30th April 2015

Mid Cap | Europe | Italy

DR. KALLIWODA
INTERNATIONAL RESEARCH GmbH

Initial Coverage

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:		9.31
	High	**Low**
Price 52 W.:	10.43	7.27
Market Cap. (EURm)		110.02
No. of Shares		11.82

Shareholders

4CV PTE	25.00%
A. Braga Illa	14.00%
Treasury shares	9.39%
Management	8.30%
Kabouter	5.00%
Float	38.31%

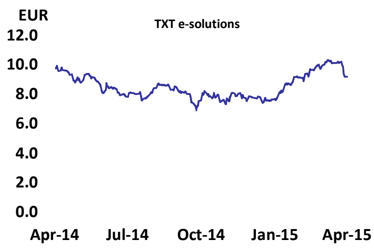
Performance

4 Weeks	-4.91%
13 Weeks	-9.66%
26 Weeks	17.41%
52 Weeks	-2.87%
YTD	19.14%

Dividend

	in EUR	in %
2012	0.40	4.30%
2013	0.20	2.15%
2014E	0.25	2.69%

1-year Chart



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TXT e-solutions S.p.A.

A leader in supply chain software solutions; profitable business

- TXT e-solutions is a leader in strategic enterprise solutions, specialized in software development and computer services. Founded in 1989, the company is divided in two segments: TXT Perform which is a planning specialist division in end-to-end retail solutions for fashion, retail, consumer goods and manufacturing sectors and TXT Next which is engaged in software service for the aerospace, automotive, high-tech and banking sectors. The company was the first mover in integrated end-to-end retail for fashion, luxury & specialty, establishing high barriers to entry and a sustainable customer base (i.e. Louis Vuitton, Peek & Cloppenburg, and adidas).

- Due to significant R&D investments carried out during the years (8.3% of revenues in 2014) TXT has developed a competitive and efficient technology, leveraging on Microsoft partnership. Between 2013 and 2014 clients in the luxury, fashion and retail have been about 350 with more than 100.000 stores served around the world. On February 2014, in order to accelerate the distribution in North America, has been founded TXT USA Inc. In the same year the company has launched the new solution Agile Fit, a methodology that improves the speed and quality of project implementation.

- With 57% of revenues recorded abroad, TXT realized another year of growth in 2014. Consolidated revenues came at €55.88m, +6.3% y-o-y (5-years CAGR +11%) for the year 2014. The result stemmed for +3.4% from organic growth in both the two divisions, and for €1.5m from non-recurring income. TXT perform recorded an increase in sales of +7.7% in 2014. Consolidated group EBIT went up by 10.4% to €5.47m (9.8% of revenues) after commercial investments of €11.09m +9% y-o-y. Given an improvement in the net financial position, income before tax grew by +15.4% y-o-y, while tax effects led to a net profit of €4.17m (vs 2013: €4.64m) 7.5% of revenues.

- Net financial position was positive for €8.5m in 2014 (vs 2013: €8.6m) after a dividend distribution of €2.6m and purchase of treasury shares of €0.6m. Cash flow form operation before working capital came at €5.2m, +21.9% y-o-y for 2014. While change in working capital and financial activities led to a decrease in cash of €2.4m. As effect of the net income, shareholders´ equity grew by €1.1m to €2.9m (equity ratio 54.8%).

- On September 2012, TXT acquired the Canadian company Maple Lake, an international vendor of assortment planning and allocation solutions. This acquisition added expertise and access to 50 large retail clients (i.e. Levi Strauss & Co) in the market of North America, Europe and Australia. Despite we see uncertainty in TXT markets and a weaker licensing environment, the potential coming from organic growth and expansion in the North America and Asia, where in February 2015 the opening of a new office was announced in Hong Kong, it seems promising.

- Based on our DCF model and peer group analysis, we realised a *buy recommendation* for TXT e-solutions and a 12-months target price of €11.0 per share. Given the product pipeline and well-established customer base relations we believe TXT has a sustainable market position, strengthened in North America and we believe in a further development of its client's base. We also like the company because it pays out interesting dividends (2013= 2.18%).

- **Key Facts**

EURm	2012	2013	2014	2015E	2016E	2017E
Net sales	46.50	52.56	55.88	58.34	62.01	65.67
EBITDA	5.32	6.26	6.79	6.65	7.57	8.21
EBIT	4.25	4.96	5.47	5.31	6.14	6.70
Net income	5.14	4.64	4.17	4.04	4.55	4.98
EPS	0.94	0.44	0.35	0.34	0.39	0.42
BVPS	4.78	2.36	2.45	2.54	2.66	2.80
RoE	19.64%	16.62%	14.41%	13.45%	14.49%	15.05%
EBIT margin	9.13%	9.43%	9.79%	9.10%	9.90%	10.20%

Source: company data, Dr. Kalliwoda International Research GmbH

Content

1. Company Profile

Founded in 1989, TXT 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 expanding the business in order to capitalize its knowledge and expertise in other industries with TXT Next.

