

TXT E-SOLUTIONS OUTPERFORM

Price (Eu): **8.10**

Target Price (Eu): **12.80**

SECTOR: *Industrials*

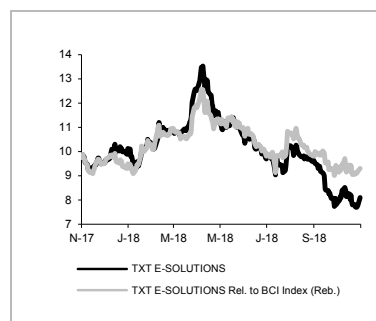
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We Confirm our View and Remain Confident on Further M&A Opportunities

- 3Q18 revenues and EBITDA in line with our expectations.** TXT unveiled 3Q18 results on 6th November 2018. Quarterly revenues were up 18.6% YoY, closing at Eu9.6mn. New acquisition Cheleo made a Eu0.5mn non-organic contribution to this figure, and it is also worth noting that software revenues (about 14% of quarterly sales) benefitted from the higher recognition effect provided for in the new IFRS 15 accounting principle. Service revenues (86% of quarterly sales) grew 9.8% YoY on an organic basis, a significant acceleration on 2Q18 (+2.3% YoY). Quarterly EBITDA was Eu0.8mn, up 5.3% YoY thanks to new IFRS 16, while EBIT was Eu0.3mn vs. Eu0.6mn for 3Q17. As in previous quarters, the fall in profitability was mainly due to the incidence of indirect costs on a smaller revenue base following the disposal of TXT Retail in 2017.
- TXT Sense to exit the consolidation base.** Alongside 3Q18 results, the group announced a small investment in a start-up (Sense Immaterial Reality), where TXT has a 24% stake (76% will be held directly by Chairman Braga IIIa). This start-up will pay a Eu40k annual fee to TXT for certain services and, more importantly, it will hire 10 specialised researchers previously employed at the TXT Sense business unit, which will be discontinued. All in all, the net positive effect on P&L is a cost base reduction of about Eu0.5mn per year starting from November 2018.
- Small acquisition to reinforce Fintech offering.** On 9th November, TXT announced the acquisition of a 51% stake in T3M Innovation, thereby bringing on board two professionals with long experience in IT for leading financial institutions. The controlling stake was paid in cash by subsidiary Cheleo through the subscription of a Eu0.3mn capital increase. Put/Call options on the remaining 49% stake are in place for a consideration based on the economic and financial performance of T3M in 2020. Currently, T3M is substantially at break-even. T3M and Cheleo will realise an innovative solution for credit risk management.
- Change in estimates.** Quarterly results were beneath our forecasts below the EBITDA line, and we are therefore cutting our FY18 estimates at bottom line. Looking forward to 2019, revenue should remain supportive, and we expect margin expansion to be sustained not only by better operating leverage but also by the contribution from Cheleo and by the discontinuation of TXT sense. At bottom line, we are trimming our 2019 EPS due to a slight increase in D&A.
- OUTPERFORM confirmed; target Eu12.8 from Eu13.8.** We have revised our target to reflect a higher risk-free rate. We confirm our positive stance on the stock, as we foresee robust organic growth rates going forward, coupled to financially-accretive and strategically-consistent M&A deals. The recent negative market momentum might afford TXT the opportunity to close new acquisitions at better conditions.

TXT E-SOLUTIONS - 12m Performance



RATING: Unchanged

TARGET PRICE (Eu): from 13.80 to 12.80

Ch. in Adj.EPS est: **2018E 2019E**
-22.3% -5.4%

STOCK DATA

Reuters code: TXTS.MI
Bloomberg code: TXT IM

Performance	1m	3m	12m
Absolute	3.6%	-20.9%	-16.1%
Relative	0.9%	-12.5%	-2.7%
12 months H/L:	13.52/7.70		

SHAREHOLDER DATA

No. of Ord. shares (mn):	13
Total No. of shares (mn):	12
Mkt Cap Ord (Eu mn):	105
Total Mkt Cap (Eu mn):	105
Mkt Float - ord (Eu mn):	49
Mkt Float (in %):	46.3%
Main shareholder:	
Enrico Magni (Lasertine)	25.6%

