

# TPS Group

Sector: Business Services

## Empowering tech with human touch

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.

### Wide offer portfolio, strong competitive advantages

TPS Group offers a wide range of value-added enabling tech services, such as mission critical technical documentation drafting, technical product training, avionic software and technologies development / testing, design & cost engineering, and many more.

Among the competitive advantages boasted by TPS Group we flag:

- ◆ Human capital. Definitely TPS most strategic asset, with ca. 94% of workforce being composed by university/high-school graduates constantly updating their skills (ca. 6800 hours of training in 2022);
- ◆ Strong ties with clients, all top tier multinationals active in the A&D and Automotive sectors, often dating back to the Company's foundation and further reinforced by multi-year annual agreements.

As far as growth drivers / strategies are concerned, they are both organic and "external". Top priority ones are:

1. International expansion, mainly through M&A;
2. Enlargement of the portfolio of value-added tech services, to be provided with a more and more stringent cybersecure approach;
3. Push on new business lines based on innovative VR/AR technologies.

### Highly cash generative financial profile

TPS business model operates with organic growth in the mid-single digit space, double digit margins (2025E EBITDA - EBIT margin at ca. 20.5% - 15.9%), and very low capital requirements (average 2023E-25E capex at ca. 5% of Value of Production), thus being strongly cash generative (average 2023E-25E OpFCF / EBITDA b.t. in the 70% region, cumulative Free Cash Flow 2023E-25E at €10.9mn, equal to ca. 28% of current market cap). As a result, the Balance Sheet is extremely solid (€15.5mn Net Cash Position 2022YE, ca. 2x EBITDA), ready to be utilized for value accretive M&A deals.

### Fair Value at €9.2 per share

Based on the current business perimeter, we set **TPS fair equity value per share at €9.2**. We note that at current €5.45 stock market price TPS is trading at 2.6x EV/EBITDA 2023E, as the market is valuing the current >€15mn cash pile at deep discount. Turning such cash pile into EBITDA via M&A would unlock, in our view, all the rerating potential of the stock.



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Fair Value (€) 9.2

Market Price (€) 5.45

Market Cap. (€m) 39.6

KEY FINANCIALS (€m)	2022	2023E	2024E
REVENUES	37.8	40.0	43.0
EBITDA	7.6	8.1	8.8
EBIT	5.7	6.2	6.8
NET PROFIT	3.6	4.0	4.5
EQUITY	28.4	32.2	36.3
NET CASH POSITION	15.5	18.9	22.5
EPS ADJ. (€)	0.49	0.56	0.62
DPS (€)	0.06	0.07	0.08

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

RATIOS & MULTIPLES	2022	2023E	2024E
EBITDA MARGIN (%)	20.2	20.2	20.5
EBIT MARGIN (%)	15.2	15.4	15.9
NET DEBT / EBITDA (x)	nm	nm	nm
NET DEBT / EQUITY (x)	nm	nm	nm
EV/SALES (x)	0.7	0.5	0.4
EV/EBITDA (x)	3.1	2.6	1.9
EV/EBIT (x)	4.2	3.3	2.5
P/E ADJ. (x)	11.0	9.8	8.8

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

### STOCK DATA

FAIR VALUE (€)	9.2
MARKET PRICE (€)	5.5
SHS. OUT. (m)	7.3
MARKET CAP. (€m)	39.6
FREE FLOAT (%)	16.4
AVG. -20D VOL.	750
RIC / BBG	TPS.MI / TPS.IM
52 WK RANGE	4.60 - 5.95

Source: Stock Market Data



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## Executive Summary

### TPS Group at a glance

With **2022 Value of Production and EBITDA at ca. €37.8mn and €7.6mn** respectively, TPS Group (“the Group” or “TPS”) is a leading Italian B2B “tech enabler”, active in the field of technical engineering services mainly for Aeronautics & Defense and Automotive top tier clients.

More specifically, through four business units, TPS operates in the following areas:

1. Technical Publishing & Training, ca. 21% of Total Revenues in FY22;
2. Design & Cost Engineering, ca. 56% of Total Revenues in FY22;
3. Information Technologies & Avionic Services, ca. 12% of Total Revenues in FY22;
4. Digital Content Management, ca. 11% of Total Revenues in FY22.

While being active since ‘60s, the Group has started accelerating its growth back in 2008, when the company underwent a corporate governance reorganization and at the same time undertook a path of business diversification/expansion, also led by a series of successful acquisitions. This strategic shift enabled TPS to fully leverage its technical and commercial expertise, driving a **24.6% Value of Production CAGR<sub>15-22</sub>**.

### Strong competitive positioning in a market poised to keep growing

TPS Group couples the positive chance of belonging to a reference sector with many growth opportunities ahead, and the merit of boasting the features necessary to be successful in it.

As far as the **Reference Sector** is concerned, we note that:

- ◆ A&D Growth rates are expected to remain positive in the next years, driven by a general budget increase in Italian defence expenses;
- ◆ The Helicopter market, the most important one for TPS technical services provisioning, as well is seen growing steadily;
- ◆ Automotive industry is being driven by the growing electric car segment, which is projected to experience a 17.9% CAGR<sub>2022-2027</sub>. TPS is well-positioned to ride this emerging opportunity by specializing in the “full-electric” vehicle system design;

As far as the TPS Group’ **operating features** that are making its growth successful, we underline the following ones:

- ◆ Human capital is definitively TPS’ most strategic asset, that allows the group to provide state-of-art value added tech services. This is testified by ca. 94% of its workforce being composed by university/high-school graduates constantly updating their know how and skills with ca. 6800 hours of training in 2022;
- ◆ Strong ties with clients, all top tier multinationals active in the A&D and Automotive sectors, often dating back to the Company’s foundation and further reinforced by multi-year annual agreements.

Last but not least, we underline **TPS Group’ economic and financial features** that make its profile appealing:

- ◆ TPS business model operates with very low capital requirements and is strongly cash - generative (Operating Free Cash Flow / EBITDA conversion at 60% on average in 2019-2022 fiscal periods). This drives a very solid Balance Sheet structure, (Net Cash Position at €15.5mn as of December 2022, ca. 2x EBITDA);
- ◆ Decent visibility on future business as contracts with clients are often regulated on a multi-year basis within general framework agreements.

## Headwinds to face

As far as **TPS Group's specific features** are concerned, we need to raise a flag on some points:

- ◆ Revenue concentration on a very few clients: TPS' top five customers account for ca. two thirds of its FY22 revenues and TPS growth is somehow linked to the speed and success of customer projects;
- ◆ Challenges in attracting qualified workforce: securing a talented workforce in a competitive labour market is crucial for TPS' growth strategy, and while the company is investing heavily in training, the challenge of a shortage in qualified candidates may still limit its potential for sustained growth.

## Growth Strategies

In the next future, we expect the group to focus on the following **growth drivers / strategies**:

- ◆ Diversification and international expansion through M&A: the Company's primary focus is on M&A, with a specific target criterion of companies generating revenues of around €5mn, both European and US-based, and operating in the avionics segment, or in contiguous sectors (e.g. railways or naval);
- ◆ Expansion of the tech services portfolio: TPS Group is strengthening its tech services offer in the core business, with a focus on value-added services such as cost engineering and avionics software development, provided with more and more stringent cybersecure approach;
- ◆ Investing in innovative business areas markets: TPS is venturing into new and innovative business sectors, including virtual /augmented reality. While the current impact on revenue may be relatively small, potential investment in the development of these business areas may significantly boost TPS long-term growth.

## Financials 2023E-25E

Our **2023E-25E forecasts** are as follows:

- ◆ Top line to keep growing at a ca. 6.9% CAGR<sub>22A-25E</sub> to ca.€46.2mn in 2025E, driven by engineering, avionics and new projects in the Oil&Gas / Railways sectors;
- ◆ EBITDA - EBIT margin at ca. 20.4% - 15.7%, leading to €9.5mn - €7.3mn EBITDA – EBIT respectively in 2025E;
- ◆ OpFCF / EBITDA b.t. at ca.70% thanks to limited need for CapEx and Working Capital absorption;
- ◆ Net Cash Position expected to increase up to ca. €26.4mn in 2025E (assuming ca.11% dividend payout), to be devoted to M&A.

## Valuation

TPS shares are currently trading at 2.6x EV/EBITDA 2023E, and we believe that the reason of such extremely low multiples is the huge discount assigned by the market to the current >€15mn cash pile.

Turning such cash pile into EBITDA thanks to properly structured M&A deals would unlock, in our view, all the rerating potential of the stock.

Even without any M&A deal, we set **fair equity value p/s at €9.17**, averaging DCF model, Peers analysis and cross checking with value maps and M&A simulation.

At fair value, the stock would trade at **5.9x EV/EBITDA, 7.7x EV/EBIT, 16.5x P/E Adj. 2023E**.

## Corporate Profile

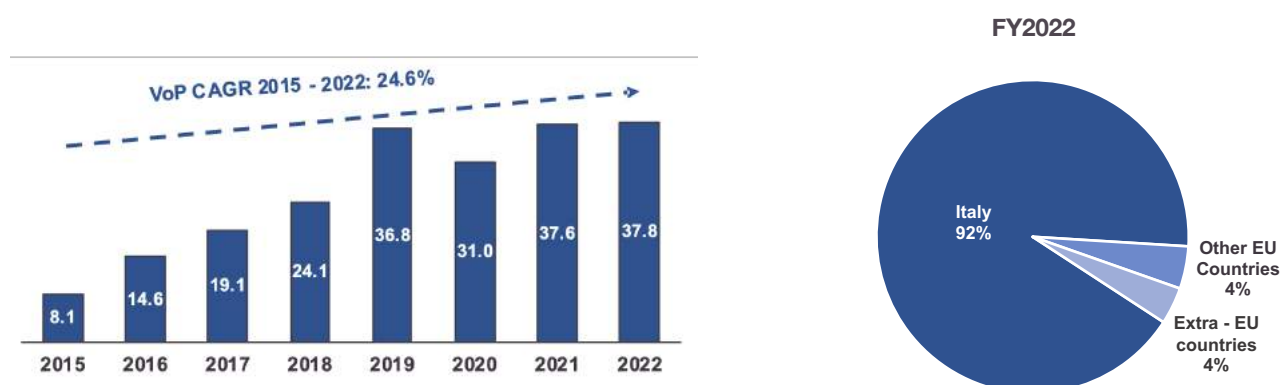
TPS is a B2B tech enabler providing highly specialized engineering advisory and design services to top tier industrial groups. Within the scope of its offering, TPS writes technical publications, implements cost engineering activities, develops proprietary software for avionics systems, designs and manufactures parts and components, trains and certifies aircraft technical maintainers, and offers digital content management services. After its corporate governance reorganization started in 2008, TPS began a process of business diversification and expansion, also driven by M&A. Since 2017, TPS Group has acquired seven companies and its Value of Production (VoP) has nearly doubled, from €19.1mln in 2017 to €37.8mln in 2022.

### TPS Group at a glance

TPS Group (“the Company” or “TPS”) is a B2B tech enabler operating in the field of technical engineering services mainly for aeronautics and - more recently – automotive clients. With **2022 Value of Production and EBITDA at €37.80mn and €7.6mn respectively**, TPS Group is one of the main Italian players in its sector and counts among its customers leading companies in the design and production of aircraft and components in the aviation field.

The Group is mainly active in the Italian market (ca.92% of FY22 revenues), while the remaining is equally split between Europe (mainly Poland and Switzerland), and Rest of the World.

TPS Group: VoP historical evolution (lhs) and FY22 VoP breakdown by geography (rhs)



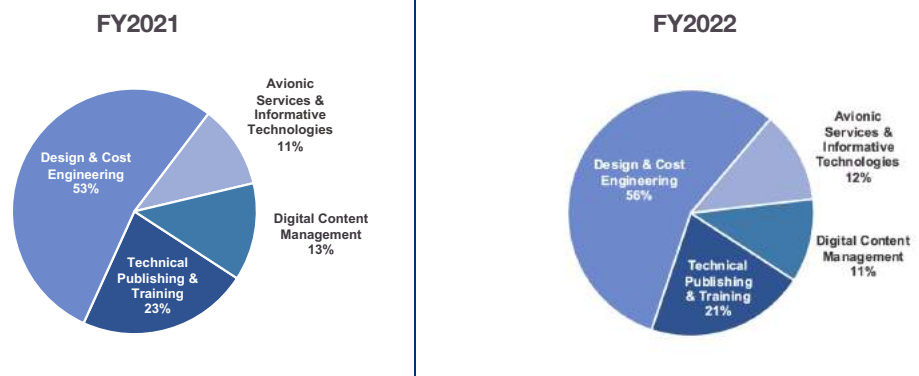
Source: TPS Group, Value Track Analysis

In 2018, the Group has been organized in 4 Strategic Business Units (“SBUs”):

1. **Technical Publishing & Training**, ca. 21% of Total Revenues in FY22;
2. **Design & Cost Engineering**, ca. 56% of Total Revenues in FY22;
3. **Information Technologies & Avionic Services**, ca. 12% of Total Revenues in FY22;
4. **Digital Content Management**, ca. 11% of Total Revenues in FY22.

Further details on the activities carried out by these SBUs are covered in the Business Profile chapter.

