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Testo del comunicato

Vedi allegato.

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TXT e-solutions: results for first 9 months of 2023

Revenues € 159.4 million (+72.5%)

Revenues in organic growth +14.2%

EBITDA € 21.4 million (+58.2%)

Net profit € 9.8 million (+83.6%)

- *Revenues € 159.4 million (+72.5%), of which € 29.7 million related to the Smart Solutions division, € 22.2 million to the Digital Advisory division, and € 107.4 million to the Software Engineering division. Organic revenue growth in the first nine months of 2023 was 14.2%.*
- *EBITDA € 21.4 million (+58.2%), EBITDA margin 13.4% after having fully expensed € 6.7 million of investments in research and development related to the development of the Smart Solutions portfolio.*
- *Net profit of € 9.8 million (+83.6%).*
- *Adjusted Net Financial Position of € 29.2 million. Treasury shares in portfolio as at 30 September 2023 with a countervalue of € 23.0 million as of the reference date.*

Milan, 09 November 2023 – 15:00

The Board of Directors of TXT e-solutions, chaired by Enrico Magni, today approved the operating results as of 30 September 2023.

"After a rigorous review of TXT's Q3 2023 financial results, we are pleased to announce significant business growth and positive Group margin effects, which reflect the hard work and unwavering commitment of our team. These results continue the successful trend of the last few years and demonstrate TXT's ability to generate value for our shareholders," commented President Enrico Magni. *"Despite the fact that the Group's accelerated growth plan is proceeding positively and in*

line with our ambitious strategic plans, since last July we have witnessed a sharp decline in TXT's share value. External factors such as the low liquidity in the stock markets, the sharp rise in interest rates, the outflow from PIR funds, and the tendency of funds and investors to monetise significant gains generated by TXT's share growth since the second half of 2022, are all factors - often shared with other major domestic tech companies - that have negatively impacted TXT's stock market performance. In the current economic environment, TXT's management continues to focus on long-term goals, maintaining an unwavering commitment to innovation, service quality and customer satisfaction, and we are confident that this will lead to a reflection of TXT's true shareholder value, a value that we currently believe is highly undervalued. With a perspective of the expected growth of TXT's share value by its management, we finally remind you that during the first nine months of the year, the TXT Group invested heavily in the buy-back plan through the repurchase of more than 600,000 treasury shares at an average price of €19.01 per share.'

The main economic and financial results for the first nine months of 2023 were as follows:

Revenues amounted to € 159.4 million, an increase of 72.5% compared to € 92.4 million in the first nine months of 2022. On a like-for-like basis, revenues grew by 14.2% and acquisitions contributed € 53.2 million. Total international revenues were € 31.7 million, representing 19.9% of total revenues of the first nine months of 2023.

To reflect TXT's new and broader positioning in the digital innovation market, the Group has structured itself into three divisions representative of the type of offering:

i. *Smart Solutions*: proprietary software and solutions and related services to accelerate the digital transformation of customer offerings;

ii. *Digital Advisory*: specialised consultancy services for the digital innovation of large enterprise and public sector processes;

iii. *Software Engineering*: software engineering services for the innovation and servitisation of client products driven by expertise in enabling technologies.

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The Smart Solutions division had revenues of € 29.7 million, up +8.9% compared to the first nine months of 2023, of which € 2.0 million came from organic growth (+7.1%) and € 0.5 million from the consolidation of companies acquired in the second half of 2022.

The Digital Advisory division had revenues of € 22.2 million, up +69.2% compared to the first nine months of 2022, of which € 5.0 million came from organic growth (+38.0%) and € 4.1 million from M&A.

The Software Engineering division had revenues of € 107.4 million, up +106.7% compared to the first nine months of 2022, of which € 6.4 million from organic growth (+12.2%) and € 49.1 million from the consolidation of companies acquired in Q4 2022.

Gross Margin, net of direct costs, increased from € 35.9 million in the first nine months of 2022 to € 56.7 million in the first nine months of 2023, an increase of 58.1%. The gross margin as a percentage of revenue in the first nine months of 2023 was 35.6%, down 3.2 p.p. compared to 38.8% in the first nine months of 2022 as a result of the different revenue/cost mix with a dilution of the Smart Solutions division's business related to proprietary software and solutions against the consolidation, from Q4-2022 onwards, of service companies with significant volumes compared to the Group's consolidated volumes and business model with lower gross margins compared to the average of TXT's divisions, but with a lower incidence of indirect costs.

