13th April 2017

Mid Cap | Europe | Italy

DR. KALLIWODA
INTERNATIONAL RESEARCH GmbH

Update

BUY

Target price: EUR 12

Industry:	Software and IT Service
Country:	Italy
ISIN:	IT0001454435
Bloomberg:	TXT:IM
Reuters:	TXTS.MI
Website:	txtgroup.com

	High	Low
Last Price:		10,32
Price 52 W.:	10,43	6,81
Market Cap. (EURm)		120,66
No. of Shares		11,69

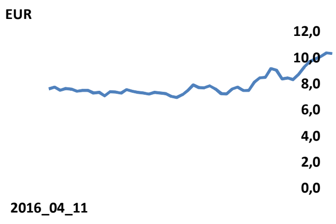
Shareholders

4CV PTE	25,62%
A. Braga Illa	13,96%
Treasury shares	9,92%
Kabouter LLC	7,96%
Allianz GI GmbH	2,31%
Management	7,90%
Float	32,33%

Dividend

	in EUR	in %
2012	0,40	17,6%
2013	0,20	2,8%
2014	0,25	3,9%
2015	0,25	3,4%
2016	0,30	3,1%

1-year Chart



Analyst:

Dr. Norbert Kalliwoda
nk@kalliwoda.com

TXT e-solutions S.p.A.

Encouraging Figures in Q4; Aeronautical Business Drive the Growth

- TXT generated sucessful numbers in 2016, with group revenues up 12.4% y/y to €69.2m. The PACE acquisition is very well integrated and accelerates the development of the aerospace business of TXT Next. We see further international expansion and positive scale effects. TXT Next and Pace can reach over 300 large customers worldwide offering the entire life cycle activities within the aeronautics industry. PACE´s offer of services and the expertise of TXT Next chime together perfectly.

- In 2016 the retail market, the End-to-End Business Software for Fashion, Luxury and Specialty Retailers was down – 1,6% compared to 2015 due to the first part of 2016, when contingent and structural slowdowns in the industry caused delays in investments. In the second half of 2016 the market recovered and important contracts in China and India were acquired.

- Gartner released in November 2016 a study and they expects improvements in implemented retail assortment applications adoption due to the growing demand for big data and advanced analytics systems in the retail market. In this context, TXT end-to-end merchandise lifecycle solution is uniquely positioned to support the needs in fashion, luxury and special retail, with a variety of customer focus solutions.

- Gross Margin were € 37.1m, 14.76% better than 2015. The part of Pace GmbH is incorporated. Revenues margin reached 53.7%, an improvement from 52.6% compared to 2015. EBITDA before Stock Grand rose by 23.4%, including € 1.4m PACE GmbH EBITDA. Without PACE acquisition EBITDA was € 7.3m, which is 9.3% higher than 2015.

- Due to new relevant clients contracts like NYDJ Apparel (USA) and Charles Vögele (CH), and due to better margins and strong 4Q 2016 figures we have increased our 2017 and 2018 estimates. In 2017e we expect € 75,9m sales (old € 74,8m) and 2018e € 82,4m (old € 79,9m). We calculated 2017e EBIT with € 7,6m (old € 7,48m) and 2018e with € 8,33m (old € 8,05). We estimate TXT RETAIL strengths in the Fashion and Luxury sectors and within TXT NEXT the group should take profit synergies from the PACE takeover. Our target price equals €11.96 per share (old € 11) and reiterate to buy the stock.

- **Key Facts**

EURm	2012	2013	2014	2015	2016E	2017E
Net sales	46,5	52,6	55,9	61,5	69,2	75,9
EBITDA	5,3	6,3	6,8	5,9	8,2	8,8
EBIT	4,2	5,0	5,5	4,8	6,9	7,6
Net income	5,1	4,6	4,2	3,9	5,6	6,0
EPS	0,9	0,4	0,3	0,3	0,5	0,5
BVPS	4,8	2,4	2,2	2,6	2,9	3,2
RoE	19,6%	16,6%	14,4%	11,5%	16,2%	16,1%
EBIT margin	9,1%	9,4%	9,8%	7,8%	10,0%	10,0%

Source: company data, Dr. Kalliwoda International Research GmbH

Content

1. Profile

TXT e-solutions SpA is a profitable international software specialist. Headquartered in Milan (Italy), TXT filled an empty space in the supply chain IT solutions, developing planning software solutions in end-to-end retail for the luxury and fashion sector. The company is divided in two business divisions: TXT Retail, which provides IT planning solutions for luxury, fashion, retail and consumer goods, and TXT Next which focus in software for complex operation and manufacturing for aerospace, defence, high-tech and finance.

After the IPO in 2000, TXT invested to become a global supply chain software vendor with a geographic coverage of all main markets. The company has offices in the North America, Germany, France, Spain, the UK and in the Asia Pacific. With organic growth in both the divisions, the company recorded a significant increase in revenues during the years (CAGR +12% in 2010-2016).

2. PACE GmbH (Berlin-Headquartered)

On April 1, 2016, TXT e-solutions completed the acquisition of the Berlin-based Pace GmbH, software providers for the aerospace and aviation industries. The acquisition reinforced TXT Next aerospace business division. Pace performed well in 2015, with consolidated results showing revenues of €7.3m. Net financial position of PACE was positive by €2.3m. PACE has 70 employees mostly in Berlin, with activities in the aerospace hubs of Toulose (F) and Seattle (USA).

TXT bought the 79% of PACE shares directly from its investors (eCAPITAL AG, Strategic European Technologies NV, and IBB Beteiligungsgesellschaft mbH). The acquisition of Pace GmbH completed on 1 April 2016 involved a net disbursement of € 6.8 million, broken down as follows:

- € 7.7 million already paid upon purchase of 79% of the company's shares;
- an additional € 1.4 million in estimated future payments to exercise the put/call option in 2020-2021 to purchase the remaining 21% of the company’s shares; payment of the “Earn-out 2016” and other contractual terms;
- -€ 2.3 million for the net financial benefit arising from the acquisition of Pace, generated by the balance of cash acquired (€ 3.5 million) and financial debt acquired (€ 1.2 million).

The three founders therefore will remain shareholders and managing directors (21% of the capital will be hold by them) and agreed with TXT a put-call option to be exercised in the period 2020-2021.

PACE customer base includes: Maintenance, Repair & Overhaul (MRO) companies, such as Airbus (D and F), Boeing (USA), Lufthansa (D), GE Aviation (USA), Safran Group (F), COMAC (China), Sukhoi (Russia), Embraer (Brasil), Rolls-Royce (UK), Air France & KLM Engineering (F) and Delta Air Lines (USA).

