

# TXT e-solutions CORPORATE PRESENTATION

Star Conference 2014

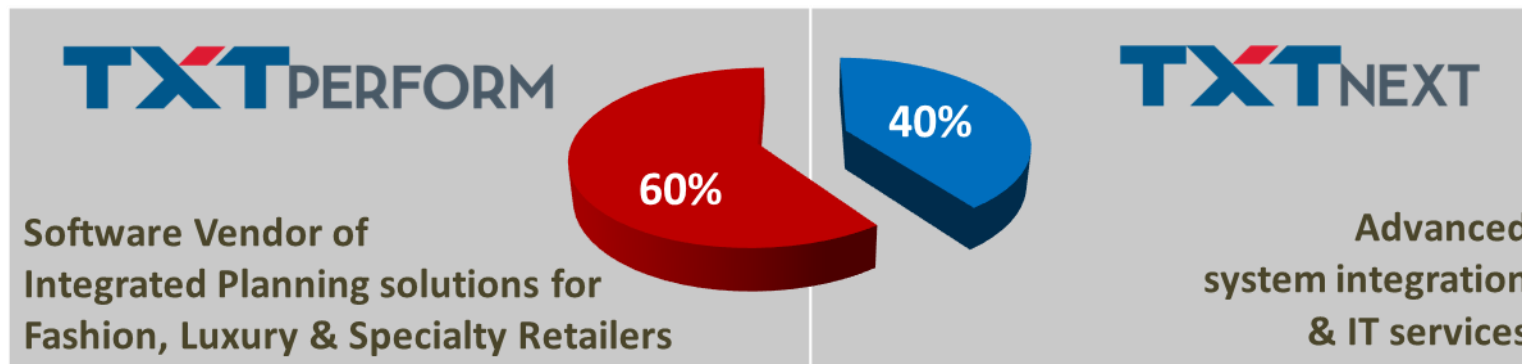
March 2014



- Founded many years ago by A.Braga Illa
- A healthy but very small «Italy-only» System Integrator until 2000.
- July 2000: IPO (Borsa Italiana) with IPO Market Cap 200 m€ (!), and a Project:
  - From «system integrator» to «software vendor»
  - From «Italian» to «International»
- After 14 years:
  - A successful «Small Cap» International specialist: Revenues 53 m€, Market Cap ~120 m€
  - TXT Perform: Int'l leader in Integrated Planning for Fashion, Luxury & Specialty Retailers
  - TXT Next: Opportunity for innovation in niche markets: seeds for tomorrow's growth
  - Profitable growth in a tough market
  - Outstanding Stock performance since 2011, with expanding investor roster
- With 25 m€ in Cash & Treasury Shares, we want to move to the next level ...

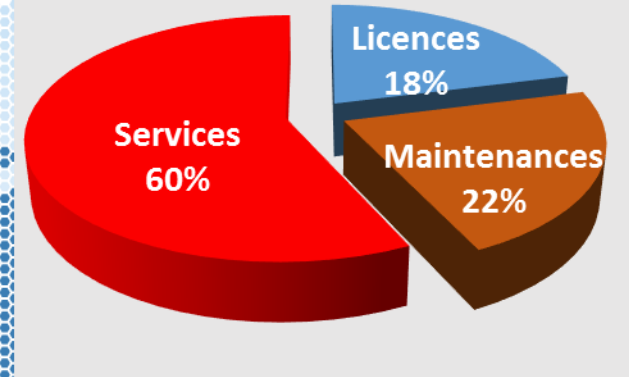
- **Acquisitions:** Maple Lake in September 2012 (8,8 m€ Cash + 1,5 m€ Shares)
- **New Products in the «TXTPerform Solution Collection»:**
  - TXT On-Cloud;
  - TXT Mobile;
  - Mobile PLM & Planning modules
- **Yearly Dividends distributed since 2011:**
  - 2011: 1 € /share (extraordinary, rebased)
  - 2012: Free Share Distribution 1:1
  - 2013: 0,20 € /share (rebased)
  - 2014: Free Share Distribution 1:1
  - 2014: Planned 0,25 € / share
- **Share Price (rebased for share distribution)**
  - From 3,15 € (Jan 2013)
  - To 10,40 € (Mar 20th, 2014)

