PRESS RELEASE

TXT e-solutions: results for the 1st half of 2023

Revenues € 107.3 million (+71,6%)

Double-digit Organic revenue growth (+14,1%)

EBITDA € 13.9 million (+51,5%)

Net Profit € 6.8 million (+92,6%).

- *Revenues € 107.3 million (+71,6%), of which €19.6 million related to the Smart Solutions division, € 14.5 million to the Digital Advisory division, and € 73.2 million to the Software Engineering division.*
- *EBITDA € 13.9 million (+51.5%) after significant investments in fully expensed research and development (€ 4.5 million, +13.8%) and increasing commercial and management investments (€ 10.5 million, +83.4%).*
- *Net profit € 6.8 million (+92.6%) net of depreciation and amortisation (€ 5.0 million), interest and financial charges net of financial income (€ 1.0 million) and tax expenses (€3.1 million).*
- *Adjusted Net Financial Dept of € 23.4 million as of June 30, 2023.*

Milano, 3 August 2023 – 17:35

Today, the second meeting of the Board of Directors of TXT e-solutions, chaired by Enrico Magni, approved the operational results as of June 30, 2023.

The main economic and financial results in the first half of 2023 were as follows:

Revenues were €107.3 million, a +71.6% growth, compared to €62.5 million in the first half of 2022. On a like-for-like basis, revenues grew by +14.1% and the acquisitions contributed €35.9 million. Total international revenues were € 21.9 million, representing 20.4% of total revenues of the first half of 2023.

To highlight TXT's new and broader positioning in the digital innovation market, the Group has structured itself into three divisions representative of the type of offering:

I. *Smart Solutions*: proprietary software and solutions and related services to accelerate the digital transformation of customer offerings;

II. *Digital Advisory*: specialised consultancy services for the digital innovation of large enterprise and public sector processes;

III. *Software Engineering*: software engineering services for innovation and servitization of customer products driven by expertise on enabling technologies;

The Smart Solutions division had revenues of € 19.6 million, up +11.5% compared to the first half of 2022, of which € 1.5 million came from organic growth (+8.8%) and € 0.5 million from the consolidation of new acquisitions of the second half of 2022.

The Digital Advisory division had revenues of € 14.5 million up +66.1% compared to the first half of 2022, of which € 3.0 million from organic growth (+34.9%) and € 2.7 million related to 2022 M&A.

The Software Engineering division had revenues of € 73.2 million up +102.1% compared to the first half of 2022, of which € 4.2 million from organic growth (+11.7%) and € 32.7 million from consolidation of new acquisitions of the second half of 2022.

Gross Margin, net of direct costs, increased from € 24.1 million in the first half of 2022 to € 37.4 million in the first half of 2023, an increase of 55.3%. Gross margin as a percentage of revenue in the first half of 2023 was 34.8%, down 3.7 p.p. compared to 38.5% in the first half of 2022 due to the different revenue/cost mix with a dilution of the Smart Solutions division's business related to proprietary software and solutions against the consolidation, starting from Q4-2022, of service companies with significant volumes compared to the Group's consolidated volumes and business model with lower gross margins compared to the average of the TXT divisions, but with lower indirect cost incidence.

EBITDA amounted to € 13.9 million, up +51.5% compared to the first half of 2022 (€ 9.2 million), after increasing commercial and management of € 10.5 million in the first half of 2023 (+83.4% compared to the first half of 2022), mainly due to the consolidation of new acquisitions, and for increasing investments in marketing, events, sales and management resources to support accelerated growth, and after significant investments in research and development fully expensed (€ 4.5 million, +13.8% YoY). The margin on revenues was 13.0%, down 1.7 p.p. from 14.7% in the first half of 2022, mainly due to a 3.7 p.p. decrease in gross margin, partially offset by lower indirect costs of consolidated service companies from Q4 2022 and operating efficiencies. General and administrative costs as

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a percentage of revenue decreased from 8.3% in the first half of 2022 to 7.9% in the first half of 2023.

