

# Officina Stellare

Sector: Technology



## Space factory rollout starting to bear fruits

Officina Stellare designs, engineers and manufactures a wide range of opto-mechanic equipment (from “simple” telescopes to highly complex optical systems) to be utilized for various applications in aerospace, defense and scientific research end markets.

### 1H21 profitability back to pre-pandemic levels

The investments devoted to the rollout of the Space Factory are eventually bearing their fruits. Indeed, 1H21 interim results are sound, not only in terms of growth but also in terms of profitability:

- 1) Value of Production was up ca. 26% y/y to €4.7mn, higher not only y/y but also compared to pre-covid 1H19 figures;
- 2) Gross and EBITDA margin stood at 62.9% and 37.5%, respectively, with EBITDA doubled y/y to €1.8mn.

### Higher 2021E estimates, 2022E-23E confirmed

We’re revising upwards 2021E estimates while confirming 2022E-23E ones. We now expect VoP to grow at ca. 37% CAGR<sub>20A-23E</sub>, reaching €19mn as of 2023E, with EBITDA at €6.7mn. Better profitability, lower Capex requirements and warrant conversion should be the key drivers for the 2023E positive Net Financial Position of €2.6mn.

### Positive newsflow impacting the investment case

OS investment case has been positively impacted by newsflow at both macro level and company one. At macro level we underline the following:

- 1) Introduction of Next Generation EU plans with specific funds dedicated to the Space Economy;
- 2) Acceleration of satellites launches that were halted during Covid-19 outbreak;
- 3) Capital markets hype on “space” stocks.

As far as the company level is concerned, we note that backlog (€14.5mn if we include some orders under contractual revision terms) and total value of negotiations (€62.3mn) are at all-time high. In the meantime, M&A deal in the field of quantum communication has been finalized.

### Fair value per share at €15.7 (up from €11.2)

Based on both updated 2021E-23E figures and on the previously mentioned key points impacting the investment case, we review OS fair value per share at €15.7 (up from €11.2), 10% higher than current market price.

We confirm our view of Officina Stellare as a zero-cost call option on the success of its “Space Economy opportunity”.

#### Analyst

**Marco Greco**

Tel: +39 02 80886654

marco.greco@value-track.com

Skype: marco.m.greco

**Fair Value (€) 15.7**

**Market Price (€) 14.1**

**Market Cap. (€m) 80.0**

| KEY FINANCIALS (€m) | 2020A | 2021E | 2022E |
|---------------------|-------|-------|-------|
| VALUE OF PRODUCTION | 7.3   | 10.4  | 14.3  |
| EBITDA              | 1.6   | 3.6   | 5.0   |
| EBIT                | 0.2   | 1.8   | 3.0   |
| NET PROFIT          | 0.3   | 1.5   | 2.3   |
| EQUITY              | 8.0   | 10.0  | 15.3  |
| NET FIN. POS.       | -4.1  | -4.7  | -0.4  |
| EPS ADJ. (€)        | 0.05  | 0.26  | 0.40  |
| DPS (€)             | 0.00  | 0.00  | 0.00  |

Source: Officina Stellare (historical figures), Value Track (2021E-22E estimates)

| RATIOS & MULTIPLES    | 2020A | 2021E | 2022E |
|-----------------------|-------|-------|-------|
| EBITDA MARGIN (%)     | 21.6  | 34.3  | 34.9  |
| EBIT MARGIN (%)       | 3.3   | 17.5  | 20.9  |
| NET DEBT / EBITDA (x) | 2.6   | 1.3   | 0.1   |
| NET DEBT / EQUITY (x) | 0.5   | 0.5   | 0.0   |
| EV/SALES (x) (*)      | 11.5  | 8.1   | 6.0   |
| EV/EBITDA (x) (*)     | 53.2  | 23.7  | 17.1  |
| EV/EBIT (x) (*)       | nm    | 46.6  | 28.6  |
| P/E ADJ. (x) (*)      | nm    | 53.8  | 35.3  |

Source: Officina Stellare (historical figures), Value Track (2021E-22E estimates) (\*) Fully diluted

#### STOCK DATA

|                    |               |
|--------------------|---------------|
| FAIR VALUE (€)     | 15.7          |
| MARKET PRICE (€)   | 14.1          |
| SHS. OUT. (m)      | 5.7           |
| MARKET CAP. (€m)   | 80.0          |
| FREE FLOAT (%)     | 17.6          |
| AVG. -20D VOL. (#) | 2,450         |
| RIC / BBG          | OS.MI / OS.IM |
| 52 WK RANGE        | 6.70-18.50    |

Source: Stock Market Data



## Business Description

Officina Stellare designs, engineers and manufactures a wide range of standard and complete turn-key “custom” opto-mechanic equipment to be utilized in various applications of aerospace, defense and scientific research end-markets.

In the coming years, we expect Officina Stellare to profit from the huge market opportunity represented by the so-called “*New Space Economy*” industry, the ecosystem represented by activities related to the merge between space and digital technologies, with most promising applications being Earth Observation, Laser Communication and Space Situational Awareness & Tracking.

## Key Financials

| €mn                        | 2020A         | 2021E         | 2022E         | 2023E         |
|----------------------------|---------------|---------------|---------------|---------------|
| <b>Revenues from Sales</b> | <b>5,863</b>  | <b>6,240</b>  | <b>8,571</b>  | <b>11,429</b> |
| Other Revenues             | 1,477         | 4,160         | 5,714         | 7,619         |
| <b>Value of Production</b> | <b>7,340</b>  | <b>10,400</b> | <b>14,286</b> | <b>19,048</b> |
| Chg. % YoY                 | -7.5%         | 41.7%         | 37.4%         | 33.3%         |
| <b>EBITDA</b>              | <b>1,583</b>  | <b>3,568</b>  | <b>4,990</b>  | <b>6,665</b>  |
| EBITDA Margin (%)          | 21.6%         | 34.3%         | 34.9%         | 35.0%         |
| <b>EBIT</b>                | <b>245</b>    | <b>1,818</b>  | <b>2,990</b>  | <b>4,565</b>  |
| EBIT Margin (%)            | 3.3%          | 17.5%         | 20.9%         | 24.0%         |
| <b>Net Profit</b>          | <b>303</b>    | <b>1,477</b>  | <b>2,336</b>  | <b>3,424</b>  |
| Chg. % YoY                 | -78.7%        | nm            | 58.2%         | 46.6%         |
| <b>Adjusted Net Profit</b> | <b>303</b>    | <b>1,477</b>  | <b>2,336</b>  | <b>3,424</b>  |
| Chg. % YoY                 | -78.7%        | nm            | 58.2%         | 46.6%         |
| <b>Net Fin. Position</b>   | <b>-4,094</b> | <b>-4,665</b> | <b>-352</b>   | <b>2,567</b>  |
| Net Fin. Pos. / EBITDA (x) | 2.6           | 1.3           | 0.1           | nm            |
| Capex                      | -3,411        | -3,000        | -2,000        | -1,500        |
| <b>OpFCF b.t.</b>          | <b>-3,941</b> | <b>-408</b>   | <b>2,107</b>  | <b>4,109</b>  |
| OpFCF b.t. as % of EBITDA  | -248.9%       | -11.4%        | 42.2%         | 61.7%         |

Source: Officina Stellare (historical figures), Value Track (estimates)

## Investment case

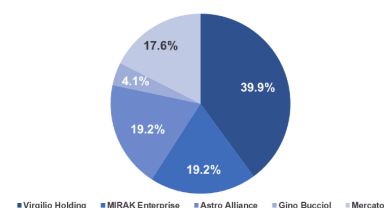
### Strengths / Opportunities

- ◆ Exposure to the most promising applications of a highly growing industry;
- ◆ Scalable business model with best-in-class profitability;
- ◆ First Italian *Space Factory* securing end-to-end *in-house* value chain;
- ◆ High barriers to entry, no pure telescopes manufacture competitors.

### Weaknesses / Risks

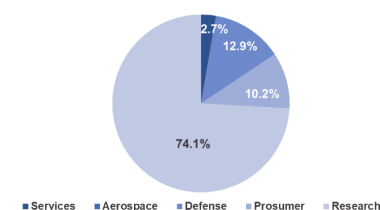
- ◆ Small size compared to more mature players in the Aerospace market;
- ◆ Capital intensive business, high CapEx requirements for the *Space Factory*;
- ◆ On-order business model driving significant inventory levels.

## Shareholders Structure



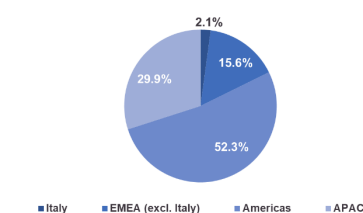
Source: Officina Stellare

## Sales breakdown by products



Source: Officina Stellare, 1H21 Results

## Sales breakdown by geography



Source: Officina Stellare, 1H21 Results

## Stock multiples @ €15.7 Fair Value

|                   | 2022E | 2023E |
|-------------------|-------|-------|
| EV / SALES (x)    | 9.0   | 6.7   |
| EV / EBITDA (x)   | 26.3  | 19.1  |
| EV / EBIT (x)     | 51.7  | 31.9  |
| EV / CAP.EMP. (x) | 6.4   | 6.1   |
| OpFCF Yield (%)   | -0.4  | 2.2   |
| P / E (x)         | 60.1  | 39.4  |
| P / BV (x)        | 8.9   | 6.2   |
| Div. Yield. (%)   | 0.0   | 0.0   |

Source: Value Track (Fully-diluted scenario)

## 1H21 Financials

1H21 interim results are sound and confirm Officina Stellare as a highly promising company with a proven business model exposed to a great variety of profitable growth opportunities.

Despite some orders deliveries delays, the Group was able to return to pre-Covid 19 levels in terms of profitability, with an astonishing 37.5% EBITDA margin.

### Key 1H21 figures

Officina Stellare 1H21 financial figures came out as follows:

- ◆ **Value of Production at €4.7mn**, up from €3.7mn in 1H20, i.e. +26% y/y;
- ◆ **EBITDA doubled to €1.8mn**, with an **EBITDA margin at 37.5%** exceeding pre-pandemic levels;
- ◆ **EBIT margin at 24.2%**, and EBIT increasing more than proportionally with respect to EBITDA;
- ◆ **Net Profit at €0.9mn** or more than threefold compared to €0.3mn of 1H20;
- ◆ **Net Debt at €4.5mn**, worsened by €400k vs. 2020FY due to substantial R&D investments dedicated to the rollout of the new “Space Factory”.

