

# TPS Group

Sector: Business Services



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## Results in line, amid sector de-rating

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.

### HB Consolidation drives good 1H23 results

TPS's 1H23 interim results, which include the consolidation of HB Technology's financials from January 1<sup>st</sup>, came out broadly in line with our full-year estimates: 1) VoP at €22.8mn (ca. 18.7% y/y), result of both organic growth (low single digit, short of our initial expectations) and HB Technology contribution; 2) EBITDA +10% y/y, yet lower EBITDA Margin (-143 bps) both due to inflationary pressure on raw materials and labor costs, as well as €0.6mn acquisition-related extraordinary costs; 3) €15.0mn Net Cash, almost stable h/h despite €2.2mn financial investments and ca. €0.6mn dividend paid.

We appreciate the resumption of the corporate development path (3 entities acquired since December 2022) as we still believe this is the main catalyst for stock re-rating. On the matter, management reports that the integration of HB is on track, with the first synergies starting as of 1H2024.

### 2023E-25E Estimates update

We have fine-tuned our 2023E-25E financial estimates for TPS Group, taking into account some inflationary pressures on labour costs, leading to a bit more cautious outlook on margins and net cash.

Our revised forecasts include: 1) Unchanged top line at €46.3mn in 2023E, with a robust 12.1% CAGR 2022A to 2025E; 2) Short-term EBITDA margin reduction (ca. 70 bps), but still expected to converge to 19.5% in 2025E thanks to some efficiency gains following HB integration; 3) Slight reduction in Net Cash due to increased financial investments, higher dividends and improved NWC management.

### Fair value at €9.25 (from €9.5)

At current €5.20 market price TPS trades at 0.5x-0.4x EV/Sales and 2.6x-2.1x EV/EBITDA 2023E-24E multiples, at huge discount vs. domestic and international peers.

Our revised fair value stands at €9.25 per share (previously ca. €9.5), primarily affected by a sector de-rating rather than an actual deterioration of the Company's medium-term growth potential, which remains robust.

**Fair Value (€)** 9.25  
**Market Price (€)** 5.20  
**Market Cap. (€m)** 37.8

KEY FINANCIALS (€m)	2022	2023E	2024E
REVENUES	37.8	46.3	49.6
EBITDA	7.6	8.6	9.5
EBIT	5.7	6.8	7.5
NET PROFIT	3.6	4.5	4.9
EQUITY	28.4	32.5	37.2
NET CASH POSITION	15.5	15.1	18.2
EPS ADJ. (€)	0.49	0.62	0.68
DPS (€)	0.06	0.06	0.08

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

RATIOS & MULTIPLES	2022	2023E	2024E
EBITDA MARGIN (%)	20.2	18.5	19.0
EBIT MARGIN (%)	15.2	14.7	15.1
NET DEBT / EBITDA (x)	nm	nm	nm
NET DEBT / EQUITY (x)	0.0	0.0	0.0
EV/SALES (x)	0.6	0.5	0.4
EV/EBITDA (x)	2.9	2.6	2.1
EV/EBIT (x)	3.9	3.3	2.6
P/E ADJ. (x)	10.5	8.4	7.6

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

### STOCK DATA

FAIR VALUE (€)	9.2
MARKET PRICE (€)	5.2
SHS. OUT. (m)	7.3
MARKET CAP. (€m)	37.8
FREE FLOAT (%)	16.4
AVG. -20D VOL.	2,625
RIC / BBG	TPS.MI / TPS.IM
52 WK RANGE	5.00 - 6.10

