

TXT

Sector: Technology

M&A Needed to Drive a Re-rating

We confirm our HOLD rating on TXT while we lower our Target Price from EUR11.50 to EUR10.00 per share due a lower market multiple valuation. Quarterly results showed healthy trends in Aerospace & Aviation, weakness in Banking and some pressure on margins due to higher central functions costs. In our opinion, the stock is unlikely to re-rate unless the sizeable pile of cash coming from the sale of TXT Retail (executed in December 2017) is reinvested. The acquisition of Cheleo (closed in July 2018) was a first step in the execution of the M&A strategy. Further acquisitions may be considered in Aerospace & Aviation, and in Automotive and Fintech.

- Newsflow.** In 9M18 revenues came to Eu28.6mn, up 10% YoY (or +8% at constant perimeter) driven by the sale of licenses, subscriptions and maintenance (+55.7% YoY). Internationals revenues were equal to 35% of total sales. The gross margin improved from 42.7% to 44.3% YoY. EBITDA was Eu2.8mn, up 7.9% YoY. The EBITDA margin deteriorated by 20bps YoY to 9.9%. Cheleo was consolidated for two months, adding Eu0.5mn to total revenues and Eu0.2mn to total EBITDA. Net cash stood at Eu64.8mn at September 2018, compared to Eu87.3mn at December 2018 due to payment of dividends (Eu11.7mn), acquisitions of Cheleo (Eu5.0mn), purchase of treasury shares (Eu3.2mn) and debt according to the new principle IFRS 16 (Eu2.8mn). TXT foresees in 4Q18 a positive organic development of revenues (organic growth was +12.8% in 3Q18) and an EBITDA margin substantially in line with last year.
- Catalysts.** In July TXT executed the acquisition of Cheleo, an Italian specialist in the field of design and development of products and services for the life cycle management of financing by financial and banking intermediaries. The majority of the share capital of Cheleo is indirectly owned by Enrico Magni, a major shareholder and member of BoD of TXT. In FY17 Cheleo reported revenues of Eu2.8mn and EBITDA of Eu0.95mn (34% on revenues); revenues and EBITDA are forecast to grow by 25% in FY18. More recently, TXT has acquired a 51% stake in T3M Innovation, a start-up providing risk assessment solutions to Banks and Financial institutions. M&A is set to continue: TXT operates in a fragmented competitive landscape that offers space for consolidation and is willing to become a platform to aggregate niche engineering software solution providers. Acquisitions may be considered in Aerospace & Aviation, and in Automotive and Fintech. We estimate the company to have a Eu80-100mn firepower.
- Estimates.** Following the release of 9M18 results, we have cut our assumptions as for revenues and EBITDA growth at constant perimeter (mostly due to a lower from contribution from the Banking & Finance sector) and we have consolidated Cheleo (for five months in FY18, and for twelve months from FY19 onwards). All in all, changes to our EPS estimates are positive and stand at: -2.2% in FY18, +21.5% in FY19, and +19.1% in FY20. We now expect revenues and EBITDA to reach respectively Eu48.3mn and Eu5.8mn in FY20. EBITDA margin is seen at 12.1% in FY20 (up from 10.3% in FY18), mostly due to the accretive consolidation of Cheleo (EBITDA margin >30%).
- Recommendation and valuation.** We confirm our HOLD rating on TXT while we lower our Target Price from Eu11.50 to Eu10.00 per share due a lower market multiple valuation, providing 20% upside to the current share price. Our valuation is the simple average between a DCF model and a multiples comparison. At our target price the stock would be trading at 20.2x P/E ex cash and at 8.2x EV/EBITDA on FY19 figures, with a low single digit FCF yield and dividend yield. The stock is currently trading at a significant discount to both international and Italian ICT peers.

HOLD

Unchanged

TP 10.00

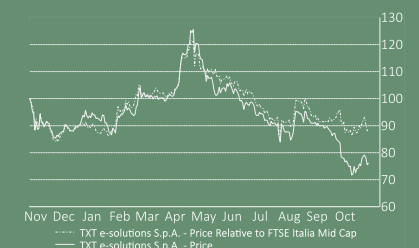
From 11.50

Target price upside: 21%

	FY18E	FY19E
Change in EPS est.	-2.2%	21.5%

Ticker (BBG, Reut)	TXT IM	TXTS MI
Share price Ord. (Eu)		8.3
N. of Ord. shares (mn)		11.7
Total N. of shares (mn)		13.0
Market cap (Eu mn)		97
Total Market Cap (EU mn)		97
Free Float Ord. (%)		45%
Free Float Ord. (Eu mn)		43
Daily AVG liquidity Ord. (Eu k)		605