The integration of TXT Next and Pace GmbH might develop further benefits, due to the complementary solutions that TXT Next can integrate in Pace such as the on board software, simulation, training system and advanced manufacturing for aerospace. The joining forces can bring new advanced software solutions and expand the product portfolio for TXT Next clients. TXT Next and Pace will focus on high value niches across the entire value chain in the software aviation industry.

3. SWOT Analysis

Strengths	Weaknesses
- Pioneer in the supply chain software for fashion and luxury. In TXT Retail division 89% of sales from abroad. - Self-financed business through profits, free cash flows and growing stock values. - High entry barriers, given its customized and innovative solutions and well-established relationships. - Loyal customer base, with well-known clients (i.e. Louis Vuitton (F), Swatch (CH), Adidas (D), Burberry (UK)). - Net financial position positive for € 5.4m (31 December 2016). - Solid shareholder base: founder owns almost 14% of the capital, and a significant stakes is owned by co-workers & management.	- Significant goodwill position, which amount to 52% of equity (31 December 2016). - Limited presence in emerging markets such as Asia, Pacific, Africa, the Middle East and Latin America. Strong focus in the no-food area. - Continuous investments in marketing and R&D in order to compete with big players.
Opportunities	**Threats**
- Growth in the aerospace segment, given the expertise and international client portfolio acquired with PACE GmbH. - Business development in North America, Asia and Pacific area. In 2015 a new office was opened in Hong Kong and Singapore. - Improving revenues mix with higher sales from licenses and maintenance in the retail segments. Monetization of existing clients with new products and service. - International growth through acquisitions	- Uncertainty in the retail fashion and luxury market, given the economic slowdown and industry transformation. - High competition from larger players. - Currency risks for the consolidated financial statements as TXT generates more than 20% sales outside the Euro Area, even if revenues are hedged almost perfectly with costs incurred in the same currency.

Source: Dr. Kalliwoda International Research GmbH

4. Valuation

Our valuation is based on a traditional DCF model (70%) and a peer group analysis (30%). We have forecasted the revenues CAGR of 5.3% and average EBIT margin of 10.5% in the period 2017-2020. The WACC (weighted average cost of the capital) remains almost unchanged to our previous update for Q3: risk-free rate 1.4%, market premium 6.0% (expected return minus risk-free ratio), beta equal to 1 and the tax rate of 20.1% (average of the last four years). Assuming that the target capital structure will not change in the subsequent years, the WACC consequently was 6.4%. Our price target based on our DCF-Model is €12,30 per share, based on our peer group the price target is € 11,18 per share. Finally this results to a price target for TXT e-solutions of € 11,96 per share.

a. WACC

DCF model			
Input		**Output**	
WACC Calculation		**Enterprise value**	
Target Capital Structure		Present value of Free Cash Flow	22,5
Debt to Total Capitalization	15,4%		
Equity to Total Capitalization	84,6%	**Terminal Value**	168
		Discount Factor	0,8
Cost of Equity		**Present Value of Terminal Value**	**127**
Risk-free rate	1,4%	*% of Enterprise Value*	*85%*
Market risk Premium	6,0%		
Levered Beta	1,00	**Enterprise value**	**149,3**
Cost of Equity	7,4%	Less: Total debt	2,2
		Plus: Cash and Cash Equi.	7,6
Cost of Debt		Net Debt	5,4
Cost of Debt	1,5%		
Taxes	20,1%		
After Tax Cost of Debt	1,2%	**Implied Equity Value**	**143,9**
		Outstanding shares	11,7
WACC	6,4%	**Implied share price**	**12,3**
(1) Obtained from Beta and Capital Structure tab		**Implied multiples**	
(2) Interpolated Yield on 10-year Treasury bond		Enterprise Value	149
(3) Obtained from PWC market risk study 2010		SALES 2010	69
(4) Obtained from Beta and Capital Structure tab		EBITDA 2010	8
(5) Obtained from PWC market risk study 2010		**Implied EV/SALES**	**2,2x**
		Implied EV/EBITDA	**18,2x**

Source: Dr. Kalliwoda International Research GmbH

b. DCF-Model

DCF model											
EURm	Actual 2011	2012	2013	2014	2015	2016	CAGR (17 - 20)	Forecast period 2017	2018	2019	2020
Sales	40,1	46,5	52,6	55,9	61,5	69,2	*4,1%*	75,9	82,4	86,6	89,1
% growth		*15,8%*	*13,0%*	*6,3%*	*10,1%*	*12,4%*		9,8%	8,6%	5,1%	2,9%
EBITDA	**4,4**	**5,3**	**6,3**	**6,8**	**5,9**	**8,2**	*7%*	**8,8**	**9,6**	**10,7**	**11,4**
% margin	*11,0%*	*11,4%*	*11,9%*	*12,2%*	*9,6%*	*11,9%*		*11,6%*	*11,7%*	*12,3%*	*12,8%*
Depreciation & Amortization:	-3,5	-1,1	-1,3	-1,3	-1,1	-1,3		-1,2	-1,3	-1,4	-1,4
% sales	8,8%	2,3%	2,5%	2,4%	1,8%	1,9%		1,6%	1,6%	1,6%	1,6%
EBIT	**0,9**	**4,2**	**5,0**	**5,5**	**4,8**	**6,9**	*7%*	**7,6**	**8,3**	**9,3**	**10,0**
								10,0%	**10,1%**	**10,7%**	**11,3%**
Taxes	-0,6	-0,2	0,1	-1,0	-0,8	-1,5		-1,5	-1,7	-1,9	-2,0
Capex	-2,2	-0,4	-0,5	-0,6	-0,8	-0,7		-1,0	-1,1	-1,2	-1,1
% sales	*5,4%*	*0,9%*	*0,9%*	*1,1%*	*1,2%*	*1,0%*		*1,4%*	*1%*	*1%*	*1%*
Increase/Decrease in NWC	-1,26	-1,69	1,21	-1,39	-4,38	2,45		**-1,6**	**-0,2**	**-0,9**	**0,4**
Unlevered Free Cash Flow	**0,38**	**3,05**	**7,12**	**3,75**	**0,01**	**8,51**		**4,59**	**6,6**	**6,7**	**8,6**
WACC	**6,4%**										
Discount Period								1,0	2,0	3,0	4,0
Discount Factor								0,9	0,9	0,8	0,8
Present value of free cash flow								**4,3**	**5,9**	**5,6**	**6,7**

Source: Dr. Kalliwoda International Research GmbH

c. Peer Group Analysis

We proved our DCF model with a peer group analysis. The application of a relative valuation method is based on the idea that comparable companies have similar market values. Hence, mainly listed companies are chosen, which offer similar products, or have a comparable business model. An analysis of financial figures provides an estimation to which degree the company's valuation stems from a low comparability with its peer group or an under-or overvaluation.