**TPS Group: Revenues from Sales by Business Units – FY2021 and FY2022**



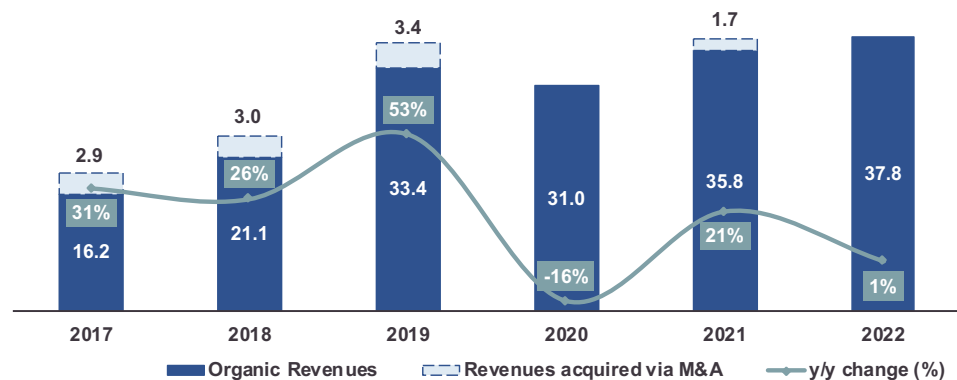
Source: TPS Group, Value Track Analysis

**Historical Milestones**

TPS was founded back in 1964, as one of the first Italian companies offering an external analysis and drafting service of technical and manual documentation for the aeronautical industry. In 2008, the company undergoes a corporate governance reorganization that saw Mr. Alessandro Rosso and Mr. Massimiliano Anguillesi entering as CEO and General Manager respectively. At the same time, TPS undertook a path of business diversification/expansion, also led by a series of successful acquisitions;

- ◆ In **December 2013**, a 51% stake in Neos Srl is acquired and raised to 100% in subsequent years;
- ◆ In **October 2015**, Adriatech Srl is acquired and TPS Aerospace Engineering founded;
- ◆ In **March 2017**, TPS goes public on AIM Italia and acquires ICB (June) and Stemar Consulting (July). The latter, marks the first business diversification by entering into the automotive market;
- ◆ In **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;
- ◆ In **2019**, the Company acquires an 80% stake in Dead Pixel (March) and the 100% of EMTB (September), with the former being raised to 100% in July 2022;
- ◆ In **July 2021**, an 80% stake in ASI Srl is acquired;
- ◆ In **December 2022**, a 70% stake in FORE is acquired.

**TPS Group: M&A Impact on Total Revenues FY2017A-FY2022A**



Source: Value Track analysis

## Corporate Governance

### Shareholders and Group structure

The subscribed and paid-up share capital of TPS is €1,613,910, divided into 7,259,860mn shares. The Group is controlled by G&D srl, a holding company wholly owned by Rosso’s Family (65%). Minority shareholders are Value First SICAF (10%), Sofia Holding S.r.l. (5% stake) and Massimo Anguillesi (3% stake). The Free Float stands at 16%.

### TPS Group: Shareholding structure

Shareholder	Shares (#)	As % of Total
G&D S.r.l.	4,750,000	65%
Anguillesi Massimiliano	254,000	3%
Value First SICAF S.p.A.	705,000	10%
Sofia Holding S.r.l.	363,000	5%
Other shareholders	1,187,860	16%
<b>Total</b>	<b>7,259,860</b>	<b>100%</b>

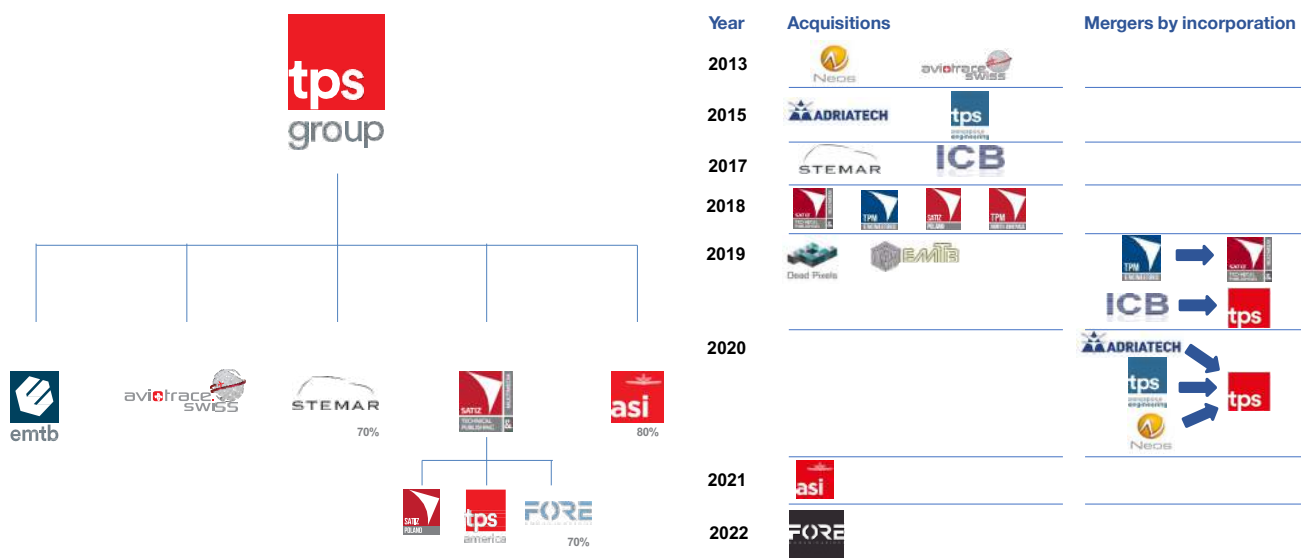
Source: TPS Group

To date, TPS corporate structure is the result of the aforementioned acquisitions, as well as merger by incorporation of subsidiaries for the purpose of reorganization / simplification.

- ◆ In 2019, TPM Engineering (automotive engineering and design) was merged into Satiz TPM and ICB (avionics services and aviation software) was merged into the parent company;
- ◆ In 2020, Adriatech (technical engineering and documentation), Neos (computer - based training), and TPS Aerospace Engineering (aviation medical systems / kits) were merged into TPS S.p.A.

We emphasize that TPS of America Inc –wholly owned by Satiz TPM - it’s non-operating yet.

### TPS Group: Corporate Structure (lhs) and Corporate Structure Milestones (rhs)



Source: TPS Group, Value Track Analysis

### Top Management: Structure & Powers

With a **workforce of 486 employees** as of 31 December 2022, TPS' top management includes:

- ◆ **Alessandro Rosso - Chairman and CEO.** Graduated in Electronic Engineering from the Polytechnic University of Turin, he later received his master's degree in business administration from New York University. He began his experience in technical services and industrial production at ILTE S.p.A., becoming general manager and then managing director. He then held top positions, in companies operating in the renewable energy and industrial technical fields, as well as establishing and managing companies in the automotive engineering field.
- ◆ **Massimiliano Anguillesi – Managing Director.** After graduating in Aerospace Engineering from the University of Pisa, he began working for Esselunga S.p.A. in 1997. In 2003 he joined the Conad del Tirreno Group, as logistics director. In 2007 he created, together with some fellow students, a start-up company specialized in the implementation and management of projects in the logistic field, as well as participating in some major international projects in the aeronautical field, including the realization of the Eurofighter and NH90 aircraft.
- ◆ **Alessandro Scantamburlo - Director.** After graduating with honours in Industrial Design from the Faculty of Architecture of the Polytechnic University of Turin, he began his work at Telemecanique S.p.A. in the role of technical editor. From 1989 to 1997 he worked first as after sales manager and then as pre-press production center manager in ILTE S.p.A. During the same years he also held the position of contract professor at the Polytechnic University of Turin. From 1998 he worked at Fiat S.p.A., and then returned to ILTE S.p.A. in 2002, first as pre-press manager and after-sales director and later as chief operating officer of the human resource sector. Since 2010 he has been actively working with the TPS Group.

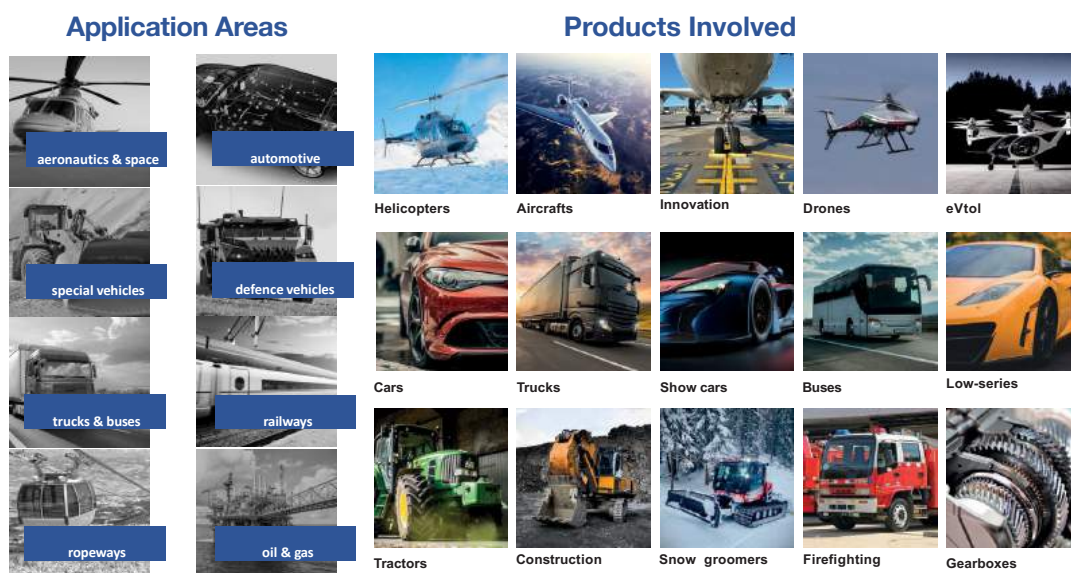


## Business Profile

TPS Group is divided in four Business Units: 1) Technical Publishing & Training, focused on technical documentation and integrated logistic support activities, as well as the training of maintenance technicians; 2) Engineering and cost engineering, into which all design and engineering activities, as well as those related to aviation maintenance/upgrade, converge; 3) Avionic Services and Information Technology, that gathers expertise in avionics software, software testing, and systems integration; 4) Digital Content Management, that deals with the generation and management of multimedia content for product marketing and educational programs delivery;

TPS Group provides its tech enabling services across a wide range of industries and sectors, such as aeronautics and space, automotive, trucks and buses, railways, special vehicles, defence vehicles, ropeways, and oil & gas.

### TPS: Industry Footprint



Source: TPS

Such services are provided by four transversal Strategic Business Units (SBUs), whose division does not necessarily reflect the distribution of activities between the subsidiaries.

### TPS: Organizational structure of TPS subsidiaries

Company	TPS S.p.A.	Aviotrace Swiss	Stemar Consulting	Satiz TPM	EMTB	Dead Pixels	ASI	FORE
Year		2013	2017	2018	2019	2019	2021	2022
1° SBU	✓	✓	□	✓	□	□	□	□
2° SBU	✓	□	✓	✓	✓	□	✓	□
3° SBU	✓	□	□	✓		□	□	□
4° SBU	✓	□	□	✓	□	✓	□	✓

Source: TPS Group

**TPS Group: Revenues from Sales by Subsidiaries – FY2021 and FY2022**



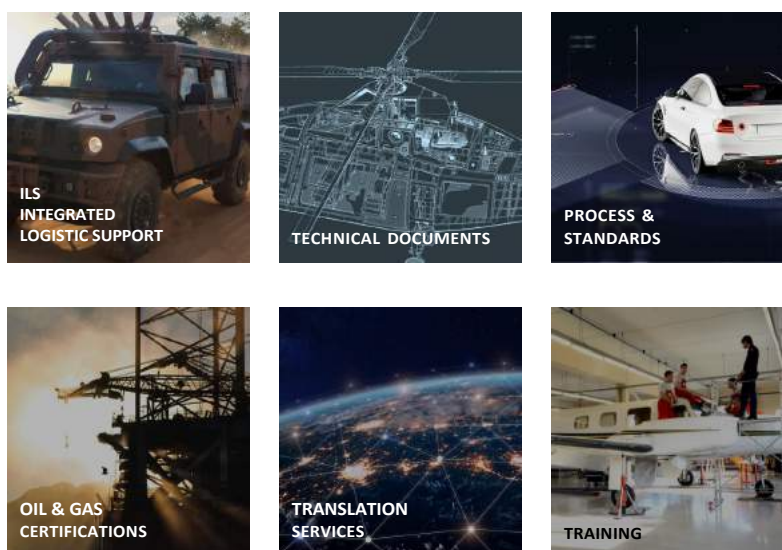
Source: TPS Group, Value Track Analysis, (\*) Dead Pixel not significant (<1% of Revenues)

**Business Unit #1 – Technical Publishing & Training**

The Technical Publishing & Training SBU (ca.21% of total FY22 revenue), brings together the technical documentation and training activities, both in the aviation, automotive, and railway fields.

1. **Technical publications** activity consists in the analysis and process of documentation such as use manuals, flight manuals, maintenance manuals and spare parts catalogues, relating to complex vehicles, such as an aircraft, taking care of all drafting (authoring) and/or executive (editing) phases, such as:
  - a. the study and definition of maintenance programs (Integrated Logistic Support);
  - b. the creation of operation and maintenance manuals and spare parts catalogs.
2. **Technical training** activity involves the education activities carried out in the Group's Training Academy (and in particular the Swiss company Aviotrace Swiss SA) aimed at the formation of maintenance technicians with LMA license.

**TPS: Technical Publishing and Training (SBU1)**



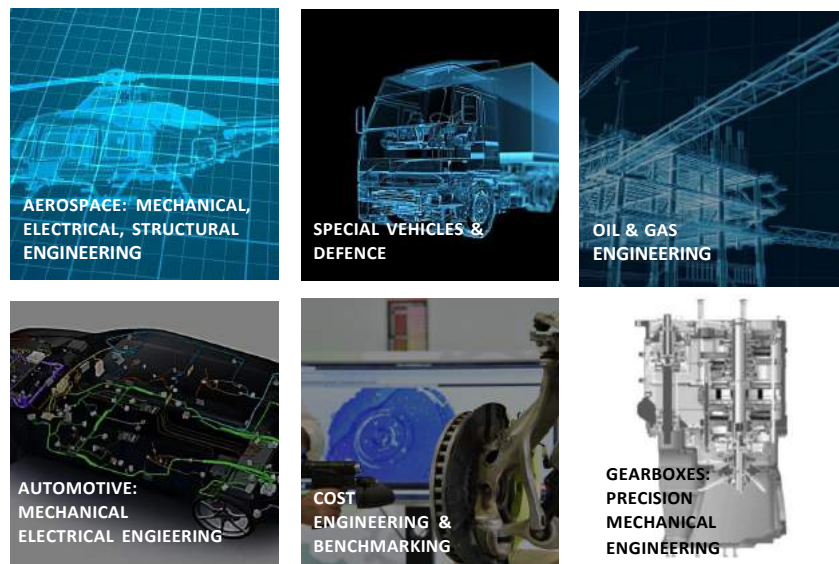
Source: TPS

## Business Unit #2 – Engineering & Cost Engineering

The SBU2 (ca.56% of total FY22 revenue), brings together all of the following activities.