	1M	3M	12M
Absolute Perf.	-10.7%	-16.4%	-27.1%
Rel. to FTSEMidCap	-7.0%	-3.8%	-11.6%
52 weeks range		7.7	13.5



	FY17A	FY18E	FY19E
Sales	36	39	45
EBITDA adj.	3.5	4.0	5.2
Net profit adj.	1.8	1.3	2.1
EPS adj.	0.150	0.111	0.179
DPS - Ord.	0.997	0.056	0.090
EV/EBITDA adj.	14.2x	4.5x	3.2x
P/E adj.	28.6x	14.0x	7.8x
Dividend yield	9.4%	0.7%	1.1%
FCF yield	-0.3%	3.0%	2.7%
Net debt/(Net cash)	(87.3)	(78.6)	(80.5)
Net debt/EBITDA	nm	nm	nm

Analyst

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Key Data

P&L account (Eu mn)	FY16A	FY17A	FY18E	FY19E	FY20E
Sales	69.2	35.9	39.2	45.2	48.3
Gross margin	37.1	15.6	17.1	19.7	21.0
EBITDA reported	8.2	3.5	4.0	5.2	5.8
D&A	(1.3)	(0.8)	(2.1)	(2.1)	(2.1)
EBIT reported	6.9	2.7	2.0	3.1	3.7
Net financial charges	0.1	(0.2)	(0.1)	(0.1)	(0.1)
Associates	0.0	0.0	0.0	0.0	0.0
Extraordinary items	0.0	0.0	0.0	0.0	0.0
Pre-tax profit	7.0	2.5	1.9	3.0	3.6
Taxes	(1.5)	(0.7)	(0.6)	(0.9)	(1.1)
Minorities	0.0	0.0	0.0	0.0	0.0
Discontinued activities	0.0	66.8	0.0	0.0	0.0
Net profit reported	5.6	68.6	1.3	2.1	2.5
EBITDA adjusted	8.2	3.5	4.0	5.2	5.8
EBIT adjusted	6.9	2.7	2.0	3.1	3.7
Net profit adjusted	5.6	1.8	1.3	2.1	2.5

Margins (%)	FY16A	FY17A	FY18E	FY19E	FY20E
Gross margin	53.7%	43.6%	43.6%	43.6%	43.6%
EBITDA margin (adj)	11.9%	9.9%	10.3%	11.5%	12.1%
EBIT margin (adj)	10.0%	7.5%	5.0%	6.9%	7.7%
Pre-tax margin	10.1%	6.9%	4.8%	6.7%	7.5%
Net profit margin (adj)	8.0%	4.9%	3.3%	4.7%	5.2%

Growth rates (%)	FY16A	FY17A	FY18E	FY19E	FY20E
Sales	12.4%	-48.2%	9.3%	15.4%	6.8%
EBITDA	38.8%	-57.8%	16.5%	28.4%	12.3%
EBITDA adjusted	23.4%	-57.0%	14.3%	28.4%	12.3%
EBIT	28.9%	-61.3%	-26.1%	58.2%	18.5%
EBIT adjusted	28.9%	-61.3%	-26.1%	58.2%	18.5%
Pre-tax	34.7%	-64.8%	-24.0%	61.3%	19.1%
Net profit	25.0%	1134.2%	-98.1%	61.3%	19.1%
Net profit adjusted	25.0%	-68.4%	-25.3%	61.3%	19.1%

Per share data	FY16A	FY17A	FY18E	FY19E	FY20E
N. of shares AVG	11.656	11.695	11.773	11.808	11.808
N. of shares diluted AVG	11.777	11.696	11.706	11.706	11.706
EPS	0.477	5.862	0.111	0.179	0.213
EPS adjusted	0.477	0.150	0.111	0.179	0.213
DPS - Ord.	0.300	0.997	0.056	0.090	0.107
DPS - Sav.	0.000	0.000	0.000	0.000	0.000
BVPS	2.941	2.830	1.929	2.046	2.170

Enterprise value (Eu m)	FY16A	FY17A	FY18E	FY19E	FY20E
Share price Ord. (Eu)	7.5	10.6	8.3	8.3	8.3
Market cap	97.3	137.5	97.0	97.0	97.0
Net debt/(Net cash)	(5.4)	(87.3)	(78.6)	(80.5)	(82.9)
Adjustments	0.0	0.0	0.0	0.0	0.0
Enterprise value	91.9	50.1	18.4	16.5	14.1

