

TXT E-SOLUTIONS

Sector: Industrials

OUTPERFORM

Price: Eu11.60 - Target: Eu15.50

Estimates Up Thanks To M&A and Solid Organic Trends

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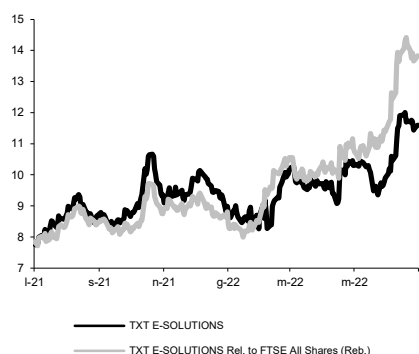
Stock Rating

Rating:	Unchanged		
Target Price (Eu):	from 13.50 to 15.50		
	2022E	2023E	2024E
Chg in Adj EPS	4.2%	20.3%	21.5%

Next Event 1H22 Results

 Results Out 3rd August 2022

TXT E-SOLUTIONS - 12M Performance



Stock Data

Reuters code:	TXTS.MI		
Bloomberg code:	TXT IM		
Performance	1M	3M	12M
Absolute	17.2%	19.5%	47.6%
Relative	20.8%	30.4%	63.1%
12M (H/L)	12.00/7.75		
3M Average Volume (th):	28.29		

Shareholder Data

No. of Ord shares (mn):	13
Total no. of shares (mn):	12
Mkt Cap Ord (Eu mn):	151
Total Mkt Cap (Eu mn):	151
Mkt Float - Ord (Eu mn):	75
Mkt Float (in %):	50.0%
Main Shareholder:	
Enrico Magni (Laserline)	29.6%

Balance Sheet Data

Book Value (Eu mn):	98
BVPS (Eu):	7.99
P/BV:	1.5
Net Financial Position (Eu mn):	-24
Enterprise Value (Eu mn):	166

■ **2Q22 results should match up to strong 1Q22.** 2Q22 revenues should have come to Eu30.3mn, up +36.4% YoY (+12% organic), basically flat QoQ in absolute terms (while organic YoY growth is hit by a tougher comparison). The Aerospace and Aviation business – 52% of total quarterly sales - is expected to have grown 28.6% YoY thanks to 5.0% organic growth and the consolidation of TeraTron, acquired in July 2021. Fintech revenues – 48% of total quarterly sales - should have come to Eu14.5mn, up +46.3% YoY, or +20.0% on a like-for-like basis. We forecast quarterly EBITDA to have come in at Eu4.5mn, up more than 50% YoY, with a 14.7% margin (vs. 13.3% in 2Q21). At bottom line, quarterly net profit is expected to have closed at Eu1.3mn, much better than the corresponding figure in 2Q21 (Eu0.8mn) despite higher financial charges. Finally, we expect the company to report a negative net financial position to the tune of Eu1mn at the end of June, after some NWC absorption compared to the favourable level at the end of March and in light of the roll-out of the buyback programme.

■ **Change in estimates.** In this report we are factoring the recent acquisitions of Ennova and DM into our estimates. Ennova, is to be consolidated as of August 2022 (for the time being TXT has acquired a 78.6% stake): in 2021 the company recorded revenues exceeding Eu60mn with EBITDA of Eu5.3mn (EBITDA margin 8.8%). DM, consolidated as of 20 July, recorded revenues of Eu1.2mn in 2021 with EBITDA of Eu0.3mn (EBITDA margin 25%) and should enjoy strong annual growth of 30% in the coming years. Thanks to these acquisitions, but also after an upward adjustment to our organic assumptions in light of expectations for a healthy set of 2Q22 results, we are raising our 2022 and 2023 top line estimates by 27.4% and 50.0% respectively. In terms of EBITDA, we are lowering our EBITDA margin forecasts by 100bp on 2022 and 130bp on 2023, now pointing to 13.7% in both years, due to the dilutive impact from Ennova. In absolute terms, we are raising our 2023 revenues and EBITDA by Eu64.3mn and Eu7.1mn respectively. All in all, we are raising our EPS projections by 4.2% for 2022 (the Eu2.3mn EBIT upgrade is partly offset by assuming higher financial charges mainly due to hedging instruments) and 20.3% for 2023 (when the recent acquisitions will show their full potential).

