

# TXT e-Solutions

## Corporate Overview

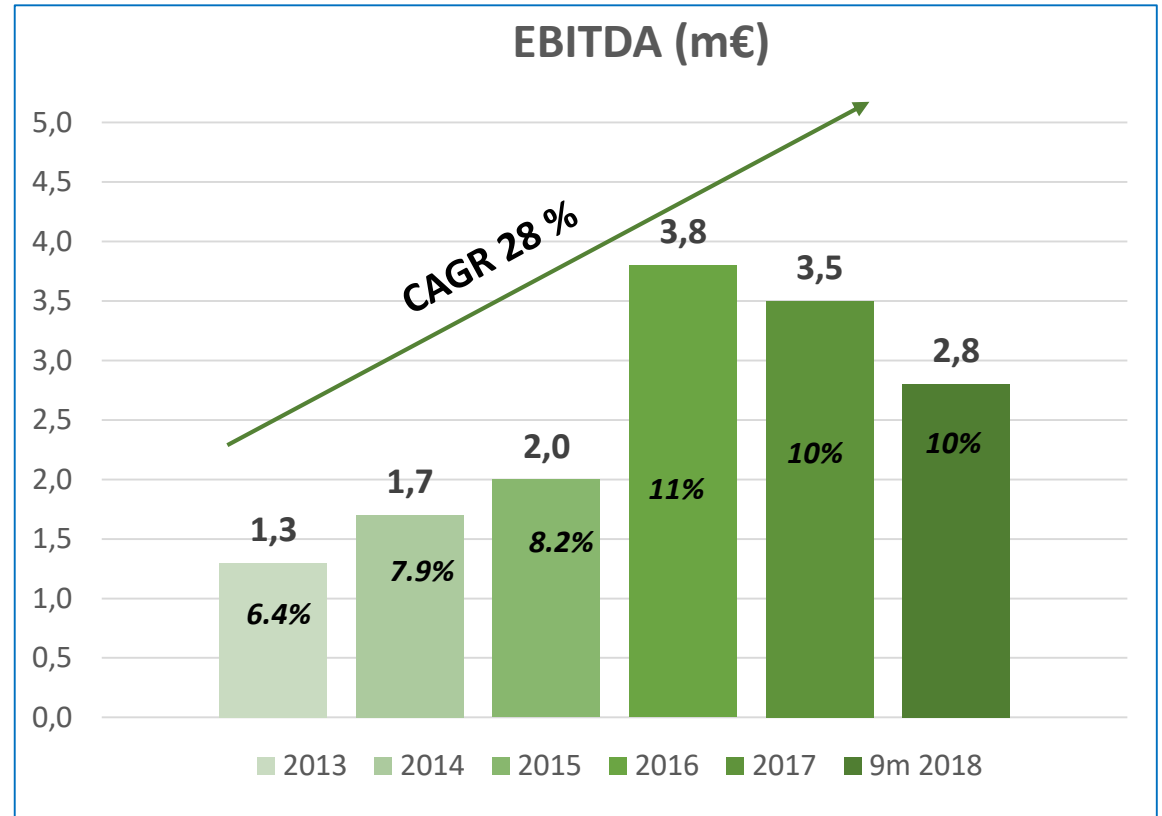
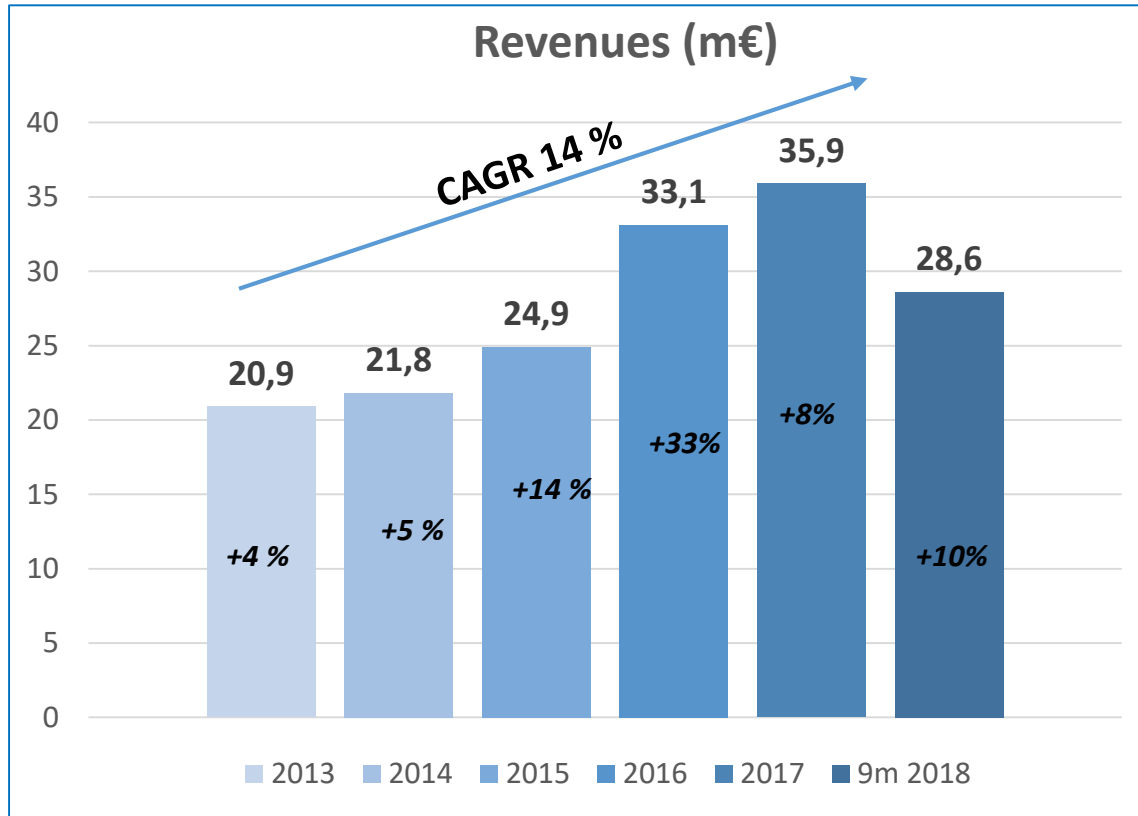
February 2019



