

Tinexta

Rebalancing toward higher growth

Tinexta's proposal sale of its Credit Information & Management (CIM) division is significant from a financial and strategic perspective. With respect to the former, the remaining group should demonstrate higher aggregate pro forma revenue and profit growth and it will have significantly improved financial fire power to pursue further M&A in the higher-growth business units. Strategically, it removes a business that has low exposure to the thematic growth driver of a digitising economy, limited overlap and potential for cross-selling with the other divisions, and above-average (versus the rest of the group) GDP sensitivity. Our forecasts are unchanged ahead of the expected completion in H222.

Year end	Revenue (€m)	PBT* (€m)	EPS* (€)	DPS (€)	P/E (x)	Yield (%)
12/20	269.0	58.4	0.86	0.26	30.2	1.0
12/21	375.4	70.4	1.04	0.30	25.0	1.2
12/22e	446.8	87.0	1.16	0.31	22.4	1.2
12/23e	500.2	105.5	1.43	0.40	18.1	1.5
12/24e	558.6	122.9	1.69	0.48	15.4	1.9

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

The proposed sale of CIM (mainly the Innolva and ReValuta subsidiaries) to a key competitor, CRIF, combines the number two and three players in the market and continues the long-anticipated consolidation of the market. Market leader Cerved was acquired in 2021 by a new entrant. Tinexta will retain its holding in ForValue, with expectations it will continue to provide new revenues for the Innovation and Marketing Services division, as previously, and management foresees opportunities for collaborations between the larger CRIF and Tinexta's other divisions.

The proposed disposal valuation of €237.5m represents an implied valuation of 10.8x FY21 adjusted EBITDA, which, according to management, is in the 'premium area' compared to most recent benchmarks in Italy.

CIM represented c 20% of group revenue and 22% of adjusted EBITDA in FY21. Historically it produced the lowest organic revenue growth (declines in four of the last six financial years) of Tinexta's divisions, and according to recent guidance was expected to demonstrate the lowest revenue growth in FY22–24 (6% CAGR excluding ForValue) relative to the other divisions. Notwithstanding the revenue performance, management managed costs very well such that profitability increased (adjusted EBITDA margin FY21 c 29% versus FY16 c 18%).

The proposed disposal tilts Tinexta's growth to divisions with more [attractive expected growth rates](#). Management's expected organic revenue CAGRs during FY22-24 for Digital Trust (32% of FY21 pro forma revenue), Cyber Security (24%) and Innovation & Marketing Services (44%) are 10%, 19% and 7% respectively.

Management's estimate of pro forma FY22 net debt/EBITDA of 0.4x ([2.26x end Q122](#)) ensures Tinexta is well positioned to continue its strategy of diversifying its services offered and expanding its services geographically.

Proposed disposal of CIM

Professional services

6 June 2022

Price €26.0

Market cap €1,227m

Net debt (€m) at 31 March 2022 228.4

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 four divisions: Digital Trust, solutions to increase trust in digital transactions; Credit Information & Management, services to manage credit; Innovation & Marketing Services, services to help clients develop their businesses; and Cyber Security, services to help digital transformation.

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