

TXT e-Solutions

Corporate Overview

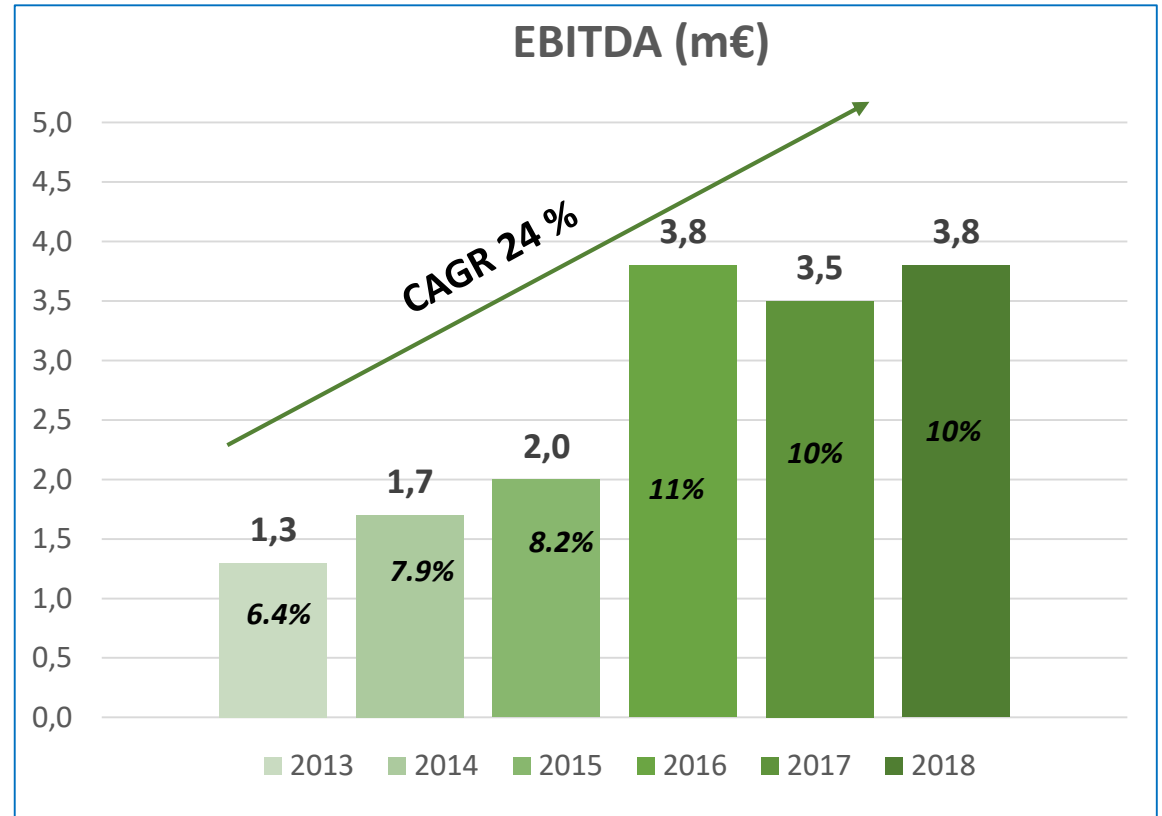
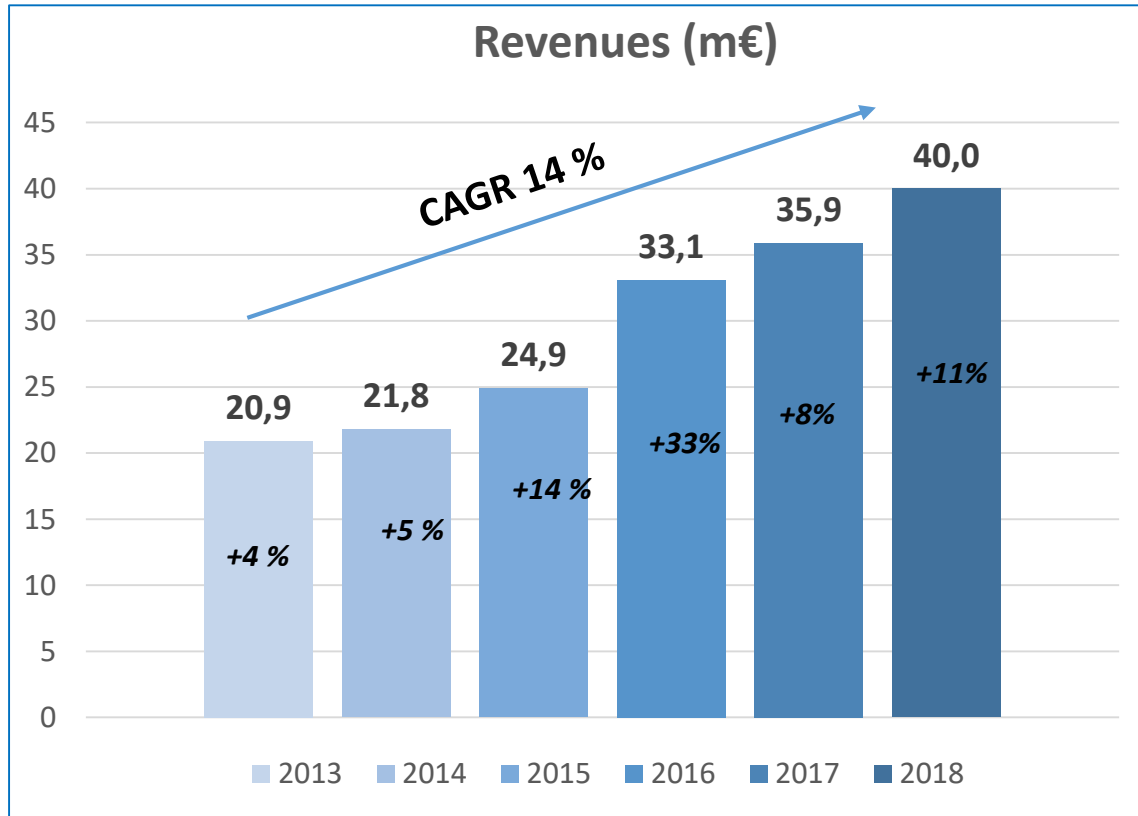
March 2019



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Unless otherwise specified all information is for the year ended 31 December 2018.

