

TXT E-SOLUTIONS

Sector: Industrials

OUTPERFORM

Price: Eu15.34 - Target: Eu19.40

Estimates Up Thanks to M&A and Solid Organic Trends

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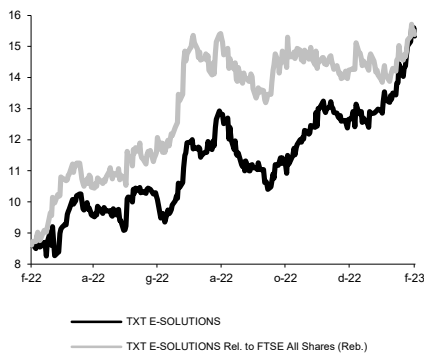
Stock Rating

Rating:	Unchanged		
Target Price (Eu):	from 16.00 to 19.40		
	2022E	2023E	2024E
Chg in Adj EPS	2.3%	6.1%	6.7%

Next Event FY22 Results

Results Out 9 March 2023

TXT E-SOLUTIONS - 12M Performance



Stock Data

Reuters code:	TXTS.MI		
Bloomberg code:	TXT IM		
Performance	1M	3M	12M
Absolute	19.3%	18.0%	78.2%
Relative	12.0%	6.4%	78.5%
12M (H/L)	15.60/8.26		
3M Average Volume (th):	22.45		

Shareholder Data

No. of Ord shares (mn):	13
Total no. of shares (mn):	12
Mkt Cap Ord (Eu mn):	200
Total Mkt Cap (Eu mn):	200
Mkt Float - Ord (Eu mn):	100
Mkt Float (in %):	50.0%
Main Shareholder:	
Enrico Magni (Laserline)	29.6%

Balance Sheet Data

Book Value (Eu mn):	111
BVPS (Eu):	9.11
P/BV:	1.7
Net Financial Position (Eu mn):	-27
Enterprise Value (Eu mn):	215

■ **4Q22 results expected to confirm a strong double-digit organic growth.** On 9 March 2023 the group will approve FY22 results. If we focus on 4Q22, we expect revenues to come to Eu55.9mn, up 88.5% YoY or +17% at constant scope: new acquisition Ennova, expected to represent ca. 28% of quarterly revenues, will be enter the consolidation perimeter for the first time in the quarter. In terms of business segments, the Aerospace, Aviation & Automotive division (Eu37.0mn) should grow by +120% YoY, as a combination of a +6.8% organic growth (a convincing performance considering the very tough YoY comparison) and the contribution from M&A (not only Ennova, but also SPS and DM); on the other hand, the Fintech division (Eu18.8mn) is expected to post a 31% organic and a 16.7% contribution from M&A. We expect quarterly EBITDA to come in at Eu8.5mn, up 47.7 YoY; the margin dilution (from 19.4% in 4Q21 to 15.2% in 4Q22) is partly due to unusual effects that boosted 4Q21 profitability (mainly entailed by the accounting of some aviation project), partly to the already mentioned Ennova consolidation, because the subsidiary should have reached an EBITDA margin just above 10%. Finally, we expect net debt to rise from Eu13.0mn at the end of September to Eu38.7mn: this important quarterly cash absorption is partly explained by M&A activity (about Eu11mn in our estimates) partly by temporary net working capital absorption expected to normalise in 1Q23.

■ **Management outlook.** CEO Daniele Misani should confirm a positive 2023 outlook and benefits expected from consolidation of and synergies with Ennova, SPS and the other recent acquisitions. We also remind that management indicated that in 2023 the group is willing to monetise its minority stake in Banca del Fucino, bought in 1Q21 at Eu14.3mn; encouragingly, a recent transaction has valued the bank at a significant premium (>20%) to the price paid by TXT. In 2023, TXT should host an investor day to better detail its ambitions for the years to come.

■ **Change in estimates.** In this report we include the recent acquisitions of TLogos and PGMD in our estimates (as of 1st January 2023); these deals are expected to have a positive impact (ca. Eu4.5mn additional revenues), with a combined EBITDA margin above group average (ca. 27%). At the same time, we have marginally improved our estimates in terms of 2023-24 organic growth (from +6.2%/+6.4% to +6.3%/+6.7%) and we have slightly raised our expected EBITDA margin (+10/20 bps); we think our new assumptions to keep on being quite conservative. All in all, we are upgrading 2023 and 2024 EPS by 6.1% and 6.7% respectively.

