

4<sup>th</sup> April 2016

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:** 7.75  
**High** **Low**  
**Price 52 W.:** 9.34 6.90  
**Market Cap. (EURm)** 100.80  
**No. of Shares** 13.01

**Shareholders**

**4CV PTE** 25.60%  
**A. Braga Illa** 13.80%  
**Treasury shares** 10.30%  
**Management** 7.90%  
**Float** 42.40%

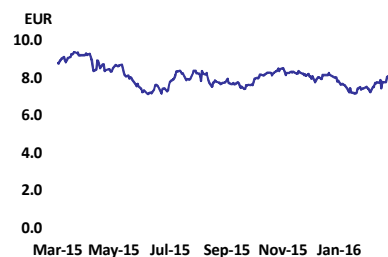
**Performance**

**4 Weeks** -0.78%  
**13 Weeks** -4.26%  
**26 Weeks** 0.20%  
**52 Weeks** -14.04%  
**YTD** -5.90%

**Dividend**

	in EUR	in %
2012	0.40	0.05
2013	0.20	0.03
2014	0.25	0.03
2015	0.25	0.03

**1-year Chart**



**Analysts:**

**Dario Maugeri**  
[dm@kalliwoda.com](mailto:dm@kalliwoda.com)

**Dr. Norbert Kalliwoda**  
[nk@kalliwoda.com](mailto:nk@kalliwoda.com)

# TXT e-solutions S.p.A.

Positive closing for 2015; Aerospace business boost our estimates

- For FY2015 TXT's revenues grew by 13.1% y/y to €615m (normalized data). Sales of licenses and maintenance increased by +26.4% to €16m (26% of group revenues), while service revenues enhanced by +9.1%. The business divisions TXT Perform (+12.4% in 2015) completed important software contracts with international clients such as Swatch (CH), Adidas (D), Louis Vuitton (F) and Christian Dior (F). Although high R&D (+8.9%) and costs related to the business development (+14.7%), both EBITDA before stock grant (+16.2% y/y to €6.7m; margin 10.8%) and net income (17.4% y/y to €3.9m) developed better than sales due to lower share of direct costs on sales and lower effective tax rate.
- On February 2016, TXT announced the acquisition of the German company PACE aerospace engineering and information technology GmbH. The software solutions provided by PACE for the aviation and aerospace industry have completed and reinforced TXT Next product range (+14.2 y/y in 2015). Preliminary group results of the Berlin-based company indicate revenues of €7.3m, up 20.4% y/y, EBITDA of €0.8m (after R&D costs of €1.7m), and net financial position estimated positive by €1.7m. TXT paid around €5.6m for 79% of the shares. PACE's clients include among the others Airbus (D and F), Boeing (USA), Lufthansa (D) and GE Aviation (USA).
- Group net financial position improved to €14.0m as of February 2016 (vs. €8.3m in December 2015). At the closing date, TXT has not long term debt and holds 10.4% of issued shares (around 1.3m stocks), which were purchased at an average price of €2.42.
- We adjusted our forecasts to the recent acquisition, which results will be consolidated from April 2016. This taking into account uncertainties in the fashion and luxury markets for the beginning of 2016 and therefore lower revenues from licences and maintenance. After a very strong 2015 (revenues +14.2%) the Next division is expected to consolidated in Q1/16. However we remain positive for the full 2016, given the continuing investment in R&D and commercial development. The strategical acquisition of PACE seems to be promising in term of revenues synergies and positive cash flow in the aerospace business, with a potential market of over 300 large clients. We have confirmed our 12-months target price of 11€ per share. A DPS of €0.25 per share was proposed during the most recent board of director meeting.

**Key Facts**

EURm	2012	2013	2014	2015	2016E	2017E
<b>Net sales</b>	46.5	52.6	55.9	61.5	71.0	78.2
<b>EBITDA</b>	5.3	6.3	6.8	5.9	7.7	8.8
<b>EBIT</b>	4.2	5.0	5.5	4.8	6.0	7.0
<b>Net income</b>	5.1	4.6	4.2	3.9	4.6	5.3
<b>EPS</b>	0.9	0.4	0.3	0.3	0.4	0.4
<b>BVPS</b>	4.8	2.4	2.2	2.6	2.7	2.8
<b>RoE</b>	19.6%	16.6%	14.4%	11.5%	13.1%	14.5%
<b>EBIT margin</b>	9.1%	9.4%	9.8%	7.8%	8.5%	8.9%

Source: company data, Dr. Kalliwoda International Research GmbH

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## 1. Company Profile

TXT e-solutions SpA 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. TXT has offices in the North America, Germany, France, Spain, the UK and in the Asia Pacific. With organic growth 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 in 2012, which brought around 50 new clients (i.e. Levi Strauss & Co., Steve Madden, Aeropostale, Arcadia Group, Barneys New York and Columbia), and with the recent acquisition of the German PACE GmbH, TXT expanded its international profile and business diversification.

