

TXT e-solutions

OUTPERFORM

Price (Eu): **9.52**
 Target Price (Eu): **11.00**

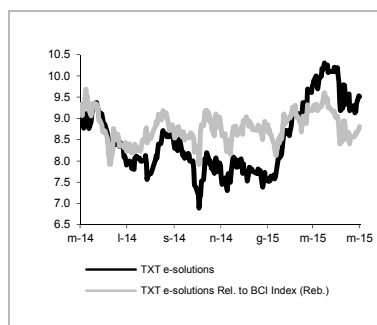
SECTOR: Industrials

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Stable Quarterly Results, Constructive Company Outlook

- Stable 1Q15 results (preliminary revenues, EBITDA and NFP were already disclosed).** In 1Q15, TXT's revenues came to Eu14.7mn, up 4.9% YoY. Growth was driven by the Next division (+13.6% YoY); the Perform division posted almost unchanged (-0.4% YoY) revenues. The sale of licences and maintenance grew by 6.3% YoY; international revenues accounted for 53% of total revenues. The gross margin stood at 51.6%, down 120bps YoY due to a less profitable revenue mix. EBITDA stood at Eu1.5mn in 1Q15, down 2.1% YoY; the margin on sales was 10.2%, down 70bps YoY mostly due to higher R&D investments (+10.6% YoY). Net profit decreased by 1.8% YoY to Eu0.98mn. Finally, net cash improved from Eu8.5mn as at December 2014 to Eu12.1mn as at March 2015 mostly due to the sale of 319k treasury shares for a total of Eu3.2mn. Operating cashflow was only slightly positive in the quarter.
- Key facts.** Notwithstanding the uncertain economic environment in several countries, in 1Q TXT gained new software orders, initiating global projects with international customers including Moncler (I), Takko (D), Otto (D), Charles Voegelé (D), White Stuff (UK), Carpisa (I), and Swatch (CH). A new subsidiary, TXT Retail AsiaPacific Ltd, was incorporated in Hong Kong, with the aim of providing direct support to major international projects and customers in the region.
- Constructive company outlook, estimates unchanged.** The company stated that: "Year 2015 opened with increasing risks due to the international economic environment and the uncertainty in markets where TXT has a strong presence, including Fashion and Luxury. Nevertheless, the company believes it will be able to outperform the market, thanks to a strengthened presence in North America, and the development of the existing customer list, which is very wide and geographically located in different areas. The company is now also increasing its presence in selected areas of international manufacturing, which are gradually emerging from recession. The company foresees a development of business in the current quarter in line with last year". We have left our estimates unchanged with the exception of net cash, which now includes the sale of treasury shares. In 2015, we forecast revenues will grow by 4.5% YoY to Eu58.4mn, EBITDA will decrease by 12.7% YoY to Eu5.9mn (the company will execute several non-recurring investments, with a total impact on the income statement in the region of Eu1.5mn), net cash will reach Eu12.8mn.
- OUTPERFORM reaffirmed; target price kept at Eu11.0.** We appreciate TXT Perform's focus on luxury, fashion and specialist retail sectors, which will provide significant and sustainable growth opportunities. We also like TXT Next's ability to generate constant, stable revenues and positive cashflow. A cash-positive balance sheet grants room to ensure high shareholder remuneration and/or pursue further external growth opportunities. Our target price remains unchanged at Eu11.0 per share.

