

TXT E-SOLUTIONS

Sector: Industrials

OUTPERFORM

Price: Eu10.02 - Target: Eu12.70

Positive Organic Trends Coupled to Contribution from M&A

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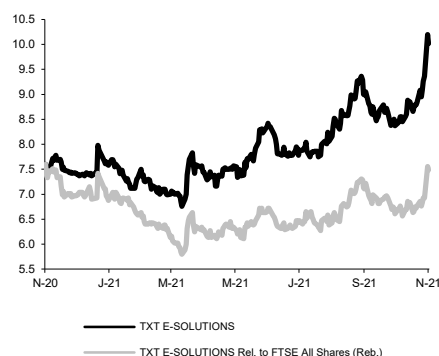
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Stock Rating

Rating:	Unchanged		
Target Price (Eu):	from 12.40 to 12.70		
	2021E	2022E	2023E
Chg in Adj EPS	2.8%	1.1%	0.2%

TXT E-SOLUTIONS - 12M Performance



Stock Data

Reuters code:	TXTS.MI
Bloomberg code:	TXT IM

Performance	1M	3M	12M
Absolute	19.7%	22.8%	31.8%
Relative	14.1%	17.7%	-1.9%
12M (H/L)	10.20/6.76		
3M Average Volume (th):	33.41		

Shareholder Data

No. of Ord shares (mn):	13
Total no. of shares (mn):	12
Mkt Cap Ord (Eu mn):	130
Total Mkt Cap (Eu mn):	130
Mkt Float - Ord (Eu mn):	65
Mkt Float (in %):	50.0%
Main Shareholder:	
Enrico Magni (Laserline)	29.6%

Balance Sheet Data

Book Value (Eu mn):	90
BVPS (Eu):	7.61
P/BV:	1.3
Net Financial Position (Eu mn):	5
Enterprise Value (Eu mn):	113

■ **3Q21 results: a sound beat on EBITDA and net income.** Quarterly revenues came in at Eu23.0mn, up +46.5% YoY (+14.6% organic) and 2.3% above our expectations. The surprise came at the **Aerospace, Aviation & Automotive** business (59% of total sales at YE20), which grew by 40% YoY thanks to 22.8% organic growth and the consolidation of TeraTron (acquired in July 2021 and accounting for Eu1.7mn). Elsewhere, the **Fintech** business grew 57.5% YoY thanks to 1.0% organic growth and the consolidation of HSPI, which accounted for Eu3.3mn. EBITDA came to Eu3.1mn, up +48.9% YoY and 6.3% stronger than expected with a margin that peaked at 13.4%. Below the EBITDA line, it is worth noting, as in 1H21, a Eu0.3mn increase in D&A if compared to the corresponding figure in 3Q20 due to the consolidation of acquired companies. At the bottom line, net profit was Eu2.1mn, higher than our Eu1.3mn forecast thanks also to positive taxes. Finally, the net financial position as at the end of September 2021 was positive to the tune of Eu3.5mn, better than our estimates and down if compared to Eu11.1mn as at the end of June 2021, after the outlay for the purchase of TeraTron (Eu10.1mn).

■ **Positive management outlook.** In 4Q21, management sees further revenue growth, both organic and through acquisitions (TeraTron and HSPI). The market outlook for the Defence segment remains positive thanks to multi-year contracts and to consolidated relationships with domestic and international players. Positive signals come from the Civil Aviation segment with the signing at the end of October 2021 of a new trial contract with one of the top five North American airlines for the supply of the Pacelab FPO product (Flight Profile Optimiser) and the awarding of new licence contracts with a leading Chinese player in the aviation market. In the Fintech domain, in October 2021 TXT entered into a new, multi-year contract with a key banking institution, and a regional public entity for proprietary platform FARADAY.

■ **M&A scouting ongoing: another deal likely to be completed by end-2021.** The company has a cash position (Eu5.3mn expected as at the end of FY21) and available treasury shares (1,243,372 as at 30 September 2021) to pursue an external growth strategy. By year-end, management is willing to announce new deals for a total consideration in line with the outlay for recent acquisition TeraTron.

■ **Fine-tuning our estimates.** In light of positive market trends, the visibility on our assumptions is increasing and now we assume 7.9% organic growth for the 2021 top line. We have lifted our EBITDA figures by 2.8% for 2021, factoring a 20bp margin expansion from our previous estimates, and by 0.7% for 2022. At bottom line, we are raising 2021 and 2022 adj. EPS by 2.8% and 1.1% respectively. The expected announcement of a new acquisition should drive a further estimate upgrade.

