

01th September 2015

Mid Cap | Europe | Italy

DR. KALLIWODA

INTERNATIONAL RESEARCH GmbH

Update

BUY

Target price: EUR 11

Industry: Software and IT Service
Country: Italy
ISIN: IT0001454435
Bloomberg: TXT:IM
Reuters: TXTS.MI
Website: txtgroup.com

Last Price:	7.73
	High Low
Price 52 W.:	9.48 6.14
Market Cap. (EURm)	100.54
No. of Shares	13.01

Shareholders

4CV PTE	25.60%
A. Braga Illa	13.80%
Treasury shares	9.89%
Management	8.10%
Kabouter	5%
Float	37.6%

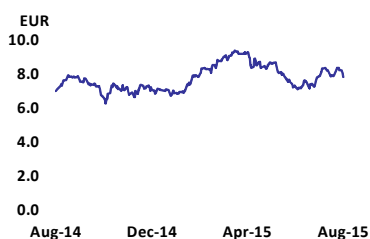
Performance

4 Weeks	-1.77%
13 Weeks	-2.51%
26 Weeks	-8.67%
52 Weeks	-1.75%
YTD	9.58%

Dividend

	in EUR	in %
2012	0.40	5.17%
2013	0.20	2.59%
2014	0.25	3.23%

1-year Chart



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TXT e-solutions S.p.A.

H1/15 reported growing sales and orders

- TXT delivered a strong set of figures in H1/15. The group generated total revenues of €31.1m, which represent an increase of 13.2% y/y compared to H1/14 normalised. Sales of licenses and maintenances of TXT Retail software grew by +36.6% compared to H1/14 (i.e. *Swatch and Adidas license extensions*). While EBITDA margin was flat to 10.8% y/y due to higher share of employees and commercial expenses, net income advanced by +30.5% to €2.3m. In our analysis we used normalised figures given the non-recurring revenues and one-off expenses included during last fiscal year.
- Orders increased by +28% y/y to €35.0m for the first six months of 2015 (+40% from TXT Perform and +17% from TXT Next). TXT Perform, which focuses in planning solutions in end-to-end retail for the luxury and fashion market, improved its sales by 13.1% y/y (60% of group revenues). The best-performing division was TXT Next, which grew revenues by 13.4% y/y. Overall, international sales went up from €15.3m in H1/14 to €17m in H1/15 (56% of total sales), mainly stemmed from TXT Perform.
- From January to June 2015, operating cash flows were slightly up to €1.4m (vs. H1/14: €1.3m). Due to cash outflows for dividends' distribution (€2.6m) and debts' decrease (€2.9m), cash at the end of the period lowered by €1.9m. Thus, with around €10.4m in cash, net financial position was positive for €9.5m (vs. H1/14: €8.5m). As June 2015, TXT owned 1.3m of treasury shares (9.9% of total), purchased at an average of €2.18 per share.
- Despite the free capital increase (1.2m of new shares) approved in May 2015, we left unchanged our previous target price of 11€ per share. Given the strong orders and growing trend (+21.7% sales growth in Q2/15) we expect a positive development in Q3/15. Although the uncertainty in the international economies situation and an increase in competition with large players (i.e. Oracle or JDA), it seems that TXT is taking benefits from its position as first market mover. We like the starting in the Asia Pacific business, where the first license was sold for well in excess of €1m. Furthermore, in our adjusted estimates we considered an additional development of TXT solutions in the food, manufacturing and aeronautics industrials, while we left nearly unchanged our estimated profitability. Positive the shareholders remuneration for FY2014, with distributed dividend of 0.25€ per share outstanding.

Key Facts

EURm	2012	2013	2014	2015E	2016E	2017E
Net sales	46.5	52.6	55.9	60.4	64.3	68.3
EBITDA	5.3	6.3	6.8	6.9	7.5	8.0
EBIT	4.2	5.0	5.5	5.6	6.0	6.4
Net income	5.1	4.6	4.2	4.2	4.4	4.8
EPS	0.9	0.4	0.3	0.3	0.3	0.4
BVPS	4.8	2.4	2.2	2.3	2.4	2.5
RoE	19.6%	16.6%	14.4%	14.2%	14.4%	14.9%
EBIT margin	9.1%	9.4%	9.8%	9.2%	9.3%	9.4%

Source: company data, Dr. Kalliwoda International Research GmbH © Copyright 2003-2015

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1. Company Profile

The group TXT e-solutions is a profitable international software specialist. Headquartered in Milan (Italy), TXT filled an empty space in the supply chain IT solutions, developing planning software solutions in end-to-end retail for the luxury and fashion sector. The company is divided in two business divisions: TXT Perform, which provides IT planning solutions for luxury, fashion, retail and consumer goods; and TXT Next which focus in software for complex operation and manufacturing for aerospace, defence, high-tech and finance. With TXT Next division, the group expanded the business in other industries in order to capitalize its knowledge and expertise.

