

# TXT E-SOLUTIONS OUTPERFORM

Price (Eu): **9.37**

Target Price (Eu): **12.10**

SECTOR: *Industrials*

Gianluca Bertuzzo +39-02-77115.429  
e-mail: gianluca.bertuzzo@intermonte.it

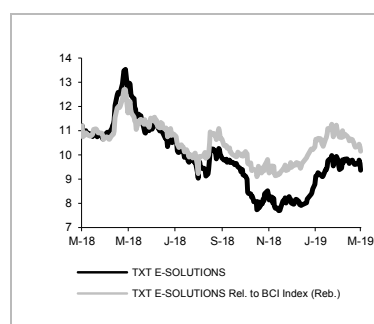
Andrea Randone +39-02-77115.364  
e-mail: andrea.randone@intermonte.it

## Solid Top Line Growth, Margins Softer Than Expected

- 4Q18 EBIT below our expectations.** Revenues came in at Eu11.3mn in 4Q18, up +15.4% YoY (+5.7% organic) and just 1% below our estimates. Conversely, EBITDA came to Eu1.0mn, up 14.8% YoY but 20% weaker than expected. Consequently, EBIT, amounting to Eu0.4mn in 4Q18, was down 32% YoY and 32% below our estimates due to lower profitability in the Banking & Finance division. As in previous quarters, margins were burdened by the impact of indirect costs on a smaller revenue base following the disposal of TXT Retail in 2017. Quarterly financial charges amounted to Eu0.9mn due to declining bond and equity markets that caused losses on liquidity invested in the "mark-to-market" segment of multi-segment insurance funds. This figure compares to our forecast of a Eu0.2mn positive contribution. Importantly, financial charges were a non-cash item, and according to the press release this line recovered about 90% of 2018 losses in the first 2 months 2019.
- Net cash at Eu60.4mn at YE18, Eu0.5 DPS proposed.** The consolidated NFP at YE18 was positive for Eu60.4mn, compared to Eu87.3mn at YE17, down Eu26.9mn mainly due to the dividend distribution (Eu11.7mn), the impact from the acquisitions of Cheleo and TXT Risk Solutions (Eu6.7mn), the purchase of treasury shares (Eu4.6mn) and the impact of the new IFRS 16 accounting standard (Eu2.8mn). Compared to our estimate (Eu68mn) the difference is almost entirely explained by the full accounting of the Cheleo acquisition (Eu4.9mn was paid at the end of January 2019) and the treasury shares purchase (Eu1.4mn cash-out in 4Q18). At YE18, TXT owned 1.36mn treasury shares, or 10.45% of issued shares. The BoD proposed a dividend of Eu0.50 per share with payment date 8<sup>th</sup> May 2019 (ex-dividend date 6<sup>th</sup> May 2019). In the press release, the Company specified that the search for, evaluation and verification of acquisition opportunities is ongoing.
- Change in estimates.** The company foresees an acceleration in revenues growth in 1Q19, while EBITDA is expected to be broadly in line with 1Q18, considering significant commercial investments to support organic development in both divisions. In light of these indications, we are cutting our FY19-20 estimates; we still expect EBITDA margin expansion (+140bp in FY19), bolstered not only by better operating leverage but also by the contribution from Cheleo and the discontinuation of TXT Sense. We note that the comparison is tougher in 1H. At bottom line, we are cutting our 2019 EPS by about 10%.
- OUTPERFORM confirmed; target Eu12.1 (from Eu12.8).** We have revised our target to reflect the lower margins expected in 2019-2020. We confirm our positive stance on the stock, as we foresee robust organic growth rates going forward, coupled with financially-accretive and strategically-consistent M&A deals. Newsflow about potential new orders (especially in the Aerospace & Aviation segment) represents the main catalyst to our recommendation, together with any M&A announcement.

Next event: 1Q19 results  
Results out 10<sup>th</sup> May 2019

### TXT E-SOLUTIONS - 12m Performance



RATING: **Unchanged**

TARGET PRICE (Eu): **from 12.80 to 12.10**

Ch. in Adj.EPS est: **2019E 2020E**  
**-9.9% -13.7%**

### STOCK DATA

Reuters code: TXTS.MI  
Bloomberg code: TXT IM

Performance	1m	3m	12m
Absolute	-0.2%	17.0%	-16.3%
Relative	-5.7%	7.6%	-8.7%
12 months H/L:	13.52/7.70		

### SHAREHOLDER DATA

No. of Ord. shares (mn):	13
Total No. of shares (mn):	12
Mkt Cap Ord (Eu mn):	122
Total Mkt Cap (Eu mn):	122
Mkt Float - ord (Eu mn):	56
Mkt Float (in %):	46.3%
Main shareholder:	
Enrico Magni (Laserline)	25.6%

### BALANCE SHEET DATA

	2019
Book value (Eu mn):	83
BVPS (Eu):	7.12
P/BV:	1.3
Net Financial Position (Eu mn):	57
Enterprise value (Eu mn):	65

Please see important disclaimer  
on the last page of this report

Key Figures	2017A	2018A	2019E	2020E	2021E
Sales (Eu mn)	36	40	46	50	55
Ebitda (Eu mn)	3	4	5	6	7
Net profit (Eu mn)	69	1	2	3	4
EPS - New Adj.(Eu)	0.149	0.049	0.202	0.275	0.315
EPS - Old Adj.(Eu)	0.149	0.131	0.225	0.318	
DPS (Eu)	1.000	0.500	0.162	0.220	0.252

Ratios & Multiples	2017A	2018A	2019E	2020E	2021E
P/E Adj.	62.7	nm	46.3	34.1	29.7
Div. Yield	10.7%	5.3%	1.7%	2.3%	2.7%
EV/Ebitda Adj.	9.8	16.2	12.9	9.9	8.9
ROCE	12.9%	9.6%	10.8%	16.2%	18.5%

The reproduction of the information, recommendations and research produced by Intermonte SIM contained herein, and of any of its parts, is strictly prohibited. None of the contents of this document may be shared with third parties without Company authorization.