■ **OUTPERFORM, target Eu19.4 from Eu16.0.** Good delivery on the M&A strategy coupled to organic performance, to be confirmed by 4Q22 results, remain the pillars on which our view on the stock rests. Even after the positive recent stock performance, the valuation remains attractive, especially in relation to the expected growth rates. Our target revision is explained by our estimate upgrade ahead of results and by rolling forward our valuation.

Key Figures & Ratios	2020A	2021A	2022E	2023E	2024E
Sales (Eu mn)	69	96	148	217	231
EBITDA Adj (Eu mn)	9	15	22	31	34
Net Profit Adj (Eu mn)	4	8	10	14	16
EPS New Adj (Eu)	0.383	0.675	0.781	1.158	1.322
EPS Old Adj (Eu)	0.383	0.675	0.763	1.091	1.239
DPS (Eu)	0.040	0.000	0.000	0.000	0.000
EV/EBITDA Adj	8.1	7.2	7.7	6.9	5.8
EV/EBIT Adj	18.4	10.5	11.1	9.7	8.0
P/E Adj	40.1	22.7	19.6	13.2	11.6
Div. Yield	0.3%	0.0%	0.0%	0.0%	0.0%
Net Debt/EBITDA Adj	-2.6	0.6	1.8	0.9	0.3

TXT E-SOLUTIONS – Key Figures

Profit & Loss (Eu mn)	2019A	2020A	2021A	2022E	2023E	2024E
Sales	59	69	96	148	217	231
EBITDA	7	9	15	22	31	34
EBIT	4	3	10	15	22	25
Financial Income (charges)	-1	3	1	-2	-2	-2
Associates & Others	0	0	0	0	0	0
Pre-tax Profit	2	6	10	13	20	22
Taxes	-2	-1	-2	-4	-5	-6
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	10	14	16
EBITDA Adj	7	9	15	22	31	34
EBIT Adj	4	4	10	15	22	25
Net Profit Adj	0	4	8	10	14	16
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	0.781	1.158	1.322
EPS Adj f.d	0.039	0.383	0.675	0.781	1.158	1.322
BVPS f.d	7.028	7.313	7.942	7.953	9.112	10.434
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	13	16	23	25
Change in NWC	-7	-16	-12	-8	-8	-4
Capital Expenditure	-1	-1	-1	-3	-4	-4
Other Cash Items	-1	0	-0	-5	0	0
Free Cash Flow (FCF)	-5	-7	-0	5	11	17
Acquisitions, Divestments & Other Items	-2	-17	-25	-30	0	0
Dividends	-6	0	-0	0	0	0
Equity Financing/Buy-back	0	0	0	0	0	0
Change in Net Financial Position	-19	-19	-31	-30	11	17
Balance Sheet (Eu mn)	2019A	2020A	2021A	2022E	2023E	2024E
Total Fixed Assets	35	47	81	77	72	67
Net Working Capital	10	21	24	33	41	45
Long term Liabilities	-5	-5	-3	-3	-3	-3
Net Capital Employed	41	64	102	106	109	108
Net Cash (Debt)	41	22	-9	-39	-27	-10
Group Equity	82	85	93	97	111	127
Minorities	0	0	0	0	0	0
Net Equity	82	85	92	97	111	127
Enterprise Value (Eu mn)	2019A	2020A	2021A	2022E	2023E	2024E
Average Mkt Cap	104	91	95	131	187	187
Adjustments (Associate & Minorities)	0	0	0	0	0	0
Net Cash (Debt)	41	22	-9	-39	-27	-10
Enterprise Value	62	69	104	170	215	197
Ratios (%)	2019A	2020A	2021A	2022E	2023E	2024E
EBITDA Adj Margin	11.9%	12.5%	15.1%	14.9%	14.3%	14.7%
EBIT Adj Margin	7.2%	5.5%	10.3%	10.3%	10.2%	10.7%
Gearing - Debt/Equity	-50.6%	-25.8%	9.8%	39.8%	24.7%	7.9%
Interest Cover on EBIT	2.9	nm	nm	7.6	9.2	11.2
Net Debt/EBITDA Adj	-5.9	-2.6	0.6	1.8	0.9	0.3
ROACE*	10.7%	6.0%	11.6%	14.6%	20.4%	22.6%
ROE*	0.5%	5.4%	8.9%	10.1%	13.6%	13.5%
EV/CE	1.9	1.3	1.3	1.6	2.0	1.8
EV/Sales	1.1	1.0	1.1	1.1	1.0	0.9
EV/EBITDA Adj	8.9	8.1	7.2	7.7	6.9	5.8
EV/EBIT Adj	14.6	18.4	10.5	11.1	9.7	8.0
Free Cash Flow Yield	-2.3%	-3.3%	-0.2%	2.6%	5.6%	8.7%
Growth Rates (%)	2019A	2020A	2021A	2022E	2023E	2024E
Sales	47.8%	16.4%	40.2%	53.8%	46.1%	6.7%
EBITDA Adj	84.4%	22.2%	69.6%	51.8%	40.9%	9.2%
EBIT Adj	131.4%	-12.2%	165.5%	54.0%	43.7%	11.6%
Net Profit Adj	-20.5%	950.1%	66.3%	21.6%	48.4%	14.1%
EPS Adj	-20.5%	893.2%	76.2%	15.7%	48.4%	14.1%
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