Based on our peer multiples, the implied fair value equals €11.18 per share.

	EV/EBIT		P/E		EBIT margin	EBIT margin	Net gearing	P/BVPS
Company	**2016**	**2017E**	**2016**	**2017E**	**2015**	**2016**	**Latest**	**Latest**
Atoss Software AG (EUR)	21,39x	19,62x	33,39x	30,64x	24,93%	27,61%	64,51%	15,00x
Cap Gemini SA (EUR)	13,36x	12,73x	28,08x	27,18x	9,11%	9,66%	32,96%	2,10x
Devoteam SA (EUR)	17,80x	16,48x	24,59x	23,19x	5,97%	6,84%	-125,19%	3,91x
Oracle Corp (USD)	13,87x	13,34x	21,58x	20,56x	32,85%	34,84%	4,97%	3,68x
SAP SE (EUR)	20,96x	19,06x	27,88x	26,31x	26,80%	30,10%	19,13%	3,85x
SQS AG (EUR)	7,88x	7,30x	17,44x	17,10x	3,63%	2,44%	25,60%	1,61x
Median	15,84x	14,91x	26,24x	24,75x	17,02%		22,37%	3,77x
TXT e-solutions (EUR)	14,81x	13,47x	19,39x	18,04x	7,79%		16,06%	3,20x
Premium/Discount	-6,5%	-9,7%	-26,1%	-27,1%				
Fair value TXT e-solutions (EUR)	11,18							

Based on our peer multiples, the implied fair value equals €11.18 per share.

5. Turnover

Revenues 2016

Consolidated revenues for 2016 reached € 69.2m, + 12.4% y/y due to a strong result in the TXT Next division (including € 6.6m from PACE GmbH). TXT Next, the software specialist for Complex Operations & Manufacturing for Aerospace, High-Tech and Finance contributes by 47.8% of total group revenues. Absolut number is € 33.1m revenues, which expresses a growth of 32.9% compared to 2015. Reasons for the strong growth is Pace GmbH revenues of € 6.6 million and organic growth with revenues of € 1.6 million, or + 6.5%.

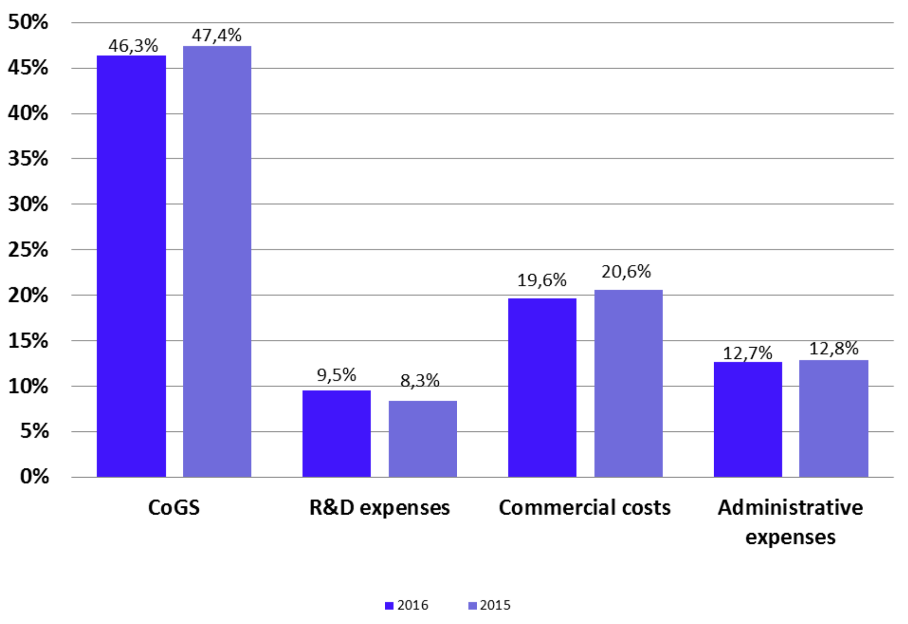
The software revenues (licenses, subscriptions and maintenance) increased to € 18.8m, +17.8% y/y and service revenues achieved € 50.3m, +10.5% for 2016. Break down the result by division, TXT Retail reduced sales by 1.6% to € 36.1m in 2016 compared to 2015, which was a particularly strong period due to a large contract with a single client. In total, TXT group international sales rose from € 33.9m in 2015 to € 41.8m which represents a growth of 23.4% or 60% of total sales.

Key figures 2016 vs. 2015

2016 vs. previous year 2015			
in EURm	**2016**	**2015**	**%**
Net sales	69,2	61,5	*12,4%*
EBITDA	8,2	5,9	*38,8%*
EBITDA margin	11,9%	9,6%	
EBIT	6,9	4,8	*44,0%*
EBIT margin	10,0%	7,8%	
Net income	5,6	3,9	*43%*
Net margin	8,0%	6,3%	
EPS	0,48	0,33	*45%*

Source: company data, Dr. Kalliwoda International Research GmbH

6. Profitability



Source: company data, Dr. Kalliwoda International Research GmbH

Net of direct costs, the Gross Margin was € 37.1m, 14.76% better than 2015. The contribution of Pace GmbH is incorporated for 9 months in 2016 since acquisition. Revenues margin reached 53.7%, which improved strongly compared to 52.6% in 2015.

EBITDA before Stock Grand rose by 23.4% to € 8.2m in 2016 (11.85% of total turnover), which includes € 1.4m PACE GmbH EBITDA (compensating € 0.5m non-recurring legal expenses and M&A fees).
Without the Pace acquisition and thus at constant consolidation perimeter, EBITDA was € 7.3m, which is 9.3% more than 2015. R&D expenses come up to +28% to € 6.6m, or 9.5% of revenues.

In 2016 EBITDA was € 8.2m. In 2015 it was € 5.9m including € 0.7m costs for Stock Grants. Operating Income (EBIT) rose compared to 2015 by 44% to € 6.9m. The company achieved in 2016 profitability on revenues of 10% compared to 7.8% in the previous year 2015. Income tax resulted in € 1.5m (21% of pre-tax income) and led to Net Income of € 5.6m in 2016. In 2015 the income tax was € 0.8m due to tax losses in some countries. The profitability on revenues improved from 6.3% in 2015 to 8.0% in 2016.

