

TXT e-Solutions

TXT

*Corporate **Overview***
STAR Conference
*May 20**20***

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Unless otherwise specified all data refers to FY 2019.

Leadership Team



Alvis Braga Illa

Chairman

Founder of TXT, Alvis has a clear vision of the future: no matter if it's planning software or onboard systems for the avionics, our solutions are business critical, they are at the heart of our customers most critical business processes



Enrico Magni

Group CEO

A seasoned entrepreneur with a solid track record in driving companies' growth, Enrico joined TXT as relative majority Shareholder and became CEO in 2018 with the goal to drive the international growth of TXT Group



Misani Daniele

Managing Director

+ 20 years in TXT, strong international background in business development and delivery, since 2019 Managing Director, in charge of the Aerospace & Aviation division, with responsibilities at Group level in strategy definition and execution.



Eugenio Forcinito

Group CFO

+20 years experience in the Finance and Administration sector and a deep knowledge of managerial dynamics, in the last fifteen years Eugenio has always been focused and committed to the sustainable growth and development of TXT Group.



Company Overview

TXT



PIONEER OF SOFTWARE TECHNOLOGIES, we offer a mix of best-in-class proprietary products & specialized services



30+ YEARS OF EXPERIENCE IN AEROSPACE, defence and aviation sectors with high specialized services and products



15+ YEARS OF EXPERIENCE IN BANKING & FINANCE, first mover & Italian leader in Software Quality and Independent Verification & Validation Services



INTERNATIONAL FOOTPRINT, with presence in +10 countries, offices in Europe and North America



650+ SPECIALIZED PROFESSIONALS, software engineers and architects, project engineers and Subject Matter Experts in our core industries.

#WEARETXT



MARGIN EXPANSION

11.9% FY19 EBITDA margin, +2.4pp YoY



RECURRING REVENUE GROWTH

More than 80% of AR are recurring, thanks to strong contractual terms and consolidated relationships



R&D INVESTMENT (fully expensed)

€6mn in FY19, +103% YoY



CASH AVAILABLE FOR GROWTH

€41.4mn FY19 Net Cash



ACCRETIVE ACQUISITIONS

Assioma Group latest acquisition in FY19

VALUE CREATION

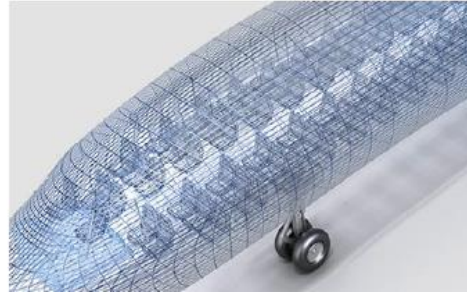


TXT Group is a specialized provider of *digital solutions* supporting customers globally in their mission- and business-critical core processes and throughout their products lifecycle.

TXT Group's technological excellence centres enable best-of-breed digital solutions:



