

TINEXTA

Sector: Industrials

BUY

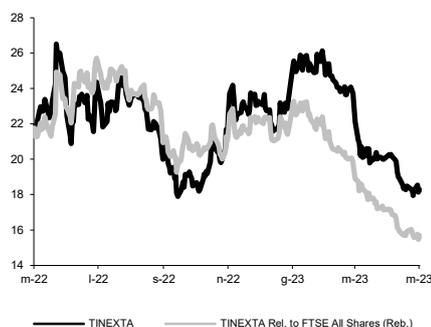
Price: Eu18.30 - Target: Eu28.50

Signs of Acceleration in Cybersecurity, Guidance Confirmed

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Stock Rating				
Rating:	Unchanged			
Target Price (Eu):	Unchanged			
	2023E	2024E	2025E	
Chg in Adj EPS	1.0%	1.2%	0.9%	

TINEXTA - 12M Performance



Stock Data			
Reuters code:	TNXT.MI		
Bloomberg code:	TNXT IM		
Performance	1M	3M	12M
Absolute	-8.5%	-26.1%	-15.9%
Relative	-8.5%	-25.8%	-32.7%
12M (H/L)	26.50/17.90		
3M Average Volume (th):	58.79		

Shareholder Data	
No. of Ord shares (mn):	47
Total no. of shares (mn):	47
Mkt Cap Ord (Eu mn):	864
Total Mkt Cap (Eu mn):	864
Mkt Float - Ord (Eu mn):	382
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:	1.9
Net Financial Position (Eu mn):	-13
Enterprise Value (Eu mn):	1,053

- First signs of acceleration in Cybersecurity:** in a seasonally low quarter (1Q accounts for around 15% of annual EBITDA), Tinexta reported results that were in line with our estimates across the board. As a matter of fact, revenues came in at Eu86.1mn (vs. our Eu86.3mn est.), up 10.1% YoY, thanks mainly to the growth of Digital Trust (+11.6% vs. +10.0% exp.) and Cybersecurity, which showed the first signs of acceleration, recording growth of 14.9% (vs. 20% exp.). By contrast, Business Innovation recorded more moderate growth (+6.4% vs. +6% exp.) due to the seasonality of the business (1H is typically quiet).
- Adj. EBITDA improving slightly, solid cash generation:** As expected, adj. EBITDA stood at Eu15mn (vs. our Eu14.8mn est.), a margin of 17.4 (17.1% exp.), down YoY (-120bp) due to the less favourable business mix (Cybersecurity growing more quickly but entailing narrower margins; a lower contribution from high-margin subsidised finance at Business Innovation). At bottom line the capital gain on the sale of ReValuta boosted net income to Eu39.7mn, much higher than last year's Eu3.3mn. Finally, net debt decreased substantially QoQ to Eu4mn (from Eu78mn at the end of December 2022), due to solid FCF generation of ~Eu23mn, the proceeds from the disposal of ReValuta, finalised in March (~Eu42mn) and the Eu30mn cashed in from the capital increase of Bregal Milestone in Infocert.
- Estimates confirmed, DTH contribution included.** Following 1Q results we are confirming our organic estimates, in line with the indications provided by management in the recent Business Plan presentation. We note that company targets see turnover up between 11% and 15% (our est. +15%), thanks to a continuation of the growth in Digital Trust (+10%) and Business Innovation (+15%) and the expected acceleration in Cybersecurity (+30%). As far as profitability is concerned, adj. EBITDA is seen up by between 8% and 12% (our est. +10%). On top of that, we are incorporating into our estimates the acquisition of the 20% stake in Defence Tech finalised on 17 April (Eu25mn cash-out). As this is just a minority investment at this stage (only contributing to the company's accounts among associates, below EBIT), the impact on the P&L is marginal (~+1% on average over the next 3 years).
- BUY confirmed; target still Eu28.5:** as we wrote in our previous report, 1Q was crucial to show the market an acceleration in the Cybersecurity business and therefore demonstrate the feasibility of the division's ambitious annual targets. Having actually seen this acceleration, we welcome this release, although we do not expect a material revision to consensus estimates. After the recent weak performance, we believe the valuation reached is quite attractive and that a stock with this growth profile at around 13.5x P/E 2024 represents an excellent investment opportunity, especially taking into account the attractive cash generation (average FCF yield for the next 3 years >7%). We confirm our positive recommendation, keeping our target price unchanged at Eu28.5.

Key Figures & Ratios	2021A	2022A	2023E	2024E	2025E
Sales (Eu mn)	302	357	411	457	507
EBITDA Adj (Eu mn)	76	95	104	120	141
Net Profit Adj (Eu mn)	40	50	52	64	78
EPS New Adj (Eu)	0.854	1.058	1.106	1.353	1.646
EPS Old Adj (Eu)	0.854	1.058	1.095	1.337	1.632
DPS (Eu)	0.300	0.510	0.426	0.329	0.437
EV/EBITDA Adj	22.6	14.7	10.1	8.5	6.9
EV/EBIT Adj	28.3	17.9	12.5	10.2	8.1
P/E Adj	21.4	17.3	16.5	13.5	11.1
Div. Yield	1.6%	2.8%	2.3%	1.8%	2.4%
Net Debt/EBITDA Adj	3.5	0.8	0.1	-0.2	-0.5

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