

TINEXTA

Sector: Industrials

BUY

Price: Eu7.84 - Target: Eu16.40

Upcoming CMD Provides Opportunity to Reignite Story

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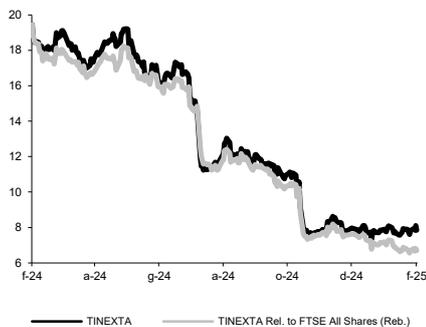
Stock Rating

Rating:	Unchanged		
Target Price (Eu):	from 18.30 to 16.40		
	2024E	2025E	2026E
Chg in Adj EPS	-12.7%	-13.2%	-13.0%

Next Event

 Results Out March 6th

TINEXTA - 12M Performance



Stock Data

Reuters code:	TNXT.MI
Bloomberg code:	TNXT IM

Performance	1M	3M	12M
Absolute	-0.8%	2.4%	-59.7%
Relative	-7.3%	-13.6%	-77.1%
12M (H/L)	19.22/7.33		
3M Average Volume (th):	183.20		

Shareholder Data

No. of Ord shares (mn):	47
Total no. of shares (mn):	47
Mkt Cap Ord (Eu mn):	370
Total Mkt Cap (Eu mn):	370
Mkt Float - Ord (Eu mn):	164
Mkt Float (in %):	44.3%
Main Shareholder:	
Tecno Holding S.p.A.	55.8%

Balance Sheet Data

Book Value (Eu mn):	442
BVPS (Eu):	10.65
P/BV:	0.7
Net Financial Position (Eu mn):	-306
Enterprise Value (Eu mn):	868

■ **4Q results should be along the lines of 3Q.** We expect 4Q trends to be similar to 3Q, with a continuation of robust organic growth in Digital Trust (+9.4% YoY), while both Business Innovation and Cybersecurity remain subdued and fairly flat YoY in organic terms. Cybersecurity should still grow by around 40% overall thanks to the consolidation of Defence Tech, from which we estimate a contribution close to Eu10mn in 4Q. Overall, we expect 4Q revenues to have come to Eu154.6mn (+4.5% organic), bringing the FY total to Eu460.3mn, up 12.9% YoY (+3.4% organic).

■ **Profitability probably affected by less favourable mix:** expected top line trends should be reflected in margins, which are expected to have expanded in Digital Trust and Cybersecurity (DTH has higher margins than the legacy business), but to have come under pressure in Business Innovation, where the lower contribution from subsidised finance activity should squeeze margins compared to last year (we estimate a 10pp contraction). The combined impact should bring 4Q adj. EBITDA to c.Eu52mn, c.2.5pp margin dilution YoY. For FY24 this would translate into adj. EBITDA of c.Eu108.6mn, below the latest guidance of c.Eu117mn. Finally, looking at cash generation we expect net debt to have come to Eu329mn at year-end, with a net debt/EBITDA ratio of c.3.0x (it would drop to c.2.8x on a pro-forma basis), above the 2.5x threshold indicated as a limit in the previous business plans, but fully sustainable in light of the company's cash generation potential (according to our updated estimates the company would already return below 2.5x at the end of 2025 in the absence of extraordinary transactions).

■ **Estimates:** the trends outlined in the first two paragraphs are below our previous expectations (which were aligned with the company's guidance, updated in November last year) as we believe that to hit those numbers there should have been a marked acceleration in 4Q in the activity related to Transition 5.0 fiscal incentives in the Business Innovation area, which is unlikely to have materialised given the scant success of the incentive that was introduced due to the high degree of complexity for potential beneficiaries. As a result, we are lowering our FY adj. EBITDA estimate by about 8%, while estimates for the following years are cut by a similar order of magnitude given the lower starting point. For 2025, we estimate a modest acceleration of organic growth in Cybersecurity (+6.9% vs +3.5% expected in 2024) and Business Innovation (+5% vs -2%) thanks to the ongoing reorganization, while Digital Trust is expected to continue at the same pace as in recent years.

■ **BUY; TP Eu16.4:** we believe the stock performance largely prices in the negative scenario illustrated above, and that next week's CMD (the company will provide the guidance for 2025) could provide an opportunity to take a fresh look at the equity story in a more constructive light, once market expectations are reset after a disappointing 2024. More details on the restructuring measures (hinted at during the 3Q presentation) as well as on the synergies that can be achieved with the most recently acquired companies (DTH, ABF) could enhance visibility on our estimates and consensus for 2025. Delivery on targets will be the key to driving a re-rating of multiples, which still look attractive even after the cuts made to our estimates. Our target price, the average of a DCF and a Sum Of the Parts, goes from Eu18.3 to Eu16.4 on the back of lower estimates.

Key Figures & Ratios	2022A	2023A	2024E	2025E	2026E
Sales (Eu mn)	357	396	460	514	554
EBITDA Adj (Eu mn)	95	103	109	126	137
Net Profit Adj (Eu mn)	50	54	42	51	59
EPS New Adj (Eu)	1.058	1.154	0.896	1.071	1.241
EPS Old Adj (Eu)	1.058	1.154	1.026	1.234	1.427
DPS (Eu)	0.510	0.460	0.109	0.224	0.286
EV/EBITDA Adj	14.8	11.6	11.3	6.9	6.1
EV/EBIT Adj	18.1	15.0	16.4	9.8	8.4
P/E Adj	7.4	6.8	8.8	7.3	6.3
Div. Yield	6.5%	5.9%	1.4%	2.9%	3.6%
Net Debt/EBITDA Adj	0.8	1.0	3.0	2.4	2.0

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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;

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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:	43.28 %
NEUTRAL:	25.38 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

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BUY:	50.70 %
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NEUTRAL:	19.72 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

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