

TXT e-Solutions

Corporate Overview

March 2018



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Unless otherwise specified all information is for the Year ended 31 December 2017.

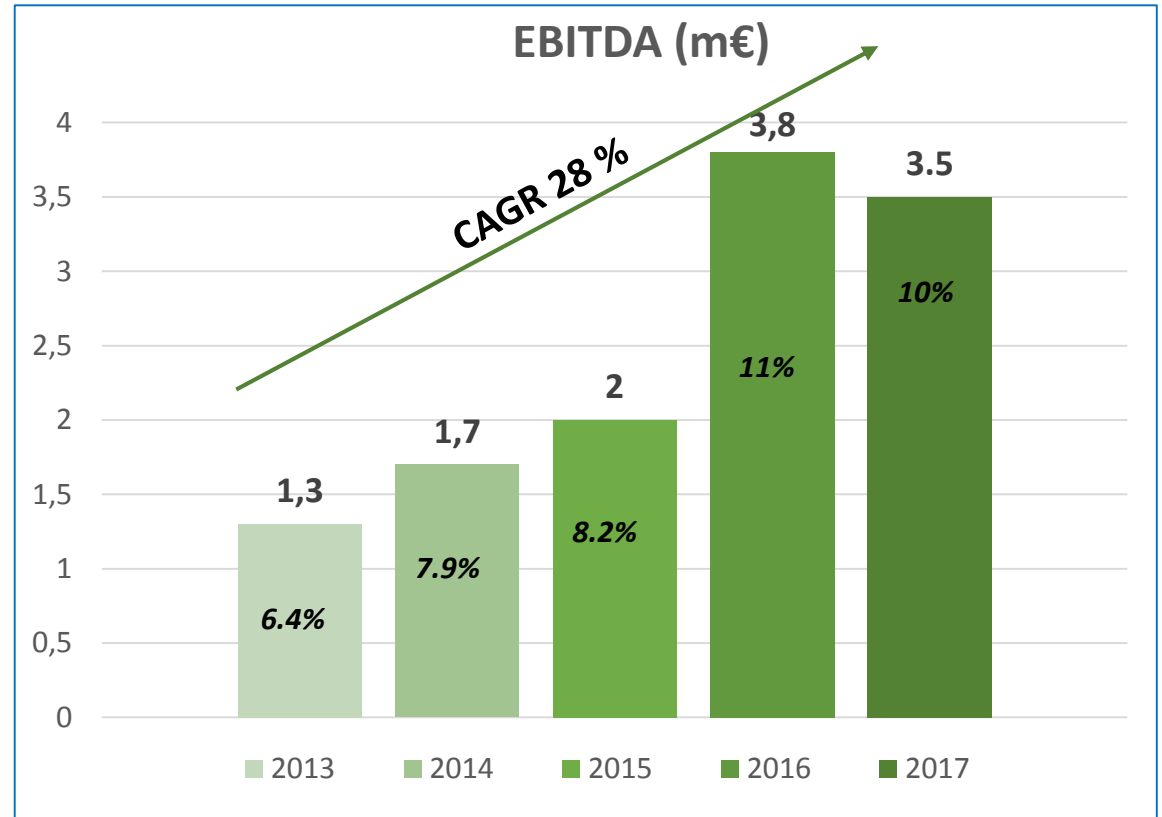
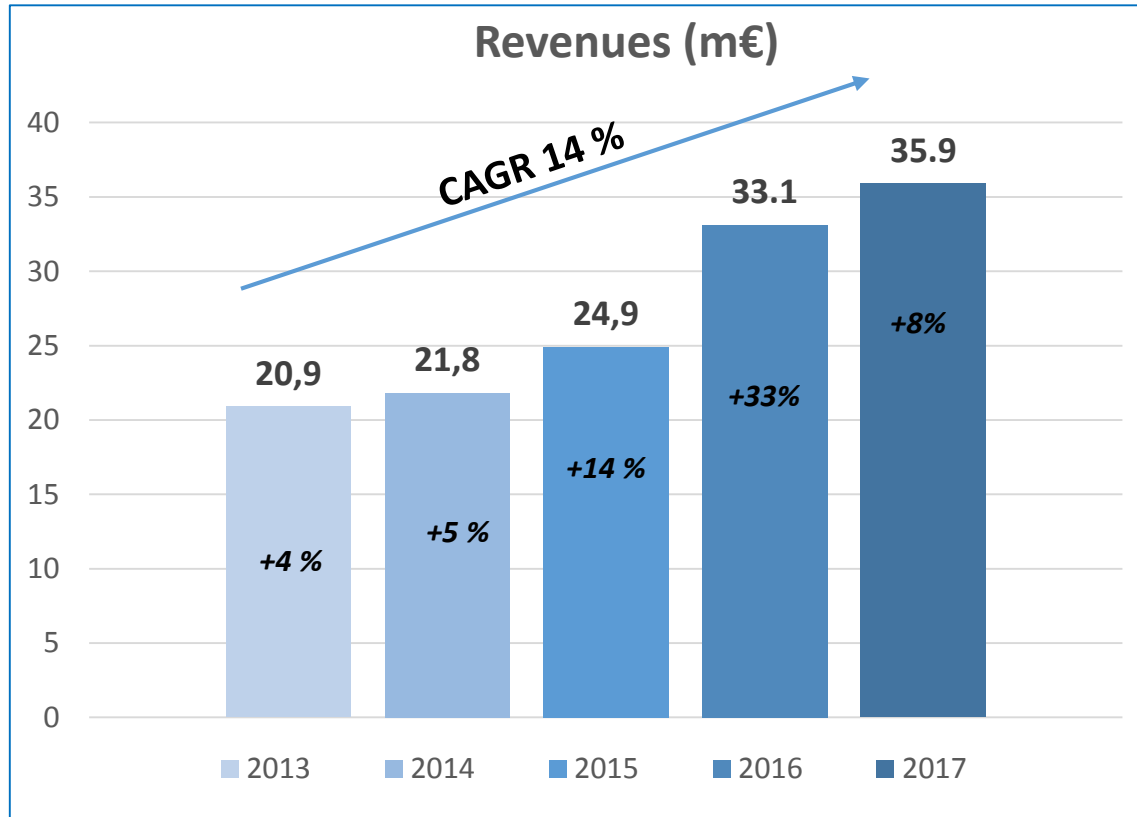
On October 2nd, 2017

