

# TINEXTA

Sector: Industrials

**BUY**

Price: Eu16.72 - Target: Eu28.50

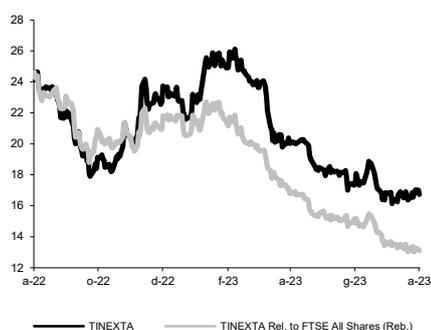
## Digital Business Driving 2Q Results, Strong 2H expected in BI

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### Stock Rating

Rating:	Unchanged		
Target Price (Eu):	Unchanged		
	2023E	2024E	2025E
Chg in Adj EPS	0.6%	0.9%	1.2%

### TINEXTA - 12M Performance



### Stock Data

Reuters code:	TNXT.MI
Bloomberg code:	TNXT IM

Performance	1M	3M	12M
Absolute	-0.7%	-9.5%	-32.1%
Relative	-4.3%	-16.8%	-59.8%
12M (H/L)	26.12/16.13		
3M Average Volume (th):	70.97		

### Shareholder Data

No. of Ord shares (mn):	47
Total no. of shares (mn):	47
Mkt Cap Ord (Eu mn):	789
Total Mkt Cap (Eu mn):	789
Mkt Float - Ord (Eu mn):	349
Mkt Float (in %):	44.3%
Main Shareholder:	
Tecno Holding S.p.A.	55.8%

### Balance Sheet Data

Book Value (Eu mn):	443
BVPS (Eu):	9.53
P/BV:	1.8
Net Financial Position (Eu mn):	-57
Enterprise Value (Eu mn):	1,023

■ **2Q EBITDA 4.2% above estimates.** As expected, 2Q results showcased trends not dissimilar to 1Q, with Group revenues at Eu96.4mn, up 7.3% YoY thanks to the continuation of the very satisfactory growth in Digital Trust (+13.3% YoY), confirmation of the acceleration in Cybersecurity growth (+16.6% after +15% in 1Q), and soft Business Innovation (-2.1% YoY), which as usual is expected to deliver on its annual targets in the second part of the year. The less favourable business mix (the faster-growing Cybersecurity business has lower margins, while at BI there was a lower contribution from high-margin subsidised finance) led to adj. EBITDA of Eu23.0mn, implying a margin contraction of 1.3pp YoY to 23.8%, although this was 4% above our estimate (Eu22mn, 23.0% margin), as Digital Trust and Cybersecurity both delivered stronger-than-expected margin expansions (+1.3pp/+2.5pp respectively vs flat/+1.5pp exp.), more than compensating the decrease at Business Innovation (-6.1pp YoY). Finally, NFP was negative for Eu52.6mn (above our Eu45mn est. due to different phasing of dividends to minorities), down from the positive NFP of Eu4mn as at the end of March, mainly due to dividend payments (~Eu33mn), the purchase of 20% of Defence Tech for Eu25mn, and the buyback (~Eu1mn).

■ **Guidance confirmed.** The BoD has confirmed FY23 targets (at the same scope as at 31 December 2022) aiming to grow revenues by between 11% and 15%, and adj. EBITDA by between 8% and 12%. As a result of the cash-out for the acquisitions completed in 1H as well as lower collections due to management's deferral of the exercise of accrued stock options, the adj. NFP/EBITDA ratio as at the end of 2023 is expected to be in the 0.2/0.3x range, confirming the previous operating cash generation target. We highlight that the guidance does not take into consideration the acquisition of Ascertia, finalized in July.

■ **Ascertia acquisition finalized.** On the 20 July, Tinexta finalized the acquisition of 65% of Ascertia, a key player in the Digital Trust market, which has its HQ in London and associates in the UAE and Pakistan. The outlay was Eu21.4mn, paid in cash. We welcome this deal as it strengthens the Group's international presence while also adding technical know-how, especially in PKI (Public Key Infrastructure) and electronic signatures, completing the Digital Trust offering. Ascertia closed the financial year to 31 March 2022 with pro-forma revenues of Eu8.1mn and adj. EBITDA of Eu1.4mn (17% margin) and in the last year has grown double-digit.

■ **Estimates merely fine-tuned.** While we confirm our estimates at constant perimeter, we are incorporating the contribution from Ascertia into our numbers, lifting 23/24 EPS by 0.6% and 0.9% respectively. Our estimates are aligned to company's guidance.

■ **BUY confirmed; target kept at Eu28.5.** 2Q results showed the continuation of the excellent trends already witnessed in 1Q at the Digital Trust and Cybersecurity businesses, while at Business Innovation a sharp acceleration will be needed in 2H23 to hit the annual targets. Based on historical performance, we believe that this ambitious goal can be achieved and that the company will deliver the consensus numbers, which we expect will be substantially confirmed after this release. We confirm the positive recommendation on the stock, believing that the current price represents an attractive entry point, with the company trading at 12.2x 2024 PE.

Key Figures & Ratios	2021A	2022A	2023E	2024E	2025E
Sales (Eu mn)	302	357	415	468	519
EBITDA Adj (Eu mn)	76	95	105	122	144
Net Profit Adj (Eu mn)	40	50	53	64	79
EPS New Adj (Eu)	0.854	1.058	1.112	1.366	1.667
EPS Old Adj (Eu)	0.854	1.058	1.106	1.353	1.646
DPS (Eu)	0.300	0.510	0.428	0.333	0.444
EV/EBITDA Adj	22.6	14.7	9.8	8.1	6.6
EV/EBIT Adj	28.3	17.9	12.0	9.8	7.8
P/E Adj	19.6	15.8	15.0	12.2	10.0
Div. Yield	1.8%	3.1%	2.6%	2.0%	2.7%
Net Debt/EBITDA Adj	3.5	0.8	0.5	0.2	-0.2