Equity Research | DR. KALLIWODA | INTERNATIONAL RESEARCH GmbH | Company Analysis

06th December 2016

Mid Cap | Europe | Italy

DR. KALLIWODA
INTERNATIONAL RESEARCH GmbH

Update

BUY

Target price: EUR 11

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

Last Price:		7.01
	High	**Low**
Price 52 W.:	8.01	6.81
Market Cap. (EURm)		81.96
No. of Shares		11.69

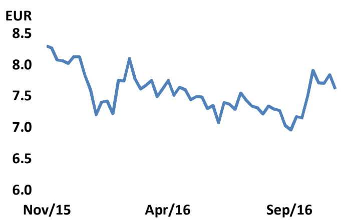
Shareholders

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%

1-year Chart



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TXT e-solutions S.p.A.

Encouraging Figures in Q3; Aeronautical Business Drive the Growth

- TXT generated positive numbers in the third quarter 2016, with group revenues up 18.5% q/q to €16.9m. The contribution of the recent acquired PACE GmbH (€1.6m) and organic growth (€0.6m) boosted sales in the TXT Next engineering business division up 37.9% q/q to €8.0m. In the same period, the TXT Retail division grew revenues by 5.1% q/q to €8.9m with new contracts recorded among the others with Christian Dior (F), Brunello Cucinelli (I), GiFi (F), WE Fashion (NL) and Cotton-on (AUS). Group EBITDA grew by 49% q/q (profitability on revenues rose from 11.4% to 14.3%).

- According a recent study of Gartner released in November 2016, the group TXT has been positioned as leader in the magic quadrant for merchandise and assortment management application, emerging as highest for ability to execute. In the study Gartner expects improvements in implemented retail assortment applications adoption as with 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.

- On a consolidated base in the first nine months EBIT rose by 16.6% to €4.9m as well as the net income up 5.5% to € 3.6m (7.2% of total revenues). A better management in trade receivables and the positive effects of no-cash items such as paid taxes (€ 0.9m), amortization and depreciation (€ 0.9m) improved operative cash flows from € 1.6m to € 5.3m (OCF/sales ratio: 10.6%). The increase in cash from operations partially compensated the outflows for the acquisition of PACE GmbH (€ 6.8m) and the payment of dividends (€ 2.9m) which lowered total cash by € 2.2m in the 9M/16. These latter outflows reduced also the net financial position to € 2.7m (vs. December 2016: €8.3m).

- We have considered TXT e-solutions market position improvement in our analysis especially in the retail and aeronautic business. These two sectors are also no correlated and allow a better hedging in the corporate risk. Overall, the retail market suffered in the first nine months 2016 and we have remained conservative. Nevertheless after the Q3 performance our forecasts have left unchanged and remained positive for the end of the year (revenues CAGR 5.3% 2016-2020E). We expect further improvement international sales for TXT Retail in Asia (new contracts recently won in China and India) and from the synergy in competences with PACE GmbH. This latter brings an interesting portfolio of customers which might produce higher-margin license revenues.

- **Key Facts**

EURm	2012	2013	2014	2015	2016E	2017E
Net sales	46.5	52.6	55.9	61.5	70.0	74.8
EBITDA	5.3	6.3	6.8	5.9	8.0	8.7
EBIT	4.2	5.0	5.5	4.8	6.8	7.5
Net income	5.1	4.6	4.2	3.9	5.2	5.7
EPS	0.9	0.4	0.3	0.3	0.4	0.5
BVPS	4.8	2.4	2.2	2.6	2.7	2.9
RoE	19.6%	16.6%	14.4%	11.5%	16.5%	16.8%
EBIT margin	9.1%	9.4%	9.8%	7.8%	9.8%	10.0%

Source: company data, Dr. Kalliwoda International Research GmbH

Content

1 Company profile 3

1.2 PACE GmbH 3

2 Swot 4

3 Valuation 5

a. WACC 5

b. DCF-model 5

c. Peer Group Analysis 6

4 9M/16 Turnover 6

a. Revenues 6

b. Profitability 7

c. Outlook 8

5 Shares 8

6 Financials 9

a. Profit and loss statement 9

b. Balance sheet 10

c. Cash flow statement 11

d. Ratios 11

e. Summary 12

7 Contact 13

8 Disclaimer 14

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. With TXT Next division, the group expanded the business in other industries in order to capitalize its knowledge and expertise.