After the IPO in 2000, TXT invested to become a *global supply chain software vendor* with a geographic coverage of all main markets. Thus, sales grew in the North America, Germany, France, the UK and in the Asia Pacific. With organic grown in both the divisions, the company recorded a significant increase in revenues during the years (CAGR +11% in 2010-2014).

With the acquisition of the Canadian company Maple Lake at the end of 2012, TXT expanded its expertise of merchandise planning and increased its international business. The acquisition brought around 50 new clients (i.e. Levi Strauss & Co., Steve Madden, Aeropostale, Arcadia Group, Barneys New York and Columbia).

According to Gartner, TXT has a competitive position in fashion, luxury and specialty retail. These are markets, with high barriers to entry. With its complete set of solutions and easy excel-based interface, TXT ranked just below leader companies (i.e. Oracle). Follow a quadrant from Gartner about the merchandise assortment management applications.

Merchandise Assortment Management Application



Source: company data, Gartner

Given the dynamic competitive environment, TXT invested heavily in new technology (R&D costs 8.7% of revenues in H1/15) with engagement in the cloud services and in-memory processing sectors. In this global market, the group intends to grow its sales of supply chain software solutions in the North America and Asia Pacific area (fresh subsidiary in Hong Kong). Currently the company realise abroad about 56% of the revenues.

2. SWOT Analysis

Strengths	Weaknesses
<ul style="list-style-type: none"> - Pioneer in the supply chain software for fashion and luxury. Almost 58% of sales from abroad. - Self-financed business through profit, free cash flows and growing stock values. - High entry barriers, given its customized and innovative solutions and well-established relations. - Strategic acquisition of Maple Lake, which will bring international expertise and well-known clients (i.e. Levi's). - Cash position of €10m, which increase the desire to acquire new fast-growing IT firms. - Founders owns 14% of the capital. 	<ul style="list-style-type: none"> - Significant goodwill position, which amount to 43% of equity (30 June 2015). - Limited presence in emerging markets such as Asia, Pacific, Africa, the Middle East and Latin America. Strong focus in the no-food area. - Continuous investments in marketing and IT modernization in order to compete with big players.
Opportunities	Threats
<ul style="list-style-type: none"> - Business development in North America, Asia and Pacific area. In February 2015 a new office was opened in Hong Kong. - Expanding revenues mix in software, service and in other retail segments. Monetization of existing clients with new products and service. - International growth through acquisitions with possible effect of synergy from M&As 	<ul style="list-style-type: none"> - Uncertainty in the fashion and luxury market, given the economic slowdown and industry transformation. - High competition from larger players. - Competition for talent leads to increasing personnel costs. - Currency risks as TXT generates more than 20% of its revenues outside Euro Area.

Source: company data, Dr. Kalliwoda International Research GmbH © Copyright 2003-2015

3. Valuation

In order to determine the fair value for TXT e-solutions, we used a weighted average of our DCF model (70%) and a peer group analysis (30%). All data are based on the consolidated financial statements. In the DCF we considered a risk-free rate of 1.8% (ten years Italian government bond), 22.0% tax rate, 6.5% WACC (weighted average cost of the capital), 5.4% sales CAGR. We assumed that the target capital structure will not change in the subsequent business years. Adjustments for debt to current interest were not made. Our final 12-months price target for TXT e-solutions equals €11.0, which implies an upside of 33%.

a. WACC

Input		Output	
WACC Calculation		Enterprise value	
Target Capital Structure		Present value of Free Cash Flow	23.9
Debt to Total Capitalization	45.2%	Terminal Value	176
Equity to Total Capitalization	54.8%	Discount Factor	0.7
Cost of Equity		Present Value of Terminal Value	129
Risk-free rate	1.8%	% of Enterprise Value	84%
Market risk Premium	5.6%	Enterprise value	153.2
Levered Beta	1.1	Less: Total debt	1.0
Cost of Equity	8.2%	Plus: Cash and Cash Equi.	10.4
Cost of Debt		Net Debt	9.5
Cost of Debt	5.6%	Implied Equity Value	143.7
Taxes	22.0%	Outstanding shares	13.0
After Tax Cost of Debt	4.4%	Implied share price	11.1
WACC	6.5%		

Source: company data, Dr. Kalliwoda International Research GmbH © Copyright 2003-2015