■ **OUTPERFORM, target from Eu13.5 to Eu15.5.** The good delivery on M&A strategy coupled with organic performance that is expected to remain strong are the pillars supporting our view on the stock. Our target goes to Eu15.5 from Eu13.5 because the upgraded estimates more than offset a 50bp increase in our risk-free rate assumption (from 2.5% to 3.0%). Even without considering the financial investment in Banca del Fucino, the stock is trading at just 6x EV/EBITDA on 2023.

Key Figures & Ratios	2020A	2021A	2022E	2023E	2024E
Sales (Eu mn)	69	96	152	193	204
EBITDA Adj (Eu mn)	9	15	21	26	29
Net Profit Adj (Eu mn)	4	8	9	12	13
EPS New Adj (Eu)	0.383	0.675	0.714	0.945	1.057
EPS Old Adj (Eu)	0.383	0.675	0.685	0.785	0.870
DPS (Eu)	0.040	0.000	0.000	0.000	0.000
EV/EBITDA Adj	8.1	7.2	7.9	6.2	5.2
EV/EBIT Adj	18.4	10.5	11.6	9.2	7.6
P/E Adj	30.3	17.2	16.2	12.3	11.0
Div. Yield	0.3%	0.0%	0.0%	0.0%	0.0%
Net Debt/EBITDA Adj	-2.6	0.6	1.2	0.8	0.2

TXT E-SOLUTIONS – Key Figures

Profit & Loss (Eu mn)	2019A	2020A	2021A	2022E	2023E	2024E
Sales	59	69	96	152	193	204
EBITDA	7	9	15	21	26	29
EBIT	4	3	10	14	18	19
Financial Income (charges)	-1	3	1	-2	-1	-1
Associates & Others	0	0	0	0	0	0
Pre-tax Profit	2	6	10	12	17	19
Taxes	-2	-1	-2	-3	-5	-5
Tax rate	80.6%	19.8%	24.0%	28.0%	28.0%	28.0%
Minorities & Discontinued Operations	-0	-0	0	-0	-0	-1
Net Profit	0	5	8	9	12	13
EBITDA Adj	7	9	15	21	26	29
EBIT Adj	4	4	10	14	18	19
Net Profit Adj	0	4	8	9	12	13
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	0.714	0.945	1.057
EPS Adj f.d	0.039	0.383	0.675	0.714	0.945	1.057
BVPS f.d	7.028	7.313	7.942	7.992	8.976	10.077
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	13	16	
Change in NWC	-7	-16	-12	-13	-14	-4
Capital Expenditure	-1	-1	-1	-3	-3	-4
Other Cash Items	-1	0	-0	-4	0	0
Free Cash Flow (FCF)	-5	-7	-0	0	3	15
Acquisitions, Divestments & Other Items	-2	-17	-25	-17	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	-31	-15	3	15
Balance Sheet (Eu mn)	2019A	2020A	2021A	2022E	2023E	2024E
Total Fixed Assets	35	47	81	77	72	66
Net Working Capital	10	21	24	37	51	56
Long term Liabilities	-5	-5	-3	-3	-3	-3
Net Capital Employed	41	64	102	111	120	118
Net Cash (Debt)	41	22	-9	-24	-21	-7
Group Equity	82	85	93	98	110	123
Minorities	0	0	0	0	0	0
Net Equity	82	85	92	98	110	123
Enterprise Value (Eu mn)	2019A	2020A	2021A	2022E	2023E	2024E
Average Mkt Cap	104	91	95	142	142	142
Adjustments (Associate & Minorities)	0	0	0	0	0	0
Net Cash (Debt)	41	22	-9	-24	-21	-7
Enterprise Value	62	69	104	166	163	148
Ratios (%)	2019A	2020A	2021A	2022E	2023E	2024E
EBITDA Adj Margin	11.9%	12.5%	15.1%	13.7%	13.7%	14.1%
EBIT Adj Margin	7.2%	5.5%	10.3%	9.4%	9.2%	9.5%
Gearing - Debt/Equity	-50.6%	-25.8%	9.8%	24.8%	19.5%	5.4%
Interest Cover on EBIT	2.9	nm	nm	8.7	17.7	24.3
Net Debt/EBITDA Adj	-5.9	-2.6	0.6	1.2	0.8	0.2
ROACE*	10.7%	6.0%	11.6%	13.1%	15.4%	16.3%
ROE*	0.5%	5.4%	8.9%	9.2%	11.1%	11.1%
EV/CE	1.9	1.3	1.3	1.6	1.4	1.2
EV/Sales	1.1	1.0	1.1	1.1	0.8	0.7
EV/EBITDA Adj	8.9	8.1	7.2	7.9	6.2	5.2
EV/EBIT Adj	14.6	18.4	10.5	11.6	9.2	7.6
Free Cash Flow Yield	-3.0%	-4.4%	-0.3%	0.3%	1.9%	9.8%
Growth Rates (%)	2019A	2020A	2021A	2022E	2023E	2024E
Sales	47.8%	16.4%	40.2%	58.2%	26.4%	5.8%
EBITDA Adj	84.4%	22.2%	69.6%	44.4%	25.9%	8.7%
EBIT Adj	131.4%	-12.2%	165.5%	43.2%	24.0%	10.1%
Net Profit Adj	-20.5%	950.1%	66.3%	13.5%	35.0%	11.9%
EPS Adj	-20.5%	893.2%	76.2%	5.9%	32.2%	11.9%
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

