TINEXTA

BUY

Sector: Industrials

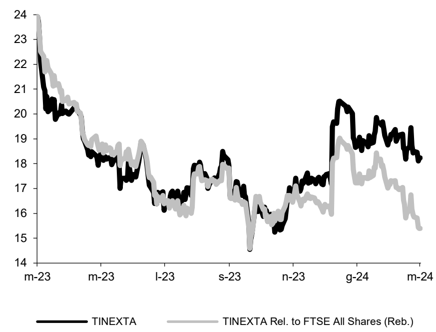
Price: Eu18.23 - **Target: Eu29.00**

Strong Margins to End 2023, Ambitious Growth for 2024-2026

Carlo Maritano +39-02-77115.358
carlo.maritano@intermonte.it

Stock Rating			
Rating:			Unchanged
Target Price (Eu):			from 28.00 to 29.00
	2024E	**2025E**	**2026E**
Chg in Adj EPS	5.4%	3.8%	

TINEXTA - 12M Performance



Stock Data			
Reuters code:			TNXT.MI
Bloomberg code:			TNXT IM
Performance	**1M**	**3M**	**12M**
Absolute	-3.9%	4.3%	-23.8%
Relative	-11.2%	-6.5%	-42.3%
12M (H/L)			23.72/14.55
3M Average Volume (th):			71.82

Shareholder Data	
No. of Ord shares (mn):	47
Total no. of shares (mn):	47
Mkt Cap Ord (Eu mn):	861
Total Mkt Cap (Eu mn):	861
Mkt Float - Ord (Eu mn):	381
Mkt Float (in %):	44.3%
Main Shareholder:	
Tecno Holding S.p.A.	55.8%

Balance Sheet Data	
Book Value (Eu mn):	438
BVPS (Eu):	10.40
P/BV:	1.8
Net Financial Position (Eu mn):	-224
Enterprise Value (Eu mn):	1,300

- **4Q23 EBITDA in line with consensus:** Tinexta's 4Q23 results present a nuanced picture, marked by a divergence between revenue performance and profitability trends. While the revenues for the quarter stood at Eu126.2mn, falling short of our initial projection of Eu143mn, adjusted EBITDA of Eu46.1mn, though a tad below our estimate of Eu47.9mn, was in line with consensus. This was possible thanks to impressive profitability in Business Innovation in the final quarter of the year (53.0% margin, 4.6pp above our estimate), ongoing margin expansion in the Cybersecurity business (26.3% margin, +2pp YoY) and Digital Trust once again delivering very satisfactory results (don't be fooled by the YoY margin contraction, in reality this was due to the consolidation of Ascertia). Finally, the higher-than-expected net debt, Eu102mn vs. our earlier estimate of Eu73mn, is explained by Eu15mn of put option adjustments (good news in our view, as it means acquired companies are expected to overdeliver on initial targets), the Eu5mn acquisition of Studio Fieschi, a Eu5mn IFRS16 impact and other minor elements, and is therefore nothing to worry about.
- **2024 adj. EBITDA target broadly in line with consensus:** in our view, Tinexta's 2024-2026 plan sets ambitious but feasible financial targets, indicating 21-23% YoY growth in consolidated revenues in 2024 (~7% organic growth, the rest coming from the acquisitions of Ascertia and ABF), and 28-32% adj. EBITDA growth (of which 10% organic). We note that both our and consensus pre-release estimates for 2024 were broadly aligned at ~Eu137mn (including ABF), representing a marginal deviation of -2% at the mid-point.
- **Ambitious but feasible 2024-2026 targets.** Over the broader 2023-2026 period, Tinexta aims for a 12-14% CAGR in consolidated revenues and 17-19% CAGR in adjusted EBITDA. Notably, by the end of the period, revenues coming from foreign markets are expected to reach 25% of the total. Additionally, net debt/adj. EBITDA is expected to be in the 1.7x-1.9x range at the end of 2024, decreasing to 0.8x-1.0x by the end of the plan period, allowing the company to pursue further external expansion. We remind that targets do not include the potential acquisition of DTH.
- **Estimates now include ABF:** we are revising our estimates to formally incorporate the contribution of the newly-acquired ABF, which will contribute to the company's results for 12 months. On a like-for-like basis, we are lowering our adj. EBITDA by 2% on average over the next 3 years.
- **BUY confirmed, target from Eu28.0 to Eu29.0:** we confirm our positive view on Tinexta, which we believe has been excessively penalised by the market over the last 24 months, especially after considering that 1) the company has improved its profile in the same period thanks to the long-awaited sale of Credit Information, which took place at full multiples, 2) has continued to grow in the most attractive businesses with a focus on foreign markets, thus reducing its exposure to Italy, and 3) has restored Cybersecurity to a virtuous path after a difficult start. We believe that at 13x P/E 2024 the company deserves a look and offers significant upside. We are raising our target price from Eu28.0 to Eu29.0 following the lower risk-free rate adopted in our models (from 4.5% to 4.0%).

Key Figures & Ratios	2022A	2023A	2024E	2025E	2026E
Sales (Eu mn)	357	396	484	534	587
EBITDA Adj (Eu mn)	95	103	134	155	174
Net Profit Adj (Eu mn)	50	54	66	80	93
EPS New Adj (Eu)	1.058	1.154	1.406	1.690	1.966
EPS Old Adj (Eu)	1.058	1.150	1.333	1.629	
DPS (Eu)	0.510	0.460	0.259	0.460	0.570
EV/EBITDA Adj	15.1	11.8	9.7	8.1	6.9
EV/EBIT Adj	18.4	15.3	12.5	10.2	8.5
P/E Adj	17.2	15.8	13.0	10.8	9.3
Div. Yield	2.8%	2.5%	1.4%	2.5%	3.1%
Net Debt/EBITDA Adj	0.8	1.0	1.7	1.2	0.8

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- 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 4.0% and a risk premium of 5.5% are being used.

Frequency of research: quarterly.

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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.

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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.

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

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NEUTRAL:	10.20 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

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