

TXT E-SOLUTIONS

Sector: Industrials

OUTPERFORM

Price: Eu9.26 - Target: Eu13.50

Strong Results and Positive 2022 Outlook Drive Estimates Up

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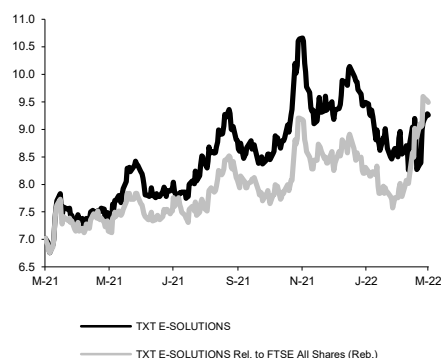
Stock Rating

Rating:	Unchanged		
Target Price (Eu):	from 12.70 to 13.50		
	2022E	2023E	2024E
Chg in Adj EPS	12.6%	9.9%	

Next Event 1Q22 Results

 Results Out 11th May 2022

TXT E-SOLUTIONS - 12M Performance



Stock Data

Reuters code:	TXTS.MI		
Bloomberg code:	TXT IM		
Performance	1M	3M	12M
Absolute	4.8%	0.9%	31.9%
Relative	17.4%	12.9%	34.2%
12M (H/L)	10.66/6.76		
3M Average Volume (th):	23.99		

Shareholder Data

No. of Ord shares (mn):	13
Total no. of shares (mn):	12
Mkt Cap Ord (Eu mn):	120
Total Mkt Cap (Eu mn):	120
Mkt Float - Ord (Eu mn):	60
Mkt Float (in %):	50.0%
Main Shareholder:	
Enrico Magni (Laserline)	29.6%

Balance Sheet Data

Book Value (Eu mn):	101
BVPS (Eu):	8.25
P/BV:	1.1
Net Financial Position (Eu mn):	3
Enterprise Value (Eu mn):	110

■ **4Q21 figures well above our estimates.** Quarterly revenues came in at Eu29.6mn, +41.6% YoY (of which +25.6% organic) and +15.2% better than expected. The Aerospace & Aviation business grew 68.2% YoY, with 35.0% organic growth, mainly thanks to defence and military businesses and the consolidation of TeraTron, acquired in July 2021. Elsewhere, FinTech revenues came in at Eu12.7mn, up +17.0% YoY. Quarterly EBITDA came to Eu5.8mn, a significant improvement on the Eu2.4mn posted in 4Q20, and well above our expectation (+53.2%), with margins peaking at 19.4% (vs. 11.7% in 4Q20). At bottom line, quarterly net profit was Eu3.7mn, higher than our Eu1.3mn forecast. Finally, net debt came in at Eu3.8mn (vs. net cash of Eu22.1mn recorded as at the end of 2020), mainly due to 1) cash out for M&A: Assiopay (Eu1.0mn), TeraTron (Eu10.1mn), LBA Consulting (Eu2.7mn), Novigo Consulting (Eu2.5mn), Quence (Eu1.4mn); 2) the acquisition of shares in Banca del Fucino for Eu14.3mn; 3) temporary working capital absorption. The BoD did not propose the distribution of a dividend.

■ **Positive 2022 outlook and focus on internal and external growth.** In the Aerospace & Aviation segment the company expects to benefit from recovering economic trends in the civil aviation market after two years of slowdowns due to the Covid-19 emergency. Furthermore, the dramatic situation in Ukraine has triggered a different approach in Europe on military spending, a shift likely to drive further growth in the defence segment, to which TXT has meaningful exposure. In the Fintech business, organic growth should accelerate thanks to the start of activities related to public tenders won in 4Q21 and the signing of new important contracts with primary Italian banking institutions, as well as the contribution from recently-announced M&A deals. With regard to the military conflict in Ukraine, TXT has minimal and non-strategic exposure to Russia and Ukraine. International revenues (mainly US, UK and Europe) represented ~30% of total turnover in FY21, so the company has not identified any short-term risks.

■ **M&A plan still on the table both in Italy and abroad.** Any acquisitions will be financed through cash and available treasury shares (1,243,372 as at 31st December 2021) and management expressed an ambition to take FY22 revenues up to Eu150mn from Eu108mn in FY21 (on a pro-forma basis), thanks to new M&A deals.

■ **We are updating our estimates** in light of solid 4Q21 results and the constructive outlook for 2022, but we are also factoring in recent acquisitions. We are raising our 2022/2023 top line estimates by 11.8%/11.6% respectively, assuming for 2022 a 12.3% contribution from M&A. In terms of EBITDA, we are raising our margin forecasts by 70bps, now pointing to 14.6% and 14.7% for 2022/2023. All in all, we are raising our EPS projections by 12.6% for 2022 and 9.9% for the following year.

