

TPS Group

Sector: Business Services



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FY 23 results in line, M&A path resumed

TPS is a B2B tech enabler providing, to top tier industrial groups, highly specialized engineering advisory and design services, including technical publications, cost engineering, avionics software development, components manufacturing, training & certification and digital content management.

Good FY23 results, driven by external growth

TPS's FY23 results, which include the consolidation of HB Technology's financials from January 1st, came out broadly in line with our full-year estimates: 1) VoP at €48.3mn (up ca. +27.8% y/y), result of both organic growth (low single digit) and HB Technology contribution; 2) EBITDA +13.6% y/y to €8.7mn, yet lower EBITDA Margin (-225 bps) due to: 1) heavier cost structure associated with production assets and; 2) inflationary pressure on raw materials and labor costs; 3) €10.6mn Net Cash, weighted by some postponements in the collection of trade receivables linked to key clients, as well as €2.6mn financial investments, €0.6mn dividend, and €0.4mn share buyback. We appreciate the resumption of the corporate development path (three M&A deals finalized in FY23).

2024E-26E estimates update: 7% CAGR, €4.5mn FCF p.a.

We are fine tuning our 2024E-25E estimates and adding 2026E ones taking into account the widened group perimeter, a more dynamic top line evolution, and some more inflationary pressures on labour costs.

Our current 2024E-26E forecasts are: 1) Top line at €51.8mn in 2024E, (7.2% CAGR_{23A-26E}); 2) EBITDA margin progressively increasing to 19% (75-80bps lower than our previous estimates), thanks to some efficiency gains following M&A integrations; 3) Average annual Free Cash Flow at ca. €4.5mn driving 2026E Net Cash Position at ca. €24mn, i.e. some 47% of current stock market capitalization.

Fair value at €9.50 (from €9.25)

At current €7.05 market price, TPS trades at 0.7x-0.6x EV/Sales, 3.8x-3.0x EV/EBITDA 2024E-25E multiples, and close to 10% Free Cash Flow yield, still at huge discount vs. domestic and international peers.

We revise TPS fair value upwards at €9.50 per share, (previously ca. €9.25), on the back of sector re-rating, lower equity risk premium and substantially unchanged medium-term growth potential, which remains robust.

Fair Value (€) 9.50
Market Price (€) 7.05
Market Cap. (€m) 51.2

KEY FINANCIALS (€m)	2023	2024E	2025E
REVENUES	48.3	51.8	55.5
EBITDA	8.7	9.5	10.4
EBIT	6.7	7.4	7.9
NET PROFIT	3.3	4.8	5.2
EQUITY	31.1	35.7	40.6
NET CASH POSITION	10.6	15.0	20.0
EPS ADJ. (€)	0.66	0.66	0.71
DPS (€)	0.08	0.08	0.08

Source: TPS Group (historical figures),
Value Track (2023E-24E estimates)

RATIOS & MULTIPLES	2023	2024E	2025E
EBITDA MARGIN (%)	17.9	18.3	18.7
EBIT MARGIN (%)	13.8	14.4	14.3
NET DEBT / EBITDA (x)	nm	nm	nm
NET DEBT / EQUITY (x)	nm	nm	nm
EV/SALES (x)	0.6	0.7	0.6
EV/EBITDA (x)	3.4	3.8	3.0
EV/EBIT (x)	4.4	4.8	3.9
P/E ADJ. (x)	8.4	10.6	9.9

Source: TPS Group (historical figures),
Value Track (2023E-24E estimates)

STOCK DATA

FAIR VALUE (€)	9.5
MARKET PRICE (€)	7.1
SHS. OUT. (m)	7.3
MARKET CAP. (€m)	51.2
FREE FLOAT (%)	16.4
AVG. -20D VOL.	4,100
RIC / BBG	TPS.MI / TPS.IM
52 WK RANGE	5.05 – 7.40

Source: Stock Market Data



Business Description

TPS is a B2B tech enabler providing highly specialized engineering advisory and design services to top tier industrial groups. Within the scope of its offering, TPS writes technical publications, implements cost engineering activities, develops proprietary software for avionics systems, designs and manufactures parts and components, trains and certifies aircraft technical maintainers, and offers digital content management services.