BALANCE SHEET DATA

	2018
Book value (Eu mn):	85
BVPS (Eu):	7.26
P/BV:	1.1
Net Financial Position (Eu mn):	68
Enterprise value (Eu mn):	37

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Key Figures	2016A	2017A	2018E	2019E	2020E
Sales (Eu mn)	33	36	40	46	50
Ebitda (Eu mn)	4	3	4	6	7
Net profit (Eu mn)	6	69	2	3	4
EPS - New Adj.(Eu)	0.216	0.149	0.131	0.225	0.318
EPS - Old Adj.(Eu)	0.216	0.149	0.169	0.237	0.333
DPS (Eu)	0.300	1.000	0.105	0.180	0.255

Ratios & Multiples	2016A	2017A	2018E	2019E	2020E
P/E Adj.	37.5	54.2	61.8	36.1	25.4
Div. Yield	3.7%	12.3%	1.3%	2.2%	3.1%
EV/Ebitda Adj.	26.6	5.1	9.2	7.4	5.8
ROCE	11.5%	12.0%	12.3%	17.0%	20.6%

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TXT E-SOLUTIONS - KEY FIGURES

		2016A	2017A	2018E	2019E	2020E
	Fiscal year end	31/12/2016	31/12/2017	31/12/2018	31/12/2019	31/12/2020
PROFIT & LOSS (Eu mn)	Sales	33	36	40	46	50
	EBITDA	4	3	4	6	7
	EBIT	3	3	2	3	5
	Financial income (charges)	0	(0)	(0)	0	0
	Associates & Others	0	0	0	0	0
	Pre-tax profit (Loss)	3	2	2	4	5
	Taxes	(1)	(1)	(0)	(1)	(1)
	Tax rate (%)	20.8%	28.8%	18.0%	25.0%	25.0%
	Minorities & discontinue activities	0	0	0	0	0
	Net profit	6	69	2	3	4
	Total extraordinary items	3	67	0	0	0
	Ebitda excl. extraordinary items	4	4	4	6	7
	Ebit excl. extraordinary items	3	3	2	3	5
Net profit restated	3	2	2	3	4	
PER SHARE DATA (Eu)	Total shares out (mn) - average fd	13	13	12	12	12
	EPS stated fd	0.216	0.149	0.131	0.225	0.318
	EPS restated fd	0.216	0.149	0.131	0.225	0.318
	BVPS fd	2.636	7.680	7.258	7.378	7.516
	Dividend per share (ord)	0.300	1.000	0.105	0.180	0.255
	Dividend per share (sav)	0.000	0.000	0.000	0.000	0.000
	Dividend pay out ratio (%)	97.3%	-120.0%	71.5%	185.9%	0.0%
CASH FLOW (Eu mn)	Gross cash flow	8	(6)	4	5	6
	Change in NWC	1	6	(2)	(2)	(2)
	Capital expenditure	(1)	(1)	(1)	(1)	(1)
	Other cash items	(1)	(0)	(5)	0	0
	Free cash flow (FCF)	8	(0)	1	2	3
	Acquisitions, divestments & others	(5)	82	(1)	(5)	0
	Dividend	(5)	82	(1)	(5)	0
	Equity financing/Buy-back	0	0	0	0	0
Change in Net Financial Position	(3)	79	(16)	(4)	1	
BALANCE SHEET (Eu mn)	Total fixed assets	25	9	9	12	11
	Net working capital	9	10	12	14	16
	Long term liabilities	(6)	(3)	(3)	(3)	(3)
	Net capital employed	29	16	17	23	23
	Net financial position	5	87	68	64	65
	Group equity	34	100	85	87	88
	Minorities	0	0	0	0	0
Net equity	34	100	85	87	88	
ENTERPRISE VALUE (Eu mn)	Average mkt cap - current	105	105	105	105	105
	Adjustments (associate & minorities)	0	0	0	0	0
	Net financial position	5	87	68	64	65
	Enterprise value	100	18	37	42	41
RATIOS(%)	EBITDA margin*	11.4%	9.9%	10.1%	12.4%	14.0%
	EBIT margin*	9.5%	7.5%	5.1%	7.5%	9.6%
	Gearing - Debt/equity	-15.7%	-87.4%	-79.8%	-73.5%	-73.4%
	Interest cover on EBIT	nm	12.8	13.5	nm	nm
	Debt/Ebitda	nm	nm	nm	nm	nm
	ROCE*	11.5%	12.0%	12.3%	17.0%	20.6%
	ROE*	16.4%	nm	1.7%	3.1%	4.3%
	EV/CE	3.7	0.8	2.3	2.1	1.7
	EV/Sales	3.0	0.5	0.9	0.9	0.8
	EV/Ebit	31.9	6.7	18.5	12.2	8.5
Free Cash Flow Yield	7.6%	-0.4%	1.1%	1.7%	3.1%	
GROWTH RATES (%)	Sales	-46.3%	8.4%	11.8%	13.9%	9.5%
	EBITDA*	-43.5%	-6.0%	14.5%	39.5%	24.2%
	EBIT*	-34.7%	-14.7%	-24.2%	68.5%	40.1%
	Net profit	43.1%	1134.1%	-97.8%	71.3%	41.8%
	EPS restated	-34.8%	-30.9%	-12.3%	71.3%	41.8%