b. DCF-Model

€m	DCF model								
	Actual				Forecast period				
	2011	2012	2013	2014	2015	2016	2017	2018	2019
Sales	40	46	53	56	60.35	64.33	68.32	71.81	74.61
% growth		15.8%	13.0%	6.3%	8.0%	6.6%	6.2%	5.1%	3.9%
EBITDA	4.4	5.3	6.3	6.8	6.9	7.5	8.0	8.5	8.9
% margin	11.0%	11.4%	11.9%	12.2%	11.4%	11.6%	11.7%	11.9%	11.9%
Depreciation & Amortization:	-3.5	-1.1	-1.3	-1.3	-1.3	-1.5	-1.6	-1.7	-1.7
% sales	8.8%	2.3%	2.5%	2.4%	2.2%	2.3%	2.3%	2.3%	2.3%
EBIT	0.9	4.2	5.0	5.5	5.6	6.0	6.4	6.9	7.2
Taxes	-0.6	-0.2	0.1	-1.0	-1.22	-1.32	-1.41	-1.52	-1.58
Capex	-2.159	-0.405	-0.483	-0.615	-1.095	-0.789	-0.762	-0.678	-0.819
% sales	5.4%	0.9%	0.9%	1.1%	1.8%	1.2%	1.1%	0.9%	1.1%
Increase/Decrease in NWC	-1.26	-1.69	1.21	-1.39	-0.54	-0.12	0.01	-0.10	0.19
Unlevered Free Cash Flow	0.38	3.05	7.12	3.75	4.03	5.23	5.83	6.25	6.70
WACC	6.5%								
Discount Period					0.39	1.39	2.39	3.39	4.39
Discount Factor					0.98	0.92	0.86	0.81	0.76
Present value of free cash flow					3.93	4.80	5.02	5.05	5.09

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c. Peer Group Analysis

We verified our DCF model of TXT e-solutions additionally with a peer group analysis. The application of a relative valuation method is based on the idea that comparable companies have similar market values. Hence, mainly listed companies are chosen, which offer similar products, or have a comparable business model. An analysis of financial figures provides an estimation to which degree the company's valuation stems from a low comparability with its peer group or an under-or overvaluation.

The input data of the peers stem from the information provided by Thomson Reuters. The forward-looking financial data of the peer group represents the mean average of all analyst 'estimates, which are available on Thomson Reuters. We have used the book value in order to approximate the market value of financial liabilities.

Peer Group Multiples	Enterprise Value Multiples						Equity Value Multiples			
	EV / Sales		EV / EBITDA		EV / EBIT		Dividend Yield		Price / Bvps	
	FY2015	FY2016	FY2015	FY2016	FY2015	FY2016	FY2015	FY2016	FY2015	FY2016
Peers										
Atoss Software AG	3.6	3.2	16.0	13.7	17.0	14.4	2.1%	2.4%	9.6	7.7
Cap Gemini SA	1.3	1.1	11.8	9.6	14.8	11.9	1.6%	1.8%	2.5	2.3
Devoteam SA	0.4	0.4	8.9	5.5	9.8	6.2	1.7%	1.9%	1.7	1.6
Oracle Corp	4.1	4.1	8.1	8.4	8.7	8.9	1.3%	1.4%	3.6	3.4
SAP SE	4.7	4.5	14.8	14.3	15.5	14.9	1.7%	1.9%	3.6	3.2
SQS Software Quality Systems AG	0.9	0.8	11.6	9.8	12.8	10.6	1.8%	2.0%	2.5	n.a.
TXT e-solutions	1.6	1.5	14.0	12.9	17.4	16.1	3.1%	3.3%	3.5	3.4
Median	1.6	1.5	11.8	9.8	14.8	11.9	2%	2%	3.5	3.3
Mean	2.4	2.2	12.2	10.6	13.7	11.9	2%	2%	3.9	3.6
Peer Benchmark	1.6	1.5	11.8	9.8	14.8	11.9	2%	2%	3.5	3.3
Discount (-)/Premium (+)	0%	0%	19%	32%	17%	35%	77%	79%	0%	5%
Valuation										
Peer Benchmark	1.6	1.5	11.8	9.8	14.8	11.9	2%	2%	3.5	3.3
TXT e-solutions	60.4	64.3	6.9	7.5	5.6	6.0	0.3	0.3	2.3	2.4
Implied Enterprise Value	96.5	96.5	81.4	72.9	82.2	71.4				
Implied Equity Value	106.0	106.0	90.9	82.4	91.6	80.9				
Number of Shares	13.0	13.0	13.0	13.0	13.0	13.0				
Implied fair value per share	8.2	8.2	7.0	6.3	7.0	6.2	14.4	14.6	8.2	7.8
Weights	17%	17%	17%	17%	17%	17%	25%	25%	25%	25%
Fair Value per Share 10.71 EUR										

Source: company data, Dr. Kalliwoda International Research GmbH © Copyright 2003-2015

Based on our peer multiples, the implied fair value equals €10.71 per share.

4. H1/15 Results and Outlook

Revenues

In H1/15, TXT e-solutions realized total revenues of €31.1m, which were 13.2% higher compared to H1/14 normalized. This performance stemmed from an increase in revenues and orders in both the divisions. Sales of licences and maintenance had a share of 27% in total sales, while orders came at €35m, 28% y/y compared to H1/14. Given non-recurring income and costs included in 2014 figures, respectively of €1.5m (indemnity of two sellers of Maple Lake) and of €0.4m, we chose to consider in our analysis the normalised data.