■ **OUTPERFORM confirmed, TP up to Eu13.5.** A stronger-than-expected quarter for TXT, which remains well placed to seize further M&A opportunities, in which management has shown a solid track record. Even without considering the financial investment in Banca del Fucino (Eu14.3mn), the stock is trading at just 6.5x EV/EBITDA on 2022 and 6.1x on 2023 respectively. Finally, we flag up that the company can benefit from the expected increase in military spending in Europe. Our new target assumes a 5.5% equity risk premium (from 5.0%).

Key Figures & Ratios	2020A	2021A	2022E	2023E	2024E
Sales (Eu mn)	69	96	115	124	133
EBITDA Adj (Eu mn)	9	15	17	18	20
Net Profit Adj (Eu mn)	4	8	8	9	10
EPS New Adj (Eu)	0.383	0.675	0.661	0.732	0.810
EPS Old Adj (Eu)	0.383	0.438	0.588	0.666	
DPS (Eu)	0.040	0.000	0.000	0.000	0.000
EV/EBITDA Adj	8.1	6.8	6.6	5.6	4.6
EV/EBIT Adj	18.4	10.0	10.1	8.4	6.9
P/E Adj	24.2	13.7	14.0	12.7	11.4
Div. Yield	0.4%	0.0%	0.0%	0.0%	0.0%
Net Debt/EBITDA Adj	-2.6	0.3	-0.2	-0.6	-1.1

TXT E-SOLUTIONS – Key Figures

Profit & Loss (Eu mn)	2019A	2020A	2021A	2022E	2023E	2024E
Sales	59	69	96	115	124	133
EBITDA	7	9	15	17	18	20
EBIT	4	3	10	11	12	13
Financial Income (charges)	-1	3	1	0	0	1
Associates & Others	0	0	0	0	0	0
Pre-tax Profit	2	6	10	11	12	14
Taxes	-2	-1	-2	-3	-3	-4
Tax rate	80.6%	19.8%	24.0%	28.0%	28.0%	28.0%
Minorities & Discontinued Operations	-0	-0	0	0	0	0
Net Profit	0	5	8	8	9	10
EBITDA Adj	7	9	15	17	18	20
EBIT Adj	4	4	10	11	12	13
Net Profit Adj	0	4	8	8	9	10
Per Share Data (Eu)	2019A	2020A	2021A	2022E	2023E	2024E
Total Shares Outstanding (mn) - Average	12	12	12	12	12	12
Total Shares Outstanding (mn) - Year End	12	12	12	12	12	12
EPS f.d	0.039	0.383	0.675	0.661	0.732	0.810
EPS Adj f.d	0.039	0.383	0.675	0.661	0.732	0.810
BVPS f.d	7.028	7.313	7.942	8.252	8.984	9.793
Dividend per Share ORD	0.000	0.040	0.000	0.000	0.000	0.000
Dividend per Share SAV	0.000	0.000	0.000	0.000	0.000	0.000
Dividend Payout Ratio (%)	0.0%	10.4%	0.0%	0.0%	0.0%	0.0%
Cash Flow (Eu mn)	2019A	2020A	2021A	2022E	2023E	2024E
Gross Cash Flow	4	10	10	12	13	
Change in NWC	-7	-16	-12	-5	-4	-4
Capital Expenditure	-1	-1	-7	-2	-2	-2
Other Cash Items	-1	0	-0	0	0	0
Free Cash Flow (FCF)	-5	-7	-6	7	9	10
Acquisitions, Divestments & Other Items	-2	-17	-25	0	0	0
Dividends	-6	0	-0	0	0	0
Equity Financing/Buy-back	0	0	0	5	0	0
Change in Net Financial Position	-19	-19	-26	7	9	10
Balance Sheet (Eu mn)	2019A	2020A	2021A	2022E	2023E	2024E
Total Fixed Assets	35	47	81	77	73	69
Net Working Capital	10	21	24	29	33	37
Long term Liabilities	-5	-5	-3	-3	-3	-3
Net Capital Employed	41	64	102	103	103	103
Net Cash (Debt)	41	22	-4	3	12	22
Group Equity	82	85	93	101	110	120
Minorities	0	0	0	0	0	0
Net Equity	82	85	92	101	110	120
Enterprise Value (Eu mn)	2019A	2020A	2021A	2022E	2023E	2024E
Average Mkt Cap	104	91	95	113	113	113
Adjustments (Associate & Minorities)	0	0	0	0	0	0
Net Cash (Debt)	41	22	-4	3	12	22
Enterprise Value	62	69	99	110	101	91
Ratios (%)	2019A	2020A	2021A	2022E	2023E	2024E
EBITDA Adj Margin	11.9%	12.5%	15.1%	14.6%	14.7%	14.8%
EBIT Adj Margin	7.2%	5.5%	10.3%	9.5%	9.7%	9.9%
Gearing - Debt/Equity	-50.6%	-25.8%	4.1%	-2.6%	-10.8%	-18.2%
Interest Cover on EBIT	2.9	nm	nm	nm	nm	nm
Net Debt/EBITDA Adj	-5.9	-2.6	0.3	-0.2	-0.6	-1.1
ROACE*	10.7%	6.0%	11.6%	10.6%	11.6%	12.8%
ROE*	0.5%	5.4%	8.9%	8.4%	8.5%	8.6%
EV/CE	1.9	1.3	1.2	1.1	1.0	0.9
EV/Sales	1.1	1.0	1.0	1.0	0.8	0.7
EV/EBITDA Adj	8.9	8.1	6.8	6.6	5.6	4.6
EV/EBIT Adj	14.6	18.4	10.0	10.1	8.4	6.9
Free Cash Flow Yield	-3.7%	-5.5%	-5.0%	5.6%	7.6%	8.2%
Growth Rates (%)	2019A	2020A	2021A	2022E	2023E	2024E
Sales	47.8%	16.4%	40.2%	19.3%	7.6%	7.6%
EBITDA Adj	84.4%	22.2%	69.6%	15.8%	8.3%	8.4%
EBIT Adj	131.4%	-12.2%	165.5%	9.6%	10.0%	10.2%
Net Profit Adj	-20.5%	950.1%	66.3%	3.0%	10.6%	10.6%
EPS Adj	-20.5%	893.2%	76.2%	-2.0%	10.6%	10.6%
DPS	nm	nm	nm			