As global supply chain software vendor, TXT mainly sells its solutions in the North America, Germany, the UK, France, and Italy. In February 2015, the company announced a new office in Hong Kong.

With IPO in 2010, TXT recorded a growing performance in the stock market, driven by high profitability and cash generation. As the end of December 2014 the company had 549 employees.

2. SWOT Analysis

Strengths

- 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 expertise in North America and well-known clients (i.e. Levi´s).
- High entry barriers: technological know-how, commercial relations and local brand recognition.

Weaknesses

- Significant goodwill position, which amount to 45% of equity (31 December 2014).
- 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 R&D in order to compete with big players.

Opportunities

- Business development in North America, Asia and Pacific area. In February 2015 a new office was announced in Hong Kong.
- Expand revenues mix in software, service and in other retail segments. Monetization of existing clients with new products and service.
- International growth through acquisitions.

Threats

- Uncertainty in the fashion and luxury market, given the economy slowdown industry transformation.
- High competition from larger players.
- Competition for talent leads to increasing personnel costs
- Revenues outside Euro Area are 20% of total and are hedged with costs in local currency.

Source: Dr. Kalliwoda International Research GmbH

3. Valuation

In order to account for current market valuation, we have valued TXT e-solutions by using a weighted average of our DCF model (70%) and peer group (30%). The DCF model incorporates the company outlook and our forecasts regarding future development of the company (6.4% WACC, 4.1% sales CAGR, 22.0% tax rate). We assumed that the target capital structure will not change in the subsequent business years. Adjustments for debt to current interest were not made. Risk free probability is based on the average profitability of the Italian 10-years bond. Our final 12-months price target for TXT e-solutions equals €11.0, which implies an upside of 18%.

a. WACC

WACC Calculation	
Target Capital Structure	
Debt to Total Capitalization	45.2%
Equity to Total Capitalization	54.8%
Cost of Equity	
Risk-free rate	1.4%
Market risk Premium	5.8%
Levered Beta	1.1
Cost of Equity	**8.1%**
Cost of Debt	
Cost of Debt	5.6%
Taxes	22.0%
After Tax Cost of Debt	**4.4%**
WACC	**6.4%**

Enterprise value	
Present value of Free Cash Flow	24.6
Terminal Value	158
Discount Factor	0.7
Present Value of Terminal Value	**114**
% of Enterprise Value	*82%*
Enterprise value	**138.6**
Less: Total debt	3.8
Plus: Cash and Cash Equi.	12.3
Net Debt	8.5
Implied Equity Value	**130.1**
Outstanding shares	11.8
Implied share price	**11.0**

Source: Dr. Kalliwoda International Research GmbH

b. DCF-Model

The following table present our financial forecasts and DCF calculation.

(in million)	Actual				Forecast period				
	2011	2012	2013	2014	2015	2016	2017	2018	2019
Sales	40	46	53	56	58.34	62.01	65.67	69.22	71.30
% growth		*15.8%*	*13.0%*	*6.3%*	4.4%	6.3%	5.9%	5.4%	3.0%
EBITDA	**4.4**	**5.3**	**6.3**	**6.8**	**6.7**	**7.6**	**8.2**	**8.9**	**9.3**
% margin	*11.0%*	*11.4%*	*11.9%*	*12.2%*	*11.4%*	*12.2%*	*12.5%*	*12.8%*	*13.1%*
Depreciation & Amortization:	-3.5	-1.1	-1.3	-1.3	-1.3	-1.4	-1.5	-1.6	-1.6
% sales	8.8%	2.3%	2.5%	2.4%	2.3%	2.3%	2.3%	2.3%	2.3%
EBIT	**0.9**	**4.2**	**5.0**	**5.5**	**5.3**	**6.1**	**6.7**	**7.3**	**7.7**
Taxes	-0.6	-0.2	0.1	-1.0	-1.17	-1.35	-1.47	-1.60	-1.69
Capex	-2.159	-0.405	-0.483	-0.615	-0.608	-0.715	-0.688	-0.584	-0.592
% sales	*5.4%*	*0.9%*	*0.9%*	*1.1%*	*1.0%*	*1.2%*	*1.0%*	*0.8%*	*0.8%*
Increase/Decrease in NWC	-1.26	-1.69	1.21	-1.39	**-0.29**	**-0.15**	**-0.03**	**-0.08**	**-0.27**
Unlevered Free Cash Flow	**0.38**	**3.05**	**7.12**	**3.75**	**4.59**	**5.35**	**6.02**	**6.60**	**6.78**
WACC	**6.39%**								
Discount Period					0.73	1.73	2.73	3.73	4.73
Discount Factor					0.96	0.90	0.84	0.79	0.75
Present value of free cash flow					**4.39**	**4.80**	**5.08**	**5.23**	**5.06**

Source: Dr. Kalliwoda International Research GmbH

c. Peer Group Analysis

We have additionally conducted a plausibility check of the valuation, which was derived by our DCF model. 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.