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

Next BoD renewal: April 2023
BoD independent members: 4/7

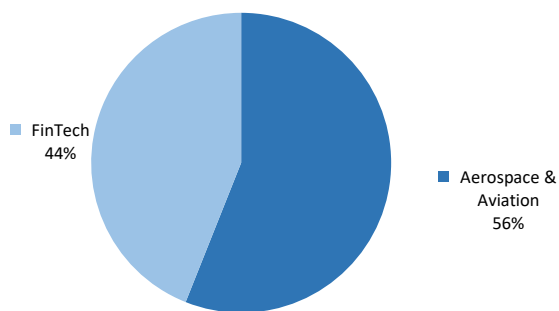
Shareholders

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

Weaknesses /Threats

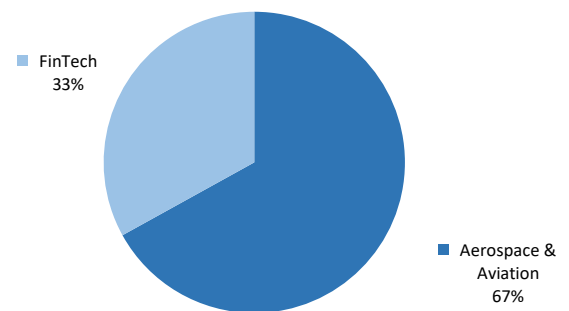
- High level of competition in the digital sector
- Business cyclicality, especially in the civil aviation sector
- Limited company size
- New entrants to the sector and fierce competition
- Execution risk following the intended M&A operations and potential delays in integrating the acquired companies

TXT e-solutions: Revenue Breakdown (2021A)



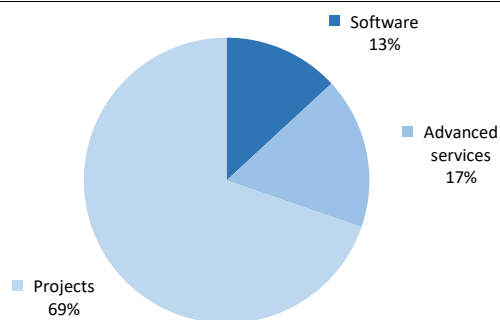
Source: Company Data & Intermonte SIM

TXT e-solutions: EBITDA Breakdown (2021A)