With a share in total sales of 60%, the core business TXT Perform grew revenues to €18.8m, +13.1% y/y and orders up +40%. Driven by the first license sold in Asia for over €1m (management of over 40 duty free and galleria stores in airports and tourist locations) and by an important contract in the aeronautic business, international sales grew by 13.5% (vs. H1/14 norm.), accounting for 56% of total sales.

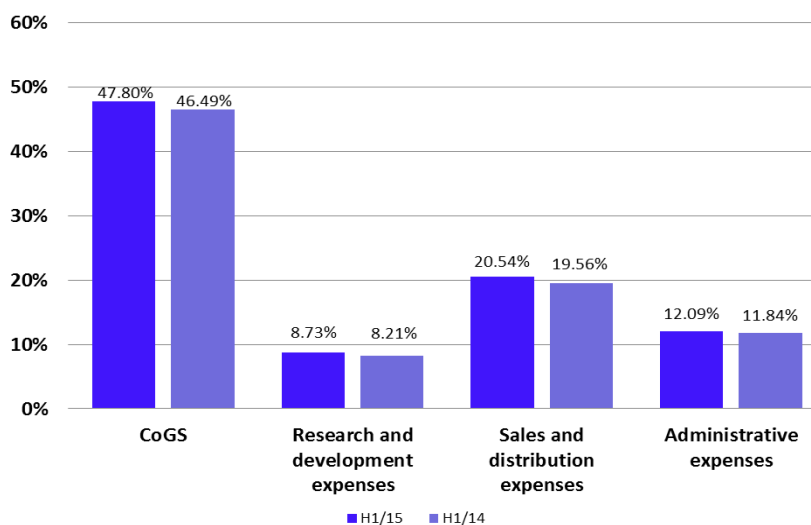
H1/15 vs. previous year

H1/15 vs. previous year					
in EURm	H1/15	H1/14	% H1/14 norm.	% norm.	
Net sales	31.1	29.0	7.4%	27.5	13.2%
EBITDA	3.4	4.0	-16.2%	3.0	13.7%
EBITDA margin	10.8%	13.9%		10.8%	
EBIT	2.9	3.4	-15.7%	2.3	22.8%
EBIT margin	9.2%	11.7%		8.5%	
Net income	2.3	2.7	-0.1	1.8	0.3
Net margin	7.5%	9.2%		6.5%	

Source: company data, Dr. Kalliwoda International Research GmbH © Copyright 2003-2015

Profitability

Share in sales H1/15 vs. H1/14



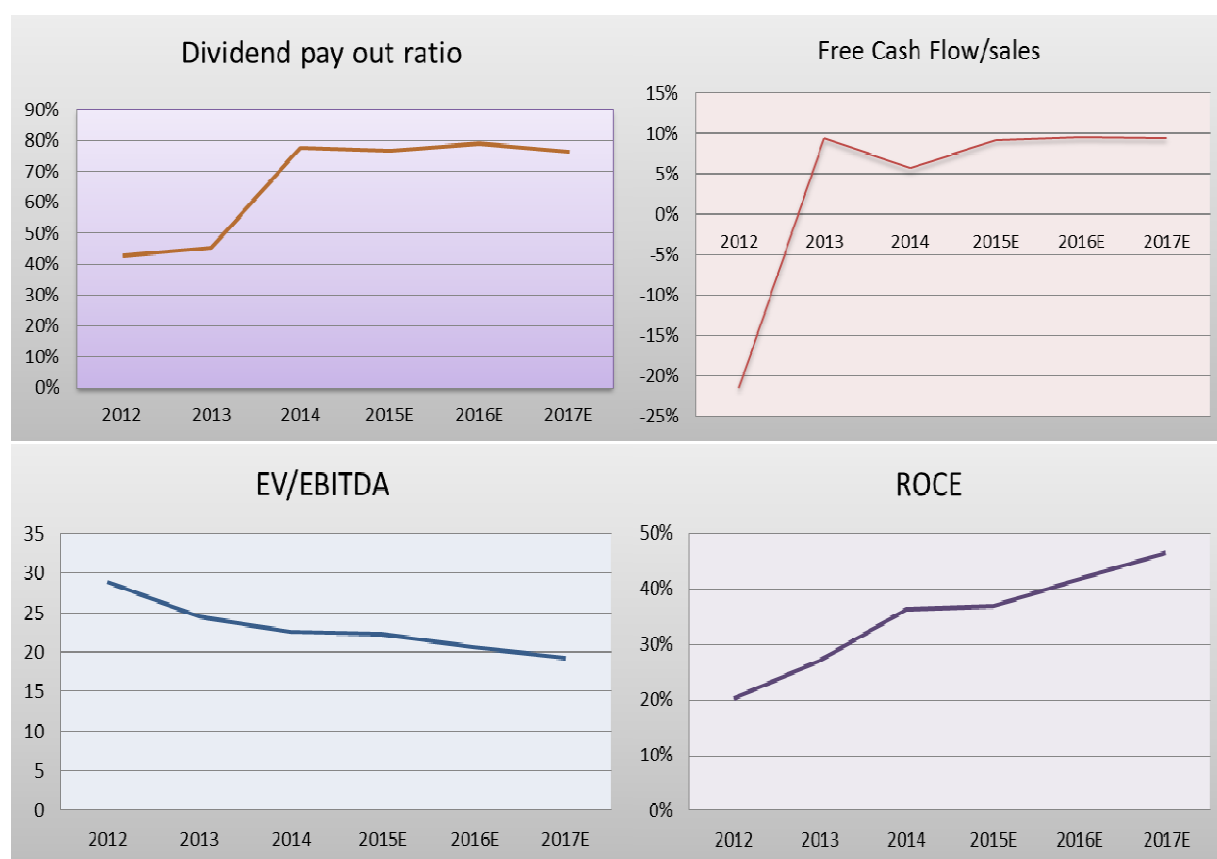
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Although additional investments in R&D (+14.1%) and marketing (+12.8%), EBITDA grew by +13.7% in H1/15 (vs. norm. H1/14), accounting for 10.8% of revenues. Net income increased by 30.5% to €2.3m compared to normalized H1/14 (income tax 15%).