Peer Group Multiples	Enterprise Value Multiples						Equity Value Multiples			
Peers	EV / Sales		EV / EBITDA		EV / EBIT		Dividend Yield		Price / Bvps	
	FY2015	FY2016	FY2015	FY2016	FY2015	FY2016	FY2015	FY2016	FY2015	FY2016
Atoss Software AG	3.4	3.1	15.4	13.1	16.4	13.9	2.2%	2.5%	8.5	6.9
Cap Gemini SA	1.1	1.0	10.0	8.8	12.4	10.9	1.7%	1.9%	2.3	2.1
Engineering Ingegneria Informatica SpA	0.7	0.7	5.9	5.3	7.0	6.9	2.7%	2.5%	1.4	1.3
Devoteam SA	0.4	0.4	7.0	6.1	8.6	7.3	1.6%	1.8%	1.6	1.5
Oracle Corp	4.6	4.5	9.0	9.2	9.9	9.6	1.2%	1.3%	3.9	3.5
SAP SE	4.8	4.5	14.9	13.8	15.5	15.0	1.7%	1.8%	3.7	3.3
SQS Software Quality Systems AG	1.0	0.9	10.3	9.0	12.4	11.1	1.8%	2.1%	2.5	n.a.
TXT e-solutions	1.5	1.4	13.1	11.5	16.4	14.2	2.7%	2.9%	3.6	3.5
Median	1.3	1.2	10.1	9.1	12.4	11.0	2%	2%	3.1	3.3
Mean	2.2	2.1	10.7	9.6	12.3	11.1	2%	2%	3.5	3.2
Peer Benchmark	**1.3**	**1.2**	**10.1**	**9.1**	**12.4**	**11.0**	**2%**	**2%**	**3.1**	**3.3**
Discount (-)/Premium (+)	16%	16%	29%	26%	32%	29%	52%	47%	18%	3%
Valuation										
Peer Benchmark	**1.3**	**1.2**	**10.1**	**9.1**	**12.4**	**11.0**	**2%**	**2%**	**3.1**	**3.3**
TXT e-solutions	58.3	62.0	6.7	7.6	5.3	6.1	0.3	0.3	2.5	2.7
Implied Enterprise Value	75.2	74.8	67.3	68.9	66.1	67.6				
Implied Equtiy Value	83.7	83.3	75.8	77.4	74.6	76.1				
Number of Shares	10.4	10.4	10.4	10.4	10.4	10.4				
Implied fair value per share	**8.1**	**8.0**	**7.3**	**7.4**	**7.2**	**7.3**	**13.9**	**13.5**	**7.8**	**8.9**
Weights	17%	17%	17%	17%	17%	17%	25%	25%	25%	25%
Fair Value per Share 11.04 EUR										

Source: Dr. Kalliwoda International Research GmbH

Based on our peer multiples, the implied fair value equals €11.04 per share.

4. FY2014 results and outlook

Revenues

In FY2014 TXT e-solutions generated net sales of €55.9m, which equalled a +6.3% increase y-o-y. The performance was driven for €1.8m from organic growth in both the segments (+3.4%) and for €1.5m from non-recurring income (an indemnity of two Maple Lake vendors). This growth was achieved despite a slightly decrease in licences sold, which in our opinion stemmed from the international weak economy situation.

The division TXT Perform grew sales by 7.7% y-o-y to €34.10 (61% of consolidated sales) and recording a gross margin of €21.16m, 62% of revenues. Significant was also the contribution of TXT Next, which business grew by 4.2% (39% of consolidated sales). International sales increased by 12.8% to €31.8m (57% of total revenues).

FY14 results vs. previous year

2014 results vs. previous year

in EURm	2014	2013	change (%)
Net sales	55.88	52.56	*6.3%*
EBITDA	6.79	6.26	*8.5%*
EBITDA margin	12.2%	11.9%	
EBIT	5.47	4.96	*10.4%*
EBIT margin	9.8%	9.4%	
Net income	4.17	4.64	*-10.1%*
Net margin	7.5%	8.8%	