**TXT E-SOLUTIONS - KEY FIGURES**

		2017A	2018A	2019E	2020E	2021E
	Fiscal year end	31/12/2017	31/12/2018	31/12/2019	31/12/2020	31/12/2021
<b>PROFIT &amp; LOSS (Eu mn)</b>	Sales	36	40	46	50	55
	EBITDA	3	4	5	6	7
	EBIT	3	2	3	4	5
	Financial income (charges)	(0)	(1)	0	0	0
	Associates & Others	0	0	0	0	0
	Pre-tax profit (Loss)	2	1	3	4	5
	Taxes	(1)	0	(1)	(1)	(1)
	Tax rate (%)	28.8%	-0.7%	25.0%	25.0%	25.0%
	Minorities & discontinue activities	0	0	0	0	0
	Net profit	69	1	2	3	4
	Total extraordinary items	67	0	0	0	0
	Ebitda excl. extraordinary items	4	4	5	6	7
	Ebit excl. extraordinary items	3	2	3	4	5
Net profit restated	2	1	2	3	4	
<b>PER SHARE DATA (Eu)</b>	Total shares out (mn) - average fd	13	12	12	12	12
	EPS stated fd	0.149	0.049	0.202	0.275	0.315
	EPS restated fd	0.149	0.049	0.202	0.275	0.315
	BVPS fd	7.680	7.414	7.116	7.229	7.325
	Dividend per share (ord)	1.000	0.500	0.162	0.220	0.252
	Dividend per share (sav)	0.000	0.000	0.000	0.000	0.000
	Dividend pay out ratio (%)	-120.0%	1185.8%	0.0%	0.0%	0.0%
<b>CASH FLOW (Eu mn)</b>	Gross cash flow	(9)	2	5	5	6
	Change in NWC	9	(0)	(1)	(2)	(2)
	Capital expenditure	(1)	(1)	(1)	(1)	(1)
	Other cash items	(0)	(4)	0	0	0
	Free cash flow (FCF)	(0)	1	3	3	3
	Acquisitions, divestments & others	82	(7)	0	0	0
	Dividend	82	(7)	0	0	0
	Equity financing/Buy-back	0	0	0	0	0
Change in Net Financial Position	82	(27)	(3)	1	1	
<b>BALANCE SHEET (Eu mn)</b>	Total fixed assets	9	23	21	20	19
	Net working capital	7	7	9	10	12
	Long term liabilities	(3)	(4)	(4)	(4)	(4)
	Net capital employed	13	26	26	26	26
	Net financial position	87	60	57	58	59
	Group equity	100	86	83	84	85
	Minorities	0	0	0	0	0
Net equity	100	86	83	84	85	
<b>ENTERPRISE VALUE (Eu mn)</b>	Average mkt cap - current	122	122	122	122	122
	Adjustments (associate & minorities)	0	0	0	0	0
	Net financial position	87	60	57	58	59
	Enterprise value	35	62	65	63	63
<b>RATIOS(%)</b>	EBITDA margin*	9.9%	9.5%	10.9%	12.8%	12.9%
	EBIT margin*	7.5%	4.6%	6.1%	8.3%	8.8%
	Gearing - Debt/equity	-87.4%	-69.9%	-68.9%	-69.4%	-69.5%
	Interest cover on EBIT	12.8	1.4	nm	nm	nm
	Debt/Ebitda	nm	nm	nm	nm	nm
	ROCE*	12.9%	9.6%	10.8%	16.2%	18.5%
	ROE*	nm	0.6%	2.8%	3.8%	4.3%
	EV/CE	1.7	3.2	2.5	2.5	2.4
	EV/Sales	1.0	1.5	1.4	1.3	1.1
	EV/Ebit	12.9	33.3	23.2	15.2	13.0
Free Cash Flow Yield	-0.4%	0.7%	2.1%	2.6%	2.8%	
<b>GROWTH RATES (%)</b>	Sales	8.4%	11.4%	15.3%	8.8%	8.8%
	EBITDA*	-6.0%	7.4%	32.3%	27.4%	9.9%
	EBIT*	-14.7%	-31.0%	51.3%	49.3%	15.1%
	Net profit	1134.1%	-99.2%	317.1%	35.8%	14.8%
	EPS restated	-30.9%	-67.5%	317.1%	35.8%	14.8%