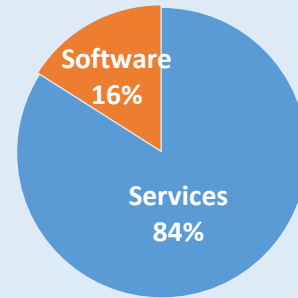


Aerospace & Aviation

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



Revenues
2018: 31.1 m€



Revenues breakdown



EBITDA: 11.7%



Team: 379 pp

Fintech



Revenues
2018: 8.8 m€

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



EBITDA: 5.3%



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

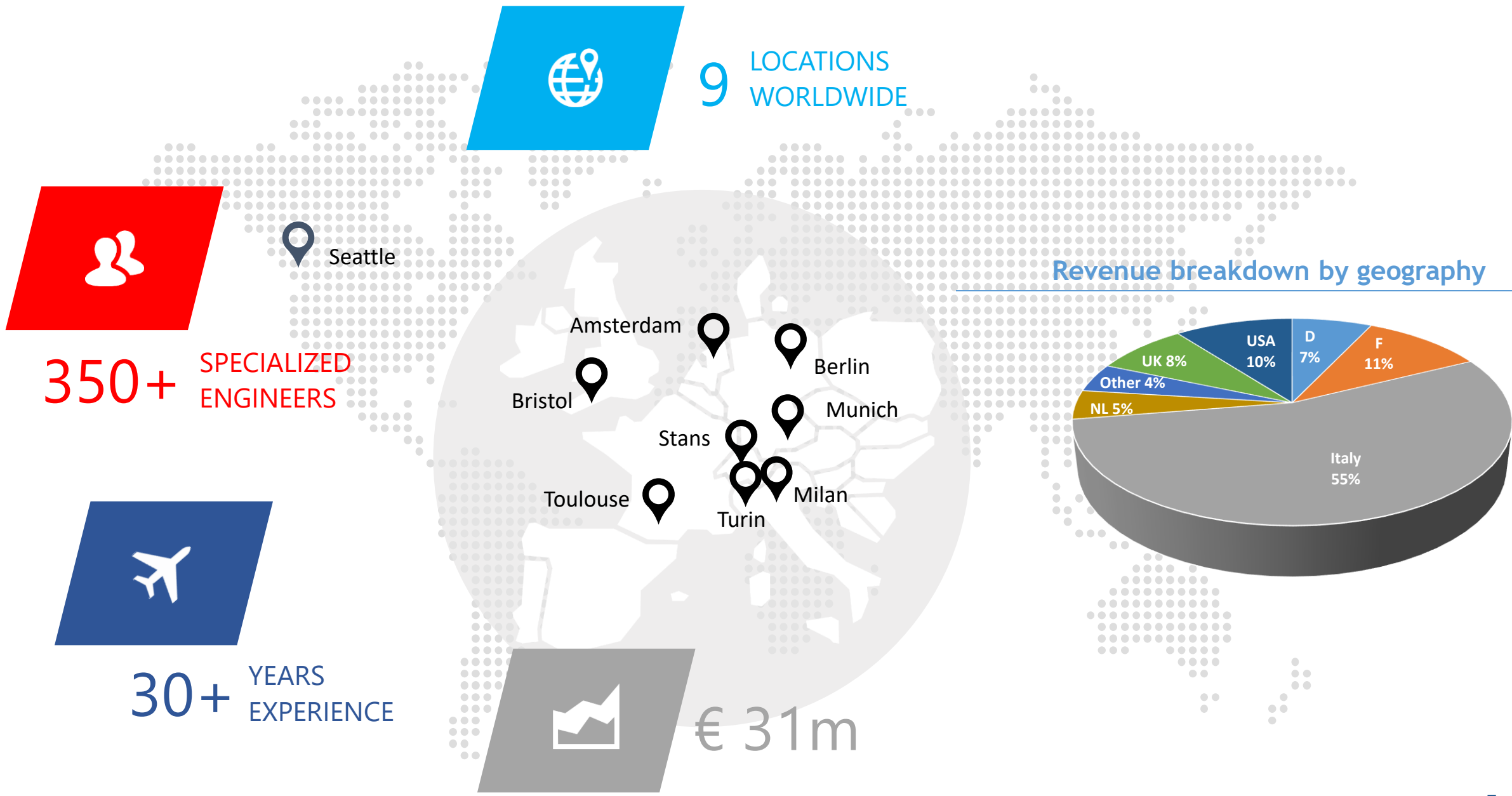


Product development, on-board software & systems, customer engineering, manufacturing, training & simulation and aircraft operations

Automotive & Transport



On-board software & systems



A Longstanding, Global Customer Base across the Industry Value Chain

- A diversified Customer Base of Industry Leaders
- Long-term partnership underpinning highly repeatable and growing 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 & MRO