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	2022A	2023E	2024E	2025E
<b>Total Revenues</b>	<b>37.8</b>	<b>46.3</b>	<b>49.6</b>	<b>53.2</b>
Chg. % YoY	0.6%	22.4%	7.2%	7.2%
<b>EBITDA</b>	<b>7.6</b>	<b>8.6</b>	<b>9.5</b>	<b>10.4</b>
EBITDA Margin (%)	20.2%	18.5%	19.0%	19.5%
<b>EBIT</b>	<b>5.7</b>	<b>6.8</b>	<b>7.5</b>	<b>8.0</b>
EBIT Margin (%)	15.2%	14.7%	15.1%	15.0%
<b>Net Profit</b>	<b>3.6</b>	<b>4.5</b>	<b>4.9</b>	<b>5.2</b>
Chg. % YoY	4.0%	29.8%	10.3%	6.4%
<b>Adjusted Net Profit</b>	<b>3.6</b>	<b>4.5</b>	<b>4.9</b>	<b>5.2</b>
Chg. % YoY	4.0%	29.8%	10.3%	6.4%
<b>Net Fin. Position</b>	<b>15.5</b>	<b>15.1</b>	<b>18.2</b>	<b>21.7</b>
Net Fin. Pos. / EBITDA (x)	nm	nm	nm	nm
Capex	-3.3	-2.8	-3.0	-3.2
<b>OpFCF b.t.</b>	<b>2.6</b>	<b>4.7</b>	<b>5.8</b>	<b>6.6</b>
OpFCF b.t. as % of EBITDA	nm	54.5%	61.7%	63.7%

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

## Investment case

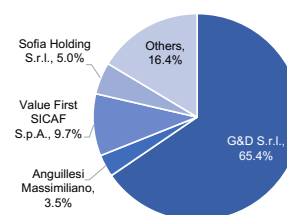
### Strengths / Opportunities

- ◆ 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

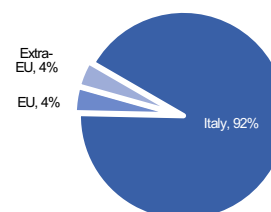
- ◆ Revenue concentration on a very few clients, with top 5 customers accounting for ca. two thirds of FY22 revenues;
- ◆ Challenges in attracting qualified workforce may still limit TPS' potential for sustained growth.

## Shareholders Structure



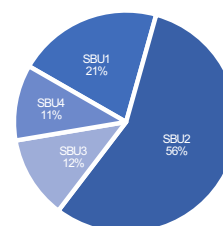
Source: TPS SpA

## FY22 Revenues by geography



Source: TPS SpA

## FY22 Revenues by business line



Source: TPS SpA

## Stock multiples @ €9.25 Fair Value

	2023E	2024E
EV / SALES (x)	1.1	1.0
EV / EBITDA (x)	6.1	5.2
EV / EBIT (x)	7.6	6.5
EV / CAP.EMP. (x)	3.0	2.6
OpFCF Yield (%)	9.0	11.9
P / E (x)	15.0	13.6
P / BV (x)	2.1	1.8
Div. Yield. (%)	0.6	0.8

Source: Value Track

# 1H23 Results

## Introduction

TPS's 1H23 interim results came out broadly in line with our full-year estimates, showing good growth driven by external line, resilient margins and strong cash generation. We appreciate the resumption of the corporate development path (which we still believe is the main catalyst for the stock re-rating), while we look at organic growth with a degree of caution, as it fell short of our initial expectations.

## 1H23 M&A drives growth and weights on margins

As far as consolidation accounting for the new business is concerned, we highlight that:

- ◆ HB Technology S.r.l. was acquired on 15<sup>th</sup> June 2023, but it is consolidated starting as of 1<sup>st</sup> January 2023;
- ◆ The reclassified consolidated income statement for 1H22 does not incorporate data from HB Technology S.r.l. and Fore Comunicazione S.r.l., the latter acquired in December 2022.

### TPS Group: Key Financials 1H22-1H23

(€, mn)	1H22	1H23	Δ YoY (%)
Value of Production	19.2	22.8	18.7%
EBITDA	4.0	4.4	10.4%
EBITDA Margin (%)	20.6%	19.2%	-143 bps
EBIT	3.2	3.4	8.8%
EBIT Margin (%)	16.5%	15.1%	-137 bps
Net Profit	2.0	1.9	-7.2%
<b>Net Fin. Position [i.e. Net Debt (-) Cash (+)]</b>	<b>16.2</b>	<b>15.0</b>	<b>-1.2mn</b>

Source: TPS Group, Value Track Analysis

- ◆ **Value of Production stood at €22.8mn** (ca. 18.7% y/y), result of both organic growth (ca. 2%) and the consolidation of the economic data for the 1H23 of the subsidiaries HB Technology S.r.l. and Fore Comunicazione S.r.l.