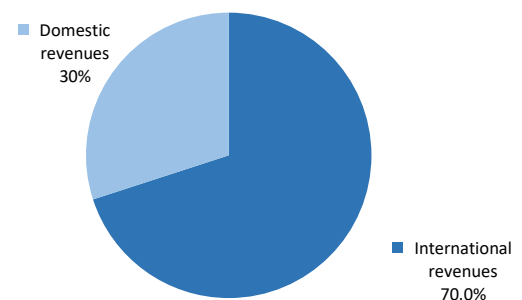
Source: Company Data & Intermonte SIM

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



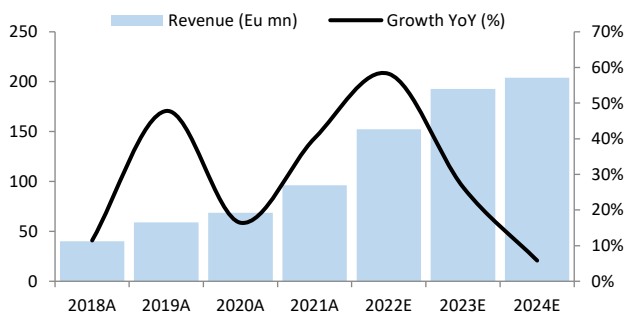
Source: Company Data & Intermonte SIM

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



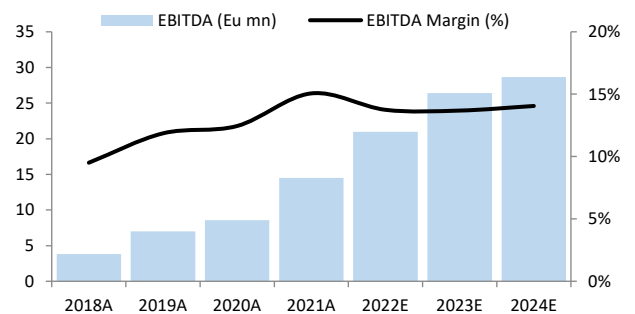
Source: Company Intermonte SIM

TXT e-solutions: Revenue Evolution (2018A-2024E)



Source: Company data & Intermonte SIM Estimates

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



Source: Company data & Intermonte SIM Estimates

Preview to FY22 Results

TXT e-solutions: Preview to 4Q/FY22 Results

(Eu mn)	4Q21A	4Q22E	2H21A	2H22E	2021A	2022E
Revenue	29.6	55.9	52.7	85.7	96.4	148.3
<i>YoY growth</i>	41.6%	88.5%	43.7%	62.8%	40.2%	53.8%
<i>Organic</i>	25.6%	17.1%	25.5%	12.8%	13.2%	15.8%
<i>Scope</i>	16.0%	71.4%	18.2%	49.9%	27.0%	38.0%
EBITDA IFRS	5.8	8.5	8.9	12.8	14.5	22.0
<i>YoY growth</i>	136.1%	47.6%	96.0%	45.1%	69.6%	51.8%
<i>EBITDA IFRS margin %</i>	19.4%	15.2%	16.8%	15.0%	15.1%	14.9%
- D&A	(1.5)	(2.4)	(2.6)	(4.2)	(4.6)	(6.7)
EBIT	4.2	6.1	6.2	8.7	9.6	15.2
<i>YoY growth</i>	-2009.5%	43.2%	485.0%	40.1%	204.1%	58.7%
<i>EBIT margin %</i>	14.3%	10.9%	11.7%	10.1%	10.0%	10.3%
- Financial income/(charges)	0.4	(0.4)	0.4	(0.6)	0.7	(2.0)
Pre-tax profit	4.6	5.7	6.6	8.0	10.3	13.2
- Income tax	(0.9)	(1.5)	(0.9)	(2.0)	(2.5)	(3.7)
<i>Tax rate %</i>	19.4%	26.5%	12.8%	25.3%	24.0%	28.0%
Net income from cont. op.	3.7	4.2	5.8	6.0	7.8	9.5
<i>YoY growth</i>	235.2%	13.1%	190.6%	4%	66.3%	22%
<i>Net profit margin %</i>	12.5%	7.5%	11.0%	7.0%	8.1%	6.4%
Net debt/(cash)	9.1	-	9.1	-	9.1	38.7

