

# Tinexta

Q122 results

## Encouraging start to FY22

Tinexta reported a good start to the year with continued strong organic revenue growth in Q122. This was further boosted by first-time contributions from acquisitions completed through FY21 and into FY22, which were also helpful to the total margin. Management re-iterated its financial guidance for FY22 while recognising the greater macroeconomic and inflationary pressures than when the guidance was made earlier in the year. The recent share price weakness means the stock is trading at a substantial discount to our unchanged DCF-based valuation of €42/share.

Year end	Revenue (€m)	PBT* (€m)	EPS* (€)	DPS (€)	P/E (x)	Yield (%)
12/20	269.0	58.4	0.86	0.26	26.9	1.1
12/21	375.4	70.4	1.04	0.30	22.4	1.3
12/22e	446.8	87.0	1.16	0.31	19.7	1.4
12/23e	500.2	105.5	1.43	0.40	15.9	1.7
12/24e	558.6	122.9	1.69	0.48	13.5	2.1

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

## Q122: Organic growth and M&A contribution

Tinexta's revenue grew by 16% y-o-y to €96.0m and adjusted EBITDA by 13% to €19.2m in Q121. Organic revenue growth of 7.0% was broad-based (all divisions except Credit Information & Management (CIM) grew year-on-year) despite the challenging comparative provided by Q121. Acquisitions were important contributors in the period, adding 9% to revenue growth and 15% to adjusted EBITDA growth, implying higher margins than the group average. The period end net debt position improved to €228.4m (€263.3m at end FY21) as stable absolute free cash flow generation and the initial proceeds from the [Bregal investment](#) (€70m) more than offset M&A spend (€59m) in the period.

## FY22: Management reiterates guidance

Management reiterated its recent [guidance for FY22](#) (total revenue growth of 18–20% and adjusted EBITDA growth of 20–22%). With inflationary pressures greater than when the guidance was initially provided, management indicated it is confident these are limited (staff costs) and/or manageable (external suppliers) in FY22. Management highlighted Tinexta has no direct exposure to Russia and Ukraine but noted there may be secondary effects from clients' exposure as well as the expected wider economic weakness given the sensitivity to overall GDP growth rates in a number of group companies, mainly CIM and Innovation & Marketing Services (IMS). We upgraded our forecasts modestly (FY22 EBITDA by 1%) to reflect the acquisition of Enhancers in March 2022.

## Valuation: Discount to DCF and SOTP valuations

The recent de-rating of the share price makes prospective multiples more attractive versus Tinexta's history when considering management's expectations for future revenue and profit growth. EV/EBITDA multiples for FY22–24 of 11.2x, 9.7x and 8.6x compare with its average multiple of 7.8x (FY17–19 ie pre COVID-19) and peak multiples of 10.3x. Our DCF-based valuation of c [€42/share](#) is unchanged.

### Professional services

11 May 2022

**Price** €22.84  
**Market cap** €1,078m

Net debt (€m) at 31 March 2022	228.4
Shares in issue	47.2m
Free float	34%
Code	TNXT
Primary exchange	Euronext STAR Milan
Secondary exchange	N/A

### Share price performance



%	1m	3m	12m
Abs	(4.5)	(24.1)	(6.1)
Rel (local)	(2.4)	(16.9)	(3.7)
52-week high/low	€43.26	€21.22	

### 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, services to help clients develop their businesses; and Cyber Security, services to help digital transformation.

### Next events

H122 results	3 August 2022
Q322 results	10 November 2022

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## Q122 results: Important contribution from M&A

Tinexta continued to enjoy good momentum into Q122 with organic revenue growth of 7.0%. The period had a tough comparative from Q121 when organic revenue growth was +17.6%, albeit that period had an easier comparative of -8.4% due to the outbreak of the COVID-19 pandemic in Q120. Following a high level of M&A through FY21 and the start of FY22, the first-time contributions from these acquisitions (Forvalue acquired July 2021, CertEurope acquired November 2021 and Evalue acquired January 2022) made an important contribution, adding a further c 9% growth to give total revenue growth of c 16% to €96.0m.