Balance sheet and Cash Flows

As of 30 June 2015, the most important position in TXT balance sheet were: (1) equity, which increased from €29m in December 2014 to €32m in June 2015 (ratio of 58%), due to increase in net income, reserves and retained earnings, (2) trade receivable, which grew from €18m to €21m as the company expanded its business. With interest-bearing debt of €0.96m (short term debt) and liquid funds of €10.4m, net gearing was about -25%.

Given lower investments into working capital, TXT operating cash flows increased from €1.3m in H1/14 to €1.4m in H1/15. While cash flows from investing was almost unchanged, the financing activities (-2.9 vs. -4.1) were effected by repayment of debt (€2.9m) and dividends (€2.7m). Thus, total cash outflows amounted to €1.8m, with a cash position at the end of the period of €10.4m.



Source: company data, Dr. Kalliwoda International Research GmbH © Copyright 2003-2015GmbH

Outlook

Due to strong orders reported in H1/15 and management's positive expectations for the upcoming quarter, we left our BUY rating. It is expected that the new Hong Kong subsidiary will strengthen the company's activities in this fast-growing Asia Pacific market. For the period under review, TXT was able to acquire prestigious clients and licenses extension (e.g. Swatch, Moncler, Marni, Carpisa, Takko, Otto, Charles Voegelé, Adidas).

Therefore, we increased our revenues estimates for 2015E-2019E (CAGR of 5.4%) and adjusted our earnings estimates taking into account difficulties in the competitive environment and increasing personal and marketing expenditures. Thus, in our analysis we left nearly unaffected the profitability previously estimated and we assumed further growth in operating cash flows in 2015E-2017E. We found TXT able to generate sustainable growing revenues with positive cash flows. The cash on hand of €10.4m represent a good opportunities for future acquisitions.

Our estimates for fiscal-year 2015E-17E

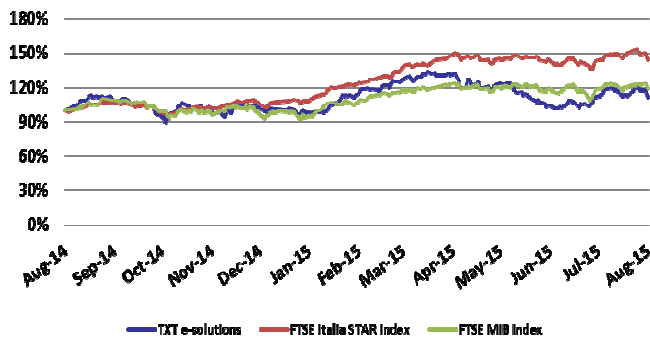
EURm	2015E	2016E	2017E
Net sales	60.4	64.3	68.3
EBITDA	6.9	7.5	8.0
EBITDA margin	11.4%	11.6%	11.7%
EBIT	5.6	6.0	6.4
EBIT margin	9.2%	9.3%	9.4%
Net income	4.2	4.4	4.8
Net margin	7.0%	6.9%	7.0%

Source: company data, Dr. Kalliwoda International Research GmbH © Copyright 2003-2015

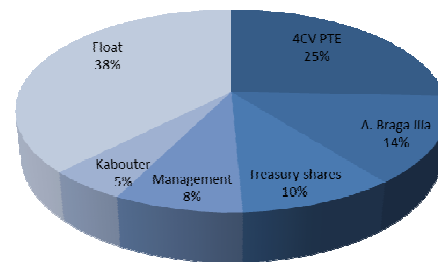
5. Shares

At the end of June 2015, the company held about 1.3m treasury shares (9.89% of issued shares), bought at an average price of €2.18. The holding company 4CV PTE Ltd held 25.6%, followed by the founder A. Braga Illa with 13.8% of the capital and by the management with 8.1%. The US fund Kabouter Management holds 5%.