*Excluding extraordinary items

Source: Intermonte SIM estimates

TXT e-solutions in Brief

Company description

TXT e-solutions is an international IT group, an end-to-end provider of consultancy, software services and solutions for: 1) the aerospace, aeronautics, and automotive sector, where it offers specific products and engineering services; 2) the fintech sector, where it focuses on software testing and quality services. Listed on the STAR segment of the Milan Stock Exchange since 2000, TXT has its head office in Milan

Strengths /Opportunities

- Multi-year experience in the digital domain
- Proprietary software portfolio
- Highly specialised workforce
- Solid M&A track record
- Strong balance sheet
- Geographical expansion & product diversification

Management

CEO: Daniele Misani
Chairman: Enrico Magni
CFO: Eugenio Forcinito

Next BoD renewal: 12/2022
BoD independent members: 4/7

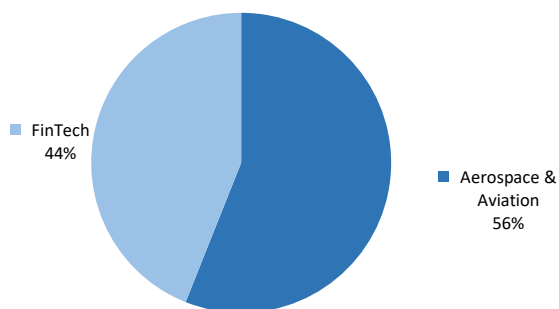
Shareholders

Laserline SpA	30%
Managers	11%
Treasury Shares	10%
Market	50%

Weaknesses /Threats

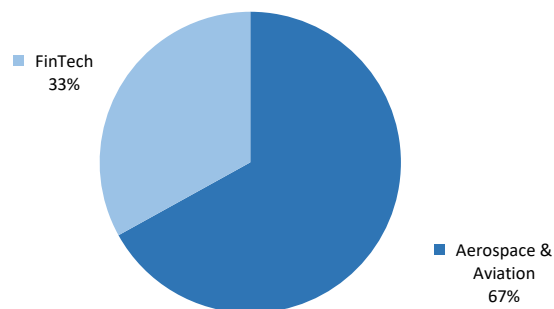
- High level of competition in the digital sector
- Business cyclicality, especially in the civil aviation sector
- Limited company size
- New entrants to the sector and fierce competition
- Execution risk following the intended M&A operations and potential delays in integrating the acquired companies

TXT e-solutions: Revenue Breakdown (2021A)



