

Tinexta

FY19 results

Compound growth outlook confirmed

Tinexta's FY19 headline results are ahead of management guidance, with strong revenue growth in Digital Trust and Innovation & Marketing Services, and strong margin delivery in all business units. Guidance for FY20–22e highlights the continued strong underlying compound growth the group has historically produced. The shares trade at a 14% discount to our maintained DCF-based valuation of €14.6. EV/EBITDA in FY20e is 9.1x.

Year end	Revenue (€m)	PBT* (€m)	EPS* (€)	DPS (€)	P/E (x)	Yield (%)
12/17	174.8	30.5	0.46	0.14	27.3	1.1
12/18	238.7	48.6	0.74	0.23	17.0	1.8
12/19e	258.0**	52.6	0.78	0.26	16.1	2.1
12/20e	271.4	58.3	0.86	0.28	14.6	2.2

Note: *PBT and EPS are normalised, excluding amortisation of acquired intangibles, exceptional items and share-based payments. **Reported revenue based on preliminary results.

FY19 revenue of c €258m (+7.7%) and EBITDA of c €72m (+8.8%) compare with management guidance of greater than €250m and €68–70m, respectively, and our estimates of €257.0m and €72.4m. Net debt/EBITDA is 'less than 2x', confirming the group's strong cash generation. Revenue for Digital Trust (Q4 growth c 14%) and Innovation & Marketing Services (Q4 growth c 25%) was ahead of our expectations, the latter showing the anticipated recovery at Warrant from the temporary slowdown in Q319. Digital Trust's EBITDA margin increased to 27.0% from 26.3% in FY18, and Innovation & Marketing Services' increased to 48.6% from 46.9%. EBITDA for Credit Information & Management was in line with our estimate despite lower revenue (Q4 c -4%), where momentum has improved versus the declines in the previous two quarters. As a result, there was significant improvement in its EBITDA margin to 23.6% from 20.8% in FY18.

New guidance for 2020 is for revenue greater than €270m (at least +4.6% y-o-y) and EBITDA growth of 8%, ie at least c €78m, compared with our existing estimates of €271.4m and €80.1m, but we note management's historical conservatism. Guidance for 2022 of revenue greater than €300m and EBITDA to grow more quickly implies annual revenue growth of c 5.6%, an acceleration from the growth rate in 2020. Given that guidance for 2020 is consistent with our existing estimates and detailed financial statements are not available until 19 March 2020, we retain our existing forecasts.

Professional services

17 February 2020

Price €12.56

Market cap €589m

€1.20/€

Net debt (€m) at 30 September 2019 129.5

Shares in issue 46.9m

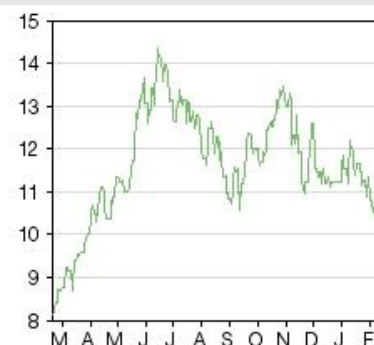
Free float 34%

Code TNXT

Primary exchange Borsa Italiana STAR

Secondary exchange N/A

Share price performance



Business description

Tinexta has three business divisions: Digital Trust – solutions to improve digital security; Credit Information & Management – information services to help manage corporate credit; and Innovation & Marketing Services – consulting services to help clients develop and/or grow their businesses.

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