Cash flow (Eu mn)	FY16A	FY17A	FY18E	FY19E	FY20E
EBITDA adjusted	8.2	3.5	4.0	5.2	5.8
Net financial charges	(0.2)	(0.1)	(0.1)	(0.1)	(0.1)
Cash taxes	(1.5)	(0.7)	(0.6)	(0.9)	(1.1)
Ch. in Working Capital	2.2	(2.5)	0.3	(0.9)	(0.5)
Operating cash flow	8.8	0.2	3.6	3.3	4.2
Capex	(0.7)	(0.7)	(0.7)	(0.7)	(0.7)
FCF	8.0	(0.4)	2.9	2.6	3.4
Disposals/Acquisitions	(5.4)	82.3	0.0	0.0	0.0
Changes in Equity	0.0	0.0	0.0	0.0	0.0
Others	(1.7)	3.7	0.0	0.0	0.0
Dividends	(2.9)	(3.5)	(11.7)	(0.7)	(1.1)
Ch. in NFP	(2.1)	82.0	(8.8)	1.9	2.4

Ratios (%)	FY16A	FY17A	FY18E	FY19E	FY20E
Capex/Sales	1.1%	1.8%	1.8%	1.5%	1.5%
Capex/D&A	0.6x	0.8x	0.3x	0.3x	0.3x
FCF/EBITDA	97.6%	-12.4%	72.6%	49.6%	58.9%
FCF/Net profit	144.4%	-0.6%	223.6%	121.7%	136.2%
Dividend pay-out	-62.9%	-666.7%	-50.0%	-50.0%	-50.0%

Balance sheet (Eu mn)	FY16A	FY17A	FY18E	FY19E	FY20E
Working capital	7.4	6.3	6.0	7.0	7.5
Fixed assets	25.4	8.9	8.8	8.7	8.7
Provisions & others	(3.9)	(69.4)	(70.7)	(72.0)	(73.4)
Net capital employed	28.9	(54.2)	(55.9)	(56.3)	(57.2)
Net debt/(Net cash)	(5.4)	(87.3)	(78.6)	(80.5)	(82.9)
Equity	34.3	33.1	22.7	24.2	25.6
Minority interests	0.0	0.0	0.0	0.0	0.0

Ratios (%)	FY16A	FY17A	FY18E	FY19E	FY20E
Working capital/Sales	10.7%	17.6%	15.4%	15.4%	15.5%
Net debt/Equity	nm	nm	nm	nm	nm
Net debt/EBITDA	nm	nm	nm	nm	nm

Valuation	FY16A	FY17A	FY18E	FY19E	FY20E
EV/CE	2.8x	3.3x	1.2x	1.0x	0.9x
P/BV	2.8x	4.2x	4.3x	4.0x	3.8x
EV/Sales	1.3x	1.4x	0.5x	0.4x	0.3x
EV/EBITDA	11.2x	14.5x	4.5x	3.2x	2.4x
EV/EBITDA adjusted	11.2x	14.2x	4.5x	3.2x	2.4x
EV/EBIT	13.3x	18.8x	9.3x	5.3x	3.8x
EV/EBIT adjusted	13.3x	18.8x	9.3x	5.3x	3.8x
P/E	17.5x	0.7x	14.0x	7.8x	5.6x
P/E adjusted	17.5x	28.6x	14.0x	7.8x	5.6x
ROCE pre-tax	22.3%	11.1%	13.2%	20.4%	23.2%
ROE	16.2%	5.3%	5.8%	8.8%	9.8%
EV/FCF	11.5x	-113.9x	6.3x	6.4x	4.1x
FCF yield	8.2%	-0.3%	3.0%	2.7%	3.5%
Dividend yield	4.0%	9.4%	0.7%	1.1%	1.3%

Share price performance

The sale of TXT Retail led to a significant cut in estimates



Valuation

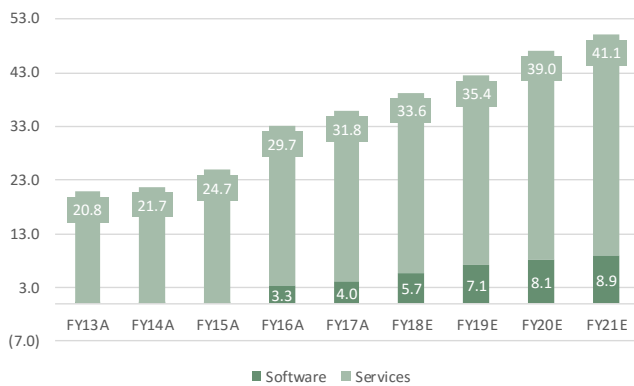
P/E multiples heavily penalized by excess cash



