

TXT Investor Letter - March 2020

Milano, March 17, 2020

Dear TXT Investor,

this Investors letter has two main purposes: (i) illustrate the current situation of TXT on the financial markets and (ii) reassure all our Investors about the strength of the TXT Group and its excellent prospects. These latter factors are also highlighted in the article published today in the popular Italian financial newspaper *Il Sole 24 Ore* “*Da Danieli a FCA, la cassa scudo contro il panico*”.

Contextually with the approval of the Board of Directors of the 2019 results - which show the new TXT increasingly launched towards growth on an international scale (revenues +47.9% YoY and EBITDA + 84.4% YoY) (international revenues + 8.6% YoY) and firmly based on the development and marketing of proprietary software (revenues from software +29.7% YoY) - we have seen the value of the TXT share plummet to historic lows since 2013 due to the current contingencies that see financial markets in strong tension with extreme volatility of quotes without any underlying economic logic, and totally at the mercy of speculation.

To date, TXT's Enterprise value is heavily underestimated. Its modest value is affected by a net liquidity of € 41.4 million, of which € 98.7 million of available liquidity and mainly invested in financial products with guaranteed capital. This liquidity will be used as a shield against possible and sudden slowdowns in operating cash flows or against an averted prolongation of the COVID-19 crisis.

Although it is clear that in this day the good results coming from 2019 are not sufficient to provide satisfactory answers to those who are questioning themselves about the evolution of the TXT business in 2020 after the global crisis that began last February, below we provide you with objective indicators that we consider highly strategic in order to mitigate the financial risks related to the current crisis situation from COVID-19; the main risk mitigation factors owned by the TXT Group are:

- ***Continuity of revenues related to the sale of software licenses and mission-critical projects:*** *TXT faces this situation strong of an important revenue backlog (IFRS 15) linked to multi-year contracts for the delivery of licenses such as to guarantee, net of the new contracts that will be signed during the year, sustainable revenues for 2020. A significant share of revenues coming from services and projects is linked to strategic processes of our customers, and this guarantees continuity in almost all the ongoing projects and projects already contracted. These factors significantly mitigate the risk of going-concern that the current crisis is raising in almost all the companies operating in many sectors, including Aerospace & Aviation.*
- ***Diversification of activities in two divisions, (i) Aerospace & Aviation division and (ii) Banking & Finance (FinTech) division:*** *with the Assioma acquisition in 2019, and thanks to the synergies deriving from the consolidation of Cheleo and TXT Risk Solutions, in 2020, the TXT Group's business in terms of revenues breakdown is equally diversified on the two divisions mentioned above, mitigating the specific risks of certain markets where TXT is active, as the Airlines market. Even within the Aerospace & Aviation division, one of the sectors most affected by the current crisis, TXT's offer is widely diversified on various market niches, many of which, to date, are not particularly affected by the current situation, as for proprietary products and specialized services of the pre-design and product configuration lines of business.*

- ***Significant amount of Cash available that, as mentioned in the article published today in the popular Italian financial newspaper, Il Sole 24 Ore “Da Danieli a FCA, la cassa scudo contro il panico”, represents more than 65% of the current market capitalization of TXT and can possibly be used as a shield against sudden slowdowns in operating cash flows or against an averted prolongation of the COVID-19 crisis. With regard to possible risks related to the slowing down of customers’ credit collection, we remind you that almost all TXT customers, both domestic and international, are solid entities with decades of presence on their respective markets; therefore we do not consider ourselves particularly exposed to the risk of default of our important and main customers.***

The main risks identified by Management relate to the slowdown of the important growth path started in 2019 due to possible and unavoidable delays in the acquisition of new contracts and in the launch of new projects to be acquired. Management objectives for 2020 are currently in line with the growth trend recorded in 2019.

TXT continues its expansive policy through strategic M&A; we are confident that at the end of this crisis situation, companies as TXT with a significant amount of Cash available for investments will be rewarded as acquisitions and other extraordinary operations will be particularly advantageous.

We also point out that TXT continues with its Buy-back program as planned, thanks to the financial strength mentioned several times in this Investors letter.

Finally, I would like to reassure you that in view of the recent developments related to the Coronavirus pandemic, TXT Group is continuing regular operations. TXT and all its subsidiaries have robust business continuity arrangements in place to ensure the safe and orderly conduct of business. We have implemented comprehensive policies and strategies to protect our employees and customers and to help contain the spread of the Coronavirus disease (COVID-19). To date, the whole TXT Team is fully engaged, mainly in Smart Working mode, to ensure business continuity.

Together, We are TXT!

Enrico Magni

CEO and Reference Shareholder

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