Source: company data, Dr. Kalliwoda International Research GmbH

Sales split according to segments 2014 vs. 2013

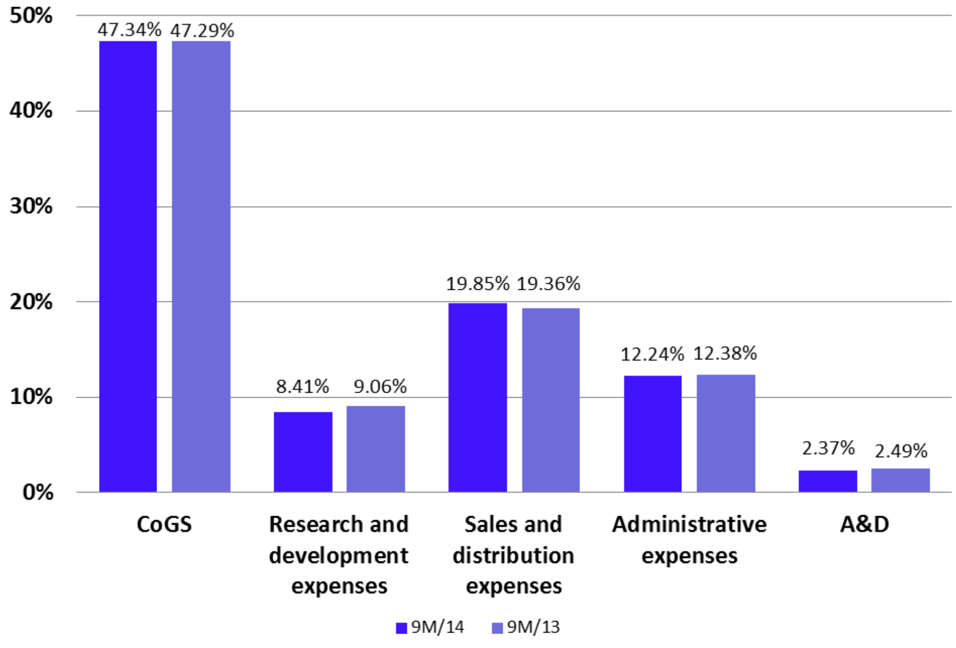
Sales and gross margins according to divisions 2014 vs. 2013

	TXT Perform				TXT Next		
EURm	2014	2013	%		2014	2013	%
Revenues	34.10	31.66	7.7%	Revenues	21.78	20.90	4.2%
% of group sales	61.0%	60.2%		% of group sales	39.0%	39.8%	
Licenses Maintenance	12.54	12.76	-1.7%	Licenses Maintenance	0.1	0.08	25.0%
Projets and Services	21.56	18.9	14.1%	Projets and Services	21.56	18.9	14.1%
Gross margin	21.16	20.03	5.6%	Gross margin	8.27	7.67	7.8%
% of division sales	*62.0%*	*63.3%*		*% of division sales*	*38.0%*	*36.7%*	

Source: company data, Dr. Kalliwoda International Research GmbH

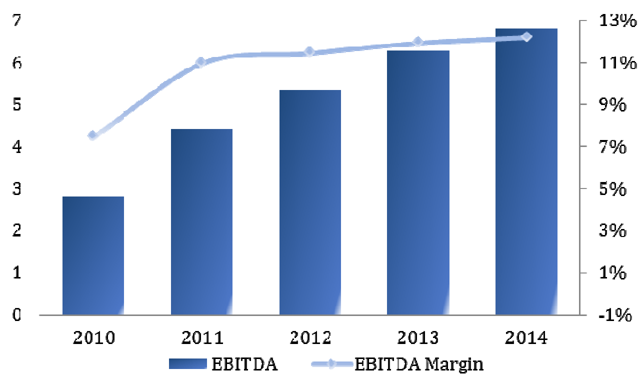
Profitability

Share in sales 2014 vs. 2013



Source: company data, Dr. Kalliwoda International Research GmbH

For FY2014, TXT reported an increase in group gross margin of +6.14% y-o-y (52.7% of revenues). The main reason was a non-recurring income of €1.1m and an improvement in operating profitability for €0.6m. Although an increase of +9% y-o-y recorded in commercial investments, EBITDA grew by +8.4% to €6.3m (12.2% of sales). As reported in the table below, EBITDA CAGR in 5 years was positive for +25%.



Source: company data, Dr. Kalliwoda International Research GmbH

Pre-tax income reached the level of €5.22m, +15.4% y-o-y given an improvement in the net financial position, while net income came at €4.17m (vs. 2013: 4.64) and accounting for 7.5% of revenues.

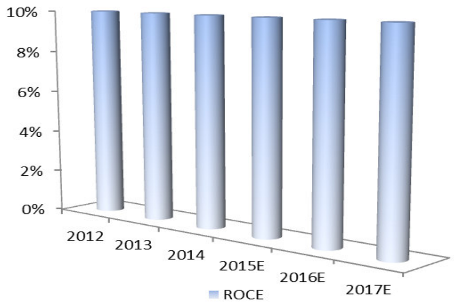
Balance sheet and Cash Flow

As of 31 December 2014, the largest positions on TXT balance sheet were (1) equity of €29.0m (ratio 54.8%), which was significantly effected from an increase in retained earnings of €2.5m, (2) trade receivables of €18.6m and (3) goodwill of €13.0m (including Maple lake goodwill, acquired in 2012). Working capital amounted to €6.3 compared to €4.8m last year. In the same period the company had interest-bearing debt of €3.8m, thereof €1.7m long-term. Given cash and short term financial assets of € 12.3m, the net financial position was positive for €8.5m.