Key Charts

Revenue breakdown (FY13A-FY20E)

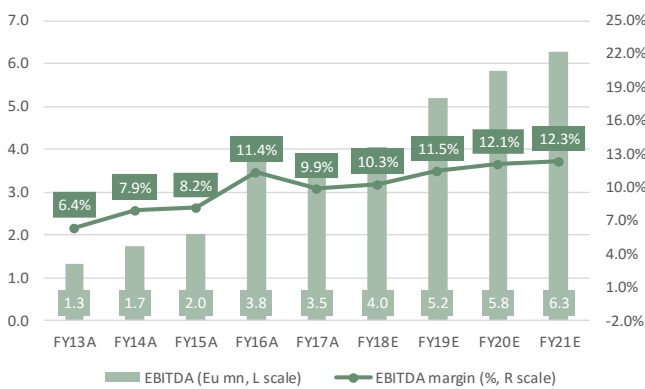
Sales of assets software started in 2016 following the acquisition of PACE



Source: company data and Alantra estimates

EBITDA trend (FY13A-FY20E)

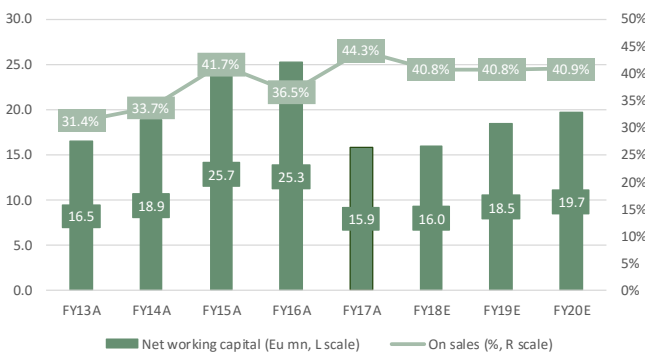
Revenue mix (more on software) is expected to improve profitability



Source: company data and Alantra estimates

Balance sheet (FY13A-FY20E)

Exposure to Italy leads to a structurally high working capital



Source: company data and Alantra estimates

Revenue breakdown by sector (FY17A-1H18A)

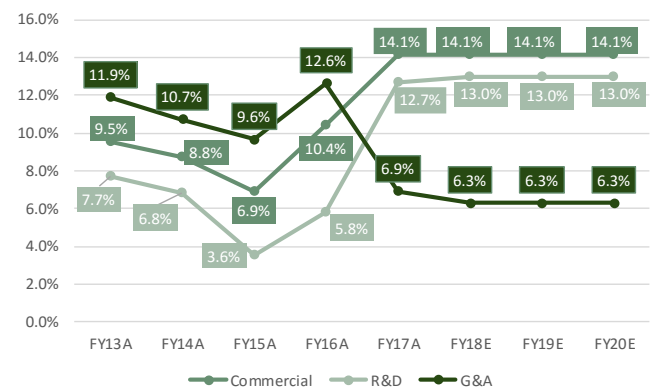
Aerospace gaining shares over Banking sector...



Source: company data

Costs trends (FY013A-FY20E)

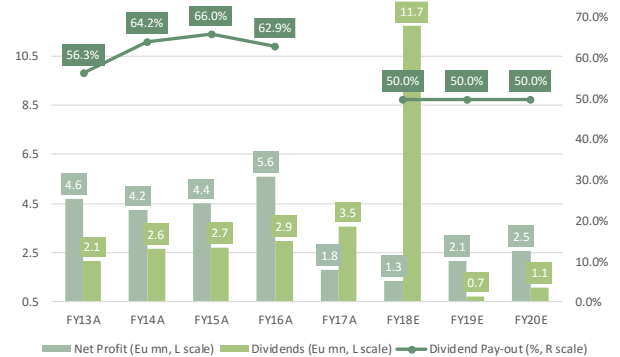
Sustained R&D investments



Source: company data and Alantra estimates

Dividends (FY07A-FY20E)

Extraordinary dividend following the disposal of TXT Retail



Source: company data and Alantra estimates

ALANTRA

Italian Equity Research Profile

Background TXT e-solutions is an international, specialized provider of engineering software solutions supporting customers in high-tech markets in their mission- and business-critical core processes and throughout their product lifecycles. Company's reference industries are Aerospace & Aviation (80% of total revenues in 1H18) and Banking & Finance (20%). TXT operates mainly in the domestic market (55% of total revenues in 1H18); international revenues (45%) went up in recent years thanks to the acquisition of PACE in 2016.