TXT e-solutions - 12m Performance



Eu/USD: 1.33 2014; 1.10 2015/16

RATING: Unchanged

TARGET PRICE (Eu): Unchanged

Change in EPS est:	2015E	2016E
	0.0%	0.0%

STOCK DATA

Reuters code: TXTS.MI
 Bloomberg code: TXT IM

Performance	1m	3m	12m
Absolute	-5.8%	7.2%	2.0%
Relative	-2.4%	-3.3%	-6.0%
12 months H/L:	10.30/6.89		

SHAREHOLDER DATA

No. of Ord. shares (mn):	12
Total No. of shares (mn):	12
Mkt Cap Ord (Eu mn):	113
Total Mkt Cap (Eu mn):	113
Mkt Float - ord (Eu mn):	49
Mkt Float (in %):	43.6%
Main shareholder:	
E-Business Consulting	26.4%

BALANCE SHEET DATA

	2015
Book value (Eu mn):	30
BVPS (Eu):	2.56
P/BV:	3.7
Net Financial Position (Eu mn):	13
Enterprise value (Eu mn):	89

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 on the last page of this report

Key Figures	2013A	2014A	2015E	2016E	2017E
Sales (Eu mn)	53	56	58	62	66
Ebitda (Eu mn)	6	7	6	8	9
Net profit (Eu mn)	5	4	4	5	6
EPS - New (Eu)	0.433	0.389	0.361	0.487	0.584
EPS - Old (Eu)	0.447	0.401	0.372	0.502	0.602
DPS (Eu)	0.244	0.243	0.198	0.268	0.321

Ratios & Multiples	2013A	2014A	2015E	2016E	2017E
P/E	22.0	24.4	26.4	19.5	16.3
Div. Yield	2.6%	2.6%	2.1%	2.8%	3.4%
EV/Ebitda	14.9	13.8	15.0	11.5	9.2
ROCE	25.2%	27.4%	25.5%	37.8%	45.8%

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TXT e-solutions - KEY FIGURES

		2013A	2014A	2015E	2016E	2017E
	Fiscal year end	12/12/2013	12/12/2014	12/12/2015	12/12/2016	12/12/2017
PROFIT & LOSS (Eu mn)	Sales	53	56	58	62	66
	EBITDA	6	7	6	8	9
	EBIT	5	5	5	7	8
	Financial income (charges)	(0)	(0)	0	0	0
	Associates & Others	0	0	0	0	0
	Pre-tax profit (Loss)	5	5	5	7	8
	Taxes	0	(1)	(1)	(2)	(2)
	Tax rate (%)	-2.7%	20.0%	20.0%	22.5%	25.0%
	Minorities & discontinue activities	0	0	0	0	0
	Net profit	5	4	4	5	6
	Total extraordinary items	0	0	0	0	0
	Ebitda excl. extraordinary items	6	7	6	8	9
	Ebit excl. extraordinary items	5	5	5	7	8
Net profit restated	5	4	4	5	6	
PER SHARE DATA (Eu)	Total shares out (mn) - average fd	12	12	12	12	12
	EPS stated fd	0.433	0.389	0.361	0.487	0.584
	EPS restated fd	0.433	0.389	0.361	0.487	0.584
	BVPS fd	2.363	2.450	2.557	2.819	3.105
	Dividend per share (ord)	0.244	0.243	0.198	0.268	0.321
	Dividend per share (sav)	0.000	0.000	0.000	0.000	0.000
	Dividend pay out ratio (%)	56.3%	62.3%	55.0%	55.0%	55.0%
CASH FLOW (Eu mn)	Gross cash flow	5	5	5	6	7
	Change in NWC	0	(2)	(0)	(1)	(0)
	Capital expenditure	(0)	(1)	(1)	(1)	(1)
	Other cash items	0	(0)	0	0	0
	Free cash flow (FCF)	5	3	4	5	6
	Acquisitions, divestments & others	0	0	0	0	0
	Dividend	(2)	(3)	(3)	(2)	(3)
	Equity financing/Buy-back	(1)	(1)	3	0	0
Change in Net Financial Position	3	(0)	4	3	3	
BALANCE SHEET (Eu mn)	Total fixed assets	18	18	18	17	17
	Net working capital	5	6	6	7	7
	Long term liabilities	(3)	(4)	(7)	(7)	(7)
	Net capital employed	19	21	17	18	18
	Net financial position	9	8	13	16	19
	Group equity	28	29	30	33	37
	Minorities	0	0	0	0	0
Net equity	28	29	30	33	37	
ENTERPRISE VALUE (Eu mn)	Average mkt cap - current	113	113	113	113	113
	Adjustments (associate & minorities)	11	11	11	11	11
	Net financial position	9	8	13	16	19
	Enterprise value	93	93	89	86	83
RATIOS(%)	EBITDA margin*	11.9%	12.2%	10.2%	12.2%	13.7%
	EBIT margin*	9.4%	9.8%	8.3%	10.7%	12.4%
	Gearing - Debt/equity	-30.7%	-29.2%	-42.5%	-47.0%	-51.3%
	Interest cover on EBIT	11.4	22.0	nm	nm	nm
	Debt/Ebitda	nm	nm	nm	nm	nm
	ROCE*	25.2%	27.4%	25.5%	37.8%	45.8%
	ROE*	17.2%	14.7%	13.1%	16.4%	17.9%
	EV/CE	4.7	4.7	4.7	4.9	4.7
	EV/Sales	1.8	1.7	1.5	1.4	1.3
	EV/Ebit	18.8	17.1	18.4	13.0	10.2
Free Cash Flow Yield	5.2%	3.0%	3.7%	4.9%	5.9%	
GROWTH RATES (%)	Sales	13.0%	6.3%	4.5%	6.1%	6.2%
	EBITDA*	17.7%	8.4%	-12.7%	27.0%	20.1%
	EBIT*	16.1%	10.3%	-11.6%	37.2%	22.8%
	Net profit	-7.1%	-10.1%	-7.3%	35.0%	20.0%
	EPS restated	-51.2%	-10.1%	-7.3%	34.9%	20.0%