* Excluding extraordinary items

Source: Intermonte SIM estimates

3Q18 results

Quarterly income statement

	1H17A	3Q17A	9M17A	4Q17A	2H17A	2017A	1H18A	3Q18A	9M18A	4Q18E	2H18E	2018E
Revenue	17.9	8.1	26.0	9.8	17.9	35.9	19.0	9.6	28.6	11.4	21.1	40.1
YoY growth						8.4%	6.1%	18.6%	10.0%	16.6%	17.5%	11.8%
Organic						2.1%	6.1%	12.8%	8.2%	7.7%	9.4%	7.7%
Scope						6.4%	0.0%	5.8%	1.8%	8.9%	8.1%	4.1%
- Direct costs	(10.1)	(4.8)	(14.9)	(5.3)	(10.1)	(20.2)	(10.6)	(5.4)	(15.9)	(5.6)	(11.0)	(21.6)
Gross profit	7.8	3.3	11.1	4.5	7.8	15.6	8.4	4.2	12.7	5.8	10.1	18.5
YoY growth						10.8%	8.2%	27.8%	14.0%	29.2%	28.6%	18.4%
Gross margin %	43.6%	40.9%	42.7%	45.8%	43.6%	43.6%	44.4%	44.1%	44.3%	50.8%	47.7%	46.2%
- Opex	(5.9)	(2.6)	(8.4)	(3.7)	(6.2)	(12.1)	(6.4)	(3.5)	(9.9)	(4.6)	(8.1)	(14.5)
- Stock grant	(0.0)	(0.0)	(0.1)	-	(0.0)	(0.1)	-	-	-	-	-	-
EBITDA IFRS	1.9	0.7	2.6	0.8	1.6	3.5	2.1	0.8	2.8	1.2	2.0	4.0
YoY growth						-7.8%	8.8%	5.3%	7.9%	44.4%	26.3%	16.7%
EBITDA IFRS margin %	10.6%	8.9%	10.1%	8.6%	8.7%	9.7%	10.9%	7.9%	9.9%	10.6%	9.4%	10.1%
- D&A	(0.3)	(0.2)	(0.5)	(0.3)	(0.5)	(0.8)	(0.9)	(0.5)	(1.4)	(0.7)	(1.1)	(2.0)
EBIT	1.6	0.6	2.1	0.6	1.1	2.7	1.2	0.3	1.5	0.6	0.8	2.0
YoY growth						-14.7%	-23.2%	-51.7%	-30.6%	0.2%	-25.6%	-24.2%
EBIT margin %	8.7%	6.8%	8.1%	5.7%	6.2%	7.5%	6.3%	2.8%	5.1%	4.9%	3.9%	5.1%
- Financial income/(charges)	(0.2)	0.1	(0.1)	(0.1)	(0.1)	(0.2)	(0.3)	(0.1)	(0.4)	0.2	0.1	(0.2)
Pre-tax profit	1.4	0.6	2.0	0.4	1.1	2.5	0.9	0.2	1.1	0.8	1.0	1.9
- Income tax	(0.4)	(0.2)	(0.6)	(0.1)	(0.3)	(0.7)	(0.0)	(0.0)	(0.1)	(0.3)	(0.3)	(0.3)
Tax rate %	30.7%	31.6%	31.0%	19.0%	26.3%	28.8%	4.4%	23.7%	7.4%	32.3%	30.8%	18.0%
Net income from cont. op.	1.0	0.4	1.4	0.4	0.8	1.8	0.9	0.1	1.0	0.5	0.7	1.5
YoY growth						-30.4%	-10.6%	-69.1%	-28.2%	48.6%	-14.4%	-12.3%
Net profit margin %	5.4%	5.2%	5.3%	3.7%	4.4%	4.9%	4.6%	1.3%	3.5%	4.7%	3.2%	3.8%
- Profit/(loss) from disc. op.	0.6	0.2	0.8	66.0	66.2	66.8	-	-	-	-	-	-
Net profit/(loss) for the year	1.6	0.7	2.2	66.3	67.0	68.6	0.9	0.1	1.0	0.5	0.7	1.5

