TINEXTA

BUY

Sector: Industrials

Price: Eu9.15 - **Target: Eu18.30**

Guidance Lowered, but Restructuring Poised to Reignite Growth

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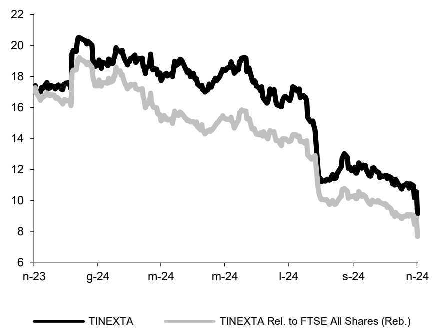
Stock Rating			
Rating:			Unchanged
Target Price (Eu):			from 24.00 to 18.30
	2024E	**2025E**	**2026E**
Chg in Adj EPS	-16.1%	-16.7%	-16.9%

TINEXTA - 12M Performance



Stock Data			
Reuters code:			TNXT.MI
Bloomberg code:			TNXT IM
Performance	**1M**	**3M**	**12M**
Absolute	-21.3%	-18.5%	-46.3%
Relative	-21.5%	-24.8%	-64.9%
12M (H/L)			20.52/9.15
3M Average Volume (th):			100.70

Shareholder Data	
No. of Ord shares (mn):	47
Total no. of shares (mn):	47
Mkt Cap Ord (Eu mn):	432
Total Mkt Cap (Eu mn):	432
Mkt Float - Ord (Eu mn):	191
Mkt Float (in %):	44.3%
Main Shareholder:	
Tecno Holding S.p.A.	55.8%

Balance Sheet Data	
Book Value (Eu mn):	430
BVPS (Eu):	10.24
P/BV:	0.9
Net Financial Position (Eu mn):	-328
Enterprise Value (Eu mn):	952

- **3Q in line, but with some disappointments.** TNXT reported 3Q results in line with expectations, although the components of the result were quite different. While Digital Trust continued to show satisfactory results (slightly lower revenues, but higher margins), the other two divisions both had disappointing aspects. Cybersecurity's organic growth failed to rebound after a weak 2Q, with revenues coming in line with our estimates only due to a higher contribution from DTH, consolidated for the first time. As for Business Innovation, while revenue trends were substantially aligned, showing timid signs of an organic rebound, margins were lower than expected with a 6pp YoY decline due to a worse business mix (less subsidized finance) and the still slightly negative contribution of ABF. Overall, TNXT reported revenues of Eu102.7mn and adj. EBITDA of Eu21.6mn, close to our estimates of Eu103.6mn and Eu21.8mn respectively. Net debt was Eu306mn, 3% above our estimates.
- **BI and CS driving a further outlook cut.** 2024 guidance was revised downward and now projects revenue growth between 14% and 16% (excluding DTH, which should add ~4% to the growth), softer than the previous 20% forecast. Similarly, adjusted EBITDA is now seen expanding 10% to 12% (ex DTH), materially lower than the previously reported growth of 22%. Finally, the leverage ratio, assuming the successful takeover of DTH, is expected to reach approximately 2.8x by the end of 2024 (2.3x without considering the takeover vs 1.9x previously). During the results presentation, management explained that approximately 70% of the guidance cut is attributable to the Business Innovation division and in particular to the delays accumulated in consultancy activities relating to the "transition 5.0" incentives and to a lesser extent to the disappointing performance of ABF, the main reason for the guidance cut in August. The remaining 30% is attributable to Cybersecurity and in particular to the delays built up in the sale of Managed Security Services. Both divisions will undergo a reorganization process to improve their future performance.
- **Estimates.** We have lowered our estimates on a like-for-like basis to incorporate the cautious messages that emerged, especially on the Cybersecurity and Business Innovation divisions. We have reshaped the growth of both for the next few years: for BI to approximately 5% per year (from 7%), and for Cybersecurity to 10% per year (from 15%). The result is a like-for-like EBITDA/EPS cut of approximately 11%/20% on average over the three-year period. In addition to this, we have included the contribution of DTH, which mitigates the cut in EPS because, as stated in the past, we expect low-single-digit accretion from this deal.
- **BUY, TP Eu18.3 from Eu24.0.** We believe that to regain investors' trust, the company must inevitably focus on the reorganization of the Cybersecurity and Business Innovation divisions and on the integration of the latest acquired companies in order to extract the results hoped for at the time of acquisition and the related synergies. We believe that the stock's negative performance since the beginning of the year has gone well beyond the estimate cut (EBITDA YTD has fallen by about 20% on a like-for-like basis, the stock has lost over 40%) and that therefore the current valuations could amount to a good level to return to look at the stock. TP lowered from Eu24.0 to Eu18.3.

Key Figures & Ratios	2022A	2023A	2024E	2025E	2026E
Sales (Eu mn)	357	396	467	523	567
EBITDA Adj (Eu mn)	95	103	117	137	150
Net Profit Adj (Eu mn)	50	54	48	58	67
EPS New Adj (Eu)	1.058	1.154	1.026	1.234	1.427
EPS Old Adj (Eu)	1.058	1.154	1.223	1.481	1.717
DPS (Eu)	0.510	0.460	0.148	0.289	0.360
EV/EBITDA Adj	14.8	11.6	8.1	6.8	6.0
EV/EBIT Adj	18.1	15.0	11.4	9.3	8.0
P/E Adj	8.6	7.9	8.9	7.4	6.4
Div. Yield	5.6%	5.0%	1.6%	3.2%	3.9%
Net Debt/EBITDA Adj	0.8	1.0	2.8	2.2	1.8

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- For the utilities sector comparisons are made between expected returns and the return on the regulatory asset base (RAB)

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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.
Prices: The prices reported in the research refer to the price at the close of the previous day of trading

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OUTPERFORM:	48.09 %
NEUTRAL:	23.67 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

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NEUTRAL:	09.83 %
UNDERPERFORM	00.00 %
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Emittente	%	Long/Short

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