Intermonte

Milan, 18 March 2024

**Italian Equity Research – FY23 Results**

# TXT E-SOLUTIONS

# OUTPERFORM

*Sector: Industrials*

Price: Eu21.10 - **Target: Eu26.10**

## Encouraging Management Guidance, Positive View Confirmed


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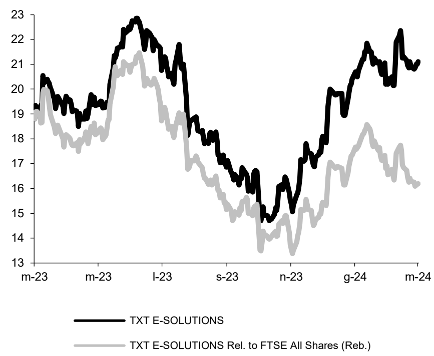
| **Stock Rating** | | | |
|---|---|---|---|
| **Rating:** | | | Unchanged |
| **Target Price (Eu):** | | | from 25.10 to 26.10 |
| | **2024E** | **2025E** | **2026E** |
| **Chg in Adj EPS** | 3.3% | 3.0% | |

**Next Event 1Q24 Results**
Results Out 15 May 2024

**TXT E-SOLUTIONS - 12M Performance**




| **Stock Data** | | | |
|---|---|---|---|
| Reuters code: | | | TXTS.MI |
| Bloomberg code: | | | TXT IM |
| **Performance** | **1M** | **3M** | **12M** |
| Absolute | 4.5% | 16.6% | 12.2% |
| Relative | -2.3% | 5.3% | -18.1% |
| 12M (H/L) | | | 22.85/14.70 |
| 3M Average Volume (th): | | | 21.43 |

| **Shareholder Data** | |
|---|---|
| No. of Ord shares (mn): | 13 |
| Total no. of shares (mn): | 12 |
| Mkt Cap Ord (Eu mn): | 274 |
| Total Mkt Cap (Eu mn): | 274 |
| Mkt Float - Ord (Eu mn): | 137 |
| Mkt Float (in %): | 50.0% |
| Main Shareholder: | |
| Enrico Magni (Laserline) | 29.6% |

| **Balance Sheet Data** | |
|---|---|
| Book Value (Eu mn): | 125 |
| BVPS (Eu): | 10.40 |
| P/BV: | 2.0 |
| Net Financial Position (Eu mn): | -39 |
| Enterprise Value (Eu mn): | 292 |

- **FY23 results confirmed a positive picture**. On 22 February the group released preliminary figures for 4Q23 revenues (up 11% YoY - c.7% organic - to Eu64.7mn) and EBITDA (up 16% YoY to Eu10.1mn). From the results approved on 14 March, we note that 4Q23 net profit was Eu5.7mn, down from Eu6.7mn in 4Q22, which benefited from non-recurring financial income, but Eu1mn above our estimates. Quarterly financial income included the fair value adjustment of the stake in Banca del Fucino (from Eu16.5mn to Eu17.8mn at the end of December). Reported net debt closed at Eu51.7mn, slightly above our estimate due to the purchase of additional treasury shares (up to 10% of the capital at YE23). The increase in debt over the course of the year (Eu13.5mn) was linked to the treasury share buyback (Eu13.3mn), dividend payments (Eu2.1mn) and investments in new start-ups and M&A (Eu10.1mn). The BoD proposed a DPS of Eu0.25, for a 20% payout ratio.
- **Management outlook.** For 2024, TXT management is targeting 10% organic growth thanks to the good market prospects and the expected contribution from cross and up-selling initiatives on the group's customer base. In the Smart Solutions division the TXT group expects 2024 growth rates of around 12% on a like-for-like basis, partly thanks to the contribution of synergies linked to recent acquisitions. The Digital Advisory division, which grew by almost 40% in 2023 thanks to the launch of public tenders for the Recovery Plan (NRRP), is expected to grow by over 10%. Finally, in the Software Engineering division, organic growth will be supported by the digital offer in Aerospace & Defence and the public sector. The company expects the EBITDA margin to remain above 14%. With reference to the 2024 M&A plan, TXT confirms the aim of integrating new technologies and specialist digital skills; it can count on good financial flexibility (maximum leverage indicated at 2x EBITDA).
- **Change in estimates.** In this report we are confirming our 2024 revenue forecast (assuming organic growth of 8.4%, a touch more conservative than management guidance of >10%) and our EBITDA margin estimate (14.4%, i.e. consistent with management indications). Below EBITDA, as seen in 4Q23, we are factoring in Eu4mn of additional amortisation related entirely to PPA. We are restating our EPS to account for this item.
- **OUTPERFORM; target from Eu25.1 to Eu26.1.** FY23 figures were positive and support our view on the stock, which should remain well placed in 2024 to continue to benefit from both organic growth and new M&A deals. Our 8.4% organic assumption for this year is slightly more cautious than management guidance. Our target revision mainly reflects the rollover of our valuation.

| **Key Figures & Ratios** | **2022A** | **2023A** | **2024E** | **2025E** | **2026E** |
|---|---|---|---|---|---|
| Sales (Eu mn) | 151 | 224 | 257 | 275 | 296 |
| EBITDA Adj (Eu mn) | 22 | 32 | 37 | 40 | 43 |
| Net Profit Adj (Eu mn) | 11 | 19 | 20 | 22 | 25 |
| EPS New Adj (Eu) | 0.934 | 1.550 | 1.643 | 1.812 | 2.075 |
| EPS Old Adj (Eu) | 1.162 | 1.420 | 1.590 | 1.759 | |
| DPS (Eu) | 0.180 | 0.250 | 0.225 | 0.258 | 0.309 |
| EV/EBITDA Adj | 7.6 | 8.5 | 7.9 | 6.8 | 5.8 |
| EV/EBIT Adj | 11.2 | 13.3 | 13.3 | 11.1 | 9.2 |
| P/E Adj | 22.6 | 13.6 | 12.8 | 11.6 | 10.2 |
| Div. Yield | 0.9% | 1.2% | 1.1% | 1.2% | 1.5% |
| Net Debt/EBITDA Adj | 1.7 | 1.6 | 1.1 | 0.5 | -0.1 |

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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)

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Frequency of research: quarterly.

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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;

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| | |
|---|---|
| BUY: | 26.02 % |
| OUTPERFORM: | 47.15 % |
| NEUTRAL: | 26.02 % |
| UNDERPERFORM | 00.81 % |
| SELL: | 00.00 % |

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

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| Emittente | % | Long/Short |
|---|---|---|



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