EBITDA amounted to € 21.4 million, up +58.2% compared to the first nine months of 2022 (€ 13.5 million), after an increase in sales and management costs of € 15.5 million in the first nine months of 2023 (+75.5% compared to the first nine months of 2022) mainly due to the consolidation of new acquisitions and increased investments in marketing events, commercial and managerial resources to support accelerated growth, and after significant investments in research and development of € 6.7 million mainly related to the evolution of the Smart Solutions portfolio fully expensed in the period (+16.4% compared to the first nine months of 2022). The margin on revenue was 13.4%, down 1.2 p.p. compared to 14.6% in the first nine months of 2022, mainly due to a 3.2 p.p. decrease in gross margin partially offset by the lower incidence of indirect costs of the service companies consolidated from Q4-2022 and operational efficiencies. General and administrative costs as a percentage of revenue decreased from 8.4% in the first nine months of 2022 to 8.2% in the first nine months of 2023.

Operating Profit (EBIT) was € 14.0 million, up +53.1% compared to the first nine months of 2022 (€ 9.2 million) after amortisation of intangible assets (€ 2.7 million, of which € 1.9 million related to Purchase Price Allocation) and tangible assets (€ 4.3 million) and write-downs (€ 0.5 million).

Financial Income and Charges in the first nine months of 2023 had a net negative balance of € 0.1 million compared to the net negative balance of € 1.6 million in the same period of the previous year. Bank interest expenses of € 1.7 million and other financial expenses of € 0.5 million in the first nine months of the year were offset by the positive effects of the positive balance of instruments measured at fair value in the amount of € 0.4 million, the lower debt recognised in connection with the company's commitments in the context of acquisitions, for which the doubling of the value of the TXT shares sold was guaranteed in the amount of € 1.9 million, and dividends received in the amount of € 0.2 million. Exchange differences in the first nine months of 2023 have a net negative balance of € 0.2 million, while the share of the result of associates has a negative balance of € 0.4 million in the period.

Net profit was € 9.8 million, up from € 5.3 million in the first nine months of 2022. In the first nine months of 2023, taxes amounted to 29.7%, up from 29.2% in the same period of the previous year. In the first nine months of 2023, net profit as a percentage of revenue was 6.1%, up 0.3 p.p. compared to the first nine months of 2022.

Consolidated Adjusted Net Financial Debt as of 30 September 2023 was € 29.2 million, up by € 9.2 million compared to € 20.0 million at 31 December 2022, mainly due to the outlays for the period related to the buy-back of treasury shares (€ 11.4 million), dividend payments (€ 2.1 million), and investments in new technologies and M&A through the acquisition of the Embedded Graphics VAPS business from CAE Inc. and the acquisition of majority stakes in Simplex and LAS LAB Srl (€ 5.4 million), partially offset by cash generation from operations. Adjusted net financial debt at 30 September 2023 includes € 9.7 million of debt related to IFRS 16, up by € 1.2 million compared to € 8.5 million at 31 December 2022, and € 4.8 million of debt for earn-outs and put/call options for the acquisition of minority interests, of which € 3.8 million beyond 12 months.

Consolidated Unadjusted Net Financial Debt as of 30 September 2023 was €45.8 million, up €16.5 million from the Adjusted Net Financial Debt at the same date. The difference is related to the investment in Banca del Fucino, whose Fair Value of € 16.5 million was reclassified from fixed assets to financial assets for the purpose of calculating Adjusted Net Financial Debt.

Treasury shares as of 30 September 2023 were 1,367,340 (906,600 as at 31 December 2022), representing 10.51% of the issued shares. During the first nine months of 2023, 601,962 shares were purchased at an average price of € 19.01, and in the same period, in the scope of the M&A plan, 141,222 shares were transferred at an average price of € 12.39. The average carrying value of the treasury share as of 30 September 2023 is € 7.96 per share.