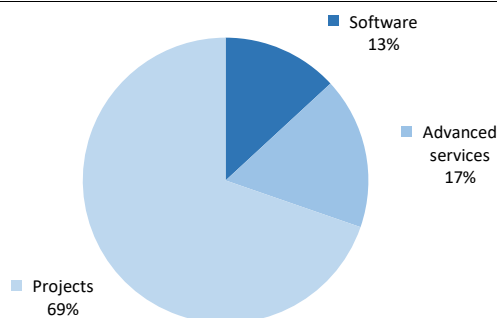
Source: Company Data & Intermonte SIM

TXT e-solutions: EBITDA Breakdown (2021A)



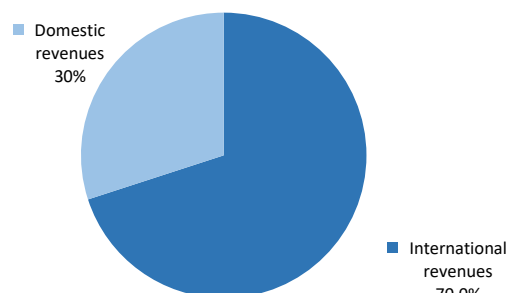
Source: Company Data & Intermonte SIM

TXT e-solutions: Aerospace&Aviation Revenue Breakdown (2021A)



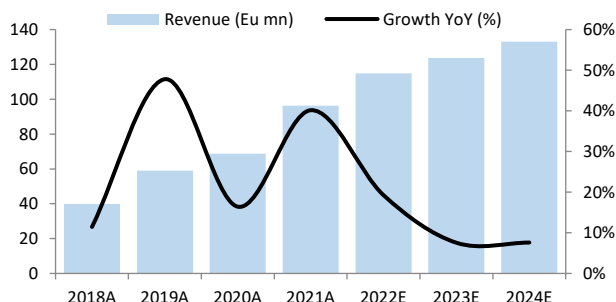
Source: Company Data & Intermonte SIM

TXT e-solutions: International vs. Domestic Revenue (2021A)



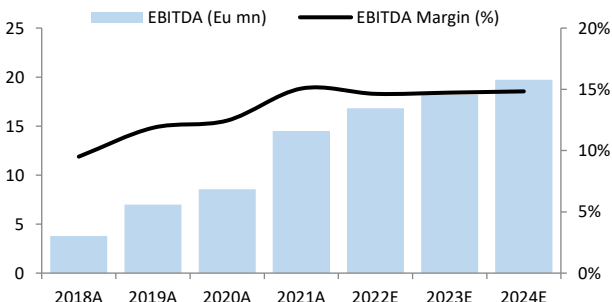
Source: Company Intermonte SIM

TXT e-solutions: Revenue Evolution (2018A-2023A)



Source: Company data & Intermonte SIM Estimates

TXT e-solutions: EBITDA and Margin Evolution (2018A-2024E)



Source: Company data & Intermonte SIM Estimates

4Q21 Results

4Q21 figures well above our estimates. Quarterly revenues came in at Eu29.6mn, +41.6% YoY (of which +25.6% organic) and +15.2% better than expected. The Aerospace & Aviation business grew 68.2% YoY, with 35.0% organic growth, mainly thanks to defence and military businesses and the consolidation of TeraTron, acquired in July 2021. Elsewhere, FinTech revenues came in at Eu12.7mn, up +17.0% YoY. Quarterly EBITDA came to Eu5.8mn, a significant improvement on the Eu2.4mn posted in 4Q20, and well above our expectation (+53.2%), with margins peaking at 19.4% (vs. 11.7% in 4Q20). At bottom line, quarterly net profit was Eu3.7mn, higher than our Eu1.3mn forecast. Finally, net debt came in at Eu3.8mn (vs. net cash of Eu22.1mn recorded as at the end of 2020), mainly due to 1) cash out for M&A: Assiopay (Eu1.0mn), TeraTron (Eu10.1mn), LBA Consulting (Eu2.7mn), Novigo Consulting (Eu2.5mn), Quence (Eu1.4mn); 2) the acquisition of shares in Banca del Fucino for Eu14.3mn; 3) temporary working capital absorption. The BoD did not propose the distribution of a dividend.

