

TXT E-SOLUTIONS OUTPERFORM

Price (Eu): **9.42**
 Target Price (Eu): **13.80**

SECTOR: Industrials

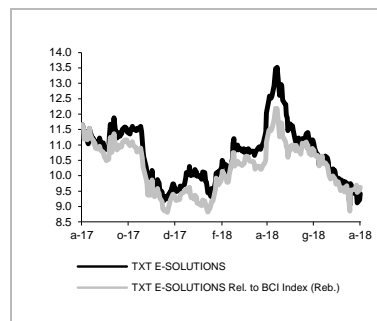
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Solid 2Q results; Successful Completion of First M&A Deal Since TXT Retail Sale

- 2Q18 results.** TXT reported 2Q18 results that were consistent with its outlook. Revenue saw 7.2% organic growth to Eu9.6mn, an acceleration on the +4.9% recorded in 1Q. The gross margin climbed 150bp to 43.8% in light of the positive mix with sales from licences, subscriptions and maintenance up +61% YoY, outstripping service revenues at +2% YoY. As indicated by the company, however, profitability remained stable YoY, with EBITDA coming to Eu0.9mn, a 9.2% margin, due to R&D investments and international commercial efforts. Despite a one-off gain on taxes granted by the patent box agreement with the Italian tax authority, net income declined by 28% YoY to Eu0.3mn on higher D&A. The company envisage a similar revenue/EBITDA development in 3Q.
- Cheleo acquisition: off to a good start in M&A after TXT Retail sale.** Late last month, TXT announced the successful completion of the purchase of Cheleo (51% direct stake plus put and call options on the remaining 49%, exercisable in 2019) for a total of Eu10mn (including a positive NFP of more than Eu2mn). Cheleo is an Italian specialist in the design and development of products and services for the life cycle management of financing by financial and banking intermediaries. It had revenue of Eu2.8mn and an EBITDA margin of 34% in 2017 (~27% of TXT 2017 EBITDA), implying 2017 EV/EBITDA of around 8x. More interestingly, Cheleo is forecast to grow substantially in 2018, by as much as 25%. Having said that, given the very attractive growth rate, valuation and the possibility to cross-sell Cheleo services to existing TXT clients, we appreciate this deal. With Cheleo consolidated as of 1st August, we assume it will generate Eu3.5mn of revenue in the first 12 months and have a positive impact on organic growth in the Banking & Finance division, driving our 2019/2020 organic growth forecast up from 5% to 9%. Nevertheless, we believe this will only be the first of many deals in which TXT will reinvest the resources gained from the sale of the Retail division, as we estimate the company will boast an NFP of around Eu73mn at YE18.
- Change in estimates.** While 2Q results were consistent with the company's outlook, we deem the implicit 2H growth required to achieve our previous FY forecast a touch challenging, and have therefore trimmed our 2018 organic growth assumption from 9% to 7%. Nevertheless, we have raised our top line forecast by 5% on average for the 2018-20 period, as the inclusion of Cheleo more than offsets the cut in organic growth. All in all, we are raising 2018-20 adj. EPS by 6% on average, with the 9% spike for 2018 based on the one-off gain from the patent box agreement (tax rate to 22% from 25% prev.).
- OUTPERFORM confirmed; target Eu13.80.** Since reaching a 5-year high on 4th May, the stock has delivered a total return of around -23% vs. -8% for the FTSE Italy Small Caps Index. During the same period, however, TXT reported satisfactory overall 2Q results and more importantly concluded its first M&A deal since the sale of TXT Retail by acquiring a rapidly-growing company at a very attractive valuation, driving our target price to Eu13.8 (from Eu13.4). Consequently, we confirm our OUTPERFORM rating on the stock, as we foresee robust organic growth rates going forward coupled with financially-accretive and strategically-consistent M&A deals, as the Cheleo deal will prove to be.

