

TXT

Sector: Technology

## Time to Empty the War Chest

We confirm our HOLD rating and we leave unchanged our target price of Eu10.00, providing limited upside to the current share price. FY18 results came broadly in line to our expectations as for revenues, below as for margins. Top line benefited from a strong performance in the Aerospace, Aviation & Automotive business and the perimeter effect in Banking division. EBITDA was penalized by an increase in R&D expenses and a higher incidence of fixed costs. The acquisition of Cheleo and TXT Risk solutions, both completed in 2018, set the stage for a repositioning of banking activities towards Fintech. 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. Management is considering acquisitions in both Aerospace, Aviation & Automotive and Fintech. The BoD proposed a DPS of Eu0.5 (>4.5% yield).

- Newsflow.** FY18 results came in line with our expectations as for revenues, below as for margins. Revenues went up 11.4% (+7.5% at constant perimeter) to Eu40.0mn (vs our estimate of Eu39.2mn); Cheleo contributed for Eu1.4mn. By division, Aerospace, Aviation & Automotive was up 12.0% YoY, Banking was down -8.6% at constant perimeter. EBITDA came to Eu3.8mn (+9.5% YoY), below our estimate (Eu4.0mn). The EBITDA margin was down 40bps YoY due to higher R&D expenses (+20.5% YoY). EBIT amounted to Eu1.8mn (-31.0% YoY) penalized by IFRS16 adoption. Net profit went down by 67.8% YoY to Eu0.6mn: financial expenses to the tune of Eu1.3mn due to losses on liquidity management fully offset the one-off benefit from the Patent Box. Net cash decreased from Eu87.3mn at YE17 to Eu60.4mn at YE18 after dividend distribution (Eu11.7mn), Cheleo and TXT Risk Solutions acquisition (Eu6.7mn), treasury shares purchase (Eu4.6mn) and the effect of IFRS16 application (Eu2.8mn). The BoD proposed a DPS of Eu0.5 DPS (>4.5% yield). In 4Q revenues were increased by +6.2% at constant perimeter; EBITDA margin was almost flat YoY at 8.6%.
- 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. 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 (net cash of Eu60.4mn at YE18; 1.2mn treasury shares).
- Estimates.** Following the release of FY18 results, we made minor changes to our estimates. In FY19 we now expect revenues to reach Eu46.0mn (+15.2% YoY or +9.5% at constant perimeter). **Aerospace, Aviation & Automotive** sector will be leading growth; **Fintech** segment will benefit from revenue synergies following Cheleo acquisition and a recovery in the legacy testing business. EBITDA is expected to reach Eu5.1mn (+33.3% YoY); margin is seen up by 150bps YoY due to G&A rationalization and the full contribution from Cheleo (highly profitable). TXT will continue to invest in R&D (ca. 6.5% of revenues). EBIT is forecast to reach Eu2.9mn (+55.2% YoY). Liquidity management may provide some volatility on net profit. Net cash is seen declining to Eu56.9mn at YE19, after Eu5.8mn dividend payment. Additional M&A is not factored in our model.
- Recommendation and valuation.** We confirm our HOLD rating and we leave unchanged our target price of Eu10.00 per share. Our valuation is the simple average between a DCF model and a multiples comparison. At our target price the stock would be trading at 31.3x P/E ex cash, 10.3x EV/EBITDA and 18.2x EV/EBIT on FY19 figures, with a low single digit FCF yield and dividend yield. The stock is currently trading at premium to national and international peers.

HOLD

Unchanged

TP 10.00

Unchanged

Target price upside: 9%

	FY19E	FY20E
Change in EPS est.	-7.5%	-7.3%

Ticker (BBG, Reut)	TXT IM	TXTS MI
Share price Ord. (Eu)		9.2
N. of Ord. shares (mn)		11.8
Total N. of shares (mn)		13.0
Market cap (Eu mn)		108
Total Market Cap (EU mn)		108
Free Float Ord. (%)		45%
Free Float Ord. (Eu mn)		48
Daily AVG liquidity Ord. (Eu k)		523

	1M	3M	12M
Absolute Perf.	0.4%	20.3%	-12.7%
Rel. to FTSEMidCap	-6.1%	9.3%	-5.9%
52 weeks range		7.7	13.5