■ **OUTPERFORM Confirmed, TP up to Eu12.7.** We confirm our positive stance on the stock, as we foresee positive organic growth rates going forward, coupled to the contribution from recent acquisitions. News flow about potential new orders (especially in the Aerospace, Aviation & Automotive segment) represents the main catalyst for our recommendation, together with any new M&A announcement.

Key Figures & Ratios	2019A	2020A	2021E	2022E	2023E
Sales (Eu mn)	59	69	92	103	111
EBITDA Adj (Eu mn)	7	9	13	14	15
Net Profit Adj (Eu mn)	0	4	5	7	8
EPS New Adj (Eu)	0.039	0.383	0.438	0.588	0.666
EPS Old Adj (Eu)	0.039	0.383	0.426	0.581	0.664
DPS (Eu)	0.000	0.040	0.068	0.091	0.102
EV/EBITDA Adj	8.9	8.1	9.1	7.4	6.4
EV/EBIT Adj	14.6	18.4	14.1	11.0	9.3
P/E Adj	nm	26.2	22.9	17.1	15.1
Div. Yield	0.0%	0.4%	0.7%	0.9%	1.0%
Net Debt/EBITDA Adj	-5.9	-2.6	-0.4	-0.8	-1.2

TXT E-SOLUTIONS – Key Figures

Profit & Loss (Eu mn)	2018A	2019A	2020A	2021E	2022E	2023E
Sales	40	59	69	92	103	111
EBITDA	4	7	9	13	14	15
EBIT	2	4	3	8	10	11
Financial Income (charges)	-1	-1	3	0	0	0
Associates & Others	0	0	0	0	0	0
Pre-tax Profit	1	2	6	8	10	11
Taxes	0	-2	-1	-3	-3	-3
Tax rate	-0.7%	80.6%	19.8%	32.0%	29.0%	28.0%
Minorities & Discontinued Operations	0	-0	-0	-0	-0	-0
Net Profit	1	0	5	5	7	8
EBITDA Adj	4	7	9	13	14	15
EBIT Adj	2	4	4	8	10	11
Net Profit Adj	1	0	4	5	7	8
Per Share Data (Eu)	2018A	2019A	2020A	2021E	2022E	2023E
Total Shares Outstanding (mn) - Average	12	12	12	12	12	12
Total Shares Outstanding (mn) - Year End	12	12	12	12	12	12
EPS f.d	0.049	0.039	0.383	0.438	0.588	0.666
EPS Adj f.d	0.049	0.039	0.383	0.438	0.588	0.666
BVPS f.d	7.414	7.028	7.313	7.611	8.198	8.790
Dividend per Share ORD	0.500	0.000	0.040	0.068	0.091	0.102
Dividend per Share SAV	0.000	0.000	0.000	0.000	0.000	0.000
Dividend Payout Ratio (%)	1030.7%	0.0%	10.4%	15.6%	15.4%	15.4%
Cash Flow (Eu mn)	2018A	2019A	2020A	2021E	2022E	2023E
Gross Cash Flow	2	4	10	10	11	12
Change in NWC	-0	-7	-16	1	-3	-3
Capital Expenditure	-1	-1	-1	-1	-2	-2
Other Cash Items	-4	-1	0	-0	0	0
Free Cash Flow (FCF)	1	-5	-7	9	7	8
Acquisitions, Divestments & Other Items	-7	-2	-17	-25	0	0
Dividends	-12	-6	0	-0	-1	-1
Equity Financing/Buy-back	0	0	0	0	0	0
Change in Net Financial Position	-27	-19	-19	-17	6	7
Balance Sheet (Eu mn)	2018A	2019A	2020A	2021E	2022E	2023E
Total Fixed Assets	23	35	47	44	41	38
Net Working Capital	7	10	21	20	24	27
Long term Liabilities	-4	-5	-5	-5	-5	-5
Net Capital Employed	26	41	64	60	60	60
Net Cash (Debt)	60	41	22	5	11	18
Group Equity	86	82	85	90	96	103
Minorities	0	0	0	0	0	0
Net Equity	86	82	85	90	96	103
Enterprise Value (Eu mn)	2018A	2019A	2020A	2021E	2022E	2023E
Average Mkt Cap	116	104	91	119	118	118
Adjustments (Associate & Minorities)	0	0	0	0	0	0
Net Cash (Debt)	60	41	22	5	11	18
Enterprise Value	56	62	69	113	107	100
Ratios (%)	2018A	2019A	2020A	2021E	2022E	2023E
EBITDA Adj Margin	9.5%	11.9%	12.5%	13.5%	13.9%	14.0%
EBIT Adj Margin	4.6%	7.2%	5.5%	8.7%	9.5%	9.7%
Gearing - Debt/Equity	-69.9%	-50.6%	-25.8%	-5.9%	-11.6%	-17.6%
Interest Cover on EBIT	1.4	2.9	nm	nm	nm	nm
Net Debt/EBITDA Adj	-15.9	-5.9	-2.6	-0.4	-0.8	-1.2
ROACE*	9.6%	10.7%	6.0%	12.5%	16.2%	17.9%
ROE*	0.6%	0.5%	5.4%	5.9%	7.4%	7.8%
EV/CE	2.9	1.9	1.3	1.8	1.8	1.7
EV/Sales	1.4	1.1	1.0	1.2	1.0	0.9
EV/EBITDA Adj	14.7	8.9	8.1	9.1	7.4	6.4
EV/EBIT Adj	30.3	14.6	18.4	14.1	11.0	9.3
Free Cash Flow Yield	0.7%	-3.5%	-5.1%	7.2%	5.1%	6.2%
Growth Rates (%)	2018A	2019A	2020A	2021E	2022E	2023E
Sales	11.4%	47.8%	16.4%	34.5%	11.2%	7.7%
EBITDA Adj	7.4%	84.4%	22.2%	46.2%	14.4%	7.9%
EBIT Adj	-31.0%	131.4%	-12.2%	113.8%	21.2%	10.7%
Net Profit Adj	-99.2%	-20.5%	950.1%	14.2%	32.1%	12.9%
EPS Adj	-67.5%	-20.5%	893.2%	14.3%	34.2%	13.3%
DPS	-50.0%	nm	nm	70.5%	33.0%	12.9%

