

# TINEXTA

Sector: Industrials

**BUY**

Price: Eu9.39 - Target: Eu16.40

## Laying the Foundations for a Rebound

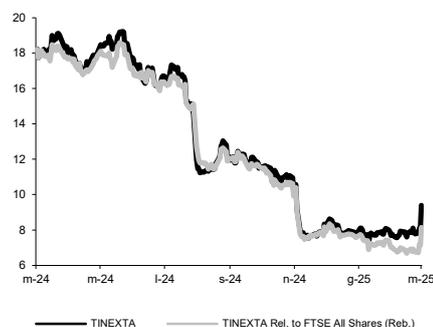
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| Stock Rating       |           |       |       |
|--------------------|-----------|-------|-------|
| Rating:            | Unchanged |       |       |
| Target Price (Eu): | Unchanged |       |       |
|                    | 2025E     | 2026E | 2027E |
| Chg in Adj EPS     | -0.8%     | 0.1%  |       |

### Next Event

 1Q Results Out May 15<sup>th</sup>

### TINEXTA - 12M Performance



| Stock Data              |            |       |        |
|-------------------------|------------|-------|--------|
| Reuters code:           | TNXT.MI    |       |        |
| Bloomberg code:         | TNXT IM    |       |        |
| Performance             | 1M         | 3M    | 12M    |
| Absolute                | 20.7%      | 13.2% | -48.4% |
| Relative                | 16.5%      | 2.2%  | -64.0% |
| 12M (H/L)               | 19.22/7.33 |       |        |
| 3M Average Volume (th): | 223.80     |       |        |

| Shareholder Data          |       |
|---------------------------|-------|
| No. of Ord shares (mn):   | 47    |
| Total no. of shares (mn): | 47    |
| Mkt Cap Ord (Eu mn):      | 444   |
| Total Mkt Cap (Eu mn):    | 444   |
| Mkt Float - Ord (Eu mn):  | 196   |
| Mkt Float (in %):         | 44.3% |
| Main Shareholder:         |       |
| Tecno Holding S.p.A.      | 55.8% |

| Balance Sheet Data              |       |
|---------------------------------|-------|
| Book Value (Eu mn):             | 424   |
| BVPS (Eu):                      | 10.24 |
| P/BV:                           | 0.9   |
| Net Financial Position (Eu mn): | -299  |
| Enterprise Value (Eu mn):       | 937   |

As expected, the FY24 results presentation was an opportunity to reset market expectations for 2025 and provide achievable targets, based on reasonable assumptions for the areas that have been the hardest hit in 2024 (Cyber and Business Innovation), while also factoring in the still-volatile market scenario, especially for ABF. We believe delivery on targets, which as usual will be skewed towards the second part of the year, will be key to driving a re-rating of multiples; the stock is currently trading at attractive levels of 7.4x EV/EBITDA and 8.8x P/E on 2025 numbers. Our target price, the average of DCF and Sum Of the Parts models, is confirmed at Eu16.4, offering quite sizeable upside to the current price. **BUY confirmed.**

- **4Q24 results better than feared:** despite falling below the guidance provided along with the 9M results presentation, Tinexta's 4Q24 results were less negative than feared, thanks again to the usual suspect, Digital Trust, and the Business Innovation margin holding up better than expected, and despite disappointing Cybersecurity figures. While quarterly revenues stood at Eu149.3mn, falling short of our initial Eu154.6mn projection, adjusted EBITDA beat forecasts at Eu54.8mn (vs. Eu52.5mn exp.), benefitting from ongoing margin expansion at Digital Trust (+3.7pp YoY), lower-than-expected dilution at Business Innovation (-6.5pp YoY vs. -9.9pp exp.) and despite mix-driven heavy dilution at legacy Cybersecurity (-6.4pp YoY). Finally, net debt came in below expectations at Eu322mn, although this is a low-quality improvement, as it is explained by a lower valuation of put options due to the weak 2024 performance. Pro-forma leverage therefore came to 2.8x, offering plenty of leeway to the 3.5x covenant on banking debt.
- **2025 EBITDA and NFP targets slightly better than expected.** Management provided a 2025 outlook that was slightly above our expectations at the mid-point for both adj. EBITDA and leverage. In 2025, the Group expects consolidated revenues to grow 12-14% (7-9% organically) and adjusted EBITDA to rise 15-17% (10-12% organically). By Business Unit, Digital Trust anticipates 7-9% growth in both revenue and adjusted EBITDA, driven by strong top line momentum and efficiency gains, which should offset the margin dilution brought by investments made to launch new Generative AI-based solutions. Cybersecurity expects over 20% revenue growth and a 50%+ rise in adjusted EBITDA, with Defence Tech exceeding 25% revenue growth (robust order backlog entering 2025) and Tinexta Cyber (the legacy business) achieving 5% revenue growth but over 25% EBITDA growth due to efficiency measures. Finally, Business Innovation projects 10-12% revenue growth, supported by the recovery of activities related to Transition 5.0 incentives and gradual stabilisation at ABF (though not yet returning to the 2023 level), with adjusted EBITDA rising over 15% (Eu5mn margin expected in 2025 from Transition 5.0, vs. zero in 2024). The leverage ratio is expected to be 2.2x-2.4x by year-end, benefitting from EBITDA growth, reduced investments, and lower taxes.
- **Estimates:** at this stage we are broadly confirming our estimates, which are positioned slightly below the mid-point of the guidance provided; we are ready to increase them during the year as soon as visibility on FY targets improves.

| Key Figures & Ratios   | 2023A | 2024A | 2025E | 2026E | 2027E |
|------------------------|-------|-------|-------|-------|-------|
| Sales (Eu mn)          | 396   | 455   | 507   | 539   | 572   |
| EBITDA Adj (Eu mn)     | 103   | 111   | 126   | 138   | 150   |
| Net Profit Adj (Eu mn) | 54    | 44    | 50    | 59    | 67    |
| EPS New Adj (Eu)       | 1.154 | 0.924 | 1.062 | 1.242 | 1.421 |
| EPS Old Adj (Eu)       | 1.154 | 0.896 | 1.071 | 1.241 |       |
| DPS (Eu)               | 0.460 | 0.300 | 0.220 | 0.286 | 0.358 |
| EV/EBITDA Adj          | 11.6  | 11.0  | 7.4   | 6.6   | 5.8   |
| EV/EBIT Adj            | 15.0  | 17.6  | 10.6  | 9.2   | 7.9   |
| P/E Adj                | 8.1   | 10.2  | 8.8   | 7.6   | 6.6   |
| Div. Yield             | 4.9%  | 3.2%  | 2.3%  | 3.0%  | 3.8%  |
| Net Debt/EBITDA Adj    | 1.0   | 2.9   | 2.4   | 2.0   | 1.6   |

