EDISON

Tinexta

FY19 results

Strong FY19 with more challenging FY20 ahead

Professional services

Tinexta performed well in FY19 and matched our forecasts, which were ahead of management's guidance from the start of the year. Management has withdrawn guidance for FY20 given the economic uncertainty due to the outbreak of COVID-19. The portfolio includes a high proportion of resilient businesses but there will be some economic sensitivity in all business units, predominantly in Credit Information & Management and Innovation & Marketing Services. Our new assumptions factor in the Italian quarantine affecting the group in March and April 2020, with slow recovery thereafter, giving a downgrade to EBITDA for FY20 of c 6%. The EV/EBITDA multiple for FY20 of 7.7x is low versus the long-term average of 8.5x.

Year end	Revenue (€m)	PBT* (€m)	EPS* (€)	DPS (€)	P/E (x)	Yield (%)
12/18	238.7	48.3**	0.74	0.23	13.2	2.3
12/19	258.7	45.7	0.65	0.00	15.1	0.0
12/20e	251.0	52.5	0.77	0.25	12.7	2.5
12/21e	264.2	57.8	0.85	0.28	11.5	2.9

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

FY19: Outperformance versus guidance

FY19 was a good year for Tinexta as revenue and EBITDA were ahead of management's guidance. Organic growth for revenue was 5.9% and clean EBITDA grew by 7.8%; the margin grew by 180bp to 29.7%. Q419 produced the expected strong uptick, organic revenue growth of 11.8%, in what is a seasonally important quarter. Cash flow generation (relative to sales) improved due to the improved margin and relatively lower cash taxes. Net debt/EBITDA of 1.8x at the year-end was similar to the position at the end of FY18 despite stable capital investment and the buying in of minorities.

FY20: EBITDA forecast downgraded by 6%

Management has withdrawn guidance for FY20 given the outbreak of COVID-19. The quarantine in Italy will affect the three business units in different ways. Our broad assumption is the quarantine will end by the end of April with a gradual recovery thereafter before more normalised trends in Q420. The greatest impact to our forecasts is for Credit Information & Management, where we downgrade the EBITDA forecast for the year by c 16%. Our forecasts for Digital Trust reduced by c 7% and for Innovation & Marketing Services reduce by c 4%. In aggregate, our EBITDA forecasts for the business units reduce by c 8%, but we also assume a 10% reduction in central costs, which limits the EBITDA downgrade to c 6%.

Valuation: Attractive versus trading history

On our new forecasts Tinexta's EV/EBITDA multiples for FY20 and FY21 are 7.7x and 7.3x, respectively. These compare with the average since its IPO in FY14 of 8.5x. This multiple looks low in the context of a better long-term growth outlook and higher profitability as the group structure has evolved, but also reflects the uncertainty over forecasts due to COVID-19.

15 April 2020

Price	**€9.8**
Market cap	**€464m**

Net debt (€m) at 31 December 2019	128
Shares in issue	47.2m
Free float	34%
Code	TNXT
Primary exchange	Borsa Italiana STAR
Secondary exchange	N/A

Share price performance

%	1m	3m	12m
Abs	27.7	(10.9)	(6.8)
Rel (local)	15.9	21.2	16.1
52-week high/low		€14.36	€7.28

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.

Next events

Q120 results	12 May 2020
H120 results	4 August 2020
Q320 results	12 November 2020

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Edison profile page

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FY19 results: Ahead of company guidance

Tinexta performed strongly in FY19 as revenue and EBITDA were ahead of management's guidance, introduced at the start of the year, and broadly in line with our more optimistic forecasts. Revenue of €258.7m and baseline EBITDA of €71.3m, compare with guidance of greater than €250m and €68–70m, respectively, and represented growth of 8.0% and 8.1%, respectively. On an organic basis, revenue growth was 5.9% and clean (or adjusted) EBITDA growth, ie before non-recurring items, was 7.8%. Acquisitions contributed 2.5% to revenue growth and 2.2% to clean EBITDA. The clean EBITDA margin increased by 180bp from 27.9% to 29.7% in FY19. Versus our forecasts, revenue for Digital Trust and Innovation & Marketing Services and clean EBITDA for Credit Information & Management and Innovation & Marketing Services were both better than expected.

The Virtual Stock Option plan represented a cost of €3.6m in FY19 versus €0.4m in FY18, therefore this produced a small decline of c 1% in operating profit. Adjusted operating profit, which excludes non-recurring items etc., increased by 8.6%. Higher finance charges and a new loss from associates led to a decline in reported PBT of c 8% to €42.2m. Adjusted net profit increased by 8.6%. Due to the COVID-19 outbreak, the company, like many others, has decided not to pay a dividend for FY19, representing a cash saving of c €9m.