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 +10.1% in 2010-2015).

1.2 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 preliminary consolidated results showing revenues of €7.3m, up 20.4% y/y stemming for 57% from license, maintenance and subscription fees; EBITDA accounted for €0.8m (R&D €1.7m). 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). As reported in TXT H1 report, 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). However, according the transaction is included 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 are able to cover the entire value chain in the software aviation industry.

2. SWOT Analysis

Strengths	Weaknesses
- Pioneer in the supply chain software for fashion and luxury. In TXT Retail division 88% 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 € 2.7m (30 September 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 59% of equity (30 June 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 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

3. 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 10.1% in the period 2016-2020. The WACC (weighted average cost of the capital) remains almost unchanged to our previous update for Q2: 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 final 12-months price target for TXT e-solutions equals €11.0.

a. WACC

DCF model			
Input		**Output**	
WACC Calculation		**Enterprise value**	
Target Capital Structure		Present value of Free Cash Flow	20.9
Debt to Total Capitalization	15.4%		
Equity to Total Capitalization	84.6%	**Terminal Value**	143
		Discount Factor	0.8
Cost of Equity		**Present Value of Terminal Value**	**108**
Risk-free rate	1.4%	*% of Enterprise Value*	*84%*
Market risk Premium	6.0%		
Levered Beta	1.00	**Enterprise value**	**128.5**
Cost of Equity	7.4%	Less: Total debt	5.8
		Plus: Cash and Cash Equi.	6.2
Cost of Debt		Net Debt	0.4
Cost of Debt	1.5%		
Taxes	20.1%		
After Tax Cost of Debt	1.2%	**Implied Equity Value**	**128.1**
		Outstanding shares	11.7
WACC	6.4%	**Implied share price**	**11.0**

Source: Dr. Kalliwoda International Research GmbH

b. DCF-Model

DCF model											
EURm	Actual					CAGR	Forecast period				
	2011	2012	2013	2014	2015	(16 - 20)	2016	2017	2018	2019	2020
Sales	40.1	46.5	52.6	55.9	61.5	5.3%	70.0	74.8	79.7	83.8	86.2
% growth		*15.8%*	*13.0%*	*6.3%*	*10.1%*		13.8%	6.8%	6.6%	5.1%	2.9%
EBITDA	**4.4**	**5.3**	**6.3**	**6.8**	**5.9**	*7%*	**8.0**	**8.7**	**9.3**	**10.0**	**10.3**
% margin	*11.0%*	*11.4%*	*11.9%*	*12.2%*	*9.6%*		*11.4%*	*11.6%*	*11.7%*	*11.9%*	*11.9%*
Depreciation & Amortization:	-3.5	-1.1	-1.3	-1.3	-1.1		-1.1	-1.2	-1.3	-1.3	-1.3
% sales	8.8%	2.3%	2.5%	2.4%	1.8%		1.6%	1.6%	1.6%	1.6%	1.6%
EBIT	**0.9**	**4.2**	**5.0**	**5.5**	**4.8**	*7%*	**6.8**	**7.5**	**8.0**	**8.6**	**8.9**
							9.8%	**10.0%**	**10.1%**	**10.3%**	**10.4%**
Taxes	-0.6	-0.2	0.1	-1.0	-0.8		-1.4	-1.5	-1.6	-1.7	-1.8
Capex	-2.2	-0.4	-0.5	-0.6	-0.8		-6.4	-1.0	-1.1	-1.1	-1.1
% sales	*5.4%*	*0.9%*	*0.9%*	*1.1%*	*1.2%*		*9.1%*	*1.4%*	*1%*	*1%*	*1%*
Increase/Decrease in NWC	-1.26	-1.69	1.21	-1.39	-4.38		**-1.0**	**-0.7**	**-0.6**	**-0.4**	**0.1**
Unlevered Free Cash Flow	**0.38**	**3.05**	**7.12**	**3.75**	**0.01**		**-0.8**	**5.4**	**6.0**	**6.7**	**7.5**
WACC	**6.4%**										
Discount Period							0.1	1.1	2.1	3.1	4.1
Discount Factor							1.0	0.9	0.9	0.8	0.8
Present value of free cash flow							**-0.8**	**5.1**	**5.3**	**5.5**	**5.8**

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.