The company changed to net interest income from net expense and based on clever working capital management, cash flow was strong resulting in year-end net cash of €5.4m.
Pace GmbH acquisition was entirely financed by the cash generated (€ 6.8m) by operations in 2016.
As of December 31, 2016 Shareholders´ Equity equals to € 34.3m which was € 0.7m higher due to net income of € 5.6m, net of payment of dividend of € 2.9m, purchase of treasury shares of € 0.8m and negative variances on equity of exchange rates of € 1.2 m. At the end of 2016 TXT held 1,354,133 treasury shares or 10.41% of issued shares. TXT paid an average price of € 2.44.

Strong Q4 and important new clients for TXT Retail and TXT Next

In Q4 2016 TXT Retail signed new software contracts and matured licences with many customers: Not your Daugther´s Jeans – NYDJ Apparel (USA), a premium jeans company based in Los Angeles. Group Royer (F), a footwear trading form France tracing the strategy to expand in Europe, China, India and Vietnam. Charles Vögele (CH) owns over 800 stores in Switzerland, Germany and several East European Countries; Rusta AG is a retail company offering a broad range of products for home living. They have over 100 stores in Sweden and Norway. TXT Retail also won Auchan China with over 230 hypermarkets and 45 shopping centres in China. Mizuno Europe (UK), is a global company founded in Japan. The Company develops a wide variety of sports equipment and sportswear. Dochki Sinochki (RU) is Russian specialist retailer of products for parents, babies and children selling 500 brands through 145 stores across Russia. Stockmann (RU) is a chain of department stores in Russia, which was recently acquired from Debenhams.

TXT Next signed in 2016 new licence and service contracts with reputational clients like Boeing (USA), the world´s largest company and leading manufacturer or commercial jetliners and defense, space and security systems; Pilatus (CH); Reiser Simulation & Training (D); Goodrich Control Systems (UK), part of UTC Aerospace Systems and the airline Icelandair.

7. Outlook

The 2016 results showed growth potential for the TXT Next division. The management anticipated a very positive business development in the last quarter of the year for both divisions. It is to be considered that TXT Retail demand is affected by different components such as macroeconomic difficulties and uncertainty of outcomes in the geographies where the company operates. These factors might produce delay in clients´ consumptions and investments decisions as recorded in FY 2016. However the Company aims to grow in Europe, North America and Asia Pacific. TXT Next has solid medium-term growth prospects in the aeronautic market. They will achieve increasing profits based on large, qualified customer portfolio of Pace GmbH.

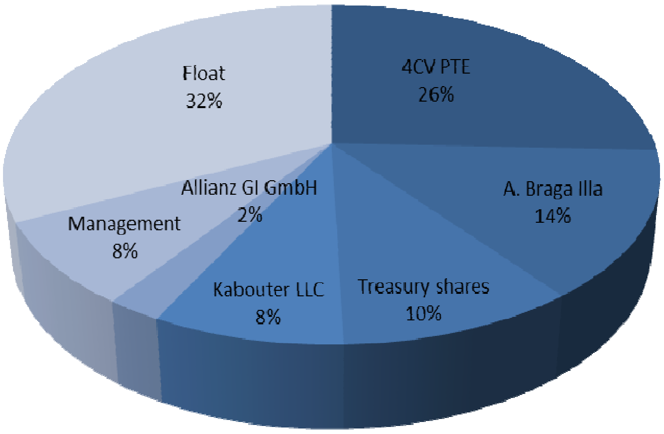
TXT market position and especially with the TXT agilefit solution, which has a high satisfaction on customers and ability to support international projects, together with positive group operative cash flows, make us confident for a sustainable growth.

8. Shares

At the end of 2016, the company held about 10.4% of issued shares, bought at an average price of €2.44. The holding company 4CV PTE Ltd held 25.6%, followed by the founder A. Braga Illa with 14.0%, Kabouter Management LLC 7.96% (US-based investor), the management 8.1% and the recent participation of Allianz Global Investors GmbH 2.3%.

Shareholders´ structure

(December, 31 2016)



Source: company data, Dr. Kalliwoda International Research GmbH

9. Financials

a. Profit and Loss Statement

Profit & Loss Statement - TXT e-solutions S.p.A.

€ thousands	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017E
Total revenue	**46,50**	**52,56**	**55,88**	**61,54**	**69,15**	**75,93**
Costs of sales	-22,35	-24,85	-26,46	-29,19	-32,04	-33,16
Gross profit	24,15	27,71	29,43	32,35	37,11	42,77
Research and development expenses	-4,09	-4,76	-4,70	-5,12	-6,55	-6,81
Sales, marketing and distribution expenses	-8,98	-10,17	-11,09	-12,68	-13,57	-14,73
General and administrative expenses	-5,76	-6,51	-6,84	-8,63	-8,77	-12,42
Amortisation and depreciation	-1,08	-1,31	-1,33	-1,12	-1,31	-1,21
EBIT	**4,24**	**4,96**	**5,47**	**4,79**	**6,91**	**7,59**
Financial income/expense net	0,13	-0,44	-0,25	-0,15	0,11	0,11
Earnings before taxes	4,37	4,52	5,22	4,64	7,01	7,70
Income taxes	-0,18	0,12	-1,05	-0,76	-1,46	-1,73
Minorities/Non recurring profit	0,94	0,00	0,00	0,00	0,00	0,00
Net income	5,14	4,64	4,17	3,88	5,56	5,97
EPS	0,94	0,44	0,32	0,30	0,48	0,51
DPS	0,40	0,20	0,25	0,25	0,27	0,28
Profit & Loss (Year on Year)						
Total revenue	16%	13%	6%	10%	12%	10%
Costs of sales	14%	11%	6%	10%	10%	3%
Gross profit	17%	15%	6%	10%	15%	15%
Research and development expenses	46%	16%	-1%	9%	28%	4%
Sales, marketing and distribution expenses	13%	13%	9%	14%	7%	9%
General and administrative expenses	6%	13%	5%	26%	2%	42%
Amortisation and depreciation	-69%	21%	1%	-15%	16%	-7%
EBIT	**387%**	**17%**	**10%**	**-12%**	**44%**	**10%**
Financial income/expense net	81%	-435%	-43%	-39%	-170%	3%
Earnings before taxes	364%	3%	15%	-11%	51%	10%
Income taxes	-70%	-169%	-964%	-27%	91%	19%
Net income	-64%	-10%	-10%	-7%	43%	7%
Profit & Loss (% of Revenues)						
Total revenue	100%	100%	100%	100%	100%	100%
Costs of sales	-48%	-47%	-47%	-47%	-46%	-44%
Gross profit	**52%**	**53%**	**53%**	**53%**	**54%**	**56%**
Research and development expenses	-9%	-9%	-8%	-8%	-9%	-9%
Sales, marketing and distribution expenses	-19%	-19%	-20%	-21%	-20%	-19%
General and administrative expenses	-12%	-12%	-12%	-14%	-13%	-16%
Amortisation and depreciation	-2%	-2%	-2%	-2%	-2%	-2%
EBIT	9%	9%	10%	8%	10%	10%
Financial income/expense net	0%	-1%	0%	0%	0%	0%
Earnings before taxes	9%	9%	9%	8%	10%	10%
Income taxes	0%	0%	-2%	-1%	-2%	-2%
Net income	**11%**	**9%**	**7%**	**6%**	**8%**	**8%**