TXT e-solutions: 4Q21/FY21 Results

(Eu mn)	4Q20A	4Q21A	4Q21E	A/E %	2020A	2021A	2021E	A/E %
Revenue	20.9	29.6	25.7	15.2%	68.8	96.4	92.5	4.2%
YoY growth	26.7%	41.6%	23.0%		16.4%	40.2%	34.5%	
Organic	6.6%	25.6%	7.0%		4.5%	13.2%	7.9%	
Scope	20.1%	16.0%	16.0%		11.9%	27.0%	26.6%	
EBITDA IFRS	2.4	5.8	3.8	53.2%	8.6	14.5	12.5	16.0%
YoY growth	10.7%	136.1%	54.1%		22.2%	69.6%	46.2%	
EBITDA IFRS margin %	11.7%	19.4%	14.6%		12.5%	15.1%	13.5%	
- D&A	(2.42)	(1.5)	(1.5)		(4.8)	(4.6)	(4.5)	
EBIT	(0.2)	4.2	2.4	80.1%	3.2	9.6	7.7	24.4%
YoY growth	-116.8%	n.m.	n.m.		-11.1%	204.1%	144.3%	
EBIT margin %	-1.1%	14.3%	9.1%		4.6%	10.0%	8.3%	
- Financial income/(charges)	1.6	0.4	(0.1)		2.7	0.7	0.2	
Pre-tax profit	1.3	4.6	2.2	108.3%	5.9	10.3	7.9	30.2%
- Income tax	(0.2)	(0.9)	(1.0)		(1.2)	(2.5)	(2.5)	
Tax rate %	16.8%	19%	43.3%		19.8%	24.0%	32.0%	
Net income from cont. op.	1.1	3.7	1.3	196.3%	4.7	7.8	5.4	45.6%
YoY growth	-141.0%	235%	13.1%		950.1%	66%	14.2%	
Net profit margin %	5.3%	12.5%	4.9%		6.9%	8.1%	5.8%	
Net debt/(cash)	(22.1)	3.8	(5.3)		(22.1)	3.8	(5.3)	

Source: Company data & Intermonte SIM Estimates

TXT e-solutions: 4Q21/FY21 Divisional Breakdown

Revenue (Eu mn)	4Q20A	4Q21A	4Q21E	A/E %	2020A	2021A	2021E	A/E %
Aerospace & Aviation	10.0	16.9	14.0	20.8%	40.8	54.0	51.1	5.7%
YoY growth	-3.1%	68.2%	39.2%		5.3%	32.5%	25.4%	
Organic	-3.1%	35.0%	6.0%		5.3%	20.1%	13.0%	
Scope	0.0%	33.3%	33.3%		0.0%	12.4%	12.4%	
FinTech	10.9	12.7	11.7	8.4%	28.0	42.4	41.4	2.4%
YoY growth	76.9%	17.0%	7.9%		37.6%	51.3%	47.8%	
Organic	23.0%	17.0%	7.9%		3.1%	3.0%	0.5%	
Scope	54%	0%	0%		34%	48%	47%	
Revenue	20.9	29.6	25.7	15.2%	68.8	96.4	92.5	4.2%
YoY growth	26.7%	41.6%	23.0%		16.4%	40.2%	34.5%	
Organic	6.6%	25.6%	7.0%		4.5%	13.2%	7.9%	
Scope	20.1%	16.0%	16.0%		11.9%	27.0%	26.6%	
EBITDA	4Q20A	4Q21A	4Q21E	A/E %	2020A	2021A	2021E	A/E %
Aerospace & Aviation	0.8	4.2	2.0	109.5%	5.1	9.7	7.5	29.4%
YoY growth	-64.2%	449.4%	162.3%		-10.5%	90.8%	47.4%	
EBITDA margin %	7.7%	25.0%	14.4%		12.5%	18.0%	14.7%	
FinTech	1.7	1.2	1.4	-14.8%	3.5	4.8	5.0	-4.2%
YoY growth	n.m.	-27.6%	-15.0%		164.2%	38.4%	44.4%	
EBITDA margin %	15.4%	9.5%	12.1%		12.4%	11.0%	12.1%	
EBITDA	2.4	5.8	3.8	53.2%	8.6	14.5	12.5	16.0%
YoY growth	10.7%	136.0%	54.1%		22.2%	69.6%	46.2%	
EBITDA margin %	11.7%	19.4%	14.6%		12.5%	15.1%	13.5%	

Source: Company data & Intermonte SIM Estimates

FY22 Outlook and Change in Estimates

Positive 2022 Outlook. In the Aerospace & Aviation segment the company expects to benefit from recovering economic trends in the civil aviation market after two years of slowdowns due to the Covid-19 emergency. Furthermore, the dramatic situation in Ukraine has triggered a different approach in Europe on military spending, a shift likely to drive further growth in the defence segment, to which TXT has meaningful exposure. In the Fintech business, organic growth should accelerate thanks to the start of activities related to public tenders won in 4Q21 and the signing of new important contracts with primary Italian banking institutions, as well as the contribution from recently-announced M&A deals. With regard to the military conflict in Ukraine, TXT has minimal and non-strategic exposure to Russia and Ukraine. International revenues (mainly US, UK and Europe) represented ~30% of total turnover in FY21, so the company has not identified any short-term risks.