Source: Intermonte SIM (E), company data (A)

Change in estimates

Change in estimates

	New			Old			Change %		
	2018E	2019E	2020E	2018E	2019E	2020E	2018E	2019E	2020E
Revenue	40.1	45.6	50.0	39.8	45.5	50.0	0.7%	0.3%	-0.1%
YoY growth	11.8%	13.9%	9.5%	11.0%	14.4%	9.9%			
Organic	7.7%	8.8%	9.5%	6.9%	9.3%	9.9%			
Scope	4.1%	5.1%	0.0%	4.1%	5.1%	0.0%			
EBITDA pre-stock grant	4.0	5.6	7.0	4.5	5.7	7.1	-9.2%	-1.8%	-1.8%
YoY growth	14.5%	39.5%	24.2%	26.1%	28.9%	24.3%			
EBITDA margin %	10.1%	12.4%	14.0%	11.2%	12.6%	14.3%			
- D&A	(2.0)	(2.2)	(2.2)	(1.9)	(2.1)	(2.1)			
EBIT	2.0	3.4	4.8	2.5	3.6	5.0	-20.2%	-5.6%	-4.6%
YoY growth	-24.2%	68.5%	40.1%	-5.0%	42.5%	38.7%			
EBIT margin %	5.1%	7.5%	9.6%	6.4%	7.9%	10.0%			
Pre-tax profit	1.9	3.5	5.0	2.5	3.7	5.2	-26.1%	-5.4%	-4.4%
- Income tax	(0.3)	(0.9)	(1.2)	(0.6)	(0.9)	(1.3)			
Tax rate %	18.0%	25.0%	25.0%	22.0%	25.0%	25.0%			
Net income from cont. op.	1.5	2.6	3.7	2.0	2.8	3.9	-22.3%	-5.4%	-4.4%
YoY growth	-12.3%	71.3%	41.8%	12.8%	40.8%	40.3%			
Net profit margin %	3.8%	5.8%	7.5%	5.0%	6.1%	7.8%			
EPS adj.	0.13	0.22	0.32	0.17	0.24	0.33	-22.3%	-5.4%	-4.4%
YoY growth	-12.3%	71.3%	41.8%	12.8%	40.8%	40.3%			
Net cash/(debt)	68.0	63.7	64.8	72.9	68.3	69.2	-6.8%	-6.7%	-6.5%

Source: Intermonte SIM (E)

