

Tinexta

Q123 results

Cyber Security rebound in Q123

Tinexta's Q123 results reflect trends that are consistent with prior years for the Digital Trust (DT) and Business Innovation (BI) divisions, coupled with a reassuring boost from a rebound in growth by Cyber Security (CS). The conservative balance sheet with an almost net cash position at the end of Q123 should enable Tinexta to undertake further M&A, which could provide scope for upgrades to profit estimates. We increase our DCF-based valuation to €30.4/share (€29.5 previously).

Year end	Revenue (€m)	PBT* (€m)	EPS* (€)	DPS (€)	P/E (x)	Yield (%)
12/21	301.5	57.5	0.83	0.30	22.1	1.6
12/22	357.2	73.6	1.07	0.51	17.2	2.8
12/23e	410.4	80.8	1.06	0.48	17.3	2.6
12/24e	456.7	95.0	1.21	0.26	15.2	1.4
12/25e	501.5	110.6	1.44	0.35	12.7	1.9

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

Q123 results 'in line' with seasonality

Tinexta's Q123 revenue and adjusted EBITDA grew by c 10% y-o-y to €86.1m and by 3% to €15.0m, respectively. The growth was driven by DT (revenue +12%, adjusted EBITDA +12%) and a welcome rebound by CS (revenue +15%, adjusted EBITDA +79%) following a relatively disappointing FY22 versus initial expectations as clients deferred spend, while management invested ahead of expected growth. BI (revenue +6%, adjusted EBITDA -23%) demonstrated its typical seasonality, with lower demand for subsidised finance services in the period following peak demand in Q4 of a financial year, and profitability given changes in revenue mix. The omission of Tinexta's typical disclosure of the drivers of growth between organic and the contribution from M&A merely reflects the very limited contribution from M&A in the first quarter. Free cash flow generation was helped by further working capital improvements and the expected cash inflows from M&A (Bregal capital injection and the sale of ReValuta) helped to significantly reduce Tinexta's period-end net debt position to a conservative €3.8m (€77.6m end FY22), which naturally provides opportunity for ongoing M&A.

FY22 guidance reiterated

Management has reiterated its [FY23 guidance](#) on the back of what is referred to as an 'in line' set of results, while recognising the seasonality of the businesses (Q123 reported revenue represents 21% of our FY23 estimate of c €410m). We make no change to our underlying estimates but incorporate the April 2023 acquisition of 20% of [Defence Tech Holding](#) (DTH) for €25m, which adds c €1m of post-tax associate income on an annualised basis to our prior forecasts.

Valuation: Well supported by DCF

The recent share price weakness has widened the discount to our DCF-based valuation of €30.4/share (€29.5 previously), which has increased as we incorporate the acquisition of DTH and update the net debt position.

Professional services

12 May 2023

Price €18.3

Market cap €864m

Net debt (€m) at 31 March 2023 3.8

Shares in issue 47.2m

Free float 44.3%

Code TNXT

Primary exchange Euronext STAR Milan

Secondary exchange N/A

Share price performance



%	1m	3m	12m
Abs	(9.8)	(26.2)	(16.4)
Rel (local)	(8.3)	(25.6)	(26.0)
52-week high/low	€26.5	€17.9	

Business description

Tinexta offers innovative solutions for the digital transformation and growth of companies, professionals and institutions. It has three divisions: Digital Trust, Business Innovation and Cyber Security.

Next events

H123 results	2 August 2023
Q323 results	10 November 2023

Analysts

Russell Pointon	+44 (0)20 3077 5700
Max Hayes	+44 (0)20 3077 5700

tech@edisongroup.com
[Edison profile page](#)