Definitive agreement for sale of TXT Retail Division to Aptos

TXT receives EUR 85 million in cash

TXT Next Division development projects to be accelerated

- *TXT e-solutions entered into a definitive agreement to transfer its TXT Retail Division to Aptos, Inc. for EUR 85 million in cash*
- *Division TXT Retail valued at 2.3x EV/Sales and 19x EV/EBITDA*
- *Company's business plan and TXT Next Division development projects to be accelerated*
- *TXT Sense Division established as a start up with proprietary technology for 3D active representation and "New Augmented Reality"*



NOTE: In 2016 TXT acquired PACE Aerospace & Engineering Technology GmbH



TXT e-solutions is an international, specialized provider of engineering software solutions supporting customers in high-tech markets in their mission- and business-critical core processes and throughout their product lifecycles.

Aerospace & Aviation



Product development, customer engineering, manufacturing and aircraft operations

Automotive & Transport



On-board software and systems

Banking & Finance



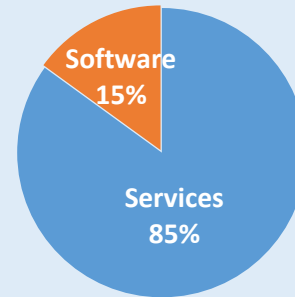
Independent testing, verification and validation of core applications and Software Quality services

Aerospace & Aviation

International provider of High-tech Software Solutions & Services to Global Aerospace, Aviation & Automotive Industry



Revenues: 27,8 m€



2017 Revenues breakdown



EBITDA: ~11%



Team: 340 pp

Banking & Finance



Revenues: 8,1 m€

First mover & Italian leader in Software Quality and Software Testing, Verification & Validation Services to the Italian Banking Industry



EBITDA: 8%



Team: 119 pp

TXT Sense

An newly created internal start-up, aimed to develop and market innovative applications of Augmented Reality to other service & industrial sectors



Team: 9 pp



Aerospace & Aviation



Our Vision & Goal is to become:

- An **Int'l, specialized, multi-niche, mid-sized** (100 m€) provider of **Engineering “Solutions”** (Software & Services)
- Serving the global Aerospace & Aviation Industry
- Via both **organic AND inorganic** growth initiatives

A Longstanding, Global Customer Base across the Industry Value Chain

- A diversified Customer Base of Industry Leaders
- Long-term partnership underpinning highly repeatable revenues streams
- A growing number of new, high-potential int'l customers in recent years
- A significant up-selling opportunity