1. **Components design and production:** manufacturing of industrial components for the Aeronautic, Automotive, Oil & gas and Railway sectors. Part of this SBU are automotive design, which is concentrated in the subsidiary Satiz TPM and design activities in precision mechanics, defense, special vehicles and ropeways, carried out by the company EMTB;
2. **Cost-engineering** (Stemar Consulting): concerns the analysis existing components with the aim to rethink and redesign them in a way it can increase the quality to cost ratio;
3. **Aviation maintenance activities** (Air Support International): overhaul and repair of small and medium-sized aircraft, in accordance with European Regulation N.1321/2014 Part-147 (Approved Training Organizations) and CAMO guidelines (Continuing Airworthiness Management Organisations).
4. **Aviation mission equipment** (TPS S.p.A.): design, Certification and Production of aeromedical kits to be installed on an aircraft for upgrades, customizations or changes in use intended for the end user of the aircraft.

### TPS: Engineering & Cost Engineering (SBU2)



Source: TPS

## Business Unit #3 – Avionic Services & Information Technologies

Within SBU3 (ca.12% of total FY22 revenue), the following activities are carried out:

- ◆ **Software development:** design and development of software applied in different avionics field such as simulators, avionics systems, avionic testing or into be integrated into customer RIGS, such as the automatic flight control vibration monitoring or communication systems;
- ◆ **Software Testing:** aims to ensure software quality and reliability by assessing it against predetermined requirements, detecting and fixing any defects or errors found during multiple rounds of testing, before releasing it for customer use;

- ◆ **Test program set:** design and implementation of program used for functional / diagnostic testing of avionics equipment, aimed at performing Acceptance Test Procedures (ATPs);
- ◆ **Avionic System Integration:** support services to achieve product certification, by providing comprehensive documentation that includes ATPs and Test Report. The main focus of this services is on analysing requirements, developing and implementing test sequences for avionics software, conducting tests, and analysing the results.

**TPS: Information Technologies & Avionic Services (SBU3)**



Source: TPS

**Business Unit #4 – Digital Content Management**

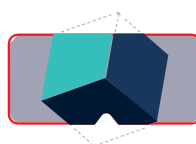
The Digital Content Management (ca.11% of total FY22 revenue), deals with the generation and management of multimedia content for technical purposes, product marketing and delivery of educational programs on electronic media.

This SBU also specializes in the creation of augmented reality and virtual reality applications geared toward technical developments in TPS’ industrial fields. From 2023, the activities of the recently acquired FORE Comunicazione S.r.l. will also fall under this SBU.

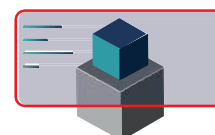
**TPS: Digital Content Management (SBU4)**



**3D**  
Realization of three-dimensional models for digital applications.



**VIRTUAL REALITY**  
Realization of three-dimensional models for digital applications.



**AUGMENTED REALITY**  
We make mobile apps that take advantage of the newest ARKit and ARCore systems.



**ANIMATION**  
We specialize in high-quality animation with the best software, from Maya to Blender.



**MOBILE**  
We create B2B and B2C apps for Android and iOS platforms.



**WEB**  
We create 3D content that can be interacted directly from browsers, even in AR/VR.

Source: TPS

### Dead Pixel: a business within the business

Dead Pixel is an innovative startup specialized in creating 3D virtual experiences by using technologies coming from the gaming industry (e.g. AR/VR platforms), which should find application in the industrial / commercial sectors in fields such as:

- ◆ **Training:** provide employees with realistic and immersive training experiences, allowing them to practice and learn new skills in a safe and controlled environment;
- ◆ **Product design and prototyping:** create 3D models of products, allowing designers and engineers to visualize and test their designs before building physical prototypes. This can help to streamline the product development process and reduce costs;
- ◆ **Simulation:** simulate real-world scenarios, such as factory layouts or assembly line processes, allowing companies to identify and address potential issues before they occur. This can help to optimize workflows and improve efficiency;
- ◆ **Maintenance and repair:** provide technicians with step-by-step instructions for maintenance and repair tasks, reducing the need for costly and time-consuming on-the-job training;
- ◆ **Sales and marketing:** create virtual showrooms or product demonstrations, allowing customers to interact with products in a highly immersive and engaging way. This can help to increase customer engagement and satisfaction, and ultimately drive sales.

Dead Pixel portfolio includes projects developed in the following areas:

1. Industry 4.0, with experiences to enable safe training and remote maintenance,
2. Marketing applications, with immersive tours enabling users to explore the environment that surrounds them and to interact with it, and
3. Systems architecture, with 3D models of objects and 3D navigable applications.

#### Dead Pixel: Examples of Virtual Experiences



Source: Dead Pixel

## TPS Group key features and opportunities

*TPS Group is well positioned to profit from the expected growth of the underlying reference market thanks to several competitive advantages that are supporting a profitable economic and financial profile. The strong market positioning of TPS Group is, in our view, sustainable thanks to the presence of several entry barriers.*

### Strong competitive positioning in a market poised to keep growing

TPS Group couples the positive chance of belonging to a reference sector with many growth opportunities ahead, and the merit of boasting the features necessary to be successful in it.

As far as the **Reference Sector** is concerned, we note that:

- ◆ A&D Growth rates are expected to remain positive in the next years, driven by a general budget increase in Italian defence expenses;
- ◆ The Helicopter market, very important for TPS technical services provisioning, is seen steadily growing as well;
- ◆ Automotive industry is being driven by the growing electric car segment, which is projected to experience a 17.9% CAGR<sub>2022-2027</sub>. TPS is well-positioned to ride this emerging opportunity by specializing in the “full-electric” vehicle system design;

As far as the TPS Group’ **operating features** that are making its growth successful, we underline the following ones:

- ◆ Human capital is definitively TPS’ most strategic asset, that allows the group to provide state-of-art value added tech services. This is testified by ca. 94% of its workforce being composed by university/high-school graduates constantly updating their know how and skills with ca. 6800 hours of training in 2022;
- ◆ Strong ties with clients, all top tier multinationals active in the A&D and Automotive sectors, often dating back to the Company’s foundation and further reinforced by multi-year framework agreements.

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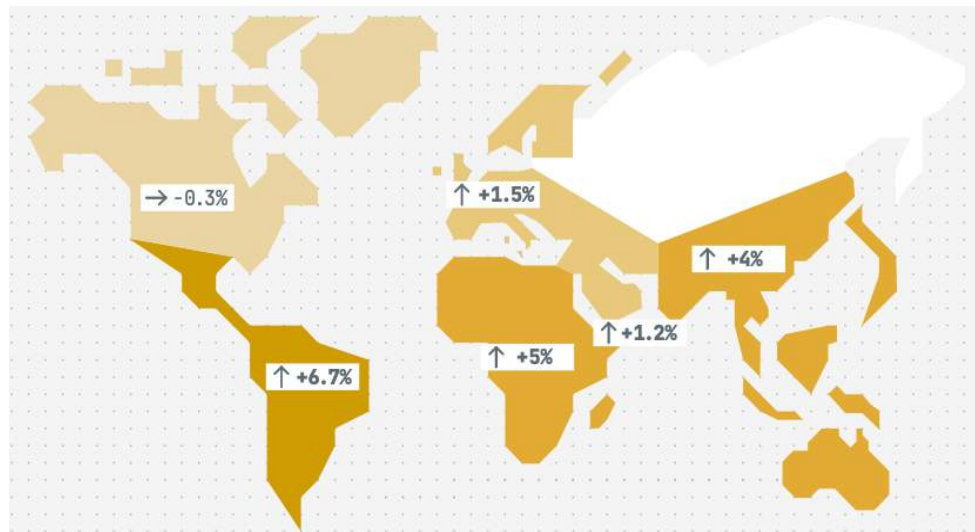
- ◆ TPS business model operates with very low capital requirements and is strongly cash - generative (Operating Free Cash Flow / EBITDA conversion at 60% on average in 2019-2022 fiscal periods). This has driven a very solid Balance Sheet structure, (Net Cash Position at €15.5mn as of December 2022, ca. 2x EBITDA);
- ◆ Decent visibility on future business as contracts with clients are often regulated on a multi-year basis within general framework agreements.

### #1 key market feature – A&D market with positive growth rates

TPS Group is primarily active in the Aerospace & Defence market (AD&S), which according to IHS Jane’s, has an average annual value of €780bn and is expected to grow at a **+6% CAGR<sub>2021-2026</sub>** (+1.5% CAGR<sub>2021-2026</sub> in Italy). Factors influencing budget growth over the forecast period include:

- ◆ A program of modernization and platform acquisition underway in the Italian military;
- ◆ A vocal commitment to budget increases from Italian politicians;
- ◆ The fallout from the Russian invasion of Ukraine in February 2022.

**Defense Budget CAGR 2021A – 2026E**

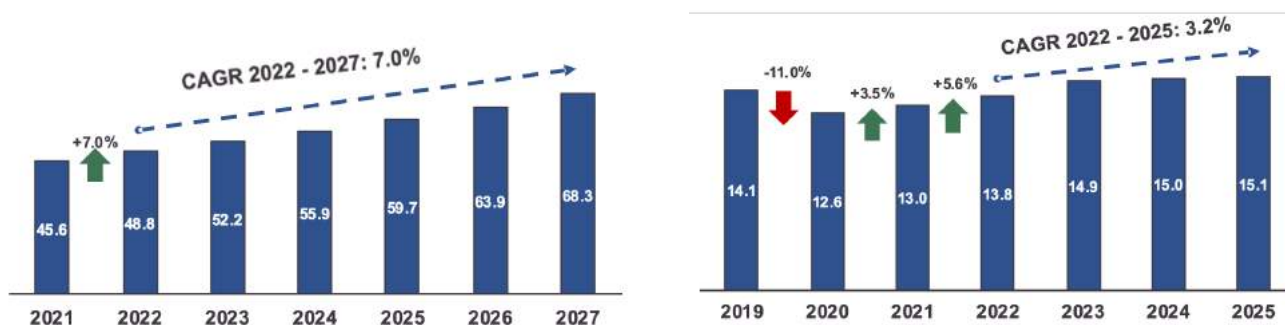


Source: IHS Jane's 2021

Within the A&D industry:

- ◆ **A&D Growth rates are expected to remain positive in the next years**, driven by a general budget increase in Italian defence expense related to Russian Invasion of Ukraine as well as an ongoing Italian military modernization process;
- ◆ The **helicopter market**, very important reference market for TPS technical services, amounted to over \$49bn in 2022 and by 2029 is expected to exceed \$74bn in size, with a **CAGR of 7.0%**<sub>2022-2027</sub> during the period (*Fortune Business Insight*);
- ◆ The **military rotorcraft segment** is projected to grow at **4.0% CAGR 2022-2028** (*Mordor Intelligence Market Research*);
- ◆ The **Italian Air and Spacecraft machinery** industry revenue stands at **\$13.8mn** and it is projected to growth at a **3.2% CAGR**<sub>2022-2025</sub>. (*Eurostat*).

**Global Helicopter Market (lhs) and Italian Air and Spacecraft Machinery market (rhs)**

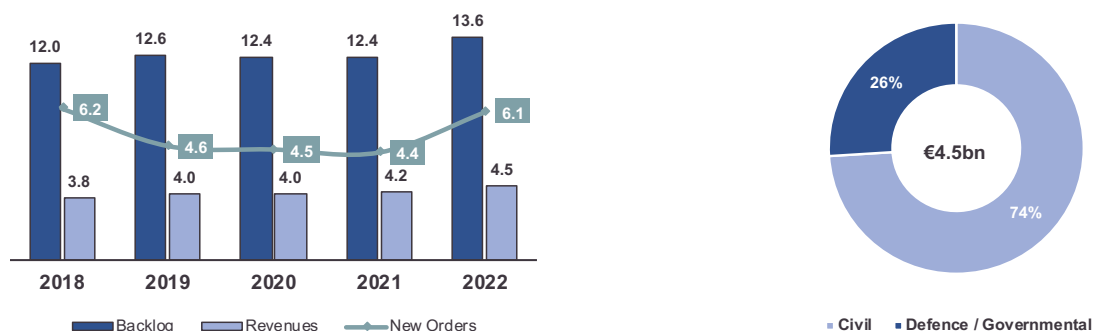


Source: Fortune Business Insight, Eurostat, Value Track Analysis

An additional hint on the market stance is provided by Leonardo Group, among the top players globally. Indeed, the company's FY22 figures validate the ongoing growth trend in the Italian Helicopter market and portray a positive outlook:

- ◆ New orders for helicopters stood at €6.1bn, + 38.7% y/y;
- ◆ Backlog for helicopters as of 2022 year-end stood at €13.6bn, +10.0% y/y;
- ◆ 2023 outlook is positive, with both civil and governmental segments expected to experience order and revenue growth.

**Italian Market Landscape: Leonardo Helicopters Backlog, Revenues, Orders (€ bn, lhs) and Breakdown by Segment (rhs)**



Source: Value Track Analysis

**2# key market feature – strongly concentrated market with high entry barriers**

The helicopter industry boasts a high degree of concentration, with virtually the entire market dominated by just four top companies.

Moreover, the European and national regulations governing the A&D sectors are known to be extremely stringent and demand **highly specialized certification** and engineering services to operate effectively.

In this regard, TPS Group has positioned itself as a market leader by focusing heavily on these services and obtaining the necessary certifications. This has resulted in a significant competitive advantage for the company, creating a robust barrier to entry for potential new players.