## 2. SWOT Analysis

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>- Pioneer in the supply chain software for fashion and luxury. Almost 55% of sales from abroad.</li> <li>- Self-financed business through profit, free cash flows and growing stock values.</li> <li>- High entry barriers, given its customized and innovative solutions and well-established relations.</li> <li>- Loyal customer base, with well-known clients (i.e. Levi's, Swatch (CH), Adidas (D), Geox (IT)).</li> <li>- Net financial position positive for €14m.</li> <li>- Solid shareholder base: founder owns 14% of the capital, and a significant stakes owned by co-workers &amp; management.</li> </ul>	<ul style="list-style-type: none"> <li>- Significant goodwill position, which amount to 39% of equity (30 June 2015).</li> <li>- Limited presence in emerging markets such as Asia, Pacific, Africa, the Middle East and Latin America. Strong focus in the no-food area.</li> <li>- Continuous investments in marketing and R&amp;D in order to compete with big players.</li> </ul>
Opportunities	Threats
<ul style="list-style-type: none"> <li>- Growth in the aerospace segment, given the expertise and international client portfolio acquired with PACE GmbH.</li> <li>- Business development in North America, Asia and Pacific area. In 2015 a new office was opened in Hong Kong and Singapore.</li> <li>- Improving revenues mix with higher sales from licenses and maintenance in retail segments. Monetization of existing clients with new products and service.</li> <li>- International growth through acquisitions with possible effect of sale synergies from M&amp;As.</li> </ul>	<ul style="list-style-type: none"> <li>- Uncertainty in the fashion and luxury market, given the economic slowdown and industry transformation.</li> <li>- High competition from larger players.</li> <li>- Currency risks for the consolidated financial statements as TXT generates more than 20% sales outside the Euro Area.</li> </ul>

Source: Dr. Kalliwoda International Research GmbH

### 3. Valuation

We have used a weighted average of our DCF model (70%) and a peer group analysis (30%) to value TXT e-solutions SpA. In the cash flows estimates we have considered the consolidation of PACE from April 2016, generating the sales CAGR of 6% and EBIT CAGR of 10% in the period 2016-2020. For the calculation of the WACC (weighted average cost of the capital) we considered the risk-free rate of 1.3% (ten years Italian government bond), market premium 5.5% (expected return minus risk-free ratio), Beta equal to 1 and the tax rate of 20.1% (average of the last four years). Assuming that the target capital structure will not change in the subsequent years, the WACC consequently was 6.8%. Adjustments for debt to current interest were not made. Our final 12-months price target for TXT e-solutions equals €11.0.

#### a. WACC

DCF model		
Input		Output
<b>WACC Calculation</b>		<b>Enterprise value</b>
<b>Target Capital Structure</b>		Present value of Free Cash Flow 23.1
Debt to Total Capitalization	2.2%	
Equity to Total Capitalization	97.8%	
<b>Cost of Equity</b>		<b>Terminal Value</b> 181
Risk-free rate	1.3%	Discount Factor 0.7
Market risk Premium	5.5%	<b>Present Value of Terminal Value</b> 128
Levered Beta	1.00	% of Enterprise Value 85%
<b>Cost of Equity</b>	6.8%	
<b>Cost of Debt</b>		<b>Enterprise value</b> 151.3
Cost of Debt	5.6%	Less: Total debt 0.8
Taxes	20.1%	Plus: Cash and Cash Equi. 9.1
<b>After Tax Cost of Debt</b>	4.5%	Net Debt 8.3
<b>WACC</b>	6.8%	<b>Implied Equity Value</b> 143.1
		Outstanding shares 13.0
		<b>Implied share price</b> 11.0

Source: Dr. Kalliwoda International Research GmbH

#### b. DCF-Model

EURm	Actual					CAGR (16 - 20)	Forecast period				
	2011	2012	2013	2014	2015		2016	2017	2018	2019	2020
Sales	40.1	46.5	52.6	55.9	61.5	6%	71.03	78.22	83.35	87.60	90.14
% growth		16%	13%	6%	10%		15%	10%	7%	5%	3%
<b>EBITDA</b>	4.4	5.3	6.3	6.8	5.9	9%	7.7	8.8	9.8	10.4	10.8
% margin	11%	11%	12%	12%	10%		11%	11%	12%	12%	12%
Depreciation & Amortization:	-3.5	-1.1	-1.3	-1.3	-1.1		-1.6	-1.8	-1.9	-2.0	-2.1
% sales	9%	2%	2%	2%	2%		2%	2%	2%	2%	2%
<b>EBIT</b>	0.9	4.2	5.0	5.5	4.8	10%	6.0	7.0	7.8	8.4	8.7
Taxes	-0.6	-0.2	0.1	-1.0	-0.8		-1.2	-1.4	-1.6	-1.7	-1.7
Capex	-2.2	-0.4	-0.5	-0.6	-0.8		-1.5	-1.8	-1.9	-2.0	-2.1
% sales	5%	1%	1%	1%	1%		2%	2%	2%	2%	2%
Increase/Decrease in NWC	-1.26	-1.69	1.21	-1.39	-4.38		-0.8	-0.5	-0.7	-0.4	-0.1
<b>Unlevered Free Cash Flow</b>	0.38	3.05	7.12	3.75	0.01		4.1	5.0	5.6	6.3	6.8
WACC	6.8%										
Discount Period							0.7	1.7	2.7	3.7	4.7
Discount Factor							1.0	0.9	0.8	0.8	0.7
<b>Present value of free cash flow</b>							3.9	4.5	4.7	4.9	5.0

Source: Dr. Kalliwoda International Research GmbH

### c. Peer Group Analysis

We proved our DCF model 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.