R&D activity (on average equal to 7-8% of revenues), at the base of TXT development, is aiming to provide customers with cutting edge solutions. Recently, TXT has developed a new platform for rapid development and deployment of virtual training and operations support applications; and a real-time augmented reality visualization solution to configure an aircraft's cabin.

Positioning In the **Aerospace & Aviation** sector, TXT supports customers in the product development (40% of divisional revenues), customer engineering and manufacturing (30%), and aircraft operations (30%). Turn-key service engagements weight 75% of divisional revenues, with time and material accounting for the remaining 25%. Services weight for 85% of divisional revenues, with assets software accounting for the remaining 15%. The company has built a diversified customer base of industry leaders; customers are split between aircraft manufacturers (60% of total customers), Tier I suppliers (20%), airlines and lessors (10%), and Automotive OEMs and Tier I (10%). Italy represents 55% of the divisional turnover.

In the **Banking & Finance** sector, TXT is specialized in the independent testing, verification and validation of core applications and in software quality services. Revenues are coming entirely from services and Italian customers (the company is targeting 40-50 banking institutions). The reference market is estimated to be worth Eu100mn. Cheleo, recently acquired, strengthens TXT's positioning in the Fintech sector and expands the product and service portfolios.

Growth Revenues went from Eu20.8mn in FY13 to Eu 35.9mn in FY17 driven by organic growth and the acquisition of Pace in 2016; CAGR was equal to 14.4% in the period. EBITDA margin improved from 6.4% in FY13 to 10% in FY17.

The Aerospace & Aviation business is expected to post an 8-10% revenue CAGR in next years supported by cutting edge solution development; the Banking & Finance business to experience low single digit growth. EBITDA margin is expected to reach 12% over the medium term.

Strategy The future development of TXT will be driven by investments in R&D and M&A activities.

TXT operates in a fragmented competitive landscape that offers space for consolidation. The company is in the position to be a platform to aggregate niche engineering software solution providers. Following the sale of TXT Retail (December 2017), a large net cash position gives the company plenty of financial flexibility.

Aerospace & Aviation: TXT is targeting to organically increase the share of wallet in current customers and to capture new international customers; inorganic growth will be driven by selective mid-sized acquisitions with the intention to reach a turnover of Eu100mn. The development of on-board software and systems for the Automotive & Transport sector might represent an upside opportunity.

Banking & Finance: customers are facing increasingly stricter regulatory frameworks; on top emerging Fintech software and services are increasing the complexity of the banking software systems. Therefore, Software Quality is becoming a key pillar of banks' IT strategy and a growing portion of IT budgets. TXT believes that Cheleo's innovative products and services have a significant potential market in Italy and in the future also in Europe, due to the continuous development of the financing and NPL segment and the progressive obsolescence of the software currently in use by financial and banking intermediaries. TXT has acquired a 51% stake in T3M Innovation, a start-up providing risk assessment solutions to Banks and Financial institutions.

Strengths

Large and qualified customer base
Effective R&D activities (augmented reality, artificial intelligent)
Strong positioning in Aerospace sector

Weaknesses

Lack of scale
Weak positioning in the Banking sector
Unefficient capital allocation

Opportunities

Releverage of the balance sheet by M&A
Upselling to existing customers
Expansion in the Automotive sector