**Global Helicopter Market by share (lhs) and projected 2024 Civil Rotorcraft Market (rhs)**



Source: Airbus, Aviation Week, Value Track Analysis



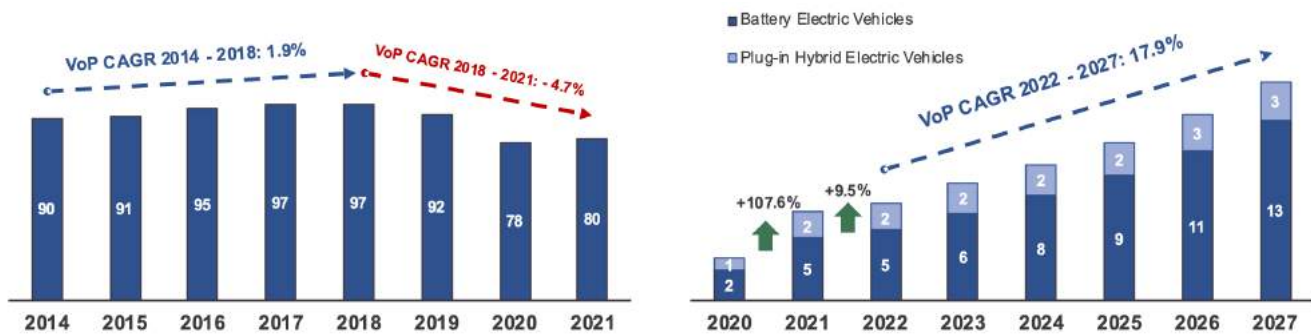
### 3# key market feature – EVs demand = growth opportunity + automotive uncertainty mitigation

In the latest years TPS has been serving top tier automotive companies, providing them with technical publishing, engineering services, and augmented reality and virtual reality technologies.

Despite the challenges facing the automotive industry, TPS has the **opportunity to capitalize on the growing electric car segment**, which is projected to experience a 17.9% CAGR<sub>2022-2027</sub>.

By specializing in the “full-electric” vehicle system design, TPS is positioning itself as a frontrunner in this emerging market and potentially accelerate its growth trajectory.

Global Motor Vehicle Production FY 2014 - 2021 (lhs) and Electric Vehicles Sales in Italy FY2020 - FY 2027 (rhs)



Source: Airbus, Aviation Week, Value Track Analysis

### #1 key operating feature – Human Capital as the key strategic asset

Human capital is definitively TPS’ most strategic asset, that allows the group to provide state-of-art value added tech services.

TPS recognizes that its workforce and the skills of its employees are crucial to the company's growth and success. This is reflected in two key areas:

- ◆ **Highly-educated group's workforce**, with 42% of employees being graduated, primarily in engineering, and 52% holding high school diplomas (mainly technical/scientific subjects);

#### TPS Group: Employees Breakdown by level of Education (FY21)

(€, mn)	Nr.	As a % of total
High School Diploma	260	52%
Degree	211	42%
Prof. Qualification	9	2%
Secondary School Diploma	20	4%
<b>Total</b>	<b>500</b>	

Source: TPS Group

- ◆ Significant investments in attracting and retaining qualified personnel, as proved by: 1) the launch of the **TPS Training Academy**, which successfully trained and introduced 24 STEM graduates to the avionics software design and development strategic business units; 2) the nearly 5,000 hours of training provided in 2021.

### TPS Group: Training Academy



Source: TPS Group

Given the highly competitive labor market, TPS' focus on human capital development is a strategic move that is expected to pay off in the long term, by:

1. Reducing turnover costs associated with replacing employees;
2. Establishing a strong reputation as an employer of choice within the industry;
3. Providing employees with the latest technical skills and industry knowledge required to meet changing business needs, such as the growing demand for avionics software design and development.

### #2 key operating feature – Strong ties with clients

TPS has maintained a strong and long-term relationship with its clients, all top tier multinationals active in the A&D and Automotive sectors, dating back to the company's foundation and often secured by multi-year contracts.

Indeed, the same top five clients that accounted for ca. 71% of 2020YF revenues, are responsible for ca. 68% of 2022FY ones.

### #1 key economic feature – Cash Generation + Low CapEx + Limited Debt Usage = Positive Net Financial Position

TPS Group has established a lean business model that operates with low capital requirements while generating high returns on capital employed. This approach has resulted in a materially positive cash flow for the company.

#### Limited Fixed Assets

The business model is characterized by a high reliance on skilled labour, while being less capital-intensive. This is evident from the fact that the company's Net Fixed Asset (excl. goodwill) stands at a low 10% -15% incidence on Value of Production, thus supporting healthy Returns on Equity and Capital Employed.

Alternatively, this is also evident through the company's CapEx which is only around 3-4% of the VoP over the period 2020-2022 if we exclude IFRS16 related Rights if Usage investments (mainly offices rental fees).

### TPS Group: Limited Net Fixed Assets figures = Healthy ROIC values

Net Fixed Assets (€mn, Fiscal Year)	2021	2022
Tangible Assets (*)	2.9	3.8
Intangible Assets (excl. Goodwill)	0.9	1.3
Financial Assets	0.2	0.3
<b>Net Fixed Assets (excl. Goodwill)</b>	<b>4.0</b>	<b>5.5</b>
As % of Value of Production	10.6%	14.5%

ROIC Analysis (%)	2021	2022
ROIC b.t. (% , on avg. IC t-1,t excl. Goodwill)	42.7%	50.8%
ROIC a.t. (% , on avg. IC t-1,t excl. Goodwill)	30.1%	35.6%

Source: TPS Group, Value Track Analysis (\*) o/w IFRS16 RoU for €1.9mn in FY21 and €2.8mn in FY22

### Strong Cash Generation

Despite a pretty high incidence of trade receivables on the Value of Production (see later on for more details on this point), TPS Group has a strong positive cash generation, with an average Op.FCF<sub>b.t.</sub> / EBITDA ratio around 60% in 2019A-22A.

As a result, the Company has been able to build up a robust Net Cash Position of €15.5 million as of December 2022.

### TPS Group: Structure of the Net Financial Position

(%, x)	2019	2020	2021	2022
Cash and deposits (+)	7.4	9.5	17.9	19.3
Debt to Banks within 12 months (-)	-2.3	-1.6	-1.0	-0.6
<b>Current Net Financial Position</b>	<b>5.1</b>	<b>7.9</b>	<b>16.8</b>	<b>18.7</b>
Debt to Banks over 12 months (-)	-2.2	-2.8	-2.3	-3.1
<b>Non-Current Financial Position</b>	<b>-2.2</b>	<b>-2.8</b>	<b>-2.3</b>	<b>-3.1</b>
<b>Net Fin. Position [Net debt (-) / Cash (+)]</b>	<b>2.9</b>	<b>5.1</b>	<b>14.6</b>	<b>15.5</b>

Source: TPS Group, Value Track Analysis

## #2 key economic feature – Partial revenue visibility, thanks to multiannual framework agreements with some clients

TPS revenue streams can be classified in two segments, reflecting the nature of its customer relationship.

- ◆ Firstly, the concentrated - but consistent and somehow predictable - revenue stream generated from its enduring relationship with some top clients, facilitated by the presence of multi-year agreements that provide TPS with benefits such as revenue visibility, cost savings through more favourable pricing negotiations, and improved planning (e.g. investments in R&D and Workforce).
- ◆ Secondly, the diversified - but less foreseeable - revenue generated from remaining customer base, which is characterised by a high degree of turnover as new clients frequently enter and exit the company's portfolio.

## TPS Group headwinds

TPS Group also faces some concerns / headwinds, out of which the most noticeable ones are related to: 1) revenue concentration on few clients; 2) challenges in attracting qualified workforce.

### # 1 company specific headwind – Revenue concentrated on few top clients

We previously observed that TPS provides its services mainly to top tier A&D and Automotive players, and that this is an extremely concentrated market.

As a result, also TPS Revenues are highly concentrated. Indeed, in FY22:

- ◆ Top five customers accounted for 68% of total revenues, thus implying that TPS growth is strongly linked to the speed and success of customers’ projects;
- ◆ Italian based clients accounted for ca. 92% of total revenues.

Acknowledging such concern, in the latest years TPS is being working to **diversify its customer base** and expand into **new foreign markets** (as highlighted in the following “Growth Strategies” section).

### # 2 company specific headwind – Challenges in attracting qualified workforce

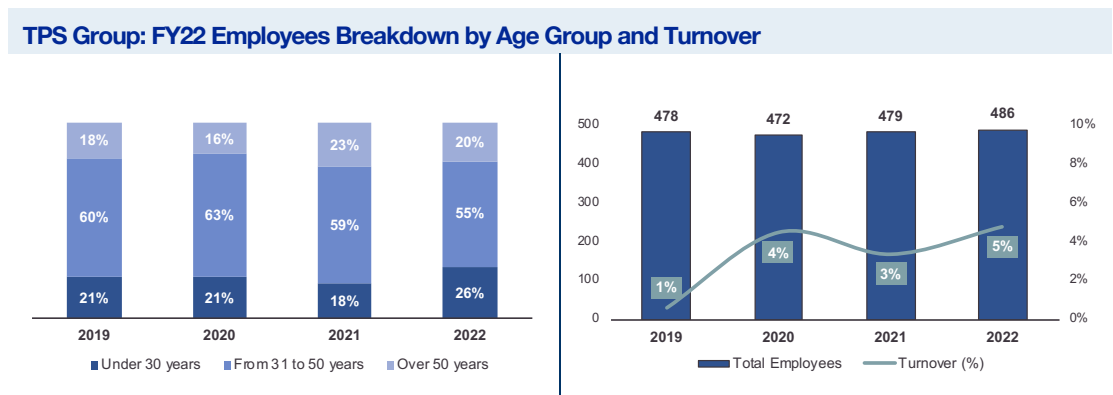
The success of TPS growth strategy is closely tied to the company’s capacity to recruit skilled personnel in an increasingly challenging labour market.

As a matter of fact, it’s not so easy to attract qualified employees, in particular among younger generations, and the growing demand for skilled labour in the technology and engineering fields, is outpacing the supply of qualified candidates.

This is mainly due to non-company specific drivers such as:

1. Skills gap resulting from a lack of investment in education and training programs;
2. Demographic shifts, such as an aging workforce;
3. Rise of remote work, which have expanded the pool of potential employers for skilled workers.

As a matter of facts, monitoring TPS’ ability to attract and retain qualified personnel is a key factor in assessing its potential for sustained growth.



Source: TPS Group, Value Track Analysis

## Growth Strategies

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*In order to keep growing at a steady pace, we expect management to pursue the following strategies: 1) diversification and international expansion through M&A; 2) expansion and integration of the services portfolio with innovative technologies; 3) investing in innovative business areas to foster long-term growth.*

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In the next future, we expect the company to focus on the following growth drivers / strategies:

1. **Diversification and international expansion through M&A:** The company's diversification and geographical expansion efforts should focus on entering the United States, where it already has a non-operational headquarter;
2. **Expansion of the tech services portfolio:** TPS Group is strengthening its tech services offer in the core business, with a focus on value-added services such as cost engineering and avionics software development, provided with more and more stringent cybersecure approach;
3. **Investing in innovative business areas:** TPS is venturing into new and innovative business sectors, including virtual /augmented reality. While the current impact on revenue may be relatively small, potential investment in the development of these business areas may significantly boost TPS long-term growth.

### 1 - Diversification and international expansion through M&A

We believe that the main focus among growth strategies is on mergers and acquisitions (M&A). Indeed, the significant cash reserve is intended for 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).

We note that, as we consider TPS Group to have both the skills and the cash requirements to serve as an aggregator of best-in-class organizations, in our view, any news related to possible acquisitions might act as a catalyst for TPS stock rerating.

### 2 - Expansion of the services portfolio

TPS Group's growth strategy includes expanding the services offered to existing clients, with a specific focus on cutting-edge technologies and value-added services. To achieve this, the company is prioritizing the following actions:

- ◆ Providing **value-added services**, such as cost engineering and avionics software development, to enhance the value proposition for clients and strengthen their relationship with TPS Group;
- ◆ Providing its services with a **more and more stringent cybersecure approach**. As the A&D sector deals with sensitive information, the need for high standards of cybersecurity is crucial. TPS Group recognizes the importance of safeguarding the confidentiality and integrity of its clients' data, and is committed to investing in cutting-edge cybersecurity technologies and processes.

This should not only help to differentiate TPS Group from its competitors but also ensure that it maintains its clients' trust and confidence.

By implementing these actions, TPS Group aims to consolidate its position as a leading provider of technical and engineering services, while also building a reputation for innovation and customer-centricity.

### 3 - Investing in innovative business areas

TPS has recently broadened its business operations by venturing into new and innovative business sectors, including cutting-edge technologies, such as **AR / VR applications** for Industry 4.0, to enable clients to stay ahead of the competition and improve their operations.

While the current impact on revenue may be relatively small, we believe that potential investment in the development of these business areas may significantly boost TPS' long-term growth.

Indeed, these areas are well-suited to a recurring business model that could leverage **subscriptions or periodic payments**, such as:

- ◆ Subscription-based models, with a recurring fee to access the VR technology and related services;
- ◆ Upgrades and add-ons, such as new features or content sold on a recurring basis;
- ◆ Maintenance and support, such as technical assistance, software updates, and hardware repairs.

Such model would provide ongoing value to the customer and create a steady stream of revenues for the company, while carrying a number of benefits:

1. Opportunities for cross-selling and upselling of complementary products and services;
2. Long-term relationships with customers, leading to increased loyalty and potentially higher lifetime value per customer;
3. Further diversification of revenues and reduced reliance on existing lines;
4. Constant revenue stream that mitigates project volatility.

## Historical Financials

### Key Data & Messages

In our view, there are three main points to underline about TPS financial profile:

1. **Top line growth pace** at **24.6% CAGR<sub>15-22</sub>** to €37.8mn as of FY22;
2. Average **EBITDA margin** over **19%** between FY18-FY22;
3. Cash-generative business model, (Op.FCF<sub>b.t.</sub>/ EBITDA around 60% in 2019FY-2022FY), with a **Net Cash Position at €15.5mn** as of December 2022.