	FY18A	FY19E	FY20E
Sales	40	46	50
EBITDA adj.	3.8	5.1	5.7
Net profit adj.	0.6	2.0	2.3
EPS adj.	0.048	0.166	0.198
DPS - Ord.	0.491	0.296	0.296
EV/EBITDA adj.	15.9x	8.3x	7.4x
P/E adj.	122.9x	26.0x	21.9x
Dividend yield	4.9%	3.2%	3.2%
FCF yield	0.7%	2.2%	3.0%
Net debt/(Net cash)	(60.4)	(56.9)	(56.6)
Net debt/EBITDA	nm	nm	nm

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## Key Data

P&L account (Eu mn)	FY17A	FY18A	FY19E	FY20E	FY21E
Sales	35.9	40.0	46.0	49.8	53.8
Gross margin	15.6	17.7	20.3	22.0	23.8
EBITDA reported	3.5	3.8	5.1	5.7	6.5
D&A	(0.8)	(2.0)	(2.2)	(2.4)	(2.6)
EBIT reported	2.7	1.8	2.9	3.4	3.9
Net financial charges	(0.2)	(1.3)	(0.2)	(0.2)	(0.2)
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	2.5	0.6	2.7	3.2	3.7
Taxes	(0.7)	0.0	(0.7)	(0.8)	(1.0)
Minorities	0.0	0.0	0.0	0.0	0.0
Discontinued activities	66.8	0.0	0.0	0.0	0.0
Net profit reported	68.6	0.6	2.0	2.3	2.7
<b>EBITDA adjusted</b>	<b>3.5</b>	<b>3.8</b>	<b>5.1</b>	<b>5.7</b>	<b>6.5</b>
<b>EBIT adjusted</b>	<b>2.7</b>	<b>1.8</b>	<b>2.9</b>	<b>3.4</b>	<b>3.9</b>
<b>Net profit adjusted</b>	<b>1.8</b>	<b>0.6</b>	<b>2.0</b>	<b>2.3</b>	<b>2.7</b>

Margins (%)	FY17A	FY18A	FY19E	FY20E	FY21E
Gross margin	43.6%	44.2%	44.0%	44.2%	44.3%
EBITDA margin (adj)	9.9%	9.5%	11.0%	11.5%	12.0%
EBIT margin (adj)	7.5%	4.6%	6.2%	6.8%	7.3%
Pre-tax margin	6.9%	1.4%	5.8%	6.4%	6.9%
Net profit margin (adj)	4.9%	1.4%	4.3%	4.7%	5.1%

Growth rates (%)	FY17A	FY18A	FY19E	FY20E	FY21E
Sales	-48.2%	11.4%	15.2%	8.2%	8.1%
EBITDA	-57.8%	9.5%	33.3%	13.1%	12.8%
EBITDA adjusted	-57.0%	7.4%	33.3%	13.1%	12.8%
EBIT	-61.3%	-31.0%	55.2%	18.0%	15.7%
EBIT adjusted	-61.3%	-31.0%	55.2%	18.0%	15.7%
Pre-tax	-64.8%	-77.2%	374.7%	19.3%	16.7%
Net profit	1134.2%	-99.2%	246.4%	19.3%	16.7%
Net profit adjusted	-68.4%	-67.8%	246.4%	19.3%	16.7%

Per share data	FY17A	FY18A	FY19E	FY20E	FY21E
N. of shares AVG	11.695	11.773	11.808	11.808	11.808
N. of shares diluted AVG	11.696	11.706	11.706	11.706	11.706
<b>EPS</b>	<b>5.862</b>	<b>0.048</b>	<b>0.166</b>	<b>0.198</b>	<b>0.231</b>
<b>EPS adjusted</b>	<b>0.150</b>	<b>0.048</b>	<b>0.166</b>	<b>0.198</b>	<b>0.231</b>
<b>DPS - Ord.</b>	<b>0.997</b>	<b>0.491</b>	<b>0.296</b>	<b>0.296</b>	<b>0.296</b>
DPS - Sav.	0.000	0.000	0.000	0.000	0.000
BVPS	8.542	7.334	6.987	6.889	6.823

Enterprise value (Eu m)	FY17A	FY18A	FY19E	FY20E	FY21E
Share price Ord. (Eu)	10.6	10.0	9.2	9.2	9.2
Market cap	137.5	129.8	107.7	107.7	107.7
Net debt/(Net cash)	(87.3)	(60.4)	(56.9)	(56.6)	(56.8)
Adjustments	(9.0)	(9.0)	(9.0)	(9.0)	(9.0)
Enterprise value	41.2	60.4	41.9	42.1	41.9