Threats

Failure in M&A execution
Increased competition in the Aerospace sector

Key shareholders

Laserline SpA 25.6%
A. Braga Illa 14.0%
Free float 44.8%

Management

Marco Guida, Enrico Magni CEO
Paolo Matarazzo CFO
Alvise Braga Illa Chairman

Next events

4Q18 results: March 2019

Results

Results

3Q18 results came broadly in line with our expectations

Eu mn	3Q17A	3Q18A	YoY %	3Q18E	A vs E	9M17A	9M18A	YoY %	4Q17A	4Q18E	YoY %	FY17A	FY18E	YoY %
Revenues	8.1	9.6	18.6%	9.3	3.4%	26.0	28.6	10.0%	9.8	10.6	7.5%	35.9	39.2	9.3%
<i>on sales %</i>	<i>100.0%</i>	<i>100.0%</i>		<i>100.0%</i>		<i>100.0%</i>	<i>100.0%</i>		<i>100.0%</i>	<i>100.0%</i>		<i>100.0%</i>	<i>100.0%</i>	
EBITDA Adjusted	0.7	0.8	2.0%	0.7	1.5%	2.7	2.8	5.1%	0.8	1.2	43.6%	3.5	4.0	14.3%
<i>Ebitda Margin %</i>	<i>9.2%</i>	<i>7.9%</i>		<i>8.0%</i>		<i>10.3%</i>	<i>9.9%</i>		<i>8.6%</i>	<i>11.5%</i>		<i>9.9%</i>	<i>10.3%</i>	
EBIT Adjusted	0.6	0.3	-51.7%	0.1		2.1	1.5	-30.6%	0.6	0.5	-9.2%	2.7	2.0	-26.1%
<i>Ebit Margin %</i>	<i>6.8%</i>	<i>2.8%</i>		<i>1.3%</i>		<i>8.1%</i>	<i>5.1%</i>		<i>5.7%</i>	<i>4.8%</i>		<i>7.5%</i>	<i>5.0%</i>	
Pretax Profit	0.6	0.2	-72.3%	0.4		2.0	1.1	-46.5%	0.4	0.8	77.1%	2.5	1.9	-24.0%
<i>Pretax Margin %</i>	<i>7.5%</i>	<i>1.8%</i>		<i>4.4%</i>		<i>7.7%</i>	<i>3.8%</i>		<i>4.6%</i>	<i>7.5%</i>		<i>6.9%</i>	<i>4.8%</i>	
Net Profit	0.4	0.1	-69.1%	0.2		1.4	1.0	-28.2%	0.3	0.3	-99.5%	68.6	1.3	-98.1%
<i>Net Profit Margin %</i>	<i>5.2%</i>	<i>1.3%</i>		<i>2.0%</i>		<i>5.3%</i>	<i>3.5%</i>		<i>684.0%</i>	<i>3.0%</i>		<i>191.2%</i>	<i>3.3%</i>	
NFP end of the period	3.2	64.8		74.0		3.2	64.8		87.3	78.6		87.3	78.6	

Source: Factset and Alantra estimates

Estimates

Change in estimates

Following the release of 9M18 results, we have upwards revised our FY19-20 estimates

(Eu mn)	NEW Estimates				% Change				OLD Estimates			
	FY18E	FY19E	FY20E	FY21E	FY18E	FY19E	FY20E	FY21E	FY18E	FY19E	FY20E	FY21E
Total Revenues / Value of Production	39.2	45.2	48.3	51.0	1.7%	9.3%	8.7%	8.0%	38.5	41.4	44.4	47.2
EBITDA Adjusted	4.0	5.2	5.8	6.3	-0.1%	14.0%	14.1%	11.0%	4.0	4.5	5.1	5.7
EBIT Adjusted	2.0	3.1	3.7	4.1	-1.5%	21.4%	19.2%	13.4%	2.0	2.6	3.1	3.6
Pretax Profit	1.9	3.0	3.6	4.0	-1.6%	22.2%	19.8%	13.8%	1.9	2.5	3.0	3.5
Net profit	1.3	2.1	2.5	2.8	-1.6%	22.2%	19.8%	13.8%	1.3	1.7	2.1	2.4
Net profit restated	1.3	2.1	2.5	2.8	-1.6%	22.2%	19.8%	13.8%	1.3	1.7	2.1	2.4
EPS	0.111	0.179	0.213	0.236	-2.2%	21.5%	19.1%	13.1%	0.114	0.147	0.179	0.208
Net financial position	78.6	80.5	82.9	85.4	4.5%	6.2%	8.5%	10.9%	75.2	75.8	76.4	77.0

Source: Factset and Alantra estimates

ALANTRA

Italian Equity Research

Peers

Trading multiples

The stock is trading at a significant discount to both international and Italian ICT peers