TXT E-SOLUTIONS - 12m Performance



RATING: Unchanged

TARGET PRICE (Eu): from 13.40 to 13.80

Change in EPS est: **2018E 2019E**
9.9% 9.6%

STOCK DATA

Reuters code: TXTS.MI
 Bloomberg code: TXT IM

Performance	1m	3m	12m
Absolute	-4.8%	-19.3%	-19.2%
Relative	-1.0%	-11.1%	-17.1%
12 months H/L:	13.52/9.04		

SHAREHOLDER DATA

No. of Ord. shares (mn):	13
Total No. of shares (mn):	12
Mkt Cap Ord (Eu mn):	123
Total Mkt Cap (Eu mn):	123
Mkt Float - ord (Eu mn):	45
Mkt Float (in %):	36.4%
Main shareholder:	
Enrico Magni (Laserline)	25.6%

BALANCE SHEET DATA

	2018
Book value (Eu mn):	90
BVPS (Eu):	7.68
P/BV:	1.2
Net Financial Position (Eu mn):	73
Enterprise value (Eu mn):	50

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 on the last page of this report

Key Figures	2016A	2017A	2018E	2019E	2020E
Sales (Eu mn)	33	36	40	46	50
Ebitda (Eu mn)	4	3	4	6	7
Net profit (Eu mn)	0	0	0	0	0
EPS - New (Eu)	0.216	0.149	0.169	0.237	0.333
EPS - Old (Eu)	0.216	0.149	0.153	0.217	0.311
DPS (Eu)	0.300	1.000	0.135	0.190	0.266

Ratios & Multiples	2016A	2017A	2018E	2019E	2020E
P/E	43.6	63.0	55.9	39.7	28.3
Div. Yield	3.2%	10.6%	1.4%	2.0%	2.8%
EV/Ebitda	31.2	9.9	11.1	9.4	7.5
ROCE	11.5%	12.0%	15.4%	17.9%	21.4%

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TXT E-SOLUTIONS - KEY FIGURES

		2016A	2017A	2018E	2019E	2020E
	Fiscal year end	31/12/2016	31/12/2017	31/12/2018	31/12/2019	31/12/2020
PROFIT & LOSS (Eu mn)	Sales	33	36	40	46	50
	EBITDA	4	3	4	6	7
	EBIT	3	3	3	4	5
	Financial income (charges)	0	(0)	0	0	0
	Associates & Others	0	0	0	0	0
	Pre-tax profit (Loss)	3	2	3	4	5
	Taxes	(1)	(1)	(1)	(1)	(1)
	Tax rate (%)	20.8%	28.8%	22.0%	25.0%	25.0%
	Minorities & discontinue activities	0	0	0	0	0
	Net profit	0	0	0	0	0
	Total extraordinary items	3	67	0	0	0
	Ebitda excl. extraordinary items	4	4	4	6	7
Ebit excl. extraordinary items	3	3	3	4	5	
Net profit restated	3	2	2	3	4	
PER SHARE DATA (Eu)	Total shares out (mn) - average fd	13	13	12	12	12
	EPS stated fd	0.216	0.149	0.169	0.237	0.333
	EPS restated fd	0.216	0.149	0.169	0.237	0.333
	BVPS fd	2.636	7.680	7.679	7.781	7.925
	Dividend per share (ord)	0.300	1.000	0.135	0.190	0.266
	Dividend per share (sav)	0.000	0.000	0.000	0.000	0.000
	Dividend pay out ratio (%)	nm	nm	nm	nm	nm
CASH FLOW (Eu mn)	Gross cash flow	8	(6)	4	5	6
	Change in NWC	1	6	(2)	(2)	(2)
	Capital expenditure	(1)	(1)	(1)	(1)	(1)
	Other cash items	(1)	(0)	0	0	0
	Free cash flow (FCF)	8	(0)	2	2	3
	Acquisitions, divestments & others	(5)	82	(1)	(5)	0
	Dividend	(5)	82	(1)	(5)	0
	Equity financing/Buy-back	0	0	0	0	0
Change in Net Financial Position	(3)	79	(11)	(5)	1	
BALANCE SHEET (Eu mn)	Total fixed assets	25	9	9	12	11
	Net working capital	9	10	12	14	16
	Long term liabilities	(6)	(3)	(3)	(3)	(3)
	Net capital employed	29	16	17	23	24
	Net financial position	5	87	73	68	69
	Group equity	34	100	90	91	93
	Minorities	0	0	0	0	0
Net equity	34	100	90	91	93	
ENTERPRISE VALUE (Eu mn)	Average mkt cap - current	123	123	123	123	123
	Adjustments (associate & minorities)	0	0	0	0	0
	Net financial position	5	87	73	68	69
	Enterprise value	117	35	50	54	53
RATIOS(%)	EBITDA margin*	11.4%	9.9%	11.2%	12.6%	14.3%
	EBIT margin*	9.5%	7.5%	6.4%	7.9%	10.0%
	Gearing - Debt/equity	-15.7%	-87.4%	-80.9%	-74.7%	-74.4%
	Interest cover on EBIT	nm	12.8	nm	nm	nm
	Debt/Ebitda	nm	nm	nm	nm	nm
	ROCE*	11.5%	12.0%	15.4%	17.9%	21.4%
	ROE*	0.0%	0.0%	0.0%	0.0%	0.0%
	EV/CE	4.3	1.6	3.0	2.7	2.3
	EV/Sales	3.5	1.0	1.2	1.2	1.1
	EV/Ebit	37.4	13.2	19.5	15.0	10.6
Free Cash Flow Yield	6.5%	-0.4%	1.3%	1.5%	2.6%	
GROWTH RATES (%)	Sales	-46.3%	8.4%	11.0%	14.4%	9.9%
	EBITDA*	-43.5%	-6.0%	26.1%	28.9%	24.3%
	EBIT*	-34.7%	-14.7%	-5.0%	42.5%	38.7%
	Net profit					
	EPS restated	-34.8%	-30.9%	12.8%	40.8%	40.3%