10%

Airlines & Lessors



10%

Automotive
(OEMs & 1st Tier)



Main New 2018


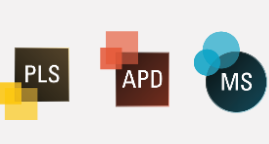













Academia & Research



What We Do - Value Proposition Spanning the Entire Product Life-cycle

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

		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 						



Services & exploitable software assets: proprietary software libraries, methods & reference applications)

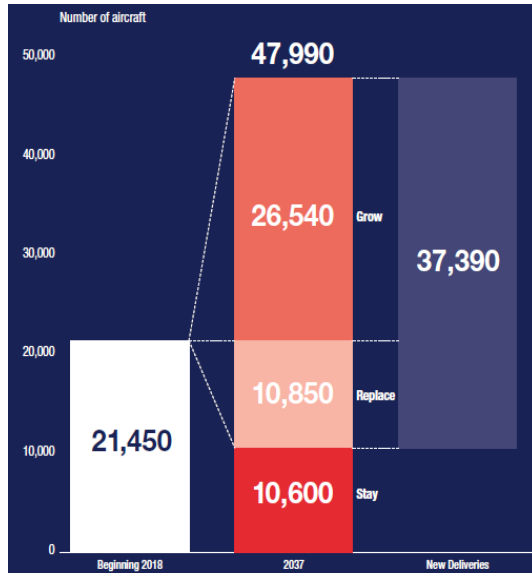
Turn-Key service engagements weight ¾ of the total, while Time & Material account for the remaining ¼



A Large Market with a Solid, Steady Growth over the Long Run (1)

4 billion passengers flown in 2017 (3 billion in 2013); traffic will double every 15 years (source: ICAO, Airbus GMF 2018)

37.390 new aircrafts to design/upgrade, configure, manufacture, deliver and operate in the next 20 years ...



(Source: AIRBUS GMF 2018)

More than **2 million new pilots, cabin crew & maintenance tech.** (on top of existing ones) to train and support in the next 20 years



630 K new Pilots in the Commercial Aviation



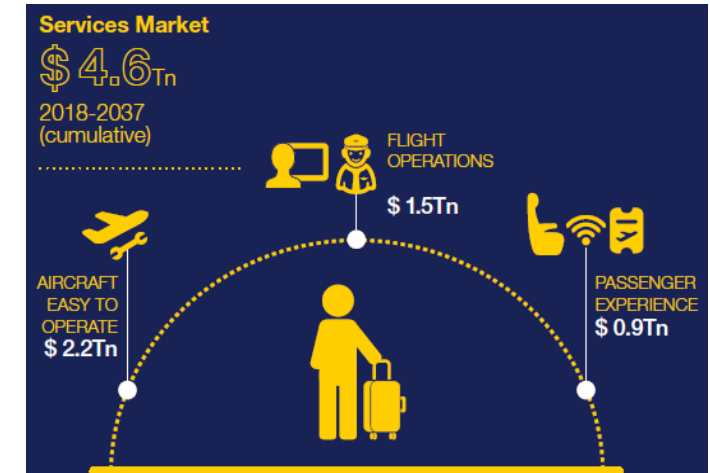
890 K new cabin crew



540 K new Maintenance Technicians

(Source: AIRBUS GMF 2018; Boeing CMO 2018)

Investments in excess to **140 b\$** in the next 20 years in **Flight Deck and Ground Operations solutions ...**



(Source: AIRBUS GMF 2018; Boeing CMO 2018)

... is fueling TXT's growth across all its Line of Business: from Preliminary Aircraft Design to Flight Operation

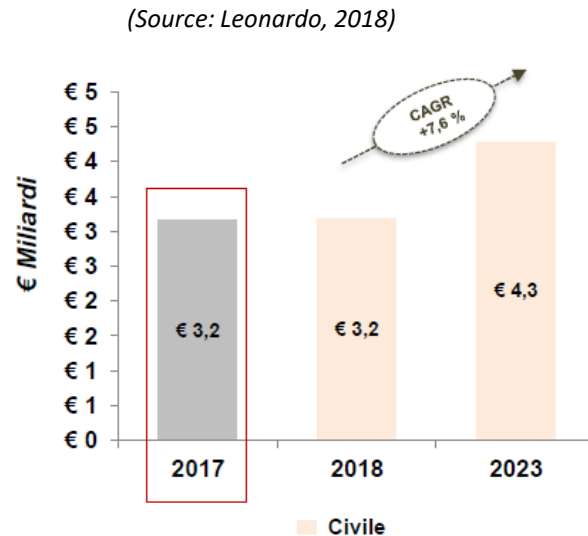
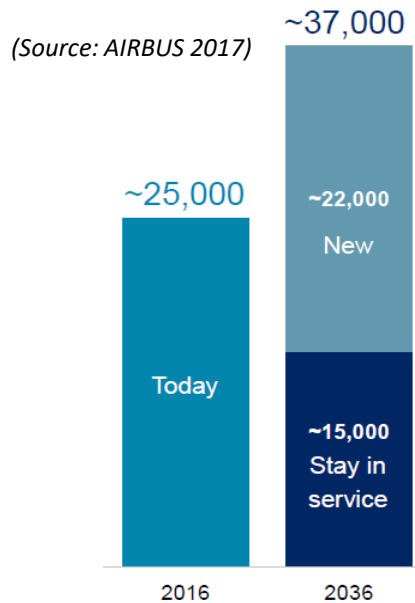
Demand for pilot & cabin crew training of 110 b\$ in the next 3 years is fueling TXT's growth in Training & Simulation

