

TXT E-SOLUTIONS

Sector: Industrials

OUTPERFORM

Price: Eu21.00 - Target: Eu25.10

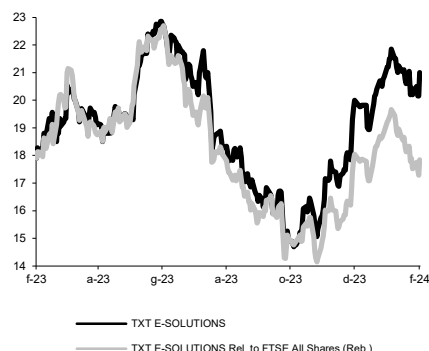
Better-Than-Expected 4Q23 Figures, Positive View Confirmed

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Stock Rating			
Rating:	Unchanged		
Target Price (Eu):	from 22.00 to 25.10		
	2023E	2024E	2025E
Chg in Adj EPS	0.8%	2.3%	3.0%

Next Event FY23 Results
Results Out 14 March 2024

TXT E-SOLUTIONS - 12M Performance



Stock Data			
Reuters code:	TXTS.MI		
Bloomberg code:	TXT IM		
Performance	1M	3M	12M
Absolute	-0.9%	31.3%	17.3%
Relative	-7.7%	20.4%	-0.3%
12M (H/L)	22.85/14.70		
3M Average Volume (th):	23.97		

Shareholder Data	
No. of Ord shares (mn):	13
Total no. of shares (mn):	12
Mkt Cap Ord (Eu mn):	273
Total Mkt Cap (Eu mn):	273
Mkt Float - Ord (Eu mn):	137
Mkt Float (in %):	50.0%
Main Shareholder:	
Enrico Magni (Laserline)	29.6%

Balance Sheet Data	
Book Value (Eu mn):	122
BVPS (Eu):	9.93
P/BV:	2.1
Net Financial Position (Eu mn):	-39
Enterprise Value (Eu mn):	296

■ **Preliminary FY23 revenues and EBITDA slightly above our estimates.** If we focus on 4Q23, revenues were up 11% YoY (c.7% organic) to Eu64.7mn and 3.5% better than expected. The positive surprise came from the digital advisory business unit that benefitted from the award of important tenders in the public administration sector and grew by 34% YoY organically to Eu12.4mn. Smart Solutions (Eu13.2mn) and Software Engineering (Eu39.3mn) grew at a more moderate pace, in line with forecasts. Quarterly EBITDA was up 16% YoY to Eu10.1mn, 1.6% ahead of our estimates and with a 15.6% margin on sales, broadly in line with our forecasts. For the time being the company is not reporting a breakdown of EBITDA by business segment. We remind that results will be approved on 14 March 2024.

■ **Management outlook.** Comments provided by management for 2024 are positive, in particular for the Digital Advisory business. Focus remains on pursuing organic growth and on signing new M&A deals. We expect management to confirm an EBITDA margin above 14%, not only thanks to organic growth rates but also thanks to continuous efficiencies in the organisational structure. In the Smart Solutions division, the contribution from recently-acquired Embedded Graphics has been consolidated as of 4Q23, while the most recent acquisition, Fastcode, entered the consolidation base in December 2023.

■ **Change in estimates.** In this report we are adding the contribution from the recently-acquired FastCode (which generated Eu10.5mn of turnover with a 15% EBITDA margin in FY23). Below EBITDA, we are slightly raising our D&A and financial charges accordingly. All in all, we are raising 2024 and 2025 EPS by 2.3% and 3.0% respectively. In terms of the YE23 net financial position, we are including the impact of the FastCode acquisition, the continuation of the buyback programme but also slightly higher NWC absorption.

■ **OUTPERFORM, target from Eu22.0 to Eu25.1.** Preliminary FY23 figures were positive and provide support to our view on the stock, which should remain well placed in 2024 to continue to benefit from both organic growth and new M&A deals. Our 8% organic assumption for this year is reasonably cautious. We remind that TXT has good financial flexibility thanks to more than 10% of its capital being in treasury shares and thanks to the possibility to monetise the non-core investment in Banca del Fucino (with a book value of Eu16.5mn). Our target revision is mainly explained by assuming a 50bp lower risk-free rate but also reflects the positive change in estimates.

Key Figures & Ratios	2021A	2022A	2023E	2024E	2025E
Sales (Eu mn)	96	151	224	256	276
EBITDA Adj (Eu mn)	15	22	32	37	40
Net Profit Adj (Eu mn)	8	11	15	17	19
EPS New Adj (Eu)	0.675	0.934	1.185	1.355	1.524
EPS Old Adj (Eu)	0.675	0.934	1.176	1.324	1.479
DPS (Eu)	0.000	0.180	0.218	0.249	0.280
EV/EBITDA Adj	7.2	7.6	8.6	8.1	7.0
EV/EBIT Adj	10.5	11.2	12.6	11.5	9.8
P/E Adj	31.1	22.5	17.7	15.5	13.8
Div. Yield	0.0%	0.9%	1.0%	1.2%	1.3%
Net Debt/EBITDA Adj	0.6	1.7	1.6	1.1	0.5

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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;

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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:	47.15 %
NEUTRAL:	26.02 %
UNDERPERFORM	00.81 %
SELL:	00.00 %

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UNDERPERFORM	00.00 %
SELL:	00.00 %

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Emittente	%	Long/Short
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