

TXT E-SOLUTIONS

Sector: Industrials

OUTPERFORM

Price: Eu12.44 - Target: Eu16.00

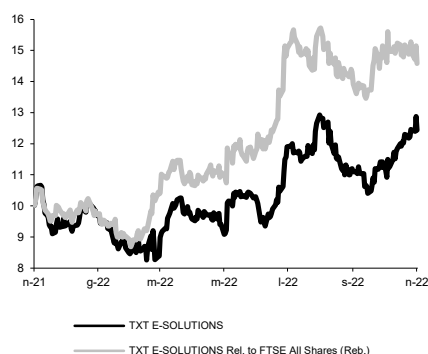
Estimates Up Thanks to M&A and Stronger Organic Growth

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Stock Rating

Rating:	Unchanged		
Target Price (Eu):	from 15.50 to 16.00		
	2022E	2023E	2024E
Chg in Adj EPS	18.1%	15.1%	16.7%

TXT E-SOLUTIONS - 12M Performance



Stock Data

 Reuters code: TXTS.MI
 Bloomberg code: TXT IM

Performance	1M	3M	12M
Absolute	8.9%	-3.0%	24.2%
Relative	-4.3%	-7.5%	38.8%
12M (H/L)	12.92/8.26		
3M Average Volume (th):	15.51		

Shareholder Data

No. of Ord shares (mn):	13
Total no. of shares (mn):	12
Mkt Cap Ord (Eu mn):	162
Total Mkt Cap (Eu mn):	162
Mkt Float - Ord (Eu mn):	81
Mkt Float (in %):	50.0%
Main Shareholder:	
Enrico Magni (Laserline)	29.6%

Balance Sheet Data

Book Value (Eu mn):	97
BVPS (Eu):	7.94
P/BV:	1.6
Net Financial Position (Eu mn):	-26
Enterprise Value (Eu mn):	178

■ **3Q22 results showed strong growth, beating our expectations.** In detail: revenues came to Eu29.9mn, 7.1% better than expected and up 29.6% YoY (+14% at constant scope) thanks to the Aerospace, Aviation & Automotive division (Eu15.9mn, +15.6% YoY) and the Fintech division (Eu13.9mn, +50.6% YoY); EBITDA came in at Eu4.3mn, 4.6% better than expected and up 40.3% YoY; the company posted net profit of Eu1.8mn in the quarter, down 12% on 3Q21, which benefited from favourable fiscal items. Finally, debt rose to Eu13.0mn, up almost Eu9mn in the quarter, partly as a result of the buyback of treasury shares (Eu1.8mn), but also due to the acquisitions of Ennova (Eu8.9mn for the initial 78.6% stake) and DM (Eu1.4mn in cash).

■ **Management outlook.** CEO Daniele Misani said the year-end forecast on a comparable basis remained positive, and further benefits would come from consolidation of and synergies with Ennova, SPS and the other acquisitions the company would complete. For 4Q22, the Aerospace, Aviation & Automotive and Fintech divisions are expected to continue on a positive trend similar to 9M22. TXT Group also intends to continue to pursue its M&A plan with a couple of targeted deals worth a total of Eu5mn in revenues and Eu1mn in EBITDA. During the call, 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 1H23, TXT will host an investor day to better detail its ambitions for the years to come.

■ **Change in estimates.** In this report we include the recent acquisition of SPS in our estimates (as of 1st October 2022); this is expected to have a positive impact, including on margins. At the same time, we have improved our forecasts in terms of 2022 organic growth (from +11.7% to +15.3%) on the back of positive indications from 3Q22 results. On the bottom line, we also include the positive effect from the acquisition of the Ennova minorities announced at the beginning of October. All in all, we are upgrading 2022 and 2023 EPS by 18.1% and 15.1% respectively.

■ **OUTPERFORM, target Eu16.0 from Eu15.5.** Good delivery on the M&A strategy coupled to organic performance, confirmed by 3Q22 results, remain the pillars on which our view on the stock rests. The 18% organic growth experienced in 9M22 provides evidence of TXT's ability to successfully integrate M&A targets with its existing activities, a virtuous pattern that is expected to continue. Our target goes from Eu15.5 to Eu16.0 because the change in estimates is partly offset by factoring a risk-free rate of 4.0% (previously 3.0%) into our cost of capital.