Real-Time Software



Modelling & Simulation



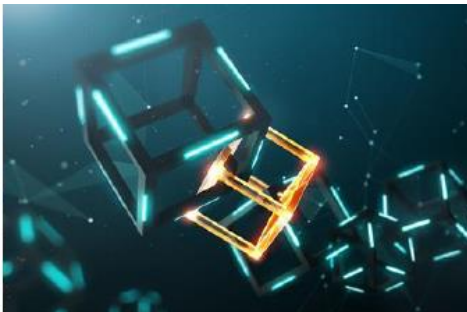
Cloud



AI / Machine Learning



Industrial IoT



Blockchain



Big Data Analytics

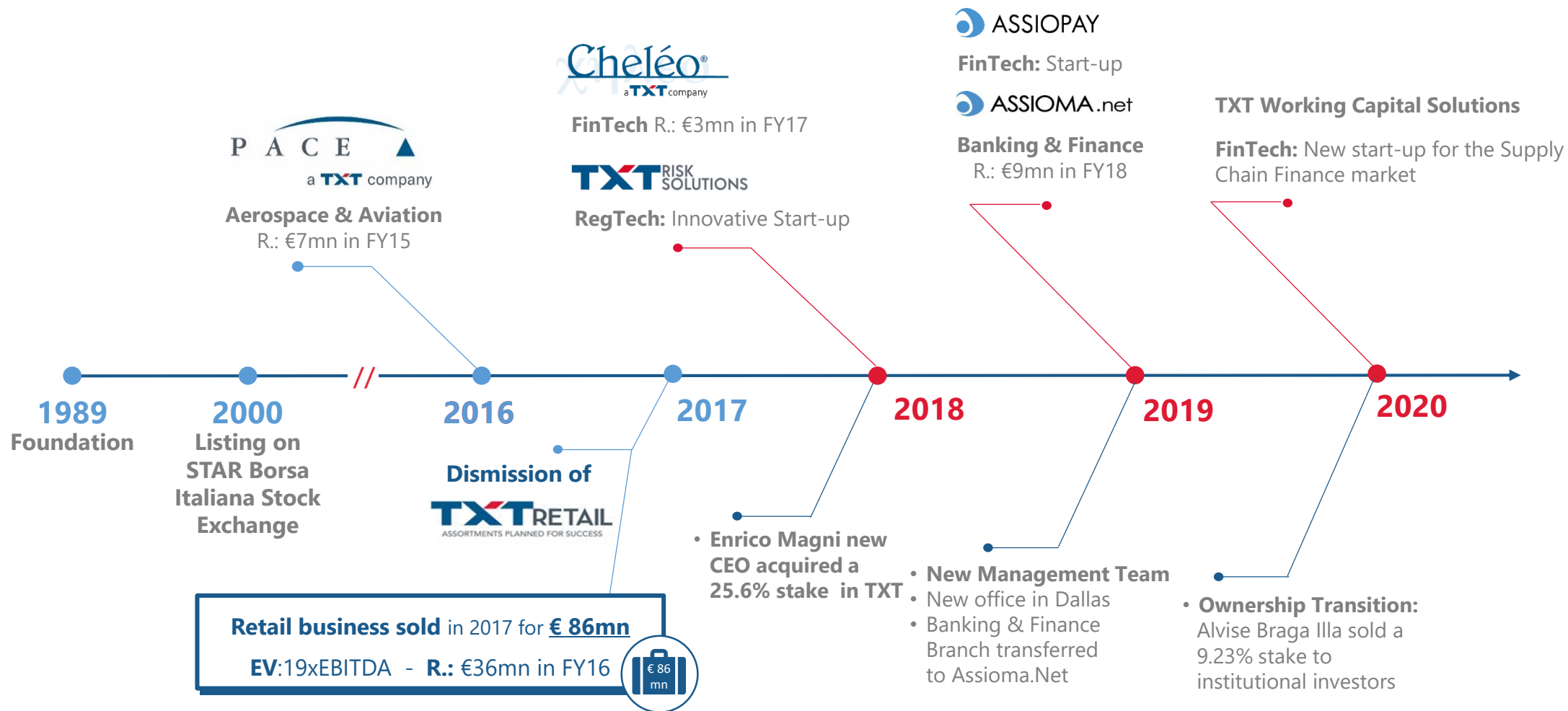


Extended Reality

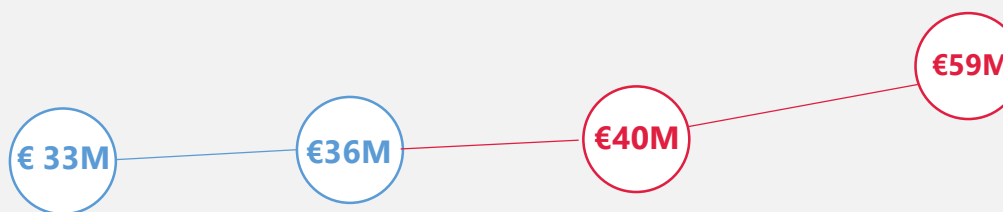
“ We are *leveraging our industry know-how* and *tech-capabilities to empower customers in their digital journey.*