In terms of organic growth, the aeronautics segment demonstrated notable strength, whereas the automotive and precision mechanics exhibited weaker performance;

- ◆ **EBITDA at €4.4mn** (ca. +10.4% y/y), yet lower EBITDA Margin (-143 bps) both due to inflationary pressure on raw materials (+19.6%y/y) and labor costs (close to +18% y/y, +88 FTE) as well as higher external costs associated with the production processes of the newly acquired HB Technology.

On a like-for-like basis, EBITDA organic growth would have been ca. 3%;

- ◆ **Net Profit at €1.9mn** (ca. -7.2% y/y), mainly affected by €0.6mn acquisition-related extraordinary costs and to a lesser extent higher D&A corresponding to newly acquired assets.

### TPS Group: Profit & Loss 1H22-1H23

(€, mn)	1H22	1H23	Δ YoY (%)
<b>Value of Production</b>	<b>19.2</b>	<b>22.8</b>	<b>18.7%</b>
Raw Materials, Δ Inventory (Finished Goods)	-0.7	-0.9	19.6%
Costs of Services	-3.5	-4.7	32.2%
Labour Costs	-10.9	-12.9	17.6%
<b>EBITDA</b>	<b>7.6</b>	<b>8.9</b>	<b>10.4%</b>
<b>EBITDA Margin (%)</b>	<b>20.2%</b>	<b>19.2%</b>	<b>-143 bps</b>
D&A (excl. Goodwill)	-0.8	-0.9	16.9%
Provisions	0.0	0.0	nm
<b>EBIT</b>	<b>3.2</b>	<b>3.4</b>	<b>8.8%</b>
<b>EBIT Margin (%)</b>	<b>16.5%</b>	<b>15.1%</b>	<b>-137 bps</b>
Interest Expenses	-0.1	0.0	nm
Other Non-Operating Income/Expenses	0.0	-0.6	nm
Taxes	-0.9	-0.9	-1.7%
Minorities	-0.1	-0.1	54.6%
<b>Net Profit</b>	<b>2.0</b>	<b>1.9</b>	<b>-7.2%</b>

Source: TPS Group, Value Track Analysis

### Acquired asset adds up, OpFCF remains strong

At Balance Sheet level we note:

- ◆ **Net fixed assets** increased to **€10.1mn**, due to new assets added with HB's entry into the scope, including the proprietary plant at the Faggiano site;
- ◆ **Working capital** at **€10.7mn** in FY22 (+ 31%), which is mainly to be attributed to the integration of the newly acquired entities FORE and HB Technology, the latter including some grants provided by the Puglia Region under the "POR Puglia 2014-2020 Convergence Objective - Regional Regulation 17/2014," and to grants requested in 2022 inherent to R&D projects;
- ◆ **Net Cash** at **€15.0mn**, after €2.2mn financial investments (HB), ca. €0.6mn dividends and thanks to a still strong OpFCF conversion, i.e. **Op.FCF<sub>b.t.</sub> / EBITDA around 64%** in line with the "60% steady-state" outlined in the IoC.

### TPS Group: Balance Sheet 1H22-1H23

(€, mn)	1H22	1H23	Δ YoY (%)
Net Fixed Assets	7.0	10.1	44.0%
Net Working Capital	8.2	10.7	30.5%
Provisions	5.5	6.0	7.8%
<b>Total Capital Employed</b>	<b>9.7</b>	<b>14.9</b>	<b>53.2%</b>
<b>Group Net Equity</b>	<b>25.9</b>	<b>29.8</b>	<b>15.3%</b>
<b>Net Fin. Position [i.e. Net Debt (-) Cash (+)]</b>	<b>16.2</b>	<b>15.0</b>	<b>-1.2mn</b>