Share price performance 2014/15



Shareholder structure (As of June 2015)



Source: company data, Dr. Kalliwoda International Research GmbH © Copyright 2003-2015

6. Financials

a. Profit and Loss Statement

Profit & Loss Statement - TXT e-solutions S.p.A.						
€ thousands	FY 2012	FY 2013	FY 2014	FY 2015E	FY 2016E	FY 2017E
Licenses Maintenance	10.29	12.84	12.64	13.65	14.55	15.45
Projets and Services	36.21	39.72	43.24	46.70	49.78	52.87
Total revenue	46.50	52.56	55.88	60.35	64.33	68.32
Costs of sales	-22.35	-24.85	-26.46	-27.88	-28.86	-29.87
Gross profit	24.15	27.71	29.43	32.47	35.47	38.45
Research and development expenses	-4.09	-4.76	-4.70	-4.60	-5.02	-5.22
Sales, marketing and distribution expenses	-8.98	-10.17	-11.09	-12.04	-13.00	-14.10
General and administrative expenses	-5.76	-6.51	-6.84	-8.95	-9.99	-11.13
Amortisation and depreciation	-1.08	-1.31	-1.33	-1.33	-1.48	-1.57
EBIT	4.24	4.96	5.47	5.55	5.98	6.42
Financial income/expense net	0.13	-0.44	-0.25	-0.25	-0.26	-0.27
Earnings before taxes	4.37	4.52	5.22	5.30	5.72	6.15
Income taxes	-0.18	0.12	-1.05	-1.06	-1.29	-1.38
Minorities/Non recurring profit	0.94	0.00	0.00	0.00	0.00	0.00
Net income	5.14	4.64	4.17	4.24	4.44	4.77
EPS	0.94	0.44	0.32	0.33	0.34	0.37
DPS	0.40	0.20	0.25	0.25	0.27	0.28
Profit & Loss (Year on Year)						
Licenses	0.14	0.25	-0.02	0.08	0.07	0.06
Maintenance	0.16	0.10	0.09	0.08	0.07	0.06
Total revenue	0.16	0.13	0.06	0.08	0.07	0.06
Costs of sales	0.14	0.11	0.06	0.05	0.03	0.03
Gross profit	0.17	0.15	0.06	0.10	0.09	0.08
Research and development expenses	0.46	0.16	-0.01	-0.02	0.09	0.04
Sales, marketing and distribution expenses	0.13	0.13	0.09	0.09	0.08	0.09
General and administrative expenses	0.06	0.13	0.05	0.31	0.12	0.11
Amortisation and depreciation	-0.69	0.21	0.01	0.00	0.11	0.06
EBIT	3.87	0.17	0.10	0.02	0.08	0.07
Financial income/expense net	0.81	-4.35	-0.43	0.01	0.03	0.03
Earnings before taxes	3.64	0.03	0.15	0.02	0.08	0.08
Income taxes	-0.70	-1.69	-9.64	0.01	0.21	0.08
Net income	-0.64	-0.10	-0.10	0.02	0.05	0.08
Profit & Loss (% of Revenues)						
Licenses	0.22	0.24	0.23	0.23	0.23	0.23
Maintenance	0.78	0.76	0.77	0.77	0.77	0.77
Total revenue	1.00	1.00	1.00	1.00	1.00	1.00
Costs of sales	-0.48	-0.47	-0.47	-0.46	-0.45	-0.44
Gross profit	0.52	0.53	0.53	0.54	0.55	0.56
Research and development expenses	-0.09	-0.09	-0.08	-0.08	-0.08	-0.08
Sales, marketing and distribution expenses	-0.19	-0.19	-0.20	-0.20	-0.20	-0.21
General and administrative expenses	-0.12	-0.12	-0.12	-0.15	-0.16	-0.16
Amortisation and depreciation	-0.02	-0.02	-0.02	-0.02	-0.02	-0.02
EBIT	0.09	0.09	0.10	0.09	0.09	0.09
Financial income/expense net	0.00	-0.01	0.00	0.00	0.00	0.00
Earnings before taxes	0.09	0.09	0.09	0.09	0.09	0.09
Income taxes	0.00	0.00	-0.02	-0.02	-0.02	-0.02
Net income	0.11	0.09	0.07	0.07	0.07	0.07

Source: company data, Dr. Kalliwoda International Research GmbH © Copyright 2003-2015