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Unless otherwise specified all information is for the First 9 months ended 30 September 2018.

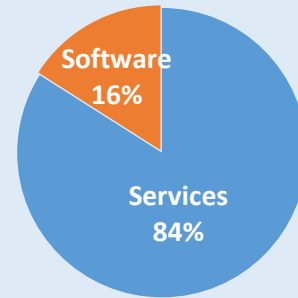


## Aerospace & Aviation

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



Revenues  
9m 2018: 22.7 m€



Revenues breakdown



EBITDA: ~ 12%



Team: 395 pp

## Fintech



Revenues  
9m 2018: 5.9 m€

First mover & Italian leader in Software  
Quality services for Italian Banking Industry,  
and vendor of Fintech software applications



EBITDA: ~ 6%



Team: 155 pp



Aerospace, Aviation & Automotive

” An international, specialized provider of software solutions (software Products and engineering Services) supporting customers in their mission-critical core processes and throughout their product lifecycles.

## Aerospace & Aviation

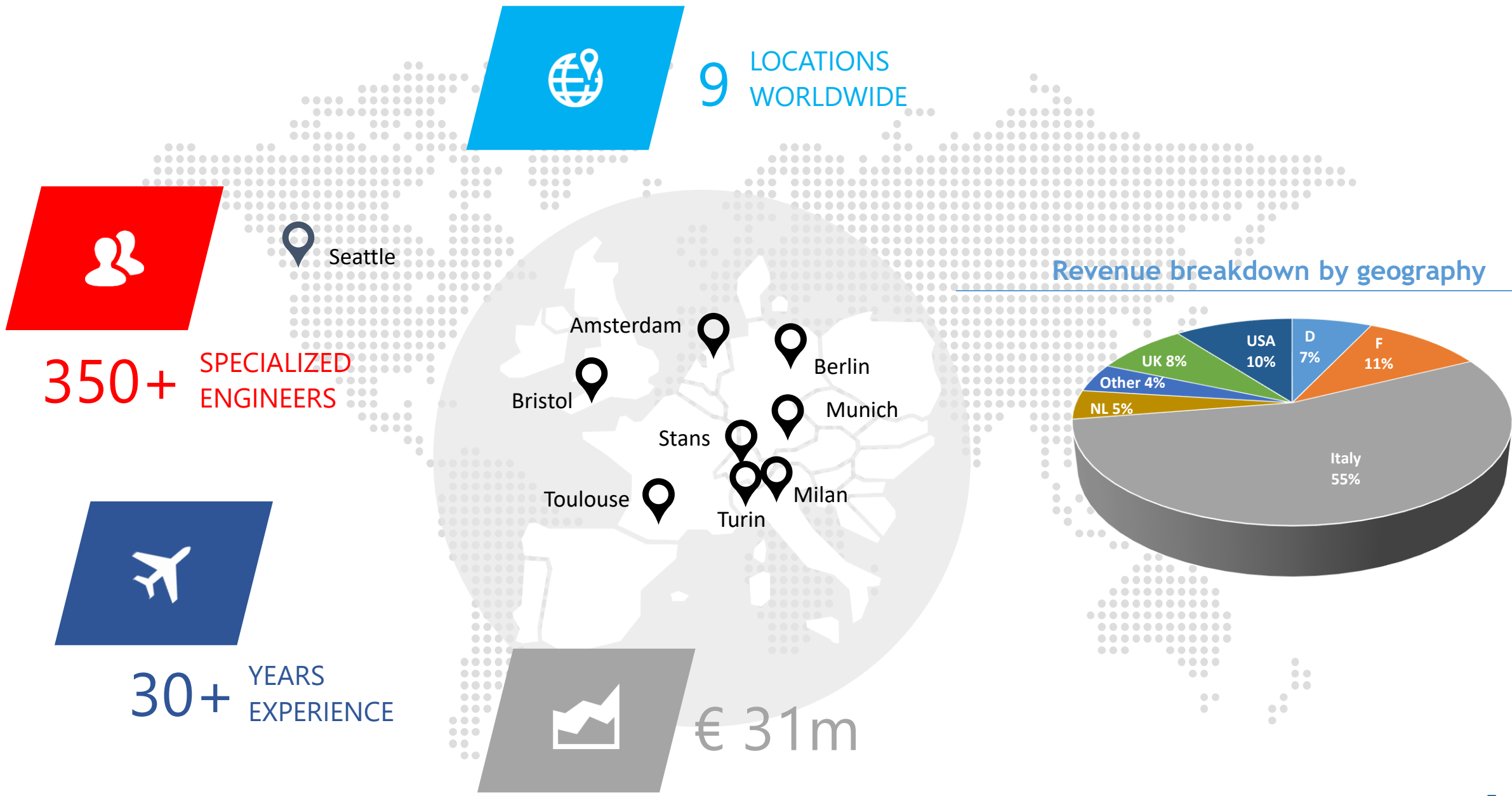


Product development, on-board software & systems, customer engineering, manufacturing and aircraft operations

## Automotive & Transport



On-board software and systems



# 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%

**1<sup>st</sup> Tier Suppliers & MRO**



10%

**Airlines & Lessors**



10%

**Automotive  
(OEMs & 1<sup>st</sup> 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 %
<b>OEMs &amp; 1st Tier Suppliers</b> 							
	<b>Airlines &amp; Lessors</b> 						
	<b>Automotive &amp; Transport</b> 						
		 Fully packaged software assets & related services  Services & exploitable software assets: proprietary software libraries, methods & reference applications)					