\* Excluding extraordinary items

Source: Intermonte SIM estimates

## 4Q18/FY18 results

## Quarterly income statement

	9M17A	4Q17A	2H17A	2017A	9M18A	4Q18A	2H18A	2018A
<b>Revenue</b>	<b>26.0</b>	<b>9.8</b>	<b>17.9</b>	<b>35.9</b>	<b>28.6</b>	<b>11.3</b>	<b>21.0</b>	<b>40.0</b>
YoY growth				8.4%	10.0%	15.4%	16.8%	11.4%
Organic				2.1%	8.2%	5.7%	8.9%	7.5%
Scope				6.4%	1.8%	9.7%	7.9%	4.0%
- Direct costs	(14.9)	(5.3)	(10.1)	(20.2)	(15.9)	(6.3)	(11.7)	(22.3)
<b>Gross profit</b>	<b>11.1</b>	<b>4.5</b>	<b>7.8</b>	<b>15.6</b>	<b>12.7</b>	<b>5.0</b>	<b>9.2</b>	<b>17.7</b>
YoY growth				10.8%	14.0%	10.7%	17.9%	13.1%
Gross margin %	42.7%	45.8%	43.6%	43.6%	44.3%	44.0%	44.0%	46.2%
- Opex	(8.4)	(3.7)	(6.2)	(12.1)	(9.9)	(4.0)	(7.5)	(13.9)
YoY growth		-53.3%	-39.8%	16.9%	16.9%	9.7%	20.3%	14.7%
OPEX on sales %		-37.3%	-34.7%	-33.7%	-34.4%	-35.4%	-35.6%	-34.7%
<b>EBITDA IFRS</b>	<b>2.6</b>	<b>0.8</b>	<b>1.6</b>	<b>3.5</b>	<b>2.8</b>	<b>1.0</b>	<b>1.7</b>	<b>3.8</b>
YoY growth				-7.8%	7.9%	14.8%	10.4%	9.5%
EBITDA IFRS margin %	10.1%	8.6%	8.7%	9.7%	9.9%	8.6%	8.3%	9.5%
- D&A	(0.5)	(0.3)	(0.5)	(0.8)	(1.4)	(0.6)	(1.1)	(2.0)
<b>EBIT</b>	<b>2.1</b>	<b>0.6</b>	<b>1.1</b>	<b>2.7</b>	<b>1.5</b>	<b>0.4</b>	<b>0.6</b>	<b>1.8</b>
YoY growth				-14.7%	-30.6%	-32.1%	-41.8%	-31.0%
EBIT margin %	8.1%	5.7%	6.2%	7.5%	5.1%	3.4%	3.1%	4.6%
- Financial income/(charges)	(0.1)	(0.1)	(0.1)	(0.2)	(0.4)	(0.9)	(1.0)	(1.3)
<b>Pre-tax profit</b>	<b>2.0</b>	<b>0.4</b>	<b>1.1</b>	<b>2.5</b>	<b>1.1</b>	<b>(0.5)</b>	<b>(0.3)</b>	<b>0.6</b>
- Income tax	(0.6)	(0.1)	(0.3)	(0.7)	(0.1)	0.1	0.0	0.0
Tax rate %	31.0%	19.0%	26.3%	28.8%	7.4%	16.2%	12.6%	-0.7%
<b>Net income from cont. op.</b>	<b>1.4</b>	<b>0.4</b>	<b>0.8</b>	<b>1.8</b>	<b>1.0</b>	<b>(0.4)</b>	<b>(0.3)</b>	<b>0.6</b>
YoY growth				-30.4%	-28.2%	-219.6%	-139.1%	-67.8%
Net profit margin %	5.3%	3.7%	4.4%	4.9%	3.5%	-3.8%	-1.5%	1.4%
- Profit/(loss) from disc. op.	0.8	66.0	66.2	66.8	-	-	-	-
<b>Net profit/(loss) for the year</b>	<b>2.2</b>	<b>66.3</b>	<b>67.0</b>	<b>68.6</b>	<b>1.0</b>	<b>(0.4)</b>	<b>(0.3)</b>	<b>0.6</b>
- Minorities	-	-	-	-	-	-	-	-

Source: Intermonte SIM (E), company data (A)

## Quarterly income statement

	4Q17A	4Q18A	4Q18E	A/E %	2017A	2018A
<b>Revenue</b>	<b>9.8</b>	<b>11.3</b>	<b>11.4</b>	<b>-1.0%</b>	<b>35.9</b>	<b>40.0</b>
YoY growth			15.4%	16.6%	8.4%	11.4%
Organic			5.7%	7.7%	2.1%	7.5%
Scope			9.7%	8.9%	6.4%	4.0%
<b>EBITDA IFRS</b>	<b>0.8</b>	<b>1.0</b>	<b>1.2</b>	<b>-20.5%</b>	<b>3.5</b>	<b>3.8</b>
YoY growth			14.8%	44.4%	-7.8%	9.5%
EBITDA IFRS margin %	8.6%	8.6%	10.6%		9.7%	9.5%
- D&A	(0.3)	(0.6)	(0.7)		(0.8)	(2.0)
<b>EBITA</b>	<b>0.6</b>	<b>0.4</b>	<b>0.6</b>	<b>-32.2%</b>	<b>2.7</b>	<b>1.8</b>
YoY growth			-32.1%	0.2%	-14.7%	-31.0%
- Financial income/(charges)	(0.1)	(0.9)	0.2		(0.2)	(1.3)
<b>Pre-tax profit</b>	<b>0.4</b>	<b>(0.5)</b>	<b>0.8</b>	<b>nm</b>	<b>2.5</b>	<b>0.6</b>
- Income tax	(0.1)	0.1	(0.3)		(0.7)	0.0
Tax rate %	19.0%	16.2%	32.3%		28.8%	-0.7%
<b>Net income from cont. op.</b>	<b>0.4</b>	<b>(0.4)</b>	<b>0.5</b>	<b>nm</b>	<b>1.8</b>	<b>0.6</b>
YoY growth			-219.6%	48.6%	-30.4%	-67.8%
Net profit margin %	3.7%	-3.8%	4.7%		4.9%	1.4%
<b>Net debt/(cash)</b>					<b>(87.3)</b>	<b>(60.4)</b>

Source: Intermonte SIM (E), company data (A)

