



SPAFID CONNECT

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Oggetto : TXT: results first 9 months 2018

Testo del comunicato

Vedi allegato.

TXT e-solutions: first nine months 2018**Revenues € 28.6 million (+10.0%),****EBITDA € 2.8 million (+7.9%),****Net Income € 1.0 million (-28.2%).**

- Revenues € 28.6 million (+10.0%), of which € 3.7 million from Software (+55.7%) and € 24.9 million from Services (+5.3%).
- EBITDA € 2.8 million (+7.9%) with growing R&D investments (+15.6%).
- Net Financial Position: € 64.8 million positive (€ 87.3 million as of December 31, 2017), after € 14.9 million dividends and purchase of treasury shares and € 5.0 million acquisition of Cheleo.

Milan – November 6, 2018

The Board of Directors of TXT e-solutions Spa, chaired by Alvise Braga Illa, today approved the financial results for the 9 months period ended as of September 30, 2018.

The Chairman Alvise Braga Illa has commented: *"Net income in the first nine months of 2018 has been volatile as a consequence of the temporary reduction in the perimeter of the company, while the Net Financial Position is strongly positive and key business indicators are improving. Organic growth in Software activities for the Aerospace, Aviation & Automotive sectors has been robust, with expanding cooperation with Boeing and other important Customers. After acquiring Cheleo, a specialist in developing and providing innovative products and solutions for the lifecycle of capital loans, in Q4 we have launched 'TXT Risk Solutions', a start-up who has developed innovative products for financial risk management and for the identification of major systemic risks in capital movements, aimed at fighting capital laundering, corruption and terrorism; these products already have on-going 'proof-of concept' activities at two major financial institutions."*

Key economic and financial results in first nine months 2018 were:

Revenues were € 28.6 million in first nine months 2018, up +10.0% compared to 2017 (€ 26.0 million). Organic growth on same consolidation perimeter was +8.0% and Cheleo contributed € 0.5 million revenues. Software revenues from licences, subscriptions and maintenance were € 3.7 million, up +55.7% compared to first nine months 2017 (€ 2.4 million). Service revenues were € 24.9 million, up +5.3% compared to first nine months 2017 (€ 23.6 million).

International Revenues rose from € 8.8 million in first nine months 2017 to € 10.1 million (+15.3%) or 35% of total sales (34% in 2017).

Net of direct costs, the **Gross Margin** came to € 12.7 million, up +14.0% over first nine months 2017. The margin on revenues was 44.3%, up compared to 42.7% in 2017.

EBITDA was € 2.8 million, up +7.9% compared to first nine months 2017 (€ 2.6 million). R&D expenses rose +15.6% and Commercial expenses rose +12.4%. G&A expenses grew +19.9% due to Cheleo acquisitions expenses and higher corporate costs after the sale of TXT Retail. The margin on revenues was 9.9%, compared to 10.1% in first nine months 2017.

Operating Income (EBIT) was € 1.5 million, compared to € 2.1 million in first nine months 2017, after expensing depreciation of € 0.7 million following the adoption of new accounting standard IFRS 16 "Leases", according to which rental costs for offices, cars and printers are no longer considered as operating cost, but rather as depreciation costs of the related contracts.

Net Income was € 1.0 million, compared to € 1.4 million Net Income from Continuing Operations in first nine months 2017, due to losses on liquidity and reduced income taxes for the one-off benefit of "Patent Box" tax relief. Net Income in first nine months 2017 (€ 2.2 million) included Net Income of both Continuing Operations (€ 1.4 million) and Discontinued Operations - TXT Retail Division (€ 0.8 million).

Net Financial Position as at 30 September 2018 was positive by € 64.8 million, compared to € 87.3 million as at 31 December 2017, due to payment of dividends (€ 11.7 million), acquisition of Cheleo (€ 5.0 million), purchase of treasury shares (€ 3.2 million) and debt towards lessors of offices, cars and printers according to new accounting principle IFRS 16 (€ 2.8 million).