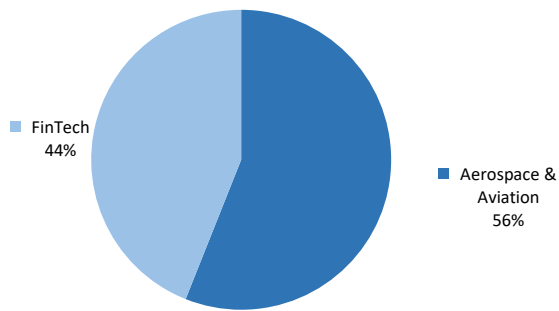
Shareholders

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

Weaknesses /Threats

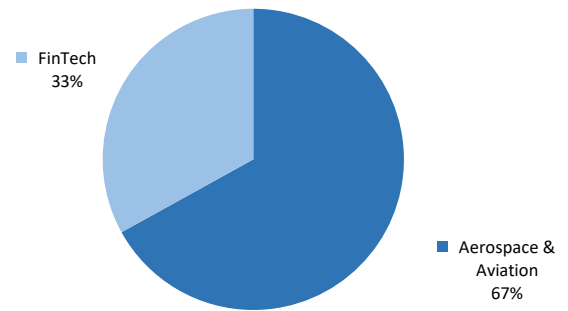
- High level of competition in the digital sector
- Business cyclicity, especially in the civil aviation sector
- Limited company size
- New entrants to the sector and fierce competition
- Execution risk following the intended M&A operations and potential delays in integrating the acquired companies

TXT e-solutions: Revenue Breakdown (2021A)



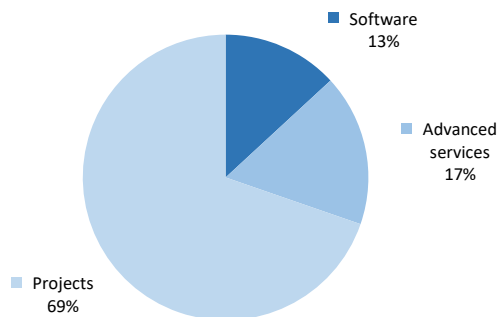
Source: Company Data & Intermonte SIM

TXT e-solutions: EBITDA Breakdown (2021A)



