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TXT e-solutions: Q1 2024 results

Revenues € 67.1 million (+28.3%)

Double-digit Organic revenue growth (+21.3%)

EBITDA € 8.8 million (+28.1%)

Net profit € 4.1 million (+41.2%).

- Revenues € 67.1 million (+28.3%), of which € 12.5 million related to the Smart Solutions division, € 9.9 million to the Digital Advisory division, and € 44.7 million to the Software Engineering division.
- Organic revenue growth of 21.3% driven by the development of the Digital Advisory offering for the public administration (+48.8%) and business growth from Software Engineering and Smart Solutions for the Aerospace & Defence market (+32.7%).
- EBITDA € 8.8 million (+21.3%) net of significant R&D investments fully expensed in the period (€ 3.3 million, +51.2%).
- Net profit € 4.1 million (+41.2%) net of depreciation and amortisation (€ 2.7 million), interest and financial charges net of financial income (€ 0.4 million) and tax expenses (€ 1.6 million).
- Adjusted Net Financial Debt of € 28.1 million, a decrease of € 3.3 million from 31 December 2023.

Milano, 15 May 2024 – 17:00

The Board of Directors of TXT e-solutions, chaired by Enrico Magni, today approved the operating results as of 31 March 2024.

The main economic and financial results in the first quarter of 2024 were as follows:



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Revenues in the first quarter of 2024 amounted to € 67.1 million, a +28.3% growth, compared to € 52.3 million in the first quarter of 2023. On a like-for-like basis, revenues grew by +21.3%, with acquisitions contributing € 3.7 million. Revenues reported in Q1 2024 include € 3.0 million related to resales of third-party software and hardware. Total international revenues amounted to € 18.1 million, representing 27.0% of total revenues in Q1 2024.

The Smart Solutions division had revenues of € 12.6 million, a +34.1% growth, compared to 1Q2023, of which € 2.0 million came from organic growth (+21.1%) and € 1.2 million from the consolidation of licence revenues related to acquisitions closed in 4Q2023.

The Digital Advisory division had revenues of € 9.9 million, a +48.8% growth, compared to 1Q2023, entirely from organic growth in the business.

The Software Engineering division had revenues of € 44.7 million, a +23.1% growth, compared to Q1 2023, of which € 5.9 million came from organic growth (+16.3%) and € 2.4 million from the consolidation of FastCode acquired in Q4 2023.

EBITDA was € 8.8 million, an increase of +28.1% compared to 1Q2023 (€ 6.8 million), after increasing investments in research and development by € 3.3 million fully expensed in 1Q2024 (+51.2% compared to 1Q2023), and after increasing commercial and management costs by € 4.8 million in 1Q2024 (+5.7% compared to 1Q2023). The margin on revenue was 13.0%, in line with Q1 2023. General and administrative costs as a percentage of revenue decreased from 8.0% in 1Q2023 to 7.3%.

EBIT (Operating Profit) amounted to € 6.1 million, a +36.0% growth, compared to 1Q2023 (€ 4.5 million) after amortisation of intangible assets (€ 1.1 million, of which € 0.9 million related to Purchase Price Allocation) and tangible assets (€ 1.5 million, of which € 1.1 million related to IFRS 16) and impairment losses (€ 0.1 million).

Financial expenses had a net negative balance of € 0.4 million, in line with the first quarter of 2023 (€ 0.4 million).

Net Profit was € 4.1 million, a +41.2% growth from € 2.9 million in Q1 2023, net of tax expenses of € 1.6 million. Net Profit as a percentage of revenue was 6.1% in 1Q2024, +0.5 p.p. compared to 1Q2023.

The consolidated Adjusted Net Financial Position as of March 31, 2024, stands at €28.1 million, a decrease of €3.4 million compared to €31.4 million as of December 31, 2023. This



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reduction is attributed to cash generation from operational activities, partially offset by outflows related to the repurchase of treasury shares amounting to €1.5 million and the absorption effect of the debt outstanding as of December 31, 2023, related to the price in TXT shares transferred in the context of M&A operations, amounting to €2.5 million.

