Milan, 28 May 2025

Italian Equity Research – Capital Markets Day

TXT E-SOLUTIONS

OUTPERFORM

Sector: Industrials

Price: Eu38.45 - **Target: Eu47.40**

Clearly Set and Credible Targets to 2027 and Beyond

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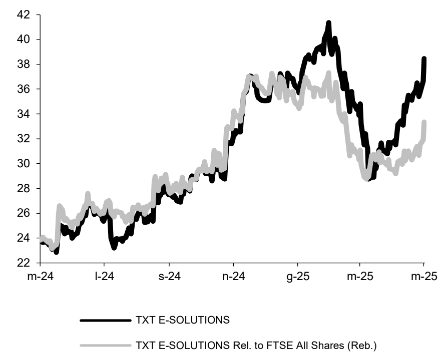
Stock Rating			
Rating:			Unchanged
Target Price (Eu):			from 46.00 to 47.40
	2025E	**2026E**	**2027E**
Chg in Adj EPS	-0.1%	1.2%	3.6%

Next Event 1H25 Results
Results Out 7 August 2025

TXT E-SOLUTIONS - 12M Performance



Stock Data			
Reuters code:			TXTS.MI
Bloomberg code:			TXT IM
Performance	**1M**	**3M**	**12M**
Absolute	21.5%	-1.8%	61.2%
Relative	13.8%	-6.0%	46.0%
12M (H/L)			41.35/22.85
3M Average Volume (th):			32.34

Shareholder Data	
No. of Ord shares (mn):	13
Total no. of shares (mn):	13
Mkt Cap Ord (Eu mn):	500
Total Mkt Cap (Eu mn):	500
Mkt Float - Ord (Eu mn):	284
Mkt Float (in %):	56.7%
Main Shareholder:	
Enrico Magni (Laserline)	30.3%

Balance Sheet Data	
Book Value (Eu mn):	170
BVPS (Eu):	13.38
P/BV:	2.9
Net Financial Position (Eu mn):	-107
Enterprise Value (Eu mn):	595

- **A credible set of targets to 2027**. While 2025 guidance was confirmed (organic revenue growth >8%, EBITDA margin >14%), management indicated that revenues would reach approximately Eu475mn by 2027, driven by growth across all divisions. Group EBITDA is expected to grow more than proportionally (CAGR 11%) and to reach ca. Eu70mn by 2027. By business segment, over the 2025–2027 period the Smart Solutions division is expected to grow by a ca. 17% CAGR, with a target EBITDA margin of around 20.0%; the Digital Advisory division is expected to grow by a ca. 9% CAGR, with a target EBITDA margin of around 14.6%; and the Software Engineering division by a ca. 7% CAGR, with a target EBITDA margin of around 13.0%. Thanks to cash generation from operating activities, the net debt to EBITDA ratio is expected to fall from 2.0x (2024 pro-forma) to 0.5x (2027), excluding potential M&A, factoring a 20% dividend payout but no buy-back, and assuming the cash-in from the sale of Banca del Fucino stake.
- **M&A to provide additional upside.** Apart from organic targets, management is seeking to continue the M&A strategy over the plan period, investing up to approximately Eu160mn (EV), while maintaining maximum leverage of up to 2.0x pro-forma 2027 EBITDA by the end of the plan, focusing on the consolidation of entities with solid and sustainable profitability, operating within the scope of the three mainstays of the Group's offering, and across industries and geographies currently served. Assuming payment for target companies at an EV/EBITDA multiple in the 6–8x range, management said the 2027 EBITDA target will go from Eu70mn to Eu90mn.
- **Change in estimates.** In light of management indications, we are leaving our 2025 estimates unchanged while slightly improving (revenues +0.9%, EBITDA +2.7%) our 2027 estimates, remaining a touch below company targets (ca. -2% on revenues and EBITDA targets). We are becoming more constructive on the Smart Solutions and Digital Advisory segments. On net debt, we note that our Eu46mn forecast as at YE27 is fully in line with management targets, bearing in mind that we have not factored in the disposal of the Banca del Fucino stake (management said it was in negotiations to close the disposal in the coming weeks).
- **OUTPERFORM; target Eu47.4 from Eu46.0.** In light of the new estimates we move our target price, calculated using a DCF model, from Eu46.0 to Eu47.4. At our target, the company would trade at 12x and 9x EV/adj. EBITDA on 2025 and 2027 respectively. In our opinion, the equity story remains attractive considering that we are confident of management delivering organic as well as M&A targets. Looking to 2027, at our target price TXT would trade slightly below 9x on organic management targets but closer to 8x EV/EBITDA if we add a realistic contribution from M&A. In the longer term, the company sees great untapped potential, and targets reaching more than Eu800mn in revenues and Eu135mn in EBITDA, corresponding to a 16%/17% margin on sales.

Key Figures & Ratios	2023A	2024A	2025E	2026E	2027E
Sales (Eu mn)	224	305	386	426	464
EBITDA Adj (Eu mn)	32	39	57	63	70
Net Profit Adj (Eu mn)	19	19	28	33	37
EPS New Adj (Eu)	1.550	1.482	2.200	2.563	2.921
EPS Old Adj (Eu)	1.550	1.482	2.202	2.533	2.819
DPS (Eu)	0.250	0.250	0.366	0.445	0.518
EV/EBITDA Adj	8.5	10.9	10.5	9.0	7.7
EV/EBIT Adj	13.0	16.8	15.2	12.6	10.5
P/E Adj	24.8	25.9	17.5	15.0	13.2
Div. Yield	0.7%	0.7%	1.0%	1.2%	1.3%
Net Debt/EBITDA Adj	1.6	2.8	1.9	1.3	0.7

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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)

Some of the parameters used in evaluations, such as the risk-free rate and risk premium, are the same for all companies covered, and are updated to reflect market conditions. Currently a risk-free rate of 4.0% and a risk premium between 5.5%-6.0% are being used.
Frequency of research: quarterly.
Reports on all companies listed on the S&PMIB40 Index, most of those on the MIDEX Index and the main small caps (regular coverage) are published at least once per quarter to comment on results and important newsflow.
A draft copy of each report may be sent to the subject company for its information (without target price and/or recommendations), but unless expressly stated in the text of the report, no changes are made before it is published.
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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 March 2025 Intermonte's Research Department covered 131 companies.
As of today Intermonte's distribution of stock ratings is as follows:

BUY:	32.59 %
OUTPERFORM:	37.78 %
NEUTRAL:	29.63 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

As at 31 March 2025 the distribution of stock ratings for companies which have received corporate finance services from Intermonte in the last 12 months (74 in total) is as follows:

BUY:	52.70 %
OUTPERFORM:	29.73 %
NEUTRAL:	17.57 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

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