

# TXT E-SOLUTIONS

# OUTPERFORM

Sector: Industrials

Price: Eu39.70 - Target: Eu45.00

## Lifting Estimates to Factor in A Promising FY25 Outlook

**Andrea Randone +39-02-77115.364**  
 andrea.randone@intermonte.it

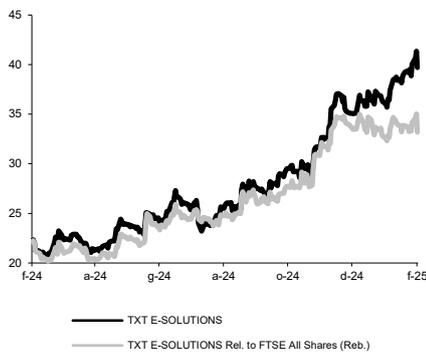
### Stock Rating

<b>Rating:</b>	Unchanged		
<b>Target Price (Eu):</b>	from 34.70 to 45.00		
	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>
<b>Chg in Adj EPS</b>	-3.0%	2.9%	2.2%

### Next Event FY24 Results

Results Out 14 March 2025

### TXT E-SOLUTIONS - 12M Performance



### Stock Data

Reuters code:	TXTS.MI		
Bloomberg code:	TXT IM		
<b>Performance</b>	<b>1M</b>	<b>3M</b>	<b>12M</b>
Absolute	9.5%	24.1%	79.2%
Relative	1.4%	6.5%	59.6%
12M (H/L)	41.35/20.80		
3M Average Volume (th):	28.75		

### Shareholder Data

No. of Ord shares (mn):	13
Total no. of shares (mn):	12
Mkt Cap Ord (Eu mn):	516
Total Mkt Cap (Eu mn):	516
Mkt Float - Ord (Eu mn):	293
Mkt Float (in %):	56.7%
Main Shareholder:	
Enrico Magni (Laserline)	30.3%

### Balance Sheet Data

Book Value (Eu mn):	145
BVPS (Eu):	12.26
P/BV:	3.2
Net Financial Position (Eu mn):	-106
Enterprise Value (Eu mn):	574

■ **Preliminary FY24 revenues and EBITDA.** On 25 February, the group reported preliminary results for FY24. FY24 revenues were Eu304mn, up 35% YoY, or 22.3% YoY before considering M&A. Looking at 4Q24, revenues were Eu84.8mn, +30.5% YoY (+13.5% organic), 2.4% better than our estimates. The surprises came above all from Digital Advisory, which continued double-digit growth (+17.8% in our calculations) despite the difficult comparison. Smart Solutions and Software Engineering also confirmed organic growth in double digits (13.6% and 12.1% respectively on our calculations). On the other hand, EBITDA was indicated at Eu39mn vs Eu40mn forecast. In 4Q24, EBITDA was Eu11.1mn, up 8.5% YoY but 7.4% below our expectation. According to CEO Daniele Misani in the press release, percentage margins, slightly below guidance, reflected investments to support growth and the evolution of the revenue mix.

■ **Management outlook.** FY24 pro-forma revenues and EBITDA (accounting for the annualised contribution from acquisitions) amounted to Eu355mn and Eu50mn respectively. For 2025, the CEO confirmed promising outlook in light of solid order backlog and a strengthened market positioning. YoY margin improvement is expected thanks to the elimination of inefficiencies that arose in 2024 as well as advisory fees entailed by the intense M&A activity, the discontinuation of resale revenues and the consolidation of the highly profitable Webgenesys business (EBITDA margin >20%).

■ **Change in estimates.** We are leaving our 2025 revenue forecast unchanged, assuming higher organic growth for the Smart Solution segment (revised from +10% to +12% thanks to accelerated operating investments sustained in FY24) to be offset by more gradual improvements at Digital Advisory (tougher comp against FY24) and Software Engineering. For the latter we assume non-core resale revenues (ca. Eu12mn in FY24) at zero in FY25. Net of this impact, divisional FY25 organic growth (exp. at 4%) would be 9% in FY25. On the other hand, we improve our 2025 EBITDA margin estimate (from 14.2% to 14.5%); the 160bp EBITDA margin improvement vs. FY24 is largely explained by the consolidation of Webgenesys, but also by the discontinuation of non-profitable resale activity. EPS changes in 2025 and 2026 are +2.9% and +2.2% respectively.

■ **OUTPERFORM; target from Eu34.7 to Eu45.0.** 4Q24 figures were positive and indications for FY25 remain supportive. The revision to our target price (calculated using a DCF model with WACC at 8.4% and a long-term growth rate of 3%) reflects the change in estimates, greater mid-term visibility on a solid organic multi-year growth path, and a slightly lower cost of capital. We confirm our positive view on the stock which, at our new target, would trade below 12x 2025 EV/adj. EBITDA. On approval of 1Q25 results, the company should host a Capital Market Day on 15 May 2025, which could be a positive catalyst. In the short-term, the stock should also benefit from expected inclusion in the FTSE Italia Mid Cap index: the reshuffle announcement should arrive on 5 March.

Key Figures & Ratios	2022A	2023A	2024E	2025E	2026E
Sales (Eu mn)	151	224	304	381	413
EBITDA Adj (Eu mn)	22	32	39	55	60
Net Profit Adj (Eu mn)	11	19	20	29	32
EPS New Adj (Eu)	0.934	1.550	1.736	2.442	2.706
EPS Old Adj (Eu)	0.934	1.550	1.790	2.374	2.647
DPS (Eu)	0.180	0.250	0.262	0.391	0.443
EV/EBITDA Adj	7.6	8.5	10.7	10.4	9.1
EV/EBIT Adj	11.2	13.0	16.1	14.8	12.7
P/E Adj	42.5	25.6	22.9	16.3	14.7
Div. Yield	0.5%	0.6%	0.7%	1.0%	1.1%
Net Debt/EBITDA Adj	1.7	1.6	3.1	1.9	1.3

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The main methods used to evaluate financial instruments and set a target price for 12 months after the investment recommendation are as follows:

- 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.

Prices: The prices reported in the research refer to the price at the close of the previous day of trading

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As at 31 December 2024 Intermonte's Research Department covered 132 companies.

As of today Intermonte's distribution of stock ratings is as follows:

BUY:	31.34 %
OUTPERFORM:	43.28 %
NEUTRAL:	25.38 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

As at 31 December 2024 the distribution of stock ratings for companies which have received corporate finance services from Intermonte in the last 12 months (71 in total) is as follows:

BUY:	50.70 %
OUTPERFORM:	29.58 %
NEUTRAL:	19.72 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

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