The consolidated Net Financial Position as of 31 March 2024 amounted to €45.9 million, after the reclassification of €17.8 million of TXT's investment in Banca del Fucino under fixed assets.

Treasury shares as at 31 March 2024 amounted to 1,218,374 (1,300,639 as at 31 December 2023), equal to 9.37% of the issued shares, for a countervalue of € 27.4 million calculated considering the stock market price of TXT shares as at 31 March 2024 of € 22.45 per share

The CEO Daniele Misani commented *"The TXT Group has recorded a successful performance in the first quarter, with positive results across all key indicators. Organic growth has been particularly significant, driven by synergies and the strategic positioning of the digital advisory division. Implementation of activities related to the won tenders has commenced, demonstrating promising results as anticipated. Concurrently, the addition of newly awarded tenders contributes to the expansion of our existing backlog. In the aerospace and defense sector, a consistent growth trend is confirmed both in services and solutions, with a positive contribution also from recent acquisitions. The presence of a significant order backlog provides a solid foundation for achieving the targets set for the current year. Furthermore, the pipeline of potential acquisitions promises to further diversify the offering and consolidate the TXT Group's position among the leaders in digital innovation"*.

On **May 16, 2023**, at **11:00 (CEST)** the **conference call** will be held during which the CEO Daniele Misani will present, and comment on the Q1 2024 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

After a first quarter of the year in which the TXT Group recorded extraordinary organic growth rates well above the industry average, for the remaining nine months of the year TXT's management expects topline growth rates to stabilise at low-double-digit levels, with positive effects on the Group's margins, which are expected to grow from the second quarter of the year.



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In the Smart Solutions division, the Aerospace & Defence segment posted organic growth of +21.1% (+38.9%) in the first quarter of 2024, and further growth in the Aerospace & Aviation segment is expected in the remainder of 2024 due to the ramp-up of new recurring subscription contracts acquired in the last two quarters, new software licence contracts, and the positive effects of the consolidation of the new HMI Embedded Graphics and AI-Based Training businesses acquired in the fourth quarter of 2024; In the first quarter of the year, the HMI Embedded Graphics business generated more than € 1.0 million in revenues from software licence sales, with major new contracts already signed in the second half of the year. In the other market segments, the Faraday risk management platform, after a quarter 2024 in which it more than doubled its recurring business compared to the first quarter 2023, for the remaining nine months of the current year is expected to continue to grow its recurring business, with good development prospects driven by new contracts with major domestic banks currently under negotiation.

In the Digital Advisory division, after a first quarter of 2024 that recorded extraordinary organic growth of 48.8% compared to the first quarter of 2023 as a result of the ramp-up during the period of business on major public multi-year PNRR contracts, during the remaining nine months of the year and for 2025, organic growth rates are expected to stabilise at high but more sustainable levels in the region of 15%, due to both business continuity on contracts already acquired and the ramp-up of activities on recently acquired multi-year contracts that management expects to acquire during the second half of 2024. The main market segments driving the division's growth during 2024 are the public administration and healthcare segments, as recorded in Q1 2023. Digital Advisory's offering in the cybersecurity segment also reports encouraging growth prospects for the remaining nine months of 2024.

In the Software Engineering division, which is the largest division in terms of volume, for 2024 TXT's management expects continuity in the division's growth rates recorded in previous years, with the Aerospace & Defence division still driving organic growth (+30.1% compared to Q1 2023), and further single-digit growth in the division's other segments. Already during the current quarter, TXT is developing new growth opportunities both in segments where the Group has historically been present and in segments reached in recent years through M&A that are benefiting from up-selling and cross-selling strategies and technological and supply synergies by leveraging the TXT Group's innovative skills and enabling technologies such as AI, Data Analytics, VR/AR/XR and Quality Assurance



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skills that continue to show increasing demand in an ever-increasing number of industries.

