

# TINEXTA

Sector: Industrials

**BUY**

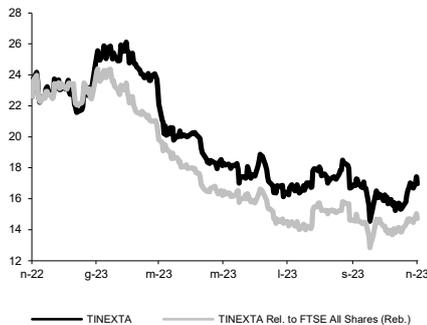
Price: Eu16.97 - Target: Eu28.00

## On Track To Meet 2023 Guidance

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Stock Rating			
Rating:	Unchanged		
Target Price (Eu):	from 28.50 to 28.00		
	2023E	2024E	2025E
Chg in Adj EPS	3.4%	-2.4%	-2.3%

### TINEXTA - 12M Performance



Stock Data			
Reuters code:	TNXT.MI		
Bloomberg code:	TNXT IM		
Performance	1M	3M	12M
Absolute	4.4%	-5.5%	-24.9%
Relative	3.6%	-4.9%	-40.1%
12M (H/L)	26.12/14.55		
3M Average Volume (th):	64.14		

Shareholder Data	
No. of Ord shares (mn):	47
Total no. of shares (mn):	47
Mkt Cap Ord (Eu mn):	801
Total Mkt Cap (Eu mn):	801
Mkt Float - Ord (Eu mn):	354
Mkt Float (in %):	44.3%
Main Shareholder:	
Tecno Holding S.p.A.	55.8%

Balance Sheet Data	
Book Value (Eu mn):	442
BVPS (Eu):	9.42
P/BV:	1.8
Net Financial Position (Eu mn):	-73
Enterprise Value (Eu mn):	1,063

■ **3Q adj. EBITDA 4.6% above estimates:** Tinexta's 3Q results came in slightly better than expected, with adj. EBITDA coming in 4.6% ahead of estimates, as the company is delivering better-than-expected margin expansion in the Cybersecurity business, while the excellent track record in Digital Trust continued, with another quarter of double-digit organic growth. Furthermore, Business Innovation is entering the ever-important 4Q. In detail, revenues came in at Eu87.1mn (vs. our Eu86.0mn estimate), up 10.7% YoY, with a continuation of solid growth trends in Digital Trust (+18.4% YoY, of which we calculate 13.8% was organic), and in Cybersecurity (+12.4%), while Business Innovation remained broadly at the same level as last year (+0.5%). This led to overall revenues coming in 1.2% above our estimate, but adj. EBITDA performed even better, beating our forecast by 4.6%, as margin expansion in Cybersecurity was even more pronounced than we expected (+5.9pp YoY vs. +2.4pp exp.), confirming our impression that it is well ahead of early-year forecasts, recovering part of the delay accumulated in previous years. Down the line, the YoY comparison is invalidated by the capital gain posted in 3Q22 for the sale of the Credit Info business, but we note the good result on financial charges, where the company's hedging strategy is paying off in a scenario of rising interest rates. Finally, net debt stood at Eu91.5mn (vs. Eu84mn exp.) from Eu53mn as at end-June, mainly due to the acquisition of Ascertia (Eu44.4mn).

■ **2023 guidance confirmed:** given the 9M performance, the company confirmed its 2023 guidance, keeping in mind that to achieve the company's 4Q targets, approximately 45-46% of the adj. EBITDA expected for the year will have to be achieved, which is not a surprise given that in 2022 4Q represented approximately 42% of the annual result. We remind that guidance indicates: i) 2023 revenues (on company scope as at 31 December 2022), growing between 11% and 15%; ii) adjusted EBITDA up between 8% and 12%, iii) a net debt/EBITDA ratio of between 0.7x and 0.8x (updated to include the cash-out for the acquisition of Ascertia), and a dividend payout of 30% of the company's net profit. We believe reaching 2023 guidance is feasible (our estimates are aligned), albeit with a different business mix compared to initial year expectations, namely a greater contribution from Digital Trust and Cybersecurity and less from BI. This difference is also reflected in our 2024/25 estimates, where overall we are making minor adjustments to reflect the more cyclical nature of BI compared to the more resilient Cyber and DT.

■ **BUY confirmed; target from Eu28.5 to Eu28.0.** 3Q results once again demonstrated how Digital Trust is able to continue to grow incessantly at double-digit rates, while also confirming the clear improvement in performance in the Cybersecurity business, significantly enhancing visibility on the growth trajectory expected for the coming years. Furthermore, cash generation remains sizeable, and will allow the company to continue to pursue its external growth strategy, with significant firepower remaining even after the likely acquisition of the majority of DTH. We confirm our positive recommendation on the stock, in the belief that the current price represents an attractive entry point, with the company trading at 12.7x 2024 P/E. We are trimming our TP from Eu28.5 to Eu28.0, as we have adopted a higher risk-free rate in our model (4.5% from 4.0%), which is only partially offset by the rollovers of both DCF and SOP metrics.

Key Figures & Ratios	2021A	2022A	2023E	2024E	2025E
Sales (Eu mn)	302	357	412	459	508
EBITDA Adj (Eu mn)	76	95	105	120	141
Net Profit Adj (Eu mn)	40	50	54	63	77
EPS New Adj (Eu)	0.854	1.058	1.150	1.333	1.629
EPS Old Adj (Eu)	0.854	1.058	1.112	1.366	1.667
DPS (Eu)	0.300	0.510	0.455	0.322	0.431
EV/EBITDA Adj	22.6	14.8	10.1	8.6	7.0
EV/EBIT Adj	28.3	18.1	12.7	10.5	8.3
P/E Adj	19.9	16.0	14.8	12.7	10.4
Div. Yield	1.8%	3.0%	2.7%	1.9%	2.5%
Net Debt/EBITDA Adj	3.5	0.8	0.7	0.3	0.0