#### Officina Stellare: Key financials 1H20-1H21

| (€ '000)                      | 1H19         | 1H20         | 1H21          | Change y/y (%)   |
|-------------------------------|--------------|--------------|---------------|------------------|
| <b>Value of Production</b>    | <b>4,084</b> | <b>3,714</b> | <b>4,676</b>  | <b>25.9%</b>     |
| <b>EBITDA</b>                 | <b>1,478</b> | <b>899</b>   | <b>1,754</b>  | <b>95.1%</b>     |
| <i>EBITDA Margin (%)</i>      | <i>36.2%</i> | <i>24.2%</i> | <i>37.5%</i>  | <i>+1,330 bp</i> |
| <b>Net Profit</b>             | <b>778</b>   | <b>281</b>   | <b>948</b>    | <b>237.1%</b>    |
| <i>Net Margin (%)</i>         | <i>19.1%</i> | <i>7.6%</i>  | <i>20.3%</i>  | <i>+1,271 bp</i> |
| <b>Net Financial Position</b> | <b>1,843</b> | <b>-772</b>  | <b>-4,475</b> | <b>n.m.</b>      |

Source: Officina Stellare

### Orders deliveries and new intakes drive Value of Production +26% y/y

We remind that Officina Stellare Value of Production originates from the following components:

1. Revenues from Sales, referring to orders (and services) 100% finalized and delivered by the Group to its clients;
2. Change in Work-In-Progress (WIP) Advancement orders, i.e. orders which are not entirely finalized but at different steps of completion, allowed by the OIC 23 principle to be classified as Value of Production (VoP) and as an inventory component;
3. Change in Internally Generated Fixed Assets, recorded at the initial direct and production cost until the relative asset is ready to use;
4. Change in Finished Products inventories;
5. Operating Grants for R&D investments.

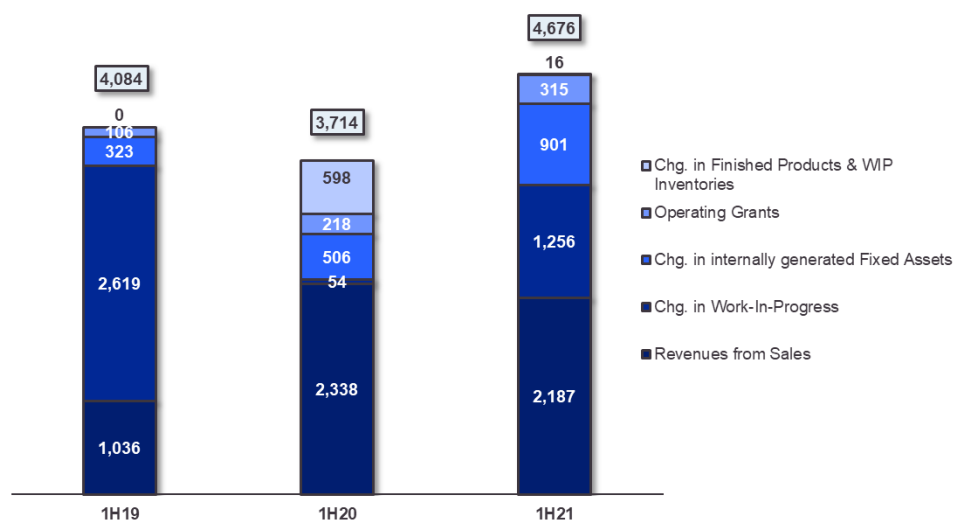
Overall, VoP increased by ca. 26% y/y thanks to the outstanding contribution of WIP advancements (from €54k in 1H20 to €1,256k in 1H21), as many of the orders postponed during the pandemic restarted in the first months of 2021 together to an increasing amount of new orders intake.

**Officina Stellare: VoP breakdown 1H20-1H21**

| (€ '000)                              | 1H19         | 1H20         | 1H21         | Change y/y (%) |
|---------------------------------------|--------------|--------------|--------------|----------------|
| Revenues from Sales                   | 1,036        | 2,338        | 2,187        | -6.5%          |
| Chge in WIP Advancements              | 2,619        | 54           | 1,256        | n.m.           |
| Chge in Internally Gen. Fixed Assets  | 323          | 506          | 901          | 78.3%          |
| Chge in Finished Products inventories | 0.0 (*)      | 598          | 16           | -97.3%         |
| Operating Grants                      | 106          | 218          | 315          | 44.6%          |
| <b>Value of Production</b>            | <b>4,084</b> | <b>3,714</b> | <b>4,676</b> | <b>25.9%</b>   |

Source: Officina Stellare

(\*) Missing split between WIP Advancements and Finished Products Inventories

**Value of Production evolution and breakdown 1H20-1H21 (€ '000)**

Source: Officina Stellare, Value Track analysis

Analyzing the various components, we note:

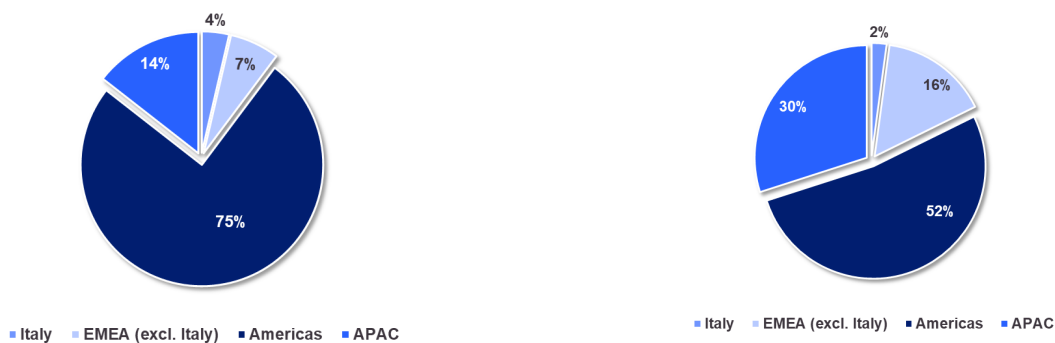
**1. Revenues from Sales.**

Differently from all other main financials, Revenues from Sales experienced a slight decrease y/y (6.5%, or ca. €151k), totalling €2.2mn as of 1H21. The decline is attributable to shipment delays of already finalized orders waiting for authorization from ministerial authorities, as subjected to regulatory procedures of the Defense sector.

Such delays, which were heavily present during FY20 due to pandemic-related supply chain problems and have partially altered 1H21, do not depend on Officina Stellare but mainly on its clients. However, no order has been cancelled but only rescheduled.

Looking at revenues from sales breakdown by geographical area, i.e. not including WIP and Other Revenues, we note that EMEA accounts for 16% of total, APAC ca. 30% and Italy just 2%.

Revenues from Sales breakdown by geographic area: 1H20 (lhs), 1H21 (rhs)



Source: Officina Stellare, Value Track analysis

Regarding end-markets, we highlight the Research sector taking over the aerospace market since no order from Aerospace was invoiced during 1H21 (it should be in 2H21).

Revenues from Sales breakdown by end-market: 1H20 (lhs), 1H21 (rhs)



Source: Officina Stellare, Value Track analysis

However, such data do not fairly represent the real orders breakdown of the Company. It is more interesting to look at the entire backlog, which includes orders that are indeed being processed and not just those finalized and accounted as Revenues from Sales.

As of end of September Officina Stellare declares a total backlog amount for ca. €12mn, out of which €5.7mn attributable to the Research end-market (39%), €3.5mn to Aerospace (24%), and €2.8mn to Defense (19%).

In addition, some €2.5mn worth institutional projects with the European Space Agency and the Italian Space Agency are under final contractual details review.

**2. Work-In-Progress Advancements.**

During the first half of the year, with Covid-19 restrictions loosening up, Officina Stellare received new orders intake and resumed those orders that its clients postponed during 2020 due to supply chain disruptions.

Since the quantity of WIP accounted on the Company financial statements increases proportionally to the percentage of completion of the order, Officina Stellare VoP experienced substantial growth. Indeed, WIP Advancements totalled €1,256k in 1H21 vs. just €54k as of 1H20.

### 3/4/5. Other VoP components.

Other components weigh around 26% on total Value of Production on a cumulative basis, with change in Fixed Assets being the most significant contributor (19%) with ca. €900k in 1H21. Change in Finished Products inventories experienced a substantial reduction, while Operating Grants reached €315k, increasing 47% y/y thanks to higher R&D investments.

### EBITDA margin (37.5%) back to outstanding pre-pandemic levels

During 2020, which can be classified as an abnormal period due to Covid-19, profitability margins dropped due to negative operating leverage effects.

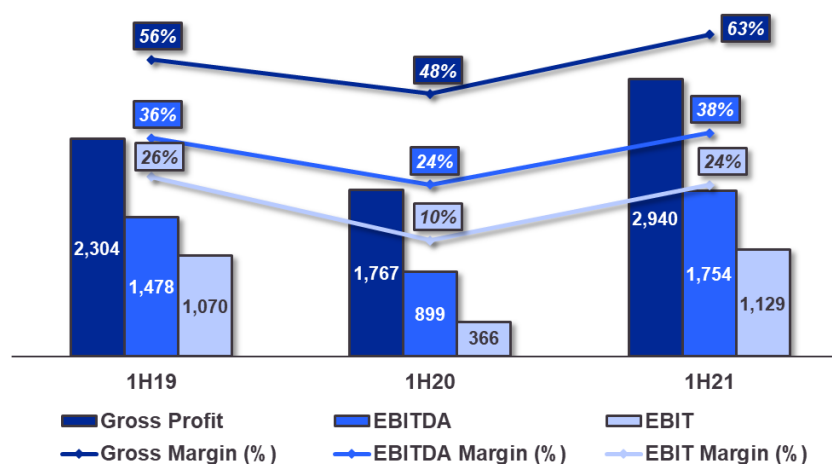
Indeed, the insourcing of workers and production processes needed for *Space Factory* developments led to massive amounts of fixed costs (service, labour, D&As) which were not matched by an equal top-line growth.

On the contrary, 1H21 already unveiled terrific results in terms of profitability, with **Gross and EBITDA margin at 62.9% and 37.5%, respectively**, (Gross Profit of €2.4mn and EBITDA of €1.8mn in absolute values), as a consequence of:

- ◆ Raw Materials and Consumables efficient cost bedding and reduction to €702k in 1H21 vs. €974k in 1H20, as Defense and Research-related orders involve lower raw materials components than Aerospace orders (which were not finalized during 1H21);
- ◆ Service costs at 16% of sales in 1H21 vs. 23% in 1H20, decreasing from €859k to €735k, thanks to the Group strategy to reduce external consulting costs while, instead, hiring new highly-skilled personnel to develop in-house expertise further;
- ◆ Labour costs consequently increasing due to new recruitments, however only moderately if compared to other costs-savings. Indeed, labour stood at €1.9mn, or ca.25% of sales (vs.23% of 1H20).