Shareholders' Equity as at 30 September 2018 was € 88.2 million, down € 11.7 million decrease compared to € 99.9 million as of December 31, 2017. In addition to the above-mentioned payment of dividends and purchase of treasury shares, the main reason for the decrease is the application of the new accounting standard IFRS 15 "Revenue Recognition", with a different recognition profile of revenue from sale of software licences. Revenues already considered in previous years were recalculated according to the new standard, cumulatively adjusting the shareholders' equity in the amount of €1.4 million. Use of treasury shares to partly finance the acquisition of Cheleo (€ 3.5 million) and Net Income in first nine months 2018 (€ 1.0 million) contributed positively to the Net Equity.

As of September 30, 2018, TXT owned 1,198,507 treasury shares or 9.21% of issued shares, purchased at an average price of € 3.17.

Third Quarter 2018

Revenues were € 9.6 million in Q3 2018, up +18.6% compared to Q3 2017 (€ 8.1 million). Organic growth on same consolidation perimeter was +12,8% and Cheleo contributed € 0.5 million revenues. Software revenues from licences, subscriptions and maintenance

were € 1.4 million, up +52.2% compared to Q3 2017. Service revenues were € 8.2 million, up +14.4% compared to Q3 2017 (€ 7.2 million).

EBITDA was € 0.8 million, up +5.3% compared to Q3 2017 (€ 0.7 million).

Net Income was € 0.1 million, compared to € 0.4 million Net Income from Continuing Operations in Q3 2017.

Outlook and Subsequent Events

On October 11, 2018 TXT has participated in the incorporation of Sense immaterial Reality srl, a start-up of which TXT holds 24% of the initial capital stock of Euro 200.000. The start-up aims to develop proprietary technologies of active 3D representation and New Augmented Reality using smartphones, to be applied in the communication, service and manufacturing industries. TXT thus maintains a minority investment in the Sense research project, which until now had been carried out and consolidated in the TXT Sense Division.

The majority of capital stock of the new start-up is held by Alvisè Braga Illa, Chairman of the Board and stockholder of TXT with a capital holding of 14.02% of the outstanding shares of TXT, who is therefore a related party in the transaction. All procedures and checks governing related-party transactions have therefore been put in place, and the transaction has closed with the unanimous approval by the Board and the Statutory Auditors, following the Related-party Oversight Committee opinion and a fairness opinion by an independent expert.

Sense immaterial Reality Srl will pay TXT Euro 70.000 for the purchase of rights on research project and Euro 40.000 on yearly basis for some supporting services; TXT invested Euro 48.000 in Sense against a participation of 24%, with an anti-dilution agreement up to Euro 1 million investment by Alvisè Braga Illa. TXT will directly exploit AR/VR technologies, in particular in Aerospace, Aviation and Automotive markets, with possible collaborations with Sense immaterial Reality Srl. About 10 professionals previously at TXT Sense are now collaborating with Sense immaterial Reality Srl. Total value of the transaction does not exceed Euro 500.000 and is therefore classified as a minor relevance related-party transaction.

The Company foresees in Q4 2018 a positive organic development of revenues and contribution from acquisition of Cheleo and a growth of EBITDA. profitability substantially in line with last year. The strategy of acquisitions focused on Aerospace, Aviation & Automotive and Fintech will continue.

Declaration of the designated officer in charge of drafting the company's accounting documents

The Designated Officer in charge of drafting the company's accounting documents, Paolo Matarazzo, herein declares, pursuant to Article 154-bis, Paragraph 2 of Legislative Decree

no. 58 of 24 February 1998 that the accounting information contained in this press release corresponds to the documentary records, books and accounting entries.

As from today, this press release is available also on the company's website www.txtgroup.com

TXT e-solutions is an international software products and solutions vendor. Specialized in the most dynamic and agile markets with the highest degree of innovation and renewal that require state-of-the art solutions, TXT is focused on two main business areas: specialized software products and advanced Software-related Engineering Services for companies in the Aerospace, Aviation and Automotive; testing and quality services in Banking. The company has been listed on the Italian Stock Exchange - STAR segment (TXT.MI) - since July 2000. TXT is based in Milan and has subsidiaries in Italy, Germany, United Kingdom, France, Switzerland and USA.