M&A

Other Corporate Events



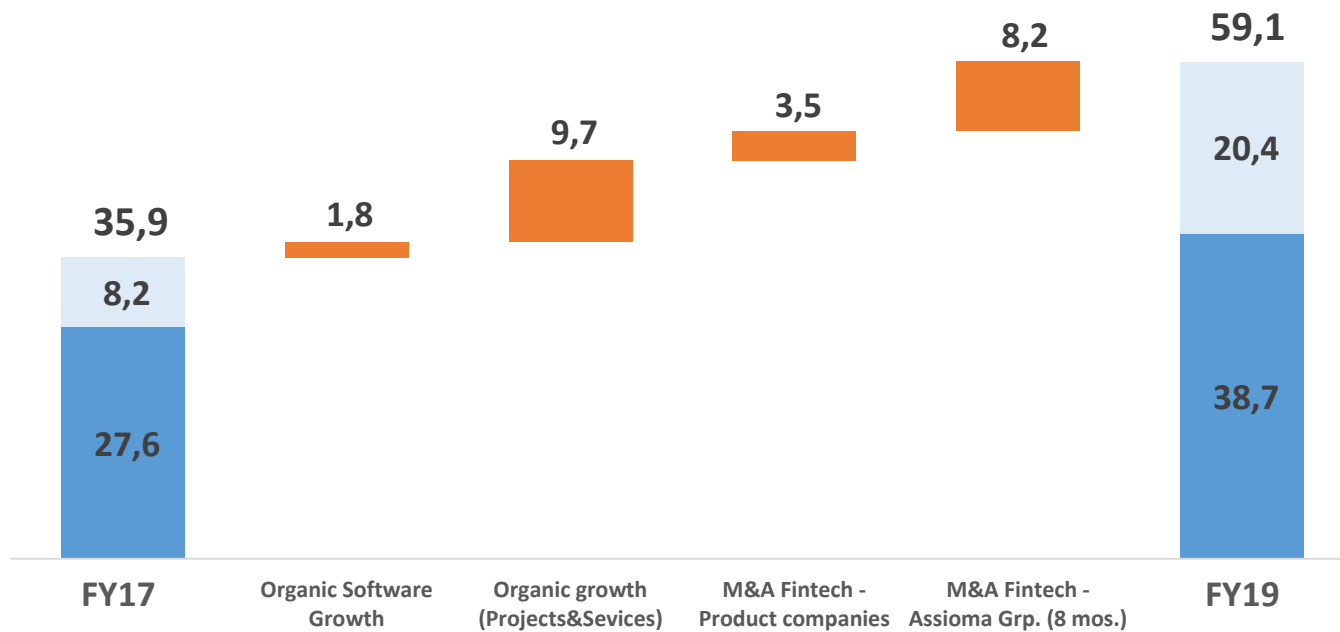
Total Revenues *
 * Excluded Retail business



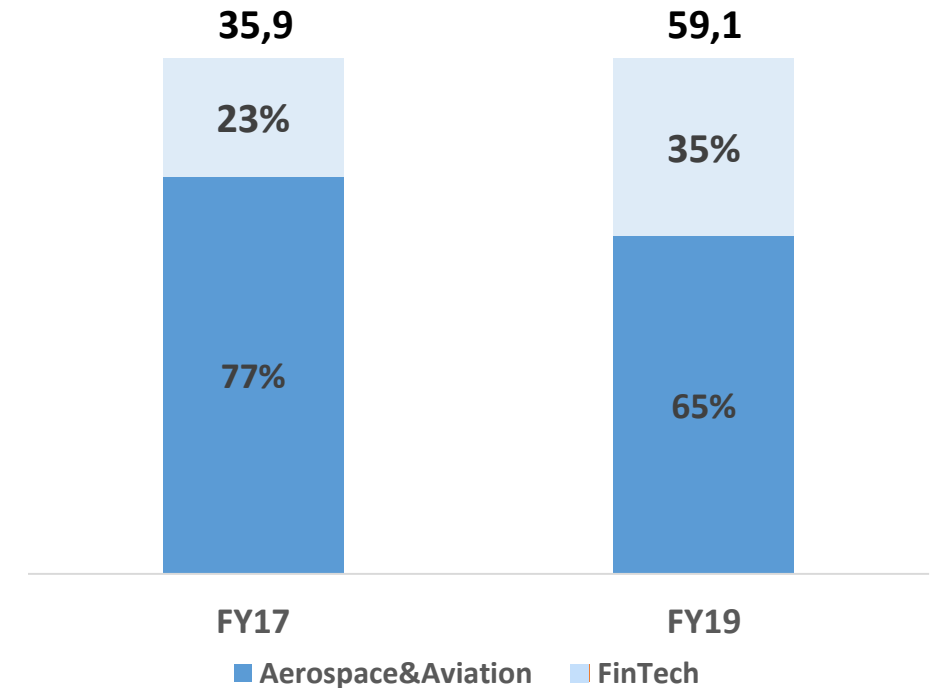
Our transformation path...



Over the period 2017-2019, M&A contribution was outmatched by Organic and Software Growth



FinTech incidence increased thanks to M&A and Organic Growth

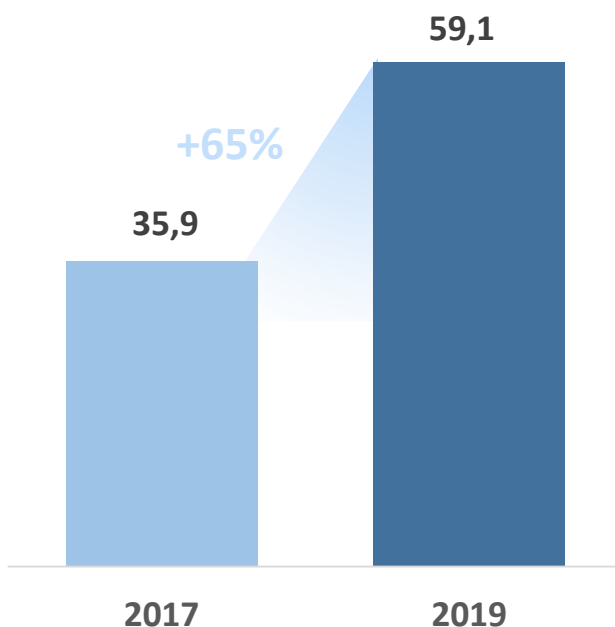


Legend:

- **Aviation&Aerospace** Accelerated organic growth (CAGR 2017-2019 +18.4%) achieved with the positive contribution of new proprietary platforms and new international customers with a significant increase in the North America market (new office in Dallas in 2019);
- **Fintech** Revenues more than doubled in the period thanks to the positive contribution of M&A. In 2020 and with the same consolidation perimeter, division's performance further increase for the full consolidation of Assioma group (acquired in FY19) and the benefits from its integration.

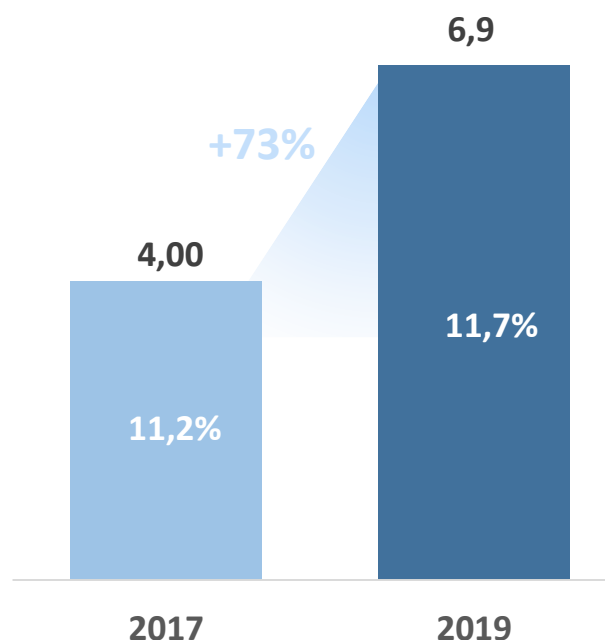
Strong Revenues from Software and Profitability Growth

Revenues (€mn)



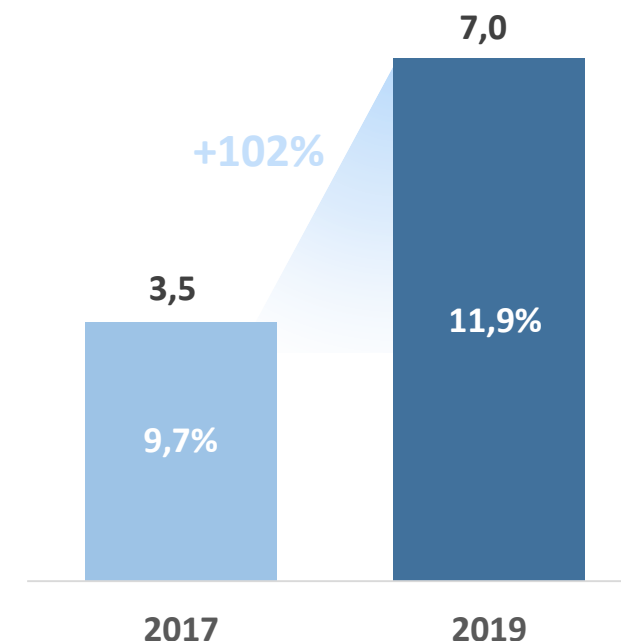
The perfect mix of organic-inorganic growth to achieve an accelerated and profitable growth... and still more than € 70 mn cash available for investments in the international growth

Revenues from Software * (€mn, % on total revenues)



** Figures do not include revenues from advanced services around proprietary SW equal to € 11,1 mn in FY19, +136% compared to 2017.*

EBITDA (€mn, % on total revenues)



EBITDA growth at an accelerated rate thanks to the positive contribution of proprietary software and advanced services around them



Still early to define the overall impact of the crisis, but the mitigation plan put in place is already delivering results thanks to:

- Smooth and quick transition to remote working of the entire workforce
- Job rotations / Government funding to minimize the impact within the markets most affected by the COVID-19 outbreak (about 5% of our entire workforce);
- Business continuity due to long-lasting and strategic relationships with market leader customers.

We are facing the crisis leveraging:

- An offering based on advance technological solutions related to digitalisation of processes;
- Diversification of our offering across different market segments;
- Significant amount of cash available (Net cash at 31 March 2020 was about € 42 million);
- Boost the M&A process looking for advantageous market's opportunities.

