

## **TXT e-solutions: THE BOARD OF DIRECTORS APPROVES PRELIMINARY RESULTS AS AT DECEMBER 31, 2020**

### **Double-digit growth in revenues and EBITDA confirmed:**

**Revenues € 68.8 million (+16.4%)**

**EBITDA € 8.6 million (+22.2%)**

**Net Profit € 4.7 million (€ 0.4 million in 2019).**

**Software revenues grow (+25.1%).**

**Net Financial Position € 22.1 million positive.**

- *Revenues € 68.8 million (+16.4%): Software revenues € 8.6 million (+25.1%), Service, Project and Consultancy revenues € 60.2 million (+15.2%).*
- *EBITDA € 8.6 million (+22.2%) after significant investments in R&D entirely expensed (€ 6.7 million, +10.1%).*
- *Net Profit € 4.7 million (€ 0.4 million in 2019) after depreciation and amortisation (€ 4.8 million), reorganisation costs (€ 0.6 million), financial income (€ 2.7 million, including 2.2 million of non-recurrent income), and tax charges (€ 1.2 million).*
- *Net Financial Position € 22.1 million positive (Net cash).*

Milano, March 9, 2021 – 17:35

The Board of Directors of TXT e-solutions Spa, chaired by Daniele Misani, today approved the financial results as of December 31, 2020.

The Chairman, Enrico Magni, commented: *"in 2020, we were able to record TXT's best-ever performance despite a year of crisis and global recession. We are confident that by continuing our plan of targeted investments in research & development and new strategic acquisitions to leverage our substantial cash resources, we will be able to create additional value for our customers, employees, and investors in 2021".*

*"These positive results show the effective execution of our strategy of diversification and aggregation of excellence."* commented Daniele Misani, CEO, *"We closed a challenging year, with solid fundamentals. We will continue to create value through our growing offering of strategic software, consultancy and innovative services".*

The main operating and financial results for 2020 and for the fourth quarter 2020 were as follows:

**Revenues** amounted to € 68.8 million, up 16.4% compared to € 59.1 million in 2019. Within the same consolidation scope, revenues increased by 5.1%, with a € 6.5 million contribution from Mac Solutions SA and HSPI SpA. In 2020 revenues from software amounted to € 8.6 million, up by 25.1% compared to 2019. Revenues from services and projects amounted to € 60.2 million, up by 15.2% compared to 2019. Total international revenues represent 27.1% of revenues, up by 19.2%.

Revenues in the Aerospace & Aviation (A&A) Division amounted to € 40.8 million, up by 5.4% compared to 2019, entirely due to organic growth. The Fintech Division posted revenues of € 28.0 million, up by 37.5% compared to 2019, of which € 6.5 million from the consolidation of Mac Solutions SA (5.5 months), HSPI SpA (2.4 months), and the new start-up TXT Working Capital Solutions Srl with nil revenues in 2020.

The **Gross margin**, net of direct costs, increased from € 27.3 million to € 29.3 million, an increase of 7.4%. As a percentage of revenues, the gross margin amounted to 42.6% in 2020, a reduction compared to 46.1% in 2019 for the consolidation of companies Mac Solutions SA and HSPI SpA during 2020 with business models of advanced services (Mac Solutions SA) and consultancy (HSPI SpA).

**EBITDA** was € 8.6 million, up by 22.2% compared to 2019 (€ 7.0 million), following significant and increased investments in research and development (€ 6.7 million, up 10.1%). Commercial and management costs were € 7,6 million, down by 11.3% compared to 2019 for the reduction of trade fairs, exhibitions, travel and business trips and lower costs for MBO compared to 2019, while general and administrative expenses remained stable in terms of incidence on revenues, settling at 9.4% in 2019 and 9.3% in 2020. The margin on revenues was 12.5% compared with 11.9% in 2019.

