

# TXT e-Solutions

## Corporate Overview

February 2018



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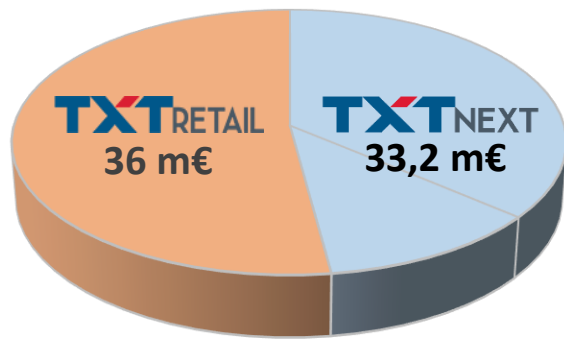
This presentation may contain forward looking statements including statements regarding our intent, belief or current expectations with respect to TXT’s businesses and operations, market conditions, results of operation and financial condition, capital adequacy, specific provisions and risk management practices. Readers are cautioned not to place undue reliance on these forward looking statements. TXT does not undertake any obligation to publicly release the result of any revisions to these forward looking statements to reflect events or circumstances after the date hereof to reflect the occurrence of unanticipated events. While due care has been used in the preparation of forecast information, actual results may vary in a materially positive or negative manner. Forecasts and hypothetical examples are subject to uncertainty and contingencies outside TXT’s control. Past performance is not a reliable indication of future performance.

Unless otherwise specified all information is for the first semester ended 30 September 2017.

Before October 2<sup>nd</sup>

...

... On October 2<sup>nd</sup>



**FY 2016**

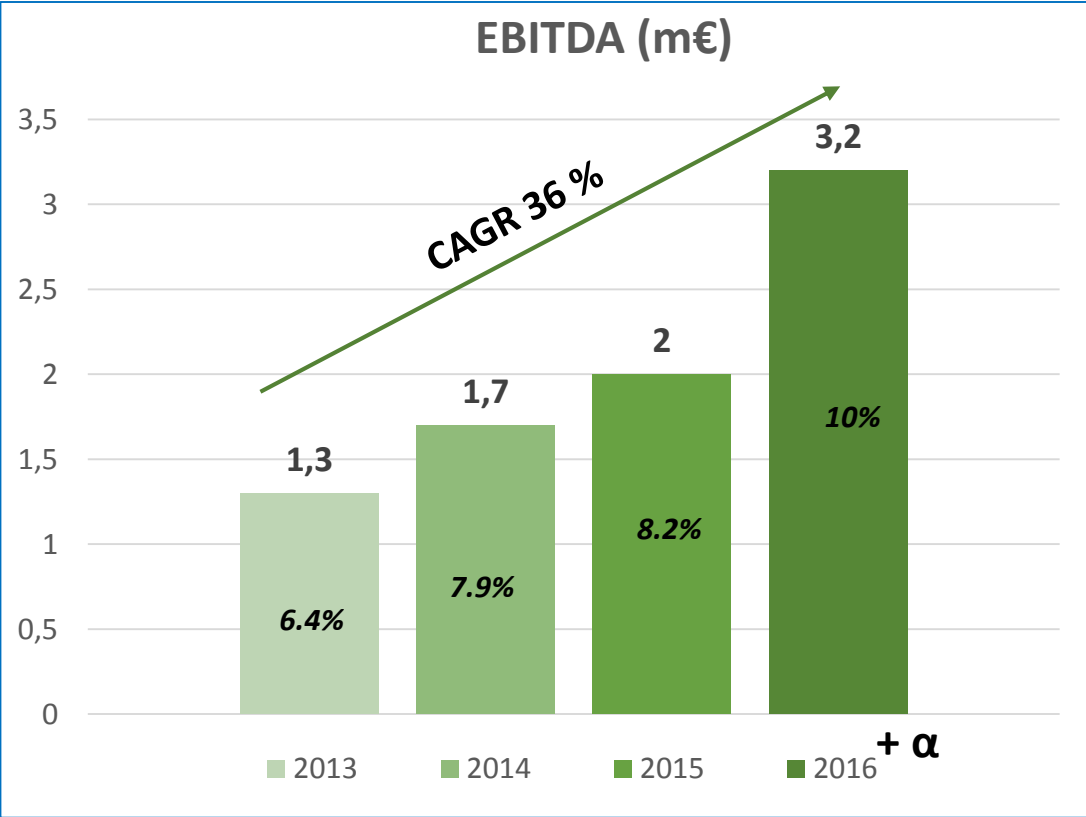
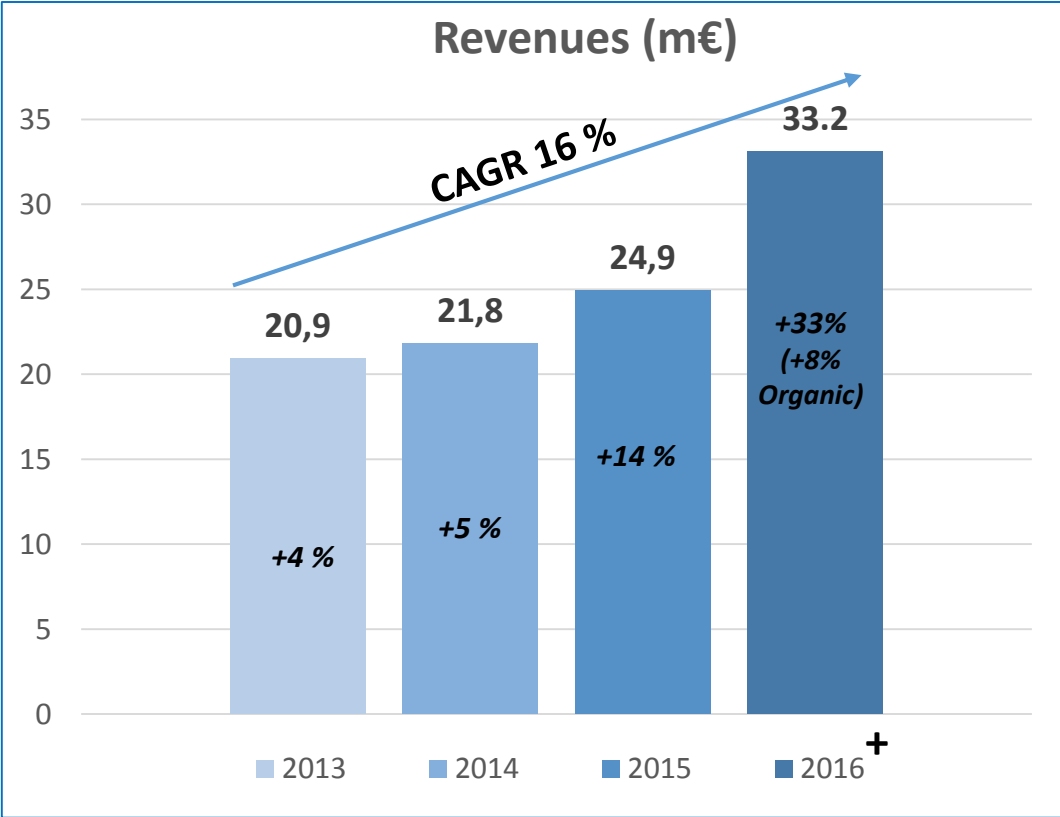
<b>Revenues</b>	69.2 m€ (+12.4%)
<b>EBITDA</b>	8.2 m€ (incl. 0.6 m€ one-off items)
<b>Net Income</b>	5.6 m€
<b>NFP</b>	5.4 m€