- |                  |        |                      |
|------------------|--------|----------------------|
| <b>Revenues:</b> | 52,6m€ | (+13% vs. 2012)      |
| <i>of which</i>  | 54%    | <i>International</i> |
  
- |                              |      |                      |
|------------------------------|------|----------------------|
| <b>EBIT from Operations:</b> | 5 m€ | (vs. 4,3 m€ in 2012) |
|------------------------------|------|----------------------|
  
- |                       |                 |  |
|-----------------------|-----------------|--|
| <b>Free Cash Flow</b> | 10% of Revenues |  |
|-----------------------|-----------------|--|
  
- |             |        |                            |
|-------------|--------|----------------------------|
| <b>NFP:</b> | 8,6 m€ | (vs. 6,0 m€ on 31/12/2012) |
|-------------|--------|----------------------------|
  
- |                        |   |  |
|------------------------|---|--|
| <b>Treasury Stocks</b> | 1.368.120 shares (avg. purchase price 2,61 €/share) |  |
|------------------------|---|--|



## Strategy - Global leader in:

**Integrated Retail Planning solutions for Fashion, Luxury & Specialty Retailers: end-to-end, from collection to stores**



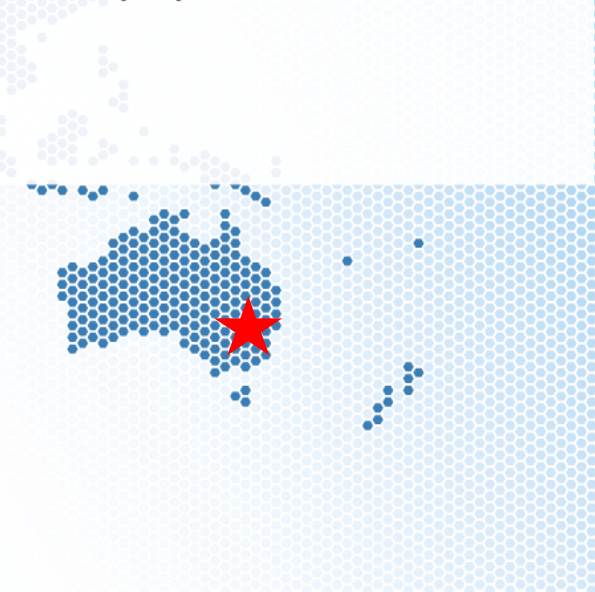
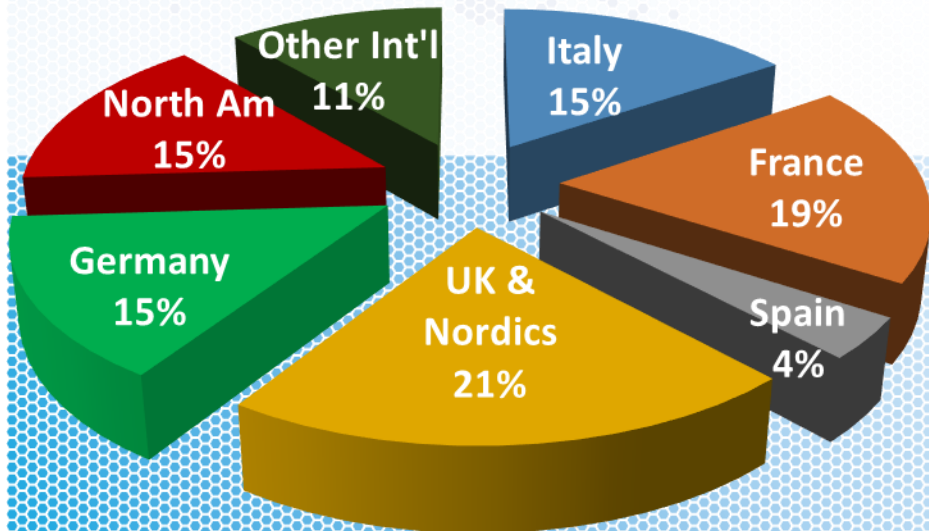
### AMERICAS Toronto, CA