Peer Group Multiples	Enterprise Value Multiples						Equity Value Multiples			
	EV / Sales		EV / EBITDA		EV / EBIT		Dividend Yield		Price / Bvps	
	FY2016	FY2017	FY2016	FY2017	FY2016	FY2017	FY2016	FY2017	FY2016	FY2017
<b>Peers</b>										
Atoss Software AG	4.8	4.3	21.0	18.1	22.2	19.0	1.6%	1.8%	16.4	12.2
Cap Gemini SA	1.3	1.2	10.6	9.2	13.2	11.5	1.8%	2.0%	1.9	1.7
Devoteam SA	0.7	0.6	9.4	7.3	10.0	7.8	1.6%	1.8%	2.6	2.4
Oracle Corp	3.9	4.1	8.0	9.1	8.5	9.6	1.4%	1.5%	3.5	3.4
SAP SE	4.7	4.4	14.6	14.3	16.3	15.2	1.8%	1.9%	3.5	3.2
SQS Software Quality Systems AG	0.8	0.7	9.3	8.0	10.9	9.3	2.4%	2.7%	1.5	1.4
<b>TXT e-solutions</b>	1.4	1.3	12.3	11.3	14.6	13.4	3.3%	3.4%	3.0	2.8
Median	1.4	1.3	10.6	9.2	13.2	11.5	2%	2%	3.0	2.8
Mean	2.5	2.4	12.2	11.0	13.7	12.3	2%	2%	4.6	3.9
<b>Peer Benchmark</b>	<b>1.4</b>	<b>1.3</b>	<b>10.6</b>	<b>9.2</b>	<b>13.2</b>	<b>11.5</b>	<b>2%</b>	<b>2%</b>	<b>3.0</b>	<b>2.8</b>
Discount (-)/Premium (+)	0%	0%	16%	22%	11%	16%	87%	79%	0%	0%

Valuation										
<b>Peer Benchmark</b>	<b>1.4</b>	<b>1.3</b>	<b>10.6</b>	<b>9.2</b>	<b>13.2</b>	<b>11.5</b>	<b>2%</b>	<b>2%</b>	<b>3.0</b>	<b>2.8</b>
TXT e-solutions	70.0	74.8	8.0	8.7	6.7	7.3	0.3	0.3	2.7	2.9
Implied Enterprise Value	97.8	97.8	84.4	79.9	88.0	84.3				
Implied Equity Value	106.0	106.0	92.7	88.1	96.2	92.6				
Number of Shares	13.0	13.0	13.0	13.0	13.0	13.0				
<b>Implied fair value per share</b>	<b>8.2</b>	<b>8.2</b>	<b>7.1</b>	<b>6.8</b>	<b>7.4</b>	<b>7.1</b>	<b>15.2</b>	<b>14.6</b>	<b>8.2</b>	<b>8.2</b>
Weights	17%	17%	17%	17%	17%	17%	25%	25%	25%	25%

**Fair Value per Share 10.9 EUR**

Source: Dr. Kalliwoda International Research GmbH

Based on our peer multiples, the implied fair value equals €10.9 per share.

## 4. FY 2015 results and Outlook

### Revenues

On a quarterly basis, group sales were up 13.7% to €16.1m in Q4/15. Revenues for TXT Perform (software solutions provider for the fashion and luxury industry), went up 13.7% as well as for TXT Next (aerospace, high-tech and finance businesses) up 13.6%. Licenses and maintenance revenues equalled to €3.9m (18.1% q/q), while service revenues came at €12.2m (12.3% q/q). Notwithstanding a larger share in general and administrative costs, such as legal expenses for PACE acquisition, EBITDA margin grew from 8.5% to 10.3%.

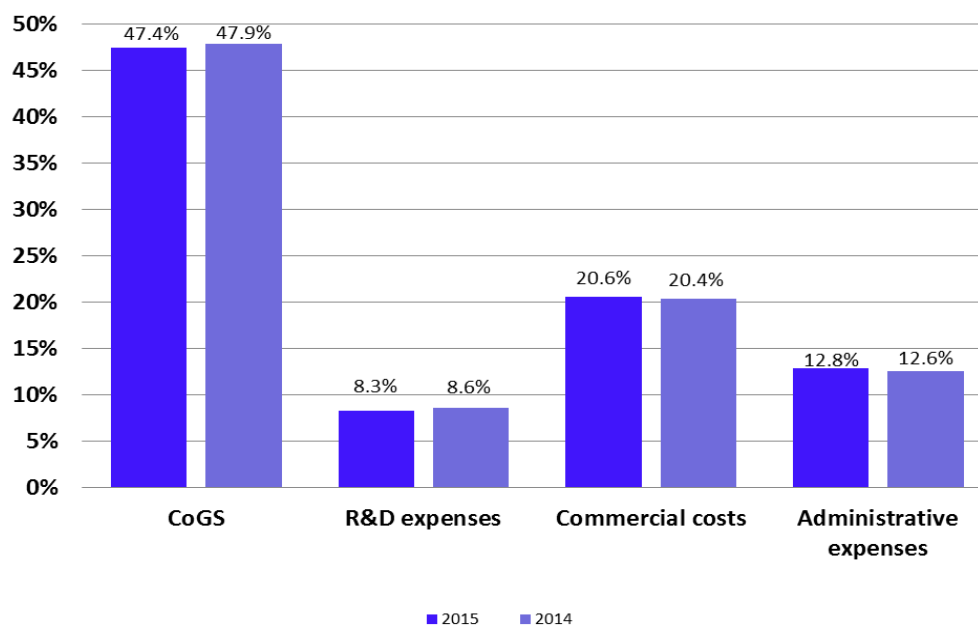
With regard to the annual figures, revenues achieved €61.5m (vs. FY14: €54.4m), stemming from the services area (74%) and software (26%). The two business divisions performed both well during the year 2015. TXT Perform, improved its sales to €36.7m (prior year €2.6m; 60% of total sales), while the Next division increased its revenues to €24.9m, up 14.2% y/y. In our analysis we used normalised data to assess the annual performance, excluding therefore non-recurring revenues and expenses (in 2014 an extra-income of €1.5m was earned with the acquisition of Maple Lake while non-recurring costs amounted to €0.4m).

