

## TXT e-solutions: results for the 1st half of 2020

### The Group's growth path continues successfully with positive effects on margins

- Revenues € 32.1 million (+18.9%), of which € 4.4 million from software (+48.8%).
- EBITDA € 4.0 million (+45.0%) after increasing investments in research and development (+38.9%) fully expensed.
- Net profit of € 2.7 million (+25.7%).
- Positive Net Financial Position of € 38.3 million.
- Impact of Covid19 on the first half of the year limited; postponement of medium/long-term growth targets in some market segments (i.e. civil aviation).

Milan, 6 August 2020 – 17:35

TXT e-solutions' Board of Directors chaired by Enrico Magni has approved today the operating results as at 30 June 2020. The Group's results in the first half of 2020 were as follows:

**Revenues** amounted to € 32.1 million, up +18.9% compared to € 27.0 million in the first half of 2019. In the first half of 2020 revenues from software amounted to € 4.4 million, up +48.8% compared to the first half of 2019. Total international revenues represent 28.5% of total revenues.

**EBITDA** was € 4.0 million, up +45.0% compared to the first half of 2019 (€ 2.8 million), following significant investments in research and development (+38.9%) fully expensed. Of the € 1.3 million increase of EBITDA, € 0.7 million was due to organic growth (+10.2%) and € 0.6 million to the growing acquisitions. The margin on revenues was 12.6% compared with 10.3% in the first half of 2019.

The **Net profit** was € 2.7 million compared to € 2.2 million in the first half of 2019, accounting for 8.5% of revenues compared to 8.0% of last year despite lower financial income of € 0.9 million in the first half of 2020 compared to € 1.8 million in the first half of 2019.

In the second quarter of 2020 revenues equalled € 15.9 million, up by 4.9% compared to the second quarter of 2019. EBITDA was € 2.1 million, up by +38.8%. Net profit was € 2.4 million, compared to € 0.7 million in the second quarter of 2019 (+232%).

The consolidated **Net Financial Position** as at 30 June 2020 is positive for € 38.3 million, compared to 41.4 million at 31 December 2019, with a net decrease of € 3.0 million, mainly due to the purchase of treasury shares (€ 1.8 million), the recognition of the PUT/CALL payable linked to the investment in TXT Working Capital Solutions (€ 2.7 million) and the payment of the Severance for end of term of office to the outgoing Chairperson allocated in previous years (€ 1.2 million).

*"2020 is an unprecedented year for the global economy", commented the Chairperson Enrico Magni, "after a year 2019 featuring growth and euphoria for the major international economies, the advent of the Covid19 pandemic has upset the balance of the modern economy based on globalisation and trade/externalisation on an international scale, paralysing some of the key sectors and causing considerable effects on GDP and consumption. In this context, high-tech and specialised digital companies like TXT have ensured business continuity even in the sectors most affected by the crisis".*

*"Aerospace and FinTech are both included in the list of strategic sectors that, even during the entire lockdown period, have required continuity and transformation in operating modes", adds the CEO Daniele Misani. "Through the immediate transition to remote working of almost all staff, TXT has met these demands by protecting the safety of its resources while ensuring continuity and quality of service. Customer confidence in our software was confirmed. Specialised skills in digital transformation, growth and diversification of our offer, combined with resource efficiency, have allowed us to significantly increase volumes and margins compared to the first half of 2019, offsetting the inevitable decline in some segments of our business such as civil aviation, automotive and manufacturing. The global environment remains uncertain and we approach it with caution, building on our proven operational excellence and continuing to invest in innovation".*

*"We are convinced that this is the right time to continue to invest", concludes Enrico Magni, "and the excellent results achieved by the Group strengthen our belief in the profitable growth path that the new TXT has undertaken following the reorganisation process started in 2019. After the investments in FinTech already announced and the massive buy-back plan already partially reinvested in the M&A plan, we will continue with the acquisition plan that will further increase the range of expertise and value of the TXT Group".*

### **Subsequent events and outlook**

Once again in the second half of the year, the TXT Group is recording a positive performance that goes against the trend of the global economy thanks to full continuity in all operating segments and the increasing confidence shown by customers, who are rewarding us with new contracts and innovative projects with high technological value. Important new orders also in the most difficult segments such as civil aviation and defence; in the latter segment an important multi-year contract has been signed with a leading player for the sale of a technological platform for virtual pilot training.

The Group continues to invest intensively in growth, both through the development of new innovative platforms designed by the software factories and centres of technological excellence based in Italy and Berlin, and through investments in acquisitions.