EBIT (Operating Profit) was € 8.9 million, up +36.1% from the first half of 2022 (€ 6.6 million) after the amortisation of intangible assets (€ 1.8 million, of which € 1.3 million related to Purchase Price Allocation) and tangible assets (€ 2.8 million) and impairment losses (€ 0.4 million).

Net Financial (Charges)/Income in the first half of 2023 has positive net balance of € 1.0 million compared to the negative net balance of € 1.4 million in the same period of the previous year. In particular, the difference is mainly due to the positive effect of the fair value adjustment of financial instrument for € 0.6 million at 30 June 2023 (negative for € 1.0 million in the first half of 2022), the positive effect of the lower financial liabilities linked to acquisitions, for which the doubling of the share value was guaranteed (€ 1.9 million), net of bank interest expense.

Net Profit was € 6.8 million, an increase of +92.6% compared to € 3.5 million in the first half of 2022, net of tax charges of € 3.1 million. Net Profit as a percentage of revenue was 6.3% in the first half of 2023, +0.7 p.p. compared to same period of the previous year.

The consolidated **Adjusted Net Financial Debt** as of 30 June 2023 was € 23.4 million, an increase of 3.4 million compared to € 20.0 million as of 31 December 2022, mainly due to disbursements in the period related to the repurchase of treasury shares (€ 8.0 million), the payment of dividends (€ 2.1 million), and investments in minority interests in Simplex (€ 3.0 million) and LAS LAB Srl (€ 0.3 million), partially offset by cash generation from operations. . The Adjusted Net Financial Debt includes € 9.9 million of debt referred to IFRS 16, up € 2.7 million from € 8.5 million as of 31 December 2022, and € 4.8 million of debt for Earn-out and Put/Call options for the purchase of minority interests, of which € 3.8 million beyond 12 months.

The consolidated Unadjusted Net Financial Position as of June 30, 2023 was € 39.9 million, up € 16.5 million from Adjusted Net Financial Indebtedness due to the reclassification of TXT's investment in Banca del Fucino to fixed assets.

Treasury shares as of June 30, 2023 were 1.216.629 (906.600 as of 31 December 2022), representing 9.35% of the issued shares, at an average carrying value of € 6.56 per share.

In **Q2 2023**, revenue was € 55.0 million, up 71.7% compared to Q2 2022 (€ 32.0 million), with acquisition revenue contributing € 17.6 million. EBITDA was € 7.1 million, up +50.8% compared to Q2 2022 (€ 4.7 million). The margin on sales (EBITDA margin) was 12.9%, compared to 14.7% in Q2 2022. Operating Profit (EBIT) was € 4.5 million, up 33.2% compared to Q2 2022 (€ 3.4 million), while Net Profit was € 3.9 million compared to € 1.4 million in Q2 2022.

"The Group's profitable growth in the first half of the year, and in particular the outstanding results in terms of growth on a like-for-like basis, confirm the sustainability of the TXT Group's industrial plan," comments CEO Daniele Misani. "The uncertainties and difficulties resulting from the complex macroeconomic context are mitigated by the geographic diversification and synergies generated by the Group's ecosystem: proprietary solutions, specialised engineering and consulting expertise, and technologies able to innovate processes and products of the major market players. For the second half of the year, we expect organic growth to continue, and we will keep integrating new excellences into our Group's ecosystem. We will maintain our focus on operational efficiency policies and initiatives aimed at maximising Group synergies, in order to further rapidly raise TXT's position in the digital innovation market, with the cohesive goal of creating value for all the Group's stakeholders."

On **August 4, 2023**, at **11:00 (CEST)** a conference call will be held during which the CEO Daniele Misani will present, and comment on the results for the first half of 2023. The registration form for the conference call is available on the Company's website www.txt-group.com under the page "Financial News & Calendar".