60%

**Aircraft Manufacturers
(Fixed & Rotary Wings)**



20%

1st Tier Suppliers



10%

Airlines & Lessors



10%

**Automotive
(OEMs & 1st Tier)**


















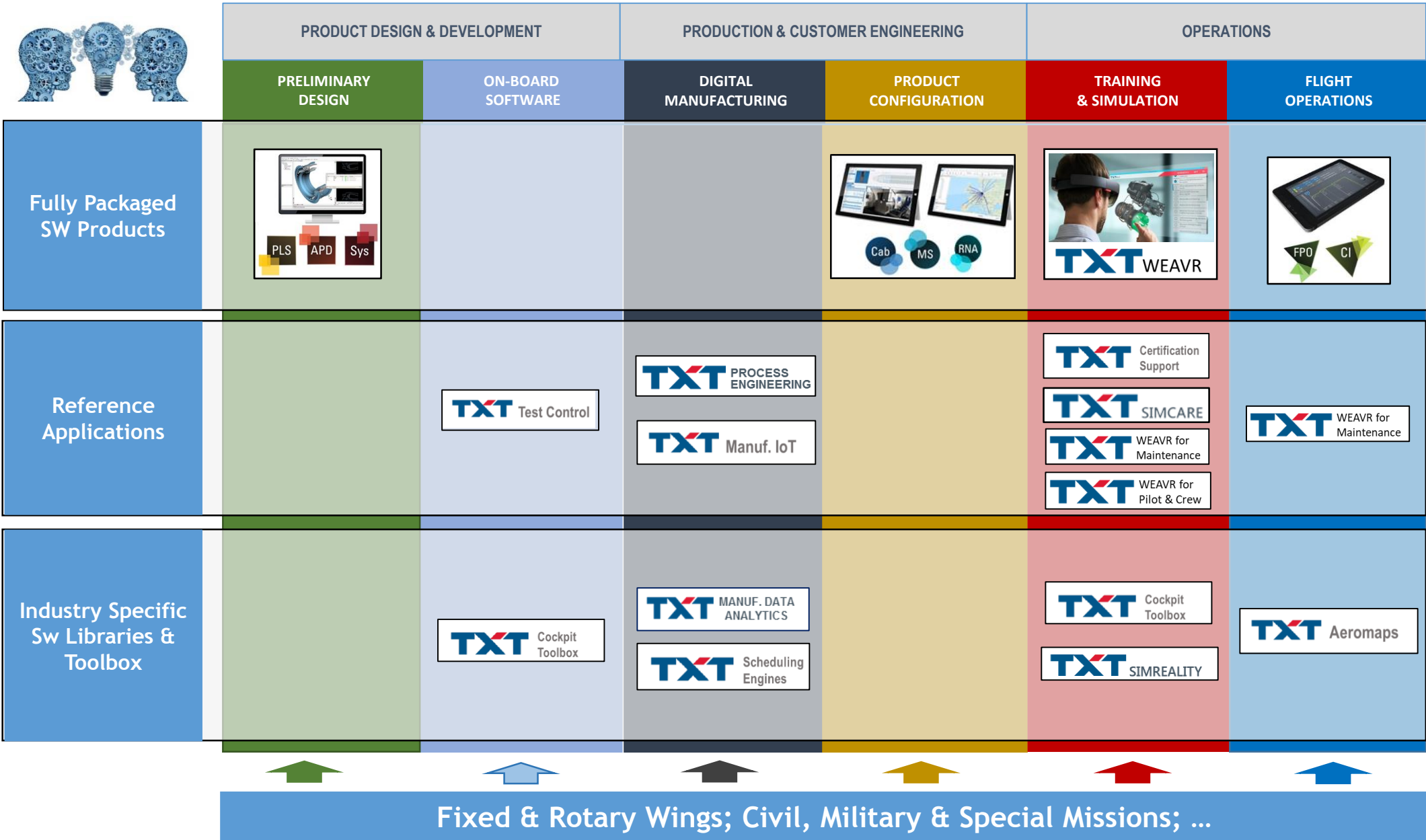
Academia & Research



Value Proposition Spanning the Entire Product Life-cycle

- **Breadth and Depth:** focus on **high-value niches**, but understand the whole picture
- **Industry and Technology expertise:** **Engineering Services**, backed by **Software Assets**
- **Flexible engagements models**, with **turn-Key** service engagements weighting $\frac{3}{4}$ of total

		PRODUCT DEVELOPMENT		CUSTOMER ENGINEERING & MANUFACTURING		OPERATIONS	
		Pre-Design & Evaluation	On-board Software	Product Configuration	Digital Manufacturing	Training & Simulation	Flight Operations
		10 %	30 %	20 %	10 %	25 %	5 %
OEMs & 1st Tier Suppliers 							
	Airlines & Lessors 						
	Automotive & Transport 						
		 Fully packaged software assets & related services  Services & exploitable software assets: proprietary software libraries, methods & reference applications)					



Turn-Key service engagements weight $\frac{3}{4}$ of the total, while Time & Material account for the remaining $\frac{1}{4}$

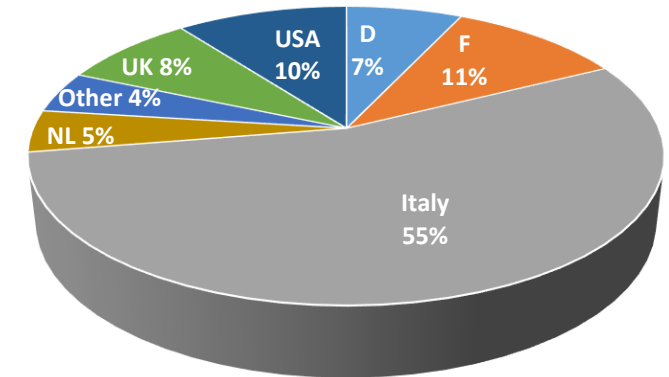


- Local presence, to provide best-in-class on-site support to key customers;
- Corporate competence centers, to deliver & support customers across their business in 30+ Countries



- (1) In Shanghai TXT is present through Pera Global, system integrator and local distributor of its products
- (2) Corporate Headquarters of TXT (Milan) and Pace (Berlin)

2017 Revenue breakdown by geography



A unique spectrum of **specialized high-value niches** across the entire Product Life-Cycle, that differentiates us from local and global competitors