Key Financials

€mn	2023A	2024E	2025E	2026E
Total Revenues	48.3	51.8	55.5	59.6
Chg. % YoY	28.6%	7.2%	7.3%	7.3%
EBITDA	8.7	9.5	10.4	11.3
EBITDA Margin (%)	17.9%	18.3%	18.7%	19.0%
EBIT	6.7	7.4	7.9	8.5
EBIT Margin (%)	13.8%	14.4%	14.3%	14.2%
Net Profit	3.3	4.8	5.2	5.5
Chg. % YoY	-2.9%	44.1%	7.5%	6.9%
Adjusted Net Profit	4.8	4.8	5.2	5.5
Chg. % YoY	39.1%	0.6%	7.5%	6.9%
Net Cash. Position	10.6	15.0	20.0	24.0
Net Cash Pos. / EBITDA (x)	nm	nm	nm	nm
Capex	-2.8	-3.1	-3.3	-3.6
OpFCF b.t.	0.7	7.4	8.0	7.2
OpFCF b.t. as % of EBITDA	7.9%	77.9%	76.7%	63.6%

Source: TPS Group (historical figures), Value Track (estimates)

Investment case

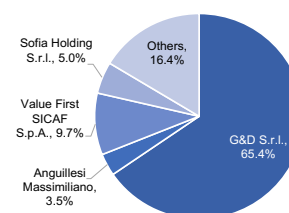
Strengths / Opportunities

- ◆ Human capital is TPS most strategic asset, with ca. 94% of workforce being composed by university/high-school graduates;
- ◆ Strong ties with clients, all top tier multinationals active in the A&D and Automotive sectors, often dating back to the Company's foundation;
- ◆ Strongly cash-generative business model with very low capital requirements;
- ◆ A&D/automotive markets growth rates expected to remain positive.

Weaknesses / Risks

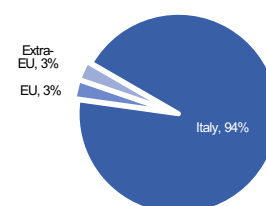
- ◆ Revenue concentration on a very few clients, with top 5 customers accounting for ca. two thirds of FY22 revenues;
- ◆ Challenges in attracting qualified workforce may still limit TPS' potential for sustained growth.

Shareholders Structure



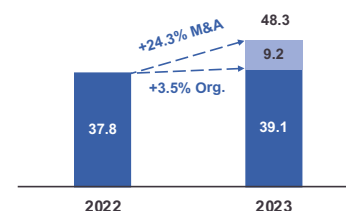
Source: TPS Group

FY23 Revenues by geography



Source: TPS Group

FY23 VoP Growth (Organic / M&A)



Source: TPS Group

Stock multiples @ €9.5 Fair Value

	2024E	2025E
EV / SALES (x)	1.1	0.9
EV / EBITDA (x)	5.6	4.7
EV / EBIT (x)	7.1	6.1
EV / CAP.EMP. (x)	2.6	2.3
OpFCF Yield (%)	13.6	16.3
P / E (x)	14.3	13.3
P / BV (x)	2.0	1.7
Div. Yield. (%)	0.8	0.8

Source: Value Track

FY23 Results

Introduction

TPS's FY23 results came out broadly in line with our full-year estimates, showing good growth driven by external line and resilient margins, amid weighted by heavier cost structure associated with production assets.

Cash generation was temporarily affected by some postponements in the collection of trade receivables linked to key clients, a situation that normalized by the end of January.

We welcome the resumption of the corporate development trajectory (which we continue to regard as the primary catalyst for the stock's revaluation), although we scrutinize the organic growth with some prudence, given that it fell a bit short of our initial expectations.

M&A path resumed in 2023, driving growth but burdening margins

As far as consolidation accounting for the new business is concerned, we highlight that HB Technology S.r.l., S.Te.L S.r.l. and Omniaproject Engineering S.r.l. were acquired during the year, but consolidated starting as of 1st January 2023.

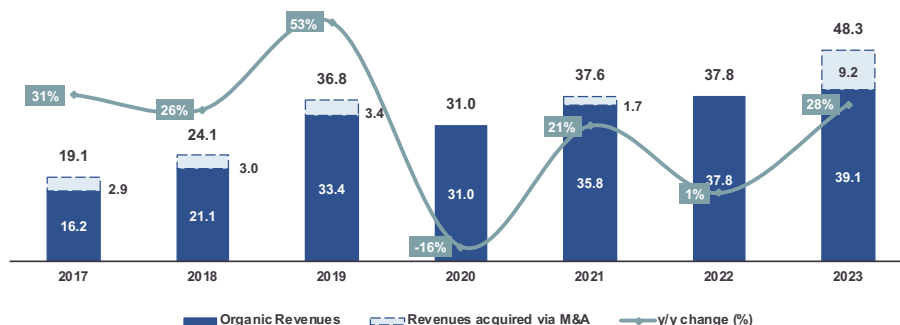
Additionally, consolidated P&L for FY22 does not incorporate data from Fore Comunicazione S.r.l., which was acquired in December 2022.

