

TPS GROUP

Business Services

A Stronger Base For The Next Phase

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.

FY25 Resilient Despite Automotive Weakness

TPS held up well in FY25 despite a sharp contraction in automotive technical engineering services and still elevated cost inflation. Against this backdrop, the group delivered broadly in-line P&L results, as efficiency measures helped offset weaker volumes and preserve profitability, while net cash came in slightly below expectations due to higher capex. The Automotive downturn was the main drag on FY25 Top Line (-1.3% y/y) especially in 1H25, and only partially offset by A&D, Energy, cable transportation and industrial automation. EBITDA was flat y/y at €9.3mn, with margin improving from 17.4% to 18.0%, supporting a relatively resilient Net Profit of €4.3mn (+0.5% y/y), despite higher D&A and some non-recurring costs. Cash generation also remained solid, with OpFCF_{b.t.} at €4.7mn, i.e. 51% of EBITDA, even as capex increased. Management stated that automotive now accounts for <10% of sales, suggesting that the direct risk from this segment is limited.

Outlook Seems Supportive and A&D the Main Driver

Management expects a more normal business environment in 2026. In A&D, the ongoing evolution of the supply chain could create additional scope for TPS to gain share, while further growth opportunities remain visible across several technical niches. M&A also remains a strategic priority: 2025 was particularly active in terms of scouting, and management would like to complete an acquisition in 2026 if the right target is identified.

FY26E-28E Estimates Broadly Confirmed

Our updated 2026E-28E forecasts are as follows: 1) VoP growing at 6.0% CAGR; 2) EBITDA margins to remain close to 18% in the whole period; 3) EBITDA in absolute value growing by ca. 6% per annum, up to €11mn in 2028E; 4) Average Free Cash Flow per annum at €3.1mn driving 2028E Net Cash Position at ca. €27.8mn, i.e. some 50% of current stock market capitalization.

Fair Value Raised to €10.0 per share (from €9.75)

We update our fair value to €10.0 per share, implying 4.9x-4.4x EV/EBITDA on 2026E-27E, vs. 3.3x-2.9x EV/EBITDA at current trading levels. As a further cross-check, recent take-private activity in the Italian peer cluster took place at around 6.0x FY1 EBITDA on average, which would imply a TPS value of around €11.5 per share.

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FAIR VALUE (€) **10.0**

MARKET PRICE (€) **7.7**

MARKET CAP (€mn) **55.9**

KEY FINANCIALS	FY25	FY26E	FY27E
VALUE OF PRODUCTION	51.7	55.7	58.9
EBITDA	9.3	10.0	10.6
EBIT	6.6	7.2	7.6
NET PROFIT	4.3	4.9	5.2
GROUP NET EQUITY	38.3	42.5	47.0
NET DEBT (-) / NET CASH (+)	18.4	22.1	24.5
EPSADJ.	0.63	0.67	0.72
DPS	0.09	0.10	0.11

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

RATIOS AND MULTIPLES	FY25	FY26E	FY27E
EBITDA MARGIN (%)	18.0	17.9	17.9
EBIT MARGIN (%)	12.8	12.9	12.8
NET DEBT / EBITDA (x)	nm	nm	nm
NET DEBT / NET EQUITY (x)	nm	nm	nm
ROE (%)	11.4	11.7	11.3
EV / SALES (x)	0.7	0.6	0.5
EV / EBITDA (x)	3.8	3.3	2.9
EV / EBIT (x)	5.3	4.5	4.0
P / EADJ. (x)	11.5	11.4	10.7

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

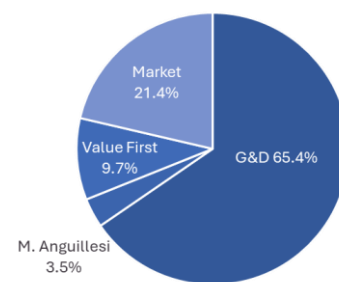
STOCK DATA	
MARKET PRICE (€)	7.7
NOSH (mn)	7.3
MARKET CAP (€mn)	55.9
ENTERPRISE VALUE (€mn)	32.6
FREE FLOAT (%)	31.1
AVG L30D VOLUME ('000)	2,100
RIC / BBG	TPS.MI/TPSIM
52 WK MAX - MIN (€)	9.30-6.19