Source: TPS Group, Value Track Analysis

**TPS Group: Cash Flow Statement 1H22-1H23**

(€, mn)	1H22	1H23	Δ YoY (%)
<b>EBITDA</b>	<b>4.0</b>	<b>4.4</b>	<b>10.4%</b>
Δ NWC	-15.0	-1.9	nm
Capex (excl. Financial Inv.)	-0.8	-1.3	59.8%
Δ Provisions	0.5	1.6	nm
<b>OpFCF b.t.</b>	<b>-11.3</b>	<b>2.8</b>	<b>nm</b>
<i>As a % of EBITDA</i>	-286%	64%	nm
Cash Taxes	-0.9	-0.9	-1.7%
Others (incl. Financial Inv.)	0.0	-1.8	nm
Net Financial Charges	-0.1	0.0	nm
Dividends Paid	-0.6	-0.6	1.0%
<b>Net Cash Generated (Absorbed)</b>	<b>-12.9</b>	<b>-0.5</b>	<b>nm</b>

Source: TPS Group, Value Track Analysis

## Corporate development

### Solid track record in M&A driven growth

TPS has resumed its M&A driven corporate development path, with three entities acquired since December 2022.

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.

As we said, TPS has resumed its M&A activity and in the latest twelve months it has finalized the following three 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 the subsidiary Satiz Technical Publishing & Multimedia).

### Fore Srl

Fore Srl is a company involved in the development and production of marketing campaigns, digital content management and Below The Line communication.

Its activities will fall under the Digital Content Management SBU, with the aim to use Fore as commercial tool to develop the business of the SBU.

### HB Technology Srl

HB Technology S.r.l. ("HB"), is an Italian-based player active in the provisioning of engineering services for the aerospace sector and in the production and assembly of aeronautical parts and components. We underline the following:

- ◆ In FY23E Pro-Forma we estimate HB to add to TPS figures ca. €6-6.3mn revenues, ca. €750k EBITDA and some €3.7mn Net Debt (taking into account both the cash out for the acquisition and the Net Debt position of the acquired company);
- ◆ Based on our estimates, we calculate acquisition multiples at ca. 0.6x EV/Sales and ca. 4.7x EV/Adj. EBITDA FY23E.
- ◆ The deal grants TPS greater control over the value chain of parts and components, specifically enabling TPS to oversee the initial stage of production, carried out with traditional technologies and additive manufacturing technology, both for metal and plastic parts. This will allow TPS to further expand the value chain as well as open up to the assembly activities of aeronautical components;
- ◆ As a consequence of the deal, TPS consolidates its presence in the aeronautical design sector.

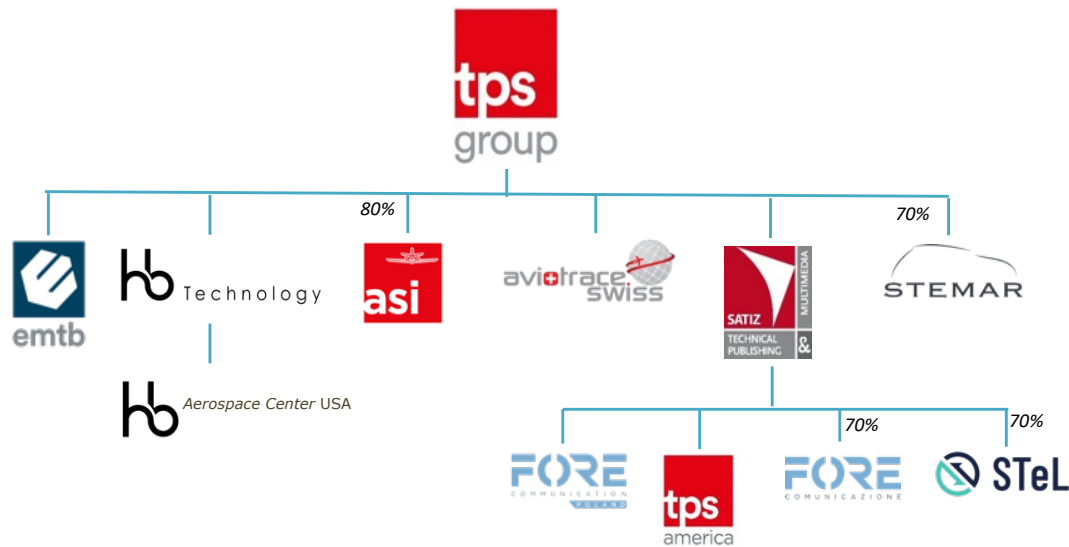
**S.te.I. Srl**

S.te.I. Srl is a company that deals with logistics engineering activities and the production of technical content for manuals and catalogues in the railway sector.