## Change in estimates

### Change in estimates

	New			Old			Change %		
	2018A	2019E	2020E	2018E	2019E	2020E	2018A	2019E	2020E
<b>Revenue</b>	<b>40.0</b>	<b>46.1</b>	<b>50.1</b>	<b>40.1</b>	<b>45.6</b>	<b>50.0</b>			
YoY growth	11.4%	15.3%	8.8%	11.8%	13.9%	9.5%			
Organic	7.5%	10.2%	8.8%	7.7%	8.8%	9.5%			
Scope	4.0%	5.1%	0.0%	4.1%	5.1%	0.0%			
<b>EBITDA pre-stock grant</b>	<b>3.8</b>	<b>5.0</b>	<b>6.4</b>	<b>4.0</b>	<b>5.6</b>	<b>7.0</b>	<b>-11.0%</b>	<b>-8.8%</b>	
YoY growth	7.4%	32.3%	27.4%	14.5%	39.5%	24.2%			
EBITDA margin %	9.5%	10.9%	12.8%	10.1%	12.4%	14.0%			
- D&A	(2.0)	(2.2)	(2.2)	(2.0)	(2.2)	(2.2)			
<b>EBIT</b>	<b>1.8</b>	<b>2.8</b>	<b>4.2</b>	<b>2.0</b>	<b>3.4</b>	<b>4.8</b>	<b>-18.2%</b>	<b>-12.9%</b>	
YoY growth	-31.0%	51.3%	49.3%	-24.2%	68.5%	40.1%			
EBIT margin %	4.6%	6.1%	8.3%	5.1%	7.5%	9.6%			
<b>Pre-tax profit</b>	<b>0.6</b>	<b>3.1</b>	<b>4.3</b>	<b>1.9</b>	<b>3.5</b>	<b>5.0</b>	<b>-10.6%</b>	<b>-14.4%</b>	
- Income tax	0.0	(0.8)	(1.1)	(0.3)	(0.9)	(1.2)			
Tax rate %	-0.7%	25.0%	25.0%	18.0%	25.0%	25.0%			
<b>Net income from cont. op.</b>	<b>0.6</b>	<b>2.4</b>	<b>3.2</b>	<b>1.5</b>	<b>2.6</b>	<b>3.7</b>	<b>-10.6%</b>	<b>-14.4%</b>	
YoY growth	-67.8%	317.1%	35.8%	-12.3%	71.3%	41.8%			
Net profit margin %	1.4%	5.1%	6.4%	3.8%	5.8%	7.5%			
<b>EPS adj.</b>	<b>0.05</b>	<b>0.20</b>	<b>0.27</b>	<b>0.13</b>	<b>0.22</b>	<b>0.32</b>	<b>-9.9%</b>	<b>-13.7%</b>	
YoY growth	-67.5%	317.1%	35.8%	-12.3%	71.3%	41.8%			
<b>Net cash/(debt)</b>	<b>60.4</b>	<b>57.1</b>	<b>58.4</b>	<b>68.0</b>	<b>63.7</b>	<b>64.8</b>	<b>-10.2%</b>	<b>-9.8%</b>	

Source: Intermonte SIM (E)

### Revenue breakdown estimates

	2018A	2019E	2020E
<b>Aerospace &amp; Aviation</b>	<b>31.1</b>	<b>34.8</b>	<b>38.3</b>
YoY growth	12.0%	12.0%	10.0%
Organic	12.0%	12.0%	10.0%
Scope	0.0%	0.0%	0.0%
<b>Banking &amp; Finance</b>	<b>8.9</b>	<b>11.3</b>	<b>11.8</b>
YoY growth	9.8%	27.1%	5.0%
Organic	-7.8%	4.0%	5.0%
Scope	17.6%	23.1%	0.0%
<b>Revenue</b>	<b>40.0</b>	<b>46.1</b>	<b>50.1</b>
YoY growth	11.4%	15.3%	8.8%
Organic	7.5%	10.2%	8.8%
Scope	4.0%	5.1%	0.0%
Forex	-0.5%	0.0%	0.0%

Source: Intermonte SIM (E)

## Financials

### Income statement

	2016A	2017A	2018A	2019E	2020E	2021E
<b>Revenue</b>	<b>33.1</b>	<b>35.9</b>	<b>40.0</b>	<b>46.1</b>	<b>50.131</b>	<b>54.6</b>
YoY growth	-46.3%	8.4%	11.4%	15.3%	8.8%	8.8%
Organic	-57.0%	2.1%	7.5%	10.2%	8.8%	8.8%
Scope	10.7%	6.4%	4.0%	5.1%	0.0%	0.0%
- Direct costs	(19.0)	(20.2)	(22.3)	(24.7)	(26.6)	(28.9)
<b>Gross profit</b>	<b>14.1</b>	<b>15.6</b>	<b>17.7</b>	<b>21.4</b>	<b>23.6</b>	<b>25.6</b>
YoY growth	-56.4%	10.8%	13.1%	21.3%	9.9%	8.8%
Gross margin %	42.7%	43.6%	46.2%	46.5%	47.0%	47.0%
- Opex	(10.3)	(12.1)	(13.9)	(16.4)	(17.2)	(18.6)
<b>EBITDA pre-stock grant</b>	<b>3.8</b>	<b>3.5</b>	<b>3.8</b>	<b>5.0</b>	<b>6.4</b>	<b>7.0</b>
YoY growth	-43.5%	-6.0%	7.4%	32.3%	27.4%	9.9%
EBITDA margin %	11.4%	9.9%	9.5%	10.9%	12.8%	12.9%
- Stock grant	-	(0.1)	-	-	-	-
- D&A	(0.6)	(0.8)	(2.0)	(2.2)	(2.2)	(2.2)
<b>EBIT</b>	<b>3.1</b>	<b>2.7</b>	<b>1.8</b>	<b>2.8</b>	<b>4.2</b>	<b>4.8</b>
YoY growth	-34.7%	-14.7%	-31.0%	51.3%	49.3%	15.1%
EBIT margin %	9.5%	7.5%	4.6%	6.1%	8.3%	8.8%
- Financial income/(charges)	0.0	(0.2)	(1.3)	0.4	0.1	0.1
<b>Pre-tax profit</b>	<b>3.2</b>	<b>2.5</b>	<b>0.6</b>	<b>3.1</b>	<b>4.3</b>	<b>4.9</b>
- Income tax	(0.7)	(0.7)	0.0	(0.8)	(1.1)	(1.2)
Tax rate %	20.8%	28.8%	-0.7%	25.0%	25.0%	25.0%
<b>Net income from cont. op.</b>	<b>2.5</b>	<b>1.8</b>	<b>0.6</b>	<b>2.4</b>	<b>3.2</b>	<b>3.7</b>
YoY growth	-35.1%	-30.4%	-67.8%	317.1%	35.8%	14.8%
Net profit margin %	7.6%	4.9%	1.4%	5.1%	6.4%	6.7%
- Profit/(loss) from disc. op.	3.0	66.8	-	-	-	-