*Excluding extraordinary items

Source: Intermonte SIM estimates

TXT e-solutions in Brief

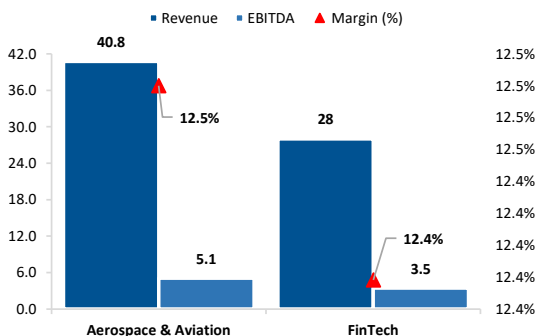
Company description

TXT e-solutions is an international IT group, an end-to-end provider of consultancy, software services and solutions for: 1) the aerospace, aeronautics, and automotive sector, where it offers specific products and engineering services; 2) the fintech sector where it focuses on software testing and quality services. Listed on the Milan Stock Exchange since 2000 on the STAR segment, TXT has its head office in Milan

Strengths /Opportunities

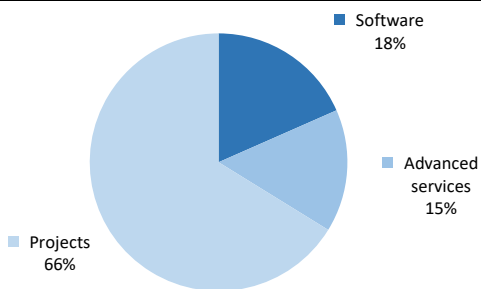
- Multi-year experience in the digital domain
- Proprietary software portfolio
- Highly specialised workforce
- Solid M&A track record
- Solid balance sheet
- Geographical expansion & product diversification

Revenue and EBITDA breakdown by segment (Eu mn, 2020A)



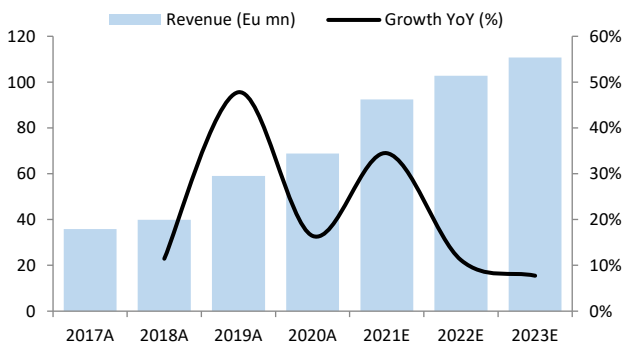
Source: Company data & Intermonte SIM

Aerospace & Aviation – Revenue breakdown (2020A)



