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TXT e-solutions: the results for the first half of 2021 confirm, in both volumes and margins, the sustainability of the accelerated growth and diversification plan underway

- Revenues of €43.7 million (+36.1%), international revenues €10.9 million
- EBITDA €5.7 million (+40.1%), EBITDA margin 13.0% (+0.6 p.p.) after full expenditure on R&D investments.
- EBIT €3.4 million (+62.7%), net profit €2.1 million.
- Positive NFP (Net Financial Position) by €11,1 million.

Milan, 5 August 2021- 15:00

Today the Board of Directors of TXT e-solutions, chaired by Enrico Magni, approved the operational results as of June 30, 2021.

“The results of the first half confirm the efficiency of the implementation of our strategic plan”, commented President Enrico Magni, “the constant and continuing growth of TXT’s performance derives from the excellent team work that involves over one thousand employees within the Group, financial strength and continuous investment in technology and innovation are the other key elements to continue our successful growth plan”.

In the **first half of 2021**, the Group's results were as follows:

- **Revenues** were €43.7 million, up 36.1% from €32.1 million in the first half of 2020. On a like-for-like basis, revenues increased by 4.7%. Software revenues in the first half of 2021 were €4.2 million, down 4.0% compared to the first half of 2020. Service revenues were €39.5 million, up +42.4% compared to the first half of 2020.
- **EBITDA** was €5.7 million, up 40.1% compared to the first half of 2020 (€4.0 million). Sales expenses reduced their impact on revenue from 10.1% to 8.6% in the first half of 2021. The EBITDA growth of €1.6 million is due to organic growth of € 0.7 million (+17.1%) and the contribution of M&A (€0.9 million). The margin on revenues was 13%, compared with 12.6% in the first half of 2020.
- **EBIT** (operating profit) was € 3.4 million, up 62.7% compared to the first half of 2020 (€ 2.1 million).



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- **Net profit** was €2.1 million compared to €2.7 million in the first half of 2020, with a revenue ratio of 4.7% compared to 8.5% last year. In the first half of 2021 the tax rate was 44%. In 2020, the effective tax rate was particularly low, mainly due to the standing difference linked to the €0.8 million capital gain on the Pace put-call exercised in June 2020 and the deferred tax assets linked to revenues from the application of the international accounting standard IFRS 15.
- The consolidated **NFP** (Net Financial Position) as of 30 June 2021, as illustrated in the table below was a positive €11.1 million, compared to €22.1 million at 31 December 2020, a net decrease of approximately €11.0 million. The decrease is mainly attributable to the acquisition of Banca del Fucino for €14.3 million and the acquisition of the minority shareholding in AssioPay Srl (€1.0 million) offset by the positive effect of cash generation from operating activities.

"Our operational excellence and strategic positioning in the value chain of our customers allow us to achieve significant volumes and margins that are sustainable over the long term," continues Daniele Misani, CEO of TXT Group. "The outlook for the future is positive, we continue with great determination in the strategic plan of efficiency and diversification favoured by increasing Group synergies and investments in new acquisitions that strengthen the Group's offer and internationalisation."

On **6 August 2021 at 11:00a.m. (CEST)** a **conference call** will be held during which CEO Daniele Misani will present and comment on the results for the first half of 2021. The registration form for the conference call is available on the Company's website www.txtgroup.com under the page "financial news & calendar".

Subsequent events and outlook

In a global context of high uncertainty, the resilience of the TXT model, based on a strategy of diversification, a solid portfolio of orders and the ability to react to the new scenario, allowed the Group to compensate for the slowdown in activities related to sectors particularly affected by the pandemic, such as the civil aviation sector.

In the Aerospace & Aviation division, growth continued in the defense segment where our customers continue to reward us with significant new contracts, while in the civil aviation sector, TXT Group signed an important contract with Aerospace Technology Institute's (ATI) for the TXT Pacelab suite tool, to support the UK government's major strategic initiative to reduce carbon emissions (Flyzero initiative). Investments in diversification continue, with the signing of a new strategic partnership with Politecnico di Milano and ANT-X to develop and test innovative



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solutions and services based on the use of drones, cooperating with helicopters for use during search and rescue missions.