	EV/EBIT		P/E		EBIT margin	Net gearing	P/BVPS
Company	**2016E**	**2017E**	**2016E**	**2017E**	**2015**	**Latest**	**Latest**
Atoss Software AG (EUR)	16.05x	14.73x	27.16x	24.92x	24.93%	133.29%	12.10x
Cap Gemini SA (EUR)	24.55x	23.38x	25.44x	24.63x	9.11%	32.96%	1.90x
Devoteam SA (EUR)	11.23x	10.39x	21.72x	20.49x	5.97%	15.57%	3.24x
Oracle Corp (USD)	34.37x	33.05x	17.95x	17.10x	32.85%	4.97%	0.59x
SAP SE (EUR)	17.98x	16.34x	23.80x	22.45x	26.80%	18.49%	4.16x
SQS AG (EUR)	17.87x	16.55x	31.70x	31.08x	3.63%	5.47%	2.03x
Median	17.93x	16.45x	24.62x	23.54x	17.02%	17.03%	2.64x
TXT e-solutions (EUR)	12.40x	11.33x	16.89x	15.42x	7.79%	8.07%	2.60x
Premium/Discount	-30.8%	-31.1%	-31.4%	-34.5%			
Fair value TXT e-solutions (EUR)	10.89						

Source: Dr. Kalliwoda International Research GmbH

Based on our peer multiples, the implied fair value equals €10.89 per share.

4. Turnover

Revenues

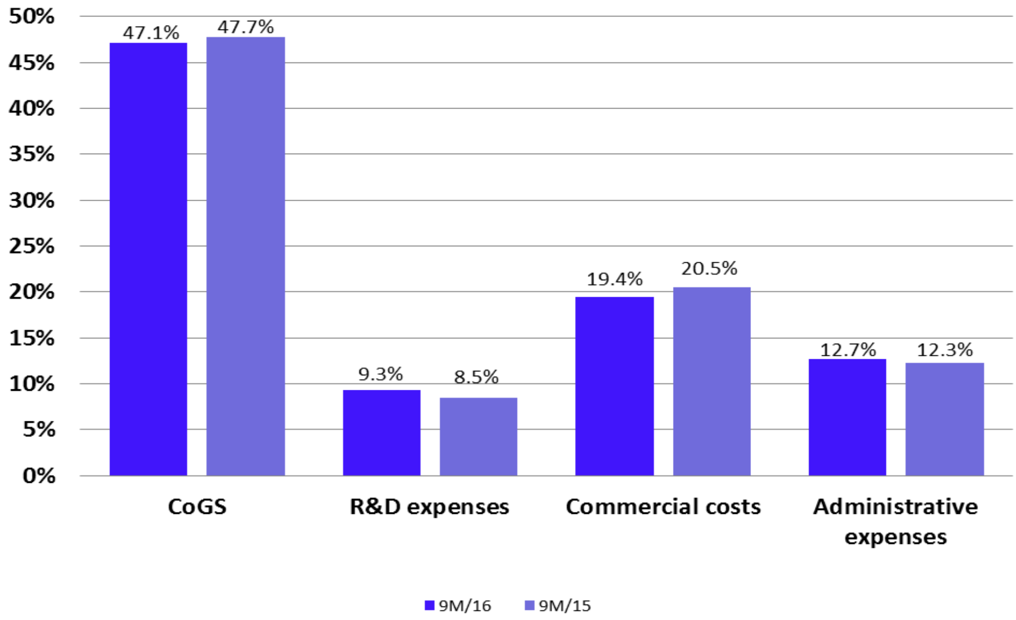
Consolidated revenues for first nine months of 2016 reached € 50.1m, + 10.3% y/y due to a strong result in the TXT Next division (including € 3.6m from PACE GmbH). The software revenues (licenses, subscriptions and maintenance) increased to € 13.2m, +9.7% y/y and service revenues achieved € 36.9m, +10.6% for the 9M/16. Break down the result by division, TXT Retail reduced sales by 2.2% to € 26.6m y/y, as with the weakness in the Fashion and Luxury industry, while TXT Next grew revenues by 29.3% y/y to € 23.5m (46.8% of group revenues), which stemmed from PACE GmbH (€ 3.6m) and organic growth (€ 1.7m). The Next division signed also new contracts including Pilatus (CH), Reiser Simulation & Training (D), Goodrich Control Systems (UK, part of UTC Aerospace Systems) and the airline company Icelandair. In total, TXT group international sales reached 58%.