**Definitive agreement for sale of TXT Retail Division to Aptos**

**TXT receives EUR 85 million in cash**

**TXT Next Division development projects to be accelerated**

- *TXT e-solutions entered into a definitive agreement to transfer its TXT Retail Division to Aptos, Inc. for EUR 85 million in cash*
- *Division TXT Retail valued at 2.3x EV/Sales and 19x EV/EBITDA*
- *Company's business plan and TXT Next Division development projects to be accelerated*
- *TXT Sense Division established as a start up with proprietary technology for 3D active representation and "New Augmented Reality"*



**+ NOTE:** In 2016 TXT acquired PACE Aerospace & Engineering Technology GmbH, consolidated starting on April 1<sup>st</sup>, 2016, to accelerate international growth

**α NOTE:** Net of one-off items (“official” 2016 EBITDA = 3.8 m€)

**Aerospace & Aviation**

International provider of High-tech Software Solutions & Services to Global Aerospace, Aviation & Automotive Industry

**Revenues: 26 m€**  
2016 – FY Basis (pro-forma)

2016 Revenues breakdown

**EBITDA: 10,9%**  
2016 – FY Basis (pro-forma)

**Team: 340 pp**

**Banking & Finance**

First mover & Italian leader in Software Quality and Software Testing, Verification & Validation Services to the Italian Banking Industry

**Revenues: 8,1 m€**

**EBITDA: 8%**

**Team: 119 pp**

**TXT Sense**

An newly created internal start-up, aimed to develop and market innovative applications of Augmented Reality to other service & industrial sectors

**Team: 9 pp**



# Aerospace & Aviation

## Since 30 years Partner for our Clients to boost their Engineering Capabilities

Products & core Processes are highly complex ...

... calling for cooperation across an extensive network of Specialised Partners





Our Vision & Goal is to become:

- An **Int'l, specialized, multi-niche, mid-sized** (100 m€) provider of **Engineering “Solutions”** (Software & Services)
- Serving the global Aerospace & Aviation Industry
- Via both **organic AND inorganic** growth initiatives