Management is seeking authority to buy back shares to utilise for a new management stock option plan.

Profit and loss: Organic revenue growth and margin expansion

The table below highlights how Tinexta and its business units performed through FY19.

Exhibit 1: Tinexta's quarterly revenue and profitability progression

€000s	FY18	Q119	Q219	H119	Q319	Q419	H219	FY19
Revenue								
– Digital Trust	94,466	25,192	26,553	51,745	25,067	29,843	54,910	106,655
– Credit Information & Management	73,554	19,364	18,548	37,912	14,804	19,570	34,374	72,286
– Innovation & Marketing Services	70,681	15,178	21,757	36,935	14,705	28,141	42,846	79,781
Total	238,701	59,734	66,858	126,592	54,576	77,554	132,130	258,722
Organic growth y-o-y (%)								
– Digital Trust	7.7	9.5	10.5	10.0	11.2	12.9	12.1	11.1
– Credit Information & Management	2.3	(3.1)	(10.2)	(6.7)	(13.9)	(3.8)	(8.3)	(7.5)
– Innovation & Marketing Services	22.1	32.9	7.6	16.7	(10.0)	24.1	9.8	12.9
Total	7.4	10.2	3.3	6.4	(2.5)	11.8	5.4	5.9
EBITDA (before non-recurring items)								
– Digital Trust	24,846	5,984	7,374	13,358	7,710	8,502	16,212	29,570
– Credit Information & Management	15,562	5,289	4,240	9,529	3,144	4,809	7,953	17,482
– Innovation & Marketing Services	33,139	5,927	11,451	17,378	5,821	14,749	20,570	37,948
Subtotal	73,547	17,200	23,065	40,265	16,675	28,060	44,735	85,000
– Other	(6,965)	(2,305)	(1,304)	(3,609)	(1,780)	(2,784)	(4,564)	(8,173)
Total	66,582	14,895	21,761	36,656	14,895	25,276	40,171	76,827
EBITDA Margin (%)								
– Digital Trust	26.3	23.8	27.8	25.8	30.8	28.5	29.5	27.7
– Credit Information & Management	21.2	27.3	22.9	25.1	21.2	24.6	23.1	24.2
– Innovation & Marketing Services	46.9	39.0	52.6	47.1	39.6	52.4	48.0	47.6
Total	27.9	24.9	32.5	29.0	27.3	32.6	30.4	29.7
Organic growth y-o-y (%)								
– Digital Trust	11.1	10.1	4.5	6.9	14.2	15.9	15.1	11.3
– Credit Information & Management	10.2	15.6	(2.5)	6.9	(19.6)	1.1	(7.8)	(0.4)
– Innovation & Marketing Services	35.5	98.3	10.8	30.2	(27.3)	16.3	(0.3)	11.7
Total	12.2	31.7	6.1	15.1	(12.3)	12.9	2.1	7.8

Source: Tinexta accounts, Edison Investment Research

Following Q319, in which organic revenue fell by 2.5%, growth rebounded to 11.8% in Q419, typically a seasonally more important quarter. Notable here were the high growth rates of Digital Trust at 12.9% and Innovation & Marketing Services at 24.1% and improving momentum at Credit Information & Management.

Digital Trust's organic growth accelerated through every quarter during FY19 so that the total organic growth rate for the year was 11.1%, with the consistent message from management that the growth is broad-based including rapid growth in Enterprise Solutions for large companies. H219 growth of 12.1% was against a high comparative of 9.7% growth in H218, underlying the favourable market backdrop and Tinexta's market position.

Credit Information & Management's organic revenue decline of 3.8% in Q419 is a significant improvement from the double-digit declines through the middle of FY19. It remains negative due to the ongoing pricing pressure in the corporate sector. We believe the banking sector customer base is performing better than the corporate sector. A bright spot are the businesses acquired in FY18 that performed well in Q420.

Innovation & Marketing Services was expected to have a strong Q419 after Q319 and it did not disappoint with c 52% organic revenue growth in the quarter. The key driver of this growth was Warrant Hub, which provides consulting services with respect to obtaining tax credits for research and development projects. Co.Mark, which provides consulting services to help SMEs grow their businesses, continues to contract modestly against a strong comparative.