* Excluding extraordinary items

Source: Intermonte SIM estimates

Results

TXT - Results								
(Eu mn)	1Q14A	1Q15A	YoY	1Q15E	A vs E	2014A	2015E	YoY
Total revenues	14.0	14.7	4.9%	14.7	-0.1%	55.9	58.4	4.5%
<i>YoY growth</i>	5.9%	4.9%		5.0%		6.3%	4.5%	
Gross Profit	7.4	7.6	2.5%	7.7	-1.6%	29.4	30.0	2.1%
gross margin	52.8%	51.6%		52.4%		52.7%	51.5%	
EBITDA IFRS	1.5	1.5	-2.1%	1.5	-0.6%	6.8	5.9	-12.7%
EBITDA margin	10.9%	10.2%		10.2%		13.0%	10.5%	
Depreciation and amortization <i>on revenues</i>	(0.3)	(0.3)		(0.3)		(1.3)	(1.1)	
	-2.2%	-1.7%		-2.0%		2.5%	2.0%	
EBIT IFRS	1.2	1.2	2.0%	1.2	3.2%	5.5	4.8	-11.6%
<i>EBIT margin</i>	9.2%	8.9%		8.6%		10.5%	8.6%	
Financial income and charges	(0.1)	(0.1)		(0.1)		(0.2)	0.0	
Pre-tax profit	1.1	1.2	2.0%	1.1	6.3%	5.2	4.8	-7.4%
						0.0%	0.0%	
Income taxes	(0.2)	(0.2)		(0.2)		(1.0)	(1.0)	
<i>tax rate</i>	-13.7%	-16.3%		-13.6%		-20.0%	-20.0%	
Profit from discontinued operations	0.0	0.0		0.0		0.0	0.0	
Net profit	0.99	0.98	-1.8%	0.95	3.0%	4.17	3.87	-7.3%
<i>YoY growth</i>	1.8%	-1.8%		-4.5%		-10.1%	-7.3%	

Source: Company data (A) and Intermonte SIM estimates (E)