This deal is aimed at strengthening the activities that the TPS Group also carries out in the non-aeronautical field.

As a result of the acquisition campaign, the current group structure is as follows:

**TPS Group: Group structure as of today**



Source: TPS, Value Track analysis

**Diversification and international expansion through M&A due to continue**

The company always stresses that the current significant cash reserve is intended for further acquisitions where the targets should ideally boast the following criteria:

- ◆ Generating Revenues of ca. \$/€5-10mn each;
- ◆ U.S. based operating in the avionics segment;
- ◆ Domestic / European - based operating in contiguous sectors (e.g. railways, naval) or attractive for the development of the subsidiaries (production of components, avionics maintenance, IT).

## Change in 2023E-25E estimates

We are fine tuning our 2023E-25E estimates to take into account the inflationary pressures on labour costs (and partly on raw materials) experienced during the first half of the year, as well as the investments made during the same period. As a result, we stand with a bit more cautious stance on margins and Net cash position. That said, our 2023E-25E financial forecasts are as follows:

- ◆ **Revenues unchanged** at €46.3mn in 2023E, and growing at a double-digit pace (12.1%CAGR22A-25E);
- ◆ **EBITDA margins fine-tuned downwards in the short term**, while still expected to converge to 19.5% and 15.0% respectively in 2025E, due to some efficiency gains following the integration of HB;
- ◆ **Net Cash slightly lowered** factoring financial investments and despite the inclusion of some improvements in NWC management.

### TPS: Old vs. New Estimates 23E-25E

€mn	2023E			2024E			2025E		
	Old	New	Δ(%)	Old	New	Δ(%)	Old	New	Δ(%)
<b>Total Revenues</b>	<b>46.3</b>	<b>46.3</b>	<b>0%</b>	<b>49.6</b>	<b>49.6</b>	<b>0%</b>	<b>53.2</b>	<b>53.2</b>	<b>0%</b>
<b>EBITDA</b>	<b>8.9</b>	<b>8.6</b>	<b>-4%</b>	<b>9.7</b>	<b>9.5</b>	<b>-2%</b>	<b>10.4</b>	<b>10.4</b>	<b>-1%</b>
<i>EBITDA Margin (%)</i>	19.2%	18.5%	-69 bps	19.5%	19.0%	-47 bps	19.6%	19.5%	-12 bps
<b>EBIT</b>	<b>6.8</b>	<b>6.8</b>	<b>0%</b>	<b>7.5</b>	<b>7.5</b>	<b>0%</b>	<b>8.0</b>	<b>8.0</b>	<b>-1%</b>
<i>EBIT Margin (%)</i>	14.7%	14.7%	-5 bps	15.1%	15.1%	4 bps	15.1%	15.0%	-10 bps
<b>Net Profit</b>	<b>4.5</b>	<b>4.5</b>	<b>0%</b>	<b>4.9</b>	<b>4.9</b>	<b>0%</b>	<b>5.3</b>	<b>5.2</b>	<b>-1%</b>
<b>Net Fin. Position</b>	<b>15.4</b>	<b>15.1</b>	<b>-0.3</b>	<b>19.1</b>	<b>18.2</b>	<b>-0.9</b>	<b>23.2</b>	<b>21.7</b>	<b>-1.5</b>