## FY15 vs. previous year

2015 vs. previous year					
in EURm	2015	2014	%	2014 norm.	% norm.
Net sales	61.5	55.9	10.1%	54.4	13.1%
EBITDA (before stock grant)	6.7	6.8	-2.0%	5.7	16.2%
EBITDA margin	10.8%	12.2%		10.5%	
EBIT	4.8	5.5	-12.3%	4.4	8.8%
EBIT margin	7.8%	9.8%		8.1%	
Net income	3.9	4.2	-0.1	3.3	17%
Net margin	6.3%	7.5%		6.1%	

Source: company data, Dr. Kalliwoda International Research GmbH

## Profitability



In FY2015, direct costs decreased its shares in revenues from 47.9% to 47.4%. Thus, given TXT Perform profitable software results, group gross margin came at €32.4m (vs. FY15: €28.4m). Among the operative costs, R&D went up +8.9% and commercial and G&A costs increased to +14.7%. EBITDA before stock grant (€0.7m matured upon the achievement of target profit) was up 16.2% y/y to 6.7m, 5 years CAGR 11%. Despite 16% of pre-tax income, net income reached €3.9m, +17.4% (63% of group sales).

Net financial position was positive for €14m at the beginning of March 2016. Main cash movements in the closed year were: €2.7m in dividends, €2.5m bonuses to employees, €1.0m share buybacks, and €3.2m for the sales of treasury share to USA fund Kabouter. Due to the matured net income and stock grants, in 2015 shareholder equity improved to €33.6m (prior year €9m).

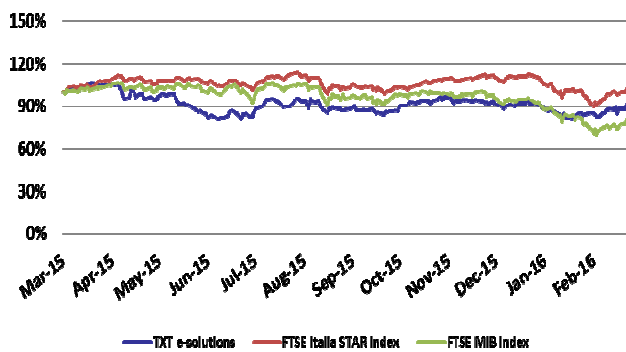
### Outlook

The year 2016 has started with some uncertainties in target markets of TXT and in the timing of customer's decisions for Q2/16 sales, as reported from the management. Moreover, the integration of PACE GmbH with the development of a new commercial pipeline in TXT Next, might affect the upcoming months. Nevertheless with PACE GmbH, which add to the annual consolidated revenues around €7.3m more (57% from software and 43% from services), TXT Next acquired: (1) new international customers, especially in the Airlines industry, (2) specialised know-how and (3) new proprietary software products. Hence, it is reasonable to expect an improvement in group revenues mix. We have estimated for the all group roughly €71m revenues in 2016, appreciating that TXT is on track in growing further its supply chain software solutions internationally (86% of revenues outside Italy). The company seems able to self-finance its business with sustainable earnings and cash flows. We keep our buy recommendation on TXT e-solutions.

## 5. Shares

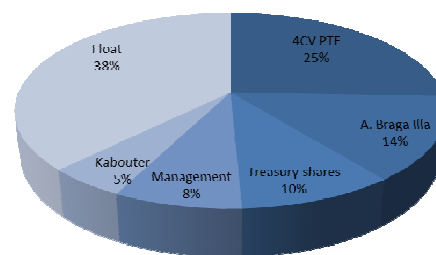
At the end of December 2015, the company held about 1.3m treasury shares (10.4% of issued shares), bought at an average price of €2.42. The holding company 4CV PTE Ltd held 25.6%, followed by the founder A. Braga Illa with 13.8% of the capital and by the management with 8.1%.

### Share price performance 2015/16



Source: company data, Dr. Kalliwoda International Research GmbH

### Shareholder structure (As of March 2016)



## 6. Acquisition of PACE GmbH

On February 2016, TXT e-solutions completed the acquisition of the Berlin-based PACE aerospace engineering and information technology GmbH. The acquisition reinforced TXT Next aerospace business division. The target company performed quite good in 2015, with preliminary consolidated results showing revenues of €7.3m, up 20.4% y/y stemming for 57% from license, maintenance and subscription fees, while EBITDA accounted for €0.8m (R&D €1.7m). Net financial position of PACE was estimated positive by €1.7m. PACE has 70 employees mostly in Berlin, with activities in the aerospace hubs of Toulouse (F) and Seattle (USA).



