

Tinexta

Q322 results

Management confident of rebound in Q422

Tinexta's Q322 results highlighted the consistent strong growth of Digital Trust (DT) and contributions from M&A (seven acquisitions), offset by the typical lower seasonal contribution from its other divisions, which management believes were accentuated by the phasing of demand for certain products and services. Despite the more challenging macroeconomic backdrop, management re-iterated its FY22 guidance. This will require a greater profit contribution by Q4 than is typical, which management believes is supported by revenue backlogs and more positive phasing than Q322. We have increased our DCF-based valuation to €39/share (€38 previously).

Year end	Revenue (€m)	PBT* (€m)	EPS* (€)	DPS (€)	P/E (€)	Yield (%)
12/20	269.0	58.4	0.85	0.26	27.9	1.1
12/21	**301.5	70.4	1.02	0.30	23.2	1.3
12/22e	365.3	67.4	0.88	0.29	26.9	1.2
12/23e	408.2	83.7	1.09	0.29	21.7	1.2
12/24e	455.8	98.9	1.31	0.36	18.1	1.5

Note: *PBT and EPS are normalised, excluding amortisation of acquired intangibles, exceptional items and share-based payments. **Pro forma for disposal of Credit Information & Management.

Q322: Seasonally less important period

Tinexta's Q322 revenue, adjusted EBITDA and operating profit grew by c 17%, 9% and 12% y-o-y respectively. M&A was the key growth driver in the period (revenue +14% y-o-y, adjusted EBITDA +24%) versus organic growth (revenue +3% y-o-y, adjusted EBITDA down 15%). DT continued to deliver strong organic growth (revenue +12.8%, adjusted EBITDA +14.5%). Total revenue growth and profitability were suppressed by two divisions. Innovation & Marketing Services (IMS) demonstrated its typical weaker Q3 seasonality, accentuated by phasing declines in Automatic Subsidised Finance. Cyber Security's (CS's) profitability fell due to mix shifts and internal investment for future growth. Its Q322 adjusted EBITDA margin of 8.7% (13.8% in Q321) was lower than the group average (Q322 22.5%, Q321 24.1%). The receipt of disposal proceeds (€130m) and free cash flow led to a significant improvement in period-end net debt (€139m vs €263m end H122)

FY22 estimates: Guidance re-iterated

Management re-iterated its [FY22 guidance](#): y-o-y revenue growth of 21–23% and adjusted EBITDA growth of 25–27%. We retain our estimates, which are in line with guidance, but incorporate the completed investment by Intesa Sanpaolo (IS) of €55m for a 12% minority stake in Warrant Hub (IMS subsidiary). Meeting guidance requires a significant improvement in performance in Q422 by IMS (51% of FY22e divisional EBITDA to be generated) and CS (63% of FY22e EBITDA to be generated). Management's confidence in meeting guidance stems from a high revenue backlog for both businesses and the elimination of Q3's phasing issues.

Valuation: Well-supported by DCF

The current share price lags our DCF-based valuation, which increases to €39/share from €38 to take account of Tinexta's improved net debt position.

Professional services

14 November 2022

Price €23.7
Market cap €1,118m

Net debt (€m) at 30 September 2022	139.1
Shares in issue	47.2m
Free float	34%
Code	TNXT
Primary exchange	Euronext STAR Milan
Secondary exchange	N/A

Share price performance



Business description

Tinexta has three divisions: Digital Trust, solutions to increase trust in digital transactions; Innovation & Marketing Services, services to help clients develop their businesses; and Cyber Security, services to help digital transformation.

Next events

FY22 results February 2023

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Exhibit 1: Financial summary