Source: Value Track Analysis

### TPS Group: Profit & Loss 2022A-25E

(€, mn)	2022A	2023E	2024E	2025E
<b>Value of Production</b>	<b>37.8</b>	<b>46.3</b>	<b>49.6</b>	<b>53.2</b>
Raw Materials, Δ Inventory (Finished Goods)	-1.3	-1.6	-1.7	-1.9
Costs of Services	-7.0	-10.0	-10.7	-11.4
Labour Costs	-21.8	-26.1	-27.8	-29.6
<b>EBITDA</b>	<b>7.6</b>	<b>8.6</b>	<b>9.5</b>	<b>10.4</b>
<b>EBITDA Margin (%)</b>	<b>20.2%</b>	<b>18.5%</b>	<b>19.0%</b>	<b>19.5%</b>
D&A (excl. goodwill)	-1.9	-1.7	-2.0	-2.4
Provisions	0.0	-0.1	0.0	0.0
<b>EBIT</b>	<b>5.7</b>	<b>6.8</b>	<b>7.5</b>	<b>8.0</b>
<b>EBIT Margin (%)</b>	<b>15.2%</b>	<b>14.7%</b>	<b>15.1%</b>	<b>15.0%</b>
Interest Expenses	-0.2	-0.1	-0.2	-0.2
Other Non-Operating Income/Expenses	-0.1	0.0	0.0	0.0
Taxes	-1.6	-2.0	-2.2	-2.3
Minorities	-0.2	-0.2	-0.2	-0.2
<b>Net Profit</b>	<b>3.6</b>	<b>4.5</b>	<b>4.9</b>	<b>5.2</b>

Source: TPS Group, Value Track Analysis



**TPS Group: Cash Flow Statement 2022A-25E**

(€mn, IAS IFRS)	2022A	2023E	2024E	2025E
EBITDA	7.6	8.6	9.5	10.4
Δ Net Working Capital	-1.1	-2.7	-1.0	-0.9
Capex	-3.3	-2.8	-3.0	-3.2
Δ Provision	-0.6	1.5	0.3	0.3
<b>OpFCF b.t.</b>	<b>2.6</b>	<b>4.7</b>	<b>5.8</b>	<b>6.6</b>
As a % of EBITDA	34.2%	54.5%	61.7%	63.7%
Cash Taxes	-1.6	-2.0	-2.2	-2.3
Others (incl. Financial Inv.)	0.7	-2.4	0.0	0.0
Net Financial Charges	-0.2	-0.1	-0.2	-0.2
Dividends Paid	-0.6	-0.6	-0.4	-0.5
<b>Net Cash Generated (Absorbed)</b>	<b>1.0</b>	<b>-0.4</b>	<b>3.0</b>	<b>3.6</b>

Source: TPS Group, Value Track Analysis

**TPS Group: Balance Sheet 2022A-25E**

(€mn, IAS IFRS)	2022A	2023E	2024E	2025E
Net Fixed Assets	8.5	11.9	12.9	13.7
Net Working Capital	8.8	11.4	12.4	13.3
Provisions	4.4	5.9	6.3	6.6
<b>Total Capital Employed</b>	<b>12.9</b>	<b>17.4</b>	<b>19.0</b>	<b>20.4</b>
<b>Group Net Equity</b>	<b>28.4</b>	<b>32.5</b>	<b>37.2</b>	<b>42.1</b>
<b>Net Fin. Position [i.e. Net Debt (-) Cash (+)]</b>	<b>15.5</b>	<b>15.1</b>	<b>18.2</b>	<b>21.7</b>

Source: TPS Group, Value Track Analysis

## Valuation Update

Taking into account updated TPS financial forecasts, **we update our fair value at €9.25 per share (from €9.47)**, that would imply 1.1x-1.0x EV/Sales and 6.1x-5.2x EV/EBITDA 2023E-24E multiples, still at deep discount vs. domestic and international peers.

This is the combined effect of:

- ◆ **DCF model** at €10.2 p.s. (from €9.8 p.s.), whose benefits from a lower Equity Risk Premium (updated from 8.08% to 6.45%, Damodaran);
- ◆ **Peers Analysis** at €8.2 p.s. (from €9.1 p.s.), subject to a sector de-rating affecting especially Italian comparables.