# Customer Base - A Longstanding, Global Customer Base across the Value Chain

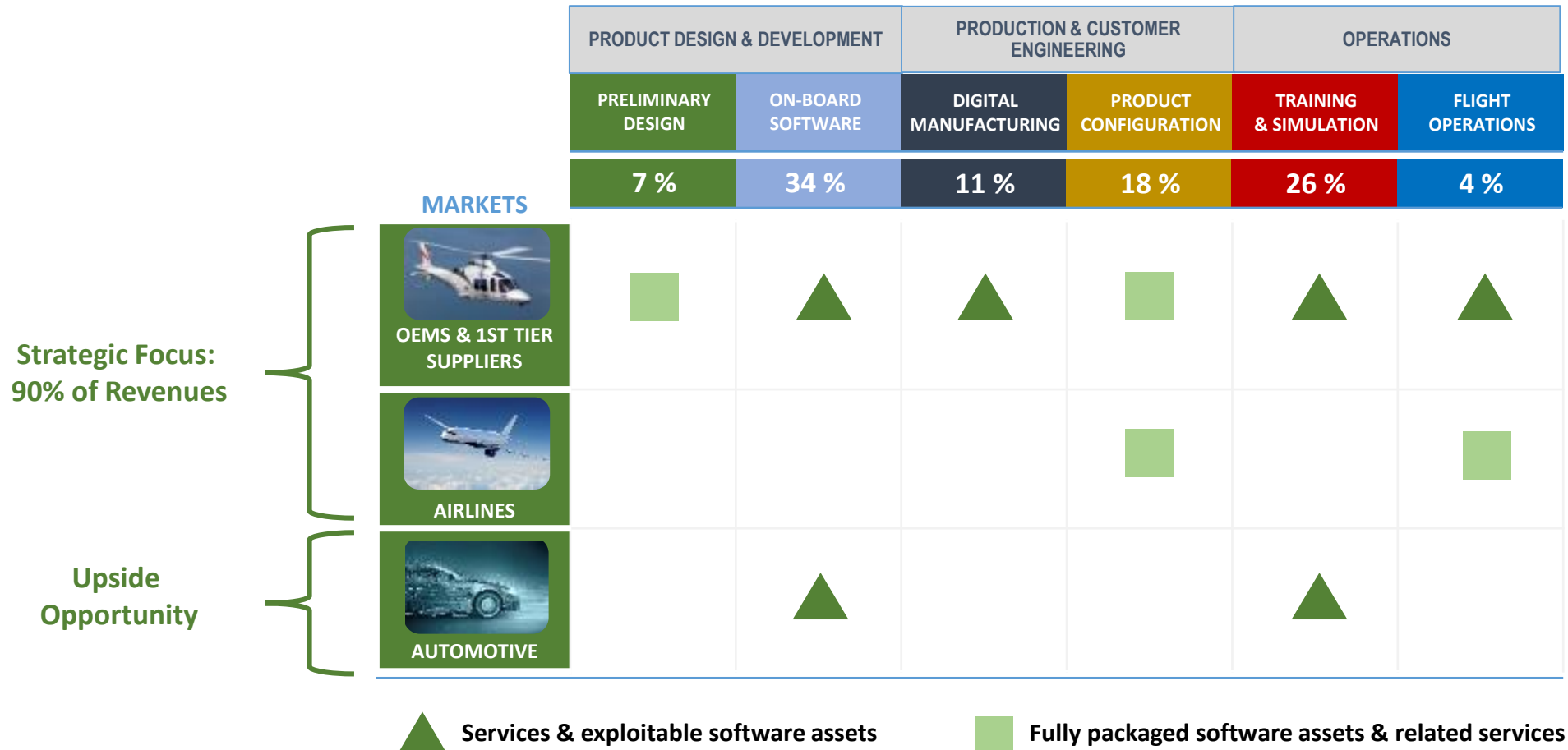


- A diversified Customer Base of Industry Leaders
- Long-term partnership underpinning highly repeatable revenues streams
- A growing number of new, high-potential international customers in recent years
- A significant up-selling opportunity



# What We Do - Value Proposition Spanning the Entire Product Life-cycle

- **Industry and Technology expertise: Engineering Services**, backed by **Software Assets**
- **Breadth and Depth: focus on high-value niches**, but understand the whole picture



# How We Do It - Engineering Solutions: Software Assets Global Map



	PRODUCT DESIGN & DEVELOPMENT		PRODUCTION & CUSTOMER ENGINEERING		OPERATIONS	
	PRELIMINARY DESIGN	ON-BOARD SOFTWARE	DIGITAL MANUFACTURING	PRODUCT CONFIGURATION	TRAINING & SIMULATION	FLIGHT OPERATIONS
Fully Packaged SW Products						
Reference Applications			 		   	
Industry Specific Sw Libraries & Toolbox			 		 	
Fixed & Rotary Wings; Civil, Military & Special Missions; ...						

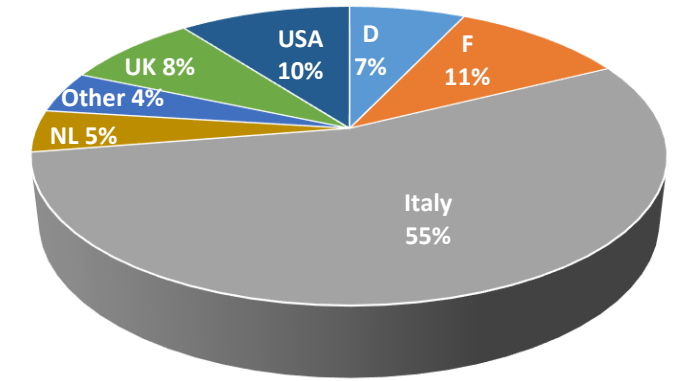
Turn-Key service engagements weight  $\frac{3}{4}$  of the total, while Time & Material account for the remaining  $\frac{1}{4}$



- Local presence, to provide best-in-class on-site support to key customers;
- Corporate competence centers, to deliver & support customers across their business in 30+ Countries



2017 Revenue breakdown by geography



- (1) In Shanghai TXT is present through Pera Global, system integrator and local distributor of its products
- (2) Corporate Headquarters of TXT (Milan) and Pace (Berlin)

A unique spectrum of **specialized high-value niches** across the entire Product Life-Cycle, that differentiates us from local and global competitors