Key figures 9M/16 vs. 9M/15

9M/2016 vs. previous year			
in EURm	**9M/16**	**9M/15**	**%**
Net sales	50.10	45.40	*10.3%*
EBITDA	5.74	5.00	*14.7%*
EBITDA margin	11.5%	11.0%	
EBIT	4.87	4.18	*16.6%*
EBIT margin	9.7%	9.2%	
Net income	3.62	3.43	*5.5%*
Net margin	7.2%	7.6%	
EPS	0.31	0.29	

Source: company data, Dr. Kalliwoda International Research GmbH

Profitability



Source: company data, Dr. Kalliwoda International Research GmbH

Due to the better management in direct costs, which increased by 8.9% y/y, the gross margin grew by 11.6% to €26.5m in 9M/16. EBITDA rose by 14.7% to € 5.7m in the first nine months of 2016 (11.5% of total turnover), which includes € 0.4m PACE GmbH EBITDA (compensating € 0.3m non-recurring legal expenses and fees for the acquisition), and after higher research and development costs (21.3% y/y to €4.7m; 9.2% of total turnover), and the increase in personal costs (€33.6m vs. €30.3m). Although higher y/y tax costs (€ 1.2m vs. € 0.6m because tax benefit in 2015) the net income reached €3.6m +5.5% y/y and accounting for 7.2% of total revenues; EPS was at 0.31€ (vs. 9M/16: 0.29€).

At end of September 2016 we noted in TXT balance sheet an increase in goodwill (€18.3m vs. €13.2m), a better management in trade receivable (€22.3m vs. €25.0m) and a slight increase in current financial liabilities (€2.6m vs. €0.8m). The net financial position was positive for €2.7m after the acquisition of PACE in 2016 (€ 6.8m) and the dividends´ payment (vs. FY2015: €8.3m).

Adjusted net income for the paid tax (€0.9m), amortization and depreciation (€ 0.9m), and change in working capital (€0.1m) led to the cash flows from operations of €5.3m. The cash outflows for the acquisition of PACE (€5.4m) and the dividends led to decrease in cash of €2.2m and a final cash position of €6.6m.

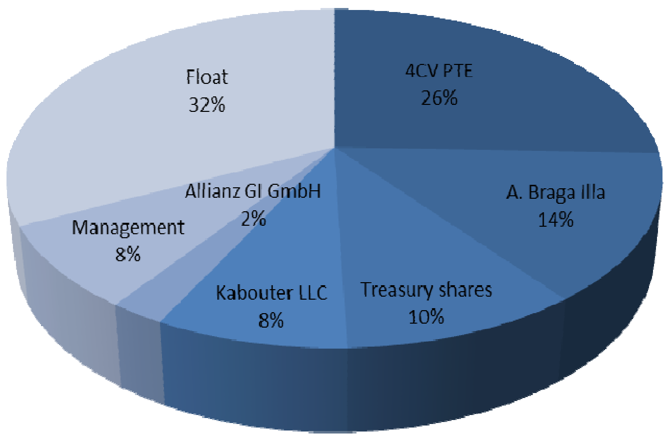
Outlook

Results in Q3/16 showed growth potential for the TXT Next division. The management anticipated a positive business development in the last quarter of the year for both divisions. Have to be considered that TXT Retail demand it 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 the first nine months of 2016. However 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.

5. Shares

At the end of September 2016, the company held about 10.1% of issued shares, bought at an average price of €2.28. 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 (September 2016)