* Excluding extraordinary items

Source: Intermonte SIM estimates

2Q18 results

Quarterly income statement

	1Q17A	2Q17A	1H17A	2H17A	2017A	1Q18A	2Q18A	1H18A	2H18E	2018E
Revenue	9.0	9.0	17.9	17.9	35.9	9.4	9.6	19.0	20.8	39.8
YoY growth					8.4%	4.9%	7.2%	6.1%	15.9%	11.0%
Organic					2.1%	4.9%	7.2%	6.1%	7.8%	6.9%
Scope					6.4%	0.0%	0.0%	0.0%	8.1%	4.1%
- Direct costs	(4.9)	(5.2)	(10.1)	(10.1)	(20.2)	(5.2)	(5.4)	(10.6)	(10.9)	(21.4)
Gross profit	4.0	3.8	7.8	7.8	15.6	4.2	4.2	8.4	9.9	18.4
YoY growth					10.8%	5.5%	11.0%	8.2%	26.9%	17.5%
Gross margin %	44.8%	42.3%	43.6%	43.6%	43.6%	45.1%	43.8%	44.4%	47.8%	46.2%
- Opex	(2.9)	(3.0)	(5.9)	(6.2)	(12.1)	(3.1)	(3.3)	(6.4)	(7.5)	(13.9)
YoY growth				-39.8%	16.9%	5.1%	12.5%	8.8%	20.9%	15.0%
OPEX on sales %	-32.4%	-33.0%	-32.7%	-34.7%	-33.7%	-32.5%	-34.6%	-33.6%	-36.2%	-35.0%
EBITDA pre-stock grant	1.1	0.8	1.9	1.6	3.5	1.2	0.9	2.1	2.4	4.5
YoY growth					-6.0%	6.5%	6.0%	6.3%	50.4%	26.1%
EBITDA margin %	12.4%	9.3%	10.9%	8.9%	9.9%	12.6%	9.2%	10.9%	11.5%	11.2%
- Stock grant	-	(0.0)	(0.0)	(0.0)	(0.1)	-	-	-	-	-
EBITDA IFRS	1.1	0.8	1.9	1.6	3.5	1.2	0.9	2.1	2.4	4.5
YoY growth					-7.8%	6.5%	12.2%	8.8%	52.6%	28.6%
EBITDA IFRS margin %	12.4%	8.8%	10.6%	8.7%	9.7%	12.6%	9.2%	10.9%	11.5%	11.2%
- D&A	(0.2)	(0.2)	(0.3)	(0.5)	(0.8)	(0.4)	(0.4)	(0.9)	(1.0)	(1.9)
EBIT	0.9	0.6	1.6	1.1	2.7	0.8	0.4	1.2	1.3	2.5
YoY growth					-14.7%	-18.8%	-29.7%	-23.2%	20.3%	-5.0%
EBIT margin %	10.4%	7.0%	8.7%	6.2%	7.5%	8.1%	4.6%	6.3%	6.5%	6.4%
- Financial income/(charge)	(0.2)	0.0	(0.2)	(0.1)	(0.2)	0.0	(0.3)	(0.3)	0.3	-
Pre-tax profit	0.8	0.6	1.4	1.1	2.5	0.8	0.1	0.9	1.6	2.5
- Income tax	(0.2)	(0.2)	(0.4)	(0.3)	(0.7)	(0.2)	0.2	(0.0)	(0.5)	(0.6)