	PRODUCT DESIGN & DEVELOPMENT		PRODUCTION & CUSTOMER ENGINEERING		OPERATIONS	
	PRELIMINARY DESIGN	ON-BOARD SOFTWARE	DIGITAL MANUFACTURING	PRODUCT CONFIGURATION	TRAINING & SIMULATION	FLIGHT OPERATIONS
	✓	✓	✓	✓	✓	✓
	✓	✓	✓		✓	
		✓	✓		✓	
		✓			✓	
	✓		✓			
	✓	✓	✓		✓	✓
		✓				
		✓			✓	
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		✓	✓			
	✓	✓			✓	
	✓	✓	✓	✓		

• **Small, Local Players:**

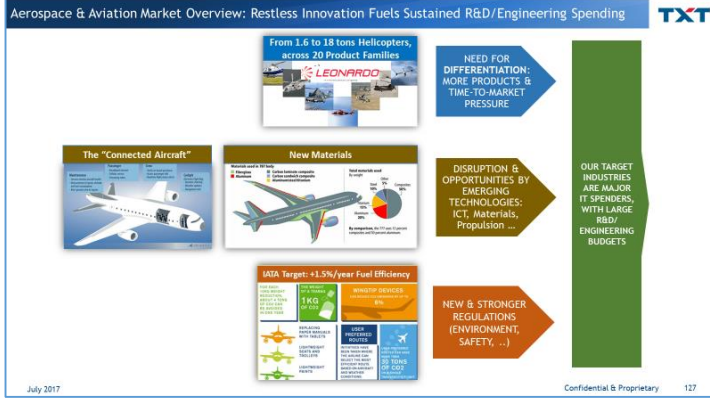
- Deep in single niches, compete mainly in price and locally
- **TXT differentiates and competes** with its depth **AND** breadth, know-how **AND** IPs, resources to invest in co-innovation, ability to follow customers globally. **Small local players are possible acquisition targets**

• **European-based Large Players:**

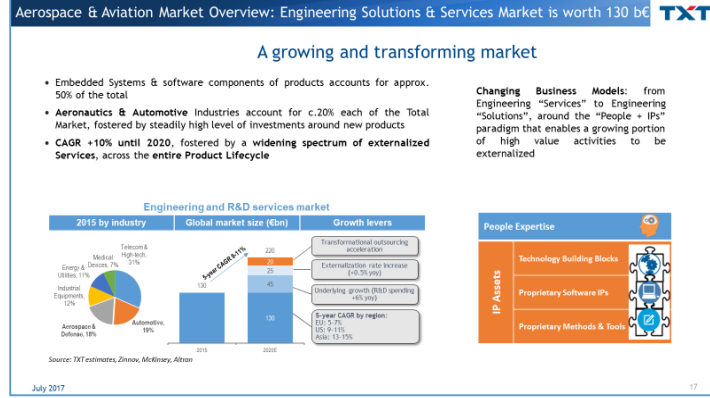
- Grown via acquisitions and massive time & material contracts, are challenged on responsiveness, flexibility and margins. Forced to focus on high-volume low-value activities to bill large teams and spread across a wide spectrum of industries/domains (not only SW-related services!)
- **TXT differentiates and competes** with its people **AND** IP approach, focus on SW-related activities, and its 30 years track record in managing **results-based engagements** and profitable turn-key contracts

• **Large Off-shore Players:**

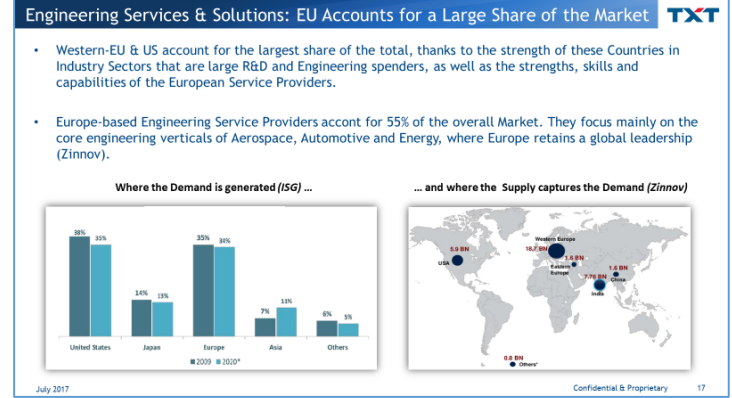
- Mainly from India, historically rooted in technology-based; largely leveraging on off-shore delivery models, they lack the proximity and customer intimacy needed to deepen business understanding. Forced to focus on high-volume low-value execution activities to bill massive teams.
- **TXT differentiates and competes** with its technology **AND** industry expertise, the depth of its know-how, a balanced compromise between proximity (local teams) and “near-shoring” (corporate competence center), that turns into an attractive value proposition for customers, especially in high-value, results-based engagements



**A large & healthy industry:** global groups, with high speed of innovation and **sustained R&D / Engineering spending**



**Engineering Solutions & Service Market worth 130 bn€; Aerospace & Automotive accounts for 20% each; Business Models evolving**



**Europe** accounts for a large share of the Market

**Aerospace & Aviation: Competitive Positioning**

A unique profile focused on specialized high-value niches that differentiates us from local and global competitors

Company	Region	Market Size (bn€)	Market Share (%)
TXT	Global	130	10
ULTRAFIT	Europe	40	30
...	...	...	...