**Financial Income** was € 2.7 million in 2020 compared to net financial charges of € 1.2 million in 2019. Financial income attributable to the management of financial investments amounted to € 0.6 million, a decrease compared to € 2.2 million in 2019 mainly due to the greater volatility of the financial markets in the current year and due to the reduction of financial investments against disbursements linked to the M&A plan. The prudent and diversified management with investments mainly in multi-segment insurance has made it possible to contain the losses generated by the volatility of the financial markets linked to the COVID-19 pandemic.

In 2019, € 3.4 million of expenses were recorded under this item as non-recurring items, broken down as follows (i) the adjustment of the fair value of the liability linked to the acquisition of the ownership interest in the remaining 21% of PACE capital, determined by taking into account the evaluation formula indicated in the contract and, (ii) the lower cost to be paid for the Earn-Out linked to the average trend in Cheleo's EBITDA in the financial years 2017-2019 and the application of the relative multiple. This amount was recalculated precisely at the time of payment in 2020 and resulted in a income of € 0.8 million to be added to other incomes related to PUT/CALL payables adjustments of € 1.3 million.

**Net profit** amounted to € 4.7 million (€ 0.4 million in 2019) after tax charges of € 1.2 million. The growth consisted of operating result and the effect of non-recurring financial income and expenses accounted for in 2020 and 2019 respectively.

Fourth quarter 2020 revenues amounted to € 20.9 million compared to € 16.6 million in the fourth quarter 2019. EBITDA was € 2.4 million, up +10.7%. Net profit was € 1.1 million.

The Consolidated **Net Financial Position** as at 31 December 2020 was positive (Net cash) for € 22.2 million compared to € 41.4 million as at 31 December 2019, down by € 19.3 million mainly due to the cash outlay for the acquisition of Mac Solutions SA and HSPI SpA excluded the NFP acquired (€ 14.1 million), the recognition of the PUT/CALL payable linked to the investment in TXT Working Capital Solutions (€ 2.7 million) partially offset by the positive effect of the net adjustment of other PUT/CALL payable (€ 2.0 million), payment of the Severance for end of term of office to the outgoing Chairperson allocated in previous years (€ 1.2 million) that, together with the increase in the Net Working Capital (€ 10.1 million) and other minor changes, absorbed the positive operating result of the period.

As at 31 December 2020, 1,401,429 treasury shares were held (1,220,971 as at 31 December 2019), accounting for 10.78% of shares outstanding, purchased at an average price of € 3.74 per share.

During 2020, in light of the COVID-19 pandemic, the labour market suffered a discontinuity compared to previous years with a forced reduction in the number of employees in attendance and an increase in the complexity of managing the operational nature of teams. In this context, TXT Group reacted proactively with the aim of exploiting and maintain internal expertise. After a hiatus in February and March, recruitment resumed with 180 new hires. The transition to remote working of almost all employees was happened quickly in the early phases of the crisis and it became an efficient and effective operating mode. In the last quarter of 2020, a supplementary contract was signed by more than 600 employees to regulate remote working when fully operational - i.e., independently of the current crisis - in order to improve employees "work-life balance" and to guarantee the continuity of operations.

On March 10, 2021 at 11:00 (CET) the conference call will be held during which the CEO Daniele Misani will present and comment on 2020 results. The *registration form* for the conference call is available on the Company website [www.txtgroup.com](http://www.txtgroup.com).

## **Dividend and Shareholders' Meeting**

Considering the results achieved and the available liquidity which is sufficient to finance, together with treasury shares and long term loans, the ambitious growth plans by acquisitions and organic development started in the second half of 2018 and today more than ever in their central phase, the Board of Directors proposes to the Shareholders' Meeting a dividend of € 0.04 (nil in 2019) for each share outstanding with payment date May 12, 2021 (record date May 11, ex-dividend date May 10, 2021).

Total dividends are therefore about € 0.5 million, distributed to the 11.6 million outstanding shares (issued shares, net of treasury shares).