TPS Group: Key Financials FY22-FY23

(€, mn)	FY22	FY23	Δ YoY (%)
Value of Production	37.8	48.3	27.8%
EBITDA	7.6	8.7	13.6%
EBITDA Margin (%)	20.2%	17.9%	-225bps
EBIT	5.7	6.7	16.4%
EBIT Margin (%)	15.2%	13.8%	-135bps
Net Profit	3.6	3.3	-6.6%
Net Fin. Position [i.e. Net Debt (-) Cash (+)]	15.5	10.6	-5.0mn

Source: TPS Group, Value Track Analysis

TPS Group: M&A Impact on Total Revenues FY2017-FY2023



Source: TPS, Value Track estimates

- ◆ **Value of Production stood at €48.3mn** (ca. 27.8% y/y), result of both organic growth (3.5%) driven by the engineering segment (SBU2) and the consolidation of the economic data for the FY23 of the newly acquired subsidiaries HB Technology S.Te.L., Omniaproject Engineering;
- ◆ **EBITDA at €8.7mn**, +13.6 % y/y, yet lower EBITDA Margin (-225bps) due to both recent acquisitions, which are yet to secure efficiency gains, and inflationary pressure on raw materials and labor costs;
Being HB Technology somewhat less labour Intensive, Opex structure is slightly more skewed towards cost of services, mainly associated with the engineering services required by the newly acquired HB Technology, though remaining largely consistent;
- ◆ **Net Profit at €3.3mn** (ca. -6.6% y/y), mainly affected by: €1.2mn acquisition-related extraordinary costs and to a lesser extent higher D&A corresponding to newly acquired assets.

TPS Group: Profit & Loss FY22-FY23

(€, mn)	FY22	FY23	Δ YoY (%)
Value of Production	37.8	48.3	27.8%
Raw Materials, Δ Inventory (Finished Goods)	-1.3	-1.9	47.3%
Costs of Services	-7.0	-10.7	52.2%
Labour Costs	-21.8	-27.0	23.8%
EBITDA	7.6	8.7	13.6%
EBITDA Margin (%)	20.2%	17.9%	-225bps
D&A (excl. Goodwill)	-1.9	-1.9	1.9%
Provisions	0.0	-0.1	n.m.
EBIT	5.7	6.7	16.4%
EBIT Margin (%)	15.2%	13.8%	-135bps
Interest Expenses	-0.2	-0.2	-4.4%
Other Non-Operating Income/Expenses	-0.1	-0.1	-33.5%
Taxes	-1.6	-1.6	3.1%
Minorities	-0.2	-0.2	36.7%
Net Profit	3.6	3.3	-6.6%

Source: TPS Group, Value Track Analysis

Acquired asset adds up, OpFCF penalized by shifts in receivables collection

At Balance Sheet level we note:

- ◆ **Net fixed assets** up to **€11.0mn** (€8.5mn in FY22), due to new assets added within the perimeter, especially affected by HB's proprietary plant at the Faggiano site;
- ◆ **Working capital** at **€15.5mn** in FY22 (€8.8mn in FY22) which is mainly to be attributed to the delay in year-end payments from some key clients (Trade Receivables at €23mn FY23, vs. €16mn 1H23 and €14mn in FY22), which was subsequently recovered by the end of January 2024.

Noteworthy HB Technology's working capital, includes some grants provided by the Puglia Region under the "POR Puglia 2014-2020 Convergence Objective - Regional Regulation 17/2014," and grants requested in 2022 inherent to R&D projects;

As a result, **Net Cash** year-end stood at **€10.6mn**, (€15.5mn 2022 year-end), negatively affected by the aforementioned change in NWC, €2.6mn financial investments (HB, S.Te.L, Omniaproject), ca. €0.6mn dividends, and ca. €0.4mn share buybacks. On a normalized basis, we estimate an OpFCF conversion (i.e. Op.FCF_{b.t.} / EBITDA), still nearing the "60% steady-state" outlined in the IoC.