Source: Company data & Intermonte SIM

Revenue evolution (2017A-2023E)



Source: Company data & Intermonte SIM

Management

CEO: Daniele Misani
Chairman: Enrico Magni
CFO: Eugenio Forcinito

Next BoD renewal: 12/2022
BoD independent members: 4/7

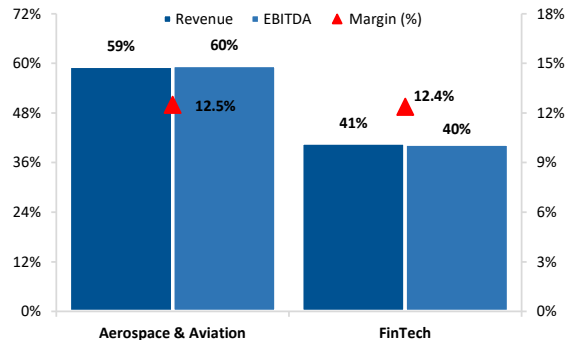
Shareholders

Laserline SpA	29.6%
Managers	10.3%
Treasury Shares	10.0%
Market	50.0%

Weaknesses /Threats

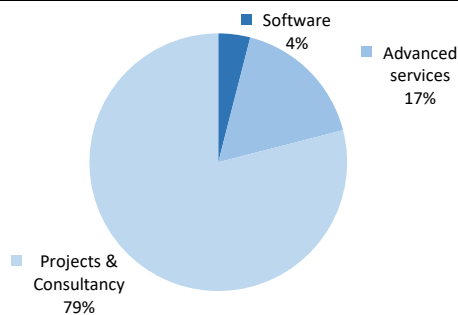
- High level of competition in the digital sector
- Business cyclicity, especially in the civil aviation sector
- Limited company size
- New entrants to the sector and fierce competition
- Execution risk following the intended M&A operations and potential delays in integrating the acquired companies

Revenue and EBITDA breakdown by segment (% , 2020A)



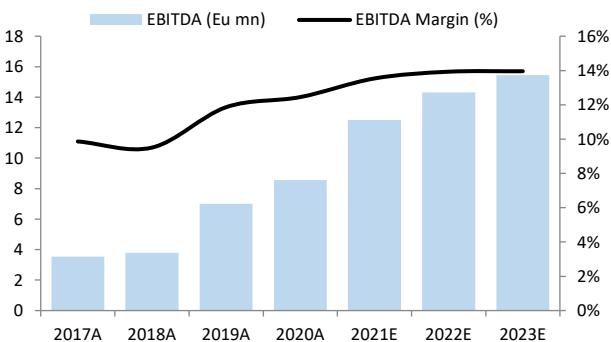
Source: Company data & Intermonte SIM

Fintech – Revenue breakdown (2020A)



Source: Company data & Intermonte SIM

EBITDA and margin evolution (2017A – 2023E)



Source: Company data & Intermonte SIM

3Q21 Results

3Q21 results: a sound beat on EBITDA and net income. Quarterly revenues came in at Eu23.0mn, up +46.5% YoY (+14.6% organic) and 2.3% above our expectations. The surprise came at the Aerospace, Aviation & Automotive business (59% of total sales at YE20), which grew by 40% YoY thanks to 22.8% organic growth and the consolidation of TeraTron (acquired in July 2021 and accounting for Eu1.7mn). Elsewhere, the Fintech business grew 57.5% YoY thanks to 1.0% organic growth and the consolidation of HSPI, which accounted for Eu3.3mn. EBITDA came to Eu3.1mn, up +48.9% YoY and 6.3% stronger than expected with a margin that peaked at 13.4%. Below the EBITDA line, it is worth noting, as in 1H21, a Eu0.3mn increase in D&A if compared to the corresponding figure in 3Q20 due to the consolidation of acquired companies. At the bottom line, net profit was Eu2.1mn, higher than our Eu1.3mn forecast thanks also to positive taxes. Finally, the net financial position as at the end of September 2021 was positive to the tune of Eu3.5mn, better than our estimates and down if compared to Eu11.1mn as at the end of June 2021, after the outlay for the purchase of TeraTron (Eu10.1mn).