Tax rate %	31.9%	29.4%	30.7%	26.3%	28.8%	30.0%	-141.2%	4.4%	31.8%	22.0%
Net income from cont. op.	0.5	0.5	1.0	0.8	1.8	0.5	0.3	0.9	1.1	2.0
YoY growth					-30.4%	5.0%	-28.2%	-10.6%	42.0%	12.8%
Net profit margin %	5.8%	5.1%	5.4%	4.4%	4.9%	5.8%	3.4%	4.6%	5.3%	5.0%
- Profit/(loss) from disc. op.	0.1	0.5	0.6	66.2	66.8	-	-	-	-	-
Net profit/(loss) for the year	0.6	0.9	1.6	67.0	68.6	0.5	0.3	0.9	1.1	2.0
- Minorities	-	-	-	-	-	-	-	-	-	-
Net profit/(loss) shareholders'	0.6	0.9	1.6	67.0	68.6	0.5	0.3	0.9	1.1	2.0

Source: Intermonte SIM (E), company data (A)

Change in estimates

	New			Old			Change %		
	2018E	2019E	2020E	2018E	2019E	2020E	2018E	2019E	2020E
Revenue	39.8	45.5	50.0	39.0	42.6	46.8	2.1%	6.9%	6.9%
YoY growth	11.0%	14.4%	9.9%	8.7%	9.3%	9.9%			
Organic	6.9%	9.3%	9.9%	8.7%	9.3%	9.9%	-177 bps	-1 bps	1 bps
Scope	4.1%	5.1%	0.0%						
EBITDA pre-stock grant	4.5	5.7	7.1	4.3	5.2	6.6	3.7%	10.7%	8.7%
YoY growth	26.1%	28.9%	24.3%	21.7%	20.6%	26.6%			
EBITDA margin %	11.2%	12.6%	14.3%	11.0%	12.2%	14.0%			
EBIT	2.5	3.6	5.0	2.4	3.3	4.7	5.7%	9.9%	7.3%
YoY growth	-5.0%	42.5%	38.7%	-10.1%	37.0%	42.0%			
EBIT margin %	6.4%	7.9%	10.0%	6.2%	7.7%	10.0%			
Pre-tax profit	2.5	3.7	5.2	2.4	3.4	4.9	5.7%	9.6%	7.0%
- Income tax	(0.6)	(0.9)	(1.3)	(0.6)	(0.8)	(1.2)			
Tax rate %	22.0%	25.0%	25.0%	25.0%	25.0%	25.0%			
Net income from cont. op.	2.0	2.8	3.9	1.8	2.5	3.7	9.9%	9.6%	7.0%
YoY growth	12.8%	40.8%	40.3%	-97.4%	41.1%	43.7%			
Net profit margin %	5.0%	6.1%	7.8%	4.6%	6.0%	7.8%			
EPS adj.	0.17	0.24	0.33	0.15	0.22	0.31	9.9%	9.6%	7.0%
YoY growth	12.8%	40.8%	40.3%	3.0%	41.1%	43.7%			
Net cash/(debt)	72.9	68.3	69.2	87.3	75.8	76.2	-16.5%	-10.0%	-9.1%