Source: Stock Market Data

Description

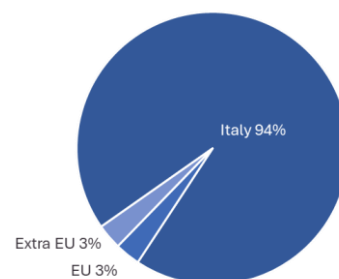
TPS is a B2B tech enabler providing highly specialized engineering advisory and design services to top tier industrial groups. Within the scope of its offering, TPS writes technical publications, implements cost engineering activities, develops proprietary software for avionics systems, designs and manufactures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

SHAREHOLDERS' STRUCTURE



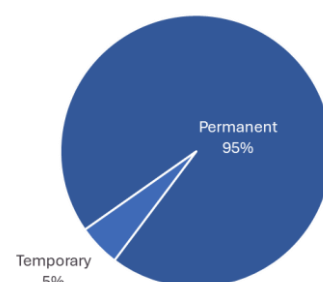
Source: TPS Group

REVENUES BY GEOGRAPHY*



Source: TPS Group, FY24 (Last FY Available)

PERMANENT VS. TEMPORARY EMPLOYEES



Source: TPS Group, FY25

STOCK MULTIPLES @ FV	FY26E	FY27E
EV / SALES (x)	0.9	0.8
EV / EBITDA (x)	4.9	4.4
EV / EBIT (x)	6.9	6.2
EV / CAP. EMPLOYED	2.4	2.1
OpFCF Yield (%)	13.6	11.7
P / E (x)	14.9	14.0
P / BV (x)	1.7	1.6
Dividend Yield (%)	1.0	1.1

Source: Value Track Analysis

Financial Highlights

KEY FINANCIALS (IAS/IFRS, €mn)	FY25	FY26E	FY27E	FY28E
Value of Production	51.7	55.7	58.9	61.5
y/y (%)	nm	7.9%	5.7%	4.5%
EBITDA	9.3	10.0	10.6	11.0
EBITDA Margin (%)	18.0%	17.9%	17.9%	17.9%
EBIT	6.6	7.2	7.6	7.8
EBIT Margin (%)	12.8%	12.9%	12.8%	12.7%
Net Profit	4.3	4.9	5.2	5.3
y/y (%)	nm	14.5%	6.5%	2.5%
Adj. Net Profit	4.6	4.9	5.2	5.3
y/y (%)	nm	6.5%	6.5%	2.5%
Net Fin. Position [Net Debt (-) / Cash(+)]	18.4	22.1	24.5	27.8
Net. Fin. Pos. / EBITDA (x)	nm	nm	nm	nm
Capex	-3.5	-3.3	-3.5	-3.7
OpFCF b.t.	4.7	6.7	5.5	6.6
OpFCF b.t. / EBITDA (%)	50.7%	67.3%	51.8%	60.2%

Source: TPS Group, Value Track Analysis

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 revenues;
- Challenges in attracting qualified workforce may still limit TPS' potential for sustained growth;

FY25 Financial Results

Key Figures & Messages

TPS's FY25 results broadly confirmed the trends already visible at the half-year stage. Overall, the P&L was in line with expectations, while net cash came in slightly below estimates, mainly due to higher capex.

In this context, the main messages from the release are as follows:

1. **Automotive downturn was the main drag on FY25 Top Line.** The sharp slowdown in automotive, especially in 1H25 was the key negative factor, while other divisions (A&D, Energy, Cable Transportation and other industrial segments) could not fully offset the shortfall;
2. **Operating profitability held up well thanks to efficiency actions.** Despite weaker automotive-related revenues, cost control helped preserve margins and prevented an excessive deterioration in earnings;
3. **Cash generation remained positive and Financial Position very solid.** TPS Generated €4.7mn OpFCF pre-tax, despite higher investments in the Faggiano plant and in new projects currently being rolled out.