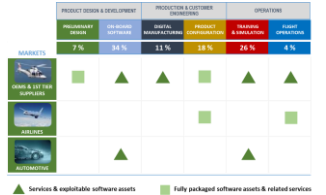
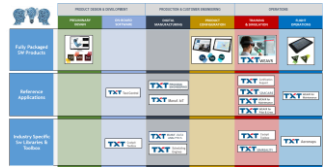
**Small Local Players:** Deep in single niches, compete mainly in price (low overheads). Limited resources to invest in innovation & IP creation, to expand into other niches and to support global companies' cost by...

**European-based Large Players:** Given the regulations and massive time & material constraints, they struggle to adapt to the new demand for smaller risk-sharing contracts, challenged on margins, flexibility and margins. Focused to focus on high-value low-risk activities to fill large losses and spread across a wide spectrum of industries/domains (not only SW related eng. services)

**Large Off-shore Players:** Mainly have been historically focused in technology-based activities (self-automation), largely leveraging on off-shore delivery models, they lack the granular and customer intimacy needed for deeper business understanding and to "gamify" and co-innovate with customers focused to focus on high-value low-risk operation activities to fill revenue needs.

**Not only large R&D and Engineering service providers: a fragmented and competitive landscape, that offers space for both organic and inorganic growth, around software niches of high specialisation across the product life-cycle**

## Solid Foundations



- Solid **Management Team** with a track record in **self-sustainable organic growth AND acquisitions**
- **340+ specialised engineers**, with **global delivery & support capability**
- **«People»'s Technology AND Industry expertise**, backed by a portfolio of **software assets**
- **Breadth AND depth** across the Product Lifecycle, with focus on software
- **50+ Customers**, industry leaders
- Track record in **risk-sharing & results-based engagements**

## Identified Growth Initiatives

Our Vision: to become an **Int'l, specialized, multi-niche, mid-sized** (100 m€) provider of **Engineering "Solutions"** serving the **global Aerospace & Aviation Industry**

<b>1.</b> Inorganic Growth	<ul style="list-style-type: none"> <li>• Be a platform to aggregate niche engineering software solution providers</li> <li>• Selectively target mid-sized acquisitions</li> </ul>
<b>2.</b> Organic International Expansion	<ul style="list-style-type: none"> <li>• Grow the share of wallet in current customers: focus on higher-value activities and risk-sharing engagement models</li> <li>• Capture new Int'l customers, leveraging on the combination of software assets and specialized service capabilities</li> </ul>
<b>3.</b> Offering Innovation	<ul style="list-style-type: none"> <li>• Product innovation: extend the capabilities and the range of the offering of Sw Assets</li> <li>• Service innovation: expand the offering with Managed Services</li> </ul>
<b>4.</b> Automotive	<ul style="list-style-type: none"> <li>• Diversification &amp; upside-growth opportunity</li> </ul>





Banking & Finance

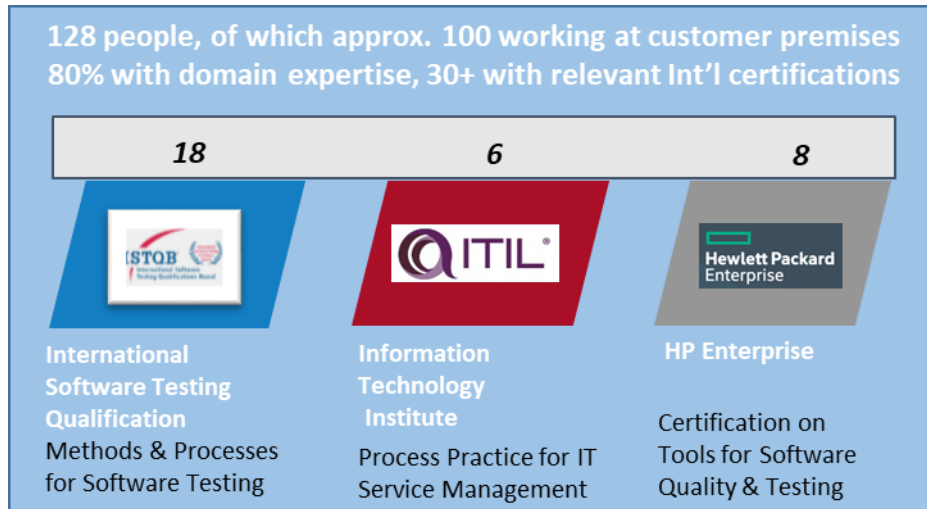
- Since 15 years focused on **Software Quality** and on **Independent Testing, Verification & Validation** of software, to ensure the functioning, functional fit, and compliance of IT systems
- It has adapted best practices, tools and methodologies from Aerospace to the needs of the Banking Industry
- It targets the **40-50 top Italian Banking** institutions
- With **100%** of revenues from **SW Services** and from **Italian Customers**, it is regular contributor to cash-flow
- It is experiencing a **good market momentum**



