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TXT: Results of Q1 2022

Revenues and margins outperformed the estimates:

Revenues € 30.5 million (+42.1%)

Double-digit organic growth of revenues(+17.8%)

EBITDA € 4.5 million (+66.2%)

Net profit € 2.1 million (+67.5%).

- Revenues € 30.5 million (+42.1%), of which € 2.3 million from proprietary software licenses and € 28.3 million from services, projects, customization and consulting, of which € 7.0 million linked to proprietary solutions.
- EBITDA € 4.5 million (+66.2%) after significant investments in R&D fully expensed (€ 1.9 million, +15.6% YoY) and increasing commercial and management investments (€ 3.2 million, +26.0% YoY).
- Net profit € 2.1 million (+67.5%) net of amortization, depreciation and write-downs (€ 1.2 million), reorganization costs (€ 0.1 million), interest and financial charges net of financial income (€ 0.3 million) and tax charges (€ 0.9 million).
- Adjusted positive Net Financial Position (net cash) of € 3.2 million.

Milan, 11 May 2022 – 18:45

The Board of Directors of TXT e-solutions, chaired by Enrico Magni, today approved the operating results as of March 31, 2022.

"The Group's growth plan continues apace, which after a 2021 with record results, in 2022 aims to consolidate the strategic positioning in the technology segments of reference and to increase the value of TXT through new investments aimed at the evolution of the current digital offer and the enlargement of the perimeter of competence towards new strategic and synergistic markets and technologies" commented the Chairman Enrico Magni. *"Now that the global crisis linked to the covid epidemic seems to have brought a new equilibrium, the current geopolitical context characterized by the military conflict in Ukraine and a strong inflationary pressure also linked to the shortage of raw materials,*



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puts us in front of new challenges; in this context we strongly believe that TXT's offer will be more strategic than ever for our customers and for the digitalization of their core processes, generating increasing value for all stakeholders of TXT."

"The positive results confirm the growth path and the creation of sustainable value" commented CEO, Daniele Misani, "Results achieved by recurring activities within the value chain of our customers, operational efficiency and growing technological and commercial synergies between the companies of the Group. We will continue to invest in innovative proprietary solutions and in further M&A; we are diversifying the offering and market reach while maintaining our focus on digital innovation. We are increasingly recognized as leading players in supporting the digital transaction of products and processes of the top global companies."

Key economic and financial results for the first quarter of 2022 were as follows:

Revenues in the first quarter of 2022 were € 30.5 million, up +42.1% compared to € 21.5 million in the first quarter of 2021. On a like-for-like basis, revenues grew by +17.8% and acquisitions contributed €5.2 million. Revenues from software in the first quarter 2022 were €2.2 million, up +16.1% compared to the first quarter of 2021. Revenues from services, projects, customizations and consulting were €28.3 million (of which €7.0 million linked to proprietary solutions), up +44.7% compared to the first quarter of 2021. Total international revenues represented 30.8% of total revenues, up +69.0% YoY including €2.9 million due to the consolidation of TeraTron GmbH.

The Aerospace & Aviation (A&A) Division had revenues of €15.9 million, up +44.5% compared to Q1 2021, of which €2.0 million from organic growth and €2.9 million from the consolidation of TeraTron GmbH. The Fintech Division had revenues of €14.6 million up +39.5% compared to the first quarter of 2021, of which €1.9 million from organic growth and €2.3 million from the consolidation of companies acquired in 2021.

Gross Margin, net of direct costs, grew from €8.3 million in the first quarter of 2021 to €11.6 million in the first quarter of 2022, an increase of 40.6%. Gross margin as a percentage of revenues in the first quarter of 2022 was 38.1%, slightly down from 38.5% in the first quarter of 2021.

