

Tinexta

Q121 results

A reassuring start to FY21

Tinexta's Q121 results highlighted strong growth in organic revenue, profitability and free cash flow generation in what is typically a small quarter from a financial perspective. The recently acquired Cyber Security businesses are performing in line with management's expectations, which is reassuring. Our forecasts are unchanged as is our DCF-base valuation of €27, representing 14% upside from the current share price.

Year end	Revenue (€m)	PBT* (€m)	EPS* (€)	DPS (€)	P/E (x)	Yield (%)
12/19	258.7	53.5	0.80	0.00	29.6	N/A
12/20	269.0	58.6	0.85	0.26	27.8	1.1
12/21e	370.2	73.5	1.11	0.33	21.3	1.4
12/22e	411.7	86.9	1.31	0.40	18.0	1.7

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

Q121: Strong growth in revenue, profit and cash flow

Tinexta's year-on-year growth in Q121 was revenue 51%, adjusted EBITDA 55% and adjusted net income 90%. Organic growth for revenue of 17.6% y-o-y and adjusted EBITDA of 33.5% is a strong start to the year, against a weak COVID-affected Q120 comparative, with respective organic declines of 8.4% and 29.6%. The two-year organic growth rate for revenue is c 4%. The organic revenue growth in Q121 is broad based (Digital Trust +19.4% y-o-y, Credit Information & Management +10.7%, Innovation & Marketing Services +23.5%). Digital Trust's growth is notable given a two-year rate of c 11% against management's guidance of c 7% for FY21, whereas two-year growth rates for the other units are modestly negative. Adjusted EBITDA margins increased in all 'organic' divisions, giving a total margin of 20.6% (Q120 20.0%) despite the margin dilution from Cyber Security, which is performing in line with management's expectations. Free cash flow generation of €24.8m increased 30% y-o-y due to the higher profitability and the same absolute working capital inflow, despite Tinexta's increased scale after M&A (Cyber Security). On a trailing 12-month basis, free cash flow of €71.3m has increased 62% since Q120. The closing net debt position of €187.0m (2.2x trailing 12-month EBITDA) versus €91.9m (FY20) reflects M&A (Cyber Security) and the free cash flow generation.

FY21: Management's guidance reiterated

Management has reiterated recent financial guidance for FY21 for revenue of €370m (+38% y-o-y) and EBITDA of €96m (+23% y-o-y), given the first quarter is typically one of the smallest from a financial perspective and comparatives become less negative/more positive through the year. We leave our forecasts unchanged, in line with management's guidance.

Valuation: DCF valuation of €27/share

The share price has recently retreated, with the general market weakness leading to a P/E multiple for FY21 of 21.3x, below its prior peak multiple. We believe Tinexta's better future growth profile and cash generation warrant a higher multiple than historically. Our DCF-based valuation remains €27 per share.

Professional services

13 May 2021

Price €23.60

Market cap €1,096m

€/€0.86

Net debt (€m) at 31 March 2021 187

Shares in issue 46.4m

Free float 34%

Code TNXT

Primary exchange Borsa Italiana Star

Secondary exchange N/A

Share price performance



%	1m	3m	12m
Abs	(1.4)	4.2	114.2
Rel (local)	(1.7)	(0.6)	53.3

52-week high/low €26.42 €10.88

Business description

Tinexta has four divisions: Digital Trust, solutions to increase trust in digital transactions; Credit Information & Management, services to manage credit; Innovation & Marketing Services, consulting services to help clients develop their businesses; and Cybersecurity.

Next events

H121 results 3 August 2021

Q321 results 10 November 2021

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Exhibit 1: Financial summary