TXT e-solutions: 3Q21/9M21 Results

(Eu mn)	3Q20A	3Q21A	3Q21E	A/E %	9M20A	9M21A	9M21E	A/E %
Revenue	15.7	23.0	22.5	2.3%	47.8	66.7	66.2	0.8%
YoY growth	1.2%	46.5%	43.3%		12.4%	39.5%	38.5%	
Organic	-2.0%	14.6%	17.9%		3.7%	7.7%	15.5%	
Scope	3.2%	31.9%	25.4%		8.7%	31.8%	23.0%	
EBITDA IFRS	2.1	3.1	2.9	6.3%	6.1	8.8	8.6	2.1%
YoY growth	3.3%	48.9%	40.1%		27.5%	43.1%	40.1%	
EBITDA IFRS margin %	13.2%	13.4%	12.9%		12.8%	13.1%	12.9%	
- D&A	(0.80)	(1.1)	(1.2)		(2.4)	(3.0)	(3.13)	
-Restructuring/Non Recurring costs	-	(0.0)	-		(0.4)	(0.3)	(0.32)	
EBIT	1.3	1.9	1.7	13.6%	3.4	5.4	5.1	4.5%
YoY growth	29.8%	51.8%	33.7%		51.5%	58.7%	51.8%	
EBIT margin %	8.1%	8.4%	7.6%		7.1%	8.0%	7.7%	
- Financial income/(charges)	0.3	0.1	0.1		1.2	0.3	0.3	
Pre-tax profit	1.6	2.0	1.8	14.5%	4.5	5.7	5.5	4.7%
- Income tax	(0.7)	0.0	(0.4)		(0.9)	(1.6)	(2.1)	
Tax rate %	43.4%	-2%	25.0%		21%	27.6%	38%	
Net income from cont. op.	0.9	2.1	1.3	56.0%	3.6	4.1	3.4	21.8%
YoY growth	-9.8%	134%	50.1%		15%	14%	-6%	
Net profit margin %	5.6%	8.9%	5.9%		7.5%	6.2%	5.1%	
Net debt/(cash)	(31.9)	(3.5)	(1.5)		(31.9)	(3.5)	(1.5)	

Source: Company data & Intermonte SIM Estimates

TXT e-solutions: 3Q21/9M21 Divisional Breakdown:

Revenue (Eu mn)	3Q20A	3Q21A	3Q21E	A/E %	9M20A	9M21A	9M21E	A/E %
Aerospace, Aviation & Automotive	9.8	13.8	13.1	5.0%	30.7	37.1	36.4	1.8%
YoY growth	1.6%	40.0%	33.3%		8.4%	20.8%	18.7%	
Organic	1.6%	22.8%	13.0%		8.4%	15.3%	12.2%	
Scope	0.0%	17.3%	20.3%		0.0%	5.5%	6.5%	
FinTech	5.9	9.2	9.4	-1.6%	17.1	29.6	29.8	-0.5%
YoY growth	0.5%	57.5%	60.1%		20.6%	73.1%	74.0%	
Organic	-8.0%	1.0%	26.0%		-5.5%	-5.8%	21.4%	
Scope	9%	56%	34%		26%	79%	53%	
Revenue	15.7	23.0	22.5	2.3%	47.8	66.7	66.2	0.8%
YoY growth	1.2%	46.5%	43.3%		12.4%	39.5%	38.5%	
Organic	-2.0%	14.6%	17.9%		3.7%	7.7%	15.5%	
Scope	3.2%	31.9%	25.4%		8.7%	31.8%	23.0%	
EBITDA (Eu mn)	3Q20A	3Q21A	3Q21E	A/E %	9M20A	9M21A	9M21E	A/E %
Aerospace, Aviation & Automotive	1.5	2.3	1.9	22.4%	4.3	5.5	5.1	8.3%
YoY growth	45.8%	56.2%	27.7%		22.1%	27.0%	17.3%	
EBITDA margin %	14.9%	16.7%	14.3%		14.1%	14.8%	13.9%	
FinTech	0.6	1.1	1.0	8.1%	1.8	3.6	3.5	2.4%
YoY growth	-39.4%	83.8%	70.1%		42.7%	99.8%	95.1%	
EBITDA margin %	10.4%	12.1%	11.0%		10.5%	12.1%	11.8%	
EBITDA	2.1	3.1	2.9	6.3%	6.1	8.8	8.6	2.1%
YoY growth	3.3%	48.9%	40.1%		27.5%	43.1%	40.1%	
EBITDA margin %	13.2%	13.4%	12.9%		12.8%	13.1%	12.9%	