As regards Fintech, the ambitious growth plan continues through investments in the development of innovative platforms and strategic acquisitions; on 13 July 2020 TXT formalised the purchase of Mac Solutions SA, a Swiss company that has been in the market for over 20 years and specialises in the provision of professional ICT services for the banking world and will act as a vehicle for the export of our Fintech solutions to the Swiss

market. At the closing, CHF 5.4 million was paid in cash, of which CHF 2.2 million - equivalent to the maximum value of the clawback clause agreed between the parties - paid by TXT to the seller in an escrow account linked to Mac Solutions SA's performance over the three-year period 2020-2022. On 23 July 2020, the former shareholder of MAC Solutions SA invested in TXT shares by purchasing 224,604 TXT shares valued at € 9.00 per share, paying a value of € 2.0 million in favour of TXT.

In the second half of the year, the buy-back and M&A plans are continuing. With the latter, we are confident to announce further acquisitions by the end of 2020, leveraging the significant availability of cash and using the treasury shares in portfolio, which amounted to 1,263,783 at 31 July 2020 (equal to 9.7% of the share capital). The use of treasury shares in the context of the M&A plan aims to maximise the commitment of the newly acquired companies' management to the Group's value growth project.

### **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 e-solutions** is a world leader in the supply of software products and strategic solutions. It operates in dynamic markets that require high specialisation and the capacity to innovate. TXT is focused on software for the aerospace, aeronautical and automotive sector, where it offers specific products and specialist engineering services and on the Fintech sector with services related to testing and IT governance and products and solutions for the management of loans, NPLs and large financial system risks. Listed on the Italian Stock Market since 2000 in the Star segment (TXT.MI), TXT has its registered office in Milan and offices in Italy, France, the UK, Germany, Switzerland and the USA.

### **For further information:**

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**Management statement of income as at 30 June 2020**

<i>€ thousand</i>	H1 2020	%	H1 2019	%	Var %
<b>REVENUES</b>	<b>32,108</b>	<b>100.0</b>	<b>26,996</b>	<b>100.0</b>	<b>18.9</b>
Direct costs	18,087	56.3	15,264	56.5	18.5
<b>GROSS MARGIN</b>	<b>14,021</b>	<b>43.7</b>	<b>11,732</b>	<b>43.5</b>	<b>19.5</b>
Research and Development costs	3,714	11.6	2,674	9.9	38.9
Commercial costs	3,258	10.1	3,596	13.3	(9.4)
General and Administrative costs	3,007	9.4	2,674	9.9	12.5
<b>EBITDA</b>	<b>4,042</b>	<b>12.6</b>	<b>2,788</b>	<b>10.3</b>	<b>45.0</b>
Depreciation	975	3.0	723	2.7	34.9
<b>CURRENT OPERATING PROFIT (EBITA)</b>	<b>3,067</b>	<b>9.6</b>	<b>2,065</b>	<b>7.6</b>	<b>48.5</b>
Amortization	616	1.9	474	1.8	30.0
Riorganization and Non Recurrent Costs	350	1.9	346	1.3	1.2
<b>OPERATING PROFIT (EBIT)</b>	<b>2,101</b>	<b>6.5</b>	<b>1,245</b>	<b>4.6</b>	<b>68.8</b>
Extraordinary/Financial income (charges)	892	2.8	1,791	6.6	(50.2)
<b>EARNINGS BEFORE TAXES (EBT)</b>	<b>2,993</b>	<b>9.3</b>	<b>3,036</b>	<b>11.2</b>	<b>(1.4)</b>
Taxes	(263)	(0.8)	(865)	(3.2)	(69.6)
<b>NET PROFIT</b>	<b>2,730</b>	<b>8.5</b>	<b>2,171</b>	<b>8.0</b>	<b>25.7</b>
Attributable to:					
Owners of the Parent	2,653		2,085		
Non controlling interest	(77)		(87)		

**Income Statement as at 30 June 2020**

<i>Euro</i>	30.06.2020	30.06.2019
<b>TOTAL REVENUES AND INCOME</b>	<b>32,108,628</b>	<b>26,995,519</b>
Purchases of materials and services	(6,649,747)	(5,837,752)
Personnel costs	(21,575,823)	(18,081,331)
Other operating costs	(191,496)	(288,842)
Amortizations, depreciation and write downs	(1,589,919)	(1,542,318)
<b>OPERATING RESULT</b>	<b>2,101,643</b>	<b>1,245,276</b>
Financial income/charges	891,747	1,800,012
Net result of associated companies	-	(9,196)
<b>PRE-TAX RESULT</b>	<b>2,993,390</b>	<b>3,036,092</b>
Income Taxes	(263,439)	(864,903)
<b>NET INCOME CONTINUING OPERATIONS</b>	<b>2,729,951</b>	<b>2,171,189</b>
Attributable to:		
Owners of the Parent	2,652,819	2,084,555
Non controlling interest	(77,131)	(86,634)
<b>PROFIT PER SHARE (Euro)</b>	<b>0.23</b>	<b>0.19</b>
<b>DILUTED PROFIT PER SHARE (Euro)</b>	<b>0.23</b>	<b>0.19</b>
<b>Number of shares</b>	<b>11,527,213</b>	<b>11,656,499</b>