#### TPS Group: Key Financials FY19-FY22

(€, mn)	2019	2020	2021	2022	Δ y/y
Value of Production	36.8	31.0	37.6	37.8	0.6%
EBITDA	7.0	5.3	7.6	7.8	0.0%
EBITDA Margin (%)	19%	17%	20%	20%	-23bps
Net Profit	2.4	1.5	3.4	3.6	4.8%
Net Margin (%)	7%	5%	9%	10%	379bps
Net Financial Position	2.9	5.1	14.6	15.5	0.9

Source: TPS Group, Value Track Analysis

### Top line historically growing double digit, amid stable FY22

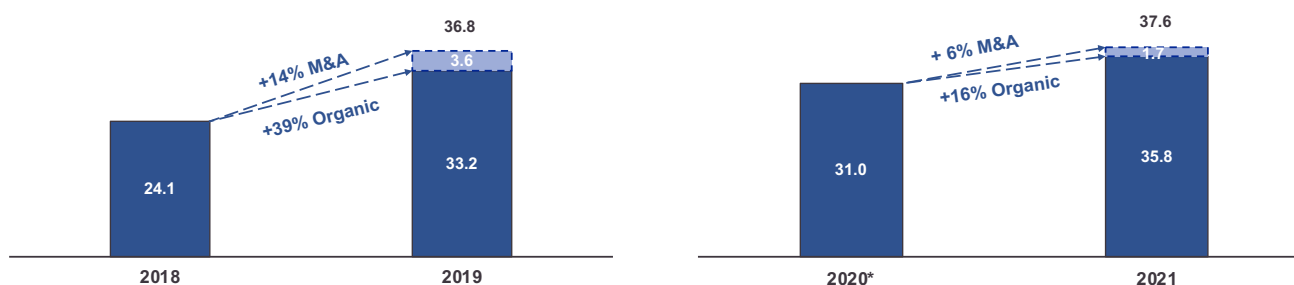
TPS has been able to grow at **24.6% CAGR<sub>15-22</sub>**, both organically and by external lines **reaching €37.8mn Value of Production in FY22**.

Latest result came out **substantially in line** with FY21 at top line level, due to single digit organic growth and absence of M&A contribution (indeed, the latest acquisition Fore will be consolidated from FY23).

In contrast, during the previous four-year period, M&A transactions brought in revenues of ca.€5mn while the company achieved almost €15mn in revenue from organic growth.

As far as FY22 is concerned, the Russian invasion of Ukraine affected the projects of some major customers who had to review their strategies and adapt their production systems to the new conditions, resulting in the delay of some TPS projects.

#### TPS Group: M&A contribution to Total Revenues FY18-19 (lhs) and FY20-FY21 (rhs)



Source: TPS Group, Value Track Analysis, (\*) No M&A occurred in 2020.

The Consolidated Value of Production historically includes:

- ◆ **Average 1.6% Other Revenues**, referred to income not directly attributable to the Group's core business, such as expense recoveries and cash grants/aid received as Covid-related contribution;
- ◆ **Average 2.1% Internally Generated Fixed Assets**, related to internal R&D projects (mainly in aeronautics, precision mechanics and automotive).

**TPS Group: Value of Production Breakdown FY19-FY22**

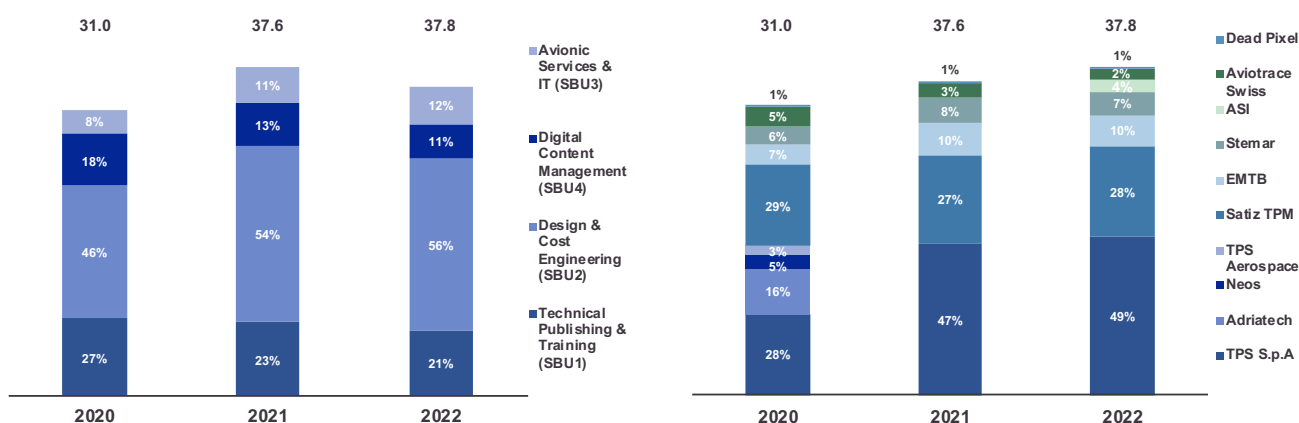
(€, mn)	FY19	FY20	FY21	FY22	Δ y/y (%)
Revenues from Sales	34.9	30.0	36.9	36.8	0.9%
Other Revenues	0.6	0.8	0.3	0.2	nm
Δ Internally Generated Fixed Asset	1.3	0.1	0.2	0.8	nm
Consolidation Adjustments	0.0	0.1	0.1	-0.1	nm
<b>Value of Production</b>	<b>36.8</b>	<b>31.0</b>	<b>37.6</b>	<b>37.8</b>	<b>0.6%</b>

Source: TPS Group, Value Track Analysis, (\*) Estimated according historical weights

As far as Value of Production breakdown by BUs / Subsidiaries is concerned, we highlight:

- ◆ Design & Cost Engineering is the most revenue-generative BU (56% of VoP as of FY22), followed by Technical Publishing & Training (21%), Avionic Services & Informative Technologies (12%), Digital Content Management (11%);
- ◆ TPS S.p.A. benefited from the integration of Adriatech, TPS Aerospace, and Neos, coming to account for 49% of VoP as of FY22;
- ◆ The Parent Company and Satiz are the most relevant legal entities, together they account for ca. 77% of the total Group sales.

**TPS Group: Value of Production Breakdown by Business Unit (lhs) and by Subsidiary FY20-FY22 (rhs)**



Source: TPS Group, Value Track Analysis

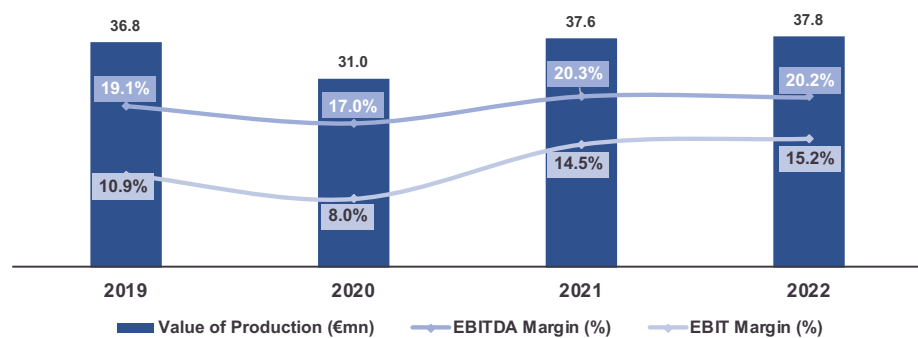


### Steady double digit operating profitability

If we exclude FY20, burdened by Covid-19 TPS Group has been able to achieve excellent results in terms of top line growth without compromising margins. For FY19-FY22 we report:

- ◆ **EBITDA** reaching **€7.6mn** as of FY22 and **EBITDA margin** at **20.2%**, due to the combined effect of an increased workload, as well as demand for higher value services and despite increased labour and services costs in absolute terms;
- ◆ **EBIT** reaching **€5.7mn** as of FY22 and **EBIT margin** at **15.2%**, due to the progressively lower incidence of D&A charges.

TPS Group FY19-FY22: Evolution of VoP, EBITDA Margin, EBIT Margin



Source: TPS, Value Track analysis

### Cash generative business model leading to sound balance sheet

TPS business is historically characterized by a positive Net Financial Position (**€15.5mn Net Cash Position as of 2022 year-end**), limited use of debt and robust cash generation.

We highlight the following key points.

- ◆ **Limited fixed asset base** (ca. 10% of VoP 2022 if we exclude goodwill and IFRS16 Rights of Usage) **and CapEx requirements**, (ca. 5% of VoP 2022 excluding IFRS16 Rights of Usage);
- ◆ **Significant weight of NWC**, around 20-25% of VoP at “steady - state”. Indeed, NWC’s weight - and more in specific receivable’s one - has been rather volatile over FY2018-2021, due to:
  1. Postponement of receivables collection in FY2020, that generated an anomalous upward figure (38.6%);
  2. Subsequent collection of accumulated receivables in FY2021 that generated an abnormal downward figure (20.5%);
- ◆ **Strong Op.FCF conversion**, with Op.FCF<sub>b.t.</sub>/ EBITDA around 60% at “steady - state”, and peaking in FY2021 because of the aforementioned extraordinary receivables collection;
- ◆ **Positive bottom line**, with Net Profit Margin at ca. 9% building up TPS Group Net Equity.

## P&L, Balance Sheet, Cash Flow Statement historical evolution

### TPS Group: P&L FY19-FY22

(€mn, IAS IFRS)	2019FY	2020FY	2021FY	2022FY	Δ y/y (%)
<b>Value of Production</b>	<b>36.8</b>	<b>31.0</b>	<b>37.6</b>	<b>37.8</b>	<b>0.6%</b>
Raw Materials, Δ Inventory (Finished Goods)	-1.1	-0.8	-1.4	-1.3	-7.1%
<b>Gross Profit</b>	<b>35.7</b>	<b>30.2</b>	<b>36.1</b>	<b>36.5</b>	<b>0.9%</b>
<i>Gross Margin (%)</i>	<b>97.0%</b>	<b>97.5%</b>	<b>96.2%</b>	<b>96.5%</b>	<b>29bps</b>
Costs of Services	-7.7	-5.8	-7.1	-7.0	-0.4%
G&A & Others	-0.1	0.0	-0.2	0.0	<i>nm</i>
Labour Costs	-20.9	-19.1	-21.3	-21.8	2.5%
<b>EBITDA</b>	<b>7.0</b>	<b>5.3</b>	<b>7.6</b>	<b>7.6</b>	<b>0.0%</b>
<i>EBITDA Margin (%)</i>	<b>19.1%</b>	<b>17.0%</b>	<b>20.3%</b>	<b>20.2%</b>	<b>-12bps</b>
D&A	-3.0	-2.8	-2.2	-1.9	-12.8%
Provisions	0.0	0.0	0.0	0.0	<i>nm</i>
<b>EBIT</b>	<b>4.0</b>	<b>2.5</b>	<b>5.4</b>	<b>5.7</b>	<b>5.5%</b>
<i>EBIT Margin (%)</i>	<b>10.9%</b>	<b>8.0%</b>	<b>14.5%</b>	<b>15.2%</b>	<b>70bps</b>
Interest Expenses	-0.3	-0.2	-0.2	-0.2	-25.2%
Extraordinary / Exceptional	-0.2	-0.1	-0.2	-0.1	-27.0%
<b>Pre-Tax Profit</b>	<b>3.5</b>	<b>2.2</b>	<b>5.1</b>	<b>5.3</b>	<b>5.3%</b>
Taxes	-1.1	-0.6	-1.5	-1.6	6.7%
Minorities	0.0	0.0	-0.1	-0.2	27.7%
<b>Net Profit</b>	<b>2.4</b>	<b>1.5</b>	<b>3.4</b>	<b>3.6</b>	<b>4.0%</b>
<i>Net Profit Margin (%)</i>	<b>6.5%</b>	<b>4.9%</b>	<b>9.2%</b>	<b>9.5%</b>	<b>31bps</b>

Source: TPS Group, Value Track Analysis

### TPS Group: Balance Sheet Structure FY19-FY22

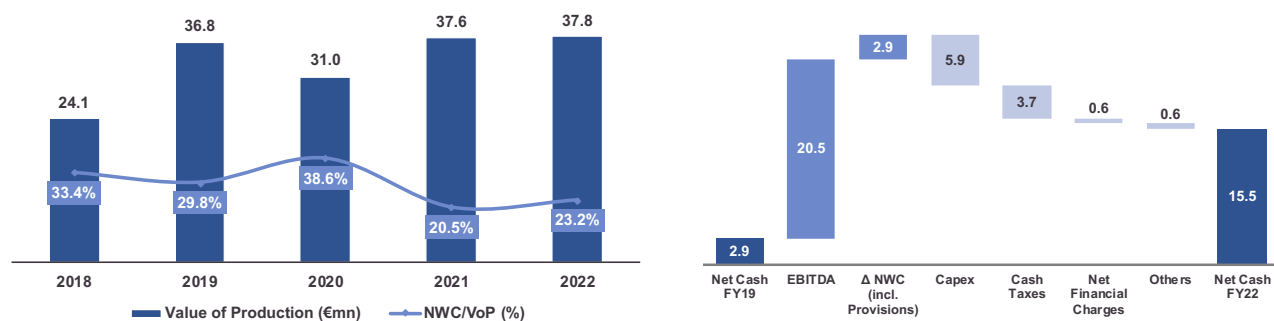
(€mn, IAS IFRS)	2019FY	2020FY	2021FY	2022FY
Net Fixed Assets	9.2	7.7	7.1	8.5
<i>As a % of Sales</i>	25%	25%	19%	22%
Net Working Capital	11.0	12.0	7.7	8.8
<i>As a % of Sales</i>	30%	39%	21%	23%
Provisions	3.7	4.0	5.0	4.4
Total Capital Employed	<b>16.5</b>	<b>15.7</b>	<b>9.7</b>	<b>12.9</b>
Group Net Equity	<b>19.4</b>	<b>20.8</b>	<b>24.3</b>	<b>28.4</b>
<b>Net Financial Position</b>	<b>2.9</b>	<b>5.1</b>	<b>14.6</b>	<b>15.5</b>

Source: TPS Group, Value Track Analysis

**TPS Group: Cash Flow Statement FY19-FY22**

(€mn, IAS IFRS)	2019FY	2020FY	2021FY	2022FY
EBITDA	7.0	5.3	7.6	7.6
Δ NWC	-2.9	-1.0	4.3	-1.1
Capex (excl. Financial Inv.)	-5.6	-1.2	-1.3	-3.3
Δ Provisions	0.8	0.3	1.1	-0.6
<b>OpFCF b.t.</b>	<b>-0.7</b>	<b>3.3</b>	<b>11.6</b>	<b>2.6</b>
<i>As a % of EBITDA</i>	-9%	63%	152%	34%
Cash Taxes	-1.1	-0.6	-1.5	-1.6
<b>OpFCF a.t.</b>	<b>-1.7</b>	<b>2.7</b>	<b>10.1</b>	<b>1.0</b>
Capital Injections	0.1	-0.1	-0.1	0.0
Others (incl. Financial Inv.)	-1.8	-0.2	-0.3	0.7
Net Financial Charges	-0.3	-0.2	-0.2	-0.2
Dividends Paid	-0.4	0.0	-0.1	-0.6
<b>Δ Net Financial Position</b>	<b>-4.1</b>	<b>2.2</b>	<b>9.5</b>	<b>1.0</b>

Source: TPS Group, Value Track Analysis

**TPS Group: VoP vs. Net Working Capital (lhs) and Net Cash Position bridge FY19-FY22 (rhs)**


Source: TPS Group, Value Track Analysis

## Forecasts 2023E-25E

Key points of our forecasts are: 1) Top line expected to keep growing at ca.7% annual rate, driven by engineering, avionics and new projects in the Oil&Gas / Railways sectors; 2) EBITDA margin substantially stable at ca. 20%-20.5%; 3) OpFCF / EBITDA in the 70% region thanks to limited Working Capital absorption (< €1mn/year) and CapEx, (5% of VoP), driving Net Cash Position up to ca. €26.4mn in 2025E.