Revenue breakdown estimates

	2018E	2019E	2020E
Aerospace & Aviation	30.5	33.6	37.0
YoY growth	10.0%	10.0%	10.0%
Organic	10.0%	10.0%	10.0%
Scope	0.0%	0.0%	0.0%
Banking & Finance	9.5	12.0	13.0
YoY growth	18.1%	26.4%	8.0%
Organic	0.0%	5.0%	8.0%
Scope	18.1%	21.4%	0.0%
Revenue	40.1	45.6	50.0
YoY growth	11.8%	13.9%	9.5%
Organic	7.7%	8.8%	9.5%
Scope	4.1%	5.1%	0.0%
Forex	-0.5%	0.0%	0.0%

Source: Intermonte SIM (E)

Financials

Income statement

	2015A	2016A	2017A	2018E	2019E	2020E
Revenue	61.5	33.1	35.9	40.1	45.6	49.972
YoY growth	10.1%	-46.3%	8.4%	11.8%	13.9%	9.5%
Organic	10.1%	-57.0%	2.1%	7.7%	8.8%	9.5%
Scope	0.0%	10.7%	6.4%	4.1%	5.1%	0.0%
- Direct costs	(29.2)	(19.0)	(20.2)	(21.6)	(23.7)	(25.8)
Gross profit	32.4	14.1	15.6	18.5	21.9	24.2
YoY growth	10.0%	-56.4%	10.8%	18.4%	18.5%	10.2%
Gross margin %	52.6%	42.7%	43.6%	46.2%	48.0%	48.4%
- Opex	(25.7)	(10.3)	(12.1)	(14.5)	(16.3)	(17.1)
EBITDA pre-stock grant	6.7	3.8	3.5	4.0	5.6	7.0
YoY growth	-2.0%	-43.5%	-6.0%	14.5%	39.5%	24.2%
EBITDA margin %	10.8%	11.4%	9.9%	10.1%	12.4%	14.0%
- Stock grant	(0.7)	-	(0.1)	-	-	-
- D&A	(1.1)	(0.6)	(0.8)	(2.0)	(2.2)	(2.2)
EBIT	4.8	3.1	2.7	2.0	3.4	4.8
YoY growth	-12.3%	-34.7%	-14.7%	-24.2%	68.5%	40.1%
EBIT margin %	7.8%	9.5%	7.5%	5.1%	7.5%	9.6%
- Financial income/(charges)	(0.2)	0.0	(0.2)	(0.2)	0.1	0.2
Pre-tax profit	4.6	3.2	2.5	1.9	3.5	5.0
- Income tax	(0.8)	(0.7)	(0.7)	(0.3)	(0.9)	(1.2)
Tax rate %	16.4%	20.8%	28.8%	18.0%	25.0%	25.0%
Net income from cont. op.	3.9	2.5	1.8	1.5	2.6	3.7
YoY growth	-7.0%	-35.1%	-30.4%	-12.3%	71.3%	41.8%
Net profit margin %	6.3%	7.6%	4.9%	3.8%	5.8%	7.5%

Source: Intermonte SIM (E), company data (A)

Balance sheet

	2015A	2016A	2017A	2018E	2019E	2020E
Inventories	2.1	3.1	2.5	2.7	3.1	3.4
Trade receivables	25.0	23.7	14.7	16.1	18.1	19.9
Trade payables	(1.4)	(1.6)	(1.3)	(1.2)	(1.4)	(1.5)
Other current asset/(liab)	(13.3)	(16.0)	(5.9)	(5.9)	(5.9)	(5.9)
Net working capital	12.3	9.3	10.0	11.7	14.0	15.9
Intangible assets	1.5	3.5	2.0	1.4	1.5	0.6
Goodwill	13.2	17.8	5.4	6.2	10.2	10.2
Tangible assets	1.4	1.6	0.8	0.2	(0.4)	(0.9)
Financial asset	2.1	2.5	0.7	0.7	0.7	0.7
Long-term liab	(5.1)	(5.8)	(3.1)	(3.1)	(3.1)	(3.1)
Non-current asset/(liab.)	13.0	19.6	5.8	5.5	9.0	7.6
Net capital employed	25.4	28.9	15.7	17.2	22.9	23.5
Net debt/(cash)	(8.3)	(5.4)	(84.2)	(68.0)	(63.7)	(64.8)
Minorities	-	-	-	-	-	-
Equity	33.6	34.3	99.9	85.2	86.6	88.2
Invested capital	25.4	28.9	15.7	17.2	22.9	23.5