Estimates

TXT - Change in estimates				
(Eu mn)	2014 A / E	2015E	2016E	2017E
Total revenues new	55.9	58.4	62.0	65.8
Total revenues old	55.4	58.4	62.0	65.8
% change	0.8%	0.0%	0.0%	0.0%
EBITDA new	6.8	5.9	7.5	9.0
EBITDA old	7.1	5.9	7.5	9.0
% change	-4.2%	0.0%	0.0%	0.0%
EBIT new	5.5	4.8	6.6	8.1
EBIT old	5.9	4.8	6.6	8.1
% change	-7.2%	0.0%	0.0%	0.0%
PBT new	5.2	4.8	6.7	8.3
PBT old	6.0	4.8	6.7	8.3
% change	-12.9%	0.0%	0.0%	0.0%
Net profit new	4.2	3.9	5.2	6.3
Net profit old	5.1	3.9	5.2	6.3
% change	-18.1%	0.0%	0.0%	0.0%
Net cash new	8.5	12.8	15.7	18.8
Net cash old	11.1	9.6	12.5	15.6
% change	-24.0%	33.2%	25.6%	20.5%

Source: Intermonte SIM estimates

TXT e-solutions Peer Group - Absolute Performances

Stock	Price	Ccy	Mkt cap	1M	3M	6M	YTD	1Y	2Y
TXT e-solutions	9.5	EUR	112.5	-5.8%	7.2%	24.9%	21.8%	2.0%	112.7%
AMERICAN SOFTWARE	9.1	USD	255.6	-11.3%	0.6%	-6.7%	-0.7%	-4.0%	7.2%
ATOSS SOFTWARE	43.8	EUR	174.2	2.8%	16.8%	47.2%	34.8%	49.5%	79.5%
CAPGEMINI	79.8	EUR	12,960.2	0.3%	21.4%	47.5%	34.1%	55.3%	102.9%
COMPUTACENTER	7.4	GBP	796.6	9.0%	3.3%	18.8%	23.6%	12.1%	62.7%
DESCARTES SYSTEMS	17.9	CAD	1,351.9	-9.2%	-6.8%	4.6%	3.8%	28.1%	67.4%
DEVOTEAM	23.0	EUR	188.0	-2.0%	30.6%	44.7%	51.9%	23.1%	139.6%
ENGINEERING	56.3	EUR	703.8	-2.1%	26.1%	48.2%	50.1%	15.5%	91.5%
GROUPE STERIA	---	EUR	---	---	---	---	---	---	---
MANHATTAN ASSOCIATE	53.3	USD	3,956.7	1.7%	5.1%	32.8%	30.9%	68.6%	191.4%
MICROS SYSTEMS	---	USD	---	---	---	---	---	---	---
ORACLE	43.6	USD	190,273.2	0.1%	-0.7%	8.5%	-3.1%	3.9%	28.1%
REPLY	93.9	EUR	877.8	-1.2%	30.4%	70.6%	54.1%	43.3%	221.5%
SAP	67.0	EUR	82,334.4	-2.9%	11.1%	26.0%	15.0%	19.9%	5.9%
SOPRA GROUP	81.8	EUR	1,664.5	9.5%	16.0%	44.4%	28.8%	-1.3%	46.3%
SQS SOFTWARE	8.4	EUR	258.1	2.7%	12.3%	16.5%	15.6%	24.2%	123.9%
Mean performance				-0.6%	12.4%	30.6%	25.8%	24.3%	91.5%
Italy Fixed	23,104.9	EUR	312,103	-3.2%	10.0%	23.5%	21.5%	7.5%	33.7%