### EUROPE & AFRICA

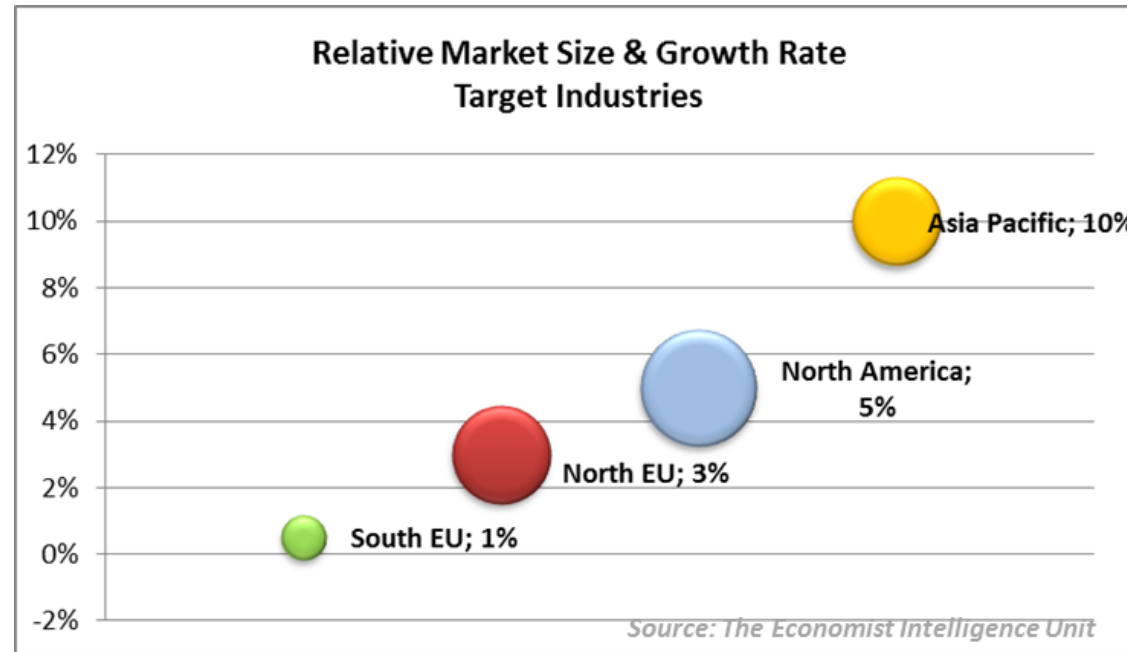
Milan, IT - Head Office  
Barcelona, SP  
Bari, IT  
Chemnitz, DE  
Genova, IT  
Halle (Saale), DE  
Leicester, UK

Lyon, FR  
Paris, FR  
Roma, IT  
Torino, IT  
Vicenza, IT  
Wynyard, UK

### ASIA PACIFIC Sydney, AU



- **80% of Retailers are based in Western EU & North America and operate World-wide: ~1.000 mid-large (> 300 m€) targets; APAC is growing faster, local players are still immature**



- **Retailers are big IT spenders (>10% of the Global IT Industry); we focus on healthiest & best performing segments:**
  - **Apparel, Footware, Fast Fashion, Accessories:** growing above average
  - **Luxury:** fastest growing (@10+%) & most net-profitable
  - **Tier-1 / Upper Tier-2 Clients:** larger deals; recurrent revenues; complex problems → higher prices

# A growing Customer Base of 350+ Clients in the Industry

- Unique by quality & quantity
- Retail Planning expertise spanning across product categories & channels

## Some of the new 2013 Clients

### Luxury



### Global Brands



### Fast Fashion



### Mixed Goods



- **Planning Processes** are «**THE**» enabler to ongoing Industry transformation, ensuring consistency of decisions:
  - From **Strategy** to **Execution**
  - **Across Functions**
  - Across the **extended Retailers' organisation**;
- Planning Processes **deliver direct & measurable ROI** on Sale, Profit, Cash & Working Capital
- It is a **large (750+ m€), growing (@ 5-7% ave. CAGR) niche Market**:
  - ~50% in North America
  - ~30% in Western Europe



Increase Sales:  
+8% same-store sales  
64% → 92% best-sellers  
in-store availability