Source: Intermonte SIM (E), company data (A)

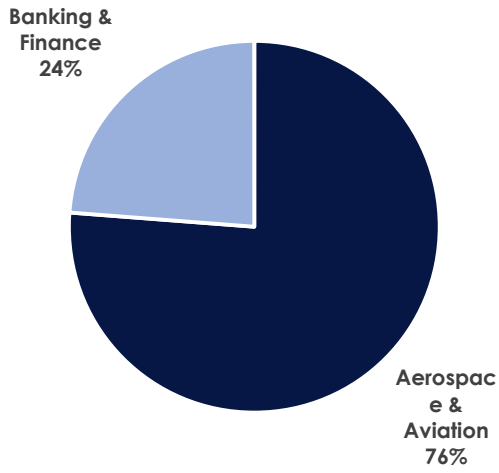
Cash flow statement

	2015A	2016A	2017A	2018E	2019E	2020E
NFP beginning of the period	8.5	8.3	5.4	84.2	68.0	63.7
Net Income	3.9	5.6	68.6	1.5	2.6	3.7
+ D&A	1.1	0.6	0.8	2.0	2.2	2.2
Change in working capital	(7.4)	0.6	6.3	(1.8)	(2.3)	(1.9)
Adjustment	3.2	2.0	(75.5)	-	-	-
Cash flow from operations	0.8	8.8	0.2	1.8	2.6	4.1
Capex	(0.8)	(0.7)	(0.7)	(0.6)	(0.8)	(0.9)
FCF (ex. acq)	0.0	8.0	(0.5)	1.1	1.8	3.2
Acquisitions	-	(5.4)	82.3	(1.1)	(4.9)	-
Dividends	(2.7)	(2.9)	(3.5)	(11.7)	(1.2)	(2.1)
Buyback	2.2	(0.8)	(0.0)	(4.5)	-	-
Other	0.2	(1.7)	0.5	-	-	0.0
Change in NFP	(0.2)	(2.9)	78.8	(16.2)	(4.3)	1.1
NFP end of the period	8.3	5.4	84.2	68.0	63.7	64.8

Source: Intermonte SIM (E), company data (A)

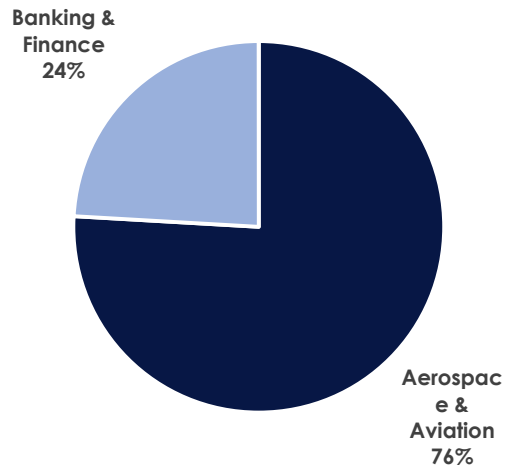
Appendix

Revenue breakdown by business (2018E)



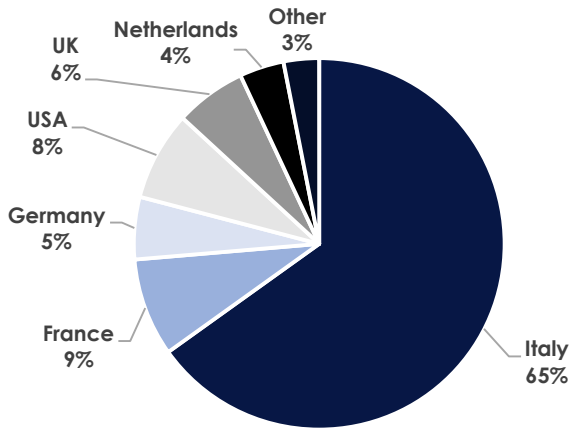
Source: Intermonte SIM (E)

EBITDA breakdown by business (2018E)