The Berlin based company, is a software providers for the aerospace and aviation industries. It offers software solution and services in the area of preliminary aircraft and systems architecture design, aircraft and cabin configuration, aircraft economics and route analysis and innovative electronic flight bag tools.

TXT bought the 79% of PACE shares directly from its investors (eCAPITAL AG, Strategic European Technologies NV, and IBB Beteiligungsgesellschaft mbH). The transaction has a value of €5.6m and was paid in cash, given TXT available liquidity. The results will be consolidated from April 2016 (Q2/16). Additional cash payments (around m1.9€) will be adjusted balancing the transaction cost based on the economic results from PACE operations. Thus the three founders will remain shareholders, 21% of the capital will be hold by them, and managing directors. However, according the transaction is included a put-call option to be exercised in the period 2020-2021.

PACE customer base includes: Maintenance, Repair & Overhaul (MRO) companies, such as Airbus (D and F), Boeing (USA), Lufthansa (D), GE Aviation (USA), Safran Group (F), COMAC (China), Sukhoi (Russia), Embraer (Brasil), Rolls-Royce (UK), Air France & KLM Engineering (F) and Delta Air Lines (USA).

After this acquisition, TXT Next will increase its specialist team (around 350 people), and its solutions for the aeronautics industry, across the whole supply chain, and will enlarge its market potential to 300 large customers world-wide. This integration should develop further benefits, given the complementary solutions that TXT next can integrate in Pace such as the on board software, simulation, training system and advanced manufacturing for aerospace. The joining forces can bring new advanced software solutions and expand the product portfolio for TXT Next clients. TXT Next and Pace are able to cover the entire value chain in the software aviation industry.



## 7. Market

The markets in which TXT works are defined with high barriers to entry. According to Gartner, TXT Retail stands in a favourable position respect to its competitors. The merchandise assortment management applications market is according Gartner revised up. It is estimated that by 2019, 50% of Tier multichannel retailers will have employed the above considered applications.

### Merchandise Assortment Management Applications



Source: company data, Gartner (August 2015)

Given the dynamic competitive environment, TXT invested heavily in new technology (R&D costs 8.3% of revenues in 2015) with engagement in the cloud services and in-memory processing sectors. We point out that the aviation industry will require high investments in product development and engineering. It is essential to differentiate the solutions provided given the growing time-to-market pressure.

## 8. Financials

### a. Profit and Loss Statement

Profit & Loss Statement - TXT e-solutions S.p.A.						
€ thousands	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016E	FY 2017E
<b>Total revenue</b>	<b>46.50</b>	<b>52.56</b>	<b>55.88</b>	<b>61.54</b>	<b>71.03</b>	<b>78.22</b>
Costs of sales	-22.35	-24.85	-26.46	-29.19	-32.69	-33.84
Gross profit	24.15	27.71	29.43	32.35	38.34	44.38
Research and development expenses	-4.09	-4.76	-4.70	-5.12	-6.40	-6.65
Sales, marketing and distribution expenses	-8.98	-10.17	-11.09	-12.68	-13.82	-15.00
General and administrative expenses	-5.76	-6.51	-6.84	-8.63	-10.45	-13.97
Amortisation and depreciation	-1.08	-1.31	-1.33	-1.12	-1.63	-1.80
<b>EBIT</b>	<b>4.24</b>	<b>4.96</b>	<b>5.47</b>	<b>4.79</b>	<b>6.04</b>	<b>6.96</b>
Financial income/expense net	0.13	-0.44	-0.25	-0.15	-0.16	-0.16
Earnings before taxes	4.37	4.52	5.22	4.64	5.88	6.80
Income taxes	-0.18	0.12	-1.05	-0.76	-1.32	-1.53
Minorities/Non recurring profit	0.94	0.00	0.00	0.00	0.00	0.00
Net income	5.14	4.64	4.17	3.88	4.56	5.27
EPS	0.94	0.44	0.32	0.30	0.35	0.41
DPS	0.40	0.20	0.25	0.25	0.27	0.28
<b>Profit &amp; Loss (Year on Year)</b>						
Total revenue	16%	13%	6%	10%	15%	10%
Costs of sales	14%	11%	6%	10%	12%	3%
Gross profit	17%	15%	6%	10%	19%	16%
Research and development expenses	46%	16%	-1%	9%	25%	4%
Sales, marketing and distribution expenses	13%	13%	9%	14%	9%	9%
General and administrative expenses	6%	13%	5%	26%	21%	34%
Amortisation and depreciation	-69%	21%	1%	-15%	45%	10%
<b>EBIT</b>	<b>387%</b>	<b>17%</b>	<b>10%</b>	<b>-12%</b>	<b>26%</b>	<b>15%</b>
Financial income/expense net	81%	-435%	-43%	-39%	3%	3%
Earnings before taxes	364%	3%	15%	-11%	27%	16%
Income taxes	-70%	-169%	-964%	-27%	74%	16%
Net income	-64%	-10%	-10%	-7%	17%	16%
<b>Profit &amp; Loss (% of Revenues)</b>						
Total revenue	100%	100%	100%	100%	100%	100%
Costs of sales	-48%	-47%	-47%	-47%	-46%	-43%
<b>Gross profit</b>	<b>52%</b>	<b>53%</b>	<b>53%</b>	<b>53%</b>	<b>54%</b>	<b>57%</b>
Research and development expenses	-9%	-9%	-8%	-8%	-9%	-9%
Sales, marketing and distribution expenses	-19%	-19%	-20%	-21%	-19%	-19%
General and administrative expenses	-12%	-12%	-12%	-14%	-15%	-18%
Amortisation and depreciation	-2%	-2%	-2%	-2%	-2%	-2%
EBIT	9%	9%	10%	8%	9%	9%
Financial income/expense net	0%	-1%	0%	0%	0%	0%
Earnings before taxes	9%	9%	9%	8%	8%	9%
Income taxes	0%	0%	-2%	-1%	-2%	-2%
<b>Net income</b>	<b>11%</b>	<b>9%</b>	<b>7%</b>	<b>6%</b>	<b>6%</b>	<b>7%</b>

