

# Tinexta

Q320 results

## Strong recovery fuelling upgrades

Tinexta's Q320 results demonstrate that its business units are recovering post-COVID lockdowns better than management initially expected, while developing new revenue opportunities. Management's increased FY20 guidance appears conservative, implying a y-o-y decline in Q420 EBITDA of 7%, reflecting its typical caution and the tough comparative. The announced acquisitions for Warrant Hub are consistent with the strategy of expanding outside Italy. The dissolution of the joint venture with LuxTrust will enable Tinexta to develop Digital Trust in France.

Year end	Revenue (€m)	PBT* (€m)	EPS* (€)	DPS (€)	P/E (x)	Yield (%)
12/18	238.7	52.3	0.77	0.23	27.7	1.1
12/19	258.7	55.0	0.80	0.00	26.9	0.0
12/20e	272.7	57.3	0.87	0.26	24.8	1.2
12/21e	283.8	60.9	0.92	0.27	23.3	1.3

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

## Q320: Growth in all business units

In a typically seasonally less important quarter, Tinexta reported strong y-o-y growth in organic revenue (18.5%) and adjusted EBITDA (45.9%). The most notable performance was in Credit Information & Management (CIM, organic revenue +38.7%) as it continued to benefit from helping clients gain access to government-backed financial assistance post-COVID, while macro weakness affects its core businesses. Digital Trust quickly returned towards traditional growth rates (9.9%) in Q320. Innovation & Marketing Services' organic growth was 12.9%, with similar trends to Q220. Strong free cash flow generation, +84% y-o-y to €23.7m, reflects the higher EBITDA margin (33.9% vs 27.3% in Q319) due to good cost control and mix changes, and improved working capital, leading to a significant improvement in the net financial position of €92m vs €113m at the end of Q220.

## FY20: Guidance increased but looks conservative

Management increased FY20 guidance: revenue of more than €260m (previously more than €250m), growth of at least 1% y-o-y, and EBITDA close to €80m (previously more than €72m), growth of 12% if Tinexta reports €80m. The increase, due to highlighted revenue for CIM and the better than expected recovery from COVID weakness, seems conservative, implying a Q420 EBITDA decline of c 7% y-o-y, but is against a tough comparative (Q419 organic revenue growth 11.8%). We upgrade our FY20 EBITDA forecast to €81m from €76.7m, reflecting the flow through from outperformance in Q320. There is uncertainty as to how much of the new revenue for CIM will recur in FY21. We assume half is recurring, representing a headwind for group growth next year.

## Valuation: Re-rated due to better growth outlook

On our new forecasts, EV/EBITDA for FY20e is 13.3x, a premium to the long-run average of 8.5x, reflecting an improved growth outlook. Our forecasts are before the inclusion of estimates for Cybersecurity, which is expected to improve the growth outlook for Tinexta (see our [update note](#) published on 19 October).

## Professional services

16 November 2020

**Price** €21.45

**Market cap** €995m

€£0.9

Net debt (€m) at 30 September 2020 92

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 8.8 19.1 65.2

Rel (local) 2.5 15.9 86.5

52-week high/low €21.15 €7.28

## Business description

Tinexta currently has three business divisions: Digital Trust – solutions to increase trust in digital transactions; 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

FY20 results February 2021

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**Exhibit 1: Financial summary**