TPS Group: Key Financials FY24-FY25

Key Financials (€mn)	FY24	FY25	y/y
Value of Production	52.3	51.7	-1.3%
EBITDA	9.1	9.3	+2.3%
EBITDA Margin (%)	17.4%	18.0%	+60bps
EBIT	6.7	6.6	-1.1%
EBIT Margin (%)	12.8%	12.8%	+2bps
Net Profit	4.2	4.3	0.5%
Net Cash Position	16.4	18.4	+2.0mn

Source: TPS Group, Value Track Analysis, (*) FY24

Top Line broadly stable despite Automotive, and thanks to A&D, Energy and Industrial

In FY25, TPS Group posted revenues of €51.7mn, substantially in line with FY24 (€52.3mn, -1.3% y/y). The modest decline was entirely attributable to the reduction in design and technical services for the automotive sector, impacted by weaker OEM design demand and reduced digital communication services. This was only partially offset by the organic growth recorded in aerospace, defense, energy and other industrial verticals. Automotive exposure is now limited and below 10% of sales.

Operating Profitability Improved Thanks to Business Mix and Cost Discipline

Management actions on cost control and resource allocation allowed TPS to absorb the sharp contraction in automotive technical services and ongoing labour cost inflation, delivering a meaningful improvement in EBITDA margin to 18.0% from 17.4% in FY24.

More in detail:

- EBITDA stood at €9.3mn (+2.3% y/y), with margin up by 60bps to 18.0%, supported by operating efficiencies and by the stronger contribution from higher-value activities in aerospace, defence and energy;
- Reported Net Profit stood at €4.3mn, substantially flat year on year, while Adjusted Net Profit reached €4.6mn after excluding extraordinary charges mainly related to the reorganization of the automotive area. At EBIT level, profitability remained broadly stable at €6.6mn despite higher D&A and the above-mentioned non-recurring items.

Cash Generation Remained Solid Despite Higher-than-Usual Capex

FY25 capex rose to **€3.5mn**, above historical run-rate, mainly due to investments in the **Faggiano plant** and in new projects, including the expansion of the aeronautical training business and the establishment of a subsidiary in **Morocco** to strengthen the group's presence in North Africa. Despite this, TPS still delivered **€4.7mn OpFCF pre-tax** (c.51% of EBITDA) and €1.9mn FCF after taxes and dividends, ending the year with a still very solid **€18.4mn Net Cash Position**. This liquidity is managed conservatively, mainly through deposit accounts, as TPS' priority is to keep these resources readily available for potential M&A deployment.

TPS Group: P&L FY23-FY25

(€mn)	FY23	FY24	FY25	y/y
Value of Production	48.3	52.3	51.7	-1.3%
Raw Materials, Δ Inventory	-1.9	-1.8	-1.8	2.4%
Op. Costs	-10.7	-12.0	-10.1	-15.8%
Labour Costs	-27.0	-29.4	-30.4	3.3%
EBITDA	8.7	9.1	9.3	2.3%
EBITDA Margin (%)	17.9%	17.4%	18.0%	63bps
D&A (excl. Goodwill)	-2.0	-2.4	-2.7	12.1%
EBIT	6.7	6.7	6.6	-1.1%
EBIT Margin (%)	13.8%	12.8%	12.8%	2bps
Interest Expenses	-0.2	0.0	-0.1	nm
Other	-1.3	-0.5	-0.3	-34.5%
Taxes	-1.6	-1.7	-1.7	-1.0%
Minorities	-0.2	-0.2	-0.2	-14.8%
Net Profit	3.3	4.2	4.3	0.5%
Net Profit Margin (%)	6.9%	8.1%	8.3%	14bps

Source: TPS Group, Value Track Analysis

TPS Group: Balance Sheet FY23-FY25

(€mn)	FY23	FY24	FY25
Net Fixed Assets	11.0	10.9	12.0
Net Working Capital	15.5	13.1	14.0
Provisions	6.0	6.2	6.0
Total Capital Employed	20.6	17.9	20.0
Group Net Equity	31.1	34.3	38.3
Net Financial Position	10.6	16.4	18.4