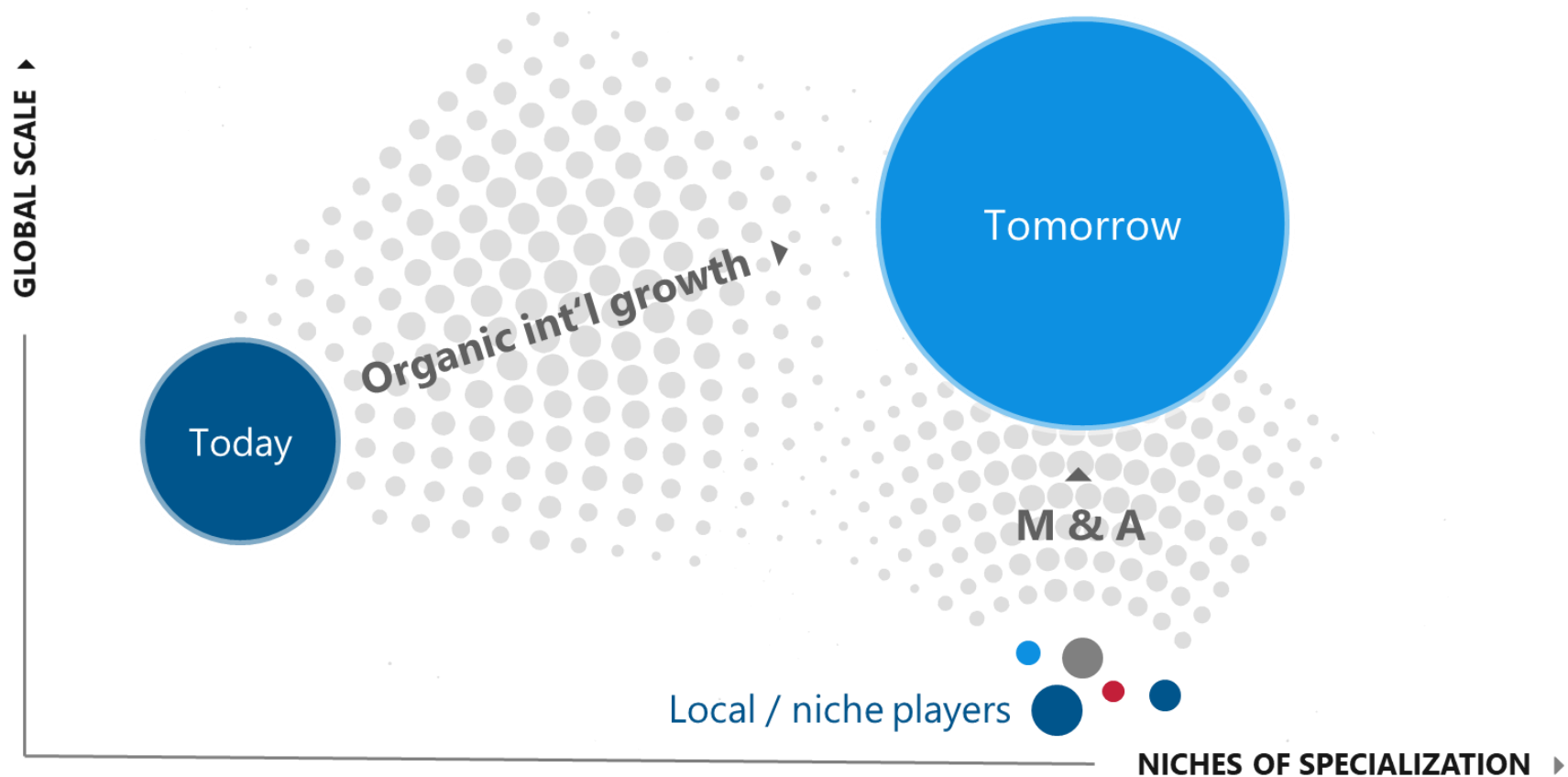
Turn-Key service engagements weight  $\frac{3}{4}$  of the total, while Time & Material account for the remaining  $\frac{1}{4}$



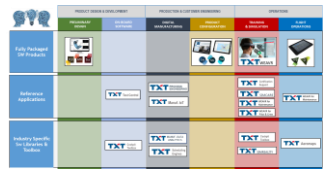


Providing the perfect mix of:

- specialization in multiple niches across our target industries value chain
- ability to serve customers locally, yet on a global scale
- Software Products and Engineering Services



## 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

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

- Aims to accelerate organic growth
- Be a platform to aggregate niche players:
  - Engineering Services: focus on Int'l growth
  - Products: extend existing products (buy vs. make) and enter new high-value niches

### 2. Organic International Expansion

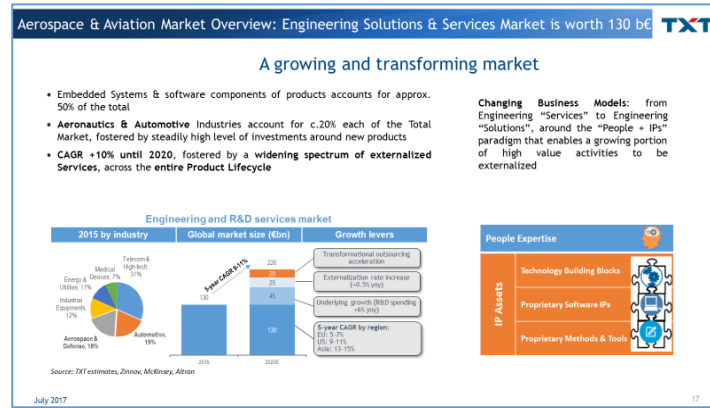
- Grow the share of wallet in current customers: focus on higher-value activities and risk-sharing engagement models
- Capture new Int'l customers, leveraging on the combination of software assets and specialized service capabilities