Source: Intermonte SIM (E), company data (A)

### Balance sheet

	2016A	2017A	2018A	2019E	2020E	2021E
Inventories	3.1	2.5	3.1	3.5	3.8	4.1
Trade receivables	23.7	14.7	14.0	15.2	16.5	17.9
Trade payables	(1.6)	(1.3)	(1.4)	(1.6)	(1.7)	(1.9)
Other current asset/(liab)	(16.0)	(9.1)	(8.4)	(8.4)	(8.4)	(8.4)
<b>Net working capital</b>	<b>9.3</b>	<b>6.8</b>	<b>7.4</b>	<b>8.6</b>	<b>10.1</b>	<b>11.8</b>
Intangible assets	3.5	2.0	5.0	4.1	3.2	2.4
Goodwill	17.8	5.4	12.8	12.8	12.8	12.8
Tangible assets	1.6	0.8	3.7	3.0	2.4	1.9
Financial asset	2.5	0.7	1.5	1.5	1.5	1.5
Long-term liab	(5.8)	(3.1)	(4.3)	(4.3)	(4.3)	(4.3)
<b>Non-current asset/(liab.)</b>	<b>19.6</b>	<b>5.8</b>	<b>18.6</b>	<b>17.1</b>	<b>15.6</b>	<b>14.2</b>
<b>Net capital employed</b>	<b>28.9</b>	<b>12.6</b>	<b>26.0</b>	<b>25.7</b>	<b>25.8</b>	<b>26.0</b>
Net debt/(cash)	(5.4)	(87.3)	(60.4)	(57.1)	(58.4)	(59.3)
Minorities	-	-	-	-	-	-
Equity	34.3	99.9	86.3	82.9	84.2	85.3
<b>Invested capital</b>	<b>28.9</b>	<b>12.6</b>	<b>26.0</b>	<b>25.7</b>	<b>25.8</b>	<b>26.0</b>

Source: Intermonte SIM (E), company data (A)

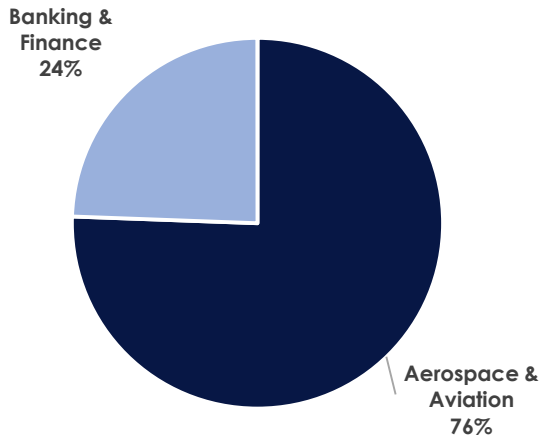
### Cash flow statement

	2016A	2017A	2018A	2019E	2020E	2021E
<b>NFP beginning of the period</b>	<b>8.3</b>	<b>5.4</b>	<b>87.3</b>	<b>60.4</b>	<b>57.1</b>	<b>58.4</b>
<b>Net Income</b>	<b>5.6</b>	<b>68.6</b>	<b>0.6</b>	<b>2.4</b>	<b>3.2</b>	<b>3.7</b>
+ D&A	0.6	0.8	2.0	2.2	2.2	2.2
Change in working capital	0.6	9.5	(0.3)	(1.3)	(1.5)	(1.6)
Adjustment	2.0	(78.6)	(0.8)	-	-	-
<b>Cash flow from operations</b>	<b>8.8</b>	<b>0.2</b>	<b>1.4</b>	<b>3.3</b>	<b>3.9</b>	<b>4.3</b>
Capex	(0.7)	(0.7)	(0.5)	(0.7)	(0.8)	(0.8)
<b>FCF (ex. acq)</b>	<b>8.0</b>	<b>(0.5)</b>	<b>0.9</b>	<b>2.6</b>	<b>3.2</b>	<b>3.5</b>
Acquisitions	(5.4)	82.3	(6.7)	-	-	-
Dividends	(2.9)	(3.5)	(11.7)	(5.8)	(1.9)	(2.6)
Buyback	(0.8)	(0.0)	(4.4)	-	-	-
Other	(1.7)	3.7	(5.1)	-	(0.0)	(0.0)
<b>Change in NFP</b>	<b>(2.9)</b>	<b>81.9</b>	<b>(27.0)</b>	<b>(3.2)</b>	<b>1.3</b>	<b>0.9</b>
<b>NFP end of the period</b>	<b>5.4</b>	<b>87.3</b>	<b>60.4</b>	<b>57.1</b>	<b>58.4</b>	<b>59.3</b>

Source: Intermonte SIM (E), company data (A)

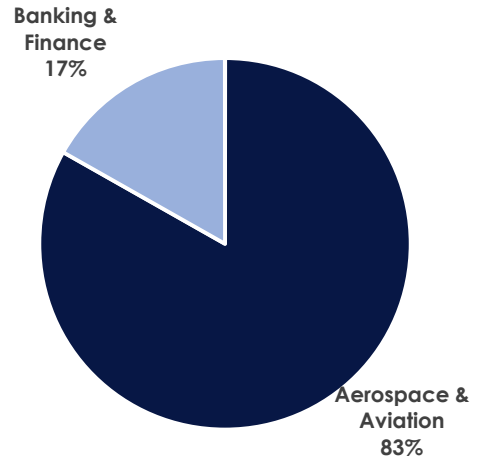
Appendix

Revenue breakdown by business (2019E)