After €625k D&A (strictly related to the *Space Factory* investment plan), **EBIT stood at €1.1mn**, i.e. 3x y/y (€0.3mn), 24.2% EBIT margin (vs. 9.9%) in line with FY19 level.

#### Profitability evolution 1H19,1H20,1H21 (€'000)



Source: Officina Stellare, Value Track analysis

Negligible financial charges (about €23k), FX profit (€70k) and taxes (€232k, implicit 19.6% tax rate) resulted in **€948k Net Profit**, impressive if looking at 1H20 bottom line of €281k and a significant improvement vs. 1H19 figure (+22%) as well. Net Profit margin after tax stands at an astonishing 20.3%.

### Profit & Loss 1H19, 1H20, 1H21

| (€ '000)                                                       | 1H19         | 1H20         | 1H21         | Change y/y (%)   |
|----------------------------------------------------------------|--------------|--------------|--------------|------------------|
| <b>Value of Production</b>                                     | <b>4,084</b> | <b>3,714</b> | <b>4,676</b> | <b>25.9%</b>     |
| Raw Materials and Consumables                                  | -933         | -974         | -702         | .                |
| Cost of Services                                               | -528         | -859         | -735         | .                |
| Other Costs                                                    | -320         | -113         | -117         | .                |
| <b>Gross Profit</b>                                            | <b>2,304</b> | <b>1,767</b> | <b>2,940</b> | <b>66.4%</b>     |
| <b>Gross Margin (%)</b>                                        | <b>56.4%</b> | <b>47.6%</b> | <b>62.9%</b> | <b>+1,530bps</b> |
| Labour Costs                                                   | -827         | -868         | -1,185       | .                |
| <b>EBITDA</b>                                                  | <b>1,478</b> | <b>899</b>   | <b>1,754</b> | <b>95.1%</b>     |
| <b>EBITDA Margin (%)</b>                                       | <b>36.2%</b> | <b>24.2%</b> | <b>37.5%</b> | <b>+1,330bps</b> |
| D&A                                                            | -380         | -522         | -615         | .                |
| Provisions                                                     | -27          | -11          | -10          | .                |
| <b>EBIT</b>                                                    | <b>1,070</b> | <b>366</b>   | <b>1,129</b> | <b>208.4%</b>    |
| <b>EBIT Margin (%)</b>                                         | <b>26.2%</b> | <b>9.9%</b>  | <b>24.2%</b> | <b>+1,430bps</b> |
| Net Financial Charges                                          | -36          | -29          | 23           | .                |
| Other Non-Operating Income/Expenses (including FX Profit/Loss) | 0            | -31          | 74           | .                |
| <b>Pre-Tax Profit</b>                                          | <b>1,034</b> | <b>307</b>   | <b>1,180</b> | .                |
| Taxes                                                          | -256         | -26          | -232         | .                |
| <b>Net Profit</b>                                              | <b>778</b>   | <b>281</b>   | <b>948</b>   | <b>237.1%</b>    |
| <b>Net Profit Margin (%)</b>                                   | <b>19.1%</b> | <b>7.6%</b>  | <b>20.3%</b> | <b>+1,271bps</b> |

Source: Officina Stellare, Value Track analysis

### Space Factory investment plan taking its tolls on Free Cash Flow

Starting as of 2018, Officina Stellare has employed ca. €5mn (considering only tangible CapEx) worth of investments for its new production facility. The investment plan is now largely implemented and is expected to be finalised by the end of the current year.

Still, 1H21 reported €1.8mn capital expenditures, almost entirely related to R&D and towards highly advanced technologies (thus contributing to generate fiscal benefits in the future).

In addition, on May 14<sup>th</sup>, 2021, Officina Stellare, together with shareholders coming from the academic world, acquired a 50.5% stake of the innovative start-up "ThinkQuantum S.r.l.", spin-off of the University of Padua, investing ca. €0.3mn (financial investments).

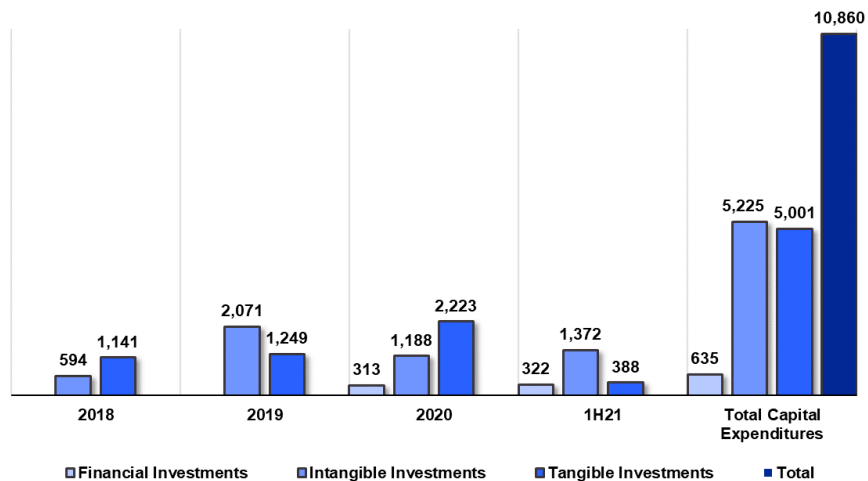
At Cash-Flow / Balance Sheet level we also highlight:

- ◆ **Net Working Capital** increasing by €279k mainly due to WIP Advancement inventories building up as a consequence of the new orders intake previously described;
- ◆ **Provisions** decreasing by €143k;
- ◆ **Cash Taxes** at €322k;

- ◆ **Capital Injection** of ca. €542k, due to 74,685 warrants converted into ordinary shares at €7.26 per share, thus contributing to a **Group Net Equity** of €9.5mn as of end 1H21;
- ◆ **Net Financial Charges** at €0.4mn.

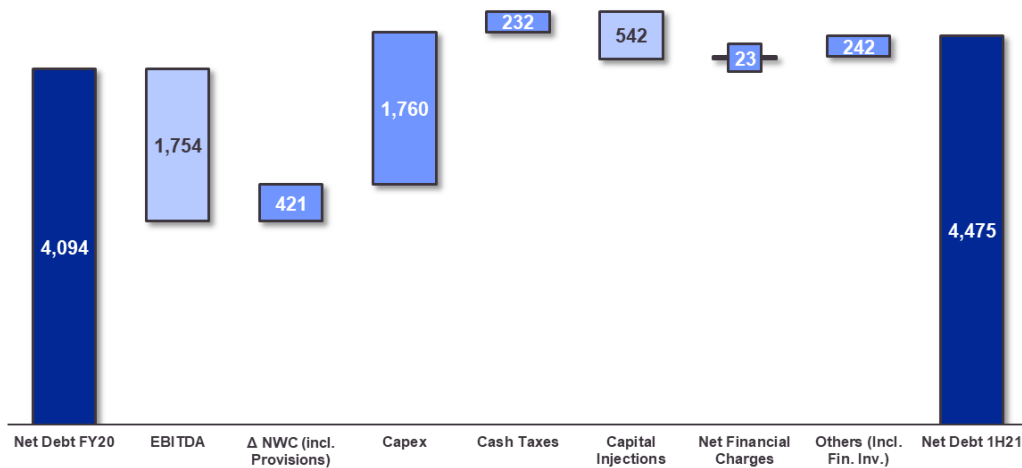
Consequently, **Net Debt increased to €4.5mn**, from €4.1mn as of December 31<sup>st</sup>, 2020 and €0.8mn as of June 30<sup>th</sup>, 2020.

### Capital Expenditures FY18-1H21 (€ '000)



Source: Officina Stellare, Value Track analysis

### Cash Flow Bridge FY20-1H21



Source: Officina Stellare, Value Track analysis



### Cash Flow Statement 2H20-1H21

| (€ '000)                          | 2H20          | 1H21          |
|-----------------------------------|---------------|---------------|
| EBITDA                            | 684           | 1,754         |
| Op. WC requirements               | -1,709        | -279          |
| Capex (not incl. Fin. Inv.)       | -2,170        | -1,760        |
| Change in provisions              | 113           | -143          |
| <b>OpFCF b.t.</b>                 | <b>-3,082</b> | <b>-427</b>   |
| Cash Taxes                        | 164           | -232          |
| <b>OpFCF a.t.</b>                 | <b>-2,918</b> | <b>-659</b>   |
| Capital Injections                | 0             | 542           |
| Other (incl. Fin. Inv.)           | -401          | -242          |
| Net Financial Charges             | -3            | -23           |
| Dividends paid                    | 0             | 0             |
| <b>Change in Net Fin Position</b> | <b>-3,322</b> | <b>-381</b>   |
| <b>Net Financial Position</b>     | <b>-4,094</b> | <b>-4,475</b> |

Source: Officina Stellare, Value Track analysis

### Balance Sheet Structure 1H20-FY20-1H21

| (€ '000)                      | 1H20         | FY20          | 1H21          |
|-------------------------------|--------------|---------------|---------------|
| Net Fixed Assets              | 5,560        | 7,276         | 8,743         |
| Net Working Capital           | 3,782        | 5,491         | 5,770         |
| Provisions                    | 540          | 652           | 510           |
| <b>Total Capital Employed</b> | <b>8,803</b> | <b>12,115</b> | <b>14,003</b> |
| Group Net Equity              | 8,031        | 2,021         | 9,528         |
| <b>Net Financial Position</b> | <b>-772</b>  | <b>-4,094</b> | <b>-4,475</b> |

Source: Officina Stellare, Value Track analysis

## Forecasts 2021E-2023E

### Update of 2021E-23E estimates

Following 1H21 interim results and current backlog amount, we're revising upwards 2021E estimates while substantially confirming our 2021E-23E forecasts. However, we highlight some minor changes:

- ◆ Value of Production revised upwards by 3.7% yearly in 2022E-23E as we're planning a higher win rate of new orders ahead, but skewed on larger ones that might require longer processing time;
- ◆ Profitability enhanced already as of 2021E, following the great outcomes of 1H21.

We underline that we're not taking into account any M&A deal, be it an acquisition or a joint-venture, nor any possible commercial or industrial discontinuity. Indeed, we're only considering the gradual commercial development of the company.