b. Balance Sheet

Balance sheet - TXT e-solutions S.p.A.						
€ m	FY 2012	FY 2013	FY 2014	FY 2015E	FY 2016E	FY 2017E
Current assets	36.77	34.91	34.89	35.29	37.93	40.90
Cash and cash equivalents	15.82	14.82	12.30	10.94	12.39	14.29
Inventories	1.39	1.45	1.82	1.92	1.99	2.05
Trade receivables	17.27	16.84	18.57	20.06	20.86	21.69
Other receivables	2.29	1.80	2.20	2.37	2.70	2.87
(% sales)	0.05	0.03	0.04	0.04	0.04	0.04
Other assets	0.00	0.00	0.00	0.00	0.00	0.00
Non-current assets	21.84	17.85	18.02	18.01	17.51	16.90
Intangible assets	19.89	15.37	15.08	14.97	14.48	13.87
(% sales)	0.43	0.29	0.27	0.25	0.23	0.20
Property, plant and equipment	1.15	1.12	1.25	1.22	1.09	0.96
Other receivables and other assets	0.30	0.13	0.14	0.15	0.16	0.17
(% sales)	0.01	0.00	0.00	0.00	0.00	0.00
Deferred taxes	0.49	1.23	1.56	1.68	1.79	1.90
(% sales)	0.01	0.02	0.03	0.03	0.03	0.03
Total	58.61	52.76	52.91	53.30	55.44	57.80
Current liabilities	20.65	17.86	17.45	17.55	18.50	19.46
Financial liabilities	5.50	3.35	2.15	1.07	0.99	0.90
Trade payables	1.80	1.50	1.54	1.62	1.68	1.74
Other liabilities	12.47	12.93	13.61	14.69	15.66	16.63
(% sales)	0.27	0.25	0.24	0.24	0.24	0.24
Tax liabilities	0.89	0.07	0.15	0.16	0.17	0.18
(% sales)	0.02	0.00	0.00	0.00	0.00	0.00
Non-current liabilities	11.77	6.96	6.49	5.79	6.06	6.33
Financial liabilities	4.30	2.90	1.68	0.64	0.59	0.55
Other liabilities	2.87	0.00	0.00	0.00	0.00	0.00
(% sales)						
Provisions for pensions (TFR)	3.33	3.30	3.84	4.15	4.42	4.70
(% sales)	0.07	0.06	0.07	0.07	0.07	0.07
Deferred taxes	1.27	0.77	0.97	1.00	1.04	1.09
Shareholder's equity	26.16	27.94	28.97	29.96	30.88	32.01
Total consolidated equity and debt	58.59	52.76	52.91	53.30	55.44	57.80