Source: Intermonte SIM

Financials

Income statement

	2014A	2015A	2016A	2017A	2018E	2019E	2020E
Revenue	55.9	61.5	33.1	35.9	39.8	45.5	50.029
YoY growth	6.3%	10.1%	-46.3%	8.4%	11.0%	14.4%	9.9%
Organic	0.0%	10.1%	-57.0%	2.1%	6.9%	9.3%	9.9%
Scope	0.0%	0.0%	10.7%	6.4%	4.1%	5.1%	0.0%
- Direct costs	(26.5)	(29.2)	(19.0)	(20.2)	(21.4)	(23.7)	(25.8)
Gross profit	29.4	32.4	14.1	15.6	18.4	21.9	24.2
YoY growth	6.2%	10.0%	-56.4%	10.8%	17.5%	19.0%	10.6%
Gross margin %	52.7%	52.6%	42.7%	43.6%	46.2%	48.0%	48.4%
- Opex	(22.6)	(25.7)	(10.3)	(12.1)	(13.9)	(16.1)	(17.0)
EBITDA pre-stock grant	6.8	6.7	3.8	3.5	4.5	5.7	7.1
YoY growth	8.4%	-2.0%	-43.5%	-6.0%	26.1%	28.9%	24.3%
EBITDA margin %	12.2%	10.8%	11.4%	9.9%	11.2%	12.6%	14.3%
- Stock grant	-	(0.7)	-	(0.1)	-	-	-
- D&A	(1.3)	(1.1)	(0.6)	(0.8)	(1.9)	(2.1)	(2.1)
EBIT	5.5	4.8	3.1	2.7	2.5	3.6	5.0
YoY growth	-12.7%	-12.3%	-34.7%	-14.7%	-5.0%	42.5%	38.7%
EBIT margin %	9.8%	7.8%	9.5%	7.5%	6.4%	7.9%	10.0%
- Financial income/(charges)	(0.2)	(0.2)	0.0	(0.2)	-	0.1	0.2
Pre-tax profit	5.2	4.6	3.2	2.5	2.5	3.7	5.2
- Income tax	(1.0)	(0.8)	(0.7)	(0.7)	(0.6)	(0.9)	(1.3)
Tax rate %	20.0%	16.4%	20.8%	28.8%	22.0%	25.0%	25.0%
Net income from cont. op.	4.2	3.9	2.5	1.8	2.0	2.8	3.9
YoY growth	-33.4%	-7.0%	-35.1%	-30.4%	12.8%	40.8%	40.3%
Net profit margin %	7.5%	6.3%	7.6%	4.9%	5.0%	6.1%	7.8%
- Profit/(loss) from disc. op.	-	-	3.0	66.8	-	-	-
Net profit/(loss) for the year	4.2	3.9	5.6	68.6	2.0	2.8	3.9

Source: Intermonte SIM (E), company data (A)

Balance sheet

	2014A	2015A	2016A	2017A	2018E	2019E	2020E
Inv entories	1.8	2.1	3.1	2.5	2.7	3.1	3.4
Trade receiv ables	18.6	25.0	23.7	14.7	16.0	18.1	19.9
Trade payables	(1.5)	(1.4)	(1.6)	(1.3)	(1.2)	(1.4)	(1.5)
Trade net working capital	18.9	25.7	25.3	15.9	17.5	19.8	21.8
Other current asset/(liab)	(11.6)	(13.3)	(16.0)	(5.9)	(5.9)	(5.9)	(5.9)
Net working capital	7.3	12.3	9.3	10.0	11.6	13.9	15.9
Intangible assets	2.1	1.5	3.5	2.0	1.4	0.6	(0.2)
Goodwill	13.0	13.2	17.8	5.4	6.2	6.2	6.2
Tangible assets	1.2	1.4	1.6	0.8	0.3	(0.2)	(0.7)
Financial asset	1.7	2.1	2.5	0.7	0.7	0.7	0.7
Long-term liab	(4.8)	(5.1)	(5.8)	(3.1)	(3.1)	(3.1)	(3.1)
Non-current asset/(liab.)	13.2	13.0	19.6	5.8	5.6	4.3	3.0
Net capital employed	20.5	25.4	28.9	15.7	17.2	18.2	18.9
Net debt/(cash)	(8.5)	(8.3)	(5.4)	(84.2)	(72.9)	(68.3)	(69.2)
Minorities	-	-	-	-	-	-	-
Equity	29.0	33.6	34.3	99.9	90.1	91.3	93.0
Invested capital	20.5	25.4	28.9	15.7	17.2	23.1	23.8