**Aerospace &
Aviation**

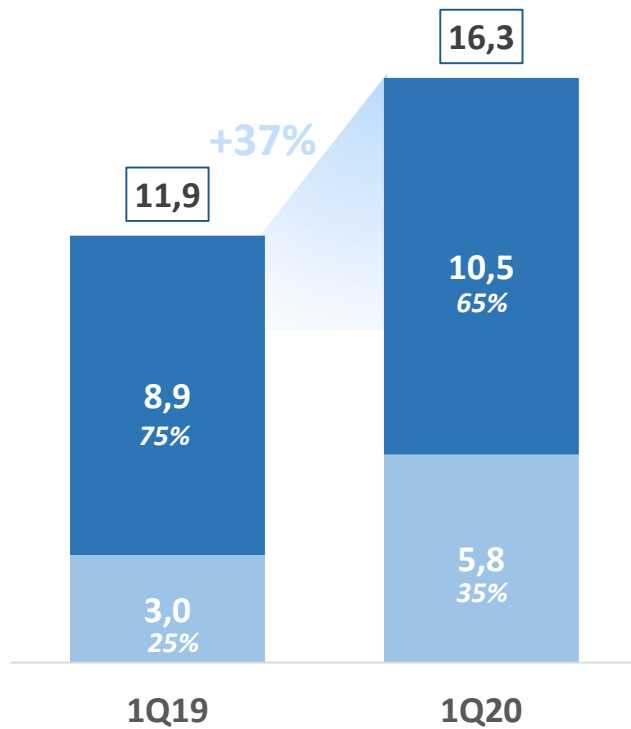
- For the airlines market, which represented about 9% of FY19's divisional business, despite the slowdown of the market, significant revenues in FY20 coming from software licences contractually agreed at the end of 2019 (IFRS 15);
- Leveraging the strategic positioning of TXT's offering within the core business of main players of the sector;
- Significant share of the business carried out in the aeronautic for defence sector; this business accounted for more than 20% of 2019's divisional business and acquisition of new contracts (i.e. new multi-year contracts in the Italian and German aeronautical defense sector for an annual value of €1.5mn);
- Refocus of the offering in different markets; TXT was awarded with over €1mn for financing of projects in the Artificial Intelligence area in consortium with industrial Market Leaders.

FinTech

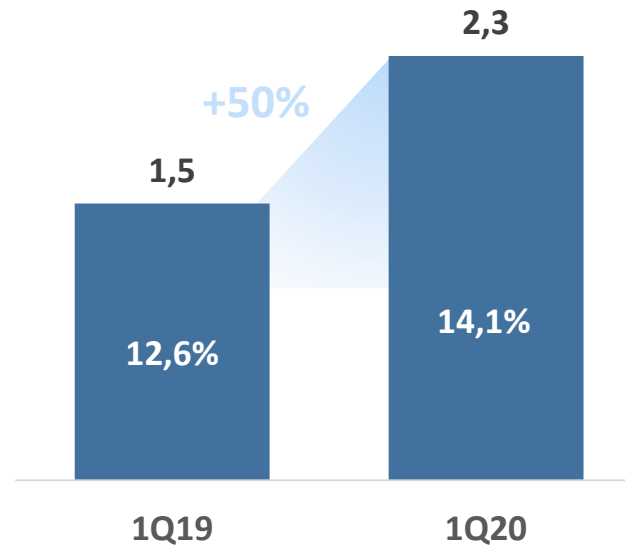
- The COVID-19 has not affected business continuity of the financial and digital sectors which increased investments related to digital transformation.
- New multi-year contract signed in 2020: 3-years, over €5mn, with a leading Italian banking group
- New business opportunities to boost the presence in different segments (i.e. NPL & Consumer credit markets).

Results of Q1 2020 show a strong growth in Revenues & EBITDA, with software revenues increasing +50,2% YoY

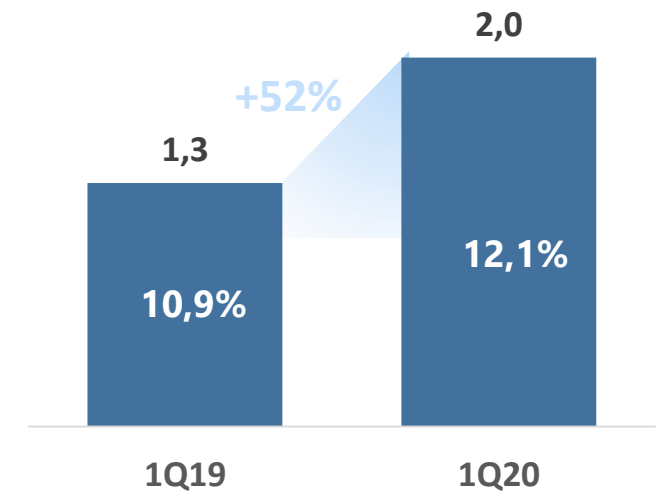
Revenues (€mn)