Revenues in **Q3 2023** were € 52.1 million, up 74.3% compared to Q3 2022 (€ 29.9 million), of which € 17.7 million from acquisitions and € 4.5 million from organic business growth (+15.1%). EBITDA in Q3 2023 was € 7.5 million, up +72.4% compared to Q3 2023 (€ 4.3 million). The margin on revenue was 14.4%, in line with 14.5% in Q3 2022.

"*The results of the technological and commercial synergies of TXT Group's Ecosystem of Excellences are manifested in the strong results of the third quarter, which demonstrate the sustainability of organic growth (+15.1%) and the improvement of operating margins (EBITDA 14.4%),*" comments CEO Daniele Misani. "*The organic growth, in addition to the Software Engineering activities, especially in the Aerospace & Defence market, is linked to the Digital Advisory division, which recorded +43% in the third quarter, thanks to the start-up and consolidation of operational activities on the important tenders won in the past months. The Smart Solutions division grew, albeit at a slower pace: some products in the portfolio are being consolidated and the processes for the acquisition of new contracts are on average longer than in the services divisions. The benefits of investments will have a greater impact in the coming year. On the M&A front, we strengthened the Smart Solutions offering with the Embedded Graphic business consolidated since 1 October. The valuation and verification activities continue and we expect to close by the end of 2023 further*

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extraordinary transactions that are not transformative in terms of volume, but strategic and will integrate new digital competencies and strengthen the Smart Solutions portfolio."

A conference call will be held on **10 November 2023** at **9:30 a.m. (CET)** during which CEO Daniele Misani will present and comment on the results for the first nine months of 2023. The registration form for the conference call is available on the Company's website www.txtgroup.com on the "Financial News & Calendar" page.

Upcoming events and business prospects

In comparison to the first half of the year, the third quarter of 2023 showed a steady organic growth rate of the business and a marked improvement in operating margins. For the last quarter of 2023 and for 2024, TXT's management expects to maintain a sustained organic growth rate which, together with the streamlining of the organisational structure, will lead to year-on-year margin levels above 14%, in line with targets.

In the Smart Solutions division, the fourth quarter of the year will see the consolidation of the results of the Embedded Graphics business acquired on 29 September by the Presagis Group, controlled by CAE Inc. which, in addition to increasing the prestige and internationality of the TXT Group, will lead to the consolidation of more than €4 million in recurring revenue from licenses and maintenance related to the VAPS product, a leading platform in the avionics market for the development of human-machine interfaces (HMI) for safety-critical and mission-critical systems (link to press release TXT: Embedded Graphics Technology Acquisition). In addition to the technological synergies and planned strategies to expand the use of VAPS in a multitude of markets, the TXT Group expects benefits from cross-selling specialised services and up-selling Smart Solutions on the various divisions of major blue-chip aerospace industries acquired with the *Embedded Graphics* business that expand the TXT Group's customer base.

With reference to the organic growth of the Smart Solutions business, management expects a fourth quarter of growth in line with the seasonality of the licensing business, and expects further growth in 2024, driven by the acquisition of important subscriptions contracts in both the well-established Aerospace & Aviation market and the Fintech market, which is in its expansion phase.

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With reference to the main contracts acquired during the period, in Aerospace & Aviation, reference should be made to the press release of 9 October 2023 regarding the multi-year subscriptions contract with an annual value of up to over $1 million signed with the US airline JetBlue for the supply of the world-leading ESG platform in real-time route optimisation (link to press release: FPO-SR selected by JetBlue Fleets), while in Fintech, new contracts were acquired with leading national banking institutions, bringing the recurring subscription revenue backlog to a total value in the order of € 1.0 million for the supply of the AML Faraday platform, and further contracts in the consumer credit and digital payments market. In Industrial & Automotive, the MES software developed and marketed by the group company DM Management & Consulting was selected by a major retail player as an innovative solution for factory management.