**Tinexta is a research client of
Edison Investment Research
Limited**

Exhibit 1: Financial summary

	€m	2021	2022	2023e	2024e	2025e
Year end 31 December		IFRS	IFRS	IFRS	IFRS	IFRS
INCOME STATEMENT						
Revenue		301.5	357.2	410.4	456.7	501.5
Operating costs		(225.1)	(262.4)	(306.4)	(337.0)	(364.8)
EBITDA		76.5	94.8	104.1	119.7	136.7
EBITDA (not adjusted)		71.3	86.3	94.1	109.7	128.7
Operating profit (before amort. and excepts.)		61.1	77.6	83.1	96.7	111.3
Amortisation of acquired intangibles		(11.0)	(17.5)	(17.5)	(17.5)	(17.5)
Exceptionals		(2.6)	(6.4)	(6.0)	(5.0)	(4.0)
Share-based payments		(2.6)	(2.1)	(4.0)	(5.0)	(4.0)
Reported operating profit		45.0	51.6	55.6	69.2	85.8
Net Interest		(3.1)	(6.2)	(2.8)	(2.2)	(1.2)
Joint ventures & associates (post tax)		(0.2)	(0.2)	0.5	0.5	0.5
Exceptionals		0.0	0.0	0.0	0.0	0.0
Profit Before Tax (norm)		57.5	73.6	80.8	95.0	110.6
Profit Before Tax (reported)		41.7	45.1	53.3	67.5	85.1
Reported tax		(13.0)	(12.5)	(16.5)	(20.3)	(24.7)
Profit After Tax (norm)		40.3	52.4	55.7	66.5	78.5
Profit After Tax (reported)		28.7	32.6	36.8	47.3	60.4
Minority interests		(1.2)	(2.4)	(6.7)	(10.8)	(12.4)
Discontinued operations		10.0	45.5	37.6	0.0	0.0
Net income (normalised)		39.1	50.0	49.0	55.7	66.2
Net income (reported)		37.5	75.7	67.7	36.5	48.0
Average Number of Shares Outstanding (m)		47.2	46.8	46.4	46.1	45.9
EPS - normalised (c)		84.7	108.8	107.7	123.2	147.1
EPS - normalised fully diluted (c)		82.8	106.7	105.6	120.8	144.1
EPS - basic reported (€)		0.81	1.65	1.49	0.81	1.07
Dividend (€)		0.30	0.51	0.48	0.26	0.35
Revenue growth (%)		12.1	18.4	14.9	11.3	9.8
EBITDA Margin before non-recurring costs (%)		25.4	26.5	25.4	26.2	27.2
Normalised Operating Margin		20.3	21.7	20.2	21.2	22.2
BALANCE SHEET						
Fixed Assets		602.9	574.0	594.9	582.8	570.6
Intangible Assets		550.4	487.3	489.2	485.1	482.0
Tangible Assets		25.2	48.4	42.4	34.4	25.4
Investments & other		27.4	38.3	63.3	63.3	63.3
Current Assets		213.2	403.5	460.0	494.3	549.2
Stocks		1.3	1.9	1.9	1.9	1.9
Debtors		119.5	129.5	143.4	160.2	175.9
Cash & cash equivalents		68.3	115.3	168.8	186.2	225.5
Other financial assets		4.1	125.8	125.8	125.8	125.8
Other		20.0	31.0	20.2	20.2	20.2
Current Liabilities		(207.5)	(260.9)	(269.3)	(281.2)	(292.7)
Creditors		(146.8)	(156.4)	(169.8)	(181.7)	(193.2)
Tax and social security		(3.6)	(2.9)	(2.9)	(2.9)	(2.9)
Short term borrowings		(54.1)	(93.6)	(93.6)	(93.6)	(93.6)
Other		(3.1)	(8.0)	(3.0)	(3.0)	(3.0)
Long Term Liabilities		(357.9)	(314.6)	(314.6)	(314.6)	(314.6)
Long term borrowings		(281.5)	(235.2)	(235.2)	(235.2)	(235.2)
Other long-term liabilities		(35.0)	(42.4)	(42.4)	(42.4)	(42.4)
Net Assets		250.8	402.0	471.0	481.2	512.5
Minority interests		(46.9)	(36.4)	(67.0)	(68.1)	(69.3)
Shareholders' equity		203.9	365.7	404.0	413.1	443.2
CASH FLOW						
Operating Cash Flow		72.5	72.8	70.3	77.7	90.6
Capex and intangibles		(16.2)	(24.1)	(23.0)	(16.0)	(17.0)
Acquisitions/disposals		(92.8)	84.5	40.8	0.0	0.0
Net interest		(2.3)	(2.4)	(2.8)	(2.2)	(1.2)
Equity financing		(9.3)	(8.1)	(10.0)	(10.0)	(10.0)
Dividends		(12.5)	(20.8)	(28.4)	(32.0)	(23.2)
Borrowings		42.9	(40.2)	0.0	0.0	0.0
Other		6.6	1.4	30.0	0.0	0.0
Net Cash Flow		(24.6)	48.6	51.9	17.5	39.2
Opening net debt/(cash)		91.9	264.4	77.6	25.6	8.1
Closing net debt/(cash)		264.4	77.6	25.6	8.1	(31.1)

Source: Tinexta accounts, Edison Investment Research

General disclaimer and copyright

This report has been commissioned by Tinxeta and prepared and issued by Edison, in consideration of a fee payable by Tinxeta. Edison Investment Research standard fees are £60,000 pa for the production and broad dissemination of a detailed note (Outlook) following by regular (typically quarterly) update notes. Fees are paid upfront in cash without recourse. Edison may seek additional fees for the provision of roadshows and related IR services for the client but does not get remunerated for any investment banking services. We never take payment in stock, options or warrants for any of our services.