Company	Country	Mkt Cap (Eu mn)	EV/EBITDA			EV/EBIT			PE		
			FY18E	FY19E	FY20E	FY18E	FY19E	FY20E	FY18E	FY19E	FY20E
TXT	ITALY	106	4.5 x	3.2 x	2.4 x	9.3 x	5.3 x	3.8 x	14.0 x	7.8 x	5.6 x
Premium (discount) to Peers' Median			-57%	-63%	-68%	-26%	-49%	-58%	-14%	-42%	-54%
PEERS											
Average			10.6 x	9.0 x	7.9 x	12.5 x	10.5 x	9.2 x	15.9 x	13.5 x	12.2 x
Median			10.5 x	8.6 x	7.6 x	12.6 x	10.4 x	9.0 x	16.2 x	13.4 x	12.2 x
AKKA Technologies SE	FRANCE	1,187	11.0 x	8.8 x	7.6 x	12.8 x	10.5 x	9.0 x	18.3 x	13.8 x	12.5 x
Altran Technologies SA	FRANCE	2,185	9.2 x	7.5 x	6.6 x	10.8 x	8.9 x	7.8 x	10.9 x	9.0 x	8.0 x
Alten SA	FRANCE	2,909	12.1 x	10.5 x	9.9 x	13.0 x	11.3 x	10.6 x	17.8 x	15.9 x	15.1 x
Assystem SA	FRANCE	402	14.4 x	12.3 x	10.9 x	16.6 x	14.0 x	12.3 x	13.6 x	10.8 x	10.0 x
HCL Technologies Limited	INDIA	17,189	9.5 x	8.2 x	7.2 x	11.1 x	9.6 x	8.5 x	14.0 x	13.0 x	11.9 x
Tech Mahindra Limited	INDIA	8,200	10.0 x	8.5 x	7.5 x	12.3 x	10.3 x	9.1 x	14.7 x	13.0 x	11.7 x
PEERS Group 1											
Average			11.0 x	9.3 x	8.3 x	12.8 x	10.8 x	9.5 x	14.9 x	12.6 x	11.5 x
Median			10.5 x	8.6 x	7.6 x	12.6 x	10.4 x	9.0 x	14.3 x	13.0 x	11.8 x
Be Think, Solve, Execute S.p.A.	ITALY	123	6.3 x	5.3 x	4.7 x	9.6 x	7.6 x	6.6 x	17.7 x	14.8 x	12.7 x
Reply S.p.A.	ITALY	1,854	12.6 x	10.6 x	9.1 x	13.7 x	11.6 x	10.1 x	20.3 x	17.8 x	15.9 x
Exprivia SpA	ITALY	54	na	na	na	na	na	na	na	na	na
PEERS Group 2											
Average			9.5 x	8.0 x	6.9 x	11.6 x	9.6 x	8.3 x	19.0 x	16.3 x	14.3 x
Median			9.5 x	8.0 x	6.9 x	11.6 x	9.6 x	8.3 x	19.0 x	16.3 x	14.3 x
Company	Country	Mkt Cap (Eu mn)	Dividend Yield			FCF Yield			Net Debt/EBITDA		
			FY18E	FY19E	FY20E	FY18E	FY19E	FY20E	FY18E	FY19E	FY20E
TXT	ITALY		0.7%	1.1%	1.3%	3.0%	2.7%	3.5%	nm	nm	nm
PEERS											
Average			2.0%	2.3%	2.6%	4.3%	6.2%	7.0%	1.8 x	1.8 x	1.3 x
Median			1.8%	2.3%	2.9%	4.2%	5.8%	6.6%	1.6 x	1.6 x	1.0 x
AKKA Technologies SE	FRANCE	1,187	1.4%	1.7%	2.1%	3.9%	5.5%	6.6%	2.1 x	1.6 x	1.0 x
Altran Technologies SA	FRANCE	2,185	2.8%	2.6%	3.1%	nm	7.6%	9.4%	3.8 x	3.0 x	2.4 x
Alten SA	FRANCE	2,909	1.2%	1.2%	1.2%	3.4%	4.4%	5.6%	nm	nm	nm
Assystem SA	FRANCE	402	3.9%	3.9%	3.9%	4.2%	5.7%	6.2%	1.2 x	0.7 x	0.3 x
HCL Technologies Limited	INDIA	17,189	1.4%	3.1%	3.4%	5.4%	6.7%	7.6%	nm	nm	nm
Tech Mahindra Limited	INDIA	8,200	2.2%	2.4%	2.7%	4.3%	6.0%	6.5%	nm	nm	nm
PEERS Group 1											
Average			2.1%	2.5%	2.7%	4.2%	6.0%	7.0%	2.4 x	1.8 x	1.3 x
Median			1.8%	2.5%	2.9%	4.2%	5.8%	6.6%	2.1 x	1.6 x	1.0 x
Be Think, Solve, Execute S.p.A.	ITALY	123	2.3%	2.3%	3.4%	5.6%	9.1%	9.4%	0.1 x	nm	nm
Reply S.p.A.	ITALY	1,854	0.8%	0.9%	1.0%	3.5%	4.3%	5.0%	nm	nm	nm
Exprivia SpA	ITALY	54	na	na	na	na	na	na	na	na	na
PEERS Group 2											
Average			1.5%	1.6%	2.2%	4.6%	6.7%	7.2%	0.1 x	nm	nm
Median			1.5%	1.6%	2.2%	4.6%	6.7%	7.2%	0.1 x	nm	nm

Source: Alantra estimates and Factset

Financials

Compared to peers, the company shows lower margins and comparable sales and EBITDA CAGR

