

TXT E-SOLUTIONS

OUTPERFORM

Sector: Industrials

Price: Eu19.34 - Target: Eu23.20

Good 1Q23 Numbers, Encouraging Outlook

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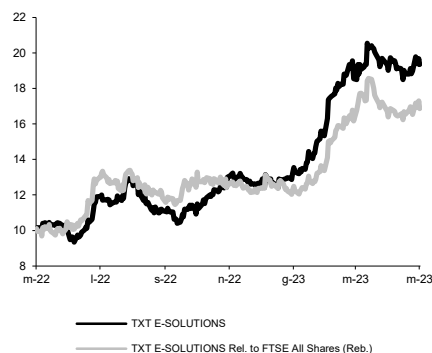
Stock Rating

Rating:	Unchanged		
Target Price (Eu):	from 22.10 to 23.20		
	2023E	2024E	2025E
Chg in Adj EPS	1.9%	2.0%	2.3%

Next Event 1H23 Results

Results Out 3 August 2023

TXT E-SOLUTIONS - 12M Performance



Stock Data

Reuters code:	TXTS.MI		
Bloomberg code:	TXT IM		
Performance	1M	3M	12M
Absolute	1.7%	26.1%	91.5%
Relative	2.8%	26.1%	76.8%
12M (H/L)	20.55/9.35		
3M Average Volume (th):	30.60		

Shareholder Data

No. of Ord shares (mn):	13
Total no. of shares (mn):	12
Mkt Cap Ord (Eu mn):	252
Total Mkt Cap (Eu mn):	252
Mkt Float - Ord (Eu mn):	126
Mkt Float (in %):	50.0%
Main Shareholder:	
Enrico Magni (Laserline)	29.6%

Balance Sheet Data

Book Value (Eu mn):	122
BVPS (Eu):	9.98
P/BV:	1.9
Net Financial Position (Eu mn):	-30
Enterprise Value (Eu mn):	267

■ **1Q23 organic revenue growth stronger than expected.** 1Q23 revenues were Eu52.3mn, +71.4% YoY and 1.2% better than our expectations. On an unchanged consolidation perimeter, revenues grew +11.2%, markedly better than our estimate of +5.6%. EBITDA came to Eu6.8mn, slightly better than our estimate of Eu6.7mn and up 52.1% YoY. Margin dilution (from 14.7% to 13.1%) is mainly attributable to consolidation of new acquisitions. Presentation of 1Q23 results also reflected the group decision to change segment reporting, which is now based on the type of offer: (i) Smart Solutions: proprietary software and solutions; (ii) Digital Advisory: specialised consultancy services for digital innovation of processes at large enterprise and in the public sector; (iii) Software Engineering: software engineering services for innovation. In 1Q23, the contributions of the various divisions were: Eu9.3mn (18% of total) from Smart Solutions; Eu6.6mn (13% of total) from Digital Advisory and Eu36.3mn (69%) from Software Engineering. Debt as at 31 March 2023 was Eu24.6mn, slightly better than expected and down Eu13.7mn thanks to favourable seasonality of NWC and despite the share buyback for Eu3.4mn. We note that this figure includes the value of the TXT stake in Banca del Fucino, booked at a carry value of Eu16.5mn. The approval of 1Q23 results took place at the first meeting of the new board appointed by the AGM on 20 April, which confirmed Enrico Magni as chairman and Daniele Misani as CEO.

■ **Management outlook.** According to management, the Digital Advisory and Software Engineering divisions should continue organic growth in line with 1Q23 - +24.1% and +11.6% respectively – while Smart Solutions, which grew organically 4.5% in 1Q23, should accelerate from 2H23. Management is working on closing new acquisitions, as it has high financial flexibility. In 2023, TXT expects to achieve organic revenue growth in line with 1Q23 (11%) and an EBITDA margin of at least 14%. In relation to the 2023 M&A plan, TXT plans to continue with its acquisition plan aimed at integrating emerging technologies, specialised digital skills and excellence in markets that are already proprietary or adjacent to the current ones. Importantly, management is planning an investor day in July or September to better describe to the market its 3-year strategic outlook.

■ **Change in estimates.** Given the positive 1Q23 figures and encouraging management outlook, in this report we slightly raise our 2023/24 organic growth estimates (from +8.9%/+8.0% to +11.0%/+8.0%), while leaving our EBIT margin assumptions unchanged; we think our new assumptions, consistent with management indications (clearly, we do not include future M&A deals expected to be announced during the year), remain quite conservative. All in all, we are upgrading 2023 and 2024 EPS by 1.9% and 2.0% respectively.