### Officina Stellare: New vs. Old estimates

| €'000                            | 2021E         |                |             | 2022E          |                |              | 2023E          |                |              |
|----------------------------------|---------------|----------------|-------------|----------------|----------------|--------------|----------------|----------------|--------------|
|                                  | Old           | New            | Δ(%)        | Old            | New            | Δ(%)         | Old            | New            | Δ(%)         |
| Negotiations (a)                 | 65,000        | 65,000         | 0.0%        | 75,000         | 75,000         | 0.0%         | 90,000         | 90,000         | 0.0%         |
| Win Rate (b)                     | 16%           | 16%            | --          | 18%            | 20%            | --           | 20%            | 22%            | --           |
| <b>Orders Intake (c)=(a)*(b)</b> | <b>10,400</b> | <b>10,400</b>  | <b>0.0%</b> | <b>13,500</b>  | <b>15,000</b>  | <b>11.1%</b> | <b>18,000</b>  | <b>20,000</b>  | <b>11.1%</b> |
| Book-to-Bill                     | 1.00          | 1.00           | --          | 0.98           | 1.05           | --           | 0.98           | 1.05           | --           |
| <b>Orders Delivered (VoP)</b>    | <b>-</b>      | <b>-10,400</b> | <b>0.0%</b> | <b>-13,776</b> | <b>-14,286</b> | <b>3.7%</b>  | <b>-18,367</b> | <b>-19,048</b> | <b>3.7%</b>  |
| Backlog BoP                      | 8,000         | 8,000          | 0.0%        | 8,000          | 8,000          | 0.0%         | 7,724          | 8,714          | 12.8%        |
| <b>Backlog EoP</b>               | <b>8,000</b>  | <b>8,000</b>   | <b>0.0%</b> | <b>7,724</b>   | <b>8,714</b>   | <b>12.8%</b> | <b>7,357</b>   | <b>9,667</b>   | <b>31.4%</b> |

Source: Value Track Estimates (2020 backlog calculated by Value Track)

### Officina Stellare: New vs. Old estimates

| €'000                         | 2021E         |               |              | 2022E         |               |              | 2023E         |               |             |
|-------------------------------|---------------|---------------|--------------|---------------|---------------|--------------|---------------|---------------|-------------|
|                               | Old           | New           | Δ(%)         | Old           | New           | Δ(%)         | Old           | New           | Δ(%)        |
| <b>Value of Production</b>    | <b>10,400</b> | <b>10,400</b> | <b>0.0%</b>  | <b>13,776</b> | <b>14,286</b> | <b>3.7%</b>  | <b>18,367</b> | <b>19,048</b> | <b>3.7%</b> |
| Gross Profit                  | 5,304         | 6,032         | 13.7%        | 7,301         | 8,286         | 13.5%        | 10,010        | 11,048        | 10.4%       |
| Gross margin (%)              | 51.0%         | 58.0%         | 700bps       | 53.0%         | 58.0%         | 500bps       | 54.5%         | 58.0%         | 350bps      |
| <b>EBITDA</b>                 | <b>3,004</b>  | <b>3,568</b>  | <b>18.8%</b> | <b>4,504</b>  | <b>4,990</b>  | <b>10.8%</b> | <b>6,281</b>  | <b>6,665</b>  | <b>6.1%</b> |
| EBITDA margin (%)             | 28.9%         | 34.3%         | 542bps       | 32.7%         | 34.9%         | 223bps       | 34.2%         | 35.0%         | 79bps       |
| <b>EBIT</b>                   | <b>1,354</b>  | <b>1,818</b>  | <b>34.3%</b> | <b>2,654</b>  | <b>2,990</b>  | <b>12.6%</b> | <b>4,331</b>  | <b>4,565</b>  | <b>5.4%</b> |
| EBIT margin (%)               | 13.0%         | 17.5%         | 446bps       | 19.3%         | 20.9%         | 166bps       | 23.6%         | 24.0%         | 38bps       |
| <b>Net Profit</b>             | <b>1,146</b>  | <b>1,477</b>  | <b>28.8%</b> | <b>2,196</b>  | <b>2,336</b>  | <b>6.3%</b>  | <b>3,417</b>  | <b>3,424</b>  | <b>0.2%</b> |
| OpFCF after tax               | -602          | -669          | 11.0%        | 1,660         | 1,523         | -8.3%        | 2,953         | 3,028         | 2.6%        |
| Group Net Equity              | 9,711         | 10,048        | --           | 14,785        | 15,294        | --           | 18,202        | 18,717        | --          |
| <b>Net Financial Position</b> | <b>-4,283</b> | <b>-4,665</b> | <b>--</b>    | <b>135</b>    | <b>-352</b>   | <b>--</b>    | <b>2,978</b>  | <b>2,567</b>  | <b>--</b>   |

Source: Value Track Estimates

## 2021E-23E new forecasts at a glance

We hereby report estimates guidelines and key financials for 2021E-23E periods, followed by more detailed financial statements. For additional specifics on metrics drivers, we refer to our initiation of coverage report of April 21<sup>st</sup>, 2021.

### Estimates guidelines

To forecasts Officina Stellare financials, some guidelines are necessary:

- ◆ Value of Production forecasts are based on order accounting estimates, i.e. we move from historical backlog figures, predict new order intakes and divide them by an estimated Book/Bill ratio;
- ◆ VoP figures are then split into Revenues from Sales, Change of Work In Progress, Grants and Internally Generated Fixed Assets based on historical averages and estimates;
- ◆ For Labour Costs, we move from an average Revenue per Employee to get a solid forecast of how many people Officina Stellare will need to achieve the predicted levels of VoP. A proportional Cost per Employee measure was determined and Labour Costs were consequently projected;
- ◆ No financial impact from possible future M&A deal is taken into account.

### Key forecasts

We confirm Officina Stellare as a business exposed to a number growth opportunities that could unlock a major scalability. Depending on the quantity and quality of yearly orders intake, the Italian Group could experience different expansion scenarios.

For **2021E-23E period**, we currently estimate:

- ◆ **Cumulated Value of Production at €43.7mn**, with a 2020A-23E CAGR over 37%;
- ◆ **Gross Margin at 58% already as of 2021E year end**, thanks to an efficient raw materials and cost of services management;
- ◆ **EBITDA margin at ca. 35% in 2023E**, with Labour Costs increasing hand-in hand with top line and qualified personnel joining the company;
- ◆ **Net Financial Position turning positive by 2023E**, as a consequence of decreasing CapEx amounts, enhanced profitability and ca. €3mn capital injections from “deep in the money” warrant conversion.

### Officina Stellare: Main Financials 2020A-2023E

| (€ '000)                      | 2020A         | 2021E         | 2022E         | 2023E         |
|-------------------------------|---------------|---------------|---------------|---------------|
| <b>Value of Production</b>    | <b>7,340</b>  | <b>10,400</b> | <b>14,286</b> | <b>19,048</b> |
| Gross Profit                  | 3,421         | 6,032         | 8,286         | 11,048        |
| Gross Margin (%)              | 46.6%         | 58.0%         | 58.0%         | 58.0%         |
| <b>EBITDA</b>                 | <b>1,583</b>  | <b>3,568</b>  | <b>4,990</b>  | <b>6,665</b>  |
| EBITDA Margin (%)             | 21.6%         | 34.3%         | 34.9%         | 35.0%         |
| <b>Net Financial Position</b> | <b>-4,094</b> | <b>-4,665</b> | <b>-352</b>   | <b>2,567</b>  |

Source: Officina Stellare, Value Track Estimates

### Profit & Loss 2020A-23E

| (€ '000)                      | 2020A        | 2021E         | 2022E         | 2023E         |
|-------------------------------|--------------|---------------|---------------|---------------|
| <b>Value of Production</b>    | <b>7,340</b> | <b>10,400</b> | <b>14,286</b> | <b>19,048</b> |
| Raw Materials and Consumables | -1,793       | -2,080        | -2,857        | -3,810        |
| Cost of Services              | -1,813       | -1,768        | -2,429        | -3,238        |
| Other Costs                   | -313         | -520          | -714          | -952          |
| <b>Gross Profit</b>           | <b>3,421</b> | <b>6,032</b>  | <b>8,286</b>  | <b>11,048</b> |
| <b>Gross Margin (%)</b>       | <b>46.6%</b> | <b>58.0%</b>  | <b>58.0%</b>  | <b>58.0%</b>  |
| Labour Costs                  | -1,837       | -2,464        | -3,296        | -4,383        |
| <b>EBITDA</b>                 | <b>1,583</b> | <b>3,568</b>  | <b>4,990</b>  | <b>6,665</b>  |
| <b>EBITDA Margin (%)</b>      | <b>21.6%</b> | <b>34.3%</b>  | <b>34.9%</b>  | <b>35.0%</b>  |
| D&A                           | -1,289       | -1,700        | -1,950        | -2,050        |
| Provisions                    | -49          | -50           | -50           | -50           |
| <b>EBIT</b>                   | <b>245</b>   | <b>1,818</b>  | <b>2,990</b>  | <b>4,565</b>  |
| <b>EBIT Margin (%)</b>        | <b>3.3%</b>  | <b>17.5%</b>  | <b>20.9%</b>  | <b>24.0%</b>  |
| Financial / Non-Op. Charges   | -80          | -80           | -70           | -60           |
| Taxes                         | 138          | -261          | -584          | -1,081        |
| <b>Net Profit</b>             | <b>303</b>   | <b>1,477</b>  | <b>2,336</b>  | <b>3,424</b>  |

Source: Company financial statements, Value Track analysis

### Balance Sheet 2020A-23E

| (€ '000)                      | 2020A         | 2021E         | 2022E         | 2023E         |
|-------------------------------|---------------|---------------|---------------|---------------|
| Net Fixed Assets              | 7,276         | 8,899         | 8,949         | 8,399         |
| Net Working Capital           | 5,491         | 6,516         | 7,464         | 8,607         |
| Provisions                    | 652           | 702           | 768           | 855           |
| <b>Total Capital Employed</b> | <b>12,115</b> | <b>14,713</b> | <b>15,645</b> | <b>16,150</b> |
| Group Net Equity              | 8,021         | 10,048        | 15,294        | 18,717        |
| <b>Net Financial Position</b> | <b>-4,094</b> | <b>-4,665</b> | <b>-352</b>   | <b>2,567</b>  |

Source: Company financial statements, Value Track analysis

### Cash Flow Statement 2020A-23E

| (€ '000)                          | 2020A         | 2021E       | 2022E        | 2023E        |
|-----------------------------------|---------------|-------------|--------------|--------------|
| EBITDA                            | 1,583         | 3,568       | 4,990        | 6,665        |
| Op. WC needs / Chg. Provisions    | -2,113        | -976        | -882         | -1,055       |
| Capex (not incl. Fin. Inv.)       | -3,411        | -3,000      | -2,000       | -1,500       |
| <b>OpFCF b.t.</b>                 | <b>-3,941</b> | <b>-408</b> | <b>2,107</b> | <b>4,109</b> |
| Cash Taxes                        | 138           | -261        | -584         | -1,081       |
| <b>OpFCF a.t.</b>                 | <b>-3,803</b> | <b>-669</b> | <b>1,523</b> | <b>3,028</b> |
| Capital Injections                | 224           | 542         | 2,874        | 0            |
| Other (incl. Fin. Inv.)           | -443          | -365        | -14          | -50          |
| Net Financial Charges             | -31           | -80         | -70          | -60          |
| <b>Change in Net Fin Position</b> | <b>-4,052</b> | <b>-571</b> | <b>4,314</b> | <b>2,918</b> |