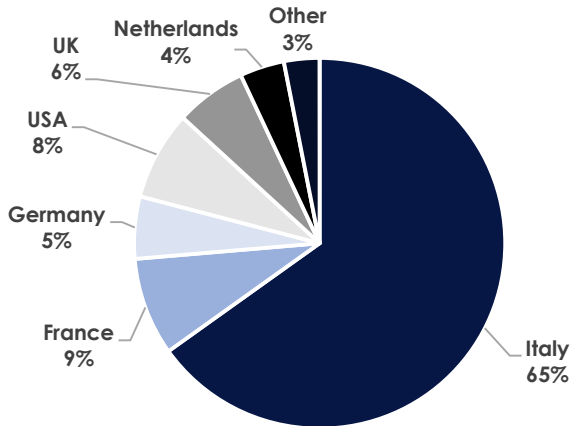
Source: Intermonte SIM (E)

EBITDA breakdown by business (2019E)



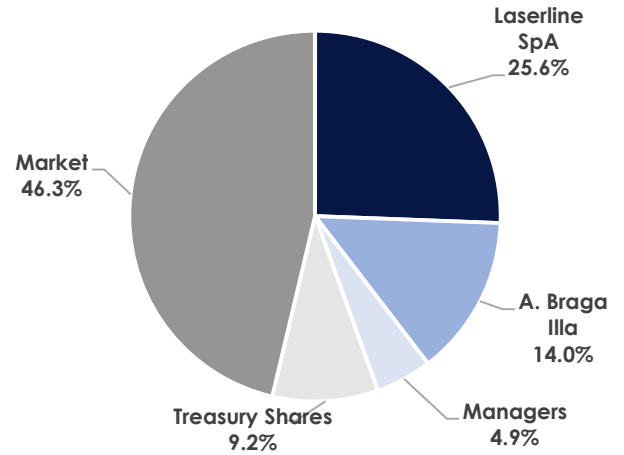
Source: Intermonte SIM (E)

Revenue breakdown by country (2018)



Source: Intermonte SIM (E)

Shareholding Structure



Source: Consob

## Peer Group - Absolute Performances

Stock	Price	Ccy	Mkt cap	1M	3M	6M	YTD	1Y	2Y
<b>TXT E-SOLUTIONS</b>	<b>9.37</b>	<b>EUR</b>	<b>122</b>	<b>-0.2%</b>	<b>17.0%</b>	<b>-5.1%</b>	<b>14.5%</b>	<b>-16.3%</b>	<b>3.3%</b>
AMERICAN SOFTWARE	11.45	USD	356	0.4%	10.7%	-16.0%	9.6%	-13.5%	11.4%
ATOSS SOFTWARE	99.20	EUR	394	7.8%	24.9%	28.2%	26.2%	12.2%	46.4%
CAPGEMINI	105.10	EUR	17,510	10.8%	8.9%	-0.1%	21.1%	0.3%	25.6%
COMPUTACENTER	11.14	GBP	1,252	3.1%	14.7%	-15.7%	10.7%	0.0%	45.5%
DESCARTES SYSTEMS	46.46	CAD	3,571	9.6%	26.1%	3.9%	28.9%	26.8%	58.3%
DEVOTEAM	101.40	EUR	812	2.0%	14.8%	-9.0%	22.9%	19.0%	62.4%
MANHATTAN ASSOCIATE	53.27	USD	3,464	3.8%	13.7%	-8.2%	25.7%	18.6%	8.0%
ORACLE	52.77	USD	189,387	3.4%	14.7%	10.4%	16.9%	1.2%	23.8%
REPLY	56.85	EUR	2,127	13.7%	19.4%	5.4%	29.0%	11.7%	72.7%
SAP	95.60	EUR	114,113	4.3%	7.8%	-4.9%	10.0%	8.8%	6.8%
SOPRA GROUP	104.00	EUR	2,103	26.8%	21.5%	-28.0%	29.0%	-37.8%	-17.5%
SQS SOFTWARE	---	EUR	---	---	---	---	---	---	---
<b>Mean performance</b>				<b>7.1%</b>	<b>16.2%</b>	<b>-3.3%</b>	<b>20.4%</b>	<b>2.6%</b>	<b>28.9%</b>
<b>Italy FTSE Mib</b>	20,484.4	EUR		5.9%	9.3%	0.2%	11.8%	-9.9%	5.1%