### TPS Group: Valuation Summary

Valuation Methodologies	Fair Equity Value p/s (€)	Fair Equity Value (€, mn)
DCF Model	10.2	74.3
Current Market Multiples	8.2	59.8
<b>Fair Equity Value (avg.)</b>	<b>9.2</b>	<b>67.0</b>

Source: Value Track Analysis

### TPS Group: Peers' Trading Multiples

Peers	Mkt Cap (€mn)	EV / EBITDA (x)		EV / EBIT (x)		P / E Adj. (x)	
		2023E	2024E	2023E	2024E	2023E	2024E
<b>International Peers</b>							
Alten	4,155	7.6	6.6	14.8	12.9	6.3	7.4
Sogeclair	51	4.1	3.1	14.2	9.5	<0	<0
Bertrandt Group	444	5.8	4.4	14.6	9.3	0.6	6.5
EDAG Engineering Group	288	5.5	4.9	9.7	8.2	10.0	0.3
Ricardo PLC	307	7.6	6.7	nm	16.9	<0	3.6
Arcadis	3,805	9	7.9	18.4	15.2	5.3	6.5
<b>EU Tech Enablers - Average</b>	<b>1,508</b>	<b>6.7</b>	<b>5.7</b>	<b>14.3</b>	<b>12.0</b>	<b>5.6</b>	<b>4.9</b>
<b>EU Tech Enablers - Median</b>	<b>376</b>	<b>6.7</b>	<b>5.7</b>	<b>14.6</b>	<b>11.2</b>	<b>5.8</b>	<b>6.5</b>
<b>Domestic Peers</b>							
TXT e-solutions	213	7.1	5.8	14.2	12.5	5.6	7.5
Star7	63	6.0	4.6	7.2	5.2	3.3	11.5
Reti	20	6.6	5.0	12.8	9.1	12.6	9.8
TNXT	713	10.0	8.1	13.4	11.1	5.5	9.2
Spindox	50	6.5	5.0	31.5	19.0	0.0	5.6
Reply	3,217	9.1	7.5	17.2	14.9	7.4	7.2
<b>ITA Tech Enablers - Average</b>	<b>713</b>	<b>7.5</b>	<b>6.0</b>	<b>16.1</b>	<b>12.0</b>	<b>5.8</b>	<b>8.5</b>
<b>ITA Tech Enablers - Median</b>	<b>138</b>	<b>6.9</b>	<b>5.4</b>	<b>13.8</b>	<b>11.8</b>	<b>5.6</b>	<b>8.4</b>
<b>Total Average</b>	<b>1,111</b>	<b>7.1</b>	<b>5.8</b>	<b>15.3</b>	<b>12.0</b>	<b>5.7</b>	<b>6.8</b>
<b>Total Median</b>	<b>297</b>	<b>6.9</b>	<b>5.4</b>	<b>14.2</b>	<b>11.8</b>	<b>5.6</b>	<b>7.2</b>
<b>TPS Fair Multiple</b>		<b>5.5</b>	<b>4.3</b>	<b>11.4</b>	<b>9.5</b>	<b>6.9</b>	<b>9.0</b>

Source: Market Consensus, Value Track Analysis

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

- ◆ Time horizon for explicit forecasts is 2023E - 30E;
- ◆ 2.0% Risk Free Rate in line with medium term inflation target;
- ◆ Unlevered Beta at 0.90 (Source: Damodaran web site), calculated as an average of Aerospace & Defense (0.90), Auto & Truck (0.87), Business and Consumer Services (0.91);
- ◆ Implied Italian Equity Risk premium at 6.45% (Source: Damodaran web site, July ‘23 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 = 2.0%)	(€mn)
PV of Future Cash-Flows 2024E-2030E	23.5
PV of Terminal Value 2030E	35.7
<b>Fair Enterprise Value</b>	<b>59.2</b>
Net Cash Position 2023YE	15.1
Minorities, Other Liabilities / Assets	0.0
<b>100% Fair Equity Value</b>	<b>74.3</b>
<b>Fair Equity Value p.s. (€)</b>	<b>10.2</b>

Source: Value Track Analysis

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