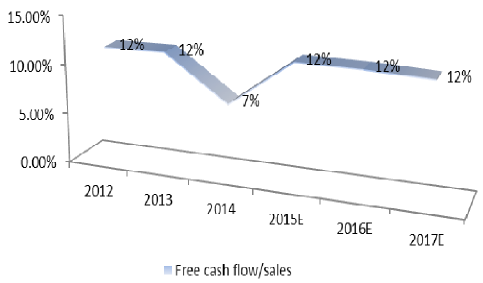
Between January and December 2014, TXT generated an operating cash flow before working capital of €5.2m, +21.9% y-o-y. Despite the lower net income, the reasons were lower figures in both paid and deferred taxes. The recorded increase in trade receivable decreased the result in cash of operations from €1.2m to €-1.4m. Cash flows from investing (€0.6 vs. €0.5m) and financing (€5.6m vs. €6.3m) were not affected in 2014 by asset purchase and related capital measure. In total, the cash position slightly decreased of €1.1m

The tables below present graphical representation of the trend in ROCE and free cash flows/sales ratios.

ROCE 2012-2016E



Free cash flows to sales ratio 2012-2016E



Source: company data, Dr. Kalliwoda International Research GmbH

Outlook

In our opinion, TXT is a profitable company with a management that has a clear vision on how to perform in the future. The company was able to self-finance its growth through profit and cash generated by the business. On February 2015, TXT Asia and Pacific were announced in Hong Kong. This seems promising for growth in Asia and Pacific area, providing support to clients and international projects in the region. A part the commercial investment we found interesting the trend in R&D expenses that increased from 2.5m in 2010 to €4.7m in 2014.

Although the economic slowdown in Europe, as the IT market is strongly correlated with the economic cycle, and the uncertainty in some markets that TXT covers (including fashion and luxury) we think that the company will be able to achieve profitable growth in the coming years, which might stem from further expansion of TXT Next business (banking and aerospace), international sales (North America and Asia), and expanding the customer base and offering new solutions for existing clients. For the whole company, we assumed sales CAGR of 4.19% until 2019E. A key risk that we considered is the competition of larger players e.g. Oracle or JDA, however it seems that TXT has gained a solid position in the market during the year. Based on our estimates, we have calculated a 12-months target price for TXT of €11.00, which is 18% above current market level.

Our estimates for fiscal-year 2015E-17E

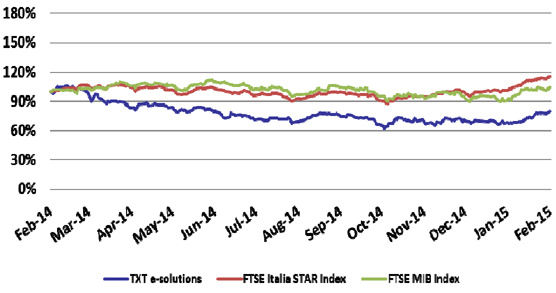
EURm	2015E	2016E	2017E
Net sales	**58.34**	**62.01**	**65.67**
EBITDA	**5.32**	**6.26**	**6.79**
EBITDA margin	*9.1%*	*10.1%*	*10.3%*
EBIT	**5.31**	**6.14**	**6.70**
EBIT margin	*9.1%*	*9.9%*	*10.2%*
Net income	**4.04**	**4.55**	**4.98**
Net margin	*6.9%*	*7.3%*	*7.6%*

Source: company data, Dr. Kalliwoda International Research GmbH

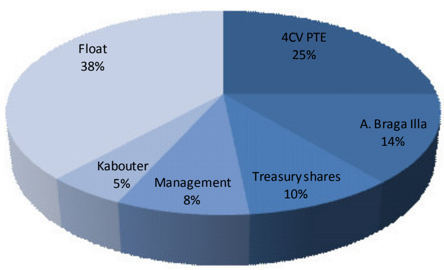
5. Shares

The company became public in 2010, listed at the Italian Stock Exchange, in Milan. Main shareholder are 4CV PTE Ltd with 25% and the founder A. Braga Illa with 14%. Company management holds 8.30%. On March 2015, TXT sold 319K treasury shares to Kabouter Management LLC, an institutional investor based in Chicago (USA). The transaction allows TXT to increase by €3.2m its net financial position. Currently treasury shares are reducing to 9.39% of the capital.

Share price performance 2014/15



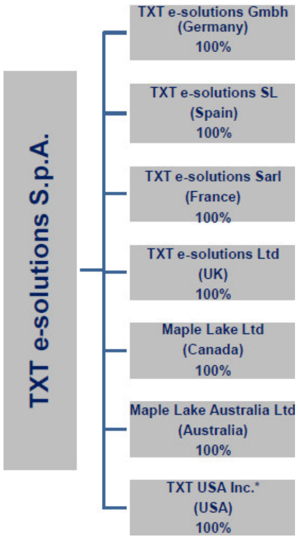
Shareholder structure **(As of December 2014)**