TPS Group: Balance Sheet FY22-FY23

(€, mn)	FY22	FY23	Δ YoY (%)
Net Fixed Assets	8.5	11.0	30.2%
Net Working Capital	8.8	15.5	77.2%
NWC/VoP	23.2%	32.2%	nm
Provisions	4.4	6.0	36.5%
Total Capital Employed	12.9	20.6	60.1%
Group Net Equity	28.4	31.1	9.7%
Net Fin. Position [i.e. Net Debt (-) Cash (+)]	15.5	10.6	-5.0mn

Source: TPS Group, Value Track Analysis

TPS Group: Cash Flow Statement FY22-FY23

(€, mn)	FY22	FY23	Δ YoY (%)
EBITDA	7.6	8.7	13.6%
Δ NWC	-1.1	-6.8	nm
Capex (excl. Financial Inv.)	-3.3	-2.8	-15.2%
Δ Provisions	-0.6	1.6	nm
OpFCF b.t.	2.6	0.7	-73.9%
Cash Taxes	-1.6	-1.6	3.1%
Others (incl. Financial Inv.)	0.7	-2.8	nm
Net Financial Charges	-0.2	-0.2	-4.4%
Dividends Paid	-0.6	-0.6	1.0%
Net Cash Generated (Absorbed)	1.0	-5.0	nm

Source: TPS Group, Value Track Analysis

Corporate development

M&A path resumed and is here to stay

TPS has resumed its M&A driven corporate development path, with **three deals finalized in FY23**. Growing by acquisition is not new to TPS as in the past years the company undertook a steady path of business diversification/expansion, led by a series of successful acquisitions:

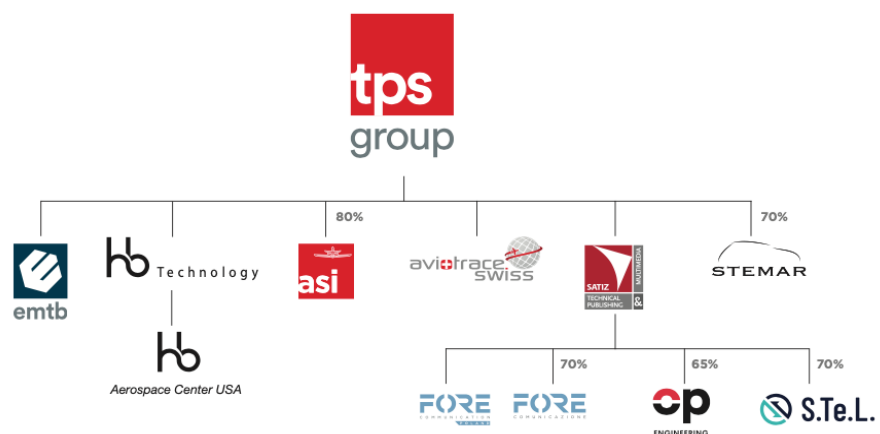
- ◆ **December 2013:** 51% stake of Neos Srl (raised to 100% in subsequent years);
- ◆ **October 2015:** 100% stake of Adriatech Srl;
- ◆ **June 2017,** 100% stake of ICB;
- ◆ **September 2017:** 100% stake of Stemar Consulting. This deal marks the first business diversification by entering into the automotive market;
- ◆ **September 2018:** Satiz TPM is integrated by contribution in kind. The ownership of Satiz TPM was previously held by the same controlling shareholders of TPS;
- ◆ **March 2019:** 80% stake of Dead Pixel (raised to 100% in July 2022);
- ◆ **September 2019:** 100% stake of EMTB;
- ◆ **July 2021:** 80% stake of ASI Srl.

Recently, M&A activity has resumed and in the latest two years TPS finalized the following deals:

- ◆ **December 2022:** 70% stake of Fore Srl;
- ◆ **June 2023:** 100% stake of HB Technology Srl;
- ◆ **July 2023:** 70% stake of S.te.l. Srl (through Satiz Technical Publishing & Multimedia);
- ◆ **November 2023:** 65% stake in Omniaproject Engineering Srl.

The company always stresses that the current significant **cash reserve is intended for further acquisitions** in sectors that are attractive for the development of the subsidiaries (production of components, avionics maintenance, heavy vehicles).