Grow Margins:  
+ 1.2 %-points  
- 8% mark-down due to  
product obsolescence



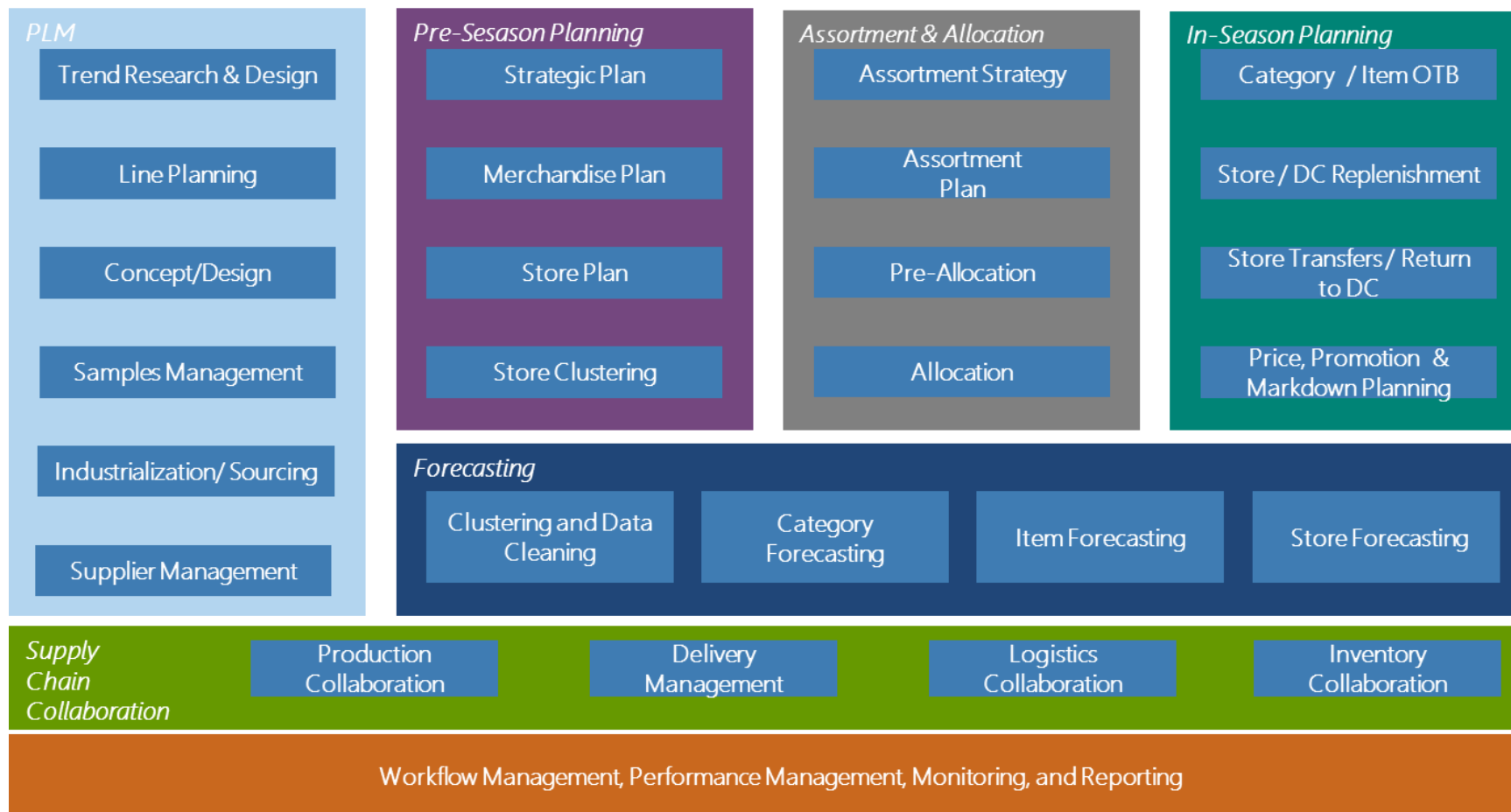
Reduce Inventories:  
- 10% in-store invent.  
- 20 days overall



Improve Productivity:  
< data-crunching,  
> decision-making



- Depth: focused on core processes in Retail Planning
- Breadth: sole vendor offering both Product Lifecycle Management & Retail Planning (end-to-end, from collection to stores and e-commerce)
- Modular & Integrated: customers can start small & scale up



Innovation leader in a static and obsolete competitive landscape, with high barriers to entry