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Change in estimates. We are updating our estimates in light of solid 4Q21 results and the constructive outlook for 2022, but we are also factoring in recent acquisitions. We are raising our 2022/2023 top line estimates by 11.8%/11.6% respectively, assuming for 2022 a 12.3% contribution from M&A. In terms of EBITDA, we are raising our margin forecasts by 70bps, now pointing to 14.6% and 14.7% for 2022/2023. All in all, we are raising our EPS projections by 12.6% for 2022 and 9.9% for the following year.

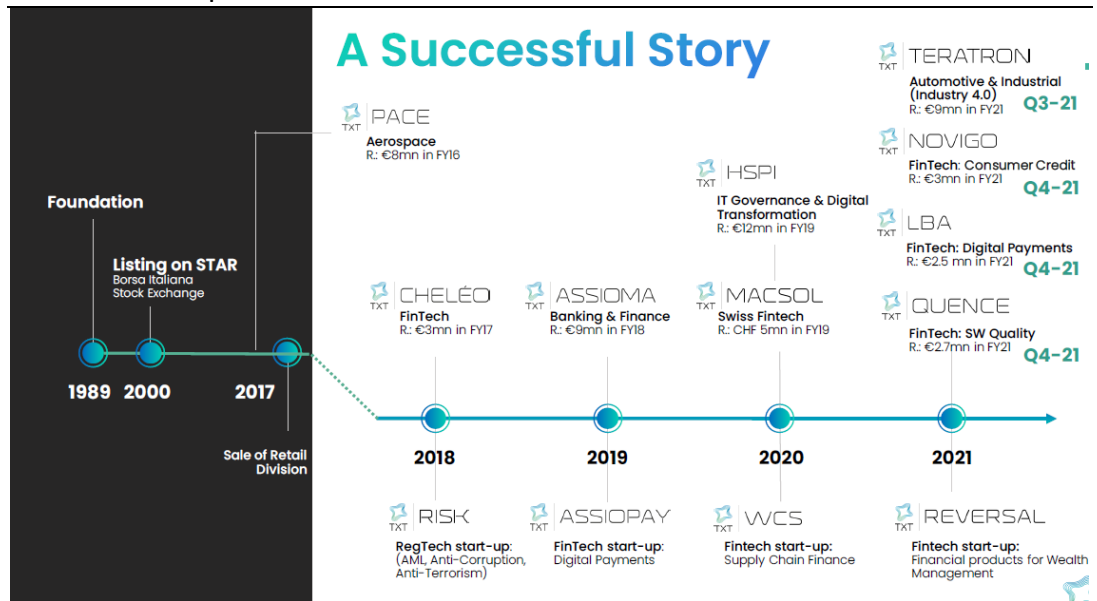
Change to Estimates

	New			Old			Change %		
	2021A	2022E	2023E	2021A	2022E	2023E	2021A	2022E	2023E
Revenue	96.4	114.9	123.6	92.5	102.8	110.7	4.2%	11.8%	11.6%
<i>YoY growth</i>	40.2%	19.3%	7.6%	34.5%	11.2%	7.7%			
<i>Organic</i>	13.2%	6.9%	7.6%	7.9%	6.9%	7.7%	527 bps	6 bps	
<i>Scope</i>	27.0%	12.3%	0.0%	26.6%	4.3%	0.0%			
EBITDA	14.5	16.8	18.2	12.5	14.3	15.5	16.0%	17.4%	17.8%
<i>YoY growth</i>	69.6%	15.8%	8.3%	46.2%	14.4%	7.9%			
<i>EBITDA margin %</i>	15.1%	14.6%	14.7%	13.5%	13.9%	14.0%			
EBIT	9.6	10.9	12.0	7.7	9.7	10.8	24.4%	12.3%	11.7%
<i>YoY growth</i>	204.1%	13.6%	10.0%	144.3%	25.9%	10.7%			
<i>EBIT margin %</i>	10.0%	9.5%	9.7%	8.3%	9.5%	9.7%			
Pre-tax profit	10.3	11.2	12.4	7.9	10.0	11.2	30.2%	11.9%	11.2%
- Income tax	(2.5)	(3.1)	(3.5)	(2.5)	(2.9)	(3.1)			
<i>Tax rate %</i>	24.0%	28.0%	28.0%	32.0%	29.0%	28.0%			
Net income from cont. op.	7.8	8.1	8.9	5.4	7.1	8.0	45.6%	13.5%	11.2%
<i>YoY growth</i>	66.3%	3.0%	10.6%	14.2%	32.1%	12.9%			
<i>Net profit margin %</i>	8.1%	7.0%	7.2%	5.8%	6.9%	7.3%			
EPS adj.	0.675	0.661	0.732	0.438	0.588	0.666	54.2%	12.6%	9.9%
<i>YoY growth</i>	76.2%	-2.0%	10.6%	14.3%	34.2%	13.3%			
Net cash/(debt)	(3.8)	2.7	11.8	5.3	11.2	18.2	-172.1%	-76.2%	-35.2%
FCF (ex. acq)	(6.0)	6.8	9.1	9.4	6.7	8.1	-164.1%	1.0%	13.2%