Source: FactSet

## Peer Group - Multiple Comparison

Stock	Price	Ccy	Mkt cap	EV/Sales		EV/Ebitda		EV/Ebit		P/E		Div Yield	
				2019	2020	2019	2020	2019	2020	2019	2020	2019	2020
<b>TXT E-SOLUTIONS</b>	<b>9.37</b>	<b>EUR</b>	<b>122</b>	<b>1.4</b>	<b>1.3</b>	<b>12.9</b>	<b>9.9</b>	<b>23.2</b>	<b>15.2</b>	<b>46.3</b>	<b>34.1</b>	<b>1.7%</b>	<b>2.3%</b>
AMERICAN SOFTWARE	11.45	USD	356	2.4	2.3	16.6	13.8	25.1	19.1	36.9	29.4		
ATOSS SOFTWARE	99.20	EUR	394	5.4	4.7	18.9	16.2	20.0	17.2	32.1	28.1	1.6%	1.8%
CAPGEMINI	105.10	EUR	17,510	1.3	1.2	8.9	8.0	10.5	9.5	16.4	14.9	1.8%	2.0%
COMPUTACENTER	11.14	GBP	1,252	0.3	0.2	7.7	7.0	9.7	8.7	13.9	13.3	2.8%	3.0%
DESCARTES SYSTEMS	46.46	CAD	3,571	8.6	7.6	23.9	20.6	41.1	33.2	60.1	48.8		
DEVOTEAM	101.40	EUR	812	1.0	0.8	8.1	6.7	9.1	7.5	18.3	16.2	1.4%	1.7%
MANHATTAN ASSOCIATE	53.27	USD	3,464	5.7	5.4	25.1	23.3	27.1	25.0	38.1	36.5		
ORACLE	52.77	USD	189,387	5.0	4.8	10.8	10.3	11.6	11.1	14.4	13.5	1.5%	1.5%
REPLY	56.85	EUR	2,127	1.8	1.6	12.7	11.0	13.9	12.1	20.8	18.7	0.8%	0.9%
SAP	95.60	EUR	114,113	4.6	4.2	15.0	12.8	15.8	14.0	20.0	18.1	1.6%	1.8%
SOPRA GROUP	104.00	EUR	2,103	0.6	0.5	6.5	5.6	8.1	6.7	10.3	8.8	2.2%	2.8%
SQS SOFTWARE		EUR											
<b>Median</b>				<b>2.4</b>	<b>2.3</b>	<b>12.7</b>	<b>11.0</b>	<b>13.9</b>	<b>12.1</b>	<b>20.0</b>	<b>18.1</b>	<b>1.6%</b>	<b>1.8%</b>

Source: Intermonte SIM estimates for covered companies, FactSet consensus estimates for peer group

## DETAILS ON STOCKS RECOMMENDATION

Stock NAME	TXT E-SOLUTIONS		
Current Recomm:	OUTPERFORM	Previous Recomm:	OUTPERFORM
Current Target (Eu):	12.10	Previous Target (Eu):	12.80
Current Price (Eu):	9.37	Previous Price (Eu):	8.10
Date of report:	11/03/2019	Date of last report:	27/11/2018

**DISCLAIMER (for more details go to [DISCLAIMER](#))****IMPORTANT DISCLOSURES**

The reproduction of the information, recommendations and research produced by IntermonTE SIM contained herein and of any its parts is strictly prohibited. None of the contents of this document may be shared with third parties without authorisation from IntermonTE.

This report is directed exclusively at market professional and other institutional investors (Institutions) and is not for distribution to person other than "Institution" ("Non-Institution"), who should not rely on this material. Moreover, any investment or service to which this report may relate will not be made available to Non-Institution.

The information and data in this report have been obtained from sources which we believe to be reliable, although the accuracy of these cannot be guaranteed by IntermonTE. In the event that there be any doubt as to their reliability, this will be clearly indicated. The main purpose of the report is to offer up-to-date and accurate information in accordance with regulations in force covering "recommendations" and is not intended nor should it be construed as a solicitation to buy or sell securities.

This disclaimer is constantly updated on IntermonTE's website [www.intermonTE.it](http://www.intermonTE.it) under LEGAL INFORMATION. Valuations and recommendations can be found in the text of the most recent research and/or reports on the companies in question. For a list of all recommendations made by IntermonTE on any financial instrument or issuer in the last twelve months consult the [PERFORMANCE](#) web page.

**ANALYST CERTIFICATION**

For each company mentioned in this report the respective research analyst hereby certifies that all of the views expressed in this research report accurately reflect the analyst's personal views about any or all of the subject issuer (s) or securities. The analyst (s) also certify that no part of their compensation was, is or will be directly or indirectly related to the specific recommendation or view in this report.

The analyst (s) responsible for preparing this research report receive(s) compensation that is based upon various factors, including IntermonTE's total profits, a portion of which is generated by IntermonTE's corporate finance activities, although this is minimal in comparison to that generated by brokerage activities.

IntermonTE's internal procedures and codes of conduct are aimed to ensure the impartiality of its financial analysts. The exchange of information between the Corporate Finance sector and the Research Department is prohibited, as is the exchange of information between the latter and the proprietary equity desk in order to prevent conflicts of interest when recommendations are made.

**GUIDE TO FUNDAMENTAL RESEARCH**

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 2.5% and a risk premium of 5.0% are being used.

Frequency of research: quarterly.

Reports on all companies listed on the S&P/IB40 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

**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 December 2018 IntermonTE's Research Department covered 158 companies. IntermonTE's distribution of stock ratings is as follows:

BUY:	11.49 %
OUTPERFORM:	46.62 %
NEUTRAL:	34.46 %
UNDERPERFORM	07.43 %
SELL:	00.00 %

The distribution of stock ratings for companies which have received corporate finance services from IntermonTE in the last 12 months (48 in total) is as follows:

BUY:	20.83 %
OUTPERFORM:	56.25 %
NEUTRAL:	22.92 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

**CONFLICT OF INTEREST**

In order to disclose its possible conflicts of interest IntermonTE SIM states that:

within the last year, **IntermonTE SIM** managed or co-managed/is managing or is co-managing an Institutional Offering and/or managed or co-managed/is managing or is co-managing an offering with firm commitment underwriting of the securities of the following Companies: Alkemy, Banca Ifis, Banca Sistema, Cattolica Assicurazioni, Capital For Progress 2, Emak, Nova RE, Space4, Somec.

**IntermonTE SIM** is acting as placement agent in Il Sole 24 Ore's capital increase with an agreement with the company for the publication of an equity research regarding the company and the transaction. IntermonTE will receive fees from the company for its activity as placement agent.

**IntermonTE SIM** has provided in the last 12 months / provides/may provide investment banking services to the following companies: Aedes, Aeroporto di Bologna, Banca Ifis, Banca Sistema, Carraro, Conafi, Gamenet, Hitachi (on Ansaldo STS shares), M&C, Il Sole 24 Ore, Italoonline, Retelit, Saras, Witi.