### 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 & other similar Industries

- Diversification & upside-growth opportunity
- Will be pursued primarily through Inorganic Growth



## Europe accounts for major market share



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
<b>TXT</b>	✓	✓	✓	✓	✓	✓
<b>altran</b>	✓	✓	✓		✓	
		✓	✓		✓	
<b>philoTech</b>		✓			✓	
	✓		✓			
<b>onssystem</b>	✓	✓	✓		✓	✓
		✓				
		✓			✓	
		✓				
<b>HCL</b>		✓	✓			
	✓	✓			✓	
<b>Tech Mahindra</b>	✓	✓	✓	✓		

- **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



Fintech



Provider of specialised Services and Software supporting customers in Banking & Finance market along their business-critical processes and their Digital Transformation journey

## Banking & Finance



M&A &  
Organic Growth

M&A

Strengthen the  
offer of  
Specialised  
Services

Strengthen the  
offer of  
Fintech  
Sw Products

Software Quality Services

RPA – Robotic Process Automation

.....

Financing Life-cycle Management

Credit and NPL Management

Risk Management

Bank's Treasury Management

.....

**Organic Growth** aims to strengthen the Service offering:

- Expand current core offering of Software Quality Services
- Develop new Services around Bank's Digital Transformation needs (e.g. RPA – Robotic Process Automation)

**M&A** aims to strengthen both Service and Product offering:

- Services: **new customers** around existing Services and/or **new specialised Services**
- Products: **new high-value Fintech Software** solutions of **European relevance** (ready re. BCE compliance requirements)

- 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

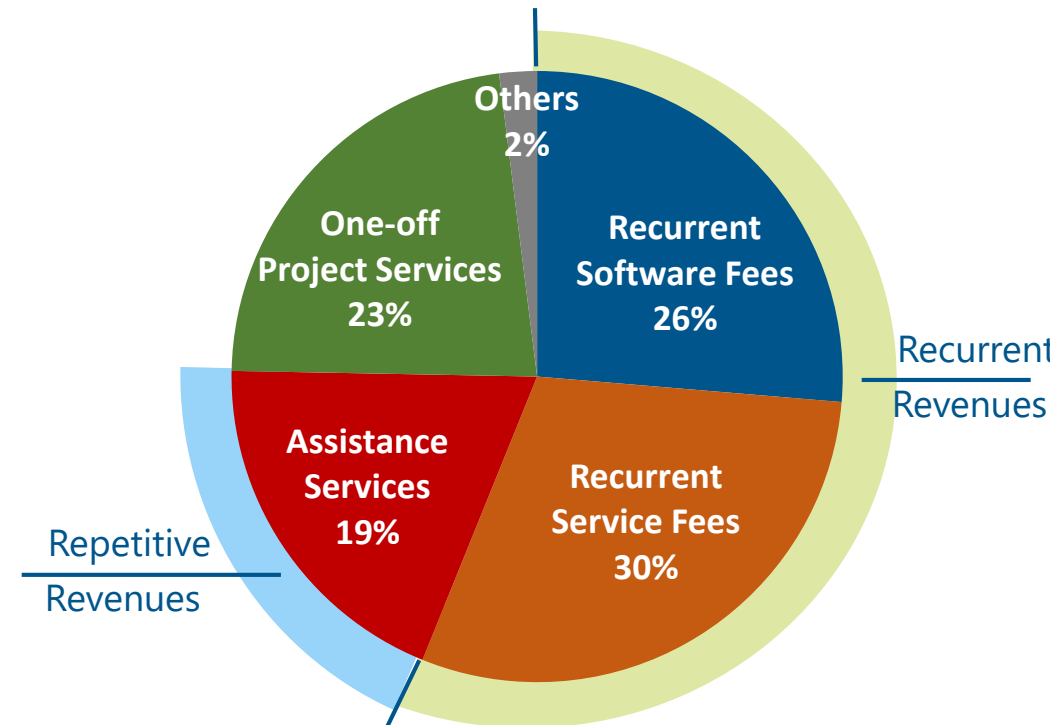
Test Strategy	Test Development	Test Execution Test Automation Crowd Testing	Defect Management & Reporting	Test Environments Administration	Test Management Suite Administration	Release management
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- Adapted best practices, tools & methods from Aerospace to the needs of the Banking Industry, leveraging on:
  - **Domain Expertise** in core Banking domains: **Functional Testing** accounts for the largest share
  - **Deep knowledge** of **Methodologies** and **Tools**, spanning across the entire QA process
  - Testing Services both “on-site” and “off-site”, with an approach based on “**Test Factory**” and “**Test Automation**”
- It targets the **40-50 top Italian Banking** institutions, with **long-lasting relationships** with all key clients