In the Fintech division, the development and marketing of proprietary software solutions continues. TXT Working Capital Solutions, a company active in the specific segment of Supply Chain Finance, owner of the innovative platform "Polaris" for the Fintech sector, announced that Banca UBAE has joined the platform as a financial partner. HSPI won the tender called by INAIL last June for the management of editorial web publishing services and support to media relations activities. Winning the prestigious tender is a source of pride for HSPI, which sees the company's leadership in the Italian public administration sector strengthened, a sector in which the company has been working for over ten years thanks to its specialist knowledge in the ICT field and its distinctive skills in management consulting. Cheleo has been selected by doValue, the leading operator in Southern Europe for credit management and real estate services, which has decided to take advantage of Cheleo's specialised products and skills, giving rise to an effective collaboration that has already successfully completed the sale and subsequent IT management of an important portfolio of NPLs.

Details of subsequent events after 30 June 2021

On 5 July 2021, the rebranding operation was launched to communicate the profound changes the company has undergone in recent years and to create a new visual identity capable of reflecting the change of pace following the acquisitions undertaken, the synergic work of all the companies in the group and the recent repositioning on the market.

On 29 July 2021, the final contract for the acquisition of 100% of the capital of the German company TeraTron GmbH was signed. TXT will consolidate its results as of 1 August 2021. TeraTron is a German company that has been on the market for more than 20 years, a leader in offering innovative IoT solutions for digitalisation, automation and security mainly in the Automotive, Industrial (Industry 4.0), Healthcare markets, and a growing presence in other sectors with strong innovative and technological content. TeraTron's customer base is international, with long-standing relationships with numerous companies including Audi, BMW, HILTI, John Deere, Porsche, Volkswagen and Volvo.



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Business outlook for the second half of 2021

The company aims to continue to grow internally and externally, by diversifying its offerings and geographies, continuing the virtuous path taken in recent years with investments in sectors with a high intensity of innovative software and a business model of integrated services with high added value. The business plan envisages investing the liquidity, along with the treasury shares held, in new acquisitions that enhance TXT's innovative technologies and managerial skills.

CALL OF SHAREHOLDERS' MEETING

The Board of Directors resolved to call **the Ordinary Shareholders' Meeting** for **September 13, 2021** at **10:00a.m.** in a single call, to be held at the registered office of TXT e-solutions S.p.A. in Via Frigia 27 - 20126 Milan (MI)

Pursuant to Decree-Law No. 18 of 17 March 2020 known as "Cura Italia" (the "Decree"), as subsequently extended and supplemented, in order to reduce the risks associated with the Covid-19 health emergency, the Company has decided to avail itself of the option introduced by Article 106 of the Decree, to provide that the intervention of shareholders at the Shareholders' Meeting takes place exclusively through the representative appointed pursuant to Article 135-undecies of Legislative Decree No. 58/1998.

Declaration of the Manager responsible for preparing corporate accounting documents

The Manager responsible for preparing the company's financial reports, Eugenio Forcinito, declares, pursuant to Article 154-bis, paragraph 2 of Legislative Decree no. 58 of 24 February 1998, that the accounting information contained in this press release corresponds to the document results, books and accounting records.

As of today, this press release is also available on the Company's website www.txtgroup.com.



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TXT is an international IT Group, end-to-end provider of consultancy, software services and solutions, supporting the digital transformation of customers' products and core processes. With a proprietary software portfolio and deep expertise in vertical domains, TXT operates across different markets, with a growing footprint in Aerospace, Aviation, Defense, Industrial, Government and Fintech. TXT is headquartered in Milan and has subsidiaries in Italy, Germany, the United Kingdom, France, Switzerland and the United States of America. The holding company TXT e-solutions S.p.A, has been listed on the Italian Stock Exchange, STAR segment (TXT.MI), since July 2000.

For further information:

Eugenio Forcinito – CFO

Tel. +39 02 257711

eugenio.forcinito@txtgroup.com



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Management statement of income as of 30 June 2021

<i>(€ thousand)</i>	H1 2021	%	H1 2020	%	Var %
REVENUES	43,699	100.0%	32,108	100.0%	36.1%
Direct costs	27,085	62.0%	18,087	56.3%	49.7%
GROSS MARGIN	16,614	38.0%	14,021	43.7%	18.5%
Research and Development costs	3,313	7.6%	3,714	11.6%	(10.8%)
Commercial costs	3,757	8.6%	3,258	10.1%	15.3%
General and Administrative costs	3,882	8.9%	3,007	9.4%	29.1%
EBITDA	5,663	13.0%	4,042	12.6%	40.1%
Amortization, depreciation and write downs	1,927	4.4%	1,591	5.0%	21.1%
Reorganization and non-recurring costs	316	0.7%	350	1.1%	(9.6%)
OPERATING PROFIT (EBIT)	3,419	7.8%	2,101	6.5%	62.7%
Financial income (charges)	271	0.6%	892	2.8%	(69.7%)
EARNINGS BEFORE TAXES (EBT)	3,689	8.4%	2,993	9.3%	23.3%
Taxes	(1,619)	(3.7%)	(263)	(0.8%)	515.6%
NET PROFIT	2,071	4.7%	2,730	8.5%	(24.2%)