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Management Income Statement as of 30 September 2018

<i>€ thousand</i>	9m 2018	%	9m 2017	%	Var %
REVENUES	28.627	100,0	26.032	100,0	10,0
Direct costs	15.942	55,7	14.906	57,3	7,0
GROSS MARGIN	12.685	44,3	11.126	42,7	14,0
Research and Development costs	2.154	7,5	1.864	7,2	15,6
Commercial costs	3.884	13,6	3.456	13,3	12,4
General and Administrative costs	3.818	13,3	3.183	12,2	19,9
EBITDA	2.829	9,9	2.623	10,1	7,9
Amortization, depreciation	1.365	4,8	512	2,0	n.m.
OPERATING PROFIT (EBIT)	1.464	5,1	2.111	8,1	(30,6)
Financial income (charges)	(385)	(1,3)	(95)	(0,4)	n.m.
EARNINGS BEFORE TAXES (EBT)	1.079	3,8	2.016	7,7	(46,5)
Taxes	(80)	(0,3)	(625)	(2,4)	(87,2)
NET PROFIT CONTINUING OPERATIONS	999	3,5	1.391	5,3	(28,2)
Net Profit Discontinued Operations (sale of TXT Retail)	-		838		
NET PROFIT	999		2.229		

Income Statement as of 30 September 2018

Euro	30.09.2018	30.09.2017
TOTAL REVENUES AND INCOME	28,627,362	26,030,532
Purchases of materials and services	(4,969,041)	(4,724,240)
Personnel costs	(20,596,721)	(17,798,311)
Other operating costs	(232,439)	(886,287)
Amortizations, depreciation and write downs	(1,365,486)	(511,755)
OPERATING RESULT	1,463,675	2,109,939
Financial income/charges	(384,770)	(95,318)
PRE-TAX RESULT	1,078,905	2,014,621
Income Taxes	(80,296)	(624,548)
NET INCOME CONTINUING OPERATIONS	998,609	1,390,073
Net Income Discontinued Operations (sale of TXT Retail)	0	839,358
NET INCOME	998,609	2,229,430

Net Financial Position as of 30 September 2018

.000 Euro	30.9.2018	31.12.2017	Var
Cash	16.208	86.527	(70.319)
Trading securities at fair value	99.573		99.573
Other Short Term Financial Assets	-	3.156	(3.156)
Short term Financial Debts	(13.720)	(675)	(13.045)
Short term Financial Resources	102.061	89.008	13.053
Non current Financial Debts - Lessors IFRS 16	(1.994)	-	(1.994)
Other Non current Financial Debts	(35.255)	(1.668)	(33.587)
Non current Financial Debts	(37.249)	(1.668)	(35.581)
Net Available Financial Resources	64.812	87.340	(22.528)

Consolidated Balance Sheet as of 30 September 2018

ASSETS (Euro)	30.09.2018	31.12.2017
NON-CURRENT ASSETS		
Goodwill	13,645,125	5,369,231
Definite life intangible assets	1,696,860	1,962,454
Intangible Assets	15,341,985	7,331,685
Buildings, plants and machinery owned	3,758,319	793,444
Tangible Assets	3,758,319	793,444
Other non-current assets	73,776	75,173
Deferred tax assets	1,015,228	659,656
Other non-current assets	1,089,004	734,828
TOTAL NON-CURRENT ASSETS	20,189,308	8,859,957
CURRENT ASSETS		
Inventories	3,666,801	2,527,917
Trade receivables	10,805,014	14,680,812
Other current assets	3,097,871	5,690,021
Trading securities at fair value	99,573,175	-
Cash and other liquid equivalents	16,208,424	86,527,488
TOTAL CURRENT ASSETS	133,351,285	109,426,238
TOTAL ASSETS	153,540,592	118,286,195
EQUITY AND LIABILITIES (Euro)		
SHAREHOLDERS' EQUITY		
Share capital	6,503,125	6,503,125
Reserves	14,855,745	15,144,014
Retained earnings	65,843,679	9,691,188
Profit (Loss) for the period	998,609	68,555,495
TOTAL SHAREHOLDERS' EQUITY	88,201,158	99,893,822
NON-CURRENT LIABILITIES		
Non-current financial liabilities	37,249,123	1,688,023
Severance and other personnel liabilities	2,934,998	2,589,776
Deferred tax liabilities	438,646	503,014
TOTAL NON-CURRENT LIABILITIES	40,622,766	4,780,813
CURRENT LIABILITIES		
Current financial liabilities	13,720,442	674,861
Trade payables	963,692	1,341,308
Tax payables	346,562	548,642
Other current liabilities	9,685,973	11,046,750
TOTAL CURRENT LIABILITIES	24,716,669	13,611,560
TOTAL LIABILITIES	65,339,435	18,392,373
TOTAL EQUITY AND LIABILITIES	153,540,592	118,286,195

