

TXT E-SOLUTIONS

Sector: Industrials

OUTPERFORM

Price: Eu18.54 - Target: Eu22.10

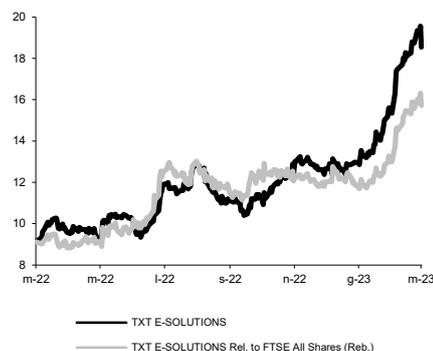
Strong Results, Estimates Up Thanks to Solid Organic Trends

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Stock Rating			
Rating:	Unchanged		
Target Price (Eu):	from 19.40 to 22.10		
	2023E	2024E	2025E
Chg in Adj EPS	3.8%	4.4%	

Next Event 1Q23 Results
 Results Out 11 May 2023

TXT E-SOLUTIONS - 12M Performance



Stock Data			
Reuters code:	TXTS.MI		
Bloomberg code:	TXT IM		
Performance	1M	3M	12M
Absolute	20.9%	46.4%	103.3%
Relative	20.8%	34.4%	85.3%
12M (H/L)	19.56/9.08		
3M Average Volume (th):	29.64		

Shareholder Data	
No. of Ord shares (mn):	13
Total no. of shares (mn):	12
Mkt Cap Ord (Eu mn):	241
Total Mkt Cap (Eu mn):	241
Mkt Float - Ord (Eu mn):	121
Mkt Float (in %):	50.0%
Main Shareholder:	
Enrico Magni (Laserline)	29.6%

Balance Sheet Data	
Book Value (Eu mn):	122
BVPS (Eu):	9.96
P/BV:	1.9
Net Financial Position (Eu mn):	-29
Enterprise Value (Eu mn):	256

■ **4Q22 revenues and EBITDA stronger than expected.** On 9 March 2023 TXT approved FY22 results. In 4Q22, revenues were up 97% YoY to Eu58.4mn, 4.5% better than our forecast, thanks to the contribution of recent acquisitions but also organic growth of c.19% (vs. 17% expected). EBITDA was Eu8.7mn, up 51.5% YoY and 2.6% better than forecast. Margin dilution vs. 4Q21 was mainly due to the 4Q22 consolidation of Ennova (12% margin). Quarterly net profit was Eu6.7mn vs. Eu4.2mn expected: in 4Q22 TXT booked Eu1.2mn of non-recurring charges but also Eu4.6mn in extraordinary financial income, including Eu2.2mn for the revaluation of the stake in Banca del Fucino. YE22 debt was Eu38.3mn, in line with expectations. The board proposed a dividend of Eu0.18 per share.

■ **Management outlook.** In 2023 TXT expects to achieve revenues of over Eu250mn with an EBITDA margin exceeding 14%, assuming 10% organic growth (on a pro-forma 2022 revenue base of Eu205mn) and the contribution of new M&A deals (with a cash-out of about Eu30mn). As for the 2023 outlook, for the Aerospace & Aviation division TXT envisages a positive trend in line with 2022 (i.e. high single-digit organic growth), with healthy contributions from all segments and year-on-year growth expected to increase in the Civil Aviation, Automotive and Industry 4.0 segments. For the Fintech division, TXT expects greater organic growth thanks to the recent acquisition of major multiyear orders with an expected average annual value of over Eu20mn (at full-speed since 2024). In relation to the 2023 M&A plan, TXT plans to continue with its acquisition plan aimed at integrating emerging technologies, specialised digital skills and excellence in markets that are already proprietary or adjacent to the current ones. We also remind that management indicated that in 2023 the group is willing to monetise its minority stake in Banca del Fucino, bought for Eu14.3mn in 1Q21; encouragingly, the stake has been revalued to Eu16.5mn.

■ **Change in estimates.** Given the positive 4Q22 figures and encouraging management outlook, in this report we are raising our 2023/24 organic growth estimates (from +6.3%/+6.7% to +8.9%/+8.0%), while we are leaving our EBIT margin assumptions unchanged; we think our new assumptions, consistent with management indications (clearly, we do not include future M&A deals expected to be announced during the year), remain quite conservative. All in all, we are upgrading 2023 and 2024 net profit by 4.0% and 4.7% respectively (the change in EPS is +3.8%/+4.4% adjusting for the number of shares).

■ **OUTPERFORM, target Eu22.1 from Eu19.4.** Good delivery on the M&A strategy coupled with organic performance, confirmed by 4Q22 results, remain the pillars on which our view on the stock rests. Even after the positive recent stock performance, the valuation remains attractive, especially in relation to the expected growth rates. Our target revision is explained by our estimate upgrade and by rolling forward our valuation.

Key Figures & Ratios	2021A	2022A	2023E	2024E	2025E
Sales (Eu mn)	96	151	223	241	258
EBITDA Adj (Eu mn)	15	22	32	35	37
Net Profit Adj (Eu mn)	8	11	15	17	19
EPS New Adj (Eu)	0.675	0.934	1.202	1.380	1.518
EPS Old Adj (Eu)	0.675	0.781	1.158	1.322	
DPS (Eu)	0.000	0.180	0.221	0.254	0.279
EV/EBITDA Adj	7.2	7.6	8.0	6.9	6.0
EV/EBIT Adj	10.5	11.2	11.2	9.4	8.1
P/E Adj	27.5	19.8	15.4	13.4	12.2
Div. Yield	0.0%	1.0%	1.2%	1.4%	1.5%
Net Debt/EBITDA Adj	0.6	1.7	0.9	0.4	-0.1