... are fuelling the growth of TXT's business in Flight Operations and On-Board software

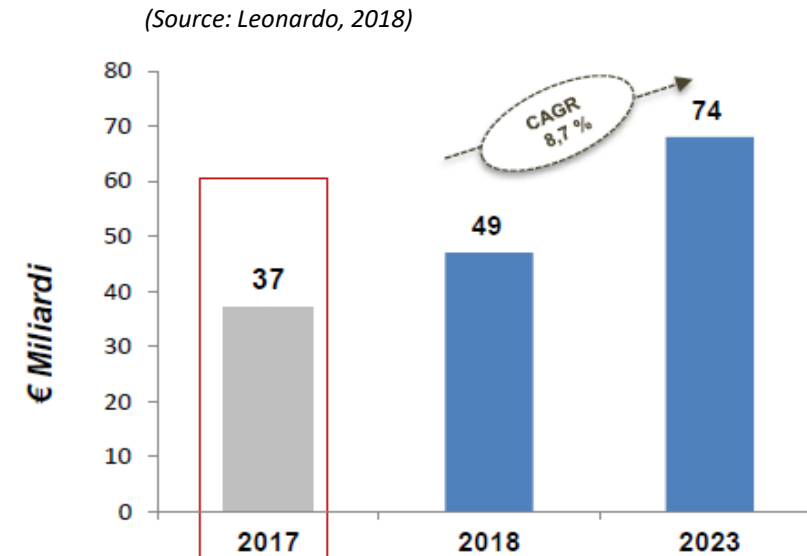
Civil & Para-public Helicopters Market set to growth, with **22.000 new deliveries** in the next 20 years, worth a total of 125 € billion product value and in excess of 250 € billion in related services

Military Aircrafts Market set to growth in the next 5 years, driven by new programmes aiming to develop next generation fighters, both in Europe and USA ...

■ Fleet growth in units:



It is fueling TXT's growth of its Helicopter-specialised software service business across On-Board Software, Training & Simulation, Flight Operations and Digital Manufacturing



It is fueling TXT's growth of specialised software products and software service business across Preliminary Aircraft Design, On-Board Software, Training & Simulation and Flight Operations

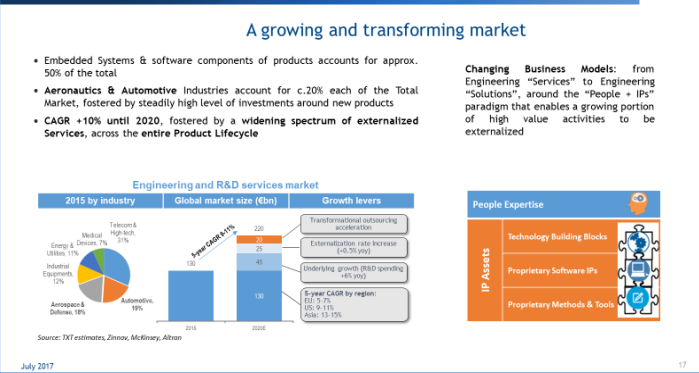
Aerospace & Aviation Market Overview: Restless Innovation Fuels Sustained R&D/Engineering Spending

TXT



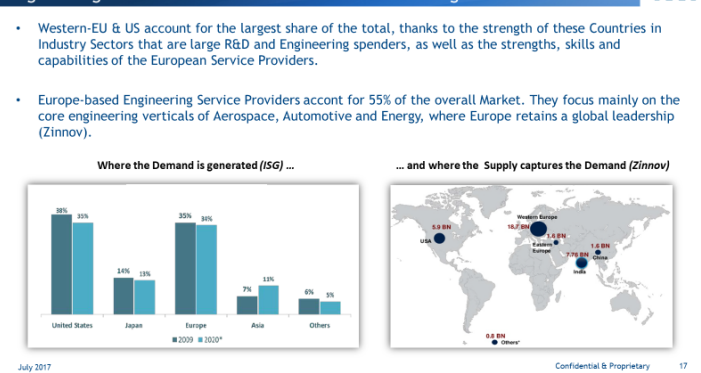
Aerospace & Aviation Market Overview: Engineering Solutions & Services Market is worth 130 bn€

TXT



Engineering Services & Solutions: EU Accounts for a Large Share of the Market

TXT



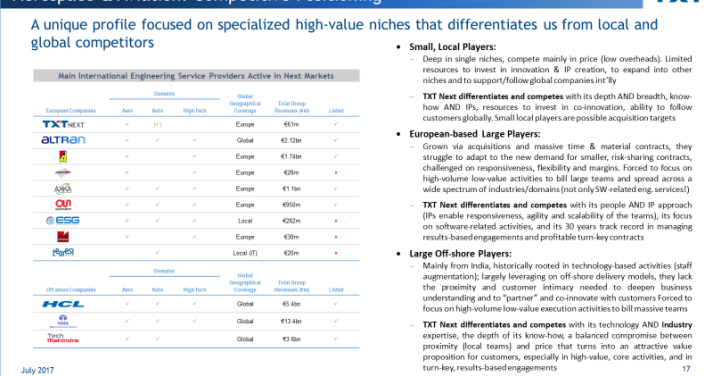
Aerospace & Aviation: global groups, with high speed of innovation and **sustained R&D / Engineering spending**

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

Europe accounts for major market share

Aerospace & Aviation: Competitive Positioning

TXT



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

A unique spectrum of **specialized high-value niches** across the entire Product Life-Cycle: by leveraging on a **growing portfolio of software products**, TXT differentiates from local & global Engineering Service competitors