Source: company data, Dr. Kalliwoda International Research GmbH

6. 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 2016E**	**FY 2017E**
Total revenue	**46.50**	**52.56**	**55.88**	**61.54**	**70.03**	**74.79**
Costs of sales	-22.35	-24.85	-26.46	-29.19	-30.21	-31.27
Gross profit	24.15	27.71	29.43	32.35	39.82	43.53
Research and development expenses	-4.09	-4.76	-4.70	-5.12	-5.60	-5.83
Sales, marketing and distribution expenses	-8.98	-10.17	-11.09	-12.68	-13.19	-14.31
General and administrative expenses	-5.76	-6.51	-6.84	-8.63	-13.07	-14.71
Amortisation and depreciation	-1.08	-1.31	-1.33	-1.12	-1.12	-1.20
EBIT	**4.24**	**4.96**	**5.47**	**4.79**	**6.84**	**7.48**
Financial income/expense net	0.13	-0.44	-0.25	-0.15	-0.16	-0.16
Earnings before taxes	4.37	4.52	5.22	4.64	6.68	7.32
Income taxes	-0.18	0.12	-1.05	-0.76	-1.50	-1.65
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	5.18	5.67
EPS	0.94	0.44	0.32	0.30	0.44	0.49
DPS	0.40	0.20	0.25	0.25	0.27	0.28
Profit & Loss (Year on Year)						
Total revenue	16%	13%	6%	10%	14%	7%
Costs of sales	14%	11%	6%	10%	3%	3%
Gross profit	17%	15%	6%	10%	23%	9%
Research and development expenses	46%	16%	-1%	9%	10%	4%
Sales, marketing and distribution expenses	13%	13%	9%	14%	4%	9%
General and administrative expenses	6%	13%	5%	26%	51%	13%
Amortisation and depreciation	-69%	21%	1%	-15%	0%	7%
EBIT	**387%**	**17%**	**10%**	**-12%**	**43%**	**9%**
Financial income/expense net	81%	-435%	-43%	-39%	3%	3%
Earnings before taxes	364%	3%	15%	-11%	44%	10%
Income taxes	-70%	-169%	-964%	-27%	97%	10%
Net income	-64%	-10%	-10%	-7%	33%	10%
Profit & Loss (% of Revenues)						
Total revenue	100%	100%	100%	100%	100%	100%
Costs of sales	-48%	-47%	-47%	-47%	-43%	-42%
Gross profit	**52%**	**53%**	**53%**	**53%**	**57%**	**58%**
Research and development expenses	-9%	-9%	-8%	-8%	-8%	-8%
Sales, marketing and distribution expenses	-19%	-19%	-20%	-21%	-19%	-19%
General and administrative expenses	-12%	-12%	-12%	-14%	-19%	-20%
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%**	**7%**	**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 2016E	FY 2017E
Current assets	**36.77**	**34.91**	**34.89**	**38.95**	**40.94**	**43.26**
Cash and cash equivalents	15.82	14.82	12.30	9.08	8.19	9.95
Inventories	1.39	1.45	1.82	2.07	3.06	2.34
Trade receivables	17.27	16.84	18.57	25.03	26.53	27.59
Other receivables	2.29	1.80	2.20	2.76	3.15	3.37
(% sales)	5%	3%	4%	4%	5%	5%
Non-current assets	**21.84**	**17.85**	**18.02**	**18.13**	**23.04**	**23.36**
Intangible assets	19.89	15.37	15.08	14.69	19.90	19.78
(% sales)	43%	29%	27%	24%	28%	26%
Property, plant and equipment	1.15	1.12	1.25	1.36	1.50	1.53
Other receivables and other assets	0.30	0.13	0.14	0.14	0.14	0.15
(% sales)	1%	0%	0%	0%	0%	0%
Deferred taxes	0.49	1.23	1.56	1.94	1.50	1.90
(% sales)	1%	2%	3%	3%	2%	2%
Total	**58.61**	**52.76**	**52.91**	**57.08**	**63.98**	**66.62**
Current liabilities	**20.65**	**17.86**	**17.45**	**18.35**	**23.84**	**23.79**
Financial liabilities	5.50	3.35	2.15	0.82	4.40	4.48
Trade payables	1.80	1.50	1.54	1.42	1.52	1.54
Other liabilities	12.47	12.93	13.61	16.09	17.51	17.58
(% sales)	27%	25%	24%	26%	25%	24%
Tax liabilities	0.89	0.07	0.15	0.02	0.41	0.19
(% sales)	2%	0%	0%	0%	1%	0%
Non-current liabilities	**11.77**	**6.96**	**6.49**	**5.10**	**8.74**	**9.02**
Financial liabilities	4.30	2.90	1.68	0.00	1.38	1.28
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	4.36	4.66
(% sales)	7%	6%	7%	6%	6%	6%
Deferred taxes	1.27	0.77	0.97	1.27	3.00	3.09
Shareholder's equity	**26.18**	**27.94**	**28.97**	**33.62**	**31.40**	**33.80**
Total consolidated equity and debt	**58.61**	**52.76**	**52.91**	**57.08**	**63.98**	**66.62**