TPS Group: Group structure as of today



Source: TPS, Value Track analysis

Group Structure Reorganization

In 2023, the Group reorganized into five BUs to enhance focus and operational efficiency.

In summary, key changes are as follows.

- ◆ Establishment of a new Production BU, which includes the newly acquired HB Technology and some activities previously included in SBU 2, i.e. production of aeronautical kits from TPS S.p.A and maintenance services by ASI;
- ◆ Unification of non-aerospace engineering activities under EMTB;
- ◆ Unification of non-aerospace technical documentation activities under Satiz TPM.
- ◆ Digital communication BU (SBU4) restructured around FORE S.r.l.;

As a result, the TPS group now has the following structure.

1) Technical Publishing & Training: focused on technical documentation, integrated logistic support, and training in the aerospace, automotive, and railway sectors.

It includes activities from S.Te.L. S.r.l. and Aviotrace Swiss SA, the latter including the training of maintenance technicians;

2) Engineering & Cost Engineering: Incorporating all design, engineering, and aeronautical certification activities, this SBU also encompasses cost engineering under Stemar Consulting S.r.l., automotive and mechanical engineering by EMTB, and Oil & Gas project management by Omniaproject Engineering S.r.l., including structural design from HB Technology S.r.l.;

3) Avionic Services & Informative Technologies: Specializing in avionic software, system integration, and IT, this unit supports cybersecurity initiatives and production process digitalization;

4) Digital Content Management: Deals with the generation and management of multimedia content for product marketing and educational programs delivery.

This unit also develops augmented and virtual reality applications, with added activities from in digital communication from 2023;

5) Production: The newest SBU, focusing on manufacturing parts and components at the Faggiano plant of HB Technology S.r.l., aeronautical kits by TPS S.p.A., and maintenance services by AIR Support International S.r.l., which specializes in avionic systems and aircraft repair.

We remind these BUs are transversal, and their division does not necessarily reflect the distribution of activities between the subsidiaries.

TPS Group: Organizational structure of TPS subsidiaries

(€, mn)	1° SBU	2° SBU	3° SBU	4° SBU	5° SBU
TPS S.p.A	✓	✓	✓	✓	□
Aviotrace Swiss	✓	□	□	□	□
Stemar Consulting	□	✓	□	□	□
Satiz TPM	✓	□	✓	□	□
EMTB	□	✓	□	□	□
ASI	□	✓	□	□	✓
Fore	□	□	□	✓	□
HB Technology	□	✓	□	□	✓
S.Te.L	✓	□	□	□	□
Omniaproject Engineering	□	✓	□	□	□

Source: TPS Group, Value Track Analysis

2024E-26E estimates

We are fine tuning our 2024E-25E estimates and adding 2026E ones taking into account the widened group perimeter, a more dynamic top line evolution, and some more inflationary pressures on labour costs (and partly on raw materials). As a result, we stand marginally more generous on Top Line evolution while a bit more cautious on margins and Net cash position. That said, our 2024E-26E financial forecasts are as follows:

- ◆ **Revenues up** at €51.8mn in 2024E, and growing at mid-single-digit pace (7.2% CAGR_{23A-26E}). Growth is expected to come mainly from: 1) key clients, where positive developments have been noted (higher order intake, backlog and expected investments) and several multi-year framework agreements have been already signed; 2) segments such as engineering, avionic developments, and the production of aeronautical parts and components, with positive early trends in 1Q24;
- ◆ **EBITDA margins** expected to converge to 19.0% in 2026E, (75-80bps lower than our previous estimates), thanks to some efficiency gains following the integration of HB;
- ◆ Average **Free Cash Flow** per annum at ca. €4.5mn driving 2026E **Net Cash Position** at ca. €24mn, i.e. some 47% of current stock market capitalization.