	PRODUCT DESIGN & DEVELOPMENT		PRODUCTION & CUSTOMER ENGINEERING		OPERATIONS	
	PRELIMINARY DESIGN	ON-BOARD SOFTWARE	DIGITAL MANUFACTURING	PRODUCT CONFIGURATION	TRAINING & SIMULATION	FLIGHT OPERATIONS
TXT	✓	✓	✓	✓	✓	✓
altran	✓	✓	✓		✓	
		✓	✓		✓	
philoTech		✓			✓	
	✓		✓			
onssystem	✓	✓	✓		✓	✓
		✓				
		✓			✓	
		✓				
HCL		✓	✓			
	✓	✓			✓	
Tech Mahindra	✓	✓	✓	✓		

- **Small, Local Players:**

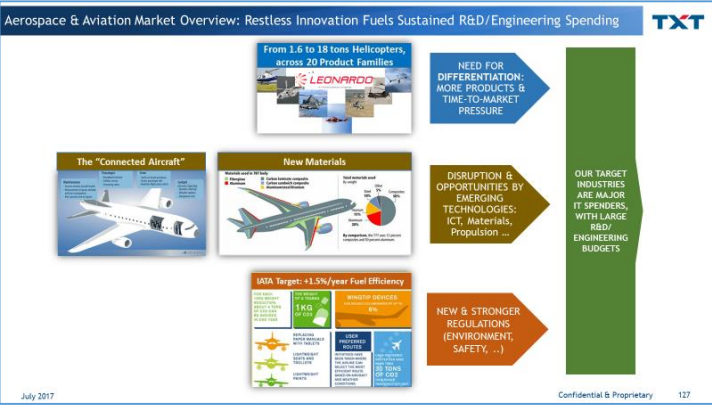
- Deep in single niches, compete mainly in price and locally
- **TXT differentiates and competes** with its depth **AND** breadth, know-how **AND** IPs, resources to invest in co-innovation, ability to follow customers globally. **Small local players are possible acquisition targets**

- **European-based Large Players:**

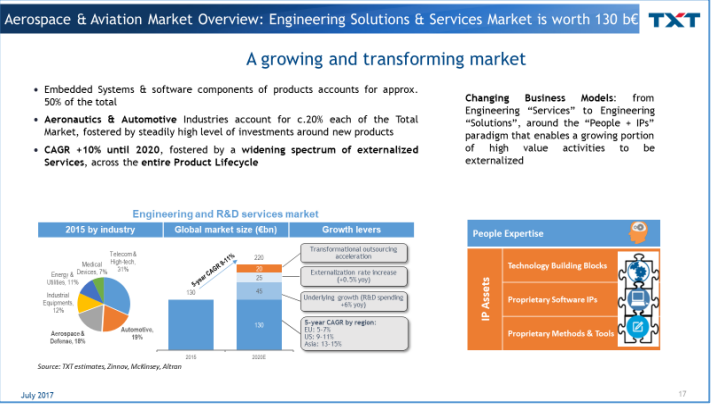
- Grown via acquisitions and massive time & material contracts, are challenged on responsiveness, flexibility and margins. Forced to focus on high-volume low-value activities to bill large teams and spread across a wide spectrum of industries/domains (not only SW-related services!)
- **TXT differentiates and competes** with its people **AND** IP approach, focus on SW-related activities, and its 30 years track record in managing **results-based engagements** and profitable turn-key contracts

- **Large Off-shore Players:**

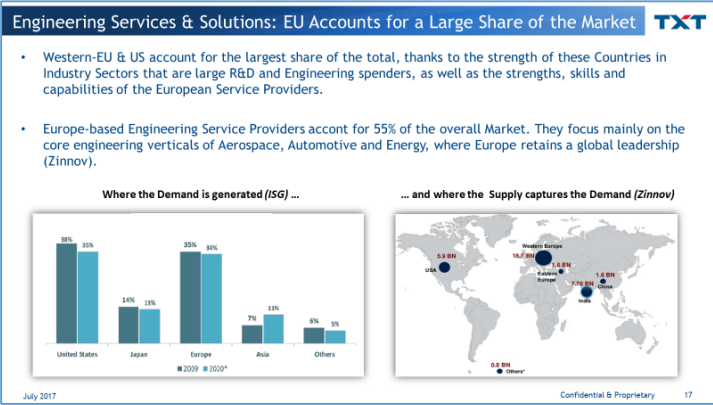
- Mainly from India, historically rooted in technology-based; largely leveraging on off-shore delivery models, they lack the proximity and customer intimacy needed to deepen business understanding. Forced to focus on high-volume low-value execution activities to bill massive teams.
- **TXT differentiates and competes** with its technology **AND** industry expertise, the depth of its know-how, a balanced compromise between proximity (local teams) and “near-shoring” (corporate competence center), that turns into an attractive value proposition for customers, especially in high-value, results-based engagements