Adjusted EBITDA growth of 13% y-o-y to €189.2m was lower than the above revenue growth, such that the margin reduced modestly to 20.0% from 20.6% in Q121. Underlying adjusted EBITDA declined by 1.6% due to a combination of mix and margin changes for individual businesses. Digital Trust (DT) was the only business unit to demonstrate underlying margin growth during the period; the other business units were affected by tough comparatives including phasing or increased investment. Acquisitions increased adjusted EBITDA growth by c 15% (ie at a higher margin than the underlying group average), to give total growth of 13% to €19.2m. We remind readers that Q1 is typically seasonally less important from a financial perspective, Q122's delivered revenue represents c 22% of our FY22 (unchanged) forecasts, consistent with Tinexta's results in prior years.

Further down the income statement, the most significant change was an increase in the tax rate to 33.7% from 19.5% in Q121, which benefitted from non-recurring tax income.

## Business unit performance

Exhibit 1: Financial performance						
€m	Q121	Q221	Q321	Q421	FY21	Q122
<b>Group revenue</b>	<b>82.7</b>	<b>95.1</b>	<b>83.7</b>	<b>113.8</b>	<b>375.4</b>	<b>96.0</b>
Growth y-o-y	50.5%	38.2%	28.7%	41.9%	39.5%	16.2%
Organic y-o-y	17.6%	8.8%	(1.9%)	7.8%	7.7%	7.0%
Digital Trust	31.2	32.4	29.6	38.1	131.3	38.0
Organic y-o-y	19.4%	10.9%	7.1%	7.7%	11.0%	7.7%
Cyber Security	16.8	17.8	16.9	21.4	72.8	18.0
Organic y-o-y					104.2%	7.1%
Credit Information & Management	18.9	19.8	18.2	22.0	79.0	19.9
Organic y-o-y	10.7%	8.9%	(18.2%)	(7.2%)	(2.4%)	(2.9%)
Innovation & Marketing Services	16.1	25.5	19.6	33.6	94.8	21.0
Organic y-o-y	23.5%	5.2%	2.9%	16.4%	11.3%	19.4%
Other	(0.3)	(0.5)	(0.6)	(1.2)	(2.6)	(0.8)
<b>Group adjusted EBITDA</b>	<b>17.0</b>	<b>25.3</b>	<b>21.0</b>	<b>35.4</b>	<b>98.7</b>	<b>19.2</b>
Margin	20.6%	26.6%	25.1%	31.1%	26.3%	20.0%
Growth y-o-y	54.5%	5.8%	(4.5%)	45.7%	21.5%	13.0%
Digital Trust	7.2	8.4	8.6	12.2	36.4	10.4
Margin	23.0%	26.0%	29.1%	32.0%	27.7%	27.3%
Cyber Security	1.9	1.6	2.3	4.3	10.1	1.2
Margin	11.5%	8.7%	13.8%	20.0%	13.9%	6.5%
Credit Information & Management	5.3	6.1	4.9	6.5	22.8	4.7
Margin	28.0%	31.0%	26.9%	29.4%	28.9%	23.4%
Innovation & Marketing Services	5.0	12.1	7.9	16.1	41.1	6.3
Margin	30.9%	47.6%	40.1%	48.0%	43.3%	30.2%
Other	(2.4)	(3.0)	(2.7)	(3.7)	(11.7)	(3.3)

Source: Tinexta

DT's revenue grew by c 22% to €38.0m with a significant new contribution from CertEurope (acquired in November 2021) of €4.4m and organic growth of 7.7% against a tough comparative from Q121 of 19.4% as demand normalised following the COVID-19 outbreak in 2020.

Management points to strong underlying demand for its core products, some of which is being helped by added functionality from collaboration with the Cyber Security (CS) business unit. There was no information with respect to CertEurope's underlying growth versus before it was owned by Tinexta, but its performance to date looks supportive of our FY22 revenue estimate of €17m, assuming Q1 is typically a seasonally less important period from a financial perspective as it is for the rest of the division. DT's EBITDA margin of 27.3% was boosted by the contribution of CertEurope, which has a higher margin (40.6% reported in Q122) than the underlying businesses (25.5%).