Source: Company financial statements, Value Track analysis

## Update on the investment case

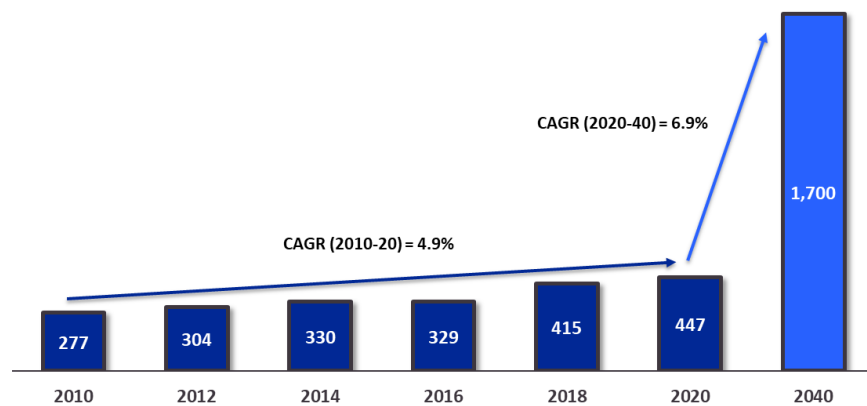
Overall, we believe that both at a macro level (Italy, EU, reference market) and at a micro one (OS), the newsflow of the recent months is very positive and justifies a further optimistic review of Officina Stellare's investment case.

### Key points affecting OS investment case at macro level

OS is going to focus more and more its commercial efforts on some segments of the “**New Space Economy**” (or “*Space 4.0*”), an ever-increasing industry with a size of approximately **\$450bn**, estimated to reach between \$1.1tn-\$1.7tn as of 2040.

These segments refer to Earth Observation (EO), Laser (and Quantum) Communication (LC), Space Situational Awareness and Space Surveillance and Tracking (SSA/SST), i.e. the applications where Officina Stellare aims to become a leading supplier through its opto-mechanical systems.

#### Space Economy: Global Turnover evolution (US \$)



Source: Statista, Morgan Stanley, Officina Stellare

Worthy to note, over the latest months this industry has provided important positive newsflow:

1. Introduction of **Next Generation EU** plans (with specific funds dedicated to the Space Economy);
2. **Acceleration of satellites launches** that were halted during Covid-19 outbreak;
3. **Capital markets hype**, i.e. record amount of Space SPACs and IPOs.

### 1. Next Gen EU and NRRP

Next Generation EU is the recovery plan in response to Covid-19 disruption instituted by the European Union and worth ca. €750bn, or ca. 5% of Europe GDP.

The bulk of the plan is made of the Recovery and Resilience Facility (RRF, ca. €672.5bn), to be declined within each country and whose general program aims at mitigating Covid-19 economic and social impact while making Europe a more sustainable both on environmental and digital terms.

EU has allocated to Italy ca €235bn (ca. 9.5% of GDP) through the RRF facility and complimentary funds, to be used between 2021 and 2026. The Italian National Recovery and Resilience Plan (NRRP) follows Next Gen EU guidelines and **approximately €2.3bn should be allocated to the development of the Italian Space Economy industry**, that's to say on:

- ◆ SatCom technologies (for more secure, satellites-based communications);

- ◆ Earth Observation;
- ◆ National Space Factory;
- ◆ Access to Space (for next generation transportation systems);
- ◆ In-orbit Economy (to provide in-orbit maintenance of satellites and infrastructures).

Looking at those areas of intervention, Officina Stellare skills in the fields of LC, EO and SSA will be fundamental and the Group contribution should be inevitable playing an active role in the NRRP implementation over the next few years.

Space is now widely recognized as a strategic activity for economic development, both for the potential boost that can give to technological progress and the major issues of "transition" of economic systems (e.g. anticipating the implications of climate change through satellite observation) and because of its natural continental/European scale of action and investments coordination.

## 2. Satellite launches – Over 800 new satellites in January-May 2021 period

Satellites launches probably represents the most important driver of Space Economy ever-increasing growth. Over the next 20 years, more than 25k satellites are expected to be launched in orbit, mainly for Earth Observation and Communication purposes.

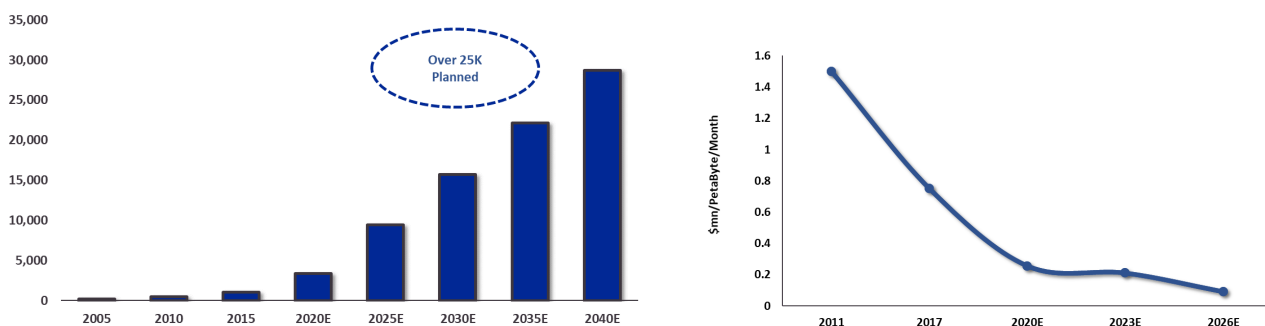
During 2020, Officina Stellare signaled a slowdown in the launch of clients’ satellites due to a pandemic-forced cut-off. However, on a global scale and thanks to the over 800 payloads of SpaceX, the USC Database reports 1,203 new satellites as of 2020 year end, or 886 more than 2019 data point (317).

**As far as 2021 is concerned, up to May we count 836 new satellites**, already ca. 69% of 2020 with 7 months to go. Accordingly to Geospatial World and many industry experts, such acceleration has been driven up by few factors, being:

1. Development of less expensive, faster to build, **smaller-size satellites**, that can be launched simultaneously thus creating so-called “constellations”;
2. Increasing **need for geoinformation**, as *satellite-as-a-service* technologies now play important roles in various growing sectors (among others, agriculture, climate change, urban development, disaster management) and end-applications (Earth Observation, IoT);
3. Race for **satellite broadband services** (e.g., SpaceX and its Starlink constellation).

More, the increasing number of satellites to be launched should be further fostered by a decreasing average cost per launch due to technological improvements, reusable rockets parts and shared costs between launch hosts and payloads manufacturers.

**Expected number of active satellites (lhs) and cost to access the Space (rhs)**



Source: Various

### 3. Capital markets hype, i.e. record amount of Space SPACs and IPOs

“New Space Economy” recent appeal is confirmed by the **outstanding stream of start-up/scale-up companies going public** through business combinations or traditional IPOs. Indeed, we counted 11 announced business combinations and 1 traditional IPO (Maxar Technologies) throughout 2021, out of which 9 companies have already started to trade, while the remaining 3 are waiting for final approval. In particular, the past year has seen an acceleration into closed deals, with ca. **\$4.5bn raised** through SPAC trust funds, PIPE investments and listing proceeds.

#### Recent Business Combinations and IPOs in the New Space Economy

| Company       | Main Focus                          | IPO date    | IPO type    | IPO proceeds (\$mn) | EV Valuation (\$mn) |
|---------------|-------------------------------------|-------------|-------------|---------------------|---------------------|
| Redwire       | Space Infrastructure                | Mar-21      | SPAC        | 170                 | 615                 |
| AST Space     | Satellites - Communication Services | Apr-21      | SPAC        | 462                 | 1,400               |
| Maxar         | Satellites – EO + Communication     | Apr-21      | Traditional | 317                 | N/A                 |
| Astra Space   | Rockets - Launch Services           | Jun-21      | SPAC        | 500                 | 2,100               |
| Momentus      | Satellites - Launch Services        | Aug-21      | SPAC        | 150                 | 567                 |
| Rocket Lab    | Rockets - Launch Services           | Aug-21      | SPAC        | 777                 | 4,800 (*)           |
| Spire Global  | Satellites - Data and Analytics     | Aug-21      | SPAC        | 265                 | 1,200               |
| BlackSky      | Satellites - Earth Observation      | Sep-21      | SPAC        | 280                 | 1,500               |
| Arqit Quantum | Satellites - Communication Services | Sep-21      | SPAC        | 400                 | 1,000               |
| Satellogic    | Satellites - Earth Observation      | Pre-Closing | SPAC        | 274                 | 850                 |
| Planet Labs   | Satellites - Earth Observation      | Pre-Closing | SPAC        | 434                 | 2,250               |
| Virgin Orbit  | Rockets - Launch Services           | Pre-Closing | SPAC        | 483                 | 3,200               |

Source: Various, Value Track Analysis

(\*) Equity Value

#### Company specific points affecting OS investment case

The latest months have been very intense also at the company level, both on the commercial side and on the corporate development one.

#### Commercial developments

As of end of September, Officina Stellare **commercial pipeline totalled €76.8mn**, split as follows:

- ◆ **Orders already signed (backlog): €12mn** out of which €5.7mn Research, €3.5mn Aerospace, €2.8mn Defense;
- ◆ **Orders under contractual revision terms: €2.5mn** relative to institutional projects of ESA (European Space Agency) and ASI (Italian Space Agency);
- ◆ **Total value of negotiations: €62.3mn.** Higher than €56.5mn reported as of 2020-year end.

Due to NDA agreements, Officina Stellare is not entitled to communicate contracts details, however, regarding 2021 to date, we are able to highlight:

- ◆ **January 2021** – Officina Stellare obtains a contract for four Gemini North Adaptive Optics (GNAO) Laser Launch Telescopes (LLTs) for the GEMMA project instituted by the Association of Universities for Research in Astronomy (AURA). Contract value over US\$2mn;



- ◆ **March 2021** - OS gains a €800k contract to provide by mid-2022 a Satellite Laser Ranging (SLR) ground-based station to the Yebes Observatory (Spain), within the YDALGO scientific research program sponsored by the National Center of Geographic Information;
- ◆ **March 2021** - OS is awarded a US\$1.5mn contract for the supply of a set of medium and long range telescopes for Defense purposes;
- ◆ **May 2021** – Officina Stellare set up the acquisition of ThinkQuantum S.r.l. (more details below);
- ◆ **July 2021** – OS gains a €1mn contract for the supply of an innovative multispectral optical payload for high-resolution images of Earth’s surface from the low orbit. Contract was stipulated with the Israeli Image Sat International (ISI), leading international player in the field of defense and aerospace intelligence;
- ◆ **July 2021** - OS signs an agreement of industrial collaboration and commercial and technological development with Thales Alenia Space, joint venture of Thales (67%) and Leonardo (33%), leader in fields such as Telecommunications, Earth Observation, Orbital Infrastructure (among others).
- ◆ **October 2021** – MITO Technology invested €200k through its Progress Tech Transfer fund in Dynamic Optics (OS start-up) “Smartglasses” project. Thanks to new progresses, it will be possible to develop glasses that autonomously restore eye focus, ensuring optimal visual comfort and facilitating people affected by presbyopia to carry out precision work activities.

