

TXT e-solutions

Disposal

Sale of TXT Retail for €85m

TXT has agreed to sell its retail business for €85m in cash to Aptos, a North American retail software company. The deal should close by the end of October. Management expects to pay an extraordinary dividend in H118; we would expect a proportion of the proceeds to be retained to support the growth of TXT Next and the newly created TXT Sense business.

Year end	Revenue (€m)	PBT* (€m)	EPS* (€)	DPS (€)	P/E (x)	Yield (%)
12/15	61.5	5.7	0.40	0.25	28.8	2.2
12/16	69.2	8.1	0.55	0.30	21.3	2.6
12/17e	75.2	8.0	0.53	0.32	21.8	2.8
12/18e	78.5	8.8	0.59	0.33	19.7	2.8

Note: *PBT and EPS are normalised, excluding amortisation of acquired intangibles, share-based payments

TXT has agreed to sell its TXT Retail division to North American software company, Aptos, for cash of €85m (subject to working capital adjustments). The deal is expected to complete by the end of October. It does not need shareholder approval, but must meet various regulatory requirements including anti-trust approval in Germany and Austria as well as trade union consultation procedures.

Aptos (formerly known as Epicor Retail) supplies customer engagement, inventory management and analytics software, mainly in North America and the UK with a growing business in South America. Its technology and geographical coverage are complementary to TXT Retail's business. There is no earn-out factored into the deal; TXT will have the option to participate in any future Aptos IPO up to a stake of 10% at the IPO price. In FY16, TXT Retail generated revenues of €36.1m, EBITDA of €4.5m and net income of €3m (c 52% of group results for each metric). The deal values TXT Retail at price multiples of 2.4x FY16 revenues, 19x EBITDA and 28x earnings. We leave our estimates unchanged pending H117 results on 3 August.

The company will propose an extraordinary dividend for approval at the shareholders' meeting in March 2018. With the focus now on growing the TXT Next business, particularly in the aerospace and transport markets, we would expect a portion of the proceeds to be retained for future M&A within the remaining business.

Software & Comp services

24 July 2017

Price €11.61

Market cap €136m

Net cash (€m) at end Q117 8.8

Shares in issue 11.7m

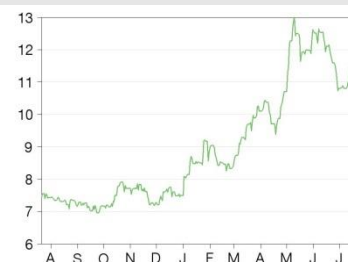
Free float 45.5%

Code TXT

Primary exchange Borsa Italiana (STAR)

Secondary exchange N/A

Share price performance



Business description

TXT e-solutions has two divisions: TXT Retail, which provides software solutions for supply chain management in the international retail and consumer-driven industrial sectors; and TXT Next, which provides IT, consulting and R&D services to Italian aerospace, high-tech manufacturing, banking and finance customers.

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