

# TXT E-SOLUTIONS OUTPERFORM

**Price (Eu):** 8.15  
**Target Price (Eu):** 10.50

SECTOR: Industrials

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## Positive Growth Confirmed Also In the Troubled 2Q20

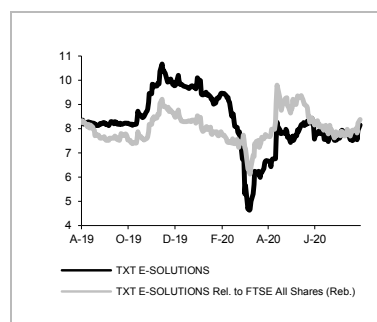
- 2Q Results: positive as expected.** On 6th August at market close TXT reported 2Q20 results. Numbers were positive and broadly in line with our expectations, confirming the growth and resilience of the business despite the Covid-19 crisis. 2Q revenues came to Eu15.9mn, up 4.9% YoY (vs. our estimate of Eu16mn), with organic growth of +0.2% YoY in addition to a 4.7% YoY contribution from acquisitions. Aerospace & Aviation revenues came to Eu10.3mn, better than expected and up +5.6% (entirely organic), while FinTech revenues came to Eu5.5mn, up +3.5% YoY, but down 9.7% on a like-for-like basis. EBITDA came to Eu2.1mn, up 38.8% YoY with a 13.1% margin vs. 12.4% in our estimates and 9.9% in 2Q19. Net profit came in at Eu2.5mn, up 232.2% YoY. This is partly attributable to Eu1.6mn in financial income (vs. Eu0.5mn in financial charges in 2Q19) and a lower tax rate (0.6% in 2Q20 vs. 27.6% in 2Q19). The net financial position was positive at Eu38.3mn, broadly in line with our expectation (Eu38mn).
- Mitigation Plan and M&A fuel positive expectations for 2H20.** The company has managed the current crisis by quickly enabling its employees to work from home and implementing cost-efficiency measures. The outlook for the Aerospace and Aviation business remains mixed: some weakness is foreseeable for civil aviation (ca. 40% of 2019 revenues of the business unit, including 9% coming from Airlines), but TXT revenues are generally not directly related to traffic, while revenues in the Defence segment should continue to be solid, also thanks to multi-year contracts signed at the beginning of 2Q20. Some projects are likely to be delayed at the FinTech division, but the overall mid-term outlook remains positive, with visibility improving thanks to a couple of new contracts. On a positive note, M&A activity has continued with two recent deals: i) on 14 April, the acquisition of 60% of a FinTech startup, TXT Working Capital Solution; ii) on 13 July, the acquisition of MAC Solutions SA (a Swiss company specialising in the provision of ICT professional services for banks) with annual revenues of about Eu5mn and a 20% EBITDA margin.
- Updating our estimates in light of 1H20 and recent acquisitions.** In light of 1H20 results, we broadly confirm our estimates: we have slightly raised Aerospace & Aviation forecasts (still assuming revenues up just 1.5% YoY in 2H20 vs. +5.6% in 2Q20) but trimmed the Fintech contribution before adding the positive impact from MAC Solutions, which entered the consolidation base on 14th July, 2020. As regards 2021, we confirm double-digit top-line growth (including a 4% contribution from M&A) and an 80bp EBITDA margin expansion (from 11.9% in FY20E to 12.7%). The overall change at EPS level is negligible.
- Outperform confirmed, target to Eu10.5 from Eu10.0.** We consider TXT to be well positioned to continue growth trajectory and to seize further opportunities from M&A thanks to a very strong cash position. We are moving our target to Eu10.5, mainly after lowering the equity premium from 6.0% to 5.5% (DCF, WACC 8.0%, t.g. 3.0%).