Source: company data, Dr. Kalliwoda International Research GmbH

## b. Balance Sheet

Balance sheet - TXT e-solutions S.p.A.						
€ m	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016E	FY 2017E
<b>Current assets</b>	<b>36.77</b>	<b>34.91</b>	<b>34.89</b>	<b>38.95</b>	<b>39.80</b>	<b>42.59</b>
Cash and cash equivalents	15.82	14.82	12.30	9.08	8.59	10.01
Inventories	1.39	1.45	1.82	2.07	2.19	2.22
Trade receivables	17.27	16.84	18.57	25.03	26.03	27.07
Other receivables	2.29	1.80	2.20	2.76	2.98	3.29
(% sales)	5%	3%	4%	4%	4%	4%
<b>Non-current assets</b>	<b>21.84</b>	<b>17.85</b>	<b>18.02</b>	<b>18.13</b>	<b>18.95</b>	<b>19.52</b>
Intangible assets	19.89	15.37	15.08	14.69	14.79	14.88
(% sales)	43%	29%	27%	24%	21%	19%
Property, plant and equipment	1.15	1.12	1.25	1.36	1.13	1.17
Other receivables and other assets	0.30	0.13	0.14	0.14	0.23	0.26
(% sales)	1%	0%	0%	0%	0%	0%
Deferred taxes	0.49	1.23	1.56	1.94	2.80	3.20
(% sales)	1%	2%	3%	3%	2%	2%
<b>Total</b>	<b>58.61</b>	<b>52.76</b>	<b>52.91</b>	<b>57.08</b>	<b>58.75</b>	<b>62.11</b>
<b>Current liabilities</b>	<b>20.65</b>	<b>17.86</b>	<b>17.45</b>	<b>18.35</b>	<b>18.93</b>	<b>19.88</b>
Financial liabilities	5.50	3.35	2.15	0.82	0.90	0.99
Trade payables	1.80	1.50	1.54	1.42	2.66	2.23
Other liabilities	12.47	12.93	13.61	16.09	14.95	16.46
(% sales)	27%	25%	24%	26%	21%	21%
Tax liabilities	0.89	0.07	0.15	0.02	0.42	0.20
(% sales)	2%	0%	0%	0%	1%	0%
<b>Non-current liabilities</b>	<b>11.77</b>	<b>6.96</b>	<b>6.49</b>	<b>5.10</b>	<b>5.15</b>	<b>5.93</b>
Financial liabilities	4.30	2.90	1.68	0.00	0.00	0.35
Other liabilities	2.87	0.00	0.00	0.00	0.00	0.00
(% sales)	0%	0%	0%	0%	0%	0%
Provisions for pensions (TFR)	3.33	3.30	3.84	3.83	3.84	4.22
(% sales)	7%	6%	7%	6%	5%	5%
Deferred taxes	1.27	0.77	0.97	1.27	1.31	1.35
<b>Shareholder's equity</b>	<b>26.18</b>	<b>27.94</b>	<b>28.97</b>	<b>33.62</b>	<b>34.67</b>	<b>36.30</b>
<b>Total consolidated equity and debt</b>	<b>58.61</b>	<b>52.76</b>	<b>52.91</b>	<b>57.08</b>	<b>58.75</b>	<b>62.11</b>