Revenues from Software (€mn, % on total revenues)



EBITDA (€mn, % on total revenues)





Business Overview

TXT



Aerospace & Aviation

65% of FY19's revenues



FinTech

35% of FY19's revenues



Industrial, Manufacturing, Automotive & Transportation <10%



Public Sector, Treasury <5%

Core markets

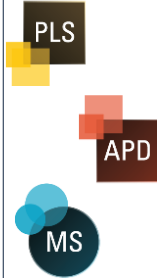
Diversification

Aerospace & Aviation:

Proprietary products, Solutions and Specialized services



Product Development



On-board Software 28%

Preliminary Design & Evaluation 7%



Customer Engineering & Manufacturing



Product Configuration 21%

Digital Manufacturing 10%



Aircraft Operations



Training & Simulation 25%

Flight Operations 9%



TOP CUSTOMERS



International specialized provider of software solutions (software Products + engineering Services)

Software Quality Services

Best-in class solutions for: test strategy, development, execution, automation, and for test environments administration.

Strong technological partnership with main international SW providers: Syncsort, Oracle Gold Partner,

First mover & Italian leader in Software Quality services for Italian Banking Industry

75%



Financing, Credit & NPL Management products



FinTech solutions for: Leasing, Loan, Salary-backed loan, Personal loans, Basic system, Factoring and Non-performing loans management

Suite of proprietary software modules for Financing, Credit & NPL Management

18%



Risk management & AML solutions



Proprietary RegTech platform for: Anti-Money Laundering (AML), Anti-Corruption (AC) and Anti-Terrorism (AT)

RegTech innovative start-up for Risk management

2%



Treasury & Digital Payments



Proprietary SaaS solution



New start-up specialized in the digitization of payments and loyalty programs for the large-scale distribution market

5%



TOP CUSTOMERS



Organic growth to develop new services around Bank's Digital Transformation needs and to strengthen the SW Quality Services

+

M&A activity to strengthen both Service and Product offering

Some Examples of TXT's Best-in-class Solutions



Aerospace & Aviation

Extended Reality



- Pacelab **WEAVER**: the best-in-class platform for **Virtual Training** and **Operations Support** applications;
- More effective training, faster & at lower costs.

Collaboration & XR



- **Product configuration** with real-time **Augmented Reality** visualization.

FinTech

Anti Money Laundry, Anti-Corruption, Anti-Terrorism



- **Modular software** solutions for **risk assessment** based on **predictive probabilistic models**;
- **Reduction of compliance costs** (up to 30%) and timing.

Digitisation of daily transactions



- Real-time management of **ticketing**, **meal vouchers** and **loyalty program**.

Fully Committed to ESG Agenda



On-board flight profile optimization (FPO) Pacelab FPO

Scaling real-time data to optimize flight altitudes and speeds in all flight phases with significant fuel savings:



Preliminary Design & Evaluation Pacelab SysArc



Optimizing systems architectures at aircraft level, **minimizing the risk of design inconsistencies** or unforeseen behavior.



Growth **S**trategies

TXT

Offering

Historical Activities

We started from **specific industry process domain** to:

- **develop deep knowledge of different processes in single niches** of our industries;
- **manage process data** and **provide** customers with **evolving platforms**.

Extending the Offering

- We became **Int'l, specialized, multi-niche provider of proprietary engineering platforms** delivering worldwide;
- We are investing in **R&D** to develop **new, interconnected, cloud-based platforms, leveraging cross-industry capabilities & technologies**, and the **significant amount of cash available**.

Technologies



Markets

Aerospace, Aviation & Automotive



Banking & Finance



FinTech & RegTech, Public Services



Digital Transformation, Transportation & Industrial IoT



We started from specific industry process domain...

...to penetrate new markets by leveraging strong cross-industry capabilities & technologies recognized in the Aerospace and Banking & Finance industries