EBITDA was €4.5 million, up +66.2% compared to the first quarter of 2021 (€2.7 million), after increasing commercial and management costs equal to €3.2 million in the first



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quarter of 2022 (+26.0% YoY) and after significant investments in research and development fully expensed (€1.9 million, +15.6% YoY). EBITDA margin on revenues was 14.7% compared with 12.6% in the first quarter of 2021 thanks to higher operating efficiency, synergies between Group companies and the positive effects of consolidating the product and process excellences acquired during 2021.

EBIT (Operating Profit) was €3.2 million, up +86.2% compared to the first quarter of 2022 (€1.7 million) after amortization of intangible assets (€0.5 million) and tangible assets (€0.7 million) and reorganization expenses (€0.1 million).

Financial charges had a net negative balance of €0.3 million compared with a net positive balance of €0.3 million in the first quarter of 2021 as a result of the different financial structure of the Group as at March 31, 2022 compared with the previous twelve months and the negative market trend recorded in the first quarter of 2022, as opposed to the positive trend recorded in the same period of 2021.

Net income was €2.1 million, up +67.5% compared to €1.2 million in the first quarter of 2021, net of tax expense of €0.9 million. Net Income as a percentage of revenues was 6.8% in the first quarter of 2022, +1.0 pp compared to the first quarter of 2021.

The consolidated **Adjusted Net Financial Position** as of March 31, 2021 was positive (net cash) by €3.2 million, up €7.1 million compared to December 31, 2021 (net debt of €3.8 million). The increase is attributable to cash generation from operations and absorption of net working capital, which decreased by €7.3 million compared with December 31, 2021. The above positive cash flows were partially offset by the purchase of treasury shares for €1.6 million

The Consolidated Net Financial Position as of March 31, 2022 is negative (net debt) by €1.5 million, down by €4.8 million compared to the Adjusted Net Financial Position due to the recognition of residual payables related to the share price share to be transferred to the sellers in the context of the M&A transactions concluded in December 2021. The payment of the portion of the price due in shares will not result in any future cash outflow as it will be settled through the transfer of TXT treasury shares that are already in the company's possession. The transfer of the TXT shares and the related debt absorption of €4.4 million as of March 31, 2022, down €0.4 million compared to December 31, 2021, is expected by the end of the first half of 2022.



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Treasury shares as of March 31, 2022, gross of the shares to be transferred to the sellers in the context of the M&A plan mentioned above, were 1,306,253 (1,243,372 as of December 31, 2021), equal to 10.04% of the issued shares, purchased at an average price of € 3.52 per share.

On May 12, 2022 at 11:00 a.m. (CEST) a conference call will be held during which CEO Daniele Misani will present and comment on the Q1 2022 results. The registration form for the conference call is available on the Company's website www.txtgroup.com on the "Financial News & Calendar" page.

Subsequent events and business outlook

In continuity with what was announced on March 11, 2022 on the occasion of the publication of the 2021 results, and as confirmed by the results of the first quarter of the current year, for 2022 TXT's objectives include sustained expansion in Europe and North America and the development of the large and diversified client base already acquired in the two current divisions as well as the new domestic and international clients acquired and to be acquired through the M&A plan executed in the previous three years and also planned for 2022.

In the industrial division (Aerospace, Automotive, etc.), after a first quarter 2022 that recorded a double-digit organic growth rate in all segments and a strong growth in the international business, the Group expects further business growth favored by i) the recovery in air traffic and the increasing attention and spending aimed at the sustainability issue in the civil aviation segment, ii) the acceleration of European defense programs and iii) the consolidation and integration of the IoT offer of German TeraTron within the Group's digital solutions portfolio. During the second quarter of 2022, the customer portfolio was expanded both in the civil aviation segment with the acquisition of new contracts with Deutsche Aircraft (supply of proprietary preliminary design and performance analysis tools) and with the leading European manufacturer of interiors for the aerospace industry (supply of cabin configuration tools), and in new segments such as the railway segment with the acquisition of a new contract from a leading OEM for the development and supply of training software systems.