Source: company data, Dr. Kalliwoda International Research GmbH

### c. Cash Flow Statement

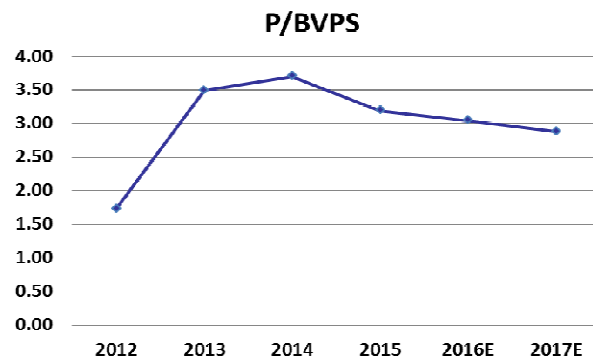
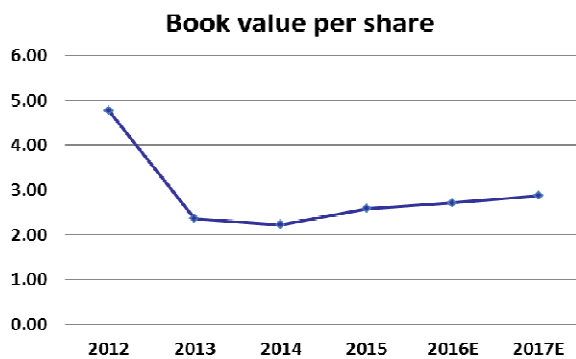
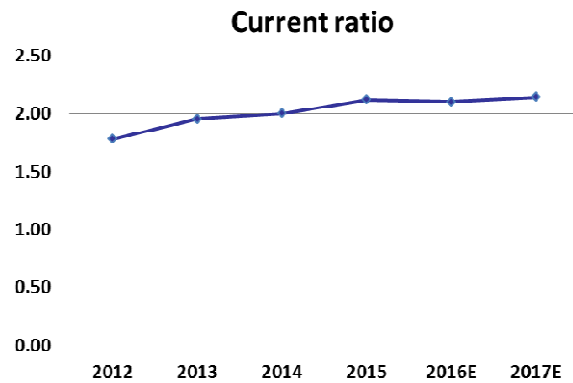
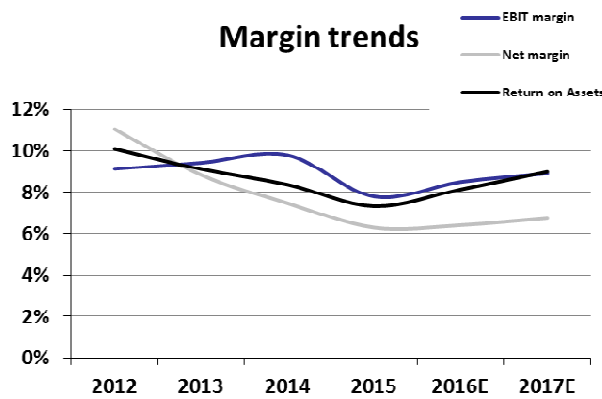
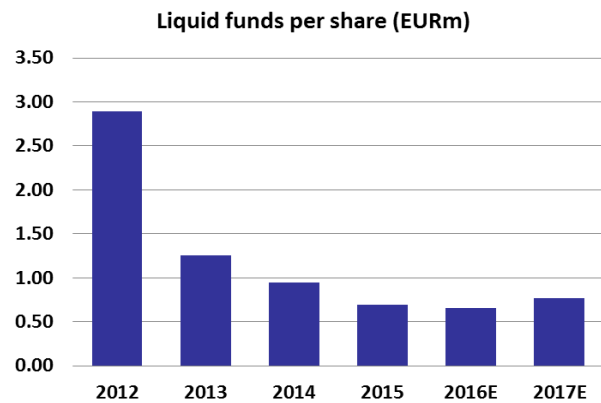
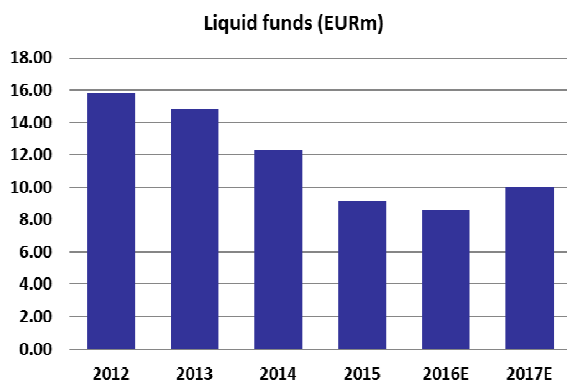
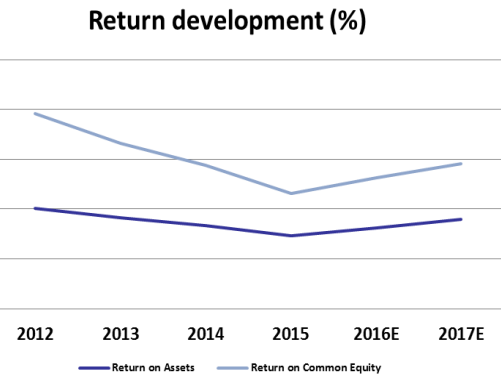
Cash flow statement - TXT e-solutions S.p.A.						
€ m	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016E	FY2017E
Net income for the year	5.1	4.6	4.2	3.9	4.6	5.3
Depreciation	-1.1	-1.3	-1.3	-1.1	-1.6	-1.8
Change in working capital	-1.7	1.2	-1.4	-5.0	-0.8	-0.5
Others	2.3	0.9	2.4	-0.7	-0.9	-0.4
<b>Net Operating cash flow</b>	<b>4.7</b>	<b>5.5</b>	<b>3.8</b>	<b>6.7</b>	<b>7.0</b>	<b>7.3</b>
<b>Cash flow from investing</b>	<b>-14.7</b>	<b>-0.5</b>	<b>-0.6</b>	<b>-0.8</b>	<b>-1.5</b>	<b>-1.8</b>
Free cash flows	-10.0	5.0	3.2	6.0	5.5	5.4
<b>Cash flow from financing</b>	<b>11.4</b>	<b>-6.3</b>	<b>-5.6</b>	<b>-9.2</b>	<b>-6.0</b>	<b>-4.0</b>
Change in cash	1.4	-1.3	-2.4	-3.2	-0.5	1.4
Cash, start of the year	14.4	15.8	14.8	12.3	9.1	8.6
Cash, end of the year	15.8	14.8	12.3	9.1	8.6	10.0

