **100** | **52,057** | **100** | **56.3** |
| Direct costs | 55,151 | 67.8 | 32,722 | 62.9 | 68.5 |
| GROSS MARGIN | **26,219** | **32.2** | **19,335** | **37.1** | **35.6** |
| Research and Development costs | 3,726 | 4.6 | 2,224 | 4.3 | 67.5 |
| Commercial costs | 7,184 | 8.8 | 4,980 | 9.6 | 44.3 |
| General and Administrative costs | 4,775 | 5.9 | 4,650 | 8.9 | 2.7 |
| EBITDA | **10,534** | **12.9** | **7,481** | **14.4** | **40.8** |
| Amortization, Depreciation & Write-offs | 3,351 | 4.1 | 2,395 | 4.6 | 39.9 |
| OPERATING PROFIT (EBIT) | **7,183** | **8.8** | **5,087** | **9.8** | **41.2** |
| Financial income (charges) | (1,239) | (1.5) | (1,078) | (2.1) | 14.9 |
| EARNINGS BEFORE TAXES (EBT) | **5,944** | **7.3** | **4,009** | **7.7** | **48.3** |
| Taxes | (1,928) | (2.4) | (999) | (1.9) | 93.0 |
| NET PROFIT | **4,016** | **4.9** | **3,010** | **5.8** | **33.4** |

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## Consolidated Net Financial Debt as of 30 September 2024

| .000 Euro | 30.09.2023 | 31.12.2023 | Var |
|---|---|---|---|
| Cash | (25,072) | (37,927) | 12,855 |
| Trading securities at fair value | (25,871) | (24,058) | (1,813) |
| Other Short Term Financial Assets | - | (810) | 810 |
| Short term Financial Debts | 58,046 | 57,654 | 392 |
| **Short term Financial Resources** | **7,103** | **(5,141 )** | **12,244** |
| | | | |
| Non current Financial Debts - Lessors IFRS 16 | 6,569 | 6,423 | 146 |
| Other Long Term Financial Assets | (339) | (700) | 361 |
| Other Non current Financial Debts | 65,932 | 51,140 | 14,791 |
| Non current Financial Debts | 72,162 | 56,863 | 15,299 |
| **Net Available Financial Resources** | **79,265** | **51,722** | **27,543** |
| | | | |
| Non-monetary debts for adjustment of the price of the 2021 acquisitions to be paid in TXT shares | (1,533) | (2,500) | 967 |
| Financial Investments | (17,778) | (17,778) | - |
| **Net Cash/(Debt) Adjusted** | **59,954** | **31,444** | **28,510** |

## Consolidated balance sheet as of 30 September 2024

| € thousand | 30.09.2024 | 31.12.2023 | Change |
|---|---|---|---|
| Intangible assets | 116,105 | 85,900 | 30,205 |
| Tangible assets | 22,457 | 20,430 | 2,026 |
| Other fixed assets | 23,515 | 24,462 | (947 ) |
| Fixed Assets | 162,077 | 130,792 | 31,285 |
| Inventories | 25,718 | 18,733 | 6,985 |
| Trade receivables | 85,424 | 74,346 | 11,078 |
| Other short term assets | 16,778 | 14,876 | 1,902 |
| Trade payables | (27,514 ) | (21,585 ) | (5,929 ) |
| Tax payables | (9,368 ) | (11,208 ) | 1,840 |
| Other payables and short term liabilities | (36,582 ) | (34,761 ) | (1,821 ) |
| Net working capital | 54,456 | 40,402 | 14,055 |
| Severance and other non current liabilities | (6,960 ) | (5,603 ) | (1,357 ) |
| Capital employed - Continuing Operations | 209,573 | 165,590 | 43,983 |
| Shareholders' equity | 130,260 | 113,852 | 16,408 |
| Shareholders' equity - minority interest | 49 | 17 | 32 |
| Net financial debt | 79,265 | 51,721 | 27,544 |
| Financing of capital employed | 209,573 | 165,590 | 43,983 |