

TINEXTA

Sector: Industrials

BUY

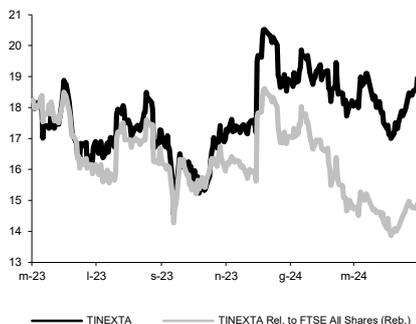
Price: Eu18.95 - Target: Eu29.00

Digital Trust Shines Again, Offsetting Light BI Contribution

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

Stock Rating			
Rating:	Unchanged		
Target Price (Eu):	Unchanged		
	2024E	2025E	2026E
Chg in Adj EPS	0.0%	0.0%	0.0%

TINEXTA - 12M Performance



Stock Data			
Reuters code:	TNXT.MI		
Bloomberg code:	TNXT IM		
Performance	1M	3M	12M
Absolute	8.2%	-0.3%	4.2%
Relative	4.2%	-12.0%	-22.5%
12M (H/L)	20.52/14.55		
3M Average Volume (th):	75.49		

Shareholder Data	
No. of Ord shares (mn):	47
Total no. of shares (mn):	47
Mkt Cap Ord (Eu mn):	895
Total Mkt Cap (Eu mn):	895
Mkt Float - Ord (Eu mn):	396
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):	1,334

■ **DT and Cybersecurity drive top line up 14.4% YoY:** 1Q has historically been the least significant quarter of the year in terms of margins, a trend further accentuated following the purchase of ABF, which presents similar seasonality to Warrant Hub (4Q accounting for the vast majority of annual growth and EBITDA). Nonetheless, we welcome the messages that emerged from Digital Trust (the least seasonal business), which continued to show excellent signs in terms of both growth (+21.1%) and margin expansion (+3.4pp YoY), highlighting the quality of TNXT's positioning in a market that continues to show structural expansion trends. As for the other two divisions, cybersecurity also continued to show good signs of growth (+15.7%), while as expected, Business Innovation posted a rather weak quarter, with growth of merely 4.4% due entirely to consolidation of ABF, whereas organic growth was negative by 11.5%, as the contribution from Industry 5.0 should only be seen towards the end of the year. Overall, revenues came to Eu98.4mn, up 14.4% YoY.

■ **DT margin expanding by 3.4pp YoY:** adj. EBITDA came in at Eu15.4mn (vs Eu15.3mn est.), up slightly from Eu15.0mn in 1Q23 (implicit margin 15.6% vs. 17.4% last year). As mentioned above, Digital Trust margins were strong (+3.4pp, from 27.4% to 30.8%), with a particularly good performance from Ascertia, which was margin-accretive (EBITDA margin in the 50% region) contrary to our expectations for it to have a dilutive impact. We note that margins also expanded by around 1% on an organic basis. Cybersecurity's profitability held up well, while due to the seasonality and a less favourable mix BI profitability was quite sluggish (more digital services, less subsidised finance). Finally, net debt increased to Eu240mn, as adj. FCF of ~Eu27mn was more than offset by the cash-out for the acquisition of ABF (Eu155mn).

■ **Estimates confirmed.** Following 1Q results we are confirming our estimates, in line with the indications provided by management in the recent Business Plan presentation. We note that company targets see turnover up between 21% and 23% (our est. +22.4%), of which 7% organic, as a result of a 14%/16% increase at Digital Trust (8%/10% organic), 14%/16% at Cybersecurity (entirely organic) and 38%/40% at Business Innovation (5%/7% organic). As far as profitability is concerned, the margin is expected to grow more than proportionally in all divisions, leading to adj. EBITDA up by between 28% and 32% YoY (our est. +30.6%). Finally, the net debt/adj. EBITDA ratio is expected between 1.7x and 1.9x at year end. We note that neither BP targets nor our estimates include the impact of the potential exercise of the call option to acquire the majority stake in DTH, for which a final decision is due to be taken by the end of June.

■ **BUY confirmed; target still Eu29.0:** although 1Q is not very indicative of annual trends, we appreciate how Digital Trust relentlessly continues to offer satisfactory results and note with pleasure how the issues that afflicted Cybersecurity in the early years after the acquisition now seem to be behind us. As for Business Innovation, the delivery of sequential improvement quarter by quarter will be the key to demonstrating once again (for the eighth consecutive year) the ability to fill the gap accumulated at the beginning of the year. We confirm our positive view on the stock and target price of Eu29.0.

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	1.405	1.690	1.967
EPS Old Adj (Eu)	1.058	1.154	1.406	1.690	1.966
DPS (Eu)	0.510	0.460	0.259	0.460	0.570
EV/EBITDA Adj	15.1	11.8	9.9	8.3	7.1
EV/EBIT Adj	18.4	15.3	12.9	10.4	8.8
P/E Adj	17.9	16.4	13.5	11.2	9.6
Div. Yield	2.7%	2.4%	1.4%	2.4%	3.0%
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)

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Frequency of research: quarterly.

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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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OUTPERFORM:	46.22 %
NEUTRAL:	27.73 %
UNDERPERFORM	00.84 %
SELL:	00.00 %

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OUTPERFORM:	51.02 %
NEUTRAL:	10.20 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

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Emitente	%	Long/Short

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