CS's organic revenue growth of 7.1% to €18.0m was stated to be in line with management's expectations (it believes Q1 is likely to be a seasonally less important period from a financial perspective as it is for Tinexta's other divisions). The growth was driven by good demand for systems integration and certified email and management is confident that future growth will be supported by the recent launch of important new products and services. Adjusted EBITDA of €1.2m and a margin of 6.5% vs 11.5% in Q121 reflects higher costs to drive a higher margin in future. We note that management's guidance for CS is average three-year (FY22–24) organic revenue growth of 19% and adjusted EBITDA growth of 31%, implying a significant improvement through the remainder of FY22.

The first-time contribution of Forvalue (acquired July 2021), stated to be in line with management's expectations, contributed 9% growth to CIM's total year-on-year revenue growth of c 6% to €19.9m. The underlying revenue decline of c 3% y-o-y and lower adjusted EBITDA margin (23.4% vs 28.0% in Q121) were attributed to the strong demand for access to the Guarantee Fund (Italian government's financial support following COVID-19) in the prior year. There was no weakness in the real estate business, ReValuta (c one third of divisional revenue in FY21), during the period despite the weaker macroeconomic outlook and higher interest rates. We believe it is reasonable to expect some deterioration in trends here through the year given the weaker macroeconomic trends.

IMS's total revenue grew by 30% y-o-y to €21.0m, including the first-time contribution of Evalue (acquired 1 January 2022) which added c 11% to growth. There was strong underlying revenue growth (19.4% y-o-y) across the business unit, notably Warrant Hub's consulting for subsidised finance and training and Co.Mark's consulting services for exporting with no direct or indirect impact from the war in Ukraine yet. IMS's profitability is typically volatile through the year due its seasonality (Q2 and Q4 are typically the most significant from a financial perspective) and the differing margin profiles of the individual businesses.

## Cash flow and balance sheet

Tinexta finished the period with net debt of €228.4m (2.26x the trailing 12 months (TTM) EBITDA), a good improvement from €263.3m (2.67x TTM EBITDA) at the end of FY21. In absolute terms, free cash flow generation of €24.6m was consistent with Q121's €24.8m. With revenue in Q122 up 16% y-o-y, the lower cash generation relative to revenue reflects the lower net income margin (lower EBITDA margin and higher tax expense), consistent working capital investment and higher cash tax payments.

Acquisition payments of €58.8m (excluding derivative changes on previous acquisitions) were more than offset by the receipt of Bregal's first payment of €70m for its investment in InfoCert.

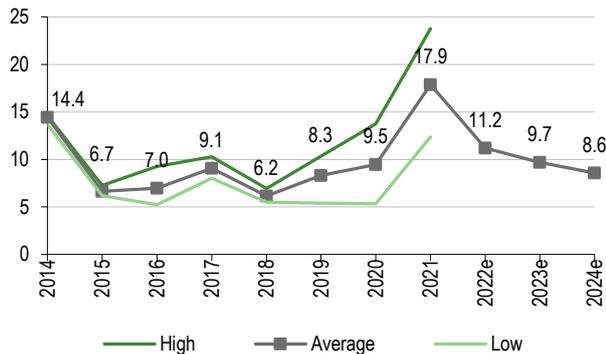
## Valuation: More attractive versus historic multiples

The recent reduction in Tinexta's share price means that its forward multiples are more attractive on an absolute basis. Exhibits 2 and 3 show Tinexta's prospective EV/EBITDA and P/E (using current enterprise value (EV) and share price) against its historical high, average (indicated) and low multiples in any year (using historical EV and market value, MV).