Source: TPS Group, Value Track Analysis

TPS Group: CF Statement FY23-FY25

(€mn)	FY23	FY24	FY25
EBITDA	8.7	9.1	9.3
Δ Net Working Capital	-6.8	2.4	-0.9
Capex (excl. Financial Investments)	-2.8	-2.4	-3.5
Δ Provisions	1.6	0.2	-0.1
OpFCF b.t.	0.7	9.3	4.7
<i>As a % of EBITDA</i>	<i>7.9%</i>	<i>102.5%</i>	<i>50.7%</i>
Cash Taxes	-1.6	-1.7	-1.7
Other	-3.2	-1.1	-0.3
Net Financial Charges	-0.2	0.0	-0.1
Dividends Paid to TPS SpA sh.holders	-0.6	-0.6	-0.6
Δ Net Financial Position	-5.0	5.9	1.9

Source: TPS Group, Value Track Analysis

Key Takeaways from Management

Management's overall message was that 2025 should be seen as a year of internal optimization and platform strengthening, while the group now appears better positioned to capture new growth opportunities. Against a more supportive 2026 backdrop, the focus is shifting back to execution, share gains and external growth.

#1 2025 Focused On Optimization; The Group Now Appears Structurally Stronger

Management framed 2025 as a year of internal strengthening and efficiency. A key milestone was the **transition to a new ERP**, alongside a broader review of internal processes aimed at improving efficiency, lowering costs and strengthening organizational control. On this basis, management believes TPS now has a stronger operating platform and is **better positioned to resume growth**.

#2 A&D Remains The Key Growth Area, With Room For Share Gains

In Italy, the **A&D supply chain is evolving rapidly**, which management believes could create room for TPS to gain share. In particular, the group appears better positioned to capture additional opportunities with **major Italian A&D customers**, especially in aircraft- and electronics-related activities.

#3 Organic Growth Opportunities Extend Beyond A&D

Management continues to see organic growth opportunities in **energy, railway and other industrial end-markets**. In our view, this reinforces the idea that TPS's growth profile is becoming increasingly diversified. This matters even more as **automotive now accounts for less than 10% of sales**, making TPS increasingly exposed to structurally more attractive end-markets.

#4 M&A Remains A Strategic Priority

Management reiterated that its solid cash position is intended to support future acquisitions. 2025 was described as a **very active year in terms of scouting**, although no target has yet emerged as the right strategic fit despite a number of dossiers still under review. The backdrop for smaller assets also remains relatively competitive, which continues to keep vendors' expectations elevated. Current areas of interest include component production, avionics maintenance and heavy vehicles, while opportunities under evaluation are mainly in aeronautics, railway and industrial automation. Management would welcome the opportunity to complete an acquisition in 2026 should the right target emerge.

#5 Building Internal AI Knowledge

Management does not see AI as a near-term disruptor for TPS, although it could become a useful enabler over time. The group is investing selectively in internal capabilities, with a **5-person team working on Agentic AI** and broader in-house know-how. While the potential commercial applications appear clear, internal processes still need to be further structured before these initiatives can be scaled effectively.

2026E-28E Estimates

Estimates are broadly confirmed, although we adopt a slightly more cautious cash generation profile due to higher capex, as the group continues to invest to capture new growth opportunities.

TPS Group: 2025-28E Estimates Revision

	2025			2026E			2027E			2028E
(€mn)	Old	New	Chg. %	Old	New	Chg. %	Old	New	Chg. %	New
Value of Production	52.2	51.7	-1%	55.7	55.7	0%	58.9	58.9	0%	61.5
EBITDA	9.2	9.3	1%	10.0	10.0	0%	10.5	10.6	0%	11.0
EBITDA margin	17.7%	18.0%	31 bps	17.9%	17.9%	3 bps	17.9%	17.9%	3 bps	17.9%
EBIT	6.5	6.6	1%	7.2	7.2	0%	7.9	7.6	-5%	7.8
EBIT margin	12.5%	12.8%	32 bps	12.9%	12.9%	1 bps	13.5%	12.8%	-67 bps	12.7%
Net Profit	4.4	4.3	-2%	5.0	4.9	-1%	5.5	5.2	-5%	5.3
Net Financial Position	20.3	18.4	-1.9	24.1	22.1	-2.0	26.5	24.5	-2.0	27.8

Source: TPS Group, Value Track Analysis

As a result, our updated 2026E–28E forecasts are as follows:

- Value of Production at €61mn in 2028E, growing at mid-single-digit pace (6.0% CAGR25A-28E). Growth is expected to come mainly from: 1) key clients, (higher order intake, backlog and expected investments) where several multi-year framework agreements have been already signed; 2) segments such as engineering, avionic developments, and the production of aeronautical parts and components;
- EBITDA margins expected to remain close to 18% in the whole period, thanks to efficiency gains offsetting negative operating leverage;
- EBITDA in absolute value growing by ca. 6% per annum, up to €11.0mn in 2028E;
- Net Profit growing a more than proportional 7.6% per annum, up to €5.3mn in 2028E;
- Average Free Cash Flow per annum at €3.1mn driving 2028E Net Cash Position at ca. €27.8mn, i.e. some 50% of current stock market capitalization.

TPS Group: 2025A-28E Key Financials

(€, mn)	2025	2026E	2027E	2028E
Value of Production	51.7	55.7	58.9	61.5
EBITDA	9.3	10.0	10.6	11.0
EBITDA Margin (%)	18.0%	17.9%	17.9%	17.9%
EBIT	6.6	7.2	7.6	7.8
EBIT Margin (%)	12.8%	12.9%	12.8%	12.7%
Net Profit	4.3	4.9	5.2	5.3
Net Fin. Pos. [Net Debt (-) Cash (+)]	18.4	22.1	24.5	27.8

Source: TPS Group, Value Track Analysis

TPS Group: Profit & Loss 2025A-28E

(€, mn)	2025	2026E	2027E	2028E
Value of Production	51.7	55.7	58.9	61.5
Raw Materials, Δ Inventory	-1.8	-2.0	-2.1	-2.2
Gross Profit	49.8	53.8	56.8	59.4
Gross Margin (%)	96.5%	96.5%	96.5%	96.5%
Op. Costs	-10.1	-11.3	-12.0	-12.5
Labour Costs	-30.4	-32.5	-34.3	-35.9
EBITDA	9.3	10.0	10.6	11.0
EBITDA Margin (%)	18.0%	17.9%	17.9%	17.9%
D&A (excl. Goodwill)	-2.7	-2.8	-3.0	-3.2
Provisions	0.0	0.0	0.0	0.0
EBIT	6.6	7.2	7.6	7.8
EBIT Margin (%)	12.8%	12.9%	12.8%	12.7%
Interest Expenses	-0.1	0.0	0.0	0.0
Other	-0.3	0.0	0.0	0.0
Taxes	-1.7	-2.0	-2.1	-2.2
Minorities	-0.2	-0.3	-0.3	-0.3
Net Profit	4.3	4.9	5.2	5.3
Net Profit Margin (%)	8.3%	8.8%	8.8%	8.7%

Source: TPS Group, Value Track Analysis

TPS Group: Balance Sheet 2025A-28E

(€, mn)	2025	2026E	2027E	2028E
Net Fixed Assets	12.0	12.5	13.0	13.6
Net Working Capital	14.0	13.9	15.5	16.2
Provisions	6.0	6.0	6.1	6.1
Total Capital Employed	20.0	20.4	22.5	23.7
Group Net Equity	38.3	42.5	47.0	51.6
Net Financial Position	18.4	22.1	24.5	27.8

Source: TPS Group, Value Track Analysis

TPS Group: Cash Flow Statement 2025A-28E

(€, mn)	2025	2026E	2027E	2028E
EBITDA	9.3	10.0	10.6	11.0
Δ NWC	-0.9	0.1	-1.6	-0.7
Capex (excl. Financial Inv.)	-3.5	-3.3	-3.5	-3.7
Δ Provisions	-0.1	0.0	0.0	0.0
OpFCF b.t.	4.7	6.7	5.5	6.6
As a % of EBITDA	50.7%	67.3%	51.8%	60.2%
Cash Taxes	-1.7	-2.0	-2.1	-2.2
Other (incl. Financial Inv.)	-0.3	-0.3	-0.2	-0.2
Net Financial Charges	-0.1	0.0	0.0	0.0
Dividends Paid	-0.6	-0.7	-0.7	-0.8
Δ Net Financial Position	1.9	3.7	2.4	3.4
Net Financial Position	18.4	22.1	24.5	27.8

Source: TPS Group, Value Track Analysis

Valuation

Fair value is updated to **€10.0 per share** (up from €9.75), implying **4.9x–4.4x EV/EBITDA on 2026E–27E**, vs. **3.3x–2.9x** at which TPS is currently trading.