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 2015	FY 2016E	FY 2017E
EBITDA margin	11.4%	11.9%	12.2%	9.6%	10.8%	11.2%
Net margin	11.0%	8.8%	7.5%	6.3%	6.4%	6.7%
Return on equity (ROE)	19.6%	16.6%	14.4%	11.5%	13.1%	14.5%
Return on assets (ROA)	10.1%	9.1%	8.4%	7.3%	8.1%	9.0%
Return on capital employed (ROCE)	20.2%	27.0%	36.4%	30.8%	39.0%	43.7%
Equity ratio	44.7%	52.9%	54.8%	58.9%	59.0%	58.4%
Current ratio	1.8	2.0	2.0	2.1	2.1	2.1
Quick ratio	1.6	1.8	1.8	1.9	1.8	1.9

Source: company data, Dr. Kalliwoda International Research GmbH



Source: Company data, Dr. Kalliwoda Research GmbH

## 8. Contact

Primary Research   Fair Value Analysis   International Roadshows		Arndtstr. 47 60325 Frankfurt Tel.: 069-97 20 58 53 Fax: 069-13 81 92 15
Head: <b>Dr. Norbert Kalliwoda</b> E-Mail: nk@kalliwoda.com	CEFA-Analyst; University of Frankfurt/Main; PhD in Economics; Dipl.-Kfm.	<u>Sectors:</u> IT, Software, Electricals & Electronics, Mechanical Engineering, Logistics, Laser, Technology, Raw Materials
<b>Dr. Peter Arendarski</b> E-Mail: pa@kalliwoda.com	Senior-Analyst, Msc & Ph.D in Finance (Poznan Univers. of Economics), CFA Level 3 Candidate	<u>Sectors:</u> Technology, Raw Materials, Banks & Insurances, Financial-Modelling (Quant., Buyside)
<b>Patrick Bellmann</b> E-Mail: pb@kalliwoda.com	Junior-Analyst; WHU - Otto Beisheim School of Management, Vallendar	<u>Sectors:</u> Support Research and Quantitative Approach
<b>Andreas Braun</b> E-Mail: rb@kalliwoda.com	Junior-Analyst; University of Frankfurt/Main	<u>Sectors:</u> Support Research and Quantitative Approach
<b>Michael John</b> E-Mail: mj@kalliwoda.com	Dipl.-Ing. (Aachen)	<u>Sectors:</u> Chemicals, Chemical Engineering, Basic Metals, Renewable Energies, Laser/Physics
<b>Rainer Koch</b> E-Mail: rk@kalliwoda.com	Computer-Science/Dipl.-Betriebw, (Frankfurt); seasoned international Executive IT-Industry	<u>Sectors:</u> IT, IT-Services, Internet, Media, Internet, Emerging Markets
<b>Olaf Köster</b> E-Mail: ok@kalliwoda.com	Dipl.-Betriebswirt, EBS	<u>Sectors:</u> Renewable Energy/Technology
<b>Christoph Löffel</b> E-Mail: cl@kalliwoda.com	Bachelor Betriebswirtschaftslehre Universität Mannheim	<u>Sectors:</u> Financials, Real Estate
<b>Dario Maugeri</b> E-Mail: dm@kalliwoda.com	Master of Science in Corporate Finance; Rotterdam School of Management	<u>Sectors:</u> Automotive, Technology
<b>Dr. Christoph Piechaczek</b> E-Mail: cp@kalliwoda.com	Dipl.-Biologist; Technical University Darmstadt; Univ. Witten-Herdecke.	<u>Sectors:</u> Biotech & Healthcare; Medical Technology Pharmaceutical
<b>Nele Rave</b> E-Mail: nr@kalliwoda.com	Lawyer; Native Speaker, German School London,	<u>Legal adviser</u>
<b>Hellmut Schaarschmidt;</b> E-Mail: hs@kalliwoda.com	Dipl.-Geophysicists; University of Frankfurt/Main.	<u>Sectors:</u> Oil, Regenerative Energies, Specialities Chemicals, Utilities
<b>Dr. Erik Schneider</b> E-Mail: es@kalliwoda.com	Dipl.-Biologist; Technical University Darmstadt; Univ. Hamburg.	<u>Sectors:</u> Biotech & Healthcare; Medical Technology Pharmaceutical
<b>Alejandro Silva</b> E-Mail: asr@kalliwoda.com	Dipl.-Betriebswirt, Universität Zaragoza, CAIA Level II Candidate	<u>Sectors:</u> Basic Materials, Oil&Gas, Renewables
<b>Hans-Georg Sutter</b> E-Mail: hsu@kalliwoda.com	Dipl.-Wirtschaftsingenieur University Kaiserslautern	<u>Sectors:</u> IT/e-commerce
<b>Rainer Wochele</b> E-Mail: rw@kalliwoda.com	Bachelor of Science in Economics and Business Administration (Goethe University Frankfurt M. / Graduation Fall 2013)	<u>Junior-Analyst</u>
<b>Also view Sales and Earnings Estimates:</b>  <b>DR. KALLIWODA   RESEARCH on Terminals of Bloomberg, Thomson Reuters, vwd group and Factset</b>	Analyst of this research: Dr. Norbert Kalliwoda, CEFA	

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