The Board of Directors resolved to convene an ordinary Shareholders' Meeting on 22 April 2021 at 10.30. Pursuant to Article 106 of Italian Law Decree no. 18 of 17 March 2020 (the so-called "Cura Italia" Decree), participation in the Shareholders' Meeting by those who have the right is allowed exclusively through the designated representative.

## Events after the reporting period and outlook

On January 11, 2021, TXT acquired the remaining 49% of Assiopay Srl from Andrea Serra for a total amount of € 1.6 million and therefore as of today TXT holds 100% of the share capital of Assiopay, company specialized in the digital payments field with proprietary solutions. The consideration for the acquisition of the Shareholding was agreed by the parties as the algebraic sum of the following amounts:

- an amount equal to € 1.6 million ("Provisional Price") of which:
  - i) € 0.8 million in cash ("Price in Cash") and
  - ii) € 0.8 million by means of the transfer of TXT ordinary treasury shares ("Price in Shares").
- an amount equal to € 0.3 million equal to the 49% of the NFP<sub>Closing</sub> (defined as the value of the Assiopay NFP reported on the last day prior to the closing date) of which € 0.15 million in cash and € 0.15 million by means of the transfer of TXT ordinary treasury shares.

On January 28, 2021, TXT, as part of its policy of optimising the asset allocation of available liquidity, made a financial investment of approximately € 14.3 million in the share capital of Banca del Fucino S.p.A. ("Bank"), in return for the issue of new shares amounting to approximately 9% of the share capital (post-money). The capital increase operation reserved for TXT took place on the basis of a statutory delegation given to the Bank's Board of Directors, who on January 28, 2021 accepted TXT's investment proposal. The Bank is the parent company of the banking group Gruppo Bancario Igea Banca and wholly controls IGEA Digital Bank S.p.A., a digital bank with excellent development prospects in the current market context. Strengthening the Bank's capital, which in the month prior to the investment recorded a total capital adhesion increase of more than € 45 million, fully paid in cash, is aimed at implementing the 2020-2023 business plan focused on the business model of a *specialty bank* with a strong Fintech focus. Consistent with the business plan, the management's objective is to promote the Bank's stock exchange listing.

As in 2020, the Group's 2021 targets include sustained growth in Europe, North America and Asia-Pacific and in the development of the large and diversified customer base already acquired in the two current divisions as well as the new domestic and international customers acquired through the M&A transactions completed in 2020: (i) in Aerospace & Aviation, the Group is well positioned to address the new scenario that was severely slowed down by the Covid-19 emergency in 2020 and to take advantage of the sector's progressive recovery;(ii) for the Fintech Division in 2021, after the M&A and start-up investments made in 2020, international revenues and margins are expected to grow as a result of the new licensing agreements that are expected to be signed in 2021 in the

field of NPL management and compliance (AML and Risk Management) where the Group is in advanced negotiations with leading players in the sector, and there is also expected to be an organic growth in the services business (Quality Assurance & Development) and solutions related to the world of digital payments; (iii) with the acquisition of HSPI SpA, TXT Group has broadened the scope of its offering by adding specialist consulting skills in the areas of digital transformation and IT Governance, which have already allowed us to acquire major new multi-year multi-million euro contracts in 2021 for the provision of digital services to leading public bodies, and we expect new multi-year contracts related to the digitalisation of the public sector during the current quarter.

During the first quarter of 2021, taking into account the negative effects of Covid-19, the Group is still experiencing a slowdown in the launch of commercial initiatives linked to the obtaining of new contracts in some of its key strategic sectors, such as civil aviation and automotive & industrial, which is offset by positive signs in other sectors such as defence and the public sector and a policy of containing variable costs to the benefit of the Group's margins.

### **Declaration of the Manager responsible for preparing corporate accounting documents**

The Manager responsible for preparing corporate accounting documents, Eugenio Forcinito, declares, pursuant to art. 154-bis, paragraph 2 of Legislative Decree no. 58 of 24 February 1998, that the accounting information provided in this press release matches the information reported in the company's documents, books and accounting records.