Source: company data, Dr. Kalliwoda International Research GmbH

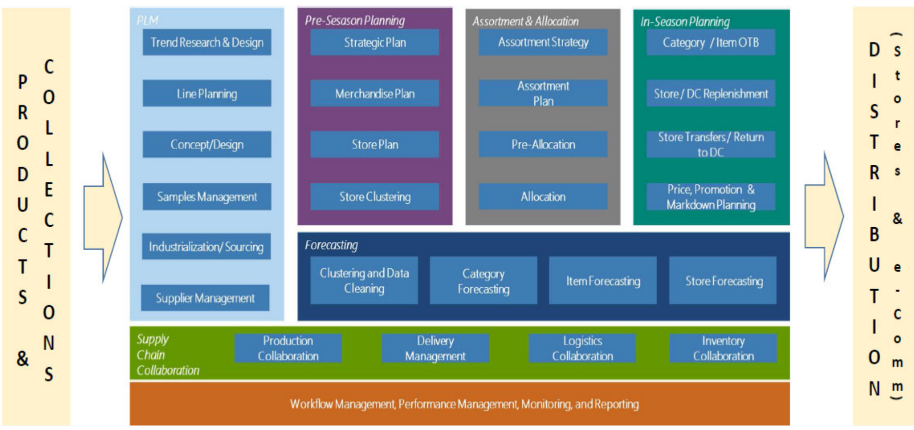
6. Business Description

TXT e-solutions started its activities in 1989 as software providers, specialized in retail supply chain management. The company was the first mover in integrated end-to-end retail software solutions for luxury and fashion. Till 2010 the company was healthy but concentrated in the Italian market only. After the IPO, the company changes its status becoming an international software vendor. During the year the business has grown organically, recording significantly increase in revenues (CAGR +11% in 2010-2014). The business is today divided in two areas: TXT Perform and TXT Next with an international structure as reported below.



TXT Perform

The division TXT Perform is specialised in software solutions for the luxury and fashion retail market. The technology offers solutions for a better profitable planning in retail supply chains. The software allows measuring ROI on sales, profit, cash and working capital for retail stores from strategy to operation as in the figure below. In 2014 was implemented the new product Agile Fit, a methodology that further improve the planning for retail stores. The division recently acquired important new customers as Otto in Germany, Pandora in France and Cotton on in Australia. In February 2014 was founded TXT USA Inc in order to develop the business in the North America. At the end of December 2014, international revenues of the division amounted of 87% of total.



Source: company

TXT Next

TXT Next is a system integrator and information technology providers in the aerospace, banking, automotive and high-tech sector. In the aerospace sector the company projects and develops products, systems and avionics components. In the banking area TXT is specialized in business process modelling and independent verification and validation of IT systems. The division grew its revenues from €14.7m in 2010 to €21.8m in 2014.

Maple Lake Acquisition

On September 2012 TXT acquired the Canadian company Maple Lake, in order to expand its expertise of merchandise planning and increases its international business. Maple Lake is a vendor of assortment planning and allocation solutions for specialty retailers with offices in Canada, in the UK and Australia. This acquisition brought around 50 new clients (i.e. Levi Strauss &Co., Steve Madden, Aeropostale, Arcadia Group, Barneys New York and Columbia).

Sales spilt 2012-2014

in EURm	2012	2013	2014
TXT Perform			
Revenues	26.36	31.66	34.10
(y-o-y change)	19.4%	20.1%	7.7%
(% of revenues)	56.7%	60.2%	61.0%
Licenses Maintenance	10.15	12.76	12.54
Projets and Services	16.21	18.90	21.56
TXT Next			
Revenues	20.14	20.90	21.78
(y-o-y change)	11.5%	3.8%	4.2%
(% of revenues)	43.3%	39.8%	39.0%
Licenses Maintenance	0.14	0.08	0.10
Projets and Services	20.00	20.82	21.68
Total net sales	**46.50**	**52.56**	**55.88**

Source: company data, Dr. Kalliwoda International Research GmbH

Company Analysis | DR. KALLIWODA | INTERNATIONAL RESEARCH GmbH | Equity Research

7. 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**	**13.20**	**14.03**	**14.86**
Projets and Services	36.21	39.72	43.24	45.14	47.99	50.82
Total revenue	**46.50**	**52.56**	**55.88**	**58.34**	**62.01**	**65.67**
Costs of sales	-22.35	-24.85	-26.46	-27.88	-28.86	-29.87
Gross profit	24.15	27.71	29.43	30.46	33.15	35.80
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	-7.16	-7.57	-8.27
Amortisation and depreciation	-1.08	-1.31	-1.33	-1.34	-1.43	-1.51
EBIT	**4.24**	**4.96**	**5.47**	**5.31**	**6.14**	**6.70**
Financial income/expense net	0.13	-0.44	-0.25	-0.26	-0.26	-0.27
Earnings before taxes	4.37	4.52	5.22	5.05	5.88	6.43
Income taxes	-0.18	0.12	-1.05	-1.01	-1.32	-1.45
Minorities/Non recurring profit	0.94	0.00	0.00	0.00	0.00	0.00
Net income	5.14	4.64	4.17	4.04	4.55	4.98
EPS	0.94	0.44	0.35	0.34	0.39	0.42
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**	**0.04**	**0.06**	**0.06**
Maintenance	0.16	0.10	0.09	0.04	0.06	0.06
Total revenue	0.16	0.13	0.06	0.04	0.06	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	0.04	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	0.05	0.06	0.09
Amortisation and depreciation	-0.69	0.21	0.01	0.01	0.06	0.06
EBIT	**3.87**	**0.17**	**0.10**	**-0.03**	**0.16**	**0.09**
Financial income/expense net	0.81	-4.35	-0.43	0.03	0.03	0.03
Earnings before taxes	3.64	0.03	0.15	-0.03	0.16	0.09
Income taxes	-0.70	-1.69	-9.64	-0.03	0.31	0.09
Net income	-0.64	-0.10	-0.10	-0.03	0.13	0.09
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	-0.48	-0.47	-0.45
Gross profit	**0.52**	**0.53**	**0.53**	**0.52**	**0.53**	**0.55**
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	-0.21	-0.21	-0.21
General and administrative expenses	-0.12	-0.12	-0.12	-0.12	-0.12	-0.13
Amortisation and depreciation	-0.02	-0.02	-0.02	-0.02	-0.02	-0.02
EBIT	0.09	0.09	0.10	0.09	0.10	0.10
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	0.10
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**	**0.08**