Key Figures & Ratios	2020A	2021A	2022E	2023E	2024E
Sales (Eu mn)	69	96	145	207	221
EBITDA Adj (Eu mn)	9	15	22	29	32
Net Profit Adj (Eu mn)	4	8	9	13	15
EPS New Adj (Eu)	0.383	0.675	0.763	1.091	1.239
EPS Old Adj (Eu)	0.383	0.675	0.646	0.949	1.061
DPS (Eu)	0.040	0.000	0.000	0.000	0.000
EV/EBITDA Adj	8.1	7.2	8.2	5.9	4.9
EV/EBIT Adj	18.4	10.5	11.8	8.4	6.8
P/E Adj	32.5	18.4	16.3	11.4	10.0
Div. Yield	0.3%	0.0%	0.0%	0.0%	0.0%
Net Debt/EBITDA Adj	-2.6	0.6	1.2	0.7	0.2

TXT E-SOLUTIONS – Key Figures

Profit & Loss (Eu mn)	2019A	2020A	2021A	2022E	2023E	2024E
Sales	59	69	96	145	207	221
EBITDA	7	9	15	22	29	32
EBIT	4	3	10	15	21	23
Financial Income (charges)	-1	3	1	-2	-2	-2
Associates & Others	0	0	0	0	0	0
Pre-tax Profit	2	6	10	13	19	21
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	9	13	15
EBITDA Adj	7	9	15	22	29	32
EBIT Adj	4	4	10	15	21	23
Net Profit Adj	0	4	8	9	13	15
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	0.763	1.091	1.239
EPS Adj f.d	0.039	0.383	0.675	0.763	1.091	1.239
BVPS f.d	7.028	7.313	7.942	7.936	9.027	10.266
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	22	24
Change in NWC	-7	-16	-12	-7	-14	-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	6	4	16
Acquisitions, Divestments & Other Items	-2	-17	-25	-23	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	-17	4	16
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	31	45	50
Long term Liabilities	-5	-5	-3	-3	-3	-3
Net Capital Employed	41	64	102	105	114	113
Net Cash (Debt)	41	22	-9	-26	-21	-5
Group Equity	82	85	93	97	110	125
Minorities	0	0	0	0	0	0
Net Equity	82	85	92	97	110	125
Enterprise Value (Eu mn)	2019A	2020A	2021A	2022E	2023E	2024E
Average Mkt Cap	104	91	95	152	152	152
Adjustments (Associate & Minorities)	0	0	0	0	0	0
Net Cash (Debt)	41	22	-9	-26	-21	-5
Enterprise Value	62	69	104	178	173	157
Ratios (%)	2019A	2020A	2021A	2022E	2023E	2024E
EBITDA Adj Margin	11.9%	12.5%	15.1%	14.9%	14.2%	14.5%
EBIT Adj Margin	7.2%	5.5%	10.3%	10.4%	10.0%	10.4%
Gearing - Debt/Equity	-50.6%	-25.8%	9.8%	26.5%	19.5%	4.3%
Interest Cover on EBIT	2.9	nm	nm	7.5	9.4	11.5
Net Debt/EBITDA Adj	-5.9	-2.6	0.6	1.2	0.7	0.2
ROACE*	10.7%	6.0%	11.6%	14.4%	18.9%	20.2%
ROE*	0.5%	5.4%	8.9%	9.8%	12.9%	12.8%
EV/CE	1.9	1.3	1.3	1.7	1.6	1.4
EV/Sales	1.1	1.0	1.1	1.2	0.8	0.7
EV/EBITDA Adj	8.9	8.1	7.2	8.2	5.9	4.9
EV/EBIT Adj	14.6	18.4	10.5	11.8	8.4	6.8
Free Cash Flow Yield	-2.8%	-4.1%	-0.3%	3.8%	2.6%	9.9%
Growth Rates (%)	2019A	2020A	2021A	2022E	2023E	2024E
Sales	47.8%	16.4%	40.2%	50.2%	43.3%	6.4%
EBITDA Adj	84.4%	22.2%	69.6%	48.3%	36.6%	8.8%
EBIT Adj	131.4%	-12.2%	165.5%	51.0%	37.7%	11.1%
Net Profit Adj	-20.5%	950.1%	66.3%	18.8%	43.1%	13.5%
EPS Adj	-20.5%	893.2%	76.2%	13.0%	43.1%	13.5%
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