From today, this press release is also available on the Company's website [www.txtgroup.com](http://www.txtgroup.com).

**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 information:**

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**Management Income Statement as of 31 December 2020**

<i>€ thousand</i>	2020	%	2019	%	Var %
<b>REVENUES</b>	<b>68,753</b>	<b>100.0</b>	<b>59,091</b>	<b>100.0</b>	<b>16.4</b>
Direct costs	39,470	57.4	31,824	53.9	24.0
<b>GROSS MARGIN</b>	<b>29,283</b>	<b>42.6</b>	<b>27,267</b>	<b>46.1</b>	<b>7.4</b>
Research and Development costs	6,684	9.7	6,071	10.3	10.1
Commercial costs	7,636	11.1	8,610	14.6	(11.3)
General and Administrative costs	6,403	9.3	5,582	9.4	14.7
<b>EBITDA</b>	<b>8,560</b>	<b>12.5</b>	<b>7,004</b>	<b>11.9</b>	<b>22.2</b>
Amortization, depreciation and write downs	4,810	7.0	2,734	4.6	75.9
Reorganization and non-recurring costs	592	0.9	717	1.2	n.m.
<b>OPERATING PROFIT (EBIT)</b>	<b>3,158</b>	<b>4.6</b>	<b>3,553</b>	<b>6.0</b>	<b>(11.1)</b>
Financial income (charges)	562	0.8	2,194	3.7	n.m.
Non-recurring income/(charges)	2,157	3.1	(3,432)	(5.8)	n.m.
<b>EARNINGS BEFORE TAXES (EBT)</b>	<b>5,876</b>	<b>8.5</b>	<b>2,315</b>	<b>3.9</b>	<b>153.8</b>
Taxes	(1,162)	(1.7)	(1,867)	(3.2)	n.m.
<b>NET PROFIT</b>	<b>4,714</b>	<b>6.9</b>	<b>448</b>	<b>0.8</b>	<b>952.7</b>
	Attributable to:				
	Owners of the Parent		314		
	Non-controlling interest	241	134		

### Income Statement as of 31 December 2020

€ thousand	31.12.2020	%	31.12.2019	%
<b>TOTAL REVENUES AND INCOME</b>	<b>68,753</b>	<b>100.0</b>	<b>59,091</b>	<b>100.0</b>
Purchases of materials and services	15,183	22.1	13,143	22.2
Personnel costs	45,103	65.6	38,350	64.9
Other operating costs	497	0.7	594	1.0
Amortizations, depreciation and write downs	4,812	7.0	3,452	5.8
<b>OPERATING RESULT</b>	<b>3,158</b>	<b>4.6</b>	<b>3,552</b>	<b>6.0</b>
Financial income/charges	2,719	4.0	(1,276)	(2.2)
Investor's share in the associate's profits and losses	-	0.0	39	0.1
<b>PRE-TAX RESULT</b>	<b>5,876</b>	<b>8.5</b>	<b>2,315</b>	<b>3.9</b>
Income Taxes	(1,162)	(1.7)	(1,867)	(3.2)
<b>NET INCOME CONTINUING OPERATIONS</b>	<b>4,714</b>	<b>6.9</b>	<b>448</b>	<b>0.8</b>
Attributable to:				
Owners of the Parent	4,473		314	
Non-controlling interest	241		134	
<b>PROFIT PER SHARE (Euro)</b>	<b>0.38</b>		<b>0.03</b>	
<b>DILUTED PROFIT PER SHARE (Euro)</b>	<b>0.38</b>		<b>0.03</b>	