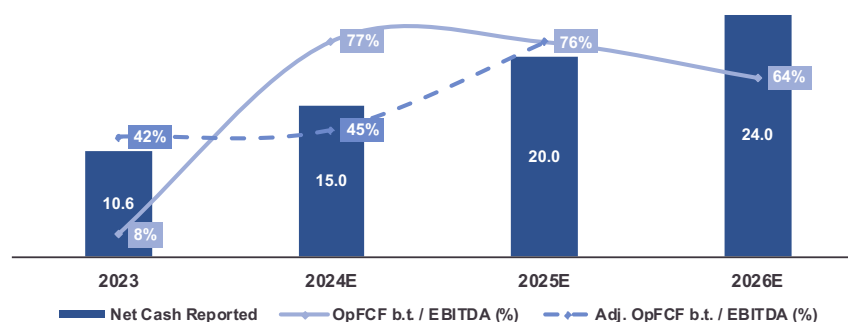
TPS: Old vs. New Estimates 24E-25E

€mn	2024E			2025E		
	Old	New	Δ(%)	Old	New	Δ(%)
Total Revenues	49.6	51.8	4%	53.2	55.5	4%
EBITDA	9.5	9.5	0%	10.4	10.4	0%
<i>EBITDA Margin (%)</i>	19.0%	18.3%	-78 bps	19.5%	18.7%	-80 bps
EBIT	7.5	7.4	-1%	8.0	7.9	0%
<i>EBIT Margin (%)</i>	15.1%	14.4%	-73 bps	15.0%	14.3%	-67 bps
Net Profit	4.9	4.8	-2%	5.2	5.2	-1%
Net Fin. Position	18.2	15.0	-3.1	21.7	20.0	-1.7

Source: Value Track Analysis

In the chart below, we have attempted to adjust the Op. FCF_{b.t.} 2023A-2024E for the exceptional NWC dynamics, to more accurately reflect TPS cash generation profile.

TPS: Reported vs. Normalized (*) Operating FCF Evolution 2023A-26E



Source: Value Track analysis (*) 2023A-2024E adjusted for the exceptional NWC dynamics

TPS Group: Profit & Loss 2023A-26E

(€, mn)	2023A	2024E	2025E	2026E
Value of Production	48.3	51.8	55.5	59.6
Raw Materials, Δ Inventory (Finished Goods)	-1.9	-2.3	-2.5	-2.7
Costs of Services	-10.7	-11.1	-11.9	-12.8
Labour Costs	-27.0	-28.9	-30.7	-32.7
EBITDA	8.7	9.5	10.4	11.3
EBITDA Margin (%)	17.9%	18.3%	18.7%	19.0%
D&A (excl. goodwill)	-1.9	-2.0	-2.4	-2.8
Provisions	-0.1	0.0	0.0	-0.1
EBIT	6.7	7.4	7.9	8.5
EBIT Margin (%)	13.8%	14.4%	14.3%	14.2%
Interest Expenses	-0.2	-0.1	-0.1	0.0
Other Non-Operating Income/Expenses	-0.1	0.0	0.0	0.0
Taxes	-1.6	-2.2	-2.4	-2.5
Minorities	-0.2	-0.3	-0.3	-0.3
Net Profit	3.3	4.8	5.2	5.5

Source: TPS Group, Value Track Analysis

TPS Group: Cash Flow Statement 2023A-26E

(€mn, IAS IFRS)	2023A	2024E	2025E	2026E
EBITDA	8.7	9.5	10.4	11.3
Δ Net Working Capital	-6.8	0.5	0.5	-0.9
Capex	-2.8	-3.1	-3.3	-3.6
Δ Provision	1.6	0.3	0.4	0.4
OpFCF b.t.	0.7	7.4	8.0	7.2
As a % of EBITDA	7.9%	77.9%	76.7%	63.6%
Cash Taxes	-1.6	-2.2	-2.4	-2.5
Others (incl. Financial Inv.)	-2.8	0.0	0.0	0.0
Net Financial Charges	-0.2	-0.1	-0.1	0.0
Dividends Paid	-0.6	-0.6	-0.6	-0.6
Net Cash Generated (Absorbed)	-5.0	4.5	4.9	4.1

Source: TPS Group, Value Track Analysis

TPS Group: Balance Sheet 2023A-26E

(€mn, IAS IFRS)	2023A	2024E	2025E	2026E
Net Fixed Assets	11.0	12.1	13.0	13.7
Net Working Capital	15.5	14.9	14.3	15.2
Provisions	6.0	6.3	6.7	7.1
Total Capital Employed	20.6	20.7	20.7	21.9
Group Net Equity	31.1	35.7	40.6	45.9
Net Fin. Position [i.e. Net Debt (-) Cash (+)]	10.6	15.0	20.0	24.0

Source: TPS Group, Value Track Analysis

Valuation Update

Taking into account updated TPS financial forecasts, **we update our fair value at €9.5 per share (from €9.25)**, that would imply 1.1x-0.9x EV/Sales and 5.6x-4.7x EV/EBITDA 2024E-25E multiples, still at discount vs. domestic and international peers.