	PRODUCT DESIGN & DEVELOPMENT		PRODUCTION & CUSTOMER ENGINEERING		OPERATIONS	
	PRELIMINARY DESIGN	ON-BOARD SOFTWARE	DIGITAL MANUFACTURING	PRODUCT CONFIGURATION	TRAINING & SIMULATION	FLIGHT OPERATIONS
	✓	✓	✓	✓	✓	✓
	✓	✓	✓		✓	
		✓	✓		✓	
		✓			✓	
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		✓				
		✓	✓			
	✓	✓			✓	
	✓	✓	✓	✓		

- **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), and a unique mix of **Software Products AND Engineering Service** capability that turns into an attractive value proposition for customers, especially in high-value, results-based engagements























Strong Position of TXT to Capture the Market Opportunity (1)



30 Years experience & unique software products, underpinned by strong innovation drive, make TXT different

Preliminary Design	On-board Software	Product Configuration	Digital Manufacturing	Training & Simulation	Flight Operations
 <div>    </div> <p>Open aircraft design platform verticalized for R&D dept., choice of all top Aircraft OEMs & 1-st Tiers</p>	 <p>30 years experience in design, development, validation & certif. of complex helicopter & aircraft avionic systems</p>	 <div>    </div> <p>Platform specially designed for aircraft configuration & marketing, chosen by Airbus & Boeing</p>	 <p>30 years experience in aircraft & helicopters' manufacturing & assembly operations</p>	 <div>  </div> <p>Software platform, verticalized for aircraft related training, and supported by 30 years domain expertise</p>	 <div>   </div> <p>The sole in-cockpit cloud-based EFB App. supporting pilots to optimise flight costs across an entire flight</p>
Technology Innovation  <p><i>IP-protected approach to Model-based Design</i></p>	  	 	  	  	  
















2018: 8 new Customers & steadily growing Rev. from Global Leaders that have already selected TXT software and its eng. services:

- **Top-3 Aircraft OEMs**, accounting for 90% of Market), as well as other major Tier-2 OEMs:      
- **3 of Top-5 1st-Tier Suppliers** of Commercial and Military Aviation:   
- **Top-2 Helicopters' OEM**, accounting for more than 75% of the Market: :  
- **5 of Top-20 Players in Military Aviation** and Military Aircraft Training:      
- **No. 1 ww-wide, No. 1 EU** and other major EU & US **Airlines**, accounting for 10% of global fleets:     

Strong Position of TXT to Capture the Market Opportunity (2)