### Introduction

As far as 2023E-25E TPS's financial forecasts are concerned, we note that our estimates are:

- ◆ Built in accordance with IAS IFRS principles;
- ◆ Based on current consolidation perimeter, thus not factoring any future M&A, even if we acknowledge that M&A is one of the main growth strategies of the company ahead.

### 2022-25E at a glance

For 2023E-25E fiscal years, we forecast:

- ◆ **Revenues from Sales** to keep growing single digit at **6.9% CAGR<sub>22A-25E</sub>** to ca. **€46.2mn in 2025E**;
- ◆ **EBITDA** being driven by positive operating leverage and reaching **€9.5mn in 2025E**, with **EBITDA margin** getting to 20.5% in 2025E;
- ◆ **OpFCF<sub>b.t.</sub> / EBITDA** in the **70% region**, with a cumulative €18.7mn OpFCF<sub>b.t.</sub> generation;
- ◆ **Net Cash** to increase by €10.9mn on a cumulative basis (after €1.5mn dividends) and standing at **€26.4mn in 2025E**.

### TPS: Key forecasts 2022A-25E

(€mn, IAS IFRS)	2023E	2024E	2025E	CAGR <sub>22A-25E</sub>
Value of Production	40.0	43.0	46.2	6.9%
EBITDA	8.1	8.8	9.5	7.5%
EBITDA Margin (%)	20.2%	20.5%	20.5%	
EBIT	6.2	6.8	7.3	9.5%
EBIT Margin (%)	15.4%	15.9%	15.9%	
<b>Net Profit</b>	<b>4.0</b>	<b>4.5</b>	<b>4.8</b>	<b>10.4%</b>
<b>OpFCF b.t.</b>	<b>5.8</b>	<b>6.2</b>	<b>6.7</b>	<b>nm</b>
As a % of EBITDA	72%	71%	71%	
Net Cash Generated (Absorbed)	3.4	3.6	3.9	nm
<b>Net Fin. Pos. [Net Debt (-) Cash (+)]</b>	<b>18.9</b>	<b>22.5</b>	<b>26.4</b>	<b>nm</b>

Source: Value Track analysis

## Profit & Loss: Top line up single digit, operating profitability up by 30-70bps

We expect **Value of Production** to grow at a **6.9% CAGR between 2022-25E**, up to €46.2mn in 2025E. More in specific, we are modelling TPS Group's 2023E-25E Top Line evolution on the basis of the following growth assumptions:

- ◆ TPS S.p.A. growing at ca. 5/6% CAGR, Dead Pixel adding on top and contributing for ca. €1.5mn cumulated Revenues;
- ◆ Satiz and EMTB growing at ca.11/12% CAGR due to new projects in automotive engineering, oil & gas and in the railway sector (for Satiz) as well as new customers acquired in 2022 (for EMTB);
- ◆ Stemar growing at 6% CAGR, pushed by new key clients acquired but limited by challenges in finding qualified cost-engineers;
- ◆ Aviotrace Swiss growing at ca.12% CAGR, following the launch of an ambitious commercial programme;
- ◆ ASI growing at 2% CAGR, with its outlook being more uncertain and linked to the possibility of offering avionics installations to the market.

In addition, we factor ca. €1mn Other Revenues/year, mainly related to internally generated fixed assets as well as grants and contributions.

### TPS Group: Value of Production evolution 2022A-25E

(€, mn)	2022	2023E	2024E	2025E
TPS S.p.A	20.8	22.2	23.4	24.8
Satiz TPM & Poland	11.7	13.3	14.6	16.0
EMTB	4.1	4.7	5.2	5.7
Stemar	2.9	3.1	3.3	3.5
Aviotrace Swiss	0.8	1.0	1.1	1.2
ASI	1.9	1.9	2.0	2.0
Other Revenues	1.0	1.1	1.1	1.2
Consolidation Adjustments	-5.4	-7.3	-7.7	-8.3
<b>Consolidated Value of Production</b>	<b>37.8</b>	<b>40.0</b>	<b>43.0</b>	<b>46.2</b>

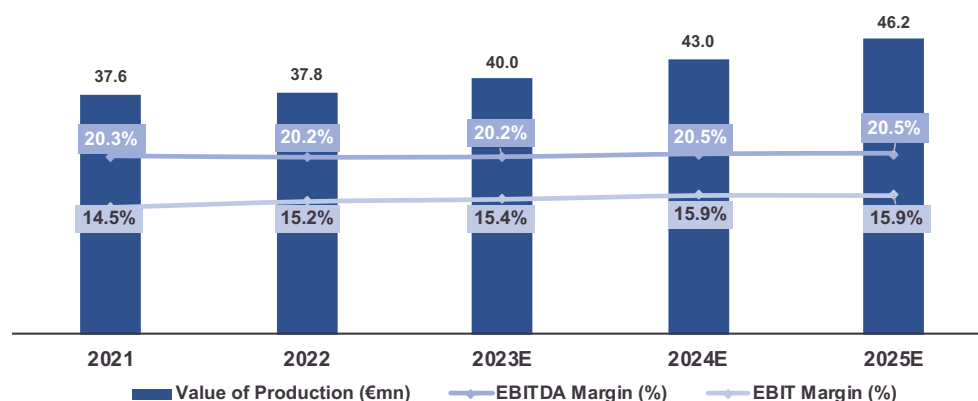
Source: TPS Group, Value Track Analysis

As far as operating profitability is concerned, we forecast:

- ◆ EBITDA margin improving by ca. 30bps within 2025E thanks to operating leverage and despite the additional costs related to TPS Training academy, landing at ca. 20.5% i.e. €9.5mn EBITDA in 2025E;
- ◆ EBIT margin improving by a more than proportional ca. 70bps within 2025E, landing at ca. 16%, i.e. €7.3m EBIT in 2025E;

Below the EBIT line, net financial charges should remain flattish, while tax rate is forecasted at ca. 30%, in line with FY22 figure.

This should drive Net Profit up to €4.8mn as of 2025E, 10.4% CAGR<sub>22A-25E</sub>.

**TPS Group 2021A-25E: Value of Production, EBITDA Margin and EBIT Margin evolution**


Source: TPS Group, Value Track Analysis

**TPS Group: Profit & Loss 2022-25E**

(€, mn)	2022A	2023E	2024E	2025E
<b>Value of Production</b>	<b>37.8</b>	<b>40.0</b>	<b>43.0</b>	<b>46.2</b>
Raw Materials, Δ Inventory (Finished Goods)	-1.3	-1.4	-1.5	-1.6
<b>Gross Profit</b>	<b>36.5</b>	<b>38.6</b>	<b>41.5</b>	<b>44.6</b>
<b>Gross Margin (%)</b>	<b>96.5%</b>	<b>96.5%</b>	<b>96.5%</b>	<b>96.5%</b>
Costs of Services	-7.0	-7.4	-8.0	-8.5
Costs of Rent	0.0	0.0	0.0	0.0
G&A	0.0	0.0	0.0	0.0
Labour Costs	-21.8	-23.1	-24.7	-26.5
<b>EBITDA</b>	<b>7.6</b>	<b>8.1</b>	<b>8.8</b>	<b>9.5</b>
<b>EBITDA Margin (%)</b>	<b>20.2%</b>	<b>20.2%</b>	<b>20.5%</b>	<b>20.5%</b>
D&A (excl. goodwill)	-1.9	-1.8	-1.9	-2.1
Provisions	0.0	-0.1	-0.1	-0.1
<b>EBIT</b>	<b>5.7</b>	<b>6.2</b>	<b>6.8</b>	<b>7.3</b>
<b>EBIT Margin (%)</b>	<b>15.2%</b>	<b>15.4%</b>	<b>15.9%</b>	<b>15.9%</b>
Interest Expenses	-0.2	-0.2	-0.2	-0.2
Other Non-Operating Income/Expenses	-0.1	0.0	0.0	0.0
<b>Pre-Tax Profit</b>	<b>5.3</b>	<b>6.0</b>	<b>6.7</b>	<b>7.2</b>
Taxes	-1.6	-1.8	-2.0	-2.1
Minorities	-0.2	-0.2	-0.2	-0.2
<b>Net Profit</b>	<b>3.6</b>	<b>4.0</b>	<b>4.5</b>	<b>4.8</b>

Source: TPS Group, Value Track Analysis

### Low Capex and NWC driving ca.71% OpFCF/EBITDA conversion rate

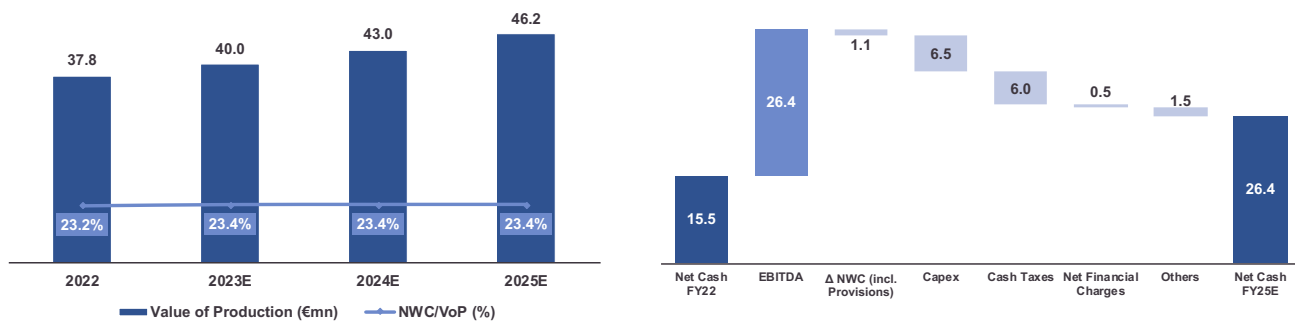
At the Balance Sheet / Cash Flow level, we expect ever improving figures driven by:

- ◆ **Net Working Capital** stable at 23.4% of Total Revenues, substantially in line with 2022 and absorbing ca. €0.7mn y/y;
- ◆ **Net Fixed Assets** slowly increasing as an effect of modest but consistent CapEx (ca. €2.2mn per year on average) and no major investments over the period 2023E-2025E.

As a result, we forecast:

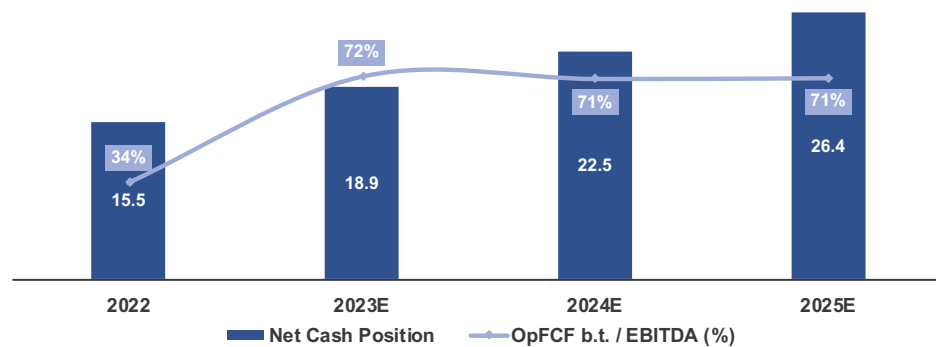
- ◆ **OpFCF<sub>b.t.</sub> / EBITDA** in the **70% region**, with a cumulative €18.7mn OpFCF<sub>b.t.</sub> generation;
- ◆ **Net Cash Position** to increase by €10.9mn on a cumulative basis (after €1.5mn dividends) and standing at **€26.4mn in 2025E**.

TPS Group: VoP vs. Net Working Capital (lhs) and Net Cash Position bridge 2022A-2025E (rhs)



Source: TPS Group, Value Track Analysis

Operating FCF and Net Financial Position Evolution 2022A-25E (€mn)



Source: TPS Group, Value Track Analysis

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

(€mn, IAS IFRS)	2022A	2023E	2024E	2025E
Net Fixed Assets	8.5	8.6	8.7	8.9
Net Working Capital	8.8	9.3	10.1	10.8
Provisions	4.4	4.7	5.0	5.3
<b>Total Capital Employed</b>	<b>12.9</b>	<b>13.2</b>	<b>13.8</b>	<b>14.4</b>
<b>Group Net Equity</b>	<b>28.4</b>	<b>32.2</b>	<b>36.3</b>	<b>40.8</b>
<b>Net Fin. Position [i.e. Net Debt (-) Cash (+)]</b>	<b>15.5</b>	<b>18.9</b>	<b>22.5</b>	<b>26.4</b>

Source: TPS Group, Value Track Analysis

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

(€mn, IAS IFRS)	2022A	2023E	2024E	2025E
EBITDA	7.6	8.1	8.8	9.5
Δ Net Working Capital, Provisions	-1.1	-0.6	-0.7	-0.7
Capex	-3.3	-2.0	-2.2	-2.3
Δ Provisions	-0.6	0.3	0.3	0.3
<b>OpFCF b.t.</b>	<b>2.6</b>	<b>5.8</b>	<b>6.2</b>	<b>6.7</b>
<i>As a % of EBITDA</i>	<i>34%</i>	<i>72%</i>	<i>71%</i>	<i>71%</i>
Cash Taxes	-1.6	-1.8	-2.0	-2.1
<b>OpFCF a.t.</b>	<b>1.0</b>	<b>4.0</b>	<b>4.2</b>	<b>4.6</b>
Others (incl. Financial Inv.)	0.7	0.0	0.0	0.0
Net Financial Charges	-0.2	-0.2	-0.2	-0.2
Dividends Paid	-0.6	-0.4	-0.5	-0.5
<b>Net Cash Generated (Absorbed)</b>	<b>1.0</b>	<b>3.4</b>	<b>3.6</b>	<b>3.9</b>

Source: TPS Group, Value Track Analysis



## Why we believe TPS is an Undervalued Stock

TPS shares have experienced a de-rating over the years, resulting in multiples that do not match with its strong fundamentals (EV/EBITDA from 5.0x in 2017 to less than 3.0x as of today). Mkt. Cap/EBITDA ratio has remained largely unchanged, so we hint that the market has not properly valued the cash generated in 2021-2022 (over €10mn). For this reason, we believe that any M&A-related news that would turn current excess cash into EBITDA has the potential to act as a catalyst, triggering a substantial re-rating of the stock price.