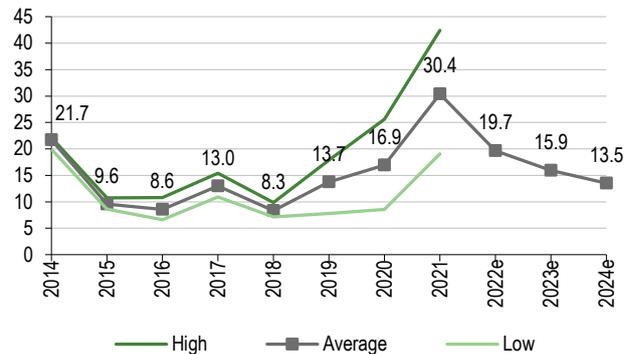
Tinexta's EV/EBITDA multiples for FY22–24 of 11.2x, 9.7x and 8.6x compare with its long-run average multiple of 9.9x but this includes some distortion in FY20 and FY21 due to the outbreak of COVID-19. As the company's revenue growth prospects and profitability improved, from 2017 onwards its multiple averaged 7.8x (FY17–19), but also traded at peak multiples of 10.3x (FY17 and FY19).

Tinexta's P/E multiples for FY22–24 of 19.7x, 15.9x and 13.5x compare with its average multiple (FY17–19) of 11.7x and peak of 17.9x (FY19).

**Exhibit 2: EV/EBITDA multiple**



**Exhibit 3: P/E multiple**



Source: Refinitiv, Edison Investment Research. Note: Priced 17 May 2022.

Source: Refinitiv, Edison Investment Research. Note: Priced 17 May 2022.

The recent stock market weakness has led to a de-rating of the quoted peers that we use in our sum-of-the-parts (SOTP) valuation for Tinexta.

**Exhibit 4: Peer valuations**

Company	Share price (local)	Currency	Market cap (€m)	Sales growth '22 (%)	Sales growth '23 (%)	EBITD A growth '22 (%)	EBITD A growth '23 (%)	EBITD A margin '22 (%)	EBITD A margin '23 (%)	EV/Sales '22 (x)	EV/Sales '23 (x)	EV/EBITD A '22 (x)	EV/EBITD A '23 (x)	PE '22 (x)	PE '23 (x)
Adobe Inc	403	USD	182,486	13	15	13.5	15.0	48.9	49.1	10.5	9.2	21.5	18.7	29.1	24.7
DocuSign Inc	74	USD	14,276	19	17	9.3	18.4	20.3	20.4	6.1	5.2	29.9	25.3	37.9	32.8
DT median				16	16	11.4	16.7	34.6	34.8	8.3	7.2	25.7	22.0	33.5	28.8
Equifax Inc	196	USD	22,986	6	9	10.3	12.6	35.4	36.7	5.7	5.2	16.1	14.3	24.0	20.8
Experian PLC	2,646	GBP	28,813	11	9	12.5	10.3	35.1	35.6	5.1	4.7	14.7	13.3	19.4	17.4
Fair Isaac Corp	364	USD	9,059	5	9	15.9	8.5	47.4	47.3	7.9	7.3	16.7	15.4	21.8	19.3
TransUnion	82	USD	15,125	31	9	22.8	12.5	36.7	37.9	5.3	4.9	14.4	12.8	20.9	18.2
CIM median				8	9	14.2	11.4	36.0	37.3	5.5	5.1	15.4	13.8	21.3	18.7
Alkemy SpA	14	EUR	78	14	9	37.2	14.4	11.6	12.2	1.0	0.9	8.3	7.2	12.7	10.5
Be Shaping the Future SpA	3	EUR	422	8	7	15.3	12.4	16.8	17.6	1.7	1.6	10.2	9.1	29.2	24.8
IMS median				11	8	26.3	13.4	14.2	14.9	1.3	1.2	9.2	8.2	20.9	17.7
Reply SpA	120	EUR	4,465	18	11	12.3	9.8	16.9	16.8	2.4	2.2	14.5	13.2	25.9	23.4
secunet Security Networks AG	342	EUR	2,205	7	26	N/A	28.0	19.4	19.7	5.9	4.7	30.3	23.6	53.3	41.5
CS median				12	18	12.3	18.9	18.1	18.2	4.2	3.4	22.4	18.4	39.6	32.5
Tinexta	22.8	EUR	1,078	22	16	22.5	15.6	27.1	27.9	3.0	2.7	11.2	9.7	19.7	15.9

Source: Refinitiv, Edison Investment Research. Note: Priced 17 May 2022

Our SOTP valuation for Tinexta when applying the above peer multiples to our forecasts is approximately €38/share versus c €49/share previously.