Key Figures	2018A	2019A	2020E	2021E	2022E
Sales (Eu mn)	40	59	66	73	79
Ebitda (Eu mn)	4	7	8	9	11
Net profit (Eu mn)	1	0	3	5	5
EPS - New Adj.(Eu)	0.049	0.038	0.284	0.389	0.458
EPS - Old Adj.(Eu)	0.049	0.038	0.282	0.390	0.456
DPS (Eu)	0.500	0.000	0.092	0.136	0.160
Ratios & Multiples	2018A	2019A	2020E	2021E	2022E
P/E Adj.	nm	nm	28.7	20.9	17.8
Div. Yield	6.1%	0.0%	1.1%	1.7%	2.0%
EV/Ebitda Adj.	12.0	9.2	8.7	6.7	5.6
ROCE	9.6%	10.7%	9.4%	14.3%	17.6%

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Next event: 3Q Results  
 Results out 5 November

### TXT E-SOLUTIONS - 12m Performance



RATING: Unchanged

TARGET PRICE (Eu): from 10.00 to 10.50

Ch. in Adj.EPS est: 2020E 2021E  
 0.7% -0.3%

### STOCK DATA

Reuters code: TXTS.MI  
 Bloomberg code: TXT IM

Performance	1m	3m	12m
Absolute	8.2%	6.1%	-1.2%
Relative	8.5%	-6.6%	1.9%
12 months H/L:	10.66/4.63		

### SHAREHOLDER DATA

No. of Ord. shares (mn):	13
Total No. of shares (mn):	12
Mkt Cap Ord (Eu mn):	106
Total Mkt Cap (Eu mn):	106
Mkt Float - ord (Eu mn):	49
Mkt Float (in %):	46.3%
Main shareholder:	
Enrico Magni (Lasertine)	26.5%

### BALANCE SHEET DATA

	2020
Book value (Eu mn):	85
BVPS (Eu):	7.29
P/BV:	1.1
Net Financial Position (Eu mn):	37
Enterprise value (Eu mn):	69

Please see important disclaimer  
 on the last page of this report

**TXT E-SOLUTIONS - KEY FIGURES**

		<b>2018A</b>	<b>2019A</b>	<b>2020E</b>	<b>2021E</b>	<b>2022E</b>
	Fiscal year end	31/12/2018	31/12/2019	31/12/2020	31/12/2021	31/12/2022
<b>PROFIT &amp; LOSS (Eu mn)</b>	Sales	40	59	66	73	79
	EBITDA	4	7	8	9	11
	EBIT	2	4	4	6	7
	Financial income (charges)	(1)	(1)	0	0	0
	Associates & Others	0	0	0	0	0
	Pre-tax profit (Loss)	1	2	4	6	7
	Taxes	0	(2)	(1)	(2)	(2)
	Tax rate (%)	-0.7%	80.6%	25.0%	28.0%	28.0%
	Minorities & discontinue activities	0	(0)	(0)	(0)	(0)
	Net profit	1	0	3	5	5
	Total extraordinary items	0	0	0	0	0
	Ebitda excl. extraordinary items	4	7	8	9	11
	Ebit excl. extraordinary items	2	5	5	7	8
Net profit restated	1	0	3	5	5	
<b>PER SHARE DATA (Eu)</b>	Total shares out (mn) - average fd	12	12	12	12	12
	EPS stated fd	0.049	0.038	0.284	0.389	0.458
	EPS restated fd	0.049	0.038	0.284	0.389	0.458
	BVPS fd	7.414	7.028	7.290	7.587	7.909
	Dividend per share (ord)	0.500	0.000	0.092	0.136	0.160
	Dividend per share (sav)	0.000	0.000	0.000	0.000	0.000
	Dividend pay out ratio (%)	1023.2%	0.0%	35.0%	35.0%	29.7%
<b>CASH FLOW (Eu mn)</b>	Gross cash flow	2	4	7	8	9
	Change in NWC	(0)	(7)	(6)	1	(2)
	Capital expenditure	(1)	(1)	(1)	(1)	(1)
	Other cash items	(4)	(1)	0	0	0
	Free cash flow (FCF)	1	(5)	0	7	6
	Acquisitions, divestments & others	(7)	(6)	(5)	0	0
	Dividend	(12)	(6)	0	(1)	(2)
	Equity financing/Buy-back	0	0	0	0	0
Change in Net Financial Position	(27)	(19)	(4)	6	4	
<b>BALANCE SHEET (Eu mn)</b>	Total fixed assets	23	35	32	30	27
	Net working capital	7	10	16	16	18
	Long term liabilities	(4)	(5)	(5)	(5)	(5)
	Net capital employed	26	41	43	41	40
	Net financial position	60	41	37	43	47
	Group equity	86	82	85	88	92
	Minorities	0	0	0	0	0
Net equity	86	82	85	88	92	
<b>ENTERPRISE VALUE (Eu mn)</b>	Average mkt cap - current	106	106	106	106	106
	Adjustments (associate & minorities)	0	0	0	0	0
	Net financial position	60	41	37	43	47
	Enterprise value	46	65	69	63	59
<b>RATIOS(%)</b>	EBITDA margin*	9.5%	11.9%	11.9%	12.7%	13.4%
	EBIT margin*	4.6%	8.4%	8.2%	9.6%	10.5%
	Gearing - Debt/equity	-69.9%	-50.6%	-43.8%	-49.2%	-51.5%
	Interest cover on EBIT	1.4	2.9	nm	nm	nm
	Debt/Ebitda	nm	nm	nm	nm	nm
	ROCE*	9.6%	10.7%	9.4%	14.3%	17.6%
	ROE*	0.6%	0.5%	3.7%	5.2%	5.9%
	EV/CE	2.4	1.9	1.6	1.5	1.4
	EV/Sales	1.1	1.1	1.0	0.9	0.7
	EV/Ebit	24.7	13.0	12.6	8.9	7.1
Free Cash Flow Yield	0.8%	-4.2%	0.2%	6.9%	5.3%	
<b>GROWTH RATES (%)</b>	Sales	11.4%	47.9%	12.2%	10.3%	7.4%
	EBITDA*	7.4%	84.4%	12.3%	18.1%	13.1%
	EBIT*	-31.0%	170.3%	9.7%	27.9%	17.4%
	Net profit	-99.2%	-20.7%	581.1%	48.5%	17.8%
	EPS restated	-67.5%	-20.7%	637.3%	37.2%	17.8%