Source: Company data & Intermonte SIM Estimates

Appendix I – M&A History

TXT e-solutions: M&A path



Source: Company data & Intermonte SIM Estimates

2021 Main Deals

- **TeraTron.** On 29th July TXT signed a contract for the acquisition of 100% of the capital of German company TeraTron, which it started to consolidate in its accounts from 1st August 2021. TeraTron, which has been active for over 20 years, is a leader in innovative IoT solutions for digitalisation, automation and security, mainly in the Automotive, Industrial (Industry 4.0), and Healthcare markets, and also boasts a growing presence in other sectors with strong innovative and technological content. The client portfolio is international and includes multi-year relationships with companies such as Audi, BMW, HILTI, John Deere, Porsche, Volkswagen and Volvo. In 2019 and 2020, TeraTron reported revenues of Eu9.2mn and Eu7.6mn respectively, with EBITDA of Eu1.8mn and Eu1.4mn. For 2021, it should have generated Eu9mn in revenues, with profitability of c.Eu2mn. The outlay for the acquisition of TeraTron was mutually agreed at Eu10.1mn in cash at closing: This acquisition not only further diversified TXT's business in the Automotive&Industrial area, it also continued its internationalisation, strengthening its presence in Germany, integrating the PACE aerospace offering with TeraTron in manufacturing and automotive. As well as broadening its offering with new proprietary software and hardware solutions, thanks to TeraTron TXT will be able to increase its international client base.
- **Novigo Consulting and LBA Consulting.** On 29th November TXT announced it had bought 100% of the capital of Novigo Consulting Srl and LBA Consulting Srl, active in the management of digital payments and consumer credit. For 2021 (pro-forma) total revenues are expected at Eu5.5mn and total EBITDA at ~Eu1.7m. TXT started to consolidate the businesses from 1st December 2021. The outlay for 100% of LBA was Eu2.73mn, paid in cash at closing, plus an adjustment of the amount due in TXT shares on approval of 2021 accounts by LBA. The multiple paid was ~5.2x 2021 EBITDA. The outlay for 100% of Novigo was ~Eu3.5mn, paid at closing, of which ~Eu2.45mn in cash and ~Eu1.05mn in TXT treasury shares. The multiple paid for Novigo was ~5.1x 2021 EBITDA.
- **Quence.** On 28th December TXT announced the acquisition of 100% of the capital of Quence Srl, an Italian company specialising in software engineering with the offer of Data Intelligence, SW Application Lifecycle Management (ALM), SW Quality Assurance & Testing and Data Intelligence services. The newly-acquired company has over 25 domestic and international clients (c.10% of the business) in the banking, financial and insurance arenas. YE21 revenues are expected to have reached Eu2.7mn, with a 15.1% EBITDA margin and a 15% EBIT margin. TXT started to consolidate Quence's results in its Fintech division as of 1st January 2022. Eu2.0mn will be paid for the purchase at closing, of which Eu1.4mn in cash and the remaining Eu0.6mn through the transfer of TXT treasury shares at the market price at the end of trading the day before the closing date. The deal went through at ~5.0x 2021 EBITDA.

Peer comparison

TXT e-solutions: Peers Group Performance

Company	Mkt Cap (Eu mn)	% Change YTD	% Change 1 Month	% Change 3 Months	% Change 6 Months	% Change 1 Year
TXT e-solutions S.p.A.	120	-8.7%	4.8%	0.9%	7.2%	31.9%
American Software, Inc. Class A	596	-21.2%	-4.3%	-15.2%	-18.6%	-2.7%
ATOSS Software AG	1,323	-23.3%	-6.3%	-23.8%	-7.6%	3.0%
Capgemini SE	30,936	-16.7%	-3.9%	-12.2%	-5.5%	24.7%
Computacenter Plc	3,583	-9.4%	-4.8%	-2.4%	-6.7%	15.9%
Descartes Systems Group Inc.	5,480	-13.2%	-0.8%	-8.4%	-13.8%	16.5%
Manhattan Associates, Inc.	7,465	-16.6%	-1.8%	-14.4%	-20.5%	3.2%
Oracle Corporation	195,975	-7.6%	1.0%	-22.2%	-8.1%	19.0%
Reply S.p.A.	5,223	-21.9%	-2.6%	-19.5%	-17.4%	40.7%
SAP SE	123,514	-19.5%	-4.9%	-17.0%	-17.4%	-2.1%
Sopra Steria Group SA	3,154	-2.5%	0.3%	5.2%	-10.0%	13.5%