Subsequent events and business outlook

As a continuation of the first half of this year, which saw sustained organic growth in the business and increasing synergy from the integration of the newly acquired companies into the TXT ecosystem, TXT's management expects further growth in 2023, both organically across all operating divisions and through further acquisitions of target companies, some of which have already been identified and are under evaluation and due diligence.

In the Smart Solutions division, after a first half of 2023 that recorded reduced organic growth compared to the Group average due to the seasonality of the business, from the second half of the year, management expects accelerated growth driven by new multiyear licensing contracts, which will favour the growth of the Smart Solutions division on a number of markets, with a particular focus on the Aerospace market, where the full recovery of the civil aviation segment and the transition trend towards a green economy are proving to be beneficial factors for the positioning of the portfolio of ESG software solutions already selected by the main players in the sector, whether they are manufacturers or operators (i.e., airlines). In the Defence and Industry segment, new important business opportunities arise from the commercialisation of the WEAVR platform dedicated to the creation of VR/AR/MR content for the technical and procedural training of specialised and non-specialised personnel, with up-selling opportunities on existing customers and new opportunities on large companies and groups currently not covered by the Group's offer. With reference to new partnerships and innovative projects, in the context of innovation in the aviation market there is a new collaboration between the German subsidiary PACE GmbH and a leading US company recognised worldwide as a pioneer and leader in the IT industry. More details will be provided in the following sections.

In the Digital Advisory division, after a first half of 2023 that recorded sustained organic growth of 34.9%, for the remainder of this year and for the following two years TXT's management expects continuity in the division's growth thanks to the numerous important public contracts related to PNRR won by the subsidiary HSPI during the second half of 2022, as well as by leveraging the new public contracts awarded through public tenders during the second half of 2023 for which TXT Group, thanks to its specialised expertise in digital transformation of processes related to public administration, is strategically positioned. In continuity with the first half of the year, the skills integrated synergistically into the Group's Digital Advisory offering following the strategic acquisitions completed in 2022 are favouring the expansion of the offering into new segments such as the healthcare segment, where the integration of the skills of HSPI and PGMD, the latter acquired in Q4 2022 are favouring the acquisition of new contracts in both public and private healthcare, and in the space segment, where the specialised cybersecurity governance skills provided within the framework of the European space programmes are bringing benefits in terms of positioning the Group's Digital Advisory offering and in terms of the division's growth, also favouring its internationalisation.

In the Software Engineering division, which more than doubled revenues in the first half of 2023 compared to the same period of the previous year as a result of the consolidation of the companies acquired during 2022 and thanks to double-digit organic growth, management also expects continued growth in the second half of the year thanks to the continuation of the accelerated organic development favoured by the acquisition of new important contracts in the fintech and defence segments, with the latter segment recording a significant increase in international business, which grew by more than 30% compared to the first half of 2022. With reference to the growth linked to the 2022 acquisitions that granted the Group access to new strategic markets such as the Telco & Gaming market, after a positive first half of the year in line with budgets, during the second half of the year management expects continuity in returns that will benefit from the growing commercial and technological synergies with the other excellences of the TXT ecosystem. With reference to the growing use of emerging technologies on customer contracts related to engineering and IT services, the acquisition of new contracts focused on the use of AI, Data Analytics, VR/AR/XR continues to be successful, as well as the portfolio of contracts related to TXT's core services and competencies such as Cloud, Embedded Software and Quality Assurance, which show a growing demand in an increasingly wide range of sectors and industries.

In relation to the M&A 2023 plan, after a first half of the year in which the TXT Group experienced a slowdown caused by market contingencies, the TXT Group is committed to continuing the acquisition plan with the aim of integrating within the Group new technologies, specialised digital skills and excellence in markets that are already proprietary or adjacent to the current ones, with the aim of diversifying the offer and industry on the domestic market and strengthening core competencies on the international market. The acquisition will be financed through the liquidity already available in the TXT Group's treasury, the opening of new credit lines and using treasury shares in the portfolio.