	€m	2018	2019	2020e	2021e
31-December		IFRS	IFRS	IFRS	IFRS
<b>INCOME STATEMENT</b>					
Revenue		238.7	258.7	272.7	283.8
Operating costs		(172.1)	(181.9)	(191.7)	(199.9)
EBITDA before non-recurring costs		66.6	76.8	81.0	83.9
EBITDA		66.0	71.3	81.0	83.9
Normalised operating profit		54.3	59.0	60.7	62.9
Amortisation of acquired intangibles		(5.8)	(5.9)	(5.8)	(5.8)
Exceptionals		(0.6)	(5.5)	0.0	0.0
Share-based payments		0.0	0.0	0.0	0.0
Reported operating profit		47.9	47.5	54.9	57.1
Net Interest		(2.5)	(4.1)	(1.5)	(2.0)
Joint ventures & associates (post tax)		0.1	(1.1)	(1.1)	0.0
Exceptionals		0.0	0.0	0.0	0.0
Profit Before Tax (norm)		52.3	55.0	57.3	60.9
Profit Before Tax (reported)		45.5	42.2	52.2	55.1
Reported tax		(12.6)	(13.4)	(15.4)	(16.3)
Profit After Tax (norm)		36.8	38.3	40.4	43.0
Profit After Tax (reported)		32.9	28.8	36.8	38.9
Minority interests		(0.6)	(0.6)	(0.5)	(0.5)
Discontinued operations		0.0	0.0	0.0	0.0
Net income (normalised)		36.2	37.7	39.9	42.5
Net income (reported)		32.4	28.2	36.4	38.4
Average number of shares outstanding (m)		46.6	47.0	46.1	46.1
EPS - normalised (€)		0.78	0.80	0.87	0.92
EPS - normalised fully diluted (c)		77.36	79.71	86.62	92.08
EPS - basic reported (€)		0.69	0.60	0.79	0.83
Dividend (€)		0.23	0.00	0.26	0.27
Revenue growth (%)		36.6	8.4	5.4	4.1
EBITDA Margin before non-recurring costs (%)		27.9	29.7	29.7	29.6
Normalised Operating Margin		22.8	22.8	22.2	22.2
<b>BALANCE SHEET</b>					
Fixed Assets		307.1	316.7	308.4	300.2
Intangible Assets		272.1	269.9	267.2	264.4
Tangible Assets		8.2	21.2	15.6	10.2
Investments & other		26.8	25.6	25.6	25.6
Current Assets		143.4	139.4	175.8	213.3
Stocks		1.3	1.1	1.2	1.3
Debtors		86.3	89.8	94.6	98.5
Cash & cash equivalents		35.1	33.6	65.1	98.7
Other financial assets		8.2	6.6	6.6	6.6
Other		12.4	8.2	8.2	8.2
Current Liabilities		(194.4)	(160.4)	(161.7)	(164.1)
Creditors		(93.9)	(92.7)	(93.9)	(96.3)
Tax and social security		(0.7)	(2.9)	(2.9)	(2.9)
Short term borrowings		(97.4)	(62.0)	(62.0)	(62.0)
Other		(2.4)	(2.9)	(2.9)	(2.9)
Long Term Liabilities		(110.8)	(146.2)	(146.2)	(146.2)
Long term borrowings		(70.7)	(107.0)	(107.0)	(107.0)
Other long-term liabilities		(40.2)	(39.2)	(39.2)	(39.2)
Net Assets		145.4	149.4	176.3	203.1
Minority interests		(3.8)	(3.9)	(4.3)	(4.8)
Shareholders' equity		141.6	145.6	171.9	198.3
<b>CASH FLOW</b>					
Operating cash flow		43.4	55.2	55.0	60.4
Capex		(13.1)	(13.5)	(12.0)	(12.8)
Acquisitions/disposals		(33.2)	(47.5)	(30.0)	0.0
Net interest		(1.4)	(2.5)	(1.5)	(2.0)
Equity financing		1.1	1.1	(10.0)	0.0
Dividends		(12.1)	(16.4)	0.0	(12.0)
Borrowings		17.3	23.7	0.0	0.0
Other		(3.9)	(1.7)	30.0	0.0
Net Cash Flow		(1.9)	(1.5)	31.5	33.6
Opening net debt/(cash)		103.8	123.8	128.0	96.5
FX		0.0	0.0	0.0	0.0
Other non-cash movements		(18.1)	(2.6)	0.0	0.0
Closing net debt/(cash)		123.8	128.0	96.5	62.9

Source: Company accounts, Edison Investment Research

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