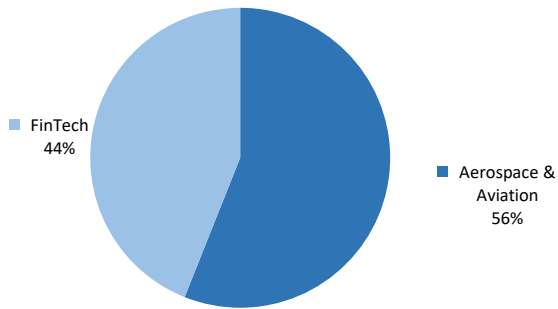
Shareholders

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

Weaknesses /Threats

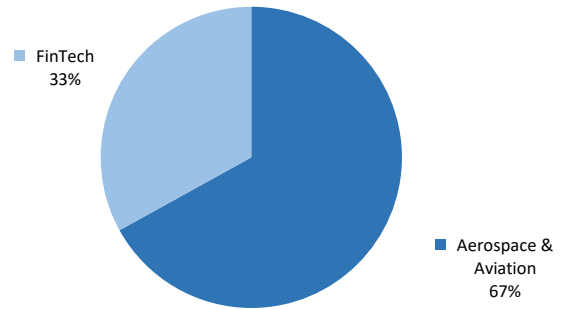
- High level of competition in the digital sector
- Business cyclicity, especially in the civil aviation sector
- Limited company size
- New entrants to the sector and fierce competition
- Execution risk following the intended M&A operations and potential delays in integrating the acquired companies

TXT e-solutions: Revenue Breakdown (2021A)



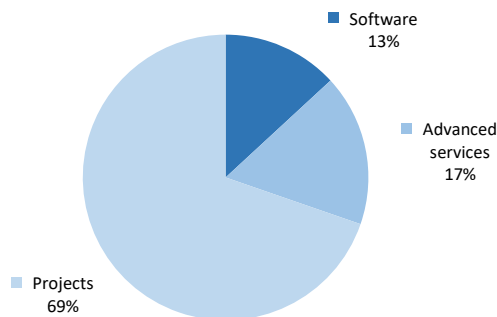
Source: Company Data & Intermonte SIM

TXT e-solutions: EBITDA Breakdown (2021A)