For the group, the clean EBITDA margin increased from 27.9% in FY18 to 29.7% in FY19. This was driven by mix, with Digital Trust increasing in importance, as well as improving EBITDA margins for Digital Trust (from 26.3% in FY18 to 27.7% in FY19) and Credit Information & Management (from 21.2% in FY18 to 24.2% in FY19). The management of Credit Information & Management have performed very well by increasing EBITDA absolutely, from €33.1m in FY18 to €38m in FY19 and increasing the EBITDA margin despite an organic revenue decline of 7.5% through the year.

Cash flow: Improved profile for FY19

Tinexta generated €41.7m of free cash flow (operating cash less investment in capital and intangibles) in FY19, growth of 38% from the €30.3m of free cash flow in FY18. The group is larger due to the organic revenue growth of 5.9% and acquisition-related revenue growth of 2.5%, but its free cash flow generation (relative to sales) also improved from 12.6% in FY18 to 16.1% in FY19. The improved cash flow generation was due to the improving underlying EBITDA margin, lower cash tax paid and relatively stable capital investment. The lower cash taxes, which oscillate every year because the Italian system causes a one-year lag, exaggerated the increase in free cash flow in FY19. Most likely there will be a higher cash tax outflow in FY20.

At the year-end, the net debt position was €128m and net debt/EBITDA of 1.8x was similar to the 1.9x at the end of 2018, despite spending €47.5m on buying in minority interests during the year.

FY20 guidance: Withdrawn due to COVID-19

When preliminary results for FY19 were released in February, management introduced guidance for FY20 and medium-term guidance for FY22. The FY20 guidance was for revenue greater than €270m (implied growth of 4.4% from FY19) with EBITDA growth of 8% and the FY22 guidance was for revenue greater than €300m (implied annual growth for FY21 and FY22 of over 5%) and EBITDA to grow at a faster rate than revenue. Due to the outbreak of COVID-19, the guidance has been withdrawn as management feels it is not yet possible to quantify the economic effects of the virus on the group companies. We believe new guidance for FY20 that will take account of the current slowdown will be issued with the release of Q120 financial results on 12 May 2020.

Sensitivity analysis

As management has withdrawn guidance for FY20, below we attempt to analyse the potential sensitivity of the business units to the economic downturn from COVID-19.

The national quarantine in Italy has been in effect since 9 March and, at the time of writing has be extended again, so that it is scheduled to expire on 3 May. The length of the quarantine and rate of general economic recovery in Italy is therefore uncertain. Our broad assumption is that the lockdown will have the greatest impact on Tinexta's business in March and April with a gradual recovery back to more typical underlying growth rates by Q320 or Q420 described later for each business unit. Tinexta generates c 97% of its revenue in Italy.

As Tinexta was founded in 2009 and the group structure has evolved quickly through M&A since 2012, there is no public history of how the individual business units and the total group trade through an economic downturn and how quickly they might recover. The impact on some businesses is likely to be more severe than a 'typical' economic slowdown given the speed of the outbreak of the virus and extent of the quarantine, which can, say, limit how quickly costs can be reduced to offset a slowdown or loss of revenue.

Our understanding is that the majority of businesses are continuing to pursue new business opportunities where possible, but there is likely to be a lag in new business wins following a rapid downturn.

Quarterly seasonality of Tinexta's business units

Exhibits 2 and 3 show the contribution of each business unit's revenue and clean EBITDA to the annual total for FY19 on a quarterly basis. This is important as some quarters are more important to the full-year results than others.

Exhibit 2: Tinexta's revenue

€000s	Q119	Q219	H119	Q319	Q419	H219	FY19
Revenue % of full year							
– Digital Trust	24%	25%	49%	24%	28%	51%	100%
– Credit Information & Management	27%	26%	52%	20%	27%	48%	100%
– Innovation & Marketing Services	19%	27%	46%	18%	35%	54%	100%
Total	23%	26%	49%	21%	30%	51%	100%
Revenue per month							
– Digital Trust	8,397	8,851	8,624	8,356	9,948	9,152	8,888
– Credit Information & Management	6,455	6,183	6,319	4,935	6,523	5,729	6,024
– Innovation & Marketing Services	5,059	7,252	6,156	4,902	9,380	7,141	6,648
Total	19,911	22,286	21,099	18,192	25,851	22,022	21,560
Revenue per month as % of full year							
– Digital Trust	3.2%	3.4%	3.3%	3.2%	3.8%	3.5%	3.4%
– Credit Information & Management	2.5%	2.4%	2.4%	1.9%	2.5%	2.2%	2.3%
– Innovation & Marketing Services	2.0%	2.8%	2.4%	1.9%	3.6%	2.8%	2.6%
Total	7.7%	8.6%	8.2%	7.0%	10.0%	8.5%	8.3%

Source: Tinexta accounts, Edison Investment Research

In FY19, Q2 and Q4, representing 26% and 30% of annual revenue, respectively, were more important from a financial perspective than Q1 and Q3.