Main Short/Mid-term Revenues growth opportunities & Margin Improvement levers

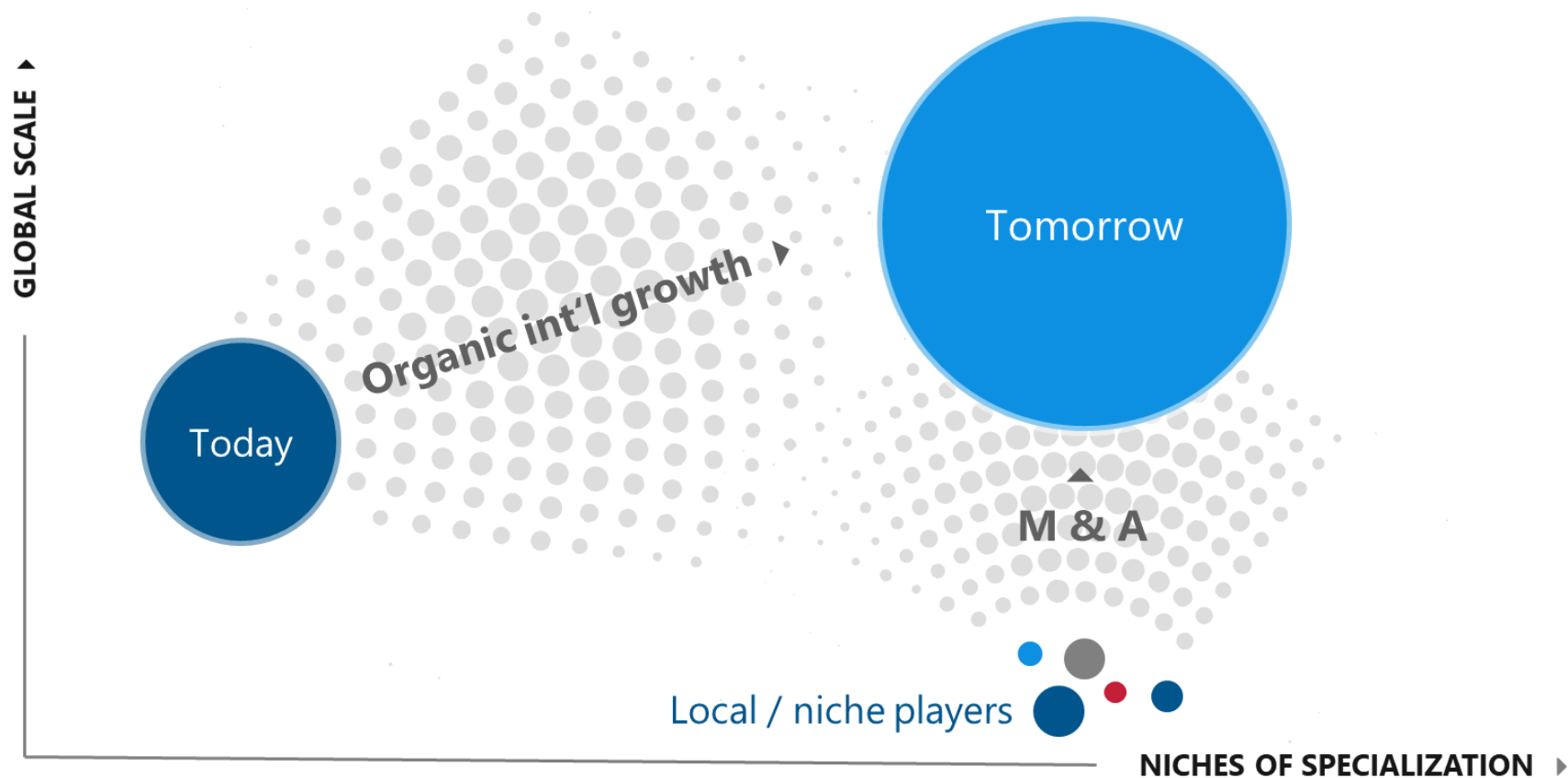


Preliminary Design	On-board Software	Product Configuration	Digital Manufacturing	Training & Simulation	Flight Operations
					
AIRCRAFT DESIGN & DEVELOPMENT		CUSTOMER ENGINEERING & MANUFACTURING		OPERATIONS	
<ul style="list-style-type: none">• New Commercial Aircraft Programmes• Renewals of existing platforms• New Military Programmes in EU & USA• Advances in hybrid/electric propulsion• New aircraft concepts (Air Taxi; Tilt-rotor)• Growth of avionic SW complexity• Positive momentum of Top-3 OEM clients		<ul style="list-style-type: none">• Growing rates of fleet renewals• Big challenge to shorten aircraft configuration & delivery time• Order backlogs increasing at our Top-3 OEMs, demanding increase of delivery rates		<ul style="list-style-type: none">• Endemic Pilot scarcity• Proliferation of new and revised aircraft: crew training challenges• Proper training increasingly critical to flight safety• Fuel prices expected to increase (fuel=35% of total costs for Airlines)	
					
 Revenues Mix: SW growing faster than Services: new clients, more users	 Product Innovation: growing portfolio of new SW Assets	 More added value services around SW products	 “ Turn-Key ” Services growing faster than T&M Services	 Growing amount of longer-term Service contracts	 Growing share of Recurrent Rev. (SW subscriptions & Managed Services)
SW Rev. growth: +23% Service Rev.: +10%	3 New Products Released	SW-related Ser.: +21% Services overall: +8%	Turn-key Serv.: +12% T&M Services: +5%	5 new Service engagements signed >18 months	Rec. SW Fees.:+45%



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



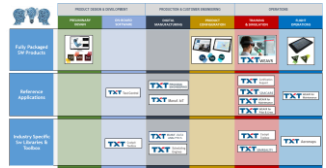
Solid Foundations



- Solid **Management Team** with a track record in **self-sustainable organic growth** AND **acquisitions**



- **350+ specialised engineers**, with **global delivery & support** capability



- «**People**»'s Technology AND Industry expertise, backed by a growing portfolio of **SW products**

- **Breadth** AND **depth** across the Product Lifecycle, with focus on software



- **50+ Customers**, all global 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 share of wallet in current customers: focus on higher-value activities and risk-sharing engagement models; expand upselling new, innovative solutions
- Capture new Int'l customers, leveraging on software assets and specialized service

3. Offering Innovation

- Product innovation: extend the capabilities and the range of Sw Assets; co-develop new, innovative solutions with key customers
- Service innovation: expand the offering of Managed Services

4. Automotive & other similar Industries

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



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

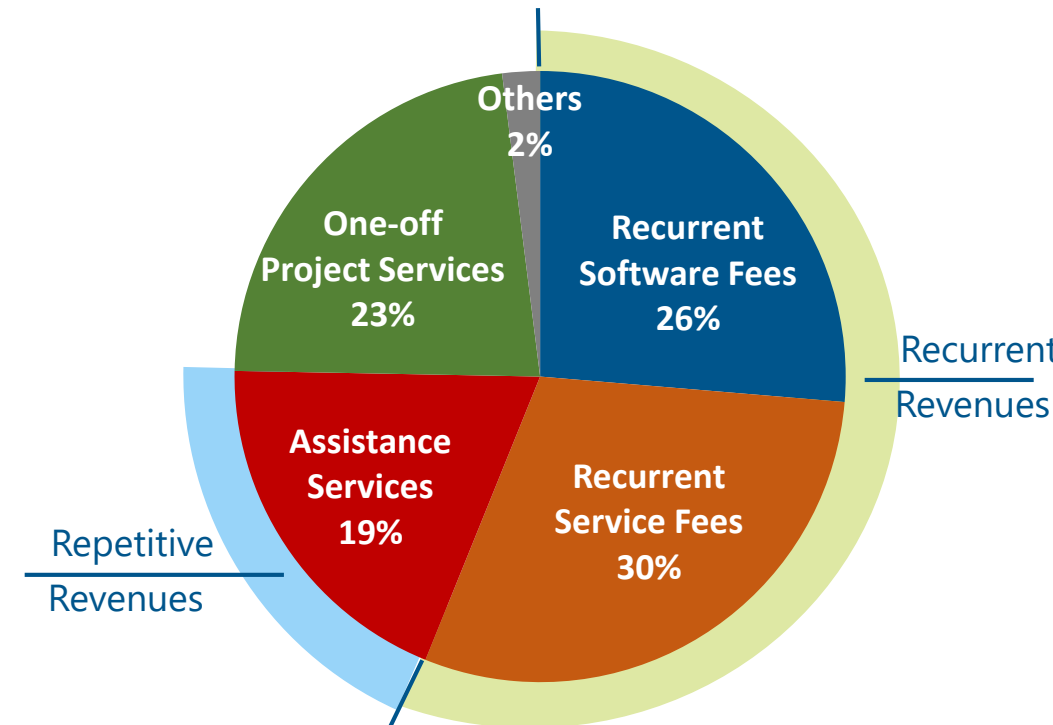
Test Strategy	Test Development	Test Execution Test Automation Crowd Testing	Defect Management & Reporting	Test Environments Administration	Test Management Suite Administration	Release management
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- Adapted best practices, tools & methods from Aerospace 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