Cash flow (Eu mn)	FY17A	FY18A	FY19E	FY20E	FY21E
EBITDA adjusted	3.5	3.8	5.1	5.7	6.5
Net financial charges	(0.1)	(1.3)	(0.2)	(0.2)	(0.2)
Cash taxes	(0.7)	0.0	(0.7)	(0.8)	(1.0)
Ch. in Working Capital	(2.5)	(1.1)	(1.1)	(0.7)	(0.8)
<b>Operating cash flow</b>	<b>0.2</b>	<b>1.4</b>	<b>3.0</b>	<b>4.0</b>	<b>4.5</b>
Capex	(0.7)	(0.5)	(0.7)	(0.7)	(0.8)
<b>FCF</b>	<b>(0.4)</b>	<b>0.9</b>	<b>2.3</b>	<b>3.2</b>	<b>3.7</b>
Disposals/Acquisitions	82.3	(6.7)	0.0	0.0	0.0
Changes in Equity	0.0	0.0	0.0	0.0	0.0
Others	3.7	(2.1)	0.0	0.0	0.0
Dividends	(3.5)	(11.7)	(5.8)	(3.5)	(3.5)
<b>Ch. in NFP</b>	<b>82.0</b>	<b>(19.6)</b>	<b>(3.5)</b>	<b>(0.3)</b>	<b>0.2</b>

Ratios (%)	FY17A	FY18A	FY19E	FY20E	FY21E
<b>Capex/Sales</b>	<b>1.8%</b>	<b>1.3%</b>	<b>1.5%</b>	<b>1.5%</b>	<b>1.5%</b>
Capex/D&A	0.8x	0.3x	0.3x	0.3x	0.3x
FCF/EBITDA	-12.4%	23.4%	45.8%	56.4%	57.5%
FCF/Net profit	-0.6%	157.4%	118.5%	138.3%	136.3%
<b>Dividend pay-out</b>	<b>nm</b>	<b>nm</b>	<b>-50.0%</b>	<b>-50.0%</b>	<b>-50.0%</b>

Balance sheet (Eu mn)	FY17A	FY18A	FY19E	FY20E	FY21E
Working capital	6.3	7.4	8.5	9.2	10.0
Fixed assets	8.9	22.9	21.6	20.9	20.6
Provisions & others	(2.6)	(4.3)	(4.5)	(5.4)	(6.8)
<b>Net capital employed</b>	<b>12.6</b>	<b>26.0</b>	<b>25.6</b>	<b>24.7</b>	<b>23.7</b>
<b>Net debt/(Net cash)</b>	<b>(87.3)</b>	<b>(60.4)</b>	<b>(56.9)</b>	<b>(56.6)</b>	<b>(56.8)</b>
Equity	99.9	86.3	82.5	81.3	80.6
Minority interests	0.0	0.0	0.0	0.0	0.0

Ratios (%)	FY17A	FY18A	FY19E	FY20E	FY21E
<b>Working capital/Sales</b>	<b>17.6%</b>	<b>18.4%</b>	<b>18.5%</b>	<b>18.5%</b>	<b>18.5%</b>
<b>Net debt/Equity</b>	<b>nm</b>	<b>nm</b>	<b>nm</b>	<b>nm</b>	<b>nm</b>
<b>Net debt/EBITDA</b>	<b>nm</b>	<b>nm</b>	<b>nm</b>	<b>nm</b>	<b>nm</b>