On July 11, 2023, TXT signed an agreement for the acquisition of assets (“Asset Purchase Agreement” or “APA”) belonging to the Embedded Graphics business ("EG business") of the companies Presagis Canada Inc., Presagis USA Inc., Presagis Europe S.A.S. and CAE UK PLC. All such companies are subsidiaries of CAE Inc. ("CAE"). The Embedded Graphics business is based on a range of software solutions and services for onboard systems in the Aerospace & Defence market. Over the years, the business has established itself as a world leading provider of human machine interface (HMI) development tools and services for safety-critical and mission-critical systems. The main product family offered by the EG business is represented by VAPS XT, a modular tool launched on the market in 2011 and evolved over the years through continuous development and close collaboration with manufacturers of aircraft and first-class avionics systems. In evaluating the transaction, TXT identified significant technological and commercial synergies from the integration of EG's offering into the Group's existing Smart Solutions portfolio for the Aerospace & Defence market. This integration will be particularly advantageous for TXT's subsidiary PACE GmbH, which operates under the same business model and serves the EG business' key customer base, including large enterprises and blue-chip companies. Additionally, the investment presents significant opportunities for up-selling, cross-selling, and geographical diversification and will be enhanced by the engineering and system integration services of TXT E-Tech. TXT is already offering these services in the domestic market and can leverage this expertise and reputation of the acquired Embedded Graphics business, it will scale its service offering internationally, meeting the needs of the large customer base targeted by the acquisition. The closing of the transaction is subject to the fulfilment of certain conditions under the APA and is expected to take place in the third quarter 2023, with non-material economic and financial impacts on the current year. Starting in 2024, TXT's management expects sales volumes related to EG business to be in the range of €5 million, excluding expected volumes from synergies on specialised services, with reduced operating margin compared to the Smart Solutions division's average due to the expected investments to benefit the evolution of the EG proprietary solutions portfolio.

The current global geopolitical environment which has been tense since 2022 mainly due to Russia's military aggression in Ukraine and the escalation of the trade war between China and the USA, which have led to high macroeconomic uncertainty and inflationary pressure followed by an immediate rise in interest rates, TXT's new Board of Directors which took office today, has currently identified risks that can be mitigated in the short term due to the TXT business's minimal and non-strategic exposure in the Russian and Ukrainian territories and sustainable financial exposure. The TXT Board constantly monitors risks related to the evolution of conflicts and macroeconomic instability.

Declaration of the Manager responsible for preparing corporate accounting documents

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The Manager responsible for preparing corporate accounting documents, Eugenio Forcinito, declares, pursuant to art. 154-bis, paragraph 2 of Legislative Decree no. 58 of 24 February 1998, that the accounting information provided in this press release matches the information reported in the company's documents, books and accounting records.

From today, this press release is also available on the Company's website www.txt-group.com.

TXT is an international IT Group, end-to-end provider of consultancy, software services and solutions, supporting the digital transformation of customers' products and core processes. With a proprietary software portfolio and deep expertise in vertical domains, TXT operates across different markets, with a growing footprint in Aerospace, Aviation, Defense, Industrial, Government and Fintech. TXT is headquartered in Milan and has subsidiaries in Italy, Germany, the United Kingdom, France, Switzerland and the United States of America. The holding company TXT e-solutions S.p.A. has been listed on the Italian Stock Exchange, STAR segment (TXT.MI), since July 2000.

For further information:

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Management Income Statement as of 30 June 2023

€ thousand	30.06.2023	%	30.06.2022	%	Var %
REVENUES	**107,299**	**100**	**62,538**	**100**	**71.6**
Direct costs	69,949	65.2	38,482	61.5	81.8
GROSS MARGIN	**37,350**	**34.8**	**24,056**	**38.5**	**55.3**
Research and Development costs	4,499	4.2	3,954	6.3	13.8
Commercial costs	10,486	9.8	5,719	9.1	83.4
General and Administrative costs	8,444	7.9	5,192	8.3	62.6
EBITDA	**13,921**	**13.0**	**9,191**	**14.7**	**51.5**
Depreciation & Amortization	4,977	4.6	2,546	4.1	95.5
Riorganization and Non Recurrent Costs	0	0.0	75	0.1	n.a.
OPERATING PROFIT (EBIT)	**8,944**	**8.3**	**6,570**	**10.5**	**36.1**
Financial income (charges)	976	0.9	(1,371)	(2.2)	n.a.
EARNINGS BEFORE TAXES (EBT)	**9,920**	**9.2**	**5,199**	**8.3**	**90.8**
Taxes	(3,135)	(2.9)	(1,676)	(2.7)	87.1
NET PROFIT	**6,785**	**6.3**	**3,523**	**5.6**	**92.6**