**Exhibit 5: Sum-of-the-parts valuation**

	EBITDA		EBITDA multiple		Valuation				Comments
	FY22e	FY23e	FY22e	FY23e	FY22e	FY23e	FY22e	FY23e	
	€m	€m	x	x	€m	€m	€/share	€/share	
Digital Trust	46.1	52.1	25.7	22.0	1,184.2	1,143.8	25.1	24.2	
Credit Information & Management	24.1	27.2	15.4	13.8	370.5	374.8	7.8	7.9	
Innovation & Marketing Services	50.6	56.8	9.2	8.2	467.7	463.0	9.9	9.8	
Cyber Security	13.1	18.4	22.4	18.4	293.9	338.1	6.2	7.2	
Total/ (average)	133.9	154.3	18.2	15.6	2,316.3	2,319.7	49.1	49.1	
Central costs	(13.0)	(14.6)	16.4	14.0	(212.6)	(204.3)	(4.5)	(4.3)	10% discount to average multiple
	120.9	139.8	17.4	15.1	2,103.7	2,115.5	44.6	44.8	
Associate					7.6	7.6	0.2	0.2	
Minorities					(95.4)	(102.5)	(2.0)	(2.2)	Proforma for Bregal
Net cash/ (debt)					(228.4)	(228.4)	(4.8)	(4.8)	
Market value					1,787.4	1,792.2	37.9	38.0	
Shares (m)					47.2	47.2			
Implied share price (€)					37.9	38.0			

Source: Refinitiv, Edison Investment Research. Note: Priced 17 May 2022.