Valuation	FY17A	FY18A	FY19E	FY20E	FY21E
<b>EV/CE</b>	<b>2.7x</b>	<b>2.0x</b>	<b>1.4x</b>	<b>1.4x</b>	<b>1.4x</b>
P/BV	1.4x	1.5x	1.3x	1.3x	1.3x
EV/Sales	1.1x	1.5x	0.9x	0.8x	0.8x
EV/EBITDA	11.9x	15.9x	8.3x	7.4x	6.5x
<b>EV/EBITDA adjusted</b>	<b>11.6x</b>	<b>15.9x</b>	<b>8.3x</b>	<b>7.4x</b>	<b>6.5x</b>
EV/EBIT	15.4x	32.8x	14.6x	12.5x	10.7x
<b>EV/EBIT adjusted</b>	<b>15.4x</b>	<b>32.8x</b>	<b>14.6x</b>	<b>12.5x</b>	<b>10.7x</b>
P/E	2.0x	122.9x	26.0x	21.9x	18.7x
<b>P/E adjusted</b>	<b>78.3x</b>	<b>122.9x</b>	<b>26.0x</b>	<b>21.9x</b>	<b>18.7x</b>
ROCE pre-tax	11.1%	8.1%	9.5%	11.2%	12.9%
<b>ROE</b>	<b>1.8%</b>	<b>0.7%</b>	<b>2.4%</b>	<b>2.9%</b>	<b>3.4%</b>
EV/FCF	-93.5x	68.0x	18.0x	13.0x	11.3x
<b>FCF yield</b>	<b>-0.3%</b>	<b>0.7%</b>	<b>2.2%</b>	<b>3.0%</b>	<b>3.4%</b>
<b>Dividend yield</b>	<b>9.4%</b>	<b>4.9%</b>	<b>3.2%</b>	<b>3.2%</b>	<b>3.2%</b>

## Share price performance

Positive performance YTD



## Valuation

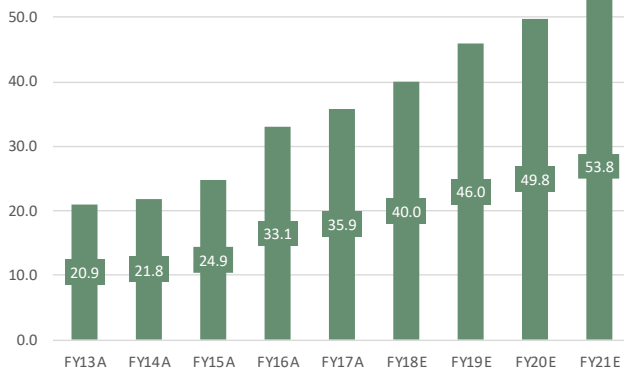
P/E multiples penalized by excess cash



## Key Charts

### Revenues trend (FY13A-FY21E)

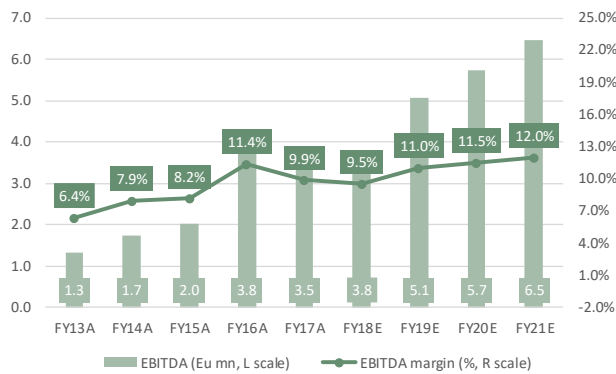
TXT Next 13-18CAGR was 13.9% including Pace and Cheleo acquisitions



Source: company data and Alantra estimates

### EBITDA trend (FY13A-FY21E)

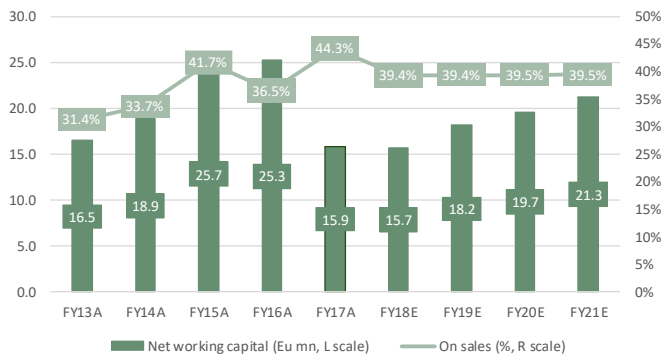
Revenue mix (more on software) is expected to improve profitability



Source: company data and Alantra estimates

### Balance sheet (FY13A-FY21E)

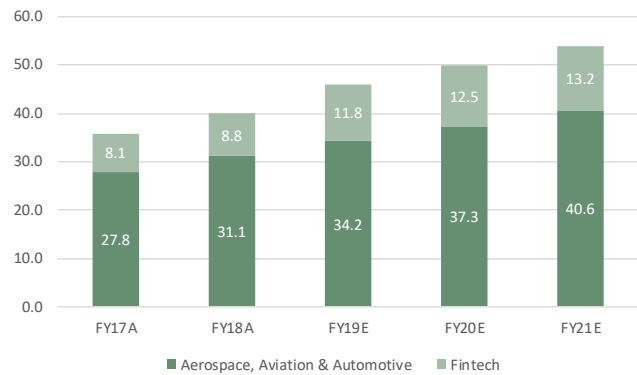
Exposure to Italy leads to a structurally high working capital