For the Fintech Division - which includes the offer for the public administration - the plan to integrate the companies acquired in the last three years within the TXT offer is being successfully completed, with positive effects on the entire perimeter of the division, which



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already recorded organic growth of 17.8% in the first quarter of the year. In Q2 2022, new activities were launched on previously awarded public tenders; the division dedicated to software certification, testing and QA, strengthened with the acquisitions of Assioma and Quence in 2019 and 2021 respectively, won a tender worth around € 2.5 million over three years (TXT Group share) for the provision of specialized services to a leading Italian public body, while HSPI won new tenders in the field of digital transformation of public administration for over € 20 million over the next three years. In the segments related to proprietary fintech products, new customer projects were successfully launched for the initialization and full integration of the proprietary AML platform, with new recurring revenues from licenses expected in 2022 on completion of current projects. With regard to synergies from M&A, the know-how of the newly acquired Novigo Consulting is proving to be a strategic element in the planned technological upgrade of the Cheleo Suite proprietary solutions portfolio dedicated to the consumer credit, financial products and NPL management markets.

In the current global geopolitical environment marked by the military conflict in Ukraine, TXT's management and independent directors have not currently identified any near-term risks due to the TXT business' minimal and non-strategic exposure in the Russian and Ukrainian territories. TXT's management continually monitors the evolution of the conflict and related macroeconomic instability.

Declaration of the manager in charge of drawing up the corporate accounting documents

The Manager in charge of drawing up the corporate accounting documents, Eugenio Forcinito, hereby declares, pursuant to art. 154-bis, paragraph 2 of Legislative Decree no. 58 of 24 February 1998, that the accounting information contained in this press release corresponds to the documented results, books and accounting records.

As from today, this press release is also available on the Company's website www.txtgroup.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.



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Management Income Statement as of 31 March 2022

€ thousand	1Q 2022	%	1Q 2021	%	Var %
REVENUES	30,520	100	21,481	100	42.1
Direct costs	18,893	61.9	13,210	61.5	43.0
GROSS MARGIN	11,627	38.1	8,271	38.5	40.6
Research and Development costs	1,908	6.3	1,650	7.7	15.6
Commercial costs	3,167	10.4	2,513	11.7	26.0
General and Administrative costs	2,059	6.7	1,405	6.5	46.5
EBITDA	4,493	14.7	2,703	12.6	66.2
Depreciation	721	2.4	567	2.6	27.2
Amortization	482	1.6	408	1.9	18.1
Riorganization and Non Recurrent Costs	75	0.2	0	0.0	0.0
OPERATING PROFIT (EBIT)	3,215	10.5	1,728	8.0	86.1
Financial income (charges)	(287)	(0.9)	256	1.2	(212.1)
Non-recurrent financial income (charges)	0	0.0	0	0.0	0.0
EARNINGS BEFORE TAXES (EBT)	2,928	9.6	1,984	9.2	47.6
Taxes	(854)	(2.8)	(746)	(3.5)	14.5
NET PROFIT	2,074	6.8	1,238	5.8	67.5



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Income Statement as of 31 March 2022

€ thousand	1Q 2022	%	1Q 2021	%	Var %
Revenues and other income	30,520	100.0%	21,481	100.0%	42.1%
TOTAL REVENUES AND INCOME	30,520	100.0%	21,481	100.0%	42.1%
Purchases of materials and services	(8,907)	(29.2%)	(4,594)	(21.4%)	93.9%
Personnel costs	(16,894)	(55.4%)	(14,104)	(65.7%)	19.8%
Other operating costs	(300)	(1.0%)	(80)	(0.4%)	275.1%
Amortizations, depreciation and write downs	(1,204)	(3.9%)	(975)	(4.5%)	23.4%
OPERATING RESULT	3,215	10.5%	1,727	8.0%	86.1%
Financial income/(charges)	(287)	(0.9%)	256	1.2%	-211.9%
PRE-TAX RESULT	2,928	9.6%	1,984	9.2%	47.6%
Income Taxes	(854)	(2.8%)	(746)	(3.5%)	14.4%
NET INCOME	2,074	6.8%	1,238	5.8%	67.6%
	Attributable to:				
	Parent Company's Shareholders	2,089	1,238		
	Minority Interests	(15)	-		