Management Income Statement – Second Quarter of 2023

€ thousand	Q2 2023	%	Q2 2022	%	Var %
REVENUES	**54,987**	**100**	**32,020**	**100**	**71.7**
Direct costs	35,433	64.4	19,591	61.2	80.9
GROSS MARGIN	**19,554**	**35.6**	**12,429**	**38.8**	**57.3**
Research and Development costs	2,268	4.1	2,046	6.4	10.9
Commercial costs	5,244	9.5	2,552	8.0	105.5
General and Administrative costs	4,957	9.0	3,133	9.8	58.2
EBITDA	**7,085**	**12.9**	**4,698**	**14.7**	**50.8**
Depreciation & Amortization	2,615	4.8	1,343	4.2	94.7
Riorganization and Non Recurrent Costs	0	0.0	0	0.0	n.a.
OPERATING PROFIT (EBIT)	**4,470**	**8.1**	**4,240**	**13.2**	**5.4**
Financial income (charges)	1,415	2.6	(1,084)	(3.4)	n.a.
EARNINGS BEFORE TAXES (EBT)	**5,885**	**10.7**	**2,271**	**7.1**	**159.1**
Taxes	(2,010)	(3.7)	(822)	(2.6)	144.5
NET PROFIT	**3,875**	**7.0**	**1,449**	**4.5**	**167.4**

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Consolidated Net Financial Debt as of 30 June 2023

.000 Euro	30.06.2023	31.12.2022	Var
Cash	65,169	33,015	32,154
Trading securities at fair value	38,136	48,490	(10,354)
Short term Financial Debts	(80,826)	(51,187)	(29,639)
Short term Financial Resources	**22,478**	**30,318**	**(7,839)**
Other Long Term Financial Assets	1,607	1,417	190
Non-current financial debt	(63,981)	(70,005)	6,024
Non current Financial Debts	(62,374)	(68,588)	6,214
Net Available Financial Resources	**(39,896)**	**(38,270)**	**(1,625)**
Non-monetary debts for adjustment of the price of the 2021 acquisitions to be paid in TXT shares	-	1,750	(1,750)
Financial Investments	16,542	16,542	-
Net Cash/(Debt) Adjusted	**(23,354)**	**(21,728)**	**(1,625)**
Debt referred to IFRS 16	(9,863)	(8,494)	(1,369)

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Consolidated balance sheet as of 30 June 2023

€ thousand	30.06.2023	31.12.2022	Change
Intangible assets	76,586	77,975	(1,389)
Tangible assets	20,378	18,293	2,085
Other fixed assets	22,238	19,360	2,878
Fixed Assets	119,202	115,628	3,574
Inventories	17,076	13,765	3,311
Trade receivables	60,429	73,115	(12,686)
Other short term assets	15,757	15,352	405
Trade payables	(17,473)	(20,643)	3,170
Tax payables	(6,986)	(7,958)	972
Other payables and short term liabilities	(35,965)	(36,834)	869
Net working capital	32,837	36,797	(3,960)
Severance and other non current liabilities	(5,266)	(4,772)	(494)
Capital employed - Continuing Operations	146,773	147,653	(880)
Shareholders' equity	106,860	109,366	(2,506)
Shareholders' equity - minority interest	17	17	0
Net financial debt	39,896	38,270	1,625
Financing of capital employed	146,773	147,653	(880)