We initiate coverage on TPS Group with ca. €9.2 Fair Equity Value per share obtained as a simple average of: 1) DCF model analysis; 2) Peers analysis based on current stock trading multiples. Our Valuation is further supported by cross-checks on Value Maps and potential M&A effects.

We set **fair Equity Value per share at ca. €9.20** (€9.17 for the sake of precision), obtained by taking into account the following valuation methodologies:

- ◆ **DCF model**, aimed at capturing TPS medium-term growth potential, cash generation capability and risk profile, leading at ca. €9.5 p/s;
- ◆ **Peers Analysis**, aimed at assessing TPS valuation based on its 2023E-25E expected performance compared to peers and leading to €8.85 p/s.

### TPS Group: Valuation Summary

Valuation Methodologies	Fair Equity Value p/s (€)	Fair Equity Value (€, mn)
DCF Model	9.5	68.8
Current Market Multiples	8.9	64.3
<b>Fair Equity Value (avg.)</b>	<b>9.2</b>	<b>66.5</b>

Source: Value Track Analysis

At fair value the stock would trade at **5.9x - 5.0x EV/EBITDA**, **7.7x - 6.4x EV/EBIT** and **16.5x - 14.8x P/E Adj**, for 2023E and 2024E respectively.

### TPS Group: Sensitivity of implicit stock trading multiples

Equity Value p.s.	EV / Sales (x)		EV / EBITDA (x)		EV / EBIT (x)		P / E Adj.(x)	
	2023E	2024E	2023E	2024E	2023E	2024E	2023E	2024E
€ 8.67	1.1	0.9	5.4	4.6	7.1	5.9	15.6	14.0
€ 8.92	1.1	1.0	5.7	4.8	7.4	6.2	16.0	14.4
<b>€ 9.17</b>	<b>1.2</b>	<b>1.0</b>	<b>5.9</b>	<b>5.0</b>	<b>7.7</b>	<b>6.4</b>	<b>16.5</b>	<b>14.8</b>
€ 9.42	1.2	1.1	6.1	5.2	8.0	6.7	16.9	15.2
€ 9.67	1.3	1.1	6.3	5.4	8.3	7.0	17.4	15.6

Source: Value Track Analysis

## # 1 Discounted Cash Flow Model

We base our DCF model at “Target capital structure” 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 0.89 (Source: Damodaran web site), calculated as an average of Aerospace & Defense (0.90), Auto & Truck (0.86), Business and Consumer Services (0.91);
- ◆ Implied Italian Equity Risk premium at 8.1% (Source: Damodaran web site, January '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;
- ◆ 2% Perpetuity Growth Rate (“g”).
- ◆ Target Capital structure with Net Debt at 20% of the Capital Invested, assuming that current excess cash will be used for M&A;

The result is ca. 11.5% WACC, leading to **€9.5 fair Equity Value p/s.**

### TPS Group: DCF Model with Rolling Capital Structure

(€mn, g = 2.0%)	(€mn)
PV of Future Cash-Flows 2023E-2030E	23.8
PV of Terminal Value 2030E	29.5
<b>Fair Enterprise Value</b>	<b>53.3</b>
Net Cash Position 2022YE	15.5
Minorities, Other Liabilities / Assets	0.0
<b>100% Fair Equity Value</b>	<b>68.8</b>
<b>Fai Equity Value p.s. (€)</b>	<b>9.5</b>

Source: Value Track Analysis

### TPS Group: Sensitivity of DCF Model with Target Capital Structure

Fair Equity Value p.s. (€)	Perpetuity Growth (%)					
	1.00%	1.50%	2.00%	2.50%	3.00%	
WACC (%)	10.6%	9.4	9.7	9.9	10.2	10.6
	10.8%	9.2	9.5	9.7	<b>10.0</b>	10.3
	11.1%	9.0	9.2	<b>9.5</b>	9.7	10.0
	11.3%	8.9	<b>9.1</b>	9.3	9.5	9.8
	11.6%	8.7	8.9	9.1	9.3	9.5

Source: Value Track Analysis

We underline that a possible re-leverage coming as a consequence of some M&A deal would likely add further value.

## #2 - Peers Analysis

### Choice of Comparables

Since there are no listed companies that are exactly similar to TPS, we have identified a group of peers that can be classified as "Tech-Enablers", meaning they provide services that facilitate their clients' operational efficiency. That said, we have identified two clusters.

- ◆ **As for international Peers**, companies operating in the technical engineering sector with a main focus on A&D and automotive industries;
- ◆ **As for domestic peers**, Italian companies operating in various corporate services areas that meet the following criteria: 1) aligned with the tech - enabler profile; 2) have similar business models; 3) comparable on a stock market perspective.

Furthermore, all of the companies are generally characterized by a high revenue / employee (ca. 100k on average for both clusters) and low capital expenditures, indicating their value-added labor based nature.

### TPS: Peers' Market Positioning

Peers	HQ	Business	Mkt Cap (€mn)	Sales 2023E (€mn)	EBITDA Margin 2023E (%)
<b>International Peers</b>					
Alten	France	Consulting & Engineering	5,250	4,122	12.6
Sogecclair	France	Eng. & manufacturing	60	146	11.2
Bertrandt Group	Germany	Consulting & Engineering	495	1,119	10.5
EDAG Engineering Group	Germany	Engineering Services	273	822	12.1
Ricardo PLC	UK	Consulting & Engineering	372	427	12.4
Arcadis	Netherlands	Consulting & Engineering	3,506	4,242	11.8
<b>Domestic Peers</b>					
TXT e-solutions	Italy	Software services	246	223	14.3
Star7	Italy	Translation services	78	108	16.6
Reti	Italy	IT Solutions	24	30	12.1
TNXT	Italy	Software / internet services	850	411	22.9
Spindox	Italy	ICT & Consulting	53	99	7.7
Reply	Italy	ICT & Consulting	3,872	2,164	16.1
<b>TPS</b>	<b>Italy</b>		<b>40</b>	<b>39</b>	<b>20.2</b>

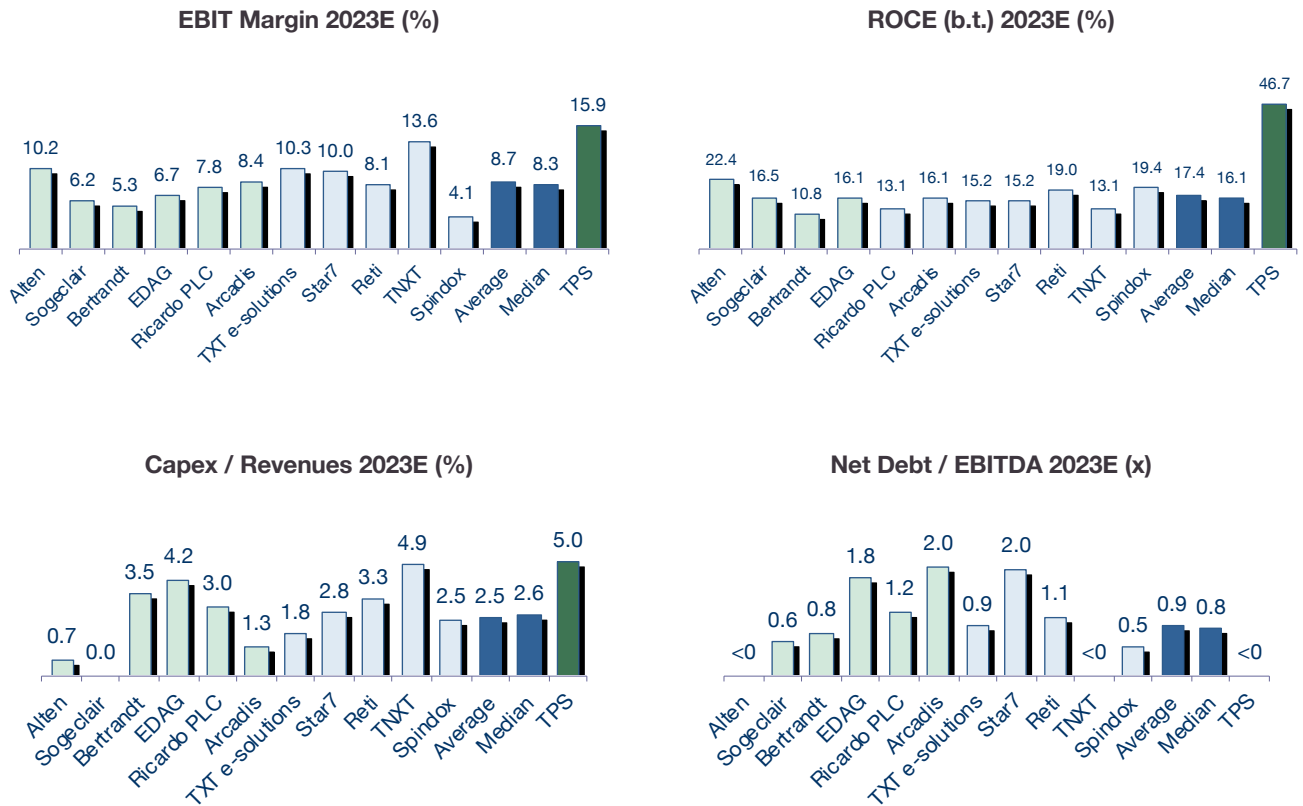
Source: Market Consensus as of 04/05/2023, Value Track Analysis

### TPS Group better than Peers on most KPIs

Comparing TPS Group with selected peers we note that, but for the lower size revenues growth, TPS stands better on the following KPIs:

- 1. Operating Profitability.** we forecast TPS to maintain much higher EBIT Margin than peers in line with historical figures (2023E at 15.9% vs. 8.7% for peers);
- 2. Return on Capital.** We expect TPS to maintain a much higher than average ROCE thanks to its light business model (Capex / VoP at ca. 5.0%) and strong operating profitability;
- 3. Financial Leverage.** TPS boasts Net Debt / EBITDA <0, as only 2 of its peers.

**TPS Group: Benchmark vs. Peers**



Source: Market Consensus as of 04/05/2023, Value Track Analysis

**Valuing TPS Group based on peers’ current stock multiples**

We take into consideration 2023E as base valuation year, and EV/EBITDA, EV/EBIT and Adj. P/E as the most appropriate “standard” reference multiples, capable to properly take into account the different profitability and capital intensity of the various companies included in the sample.

We note that domestic peers trade at a premium compared to international ones, primarily due to the higher representation of tech-oriented companies operating in the ICT and Software fields in the domestic cluster, in contrast to the international cluster which is predominantly composed of pure engineering services players (e.g., Bertrand, Sogeclear).

Due to the same reason, the Italian cluster is also more scattered and boasts a wide dispersion between the most expensive (TNXT) and the cheapest ones (Spindox, Star7).

In order to smooth such dispersion, we set as “fair” 2023E-2024E multiples the median values, to which we apply a 20% discount due to TPS moderate size. By doing this, we get to 6.3x - 5.1x EV/EBITDA, 9.2x - 7.2x EV/EBIT, 12.7x - 10.9x Adj. P/E for 2023E-2024E respectively.

Such analysis leads to calculate TPS Group **fair Equity Value** per share at **€8.85**.

**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	5,250	9.5	8.6	11.7	10.7	17.3	15.8
Sogeclair	60	4.3	3.6	7.8	7.2	15.9	13.7
Bertrandt Group	495	5.0	3.9	9.9	6.9	13.9	10.1
EDAG Engineering Group	273	4.5	4.1	8.2	7.1	8.7	7.3
Ricardo PLC	372	8.2	7.4	12.9	11.1	nm	18.7
Arcadis	3,506	8.9	7.9	12.5	10.6	15.9	13.6
<b>EU Tech Enablers - Average</b>	<b>1,659</b>	<b>6.7</b>	<b>5.9</b>	<b>10.5</b>	<b>8.9</b>	<b>14.3</b>	<b>13.2</b>
<b>EU Tech Enablers - Median</b>	<b>433</b>	<b>6.6</b>	<b>5.8</b>	<b>10.8</b>	<b>8.9</b>	<b>15.9</b>	<b>13.7</b>
<b>Domestic Peers</b>							
TXT e-solutions	246	8.2	7.1	11.4	9.5	16.4	14.5
Star7	78	6.8	5.3	11.3	7.3	8.9	6.4
Reti	24	7.5	5.7	11.2	7.7	14.8	10.6
TNXT	850	10.4	8.5	17.5	13.1	16.3	13.5
Spindox	53	7.0	5.3	13.0	8.5	33.4	20.2
Reply	3,872	10.4	9.0	12.6	10.8	18.9	17.0
<b>ITA Tech Enablers - Average</b>	<b>854</b>	<b>8.4</b>	<b>6.8</b>	<b>12.8</b>	<b>9.5</b>	<b>18.1</b>	<b>13.7</b>
<b>ITA Tech Enablers - Median</b>	<b>162</b>	<b>7.9</b>	<b>6.4</b>	<b>12.0</b>	<b>9.0</b>	<b>16.4</b>	<b>14.0</b>
<b>Total Average</b>	<b>1,256</b>	<b>7.6</b>	<b>6.4</b>	<b>11.7</b>	<b>9.2</b>	<b>16.4</b>	<b>13.4</b>
<b>Total Median</b>	<b>322</b>	<b>7.9</b>	<b>6.4</b>	<b>11.6</b>	<b>9.0</b>	<b>15.9</b>	<b>13.7</b>
<b>TPS Fair Multiple</b>		<b>6.3</b>	<b>5.1</b>	<b>9.2</b>	<b>7.2</b>	<b>12.7</b>	<b>10.9</b>
<b>100% Fair Equity Value (€mn)</b>		<b>69.8</b>	<b>67.4</b>	<b>76.0</b>	<b>71.8</b>	<b>51.5</b>	<b>49.1</b>

Source: Market Consensus as of 04/05/2023, Value Track Analysis

### #1 Cross - check: Value Maps

Value maps confirm a positive correlation between stock trading multiples and financial performance of the selected companies.