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c. Cash Flow Statement

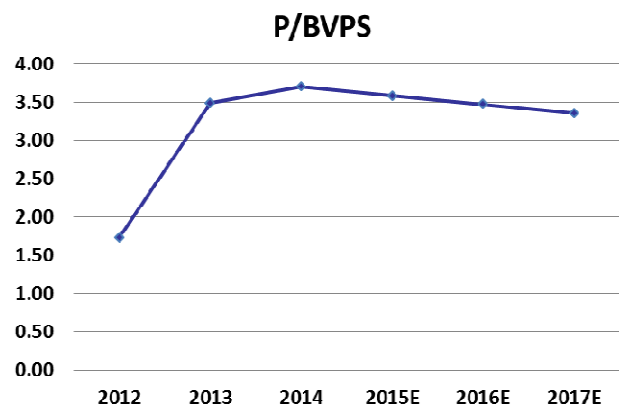
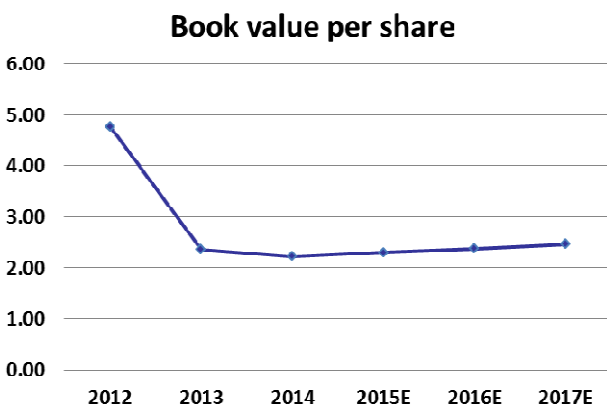
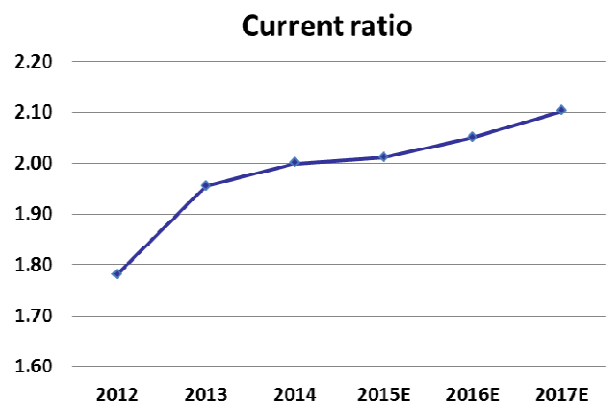
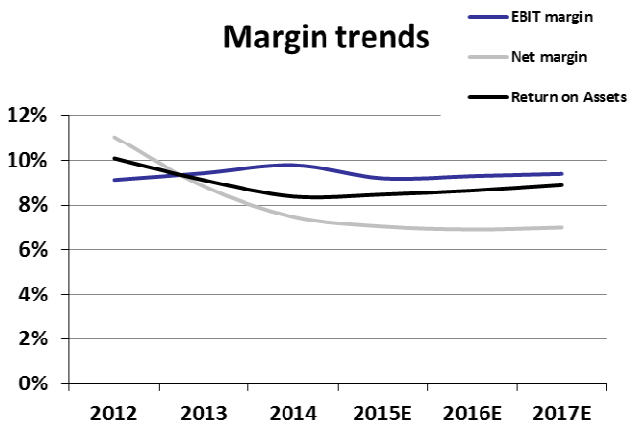
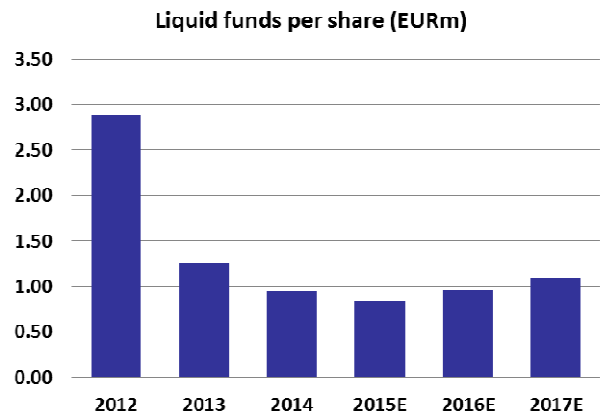
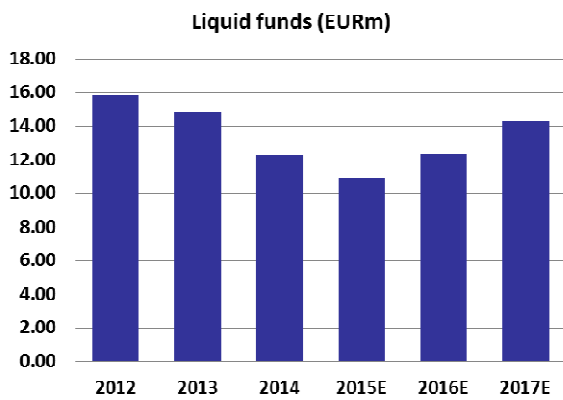
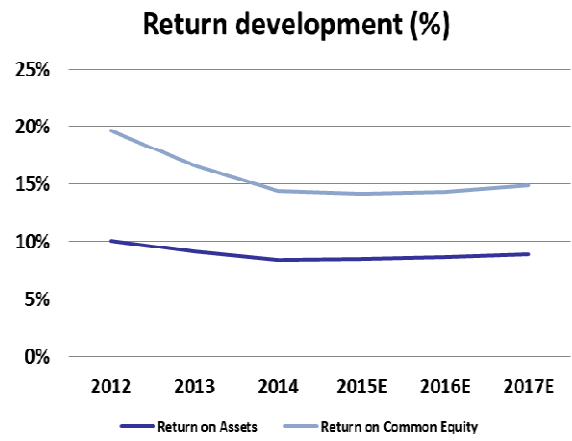
Cash flow statement - TXT e-solutions S.p.A.						
€ m	FY 2012	FY 2013	FY 2014	FY 2015E	FY 2016E	FY2017E
Net income for the year	5.1	4.6	4.2	4.2	4.4	4.8
Depreciation	-1.1	-1.3	-1.3	-1.3	-1.5	-1.6
Change in working capital	-1.7	1.2	-1.4	-0.5	-0.1	0.0
Others	2.3	0.9	2.4	-0.2	-0.2	-0.2
Net Operating cash flow	4.7	5.5	3.8	6.7	7.0	7.3
Cash flow from investing	-14.7	-0.5	-0.6	-1.1	-0.8	-0.8
Free cash flows	-10.0	5.0	3.2	5.6	6.2	6.5
Cash flow from financing	11.4	-6.3	-5.6	-7.0	-4.8	-4.6
Change in cash	1.4	-1.3	-2.4	-1.4	1.4	1.9
Cash, start of the year	14.4	15.8	14.8	12.3	10.9	12.4
Cash, end of the year	15.8	14.8	12.3	10.9	12.4	14.3

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d. Financial Ratios


Ratios - TXT e-solutions S.p.A.						
	FY 2012	FY 2013	FY 2014	FY 2015E	FY 2016E	FY 2017E
EBITDA margin	11.4%	11.9%	12.2%	11.4%	11.6%	11.7%
Net margin	11.0%	8.8%	7.5%	7.0%	6.9%	7.0%
Return on equity (ROE)	19.6%	16.6%	14.4%	14.2%	14.4%	14.9%
Return on assets (ROA)	10.1%	9.1%	8.4%	8.5%	8.6%	8.9%
Return on capital employed (ROCE)	20.2%	27.0%	36.4%	37.0%	41.9%	46.6%
Equity ratio	44.7%	52.9%	54.8%	56.2%	55.7%	55.4%
Current ratio	1.8	2.0	2.0	2.0	2.1	2.1
Quick ratio	1.6	1.8	1.8	1.8	1.8	1.8

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