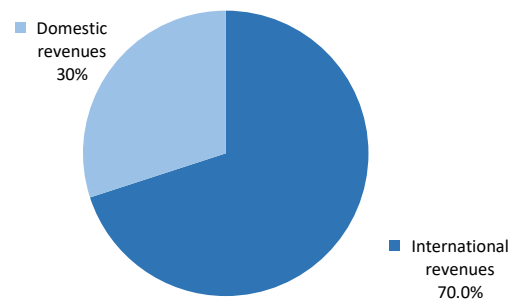
Source: Company Data & Intermonte SIM

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



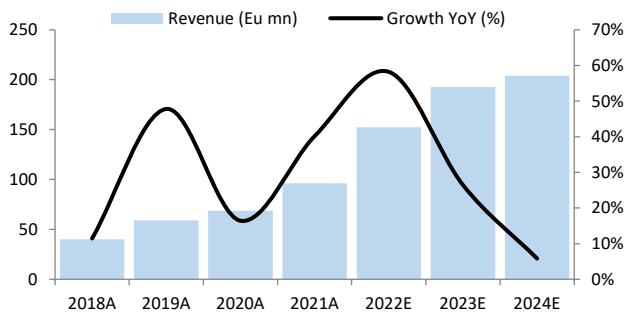
Source: Company Data & Intermonte SIM

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



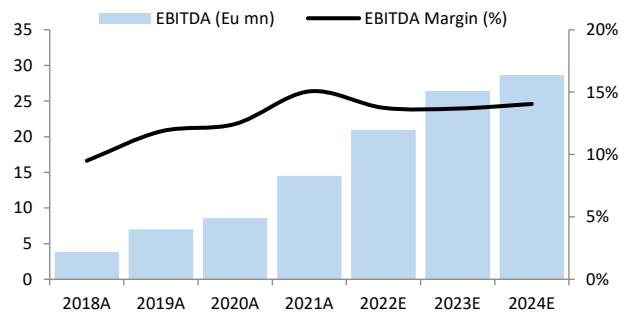
Source: Company Intermonte SIM

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

3Q22 Results

TXT e-solutions: 3Q22 Results

(Eu mn)	3Q21A	3Q22A	3Q22E	A/E %	9M21A	9M22A
Revenue	23.0	29.9	27.9	7.1%	66.7	92.4
<i>YoY growth</i>	46.5%	29.6%	21.0%		39.5%	38.5%
<i>Organic</i>	14.6%	13.8%	10.4%		7.7%	17.6%
<i>Scope</i>	31.9%	15.9%	10.6%		31.8%	20.8%
EBITDA IFRS	3.1	4.3	4.1	4.6%	8.8	13.5
<i>YoY growth</i>	48.9%	40.3%	34.0%		43.1%	54.5%
<i>EBITDA IFRS margin %</i>	13.4%	14.5%	14.9%		13.1%	14.6%
- D&A	(1.1)	(1.7)	(1.7)		(3.0)	(4.3)
EBIT	1.9	2.6	2.5	5.0%	5.4	9.2
<i>YoY growth</i>	51.8%	33.5%	27.0%		58.7%	70.9%
<i>EBIT margin %</i>	8.4%	8.7%	8.9%		8.0%	9.9%
- Financial income/(charges)	0.1	(0.3)	(0.1)		0.3	(1.6)
Pre-tax profit	2.0	2.3	2.4	-2.4%	5.7	7.5
- Income tax	0.0	(0.5)	(0.6)		(1.6)	(2.2)
<i>Tax rate %</i>	-2.1%	22.3%	25.1%		27.6%	30.0%
Net income from cont. op.	2.1	1.8	1.8	1.3%	4.1	5.3
<i>YoY growth</i>	134.1%	-12.0%	-13.2%		14.5%	29%
<i>Net profit margin %</i>	8.9%	6.1%	6.4%		6.2%	5.8%
Net debt/(cash)	(3.5)	13.0			(3.5)	13.0

Source: Company data and Intermonte SIM estimates

TXT e-solutions: Divisional Breakdown

Revenue (Eu mn)	3Q21A	3Q22A	3Q22E	A/E %	9M21A	9M22A
Aerospace, Aviation & Automotive	13.8	15.9	15.4	3.2%	37.1	48.2
<i>YoY growth</i>	40.0%	15.6%	12.0%		20.8%	29.9%
<i>Organic</i>	22.8%	6.8%	5.0%		15.3%	11.7%
<i>Scope</i>	17.3%	8.9%	7.0%		5.5%	18.2%
FinTech	9.2	13.9	12.4	11.9%	29.6	44.2
<i>YoY growth</i>	57.5%	50.6%	34.5%		73.1%	49.2%
<i>Organic</i>	1.0%	24.6%	8.0%		-5.8%	25.2%
<i>Scope</i>	56%	26%	26%		79%	24%
Revenue	23.0	29.9	27.9	7.1%	66.7	92.4
<i>YoY growth</i>	46.5%	29.6%	21.0%		39.5%	38.5%
<i>Organic</i>	14.6%	13.9%	10.4%		7.7%	17.7%
<i>Scope</i>	31.9%	15.7%	10.6%		31.8%	20.8%
EBITDA	3.1	4.3	4.1	4.6%	8.8	13.5
Aerospace, Aviation & Automotive	2.3	2.8	2.8	0.8%	5.5	8.3
<i>YoY growth</i>	56.2%	22.0%	21.0%		27.0%	51.2%
<i>EBITDA margin %</i>	16.7%	17.6%	18.0%		14.8%	17.2%
FinTech	1.1	1.5	1.4	12.5%	3.6	5.2
<i>YoY growth</i>	83.8%	37.7%	22.4%		99.8%	45.9%
<i>EBITDA margin %</i>	12.1%	11.1%	11.0%		12.1%	11.8%
EBITDA	3.1	4.3	4.1	4.6%	8.8	13.5
<i>YoY growth</i>	48.9%	40.3%	34.0%		43.1%	54.5%
<i>EBITDA margin %</i>	13.4%	14.5%	14.9%		13.1%	14.6%