Source: company data, Dr. Kalliwoda International Research GmbH

b. Balance Sheet

Balance sheet - TXT e-solutions S.p.A.						
€ m	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017E
Current assets	**36,77**	**34,91**	**34,89**	**38,95**	**37,09**	**39,73**
Cash and cash equivalents	15,82	14,82	12,30	9,08	7,57	9,14
Inventories	1,39	1,45	1,82	2,07	3,15	2,48
Trade receivables	17,27	16,84	18,57	25,03	23,74	24,69
Other receivables	2,29	1,80	2,20	2,76	2,63	3,42
(% sales)	5%	3%	4%	4%	5%	5%
Non-current assets	**21,84**	**17,85**	**18,02**	**18,13**	**25,43**	**25,73**
Intangible assets	19,89	15,37	15,08	14,69	21,30	21,18
(% sales)	43%	29%	27%	24%	31%	28%
Property, plant and equipment	1,15	1,12	1,25	1,36	1,60	1,63
Other receivables and other assets	0,30	0,13	0,14	0,14	0,16	0,15
(% sales)	1%	0%	0%	0%	0%	0%
Deferred taxes	0,49	1,23	1,56	1,94	2,37	2,77
(% sales)	1%	2%	3%	3%	3%	3%
Total	**58,61**	**52,76**	**52,91**	**57,08**	**62,51**	**65,46**
Current liabilities	**20,65**	**17,86**	**17,45**	**18,35**	**21,05**	**20,56**
Financial liabilities	5,50	3,35	2,15	0,82	0,81	0,89
Trade payables	1,80	1,50	1,54	1,42	1,63	1,64
Other liabilities	12,47	12,93	13,61	16,09	17,93	17,84
(% sales)	27%	25%	24%	26%	25%	24%
Tax liabilities	0,89	0,07	0,15	0,02	0,69	0,19
(% sales)	2%	0%	0%	0%	1%	0%
Non-current liabilities	**11,77**	**6,96**	**6,49**	**5,10**	**7,18**	**7,92**
Financial liabilities	4,30	2,90	1,68	0,00	1,39	1,29
Other liabilities	2,87	0,00	0,00	0,00	0,00	0,00
(% sales)	0%	0%	0%	0%	0%	0%
Provisions for pensions (TFR)	3,33	3,30	3,84	3,83	3,95	4,73
(% sales)	7%	6%	7%	6%	6%	6%
Deferred taxes	1,27	0,77	0,97	1,27	1,84	1,90
Shareholder's equity	**26,18**	**27,94**	**28,97**	**33,62**	**34,28**	**36,98**
Total consolidated equity and debt	**58,61**	**52,76**	**52,91**	**57,08**	**62,51**	**65,46**

Source: company data, Dr. Kalliwoda International Research GmbH

c. Cash Flow Statement

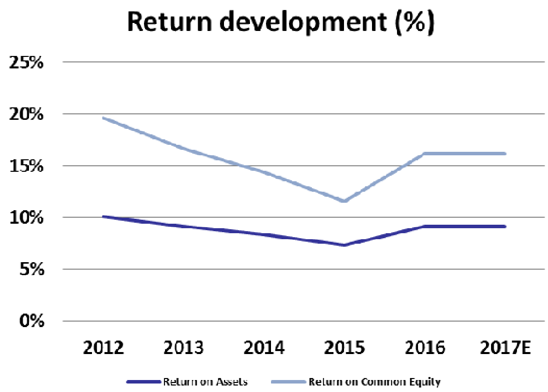
Cash flow statement - TXT e-solutions S.p.A.						
€ m	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**	**FY2017E**
Net income for the year	5,1	4,6	4,2	3,9	5,6	6,0
Depreciation	-1,1	-1,3	-1,3	-1,1	-1,3	-1,2
Change in working capital	-1,7	1,2	-1,4	-5,0	3,1	-1,6
Others	2,3	0,9	2,4	-0,7	-1,0	-0,5
Net Operating cash flow	4,7	5,5	3,8	6,7	8,8	7,3
Cash flow from investing	-14,7	-0,5	-0,6	-0,8	-0,7	-1,0
Free cash flows	-10,0	5,0	3,2	6,0	8,1	6,2
Cash flow from financing	11,4	-6,3	-5,6	-9,2	-3,8	-4,7
Change in cash	1,4	-1,3	-2,4	-3,2	-1,1	1,6
Cash, start of the year	14,4	15,8	14,8	12,3	9,1	7,6
Cash, end of the year	15,8	14,8	12,3	9,1	7,6	9,1

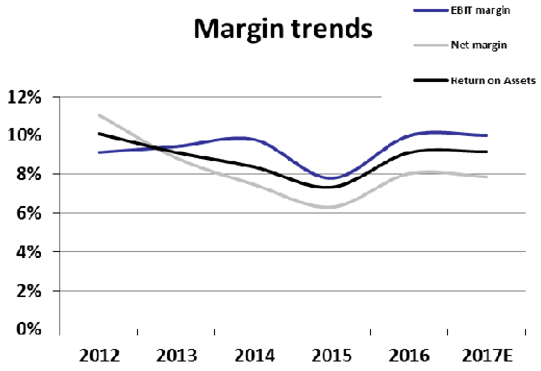
Source: company data, Dr. Kalliwoda International Research GmbH