\* Excluding extraordinary items

Source: Intermonte SIM estimates

## 2Q20 Results

**2Q Results: positive as expected.** On 6th August at market close TXT reported 2Q20 results. Numbers were positive and broadly in line with our expectations, confirming the growth and resilience of the business despite the Covid-19 crisis. 2Q revenues came to Eu15.9mn, up 4.9% YoY (vs. our estimate of Eu16mn), with organic growth of +0.2% YoY in addition to a 4.7% YoY contribution from acquisitions. Aerospace & Defence revenues came to Eu10.3mn, better than expected and up +5.6% (entirely organic), while Banking & Finance revenues came to Eu5.5mn, up +3.5% YoY, but down 9.7% on a like-for-like basis. EBITDA came to Eu2.1mn, up 38.8% YoY with a 13.1% margin vs. 12.4% in our estimates and 9.9% in 2Q19. Net profit came in at Eu2.5mn, up 232.2% YoY. This is partly attributable to Eu1.6mn in financial income (vs. Eu0.5mn in financial charges in 2Q19) and a lower tax rate (0.6% in 2Q20 vs. 27.6% in 2Q19). The net financial position was positive at Eu38.3mn, broadly in line with our expectation (Eu38mn).

### TXT – Quarterly Income Statement

	2Q19A	2Q20A	2Q20E	A/E %	2019A	2020E
<b>Revenue</b>	<b>15.1</b>	<b>15.9</b>	<b>16.0</b>	<b>-1.1%</b>	<b>59.1</b>	<b>66.3</b>
YoY growth	57.3%	4.9%	6.1%		47.9%	12.2%
<b>EBITDA IFRS</b>	<b>1.5</b>	<b>2.1</b>	<b>2.0</b>	<b>4.6%</b>	<b>7.0</b>	<b>7.9</b>
YoY growth	68.8%	38.8%	32.7%		84.4%	12.3%
EBITDA IFRS margin %	9.9%	13.1%	12.4%		11.9%	11.9%
- D&A	(0.4)	(0.5)	(0.6)		(2.0)	(2.4)
<b>EBITA</b>	<b>1.1</b>	<b>1.6</b>	<b>1.4</b>	<b>14.6%</b>	<b>5.0</b>	<b>5.5</b>
YoY growth	150.9%	43.8%	25.5%		170.3%	9.7%
- Financial income/(charges)	0.5	1.6	0.3		(1.2)	0.1
<b>Pre-tax profit</b>	<b>1.0</b>	<b>2.5</b>	<b>1.2</b>	<b>110.2%</b>	<b>2.3</b>	<b>4.1</b>
- Income tax	(0.3)	(0.0)	(0.3)		(1.9)	(1.0)
Tax rate %	27.6%	0.6%	25.0%		80.6%	25.0%
<b>Net income from cont. op.</b>	<b>0.7</b>	<b>2.5</b>	<b>0.9</b>	<b>178.6%</b>	<b>0.4</b>	<b>3.1</b>
YoY growth	127.4%	232.0%	19.2%		-20.7%	581.1%
Net profit margin %	4.9%	15.6%	5.5%		0.8%	4.6%
<b>Net debt/(cash)</b>	<b>(44.2)</b>	<b>(38.3)</b>	<b>(38.0)</b>		<b>(41.4)</b>	<b>(41.7)</b>