Source: company data, Dr. Kalliwoda International Research GmbH

c. Cash Flow Statement

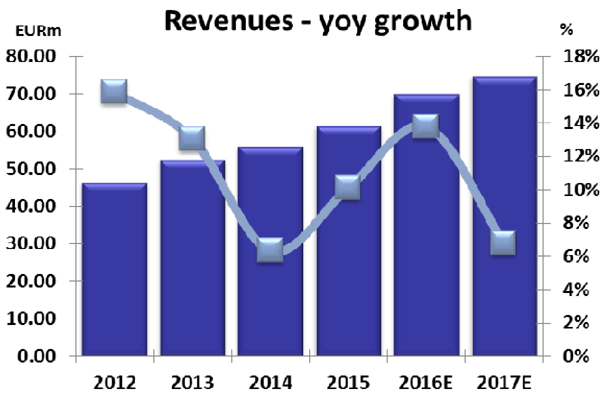
Cash flow statement - TXT e-solutions S.p.A.						
€ m	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016E**	**FY2017E**
Net income for the year	5.1	4.6	4.2	3.9	5.2	5.7
Depreciation	-1.1	-1.3	-1.3	-1.1	-1.1	-1.2
Change in working capital	-1.7	1.2	-1.4	-5.0	-1.0	-0.7
Others	2.3	0.9	2.4	-0.7	-1.3	-0.5
Net Operating cash flow	4.7	5.5	3.8	6.7	7.0	7.3
Cash flow from investing	-14.7	-0.5	-0.6	-0.8	-6.4	-1.0
Free cash flows	-10.0	5.0	3.2	6.0	0.6	6.2
Cash flow from financing	11.4	-6.3	-5.6	-9.2	-1.5	-4.5
Change in cash	1.4	-1.3	-2.4	-3.2	-0.9	1.8
Cash, start of the year	14.4	15.8	14.8	12.3	9.1	8.2
Cash, end of the year	15.8	14.8	12.3	9.1	8.2	10.0

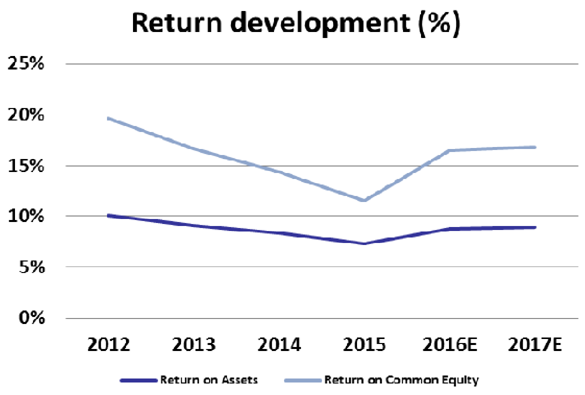
Source: company data, Dr. Kalliwoda International Research GmbH