By business unit the only outlier in FY19 was Credit Information & Management, whose Q1 was more significant but that reflects the organic revenue decline due to competitive pricing issues etc from Q219 through Q419. In FY18, the annual revenue split by quarter for Credit Information & Management was slightly more balanced: Q1 25%, Q2 26%, Q3 22% and Q4 27%.

Management does not disclose on a consolidated basis how much of the group's revenue is recurring, but we estimate it is c 60–70%.

To conclude, a complete one-month shutdown of an individual business unit, in any quarter, would represent 2–3% of total annual revenue, except in Q4 when it would represent 3–4% of total annual revenue. We discuss the likely sensitivity of the business units below.

Exhibit 3: Tinexta's EBITDA and operational gearing

	Q119	Q219	H119	Q319	Q419	H219	FY19
EBITDA % of full year							
– Digital Trust	20%	25%	45%	26%	29%	55%	100%
– Credit Information & Management	30%	24%	55%	18%	28%	45%	100%
– Innovation & Marketing Services	16%	30%	46%	15%	39%	54%	100%
Subtotal	28%	16%	44%	22%	34%	56%	100%
– Other	28%	16%	44%	22%	34%	56%	100%
Total	19%	28%	48%	19%	33%	52%	100%
Operational gearing							
– Digital Trust	32%	27%	30%	53%	45%	48%	39%
– Credit Information & Management	130%	(248)%	231%	12%	(80)%	(10)%	(151)%
– Innovation & Marketing Services	81%	87%	83%	113%	42%	12%	53%
Total	57%	70%	61%	160%	50%	40%	54%

Source: Tinexta accounts, Edison Investment Research

Looking at profitability, there was a similar pattern to revenue in FY19: Q2 and Q4 were the most important, but the weightings are more skewed to these quarters than was the case for revenue. The three business units before the central 'Other' costs, generated 28% and 33% of annual EBITDA in Q2 and Q4 of FY19, respectively. Again, Credit Information & Management was the outlier versus other business units.

We also highlight the operational gearing for each business unit through FY19: ie the drop-through of incremental revenue to incremental EBITDA versus the comparative period. We use this as a potential initial indicator of how profitability may be affected as future revenue is potentially lost, albeit the cost dynamics are likely to be different in a growing rather than declining environment. Through the year, Digital Trust's operational gearing averaged 39% and Innovation & Marketing Services averaged 53%. The negative numbers produced for Credit Information & Management reflect an increasing margin while organic revenue was declining.

Group cost base

To date, management has not provided any commentary on how it might seek to offset revenue weakness through cost-saving initiatives beyond it will manage costs accordingly. It is worth reiterating that management is already centralising and streamlining the group's cost structure following a period of M&A.

Exhibit 4 highlights the structure of Tinexta's cash operating cost base, ie excluding depreciation and amortisation and non-recurring items, relative to sales. It also highlights how the individual line items have changed over time, due to the changing group profile through M&A, the different performance of the business units, and internal investment/cost saving initiatives.

Exhibit 4: Tinexta's cash operating costs as percentage of revenue

	FY15	FY16	FY17	FY18	FY19
Raw materials	6%	4%	3%	2%	3%
Service costs	45%	41%	39%	34%	32%
Personnel	30%	34%	35%	32%	32%
Contract costs	0%	0%	0%	3%	3%
Other operating costs	1%	1%	1%	1%	1%

Source: Tinexta accounts, Edison Investment Research

The cost of raw materials relates to the purchase of IT products, intended for resale to customers, wholly in the Digital Trust business unit, therefore it is reasonable to assume that these vary directly with the level of sales and will not significantly affect profitability in the event of not trading.

Service costs include the purchase of access to databases, professional services, maintenance, utilities, travel and lodging, telephony, consultancy, advertising, banking and auditor fees etc. Therefore, there is a mixture of fixed, semi-variable and variable costs.

Personnel costs can be assumed to be semi-variable and the Italian government has offered subsidies to employers during quarantine, including a subsidy for employees that have children, but the extent to which Tinexta will benefit from this is uncertain. The breakdown of employees for FY19 is not yet available as the annual report has not been published. In FY18, c 4% of employees were temporary and 17% of employees were part time.

Contract costs are the release of the year's share of incremental capitalised cost assets for obtaining or fulfilling long-term contracts. These are likely to vary with the level of revenue recognition on contracts.