**Exhibit 6: Financial summary**

	€m	2019	2020	2021	2022e	2023e	2024e
31-December		IFRS	IFRS	IFRS	IFRS	IFRS	IFRS
<b>INCOME STATEMENT</b>							
Revenue		258.7	269.0	375.4	446.8	500.2	558.6
Operating costs		(181.9)	(187.8)	(276.6)	(325.9)	(360.4)	(400.4)
EBITDA		76.8	81.2	98.7	120.9	139.8	158.2
EBITDA (not adjusted)		71.3	77.9	93.0	118.1	137.0	155.4
Operating profit (before amort. and excepts.)		59.0	62.2	74.3	92.2	110.5	127.4
Amortisation of acquired intangibles		(5.9)	(6.0)	(11.7)	(11.7)	(11.7)	(11.7)
Exceptionals		(2.0)	(2.4)	(2.9)	0.0	0.0	0.0
Share-based payments		(3.6)	(0.9)	(2.8)	(2.8)	(2.8)	(2.8)
Reported operating profit		47.5	52.9	56.9	77.7	96.0	112.9
Net Interest		(4.1)	0.6	(3.3)	(5.0)	(4.7)	(4.2)
Joint ventures & associates (post tax)		(1.1)	(1.0)	(0.2)	(0.2)	(0.2)	(0.2)
Exceptionals		0.0	0.0	0.0	0.0	0.0	0.0
Profit Before Tax (norm)		55.0	58.4	70.4	87.0	105.5	122.9
Profit Before Tax (reported)		42.2	52.5	53.4	72.5	91.1	108.5
Reported tax		(13.4)	(14.6)	(13.8)	(21.0)	(26.4)	(31.5)
Profit After Tax (norm)		38.3	40.6	49.5	61.8	74.9	87.3
Profit After Tax (reported)		28.8	37.9	39.6	51.5	64.7	77.0
Minority interests		(0.6)	(0.6)	(1.3)	(8.4)	(9.5)	(10.7)
Discontinued operations		0.0	0.0	0.0	0.0	0.0	0.0
Net income (normalised)		37.7	40.0	48.2	53.3	65.4	76.5
Net income (reported)		28.2	37.3	38.3	43.0	55.1	66.3
Average Number of Shares Outstanding (m)		47.0	47.1	47.2	45.9	45.6	45.4
EPS - normalised (c)		80.3	85.5	104.4	116.2	143.3	168.7
EPS - normalised fully diluted (c)		80.3	84.9	102.0	116.2	143.3	168.7
EPS - basic reported (€)		0.60	0.80	0.83	0.94	1.21	1.46
Dividend (€)		0.00	0.26	0.30	0.31	0.40	0.48
Revenue growth (%)		8.4	4.0	39.5	19.0	11.9	11.7
EBITDA Margin before non-recurring costs (%)		29.7	30.2	26.3	27.1	27.9	28.3
Normalised Operating Margin		22.8	23.1	19.8	20.6	22.1	22.8
<b>BALANCE SHEET</b>							
Fixed Assets		316.7	325.8	591.0	640.3	621.3	603.2
Intangible Assets		269.9	285.1	538.5	592.8	576.7	560.0
Tangible Assets		21.2	19.0	25.2	20.2	17.3	15.8
Investments & other		25.6	21.7	27.4	27.4	27.4	27.4
Current Assets		139.4	196.1	213.2	251.1	323.7	399.9
Stocks		1.1	1.2	1.3	1.3	1.3	1.3
Debtors		89.8	84.1	119.5	153.0	171.3	191.3
Cash & cash equivalents		33.6	92.8	68.3	72.6	126.9	183.1
Other financial assets		6.6	7.3	4.1	4.1	4.1	4.1
Other		8.2	10.7	20.0	20.0	20.0	20.0
Current Liabilities		(160.4)	(154.9)	(207.5)	(224.6)	(237.4)	(251.3)
Creditors		(92.7)	(106.7)	(146.8)	(163.9)	(176.6)	(190.6)
Tax and social security		(2.9)	(5.1)	(3.6)	(3.6)	(3.6)	(3.6)
Short term borrowings		(62.0)	(40.4)	(54.1)	(54.1)	(54.1)	(54.1)
Other		(2.9)	(2.7)	(3.1)	(3.1)	(3.1)	(3.1)
Long Term Liabilities		(146.2)	(193.2)	(353.1)	(353.1)	(353.1)	(353.1)
Long term borrowings		(107.0)	(150.5)	(281.5)	(281.5)	(281.5)	(281.5)
Other long term liabilities		(15.8)	(14.3)	(30.2)	(30.2)	(30.2)	(30.2)
Net Assets		149.4	173.9	243.7	313.8	354.5	398.7
Minority interests		(3.9)	(4.0)	(47.0)	(95.4)	(102.5)	(105.7)
Shareholders' equity		145.6	169.8	196.7	218.3	252.1	293.0
<b>CASH FLOW</b>							
Operating Cash Flow		55.2	81.6	72.5	83.2	107.6	120.5
Capex and intangibles		(13.5)	(14.9)	(16.2)	(25.3)	(21.9)	(24.4)
Acquisitions/disposals		0.0	(3.3)	(92.8)	(64.4)	0.0	0.0
Net interest		(2.5)	(1.9)	(2.3)	(5.0)	(4.7)	(4.2)
Equity financing		1.1	(10.0)	(9.3)	(10.0)	(10.0)	(10.0)
Dividends		(16.4)	(2.2)	(12.5)	(19.2)	(21.7)	(25.7)
Borrowings		23.7	35.4	42.9	0.0	0.0	0.0
Other		1.7	11.2	6.6	45.0	5.0	0.0
Net Cash Flow		(1.5)	59.2	(24.6)	4.3	54.3	56.2
Opening net debt/(cash)		124.9	129.1	91.9	263.3	259.0	204.7
Closing net debt/(cash)		129.1	91.9	263.3	259.0	204.7	148.5

Source: Company data, Edison Investment Research

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