## Acquired last July CHELEO:

- Market: Financial Institutions, Banks and NPL Servicers
- Offering: a comprehensive & competitive suite of software modules supporting the management of financing products across their entire life-cycle:
  - Issuing (Leasing, Loans, Factoring, Personal & salary-based Financing)
  - Credit Collection
  - Non Performing Loans
- Business Model heavily leveraging on recurrent Software & Service Fees, resulting in a strong P&L structure
- Solid financials:
  - Revenues 2017: 2.8m€
  - EBITDA 2017: 0.95m€ (34%)
- Commercial synergies and cross-selling opportunities across the combined customer base of leading Banks and Financial Institutions





# Summary & Financial Details

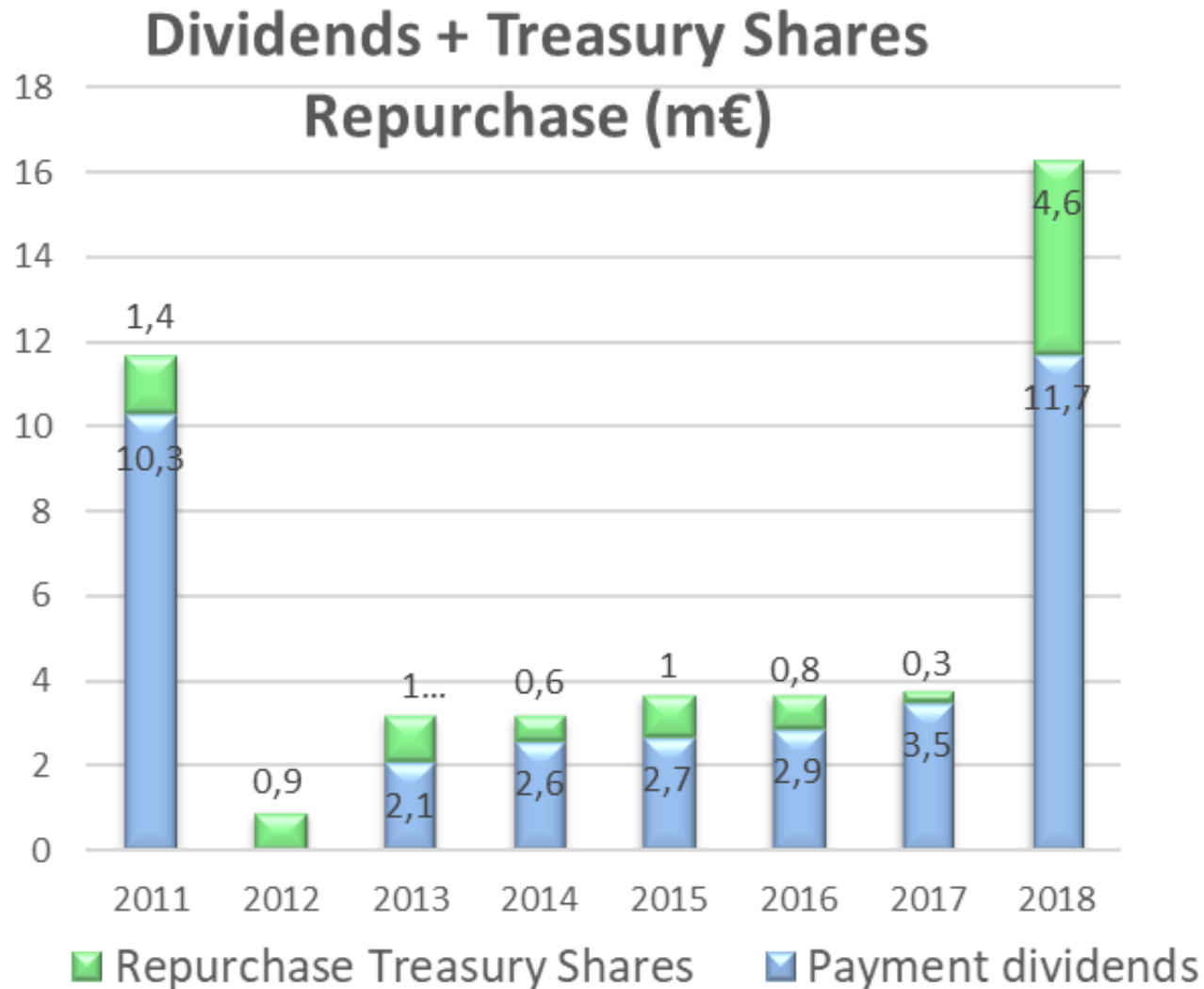
€ thousand	9m 2018	%	9m 2017	%	Var %
<b>REVENUES</b>	<b>28.627</b>	<b>100,0</b>	<b>26.032</b>	<b>100,0</b>	<b>10,0</b>