Having looked at the group-level drivers, we now turn our attention to the individual business units as each is likely to be affected differently by an economic downturn.

Digital Trust

The main business is InfoCert, which provides certified electronic mail, digital signature, electronic invoice and digital documents storage. The key driver of growth are the enterprise solutions, with other services such as certified electronic mail being stable and should not be affected by a downturn, given they are essential, low-cost services that principally generate revenues through annual subscription fees. As can be seen from the total organic growth profile, the enterprise solutions are in structural growth driven by the greater digitisation of the economy and the streamlining of client operations. There is likely to be some impact to the growth rates as potential new clients defer capital investment plans overall, but InfoCert's products help clients to reduce costs through digitisation so will continue to represent a good solution for clients in tougher times and over the long term. There is an undisclosed element of revenue that varies with the level of transactions or digital documents generated and certified by InfoCert, which is likely to vary with overall economic activity.

The other businesses – Sixtema, Visura, and Camerfima, which represent approximately one-third of the business unit – are also likely have some GDP sensitivity given they offer services including consulting.

Prior to this downturn we were assuming 10% organic revenue for Digital Trust in FY20, lower than the 11.1% growth reported for FY19. Our central assumption is that the sale of new enterprise solutions will be more difficult due to the quarantine and that the level of transactions will contract with the economy. We forecast that growth remained resilient at 10% for the first two months of the year but then dropped to zero in March. In Q2 we assume sales of new enterprise solutions do not happen and there is some loss of transactions revenue so that revenue declines by 3%. We then assume no growth in Q3 before reverting to 10% growth in Q4. These produce a total organic growth rate for FY20 of 3.6%.

We assume operational gearing of 30%, namely, 30% of incremental revenue drops through to EBITDA, which produces an EBITDA margin of 27.8% in FY20 versus 27.7% in FY19. The assumption of 30% is lower than the c 40% experienced in FY19 to reflect some cost savings by management.

To provide some indication of the sensitivity, each incremental 5% reduction in the quarterly organic growth rate in Q3 and Q4 would reduce the FY20 EBITDA forecast for the business unit by 1.2–1.5% respectively.

Credit Information & Management

There are two main operating businesses: Innolva and its subsidiaries, and REValuta.

Innolva, roughly three-quarters of the business unit, provides data services that help banks and SMEs with the granting, ongoing assessment and recovery of credit in Italy. The financial services clients pay subscriptions for credit information but corporate clients are pay-as-you-go. This business is likely to be highly sensitive to changes in economic growth. In addition, through Promozioni Servizi, Innolva offers consultancy to SMEs to obtain government loan guarantees, that permit banks to grant low interest rate loans.

REValuta, approximately one-quarter of the business unit, provides residential property valuation services to banks. The business has multi-year contracts with banks and there is a fixed fee per appraisal. It will be highly sensitive to new and re-mortgage volumes.

Before this downturn, we assumed no organic revenue growth for this division for FY20. We now forecast that Innolva contracted by 20% in March and will contract by 25% in April then 5% for the remainder of Q220 and FY20. We assume REValuta will declined by 25% in March and by 100% in April, 50% in May and 25% in June, before returning to zero growth in Q320 and Q420.

For FY20, the quarterly forecasts for organic revenue for the total business unit are Q120 -12%, Q220 -37%, Q320 -3.8% and Q420 -3.8%, to give a total organic decline for FY20 of c 14%. When coupled with FY19 revenue being below our expectations the downgrade to our estimates for revenue in FY20 is c 17%. We forecast a greater impact to profitability from declining revenue in FY20 than FY19 given it may be more difficult to reduce costs in a second year of revenue declines. We forecast operational gearing of 30%, producing an EBITDA margin of 23.1% in FY20 versus 24.2% in FY19.

To provide some indication of the sensitivity of these forecasts, each 5% reduction in the organic growth rate for Q3 and Q4 would reduce the EBITDA forecast for the business unit in FY20 by 1.5% and 2.1% respectively, reflecting the seasonality of the business unit.

Innovation & Marketing Services

This business unit includes the Warrant Hub and Co.Mark subsidiaries, which are roughly 80% and 20% of the business unit's revenue respectively.

Most of Warrant Hub's revenue is derived from consulting to help companies gain tax credits and other incentives from government institutions to subsidise R&D etc. There are two revenue sources: a relatively small upfront fee for the work prior to the application and a more significant success fee, which is a percentage of the benefit received by the client. It is this that makes the margin for the business volatile between the financial quarters; the quarterly EBITDA margin varied between 39% and 52.6% in FY19. The consultants can work remotely but depend on clients continuing to work. The company is heavily exposed to clients in the industrial north, therefore there is likely to have been an important impact on business during the quarantine. We assume that Warrant's revenue declined by 25% during March and will decline by 25% in April and 10% in May and will grow by 5% in June before returning to growth of 10% in Q320 and 15% in Q420. We would expect a reasonably quick return to more normal growth rates given the importance of the tax credits to clients.