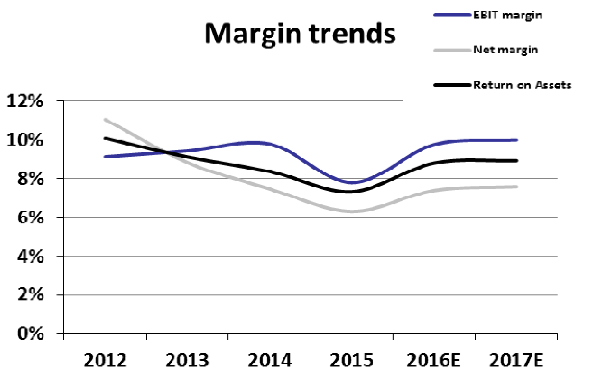
d. Financial Ratios

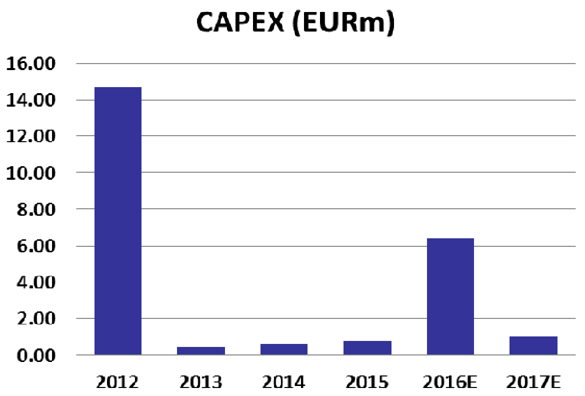
Ratios - TXT e-solutions S.p.A.						
	FY 2012	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016E**	**FY 2017E**
EBITDA margin	11.4%	11.9%	12.2%	9.6%	11.4%	11.6%
Net margin	11.0%	8.8%	7.5%	6.3%	7.4%	7.6%
Return on equity (ROE)	19.6%	16.6%	14.4%	11.5%	16.5%	16.8%
Return on assets (ROA)	10.1%	9.1%	8.4%	7.3%	8.8%	8.9%
Return on capital employed (ROCE)	20.2%	27.0%	36.4%	30.8%	36.3%	39.2%
Equity ratio	44.7%	52.9%	54.8%	58.9%	49.1%	50.7%
Current ratio	1.8	2.0	2.0	2.1	1.7	1.8
Quick ratio	1.6	1.8	1.8	1.9	1.5	1.6

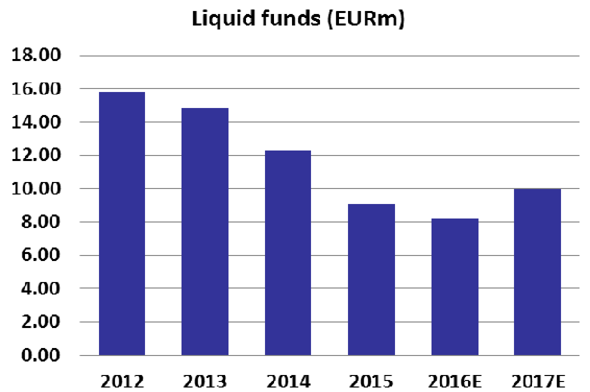
Source: company data, Dr. Kalliwoda International Research GmbH

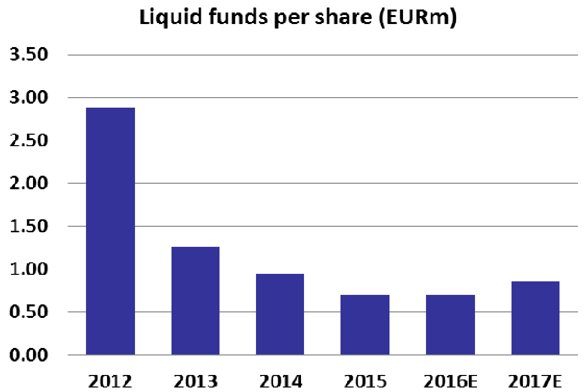


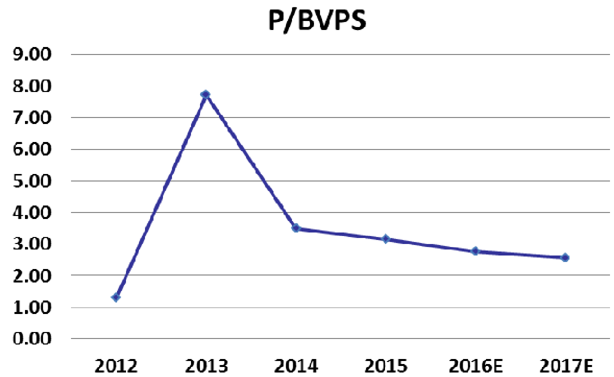


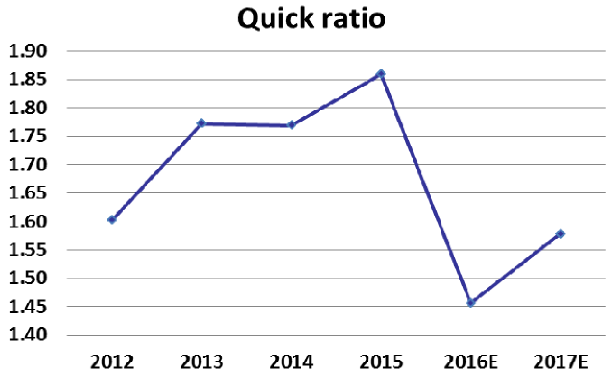












Source: Company data, Dr. Kalliwoda Research GmbH

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