**#1 in Core Functional Scope**  
**#3 Overall (Functionality & Market Presence)**

**Table 1:** Assortment vendor assessment details

Vendor	Aggregated Score	Functional Score	Market Impact	Consumer Centricity
Oracle	7.600	7.680	7.350	8.000
JDA	7.557	7.650	8.750	6.500
<b>TXT e-solutions</b>	<b>7.475</b>	<b>8.900</b>	<b>6.750</b>	<b>7.000</b>
Torex	7.458	7.250	6.750	8.000
Soft Solutions	7.442	8.900	6.950	6.700
SAS	7.425	8.500	7.000	7.000
Predictix	7.300	8.420	7.200	6.500
TCS	7.277	7.800	7.750	6.500
i2	7.046	7.350	6.000	6.000
MID Retail	7.029	7.300	8.000	6.000
AIS	6.801	6.660	6.200	7.750
ITR Software	6.329	6.980	6.450	5.750
Lawson	6.270	8.050	5.200	5.750
Epicor	6.204	8.550	5.750	4.500
Galleria	6.006	6.750	5.950	5.500
Just Enough	5.924	6.750	5.450	5.750
Island Pacific	5.683	6.220	5.000	6.000
Manhattan Associates	5.660	6.400	5.000	5.750
7thOnline	5.643	6.900	5.450	4.750
Quantum Retail	5.409	6.990	4.650	4.750
ANT USA	5.264	5.750	6.450	3.750
SAP	5.247	6.950	5.950	3.000
Maple Lake	5.181	5.700	6.250	3.750
DemandTec	4.851	3.250	4.950	6.500
Silk Oak Solutions	4.660	6.170	5.450	2.500

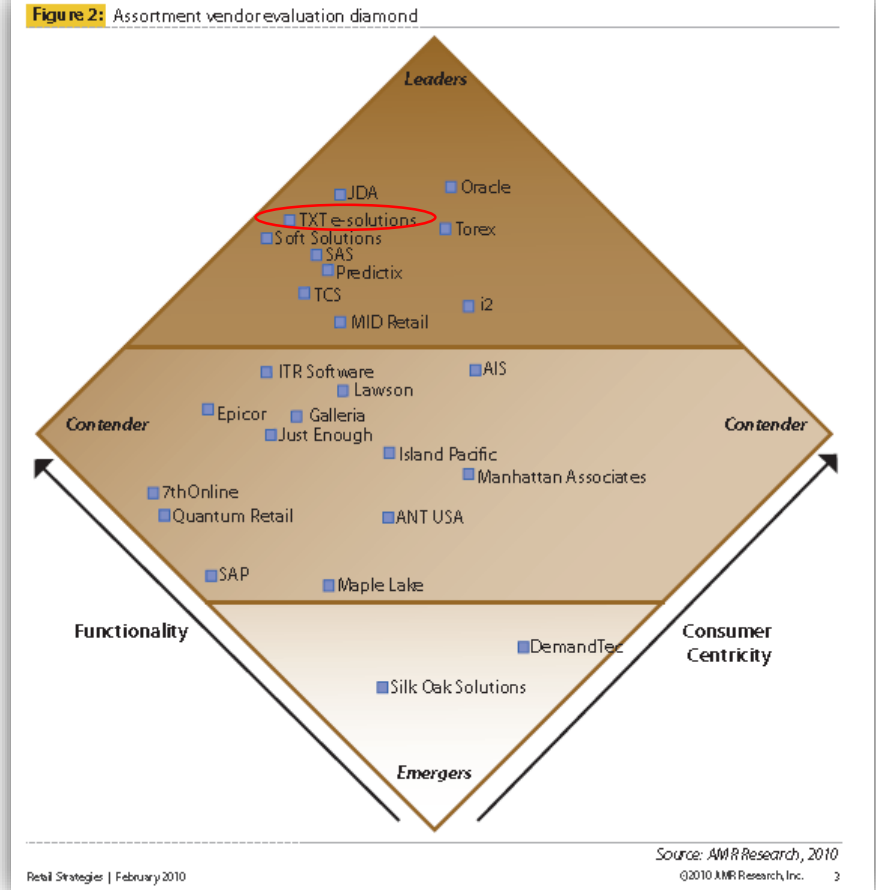
Vendor rating for each area:			
10	Superior	1	Basic
5	Good	0	Lacking