Source: Company data and Intermonte SIM estimates

Change in Estimates

In this report we include the recent acquisition of SPS in our estimates (as of 1st October 2022); this is expected to have a positive impact, including on margins. At the same time, we have improved our forecasts in terms of 2022 organic growth (from +11.7% to +15.3%) on the back of positive indications from 3Q22 results. On the bottom line, we also include the positive effect from the acquisition of the Ennova minorities announced at the beginning of October. All in all, we are upgrading 2022 and 2023 EPS by 18.1% and 15.1% respectively.

TXT – Change in estimates

	NEW ESTIMATES			OLD ESTIMATES			% CHANGE		
	2022E	2023E	2024E	2022E	2023E	2024E	2022E	2023E	2024E
Revenue	144.7	207.3	220.6	137.4	193.5	204.7	5.3%	7.2%	7.8%
<i>YoY growth</i>	50.2%	43.3%	6.4%	42.6%	40.8%	5.8%			
<i>Organic</i>	15.3%	6.2%	6.4%	11.7%	6.2%	5.8%			
<i>Scope</i>	34.9%	37.0%	0.0%	30.9%	34.6%	0.0%			
EBITDA	21.5	29.4	32.0	19.5	26.5	28.7	10.5%	11.2%	11.3%
<i>YoY growth</i>	48.3%	36.6%	8.8%	34.2%	35.8%	8.7%			
<i>EBITDA margin %</i>	14.9%	14.2%	14.5%	14.2%	13.7%	14.0%			
EBIT	14.9	20.7	23.0	12.8	17.8	19.5	16.9%	16.6%	17.7%
<i>YoY growth</i>	55.5%	38.6%	11.1%	33.1%	38.9%	10.1%			
<i>EBIT margin %</i>	10.3%	10.0%	10.4%	9.3%	9.2%	9.5%			
Pre-tax profit	12.9	18.5	21.0	11.2	16.8	18.7	15.7%	10.5%	12.0%
- Income tax	(3.6)	(5.2)	(5.9)	(3.1)	(4.7)	(5.2)			
<i>Tax rate %</i>	28.0%	28.0%	28.0%	28.0%	28.0%	28.0%			
Net income from cont. op.	9.3	13.3	15.1	8.0	12.1	13.5	15.7%	10.5%	12.0%
<i>YoY growth</i>	18.8%	43.1%	13.5%	2.7%	49.9%	11.9%			
<i>Net profit margin %</i>	6.4%	6.4%	6.9%	5.9%	6.2%	6.6%			
EPS adj.	0.763	1.091	1.239	0.646	0.949	1.061	18.1%	15.1%	16.7%
<i>YoY growth</i>	13.0%	43.1%	13.5%	-4.2%	46.8%	11.9%			
Net cash/(debt)	(25.7)	(21.5)	(5.4)	(24.2)	(20.6)	(5.8)			
FCF (ex. acq)	6.2	4.2	16.1	0.5	3.5	14.9			

Source: Intermonte SIM estimates

Appendix I – M&A History

2022 Main Deals

- 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 Sfrom 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):	16.00	Previous Target (Eu):	15.50
Current Price (Eu):	12.44	Previous Price (Eu):	12.66
Date of report:	10/11/2022	Date of last report:	08/08/2022

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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) 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.

Frequency of research: quarterly.

Reports on all companies listed on the S&P500 Index, most of those on the MIBEX 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

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As at 30 September 2022 Intermonte's Research Department covered 121 companies. Intermonte's distribution of stock ratings is as follows:

BUY:	22.13 %
OUTPERFORM:	48.36 %
NEUTRAL:	27.87 %
UNDERPERFORM	01.64 %
SELL:	00.00 %

The distribution of stock ratings for companies which have received corporate finance services from Intermonte in the last 12 months (52 in total) is as follows:

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OUTPERFORM:	50.00 %
NEUTRAL:	11.54 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

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Emittente	%	Long/Short
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