Source: FactSet

TXT e-solutions: Peer Group Multiples

Company name	Price	Mkt cap (Eu mn)	Country	EV/SALES		EV/EBITDA		EV/EBIT		PE	
				2022E	2023E	2022E	2023E	2022E	2023E	2022E	2023E
TXT e-solutions S.p.A.	9.3	120	IT	1.0 x	0.8 x	6.6 x	5.6 x	10.1 x	8.4 x	14.0 x	12.7 x
American Software, Inc. Class A	18.8	596	US	4.3 x	3.9 x	32.1 x	23.1 x	31.7 x	23.1 x	51.0 x	41.1 x
ATOSS Software AG	166.4	1,323	DE	11.6 x	9.8 x	38.9 x	31.7 x	43.9 x	34.7 x	68.2 x	55.4 x
Capgemini SE	179.5	30,936	FR	1.7 x	1.5 x	10.2 x	9.0 x	13.2 x	11.5 x	18.4 x	16.3 x
Computacenter Plc	31.4	3,583	GB	0.4 x	0.4 x	7.6 x	7.1 x	10.1 x	9.4 x	16.8 x	16.5 x
Descartes Systems Group Inc.	65.0	5,480	CA	12.1 x	10.7 x	27.7 x	23.9 x			64.9 x	53.6 x
Manhattan Associates, Inc.	118.2	7,465	US	10.9 x	9.5 x	44.6 x	37.2 x	46.2 x	38.4 x	63.5 x	54.6 x
Oracle Corporation	73.5	195,975	US	5.8 x	5.4 x	11.4 x	10.5 x	12.8 x	11.6 x	15.3 x	14.0 x
Reply S.p.A.	139.6	5,223	IT	2.8 x	2.5 x	16.4 x	14.5 x	20.0 x	17.5 x	29.7 x	26.7 x
SAP SE	100.5	123,514	DE	4.3 x	3.9 x	14.2 x	12.5 x	15.3 x	13.4 x	18.9 x	17.2 x
Sopra Steria Group SA	153.6	3,154	FR	0.7 x	0.6 x	5.7 x	4.8 x	7.8 x	6.7 x	11.5 x	10.2 x
Mean				5.5 x	4.8 x	20.9 x	17.4 x	22.3 x	18.5 x	35.8 x	30.5 x
Median				4.3 x	3.9 x	15.3 x	13.5 x	15.3 x	13.4 x	24.3 x	21.9 x

Source: FactSet & Intermonte SIM Estimates

DETAILS ON STOCKS RECOMMENDATION			
Stock NAME	TXT E-SOLUTIONS		
Current Recomm:	OUTPERFORM	Previous Recomm:	OUTPERFORM
Current Target (Eu):	13.50	Previous Target (Eu):	12.70
Current Price (Eu):	9.26	Previous Price (Eu):	10.02
Date of report:	16/03/2022	Date of last report:	10/11/2021

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- Discounted cash flow (DCF) model or similar methods such as a dividend discount model (DDM)
- Comparison with market peers, using the most appropriate methods for the individual company analysed: among the main ratios used for industrial sectors are price/earnings (P/E), EV/EBITDA, EV/EBIT, price/sales.
- Return on capital and multiples of adjusted net book value are the main methods used for banking sector stocks, while for insurance sector stocks return on allocated capital and multiples on net book value and embedded portfolio value are used
- For the utilities sector comparisons are made between expected returns and the return on the regulatory asset base (RAB)

Some of the parameters used in evaluations, such as the risk-free rate and risk premium, are the same for all companies covered, and are updated to reflect market conditions. Currently a risk-free rate of 2.5% and a risk premium of 5.0% are being used.

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- OUTPERFORM: stock expected to outperform the market by between 10% and 25% over a 12 month period;
- NEUTRAL: stock performance expected at between +10% and -10% compared to the market over a 12 month period;
- UNDERPERFORM: stock expected to underperform the market by between -10% and -25% over a 12 month period;
- SELL: stock expected to underperform the market by over 25% over a 12 month period.

Prices: The prices reported in the research refer to the price at the close of the previous day of trading

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BUY:	16,95 %
OUTPERFORM:	53,39 %
NEUTRAL:	25,42 %
UNDERPERFORM	04,24 %
SELL:	00,00 %

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OUTPERFORM:	49,06 %
NEUTRAL:	20,75 %
UNDERPERFORM	00,00 %
SELL:	00,00 %

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