Oure new €9.5 fair value is the combined effect of:

- ◆ **DCF model** at €10.5 p.s. (from €10.2 p.s.), that benefits from a lower Equity Risk Premium (updated from 6.45% to 5.62%, Damodaran);
- ◆ **Peers Analysis** at €8.5 p.s. (from €8.2 p.s.), subject to a mild sector rerating (ca. +10% since September) affecting especially Italian comparables which were more penalized in the last valuation update, and despite inconsistent trends among peers.

TPS Group: stock multiples at current market price and at fair value

Per Share	EV/Sales			EV/EBITDA			EV/EBIT			P/E Adj.		
	2024	2025	2026	2024	2025	2026	2024	2025	2026	2024	2025	2026
€ 7.05	0.7	0.6	0.5	3.8	3.0	2.3	4.8	3.9	3.1	10.6	9.9	9.2
€ 9.50	1.1	0.9	0.8	5.6	4.7	3.9	7.1	6.1	5.2	14.3	13.3	12.4

Source: Value Track Analysis

TPS Group: Peers' Trading Multiples

Peers	Mkt Cap (€mn)	EV / EBITDA (x)		EV / EBIT (x)		P / E Adj. (x)	
		2024E	2025E	2024E	2025E	2024E	2025E
International Peers							
Alten	4,462	8.1	7.0	9.9	8.7	15.5	14.0
Sogecclair	66	4.3	3.6	8.6	6.8	10.5	9.3
Bertrandt Group	431	4.6	3.6	8.7	5.9	10.4	7.1
EDAG Engineering Group	279	4.8	4.4	9.1	7.4	9.7	8.6
Ricardo PLC	274	6.2	5.7	8.8	7.6	17.0	13.5
Arcadis	5,362	11.0	9.4	13.8	11.9	21.5	17.4
EU Tech Enablers - Average	1,812	6.5	5.6	9.8	8.1	14.1	11.7
EU Tech Enablers - Median	355	5.5	5.0	8.9	7.5	13.0	11.4
Domestic Peers							
TXT e-solutions	253	7.1	6.1	11.9	9.7	12.6	11.5
Star7	64	5.9	5.1	8.6	7.7	8.4	7.5
Reti	25	6.7	5.4	9.8	7.4	13.2	10.4
TNXT	817	9.8	8.1	16.2	12.3	12.4	10.2
Spindox	50	5.4	4.4	10.9	7.1	20.9	16.4
Reply	4,766	11.9	10.3	15.2	13.0	23.6	21.1
ITA Tech Enablers - Average	996	7.8	6.6	12.1	9.5	15.2	12.9
ITA Tech Enablers - Median	159	6.9	5.8	11.4	8.7	12.9	11.0
Total Average	1,404	7.2	6.1	11.0	8.8	14.6	12.3
Total Median	277	6.5	5.6	9.8	7.6	12.9	11.0

Source: Market Consensus, Value Track Analysis

Discounted Cash Flow Model

Our DCF model at “Rolling capital structure” is based on the following assumptions:

- ◆ Time horizon for explicit forecasts is 2024E - 30E;
- ◆ 2.0% Risk Free Rate in line with medium term inflation target;
- ◆ Unlevered Beta at 0.89 for Europe Aerospace & Defense (Source: Damodaran web site);
- ◆ Implied Italian Equity Risk premium at 5.62% (Source: Damodaran web site, Jan ‘24 Update);
- ◆ 2.5% Company specific Risk Premium, as result of 2.0% small-size risk premium and 0.5% client concentration risk premium;
- ◆ 4.0% Pre-Tax Cost of Debt, supported by an optimal interest coverage ratio;
- ◆ 1% Perpetuity Growth Rate (“g”).

TPS Group: DCF Model with Rolling Capital Structure

(€mn, g = 1.0%)	(€mn)
PV of Future Cash-Flows 2024E-2030E	25.7
PV of Terminal Value 2030E	39.1
Fair Enterprise Value	64.8
Net Cash Position 2023A	10.6
Treasury shares @ 7.05 Mkt value	0.6
100% Fair Equity Value	75.9
Fair Equity Value p.s. (€)	10.5

Source: Value Track Analysis

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