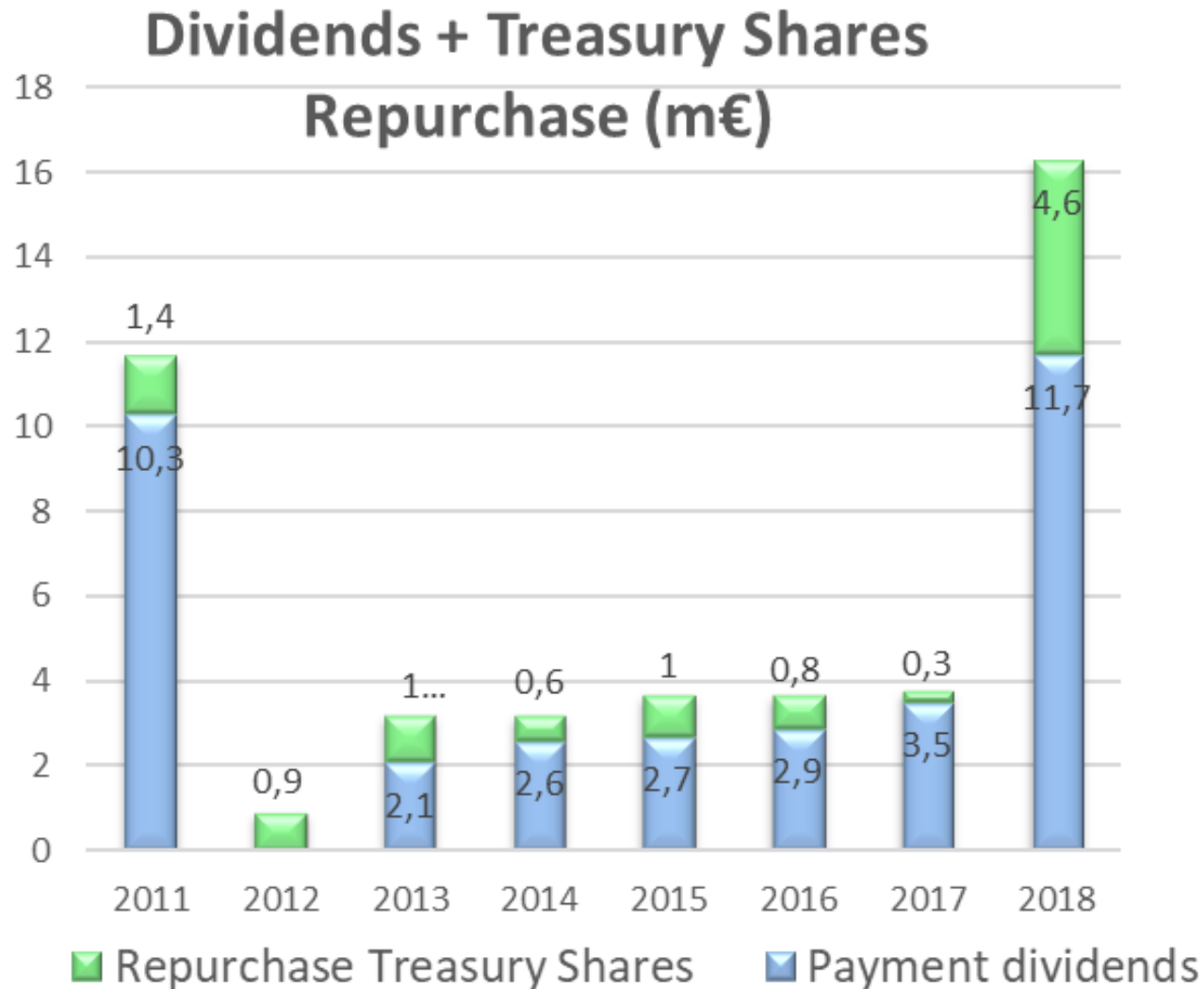
Summary & Financial Details

€ thousand	2018	%	2017	%	Var %
REVENUES	39.957	100,0	35.852	100,0	11,4
Direct costs	22.289	55,8	20.224	56,4	10,2
GROSS MARGIN	17.668	44,2	15.628	43,6	13,1
Research and Development costs	2.990	7,5	2.481	6,9	20,5
Commercial costs	5.603	14,0	5.066	14,1	10,6
General and Administrative costs	5.277	13,2	4.614	12,9	14,4
EBITDA	3.798	9,5	3.467	9,7	9,5
Amortization, depreciation	1.953	4,9	795	2,2	n.m.
OPERATING PROFIT (EBIT)	1.845	4,6	2.672	7,5	(31,0)
Financial income (charges)	(1.284)	(3,2)	(208)	(0,6)	n.m.
EARNINGS BEFORE TAXES (EBT)	561	1,4	2.464	6,9	(77,2)
Taxes	4	0,0	(710)	(2,0)	n.m.
NET PROFIT CONTINUING OPERATIONS	565	1,4	1.754	4,9	(67,8)
Net Profit Discontinued Operations (sale of TXT Retail)	-		66.801		
NET PROFIT	565		68.555		

TXT Retail Results reclassified among Discontinued Operations in 2017.