Source: AMR Research, 2010

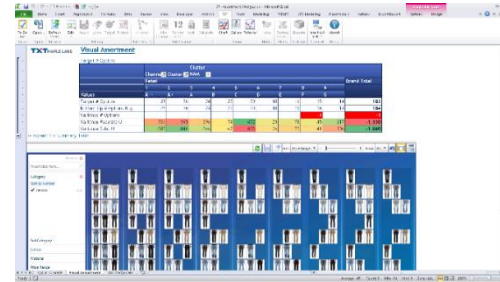
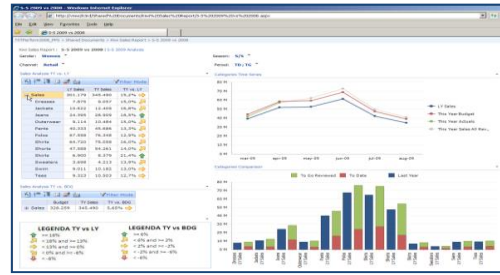
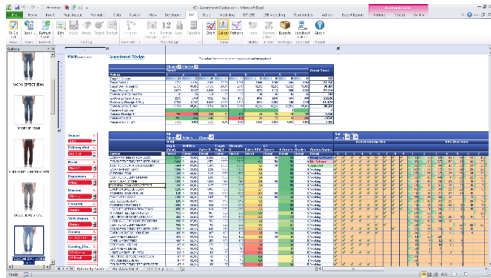
TXT Market share:

- ~ 15% in Europe
- ~ 5% "W-wide"

Source: Management's estimate based on Gartner's Data



- TXT focuses on «**business innovation**», building on technology from IT leaders:  
Global Partnership with  **Microsoft**
  - “**Best practices inside**”, deep functionality & integration, high usability & scalability



- **TXT On-Cloud**: lower cost barriers to use our solutions



- **New Modules**:
  - Broaden the range of processes covered;
  - **TXT Mobile**: widen & “mobilize” end-users



- “**In-Memory**” technology to exploit Retailers’ Big Data assets



- **Baseline organic growth:**
  - in **Europe** and **North America**
  - in the core market of **global Luxury, Fashion & Specialty** retailers
- Accelerated through **targeted acquisitions**
- Sustained by continuous investments in **product and business process innovation**
- **Self-financed**, through:
  - Profit & Cash generated by the business
  - Growing **Stock** value

## Grow

1. Extend **Geography**: short-/mid-term North America; in APAC now leveraging on our Customers' presence, longer-term native APAC Retailers.
2. Expand to other **Retail segments**, in addition to Fashion & Luxury; longer-term sell to smaller Retailers
3. Develop **Customer Base**: not only «net-new» Customers, but new Products & Services to existing Customers
4. Extend **Products**: deeper & broader, as Retailers mature & their requirements evolve
5. Expand & monetize **Services**, capitalising on Retail expertise

## Increase Profit

1. Expand **Revenues Mix**, growing both Software & Recurrent (Software & Services) revenues
2. Seek **Economies of scale** in **Direct** and **Indirect Costs**

Healthy (+12% in 2011-13) & profitable; opportunity to keep growing organically:

- Around the «as-is» perimeter & preserving the current good margins
- Building on a baseline revenue stream from solid, long-lasting relationships with core customers
- Leveraging on highly specialised industry know-how & outstanding technical capabilities
- Expanding the customer base in the target markets

## Aerospace & High-Tech

- Aeronautics: expand internationally around
  - Embedded Electronics
  - Simulation & Training
  - Digital Manufacturing
- Automotive & Rail:
  - Embedded Electronics



## Banking & Finance

- Italian mid-large Banks
- A niche player, focused on:
  - IT Governance & Software Quality
  - Intranets



## «Exploring» new domains, together with Customers

## Growing Int'l exposure, following our Customers



- ▶ **Model-based Design for Embedded SW**
- ▶ **Augmented Reality for Simulation & Training**
- ▶ **Tablet-based Training & Support Solutions**
- ▶ **Internet of Things & related industrial applications**



- ▶ **Followed our Customers in 24 Countries worldwide**
- ▶ **2013: 9 Simulators in 5 Countries;**
- ▶ **2013: 3 Int'l deals**

- TXT Perform: Six Pillars of Profitable Growth
  - Global Retail Industry is **large, dynamic** and **changing**: e-commerce, new business models, new players
  - Planning is a «**big niche**» & a **growing investment area** for Retailers
  - TXT has a **unique offering**: «End-to-end Integrated Retail Planning, from Collection to Distribution»
  - Proven **innovation** capability and **top-quality team**
  - A **large, world-wide base** of **happy global customers** in our core markets
  - **Opportunities to expand** into adjacent retail segments & retail processes
  