Direct costs	15.942	55,7	14.906	57,3	7,0
<b>GROSS MARGIN</b>	<b>12.685</b>	<b>44,3</b>	<b>11.126</b>	<b>42,7</b>	<b>14,0</b>
Research and Development costs	2.154	7,5	1.864	7,2	15,6
Commercial costs	3.884	13,6	3.456	13,3	12,4
General and Administrative costs	3.818	13,3	3.183	12,2	19,9
<b>EBITDA</b>	<b>2.829</b>	<b>9,9</b>	<b>2.623</b>	<b>10,1</b>	<b>7,9</b>
Amortization, depreciation	1.365	4,8	512	2,0	n.m.
<b>OPERATING PROFIT (EBIT)</b>	<b>1.464</b>	<b>5,1</b>	<b>2.111</b>	<b>8,1</b>	<b>(30,6)</b>
Financial income (charges)	(385)	(1,3)	(95)	(0,4)	n.m.
<b>EARNINGS BEFORE TAXES (EBT)</b>	<b>1.079</b>	<b>3,8</b>	<b>2.016</b>	<b>7,7</b>	<b>(46,5)</b>
Taxes	(80)	(0,3)	(625)	(2,4)	(87,2)
<b>NET PROFIT CONTINUING OPERATIONS</b>	<b>999</b>	<b>3,5</b>	<b>1.391</b>	<b>5,3</b>	<b>(28,2)</b>
Net Profit Discontinued Operations (sale of TXT Retail)	-		838		
<b>NET PROFIT</b>	<b>999</b>		<b>2.229</b>		

