

Tinexta

Increasing exposure to digital

Tinexta provides IT solutions, information and consulting services in niche markets, predominantly to corporate clients. In its fastest-growing divisions, Digital Trust and Innovation & Marketing Services, it is the domestic market leader and is expanding internationally. Tinexta has just announced, via M&A, its entry into the complementary market of cybersecurity, which will lead to the creation of its fourth business unit. We estimate that cybersecurity will accelerate Tinexta's organic revenue growth from 4–5% to more than 8% from FY21, but will be dilutive to the group EBITDA margin initially before improving quickly. There will likely be further M&A to increase geographic coverage, client reach or expand the product offer. Q220 results were much better than expected, as all businesses improved organic revenue growth trends versus Q120.

Digital Trust

This business unit offers solutions that provide surety with respect to the validity of digital identities, and the authenticity and secure storage of electronic documents. It should benefit from the transition to a digital world. The company is leveraging its expertise, given recent regulatory changes, by expanding on an EU-wide basis with a unified legal base, recently announcing the important expansion into Germany via M&A. In H120, organic revenue growth of 6.3% was better than expected.

Innovation & Marketing Services

There are two main businesses: helping SMEs obtain funding and tax credits to help finance research and innovation, and consulting services to help corporates expand outside their home markets. Thematically, the former is expected to drive growth, given domestic and EU-wide funding initiatives to boost the development and competitiveness of economies. In H120, organic revenue declined by 10.5%.

Credit Information & Management

There are two main operating businesses: data services to help banks and SMEs with granting, ongoing assessment and recovery of credit, and the provision of residential property valuations to banks. The former is a competitive market, although the loan guarantee advisory business has been boosted by COVID. The real estate valuation business is more stable and Tinexta is the market leader. In H120, organic revenue declined by 7.6%.

Valuation

The share price has performed strongly in 2020, resulting in a P/E of 24.1x in FY20e (before inclusion of cybersecurity), as the group was resilient to the COVID-19 downturn and the proposed cybersecurity acquisitions have been well received.

Edison estimates

Year end	Revenue (€m)	PBT (€m)	EPS (€)	DPS (€)	P/E (x)	Yield (%)
12/18	238.7	52.3	0.77	0.23	25.0	1.2
12/19	258.7	55.0	0.80	0.00	24.1	N/A
12/20e	266.6	53.3	0.80	0.24	24.1	1.2
12/21e	277.5	56.6	0.86	0.25	22.4	1.3

Source: Company accounts, Edison Investment Research. Estimates ex-cybersecurity M&A

Professional services

22 October 2020

Price €19.26
Market cap €894m

Share price graph



Share details

Code TNXT
 Shares in issue 46.4m
 Net debt (€m) at 30 June 2020 113

Business description

Tinexta currently has three business divisions: Digital Trust; Credit Information & Management; and Innovation & Marketing Services. A fourth business unit, Cybersecurity, will be created on completion of the recently announced M&A.

Bull

- Market leadership in two fastest-growing business units: Digital Trust and Innovation & Marketing Services.
- Strong track record of improving cash flow generation.
- We estimate that recurring revenue is c 70–80% of the group total.

Bear

- Two business units (Credit Information & Management and Innovation & Marketing Services) are vulnerable to economic slowdown.
- Credit Information & Management's market position leaves it exposed to the activities of larger competitors.
- Tinexta has raised equity on two occasions since 2014 to fund acquisitions, although it was a smaller business and ROIC has subsequently improved.

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