- TXT Next:
  - **Leader** in Italy & «**partner of choice**» for key players in Aerospace & High-Tech
  - **Highly-fidelised** customer base
  - Solid, well referenced **know-how**, deep **expertise** in target industries & **top-quality team**
  - **Opportunity to expand** Internationally (Aeronautics) & in other industries



- **International** profile: 50+% of Revenues from Int'l markets, and growing
- Growth in **Revenue, Profit & Cash**
- **Large fidelised customer base** of 350+ blue-chip customers: a key asset in good & bad times, hard to replicate for new competitors
- **Solid** presence in **large, healthy markets** with very high **growth potential**
- **Access to North America** and, longer-term, Asia-Pacific retail markets
- **Diversified** business: industries, geographies & business models
- **Innovation** is in our DNA: historically a «1° mover» in many markets
- **Solid & stable management** team, who are shareholders of TXT
- **Cash & Stock Dividend policy**
- **Expanding Shareholder base**: co-workers & management; private & retail; institutional investors
- ... with **25 m€** of cash & treasury shares **at hand**, we will not stand still!

# APPENDIX – FINANCIAL DETAILS

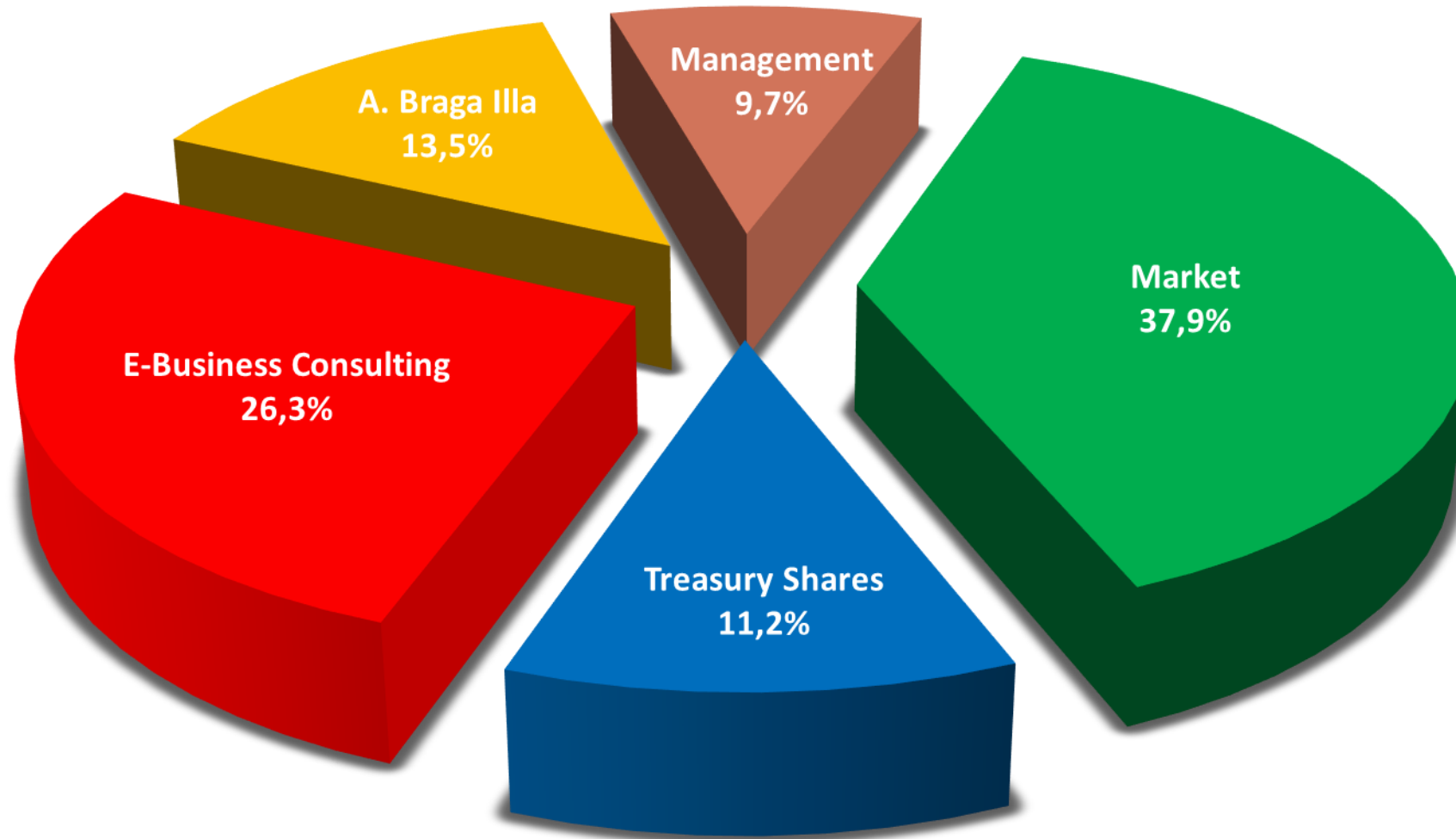
€ thousand	2013		2012		Var %
		%		%	
<b>REVENUES</b>	<b>52.560</b>	<b>100,0</b>	<b>46.499</b>	<b>100,0</b>	<b>13,0</b>
Direct costs	24.854	47,3	22.351	48,1	11,2
<b>GROSS MARGIN</b>	<b>27.706</b>	<b>52,7</b>	<b>24.148</b>	<b>51,9</b>	<b>14,7</b>
Research and Development costs	4.761	9,1	4.091	8,8	16,4
Commercial costs	10.174	19,4	8.976	19,3	13,3
General and Administrative costs	6.508	12,4	5.759	12,4	13,0
<b>EBITDA</b>	<b>6.263</b>	<b>11,9</b>	<b>5.322</b>	<b>11,4</b>	<b>17,7</b>
Amortization, depreciation	1.307	2,5	1.039	2,2	25,8
<b>OPERATING PROFIT (EBIT)</b>	<b>4.956</b>	<b>9,4</b>	<b>4.283</b>	<b>9,2</b>	<b>15,7</b>
Financial income (charges)	(435)	(0,8)	(37)	(0,1)	n.m.
<b>EARNINGS BEFORE TAXES (EBT)</b>	<b>4.521</b>	<b>8,6</b>	<b>4.246</b>	<b>9,1</b>	<b>6,5</b>
Taxes	121	0,2	(188)	(0,4)	n.m.
<b>NET PROFIT FROM OPERATIONS</b>	<b>4.642</b>	<b>8,8</b>	<b>4.058</b>	<b>8,7</b>	<b>14,4</b>
Non-recurring profit	-	-	939	2,0	n.m.
<b>NET PROFIT, including non-recurring</b>	<b>4.642</b>	<b>8,8</b>	<b>4.997</b>	<b>10,7</b>	<b>(7,1)</b>