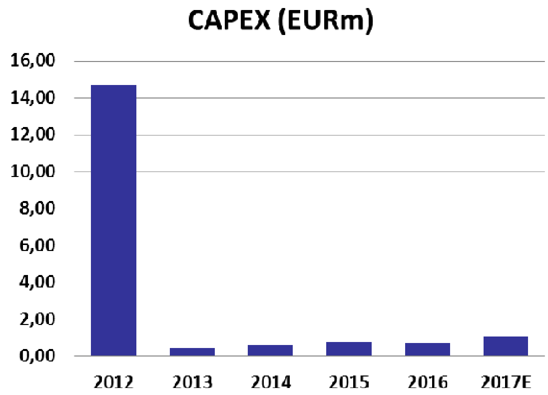
d. Financial Ratios

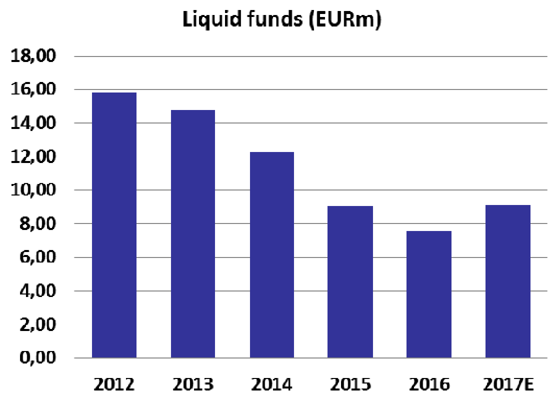
Ratios - TXT e-solutions S.p.A.						
	FY 2012	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**	**FY 2017E**
EBITDA margin	11,4%	11,9%	12,2%	9,6%	11,9%	11,6%
Net margin	11,0%	8,8%	7,5%	6,3%	8,0%	7,9%
Return on equity (ROE)	19,6%	16,6%	14,4%	11,5%	16,2%	16,1%
Return on assets (ROA)	10,1%	9,1%	8,4%	7,3%	9,1%	9,2%
Return on capital employed (ROCE)	20,2%	27,0%	36,4%	30,8%	33,3%	36,1%
Equity ratio	44,7%	52,9%	54,8%	58,9%	54,8%	56,5%
Current ratio	1,8	2,0	2,0	2,1	1,8	1,9
Quick ratio	1,6	1,8	1,8	1,9	1,5	1,6

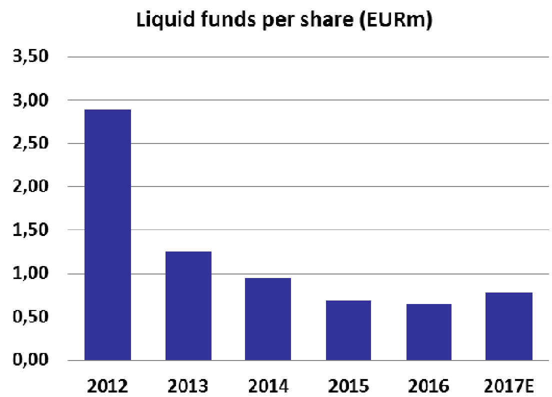
Source: company data, Dr. Kalliwoda International Research GmbH