TXT Retail Results reclassified among Discontinued Operations in 9m 2017.

# Strong Balance Structure

€ thousand	30.9.2018	31.12.2017	Total variance	of which Cheleo	of which TXT
Intangible assets	15.342	7.332	8.010	8.276	(266)
Tangible assets	3.758	793	2.965	80	2.885
Other fixed assets	1.089	735	354	0	354
<b>Fixed Assets</b>	<b>20.189</b>	<b>8.860</b>	<b>11.329</b>	<b>8.356</b>	<b>2.973</b>
Inventories	3.667	2.528	1.139	-	1.139
Trade receivables	10.805	14.681	(3.876)	810	(4.686)
Other short term assets	3.098	2.533	565	171	394
Trade payables	(964)	(1.341)	377	(136)	513
Tax payables	(785)	(1.052)	267	(22)	289
Other payables and short term liabilities	(9.686)	(11.046)	1.360	(330)	1.690
<b>Net working capital</b>	<b>6.135</b>	<b>6.303</b>	<b>(168)</b>	<b>493</b>	<b>(350)</b>
<b>Severance and other non current liabilities</b>	<b>(2.935)</b>	<b>(2.609)</b>	<b>(326)</b>	<b>(317)</b>	<b>(9)</b>
<b>Capital employed - Continuing Operations</b>	<b>23.389</b>	<b>12.554</b>	<b>10.835</b>	<b>8.532</b>	<b>2.303</b>
Shareholders' equity	88.201	99.894	(11.693)	3.464	(15.157)
Net financial debt	(64.812)	(87.340)	22.528	5.068	17.460
<b>Financing of capital employed</b>	<b>23.389</b>	<b>12.554</b>	<b>10.835</b>	<b>8.532</b>	<b>2.303</b>