Accuracy of content: All information used in the publication of this report has been compiled from publicly available sources that are believed to be reliable, however we do not guarantee the accuracy or completeness of this report and have not sought for this information to be independently verified. Opinions contained in this report represent those of the research department of Edison at the time of publication. Forward-looking information or statements in this report contain information that is based on assumptions, forecasts of future results, estimates of amounts not yet determinable, and therefore involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of their subject matter to be materially different from current expectations.

Exclusion of Liability: To the fullest extent allowed by law, Edison shall not be liable for any direct, indirect or consequential losses, loss of profits, damages, costs or expenses incurred or suffered by you arising out of or in connection with the access to, use of or reliance on any information contained on this note.

No personalised advice: The information that we provide should not be construed in any manner whatsoever as, personalised advice. Also, the information provided by us should not be construed by any subscriber or prospective subscriber as Edison's solicitation to effect, or attempt to effect, any transaction in a security. The securities described in the report may not be eligible for sale in all jurisdictions or to certain categories of investors.

Investment in securities mentioned: Edison has a restrictive policy relating to personal dealing and conflicts of interest. Edison Group does not conduct any investment business and, accordingly, does not itself hold any positions in the securities mentioned in this report. However, the respective directors, officers, employees and contractors of Edison may have a position in any or related securities mentioned in this report, subject to Edison's policies on personal dealing and conflicts of interest.

Copyright: Copyright 2023 Edison Investment Research Limited (Edison).

Australia

Edison Investment Research Pty Ltd (Edison AU) is the Australian subsidiary of Edison. Edison AU is a Corporate Authorised Representative (1252501) of Crown Wealth Group Pty Ltd who holds an Australian Financial Services Licence (Number: 494274). This research is issued in Australia by Edison AU and any access to it, is intended only for "wholesale clients" within the meaning of the Corporations Act 2001 of Australia. Any advice given by Edison AU is general advice only and does not take into account your personal circumstances, needs or objectives. You should, before acting on this advice, consider the appropriateness of the advice, having regard to your objectives, financial situation and needs. If our advice relates to the acquisition, or possible acquisition, of a particular financial product you should read any relevant Product Disclosure Statement or like instrument.

New Zealand

The research in this document is intended for New Zealand resident professional financial advisers or brokers (for use in their roles as financial advisers or brokers) and habitual investors who are "wholesale clients" for the purpose of the Financial Advisers Act 2008 (FAA) (as described in sections 5(c) (1)(a), (b) and (c) of the FAA). This is not a solicitation or inducement to buy, sell, subscribe, or underwrite any securities mentioned or in the topic of this document. For the purpose of the FAA, the content of this report is of a general nature, is intended as a source of general information only and is not intended to constitute a recommendation or opinion in relation to acquiring or disposing (including refraining from acquiring or disposing) of securities. The distribution of this document is not a "personalised service" and, to the extent that it contains any financial advice, is intended only as a "class service" provided by Edison within the meaning of the FAA (i.e. without taking into account the particular financial situation or goals of any person). As such, it should not be relied upon in making an investment decision.

United Kingdom

This document is prepared and provided by Edison for information purposes only and should not be construed as an offer or solicitation for investment in any securities mentioned or in the topic of this document. A marketing communication under FCA Rules, this document has not been prepared in accordance with the legal requirements designed to promote the independence of investment research and is not subject to any prohibition on dealing ahead of the dissemination of investment research.

This Communication is being distributed in the United Kingdom and is directed only at (i) persons having professional experience in matters relating to investments, i.e. investment professionals within the meaning of Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "FPO") (ii) high net-worth companies, unincorporated associations or other bodies within the meaning of Article 49 of the FPO and (iii) persons to whom it is otherwise lawful to distribute it. The investment or investment activity to which this document relates is available only to such persons. It is not intended that this document be distributed or passed on, directly or indirectly, to any other class of persons and in any event and under no circumstances should persons of any other description rely on or act upon the contents of this document.

This Communication is being supplied to you solely for your information and may not be reproduced by, further distributed to or published in whole or in part by, any other person.

United States

Edison relies upon the "publishers' exclusion" from the definition of investment adviser under Section 202(a)(11) of the Investment Advisers Act of 1940 and corresponding state securities laws. This report is a bona fide publication of general and regular circulation offering impersonal investment-related advice, not tailored to a specific investment portfolio or the needs of current and/or prospective subscribers. As such, Edison does not offer or provide personal advice and the research provided is for informational purposes only. No mention of a particular security in this report constitutes a recommendation to buy, sell or hold that or any security, or that any particular security, portfolio of securities, transaction or investment strategy is suitable for any specific person.