Co.Mark is a consultancy that helps SMEs to identify, develop and grow export markets. The services are delivered by weekly half-day visits by the consultants to the clients. The contracts are annual and paid in monthly instalments and there is a minor success fee based on the sales boost delivered. As the business depends on site visits to the clients, it is likely to be significantly affected by the quarantine. How quickly the business returns will depend on the financial strength and sentiment of customers and their willingness and ability to pursue international growth. A new government tax voucher scheme to help companies to internationalise their businesses is likely to boost demand for Co.Mark's services after a weaker FY19 due, in part, to the absence of a similar scheme. We assume that Co.Mark's revenue fell by 100% in March and will fall 100% in April, 50% in May and be flat year on year in June, before growing by 10% in Q320 and 15% in Q420.

Before this downturn, we were forecasting 5% organic revenue growth for Innovation & Marketing Services in FY20 versus the 12.9% delivered in FY19. The assumptions above produce quarterly organic growth rates of Q120 -9.9%, Q220 -18.0%, Q320 10% and Q420 15% and an annual decline for FY20 of c 1%. We assume operational gearing of 40% for FY20, which gives an expected EBITDA margin of 47.6%, in line with 47.6% in FY19.

To provide some indication of the sensitivity of the forecasts, each 5% reduction in the quarterly organic growth rate in Q3 or Q4 would reduce the FY20 EBITDA forecast for the business unit by 0.8% or 1.5% respectively, given the different seasonal weightings of those financial periods.

FY20 forecasts

Pulling the above together and considering FY19 results versus our forecasts, our new forecasts for FY20 and FY21 are summarised below.

In total, our revenue forecast for FY20 is reduced by 7.5%, with all divisions downgraded and the largest downgraded being at Credit Information & Management from where we move our organic revenue assumption from zero to -13.9%, bringing the total FY20 downgrade to 16.9% after FY19 was slightly below our forecast. Our forecast for divisional EBITDA is reduced by 7.5% too, with the greatest contributor to the downgrade again being Credit Information & Management, which is the smallest division. We assume there will be a reduction in Other, central, costs of c 25% to take account of potential savings management is likely to introduce at the Q120 results on 12 May 2020, which limits the EBITDA downgrade to 5.5%.

Exhibit 5: New forecasts

€000s	FY19	FY20e	FY21e	FY20e	FY20e
Revenue		New	New	Old	Change %
- Digital Trust	106,655	110,522	121,574	116,156	(4.9)
- Credit Information & Management	72,286	61,189	59,354	73,605	(16.9)
- Innovation & Marketing Services	79,781	79,319	83,284	81,637	(2.8)
Total	258,722	251,030	264,212	271,398	(7.5)
Organic growth y-o-y (%)					
- Digital Trust	11.1	3.6	10.0	10.0	(6.4)
- Credit Information & Management	(7.5)	(13.9)	(3.0)	0.0	(13.9)
- Innovation & Marketing Services	12.9	(1.1)	5.0	5.0	(6.1)
Total	5.9	(3.0)	5.3	5.6	(8.6)
EBITDA before non-recurring costs					
- Digital Trust	29,570	30,730	34,046	32,918	(6.6)
- Credit Information & Management	17,482	14,153	13,602	16,929	(16.4)
- Innovation & Marketing Services	37,948	37,763	39,746	39,502	(4.4)
sub-total	85,000	82,646	87,394	89,348	(7.5)
- Other	(8,173)	(7,000)	(7,350)	(9,290)	(24.7)
Total	76,827	75,646	80,044	80,058	(5.5)
EBITDA Margin (%)					
- Digital Trust	27.7	27.8	28.0	28.3	(0.5)
- Credit Information & Management	24.2	23.1	22.9	23.0	0.1
- Innovation & Marketing Services	47.6	47.6	47.7	48.4	(0.8)
sub-total	32.9	32.9	33.1	32.9	0.0
Total	29.7	30.1	30.3	29.5	0.6

Source: Edison Investment Research

Our tax rate assumption increases from 29% to 29.5%.