**Net Financial Position as at 30 June 2020**

<i>.000 Euro</i>	30.06.2020	31.12.2019	Var
Cash	16,981	11,426	5,555
Trading securities at fair value	77,628	87,320	(9,692)
Other Short Term Financial Assets	-	-	-
Short term Financial Debts	(23,658)	(25,306)	1,648
<b>Short term Financial Resources</b>	<b>70,951</b>	<b>73,440</b>	<b>(2,489)</b>
Non current Financial Debts - Lessors IFRS 16	(4,042)	(4,517)	475
Financial Debts for acquisitions - Earn-out, Put/Call	(5,071)	(3,987)	(1,085)
Other Non current Financial Debts	(23,504)	(23,525)	22
Non current Financial Debts	(32,617)	(32,029)	(588)
<b>Net Available Financial Resources</b>	<b>38,334</b>	<b>41,411</b>	<b>(3,077)</b>

**Consolidated Balance Sheet as of 30 June 2020**

€ thousand	31.06.2020	31.12.2019	Var
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Goodwill	22,364	19,640	2,724
Definite life intangible assets	4,168	4,741	(572)
<b>Intangible Assets</b>	<b>26,532</b>	<b>24,380</b>	<b>2,152</b>
Buildings, plants and machinery	7,603	7,929	(326)
<b>Tangible Assets</b>	<b>7,603</b>	<b>7,929</b>	<b>(326)</b>
Investments in associates	0	0	0
Other non-current assets	208	259	(50)
Deferred tax assets	2,208	2,067	141
<b>Other non-current assets</b>	<b>2,416</b>	<b>2,325</b>	<b>91</b>
<b>TOTAL NON-CURRENT ASSETS</b>	<b>36,551</b>	<b>34,634</b>	<b>1,917</b>
<b>CURRENT ASSETS</b>			
Inventories	6,508	4,156	2,353
Trade receivables	20,195	19,371	825
Other current assets	6,405	4,779	1,626
Other short term financial assets	0	0	0
Trading securities at fair value	77,628	87,320	(9,692)
Cash and other liquid equivalents	16,981	11,426	5,555
<b>TOTAL CURRENT ASSETS</b>	<b>127,718</b>	<b>127,052</b>	<b>667</b>
<b>TOTAL ASSETS</b>	<b>164,270</b>	<b>161,686</b>	<b>2,583</b>
<b>EQUITY AND LIABILITIES</b>			
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	6,503	6,503	0
Reserves	12,929	14,731	(1,802)
Retained earnings	60,618	60,304	314
Profit (Loss) for the period	2,653	314	2,338
<b>TOTAL SHAREHOLDERS' EQUITY (Group)</b>	<b>82,702</b>	<b>81,852</b>	<b>851</b>
Minority shareholder's equity	245	168	77
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>82,948</b>	<b>82,020</b>	<b>928</b>
<b>NON-CURRENT LIABILITIES</b>			
Non-current financial liabilities	32,617	32,029	588
Severance and other personnel liabilities	1,957	3,110	(1,153)
Deferred tax liabilities	1,120	1,280	(160)
Provisions for future risks and charges	119	119	0
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>35,812</b>	<b>36,538</b>	<b>(726)</b>
<b>CURRENT LIABILITIES</b>			
Current financial liabilities	23,659	25,306	(1,647)
Trade payables	2,516	2,122	394
Tax payables	3,304	3,013	291
Other current liabilities	16,031	12,688	3,343
<b>TOTAL CURRENT LIABILITIES</b>	<b>45,510</b>	<b>43,129</b>	<b>2,381</b>
<b>TOTAL LIABILITIES</b>	<b>81,322</b>	<b>79,666</b>	<b>1,655</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>164,270</b>	<b>161,686</b>	<b>2,583</b>