#### Yebes Observatory (lhs) and Dynamic Optics deformable mirrors (rhs)



Source: Various



#### Corporate developments

During 1H21, Officina Stellare also experienced changes regarding its capital structure, with the conversion of 74,685 warrants at 1:1 conversion ratio at €7.26 price per share, for a total €542,213.10 capital injection. As of today, there are 359,729 remaining warrants, that we assume to be totally converted as of 2022 year-end, being deeply “in-the-money” (€7.99 strike price);

Last but not least, we note that following Dynamic Optics acquisition back in December 2020, Officina Stellare is going on with the activity of technological accelerator and incubator of innovative start-ups.

Indeed, as of May 14<sup>th</sup>, 2021, Officina Stellare and other promoting partners set up ThinkQuantum S.r.l., an innovative start-up and spin-off from Università degli Studi di Padova.

ThinkQuantum is controlled by Officina Stellare with a 50.5% stake, acquired for a €320k contribution.

With this acquisition, OS further strengthens its position in the field of optical communications. In particular, the start-up should develop and market advanced security and communication systems based on quantum technology.

ThinkQuantum will operate in cybersecurity sectors, providing solutions able to guarantee higher safety standards for communication infrastructures, even in the case of “free space” applications, such as those used by Laser Communication.



## Valuation

Based on both updated 2021E-23E figures and on the previously mentioned key points impacting the investment case, we review **OS fair value per share at €15.7** (up from €11.2), 10% higher than current market price. Hence, we confirm our view of Officina Stellare as **a zero-cost call option on the success of its “Space Economy opportunity”**.

### Current stock market price implies OS achieving maturity as of 2024E

At current €14.1 stock market price, Officina Stellare stands at €84.7mn Enterprise Value, corresponding to 6.0x-4.3x EV/Sales and 17.1x-12.4x EV/EBITDA 2022E-23E respectively.

#### Officina Stellare: 2022E-'23E stock trading multiples at current €14.1 market price

| Peers             | EV/Sales (x) |       | EV/EBITDA (x) |       | EBITDA Margin (%) |       | EV/CE (x) |       | P/E (x) |       |
|-------------------|--------------|-------|---------------|-------|-------------------|-------|-----------|-------|---------|-------|
|                   | 2022E        | 2023E | 2022E         | 2023E | 2022E             | 2023E | 2022E     | 2023E | 2022E   | 2023E |
| Officina Stellare | 6.0          | 4.3   | 17.1          | 12.4  | 34.9%             | 35.0% | 5.5       | 5.1   | 35.3    | 24.9  |

Source: Value Track Analysis

When we published our initiation of coverage on Officina Stellare, back as of April 21<sup>st</sup>, 2021, we tried to forecast when OS would have been able to achieve a revenue level that we see as typical of a mature company active in the opto-mechanic equipment provisioning business. (*Please see that report for more details on Venture Capital valuation methodology*), that's to say:

- ◆ Ca. **€25.5mn worth of orders delivered** (estimated VoP) per annum;
- ◆ **EBITDA at €9.0mn** (EBITDA margin at 35%);
- ◆ **OpFCF after tax** at ca. **€4.5mn**.

We note that this level of production would be close to saturate OS current maximum output capacity (€30mn with the *Space Factory*) without setting up a new plant.

#### Officina Stellare: Main financial KPIs at maturity

|                                           | €mn         |
|-------------------------------------------|-------------|
| <b>Value of Production</b>                | <b>25.5</b> |
| Gross margin (%)                          | 58%         |
| <b>Gross Profit</b>                       | <b>14.8</b> |
| Labour Costs                              | -5.8        |
| EBITDA margin (%)                         | 35.0%       |
| <b>EBITDA</b>                             | <b>9.0</b>  |
| NWC absorption                            | -1.5        |
| Capex                                     | -1.0        |
| <b>Operating Free Cash Flow pre-tax</b>   | <b>6.5</b>  |
| <b>Operating Free Cash Flow after-tax</b> | <b>4.5</b>  |

Source: Value Track analysis

Applying to the above mentioned figures a peers' based fair 15x EV/EBITDA exit multiple leads to €134mn Enterprise Value at maturity. OS would trade at some 30% premium over 2022E average peers multiple (at 11.6x) given the high growth expectations in terms of top line (higher than average 21.7% CAGR 2019A-22E) and the astonishing EBITDA margins that Officina Stellare should be able to achieve with respect to its peers (ca. 35% vs an average of ca. 16%). Detailed peers multiples and financials can be found in the Appendix.

In order to compare the €134mn fair Enterprise Value at maturity with the current ca. €85mn EV, we need to discount the former back as of today, with Time to maturity (years) and Discount rate (required internal rate of return, IRR, measured in percentage terms) being the two variables to analyse. A shorter time to achieve maturity and / or a lower hurdle rate imply a higher fair value as of today for OS. Given a fully diluted number of shares for ca. 6.0mn we get to corresponding Equity Values per share.

Overall, we calculate that the current €14.1 market price implies alternatively:

- ◆ 21.5% required IRR @ 2023E;
- ◆ 13.8% required IRR @ 2024E;
- ◆ 10.2% required IRR @ 2025E.

This means, in our view, that investors are quite confident in OS reaching its maturity figures already as of 2024E (IRR<15%).

#### Officina Stellare: Discounted Equity Value per share – Years to maturity and IRR Sensitivity Analysis

| (€ p.s.) | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 |
|----------|------|------|------|------|------|------|------|
| 7.5%     | 19.9 | 18.5 | 17.1 | 15.9 | 14.7 | 13.6 | 12.6 |
| 10.0%    | 19.4 | 17.6 | 15.9 | 14.4 | 13.0 | 11.8 | 10.6 |
| 12.5%    | 19.0 | 16.8 | 14.8 | 13.1 | 11.6 | 10.2 | 9.0  |
| 15.0%    | 18.6 | 16.0 | 13.8 | 11.9 | 10.3 | 8.8  | 7.6  |
| 17.5%    | 18.1 | 15.3 | 12.9 | 10.9 | 9.2  | 7.7  | 6.4  |

Source: Value Track analysis

#### Officina Stellare: Discounted Equity Value – Years to maturity and IRR Sensitivity Analysis

| (€mn) | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 |
|-------|------|------|------|------|------|------|------|
| 7.5%  | 120  | 111  | 103  | 96   | 89   | 82   | 76   |
| 10.0% | 117  | 106  | 96   | 87   | 79   | 71   | 64   |
| 12.5% | 115  | 101  | 90   | 79   | 70   | 62   | 54   |
| 15.0% | 112  | 97   | 84   | 72   | 62   | 53   | 46   |
| 17.5% | 110  | 93   | 78   | 66   | 55   | 46   | 39   |

Source: Value Track analysis

### IRR based fair value at €15.7 per share

Assuming a fair 15.0x EV/EBITDA exit multiple and an **annualized 12.5% IRR (gross of tax)** on a two-years period, we calculate an implicit **€15.7** entry value per share (fair value).

Indeed, 12.5% annualized IRR underlines our belief that our 2024E forecasted financials are within reach of Officina Stellare expected growth both in terms of top line and profitability.

#### OS fair value per share @ 12.5% IRR and 15x EV/EBITDA 2024E exit

| (€mn)                                                                | 2024E        |
|----------------------------------------------------------------------|--------------|
| EBITDA (€mn)                                                         | 7.7          |
| Exit Market Multiples EV/EBITDA (x, 2 years forward) in January 2024 | 15.0x        |
| <b>Implied Enterprise value (€mn)</b>                                | <b>115.5</b> |
| Net Financial Position (€mn)                                         | 4.8          |
| <b>Equity value (€mn)</b>                                            | <b>120.2</b> |
| Fully diluted number of shares (mn)                                  | 6.0          |
| <b>Equity value per share at exit (€)</b>                            | <b>19.9</b>  |
| <b>Annualized IRR</b>                                                | <b>12.5%</b> |
| <b>Implied Equity value per share at entry (€)</b>                   | <b>15.7</b>  |

Source: Value Track Analysis

# Appendix 1 - Officina Stellare business profile

## Italian scale-up in the highly growing “New Space Economy” market

Officina Stellare is a very young company founded back in 2009, that designs, engineers and manufactures a wide range of both “standard” and complete turn-key “custom” opto-mechanic equipment (from “simple” telescopes to highly complex optical systems) to be utilized for various applications in aerospace, defense and scientific research end markets.

### Examples of Officina Stellare “standard” telescopes (lhs) and “turn-key custom” mounts

ProRC 800



Ground-base station for Space Situational Awareness



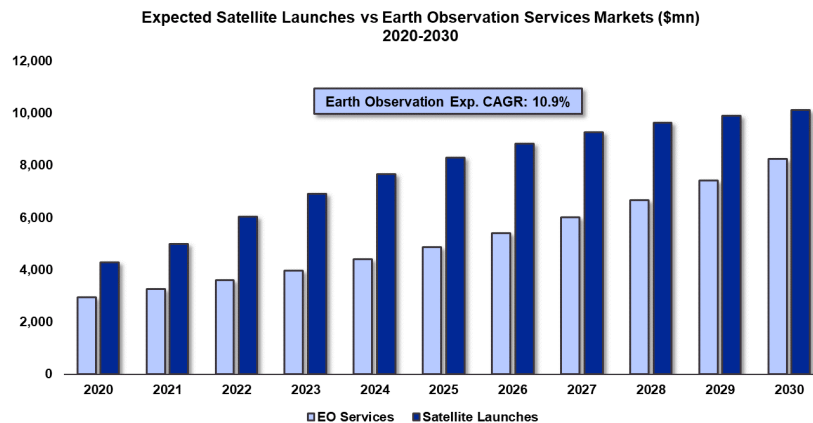
Source: Officina Stellare

While in its initial years Officina Stellare was used to get the majority of its revenues from the commercialization of telescopes to the Professional Consumer (Prosumer) segment and to the Scientific Research industry, on the contrary in the latest few years it has been continuously gaining traction with corporate and government related clients in the **Defense and in the Aerospace end-markets.**

Officina Stellare is therefore expected to increasingly profit from the **huge market opportunity represented by the utilization of optical systems in several applications of the so-called New Space Economy,** that’s to say the ecosystem represented by all businesses / activities directly or indirectly related to the merge between space and digital technologies.