## Services across the end-to-end Software Quality and Independent Testing, Verification & Validation Lifecycle



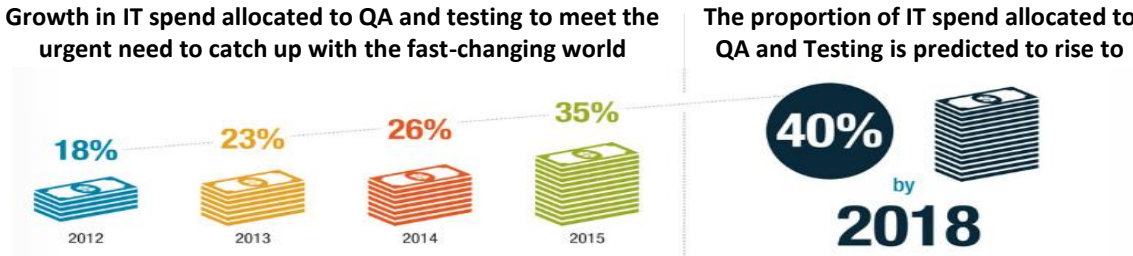
- **Domain Expertise** in core Banking domains (Accounts, Lending, Mortgage, Internet Banking; Card and Digital Payments; Branch & Departmental applications): **Functional Testing** accounts for the largest share
- **Deep knowledge of Methodologies and Tools**, spanning across the entire QA & Testing process
- Testing Services both “on-site” and “off-site”, with an approach based on “**Test Factory**”
- People expertise, and a growing library of **Testing “Bricks”**: our reusable **Software IPs**



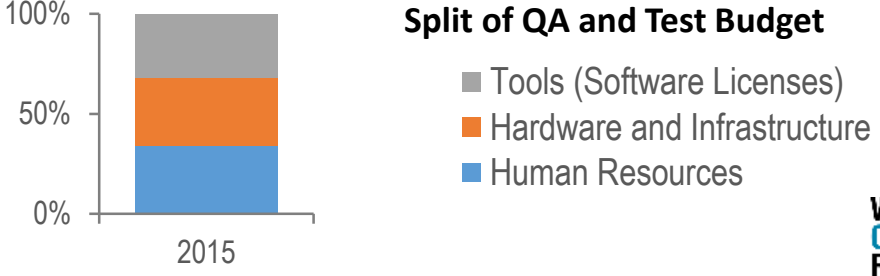
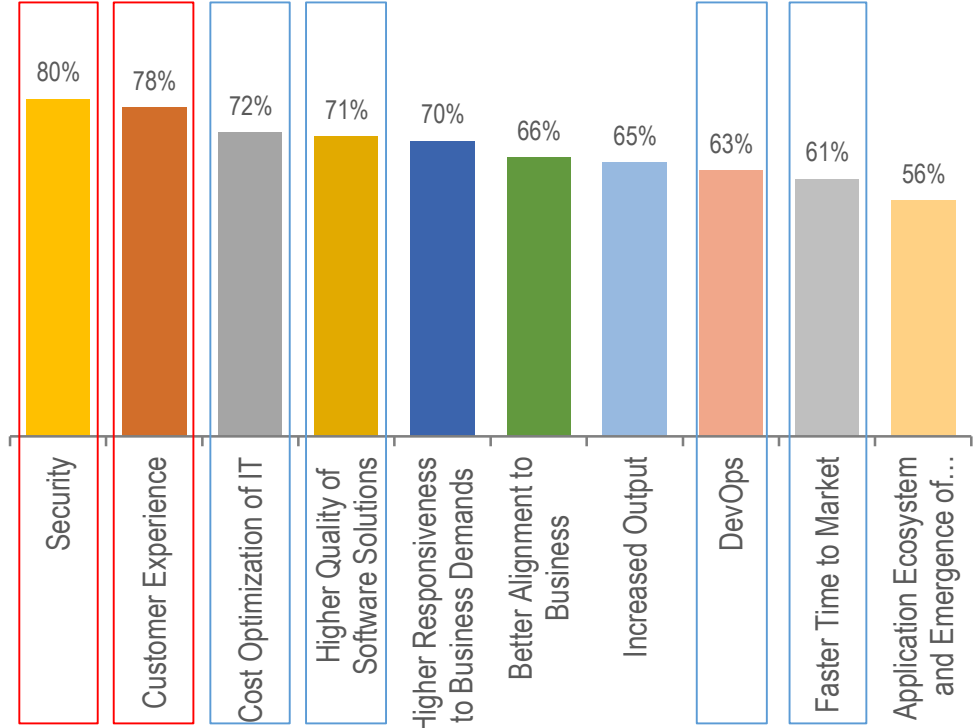
Current Scope	Current Process	Internet	Internet Mobile	IVR + Call Center	Bank Office Web based	App Android/iOS	Bank Office Host/Back Office
Bank account	Opening and operating steps	x		x	x		x
	Receipts and payments	x	x	x	x	x	x
	Credit cards	x	x	x	x	x	x
	Debit cards	x	x	x	x	x	x
Prepaid card	Opening process	x	x	x	x	x	x
	Management	x	x	x	x	x	x
Deposit account	Opening and operating steps	x		x	x		x
	Operations	x	x	x	x	x	x
	Constraints management	x	x	x	x	x	x
Mortgages	Quote calculation	x	x	x	x	x	
	Investigation management						
	Installments disbursement and management	x	x	x	x	x	

- Stratified, complex, highly heterogeneous & rapidly evolving IT landscape, coupled with increasingly stricter regulatory frameworks, makes Software Quality a mandatory, yet challenging task
- Emerging “Fintech” software & services increase complexity of the Banking software systems
- SW Quality is a key pillar of Banks’ IT strategy and it captures a growing Portion of Banks’ IT Budgets
- Growing Software Quality costs demand for new approaches to drive higher efficiency in QA processes
- TXT estimates that the Italian Market potential for QA & Testing Services in the Banking sector is 100+ M€

Digital Transformation has pushed Strong Recognition of QA and Testing



Executives’ Priorities for QA and Testing



Keep growing organically in the Sw Quality & Testing domain, with a primary focus on the Italian Market

## Strengthen the Foundations of Software Quality & Testing Services

- **Domain Expertise & IP assets:** continue differentiating by deepening domain knowledge in specific Banking processes & challenges, capturing it into **standardised “Testing Bricks”**
- **Standard Tools, but TXT Methods:** Innovate in Testing methodology, approach and best practices, mastering a wide range of market leading Tools: HP Enterprise ALM Suite, Fortify, IBM Rational, opensource, ...