Income Statement as of 30 June 2021

Income Statement as at June 30, 2021	H1 2021	H1 2020
TOTAL REVENUES AND INCOME (Euro)	43,699,251	32,108,628
Purchases of materials and services	(9,510,366)	(6,649,747)
Personnel costs	(28,584,762)	(21,575,823)
Other operating costs	(217,494)	(191,496)
Amortizations, depreciation and write downs	(1,967,316)	(1,589,919)
OPERATING RESULT	3,419,313	2,101,643
Financial income/charges	270,509	891,747
Share of profit (loss) of associates	-	-
PRE-TAX RESULT	3,689,822	2,993,390
Income Taxes	(1,618,931)	(263,439)
NET INCOME CONTINUING OPERATIONS	2,070,891	2,729,951
Net Income Discontinued Operations (sale of TXT Retail)	-	-
NET INCOME	2,070,891	2,729,951
Parent company's shareholders	2,087,886	2,652,820
Minority interests	(16,995)	77,131
PROFIT PER SHARE (Euro)	0.18	0.23
DILUTED PROFIT PER SHARE (Euro)	0.18	0.23
Number of shares	11,694,811	11,660,285

Net Financial Position as of 30 June 2021

€ thousand	30.06.2021	31.12.2020	Var
Cash & Cash equivalents	12,942	11,933	1,009
Trading securities at fair value	53,638	68,161	(14,523)
Current financial assets	-	-	-
Current bank loans	(32,350)	(30,636)	(1,714)
Short term Financial Resources	34,229	49,458	(15,229)
Non current financial debts - Lessors IFRS 16	(3,976)	(3,580)	(396)
Options referred to M&A (Put/Call - Earn Out)	(19,114)	(23,818)	4,704
Non current Financial Debts	(23,090)	(27,398)	4,308
Net Available Financial Resources	11,139	22,060	(10,921)

Consolidated Balance Sheet as of 30 June 2021

ASSETS (Euro)	30.06.2021	31.12.2020
NON-CURRENT ASSETS		
Goodwill	30,431,313	30,431,313
Definite life intangible assets	6,603,218	7,221,447
Intangible Assets	37,034,531	37,652,760
Buildings, plants and machinery	7,657,476	7,460,326
Tangible Assets	7,657,476	7,460,326
Investments in associates	-	-
Other non-current assets	14,518,914	227,066
Deferred tax assets	1,749,762	2,072,381
Other non-current assets	16,268,676	2,299,447
TOTAL NON-CURRENT ASSETS	60,960,683	47,412,533
CURRENT ASSETS (Euro)		
Contractual Assets	5,862,459	4,749,088
Trade receivables	32,605,351	35,410,803
Other current assets	6,402,343	5,782,068
Trading securities at fair value	53,637,502	68,160,917
Cash and other liquid equivalents	12,941,598	11,932,508
TOTAL CURRENT ASSETS	111,449,253	126,035,384
TOTAL ASSETS	172,409,937	173,447,917
EQUITY AND LIABILITIES (Euro)		
SHAREHOLDERS' EQUITY		
Share capital	6,503,125	6,503,125
Reserves	14,695,109	13,858,858
Retained earnings	62,764,354	60,617,969
Profit (Loss) for the period	2,087,886	4,474,067
Total Shareholders' Equity (Group)	86,050,474	85,454,019
Shareholder's equity attributable to minority	233,032	409,158
TOTAL SHAREHOLDERS' EQUITY	86,283,506	85,863,177
NON-CURRENT LIABILITIES		
Non-current financial liabilities	23,089,769	27,398,339
Severance and other personnel liabilities	2,707,362	2,757,450
Deferred tax liabilities	1,651,335	1,864,250
Provisions for future risks and charges	118,905	118,905
TOTAL NON-CURRENT LIABILITIES	27,567,371	32,138,944
CURRENT LIABILITIES		
Current financial liabilities	32,349,999	30,634,968
Trade payables	3,782,769	4,176,210
Tax payables	3,971,886	3,282,649
Other current liabilities	18,454,408	17,351,969
TOTAL CURRENT LIABILITIES	58,559,061	55,445,796
TOTAL LIABILITIES	86,126,431	87,584,740
TOTAL EQUITY AND LIABILITIES	172,409,937	173,447,917