Source: Company data and Intermonte SIM

**TXT – Quarterly Revenues and EBITDA**

Revenue	2Q19A	2Q20A	2Q20E	A/E %	2019A	2020E
<b>Aerospace &amp; Aviation</b>	<b>9.8</b>	<b>10.3</b>	<b>9.9</b>	<b>4.6%</b>	<b>38.7</b>	<b>41.2</b>
YoY growth	24.9%	5.6%	1.0%		24.4%	6.5%
<b>Organic</b>	<b>24.9%</b>	<b>5.6%</b>	<b>1.0%</b>		<b>24.4%</b>	<b>6.5%</b>
Scope	0.0%	0.0%	0.0%		0.0%	0.0%
<b>FinTech</b>	<b>5.3</b>	<b>5.5</b>	<b>6.2</b>	<b>-10.2%</b>	<b>20.4</b>	<b>25.1</b>
YoY growth	200.6%	3.5%	15.2%		130.3%	23.1%
<b>Organic</b>	<b>41.9%</b>	<b>-9.7%</b>	<b>4.0%</b>		<b>21.2%</b>	<b>-4.0%</b>
Scope	159%	13%	11%		109%	27%
<b>Revenue</b>	<b>15.1</b>	<b>15.9</b>	<b>16.0</b>	<b>-1.1%</b>	<b>59.1</b>	<b>66.3</b>
YoY growth	57.3%	4.9%	6.1%		47.9%	12.2%
<b>Organic</b>	<b>28.0%</b>	<b>0.2%</b>	<b>2.1%</b>		<b>23.7%</b>	<b>2.9%</b>
Scope	29.3%	4.7%	4.0%		24.2%	9.3%

EBITDA	2Q19A	2Q20A	2Q20E	A/E %	2019A	2020E
<b>Aerospace &amp; Aviation</b>	<b>1.2</b>	<b>1.3</b>	<b>1.4</b>	<b>-6.9%</b>	<b>5.7</b>	<b>5.4</b>
YoY growth	43.4%	6.8%	14.7%		56.4%	-5.9%
EBITDA margin %	12.8%	12.9%	14.5%		14.7%	13.0%
<b>FinTech</b>	<b>0.2</b>	<b>0.7</b>	<b>0.6</b>	<b>34.3%</b>	<b>1.3</b>	<b>2.5</b>
YoY growth	0.0%	0.0%	0.0%		179.5%	91.3%
EBITDA margin %	4.6%	13.5%	9.0%		6.4%	10.0%
<b>EBITDA</b>	<b>1.5</b>	<b>2.1</b>	<b>2.0</b>	<b>4.6%</b>	<b>7.0</b>	<b>7.9</b>
YoY growth	68.8%	38.8%	32.7%		84.4%	12.3%
EBITDA margin %	9.9%	13.1%	12.4%		11.9%	11.9%

Source: Company data and Intermonte SIM

**TXT – Revenues and EBITDA breakdown**

Revenue	2019A	2020E	2021E	2022E
<b>Aerospace &amp; Aviation</b>	<b>38.7</b>	<b>41.2</b>	<b>43.3</b>	<b>46.3</b>
YoY growth	24.4%	6.5%	5.0%	7.0%
<b>Organic</b>	<b>24.4%</b>	<b>6.5%</b>	<b>5.0%</b>	<b>7.0%</b>
Scope	0.0%	0.0%	0.0%	0.0%
<b>FinTech</b>	<b>20.4</b>	<b>25.1</b>	<b>29.8</b>	<b>32.2</b>
YoY growth	130.3%	23.1%	18.9%	8.0%
<b>Organic</b>	<b>21.2%</b>	<b>-4.0%</b>	<b>8.0%</b>	<b>8.0%</b>
Scope	109.1%	27.1%	10.9%	0.0%
<b>Revenue</b>	<b>59.1</b>	<b>66.3</b>	<b>73.1</b>	<b>78.5</b>
YoY growth	47.9%	12.2%	10.3%	7.4%
<b>Organic</b>	<b>23.7%</b>	<b>2.9%</b>	<b>6.1%</b>	<b>7.4%</b>
Scope	24.2%	9.3%	4.1%	0.0%
Forex	0.0%	0.0%	0.0%	0.0%