Source: Company data and Intermonte SIM estimates

TXT e-solutions: Divisional Breakdown

Revenue (Eu mn)	4Q21A	4Q22E	2H21A	2H22E	2021A	2022E
Aerospace, Aviation & Automotive	16.8	37.0	30.7	53.0	54.0	85.2
<i>YoY growth</i>	67.7%	119.7%	54.1%	72.8%	32.4%	57.9%
<i>Organic</i>	34.5%	6.8%	37.3%	1.6%	20.1%	7.2%
<i>Scope</i>	33.3%	112.9%	16.8%	71.2%	12.4%	50.7%
FinTech	12.8	18.8	22.0	32.7	42.4	63.0
<i>YoY growth</i>	17.5%	47.4%	31.3%	48.8%	51.4%	48.7%
<i>Organic</i>	17.5%	30.7%	11.5%	28.5%	3.1%	26.8%
<i>Scope</i>	0%	17%	20%	20%	48%	22%
Revenue	29.6	55.9	52.7	85.7	96.4	148.3
<i>YoY growth</i>	41.6%	88.5%	43.7%	62.8%	40.2%	53.8%
<i>Organic</i>	25.6%	17.1%	25.5%	12.8%	13.2%	15.8%
<i>Scope</i>	16.0%	71.4%	18.2%	49.9%	27.0%	38.0%
EBITDA	4.5	6.0	6.7	9.3	9.9	14.8
<i>YoY growth</i>	486.0%	32.8%	199.4%	38.5%	94.4%	49.4%
<i>EBITDA margin %</i>	26.8%	16.2%	21.9%	17.5%	18.3%	17.4%
FinTech	1.2	2.5	2.1	3.6	4.6	7.2
<i>YoY growth</i>	-25.3%	101.3%	-5.8%	65.6%	33.2%	57.0%
<i>EBITDA margin %</i>	9.8%	13.3%	9.8%	10.9%	10.9%	11.5%
EBITDA	5.8	8.5	8.9	12.8	14.5	22.0
<i>YoY growth</i>	136.0%	47.6%	95.9%	45.1%	69.6%	51.8%
<i>EBITDA margin %</i>	19.4%	15.2%	16.8%	15.0%	15.1%	14.9%

Source: Company data and Intermonte SIM estimates

Change in Estimates

In this report we include the recent acquisitions of TLogos and PGMD in our estimates (as of 1st January 2023); these deals are expected to have a positive impact (ca. Eu4.5mn additional revenues), with a combined EBITDA margin above group average (ca. 27%). At the same time, we have marginally improved our estimates in terms of 2023-24 organic growth (from +6.2%/+6.4% to +6.3%/+6.7%) and we have slightly raised our expected EBITDA margin (+10/20 bps); we think our new assumptions to keep on being quite conservative. All in all, we are upgrading 2023 and 2024 EPS by 6.1% and 6.7% respectively.

TXT – Change in estimates

	NEW ESTIMATES			OLD ESTIMATES			% CHANGE		
	2022E	2023E	2024E	2022E	2023E	2024E	2022E	2023E	2024E
Revenue	148.3	216.5	231.0	144.7	207.3	220.6	2.4%	4.4%	4.7%
<i>YoY growth</i>	53.8%	46.1%	6.7%	50.2%	43.3%	6.4%			
<i>Organic</i>	15.8%	6.3%	6.7%	15.3%	6.2%	6.4%			
<i>Scope</i>	38.0%	39.7%	0.0%	34.9%	37.0%	0.0%			
EBITDA	22.0	31.0	33.9	21.5	29.4	32.0	2.3%	5.6%	6.0%
<i>YoY growth</i>	51.8%	40.9%	9.2%	48.3%	36.6%	8.8%			
<i>EBITDA margin %</i>	14.9%	14.3%	14.7%	14.9%	14.2%	14.5%			
EBIT	15.2	22.0	24.6	14.9	20.7	23.0	2.0%	6.5%	7.0%
<i>YoY growth</i>	58.7%	44.7%	11.6%	55.5%	38.6%	11.1%			
<i>EBIT margin %</i>	10.3%	10.2%	10.7%	10.3%	10.0%	10.4%			
Pre-tax profit	13.2	19.6	22.4	12.9	18.5	21.0	2.3%	6.1%	6.7%
- Income tax	(3.7)	(5.5)	(6.3)	(3.6)	(5.2)	(5.9)			
<i>Tax rate %</i>	28.0%	28.0%	28.0%	28.0%	28.0%	28.0%			
Net income from cont. op.	9.5	14.1	16.1	9.3	13.3	15.1	2.3%	6.1%	6.7%
<i>YoY growth</i>	21.6%	48.4%	14.1%	18.8%	43.1%	13.5%			
<i>Net profit margin %</i>	6.4%	6.5%	7.0%	6.4%	6.4%	6.9%			
EPS adj.	0.781	1.158	1.322	0.763	1.091	1.239	2.3%	6.1%	6.7%
<i>YoY growth</i>	15.7%	48.4%	14.1%	13.0%	43.1%	13.5%			
Net cash/(debt)	(38.7)	(27.5)	(10.1)	(25.7)	(21.5)	(5.4)			
FCF (ex. acq)	5.3	11.2	17.3	6.2	4.2	16.1			