Retain

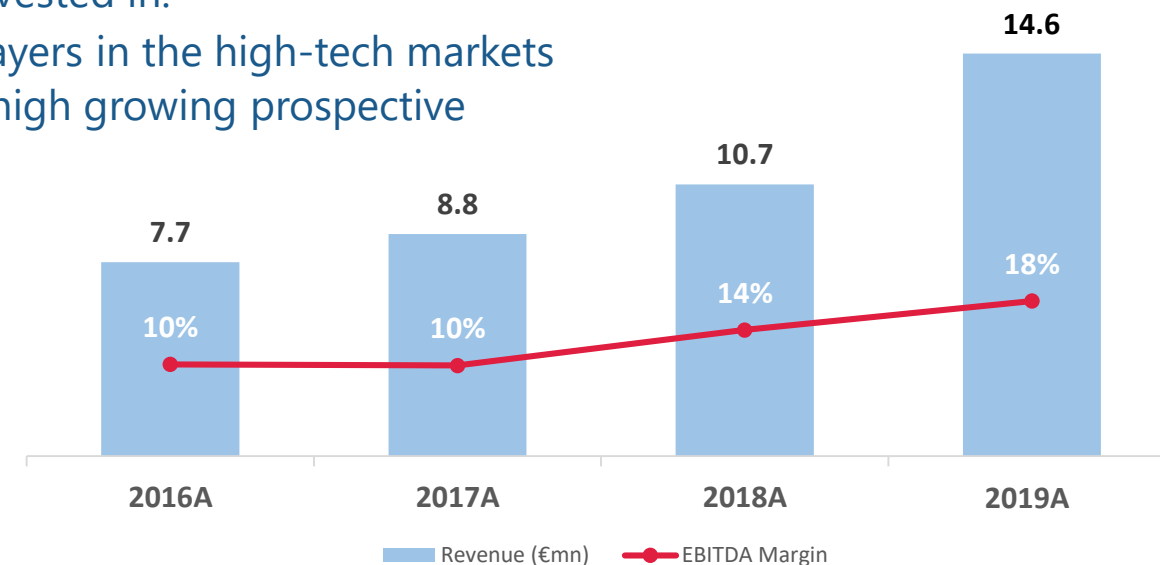
- Increased recurring revenue from software licences
- **> 90% renewal rates**

Growth

- Accelerate innovation with **over €30M in R&D** over the next 3 years
- Scale our domestically and international position

M&A

- **€42M 1Q20 Net Cash Position** to be invested in:
 - i. Domestic and foreign niche leader players in the high-tech markets
 - ii. Process and product innovators with high growing prospective





Summary & Financial Details

TXT

Increasing and solid trading results - Full Year 2019

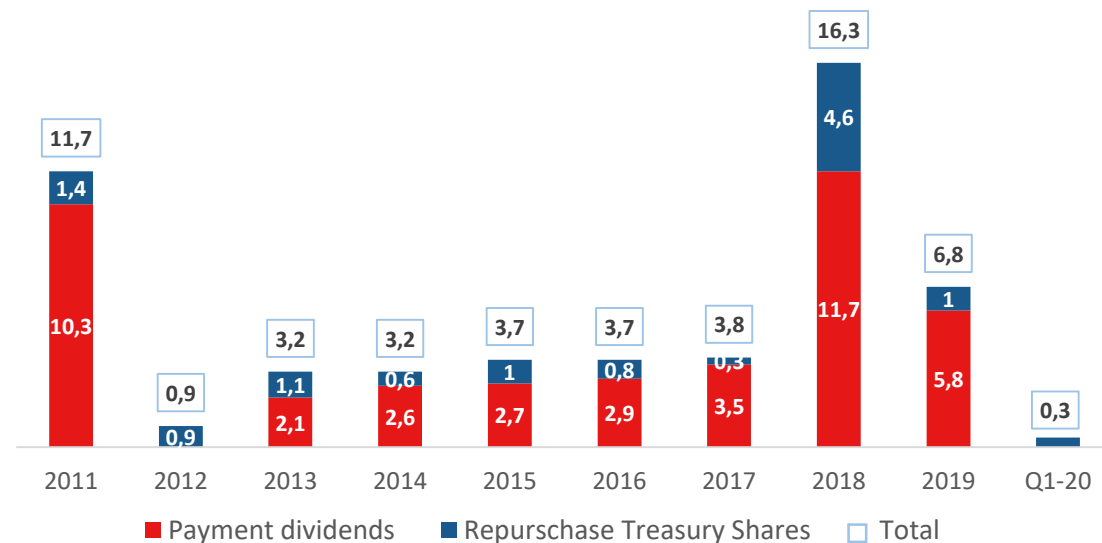
€ thousand	2019	%	2018	%	Var %
REVENUES	59,091	100.0	39,957	100.0	47.9
Direct costs	31,824	53.9	22,289	55.8	42.8
GROSS MARGIN	27,267	46.1	17,668	44.2	54.3
Research and Development costs	6,071	10.3	2,990	7.5	103.0
Commercial costs	8,610	14.6	5,603	14.0	53.7
General and Administrative costs	5,582	9.4	5,277	13.2	5.8
EBITDA	7,004	11.9	3,798	9.5	84.4
Amortization, depreciation	2,734	4.6	1,953	4.9	40.0
Reorganisation and non-recurring costs	717	2.3	0		n.m.
OPERATING PROFIT (EBIT)	3,553	6.0	1,845	4.6	92.6
Financial income (charges)	2,194	3.7	(1,284)	(3.2)	n.m.
Non-recurring income (charges)	(3,432)	(5.8)	0		n.m.
EARNINGS BEFORE TAXES (EBT)	2,315	3.9	561	1.4	312.7
Taxes	(1,867)	(3.2)	4	0.0	n.m.
NET PROFIT	448	0.8	565	1.4	(20.7)
Attributable to:					
Owners of the Parent	314		565		
Non controlling interest	134		-		