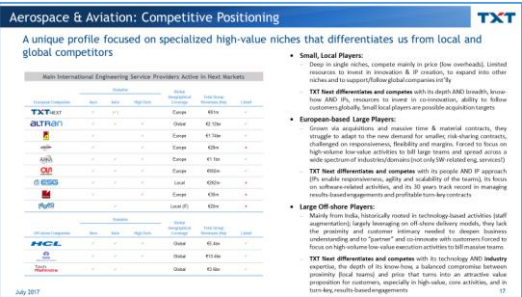
A large & healthy Industry: global groups, with high speed of innovation and **sustained R&D / Engineering spending**



Engineering Solutions & Service Market worth **130 bn€**; **Aerospace & Automotive** accounts for **20%** each; Business Models **evolving**

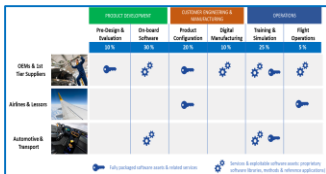
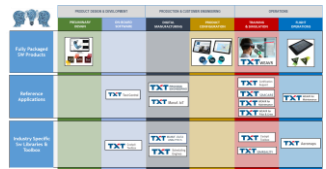


Europe accounts for a large share of the Market



Not only large R&D and Engineering service providers: a **fragmented competitive landscape**, that offers space for both **organic and inorganic growth**, around **software niches of high specialisation** across the product life-cycle

Solid Foundations



- Solid **Management Team** with a track record in **self-sustainable organic growth** AND **acquisitions**
- **340+ specialised engineers**, with **global delivery & support** capability
- «**People**»'s Technology AND Industry expertise, backed by a portfolio of **software assets**
- **Breadth** AND **depth** across the Product Lifecycle, with focus on software
- **50+ Customers**, industry leaders
- Track record in **risk-sharing & results-based** engagements

Identified Growth Initiatives

Our Vision: to become an **Int'l, specialized, multi-niche, mid-sized** (100 m€) provider of **Engineering "Solutions"** serving the **global Aerospace & Aviation Industry**

1. Inorganic Growth

- Be a platform to aggregate niche engineering **software** solution providers
- Selectively target mid-sized acquisitions

2. Organic International Expansion

- Grow the share of wallet in current customers: focus on higher-value activities and risk-sharing engagement models
- Capture new Int'l customers, leveraging on the combination of software assets and specialized service capabilities

3. Offering Innovation

- Product innovation: extend the capabilities and the range of the offering of Sw Assets
- Service innovation: expand the offering with Managed Services

4. Automotive

- Diversification & upside-growth opportunity



Banking & Finance

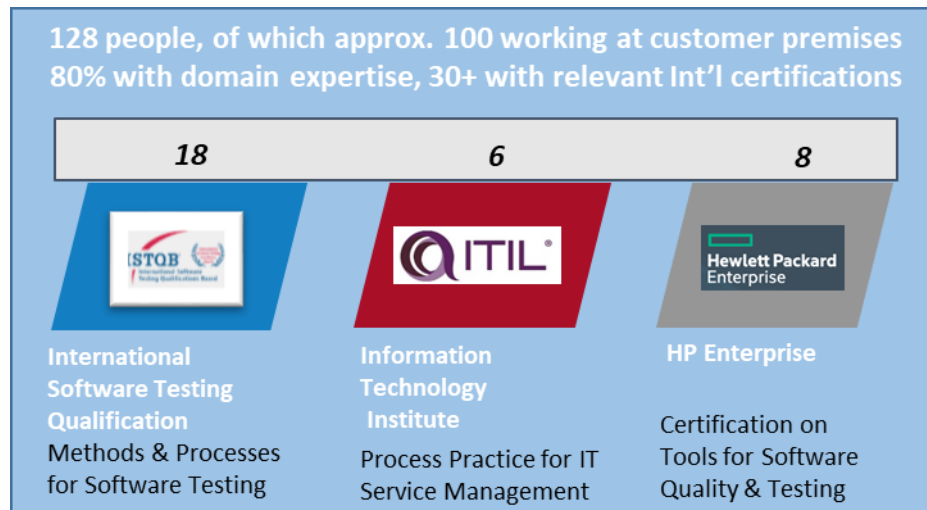
- Since **15 years** focused on **Software Quality** and on **Independent Testing, Verification & Validation** of software, to ensure the functioning, functional fit, and compliance of IT systems
- It has adapted best practices, tools and methodologies from Aerospace to the needs of the Banking Industry
- It targets the **40-50 top Italian Banking** institutions
- With **100%** of revenues from **SW Services** and from **Italian Customers**, it is **regular contributor to cash-flow**
- It is experiencing a **good market momentum**



Services across the end-to-end Software Quality and Independent Testing, Verification & Validation Lifecycle



- **Domain Expertise** in core Banking domains (Accounts, Lending, Mortgage, Internet Banking; Card and Digital Payments; Branch & Departmental applications): **Functional Testing** accounts for the largest share
- **Deep knowledge of Methodologies and Tools**, spanning across the entire QA & Testing process
- Testing Services both “on-site” and “off-site”, with an approach based on “**Test Factory**”
- People expertise, and a growing library of **Testing “Bricks”**: our reusable **Software IPs**