More in details, stock trading multiples are higher for those companies boasting:

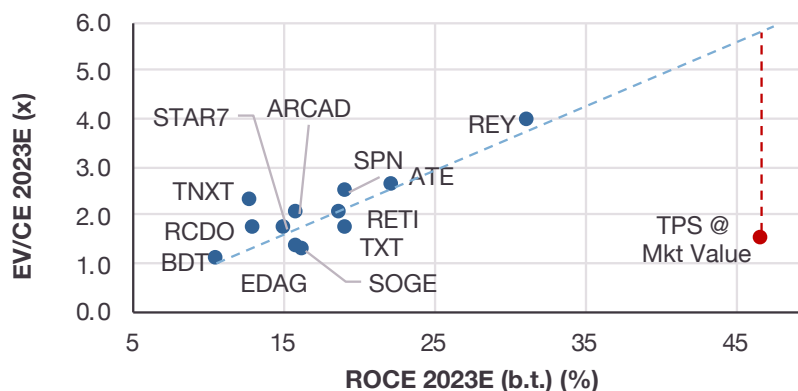
- ◆ Higher Return on Capital Employed;
- ◆ Higher margins, measured at both EBITDA and EBIT levels.

From this point of view, TPS Group should be rewarded with higher-than-average multiples given its better than peers financial profile.

More in particular, taking into account our current 47% forecast for TPS ROCE 2023E, we note that a fair EV/CE 23E could stand in the 5x-6x region.

Other cross-checks on margins and Capex further reinforce a fair value exceeding €9 per share.

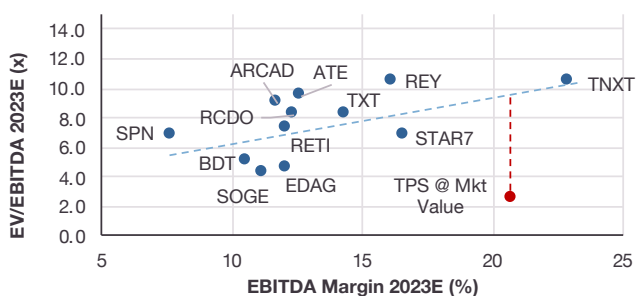
#### TPS Group: EV/CE 23E vs. ROCE 23E



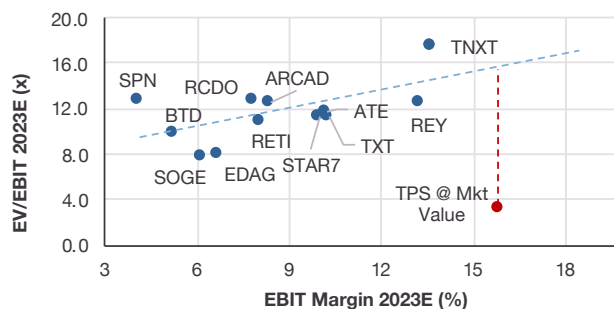
Source: Market Consensus as of 4/05/2023, Value Track Analysis

#### TPS Group: Peers' Value Maps

##### EV/EBITDA 23E vs. EBITDA Margin 23E



##### EV/EBIT 23E vs. EBIT Margin 23E



Source: Market Consensus as of 4/05/2023, Value Track Analysis

## #2 Cross - check: Excess cash valued at huge discount

### EV/EBITDA derating in recent years driven by valuation discount on excess cash

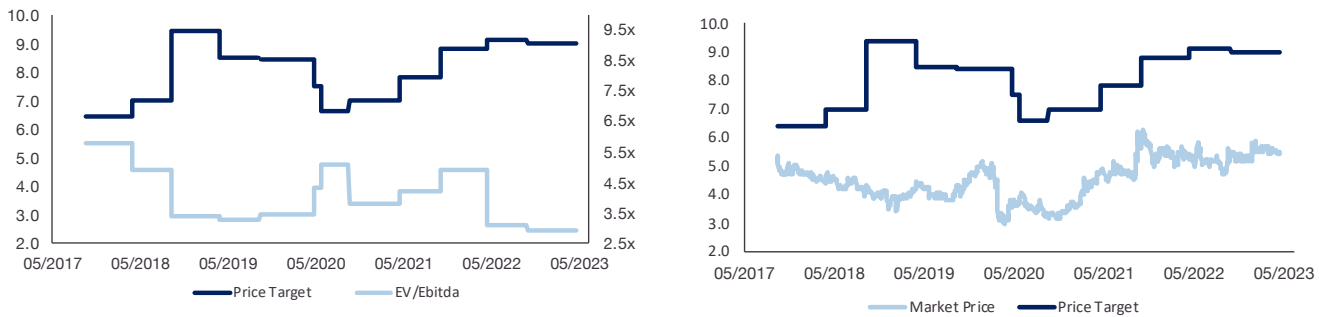
Despite demonstrating growth both organically and through M&A, TPS has experienced a valuation de-rating over the years, which has resulted in multiples that do not currently align with the company's strong fundamentals and growth potential. We note that the Company's EV/EBITDA has declined from over 5.0x in 2017 to ca.2.6x as of today.

Our belief is that the stock market is assigning a zero value to the over €10mn cash generated between 2021-2022.

Indeed, the above-mentioned valuation derating didn't come with a decrease of the share price. On the contrary, since its IPO TPS share price has moved laterally in a trading range centred on €4.5-€5.0 level, and in the post-COVID period, the Market Cap/EBITDA ratio has remained largely unchanged at ca. 5.0x-5.5x.

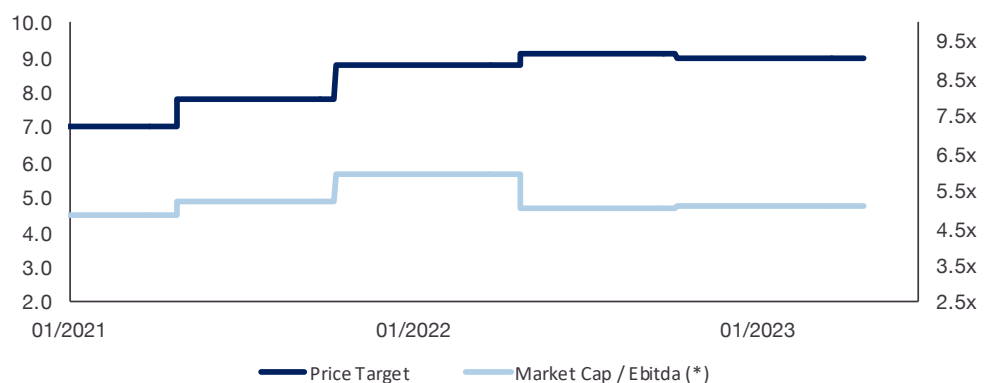
That's why we believe that any M&A deal properly utilizing the current excess cash to boost EBITDA would act as a catalyst on TPS share price.

**TPS Group: Historical evolution of Stock Market Price, Consensus Price Target, Implied EV/EBITDA ratio**



Source: Market Consensus, Value Track Analysis

**TPS Group: Historical evolution of Price Target and Market Cap / EBITDA ratio**



Source: Market Consensus, Value Track Analysis, (\*) Ratio from the latest Equity Research available for each period

### Impact on fair value of possible M&A deals

In order to quantify the impact on our fair value of possible M&A deals finalized by TPS let's assume the following hypotheses:

- 1) M&A Target companies to account for ca. €15mn Revenues and 20% EBITDA margin;
- 2) M&A deals to take place on a debt-free basis;
- 3) Target companies to be paid 5x EBITDA 2023E.

Following the acquisition, the "new" TPS 2023E Pro-Forma would record €55mn Total Revenues, €11mn EBITDA and €6.9mn Net Cash Position (i.e. €18.9mn net of €15mn entirely paid via cash).

#### TPS: M&A simulation

	TPS "as is"		M&A Targets		TPS + Targets	
	2023E	2024E	2023E	2024E	2023E	2024E
<b>Total Revenues</b>	<b>40.0</b>	<b>43.0</b>	<b>15.0</b>	<b>16.5</b>	<b>55.0</b>	<b>59.5</b>
EBITDA	8.1	8.8	3.0	3.3	11.1	12.1
EBITDA Margin (%)	20.2%	20.5%	20.0%	20.0%	20.6%	20.7%
EBIT	6.2	6.8	2.7	3.0	8.9	9.8
Net profit	4.0	4.5	2.0	2.3	5.4	6.0
<b>Net Financial Position</b>	<b>18.9</b>	<b>22.5</b>	<b>0.0</b>	<b>1.8</b>	<b>3.9</b>	<b>9.3</b>

Source: Value Track analysis

Based on the previously identified fair 5.9x FY1 EV/EBITDA multiple, our fair equity value p.s. would move up to ca €9.6, i.e. an increase of fair value of ca. €0.40 per share.

The higher the EBITDA TPS acquires, the larger the re-rating potential of the stock.

#### TPS Group: Stock Value Post M&A at 5.9x EV / EBITDA

	(€mn)
Fair EV post M&A @ 5.9x EV / EBITDA	65.5
Net Cash 2023E post M&A	3.9
Fair Equity Value post M&A	69.4
<b>Fair Equity Value p.s. (€)</b>	<b>9.6</b>

Source: Value Track Analysis

#### TPS Group: Sensitivity of the stock price to acquired EBITDA

Fair Equity Value p.s. (€)		"Re-rated" EV / EBITDA post M&A				
		5.4x	5.7x	5.9x	6.2x	6.4x
EBITDA Acquired (€mn)	4.5 mn	8.9	9.3	9.7	10.2	10.6
	3.8 mn	8.8	9.2	9.7	<b>10.1</b>	10.5
	3.0 mn	8.8	9.2	<b>9.6</b>	9.9	10.3
	2.3 mn	8.8	<b>9.1</b>	9.5	9.8	10.2
	1.5 mn	8.7	9.0	9.4	9.7	10.0

Source: Value Track Analysis



## Appendix – Peers' Description

### TPS: Peers' Business Profile

**Alten** – French multinational technology consulting and engineering company which provides design and research projects for the technical and information systems divisions in the industrial, telecommunications, and service sectors. Alten Group supports the development strategy of its customers in the fields of innovation, R&D and technological information systems.

**Sogeclair** – French international company active in the design and manufacturing, integration and support of major aero structures and aircraft interiors components. The company also offers simulation and stress analysis, training solutions and configuration management at program, engineering & industrial levels.

**Bertrand Group** – German company active in the engineering consulting and production support services to the Automotive and Aeronautics industry. The company provides outsourcing services for the design, development, construction and testing of components, interiors, engines and drive trains.

**EDAG Eng. Group** – Germany-based engineering services provider with a core business in the global Automotive industry. The company's expertise includes the integrated development and optimization of vehicles, production facilities, derivatives and modules. EDAG offers complementary engineering services such as design and concept development, vehicle validation and testing, development of electrics and automation technology, among others. EDAG also designs and develops technologies for applications in the Automotive industry, including lightweight construction, electric mobility, digitalization, integral safety and new production technologies .

**Ricardo PLC** – UK-based engineering and environmental consultancy business focused on the transport, energy, and resources sectors. It has operating segments in Energy & Environment, Rail, Defense, Performance Products, and Automotive & Industrial, serving global markets and providing technical and engineering services, software solutions, and manufacturing of niche components.

**Arcadis NV** – Netherland-based company specialized in providing consultancy, design, engineering and management services for infrastructure, water, environment and buildings. The group develops, designs, implements, maintains and operates projects for private sector companies and governments.

**TXT e-solutions** – Italian company operating in the information and communication technology market. It provides businesses with software-based solutions and services. The Company structures its business into two main segments: TXT Perform and TXT Next. In the TXT Perform segment, it designs and develops software and IT solutions for the fashion and luxury, specialty retail, consumer packaged goods (CPG), and discrete manufacturing sectors.

**Star7** – STAR7 SpA is an Italy-based company that focuses on professional translations for a variety of content. The company offers not only translations but also copywriting services, corporate language consulting, interpreting and corporate terminology management.

**Reti** – Italian information technology company. Its offerings include IT Solutions, Managed Service Provider, Business Consulting. IT Solutions provides artificial intelligence (AI), business intelligence, cloud and infrastructure, software development. Managed Service Provider offers Security Operations Center, management services and support for

applications and infrastructure. Business Consulting specializes in finance, insurance, project, program and portfolio management, and business analysis.

**Tinexta** – formerly Tecnoinvestimenti SpA, is an Italian holding company operating mainly in the software and Internet services sector. Through its subsidiaries it operates in three segments: Digital Trust, Information and Credit Management, and Innovation and Marketing Services.

**Spindox** – Italian company engaged in the ICT sector. The company focuses on the design, development and integration of innovation as it aims to support the business innovation of its clients in Italy and abroad. Spindox SpA operates in four areas: Consulting, ICT Services, Technology and Research. The company operates in Italy, as well as in Spain, Switzerland, the United Kingdom, and the United States, through its subsidiaries.

**Reply** – Italian company active in the information and communication technology sector. It specializes in the creation and implementation of solutions based on new communication networks and digital media. It covers three areas of expertise: processes, applications and technologies. In these three lines of expertise it offers consulting, systems integration, and application management. It operates in various sectors, including telecommunications, utilities, media, industry and services, banking, insurance and financial operators, public administration, and health care. .

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