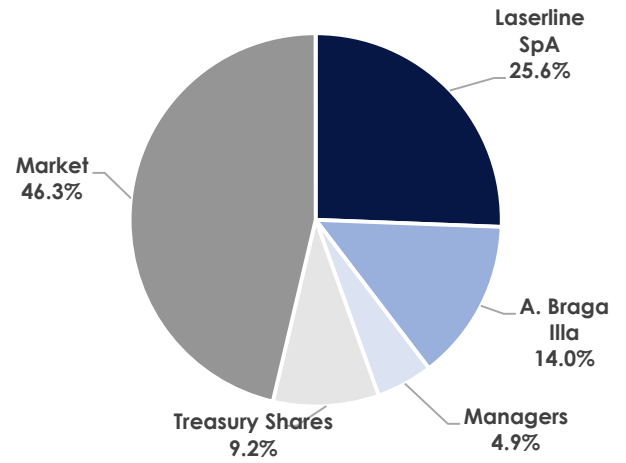
Source: Intermonte SIM (E)

Revenue breakdown by country (2018E)



Source: Intermonte SIM (E)

Shareholding Structure



Source: Consob

Peer Group - Absolute Performances

Stock	Price	Ccy	Mkt cap	1M	3M	6M	YTD	1Y	2Y
TXT E-SOLUTIONS	8.10	EUR	105	3.6%	-20.9%	-29.2%	-15.9%	-16.1%	11.6%
AMERICAN SOFTWARE	10.93	USD	340	-3.1%	-37.9%	-19.8%	-6.0%	-11.2%	-2.4%
ATOSS SOFTWARE	76.80	EUR	305	-0.3%	-9.0%	-15.2%	3.8%	-0.7%	35.9%
CAPGEMINI	103.50	EUR	17,401	0.8%	-7.6%	-10.8%	4.7%	2.1%	37.0%
COMPUTACENTER	10.72	GBP	1,205	-11.1%	-28.3%	-21.4%	-7.0%	-3.9%	43.8%
DESCARTES SYSTEMS	37.79	CAD	2,905	-2.8%	-14.3%	-4.8%	5.7%	-4.0%	24.9%
DEVOTEAM	95.50	EUR	765	4.4%	-10.2%	-1.5%	27.6%	29.3%	73.3%
MANHATTAN ASSOCIATE	48.17	USD	3,149	6.4%	-15.0%	12.8%	-2.8%	10.2%	-10.6%
ORACLE	48.26	USD	182,807	2.0%	-2.0%	2.7%	2.1%	-1.5%	19.8%
REPLY	47.06	EUR	1,761	0.0%	-18.3%	-10.3%	1.9%	-2.0%	74.3%
SAP	90.00	EUR	107,424	-3.2%	-13.4%	-8.0%	-3.7%	-7.5%	11.3%
SOPRA GROUP	88.95	EUR	1,798	-6.5%	-40.7%	-48.8%	-42.9%	-41.5%	-8.7%
SQS SOFTWARE	---	EUR	---	---	---	---	---	---	---
Mean performance				-0.8%	-18.2%	-12.9%	-2.7%	-3.9%	25.8%
Italy FTSE Mib	19,233.5	EUR		2.9%	-7.3%	-14.1%	-12.0%	-14.2%	16.5%