In relation to the M&A 2024 plan, in continuity with what has already been communicated, TXT Group plans to continue with the 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 acquisitions will be done through the cash already available in the TXT Group's coffers, the opening of new credit lines and with treasury shares in portfolio.

In the current global geopolitical environment that has tightened since 2022 mainly due to Russia's military aggression in Ukraine, the escalation of the trade war between China and the US and the more recent military and political confrontation between Israel and Hamas, which have led to high macroeconomic uncertainty and inflationary pressure followed by an immediate rise in interest rates, TXT's Board of Directors currently identified mitigable risks in the short term due to the TXT business' minimal and non-strategic exposure to the conflict territories and sustainable financial exposure. The TXT Board of Directors constantly monitors the 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.txt-group.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 2024

€ thousand	Q1 2024	%	Q1 2023	%	Var %
REVENUES	67,127	100	52,312	100	28.3
Direct costs	45,327	67.5	34,505	66.0	31.4
GROSS MARGIN	21,800	32.5	17,807	34.0	22.4
Research and Development costs	3,342	5.0	2,210	4.2	51.2
Commercial costs	4,836	7.2	4,573	8.7	5.7
General and Administrative costs	4,870	7.3	4,189	8.0	16.3
EBITDA	8,753	13.0	6,835	13.1	28.1
Amortization, Depreciation & Write-offs	2,669	5.9	2,362	6.8	13.0
OPERATING PROFIT (EBIT)	6,084	9.1	4,473	8.6	36.0
Net Financial/Extraordinary income (charges)	(389)	(0.6)	(439)	(0.8)	(11.4)
EARNINGS BEFORE TAXES (EBT)	5,695	8.5	4,034	7.7	41.2
Taxes	(1,589)	(2.4)	(1,125)	(2.2)	41.2
NET PROFIT	4,106	6.1	2,909	5.6	41.2



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Net Financial Debt as of 31 March 2024

.000 Euro	31.03.2024	31.12.2023	Var
Cash	(40,671)	(37,927)	(2,744)
Trading securities at fair value	(25,758)	(24,058)	(1,700)
Other Short Term Financial Assets	(400)	(810)	410
Short term Financial Debts	55,623	57,654	(2,031)
Short term Financial Debts	(11,206)	(5,141)	(6,065)
Non current Financial Debts - Lessors IFRS 16	6,912	6,423	489
Other Long Term Financial Assets	(637)	(700)	63
Other Non current Financial Debts	50,778	51,140	(362)
Non current Financial Debts	57,053	56,863	190
Net Financial Debt	45,847	51,722	(5,875)
Non-monetary debts for adjustment of the price of the acquisitions to be paid in TXT shares	-	(2,500)	2,500
Financial Investment - Banca Del Fucino	(17,778)	(17,778)	-
Adjusted Net Financial Debt	28,069	31,444	(3,375)



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Consolidated Balance Sheet as of 31 March 2024

€ thousand	31.03.2024	31.12.2023	Change
Intangible assets	84,905	85,900	(995)
Tangible assets	20,994	20,430	564
Other fixed assets	24,236	24,462	(226)
Fixed Assets	130,135	130,792	(657)
Inventories	19,747	18,733	1,014
Trade receivables	72,841	74,346	(1,505)
Other short term assets	15,728	14,876	852
Trade payables	(23,903)	(21,585)	(2,318)
Tax payables	(12,375)	(11,208)	(1,167)
Other payables and short term liabilities	(31,712)	(34,761)	3,048
Net working capital	40,326	40,402	(76)
Severance and other non current liabilities	(5,798)	(5,603)	(195)
Capital employed - Continuing Operations	164,662	165,590	(928)
Shareholders' equity	118,749	113,852	4,897
Shareholders' equity - minority interest	66	17	49
Net financial debt	45,847	51,721	(5,874)
Financing of capital employed	164,662	165,590	(928)