

TXT e-solutions

Aerospace software acquisition

Acquisition

Technology

3 March 2016

Price €8.07

Market cap €94m

Net cash (€m) at end FY15 8.3

Shares in issue 11.7m

Free float 43%

Code TXT

Primary exchange Borsa Italiana (STAR)

Secondary exchange N/A

TXT is expanding the scope of TXT Next's aerospace business with the acquisition of a majority stake in aerospace software specialist PACE, for an initial cash consideration of €5.6m. The deal will enable TXT Next to offer specialist software in addition to its aerospace IT, consulting and R&D services and gives the division access to a wider international customer base. We will review our forecasts when TXT reports FY15 results on 8 March.

Year end	Revenue (€m)	PBT* (€m)	EPS* (€)	DPS (€)	P/E (x)	Yield (%)
12/13	52.6	4.8	0.41	0.23	19.7	2.9
12/14	54.4	4.0	0.28	0.23	28.8	2.9
12/15e	60.6	5.5	0.37	0.24	21.8	3.0
12/16e	63.2	6.7	0.45	0.25	17.9	3.1

Note: *PBT and EPS are normalised, excluding amortisation of acquired intangibles, share-based payments

TXT has announced that it plans to acquire PACE, a software vendor for the aerospace industry. TXT will pay an initial cash consideration of €5.6m to acquire 79% of the company with a put/call option for the remaining 21% stake exercisable from 1 January 2020 to 31 December 2021. A contingent consideration of c €1.9m is payable over 2016/17 subject to meeting targets for FY15 and FY16. PACE specialises in software for preliminary aircraft design, cabin configuration and fuel cost optimisation. The company has c 70 employees and is headquartered in Berlin. In 2015, the company generated revenues of €7.3m (+20% y-o-y) and EBITDA of €0.8m (11% margin, in line with our 10.7% forecast for TXT in 2015), with software licence and maintenance revenues making up 57% of the total. On closing it is estimated that PACE will have net cash of €1.7m. The initial cash consideration values PACE on a historic EV/sales multiple of 0.7x and EV/EBITDA of 6.7x. The acquisition is scheduled to complete on 1 April 2016. The business will continue to trade under the PACE brand and the three founders, who own the remaining 21% of the business, will stay as managing directors.

Share price performance



Business description

TXT e-solutions has two divisions: TXT Perform provides software solutions for supply chain management in the international retail and consumer-driven industrial sectors; and TXT Next provides IT, consulting and R&D services to Italian aerospace, high-tech manufacturing, banking and finance customers.

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