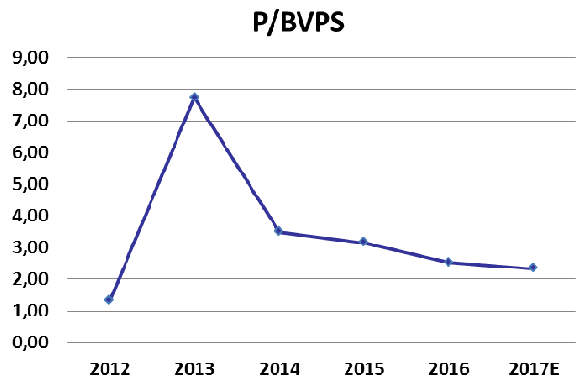


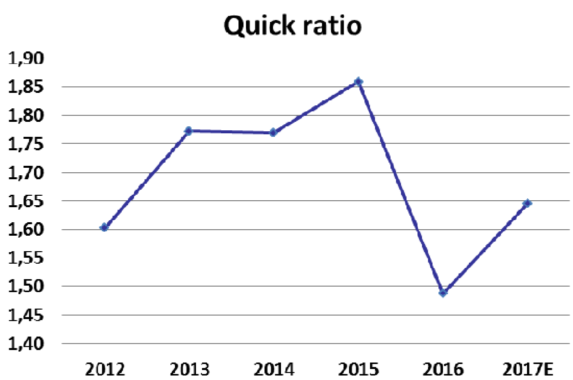












Source: Company data, Dr. Kalliwoda Research GmbH

10. Contact

Primary Research | Fair Value Analysis | International Roadshows		Dr. Kalliwoda International Research GmbH, Steinstraße 24, D-64839 Münster, office Frankfurt Arndtstr. 47, 60325 Frankfurt Tel.: 069-97 20 58 53 Fax: 069-13 81 92 15
Head: **Dr. Norbert Kalliwoda** E-Mail: nk@kalliwoda.com	CEFA-Analyst; University of Frankfurt/Main; PhD in Economics; Dipl.-Kfm., Dipl.-Hdl.	Sectors: IT, Software, Electricals & Electronics, Mechanical Engineering, Logistics, Laser, Technology, Raw Materials
Dr. Peter Arendarski E-Mail: pa@kalliwoda.com	Senior-Analyst, Msc & Ph.D in Finance (Poznan Univers. of Economics),CFA Level 3 Candidate	Sectors: Technology,Raw Materials, Banks & Insurances, Financial-Modelling (Quant., Buyside)
Patrick Bellmann E-Mail: pb@kalliwoda.com	Junior-Analyst; WHU - Otto Beish. School of Management Vallendar	Sectors: Support Research and Quantitative Approach
Ilias Chahboune E-Mail: ic@kalliwoda.com	Master Economics: Uni Amsterdam	Sectors: Consumer, Retail, Real Estate
Kilian Dreher E-Mail: kd@kalliwoda.com	Junior-Analyst; University of Frankfurt/Main	Sectors: Consumer, Retail, Food & Beverages, Fashion
Michael John E-Mail: mj@kalliwoda.com	Dipl.-Ing. (Aachen)	Sectors: Chemicals, Chemical Engineering, Basic Metals, Renewable Energies, Laser/Physics
Marta Kifleab E-Mail: mki@kalliwoda.com	University of Mainz: Sprachwissenschaften	Roadshow/Conference Organisations
Rainer Koch E-Mail: rk@kalliwoda.com	Computer-Science/Dipl.-Betriebw, (Frankfurt); seasoned international Executive IT-Industry	Sectors: IT, IT-Services, Internet, Media, Internet, Emerging Markets
Witold Konrad Kosinski E-Mail: wk@kalliwoda.com	Finance & Banking Warsaw School of Econ,Master of Science; postgrad. Managem.Studies,Prepar.CFA Lev.2	Sectors: Consumer Goods, Trading Companies, Food & Beverages, Technology
Olaf Köster E-Mail: ok@kalliwoda.com	Dipl.-Betriebswirt, EBS	Sectors: Renewable Energy/Technology
Sebastian Krawczyk E-Mail: sk@kalliwoda.com	Bachelor in Management, Quant. Meth. in Economics & Inf. Systems at Warsaw School/Mannheim, CFA Can.	Sectors: Quantitative Methods, Automotive, Technology
Christoph Löffel E-Mail: cl@kalliwoda.com	Bachelor Betriebswirtschaftslehre Universität Mannheim	Sectors: Financials, Real Estate
Dr. Christoph Piechaczek E-Mail: cp@kalliwoda.com	Dipl.-Biologist; Technical University Darmstadt; Univ. Witten-Herdecke.	Sectors: Biotech & Healthcare; Medical Technology Pharmaceutical
Nele Rave E-Mail: nr@kalliwoda.com	Lawyer; Native Speaker, German School London,	Legal adviser
Hellmut Schaarschmidt; E-Mail: hs@kalliwoda.com	Dipl.-Geophysicists; University of Frankfurt/Main.	Sectors: Oil, Regenerative Energies, Specialities Chemicals, Utilities
Dr. Erik Schneider **E-Mail:** es@kalliwoda.com	Dipl.-Biologist; Technical University Darmstadt; Univ. Hamburg.	Sectors: Biotech & Healthcare; Medical Technology Pharmaceutical
Hans-Georg Sutter E-Mail: hsu@kalliwoda.com	Dipl.-Wirtschaftsingenieur University Kaiserslautern	Sectors: IT/e-commerce
Rainer Wochele E-Mail: rw@kalliwoda.com	Bachelor of Science in Economics and Business Administration (Goethe University Frankfurt M.)	Junior-Analyst
Also view Sales and Earnings Estimates: **DR. KALLIWODA | RESEARCH on Terminals of Bloomberg, Thomson Reuters, vwd group and Factset**	Analyst of this research: Dr. Norbert Kalliwoda, CEFA	

11. Disclaimer

Essential information, disclosures and disclaimer

A. Essential information

The investments in financial instruments and securities (e.g. equities, bonds) generally involved on high risks. It is possible that the investors lose some or all of the invested money. Potential investors should be aware of the fact that the prices of securities could fall and rise. The income from such an investment might be considerable fluctuations. Investment strategies are not appropriate at all times and past results are not a guarantee for the future performance. Investors should make their own and independent decisions as to whether a risky investment.

B. Disclosures according to Section 34b of the German Securities Trading Act (WpHG) and to the German Regulation governing the Analysis of Financial Instruments (FinAnV).

I. Information about author, company held accountable, regulatory authority:

Company responsible for the content of this document: DR. KALLIWODA INTERNATIONAL RESEARCH GmbH, Frankfurt am Main, Germany.

Regulatory authority for DR. KALLIWODA INTERNATIONAL RESEARCH GmbH is the Federal Financial Supervisory Authority (BaFin), Graurheindorfer Straße 108, 53117 Bonn, Germany and Lurgiallee 12, 60439 Frankfurt am Main, Germany.

Author of this research: Dr. Norbert Kalliwoda, Analyst, CEO and founder of DR. KALLIWODA INTERNATIONAL RESEARCH GmbH.

II. Additional Information:

1. Sources of information:

Essential sources of information for the compilation of this document are publications from domestic and international information services and media (e.g. Bloomberg, dpa-AFX, Reuters, VWD, among others), financial press *(e.g. Allgemeine Zeitung Frankfurter, Börsenzeitung, Financial Times Handelsblatt and others)*, specialized trade press, published statistics, rating agencies as well as publications by peer group companies and the company itself. Additionally, conservation has been held with the management of the company. This document was made available to the company before publishing to ensure the correctness of the information provided.

2. Summary of the basis of valuation principles and methods used to prepare this document:

Within the scope of the evaluation of companies the following valuation methods are applied: Multiple-based models (Price/Earnings, Price/Cash-flow, Price/Book value, EV/Sales, EV/EBIT, EV/EBITDA), peer group comparisons, historic valuation methods, discounting models, sum-of-the-parts-approaches, substance-valuation methods and swot-analyses. The valuation principles and models are dependent on macroeconomic factors, such as interest rates, exchange rates, raw materials and on basic assumptions about the economy. Besides, the market moods and market sentiment affects the valuation of enterprises. The approaches are based on expectations that could change rapidly and without advance warning according on developments specific to individual branch. The valuation results and fair values derived from the models might therefore change accordingly.

The ratings are the evaluation results and refer to a fair value pricing reflecting a time-horizon of up general relate to a twelve-months. Nevertheless, evaluation results are subject to changing market conditions and constitute merely a snapshot. The evaluation results and fair values may be reached faster or slower than expected by the analysts. The results and fair values may to be scale upwards or downwards.

DR. KALLIWODA INTERNATIONAL RESEARCH GmbH uses the following rating model:

BUY:	Based on our analysis, we expect the stock to appreciate and produce a total return of at least 10% over the next twelve months
ACCUMULATE:	Based on our analysis, we expect the stock to appreciate and produce a total return between 5%- 10% over the next twelve months
HOLD:	Based on our analysis, we expect the stock to produce a total return between -5% and +5% over the next twelve months
REDUCE:	Based on our analysis, we expect the stock to cause a negative return between -5% and -10% over the next twelve months
SELL:	Based on our analysis, we expect the stock to cause a negative return exceeding -10% over the next twelve months

3. Date of first publication of this document: 13th of April 2017

4. Updates:

A specific update of this document has currently not been set. The research reflects the author's judgement on the date of this publication and is subject to change without any notice. The document might be incomplete or reduced and it may not contain all information concerning the company covered. It is in the sole decision of DR. KALLIWODA INTERNATIONAL RESEARCH GmbH whether and when a potential update of this research is made.