Source: company data, Dr. Kalliwoda International Research GmbH

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b. Balance Sheet

Balance sheet - TXT e-solutions						
€ thousands	FY 2012	FY 2013	FY 2014	FY 2015E	FY 2016E	FY 2017E
Current assets	**36.77**	**34.91**	**34.89**	**37.31**	**40.33**	**43.77**
Cash and cash equivalents	15.82	14.82	12.30	13.71	15.58	17.98
Inventories	1.39	1.45	1.82	1.92	1.99	2.05
Trade receivables	17.27	16.84	18.57	19.39	20.16	20.97
Other receivables	2.29	1.80	2.20	2.29	2.60	2.76
(% 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**	**17.45**	**16.92**	**16.28**
Intangible assets	19.89	15.37	15.08	14.47	13.95	13.33
(% 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	0.14	0.15	0.16
(% sales)	0.01	0.00	0.00	0.00	0.00	0.00
Deferred taxes	0.49	1.23	1.56	1.62	1.73	1.83
(% sales)	0.01	0.02	0.03	0.03	0.03	0.03
Total	**58.61**	**52.76**	**52.91**	**54.76**	**57.25**	**60.04**
EQUITY AND LIABILITIES						
Current liabilities	**20.65**	**17.86**	**17.45**	**18.05**	**18.93**	**19.81**
Financial liabilities	5.50	3.35	2.15	2.07	1.99	1.90
Trade payables	1.80	1.50	1.54	1.62	1.68	1.74
Other liabilities	12.47	12.93	13.61	14.20	15.10	15.99
(% 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**	**6.65**	**6.90**	**7.15**
Financial liabilities	4.30	2.90	1.68	1.64	1.59	1.55
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	4.01	4.26	4.51
(% 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**	**30.06**	**31.42**	**33.09**
Total consolidated equity and debt	**58.59**	**52.76**	**52.91**	**54.76**	**57.25**	**60.04**

Source: company data, Dr. Kalliwoda International Research GmbH

Equity Research | DR. KALLIWODA | INTERNATIONAL RESEARCH GmbH | Company Analysis

c. Cash Flow Statement

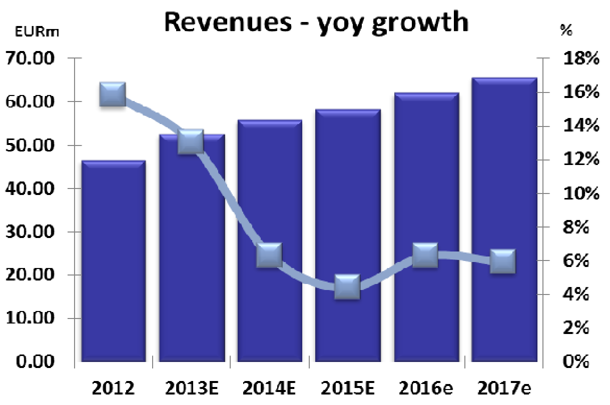
Cash flow statement - TXT e-solutions S.p.A.						
€ m	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015E**	**FY 2016E**	**FY2017E**
Net income for the year	5.1	4.6	4.2	4.0	4.6	5.0
Depreciation	-1.1	-1.3	-1.3	-1.3	-1.4	-1.5
Change in working capital	-1.7	1.2	-1.4	-0.3	-0.2	0.0
Others	2.3	0.9	2.4	-0.1	-0.1	-0.1
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	-0.6	-0.7	-0.7
Free cash flows	-10.0	5.0	3.2	6.1	6.3	6.6
Cash flow from financing	11.4	-6.3	-5.6	-4.7	-4.4	-4.2
Change in cash	1.4	-1.3	-2.4	1.4	1.9	2.4
Cash, start of the year	14.4	15.8	14.8	12.3	13.7	15.6
Cash, end of the year	15.8	14.8	12.3	13.7	15.6	18.0