Source: FactSet

TXT e-solutions Peer Group - Multiple Comparison

Stock	Price	Ccy	Mkt cap	EV/Sales		EV/Ebitda		EV/Ebit		P/E		Div Yield	
				2015	2016	2015	2016	2015	2016	2015	2016	2015	2016
TXT e-solutions	9.5	EUR	112.5	1.5	1.4	15.0	11.5	18.4	13.0	26.4	19.5	2.1%	2.8%
AMERICAN SOFTWARE	9.1	USD	255.6	1.5		7.5		9.7		21.0	19.3		
ATOSS SOFTWARE	43.8	EUR	174.2	3.5	3.1	13.3	11.8	14.1	12.4	22.6	20.6	2.2%	2.4%
CAPGEMINI	79.8	EUR	12,960.2	1.0	0.9	8.7	7.5	10.7	9.2	18.9	16.7	1.7%	1.9%
COMPUTACENTER	7.4	GBP	796.6	0.3	0.3	6.9	6.3	9.7	8.7	14.7	13.5	4.8%	3.0%
DESCARTES SYSTEMS	17.9	CAD	1,351.9	4.8	4.0	15.1	12.4	28.9	21.8	23.1	20.2	0.0%	0.0%
DEVOTEAM	23.0	EUR	188.0	0.3	0.3	4.9	4.3	5.8	5.1	15.6	13.3	1.7%	1.9%
ENGINEERING	56.3	EUR	703.8	0.6	0.6	5.0	4.6	7.0	6.3	14.7	14.3	3.5%	3.8%
GROUPE STERIA		EUR											
MANHATTAN ASSOCIATE	53.3	USD	3,956.7							39.5	34.7		
MICROS SYSTEMS		USD											
ORACLE	43.6	USD	190,273.2	4.4	4.2	9.2	8.9	9.5	9.0	14.4	13.5	1.3%	1.3%
REPLY	93.9	EUR	877.8	1.2	1.0	8.6	7.2	9.5	7.9	16.3	13.9	1.2%	1.4%
SAP	67.0	EUR	82,334.4	4.3	3.9	12.7	11.6	13.6	12.5	18.1	16.6	1.7%	1.8%
SOPRA GROUP	81.8	EUR	1,664.5	0.6	0.6	8.6	7.0	11.1	8.7	15.3	11.5	2.1%	2.2%
SQS SOFTWARE	8.4	EUR	258.1	0.8	0.7	8.3	6.9	11.4	9.2	17.2	15.2	1.7%	2.0%
Median				1.2	1.0	8.6	7.4	10.7	9.1	17.6	15.9	1.7%	1.9%

Source: Intermonte SIM estimates for covered companies, FactSet consensus estimates for peer group

TXT e-solutions - Estimates Comparison with Consensus

(Eu mn)	2015			2016		
	Intermonte	Consensus	%diff	Intermonte	Consensus	%diff
Revenues	58.4	58.2	0.3%	62.0	61.6	0.6%
Ebitda	5.9	6.2	-4.5%	7.5	7.5	0.0%
Net Profit	3.9	4.0	-2.3%	5.2	4.8	8.8%
EPS	0.4	0.4	0.0%	0.5	0.5	5.7%
Net Debt	12.8	0.2	5433.5%	15.7	0.3	4768.5%

Source: Intermonte SIM estimates and Factset consensus estimates

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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.

The stock price indicated is the reference price on the day prior to the publication of the report.

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BUY: 24.36%

OUTPERFORM: 38.46%

NEUTRAL: 31.69%

UNDERPERFORM: 4.49%

SELL: 0.64%

The distribution of stock ratings for companies which have received corporate finance services from Intermonte in the last 12 months (32 in total) is as follows:

BUY: 21.88%

OUTPERFORM: 43.75%

NEUTRAL: 34.37%

UNDERPERFORM: 0.00%

SELL: 0.00%

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DETAILS ON STOCKS RECOMMENDATION

Stock NAME	TXT e-solutions		
Current Recomm:	OUTPERFORM	Previous Recomm:	OUTPERFORM
Current Target (€u):	11.00	Previous Target (€u):	11.00
Current Price (€u):	9.52	Previous Price (€u):	9.63
Date of report:	13/05/2015	Date of last report:	06/03/2015

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