Source: Intermonte SIM (E), company data (A)

Cash flow statement

	2014A	2015A	2016A	2017A	2018E	2019E	2020E
NFP beginning of the period	-	8.5	8.3	5.4	84.2	72.9	68.3
Net income	4.2	3.9	5.6	68.6	2.0	2.8	3.9
+ D&A	1.3	1.1	0.6	0.8	1.9	2.1	2.1
Change in working capital	-	(7.4)	0.6	6.3	(1.6)	(2.3)	(2.0)
Adjustment	-	3.2	2.0	(75.5)	-	-	-
Cash flow from operations	-	0.8	8.8	0.2	2.3	2.6	4.1
Capex	(0.6)	(0.8)	(0.7)	(0.7)	(0.6)	(0.8)	(0.9)
FCF (ex. acq)	(0.6)	0.0	8.0	(0.5)	1.6	1.8	3.2
Acquisitions	-	-	(5.4)	82.3	(1.1)	(4.9)	-
FCF (incl. acq)	(0.6)	0.0	2.6	81.8	0.5	(3.1)	3.2
Dividends	(2.6)	(2.7)	(2.9)	(3.5)	(11.7)	(1.6)	(2.2)
Buyback	(0.5)	2.2	(0.8)	(0.0)	-	-	-
Equity financing	-	-	-	-	-	-	-
Other	12.2	0.2	(1.7)	0.5	-	-	(0.0)
Change in NFP	8.5	(0.2)	(2.9)	78.8	(11.2)	(4.7)	1.0
NFP end of the period	8.5	8.3	5.4	84.2	72.9	68.3	69.2

Source: Intermonte SIM (E), company data (A)