In 2013:

- Revenues grew +13.0% (+20.1% TXT Perform) and international revenues now stand at 54%
- Gross margin grew +14.7%
- EBITDA grew +17.7% after R&D and commercial investments in USA;
- Net profit from operations at 8.8% of Revenues.

<i>€ thousand</i>	31.12.2013	31.12.2012 Restated(*)	Var
Intangible assets	15.370	16.621	(1.251)
Tangible assets	1.118	1.154	(36)
Other fixed assets	1.362	795	567
<b>Fixed Assets</b>	<b>17.850</b>	<b>18.570</b>	<b>(720)</b>
Inventories	1.451	1.388	63
Trade receivables	16.840	17.274	(434)
Other short term assets	1.802	2.288	(486)
Trade payables	(1.504)	(1.800)	296
Tax payables	(842)	(1.838)	996
Other payables and short term liabilities	(12.934)	(12.465)	(469)
<b>Net working capital</b>	<b>4.813</b>	<b>4.847</b>	<b>(34)</b>
<b>Severance and other non current liabilities</b>	<b>(3.299)</b>	<b>(3.415)</b>	<b>116</b>
<b>Capital employed</b>	<b>19.364</b>	<b>20.002</b>	<b>(638)</b>
Shareholders' equity	27.937	26.023	1.914
Net financial debt	(8.573)	(6.021)	(2.552)
<b>Financing of capital employed</b>	<b>19.364</b>	<b>20.002</b>	<b>(638)</b>

\* Capital Employed as at 31 December 2012 was restated in order to retrospectively include the effects of the final purchase price allocation (PPA) in relation to the Maple Lake acquisition.



# 2012-2014: Strong Stock Performance