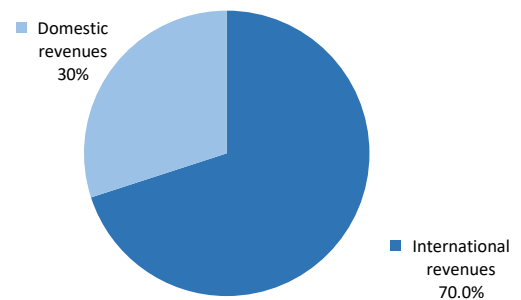
Source: Company Data & Intermonte SIM

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



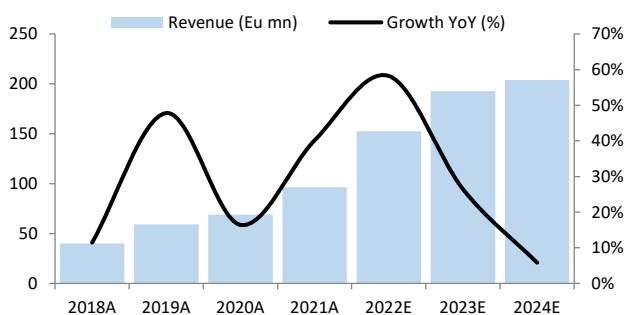
Source: Company Data & Intermonte SIM

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



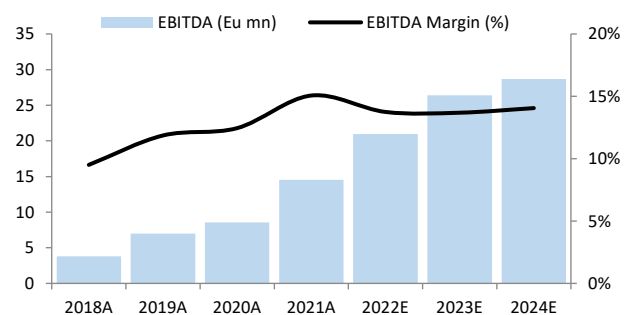
Source: Company Intermonte SIM

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 2Q22 Results

TXT e-solutions: Preview to 2Q22 Results

(Eu mn)	2Q21A	2Q22E	1H21A	1H22E
Revenue	22.2	30.3	43.7	60.8
<i>YoY growth</i>	40.1%	36.4%	36.1%	39.2%
<i>Organic</i>	6.5%	11.7%	4.4%	14.6%
<i>Scope</i>	33.6%	24.8%	31.7%	24.6%
EBITDA IFRS	3.0	4.5	5.7	8.9
<i>YoY growth</i>	42.5%	50.6%	40.1%	58.0%
<i>EBITDA IFRS margin %</i>	13.3%	14.7%	13.0%	14.7%
- D&A	(1.0)	(1.2)	(1.9)	(2.4)
EBIT	1.7	3.0	3.4	6.2
<i>YoY growth</i>	82.3%	79.3%	62.9%	82.7%
<i>EBIT margin %</i>	7.6%	10.0%	7.8%	10.3%
- Financial income/(charges)	0.0	(1.1)	0.3	(1.4)
Pre-tax profit	1.7	1.9	3.7	4.8
- Income tax	(0.9)	(0.6)	(1.6)	(1.5)
<i>Tax rate %</i>	51.1%	31.3%	43.9%	30.0%
Net income from cont. op.	0.8	1.3	2.1	3.4
<i>YoY growth</i>	-66.3%	58.3%	-24.1%	64%
<i>Net profit margin %</i>	3.8%	4.4%	4.7%	5.6%
Net debt/(cash)	(11.1)	(1.0)	(11.1)	(1.0)