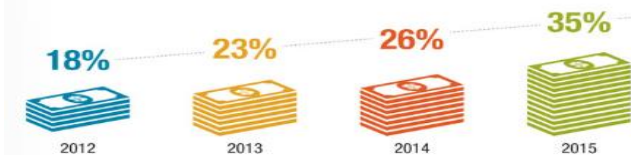


Current Scope	Current Process	Internet	Internet Mobile	IVR + Call Center	Bank Office Web based	App Android/iOS	Bank Office Host / Back Office
Bank account	Opening and operating steps	x		x	x		x
	Receipts and payments	x	x	x	x	x	x
	Credit cards	x	x	x	x	x	x
	Debit cards	x	x	x	x	x	x
Prepaid card	Opening process	x	x	x	x	x	x
	Management	x	x	x	x	x	x
Deposit account	Opening and operating steps	x		x	x		x
	Operations	x	x	x	x	x	x
	Constraints management	x	x	x	x	x	x
Mortgages	Quote calculation	x	x	x	x	x	
	Investigation management						
	Installments disbursement and management	x	x	x	x	x	

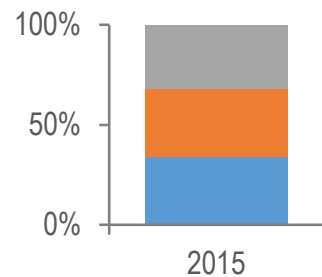
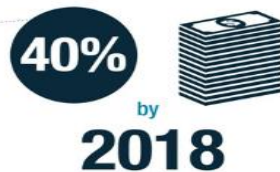
- Stratified, **complex**, highly heterogeneous & rapidly evolving **IT landscape**, coupled with increasingly **stricter regulatory frameworks**, makes Software Quality a mandatory, yet challenging task
- Emerging “Fintech” software & services increase complexity of the Banking software systems
- SW Quality is a key pillar of Banks’ IT strategy and it captures a growing Portion of Banks’ IT Budgets
- **Growing Software Quality costs** demand for new approaches to drive higher efficiency in QA processes
- TXT estimates that the Italian Market potential for QA & Testing Services in the Banking sector is 100+ M€

Digital Transformation has pushed Strong Recognition of QA and Testing

Growth in IT spend allocated to QA and testing to meet the urgent need to catch up with the fast-changing world



The proportion of IT spend allocated to QA and Testing is predicted to rise to

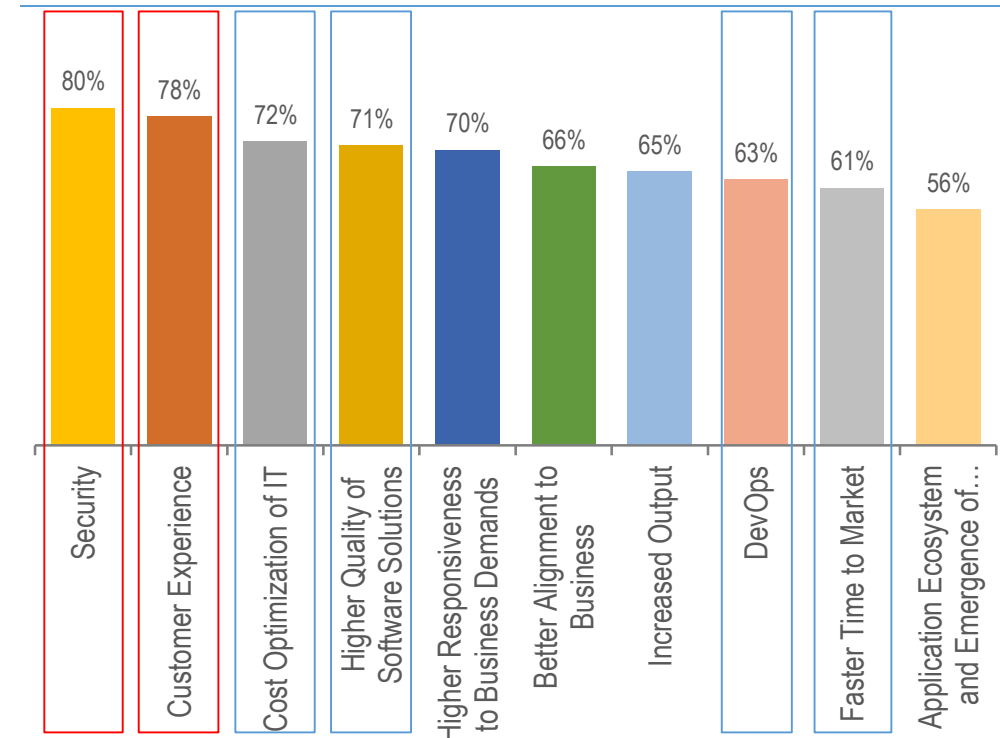


Split of QA and Test Budget

- Tools (Software Licenses)
- Hardware and Infrastructure
- Human Resources

WORLD QUALITY REPORT 2015-16

Executives' Priorities for QA and Testing



Keep growing organically in the **Sw Quality & Testing** domain, with a primary focus on the **Italian Market**

Strengthen the Foundations of Software Quality & Testing Services

- **Domain Expertise & IP assets:** continue differentiating by deepening domain knowledge in specific Banking processes & challenges, capturing it into **standardised “Testing Bricks”**
- **Standard Tools, but TXT Methods:** Innovate in Testing methodology, approach and best practices, mastering a wide range of market leading Tools: HP Enterprise ALM Suite, Fortify, IBM Rational, opensource, ...