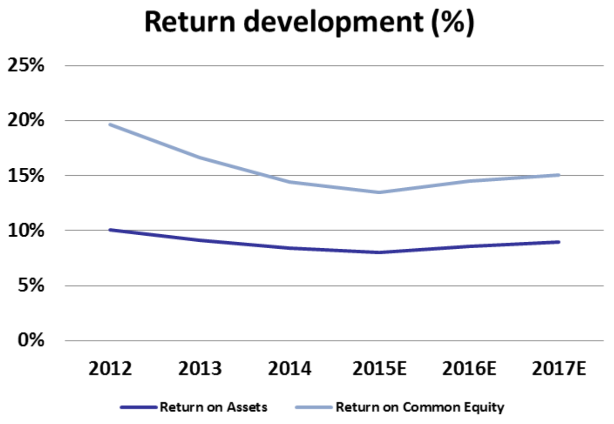
Source: company data, Dr. Kalliwoda International Research GmbH

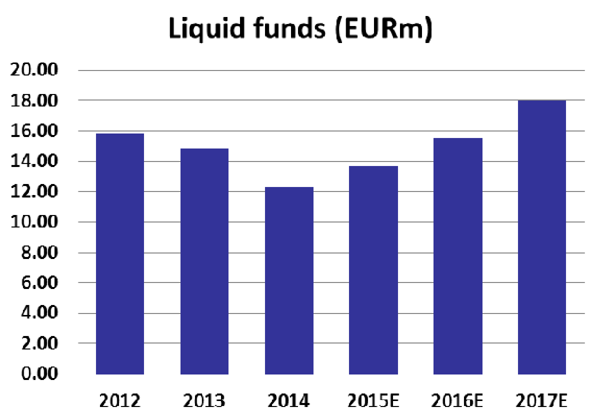
d. Financial Ratios

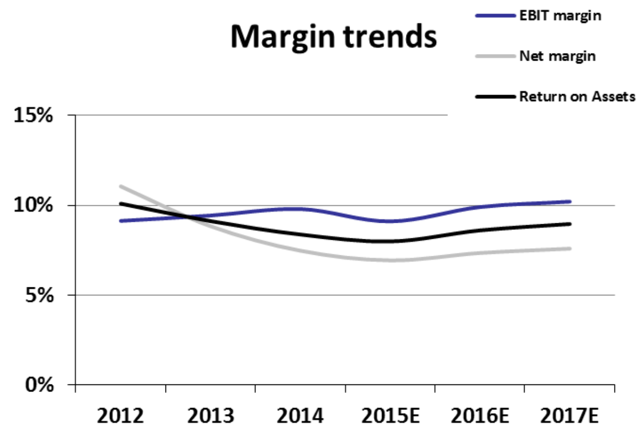
Ratios - TXT e-solutions S.p.A.						
	FY 2012	**FY 2013**	**FY 2014**	**FY 2015E**	**FY 2016E**	**FY 2017E**
EBITDA margin	11.4%	11.9%	12.2%	11.4%	12.2%	12.5%
Net margin	11.0%	8.8%	7.5%	6.9%	7.3%	7.6%
Return on equity (ROE)	19.6%	16.6%	14.4%	13.4%	14.5%	15.1%
Return on assets (ROA)	10.1%	9.1%	8.4%	8.0%	8.6%	9.0%
Return on capital employed (ROCE)	20.2%	27.0%	36.4%	36.5%	44.5%	50.4%
Equity ratio	44.7%	52.9%	54.8%	54.9%	54.9%	55.1%
Current ratio	1.8	2.0	2.0	2.1	2.1	2.2
Quick ratio	1.6	1.8	1.8	1.8	1.9	2.0

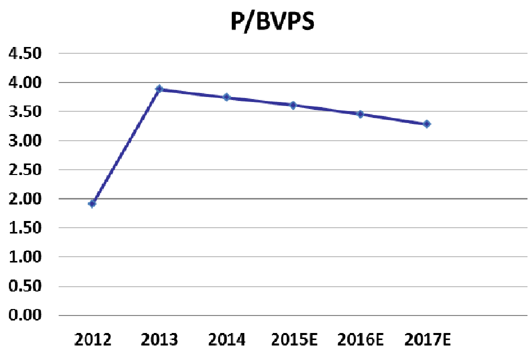
Source: company data, Dr. Kalliwoda International Research GmbH

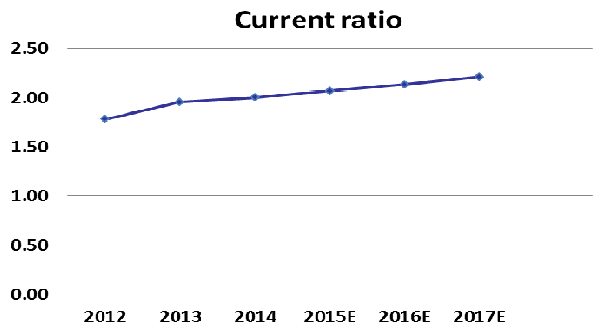












Source: Company data, Dr. Kalliwoda Research GmbH

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