Strong Balance Structure

€ thousand	31.12.2018	31.12.2017	Total variance	of which Cheleo	of which TXT Risk Sol.	of which TXT
Intangible assets	17.751	7.332	10.419	9.241	1.700	(522)
Tangible assets	3.680	793	2.887	79	1	2.807
Other fixed assets	1.511	735	776	0	0	776
Fixed Assets	22.942	8.860	14.082	9.320	1.701	3.061
Inventories	3.141	2.528	613	-	-	613
Trade receivables	14.029	14.681	(652)	810	17	(1.479)
Other short term assets	2.963	2.533	430	171	36	223
Trade payables	(1.434)	(1.341)	(93)	(136)	(48)	91
Tax payables	(1.662)	(1.052)	(610)	(926)	(87)	403
Other payables and short term liabilities	(11.031)	(11.046)	15	(328)	(2)	345
Net working capital	6.006	6.303	(297)	(409)	(84)	196
Severance and other non current liabilities	(2.957)	(2.609)	(348)	(342)	(4)	(2)
Capital employed - Continuing Operations	25.991	12.554	13.437	8.569	1.613	3.255
Shareholders' equity	86.347	99.894	(13.547)	3.464	-	(17.011)
Net financial debt	(60.356)	(87.340)	26.984	5.105	1.613	20.266
Financing of capital employed	25.991	12.554	13.437	8.569	1.613	3.255

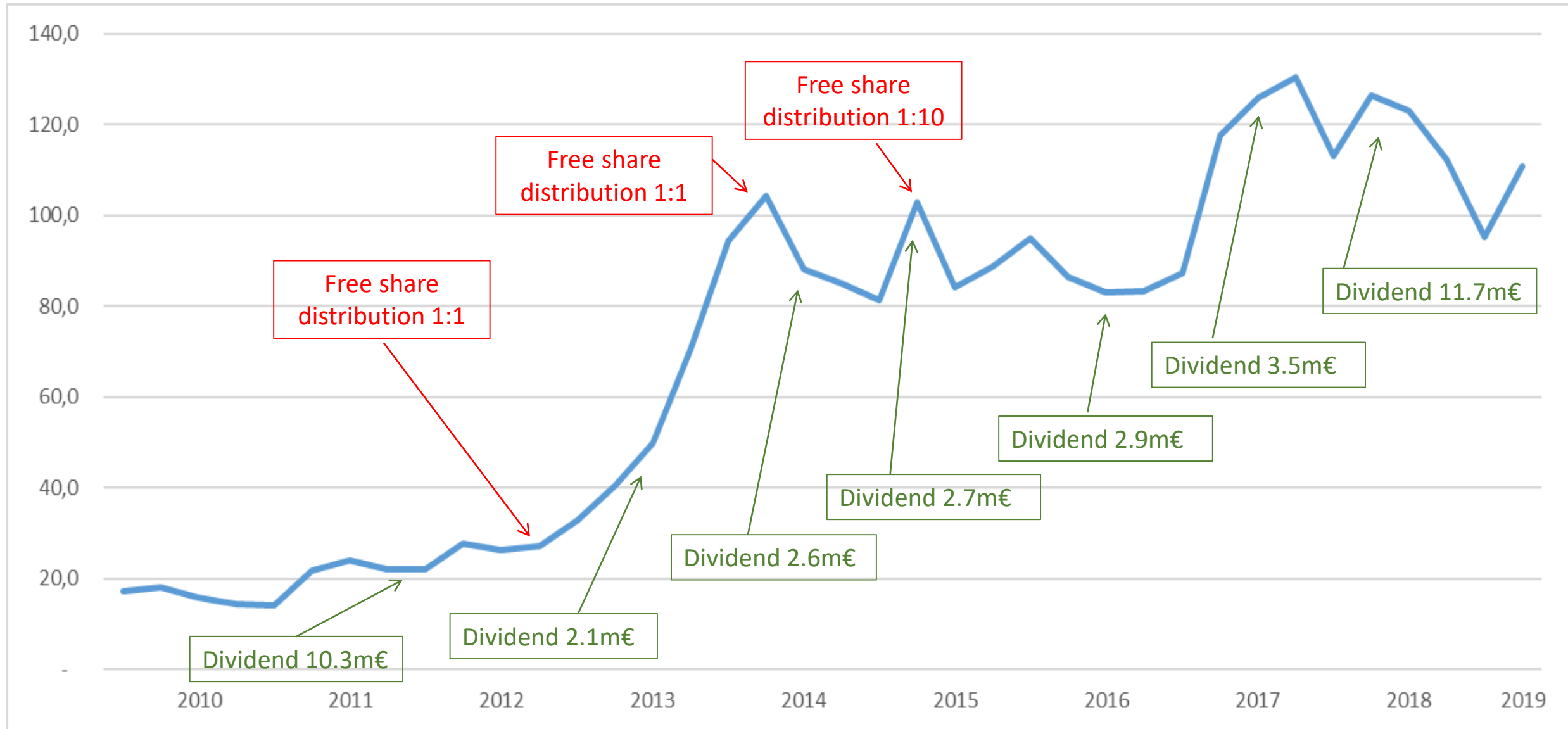


- Dividends

- 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
- 2019: 0,50 € / share (proposed)

- Share Price

- 31.12.2010: 1.51€/share (rebased for free share distribution)
- 15.3.2019: 9.02€ /share
- Market Cap: 105m€



Updated to March 2019