Acquisition of  
Cheleo  
31.7.2018

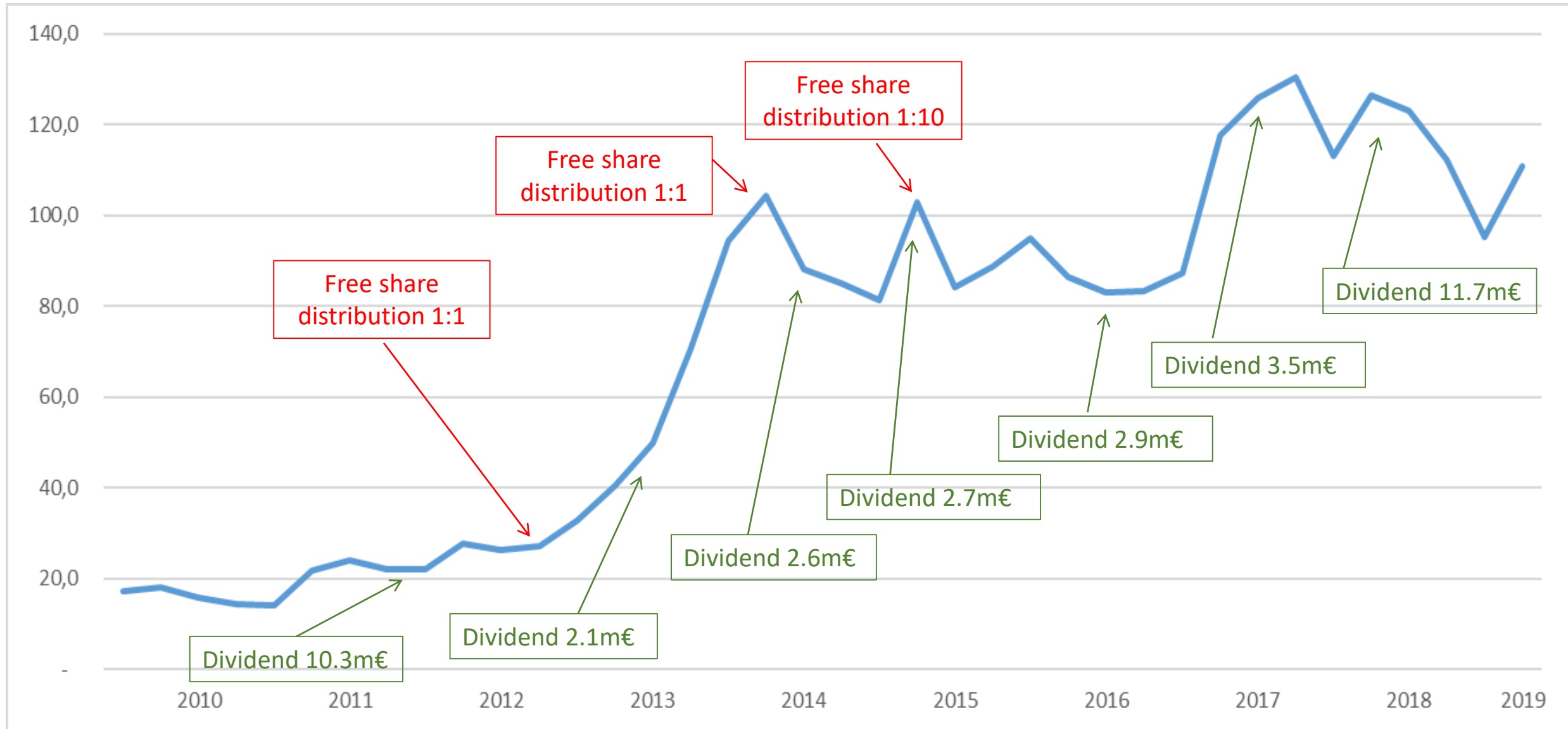


- Dividends

- 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

- Share Price

- 31.12.2010: 1.51€/share (rebased for free share distribution)
- 31.1.2019: 9.51€ /share
- Market Cap: 111m€



Updated to 31 January 2019