### Net Financial Position as of 31 December 2020

€ thousand	31.12.2020	31.12.2019	Var
Cash	11,933	11,426	507
Trading securities at fair value	68,161	87,320	(19,159)
Other Short Term Financial Assets	-	-	-
Short term Financial Debts	(30,635)	(25,306)	(5,329)
<b>Short term Financial Resources</b>	<b>49,459</b>	<b>73,440</b>	<b>(23,981)</b>
Non current Financial Debts - Lessors IFRS 16	(3,580)	(4,517)	937
Other Non current Financial Debts	(23,818)	(27,512)	3,694
Non current Financial Debts	(27,398)	(32,029)	4,631
<b>Net Available Financial Resources</b>	<b>22,061</b>	<b>41,411</b>	<b>(19,350)</b>

**Consolidated Balance Sheet as of 31 December 2020**

€ thousand	31.12.2020	31.12.2019	Var
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Goodwill	30,431	19,640	10,792
Definite life intangible assets	7,221	4,741	2,481
<b>Intangible Assets</b>	<b>37,653</b>	<b>24,380</b>	<b>13,273</b>
Buildings, plants and machinery	7,460	7,929	(469)
<b>Tangible Assets</b>	<b>7,460</b>	<b>7,929</b>	<b>(469)</b>
Investments in associates	0	0	0
Other non-current assets	227	259	(32)
Deferred tax assets	2,072	2,067	6
<b>Other non-current assets</b>	<b>2,299</b>	<b>2,325</b>	<b>(26)</b>
<b>TOTAL NON-CURRENT ASSETS</b>	<b>47,413</b>	<b>34,634</b>	<b>12,778</b>
<b>CURRENT ASSETS</b>			
Inventories	4,749	4,156	593
Trade receivables	35,411	19,371	16,040
Other current assets	5,782	4,779	1,003
Other short term financial assets	0	0	0
Trading securities at fair value	68,161	87,320	(19,159)
Cash and other liquid equivalents	11,933	11,426	506
<b>TOTAL CURRENT ASSETS</b>	<b>126,035</b>	<b>127,052</b>	<b>(1,016)</b>
<b>TOTAL ASSETS</b>	<b>173,448</b>	<b>161,686</b>	<b>11,762</b>
<b>EQUITY AND LIABILITIES</b>			
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	6,503	6,503	0
Reserves	13,859	14,731	(872)
Retained earnings	60,618	60,304	314
Profit (Loss) for the period	4,474	314	4,160
<b>TOTAL SHAREHOLDERS' EQUITY (Group)</b>	<b>85,454</b>	<b>81,852</b>	<b>3,602</b>
Shareholders' Equity attributable to minority interests	409	168	241
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>85,863</b>	<b>82,020</b>	<b>3,843</b>
<b>NON-CURRENT LIABILITIES</b>			
Non-current financial liabilities	27,398	32,029	(4,631)
Severance and other personnel liabilities	2,757	3,110	(353)
Deferred tax liabilities	1,864	1,280	584
Provisions for future risks and charges	119	119	0
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>32,139</b>	<b>36,538</b>	<b>(4,399)</b>
<b>CURRENT LIABILITIES</b>			
Current financial liabilities	30,635	25,306	5,329
Trade payables	4,176	2,122	2,054
Tax payables	3,283	3,013	270
Other current liabilities	17,352	12,688	4,664
<b>TOTAL CURRENT LIABILITIES</b>	<b>55,446</b>	<b>43,129</b>	<b>12,317</b>
<b>TOTAL LIABILITIES</b>	<b>87,585</b>	<b>79,666</b>	<b>7,918</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>173,448</b>	<b>161,686</b>	<b>11,762</b>