Source: Company data and Intermonte SIM estimates

TXT e-solutions: 1Q22 Divisional Breakdown

Revenue (Eu mn)	2Q21A	2Q22E	1H21A	1H22E
Aerospace, Aviation & Automotive	12.3	15.8	23.3	31.7
<i>YoY growth</i>	19.3%	28.6%	11.8%	36.1%
<i>Organic</i>	19.3%	5.0%	11.8%	11.1%
<i>Scope</i>	0.0%	23.6%	0.0%	25.0%
FinTech	9.9	14.5	20.4	29.1
<i>YoY growth</i>	79.1%	46.3%	81.2%	42.8%
<i>Organic</i>	-17.4%	20.0%	-9.4%	18.7%
<i>Scope</i>	96%	26%	91%	24%
Revenue	22.2	30.3	43.7	60.8
<i>YoY growth</i>	40.1%	36.4%	36.1%	39.2%
<i>Organic</i>	6.5%	11.7%	4.4%	14.6%
<i>Scope</i>	33.6%	24.8%	31.7%	24.6%
EBITDA	2Q21A	2Q22E	1H21A	1H22E
Aerospace, Aviation & Automotive	1.8	3.0	3.2	6.1
<i>YoY growth</i>	34.9%	67.4%	11.9%	89.8%
<i>EBITDA margin %</i>	14.6%	19.0%	13.7%	19.1%
FinTech	1.2	1.4	2.5	2.9
<i>YoY growth</i>	57.0%	24.0%	107.9%	17.0%
<i>EBITDA margin %</i>	11.8%	10.0%	12.1%	9.9%
EBITDA	3.0	4.5	5.7	8.9
<i>YoY growth</i>	42.5%	50.6%	40.1%	58.0%
<i>EBITDA margin %</i>	13.3%	14.7%	13.0%	14.7%

Source: Company data and Intermonte SIM estimates

Change in Estimates

In this report we are factoring the recent acquisitions of Ennova and DM into our estimates. Ennova, is to be consolidated as of August 2022 (for the time being TXT has acquired a 78.6% stake): in 2021 the company recorded revenues exceeding Eu60mn with EBITDA of Eu5.3mn (EBITDA margin 8.9%). DM, consolidated as of 20 July, recorded revenues of Eu1.2mn in 2021 with EBITDA of Eu0.3mn (EBITDA margin 25%) and should enjoy strong annual growth of 30% in the coming years. Thanks to these acquisitions, but also after an upward adjustment to our organic assumptions in light of expectations for a healthy set of 2Q22 results, we are raising our 2022 and 2023 top line estimates by 27.4% and 50.0% respectively. In terms of EBITDA, we are lowering our EBITDA margin forecasts by 100bp on 2022 and 130bp on 2023, now pointing to 13.7% in both years, due to the dilutive impact from Ennova. In absolute terms, we are raising our 2023 revenues and EBITDA by Eu64.3mn and Eu7.1mn respectively. All in all, we are raising our EPS projections by 4.2% for 2022 (the Eu2.3mn EBIT upgrade is partly offset by assuming higher financial charges mainly due to hedging instruments) and 20.3% for 2023 (when the recent acquisitions will show their full potential).