We continue to assume a dividend will be paid for FY20, following the cancellation of the dividend that we had expected for FY19, given our cash flow forecast has not materially changed as a result of the above and there are no changes to our capex assumptions. Excluding the c €28m expected buyouts of minorities in FY20, which we do not typically model until they occur, the forecast for net debt/EBITDA at the end of December 2020 is 1.1x. Including the minority buyout, the net debt/EBITDA would be 1.5x.

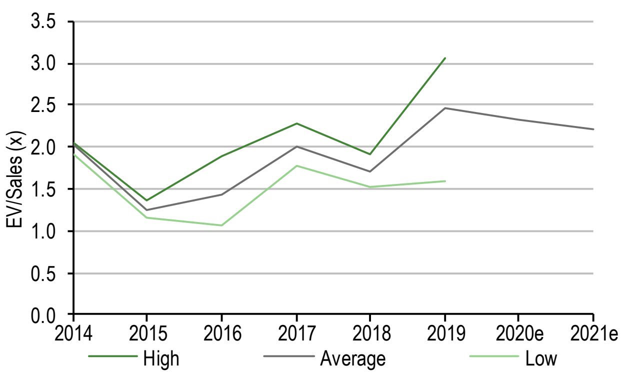
Valuation

In the year to date, the share price peaked at €13.78 before losing 48% of its value and troughing at €7.28. At the current share price of €9.8, the EV/sales multiples for FY20 and FY21 of 2.3x and 2.2x compare with its long-term average since its IPO of 1.8x, which looks low given its better medium-term growth outlook and higher EBITDA margin of 29.7% in FY19 versus 18.8% in FY15.

The EV/EBITDA multiples for FY20 and FY21 are 7.7x and 7.3x versus the long-term average of 8.5x since the IPO.

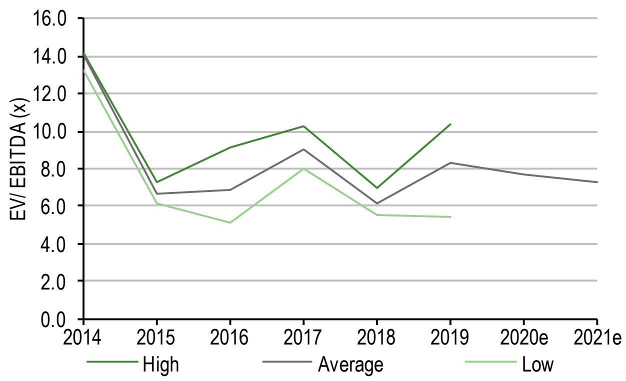
The extent and duration of the COVID-19 pandemic, its potential impact on the economy and the phasing and size of unannounced cost savings by management create some uncertainty with respect to forecasts and may help account for the reduction in multiples year-to-date.