Source: Company data & Intermonte SIM Estimates

FY2021 Outlook and Changes to Estimates

Positive management outlook. In 4Q21, management sees further revenue growth, both organic and through acquisitions (TeraTron and HSPI). The market outlook for the Defence segment remains positive thanks to multi-year contracts and to consolidated relationships with domestic and international players. Positive signals come from the Civil Aviation segment with the signing at the end of October 2021 of a new trial contract with one of the top five North American airlines for the supply of the Pacelab FPO product (Flight Profile Optimiser) and the awarding of new licence contracts with a leading Chinese player in the aviation market. In the Fintech domain, in October 2021 TXT entered into a new, multi-year contract with a key banking institution, and a regional public entity for proprietary platform FARADAY.

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TXT e-solutions: Changes to Estimates

	New			Old			Change %		
	2021E	2022E	2023E	2021E	2022E	2023E	2021E	2022E	2023E
Revenue	92.5	102.8	110.7	91.5	102.1	110.0	1.1%	0.7%	0.7%
YoY growth	34.5%	11.2%	7.7%	33.0%	11.6%	7.8%			
Organic	7.9%	6.9%	7.7%	6.1%	7.5%	7.8%			
Scope	26.6%	4.3%	0.0%	26.9%	4.1%	0.0%			
EBITDA	12.5	14.3	15.5	12.2	14.2	15.4	2.8%	0.7%	0.1%
YoY growth	46.2%	14.4%	7.9%	42.3%	16.7%	8.6%			
EBITDA margin %	13.5%	13.9%	14.0%	13.3%	13.9%	14.0%			
EBIT	7.7	9.7	10.8	7.5	9.6	10.7	2.8%	1.1%	0.2%
YoY growth	144.3%	25.9%	10.7%	137.7%	28.0%	11.6%			
EBIT margin %	8.3%	9.5%	9.7%	8.2%	9.4%	9.8%			
Pre-tax profit	7.9	10.0	11.2	7.7	9.9	11.1	2.7%	1.1%	0.2%
- Income tax	(2.5)	(2.9)	(3.1)	(2.5)	(2.9)	(3.1)			
Tax rate %	32.0%	29.0%	28.0%	32.0%	29.0%	28.0%			
Net income from cont. op.	5.4	7.1	8.0	5.2	7.0	8.0	2.7%	1.1%	0.2%
YoY growth	14.2%	32.1%	12.9%	11.2%	34.3%	13.9%			
Net profit margin %	5.8%	6.9%	7.3%	5.7%	6.9%	7.3%			
EPS adj.	0.438	0.588	0.666	0.426	0.581	0.664	2.8%	1.1%	0.2%
YoY growth	14.3%	34.2%	13.3%	11.2%	36.5%	14.3%			
Net cash/(debt)	5.3	11.2	18.2	5.2	10.9	17.9	3.1%	3.2%	2.1%
FCF (ex. acq)	9.4	6.7	8.1	9.2	6.5	8.1	1.7%	3.3%	0.3%

Source: Company data & Intermonte SIM Estimates

Peer comparison

TXT e-solutions: Peer group performance

Company	Mkt Cap (Eu mn)	% Change YTD	% Change 1 Month	% Change 3 Months	% Change 6 Months	% Change 1 Year
TXT e-solutions S.p.A.	130	27.2%	19.7%	22.8%	32.4%	32.2%
American Software, Inc. Class A	889	90.7%	24.3%	47.7%	61.4%	101.8%
ATOSS Software AG	1,670	32.9%	28.5%	17.8%	19.0%	63.4%
Capgemini SE	35,816	67.4%	20.4%	11.5%	36.8%	81.8%
Computacenter Plc	3,605	10.3%	3.4%	-3.2%	1.4%	15.9%
Descartes Systems Group Inc.	6,351	45.5%	7.6%	18.9%	45.4%	48.9%
Devoteam SA	1,403	80.9%	24.6%	32.6%	53.6%	72.2%
Manhattan Associates, Inc.	9,667	68.3%	15.1%	10.6%	33.2%	85.3%
Oracle Corporation	223,211	46.2%	0.2%	5.2%	17.6%	66.4%
Reply S.p.A.	6,626	85.8%	16.2%	16.6%	56.2%	84.8%
SAP SE	157,642	19.7%	9.3%	2.9%	9.3%	29.7%
Sopra Steria Group SA	3,565	31.3%	11.5%	2.3%	13.5%	51.6%