Consolidated Statement of Cash Flows as of 30 September 2018

Euro	30.9.2018	30.9.2017
Net Income continued operations	998,609	1,390,073
Net Income discontinued operations	-	839,358
Net Income	998,609	2,229,431
Non cash costs	-	242,888
Financial interest paid	18,180	18,180
Variance Fair Value Financial Assets	346,825	-
Current income taxes	410,563	480,396
Variance in deferred taxes	(64,373)	(200,547)
Amortization, depreciation and write-downs	1,365,583	1,027,296
Cash flows generated by operations before working capital	3,075,387	3,797,644
(Increase) / Decrease in trade receivables	7,374,444	2,479,416
(Increase) / Decrease in inventories	(1,138,884)	(743,647)
Increase / (Decrease) in trade payables	(507,797)	(810,725)
Increase / (Decrease) in other current assets/liabilities	(4,038,036)	(2,976,936)
Increase / (Decrease) in severance and other personnel liabilities	27,285	28,578
Changes in working capital	1,717,012	(2,023,314)
CASH FLOW GENERATED BY OPERATIONS	4,792,399	1,774,330
Increase in tangible assets	(320,323)	(453,532)
Increase in intangible assets	(32,127)	(88,510)
Net Cash flow from acquisition	1,307,716	-
(Increase) / Decrease in other financial assets	(99,920,000)	-
CASH FLOW GENERATED BY INVESTING ACTIVITIES	(98,964,734)	(542,042)
Increase/(Repayment) of borrowings	38,560,892	(355,908)
Payment dividends	(11,709,799)	(3,495,636)
(Purchase)/Sale of Treasury Shares	(2,989,492)	-
CASH FLOW GENERETED BY FINANCIAL ACTIVITIES	23,861,601	(3,851,544)
INCREASE / (DECREASE) IN CASH	(70,310,735)	(2,619,256)
Difference in Currency Translation	(8,329)	105,316
Cash at beginning of the period	86,527,488	7,570,479
Cash at the end of the period	16,208,424	5,056,539
Assets acquired with no effect on cash flow (first adoption IFRS 16)	(3,586,000)	-
Liabilities acquired with no effect on cash flow (first adoption IFRS 16)	3,586,000	-

Income Statement - Management Reporting Third Quarter as of 30 September 2018

<i>€ thousand</i>	Q3 2018	%	Q3 2017	%	Var %
REVENUES	9.621	100,0	8.113	100,0	18,6
Direct costs	5.382	55,9	4.795	59,1	12,2
GROSS MARGIN	4.239	44,1	3.318	40,9	27,8
Research and Development costs	707	7,3	606	7,5	16,7
Commercial costs	1.263	13,1	1.040	12,8	21,4
General and Administrative costs	1.509	15,7	950	11,7	58,8
EBITDA	760	7,9	722	8,9	5,3
Amortization, depreciation	493	5,1	169	2,1	n.s.
OPERATING PROFIT (EBIT)	267	2,8	553	6,8	(51,7)
Financial income (charges)	(98)	(1,0)	58	0,7	n.s.
EARNINGS BEFORE TAXES (EBT)	169	1,8	611	7,5	(72,3)
Taxes	(40)	(0,4)	(193)	(2,4)	n.s.
NET PROFIT CONTINUING OPERATIONS	129	1,3	418	5,2	(69,1)
Net Profit Discontinued Operations (sale of TXT Retail)	-		244		
NET PROFIT	129		662		

Fine Comunicato n.0439-109

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