Source: FactSet

Peer Group - Multiple Comparison

Stock	Price	Ccy	Mkt cap	EV/Sales		EV/Ebitda		EV/Ebit		P/E		Div Yield	
				2018	2019	2018	2019	2018	2019	2018	2019	2018	2019
TXT E-SOLUTIONS	8.10	EUR	105	0.9	0.9	9.2	7.4	18.5	12.2	61.8	36.1	1.3%	2.2%
AMERICAN SOFTWARE	10.93	USD	340	2.2	2.1	15.8	12.6	26.7	18.5	35.3	28.8		
ATOSS SOFTWARE	76.80	EUR	305	4.6	4.0	16.2	14.1	17.1	14.9	28.0	24.9	1.8%	2.0%
CAPGEMINI	103.50	EUR	17,401	1.4	1.3	10.0	8.9	12.6	10.9	17.7	15.7	1.7%	1.9%
COMPUTACENTER	10.72	GBP	1,205	0.3	0.2	8.5	7.5	10.7	9.4	14.5	13.5	2.8%	2.9%
DESCARTES SYSTEMS	37.79	CAD	2,905	8.0	7.1	23.6	20.1	49.6	36.7	66.7	51.7		
DEVOTEAM	95.50	EUR	765	1.2	0.9	9.8	7.6	10.4	8.2	21.1	17.4	1.2%	1.5%
MANHATTAN ASSOCIATE	48.17	USD	3,149	5.5	5.2	19.5	22.7	20.6	24.3	28.3	34.6		
ORACLE	48.26	USD	182,807	4.6	4.6	9.8	9.7	10.5	10.3	14.3	13.3	1.6%	1.7%
REPLY	47.06	EUR	1,761	1.7	1.4	12.2	10.4	13.5	11.4	19.0	17.2	0.8%	0.9%
SAP	90.00	EUR	107,424	4.6	4.2	14.2	12.6	15.6	13.9	21.0	18.9	1.6%	1.8%
SOPRA GROUP	88.95	EUR	1,798	0.6	0.5	7.0	5.7	7.8	6.6	10.0	8.2	2.9%	3.1%
SQS SOFTWARE		EUR											
Median				2.2	2.1	12.2	10.4	13.5	11.4	21.0	17.4	1.7%	1.8%

Source: Intermonte SIM estimates for covered companies, FactSet consensus estimates for peer group

TXT E-SOLUTIONS - Estimates Comparison with Consensus

(Eu mn)	2018			2019		
	Intermonte	Consensus	%diff	Intermonte	Consensus	%diff
Revenues	40.1	39.8	0.7%	45.6	45.2	1.0%
Ebitda	4.0	4.4	-7.7%	5.6	5.8	-2.2%
Net Profit	1.5	1.9	-18.1%	2.6	2.9	-9.3%
EPS	0.131	0.180	-27.0%	0.225	0.257	-12.6%
Net Debt	68.0	71.3	-4.7%	63.7	69.7	-8.6%

Source: Intermonte SIM estimates and Factset consensus estimates

DETAILS ON STOCKS RECOMMENDATION

Stock NAME	TXT E-SOLUTIONS		
Current Recomm:	OUTPERFORM	Previous Recomm:	OUTPERFORM
Current Target (Eu):	12.80	Previous Target (Eu):	13.80
Current Price (Eu):	8.10	Previous Price (Eu):	9.42
Date of report:	27/11/2018	Date of last report:	22/08/2018

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- Comparison with market peers, using the most appropriate methods for the individual company analysed: among the main ratios used for industrial sectors are price/ earnings (P/E), EV/EBITDA, EV/EBIT, price /sales.
- Return on capital and multiples of adjusted net book value are the main methods used for banking sector stocks, while for insurance sector stocks return on allocated capital and multiples on net book value and embedded portfolio value are used
- For the utilities sector comparisons are made between expected returns and the return on the regulatory asset base (RAB)

Some of the parameters used in evaluations, such as the risk-free rate and risk premium, are the same for all companies covered, and are updated to reflect market conditions. Currently a risk-free rate of 2.5% and a risk premium of 5.0% are being used.

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BUY: stock expected to outperform the market by over 25% over a 12 month period;

OUTPERFORM: stock expected to outperform the market by between 10% and 25% over a 12 month period;

NEUTRAL: stock performance expected at between +10% and -10% compared to the market over a 12 month period ;

UNDERPERFORM: stock expected to underperform the market by between -10% and -25% over a 12 month period;

SELL: stock expected to underperform the market by over 25% over a 12 month period.

Prices: The prices reported in the research refer to the price at the close of the previous day of trading

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OUTPERFORM:	45.75 %
NEUTRAL:	33.99 %
UNDERPERFORM	07.19 %
SELL:	00.00 %

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UNDERPERFORM	00.00 %
SELL:	00.00 %

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Gambero Rosso	0,58	LONG
THESPAC	1,27	LONG
WASTE ITALIA	0,65	SHORT

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