■ **OUTPERFORM, target Eu23.2 from Eu22.1.** Good delivery on the M&A strategy coupled to organic performance, confirmed by 1Q23 results, remain the pillars on which our view on the stock rests. Even after the recent positive stock performance, the valuation remains attractive, especially in relation to the expected growth rates. Our target revision is explained by our estimate upgrade. The investor day presentation could be a relevant catalyst ahead.

Key Figures & Ratios	2021A	2022A	2023E	2024E	2025E
Sales (Eu mn)	96	151	226	244	261
EBITDA Adj (Eu mn)	15	22	32	35	38
Net Profit Adj (Eu mn)	8	11	15	17	19
EPS New Adj (Eu)	0.675	0.934	1.225	1.408	1.553
EPS Old Adj (Eu)	0.675	0.934	1.202	1.380	1.518
DPS (Eu)	0.000	0.180	0.225	0.259	0.285
EV/EBITDA Adj	7.2	7.6	8.3	7.1	6.2
EV/EBIT Adj	10.5	11.2	11.5	9.6	8.3
P/E Adj	28.7	20.7	15.8	13.7	12.5
Div. Yield	0.0%	0.9%	1.2%	1.3%	1.5%
Net Debt/EBITDA Adj	0.6	1.7	0.9	0.4	-0.1

TXT E-SOLUTIONS – Key Figures

Profit & Loss (Eu mn)	2020A	2021A	2022A	2023E	2024E	2025E
Sales	69	96	151	226	244	261
EBITDA	9	15	22	32	35	38
EBIT	3	10	14	23	26	28
Financial Income (charges)	3	1	2	-2	-2	-2
Associates & Others	0	0	0	0	0	0
Pre-tax Profit	6	10	16	21	24	26
Taxes	-1	-2	-4	-6	-7	-7
Tax rate	19.8%	24.0%	26.0%	28.0%	28.0%	28.0%
Minorities & Discontinued Operations	-0	0	0	0	0	0
Net Profit	5	8	12	15	17	19
EBITDA Adj	9	15	22	32	35	38
EBIT Adj	4	10	15	23	26	28
Net Profit Adj	4	8	11	15	17	19
Per Share Data (Eu)	2020A	2021A	2022A	2023E	2024E	2025E
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	0.383	0.675	0.934	1.225	1.408	1.553
EPS Adj f.d	0.383	0.675	0.934	1.225	1.408	1.553
BVPS f.d	7.313	7.942	8.934	9.980	11.163	12.457
Dividend per Share ORD	0.040	0.000	0.180	0.225	0.259	0.285
Dividend per Share SAV	0.000	0.000	0.000	0.000	0.000	0.000
Dividend Payout Ratio (%)	10.4%	0.0%	19.3%	18.4%	18.4%	18.4%
Cash Flow (Eu mn)	2020A	2021A	2022A	2023E	2024E	2025E
Gross Cash Flow	10	13	20	24	27	29
Change in NWC	-16	-3	-13	-10	-4	-4
Capital Expenditure	-1	-1	-3	-4	-4	-4
Other Cash Items	0	-0	-6	0	0	0
Free Cash Flow (FCF)	-7	8	5	10	18	20
Acquisitions, Divestments & Other Items	-17	-25	-30	0	0	0
Dividends	0	-0	0	-2	-3	-3
Equity Financing/Buy-back	0	0	0	0	0	0
Change in Net Financial Position	-19	-31	-29	8	15	17
Balance Sheet (Eu mn)	2020A	2021A	2022A	2023E	2024E	2025E
Total Fixed Assets	47	81	116	111	106	100
Net Working Capital	21	24	37	46	51	55
Long term Liabilities	-5	-3	-5	-5	-5	-5
Net Capital Employed	64	102	148	152	151	150
Net Cash (Debt)	22	-9	-38	-30	-15	2
Group Equity	85	93	109	122	137	152
Minorities	0	0	0	0	0	0
Net Equity	85	92	109	122	137	152
Enterprise Value (Eu mn)	2020A	2021A	2022A	2023E	2024E	2025E
Average Mkt Cap	91	95	132	237	237	237
Adjustments (Associate & Minorities)	0	0	0	0	0	0
Net Cash (Debt)	22	-9	-38	-30	-15	2
Enterprise Value	69	104	170	267	252	234
Ratios (%)	2020A	2021A	2022A	2023E	2024E	2025E
EBITDA Adj Margin	12.5%	15.1%	14.8%	14.3%	14.5%	14.5%
EBIT Adj Margin	5.5%	10.3%	10.1%	10.3%	10.7%	10.9%
Gearing - Debt/Equity	-25.8%	9.8%	35.0%	24.7%	10.9%	-1.5%
Interest Cover on EBIT	nm	nm	nm	9.7	11.9	14.2
Net Debt/EBITDA Adj	-2.6	0.6	1.7	0.9	0.4	-0.1
ROACE*	6.0%	11.6%	11.1%	15.5%	17.2%	18.8%
ROE*	5.4%	8.9%	11.3%	13.0%	13.3%	13.2%
EV/CE	1.3	1.3	1.4	1.8	1.7	1.6
EV/Sales	1.0	1.1	1.1	1.2	1.0	0.9
EV/EBITDA Adj	8.1	7.2	7.6	8.3	7.1	6.2
EV/EBIT Adj	18.4	10.5	11.2	11.5	9.6	8.3
Free Cash Flow Yield	-2.6%	3.3%	2.0%	4.1%	7.2%	8.1%
Growth Rates (%)	2020A	2021A	2022A	2023E	2024E	2025E
Sales	16.4%	40.2%	56.4%	49.9%	8.0%	7.0%
EBITDA Adj	22.2%	69.6%	53.3%	44.8%	9.9%	7.3%
EBIT Adj	-12.2%	165.5%	52.2%	53.3%	12.5%	8.7%
Net Profit Adj	950.1%	66.3%	52.9%	25.1%	14.9%	10.3%
EPS Adj	893.2%	76.2%	38.4%	31.2%	14.9%	10.3%
DPS	nm	nm	nm	25.1%	14.9%	10.3%