## 3 Directions to Evolve Software QA Offering

- Enhance the Testing Process to align it to the **DevOps** Agile software development paradigm and to the need for **faster time-to-market** of applications
- Fully engineer the “Test Factory” approach, to deliver more **cost-effective** testing services to customers, and **higher margins** and **differentiating power** to TXT
- Expand the portfolio of Testing capabilities & Practices to **Security, Mobile and Fintech-related testing services** and to **Test Automation** approaches, and integrate them into the Test Factory



# Summary & Financial Details

- **Organic Growth**

- **Aerospace & Aviation:** 8-10% per annum, with focus on International Growth
- **Banking & Finance:** 5+% per annum, 100% Italy
- **Self-financed R&D and Marketing & Sales**
- **Constant equilibrium** across growth & profit
- **EBITDA Margin:** 12% Global Target

- **Inorganic Growth - Aerospace & Aviation**

- **Mid-sized** (5-20 m€ revenues) and **profitable**
- **International Profile**
- **Solid customer base, strong team, committed management and long history** in the industry
- **Highly specialized knowledge** sustained by **innovation capability** and differentiating **software assets**
- **Complementary**, to broaden one/more of: the offering, the geographical presence, the customer base, the penetration within existing accounts and/or domains
- **Fairly valued**



## Alvis Braga Illa – Chairman

After graduating at the Polytechnic Institute in Milan, Mr Braga Illa was for 10 years in research and teaching at the Lincoln Laboratory and Massachusetts Institute of Technology, innovating in satellite technology, optical communication and network systems. He directed the R&D Labs at Italtel, founded Zeltron S.p.A. and managed the restructuring of Ducati Energia as General Manager. Mr. Braga Illa founded TXT Automation Systems, later sold to ABB (1997), and TXT e-solutions (1989).



## Marco Guida – CEO

Graduated in Electronic Engineering, Marco Guida managed innovative IT projects in various areas of the manufacturing operations of Pirelli Group until 1994, when he joined TXT e-solutions. Initially responsible for Advanced Information Systems, in January 2000 promoted to Vice President. As Director of International Operations he successfully led the transformation of TXT e-solutions from an Italian to an International Group. Since 2009 he is Chief Executive Officer of TXT.



## Paolo Matarazzo – CFO

After graduating from Milan's Bocconi University and majoring in business administration at the University of San Diego (California), has had significant experience in the financial world. He was initially an analyst in London for three years and then worked for the Recordati Group for seven years, with responsibility for treasury management. In the following seven years he was Head of Finance, Administration & Control in Europe for Eurand, a company listed on NASDAQ. He joined TXT in November 2007 as Group CFO.



<i>€ thousand</i>	9m 2017	%	9m 2016	%	Var %
<b>REVENUES</b>	<b>26.032</b>	<b>100,0</b>	<b>23.469</b>	<b>100,0</b>	<b>10,9</b>
Direct costs	14.906	57,3	13.731	58,5	8,6
<b>GROSS MARGIN</b>	<b>11.126</b>	<b>42,7</b>	<b>9.738</b>	<b>41,5</b>	<b>14,3</b>
Research and Development costs	1.864	7,2	1.399	6,0	33,2
Commercial costs	3.456	13,3	2.495	10,6	38,5
General and Administrative costs	3.114	12,0	3.268	13,9	(4,7)
<b>EBITDA before Stock Options</b>	<b>2.692</b>	<b>10,3</b>	<b>2.576</b>	<b>11,0</b>	<b>4,5</b>
Stock Options	69	0,3	-	-	n.m.
<b>EBITDA</b>	<b>2.623</b>	<b>10,1</b>	<b>2.576</b>	<b>11,0</b>	<b>1,8</b>
Amortization, depreciation	512	2,0	401	1,7	27,7
<b>OPERATING PROFIT (EBIT)</b>	<b>2.111</b>	<b>8,1</b>	<b>2.175</b>	<b>9,3</b>	<b>(2,9)</b>
Financial income (charges)	(95)	(0,4)	(33)	(0,1)	n.m.
<b>EARNINGS BEFORE TAXES (EBT)</b>	<b>2.016</b>	<b>7,7</b>	<b>2.142</b>	<b>9,1</b>	<b>(5,9)</b>
Taxes	(625)	(2,4)	(524)	(2,2)	19,3
<b>NET PROFIT CONTINUING OPERATIONS</b>	<b>1.391</b>	<b>5,3</b>	<b>1.618</b>	<b>6,9</b>	<b>(14,0)</b>
Net Profit Discontinued Operations	838	7,5	2.006	20,6	(58,2)
<b>NET PROFIT</b>	<b>2.229</b>	<b>8,6</b>	<b>3.624</b>	<b>15,4</b>	<b>(38,5)</b>

TXT Retail Results reclassified among Discontinued Operations in 9m 2017 and 9m 2016.