In the Digital Advisory division, after a nine-month period that recorded sustained organic growth of 38.0% driven by the ramp-up, starting in Q4 2022, of activities related to the multi-year, multi-million dollar public tenders acquired by the Roman subsidiary HSPI, for the fourth quarter of this year and for 2024, the organic growth rate is expected to normalise in a range between 10-20% thanks to the ramp-up of activities on contracts already acquired and by leveraging new public contracts to be awarded in the near future through tenders for which the TXT Group, with its specialised expertise in the digital transformation of processes linked to public administration, is strategically positioned. Following on from the first nine months of the year, the skills synergistically integrated into the Group's Digital Advisory offering as a result of the strategic acquisitions completed in Q4 2022 are driving the expansion of the offering into new segments; In particular, the Healthcare segment, where the integration of HSPI's and PGMD's competencies, the latter acquired in Q4 2022, are facilitating the awarding of new contracts in both the public and private healthcare sectors, and the Space segment, where the specialised cybersecurity governance competencies provided as part of the European space programmes are bringing benefits in terms of positioning the Group's Digital Advisory offering and in terms of the division's growth, also favouring its internationalisation and profitability.

In the Software Engineering division, which is the largest division in terms of volume, accounting for 67% of the Group's total revenues in the first nine months of 2023, synergies between the Group's various excellences operating in diversified markets are intensifying thanks to the tra-

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sversality of the technology services and digital transformation expertise provided. The growing demand for digital and emerging technologies both in markets historically covered by the TXT Group such as Fintech, Industrial & Automotive, and Aerospace, Defence & Aviation, with the latter recording a significant increase in international business, which grew by more than 30% compared to the first nine months of 2022 as well as in more recently penetrated markets such as the Public Sector and Telco & Gaming, are favouring the acquisition of important new contracts that will benefit the division's organic growth, which is expected to be around 10% for the fourth quarter of this year and for 2024. Major contracts already acquired during the current quarter that will drive the division's growth include new multi-year contracts acquired as part of major European defence projects for which TXT is positioned as a specialist in the supply of enabling and innovative technologies.

In relation to the M&A plan, after the first nine months of the year where there was a slowdown in the plan due to market contingencies, already in the fourth quarter of the year TXT Group aims to announce new strategic acquisitions to further strengthen the Smart Solutions portfolio and increase technological competences, and for 2024 TXT management considers it a priority to continue the M&A plan, with the aim of diversifying the offer and industry in the domestic market and strengthening core competences in the international market. The financing of the acquisition will be done through the cash already available in the TXT Group's coffers, the opening of new credit lines and through the use of treasury shares in the portfolio.

With reference to the current global geopolitical environment marked by increasing conflicts, inflationary pressure, still high interest rates and strong instability, the most recent analyses of TXT's management and board of directors confirm the results set out in the last half-yearly report, which reported risks that can be mitigated in the short term due to the marginal exposure of TXT's business in the territories affected by the current conflicts, and thanks to the Group's sustainable financial exposure. The TXT Board constantly monitors the risks related to the evolution of conflicts and macroeconomic instability.

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Declaration of the manager in charge of preparing corporate accounting documents

Pursuant to Article 154-bis, paragraph 2 of Legislative Decree No. 58 of 24 February 1998, the Financial Reporting Officer, Eugenio Forcinito, declares that the accounting information contained in this press release corresponds to the documented results, books and accounting records.

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

TXT is an international IT Group, end-to-end provider of consultancy, software services and solutions, supporting the digital transformation of customers' products and core processes. With a proprietary software portfolio and deep expertise in vertical domains, TXT operates across different markets, with a growing footprint in Aerospace, Aviation, Defense, Industrial, Government and Fintech. TXT is headquartered in Milan and has subsidiaries in Italy, Germany, the United Kingdom, France, Switzerland and the United States of America. The holding company TXT e-solutions S.p.A, has been listed on the Italian Stock Exchange, STAR segment (TXT.MI), since July 2000.

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Consolidated Profit and Loss Account as of 30 September 2023