EBITDA	2019A	2020E	2021E	2022E
<b>Aerospace &amp; Aviation</b>	<b>5.7</b>	<b>5.4</b>	<b>5.7</b>	<b>6.5</b>
YoY growth	56.4%	-5.9%	6.6%	13.5%
EBITDA margin %	14.7%	13.0%	13.2%	14.0%
<b>FinTech</b>	<b>1.3</b>	<b>2.5</b>	<b>3.6</b>	<b>4.0</b>
YoY growth	179.5%	91.3%	42.7%	12.5%
EBITDA margin %	6.4%	10.0%	12.0%	12.5%
<b>EBITDA</b>	<b>7.0</b>	<b>7.9</b>	<b>9.3</b>	<b>10.5</b>
YoY growth	84.4%	12.3%	18.1%	13.1%
EBITDA margin %	11.9%	11.9%	12.7%	13.4%

Source: Company data and Intermonte SIM

## FY20 Guidance and change in estimates

**Mitigation Plan and M&A fuel positive expectations for 2H20.** The company has managed the current crisis by quickly enabling its employees to work from home and implementing cost-efficiency measures. The outlook for the Aerospace and Aviation business remains mixed: some weakness is foreseeable for civil aviation (ca. 40% of 2019 revenues of the business unit, including 6% coming from Airlines), but TXT revenues are generally not directly related to traffic, while revenues in the Defence segment should continue to be solid, also thanks to multi-year contracts signed at the beginning of 2Q20. Some projects are likely to be delayed at the FinTech division, but the overall mid-term outlook remains positive, with visibility improving thanks to a couple of new contracts. On a positive note, M&A activity has continued with two recent deals: i) on 14 April, the acquisition of 60% of a FinTech startup, TXT Working Capital Solution; ii) on 13 July, the acquisition of MAC Solutions SA (a Swiss company specialising in the provision of ICT professional services for banks) with annual revenues of about Eu5mn and a 20% EBITDA margin.

**Updating our estimates in light of 1H20 and recent acquisitions.** In light of 1H20 results, we broadly confirm our estimates: we have slightly raised Aerospace and Defence forecasts (still assuming revenues up just 1.5% YoY in 2H20 vs. +5.6% in 2Q20) but trimmed the Fintech contribution before adding the positive impact from MAC Solutions, which entered the consolidation base on 14th July, 2020. As regards 2021, we confirm double-digit top-line growth (including a 4% contribution from M&A) and an 80bp EBITDA margin expansion (from 11.9% in FY20E to 12.7%). The overall change at EPS level is negligible.