Source: company data and Alantra estimates

### Revenue breakdown by sector (FY17A-FY21E)

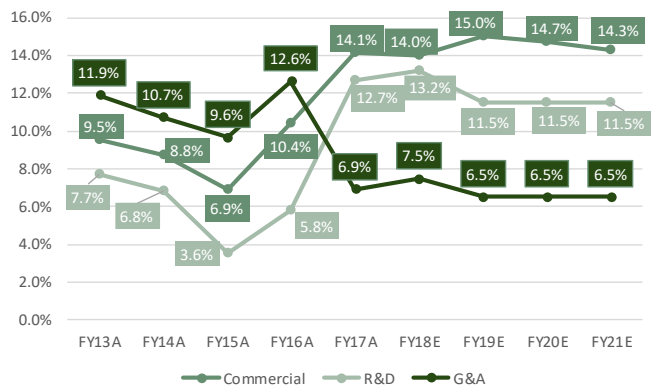
Aerospace, Aviation & Automotive outpacing Banking organic growth rate



Source: company data

### Costs trends (FY013A-FY20E)

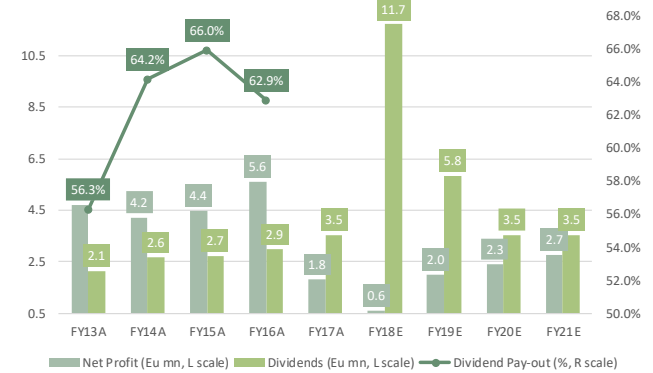
Sustained R&D investments



Source: company data and Alantra estimates

### Dividends (FY13A-FY21E)

We expect ca. Eu0.3 DPS over following years



Source: company data and Alantra estimates

# ALANTRA

## Italian Equity Research Profile

<b>Background</b>	<p>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 &amp; Aviation (74% of total revenues in FY18) and Banking &amp; Finance (22%). TXT operates mainly in the domestic market (64% of total revenues in 1H18); international revenues (36%) went up in recent years thanks to the acquisition of PACE in 2016.</p> <p><b>R&amp;D activity</b> (on average equal to 6-7% 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.</p>
<b>Positioning</b>	<p>In the <b>Aerospace &amp; Aviation</b> 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.</p> <p>In the <b>Banking &amp; Finance</b> 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 and TXT Risk, recently acquired, strengthens TXT's positioning in the Fintech sector and expands the product and service portfolios.</p>
<b>Growth</b>	<p>Revenues went from Eu20.8mn in FY13 to Eu40.0mn in FY18 driven by organic growth and the acquisition of Pace in 2016; CAGR was equal to 13.9% in the period. EBITDA margin improved from 6.4% in FY13 to 9.5% in FY18.</p> <p>The Aerospace &amp; Aviation business is expected to post an 8-10% revenue CAGR in next years supported by cutting edge solution development; the Banking &amp; Finance business is expected to benefit from Cheleo acquisition and a recovery in traditional business. EBITDA margin is expected to reach 12% over the medium term.</p>
<b>Strategy</b>	<p>The future development of TXT will be driven by investments in R&amp;D and M&amp;A activities.</p> <p>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.</p> <p><b>Aerospace &amp; Aviation:</b> 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 &amp; Transport sector might represent an upside opportunity.</p> <p><b>Banking &amp; Finance:</b> 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 (now TXT risk solutions), a start-up providing risk assessment solutions to Banks and Financial institutions.</p>

### 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

1Q19 results: 10 May 2019  
 2Q19 results: 1 Aug 2019  
 3Q18 results: 7 Nov 2019