*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 2026
BoD independent members: 4/7

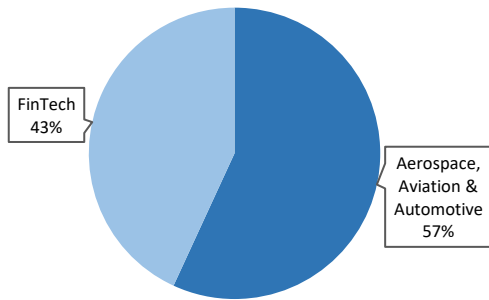
Shareholders

Laserline SpA	30%
Managers	16%
Treasury Shares	7%
LVO Global AM	3%
Market	43%

Weaknesses /Threats

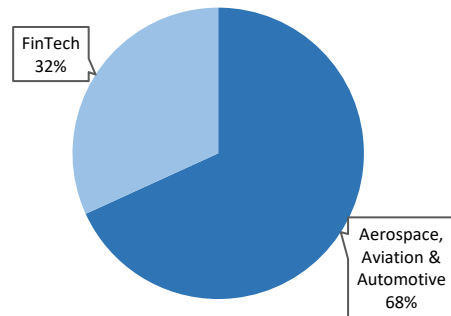
- High level of competition in the digital sector
- Business cyclicality, especially in the civil aviation sector
- Limited company size
- New entrants to the sector and fierce competition
- Execution risk following the intended M&A operations and potential delays in integrating the acquired companies

TXT e-solutions: Revenue Breakdown (2022A)



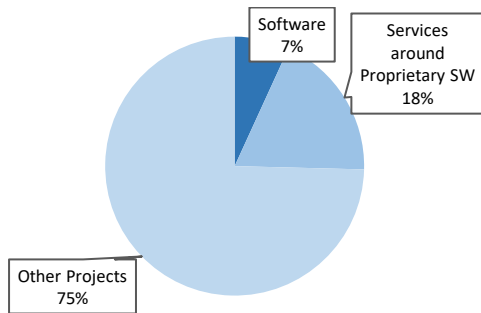
Source: Company Data & Intermonte SIM

TXT e-solutions: EBITDA Breakdown (2022A)



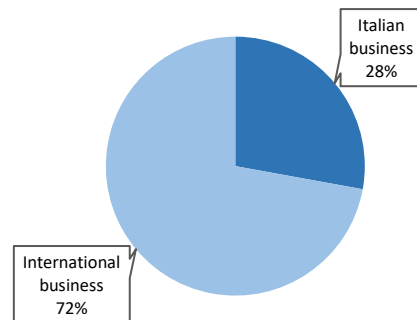
Source: Company Data & Intermonte SIM

TXT e-solutions: Revenue Breakdown (2022A)