Net Financial Position as of 31 March 2022

.000 Euro	31.03.2022	31.12.2021	Var
Cash	42,185	36,076	6,109
Trading securities at fair value	47,981	48,869	(888)
Short term Financial Debts	(47,516)	(44,570)	(2,946)
Short term Financial Resources	42,650	40,375	2,275
Non current Financial Debts - Lessors IFRS 16	(4,055)	(4,209)	154
Other Non current Financial Debts	(40,141)	(45,260)	5,119
Non current Financial Debts	(44,196)	(49,469)	5,273
Net Available Financial Resources	(1,546)	(9,094)	7,548
Non-monetary debts for adjustment of the price of the 2021 acquisitions to be paid in TXT shares	4,826	5,253	(427)
Net Cash/(Debt) Adjusted	3,280	(3,841)	7,121



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PRESS RELEASE

Consolidated Balance Sheet as of 31 March 2022

€ thousand	31.03.2022	31.12.2021	Change
Intangible assets	54,311	52,626	1,685
Tangible assets	12,383	12,126	257
Other fixed assets	16,438	16,529	(91)
Fixed Assets	83,132	81,281	1,851
Inventories	12,611	7,810	4,801
Trade receivables	30,793	43,156	(12,363)
Other short term assets	9,807	8,864	943
Trade payables	(6,684)	(6,303)	(381)
Tax payables	(5,884)	(5,700)	(184)
Other payables and short term liabilities	(23,776)	(23,650)	(126)
Net working capital	16,867	24,177	(7,310)
Severance and other non current liabilities	(3,249)	(3,297)	48
Capital employed - Continuing Operations	96,750	102,161	(5,411)
Shareholders' equity	94,776	92,655	2,121
Shareholders' equity - minority interest	427	412	15
Net financial debt	1,547	9,094	(7,547)
Financing of capital employed	96,750	102,161	(5,411)



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Consolidated cash flow statement

€ thousand	31/03/2022	31/03/2021
Net profit (loss) for the period	2,074	1,238
Non-monetary interest for Stock Options	-	3
Non-monetary interest	33	34
Change in fair value of monetary instruments	101	(258)
Current income taxes	854	465
Change in deferred taxes	(47)	(206)
Depreciation/amortisation, impairment and provisions	1,202	968
Other non-monetary expenses	471	25
Cash flows from (used in) operating activities (before change in working capital)	4,688	2,269
(Increase) / Decrease in trade receivables	12,363	1,341
(Increase) / Decrease in inventories	(4,802)	(1,077)
Increase / (Decrease) in trade payables	381	30
(Increase) / Decrease in other assets/liabilities	(1,350)	(12,609)
Increase / (Decrease) in post-employment benefits	(47)	12
Changes in operating assets and liabilities	6,545	(12,303)
Paid income taxes	-	-
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES	11,233	(10,034)
Increase in tangible assets	(322)	(90)
Increase in intangible assets	(33)	(2)
Capitalisation of development expenses	(28)	(60)
Decrease in tangible and intangible assets	128	3
Net cash-flow from acquisition of subsidiaries	-	(983)
(Increase) / Decrease in financial investment	-	14,950
(Increase) / Decrease in trading securities	-	13,819
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES	(255)	-
Loans issued	-	1,000
Loans repaid	(2,941)	(2,575)
Payment of lease liabilities	(623)	(409)
Increase/(Decrease) in other financial receivables	-	-
Increase/(Decrease) in financial payables	-	-
Distribution of dividends	-	-
Interest expense	(89)	(30)
Net change in financial liabilities	(807)	(31)
(Purchase)/Sale of treasury shares	(445)	(130)
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES	(4,905)	(2,176)
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	6,073	1,609
Effect of changes in exchange rates on cash flows	36	(80)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	36,076	11,933
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	42,185	13,461