	€m	2020	2021	2022e	2023e	2024e
31-December		IFRS	IFRS	IFRS	IFRS	IFRS
INCOME STATEMENT						
Revenue		269.0	375.4	365.3	408.2	455.8
Operating costs		(187.8)	(276.6)	(267.9)	(295.0)	(327.2)
EBITDA		81.2	98.7	97.3	113.2	128.6
EBITDA (not adjusted)		77.9	93.0	90.5	110.4	125.8
Operating profit (before amort. and excepts.)		62.2	74.3	71.9	87.6	101.8
Amortisation of acquired intangibles		(6.0)	(11.7)	(11.7)	(11.7)	(11.7)
Exceptionals		(2.4)	(2.9)	(4.0)	0.0	0.0
Share-based payments		(0.9)	(2.8)	(2.8)	(2.8)	(2.8)
Reported operating profit		52.9	56.9	53.4	73.1	87.4
Net Interest		0.6	(3.3)	(4.2)	(3.7)	(2.7)
Joint ventures & associates (post tax)		(1.0)	(0.2)	(0.2)	(0.2)	(0.2)
Exceptionals		0.0	0.0	0.0	0.0	0.0
Profit Before Tax (norm)		58.4	70.4	67.4	83.7	98.9
Profit Before Tax (reported)		52.5	53.4	49.0	69.2	84.4
Reported tax		(14.6)	(13.8)	(15.7)	(20.1)	(24.5)
Profit After Tax (norm)		40.6	49.5	45.9	59.4	70.2
Profit After Tax (reported)		37.9	39.6	33.3	49.1	60.0
Minority interests		(0.6)	(1.3)	(5.4)	(9.6)	(10.7)
Discontinued operations		0.0	0.0	90.0	0.0	0.0
Net income (normalised)		40.0	48.2	40.4	49.8	59.5
Net income (reported)		37.3	38.3	117.9	39.5	49.2
Average Number of Shares Outstanding (m)		47.1	47.2	45.9	45.6	45.4
EPS - normalised (c)		85.5	104.4	88.1	109.2	131.1
EPS - normalised fully diluted (c)		84.9	102.0	88.1	109.2	131.1
EPS - basic reported (€)		0.80	0.83	2.57	0.87	1.09
Dividend (€)		0.26	0.30	0.29	0.29	0.36
Revenue growth (%)		4.0	39.5	(-2.7)	11.7	11.7
EBITDA Margin before non-recurring costs (%)		30.2	26.3	26.6	27.7	28.2
Normalised Operating Margin		23.1	19.8	19.7	21.5	22.3
BALANCE SHEET						
Fixed Assets		325.8	591.0	651.2	628.2	605.8
Intangible Assets		285.1	538.5	603.7	583.6	562.6
Tangible Assets		19.0	25.2	20.2	17.3	15.8
Investments & other		21.7	27.4	27.4	27.4	27.4
Current Assets		196.1	213.2	429.5	502.2	568.3
Stocks		1.2	1.3	1.3	1.3	1.3
Debtors		84.1	119.5	125.1	139.8	156.1
Cash & cash equivalents		92.8	68.3	278.9	336.9	386.7
Other financial assets		7.3	4.1	4.1	4.1	4.1
Other		10.7	20.0	20.0	20.0	20.0
Current Liabilities		(154.9)	(207.5)	(205.1)	(215.4)	(226.8)
Creditors		(106.7)	(146.8)	(144.4)	(154.6)	(166.0)
Tax and social security		(5.1)	(3.6)	(3.6)	(3.6)	(3.6)
Short term borrowings		(40.4)	(54.1)	(54.1)	(54.1)	(54.1)
Other		(2.7)	(3.1)	(3.1)	(3.1)	(3.1)
Long Term Liabilities		(193.2)	(353.1)	(353.1)	(353.1)	(353.1)
Long term borrowings		(150.5)	(281.5)	(281.5)	(281.5)	(281.5)
Other long term liabilities		(14.3)	(30.2)	(30.2)	(30.2)	(30.2)
Net Assets		173.9	243.7	522.6	562.0	594.2
Minority interests		(4.0)	(47.0)	(92.4)	(99.5)	(102.7)
Shareholders' equity		169.8	196.7	430.2	462.5	491.5
CASH FLOW						
Operating Cash Flow		81.6	72.5	69.4	88.5	98.9
Capex and intangibles		(14.9)	(16.2)	(16.4)	(14.3)	(16.0)
Acquisitions/disposals		(3.3)	(92.8)	146.1	0.0	0.0
Net interest		(1.9)	(2.3)	(4.2)	(3.7)	(2.7)
Equity financing		(10.0)	(9.3)	(10.0)	(10.0)	(10.0)
Dividends		(2.2)	(12.5)	(19.2)	(7.5)	(20.6)
Borrowings		35.4	42.9	0.0	0.0	0.0
Other		11.2	6.6	45.0	5.0	0.0
Net Cash Flow		59.2	(24.6)	210.7	58.0	49.7
Opening net debt/(cash)		129.1	91.9	263.3	52.6	(5.4)
Closing net debt/(cash)		91.9	263.3	52.6	(5.4)	(55.1)

Source: Tinexta, Edison Investment Research

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