3 Directions to Evolve Software QA Offering

- Enhance the Testing Process to align it to the **DevOps** Agile software development paradigm and to the need for **faster time-to-market** of applications
- Fully engineer the “Test Factory” approach, to deliver more **cost-effective** testing services to customers, and **higher margins** and **differentiating power** to TXT
- Expand the portfolio of Testing capabilities & Practices to **Security, Mobile and Fintech-related** testing services and to **Test Automation** approaches, and integrate them into the Test Factory



Summary & Financial Details

- **Organic Growth**

- **Aerospace & Aviation:** 8-10% per annum, with focus on International Growth
- **Banking & Finance:** 5+% per annum, 100% Italy
- **Self-financed R&D and Marketing & Sales**
- **Constant equilibrium** across growth & profit
- **EBITDA Margin:** 12% Global Target

- **Inorganic Growth - Aerospace & Aviation**

- **Mid-sized** (5-20 m€ revenues) and **profitable**
- **International Profile**
- **Solid customer base, strong team, committed management and long history** in the industry
- **Highly specialized knowledge** sustained by **innovation capability** and differentiating **software assets**
- **Complementary**, to broaden one/more of: the offering, the geographical presence, the customer base, the penetration within existing accounts and/or domains
- **Fairly valued**



Alvis Braga Illa – Chairman

After graduating at the Polytechnic Institute in Milan, Mr Braga Illa was for 10 years in research and teaching at the Lincoln Laboratory and Massachusetts Institute of Technology, innovating in satellite technology, optical communication and network systems. He directed the R&D Labs at Italtel, founded Zeltron S.p.A. and managed the restructuring of Ducati Energia as General Manager. Mr. Braga Illa founded TXT Automation Systems, later sold to ABB (1997), and TXT e-solutions (1989).



Marco Guida – CEO

Graduated in Electronic Engineering, Marco Guida managed innovative IT projects in various areas of the manufacturing operations of Pirelli Group until 1994, when he joined TXT e-solutions. Initially responsible for Advanced Information Systems, in January 2000 promoted to Vice President. As Director of International Operations he successfully led the transformation of TXT e-solutions from an Italian to an International Group. Since 2009 he is Chief Executive Officer of TXT.



Paolo Matarazzo – CFO

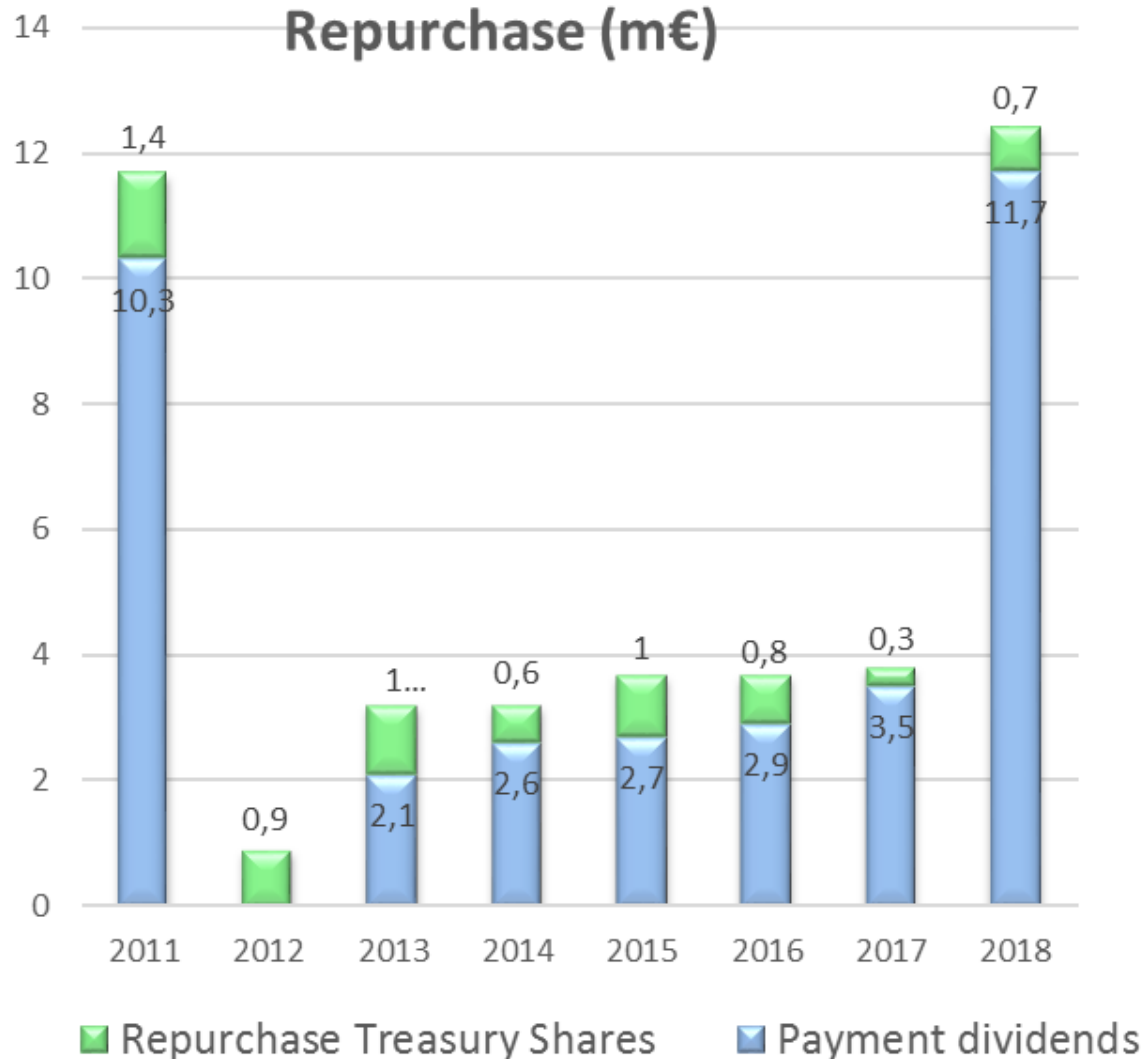
After graduating from Milan's Bocconi University and majoring in business administration at the University of San Diego (California), has had significant experience in the financial world. He was initially an analyst in London for three years and then worked for the Recordati Group for seven years, with responsibility for treasury management. In the following seven years he was Head of Finance, Administration & Control in Europe for Eurand, a company listed on NASDAQ. He joined TXT in November 2007 as Group CFO.