Strong Balance Structure as at December 31, 2019

€ thousand	31.12.2019	31.12.2018	Var.
Intangible assets	24,380	17,751	6,629
Tangible assets	7,929	3,680	4,249
Other fixed assets	2,325	1,511	814
Fixed Assets	34,634	22,942	11,692
Inventories	4,156	3,141	1,015
Trade receivables	19,371	14,029	5,342
Other short term assets	4,779	2,963	1,816
Trade payables	(2,122)	(1,434)	(688)
Tax payables	(4,292)	(1,662)	(2,630)
Other payables and short term liabilities	(12,808)	(11,031)	(1,777)
Net working capital	9,084	6,006	3,078
Severance and other non current liabilities	(3,110)	(2,957)	(153)
Capital employed - Continuing Operations	40,608	25,991	14,617
Shareholders' equity	81,852	86,347	(4,495)
Shareholders' equity	168		168
Net financial debt	(41,412)	(60,356)	18,944
Financing of capital employed	40,608	25,991	14,617

<i>€ thousand</i>	Q1 2020	%	Q1 2019	%	Var %
REVENUES	16,255	100.0	11,885	100.0	36.8
Direct costs	8,981	55.3	6,671	56.1	34.6
GROSS MARGIN	7,274	44.7	5,214	43.9	39.5
Research and Development costs	1,803	11.1	1,163	9.8	55.0
Commercial costs	1,872	11.5	1,585	13.3	18.1
General and Administrative costs	1,634	10.1	1,174	9.9	39.2
EBITDA	1,965	12.1	1,292	10.9	52.1
Depreciation	487	3.0	331	2.8	47.1
CURRENT OPERATING PROFIT (EBITA)	1,478	9.1	961	8.1	53.8
Amortization	306	1.9	233	2.0	n.m.
OPERATING PROFIT (EBIT)	1,172	7.2	728	6.1	61.0
Financial income (charges)	(672)	(4.1)	1,278	10.8	n.m.
EARNINGS BEFORE TAXES (EBT)	500	3.1	2,006	16.9	(75.1)
Taxes	(248)	(1.5)	(581)	(4.9)	(57.3)
NET PROFIT	252	1.6	1,425	12.0	(82.3)

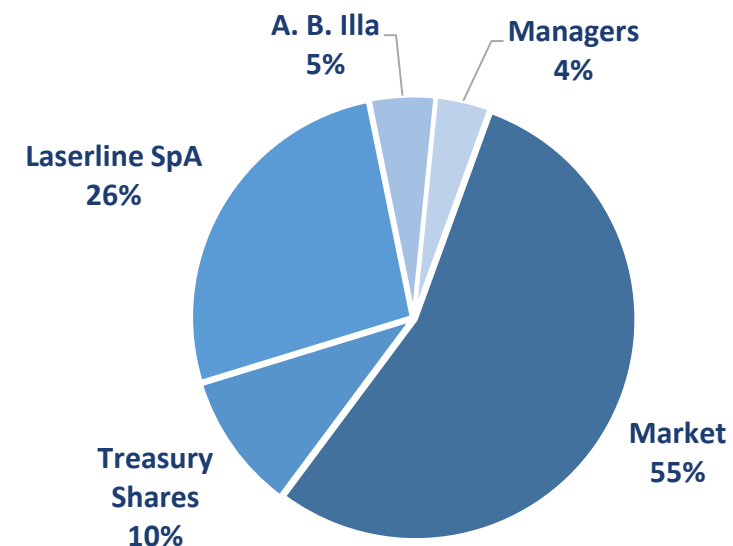
Dividends and Treasury Shares Repurchase (€m)



Dividends

Year	Dividends	Year	Dividends
2011	1€/share (extraordinary, rebased)	2015	0.25 € / share
2012	Free Share Distribution 1:1	2016	0.25 € / share
2013	0.20 € / share	2017	0.30 € / share
2014	Free Share Distribution 1:1	2018	1.00 € / share
2014	0.25 € / share	2019	0.50 € / share
2015	Free Share Distribution 1:10		

Shareholding Structure



Market Data

Share Price Dec 31st, 2010	1.51€/share*
Share Price Apr 9th, 2020	6.68€/share
Mkt Apr 9th, 2020	80m€
Dividend Yield	X%

*rebased for free share distribution**

Thank you for your attention!

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