III. Disclosures about potential conflicts of interest:

The business model of DR. KALLIWODA INTERNATIONAL RESEARCH GmbH is based on economic relationships with issuer company and equity transactions to be performed relating to the issuer´s stock. Dr. Kalliwoda Research has entered into an agreement about the creation of this document with the company which is, or whose financial instruments are the issue of this research.

Conflicts of interest may be in existence with employees of DR. KALLIWODA INTERNATIONAL| RESEARCH GmbH who are the authors of this document as well as other persons that were involved in the preparation of this research or related parties.

Following conflicts of interest might exist:

1. **DR. KALLIWODA INTERNATIONAL RESEARCH GmbH employees or other persons that were involved in the preparation of this document or related parties might have a major shareholding (holding more than 5%) of the share capital of the emitter that is, or whose financial instruments are, the subject of the research.**

2. **DR. KALLIWODA INTERNATIONAL RESEARCH GmbH employees or other persons that were involved in the preparation of this document or related parties are possibly holders of instruments that are mentioned in this research (or that are linked to these instruments) or might become holders and could regularly trade the emitter´s securities or securities based on these issues as principal or agent.**

3. **DR. KALLIWODA INTERNATIONAL RESEARCH GmbH employees or other persons that were involved in the preparation of this document or related parties could have participated in leading a consortium for the emitter via a public offering of the financial instruments that are the subject of this research.**

4. **DR. KALLIWODA INTERNATIONAL RESEARCH GmbH employees or other persons that were involved in the preparation of this document or related parties might have been party to an agreement on the provision of investment banking services with the emitter which is the subject of this research, or have received services or a pledge to perform under the terms of such an arrangement during the same period.**

5. **DR. KALLIWODA INTERNATIONAL RESEARCH GmbH employees or other persons that were involved in the preparation of this document or related parties may have other substantial economic interests concerning to the emitter which is the subject of this research.**

6. **DR. KALLIWODA INTERNATIONAL RESEARCH GmbH employees or other persons that were involved in the preparation of this document or related parties might have been party to an agreement with the company, which is the subject of this research, resulting in receiving the compensation for preparation of this research.**

7. **DR. KALLIWODA INTERNATIONAL RESEARCH GmbH employees or other persons that were involved in the preparation of this document or related parties received the feedback concerning the company profile and SWOT from the company, which is the subject of this research, before publishing this report to the public.**

Important: Please get familiar with possible risks and possible conflicts of interest in the disclosure and disclaimer at the end of this report, especially for this report: 6. and 7.

The analysts have limited access to gain information that possibly could constitute a conflict of interest for the institution DR. KALLIWODA INTERNATIONAL RESEARCH GmbH keeps insider registers appropriate to sec. 15 WpHG for assignees that normally have approach to inside information. Insiders´ dealings appropriate to sec. 14 WpHG categorically are prohibited.

The analysts that composed this research did not receive or acquire shares in the emitter that is the subject of this document at any time. The analysts mentioned above herby certify that all of the views expressed accurately reflect the individual views about the emitter. No part of the indemnity was, is or will be, directly or indirectly, linked to the evaluation result or views expressed by the analyst in this research.

C. Disclaimer:

This document is published and being distributed by DR. KALLIWODA INTERNATIONAL RESEARCH GmbH solely for informational purposes and for the personal use by persons in Germany. This research is not intended to be in any form an offer or advice to buy or sell the securities referred to herein. This research is intended to provide information to assist investors in making their own investment decisions. Any decision to purchase any securities of the emitter must be made solely on the basis of the information contained in the offering documents from the emitter relating to such securities and not on the contents hereof. Furthermore, our recommendation may not be fully suitable to every investor, depending on their investment objective, individual financial situation or targeted holding period.

Potential investors should seek professional and individual information and advice before making their investment decisions. This document neither constitutes a contract or any kind of obligation.

Neither this document nor any copy, in whole or in part, thereof may be distributed in any other jurisdiction where its distribution might be restricted by law, and person into whose published this document comes should inform and observe themselves about any such restrictions.

The information within this document has been obtained from sources believed by DR. KALLIWODA INTERNATIONAL RESEARCH GmbH to be reliable. DR. KALLIWODA INTERNATIONAL RESEARCH GmbH does not examine the information to be verify and complete, nor warrantees its correctness and completeness. Although due attention has been taken in compilation this document, it cannot be excluded that the information given is not complete or the document contains mistakes.

The liability of DR. KALLIWODA INTERNATIONAL RESEARCH GmbH shall be restricted to gross negligence and wilful misconduct. All aspects penned in this document are those of DR. KALLIWODA INTERNATIONAL RESEARCH GmbH respectively the authors and subject to modify without notice. Possible faults or incompleteness of this document may be reformed by DR. KALLIWODA INTERNATIONAL RESEARCH GmbH and do not constitute reasons for liability, neither with regard to indirect nor to direct or consequential losses.

Moreover, DR. KALLIWODA INTERNATIONAL RESEARCH GmbH does not accept any responsibility and liability for any damage arising from using of this research or its contents or otherwise arising in relation herewith. In each case, the liability and responsibility of DR. KALLIWODA INTERNATIONAL RESEARCH GmbH is limited to typical, predictable damages and the liability for any direct or indirect losses is excluded.

This document is subject to the laws of the Federal Republic of Germany. Place of jurisdiction is Frankfurt am Main, Germany.

This document or any copy, in whole or in part thereof, may be distributed in any other jurisdiction where its distribution might be restricted by law and persons who have access to this document have to inform and observe themselves about any such restrictions.

In the United Kingdom this document is to be distributed only to persons who are described in Section 11 (3) of the Financial Services Act 1986 (Investment Advertisements) (Exemptions) Order 1996 (as amended). This research may not be distributed and forwarded directly or indirectly to any other group of individuals. The distribution of this document in other international jurisdictions may be restricted by law and individuals who possess this study should inform themselves of any existing restrictions and comply with them.

Neither this document nor any copy of it may be taken or transmitted into the United States of America, Canada, Japan or Australia or distributed, directly or indirectly, in the United States of America, Canada, Japan or Australia or to any resident thereof. Any Failure to comply with these restrictions may constitute a violation of United States, Canadian, Japanese or Australian securities laws or the law of any other jurisdiction.

By confirming this document the reader or user agrees and accepts to be bound by all of the foregoing provisions and this disclaimer. Besides, the user accepts not to distribute this document to unauthorized persons. The user of this document compensated DR. KALLIWODA INTERNATIONAL RESEARCH GmbH for any disadvantages, damages, claims and losses resulting from or in relation with the unauthorized use of this document.