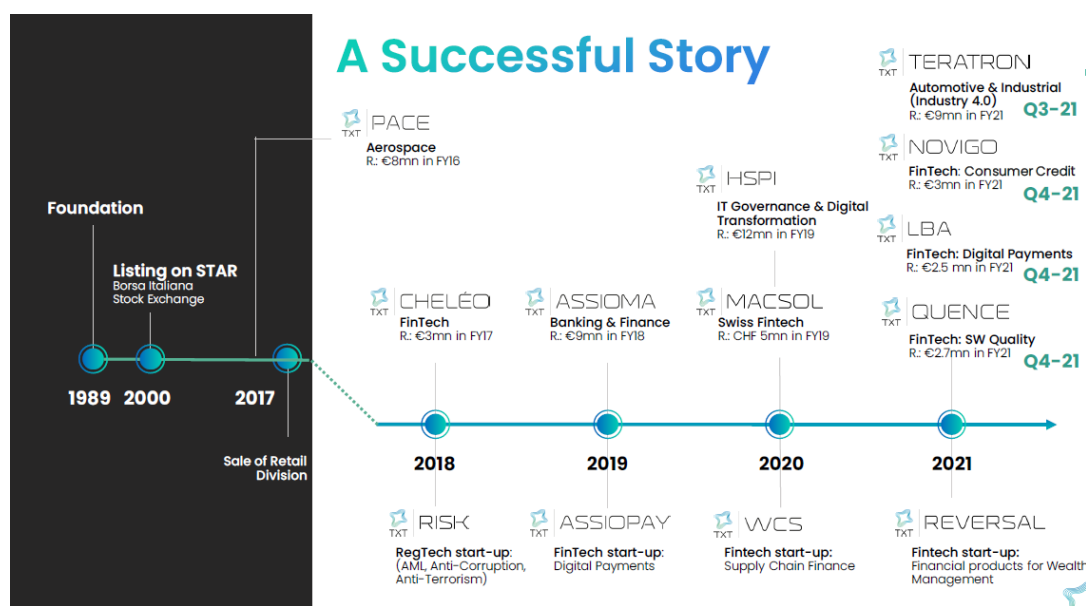
TXT – Change in estimates

	NEW ESTIMATES			OLD ESTIMATES			% CHANGE		
	2022E	2023E	2024E	2022E	2023E	2024E	2022E	2023E	2024E
Revenue	152.5	192.8	204.0	119.6	128.5	138.1	27.4%	50.0%	47.7%
YoY growth	58.2%	26.4%	5.8%	24.1%	7.4%	7.5%			
Organic	11.7%	6.0%	5.8%	11.8%	7.4%	7.5%			
Scope	46.5%	20.4%	0.0%	12.4%	0.0%	0.0%			
EBITDA	21.0	26.4	28.7	17.6	19.3	21.1	19.1%	36.6%	36.2%
YoY growth	44.4%	25.9%	8.7%	21.2%	9.8%	9.0%			
EBITDA margin %	13.7%	13.7%	14.1%	14.7%	15.0%	15.2%			
EBIT	14.0	17.7	19.5	11.6	13.1	14.6	20.1%	34.9%	33.8%
YoY growth	45.4%	26.7%	10.1%	21.0%	12.8%	11.0%			
EBIT margin %	9.2%	9.2%	9.5%	9.7%	10.2%	10.5%			
Pre-tax profit	12.4	16.7	18.7	11.6	13.3	14.8	6.4%	25.3%	26.5%
- Income tax	(3.5)	(4.7)	(5.2)	(3.3)	(3.7)	(4.1)			
Tax rate %	28.0%	28.0%	28.0%	28.0%	28.0%	28.0%			
Net income from cont. op.	8.9	12.0	13.4	8.4	9.6	10.6	6.4%	25.3%	26.5%
YoY growth	13.5%	35.0%	11.9%	6.7%	14.6%	10.8%			
Net profit margin %	5.8%	6.2%	6.6%	7.0%	7.5%	7.7%			
EPS adj.	0.714	0.945	1.057	0.685	0.785	0.870	4.2%	20.3%	21.5%
YoY growth	5.9%	32.2%	11.9%	1.6%	14.6%	10.8%			
Net cash/(debt)	(24.2)	(21.4)	(6.7)	3.4	13.1	23.8			
FCF (ex. acq)	0.5	2.8	14.7	7.2	9.8	10.6			

Source: Intermonte SIM estimates

Appendix I – M&A History

TXT e-solutions: M&A path



Source: Company data & Intermonte SIM Estimates

2022 Main Deals

- **DM Management & Consulting.** On 19th 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 20th 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. TXT plans to consolidate Ennova as of August 2022. The remaining 21.44% of the Ennova share capital is held by the current management, led by Sabino Patrino, CEO since 2020, who, alongside the management of TXT and Ennova, will manage the process for the consolidation of the newly-acquired company within the TXT Group. 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. Ennova's adjusted net financial debt came to Eu6.5mn at YE21. The deal has gone through at a very attractive price, at just 3.4x EV/EBITDA on 2021. The newly-acquired company has an EBITDA margin that is well below TXT's level (under 9% vs. 15%) and this gap may be partly due to the different business mix, but we believe that some improvements can be made once the integration has been completed.

Main 2021 Deals

- **TeraTron.** On 29th 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 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 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 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.

DETAILS ON STOCKS RECOMMENDATION			
Stock NAME	TXT E-SOLUTIONS		
Current Recomm:	OUTPERFORM	Previous Recomm:	OUTPERFORM
Current Target (Eu):	15.50	Previous Target (Eu):	13.50
Current Price (Eu):	11.60	Previous Price (Eu):	10.10
Date of report:	26/07/2022	Date of last report:	13/05/2022

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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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- 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:	%
OUTPERFORM:	%
NEUTRAL:	%
UNDERPERFORM	%
SELL:	%

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OUTPERFORM:	49.06 %
NEUTRAL:	16.98 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

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