

TINEXTA

Sector: Industrials

BUY

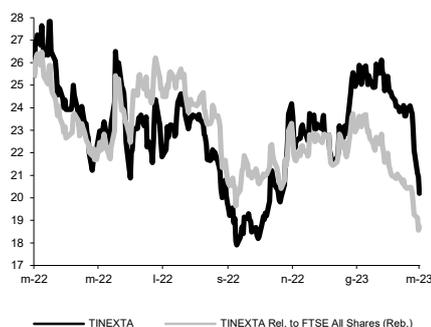
Price: Eu20.20 - Target: Eu28.50

Back-end loaded BP, Estimates in line with Guidance

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Stock Rating			
Rating:	Unchanged		
Target Price (Eu):	from 30.00 to 28.50		
	2023E	2024E	2025E
Chg in Adj EPS	-12.0%	-6.4%	1.0%

TINEXTA - 12M Performance



Stock Data			
Reuters code:	TNXT.MI		
Bloomberg code:	TNXT IM		
Performance	1M	3M	12M
Absolute	-18.2%	-11.8%	-20.5%
Relative	-11.1%	-19.3%	-28.3%
12M (H/L)	27.84/17.90		
3M Average Volume (th):	51.90		

Shareholder Data	
No. of Ord shares (mn):	47
Total no. of shares (mn):	47
Mkt Cap Ord (Eu mn):	954
Total Mkt Cap (Eu mn):	954
Mkt Float - Ord (Eu mn):	422
Mkt Float (in %):	44.3%
Main Shareholder:	
Tecno Holding S.p.A.	55.8%

Balance Sheet Data	
Book Value (Eu mn):	442
BVPS (Eu):	9.52
P/BV:	2.1
Net Financial Position (Eu mn):	15
Enterprise Value (Eu mn):	1,115

■ **4Q in line:** 4Q results were broadly in line with our estimates with the exception of the Cybersecurity division, where both revenue growth and the top line fell short of forecasts. On the other hand, we note how Business Innovation posted a very strong 4Q, fully recovering the delay accumulated over the first 9 months of the year, which was mainly the result of the volatile macroeconomic environment. All in all, adj. EBITDA stood at Eu40mn vs. our Eu41.5mn, with a remarkable margin improvement in both Digital Trust (+1.7pp YoY) and Business Innovation (+5.1pp). As far as net debt is concerned, the Eu78mn figure, which at first glance looks worse than our Eu60mn estimate, was actually better bearing in mind that our estimate included a cash-in some Eu50mn from the disposal of ReValuta, which will now be booked in 1Q23 instead (the comparable estimate is therefore Eu110mn).

■ **Back-end loaded business plan:** along with FY results, the company updated its 3-year business plan, which despite showing growth targets that were basically in line with our forecasts, appears more back-end loaded, meaning the 2023 EBITDA target was lower than we expected, suffering mainly from the delay accumulated in Cybersecurity. The main targets for 2023 are:

- Turnover expected up between 11% and 15%, thanks to a continuation of the growth in Digital Trust (+10%) and Business Innovation (+15%) and the expected acceleration in Cybersecurity (+30%), considered possible thanks to personnel investments in 2022 and orders already on the books.
- Adj. EBITDA expected up by between 8% and 12%. The rise in EBITDA is slightly lower than our estimate, mainly due to Cybersecurity.
- NFP positive at end period, dividend at 30% of reported profit.

3-year targets:

- low to mid-double-digit turnover CAGR expected, with double-digit growth rates foreseen in all 3 business units.
 - Adj. EBITDA CAGR expected to be double-digit. In our view, there were highly positive indications on the growth of the Digital Trust margin, indicated at c.3pp (as for Cyber, although the starting point is considerably lower).
 - NFP positive at end period, Dividend payout at 35% at the end of the plan.
- **Estimates moved in line with guidance midpoint:** we are taking a prudent approach, moving our estimates from above-guidance and above-consensus to in line with the midpoint of the current published guidance range. As a result, we are cutting our adj. EBITDA estimate by 7.3%/4.4% for 2023/24.

■ **BUY confirmed; target trimmed to Eu28.5:** we believe that the business plan confirms the company's improved growth profile following the disposal of the Credit Information business, even though it is taking longer than initially expected to unleash the full potential of the Cyber business. In this respect, we think 1Q results will be crucial in demonstrating to the market that the ambitious 2023 targets for cybersecurity are achievable. If this proves to be the case, we think positive earnings momentum could resume, especially keeping in mind management's usual cautious approach in providing guidance.

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	63	77
EPS New Adj (Eu)	0.854	1.058	1.095	1.337	1.632
EPS Old Adj (Eu)	1.048	0.987	1.244	1.429	1.615
DPS (Eu)	0.300	0.510	0.422	0.323	0.432
EV/EBITDA Adj	22.6	14.7	10.7	9.0	7.4
EV/EBIT Adj	28.3	17.9	13.2	10.8	8.6
P/E Adj	23.7	19.1	18.4	15.1	12.4
Div. Yield	1.5%	2.5%	2.1%	1.6%	2.1%
Net Debt/EBITDA Adj	3.5	0.8	-0.1	-0.4	-0.7