Source: Intermonte SIM estimates

Appendix I – M&A History

2022 Main Deals

- On 21 November, TXT announced a binding agreement for the purchase of 100% of the capital of **TLogos**, a consultancy company founded in 2011 and specialising in providing consultancy for IT security projects in complex arenas, such as the space sector. The company, which has 15 specialist employees, is expected to generate pro-forma revenues of Eu1.6mn in 2022, with an EBITDA margin of 35%. TLogos also boasts a significant revenue backlog from contracts already acquired, with strong growth prospects both in its reference sector and in other sectors already covered by the TXT group, which in turn will benefit from an enhanced high-value-adding cybersecurity offer. Closing is foreseen by 31 December 2022. The companies have agreed a payment of Eu3.3mn for 100% of TLogos (Enterprise Value), while the Equity Value is Eu5.0mn (a net cash position of Eu1.7mn is expected), to be made at closing, of which Eu3.75mn (75%) in cash and Eu1.25mn (25%) in TXT shares. Good news on the stock, both from a strategic point of view, and for the attractive multiple paid (below 6x EV/EBITDA on 2022).
- On 14 November 2022, the Group announced an accord for the acquisition of 100% of **PGMD**; the aim is to strengthening TXT's consultancy offering in the digitalisation of ICT processes in specific sectors such as healthcare. PGMD, founded in 2006, has a specialised workforce of 25 (employees/external professionals) and 2022 revenues (proforma) are expected at circa Eu2.8mn, with an EBITDA margin of 22%. The company is well positioned in digitalisation of public and private healthcare, has a solid backlog from existing multi-year contracts and strong growth prospects. PGMD is being acquired at an Enterprise Value of Eu3.5mn, of which Eu3.0mn (~85%) in cash and Eu0.5mn (~15%) in ordinary treasury shares. The accords contain retention and earn-out provisions for the 3 selling managers with expiry on approval of the 2024 financial statement. The multiple paid (5.7x 2022 EV/EBITDA) appears reasonable.
- On 4 November 2022, TXT announced it had signed an agreement for the investment in the share capital of **ProSim Training Solutions**, a Dutch-based software house specialized in the development and marketing of proprietary solutions for the civil aviation training market. The agreement consists of an initial capital increase in ProSim-TS reserved to TXT for Eu0.5mn, which will obtain 40% of the capital. The agreement also includes the provision of technologies and loans for financing the growth of ProSim-TS, plus further investment rounds which, if executed, will enable TXT to increase its ownership of ProSim-TS up to 100%. This new venture will combine unique TXT software engineering capabilities with cutting-edge proprietary pilot training products developed by ProSim-TS, with the aim of ensuring a wider choice of innovative products for professional pilot training, a more comprehensive range of certified devices, and extended delivery capabilities.
- On 3 October 2022 TXT acquired 100% of the share capital of **Soluzioni Prodotti Sistemi** ("SPS"), a company founded in Rome in 2009 and with offices in Bari and Milano, which employs over 100. The company's business consists of managing innovative projects for the development of application, IoT and Artificial Intelligence solutions; over the years, SPS has conducted a constant growth process with a 2018-2021 revenue CAGR of 23%, reaching consolidated revenues of Eu9.5mn in 2021, with an adjusted EBITDA margin of 15%. The consideration for the purchase of 100% of SPS ("Enterprise Value") was agreed between the parties at Euro 6.4 million paid at the closing, of which Euro 4.8 million (75%) in cash and Euro 1.6 million (25%) in TXT treasury shares. TXT will consolidate SPS results from October 2022.
- **DM Management & Consulting.** On 19 July 2022, TXT announced it had signed a contract for the acquisition of 100% of capital of DM Management & Consulting Srl ("DM"). TXT will consolidate results from 20 July 2022. Founded in Parma in 2011, DM was a pioneer in 2013 in the launch of the MES (Manufacturing Execution Systems) / MOM (Manufacturing Operations Management) platform, which has been developed in subsequent years through investments in R&D. In 2021 DM reported ARR of c.Eu0.5mn (on adj. revenues from sales of Eu1.2mn) and an EBITDA margin of 25% with an expected CAGR of 30% for the 2022-2024 period, thanks to group synergies. The consideration for the acquisition of 100% of DM ("Enterprise Value") was agreed by the parties at Eu1.7mn paid at closing, of which Eu1.4mn (82%) in cash and Eu0.3mn (18%) in TXT treasury shares. The acquisition of DM strengthens and expands the offering of Group proprietary digital solutions for industry.