Our fair value reflects:

- a **DCF-based valuation of €10.4 p.s.** (from **€10.2 p.s.** previously), mainly driven by a more favorable risk profile assumption, i.e. improved ERP and beta inputs adopted in the model, despite higher capex;
- a **Peers-based valuation of €9.6 p.s.** (from **€9.3 p.s.** previously), where the modest sector de-rating (not very meaningful, as we deem estimates still have to be adjusted) is broadly offset by the roll-forward of the valuation framework to 2026E-27E.

Recent take-private activity in the peer cluster also provides a supportive valuation cross-check. Over the past 6-12 months, **three public tender** offers have been announced. While such transactions incorporate a control premium, the two Italian deals were struck at an **average of ~7.1x FY0 EBITDA and ~6.0x FY1 EBITDA**, which would point to a **TPS fair value of around €11.5 per share**, above our current fair value.

TPS Group: Peers' Trading Multiples

Peers	EV / EBITDA (x)		EV / EBIT (x)		P/E (x)	
	2026E	2027E	2026E	2027E	2026E	2027E
ATE-FR	3.5	2.8	4.4	3.5	8.4	7.4
ALSOG-FR	5.9	5.1	11.0	9.0	13.3	11.4
BDT-DE	3.8	2.8	8.7	5.0	8.9	4.6
ED4-DE	6.2	4.5	24.3	10.0	>50	6.5
ARCAD-NL	6.0	5.1	8.1	6.6	10.2	8.2
Average	5.1	4.1	11.3	6.8	10.2	7.6
Median	5.9	4.5	8.7	6.6	9.6	7.4
TXT-IT	7.2	6.1	11.2	9.2	13.5	11.6
RETI-IT	7.4	6.1	9.8	7.6	9.9	8.0
TNXT-IT	8.4	7.7	13.5	10.9	22.1	17.5
REY-IT	5.0	4.3	6.0	5.1	11.1	10.3
Average	7.0	6.0	10.1	8.2	14.2	11.9
Median	7.3	6.1	10.5	8.4	12.3	10.9
Total Average	5.9	4.9	10.8	7.4	12.2	9.5
Total Median	6.0	5.1	9.8	7.6	10.7	8.2

Source: Market Consensus, Value Track Analysis

TPS Group: PTOs within the Peer Cluster and Multiples

Company	Deal Date	Offer Price	EV	EBITDA FY0	EBITDA FY1	EV / EBITDA FY0	EV / EBITDA FY1
STAR7	01/04/2026	11.9	128.2	18.6	21.2	6.9	6.0
Spindox	11/11/2025	13.0	72.1	9.9	12.0	7.3	6.0
Average (Ita)						7.1	6.0
Ricardo plc	11/06/2025	4.3	410.0	61.0	50.0	6.7	8.2
Average (All)						7.0	6.8

Source: Market Consensus, Value Track Analysis

Discounted Cash Flow Model

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

- Time horizon for explicit forecasts is 2026E - 30E;
- 2.0% Risk Free Rate in line with medium term inflation target;
- Unlevered Beta at 1.0, a standard assumption for an Italian SME;
- Implied Italian Equity Risk premium at 5.0% (Source: Damodaran);
- 2.5% Company Specific Risk Premium, as a 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;
- 1.5% Perpetuity Growth Rate (“g”).

The outcome is a **DCF-based €10.4 fair value per share**.

TPS Group: DCF Model with Rolling Capital Structure

(€mn, g = 1.5%)	(€mn)
PV of Future Cash-Flows 2026E-2030E	17.2
PV of Terminal Value 2030E	39.0
Fair Enterprise Value	56.2
Net Cash Position 2025	18.4
Treasury shares @ 7.70 Mkt Value	1.2
100% Fair Equity Value	75.8
Fair Equity Value p.s. (€)	10.4

Source: Value Track Analysis

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