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Consolidated cash flow statement as of 30 June 2021

	H1 2021	H1 2020
Net Income (Euro)	2,070,891	2,729,950
Non cash costs for Stock Options	5,436	16,314
Financial interest paid	64,310	49,185
Variance Fair Value Financial Assets	(432,394)	(1,134,122)
Current income taxes	1,618,931	463,481
Variance in deferred taxes	4,241	(301,439)
Amortization, depreciation and write-downs	1,927,140	1,569,802
Other non cash costs	-	-
Other changes	155	16,614
Cash flows generated by operations before working capital	5,258,710	3,409,785
(increase) / Decrease in trade receivables	2,805,452	(824,854)
(increase) / Decrease in inventories	(1,113,371)	(2,352,624)
Increase / (Decrease) in trade payables	(393,441)	152,751
Increase / (Decrease) in other current assets/liabilities	(333,917)	1,755,342
Increase / (Decrease) in severance and other personnel liabilities	(50,088)	(1,196,224)
Changes in working capital	914,635	(2,465,609)
Paid income taxes	-	(172,000)
CASH FLOW GENERATED BY OPERATIONS	6,173,345	772,176
<i>di cui verso parti correlate</i>	<i>81,858</i>	<i>(1,491,183)</i>
Increase in tangible assets	(274,297)	(454,830)
Increase in intangible assets	(10,977)	(6,386)
Capitalization of development costs	(175,493)	-
Decrease in tangible & intangible assets	18,052	17,051
Net Cash flow from acquisition	(982,716)	198,657
(increase) / Decrease in trading securities	(14,314,468)	10,000,000
(increase) / Decrease in other financial credits	15,000,000	-
CASH FLOW GENERATED BY INVESTING ACTIVITIES	(739,899)	9,754,491
Proceeds from borrowings	2,539,178	10,000,000
(Repayment) of borrowings	(5,148,783)	(6,525,724)
(Repayment) of Leasing liabilities	(900,450)	(716,049)
Increase / (Decrease) in other financial credits	-	-
Increase / (Decrease) in other financial liabilities	-	-
Net change in financial liabilities	(183,147)	(5,852,038)
Dividends paid	(521,381)	-
Financial interests paid	(57,871)	(86,107)
Other changes in shareholders' equity	140,222	-
(Purchase)/Sale of Treasury Shares	(242,913)	(1,789,577)
CASH FLOW GENERATED BY FINANCIAL ACTIVITIES	(4,375,145)	(4,969,495)
INCREASE / (DECREASE) IN CASH	1,058,300	5,557,172
Difference in Currency Translation	(49,210)	(2,052)
CASH AT THE BEGINNING OF THE PERIOD	11,932,508	11,426,082
CASH AT THE END OF THE PERIOD	12,941,598	16,981,202
Assets acquired with no effect on cash flow (first adoption IFRS 16)	(2,494,153)	(227,873)
Liabilities acquired with no effect on cash flow (first adoption IFRS 16)	2,494,153	227,873



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Management statement of income of Second Quarter of 2021

<i>(€ thousand)</i>	Q2 2021	%	Q2 2020	%	Var %
REVENUES	22,218	100.0%	15,853	100.0%	40.2%
Direct costs	13,875	62.4%	9,106	57.4%	52.4%
GROSS MARGIN	8,343	37.6%	6,747	42.6%	23.7%
Research and Development costs	1,663	7.5%	1,911	12.1%	(13.0%)
Commercial costs	1,245	5.6%	1,386	8.7%	(10.2%)
General and Administrative costs	2,476	11.1%	1,373	8.7%	80.3%
EBITDA	2,960	13.3%	2,077	13.1%	42.5%
Amortization, depreciation and write downs	952	4.3%	798	5.0%	19.3%
Reorganization and non-recurring costs	316	1.4%	350	2.2%	(9.6%)
OPERATING PROFIT (EBIT)	1,691	7.6%	929	5.9%	82.0%
Financial income (charges)	15	0.1%	1,564	9.9%	n.s.
EARNINGS BEFORE TAXES (EBT)	1,705	7.7%	2,493	15.7%	n.s.
Taxes	(873)	(3.9%)	(15)	(0.1%)	n.s.
NET PROFIT	832	3.7%	2,478	15.6%	(66.4%)