According to all industry experts, the application segments where Officina Stellare is focusing share an even more interesting growth potential vs. the whole *Space Economy* market, driven by the increasing number of Satellites launches expected in the next decade.

### Increasing number of satellites launches driving Earth Observation growth



Source: Value Track Analysis, Space: Investing in the Final Frontier

The applications were Officina Stellare is expected to focus from now onwards are:

- ◆ **Space Observation**, that refers to all ground and space-based activities / equipment deployed in order to observe distant planets, galaxies and other astronomical objects;
- ◆ **Earth Observation**, that refers to the collection and utilization of data and images from orbiting high-resolution optic systems;
- ◆ **Space Situational Awareness**, which refers to the tracking of orbiting bodies;
- ◆ **Video Tracking**, that refers to optical applications related mainly to the Defence sector;
- ◆ **Laser Communication**, that refers to the utilization of laser light for faster, more secure and more energy efficient data transmission if compared to the one based on traditional radio frequencies.

**Sector Coverage of products application**

|                     |                             | End market |                     |         |
|---------------------|-----------------------------|------------|---------------------|---------|
|                     |                             | Aerospace  | Scientific Research | Defense |
| Type of application | Space Observation           |            | ✓                   |         |
|                     | Earth Observation           | ✓          |                     | ✓       |
|                     | Laser Communications        | ✓          |                     | ✓       |
|                     | Space Situational Awareness | ✓          | ✓                   | ✓       |
|                     | Tracking systems            |            |                     | ✓       |

Source: Value Track analysis

**Business model focused on in-house design and manufacturing**

Officina Stellare business model is quite structured, as it goes from Marketing & Sales to Design & Engineering, and from Production to Testing and eventually Delivery and relies on a very important enabling factor, that’s to say Research & Development.

Pivotal in OS approach to business is its aim at **retaining in-house as much as possible the various phases of the business model** thus gaining competitive advantages in terms of control over the quality of products, flexibility / customization capabilities, and cost efficiency.

Crucial in this approach, is the under finalization set-up of the well-known “**Space Factory**”, an integrated and unified production facility dedicated to the Aerospace industry and aimed at meeting the New *Space Economy* demands.

**Custom products from origination to after sales**



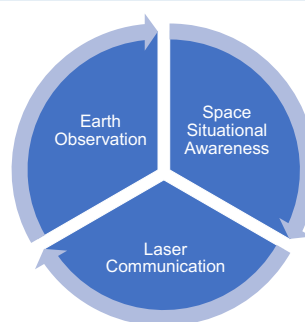
Source: Officina Stellare

### Strategy: a versatile and smart integrated factory for space and ground-based optical application

We believe Officina Stellare to have a very pragmatic approach towards its business evolution, aiming at the maximization of the internal skillset in a large variety of end-markets and applications, which have at the core the same opto-mechanical technologies. Indeed, OS commercial efforts focus on a strategic market segmentation:

- ◆ By end market / application: Scientific Research, Aerospace and Defense, Earth Observation, Space Situational Awareness and Laser Communication.
- ◆ By type of product: Turn-key custom products;
- ◆ By client: Corporate and Government related clients;
- ◆ By geography: USA and APAC regions;

#### Officina Stellare and Space Economy Applications



Source: Officina Stellare

In order to pursue the aforementioned strategic plan, Officina Stellare is acting on three main playing fields:

1. **Re-design of production facilities and processes** to realize the more sophisticated needs of the new addressed market and shift to on-order production, by (i) setting up a unified production facility, the *Space Factory*, specifically dedicated to the Aerospace sector clients; (ii) bringing in-house more and more production activities; (iii) mastering *Smart Engineering* techniques to keep shortening time-to-market and to provide high-quality standard products to scientific centers;
2. **Further improvement of R&D and innovation skills** to serve the more lucrative, yet more demanding, customer base related to the *Space Economy*. Hence, (i) employing highly specialized people and (ii) collaborating with research centers and universities (e.g., University of Padua);
3. **Growth through M&A**, to accelerate the widespread adoption of technologies and products aimed at the Laser Communication and Space Situational Awareness. A special focus is put on startups / scaleups spun off from universities and other research centers, examples being the acquisition of 55% stake in Dynamic Optics S.r.l., a CNR spin-off that aims to become a technology leader in the adaptive optics industry, and the 50.5% acquired stake in ThinkQuantum S.r.l. (University of Padua spin-off), active in the promising field of quantum communication and security systems.

## Appendix 2 – Peers’ financials and multiples

### Officina Stellare: Peers’ stock multiples

| Peers                              | EV/Sales (x) |            | EV/EBITDA (x) |             | EBITDA Margin (%) |             | EV/CE (x)  |            | P/E (x)     |             |
|------------------------------------|--------------|------------|---------------|-------------|-------------------|-------------|------------|------------|-------------|-------------|
|                                    | 2022E        | 2023E      | 2022E         | 2023E       | 2022E             | 2023E       | 2022E      | 2023E      | 2022E       | 2023E       |
| GomSpace                           | 2.4          | 1.9        | 12.0          | 6.2         | 20.3              | 31.2        | 2.6        | 1.9        | 48.9        | 10.4        |
| EOS                                | 1.3          | 0.9        | 11.5          | 5.7         | 11.6              | 15.7        | 1.9        | 1.6        | 29.9        | 12.8        |
| Hensoldt                           | 1.0          | 0.9        | 6.1           | 5.4         | 17.1              | 17.5        | 1.9        | 1.7        | 11.5        | 9.7         |
| OHB                                | 0.6          | 0.5        | 7.7           | 6.4         | 7.3               | 7.9         | 2.4        | 2.2        | 17.6        | 14.3        |
| Renishaw                           | 5.8          | 5.3        | 20.2          | 17.2        | 29.0              | 30.5        | 7.5        | 9.2        | 34.4        | 31.5        |
| Vaisala                            | 3.6          | 3.3        | 19.9          | 17.5        | 17.9              | 18.9        | 7.3        | 7.1        | 33.7        | 30.5        |
| Mynaric AG                         | 6.5          | 2.2        | nm            | 20.5        | <0                | 10.9        | 3.9        | 3.2        | nm          | nm          |
| Northrop Grumman                   | 1.9          | 1.8        | 13.6          | 12.9        | 14.1              | 14.0        | na         | na         | 15.8        | 13.8        |
| Lockheed Martin                    | 1.6          | 1.5        | 10.1          | 9.6         | 15.4              | 15.5        | na         | na         | 13.7        | 13.2        |
| <b>Average International Peers</b> | <b>2.7</b>   | <b>2.0</b> | <b>12.6</b>   | <b>11.3</b> | <b>16.6</b>       | <b>18.0</b> | <b>3.9</b> | <b>3.8</b> | <b>25.7</b> | <b>17.0</b> |
| El.En.                             | 2.1          | 2.4        | 15.8          | 14.5        | 13.1              | 16.7        | 6.6        | 6.2        | 29.1        | 26.9        |
| Prima I.                           | 0.6          | 0.5        | 5.3           | 3.6         | 11.0              | 13.0        | 1.0        | 0.9        | 10.3        | 6.4         |
| Saes G.                            | 2.2          | 1.9        | 10.0          | 7.8         | 21.5              | 24.4        | 2.6        | 2.4        | 23.8        | 18.1        |
| Avio                               | 0.8          | 0.7        | 7.5           | 7.0         | 10.3              | 10.5        | 1.0        | 1.0        | 23.8        | 21.4        |
| <b>Average Italian Peers</b>       | <b>1.4</b>   | <b>1.4</b> | <b>9.7</b>    | <b>8.2</b>  | <b>14.0</b>       | <b>16.2</b> | <b>2.8</b> | <b>2.6</b> | <b>21.8</b> | <b>18.2</b> |
| <b>Total Average</b>               | <b>2.3</b>   | <b>1.8</b> | <b>11.6</b>   | <b>10.3</b> | <b>15.7</b>       | <b>17.4</b> | <b>1.8</b> | <b>1.7</b> | <b>24.4</b> | <b>17.4</b> |