Exhibit 6: Tinexta's EV/sales multiple



Source: Edison Investment Research, Refinitiv

Exhibit 7: Tinexta's EV/EBITDA multiple



Source: Edison Investment Research, Refinitiv

Exhibit 8: Financial summary

€'k	2015	2016	2017	2018	2019	2020e	2021e
31-December	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS
INCOME STATEMENT							
Revenue	124,144	146,920	174,790	238,701	258,722	251,030	264,212
Operating costs	(100,825)	(116,673)	(135,938)	(172,119)	(181,895)	(175,384)	(184,168)
EBITDA before non-recurring costs	23,319	30,247	38,852	66,582	76,827	75,646	80,044
EBITDA	25,451	29,274	40,630	65,958	71,287	75,646	80,044
Normalised operating profit	17,838	18,447	28,959	50,763	51,027	56,179	61,413
Amortisation of acquired intangibles	0	0	0	0	0	0	0
Exceptionals	(1,049)	(1,029)	(1,861)	(2,849)	(3,529)	0	0
Share-based payments	0	0	0	0	0	0	0
Reported operating profit	16,789	17,418	27,098	47,914	47,498	56,179	61,413
Net Interest	(1,097)	(1,042)	1,523	(2,520)	(4,149)	(2,408)	(2,108)
Joint ventures & associates (post tax)	51	13	4	106	(1,139)	(1,253)	(1,503)
Exceptionals	0	0	0	0	0	0	0
Profit Before Tax (norm)	16,792	17,418	30,486	48,349	45,739	52,518	57,801
Profit Before Tax (reported)	15,743	16,389	28,625	45,500	42,210	52,518	57,801
Reported tax	(4,675)	(4,784)	(8,420)	(12,564)	(13,432)	(15,493)	(17,051)
Profit After Tax (norm)	11,805	12,334	21,519	34,998	31,184	37,025	40,750
Profit After Tax (reported)	11,068	11,605	20,205	32,936	28,778	37,025	40,750
Minority interests	(45)	(51)	(78)	(586)	(597)	(768)	(845)
Discontinued operations	0	0	0	0	0	0	0
Net income (normalised)	11,760	12,283	21,441	34,412	30,587	36,258	39,906
Net income (reported)	11,023	11,554	20,127	32,350	28,181	36,257	39,904
Basic average number of shares outstanding (m)	32	37	46	47	47	47	47
EPS - basic normalised (€)	0.37	0.33	0.46	0.74	0.65	0.77	0.85
EPS - diluted normalised (€)	0.37	0.33	0.46	0.74	0.65	0.77	0.85
EPS - basic reported (€)	0.35	0.31	0.43	0.69	0.60	0.77	0.85
Dividend (€)	0.08	0.09	0.14	0.23	0.00	0.25	0.28
Revenue growth (%)	62.1	18.3	19.0	36.6	8.4	(-3.0)	5.3
EBITDA Margin (%)	20.5	19.9	23.2	27.6	27.6	30.1	30.3
Normalised Operating Margin	14.4	12.6	16.6	21.3	19.7	22.4	23.2
BALANCE SHEET							
Fixed Assets	133,588	216,369	275,773	307,147	316,738	309,271	303,270
Intangible Assets	120,790	200,690	260,630	272,104	269,935	267,547	265,034
Tangible Assets	5,813	7,050	8,287	8,232	21,215	16,136	12,648
Investments & other	6,985	8,629	6,856	26,811	25,588	25,588	25,588
Current Assets	68,992	122,590	125,844	143,406	139,350	152,310	189,671
Stocks	424	1,001	2,072	1,344	1,145	1,111	1,169
Debtors	43,974	50,948	80,285	86,321	89,775	87,106	91,680
Cash & cash equivalents	19,316	60,431	36,987	35,136	33,600	49,263	81,992
Other financial assets	3,359	6,352	4,311	8,186	6,593	6,593	6,593
Other	1,919	3,858	2,189	12,419	8,237	8,237	8,237
Current Liabilities	(50,836)	(89,792)	(102,868)	(194,356)	(160,441)	(156,908)	(159,483)
Creditors	(28,991)	(33,185)	(47,725)	(93,905)	(92,675)	(89,142)	(91,717)
Tax and social security	(1,364)	(1,481)	(6,125)	(704)	(2,911)	(2,911)	(2,911)
Short term borrowings	(10,916)	(36,947)	(21,723)	(97,380)	(62,001)	(62,001)	(62,001)
Other	(9,565)	(18,179)	(27,295)	(2,367)	(2,854)	(2,854)	(2,854)
Long Term Liabilities	(74,551)	(119,246)	(155,535)	(110,823)	(146,220)	(146,220)	(146,220)
Long term borrowings	(60,128)	(100,839)	(123,800)	(70,667)	(107,039)	(107,039)	(107,039)
Other long term liabilities	(14,423)	(18,407)	(31,735)	(40,156)	(39,181)	(39,181)	(39,181)
Net Assets	77,193	129,921	143,214	145,374	149,427	158,453	187,238
Minority interests	(96)	(187)	(537)	(3,757)	(3,859)	(4,627)	(5,472)
Shareholders' equity	77,097	129,734	142,677	141,617	145,568	153,826	181,766
CASH FLOW							
Net operating cash flow	14,576	20,038	32,151	43,404	55,214	58,070	59,432
Capex	(5,841)	(5,745)	(6,486)	(13,095)	(13,527)	(12,000)	(12,630)
Acquisitions/disposals	(4,911)	(36,993)	(61,072)	(33,182)	(47,463)	(28,000)	0
Net interest	(693)	(1,017)	(1,526)	(1,441)	(2,472)	(2,408)	(2,108)
Equity financing	0	48,179	1,078	1,080	1,078	0	0
Dividends	(3,486)	(3,820)	(6,977)	(12,067)	(16,396)	0	(11,965)
Borrowings	(1,131)	19,398	15,170	17,317	23,714	0	0
Other	5,973	1,076	4,219	(3,866)	(1,683)	0	0
Net Cash Flow	4,487	41,116	(23,443)	(1,850)	(1,535)	15,662	32,729
Opening net debt/(cash)	51,130	46,879	68,333	103,844	123,792	127,974	112,312
FX	0	0	0	0	0	0	0
Other non-cash movements	(236)	(62,570)	(12,068)	(18,098)	(2,647)	0	0
Closing net debt/(cash)	46,879	68,333	103,844	123,792	127,974	112,312	79,583

Source: Company accounts, Edison Investment Research