### TXT – Changes to estimates

	New			Old			Change %		
	2020E	2021E	2022E	2020E	2021E	2022E	2020E	2021E	2022E
<b>Revenue</b>	<b>66.3</b>	<b>73.1</b>	<b>78.5</b>	<b>64.8</b>	<b>69.2</b>	<b>74.3</b>	<b>2.3%</b>	<b>5.7%</b>	<b>5.7%</b>
YoY growth	12.2%	10.3%	7.4%	9.6%	6.8%	7.4%			
Organic	2.9%	6.1%	7.4%	4.3%	6.8%	7.4%			
Scope	9.3%	4.1%	0.0%	5.3%	0.0%	0.0%			
<b>EBITDA pre-stock grant</b>	<b>7.9</b>	<b>9.3</b>	<b>10.5</b>	<b>7.5</b>	<b>8.9</b>	<b>10.1</b>	<b>5.1%</b>	<b>3.9%</b>	<b>3.9%</b>
YoY growth	12.3%	18.1%	13.1%	6.9%	19.5%	13.1%			
EBITDA margin %	11.9%	12.7%	13.4%	11.6%	12.9%	13.6%			
<b>EBIT</b>	<b>4.0</b>	<b>6.0</b>	<b>7.1</b>	<b>4.5</b>	<b>6.2</b>	<b>7.3</b>	<b>-10.9%</b>	<b>-3.5%</b>	<b>-2.3%</b>
YoY growth	11.7%	51.0%	18.7%	25.4%	39.5%	17.2%			
EBIT margin %	6.0%	8.2%	9.1%	6.9%	9.0%	9.8%			
<b>Pre-tax profit</b>	<b>4.1</b>	<b>6.3</b>	<b>7.4</b>	<b>4.6</b>	<b>6.3</b>	<b>7.4</b>	<b>-10.7%</b>	<b>-0.3%</b>	<b>0.4%</b>
- Income tax	(1.0)	(1.8)	(2.1)	(1.3)	(1.8)	(2.1)			
Tax rate %	25.0%	28.0%	28.0%	28.0%	28.0%	28.0%			
<b>Net income from cont. op.</b>	<b>3.1</b>	<b>4.5</b>	<b>5.3</b>	<b>3.3</b>	<b>4.5</b>	<b>5.3</b>	<b>-7.0%</b>	<b>-0.3%</b>	<b>0.4%</b>
YoY growth	581.1%	48.5%	17.8%	631.9%	38.6%	16.9%			
Net profit margin %	4.6%	6.2%	6.8%	5.1%	6.6%	7.2%			
<b>EPS adj.</b>	<b>0.28</b>	<b>0.39</b>	<b>0.46</b>	<b>0.28</b>	<b>0.39</b>	<b>0.46</b>	<b>0.7%</b>	<b>-0.3%</b>	<b>0.4%</b>
YoY growth	637.3%	37.2%	17.8%	631.9%	38.6%	16.9%			
<b>Net cash/(debt)</b>	<b>41.7</b>	<b>48.0</b>	<b>52.0</b>	<b>41.7</b>	<b>48.2</b>	<b>51.8</b>	<b>0.0%</b>	<b>-0.5%</b>	<b>0.4%</b>
<b>FCF (ex. acq)</b>	<b>0.2</b>	<b>7.4</b>	<b>5.6</b>	<b>0.3</b>	<b>7.7</b>	<b>5.2</b>	<b>-1.1%</b>	<b>-4.1%</b>	<b>8.0%</b>

Source: Intermonte SIM estimates

**Peer Group - Absolute Performances**

Stock	Price	Ccy	Mkt cap	1M	3M	6M	YTD	1Y	2Y
<b>TXT E-SOLUTIONS</b>	<b>8.15</b>	<b>EUR</b>	<b>106</b>	<b>8.2%</b>	<b>6.1%</b>	<b>-13.8%</b>	<b>-15.6%</b>	<b>-1.2%</b>	<b>-14.2%</b>
AMERICAN SOFTWARE	17.17	USD	557	9.4%	3.4%	16.8%	15.4%	27.3%	7.6%
ATOSS SOFTWARE	106.50	EUR	1,694	-0.9%	20.7%	28.7%	48.4%	57.8%	151.8%
CAPGEMINI	110.55	EUR	18,698	6.0%	24.3%	-4.6%	1.5%	1.2%	0.5%
COMPUTACENTER	20.14	GBP	2,263	23.6%	34.7%	6.4%	13.6%	41.3%	29.1%
DESCARTES SYSTEMS	75.47	CAD	6,351	1.9%	19.6%	21.0%	36.0%	63.5%	71.6%
DEVOTEAM	98.10	EUR	804	0.3%	37.6%	15.1%	3.8%	-3.3%	-9.3%
MANHATTAN ASSOCIATE	91.97	USD	5,842	1.4%	19.8%	17.2%	15.3%	8.1%	80.5%
ORACLE	54.94	USD	168,593	-4.3%	2.6%	-0.1%	3.7%	1.9%	13.7%
REPLY	86.20	EUR	3,225	18.2%	28.5%	13.6%	24.1%	62.0%	55.0%
SAP	134.94	EUR	159,175	-0.1%	25.2%	9.1%	12.2%	27.2%	36.8%
SOPRA GROUP	132.00	EUR	2,673	12.5%	28.0%	-12.1%	-8.0%	14.3%	-11.9%
SQS SOFTWARE	---	EUR	---	---	---	---	---	---	---
<b>Mean performance</b>				<b>6.4%</b>	<b>20.9%</b>	<b>8.1%</b>	<b>12.5%</b>	<b>25.0%</b>	<b>34.3%</b>
<b>Italy FTSE Mib</b>	19,651.6	EUR		-0.6%	12.7%	-19.8%	-16.4%	-3.3%	-6.8%