€ thousand	30.9.2017	31.12.2016	Var
Intangible assets	7.419	7.634	(215)
Tangible assets	781	765	16
Other fixed assets	1.901	1.749	152
<b>Fixed Assets</b>	<b>10.101</b>	<b>10.148</b>	<b>(47)</b>
Inventories	3.787	2.767	1.020
Trade receivables	10.413	14.015	(3.602)
Other short term assets	2.730	1.954	776
Trade payables	(666)	(1.077)	411
Tax payables	(1.209)	(1.048)	(161)
Other payables and short term liabilities	(7.426)	(9.286)	1.860
<b>Net working capital</b>	<b>7.629</b>	<b>7.325</b>	<b>304</b>
<b>Severance and other non current liabilities</b>	<b>(2.562)</b>	<b>(2.565)</b>	<b>3</b>
<b>Capital employed - Continuing Operations</b>	<b>15.168</b>	<b>14.908</b>	<b>260</b>
<b>Capital employed - Discontinued Operations</b>	<b>14.782</b>	<b>14.004</b>	<b>778</b>
<b>Capital employed</b>	<b>29.950</b>	<b>28.912</b>	<b>1.038</b>
Shareholders' equity	33.146	34.283	(1.137)
Net financial debt	(3.196)	(5.371)	2.175
<b>Financing of capital employed</b>	<b>29.950</b>	<b>28.912</b>	<b>1.038</b>

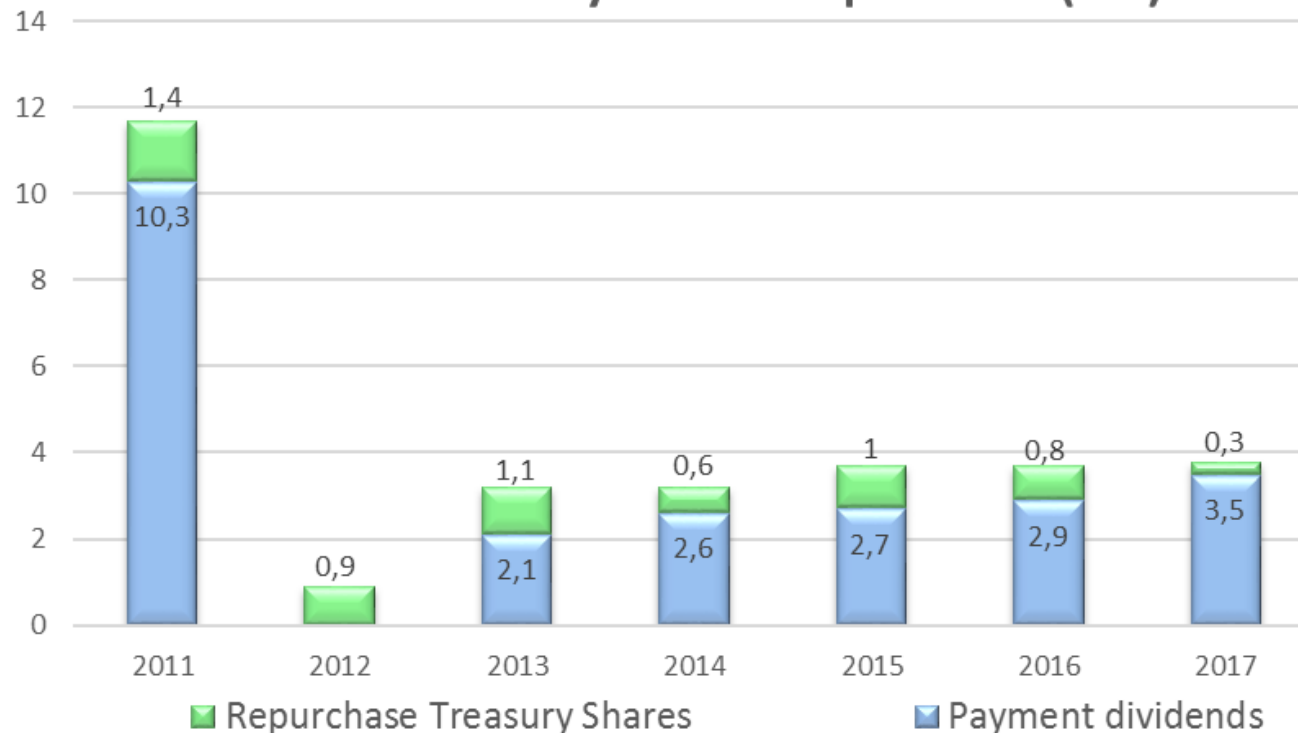
- Share Price

- 31.12.2010: 1.51€/share (rebased for free share distribution)
- 16.1.2018: 10.20€ /share

- Dividends

- 2011: 1 € /share (extraordinary, rebased)
- 2012: Free Share Distribution 1:1
- 2013: 0.20 € /share (rebased)
- 2014: Free Share Distribution 1:1
- 2014: 0.25 € / share
- 2015: Free Share Distribution 1:10
- 2015: 0.25 € / share
- 2016: 0.25 € / share
- 2017: 0.30 € / share

**Dividends + Treasury Shares Repurchase (m€)**



# TXT Market Capitalization (m€)