€ thousand	30.09.2023	%	30.09.2022	%	Var %
REVENUES	**159,356**	**100**	**92,400**	**100**	**72.5**
Direct costs	102,670	64.4	56,538	61.2	81.6
GROSS MARGIN	**56,686**	**35.6**	**35,862**	**38.8**	**58.1**
Research and Development costs	6,724	4.2	5,778	6.3	16.4
Commercial costs	15,466	9.7	8,813	9.5	75.5
General and Administrative costs	13,093	8.2	7,740	8.4	69.2
EBITDA	**21,403**	**13.4**	**13,531**	**14.6**	**58.2**
Amortization, Depreciation & Write-offs	7,372	4.6	4,293	4.6	71.7
Riorganization and Non Recurrent Costs	-	0.0	75	0.1	(100.0)
OPERATING PROFIT (EBIT)	**14,031**	**8.8**	**9,163**	**9.9**	**53.1**
Financial income (charges)	(101)	(0.1)	(1,631)	(1.8)	(93.8)
EARNINGS BEFORE TAXES (EBT)	**13,930**	**8.7**	**7,532**	**8.2**	**85.0**
Taxes	(4,134)	(2.6)	(2,196)	(2.4)	88.3
NET PROFIT	**9,796**	**6.1**	**5,336**	**5.8**	**83.6**

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Q3 2023 Consolidated Income Statement

€ thousand	Q3 2023	%	Q3 2022	%	Var %
REVENUES	**52,057**	**100**	**29,862**	**100**	**74.3**
Direct costs	32,722	62.9	18,056	60.5	81.2
GROSS MARGIN	**19,335**	**37.1**	**11,806**	**39.5**	**63.8**
Research and Development costs	2,224	4.3	1,824	6.1	21.9
Commercial costs	4,980	9.6	3,094	10.4	61.0
General and Administrative costs	4,650	8.9	2,548	8.5	82.5
EBITDA	**7,481**	**14.4**	**4,340**	**14.5**	**72.4**
Amortization, Depreciation & Write-offs	2,395	4.6	1,747	5.9	37.1
Riorganization and Non Recurrent Costs	-	0.0	0	0.0	0.0
OPERATING PROFIT (EBIT)	**5,087**	**9.8**	**2,593**	**8.7**	**96.2**
Financial income (charges)	(1,078)	(2.1)	(260)	(0.9)	314.6
EARNINGS BEFORE TAXES (EBT)	**4,009**	**7.7**	**2,333**	**7.8**	**71.8**
Taxes	(999)	(1.9)	(520)	(1.7)	92.1
NET PROFIT	**3,010**	**5.8**	**1,813**	**6.1**	**66.0**

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Net Financial Position as of 30 September 2023

.000 Euro	30.09.2023	31.12.2022	Var
Cash	31,400	33,015	(1,615)
Trading securities at fair value	38,709	48,490	(9,781)
Short term Financial Debts	(54,809)	(51,187)	(3,622)
Short term Financial Resources	**15,299**	**30,318**	**(15,018)**
Non current Financial Debts - Lessors IFRS 16	(6,358)	(5,988)	(370)
Other Long Term Financial Assets	1,427	1,417	10
Other Non current Financial Debts	(56,122)	(64,017)	7,895
Non current Financial Debts	(61,053)	(68,588)	7,535
Net Available Financial Resources	**(45,754)**	**(38,270)**	**(7,483)**
Non-monetary debts for adjustment of the price of the 2021 acquisitions to be paid in TXT shares	-	1,750	(1,750)
Financial Investments	16,542	16,542	-
Net Cash/(Debt) Adjusted	**(29,212)**	**(19,978)**	**(9,233)**
Debt referred to IFRS 16	(9,729)	(8,494)	**(1,235)**

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Consolidate Balance Sheet as of 30 September 2023

€ thousand	30.09.2023	31.12.2022	Change
Intangible assets	77,871	77,975	(104)
Tangible assets	20,297	18,293	2,004
Other fixed assets	22,125	19,360	2,765
Fixed Assets	120,293	115,628	4,665
Inventories	18,275	13,765	4,510
Trade receivables	63,139	73,115	(9,976)
Other short term assets	14,625	15,352	(727)
Trade payables	(16,912)	(20,643)	3,731
Tax payables	(9,676)	(7,958)	(1,718)
Other payables and short term liabilities	(31,743)	(36,834)	5,091
Net working capital	37,708	36,797	911
Severance and other non current liabilities	(5,320)	(4,772)	(548)
Capital employed - Continuing Operations	152,681	147,653	5,028
Shareholders' equity	106,911	109,366	(2,455)
Shareholders' equity - minority interest	17	17	0
Net financial debt	45,754	38,270	7,484
Financing of capital employed	152,682	147,653	5,029

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