	€m	2016	2017	2018	2019	2020	2021e	2022e
31-December		IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS
INCOME STATEMENT								
Revenue		146.9	174.8	238.7	258.7	269.0	370.2	411.7
Operating costs			(135.9)	(172.1)	(181.9)	(187.8)	(274.0)	(301.1)
EBITDA before non-recurring costs		30.2	38.9	66.6	76.8	81.2	96.2	110.6
EBITDA		29.3	40.6	66.0	71.3	77.9	96.2	110.6
Normalised operating profit		23.5	29.9	54.3	59.0	62.2	75.5	88.9
Amortisation of acquired intangibles		(5.1)	(4.6)	(5.8)	(5.9)	(6.0)	(6.0)	(6.0)
Exceptionals		(1.0)	1.8	(0.6)	(5.5)	(3.3)	0.0	0.0
Share-based payments		0.0	0.0	0.0	0.0	0.0	0.0	0.0
Reported operating profit		17.4	27.1	47.9	47.5	52.9	69.5	82.9
Net Interest		(1.0)	1.5	(2.5)	(4.1)	0.6	(2.0)	(2.0)
Joint ventures & associates (post tax)		0.0	0.0	0.1	(1.1)	(1.0)	0.0	0.0
Exceptionals		0.0	0.0	0.0	0.0	0.0	0.0	0.0
Profit Before Tax (norm)		22.5	30.7	51.8	53.5	58.6	73.5	86.9
Profit Before Tax (reported)		16.4	28.6	45.5	42.2	52.5	67.5	80.9
Reported tax		(4.8)	(8.4)	(12.6)	(13.4)	(14.6)	(19.9)	(23.9)
Profit After Tax (norm)		15.9	21.6	36.8	38.3	40.6	51.8	61.3
Profit After Tax (reported)		11.6	20.2	32.9	28.8	37.9	47.6	57.0
Minority interests		(0.1)	(0.1)	(0.6)	(0.6)	(0.6)	(0.8)	(1.0)
Discontinued operations		0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net income (normalised)		15.9	21.6	36.2	37.7	39.9	51.0	60.3
Net income (reported)		11.6	20.1	32.4	28.2	37.3	46.8	56.1
Average number of shares outstanding (m)		37.5	46.6	46.8	47.3	46.7	46.1	46.1
EPS - normalised (c)		42.3	46.5	77.6	80.3	85.4	110.6	130.8
EPS - normalised fully diluted (€)		0.42	0.46	0.77	0.80	0.85	1.11	1.31
EPS - basic reported (€)		0.31	0.43	0.69	0.60	0.80	1.01	1.22
Dividend (€)		0.09	0.14	0.23	0.00	0.26	0.33	0.40
Revenue growth (%)		18.3	19.0	36.6	8.4	4.0	37.6	11.2
EBITDA Margin before non-recurring costs (%)		20.6	22.2	27.9	29.7	30.2	26.0	26.9
Normalised Operating Margin		16.0	17.1	22.8	22.8	23.1	20.4	21.6
BALANCE SHEET								
Fixed Assets		216.4	275.8	307.1	316.7	325.8	436.0	436.3
Intangible Assets		200.7	260.6	272.1	269.9	285.1	398.3	400.5
Tangible Assets		7.1	8.3	8.2	21.2	19.0	16.0	14.1
Investments & other		8.6	6.9	26.8	25.6	21.7	21.7	21.7
Current Assets		122.6	125.8	143.4	139.4	196.1	145.9	183.6
Stocks		1.0	2.1	1.3	1.1	1.2	1.2	1.2
Debtors		50.9	80.3	86.3	89.8	84.1	115.8	128.7
Cash & cash equivalents		60.4	37.0	35.1	33.6	92.8	10.9	35.7
Other financial assets		6.4	4.3	8.2	6.6	7.3	7.3	7.3
Other		3.9	2.2	12.4	8.2	10.7	10.7	10.7
Current Liabilities		(89.8)	(102.9)	(194.4)	(160.4)	(154.9)	(177.6)	(186.9)
Creditors		(33.2)	(47.7)	(93.9)	(92.7)	(106.7)	(129.3)	(138.6)
Tax and social security		(1.5)	(6.1)	(0.7)	(2.9)	(5.1)	(5.1)	(5.1)
Short term borrowings		(36.9)	(21.7)	(97.4)	(62.0)	(40.4)	(40.4)	(40.4)
Other		(18.2)	(27.3)	(2.4)	(2.9)	(2.7)	(2.7)	(2.7)
Long Term Liabilities		(119.2)	(155.5)	(110.8)	(146.2)	(193.2)	(203.2)	(198.2)
Long term borrowings		(100.8)	(123.8)	(70.7)	(107.0)	(150.5)	(160.5)	(155.5)
Other long term liabilities		(10.2)	(17.5)	(18.2)	(15.8)	(14.3)	(14.3)	(14.3)
Net Assets		129.9	143.2	145.4	149.4	173.9	201.2	234.9
Minority interests		(0.2)	(0.5)	(3.8)	(3.9)	(4.0)	(4.8)	(5.8)
Shareholders' equity		129.7	142.7	141.6	145.6	169.8	196.4	229.1
CASH FLOW								
Operating cash flow		20.0	32.2	43.4	55.2	81.6	61.3	77.1
Capex and intangibles		(5.7)	(6.5)	(13.1)	(13.5)	(14.9)	(18.0)	(21.9)
Acquisitions/disposals		(37.0)	(61.1)	(33.2)	(47.5)	(36.1)	(113.0)	0.0
Net interest		(1.0)	(1.5)	(1.4)	(2.5)	(1.9)	(2.0)	(2.0)
Equity financing		48.2	1.1	1.1	1.1	(10.0)	(8.0)	(8.0)
Dividends		(3.8)	(7.0)	(12.1)	(16.4)	(2.2)	(12.2)	(15.3)
Borrowings		19.4	15.2	17.3	23.7	35.4	10.0	(5.0)
Other		1.1	4.2	(3.9)	(1.7)	7.3	0.0	0.0
Net Cash Flow		41.1	(23.4)	(1.9)	(1.5)	59.2	(81.9)	24.8
Opening net debt/(cash)		48.5	71.2	104.4	124.9	129.1	91.9	182.5
FX		0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other non-cash movements		(63.8)	(9.7)	(18.7)	(2.7)	(22.0)	(8.8)	5.0
Closing net debt/(cash)		71.2	104.4	124.9	129.1	91.9	182.5	152.7

Source: Company accounts, Edison Investment Research

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