Source: FactSet

**Peer Group - Multiple Comparison**

Stock	Price	Ccy	Mkt cap	EV/Sales		EV/Ebitda		EV/Ebit		P/E		Div Yield	
				2020	2021	2020	2021	2020	2021	2020	2021	2020	2021
<b>TXT E-SOLUTIONS</b>	<b>8.15</b>	<b>EUR</b>	<b>106</b>	<b>1.0</b>	<b>0.9</b>	<b>8.7</b>	<b>6.7</b>	<b>12.6</b>	<b>8.9</b>	<b>28.7</b>	<b>20.9</b>	<b>1.1%</b>	<b>1.7%</b>
AMERICAN SOFTWARE	17.17	USD	557	3.9	3.6	32.3	25.5	74.3	45.1	67.3	49.1		
ATOSS SOFTWARE	106.50	EUR	1,694	9.8	8.4	31.5	25.5	36.7	29.5	54.9	44.7	1.4%	1.7%
CAPGEMINI	110.55	EUR	18,698	1.5	1.3	10.2	8.8	13.8	11.8	17.3	14.9	1.5%	1.8%
COMPUTACENTER	20.14	GBP	2,263	0.4	0.4	10.6	10.0	13.7	12.8	20.9	20.3	1.9%	2.1%
DESCARTES SYSTEMS	75.47	CAD	6,351	13.3	11.8	33.4	29.0	65.0	50.8	101.2	77.7		
DEVOTEAM	98.10	EUR	804	1.0	0.9	8.4	7.2	10.6	8.8	23.7	18.9	0.9%	1.1%
MANHATTAN ASSOCIATE	91.97	USD	5,842	10.0	8.9	41.0	37.2	43.2	38.6	59.0	55.0		
ORACLE	54.94	USD	168,593	5.0	4.8	10.3	10.0	11.2	10.8	13.6	12.5	1.7%	1.7%
REPLY	86.20	EUR	3,225	2.5	2.2	15.9	13.3	19.8	16.5	29.9	25.9	0.6%	0.7%
SAP	134.94	EUR	159,175	6.2	5.7	18.6	16.4	20.7	18.0	26.6	23.3	1.2%	1.4%
SOPRA GROUP	132.00	EUR	2,673	0.7	0.7	7.6	6.3	12.9	9.8	16.7	13.1	1.1%	1.6%
SQS SOFTWARE		EUR											
<b>Median</b>				<b>3.9</b>	<b>3.6</b>	<b>15.9</b>	<b>13.3</b>	<b>19.8</b>	<b>16.5</b>	<b>26.6</b>	<b>23.3</b>	<b>1.3%</b>	<b>1.7%</b>

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

**TXT E-SOLUTIONS - Estimates Comparison with Consensus**

(Eu mn)	2020			2021		
	Intermonte	Consensus	%diff	Intermonte	Consensus	%diff
<b>Revenues</b>	66.3	64.7	2.5%	73.1	68.5	6.7%
<b>Ebitda</b>	7.9	6.7	17.0%	9.3	8.5	9.5%
<b>Net Profit</b>	3.1	2.7	11.1%	4.5	4.4	3.4%
<b>EPS</b>	0.284	0.272	4.3%	0.389	0.381	2.3%
<b>Net Debt</b>	37.2	42.2	-12.0%	43.5	47.0	-7.6%

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):	10.50		Previous Target (Eu):	10.00
Current Price (Eu):	8.15		Previous Price (Eu):	7.52
Date of report:	11/08/2020		Date of last report:	14/05/2020

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The main methods used to evaluate financial instruments and set a target price for 12 months after the investment recommendation are as follows:

- Discounted cash flow (DCF) model or similar methods such as a dividend discount model (DDM)
- 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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As at 30 June 2020 IntermonTE's Research Department covered 123 companies. IntermonTE's distribution of stock ratings is as follows:

BUY:	08,00 %
OUTPERFORM:	46,40 %
NEUTRAL:	36,80 %
UNDERPERFORM	08,80 %
SELL:	00,00 %

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BUY:	14,58 %
OUTPERFORM:	64,58 %
NEUTRAL:	20,84 %
UNDERPERFORM	00,00 %
SELL:	00,00 %

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OLIDATA	0,74	SHORT
SPACTV	1,08	LONG
THESPAC	0,89	LONG
VEI 1	0,87	LONG
WITT	2,6	LONG

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