# ALANTRA

## Italian Equity Research

### Results

#### Results

Quarterly results came below our estimates but for revenues

Eu mn	4Q17A	4Q18A	YoY %	4Q18E	A vs E	FY17A	FY18A	YoY %	FY18E	A vs E
<b>Revenues</b>	9.8	11.3	15.4%	10.6	7.4%	35.9	40.0	11.4%	39.2	2.0%
<i>on sales %</i>	100.0%	100.0%		100.0%		100.0%	100.0%		100.0%	
<b>EBITDA Adjusted</b>	0.8	1.0	14.8%	1.2	-20.0%	3.5	3.8	7.4%	4.0	-6.0%
<i>Ebitda Margin %</i>	8.6%	8.6%		11.5%		9.9%	9.5%		10.3%	
<b>EBIT Adjusted</b>	0.6	0.4	-32.1%	0.5	-25.2%	2.7	1.8	-31.0%	2.0	-6.5%
<i>Ebit Margin %</i>	5.7%	3.4%		4.8%		7.5%	4.6%		5.0%	
<b>Pretax Profit</b>	0.4	(0.5)	-215.5%	0.8	-165.2%	2.5	0.6	-77.2%	1.9	-70.1%
<i>Pretax Margin %</i>	4.6%	-4.6%		7.5%		6.9%	1.4%		4.8%	
<b>Net Profit</b>	67.2	(0.4)	-100.6%	0.3	-238.9%	68.6	0.6	-99.2%	1.3	-56.9%
<i>Net Profit Margin %</i>	684.0%	-3.8%		3.0%		191.2%	1.4%		3.3%	
<b>NFP end of the period</b>	87.3	60.4				87.3	60.4			

Source: Factset and Alantra estimates

## Estimates

#### Change in estimates

We have marginally downward revised our estimates

(Eu mn)	NEW Estimates				% Change				OLD Estimates			
	FY18A	FY19E	FY20E	FY21E	FY18AvE	FY19E	FY20E	FY21E	FY18A	FY19E	FY20E	FY21E
Total Revenues / Value of Production	40.0	46.0	49.8	53.8	2.0%	1.8%	3.2%	5.6%	39.2	45.2	48.3	51.0
EBITDA Adjusted	3.8	5.1	5.7	6.5	-6.0%	-2.4%	-1.6%	2.7%	4.0	5.2	5.8	6.3
EBIT Adjusted	1.8	2.9	3.4	3.9	-6.5%	-8.3%	-8.7%	-4.1%	2.0	3.1	3.7	4.1
Pretax Profit	0.6	2.7	3.2	3.7	-70.1%	-11.9%	-11.7%	-6.8%	1.9	3.0	3.6	4.0
Net profit	0.6	2.0	2.3	2.7	-56.9%	-7.5%	-7.3%	-2.1%	1.3	2.1	2.5	2.8
Net profit restated	0.6	2.0	2.3	2.7	-56.9%	-7.5%	-7.3%	-2.1%	1.3	2.1	2.5	2.8
EPS	0.048	0.166	0.198	0.231	-56.9%	-7.5%	-7.3%	-2.1%	0.111	0.179	0.213	0.236