**Consolidated Statement of Cash Flows as of 31 December 2020**

<i>€ thousand</i>	31 dicembre 2020	31 dicembre 2019
<b>Net Income</b>	<b>4,715</b>	<b>448</b>
Non cash costs for Stock Options	33	24
Financial interest paid	151	75
Variance Fair Value Financial Assets	(1,701)	833
Current income taxes	381	3,668
Variance in deferred taxes	(379)	(1,559)
Amortization, depreciation and write-downs	3,439	2,730
Other non cash costs	-	-
Other changes	53	5
<b>Cash flows generated by operations before working capital</b>	<b>6,692</b>	<b>6,224</b>
(Increase) / Decrease in trade receivables	(9,592)	(2,667)
(Increase) / Decrease in inventories	(593)	(995)
Increase / (Decrease) in trade payables	146	(112)
Increase / (Decrease) in other current assets/liabilities	3,548	(3,024)
Increase / (Decrease) in severance and other personnel liabilities	(1,186)	(260)
<b>Changes in working capital</b>	<b>(7,678)</b>	<b>(7,058)</b>
Paid income taxes	(172)	(471)
<b>CASH FLOW GENERATED BY OPERATIONS</b>	<b>(1,159)</b>	<b>(1,305)</b>
Increase in tangible assets	(782)	(902)
Increase in intangible assets	(26)	(14)
Capitalization of development costs	(348)	-
Decrease in tangible & intangible assets	65	76
Net Cash flow from acquisition	(11,766)	(2,254)
(Increase) / Decrease in trading securities	20,000	25,226
<b>CASH FLOW GENERATED BY INVESTING ACTIVITIES</b>	<b>7,144</b>	<b>22,131</b>
Proceeds from borrowings	16,000	6,700
(Repayment) of borrowings	(10,570)	(13,790)
(Repayment) of Leasing liabilities	(1,540)	(1,144)
(Increase) / Decrease in other financial credits	-	-
Increase / (Decrease) in other financial liabilities	-	-
Dividends paid	-	(5,781)
Financial interests paid	(142)	-
Net change in financial liabilities	(5,902)	7
(Purchase)/Sale of Treasury Shares	(3,301)	(999)
<b>CASH FLOW GENERETED BY FINANCIAL ACTIVITIES</b>	<b>(5,456)</b>	<b>(15,007)</b>
<b>INCREASE / (DECREASE) IN CASH</b>	<b>529</b>	<b>5,820</b>
Difference in Currency Translation	(23)	13
<b>Cash at beginning of the period</b>	<b>11,426</b>	<b>5,593</b>
<b>Cash at the end of the period</b>	<b>11,932</b>	<b>11,426</b>

## Income Statement - Management Reporting

### Fourth Quarter as of 31 December 2020

<i>€ thousand</i>	Q4 2020	%	Q4 2019	%	Var %
<b>REVENUES</b>	<b>20,927</b>	<b>100.0</b>	<b>16,557</b>	<b>100.0</b>	<b>26.4</b>
Direct costs	13,125	62.7	8,264	49.9	58.8
<b>GROSS MARGIN</b>	<b>7,802</b>	<b>37.3</b>	<b>8,293</b>	<b>50.1</b>	<b>(5.9)</b>
Research and Development costs	1,639	7.8	1,616	9.8	1.4
Commercial costs	1,881	9.0	2,750	16.6	(31.6)
General and Administrative costs	1,841	8.8	1,722	10.4	6.9
<b>EBITDA</b>	<b>2,441</b>	<b>11.7</b>	<b>2,205</b>	<b>13.3</b>	<b>10.7</b>
Amortization, depreciation and write downs	2,421	11.6	872	5.3	177.6
Reorganization and non-recurring costs	244	1.9	12	0.1	n.s.
<b>OPERATING PROFIT (EBIT)</b>	<b>(224)</b>	<b>(1.1)</b>	<b>1,321</b>	<b>8.0</b>	<b>(117.0)</b>
Financial income (charges)	221	1.1	57	0.3	n.s.
Non-recurring income/(charges)	1,331	6.4	(3,432)	(20.7)	n.s.
<b>RESULT BEFORE TAXES (EBT)</b>	<b>1,328</b>	<b>6.3</b>	<b>(2,054)</b>	<b>(12.4)</b>	<b>n.s.</b>
Taxes	(224)	(1.1)	(646)	(3.9)	n.s.
<b>NET RESULT</b>	<b>1,104</b>	<b>5.3</b>	<b>(2,700)</b>	<b>(16.3)</b>	<b>n.s.</b>