Source: Market Consensus figures, Value Track analysis



## DISCLAIMER

THIS DOCUMENT IS PREPARED BY VALUE TRACK S.R.L. THIS DOCUMENT IS BEING FURNISHED TO YOU SOLELY FOR YOUR INFORMATION ON A CONFIDENTIAL BASIS AND MAY NOT BE REPRODUCED, REDISTRIBUTED OR PASSED ON, IN WHOLE OR IN PART, TO ANY OTHER PERSON. IN PARTICULAR, NEITHER THIS DOCUMENT NOR ANY COPY THEREOF MAY BE TAKEN OR TRANSMITTED OR DISTRIBUTED, DIRECTLY OR INDIRECTLY, INTO CANADA OR JAPAN OR AUSTRALIA TO ANY RESIDENT THEREOF OR INTO THE UNITED STATES, ITS TERRITORIES OR POSSESSIONS. THE DISTRIBUTION OF THIS DOCUMENT IN OTHER JURISDICTIONS MAY BE RESTRICTED BY LAW AND PERSONS INTO WHOSE POSSESSION THIS DOCUMENT COMES SHOULD INFORM THEMSELVES ABOUT, AND OBSERVE, ANY SUCH RESTRICTION. ANY FAILURE TO COMPLY WITH THESE RESTRICTIONS MAY CONSTITUTE A VIOLATION OF THE LAWS OF ANY SUCH OTHER JURISDICTION. THIS DOCUMENT DOES NOT CONSTITUTE OR FORM PART OF, AND SHOULD NOT BE CONSTRUED AS, AN OFFER, INVITATION OR INDUCEMENT TO SUBSCRIBE FOR OR PURCHASE ANY SECURITIES, AND NEITHER THIS DOCUMENT NOR ANYTHING CONTAINED HEREIN SHALL FORM THE BASIS OF OR BE RELIED ON IN CONNECTION WITH OR ACT AS AN INVITATION OR INDUCEMENT TO ENTER INTO ANY CONTRACT OR COMMITMENT WHATSOEVER. THIS DOCUMENT HAS NOT BEEN PUBLISHED GENERALLY AND HAS ONLY BEEN MADE AVAILABLE TO INSTITUTIONAL INVESTORS. IN MAKING AN INVESTMENT DECISION, POTENTIAL INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE COMPANY AND ITS GROUP INCLUDING THE MERITS AND RISKS INVOLVED. THIS DOCUMENT IS FOR DISTRIBUTION IN OR FROM THE UNITED KINGDOM ONLY TO PERSONS WHO: (I) HAVE PROFESSIONAL EXPERIENCE IN MATTERS RELATING TO INVESTMENTS FALLING WITHIN ARTICLE 19(5) OF THE FINANCIAL SERVICES AND MARKETS ACT 2000 (FINANCIAL PROMOTION) ORDER 2005 (AS AMENDED, THE “**FINANCIAL PROMOTION ORDER**”), (II) ARE PERSONS FALLING WITHIN ARTICLE 49(2)(A) TO (D) (“HIGH NET WORTH COMPANIES, UNINCORPORATED ASSOCIATIONS ETC.”) OF THE FINANCIAL PROMOTION ORDER, (III) ARE OUTSIDE THE UNITED KINGDOM, OR (IV) ARE PERSONS TO WHOM AN INVITATION OR INDUCEMENT TO ENGAGE IN INVESTMENT ACTIVITY (WITHIN THE MEANING OF SECTION 21 OF THE FINANCIAL SERVICES AND MARKETS ACT 2000) IN CONNECTION WITH THE ISSUE OR SALE OF ANY SECURITIES MAY OTHERWISE LAWFULLY BE COMMUNICATED OR CAUSED TO BE COMMUNICATED (ALL SUCH PERSONS TOGETHER BEING REFERRED TO AS “**RELEVANT PERSONS**”). THIS DOCUMENT IS DIRECTED ONLY AT RELEVANT PERSONS AND MUST NOT BE ACTED ON OR RELIED ON BY PERSONS WHO ARE NOT RELEVANT PERSONS. ANY INVESTMENT OR INVESTMENT ACTIVITY TO WHICH THIS DOCUMENT RELATES IS AVAILABLE ONLY TO RELEVANT PERSONS AND WILL BE ENGAGED IN ONLY WITH RELEVANT PERSONS. IN ITALY THIS DOCUMENT IS BEING DISTRIBUTED ONLY TO, AND IS DIRECTED AT QUALIFIED INVESTORS WITHIN THE MEANING OF ARTICLE 100 OF LEGISLATIVE DECREE NO. 58 OF 24 FEBRUARY 1998, AS AMENDED, AND ARTICLE 34-TER, PARAGRAPH 1, LETTER B), OF CONSOB REGULATION ON ISSUERS NO. 11971 OF MAY 14, 1999, AS SUBSEQUENTLY AMENDED (THE “**ISSUERS’ REGULATION**”) PROVIDED THAT SUCH QUALIFIED INVESTORS WILL ACT IN THEIR CAPACITY AND NOT AS DEPOSITARIES OR NOMINEES FOR OTHER SHAREHOLDERS, SUCH AS PERSONS AUTHORISED AND REGULATED TO OPERATE IN FINANCIAL MARKETS, BOTH ITALIAN AND FOREIGN, I.E.: A) BANKS; B) INVESTMENT FIRMS; C) OTHER AUTHORISED AND REGULATED FINANCIAL INSTITUTIONS; D) INSURANCE COMPANIES; E) COLLECTIVE INVESTMENT UNDERTAKINGS AND MANAGEMENT COMPANIES FOR SUCH UNDERTAKINGS; F) PENSION FUNDS AND MANAGEMENT COMPANIES FOR SUCH FUNDS; G) DEALERS ACTING ON THEIR OWN ACCOUNT ON COMMODITIES AND COMMODITY-BASED DERIVATIVES; H) PERSONS DEALING EXCLUSIVELY ON THEIR OWN ACCOUNT ON FINANCIAL INSTRUMENTS MARKETS WITH INDIRECT MEMBERSHIP OF CLEARING AND SETTLEMENT SERVICES AND THE LOCAL COMPENSATORY AND GUARANTEE SYSTEM; I) OTHER INSTITUTIONAL INVESTORS; L) STOCKBROKERS; (2) LARGE COMPANIES WHICH AT INDIVIDUAL COMPANY LEVEL MEET AT LEAST TWO OF THE FOLLOWING REQUIREMENTS: – BALANCE SHEET TOTAL: 20,000,000 EURO, – NET REVENUES: 40,000,000 EURO, – OWN FUNDS: 2,000,000 EURO; (3) INSTITUTIONAL INVESTORS WHOSE MAIN ACTIVITY IS INVESTMENT IN FINANCIAL INSTRUMENTS, INCLUDING COMPANIES DEDICATED TO THE SECURITISATION OF ASSETS AND OTHER FINANCIAL TRANSACTIONS (ALL SUCH PERSONS TOGETHER BEING REFERRED TO AS “**RELEVANT PERSONS**”). ANY PERSON WHO IS NOT A RELEVANT PERSON SHOULD NOT ACT OR RELY ON THIS DOCUMENT OR ANY OF ITS CONTENTS. THIS DOCUMENT IS NOT ADDRESSED TO ANY MEMBER OF THE GENERAL PUBLIC IN ITALY. UNDER NO CIRCUMSTANCES SHOULD THIS DOCUMENT CIRCULATE AMONG, OR BE DISTRIBUTED IN ITALY TO (I) A MEMBER OF THE GENERAL PUBLIC, (II) INDIVIDUALS OR ENTITIES FALLING OUTSIDE THE DEFINITION OF “QUALIFIED INVESTORS” AS SPECIFIED ABOVE OR (III) DISTRIBUTION CHANNELS THROUGH WHICH INFORMATION IS OR IS LIKELY TO BECOME AVAILABLE TO A LARGE NUMBER OF PERSONS. THIS DOCUMENT IS BEING DISTRIBUTED TO AND IS DIRECTED ONLY AT PERSONS IN MEMBER STATES OF THE EUROPEAN ECONOMIC AREA (“**EEA**”) WHO ARE “QUALIFIED INVESTORS” WITHIN THE MEANING OF ARTICLE 2(1)(E) OF THE PROSPECTUS DIRECTIVE (DIRECTIVE 2003/71/EC), (“**QUALIFIED INVESTORS**”). ANY PERSON IN THE EEA WHO RECEIVES THIS DOCUMENT WILL BE DEEMED TO HAVE REPRESENTED AND AGREED THAT IT IS A QUALIFIED INVESTOR. ANY SUCH RECIPIENT WILL ALSO BE DEEMED TO HAVE REPRESENTED AND AGREED THAT IT HAS NOT RECEIVED THIS DOCUMENT ON BEHALF OF PERSONS IN THE EEA OTHER THAN QUALIFIED INVESTORS OR PERSONS IN THE UK, ITALY AND OTHER MEMBER STATES (WHERE EQUIVALENT LEGISLATION EXISTS) FOR WHOM THE INVESTOR HAS AUTHORITY TO MAKE DECISIONS ON A WHOLLY DISCRETIONARY BASIS. THE COMPANY, VALUE TRACK S.R.L. AND THEIR AFFILIATES, AND OTHERS WILL RELY UPON THE TRUTH AND ACCURACY OF THE FOREGOING REPRESENTATIONS AND AGREEMENTS. ANY PERSON IN THE EEA WHO IS NOT A QUALIFIED INVESTOR SHOULD NOT ACT OR RELY ON THIS DOCUMENT OR ANY OF ITS CONTENTS. THE EXPRESSION “PROSPECTUS DIRECTIVE” MEANS DIRECTIVE 2003/71/EC (AND AMENDMENTS THERETO, INCLUDING THE 2010 PD AMENDING DIRECTIVE, TO THE EXTENT IMPLEMENTED IN THE RELEVANT MEMBER STATE), AND INCLUDES ANY RELEVANT IMPLEMENTING MEASURE IN THE RELEVANT MEMBER STATE AND THE EXPRESSION “2010 PD AMENDING DIRECTIVE” MEANS DIRECTIVE 2010/73/EU. THIS DOCUMENT HAS BEEN PRODUCED INDEPENDENTLY OF **OFFICINA STELLARE S.P.A.** (THE “**COMPANY**”) AND ITS SHAREHOLDERS, AND ANY FORECASTS, OPINIONS AND EXPECTATIONS CONTAINED HEREIN ARE ENTIRELY THOSE OF VALUE TRACK S.R.L. AND ARE GIVEN AS PART OF ITS NORMAL RESEARCH ACTIVITY AND SHOULD NOT BE RELIED UPON AS HAVING BEEN AUTHORISED OR APPROVED BY ANY OTHER PERSON. **THIS DOCUMENT HAS BEEN PRODUCED ON BEHALF OF MIT SIM ACTING AS SPECIALIST ON OFFICINA STELLARE SHARES** VALUE TRACK S.R.L. HAS NO AUTHORITY WHATSOEVER TO MAKE ANY REPRESENTATION OR WARRANTY ON BEHALF OF THE COMPANY, ITS SHAREHOLDERS, ANY OF ITS ADVISORS, OR ANY OTHER PERSON IN CONNECTION THEREWITH. WHILE ALL REASONABLE CARE HAS BEEN TAKEN TO ENSURE THAT THE FACTS STATED HEREIN ARE ACCURATE AND THAT THE FORECASTS, OPINIONS AND EXPECTATIONS CONTAINED HEREIN ARE FAIR AND REASONABLE, VALUE TRACK S.R.L. HAS NOT VERIFIED THE CONTENTS HEREOF AND ACCORDINGLY NONE OF VALUE TRACK S.R.L., THE COMPANY, ITS SHAREHOLDERS, ANY ADVISORS TO THE COMPANY OR ITS SHAREHOLDERS OR ANY OTHER PERSON IN CONNECTION THEREWITH NOR ANY OF THEIR RESPECTIVE DIRECTORS, OFFICERS OR EMPLOYEES, SHALL BE IN ANY WAY RESPONSIBLE FOR THE CONTENTS HEREOF AND NO RELIANCE SHOULD BE PLACED ON THE ACCURACY, FAIRNESS, OR COMPLETENESS OF THE INFORMATION CONTAINED IN THIS DOCUMENT. NO PERSON ACCEPTS ANY LIABILITY WHATSOEVER FOR ANY LOSS HOWSOEVER ARISING FROM THE USE OF THIS DOCUMENT OR OF ITS CONTENTS OR OTHERWISE ARISING IN CONNECTION THEREWITH. TO THE EXTENT PERMITTED BY LAW AND BY REGULATIONS, VALUE TRACK S.R.L. (OR ITS OFFICERS, DIRECTORS OR EMPLOYEES) MAY HAVE A POSITION IN THE SECURITIES OF (OR OPTIONS, WARRANTS OR RIGHTS WITH RESPECT TO, OR INTEREST IN THE SHARES OR OTHER SECURITIES OF) THE COMPANY AND MAY MAKE A MARKET OR ACT AS A PRINCIPAL IN ANY TRANSACTIONS IN SUCH SECURITIES.