## Consolidated cash flow statement as at 30 June 2020

Euro	30.6.2020	30.6.2019
<b>Net Income</b>	<b>2,729,950</b>	<b>2,171,189</b>
	16,314	3,399
Financial interest paid	49,185	43,597
Variance Fair Value Financial Assets	(1,134,122)	(2,025,329)
Current income taxes	463,481	-
Variance in deferred taxes	(301,439)	(91,452)
Amortization, depreciation and write-downs	1,569,802	596,786
Other changes	16,614	-
<b>Cash flows generated by operations before working capital</b>	<b>3,409,785</b>	<b>698,190</b>
(Increase) / Decrease in trade receivables	(824,854)	(2,105,623)
(Increase) / Decrease in inventories	(2,352,624)	(2,420,284)
Increase / (Decrease) in trade payables	152,751	(112,798)
Increase / (Decrease) in other current assets/liabilities	1,755,342	1,613,011
Increase / (Decrease) in severance and other personnel liabilities	(1,196,224)	(68,661)
<b>Changes in working capital</b>	<b>(2,465,609)</b>	<b>(3,094,355)</b>
Income taxes paid	(172,000)	-
<b>CASH FLOW GENERATED BY OPERATIONS</b>	<b>772,176</b>	<b>(2,396,165)</b>
Increase in tangible assets	(454,830)	(433,317)
Increase in intangible assets	(6,386)	(2,170)
Decrease in tangible and intangible assets	17,051	30,492
Cash flow from controlled companies	198,657	(1,783,708)
(Increase) / decrease other financial receivables	10,000,000	30,197,205
<b>CASH FLOW GENERATED BY INVESTING ACTIVITIES</b>	<b>9,754,491</b>	<b>28,008,502</b>
Proceeds from borrowings	10,000,000	857,052
(Repayment) of borrowings	(6,525,724)	(9,213,523)
(Repayment) of Leasing liabilities	(716,049)	(594,124)
(Increase) / Decrease in other financial credits	(5,852,038)	-
Increase / (Decrease) in other financial liabilities	-	32,439
Dividends paid	-	(5,780,767)
Financial interests paid	(86,107)	(125,698)
Other changes in equity	-	(450,000)
(Purchase)/Sale of Treasury Shares	(1,789,577)	(930,962)
<b>CASH FLOW GENERATED BY FINANCIAL ACTIVITIES</b>	<b>(4,969,495)</b>	<b>(16,205,583)</b>
<b>INCREASE / (DECREASE) IN CASH</b>	<b>5,557,172</b>	<b>9,406,754</b>
Difference in Currency Translation	(2,052)	3,459
<b>Cash at beginning of the period</b>	<b>11,426,082</b>	<b>5,593,125</b>
<b>Cash at the end of the period</b>	<b>16,981,200</b>	<b>15,003,338</b>
Assets acquired that did not generate cash flows (initial recognition IFRS 16)	(227,873)	(2,495,754)
Liabilities acquired that did not generate cash flows (initial recognition IFRS 16)	227,873	2,495,754

**Management statement of income of Second Quarter of 2020**

<i>€ thousand</i>	Q2 2020	%	Q2 2019	%	Var %
<b>REVENUES</b>	<b>15,853</b>	<b>100.0</b>	<b>15,111</b>	<b>100.0</b>	<b>4.9</b>
Direct costs	9,106	57.4	8,593	56.9	6.0
<b>GROSS MARGIN</b>	<b>6,747</b>	<b>42.6</b>	<b>6,518</b>	<b>43.1</b>	<b>3.5</b>
Research and Development costs	1,911	12.1	1,511	10.0	26.5
Commercial costs	1,386	8.7	2,011	13.3	(31.1)
General and Administrative costs	1,373	8.7	1,500	9.9	(8.5)
<b>EBITDA</b>	<b>2,077</b>	<b>13.1</b>	<b>1,496</b>	<b>9.9</b>	<b>38.8</b>
Depreciation	488	3.1	392	2.6	24.5
<b>CURRENT OPERATING PROFIT (EBITA)</b>	<b>1,589</b>	<b>10.0</b>	<b>1,104</b>	<b>7.3</b>	<b>43.9</b>
Amortization	310	2.0	241	1.6	28.6
Riorganization and Non Recurrent Costs	350	3.8	346	2.3	1.2
<b>OPERATING PROFIT (EBIT)</b>	<b>929</b>	<b>5.9</b>	<b>517</b>	<b>3.4</b>	<b>79.7</b>
Extraordinary/Financial income (charges)	1,564	9.9	513	3.4	204.9
<b>EARNINGS BEFORE TAXES (EBT)</b>	<b>2,493</b>	<b>15.7</b>	<b>1,030</b>	<b>6.8</b>	<b>142.0</b>
Taxes	(15)	(0.1)	(284)	(1.9)	(94.7)
<b>NET PROFIT</b>	<b>2,478</b>	<b>15.6</b>	<b>746</b>	<b>4.9</b>	<b>232.2</b>
Attributable to:					
Owners of the Parent	2,416		659		
Non controlling interest	62		87		