- Ennova.** On 29 June 2022, TXT signed a binding agreement for the purchase of a 78.56% stake in Ennova. Ennova (based in Turin) was formed in 2010 by Turin Polytechnic business incubator as a start-up developing services and solutions for the management of the entire life cycle of the digital transformation of companies. During its history, Ennova has posted constant, rapid growth, with revenues going from Eu18mn in 2015 to Eu40mn in 2017, then exceeding Eu60mn in 2021. 2021 adjusted EBITDA came to Eu5.3mn, and should rise further in 2022. The current Ennova offer is focused on three main business units: (i) the Technology business unit focused on the development of proprietary platforms for the digitalisation of client processes in various markets, (ii) the Advanced Caring business unit which manages the outsourcing of high-tech customer care operations for Telcos and utility sector clients through the use of innovative proprietary platforms based on artificial intelligence, and (iii) the Tech on Site business unit, which guarantees national coverage with specialist resources and software platforms for the telecommunications and gaming industries. The price paid for the acquisition of 78.56% of Ennova, represented by the shares held by non-employee shareholders, was agreed at Eu8.9mn to be paid in cash at closing. On October 3, 2022, TXT announced the purchase of a stake representing 21.44% of the share capital of Ennova from its minority shareholders and managers, reaching 100% of the capital of Ennova. The consideration for the purchase of 21.44% of Ennova was agreed between the parties in Eu6.4mn, of which Eu 4.9mn (75%) paid in cash and Eu1.5mn (25%) by transfer of TXT ordinary treasury shares. The agreement provides for two earn-out clauses to the selling shareholders who will continue to hold strategic managerial roles in Ennova.

Main 2021 Deals

- TeraTron.** On 29 July 2021 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 1 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 29 November 2021, 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 1 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 28 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 1 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.

DETAILS ON STOCKS RECOMMENDATION			
Stock NAME	TXT E-SOLUTIONS		
Current Recomm:	OUTPERFORM	Previous Recomm:	OUTPERFORM
Current Target (Eu):	19.40	Previous Target (Eu):	16.00
Current Price (Eu):	15.34	Previous Price (Eu):	12.44
Date of report:	13/02/2023	Date of last report:	10/11/2022

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The main methods used to evaluate financial instruments and set a target price for 12 months after the investment recommendation are as follows:

- 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 4.0% and a risk premium of 5.5% are being used.

Frequency of research: quarterly.

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A draft copy of each report may be sent to the subject company for its information (without target price and/or recommendations), but unless expressly stated in the text of the report, no changes are made before it is published.

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- BUY: stock expected to outperform the market by over 25% over a 12 month period;
- 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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OUTPERFORM:	48.76 %
NEUTRAL:	28.10 %
UNDERPERFORM:	02.48 %
SELL:	00.00 %

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OUTPERFORM:	49.02 %
NEUTRAL:	11.76 %
UNDERPERFORM:	00.00 %
SELL:	00.00 %

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Emittente	%	Long/Short
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