Peer group – multiple comparison

	HQ	MC (EU mn)	EV/Sales			EV/EBITDA			EV/EBIT			PE			Dividend Yield %		
			2017A	2018E	2019E	2017A	2018E	2019E	2017A	2018E	2019E	2017A	2018E	2019E	2017A	2018E	2019E
TXT e-solutions S.p.A. @ our estimate	IT	123	0.99 x	1.27 x	1.08 x	10.0 x	11.4 x	8.6 x	13.2 x	20.0 x	13.6 x	69.9 x	61.9 x	44.0 x	10.6%	1.4%	2.0%
American Software, Inc. Class A	US	426	3.89 x	3.55 x	3.21 x	20.8 x	19.1 x	15.5 x	26.1 x	23.3 x	18.2 x	38.5 x	33.2 x	26.9 x			
ATOSS Software AG	DE	329	5.62 x	4.94 x	4.36 x	20.6 x	17.6 x	15.3 x	21.8 x	18.6 x	16.2 x	35.4 x	30.2 x	26.8 x	1.4%	1.7%	1.9%
Capgemini SE	FR	18,958	1.58 x	1.54 x	1.40 x	11.4 x	10.7 x	9.8 x	17.1 x	13.1 x	11.6 x	18.1 x	19.0 x	17.0 x	1.5%	1.6%	1.8%
Computacenter Plc	GB	1,971	0.41 x	0.41 x	0.39 x	12.0 x	12.0 x	11.0 x	14.9 x	15.1 x	14.0 x	23.7 x	21.1 x	20.0 x	1.7%	1.8%	1.9%
Descartes Systems Group Inc.	CA	2,194	10.72 x	9.13 x	8.17 x	31.5 x	26.8 x	22.9 x				95.2 x	79.0 x	57.5 x			
Devoteam SA	FR	895	1.56 x	1.29 x	1.11 x	14.7 x	11.5 x	9.7 x	18.7 x	12.3 x	10.1 x	37.5 x	27.2 x	23.6 x	0.8%	1.0%	1.2%
Descartes Systems Group Inc.	CA	2,194	10.72 x	9.13 x	8.17 x	31.5 x	26.8 x	22.9 x				95.2 x	79.0 x	57.5 x			
Manhattan Associates, Inc.	US	3,124	5.84 x	6.23 x	6.14 x	16.2 x	23.5 x	27.2 x	16.9 x	25.0 x	29.8 x	29.3 x	34.3 x	40.5 x			
Oracle Corporation	US	167,313	4.67 x	4.59 x	4.62 x	10.0 x	9.8 x	9.8 x	10.6 x	10.4 x	10.3 x	15.5 x	14.5 x	13.4 x	1.5%	1.6%	1.6%
Reply S.p.A.	IT	2,121	2.33 x	1.99 x	1.74 x	16.8 x	14.1 x	12.2 x	18.1 x	15.8 x	13.3 x	27.4 x	23.1 x	20.3 x	0.6%	0.7%	0.8%
SAP SE	DE	125,701	5.44 x	5.18 x	4.71 x	17.9 x	16.2 x	14.4 x	18.8 x	17.6 x	15.6 x	23.0 x	23.4 x	21.0 x	1.3%	1.4%	1.6%
Sopra Steria Group SA	FR	3,105	0.94 x	0.87 x	0.80 x	10.6 x	9.1 x	7.9 x	10.9 x	10.1 x	8.7 x	15.2 x	14.3 x	12.4 x	1.6%	1.8%	2.0%
Assystem SA	FR	429	1.03 x	1.03 x	0.97 x	15.9 x	16.1 x	13.2 x	15.8 x	17.1 x	14.3 x	20.3 x	14.3 x	11.6 x	3.7%	3.6%	3.5%
Median			3.89 x	3.55 x	3.21 x	16.2 x	16.1 x	13.2 x	17.1 x	15.8 x	14.0 x	27.4 x	23.4 x	21.0 x	1.5%	1.6%	1.8%
<i>Premium/(Discount) vs median</i>			-74.7%	-64.3%	-65.8%	-33.4%	-27.5%	-34.0%	-33.1%	6.6%	-18.5%	85.0%	87.2%	68.4%	914	11	4

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

DETAILS ON STOCKS RECOMMENDATION

Stock NAME	TXT E-SOLUTIONS		
Current Recomm:	OUTPERFORM	Previous Recomm:	OUTPERFORM
Current Target (Eu):	13.80	Previous Target (Eu):	13.40
Current Price (Eu):	9.42	Previous Price (Eu):	12.52
Date of report:	22/08/2018	Date of last report:	27/04/2018

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- Discounted cash flow (DCF) model or similar methods such as a dividend discount model (DDM)
- Comparison with market peers, using the most appropriate methods for the individual company analysed: among the main ratios used for industrial sectors are price/ earnings (P/E), EV/EBITDA, EV/EBIT, price /sales.
- Return on capital and multiples of adjusted net book value are the main methods used for banking sector stocks, while for insurance sector stocks return on allocated capital and multiples on net book value and embedded portfolio value are used
- For the utilities sector comparisons are made between expected returns and the return on the regulatory asset base (RAB)

Some of the parameters used in evaluations, such as the risk-free rate and risk premium, are the same for all companies covered, and are updated to reflect market conditions. Currently a risk-free rate of 2.5% and a risk premium of 5.0% are being used.

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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.

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BUY:	14,10 %
OUTPERFORM:	41,67 %
NEUTRAL:	39,10 %
UNDERPERFORM	05,13 %
SELL:	00,00 %

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UNDERPERFORM	00,00 %
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