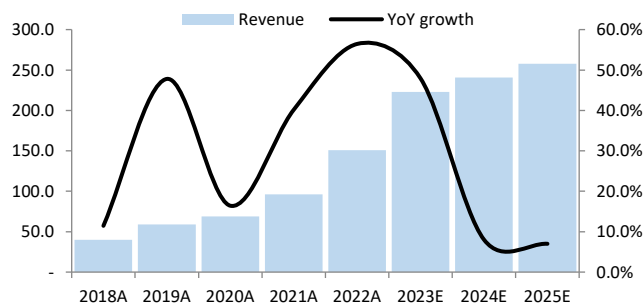
Source: Company Data & Intermonte SIM

TXT e-solutions: International vs. Domestic Revenue (2022A)



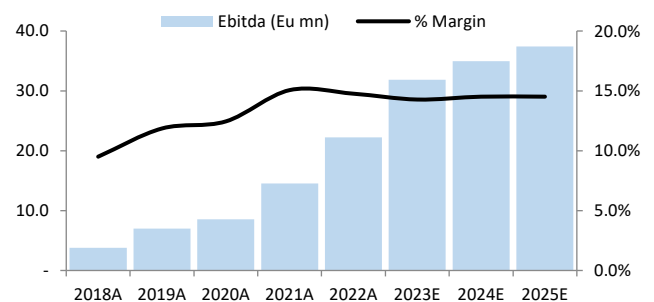
Source: Company Intermonte SIM

TXT e-solutions: Revenue Evolution (2018A-2025E)



Source: Company data & Intermonte SIM Estimates

TXT e-solutions: EBITDA and Margin Evolution (2018A-2025E)



Source: Company data & Intermonte SIM Estimates

1Q23 Results

TXT e-solutions: 1Q23 Results

(Eu mn)	1Q22A	1Q23A	1Q23E	A/E%
Revenue	30.5	52.3	51.7	1.2%
<i>YoY growth</i>	42.1%	71.4%	69.3%	
<i>Organic</i>	17.8%	11.2%	5.6%	
<i>Scope</i>	24.2%	60.2%	63.7%	
EBITDA IFRS	4.5	6.8	6.7	1.5%
<i>YoY growth</i>	66.2%	52.1%	49.9%	
<i>EBITDA IFRS margin %</i>	14.7%	13.1%	13.0%	
- D&A	(1.2)	(2.4)	(2.2)	
- Restructuring/Non Recurring cost	(0.1)	-	(0.1)	
EBIT	3.2	4.5	4.4	0.8%
<i>YoY growth</i>	86.1%	39.1%	38.0%	
<i>EBIT margin %</i>	10.5%	8.6%	8.6%	
- Financial income/(charges)	(0.3)	(0.4)	(0.5)	
Pre-tax profit	2.9	4.0	3.9	2.5%
- Income tax	(0.9)	(1.1)	(1.1)	
<i>Tax rate %</i>	29.2%	27.9%	28.0%	
Net income from cont. op.	2.1	2.9	2.8	2.6%
<i>YoY growth</i>	67.5%	40.3%	36.6%	
<i>Net profit margin %</i>	6.8%	5.6%	5.5%	
Net debt/(cash)	(3.2)	24.6	25.0	

Source: Company data and Intermonte SIM estimates

TXT e-solutions: Divisional Breakdown

Revenue (Eu mn)	1Q22A	1Q23A	1Q23E	A/E%
Smart Solutions	8.7	9.3		
<i>YoY growth</i>		6.7%		
<i>Organic</i>		4.5%		
<i>Scope</i>		2.2%		
Digital Advisory	4.2	6.6		
<i>YoY growth</i>		56.7%		
<i>Organic</i>		24.1%		
<i>Scope</i>		33%		
Software Engineering	17.6	36.3		
<i>YoY growth</i>		106.5%		
<i>Organic</i>		11.6%		
<i>Scope</i>		95%		
Revenue	30.5	52.3	51.7	1.2%
<i>YoY growth</i>	42.1%	71.4%	69.3%	
<i>Organic</i>	17.7%	11.2%	5.6%	
<i>Scope</i>	24.3%	5.1%	63.7%	

Source: Company data and Intermonte SIM estimates

Change in Estimates

Given the positive 1Q23 figures and encouraging management outlook, in this report we slightly raise our 2023/24 organic growth estimates (from +8.9%/+8.0% to +8.9%/+8.0%), while leaving our EBIT margin assumptions unchanged; we think our new assumptions, consistent with management indications (clearly, we do not include future M&A deals expected to be announced during the year), remain quite conservative. All in all, we are upgrading 2023 and 2024 EPS by 4.0% and 4.7% respectively.