**IntermonTE SIM** is Specialist and/or Corporate Broker and/or Sponsor and/or Broker in charge of the share buy back activity of the following Companies: Abitare In, Aedes, Alkemy, Aquafil, ASTM, Avio, Azimut, B&C Speakers, Banca Ifis, Banca Sistema, Be, Cattolica Assicurazioni, CFT, Crescita/Cellular Line, DeA Capital, DigiTouch, ELEn, Emak, Energy-Lab, ePrice, Falck Renewables, Fimit Fondo Alpha, First Capital, Gamenet, Gefran, Giglio Group, GO Internet, GPI, H-Farm, IndelB, Il Sole 24 Ore, Italoonline, IWB, LU-VE, Notorius Picture, Nova RE, Openjobmetis, QF Alpha Immobiliare, Reno de Medici, Reply, Restart, Retelit, Saes Getters, Servizi Italia, Sesa, Snaitech, Somec, Tamburi Investment Partners, Tesmec, Tecnoinvestimenti, TXT e-solutions, Vetrya, Vittoria Assicurazioni, Witi.

**IntermonTE SIM** has a contractual commitment to act as liquidity provider on behalf of third parties for the following companies: Aedes, Banca Sistema, Cattolica.

**IntermonTE SIM** performs as a market maker for the following companies: Atlantia, Autogrill, Azimut Holding, Banco Popolare, BCA Monte dei Paschi di Siena, BCA POP Emilia Romagna, BCA POP Milano, CNH Industrial, Enel, Eni, Exor, Fiat Chrysler Automobiles NV, Generali, Indice FTMB, Intesa Sanpaolo, Intesa Sanpaolo Rsp, Leonardo-Finmeccanica, Luxottica Group, Mediaset, Mediobanca, Prisma, Saipem, Snam, Stmicroelectronics, Telecom Italia, Telecom Italia Risparmio, Tenaris, Terna, Ubi Banca, Unicredit, Unipol, Unipolais.

**IntermonTE SIM** is a member of the CBOE Europe Equities Liquidity Provider Program for the following financial instruments: A2A, Ansaldo STS, Atlantia, ATSM, Autogrill, Azimut Holding, Banca Generali, Banca Mediolanum, Banco BPM, Bca Monte dei Paschi di Siena, Bca Pop Emilia Romagna, Banca Pop Sondrio, Buzzi Unicem, Buzzi Unicem Rsp, Campari, CIR - Compagnie Industriali Riunite, Credito Emiliano, Danieli & C., Danieli & C. Risp NC, Diasorin, Enel, Eni, Generali, Hera, Intesa Sanpaolo, Intesa Sanpaolo Risp, Iren, Italgas, Italmobiliare, Leonardo-Finmeccanica, Luxottica Group, Maire Tecnimont, Mediaset, Mediobanca, Pirelli & C., Poste Italiane, Prisma, Recordati, S.I.A.S., Saipem, Salini Impregilo, Salvatore Ferragamo, Snam, Telecom Italia, Telecom Italia Rsp, Terna, Tod's, UBI Banca, Unicredit, Unipol, Unipolais.

Through its Websim Division, **IntermonTE SIM** SpA acts as a Retail Investor Research Provider on behalf in regard to the following companies: Aedes, Banca Ifis, Banca Sistema, Bomi, Cattolica Assicurazioni, Cellularline, Centrale del Latte, Cerved, Coima RES, DHH, Digital 360, Digital Bros, Digital Magics, Electro Power System, Elettra Investimenti, Energetica Motor, ePrice, Expert System, Falck Renewables, Fiera Milano, FILA, Finlog, First Capital, FOPE, Generali Assicurazioni, Giglio, Go Internet, H-Farm, Isagro, Italoonline, La Doria, Lventure, MailUp, Masi Agricola, Molmed, Mondo TV, Pharamnutra, Piaggio, Primi sui Motori, Retelit, Safe Bag, SMRE, Somec, SOS Travel, WITT.

Through its Websim Division, **IntermonTE SIM** carries out marketing / communication activities on behalf of the following equity crowdfunding 200Crowd, BacktoWork24, Crowdfundme, Opstart and the following issuers: Banca IMI, BNP Paribas, Credit Suisse, Exane, Leonteq, Unicredit, Vontobel, Wisdomtree.

IntermonTE SIM SpA holds net long or short positions in excess of 0.5% of the overall share capital in the following issuers:

Emittente	%	Long/Short
CAPITAL FOR PROGRESS 2	1.68	LONG
EPS EQUITA PEP2	0.81	LONG
Gambero Rosso	0.58	LONG
LIFE CARE CAPITAL	0.57	LONG
SPACTIV	0.69	LONG
THESPAC	1.34	LONG
VEI 1	0.72	LONG
WASTE ITALIA	0.65	SHORT

**© Copyright 2018 by IntermonTE SIM - All rights reserved**

It is a violation of national and international copyright laws to reproduce all or part of this publication by email, xerography, facsimile or any other means. The Copyright laws impose heavy liability for such infringement. The Reports of IntermonTE SIM are provided to its clients only. If you are not a client of IntermonTE SIM and receive emailed, faxed or copied versions of the reports from a source other than IntermonTE SIM you are violating the Copyright Laws. This document is not for attribution in any publication, and you should not disseminate, distribute or copy this e-mail without the explicit written consent of IntermonTE SIM.

INTERMONTE will take legal action against anybody transmitting/publishing its Research products without its express authorization.

INTERMONTE Sim strongly believes its research product on Italian equities is a value added product and deserves to be adequately paid.

IntermonTE Sim sales representatives can be contacted to discuss terms and conditions to be supplied the INTERMONTE research product.

INTERMONTE SIM is MIFID compliant - for our Best Execution Policy please check our Website [MIFID](#)

Further information is available