Source: FactSet

TXT e-solutions: Peer group multiples

Company name	Price	Mkt cap (Eu mn)	Country	EV/SALES		EV/EBITDA		EV/EBIT		PE		Dividend Yield (%)	
				2021E	2022E	2021E	2022E	2021E	2022E	2021E	2022E	2021E	2022E
TXT e-solutions S.p.A.	10.0	106	IT	1.2 x	1.0 x	9.1 x	7.4 x	14.1 x	11.0 x	22.9 x	17.1 x	0.7%	0.9%
American Software, Inc. Class A	28.3	593	US	5.3 x	4.8 x	46.3 x	34.7 x	57.5 x	39.5 x	88.6 x	60.7 x		
ATOSS Software AG	210.0	1,417	DE	14.4 x	12.6 x	47.1 x	42.4 x	53.6 x	47.8 x	80.9 x	73.1 x	0.9%	1.0%
Capgemini SE	212.2	32,111	FR	2.1 x	1.9 x	12.9 x	11.9 x	16.8 x	14.9 x	23.8 x	20.8 x	1.1%	1.3%
Computacenter Plc	31.6	3,752	GB	0.5 x	0.4 x	9.7 x	9.2 x	12.2 x	11.4 x	20.2 x	19.8 x	2.0%	2.0%
Descartes Systems Group Inc.	75.3	5,209	CA	14.9 x	13.2 x	36.0 x	31.5 x			81.7 x	75.4 x		
Devoteam SA	168.4	1,058	FR										
Manhattan Associates, Inc.	152.8	8,636	US	15.2 x	13.8 x	59.5 x	55.4 x	58.9 x	54.6 x	78.5 x	74.8 x		
Oracle Corporation	81.7	213,718	US	6.9 x	6.7 x	14.3 x	13.7 x	15.4 x	14.7 x	19.4 x	17.4 x	1.4%	1.5%
Reply S.p.A.	177.1	5,683	IT	4.4 x	3.8 x	25.6 x	22.6 x	31.8 x	27.7 x	46.4 x	41.2 x	0.4%	0.4%
SAP SE	128.3	153,170	DE	5.8 x	5.5 x	18.1 x	16.8 x	19.6 x	18.6 x	21.1 x	23.3 x	1.5%	1.5%
Sopra Steria Group SA	173.6	3,485	FR	0.8 x	0.8 x	7.6 x	6.5 x	10.6 x	8.8 x	16.4 x	13.8 x	1.6%	1.6%
Mean				6.5 x	5.9 x	26.0 x	22.9 x	29.1 x	24.9 x	45.4 x	39.7 x	1.2%	1.3%
Median				5.3 x	4.8 x	18.1 x	16.8 x	18.2 x	16.7 x	23.8 x	23.3 x	1.2%	1.4%

Source: FactSet & Intermonte SIM Estimates

DETAILS ON STOCKS RECOMMENDATION			
Stock NAME	TXT E-SOLUTIONS		
Current Recomm:	OUTPERFORM	Previous Recomm:	OUTPERFORM
Current Target (Eu):	12.70	Previous Target (Eu):	12.40
Current Price (Eu):	10.02	Previous Price (Eu):	8.74
Date of report:	10/11/2021	Date of last report:	27/10/2021

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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.

Frequency of research: quarterly.

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A draft copy of each report may be sent to the subject company for its information (without target price and/or recommendations), but unless expressly stated in the text of the report, no changes are made before it is published.

Explanation of our ratings system:

- 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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BUY:	17,36 %
OUTPERFORM:	52,89 %
NEUTRAL:	25,62 %
UNDERPERFORM	04,13 %
SELL:	00,00 %

The distribution of stock ratings for companies which have received corporate finance services from Intermonte in the last 12 months (55 in total) is as follows:

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OUTPERFORM:	49,09 %
NEUTRAL:	20,00 %
UNDERPERFORM	00,00 %
SELL:	00,00 %

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COGEME SET SPA	1,6	SHORT
IKF	0,57	SHORT
OLIDATA	0,74	SHORT

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