TXT – Change in estimates

	NEW ESTIMATES			OLD ESTIMATES			% CHANGE		
	2023E	2024E	2025E	2023E	2024E	2025E	2023E	2024E	2025E
Revenue	226.0	244.2	261.3	223.0	240.9	257.7	1.4%	1.4%	1.4%
<i>YoY growth</i>	49.9%	8.0%	7.0%	47.9%	8.0%	7.0%			
<i>Organic</i>	11.0%	8.0%	7.0%	8.9%	8.0%	7.0%			
<i>Scope</i>	38.9%	0.0%	0.0%	39.0%	0.0%	0.0%			
EBITDA	32.2	35.4	38.0	31.8	35.0	37.4	1.2%	1.4%	1.6%
<i>YoY growth</i>	44.8%	9.9%	7.3%	43.0%	9.8%	7.0%			
<i>EBITDA margin %</i>	14.3%	14.5%	14.5%	14.3%	14.5%	14.5%			
EBIT	23.2	26.1	28.4	22.8	25.7	27.8	1.7%	1.8%	2.2%
<i>YoY growth</i>	67.0%	12.5%	8.7%	64.1%	12.4%	8.4%			
<i>EBIT margin %</i>	10.3%	10.7%	10.9%	10.2%	10.7%	10.8%			
Pre-tax profit	20.8	23.9	26.4	20.4	23.5	25.8	1.9%	2.0%	2.3%
- Income tax	(5.8)	(6.7)	(7.4)	(5.7)	(6.6)	(7.2)			
<i>Tax rate %</i>	28.0%	28.0%	28.0%	28.0%	28.0%	28.0%			
Net income from cont. op.	15.0	17.2	19.0	14.7	16.9	18.6	1.9%	2.0%	2.3%
<i>YoY growth</i>	25.1%	14.9%	10.3%	22.7%	14.8%	10.0%			
<i>Net profit margin %</i>	6.6%	7.1%	7.3%	6.6%	7.0%	7.2%			
EPS adj.	1.225	1.408	1.553	1.202	1.380	1.518	1.9%	2.0%	2.3%
<i>YoY growth</i>	31.2%	14.9%	10.3%	28.7%	14.8%	10.0%			
Net cash/(debt)	(30.1)	(14.8)	2.3	(29.3)	(14.1)	2.8			
FCF (ex. acq)	10.4	18.0	20.3	11.2	17.9	20.0			

Source: Intermonte SIM estimates

Appendix – M&A History

2023 Main Deals

- On 13 April 2023 TXT undertook to subscribe to a capital increase in the Simplex start-up reserved for TXT equal to Eu3mn against which TXT comes to hold 15% of Simplex. This start-up aims to bring digital innovation to the insurance sector, with a main focus on the Protection sectors and Wealth Management, through a smart solution that allows the optimization and total control of sales processes and the consequent drastic reduction of transaction costs. As part of the investment project, TXT will play a key role in the implementation, in the maintenance and technological evolution of Simplex's Insurtech platform through a contract for the supply of services and software licenses worth more than Eu2mn for the next five years, excluding expected extensions.
- On 26 January 2023, TXT announced an agreement for the investment in the capital of LAS LAB Srl. The investment involves a capital increase in LasLab reserved for TXT, consisting of Eu0.3mn, which grants TXT a 33.0% stake in LasLab, an innovative start-up established from the spin-off of the technological platform developed by Loan Agency Services Srl, leader among active non-banking operators in the credit management supporting services.

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 ProSimTS 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):	23.20	Previous Target (Eu):	22.10
Current Price (Eu):	19.34	Previous Price (Eu):	18.54
Date of report:	15/05/2023	Date of last report:	13/03/2023

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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.

Reports on all companies listed on the S&P500 Index, most of those on the MIB30 Index and the main small caps (regular coverage) are published at least once per quarter to comment on results and important newsflow.

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.

Explanation of our ratings system:

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

CURRENT INVESTMENT RESEARCH RATING DISTRIBUTIONS

Intermonte SIM is authorised by CONSOB to provide investment services and is listed at n° 246 in the register of brokerage firms.

As at 31 March 2023 Intermonte's Research Department covered 119 companies. Intermonte's distribution of stock ratings is as follows:

BUY:	20.83 %
OUTPERFORM:	51.67 %
NEUTRAL:	25.83 %
UNDERPERFORM	01.67 %
SELL:	00.00 %

The distribution of stock ratings for companies which have received corporate finance services from Intermonte in the last 12 months (49 in total) is as follows:

BUY:	38.78 %
OUTPERFORM:	51.02 %
NEUTRAL:	10.20 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

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Intermonte is acting as financial advisor to SAES Getters in relation to the partial voluntary tender offer on saving shares and mandatory conversion of saving shares into ordinary shares proposed by the company.

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Emittente	%	Long/Short
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