Source: Factset and Alantra estimates

# ALANTRA

## Italian Equity Research

### Peers

#### Trading multiples

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

Company	Country	Mkt Cap (Eu mn)	EV/EBITDA			EV/EBIT			PE		
			FY19E	FY20E	FY21E	FY19E	FY20E	FY21E	FY19E	FY20E	FY21E
TXT	ITALY	122	8.3 x	7.4 x	6.5 x	14.6 x	12.5 x	10.7 x	26.0 x	21.9 x	18.7 x
Premium (discount) to Peers' Median			-4%	-2%	-16%	33%	37%	21%	92%	83%	79%
<b>PEERS</b>											
Average			9.4 x	8.3 x	8.2 x	11.4 x	9.9 x	9.6 x	14.2 x	12.5 x	12.3 x
Median			8.6 x	7.5 x	7.7 x	11.0 x	9.1 x	8.8 x	13.5 x	11.9 x	10.4 x
AKKA Technologies SE	FRANCE	1,201	8.6 x	7.5 x	6.6 x	11.0 x	9.1 x	7.9 x	13.5 x	11.9 x	10.4 x
Altran Technologies SA	FRANCE	2,551	8.1 x	7.4 x	6.4 x	9.5 x	8.6 x	8.1 x	10.9 x	9.8 x	9.0 x
Alten SA	FRANCE	3,155	11.3 x	10.1 x	8.9 x	12.3 x	10.9 x	9.6 x	17.1 x	16.1 x	14.9 x
Assystem SA	FRANCE	485	14.4 x	13.0 x	11.1 x	16.7 x	14.9 x	12.6 x	13.4 x	11.9 x	10.4 x
HCL Technologies Limited	INDIA	17,359	7.8 x	6.7 x	na	9.1 x	7.9 x	na	12.5 x	11.5 x	na
Tech Mahindra Limited	INDIA	10,124	10.0 x	8.7 x	na	12.1 x	10.4 x	na	14.7 x	13.2 x	na
<b>PEERS Group 1</b>											
Average			10.0 x	8.9 x	8.2 x	11.8 x	10.3 x	9.6 x	13.7 x	12.4 x	11.2 x
Median			9.3 x	8.1 x	7.7 x	11.5 x	9.7 x	8.8 x	13.4 x	11.9 x	10.4 x
Be Think, Solve, Execute S.p.A.	ITALY	119	5.8 x	5.2 x	na	8.5 x	7.2 x	na	14.9 x	12.6 x	na
Reply S.p.A.	ITALY	2,127	12.7 x	10.9 x	na	13.9 x	11.9 x	na	20.8 x	18.3 x	16.8 x
Exprivia SpA	ITALY	66	5.6 x	5.3 x	na	9.8 x	8.6 x	na	10.3 x	6.9 x	na
<b>PEERS Group 2</b>											
Average			8.1 x	7.1 x	nm	10.7 x	9.3 x	nm	15.3 x	12.6 x	16.8 x
Median			5.8 x	5.3 x	nm	9.8 x	8.6 x	nm	14.9 x	12.6 x	16.8 x
Company	Country	Mkt Cap (Eu mn)	Dividend Yield			FCF Yield			Net Debt/EBITDA		
			FY19E	FY20E	FY21E	FY19E	FY20E	FY21E	FY19E	FY20E	FY21E
TXT	ITALY		3.2%	3.2%	3.2%	2.2%	3.0%	3.4%	nm	nm	nm
<b>PEERS</b>											
Average			2.2%	2.4%	2.2%	5.5%	6.7%	8.0%	2.4 x	2.0 x	1.3 x
Median			2.3%	2.5%	2.4%	5.4%	6.5%	8.0%	2.1 x	1.7 x	1.3 x
AKKA Technologies SE	FRANCE	1,201	1.8%	2.1%	2.4%	5.7%	7.5%	na	1.5 x	1.1 x	0.8 x
Altran Technologies SA	FRANCE	2,551	2.4%	2.6%	3.0%	6.5%	8.8%	9.9%	2.7 x	2.3 x	1.9 x
Alten SA	FRANCE	3,155	1.1%	1.1%	1.1%	4.4%	5.4%	6.1%	nm	nm	nm
Assystem SA	FRANCE	485	3.0%	3.3%	3.8%	2.8%	5.6%	na	0.9 x	0.5 x	nm
HCL Technologies Limited	INDIA	17,359	3.2%	3.5%	na	7.0%	8.1%	na	nm	nm	na
Tech Mahindra Limited	INDIA	10,124	2.1%	2.4%	na	5.2%	5.4%	na	nm	nm	na
<b>PEERS Group 1</b>											
Average			2.3%	2.5%	2.5%	5.3%	6.8%	8.0%	1.7 x	1.3 x	1.3 x
Median			2.3%	2.5%	2.7%	5.4%	6.5%	8.0%	1.5 x	1.1 x	1.3 x
Be Think, Solve, Execute S.p.A.	ITALY	119	2.8%	3.7%	na	8.8%	9.2%	na	nm	nm	na
Reply S.p.A.	ITALY	2,127	0.8%	0.9%	0.9%	3.5%	4.1%	na	nm	nm	na
Exprivia SpA	ITALY	66	na	na	na	na	na	na	4.3 x	4.0 x	na
<b>PEERS Group 2</b>											
Average			1.8%	2.3%	0.9%	6.1%	6.6%	nm	4.3 x	4.0 x	nm
Median			1.8%	2.3%	0.9%	6.1%	6.6%	nm	4.3 x	4.0 x	nm