€ thousand	2017	%	2016	%	Var %
REVENUES	35.852	100,0	33.060	100,0	8,4
Direct costs	20.224	56,4	18.954	57,3	6,7
GROSS MARGIN	15.628	43,6	14.106	42,7	10,8
Research and Development costs	2.481	6,9	2.086	6,3	18,9
Commercial costs	5.066	14,1	3.733	11,3	35,7
General and Administrative costs	4.545	12,7	4.527	13,7	0,4
EBITDA before Stock Options	3.536	9,9	3.760	11,4	(6,0)
Stock Options	69	0,2	-	-	n.m.
EBITDA	3.467	9,7	3.760	11,4	(7,8)
Amortization, depreciation	795	2,2	627	1,9	26,8
OPERATING PROFIT (EBIT)	2.672	7,5	3.133	9,5	(14,7)
Financial income (charges)	(208)	(0,6)	48	0,1	n.m.
EARNINGS BEFORE TAXES (EBT)	2.464	6,9	3.181	9,6	(22,5)
Taxes	(710)	(2,0)	(661)	(2,0)	7,4
NET PROFIT CONTINUING OPERATIONS	1.754	4,9	2.520	7,6	(30,4)
Net Profit Discontinued Operations	66.801		3.035		
NET PROFIT	68.555		5.555		

TXT Retail Results
reclassified among
Discontinued Operations
in 2017 and 2016.

€ thousand	31.12.2017	31.12.2016	Var
Intangible assets	7.332	7.634	(302)
Tangible assets	793	765	28
Other fixed assets	735	1.749	(1.014)
Fixed Assets	8.860	10.148	(1.288)
Inventories	2.528	2.767	(239)
Trade receivables	14.681	14.015	666
Other short term assets	2.533	1.954	579
Trade payables	(1.341)	(1.077)	(264)
Tax payables	(1.052)	(1.048)	(4)
Other payables and short term liabilities	(11.046)	(9.286)	(1.760)
Net working capital	6.303	7.325	(1.022)
Severance and other non current liabilities	(2.609)	(2.565)	(44)
Capital employed - Continuing Operations	12.554	14.908	(2.354)
Capital employed - Discontinued Operations	-	14.004	(14.004)
Capital employed	12.554	28.912	(16.358)
Shareholders' equity	99.894	34.283	65.611
Net financial debt	(87.340)	(5.371)	(81.969)
Financing of capital employed	12.554	28.912	(16.358)

Dividends + Treasury Shares



• Dividends

- 2011: 1 € /share (extraordinary, rebased)
- 2012: Free Share Distribution 1:1
- 2013: 0.20 € /share (rebased)
- 2014: Free Share Distribution 1:1
- 2014: 0.25 € / share
- 2015: Free Share Distribution 1:10
- 2015: 0.25 € / share
- 2016: 0.25 € / share
- 2017: 0.30 € / share
- 2018: 1.00 € / share (proposed)

• Share Price

- 31.12.2010: 1.51€/share (rebased for free share distribution)
- 21.3.2018: 10.88€ /share
- Market Cap: 128m€