Company	Country	Mkt Cap (Eu mn)	FY18E - FY20E average margins					CAGR FY17A - FY20E			
			EBITDA Margin	EBIT Margin	Net Income Margin	Capex / Sales	Dividend Payout	Sales	EBITDA	EBIT	EPS
TXT	ITALY	106	11.3%	6.5%	4.4%	1.6%	50.0%	10.4%	18.9%	11.4%	-66.9%
PEERS	Average		14.0%	11.8%	8.7%	2.3%	29.4%	10.5%	15.0%	15.7%	16.3%
	Median		14.1%	11.2%	7.3%	2.2%	28.8%	11.1%	13.8%	15.6%	13.6%
AKKA Technologies SE	FRANCE	1,187	9.5%	8.0%	4.4%	2.4%	25.2%	11.0%	18.4%	18.1%	22.5%
Altran Technologies SA	FRANCE	2,185	14.7%	12.5%	7.3%	3.9%	25.9%	13.8%	27.0%	21.5%	12.7%
Alten SA	FRANCE	2,909	10.6%	9.9%	7.3%	0.7%	19.2%	8.6%	8.9%	9.0%	9.4%
Assystem SA	FRANCE	402	7.3%	6.5%	7.3%	1.0%	44.7%	7.4%	10.6%	9.2%	23.8%
HCL Technologies Limited	INDIA	17,189	23.3%	19.9%	16.5%	4.6%	33.3%	12.8%	13.8%	13.0%	11.5%
Tech Mahindra Limited	INDIA	8,200	18.4%	15.1%	12.3%	3.5%	31.7%	11.2%	18.2%	21.0%	12.2%
PEERS Group 1	Average		14.0%	12.0%	9.2%	2.7%	30.0%	10.8%	16.1%	15.3%	15.4%
	Median		12.7%	11.2%	7.3%	2.9%	28.8%	11.1%	16.0%	15.5%	12.5%
Be Think, Solve, Execute S.p.A.	ITALY	123	14.0%	9.6%	5.5%	0.0%	38.7%	7.2%	9.7%	20.7%	24.2%
Reply S.p.A.	ITALY	1,854	14.3%	13.0%	9.2%	2.0%	16.4%	12.2%	13.9%	13.1%	14.4%
Exprivia SpA	ITALY	54	na	na	na	na	na	na	na	na	na
PEERS Group 2	Average		14.1%	11.3%	7.3%	1.0%	27.6%	9.7%	11.8%	16.9%	19.3%
	Median		14.1%	11.3%	7.3%	1.0%	27.6%	9.7%	11.8%	16.9%	19.3%

Source: Alantra estimates and Factset

Performance

Negative share price performance over the last year

Company	Country	Mkt Cap (Eu mn)	Performance					
			1M	3M	6M	1YR	3YR	5YR
TXT	ITALY	106	-10.7%	-16.4%	-37.2%	-27.1%	-3.7%	3.5%
PEERS	Average		-1.2%	-3.8%	-6.8%	0.6%	50.4%	130.4%
	Median		-0.3%	-2.8%	-1.7%	8.1%	31.0%	85.4%
AKKA Technologies SE	FRANCE	1,187	0.2%	-10.8%	-1.7%	15.2%	150.4%	251.2%
Altran Technologies SA	FRANCE	2,185	12.1%	-0.6%	-36.0%	-39.4%	-18.4%	42.0%
Alten SA	FRANCE	2,909	-0.3%	-0.7%	1.7%	18.2%	81.1%	160.6%
Assystem SA	FRANCE	402	-8.9%	-6.4%	-11.6%	-20.5%	28.4%	24.6%
HCL Technologies Limited	INDIA	17,189	-4.0%	6.8%	11.9%	17.3%	16.4%	85.4%
Tech Mahindra Limited	INDIA	8,200	0.4%	6.7%	6.8%	42.8%	31.0%	66.7%
PEERS Group 1	Average		-0.1%	-0.8%	-4.8%	5.6%	48.1%	105.1%
	Median		-0.1%	-0.6%	0.0%	16.2%	29.7%	76.0%
Be Think, Solve, Execute S.p.A.	ITALY	123	7.2%	-2.8%	-0.4%	-1.6%	68.9%	216.7%
Reply S.p.A.	ITALY	1,854	-7.4%	-13.4%	-6.7%	8.1%	65.8%	312.6%
Exprivia SpA	ITALY	54	-10.0%	-13.2%	-25.0%	-34.4%	30.5%	14.1%
PEERS Group 2	Average		-3.4%	-9.8%	-10.7%	-9.3%	55.0%	181.1%
	Median		-7.4%	-13.2%	-6.7%	-1.6%	65.8%	216.7%

Source: Factset

ALANTRA

Italian Equity Research

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