Source: Alantra estimates and Factset

## Financials

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

Company	Country	Mkt Cap (Eu mn)	FY19E - FY21E average margins					CAGR FY18A - FY21E			
			EBITDA Margin	EBIT Margin	Net Income Margin	Capex / Sales	Dividend Payout	Sales	EBITDA	EBIT	EPS
TXT	ITALY	122	11.5%	6.8%	4.7%	1.5%	50.0%	10.4%	19.4%	28.4%	68.8%
PEERS	Average		13.4%	11.1%	8.1%	2.2%	30.0%	8.3%	11.4%	12.5%	15.4%
	Median		13.7%	10.0%	7.7%	2.1%	28.9%	8.1%	11.5%	12.9%	15.5%
AKKA Technologies SE	FRANCE	1,213	10.2%	8.3%	5.0%	2.3%	24.8%	9.8%	16.1%	15.8%	21.4%
Altran Technologies SA	FRANCE	2,563	15.1%	12.6%	7.7%	3.1%	26.0%	7.1%	11.4%	8.1%	15.5%
Alten SA	FRANCE	3,168	10.8%	10.0%	7.4%	0.7%	17.1%	8.1%	9.4%	9.9%	10.1%
Assystem SA	FRANCE	488	7.5%	6.6%	7.8%	1.3%	39.8%	6.4%	11.6%	15.5%	18.2%
HCL Technologies Limited	INDIA	17,836	23.1%	19.7%	16.1%	4.2%	40.0%	na	na	na	na
Tech Mahindra Limited	INDIA	10,101	18.6%	15.5%	12.8%	3.0%	31.7%	na	na	na	na
PEERS Group 1	Average		14.2%	12.1%	9.5%	2.4%	29.9%	7.8%	12.1%	12.3%	16.3%
	Median		13.0%	11.3%	7.8%	2.6%	28.9%	7.6%	11.5%	12.7%	16.8%
Be Think, Solve, Execute S.p.A.	ITALY	120	13.7%	9.9%	6.0%	1.0%	44.2%	8.2%	8.2%	14.5%	na
Reply S.p.A.	ITALY	2,099	14.1%	12.8%	9.1%	2.0%	16.2%	10.3%	11.8%	11.3%	12.0%
Exprivia SpA	ITALY	67	7.5%	4.3%	1.0%	na	na	na	na	na	na
PEERS Group 2	Average		11.8%	9.0%	5.4%	1.5%	30.2%	9.2%	10.0%	12.9%	12.0%
	Median		13.7%	9.9%	6.0%	1.5%	30.2%	9.2%	10.0%	12.9%	12.0%

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	122	0.4%	20.3%	-2.3%	-12.7%	18.7%	-6.7%
PEERS	Average		7.3%	19.8%	5.8%	6.0%	63.4%	111.0%
	Median		8.8%	17.9%	4.9%	9.2%	73.7%	76.1%
AKKA Technologies SE	FRANCE	1,213	9.7%	22.0%	-7.7%	14.3%	126.8%	221.2%
Altran Technologies SA	FRANCE	2,563	22.0%	42.4%	24.6%	-21.4%	1.7%	41.2%
Alten SA	FRANCE	3,168	8.8%	22.4%	7.8%	21.5%	74.4%	141.7%
Assystem SA	FRANCE	488	3.8%	11.6%	15.8%	2.1%	34.4%	41.8%
HCL Technologies Limited	INDIA	17,836	-2.5%	7.6%	-3.7%	9.2%	23.8%	39.4%
Tech Mahindra Limited	INDIA	10,101	0.5%	16.6%	4.9%	33.0%	79.0%	76.1%
PEERS Group 1	Average		7.1%	20.5%	6.9%	9.8%	56.7%	93.6%
	Median		6.3%	19.3%	6.3%	11.7%	54.4%	59.0%
Be Think, Solve, Execute S.p.A.	ITALY	120	-1.6%	2.8%	0.2%	-6.7%	73.7%	146.1%
Reply S.p.A.	ITALY	2,099	12.2%	17.9%	4.0%	13.6%	91.1%	251.7%
Exprivia SpA	ITALY	67	13.0%	34.7%	6.5%	-11.8%	65.2%	40.0%
PEERS Group 2	Average		7.9%	18.4%	3.6%	-1.6%	76.7%	145.9%
	Median		12.2%	17.9%	4.0%	-6.7%	73.7%	146.1%

Source: Factset

# ALANTRA

## Italian Equity Research

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